



Fiscal Year ended October 31, 2012 Financial Statements Bulletin (Japan GAAP)

December 7, 2012

Listed Company Name **Kanamoto Co., Ltd.**
 Company Code Number **9678**
 Listing Exchanges **Tokyo Stock Exchange, Sapporo Stock Exchange**
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Scheduled date for Regular General Meeting of the Shareholders: January 29, 2013
 Scheduled date for commencement of dividend payments: January 30, 2013
 Scheduled date for submission of Annual Securities Report : January 29, 2013
 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, 2012

(Nov. 1, 2011 – Oct. 31, 2012)

(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, 2012	86,106	21.1	6,430	121.3	5,932	164.9	3,575	206.7
Fiscal year ended October 31, 2011	71,086	1.3	2,905	9.7	2,239	7.5	1,165	11.9

(Note) Comprehensive income (millions of yen)

Fiscal year ended October 31, 2012 ¥3,551 (207.0%)
 Fiscal year ended October 31, 2011 ¥1,156 (33.3%)

	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, 2012	108.88	—	9.3	4.7	7.5
Fiscal year ended October 31, 2011	35.51	—	3.2	2.0	4.1

(Reference) Investment profit or loss accounted for by the equity method (millions of yen)

Fiscal year ended October 31, 2012 —
 Fiscal year ended October 31, 2011 —

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Shareholders' Equity per Share
	Millions of yen	Millions of yen	%	Yen
Fiscal year ended October 31, 2012	137,343	41,399	29.2	1,221.56
Fiscal year ended October 31, 2011	115,120	37,592	32.2	1,129.47

(Reference) Shareholders' equity (millions of yen):

Fiscal year ended October 31, 2012 ¥40,106
 Fiscal year ended October 31, 2011 ¥37,085

(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, 2012	14,306	-835	-14,074	19,717
Fiscal year ended October 31, 2011	6,903	-1,013	-6,262	20,374

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, 2011	—	10.00	—	10.00	20.00	656	56.3	1.8
Fiscal year ended October 31, 2012	—	10.00	—	10.00	20.00	656	18.4	1.7
Fiscal year ending October 31, 2013 (projected)	—	10.00	—	10.00	20.00		20.6	

3. Projected Consolidated Operating Results for the Fiscal Year Ending October 31, 2013

(November 1, 2012 - October 31, 2013)

(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	51,240	28.1	4,580	28.9	4,110	24.6	1,970	10.9	60.00
Full year	99,150	15.1	7,120	10.7	6,510	9.7	3,190	-10.8	97.16

Notes

- (1) Changes in material subsidiaries during the period under review (changes in specific subsidiaries in conjunction with a change in the scope of consolidation): Yes
Company newly included (Company name: Unite Co., Ltd.)
Company newly excluded (Company name:)
- (2) Changes in accounting principles, changes in accounting estimates and retrospective restatements
(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
- (3) Number of shares issued (common stock)
(a) Number of shares outstanding at the end of the period (including treasury stock)
Fiscal year ended October 31, 2012 32,872,241 shares
Fiscal year ended October 31, 2011 32,872,241 shares
(b) Number of shares of treasury stock at end of period
Fiscal year ended October 31, 2012 39,955 shares
Fiscal year ended October 31, 2011 37,712 shares
(c) Average number of shares outstanding during the period
Fiscal year ended October 31, 2012 32,833,928 shares
Fiscal year ended October 31, 2011 32,834,328 shares

(Reference) Summary of Company Operating Results

1. Operating Results for the Fiscal year Ended October 31, 2012

(November 1, 2011–October 31, 2012)

(1) Operating Results

(Numbers less than one million yen have been rounded down)

	Revenues		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended October 31, 2012	69,091	13.4	5,675	101.3	4,825	85.7	2,563	78.8
Fiscal year ended October 31, 2011	60,906	4.9	2,819	11.1	2,598	9.6	1,433	38.8

	Net Income per Share of Common Stock	Net Income per Share on a Fully Diluted Basis
	Yen	Yen
Fiscal year ended October 31, 2012	78.07	—
Fiscal year ended October 31, 2011	43.65	—

(2) Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Shareholders' Equity per Share
	Millions of yen	Millions of yen	%	Yen
Fiscal year ended October 31, 2012	112,372	39,952	35.6	1,216.87
Fiscal year ended October 31, 2011	104,579	37,911	36.3	1,154.63

(Reference) Owners' equity (millions of yen):

Fiscal year ended October 31, 2012	¥39,952
Fiscal year ended October 31, 2011	¥37,911

2. Projected Operating Results for the Fiscal Year Ending October 31, 2013

(November 1, 2012 - October 31, 2013)

(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	35,480	4.1	2,880	-1.5	1,610	-5.0	49.03
Full year	70,590	2.2	5,270	9.2	2,740	6.9	83.45

Note: Disclosure concerning implementation of audit procedures

This financial report is exempt from audit procedures based on the Financial Instruments and Exchange Act. At the time of disclosure of this financial report, the Company is in the process of implementing the audit procedures for its consolidated financial statements.

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

The forward-looking statements, including business results forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. The Company does not guarantee the achievement of the projections. Actual operating results may differ substantially due to a number of factors.

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1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

a) Summary of consolidated fiscal year operating results (from November 2011 to October 2012)

During the consolidated fiscal year under review, Japan's economy was affected by forces that worked against one another. Early in the fiscal year, corporate operating performance exhibited a recovery trend supported by the restructuring of supply chains that had been disrupted by the Great East Japan Earthquake and by anticipation of restoration and reconstruction demand. The economy faced downward pressures, however, because of global economic uncertainties, ranging from Europe's prolonged debt crisis and financial difficulties in the United States to China's economic slowdown. These factors had a negative effect on corporate earnings as well. Personal consumption in general also remained sluggish, despite a flurry of existing home sales in certain metropolitan areas because of the anticipated hike in the consumption tax. Overall, the economic situation retained its subdued patina.

In the construction equipment rental business that is the main business of the Kanamoto Group, a mild recovery in private sector capital investment was evident as noted above. This investment lost momentum as the months passed, however. Although the volume of works continued its upward course because of restoration works in some of the devastated regions, even with government demand significant progress on restoration-related projects was not seen because of recovery policy delays. In regions that were not seriously affected by the earthquake and tsunami, on the other hand, some disaster prevention and disaster mitigation works were initiated, but the volume of this effort remained at a low level.

The Kanamoto Group responded to Japan's unprecedented calamity by positioning restoration and recovery from the Great East Japan Earthquake as the most important policy for every company in the group. At the same time, the Company strove to expand market share in unaffected regions, while working to improve profit margins through timely shifts of rental equipment and the efficient utilization of management resources. In light of the transportation conditions in the hardest-hit areas, Kanamoto established new branches and shifted its construction equipment emphasis to the equipment most in demand, and created an organization that is capable of responding without interruption to full-scale restoration works.

Revenues were up sharply in all regions because of several factors. The addition of Unite Co., Ltd. and its strengths in the road-related business in particular to the group during the fiscal year under review brought an expansion of operations, together with a concomitant significant improvement in Kanamoto's solutions function as a group. Furthermore, an encouraging trend was seen nationwide in rental unit prices that resulted from small but positive improvements in the balance of construction equipment demand-and-supply.

With regard to profits, the Company achieved earnings well above the level of the prior consolidated fiscal year. Several factors resulted in lower margins, including a higher burden of depreciation expense for construction equipment, and lower profits from equipment sales as a result of used construction equipment sales being postponed, because of the top priority placed on supporting earthquake restoration and recovery works. Nevertheless, rental revenues were strong in all regions, and asset utilization ratios improved because of the strengthening in some rental unit prices and steps taken to optimize asset utilization.

As a result of these factors, rental revenues greatly exceeded the Company's initial plan, and consolidated revenues for the fiscal year ended October 2012 rose 21.1% from the prior consolidated fiscal year level to ¥86,106 million. From an earnings perspective as well, operating income increased 121.3% from the prior consolidated fiscal year to ¥6,430 million and ordinary income jumped 164.9% year-on-year to ¥5,932 million. Net income rose 206.7% over the prior consolidated fiscal year to ¥3,575 million.

[Operating Results for the Fiscal Year ended October 31, 2012]

(Million yen; % change from prior year)

		Revenues		Operating income		Ordinary income		Net income	
Consolidated	Year under review	86,106	21.1	6,430	121.3	5,932	164.9	3,575	206.7
	Prior year	71,086	1.3	2,905	9.7	2,239	7.5	1,165	11.9
Company	Year under review	69,091	13.4	5,675	101.3	4,825	85.7	2,563	78.8
	Prior year	60,906	4.9	2,819	11.1	2,598	9.6	1,433	38.8

A summary of operating results for each of the Company's business segments is provided below.

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 22.5% from the prior consolidated fiscal year to ¥79,280 million, and operating income rose 136.6% year-on-year to ¥6,117 million.

By region in Japan, the Kanamoto Group's presence in areas where branch development previously was limited rose substantially with the addition of Unite Co., Ltd. to the Group's consolidated operations. In the Hokkaido Region, rental revenues rose 7.3% compared with the prior consolidated fiscal year. This reflected the receipt of firm orders for Shinkansen extension works, high-standard highway extension works, and large-scale projects centered on harbor-related works and tunnel works, as well as a smaller but still substantial number of orders for private sector works. The Tohoku Region saw significant growth, with rental revenues climbing 42.8% year-on-year on the strength of debris removal and incineration plant construction-related works and a greater number of coastal and harbor-related restoration and recovery works, including along rivers, in the earthquake-stricken coastal areas, and decontamination-related works in Fukushima. In the Kanto Region, large-scale road works as well as earthquake restoration projects in the form of ground improvement and foundation works remained steady, and together with urban disaster prevention and disaster mitigation works and the recovery in private sector construction investment, helped boost revenues by 29.3% from the prior consolidated fiscal year level. In the Kinki & Chubu Region, disaster prevention and mitigation works contributed to a 17.7% expansion in revenues, while revenues in the Kyushu & Okinawa Region were up 23.1% because of growth in the same category of demand.

Revenue from the sale of used construction equipment contracted 24.8% from the level in the prior consolidated fiscal year, as the Company continued to restrict sales of used construction equipment to a specific volume to ensure availability of equipment for earthquake restoration and recovery works.

The Kanamoto Group's overseas operations continued to have only a limited impact on operating results. Shanghai Jinheyuan Engineering Construction Co., Ltd., which is developing a construction equipment rental business in China, saw construction demand in the coastal regions significantly affected by China's economic deceleration. The company was nevertheless able to achieve operating results that were nearly unchanged from the prior fiscal year level by concentrating on business development further inland, in regions where there is infrastructure works demand. In Hong Kong, revenues expanded briskly because of robust demand from large-scale projects. In Territory of Guam, United States, where SJ Rental, Inc. had been anticipating construction demand related to the reassignment of US forces in Japan, the re-basing plans have been deadlocked, and Kanamoto

decided to dissolve and liquidate this subsidiary because the rental demand initially envisaged could no longer be expected.

[Other businesses]

In the steel products sales the Company is developing in Hokkaido, sales of temporary housing materials and general steel materials remained steady, and revenues were up 7.6% compared with the prior consolidated fiscal year. In Kanamoto's information and telecommunications-related business, revenues edged up 3.8% year-on-year, boosted by orders for large projects, the renewal of personal computer rental periods and additional workstation rental demand that was developed through strenuous sales efforts, as well as steady demand in the Company's specified worker dispatching business.

As a result of the above factors, for the consolidated fiscal year under review revenues for the Company's other businesses increased 7.1% from the prior consolidated fiscal year to ¥6,826 million, while operating income was basically unchanged, up just 0.4% year-on-year to ¥143 million.

< Change in number of branches >

During the consolidated fiscal year under review, Kanamoto newly opened 8 branches and closed 5 branches.

New branches: Temporary Scaffolding Division, Temporary Scaffolding Sapporo Materials Center, Temporary Scaffolding Asahikawa Materials Center, Temporary Scaffolding Tomakomai Materials Center, Miyako Branch, Kameishi Branch, Maebashi Branch, Hiroshima South Branch

Closed branches: Shimukappu Equipment Center, Isawa Equipment Center, Kamisato Branch, Iwaki Chuo Branch, Higashidori Branch

(2) Analysis of Financial Position

a) Financial position

Total assets at the end of the consolidated fiscal year under review increased by ¥22,222 million compared with the end of the prior consolidated fiscal year to ¥137,343 million. The main factors were an increase of ¥13,985 million as a result of newly including Unite Co., Ltd. within the scope of consolidation, and an increase of ¥7,625 million in rental equipment, excluding Unite Co., Ltd.

Total liabilities were ¥95,943 million, an increase of ¥18,415 million compared with the end of the prior consolidated fiscal year. This change was mainly the result of an increase of ¥11,304 million as a result of newly including Unite Co., Ltd. within the scope of consolidation yen, and an increase of ¥5,166 million in long-term accrued expenses, excluding Unite Co., Ltd., which reflected the Company's equipment procurement method in conjunction with the increase in rental equipment.

Total Net Assets were ¥41,399 million, ¥387 million higher than at the end of the prior consolidated fiscal year. This mainly reflected an increase of ¥827 million in minority interests related to Unite Co., Ltd. as a result of that company being newly included within the scope of consolidation, net income of ¥3,575 million and a decrease in earned surplus as the result of dividend payments.

b) Cash flows

(Unit: Millions of yen)

	FY Ended October 2011 (Prior consolidated fiscal year)	FY Ended October 2012 (Consolidated fiscal year under review)	Change from prior year
Cash flow from operating activities	6,903	14,306	7,402
Cash flow from investing activities	-1,013	-835	177
Cash flow from financing activities	-6,262	-14,074	-7,812
Decrease in cash and equivalents	-376	-625	-248
Balance of cash and equivalents at beginning of period	20,751	20,374	-376
Balance of cash and equivalents at	20,374	19,717	-657

end of the period			
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The balance of cash and cash equivalents ("cash") on a consolidated basis at the end of the consolidated fiscal year under review decreased ¥657 million from the prior consolidated fiscal year, to ¥19,717 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 was ¥14,306 million, an increase of 107.2% from the prior consolidated fiscal year.

This mainly reflected depreciation and amortization expense of ¥11,071 million and income before taxes and adjustments of ¥6,179 million, expenditures for acquisition of rental assets of ¥1,916 million, interest expense of ¥1,065 million and expenditures for acquisition of construction equipment of ¥1,238 million.

(Cash flow from investing activities)

Cash flow used in investing activities was ¥835 million, compared with ¥1,013 million in the prior consolidated fiscal year.

The main factors were funds used for the purchase of tangible fixed assets of ¥451 million, funds used for the purchase of investments in subsidiaries resulting in change in scope of consolidation of ¥662 million, funds provided from sale of investment securities of ¥174 million and funds provided from the sale of tangible fixed assets of ¥121 million.

(Cash flow from financing activities)

Cash flow used in financing activities was ¥14,074 million, compared with cash flow used in financing activities in the prior consolidated fiscal year of ¥6,262 million.

The main factors behind this change were a decrease in short-term bank loans of ¥2,340 million, funds used for repayment of installment obligations of ¥8,423 million and funds used for repayment of lease obligations of ¥1,253 million.

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

	FY Ended October 2009	FY Ended October 2010	FY Ended October 2011	FY Ended October 2012
Shareholders' equity ratio (%)	37.5	33.7	32.2	29.2
Shareholders' equity ratio on a market capitalization basis (%)	13.2	12.6	15.1	23.3
Years to repay debt	20.2	5.7	8.5	4.9
Interest coverage ratio (times)	3.3	10.4	7.4	13.4

(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 2013)

During Kanamoto's next consolidated fiscal year, the global economic slowdown is expected to continue, while in the financial market the strong yen and weak share price trends are not projected to change. These circumstances are forecast to have a significant adverse effect on corporate operating results. Personal consumption will also struggle to grow. When concerns such as possible

electric power shortages, TPP issues and the timing of a consumption tax increase as well are taken into account, the economy is projected to remain in a situation in which the future outlook is clouded and there is little sign of any fundamental improvement in the business environment.

In the construction industry that is the main customer for the Kanamoto Group, spending other than earthquake-related investment is forecast to remain slack throughout Japan as a whole, despite some pockets of demand such as individual home purchases, which will be spurred by the anticipated consumption tax hike. Public works, on the other hand, will greatly boost construction equipment rental demand in the devastated regions as earthquake-related restoration works are undertaken on a full-scale. In regions other than those where earthquake recovery demand is anticipated, however, the construction equipment rental industry is likely to continue facing a tough management environment because of the intense competition among the main firms in each region.

The Kanamoto Group has declared its most important policy to be ongoing support for earthquake disaster recovery with the full capabilities of every group firm. Together with ensuring earnings and accomplishing its contribution to society in this area, the Company will continue efforts to form a solid base of operations focused on strengthening the Kanamoto Group's presence in metropolitan areas, and move forward with its plan to create a base for overseas activities.

The Company also plans to continue restricting to a certain quantity the sale of used construction equipment, which was partially postponed in order to utilize the equipment for earthquake disaster reconstruction, and will respond carefully to used equipment demand by monitoring overseas markets and the exchange rate trend.

To establish a business management organization capable of efficiently generating earnings, Kanamoto also will continue its focus on cost reductions and efficient asset deployment, and work to further strengthen its regional sales organization, which over the past several years has achieved significant results. At the same time, the Company will strive to further ensure earnings from other avenues, including the creation of rental demand in sectors other than construction-related market segments.

In the construction equipment rental business, rental demand is expected to remain driven by works related to full-scale restoration and recovery from the Great East Japan Earthquake and by disaster prevention and disaster mitigation countermeasures, particularly in the Tokyo metropolitan area. The full-year projection, which also reflects the contribution to operating results of Unite Co., Ltd., which became a Kanamoto subsidiary in June 2012, is shown in the table below. The Company will continue to watch regional construction demand trends closely, and work to establish a stable revenue base and strive to open and expand new domestic sectors and markets, while achieving synergistic effects through the efficient allocation of employees and assets, accurate response to customers' needs and cooperation with domestic affiliated firms.

Although overseas operations represent only a very small percentage of earnings at the present time, Kanamoto will continue efforts to expand this aspect of its business. This includes the overseas development of geoengineering-related firms, and expansion into new areas, primarily in Southeast Asian countries. The Company will seek to broaden its search for business opportunities in each region, with rentals as the main focus, while continuing to give full and proper consideration to country and business risks.

The Company's earnings projection for the fiscal year ending October 2013 is shown in the table below.

Fiscal year ending October 2013 Projected Operating Results

(November 1, 2012 -October 31, 2013)

(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	99,150	7,120	6,510	3,190	97.16
Company full-year projection	70,590	5,740	5,270	2,740	83.45

(3) Basic Policy Concerning Distribution of Earnings and Dividends and Other Matters 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. The Company considers maintaining a stable dividend to be a fundamental management policy. The Company currently is working to ensure its ability to maintain and continue its present annual dividend of ¥20 per share, consisting of an interim dividend of ¥10 and a year-end dividend of ¥10 per share. Furthermore, the Company plans to utilize its internal reserves by allocating funds for capital investment, including the introduction of rental equipment assets that will serve as the source of future earnings, and for enhancing shareholders' equity.

To enable the Company to flexibly implement its capital policy, Kanamoto has established a system for making purchases of treasury stock.

For the Business Period ended October 2012, the Company plans to pay a regular dividend of ¥20 per share for the full year, consisting of an interim dividend of ¥10 per share and a year-end dividend of ¥10 per share (subject to approval of a resolution at the regular Board of Directors meeting on December 27, 2012).

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 the 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 guarantees arise in the future.

e) 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.

f) 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 four 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 business segments, 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 company), Kanki Corporation (a consolidated subsidiary company), Toyo Industry Co., Ltd. (a consolidated subsidiary company) and Kyushu Kensan Co., Ltd. (a consolidated subsidiary company) are engaged in the rental and sale of foundation equipment, construction cranes, and construction equipment and tools. 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 company) is engaged in the rental and sale of furniture, fixtures and safety products. Kanatech Co., Ltd. (a consolidated subsidiary company) designs and sells modular housing units for temporary use. The Company borrows rental assets from each of these companies as needed to rent to other companies. Kanamoto also purchases modular housing units for temporary use as needed to rent to its own customers.

Unite Co., Ltd. (a consolidated subsidiary), which Kanamoto acquired on June 28, 2012 through an acquisition of shares, is engaged in the rental and sale of road construction equipment, and also manages a road construction business. Unite Co., Ltd. borrows rental equipment assets from the Company as needed in order to meet customer demand. In addition, the Company borrows rental assets from Unite Co., Ltd. as needed to rent to other companies.

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.

At its Board of Directors meeting held on September 7, 2012, the Company resolved to dissolve and liquidate SJ Rental, Inc., and plans to complete the liquidation in September 2013.

In addition to the above, Kanamoto has four unconsolidated subsidiaries: KG Machinery Co., Ltd., Flowtechno Corporation, KANAMOTO (HK) CO., LTD. (Hong Kong, China) and Kanamoto & JP Nelson Equipment (S) PTE. Ltd (Singapore). KG Machinery Co., Ltd. mainly rents specialized large-scale construction equipment in foreign countries. Flowtechno Corporation is engaged in the technical development, manufacture and sale of construction equipment for ground improvement works. KANAMOTO (HK) CO., LTD. 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 rents and sells specialized equipment for engineering works in Singapore.

KG Machinery Co., Ltd. and Flowtechno Corporation merged on November 1, 2012, with KG Machinery Co., Ltd. as the surviving company, and as KG Flowtechno Co., Ltd. has strengthened Kanamoto's organization.

<Business related to the Steel Sales Division>

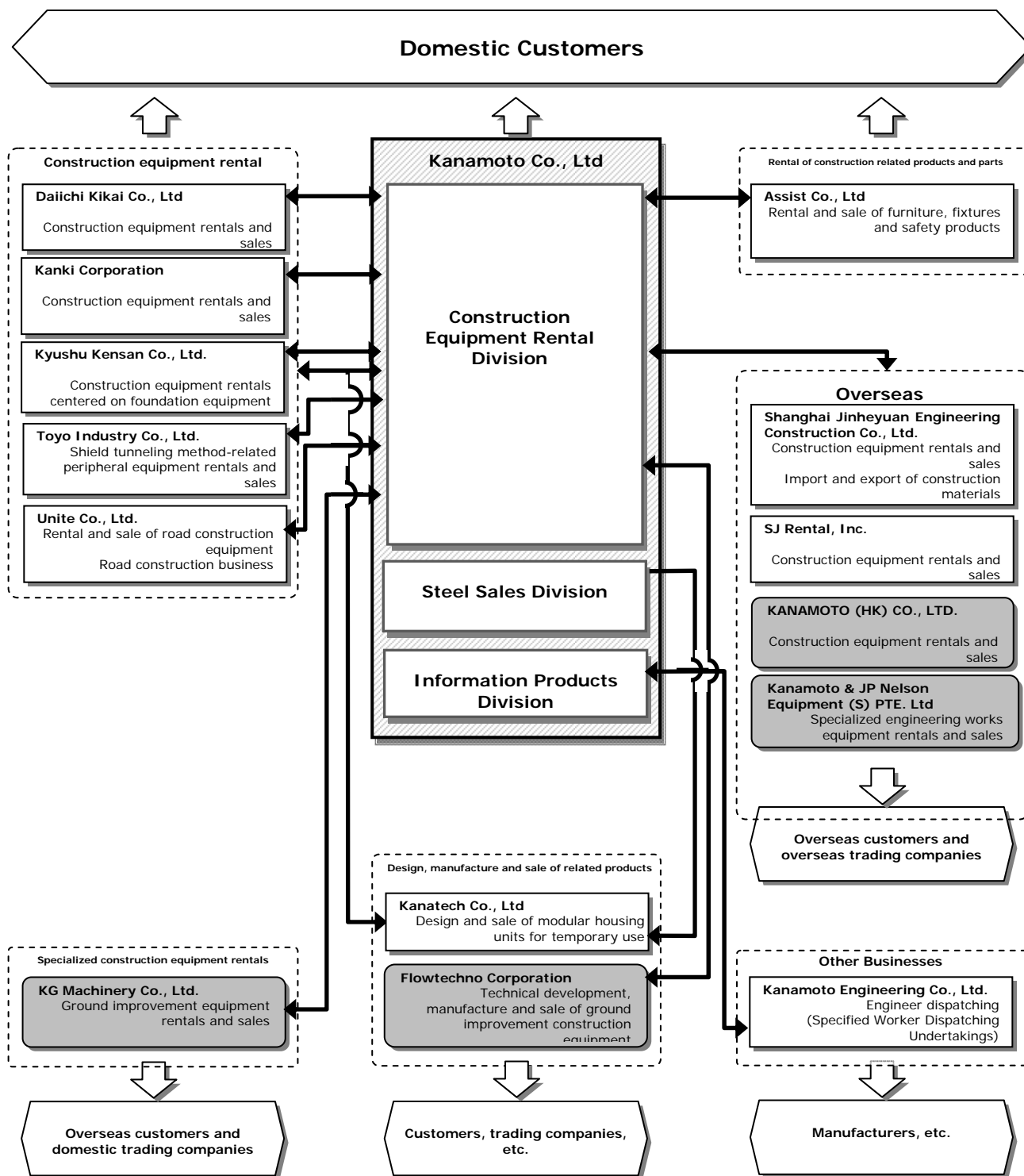
The Company's Steel Sales Division sells steel products and other construction-related manufactured products. The Company has no subsidiaries or affiliated companies related to this business.

<Information Products Division-related businesses and other 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.

The companies and activities described above are shown in the following diagram illustrating their operating businesses relationships.

The companies and activities described above are shown in the following diagram illustrating their operating businesses relationships.



(Notes)

- (1) There are no non-consolidated subsidiaries to which equity method accounting is applied.
- (2) Consolidated subsidiaries are indicated by white boxes, and non-consolidated subsidiaries are shown in grey boxes. Dotted lines indicate the companies that are grouped in the same business classification.
- (3) Arrows indicate business transactions. For details please see the text on the previous page.

3. Management Policies

(1) Basic Management Policies

The Kanamoto Group believes that seeking innovation, maintaining a dynamic corporate culture and continually pushing businesses forward, by regarding “customers’ interests as Kanamoto’s interests,” is the best way to meet the expectations of shareholders and group stakeholders and ensure earnings growth. Through this philosophy, Kanamoto practices group management with the objective of being a corporate group that can make a valuable and tangible contribution to society.

(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. The Company’s medium and long-term operating results objectives are shown below.

(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 two remaining fiscal years as follows.

Details of Kanamoto’s management strategy are provided below.

(Unit: Millions of yen)

		Business Period ended October 2011	Business Period ended October 2012	Business Period ending October 2013	Business Period ending October 2014
Consolidated revenues	Initial plan	68,100	69,300	70,700	72,200
	Revised plan	*71,086	*86,106	99,150	101,300
Consolidated operating income	Initial plan	1,800	2,900	3,800	4,300
	Revised plan	*2,905	*6,430	7,120	8,040

An asterisk (*) indicates actual figures.

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

The Kanamoto Group has declared a full response in support of restoration and recovery work by every member of the Kanamoto Group as its most important activity. This effort includes ground improvement works, an activity in which Kanamoto particularly excels, establishing a full-time team to concentrate on the Fukushima nuclear accident, and support for decontamination operations. The Kanamoto Group will work zealously to achieve the quick restoration and recovery of the stricken areas.

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) 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.

d) Take steps to improve operating activities

Kanamoto regards adept construction equipment management, together with improved operating efficiency, to be the foundation of the Group's earnings. Consequently we are taking steps to maximize earnings during the life of rental equipment and boost operating margins. These include launching operating improvement measures, thoroughly analyzing and enhancing current operational processes, strengthening loss controls and sharpening the Group's competitive capabilities.

(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 the business sectors, owned asset levels and asset portfolio structure whose operating results are not 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 system 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 several years ago prepared ethical guidelines 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.

The Great East Japan Earthquake damaged the assets of many of the Kanamoto Group's valued customers. The Group's own business offices were damaged as well. Much of Japan's local telecommunications infrastructure in particular failed, creating conditions that made confirmation of the situation in many areas difficult. Nevertheless, the Company's Emergency Response Manual clearly demonstrated its value by generally working as envisaged for the gathering of information from nearby branches, providing situational reports and following the chain of command. Points that need to be upgraded in the future were highlighted, 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, which were mailed from the Compliance Committee Secretariat to each Kanamoto Group company to enlighten employees concerning legal compliance, and a reorganization that will enable a more precise response based on strengthening the Legal Office's staff. Guidance and training programs as well were conducted by the Internal Control Promotion Office at 67 offices, and internal controls similar to Kanamoto's have been established and are now being utilized by 11 Kanamoto Group companies. In addition, the Safety and Health Office conducted audits at 97 offices, and when combined with the safety patrols by the Industrial Safety and Health Section, all of the offices were covered.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year (As of October 31, 2011)	Current Consolidated Fiscal Year (As of October 31, 2012)
Assets		
Current assets		
Cash and deposits	Note 2 20,059,836	Note 2 19,387,264
Notes and accounts receivable, trade	Note 5 16,419,596	Note 5 23,560,769
Negotiable securities	350,000	350,000
Merchandise inventories and products	621,325	521,615
Work in process	33,299	53,187
Raw materials and supplies	198,063	213,177
Construction equipment	1,557,207	2,578,013
Income taxes receivable	10,156	10,676
Consumption tax receivable	103,824	57,839
Deferred tax assets	383,915	616,057
Other	606,178	719,242
Allowance for doubtful accounts	-368,095	-384,382
Total Current Assets	39,975,310	47,683,461
Fixed assets		
Tangible fixed assets		
Rental equipment assets	72,929,202	111,689,105
Accumulated depreciation	-41,233,812	-65,644,512
Net rental equipment assets	31,695,389	46,044,593
Buildings and structures	20,871,684	22,253,505
Accumulated depreciation	-13,481,705	-14,565,048
Net buildings and structures	Note 2 7,389,979	Note 2 7,688,457
Machinery, equipment, vehicles and delivery equipment	5,131,902	5,367,137
Accumulated depreciation	-4,491,947	-4,771,202
Net machinery, equipment, vehicles and delivery equipment	639,955	595,935
Land	Note 2 29,907,779	Note 2 29,548,049
Other	1,422,796	1,579,813
Accumulated depreciation	-1,186,184	-1,301,459
Net other	236,611	278,353
Total Tangible Fixed Assets	69,869,715	84,155,389
Intangible fixed assets		
Goodwill	Note 6 159,081	Note 6 192,389
Other	243,722	203,849
Total Intangible Fixed Assets	402,804	396,239
Investments and other assets		
Investment securities	Note 1 3,202,316	Note 1 3,196,840
Deferred tax assets	658,472	622,077
Other	1,866,172	1,947,320
Allowance for doubtful accounts	-732,482	-590,261
Reserve for investment losses	-122,010	-67,985
Total Investments and Other Assets	4,872,468	5,107,991
Total Fixed Assets	75,144,988	89,659,620

Total Assets

115,120,298

137,343,082

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year (As of October 31, 2011)	Current Consolidated Fiscal Year (As of October 31, 2012)
Liabilities		
Current liabilities		
Notes and accounts payable, trade	13,318,570	18,011,309
Short-term bank loans	Note 2 11,155,150	Note 2 834,688
Long-term bank loans due within one year	Note 2 9,853,531	Note 2 12,671,669
Current portion of bonds	22,000	—
Lease obligations	1,087,355	1,106,553
Corporate taxes payable	322,353	2,344,595
Accrued bonuses to employees	531,006	774,430
Allowance for disaster losses	289,850	10,014
Accounts payable, other	7,574,532	9,386,566
Other	1,188,201	1,641,311
Total Current Liabilities	45,342,552	46,781,139
Long-term liabilities		
Long-term bank loans	Note 2 17,063,051	25,945,267
Lease obligations	1,430,603	3,041,801
Accrued employees retirement benefits	37,455	959
Retirement allowances to directors and auditors	210,336	—
Long-term accrued expenses	13,251,369	19,707,957
Asset retirement obligations	147,078	207,696
Other	45,143	258,310
Total Long-term Liabilities	32,185,039	49,161,991
Total Liabilities	77,527,592	95,943,130
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	19,199,668
Treasury stock	-25,240	-27,523
Total Shareholders' Equity	36,929,541	39,829,623
Accumulated other comprehensive income		
Valuation difference on other investment securities	198,819	331,641
Translation adjustments account	-42,758	-54,766
Total accumulated other comprehensive income	156,060	276,874
Minority Interests	507,104	1,293,453
Total Net Assets	37,592,706	41,399,951
Total Liabilities and Net Assets	115,120,298	137,343,082

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

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year (From November 1, 2010 to October 31, 2011)	Current Consolidated Fiscal Year (From November 1, 2011 to October 31, 2012)
Total revenues	71,086,825	86,106,869
Total cost of revenues	50,631,190	60,333,558
Gross profit	20,455,634	25,773,311
Selling, general and administrative expenses	Note 1 17,550,043	Note 1 19,343,124
Operating income	2,905,590	6,430,186
Non-operating revenues		
Interest revenue	11,006	10,001
Dividend income	50,991	85,914
Insurance benefits	33,926	64,381
Rents received	45,488	53,914
Cash bonus received	5,528	23,256
Amortization of negative goodwill	69,831	69,831
Reversal of allowance for doubtful accounts	—	22,654
Reversal of allowance for disaster losses	—	101,483
Other	122,820	183,518
Total non-operating revenues	339,594	614,956
Non-operating expenses		
Interest expense	792,703	856,374
Loss on sale of notes receivable	41,949	45,925
Other	170,971	209,971
Total non-operating expenses	1,005,625	1,112,271
Ordinary income	2,239,560	5,932,871
Extraordinary profits		
Subsidies	32,612	177,532
Gain on sale of fixed assets	Note 2 11,418	Note 2 21,106
Gain on sale of investment securities	52	1,092
Gain on investment in partnership enterprise	1,935	—
Gain on reversal of allowance for doubtful accounts	13,989	—
Gain on termination of retirement benefit plan	1,465,200	—
Gain on negative goodwill	—	671,889
Other	9,125	19,674
Total extraordinary profits	1,534,332	891,296
Extraordinary losses		
Loss on sale or retirement of fixed assets	Note 3 132,878	Note 3 185,006
Impairment loss	Note 4 63,440	Note 4 343,425
Loss on sale of investment securities	17,001	116,009
Valuation loss on investment securities	134,714	107
Loss from disaster	Note 5 837,968	—
Provision of allowance for investment losses	41,310	—
Provision of allowance for doubtful accounts	1,550	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	95,530	—

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Other	2,989	—
Total extraordinary losses	1,327,382	644,549
Income before taxes and adjustments	2,446,510	6,179,618
Corporate, local and business taxes	862,362	2,752,132
Adjustment for corporate and other taxes	470,434	2,563
Total corporate and other taxes	1,332,796	2,754,696

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year (From November 1, 2010 to October 31, 2011)	Current Consolidated Fiscal Year (From November 1, 2011 to October 31, 2012)
Income before adjustment for minority interests (loss)	1,113,713	3,424,922
Minority interest in income (loss)	-52,107	-150,132
Net income	1,165,821	3,575,054

(Consolidated Statements of Comprehensive Income)

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year (From November 1, 2010 to October 31, 2011)	Current Consolidated Fiscal Year (From November 1, 2011 to October 31, 2012)
Income before adjustment for minority interests (loss)	1,113,713	3,424,922
Other comprehensive income		
Valuation difference on other investment securities	51,302	132,730
Translation adjustments account	-8,073	-5,893
Total other comprehensive income	43,229	126,836
Comprehensive income	1,156,942	3,551,758
(Breakdown)		
Comprehensive income attributable to owners of the parent	1,214,851	3,695,827
Comprehensive income attributable to minority interests	-57,908	-144,068

(3) Consolidated Statement of Changes in Net Assets

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year (From November 1, 2010 to October 31, 2011)	Current Consolidated Fiscal Year (From November 1, 2011 to October 31, 2012)
Shareholders' equity		
Capital stock		
Balance at beginning of year	9,696,717	9,696,717
Change 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	10,960,749
Change of items during the year		
Disposal of treasury stock	-120	11
Total changes of items during the year	-120	11
Balance at end of year	10,960,749	10,960,761
Retained earnings		
Balance at beginning of year	15,788,189	16,297,314
Change of items during the year		
Dividends from surplus	-656,695	-656,678
Net income	1,165,821	3,575,054
Increase (decrease) from change in scope of consolidation	—	△16,022
Total changes of items during the year	509,125	2,902,354
Balance at end of year	16,297,314	19,199,668
Treasury stock		
Balance at beginning of year	-24,963	-25,240
Change of items during the year		
Purchase of treasury stock	-848	-2,569
Disposal of treasury stock	571	285
Total changes of items during the year	-277	-2,283
Balance at end of year	-25,240	-27,523
Total shareholders' equity		
Balance at beginning of year	36,420,813	36,929,541
Change of items during the year		
Dividends from surplus	-656,695	-656,678
Net income	1,165,821	3,575,054
Increase from change in scope of consolidation	—	-16,022
Purchase of treasury stock	-848	-2,569
Disposal of treasury stock	450	297
Total changes of items during the year	508,727	2,900,082
Balance at end of year	36,929,541	39,829,623

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year (From November 1, 2010 to October 31, 2011)	Current Consolidated Fiscal Year (From November 1, 2011 to October 31, 2012)
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at beginning of year	147,516	198,819
Change of items during the year		
Net changes of items other than shareholders' equity	51,302	132,821
Total changes of items during the year	51,302	132,821
Balance at end of year	198,819	331,641
Translation adjustments account		
Balance at beginning of year	-40,486	-42,758
Change of items during the year		
Net changes of items other than shareholders' equity	-2,272	-12,007
Total changes of items during the year	-2,272	-12,007
Balance at end of year	-42,758	-54,766
Total accumulated other comprehensive income		
Balance at beginning of year	107,030	156,060
Change of items during the year		
Net changes of items other than shareholders' equity	49,030	120,813
Total changes of items during the year	49,030	120,813
Balance at end of year	156,060	276,874
Minority interests		
Balance at beginning of year	497,753	507,104
Change of items during the year		
Increase (decrease) from change in scope of consolidation	—	-26,450
Net changes of items other than shareholders' equity	9,350	812,799
Total changes of items during the year	9,350	786,348
Balance at end of year	507,104	1,293,453
Total net assets		
Balance at beginning of year	37,025,597	37,592,706
Change of items during the year		
Dividends from surplus	-656,695	-656,678
Net income	1,165,821	3,575,054
Increase (decrease) from change in scope of consolidation	—	-42,473
Purchase of treasury stock	-848	-2,569
Disposal of treasury stock	450	297
Net changes of items other than shareholders' equity	58,381	933,613
Total changes of items during the year	567,108	3,807,244
Balance at end of year	37,592,706	41,399,951

(4) (Consolidated Statements of Cash Flows)

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year (From November 1, 2010 to October 31, 2011)	Current Consolidated Fiscal Year (From November 1, 2011 to October 31, 2012)
Cash flow from operating activities		
Income before taxes and adjustments	2,446,510	6,179,618
Depreciation and amortization expense	8,835,460	11,071,145
Impairment loss	63,440	343,425
Amortization of goodwill	206,378	158,667
Gain on negative goodwill	—	-671,889
Loss on sale or retirement of fixed assets	121,460	163,900
Installment purchases of assets for small-value rentals	38,057	46,002
Reclassification of cost of sales associated with disposal of construction equipment	3,703	5,646
Reclassification of cost of sales associated with disposal of rental assets	469,093	512,971
Expenditures for acquisition of construction equipment	-458,394	-1,238,618
Expenditures for acquisition of rental assets	-1,959,417	-1,916,267
Valuation loss on investment securities	134,714	107
Loss on sale of investment securities	16,948	114,917
Decrease in allowance for doubtful accounts	-94,970	-151,989
Increase in allowance for investment loss	41,310	7,000
Increase (decrease) in accrued bonuses to employees	-57,951	140,367
Increase (decrease) in accrued employees retirement benefits	-1,304,003	-35,686
Increase (decrease) in retirement allowances to directors and auditors	4,708	-205,964
Increase (decrease) in allowance for disaster losses	—	-142,425
Interest revenue and dividend income	-61,998	-95,916
Interest expense on installment purchases of rental assets	183,318	238,141
Interest expense	792,703	856,374
Increase in notes and accounts receivable	-1,463,045	-1,442,561
(Increase) decrease in inventory	-49,726	39,561
Increase in notes and accounts payable	261,380	1,165,452
Loss on adjustment for changes of accounting standard for asset retirement obligations	95,530	—
Loss from disaster	837,968	—
Increase in accounts payable, other	742,842	727,812
Other	-232,550	287,357
Subtotal	9,613,471	16,157,151
Interest and dividends received	62,017	95,959
Interest expense	-926,960	-1,065,306
Payments for loss on disaster	-187,226	-137,410
Refund (payment) of corporate and other taxes	-1,657,775	-744,054

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Cash flow from operating activities

6,903,527

14,306,339

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year (From November 1, 2010 to October 31, 2011)	Current Consolidated Fiscal Year (From November 1, 2011 to October 31, 2012)
Cash flow from investing activities		
Revenue from redemption of term deposits	50,000	15,000
Funds used for the purchase of tangible fixed assets	-517,851	-451,920
Funds provided from the sale of tangible fixed assets	16,556	121,932
Funds used for the purchase of intangible fixed assets	-9,840	-10,431
Funds used for the purchase of investment securities	-449,791	-61,295
Funds provided from sale of investment securities	299	174,845
Funds used for the purchase of investments in subsidiaries resulting in change in scope of consolidation	—	Note 2 -662,777
Funds used for the purchase of subsidiary stock	-61,310	-50,060
Funds used for establishment of subsidiary company	-45,181	—
Funds used for short-term loans	-163,140	—
Funds provided from collection of short-term loans receivable	105,056	45,315
Other	62,101	44,061
Cash flow from investing activities	-1,013,101	-835,331
Cash flow from financing activities		
Increase (decrease) in short-term bank loans	9,767,868	-2,340,610
Funds provided by long-term bank loans	2,580,000	10,641,125
Funds used to repay long-term bank loans	-10,935,261	-12,042,300
Funds used to redeem corporate bonds	-22,000	-22,000
Funds used for repayment of installment obligations	-6,006,420	-8,423,533
Funds used for repayment of lease obligations	-1,057,208	-1,253,430
Funds used for the purchase of treasury stock	-848	-2,569
Funds provided from the sale of treasury stock	450	297
Funds used for the purchase of treasury stock of subsidiary	-3	-55
Payment of dividends	-656,398	-659,737
Funds provided by payment from minority shareholders	68,265	27,830
Cash dividends paid to minority shareholders	-1,006	—
Cash flow from financing activities	-6,262,560	-14,074,983
Effect of exchange rate changes on cash and cash equivalents	-4,245	-21,387
Decrease in cash and equivalents	-376,380	-625,363
Balance of cash and equivalents at beginning of period	20,751,217	20,374,836
Decrease in cash and equivalents in conjunction	—	-32,208

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with change in accounting period of consolidated subsidiary

Balance of cash and equivalents at end of period

Note 1 20,374,836

Note 1 19,717,264

(5) Notes Relating to the Going Concern Assumption

The Company had no material items to report.

(6) Basis of Preparation of the Consolidated Financial Statements

1. Companies included in the consolidation

(1) Number of consolidated companies: 10

Consolidated subsidiary name

Assist Co., Ltd

Kanatech Co., Ltd

Kanki Corporation

Kanamoto Engineering Co., Ltd.

Kyushu Kensan Co., Ltd.

Shanghai Jinheyuan Engineering Construction Co., Ltd.

Daiichi Kikai Co., Ltd

Toyo Industry Co., Ltd.

Unite Co., Ltd.

SJ Rental, Inc.

Unite Co., Ltd. is included in the scope of consolidation because Kanamoto acquired its shares and made the company a subsidiary during the consolidated fiscal year under review.

During the consolidated fiscal year under review, Kanamoto absorbed and merged with SRG Kanamoto Co., Ltd., a consolidated subsidiary, with Kanamoto as the surviving company.

(2) Number of non-consolidated companies: 4

Non-consolidated subsidiary company name

KANAMOTO (HK) CO., LTD.

Flowtechno Corporation

KG Machinery Co., Ltd.

Kanamoto & JP Nelson Equipment (S) PTE. Ltd

(Reason for exclusion from scope of consolidation)

The size of each of the non-consolidated subsidiaries is small, and each company's 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.

2. Matters pertaining to application of equity method accounting

The four non-consolidated subsidiaries have been omitted from items to which equity method accounting is applied because their respective effect on consolidated net income or loss (amount corresponding to minority interest) and consolidated retained earnings (amount corresponding to minority interest) is immaterial and none of the companies is important to the Company's overall operations.

3. Matters pertaining to the fiscal year closing date for consolidated subsidiaries

The fiscal year closing date for all of the consolidated subsidiaries except SJ Rental, Inc. and Shanghai Jinheyuan Engineering Construction Co., Ltd. is October 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 SJ Rental, Inc. as of that 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 closing dates for Assist Co., Ltd., Kyushu Kensan Co., Ltd. and Kanatech Co., Ltd. were changed at the beginning of the consolidated fiscal year under review, and the closing dates for

Daiichi Kikai Co., Ltd., Toyo Industry Co., Ltd. and Unite Co., Ltd. were changed during the consolidated fiscal year under review, to the same consolidated closing date used by the Company. The three companies for which the closing date was changed at the beginning of the period were reported as a change in retained earnings. Daiichi Kikai Co., Ltd. and Toyo Industry Co., Ltd., for which the closing dates were changed during the consolidated fiscal year under review, were consolidated using a 14-month accounting period. Unite Co., Ltd. has been consolidated using a four-month accounting period as a result of the purchase of that company's shares during the consolidated fiscal year under review.

4. Accounting principles and standards used for normal accounting treatment

(1) Appraisal standards and appraisal methods for principal assets

a. Negotiable securities

Other negotiable securities

Securities with a market price

The Company has adopted the market value method (the full amount of the valuation difference is charged to net assets using the direct transfer to capital method, with the disposal cost determined by the moving average method) based on the market price on the consolidated accounting fiscal year closing date or similar prices.

Securities without market prices

The Company has adopted the cost method, cost being determined by the moving average method.

b. Construction equipment

The Company calculates the amount after deduction of depreciation expense according to the straight-line method from the original prices, by separate fiscal year of purchase.

c. Inventory

(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)

(ii) Work in process

The Company has adopted the cost method, cost being determined by the specific identification method

(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)

(2) Depreciation methods for principal depreciable assets

a. Tangible fixed assets (excluding lease assets)

The Company has adopted the straight-line method for rental assets (for certain consolidated subsidiaries, the declining-balance method) and the declining-balance method for other assets. Buildings on land that is leased under a fixed-term land lease agreement, however, are depreciated using the straight-line method using the remaining period of the fixed-term lease as the depreciable life and zero residual value. For certain consolidated subsidiaries the Company has adopted the straight-line method for buildings and structures acquired on or after April 1, 2000 but excluding fixtures and equipment.

The depreciable lives mainly used by the Company are as follows.

Rental assets	2-15 years
Buildings and structures	2-60 years

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).

c. Lease assets

The Company has adopted straight-line depreciation using the lease term as the depreciable life and zero residual value.

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

(3) Accounting standards for principal allowances and reserves

a. 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 separate assessments of the probability of collection from specified credits such as credits in danger of bankruptcy.

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 fiscal year based upon a salary estimate amount.

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 current consolidated accounting fiscal year.

d. Accrued employees retirement benefits

The Company provides for accrued employees retirement benefits at certain consolidated subsidiaries based upon pertinent rules and appropriated to the account proportionately at the end of the consolidated fiscal year based upon length of service.

(Supplemental information)

Kanamoto and certain of its consolidated subsidiaries have 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.

e. Reserve for investment losses

The Company provides for losses from the decline in real prices of assets such as the stock of subsidiary companies that are subject to asset impairment accounting by applying internally established standards that take into consideration subsidiary company operating results and asset quality.

(4) Accounting standards for principal income and expenses

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

(5) Standard for conversion of main 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 exchange market spot 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 the average market price during the period, and the translation difference is accounted for by including the amounts in the total valuation and translation adjustments account and minority interests in net assets.

(6) Hedge accounting for principal hedging methods

a. Hedge accounting method

The Company's interest swap transactions fulfill the requirements for special rule accounting, and the Company has elected to use this to account for hedge transactions.

b. Hedge methods and hedged transactions

The Company uses interest swaps to avoid interest rate fluctuation risk related to interest on bank borrowing.

c. Hedging policies

The Company's use of derivative transactions is limited to hedging risk within the scope of the Company's assets and liabilities subject to market fluctuation risk.

d. Method for evaluating the effectiveness of hedges

The Company'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.

(7) Amortization method and amortization period for goodwill

The Company amortizes goodwill and negative goodwill generated before October 31, 2010 using the 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.

(7) Changes in Reporting Method

(Consolidated Statements of Income)

In the prior consolidated fiscal year, the Company reported the "Loss on sale of investment securities" in "Other" under extraordinary losses. The Company has reported this item separately for the current consolidated fiscal year because the amount exceeded 10% of total extraordinary

losses. To reflect this change in reporting method, the Company has made certain reclassifications to its consolidated financial statements for the prior consolidated fiscal year.

As a result, ¥19,990,000 that was reported in "Other" under extraordinary losses in the Consolidated Statement of Income in the prior consolidated fiscal year has been reclassified, with ¥17,001,000 reported in "Loss on sale of investment securities" and ¥2,989,000 reported in "Other."

(Consolidated Statements of Cash Flows)

Because the "Expenditures for acquisition of construction equipment" that were reported in "Other" under cash flow from operating activities in the prior consolidated fiscal year have increased in importance, the Company has decided to report this item separately beginning from the current consolidated fiscal year. To reflect this change in reporting method, the Company has made certain reclassifications to its consolidated financial statements for the prior consolidated fiscal year.

As a result, -¥690,944,000 that was reported in "Other" under cash flow from operating activities" in the prior consolidated fiscal year has been reclassified, with -¥458,394,000 reported in "Expenditures for acquisition of construction equipment" and -¥232,550,000 reported in "Other."

(8) 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.

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

Beginning from accounting changes and corrections of past errors that were implemented from the beginning of the current consolidated fiscal year, 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 revision to the corporate 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) will decrease by ¥84,066,000, and the adjustment for corporate and other taxes will increase by ¥110,663,000.

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

1. Matters related to non-consolidated subsidiaries and affiliated companies are as follows.

(Unit: Thousands of yen)

	Prior consolidated fiscal year (As of October 31, 2011)	Current Consolidated Fiscal Year (As of October 31, 2012)
Investment securities (stock)	190,191	262,708

2. Assets provided for security and secured debts

Assets provided for security are as follows:

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year (As of October 31, 2011)	Current Consolidated Fiscal Year (As of October 31, 2012)
Cash and deposits	20,000	20,000
Buildings and structures	41,703	35,074
Land	435,940	150,221

Secured debts are as follows:

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year (As of October 31, 2011)	Current Consolidated Fiscal Year (As of October 31, 2012)
Short-term bank loans	280,000	280,000
Long-term bank loans due within one year	63,154	8,326
Long-term bank loans	52,262	—

3. Guarantees

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year (As of October 31, 2011)		Current Consolidated Fiscal Year (As of October 31, 2012)
Joint and several guarantees of employee bank loans (North Pacific Bank, Ltd., others)	32,486	Joint and several guarantees of employee bank loans (North Pacific Bank, Ltd., others)	35,609
Guarantee for borrowing liabilities of Flowtechno Corporation, a non- consolidated subsidiary company	100,000	Guarantee for 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	970	Guarantee of borrowing liabilities of KG Machinery Co., Ltd., a non-consolidated subsidiary company	110,000
Guarantee of installment payment liabilities of KG Machinery Co., Ltd., a non- consolidated subsidiary company	38,947	Guarantee of installment payment liabilities of KG Machinery Co., Ltd., a non- consolidated subsidiary company	25,201
Guarantee of borrowing liabilities of KANAMOTO (HK)	HK\$15,500,000 (155,155)	Guarantee of borrowing liabilities of KANAMOTO (HK)	HK\$13,310,000 (136,826)

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CO., LTD., a non-consolidated subsidiary company		CO., LTD., a non-consolidated subsidiary company	
Guarantee of borrowing liabilities of KANAMOTO (HK)	US\$155,000	Guarantee of borrowing liabilities of KANAMOTO (HK)	US\$197,000
CO., LTD., a non-consolidated subsidiary company	(12,051)	CO., LTD., a non-consolidated subsidiary company	(15,693)
		Guarantee of installment payment liabilities of Kanamoto & JP Nelson Equipment (S) PTE. Ltd, a non-consolidated subsidiary company	SGD3,529,000
			(230,595)
Total	339,610	Total	653,926

4. Discount on notes receivable, trade and notes receivable, trade transferred by endorsement

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year (As of October 31, 2011)	Current Consolidated Fiscal Year (As of October 31, 2012)
Discount on notes receivable, trade	100,209	121,727
Notes receivable, trade transferred by endorsement	—	6,195

5. Liquidation of receivables based on receivables transfer facility

Prior consolidated fiscal year (As of October 31, 2011)

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 ¥1,054,898.

Consolidated fiscal year under review (As of October 31, 2012)

Notes receivable, trade 5,248,823

Liquidated claims bearing a right of recourse to the Company and included in the balance of notes receivable, trade transferred total ¥1,063,730.

6. Goodwill and negative goodwill

Goodwill and negative goodwill are offset and shown as a net amount.

The amounts before being offset are shown below.

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year (As of October 31, 2011)	Current Consolidated Fiscal Year (As of October 31, 2012)
Goodwill	280,490	243,967
Negative goodwill	121,409	51,577
Net amount	159,081	192,389

(Notes to the Consolidated Statements of Income)

1. The main expense items included in selling, general and administrative expenses are as follows.

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year (From November 1, 2010 to October 31, 2011)	Current Consolidated Fiscal Year (From November 1, 2011 to October 31, 2012)
Employee salaries and wages	7,063,829	7,836,635
Depreciation and amortization expense	957,725	862,456
Rents	1,809,345	2,041,198
Provision of allowance for doubtful accounts	87,445	121,309
Provision of accrued bonuses to employees	511,159	636,277
Employees retirement benefit expense	558,660	323,513
Provision of retirement allowances to directors and auditors	19,986	11,174
Amortization of goodwill	276,210	228,499

2. The breakdown of the gain on sale or retirement of fixed assets is as follows.

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year (From November 1, 2010 to October 31, 2011)	Current Consolidated Fiscal Year (From November 1, 2011 to October 31, 2012)
Buildings and structures	381	—
Machinery, equipment, vehicles and delivery equipment	11,036	11,605
Other	—	9,500

Total	11,418,000	Total	21,106
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3. The breakdown of the loss on sale or retirement of fixed assets is as follows.

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year (From November 1, 2010 to October 31, 2011)	Current Consolidated Fiscal Year (From November 1, 2011 to October 31, 2012)
(Loss on sale of fixed assets)		
Buildings and structures	9,981	1,013
Machinery, equipment, vehicles and delivery equipment	81	155
Land	—	89,427
Other	40	8
(Loss on retirement of fixed assets)		
Rental equipment	83,482	64,853
Buildings and structures	35,973	26,429
Machinery, equipment, vehicles and delivery equipment	2,369	2,079
Other	949	1,039
Total	132,878	Total 185,006

4. Impairment loss

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

During this consolidated fiscal year the Kanamoto Group incurred an impairment loss on the following asset groups.

Location	Use	Asset
Ichihara City, Chiba Prefecture	Dormant assets	Land
Iiyama City, Nagano Prefecture	Dormant assets	Land

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.

Current Consolidated Fiscal Year (From November 1, 2011 to October 31, 2012)

During this consolidated accounting fiscal year the Kanamoto Group incurred an impairment loss on the following asset groups.

Location	Use	Asset
Nagara Town, Chosei- gun, Chiba Prefecture	Plant	Land
Shanghai, China	Dormant assets	Rental equipment

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 (¥343,425) under extraordinary losses. This was comprised of ¥183,806 for land and ¥159,528 for rental equipment.

The recoverable value for rental equipment is measured according to net sales price, and the recoverable value for land is measured according to its value in use, which is calculated by discounting future cash flow at a rate of 3.2%.

5. Loss from disaster

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

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.

(Unit: Thousands of yen)

Cost to restore fixed assets etc. to their original condition	224,515
Destruction loss of fixed assets etc.	444,118
Other	169,335
Total	837,968

(Notes to the Consolidated Statements of Comprehensive Income)

Current Consolidated Fiscal Year (From November 1, 2011 to October 31, 2012)

Note: Reclassification adjustments and the related tax effects concerning Other Comprehensive Income

(Unit: Thousands of yen)

Valuation difference on other investment securities:	
Amount occurring during the current period	65,281
Reclassification adjustments	114,940
Before adjustment for tax effects	180,221
Tax effects	-47,491
Valuation difference on other investment securities	132,730
Translation adjustments account:	
Amount for the current period	-5,893
Total Other Comprehensive Income	126,836

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

Prior 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

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

(Notes) 1. 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. The number of treasury stock shares of common stock decreased by 0 shares through sales 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 consolidated 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

Current Consolidated Fiscal Year (From November 1, 2011 to October 31, 2012)

1. Class of shares issued and number of shares, treasury stock and number of shares

	Number of shares at the beginning of the prior consolidated fiscal year (thousands of shares)	Increase in number of shares during the prior consolidated fiscal year (thousands of shares)	Decrease in number of shares during the prior consolidated fiscal year (thousands of shares)	Number of shares at the end of the prior consolidated fiscal year (thousands of shares)
Number of shares issued				
Common stock	32,872	—	—	32,872
Total	32,872	—	—	32,872
Treasury stock				
Common stock (note)	37	2	0	39
Total	37	2	0	39

(Notes) 1. 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. The number of treasury stock shares of common stock decreased by 0 shares through sales 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, 2011 Board of Directors	Common stock	328,345	10.00	October 31, 2011	January 30, 2012
June 8, 2012 Board of Directors	Common stock	328,333	10.00	April 30, 2012	July 9, 2012

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

Resolution	Class of stock	Total dividend (Thousand yen)	Source of funds for dividend	Dividend per share (yen)	Date of record	Payment date
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December 27, 2012 Board of Directors (Planned)	Common stock	328,322	Retained earnings	10.00	October 31, 2012	January 30, 2013
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(Notes to Consolidated Statements of Cash Flows)

1. Relationship between fiscal year ending balance for cash and equivalents and amounts for items shown on the fiscal year consolidated balance sheets

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year (From November 1, 2010 to October 31, 2011)	Current Consolidated Fiscal Year (From November 1, 2011 to October 31, 2012)
Cash and deposits account	20,059,836	19,387,264
Time deposit with a maturity longer than 3 months	-35,000	-20,000
Negotiable securities	350,000	350,000
Cash and cash equivalents	20,374,836	19,717,264

2. Principal assets and liabilities of companies that became newly consolidated subsidiaries as a result of the purchase of their stock during the current consolidated fiscal year

The relationship between the principal assets and liabilities and acquisition price for the shares of Unite Co., Ltd. and the net funds used for the purchase of Unite Co., Ltd. at the start of consolidation of Unite Co., Ltd. as a result of the acquisition of stock is as follows.

(Unit: Thousands of yen)

Current assets	5,818,226
Fixed assets	6,338,726
Current liabilities	-4,780,195
Long-term liabilities	-5,142,934
Negative goodwill	-671,889
Minority interests	-740,504
Acquisition price of Unite Co., Ltd.	821,429
Cash and cash equivalents of Unite Co., Ltd.	-158,651
Balance: Funds used for the purchase of investments in subsidiaries resulting in change in scope of consolidation	662,777

3. Details of major non-cash transactions

- (1) Amount of assets and liabilities related to installment transactions and amount of assets and liabilities related to lease transactions that are newly accounted for

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year (From November 1, 2010 to October 31, 2011)	Current Consolidated Fiscal Year (From November 1, 2011 to October 31, 2012)
Amount of assets and liabilities related to installment transactions	12,081,313	16,006,786
Amount of assets and liabilities related to lease	914,127	1,648,088

transactions

Acquisition of investment securities by investments in kind (Note)	—	91,891
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(Note) The Company acquired the stock of KANAMOTO (HK) CO., LTD. (non-consolidated subsidiary), a subsidiary company.

(2) Amount related to newly accounted for asset retirement obligations

	(Unit: Thousands of yen)	
	Prior Consolidated Fiscal Year (From November 1, 2010 to October 31, 2011)	Current Consolidated Fiscal Year (From November 1, 2011 to October 31, 2012)
Amount related to asset retirement obligations	147,078	4,797

(Business Segment Information)

a. Segment information

1. Summary of reportable segments

The Company's reporting segments are those units of the Company for which discrete financial information is available and for which the Board of Directors regularly conducts a review for the purpose of making decisions about resources to be allocated to the segments and 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, 2010 to October 31, 2011)

(Unit: Thousands of yen)

	Reporting segment	Other businesses (Note)	Total
	Construction-related		
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	206,378	—	206,378
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.

Current Consolidated Fiscal Year (From November 1, 2011 to October 31, 2012)

(Unit: Thousands of yen)

	Reporting segment	Other businesses (Note)	Total
	Construction-related		
Revenues			
Sales to outside customers	79,280,857	6,826,012	86,106,869
Sales or transfers between related segments	—	—	—
Total	79,280,857	6,826,012	86,106,869
Segment income	6,117,945	143,144	6,261,090
Segment assets	110,039,775	1,976,698	112,016,473
Other items			
Depreciation and amortization expense	10,802,312	2,446	10,804,759
Amortization of goodwill	158,667	—	158,667
Extraordinary losses	343,425	—	343,425
(Impairment loss)	(343,425)	(—)	(343,425)
Amount of increase of tangible fixed assets and intangible fixed assets	20,979,162	800	20,979,962

(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 in 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	64,711,947	79,280,857
Revenues for "Other businesses" classification	6,374,877	6,826,012
Revenues reported in the consolidated financial statements	71,086,825	86,106,869

(Unit: Thousands of yen)

Income	Prior Consolidated Fiscal Year	Current Consolidated Fiscal Year
Reporting segment total	2,586,175	6,117,945
Income for "Other businesses" classification	143,769	143,144
Other adjustments	175,645	169,095
Operating income reported in the consolidated financial statements	2,905,590	6,430,186

(Unit: Thousands of yen)

Assets	Prior Consolidated Fiscal Year	Current Consolidated Fiscal Year
Reporting segment total	86,651,284	110,039,775
Assets of "Other businesses" classification	1,944,837	1,976,698
Company assets (Note)	26,524,175	25,326,608
Total assets reported in the consolidated financial statements	115,120,298	137,343,082

(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	Current Consolidated Fiscal Year	Prior Consolidated Fiscal Year	Current Consolidated Fiscal Year	Prior Consolidated Fiscal Year	Current Consolidated Fiscal Year	Prior Consolidated Fiscal Year	Current Consolidated Fiscal Year
Depreciation and amortization expense	8,524,057	10,802,312	3,460	2,446	307,941	266,386	8,835,460	11,071,145
Increase in tangible fixed assets and intangible fixed assets	16,127,361	20,979,162	781	800	39,459	57,787	16,167,601	21,037,750

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

b. Related information

Prior 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 this same information is disclosed in segment information.

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.

Current Consolidated Fiscal Year (From November 1, 2011 to October 31, 2012)

1. Information by product and service

The Company has omitted a description of information by product and service because this same information is disclosed in segment information.

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.

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

Prior 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

Current Consolidated Fiscal Year (From November 1, 2011 to October 31, 2012)

(Unit: Thousands of yen)

	Business related to the Construction Equipment Rental Division	Others	Corporate and eliminations	Total
Impairment losses	343,425	—	—	343,425

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

Prior 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
Amortization in the current period (Goodwill)	276,210	—	—	276,210
Amortization in the current period (Negative goodwill)	-69,831	—	—	-69,831
Balance at the end of the period (note)	159,081	—	—	159,081

(Note) Goodwill and negative goodwill are offset and reported as a net amount.

Current Consolidated Fiscal Year (From November 1, 2011 to October 31, 2012)

(Unit: Thousands of yen)

	Business related to the Construction Equipment Rental Division	Others	Corporate and eliminations	Total
Amortization in the current period (Goodwill)	228,499	—	—	228,499
Amortization in the current period (Negative goodwill)	-69,831	—	—	-69,831
Balance at the end of the period (note)	192,389	—	—	192,389

(Note) Goodwill and negative goodwill are offset and reported as a net amount.

e. Information concerning gain on negative goodwill by reporting segment

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

The Company had no material items to report.

Current Consolidated Fiscal Year (From November 1, 2011 to October 31, 2012)

In the "Business related to the Construction Equipment Rental Division" segment, the Company reported a gain on negative goodwill of ¥671,889 in extraordinary profits as a result of including Unite Co., Ltd., which was newly acquired in the current consolidated fiscal year, in the scope of consolidation.

(Notes to Leasing Transactions)

(Lessor)

1. Finance lease transactions

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

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 (6) Basis of Preparation of the Consolidated Financial Statements.

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

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

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year (As of October 31, 2011)		
	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

(Unit: Thousands of yen)

	Current Consolidated Fiscal Year (As of October 31, 2012)		
	Acquisition price	Accumulated depreciation	Outstanding balance
Rental assets	11,151,866	7,752,820	3,399,046
Total	11,151,866	7,752,820	3,399,046

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

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year (As of October 31, 2011)	Current Consolidated Fiscal Year (As of October 31, 2012)
Outstanding balance of future lease payments at the end of the consolidated fiscal year		
Within one	2,560,414	2,254,473
After one year	3,713,623	1,366,655
Total	6,274,037	3,621,129

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

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year (From November 1, 2010 to October 31, 2011)	Current Consolidated Fiscal Year (From November 1, 2011 to October 31, 2012)
Lease payments	2,940,717	2,267,461
Depreciation expense	2,253,747	1,739,125
Interest expense	219,405	154,747

(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.

2. Operating leases

Prepaid lease payments pertaining to non-cancellable operating lease transactions

(Unit: Thousands of yen)

	Prior consolidated fiscal year (As of October 31, 2011)	Current consolidated fiscal year (As of October 31, 2012)
Within one year	1,978,904	2,174,968
After one year	5,390,811	6,416,052
Total	7,369,716	8,591,020

(Notes to Business Combinations Etc.)

Current Consolidated Fiscal Year (From November 1, 2011 to October 31, 2012)
(Transactions under common control etc.)

Kanamoto absorbed and merged with SRG Kanamoto Co., Ltd., a consolidated subsidiary, on November 1, 2011, based on the absorption and merger agreement approved by a resolution of the Company's Board of Directors at its meeting on August 30, 2011.

1. Summary of the transaction

(1) Names and businesses of the companies completing the business combination

	Surviving company	Extinguished company
Name	Kanamoto Co., Ltd.	SRG Kanamoto Co., Ltd
Business	Rental and sale of construction equipment	Rental and sales of temporary scaffolding materials

(2) Business combination date

November 1, 2011

(3) Legal form of the business combination

An absorption-type merger, with Kanamoto Co., Ltd. as the surviving company and SRG Kanamoto Co., Ltd. as the extinguished company.

(4) Name of the combined entity

Kanamoto Co., Ltd.

(5) Other matters related to the transaction

The merger was undertaken to create an organization capable of responding flexibly and appropriately to rental demand for temporary scaffolding materials.

2. Summary of accounting treatment

The Company accounted for the merger as a transaction under common control based on the *Accounting Standard for Business Combinations* (Accounting Standards Board of Japan Statement No. 21, December 26, 2008) and the *Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures* (Accounting Standards Board of Japan Implementation Guidance No. 10, December 26, 2008).

(Business combination through acquisition)

1. Summary of the business combination

(1) Name of the acquired company and its business

Name of the acquired company Unite Co., Ltd.

Business Road construction equipment rental business, road construction business

(2) Main reasons for the business combination

Kanamoto acquired the shares of Unite Co., Ltd., based on a resolution of the Board of Directors meeting held on June 8, 2012, to expand the business areas of the Company, which seeks to be an integrated construction equipment rental operating company.

(3) Date of business combination

June 28, 2012

- (4) Legal form of the business combination
Acquisition of shares for cash
- (5) Name of the company after the combination
The Company's name is unchanged.
- (6) Percentage share of voting rights acquired
66.9%
- (7) Main reason for the decision to acquire the company
Kanamoto resolved to acquire the company to acquire 66.9% of the voting rights of Unite Co., Ltd. through an acquisition of shares for cash.

2. Period of the acquired company's fiscal year included in the consolidated financial statements
From July 1, 2012 to October 31, 2012

3. Details of the acquisition cost of the acquired company

(Unit: Thousands of yen)

Acquisition consideration	Cash and deposits	815,490
Costs directly related to the acquisition	Advisory costs etc.	5,939
Acquisition cost		821,429

4. Amount of gain on negative goodwill and reasons for recognizing a gain

(1) Amount of gain on negative goodwill

¥671,889

(2) Reason for recognition

Because the market value of net assets exceeded the acquisition price at the time of the business combination, the Company reported the difference in extraordinary profits as a gain on negative goodwill.

5. Amounts of assets and liabilities acquired on the business combination date

(Unit: Thousands of yen)

Current assets	5,818,226
Fixed assets	6,338,726
Total Assets	12,156,953
Current liabilities	4,780,195
Long-term liabilities	5,142,934
Total liabilities	9,923,130

6. Approximate amounts and their calculation method of impact on the Consolidated Statement of Income for the current consolidated fiscal year, assuming the business combination was completed on the first day of the current consolidated fiscal year

(Unit: Thousands of yen)

Revenues	9,331,242
Operating income	367,817
Ordinary income	305,222
Income before taxes and adjustments	283,650

Net income	155,585
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(Calculation method of the approximate amounts)

The effect of the approximate amounts is calculated as the difference between the revenues and profit and loss information that has been calculated by assuming the business combination was completed on the first day of the consolidated fiscal year, and the revenues and profit and loss information reported in the consolidated statement of income of the acquiring company.

A certification of audit has not been received for this note.

(Per Share Information)

Prior Consolidated Fiscal Year (From November 1, 2010 to October 31, 2011)		Current Consolidated Fiscal Year (From November 1, 2011 to October 31, 2012)	
Net assets per share	¥1,129.47	Net assets per share	¥1,221.56
Net income per share of common stock	¥35.51	Net income per share of common stock	¥108.88
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, 2010 to October 31, 2011)	Current Consolidated Fiscal Year (From November 1, 2011 to October 31, 2012)
Net income amount	1,165,821	3,575,054
Amount not attributed to common stock shareholders	—	—
Net income related to common stock	1,165,821	3,575,054
Average number of outstanding shares during the fiscal year	32,834,328	32,833,928

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

The Company had no material items to report.

5. Company Financial Statements

(1) Balance Sheets

(Unit: Thousands of yen)

	Prior Fiscal Year (As of October 31, 2011)	Current Fiscal Year (As of October 31, 2012)
(Assets)		
Current assets		
Cash and deposits	17,761,176	15,947,592
Notes receivable, trade	2,225,810	2,615,496
Accounts receivable, trade	11,539,603	12,960,369
Negotiable securities	350,000	350,000
Merchandise inventories and products	261,074	225,383
Work in process	33,299	53,187
Construction equipment	1,331,441	2,578,013
Raw materials and supplies	85,836	104,833
Prepaid expenses	208,042	213,731
Deferred tax assets	354,664	487,773
Consumption taxes receivable	88,344	—
Short-term loans receivable	474,360	350,360
Other	168,155	198,495
Allowance for doubtful accounts	-221,500	-201,599
Total Current Assets	34,660,310	35,883,635
Fixed assets		
Tangible fixed assets		
Rental equipment	58,591,293	70,174,214
Accumulated depreciation	-33,436,965	-38,548,745
Net rental equipment	25,154,327	31,625,469
Buildings	14,584,949	14,779,861
Accumulated depreciation	-8,662,259	-9,183,580
Net buildings	5,922,690	5,596,281
Structures	4,840,169	4,923,789
Accumulated depreciation	-3,897,884	-4,048,001
Net structures	942,284	875,788
Machinery and equipment	4,654,461	4,734,717
Accumulated depreciation	-4,071,130	-4,214,300
Net machinery and equipment	583,331	520,417
Vehicle and delivery equipment	68,467	82,280
Accumulated depreciation	-64,802	-71,716
Net vehicles and delivery equipment	3,664	10,564
Tools, furniture and fixtures	1,211,811	1,252,156
Accumulated depreciation	-1,008,597	-1,056,129
Net tools, furniture and fixtures	203,213	196,026
Land	28,651,057	28,682,214
Construction in progress	2,131	21,872
Total Tangible Fixed Assets	61,462,702	67,528,634
Intangible fixed assets		
Goodwill	90,981	55,438
Software	145,584	93,498
Telephone subscription rights	50,769	52,005

Total Intangible Fixed Assets

287,335

200,942

(Unit: Thousands of yen)

	Prior Fiscal Year (As of October 31, 2011)	Current Fiscal Year (As of October 31, 2012)
Investments and other assets		
Investment securities	2,933,002	2,864,881
Stock of affiliated companies	3,461,685	4,569,669
Advances	9,137	12,137
Long-term loan to affiliated company	2,394,475	2,450,758
Claims in bankruptcy, claims in reorganization and other similar claims	125,593	135,540
Long-term prepaid expenses	28,718	24,176
Deferred tax assets	450,600	513,424
Insurance reserve	17,528	19,877
Long-term guaranty money deposited	837,810	836,905
Other	52,966	52,596
Allowance for doubtful accounts	-1,587,929	-1,822,673
Reserve for investment losses	-554,617	-898,193
Total Investments and Other Assets	8,168,972	8,759,100
Total Fixed Assets	69,919,010	76,488,677
Total Assets	104,579,320	112,372,313
(Liabilities)		
Current liabilities		
Notes payable, trade	9,114,892	10,421,466
Accounts payable, trade	2,699,853	3,115,016
Long-term bank loans due within one year	9,411,000	10,647,500
Short-term bank loans	10,000,000	—
Accounts payable, other	6,345,435	7,342,038
Accrued expenses	353,981	412,228
Corporate taxes payable	286,603	2,107,652
Consumption and other taxes payable	—	190,791
Deposits	45,464	147,405
Accrued bonuses to employees	443,024	488,671
Allowance for disaster losses	289,850	10,014
Equipment notes payable	291,603	426,934
Other	107,337	104,190
Total Current Liabilities	39,389,046	35,413,909
Long-term liabilities		
Long-term bank loans	15,648,000	20,575,500
Long-term accrued expenses	11,282,279	16,303,599
Accrued employees retirement benefits	30,377	—
Retirement allowances to directors and auditors	158,061	—
Provision for loss on guarantees	36,312	—
Asset retirement obligations	123,472	126,734
Total Long-term Liabilities	27,278,503	37,005,833
Total Liabilities	66,667,549	72,419,742

(Unit: Thousands of yen)

	Prior Fiscal Year (As of October 31, 2011)	Current Fiscal Year (As of October 31, 2012)
(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	143,359	143,371
Total capital surplus	10,960,749	10,960,761
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	1,953,137	3,859,862
Total retained earnings	17,079,711	18,986,436
Treasury stock	-25,240	-27,523
Total Owners' Equity	37,711,937	39,616,391
Valuation and translation adjustments		
Valuation difference on other investment securities	199,832	336,179
Total valuation and translation adjustments	199,832	336,179
Total Net Assets	37,911,770	39,952,570
Total Liabilities and Net Assets	104,579,320	112,372,313

(2) Statements of Income

(Unit: Thousands of yen)

	Prior Fiscal Year (From November 1, 2010 to October 31, 2011)	Current Fiscal Year (From November 1, 2011 to October 31, 2012)
Operating revenues		
Rental revenues	43,790,202	51,129,560
Sales	17,116,709	17,962,161
Total operating revenues	60,906,911	69,091,722
Cost of revenues		
Cost of rental revenues	30,947,887	34,678,520
Cost of goods sold		
Balance of merchandise inventory at beginning of period	303,056	261,074
Merchandise inventory purchases	13,007,087	13,868,447
Merchandise received from other accounts	274,660	212,624
Total	13,584,803	14,342,145
Balance of merchandise at end of period	268,535	225,383
Valuation loss on merchandise inventories	7,460	2,435
Cost of goods sold	13,323,728	14,119,198
Total cost of revenues	44,271,616	48,797,718
Gross profit	16,635,295	20,294,003
Selling, general and administrative expenses		
Freight-out	75,977	75,660
Vehicle fuel expense	167,254	184,936
Advertising and public relations expense	120,353	134,087
Provision of allowance for doubtful accounts	20,995	65,694
Director compensation	71,993	85,342
Salaries and allowance	5,580,477	5,942,930
Bonuses	1,049,765	1,251,186
Transfer to accrued bonuses to employees	443,024	488,671
Transfer to retirement allowances to directors and auditors	12,777	10,960
Employees retirement benefit expense	497,038	242,921
Travel and transportation expenses	281,883	372,310
Insurance premiums	165,993	173,246
Communications expense	264,066	271,859
Maintenance and repairs	115,721	128,235
Consumables expense	279,788	336,252
Utilities	246,910	266,027
Taxes and public charges	397,899	408,675
Welfare expense	1,017,618	1,129,981
Depreciation and amortization expense	811,854	739,770
Rent	1,487,997	1,540,415
Other	706,632	769,425
Selling, general and administrative expenses total	13,816,023	14,618,589

Operating income

2,819,272

5,675,414

(Unit: Thousands of yen)

	Prior Fiscal Year (From November 1, 2010 to October 31, 2011)	Current Fiscal Year (From November 1, 2011 to October 31, 2012)
Non-operating revenues		
Interest revenue	33,813	26,202
Interest revenue on negotiable securities	907	712
Dividend income	50,868	84,041
Rents received	174,595	163,830
Insurance benefits	32,431	35,675
Cash bonus received	5,499	23,256
Reversal of allowance for disaster losses	—	101,483
Other	114,200	222,256
Total non-operating revenues	412,316	657,459
Non-operating expenses		
Interest expense	449,770	430,707
Loss on sale of notes receivable	39,445	43,429
Provision of allowance for doubtful accounts	—	225,123
Provision of allowance for investment losses	—	686,771
Other	143,387	120,936
Total non-operating expenses	632,603	1,506,968
Ordinary income	2,598,985	4,825,904
Extraordinary profits		
Gain on sale of fixed assets	11,022	334
Gain on sale of investment securities	52	115
Subsidies	—	142,538
Reversal of provision for loss on guarantees	30,461	—
Gain on termination of retirement benefit plan	1,465,200	—
Other	5,709	17,547
Total extraordinary profits	1,512,445	160,536
Extraordinary losses		
Loss on sale or retirement of fixed assets	75,277	108,571
Loss on sale of investment securities	17,001	115,825
Valuation loss on investment securities	133,922	30
Loss on investment in partnership enterprise	1,234	—
Provision of allowance for investment losses	73,755	—
Transfer to allowance for doubtful accounts of affiliated companies	75,982	—
Loss from disaster	837,886	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	83,021	—
Other	58,533	—
Total extraordinary losses	1,356,615	224,428
Income before taxes and adjustments	2,754,814	4,762,012

Corporate, local and business taxes	777,763	2,442,503
Adjustment for corporate and other taxes	543,685	-243,894
Total corporate and other taxes	<u>1,321,448</u>	<u>2,198,609</u>
Net income	<u>1,433,366</u>	<u>2,563,403</u>

Statements of Cost of Rental Revenues

Classification	Notes	Prior Fiscal Year (From November 1, 2010 to October 31, 2011)		Current Fiscal Year (From November 1, 2011 to October 31, 2012)	
		Amount (Thousands of yen)	Percent	Amount (Thousands of yen)	Percent
Rent		13,755,193	44.5	15,203,293	43.8
Repair expense		2,981,259	9.6	3,620,567	10.4
Freight charges		5,323,138	17.2	5,842,390	16.9
Depreciation expense	2	6,387,806	20.6	7,698,663	22.2
Consumables expense		1,132,761	3.7	728,966	2.1
Other costs	3	1,367,728	4.4	1,584,639	4.6
Total		30,947,887	100.0	34,678,520	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 ¥6,288,687,000 and construction equipment depreciation expense of ¥99,118,000.	The Company posted rental equipment asset depreciation expense of ¥7,469,367,000 and construction equipment depreciation expense of ¥229,296,000.
Note 3	Other costs consisted mainly of taxes and public charges of ¥534,530,000, insurance premiums of ¥535,540,000 and interest of ¥112,641,000 related to installment payment purchases of rental equipment assets.	Other costs consisted mainly of taxes and public charges of ¥588,553,000, insurance premiums of ¥584,089,000 and interest of ¥147,880,000 related to installment payment purchases of rental equipment assets.

(3) Statements of Changes in Net Assets

(Unit: Thousands of yen)

	Prior Fiscal Year (From November 1, 2010 to October 31, 2011)	Current Fiscal Year (From November 1, 2011 to October 31, 2012)
Shareholders' equity		
Capital stock		
Balance at beginning of year	9,696,717	9,696,717
Change 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		
Capital legal reserve		
Balance at beginning of year	10,817,389	10,817,389
Change 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	143,359
Change of items during the year		
Disposal of treasury stock	-120	11
Total changes of items during the year	-120	11
Balance at end of year	143,359	143,371
Total capital surplus		
Balance at beginning of year	10,960,869	10,960,749
Change of items during the year		
Disposal of treasury stock	-120	11
Total changes of items during the year	-120	11
Balance at end of year	10,960,749	10,960,761
Retained earnings		
Earned legal reserve		
Balance at beginning of year	1,375,287	1,375,287
Change 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 fixed assets		
Balance at beginning of year	19,601	19,601
Change 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	13,731,684	13,731,684
Change of items during the year		

Total changes of items during the year	—	—
Balance at end of year	13,731,684	13,731,684

(Unit: Thousands of yen)

	Prior Fiscal Year (From November 1, 2010 to October 31, 2011)	Current Fiscal Year (From November 1, 2011 to October 31, 2012)
Retained earnings brought forward		
Balance at beginning of year	1,176,466	1,953,137
Change of items during the year		
Dividends from surplus	-656,695	-656,678
Net income	1,433,366	2,563,403
Total changes of items during the year	776,670	1,906,725
Balance at end of year	1,953,137	3,859,862
Total retained earnings		
Balance at beginning of year	16,303,040	17,079,711
Change of items during the year		
Dividends from surplus	-656,695	-656,678
Net income	1,433,366	2,563,403
Total changes of items during the year	776,670	1,906,725
Balance at end of year	17,079,711	18,986,436
Treasury stock		
Balance at beginning of year	-24,963	-25,240
Change of items during the year		
Purchase of treasury stock	-848	-2,569
Disposal of treasury stock	571	285
Total changes of items during the year	-277	-2,283
Balance at end of year	-25,240	-27,523
Total Shareholders' Equity		
Balance at beginning of year	36,935,664	37,711,937
Change of items during the year		
Dividends from surplus	-656,695	-656,678
Net income	1,433,366	2,563,403
Purchase of treasury stock	-848	-2,569
Disposal of treasury stock	450	297
Total changes of items during the year	776,272	1,904,453
Balance at end of year	37,711,937	39,616,391

(Unit: Thousands of yen)

	Prior Fiscal Year (From November 1, 2010 to October 31, 2011)	Current Fiscal Year (From November 1, 2011 to October 31, 2012)
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at beginning of year	154,004	199,832
Change of items during the year		
Net changes of items other than shareholders' equity	45,828	136,346
Total changes of items during the year	45,828	136,346
Balance at end of year	199,832	336,179
Total valuation and translation adjustments		
Balance at beginning of year	154,004	199,832
Change of items during the year		
Net changes of items other than shareholders' equity	45,828	136,346
Total changes of items during the year	45,828	136,346
Balance at end of year	199,832	336,179
Total net assets		
Balance at beginning of year	37,089,669	37,911,770
Change of items during the year		
Dividends from surplus	-656,695	-656,678
Net income	1,433,366	2,563,403
Purchase of treasury stock	-848	-2,569
Disposal of treasury stock	450	297
Net changes of items other than shareholders' equity	45,828	136,346
Total changes of items during the year	822,101	2,040,800
Balance at end of year	37,911,770	39,952,570

6. Other

(1) Changes to Directors

a. Changes to representative directors

There are no pertinent items.

b. Changes to other directors

• New candidate for director

Director Yasuyuki Ijiri (currently Executive Officer and Head of District Sales, Domestic Sales Administrative Headquarters at ORIX Corporation)

• Director scheduled to retire

Director Katsutoshi Kadowaki

c. Planned date of new appointments and retirements

January 29, 2013