



Nine-month Consolidated Financial Report for the Fiscal Year ending October 31, 2014 [Japan GAAP]

September 5, 2014

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 11, 2014
 Scheduled date for commencement of dividend payments –
 Preparation of Quarterly Settlement Supplementary Explanatory Materials: No
 Quarterly Earnings Briefings: No

1. Consolidated Operating Results for the Nine-Month Period of the Fiscal Year Ending October 31, 2014 (November 1, 2013 - July 31, 2014)

(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)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal Year ending October 31, 2014: Third quarter	92,657	15.4	12,813	52.4	12,430	49.4	7,194	52.9
Fiscal Year ended October 31, 2013: Third quarter	80,288	36.7	8,410	98.2	8,322	116.1	4,706	72.7

(Note) Comprehensive income
 Fiscal Year Ending October 31, 2014, Third Quarter ¥7,992 million (29.4%)
 Fiscal Year Ended October 31, 2013, Third Quarter ¥6,178 million (123.6%)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Fiscal Year ending October 31, 2014: Third quarter	199.63	—
Fiscal Year ended October 31, 2013: Third quarter	143.36	—

(2) Consolidated financial position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	Millions of yen	Millions of yen	%
Fiscal Year ending October 31, 2014: Third quarter	180,054	63,342	34.0
Fiscal Year ended October 31, 2013:	169,250	56,192	32.2

(Reference) Shareholders' Equity
 Fiscal Year Ending October 31, 2014 Third Quarter ¥61,276 million
 Fiscal Year Ended October 31, 2013 ¥54,549 million

2. Dividends

	Full Year Dividend per Share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
Fiscal Year ended October 31, 2013	Yen —	Yen 10.00	Yen —	Yen 10.00	Yen 20.00
Fiscal Year ending October 31, 2014	—	15.00	—	—	—
Fiscal Year ending October 31, 2014 (Projected)				15.00	30.00

(Notes) 1. Has the Company revised its most recently released dividend projection? No

2. Breakdown of interim dividend for the Fiscal Year ending October 31, 2014

Ordinary dividend ¥10.00 Commemorative dividend ¥5.00

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

Ordinary dividend ¥10.00 Commemorative dividend ¥5.00

3. Projected Consolidated Operating Results for the Fiscal Year Ending October 31, 2014

(November 1, 2013- October 31, 2014)

(Percentages indicate percent change from prior consolidated fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	122,600	10.6	16,010	40.5	15,540	40.3	7,770	33.8	215.59

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

No

Notes

(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 restatement

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

(b) Changes other than the above: No

(c) Changes in accounting estimates: No

(d) Retrospective restatements: No

(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, 2014 Third Quarter 36,092,241 shares

Fiscal year ended October 31, 2013 36,092,241 shares

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

Fiscal year ending October 31, 2014 Third Quarter 52,752 shares

Fiscal year ended October 31, 2013 50,041 shares

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

Fiscal year ending October 31, 2014 Third Quarter 36,039,856 shares

Fiscal year ended October 31, 2013 Third Quarter 32,828,853 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 "1. Qualitative Information Concerning Quarterly Consolidated Operating Results (3) Qualitative Information Concerning Projected Consolidated Operating Results" on Page 6 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, 2013 to July 31, 2014)

Despite a slump in consumption because of a consumption tax rate increase and lingering worries about a weakening of the economy overseas, during Kanamoto's consolidated nine-month period ended July 31, 2014 Japan's economy generally maintained its recovery momentum. This included a positive trend in corporate earnings noted against the background of aggressive public spending and the continuation of a flexible monetary policy.

[Third Quarter Operating Results] (From November 1, 2013 to July 31, 2014)

In the construction industry related to the Kanamoto Group, spending on public works projects rose steadily as a result of economic policy measures, and a recovery in private sector capital investment was seen as well. On the other hand, however, these activities engendered several causes for concern that have yet to be eliminated, including a sharp rise in raw material prices and delayed construction starts as the result of a shortage of skilled construction workers.

Based on such circumstances, the Kanamoto Group continued to concentrate its management resources in the Tohoku Region, and focused its sales and marketing activity on that area as well, in order to support rapid restoration of the disaster-stricken area. In addition, as part of its future growth strategy, the Company established a new Market Development Office to accelerate the pace at which Kanamoto can open or close branch offices in the major metropolitan areas of the Kanto and Kansai regions. To achieve competitive advantages such as enhanced operating processes and lower personnel expenses, the Company also newly established a Business Process Reengineering Department, an organization reporting directly to Kanamoto's president, and took steps to create an organization that will increase the sophistication and efficiency of all of the Company's business processes.

Net sales for the consolidated nine-month period ended July 31, 2014 rose by 15.4% from the same period of the previous consolidated fiscal year to ¥92,657 million. From an earnings perspective, operating income expanded 52.4% from the same period of the previous consolidated fiscal year to ¥12,813 million, ordinary income increased 49.4% year-on-year to ¥12,430 million and third quarter year-to-date net income was up 52.9% year-on-year to ¥7,194 million.

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

< Business related to the Construction Equipment Rental Division >

In the construction-related business that is the main business of Kanamoto, construction equipment rental demand remained strong throughout Japan. In addition to increases in government countermeasure works such as aseismic retrofits to strengthen ageing infrastructure, and public works centered mainly on restoration works, the number of civil engineering and infrastructure-related works in sectors such as railways, telecommunications, natural gas and harbors increased as well.

To respond to this demand to the maximum extent possible, the Kanamoto Group executed an aggressive capital spending program, and sought an appropriate regional distribution of assets and worked to strengthen sales and marketing, and as a result, net sales exceeded the prior year's results in all regions nationwide.

Used construction equipment sales increased 89.7% from the corresponding period of the previous consolidated fiscal year, as Kanamoto implemented planned asset clearance on a timely basis in order to optimize the composition of its equipment portfolio.

As a result of these factors, net sales for Kanamoto's construction-related businesses for the first nine months of the fiscal year increased 16.4% from the same period of the previous consolidated fiscal year to ¥86,883 million, and operating income rose 53.8% year-on-year to ¥12,435 million.

< Other businesses >

In the Company's other businesses, both steel products sales and sales in the information and telecommunications-related division improved steadily in line with the Company's plan, and as a result, for the third quarter year-to-date consolidated period under review net sales from other businesses rose by 2.0% from the same period of the previous consolidated fiscal year to ¥5,775 million, while operating income expanded 11.0% year-on-year to ¥137 million.

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

The Company did not open any branches during its third quarter consolidated business period. The Company closed its Sendai Nishi Branch (Aoba-ku, Sendai City), the only office closed during the period.

(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 ¥10,803 million compared with the end of the previous consolidated fiscal year to ¥180,054 million. This mainly reflected increases of ¥6,885 million in rental equipment and ¥1,925 million in construction machine parts supplied for rental operations, an increase of ¥1,642 million in land for purposes such as branch expansion, and an increase of ¥1,084 million in investment securities that reflected higher prices on the Company's stock holdings.

Total liabilities were ¥116,711 million, an increase of ¥3,653 million compared with the end of the previous consolidated fiscal year. The principal items contributing to this change were an increase of ¥2,983 million in accounts payable-other and an increase of ¥6,767 million in long-term accounts payable-other that accompanied the increase in rental equipment, and a total decrease of ¥4,458 million in current portion of long-term loans payable and long-term loans payable.

Total Net Assets were ¥63,342 million, ¥7,150 million higher than at the end of the previous consolidated fiscal year. This was mainly because of the net income reported for the consolidated nine-month period of ¥7,194 million.

(3) Qualitative Information Concerning Projected Consolidated Operating Results

For more details, please refer to the press release "Notification Concerning Revision of Projected Operating Results for the Business Period Ending October 2014" issued on May 29, 2014, to which no changes have been made at this time. Kanamoto will promptly disclose any changes when it has judged revisions are necessary.

2. Matters Concerning Summary Information (Notes)

(Supplemental information)

Effect of the change in the corporation tax rate etc.

As a result of the Law for the Partial Amendment of the Income Tax Law, Etc. (Act No. 10 of 2014) promulgated on March 31, 2014 and partial amendment of the Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction Following the Great East Japan Earthquake (Act No. 117 of 2011), the Special Reconstruction Corporation Tax will be discontinued beginning from the consolidated fiscal year commencing on or after April 1, 2014.

In conjunction with this change, the statutory effective tax rate applied in the calculation of deferred tax assets and deferred tax liabilities arising from temporary differences expected to be recovered or settled in the consolidated fiscal year commencing on November 1, 2014 will change from the current 37.7% to 35.3%.

The effect of this change is not material.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year (As of October 31, 2013)	Current Consolidated Fiscal Year Third Quarter (As of July 31, 2014)
Assets		
Current assets		
Cash and deposits	32,627,458	30,649,459
Notes and accounts receivable-trade	27,731,488	28,425,905
Securities	350,000	350,000
Merchandise and finished goods	642,805	862,058
Costs on uncompleted construction contracts	20,081	62,546
Raw materials and supplies	201,740	223,432
Construction machine parts	3,954,840	5,880,743
Income taxes receivable	29,255	—
Consumption taxes receivable	8,313	32,974
Deferred tax assets	983,057	754,930
Other	754,987	734,815
Allowance for doubtful accounts	—335,792	—305,356
Total current assets	66,968,236	67,671,509
Noncurrent assets		
Property, plant and equipment		
Rental equipment	131,975,682	145,623,403
Accumulated depreciation	—75,075,764	—81,838,188
Rental equipment, net	56,899,918	63,785,215
Buildings and structures	22,843,038	23,164,997
Accumulated depreciation	—15,140,640	—15,578,280
Buildings and structures, net	7,702,397	7,586,717
Machinery, equipment and vehicles	5,480,758	5,487,432
Accumulated depreciation	—4,861,608	—4,882,227
Machinery, equipment and vehicles, net	619,149	605,205
Land	29,798,341	31,441,103
Other	1,315,544	1,909,035
Accumulated depreciation	—1,012,516	—995,042
Other, net	303,028	913,992
Total property, plant and equipment	95,322,835	104,332,233
Intangible assets		
Goodwill	19,894	56,999
Other	250,882	211,396
Total intangible assets	270,777	268,395
Investments and other assets		
Investment securities	5,256,183	6,340,826
Deferred tax assets	147,708	223,708
Other	1,894,365	1,874,565
Allowance for doubtful accounts	—541,221	—547,038
Allowance for investment loss	—67,985	—110,054
Total investments and other assets	6,689,049	7,782,006
Total noncurrent assets	102,282,662	112,382,635
Total Assets	169,250,899	180,054,145

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year (As of October 31, 2013)	Current Consolidated Fiscal Year Third Quarter (As of July 31, 2014)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	21,293,370	21,114,093
Short-term loans payable	591,774	597,657
Current portion of long-term loans payable	12,179,620	12,434,037
Lease obligations	1,085,477	967,548
Income taxes payable	3,533,247	2,534,271
Provision for bonuses	823,580	590,624
Allowance for losses on employee pension fund withdrawal	200,001	—
Accounts payable-other	12,728,761	15,712,477
Other	1,983,706	2,296,683
Total current liabilities	54,419,541	56,247,393
Noncurrent liabilities		
Long-term loans payable	26,288,975	21,576,362
Lease obligations	2,662,783	2,192,227
Provision for retirement benefits	7,896	14,376
Long-term accounts payable-other	29,329,772	36,097,748
Asset retirement obligations	210,132	228,899
Other	138,957	354,259
Total noncurrent liabilities	58,638,518	60,463,873
Total Liabilities	113,058,060	116,711,266
Net Assets		
Shareholders' equity		
Capital stock	13,652,938	13,652,938
Capital surplus	14,916,981	14,916,981
Retained earnings	24,462,016	30,755,795
Treasury stock	—48,497	—55,783
Total shareholders' equity	52,983,438	59,269,932
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,567,744	2,014,086
Foreign currency translation adjustment	—1,706	—7,687
Total accumulated other comprehensive income	1,566,038	2,006,399
Minority interests	1,643,362	2,066,547
Total Net Assets	56,192,839	63,342,878
Total Liabilities and Net Assets	169,250,899	180,054,145

(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, 2014)

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year Third Quarter (From November 1, 2012 to July 31, 2013)	Current Consolidated Fiscal Year Third Quarter (From November 1, 2013 to July 31, 2014)
Net sales	80,288,203	92,657,579
Cost of sales	55,328,515	62,601,473
Gross profit	24,959,687	30,056,105
Selling, general and administrative expenses	16,549,140	17,242,199
Operating income	8,410,546	12,813,906
Non-operating income		
Interest income	6,077	5,672
Dividends income	57,789	89,682
Insurance income	72,572	25,764
Rent income	44,198	45,163
A receipt bonus	35,143	41,589
Amortization of negative goodwill	39,345	—
Foreign exchange gains	222,160	50,417
Reversal of allowance for doubtful accounts	31,373	34,558
Other	170,332	133,368
Total non-operating income	678,992	426,215
Non-operating expenses		
Interest expenses	630,066	475,906
Loss on sales of notes payable	31,112	28,744
Other	105,874	304,814
Total non-operating expenses	767,052	809,465
Ordinary income	8,322,486	12,430,657
Extraordinary income		
Gain on sales of noncurrent assets	34,378	32,122
Gain on sales of investment securities	1,039	—
Subsidy income	22,393	463
Other	59	59
Total extraordinary income	57,870	32,645
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	59,555	51,254
Impairment loss	65	—
Loss on revision of retirement benefit plan	—	43,652
Total extraordinary losses	59,620	94,907
Income before income taxes and minority interests	8,320,736	12,368,396
Income taxes-current	3,388,415	4,691,011
Income taxes-deferred	—105,770	123,939
Total income taxes	3,282,644	4,814,950
Income before minority interests	5,038,091	7,553,445
Minority interests in income	331,619	358,650
Net income	4,706,472	7,194,795

(Quarterly Consolidated Statements of Comprehensive Income)
(Consolidated Nine-month Period ended July 31, 2014)

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year Third Quarter (From November 1, 2012 to July 31, 2013)	Current Consolidated Fiscal Year Third Quarter (From November 1, 2013 to July 31, 2014)
Income before minority interests	5,038,091	7,553,445
Other comprehensive income		
Valuation difference on available-for-sale securities	988,027	446,315
Foreign currency translation adjustment	152,482	−6,894
Total other comprehensive income	1,140,509	439,421
Comprehensive income	6,178,601	7,992,866
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	5,818,508	7,635,156
Comprehensive income attributable to minority interests	360,092	357,710

(3) Notes Concerning Quarterly Consolidated Financial Statements

(Notes Relating to the Going Concern Assumption)

The Company had no material items to report.

(Note on Significant Changes to Shareholders' Equity)

The Company had no material items to report.

(Business Segment Information)

I Third quarter of the previous consolidated fiscal year (From November 1, 2012 to July 31, 2013)

1. Information concerning net sales 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		
Net sales			
Net sales to outside customers	74,624,964	5,663,238	80,288,203
Net sales or transfers between related segments	—	—	—
Total	74,624,964	5,663,238	80,288,203
Segment 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)

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

II Third quarter of the current consolidated fiscal year (From November 1, 2013 to July 31, 2014)

1. Information concerning net sales 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		
Net sales			
Net sales to outside customers	86,883,403	5,774,175	92,657,579
Net sales or transfers between related segments	—	1,000	1,000
Total	86,883,403	5,775,175	92,658,579
Segment income	12,435,353	137,239	12,572,592

(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)

Income	Amount
Reporting segment total	12,435,353
Income for "Other businesses" classification	137,239
Other adjustments	241,313
Operating income reported on the Consolidated Quarterly Statements of Income	12,813,906