



Three-month Consolidated Financial Report for the Fiscal Year ending October 31, 2016 [Japan GAAP]

March 11, 2016

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
 Inquiries **Nobuhito Utatsu** Director & Senior 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 15, 2016
 Scheduled date for commencement of dividend payments –
 Preparation of Quarterly Settlement Supplementary Explanatory Materials No
 Quarterly Earnings Briefings No

1. Consolidated Operating Results for the Three-Month Period of the Fiscal Year Ending October 31, 2016 (November 1, 2015 – January 31, 2016)

(1) Consolidated operating results (Cumulative) (Numbers less than one million yen have been rounded down)
 (Percentages show the change from the prior year)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal Year ending October 31, 2016: First quarter	35,079	-3.4	4,069	-35.5	4,063	-36.2	2,533	-37.6
Fiscal Year ended October 31, 2015: First quarter	36,327	9.6	6,306	11.6	6,373	12.1	4,062	21.4

(Note) Comprehensive income
 Fiscal Year Ending October 31, 2016, First Quarter ¥2,286 million (-49.6%)
 Fiscal Year Ended October 31, 2015, First Quarter ¥4,539 million (22.2%)

	Net Income per Share	Net Income per Share on a Fully Diluted Basis
	Yen	Yen
Fiscal Year ending October 31, 2016: First quarter	71.70	—
Fiscal Year ended October 31, 2015: First quarter	112.72	—

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
Fiscal Year ending October 31, 2016: First quarter	209,881	73,577	33.9
Fiscal Year ended October 31, 2015	202,919	71,998	34.3

(Reference) Equity (millions of yen)
 Fiscal Year Ending October 31, 2016 First Quarter: ¥71,046
 Fiscal Year Ended October 31, 2015: ¥69,588

2. Dividends

	Annual Dividends per Share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Full-year
Fiscal year ended October 31, 2015	Yen —	Yen 15.00	Yen —	Yen 20.00	Yen 35.00
Fiscal year ending October 31, 2016	—				
Fiscal Year ending October 31, 2016 (Projected)		15.00	—	30.00	45.00

(Notes) 1. Has the Company revised its most recently released dividend projection? No

3. Projected Consolidated Operating Results for the Fiscal year ending October 2016 (November 1, 2015 – October 31, 2016)

(Percentages show the change from the prior year)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Interim period	68,000	-0.5	9,280	-12.9	9,230	-13.4	5,750	-12.0	162.71
Full year	133,900	0.5	16,340	0.4	16,270	0.7	10,230	7.0	289.48

(Note) Has the Company revised its most recently released projected consolidated operating results during the quarter?
No

4. Notes

(1) Changes in material subsidiaries during the period under review (Changes in specific subsidiaries in conjunction with a change in 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 policy in conjunction with revision of accounting standards: Yes

(b) Changes other than the above: No

(c) Changes in accounting estimates: No

(d) Retrospective restatements: No

(4) Number of shares issued (common shares)

(a) Number of shares outstanding at the end of the period (including treasury shares)

Fiscal year ending October 31, 2016 First Quarter: 36,092,241 shares

Fiscal year ended October 31, 2015: 36,092,241 shares

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

Fiscal year ending October 31, 2016 First Quarter: 752,941 shares

Fiscal year ended October 31, 2015: 752,941 shares

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

Fiscal year ending October 31, 2016 First Quarter: 35,339,300 shares

Fiscal year ended October 31, 2015 First Quarter: 36,039,311 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) Explanation Concerning Future Forecasts Including 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.

○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
(1) Changes in Material Subsidiaries during the Consolidated Period under Review	6
(2) Application of Special Accounting Method in the Preparation of Quarterly Consolidated Financial Statements	6
(3) Changes in Accounting Principles, Changes in Accounting Estimates and Retrospective Restatement	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 Three-month Period ended January 31, 2016	9
Quarterly Consolidated Statements of Comprehensive Income	
Consolidated Three-month Period ended January 31, 2016	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, 2015 to January 31, 2016)

During the consolidated three-month period ended January 31, 2016, Japan's economy trended toward a modest recovery, 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. Nevertheless, the outlook for the future direction of the economy remained cautious under the weight of various factors, including the global economic slowdown, exchange rate fluctuations, and the sharp drop in the price of oil.

< First Quarter Operating Results > (From November 1, 2015 to January 31, 2016) >

In the construction industry related to the Kanamoto Group, the level of construction demand as a whole fell below the previous year. Although private construction investment remained brisk against the backdrop of the positive trend in corporate earnings, spending on public works projects reversed course and declined.

Given such circumstances, the Kanamoto Group continued to push forward with key initiatives based on the various measures in its Medium-term Management Plan (fiscal 2014 - fiscal 2016). In Japan, its main market, the Company expanded its branches in the Tokyo metropolitan area and other locations, and optimized the placement of rental equipment supplied to customers in response to the demand in various regions.

As a result, net sales for the consolidated three-month period slipped 3.4% compared with the same period one year earlier to ¥35,079 million. From an earnings perspective, operating income declined 35.5% from the same period of the prior consolidated fiscal year to ¥4,069 million, ordinary income decreased 36.2% year-on-year to ¥4,063 million, and profit attributable to owners of the parent fell 37.6% year-on-year to ¥2,533 million.

Results for each of the Company's business segments were as follows:

< Business related to the Construction Equipment Rental Division >

In Kanamoto's core construction-related business, the environment tracked the Company's initial assumption, with budget execution in various regions becoming noticeably slower under the impact of factors such as the shortage of human resources. In regions such as Hokkaido where the effects of the decline in public works investments fell most heavily, however, the result was a severe operating environment that produced a profound sense of stagnation, including a drop in construction equipment rental demand that exceeded the Company's projection.

Sales of used construction equipment, which rose in the same period of the prior consolidated fiscal year when the Company sold a substantial amount of equipment, including machines whose disposal two years ago was postponed as a control on sales, remained at the level of average used equipment sales in a typical year. Consequently, sales dropped 60.2% from the corresponding period one year ago.

As a result of the above factors, first quarter net sales for Kanamoto's construction-related businesses eased down 4.7% from the same period of the prior consolidated fiscal year to ¥32,540 million, and operating income decreased 36.6% year-on-year to ¥3,900 million.

< Other businesses >

In the Company's other businesses, both steel products-related sales and sales in the information and telecommunications-related division were robust. Net sales rose 17.0% from the same period of the prior consolidated fiscal year to ¥2,539 million, and operating income edged upward 1.6% year-on-year to ¥67 million.

< Change in number of branches >

During the first quarter consolidated accounting period, Kanamoto opened one new branch. The Company did not close any branches.

New branch: Kumagaya Branch (Kumagaya, Saitama Prefecture)

(2) Qualitative Information Concerning Consolidated Financial Position

Assets, liabilities and net assets

Total assets at the end of the first quarter under review increased by ¥6,961 million compared with the end of the prior consolidated fiscal year to ¥209,881 million. This mainly reflected an increase in notes and accounts receivable-trade of ¥1,022 million, and an increase in rental equipment of ¥5,965 million.

Total liabilities were ¥136,304 million, an increase of ¥5,382 million compared with the end of the prior consolidated fiscal year. The principal items contributing to this change were an increase of ¥2,639 million in notes and accounts payable-trade, an increase of ¥1,963 million in accounts payable-other and an increase of ¥4,147 million in long-term accounts payable-other, respectively, and decreases of ¥2,587 million in income taxes payable and ¥988 million in accrued consumption taxes.

Total net assets stood at ¥73,577 million, ¥1,578 million higher than at the end of the prior consolidated fiscal year. This was mainly because of profit attributable to owners of the parent of ¥2,533 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, 2015 (Japan GAAP) released on December 9, 2015.

2. Matters Concerning Summary Information (Notes)

(1) Changes to Material Subsidiaries during the Consolidated Period under Review

The Company had no material items to report.

(2) Application of Special Accounting Method in the Preparation of Quarterly Consolidated Financial Statements

The Company had no material items to report.

(3) Changes in Accounting Principles, Changes in Accounting Estimates and Retrospective Restatement

Change in Accounting Policy

(Application of the *Accounting Standard for Business Combinations* and related standards)

Beginning from the first quarter of the current consolidated fiscal year, the Company will apply the *Accounting Standard for Business Combinations* (Accounting Standards Board of Japan Statement No. 21 dated September 13, 2013; “the Business Combinations Accounting Standard”), the *Accounting Standard for Consolidated Financial Statements* (Accounting Standards Board of Japan Statement No. 22 dated September 13, 2013; “the Consolidation Accounting Standard”), and the *Accounting Standard for Business Divestitures* (Accounting Standards Board of Japan Statement No. 7 dated September 13, 2013; “the Business Divestitures Accounting Standard”), and related standards, and together with reporting as capital surplus the difference that results from the change of Kanamoto’s equity interest in subsidiaries over which it will continue to exercise control, the Company will change to the method of reporting costs related to business combinations as an expense in the consolidated fiscal year in which they are incurred. Furthermore, for business combinations executed on or after the beginning of the first quarter of the current consolidated fiscal year, the Company has changed its reporting method to reflect adjustments to the allocated amounts of business combination costs resulting from the final determination of the provisional accounting treatment in the quarterly consolidated financial statements of the quarter in which the date of the business combination falls. In addition, the Company has revised its presentation of net income etc., and revised its presentation from minority interests to non-controlling interests. To reflect these changes in presentation, the quarterly consolidated financial statements for the first quarter of the fiscal year ended October 31, 2015 and the consolidated financial statements for the prior consolidated fiscal year have been restated to reflect a consistent presentation format.

Application of the accounting standards is subject to the transitional treatment set forth in Clause 58-2(4) of the Business Combinations Accounting Standard, Clause 44-5 of the Consolidation Accounting Standard, and Clause 57-4(4) of the Business Divestitures Accounting Standard, and the Company will apply these accounting standards in the future from the beginning of the first quarter under review.

The effect of this change on earnings is not material.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Unit: Millions of yen)

	Prior Consolidated Fiscal Year (As of October 31, 2015)	Current Consolidated Fiscal Year First Quarter (As of January 31, 2016)
Assets		
Current assets		
Cash and deposits	35,900	35,962
Notes and accounts receivable-trade	37,251	38,274
Securities	350	200
Merchandise and finished goods	672	771
Raw materials and supplies	272	248
Construction machine parts	8,214	8,534
Deferred tax assets	610	266
Other	623	703
Allowance for doubtful accounts	-701	-695
Total current assets	83,195	84,265
Non-current assets		
Property, plant and equipment		
Rental equipment	164,914	171,119
Accumulated depreciation	-97,573	-97,812
Rental equipment, net	67,341	73,307
Buildings and structures	25,840	26,035
Accumulated depreciation	-16,275	-16,457
Buildings and structures, net	9,564	9,578
Machinery, equipment and vehicles	5,714	5,750
Accumulated depreciation	-4,965	-4,979
Machinery, equipment and vehicles, net	749	770
Land	32,354	32,354
Other	2,539	2,923
Accumulated depreciation	-1,112	-1,092
Other, net	1,426	1,831
Total property, plant and equipment	111,436	117,841
Intangible assets		
Other	316	338
Total intangible assets	316	338
Investments and other assets		
Investment securities	6,317	5,739
Deferred tax assets	285	288
Other	2,008	2,032
Allowance for doubtful accounts	-528	-514
Allowance for investment loss	-110	-110
Total investments and other assets	7,972	7,435
Total non-current assets	119,724	125,615
Total assets	202,919	209,881

(Unit: Millions of yen)

	Prior Consolidated Fiscal Year (As of October 31, 2015)	Current Consolidated Fiscal Year First Quarter (As of January 31, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	27,775	30,414
Short-term loans payable	727	719
Current portion of long-term loans payable	12,550	12,581
Lease obligations	1,585	1,491
Income taxes payable	3,711	1,124
Provision for bonuses	856	424
Accounts payable-other	19,233	21,196
Other	3,093	2,183
Total current liabilities	69,534	70,136
Non-current liabilities		
Long-term loans payable	19,614	20,155
Lease obligations	1,831	2,128
Long-term accounts payable-other	39,254	43,402
Asset retirement obligations	317	318
Other	368	163
Total non-current liabilities	61,387	66,167
Total liabilities	130,921	136,304
Net assets		
Shareholders' equity		
Capital stock	13,652	13,652
Capital surplus	14,916	14,916
Retained earnings	41,156	42,983
Treasury shares	-2,128	-2,128
Total shareholders' equity	67,597	69,424
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,948	1,546
Deferred gains or losses on hedges	-0	-
Foreign currency translation adjustment	43	75
Total accumulated other comprehensive income	1,991	1,622
Non-controlling interests	2,409	2,530
Total net assets	71,998	73,577
Total liabilities and net assets	202,919	209,881

(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, 2016)

(Unit: Millions of yen)

	Prior Consolidated Fiscal Year First Quarter (From November 1, 2014 to January 31, 2015)	Current Consolidated Fiscal Year First Quarter (From November 1, 2015 to January 31, 2016)
Net sales	36,327	35,079
Cost of sales	24,062	24,782
Gross profit	12,265	10,297
Selling, general and administrative expenses	5,959	6,228
Operating income	6,306	4,069
Non-operating income		
Interest income	0	1
Dividend income	26	52
Insurance income	4	12
Rent income	18	16
A receipt bonus	0	9
Foreign exchange gains	141	—
Reversal of allowance for doubtful accounts	7	18
Other	32	53
Total non-operating income	232	164
Non-operating expenses		
Interest expenses	126	93
Loss on sales of notes payable	5	3
Other	34	72
Total non-operating expenses	165	170
Ordinary income	6,373	4,063
Extraordinary income		
Gain on sales of non-current assets	7	3
Subsidy income	2	2
Compensation income for damage	118	—
Total extraordinary income	128	5
Extraordinary losses		
Loss on sales and retirement of non-current assets	10	15
Total extraordinary losses	10	15
Income before income taxes and minority interests	6,490	4,053
Income taxes-current	2,014	1,072
Income taxes-deferred	271	325
Total income taxes	2,285	1,397
Profit	4,204	2,655
Profit attributable to non-controlling interests	142	121
Profit attributable to owners of parent	4,062	2,533

(Quarterly Consolidated Statements of Comprehensive Income)
(Consolidated Three-month Period ended January 31, 2016)

(Unit: Millions of yen)

	Prior Consolidated Fiscal Year First Quarter (From November 1, 2014 to January 31, 2015)	Current Consolidated Fiscal Year First Quarter (From November 1, 2015 to January 31, 2016)
Profit	4,204	2,655
Other comprehensive income		
Valuation difference on available-for-sale securities	306	-401
Deferred gains or losses on hedges	-1	0
Foreign currency translation adjustment	29	32
Total other comprehensive income	334	-368
Comprehensive income	4,539	2,286
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,392	2,165
Comprehensive income attributable to non-controlling interests	147	121

(3) Notes Concerning Quarterly Consolidated Financial Statements

(Notes Relating to the Going Concern Assumption)

The Company had no material items to report.

(Note on Significant Changes to Shareholders' Equity)

The Company had no material items to report.

(Business Segment Information)

[Segment information]

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

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

(Unit: Millions of yen)

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

(Note) The "Other businesses" classification encompasses business segments not included in the reporting segment, and includes business related to the Steel Sales Division and business related to the Information Products Division and other businesses.

2. Difference between total reporting segment profit or loss and the amount reported on the Quarterly Consolidated Statements of Income, and the main reasons for the difference (Matters Pertaining to Reconciliation of Difference)

(Unit: Millions of yen)

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

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

The Company had no material items to report.

II First quarter of the current consolidated fiscal year (From November 1, 2015 to January 31, 2016)

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	32,540	2,539	35,079
Net sales or transfers between related segments	—	—	—
Total	32,540	2,539	35,079
Segment income	3,900	67	3,967

(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	3,900
Income for “Other businesses” classification	67
Other adjustments	101
Operating income reported in the Consolidated Quarterly Statements of Income	4,069

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

The Company had no material items to report.

4. Information concerning change etc. of reporting segment

(Application of the *Accounting Standard for Business Combinations* and related standards)

As described in Change in Accounting Policy, beginning from the first quarter of the current consolidated fiscal year the Company will apply the *Accounting Standard for Business Combinations* and related standards, and together with reporting as capital surplus the difference that results from the change of Kanamoto’s equity interest in subsidiaries over which it will continue to exercise control, the Company will change to the method of reporting costs related to business combinations as an expense in the consolidated fiscal year in which they are incurred. In addition, for business combinations executed on or after the beginning of the first quarter of the current consolidated fiscal year, the Company has changed its reporting method to reflect adjustments to the allocated amounts of business combination costs resulting from the final determination of the provisional accounting treatment in the quarterly consolidated financial statements of the quarter in which the date of the business combination falls.