



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

June 5, 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 June 11, 2015
 Scheduled date for commencement of dividend payments July 7, 2015
 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, 2015

(November 1, 2014 - April 30, 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: Second quarter	68,307	6.4	10,652	5.8	10,655	8.1	6,528	15.5
Fiscal Year ended October 31, 2014: Second quarter	64,212	17.3	10,072	49.2	9,860	46.9	5,651	52.1

(Note) Comprehensive income (millions of yen)

Fiscal Year Ending October 31, 2015, Second Quarter 7,283 (16.9%)

Fiscal Year Ended October 31, 2014, Second Quarter 6,228 (19.5%)

	Net Income per Share	Net Income per Share on a Fully Diluted Basis
	Yen	Yen
Fiscal Year ending October 31, 2015: Second quarter	181.14	—
Fiscal Year ended October 31, 2014: Second quarter	156.82	—

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
Fiscal Year ending October 31, 2015: Second quarter	201,700	72,062	34.5
Fiscal Year ended October 31, 2014:	188,491	65,513	33.6

(Reference) Equity(millions of yen)

Fiscal Year Ending October 31, 2015 Second Quarter: 69,661

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 10.00 yen

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 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	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 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 Second 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 Second 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 Second Quarter	36,039,311 shares
Fiscal year ended October 31, 2014 Second Quarter	36,040,030 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 second quarter interim 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 April 30, 2015)]

During the first two quarters of Kanamoto's current consolidated fiscal year, Japan's economy followed a gradual recovery trajectory as corporate earnings improved and the employment situation brightened as well, supported by a weaker yen and the continuing rise in stock prices against the backdrop of proactive economic and monetary policy measures.

[Second Quarter Operating Results (from November 1, 2014 to April 30, 2015)]

In the construction industry related to the Kanamoto Group, activities ranging from public investment to programs such as earthquake disaster recovery works and disaster prevention measures remained robust. Viewed nationally, however, activity slowed somewhat compared with the environment one year ago, which benefited from the implementation of a supplementary budget. In addition, private sector capital spending exhibited upward momentum because of the improvement in corporate performance. Nevertheless, the industry continued to struggle with a variety of problems, including increased labor costs because of a shortage of construction workers, ongoing glitches in project bidding because of the jump in materials prices, and a backlog of projects on which ground has still not been broken.

In light of these circumstances, 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). With regard to its overseas strategy, which takes a far-sighted view of changes in construction markets, the Group proceeded aggressively with business measures that will ensure earnings opportunities for the future, including moves to newly establish joint venture companies in Thailand, Vietnam and the Philippines.

As a result, consolidated net sales for the interim period were ¥68,307 million, up 6.4% compared with the same period of the previous consolidated fiscal year. In terms of earnings, operating income expanded 5.8% from the same period of the previous consolidated fiscal year to ¥10,652 million, ordinary income rose 8.1% year-on-year to ¥10,655 million, and interim period net income increased 15.5% year-on-year to ¥6,528 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 main business, in addition to full-scale earthquake reconstruction efforts, construction equipment rental demand remained brisk, centered primarily on disaster prevention works and infrastructure-related projects.

To meet this growth in demand, Kanamoto continued to proactively undertake capital investments, and worked to maintain and improve its asset utilization ratios by taking steps such as transferring construction equipment to the Tohoku Region, where demand remains at a high level.

Used construction equipment sales were up 53.9% year-on-year, as Kanamoto pursued sales of equipment assets based on its initial plan, in order to maintain an appropriate asset portfolio.

As a result of the above factors, consolidated net sales for the interim period for Kanamoto's construction-related businesses expanded 5.9% from the same period of the prior consolidated fiscal year to ¥64,012 million, and operating income was up 5.3% year-on-year to ¥10,344 million.

< Other businesses >

In the Company's other businesses, steel products-related sales expanded substantially more than initially envisaged, driven by the recovery in private sector demand. Net sales rose 14.1% from the same period of the prior consolidated fiscal year to ¥4,295 million, and operating income climbed 49.9% year-on-year to ¥119 million.

< Change in number of branches >

The Company did not open any new branches or close any branches during the interim period consolidated accounting period.

(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 ¥13,209 million compared with the end of the prior consolidated fiscal year to ¥201,700 million. This mainly reflected an increase of ¥3,712 million in cash and deposits from the steady collection of receivables, and an increase of ¥6,334 million in rental equipment, respectively.

Total liabilities were ¥129,638 million, an increase of ¥6,660 million compared with the end of the prior consolidated fiscal year. The principal items contributing to this change were an increase of ¥1,635 million in accounts payable-other and an increase of ¥5,120 million in long-term accounts payable-other.

Total net assets were ¥72,062 million, ¥6,548 million higher than at the end of the prior consolidated fiscal year. This was mainly because of the net income reported for the interim period of ¥6,528 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)

(Supplemental information)

Effect of the change in the corporate tax rate etc.

The Act to Partially Amend the Income Tax Law, Etc. (Act No. 9 of 2015) and the Act to Partially Amend the Local Tax Law (Act No. 2 of 2015) were promulgated on March 31, 2015. As a result, commencing from the consolidated fiscal year that begins on or after April 1, 2015, the corporate tax rate will be lowered. In conjunction with this change, the normal effective statutory tax rate used for the calculation of deferred tax assets and deferred tax liabilities is expected to be lowered, from the 35.3% rate used in the past, to 32.8% for the temporary difference forecast to be cancelled in the consolidated fiscal year that begins on November 1, 2015, and to 32.0% for the temporary difference forecast to be cancelled in the consolidated fiscal year that begins on November 1, 2016, respectively.

As a result of having applied this normal effective statutory tax rate, total deferred tax assets (amount after the deduction of total deferred tax liabilities) decreased by ¥39 million, and income taxes-deferred increased by ¥76 million and the valuation difference on available-for-sale securities increased by ¥116 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 Interim Period (As of April 30, 2015)
Assets		
Current assets		
Cash and deposits	31,650	35,362
Notes and accounts receivable-trade	33,651	33,851
Securities	350	350
Merchandise and finished goods	595	836
Costs on uncompleted construction contracts	50	36
Raw materials and supplies	227	260
Construction machine parts	6,566	7,482
Consumption taxes receivable	43	84
Deferred tax assets	656	699
Other	515	486
Allowance for doubtful accounts	-227	-229
Total current assets	74,080	79,221
Non-current assets		
Property, plant and equipment		
Rental equipment	150,727	161,333
Accumulated depreciation	-85,083	-89,354
rental equipment, net	65,644	71,979
Buildings and structures	23,691	23,839
Accumulated depreciation	-15,663	-15,904
Buildings and structures, net	8,027	7,935
Machinery, equipment and vehicles	5,541	5,547
Accumulated depreciation	-4,882	-4,857
Machinery, equipment and vehicles, net	659	690
Land	31,459	31,805
Other	1,563	2,366
Accumulated depreciation	-1,013	-1,066
Other, net	549	1,299
Total property, plant and equipment	106,341	113,710
Intangible assets		
Goodwill	57	54
Other	208	200
Total intangible assets	266	255
Investments and other assets		
Investment securities	6,286	6,974
Deferred tax assets	265	285
Other	1,854	1,894
Allowance for doubtful accounts	-491	-530
Allowance for investment loss	-110	-110
Total investments and other assets	7,804	8,513
Total non-current assets	114,411	122,479
Total Assets	188,491	201,700

(Unit: Millions of yen)

	Prior Consolidated Fiscal Year (As of October 31, 2014)	Current Consolidated Fiscal Year Interim Period (As of April 30, 2015)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	23,134	23,598
Short-term loans payable	612	627
Current portion of long-term loans payable	11,883	12,668
Lease obligations	995	1,622
Income taxes payable	3,729	4,065
Provision for bonuses	850	1,005
Accounts payable-other	16,460	18,096
Other	2,988	2,122
Total current liabilities	60,655	63,807
Non-current liabilities		
Long-term loans payable	21,698	20,001
Lease obligations	2,082	2,048
Long-term accounts payable-other	37,853	42,973
Net defined benefit liability	16	21
Asset retirement obligations	231	244
Other	440	542
Total non-current liabilities	62,322	65,831
Total Liabilities	122,978	129,638
Net Assets		
Shareholders' equity		
Capital stock	13,652	13,652
Capital surplus	14,916	14,916
Retained earnings	32,860	38,667
Treasury shares	-56	-56
Total shareholders' equity	61,373	67,180
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,977	2,445
Foreign currency translation adjustment	14	35
Total accumulated other comprehensive income	1,992	2,481
Minority interests	2,147	2,400
Total Net Assets	65,513	72,062
Total Liabilities and Net Assets	188,491	201,700

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income
(Quarterly Consolidated Statements of Income)
(Consolidated Interim Period ended April 30,2015)

(Unit: Millions of yen)

	Prior Consolidated Fiscal Year Interim Period (From November 1, 2013 to April 30, 2014)	Current Consolidated Fiscal Year Interim Period (From November 1, 2014 to April 30, 2015)
Net sales	64,212	68,307
Cost of sales	42,706	45,746
Gross profit	21,506	22,561
Selling, general and administrative expenses	11,434	11,908
Operating income	10,072	10,652
Non-operating income		
Interest income	4	4
Dividend income	23	27
Insurance income	24	16
Rent income	30	35
A receipt bonus	41	23
Foreign exchange gains	67	143
Other	135	106
Total non-operating income	327	357
Non-operating expenses		
Interest expenses	329	260
Loss on sales of notes payable	22	10
Other	187	83
Total non-operating expenses	539	354
Ordinary income	9,860	10,655
Extraordinary income		
Gain on sales of non-current assets	31	7
Subsidy income	0	3
Compensation income for damage	—	118
Other	0	—
Total extraordinary income	31	128
Extraordinary losses		
Loss on sales and retirement of non-current assets	18	49
Loss on revision of retirement benefit plan	43	—
Total extraordinary losses	61	49
Income before income taxes and minority interests	9,830	10,735
Income taxes-current	3,920	3,979
Income taxes-deferred	—160	—34
Total income taxes	3,759	3,945
Income before minority interests	6,070	6,790
Minority interests in income	418	262
Net income	5,651	6,528

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

(Unit: Millions of yen)

	Prior Consolidated Fiscal Year Interim Period (From November 1, 2013 to April 30, 2014)	Current Consolidated Fiscal Year Interim Period (From November 1, 2014 to April 30, 2015)
Income before minority interests	6,070	6,790
Other comprehensive income		
Valuation difference on available-for-sale securities	161	467
Foreign currency translation adjustment	—3	25
Total other comprehensive income	158	493
Quarter comprehensive income	6,228	7,283
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,809	7,017
Comprehensive income attributable to minority interests	418	266

(3) Quarterly Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	Prior Consolidated Fiscal Year Interim Period (From November 1, 2013 to April 30, 2014)	Current Consolidated Fiscal Year Interim Period (From November 1, 2014 to April 30, 2015)
Cash flows from operating activities		
Income before income taxes and minority interests	9,830	10,735
Depreciation	8,633	10,172
Amortization of goodwill	18	7
Loss (gain) on sales and retirement of non-current assets	-13	41
The amount of assets buy on the installment plan purchase for small rentals	0	-
The amount of cost price transfer with the construction machine parts sale	4	3
The amount of cost price transfer with asset sell-off for rentals	475	616
Expenditure by the construction equipment and supplies	-315	-78
Expenditure by the assets acquisition for rentals	-980	-418
Increase (decrease) in allowance for doubtful accounts	-3	17
Increase (decrease) in allowance for investment loss	42	-
Increase (decrease) in provision for bonuses	125	154
Increase (decrease) in provision for retirement benefits	4	-
Increase (decrease) in allowance for losses on employee pension fund withdrawal	-200	-
Increase (decrease) in net defined benefit liability	-	4
Interest and dividend income	-27	-32
Assets buy on the installment plan purchase payment interest for rentals	170	194
Interest expenses	329	260
Foreign exchange losses (gains)	-73	-103
Compensation income for damage	-	-118
Loss on revision of retirement benefit plan	43	-
Decrease (increase) in notes and accounts receivable-trade	602	-118
Decrease (increase) in inventories	-160	-257
Increase (decrease) in notes and accounts payable-trade	948	237
Increase (decrease) in accounts payable-other	1,386	900
Other, net	-330	-668
Subtotal	20,512	21,551
Interest and dividend income received	27	32
Compensation for damage income received	-	118
Interest expenses paid	-508	-460
Income taxes paid	-3,362	-3,643
Net cash provided by (used in) operating activities	16,668	17,596
Cash flows from investing activities		
Payments into time deposits	-340	-
Purchase of property, plant and equipment	-2,075	-1,680
Proceeds from sales of property, plant and equipment	32	15
Purchase of intangible assets	-20	-15
Purchase of investment securities	-103	-28
Proceeds from sales of investment securities	0	-
Purchase of shares of subsidiaries	-	-72
Purchase of shares of subsidiaries and associates	-	-54
Payments of loans receivable	-5	-
Collection of loans receivable	78	1
Other, net	-21	-8
Net cash provided by (used in) investing activities	-2,456	-1,842

(Unit: Millions of yen)

	Prior Consolidated Fiscal Year Interim Period (From November 1, 2013 to April 30, 2014)	Current Consolidated Fiscal Year Interim Period (From November 1, 2014 to April 30, 2015)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	151	—1
Proceeds from long-term loans payable	2,400	5,432
Repayments of long-term loans payable	—7,752	—6,448
Repayments of installment payables	—7,301	—9,806
Repayments of lease obligations	—654	—504
Purchase of treasury shares	—7	—
Purchase of treasury shares of subsidiaries	—0	—0
Cash dividends paid	—350	—720
Proceeds from share issuance to minority shareholders	8	—
Cash dividends paid to minority shareholders	—3	—3
Net cash provided by (used in) financing activities	—13,509	—12,051
Effect of exchange rate change on cash and cash equivalents	12	9
Net increase (decrease) in cash and cash equivalents	715	3,712
Cash and cash equivalents at beginning of period	32,957	31,980
Cash and cash equivalents at end of period	33,672	35,692

(4) 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 Interim period of the previous consolidated fiscal year (from November 1, 2013 to April 30, 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	60,449	3,762	64,212
Net sales or transfers between related segments	—	1	1
Total	60,449	3,763	64,213
Segment income	9,825	79	9,905

(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	9,825
Income for "Other Businesses" classification	79
Other adjustments	166
Operating income reported on the Consolidated Quarterly Statements of Income	10,072

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

The Company had no material items to report.

II Interim period of the current consolidated fiscal year (from November 1, 2014 to April 30, 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	64,012	4,295	68,307
Net sales or transfers between related segments	—	—	—
Total	64,012	4,295	68,307
Segment income	10,344	119	10,463

(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	10,344
Income for “Other Businesses” classification	119
Other adjustments	188
Operating income reported on the Consolidated Quarterly Statements of Income	10,652

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