



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

June 7, 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 June 13, 2013  
 Scheduled date for commencement of dividend payments July 8, 2013  
 Preparation of Quarterly Settlement Supplementary Explanatory Materials Yes  
 Quarterly Earnings Briefings Yes  
 (For institutional investors and analysts)

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

(November 1, 2012 - April 30, 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: Second quarter	54,733	36.8	6,751	89.9	6,714	103.6	3,716	109.2
Fiscal Year ended October 31, 2012: Second quarter	40,012	13.3	3,554	106.1	3,297	134.1	1,776	—

(Note) Comprehensive income

Fiscal Year Ending October 31, 2013, Second Quarter ¥5,212 million (159.7%)

Fiscal Year Ended October 31, 2012, Second Quarter ¥2,007 million (538.3%)

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Fiscal Year ending October 31, 2013: Second quarter	113.20	—
Fiscal Year ended October 31, 2012: Second quarter	54.10	—

#### (2) Consolidated financial position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	Millions of yen	Millions of yen	%
Fiscal Year ending October 31, 2013: Second quarter	151,668	46,376	29.5
Fiscal Year ended October 31, 2012:	137,343	41,399	29.2

(Reference) Shareholders' Equity

Fiscal Year Ending October 31, 2013 Second Quarter: ¥44,720 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	137.98

(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 Second 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 Second Quarter: 45,207 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 Second Quarter: 32,830,847 shares

Fiscal year ended October 31, 2012 Second Quarter: 32,834,561 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 April 30, 2013)

During the Kanamoto Group's interim period, a mild recovery trend was evident in Japan's economy, driven by weakening of the yen that originated in a sense of anticipation toward fiscal and economic policy. At the same time, however, worries about the risk of an economic downturn proved impossible to shake and the future economic outlook remained uncertain, as businesses and consumers continued to fret about Europe's interminable debt problems, the delayed recovery of the overseas economy including China and the United States, the surge in the yen exchange rate and the jump in crude oil prices.

< Second Quarter Consolidated Operating Results > (From November 1, 2012 to April 30, 2013)

In the construction industry surrounding the Kanamoto Group, the so-called "15-month budget" is moving forward and government construction investment is on an upward trend, primarily for public works focused on earthquake restoration and recovery works, mainly in the earthquake-devastated regions, and for nationwide disaster prevention and disaster mitigation works. Brighter signs were evident for private sector investment as well. Nevertheless, there were lingering sources of concern, including a shortage of skilled construction workers and a sharp rise in labor costs, glitches in the construction tender system and delays in the start of construction.

Given such circumstances, the Kanamoto Group sought to enhance its integrated corporate vitality, and proceeded to strengthen its collaboration with Group firms and transactions with alliance firms and forge an organization capable of demonstrating synergistic effects for the entire Group. The Group worked to thoroughly analyze and improve its present operating processes and increase its efficiency as well, and undertook efforts to build an organization aimed at boosting earnings through a comprehensive focus on cost reductions.

As a result of these efforts, consolidated revenues for the interim period of the Business Period ending October 2013 came to ¥54,733 million, up 36.8% compared with the same period of the previous consolidated fiscal year. With regard to earnings, operating income jumped 89.9% from the same period of the previous consolidated fiscal year to ¥6,751 million, ordinary income surged 103.6% year-on-year to ¥6,714 million and interim period net income rose 109.2% year-on-year to ¥3,716 million.

Results by business segment were as follows.

#### [ Business related to the Construction Equipment Rental Division ]

In the construction equipment rental business that is the main business of the Kanamoto Group, the Company sought to strengthen the response capabilities of the entire Group through measures such as an aggressive increase in assets, and appropriate asset allocation in various regions. Steps were taken to respond accurately to rental demand that will grow in the future, including restoration and recovery works and decontamination-related works in earthquake stricken areas, coastline shore protection works and soil improvement works, road-related upkeep and maintenance works, disaster prevention and disaster mitigation works in areas throughout Japan, large-scale projects, especially in the heart of the Tokyo metropolitan area, and various worksite needs. Revenues by region in the construction equipment rental business expanded significantly in all regions compared with the same period of the previous fiscal year, growing 14.4% year-on-year in the Hokkaido Region and 39.7% in the Tohoku Region, climbing 76.3% in the Kanto Region, expanding 59.3% in the Kinki & Chubu Region and rising 14.1% in the Kyushu & Okinawa Region.

In the Kanto Region and Kinki & Chubu Region, which were substantially higher than the previous year, this mainly reflected the effect of Unite Co., Ltd., a company newly included within the scope of consolidation.

Overseas sales of used construction equipment were up 9.3% compared with the same period one year earlier, reflecting increased demand from other countries and the return of prices to more competitive levels because of the sudden weakening of the yen.

As a result of these factors, consolidated interim period revenues for Kanamoto's construction-related businesses increased 39.2% from the same period of the previous consolidated fiscal year to ¥51,420 million, and operating income climbed 92.2% year-on-year to ¥6,557 million.

< Other Businesses >

In the steel products sales the Company is developing in Hokkaido, revenues rose 9.3% compared with the same period of the previous year. This reflected factors such as comparatively steady sales for earthquake recovery sites and sales in the Central Hokkaido region, and higher prices in the steel materials market. In Kanamoto's information and telecommunications-related division, on the other hand, both personal computer rental demand and employee dispatch varied in line with the Company's business plan, edging up 0.8%.

As a result of these factors, for the consolidated interim period under review revenues from other businesses were ¥3,313 million, up 8.0% compared with the interim period of the previous consolidated fiscal year, and operating income was ¥63 million, off 0.8% year-on-year.

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

To increase the operating efficiency of the Shutokenkousho Branch and the Shin-Kiba Branch, which were classified according to the types of products they handled at the same site, these two offices were integrated as the Tokyo Chuo Branch.

(2) Qualitative information concerning consolidated financial position

Assets, liabilities and net assets

Total assets at the end of the interim period under review increased by ¥14,325 million to ¥151,668 million compared with the end of the prior consolidated fiscal year. This change mainly reflected an increase of ¥6,328 million in cash and deposits, mainly as the result of the collection of accounts receivable, trade, an increase of ¥6,031 million in rental equipment and an increase of ¥1,874 million in investment securities because of higher market prices on stock holdings.

Total liabilities were ¥105,292 million, an increase of ¥9,349 million compared with the end of the prior consolidated fiscal year. The principal items contributing to this change were a combined total increase of ¥2,362 million in long-term bank loans due within one year and long-term bank loans, and a combined total increase of ¥5,518 million in accounts payable, other, including installment payment contracts, and long-term accrued expenses.

Total liabilities were ¥46,376 million, an increase of ¥4,976 million compared with the end of the prior consolidated fiscal year. This mainly reflected interim period income before income taxes and minority interests of ¥3,716 million and an increase in valuation difference on other investment securities of ¥1,010 million.

(3) Qualitative information concerning projected consolidated operating results

For details please see the Notification Concerning Revision of Projected Operating Results for the Business Period Ending October 2013 that was released on May 31, 2013.

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: Thousands of yen)

	Prior Consolidated Fiscal Year (As of October 31, 2012)	Current Consolidated Fiscal Year Interim Period (As of April 30, 2013)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	19,387,264	25,715,419
Notes and accounts receivable, trade	23,560,769	23,684,755
Securities	350,000	350,000
Merchandise inventories and products	521,615	577,957
Work in progress	53,187	31,458
Raw materials and supplies	213,177	212,813
Construction equipment	2,578,013	2,935,278
Income taxes receivable	10,676	—
Consumption tax receivable	57,839	3,600
Deferred tax assets	616,057	870,174
Other	719,242	723,969
Allowance for doubtful accounts	- 384,382	- 297,355
<b>Total Current Assets</b>	<b>47,683,461</b>	<b>54,808,071</b>
<b>Fixed assets</b>		
<b>Tangible fixed assets</b>		
Rental equipment	111,689,105	122,423,304
Accumulated depreciation	- 65,644,512	- 70,346,849
Net rental equipment assets	46,044,593	52,076,455
Buildings and structures	22,253,505	22,269,004
Accumulated depreciation	- 14,565,048	- 14,826,423
Net buildings and structures	7,688,457	7,442,580
Machinery, equipment and vehicles	5,367,137	5,402,703
Accumulated depreciation	- 4,771,202	- 4,807,122
Machinery, equipment and vehicles, net	595,935	595,580
Land	29,548,049	29,522,545
Other	1,579,813	1,623,712
Accumulated depreciation	- 1,301,459	- 1,321,492
Other, net	278,353	302,219
<b>Total Tangible Fixed Assets</b>	<b>84,155,389</b>	<b>89,939,382</b>
<b>Intangible fixed assets</b>		
Goodwill	192,389	231,868
Other	203,849	185,011
<b>Total Intangible Fixed Assets</b>	<b>396,239</b>	<b>416,879</b>
<b>Investments and other assets</b>		
Investment securities	3,196,840	5,071,460
Deferred tax assets	622,077	228,212
Other	1,947,320	1,820,978
Allowance for doubtful accounts	- 590,261	- 548,033
Reserve for investment losses	- 67,985	- 67,985
<b>Total Investments and Other Assets</b>	<b>5,107,991</b>	<b>6,504,632</b>
<b>Total Fixed Assets</b>	<b>89,659,620</b>	<b>96,860,895</b>
<b>Total Assets</b>	<b>137,343,082</b>	<b>151,668,966</b>

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year (As of October 31, 2012)	Current Consolidated Fiscal Year Interim Period (As of April 30, 2013)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable, trade	18,011,309	18,894,548
Short-term bank loans	834,688	669,622
Long-term bank loans due within one year	12,671,669	12,816,863
Lease obligations	1,106,553	1,108,988
Corporate taxes payable	2,344,595	2,925,765
Accrued bonuses to employees	774,430	913,215
Allowance for disaster losses	10,014	3,455
Accounts payable, other	9,386,566	10,353,212
Other	1,641,311	1,488,677
Total Current Liabilities	46,781,139	49,174,349
Long-term liabilities		
Long-term bank loans	25,945,267	28,162,300
Lease obligations	3,041,801	3,121,083
Accrued employees retirement benefits	959	4,343
Long-term accrued expenses	19,707,957	24,260,225
Asset retirement obligations	207,696	195,673
Other	258,310	374,811
Total Long-term Liabilities	49,161,991	56,118,436
Total liabilities	95,943,130	105,292,785
<b>Net Assets</b>		
Shareholders' equity		
Capital stock	9,696,717	9,696,717
Capital surplus	10,960,761	10,960,761
Retained earnings	19,199,668	22,697,509
Treasury stock	- 27,523	- 36,577
Total Shareholders' Equity	39,829,623	43,318,410
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	331,641	1,341,990
Translation adjustments account	- 54,766	60,204
Total accumulated other comprehensive income	276,874	1,402,195
Minority interests	1,293,453	1,655,574
Total Net Assets	41,399,951	46,376,180
Total Liabilities and Net Assets	137,343,082	151,668,966

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income  
(Quarterly Consolidated Statements of Income)  
(Consolidated Interim Period ended April 30, 2013)

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year Interim Period (From November 1, 2011 to April 30, 2012)	Current Consolidated Fiscal Year Interim Period (From November 1, 2012 to April 30, 2013)
Revenues	40,012,788	54,733,916
Cost of revenues	27,504,985	37,016,305
Gross profit	12,507,803	17,717,610
Selling, general and administrative expenses	8,953,512	10,966,563
Operating income	3,554,290	6,751,046
Non-operating income		
Interest income	4,882	5,306
Dividend income	16,288	16,517
Insurance benefits	20,839	50,986
Rents received	22,760	28,933
Cash bonus received	21,389	34,673
Amortization of negative goodwill	34,916	27,113
Foreign exchange gains	54,512	169,287
Other	96,384	153,443
Total non-operating income	271,972	486,260
Non-operating expenses		
Interest expense	414,932	427,297
Loss on sale of notes receivable	25,345	22,499
Other	88,705	73,271
Total non-operating expenses	528,983	523,068
Ordinary income	3,297,279	6,714,239
Extraordinary income		
Gain on sale of fixed assets	17,654	33,569
Gain on sale of investment securities	138	—
Gain on liquidation of subsidiary	19,615	—
Subsidies	13,142	22,262
Other	68	59
Total extraordinary income	50,620	55,891
Extraordinary losses		
Loss on sale or retirement of fixed assets	45,153	24,841
Valuation loss on investment securities	9	—
Other	90	65
Total extraordinary losses	45,254	24,906
Income before taxes and adjustments	3,302,645	6,745,223
Corporate, local and business taxes	1,627,241	2,863,043
Adjustment for corporate and other taxes	- 128,172	- 179,890
Total corporate and other taxes	1,499,069	2,683,152
Income before minority interest	1,803,575	4,062,070
Minority interest in income or loss	27,211	345,555
Net income	1,776,364	3,716,514

(Quarterly Consolidated Statements of Comprehensive Income)  
(Consolidated Interim Period ended April 30, 2013)

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year Interim Period (From November 1, 2011 to April 30, 2012)	Current Consolidated Fiscal Year Interim Period (From November 1, 2012 to April 30, 2013)
Income before minority interest	1,803,575	4,062,070
Other comprehensive income		
Valuation difference on other investment securities	190,262	1,010,670
Translation adjustments account	13,239	139,866
Total other comprehensive income	203,502	1,150,537
Quarter comprehensive income	2,007,078	5,212,607
(Breakdown)		
Comprehensive quarterly income attributable to owners of the parent	1,967,996	4,841,835
Comprehensive quarterly income attributable to minority interests	39,081	370,772

## (3) Quarterly Consolidated Statements of Cash Flows

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year Interim Period (From November 1, 2011 to April 30, 2012)	Current Consolidated Fiscal Year Interim Period (From November 1, 2012 to April 30, 2013)
Cash flow from operating activities		
Income before taxes and adjustments	3,302,645	6,745,223
Depreciation and amortization expense	4,949,418	7,254,328
Amortization of goodwill	89,637	12,798
(Gain) loss on sale or retirement of fixed assets	27,499	- 8,727
(Gain) loss on liquidation of subsidiary	- 19,615	—
Installment purchases of assets for small-value rentals	14,756	5,975
Reclassification of cost of sales associated with disposal of construction equipment	2,862	5,173
Reclassification of cost of sales associated with disposal of rental assets	356,309	618,451
Expenditures for acquisition of construction equipment	- 642,111	- 486,236
Expenditures for acquisition of rental assets	- 781,092	- 1,563,082
(Gain) loss on valuation on investment securities	9	—
(Gain) loss on sale of investment securities	- 138	—
Increase (decrease) in allowance for doubtful accounts	- 68,070	- 32,670
Increase (decrease) in accrued bonuses to employees	141,033	144,358
Increase (decrease) in accrued employees retirement benefits	- 34,981	3,384
Increase (decrease) in retirement allowances to directors and auditors	- 205,964	—
Interest revenue and dividend income	- 21,170	- 21,823
Interest expense on installment purchases of rental assets	103,721	136,027
Interest expense	414,932	427,297
Foreign exchange (gain) loss	- 8,684	- 100,925
(Increase) decrease in notes and accounts receivable	503,955	- 84,619
(Increase) decrease in inventory assets	- 177,357	- 30,829
Increase (decrease) in accounts payable, trade	2,038,014	832,124
Increase (decrease) in accounts payable, other	- 65,782	163,341
Other	443,726	- 1,408
Subtotal	10,363,551	14,018,160
Interest and dividends received	21,191	21,824
Interest expense	- 486,625	- 581,298
Payments for loss on disaster	- 70,604	—
Payment of corporate and other taxes	- 264,829	- 2,259,707
Cash flow from operating activities	9,562,683	11,198,980

Cash flow from investing activities		
Funds used for the purchase of tangible fixed assets	- 322,113	- 239,744
Funds provided from the sale of tangible fixed assets	103,598	97,065
Funds used for the purchase of intangible fixed assets	- 6,000	- 17,757
Funds used for the purchase of investment securities	- 40,171	- 314,646
Funds provided from sale of investment securities	1,599	—
Funds used for the acquisition of subsidiary stock	- 28,701	—
Funds provided from sale of subsidiary stock	5,000	—
Funds provided from liquidation of subsidiary	7,247	—
Funds provided from collection of short-term loans receivable	44,639	307,193
Other	8,881	8,605
Cash flow from investing activities	<u>- 226,018</u>	<u>- 159,282</u>

(Unit: Thousands of yen)

	Prior Consolidated Fiscal Year Interim Period (From November 1, 2011 to April 30, 2012)	Current Consolidated Fiscal Year Interim Period (From November 1, 2012 to April 30, 2013)
Cash flow from financing activities		
Increase (decrease) in short-term bank loans	- 2,207,063	- 219,286
Funds provided by long-term bank loans	7,584,125	8,800,000
Funds used to repay long-term bank loans	- 5,483,478	- 6,764,235
Funds used to redeem corporate bonds	- 11,000	—
Funds used for repayment of installment obligations	- 3,956,471	- 5,231,286
Funds used for repayment of lease obligations	- 621,677	- 1,043,128
Funds used for the purchase of treasury stock	- 1,583	- 9,053
Funds provided from the sale of treasury stock	297	—
Payment of dividends	- 330,699	- 328,471
Cash dividends paid for minority shareholders	—	- 1,006
Cash flow from financing activities	- 5,027,551	- 4,796,468
Effect of exchange rate changes on cash and cash equivalents	5,823	88,970
Increase (decrease) in cash and equivalents	4,314,936	6,332,199
Balance of cash and equivalents at beginning of period	20,374,836	19,717,264
Increase (decrease) in cash and equivalents in conjunction with change in accounting period of consolidated subsidiary	- 32,208	—
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	- 4,045
Balance of cash and equivalents at end of period	24,657,564	26,045,419

(4) Notes Relating to the Going Concern Assumption

The Company had no material items to report.

(5) Business Segment Information

I Interim period of the prior consolidated fiscal year (From November 1, 2011 to April 30, 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	36,944,706	3,068,081	40,012,788
Sales or transfers between segments	—	—	—
Total	36,944,706	3,068,081	40,012,788
Segment operating income	3,411,319	63,610	3,474,929

(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	3,411,319
Income for "Other businesses" classification	63,610
Other adjustments	79,360
Operating income reported on the Quarterly Consolidated Statements of Income	3,554,290

II Interim period of the current consolidated fiscal year (From November 1, 2012 to April 30, 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	51,420,210	3,313,705	54,733,916
Sales or transfers between segments	—	—	—
Total	51,420,210	3,313,705	54,733,916
Segment operating income	6,557,148	63,077	6,620,225

(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	6,557,148
Income for "Other businesses" classification	63,077
Other adjustments	130,821
Operating income reported on the Quarterly Consolidated Statements of Income	6,751,046

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

The Company had no material items to report.