



Nine-month Consolidated Financial Report for the Fiscal Year ending October 31, 2017 [Japan GAAP]

September 8, 2017

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, 2017
 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, 2017

(November 1, 2016 – July 31, 2017)

(1) Consolidated Operating Results (Cumulative)

(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, 2017: Third quarter	116,903	13.0	12,097	14.4	12,449	23.9	7,850	33.3
Fiscal Year ended October 31, 2016: Third quarter	103,422	4.5	10,576	-15.4	10,049	-19.9	5,889	-21.5

(Note) Comprehensive income (millions of yen)

Fiscal Year Ending October 31, 2017, Third Quarter 8,537 (43.8%)

Fiscal Year Ended October 31, 2016, Third Quarter 5,935 (-27.3%)

	Net Income per Share	Net Income per Share on a Fully Diluted Basis
	Yen	Yen
Fiscal Year ending October 31, 2017: Third quarter	222.15	—
Fiscal Year ended October 31, 2016: Third quarter	166.65	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
Fiscal Year ending October 31, 2017: Third quarter	224,710	88,358	36.9
Fiscal Year ended October 31, 2016	220,836	81,434	34.7

(Reference) Equity (millions of yen)

Fiscal Year Ending October 31, 2017 Third Quarter 83,026

Fiscal Year Ended October 31, 2016 76,683

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, 2016	Yen —	Yen 15.00	Yen —	Yen 30.00	Yen 45.00
Fiscal year ending October 31, 2017	—	15.00	—		
Fiscal Year ending October 31, 2017 (Projected)				35.00	50.00

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

3. Projected Consolidated Operating Results for the Fiscal Year Ending October 2017

(November 1, 2016 – October 31, 2017)

(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	%	%
Full year	155,800	7.5	17,130	13.2	17,360	20.5	10,730	32.5	303.63

(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 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: Yes

(d) 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, 2017 Third Quarter: 36,092,241 shares

Fiscal year ended October 31, 2016: 36,092,241 shares

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

Fiscal year ending October 31, 2017 Third Quarter: 753,252 shares

Fiscal year ended October 31, 2016: 753,079 shares

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

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

Fiscal year ended October 31, 2016 Third Quarter: 35,339,234 shares

Note: This quarterly earnings report is exempt from the quarterly review procedure

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 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.

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1. Qualitative Information Concerning Quarterly Consolidated Operating Results

(1) Qualitative Information Concerning Consolidated Operating Results

Management Environment (From November 1, 2016 to July 31, 2017)

During the consolidated cumulative nine-month period ended July 31, 2017, Japan's economy maintained its gradual recovery trend as the effects of various government policies, and a recovery in capital expenditures along with improvements in corporate earnings and the employment environment, could be seen. At the same time, circumstances that continued to warrant attention remained, including concerns about the effect that heightened uncertainty factors, arising from the situation in Europe concerning Great Britain's departure from the EU and government administration turmoil in the United States, will have on the global economy.

< Third Quarter Operating Results > (From November 1, 2016 to July 31, 2017) >

In the construction industry related to the Kanamoto Group, demand continued to expand briskly. In addition to bright spots evident in private sector capital investment, including redevelopment projects in major metropolitan areas, growth was driven mainly by demand related to public works spending and disaster recovery, as well as by maintenance and renewal demand to address Japan's rapidly ageing social infrastructure.

Given such circumstances, the Kanamoto Group resolutely pursued the various measures in its Long-term Corporate Management Plan BULL55 (FYE October 31, 2015 - FYE October 31, 2019), its action plan aimed at achieving the Group's continuous growth. The Group focused on strengthening its organization with the goal of maintaining asset operating levels and efficiently utilizing rental equipment, by implementing flexible investments in response to actual demand and promptly and efficiently repositioning existing assets.

As a result, net sales for the consolidated cumulative nine-month period ended July 31, 2017 rose by 13.0% from the same period of the prior consolidated fiscal year to ¥116,903 million. With regard to earnings, operating income increased 14.4% from the same period of the previous consolidated fiscal year to ¥12,097 million, ordinary income increased 23.9% year-on-year to ¥12,449 million, and cumulative third quarter profit attributable to owners of parent rose 33.3% year-on-year to ¥7,850 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, overall construction equipment rental demand remained strong, supported by robust construction demand centered on Hokkaido and Kyushu and by the full-scale transportation infrastructure upgrade program related to the Tokyo Olympics and start of construction on large-scale redevelopment works. The Company moved forward with the creation of a continuous support system in particular, including the centralization of management resources, to strengthen its support for recovery efforts following the Kumamoto earthquake, Kagoshima typhoon disaster, and Hokkaido typhoon disaster, all of which occurred last year, and the torrential rain disasters that struck various regions this year. In the Kyushu Region, both net sales and operating income for the consolidated cumulative nine-month period expanded substantially as a result of having added the performance of Nishiken Co., Ltd. to consolidated operating results from the third quarter of the prior consolidated fiscal year, and the gradual appearance of synergistic effects with Nishiken from an operating perspective.

Used construction equipment sales edged up 1.7% year-on-year, as Kanamoto sold equipment with the objective of maintaining an appropriate asset portfolio, based on its initial plan.

As a result of these factors, for the consolidated cumulative third quarter period under review net sales for Kanamoto's construction-related businesses increased 11.1% from the same period of the previous consolidated fiscal year to ¥105,351 million, and operating income rose 12.5% year-on-year to ¥11,109 million.

< Other businesses >

In the Company's other businesses, both steel products-related sales and sales in the information and telecommunications-related division were roughly unchanged from the same period one year earlier, but because of the addition of the Company's welfare-related business, net sales rose 34.5% from the same period of the previous consolidated fiscal year to ¥11,551 million, and operating income jumped 76.4% year-on-year to ¥691 million.

< Change in number of branches >

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

New branches: Kanto Aerial Work Vehicle Maintenance Center (Chiba City, Chiba Prefecture), Iida Branch (Shimoina-gun, Nagano Prefecture), Fuji Branch (Fuji City, Shizuoka Prefecture)

(2) Qualitative Information Concerning Consolidated Financial Position

Assets, liabilities and net assets

Compared with the end of the prior consolidated fiscal year, total assets at the end of the third quarter under review increased by ¥3,874 million to ¥224,710 million. This change mainly reflected an increase of ¥1,246 million in cash and deposits, an increase of ¥1,214 million in construction machine parts, an increase of ¥1,083 million in buildings and structures, and an increase of ¥1,246 million in investment securities.

Total liabilities were ¥136,351 million, a decrease of ¥3,050 million compared with the end of the prior consolidated fiscal year. The principal items contributing to this change were decreases of ¥1,618 million in current portion of long-term loans payable, ¥1,681 million in long-term loans payable, and ¥579 million in long-term accounts payable-other, respectively, and an increase of ¥1,251 million in short-term loans payable.

Total net assets came to ¥88,358 million, ¥6,924 million higher than at the end of the prior consolidated fiscal year. This was mainly because of profit attributable to owners of parent of ¥7,850 million, and a decrease of ¥1,590 million for dividends from surplus.

(3) Explanation Concerning Future Forecasts Including Projected Consolidated Operating Results

At this time, the Company has not made any changes to the press release "Notification Concerning Revision of Projected Full-Year Operating Results for the Business Period Ending October 2017" issued on June 2, 2017.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Unit: Millions of yen)

	As of October 31, 2016	As of July 31, 2017
Assets		
Current assets		
Cash and deposits	33,209	34,455
Notes and accounts receivable-trade	36,502	35,463
Electronically recorded monetary claims-operating	3,718	4,007
Securities	200	200
Merchandise and finished goods	693	708
Raw materials and supplies	379	282
Construction machine parts	10,265	11,480
Deferred tax assets	604	538
Other	1,059	1,173
Allowance for doubtful accounts	-689	-756
Total current assets	85,945	87,554
Non-current assets		
Property, plant and equipment		
Rental equipment	189,549	197,693
Accumulated depreciation	-114,596	-122,577
Rental equipment, net	74,953	75,115
Buildings and structures	31,029	32,720
Accumulated depreciation	-18,883	-19,491
Buildings and structures, net	12,145	13,229
Machinery, equipment and vehicles	6,999	7,213
Accumulated depreciation	-5,963	-6,100
Machinery, equipment and vehicles, net	1,036	1,113
Land	35,630	35,623
Other	2,343	2,009
Accumulated depreciation	-1,332	-1,399
Other, net	1,011	610
Total property, plant and equipment	124,776	125,692
Intangible assets		
Goodwill	628	521
Other	664	1,013
Total intangible assets	1,292	1,535
Investments and other assets		
Investment securities	6,911	8,158
Deferred tax assets	419	418
Other	2,216	1,873
Allowance for doubtful accounts	-406	-262
Allowance for investment loss	-320	-260
Total investments and other assets	8,821	9,928
Total non-current assets	134,891	137,156
Total assets	220,836	224,710

(Unit: Millions of yen)

	As of October 31, 2016	As of July 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable-trade	26,986	27,659
Short-term loans payable	1,194	2,445
Current portion of bonds	40	10
Current portion of long-term loans payable	13,951	12,333
Lease obligations	1,357	1,068
Income taxes payable	2,052	1,574
Provision for bonuses	1,091	724
Accounts payable-other	21,079	21,088
Other	2,399	2,893
Total current liabilities	70,152	69,798
Non-current liabilities		
Long-term loans payable	26,644	24,963
Lease obligations	2,700	2,207
Long-term accounts payable-other	38,870	38,290
Provision for directors' retirement benefits	94	103
Net defined benefit liability	234	249
Asset retirement obligations	384	427
Other	321	311
Total non-current liabilities	69,249	66,553
Total liabilities	139,402	136,351
Net assets		
Shareholders' equity		
Capital stock	13,652	13,652
Capital surplus	14,916	14,916
Retained earnings	48,017	54,277
Treasury shares	-2,129	-2,129
Total shareholders' equity	74,458	80,718
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,051	2,178
Deferred gains or losses on hedges	—	0
Foreign currency translation adjustment	164	121
Remeasurements of defined benefit plans	8	7
Total accumulated other comprehensive income	2,225	2,308
Non-controlling interests	4,750	5,332
Total net assets	81,434	88,358
Total liabilities and net assets	220,836	224,710

(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, 2017)

(Unit: Millions of yen)

	Nine months ended 31-July-16	Nine months ended 31-July-17
Net sales	103,422	116,903
Cost of sales	72,706	81,247
Gross profit	30,716	35,655
Selling, general and administrative expenses	20,139	23,558
Operating income	10,576	12,097
Non-operating income		
Interest income	5	2
Dividend income	135	136
Insurance income	20	44
Rent income	52	56
A receipt bonus	10	7
Foreign exchange gains	—	129
Reversal of allowance for doubtful accounts	30	32
Other	147	239
Total non-operating income	400	649
Non-operating expenses		
Interest expenses	208	169
Loss on sales of notes receivable-trade	9	7
Foreign exchange losses	453	—
Provision of allowance for investment loss	109	—
Other	145	121
Total non-operating expenses	927	297
Ordinary income	10,049	12,449
Extraordinary income		
Gain on sales of non-current assets	17	22
Gain on donation of non-current assets	—	13
Subsidy income	6	5
Gain on sales of investment securities	—	174
Gain on step acquisitions	14	—
Total extraordinary income	39	217
Extraordinary losses		
Loss on sales and retirement of non-current assets	65	107
Loss on valuation of shares of subsidiaries and associates	49	28
Total extraordinary losses	115	136
Profit before income taxes	9,973	12,530
Income taxes-current	3,468	4,080
Income taxes-deferred	301	4
Total income taxes	3,769	4,084
Profit	6,204	8,445
Profit attributable to non-controlling interests	314	594
Profit attributable to owners of parent	5,889	7,850

(Quarterly Consolidated Statements of Comprehensive Income)
(Consolidated Nine-month Period ended July 31, 2017)

(Unit: Millions of yen)

	Nine months ended 31-July-16	Nine months ended 31-July-17
Profit	6,204	8,445
Other comprehensive income		
Valuation difference on available-for-sale securities	-362	136
Deferred gains or losses on hedges	-0	0
Foreign currency translation adjustment	93	-43
Remeasurements of defined benefit plans, net of tax	-	-1
Total other comprehensive income	-268	92
Comprehensive income	5,935	8,537
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,625	7,933
Comprehensive income attributable to non-controlling interests	310	604

(3) Notes Concerning Quarterly Consolidated Financial Statements

(Notes Relating to the Going Concern Assumption)

The Company had no material items to report.

(Notes on Significant Changes in Shareholders' Equity)

The Company had no material items to report.

(Changes in Accounting Estimates)

Beginning from the first quarter of the current consolidated fiscal year, Nishiken Co., Ltd., a consolidated subsidiary, has modified the useful lives it applies to its rental equipment.

This change has been applied because Nishiken Co., Ltd. has become a consolidated subsidiary, and is based on comprehensive consideration of the economic useful lives and equipment repair and renewal cycles of similar types of rental equipment that are used under identical circumstances, and brings the useful lives into uniformity with the standard applied in the Kanamoto Group.

As a result of this change, operating income, ordinary income, and profit before income taxes for the consolidated cumulative third quarter of the fiscal year ending October 2017 decreased by ¥87 million, respectively, compared with what they otherwise would have been had the useful lives applied in past periods been applied.

The effect of this change on the Company's information by segment is described in the relevant section.

(Supplemental Information)

(Application of the *Implementation Guidance on Recoverability of Deferred Tax Assets*)

Beginning from the first quarter of the current consolidated fiscal year, the Company is applying the *Implementation Guidance on Recoverability of Deferred Tax Assets* (Accounting Standards Board of Japan Financial Accounting Standards Implementation Guidance No. 26, revised March 28, 2016).

(Business Segment Information)

[Segment Information]

I Third quarter of the prior consolidated fiscal year (From November 1, 2015 to July 31, 2016)

1. Information concerning net sales and profit or loss by 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	94,830	8,591	103,422
Net sales or transfers between related segments	—	—	—
Total	94,830	8,591	103,422
Segment income	9,872	392	10,264

(Note) The "Other businesses" classification encompasses business segments not included in the reporting segment, and includes business related to the Steel Sales Division, 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	9,872
Income for "Other businesses" classification	392
Other adjustments	312
Operating income reported on the Consolidated Quarterly Statements of Income	10,576

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

In the second quarter consolidated period, Nishiken Co., Ltd. has been included in the scope of consolidation.

The amount of the increases in goodwill as a result of this event are ¥380 million for business related to the Construction Equipment Rental Division, and ¥331 million for other businesses.

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

1. Information concerning net sales and profit or loss by 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 income	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, 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 income 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.

4. Information concerning changes in reporting segments etc.

(Change of useful lives)

As described in “Changes in Accounting Estimates”, the Company modified the useful lives of rental equipment owned by Nishiken Co., Ltd., a consolidated subsidiary of Kanamoto. As a result, the income for the “Business related to the Construction Equipment Rental Division” for the third quarter year-to-date period of the current consolidated fiscal year decreased by ¥87 million compared with what it otherwise would have been had the useful lives applied in past periods been applied.