



# Fiscal Year ended October 31, 2014

## Financial Statements Bulletin (Japan GAAP)

December 10, 2014

Listed Company Name **Kanamoto Co., Ltd.**  
 Company Code Number **9678**  
 Listing Exchanges **Tokyo Stock Exchange, Sapporo Stock Exchange**  
 URL **http://www.kanamoto.co.jp**  
 Representative **Kanchu Kanamoto** President and CEO  
 Inquiries **Nobuhito Utatsu** Director and Senior Executive Corporate Officer, Division Manager, Accounting Division  
 TEL 81-11-209-1600

Please send inquiries in English to [takayama@kanamoto.co.jp](mailto:takayama@kanamoto.co.jp)

Scheduled date for Regular General Meeting of the Shareholders January 29, 2015  
 Scheduled date for commencement of dividend payments January 30, 2015  
 Scheduled date for submission of Annual Securities Report January 29, 2015  
 Preparation of Supplementary Explanatory Materials: Yes  
 Earnings Briefings (For institutional investors and analysts): Yes

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

### 1. Consolidated Operating Results for the Fiscal Year ended October 31, 2014

(November 1, 2013 – October 31, 2014)

#### (1) Consolidated Operating Results

(Percentages show the change from the prior year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended October 31, 2014	125,555	13.3	16,454	44.4	16,078	45.2	9,299	60.1
Fiscal year ended October 31, 2013	110,831	28.7	11,392	77.2	11,073	86.6	5,809	62.5

(Note) Comprehensive income (millions of yen)

Fiscal year ended October 31, 2014 10,164 (36.3%)  
 Fiscal year ended October 31, 2013 7,457 (110.0%)

	Net Income per Share	Net Income per Share on a Fully Diluted Basis	ROE	Ordinary Income to Total Assets	Operating Margin
	Yen	Yen	%	%	%
Fiscal year ended October 31, 2014	258.02	-	15.8	9.0	13.1
Fiscal year ended October 31, 2013	175.50	-	12.3	7.2	10.3

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

Fiscal year ended October 31, 2014 -  
 Fiscal year ended October 31, 2013 -

#### (2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
As of October 31, 2014	188,491	65,513	33.6	1,758.24
As of October 31, 2013	169,250	56,192	32.2	1,513.49

(Reference) Equity (millions of yen)

As of October 31, 2014 63,365  
 As of October 31, 2013 54,549

#### (3) Consolidated Cash Flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and Cash Equivalents at End of Period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended October 31, 2014	24,782	-3,374	-22,405	31,980
Fiscal year ended October 31, 2013	20,759	-1,117	-6,532	32,957

## 2. Dividends

	Annual 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, 2013	–	10.00	–	10.00	20.00	688	11.4	1.5
Fiscal year ended October 31, 2014	–	15.00	–	20.00	35.00	1,261	13.6	2.1
Fiscal year ending October 31, 2015 (projected)	–	15.00	–	15.00	30.00		11.4	

(Note) Breakdown of second quarter dividend for the fiscal year ended October 31, 2014

Ordinary dividend 10.00 yen

Commemorative dividend 5.00 yen

Breakdown of (planned) year-end dividend for the fiscal year ended October 31, 2014

Ordinary dividend 10.00 yen

Commemorative dividend 10.00 yen

## 3. Projected Consolidated Operating Results for the Fiscal Year Ending October 31, 2015

(November 1, 2014 - October 31, 2015)

(Percentages show the change from the prior year)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Interim period	65,900	2.6	10,280	2.1	10,060	2.0	5,860	3.7	162.60
Full year	128,600	2.4	16,960	3.1	16,610	3.3	9,520	2.4	264.15

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): No

Company newly included	–
Company newly excluded	–

(2) Changes in accounting principles, changes in accounting estimates and retrospective restatements

(a) Changes in accounting policy in conjunction with revision of accounting standards: No

(b) Changes other than the above: No

(c) Changes in accounting estimates: No

(d) Retrospective restatements: No

(3) Number of shares issued (common shares)

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

As of October 31, 2014	36,092,241 shares
------------------------	-------------------

As of October 31, 2013	36,092,241 shares
------------------------	-------------------

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

As of October 31, 2014	52,930 shares
------------------------	---------------

As of October 31, 2013	50,041 shares
------------------------	---------------

(c) Average number of shares outstanding during the period

Fiscal year ended October 31, 2014	36,039,719 shares
------------------------------------	-------------------

Fiscal year ended October 31, 2013	33,101,017 shares
------------------------------------	-------------------

**(Reference) Summary of Non-Consolidated Operating Results****1. Non-Consolidated Operating Results for the Fiscal Year Ended October 31, 2014**

(November 1, 2013 – October 31, 2014)

**(1) Non-Consolidated Operating Results**

(Percentages show the change from the prior year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended October 31, 2014	94,301	15.9	13,433	50.5	13,550	52.9	8,181	66.4
Fiscal year ended October 31, 2013	81,360	17.8	8,926	57.3	8,861	83.6	4,916	91.8

	Net Income per Share	Net Income per Share on a Fully Diluted Basis
	Yen	Yen
Fiscal year ended October 31, 2014	227.00	–
Fiscal year ended October 31, 2013	148.53	–

**(2) Non-Consolidated Financial Position**

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
As of October 31, 2014	158,784	60,968	38.4	1,691.72
As of October 31, 2013	141,213	53,307	37.7	1,479.02

(Reference) Equity (millions of yen)  
As of October 31, 2014 60,968  
As of October 31, 2013 53,307

**2. Projected Non-Consolidated Operating Results for the Fiscal Year Ending October 31, 2015**

(November 1, 2014 - October 31, 2015)

(Percentages show the change from prior year)

	Net Sales		Ordinary Income		Net Income		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Interim period	48,400	3.3	7,830	1.5	4,880	1.5	135.41
Full year	96,300	2.1	14,190	4.7	8,500	3.9	235.85

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.

(Change in unit used to state monetary figures)

Previously the consolidated financial statements and non-consolidated financial statements were stated in unit of thousands of yen. However, from the end of the fiscal year under review, unit will be stated in millions of yen. For the convenience of comparison, the results for the prior consolidated fiscal year and the prior fiscal year have been restated in million yen.

## ○Attachments Table of Contents

1. Analysis of Operating Results and Financial Position .....	6
(1) Analysis of Operating Results .....	6
(2) Analysis of Financial Position .....	7
(3) Outlook for the Next Fiscal Year (Fiscal year ending October 2015) .....	9
(4) Basic Policy Concerning Distribution of Earnings and Dividends for the Consolidated Fiscal Year under Review and Next Consolidated Fiscal Year .....	10
(5) Business Risks and Other Risks .....	10
2. Current Conditions of the Company's Group.....	11
3. Management Policies .....	13
(1) Basic Management Policies.....	13
(2) Management Indicators Established as Objectives .....	13
(3) Medium- to Long-term Corporate Management Strategy .....	13
(4) Issues to be Addressed by the Company .....	14
4. Consolidated Financial Statements .....	15
(1) Consolidated Balance Sheets.....	15
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income .....	17
Consolidated Statements of Income .....	17
Consolidated Statements of Comprehensive Income.....	18
(3) Consolidated Statements of Changes in Equity .....	19
(4) Consolidated Statements of Cash Flows .....	21
(5) Notes to the Consolidated Financial Statements .....	23
(Notes Relating to the Going Concern Assumption) .....	23
(Important Matters Used as Basis for Preparation of the Consolidated Financial Statements) .....	23
(Supplemental Information) .....	26
(Notes to the Consolidated Balance Sheets) .....	26
(Notes to the Consolidated Statements of Income) .....	28
(Notes to the Consolidated Statements of Comprehensive Income).....	30
(Notes to the Consolidated Statements of Changes in Equity) .....	30
(Notes to the Consolidated Statements of Cash Flows).....	32
(Notes to Leasing Transactions) .....	33
(Business Segment Information).....	34
(Per Share Information) .....	38
(Material Events after the Close of the Consolidated Fiscal Year).....	39
5. Non-Consolidated Financial Statements.....	40
(1) Balance Sheets .....	40
(2) Statements of Income.....	43
(3) Statements of Changes in Equity .....	46

## 1. Analysis of Operating Results and Financial Position

### (1) Analysis of Operating Results

#### a) Summary of consolidated fiscal year operating results (From November 2013 to October 2014)

In the consolidated fiscal year under review, the economy in Japan, underpinned by government economic and financial policies, posted modest recovery trends, including an improvement in corporate earnings and an increase in capital investments. However, the economic outlook remains unclear due in part to the impact the consumption tax hike has had on private consumption and concerns of a downturn in economies overseas.

In the construction-related business that is the Kanamoto Group's main business, public works demand continued to increase owing to budget allocated for reconstruction work in quake-damaged regions, building national resilience, and for disaster prevention. In addition, construction equipment rental demand also continued to rise owing to positive trends in private-sector construction investments. Meanwhile, there were still concerns going forward, in part due to the postponed startup of construction and extended construction periods reflecting still high material and equipment prices, and a lack of skilled labor.

Amidst such conditions, the Kanamoto Group drew up a long-term vision dubbed BULL 55. As an action plan, the company released BULL 53, a medium-term corporate management plan that covers the fiscal year ending October 31, 2015 to the fiscal year ending October 31, 2017. The goal of this medium-term corporate management plan is to maximize Group strengths to build a management infrastructure that is stable and with sustainable earnings in the future. To this end, Kanamoto aims to further improve its corporate value by (1) expanding the reach of Kanamoto's domestic base of operations, (2) improving the Group's overall operational structure by building a new system that will serve as the Group's infrastructure, and (3) expanding its businesses overseas.

Consequently, in the fiscal year ended October 31, 2014, net sales rose 13.3% from the prior consolidated fiscal year level to ¥125,555 million. Meanwhile in the profit front, operating income expanded 44.4% from the prior consolidated fiscal year to ¥16,454 million and consolidated ordinary income increased 45.2% year-on-year to ¥16,078 million. Net income rose 60.1% over the prior consolidated fiscal year to ¥9,299 million.

[Operating Results for the Fiscal Year ended October 31, 2014]

(Percentages show the change from the prior year)

		Net Sales		Operating Income		Ordinary Income		Net Income	
		Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Consolidated	Year under review	125,555	13.3	16,454	44.4	16,078	45.2	9,299	60.1
	Prior year	110,831	28.7	11,392	77.2	11,073	86.6	5,809	62.5
Non-Consolidated	Year under review	94,301	15.9	13,433	50.5	13,550	52.9	8,181	66.4
	Prior year	81,360	17.8	8,926	57.3	8,861	83.6	4,916	91.8

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

## **b) Summary of consolidated operating results by business segment**

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

In the construction-related business that is the main business of Kanamoto, demand from public works projects trended at a high level owing to the full-fledged startup of reconstruction projects in quake-damaged regions and the government's execution of a 15-month budget for seamless fiscal stimulus. Moreover, nationwide construction equipment rental demand remained steady owing to stable construction to fix deteriorating infrastructures in regions throughout Japan and to prevent or alleviate natural disasters, and also owing to the private-sector civil engineering work, including railway, communications, gas, and harbor/port projects.

The Kanamoto Group is aggressively invested in facilities to maximize its response to the aforementioned demand. Consequently, sales rose year-on-year thanks to accurate asset allocation and fortification of operations. That said, sales sharply increased in all regions. Sales performance by region for this segment is as follows: sales rose 11.4% in the Hokkaido Region; 19.5% in the Tohoku Region; 6.3% in the Kanto & Shinetsu Region; 15.2% in the Kansai & Chubu Region; and 9.0% in the Kyushu & Okinawa Region compared with the prior consolidated fiscal year.

Sales of used construction equipment rose 63.6% versus the previous fiscal year, reflecting the systematic sale of equipment that had been in service for a certain number of years to ensure a reasonable asset composition.

As a result of these factors, net sales for Kanamoto's construction-related businesses for the consolidated fiscal year under review increased 13.9% from the prior consolidated fiscal year to ¥116,572 million, and operating income climbed 45.7% year-on-year to ¥15,910 million.

### **[Other Businesses]**

In Other Businesses, net sales increased 6.0% from the prior consolidated fiscal year to ¥8,983 million, while operating income also increased 5.9% year-on-year to ¥216 million, reflecting steady sales at businesses related to the Steel Sales Division and the Information Products Division.

#### **< Change in number of branches >**

During the consolidated fiscal year under review, Kanamoto newly opened 2 branches and closed 2 branches.

New branches: Rikuzentakata Branch (Rikuzentakata, Iwate Prefecture), Osaka-Kita Branch (Takatsuki, Osaka Prefecture)

Closed branches: Sendai-Nishi Branch (Aoba, Sendai, Miyagi Prefecture), Mikasa Machinery Center (Mikasa, Hokkaido Prefecture)

## **(2) Analysis of Financial Position**

### **a) Financial position**

Compared with the end of the prior consolidated fiscal year, total assets at the end of the consolidated fiscal year under review increased by ¥19,240 million to ¥188,491 million. The primary catalysts were an increase of ¥5,919 million in notes and accounts receivable - trade, reflecting a growth in net sales, an increase of ¥8,744 million in rental equipment in conjunction with sales activities, an increase of ¥2,611 million in construction machine parts, and an increase of ¥1,660 million in land, owing in part to the expansion of sales bases.

Total liabilities were ¥122,978 million, an increase of ¥9,920 million compared with the end of the prior consolidated fiscal year. This mainly reflects an increase of ¥3,731 million in accounts payable - other due to the acquisition of rental equipment and an increase of ¥8,523 million in long-term accounts payable-other. Meanwhile, in contrast current portion of long-term loans payable and long-term loans payable decreased by a combined ¥4,887 million.

Total net assets were ¥65,513 million, ¥9,320 million higher than at the end of the prior consolidated fiscal year. This is chiefly due to the posted of ¥9,299 million in net income.

**b) Consolidated cash flows**

(Unit: Millions of yen)

	FY Ended October 2013 (Prior consolidated fiscal year)	FY Ended October 2014 (Consolidated fiscal year under review)	Change from prior year
Net cash provided by (used in) operating activities	20,759	24,782	4,023
Net cash provided by (used in) investing activities	-1,117	-3,374	-2,257
Net cash provided by (used in) financing activities	-6,532	-22,405	-15,873
Net increase (decrease) in cash and cash equivalents	13,244	-976	-14,221
Cash and cash equivalents at beginning of period	19,717	32,957	13,240
Cash and cash equivalents at end of period	32,957	31,980	-976

The balance of cash and cash equivalents ("cash") on a consolidated basis at the end of the consolidated fiscal year under review decreased ¥976 million from the end of the prior consolidated fiscal year, to ¥31,980 million. Cash flows for the consolidated fiscal year under review are discussed below.

**(Net cash provided by (used in) operating activities)**

Cash generated as a result of operating activities increased 19.4% from the prior consolidated fiscal year to ¥24,782 million.

This mainly reflected depreciation of ¥17,950 million and income before income taxes and minority interests of ¥15,869 million, expenditure by the assets acquisition for rentals of ¥2,633 million, an increase in notes and accounts receivable - trade of ¥5,833 million and income taxes paid of ¥5,622 million.

**(Net cash provided by (used in) investing activities)**

Cash flow utilized as a result of investing activities was ¥3,374 million, compared with ¥1,117 million in the prior consolidated fiscal year.

This mainly reflected the purchase of property, plant and equipment of ¥3,102 million.

**(Net cash provided by (used in) financing activities)**

Cash flow used for financing activities was ¥22,405 million, compared with cash flow used in financing activities in the prior consolidated fiscal year of ¥6,532 million.

This mainly reflected ¥15,132 million for repayments of installment payables, ¥1,347 million for repayments of lease obligations, and ¥13,726 million for repayments of long-term loans payable. Meanwhile, the Company posted ¥8,700 million in proceeds from long-term loans payable.

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

	FY ended October 2011	FY ended October 2012	FY ended October 2013	FY ended October 2014
Equity ratio (%)	32.2	29.2	32.2	33.6
Equity ratio on a market capitalization basis (%)	15.1	23.3	56.4	76.3
Ratio of interest-bearing liabilities to operating cash flow	8.5	4.9	3.9	3.5
Interest coverage ratio (times)	7.4	13.4	19.1	25.6

(Notes) Equity ratio:  $\text{Equity} / \text{Total assets}$

Equity ratio on a market capitalization basis:

$\text{Shareholders' equity on a market capitalization basis} / \text{Total assets}$

Ratio of interest-bearing liabilities to operating cash flow:

$\text{Interest-bearing liabilities} / \text{Cash flows from operating activities}$

Interest coverage ratio:  $\text{Cash flows from operating activities} / \text{Interest payments}$

\* 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 shares) at the end of the term.

\* Cash flows 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 expenses paid on the consolidated statements of cash flows are used as interest payments.

### (3) Outlook for the Next Fiscal Year (Fiscal year ending October 2015)

Turning to the outlook for the next fiscal year, construction demand is expected to remain strong mainly in the Tohoku region and Tokyo metropolitan area, owing to the full-fledged startup of reconstruction in quake-damaged areas, the development of the Linear Shinkansen, the redevelopment of areas around new stations on the Yamanote line, the start of construction related to the Tokyo 2020 Summer Olympics. However, looking at construction demand in other regions, fiscal expenditures are trending downward, creating a murkier outlook for public works and other demand. Furthermore, the business climate is expected to be grimmer than a year earlier due to unsuccessful bidding and delays in construction starts reflecting still-high materials and equipment prices and as the lack of skilled labor becomes the norm.

Going forward the Kanamoto Group aims to continue to assist in the quick restoration of disaster-stricken areas. Concurrently, as the first step of the new medium-term corporate management plan, the Company plans to accelerate branch openings in the metropolitan areas of Kanto and Kansai, and other uncharted areas, and ultimately build a base for operations to achieve the goals in the third and final year of the medium-term corporate management plan. In addition, to continue to expand corporate value, the Company plans to concentrate management resources in fields in which it can leverage the Group's comprehensive capabilities. The Company aims to build a structure to facilitate the fortification of its financial position and earnings strength.

That said, regarding overseas business expansion, the Company aims to aggressively move forward by developing partnerships with strong local companies, mainly in Asia where there is future growth potential.

[Fiscal year ending October 2015 Projected Operating Results (November 1, 2014 - October 31, 2015)]

(Millions of yen except net income per share, which is in yen)

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income per Share
Consolidated full-year projection	128,600	16,960	16,610	9,520	264.15
Non-Consolidated full-year projection	96,300	13,910	14,190	8,500	235.85

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

Kanamoto seeks to ensure a stable return of earnings to the maximum extent possible, and considers maintaining a stable dividend to be a fundamental management policy.

For the fiscal year ended October 2014 the Company plans an annual dividend of ¥20 per share, plus a commemorative dividend to celebrate the 50<sup>th</sup> anniversary of the Company's founding of ¥15, for a total per-share dividend of ¥35 (this includes the interim dividend of ¥15 per share). The Company plans an annual dividend payout for the next fiscal year ending October 2015 of ¥30 per share (which includes an interim dividend of ¥15).

Furthermore, the Company plans to utilize its internal reserves by allocating funds for capital investment, including the introduction of rental equipment 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 also established a system for making purchases of treasury shares.

##### 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 yen (selected from a specially mailed catalog).

#### **(5) Business Risks and Other Risks**

This section has been omitted as there were no significant changes from the Business Risks and Other Risks section of the annual securities report filed with the MOF on January 29, 2014.

The annual securities report can be viewed as the following URL.

<https://www.kanamoto.ne.jp/report/index.html>

## 2. Current Conditions of the Company's Group

The Kanamoto Group consists of a total of 15 companies—9 consolidated subsidiaries, 4 non-consolidated subsidiaries, and 1 affiliate. The principal business is the “Business related to the Construction Equipment Rental Division,” which handles rental and sales of construction equipment and construction-related materials and equipment. The “Other businesses” segment carries out related activities, mainly “Business related to the Steel Sales Division,” and “Business related to the Information Products Division and Other Businesses.”

An explanation of the business activities and position of each company in the Kanamoto Group is provided below.

### < Business related to the Construction Equipment Rental Division >

Kanamoto, Daiichi Kikaisangyo Co., Ltd., Kanki Corporation, Kyushu Kensan Co., Ltd., Toyo Industry Co., Ltd., Unite Co., Ltd., and KG Flowtechno Co., Ltd. are engaged in construction equipment rental and sales.

Kyushu Kensan Co., Ltd. deals in rental and sales of construction equipment centered on foundation equipment. Toyo Industry Co., Ltd. handles the rental and sales of equipment related to the shield tunneling. Unite Co., Ltd. conducts roadway construction equipment rental and sales and roadway construction. KG Flowtechno Co., Ltd. and its subsidiary Shanghai KG Machinery Co., Ltd. carry out equipment rental and technical development, and also the manufacture and sales of construction equipment for ground improvement.

Assist Co., Ltd. and its affiliated Asahi Rentax Co., Ltd. deal in the rental and sales of furniture, fixtures and safety products. Kanatech Co., Ltd. engages in the design and sale of modular housing units for temporary use.

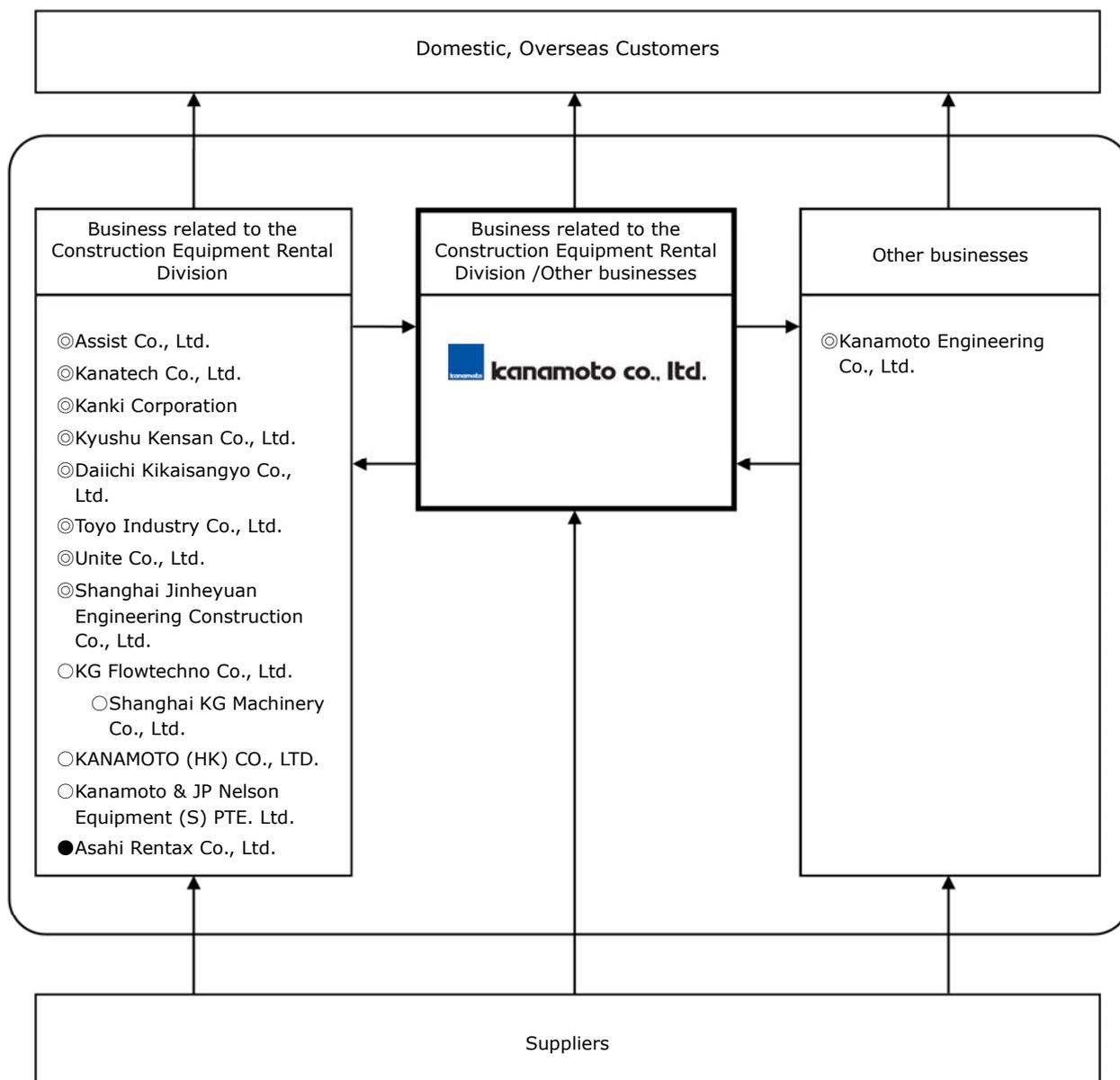
These companies, depending on need, also lease rental equipment from Kanamoto. In the same fashion, Kanamoto leases rental equipment from these companies, which it in turns leases out to other companies. Kanamoto purchases modular housing units for temporary use from Kanatech Co., Ltd.

In China, Shanghai Jinheyuan Engineering Construction Co., Ltd. carries out construction equipment rental and sales, and also imports construction materials and equipment. Meanwhile, KANAMOTO (HK) CO., LTD. in Hong Kong and Kanamoto & JP Nelson Equipment (S) PTE. Ltd. in Singapore both handle construction equipment rentals and sales.

### < Other businesses >

Kanamoto Engineering Co., Ltd. manages specified worker dispatching undertakings to dispatch engineering-related research and development employees to manufacturers and other entities.

The following diagram outlines our operating businesses and relationships.



**Notes:**

- (1) The equity method is not applied to non-consolidated subsidiaries and affiliates.
- (2) → indicates the flow of rental services and products provided
- (3) © indicates consolidated subsidiaries, ○ indicates non-consolidated subsidiaries, ● indicates affiliates. Please see the previous page for details on the operations carried out by these companies.

### 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

To improve the value of its shares in the medium and long term, the Group targets an ROE (return on equity) of more than 10% by improving earnings in each business segment, and by enhancing its capital efficiency. Moreover, in the mainstay construction equipment rental business, given the high weighting of fixed assets, the Company aims to further improve its shareholders’ equity ratio by setting its target at 45% and above.

The Company is also employing ROI (return on investment) and EBITDA+ (earnings before interest, taxes, depreciation and administration) which is a key indicator Kanamoto has been employing for some time to measure asset efficiency, as a key indicator to determine whether to make new capital investments, including those for rental equipment.

Meanwhile, heavy emphasis is being placed on consolidated net sales and operating income, which yardsticks for corporate size and earnings strength, as the smooth growth of net sales and operating income is an indicator of corporate growth potential.

#### (3) Medium- to Long-term Corporate Management Strategy

The Company’s medium-term corporate management strategy is included in BULL 53, the medium-term corporate management plan. In accordance with this plan, Kanamoto plans to aggressively expand its operations base in the Kanto & Shinetsu region, the home to major projects such as infrastructure development and redevelopment projects related to the Tokyo 2020 Summer Olympic/Paralympic Games, and build a structure that will enable the Company to bolster earnings in the Tokyo metropolitan area, in line with medium- to long-term demand forecasts. In addition, as a long-term growth engine, Kanamoto aims to strategically move forward with the development of an overseas base for operations, mainly in the ASEAN nations, where demand potential is high.

Main targets in the medium-term corporate management plan BULL 53

	Fiscal year ending October 31, 2017
Net Sales (hundred millions of yen)	1,500
Operating Income (hundred millions of yen)	190
Equity Ratio (%)	45%-plus
EPS (Yen)	260
BPS (Yen)	2,400
ROA (%)	5%-plus
ROE (%)	10%-plus
EBITDA+ (hundred millions of yen)	500

#### **(4) Issues to be Addressed by the Company**

The core business of the Kanamoto Group is construction equipment rental. Accordingly, the Company must build a strong earnings structure and a detailed operating structure by targeting business domains, asset-ownership scale, and an asset portfolio structure, in which earnings are not substantially impacted by the level of domestic construction investment.

##### **a) Strengthen human resources training, and also Kanamoto Group alliances**

During the next several years, intensified competition among companies in the construction equipment rental industry is likely to reveal a clear distinction among companies and result in poor performers falling to the wayside. Kanamoto plans to train its employees so that they will possess the knowledge and skills fitting for people working at a leading company in the construction equipment rental industry. The Company also plans to train human resources that can immediately respond to business expansion in Japan and abroad. Moreover, to expand business domains and areas, it is essential that Kanamoto fortify Group company alliances and the relationships with alliance companies, based on which Kanamoto will fully exert its comprehensive 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 further 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.

## 4. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Unit: Millions of yen)

	Prior consolidated fiscal year (As of October 31, 2013)	Current consolidated fiscal year (As of October 31, 2014)
<b>Assets</b>		
Current assets		
Cash and deposits	*2 32,627	31,650
Notes and accounts receivable - trade	*5 27,731	*5 33,651
Securities	350	350
Merchandise and finished goods	642	595
Costs on uncompleted construction contracts	20	50
Raw materials and supplies	201	227
Construction machine parts	3,954	6,566
Income taxes receivable	29	0
Consumption taxes receivable	8	43
Deferred tax assets	983	656
Other	754	515
Allowance for doubtful accounts	-335	-227
Total current assets	66,968	74,080
Non-current assets		
Property, plant and equipment		
Rental equipment	131,975	150,727
Accumulated depreciation	-75,075	-85,083
Rental equipment, net	56,899	65,644
Buildings and structures	22,843	23,691
Accumulated depreciation	-15,140	-15,663
Buildings and structures, net	*2 7,702	8,027
Machinery, equipment and vehicles	5,480	5,541
Accumulated depreciation	-4,861	-4,882
Machinery, equipment and vehicles, net	619	659
Land	*2 29,798	31,459
Other	1,315	1,563
Accumulated depreciation	-1,012	-1,013
Other, net	303	549
Total property, plant and equipment	95,322	106,341
Intangible assets		
Goodwill	19	57
Other	250	208
Total intangible assets	270	266
Investments and other assets		
Investment securities	*1 5,256	*1 6,286
Deferred tax assets	147	265
Other	1,894	1,854
Allowance for doubtful accounts	-541	-491
Allowance for investment loss	-67	-110
Total investments and other assets	6,689	7,804
Total non-current assets	102,282	114,411
Total assets	169,250	188,491

(Unit: Millions of yen)

	Prior consolidated fiscal year (As of October 31, 2013)	Current consolidated fiscal year (As of October 31, 2014)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	21,293	23,134
Short-term loans payable	*2 591	612
Current portion of long-term loans payable	12,179	11,883
Lease obligations	1,085	995
Income taxes payable	3,533	3,729
Provision for bonuses	823	850
Allowance for losses on employee pension fund withdrawal	200	-
Accounts payable - other	12,728	16,460
Other	1,983	2,988
Total current liabilities	54,419	60,655
Non-current liabilities		
Long-term loans payable	26,288	21,698
Lease obligations	2,662	2,082
Provision for retirement benefits	7	-
Long-term accounts payable - other	29,329	37,853
Asset retirement obligations	210	231
Net defined benefit liability	-	16
Other	138	440
Total non-current liabilities	58,638	62,322
Total liabilities	113,058	122,978
<b>Net assets</b>		
Shareholders' equity		
Capital stock	13,652	13,652
Capital surplus	14,916	14,916
Retained earnings	24,462	32,860
Treasury shares	-48	-56
Total shareholders' equity	52,983	61,373
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,567	1,977
Foreign currency translation adjustment	-1	14
Total accumulated other comprehensive income	1,566	1,992
Minority interests	1,643	2,147
Total net assets	56,192	65,513
Total liabilities and net assets	169,250	188,491

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

(Unit: Millions of yen)

	Prior consolidated fiscal year (From November 1, 2012 to October 31, 2013)	Current consolidated fiscal year (From November 1, 2013 to October 31, 2014)
Net sales	110,831	125,555
Cost of sales	76,522	85,334
Gross profit	34,309	40,220
Selling, general and administrative expenses	*1 22,916	*1 23,766
Operating income	11,392	16,454
Non-operating income		
Interest income	9	9
Dividend income	58	90
Insurance income	84	33
Rent income	58	57
A receipt bonus	35	42
Foreign exchange gains	223	183
Amortization of negative goodwill	51	–
Reversal of allowance for doubtful accounts	19	79
Reversal of provision for loss on disaster	6	–
Other	221	218
Total non-operating income	768	714
Non-operating expenses		
Interest expenses	824	609
Loss on sales of notes payable	41	34
Other	223	445
Total non-operating expenses	1,088	1,090
Ordinary income	11,073	16,078
Extraordinary income		
Subsidy income	36	12
Gain on sales of non-current assets	*2 34	*2 37
Gain on sales of investment securities	1	–
Reversal of provision incurred from business combination	*5 55	–
Other	0	0
Total extraordinary income	127	49
Extraordinary losses		
Loss on sales and retirement of non-current assets	*3 95	*3 215
Impairment loss	*4 217	–
Loss on valuation of investment securities	187	–
Loss on revision of retirement benefit plan	–	43
Other	13	–
Total extraordinary losses	514	258
Income before income taxes and minority interests	10,686	15,869
Income taxes - current	4,856	5,849
Income taxes - deferred	-315	284
Total income taxes	4,540	6,134
Income before minority interests	6,146	9,734
Minority interests in income	336	435
Net income	5,809	9,299

**(Consolidated Statements of Comprehensive Income)**

(Unit: Millions of yen)

	Prior consolidated fiscal year (From November 1, 2012 to October 31, 2013)	Current consolidated fiscal year (From November 1, 2013 to October 31, 2014)
Income before minority interests	6,146	9,734
Other comprehensive income		
Valuation difference on available-for-sale securities	1,236	409
Foreign currency translation adjustment	74	19
Total other comprehensive income	* 1,310	* 429
Comprehensive income	7,457	10,164
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,098	9,725
Comprehensive income attributable to minority interests	358	439

### (3) Consolidated Statements of Changes in Equity

Prior consolidated fiscal year (From November 1, 2012 to October 31, 2013)

(Unit: Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	9,696	10,960	19,199	-27	39,829
Changes of items during period					
Issuance of new shares	3,956	3,956			7,912
Dividends of surplus			-656		-656
Net income			5,809		5,809
Change of scope of consolidation			109		109
Purchase of treasury shares				-20	-20
Disposal of treasury shares					-
Net changes of items other than shareholders' equity					
Total changes of items during period	3,956	3,956	5,262	-20	13,153
Balance at end of current period	13,652	14,916	24,462	-48	52,983

	Accumulated other comprehensive income			Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	331	-54	276	1,293	41,399
Changes of items during period					
Issuance of new shares					7,912
Dividends of surplus					-656
Net income					5,809
Change of scope of consolidation					109
Purchase of treasury shares					-20
Disposal of treasury shares					-
Net changes of items other than shareholders' equity	1,236	53	1,289	349	1,639
Total changes of items during period	1,236	53	1,289	349	14,792
Balance at end of current period	1,567	-1	1,566	1,643	56,192

Current consolidated fiscal year (From November 1, 2013 to October 31, 2014)

(Unit: Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	13,652	14,916	24,462	-48	52,983
Changes of items during period					
Issuance of new shares					-
Dividends of surplus			-901		-901
Net income			9,299		9,299
Change of scope of consolidation					-
Purchase of treasury shares				-8	-8
Disposal of treasury shares					-
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	8,397	-8	8,389
Balance at end of current period	13,652	14,916	32,860	-56	61,373

	Accumulated other comprehensive income			Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	1,567	-1	1,566	1,643	56,192
Changes of items during period					
Issuance of new shares					-
Dividends of surplus					-901
Net income					9,299
Change of scope of consolidation					-
Purchase of treasury shares					-8
Disposal of treasury shares					-
Net changes of items other than shareholders' equity	409	16	426	504	930
Total changes of items during period	409	16	426	504	9,320
Balance at end of current period	1,977	14	1,992	2,147	65,513

**(4) Consolidated Statements of Cash Flows**

(Unit: Millions of yen)

	Prior consolidated fiscal year (From November 1, 2012 to October 31, 2013)	Current consolidated fiscal year (From November 1, 2013 to October 31, 2014)
Cash flows from operating activities		
Income before income taxes and minority interests	10,686	15,869
Depreciation	15,181	17,950
Impairment loss	217	–
Amortization of goodwill	29	26
Loss (gain) on sales and retirement of non-current assets	60	178
The amount of assets buy on the installment plan purchase for small rentals	4	0
The amount of cost price transfer with the construction machine parts sale	9	8
The amount of cost price transfer with asset sell-off for rentals	866	684
Expenditure by the construction equipment and supplies	-64	-124
Expenditure by the assets acquisition for rentals	-3,047	-2,633
Loss (gain) on valuation of investment securities	187	–
Loss (gain) on sales of investment securities	-1	–
Increase (decrease) in allowance for doubtful accounts	-12	-183
Increase (decrease) in allowance for investment loss	–	42
Increase (decrease) in provision for bonuses	54	26
Increase (decrease) in provision for retirement benefits	6	–
Increase (decrease) in provision for loss on disaster	-10	–
Increase (decrease) in allowance for losses on employee pension fund withdrawal	200	-200
Increase (decrease) in net defined benefit liability	–	8
Interest and dividend income	-67	-99
Assets buy on the installment plan purchase payment interest for rentals	243	347
Interest expenses	824	609
Foreign exchange losses (gains)	-160	-138
Reversal of provision incurred from business combination	-55	–
Loss on revision of retirement benefit plan	–	43
Decrease (increase) in notes and accounts receivable - trade	-4,107	-5,833
Decrease (increase) in inventories	-72	-6
Increase (decrease) in notes and accounts payable - trade	3,331	2,029
Increase (decrease) in accounts payable - other	1,031	1,728
Other, net	114	941
Subtotal	25,452	31,275
Interest and dividend income received	67	99
Interest expenses paid	-1,087	-969
Income taxes paid	-3,672	-5,622
Net cash provided by (used in) operating activities	20,759	24,782

(Unit: Millions of yen)

	Prior consolidated fiscal year (From November 1, 2012 to October 31, 2013)	Current consolidated fiscal year (From November 1, 2013 to October 31, 2014)
Cash flows from investing activities		
Payments into time deposits	-	-340
Proceeds from withdrawal of time deposits	-	340
Purchase of property, plant and equipment	-1,092	-3,102
Proceeds from sales of property, plant and equipment	100	40
Purchase of intangible assets	-123	-84
Purchase of investment securities	-343	-311
Proceeds from sales of investment securities	1	0
Purchase of shares of subsidiaries	-	-27
Purchase of shares of subsidiaries and associates	-	-66
Payments of loans receivable	-76	-5
Collection of loans receivable	418	165
Other, net	-1	17
Net cash provided by (used in) investing activities	-1,117	-3,374
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-322	3
Proceeds from long-term loans payable	13,200	8,700
Repayments of long-term loans payable	-13,762	-13,726
Proceeds from issuance of common shares	7,912	-
Repayments of installment payables	-10,841	-15,132
Repayments of lease obligations	-2,040	-1,347
Purchase of treasury shares	-20	-8
Purchase of treasury shares of subsidiaries	-	-0
Cash dividends paid	-656	-899
Proceeds from share issuance to minority shareholders	-	8
Cash dividends paid to minority shareholders	-1	-3
Net cash provided by (used in) financing activities	-6,532	-22,405
Effect of exchange rate change on cash and cash equivalents	134	21
Net increase (decrease) in cash and cash equivalents	13,244	-976
Cash and cash equivalents at beginning of period	19,717	32,957
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	-4	-
Cash and cash equivalents at end of period	*1 32,957	*1 31,980

## **(5) Notes to the Consolidated Financial Statements**

### **(Notes Relating to the Going Concern Assumption)**

The Company had no material items to report.

### **(Important Matters Used as Basis for Preparation of the Consolidated Financial Statements)**

#### 1. Companies included in the consolidation

##### (1) Number of consolidated subsidiaries: 9 companies

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 Kikaisangyo Co., Ltd.

Toyo Industry Co., Ltd.

Unite Co., Ltd.

##### (2) Number of non-consolidated subsidiaries: 4 companies

Non-consolidated subsidiary name

KG Flowtechno Co., Ltd.

KANAMOTO (HK) CO., LTD.

Kanamoto & JP Nelson Equipment (S) PTE. Ltd.

Shanghai KG Machinery Co., Ltd.

(Reason for exclusion from consolidation)

The size of each of the non-consolidated subsidiaries is small, and each company's total assets, net sales and net income or loss (amount corresponding to equity) and retained earnings (amount corresponding to equity) do not have a material effect on the consolidated financial statements.

#### 2. Matters pertaining to application of equity method accounting

Number of affiliates: 1 company

Name of affiliate

Asahi Rentax Co., Ltd.

Given net income or loss (amount corresponding to equity) and retained earnings (amount corresponding to equity), applying the equity method to the 4 non-consolidated subsidiaries and the 1 affiliate, to which the equity method is not currently applied, would have little impact to the Company's consolidated financial statements. Moreover equity-method accounting is not being used due to the lack of overall significance.

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

The fiscal year closing date for all of the consolidated subsidiaries except Shanghai Jinheyuan Engineering Construction Co., Ltd. is October 31. 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, adjusted for significant transactions that occurred between the subsidiary's fiscal year-end and the consolidation date that have a material effect on the consolidated financial results.

#### 4. Accounting principles and standards used for normal accounting treatment

##### (1) Appraisal standards and appraisal methods for principal assets

###### a. Securities

###### Other 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 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 machine parts

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. Inventories

###### (i) Merchandise and finished goods

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) Costs on uncompleted construction contracts

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. Property, plant and equipment (excluding leased assets)

The Company has adopted the straight-line method for rental equipment (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, 1998, but excluding fixtures and equipment.

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

Rental equipment	2-15 years
------------------	------------

Buildings and structures	2-60 years
--------------------------	------------

###### b. Intangible assets (excluding leased 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. Leased 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. Provision for bonuses
  - 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 investment loss
  - 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 policy for retirement benefits
  - Consolidated subsidiaries are applying a simplified method to calculate net defined benefit liability and retirement benefit expenses by assuming the retirement benefit liability to be equal to the retirement benefits payable assuming the voluntary retirement of all employees at fiscal year-end.
- (5) 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
- (6) 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 to the average market price during the period, and the translation adjustments are accounted for by including the amounts in the foreign currency translation adjustment and minority interests in net assets.
- (7) 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.
- (8) Amortization method and amortization period for goodwill
  - Goodwill amortization is done using the straight-line method over a five-year period. However, extremely small amounts are written off completely in the year in which they occur.
- (9) Items included in cash on the consolidated statements of cash flows
  - Funds included in cash (cash and cash equivalents) on the consolidated statements 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.

(10) Other important matters for preparing consolidated financial statements

Accounting standards for consumption taxes

The tax-exclusion method is employed as the accounting standard for national and local consumption taxes. Non-deductible national and local consumption taxes are treated as an expense in the fiscal year under review.

**(Supplemental Information)**

Impact from change to corporate tax rate

Due to the March 31, 2014 official announcement of the "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 10 of 2014) and the partial revision to the "Act on Special Measures for Securing Financial Resources Necessary for Reconstruction from the Great East Japan Earthquake" (Law No. 117 of 2011), the special corporate tax for reconstruction was terminated for all consolidated fiscal years after April 1, 2014.

Accordingly, an effective corporate tax rate of 35.3%, instead of 37.7%, will be implemented in the calculation of deferred tax assets and liabilities related to one-off items expected to be written off in the consolidated fiscal year beginning November 1, 2014.

In light of this revision, net income declined ¥49 million reflecting a ¥49 million decrease in deferred tax assets (after deducting deferred tax liabilities) and an increase of ¥49 million to income taxes - deferred posted in the fiscal year under review.

**(Notes to the Consolidated Balance Sheets)**

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

(Unit: Millions of yen)

	Prior consolidated fiscal year (As of October 31, 2013)	Current consolidated fiscal year (As of October 31, 2014)
Investment securities (shares)	262	360

\*2 Assets provided for security and secured debts

Assets provided for security are as follows.

(Unit: Millions of yen)

	Prior consolidated fiscal year (As of October 31, 2013)	Current consolidated fiscal year (As of October 31, 2014)
Cash and deposits	20	-
Buildings and structures	32	-
Land	150	-

Secured debts are as follows.

(Unit: Millions of yen)

	Prior consolidated fiscal year (As of October 31, 2013)	Current consolidated fiscal year (As of October 31, 2014)
Short-term loans payable	280	-

### 3. Guarantees

(Unit: Millions of yen)

	Prior consolidated fiscal year (As of October 31, 2013)	Current consolidated fiscal year (As of October 31, 2014)
Joint and several guarantees of employee bank loans (North Pacific Bank, Ltd., others)	26	30
Guarantee of borrowing liabilities of KG Flowtechno Co., Ltd., a non-consolidated subsidiary company	160	160
Guarantee of installment payment liabilities of KG Flowtechno Co., Ltd., a non-consolidated subsidiary company	11	–
Guarantee of borrowing liabilities of KANAMOTO (HK) CO., LTD., a non-consolidated subsidiary company	HK\$16,120 thousand (204)	HK\$13,930 thousand (196)
Guarantee of borrowing liabilities of KANAMOTO (HK) CO., LTD., a non-consolidated subsidiary company	US\$102 thousand (10)	US\$53 thousand (5)
Guarantee of installment payment liabilities of Kanamoto & JP Nelson, a non-consolidated subsidiary company	SG\$2,981 thousand (237)	SG\$2,434 thousand (208)
<b>Total</b>	<b>650</b>	<b>601</b>

### 4 Discount on notes receivable - trade and notes receivable - trade transferred by endorsement

(Unit: Millions of yen)

	Prior consolidated fiscal year (As of October 31, 2013)	Current consolidated fiscal year (As of October 31, 2014)
Discount on notes receivable - trade	144	83
Notes receivable - trade transferred by endorsement	10	5

\*5 Liquidation of receivables based on receivables transfer facility

(Unit: Millions of yen)

	Prior consolidated fiscal year (As of October 31, 2013)	Current consolidated fiscal year (As of October 31, 2014)
Notes receivable - trade	6,277	3,906

Liquidated claims bearing a right of recourse to the Company and included in the balance of notes receivable - trade transferred are as follows.

(Unit: Millions of yen)

	Prior consolidated fiscal year (As of October 31, 2013)	Current consolidated fiscal year (As of October 31, 2014)
Notes receivable - trade	1,281	707

**(Notes to the Consolidated Statements of Income)**

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

(Unit: Millions of yen)

	Prior consolidated fiscal year (From November 1, 2012 to October 31, 2013)	Current consolidated fiscal year (From November 1, 2013 to October 31, 2014)
Employees' salaries and allowances	9,201	9,580
Depreciation	908	932
Rent expenses	2,439	2,604
Provision of allowance for doubtful accounts	297	23
Provision for bonuses	797	824
Retirement benefit expenses	350	389
Amortization of goodwill	81	26

\*2 The breakdown of gain on sales of non-current assets is as follows.

(Unit: Millions of yen)

	Prior consolidated fiscal year (From November 1, 2012 to October 31, 2013)	Current consolidated fiscal year (From November 1, 2013 to October 31, 2014)
Buildings and structures	0	2
Machinery, equipment and vehicles	2	5
Land	31	18
Other	–	11
<b>Total</b>	<b>34</b>	<b>37</b>

\*3 The breakdown of loss on sales and retirement of non-current assets is as follows.

(Unit: Millions of yen)

	Prior consolidated fiscal year (From November 1, 2012 to October 31, 2013)	Current consolidated fiscal year (From November 1, 2013 to October 31, 2014)
(Loss on sales of non-current assets)		
Machinery, equipment and vehicles	0	–
Land	–	0
Other	0	0
(Loss on retirement of non-current assets)		
Rental equipment	57	42
Buildings and structures	10	44
Machinery, equipment and vehicles	2	4
Land	1	0
Other (property, plant and equipment)	21	4
Other (software)	–	118
<b>Total</b>	<b>95</b>	<b>215</b>

\*4 Impairment loss

During the consolidated fiscal year the Kanamoto Group recorded impairment losses on the following asset groups.

Prior consolidated fiscal year (From November 1, 2012 to October 31, 2013)

Location	Use	Asset
Shanghai, China	Dormant assets	Rental equipment
	–	Goodwill

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.

In the consolidated fiscal year under review, the asset value of dormant assets undershot their book value. In light of this, the book value was lowered to the recoverable amount of the assets and the decrease in value was posted as an impairment loss (¥75 million) under extraordinary losses. Rental equipment accounts for the total ¥75 million.

The recoverable value for rental equipment is measured according to net sales price, and calculated based on the estimated appraised value.

The Kanamoto Group judges whether to recognize impairment losses by grouping assets for each company or business. The goodwill, total book value of ¥142 million, incurred owing to the investment in the consolidated subsidiary Shanghai Jinheyuan Engineering Construction Co., Ltd. was recorded as an impairment loss, given that the Company does not expect to see the earnings it forecast at the time of investment.

Current consolidated fiscal year (From November 1, 2013 to October 31, 2014)

The Company had no material items to report.

\*5 Reversal of provision incurred from business combination

Prior consolidated fiscal year (From November 1, 2012 to October 31, 2013)

In the provision incurred from business combination, a gain on reversal of ¥55 million was posted. This reflects the posting of an expected shortfall in contribution as provision incurred from business combination due to poor fiscal conditions at the employee pension fund that consolidated subsidiary Unite Co., Ltd. is enrolled in. Of the amount posted, the Company drew down the difference between the projected amount at the time of Unite's withdrawal in the consolidated fiscal year under review and the amount recorded as an allowance for losses on employee pension fund withdrawal.

Current consolidated fiscal year (From November 1, 2013 to October 31, 2014)

The Company had no material items to report.

**(Notes to the Consolidated Statements of Comprehensive Income)**

\* Reclassification adjustments and the related tax effects concerning other comprehensive income

(Unit: Millions of yen)

	Prior consolidated fiscal year (From November 1, 2012 to October 31, 2013)	Current consolidated fiscal year (From November 1, 2013 to October 31, 2014)
Valuation difference on available-for-sale securities:		
Amount occurring during the current period	1,909	633
Reclassification adjustments	–	–
Before adjustment for tax effects	1,909	633
Tax effects	–672	–223
Valuation difference on available-for-sale securities	1,236	409
Foreign currency translation adjustment:		
Amount occurring during the current period	74	19
Total other comprehensive income	1,310	429

**(Notes to the Consolidated Statements of Changes in Equity)**

Prior consolidated fiscal year (From November 1, 2012 to October 31, 2013)

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

	Number of shares at beginning of consolidated fiscal year (thousands of shares)	Increase in number of shares during consolidated fiscal year (thousands of shares)	Decrease in number of shares during consolidated fiscal year (thousands of shares)	Number of shares at end of consolidated fiscal year (thousands of shares)
Outstanding shares				
Common shares (Note 1)	32,872	3,220	–	36,092
Total	32,872	3,220	–	36,092
Treasury shares				
Common shares (Note 2)	39	10	–	50
Total	39	10	–	50

(Notes) 1. The 3,220,000 share increase in the number of common shares outstanding consists of 2,800,000 newly issued shares and 420,000 newly issued shares via a third-party allotment.

2. The number of treasury shares of common shares increased by 10,000 shares through purchases of shares comprising less than one investment unit.

## 2. Matters pertaining to subscription rights to shares and treasury subscription rights to shares

The Company had no material items to report.

### 3. Dividends

#### (1) Dividends paid

Resolution	Class of shares	Total dividend (Millions of yen)	Dividend per share (yen)	Date of record	Payment date
December 27, 2012 Board of Directors	Common shares	328	10.00	October 31, 2012	January 30, 2013
June 7, 2013 Board of Directors	Common shares	328	10.00	April 30, 2013	July 8, 2013

#### (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 shares	Total dividend (Millions of yen)	Source of funds for dividend	Dividend per share (yen)	Date of record	Payment date
December 27, 2013 Board of Directors	Common shares	360	Retained earnings	10.00	October 31, 2013	January 30, 2014

Current consolidated fiscal year (From November 1, 2013 to October 31, 2014)

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

	Number of shares at beginning of consolidated fiscal year (thousands of shares)	Increase in number of shares during consolidated fiscal year (thousands of shares)	Decrease in number of shares during consolidated fiscal year (thousands of shares)	Number of shares at end of consolidated fiscal year (thousands of shares)
Outstanding shares				
Common shares	36,092	–	–	36,092
Total	36,092	–	–	36,092
Treasury shares				
Common shares (Note)	50	2	–	52
Total	50	2	–	52

(Note) The number of treasury shares of common shares increased by 2,000 shares through purchases of shares comprising less than one investment unit.

#### 2. Matters pertaining to subscription rights to shares and treasury subscription rights to shares

The Company had no material items to report.

### 3. Dividends

#### (1) Dividends paid

Resolution	Class of shares	Total dividend (Millions of yen)	Dividend per share (yen)	Date of record	Payment date
December 27, 2013 Board of Directors	Common shares	360	10.00	October 31, 2013	January 30, 2014
June 6, 2014 Board of Directors (Note)	Common shares	540	15.00	April 30, 2014	July 7, 2014

(Note) The dividend per share includes a commemorative dividend of ¥5.00 to celebrate the 50<sup>th</sup> anniversary of the company's founding.

- (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 shares	Total dividend (Millions of yen)	Source of funds for dividend	Dividend per share (yen)	Date of record	Payment date
December 26, 2014 Board of Directors (Planned)	Common shares	720	Retained earnings	20.00	October 31, 2014	January 30, 2015

(Note) The dividend per share includes a commemorative dividend of ¥10.00 to celebrate the 50<sup>th</sup> anniversary of the company's founding.

**(Notes to the Consolidated Statements of Cash Flows)**

- \*1. Relationship between cash and equivalents at end of period and amounts for items shown on the consolidated balance sheets

(Unit: Millions of yen)

	Prior consolidated fiscal year (From November 1, 2012 to October 31, 2013)	Current consolidated fiscal year (From November 1, 2013 to October 31, 2014)
Cash and deposits account	32,627	31,650
Time deposits with a maturity longer than 3 months	-20	-20
Securities	350	350
Cash and cash equivalents	32,957	31,980

2. Details of major non-cash transactions

- (1) Amount of assets and liabilities related to installment transactions, amount of assets and liabilities related to lease transactions, and acquisition of investment securities by investments in kind, that are newly accounted for

(Unit: Millions of yen)

	Prior consolidated fiscal year (From November 1, 2012 to October 31, 2013)	Current consolidated fiscal year (From November 1, 2013 to October 31, 2014)
Amount of assets and liabilities related to installment transactions	22,532	25,588
Amount of assets and liabilities related to lease transactions	872	474

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

(Unit: Millions of yen)

	Prior consolidated fiscal year (From November 1, 2012 to October 31, 2013)	Current consolidated fiscal year (From November 1, 2013 to October 31, 2014)
Amount related to asset retirement obligations	13	30

**(Notes to Leasing Transactions)**

(Lessee)

## 1. Finance lease transactions

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

## (1) Leased assets

Property, plant and equipment

Construction-related business rental equipment and other property, plant and equipment.

## (2) Method of depreciation for leased assets

Leased 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 important matters used as basis for preparation of the consolidated financial statements.

It should be noted for those finance lease transactions except for leases that transfer ownership of the property that have a start date prior to October 31, 2008 the Company uses accounting methods that conform to methods used for ordinary rental transactions. The details are as follows.

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

(Unit: Millions of yen)

	Prior consolidated fiscal year (As of October 31, 2013)		
	Acquisition price	Accumulated depreciation	Outstanding balance
Rental equipment	5,015	3,800	1,215
Total	5,015	3,800	1,215

(Unit: Millions of yen)

	Current consolidated fiscal year (As of October 31, 2014)		
	Acquisition price	Accumulated depreciation	Outstanding balance
Rental equipment	1,121	988	132
Total	1,121	988	132

- b) Outstanding balance of future lease payments at the end of the consolidated fiscal year

(Unit: Millions of yen)

	Prior consolidated fiscal year (As of October 31, 2013)	Current consolidated fiscal year (As of October 31, 2014)
Outstanding balance of future lease payments at the end of the consolidated fiscal year		
Within one year	1,202	149
After one year	160	1
Total	1,363	150

c) Amount of lease payments, depreciation expense and interest expense

(Unit: Millions of yen)

	Prior consolidated fiscal year (From November 1, 2012 to October 31, 2013)	Current consolidated fiscal year (From November 1, 2013 to October 31, 2014)
Lease payments	1,775	865
Depreciation expense	1,170	402
Interest expense	66	19

d) Accounting method for amount equivalent to depreciation expense

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

e) 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.

(Impairment losses)

There is no impairment loss allocated to leased assets.

2. Operating lease transactions

Prepaid lease payments pertaining to non-cancellable operating lease transactions

(Unit: Millions of yen)

	Prior consolidated fiscal year (As of October 31, 2013)	Current consolidated fiscal year (As of October 31, 2014)
Within one year	2,288	2,750
After one year	7,248	7,658
Total	9,536	10,408

**(Business Segment Information)**

**[Segment information]**

1. Summary of reporting segments

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

The Company conducts business operations by product and service. The "business related to the Construction Equipment Rental Division" is the 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 net sales, 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 "Important Matters Used as Basis for Preparation of 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 net sales, income or loss, assets, liabilities and other items of each reporting segment

Prior consolidated fiscal year (From November 1, 2012 to October 31, 2013)

(Unit: Millions of yen)

	Reporting segment	Other businesses (Note)	Total
	Business related to the Construction Equipment Rental Division		
Net sales			
Net sales to outside customers	102,359	8,472	110,831
Net sales or transfers between related segments	-	-	-
Total	102,359	8,472	110,831
Segment income	10,916	204	11,120
Segment assets	124,460	2,672	127,132
Other items			
Depreciation	14,936	2	14,939
Amortization of goodwill	29	-	29
Extraordinary losses	217	-	217
(Impairment loss)	(217)	(-)	(217)
Amount of increase of property, plant and equipment and intangible assets	26,528	13	26,541

(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, 2013 to October 31, 2014)

(Unit: Millions of yen)

	Reporting segment	Other businesses (Note)	Total
	Business related to the Construction Equipment Rental Division		
Net sales			
Net sales to outside customers	116,572	8,982	125,555
Net sales or transfers between related segments	-	1	1
Total	116,572	8,983	125,556
Segment income	15,910	216	16,126
Segment assets	143,420	3,404	146,825
Other items			
Depreciation	17,713	4	17,717
Amortization of goodwill	26	-	26
Amount of increase of property, plant and equipment and intangible assets	28,937	16	28,954

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

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

(Unit: Millions of yen)

Net sales	Prior consolidated fiscal year	Current consolidated fiscal year
Reporting segment total	102,359	116,572
Net sales for "Other businesses" classification	8,472	8,983
Intersegment eliminations	-	-1
Net sales reported in the consolidated financial statements	110,831	125,555

(Unit: Millions of yen)

Income	Prior consolidated fiscal year	Current consolidated fiscal year
Reporting segment total	10,916	15,910
Income for "Other businesses" classification	204	216
Other adjustments	272	327
Operating income reported in the consolidated financial statements	11,392	16,454

(Unit: Millions of yen)

Assets	Prior consolidated fiscal year	Current consolidated fiscal year
Reporting segment total	124,460	143,420
Assets of "Other businesses" classification	2,672	3,404
Company assets (Note)	42,118	41,666
Total assets reported in the consolidated financial statements	169,250	188,491

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

(Unit: Millions of yen)

Other items	Reporting segment total		Other businesses		Amount of 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	14,936	17,713	2	4	242	233	15,181	17,950
Amount of increase of property, plant and equipment and intangible assets	26,528	28,937	13	16	252	170	26,794	29,125

(Note) The adjustments to the increases in property, plant and equipment and intangible assets are capital investments related to administrative divisions.

**[Related information]**

Prior consolidated fiscal year (From November 1, 2012 to October 31, 2013)

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) Net sales

The Company has omitted a description of information by region because net sales to outside customers in Japan account for more than 90% of total net sales reported in the consolidated statements of income.

(2) Property, plant and equipment

The Company has omitted a description of property, plant and equipment because the amount of property, plant and equipment located in Japan account for more than 90% of the total for property, plant and equipment reported in the consolidated balance sheets.

3. Main customers

The Company has omitted a description of net sales to outside customers because there are no specific customers to which net sales account for more than 10% of the net sales reported in the consolidated statements of income.

Current consolidated fiscal year (From November 1, 2013 to October 31, 2014)

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) Net sales

The Company has omitted a description of information by region because net sales to outside customers in Japan account for more than 90% of total net sales reported in the consolidated statements of income.

(2) Property, plant and equipment

The Company has omitted a description of property, plant and equipment because the amount of property, plant and equipment located in Japan account for more than 90% of the total for property, plant and equipment reported in the consolidated balance sheets.

3. Main customers

The Company has omitted a description of net sales to outside customers because there are no specific customers to which net sales account for more than 10% of the net sales reported in the consolidated statements of income.

**[Information concerning impairment loss on property, plant and equipment by reporting segment]**

Prior consolidated fiscal year (From November 1, 2012 to October 31, 2013)

(Unit: Millions of yen)

	Business related to the Construction Equipment Rental Division	Other businesses	Corporate and eliminations	Total
Impairment loss	217	-	-	217

Current consolidated fiscal year (From November 1, 2013 to October 31, 2014)

The Company had no material items to report.

**[Information concerning amortization of goodwill and unamortized balances by reporting segment]**

Prior consolidated fiscal year (From November 1, 2012 to October 31, 2013)

(Unit: Millions of yen)

	Business related to the Construction Equipment Rental Division	Other businesses	Corporate and eliminations	Total
Amortization in the current period (Goodwill)	81	-	-	81
Amortization in the current period (Negative goodwill)	-51	-	-	-51
Balance at the end of the period (Note)	19	-	-	19

(Note) In the fiscal year under review, the Company posted a loss on goodwill impairment of ¥142 million.

Current consolidated fiscal year (From November 1, 2013 to October 31, 2014)

(Unit: Millions of yen)

	Business related to the Construction Equipment Rental Division	Other businesses	Corporate and eliminations	Total
Amortization in the current period (Goodwill)	26	-	-	26
Balance at the end of the period	57	-	-	57

**(Per Share Information)**

Prior consolidated fiscal year (From November 1, 2012 to October 31, 2013)		Current consolidated fiscal year (From November 1, 2013 to October 31, 2014)	
Net assets per share	¥1,513.49	Net assets per share	¥1,758.24
Net income per share	¥175.50	Net income per share	¥258.02
Net income per share on a fully diluted basis	-	Net income per share on a fully diluted basis	-
The Company has not reported net income per share on a fully diluted basis because it does not have any potential shares that would have a dilution effect.		Same as at left	

(Note) The basis for calculating net income per share is as follows.

(Unit: Millions of yen)

	Prior consolidated fiscal year (From November 1, 2012 to October 31, 2013)	Current consolidated fiscal year (From November 1, 2013 to October 31, 2014)
Net Income amount	5,809	9,299
Amount not attributed to common share shareholders	-	-
Net income related to common shares	5,809	9,299
Average number of shares outstanding during the fiscal year	33,101,017	36,039,719

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

The Company had no material items to report.

## 5. Non-Consolidated Financial Statements

### (1) Balance Sheets

(Unit: Millions of yen)

	Prior fiscal year (As of October 31, 2013)	Current fiscal year (As of October 31, 2014)
<b>Assets</b>		
Current assets		
Cash and deposits	27,828	25,752
Notes receivable - trade	3,238	6,401
Accounts receivable - trade	15,669	18,329
Securities	350	350
Merchandise and finished goods	343	327
Costs on uncompleted construction contracts	20	50
Construction machine parts	3,954	6,566
Raw materials and supplies	113	130
Prepaid expenses	241	258
Deferred tax assets	721	469
Short-term loans receivable	316	240
Other	212	240
Allowance for doubtful accounts	-191	-124
Total current assets	52,819	58,992
Non-current assets		
Property, plant and equipment		
Rental equipment	86,534	101,640
Accumulated depreciation	-44,839	-52,249
Rental equipment, net	41,695	49,391
Buildings	15,144	15,516
Accumulated depreciation	-9,576	-9,921
Buildings, net	5,567	5,594
Structures	5,178	5,406
Accumulated depreciation	-4,159	-4,272
Structures, net	1,019	1,134
Machinery and equipment	4,810	4,865
Accumulated depreciation	-4,273	-4,289
Machinery and equipment, net	536	576
Vehicles	98	108
Accumulated depreciation	-89	-100
Vehicles, net	9	8
Tools, furniture and fixtures	907	967
Accumulated depreciation	-746	-740
Tools, furniture and fixtures, net	160	227
Land	28,958	30,534
Construction in progress	31	254
Total property, plant and equipment	77,977	87,719
Intangible assets		
Goodwill	19	0
Software	136	77
Telephone subscription right	52	52
Total intangible assets	208	129

(Unit: Millions of yen)

	Prior fiscal year (As of October 31, 2013)	Current fiscal year (As of October 31, 2014)
Investments and other assets		
Investment securities	4,868	5,766
Shares of subsidiaries and associates	3,921	4,864
Investments in capital	12	12
Long-term loans receivable from subsidiaries and associates	2,468	2,401
Claims provable in bankruptcy, claims provable in rehabilitation and other	92	45
Long-term prepaid expenses	21	25
Insurance funds	27	25
Guarantee deposits	825	869
Other	52	57
Allowance for doubtful accounts	-1,621	-1,094
Allowance for investment loss	-461	-1,031
Total investments and other assets	10,207	11,941
Total non-current assets	88,393	99,791
Total assets	141,213	158,784
Liabilities		
Current liabilities		
Notes payable - trade	12,892	14,114
Accounts payable - trade	3,813	4,443
Current portion of long-term loans payable	10,190	10,103
Accounts payable - other	10,242	13,265
Accrued expenses	453	474
Income taxes payable	2,599	3,244
Accrued consumption taxes	81	616
Deposits received	198	223
Provision for bonuses	529	544
Notes payable - facilities	542	748
Other	115	128
Total current liabilities	41,660	47,906
Non-current liabilities		
Long-term loans payable	21,703	17,684
Long-term accounts payable - other	24,280	31,672
Deferred tax liabilities	120	407
Asset retirement obligations	141	145
Total non-current liabilities	46,246	49,909
Total liabilities	87,906	97,816

(Unit: Millions of yen)

	Prior fiscal year (As of October 31, 2013)	Current fiscal year (As of October 31, 2014)
Net assets		
Shareholders' equity		
Capital stock	13,652	13,652
Capital surplus		
Legal capital surplus	14,773	14,773
Other capital surplus	143	143
Total capital surplus	14,916	14,916
Retained earnings		
Legal retained earnings	1,375	1,375
Other retained earnings		
Reserve for advanced depreciation of non-current assets	19	19
General reserve	15,731	19,731
Retained earnings brought forward	6,119	9,399
Total retained earnings	23,246	30,526
Treasury shares	-48	-56
Total shareholders' equity	51,767	59,039
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,539	1,928
Total valuation and translation adjustments	1,539	1,928
Total net assets	53,307	60,968
Total liabilities and net assets	141,213	158,784

**(2) Statements of Income**

(Unit: Millions of yen)

	Prior fiscal year (From November 1, 2012 to October 31, 2013)	Current fiscal year (From November 1, 2013 to October 31, 2014)
Net sales		
Rental sales	60,381	69,808
Net sales of goods	20,978	24,492
Total net sales	81,360	94,301
Cost of sales		
Cost of rental sales	40,190	45,849
Cost of goods sold		
Beginning goods	225	343
Cost of purchased goods	16,188	17,896
Transfer from other account	247	355
Total	16,661	18,595
Ending goods	343	327
Valuation loss on goods	–	0
Cost of goods sold	16,318	18,268
Total cost of sales	56,508	64,117
Gross profit	24,852	30,183
Selling, general and administrative expenses		
Sales fare	77	80
Vehicle expenses	198	206
Advertising expenses	167	171
Provision of allowance for doubtful accounts	48	–
Directors' compensations	93	94
Salaries and allowances	6,530	6,888
Bonuses	1,476	1,625
Provision for bonuses	529	544
Retirement benefit expenses	258	270
Traveling and transportation expenses	374	382
Insurance expenses	180	167
Communication expenses	276	280
Repair expenses	138	142
Supplies expenses	415	405
Utilities expenses	278	294
Taxes and dues	438	473
Welfare expenses	1,257	1,381
Depreciation	672	701
Rent expenses	1,634	1,729
Other	880	911
Total selling, general and administrative expenses	15,925	16,749
Operating income	8,926	13,433
Non-operating income		
Interest income	36	42
Interest on securities	0	0
Dividend income	57	97
Rent income	240	288
Insurance income	35	32
A receipt bonus	35	41
Temporary transfer charges income	88	93
Reversal of provision for loss on disaster	6	–
Reversal of allowance for investment loss	–	65
Reversal of allowance for doubtful accounts	–	528
Other	212	212
Total non-operating income	714	1,403

(Unit: Millions of yen)

	Prior fiscal year (From November 1, 2012 to October 31, 2013)	Current fiscal year (From November 1, 2013 to October 31, 2014)
Non-operating expenses		
Interest expenses	355	264
Loss on sales of notes payable	38	32
Provision of allowance for doubtful accounts	176	5
Provision of allowance for investment loss	11	634
Other	197	349
Total non-operating expenses	779	1,286
Ordinary income	8,861	13,550
Extraordinary income		
Gain on sales of non-current assets	0	4
Gain on sales of investment securities	1	-
Subsidy income	7	0
Other	0	0
Total extraordinary income	8	4
Extraordinary losses		
Loss on sales and retirement of non-current assets	79	187
Loss on valuation of investment securities	187	-
Loss on valuation of shares of subsidiaries and associates	200	-
Total extraordinary losses	467	187
Income before income taxes	8,402	13,368
Income taxes - current	3,743	4,859
Income taxes - deferred	-256	327
Total income taxes	3,486	5,187
Net income	4,916	8,181

**[Statements of Cost of Rental Revenues]**

Classification	Notes	Prior fiscal year (From November 1, 2012 to October 31, 2013)		Current fiscal year (From November 1, 2013 to October 31, 2014)	
		Amount (Millions of yen)	Percent	Amount (Millions of yen)	Percent
Rent expenses		16,967	42.2	18,888	41.2
Repair expenses		3,857	9.6	4,432	9.7
Fares		6,536	16.3	7,136	15.6
Depreciation	2	9,793	24.4	12,009	26.2
Supplies expenses		1,068	2.6	971	2.1
Other	3	1,967	4.9	2,411	5.2
<b>Total</b>		<b>40,190</b>	<b>100.0</b>	<b>45,849</b>	<b>100.0</b>

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 recorded rental equipment depreciation expense of ¥9,459 million and construction machine parts depreciation expense of ¥333 million.	The Company recorded rental equipment depreciation expense of ¥11,431 million and construction machine parts depreciation expense of ¥577 million.
Note 3	Other costs consisted mainly of taxes and dues of ¥676 million, insurance expenses of ¥657 million and interest of ¥182 million related to installment payment purchases of rental equipment.	Other costs consisted mainly of taxes and dues of ¥781 million, insurance expenses of ¥748 million and interest of ¥234 million related to installment payment purchases of rental equipment.

### (3) Statements of Changes in Equity

Prior fiscal year (From November 1, 2012 to October 31, 2013)

(Unit: Millions of yen)

	Shareholders' equity								
	Capital stock	Capital surplus			Retained earnings				
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings			Total retained earnings
						Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward	
Balance at beginning of current period	9,696	10,817	143	10,960	1,375	19	13,731	3,859	18,986
Changes of items during period									
Issuance of new shares	3,956	3,956		3,956					-
Provision of general reserve				-			2,000	-2,000	-
Dividends of surplus				-				-656	-656
Net income				-				4,916	4,916
Purchase of treasury shares				-					-
Disposal of treasury shares				-					-
Net changes of items other than shareholders' equity									
Total changes of items during period	3,956	3,956	-	3,956	-	-	2,000	2,259	4,259
Balance at end of current period	13,652	14,773	143	14,916	1,375	19	15,731	6,119	23,246

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	-27	39,616	336	336	39,952
Changes of items during period					
Issuance of new shares		7,912			7,912
Provision of general reserve		-			-
Dividends of surplus		-656			-656
Net income		4,916			4,916
Purchase of treasury shares	-20	-20			-20
Disposal of treasury shares		-			-
Net changes of items other than shareholders' equity			1,203	1,203	1,203
Total changes of items during period	-20	12,151	1,203	1,203	13,354
Balance at end of current period	-48	51,767	1,539	1,539	53,307

Current fiscal year (From November 1, 2013 to October 31, 2014)

(Unit: Millions of yen)

	Shareholders' equity								
	Capital stock	Capital surplus			Retained earnings				
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings			Total retained earnings
						Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward	
Balance at beginning of current period	13,652	14,773	143	14,916	1,375	19	15,731	6,119	23,246
Changes of items during period									
Issuance of new shares				-					-
Provision of general reserve				-			4,000	-4,000	-
Dividends of surplus				-				-901	-901
Net income				-				8,181	8,181
Purchase of treasury shares				-					-
Disposal of treasury shares				-					-
Net changes of items other than shareholders' equity									
Total changes of items during period	-	-	-	-	-	-	4,000	3,280	7,280
Balance at end of current period	13,652	14,773	143	14,916	1,375	19	19,731	9,399	30,526

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	-48	51,767	1,539	1,539	53,307
Changes of items during period					
Issuance of new shares		-			-
Provision of general reserve		-			-
Dividends of surplus		-901			-901
Net income		8,181			8,181
Purchase of treasury shares	-8	-8			-8
Disposal of treasury shares		-			-
Net changes of items other than shareholders' equity			389	389	389
Total changes of items during period	-8	7,272	389	389	7,661
Balance at end of current period	-56	59,039	1,928	1,928	60,968