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

September 2, 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 September 13, 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 Nine-Month Period of the Fiscal Year Ending October 31, 2011
(November 1, 2010 – July 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: Third quarter	51,779	−2.7	1,985	−31.2	1,525	−37.9	69	−93.7
Fiscal Year ended October 31, 2010: Third quarter	53,191	12.6	2,884	□	2,457	□	1,105	□

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Fiscal Year ending October 31, 2011: Third quarter	2.11	—
Fiscal Year ended October 31, 2010: Third quarter	33.68	—

(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: Third quarter	112,321	36,716	32.2	1,101.40
Fiscal Year ended October 31, 2010	108,509	37,025	33.7	1,112.46

(Reference) Shareholders' equity
Fiscal Year Ending October 31, 2011 Third Quarter: ¥36,163 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
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended October 31, 2010	☐	10.00	☐	10.00	20.00
Fiscal year ending October 31, 2011	☐	10.00	☐		
Fiscal Year ending October 31, 2011 (Projected)				10.00	20.00

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

3. Projected Consolidated Operating Results for the Fiscal Year Ending October 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
Full year	69,590	−0.8	2,310	−12.8	1,640	−21.3	720	−30.9	21.93

(Note) Has the Company revised its projected consolidated operating results during the quarter? Yes

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 simplified accounting methods and special accounting methods: Yes

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

(3) Changes in accounting principles, procedures or presentation 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 presentation methods pertaining to preparation of the quarterly consolidated financial statements recorded in the *Changes in Important Matters Used as the Basis for Preparation of the Consolidated Financial Statements*.

(4) Number of shares issued (common stock)

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

Fiscal year ending October 31, 2011 Third 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, 2011 Third Quarter:	38,566 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, 2011 Third Quarter:	32,834,544 shares
Fiscal year ended October 31, 2010 Third Quarter:	32,837,073 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

These forward-looking statements 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.

Attachments Table of Contents

I. Qualitative Information Concerning Quarterly Consolidated Operating Results

1. Qualitative Information Concerning Consolidated Operating Results

< Management Environment > (From November 1, 2010 to July 31, 2011)

During the Kanamoto Group's third quarter, Japan's economy gradually made a transition from its darkest period to a recovery trend as the negative pressures created by the Great East Japan Earthquake weakened. Yet even as supply chains were restored and shipments bound for China and other markets helped drive growth, and the economy achieved a trade surplus for the second consecutive business period, the persistent appreciation of the yen, spurred by concerns over fiscal administration in Europe and the United States, cast a lengthening shadow over the business sentiment of firms.

However, the trend for local economies generally continued to deteriorate under the weight of multiple factors, including a slump in the tourism sector spurred by harmful rumors concerning the Fukushima nuclear accident, weak personal consumption that reflected a heightened desire to save and the trend in public works spending, which continues to fall against the backdrop of shrinking budgets for government authorities at both the national and local levels.

< Nine-month Period Ending July 31, 2011 > Consolidated Operating Results

(From November 1, 2010 to July 31, 2011)

For the Kanamoto Group, the business environment was brightened by a strong turnaround. Following the earthquake and damage caused by heavy rains, restoration works were begun in regions where Kanamoto enjoys a high market share. Construction equipment rental demand increased in both the Tohoku and Kanto regions in particular, mainly for equipment such as hydraulic excavators, dump trucks and generators. A positive correction trend was also noted in rental unit prices as the result of an improved supply and demand balance.

In regions other than the stricken areas, on the other hand, expansion of construction equipment rental demand proved difficult. Because priority was given to public works expenditures for rebuilding devastated areas, many regions saw their budgets reduced. A deceleration of private sector capital investment because of concerns about the future business outlook played a role as well. In particular, consolidated entities that provide rentals of temporary scaffolding material or specialized construction equipment such as shield-related equipment were unable to overcome the decline in demand caused by the change in business environment produced by the earthquake.

In addition to responding quickly immediately after the earthquake occurred by transferring construction equipment between regions to assist in the earthquake recovery effort, and continuing its normal rental equipment maintenance and upgrade investments, Kanamoto sought to expand earnings opportunities through steps such as adding new rental assets as an earthquake response measure. Despite these measures, revenues were slightly lower than in the same period of the previous year, dipping 2.7% year-on-year to ¥51,779 million. This result also reflected the postponement of used equipment sales because of the need to retain assets in order to respond promptly to restoration demand.

From an earnings perspective, operating income decreased 31.2% from the same period of the previous year to ¥1,985 million and ordinary income fell 37.9% year-on-year to ¥1,525 million. Factors that influenced earnings included the drop in income because of the postponed sale of used construction equipment as described above, and a heavier depreciation expense burden because of the additional capital investment. Net income retreated sharply, contracting 93.7% from the same period of the previous year to ¥69 million; earnings in the third quarter alone were insufficient to fully offset the extraordinary loss reported for damage from the earthquake.

Operating results by segment are reported below (in addition, beginning from this consolidated fiscal year, the Company has partially revised its reporting method in conjunction with a change in reporting standards for settlement of accounts bulletins).

[Business related to the Construction Equipment Rental Division]

In regions other than the area devastated by the earthquake, conditions for domestic construction equipment rental demand remain severe as the volume of public works overall continues to shrink against the backdrop of central and local government budget cutbacks. However, the Kanamoto Group's rental revenues in this business segment expanded during the nine-month period in most areas, with total rental revenues edging up 1.4% compared with the same period of the previous year. In addition to earthquake-related demand, positive factors included increased demand for generators in industries other than construction because of worries about the availability of power in the wake of rolling blackouts, and urgent restoration works due to damage from heavy rainfall that occurred in various locations.

Looking at rental revenues through the third quarter by region, in the Hokkaido Region orders expanded strongly in the third quarter, which improved the decline compared with the nine-month period of the previous year to 17.3%. On the other hand, in the Tohoku Region rental revenues rose 21.8%, boosted by the rainfall disaster recovery works in Niigata and Fukushima in addition to earthquake recovery works, while in the Kanto Region, rental revenues increased 10.3% year-on-year, despite sluggish rental demand for specialized construction equipment, as demand related to restoration and electric power supply expanded. In the Kinki & Chubu Region, rental revenues were up 3.8%, as demand remained driven by private sector capital investment, and in the Kyushu & Okinawa Region, rental revenues grew 8.8% from the same period one year ago because of heavy rainfall disaster-related demand.

Revenues from equipment sales in this business sector were fundamentally unchanged from the same period one year ago, as domestic sales of used construction equipment compensated for lower foreign sales that resulted from the postponement of overseas used construction equipment sales.

On the other hand, in China the Shanghai Jinheyuan Group demonstrated results from its branch development efforts by improving the year-on-year decline in rental revenues to 29.5%, as rental revenues continued to approach the level seen in the period before the special procurement for the Shanghai Expo, which was held last year.

As a result of these factors, in the construction-related businesses of the entire Kanamoto Group, revenues for the nine-month period of the fiscal year ending October 31, 2011 were ¥47,139 million and operating income was ¥1,679 million.

[Other Businesses]

In the steel products sales business the Company is developing in Hokkaido, revenues climbed 17.3% compared with the same period last year, despite a lull in demand in Hokkaido at the beginning of the new fiscal year. In Kanamoto's information and telecommunications-related division telecommunications-related revenues expanded 17.8% year-on-year, and in the engineer specific dispatch business and other activities revenues were up 15.9% compared with the same period one year ago.

As a result of the above factors, for the nine-month period under review, revenues from other businesses were ¥4,640 million and operating income was ¥115 million.

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

During its third quarter, the Company closed its Yaita Branch (Sakura City, Tochigi Prefecture), Murakami Branch (Murakami City, Niigata Prefecture) and Nanyo Branch (Nanyo City, Yamagata Prefecture) on July 31. These three domestic branches were located in close proximity and had overlapping market areas.

The Company did not open any branches during the quarter.

On August 30, Kanamoto announced it will complete an absorption-type merger with SRG Kanamoto Co., Ltd., a consolidated subsidiary, and succeed to that company’s business, on November 1, 2011. This merger will occur after the Company’s third quarter. The Company has been incorporated the costs related to this absorption-type merger into its projected full-year operating results for the fiscal year ending October 31, 2011.

2. Qualitative Information Concerning Consolidated Financial Position

(1) Assets, liabilities and net assets

Compared with the end of the prior consolidated fiscal year, total assets at the end of the nine-month period under review increased by ¥3,812 million to ¥112,321 million. This change mainly reflected an increase of ¥3,594 million in rental equipment assets and an increase of ¥770 million in investment securities.

Total liabilities were ¥75,605 million, an increase of ¥4,121 million compared with the end of the prior consolidated fiscal year. This change mainly reflected increases of ¥1,066 million in accounts payable, other and of ¥2,813 million in long-term accrued expenses, respectively. Factors including the increase of accounts payable, other based on installment payment contracts utilized as a means of procurement in conjunction with the increase in rental equipment, and the recording of ¥301 million as an allowance for disaster losses, to account for projected damage from the Great East Japan Earthquake.

Total Net Assets were ¥36,716 million, ¥309 million lower than at the end of the prior consolidated fiscal year. This mainly reflected the fact retained earnings were reduced by payments of a year-end dividend based on the prior consolidated fiscal year and an interim dividend for the current consolidated fiscal year.

(2) Cash flows

Cash and cash equivalents (“cash”) at the end of the nine-month period under review increased by ¥312 million compared with the end of the previous consolidated fiscal year to ¥21,063 million.

The consolidated cash flows for the nine-month 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 decreased 24.0% from the same period of the previous consolidated fiscal year to ¥5,723 million. This mainly reflected a decrease in quarterly income before taxes and adjustments, a higher payment of corporate and other taxes, an increase in depreciation and amortization expense and a decrease in expenditures for acquisition of rental assets compared with the same period one year ago.

(Cash flow from investing activities)

Cash flow used in investing activities was ¥769 million, compared with cash flow provided by investing activities in the same period of the previous consolidated fiscal year of ¥227 million. This mainly reflected a decrease in funds provided from sale of investment securities, and a decrease in funds provided from collection of short-term loans receivable, compared with the same period of the previous consolidated fiscal year.

(Cash flow from financing activities)

Cash flow used as a result of financing activities was ¥4,640 million, up 98.8% compared with the same period of the previous consolidated fiscal year. This mainly reflected a smaller increase in short-term bank loans, and increases in funds used for repayment of installment obligations and funds used for repayment of lease obligations, compared with the same period one year earlier.

3. Qualitative Information Concerning Projected Consolidated Operating Results

Prior to the release of its Nine-month Consolidated Financial Report, Kanamoto announced a revision of its projected full-year operating results for the Business Period ending October 31, 2011 on the same date.

The intent of the revised projection is to reflect the fact that although removal of debris in the Tohoku Region is proceeding rapidly, and restoration and recovery works in areas damaged by the massive earthquake, including the preparation of new budgets to address the cleanup, are being accelerated and measures to address stricken areas in the Kanto Region are expected to be approved, and the demand for restoration works following heavy rains is envisaged to continue, expenditures for public works in other regions are being reduced. The effects of these cutbacks are expected to surface gradually after September, and the full extent to which these factors will affect Kanamoto’s operating results is uncertain at this time.

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

Other Information

1. Summary of Changes to Material Subsidiaries

The Company had no material items to report.

2. Summary of Simplified Accounting Methods and Special Accounting Methods

1. Appraisal methods for inventory assets

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

When writing down inventory carrying amounts, the Company writes down inventory book values to estimated net sales values only for inventory for which there has been a clear decline in profitability.

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 pertaining to the consolidated fiscal year on a pro-rata basis for each period.

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

Changes in accounting standards used for normal accounting treatment

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 for the nine-month period under review were ¥5,473,000 lower, respectively, and income before taxes was ¥101,003,000 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 nine-month consolidated earnings is not material.

Change in Presentation Method

Nine-month period (From November 1, 2010 to July 31, 2011)

(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* (ASBJ Statement No. 22 dated December 26, 2008), the Company has disclosed the line item "income (loss) before minority interests" for the nine-month period under review.

2. In the nine-month period of the previous consolidated fiscal year, "gain on sale or retirement of fixed assets" was reported in "Other" under extraordinary income. For the nine-month period under review, the Company has classified this item separately because the amount exceeded 20/100 of total extraordinary income. The amount for "gain on sale or retirement of fixed assets" included in "Other" under extraordinary income for the nine-month period of the previous consolidated fiscal year is ¥6,301,000.

(Quarterly Consolidated Statements of Cash Flows)

Because the "funds used for repayment of lease obligations" that were reported in "Other" under cash flow from financing activities in the nine-month period of the previous consolidated fiscal year have increased in importance, the Company has decided to report this item separately for the nine-month period under review. The amount for "funds used for repayment of lease obligations" that was reported in "Other" under cash flow from financing activities in the nine-month period of the previous consolidated fiscal year was -¥466,228,000.

III. Quarterly Consolidated Financial Statements
1. Quarterly Consolidated Balance Sheets

(Unit: Thousands of yen)

Classification	Current Consolidated Fiscal Year Third Quarter (As of July 31, 2011) Amount	Prior Fiscal Year Summary Consolidated Balance Sheet (As of October 31, 2010) Amount
(Assets)		
Current assets		
Cash and deposits	20,598,577	20,486,217
Notes and accounts receivable, trade	14,916,764	14,987,135
Negotiable securities	550,000	350,000
Work in progress	25,591	37,046
Merchandise and finished goods	679,224	606,265
Raw materials and supplies	202,096	161,250
Construction equipment	1,164,777	1,187,474
Deferred tax assets	185,124	360,857
Other	644,622	585,387
Allowance for doubtful accounts	-393,712	-372,925
Total Current Assets	38,573,067	38,388,709
Fixed assets		
Tangible fixed assets		
Rental equipment assets	69,377,226	62,487,304
Accumulated depreciation	-40,036,096	-36,740,651
Net rental Equipment assets	29,341,129	25,746,653
Buildings and structures	20,859,980	20,754,755
Accumulated depreciation	-13,347,972	-12,855,277
Net buildings and structures	7,512,008	7,899,477
Machinery, equipment, vehicles and delivery equipment	5,129,416	5,136,911
Accumulated depreciation	-4,456,752	-4,386,927
Net machinery, equipment, vehicles and delivery equipment	672,664	749,983
Land	29,686,028	29,689,403
Other	1,392,503	1,332,572
Accumulated depreciation	-1,168,842	-1,076,712
Net other	223,660	255,859
Total Tangible Fixed Assets	67,435,491	64,341,377
Intangible fixed assets		
Goodwill	205,675	345,456
Other	256,554	304,779
Total Intangible Fixed Assets	462,229	650,235
Investments and other assets		
Investment securities	3,539,174	2,768,524

Deferred tax receivable	1,194,634	1,186,595
Other	2,026,014	2,081,861
Allowance for doubtful accounts	-823,964	-827,005
Allowance for investment loss	-84,700	-80,700
Total Investments and Other Assets	5,851,159	5,129,276
Total Fixed Assets	73,748,881	70,120,890
Total Assets	112,321,948	108,509,599

	Current Consolidated Fiscal Year Third Quarter (As of July 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	13,310,949	13,076,469
Short-term bank loans	8,207,782	13,415,487
Long-term bank loans due within one year	10,285,249	9, 529,170
Current portion of bonds	22,000	22,000
Lease obligations	884,427	859,558
Corporate taxes payable	74,621	1,106,405
Accrued bonuses to employees	403,683	589,042
Allowance for disaster losses	301,275	—
Accounts payable, other	6,653,880	5,587,413
Other	1,357,288	1,514,896
Total Current Liabilities	41,501,158	45,700,445
Long-term liabilities		
Bonds	—	22,000
Long-term bank loans	18,992,538	13,762,305
Lease obligations	1,928,227	1,903,249
Accrued employees retirement benefits	1,472,267	1,341,459
Retirement allowances to directors and auditors	205,948	205,627
Long-term accrued expenses	11,306,717	8,493,598
Asset retirement obligations	150,645	—
Other	47,984	55,316
Total Long-term Liabilities	34,104,328	25,783,556
Total Liabilities	75,605,486	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	15,200,696	15,788,189
Treasury stock	-25,811	-24,963
Total Shareholders’ Equity	35,832,472	36,420,813
Valuation and translation adjustments		
Valuation difference on other investment securities	371,668	147,516
Translation adjustments account	-41,012	-40,486
Total Valuation and Translation Adjustments	330,656	107,030
Minority Interests	553,332	497,753
Total Net Assets	36,716,461	37,025,597
Total Liabilities and Net Assets	112,321,948	108,509,599

2. Consolidated Quarterly Statements of Income
(Nine-month period ended July 31, 2011)

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year Third Quarter From November 1, 2009 to July 31, 2010	Current Consolidated Fiscal Year Third Quarter From November 1, 2010 to July 31, 2011
Classification	Amount	Amount
Revenues	53,191,412	51,779,568
Cost of revenues	37,096,852	36,697,694
Gross profit	16,094,559	15,081,873
Selling, general and administrative expenses	13,209,732	13,096,837
Operating income	2,884,827	1,985,036
Non-operating income		
Interest income	10,802	7,853
Dividend income	41,673	50,547
Insurance benefits	72,011	30,848
Rents received	28,563	39,507
Cash bonus received	1,627	4,794
Amortization of negative goodwill	52,374	52,374
Other	106,627	77,364
Total non-operating income	313,680	263,289
Non-operating expenses		
Interest expense	552,842	567,700
Loss on sale of notes receivable	36,091	31,483
Other	152,163	123,849
Total non-operating expenses	741,097	723,034
Ordinary income (loss)	2,457,410	1,525,291
Extraordinary income		
Gain on sale or retirement of fixed assets	–	11,547
Gain on sale of investment securities	153,765	52
Reversal of allowance for doubtful accounts	42,979	5,625
Subsidies	89,441	32,848
Other	10,373	6,645
Total extraordinary income	296,560	56,719
Extraordinary losses		
Loss on sale or retirement of fixed assets	60,855	85,125
Valuation loss on investment securities	15,199	104,059
Transfer to allowance for doubtful accounts	35,507	–
Transfer to reserve for investment losses	–	4,000

Loss on adjustment for changes of accounting standard for asset retirement obligations	—	95,530
Loss from disaster	—	677,957
Loss on affiliated company liquidation	81,511	—
Other	29,325	114
Total extraordinary losses	222,399	966,787
Income before taxes and adjustments	2,531,570	615,223
Corporate, local and business taxes	1,317,693	536,540
Adjustment for corporate and other taxes	86,155	22,087
Total corporate and other taxes	1,403,849	558,628
Income before minority interest	—	56,595
Minority interest in income (loss)	21,902	-12,608
Net income	1,105,819	69,203

3. Consolidated Quarterly Statements of Cash Flows

(Unit: Thousands of yen)

Classification	Prior Consolidated Fiscal Year Third Quarter From November 1, 2009 to July 31, 2010	Current Consolidated Fiscal Year Third Quarter From November 1, 2010 to July 31, 2011
Cash flow from operating activities		
Income before taxes and adjustments	2,531,570	615,223
Depreciation and amortization expense	5,687,100	6,528,131
Amortization of goodwill	151,978	139,784
Loss on sale or retirement of fixed assets	54,554	73,578
Installment purchases of assets for small-value rentals	17,062	38,057
Reclassification of cost of sales associated with disposal of construction equipment	646	2,780
Reclassification of cost of sales associated with disposal of rental assets	725,626	557,526
Expenditures for acquisition of rental assets	−2,554,082	−1,457,576
Valuation loss on investment securities	15,199	104,059
(Gain) loss on sales of investment securities	−153,309	−52
Increase (decrease) in allowance for doubtful accounts	−101,651	18,891
Increase (decrease) in accrued bonuses to employees	−139,934	−185,322
Increase (decrease) in accrued employees retirement benefits	23,474	130,807
Increase (decrease) in retirement allowances to directors and auditors	11,337	320
Interest revenue and dividend income	−52,476	−58,400
Interest expense on installment purchases of rental assets	136,094	133,431
Interest expense	552,842	567,700
Decrease in accounts receivable, trade	1,698,339	65,248
Decrease in inventory	−90,412	−102,790
Increase (decrease) in accounts payable, trade	−1,262,613	229,500
Loss on adjustment for changes of accounting standard for asset retirement obligations	−	95,530
Loss from disaster	−	677,957
Increase (decrease) in accounts payable, other	189,179	77,605
Other	636,169	−276,190
Subtotal	8,076,694	7,975,801

Interest and dividends received	52,099	58,413
Interest expense	−716,237	−631,748
Payment of corporate and other taxes	114,021	−1,679,410
Cash flow from operating activities	7,526,578	5,723,055

	Prior Consolidated Fiscal Year Third Quarter From November 1, 2009 to July 31, 2010	Current Consolidated Fiscal Year Third Quarter From November 1, 2010 to July 31, 2011
Classification		
Cash flow from investing activities		
Disbursements for investments in term deposits	−50,000	—
Revenue from redemption of term deposits	500	—
Funds used for the purchase of tangible fixed assets	−46,434	−171,712
Funds provided from the sale of tangible fixed assets	12,299	15,839
Funds used for the purchase of intangible fixed assets	−36,676	−4,881
Funds used for the purchase of investment securities	−537,007	−439,227
Funds provided from sale of investment securities	775,390	296
Funds used for the purchase of subsidiary stock	−12,250	−41,310
Funds used for establishment of subsidiary company	—	−22,718
Payments of loans receivable	−163,675	−163,140
Funds provided from collection of short-term loans receivable	193,709	31,946
Other	91,694	24,964
Cash flow from investing activities	227,552	−769,941
Cash flow from financing activities		
Increase in short-term bank loans	7,957,651	6,795,496
Funds provided by long-term bank loans	2,317,733	2,180,000
Funds used to repay long-term bank loans	−8,286,450	−8,205,589
Funds used to redeem corporate bonds	−42,000	−22,000
Funds used for repayment of installment obligations	−3,182,845	−4,104,001
Funds used for repayment of lease obligations	—	−747,072
Funds used for the purchase of treasury stock	−738	−851
Payment of dividends	−631,575	−627,353

Funds provided by payment from minority shareholders	—	68,265
Other	−466,228	22,732
Cash flow from financing activities	−2,334,455	−4,640,373
Effect of exchange rate changes on cash and cash equivalents	385	−381
Increase (decrease) in cash and equivalents	5,420,060	312,360
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	—
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	50,797	—
Balance of cash and equivalents at end of period	19,742,000	21,063,577

4. Notes Relating to the Going Concern Assumption

The Company had no material items to report.

5. Business Segment Information

[Segment Information by Type of Business]

Third quarter of the prior consolidated fiscal year (From May 1, 2010 to July 31, 2010)

(Unit: Thousands of yen)

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

Nine-month period of the prior consolidated fiscal year (From November 1, 2009 to July 31, 2010)

(Unit: Thousands of yen)

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

(Notes) 1. Method of business classification

Businesses are classified based on consideration of similarities such as the type of services 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 method

Nine-month period of the prior consolidated fiscal year

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

As described in "2. Changes in accounting standards used for normal accounting treatment" under "Revision of Important Matters Used as the Basis for Preparation of the Quarterly Consolidated Financial Statements", beginning from the first quarter of the current consolidated fiscal year the Company 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]

1. Summary of reporting segments

Nine-month period (From November 1, 2010 to July 31, 2011) and third quarter (From May 1, 2011 to July 31, 2011)

The Company's reporting segments are those units of the Company's 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 assess 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

Nine-month period

(From November 1, 2010 to July 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	47,139,363	4,640,204	51,779,568
(2) Sales or transfers between segments	—	—	—
Total	47,139,363	4,640,204	51,779,568
Operating income	1,679,333	115,345	1,794,679

Third quarter
(From May 1, 2011 to July 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	14,970,346	1,499,788	16,470,135
(2) Sales or transfers between segments	—	—	—
Total	14,970,346	1,499,788	16,470,135
Operating income	61,480	100,933	162,413

(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)

Nine-month period
(From November 1, 2010 to July 31, 2011)

(Unit: Thousands of yen)

Earnings	Amount
Reporting segment total	1,679,333
Earnings from other classifications	115,345
Other adjustments	190,356
Operating income reported on the Consolidated Quarterly Statements of Income	1,985,036

Third quarter
(From May 1, 2011 to July 31, 2011)

(Unit: Thousands of yen)

Earnings	Amount
Reporting segment total	61,480
Earnings from other classifications	100,933
Other adjustments	97,982
Operating income reported on the Consolidated Quarterly Statements of Income	260,395

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 21, 2008).

6. Note on Significant Changes to Shareholders' Equity

The Company had no material items to report.