



Nine-month Consolidated Financial Report for the Fiscal Year ending October 31, 2013 [Japan GAAP]

September 6, 2013

Listed Company Name **Kanamoto Co., Ltd.**
 Company Code Number **9678**
 Listing Exchanges **Tokyo Stock Exchange, Sapporo Stock Exchange**
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Scheduled date for submission of Quarterly Report September 12, 2013
 Scheduled date for commencement of dividend payments –
 Preparation of Quarterly Settlement Supplementary Explanatory Materials No
 Quarterly Earnings Briefings No

1. Operating Results for the Nine-Month Period of the Fiscal Year Ending October 31, 2013

(November 1, 2012 - July 31, 2013)

(1) Consolidated operating results (Cumulative)

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

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

	Revenues		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal Year ending October 31, 2013: Third quarter	80,288	36.7	8,410	98.2	8,322	116.1	4,706	72.7
Fiscal Year ended October 31, 2012: Third quarter	58,717	13.4	4,244	113.8	3,850	152.4	2,725	—

(Note) Comprehensive income

Fiscal Year Ending October 31, 2013, Third Quarter ¥6,178 million (123.6%)

Fiscal Year Ended October 31, 2012, Third Quarter ¥2,763 million (887.1%)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Fiscal Year ending October 31, 2013: Third quarter	143.36	—
Fiscal Year ended October 31, 2012: Third quarter	83.02	—

(2) Consolidated financial position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	Millions of yen	Millions of yen	%
Fiscal Year ending October 31, 2013: Third quarter	153,314	47,012	29.6
Fiscal Year ended October 31, 2012:	137,343	41,399	29.2

(Reference) Shareholders' Equity

Fiscal Year Ending October 31, 2013 Third Quarter: ¥45,367 million

Fiscal Year Ended October 31, 2012: ¥40,106 million

2. Dividends

	Full Year Dividend per Share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended October 31, 2012	—	10.00	—	10.00	20.00
Fiscal year ending October 31, 2013	—	10.00	—		
Fiscal Year ending October 31, 2013 (Projected)				10.00	20.00

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

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

(November 1, 2012 - October 31, 2013)

(Percentages indicate percent change from prior consolidated fiscal year)

	Revenues		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	103,410	20.1	9,570	48.8	9,230	55.6	4,530	26.7	137.99

(Note) Has the Company revised its most recently released projected consolidated operating results during the quarter?

No

4. Other

(1) Were there changes to material subsidiaries during the period under review (transfer of specified subsidiaries in conjunction with revisions to the scope of consolidation)? No

Company newly included (Company name:)

Company newly excluded (Company name:)

(2) Application of special accounting method in the preparation of quarterly consolidated financial statements: No

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

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

(b) Changes other than the above: No

(c) Changes in accounting estimates: No

(d) Retrospective restatements: No

(4) Number of shares issued (common stock)

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

Fiscal year ending October 31, 2013 Third Quarter: 32,872,241 shares

Fiscal year ended October 31, 2012: 32,872,241 shares

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

Fiscal year ending October 31, 2013 Third Quarter: 45,753 shares

Fiscal year ended October 31, 2012: 39,955 shares

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

Fiscal year ending October 31, 2013 Third Quarter: 32,828,853 shares

Fiscal year ended October 31, 2012 Third Quarter: 32,834,140 shares

Note: Disclosure concerning status of implementation of quarterly review procedure

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

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

Note Concerning Forward-Looking Statements

The above projections were prepared based upon information available to the Company at the time the projections were announced as well as various assumptions concerning the future economic and business environment. Actual operating results may differ from the projected figures depending upon various factors in the future. Please refer to the Qualitative Information Concerning Consolidated Projected Operating Results on Page 7 of the Attachments for the conditions used as assumptions for the projected operating results and matters to note before using the projected operating results.

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1. Qualitative Information Concerning Quarterly Consolidated Operating Results

(1) Qualitative information concerning consolidated operating results

< Management Environment > (From November 1, 2012 to July 31, 2013)

During the first nine months of Kanamoto's current consolidated fiscal year, Japan's economy appeared to be gearing up for a recovery. Expectations toward the new administration's economic measures pushed the yen lower, and helped drive stock prices upward. Consumers loosened their purse strings somewhat, and corporate business sentiment improved as well. Globally, however, the future direction of the economy remained opaque. Although the US economy exhibited a gradual recovery trend, troubling embers such as Europe's debt problems and worries about China's slowing economy continued to smolder.

< Third Quarter Operating Results > (From November 1, 2012 to July 31, 2013) >

In the construction industry related to the Kanamoto Group, demand was stimulated by full-scale earthquake reconstruction efforts and the upward trend in construction demand, particularly public works projects that broke ground following the execution of last year's large-scale supplemental budget. Brighter indications were seen in private sector investment as well, which was buoyed by improved corporate earnings. Nevertheless, the industry struggled with lingering concerns that included uncompleted project tenders and delays in construction starts because of a worker shortage and a sharp rise in prices for materials and equipment.

Given these circumstances, the Kanamoto Group aggressively carried out capital investments that will enable the Company to respond accurately to the diversified needs created by the progress of the reconstruction effort. This included strengthened support for the full-scale reconstruction program, enhancement of the rental equipment portfolio, and establishment of new offices in the earthquake-devastated areas. In addition, by moving to strengthen cooperation among Group firms and increase transactions with alliance firms, in order to respond to disaster prevention and disaster mitigation works and infrastructure maintenance works in regions throughout Japan as well, Kanamoto advanced the creation of an organization that will enable it demonstrate synergistic effects across the entire group.

As a result of these actions, consolidated revenues for the first nine months of the Business Period ending in October 2013 were ¥80,288 million, up 36.7% compared with the same period of the prior consolidated fiscal year. In terms of earnings, operating income surged 98.2% from the same period of the prior consolidated fiscal year to ¥8,410 million, ordinary income jumped 116.1% year-on-year to ¥8,322 million and third quarter year-to-date net income rose 72.7% year-on-year to ¥4,706 million.

Results by business segment were as follows.

[Business related to the Construction Equipment Rental Division]

In businesses related to Kanamoto's core business of construction equipment rental, revenues by region climbed substantially in all regions compared with the same period of the prior fiscal year, increasing by 16.7% in the Hokkaido Region, 38.2% in the Tohoku Region, 70.3% in the Kanto Region, 56.4% in the Kinki & Chubu Region and 20.2% in the Kyushu & Okinawa Region. This performance reflected the entire group's ability to remain actively involved in earthquake disaster reconstruction-related works and decontamination-related efforts in disaster-stricken areas, and in disaster prevention measures and maintenance and repair works for antiquated infrastructure in areas throughout Japan. The Company also strove aggressively to support increased private construction demand centered on energy-related projects.

The division's operating results also were influenced by expansion of the scope of consolidation to include Unite Co., Ltd., which conducts its business mainly in the Kanto Region and Kinki & Chubu Region, two areas that experienced significant growth compared with the same period of the prior year.

Furthermore, although the Company continued to restrict sales of used construction equipment destined for overseas markets, prices for such assets recovered thanks to the effect of the yen's depreciation and an improved supply and demand situation in the secondhand market, and revenue from sales increased 14.6% year-on-year.

As a result of these factors, for the consolidated nine-month year-to-date period under review, revenues for Kanamoto's construction-related businesses increased 38.2% from the same period of the prior consolidated fiscal year to ¥74,624 million, and operating income climbed 101.5% year-on-year to ¥8,087 million.

[Other Businesses]

In the steel products sales the Company is developing in Hokkaido, sales of products for solar energy-related works and coastal surge barrier-related works remained steady. The market for steel materials improved as well. As a result,

revenues were 23.3% higher than in the same period of the prior consolidated fiscal year. In Kanamoto's information and telecommunications-related division as well, both personal computer rentals and specified worker dispatching grew in line with the Company's plan, and revenues edged up 4.0% compared with the same period one year ago.

As a result of these factors, for the consolidated nine-month year-to-date period under review revenues for Kanamoto's other businesses increased 20.4% from the same period of the prior consolidated fiscal year to ¥5,663 million, and operating income was up 20.3% year-on-year to ¥123 million.

[Business development issues deserving special mention and status of branch office changes]

During the consolidated third quarter under review, Kanamoto opened a new Minamisanriku Branch (Motoyoshi-gun, Miyagi Prefecture). The Company did not close any branches during the quarter.

(2) Qualitative information concerning consolidated financial position

Assets, liabilities and net assets

Total assets at the end of the third quarter under review increased by ¥15,971 million compared with the end of the prior consolidated fiscal year, to ¥153,314 million. This change mainly reflected an increase of ¥5,363 million in cash and deposits, an increase of ¥7,444 million in rental equipment and an increase of ¥1,866 million in investment securities that was the result of higher market prices on stock holdings.

Total liabilities were ¥106,301 million, an increase of ¥10,358 million compared with the end of the prior consolidated fiscal year. The principal items contributing to this change were an increase of ¥2,396 million in long-term bank loans and an increase of ¥7,585 million for the combined total of accounts payable, other, including installment payment contracts, and long-term accrued expenses.

Total net assets were ¥47,012 million, ¥5,612 million higher than at the end of the prior consolidated fiscal year. This was mainly because of the net income reported for the third quarter, and an increase of ¥987 million in the valuation difference on other investment securities.

(3) Qualitative information concerning projected consolidated operating results

There are no revisions at this time to the Notification Concerning Revision of Projected Operating Results for the Business Period Ending October 2013 released on May 31, 2013, because any changes to the Company's projected consolidated operating results would require that management ascertain the future business environment and other uncertainty factors. The Company will disclose all revisions promptly when it has judged a change to be necessary.

2. Matters Concerning Summary Information (Notes)

(Changes in reporting method)

Quarterly Consolidated Statements of Income

In the third quarter of the prior consolidated fiscal year, "foreign exchange gains" were reported in "Other" under non-operating income. For the third quarter consolidated period under review, the Company has classified this item separately because the amount exceeded 20/100 of total non-operating income. To reflect this change in reporting method, the Company has revised the quarterly consolidated financial statements for the third quarter of the prior consolidated fiscal year.

As a result, ¥151,232 thousand that was reported in "Other" under non-operating income in the Quarterly Consolidated Statements of Income for the third quarter of the prior consolidated fiscal year has been restated as "foreign exchange gains" of ¥33,964 thousand and "Other" of ¥117,267 thousand.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year (As of October 31, 2012)	Current Consolidated Fiscal Year Third Quarter (As of July 31, 2013)
Assets		
Current assets		
Cash and deposits	19,387,264	24,750,459
Notes and accounts receivable-trade	23,560,769	24,469,954
Short-term investment securities	350,000	350,000
Merchandise and finished goods	521,615	670,956
Costs on uncompleted construction contracts	53,187	24,846
Raw materials and supplies	213,177	209,875
Construction machine parts	2,578,013	3,227,601
Income taxes receivable	10,676	35,895
Consumption taxes receivable	57,839	—
Deferred tax assets	616,057	779,091
Other	719,242	719,431
Allowance for doubtful accounts	- 384,382	- 311,505
Total current assets	47,683,461	54,926,607
Noncurrent assets		
Property, plant and equipment		
Rental equipment	111,689,105	126,034,730
Accumulated depreciation	- 65,644,512	- 72,545,630
Rental equipment, net	46,044,593	53,489,099
Buildings and structures	22,253,505	22,354,974
Accumulated depreciation	- 14,565,048	- 14,973,194
Buildings and structures, net	7,688,457	7,381,779
Machinery, equipment and vehicles	5,367,137	5,409,022
Accumulated depreciation	- 4,771,202	- 4,826,011
Machinery, equipment and vehicles, net	595,935	583,011
Land	29,548,049	29,520,758
Other	1,579,813	1,794,470
Accumulated depreciation	- 1,301,459	- 1,329,533
Other, net	278,353	464,936
Total property, plant and equipment	84,155,389	91,439,585
Intangible assets		
Goodwill	192,389	224,366
Other	203,849	209,950
Total intangible assets	396,239	434,316
Investments and other assets		
Investment securities	3,196,840	5,063,208
Deferred tax assets	622,077	239,850
Other	1,947,320	1,848,770
Allowance for doubtful accounts	- 590,261	- 570,171
Allowance for investment loss	- 67,985	- 67,985
Total Investments and Other Assets	5,107,991	6,513,672
Total noncurrent assets	89,659,620	98,387,573
Total Assets	137,343,082	153,314,181

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year (As of October 31, 2012)	Current Consolidated Fiscal Year Third Quarter (As of July 31, 2013)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	18,011,309	18,930,719
Short-term loans payable	834,688	661,163
Current portion of long-term loans payable	12,671,669	12,743,470
Lease obligations	1,106,553	1,137,886
Income taxes payable	2,344,595	2,013,641
Provision for bonuses	774,430	567,899
Provision for loss on disaster	10,014	3,455
Accounts payable-other	9,386,566	11,059,137
Other	1,641,311	1,615,797
Total Current Liabilities	46,781,139	48,733,170
Noncurrent liabilities		
Long-term loans payable	25,945,267	28,341,527
Lease obligations	3,041,801	3,047,798
Provision for retirement benefits	959	5,776
Long-term accounts payable-other	19,707,957	25,620,487
Asset retirement obligations	207,696	196,561
Other	258,310	356,199
Total noncurrent liabilities	49,161,991	57,568,351
Total Liabilities	95,943,130	106,301,521
Net Assets		
Shareholders' Equity		
Capital stock	9,696,717	9,696,717
Capital surplus	10,960,761	10,960,761
Retained earnings	19,199,668	23,359,196
Treasury stock	- 27,523	- 37,822
Total Shareholders' Equity	39,829,623	43,978,853
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	331,641	1,319,409
Foreign currency translation adjustment	- 54,766	69,501
Total accumulated other comprehensive income	276,874	1,388,911
Minority interests	1,293,453	1,644,894
Total Net Assets	41,399,951	47,012,659
Total liabilities and net assets	137,343,082	153,314,181

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income
(Quarterly Consolidated Statements of Income)
(Consolidated Nine-month Period ended July 31, 2013)

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year Third Quarter (From November 1, 2011 to July 31, 2012)	Current Consolidated Fiscal Year Third Quarter (From November 1, 2012 to July 31, 2013)
Net sales	58,717,469	80,288,203
Cost of sales	41,036,747	55,328,515
Gross profit	17,680,722	24,959,687
Selling, general and administrative expenses	13,436,453	16,549,140
Operating income	4,244,269	8,410,546
Non-operating income		
Interest income	6,266	6,077
Dividends income	85,232	57,789
Insurance income	25,617	72,572
Rent income	40,633	44,198
A receipt bonus	22,519	35,143
Amortization of negative goodwill	52,374	39,345
Foreign exchange gains	33,964	222,160
Reversal of allowance for doubtful accounts	5,520	31,373
Other	117,267	170,332
Total non-operating income	389,396	678,992
Non-operating expenses		
Interest expenses	633,819	630,066
Loss on sales of notes payable	35,385	31,112
Other	113,957	105,874
Total non-operating expenses	783,163	767,052
Ordinary income	3,850,503	8,322,486
Extraordinary income		
Gain on sales of noncurrent assets	20,233	34,378
Gain on sales of investment securities	1,092	1,039
Subsidy	115,666	22,393
Gain on liquidation of subsidiaries	19,615	—
Gain on negative goodwill	671,889	—
Other	252	59
Total extraordinary income	828,751	57,870
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	56,620	59,555
Impairment loss	183,896	65
Loss on valuation of investment securities	1,849	—
Other	184	—
Total extraordinary losses	242,549	59,620
Income before income taxes and minority interests	4,436,705	8,320,736
Income taxes-current	1,876,536	3,388,415
Income taxes-deferred	- 140,957	- 105,770
Total income taxes	1,735,579	3,282,644
Income before minority interests	2,701,125	5,038,091
Minority interests in income (loss)	- 24,742	331,619
Net income	2,725,867	4,706,472

(Quarterly Consolidated Statements of Comprehensive Income)
(Consolidated Nine-month Period ended January 1, 2013)

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year Third Quarter (From November 1, 2011 to July 31, 2012)	Current Consolidated Fiscal Year Third Quarter (From November 1, 2012 to July 31, 2013)
Income before minority interests	2,701,125	5,038,091
Other comprehensive income		
Valuation difference on available-for-sale securities	52,753	988,027
Foreign currency translation adjustment	9,175	152,482
Total other comprehensive income	61,929	1,140,509
Quarter comprehensive income	2,763,054	6,178,601
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	2,781,320	5,818,508
Comprehensive income attributable to minority interests	- 18,265	360,092

(3) Notes Relating to the Going Concern Assumption

The Company had no material items to report.

(4) Business Segment Information

I Third quarter of the prior consolidated fiscal year (from November 1, 2011 to July 31, 2012)

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

(Unit: Thousands of yen)

	Reporting segment	Other businesses (See Note)	Total
	Business related to the Construction Equipment Rental Division		
Revenues			
Revenues from customers	54,015,273	4,702,196	58,717,469
Sales or transfers between segments	—	—	—
Total	54,015,273	4,702,196	58,717,469
Segment operating income	4,014,083	102,817	4,116,900

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

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

(Unit: Thousands of yen)

Interest	Amount
Reporting segment total	4,014,083
Earnings from “Other businesses” classification	102,817
Other adjustments	127,369
Operating income reported on the Quarterly Consolidated Statements of Income	4,244,269

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

(Material impairment loss pertaining to fixed assets)

An impairment loss has been recorded for assets used in the “business related to the Construction Equipment Rental Division” reporting segment whose recoverable value is less than book value. The impairment loss amount reported for the consolidated third quarter under review is ¥183,896,000.

(Material gain on negative goodwill)

In the “business related to the Construction Equipment Rental Division” reporting segment, a gain on negative goodwill of ¥671,889,000 has been reported in extraordinary income because Unite Co., Ltd., a company whose stock Kanamoto newly acquired, will be included within the scope of consolidation beginning from the consolidated third quarter under review.

II Third quarter of the current consolidated fiscal year (from November 1, 2012 to July 31, 2013)

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

(Unit: Thousands of yen)

	Reporting segment	Other businesses (See Note)	Total
	Business related to the Construction Equipment Rental Division		
Revenues			
Revenues from customers	74,624,964	5,663,238	80,288,203
Sales or transfers between segments	—	—	—
Total	74,624,964	5,663,238	80,288,203
Segment operating income	8,087,454	123,674	8,211,128

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

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

(Unit: Thousands of yen)

Interest	Amount
Reporting segment total	8,087,454
Earnings from “Other businesses” classification	123,674
Other adjustments	199,418
Operating income reported on the Quarterly Consolidated Statements of Income	8,410,546

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

The Company had no material items to report.

(5) Note on Significant Changes to Shareholders' Equity

The Company had no material items to report.