



Nine-month Consolidated Financial Report for the Fiscal Year ending October 31, 2018 [Japan GAAP]

September 7, 2018

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 September 12, 2018
 Scheduled date for commencement of dividend payments –
 Preparation of Quarterly Settlement Supplementary Explanatory Materials No
 Quarterly Earnings Briefings No

(Numbers less than one million yen have been rounded down)

1. Consolidated Operating Results for the Nine-Month Period of the Fiscal Year Ending October 31, 2018

(November 1, 2017 – July 31, 2018)

(1) Consolidated Operating Results (Cumulative)

(Percentages show the change from the prior year)

	Net Sales		Operating profit		Ordinary profit		Profit Attributable to Owners of Parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal Year ending October 31, 2018: Third quarter	125,075	7.0	13,415	10.9	13,659	9.7	8,255	5.2
Fiscal Year ended October 31, 2017: Third quarter	116,903	13.0	12,097	14.4	12,449	23.9	7,850	33.3

(Note) Comprehensive income (millions of yen)

Fiscal Year Ending October 31, 2018, Third Quarter	8,699	(1.9%)
Fiscal Year Ended October 31, 2017, Third Quarter	8,537	(43.8%)

	Net Income per Share	Net Income per Share on a Fully Diluted Basis
	Yen	Yen
Fiscal Year ending October 31, 2018: Third quarter	233.60	—
Fiscal Year ended October 31, 2017: Third quarter	222.15	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
Fiscal Year ending October 31, 2018: Third quarter	236,542	98,522	39.0
Fiscal Year ended October 31, 2017	227,545	91,788	37.9

(Reference) Equity (millions of yen)

Fiscal Year Ending October 31, 2018 Third Quarter	92,366
Fiscal Year Ended October 31, 2017	86,241

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, 2017	Yen —	Yen 15.00	Yen —	Yen 35.00	Yen 50.00
Fiscal year ending October 31, 2018	—	20.00	—		
Fiscal Year ending October 31, 2018 (Projected)				35.00	55.00

(Note) Has the Company revised its most recently released dividend projection? No

3. Projected Consolidated Operating Results for the Fiscal Year Ending October 2018

(November 1, 2017 – October 31, 2018)

(Percentages show the change from the prior year)

	Net Sales		Operating profit		Ordinary profit		Profit Attributable to Owners of Parent		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	161,870	2.2	17,330	4.0	17,420	1.3	10,900	1.4	308.44

(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: No

(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, 2018 Third Quarter: 36,092,241 shares

Fiscal year ended October 31, 2017: 36,092,241 shares

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

Fiscal year ending October 31, 2018 Third Quarter: 753,183 shares

Fiscal year ended October 31, 2017: 753,253 shares

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

Fiscal year ending October 31, 2018 Third Quarter: 35,339,051 shares

Fiscal year ended October 31, 2017 Third Quarter: 35,339,036 shares

Note: Quarterly earnings reports are not subject to quarterly review by certified public accounts or independent account auditors.

Note: Explanation concerning appropriate use of the projected operating results and other items to note

Note Concerning Forward-Looking Statements

The forward-looking statements, including business results forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. The Company does not guarantee the achievement of the projections. Actual operating results may differ substantially due to a number of factors. Please refer to "1. Qualitative Information Concerning Quarterly Consolidated Operating Results (3) Explanation Concerning Future Forecasts Including Projected Consolidated 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

During the consolidated nine-month period ended July 31, 2018, the employment situation improved because of strong corporate operating results, and Japan's economy maintained a gradual recovery trend, including evident moves toward a recovery in personal consumption. At the same time, trade frictions between countries intensified, and conditions that warranted close attention to the effects on Japan's economy continued.

In the construction industry related to the Kanamoto Group, works related to restoration of the Tohoku region are winding down but demand nevertheless remained brisk, supported by spending on public works projects, corporate capital investment, and a modest increase in private sector spending, including expenditures for redevelopment projects in major metropolitan areas and energy-related facilities.

Given these conditions, the Kanamoto Group's consolidated net sales for the nine-month period were ¥125,075 million, up 7.0% over the same period of the previous year. In terms of earnings, operating profit increased 10.9% from the same period of the previous consolidated fiscal year to ¥13,415 million, ordinary profit increased 9.7% year-on-year to ¥13,659 million, and third quarter year-to-date profit attributable to owners of parent rose 5.2% year-on-year to ¥8,255 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, the Company established its first branch office and a large-scale integrated machine parts center in the Kyushu area, in order to expand and enlarge its domestic base of operations as regional differences emerge in the volume of construction works. This enabled the Company to strengthen its organization to support related Group companies and improve group synergy. On the other hand, in addition to the enhancement of construction equipment for Shinkansen line extension works and expressway maintenance and repair works, the Company focused on operating improvements utilizing new systems and on the appropriate positioning of assets to increase the utilization of its existing rental equipment.

Furthermore, within the Kanamoto Group we established a disaster task force to assist the quick recovery of areas affected by heavy rains and flooding in western Japan, and continued to bolster our support systems for disaster recovery and reconstruction activities in regions throughout Japan.

Used construction equipment sales were steady against the backdrop of an excellent market environment from the beginning of the period, as prices were pushed higher by growing demand in China and Southeast Asia.

As a result of these factors, net sales for Kanamoto's construction-related businesses for the first nine months of the fiscal year increased 6.4% from the same period of the previous consolidated fiscal year to ¥112,063 million, and operating profit rose 12.7% year-on-year to ¥12,517 million.

< Other businesses >

In the Company's other businesses, steel products-related net sales, information and telecommunications-related net sales and net sales in welfare-related businesses all expanded according to plan. Net sales rose 12.6% from the same period of the previous consolidated fiscal year to ¥13,011 million, while operating profit declined 12.0% year-on-year to ¥608 million as a result of capital investments in conjunction with the Company's push into the Kanto area in its welfare-related operations.

(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 ¥8,997 million compared with the end of the prior consolidated fiscal year to ¥236,542 million. This mainly reflected an increase of ¥3,539 million in rental equipment, an increase of ¥1,534 million in investment securities, and increase of ¥1,524 million in construction machine parts, respectively and a decrease of ¥2,094 million in notes and accounts receivable-trade.

Total liabilities were ¥138,019 million, an increase of ¥2,263 million compared with the end of the prior consolidated fiscal year. The principal items contributing to this change were an increase of ¥2,583 million in long-term accounts payable-other, an increase of ¥1,453 in short-term loans payable and an increase of ¥805 million in accounts payable-other, respectively, and a decrease of ¥1,556 in income taxes payable.

Total net assets were ¥98,522 million, ¥6,733 million higher than at the end of the prior consolidated accounting fiscal year. This was mainly because of profit attributable to owners of parent for the third quarter of ¥8,255 million, and a decrease of ¥1,943 million for dividends from surplus.

(3) Explanation Concerning Future Forecasts Including 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, 2017 (Japan GAAP) released on December 8, 2017.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Unit: Millions of yen)

	As of October 31, 2017	As of July 31, 2018
Assets		
Current assets		
Cash and deposits	35,220	35,996
Notes and accounts receivable - trade	37,057	34,962
Electronically recorded monetary claims - operating	4,069	4,750
Securities	200	200
Merchandise and finished goods	583	857
Raw materials and supplies	288	634
Construction machine parts	12,193	13,717
Deferred tax assets	706	505
Other	1,237	1,359
Allowance for doubtful accounts	-784	-763
Total current assets	90,772	92,218
Non-current assets		
Property, plant and equipment		
Rental equipment	198,879	204,014
Accumulated depreciation	-125,211	-126,806
Rental equipment, net	73,668	77,207
Buildings and structures	32,910	34,516
Accumulated depreciation	-19,801	-20,571
Buildings and structures, net	13,108	13,944
Machinery, equipment and vehicles	7,290	7,522
Accumulated depreciation	-6,154	-6,278
Machinery, equipment and vehicles, net	1,136	1,243
Land	35,623	36,566
Other	2,170	2,638
Accumulated depreciation	-1,421	-1,514
Other, net	749	1,123
Total property, plant and equipment	124,286	130,086
Intangible assets		
Goodwill	486	379
Other	1,110	1,242
Total intangible assets	1,596	1,622
Investments and other assets		
Investment securities	8,417	9,951
Deferred tax assets	436	462
Other	2,308	2,592
Allowance for doubtful accounts	-272	-392
Total investments and other assets	10,889	12,614
Total non-current assets	136,772	144,323
Total assets	227,545	236,542

(Unit: Millions of yen)

	As of October 31, 2017	As of July 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	28,773	28,610
Short-term loans payable	994	2,447
Current portion of long-term loans payable	12,029	12,531
Lease obligations	1,048	988
Income taxes payable	3,247	1,690
Provision for bonuses	1,099	769
Accounts payable - other	21,269	22,075
Other	3,060	2,923
Total current liabilities	71,521	72,036
Non-current liabilities		
Long-term loans payable	23,846	23,407
Lease obligations	2,017	1,870
Long-term accounts payable - other	37,127	39,711
Provision for directors' retirement benefits	106	-
Net defined benefit liability	259	257
Asset retirement obligations	431	435
Other	444	300
Total non-current liabilities	64,234	65,982
Total liabilities	135,756	138,019
Net assets		
Shareholders' equity		
Capital stock	13,652	13,652
Capital surplus	14,916	14,916
Retained earnings	57,172	63,483
Treasury shares	-2,129	-2,129
Total shareholders' equity	83,612	89,924
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,538	2,328
Deferred gains or losses on hedges	0	-0
Foreign currency translation adjustment	85	109
Remeasurements of defined benefit plans	5	4
Total accumulated other comprehensive income	2,629	2,442
Non-controlling interests	5,547	6,155
Total net assets	91,788	98,522
Total liabilities and net assets	227,545	236,542

(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)

(Unit: Millions of yen)

	Nine months ended July 31, 2017	Nine months ended July 31, 2018
Net sales	116,903	125,075
Cost of sales	81,247	86,900
Gross profit	35,655	38,175
Selling, general and administrative expenses	23,558	24,759
Operating profit	12,097	13,415
Non-operating income		
Interest income	2	13
Dividend income	136	155
Rent income	56	61
Foreign exchange gains	129	—
Reversal of allowance for doubtful accounts	32	21
Other	291	334
Total non-operating income	649	586
Non-operating expenses		
Interest expenses	169	83
Foreign exchange losses	—	88
Other	128	170
Total non-operating expenses	297	342
Ordinary profit	12,449	13,659
Extraordinary income		
Gain on sales of non-current assets	22	6
Gain on donation of non-current assets	13	—
Subsidy income	5	12
Gain on sales of investment securities	174	0
Total extraordinary income	217	18
Extraordinary losses		
Loss on sales and retirement of non-current assets	107	87
Loss on valuation of shares of subsidiaries and associates	28	—
Loss on sales of investment securities	—	157
Loss on valuation of investment securities	—	44
Total extraordinary losses	136	290
Profit before income taxes	12,530	13,388
Income taxes - current	4,080	4,370
Income taxes - deferred	4	125
Total income taxes	4,084	4,496
Profit	8,445	8,892
Profit attributable to non-controlling interests	594	636
Profit attributable to owners of parent	7,850	8,255

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

(Unit: Millions of yen)

	Nine months ended July 31, 2017	Nine months ended July 31, 2018
Profit	8,445	8,892
Other comprehensive income		
Valuation difference on available-for-sale securities	136	-215
Deferred gains or losses on hedges	0	-0
Foreign currency translation adjustment	-43	24
Remeasurements of defined benefit plans, net of tax	-1	-0
Total other comprehensive income	92	-192
Comprehensive income	8,537	8,699
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,933	8,068
Comprehensive income attributable to non-controlling interests	604	630

(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.

(Supplemental Information)

(Provision for directors' retirement benefits)

Certain consolidated subsidiaries resolved at the Board of Directors meeting held in January 2018 to discontinue the system for retirement allowances to directors and pay a termination payment, in conjunction with revisions to the Work Provisions for Directors. In accordance with this change, Kanamoto has reversed the full amount of the retirement allowances to directors for the period until the resolution of the same Board of Directors Meeting, and disclosed the unpaid amount of ¥108 million in conjunction with the termination payment by including the amount in long-term accounts payable-other reported under long-term liabilities.

(Business Segment Information)

[Segment information]

I Third quarter of the prior consolidated fiscal year (From November 1, 2016 to July 31, 2017)

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	105,351	11,551	116,903
Net sales or transfers between related segments	—	—	—
Total	105,351	11,551	116,903
Segment profit	11,109	691	11,800

(Note) The "Other businesses" classification encompasses business segments not included in the reporting segment, and includes business related to the Steel Sales Division and the Information Products Division, welfare-related businesses, 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	11,109
Income for "Other businesses" classification	691
Other adjustments	297
Operating profit reported on the Consolidated Quarterly Statements of Income	12,097

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, 2017 to July 31, 2018)

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	112,063	13,011	125,075
Net sales or transfers between related segments	—	—	—
Total	112,063	13,011	125,075
Segment profit	12,517	608	13,126

(Note) The “Other businesses” classification encompasses business segments not included in the reporting segment, and includes business related to the Steel Sales Division and the Information Products Division, welfare-related businesses, 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	12,517
Income for “Other businesses” classification	608
Other adjustments	289
Operating profit reported on the Consolidated Quarterly Statements of Income	13,415

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

The Company had no material items to report.