



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

March 8, 2013

Listed Company Name **Kanamoto Co., Ltd.**
 Company Code Number **9678**
 Listing Exchanges **Tokyo Stock Exchange, Sapporo Stock Exchange**
 (URL <http://www.kanamoto.co.jp>)
 Representative **Kanchu Kanamoto** President and CEO
 Inquiries **Nobuhito Utatsu**
 Director & Executive Corporate Officer, Division Manager, Accounting Division
 TEL 81-11-209-1600

Please send inquiries in English to takayama@kanamoto.co.jp

Scheduled date for submission of Quarterly Report March 13, 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 Three-Month Period of the Fiscal Year Ending October 31, 2013 (November 1, 2012 - January 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: First quarter	28,687	37.2	3,881	67.5	3,852	77.0	2,151	84.5
Fiscal Year ended October 31, 2012: First quarter	20,915	14.4	2,316	107.9	2,176	122.1	1,165	228.7

(Note) Comprehensive income

Fiscal Year Ending October 31, 2013, First Quarter ¥2,762 million (120.8%)

Fiscal Year Ended October 31, 2012, First Quarter ¥1,251 million (118.2%)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Fiscal Year ending October 31, 2013: First quarter	65.52	—
Fiscal Year ended October 31, 2012: First quarter	35.51	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	Millions of yen	Millions of yen	%
Fiscal Year ending October 31, 2013: First quarter	146,571	43,934	29.0
Fiscal Year ended October 31, 2012:	137,343	41,399	29.2

(Reference) Shareholders' Equity

Fiscal Year Ending October 31, 2013 First Quarter: ¥42,460 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	—				
Fiscal Year ending October 31, 2013 (Projected)		10.00	—	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 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
Interim (Year-to-date)	51,240	28.1	4,580	28.9	4,110	24.6	1,970	10.9	60.00
Full year	99,150	15.1	7,120	10.7	6,510	9.7	3,190	-10.8	97.16

(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 First 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 First Quarter: 40,784 shares

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

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

Fiscal year ending October 31, 2013 First Quarter: 32,831,786 shares

Fiscal year ended October 31, 2012: First Quarter 32,834,534 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 3 of the Attachments for the conditions used as assumptions for the projected operating results and matters to note before using the projected operating results.

○ Attachments Table of Contents

1. Qualitative Information Concerning Quarterly Consolidated Operating Results	5
(1) Qualitative Information Concerning Consolidated Operating Results.....	5
(2) Qualitative Information Concerning Consolidated Financial Position	7
(3) Qualitative Information Concerning Projected Consolidated Operating Results	7
2. Matters Concerning Summary Information (Notes)	7
Changes to Material Subsidiaries during the Consolidated Period under Review	7
3. Quarterly Consolidated Financial Statements	8
(1) Quarterly Consolidated Balance Sheets	8
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income	10
Quarterly Consolidated Statements of Income	
Consolidated Three-month Period ended January 31, 2013	10
Quarterly Consolidated Statements of Comprehensive Income	
Consolidated three-month period ended January 31, 2013.....	11
(3) Notes Relating to the Going Concern Assumption	12
(4) Business Segment Information	12
(5) Note on Significant Changes to Shareholders' Equity	13

1. Qualitative Information Concerning Quarterly Consolidated Operating Results

(1) Qualitative Information Concerning Consolidated Operating Results

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

As indications of an improvement in business sentiment emerged against the backdrop of restoration and recovery demand, Japan's economy during the Kanamoto Group's first quarter was affected by a shift toward a weaker yen and higher stock prices. Both changes were driven by a sense of anticipation toward the new administration's economic measures and monetary expansion. On the other hand, there also were heightened concerns regarding a slowdown of the global economy centered on Europe and China, diplomatic spats with neighboring countries, and the risk that a recession might be triggered by factors such as the future increase in the consumption tax. Overall, conditions that made it difficult to adopt an optimistic view regarding the economic outlook lingered.

< First Quarter Operating Results > (From November 1, 2012 to January 31, 2013)

In the construction industry related to the Kanamoto Group, investment in public works continued to increase against the backdrop of earthquake restoration-related demand, while in the private sector, personal consumption exhibited a recovery trend that was propelled by housing investment, and capital investment followed a gentle upward course, supported by the recovery of corporate earnings. Nevertheless, conditions also contained the seeds of concerns regarding the future construction trend. These included signs of job tender glitches, and the first delays in some construction starts because of factors such as a shortage of engineers and skilled workers brought about by restoration-related demand and a sharp rise in labor costs and materials expenses.

Given these circumstances, the Kanamoto Group declared restoration and recovery of the devastated region to be its most important policy, and in addition to centralizing the allocation of equipment matched to construction site needs in order to respond accurately to restoration and reconstruction demand, the Company moved ahead aggressively with adopting and providing new technologies and new labor-saving products, including information-aided construction, to compensate for the shortage of engineers. The Company also pursued organizational changes aimed at boosting earnings. These included measures to utilize management resources more effectively and improve the efficiency of activities processes, and thorough steps to achieve comprehensive cost reductions.

As a result of these efforts, consolidated revenues for the first quarter of the Business Period ending in October 2013 climbed 37.2% compared with the same period of the previous consolidated fiscal year to ¥28,687 million. In terms of earnings, operating income jumped 67.5% from the same period of the previous consolidated fiscal year to ¥3,881 million, ordinary income soared 77.0% year-on-year to ¥3,852 million and first quarter net income rocketed 84.5% year-on-year to ¥2,151 million.

Results by business segment were as follows.

[Business related to the Construction Equipment Rental Division]

In the construction-related business of the entire Kanamoto Group by region, revenues for the corresponding business were up year-over-year in each area as a result of Unite Co., Ltd. being included for the first time. This trend emerged especially forcefully in the Kanto Region and Kinki & Chubu Region.

In the Hokkaido Region, rental revenues for the first quarter rose 15.8% compared with the prior consolidated fiscal year. This reflected the receipt of firm orders for ground improvement works, a specialized area in which the Company excels, and for large-scale projects centered on tunnel works. The Tohoku Region saw significant growth, with revenues up 43.3% over the same period of the prior year. In addition to the gradual increase in port restoration-related works in earthquake stricken areas, and higher demand accompanying restoration and recovery in the devastated regions, revenues were boosted by decontamination-related efforts in Iwaki and Fukushima prefectures. In the Kanto Region, orders for large-scale projects including port foundation-related works, as well as infrastructure inspection works and disaster prevention-related works, all contributed significantly to a 75.5% year-on-year increase. In the Kinki & Chubu Region revenues were up 38.5% year-on-year, again reflecting infrastructure-related works as well as large-scale projects in metropolitan areas, while in the Kyushu & Okinawa Region, revenues grew by 58.3% compared with the same period one year ago as the Company expanded its area of operations and was able to accurately secure orders for new demand.

Overseas, the external environment surrounding Shanghai Jinheyuan Engineering Construction Co., Ltd., which is developing a construction equipment rental business in China from its base in Shanghai, showed no improvement. In another development, the Company liquidated SJ Rental, Inc. (Territory of Guam, United States) in the prior consolidated fiscal year and excluded that firm from consolidation. Both situations had minimal impact on the Company's consolidated revenues.

With regard to disposal of used equipment, the Company postponed asset sales because its top priority is to respond to earthquake-related demand, and overseas sales of used construction equipment were down 19.8% year-on-year, in line with the Company's initial plan.

As a result of these factors, first quarter revenues for Kanamoto's construction-related businesses rose 40.3% from the same period of the previous consolidated fiscal year to ¥27,069 million, and operating income increased 69.7% year-on-year to ¥3,796 million.

[Other Businesses]

In the steel products sales business the Company is developing in Hokkaido, revenues slipped 1.6% from the level in the same period of the previous consolidated fiscal year. Although sales for earthquake reconstruction sites and sales in the Doo Block in Hokkaido were robust, demand was down during the winter period. In Kanamoto's information and telecommunications-related operations and other businesses, on the other hand, both personal computer rental demand and engineering-related employee dispatch were higher, resulting in a 6.6% year-on-year increase in revenues.

As a result of these factors, first quarter revenues for Kanamoto's other businesses eased down 0.5% from the same period of the previous consolidated fiscal year to ¥1,618 million, and operating income fell 57.2% year-on-year to ¥17 million.

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

The Company did not open or close any branches during the first quarter consolidated accounting period.

(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 ¥9,228 million compared with the end of the prior consolidated accounting fiscal year to ¥146,571 million. This mainly reflected an increase in cash and deposits of ¥1,258 million as a result of the collection of accounts receivable, trade, an increase in notes and accounts receivable, trade of ¥1,818 million that resulted from the growth in sales and an increase in rental equipment of ¥5,742 million.

Total liabilities were ¥102,636 million, an increase of ¥6,693 million compared with the end of the prior consolidated accounting fiscal year. The main items contributing to this change were an increase of ¥1,479 million in notes and accounts payable, trade, an increase of ¥1,917 million in long-term bank loans, and an increase of ¥4,499 million in long-term accrued expenses including installment payment contracts that are the principal means of procurement, in conjunction with increases in rental equipment and other assets.

Net assets at the end of the first quarter under review increased by ¥2,534 million compared with the end of the prior consolidated fiscal year to ¥43,934 million. This mainly reflected net income for the first quarter of ¥2,151 million, and an increase of ¥353 million in the valuation difference on other investment securities because of higher market prices for negotiable securities held.

(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, 2012 (Japan GAAP)* released on December 7, 2012.

2. Matters Concerning Summary Information (Notes)

Changes to Material Subsidiaries during the Consolidated Period under Review

The Company currently is liquidating SJ Rental, Inc., a consolidated subsidiary, and has excluded that entity from the scope of consolidation for the first quarter under review because the entity is no longer material.

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 First Quarter (As of January 31, 2013)
Assets		
Current assets		
Cash and deposits	19,387,264	20,645,331
Notes and accounts receivable, trade	23,560,769	25,379,543
Negotiable securities	350,000	350,000
Merchandise inventories and products	521,615	493,183
Work in progress	53,187	35,998
Raw materials and supplies	213,177	226,665
Construction equipment	2,578,013	2,845,613
Income taxes receivable	10,676	1,840
Consumption tax receivable	57,839	10,240
Deferred tax assets	616,057	383,427
Other	719,242	603,265
Allowance for doubtful accounts	−384,382	−322,054
Total Current Assets	47,683,461	50,653,056
Fixed assets		
Tangible fixed assets		
Rental equipment assets	111,689,105	119,720,891
Accumulated depreciation	−65,644,512	−67,933,573
Net rental equipment assets	46,044,593	51,787,318
Buildings and structures	22,253,505	22,239,865
Accumulated depreciation	−14,565,048	−14,701,345
Net buildings and structures	7,688,457	7,538,519
Machinery, equipment, vehicles and delivery equipment	5,367,137	5,372,480
Accumulated depreciation	−4,771,202	−4,793,883
Net machinery, equipment, vehicles and delivery equipment	595,935	578,596
Land	29,548,049	29,573,611
Other	1,579,813	1,647,028
Accumulated depreciation	−1,301,459	−1,318,299
Net other	278,353	328,729
Total Tangible Fixed Assets	84,155,389	89,806,774
Intangible fixed assets		
Goodwill	192,389	211,909
Other	203,849	189,594
Total Intangible Fixed Assets	396,239	401,503
Investments and other assets		
Investment securities	3,196,840	3,740,736
Deferred tax assets	622,077	618,774
Other	1,947,320	1,992,972
Allowance for doubtful accounts	−590,261	−574,242
Reserve for investment losses	−67,985	−67,985
Total Investments and Other Assets	5,107,991	5,710,256
Total Fixed Assets	89,659,620	95,918,533
Total Assets	137,343,082	146,571,590

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year (As of October 31, 2012)	Current Consolidated Fiscal Year First Quarter (As of January 31, 2013)
Liabilities		
Current liabilities		
Notes and accounts payable, trade	18,011,309	19,491,057
Short-term bank loans	834,688	1,004,783
Long-term bank loans due within one year	12,671,669	12,225,896
Lease obligations	1,106,553	1,048,198
Corporate taxes payable	2,344,595	1,389,781
Accrued bonuses to employees	774,430	370,525
Allowance for disaster losses	10,014	6,486
Accounts payable, other	9,386,566	9,962,005
Other	1,641,311	1,543,531
Total Current Liabilities	46,781,139	47,042,266
Long-term liabilities		
Long-term bank loans	25,945,267	27,862,361
Lease obligations	3,041,801	3,051,887
Accrued employees retirement benefits	959	2,498
Long-term accrued expenses	19,707,957	24,207,172
Asset retirement obligations	207,696	208,534
Other	258,310	262,271
Total Long-term Liabilities	49,161,991	55,594,725
Total Liabilities	95,943,130	102,636,991
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	21,132,003
Treasury stock	−27,523	−28,350
Total Shareholders' Equity	39,829,623	41,761,130
Accumulated other comprehensive income		
Valuation difference on other investment securities	331,641	684,756
Translation adjustments account	−54,766	15,049
Total accumulated other comprehensive income	276,874	699,805
Minority interests	1,293,453	1,473,662
Total Net Assets	41,399,951	43,934,598
Total Liabilities and Net Assets	137,343,082	146,571,590

(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, 2013)

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year First Quarter (From November 1, 2011 to January 31, 2012)	Current Consolidated Fiscal Year First Quarter (From November 1, 2012 to January 31, 2013)
Revenues	20,915,098	28,687,949
Cost of revenues	14,099,491	19,304,549
Gross profit	6,815,607	9,383,399
Selling, general and administrative expenses	4,498,869	5,502,048
Operating income	2,316,737	3,881,350
Non-operating income		
Interest income	1,482	1,968
Dividend income	16,288	16,336
Insurance benefits	12,654	23,859
Rents received	12,850	10,704
Cash bonus received	13,338	1,022
Amortization of negative goodwill	17,458	14,880
Foreign exchange gains	—	102,011
Reversal of allowance for doubtful accounts	17,432	7,901
Other	29,873	49,179
Total non-operating income	121,377	227,864
Non-operating expenses		
Interest expense	210,974	213,222
Loss on sale of notes receivable	12,878	11,885
Other	38,131	31,297
Total non-operating expenses	261,984	256,405
Ordinary income	2,176,130	3,852,809
Extraordinary income		
Gain on sale of fixed assets	1,347	1,809
Subsidies	—	22,262
Gain on liquidation of subsidiary	19,615	—
Other	138	59
Total extraordinary income	21,102	24,131
Extraordinary losses		
Loss on sale or retirement of fixed assets	26,806	8,916
Other	126	—
Total extraordinary losses	26,933	8,916
Income before taxes and adjustments	2,170,299	3,868,024
Corporate, local and business taxes	873,355	1,385,866
Adjustment for corporate and other taxes	111,704	160,298
Total corporate and other taxes	985,060	1,546,164
Income before minority interest	1,185,239	2,321,860
Minority interest in income or loss	19,298	170,851
Net income	1,165,940	2,151,008

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

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year First Quarter (From November 1, 2011 to January 31, 2012)	Current Consolidated Fiscal Year First Quarter (From November 1, 2012 to January 31, 2013)
Income before minority interest	1,185,239	2,321,860
Other comprehensive income		
Valuation difference on other investment securities	60,594	353,238
Translation adjustments account	5,209	87,701
Total other comprehensive income	65,803	440,939
Quarter comprehensive income	1,251,042	2,762,799
(Breakdown)		
Comprehensive quarterly income attributable to owners of the parent	1,228,313	2,573,939
Comprehensive quarterly income attributable to minority interests	22,729	188,860

(3) Notes Relating to the Going Concern Assumption

The Company had no material items to report.

(4) Business Segment Information

I First quarter of the previous consolidated fiscal year (from November 1, 2011 to January 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	19,288,740	1,626,357	20,915,098
Sales or transfers between segments	—	—	—
Total	19,288,740	1,626,357	20,915,098
Segment operating income	2,237,413	40,156	2,277,569

(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)

Earnings	Amount
Reporting segment total	2,237,413
Earnings from "Other businesses" classification	40,156
Other adjustments	39,167
Operating income reported on the Quarterly Consolidated Statements of Income	2,316,737

II First quarter of the current consolidated fiscal year (from November 1, 2012 to January 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	27,069,618	1,618,330	28,687,949
Sales or transfers between segments	—	—	—
Total	27,069,618	1,618,330	28,687,949
Segment operating income	3,796,855	17,168	3,814,023

(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)

Earnings	Amount
Reporting segment total	3,796,855
Income from "Other businesses" classification	17,168
Other adjustments	67,327
Operating income reported on the Consolidated Quarterly Statements of Income	3,881,350

- (5) Note on Significant Changes to Shareholders' Equity

The Company had no material items to report.