Fiscal Year ended October 31, 2010
Financial Statements Bulletin

December 8, 2010

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 27, 2011
Date for start of dividend payments: January 28, 2011
Date for submission of Annual Report: January 27, 2011

1. Consolidated Operating Results for the Fiscal Year ended October 31, 2010

(Nov. 1, 2009 – Oct. 31, 2010)

(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, 2010	70,173	9.9	2,648	–	2,083	–
Fiscal year ended October 31, 2009	63,863	-8.0	137	-93.8	-222	–

	Net Income (Loss)		Net Income (Loss) per Share of Common Stock	Net Income per Share on a Fully Diluted Basis	ROE	Ordinary Income to Total Assets	Operating margin
	Millions of yen	%	Yen	Yen	%	%	%
Fiscal year ended October 31, 2010	1,041	–	31.73	–	2.9	1.9	3.8
Fiscal year ended October 31, 2009	-1,158	–	-35.28	–	-3.1	-0.2	0.2

Notes 1. Investment profit or loss accounted for by the equity method
Fiscal year ended October 31, 2010 –
Fiscal year ended October 31, 2009 –

(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, 2010	108,509	37,025	33.7	1,112.46
Fiscal year ended October 31, 2009	96,435	36,541	37.5	1,102.51

Notes 1. Owners' equity and valuation and translation adjustments (millions of yen):
Fiscal year ended October 31, 2010 ¥36,527
Fiscal year ended October 31, 2009 ¥36,203

(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, 2010	9,088	101	-2,737	20,751
Fiscal year ended October 31, 2009	2,076	-3,192	-2,439	14,086

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, 2009	—	10.00	—	10.00	20.00	656	—	1.8
Fiscal year ended October 31, 2010	—	10.00	—	10.00	20.00	656	63.0	1.8
Fiscal year ending October 31, 2011 (projected)	—	10.00	—	10.00	20.00		312.5	

3. Projected Consolidated Operating Results for the Fiscal Year Ending October 31, 2011

(November 1, 2010 - October 31, 2011)
(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	35,080	-5.6	1,940	-39.3	1,580	-46.0	750	-50.5	22.84
Full year	67,160	-4.3	1,440	-45.6	700	-66.4	210	-79.8	6.40

4. Other

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

(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)? No
(Note) For details, please refer to "Changes in Important Matters Used as the Basis for Preparation of the Consolidated Financial Statements" on p. 41.
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(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, 2010 32,872,241 shares
Fiscal year ended October 31, 2009 32,872,241 shares

(b) Number of shares of treasury stock at end of period
Fiscal year ended October 31, 2010 36,906 shares
Fiscal year ended October 31, 2009 34,385 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 p. 57.

(Reference) Summary of Company Operating Results

1. Operating Results for the Fiscal year Ended October 31, 2010

(November 1, 2009–October 31, 2010)

(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, 2010	58,083	6.7	2,538	508.4	2,370	—
Fiscal year ended October 31, 2009	54,447	-10.0	417	-83.1	172	-92.7

	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, 2010	1,032	—	31.45	—
Fiscal year ended October 31, 2009	-1,060	—	-32.28	—

(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, 2010	97,729	37,089	38.0	1,129.57
Fiscal year ended October 31, 2009	88,539	36,794	41.6	1,120.50

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

Fiscal year ended October 31, 2010 ¥37,089

Fiscal year ended October 31, 2009 ¥36,794

2. Projected Operating Results for the Fiscal Year Ending October 31, 2011

(November 1, 2010 - October 31, 2011)

(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	29,130	-3.3	1,500	-40.8	1,320	-46.7	650	-45.0	19.79
Full year	55,840	-3.9	1,040	-59.0	670	-71.7	270	-73.9	8.22

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 consolidated accounting fiscal year review, Japan's economy exhibited an overall recovery trend centered on export-oriented manufacturers that was driven by the comparatively early recovery in China and other newly developing countries since the beginning of the fiscal year. Growth was also supported by the effects of Japan's emergency economic measures. Nevertheless, the rapid appreciation of the yen during the second half because of global factors, including the moribund European and US economies and a resurgence of alarm over fiscal administration in Europe, weakened exports and again frustrated private sector capital investment, which had shown signs of improvement. For Japan's economy, which was still groping for an economic recovery, this became a major obstacle and cast a long shadow over the recovery trend. With the exception of the domestic emergency economic measures initiated by the prior administration under the Liberal Democratic Party, and demand stimulus measures such as the eco-point system and the eco-friendly automobile tax reduction that were intended to encourage personal consumption, overall the year began and ended with policies unrealized, and a sense that the economy had begun to grow failed to materialize.

In the construction industry that is the leading customer of the Kanamoto Group, public works in regional areas funded by the emergency economic measures mentioned above produced some effect through the first half of the fiscal year. During the second half, however, the influence of cutbacks in public works gradually came to the fore and the extremely severe demand environment continued. This situation was compounded by private sector capital investment, which enjoyed a brief recovery but then faltered because of the strong yen. The sole bright spot was the declining trend in the number of bankruptcies among small and medium-sized construction-related firms as the result of financial measures for small and medium-sized enterprises.

In the Kanamoto Group's leading business of construction equipment rentals as well, this contracting demand resulted in fierce competition among firms throughout the fiscal year, and rental unit prices continued trending downward. The Kanamoto Group, which envisaged an unprecedented harsh operating environment, reviewed its asset operations with its primary focus on holding the appropriate rental equipment and achieving efficient utilization, and created an organization that continues working to improve its physical portfolio in line with the business environment. During the consolidated accounting fiscal year review, numerous public works were implemented through emergency economic measures in Hokkaido and the Tohoku Region, two of the Kanamoto Group's key areas, and operating results expanded briskly during the first two quarters. Because demand in each area from the second half of the fiscal year was comparatively stronger than initial assumed, and Kanamoto's market share rose in some areas as the result of enhanced sales measures being pursued throughout the Group, the Company was able to keep to a minimum the negative trend in operating results in the second half of the fiscal year that has been evident over the past several years.

From a profit perspective as well, earning improved because of growth in rental revenues and steady merchandise inventory sales, which exceeded the Company's initial plan. Both overseas demand and unit prices for used construction equipment recovered from the waning days of the previous consolidated fiscal year, and foreign sales of used construction equipment progressed steadily. Domestic sales of used equipment also rose, despite some regional variations, as the Company strove to uncover new demand.

As a result of these factors, revenues for the consolidated fiscal year ended October 31, 2010 rose 9.9% from the previous consolidated fiscal year level to ¥70,173 million, operating income soared 1,832.8% year-on-year to ¥2,648 million and ordinary income was ¥2,083 million, compared with an ordinary loss of ¥222 million in the previous consolidated fiscal year. Net income was ¥1,041 million, compared with a net loss of ¥1,158 million in the previous consolidated fiscal year. A summary of operating results for each of the Company's businesses is 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	70,173	9.9	2,648	1,832.8	2,083	－	1,041	－
	Prior year	63,863	-8.0%	137	-93.8%	-222	－	-1,158	－
Non-consolidated	Year under review	58,083	6.7	2,538	508.6	2,370	－	1,032	－
	Prior year	54,447	-10.0%	417	-83.1%	172	-92.7%	-1,060	－

b) Summary of consolidated operating results by business segment

[Business related to the Construction Equipment Rental Division]

In the Hokkaido Region, the Company further expanded its market share as a result of the government's emergency economic measures and Kanamoto's broad area support organization. Total revenues increased 14.3%, including a 17.4% year-over-year increase in rental revenue and 3.4% growth in equipment sales compared with the previous consolidated fiscal year. In the Tohoku Region, the demand environment generally was severe despite some effect from emergency economic measures, but the receipt of orders for works to extend the Tohoku Shinkansen helped boost rental revenue by 3.6% and increase equipment sales 10.0% compared with the previous consolidated fiscal year, and total revenue for the region increased 4.5% year-over-year.

In the Kanto Region, on the other hand, total revenue slipped 3.2% from the previous consolidated fiscal year, as rental revenue fell 7.3% and equipment sales expanded 19.5% year-over-year. Following completion of the Haneda Airport Expansion Project, private sector construction works in the Tokyo metropolitan area, which had exhibited signs of recovery, were affected as new construction starts were put on hold because of the uncertain economic outlook and even tougher price competition with a packed field of competitors. In the Kinki & Chubu Region demand in both the public and private sectors remained weak for the second straight year, while in the Kyushu & Okinawa Region, restoration works were undertaken in some areas that had been struck by heavy rains but the demand effect remained limited. Consequently rental revenue in these regions edged down 3.3% and 5.6%, and equipment sales increased 8.2% and 20.5%, respectively. As a result, total revenue slipped 1.4% in the Kinki & Chubu Region, and rose 2.2% in the Kyushu & Okinawa Region, compared with the previous consolidated fiscal year.

Overseas sales of used construction equipment increased significantly, jumping 65.7% year-over year as conditions in the overseas used construction equipment market remained hot from the beginning of the consolidated accounting fiscal year review.

Turning to the overseas firms that were converted to consolidated companies during the consolidated accounting fiscal year review, the Shanghai Jinheyuan Group (Shanghai Jinheyuan Equipment Rental Co., Ltd. and Shanghai Jinheyuan Engineering Construction Co., Ltd.) achieved revenue and earnings that were lower than its initial plan as the result of works in conjunction with the opening of the Shanghai Expo being completed earlier than assumed, and a delay in the start of asset operations in other regions. On the other hand, SJ Rental, Inc. (Guam) saw its net sales remain nearly unchanged from the previous year because full-scale work on infrastructure related to the transfer of US military bases on the island has still not begun.

As a result of these activities, consolidated rental revenue for this operating division increased 7.0% from the previous consolidated fiscal year to ¥47,321 million, equipment sales rose 25.0% year-over-year to ¥16,941 million and consolidated revenues were up 11.2% from the prior consolidated fiscal year level to ¥64,263 million. Earning in particular improved substantially, with operating income rocketing 1,748.5% year-over-year to ¥2,653 million. The percentage of revenues accounted for by Hokkaido and by Honshu and other regions was 35.6% and 61.7%, respectively; overseas revenues accounted for the remaining 2.7%.

[Business related to the Steel Sales Division]

In steel products sales, which Kanamoto is developing in the Hokkaido Region, demand for the main steel materials handled by the Steel Sales Division tumbled despite special procurement spurred by the government's emergency economic measures and identification of demand for items such as waterproof roofing materials and exterior walls because of private sector new construction and maintenance. Revenues were off 7.4% from the previous consolidated fiscal year to ¥5,219 million, and operating income rose 28.1% year-over-year to ¥26 million.

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

The Information Products Division saw both new equipment rentals and sales of used devices shrink for the second year in a row, as the number of agreements to extend rental contract maturities increased because of customers' cost reduction efforts and lower demand for replacement with the latest devices. Kanamoto Engineering Co., Ltd., which manages a specified worker dispatching business to dispatch engineers and technical employees, benefited from a market recovery trend and grew steadily.
For this operating division as a whole, revenues increased 52.5% from the previous consolidated fiscal year to ¥690 million and operating income fell 15.0% year-over-year to ¥19 million.

[Change in number of branches]

As a result of implementing a consolidation and reorganization of business bases following the absorption-type merger with Narasaki Lease Co., Ltd. and Tohoku Narasaki Rental Co., Ltd. and the liquidation of Tokyo Narasaki Rental Co., Ltd. and Akita Narasaki Rental Co., Ltd. on June 1, the Company established eight new branches and closed 22 offices.

(2) Analysis concerning financial position

a) Financial position

Total assets at the end of the consolidated accounting fiscal year review increased by ¥12,074 million compared with the end of the previous consolidated fiscal year to ¥108,509 million. The main factors were an increase of ¥4,938 million from four subsidiaries newly included within the scope of consolidation, and an increase of ¥7,657 million in cash and deposits and an increase of ¥2,966 million in rental equipment.
Total liabilities were ¥71,484 million, an increase of ¥11,590 million compared with the end of the previous consolidated fiscal year. This was mainly for the same reason as the increase in total assets, namely an increase of ¥4,664 million resulting from the increase in the number of consolidated subsidiaries, and an increase of ¥11,289 million in short-term bank loans and an increase of ¥2,032 million in long-term accrued expenses. The balance of long-term bank loans fell by ¥7,775 million.
Total Net Assets were ¥37,025 million, ¥483 million higher than at the end of the previous consolidated fiscal year. This mainly reflected net income of ¥1,041 million, and a decrease in earned surplus as the result of dividend payments.

b) Cash flows

(Millions of yen)

	FY Ended October 2009 (Previous consolidated accounting fiscal year)	FY Ended October 2009 (Consolidated fiscal accounting year under review)	Change from prior year
Cash flow from operating activities	2,076	9,088	7,012
Cash flow from investing activities	-3,192	101	3,293
Cash flow from financing activities	-2,439	-2,737	-298
Decrease in cash and equivalents	-3,554	6,429	9,984
Balance of cash and equivalents at beginning of period	17,566	14,086	-3,480
Balance of cash and equivalents at end of the period	14,086	20,751	6,665

The balance of cash and cash equivalents ("cash") on a consolidated basis at the end of the consolidated accounting fiscal year review increased ¥6,665 million from the previous consolidated fiscal year to ¥20,751 million. Cash flows for the consolidated accounting fiscal year review are discussed below.

(Cash flow from operating activities)

Cash generated as a result of operating activities increased 337.7% from the previous consolidated fiscal year to ¥9,088 million.

This mainly reflected the return to positive net income before taxes and adjustments, compared with a loss in the previous consolidated fiscal year, an increase in depreciation expense accompanying an increase in rental assets as the result of capital investment and a decrease in expenditures for acquisition of rental assets.

(Cash flow from investing activities)

Cash flow provided by investing activities was ¥101 million, compared with cash used in investing activities in the previous consolidated fiscal year of ¥3,192 million.

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

(Cash flow from financing activities)

Cash flow provided as a result of financing activities was ¥2,737 million, compared with cash flow used in financing activities in the previous consolidated fiscal year of ¥2,439 million.

This mainly reflected an increase in short-term borrowing and a decrease in funds provided by long-term bank loans, and increases in funds used for repayment of installment obligations and funds used for repayment of lease obligations.

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

	FY Ended October 2007	FY Ended October 2008	FY Ended October 2009	FY Ended October 2010
Shareholders' equity ratio (%)	46.9	41.4	37.5	33.7
Shareholders' equity ratio on a market capitalization basis (%)	41.3	11.2	13.2	12.6
Years to repay debt	6.4	10.2	20.2	5.7
Interest coverage ratio (times)	11.9	7.1	3.3	10.4

(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: Cash flow from operating activities / 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 2011)

The US economy remains burdened with a weak recovery, while governments in Europe are still unable to drive out concerns over fiscal uncertainties and tax increases. In addition, conditions that make it impossible to predict the future trend of the global economy have coalesced, including the tight-money policies being formulated in China and other newly-developing countries that until now have acted as a global economic engine. On the other hand, given the backdrop of political disarray, the fact that Japan's economy will need more time before the economic growth measures and stimulus policies kick in, and the fact that the stronger yen is likely to remain unchanged even as the effects of economic measures undertaken to date fade, conditions can be expected to change in a way that makes it difficult to confirm, as has been possible until now, a clear recovery trend. Consequently the next year is expected to be one in which the management environment surrounding firms remains extremely opaque.

Looking at construction demand during the Kanamoto Group's next business period, overall neither public nor private sector demand can be expected to demonstrate strength. Although the budget request for the new fiscal year will be ¥96.7 trillion, a record amount, there is a strong probability public works allocations will be reduced further. Moreover, when the outlook for private sector capital investment from the start of the year is considered, firms have not relaxed their careful stance toward new investment because of the economic uncertainty. In addition, depending on how financial assistance for small and medium-sized enterprises is revised, there is concern as well that the number of bankruptcies will rise because of a deterioration of corporate profits as a result of the current demand trend continuing. In domestic construction equipment rentals, the primary business of the Kanamoto Group, conditions will place greater pressure on management and make it more difficult to ensure earnings, despite the growing reliance on rentals in construction-related businesses, as the intensification of competition among firms is inevitable because of the continuing contraction in construction demand.

In the used construction equipment market, both foreign demand and market prices are comparatively steady, but delay of the planned sales of used equipment will have to be studied if the yen appreciates further from its current condition. Although Kanamoto responds to the sale of used equipment as flexibly as possible, taking market and exchange rate conditions into consideration, any postponement of sales can be expected to affect the earnings plan of the entire Kanamoto Group.

In overseas operations, on the other hand, the Shanghai Jinheyuan Group has been steadily expanding both its sales area and business areas. Kanamoto will carefully watch to ascertain the effect the construction investment trend following the end of the Beijing Olympics and Shanghai Expo, as well as financial tightening measures, might have on the operations of these two companies. In addition, in the Territory of Guam, United States, SJ Rental, Inc. is supplying equipment for infrastructure works that have partially begun on Guam, and in light of the uncertainty that has arisen concerning the timing of the relocation of US military forces because of domestic and overseas circumstances, Kanamoto is monitoring the trend sufficiently.
Moreover, KANAMOTO (HK) CO., LTD., an unconsolidated subsidiary, is participating indirectly in large-scale projects such as subway works, and orders are envisaged to increase further in the same region during the next business period. This subsidiary will continue focusing on the growth of its business and expansion of the contents of its operations, while conforming to the intent of its long-term management plan and giving sufficient consideration to the respective country risk and business risks.

Finally, Kanamoto will further pursue efforts from every perspective to secure earnings. This will include continuing to focus on internal reform measures implemented during the current period, including cost controls and efficient operation of assets and equipment and a review of other expenses, as well as strengthening the regional sales system that is demonstrating significant results and creating demand for new products other than construction-related products.

The Company's earnings projection for the fiscal year ending October 2011 is shown in the table below.

Fiscal year ending October 2011 Projected Operating Results (November 1, 2010-October 31, 2011)

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

	Revenues	Operating income	Ordinary income	Net income	Net income per share of common stock
Consolidated full-year projection	67,160	1,440	700	210	6.40
Non-consolidated full-year projection	55,840	1,040	670	270	8.22

In light of the operating environment described above, Kanamoto must anticipate a large decline in revenues and earnings in the Business Period ending October 2011. Nevertheless, in the operating results plan for each year of Kanamoto’s new five-year plan, which began in the Business Period ended October 2010, the fiscal year ended October 2010 was assumed to be the year when revenues and earnings would grow because of external factors, including the effect of emergency economic measures, and in its initial plan projection, Kanamoto projected its operating results for the fiscal year ending October 2011 (second year) will be somewhat lower. At this time there are no changes to the operating results objectives in Kanamoto’s initial plan for the fiscal years ending October 2011 through October 2014.
Although Kanamoto assumed a strict operating results forecast, the corporate reform measures that are the core of Kanamoto’s long-term management plan, and that will enable the Company to generate stable earnings under this harsh operating environment, are in fact steadily demonstrating results. In addition, although slow to begin the development of new products from the customer’s point of view, the Company is now steadily achieving results with products such as Kanamoto’s battery-powered LED floodlight, which the Company began renting at the end of last year and recently registered with the Ministry of Land, Infrastructure and Transport’s New Technology Information System (NETIS) program. Kanamoto will do its best to open new sectors and new markets both inside and outside Japan and achieve results that surpass the operating results forecast shown above.

(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. The Company fundamentally maintains a dividend payout ratio target of 30% or higher, and at the present time is working to ensure it can maintain and continue its current full-year dividend amount 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 the introduction of 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 2010, 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 27, 2010).

(5) Special benefits plan for shareholders

Shareholders owning at least 1,000 shares who are described or recorded in the Register of Shareholders and List of Beneficial Shareholders as of October 31 (Date of Record) of each year will receive fresh products from Hokkaido, the birthplace of Kanamoto, with a value equivalent to 3,000 yen (selected from a specially mailed catalog).

(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 activity of the Kanamoto Group, earnings are influenced significantly by the domestic construction investment trend without regard to whether such investment reflects public or private sector demand. Consequently there is a possibility future operating results including revenues will be negatively affected if further large reductions in public works or other changes affecting industry demand occur in the future. In addition, overseas sales of used construction equipment are affected by the global economy and the exchange rate trend prevailing at the time of sale.

b) Seasonal variations in operating results

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

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

d) Guarantees

The Kanamoto Group has entered into guarantee agreements with financial institutions for certain obligations owed by affiliated companies. Although the Company judges the probability of being requested to perform such guarantees to be small, there is a possibility the operating results and financial position of the Kanamoto Group will be adversely affected should circumstances under which the Company is requested to perform its guarantee occur the future.

e) 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.

f) 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, eleven consolidated subsidiaries and five 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 for rental to other companies.
On June 1, 2010 Kanamoto completed an absorption-type merger with Narasaki Lease Co., Ltd. (Head office: Sapporo, Hokkaido) and Aomori Narasaki Rental Co., Ltd. (Head office: Aomori, Aomori Prefecture), and liquidated the businesses of Tokyo Narasaki Rental Co., Ltd. (Head office: Tokyo) and Akita Narasaki Rental Co., Ltd. (Head office: Akita, Akita Prefecture) on the same date.
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 company) sells modular housing units for temporary use. **Flowtechno Co., Ltd.** (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 and 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.
The Shanghai Jinheyuan Group (Shanghai Jinheyuan Equipment Rental Co., Ltd. and Shanghai Jinheyuan Works (both companies, which are classified based on local government guidance because of differences in the equipment they rent, are consolidated subsidiaries; Shanghai, China) and **SJ Rental, Inc.** (a 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), has its head office in Tokyo and mainly rents specialized large-scale construction equipment in foreign countries.
In addition **KANAMOTO (HK) CO., LTD.** (a non-consolidated subsidiary; Hong Kong, China) is engaged in the rental and sale of construction equipment and tools and the import and export of construction materials.

KANAMOTO (HK) CO., LTD. borrows rental equipment assets from the Company as needed in order to meet customer demand.

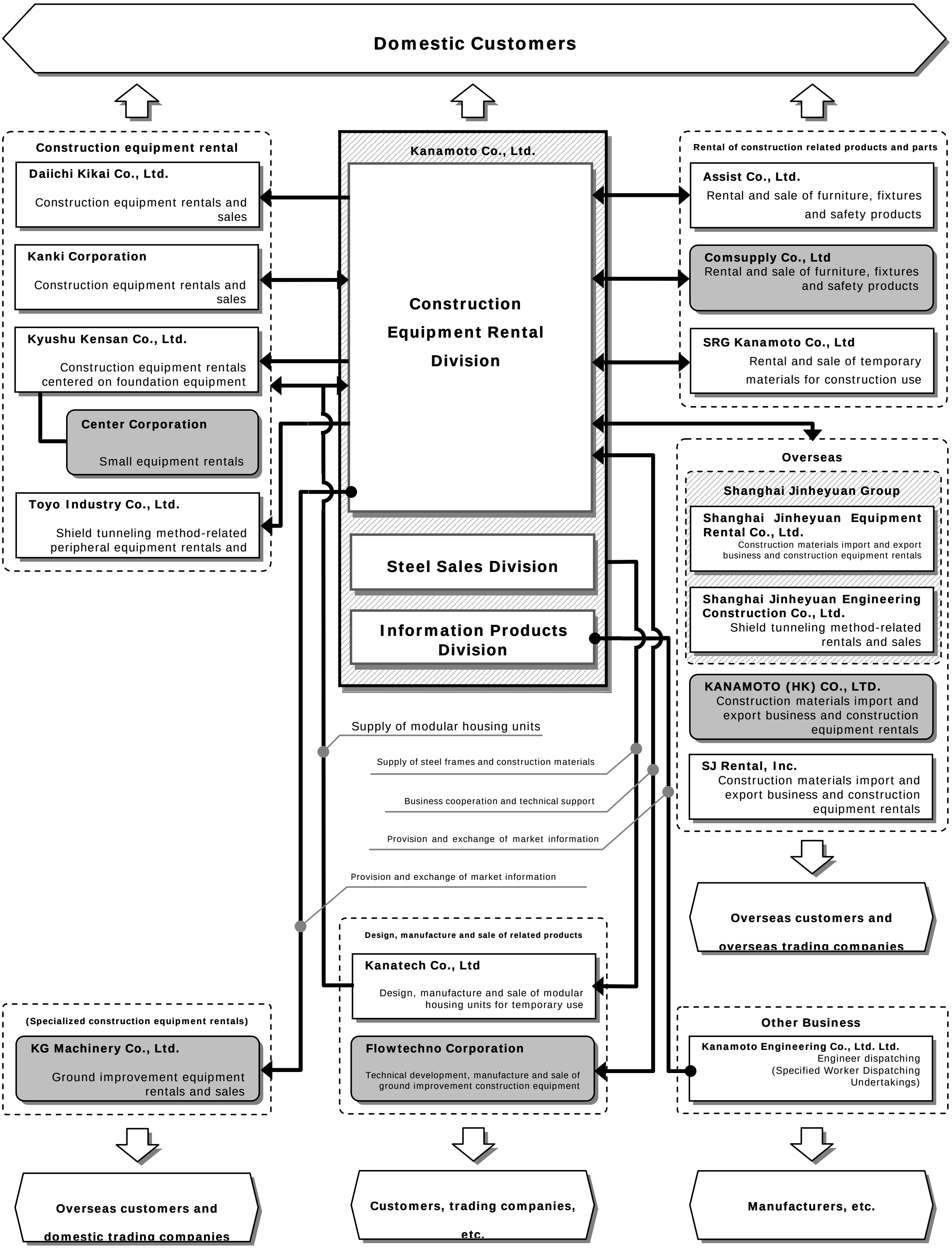
[Business related to the Steel Sales Division]

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 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 and relationships.



(Notes)

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

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

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

3. Management Policies

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

The Kanamoto Group’s primary objective is to be a corporate group that can contribute to local communities and ultimately Japan by providing customers with reasonable and highly convenient services in Kanamoto’s core equipment rental business. When managing its business, the Group adheres to the thinking that it should be aggressive yet prudent in sales and marketing, while always being conservative in the management of its financial affairs.

Kanamoto believes managing its business means providing employees with a sense of accomplishment and satisfaction, customers with the greatest convenience, suppliers with opportunities to expand their business and shareholders with rising asset value and continuous dividends, and in its basic policies has affirmed these ideals to be vital for sincerely achieving corporate growth, making a contribution to society and ensuring timely information disclosure.

(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.

Although the Business Period ended October 2010 was a year that ushered in a change in government from the Liberal-Democratic Party to the Democratic Party of Japan, as well as numerous uncertainties, Kanamoto ultimately was able to achieve substantial growth in revenues and earnings as discussed above. Because further cutbacks in public works expenditures will be implemented, however, and private sector capital investment is expected to remain lackluster in light of concerns about an economic slowdown, Kanamoto unfortunately projects lower revenues and earnings for the Business Period ending October 2011. The forecast for the Business Period ending October 2014, the final year of Kanamoto’s long-term management plan, is unchanged from the Company’s initial plan.

The Company’s revenues and earnings objectives for the new long-term management plan Kanamoto began implementing from November 2009 (Business Period ending October 2010) are provided below.

	Business Period ending October 2010 (Initial plan)	Business Period ending October 2010 (Actual)	Business Period ending October 2011 (Initial plan)	Business Period ending October 2011 (Latest revision)	Business Period ending October 2012 (Plan)	Business Period ending October 2013 (Plan)	Business Period ending October 2014 (Plan)
Consolidated revenues	¥67.1 billion	¥70.17 billion	¥68.1 billion	¥67.16 billion	¥69.3 billion	¥70.7 billion	¥72.2 billion
Consolidated operating income	¥1.1 billion	¥2.64 billion	¥1.8 billion	¥1.44 billion	¥2.9 billion	¥3.8 billion	¥4.3 billion

(3) Medium to long-term corporate management strategy

The Company began implementing its new long-term management plan in the Business Period ended October 2010, and at the present time there are no significant changes to the Company’s medium and long-term management strategy. Details of Kanamoto’s management strategy are provided below. Because of its conviction that the results of the corporate reforms implemented by each company in the Kanamoto Group were the fundamental factor for the strong business recovery during the Business Period ended October 2010, the Company intends to expand its alliances within Japan, increase cooperation among Group firms, strengthen its regional business support system and advance into other newly developing countries, in addition to China and Guam, by the Business Period ending October 2014, while continuing to lower its break-even point.

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

The Company has positioned M&A as the future growth engine of the Kanamoto Group, and will aggressively pursue opportunities while comprehensively verifying the results. In addition, the Company will use its Market Development Division and Regional Special Procurement Sales Division, which are developing their activities over a broad range, as the "glue" for the Group to expand coordinated operations.

b) Broaden sectors and enlarge new businesses

The New Products Office has steadily demonstrated results, including its battery-powered LED floodlights, which recently became a registered technology with the Ministry of Land, Infrastructure and Transport's New Technology Information System (NETIS) program. With these unique LED products, which demonstrate the Company's prowess, Kanamoto has gradually penetrated the event rental business, where it will pursue faster development. Kanamoto also plans to develop its equipment rental business in other sectors, including the agricultural and forestry sectors that are unrelated to the construction business.

c) Undertake overseas deployment

In addition to fully developing operations in mainland China, Hong Kong, Guam and Singapore where it has established overseas affiliates, the Company will develop overseas affiliates and seek to broaden earnings opportunities in newly developing countries that are exhibiting remarkable growth. Kanamoto will seek to develop this business while giving sufficient consideration to the risks, including the early recovery of its invested capital.

Because the sales of high-quality used construction equipment implemented by Kanamoto each year enhance the Company's reputation, and contribute substantially to business development in other countries, Kanamoto also will continue to offer high-quality used construction equipment for sale.

d) Increase asset management efficiency

In the future the Company will continue efforts to further enhance its operating income margin by disposing of rental equipment assets with low operating rates and optimizing its asset portfolio by model and age, steps that contributed significantly to operating results in the Business Period ended October 2010.

(4) Issues to be addressed by the Company

Construction equipment rentals are the core business of the Kanamoto Group. Although Kanamoto believes it must seek businesses to develop in other sectors that can grow to become a second or third mainstay of its operations, it recognizes that completely unrelated sectors also engender significant investment risk. Consequently the Company will expand its business arena centered on the current construction equipment and rental sectors where the Kanamoto Group has accumulated solid know-how, create an asset portfolio whose operating results are not affected by the volume of domestic construction investment, achieve an earnings structure that pursues the proper level of asset ownership, and establish a strong sales and marketing organization.

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

Over the next several years, rising competition among firms is expected to further throw distinctions into sharp relief. As the leading firm in the construction equipment rental industry, Kanamoto strives to foster employees who possess appropriate knowledge and skills and is working to provide employee training aligned with the Company's overseas development and domestic business expansion.

b) Reinforce Kanamoto's financial strategy

Kanamoto is taking steps to enhance funds procurement flexibility, while giving consideration to its equipment plans including purchases of rental equipment assets. At the same time, the Company is striving to improve its financial position, by 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

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

d) Strengthen overseas branch management

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

(5) Compliance and internal controls

Until it has established an organization for implementing compliance – even if that organization does not always work to continuously strengthen employee training or awaken concern regarding compliance – a firm has failed to fulfill its social responsibility.
For the Kanamoto Group, which aspires to continued growth, a compliance organization is indispensable for the formation of a staunch organization. Kanamoto therefore several years ago prepared ethical guidelines to serve as a compliance standard, and established a Compliance Committee headed by Kanamoto's president and took steps to strengthen company-wide observance of laws and ethics regulations. The Company works to ensure every individual is thoroughly familiar with its guidelines, and manages its organization in accordance with these compliance materials.
In addition, to respond appropriately and take measures to prevent a recurrence if unforeseen circumstances that will have a serious affect on the Company's operations have occurred, or if there is concern such circumstances might occur, the Company has prepared an Emergency Response Manual (Contingency Plan). One measure in particular for clarifying these activities further is Kanamoto's "internal controls reporting system," which all of the Company's employees have been united in supporting since the system was placed into full-scale operation in the Business Period ended October 2009.

Other measures taken by the Company included the publication of Compliance Communications (No. 34 to No. 42), which was mailed nine times 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 52 offices, compliance audits performed by the Safety and Health Office at 53 offices and a safety training program held in 11 regional blocks, representing nearly 70% of all the Company's management regions. Group companies located nearby also are participating in safety education programs implemented outside the Kansai Region.
Kanamoto will basically continue the awareness and training organization implemented in the Business Period ended October 2010 during the Business Period ending October 2011 as well. The Company continues to view educational activities for steadily implementing "internal controls on financial reporting" as its foremost priority, and is addressing "control of working hours" as one critical issue for complying with the amended Labor Standards Law that took effect on April 1, 2010. To address this issue, Kanamoto began formal operation of its new work management system from November 2010 and all of the Company's employees are working to boost efficiency and shorten the time required for activities.

5 Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: Thousands of yen)

		Prior Consolidated Accounting Fiscal Year (As of October 31, 2009)	Current Consolidated Accounting Fiscal Year (As of October 31, 2010)
Classification	Notes	Amount	Amount
(Assets)			
Current assets			
Cash and deposits	*2	12,345,028	20,486,217
Notes and accounts receivable, trade	*5,7	14,388,250	14,987,135
Negotiable securities		1,800,000	350,000
Merchandise inventories and products		643,091	606,265
Work in progress		38,326	37,046
Raw materials and supplies		140,857	161,250
Construction equipment		1,011,437	1,187,474
Income taxes receivable		355,911	—
Consumption taxes receivable		71,661	—
Deferred tax assets		261,523	360,857
Other		783,704	585,387
Allowance for doubtful accounts		-475,964	-372,925
Total Current Assets		31,363,829	38,388,709
Fixed assets			
Tangible fixed assets			
Rental equipment assets		54,406,793	62,487,304
Accumulated depreciation		-35,145,234	-36,740,651
Net rental Equipment assets	*2	19,261,559	25,746,653
Buildings and structures		20,904,695	20,754,755
Accumulated depreciation		-12,296,819	-12,855,277
Net buildings and structures	*2	8,607,875	7,899,477
Machinery, equipment, vehicles and delivery equipment		5,206,308	5,136,911
Accumulated depreciation		-4,316,731	-4,386,927
Net machinery, equipment, vehicles and delivery equipment		889,577	749,983
Land	*2	29,448,053	29,689,403
Other		1,344,459	1,332,572
Accumulated depreciation		-1,033,713	-1,076,712

Net other		310,746	255,859
Total Tangible Fixed Assets		58,517,812	64,341,377
Intangible fixed assets			
Goodwill	*6	542,304	345,456
Other		323,684	304,779
Total Intangible Fixed Assets		865,989	650,235
Investments and other assets			
Investment securities	*1	3,218,486	2,768,524
Deferred tax receivable		1,286,857	1,186,595
Other		2,399,931	2,081,861
Allowance for doubtful accounts		-929,977	-827,005
Allowance for investment loss		-287,897	-80,700
Total Investments and Other Assets		5,687,400	5,129,276
Total Fixed Assets		65,071,202	70,120,890
Total Assets		96,435,031	108,509,599

		Prior Consolidated Accounting Fiscal Year (As of October 31, 2009)	Current Consolidated Accounting Fiscal Year (As of October 31, 2010)
Classification	Notes	Amount	Amount
(Liabilities)			
Current liabilities			
Notes and accounts payable, trade	*7	13,150,825	13,076,469
Short-term bank loans		1,258,931	13,415,487
Long-term bank loans due within one year		10,537,364	9, 529,170
Current portion of bonds		42,000	22,000
Lease obligations		—	859,558
Corporate taxes payable		14,722	1,106,405
Accrued bonuses to employees		464,636	589,042
Accounts payable, other		4,293,687	5,587,413
Other	*7	856,711	1,514,896
Total Current Liabilities		30,618,878	45,700,445
Long-term liabilities			
Bonds		44,000	22,000
Long-term bank loans		20,987,266	13,762,305
Lease obligations		—	1,903,249
Accrued employees retirement benefits		1,320,173	1,341,459

Retirement allowances to directors and auditors		226,356	205,627
Long-term accrued expenses		6,327,718	8,493,598
Other		368,783	55,316
Total Long-term Liabilities		29,274,298	25,783,556
Total Liabilities		59,893,177	71,484,001
(Net Assets)			
Shareholder's equity			
Capital stock		9,696,717	9,696,717
Capital surplus		10,960,869	10,960,869
Retained earnings		15,334,652	15,788,189
Treasury stock		-23,917	-24,963
Total Shareholders' Equity		35,968,321	36,420,813
Valuation and translation adjustments			
Valuation difference on other investment securities		235,603	147,516
Translation adjustments account		—	-40,486
Total Valuation and Translation Adjustments		235,603	107,030
Minority Interests		337,929	497,753
Total Net Assets		36,541,854	37,025,597
Total Liabilities and Net Assets		96,435,031	108,509,599

(2) Consolidated Statements of Income

(Unit: Thousands of yen)

Classification	Notes	Prior Consolidated Accounting Fiscal Year From November 1, 2008 to October 31, 2009 Amount	Current Consolidated Accounting Fiscal Year From November 1, 2009 to October 31, 2010 Amount
Total revenues		63,863,989	70,173,653
Total cost of revenues from operations		46,914,021	49,855,304
Gross profit		16,949,968	20,318,348
Selling, general and administrative expenses	*1	16,812,650	17,669,412
Operating income		137,317	2,648,935
Non-operating revenues			
Interest revenue		42,985	15,877
Dividend income		40,306	41,768
Insurance benefits		42,800	96,312
Rents received		52,436	39,093
Cash bonus received		5,621	23,109
Amortization of negative goodwill	*1	69,831	69,831
Other		142,939	158,841
Total non-operating revenues		396,921	444,834
Non-operating expenses			
Interest expense		455,700	764,399
Loss on sale of notes receivable		57,012	45,411
Other		244,351	200,477
Total non-operating expenses		757,065	1,010,288
Ordinary income		-222,825	2,083,481
Extraordinary profits			
Subsidies		—	164,389
Gain on sale of fixed assets	*2	3,742	10,459
Gain on sale of investment securities		—	153,765
Management gain on investment partnership enterprise		5,366	795
Gain on reversal of allowance for doubtful accounts		32,606	57,842
Other		22,771	9,214
Total extraordinary profits		64,487	396,466
Extraordinary losses			

Loss on sale or retirement of fixed assets	*3	107,659	104,323
Impairment loss	*4	312	—
Valuation loss on investment securities		435,945	27,925
Provision of allowance for investment losses		287,897	30,675
Provision of allowance for doubtful accounts		46,714	35,507
Provision of allowance for doubtful accounts for subsidiaries and affiliates		27,094	—
Loss on liquidation of subsidiaries		—	81,511
Other		89,650	37,605
Total extraordinary losses		995,274	317,547
Income before taxes and adjustments		-1,153,612	2,162,400
Corporate, local and business taxes		223,620	1,171,343
Adjustment for corporate and other taxes		-285,228	-17,068
Income taxes-deferred		-61,608	1,154,275
Minority interest in income		66,493	-33,838
Net income (loss)		-1,158,497	1,041,964

(3) Consolidated Statement of Changes in Net Assets

	Prior Consolidated Accounting Fiscal Year From November 1, 2008 to October 31, 2009	Current Consolidated Accounting Fiscal Year From November 1, 2009 to October 31, 2010
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
Retained earnings		
Balance at beginning of year	17,149,945	15,334,652
Changes of items during the year		
Dividends from surplus	-656,796	-656,742
Net income (loss)	-1,158,497	1,041,964
Decrease from change in scope of consolidation	—	68,315
Total changes of items during the year	-1,815,293	453,537
Balance at end of year	15,334,652	15,788,189
Treasury stock		
Balance at beginning of year	-22,729	-23,917
Changes of items during the year		
Purchase of treasury stock	-1,188	-1,045
Total changes of items during the year	-1,188	-1,045
Balance at end of year	-23,917	-24,963
Total shareholders' equity		
Balance at beginning of year	37,784,803	35,968,321
Changes of items during the year		
Dividends from surplus	-656,796	-656,742
Net income (loss)	-1,158,497	1,041,964
Decrease from change in scope of consolidation	—	68,315

Purchase of treasury stock	-1,188	-1,045
Total changes of items during the year	-1,816,481	452,491
Balance at end of year	35,968,321	36,420,813
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at beginning of year	162,358	235,603
Changes of items during the year		
Net changes of items other than shareholders’ equity	73,245	-88,086
Total changes of items during the year	73,245	-88,086
Balance at end of year	235,603	147,516
Translation adjustments account		
Balance at beginning of year	—	—
Changes of items during the year		
Net changes of items other than owners’ equity	—	-40,486
Total changes of items during the year	—	-40,486
Balance at end of year	—	-40,486
Total valuation and translation adjustments		
Balance at beginning of year	162,358	235,603
Changes of items during the year		
Net changes of items other than shareholders’ equity	73,245	-128,572
Total changes of items during the year	73,245	-128,572
Balance at end of year	235,603	107,030
Minority interests		
Balance at beginning of year	255,143	337,929
Changes of items during the year		
Net changes of items other than shareholders’ equity	82,786	159,823
Total changes of items during the year	82,786	159,823
Balance at end of year	337,929	497,753
Total net assets		
Balance at beginning of year	38,202,305	36,541,854
Changes of items during the year		
Dividends from surplus	-656,796	-656,742
Net income (loss)	-1,158,497	1,041,964
Decrease from change in scope of consolidation	—	68,315

Purchase of treasury stock	-1,188	-1,045
Net changes of items other than shareholders' equity	156,031	31,250
Total changes of items during the year	-1,660,450	483,742
Balance at end of year	36,541,854	37,025,597

(4) Consolidated Statements of Cash Flows

(Unit: Thousands of yen)

	Prior Consolidated Accounting Fiscal Year (From November 1, 2008 to October 31, 2009)	Current Consolidated Accounting Fiscal Year (From November 1, 2009 to October 31, 2010)
Classification		
Cash flow from operating activities		
Income before taxes and adjustments	-1,153,612	2,162,400
Depreciation and amortization expense	5,093,229	7,766,703
Impairment loss	312	—
Amortization of goodwill	186,775	202,746
Loss on sale or retirement of fixed assets	107,659	93,864
Installment purchases of assets for small-value rentals	24,074	17,062
Reclassification of cost of sales associated with disposal of construction equipment	15,596	11,065
Reclassification of cost of sales associated with disposal of rental assets	710,602	804,250
Expenditures for acquisition of rental assets	-4,113,072	-2,462,216
Valuation loss on investment securities	435,945	27,925
Loss on sales of investment securities	2,036	-153,309
Increase in allowance for doubtful accounts	-98,502	-220,029
Increase in allowance for investment loss	287,897	30,675
Decrease in accrued bonuses to employees	-97,345	115,490
Increase in accrued employees retirement benefits	165,337	21,285
Increase in retirement allowances to directors and auditors	43,469	-20,729
Interest revenue and dividend income	-83,291	-57,646
Interest expense on installment purchases of rental assets	160,584	179,445
Interest expense	455,700	764,399
Decrease in accounts receivable, trade	1,499,982	-267,722
Increase in inventory	166,504	55,469
Increase (decrease) in accounts payable, trade	-835,855	-551,554
Increase (decrease) in accounts payable, other	463,799	490,071
Other	-215,111	757,743

Subtotal	3,222,716	9,767,392
Interest and dividends received	86,232	59,396
Interest expense	-623,498	-869,996
Payment of corporate and other taxes	-608,830	131,844
Cash flow from operating activities	2,076,620	9,088,637

		Prior Consolidated Accounting Fiscal Year (From November 1, 2008 to October 31, 2009)	Current Consolidated Accounting Fiscal Year (From November 1, 2009 to October 31, 2010)
Classification			
Cash flow from investing activities			
Disbursements for investments in term deposits		-9,528	-85,000
Revenue from redemption of term deposits		154,178	59,000
Funds used for the purchase of tangible fixed assets		-2,286,995	-265,253
Funds provided from the sale of tangible fixed assets		21,265	60,577
Funds used for the purchase of intangible fixed assets		-164,426	-47,944
Funds used for the purchase of investment securities		-675,186	-538,548
Funds provided from sale of investment securities		51,984	775,390
Funds used for the purchase of investments in subsidiaries resulting in change in scope of consolidation	*2	-199,304	—
Funds used for the purchase of non-consolidated subsidiary stock		-46,000	-12,250
Funds provided from sale of non-consolidated subsidiary stock		15,000	—
Funds used for establishment of affiliated company		-52,339	—
Funds used for short-term loans		—	-84,986
Funds provided from collection of short-term loans receivable		—	160,680
Other		-780	80,180
Cash flow from investing activities		-3,192,133	101,846
Cash flow from financing activities			
Decrease in short-term bank loans		28,409	11,332,180
Funds provided by long-term bank loans		12,760,500	2,609,045
Funds used to repay long-term bank loans		-11,119,275	-10,804,656
Funds used to redeem corporate bonds		-62,000	-42,000

Funds used for repayment of installment obligations	-3,388,942	-4,382,407
Funds used for repayment of lease obligations	—	-790,532
Funds used for the purchase of treasury stock	-1,188	-1,045
Payment of dividends	-655,981	-657,319
Payment of dividends to minority shareholders	-1,006	-1,006
Cash flow from financing activities	-2,439,483	-2,737,741
Effect of exchange rate changes on cash and cash equivalents	—	-23,465
Decrease in cash and equivalents	-3,554,996	6,429,277
Balance of cash and equivalents at beginning of period	17,566,695	*1 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	74,329	50,797
Balance of cash and equivalents at end of the period	*1 14,086,028	20,751,217

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

The Company had no material items to report.

Significant Accounting Policies for the Consolidated Financial Statements

	Prior Consolidated Accounting Fiscal Year (From November 1, 2008 to October 31, 2009)	Current Consolidated Accounting Fiscal Year (From November 1, 2009 to October 31, 2010)
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 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.	(1) Number of consolidated companies: 11 Assist Co., Ltd. SRG Kanamoto Co., Ltd. Kanatech Co., Ltd. Daiichi Kikai Co., Ltd. Kanki Corporation Kyushu Kensan Co., Ltd. Toyo Industry Co., Ltd. Shanghai Jinheyuan Equipment Rental Co., Ltd. Shanghai Jinheyuan Engineering Construction Co., Ltd. SJ Rental, Inc. Kanamoto Engineering Co., Ltd. Beginning from the consolidated accounting fiscal year under review, Shanghai Jinheyuan Equipment Rental Co., Ltd., Shanghai Jinheyuan Engineering Construction Co., Ltd., SJ, Rental, Inc. and Kanamoto Engineering Co., Ltd. are included in the scope of consolidation because the importance of these companies to Kanamoto's operations has increased. Kensan Techno Co., Ltd., which was included in the scope of consolidation until the previous consolidated accounting fiscal year, has been excluded from the scope of consolidation because it merged with Kyushu Kensan Co., Ltd Narasaki Lease Co., Ltd., a consolidated subsidiary, was absorbed by and merged with the Company during the consolidated accounting fiscal year under review, with Kanamoto, the owner company, as the surviving company.
	(2) Number of non-consolidated companies: 12 Non-consolidated subsidiary company name:	(2) Number of non-consolidated companies: 5 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.	Comsupply Co., Ltd. Flowtechno Corporation Center Corporation KG Machinery Co., Ltd. KANAMOTO (HK) CO., LTD. (Reason for exclusion from scope of consolidation) Same as at left
2. Matters pertaining to application of equity method accounting	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 retained earnings (amount corresponding to minority interest) is immaterial and none of the companies is important to the Company's overall operations.	Five non-consolidated subsidiaries have been omitted from items to which equity method accounting is applied because their respective effect on consolidated net income or loss (amount corresponding to minority interest) and consolidated retained earnings (amount corresponding to minority interest) is immaterial and none of the companies is important to the Company's overall operations.

3. Matters pertaining to the fiscal year closing date for consolidated subsidiaries	The fiscal year closing date for all of the consolidated subsidiaries except Kanki Corporation and Narasaki Lease Co., Ltd. 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.	The fiscal year closing date for all of the consolidated subsidiaries except Kanki Corporation and Kanamoto Engineering Co., Ltd. is August 31. The fiscal year closing date for SJ Rental, Inc. is September 30. The fiscal year closing date for Shanghai Jinheyuan Equipment Rental Co., Ltd. and Shanghai Jinheyuan Engineering Construction Co., Ltd. is December 31. When preparing the consolidated financial statements the Company used the financial statements of Shanghai Jinheyuan Equipment Rental Co., Ltd. and Shanghai Jinheyuan Engineering Construction Co., Ltd. based on a provisional settlement of accounts implemented as of September 30 and the financial statements of the other subsidiaries as of each company's closing date, 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 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. (Change in accounting method)	a. Negotiable securities Other negotiable securities Securities with a market price Same as at left Securities without market prices 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.

	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 effect of this change on the Company's information by segment is described in the relevant section.	□□□□□□
	c. Merchandise inventories and supplies	c. Merchandise inventories and supplies
	(i) Merchandise inventories and products	(i) Merchandise inventories and products
	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)	Same as at left
	(ii) Work in process	(ii) Work in process

	The Company has adopted the cost method, cost being determined by the specific identification method	Same as at left
	(iii) Raw materials and supplies The Latest Purchase Cost method (amounts shown on the balance sheet are calculated by determining write-downs of book value based on the decline in profitability)	(iii) Raw materials and supplies Same as at left
	(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 effect of this change on earnings is not material.	□□□□□□
(2) Depreciation methods for principal depreciable assets	a. 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. 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	a. Tangible fixed assets (excluding lease assets) Same as at left 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 investigating 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 ¥2,697,551,000, 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.	□□□□□□

	(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 ¥62,524,000 higher and the ordinary loss and loss before taxes and adjustments were ¥62,524,000 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 excluding lease assets) The Company has adopted the straight-line method. Software for use within the Company is depreciated using the straight-line method based on the assumed useful life for internal use (5 years)	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.	c. Lease assets Same as at left
(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	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.	Same as at left
	□□□□□□	(Change in accounting method) Beginning from the consolidated accounting fiscal year under review, the Company has adopted the Partial Amendments to the *Accounting Standard for Retirement Benefits* (Part 3) (Accounting Standards Board of Japan Accounting Standard Statement No. 19 dated July 31, 2008). The effect of this change on the operating income, ordinary income and income before income taxes is not material.
	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.	e. Reserve for investment losses Same as at left
(4) Accounting standards for construction works revenues and cost	□□□□□□	Accounting standards for amount of completed works and cost of construction works a. Construction works for which the portion of the works completed by the end of the year can be reliably determined Percentage-of-completion method (progress in construction works is estimated using the cost comparison method) b. Other construction works Completed-contract method

		(Change in accounting method) The Company traditionally reported revenues and costs of construction contracts by applying the completed-contract method. Beginning from the consolidated accounting fiscal year under review, 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 consolidated accounting fiscal year under review, 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 consolidated accounting fiscal year 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 earnings is not material. The effect of this change on the Company's information by segment is described in the relevant section.
(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 spot market exchange rate on the consolidated fiscal year settlement date, and charges the translation difference to income as a gain and loss.	The Company converts monetary claims and monetary liabilities denominated in foreign currencies into Japanese yen at the spot market exchange rate on the consolidated fiscal year settlement date, and charges the translation difference to income as a gain or loss. The assets and liabilities of controlled foreign corporations are converted into Japanese yen at the spot exchange rate on the foreign corporation's fiscal year closing date, and the earnings and costs are converted into Japanese yen using to the average market price during the period, and the translation difference is accounted for by including the amounts in the total valuation and translation adjustments account and minority interests in net assets.
(6) Hedge accounting for	a. Hedge transactions	a. Hedge transactions

principal hedging 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. 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. c. Hedging policies The Company's use of derivative transactions is limited to hedging risk within the scope of the Company's assets and liabilities subject to market fluctuation risk. d. Method for evaluating the effectiveness of 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.	Same as at left b. Hedge methods and hedged transactions Same as at left c. Hedging policies Same as at left 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 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

Changes in Important Matters Used as the Basis for Preparation of the Consolidated Financial Statements

Prior Consolidated Accounting Fiscal Year (From November 1, 2008 to October 31, 2009)	Current Consolidated Accounting Fiscal Year (From November 1, 2009 to October 31, 2010)
(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.	(Application of the Accounting Standard for Business Combinations etc.) In conjunction with the application of the *Accounting Standard for Business Combinations* (Accounting Standards Board of Japan Statement No. 21, December 26, 2008, the *Accounting Standard for Consolidated Financial Statements* (Accounting Standards Board of Japan Statement No. 22, December 26, 2008), the *Partial Amendments to the Accounting Standard for Research and Development Costs* (Accounting Standards Board of Japan Statement No. 23, December 26, 2008), the *Accounting Standard for Business Divestitures* (Accounting Standards Board of Japan Statement No. 7, December 26, 2008), the *Revised Accounting Standard for Equity Method of Accounting for Investments* (Accounting Standards Board of Japan Statement No. 16, portion released publicly on December 26, 2008) and the *Revised Guidance on the Accounting Standard for Business Combinations* and *Accounting Standard for Business Divestitures* (Accounting Standards Board of Japan Guidance No. 10, December 26, 2008) beginning from the first business combination and business separation that is implemented on or after April 1, 2010, beginning from the consolidated accounting fiscal year under review the Company will apply these accounting standards for business combinations and business divestitures implemented on or after April 1, 2010.

Prior Consolidated Accounting Fiscal Year (From November 1, 2008 to October 31, 2009)	Current Consolidated Accounting Fiscal Year (From November 1, 2009 to October 31, 2010)
(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," "work in progress" and "raw materials and supplies" included in inventory in the prior consolidated accounting fiscal year were ¥662,924,000, ¥147,054,000 and ¥146,343,000, respectively.	□□□□□□
□□□□□□	(Consolidated Statements of Income) 1. Until the previous consolidated accounting fiscal year, "rental revenues" and "sales" were reported separately under "Revenues from Operations," and the "cost of rental revenues" and "cost of goods sold" were reported separately under "Cost of revenues from operations," respectively. Beginning from the consolidated accounting fiscal year under review, these items will be reported as single amounts in "Total revenues" and "Total cost of revenues from operations," respectively. 2. Until the previous consolidated accounting fiscal year, the Company reported the gain on sale of investment securities in "Other" under extraordinary profits. The Company has reported this item separately because the amount exceeded 10% of total extraordinary profits. The amount of "Gain on sale of investment securities" in the previous consolidated accounting fiscal year was ¥50,000.
(Consolidated Statements of Cash Flows) Beginning from the consolidated accounting fiscal year under review, the Company will report the line item "Funds used for the purchase of non-consolidated subsidiary stock," which it classified separately in previous consolidated accounting fiscal years under cash flows from investing activities, as "Funds used for the acquisition of subsidiary stock" in order to match the account reporting taxonomy designed to improve consolidated financial statement comparability in conjunction with the introduction of XBRL.	□□□□□□

Notes to the Financial Statements

(Notes to the Consolidated Balance Sheets)

(Unit: Thousands of yen)

Prior Consolidated Accounting Fiscal Year (As of October 31, 2009)		Current Consolidated Accounting Fiscal Year (As of October 31, 2010)	
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)	563,724	Investment securities (s ocks)	117,270
2. Assets provided for security		2. Assets provided for security	
Cash and deposits	15,000	Cash and deposits	35,000
Buildings and structures	113,548	Buildings and structures	44,713
Rental assets	115,108	Land	472,376
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.		The above assets have been pledged as security for short-term bank loans of ¥295,000, long-term bank loans due within one year of ¥98,344 and long-term bank loans of ¥115,296.	
3. Guarantees		3. Guarantees	
Joint and several guarantees of bank loans to employees (Bank of Tokyo-Mitsubishi UFJ, others)	34,788	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	US$1,945,000 (177,884)	Guarantee of borrowing liabilities of KG Machinery Co., Ltd., an non-consolidated subsidiary company	15,010
Guarantee of borrowing liabilities of Shanghai Jinheyuan Equipment Rental Co., Ltd., an non-consolidated subsidiary company	10,000,000 yuan (133,900)	Guarantee of installment payment liabilities of KG Machinery Co., Ltd., a non-consolidated subsidiary company	52,693
Guarantee of finance lease liabilities of Shanghai Jinheyuan Equipment Rental Co., Ltd., an non-consolidated subsidiary company	118,033,000 yuan (1,580,468)	Total	202,491
Guarantee of borrowing liabilities of Shanghai Jinheyuan Engineering Construction Co., Ltd., an non-consolidated subsidiary company	57,800,000 yuan (773,942)		
Guarantee of finance lease liabilities of Shanghai Jinheyuan Engineering Construction Co., Ltd., an non-consolidated subsidiary company	93,099,000 yuan (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 133,744	4. Discount on notes receivable, trade 110,006
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.	5. Liquidation of receivables based on receivables transfer facility Notes receivable, trade 4,732,008 Liquidated claims bearing a right of recourse to the Company and included in the balance of notes receivable, trade transferred total ¥1,046,075.
6. Intangible fixed assets and goodwill includes negative goodwill of ¥261,073 and goodwill of ¥31,066.	6. Goodwill and negative goodwill Goodwill and negative goodwill are offset and shown as a net amount. The amounts before being offset are shown below Goodwill 536,697 Negative goodwill 191,241 Net amount 345,456
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	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 70,284 Notes payable, trade 1,193,675 Other 12,658

(Notes to the Consolidated Statements of Income)

(Unit: Thousands of yen)

Prior Consolidated Accounting Fiscal Year (From November 1, 2008 to October 31, 2009)		Current Consolidated Accounting Fiscal Year (From November 1, 2009 to October 31, 2010)	
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	6,902,026	Employee salaries and wages	7,071,779
Depreciation expense	996,586	Depreciation expense	1,016,536
Rents	1,954,370	Rents	1,851,971
Transfer to allowance for doubtful accounts	139,370	Transfer to allowance for doubtful accounts	38,187
Transfer to accrued bonuses to employees	453,268	Transfer to accrued bonuses to employees	562,261
Employees retirement benefit expense	503,161	Employees retirement benefit expense	524,374
Transfer to retirement allowances to directors and auditors	23,193	Transfer to retirement allowances to directors and auditors	23,692
Amortization of goodwill	256,607	Amortization of goodwill	272,578
In previous consolidated accounting fiscal years, "amortization of goodwill" and "amortization of negative goodwill" were reported in selling, general and administrative expenses after offsetting (the amount for "amortization of goodwill" in the previous consolidated accounting fiscal year after offsetting was "amortization of negative goodwill" of ¥18,848). Because the materiality of the amount has increased, beginning from the current consolidated accounting fiscal year the Company report the total amounts for "amortization of goodwill" and "amortization of negative goodwill" in selling, general and administrative expenses and non-operating revenues, respectively.		□□□□□□	
2. Gain on sale or retirement of fixed assets		2. Gain on sale or retirement of fixed assets	
Buildings and structures	1,803	Buildings and structures	2,770
Machinery, equipment and delivery equipment	1,875	Ma hinery, equipment and delivery equipment	3,475
Other	64	Other	4,212
Total	3,742	Total	10,459
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	3,643	Buildings and structures	11,458
Machinery, equipment and delivery equipment	39	Machinery, equipment and delivery equipment	1,100
Land	40	Land	10,344
(Loss on retirement of fixed assets)		Other	208
Rental equipment	36,401	(Loss on retirement of fixed assets)	
Buildings and structures	54,088	Rental equipment	41,355
Machinery, equipment and delivery equipment	4,068	Buildings and structures	28,726
Other	9,378	Machinery, equipment and delivery equipment	2,730
Total	107,659	Other	8,399
		Total	104,323

<table>
<tr><th>Prior Consolidated Accounting Fiscal Year
(From November 1, 2008
to October 31, 2009)</th><th>Current Consolidated Accounting Fiscal Year
(From November 1, 2009
to October 31, 2010)</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 (¥312,000) under extraordinary losses. This ¥312,000 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>□□□□□□</td></tr>
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(Notes to the Consolidated Statement of Changes in Net Assets)

Prior 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 3,000 shares through purchases of shares comprising less than one investment unit.

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

The Company had no material items to report.

3. Dividends

(1) Dividends paid

Resolution	Class of stock	Total dividend ('000 yen)	Dividend per share (yen)	Date of record	Payment date
December 26, 2008 Board of Directors	Common stock	328,413	10.0	October 31, 2008	January 30, 2009
June 5, 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	Retained earnings	10.0	October 31, 2009	January 29, 2010

Current consolidated accounting fiscal year (From November 1, 2009 to October 31, 2010)

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)	34	2	—	36
Total	34	2	—	36

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

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

The Company had no material items to report.

3. Dividends

(1) Dividends paid

Resolution	Class of stock	Total dividend ('000 yen)	Dividend per share (yen)	Date of record	Payment date
December 29, 2009 Board of Directors	Common stock	328,378	10.0	October 31, 2009	January 29, 2010
June 4, 2010 Board of Directors	Common stock	328,363	10.0	April 30, 2010	July 12, 2010

(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 27, 2010 Board of Directors	Common stock	328,353	Retained earnings	10.0	October 31, 2010	January 28, 2011

(Notes to the Consolidated Statements of Cash Flows)

(Unit: Thousands of yen)

Prior 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

The opening balances for assets and liabilities at the time of initial consolidation in conjunction with the new consolidation through an acquisition of shares, the acquisition price and expenditure (net) for the acquisition is as follows.

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.

Current Consolidated Accounting Fiscal Year (From November 1, 2009 to October 31, 2010)

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	20,486,217
Time deposits with a maturity longer than 3 months	-85,000
Negotiable securities	350,000
Cash and cash equivalents	20,751,217

□□□□□□

3. Details of major non-cash transactions

The amount of assets and liabilities related to installment transactions and the amount of assets and liabilities related to lease transactions that are newly accounted for during the consolidated accounting fiscal year under review are ¥6,774,979 and ¥1,484,045, 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	218,173

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

4. A breakdown of the main assets and liabilities succeeded to from the non-consolidated subsidiary Aomori Narasaki Rental Co., Ltd., which was merged into Kanamoto during the consolidated accounting fiscal year under review, is shown below:

Aomori Narasaki Rental Co., Ltd.

Current assets	94,787
Fixed assets	8,489
Total assets	103,277
Current liabilities	89,309
Total liabilities	89,309

(Business Segment Information)

1. Segment Information by Type of Business

Prior consolidated accounting fiscal year (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
Impairment loss	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 ¥23,076,638,000 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 amount after deduction of depreciation expense according to the declining-balance method from the original prices, by separate fiscal year of purchase to the amount after deduction of depreciation expense according to the straight-line method from the original prices, by separate fiscal year of purchase 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 ¥74,180,000 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) a) 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 ¥2,697,551,000 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) a) 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 ¥62,524,000 compared with what it otherwise would have been had the accounting standard used in prior fiscal years been applied.

Consolidated accounting fiscal year review (From November 1, 2009 to October 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
I. Revenues and operating income						
Revenues						
(1) Sales to outside customers	64,263,139	5,219,731	690,782	70,173,653	—	70,173,653
(2) Sales or transfers between related segments	—	—	—	—	—	—
Total	64,263,139	5,219,731	690,782	70,173,653	—	70,173,653
Operating expenses	61,609,389	5,193,281	671,385	67,474,056	50,660	67,524,717
Operating income	2,653,749	26,449	19,397	2,699,596	-50,660	2,648,935
II. Assets, depreciation expense and capital disbursements						
Assets	78,896,353	2,011,089	125,245	81,032,679	27,476,919	108,509,599
Depreciation expense	7,427,005	3,218	598	7,430,822	335,880	7,766,703
Capital disbursements	15,160,136	756	—	15,160,893	269,511	15,430,405

(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 ¥27,476,919,000 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 accounting standard for completed contract revenues and cost of completed contracts)

As reported in 4. (4) in "Important Matters Used as the Basis for Preparation of the Consolidated Financial Statements," beginning from the consolidated accounting fiscal year under review the Company will apply the *Accounting Standard for Construction Contracts* (ASBJ Statement No. 15, December 27, 2007) and the *Guidance on Accounting Standard for Construction Contracts* (ASBJ Implementation Guidance No. 18, December 27, 2007).

In conjunction with this change, the effect on the profit and loss of the Company's Steel Sales Division-related businesses is not material compared with what earnings otherwise would have been had the accounting standard used in prior fiscal years been applied.

2. Segment information by location

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

The Company had no material items to report because the Company did not have any consolidated subsidiaries or important offices located in countries or regions outside of Japan.

Current consolidated accounting fiscal year (From November 1, 2009 to October 31, 2010)

The Company has omitted a description of segment information by location because the amounts for revenues and assets in Japan account for more than 90% of total revenue and total assets in all segments.

3. Foreign sales

Prior consolidated accounting fiscal year (From November 1, 2008 to October 31, 2009) and current consolidated accounting fiscal year (From November 1, 2009 to October 31, 2010)

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

(Notes for Leasing Transactions)

(Unit: Thousands of yen)

Prior Consolidated Accounting Fiscal Year (From November 1, 2008 to October 31, 2009)	Current Consolidated Accounting Fiscal Year (From November 1, 2009 to October 31, 2010)
1. Finance lease transactions (Lessor) Finance lease transactions except for leases that transfer ownership of the property to the lessee a) Lease assets Tangible fixed assets Construction-related business rental equipment and other tangible fixed assets. b) Method of depreciation for lease assets Lease assets are depreciated according to the method described in "4. Accounting principles and standards used for normal accounting treatment (2) Depreciation methods for principal depreciable assets" in the Important Matters Used as the Basis for Preparation of the Consolidated Financial Statements. The Company accounts for finance lease transactions except for leases that transfer ownership of the property for which the lease start date is before October 31, 2008 by applying accounting treatment based on the method applied for ordinary rental transactions. Details are provided below. (1) Amounts corresponding to lease property acquisition price, accumulated depreciation and outstanding balances at the end of the consolidated accounting fiscal year	1. Finance lease transactions (Lessor) Finance lease transactions except for leases that transfer ownership of the property to the lessee a) Lease assets Tangible fixed assets Same as at left b) Method of depreciation for lease assets Same as at left (1) Amounts corresponding to lease property acquisition price, accumulated depreciation and outstanding balances at the end of the consolidated accounting fiscal year

Prior fiscal year:

	Acquisition price	Acquisition price	Outstanding balance
Rental assets	28,254,481	13,297,924	14,956,557
Other assets	88,363	59,269	29,094
Total	28,342,845	13,357,193	14,985,651

Current fiscal year:

	Acquisition price	Acquisition price	Outstanding balance
Rental assets	20,542,117	11,098,177	9,443,939
Total	20,542,117	11,098,177	9,443,939

(2) Outstanding balance of future lease payments at the end of the consolidated accounting fiscal year

	Prior fiscal year	Current fiscal year
Within one year	5,010,807	3,538,973
After one year	10,493,840	6,347,709
Total	15,504,648	9,886,682

(3) Amount of lease payments, depreciation expense and interest expense

	Prior fiscal year	Current fiscal year
Lease payments	5,673,301	4,240,829
Depreciation expense	4,649,608	2,867,517
Interest expense	520,240	413,752

Prior fiscal year	Current fiscal year
(4) Accounting method for amount equivalent to depreciation expense Straight-line depreciation using the lease term as the depreciable life and zero residual value.	(4) Accounting method for amount equivalent to depreciation expense Same as at left
(5) Accounting method for amount equivalent to interest expense	(5) Accounting method for amount equivalent to interest expense

Interest method using the difference between total lease payments and the acquisition price of the lease property, allocated to each year.	Same as at left
2. Operating leases Prepaid lease payments pertaining to non-cancellable operating lease transactions Within one year 1,830,165 After one year 3,602,752 Total 5,432,918	2. Operating leases Prepaid lease payments pertaining to non-cancellable operating lease transactions Within one year 1,621,381 After one year 4,078,407 Total 5,699,788

(Per Share Information)

Prior Consolidated Accounting Fiscal Year (From November 1, 2008 to October 31, 2009)		Current Consolidated Accounting Fiscal Year (From November 1, 2009 to October 31, 2010)	
Net assets per share	¥1,102.51	Net assets per share	¥1,112.46
Net income (loss) per share of common stock	-¥35.28	Net income (loss) per share of common stock	¥31.73
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 had a net loss per share, and 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 or net loss per share is as follows.

(Unit: Thousands of yen)

	Prior Consolidated Accounting Fiscal Year (From November 1, 2008 to October 31, 2009)	Current Consolidated Accounting Fiscal Year (From November 1, 2009 to October 31, 2010)
Net income (loss)	-1,158,497	1,041,964
Amount not attributed to common stock shareholders	—	—
Net income related to common stock	-1,158,497	1,041,964
Average number of outstanding shares during the fiscal year	32,838,970	32,836,692

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

The Company had no material items to report.

(Items Omitted from Disclosure)

The Company has omitted disclosure of notes concerning information on financial products, negotiable securities, derivatives transactions, retirement benefits, tax effect accounting, rented and leased real estate, transactions with related parties and business combinations because disclosure of these items in its financial bulletin for the consolidated fiscal year is not deemed necessary.

5 Company Financial Statements

1. Comparative Balance Sheets

(Unit: Thousands of yen)

Classification	Notes	Prior Fiscal Year (As of October 31, 2009) Amount	Current Fiscal Year (As of October 31, 2010) Amount
(Assets)			
Current assets			
Cash and deposits		10,728,117	18,067,374
Notes receivable, trade	*3, *4	2,273,263	2,044,034
Accounts receivable, trade		9,771,824	10,289,247
Negotiable securities		1,800,000	350,000
Merchandise inventories and products		248,457	303,056
Work in process		38,326	37,046
Construction equipment		753,499	993,929
Raw materials and supplies		78,659	84,612
Prepaid expenses		251,002	214,506
Deferred tax assets		199,932	322,794
Income taxes receivable		337,075	—
Consumption taxes receivable		29,786	—
Short-term loans receivable		306,390	360
Other		85,952	211,510
Allowance for doubtful accounts		-350,548	-254,464
Total Current Assets		26,551,740	32,664,008
Fixed assets			
Tangible fixed assets			
Rental equipment		41,046,227	49,930,606
Accumulated depreciation		-24,953,646	-30,376,404
Net rental equipment		16,092,580	19,554,202
Buildings		14,078,535	14,489,771
Accumulated depreciation		-7,426,988	-8,203,064
Net buildings		6,651,547	6,286,707
Structures		4,749,778	4,887,085
Accumulated depreciation		-3,507,956	-3,811,190
Net structures		1,241,822	1,075,895
Machinery and equipment		4,523,311	4,706,551
Accumulated depreciation		-3,703,999	-4,013,045
Net machinery and equipment	*1	819,311	693,505

Vehicles and delivery equipment		56,686	75,611
Accumulated depreciation		-50,108	-69,798
Net vehicles and delivery equipment		6,578	5,813
Tools, furnishings and fixtures		1,164,366	1,193,280
Accumulated depreciation		-883,803	-965,515
Net tools, furnishings and fixtures		280,562	227,764
Land	*1	28,041,096	28,439,924
Construction in progress		—	2
Total Tangible Fixed Assets		53,133,499	56,283,815
Intangible fixed assets			
Goodwill		14,400	133,725
Software		205,131	196,552
Telephone subscription rights		42,469	50,769
Total Intangible Fixed Assets		262,000	381,047
Investments and other assets			
Investment securities		2,568,472	2,597,327
Stock of affiliated companies		3,945,528	3,556,028
Advances		8,107	9,137
Long-term loan to affiliated company		1,941,287	2,617,080
Claims in bankruptcy, claims in reorganization and other similar claims		233,866	160,309
Long-term prepaid expenses		53,850	38,082
Deferred tax assets		1,236,636	1,057,220
Insurance reserve		17,528	17,528
Long-term guaranty money deposited		877,818	851,664
Other		18,178	53,326
Allowance for doubtful accounts		-1,656,326	-1,812,033
Reserve for investment losses		-653,144	-744,710
Total investments and other assets		8,591,802	8,400,962
Total Fixed Assets		61,987,302	65,065,825
Total Assets		88,539,042	97,729,834

Classification	Notes	Prior Fiscal Year (As of October 31, 2009) Amount	Current Fiscal Year (As of October 31, 2010) Amount
(Liabilities)			
Current liabilities			
Notes payable, trade	*4	8,926,198	8,987,870
Accounts payable, trade		2,440,169	2,483,085
Long-term bank loans due within one year		9,930,000	9,089,000
Short-term bank loans		—	12,000,000
Accounts payable, other		3,384,855	4,636,566
Accrued expenses		258,538	314,150
Corporate taxes payable		—	1,017,327
Consumption and other taxes payable		—	448,544
Deposits		41,069	38,692
Accrued bonuses to employees		390,137	501,488
Equipment notes payable	*4	192,468	263,493
Other		75,569	79,793
Total Current Liabilities		25,639,004	39,860,013
Long-term liabilities			
Long-term bank loans		19,686,000	12,349,000
Long-term accrued expenses		4,861,786	6,875,527
Accrued employees retirement benefits		1,209,868	1,334,958
Retirement allowances to directors and auditors		140,833	153,892
Provision for loss on guarantees		206,622	66,773
Total long-term liabilities		26,105,111	20,780,151
Total Liabilities		51,744,115	60,640,165
(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
Retained earnings			
Earned legal reserve		1,375,287	1,375,287
Other retained earnings			

Reserve for advanced depreciation of fixed assets		19,601	19,601
General reserve		15,631,684	13,731,684
Retained earnings brought forward		-1,099,417	1,176,466
Total retained earnings		15,927,156	16,303,040
Treasury stock		-23,917	-24,963
Total Shareholders' Equity		36,560,825	36,935,664
Valuation and translation adjustments			
Valuation difference on other investment securities		234,101	154,004
Total valuation and translation adjustments		234,101	154,004
Total Net Assets		36,794,927	37,089,669
Total Liabilities and Net Assets		88,539,042	97,729,834

2. Comparative Statements of Income

(Unit: Thousands of yen)

		Prior fiscal year (From November 1, 2008 to October 31, 2009)	Current fiscal year (From November 1, 2009 to October 31, 2010)
Classification	Notes	Amount	Amount
Operating revenues			
Rental revenues		38,260,952	39,480,705
Sales		16,186,922	18,603,078
Total revenues		54,447,875	58,083,784
Cost of revenues			
Cost of rental revenues		28,233,776	28,596,893
Cost of goods sold			
Balance of merchandise inventories at beginning of period		259,968	248,457
Merchandise inventories purchases		12,131,319	12,748,642
Merchandise received from other accounts	*2	648,395	663,191
Total		13,039,683	13,660,290
Balance of merchandise at end of period		248,457	303,056
Valuation loss on merchandise		1,528	2,263
Total goods sold		12,792,754	13,359,497
Total cost of revenues		41,026,530	41,956,391
Gross profit		13,421,344	16,127,393
Selling, general and administrative expenses			
Freight-out		69,622	71,542
Vehicle fuel expense		141,389	155,218
Advertising and public relations expense		137,223	126,177
Transfer to allowance for doubtful accounts		89,608	—
Director compensation		69,833	66,745
Salaries and allowance		5,366,895	5,462,976
Bonuses		628,172	981,366
Transfer to accrued bonuses to employees		390,137	501,488
Transfer to retirement allowances to directors and auditors		13,643	13,059

Employees retirement benefit expense		433,747	428,836
Travel and transportation expenses		261,481	267,602
Entertainment expenses		73,244	69,090
Insurance premiums		136,987	148,418
Communications expense		320,706	284,940
Maintenance and repairs		94,637	133,281
Consumables expense		286,214	281,363
Utilities		243,725	243,339
Taxes and public charge		396,045	423,699
Welfare expense		884,513	946,968
Depreciation expense		874,939	915,384
Rent		1,561,583	1,475,794
Other expenses		529,824	592,070
Total selling, general and administrative expenses		13,004,176	13,589,363
Operating income		417,168	2,538,030
Non-operating revenues			
Interest revenue		28,513	27,769
Interest revenue on negotiable securities		19,852	3,514
Dividend income		40,852	42,350
Rents received	*1	156,811	166,053
Insurance benefits		35,700	69,990
Cash bonus received		5,372	22,966
Other	*1	138,128	140,864
Total non-operating revenues		425,231	473,509
Non-operating expenses			
Interest expense		403,314	431,634
Loss on sale of notes receivable		53,098	42,466
Other		213,924	166,821
Total non-operating expense		670,337	640,923
Ordinary income		172,062	2,370,616
Extraordinary profits			
Gain on disposal of fixed assets	*3	89	3,781
Gain on sale of investment securities		—	153,765
Subsidies		—	144,854
Reversal of provision for loss on guarantees		170,594	139,849

Reversal of allowance for doubtful accounts		360	45,686
Reversal of allowance for investment loss		41,416	—
Other		10,806	7,631
Total extraordinary income		223,265	495,569
Extraordinary losses			
Loss on sale or disposal fixed assets	*4	73,668	67,245
Impairment loss	*5	312	—
Valuation loss on investment securities		435,945	20,097
Management loss on investment partnership enterprise		4,215	5,117
Transfer to allowance for investment loss		287,897	103,065
Transfer to reserve for doubtful accounts for affiliated company stock		478,631	200,000
Loss on cancellation of stock due to absorption of subsidiary		—	173,205
Loss on liquidation of subsidiaries		—	81,511
Other		47,111	40,325
Total extraordinary losses		1,327,782	690,568
Income (loss) before taxes		-932,454	2,175,617
Corporate, local and business taxes		143,244	1,032,143
Adjustment for corporate and other taxes		-15,575	110,847
Total income taxes		127,668	1,142,991
Net income (loss)		-1,060,122	1,032,626

Detailed Statement of Cost of Rental Revenues

(Unit: Thousands of yen)

		Prior Fiscal Year From November 1, 2008 to October 31, 2009		Current Fiscal Year From November 1, 2009 to October 31, 2010	
Classification	Notes	Amount	Percent	Amount	Percent
Rent		15,089,135	53.4	13,813,285	48.3
Repair expense		2,790,681	9.9	2,796,705	9.8
Freight charges		4,728,983	16.8	4,779,140	16.7
Depreciation expense	*2	3,409,168	12.1	5,197,025	18.2
Consumables expense		945,496	3.3	762,238	2.7
Other costs	*3	1,270,311	4.5	1,248,496	4.3
Total		28,233,776	100.0	28,596,893	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 ¥3,326,471,000 and construction equipment depreciation expense of ¥82,696,000.	The Company posted rental equipment asset depreciation expense of ¥5,130,041,000 and construction equipment depreciation expense of ¥66,983,000.
Note *3	Other costs consisted mainly of taxes and public charges of ¥529,530,000, insurance premiums of ¥518,979,000 and interest of ¥95,964,000 related to installment payment purchases of rental equipment assets.	Other costs consisted mainly of taxes and public charges of ¥455,766,000, insurance premiums of ¥532,623,000 and interest of ¥103,927,000 related to installment payment purchases of rental equipment assets.

3. Statement of Changes in Net Assets

(Unit: Thousands of yen)

	Prior Fiscal Year From November 1, 2008 to October 31, 2009	Current Fiscal Year From November 1, 2009 to October 31, 2010
Classification	Amount	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	15,631,684	15,631,684
Changes of items during the year		
Provision of general reserve	—	-1,900,000
Total changes of items during the year	—	-1,900,000
Balance at end of year	15,631,684	13,731,684
Retained earnings brought forward		
Balance at beginning of year	617,502	-1,099,417
Total changes of items during the year		
Provision of general reserve	—	1,900,000
Dividends from surplus	-656,796	-656,742
Net income (loss)	-1,060,122	1,032,626
Changes of items during the year	-1,716,919	2,275,884
Balance at end of year	-1,099,417	1,176,466
Total retained earnings		
Balance at beginning of year	17,644,075	15,927,156
Changes of items during the year		
Provision of general reserve	—	—
Dividends from surplus	-656,796	-656,742
Net income (loss)	-1,060,122	1,032,626
Total changes of items during the year	-1,716,919	375,884
Balance at end of year	15,927,156	16,303,040
Treasury stock		
Balance at beginning of year	-22,729	-23,917
Changes of items during the year		
Purchase of treasury stock	-1,188	-1,045
Total changes of items during the year	-1,188	-1,045
Balance at end of year	-23,917	-24,963

Total shareholders' capital		
Balance at beginning of year	38,278,933	36,560,825
Changes of items during the year		
Dividends from surplus	-656,796	-656,742
Net income (loss)	-1,060,122	1,032,626
Purchase of treasury stock	-1,188	-1,045
Total changes of items during the year	-1,718,107	374,838
Balance at end of year	36,560,825	36,935,664
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at beginning of year	163,845	234,101
Changes of items during the year		
Net changes of items other than shareholders' equity	70,255	-80,096
Total changes of items during the year	70,255	-80,096
Balance at end of year	234,101	154,004
Total valuation and translation adjustments		
Balance at beginning of year	163,845	234,101
Changes of items during the year		
Net changes of items other than shareholders' equity	70,255	-80,096
Total changes of items during the year	70,255	-80,096
Balance at end of year	234,101	154,004
Total net assets		
Balance at beginning of year	38,442,779	36,794,927
Changes of items during the year		
Dividends from surplus	-656,796	-656,742
Net income (loss)	-1,060,122	1,032,626
Purchase of treasury stock	-1,188	-1,045
Net changes of items other than shareholders' equity	70,255	-80,096
Total changes of items during the year	-1,647,852	294,742
Balance at end of year	36,794,927	37,089,669

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

The Company had no material items to report.

Significant accounting policies

Item	Prior fiscal year From November 1, 2008 to October 31, 2009	Current fiscal year From November 1, 2009 to October 31, 2010
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 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 ¥54,258,000, and gross profit, 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.	Amount after deduction of depreciation expense calculated according to the straight-line method from the original prices, by separate fiscal year of purchase □□□□□□
3. Appraisal standards and appraisal method for inventories	(1) Merchandise inventories and products 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).	(1) Merchandise inventories and products Same as at left

	(2) Work in process The Company has adopted the cost method, cost being determined by the specific identification method	(2) Work in process Same as at left
	(3) Raw materials and supplies The Latest Purchase Cost method (amounts shown on the balance sheet are calculated by determining write-downs of book value based on the decline in profitability) (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 effect of this change on earnings is not material.	(3) Raw materials and supplies Same as at left

4. Depreciation method for fixed assets	(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 2-50 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 ¥2,404,546,000, 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.	(1) Tangible fixed assets (excluding lease assets) Same as at left Rental assets 2-16 years Buildings 2-50 years □□□□□□

	(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 ¥37,922,000 higher, and the loss before taxes was ¥37,922,000 lower, than they otherwise would have been had the accounting standards used in past periods been applied.	□□□□□□
	(2) Intangible fixed assets (excluding lease assets) The Company has adopted the straight-line method. Software for use within the Company is depreciated using the straight-line method based on the assumed useful life for internal use (5 years)	(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.	(3) Lease assets Same as at left
	(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 spot market exchange 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. (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. (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.	(1) Allowance for doubtful accounts Same as at left (2) Accrued bonuses to employees Same as at left (3) Accrued employees retirement benefits Same as at left

	(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. (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. (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.	(Change in accounting method) Beginning from the fiscal year under review, the Company has adopted the *Partial Amendments to the Accounting Standard for Retirement Benefits (Part 3)* (Accounting Standards Board of Japan Accounting Standard Statement No. 19 dated July 31, 2008). The effect of this change on operating income, ordinary income and income before income taxes is not material. (4) Retirement allowances to directors and auditors Same as at left (5) Reserve for investment losses Same as at left (6) Provision for loss on guarantees Same as at left
7. Accounting standards for construction works revenues and cost	□□□□□□	Accounting standards for amount of completed works and cost of construction works a. Construction works for which the portion of the works completed by the end of the year can be reliably determined Percentage-of-completion method (progress in construction works is estimated using the cost comparison method) b. Other construction works Completed-contract method

		(Change in accounting method) The Company traditionally reported revenues and costs of construction contracts by applying the completed-contract method. Beginning from the fiscal year under review, 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 fiscal year under review, 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 fiscal year 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 earnings is not material.
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.	(1) Hedge transactions Same as at left
	(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.	(2) Hedge methods and hedged transactions Same as at left
	(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.	(3) Hedging policies Same as at left
	(4) Method for evaluating the effectiveness of hedges	(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.	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 Accounting Method

Prior fiscal year From November 1, 2008 to October 31, 2009	Current fiscal year From November 1, 2009 to October 31, 2010
(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.	(Application of the Accounting Standard for Business Combinations etc.) In conjunction with the application of the *Accounting Standard for Business Combinations* (Accounting Standards Board of Japan Statement No. 21, December 26, 2008, the *Partial Amendments to the Accounting Standard for Research and Development Costs* (Accounting Standards Board of Japan Statement No. 23, December 26, 2008), the *Accounting Standard for Business Divestitures* (Accounting Standards Board of Japan Statement No. 7, December 26, 2008) and the *Revised Guidance on the Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures* (Accounting Standards Board of Japan Guidance No. 10, December 26, 2008) beginning from the first business combination and business separation that is implemented on or after April 1, 2010, beginning from the fiscal year under review the Company will apply these accounting standards for business combinations and business divestitures implemented on or after April 1, 2010.

Change in Presentation Method

Prior fiscal year From November 1, 2008 to October 31, 2009	Current fiscal year From November 1, 2009 to October 31, 2010
(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 ¥259,968,000 and ¥72,526,000, respectively.	□□□□□□

Notes to the Financial Statements

(Notes to the Balance Sheets)

(Unit: Thousands of yen)

Prior Fiscal Year (As of October 31, 2009)		Current Fiscal Year (As of October 31, 2010)	
*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. Contingent liabilities		2. Contingent liabilities	
Joint and several guarantees of bank loans to employees (Bank of Tokyo-Mitsubishi UFJ, others)	34,788	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 consolidated subsidiary debt (Kanki Corporation)	447,726
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	US$1,945,000 (177,884)	Guarantee of installment payment liabilities of SJ Rental, Inc., a consolidated subsidiary company	US$1,503,000 (121,627)
Guarantee of borrowing liabilities of Shanghai Jinheyuan Equipment Rental Co., Ltd., a non-consolidated subsidiary company	10,000,000 yuan (133,900)	Guarantee of borrowing liabilities of Shanghai Jinheyuan Equipment Rental Co., Ltd., a consolidated subsidiary company	28,572,000 yuan (345,149)
Guarantee of finance lease liabilities of Shanghai Jinheyuan Equipment Rental Co., Ltd., a non-consolidated subsidiary company	118,033,000 yuan (1,580,468)	Guarantee of finance lease liabilities of Shanghai Jinheyuan Equipment Rental Co., Ltd., a consolidated subsidiary company	128,066,000 (1,547,046)
Guarantee of borrowing liabilities of Shanghai Jinheyuan Engineering Construction Co., Ltd., a non-consolidated subsidiary company	57,800,000 yuan (773,942)	Guarantee of borrowing liabilities of Shanghai Jinheyuan Engineering Construction Co., Ltd., a consolidated subsidiary company	49,144,000 yuan (593,659)
Guarantee of finance lease liabilities of Shanghai Jinheyuan Engineering Construction Co., Ltd., a non-consolidated subsidiary company	93,099,000 yuan (1,246,603)	Guarantee of finance lease liabilities of Shanghai Jinheyuan Engineering Construction Co., Ltd., a consolidated subsidiary company	115,990,000 yuan (1,401,169)
Guarantee of borrowing liabilities of KG Machinery Co., Ltd., a non-consolidated subsidiary company	29,050	Guarantee of borrowing liabilities of KG Machinery Co., Ltd., a non-consolidated subsidiary company	15,010
Guarantee of installment payment liabilities of KG Machinery Co., Ltd., a non-consolidated subsidiary company	66,439	Guarantee of installment payment liabilities of KG Machinery Co., Ltd., a non-consolidated subsidiary company	52,693

*3. Liquidation of receivables based on receivables transfer facility The Company liquidates receivables based on a receivables transfer facility agreement. 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.	*3. Liquidation of receivables based on receivables transfer facility The Company liquidates receivables based on a receivables transfer facility agreement. Notes receivable, trade 4,732,008 Liquidated claims bearing a right of recourse to the Company and included in the balance of notes receivable, trade transferred total ¥1,046,075.
*4. 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	*4. 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 30,869 Notes payable, trade 1,118,555 Equipment notes payable 12,658

(Notes to the Statements of Income)

(Unit: Thousands of yen)

Prior fiscal year (From November 1, 2008 to October 31, 2009)		Current fiscal year (From November 1, 2009 to October 31, 2010)	
*1. Transactions with affiliates		*1. Transactions with affiliates	
Seconded employees' salaries	46,301	Seconded employees' salaries	35,885
Rents received	123,441	Rents received	125,778
*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	648,082	Rental equipment assets	662,673
Construction equipment	312	Construction equipment	517
Total	648,395	Total	663,191
*3. Gain on sale or retirement of fixed assets		*3. Gain on sale or retirement of fixed assets	
Building	25	Building	2,426
Tools, furniture and fixtures	64	Tools, furniture and fixtures	1,355
Total	89	Total	3,781
*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)	
Machinery and equipment	39	Buildings	266
Land	40	Structures	130
(Loss on retirement of fixed assets)		Tools, furnishings and fixtures	200
Rental equipment assets	11,246	Land	10,344
Buildings	43,232	(Loss on retirement of fixed assets)	
Structures	5,714	Rental equipment assets	33,171
Machinery and equipment	3,692	Buildings	16,549
Vehicles and delivery equipment	339	Structures	3,660
Tools, furnishings and fixtures	1,603	Machinery and equipment	1,399
Other	7,759	Vehicles and delivery equipment	360
Total	73,668	Tools, furnishings and fixtures	1,162
		Other	0
		Total	67,245

<table>
<tr><th>Prior fiscal year
(From November 1, 2008
to October 31, 2009)</th><th>Current fiscal year
(From November 1, 2009
to October 31, 2010)</th></tr>
<tr><td>*5. Impairment loss
During this 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 (¥312,000) under extraordinary losses. This ¥312,000 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>□□□□□□</td></tr>
</table>

(Statements of Changes in Net Assets)

Prior 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 3,000 shares through purchases of shares comprising less than one investment unit.

Current fiscal year (From November 1, 2009 to October 31, 2010)

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)	34	2	－	36
Total	34	2	－	36

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

(Notes for Leasing Transactions)

(Unit: Thousands of yen)

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

1. Finance lease transactions (Lessor)

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

a) Lease assets

Tangible fixed assets

Construction-related business rental assets and tools, furnishings and fixtures

b) Method of depreciation for lease assets

Lease assets are depreciated according to the method described in "4. Depreciation methods for principal depreciable assets" in the Important Matters Used as the Basis for Preparation of the Financial Statements.

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

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

	Acquisition price	Acquisition price	Outstanding balance
Rental assets	23,696,944	10,752,533	12,944,411
Tools, furnishings and fixtures	9,662	5,580	4,082
Total	23,706,607	10,758,113	12,948,493

(2) Outstanding balance of future lease payments at the end of the fiscal year

Within one year	4,307,600
After one year	9,100,038
Total	13,407,638

(3) Amount of lease payments, depreciation expense and interest expense

Lease payments	4,844,575
Depreciation expense	3,958,767
Interest expense	442,387

(4) Accounting method for amount equivalent to depreciation expense

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

(5) Accounting method for amount equivalent to interest expense

Current Consolidated Accounting Fiscal Year (From November 1, 2009 to October 31, 2010)

1. Finance lease transactions (Lessor)

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

a) Lease assets

Tangible fixed assets

Same as at left

b) Method of depreciation for lease assets

Same as at left

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

	Acquisition price	Acquisition price	Outstanding balance
Rental assets	17,080,348	8,938,093	8,142,254
Total	17,080,348	8,938,093	8,142,254

(2) Outstanding balance of future lease payments at the end of the fiscal year

Within one year	2,762,381
After one year	5,830,329
Total	8,592,710

(3) Amount of lease payments, depreciation expense and interest expense

Lease payments	3,613,452
Depreciation expense	2,440,470
Interest expense	282,560

(4) Accounting method for amount equivalent to depreciation expense

Same as at left

(5) Accounting method for amount equivalent to interest expense

Interest method using the difference between total lease payments and the acquisition price of the lease property as the amount equivalent to interest, allocated to each year.	Same as at left
2. Operating leases Prepaid lease payments pertaining to non-cancellable operating lease transactions Within one year 1,702,940 After one year 3,245,720 Total 4,948,660	2. Operating leases Prepaid lease payments pertaining to non-cancellable operating lease transactions Within one year 1,541,889 After one year 3,576,530 Total 5,118,419

6. Others

(1) Changes to Directors

a. Change to representative director

There are no pertinent items.

b. Changes to other directors

Auditors scheduled to be newly appointed

Standing Corporate Auditor	Naoyuki Yokota
Auditor	Hisao Oba (North Pacific Bank, Ltd., Standing Corporate Auditor)

Auditors schedules to retire

Standing Corporate Auditor	Toshizo Okumura
Auditor	Hideto Otsu

Planned date of new appointments and retirements

January 27, 2011