

# Six-month Consolidated Financial Report for the Fiscal Year Ending October 31, 2011 [Japan GAAP]



June 8, 2011

Listed Company Name **Kanamoto Company, Ltd.**  
 Company Code Number **9678**  
 Listing Exchanges **Tokyo Stock Exchange, Sapporo Stock Exchange**  
 (URL <http://www.kanamoto.co.jp>)  
 Representative **Kanchu Kanamoto** President  
 Inquiries **Nobuhito Utatsu**  
 Director & 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 submission of Quarterly Report June 13, 2011  
 Scheduled date for commencement of dividend payments July 11, 2011  
 Preparation of Quarterly Settlement Supplementary Explanatory Materials No  
 Quarterly Earnings Briefings No

## 1. Operating Results for the Interim Period of the Fiscal Year Ending October 31, 2011 (November 1, 2010 – April 30, 2011)

### (1) Consolidated Operating Results (Cumulative) (Numbers less than one million yen have been rounded down) (Percentages shown are the percent increase or decrease compared to the same period of the prior consolidated fiscal year)

	Revenues		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal Year ending October 31, 2011: Second quarter	35,309	-4.9	1,724	-46.0	1,408	-51.8	49	-96.7
Fiscal Year ended October 31, 2010: Second quarter	37,142	14.0	3,195	246.8	2,924	268.4	1,515	—

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Fiscal Year ending October 31, 2011: Second quarter	1.50	—
Fiscal Year ended October 31, 2010: Second quarter	46.15	—

### (2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
Fiscal Year ending October 31, 2011: Second quarter	111,959	37,079	32.6	1,112.19
Fiscal Year ended October 31, 2010	108,509	37,025	33.7	1,112.46

#### (Reference) Shareholders' equity

Fiscal Year Ending October 31, 2011 Second Quarter: ¥36,517 million  
 Fiscal Year Ended October 31, 2010: ¥36,527 million

## 2. Dividends

	Dividend per Share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Full year
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended October 31, 2010	—	10.00	—	10.00	20.00
Fiscal year ending October 31, 2011		10.00			
Fiscal Year ending October 31, 2011 (Projected)			—	10.00	20.00

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

## 3. Projected Consolidated Operating Results for the Fiscal Year Ending October 2011

(November 1, 2010 - October 31, 2011)

(Percentages indicate percent change from prior fiscal year)

	Revenues		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	67,160	-4.3	1,440	-45.6	700	-66.4	210	-79.8	6.40

(Note) Has the Company revised its projected consolidated operating results during the quarter? No

4. Other (For details please refer to [Attachments] Page 4 "Other Information".)

(1) Were there changes to material subsidiaries during the period under review: No

Company newly included (Company name: )

Company newly excluded (Company name: )

Note: Transfer of specified subsidiaries in conjunction with revisions to the scope of consolidation during the quarterly accounting period.

(2) Has the Company applied the simplified accounting method and special accounting method: Yes

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

(3) Changes in accounting principles, procedures or reporting methods

(a) Are there changes in conjunction with revision to accounting standards?: Yes

(b) Changes other than the above: No

Note: Changes in accounting principles, procedures and reporting methods pertaining to preparation of the quarterly consolidated financial statements, as recorded in the Changes in Important Matters Used as the Basis for Preparation of Quarterly Consolidated Financial Statements.

(4) Number of shares issued (common stock)

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

Fiscal year ending October 31, 2011 Second Quarter: 32,872,241 shares

Fiscal year ended October 31, 2010: 32,872,241 shares

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

Fiscal year ending October 31, 2011 Second Quarter: 37,993 shares

Fiscal year ended October 31, 2010: 36,906 shares

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

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

Fiscal year ended October 31, 2010 Second Quarter: 32,837,517 shares

Note: Disclosure concerning status of implementation of quarterly review procedure

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

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

(Note Concerning Forward-Looking Statements)

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

## Attachments Table of Contents

I. Qualitative Information Concerning Quarterly Consolidated Operating Results.....	2
1. Qualitative Information Concerning Consolidated Operating Results .....	2
2. Qualitative Information Concerning Consolidated Financial Position .....	3
3. Qualitative Information Concerning Projected Consolidated Operating Results .....	3
II. Other Information .....	4
1. Summary of Changes to Material Subsidiaries .....	4
2. Summary of Simplified Accounting Method and Special Accounting Method .....	4
3. Summary of Changes in Accounting Principles, Procedures or Reporting Methods.....	4
III. Quarterly Consolidated Financial Statements .....	5
1. Quarterly Consolidated Balance Sheets.....	5
2. Quarterly Consolidated Statements of Income .....	7
(Second Quarter Consolidated Year-to-Date).....	7
3. Quarterly Consolidated Statements of Cash Flows .....	8
4. Notes Relating to the Going Concern Assumption.....	10
5. Business Segment Information .....	10
6. Notes on Significant Changes to Shareholders' Equity.....	11

## **I. Qualitative Information Concerning Quarterly Consolidated Operating Results**

### **1. Qualitative Information Concerning Consolidated Operating Results**

#### **< Management Environment > (From November 1, 2010 to April 30, 2011)**

Despite the continuing lack of both a consumption stimulus plan and new economic stimulus measures, and in sharp contrast to a sense of stagnation spreading through regional economies, an optimistic business mood prevailed for Japan's economy as a whole during the Kanamoto Group's second quarter because of the strong positive earnings at major companies generated by stable overseas economic trends and external demand.

Such optimistic sentiment, however, was also shattered abruptly by the Great East Japan Earthquake that occurred on March 11, however, and was quickly replaced by a sense of urgency. As doubts about the pace of Japan's response to the earthquake and lack of information transparency increased, and fears concerning the influence on the global economy mounted, the results cast a long shadow over Japan's future.

In the service and construction industries in which the Kanamoto Group operates, the deterioration of regional economies as the effects of economic measures faded was as striking as projected at the beginning of the period. Moreover, despite the reasonable level of effort that was evident from the private sector following the earthquake, restoration measures and systems that combined government and citizens' effort remained in disarray, and as earthquake recovery efforts failed to make headway, conditions that prevented a clear view of the future prevailed.

#### **< Interim Period Consolidated Operating Results > (From November 1, 2010 to April 30, 2011)**

As noted in the revised operating results projection dated June 1, the Kanamoto Group's operating results and management environment were affected by the severe competition among firms for construction equipment rentals because of a drop in domestic construction investment, which further spread to various regions, and the intense struggle to secure earnings. The Kanamoto Group is working to maintain revenues by aggressively developing proposal-based selling that encompasses all of the Group's firms, and working to review and optimize the composition of its construction equipment rental asset portfolio through various measures, including computerized project execution being promoted by the Ministry of Land, Infrastructure and Transport and the addition of new energy-saving equipment.

Because of the slump in construction demand, earnings through the second quarter of the consolidated fiscal year under review fluctuated with a generally negative trend as initially anticipated.

In addition, conditions after the earthquake as well led directly to a decline in revenues and earnings, including interruptions of construction work in some regions as a consequence of the disaster and the necessary suspension of operations in areas where entry has been restricted. At the same time, however, there also were factors that boosted revenues, including increased demand because of the initial disaster recovery efforts and electricity shortages.

Given such a management environment and complexly intermingled factors leading to both higher and lower revenues and earnings, results from having created cooperative relationships across the Group's business sectors and among Group firms were evident as well, and the Kanamoto Group was able to maintain its overall market share and adjust its pricing in conjunction with the improvement in rental supply and demand. As a result, revenues slipped 4.9% compared with the same period one year earlier to ¥35,309 million.

From an earnings perspective, on the other hand, operating income fell 46.0% year-on-year to ¥1,724 million and ordinary income decreased 51.8% compared with the same period one year earlier to ¥1,408 million. This reflected the impact of lower earnings from the partial postponement of used construction equipment sales in light of the need to direct equipment to earthquake recovery efforts.

Moreover, some of the Company's branch office buildings and structures and rental assets (construction equipment etc.) in the disaster-stricken region were damaged or destroyed, and the Company recorded an amount equivalent to this damage as the loss. As a result, net income for the interim period retreated sharply, declining 96.7% compared with the interim period of the prior consolidated fiscal year to ¥49 million.

Operating results by segment are reported below (In addition, beginning from the interim period under review, the Company has partially revised its reporting method in conjunction with a change reporting standards for settlement of accounts bulletins.

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

In some respects, domestic construction equipment rentals resembled a war of attrition, as price competition throughout Japan further intensified, hand-in-hand with the sharp contraction in the volume of work since last year. Rental revenues in this business sector were 5.9% lower than in the same period one year earlier. By region compared with the same period of the prior consolidated fiscal year, an environment marked by a marked decline in both public and private sector demand continued as construction works related to economic measures came to an end in the Hokkaido Region and economic activity slowed in other regions. By maintaining its overwhelming market share, however, the drop in earnings was held to 24.9%, an improvement of 6.4 points over the steeper year-on-year decline in revenues witnessed in the first quarter. In contrast, in the Tohoku Region rental revenue rose 7.7% year-on-year as recovery demand was added to demand for large-scale project construction works, while rental revenue in the Kanto Region increased 2.6% compared with the same period of the prior consolidated fiscal year, despite sluggish demand for specialized construction equipment, thanks to growth in private sector demand as well as disaster recovery demand and power supply demand. In the Kinki & Chubu Region, which was not influenced by the earthquake, rental revenue increased 5.4% over the same period one year earlier, driven by private sector capital investment, and in the Kyushu & Okinawa Region, new demand from countermeasures at Mount Shinmoe was added to outstanding public sector demand to push rental revenues up 7.1% year-on-year.

Revenues from equipment sales in this business sector were off 23.6% compared with the same period of the previous consolidated fiscal year. Despite greater stocking and sale of regular construction equipment, these revenues were affected by a decision to postpone some overseas used construction equipment sales and utilize the equipment to meet reconstruction and recovery demand.

Although currently accounting for only a small proportion of Kanamoto's operating results, in China the Shanghai Jinheyuan Group (Shanghai Jinheyuan Equipment Rental Co., Ltd. and Shanghai Jinheyuan Engineering Construction Co., Ltd.) steadily expanded its market area to Tianjin, Wuhan, Nanjing, Ningbo and other cities, in addition to Shanghai. The difference in demand compared with the previous year's results, however, which were boosted by special

procurement for the Shanghai Expo, was great and the expansion into new cities could not offset the decrease.

As a result of these factors, in the construction-related businesses of the entire Kanamoto Group, revenues for the interim period of the consolidated fiscal year were ¥32,169 million and operating income was ¥1,617 million.

### **[ Other Businesses ]**

In the steel products sales business the Company is developing in Hokkaido, conditions in the steel materials market remained strong, aided somewhat by the general sense of insufficient supply because of the earthquake. Demand in Hokkaido, however, experienced a lull. As a result, for the interim period under review revenues climbed 29.3% compared with the same period of the prior consolidated fiscal year. In Kanamoto's information and telecommunications-related division, on the other hand, new business development efforts were successful and personal computer rental income rose 7.6% year-on-year.

As a result of these factors, for the interim consolidated period under review revenues were ¥3,140 million, and operating income was ¥1.4 million.

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

During the second quarter consolidated period, Kanamoto did not establish any new branches and closed one domestic branch. Details are provided bellow.

Closed: Makubetsu Equipment Center (Makubetsu-cho, Nakagawa-gun, Hokkaido)

## **2. Qualitative Information Concerning Consolidated Financial Position**

### **(1) Assets, liabilities and net assets**

Compared with the end of the prior consolidated fiscal year, total assets at the end of the interim consolidated period under review increased ¥3,449 million to ¥111,959 million. This was mainly the result of an increase in rental equipment of ¥2,179 million and an increase of ¥843 million in investment securities.

Total liabilities were ¥74,879 million, an increase of ¥3,395 million compared with the end of the prior consolidated fiscal year. This was mainly increases of ¥414 million and ¥1,724 million in accounts payable, other and long-term accrued expenses, respectively, resulting from increases in amounts such as accounts payable based on installment payment contracts as the procurement method in conjunction with the increase in rental equipment, and the recording of ¥461 million as an allowance for disaster losses for the estimated amount of damage resulting from the Great East Japan Earthquake.

Total Net Assets were ¥37,079 million, ¥54 million higher than at the end of prior consolidated fiscal year. This was mainly an increase of ¥267 million in valuation difference on other investment securities reflecting changes such as an increase since the end of the previous consolidated fiscal year in stock prices of shares that have a market price that are reported in investment securities, and a decrease in retained earnings from the payment of dividends based on the prior consolidated fiscal year.

### **(2) Cash flows**

Cash and cash equivalents (“cash”) at the end of the interim consolidated period under review increased by ¥1,887 million compared with the end of the previous consolidated fiscal year to ¥22,638 million.

Factors affecting cash flows for the interim consolidated period under review are described below.

**(Cash flow from operating activities)**

Cash generated as a result of operating activities edged up 0.8% compared with the same period of the previous consolidated fiscal year to ¥5,623 million. This mainly reflected a decrease in interim period income before taxes and adjustments and an increase in payment of corporate and other taxes, and an increase of depreciation and amortization expense, decrease in expenditures for acquisition of rental assets and increase in accounts payable, trade.

**(Cash flow from investing activities)**

Cash flow used in investing activities was ¥701 million, compared with cash flow provided by investing activities in the interim period of the previous consolidated fiscal year of ¥729 million. This mainly reflected increases in funds used for the purchase of investment securities and funds used for the purchase of tangible fixed assets.

**(Cash flow from financing activities)**

Cash flow used as a result of financing activities was ¥3,035 million, compared with cash flow from financing activities of ¥1,346 million in the interim period of the previous consolidated fiscal year. This mainly reflected an increase in short-term bank loans and decrease in funds provided by long-term bank loans, and higher amounts of funds used for repayment of installment obligations and funds used for repayment of lease obligations.

**3. Qualitative Information Concerning Projected Consolidated Operating Results**

As previously described in the Company’s announcement on June 1 concerning the revision to its projected full-year operating results for the fiscal year ending October 2011, since the earthquake, construction equipment rental demand in the stricken areas in Tohoku and Kanto is extremely vigorous, while rental fees have risen as well because of the improved supply and demand balance, and the Company expects to see a commensurate bottom-line effect during the second half of the fiscal year.

Nevertheless, there are many factors that cannot be clarified at the present time, including what percentage of the full-scale reconstruction and recovery demand following the earthquake can be expected to be carried out during the Company’s current business period, and the extent to which the effect from concentrating this demand in one region will restrain demand in other regions. Consequently the Company has maintained its full-year projected operating results values at the level announced in December 2010.

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



limited to economic conditions surrounding the Company, market trends, and competitive conditions.

## II. Other Information

### 1. Summary of Changes to Material Subsidiaries

The Company had no material items to report.

### 2. Summary of Simplified Accounting Method and Special Accounting Method

Calculation method for fixed asset depreciation expense

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

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

Changes in accounting standards used for normal accounting treatment

#### 1. Adoption of the *Accounting Standard for Asset Retirement Obligations*

Beginning from the first quarter of the current consolidated fiscal year, the Company has adopted the *Accounting Standard for Asset Retirement Obligations* (Accounting Standards Board of Japan Statement No. 18 dated March 31, 2008 and the *Guidance on Accounting Standard for Asset Retirement Obligations* (Accounting Standards Board of Japan Guidance No. 21 dated March 31, 2008).

As a result, in the interim consolidated period under review, operating income and ordinary income were ¥3,648,000 lower, respectively, and income before taxes was ¥99,178,000 lower, than they otherwise would have been had the accounting standards used in past periods been applied.

Furthermore, the change in asset retirement obligations as a result of the application of this standard was ¥151,255,000.

#### 2. Adoption of the *Accounting Standard for Measurement of Inventories*

Beginning from the first quarter of the current consolidated fiscal year, the Company has adopted the *Accounting Standard for Measurement of Inventories* (Accounting Standards Board of Japan Statement No. 9 dated September 26, 2008), and Kanamoto and certain of its domestic consolidated subsidiaries have changed the measurement method for merchandise inventories and products from the last-in-first-out method to the periodic average method.

The affect of this change on earnings for the interim consolidated period under review is not material.

### Changes in Reporting Method

Interim Consolidated Period Under Review (From November 1, 2010 to April 30, 2011)  
(Quarterly Consolidated Statements of Income)

As a result of the application of the "Cabinet Office Ordinance Partially Revising the Regulations for Terminology, Formats and Preparation Methods of Financial Statements" (Cabinet Ordinance No. 5 dated March 24, 2009) based on the *Accounting Standard for Consolidated Financial Statements* (Accounting Standards Board of Japan Statement No.

22 dated December 26, 2008), the Company has disclosed the line item "Income (loss) before minority interests" for the interim consolidated period under review.

(Quarterly Consolidated Statements of Cash Flows)

Because the funds used for repayment of lease obligations that were reported in "Other" under cash flow from financing activities in the interim period of the previous consolidated fiscal year have increased in importance, the Company has decided to report this item separately beginning from the interim consolidated period under review. The amount for funds used for repayment of lease obligations that was reported in "Other" under cash flow from financing activities in the interim period of the previous consolidated fiscal year was -¥194,445,000.

### III. Quarterly Consolidated Financial Statements

#### 1. Quarterly Consolidated Balance Sheets

(Unit: Thousands of yen)

	Current Consolidated Fiscal Year Interim Period (As of April 30, 2011)	Prior Fiscal Year Summary Consolidated Balance Sheet (As of October 31, 2010)
Classification	Amount	Amount
(Assets)		
Current assets		
Cash and deposits	22,373,252	20,486,217
Notes and accounts receivable, trade	14,177,456	14,987,135
Negotiable securities	350,000	350,000
Work in progress	19,917	37,046
Merchandise inventories and products	701,350	606,265
Raw materials and supplies	166,001	161,250
Construction equipment	1,198,255	1,187,474
Deferred tax assets	318,090	360,857
Other	470,306	585,387
Allowance for doubtful accounts	-387,299	-372,925
Total Current Assets	39,383,331	38,388,709
Fixed assets		
Tangible fixed assets		
Rental equipment assets	66,233,446	62,487,304
Accumulated depreciation	-38,307,404	-36,740,651
Net rental equipment assets	27,926,041	25,746,653
Buildings and structures	20,854,712	20,754,755
Accumulated depreciation	-13,183,261	-12,855,277
Net buildings and structures	7,671,451	7,899,477
Machinery, equipment, vehicles and delivery equipment	5,122,729	5,136,911
Accumulated depreciation	-4,428,734	-4,386,927
Net machinery, equipment, vehicles and delivery equipment	693,994	749,983
Land	29,688,582	29,689,403
Other	1,378,855	1,332,572
Accumulated depreciation	-1,150,740	-1,076,712
Net other	228,115	255,859
Total Tangible Fixed Assets	66,208,185	64,341,377
Intangible fixed assets		
Goodwill	252,268	345,456
Other	273,478	304,779
Total Intangible Fixed Assets	525,747	650,235
Investments and other assets		
Investment securities	3,612,500	2,768,524

Deferred tax receivable	1, 109,999	1,186,595
Other	2,034,733	2,081,861
Allowance for doubtful accounts	-830,259	-827,005
Allowance for investment loss	-84,700	-80,700
Total Investments and Other Assets	5,842,273	5,129,276
Total Fixed Assets	72,576,206	70,120,890
Total Assets	111,959,537	108,509,599

	Current Consolidated Fiscal Year Interim Period (As of April 30, 2011)	Prior Fiscal Year Summary Consolidated Balance Sheet (As of October 31, 2010)
Classification	Amount	Amount
(Liabilities)		
Current liabilities		
Notes and accounts payable, trade	14,124,317	13,076,469
Short-term bank loans	6,075,573	13,415,487
Long-term bank loans due within one year	10,541,161	9, 529,170
Current portion of bonds	22,000	22,000
Lease obligations	787,754	859,558
Corporate taxes payable	493,693	1,106,405
Accrued bonuses to employees	619,382	589,042
Allowance for disaster losses	461,061	—
Accounts payable, other	6,001,931	5,587,413
Other	1,295,798	1,514,896
Total Current Liabilities	40,422,675	45,700,445
Long-term liabilities		
Bonds	11,000	22,000
Long-term bank loans	20,528,039	13,762,305
Lease obligations	1,868,309	1,903,249
Accrued employees retirement benefits	1,428,252	1,341,459
Retirement allowances to directors and auditors	201,452	205,627
Long-term accrued expenses	10,218,489	8,493,598
Asset retirement obligations	150,654	—
Other	50,983	55,316
Total Long-term Liabilities	34,457,180	25,783,556
Total Liabilities	74,879,856	71,484,001
(Net Assets)		
Shareholder's equity		
Capital stock	9,696,717	9,696,717
Capital surplus	10,960,869	10,960,869
Retained earnings	15,509,148	15,788,189

Treasury stock	-25,480	-24,963
Total Shareholders' Equity	36,141,255	36,420,813
Valuation and translation adjustments		
Valuation difference on other investment securities	414,838	147,516
Translation adjustments account	-38,201	-40,486
Total Valuation and Translation Adjustments	376,636	107,030
Minority Interests	561,789	497,753
Total Net Assets	37,079,681	37,025,597
Total Liabilities and Net Assets	111,959,537	108,509,599

## 2. Quarterly Consolidated Statements of Income

(Interim Consolidated Period)

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year Interim Period From November 1, 2009 to April 30, 2010	Current Consolidated Fiscal Year Interim Period From November 1, 2010 to April 30, 2011
Classification	Amount	Amount
Revenues	37,142,520	35,309,433
Cost of revenues	25,144,506	24,819,767
Gross profit	11,998,013	10,489,665
Selling, general and administrative expenses	8,802,474	8,765,024
Operating income	3,195,539	1,724,640
Non-operating income		
Interest income	8,681	5,628
Dividend income	11,643	14,761
Insurance benefits	63,939	9,664
Rents received	26,172	26,825
Cash bonus received	1,272	4,625
Amortization of negative goodwill	34,916	34,916
Other	77,049	56,627
Total non-operating income	223,676	153,047
Non-operating expenses		
Interest expense	362,103	365,124
Loss on sale of notes receivable	26,522	22,462
Other	106,105	81,782
Total non-operating expenses	494,731	469,369
Ordinary income	2,924,485	1,408,318
Extraordinary income		
Gain on sale of investment securities	153,765	—
Reversal of allowance for doubtful accounts	52,350	2,932
Subsidies	77,279	32,743
Other	7,868	10,591
Total extraordinary income	291,264	46,267
Extraordinary losses		
Loss on sale and retirement of fixed assets	38,415	85,125
Valuation loss on investment securities	4,137	104,059
Transfer to allowance for doubtful accounts	35,507	—
Transfer to allowance for loss on liquidation of affiliated companies	94,764	—
Transfer to reserve for investment losses	—	4,000

Extraordinary expenses resulting from application of the <i>Accounting Standard for Asset Retirement Obligations</i>	–	95,530
Loss resulting from natural disaster	–	724,969
Other	874	114
Total extraordinary losses	173,698	1,013,799
Income before taxes and adjustments	3,042,050	440,786
Corporate, local and business taxes	1,561,187	451,622
Adjustment for corporate and other taxes	–73,159	–52,700
Total corporate and other taxes	1,488,027	398,922
Income before minority interest	–	41,864
Minority interest in income	38,458	–7,447
Net income	1,515,564	49,312

### 3. Quarterly Consolidated Statements of Cash Flows

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year Interim Period From November 1, 2009 to April 30, 2010	Current Consolidated Fiscal Year Interim Period From November 1, 2010 to April 30, 2011
Classification	Amount	Amount
Cash flow from operating activities		
Income before taxes and adjustments	3,042,050	440,786
Depreciation and amortization expense	3,684,244	4,308,627
Amortization of goodwill	92,892	93,190
Loss on sale or retirement of fixed assets	33,855	77,430
Installment purchases of assets for small-value rentals	—	28,980
Reclassification of cost of sales associated with disposal of construction equipment	375	2,049
Reclassification of cost of sales associated with disposal of rental assets	413,812	368,476
Expenditures for acquisition of rental assets	-2,052,130	-1,243,130
Valuation (gain) loss on investment securities	4,137	104,059
(Gain) loss on sale of investment securities	-153,765	—
Increase (decrease) in allowance for doubtful accounts	-91,451	17,492
Increase (decrease) in accrued bonuses to employees	145,677	30,369
Increase (decrease) in accrued employees retirement benefits	70,468	86,792
Increase (decrease) in retirement allowances to directors and auditors	12,732	-4,174
Increase (decrease) in allowance for loss on liquidation of affiliated companies	94,764	—
Interest revenue and dividend income	-20,325	-20,390
Interest expense on installment purchases of rental assets	89,293	87,522
Interest expense	362,103	365,124
Decrease in accounts receivable, trade	683,507	816,506
(Increase) decrease in inventory	-12,732	-81,312
Increase (decrease) in accounts payable, trade	-1,195,013	-1,102,028
Extraordinary expenses resulting from application of the Accounting Standard for Asset Retirement Obligations	—	95,530
Loss resulting from natural disaster	—	724,969
Increase (decrease) in accounts payable, other	90,574	-141,535



Other	426,630	-202,790
Subtotal	5,721,702	7,056,604
Interest and dividends received	20,361	20,410
Interest expense	-412,802	-388,102
Payment of corporate and other taxes	246,714	-1,065,777
Cash flow from operating activities	5,575,975	5,623,135

	Prior Consolidated Fiscal Year Interim Period From November 1, 2009 to April 30, 2010	Current Consolidated Fiscal Year Interim Period From November 1, 2010 to April 30, 2011
Classification	Amount	Amount
Cash flow from investing activities		
Disbursements for investments in term deposits	-50,000	
Revenue from redemption of term deposits	500	—
Funds used for the purchase of tangible fixed assets	-75,559	-169,920
Funds provided from the sale of tangible fixed assets	13,232	10,158
Funds used for the purchase of intangible fixed assets	-28,891	-4,281
Funds used for the purchase of investment securities	-14,721	-437,253
Funds provided from sale of investment securities	773,768	—
Funds used for the purchase of subsidiary stock	-12,250	-41,310
Funds used for establishment of subsidiary	—	-22,718
Payments of loans receivable	-62,100	-97,140
Funds provided from collection of loans receivable	59,426	31,053
Other	126,010	30,086
Cash flow from investing activities	729,415	-701,326
Cash flow from financing activities		
Net increase in short-term bank loans	7,536,111	4,654,045
Funds provided by long-term bank loans	2,008,983	1,130,000
Funds used to repay long-term bank loans	-5,567,641	-5,374,717
Funds used to redeem corporate bonds	-31,000	-11,000
Funds used for repayment of installment obligations	-2,077,105	-2,603,790
Funds used for repayment of lease obligations	—	-580,683
Funds used for the purchase of treasury stock	-601	-519

Payment of dividends	-327,757	-327,835
Funds provided by payment from minority shareholders	—	68,265
Other	-194,445	10,304
Cash flow from financing activities	1,346,543	-3,035,931
Effect of exchange rate changes on cash and cash equivalents	2,701	1,156
Increase (decrease) in cash and equivalents	7,654,636	1,887,035
Balance of cash and equivalents at beginning of period	14,086,028	20,751,217
Increase in cash and cash equivalents due to newly consolidated subsidiaries	185,114	—
Balance of cash and equivalents at end of period	21,925,778	22,638,252

#### 4. Notes Relating to the Going Concern Assumption

The Company had no material items to report.

#### 5. Business Segment Information

[Segment Information by Type of Business]

**Prior consolidated fiscal year second quarter** (From February 1, 2010 to April 30, 2010)

(Unit: Thousands of yen)

	Construction equipment rental business	Steel sales business	Information products business and other businesses	Total	Eliminations or entire company	Consolidated
Revenues						
(1) Revenues from customers	17,070,936	1,164,310	207,339	18,442,587	—	18,442,587
(2) Sales or transfers between segments	—	—	—	—	—	—
Total	17,070,936	1,164,310	207,339	18,442,587	—	18,442,587
Operating income	1,520,992	10,015	13,326	1,544,334	-15,645	1,528,688

**Prior consolidated fiscal year interim period** (From November 1, 2009 to April 30, 2010)

(Unit: Thousands of yen)

	Construction equipment rental business	Steel sales business	Information products business and other businesses	Total	Eliminations or entire company	Consolidated
Revenues						
(1) Revenues from customers	34,654,342	2,129,535	358,642	37,142,520	—	37,142,520
(2) Sales or transfers between segments	—	—	—	—	—	—
Total	34,654,342	2,129,535	358,642	37,142,520	—	37,142,520
Operating income (loss)	3,219,286	-2,319	3,874	3,220,842	-25,302	2,195,539

(Notes) 1. Method of business classification

Businesses are classified based on consideration of similarities such as the type of labor and products, the nature of the business and the business markets.

2. Principal products, by business

Business	Principal products
Construction equipment rentals	Construction equipment such as hydraulic shovels, generators, temporary construction materials, construction safety equipment, temporary modular housing units
Steel sales	Steel bar, sheet steel, steel products such as round bar, steel scrap
Information products and other businesses	Computers and peripheral devices, Specified Worker Dispatching Undertakings

3. Changes in accounting methods

Prior consolidated fiscal year interim period

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

As described in 2. Changes in accounting standards used for normal accounting treatment under

“Revision of Important Matters Used as the Basis for Preparation of the Quarterly Consolidated Financial Statements”, beginning from the first quarter of the consolidated fiscal year the Company changed its accounting standards for revenues and costs related to construction works.

The effect of this change on the Company’s businesses related to the Steel Sales Division is not material, compared to what the results otherwise would have been had the accounting standards traditionally used by the Company been applied.

[Segment Information]

1. Summary of reporting segments

**Interim period of the consolidated fiscal year under review (From November 1, 2010 to April 30, 2011) and second quarter consolidated period under review (From February 1, 2011 to April 30, 2011)**

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

The Company is developing its businesses according to products and services, and has assumed “business related to the Construction Equipment Rental Division” as its reporting segment.

The Company’s “business related to the Construction Equipment Rental Division” rents and sells construction equipment and temporary materials for construction use.

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

**Current consolidated fiscal year interim period** (From November 1, 2010 to April 30, 2011)

(Unit: Thousands of yen)

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

**Current consolidated fiscal year second quarter** (From February 1, 2011 to April 30, 2011)

(Unit: Thousands of yen)

	Reporting segment	Other businesses (see Note)	Total
	Business related to the Construction Equipment Rental Division		
Revenues			
(1) Revenues from customers	15,523,468	1,505,818	17,029,287
(2) Sales or transfers between segments	—	—	—
Total	15,523,468	1,505,818	17,029,287
Operating income (loss)	594,49	−31,876	562,273

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

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

**Current consolidated fiscal year interim period**

(From November 1, 2010 to April 30, 2011)

(Unit: Thousands of yen)

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

**Current consolidated fiscal year second quarter**

(From February 1, 2011 to April 30, 2011)

(Unit: Thousands of yen)

Earnings	Amount
Reporting segment total	594,149
Earnings from other classifications	-31,876
Other adjustments	47,440
Operating income reported on the Consolidated Quarterly Statements of Income	609,713

4. Information concerning fixed asset impairment loss and goodwill by reporting segment

The Company had no material items to report.

(Supplemental Information)

Beginning from the first quarter of the current consolidated fiscal year, the Company has adopted the *Accounting Standard for Disclosures about Segments of an Enterprise and Related Information* (Accounting Standards Board of Japan Statement No. 17, revision dated March 27, 2009 and the *Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information* (Accounting Standards Board of Japan Guidance No. 20 dated March 31, 2008).

**6. Notes on Significant Changes to Shareholders' Equity**

The Company had no material items to report.