



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

March 9, 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 March 15, 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 Three-Month Period of the Fiscal Year Ending October 31, 2018

(November 1, 2017 – January 31, 2018)

(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, 2018: First quarter	42,264	8.5	5,370	19.6	5,543	14.3	3,422	9.4
Fiscal Year ended October 31, 2017: First quarter	38,937	11.0	4,490	10.3	4,848	19.3	3,128	23.5

(Note) Comprehensive income (millions of yen)

Fiscal Year Ending October 31, 2018, First Quarter	3,697	(1.0%)
Fiscal Year Ended October 31, 2017, First Quarter	3,662	(60.2%)

	Net Income per Share	Net Income per Share on a Fully Diluted Basis
	Yen	Yen
Fiscal Year ending October 31, 2018: First quarter	96.84	—
Fiscal Year ended October 31, 2017: First quarter	88.52	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
Fiscal Year ending October 31, 2018: First quarter	235,912	94,227	37.5
Fiscal Year ended October 31, 2017	227,545	91,788	37.9

(Reference) Equity (millions of yen)

Fiscal Year Ending October 31, 2018 First Quarter	88,408
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	—				
Fiscal Year ending October 31, 2018 (Projected)		20.00		35.00	55.00

(Note) 1. 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 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 (cumulative)	81,400	2.8	9,240	-7.5	9,270	-9.5	5,770	-10.8	163.28
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 First 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 First 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 First Quarter | 35,339,036 shares |
| Fiscal year ended October 31, 2017 First Quarter | 35,339,129 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 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 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 three-month period ended January 31, 2018, Japan's economy remained under conditions that demanded close attention because of uncertainties surrounding the overseas economy and heightened geopolitical risks, but maintained its gradual recovery trend against the backdrop of various policies undertaken by the government.

In the construction industry related to the Kanamoto Group, construction demand remained brisk, supported by steady public works investment as well as by increased capital investment by private sector firms that was spurred by improved corporate earnings.

Given these conditions, net sales of the Kanamoto Group for the consolidated three-month Period increased 8.5% compared with the same period one year earlier to ¥42,264 million. In terms of earnings, operating income increased 19.6% from the same period of the prior consolidated fiscal year to ¥5,370 million, ordinary income increased 14.3% year-on-year to ¥5,543 million, and first quarter profit attributable to owners of parent rose 9.4% year-on-year to ¥3,422 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 moved to precisely reposition assets to meet construction equipment rental demand in each region as recovery and restoration demand in the Tohoku Region gradually tapers off, while also strengthening its organization for ongoing support of disaster recovery and reconstruction activities.

Used construction equipment sales, which the Company undertakes to maintain an appropriate asset portfolio, were steady as the market's conditions remained robust.

As a result of the above factors, first quarter net sales for Kanamoto's construction-related businesses increased 6.4% from the same period of the prior consolidated fiscal year to ¥37,815 million, and operating income rose 23.4% year-on-year to ¥5,021 million.

< Other businesses >

In the Company's other businesses, net sales were up 30.9% from the same period of the prior consolidated fiscal year to ¥4,449 million as steel products-related sales, sales in the information and telecommunications-related division, and sales in the Company's welfare-related business grew at a steady pace. Operating income fell by 21.0% year-on-year to ¥250 million, however, as sales of steel-related works declined.

< Change in number of branches >

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

Newly established: East Japan Works Keihin Facility Parts Center (Kawasaki City, Kanagawa 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 ¥8,367 million compared with the end of the prior consolidated fiscal year to ¥235,912 million. This mainly reflected an increase in rental equipment of ¥2,700 million and an increase in cash and deposits of ¥1,255 million.

Total liabilities were ¥141,685 million, an increase of ¥5,929 million compared with the end of the prior consolidated fiscal year. The principal items contributing to this change were an increase of ¥2,323 million in short-term loans payable, an increase of ¥1,830 million in long-term loans payable, an increase of ¥1,765 million in notes and accounts payable-trade, and an increase of ¥1,459 million in long-term accounts payable-other, respectively, and a decrease of ¥1,637 million in income taxes payable.

Total net assets were ¥94,227 million, ¥2,438 million higher than at the end of the prior consolidated fiscal year. This was mainly because of profit attributable to owners of parent for the first quarter of ¥3,422 million, and a decrease of ¥1,236 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 Significant Notes Thereto

(1) Quarterly Consolidated Balance Sheets

(Unit: Millions of yen)

	As of October 31, 2017	As of January 31, 2018
Assets		
Current assets		
Cash and deposits	35,220	36,475
Notes and accounts receivable - trade	37,057	37,670
Electronically recorded monetary claims – operating	4,069	4,546
Securities	200	200
Merchandise and finished goods	583	905
Raw materials and supplies	288	639
Construction machine parts	12,193	12,792
Deferred tax assets	706	392
Other	1,237	1,333
Allowance for doubtful accounts	-784	-793
Total current assets	90,772	94,163
Non-current assets		
Property, plant and equipment		
Rental equipment	198,879	202,575
Accumulated depreciation	-125,211	-126,206
Rental equipment, net	73,668	76,368
Buildings and structures	32,910	33,264
Accumulated depreciation	-19,801	-20,036
Buildings and structures, net	13,108	13,228
Machinery, equipment and vehicles	7,290	7,346
Accumulated depreciation	-6,154	-6,209
Machinery, equipment and vehicles, net	1,136	1,136
Land	35,623	36,579
Other	2,170	2,552
Accumulated depreciation	-1,421	-1,446
Other, net	749	1,105
Total property, plant and equipment	124,286	128,419
Intangible assets		
Goodwill	486	450
Other	1,110	1,146
Total intangible assets	1,596	1,596
Investments and other assets		
Investment securities	8,417	9,313
Deferred tax assets	436	433
Other	2,308	2,277
Allowance for doubtful accounts	-272	-290
Total investments and other assets	10,889	11,733
Total non-current assets	136,772	141,749
Total assets	227,545	235,912

(Unit: Millions of yen)

	As of October 31, 2017	As of January 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	28,773	30,539
Short-term loans payable	994	3,317
Current portion of long-term loans payable	12,029	12,525
Lease obligations	1,048	1,090
Income taxes payable	3,247	1,609
Provision for bonuses	1,099	519
Accounts payable - other	21,269	21,503
Other	3,060	3,127
Total current liabilities	71,521	74,233
Non-current liabilities		
Long-term loans payable	23,846	25,676
Lease obligations	2,017	2,080
Long-term accounts payable - other	37,127	38,587
Provision for directors' retirement benefits	106	-
Net defined benefit liability	259	246
Asset retirement obligations	431	432
Other	444	428
Total non-current liabilities	64,234	67,452
Total liabilities	135,756	141,685
Net assets		
Shareholders' equity		
Capital stock	13,652	13,652
Capital surplus	14,916	14,916
Retained earnings	57,172	59,357
Treasury shares	-2,129	-2,129
Total shareholders' equity	83,612	85,797
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,538	2,538
Deferred gains or losses on hedges	0	0
Foreign currency translation adjustment	85	66
Remeasurements of defined benefit plans	5	4
Total accumulated other comprehensive income	2,629	2,610
Non-controlling interests	5,547	5,819
Total net assets	91,788	94,227
Total liabilities and net assets	227,545	235,912

(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, 2018)

(Unit: Millions of yen)

	Three months ended January 31, 2017	Three months ended January 31, 2018
Net sales	38,937	42,264
Cost of sales	26,806	28,803
Gross profit	12,130	13,461
Selling, general and administrative expenses	7,640	8,091
Operating income	4,490	5,370
Non-operating income		
Interest income	0	4
Dividend income	54	64
Rent income	19	19
Foreign exchange gains	204	51
Reversal of allowance for doubtful accounts	29	25
Other	151	134
Total non-operating income	459	299
Non-operating expenses		
Interest expenses	59	36
Foreign exchange losses	—	25
Other	41	63
Total non-operating expenses	100	126
Ordinary income	4,848	5,543
Extraordinary income		
Gain on sales of non-current assets	3	0
Gain on donation of non-current assets	13	—
Subsidy income	—	3
Gain on sales of investment securities	0	—
Total extraordinary income	17	3
Extraordinary losses		
Loss on sales and retirement of non-current assets	29	21
Total extraordinary losses	29	21
Profit before income taxes	4,837	5,525
Income taxes - current	1,259	1,505
Income taxes - deferred	165	301
Total income taxes	1,425	1,807
Profit	3,412	3,718
Profit attributable to non-controlling interests	283	295
Profit attributable to owners of parent	3,128	3,422

(Quarterly Consolidated Statements of Comprehensive Income)
(Consolidated Three-month Period ended January 31, 2018)

(Unit: Millions of yen)

	Three months ended January 31, 2017	Three months ended January 31, 2018
Profit	3,412	3,718
Other comprehensive income		
Valuation difference on available-for-sale securities	304	-0
Deferred gains or losses on hedges	0	0
Foreign currency translation adjustment	-54	-19
Remeasurements of defined benefit plans, net of tax	-0	-0
Total other comprehensive income	250	-20
Comprehensive income	3,662	3,697
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,371	3,403
Comprehensive income attributable to non-controlling interests	290	294

(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, 2016 to January 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	35,538	3,399	38,937
Net sales or transfers between related segments	—	—	—
Total	35,538	3,399	38,937
Segment profit	4,070	317	4,388

(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	4,070
Income for "Other businesses" classification	317
Other adjustments	101
Operating income reported on the Consolidated Quarterly Statements of Income	4,490

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, 2017 to January 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	37,815	4,449	42,264
Net sales or transfers between related segments	—	—	—
Total	37,815	4,449	42,264
Segment profit	5,021	250	5,272

(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	5,021
Income for “Other businesses” classification	250
Other adjustments	97
Operating income reported on the Consolidated Quarterly Statements of Income	5,370

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

The Company had no material items to report.