

# Three-month Consolidated Financial Report for the Fiscal Year ending October 31, 2011 [Japan GAAP]

March 4, 2011

Listed Company Name **Kanamoto Company, Ltd.**  
 Company Code Number **9678**  
 Listing Exchanges **Tokyo Stock Exchange, Sapporo Stock Exchange**  
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Scheduled date for submission of Quarterly Report March 14, 2011  
 Scheduled date for commencement of dividend payments -  
 Preparation of Quarterly Settlement Supplementary  
     Explanatory Materials No  
 Quarterly Earnings Briefings No

## 1. Operating Results for the Three-Month Period of the Fiscal Year Ending October 31, 2011 (November 1, 2010 – January 31, 2011)

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

	Revenues		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal Year ending October 31, 2011: First quarter	18,280	-2.2	1,114	-33.2	979	-38.6	354	-58.4
Fiscal Year ended October 31, 2010: First quarter	18,699	7.2	1,666	149.0	1,595	162.6	853	-

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Fiscal Year ending October 31, 2011: First quarter	10.80	-
Fiscal Year ended October 31, 2010: First quarter	25.98	-

## (2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
Fiscal Year ending October 31, 2011: First quarter	108,695	37,338	33.8	1,120.02
Fiscal Year ended October 31, 2010	108,509	37,025	33.7	1,112.46

(Reference) Shareholders' equity

Fiscal Year Ending October 31, 2011 First Quarter: ¥36,775 million  
 Fiscal Year Ended October 31, 2010: ¥36,527 million

## 2. Dividends

	Dividend per Share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Full year
Fiscal year ended October 31, 2010	Yen —	Yen 10.00	Yen —	Yen 10.00	Yen 20.00
Fiscal year ending October 31, 2011 (Projected)		10.00	—	10.00	20.00

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

## 3. Projected Consolidated Operating Results for the Fiscal Year Ending October 2011 (November 1, 2010 - October 31, 2011) (Percentages indicate percent change from prior fiscal year)

	Revenues		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Interim (Year-to-date)	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

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

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

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

Company newly included (Company name: )

Company newly excluded (Company name: )

Note: Transfer of specified subsidiaries in conjunction with revisions to the scope of consolidation during the quarterly accounting period.

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

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

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

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

(b) Changes other than the above: No

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

(4) Number of shares issued (common stock)

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

Fiscal year ending October 31, 2010 First Quarter: 32,872,241 shares

Fiscal year ended October 31, 2010: 32,872,241 shares

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

Fiscal year ending October 31, 2010 First Quarter: 37,747 shares

Fiscal year ended October 31, 2010: 36,906 shares

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

Fiscal year ending October 31, 2010 First Quarter: 32,835,326 shares

Fiscal year ended October 31, 2010: 32,837,656 shares

Note: Disclosure concerning status of implementation of quarterly review procedure

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

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

(Note Concerning Forward-Looking Statements)

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

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## **I. Qualitative Information Concerning Quarterly Consolidated Operating Results**

### **1. Qualitative Information Concerning Consolidated Operating Results**

#### **< Management Environment > (From November 1, 2010 to January 31, 2011)**

Driven by the effects of stimulus measures and economic conditions overseas, including a gradual recovery of the U.S. business environment, Japan's economy during the Kanamoto Group's first quarter presented some aspects of a recovery. Business sentiment was improved, as major companies including export-oriented manufacturers began reporting positive operating forecasts. But as the stimulus effect from programs to support automobile and home electrical appliance purchases faded and domestic demand weakened, brighter notes gradually appeared from a private sector capital investment perspective, starting with condominium construction in the Tokyo metropolitan area. Overall, the quarter was characterized by a moderate business recovery trend.

At the same time, however, the severity of the environment in regional areas was unabated. Whether in terms of slumping domestic demand, the drag from deflationary conditions, pressure on earnings at middle-market corporations and small and medium-size firms, the worsening employment situation or the upward trend in the number of bankruptcies, differences among regions were further thrust into stark relief. For firms in service industries, including the Kanamoto Group, competition among firms intensified, despite a halt in price cutting, against the backdrop of an absolute drop in demand.

#### **< First Quarter Consolidated Operating Results > (From November 1, 2010 to January 31, 2010)**

The value of orders for construction work in all of 2010 totaled a low ¥41,598.4 billion, despite the implementation of emergency economic measures (down 0.3% year-on-year according to a survey by the Ministry of Land, Infrastructure and Transport). For the construction industry, the severe operating climate continued. The construction equipment rental industry, which operates incidentally to the construction industry, similarly experienced more intensive competition in conjunction with the sharp decline in construction work.

Amidst these conditions, Kanamoto maintained its market share and improved its equipment operating rates in each region as a result of pursuing proposal-type marketing. This included aggressively adopting technologies registered in the NETIS program, and state-of-the-art equipment for the computerization of construction-related procedures, being promoted by the Ministry of Land, Infrastructure and Transport. Nevertheless, increased competition continued to depress rental unit prices, and in general earnings for the Kanamoto Group remained under downward pressure.

Overseas sales of used construction equipment expanded robustly, supported by vigorous foreign demand and high market prices.

As a result of these factors, consolidated revenues for the first quarter of the consolidated fiscal year ending in October 2011 were ¥18,280 million, down 2.2% compared with the same period of the previous consolidated fiscal year.

From an earnings perspective, on the other hand, consolidated operating income dropped 33.2% from the same period of the previous consolidated fiscal year to ¥1,114 million, and consolidated ordinary income fell 38.6% year-on-year to ¥979 million. First quarter net income declined 58.4% to ¥354 million.

A summary of operating results for each of the Company's reporting segments is provided below (Beginning from the current period, the Company has partially revised its descriptive method in conjunction with the revision of financial bulletin reporting standards).

### **[ Business related to the Construction Equipment Rental Division ]**

By region, construction equipment rental revenues in the Hokkaido Region, which was affected by the end of economic stimulus measures, fell broadly by 26.3% compared with the revenues in the first quarter of the previous consolidated fiscal year. As in the previous year, the Company undertook strong business development measures aimed at both civil engineering works and construction projects, but the decline in demand across the public and private sectors was remarkable, and operating results were at the level seen two years ago. In the Tohoku Region, on the other hand, revenues recovered as the result of large-scale projects, including construction of the nuclear fuel reprocessing plant in Rokkasho Village, and rose 4.9% year-on-year. Revenues in the Kanto Region were up 3.9% from the same period of the previous consolidated fiscal year, thanks to public works such as the Tokyo Metropolitan Expressway and embankment works and a push from private sector construction investment, including condominium construction in the Tokyo metropolitan area, which exhibited a recovery trend. Revenues in the Kinki & Chubu Region increased 3.3% as private sector capital investment in metropolitan areas recovered, and in the Kyushu & Okinawa Region expanded 3.1% because of government demand centered on northern Kyushu.

Overseas sales of used construction equipment expanded substantially, climbing 180.8%.

Moreover, among Kanamoto's overseas subsidiaries, the two companies of the Shanghai Jinheyuan Group steadily expanded their market area inland from the coast, to areas such as Wuhan. Because the quarter did not benefit from works related to the Shanghai Expo, which boosted results in the same quarter one year ago, and was affected by delays in construction starts following the conclusion of the Expo, however, revenues were 19.0% lower.

As a result of these factors, first quarter revenues for Kanamoto's construction-related businesses slipped 5.3% from the same period of the previous consolidated fiscal year to ¥16,645 million, and operating income fell 39.7% year-on-year to ¥1,023 million.

### **[ Other Businesses ]**

In the steel products sales business the Company is developing in Hokkaido, revenues rose 49.8% compared with the first quarter of the previous consolidated fiscal year as conditions in the steel materials market improved and demand for foundation materials expanded. In addition, the Company's information and telecommunications-related division successfully developed new personal computer rentals, increasing its revenues 25.0% year-over-year.

As a result of the above activities, for the first quarter of the current consolidated fiscal year, revenues in the Company's other businesses increased 46.4% to ¥1,634 million, and operating income was ¥46 million, compared with an operating loss of ¥21 million in the same period one year ago.

### **[ Business Development Issues Deserving Special Mention and Status of branch Office Changes ]**

(1) During the first quarter of the consolidated accounting fiscal year, Kanamoto opened a new Rokkasho Branch (Village of Rokkasho in Kamikita-gun, Aomori Prefecture). In Hokkaido, the Company closed the Shiranuka Equipment Center (Shiranuka-cho, Shiranuka-gun), Tomikawa Equipment Center (Hidaka-cho, Saru-gun) and Muroran Equipment Center (Shikuji-cho, Muroran).

(2) As already reported on February 25, 2011, Kanamoto established Kanamoto & JP Nelson Equipment (S) PTE Ltd. in the Republic of Singapore through a joint venture with JP Nelson Equipment PTE. LTD., the leading construction equipment rental company in Singapore, and registered the new corporation on January 11, 2011. Because this new company will begin full-scale business operations from March, earnings during the current fiscal year are expected to be minimal.

## **2. Qualitative Information Concerning Consolidated Financial Position**

### **(1) Assets, liabilities and net assets**

Total assets at the end of the first quarter under review increased by ¥186 million compared with the end of the prior consolidated fiscal year to ¥108,695 million. This mainly reflected an increase of ¥1,732 million in rental equipment and an increase of ¥419 million in investment securities, and a decrease of ¥2,025 million in cash and deposits.

Total liabilities were ¥71,357 million, a decrease of ¥126 million compared with the end of the previous consolidated fiscal year. This mainly reflected the repayment of corporate taxes and consumption taxes.

Total Net Assets were ¥37,338 million, ¥313 million higher than at the end of the previous consolidated fiscal year. This was largely the result of an increase of ¥225 million increase in the valuation difference on other investment securities, as stock prices for shares that have a market price and which are included among investment securities rose above the prices recorded at the end of the previous consolidated fiscal year.

### **(2) Cash flows**

Cash and cash equivalents ("cash") at the end of the first quarter under review decreased by ¥1,825 million compared with the end of the previous consolidated fiscal year to ¥18,925 million.

The consolidated cash flows for the first quarter consolidated accounting period under review are described below, along with the main factors affecting cash flows.

#### **(Cash flow from operating activities)**

Cash generated as a result of operating activities fell 99.6% from the same period of the previous consolidated fiscal year to ¥7 million. This was mainly the result of a decrease in quarterly income before income taxes and minority interests and larger payments for corporate and other taxes.

#### **(Cash flow from investing activities)**

Cash flow used in investing activities increased 96.7% from the first quarter of the previous consolidated fiscal year to ¥186 million. This mainly reflected an increase in funds used for the purchase of tangible fixed assets and funds used for the purchase of subsidiary stock.

### **(Cash flow from financing activities)**

Cash flow used as a result of financing activities was ¥1,639 million, compared with cash flow provided as a result of financing activities of ¥25 million in the same period of the previous consolidated fiscal year. The main factors were decreases in the net amount of short-term bank loans and 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.

### **3. Qualitative Information Concerning Projected Consolidated Operating Results**

These projected consolidated operating results were prepared using projections based on information available to the Company as of the date this material was released and forecasts of the future economic, environment, and include various risks and uncertainty factors.

Accordingly, there is a possibility the Company's actual consolidated operating results will differ from the projected amounts shown above as a result of various future factors, including but not limited to economic conditions surrounding the Company, market trends, and competitive conditions.

## **II. Other Information**

### **1. Summary of Changes to Material Subsidiaries**

The Company had no material items to report.

### **2. Summary of Simplified Accounting Method and Special Accounting Method**

#### **1. Appraisal methods for inventory assets**

The appraisal value of inventories at the end of the first quarter under review has been calculated using a rational method based on physical inventories at the end of the previous consolidated fiscal year, rather than physical inventories at the end of the quarter under review.

To write down the book value of inventory, the Company estimates the net selling values of assets for which there has been a clear decline in profitability, and writes down the book values to those amounts.

#### **2. Method of calculating fixed asset depreciation expense**

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

### **3. Summary of Changes in Accounting Principles, Procedures or Reporting Methods**

#### **1. Adoption of the *Accounting Standard for Asset Retirement Obligations***

Beginning from the first quarter of the current consolidated fiscal year, the Company has adopted the *Accounting Standard for Asset Retirement Obligations* (Accounting Standards Board of Japan Statement No. 18 dated March 31, 2008 and the *Guidance on Accounting Standard for Asset Retirement Obligations* (Accounting Standards Board of Japan Guidance No. 21 dated March 31, 2008).



As a result, operating income and ordinary income were ¥1,864,000 lower, respectively, and income before taxes was ¥97,394,000 lower, than they otherwise would have been had the accounting standards used in past periods been applied.

Furthermore, the change in asset retirement obligations as a result of the application of this standard was ¥151,255,000.

## 2. Adoption of the *Accounting Standard for Measurement of Inventories*

Beginning from the first quarter of the current consolidated fiscal year, the Company has adopted the *Accounting Standard for Measurement of Inventories* (Accounting Standards Board of Japan Statement No. 9 dated September 26, 2008), and Kanamoto and certain of its domestic consolidated subsidiaries have changed the measurement method for merchandise inventories and products from the last-in-first-out method to the periodic average method.

The affect of this change on earnings is not material.

## Change in Reporting Method

(Quarterly Consolidated Statements of Income)

1. As a result of the application of the *Cabinet Office Ordinance Partially Revising the Regulations for Terminology, Formats and Preparation Methods of Financial Statements* (Cabinet Ordinance No. 5 dated March 24, 2009) based on the *Accounting Standard for Consolidated Financial Statements* (Accounting Standards Board of Japan Statement No. 22 dated December 26, 2008), the Company has disclosed the line item "income (loss) before minority interests" for the first quarter consolidated period under review.

2. In the first quarter of the previous consolidated fiscal year, "gain on sale or retirement of fixed assets" was reported in "Other" under extraordinary profits. For the first quarter consolidated period under review, the Company has classified this item separately because the amount exceeded 20/100 of total extraordinary profits. The "gain on sale or retirement of fixed assets" included in "Other" under extraordinary profits for the first quarter of the previous consolidated fiscal year is ¥324,000.

(Quarterly Consolidated Statements of Cash Flows)

Because the "funds used for repayment of lease obligations" reported in "Other" under cash flow from financing activities in the first quarter of the previous consolidated fiscal year have increased in importance, the Company has decided to report this item separately beginning from the first quarter consolidated period under review. The "funds used for repayment of lease obligations" included in "Other" under cash flow from financing activities for the first quarter of the previous consolidated fiscal year is ¥105,959,000.

### III. Quarterly Consolidated Financial Statements

#### 1. Quarterly Consolidated Balance Sheets

(Unit: Thousands of yen)

	Current Consolidated Fiscal Year First Quarter (As of January 31, 2011)	Prior Fiscal Year Summary Consolidated Balance Sheet (As of October 31, 2010)
Classification	Amount	Amount
(Assets)		
Current assets		
Cash and deposits	18,460,262	20,486,217
Notes and accounts receivable, trade	15,271,498	14,987,135
Negotiable securities	550,000	350,000
Work in progress	32,490	37,046
Merchandise inventories and products	706,316	606,265
Raw materials and supplies	166,608	161,250
Construction equipment	1,239,379	1,187,474
Deferred tax assets	168,105	360,857
Other	527,870	585,387
Allowance for doubtful accounts	-371,221	-372,925
Total Current Assets	36,751,309	38,388,709
Fixed assets		
Tangible fixed assets		
Rental equipment assets	65,776,866	62,487,304
Accumulated depreciation	-38,298,111	-36,740,651
Net rental equipment assets	27,478,755	25,746,653
Buildings and structures	20,932,238	20,754,755
Accumulated depreciation	-13,106,684	-12,855,277
Net buildings and structures	7,825,553	7,899,477
Machinery, equipment, vehicles and delivery equipment	5,170,058	5,136,911
Accumulated depreciation	-4,448,501	-4,386,927
Net machinery, equipment, vehicles and delivery equipment	721,557	749,983
Land	29,686,945	29,689,403
Other	1,393,401	1,332,572
Accumulated depreciation	-1,150,005	-1,076,712
Net other	243,395	255,859
Total Tangible Fixed Assets	65,956,207	64,341,377
Intangible fixed assets		
Goodwill	298,862	345,456
Other	288,088	304,779
Total Intangible Fixed Assets	586,951	650,235
Investments and other assets		
Investment securities	3,187,774	2,768,524

Deferred tax receivable	1,079,732	1,186,595
Other	2,033,406	2,081,861
Allowance for doubtful accounts	-814,683	-827,005
Allowance for investment loss	-84,700	-80,700
Total Investments and Other Assets	5,401,528	5,129,276
Total Fixed Assets	71,944,687	70,120,890
Total Assets	108,695,997	108,509,599

	Current Consolidated Fiscal Year First Quarter (As of January 31, 2011)	Prior Fiscal Year Summary Consolidated Balance Sheet (As of October 31, 2010)
Classification	Amount	Amount
(Liabilities)		
Current liabilities		
Notes and accounts payable, trade	13,034,476	13,076,469
Short-term bank loans	16,061,790	13,415,487
Long-term bank loans due within one year	8,824,428	9,529,170
Current portion of bonds	22,000	22,000
Lease obligations	980,526	859,558
Corporate taxes payable	341,035	1,106,405
Accrued bonuses to employees	295,763	589,042
Accounts payable, other	5,377,178	5,587,413
Other	1,276,274	1,514,896
Total Current Liabilities	46,213,475	45,700,445
Long-term liabilities		
Bonds	11,000	22,000
Long-term bank loans	12,205,790	13,762,305
Lease obligations	1,561,817	1,903,249
Accrued employees retirement benefits	1,384,589	1,341,459
Retirement allowances to directors and auditors	195,919	205,627
Long-term accrued expenses	9,580,738	8,493,598
Asset retirement obligations	151,562	—
Other	52,474	55,316
Total Long-term Liabilities	25,143,891	25,783,556
Total Liabilities	71,357,367	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	15,814,585	15,788,189
Treasury stock	-25,334	-24,963

Total Shareholders' Equity	36,446,838	36,420,813
Valuation and translation adjustments		
Valuation difference on other investment securities	373,062	147,516
Translation adjustments account	-44,657	-40,486
Total Valuation and Translation Adjustments	328,405	107,030
Minority Interests	563,385	497,753
Total Net Assets	37,338,629	37,025,597
Total Liabilities and Net Assets	108,695,997	108,509,599

## 2. Quarterly Consolidated Statements of Income

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year First Quarter From November 1, 2009 to January 31, 2010	Current Consolidated Fiscal Year First Quarter From November 1, 2010 to January 31, 2011
Classification	Amount	Amount
Revenues	18,699,932	18,280,145
Cost of revenues	12,563,002	12,723,821
Gross profit	6,136,930	5,556,324
Selling, general and administrative expenses	4,470,079	4,442,061
Operating income	1,666,850	1,114,262
Non-operating income		
Interest income	3,384	1,879
Dividend income	11,509	14,639
Insurance benefits	57,507	3,936
Rents received	12,833	12,878
Cash bonus received	380	521
Amortization of negative goodwill	17,458	17,458
Other	37,484	29,939
Total non-operating income	140,558	81,252
Non-operating expenses		
Interest expense	174,660	174,537
Loss on sale of notes receivable	13,997	11,370
Other	22,925	29,920
Total non-operating expenses	211,583	215,828
Ordinary income	1,595,825	979,686
Extraordinary income		
Gain on sale of fixed assets	—	2,142
Reversal of allowance for doubtful accounts	33,233	3,596
Subsidies	13,362	—
Other	3,496	1,647
Total extraordinary income	50,092	7,387
Extraordinary losses		
Loss on sale and retirement of fixed assets	9,310	62,428
Transfer to reserve for investment losses	—	4,000
Extraordinary expenses resulting from application of the <i>Accounting Standard for Asset Retirement Obligations</i>	—	95,530
Transfer to allowance for doubtful accounts of affiliated companies	2,792	—
Other	286	—
Total extraordinary losses	12,389	161,958

Income before taxes and adjustments	1,633,528	825,115
Corporate, local and business taxes	650,821	320,512
Adjustment for corporate and other taxes	79,481	149,159
Total corporate and other taxes	730,303	469,672
Income before minority interest	–	355,443
Minority interest in income	50,122	693
Net income	853,102	354,749

### 3. Quarterly Consolidated Statements of Cash Flows

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year First Quarter From November 1, 2009 to January 31, 2010	Current Consolidated Fiscal Year First Quarter From November 1, 2010 to January 31, 2011
Classification		
Cash flow from operating activities		
Income (loss) before taxes and adjustments	1,633,528	825,115
Depreciation and amortization expense	1,795,314	2,129,066
Amortization of goodwill	50,462	46,593
Loss on sale or retirement of fixed assets	8,985	60,285
Installment purchases of assets for small-value rentals	—	4,334
Reclassification of cost of sales associated with disposal of construction equipment	92	97
Reclassification of cost of sales associated with disposal of rental assets	70,278	179,942
Expenditures for acquisition of rental assets	-1,602,354	-929,729
Increase (decrease) in allowance for doubtful accounts	17,941	-13,192
Increase (decrease) in accrued bonuses to employees	-220,331	-293,227
Increase (decrease) in accrued employees retirement benefits	40,671	43,130
Increase (decrease) in retirement allowances to directors and auditors	6,220	-9,708
Increase (decrease) in reserve for investment losses	—	4,000
Interest revenue and dividend income	-14,894	-16,518
Interest expense on installment purchases of rental assets	45,492	43,925
Interest expense	174,660	174,537
Extraordinary expenses resulting from application of the <i>Accounting Standard for Asset Retirement Obligations</i>	—	95,530
Decrease in accounts receivable, trade	-802,790	-295,790
(Increase) decrease in inventory	107,394	-102,244
Increase (decrease) in accounts payable, trade	316,648	31,866
Increase (decrease) in accounts payable, other	78,019	-444,808
Other	587,260	-237,952
Subtotal	2,292,601	1,295,255
Interest and dividends received	15,444	16,521
Interest expense	-224,489	-217,409

Payment of corporate and other taxes	-127,418	-1,087,087
Cash flow from operating activities	1,956,138	7,279

Classification	Prior Consolidated Fiscal Year First Quarter	Current Consolidated Fiscal Year First Quarter
	From November 1, 2009 to January 31, 2010	From November 1, 2010 to January 31, 2011
Cash flow from investing activities		
Revenue from redemption of term deposits	500	—
Funds used for the purchase of tangible fixed assets	-52,105	-99,119
Funds provided from the sale of tangible fixed assets	5,922	12,141
Funds used for the purchase of intangible fixed assets	-13,697	-1,089
Funds used for the purchase of investment securities	-2,107	-1,664
Funds used for the purchase of subsidiary stock	—	-41,310
Payments of loans receivable	-62,100	-88,000
Funds provided from collection of loans receivable	18,940	21,434
Other	10,157	11,726
Cash flow from investing activities	-94,490	-185,881
Cash flow from financing activities		
Net increase in short-term bank loans	3,212,084	2,661,204
Funds provided by long-term bank loans	1,149,510	530,000
Funds used to repay long-term bank loans	-2,814,043	-2,785,107
Funds used to redeem corporate bonds	-31,000	-11,000
Funds used for repayment of installment obligations	-1,053,012	1,341,880
Funds used for repayment of lease obligations	—	-481,235
Funds used for the purchase of treasury stock	-74	-371
Payment of dividends	-300,131	-296,791
Funds provided by payment from minority shareholders	—	68,265
Other	-137,982	16,950
Cash flow from financing activities	25,350	-1,639,966
Effect of exchange rate changes on cash and cash equivalents	270	-7,387
Increase (decrease) in cash and equivalents	1,887,269	-1,825,955
Balance of cash and equivalents at beginning of period	14,086,028	20,751,217



Increase in cash and cash equivalents due to newly consolidated subsidiaries	185,114	—
Balance of cash and equivalents at end of the period	16,158,412	18,925,262

#### 4. Notes Relating to the Going Concern Assumption

The Company had no material items to report.

#### 5. Business Segment Information

(Segment Information, etc.)

[Segment Information by Type of Business]

**Prior consolidated fiscal year first quarter** (From November 1, 2009 to January 31, 2010)

(Unit: Thousands of yen)

	Construction equipment rental business	Steel sales business	Information products business and other businesses	Total	Eliminations or entire company	Consolidated
Revenues						
(1) Revenues from customers	17,583,405	965,225	151,302	18,699,932	—	18,699,932
(2) Sales or transfers between segments	—	—	—	—	—	—
Total	17,583,405	965,225	151,302	18,699,932	—	18,699,932
Operating income (loss)	1,698,294	-12,334	-9,452	1,676,507	-9,656	1,666,850

(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, Specified Worker Dispatching Undertakings

3. Changes in accounting methods

Prior consolidated fiscal year first quarter

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

As described in "Revision of Important Matters Used as the Basis for Preparation of the Quarterly Consolidated Financial Statements" 2., beginning from the first quarter of the current consolidated fiscal year the Company has changed its accounting standards for revenues and costs related to construction works.

The effect of this change on the Company's businesses related to the Steel Sales Division is not material, compared to what the results otherwise would have been had the accounting standards traditionally used by the Company been applied.

[Segment information by location]

**Prior consolidated fiscal year first quarter** (From November 1, 2009 to January 31, 2010)

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

[Foreign sales]

**Prior consolidated fiscal year first quarter** (From November 1, 2009 to January 31, 2010)

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

**【Segment Information】**

**1. Summary of reporting segments**

The Company's reporting segments are those units of the Company for which discrete financial information is available and for which the Board of Directors regularly conducts a review for the purpose of making decisions about resources to be allocated to the segments and assessing the segments' performance.

The Company is developing its businesses according to products and services, and has assumed "business related to the Construction Equipment Rental Division" as its reporting segment.

The Company's "business related to the Construction Equipment Rental Division" rents and sells construction equipment and temporary materials for construction use.

**2. Information concerning revenues and profit or loss of each reporting segment**

**Current consolidated fiscal year first quarter** (From November 1, 2010 to January 31, 2011)

(Unit: Thousands of yen)

	Reporting segment	Other businesses (see Note)	Total
	Business related to the Construction Equipment Rental Division		
Revenues			
(1) Revenues from customers	16,645,548	1,634,597	18,280,145
(2) Sales or transfers between segments	—	—	—
Total	16,645,548	1,634,597	18,280,145
Operating income (loss)	1,023,704	46,289	1,069,903

(Note) The "Other businesses" classification encompasses business segments not included in the reporting segment, and includes business related to the Steel Sales Division and business related to the Information Products Division and other businesses.

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

(Unit: Thousands of yen)

Earnings	Amount
Reporting segment total	1,023,704
Earnings from other classifications	46,289
Intersegment eliminations	—
Other adjustments	44,269
Operating income reported on the Consolidated Quarterly Statements of Income	1,114,262

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

The Company had no material items to report.

(Supplemental Information)

Beginning from the first quarter of the current consolidated fiscal year, the Company has adopted the *Accounting Standard for Disclosures about Segments of an Enterprise and Related Information* (Accounting Standards Board of Japan Statement No. 17, revision dated March 27, 2009 and the *Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information* (Accounting Standards Board of Japan Guidance No. 20 dated March 31, 2008).

#### **6. Notes on Significant Changes to Shareholders' Equity**

The Company had no material items to report.