



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

September 4, 2015

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 and Senior Executive Corporate Officer, Division Manager, Accounting Division  
 TEL 81-11-209-1600

Please send inquiries in English to [takayama@kanamoto.co.jp](mailto:takayama@kanamoto.co.jp)

Scheduled date for submission of Quarterly Report September 11, 2015  
 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, 2015 (November 1, 2014 – July 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: Third quarter	98,956	6.8	12,498	-2.5	12,546	0.9	7,499	4.2
Fiscal Year ended October 31, 2014: Third quarter	92,657	15.4	12,813	52.4	12,430	49.4	7,194	52.9

(Note) Comprehensive income (millions of yen)

Fiscal Year Ending October 31, 2015, Third Quarter 8,162 (2.1%)  
 Fiscal Year Ended October 31, 2014, Third Quarter 7,992 (29.4%)

	Net Income per Share	Net Income per Share on a Fully Diluted Basis
	Yen	Yen
Fiscal Year ending October 31, 2015: Third quarter	208.08	—
Fiscal Year ended October 31, 2014: Third quarter	199.63	—

## (2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
Fiscal Year ending October 31, 2015: Third quarter	197,905	72,400	35.4
Fiscal Year ended October 31, 2014	188,491	65,513	33.6

(Reference) Equity (millions of yen)

Fiscal Year Ending October 31, 2015 Third Quarter: 70,056  
 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	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended October 31, 2014	—	15.00	—	20.00	35.00
Fiscal year ending October 31, 2015	—	15.00	—		
Fiscal Year ending October 31, 2015(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 ended October 31, 2014

Ordinary dividend 10.00yen

Commemorative dividend 5.00yen

Breakdown of planned year-end dividend for the Fiscal Year ended October 31, 2014

Ordinary dividend 10.00yen

Commemorative dividend 10.00yen

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

(November 1, 2014 – October 31, 2015)

(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	131,030	4.4	15,950	-3.1	15,660	-2.6	9,340	0.4	259.16

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

Yes

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 restatements

(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 Third 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 Third Quarter 52,941 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 Third Quarter 36,039,308 shares

Fiscal year ended October 31, 2014 Third Quarter 36,039,856 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 5 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 third quarter consolidated financial statements of the prior consolidated fiscal year also have been restated in units of millions of yen.

○ 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 .....	6
(3) Qualitative Information Concerning Projected Consolidated Operating Results .....	6
2. Matters Concerning Summary Information (Notes) .....	6
3. Quarterly Consolidated Financial Statements .....	7
(1) Quarterly Consolidated Balance Sheets .....	7
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income .....	9
Quarterly Consolidated Statements of Income	
Consolidated Nine-month Period ended July 31, 2015 .....	9
Quarterly Consolidated Statements of Comprehensive Income	
Consolidated Nine-month Period ended July 31, 2015 .....	10
(3) Notes Concerning Quarterly Consolidated Financial Statements .....	11
(Notes Relating to the Going Concern Assumption) .....	11
(Note on Significant Changes to Shareholders' Equity) .....	11
(Business segment information) .....	11

## 1. Qualitative Information Concerning Quarterly Consolidated Operating Results

### (1) Qualitative Information Concerning Consolidated Operating Results

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

During the consolidated nine-month period ended July 31, 2015, Japan's economy maintained its modest recovery trend as corporate earnings improved and the employment situation brightened, supported by the continuation of proactive economic and monetary policy measures. Moves toward a recovery in personal consumption were evident as well. This was insufficient to eliminate lingering uncertainty clouding the future outlook, however, which is being sustained by circumstances such as concerns about the future direction of the overseas economy including China, and the upward creep of prices resulting from the weakness of the yen.

[ Third Quarter Operating Results > (From November 1, 2014 to July 31, 2015) ]

In the construction industry related to the Kanamoto Group, construction demand related to earthquake restoration works in the Tohoku Region and development works in the Tokyo metropolitan area remained brisk. A positive trend in private sector capital investment could be noted as well, reflecting the improvement in corporate earnings. Nevertheless, for the country as a whole, activity was somewhat weaker and below the level seen one year ago, as regional differences were exposed in sharper relief as a result of cutbacks in spending on public works projects compared with the prior year.

In light of these circumstances, the Kanamoto Group continued to focus on critical items and worked to further increase its corporate value, based on the various measures in its Medium-term Management Plan (fiscal 2014 - fiscal 2016). We also actively pursued our regional strategy, to secure efficient earnings opportunities for the entire group that are tailored closely to changes in Japan's construction market, as well as our strategy of overseas development.

As a result, net sales for the consolidated nine-month period ended July 31, 2015 rose by 6.8% from the same period of the prior consolidated fiscal year to ¥98,956 million. From an earnings perspective, operating income edged down 2.5% from the same period of the prior consolidated fiscal year to ¥12,498 million, reflecting changes such as softer operating results at certain consolidated subsidiaries that were affected by the economic slowdown in China and lower volume of road pavement work throughout Japan. Ordinary income rose 0.9% year-on-year to ¥12,546 million, and third quarter year-to-date net income was up 4.2% year-on-year to ¥7,499 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 in the Tohoku Region, reflecting full-scale earthquake reconstruction works and decontamination-related efforts. In other regions, several areas were negatively affected by lower public works budgets and experienced a large drop in demand from the prior year, but generally there was little year-to-year change, and overall rental revenues remained solid.

Used construction equipment sales increased 15.2% from the corresponding period of the prior consolidated fiscal year, as Kanamoto sold equipment based on its initial plan in order to maintain an appropriate asset 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 5.7% from the same period of the prior consolidated fiscal year to ¥91,813 million, and operating income decreased 3.6% year-on-year to ¥11,992 million.

#### < Other businesses >

In Kanamoto's other businesses, steel products-related sales also rose substantially higher than the Company's initial assumption, thanks to the recovery in private demand. Net sales gained 23.7% over the same period of the prior consolidated fiscal year to ¥7,143 million, and operating income jumped 65.7% year-on-year to ¥227 million.

< Change in number of branches >

The Company opened six new branches during its third quarter consolidated business period. The Company did not close any branches during the quarter.

New branches: Tohoku Equipment Repair Center (Miyagino Ward, Sendai), Hokkaido Region Wide Area Branch (Chuo Ward, Sapporo City), Biratori Equipment Center (Saru-gun, Hokkaido Prefecture), Tsuruga Branch (Tsuruga City, Fukui Prefecture), Misato Branch and Tokyo Small Equipment Center (Misato City, Saitama Prefecture)

(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 ¥9,414 million compared with the end of the prior consolidated fiscal year to ¥197,905 million. This change mainly reflected increases of ¥1,387 million and ¥4,522 million in construction machine parts and rental equipment, respectively, and an increase of ¥1,221 million in buildings and structures.

Total liabilities were ¥125,505 million, an increase of ¥2,527 million compared with the end of the prior consolidated fiscal year. The principal items contributing to this change were an increase of ¥2,032 million in accounts payable-other and an increase of ¥3,617 million in long-term accounts payable-other, and decreases of ¥1,847 million and ¥1,952 million in income taxes payable and long-term loans payable, respectively.

Total net assets were ¥72,400 million, ¥6,887 million higher than at the end of the prior consolidated fiscal year. This mainly reflected nine month year-to-date net income of ¥7,499 million, and a decrease in surplus of ¥1,261 million as a result of dividend payments.

(3) Qualitative Information Concerning Projected Consolidated Operating Results

The Company has revised its full-year consolidated operating results forecast of projected consolidated operating results. Based on operating results for the consolidated nine-month period ended July 31, 2015 and the outlook for the future, operating income, ordinary income, and net income are forecast to be lower than the Company's earnings projection announced on December 10, 2014 in the *Financial Statements Bulletin (Japan GAAP) for the Fiscal Year Ended October 31, 2014 (Consolidated)*.

Actual operating results may differ from the forecast figures as a result of various future factors.

2. Matters Concerning Summary Information (Notes)

(Supplemental information)

Effect of the change in the corporate tax rate etc.

With the promulgation of the Act for Partial Revision of the Income Tax Act Etc. (Act No. 9 of 2015) and the Act for Partial Revision of the Local Tax Act (Act No. 2 of 2015) on March 31, 2015, Japan's corporate tax rate and business tax rate will be reduced in the consolidated fiscal year beginning on or after April 1, 2015. In conjunction with this change, the statutory effective tax rate used to calculate deferred tax assets and deferred tax liabilities will be revised from 35.3% applied in the past to 32.8% for temporary differences expected to be eliminated in the consolidated fiscal year that begins on November 1, 2015, and to 32.0% for temporary differences expected to be eliminated in the consolidated fiscal years that begin from November 1, 2016.

As a result of applying this statutory effective tax rate, the amount for deferred tax assets, (amount after deducting deferred tax liabilities) will decrease by ¥36 million, and the amounts for income taxes-deferred and the valuation of available-for-sale securities will increase by ¥79 million and ¥15 million, respectively.

### 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 Third Quarter (As of July 31, 2015)
<b>Assets</b>		
Current assets		
Cash and deposits	31,650	31,700
Notes and accounts receivable-trade	33,651	34,299
Securities	350	350
Merchandise and finished goods	595	707
Costs on uncompleted construction contracts	50	36
Raw materials and supplies	227	250
Construction machine parts	6,566	7,953
Consumption taxes receivable	43	59
Deferred tax assets	656	398
Other	515	477
Allowance for doubtful accounts	-227	-483
Total current assets	74,080	75,749
Non-current assets		
Property, plant and equipment		
Rental equipment	150,727	162,343
Accumulated depreciation	-85,083	-92,175
Rental equipment, net	65,644	70,167
Buildings and structures	23,691	25,342
Accumulated depreciation	-15,663	-16,092
Buildings and structures, net	8,027	9,249
Machinery, equipment and vehicles	5,541	5,634
Accumulated depreciation	-4,882	-4,899
Machinery, equipment and vehicles, net	659	734
Land	31,459	31,815
Other	1,563	2,334
Accumulated depreciation	-1,013	-1,088
Other, net	549	1,245
Total property, plant and equipment	106,341	113,212
Intangible assets		
Goodwill	57	-
Other	208	302
Total intangible assets	266	302
Investments and other assets		
Investment securities	6,286	7,044
Deferred tax assets	265	302
Other	1,854	1,965
Allowance for doubtful accounts	-491	-561
Allowance for investment loss	-110	-110
Total investments and other assets	7,804	8,640
Total non-current assets	114,411	122,156
Total Assets	188,491	197,905

(Unit: Millions of yen)

	Prior Consolidated Fiscal Year (As of October 31, 2014)	Current Consolidated Fiscal Year Third Quarter (As of July 31, 2015)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	23,134	22,774
Short-term loans payable	612	734
Current portion of long-term loans payable	11,883	12,608
Lease obligations	995	1,723
Income taxes payable	3,729	1,882
Provision for bonuses	850	608
Accounts payable-other	16,460	18,493
Other	2,988	2,448
<b>Total current liabilities</b>	<b>60,655</b>	<b>61,273</b>
Non-current liabilities		
Long-term loans payable	21,698	19,746
Lease obligations	2,082	2,093
Long-term accounts payable-other	37,853	41,471
Net defined benefit liability	16	22
Asset retirement obligations	231	314
Other	440	583
<b>Total non-current liabilities</b>	<b>62,322</b>	<b>64,232</b>
<b>Total Liabilities</b>	<b>122,978</b>	<b>125,505</b>
<b>Net Assets</b>		
Shareholders' equity		
Capital stock	13,652	13,652
Capital surplus	14,916	14,916
Retained earnings	32,860	39,097
Treasury shares	-56	-56
<b>Total shareholders' equity</b>	<b>61,373</b>	<b>67,611</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,977	2,414
Foreign currency translation adjustment	14	30
<b>Total accumulated other comprehensive income</b>	<b>1,992</b>	<b>2,445</b>
Minority interests	2,147	2,343
<b>Total Net Assets</b>	<b>65,513</b>	<b>72,400</b>
<b>Total Liabilities and Net Assets</b>	<b>188,491</b>	<b>197,905</b>



(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, 2015)

(Unit: Millions of yen)

	Prior Consolidated Fiscal Year Third Quarter (From November 1, 2013 to July 31, 2014)	Current Consolidated Fiscal Year Third Quarter (From November 1, 2014 to July 31, 2015)
Net sales	92,657	98,956
Cost of sales	62,601	68,116
Gross profit	30,056	30,840
Selling, general and administrative expenses	17,242	18,341
Operating income	12,813	12,498
Non-operating income		
Interest income	5	5
Dividend income	89	109
Insurance income	25	29
Rent income	45	50
A receipt bonus	41	24
Foreign exchange gains	50	190
Reversal of allowance for doubtful accounts	34	3
Other	133	145
Total non-operating income	426	558
Non-operating expenses		
Interest expenses	475	383
Loss on sales of notes payable	28	14
Other	304	113
Total non-operating expenses	809	510
Ordinary income	12,430	12,546
Extraordinary income		
Gain on sales of non-current assets	32	8
Subsidy income	0	12
Compensation income for damage	—	118
Other	0	—
Total extraordinary income	32	138
Extraordinary losses		
Loss on sales and retirement of non-current assets	51	123
Impairment loss	—	42
Loss on valuation of investment securities	—	27
Loss on revision of retirement benefit plan	43	—
Total extraordinary losses	94	193
Income before income taxes and minority interests	12,368	12,491
Income taxes-current	4,691	4,473
Income taxes-deferred	123	305
Total income taxes	4,814	4,779
Income before minority interests	7,553	7,712
Minority interests in income	358	213
Net income	7,194	7,499

(Quarterly Consolidated Statements of Comprehensive Income)  
(Consolidated Nine-month Period ended July 31, 2015)

(Unit: Millions of yen)

	Prior Consolidated Fiscal Year Third Quarter (From November 1, 2013 to July 31, 2014)	Current Consolidated Fiscal Year Third Quarter (From November 1, 2014 to July 31, 2015)
Income before minority interests	7,553	7,712
Other comprehensive income		
Valuation difference on available-for-sale securities	446	436
Foreign currency translation adjustment	—6	12
Total other comprehensive income	439	449
Comprehensive income	7,992	8,162
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,635	7,952
Comprehensive income attributable to minority interests	357	210

(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 Third quarter of the previous 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: 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	86,883	5,774	92,657
Net sales or transfers between related segments	—	1	1
Total	86,883	5,775	92,658
Segment income	12,435	137	12,572

(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	12,435
Income for "Other businesses" classification	137
Other adjustments	241
Operating income reported on the Consolidated Quarterly Statements of Income	12,813

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

The Company had no material items to report.

II Third quarter of the current consolidated fiscal year (from November 1, 2014 to July 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	91,813	7,143	98,956
Net sales or transfers between related segments	—	—	—
Total	91,813	7,143	98,956
Segment income	11,992	227	12,220

(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	11,992
Income for "Other businesses" classification	227
Other adjustments	278
Operating income reported on the Consolidated Quarterly Statements of Income	12,498

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

In the "Business related to the Construction Equipment Rental Division" segment, the Company recorded an impairment loss on goodwill of ¥42 million.