Fiscal Year ended October 31, 2011
Financial Statements Bulletin (Japan GAAP)

December 7, 2011

Listed Company Name **Kanamoto Company, Ltd.**
Company Code Number **9678**
Listing Exchanges **Tokyo Stock Exchange, Sapporo Stock Exchange**
(URL http://www.kanamoto.co.jp)
Representative **Kanchu Kanamoto** President
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Scheduled date for Regular General Meeting of the Shareholders: January 27, 2012
Scheduled date for commencement of dividend payments: January 30, 2012
Scheduled date for submission of Annual Securities Report: January 27, 2012
Preparation of Supplementary Explanatory Materials: Yes
Earnings Briefings (for institutional investors and analysts): Yes

1. Consolidated Operating Results for the Fiscal Year ended October 31, 2011

(Nov. 1, 2010 – Oct. 31, 2011)

(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		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended October 31, 2011	71,086	1.3	2,905	9.7	2,239	7.5	1,165	11.9
Fiscal year ended October 31, 2010	70,173	9.9	2,648	–	2,083	–	1,041	–

(Note) Comprehensive income (millions of yen)
Fiscal year ended October 31, 2011 ¥1,156 (33.3%)
Fiscal year ended October 31, 2010 ¥867 (－%)

	Net Income per Share of Common Stock	Net Income per Share on a Fully Diluted Basis	ROE	Ordinary Income to Total Assets	Operating margin
	Yen	Yen	%	%	%
Fiscal year ended October 31, 2011	35.51	–	3.2	2.0	4.1
Fiscal year ended October 31, 2010	31.73	–	2.9	1.9	3.8

(Reference) Investment profit or loss accounted for by the equity method
Fiscal year ended October 31, 2011 –
Fiscal year ended October 31, 2010 –

(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. 2011	115,120	37,592	32.2	1,129.47
Fiscal year ended October 31, 2010	108,509	37,025	33.7	1,112.46

(Reference) Owners' equity (millions of yen):
Fiscal year ended October 31, 2011 ¥37,085
Fiscal year ended October 31, 2010 ¥36,527

(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, 2011	6,903	-1,013	-6,262	20,374
Fiscal year ended October 31, 2010	9,088	101	-2,737	20,751

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, 2010	—	10.00	—	10.00	20.00	656	63.0	1.8
Fiscal year ended October 31, 2011	—	10.00	—	10.00	20.00	656	56.3	1.8
Fiscal year ending October 31, 2012 (projected)	—	10.00	—	10.00	20.00		48.6	

3. Projected Consolidated Operating Results for the Fiscal Year Ending October 31, 2012

(November 1, 2011 - October 31, 2012)
(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	36,330	2.9	2,250	30.5	1,900	34.9	830	—	25.28
Full year	72,610	2.1	3,780	30.1	3,040	35.7	1,350	15.8	41.12

4. Other

(1) Changes to material subsidiaries during the period (transfer of specified subsidiaries in conjunction with revision to scope of consolidation)? No
Company newly included (Company name:)
Company newly excluded (Company name:)

(2) Changes to accounting principles, procedures and reporting method
(a) Changes accompanying revisions to accounting standards etc.? Yes
(b) Changes other than those in (a)? No

(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, 2011 32,872,241 shares
Fiscal year ended October 31, 2010 32,872,241 shares
(b) Number of shares of treasury stock at end of period
Fiscal year ended October 31, 2011 37,712 shares
Fiscal year ended October 31, 2010 36,906 shares
(c) Average number of shares outstanding during the period
Fiscal year ended October 31, 2011 32,834,328 shares
Fiscal year ended October 31, 2010 32,836,692 shares

(Reference) Summary of Company Operating Results

1. Operating Results for the Fiscal year Ended October 31, 2011

(November 1, 2010–October 31, 2011)

(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, 2011	60,906	4.9	2,819	11.1	2,598	9.6
Fiscal year ended October 31, 2010	58,083	6.7	2,538	508.4	2,370	－

	Net Income		Net Income per Share of Common Stock	Net Income per Share of Common Stock Fully Diluted
	Millions of yen	%	Yen	Yen
Fiscal year ended October 31, 2011	1,433	38.8	43.65	－
Fiscal year ended October 31, 2010	1,032	－	31.45	－

(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, 2011	104,579	37,911	36.3	1,154.63
Fiscal year ended October 31, 2010	97,729	37,089	38.0	1,129.57

(Reference) Owners' equity (millions of yen):
Fiscal year ended October 31, 2011 ¥37,911
Fiscal year ended October 31, 2010 ¥37,089

2. Projected Operating Results for the Fiscal Year Ending October 31, 2012

(November 1, 2011 - October 31, 2012)

(Percentages show the change from prior year)

	Revenues		Ordinary Income		Net Income		Net Income per Share of common stock
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Interim period	31,300	3.5	1,650	27.3	860	－	26.19
Full year	62,100	2.0	2,740	5.4	1,390	-3.0	42.33

Note: Disclosure concerning implementation of audit procedures
This financial report is exempt from audit procedures for financial statements based on the Financial Instruments and Exchange Act. At the time of disclosure of this financial report, the Company has not completed the audit procedures for financial statements.

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

Attachments Table of Contents

1. Operating Results

(1) Analysis of Operating Results

a) Summary of consolidated fiscal year operating results

During the consolidated fiscal year under review, Japan's economy began the year with a comparatively calm start despite weak business sentiment. However, conditions were abruptly transformed by the Great East Japan Earthquake, and economic activity slowed dramatically as production was hampered by supply chain disruptions that significantly influenced economic activity both at home and abroad. Additionally, even as a pall was cast over the domestic economy by the spread of rumors concerning Japan's nuclear accident and a self-imposed mood that constrained consumption, Japan's industries continued to face an extremely grim economic situation that included turmoil in the global economy and financial markets caused by the deteriorating European debt crisis, a marked economic slowdown in newly emerging countries, and the prolonged appreciation of the yen.

Following the Great East Japan Earthquake, construction equipment demand in conjunction with recovery and restoration work in disaster areas in the Tohoku and Kanto regions, and generator demand spurred by electric power supply problems, both expanded in industries related to construction equipment rental, the principal business of the Kanamoto Group. On the other hand, depending on the region a polarized management environment has emerged, as public works expenditures have been reduced in areas other than those devastated by the quake and private sector capital investment, with the exception of a few major metropolitan centers, has trended downward.

The Kanamoto Group, which considers devoting its resources to recovery and reconstruction activities in the Tohoku region to be its social mission, established a task force immediately after the earthquake and created an organization to supply urgently needed support materials and construction equipment, and worked to provide local support that included sending assistance teams, particularly maintenance and repair staff. Moreover, as a result of standing its ground and firmly maintaining its market share in other operating regions, revenues expanded substantially, exceeding prior year levels in all regions except Hokkaido. Rental unit prices improved somewhat as well.

From an earnings perspective, opportunities for profit were limited by the priority given to ensuring available construction equipment for responding to the earthquake, and postponement of sales of used construction equipment owned by the Company. Nevertheless, the asset utilization ratio improved as construction equipment rental revenues rose briskly because of the Great East Japan Earthquake, comparatively steady demand for equipment for recovery work after heavy rainfall disasters in areas that escaped the earthquake devastation, and even the partial improvement in rental unit prices mentioned above. Furthermore, even though Kanamoto could not avoid recording a loss on assets destroyed by the earthquake and tsunami, this was offset by the creation of an extraordinary profit from revision of the Company's pension system, and Kanamoto was able to ensure higher earnings than in the previous fiscal year. Finally, despite an anticipated increase in claims in default in light of the recent economic environment, thorough day-to-day credit management was successful in keeping such claims to a minimum.

As a result of these factors, rental revenue greatly exceeded the Company's initial plan and consolidated revenues the fiscal year ended October 2011 rose 1.3% from the previous consolidated fiscal year level to ¥71,086 million. From an earnings perspective as well, operating income expanded 9.7% from the previous consolidated fiscal year to ¥2,905 million and consolidated ordinary income increased 7.5% year-on-year to ¥2,239 million. Net income, despite the recording of an extraordinary loss for damage to business facilities and rental assets from the Great East Japan Earthquake, increased 11.9% from the previous consolidated fiscal year to ¥1,165 million.

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

[Operating Results for the Fiscal Year ended October 31, 2011]

(Million yen; % change from prior year)

		Revenues		Operating income		Ordinary income		Net income	
Consolidated	Year under review	71,086	1.3	2,905	9.7	2,239	7.5	1,165	11.9
	Prior year	70,173	9.9	2,648	–	2,083	–	1,041	–
Non-consolidated	Year under review	60,906	4.9	2,819	11.1	2,598	9.6	1,433	38.8
	Prior year	58,083	6.7	2,538	508.4	2,370	–	1,032	–

b) Summary of consolidated operating results by business segment

[Business related to the Construction Equipment Rental Division]

In the construction-related businesses of the entire Kanamoto Group, revenues and earnings were both higher. For the consolidated fiscal year under review, consolidated revenues increased 0.7% from the previous consolidated fiscal year to ¥64,711 million, and operating income rose 2.5% year-on-year to ¥2,586 million.

By region in Japan, the company was able to limit the year-on-year decline in rental revenue in the Hokkaido Region to 10.5%, despite lower demand from both the public and private sectors that signaled the diminished effect of economic stimulus measures in the previous fiscal year and a local economic slowdown. This result reflected of the Company's overwhelming market share, plus demand from projects such as work for the Hokkaido Shinkansen. In other regions, demand in the Tohoku Region jumped 26.6% year-on-year because of special demand for restoration and reconstruction following the earthquake and heavy rainfall disasters. In the Kanto Region, demand grew 12.4% over the previous fiscal year because of demand for generators related to planned rolling blackouts and liquefaction damage restoration and reconstruction demand. Demand in the Kinki & Chubu Region, which was unaffected by the earthquake, was driven by heavy rainfall disaster restoration demand and private sector capital investment, rising 6.3% year-on-year. Finally, in the Kyushu & Okinawa Region, demand was nearly unchanged from the previous fiscal year, edging down just 0.1%, supported by past official demand, countermeasures following an eruption of Shinmoedake and storm disaster demand.

Revenue from the sale of used construction equipment contracted 44.1% from the level in the previous consolidated fiscal year, reflecting planned equipment sales during the fiscal year under review that were partially postponed to ensure availability of construction equipment for earthquake restoration works.

In foreign operations, Shanghai Jinheyuan Engineering Construction Co., Ltd., which is developing a construction equipment rental business in China and currently accounts for only a small proportion of Kanamoto's operating results, achieved operating performance that was nearly identical to the previous year, when revenues expanded because of special procurement related to the Shanghai Expo. Although affected by China's economic slowdown resulting from the government's tight-money policy, this performance was the result of opening new branches and attracting demand in Tianjin, Wuhan, Nanjing, Ningbo and other cities. In Hong Kong, vigorous demand caused revenues to increase steadily, while revenues at SJ Rental, Inc. in the Territory of Guam, United States were basically unchanged year-on-year, reflecting the lack of progress toward the relocation of U.S. military facilities from Japan.

[Other businesses]

In the steel products sales the Company is developing in Hokkaido, demand remained steady despite a lull in the region, and revenues were up 4.6% compared with the previous fiscal year, aided somewhat by the general sense of insufficient supply and a strong push to sell steel materials. In Kanamoto's information and telecommunications-related business, on the other hand, revenues expanded a healthy 23.3% because of growth in personal computer rentals and the steady expansion of activities related to other specified worker dispatching.

As a result of the above factors, for the consolidated fiscal year under review revenues for the Company's other businesses increased 7.9% from the previous consolidated fiscal year to ¥6,374 million, and operating income soared 213.6% year-on-year to ¥143 million.

<Change in number of branches>

During the consolidated fiscal year under review, Kanamoto newly opened 2 branches and closed 8 branches.
New branches: Rokkasho Branch, Kesennuma Branch
Closed branches: Shiranuka Equipment Center, Tomikawa Equipment Center, Muroran Equipment Center, Makubetsu Equipment Center, Yaita Branch, Nanyo Branch, Murakami Branch, Biratori Equipment Center

(2) Analysis of Financial Position

a) Financial position

Total assets at the end of the consolidated fiscal year under review increased ¥6,610 million compared with the end of the previous consolidated fiscal year to ¥115,120 million. The main factors were an increase of ¥5,948 million in rental equipment and an increase of ¥1,432 million in notes and accounts receivable, trade.
Total liabilities were ¥77,527 million, an increase of ¥6,043 million compared with the end of the previous consolidated fiscal year. This mainly reflected an increase of ¥3,625 million in the total amount for long-term bank loans due within one year and long-term bank loans, and an increase of ¥4,757 million in long-term accrued expenses.
Total net assets were ¥37,592 million, ¥567 million higher than at the end of the previous consolidated fiscal year. This mainly reflected net income of ¥1,165 million, and a decrease in earned surplus as the result of dividend payments.

b) Cash flows

(Millions of yen)

	FY Ended October 2010 (Prior consolidated fiscal year)	FY Ended October 2011 (Consolidated fiscal year under review)	Change from prior year
Cash flow from operating activities	9,088	6,903	-2,185
Cash flow from investing activities	101	-1,013	-1,114
Cash flow from financing activities	-2,737	-6,262	-3,524
Decrease in cash and equivalents	6,429	-376	-6,805
Balance of cash and equivalents at beginning of period	14,086	20,751	6,665
Balance of cash and equivalents at end of period	20,751	20,374	-376

The balance of cash and cash equivalents ("cash") on a consolidated basis at the end of the consolidated fiscal year under review decreased ¥376 million from the end of the previous consolidated fiscal year, to ¥20,374 million. Cash flows for the consolidated fiscal year under review are discussed below.

(Cash flow from operating activities)

Cash generated as a result of operating activities decreased 24.0% from the previous consolidated fiscal year to ¥6,903 million.
Although the Company reported higher depreciation and amortization expense and income before taxes and adjustments, this mainly reflected a decrease of ¥1,304 million for increase (decrease) in accrued employees retirement benefits as a result of transferring the Company's retirement benefits system from a defined benefit corporate pension plan to a defined contribution corporate pension plan, and higher payments for corporate and other taxes.

(Cash flow from investing activities)

Cash flow used in investing activities was ¥1,013 million, compared with cash flow provided by investing activities in the previous consolidated fiscal year of ¥101 million.
This mainly reflected factors such as funds used for the purchase of investment securities and funds used for the purchase of tangible fixed assets.

(Cash flow from financing activities)

Cash flow used as a result of financing activities was ¥6,262 million, compared with cash flow used as a result of financing activities in the previous consolidated fiscal year of ¥2,737 million.
This mainly reflected a net decrease 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 previous consolidated fiscal year.

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

	FY Ended October 2008	FY Ended October 2009	FY Ended October 2010	FY Ended October 2011
Shareholders' equity ratio (%)	41.4	37.5	33.7	32.2
Shareholders' equity ratio on a market capitalization basis (%)	11.2	13.2	12.6	15.1
Years to repay debt	10.2	20.2	5.7	8.5
Interest coverage ratio (times)	7.1	3.3	10.4	7.4

(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.

Outlook for the next fiscal year (Business Period ending October 2012)

As the European debt crisis has grown more serious, global financial markets have become less flexible and the weaknesses of a free economy have spread to newly developing countries. Lacking any means to correct itself, this confusion could have a major impact on Japan's economy, which relies heavily on exports, and become a factor causing the strengthening tendency of the yen to become even more serious. Given concerns that a contraction of the financial markets will lengthen the deflationary trend in Japan unless a corrective mechanism is found, the outlook for Japan's economy, including the slump in consumption and reductions to capital investment, is becoming increasingly uncertain.

Although earthquake reconstruction demand is expected to be substantial, the trend in reconstruction plans for the devastated areas remains unclear as well, and the domestic construction demand in Japan, which influences the earnings of the Kanamoto Group, will require more time. In addition, central government allocations for public works have been pared back substantially, and nationally there is little hope for investment in public works. Furthermore, given the uncertainties in the business outlook, firms are not relaxing their prudent stance toward new private sector capital investment, and the severity affecting construction demand in local regions particularly has intensified. Except in regions where earthquake recovery demand is anticipated, heightened competition in various regions among firms in the construction equipment rental industry is inevitable, and the seesaw nature of the operating environment appears set to continue.

In addition to further enhancing its support for reconstruction efforts in the wake of the Great East Japan Earthquake, the Kanamoto Group will utilize all of its abilities to capture public and private sector demand in regions other than the stricken areas and proceed to build a solid business base, just as it has during the consolidated fiscal year under review. Moreover, because the demand for generators is expected to continue in industries other than construction such as manufacturing, Kanamoto will focus on this demand as a future new business area.

On the other hand, with regard to sales of used construction equipment, some of which Kanamoto postponed in order to respond to the earthquake, for the next business period the Company has prepared a sales plan similar to its plan in a typical year, to reflect the gradual progress in introducing new equipment and the heightened demand for used construction machinery in other countries as a disaster recovery measure. Given current conditions, the Company judges it will be able to proceed with sales as planned, but will exercise greater prudence while closely monitoring the overseas used construction equipment market and the exchange rate trend.

Furthermore, as it continues to focus on controlling costs, boosting asset operating efficiency and implementing other measures to improve its financial position, the Company will take steps to bolster its regional sales organization, which has achieved substantial results. Kanamoto will also move forward with efforts to generate earnings from all aspects of rentals, including the creation of rental demand in sectors other than construction.

In summary, factors such as the anticipated earthquake recovery demand in the Tohoku Region and gradual progress in the sale of the Company's used construction equipment will help improve Kanamoto's operating performance in the construction equipment rental business in the Business Period ending October 2012. Nevertheless, in light of other considerations, including the uncertain construction demand trend in regions other than those devastated by the earthquake and the fact its depreciation burden will increase because of the rental assets introduced to respond to the earthquake, Kanamoto has prepared the forecast summarized in the table below. The Company will continue to closely watch the construction demand trend in each region, work to increase revenues and earnings through effective asset deployment and a sure response to customers' needs, and seek to expand the content of its business, including the development of new sectors and new markets domestically and overseas.

Turning briefly to the businesses being developed by Kanamoto's subsidiaries overseas, which account for only a very small portion of the Company's consolidated earnings, in China a large shadow has begun to fall across private sector demand as the government adopts a tight monetary policy and a real estate bubble has formed, while in the Territory of Guam, United States, issues affecting the relocation of U.S. military forces remain in flux, and conditions affecting Kanamoto's redevelopment business are uncertain. On the other hand, in Hong Kong and Singapore there are no major changes in the present circumstances. Although there are concerns about the effect of weakening private sector demand in each region, fortunately Kanamoto has cultivated new business centered on rentals for public works, and will continue focusing on business expansion while giving sufficient consideration to both country and business risks.

The Company's earnings projection for the fiscal year ending October 2012 is shown in the table below.

Fiscal year ending October 2012 Projected Operating Results (November 1, 2011-October 31, 2012)

(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	72,610	3,780	3,040	1,350	41.12
Non-consolidated full-year projection	62,100	3,050	2,740	1,390	42.33

(3) Basic Policy Concerning Distribution of Earnings and Dividends for the Consolidated Fiscal Year under Review and Next Consolidated Fiscal Year

As the basis of its earnings distribution policy, Kanamoto seeks to ensure a stable return of earnings to the maximum extent possible. Under its dividend policy, the Company considers the maintenance of a stable dividend to be a key management issue. For the immediate future, the Company will work to ensure it can maintain the current full-year dividend of ¥20 per share, consisting of a per-share interim dividend of ¥10 and a year-end dividend of ¥10. The Company also plans to use internal reserves to enhance shareholders' equity as a source of funds for capital investment including purchases of rental equipment. To provide for a flexible capital policy, the Company has prepared a system for treasury stock purchases.

For the Business Period ended October 2011, 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 at the regular Board of Directors meeting on December 27, 2011).

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(selected from a specially mailed catalog).

(4) Business and Other Risks

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

a) Economic conditions

In the construction-related business that is the main business of Kanamoto Group, earnings are influenced significantly by the domestic construction investment trend whether it reflects public or private sector demand. Consequently there is a possibility future operating results 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 first-half 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 on the basis of loans, finance lease obligations and installment payment contracts. There is a possibility the operating results and financial position of the Kanamoto Group might be adversely affected should circumstances under which the Company is requested to perform its guarantee arise in the future.

f) Asset impairment accounting for fixed assets

The Kanamoto Group has adopted 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.

g) Restrictive financial covenants

Agreements with financial institutions pertaining to the borrowings of the Kanamoto Group frequently establish restrictive financial covenants. Although Kanamoto judges the probability of violating these restrictive financial covenants to be low, there is a possibility the operating results and financial position of the Kanamoto Group will be adversely affected if the Company has violated such restrictive financial covenants.

2. Current Conditions of the Company's Group

The Kanamoto 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 such as workstations and PC servers and computer peripheral equipment, and the provision of specified worker dispatching services.
The Group is comprised of the parent company, ten 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) and Toyo Industry Co., Ltd. (a consolidated subsidiary) 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. In addition, the Company borrows rental assets from each of these companies as needed to rent to other companies.

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.
SRG Kanamoto Co., Ltd. (head office: Chuo Ward, Sapporo City), was absorbed by and merged with the Company on November 1, 2011, with Kanamoto as the surviving company.

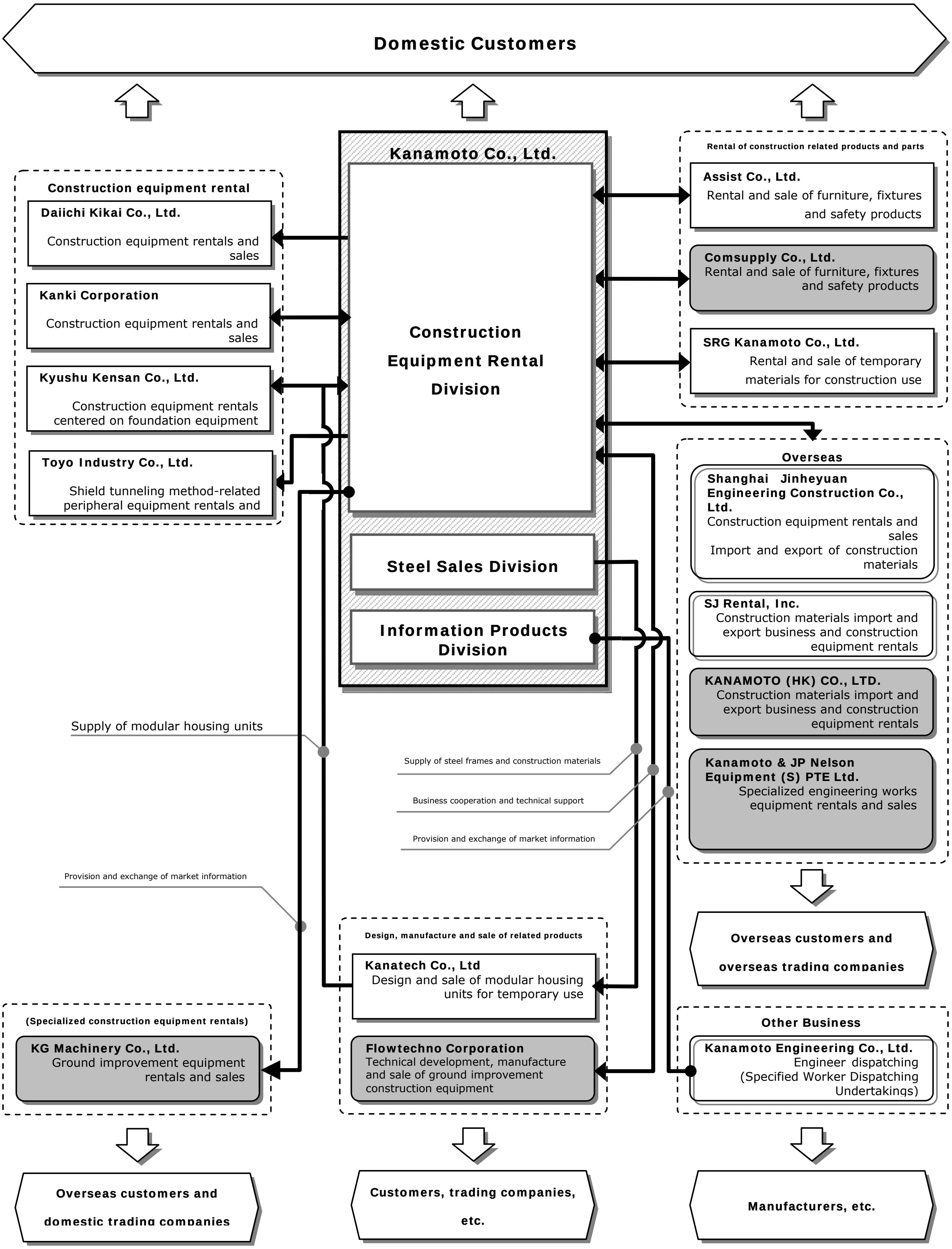
Kanatech Co., Ltd. (a consolidated subsidiary) sells modular housing units for temporary use. Flowtechno Co., Ltd. (a non-consolidated subsidiary), is engaged in the technical development, manufacture and sale of construction equipment for ground improvement works. Kanamoto purchases modular housing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

Kyushu Kensan Co., Ltd. (a consolidated subsidiary) rents and sells construction equipment and foundation equipment, and rents construction cranes and small machines. Kyushu Kensan borrows rental equipment assets from Kanamoto as needed in order to meet its customer demand.
Shanghai Jinheyuan Engineering Construction Co., Ltd. (a consolidated subsidiary; 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.

In addition to the above, Kanamoto has three unconsolidated subsidiaries: KG Machinery Co., Ltd., KANAMOTO (HK) CO., LTD. and Kanamoto & JP Nelson Equipment (S) PTE Ltd. KG Machinery Co., Ltd. (head office: Tokyo) mainly rents specialized large-scale construction equipment in foreign countries. KANAMOTO (HK) CO., LTD. (head office: Hong Kong, China) borrows rental assets from Kanamoto and is engaged in the rental and sale of construction equipment and tools and the import and export of construction materials. Kanamoto & JP Nelson Equipment (S) PTE Ltd. (head office: Singapore) rents and sells specialized equipment for engineering works in Singapore.

<Business related to the Information Products Division and Other Businesses>

The Company's Steel Sales Division sells steel products and other construction-related manufactured products. The Company has no subsidiaries or affiliated companies related to this business. 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 engineering-related research and development employees to manufacturers and other entities.



(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 Management Policies

In Kanamoto's core equipment rental business, the Kanamoto Group seeks to be a corporate group that can contribute to local communities and ultimately Japan by providing customers with services that are both highly economic and convenient. 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.

Furthermore, Kanamoto regards the completion of its corporate social responsibilities, including 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, to be its most important obligation, and believes it can achieve continuous growth as a company and contribute to society by accomplishing these objectives.

(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). As an indicator for measuring the size and corresponding efficiency of a business, EBITDA+ in particular complements future earnings, and Kanamoto recognizes that maintaining and expanding EBITDA+ is absolutely critical to its future success.

At the same time, revenues and operating income are also figures that show the size and earning capacity of a company, and Kanamoto emphasizes the steady growth of these measures as indicators highlighting its growth potential as a firm.

(3) Medium to Long-term Corporate Management Strategy

The Kanamoto Group has formulated a long-term management plan extending through the Business Period ending October 2014. However, because the management environment has changed more than initially assumed, the Company has re-set its earnings objectives for the three remaining fiscal years as follows. Restoration and reconstruction demand generated by the Great East Japan Earthquake is reflected in this medium term plan as temporary demand that sees a certain degree of convergence.

Details of Kanamoto's management strategy are provided below.

(Unit: Millions of yen)

		Business Period ending October 2010	Business Period ending October 2011	Business Period ending October 2012	Business Period ending October 2013	Business Period ending October 2014
Consolidated revenues	Initial plan	¥67,100	¥68,100	¥69,300	¥70,700	¥72,200
	Revised plan	* ¥70,173	*¥71,086	¥72,610	¥74,700	¥76,630
Consolidated operating income	Initial plan	¥1,100	¥1,800	¥2,900	¥3,800	¥4,300
	Revised plan	* ¥2,648	*¥2,905	¥3,780	¥4,370	¥5,000

An asterisk (*) indicates actual figures.

a) Response to the Great East Japan Earthquake and Fukushima nuclear accident

The Kanamoto Group considers a strong involvement in the support for restoration and recovery work to be a social mission it shoulders willingly. Along with continuing its efforts to supply construction-related materials on a timely basis, Kanamoto will participate in this project, which is expected to take many years, on an ongoing basis, by undertaking ground improvement works, an activity in which Kanamoto particularly excels, and establishing a full-time team to concentrate on the Fukushima nuclear accident. The Kanamoto Group will work zealously to achieve the quick restoration and recovery of the stricken areas in the Tohoku and Kanto regions.

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

Beyond the Tokyo metropolitan area where much of Japan's public and private sector demand is concentrated, the Kanamoto Group is actively pursuing branch development, including M&A, in areas west of the Kanto Region where the Company's presence until now has been limited. Moreover, Group firms are also working to expand operations through cooperation centered on Kanamoto's Regional Special Procurement Sales Division.

c) Broaden sectors and enlarge new businesses

In Japan there is a heightened desire for new power generation facilities, including biomass power generation, to supplement electricity shortages. Microturbine generators manufactured by the U.S. firm Capstone Turbine Corporation and marketed in Japan by Kanamoto are already delivering results to domestic biomass power generation facilities, and as a leading member of Japan's Biogas Council, Kanamoto will broaden the opportunities for introduction of this technology, and pursue development of its equipment rental business in other sectors that are unrelated to the construction business.

d) Undertake overseas deployment

In addition to operations in mainland China, Hong Kong, Guam and Singapore where it has established overseas affiliates, the Company will pursue development in ASEAN countries that are exhibiting remarkable growth. 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.

e) Increase asset management efficiency

In the future, the Company will continue efforts to enhance the operating income margins on its rental assets, by disposing of rental equipment with low operating rates and optimizing its asset portfolio by model and age through asset introductions and sales.

(4) Issues to be Addressed by the Company

Because construction equipment rentals are its core business, the Kanamoto Group must achieve a robust earnings structure and establish a strong sales and marketing organization, by seeking to optimize its business sectors, owned asset levels and asset portfolio structure in a manner that will ensure operating results are not significantly affected by the volume of domestic construction investment.

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. Strengthening cooperation among Group firms and increasing transactions with alliance firms will be essential for expansion of the Kanamoto Group's business sectors and regions, and Kanamoto will pursue measures to augment the Group's integrated corporate vitality.

b) Reinforce Kanamoto's financial strategy

Kanamoto is taking steps to ensure timely and optimal funds procurement, while giving consideration to equipment plans including purchases of rental equipment assets and corporate facilities. At the same time, the Company is focusing on improving its financial position, and reducing interest-bearing debt and improving capital efficiency as much as possible, 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) Other Important Company Management Issues

Compliance and internal controls

Even if it does not work continuously to strengthen its employee training and compliance systems, or take special steps to heighten compliance awareness, a firm must fulfill its social responsibility by establishing an organization to ensure compliance will be implemented.

For the Kanamoto Group, which aspires to sustained growth, a compliance organization is indispensable for the formation of a staunch organization. Kanamoto therefore prepared ethical guidelines several years ago to serve as a compliance standard, 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 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.

In the recent Great East Japan Earthquake, important customers of the Kanamoto Group as well as Kanamoto's own branches suffered damage. Communications infrastructure in particular was disrupted, creating circumstances that made it difficult to confirm local conditions. Fortunately, in areas such as information gathering, the reporting of situation assessments by nearby branches and observance of the chain of command, the Company generally was able to act according to the categories envisaged in the Emergency Response Manual. However, there also were aspects that need to be addressed for the future, and Kanamoto is improving the accuracy of the manual with a focus on the related divisions.

Other measures taken by the Company included the publication of compliance bulletins mailed from the Compliance Committee Secretariat to each company in the Kanamoto Group to enlighten employees concerning legal compliance, and a reorganization that will enable a more precise response based on strengthening of the Legal Office's staff. In addition, guidance and training programs were conducted by the Internal Control Promotion Office at 59 offices, and internal controls similar to Kanamoto's have been established and are now being utilized by 11 Kanamoto Group companies. The Safety and Health Office also performed audits at 79 offices, and together with the safety patrols conducted by the Safety and Health Committee, all of the Company's branches were inspected.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: Thousands of yen)

		Prior Consolidated Fiscal Year (As of October 31, 2010)	Current Consolidated Fiscal Year (As of October 31, 2011)
Classification	Notes	Amount	Amount
(Assets)			
Current assets			
Cash and deposits	*2	20,486,217	20,059,836
Notes and accounts receivable, trade	*5, 7	14,987,135	16,419,596
Negotiable securities		350,000	350,000
Merchandise inventories and products		606,265	621,325
Work in progress		37,046	33,299
Raw materials and supplies		161,250	198,063
Construction equipment		1,187,474	1,557,207
Income taxes receivable		—	10,156
Consumption taxes receivable		—	103,824
Deferred tax assets		360,857	383,915
Other		585,387	606,178
Allowance for doubtful accounts		-372,925	-368,095
Total Current Assets		38,388,709	39,975,310
Fixed assets			
Tangible fixed assets			
Rental equipment assets		62,487,304	72,929,202
Accumulated depreciation		-36,740,651	-41,233,812
Net rental Equipment assets		25,746,653	31,695,389
Buildings and structures		20,754,755	20,871,684
Accumulated depreciation		-12,855,277	-13,481,705
Net buildings and structures	*2	7,899,477	7,389,979
Machinery, equipment, vehicles and delivery equipment		5,136,911	5,131,902
Accumulated depreciation		-4,386,927	-4,491,947
Net machinery, equipment, vehicles and delivery equipment		749,983	639,955
Land	*2	29,689,403	29,907,779
Other		1,332,572	1,422,796
Accumulated depreciation		-1,076,712	-1,186,184

Net other		255,859	236,611
Total Tangible Fixed Assets		64,341,377	69,869,715
Intangible fixed assets			
Goodwill	*6	345,456	159,081
Other		304,779	243,722
Total Intangible Fixed Assets		650,235	402,804
Investments and other assets			
Investment securities	*1	2,768,524	3,202,316
Deferred tax receivable		1,186,595	658,472
Other		2,081,861	1,866,172
Allowance for doubtful accounts		-827,005	-732,482
Reserve for investment losses		-80,700	-122,010
Total Investments and Other Assets		5,129,276	4,872,468
Total Fixed Assets		70,120,890	75,144,988
Total Assets		108,509,599	115,120,298

		Prior Consolidated Fiscal Year (As of October 31, 2010)	Current Consolidated Fiscal Year (As of October 31, 2011)
Classification	Notes	Amount	Amount
(Liabilities)			
Current liabilities			
Notes and accounts payable, trade	*7	13,076,469	13,318,570
Short-term bank loans	*2	13,415,487	11,155,150
Long-term bank loans due within one year	*2	9, 529,170	9,853,531
Current portion of bonds		22,000	22,000
Lease obligations		859,558	1,087,355
Corporate taxes payable		1,106,405	322,353
Accrued bonuses to employees		589,042	531,006
Allowance for disaster losses		—	289,850
Accounts payable, other		5,587,413	7,574,532
Other	*7	1,514,896	1,188,201
Total Current Liabilities		45,700,445	45,342,552
Long-term liabilities			
Bonds		22,000	—
Long-term bank loans	*2	13,762,305	17,063,051
Lease obligations		1,903,249	1,430,603

Accrued employees retirement benefits		1,341,459	37,455
Retirement allowances to directors and auditors		205,627	210,336
Long-term accrued expenses		8,493,598	13,251,369
Asset retirement obligations		—	147,078
Other		55,316	45,143
Total Long-term Liabilities		25,783,556	32,185,039
Total Liabilities		71,484,001	77,527,592
(Net Assets)			
Shareholder's equity			
Capital stock		9,696,717	9,696,717
Capital surplus		10,960,869	10,960,749
Retained earnings		15,788,189	16,297,314
Treasury stock		-24,963	-25,240
Total Shareholders' Equity		36,420,813	36,929,541
Accumulated other comprehensive income			
Valuation difference on other investment securities		147,516	198,819
Translation adjustments account		-40,486	-42,758
Total accumulated other comprehensive income		107,030	156,060
Minority Interests		497,753	507,104
Total Net Assets		37,025,597	37,592,706
Total Liabilities and Net Assets		108,509,599	115,120,298

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

(Consolidated Statements of Income)

(Unit: Thousands of yen)

Classification	Notes	Prior Consolidated Fiscal Year (From November 1, 2009 to October 31, 2010) Amount	Current Consolidated Fiscal Year (From November 1, 2010 to October 31, 2011) Amount
Total revenues		70,173,653	71,086,825
Total cost of revenues from operations		49,855,304	50,631,190
Gross profit		20,318,348	20,455,634
Selling, general and administrative expenses	*1	17,669,412	17,550,043
Operating income		2,648,935	2,905,590
Non-operating revenues			
Interest revenue		15,877	11,006
Dividend income		41,768	50,991
Insurance benefits		96,312	33,926
Rents received		39,093	45,488
Cash bonus received		23,109	5,528
Amortization of negative goodwill		69,831	69,831
Other		158,841	122,820
Total non-operating revenues		444,834	339,594
Non-operating expenses			
Interest expense		764,399	792,703
Loss on sale of notes receivable		45,411	41,949
Other		200,477	170,971
Total non-operating expenses		1,010,288	1,005,625
Ordinary income		2,083,481	2,239,560
Extraordinary profits			
Subsidies		164,389	32,612
Gain on sale of fixed assets	*2	10,459	11,418
Gain on sale of investment securities		153,765	52
Gain on investment in partnership enterprise		795	1,935
Gain on reversal of allowance for doubtful accounts		57,842	13,989
Gain on termination of retirement benefit plan		—	1,465,200
Other		9,214	9,125

Total extraordinary profits		396,466	1,534,332
Extraordinary losses			
Loss on sale or retirement of fixed assets	*3	104,323	132,878
Impairment loss	*4	—	63,440
Valuation loss on investment securities		27,925	134,714
Loss from disaster	*5	—	837,968
Provision of allowance for investment losses		30,675	41,310
Provision of allowance for doubtful accounts		35,507	1,550
Loss on liquidation of subsidiaries		81,511	—
Loss on adjustment for changes of accounting standard for asset retirement obligations		—	95,530
Other		37,605	19,990
Total extraordinary losses		317,547	1,327,382
Income before taxes and adjustments		2,162,400	2,446,510
Corporate, local and business taxes		1,171,343	862,362
Adjustment for corporate and other taxes		-17,068	470,434
Total corporate and other taxes		1,154,275	1,332,796
Income before adjustment for minority interests (loss)		—	1,113,713
Minority interest in income		-33,838	-52,107
Net income (loss)		1,041,965	1,165,821

(Consolidated Statements of Comprehensive Income)

(Unit: Thousands of yen)

Classification	Notes	Prior Consolidated Fiscal Year (From November 1, 2009 to October 31, 2010) Amount	Current Consolidated Fiscal Year (From November 1, 2010 to October 31, 2011) Amount
Income before adjustment for minority interests (loss)		—	1,113,713
Other comprehensive income			
Valuation difference on other investment securities		—	51,302
Translation adjustments account		—	-8,073
Total other comprehensive income	*2	—	43,229
Comprehensive income	*1	—	1,156,942
(Breakdown)			
Comprehensive income attributable to owners of the parent		—	1,214,851
Comprehensive income attributable to minority interests		—	-57,908

(3) Consolidated Statements of Changes in Net Assets

	Prior Consolidated Fiscal Year (From November 1, 2009 to October 31, 2010)	Current Consolidated Fiscal Year (From November 1, 2010 to October 31, 2011)
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		
Disposal of treasury stock	–	-120
Total changes of items during the year	–	-120
Balance at end of year	10,960,869	10,960,749
Retained earnings		
Balance at beginning of year	15,334,652	15,788,189
Changes of items during the year		
Dividends from surplus	-656,742	-656,695
Net income (loss)	1,041,964	1,165,821
Increase from change in scope of consolidation	68,315	–
Total changes of items during the year	453,537	509,125
Balance at end of year	15,788,189	16,297,314
Treasury stock		
Balance at beginning of year	-23,917	-24,963
Changes of items during the year		
Purchase of treasury stock	-1,045	-848
Disposal of treasury stock	–	571
Total changes of items during the year	-1,045	-277
Balance at end of year	-24,963	-25,240
Total shareholders' equity		
Balance at beginning of year	35,968,321	36,420,813
Changes of items during the year		
Dividends from surplus	-656,742	-656,695
Net income (loss)	1,041,964	1,165,821

Increase from change in scope of consolidation	68,315	
Purchase of treasury stock	-1,045	-848
Disposal of treasury stock	—	450
Total changes of items during the year	452,491	508,727
Balance at end of year	36,420,813	36,929,541
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at beginning of year	235,603	147,516
Changes of items during the year		
Net changes of items other than shareholders' equity	-88,086	51,302
Total changes of items during the year	-88,086	51,302
Balance at end of year	147,516	198,819
Translation adjustments account		
Balance at beginning of year	—	-40,486
Changes of items during the year		
Net changes of items other than owners' equity	-40,486	-2,272
Total changes of items during the year	-40,486	-2,272
Balance at end of year	-40,486	-42,758
Total accumulated other comprehensive income		
Balance at beginning of year	235,603	107,030
Changes of items during the year		
Net changes of items other than shareholders' equity	-128,572	49,030
Total changes of items during the year	-128,572	49,030
Balance at end of year	107,030	156,060
Minority interests		
Balance at beginning of year	337,929	497,753
Changes of items during the year		
Net changes of items other than shareholders' equity	159,823	9,350
Total changes of items during the year	159,823	9,350
Balance at end of year	497,753	507,104
Total net assets		
Balance at beginning of year	36,541,854	37,025,597
Changes of items during the year		

Dividends from surplus	-656,742	-656,695
Net income (loss)	1,041,964	1,165,821
Increase from change in scope of consolidation	68,315	—
Purchase of treasury stock	-1,045	-848
Disposal of treasury stock	—	450
Net changes of items other than shareholders' equity	31,250	58,381
Total changes of items during the year	483,742	567,108
Balance at end of year	37,025,597	37,592,706

(4) Consolidated Statements of Cash Flows

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year (From November 1, 2009 to October 31, 2010)	Current Consolidated Fiscal Year (From November 1, 2010 to October 31, 2011)
Classification		
Cash flow from operating activities		
Income before taxes and adjustments	2,162,400	2,446,510
Depreciation and amortization expense	7,766,703	8,835,460
Impairment loss	—	63,440
Amortization of goodwill	202,746	206,378
Loss on sale or retirement of fixed assets	93,864	121,460
Installment purchases of assets for small-value rentals	17,062	38,057
Reclassification of cost of sales associated with disposal of construction equipment	11,065	3,703
Reclassification of cost of sales associated with disposal of rental assets	804,250	469,093
Expenditures for acquisition of rental assets	-2,462,216	-1,959,417
Valuation loss on investment securities	27,925	134,714
(Gain) loss on sales of investment securities	-153,309	16,948
Increase in allowance for doubtful accounts	-220,029	-94,970
Increase in allowance for investment loss	30,675	41,310
Increase (decrease) in accrued bonuses to employees	115,490	-57,951
Increase (decrease) in accrued employees retirement benefits	21,285	-1,304,003
Increase (decrease) in retirement allowances to directors and auditors	-20,729	4,708
Interest revenue and dividend income	-57,646	-61,998
Interest expense on installment purchases of rental assets	179,445	183,318
Interest expense	764,399	792,703
Decrease in accounts receivable, trade	-267,722	-1,463,045
(Increase) decrease in inventory	55,469	-49,726
Increase (decrease) in accounts payable, trade	-551,554	261,380
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	95,530
Loss from disaster	—	837,968

Increase in accounts payable, other	490,071	742,842
Other	757,743	-690,944
Subtotal	9,767,392	9,613,471
Interest and dividends received	59,396	62,017
Interest expense	-869,996	-926,960
Payments for loss on disaster	—	-187,226
Refund (payment) of corporate and other taxes	131,844	-1,657,775
Cash flow from operating activities	9,088,637	6,903,527

	Prior Consolidated Fiscal Year (From November 1, 2009 to October 31, 2010)	Current Consolidated Fiscal Year (From November 1, 2010 to October 31, 2011)
Classification		
Cash flow from investing activities		
Disbursements for investments in term deposits	-85,000	—
Revenue from redemption of term deposits	59,000	50,000
Funds used for the purchase of tangible fixed assets	-265,253	-517,851
Funds provided from the sale of tangible fixed assets	60,577	16,556
Funds used for the purchase of intangible fixed assets	-47,944	-9,840
Funds used for the purchase of investment securities	-538,548	-449,791
Funds provided from sale of investment securities	775,390	299
Funds used for the purchase of subsidiary stock	-12,250	-61,310
Funds used for establishment of subsidiary company	—	-45,181
Funds used for short-term loans	-84,986	-163,140
Funds provided from collection of short-term loans receivable	160,680	105,056
Other	80,180	62,101
Cash flow from investing activities	101,846	-1,013,101
Cash flow from financing activities		
Decrease in short-term bank loans	11,332,180	9,767,868
Funds provided by long-term bank loans	2,609,045	2,580,000
Funds used to repay long-term bank loans	-10,804,656	-10,935,261
Funds used to redeem corporate bonds	-42,000	-22,000

Funds used for repayment of installment obligations		-4,382,407	-6,006,420
Funds used for repayment of lease obligations		-790,532	-1,057,208
Funds used for the purchase of treasury stock		-1,045	-848
Funds provided from the sale of treasury stock		—	450
Funds used for the purchase of treasury stock of subsidiary		—	-3
Payment of dividends		-657,319	-656,398
Funds provided by payment from minority shareholders		—	68,265
Payment of dividends to minority shareholders		-1,006	-1,006
Cash flow from financing activities		-2,737,741	-6,262,560
Effect of exchange rate changes on cash and cash equivalents		-23,465	-4,245
Increase (decrease) in cash and equivalents		6,429,277	-376,380
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	*1	20,751,217	20,374,836

(5) Notes Relating to the Going Concern Assumption

The Company had no material items to report.

(6) Significant Accounting Policies for the Consolidated Financial Statements

	Prior Consolidated Fiscal Year (From November 1, 2009 to October 31, 2010)	Current Consolidated Fiscal Year (From November 1, 2010 to October 31, 2011)
1. Companies included in the consolidation	(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 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 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 fiscal year under review, with Kanamoto, the owner company, as the surviving company.	(1) Number of consolidated companies: 10 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 Engineering Construction Co., Ltd. SJ Rental, Inc. Kanamoto Engineering Co., Ltd. Shanghai Jinheyuan Equipment Rental Co., Ltd., which was included in the scope of consolidation until the previous consolidated fiscal year, was absorbed by and merged with Shanghai Jinheyuan Engineering Construction Co., Ltd. during the current consolidated fiscal year, with Shanghai Jinheyuan Engineering Construction Co., Ltd. as the surviving company.
	(2) Number of non-consolidated companies: 5 Non-consolidated subsidiary company name: Comsupply Co., Ltd. Flowtechno Corporation Center Corporation KG Machinery Co., Ltd. KANAMOTO (HK) CO., LTD.	(2) Number of non-consolidated companies: 5 Non-consolidated subsidiary company name: Comsupply Co., Ltd Flowtechno Corporation KG Machinery Ltd. KANAMOTO (HK) CO., LTD. Kanamoto & JP Nelson Equipment (S) Pte.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.	(Reason for exclusion from scope of consolidation) Same as at left
2. Matters pertaining to application of equity method accounting	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.	Same as at left
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 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.	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 Engineering Construction Co., Ltd. is December 31. When preparing the consolidated financial statements the Company used the financial statements of 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	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.	Same as at left
	Securities without market prices The Company has adopted the cost method, cost being determined by the moving average method	Securities without market prices Same as at left
	b. 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.	b. Construction equipment Same as at left
	c. Merchandise inventories and supplies (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)	c. Merchandise inventories and supplies (i) Merchandise inventories and products The Company has adopted the cost method, cost being determined based on the periodic average 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 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.
	(ii) Work in process The Company has adopted the cost method, cost being determined by the specific identification method	(ii) Work in process Same as at left
	(iii) 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
(2) Depreciation methods for principal depreciable	a. Tangible fixed assets (excluding lease assets)	a. Tangible fixed assets (excluding lease assets)

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.	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	The depreciable lives mainly used by the Company are as follows. Rental assets 2-15 years Buildings and structures 2-60 years
	b. Intangible fixed assets excluding lease assets)	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)	Same as at left
	c. Lease assets	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.	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. Allowance for disaster losses

		To provide for repair costs and disposal costs for assets damaged or destroyed by the Great East Japan Earthquake, the Company charged the estimated amount of such costs to income at the end of the current consolidated fiscal year.
	d. 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 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 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.	d. Accrued employees retirement benefit The Company provides for directors' accrued retirement benefits based upon pertinent rules and appropriated to the account proportionately at the end of the consolidated fiscal year based upon length of service.
	(Change in accounting method) Beginning from the consolidated 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 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.	□□□□□□
	□□□□□□	(Supplemental information) On October 1, 2011, the Company transferred its retirement benefits system for employees from a defined benefit corporate pension plan to a defined contribution corporate pension plan, and has applied the *Accounting for the Transfer Between Retirement Benefit Plans* (Financial Accounting Standards Implementation Guidance No. 1). The Company accounted for the ¥1,465,200,000 effect accompanying this transfer as a "gain on termination of retirement benefit plan" in extraordinary profits.
	e. Retirement allowances to directors and auditors	e. 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 fiscal year based upon length of service.	Same as at left

	f. 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.	f. Reserve for investment losses Same as at left
(4) Accounting standards for principal income and expenses	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 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 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 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.	Accounting standards for amount of completed works and cost of construction works 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 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.	Same as at left
(6) Hedge accounting for principal hedging methods	a. Hedge transactions The Company accounts for hedge transactions using allocations based on accounting standards for foreign currency-denominated transactions, and special rule accounting based on accounting standards for financial products.	a. Hedge transactions Same as at left
	b. Hedge methods and hedged transactions The Company uses currency swaps and forward transactions in order to avoid the currency fluctuation risk related to the Company's foreign currency-denominated straight bonds and liabilities for import payments. The Company also uses interest swaps to avoid interest rate fluctuation risk related to interest on bank borrowing.	b. Hedge methods and hedged transactions Same as at left
	c. Hedging policies The Company's use of derivative transactions is limited to hedging risk within the scope of the Company's assets and liabilities subject to market fluctuation risk.	c. Hedging policies Same as at left
	d. Method for evaluating the effectiveness of hedges The Company's interest swap transactions fulfill the requirements for special rule accounting, and the Company has elected to use this in place of an evaluation of effectiveness.	d. Method for evaluating the effectiveness of hedges Same as at left

(7) Amortization method and amortization period for goodwill	□□□□□□	The Company amortizes goodwill and negative goodwill generated before October 31, 2010 using straight-line depreciation over five years. However, extremely small amounts are written off completely in the year in which they occur.
(8) Items included in cash and equivalents on the Consolidated Statements of Cash Flows	□□□□□□	Funds included in cash (cash and cash equivalents) on the Consolidated Statement of Cash Flows include 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.
(9) 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.	□□□□□□
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.	□□□□□□
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.	□□□□□□

(7) Changes in Significant Accounting Policies for the Consolidated Financial Statements

Prior Consolidated Fiscal Year (From November 1, 2009 to October 31, 2010)	Current Consolidated Fiscal Year (From November 1, 2010 to October 31, 2011)
(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 A*ccounting 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 fiscal year under review the Company will apply these accounting standards for business combinations and business divestitures implemented on or after April 1, 2010.	(Application of the Accounting Standard for Asset Retirement Obligations etc.) Beginning from the current consolidated fiscal year, the Company has adopted the *Accounting Standards 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 ¥7,162,000 lower, respectively, and income before taxes and adjustments was ¥102,692,000 lower, than they otherwise would have been had the accounting standards used in past periods been applied.

(8) Changes in Reporting Method

Prior Consolidated Fiscal Year (From November 1, 2009 to October 31, 2010)	Current Consolidated Fiscal Year (From November 1, 2010 to October 31, 2011)
(Consolidated Statements of Income) 1. Until the previous consolidated 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 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 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 Income) Beginning from the current consolidated fiscal year, the Company will apply 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) and has disclosed the line item "income before adjustment for minority interests (loss)."

(9) Supplemental Information

Prior Consolidated Fiscal Year (From November 1, 2009 to October 31, 2010)	Current Consolidated Fiscal Year (From November 1, 2010 to October 31, 2011)
□□□□□□	Beginning from the current consolidated fiscal year, the Company has adopted the *Accounting Standard for Presentation of Comprehensive Income* (Accounting Standards Board of Japan Statement No. 25 dated June 30, 2010). However, in the prior consolidated fiscal year the amounts for "Accumulated other comprehensive income" and "Total accumulated other comprehensive income" were reported in the amounts shown for "Valuation and translation adjustments" and "Total valuation and translation adjustments."

(10) Notes to the Consolidated Financial Statements
(Notes to the Consolidated Balance Sheets)

(Unit: Thousands of yen)

Prior Consolidated Fiscal Year (As of October 31, 2010)		Current Consolidated Fiscal Year (As of October 31, 2011)	
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)	117,270	Investment securities (stocks)	190,191
2. Assets provided for security		2. Assets provided for security	
Cash and deposits	35,000	Cash and deposits	20,000
Buildings and structures	44,713	Buildings and structures	41,703
Land	472,376	Land	435,940
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.		The above assets have been pledged as security for short-term bank loans of ¥280,000 long-term bank loans due within one year of ¥63,154 and long-term bank loans of ¥52,262.	
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)	32,486
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 borrowing liabilities of KG Machinery Co., Ltd., a non-consolidated subsidiary company	15,010	Guarantee of borrowing liabilities of KG Machinery Co., Ltd., a non-consolidated subsidiary company	970
Guarantee of installment payment liabilities of KG Machinery Co., Ltd., a non-consolidated subsidiary company	52,693	Guarantee of installment payment liabilities of KG Machinery Co., Ltd., a non-consolidated subsidiary company	38,947
Total	202,491	Guarantee of borrowing liabilities of KANAMOTO (HK) CO., LTD., a non-consolidated subsidiary company	HK$15,500,000 (155,155)
		Guarantee of borrowing liabilities of KANAMOTO (HK) CO., LTD., a non-consolidated subsidiary company	US$155,000 (12,051)
		Total	339,610
4. Discount on notes receivable, trade	110,006	4. Discount on notes receivable, trade	100,209
5. Liquidation of receivables based on receivables transfer facility		5. Liquidation of receivables based on receivables transfer facility	
Notes receivable, trade	4,732,008	Notes receivable, trade	5,000,559
Liquidated claims bearing a right of recourse to the Company and included in the balance of notes receivable, trade transferred total ¥1,046,075.		Liquidated claims bearing a right of recourse to the Company and included in the balance of notes receivable, trade transferred total ¥1,054,898.	
6. Goodwill and negative goodwill		6. Goodwill and negative goodwill	
Goodwill and negative goodwill are offset and shown as a net amount.		Goodwill and negative goodwill are offset and shown as a net amount.	
The amounts before being offset are shown below		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 fiscal year

Notes and bills maturing on the last day of the consolidated 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

Goodwill	280,490
Negative goodwill	121,409
Net amount	159,081

□□□□□□

(Notes to the Consolidated Statements of Income)

(Unit: Thousands of yen)

<table>
<tr><th>Prior Consolidated Fiscal Year
(From November 1, 2009
to October 31, 2010)</th><th>Current Consolidated Fiscal Year
(From November 1, 2010
to October 31, 2011)</th></tr>
<tr><td>

1. Major expense categories and amounts included in selling, general and administrative expenses

Employee salaries and wages	7,071,779
Depreciation expense	1,016,536
Rents	1,851,971
Transfer to allowance for doubtful accounts	38,187
Transfer to accrued bonuses to employees	585,982
Employees retirement benefit expense	524,374
Transfer to retirement allowances to directors and auditors	23,692
Amortization of goodwill	272,578

2. Gain on sale or retirement of fixed assets

Buildings and structures	2,770
Machinery, equipment and delivery equipment	3,475
Other	4,212
Total	10,459

3. Loss on sale or retirement of fixed assets

(Loss on sale of fixed assets)	
Buildings and structures	11,458
Machinery, equipment and delivery equipment	1,100
Land	10,344
Other	208
(Loss on retirement of fixed assets)	
Rental equipment	41,355
Buildings and structures	28,726
Machinery, equipment and delivery equipment	2,730
Other	8,399
Total	104,323

</td><td>

1. Major expense categories and amounts included in selling, general and administrative expenses

Employee salaries and wages	7,063,829
Depreciation expense	957,725
Rents	1,809,345
Transfer to allowance for doubtful accounts	87,445
Transfer to accrued bonuses to employees	511,159
Employees retirement benefit expense	558,660
Transfer to retirement allowances to directors and auditors	19,986
Amortization of goodwill	276,210

2. Gain on sale or retirement of fixed assets

Buildings and structures	381
Machinery, equipment and delivery equipment	11,036
Total	11,418

3. Loss on sale or retirement of fixed assets

(Loss on sale of fixed assets)	
Buildings and structures	9,981
Machinery, equipment and delivery equipment	81
Other	40
(Loss on retirement of fixed assets)	
Rental equipment	83,482
Buildings and structures	35,973
Machinery, equipment and delivery equipment	2,369
Other	949
Total	132,878

</td></tr>
</table>

<table>
<tr><th>Prior Consolidated Fiscal Year
(From November 1, 2009
to October 31, 2010)</th><th>Current Consolidated Fiscal Year
(From November 1, 2010
to October 31, 2011)</th></tr>
<tr><td>□□□□□□</td><td>4. Impairment loss
During this consolidated 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>Ichihara City,
Chiba Prefecture</td><td>Dormant assets</td><td>Land</td></tr>
<tr><td>Iiyama City,
Nagano Prefecture</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 by the segment and operating area for which profitability can be determined regularly. 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 (¥63,440) under extraordinary losses. This ¥63,440 was for land.
The recoverable value for this asset group is measured according to net sales price, and the land is evaluated using the inheritance tax assessment value based on the land tax assessment value or other amount as a base.</td></tr>
<tr><td>□□□□□□</td><td>5. Loss from disaster
The Company accounted for the losses incurred as a result of the Great East Japan Earthquake on March 11, 2011 as a “Loss from disaster.”
At the end of the current consolidated fiscal year, an amount for estimated losses related to the Great East Japan Earthquake was reported in the allowance for disaster losses, and the transfer to allowance for disaster losses of ¥289,850 was included in “Loss from disaster.”
The principal amounts are provided below.
<table>
<tr><td>Cost to restore fixed assets etc. to their original condition</td><td>224,515</td></tr>
<tr><td>Destruction loss of fixed assets etc.</td><td>444,118</td></tr>
<tr><td>Other</td><td>169,335</td></tr>
<tr><td>Total</td><td>837,968</td></tr>
</table></td></tr>
</table>

(Notes to the Consolidated Statements of Comprehensive Income)

Current consolidated fiscal year (From November 1, 2010 to October 31, 2011)

1. Previous consolidated fiscal year comprehensive income reported in the current consolidated fiscal year

Comprehensive income attributable to owners of the parent	915,855,000
Comprehensive income attributable to minority interests	-47,922,000
Total	867,933,000

2. Previous consolidated fiscal year other comprehensive income reported in the current consolidated fiscal year

Valuation difference on other investment securities	-85,621,000
Translation adjustments account	-54,570,000
Total	-140,191,000

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

Prior consolidated 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 the prior consolidated fiscal year	Increase in number of shares during the current consolidated fiscal year	Decrease in number of shares during the current consolidated fiscal year	Number of shares at the end of the current consolidated 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 (Thousand yen)	Dividend per share (yen)	Date of record	Payment date
December 29, 2009 Board of Directors	Common stock	328,378	10.00	October 31, 2009	January 29, 2010
June 4, 2010 Board of Directors	Common stock	328,363	10.00	April 30, 2010	July 12, 2010

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

Resolution	Class of stock	Total dividend (Thousand 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	10.00	October 31, 2010	January 28, 2011

Current consolidated fiscal year (From November 1, 2010 to October 31, 2011)

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 the prior consolidated fiscal year	Increase in number of shares during the current consolidated fiscal year	Decrease in number of shares during the current consolidated fiscal year	Number of shares at the end of the current consolidated fiscal year
Number of shares issued				
Common stock (Note)	32,872	—	—	32,872
Total	32,872	—	—	32,872
Treasury stock				
Common stock (Note)	36	1	0	37
Total	36	1	0	37

(Notes) The number of treasury stock shares of common stock increased by 1,000 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 (Thousand yen)	Dividend per share (yen)	Date of record	Payment date
December 27, 2010 Board of Directors	Common stock	328,353	10.00	October 31, 2010	January 28, 2011
June 8, 2011 Board of Directors	Common stock	328,342	10.00	April 30, 2011	July 11, 2011

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

Resolution	Class of stock	Total dividend (Thousand yen)	Source of funds for dividend	Dividend per share (yen)	Date of record	Payment date
December 27, 2011 Board of Directors	Common stock	328,345	Retained earnings	10.00	October 31, 2011	January 30, 2012

(Notes to the Consolidated Statements of Cash Flows)

(Unit: Thousands of yen)

Prior Consolidated Fiscal Year (From November 1, 2009 to October 31, 2010)	Current Consolidated Fiscal Year (From November 1, 2010 to October 31, 2011)
1. Relationships between fiscal year-end balance for cash and equivalents and amounts for items shown on the consolidated 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	1. Relationships between fiscal year-end balance for cash and equivalents and amounts for items shown on the consolidated fiscal year balance sheet Cash and deposits account 20,059,836 Time deposits with a maturity longer than 3 months -35,000 Negotiable securities 350,000 Cash and cash equivalents 20,374,836
2. 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 fiscal year under review are ¥6,774,979 and ¥1,484,045, respectively.	2. Details of major non-cash transactions (1) 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 fiscal year under review are ¥12,081,313 and ¥914,127, respectively. (2) The amount related to asset retirement obligations that are newly accounted for during this consolidated fiscal year is ¥147,078.
3. 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 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 fiscal year (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	2,011,080	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 "Significant Accounting Policies for the Consolidated Financial Statements," beginning from the consolidated 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 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 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.

4. Segment information

Current consolidated fiscal year (From November 1, 2010 to October 31, 2011)

1. Summary of reportable segments

The Company's reportable segments are those units of the Company's for which discrete financial statements are 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. Method of calculating the amount of revenues, income or loss, assets, liabilities and other items of each reporting segment

Except for the *Standard for Measurement of Inventories*, the accounting standards and methods for the reported business segment are generally identical to the description in "Significant Accounting Policies for the Consolidated Financial Statements".

The Company values inventory assets using prices before write-downs of book value based on decline in profitability.

Reporting segment earnings are the values on an operating income basis.

3. Information concerning the amount of revenues, income or loss, assets, liabilities and other items of each reporting segment

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

(Unit: Thousands of yen)

	Reporting segment	Other businesses (Note)	Total
	Construction-related		
Revenues			
Sales to outside customers	64,263,139	5,910,513	70,173,653
Sales or transfers between related segments	–	–	–
Total	64,263,139	5,910,513	70,173,653
Segment income	2,653,749	45,846	2,699,596
Segment assets	78,896,353	2,136,326	81,032,679
Other items			
Depreciation and amortization expense	7,427,005	3,817	7,430,822

Amount of increase of tangible fixed assets and intangible fixed assets	15,160,136	756	15,160,893

(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.

Current consolidated fiscal year (From November 1, 2010 to October 31, 2011)

(Unit: Thousands of yen)

	Reporting segment Construction-related	Other businesses (Note)	Total
Revenues			
Sales to outside customers	64,711,947	6,374,877	71,086,825
Sales or transfers between related segments	—	—	—
Total	64,711,947	6,374,877	71,086,825
Segment income	2,586,175	143,769	2,729,945
Segment assets	86,651,284	1,944,837	88,596,122
Other items			
Depreciation and amortization expense	8,524,057	3,460	8,527,518
Amortization of goodwill	276,210	—	276,210
Extraordinary losses	63,440	—	63,440
(Impairment loss)	63,440	—	63,440
Amount of increase of tangible fixed assets and intangible fixed assets	16,127,361	781	16,128,142

(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.

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

(Unit: Thousands of yen)

Revenues	Prior consolidated fiscal year	Current consolidated fiscal year
Reporting segment total	64,263,139	64,711,947
Revenues for "Other businesses" classification	5,910,513	6,374,877
Revenues reported in the consolidated financial statements	70,173,653	71,086,825

(Unit: Thousands of yen)

Income	Prior consolidated fiscal year	Current consolidated fiscal year
Reporting segment total	2,653,749	2,586,175
Income for "Other businesses" classification	45,846	143,769
Other adjustments	-50,660	175,645
Operating income reported in the consolidated financial statements	2,648,935	2,905,590

(Unit: Thousands of yen)

Assets	Prior consolidated fiscal year	Current consolidated fiscal year
Reporting segment total	78,896,353	86,651,284
Assets of “Other businesses” classification	2,136,326	1,944,837
Company assets (note)	27,476,919	26,524,175
Total assets reported in the consolidated financial statements	108,509,559	115,120,298

(Note) Company assets are mainly assets used in administrative divisions at the parent company that are not attributable to the reporting segment.

(Unit: Thousands of yen)

Other items	Reporting segment total		Other businesses		Adjustment		Amount reported in the consolidated financial statements	
	Prior consolidated fiscal year	Consolidated fiscal year under review	Prior consolidated fiscal year	Consolidated fiscal year under review	Prior consolidated fiscal year	Consolidated fiscal year under review	Prior consolidated fiscal year	Consolidated fiscal year under review
Depreciation and amortization expense	7,427,005	8,524,057	3,817	3,460	335,880	307,941	7,766,703	8,835,460
Increase in tangible fixed assets and intangible fixed assets	15,160,136	16,127,361	756	781	269,511	39,459	15,430,405	16,167,601

(Note) The adjustments to the increases in tangible fixed assets and intangible fixed assets are capital investments related to administrative divisions.

5. Related information

Current consolidated fiscal year (From November 1, 2010 to October 31, 2011)

1. Information by product and service

The Company has omitted a description of information by product and service because revenues to outside customers in each product and service classification account for more than 90% of revenues reported in the Consolidated Statements of Income.

2. Information by region

(1) Revenues

The Company has omitted a description of information by region because revenues to outside customers in Japan account for more than 90% of total revenues reported in the Consolidated Statements of Income.

(2) Tangible fixed assets

The Company has omitted a description of tangible fixed assets because the amount of tangible fixed assets located in Japan account for more than 90% of the total for tangible fixed assets reported in the Consolidated Balance Sheets.

3. Main customers

The Company has omitted a description of sales to outside customers because there are no specific customers to which sales account for more than 10% of the revenues reported in the Consolidated Statements of Income.

6. Information concerning impairment losses on fixed assets by reporting segment

Current consolidated fiscal year (From November 1, 2010 to October 31, 2011)

(Unit: Thousands of yen)

	Business related to the Construction Equipment Rental Division	Others	Corporate and eliminations	Total
Impairment losses	63,440	—	—	63,440

7. Information concerning amortization of goodwill and unamortized balances by reporting segment

Current consolidated fiscal year (From April 1, 2010 to March 31, 2011)

(Unit: Thousands of yen)

	Business related to the Construction Equipment Rental Division	Others	Corporate and eliminations	Total
Amortization in the current period	276,210	—	—	276,210
Balance at the end of current period	280,490	—	—	280,490

8. Information concerning gain on negative goodwill by reporting segment

Current consolidated fiscal year (From November 1, 2010 to October 31, 2011)

The Company had no material items to report.

(Supplemental information)

Current consolidated fiscal year (From November 1, 2010 to October 31, 2011)

Beginning from 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).

(Notes to Leasing Transactions)

(Unit: Thousands of yen)

Prior Consolidated 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 Significant Accounting Policies for 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 fiscal year

	Acquisition price	Accumulated depreciation	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 fiscal year

Within one year	3,538,973
After one year	6,347,709
Total	9,886,682

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

Lease payments	4,240,829
Depreciation expense	2,867,517
Interest expense	413,752

(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

Interest method using the difference between total lease payments and the acquisition price of the lease property, allocated to each year.

Current Consolidated Fiscal Year (From November 1, 2010 to October 31, 2011)

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 fiscal year

	Acquisition price	Accumulated depreciation	Outstanding balance
Rental assets	14,861,842	8,956,252	5,905,589
Total	14,861,842	8,956,252	5,905,589

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

Within one year	2,560,414
After one year	3,713,623
Total	6,274,037

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

Lease payments	2,940,717
Depreciation expense	2,253,747
Interest expense	219,405

(4) Accounting method for amount equivalent to depreciation expense

Same as at left

(5) Accounting method for amount equivalent to interest expense

Same as at left

2. Operating leases Prepaid lease payments pertaining to non-cancellable operating lease transactions	2. Operating leases Prepaid lease payments pertaining to non-cancellable operating lease transactions

Within one year	1,621,381	Within one year	1,978,904
After one year	4,078,407	After one year	5,390,811
Total	5,699,788	Total	7,369,716

(Per Share Information)

Prior Consolidated Fiscal Year (From November 1, 2009 to October 31, 2010)		Current Consolidated Fiscal Year (From November 1, 2010 to October 31, 2011)	
Net assets per share	¥1,112.46	Net assets per share	¥1,129.47
Net income (loss) per share of common stock	¥31.73	Net income (loss) per share of common stock	¥35.51
Net income per share of common stock after adjustment for potential ordinary shares	–	Net income per share of common stock after adjustment for potential ordinary shares	–
The Company has not reported net income per share of common stock after adjustment for potential ordinary shares because it does not have any potential shares that would have a dilution effect.		Same as at left	

(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 Fiscal Year (From November 1, 2009 to October 31, 2010)	Current Consolidated Fiscal Year (From November 1, 2010 to October 31, 2011)
Net income (loss)	1,041,964	1,165,821
Amount not attributed to common stock shareholders	–	–
Net income related to common stock	1,041,964	1,165,821
Average number of outstanding shares during the fiscal year	32,836,692	32,834,328

(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, asset retirement obligations 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) Balance Sheets

(Unit: Thousands of yen)

Classification	Notes	Prior Fiscal Year (As of October 31, 2010) Amount	Current Fiscal Year (As of October 31, 2011) Amount
(Assets)			
Current assets			
Cash and deposits		18,067,374	17,761,176
Notes receivable, trade	*2, *3	2,044,034	2,225,810
Accounts receivable, trade		10,289,247	11,539,603
Negotiable securities		350,000	350,000
Merchandise inventories and products		303,056	261,074
Work in process		37,046	33,299
Construction equipment		993,929	1,331,441
Raw materials and supplies		84,612	85,836
Prepaid expenses		214,506	208,042
Deferred tax assets		322,794	354,664
Consumption taxes receivable		—	88,344
Short-term loans receivable		360	474,360
Other		211,510	168,155
Allowance for doubtful accounts		-254,464	-221,500
Total Current Assets		32,664,008	34,660,310
Fixed assets			
Tangible fixed assets			
Rental equipment		49,930,606	58,591,293
Accumulated depreciation		-30,376,404	-33,436,965
Net rental equipment		19,554,202	25,154,327
Buildings		14,489,771	14,584,949
Accumulated depreciation		-8,203,064	-8,662,259
Net buildings		6,286,707	5,922,690
Structures		4,887,085	4,840,169
Accumulated depreciation		-3,811,190	-3,897,884
Net structures		1,075,895	942,284
Machinery and equipment		4,706,551	4,654,461
Accumulated depreciation		-4,013,045	-4,071,130
Net machinery and equipment		693,505	583,331
Vehicles and delivery equipment		75,611	68,467

Accumulated depreciation		-69,798	-64,802
Net vehicles and delivery equipment		5,813	3,664
Tools, furnishings and fixtures		1,193,280	1,211,811
Accumulated depreciation		-965,515	-1,008,597
Net tools, furnishings and fixtures		227,764	203,213
Land		28,439,924	28,651,057
Construction in progress		2	2,131
Total Tangible Fixed Assets		56,283,815	61,462,702
Intangible fixed assets			
Goodwill		133,725	90,981
Software		196,552	145,584
Telephone subscription rights		50,769	50,769
Total Intangible Fixed Assets		381,047	287,335
Investments and other assets			
Investment securities		2,597,327	2,933,002
Stock of affiliated companies		3,556,028	3,461,685
Advances		9,137	9,137
Long-term loan to affiliated company		2,617,080	2,394,475
Claims in bankruptcy, claims in reorganization and other similar claims		160,309	125,593
Long-term prepaid expenses		38,082	28,718
Deferred tax assets		1,057,220	450,600
Insurance reserve		17,528	17,528
Long-term guaranty money deposited		851,664	837,810
Other		53,326	52,966
Allowance for doubtful accounts		-1,812,033	-1,587,929
Reserve for investment losses		-744,710	-554,617
Total investments and other assets		8,400,962	8,168,972
Total Fixed Assets		65,065,825	69,919,010
Total Assets		97,729,834	104,579,320

		Prior Fiscal Year (As of October 31, 2009)	Current Fiscal Year (As of October 31, 2010)
Classification	Notes	Amount	Amount
(Liabilities)			
Current liabilities			
Notes payable, trade	*3	8,987,870	9,114,892
Accounts payable, trade		2,483,085	2,699,853
Long-term bank loans due within one year		9,089,000	9,411,000
Short-term bank loans		12,000,000	10,000,000
Accounts payable, other		4,636,566	6,345,435
Accrued expenses		314,150	353,981
Corporate taxes payable		1,017,327	286,603
Consumption and other taxes payable		448,544	—
Deposits		38,692	45,464
Accrued bonuses to employees		501,488	443,024
Allowance for disaster losses		—	289,850
Equipment notes payable	*3	263,493	291,603
Other		79,793	107,337
Total Current Liabilities		39,860,013	39,389,046
Long-term liabilities			
Long-term bank loans		12,349,000	15,648,000
Long-term accrued expenses		6,875,527	11,282,279
Accrued employees retirement benefits		1,334,958	30,377
Retirement allowances to directors and auditors		153,892	158,061
Provision for loss on guarantees		66,773	36,312
Asset retirement obligations		—	123,472
Total long-term liabilities		20,780,151	27,278,503
Total Liabilities		60,640,165	66,667,549
(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	143,359
Total capital surplus		10,960,869	10,960,749
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		13,731,684	13,731,684
Retained earnings brought forward		1,176,466	1,953,137
Total retained earnings		16,303,040	17,079,711
Treasury stock		-24,963	-25,240
Total Shareholders’ Equity		36,935,664	37,711,937
Valuation and translation adjustments			
Valuation difference on other investment securities		154,004	199,832
Total valuation and translation adjustments		154,004	199,832
Total Net Assets		37,089,669	37,911,770
Total Liabilities and Net Assets		97,729,834	104,579,320

(2) Statements of Income

(Unit: Thousands of yen)

Classification	Notes	Prior Consolidated Fiscal Year (From November 1, 2009 to October 31, 2010) Amount	Current Consolidated Fiscal Year (From November 1, 2010 to October 31, 2011) Amount
Operating revenues			
Rental revenues		39,480,705	43,790,202
Sales		18,603,078	17,116,709
Total revenues		58,083,784	60,906,911
Cost of revenues			
Cost of rental revenues		28,596,893	30,947,887
Cost of goods sold			
Balance of merchandise inventories at beginning of period		248,457	308,120
Merchandise inventories purchases		12,748,642	13,002,023
Merchandise received from other accounts	*2	663,191	274,660
Total		13,660,290	13,584,803
Balance of merchandise at end of period		303,056	268,535
Valuation loss on merchandise		2,263	7,460
Total cost of goods sold		13,359,497	13,323,728
Total cost of revenues		41,956,391	44,271,616
Gross profit		16,127,393	16,635,295
Selling, general and administrative expenses			
Freight-out		71,542	75,977
Vehicle fuel expense		155,218	167,254
Advertising and public relations expense		126,177	120,353
Transfer to allowance for doubtful accounts		—	20,995
Director compensation		66,745	71,993
Salaries and allowance		5,462,976	5,580,477
Bonuses		981,366	1,049,765
Transfer to accrued bonuses to employees		501,488	443,024
Transfer to retirement allowances to directors and auditors		13,059	12,777

Employees retirement benefit expense		428,836	497,038
Travel and transportation expenses		267,602	281,883
Entertainment expenses		69,090	80,498
Insurance premiums		148,418	165,993
Communications expense		284,940	264,066
Maintenance and repairs		133,281	115,721
Consumables expense		281,363	279,788
Utilities		243,339	246,910
Taxes and public charges		423,699	397,899
Welfare expense		946,968	1,017,618
Depreciation expense		915,384	811,854
Rent		1,475,794	1,487,997
Other expenses		592,070	626,134
Total selling, general and administrative expenses		13,589,363	13,816,023
Operating income		2,538,030	2,819,272
Non-operating revenues			
Interest revenue		27,769	33,813
Interest revenue on negotiable securities		3,514	907
Dividend income		42,350	50,868
Rents received	*1	166,053	174,595
Insurance benefits		69,990	32,431
Cash bonus received		22,966	5,499
Other	*1	140,864	114,200
Total non-operating revenues		473,509	412,316
Non-operating expenses			
Interest expense		431,634	449,770
Loss on sale of notes receivable		42,466	39,445
Other		166,821	143,387
Total non-operating expense		640,923	632,603
Ordinary income		2,370,616	2,598,985
Extraordinary profits			
Gain on disposal of fixed assets	*3	3,781	11,022
Gain on sale of investment securities		153,765	52
Subsidies		144,854	―
Reversal of provision for loss on guarantees		139,849	30,461

Reversal of allowance for doubtful accounts		45,686	—
Gain on termination of retirement benefit plan		—	1,465,200
Other		7,631	5,709
Total extraordinary income		495,569	1,512,445
Extraordinary losses			
Loss on sale or retirement of fixed assets	*4	67,245	75,277
Valuation loss on investment securities		20,097	133,922
Loss on investment in partnership enterprise		5,117	1,234
Transfer to allowance for investment loss		103,065	73,755
Transfer to reserve for doubtful accounts for affiliated company stock		200,000	75,982
Loss on cancellation of stock due to absorption of subsidiary		173,205	—
Loss on liquidation of subsidiaries		81,511	—
Loss from disaster	*5	—	837,886
Loss on adjustment for changes of accounting standard for asset retirement obligations		—	83,021
Other		40,325	75,534
Total extraordinary losses		690,568	1,356,615
Income (loss) before taxes		2,175,617	2,754,814
Corporate, local and business taxes		1,032,143	777,763
Adjustment for corporate and other taxes		110,847	543,685
Total corporate and other taxes		1,142,991	1,321,448
Net income (loss)		1,032,626	1,433,366

Statements of Cost of Rental Revenues

(Unit: Thousands of yen)

Classification	Notes	Prior Consolidated Fiscal Year (From November 1, 2009 to October 31, 2010) Amount	Percent	Current Consolidated Fiscal Year (From November 1, 2010 to October 31, 2011) Amount	Percent
Rent		13,813,285	48.3	13,755,193	44.5
Repair expense		2,796,705	9.8	2,981,259	9.6
Freight charges		4,779,140	16.7	5,323,138	17.2
Depreciation expense	*2	5,197,025	18.2	6,387,806	20.6
Consumables expense		762,238	2.7	1,132,761	3.7
Other costs	*3	1,248,496	4.3	1,367,728	4.4
Total		28,596,893	100.0	30,947,887	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 ¥5,130,041 and construction equipment depreciation expense of ¥66,983.	The Company posted rental equipment asset depreciation expense of ¥6,288,687 and construction equipment depreciation expense of ¥99,118.
Note 3	Other costs consisted mainly of taxes and public charges of ¥455,766, insurance premiums of ¥532,623 and interest of ¥103,927 related to installment payment purchases of rental equipment assets.	Other costs consisted mainly of taxes and public charges of ¥534,530, insurance premiums of ¥535,540 and interest of ¥112,641 related to installment payment purchases of rental equipment assets.

(3) Statements of Changes in Net Assets

(Unit: Thousands of yen)

Classification	Prior Consolidated Fiscal Year (From November 1, 2009 to October 31, 2010) Amount	Current Consolidated Fiscal Year (From November 1, 2010 to October 31, 2011) 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		
Disposal of treasury stock	—	-120
Total changes of items during the year	—	-120
Balance at end of year	143,480	143,359
Total capital surplus		
Balance at beginning of year	10,960,869	10,960,869
Changes of items during the year		
Disposal of treasury stock	—	-120
Total changes of items during the year	—	-120
Balance at end of year	10,960,869	10,960,749
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	13,731,684
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	13,731,684	13,731,684
Retained earnings brought forward		
Balance at beginning of year	-1,099,417	1,176,466
Total changes of items during the year		
Provision of general reserve	1,900,000	—
Dividends from surplus	-656,742	-656,695
Net income (loss)	1,032,626	1,433,366
Changes of items during the year	2,275,884	776,670
Balance at end of year	1,176,466	1,953,137
Total retained earnings		
Balance at beginning of year	15,927,156	16,303,040
Changes of items during the year		
Dividends from surplus	-656,742	-656,695
Net income (loss)	1,032,626	1,433,366
Total changes of items during the year	375,884	776,670
Balance at end of year	16,303,040	17,079,711
Treasury stock		
Balance at beginning of year	-23,917	-24,963
Changes of items during the year		
Purchase of treasury stock	-1,045	-848
Disposal of treasury stock	—	571

Total changes of items during the year	-1,045	-277
Balance at end of year	-24,963	-25,240
Total shareholders' capital		
Balance at beginning of year	36,560,825	36,935,664
Changes of items during the year		
Dividends from surplus	-656,742	-656,695
Net income (loss)	1,032,626	1,433,366
Purchase of treasury stock	-1,045	-848
Disposal of treasury stock	—	450
Total changes of items during the year	374,838	776,272
Balance at end of year	36,935,664	37,711,937
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at beginning of year	234,101	154,004
Changes of items during the year		
Net changes of items other than shareholders' equity	-80,096	45,828
Total changes of items during the year	-80,096	45,828
Balance at end of year	154,004	199,832
Total valuation and translation adjustments		
Balance at beginning of year	234,101	154,004
Changes of items during the year		
Net changes of items other than shareholders' equity	-80,096	45,828
Total changes of items during the year	-80,096	45,828
Balance at end of year	154,004	199,832
Total net assets		
Balance at beginning of year	36,794,927	37,089,669
Changes of items during the year		
Dividends from surplus	-656,742	-656,695
Net income (loss)	1,032,626	1,433,366
Purchase of treasury stock	-1,045	-848
Disposal of treasury stock	—	450
Net changes of items other than shareholders' equity	-80,096	45,828

Total changes of items during the year	294,742	822,101
Balance at end of year	37,089,669	37,911,770

(4) Notes Relating to the Going Concern Assumption

The Company had no material items to report.

(5) Significant Accounting Policies

Item	Prior Consolidated Fiscal Year (From November 1, 2009 to October 31, 2010)	Current Consolidated Fiscal Year (From November 1, 2010 to October 31, 2011)
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 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 fiscal year closing date or similar prices Securities without market prices 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 Securities with a market price Same as at left Securities without market prices 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	Same as at left
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). □□□□□□ (2) Work in process The Company has adopted the cost method, cost being determined by the specific identification method (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)	(1) Merchandise inventories and products The Company has adopted the cost method, cost being determined based on the periodic average 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 policy) Beginning from the current 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 has 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. (2) Work in process Same as at left (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 (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) (3) Lease assets The Company has adopted the straight-line method using the lease term as the depreciable life and zero residual value. The Company accounts for finance lease transactions except for leases that transfer ownership of the property for which the lease start date is before October 31, 2008 by applying accounting treatment based on the method applied for ordinary rental transactions. (4) Long-term prepaid expenses The Company has adopted the straight-line depreciation method.	(1) Tangible fixed assets (excluding lease assets) Same as at left Rental assets 2-15 years Buildings 2-50 years (2) Intangible fixed assets (excluding lease assets) Same as at left (3) Lease assets Same as at left (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. □□□□□□ (4) Accrued employees retirement benefits 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 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. 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) Allowance for disaster losses To provide for repair costs and disposal costs for assets damaged or destroyed by the Great East Japan Earthquake, the Company charged the estimated amount of such costs to income at the end of the current fiscal year. (4) Accrued employees retirement benefits The Company provides for corporate officers' accrued retirement benefits based upon pertinent rules and appropriated to the account proportionately at the end of the fiscal year based upon length of service.

	(Change in accounting policy) 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 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.	□□□□□□
	□□□□□□	(Supplemental information) On October 1, 2011 the Company transferred its retirement benefits system for employees from a defined benefit corporate pension plan to a defined contribution corporate pension plan, and has applied the *Accounting for the Transfer Between Retirement Benefit Plans* (Financial Accounting Standards Implementation Guidance No. 1). The Company accounted for the ¥1,465,200,000 effect accompanying this transfer as a "gain on termination of retirement benefit plan" in extraordinary profits.
	(5) 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) Retirement allowances to directors and auditors Same as at left
	(6) 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) Reserve for investment losses Same as at left
	(7) 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.	(7) Provision for loss on guarantees Same as at left
7. Accounting standards for principal income and expenses	Accounting standards for amount of completed works and cost of completed construction works	Accounting standards for amount of completed works and cost of completed 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.	a. Construction works for which the portion of the works completed by the end of the year can be reliably determined Same as at left b. Other construction works Same as at left □□□□□□

8. Hedge transactions	(1) Hedge transactions The Company's interest swap transactions fulfill the requirements for special rule accounting, and the Company has elected to use this to report its hedge transactions. (2) Hedge methods and hedged transactions The Company uses interest swaps to avoid interest rate fluctuation risk related to interest on bank borrowing. (3) Hedging policies The Company's use of derivative transactions is limited to hedging risk within the scope of the Company's assets and liabilities subject to market fluctuation risk. (4) Method for evaluating the effectiveness of hedges The Company's interest swap transactions fulfill the requirements for special rule accounting, and the Company has elected to use this in place of an evaluation of effectiveness.	(1) Hedge transactions Same as at left (2) Hedge methods and hedged transactions Same as at left (3) Hedging policies Same as at left (4) Method for evaluating the effectiveness of hedges Same as at left
9. Other significant matters for preparation of the fiscal year financial statements	Accounting treatment of consumption tax Consumption tax is taken out of all Statement of Income items and Balance Sheet items, except mainly for receivables and payables.	Accounting treatment of consumption tax Same as at left

(6) Changes in Accounting Method

Prior fiscal year From November 1, 2009 to October 31, 2010	Current fiscal year From November 1, 2010 to October 31, 2011
(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.	(Application of the *Accounting Standard for Asset Retirement Obligations Etc.*) Beginning from the current 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 ¥5,470,000 lower, respectively, and income before taxes was ¥88,492,000 lower, than they otherwise would have been had the accounting standards used in past periods been applied.

(7) Notes to the Company Financial Statements

(Notes to the Balance Sheets)

(Unit: Thousands of yen)

Prior Fiscal Year (As of October 31, 2010)		Current Fiscal Year (As of October 31, 2011)	
1. Contingent liabilities		1. 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)	32,486
Guarantee of borrowing liabilities of Kanki Corporation, a consolidated subsidiary (after deduction of provision for loss on guarantees)	447,726	Guarantee of borrowing liabilities of Kanki Corporation, a consolidated subsidiary (after deduction of provision for loss on guarantees)	388,937
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$1,503,000 (121,627)	Guarantee of installment payment liabilities of SJ Rental, Inc., a consolidated subsidiary company	US$5,199,000 (404,247)
Guarantee of borrowing liabilities of Shanghai Jinheyuan Equipment Rental Co., Ltd., a consolidated subsidiary company	28,572,000 yuan (345,149)	Guarantee of borrowing liabilities of Shanghai Jinheyuan Equipment Rental Co., Ltd., a consolidated subsidiary company	66,784,000 yuan (820,107)
Guarantee of finance lease liabilities of Shanghai Jinheyuan Equipment Rental Co., Ltd., a consolidated subsidiary company	128,066,000 yuan (1,547,046)	Guarantee of finance lease liabilities of Shanghai Jinheyuan Engineering Construction Co., Ltd., a consolidated subsidiary company	249,090,000 yuan 3,058,836)
Guarantee of borrowing liabilities of Shanghai Jinheyuan Engineering Construction Co., Ltd., a consolidated subsidiary company	49,144,000 yuan (593,659)	Guarantee of borrowing liabilities of KG Machinery Co., Ltd., a non-consolidated subsidiary company	970
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 installment payment liabilities of KG Machinery Co., Ltd., a non-consolidated subsidiary company	38,947
Guarantee of borrowing liabilities of KG Machinery Co., Ltd., a non-consolidated subsidiary company	15,010	Guarantee of borrowing liabilities of KANAMOTO (HK) CO., LTD., a non-consolidated subsidiary company	HK$15,500,000 (155,155)
Guarantee of installment payment liabilities of KG Machinery Co., Ltd., a non-consolidated subsidiary company	52,693	Guarantee of borrowing liabilities of KANAMOTO (HK) CO., LTD., a non-consolidated subsidiary company	US$155,000 (12,051)
2. 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 transferred notes receivable, trade total ¥1,046,075.		2. Liquidation of receivables based on receivables transfer facility The Company liquidates receivables based on a receivables transfer facility agreement. Notes receivable, trade 5,000,559 Liquidated claims bearing a right of recourse to the Company and included in the balance of transferred notes receivable, trade total ¥1,054,898.	

3. 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-end 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, 2009 to October 31, 2010)		Current fiscal year (From November 1, 2010 to October 31, 2011)	
1. Transactions with affiliates		1. Transactions with affiliates	
Seconded employees' salaries	35,885	Seconded employees' salaries	27,396
Rents received	125,778	Rents received	138,187
2. Balance in other accounts transferred to cost of rental equipment assets and construction equipment that has been sold		2. Balance in other accounts transferred to cost of rental equipment assets and construction equipment that has been sold	
Rental equipment assets	662,673	Rental equipment assets	273,206
Construction equipment	517	Construction equipment	1,453
Total	663,191	Total	274,660
3. Gain on sale or retirement of fixed assets		3. Gain on sale or retirement of fixed assets	
Building	2,426	Building	381
Tools, furniture and fixtures	1,355	Tools, furniture and fixtures	9,715
Total	3,781	Vehicles and delivery equipment	925
		Total	11,022
4. Loss on sale or retirement of fixed assets		4. Loss on sale or retirement of fixed assets	
(Loss on sale of fixed assets)		(Loss on sale of fixed assets)	
Buildings	266	Buildings	8,637
Structures	130	Structures	1,344
Tools, furnishings and fixtures	200	Machinery and equipment	81
Land	10,344	Tools, furnishings and fixtures	40
(Loss on retirement of fixed assets)		(Loss on retirement of fixed assets)	
Rental equipment assets	33,171	Rental equipment assets	28,737
Buildings	16,549	Buildings	3,395
Structures	3,660	Structures	30,219
Machinery and equipment	1,399	Machinery an equipment	1,900
Vehicles and delivery equipment	360	Vehicles and delivery equipment	66
Tools, furnishings and fixtures	1,162	Tools, furnishings and fixtures	844
Other	0	Other	9
Total	67,245	Total	75,277

Prior fiscal year (From November 1, 2009 to October 31, 2010)	Current fiscal year (From November 1, 2010 to October 31, 2011)
	5. Loss from disaster The Company charged the losses incurred as a result of the Great East Japan Earthquake on March 11, 2011 to income as a "Loss from disaster." At the end of the current fiscal year, the Company appropriated to the allowance for disaster losses an estimated amount for losses related to the Great East Japan Earthquake, and included the transfer of ¥289,850 to the allowance for disaster losses was in "Loss from disaster." The principal amounts are provided below. Cost to restore fixed assets etc. to their original condition 224,515 Destruction loss of fixed assets etc. 444,118 Other 169,253 Total 837,886

(Notes to Statements of Changes in Net Assets)

Prior 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.

Current fiscal year (From November 1, 2010 to October 31, 2011)

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)	36	1	0	37
Total	36	1	0	37

(Note) The number of treasury stock shares of common stock increased by 1,000 shares through purchases of shares comprising less than one investment unit.

(Notes for Lease Transactions)

(Unit: Thousands of yen)

Prior 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 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 significant accounting policies.

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	Accumulated depreciation	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, 29
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

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

(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.

2. Operating leases

Current Fiscal Year (From November 1, 2010 to October 31, 2011)

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	Accumulated depreciation	Outstanding balance
Rental assets	13,005,004	7,598,325	5,406,678
Total	13,005,004	7,598,325	5,406,678

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

Within one year	2,179,782
After one year	3,585,423
Total	5,765,206

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

Lease payments	2,606,511
Depreciation expense	1,964,098
Interest expense	196,597

(4) Accounting method for amount equivalent to depreciation expense

Same as at left

(5) Accounting method for amount equivalent to interest expense

Same as at left

2. Operating leases

Prepaid lease payments pertaining to non-cancellable operating lease transactions	Prepaid lease payments pertaining to non-cancellable operating lease transactions
Within one year 1,541,889	Within on year 1,908,634
After one year 3,576,530	After one year 4,927,927
Total 5,118,419	Total 6,836,562

6. Other

(1) Changes to Directors

a. Changes to representative directors

There are no pertinent items.

b. Changes to other directors

Directors scheduled to be newly appointed

Director Kazunori Hashiguchi (currently Advisor, Business Coordination Headquarters)

Planned date of new appointments and retirements

January 27, 2012