Report of Business Operations for the 51th Business Period (Business Period ended October 2015) (Attachment to the Notification and Invitation to the 51th Regular General Meeting of the Shareholders)

From November 1, 2014 to October 31, 2015

1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

a) Summary of consolidated fiscal year operating results (From November 1, 2014 to October 31, 2015)

In the consolidated fiscal year under review, Japan's economy trended toward recovery, fueled by brisk corporate earnings and improvement in incomes and employment thanks to the government's continued implementation of aggressive economic and fiscal measures. Meanwhile, although there was an uptick in consumer spending, the rebound was sluggish due to a weak outlook, including downside risk reflecting trends in economies overseas.

In the construction industry, within which the Kanamoto Group operates, public works investments remained strong bolstered by reconstruction and disaster prevention/reduction projects. These projects were spurred in part by a decline in some material prices and the leveling off of rising labor costs. Although private-sector capital investments rebounded owing to improved corporate earnings, trends remained weak due to an uncertain outlook and wary stance by market participants. Amid this environment, earnings at construction companies, which are customers of the Kanamoto Group, substantially improved overall, but this was particularly true for major construction companies.

In this environment, the Kanamoto Group moved forward with key initiatives which were based on various measures in its Medium-term Management Plan (fiscal 2014 to fiscal 2016). In Japan, its main market, the Company expanded branches in areas where it had weak coverage, including the Tokyo metropolitan area, and adequately allocated assets. In addition, the Company actively moved forward with overseas strategies, anticipating changes in the domestic construction market going forward.

Consequently, in the fiscal year ended October 31, 2015 net sales rose 6.2% from the prior consolidated fiscal year level to ¥133,292 million. Meanwhile in the profit front, operating income decreased 1.1% from the prior consolidated fiscal year to ¥16,270 million and consolidated ordinary income increased 0.5% year-on-year to ¥16,164 million. Net income rose 2.8% over the prior consolidated fiscal year to ¥9,557 million.

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 core construction-related business, construction equipment rental demand trended briskly. This partly reflects a pickup in certain redevelopment projects in the Tokyo metropolitan area and private-sector capital investments. Also, demand is brisk for construction equipment rental owing to full-fledged quake-reconstruction projects and decontamination-related work. However, the business environment was weak as there was not construction work in some regions related to the government's supplementary budget, as was the case in the previous fiscal year.

By region, sales in this business fluctuated as follows: down 9.5% in the Hokkaido Region, up 19.7% in the Tohoku Region, up 4.8% in the Kanto & Shinetsu Region, up 2.0% in the Kansai & Chubu Region, and down 1.5% in the Kyushu & Okinawa Region. The sales growth reflects the quake-restoration demand in the Tohoku region and the substantial redevelopment in the Kanto & Shinetsu Region.

Sales of used construction equipment rose 26.6% 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.

Reflecting these factors, the Kanamoto Group posted net sales in the construction-related businesses of ¥123,572 million, an increase of 6.0% year-on-year, and operating income of ¥15,592 million, a decrease of 2.0%.

[Other Businesses]

In Other Businesses, net sales increased 8.2% from the prior consolidated fiscal year to ¥9,719 million, while operating income also increased 39.4% year-on-year to ¥301 million, reflecting steady sales at businesses related to the Steel Sales Division and the Information Products Division.

(Millions of yen)

Segment	50th Business Period Business Period ended October 2014	51th Business Period Business Period ended October 2015	Change from prior year (%)
Business related to the Construction Equipment Rental Division	116,572	123,572	6.0
Other Businesses	8,983	9,719	8.2
Total	125,555	133,292	6.2

(2) Financing activities

(i) Funds procurement

To ensure the efficient procurement of working capital, the Company entered into a loan commitment agreement for ¥3,000 million with its main financial institutions.

(ii) Capital investment

Capital investment implemented by the Kanamoto Group during the current consolidated fiscal year totaled ¥27,639 million. This included purchases of rental equipment of ¥23,013 million, and investments in assets used by the group, including the establishment, relocation and expansion of branches, of ¥4,626 million.

< Change in number of branches >

During the consolidated fiscal year under review, Kanamoto newly opened 8 branches and closed 1 branch.

New branches:	Sendai-Kita Branch (Kurokawa-gun, Miyagi Prefecture), Hitachi Branch (Hitachi, Ibaraki Prefecture), Tohoku Machinery Maintenance Center (Miyagino-ku, Sendai), Hokkaido Region National Sales Division (Chuo-ku, Sapporo), Biratori Machinery Center (Saru-gun, Hokkaido), Tsuruga Branch (Tsuruga, Fukui Prefecture), Tokyo Small Machinery Center and Misato Branch (Misato, Saitama Prefecture)
Closed branches:	Oda Branch (Nyu-gun, Fukui Prefecture)

(iii) Transfer, absorption, division or new establishment of businesses

The Company had no material items to report.

(iv) Receipt of businesses from other companies

The Company had no material items to report.

(v) Succession to rights and obligations concerning the businesses of other corporations etc. by absorption and merger or absorption and division

The Company had no material items to report.

(vi) Acquisition or disposal of shares, other equity or subscription rights to shares of other companies

The Company acquired a full stake in Eiwashoukai Co., Ltd. as of July 31, 2015, and made it a subsidiary (non-consolidated) of the Company.

The Company transferred all the shares it owned in Kanamoto Engineering Co., Ltd. to Trust Tech Inc., as of October 1, 2015.

(3) Financial position and profit and loss in the current business period and three immediately prior business periods

(Millions of yen except per share data, which are in yen)

Category	48th Business Period (Business Period ended October 2012)	49th Business Period (Business Period ended October 2013)	50th Business Period (Business Period ended October 2014)	51th Business Period (current consolidated fiscal year) (Business Period ended October 2015)
Net sales	86,106	110,831	125,555	133,292
Ordinary income	5,932	11,073	16,078	16,164
Net income	3,575	5,809	9,299	9,557
Net income per share	108.88	175.50	258.02	266.27
Total assets	137,343	169,250	188,491	202,919
Net assets	41,399	56,192	65,513	71,998
Net assets per share	1,221.56	1,513.49	1,758.24	1,969.16

(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.

(5) Main businesses (As of October 31, 2015)

Activities	Main products and services
Business related to the Construction Equipment Rental Division	Rental and sale of equipment and instruments for use in construction, temporary materials for construction use, safety products for the construction industry and modular housing units for temporary use
Other Businesses	Sale of steel products such as steel bar, steel plate and round bar, contract construction, rental and sale of computers and computer peripheral equipment

(6) Main offices of the Kanamoto Group (As of October 31, 2015)

(i) Main offices and facilities

Kanamoto's Head Office and Operations Control Headquarters are located in Chuo-ku in Sapporo, Hokkaido, and the Company's Business Coordination Headquarters is located in Minato-ku in Tokyo.

The number of branches in each of the Company's operating regions is shown below.

■Number of offices by region (excluding non-operating divisions)

	Region	Business related to the Construction Equipment Rental Division		Other Businesses	
		Kanamoto	Consolidated subsidiaries	Kanamoto	Consolidated subsidiaries
Japan	Hokkaido	64	19	3	0

	Tohoku	53	11	0	0
	Kanto	30	22	1	0
	Chubu	17	9	0	0
	Kinki	5	14	0	0
	Chugoku	2	2	0	0
	Shikoku	1	1	0	0
	Kyushu	0	32	0	0
Overseas	China	0	7	0	0
Total		289		4	

(ii) Number of Kanamoto Group employees

	Number of employees
Business related to the Construction Equipment Rental Division	2,272
Other Businesses	36
All companies (shared)	157
Total	2,465

(Notes) 1. Figures are the number of full-time employees and do not include temporary or part-time employees.

2. The total number of employees increased by 126 people compared with the end of the prior consolidated fiscal year.

3. Employees designated as “All companies (shared)” are individuals affiliated with management departments who cannot be classified in a specific segment.

(iii) Number of Kanamoto employees

Number of employees	Change compared with end of prior fiscal year	Average age	Average length of service
1,676	93	37.5	10.8 years

(Note) Figures are the number of full-time employees and do not include temporary or part-time employees.

(7) Important parent company affiliates and subsidiary companies

(i) Parent company affiliates

The Company had no items to report.

(ii) Subsidiaries

(Unit: Millions of yen; Thousands of yuan)

Company name	Capital	Kanamoto's ownership (%)	Main activities
Assist Co., Ltd.	136	100.00	Rental and sale of furniture, fixtures and safety products
Kanatech Co., Ltd.	100	100.00	Design and sale of modular housing units for temporary use
Kanki Corporation	99	92.67	Rental and sale of construction equipment
Kyushu Kensan Co., Ltd.	70	61.54	Rental and sale of construction equipment centered on foundation equipment
Daiichi Kikaisangyo Co., Ltd.	20	100.00	Rental and sale of construction equipment
Toyo Industry Co., Ltd.	31	100.00	Shield tunneling method-related peripheral equipment rentals and sales
Unite Co., Ltd.	1,144	66.85	Rental and sale of road construction equipment, road construction works
Shanghai Jinheyuan Engineering Construction Co., Ltd.	CNY143,271	80.22	Rental and sale of construction equipment, import and export of construction materials

(8) Primary lenders and amount of borrowing (As of October 31, 2015)

Financial institution	Loan balance (millions of yen)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4,292
Mitsubishi UFJ Trust and Banking Corporation	4,151
Mizuho Bank, Ltd.	3,671
Hokkaido Bank, Ltd.	2,276
North Pacific Bank, Ltd.	2,166
77 Bank Corporation	1,794
JA - Hokkaido Shinren	1,527
The Norinchukin Bank	1,304
The Daishi Bank, Ltd.	1,194
Akita Bank Ltd.	912

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

Distribution of earnings to shareholders is a key management issue.

The dividend policy of Kanamoto is to provide shareholders with a consistent and stable dividend regardless of the business environment. Furthermore, the Company aims to implement additional profit distribution in line with earnings performance. Moreover, it is the basic policy of Kanamoto to sufficiently build up its retained earnings, which is essential for strengthening financial position and to implement aggressive business expansion.

For the fiscal year ended October 2015, the Company plans an annual dividend of ¥35 per share (including an interim dividend of ¥15 per share).

Furthermore, the Company aims to allocate retained earnings to capital investments, including facilities investment for rental equipment and other assets. Note that the company is putting a share buyback program into place to facilitate the flexible implementation of capital policies.

(10) Summary of other important matters concerning the corporate group

There are no material events that should be reported.

2. Matters Concerning the Company's Stock

Summary of Common Stock (As of October 31, 2015)

(i) Total number of shares authorized 130,000,000 shares

(ii) Shares issued and outstanding 36,092,241 shares
(including 752,941 shares of treasury stock)

(iii) Number of shareholders 9,867

(iv) Principal shareholders (ten largest)

Shareholder name	Number of shares held ('000 shares)	Percentage of total (%)
ORIX Corporation	1,628	4.60
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1,232	3.48
Komatsu Construction Equipment Sales and Service Japan Ltd.	954	2.70
Japan Trustee Services Bank, Ltd. (Trust Account)	935	2.64

Kanamoto Capital Co., Ltd.	915	2.59
Hokkaido Bank, Ltd.	888	2.51
The Master Trust Bank of Japan, Ltd. (Trust Account)	857	2.42
BNYM TREATY DTT 15	852	2.41
The Tokio Marine & Nichido Fire Insurance Co., Ltd.	802	2.27
North Pacific Bank, Ltd.	763	2.15

(Note) The percentage of total is calculated after the deduction of treasury stock (725,941 shares).

(v) Other important matters related to shares

Pursuant to a resolution made at the board of directors' meeting held on August 6, 2015, the Company acquired 700,000 shares of treasury stock between August 7, 2015 and September 11, 2015 (in terms of trade dates) through buying on the market.

3. Matters Concerning Stock Acquisition Rights etc.

The Company had no material items to report.

4. Matters Concerning Company Directors (As of October 31, 2015)

(1) Summary of directors and auditors

Name	Position and duties	Main concurrent positions at other entities
Kanchu Kanamoto	President and CEO Corporate Officer	Chairman of the Board, Shanghai Jinheyuan Engineering Construction Co., Ltd.
Nobuhito Utatsu	Director Senior Corporate Officer General Manager, Accounting Division, serving concurrently as General Manager, Information Systems Division and Manager of the Bill Collection Center	
Tetsuo Kanamoto	Director Senior Corporate Officer Manager, Business Coordination Headquarters, serving concurrently as Division Manager, Construction Equipment Rental Division	President and Representative Director, Toyo Industry Co., Ltd. Chairman of the Board and Representative Director, Unite Co., Ltd. Chairman of the Board and Representative Director, KG Flowtechno Co., Ltd. Chairman of the Board, KANAMOTO (HK)

		CO., LTD. Representative Director, Kanamoto & JP Nelson Equipment (S) PTE. Ltd.
Hitoshi Narita	Director Corporate Officer Division Manager, Business Management Planning Division	President and Representative Director, Kanatech Co., Ltd.
Masakazu Hirata	Director Corporate Officer Deputy Division Manager, Construction Equipment Rental Division, serving concurrently as Division Manager, Used Products Sales Division and as Manager, Quality Assurance Office	
Keiichi Kitakata	Director Corporate Officer Division Manager, Construction Equipment Rental Division	President and Representative Director, Kanki Corporation
Hiroyuki Isono	Director Corporate Officer Division Manager, Administration Division, serving concurrently as General Manager, Office of the President	
Tatsuo Kanamoto	Director Corporate Officer Deputy Division Manager, Construction Equipment Rental Division, serving concurrently as Regional Manager, Hokkaido Region and as Division Manager, Hokkaido Division Temporary Scaffolding Division	
Manabu Nagasaki	Director Corporate Officer Regional Manager, Construction Equipment Rental Division Kanto & Shinetsu Region	President and Representative, Director,Eiwashoukai Co., Ltd.
Yuichi Asano	Director Corporate Officer Division Manager, Credit Management Division	
Naoki Mukunashi	Director Corporate Officer General Manager, Overseas Business Division, serving concurrently as Assistant to General Manager, Business Coordination Headquarters	
Kazunori	Director Corporate Officer Division Manager, Information Products	

Hashiguchi	Division, serving concurrently as Manager, Market Development Office and as Assistant to General Manager, Business Coordination Headquarters	
Yasuyuki Ijiri	Director (Outside Director)	
Yoshihiro Nogami	Director (Outside Director)	
Name	Position and duties	Main concurrent positions at other entities
Eichu Kanamoto	Standing Corporate Auditor	
Naoyuki Yokota	Standing Corporate Auditor	
Akio Hashimoto	Auditor (Outside Auditor)	Attorney-at-Law
Kiyohiro Tsuji	Auditor (Outside Auditor)	Licensed Tax Accountant
Akira Naoi	Auditor (Outside Auditor)	Certified Public Accountant
Kouji Soga	Auditor (Outside Auditor)	

(Notes) 1. Director Yasuyuki Ijiri and Director Yoshihiro Nogami are Outside Directors.

2. Auditor Akio Hashimoto, Auditor Kiyohiro Tsuji, Auditor Akira Naoi and Auditor Kouji Soga are Outside Corporate Auditors.

3. Auditor Kiyohiro Tsuji holds qualifications as a licensed tax accountant and has the appropriate degree of knowledge concerning financial affairs and accounting.

4. Auditor Akira Naoi holds qualifications as a certified public accountant and has the appropriate degree of knowledge concerning financial affairs and accounting.

5. Auditor Akio Hashimoto, Auditor Kiyohiro Tsuji and Auditor Akira Naoi have notified the Tokyo Stock Exchange and Sapporo Securities Exchange, the exchanges on which Kanamoto's shares are listed, of their position as an "independent director" as provided by the rules etc. of both exchanges.

(2) Total remuneration and other amounts paid to Directors and Auditors

Classification	Number of compensated individuals	Compensation amount (Millions of yen)
Director	12	56

Auditor (Outside Auditor)	7 (4)	29 (3)
Total	19 (4)	85 (3)

(Notes) 1. The above number of people to whom payments were distributed as in the above includes a corporate auditor who retired at the conclusion of the 51st Regular General Meeting of the Shareholders held on January 29, 2015.

2. Three Directors (one of whom is an Outside Director) who received no remuneration are not included in the compensated individuals indicated above.
3. Total compensation paid to Directors does not include ¥162 million equivalent to the employee salary portion (including bonuses) paid to Directors serving concurrently as employees.
4. The maximum compensation for Directors was established at a maximum annual amount of ¥240 million (however, not including the employee salary portions) by a resolution of the 26th Regular General Meeting of the Shareholders convened on January 24, 1991.
5. The maximum compensation for Auditors was established at a maximum annual amount of ¥50 million by a resolution of the 42nd Regular General Meeting of the Shareholders convened on January 26, 2007.
6. The above distributed amount does not include a retirement bonus of six million yen for a corporate auditor who retired during the current term.

(3) Matters concerning Outside Directors

(i) Concurrent posts held by Company executives including positions at other companies

The Company had no material items to report.

(ii) Concurrent service as an outside director at other companies

The Company had no material items to report.

(iii) Relationships with specified related parties including main customers

The Company had no material items to report.

(iv) Activities during the current fiscal year

Classification	Name	Activities
Director	Yasuyuki Ijiri	Attended all of the five Board of Directors meetings held during the fiscal year and appropriately contributed the necessary advice and proposals concerning resolutions and discussions.
Director	Yoshihiro Nogami	After inauguration Attended all of the five Board of Directors meetings held during the fiscal year and appropriately contributed the necessary advice and proposals concerning resolutions and discussions.
Auditor	Akio Hashimoto	Attended all of the five Board of Directors meetings and all of the eight Audit Committee meetings held during the fiscal year and appropriately contributed the necessary advice and recommendations based mainly on his expert perspective as an attorney-at-law.
Auditor	Kiyohiro Tsuji	Attended all of the five Board of Directors meetings and all of the eight Audit Committee meetings held during the fiscal year and appropriately contributed the necessary advice and recommendations based mainly on his expert perspective as a licensed tax accountant.
Auditor	Akira Naoi	Attended all of the five Board of Directors meetings and all of the eight Audit Committee meetings held during the fiscal year and appropriately contributed the necessary advice and recommendations based mainly on his expert perspective as a certified public accountant.
Auditor	Kouji Soga	After inauguration Attended four of the five Board of Directors meetings and seven of the eight Audit Committee meetings held during the fiscal year, and appropriately contributed the necessary advice and recommendations based on his many years of employment and experience at financial institutions and his experience as a standing auditor as other companies.

(Note) In addition to the above, to achieve more rapid decision-making the Company implemented resolutions in writing 25 times based on the provision of Article 370 of the Companies Act.

(v) Matters concerning Contracts for Limitation of Liability

Based on the provision of Article 427 paragraph 1 of the Companies Act, the Company has entered agreements with its outside directors and outside auditors that limits their liability for compensation for damages under Article 423 paragraph 1 of the same law. The amount of the limit on the liability for compensation for damages based on said agreement is the amount provided by the law.

5. Matters Concerning Independent Auditors

(1) Name

Ernst & Young ShinNihon LLC

(2) Amount of compensation and other benefits

	Amount paid (Millions of yen)
Amount paid for compensation etc. as independent auditors pertaining to the current fiscal year	39
Total amount of cash and other financial interests Kanamoto and its subsidiary companies will pay to the Company's independent auditors	44

(Note) 1. The amount of compensation and other benefits pertaining to the current fiscal year is reported in these total amounts because the amounts of the audit fees etc. for audits based on the Companies Act and audits based on the Financial Instruments and Exchange Act are not classified separately and cannot be substantively classified in the audit agreement between the Company and its independent auditors.

2. The Board of Corporate Auditors comprehensively examined the details of audit plans by the accounting auditor, the status of its execution of duties in accounting and others audit, as well as referring to past remuneration of the accounting auditor before agreeing on the remuneration amount, etc. for the accounting auditor.

(3) Details of non-audit activities

The Company had no material items to report.

(4) Policy for deciding on dismissal or refusal of reappointment

If the Board of Corporate Auditors judges that the accounting auditor falls under any of the items in Article 340, paragraph (1) of the Companies Act, and that there is no prospect of improvement, the Audit Committee shall dismiss the accounting auditor by unanimous decision.

Furthermore, the Board of Corporate Auditors shall decide whether to dismiss or refuse to reappoint the accounting auditor in cases that the Board of Corporate Auditors judges that the above action is needed, such as when it is recognized that audits cannot be conducted appropriately due to the occurrence of events that harm the competence and independence of the accounting auditor.

6. System and Operating Status for Ensuring Appropriate Business Operations

(1) System for Ensuring Appropriate Business Operations

Pursuant to the Board of Directors meeting held on April 23, 2015, the Company has resolved to partially revise its "Basic Policy on Establishment of an Internal Control System." In conjunction with this, the Company has also revised its system to ensure that Company directors comply with laws and the Company's Articles of Incorporation in the execution of their duties and its systems to ensure that other Company operations are appropriate. A summary of the Company's decisions concerning the above revisions is provided below.

(i) System to ensure directors and employees comply with laws and the Articles of Incorporation in the execution of their duties

Kanamoto Company, Ltd. and its subsidiaries have prepared Ethics Guidelines as part of the corporate philosophy, and use these as the Company standard for compliance. Under the Compliance Committee chaired by Kanamoto's president, the Company has disseminated these Guidelines throughout the Company and established a system for compliance with laws and the Ethics Guidelines, and has prepared a handbook summarizing Kanamoto's corporate philosophy and employee conduct standards, which it distributes to all executives and regular employees to increase compliance awareness. As a consultation and reporting system, Kanamoto also has set up in-house and external compliance hotlines, and created a system to resolve problems quickly when consultations or reports are received directly from employees and other individuals, while strictly observing confidentiality and ensuring that individuals who report problems do not suffer any disadvantages. Furthermore, the Company has established a Legal Section reporting directly to the president, to act as an advisory panel for important legal issues, and a system to enable the Company to give proper legal consideration to all decision making.

(ii) System for preserving and managing information concerning the execution of directors' duties

Kanamoto retains documents and various information in accordance with laws and ordinances and its internally established document administration regulations and document retention rules. Information is controlled in accordance with internal information management regulations and general data management rules, and personal data are administered in accordance with the Kanamoto Rules on Personal Data Protection and the Company's personal data protection manual.

(iii) Rules and other systems concerning management of loss risk

Kanamoto and its subsidiaries have established mechanisms to recognize and evaluate risks related to the business activities of each division, and prepared systems to avoid such risks. This has created a system capable of clarifying the authority and responsibilities of each division, supervising risk management conditions throughout the organization under the Board of Directors and discovering new risks. If unforeseen circumstances have occurred that will have a serious effect on the Company operations, or if there is concern such circumstances might occur, the Company and its subsidiaries will respond appropriately, and take measures to prevent a recurrence, based on its Emergency Response Manual (Contingency Plan).

(iv) System for ensuring efficient execution of directors' duties

In addition to its regular Board of Directors meetings, Kanamoto and its subsidiaries hold extraordinary Board of Directors meetings from time to time as necessary to decide important matters and to make flexible decisions concerning the execution and supervision of management strategies and the Company's business plans. The Company's Board of Directors receives reports on important matters including the financial condition and other matters of the Company's subsidiaries. For its management plan, the Company establishes budgets for the next business fiscal year and medium-term future, which gives the managers of each division the Company's overall objectives based on specific numerical targets. Each division sets division-wide objectives, and executes progress management and specific measures aimed at achieving its goals. Kanamoto has also introduced the corporate officer system to accelerate management decision-making and clarify supervisory authority and responsibility for plan execution, and each corporate officer is responsible for achieving the management plan approved by the Board of Directors. To respond quickly to the severe pace of change in its management environment, the Company has also shortened the directors' term of office to one year.

(v) System to ensure appropriate activities at Kanamoto and within the corporate group comprised of the parent company and subsidiaries

To apply Kanamoto's Ethics Guidelines correspondingly to each company in the Kanamoto Group, the Company has decided to enlarge the scope of the Compliance Committee and the consultation and reporting system to every group firm, to ensure the effectiveness of business activities is as extensive as possible.

In addition, in accordance with the provisions of the Financial Instruments and Exchange Act, the Company and its affiliates maintain an excellent management environment, and work to strengthen company-wide internal controls, internal controls pertaining to settlement of accounts financial reports and operating process control

activities, create internal control systems that enable the Company to make proper and effective assessments and conduct appropriate operations. Furthermore, under Kanamoto's internal management system concerning financial reporting, each organization (individual) has affirmed the following roles.

[1] Managers have the final responsibility for all of the organization's activities, and prepare and implement internal controls based on this basic policy.

[2] The Board of Directors has supervisory responsibility for the preparation and operation of the managers' internal controls, and monitors and supervises managers to ensure the financial reporting and internal controls are executed properly.

[3] The auditors monitor and verify the financial reporting and preparation and operation of the internal controls from an independent standpoint.

[4] The Internal Control and Auditing Office objectively evaluates from an independent standpoint, the effectiveness of the internal controls related to financial reporting at Kanamoto and its affiliated companies on behalf of the Company's managers in accordance with the audit rules, and when necessary makes proposals concerning improvements and corrections and reports to the managers and Board of Directors.

(vi) Matters concerning individuals requested by the auditors to assist with auditors' activities

Kanamoto currently does not employ any individuals to assist the auditors in their activities, but should it become necessary, the Company will hire audit staff. During a period the auditors specify, the management authority for the nominated employees will be transferred to the auditors, and the employees will not receive instructions or orders from the Company's directors, thereby ensuring the effectiveness of instructions from auditors.

(vii) Matters related to the independence of employees in the preceding paragraph from directors

Personnel matters for employees assigned to audit activities (appointments, transfers and evaluations) will have the consent of the auditors.

(viii) System for directors and employees to report to the auditors, other systems concerning reports to auditors, and other systems to ensure audits are performed effectively

To perform audits of the directors, the Company's auditors attend the meetings of the Board of Directors, and also attend important meetings and committees, in order to understand other important decisions and the circumstances of execution of the Company's business activities. If the directors and employees of Kanamoto and its subsidiaries discover facts that might cause the Company considerable harm, they are to

report immediately to the auditors. The standing auditors will circulate a report and request for managerial decision, and if necessary can request explanations from the directors and employees. Those who reported to the auditors shall not be treated unfavorably on the grounds of giving such report.

The auditors also meet regularly with the president and representative director, to exchange opinions concerning issues the Company should address and important audit matters. After audits are completed, the Internal Control and Auditing Office promptly submits an Auditors' Report concerning the audit results to the president and representative director and the auditors.

The auditors and the Internal Control and Auditing Office also exchange information and cooperate in other ways with outside specialists, including the accounting auditors and the Company's attorneys.

(ix) Matters regarding policies related to processing of expenses or liabilities arising from the execution of auditors' duties

In regards to procedures for prepayment or reimbursement of expenses arising from execution of auditors' duties and processing of expenses or liabilities arising from execution of auditors' duties, such expenses or liabilities are accounted for upon requests made by the auditors, except where the requests cannot be considered necessary for the execution of auditors' duties.

(x) System for eliminating antisocial forces

In its Ethics Guidelines, Kanamoto has adopted a resolute stance and set forth provisions to block all transactions and relationships with antisocial forces, individuals and groups that threaten the order and safety of society and the stable operation of firms. In addition to gathering information from specialized external agencies and other sources at an internal division, the Company works to educate employees through programs such as internal training. Moreover, in an emergency the Company will cooperate with the police authorities having jurisdiction, its advising attorney and other institutions and individuals, to organizationally block and eliminate unwarranted demands from antisocial elements.

(2) Operating Effectiveness of Internal Controls

In accordance with the provisions of the Financial Instruments and Exchange Act, Kanamoto and its subsidiaries evaluate the design and operating effectiveness of internal controls for each period and have the accounting auditor conduct audits on the appropriateness.

In addition, for the purpose of maintaining and enhancing the level of control, the Internal Control and Auditing Office conducts audits of Kanamoto and its affiliated

companies for each period, and when necessary, reports to the managers, Board of Directors, Board of Auditors and Internal Control Committee.

7. Kanamoto's Basic Policy Concerning Dividends

The Company had no applicable items to report.

Consolidated Financial Statements

51th Business Period

From November 1, 2014

to October 31, 2015

Kanamoto Co., Ltd.

Consolidated Balance Sheet

(As of October 31, 2015)

(Unit: Million Yen)

Classification	Amount	Classification	Amount
(Assets)		**(Liabilities)**	
Current assets	**83,195**	**Current liabilities**	**69,534**
Cash and deposits	35,900	Notes and accounts payable-trade	27,775
Notes and accounts receivable-trade	37,251	Short-term loans payable	13,278
Securities	350	Lease obligations	1,585
Merchandise and finished goods	672	Accounts payable-other	19,233
Costs on uncompleted construction contracts	39	Income taxes payable	3,711
Raw materials and supplies	272	Provision for bonuses	856
Construction machine parts	8,214	Other	3,093
Deferred tax assets	610	**Noncurrent liabilities**	**61,387**
Other	584	Long-term loans payable	19,614
Allowance for doubtful accounts	–701	Lease obligations	1,831
Noncurrent assets	**119,724**	Long-term accounts payable-other	39,254
Property, plant and equipment	**111,436**	Asset retirement obligations	317
Rental equipment	67,341	Other	368
Buildings and structures	9,564	**Total Liabilities**	**130,921**
Machinery, equipment and vehicles	749		
Tools, furniture and fixtures	343	**(Net Assets)**	
Land	32,354	**Shareholders' equity**	**67,597**
Construction in progress	1,083	Capital stock	13,652
Intangible assets	**316**	Capital surplus	14,916
Software in progress	144	Retained earnings	41,156
Other	171	Treasury stock	–2,128
Investments and other assets	**7,972**	**Accumulated other comprehensive income**	**1,991**
Investment securities	6,317	Valuation difference on available-for-sale securities	1,948
Deferred tax assets	285	Deferred gains or losses on hedges	−0
Other	2,008	Foreign currency translation adjustment	43
Allowance for doubtful accounts	–528	**Minority interests**	**2,409**
Allowance for investment loss	–110	**Total Net Assets**	**71,998**
Total Assets	**202,919**	**Liabilities and Total Net Assets**	**202,919**

Consolidated Statement of Income

(From November 1, 2013 to October 31, 2014)

(Unit: Million Yen)

Classification	Amount	
Net sales		**133,292**
Cost of sales		**91,886**
Gross profit		**41,405**
Selling, general and administrative expenses		**25,134**
Operating income		**16,270**
Non-operating income		**581**
Interest income and dividends	120	
Rent income	65	
Insurance income	42	
Foreign exchange gains	96	
Reversal of allowance for doubtful accounts	4	
Other	252	
Non-operating expenses		**688**
Interest expenses	461	
Loss on sales of notes payable	18	
Other	208	
Ordinary income		**16,164**
Extraordinary income		**519**
Gain on sales of noncurrent assets	12	
Subsidy income	12	
Gain on sales of investment securities	307	
Gain on sales of shares of subsidiaries and associates associates	68	
Compensation income for damage	118	
Extraordinary loss		**416**
Impairment loss	171	
Loss on sales and retirement of noncurrent assets	157	
Loss on valuation of investment securities	87	
Income before income taxes and minority interests		**16,266**
Income taxes-current	6,318	
Income taxes-deferred	98	**6,416**
Income before minority interests		**9,850**
Minority interests in income		292
Net income		**9,557**

Consolidated Statement of Changes in Net Assets

(From November 1, 2014 to October 31, 2015)

(Unit: Million Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
November 1, 2014 balance	13,652	14,916	32,860	−56	61,373
Change of items during the consolidated fiscal year					
Dividends from surplus			−1,261		−1,261
Net income			9,557		9,557
Purchase of treasury stock				−2,072	−2,072
Net changes of items other than shareholders' equity during the consolidated accounting fiscal year					−
Total changes of items during the consolidated fiscal year	−	−	8,296	−2,072	6,223
October 31, 2015 balance	13,652	14,916	41,156	−2,128	67,597

	Accumulated other comprehensive income				Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income		
November 1, 2014 balance	1,977		14	1,992	2,147	65,513
Change of items during the consolidated fiscal year						
Dividends from surplus				−		−1,261
Net income				−		9,557
Purchase of treasury stock				−		−2,072
Net change of items other than shareholders' equity during the consolidated accounting fiscal year	−29	−0	28	−0	261	260
Total changes of items during the consolidated fiscal year	−29	−0	28	−0	261	6,484
October 31, 2015 balance	1,948	−0	43	1,991	2,409	71,998

Notes to the Consolidated Financial Statements

1. Notes Concerning Significant Matters that Serve as the Basis for Preparation of the Consolidated Financial Statements

(1) Companies included in the consolidation

(i) Number of consolidated subsidiaries and names of main consolidated subsidiaries

・Number of consolidated subsidiaries 8

・Names of consolidated subsidiaries Assist Co., Ltd.
Kanatech Co., Ltd.
Kanki Corporation
Kyushu Kensan Co., Ltd.
Shanghai Jinheyuan Engineering Construction Co., Ltd.
Daiichi Kikaisangyo Co., Ltd.
Toyo Industry Co., Ltd.
Unite Co., Ltd.

Note: Kanamoto sold all of its shareholdings in Kanamoto Engineering Co., Ltd. on October 1, 2015 and was removed from the scope of consolidation.

(ii) Major names of non-consolidated subsidiaries

・Names of non-consolidated subsidiaries KG Flowtechno Co., Ltd.
KANAMOTO (HK) CO., LTD.
Kanamoto & JP Nelson Equipment (S) PTE. LTD.
Shanghai KG Machinery Co., Ltd.
PT Kanamoto Indonesia
KANAMOTO FECON HASSYU CONSTRUCTION EQUIPMENT RENTAL JSC
Eiwashoukai 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

Names of non-consolidated subsidiaries and affiliated companies excluded from application of equity method accounting

(Non-consolidated subsidiaries) KG Flowtechno Co., Ltd.
KANAMOTO (HK) CO., LTD.
Kanamoto & JP Nelson Equipment (S) PTE. LTD.
Shanghai KG Machinery Co., Ltd.
PT Kanamoto Indonesia
KANAMOTO FECON HASSYU CONSTRUCTION EQUIPMENT RENTAL JSC
Eiwashoukai Co., Ltd.

(Affiliated company) Asahi Rentax Co., Ltd.
SIAM KANAMOTO CO., LTD.
KNK MACHINERY & EQUIPMENT CORPORATION

・Reasons for not accounting for the companies under the equity method

Given the level of net income (commensurate with equity) and retained earnings

(commensurate with equity), the equity method was not applied to these 7 non-consolidated subsidiaries and 3 affiliates given the minimal degree of impact to consolidated financial statements. In addition, these companies were excluded from the scope of equity-method accounting given their lack of overall significance.

(3) Matters pertaining to the fiscal years for consolidated subsidiaries

The closing date for Shanghai Jinheyuan Engineering Construction Co., Ltd. is December 31, and the closing date for all other consolidated subsidiaries matches the closing date for consolidated accounts settlement.

When preparing the consolidated financial statements, the Company uses financial statements for Shanghai Jinheyuan Engineering Construction Co., Ltd. that are based on a provisional accounts settlement as of September 30. The data is adjusted to reflect significant transactions that occurred between the subsidiary's fiscal year-end and the consolidated accounts settlement date that are believed to have a significant effect on consolidated financial results.

(4) Accounting principles and standards used for normal accounting treatment

(i) Appraisal standards and appraisal methods for assets

a. Appraisal standards and appraisal methods for securities

Other securities

・Securities with a market price	The Company 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 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 starting from year of purchase.

c. Inventories

・Merchandise and finished goods	The Company 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)
・Costs on uncompleted construction contracts	The Company adopted the cost method, cost being determined by the specific identification method
・Raw materials and supplies	The Last Purchase Cost method (amounts shown on the balance sheet are calculated by determining write-downs of book value based on the decline in profitability)

(ii) Depreciation methods for principal depreciable assets

a. Property, plant and equipment (excluding leased assets)	The Company adopted the straight-line method for rental equipment (for certain consolidated subsidiaries, the declining-balance method) 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 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 adopted the straight-line method. Software for use within the Company is depreciated using the straight-line method based on the assumed useful life for internal use (5 years).

c. Lease assets: The Company 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.

(iii) 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 specific credits such as credits at risk 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 builds up provisions to cover losses from declines in real prices of assets such as the stock of subsidiary companies that are not subject to asset impairment accounting by applying internally established standards that take into consideration subsidiary operating results and asset quality.

(iv) Accounting standards for principal income and expenses

Accounting standards for amount of completed works and cost of completed construction works

a. onstruction works for which the portion of the works completed by the end of the year can be reliably determined (cost-to-cost method is used to estimate the rate of progress for construction)
Percentage-of-completion method (progress in construction work is estimated using the cost-to-cost method)

b. Other construction works

Completed-contract method

(v) Standard for conversion of main foreign currency-denominated assets or liabilities into Japanese yen

The Company converts monetary claims and liabilities that are denominated in foreign currencies into Japanese yen based on the spot rate for the consolidated fiscal year settlement date, and posts the translation difference to income as a gain or loss. The assets and liabilities of controlled foreign corporations are converted into Japanese yen based on the spot rate for 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.

(vi) Hedge accounting for principal hedging methods

a. Hedge accounting method	The Company employs the deferral accounting method of hedges. Also, allocation treatment is applied when foreign exchange rate risk hedging meets necessary requirements. Also, special accounting treatment is employed for interest rate swap transactions that meet special rule accounting.
b. Hedge methods and hedged transactions	Hedge accounting is applied to the following hedge methods and hedged transactions.
(i) Hedge method:	foreign exchange forward contracts
Hedged transactions:	foreign currency denominated financial obligations and scheduled transactions owing to the import of raw materials
(ii) Hedge method:	Interest rate swaps
Hedged transactions:	Debt
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 hedging	The effectiveness of hedging is measured from the time a transaction is first hedged to the point effectiveness can be determined. Effectiveness is determined based on a comparison of the cumulative market fluctuations for hedged transaction based on a single hedge method. In addition, the Company's interest swap transactions fulfill the requirements for special rule accounting. The results of this are used to evaluate the effectiveness of interest swap hedges.

(vii) 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.

(viii) 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.

(5) Supplemental information

(Impact from change to corporate tax rate)

The “Act for Partial Amendment of the Income Tax Act, etc.” (Act No.9 of 2015) and the “Act for Partial Revision of Local Tax Act, etc.” (Act No. 2 of 2015) were enacted on March 31, 2015. Accordingly, the income tax rate was reduced for consolidated fiscal years in and after April 1, 2015.

Henceforth the effective income tax rate applied to the calculation of deferred tax assets and liabilities will be lowered to 32.8%, from the previous 35.3%. Meanwhile, an income tax rate of 32.8% is to be applied to one-off items expected to be written off in the consolidated fiscal year beginning November 1, 2015. Ultimately both income tax rates will be lowered to 32.0% for one-off and other items expected to be written off in the fiscal years in and after the consolidated fiscal year beginning November 1, 2016.

In light of this revision, deferred tax assets at the end of the fiscal year under review declined ¥9 million while income taxes - deferred rose ¥101 million and the valuation difference on available-for-sale securities increased ¥92 million.

2. Notes Pertaining to the Consolidated Balance Sheet

(1) Total accumulated depreciation for property, plant and equipment ¥119,927,000,000

(2) Guarantees

The Company provides joint and several guarantees of bank loans to employees.

North Pacific Bank, Ltd. and others	¥29,000,000

Guarantee of borrowing liabilities of non-consolidated companies.

KG Flowtechno Co., Ltd.	¥150,000,000
KANAMOTO (HK) CO., LTD.	HK$16,695,000
	(¥260,000,000)
	US$18,000
	(¥2,000,000)
PT KANAMOTO INDONESIA	IDR7,000,000,000
	(¥62,000,000)
	US$250,000
	(¥30,000,000)
KANAMOTO FECON HASSYU JSC	US$1,650,000
	(¥199,000,000)

Guarantee of borrowing liabilities of affiliate

SIAM KANAMOTO CO., LTD.,	THB70,000,000
	(¥238,000,000)

Guarantee of installment payment liabilities of a non-consolidated subsidiary company

Kanamoto & JP Nelson Equipment (S) PTE. LTD.	SG$1,887,000
	(¥163,000,000)

Guarantee of financing and leasing liabilities of of non-consolidated subsidiary companies

Kanamoto & JP Nelson Equipment (S) PTE. LTD.	SG$38,000
	(¥3,000,000)
KANAMOTO (HK) CO., LTD.	HK$6,067,000
	(¥94,000,000)

(HK$: Hong Kong dollars, US$: US dollars, SG$: Singapore dollars, THB: Thai baths, and IDR: Indonesia rupiah)

(3) Discount on notes receivable-trade ¥149,000,000

(4) Liquidation of receivables based on receivables transfer facility

The Company liquidates receivables based on a receivables transfer facility.

Notes receivable-trade	¥3,628,000,000

Liquidated claims bearing a right of recourse to the Company and included in the balance of notes receivable, trade transferred total ¥927,000,000.

3. Notes Pertaining to the Consolidated Statement of Changes in Net Assets

(1) Class and total number of outstanding shares at the end of the current consolidated fiscal year

Common stock	36,092,241 shares

(2) Matters pertaining to dividends

(i) Dividends paid

Resolution	Class of stock	Total dividend ('000 yen)	Dividend per share (yen)	Date of record	Payment date
December 26, 2014 Board of Directors meeting(Note)	Common stock	720	20.00	October 31, 2014	January 30, 2015
June 5, 2015 Board of Directors meeting	Common stock	540	15.00	April 30, 2015	July 7, 2015
Total		1,261			

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

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

Matters pertaining to dividends based on a resolution of the Board of Directors meeting convened on December 25, 2015

- Total dividend ¥706,000,000
- Dividend per share ¥20.00
- Date of record October 31, 2015
- Payment date January 29, 2016

The Company plans to use retained earnings as the source of funds for dividends.

4. Notes Pertaining to Financial Instruments

(1) Matters concerning status of financial instruments

The Kanamoto Group uses a variety of financing sources (mainly bank loans and bond issuance) to obtain the funds needed to achieve its capital investment plans. The Company temporarily invests idle funds in financial products with a high degree of safety, and uses loans from banks to procure short-term working capital. The Company's policy concerning derivatives is to use derivatives transactions to avoid risk, and to not engage in transactions for speculative purposes.

The Company works to minimize the customer credit risk related to notes and accounts receivable-trade in accordance with the credit management rules of the Kanamoto Group. Moreover, securities held are mainly certificates of deposit, and investment securities are primarily equities, and the Company is exposed to credit risk and the risk of market price fluctuations. Listed stocks are marked to market every quarter. In order to mitigate the risk of exchange rate fluctuations for receivables and payables denominated in foreign currencies, foreign exchange forward contracts were used as hedging instruments.

The Company uses loans for working capital and capital investments. Although its floating rate loans are exposed to the risk of changes in interest rates, to avoid the interest rate volatility risk on the long-term portion of its loans the Company uses a derivatives transaction (interest swap transaction) for each separate borrowing agreement as a hedging mechanism to achieve a fixed interest rate. For some capital investments, the Company uses long-term accounts payable-other based on an installment payment contract as a method of obtaining funds.

(2) Matters concerning mark-to-market pricing of financial instruments

The amounts reported on the consolidated balance sheet, market prices and the differences as of October 31, 2015 are shown below. Items for which a market price is recognized to be extremely difficult to determine are not included in the following table. (Please see (Note 2).)

(Unit: Million Yen)

	Amount on the consolidated balance sheet	Market price	Difference
(1) Cash and deposits	35,900	35,900	—
(2) Notes and accounts receivable-trade	37,251	37,251	—
(3) Securities and investment securities			
Other securities	5,252	5,252	—
(4) Notes and accounts payable-trade	27,775	27,775	—
(5) Short-term loans payable	727	727	—
(6) Accounts payable-other (excluding long-term accounts payable-other due within one year)	2,943	2,943	—
(7) Long-term loans payable (including amounts due within one year)	32,165	32,184	△18
(8) Long-term accounts payable-other (including amounts due within one year)	55,544	55,613	△69
(9) Derivatives transactions	-0	-0	—

(Note 1) Matters concerning the method of calculating market prices of financial instruments and derivatives transactions

(1) Cash and deposits and (2) Notes and accounts receivable-trade

The Company calculates cash and deposits and notes and accounts receivable-trade using book value because these assets are settled in the short term and the market prices are nearly identical to book value.

(3) Securities and investment securities

The Company calculates certificates of deposit using book value because these assets are settled in the short term and the market prices are nearly identical to book value. The Company calculates equities using stock exchange prices, and calculates bonds and other securities using the prices provided by correspondent financial institutions.

(4) Notes and accounts payable-trade and (6) accounts payable-other (excluding long-term accounts payable-other due within one year)

The Company calculates cash and deposits and notes and accounts receivable-trade using book value because these assets are settled in the short term and the market prices are nearly identical to book value.

(5) Short-term loans payable

The Company calculates cash and deposits and notes and accounts receivable-trade using book value because these assets are settled in the short term and the market prices are nearly identical to book value.

(7) Long-term loans payable (including amounts due within one year) and (8) Long-term accounts payable-other (including amounts due within one year)

The Company calculates the market prices of long-term loans payable and long-term accounts payable-other using the present value of total principal and interest discounted at the interest rate assumed if the Company were to enter into identical new loans or installment payment agreements and lease transactions. For long-term loans payable with a floating interest rate, which are eligible for special rule accounting for interest rate swaps (refer to (9) below), the Company calculates market value by discounting the total amount of the principal and interest treated together for the interest rate swap at the reasonably estimated interest rate that would be applied if the Company were to borrow the identical amount.

(9) Derivatives transactions

Calculation of market values is based on the futures transactions, forward foreign exchange quotations and prices provided by the corresponding financial institutions. In addition, interest rate swaps contracts qualified for the specific hedging criteria are recognized together with hedged long-term loans, so the market value of interest rate swaps contracts is included in the market value of the relevant long-term loans (please refer to (7) above).

(Note 2) The financial instruments for which a market price is recognized to be extremely difficult to obtain that are not included in the mark-to-market information for financial instruments in “(3) Securities and investment securities Other securities” are the following.

・Unlisted equities totaling ¥1,415,000,000 reported on the consolidated balance sheet that do not have market prices, and for which future cash flow cannot be estimated and determining the market price is recognized to be extremely difficult.

5. Notes Pertaining to Rental and Lease Real Estate

The Company has omitted this item because it has no material items to report.

6. Notes Pertaining to Per Share Information

(1) Net assets per share	¥1,969.16
(2) Net income per share	¥266.27

7. Notes Pertaining to Material Events after the Fiscal Year-end

The Company had no material items to report.

8. Other Notes

The Company had no material items to report.

Accounting Audit Report on Consolidated Financial Statements

Report of Independent Accounting Auditor

December 16, 2015

Kanamoto Co., Ltd.
To: The Board of Directors

Ernst & Young ShinNihon LLC

Designated Limited Liability Partner
Certified Public Accountant Yasushi Ishiwaka Seal
Managing Partner

Designated Limited Liability Partner
Certified Public Accountant Itagaki Hiroyasu Seal
Managing Partner

Pursuant to Article 444, paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the notes to consolidated financial statements of Kanamoto Co., Ltd. (the "Company") applicable to the 51st Business Period from November 1, 2014 through October 31, 2015.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected and applied depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of

accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position and results of operations of the corporate group which consisted of the Company and its consolidated subsidiaries, applicable to the 51st Business Period ended October 31, 2015 in conformity with accounting principles generally accepted in Japan.

Conflicts of interest

There are no interests between the Company and Ernst & Young ShinNihon LLC or its Partners that should be disclosed pursuant to the provisions of the Certified Public Accountants Act.

Financial Statements

51th Business Period

From November 1, 2014

to October 31, 2015

Kanamoto Co., Ltd.

Balance Sheet

(As of October 31, 2015) (Unit: Million Yen)

Classification	Amount	Classification	Amount
(Assets)		**(Liabilities)**	
Current assets	**67,084**	**Current liabilities**	**55,213**
Cash and deposits	29,250	Notes payable-trade	17,522
Notes receivable-trade	8,274	Accounts payable-trade	4,866
Accounts receivable, trade	19,522	Short-term loans payable	10,814
Securities	350	Accounts payable-other	15,643
Merchandise and finished goods	279	Income taxes payable	3,347
Costs on uncompleted construction contracts	39	Accrued expenses	467
Construction machine parts	8,214	Provision for bonuses	576
Raw materials and supplies	139	Notes payable-facilities	605
Prepaid expenses	301	Other	1,371
Deferred tax assets	472		
Short-term loans receivable	242		
Other	98		
Allowance for doubtful accounts	–101		
Noncurrent assets	**103,809**	**Noncurrent liabilities**	**49,732**
Property, plant and equipment	**92,676**	Long-term loans payable	16,551
Rental equipment	51,165	Long-term accounts payable-other	32,637
Buildings	6,504	Asset retirement obligations	202
Structures	1,577	Deferred tax liabilities	341
Machinery and equipment	666	**Total Liabilities**	**104,946**
Vehicles and delivery equipment	10		
Tools, furniture and fixtures	246		
Land	31,423	**(Net Assets)**	
Construction in progress	1,081	**Shareholders' equity**	**64,050**
Intangible assets	**224**	**Capital stock**	**13,652**
Software in progress	108	**Capital surplus**	**14,916**
Other	115	Legal capital surplus	14,773
Investments and other assets	**10,908**	Other capital surplus	143
Investment securities	5,507	**Retained earnings**	**37,609**
Stocks of subsidiaries and affiliates	4,221	Legal retained earnings	1,375
Investments in capital	12	Other retained earnings	36,234
Long-term loans receivable from subsidiaries and affiliates	2,267	Reserve for advanced depreciation of noncurrent assets	22
Claims provable in bankruptcy, claims provable in rehabilitation and other	44	General reserve	26,731
Long-term prepaid expenses	26	Retained earnings brought forward	9,479
Insurance funds	32	**Treasury stock**	**–2,128**
Other	926	**Valuation and translation adjustments**	**1,897**
Allowance for doubtful accounts	–1,691	Valuation difference on available-for-sale securities	1,897
Allowance for investment loss	–438	**Total Net Assets**	**65,948**
Total Assets	**170,894**	**Liabilities and Total Net Assets**	**170,894**

Statement of Income

(From November 1, 2014 to October 31, 2015)

(Unit: Million Yen)

Classification	Amount	
Net sales		**102,029**
Cost of sales		**70,510**
Gross profit		**31,518**
Selling, general and administrative expenses		**17,410**
Operating income		**14,108**
Non-operating income		**919**
Interest income and dividends	139	
Rent income	292	
Reversal of allowance for doubtful accounts	103	
Other	384	
Non-operating expenses		**1,079**
Interest expenses	191	
Loss on sales of notes payable	15	
Provision of allowance for doubtful accounts	706	
Other	166	
Ordinary income		**13,948**
Extraordinary income		**532**
Gain on sales of noncurrent assets	8	
Gain on sales of investment securities	307	
Gain on sales of shares of subsidiaries and associates	99	
Compensation income for damage	118	
Extraordinary loss		**565**
Loss on sales and retirement of noncurrent assets	144	
Loss on valuation of investment securities	87	
Loss on valuation of shares of subsidiaries and associates	228	
Bad debts written off of subsidiaries and associate	104	
Income before income taxes		**13,915**
Income taxes-current	5,482	
Income taxes-deferred	88	**5,571**
Net income		**8,344**

Statement of Changes in Net Assets

(From November 1, 2014 to October 31, 2015)

(Unit: Million Yen)

	Shareholders' equity								
	Capital stock	Capital surplus			Retained earnings				
						Other retained earnings			Total retained earnings
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Reserve for advanced depreciation of noncurrent assets	General reserve	Retained earnings brought forward	
November 1, 2014 balance	13,652	14,773	143	14,916	1,375	19	19,731	9,399	30,526
Changes of items during the fiscal year									
Dividends from surplus				—				–1,261	–1,261
Net income				—				8,344	8,344
Provision of general reserve				—			7,000	–7,000	—
Purchase of treasury stock				—					—
Adjustment to reserve due to change in tax rate						2		–2	
Net changes of items other than shareholders' equity				—					—
Total changes of items during the fiscal year	—	—	—	—	—	2	7,000	80	7,082
October 31, 2015 balance	13,652	14,773	143	14,916	1,375	22	26,731	9,479	37,609

	Treasury stock	Total shareholders' equity	Valuation and translation adjustments		Total net assets
			Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
November 1, 2014 balance	–56	59,039	1,928	1,928	60,968
Changes of items during the fiscal year					
Dividends from surplus		–1,261		—	–1,261
Net income		8,344		—	8,344
Provision of general reserve		—		—	—
Purchase of treasury stock	–2,072	–2,072		—	–2,072

Adjustment to reserve due to change in tax rate		—		—	—
Net changes of items other than shareholders' equity		—	–30	–30	–30
Total changes of items during the fiscal year	–2,072	5,010	–30	–30	4,980
October 31, 2015 balance	–2,128	64,050	1,897	1,897	65,948

Notes Pertaining to the Financial Statements

1. Notes Pertaining to Significant Accounting Policies

(1) Appraisal standards and appraisal methods for assets

(i)	Stocks of subsidiaries and affiliates	The Company has adopted the cost method, cost being determined by the moving average method
(ii)	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 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
(iii)	Construction machine parts	Amount after deduction of depreciation expense according to the straight-line method from the original prices, by separate fiscal year of purchase
(iv)	Inventory	
	・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)
	・Costs on uncompleted construction contracts	The Company has adopted the cost method, cost being determined by the specific identification method
	・Raw materials and supplies	The Company has adopted 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 noncurrent assets

(i)	Property, plant and equipment	The Company has adopted the straight-line method for rental assets and the declining balance method for other assets
	(Except lease assets)	Buildings on land that is leased under a fixed-term land lease agreement, however, are depreciated using the straight-line method using the remaining period of the fixed-term lease as the depreciable life and zero residual value
		The depreciable lives mainly used by the

		Company are as follows. Rental equipment 2-15 years Buildings 2-50 years
(ii)	Intangible assets (Except lease assets)	Straight-line depreciation Software for use within the Company is depreciated using the straight-line method based on the assumed useful life for internal use (5 years)
(iii)	Lease assets	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.
(iv)	Long-term prepaid expenses	Straight-line depreciation

(3) Standard for conversion of foreign currency-denominated assets or liabilities into Japanese yen

The Company converts monetary claims and monetary liabilities denominated in foreign currencies into Japanese yen at the exchange market spot rate on the fiscal year settlement date, and charges the translation difference to income as a gain or loss.

(4) Accounting standards for reserves

(i)	Allowance for doubtful accounts	To provide for losses on doubtful accounts such as accounts receivable-trade, 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.
(ii)	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.
(iii)	Allowance for investment loss	The Company provides for losses from the decline in real prices of assets such as investments in subsidiaries that are not subject to asset impairment accounting by applying internally established standards that take into consideration subsidiary company operating results and asset quality.

(5) Accounting standards for 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

The percentage-of-completion method (progress in construction works is estimated using the cost comparison method)

b. Other construction works

Completed-contract method

(6) Processing of hedging accounting

(i) 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.
(ii) Hedge methods and hedged transactions	The Company uses interest swaps to avoid interest rate fluctuation risk related to interest on bank borrowing.
(iii) 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.
(iv) Method for evaluating the effectiveness of hedges	The Company's interest swap transactions fulfill the requirements for special rule accounting, and the Company has elected to use this in place of an evaluation of effectiveness.

(7) Accounting standards for consumption tax

Consumption tax is taken out of all Statement of Income items and Balance Sheet items, except mainly for receivables and payables. Non-deductible consumption taxes and local consumption taxes are recorded as an expense in the fiscal year in which they are incurred.

2. Notes Pertaining to the Balance Sheet

(1) Total accumulated depreciation for property, plant and equipment

¥79,733,000,000

(2) Guarantees

The Company provides joint and several guarantees of bank loans to employees.

North Pacific Bank, Ltd. and others	¥29,000,000

The Company provides a guarantee of borrowing liabilities of subsidiaries and affiliate.

Shanghai Jinheyuan Engineering Construction Co., Ltd.	52,395,000 yuan (¥999,000,000)
Toyo Industry Co., Ltd.	¥250,000,000
KG Flowtechno Co., Ltd.	¥150,000,000
KANAMOTO (HK) CO., LTD.	HK$16,695,000

	(¥260,000,000)
	US$18,000
	(¥2,000,000)
PT KANAMOTO INDONESIA.	IDR7,000,000,000
	(¥62,000,000)
	US$250,000
	(¥30,000,000)
KANAMOTO FECON HASSYU JSC	US$1,650,000
	(¥199,000,000)
SIAM KANAMOTO CO., LTD.,	THB70,000,000
	(¥238,000,000)

The Company provides a guarantee of finance lease liabilities of a subsidiary.

Shanghai Jinheyuan Engineering Construction Co., Ltd.	104,920,000 RMB
	(¥2,000,000,000)
Kanamoto & JP Nelson Equipment (S) PTE. Ltd.	SGD38,000
	(¥3,000,000)
KANAMOTO (HK) CO., LTD.	HK$6,067,000
	(¥94,000,000)

The Company provides a guarantee of installment payments of a subsidiary.

Kanamoto & JP Nelson Equipment (S) PTE. Ltd.	SGD1,887,000
	(¥163,000,000)

(RMB: Chinese Yuan Renminbi,HK$: Hong Kong dollars, US$: US dollars, SG$: Singapore dollars, THB: Thai baths, and IDR: Indonesia rupiah)

(3) Amounts classified as cash claims against and liabilities owed to affiliates are as follows.

(i) Short-term cash claims	¥1,317,000,000
(ii) Long-term cash claims	¥2,267,000,000
(iii) Short-term cash liabilities	¥1,191,000,000
(iv) Long-term cash liabilities	¥88,000,000

(4) Liquidation of receivables based on receivables transfer facility

The Company liquidates receivables based on a receivables transfer facility.

Notes receivable-trade ¥3,628,000,000

Liquidated claims bearing a right of recourse to the Company and included in the balance of notes receivable-trade transferred total ¥927,000,000.

3. Notes Pertaining to the Statement of Income

Transactions with affiliated companies

(i) Business transactions	¥6,019,000,000
(ii) Transactions other than business transactions	¥430,000,000

4. Notes Pertaining to the Statement of Changes in Net Assets

Matters pertaining to number of treasury stock shares

Class of stock	Number of shares at end of the prior fiscal year	Increase in number of shares during the current fiscal year	Decrease in number of shares during the current fiscal year	Number of shares at end of the current fiscal year
Common stock	52,000 shares	700,000 shares	-	752,000 shares

(Note) The increase in treasury stock (common shares) of 700,000 reflects the buyback of shares in accordance with a resolution passed by the Board of Directors. Repurchase of shares less than the set trading unit is indicated an increase of 0 shares.

5. Notes Pertaining to Tax Effect Accounting

(1) Major factors creating deferred tax assets and deferred tax liabilities

Deferred tax assets	
Allowance for doubtful accounts	¥564,000,000
Provision for bonuses	¥189,000,000
Depreciation and amortization	¥424,000,000
Impairment loss	¥190,000,000
Allowance for investment loss	¥140,000,000
Loss on valuation of stocks of subsidiaries and affiliates	¥489,000,000
Loss on valuation of investment securities	¥150,000,000
Other	¥461,000,000
Deferred tax assets subtotal	¥2,611,000,000
Valuation reserve	−¥1,543,000,000
Deferred tax assets total	¥1,067,000,000
Deferred tax liabilities	
Valuation difference on available-for-sale securities	¥893,000,000
Other	¥42,000,000
Deferred tax liabilities total	¥936,000,000

Net amount of deferred tax assets	¥131,000,000

(2) Modification of the amount of Deferred tax assets and liabilities from Change to corporate tax rate

The “Act for Partial Amendment of the Income Tax Act, etc.” (Act No.9 of 2015) and the “Act for Partial Revision of Local Tax Act, etc.” (Act No. 2 of 2015) were enacted on March 31, 2015. Accordingly, the income tax rate was reduced for consolidated fiscal years in and after April 1, 2015. Henceforth the effective income tax rate applied to the calculation of deferred tax assets and liabilities will be lowered to 32.8%, from the previous 35.3%. Meanwhile, an income tax rate of 32.8% is to be applied to one-off items expected to be written off in the consolidated fiscal year beginning November 1, 2015. Ultimately both income tax rates will be lowered to 32.0% for one-off and other items expected to be written off in the fiscal years in and after the consolidated fiscal year beginning November 1, 2016.
In light of this revision, deferred tax assets at the end of the fiscal year under review declined ¥0 million while income taxes - deferred rose ¥91 million and the valuation difference on available-for-sale securities increased ¥92 million.

6. Notes Pertaining to Noncurrent Assets used for Leases

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

The Company mainly uses finance leases, except for leases that transfer ownership, for rental equipment used in its construction-related business.

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

	Amount corresponding to acquisition price	Amount corresponding to accumulated depreciation	Amount corresponding to outstanding balance at end of fiscal year
Rental equipment	¥10,000,000	¥8,000,000	¥2,000,000
Total	¥10,000,000	¥8,000,000	¥2,000,000

(2) Amount corresponding to outstanding balance of future lease payments at the end of the fiscal year

Amount corresponding to outstanding balance of future lease payments

Within one year	¥－,000,000
After one year	－
Total	¥－,000,000

(3) Amount of lease payments and amounts corresponding to depreciation expense and interest expense

Lease payments	¥142,000,000
Amount corresponding to depreciation expense	¥36,000,000
Amount corresponding to interest expense	¥1,000,000

(4) Accounting method for amount corresponding to depreciation expense

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

(5) Accounting method for amount equivalent to interest expense

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

Operating lease transactions

Future lease payments

Within one year	¥2,350,000,000
After one year	¥5,140,000,000
Total	¥7,490,000,000

7. Notes Pertaining to Transactions with Related Parties

Subsidiaries and affiliated companies

Attribute	Name	Address	Capital stock or investments in capital (Million yen)	Business or trade	Percentage of voting rights owned (indirect) (%)	Relationship		Contents of transaction	Amount of the current transaction (Million yen)	Account	Balance at end of fiscal year (Million yen)
						Individuals concurrently serving as director etc.	Business relationship				
Subsidiary	Shanghai Jinheyuan Engineering Construction Co., Ltd. (Notes 2, 3, 4)	Shanghai, China	¥2,065 (143,271,000 yuan)	Construction equipment rentals and sales, and import and export of construction materials	Kanamoto holds 60.00% direct ownership	4	Guarantee of liabilities	Guarantee of borrowing liabilities	¥999 (52,395,000 yuan)	–	–
								Guarantee of finance lease liabilities	¥2,000 (104,920,000 yuan)		
								Affiliates	21	Current assets other	–

(Notes)1. In addition, the Company provides a guarantee of bank borrowing and finance lease liabilities of these companies, for which it receives a guarantee fee of 0.2% per annum on the respective transaction amounts.

2. In regards to debts to the company, based on the probability of collection the corresponding amount of bad debts written off of subsidiaries and associates was recorded against a debt guarantee charge receivable of 21 million yen. There is no guarantee charge or guarantee charge receivable recorded for the current fiscal year.

3. The ownership proportion of voting rights is the ratio of voting rights on the Board of Directors.

8. Notes Pertaining to Per Share Information

(1) Net assets per share	¥1,866.15
(2) Net income per share	¥232.47

9. Notes on Material Events after the Close of the Consolidated Fiscal Year

Capital increase in a consolidated subsidiary

Pursuant to a resolution made at the board of directors meeting held on December 9, 2015, the Company will underwrite by way of third-party allotment all new shares to be issued by Shanghai Jinheyuan Engineering Construction Co., Ltd., which is a consolidated subsidiary of the Company.

1. Purpose of the capital increase

To improve the financial balance through capital reinforcement

2. Overview of the consolidated subsidiary that increases its capital

(1) Corporate name	Shanghai Jinheyuan Engineering Construction Co., Ltd.
(2) Date of establishment	February 2009
(3) Location	Suite 309, 58 Chang Liu Road, Pudong, Shanghai, People's Republic of China

(4) President	Kanchu Kanamoto
(5) Capitalization	143,271 thousand RMB
(6) Principal business	Rental and sales of construction equipment, import and export of construction materials
(7) Fiscal year-end	December
(8) Controlling share of the Company	80.2%

3. Details of the capital increase

(1) Capital increase	50,000 thousand RMB
(2) Capital after capital increase	193,271 thousand RMB
(3) Controlling share of the Company after capital increase	85.4%

10. Notes Pertaining to Companies Applying Consolidated Dividend Regulations

The Company had no material items to report.

11. Other Notes

The Company had no material items to report.

Accounting Audit Report on Financial Statements

Report of Independent Accounting Auditor

December 16, 2015

Kanamoto Co., Ltd.
To: The Board of Directors

Ernst & Young ShinNihon LLC

Designated Limited Liability Partner
Certified Public Accountant Yasushi Ishiwaka Seal
Managing Partner

Designated Limited Liability Partner
Certified Public Accountant Itagaki Hiroyasu Seal
Managing Partner

Pursuant to Article 436, paragraph 2 (i) of the Companies Act, we have audited the financial statements, which comprise the Balance Sheet, Statement of Income, Statement of Changes in Net Assets and the notes to financial statements and the related supplementary schedules, of Kanamoto Company, Ltd. (the "Company") for the 51st Business Period from November 1, 2014 through October 31, 2015.

Management's Responsibility for the Financial Statements and the Related Supplementary Schedules

Management is responsible for the preparation and fair presentation of the financial statements and the related supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements and the related supplementary schedules that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements and the related supplementary schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the related supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the related supplementary schedules. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements and the related supplementary schedules, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the

financial statements and the related supplementary schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the related supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements and the related supplementary schedules referred to above present fairly, in all material respects, the financial position and results of operations of the Company applicable to the 51st Business Period ended March 31, 2015 in conformity with accounting principles generally accepted in Japan.

Conflicts of interest

There are no interests between the Company and Ernst & Young ShinNihon LLC or its Partners that should be disclosed pursuant to the provisions of the Certified Public Accountants Act.

Audit Report

The Board of Corporate Auditors has received the audit reports prepared by each of the Corporate Auditors concerning the business performance of the Directors during the 51st Business Period from November 1, 2014 through October 31, 2015. After discussing the audit results based on the reports, we have prepared this Audit Report and report as follows as the consensus of opinion of the Board of Corporate Auditors.

1. Procedures and details of the audits by the Corporate Auditors and the Board of Corporate Auditors

(1) The Board of Corporate Auditors establishes the audit policies, audit plans and other matters, and receives reports concerning the implementation of audits and the audit result from each of the Corporate Auditors as well as reports from the Directors and the Accounting Auditor concerning the execution of their duties, and requests explanations as necessary.

(2) In addition to communicating with the Directors, the internal audit division, employees and other individuals in accordance with the standards for Corporate Auditors and audits provided by the Board of Corporate Auditors and in compliance with the audit policy and audit plan, and gathering information and striving to improve the audit environment, each Corporate Auditor performed audits according to the following procedures:

(i) Each Corporate Auditor attended the Board of Directors meetings and other important meetings, received reports from Directors, employees and other individuals on their execution of duties and requested explanations from the Directors, other employees and other individuals when necessary as well as reviewed documents concerning matters such as important decisions and conducted inspections of the business and financial condition at the Company's Head Office and main branches. With respect to subsidiaries, each Corporate Auditor communicated and exchanged information with the Directors and Corporate Auditors of such subsidiaries and received business reports therefrom as necessary.

(ii) Each Corporate Auditor regularly received reports from the Company's Directors and employees, and requested explanations and clarified opinions when necessary, regarding the contents of Board of Director

resolutions concerning the establishment of the organization provided in Article 100 paragraph (1) and paragraph (3) of the Ordinance for Enforcement of the Companies Act, and the status of operation of the organization (internal controls system) that has been established based on said resolutions, as the organization necessary to ensure that the Directors comply with laws and the Company's Articles of Incorporation in the execution of their duties as described in the Report of Business Operations and to ensure the appropriateness of other operations of the corporate group, which consists of a stock company and the subsidiaries thereof.

(iii) Each Corporate Auditor monitored and verified whether or not the Accounting Auditor performed audits properly while maintaining an independent position as well as received reports from the Accounting Auditor on the execution of duties thereby and requested explanations when necessary. Each Corporate Auditor was also notified by the Accounting Auditor that the System for Securing the Proper Performance of Duties (matters listed in the items of Article 131 of the Ordinance on Company Accounting) was developed in accordance with the Standards for Quality Control of Audits (Business Accounting Council, October 28, 2005), and requested explanations as necessary.

Based on the above procedures, the Board of Corporate Auditors reviewed the Report of Business Operations and the supporting schedules, the Financial Statements (Balance Sheet, Statement of Income, Statement of Changes in Net Assets and Notes to the Financial Statements) and the supporting schedules and the Consolidated Financial Statements (Consolidated Balance Sheet, Consolidated Statement of Income, Consolidated Statement of Changes in Net Assets and Notes to the Consolidated Financial Statements) for the business period.

2. Result of audit

(1) Audit result of the Report of Business Operations, etc.

(i) The Report of Business Operations and its supporting schedules fairly represent the condition of the Company in accordance with the laws of Japan and the Articles of Incorporation of the Company.

(ii) We have determined that there was no serious occurrence of improper activity or violation of laws or the Company's Articles of Incorporation by any of the Directors in carrying out the duties and responsibilities of their office.

(iii) In our opinion, the details of the Board of Directors resolutions concerning the internal controls system are appropriate. We also have determined that there are no matters that should be highlighted as a concern with regard to the information contained in the Report of Business Operations and the Directors in carrying out their duties concerning the internal controls system.

(2) Financial statement and audit result of the supporting schedules

In our opinion, the audit procedures and audit results received from the Accounting Auditor Ernst & Young ShinNihon LLC are appropriate.

(3) Audit result of consolidated financial statements

In our opinion, the audit procedures and audit results received from the Accounting Auditor Ernst & Young ShinNihon LLC are appropriate.

December 24, 2015

Kanamoto Co., Ltd.
The Board of Corporate Auditors

Standing Corporate Auditor	Eichu Kanamoto	Seal
Standing Corporate Auditor	Naoyuki Yokota	Seal
Outside Corporate Auditor	Akio Hashimoto	Seal
Outside Corporate Auditor	Kiyohiro Tsuji	Seal
Outside Corporate Auditor	Akira Naoi	Seal
Outside Corporate Auditor	Koji Soga	Seal