



Three-month Consolidated Financial Report for the Fiscal Year ending October 31, 2015 [Japan GAAP]

March 6, 2015

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 March 13, 2015
 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 Three-Month Period of the Fiscal Year Ending October 31, 2015 (November 1, 2014 – January 31, 2015)

(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, 2015: First quarter	36,327	9.6	6,306	11.6	6,373	12.1	4,062	21.4
Fiscal Year ended October 31, 2014: First quarter	33,148	15.5	5,651	45.6	5,684	47.5	3,346	55.6

(Note) Comprehensive income(millions of yen)

Fiscal Year Ending October 31, 2015, First Quarter 4,539 (22.2%)
 Fiscal Year Ended October 31, 2014, First Quarter 3,715 (34.5%)

	Net Income per Share	Net Income per Share on a Fully Diluted Basis
	Yen	Yen
Fiscal Year ending October 31, 2015: First quarter	112.72	—
Fiscal Year ended October 31, 2014: First quarter	92.86	—

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
Fiscal Year ending October 31, 2015: First quarter	205,755	69,329	32.6
Fiscal Year ended October 31, 2014:	188,491	65,513	33.6

(Reference) Shareholders' Equity(millions of yen)

Fiscal Year Ending October 31, 2015 First Quarter 67,036
 Fiscal Year Ended October 31, 2014 63,365

2. Dividends

	Annual Dividends per Share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Full-year
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended October 31, 2014	—	15.00	—	20.00	35.00
Fiscal year ending October 31, 2015	—				
Fiscal Year ending October 31, 2015 (Projected)		15.00	—	15.00	30.00

(Notes) 1. Has the Company revised its most recently released dividend projection:

No

2. Breakdown of second quarter dividend for the fiscal year ended October 31, 2014

Ordinary dividend 10.00yen

Commemorative dividend 5.00 yen

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

Ordinary dividend 10.00 yen

Commemorative dividend 10.00 yen

3. Projected Consolidated Operating Results for the Fiscal year ending October 2015

(November 1, 2014 – October 31, 2015)

(Percentages show the change from the prior year)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Interim period (cumulative)	65,900	2.6	10,280	2.1	10,060	2.0	5,860	3.7	162.60
Full year	128,600	2.4	16,960	3.1	16,610	3.3	9,520	2.4	264.16

(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 newly excluded	—

(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, 2015 First Quarter	36,092,241 shares
Fiscal year ended October 31, 2014	36,092,241 shares

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

Fiscal year ending October 31, 2015 First Quarter	52,930 shares
Fiscal year ended October 31, 2014	52,930 shares

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

Fiscal year ending October 31, 2015 First Quarter	36,039,311 shares
Fiscal year ended October 31, 2014 First Quarter	36,040,454 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.

(Revision of unit for presentation of amounts)

In past years the Company reported amounts in its quarterly consolidated financial statements in thousands of yen. Beginning from the end of the prior consolidated fiscal year, the Company has revised its reporting convention to millions of yen. To facilitate comparison, the amounts for the first quarter consolidated financial statements of the prior consolidated fiscal year also have been restated in units of millions of yen.

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1. Qualitative Information Concerning Quarterly Consolidated Operating Results

(1) Qualitative Information Concerning Consolidated Operating Results

[Management Environment (From November 1, 2014 to January 31, 2015)]

During Kanamoto's first quarter consolidated accounting period, Japan's economy maintained a modest recovery trend, including an ongoing recovery in corporate earnings against the backdrop of aggressive economic measures and a supportive monetary policy. Despite this positive news, however, the uncertain future outlook lingered because of the prolonged effects of the consumption tax hike and concerns regarding the downswing in the overseas economic environment.

[First Quarter Operating Results (From November 1, 2014 to January 31, 2015)]

In the construction industry related to the Kanamoto Group, construction demand was supported by public works projects as well as the rising trend in capital expenditures by private sector firms, and remained brisk. On the other hand, an environment persisted in which a shortage of skilled workers, an unresolved issue that has become a structural problem, was combined with uncertainty factors that included concerns about the rising cost of materials and equipment, which has accompanied the expansion construction demand.

In light of such conditions, the Kanamoto Group continued to focus on critical items, working to strengthen its business structure for the future and improve its financial position, based on the various measures in its Medium-term Management Plan (fiscal 2014 - fiscal 2016). In addition we actively pursued effective business measures to secure earnings opportunities for the entire group, including a regional strategy tailored closely to changes in Japan's construction market as well as a strategy of overseas development.

As a result, net sales for the consolidated three-month period increased 9.6% compared with the same period one year earlier to ¥36,327 million. In terms of earnings, operating income expanded 11.6% from the same period of the prior consolidated fiscal year to ¥6,306 million, ordinary income rose 12.1% year-on-year to ¥6,373 million and first quarter year-to-date net income increased 21.4% year-on-year to ¥4,062 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 Kanamoto's primary business focus, construction equipment rental demand remained strong throughout Japan. In addition to full-scale earthquake reconstruction efforts, demand was supported by disaster prevention works and infrastructure-related projects. Furthermore, to optimize asset positioning, Kanamoto strategically transferred certain of its assets to the Tohoku Region, where demand continues at a high level, and worked to maintain and improve its stable utilization ratios.

Used construction equipment sales jumped 164.0% year-on-year, as Kanamoto pursued equipment sales according to its plan in order to maintain an appropriate asset portfolio.

As a result of the above factors, first quarter net sales for Kanamoto's construction-related businesses improved 9.0% from the same period of the prior consolidated fiscal year to ¥34,157 million, and operating income increased 11.0% year-on-year to ¥6,148 million.

< Other businesses >

In the Company's other businesses, both steel products-related sales and sales in the information and telecommunications-related division expanded. Net sales rose 19.4% from the same period of the prior consolidated fiscal year to ¥2,170 million, and operating income climbed 88.8% year-on-year to ¥66 million.

< Change in number of branches >

The Company opened two new branches during the first quarter consolidated accounting period. It did not close any branches.

New branches: Sendai-Kita Branch (Kurokawa-gun, Miyagi Prefecture), Hitachi Branch (Hitachi, Ibaraki Prefecture)

(2) Qualitative Information Concerning Consolidated Financial Position

Assets, liabilities and net assets

Total assets at the end of the first quarter under review increased by ¥17,263 million compared with the end of the prior consolidated fiscal year to ¥205,755 million. This mainly reflected an increase of ¥2,437 million in cash and deposits from the steady collection of receivables, and increases of ¥5,299 million in notes and accounts receivable-trade and ¥7,615 million in rental equipment, respectively, that accompanied the growth in net sales.

Total liabilities were ¥136,425 million, an increase of ¥13,447 million compared with the end of the previous consolidated fiscal year. The principal items contributing to this change were an increase of ¥5,006 million in notes and accounts payable, trade, an increase of ¥2,558 million in income taxes payable and an increase of ¥6,023 million in long-term accrued expenses.

Total net assets were ¥69,329 million, ¥3,816 million higher than at the end of the previous consolidated fiscal year. This was mainly because of the net income reported for the first quarter of ¥4,062 million.

(3) Qualitative Information Concerning Projected Consolidated Operating Results

There are no revisions to the full-year projected operating results that the Company announced in the Financial Statements Bulletin for the Fiscal Year Ended October 31, 2014 (Japan GAAP) released on December 10, 2014.

2. Matters Concerning Summary Information (Notes)

The Company had no material items to report.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Unit: Millions of yen)

	Prior Consolidated Fiscal Year (As of October 31, 2014)	Current Consolidated Fiscal Year First Quarter (As of January 31, 2015)
Assets		
Current assets		
Cash and deposits	31,650	34,087
Notes and accounts receivable-trade	33,651	38,951
Securities	350	350
Merchandise and finished goods	595	712
Costs on uncompleted construction contracts	50	61
Raw materials and supplies	227	229
Construction machine parts	6,566	7,155
Consumption taxes receivable	43	93
Deferred tax assets	656	352
Other	515	498
Allowance for doubtful accounts	-227	-248
Total current assets	74,080	82,244
Non-current assets		
Property, plant and equipment		
Rental equipment	150,727	161,025
Accumulated depreciation	-85,083	-87,765
rental equipment, net	65,644	73,259
Buildings and structures	23,691	23,937
Accumulated depreciation	-15,663	-15,845
Buildings and structures, net	8,027	8,092
Machinery, equipment and vehicles	5,541	5,560
Accumulated depreciation	-4,882	-4,880
Machinery, equipment and vehicles, net	659	680
Land	31,459	31,699
Other	1,563	2,217
Accumulated depreciation	-1,013	-1,067
Other, net	549	1,150
Total property, plant and equipment	106,341	114,881
Intangible assets		
Goodwill	57	57
Other	208	200
Total intangible assets	266	257
Investments and other assets		
Investment securities	6,286	6,849
Deferred tax assets	265	273
Other	1,854	1,878
Allowance for doubtful accounts	-491	-520
Allowance for investment loss	-110	-110
Total investments and other assets	7,804	8,370
Total non-current assets	114,411	123,510
Total Assets	188,491	205,755

(Unit: Millions of yen)

	Prior Consolidated Fiscal Year (As of October 31, 2014)	Current Consolidated Fiscal Year First Quarter (As of January 31, 2015)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	23,134	28,140
Short-term loans payable	612	1,629
Current portion of long-term loans payable	11,883	13,381
Lease obligations	995	1,242
Income taxes payable	3,729	2,051
Provision for bonuses	850	423
Accounts payable-other	16,460	19,019
Other	2,988	2,398
Total current liabilities	60,655	68,287
Non-current liabilities		
Long-term loans payable	21,698	20,951
Lease obligations	2,082	2,465
Long-term accounts payable-other	37,853	43,876
Net defined benefit liability	16	18
Asset retirement obligations	231	243
Other	440	582
Total non-current liabilities	62,322	68,138
Total Liabilities	122,978	136,425
Net Assets		
Shareholders' equity		
Capital stock	13,652	13,652
Capital surplus	14,916	14,916
Retained earnings	32,860	36,201
Treasury shares	-56	-56
Total shareholders' equity	61,373	64,714
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,977	2,284
Deferred gains or losses on hedges	-	-1
Foreign currency translation adjustment	14	38
Total accumulated other comprehensive income	1,992	2,322
Minority interests	2,147	2,292
Total Net Assets	65,513	69,329
Total Liabilities and Net Assets	188,491	205,755

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income
(Quarterly Consolidated Statements of Income)
(Consolidated Three-month Period ended January 31, 2015)

(Unit: Millions of yen)

	Prior Consolidated Fiscal Year First Quarter (From November 1, 2013 to January 31, 2014)	Current Consolidated Fiscal Year First Quarter (From November 1, 2014 to January 31, 2015)
Net sales	33,148	36,327
Cost of sales	21,772	24,062
Gross profit	11,375	12,265
Selling, general and administrative expenses	5,724	5,959
Operating income	5,651	6,306
Non-operating income		
Interest income	0	0
Dividend income	22	26
Insurance income	25	4
Rent income	13	18
A receipt bonus	19	0
Foreign exchange gains	111	141
Reversal of allowance for doubtful accounts	29	7
Other	47	32
Total non-operating income	271	232
Non-operating expenses		
Interest expenses	172	126
Loss on sales of notes payable	10	5
Other	55	34
Total non-operating expenses	238	165
Ordinary income	5,684	6,373
Extraordinary income		
Gain on sales of noncurrent assets	19	7
Subsidy income	0	2
Compensation income for damage	—	118
Other	0	—
Total extraordinary income	19	128
Extraordinary losses		
Loss on sales and retirement of noncurrent assets	6	10
Total extraordinary losses	6	10
Income before income taxes and minority interests	5,698	6,490
Income taxes-current	1,850	2,014
Income taxes-deferred	274	271
Total income taxes	2,124	2,285
Income before minority interests	3,573	4,204
Minority interests in income	226	142
Net income	3,346	4,062

(Quarterly Consolidated Statements of Comprehensive Income)
(Consolidated Three-month Period ended January 31, 2015)

(Unit: Millions of yen)

	Prior Consolidated Fiscal Year First Quarter (From November 1, 2013 to January 31, 2014)	Current Consolidated Fiscal Year First Quarter (From November 1, 2014 to January 31, 2015)
Income before minority interests	3,573	4,204
Other comprehensive income		
Valuation difference on available-for-sale securities	167	306
Deferred gains or losses on hedges	—	—1
Foreign currency translation adjustment	—25	29
Total other comprehensive income	142	334
Comprehensive income	3,715	4,539
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,489	4,392
Comprehensive income attributable to minority interests	226	147

(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)

【 Segment information 】

I First quarter of the prior consolidated fiscal year (From November 1, 2013 to January 31, 2014)

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

(Unit: Millions of yen)

	Reporting segment	Other Businesses (See Note)	Total
	Business related to the Construction Equipment Rental Division		
Net sales			
Net sales to outside customers	31,330	1,817	33,148
Net sales or transfers between related segments	—	—	—
Total	31,330	1,817	33,148
Segment income	5,539	35	5,574

(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: Millions of yen)

Income	Amount
Reporting segment total	5,539
Income for "Other businesses" classification	35
Other adjustments	77
Operating income reported on the Consolidated Quarterly Statements of Income	5,651

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

The Company had no material items to report.

II First quarter of the current consolidated fiscal year (From November 1, 2014 to January 31, 2015)

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

(Unit: Millions of yen)

	Reporting segment	Other Businesses (See Note)	Total
	Business related to the Construction Equipment Rental Division		
Net sales			
Net sales to outside customers	34,157	2,170	36,327
Net sales or transfers between related segments	—	—	—
Total	34,157	2,170	36,327
Segment income	6,148	66	6,214

(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: Millions of yen)

Income	Amount
Reporting segment total	6,148
Income for “Other businesses” classification	66
Other adjustments	91
Operating income reported on the Consolidated Quarterly Statements of Income	6,306

3. Information concerning fixed asset impairment loss and goodwill by reporting segment
The Company had no material items to report.