

Six-month Consolidated Financial Report for the Fiscal Year Ending October 31, 2012 [Japan GAAP]

June 8, 2012

Listed Company Name **Kanamoto Company, Ltd.**
 Company Code Number **9678**
 Listing Exchanges **Tokyo Stock Exchange, Sapporo Stock Exchange**
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Scheduled date for submission of Quarterly Report June 13, 2012
 Scheduled date for commencement of dividend payments July 9, 2012
 Preparation of Quarterly Settlement Supplementary
 Explanatory Materials Yes
 Quarterly Earnings Briefings Yes
 (For institutional investors and analysts)

1. Operating Results for the Interim Period of the Fiscal Year Ending October 31, 2012 (November 1, 2011 – April 30, 2012)

(1) Consolidated Operating Results (Year-to-Date) (Numbers less than one million yen have been rounded down)

(Percentages shown are the percent increase or decrease compared to the same period of the prior consolidated fiscal year)

| | Revenues | | Operating Income | | Ordinary Income | | Net Income | |
|--------------------------------------------------------|-----------------|------|------------------|-------|-----------------|-------|-----------------|-------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Fiscal Year ending October 31, 2012: Second quarter | 40,012 | 13.3 | 3,554 | 106.1 | 3,297 | 134.1 | 1,776 | — |
| Fiscal Year ended October 31, 2011: Second quarter | 35,309 | -4.9 | 1,724 | -46.0 | 1,408 | -51.8 | 49 | -96.7 |

| | Net Income per Share | Diluted Net Income per Share |
|--------------------------------------------------------|----------------------|------------------------------|
| | Yen | Yen |
| Fiscal Year ending October 31, 2012: Second quarter | 54.10 | — |
| Fiscal Year ended October 31, 2011: Second quarter | 1.50 | — |

(2) Consolidated Financial Position

| | Total Assets | Net Assets | Shareholders' Equity Ratio |
|--------------------------------------------------------|-----------------|-----------------|----------------------------|
| | Millions of yen | Millions of yen | % |
| Fiscal Year ending October 31, 2012: Second quarter | 125,597 | 39,227 | 30.8 |
| Fiscal Year ended October 31, 2011 | 115,120 | 37,592 | 32.2 |

(Reference) Shareholders' equity

Fiscal Year Ending October 31, 2012 Second Quarter: ¥38,707 million
 Fiscal Year Ended October 31, 2011: ¥37,085 million

2. Dividends

| | Annual Dividends per Share | | | | |
|----------------------------------------------------|----------------------------|-----------|-----------|----------|-----------|
| | End of 1Q | End of 2Q | End of 3Q | Year-end | Full year |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended October 31, 2011 | — | 10.00 | — | 10.00 | 20.00 |
| Fiscal year ending October 31, 2012 | | 10.00 | | | |
| Fiscal Year ending October 31, 2012 (Projected) | | | — | 10.00 | 20.00 |

(Note) Has the Company revised its most recently released dividend projection? No

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

(November 1, 2011 - October 31, 2012)

(Percentages indicate percent change from prior fiscal year)

| | Revenues | | Operating Income | | Ordinary Income | | Net Income | | Net Income per Share |
|-----------|-----------------|-----|------------------|------|-----------------|------|-----------------|------|----------------------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| Full year | 76,280 | 7.3 | 4,710 | 62.1 | 4,200 | 87.5 | 2,110 | 81.0 | 64.26 |

(Note) Has the Company revised its most recently released projected consolidated operating results? No

4. Other

(1) Were there changes to material subsidiaries during the period under review (transfer of specified subsidiaries in conjunction with revisions to the scope of consolidation): No
Company newly included (Company name:)
Company newly excluded (Company name:)

(2) Has the Company applied the special accounting method for preparation of the quarterly consolidated financial statements: Yes

Note: For details please refer to "2. Matters Concerning Summary Information (Other): (2) Application of Special Accounting Method in the Preparation of the Quarterly Consolidated Financial Statements" on p. 3 of the Attachments

(3) Changes in accounting policy, changes in accounting estimates and retrospective restatement

(a) Changes in accounting policy in conjunction with revision of accounting standards?: None

(b) Changes other than the above: None

(c) Changes in accounting estimates?: None

(d) Retrospective restatements: None

(4) Number of shares issued (common stock)

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

Fiscal year ending October 31, 2012 Second Quarter: 32,872,241 shares

Fiscal year ended October 31, 2011: 32,872,241 shares

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

Fiscal year ending October 31, 2012 Second Quarter: 38,935 shares

Fiscal year ended October 31, 2011: 37,712 shares

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

Fiscal year ending October 31, 2012 Second Quarter: 32,834,561 shares

Fiscal year ended October 31, 2011 Second Quarter: 32,834,891 shares

Note: Disclosure concerning status of implementation of quarterly review procedure

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

Note: Explanation concerning appropriate use of the projected operating results and other items to note (Note Concerning Forward-Looking Statements)

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

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I. Qualitative Information Concerning Quarterly Consolidated Operating Results

(1) Qualitative Information Concerning Consolidated Operating Results

< Management Environment > (From November 1, 2011 to April 30, 2012)

A superficial reading of Japan's economic signals during the Kanamoto Group's interim period showed an improvement trend driven by restoration demand following the Great East Japan Earthquake. In general, however, conditions remained clouded by several factors, including concerns over the risk that the domestic economy will lose momentum, particularly because of overseas economic tremors caused by the public debt crisis in Europe.

In the construction-related service industries in which the Kanamoto Group operates as well, construction equipment rentals and related demand were vigorous, both in regions where restoration and recovery works in response to the Great East Japan Earthquake and extremely urgent public works to assist recovery in areas hit by torrential rainfall disasters are planned, and in metropolitan areas where investments for disaster prevention and seismic countermeasures are anticipated. Nevertheless, in regions not stricken by disasters, a difficult environment continued. Reductions in public works expenditures gradually began to pinch as funds were focused on the restoration budget, and with moves to restore private sector capital investment that could offset such government cutbacks also weak, demand overall will lessen.

< Interim Period Consolidated Operating Results > (From November 1, 2011 to April 30, 2012)

The Kanamoto Group's operating results were in line with the revised operating results forecast released on May 28. In addition to ongoing debris removal works in the three prefectures damaged by the Great East Japan Earthquake, which are still continuing even though one year has passed since the quake, operating results remained stronger than initially projected as infrastructure restoration works that had been delayed were gradually started, while construction demand in unaffected regions, on the other hand, was boosted by measures taken in response to heavy rainfall disasters, earthquake-resistance countermeasures and investment to offset electricity shortages. As a result, second quarter consolidated operating results greatly exceeded the Company's previously released performance forecast.

The Kanamoto Group worked to expand its response capabilities through a variety of programs. While continuing to pursue optimum asset placement as it has in the past, the Group is adopting and providing new technologies, including information-aided construction and labor-saving new commercial products, willingly and unconditionally supporting restoration and reconstruction in the three damaged prefectures, and strengthening its branches in the same regions. The Group strove to secure earnings from every aspect by also responding aggressively to construction equipment demand that was not to related construction works, which has been exhibiting growth since the earthquake.

As a result of these factors, consolidated revenues for the first half of the Business Period ending in October 2012 were ¥40,012 million, up 13.3% compared with the same period of the previous consolidated fiscal year. From an earnings perspective, consolidated operating income rose 106.1% from the same period one year earlier to ¥3,554 million, and consolidated ordinary income jumped 134.1% year-on-year to ¥3,297 million. Net income improved significantly to ¥1,776 million.

Results for each of the Group's business segments were as follows.

[Business related to the Construction Equipment Rental Division]

Looking at construction equipment rental revenues by region, the Hokkaido Region faced difficult conditions, including the first signs that reductions in public sector demand under the restoration budget will have a negative effect. As a result of vigorously developing the Group's total sales, however, the year-on-year decrease in revenues for the interim period was just 1.4%. In the Tohoku Region, rental demand was strong. Transportation infrastructure works that are part of the earthquake restoration and recovery effort gradually increased, and when restoration works following damage from heavy rains in Niigata were added, revenues expanded briskly, rising 50.3%. In the Kanto Region, revenues were underpinned by large-scale projects including the three Tokyo ring roads (Metropolitan Inter-City Expressway, Tokyo Outer Ring Road and Central Circular Route), public works such as disaster prevention and disaster mitigation works, and private sector construction demand in the Tokyo metropolitan area, and increased 14.3% compared with the interim period of the prior consolidated fiscal year. In the Kinki & Chubu Region, revenues were up 8.4% year-on-year, aided by disaster prevention and disaster

mitigation works in metropolitan areas and greater demand for generators because of the electricity shortage, while in the Kyushu & Okinawa Region, revenues were sharply higher, expanding 21.0% thanks to official demand centered on northern Kyushu.

Although accounting for a very small share of Kanamoto's operating results, overseas construction equipment rental revenues more than doubled, increasing 224.6% because of gradually increasing rentals in Southeast Asia. Operating results at Shanghai Jinheyuan Engineering Construction Co., Ltd., an overseas subsidiary in China, were nearly unchanged from the previous year as that country's economy slowed, and SJ Rental, Inc. similarly turned in results that were basically flat as the demand trend was unchanged.

Overseas sales of used construction equipment were off 44.1% year-on-year, reflecting the postponement of sales as equipment was redirected to support earthquake recovery demand.

As a result of these factors, interim period revenues for Kanamoto's construction-related businesses increased 14.8% from the same period of the previous consolidated fiscal year to ¥36,944 million, and operating income climbed 110.9% year-on-year to ¥3,411 million.

[Other Businesses]

In the steel products sales business Kanamoto is developing in Hokkaido, revenue was off 5.4% from the same period of the prior fiscal year despite the start of large-scale private sector works, primarily in the Sapporo area, as new activities requiring steel items showed a touch of weakness. The Company's information and telecommunications-related division, on the other hand, achieved 19.6% growth in revenue thanks to a recovery in rental demand, particularly for personal computers, and steady expansion of the engineering-related employee dispatch business.

As a result of the above activities, interim period revenues for Kanamoto's other businesses slipped 2.3% from the same period of the previous consolidated fiscal year to ¥3,068 million, while operating income expanded 341.4% year-on-year to ¥63 million.

[Business Development Issues Deserving Special Mention and Status of Branch Office Changes]

During the interim period, Kanamoto opened two new branches – the Maebashi Branch in Takai-cho in Maebashi City in Gunma Prefecture and a Hiroshima South Branch located in Dejima in Hiroshima's Minami Ward – and closed its Kamisato Branch in Kamisato-cho, Kodama-gun in Saitama Prefecture.

(2) Qualitative Information Concerning Consolidated Financial Position

Assets, liabilities and net assets

Compared with the end of the prior consolidated fiscal year, total assets at the end of the interim period under review increased by ¥10,477 million to ¥125,597 million. This change mainly reflected an increase of ¥4,282 million in cash and deposits as a result of the collection of accounts receivable, trade, and an increase in rental equipment of ¥5,688 million.

Compared with the end of the prior consolidated fiscal year, total liabilities at the end of the interim period under review increased by ¥8,842 million to ¥86,370 million. The principal items contributing to this change were an increase of ¥2,312 million in notes and accounts payable, trade, an increase of ¥1,354 million in corporate taxes payable and an increase of ¥3,765 million in long-term accrued expenses.

Net assets at the end of the interim period under review increased by ¥1,634 million compared with the end of the prior consolidated fiscal year to ¥39,227 million. This mainly reflected net income of ¥1,776 million for the interim period.

(3) Qualitative Information Concerning Projected Consolidated Operating Results

As reported in the revised operating results forecast released on May 28, 2012, Kanamoto has revised its projected full-year operating results for the Business Period ending October 2012 to reflect only its interim period operating performance.

The reasons for this decision are explained below.

When Kanamoto's current management environment is examined, construction equipment rental demand in the Tohoku and Kanto areas stricken by last year's disaster remains extremely vigorous because of earthquake disaster reconstruction, and rental fees in the same districts are exhibiting some improvement tendency at the present time. In addition, demand is also strong because of coastal surge barrier works for nuclear plants and construction of evacuation routes. Consequently, commensurate operating results are expected during the second half of Kanamoto's fiscal year.

Nevertheless, because of the fact a demand forecast for regions not devastated by the earthquake cannot be envisaged easily because of reductions in public works expenditures, and the fact the orientation of future restoration and recovery efforts is still undecided, and many aspects of the future progress of these works cannot be understood in detail even though construction efforts in the three earthquake-damaged prefectures still continue to gradually increase, the Company has maintained its operating results forecast as indicated above.

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

II. Matters Concerning Summary Information (Other)

(1) Changes to Material Subsidiaries during the Consolidated Period under Review

In the first quarter consolidated accounting period, Kanamoto absorbed and merged with SRG Kanamoto Co., Ltd., a consolidated subsidiary, with Kanamoto as the surviving company.

(2) Application of Special Accounting Method in the Preparation of the Quarterly Consolidated Financial Statements

Calculation method for fixed asset depreciation and amortization expense

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

(3) Supplemental Information

(Retirement allowances to directors and auditors)

Kanamoto and certain of its consolidated subsidiaries resolved at the Board of Directors of each company to discontinue the system for retirement allowances to directors and auditors, and the termination payment in conjunction with discontinuation of the system for retirement allowances to directors and auditors was resolved and approved by the Regular General Meeting of the Shareholders of each company.

In accordance with this change, Kanamoto has reversed the full amount of the retirement allowances to directors and auditors corresponding to the period until the conclusion of the Regular General Meeting of the Shareholders, and disclosed the unpaid amount of ¥217,138,000 in conjunction with the termination payment by including the amount in long-term accrued expenses reported under long-term liabilities.

(Accrued employees retirement benefits)

Kanamoto and certain of its consolidated subsidiaries discontinued the system for retirement allowances to corporate officers at the conclusion of the Regular General Meeting of the Shareholders, based on a resolution of each company's Board of Directors.

Furthermore, when the termination payments to directors and auditors were resolved at the same General Meeting of the Shareholders, the payment of a termination payment to corporate officers was similarly decided.

In accordance with this change, Kanamoto has disclosed accrued employees retirement benefits of ¥34,805,000 corresponding to the period until the conclusion of the Regular General Meeting of the Shareholders by including the amount in long-term accrued expenses reported under long-term liabilities.

(Application of the *Accounting Standard for Accounting Changes and Error Corrections* etc.)

Beginning from accounting changes and corrections of past errors that were implemented from the beginning of the first quarter consolidated accounting period, the Company will apply the *Accounting Standard for Accounting Changes and Error Corrections* (Accounting Standards Board of Japan Statement No. 24 dated December 4, 2009) and the *Guidance on the Accounting Standard for Accounting Changes and Error Corrections* (Accounting Standards Board of Japan Guidance No. 24 dated December 4, 2009).

(Effect of revisions to the corporation tax rate)

The "Act for Partial Revision of the Income Tax Act etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures" (Act No. 114 of 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction Following the Great East Japan Earthquake" (Act No. 117 of 2011) were promulgated on December 2, 2011, and the revisions to the corporate tax rate and assessment of the Special Reconstruction Corporation Tax will be applied from the consolidated fiscal year that begins on or after April 1, 2012. In conjunction with this change, the statutory effective tax rate used to calculate deferred tax assets and deferred tax liabilities will be revised from 40.4% applied in the past to 37.7% for temporary differences expected to be eliminated from the consolidated fiscal year that begins on November 1, 2012 until the consolidated fiscal year that begins on November 1, 2014, and to 35.3% for temporary differences expected to be eliminated from the consolidated fiscal year that begins on November 1, 2015.

As a result of this tax rate revision, deferred tax assets (the amount after deducting deferred tax liabilities) has been decreased by ¥34,335,000, and the adjustment for corporate and other taxes increased by ¥65,632,000.

(Conclusion of a Basic Agreement concerning the acquisition of shares of Unite Co., Ltd.)

Based on a resolution of the Board of Directors meeting held on April 27, 2012, Kanamoto has concluded a Basic Agreement with JA Mitsui Leasing, Ltd. to acquire 66.9% of the shares of Unite Co., Ltd. owned by JA Mitsui Leasing and convert Unite into a Kanamoto subsidiary.

As of its fiscal year ended March 31, 2012, Unite Co., Ltd. had total assets of ¥13,377 million.

The two companies expect to sign the Share Transfer Agreement by the end of June 2012, and the share transfer is planned for June 28, 2012.

III. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Unit: Thousands of yen)

| | Prior Fiscal Year Consolidated Balance Sheet (As of October 31, 2011) | Current Consolidated Fiscal Year Interim Period (As of April 30, 2012) |
|------------------------------------------------------------------|-----------------------------------------------------------------------------|------------------------------------------------------------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 20,059,836 | 24,342,564 |
| Notes and accounts receivable, trade | 16,419,596 | 16,193,347 |
| Negotiable securities | 350,000 | 350,000 |
| Work in progress | 33,299 | 21,557 |
| Merchandise inventories and products | 621,325 | 734,039 |
| Raw materials and supplies | 198,063 | 208,322 |
| Construction equipment | 1,557,207 | 2,185,776 |
| Income taxes receivable | 10,156 | — |
| Consumption tax receivable | 103,824 | — |
| Deferred tax assets | 383,915 | 509,785 |
| Other | 606,178 | 627,838 |
| Allowance for doubtful accounts | -368,095 | -367,245 |
| Total Current Assets | 39,975,310 | 44,805,985 |
| Fixed assets | | |
| Tangible fixed assets | | |
| Rental equipment assets | 72,929,202 | 81,906,821 |
| Accumulated depreciation | -41,233,812 | -44,522,851 |
| Net rental equipment assets | 31,695,389 | 37,383,969 |
| Buildings and structures | 20,871,684 | 20,888,757 |
| Accumulated depreciation | -13,481,705 | -13,597,124 |
| Net buildings and structures | 7,389,979 | 7,291,632 |
| Machinery, equipment, vehicles and delivery equipment | 5,131,902 | 5,139,203 |
| Accumulated depreciation | -4,491,947 | -4,530,708 |
| Net machinery, equipment, vehicles and delivery equipment | 639,955 | 608,495 |
| Land | 29,907,779 | 29,840,982 |
| Other | 1,422,796 | 1,435,977 |
| Accumulated depreciation | -1,186,184 | -1,198,294 |
| Net other | 236,611 | 237,683 |
| Total Tangible Fixed Assets | 69,869,715 | 75,362,764 |
| Intangible fixed assets | | |
| Goodwill | 159,081 | 69,493 |
| Others | 243,722 | 213,473 |
| Total Intangible Fixed Assets | 402,804 | 282,967 |
| Investments and other assets | | |
| Investment securities | 3,202,316 | 3,518,422 |
| Deferred tax assets | 658,472 | 643,974 |
| Other | 1,866,172 | 1,787,276 |
| Allowance for doubtful accounts | -732,482 | -674,640 |
| Allowance for investment losses | -122,010 | -129,010 |
| Total Investments and Other Assets | 4,872,468 | 5,146,022 |
| Total Fixed Assets | 75,144,988 | 80,791,754 |
| Total Assets | 115,120,298 | 125,597,740 |

(Unit: Thousands of yen)

| | Prior Fiscal Year Consolidated Balance Sheet (As of October 31, 2011) | Current Consolidated Fiscal Year Interim Period (As of April 30, 2012) |
|-----------------------------------------------------|-----------------------------------------------------------------------------|------------------------------------------------------------------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable, trade | 13,318,570 | 15,630,869 |
| Short-term bank loans | 11,155,150 | 988,219 |
| Long-term bank loans due within one year | 9,853,531 | 11,945,521 |
| Current portion of bonds | 22,000 | 11,000 |
| Lease obligations | 1,087,355 | 1,167,540 |
| Corporate taxes payable | 322,353 | 1,677,096 |
| Accrued bonuses to employees | 531,006 | 699,116 |
| Allowance for disaster losses | 289,850 | 181,956 |
| Accounts payable, other | 7,574,532 | 8,081,291 |
| Other | 1,188,201 | 1,529,559 |
| Total Current Liabilities | 45,342,552 | 41,912,170 |
| Long-term liabilities | | |
| Long-term bank loans | 17,063,051 | 25,272,825 |
| Lease obligations | 1,430,603 | 2,013,129 |
| Accrued employees retirement benefits | 37,455 | 1,664 |
| Retirement allowances to directors and auditors | 210,336 | — |
| Long-term accrued expenses | 13,251,369 | 17,016,491 |
| Asset retirement obligations | 147,078 | 152,427 |
| Other | 45,143 | 1,350 |
| Total Long-term Liabilities | 32,185,039 | 44,457,888 |
| Total Liabilities | 77,527,592 | 86,370,059 |
| Net Assets | | |
| Shareholders' equity | | |
| Capital stock | 9,696,717 | 9,696,717 |
| Capital surplus | 10,960,749 | 10,960,761 |
| Retained earnings | 16,297,314 | 17,729,311 |
| Treasury stock | -25,240 | -26,537 |
| Total Shareholders' Equity | 36,929,541 | 38,360,251 |
| Accumulated other comprehensive income | | |
| Valuation difference on other investment securities | 198,819 | 389,082 |
| Translation adjustments account | -42,758 | -41,388 |
| Total Accumulated Other Comprehensive Income | 156,060 | 347,693 |
| Minority interests | 507,104 | 519,735 |
| Total Net Assets | 37,592,706 | 39,227,680 |
| Total Liabilities and Net Assets | 115,120,298 | 125,597,740 |

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income
(Quarterly Consolidated Statements of Income)
(Consolidated Interim Period)

(Unit: Thousands of yen)

| | Prior Consolidated Fiscal Year Interim Period (From November 1, 2010 to April 30, 2011) | Current Consolidated Fiscal Year Interim Period (From November 1, 2011 to April 30, 2012) |
|-------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|
| Revenues | 35,309,433 | 40,012,788 |
| Cost of revenues from operations | 24,819,767 | 27,504,985 |
| Gross profit | 10,489,665 | 12,507,803 |
| Selling, general and administrative expenses | 8,765,024 | 8,953,512 |
| Operating income | 1,724,640 | 3,554,290 |
| Non-operating income | | |
| Interest income | 5,628 | 4,882 |
| Dividend income | 14,761 | 16,288 |
| Insurance benefits | 9,664 | 20,839 |
| Rents received | 26,825 | 22,760 |
| Cash bonus received | 4,625 | 21,389 |
| Amortization of negative goodwill | 34,916 | 34,916 |
| Foreign exchange gains | 5,771 | 54,512 |
| Other | 50,855 | 96,384 |
| Total non-operating income | 153,047 | 271,972 |
| Non-operating expenses | | |
| Interest expense | 365,124 | 414,932 |
| Loss on sale of notes receivable | 22,462 | 25,345 |
| Other | 81,782 | 88,705 |
| Total non-operating expenses | 469,369 | 528,983 |
| Ordinary profit (loss) | 1,408,318 | 3,297,279 |
| Extraordinary income | | |
| Gain on sale or retirement of fixed assets | 7,695 | 17,654 |
| Gain on sale of investment securities | — | 138 |
| Reversal of allowance for doubtful accounts | 2,932 | — |
| Gain on liquidation of subsidiary | — | 19,615 |
| Subsidies | 32,743 | 13,142 |
| Other | 2,896 | 68 |
| Total extraordinary income | 46,267 | 50,620 |
| Extraordinary losses | | |
| Loss on sale or retirement of fixed assets | 85,125 | 45,153 |
| Valuation loss on investment securities | 104,059 | 9 |
| Transfer to reserve for investment losses | 4,000 | — |
| Extraordinary expenses resulting from application of the <i>Accounting Standard for Asset Retirement Obligations</i> | 95,530 | — |
| Loss from disaster | 724,969 | — |
| Other | 114 | 90 |
| Total extraordinary losses | 1,013,799 | 45,254 |
| Income before taxes and adjustments | 440,786 | 3,302,645 |
| Corporate, local and business taxes | 451,622 | 1,627,241 |
| Adjustment for corporate and other taxes | -52,700 | -128,172 |
| Total corporate and other taxes | 398,922 | 1,499,069 |
| Income before minority interest | 41,864 | 1,803,575 |

| | | |
|------------------------------------------|---------------|------------------|
| Minority interests in income or loss (-) | <u>-7,447</u> | <u>27,211</u> |
| Net income | <u>49,312</u> | <u>1,776,364</u> |

(Quarterly Consolidated Statements of Comprehensive Income)
(Consolidated Interim Period Ended April 30, 2012)

(Unit: Thousands of yen)

| | Prior Consolidated Fiscal Year Interim Period (From November 1, 2010 to April 30, 2011) | Current Consolidated Fiscal Year Interim Period (From November 1, 2011 to April 30, 2012) |
|---------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|
| Income before minority interest | 41,864 | 1,803,575 |
| Other comprehensive income | | |
| Valuation difference on other investment securities | 267,095 | 190,262 |
| Translation adjustments account | 5,502 | 13,239 |
| Total other comprehensive income | 272,597 | 203,502 |
| Quarter comprehensive income | 314,462 | 2,007,078 |
| (Breakdown) | | |
| Comprehensive quarterly income attributable to owners of the parent | 318,692 | 1,967,996 |
| Comprehensive quarterly income attributable to minority interests | -4,230 | 39,081 |

(3) Consolidated Statements of Cash Flows

(Unit: Thousands of yen)

| | Prior Consolidated Fiscal Year Interim Period (From November 1, 2010 to April 30, 2011) | Current Consolidated Fiscal Year Interim Period (From November 1, 2011 to April 30, 2012) |
|----------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|
| Cash flow from operating activities | | |
| Income before taxes and adjustments | 440,786 | 3,302,645 |
| Depreciation and amortization expense | 4,308,627 | 4,949,418 |
| Amortization of goodwill | 93,190 | 89,637 |
| (Gain) loss on sale or retirement of fixed assets | 77,430 | 27,499 |
| (Gain) loss on liquidation of subsidiary | — | -19,615 |
| Installment purchases of assets for small-value rentals | 28,980 | 14,756 |
| Reclassification of cost of sales associated with disposal of construction equipment | 2,049 | 2,862 |
| Reclassification of cost of sales associated with disposal of rental assets | 368,476 | 356,309 |
| Expenditures for acquisition of rental assets | -1,243,130 | -781,092 |
| (Gain) loss on valuation on investment securities | 104,059 | 9 |
| (Gain) loss on sale of investment securities | — | -138 |
| Increase (decrease) in allowance for doubtful accounts | 17,492 | -68,070 |
| Increase (decrease) in accrued bonuses to employees | 30,369 | 141,033 |
| Increase (decrease) in accrued employees retirement benefits | 86,792 | -34,981 |
| Increase (decrease) in retirement allowances to directors and auditors | -4,174 | -205,964 |
| Interest revenue and dividend income | -20,390 | -21,014 |
| Interest expense on installment purchases of rental assets | 87,522 | 103,721 |
| Interest expense | 365,124 | 414,932 |
| (Increase) decrease in notes and accounts receivable | 816,506 | 503,955 |
| (Increase) decrease in inventory assets | -81,312 | -177,357 |
| Increase (decrease) in accounts payable, trade | 1,102,028 | 2,038,014 |
| Extraordinary expenses resulting from application of the <i>Accounting Standard for Asset Retirement Obligations</i> | 95,530 | — |
| Loss resulting from natural disaster | 724,969 | — |
| Increase (decrease) in accounts payable, other | -141,535 | -65,782 |
| Other | -184,142 | -207,069 |
| Subtotal | 7,075,253 | 10,363,707 |
| Interest and dividends received | 20,410 | 21,034 |
| Interest expense | -388,102 | -486,625 |
| Payments for loss on disaster | -18,648 | -70,604 |
| Payment of corporate and other taxes | -1,065,777 | -264,829 |
| Cash flow from operating activities | 5,623,135 | 9,562,683 |

(Unit: Thousands of yen)

| | Prior Consolidated Fiscal Year Interim Period (From November 1, 2010 to April 30, 2011) | Current Consolidated Fiscal Year Interim Period (From November 1, 2011 to April 30, 2012) |
|------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|
| Cash flow from investing activities | | |
| Funds used for the purchase of tangible fixed assets | -169,920 | -322,113 |
| Funds provided from the sale of tangible fixed assets | 10,158 | 103,598 |
| Funds used for the purchase of intangible fixed assets | -4,281 | -6,000 |
| Funds used for the purchase of investment securities | -437,253 | -40,171 |
| Funds provided from sale of investment securities | — | 1,599 |
| Funds used for the acquisition of subsidiary stock | -41,310 | -28,701 |
| Funds provided from sale of subsidiary stock | — | 5,000 |
| Funds used for establishment of subsidiary | -22,718 | — |
| Funds provided from liquidation of subsidiary | — | 7,247 |
| Payments of loans receivable | -97,140 | — |
| Funds provided from collection of short-term loans receivable | 31,053 | 44,639 |
| Other | 30,086 | 8,881 |
| Cash flow from investing activities | -701,326 | -226,018 |
| Cash flow from financing activities | | |
| Increase (decrease) in short-term bank loans | 4,654,045 | -2,207,063 |
| Funds provided by long-term bank loans | 1,130,000 | 7,584,125 |
| Funds used to repay long-term bank loans | -5,374,717 | -5,483,478 |
| Funds used to redeem corporate bonds | -11,000 | -11,000 |
| Funds used for repayment of installment obligations | -2,603,790 | -3,956,471 |
| Funds used for repayment of lease obligations | -580,683 | -621,677 |
| Funds used for the purchase of treasury stock | -519 | -1,583 |
| Funds provided from the sale of treasury stock | — | 297 |
| Payment of dividends | -327,835 | -330,699 |
| Funds provided by payment from minority shareholders | 68,265 | — |
| Other | 10,304 | — |
| Cash flow from financing activities | -3,035,931 | -5,027,551 |
| Effect of exchange rate changes on cash and cash equivalents | 1,156 | 5,823 |
| Increase (decrease) in cash and equivalents | 1,887,035 | 4,314,936 |
| Balance of cash and equivalents at beginning of period | 20,751,217 | 20,374,836 |
| Increase (decrease) in cash and equivalents in conjunction with change in accounting period of consolidated subsidiary | — | -32,208 |
| Balance of cash and equivalents at end of period | 22,638,252 | 24,657,564 |

(4) Notes Relating to the Going Concern Assumption

The Company had no material items to report.

(5) Business Segment Information

(1) Interim period of the prior consolidated fiscal year (From November 1, 2010 to April 30, 2011)

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

(Unit: Thousands of yen)

| | Reporting segment | Other businesses (Note) | Total |
|----------------------------------------|----------------------------------------------------------------------|----------------------------|------------|
| | Business related to the Construction Equipment Rental Division | | |
| Revenues | | | |
| Revenues from customers | 32,169,016 | 3,140,416 | 35,309,433 |
| Sales or transfers between segments | — | — | — |
| Total | 32,169,016 | 3,140,416 | 35,309,433 |
| Segment operating income | 1,617,853 | 14,412 | 1,632,265 |

(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.

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

(Unit: Thousands of yen)

| Earnings | Amount |
|---------------------------------------------------------------------------------|-----------|
| Reporting segment total | 1,617,853 |
| Earnings from “Other” classifications | 14,412 |
| Other adjustments | 92,374 |
| Operating income reported on the Consolidated Quarterly Statements of Income | 1,724,640 |

(2) Interim period of the current consolidated fiscal year (From November 1, 2011 to April 30, 2012)

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

(Unit: Thousands of yen)

| | Reporting segment | Other businesses (Note) | Total |
|----------------------------------------|----------------------------------------------------------------------|----------------------------|------------|
| | Business related to the Construction Equipment Rental Division | | |
| Revenues | | | |
| Revenues from customers | 36,944,706 | 3,068,081 | 40,012,788 |
| Sales or transfers between segments | — | — | — |
| Total | 36,944,706 | 3,068,081 | 40,012,788 |
| Segment operating income | 3,411,319 | 63,610 | 3,474,929 |

(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.

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

(Unit: Thousands of yen)

| Earnings | Amount |
|------------------------------------------------------------------------------|-----------|
| Reporting segment total | 3,411,319 |
| Earnings from "Other" classifications | 63,610 |
| Other adjustments | 79,360 |
| Operating income reported on the Consolidated Quarterly Statements of Income | 3,554,290 |

(6) Notes on Significant Changes to Shareholders' Equity

The Company had no material items to report.