Nine-month Consolidated Financial Report for the Fiscal Year ending October 31, 2010 [Japan GAAP]

September 3, 2010

Listed Company Name Kanamoto Company, Ltd.
Company Code Number 9678
Listing Exchanges Tokyo Stock Exchange, Sapporo Stock Exchange
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Scheduled date for submission of Quarterly Report September 13, 2010
Scheduled date for commencement of dividend payments –
Preparation of Quarterly Settlement Supplementary Explanatory Materials No
Quarterly Earnings Briefings No

1. Operating Results for the Nine-Month Period of the Fiscal Year Ending October 31, 2010
(November 1, 2009 – July 31, 2010)

(1) Consolidated Operating Results (Cumulative) (Numbers less than one million yen have been rounded down)
(Percentages shown are the percent increase or decrease compared to the same period of the prior consolidated fiscal year)

	Revenues		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal Year ending October 31, 2010: Third quarter	53,191	12.6	2,884	☐	2,457	☐	1,105	☐
Fiscal Year ended October 31, 2009: Third quarter	47,258	☐	−299	☐	−544	☐	−858	☐

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Fiscal Year ending October 31, 2010: Third quarter	33.68	—
Fiscal Year ended October 31, 2009: Third quarter	−26.13	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
Fiscal Year ending October 31, 2010: Third quarter	104,634	37,222	35.0	1,116.50
Fiscal Year ended October 31, 2009	96,435	36,541	37.5	1,102.51

(Reference) Shareholders' equity
Fiscal Year Ending October 31, 2010 Third Quarter: ¥36,661 million
Fiscal Year Ended October 31, 2009: ¥36,203 million

2. Dividends

	Dividend per Share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Full year
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended October 31, 2009	☐	10.00	☐	10.00	20.00
Fiscal year ending October 31, 2010	☐	10.00	☐		
Fiscal Year ending October 31, 2010 (Projected)				10.00	20.00

(Note) Has the Company revised its projected dividends during this quarter? No

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

(November 1, 2009 - October 31, 2010)

(Percentages indicate percent change from prior fiscal year)

	Revenues		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	67,300	5.4	1,340	875.8	730	☐	330	☐	10.04

(Note) Has the Company revised its projected consolidated operating results during the quarter? No

4. Other (For details please refer to [Attachments] Page 8 "Other Information".)

(1) Were there changes to material subsidiaries during the period under review: No

Company newly included (Company name:)

Company newly excluded (Company name:)

Note: Transfer of specified subsidiaries in conjunction with revisions to the scope of consolidation.

(2) Has the Company applied the simplified accounting method and special accounting method: Yes

Note: Application of simplified accounting method and special accounting method in the preparation of quarterly consolidated financial statements.

(3) Changes in accounting principles, procedures or representation methods

(a) Are there changes in conjunction with revision to accounting standards?: Yes

(b) Changes other than the above: No

Note: Changes in accounting principles, procedures and reporting methods pertaining to preparation of the quarterly consolidated financial statements recorded in the Changes in Important Matters Used as the Basis for Preparation of the Consolidated Financial Statements.

(4) Number of shares issued (common stock)

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

Fiscal year ending October 31, 2010 Third Quarter:	32,872,241 shares
Fiscal year ended October 31, 2009:	32,872,241 shares

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

Fiscal year ending October 31, 2010 Third Quarter:	36,212 shares
Fiscal year ended October 31, 2009:	34,385 shares

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

Fiscal year ending October 31, 2010 Third Quarter:	32,837,073 shares
Fiscal year ended October 31, 2009:	32,839,224 shares

Note: Disclosure concerning status of implementation of quarterly review procedure

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

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

The forward-looking statements, including business results forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Actual business results may differ substantially due to a number of factors. Please refer to the Qualitative Information Concerning Projected Operating Results on Page 3 of the Attachments for the conditions used as assumptions for the projected operating results and matters to note before using the projected operating results.

Attachments Table of Contents

1. Qualitative Information Concerning Consolidated Operating Results

< Management Environment > (From November 1, 2009 to July 31, 2010)

During the Kanamoto Group's third quarter, Japan's economy was boosted by a recovery in the business of major corporations, and even domestic business conditions gradually exhibited a recovery trend. At the same time, however, multiple concerns emerged over the uncertain outlook for the economies in Europe and the United States and the slowdown of China's economy since the start of 2010, even as Japan's external demand-led business recovery encountered yellow warning lights because of the rapid strengthening of the yen. Under such conditions, a further recovery in business in the months ahead is expected to be difficult as companies grapple with the ongoing slump in private sector capital investment, deflation in the services, logistics and other sectors shows no signs of halting and the positive boost in personal consumption from consumption stimulus measures such as the eco-car tax reduction and eco-point system run their course.

In the construction industry, construction demand related to economic stimulus measures was evident in certain regions, but was countered by noticeable weakness of private sector construction demand in the Tokyo metropolitan area and other urban centers.

< Third Quarter Year-to-Date Operating Results > (From November 1, 2009 to July 31, 2010)

The consolidated year-to-date operating results of the Kanamoto Group for the third quarter of the fiscal year ending October 31, 2010 continued to be affected by the severe operating environment. In general, however, construction equipment rental demand improved slightly compared with the same period of the prior consolidated fiscal year, and the used construction equipment market enjoyed a comparatively early recovery. As a result, consolidated revenues rose 12.6% compared with the same period one year earlier to ¥53,191 million. There was positive news on the earnings front as well, as the Group achieved consolidated operating income of ¥2,884 million, compared with an operating loss of ¥299 million in the same period one year ago, and consolidated ordinary income of ¥2,457 million versus an operating loss in the first three quarters of the prior consolidated fiscal year of ¥544 million. Consolidated third quarter year-to-date net income also improved to ¥1,105 million, up from a net loss of ¥858 million one year earlier.

A summary of operating results for each of the Company's businesses is provided below.

[Business related to the Construction Equipment Rental Division]

The domestic construction equipment rental environment was extremely harsh, reflecting a further drop in construction works during the traditional slow season for public works at the start of the government's fiscal year, a House of Councilors election and accelerating price competition among construction equipment rental firms. The Kanamoto Group worked to improve its regional market share, while differentiating itself from competitors by strengthening its lineup of new energy-saving equipment and engaging in proposal-based sales of practical computerization of labor saving works. Moreover, looking just at the third quarter, despite the fact the quarter was not as robust as the second quarter, a reflection of the traditional pattern of lower sales in this quarter and the fact one-time emergency economic measure-related construction works also reached an end, rental revenues in this business sector for the third quarter consolidated accounting period rose 9.7% compared with the same period of the prior consolidated fiscal year.

By region, the Company achieved a 29.3% year-on-year revenue increase and maintained double-digit growth in the Hokkaido Region, even as a shadow fell across the region as emergency economic measure-related works were interrupted. The Company also was successful in the Tohoku Region, where it achieved a 3.6% increase, and also expanded its market share in the Kanto, Kinki & Chubu and Kyushu & Okinawa regions, even as private sector demand weakened and sales slipped by 9.4%, 1.4% and 7.2%, respectively, and reduced the size of the earnings decline that continued until the second quarter. In rain-drenched regions such as Kyushu, Chugoku and Kinki in particular, where restoration works following storm disasters were needed, disaster recovery projects are underway and positive conditions are expected to continue into the fourth quarter.

In the same business segment, revenues from equipment sales jumped sharply and increased 107.2% compared with the same period one year earlier. Because the international market for used construction equipment has recovered rapidly, Kanamoto's sales strategy was not overly affected despite lower sale prices on some models because of the yen's rapid appreciation since March.

Among the Company's construction equipment rental subsidiaries in other countries, the Shanghai Jinheyuan Group (Shanghai Jinheyuan Equipment Rental Co., Ltd. and Shanghai Jinheyuan Engineering Construction Co., Ltd.) has been developing construction equipment rentals in major metropolitan areas such as Tianjin and Chongqing in China since the overall halt of construction works in Shanghai during the period of the Shanghai Expo, and is achieving steady growth in operating results.

As a result of these factors, third quarter year-to-date results for Kanamoto's construction-related businesses substantially exceeded plan, as revenues increased 15.4% from the same period of the prior consolidated fiscal year to ¥49,233 million, and operating income was ¥2,896 million, compared with an operating loss of ¥299 million in the same period one year earlier.

[Business related to the Steel Sales Division]

Because of the marked decline in steel materials demand and a drop in both public and private sector construction investment, the Steel Sales Division focused on broadening its product lineup by adding items such as building materials, and strove to identify new sources of steel demand in Hokkaido in addition to existing general contractors and fabricators. As a result, in many districts the Company was able to maintain revenues at the same level as in the prior fiscal year, but because of the large influence from the drop in sales in the Sapporo area, revenues for the consolidated third quarter year-to-date period fell 19.6% from the same period of the prior consolidated fiscal year to ¥3,432 million and operating income dipped 0.8% year-on-year to ¥17 million.

[Information Products Division-related businesses and other business]

In the Company's information and telecommunications-related division, development-related actual demand was off because of weak domestic corporate operating performance, and there was no change in the negative trend in personal computer rentals. Sales of both new models and used devices also failed to gain traction. The engineer temporary staffing business, on the other hand, successfully marketed its services to corporate research and development divisions and steadily expanded its operating results. As a result of these factors, for the third quarter year-to-date period of the consolidated fiscal year under review, revenues increased 54.1% from the same period of the prior consolidated fiscal year to ¥525 million, and operating income fell 52.8% year-on-year to ¥12.0 million.

[Business development issues deserving special mention and status of branch office changes]

(1) On June 1, 2010, Kanamoto absorbed and merged with Narasaki Lease Co., Ltd. (Head office: Chuo-ku, Sapporo, Hokkaido) and Aomori Narasaki Rental Co., Ltd. (Head office: Aomori City, Aomori Prefecture), two of its subsidiaries.

(2) The Company did not open or close any branches during the third quarter year-to-date consolidated accounting period. In conjunction with the absorption-type merger with the former Narasaki Lease Co., Ltd. and Aomori Narasaki Rental Co., Ltd. described above, the Company succeeded to seven of these subsidiaries' 13 branches (six in Hokkaido and one in Aomori Prefecture) as bases of Kanamoto.

2. Qualitative Information Concerning Consolidated Financial Position

(1) Assets, liabilities and net assets

Total assets at the end of the third quarter under review increased by ¥8,199 million compared with the end of the prior consolidated accounting fiscal year to ¥104,634 million. This change was mainly an increase of ¥5,116 million from newly including four consolidated subsidiary companies in the scope of consolidation from the first quarter consolidated accounting period, and an increase in cash and deposits.

Total liabilities were ¥67,412 million, an increase of ¥7,519 million compared with the end of the prior consolidated accounting fiscal year. This mainly reflected an increase of ¥4,822 million because of the increase in the number of consolidated subsidiaries, the same reason for the increase in total assets, an increase of ¥7,592 million in short-term bank loans and a decrease of ¥6,032 million in long-term bank loans and an increase in corporate taxes payable of ¥1,221 million.

Total Net Assets were ¥37,222 million, ¥680 million higher than at the end of the prior consolidated accounting fiscal year. This mainly reflected income before taxes and adjustments of ¥2,531 million, and a decrease in earned surplus as the result of dividend payments.

(2) Consolidated cash flows

Cash flow from operating activities was ¥7,526 million. This mainly reflected quarterly income before income taxes and minority interests of ¥2,531 million, and depreciation and amortization expense of ¥5,687 million.

Cash flow from investing activities was ¥227 million. This mainly reflected funds provided from sale of investment securities of ¥775 million and funds used for the purchase of investment securities of ¥537 million.

Cash flow used in financing activities was ¥2,334 million. This mainly reflected an increase in short-term bank loans of ¥7,957 million and proceeds from long-term loans payable of ¥2,317 million, and funds used to repay long-term bank loans of ¥8,286 million and funds used for repayment of installment obligations of ¥3,182 million.

3. Qualitative Information Concerning Projected Consolidated Operating Results

There are no revisions to the projected operating results for the business period ending October 2010 that Kanamoto announced on May 28. Given the recent management environment during the third quarter, and considering the substantial lingering risk of an economic downturn in Kanamoto's fourth quarter depending on how the government responds in the short term through monetary and fiscal policy, the business environment for construction equipment rental demand that is the main business of the Kanamoto Group must unequivocally be deemed extremely opaque. In light of these circumstances, as well as the Kanamoto Group's operating results through the third quarter, the Company has not revised its full year operating results projection.

Moreover, in light of the present conditions, the Company has no plans to change the year-end dividend of ¥10 per share (¥20 including the interim dividend) announced in its initial plan.

These projected consolidated operating results materials were prepared using projections based on information available to the Company as of the date this material was released and forecasts of the future economic, environment, and include various risks and uncertainty factors. Accordingly, there is a possibility the Company’s actual consolidated operating results will differ from the projected amounts shown above as a result of various future factors, including but not limited to economic conditions surrounding the Company, market trends, and competitive conditions.

Other Information

1. Summary of Changes to Material Subsidiaries

The Company had no material items to report.

2. Summary of Simplified Accounting Method and Special Accounting Method

1. Appraisal methods for inventory assets

The appraisal value of inventories at the end of the third quarter under review has been calculated using a rational method based on physical inventories at the end of the interim consolidated accounting period, rather than physical inventories at the end of the quarter under review.

2. Method of calculating fixed asset depreciation expense

For depreciation and amortization expense for fixed assets for which it has adopted the declining balance method, the Company calculates the amount of depreciation and amortization pertaining to the consolidated fiscal year on a pro-rata basis for each period.

3. Summary of Changes in Accounting Principles, Procedures or Methods of Presentation

Change in reporting standard for completed contract revenues and cost of completed contracts

The Company traditionally reported revenues and costs of construction contracts by applying the completed-contract method. Beginning from the first quarter consolidated accounting period, the Company will apply the Accounting Standard for Construction Contracts (Accounting Standards Board of Japan Statement No. 15, December 27, 2007) and the Guidance on Accounting Standard for Construction Contracts (Accounting Standards Board of Japan Implementation Guidance No. 18, December 27, 2007). Beginning from works contracts for which construction activity was begun during the first quarter consolidated accounting period, the Company will apply the percentage of completion method for works for which the outcome of the construction activity is deemed certain by the end of the third quarter consolidated accounting period under review (with the estimate of the percentage of completion based on the cost incurred as a percentage of estimated total cost), and will apply the completed-contract method for all other works.

The effect of this change on the Company’s earnings and information by segment is not material.

III. Quarterly Consolidated Financial Statements

1. Quarterly Consolidated Balance Sheets

(Unit: Thousands of yen)

	Current Consolidated Fiscal Year Third Quarter (As of July 31, 2010)	Prior Fiscal Year Summary Consolidated Balance Sheet (As of October 31, 2009)
Classification	Amount	Amount
(Assets)		
Current assets		
Cash and deposits	18,600,500	12,345,028
Notes and accounts receivable, trade	13,042,910	14,388,250
Negotiable securities	1,250,000	1,800,000
Work in progress	39,207	38,326
Merchandise and finished goods	753,157	643,091
Raw materials and supplies	160,869	140,857
Construction equipment	988,411	1,011,437
Income taxes receivable	—	355,911
Consumption taxes receivable	—	71,661
Deferred tax assets	244,465	261,523
Other	632,548	783,704
Allowance for doubtful accounts	-406,000	-475,964
Total Current Assets	35,306,069	31,363,829
Fixed assets		
Tangible fixed assets		
Rental equipment assets	61,351,173	54,406,793
Accumulated depreciation	-36,393,474	-35,145,234
Net rental Equipment assets	24,957,698	19,261,559
Buildings and structures	20,835,660	20,904,695
Accumulated depreciation	-12,782,872	-12,296,819
Net buildings and structures	8,052,787	8,607,875
Machinery, equipment, vehicles and delivery equipment	5,190,398	5,206,308
Accumulated depreciation	-4,405,812	-4,316,731
Net machinery, equipment, vehicles and delivery equipment	784,585	889,577
Land	29,540,992	29,448,053
Construction in progress	10,235	—
Other	1,348,768	1,344,459
Accumulated depreciation	-1,077,689	-1,033,713
Net other	271,078	310,746
Total Tangible Fixed Assets	63,617,378	58,517,812
Intangible fixed assets		
Goodwill	396,224	542,304
Other	310,218	323,684

Total Intangible Fixed Assets	706,443	865,989
Investments and other assets		
Investment securities	2,623,685	3,218,486
Deferred tax receivable	1,164,370	1,286,857
Other	2,180,997	2,399,931
Allowance for doubtful accounts	-913,923	-929,977
Allowance for investment loss	-50,025	-287,897
Total Investments and Other Assets	5,005,104	5,687,400
Total Fixed Assets	69,328,926	65,071,202
Total Assets	104,634,996	96,435,031

	Current Consolidated Fiscal Year Third Quarter (As of July 31, 2010)	Prior Fiscal Year Summary Consolidated Balance Sheet (As of October 31, 2009)
Classification	Amount	Amount
(Liabilities)		
Current liabilities		
Notes and accounts payable, trade	12,294,660	13,150,825
Short-term bank loans	10,068,981	1,258,931
Long-term bank loans due within one year	9,982,677	10,537,364
Current portion of bonds	22,000	42,000
Corporate taxes payable	1,237,993	14,722
Accrued bonuses to employees	333,778	464,636
Accounts payable, other	4,844,130	4,293,687
Other	2,198,738	856,711
Total Current Liabilities	40,982,960	30,618,878
Long-term liabilities		
Bonds	22,000	44,000
Long-term bank loans	15,562,188	20,987,266
Accrued employees retirement benefits	1,343,648	1,320,173
Retirement allowances to directors and auditors	237,693	226,356
Long-term accrued expenses	7,364,303	6,327,718
Other	1,899,689	368,783
Total Long-term Liabilities	26,429,524	29,274,298
Total Liabilities	67,412,485	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	15,852,044	15,334,652

Treasury stock	-24,656	-23,917
Total Shareholders' Equity	36,484,975	35,968,321
Valuation and translation adjustments		
Valuation difference on other investment securities	207,716	235,603
Translation adjustments account	-31,182	—
Total Valuation and Translation Adjustments	176,533	235,603
Minority Interests	561,001	337,929
Total Net Assets	37,222,511	36,541,854
Total Liabilities and Net Assets	104,634,996	96,435,031

2. Consolidated Quarterly Statements of Income

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year Third Quarter From November 1, 2008 to July 31, 2009	Current Consolidated Fiscal Year Third Quarter From November 1, 2009 to July 31, 2010
Classification	Amount	Amount
Revenues	47,258,092	53,191,412
Cost of revenues	34,976,723	37,096,852
Gross profit	12,281,368	16,094,559
Selling, general and administrative expenses	12,580,792	13,209,732
Operating income (loss)	−299,423	2,884,827
Non-operating income		
Interest income	33,878	10,802
Dividend income	40,029	41,673
Insurance benefits	29,878	72,011
Rents received	35,614	28,563
Cash bonus received	4,450	1,627
Amortization of negative goodwill	52,374	52,374
Other	92,808	106,627
Total non-operating income	289,034	313,680
Non-operating expenses		
Interest expense	327,650	552,842
Loss on sale of notes receivable	45,236	36,091
Other	160,874	152,163
Total non-operating expenses	533,761	741,097
Ordinary income (loss)	−544,150	2,457,410
Extraordinary income		
Gain on sale of investment securities	—	153,765
Reversal of allowance for doubtful accounts	22,057	42,979
Reversal of accrued employees retirement benefits	17,332	—
Subsidies	—	89,441
Other	11,875	10,373
Total extraordinary income	51,265	296,560
Extraordinary losses		
Loss on sale or retirement of fixed assets	47,940	60,855
Impairment loss	312	—
Valuation loss on investment securities	288,378	15,199
Transfer to allowance for doubtful accounts	—	35,507

Transfer to allowance for loss on affiliated company liquidation	–	81,511
Other	41,277	29,325
Total extraordinary losses	377,907	222,399
Income (loss) before taxes and adjustments	–870,793	2,531,570
Corporate, local and business taxes	197,765	1,37,693
Adjustment for corporate and other taxes	–282,656	86,155
Total corporate and other taxes	–84,891	1,403,849
Minority interest in income	72,121	21,902
Net income (loss)	–858,023	1,105,819

3. Consolidated Quarterly Statements of Cash Flows

(Unit: Thousands of yen)

Classification	Prior Consolidated Fiscal Year Third Quarter From November 1, 2008 to July 31, 2009	Current Consolidated Fiscal Year Third Quarter From November 1, 2009 to July 31, 2010
Cash flow from operating activities		
Income (loss) before taxes and adjustments	−870,793	2,531,570
Depreciation and amortization expense	3,574,528	5,687,100
Impairment loss	312	—
Amortization of goodwill	135,326	151,978
Loss on sale or retirement of fixed assets	47,940	54,554
Installment purchases of assets for small-value rentals	24,714	17,062
Reclassification of cost of sales associated with disposal of construction equipment	16,436	646
Reclassification of cost of sales associated with disposal of rental assets	590,695	725,626
Expenditures for acquisition of rental assets	−2,839,317	−2,554,082
Valuation loss on investment securities	288,378	15,199
(Gain) loss on sales of investment securities	2,086	−153,309
Increase (decrease) in allowance for doubtful accounts	72,073	−101,651
Increase (decrease) in accrued bonuses to employees	−354,212	−139,934
Increase (decrease) in accrued employees retirement benefits	102,906	23,474
Increase (decrease) in retirement allowances to directors and auditors	−1,651	11,337
Interest revenue and dividend income	−73,908	−52,476
Interest expense on installment purchases of rental assets	120,900	136,094
Interest expense	327,650	552,842
Decrease in accounts receivable, trade	2,641,234	1,698,339
(Increase) decrease in inventory	101,946	−90,412
Increase (decrease) in accounts payable, trade	−2,112,666	−1,262,613
Increase (decrease) in accounts payable, other	165,693	189,179
Other	−128,851	636,169
Subtotal	1,831,422	8,076,694
Interest and dividends received	76,136	52,099
Interest expense	−474,846	−716,237

Payment of corporate and other taxes	−630,607	114,021
Cash flow from operating activities	802,105	7,526,578

	Prior Consolidated Fiscal Year Third Quarter From November 1, 2008 to July 31, 2009	Current Consolidated Fiscal Year Third Quarter From November 1, 2009 to July 31, 2010
Classification		
Cash flow from investing activities		
Disbursements for investments in term deposits	−9,228	−50,000
Revenue from redemption of term deposits	127,136	500
Funds used for the purchase of tangible fixed assets	−2,234,261	−46,434
Funds provided from the sale of tangible fixed assets	37,000	12,299
Funds used for the purchase of intangible fixed assets	−141,864	−36,676
Funds used for the purchase of investment securities	−538,916	−537,007
Funds provided from sale of investment securities	52,849	775,390
Funds used for the purchase of subsidiary stock in conjunction with change in scope of consolidation	−199,304	—
Funds used for the purchase of subsidiary stock	−46,000	−12,250
Funds used for establishment of subsidiary company	−52,339	—
Payments of loans receivable	—	−163,675
Funds provided from collection of short-term loans receivable	—	193,709
Other	−6,146	91,694
Cash flow from investing activities	−3,011,075	227,552
Cash flow from financing activities		
Increase in short-term bank loans	152,734	7,957,651
Funds provided by long-term bank loans	12,300,000	2,317,733
Funds used to repay long-term bank loans	−8,230,583	−8,286,450
Funds used to redeem corporate bonds	−62,000	−42,000
Funds used for repayment of installment obligations	−2,388,641	−3,182,845
Funds used for the purchase of treasury stock	−1,041	−738
Payment of dividends	−625,327	−631,575
Other	—	−466,228
Cash flow from financing activities	1,145,140	−2,334,455

Effect of exchange rate changes on cash and cash equivalents	—	385
Increase (decrease) in cash and equivalents	−1,063,829	5,420,060
Balance of cash and equivalents at beginning of period	17,566,695	14,086,028
Increase in cash and cash equivalents due to newly consolidated subsidiaries	—	185,114
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	24,629	50,797
Balance of cash and equivalents at end of the period	16,527,496	19,742,000

4. Notes Relating to the Going Concern Assumption

The Company had no material items to report.

5. Business Segment Information

[Segment Information by Type of Business]

Prior consolidated fiscal year third quarter (From May 1, 2009 to July 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
Revenues						
(1) Revenues from customers	12,625,577	1,928,622	113,579	14,667,779	—	14,667,779
(2) Intersegment revenue	—	—	—	—	—	—
Total	12,625,577	1,928,622	113,579	14,667,779	—	14,667,779
Operating income (loss)	−1,236,173	20,809	9,955	−1,205,409	−15,554	−1,220,963

Current consolidated fiscal year third quarter (From May 1, 2010 to July 31, 2010)

(Unit: Thousands of yen)

	Construction equipment rental business	Steel sales business	Information products business and other businesses	Total	Eliminations or entire company	Consolidated
Revenues						
(1) Revenues from customers	14,579,550	1,302,668	166,673	16,048,892	—	16,048,892
(2) Intersegment revenue	—	—	—	—	—	—
Total	14,579,550	1,302,668	166,673	16,048,892	—	16,048,892
Operating income (loss)	−335,717	19,733	8,532	−307,451	−16,333	−323,785

Prior consolidated fiscal year third quarter year-to-date period (From November 1, 2008 to July 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
Revenues						
(1) Revenues from customers	42,650,581	4,266,700	340,810	47,258,092	—	47,258,092
(2) Intersegment revenue	—	—	—	—	—	—
Total	42,650,581	4,266,700	340,810	47,258,092	—	47,258,092
Operating income (loss)	−299,402	17,556	26,276	−255,570	−43,852	−299,423

Current consolidated fiscal year third quarter year-to-date period (From November 1, 2009 to July 31, 2010)

(Unit: Thousands of yen)

	Construction equipment rental business	Steel sales business	Information products business and other businesses	Total	Eliminations or entire company	Consolidated
Revenues						
(1) Revenues from customers	49,233,892	3,432,204	525,315	53,191,412	—	53,191,412
(2) Intersegment revenue	—	—	—	—	—	—
Total	49,233,892	3,432,204	525,315	53,191,412	—	53,191,412
Operating income (loss)	2,896,642	17,413	12,407	2,926,463	−41,635	2,884,827

(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. Changes in accounting method

Current consolidated fiscal year third quarter year-to-date period

(a) Changes in appraisal methods for principal assets

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 first quarter of the current consolidated accounting fiscal year, 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.

In conjunction with this change, the operating loss of the Company's construction-related business for the consolidated accounting fiscal year third quarter year-to-date period under review decreased by ¥53,233 thousand compared with what it otherwise would have been had the accounting standard used in past periods been applied.

(b) Change in depreciation method for depreciable assets

Beginning from the first quarter of the current consolidated accounting fiscal year, the Company and its domestic consolidated subsidiaries have changed the method for depreciation of rental equipment from the declining balance method to the straight-line depreciation method.

In conjunction with this change, the operating loss of the Company's construction-related business for the consolidated accounting fiscal year third quarter year-to-date period under review decreased by ¥1,906,532 thousand compared with what it otherwise would have been had the accounting standard used in past periods been applied.

(c) Beginning from the first quarter of the current consolidated accounting fiscal year, the Company and its domestic consolidated subsidiary have changed the useful lives used for owned machinery and equipment (including machinery and equipment reported as rental equipment) based on revision of the Corporation Tax Law.

In conjunction with this change, the operating loss of the Company's construction-related business for the consolidated accounting fiscal year third quarter year-to-date period under review decreased by ¥47,156 thousand compared with what it otherwise would have been had the accounting standard used in past periods been applied.

Consolidated accounting fiscal year third quarter year-to-date period under review

Change of accounting method for completed contract revenues and cost of completed contracts

As described in item (3) Summary of Changes in Accounting Principles, Procedures or Methods of Presentation under "2. Other Information", beginning from the first quarter consolidated accounting period the Company has revised its reporting method for completed contract revenues and cost of completed contracts.

The effect of this change on the Company's Steel Sales Division-related businesses is not material when compared with the accounting method the Company traditionally applied.

6. Note on Significant Changes to Shareholders' Equity

The Company had no material items to report.