



Fiscal Year ended October 31, 2018 Financial Statements Bulletin (Japan GAAP)

December 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 Regular General Meeting of the Shareholders January 29, 2019
 Scheduled date for commencement of dividend payments January 30, 2019
 Scheduled date for submission of Annual Securities Report January 29, 2019
 Preparation of Supplementary Explanatory Materials: Yes
 Earnings Briefings (For institutional investors and analysts): Yes

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

1. Consolidated Operating Results for the Fiscal Year ended October 31, 2018

(November 1, 2017 – October 31, 2018)

(1) Consolidated Operating Results

(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 ended October 31, 2018	168,188	6.2	17,599	5.6	17,925	4.3	11,857	10.4
Fiscal year ended October 31, 2017	158,428	9.4	16,665	10.1	17,193	19.4	10,744	32.7

(Note) Comprehensive income (millions of yen)

Fiscal year ended October 31, 2018 12,208 (2.0%)
 Fiscal year ended October 31, 2017 11,966 (35.7%)

	Earnings per Share	Earnings per Share on a Fully Diluted Basis	ROE	Ordinary Profit to Total Assets	Operating Margin
	Yen	Yen	%	%	%
Fiscal year ended October 31, 2018	335.54	-	13.0	7.6	10.5
Fiscal year ended October 31, 2017	304.05	-	13.2	7.7	10.5

(Reference) Investment profit or loss accounted for by the equity method (millions of yen)

Fiscal year ended October 31, 2018 -
 Fiscal year ended October 31, 2017 -

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
As of October 31, 2018	241,578	102,031	39.6	2,707.49
As of October 31, 2017	227,545	91,788	37.9	2,440.41

(Reference) Equity (millions of yen)

As of October 31, 2018 95,680
 As of October 31, 2017 86,241

(3) Consolidated Cash Flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and Cash Equivalents at End of Period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended October 31, 2018	35,421	-6,980	-26,858	36,733
Fiscal year ended October 31, 2017	37,788	-4,747	-30,960	35,160

2. Dividends

	Annual Dividends per Share					Dividends in Total (Full Year)	Dividend Payout Ratio (Consolidated)	Dividends on Net Assets (Consolidated)
	End of first quarter	End of second quarter	End of third quarter	Year-end	Full-year			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended October 31, 2017	-	15.00	-	35.00	50.00	1,766	16.4	2.2
Fiscal year ended October 31, 2018	-	20.00	-	40.00	60.00	2,120	17.9	2.3
Fiscal year ending October 31, 2019 (projected)	-	25.00	-	40.00	65.00		21.0	

3. Projected Consolidated Operating Results for the Fiscal Year Ending October 31, 2019

(November 1, 2018 - October 31, 2019)

(Percentages show the change from the prior year)

	Net Sales		Operating Profit		Ordinary Profit		Profit Attributable to Owners of Parent		Earnings per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Interim period	89,700	5.1	11,100	1.0	11,200	0.4	7,000	3.9	180.46
Full year	175,700	4.5	18,400	4.5	18,700	4.3	12,000	1.2	309.37

(Note) The earnings per share for the fiscal year ending October 31, 2019 (projected) and for the interim period (projected) are calculated considering the increase in the number of shares due to the issuance of new shares and disposition of treasury shares by way of public offering, of which the payment was completed in November 2018, and due to the third-party allotment related to the offering of shares of the Company by over allotment, of which the payment is scheduled to be completed in December 2018.

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): Yes

Company newly included	–
Company newly excluded	1 company (Shanghai Jinheyuan Engineering Construction Co., Ltd.)

(2) 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

(3) Number of shares issued (common shares)

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

As of October 31, 2018 36,092,241 shares

As of October 31, 2017 36,092,241 shares

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

As of October 31, 2018 753,183 shares

As of October 31, 2017 753,253 shares

(c) Average number of shares outstanding during the period

Fiscal year ended October 31, 2018 35,339,053 shares

Fiscal year ended October 31, 2017 35,339,024 shares

(Reference) Summary of Non-Consolidated Operating Results

1. Non-Consolidated Operating Results for the Fiscal Year Ended October 31, 2018

(November 1, 2017 – October 31, 2018)

(1) Non-Consolidated Operating Results

(Percentages show the change from the prior year)

	Net Sales		Operating Profit		Ordinary Profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended October 31, 2018	113,990	6.3	12,233	2.3	12,971	3.6	9,529	11.4
Fiscal year ended October 31, 2017	107,277	3.4	11,963	0.8	12,521	3.2	8,553	25.1

	Earnings per Share	Earnings per Share on a Fully Diluted Basis
	Yen	Yen
Fiscal year ended October 31, 2018	269.66	-
Fiscal year ended October 31, 2017	242.05	-

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
As of October 31, 2018	193,638	86,288	44.6	2,441.74
As of October 31, 2017	184,340	79,048	42.9	2,236.87

(Reference) Equity (millions of yen)

As of October 31, 2018

86,288

As of October 31, 2017

79,048

2. Projected Non-Consolidated Operating Results for the Fiscal Year Ending October 31, 2019

(November 1, 2018 - October 31, 2019)

(Percentages show the change from prior year)

	Net Sales		Ordinary Profit		Profit		Earnings per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Interim period	60,700	5.8	8,100	3.4	5,500	7.8	141.79
Full year	118,100	3.6	13,000	0.2	9,100	-4.5	234.60

(Note) The earnings per share for the fiscal year ending October 31, 2019 (projected) and for the interim period (projected) are calculated considering the increase in the number of shares due to the issuance of new shares and disposition of treasury shares by way of public offering, of which the payment was completed in November 2018, and due to the third-party allotment related to the offering of shares of the Company by over allotment, of which the payment is scheduled to be completed in December 2018.

Note: Financial results reports are not required to be audited by certified public accountants or an audit corporation.

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. Overview of Operating Results and Others (4) Future Outlook" on Page 8 of the Attachments for the conditions used as assumptions for the projected operating results and matters to note before using the projected operating results.

(Methods of obtaining the supplementary materials and the content of the earnings briefings)

The Company plans to hold a meeting for institutional investors and analysts on Monday, December 10, 2018. Following the meeting, the Company will upload the meeting highlights and discussion (voice recording) on the Company's website as quickly as possible, together with the Earnings Briefings materials used that day.

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1. Overview of Operating Results and Others

(1) Overview of Operating Results and Others for the Fiscal Year Ended October 31, 2018

In the fiscal year under review, Japan's economy maintained a moderate recovery trend, with continuous improvements in employment and income environments supported by strong corporate earnings. However, circumstances requiring attention, such as uncertainty with regards to foreign economies and fluctuations in financial capital markets accompanying international trade policies of the United States, have persisted.

In the construction industry where the Kanamoto Group belongs, public sector investments remained solid, and favorable private capital investments were seen in the redevelopment projects in major metropolitan areas, and the like.

In such circumstances, the Group has focused on expanding domestic bases for operations for achieving the "BULL55" long-term vision, while putting forth efforts to expand regional strategies in areas where we are yet to open branches, to the Kanto Region and westward, as well as in Kyushu Region and to possess optimal machines and enrich the machine line-up for rental equipment suitable to both construction demands and customer needs. The Group also has strived to strengthen its system, with the aims to increase work efficiency and improve productivity by utilizing IT through the full-scale operation of new systems.

Furthermore, we transferred all of the equity interests in Shanghai Jinheyuan Engineering Construction Co., Ltd., which was our consolidated subsidiary.

Consequently, in the fiscal year ended October 31, 2018 net sales rose 6.2% from the prior consolidated fiscal year level to ¥168,188 million. On the earnings front, operating profit increased 5.6% year on year to ¥17,599 million, ordinary profit rose 4.3% to ¥17,925 million, and profit attributable to owners of parent rose 10.4% to ¥11,857 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, which is Kanamoto's core business, differences in construction demand were seen in some regions, but rental demand for construction equipment was solid as a whole, with transportation infrastructure refurbishment related to the Tokyo Olympics and Paralympics and large-scale redevelopment construction. Further, the Group has worked to develop our response capabilities by reconfiguring our existing rental equipment and augmenting our assets in order to strengthen our support system for restoration and recovery from the natural disasters that have been occurring one after another over recent years, such as the 2018 Osaka earthquake, 2018 West Japan floods, and 2018 Hokkaido Eastern Iburi earthquake. As a result, sales by region in this business were up 8.9% in the Hokkaido Region, down 4.5% in the Tohoku Region, up 10.5% in the Kanto & Koushinetsu Region, up 11.0% in the Nishi-nihon Region, and up 6.7% in the Kyushu & Okinawa Region.

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.

Reflecting these factors, the Kanamoto Group posted net sales in the construction-related businesses of ¥150,542 million, an increase of 5.7% year-on-year, and operating profit of ¥16,358 million, an increase of 6.1%.

< Other businesses >

In the Company's other businesses, net sales were up 10.2% from the same period of the previous consolidated fiscal year to ¥17,646 million because of steady demand in Kanamoto's steel products-related, information and telecommunications-related, and welfare-related businesses. Operating profit from these operations slipped 1.2% to ¥846 million, however, reflecting a decline in net sales

from steel-related works and expenses in conjunction with the Company's push into the Kanto area in its welfare-related operations.

(2) Overview of Financial Position for the Fiscal Year Ended October 31, 2018

Total assets at the end of the consolidated fiscal year under review stood at ¥241,578 million, an increase of ¥14,033 million compared with the end of the prior consolidated fiscal year. This was primarily due to a ¥1,572 million increase in cash and deposits, a ¥2,459 million increase in construction equipment and materials, a ¥2,608 million increase in rental equipment, a ¥1,562 million increase in buildings and structures, and a ¥1,571 million increase in investment securities.

Total liabilities were ¥139,547 million, an increase of ¥3,791 million compared with the end of the prior consolidated fiscal year. This was primarily due to a ¥1,921 million increase in notes and accounts payable - trade, a ¥1,570 million increase in accounts payable - other and a ¥2,463 million increase in long-term accounts payable - other, tempered by a ¥1,318 million decrease in income taxes payable.

Total net assets totaled ¥102,031 million, ¥10,242 million higher than at the end of the prior consolidated fiscal year. This chiefly reflects profit attributable to owners of parent of ¥11,857 million. Meanwhile, the Company posted ¥1,943 million in dividends of surplus.

(3) Overview of Cash Flows for the Fiscal Year Ended October 31, 2018

(Unit: Millions of yen)

	FY Ended October 2017 (Prior consolidated fiscal year)	FY Ended October 2018 (Consolidated fiscal year under review)	Change from prior year
Net cash provided by (used in) operating activities	37,788	35,421	-2,367
Net cash provided by (used in) investing activities	-4,747	-6,980	-2,233
Net cash provided by (used in) financing activities	-30,960	-26,858	4,102
Net increase (decrease) in cash and cash equivalents	2,091	1,572	-518
Cash and cash equivalents at beginning of period	33,069	35,160	2,091
Cash and cash equivalents at end of period	35,160	36,733	1,572

The balance of cash and cash equivalents ("cash") at the end of the consolidated fiscal year under review was ¥36,733 million, an increase of ¥1,572 million compared with the end of the prior consolidated fiscal year. Cash flows for the consolidated fiscal year under review are discussed below.

(Net cash provided by (used in) operating activities)

Cash generated from operating activities stood at ¥35,421 million, a decrease of 6.3% from the prior consolidated fiscal year. This was primarily attributable to the following: profit before income taxes of ¥17,216 million, depreciation of ¥25,580 million, increase (decrease) in notes and accounts payable - trade of ¥2,211 million, as well as increase (decrease) in accounts payable - other of ¥2,155 million, purchase of construction equipment and materials of ¥1,211 million, purchase of rental equipment of ¥4,051 million, decrease (increase) in notes and accounts receivable - trade of ¥1,792 million and income taxes paid of ¥5,822 million.

(Net cash provided by (used in) investing activities)

Cash flow utilized in investing activities was ¥6,980 million, compared with ¥4,747 million in the prior consolidated fiscal year. This mainly reflected the purchase of property, plant and equipment of ¥4,413 million and the purchase of shares of subsidiaries of ¥1,692 million.

(Net cash provided by (used in) financing activities)

Cash flow used for financing activities was ¥26,858 million, compared with cash flow used in financing activities in the prior consolidated fiscal year of ¥30,960 million. This mainly reflected ¥13,262 million for repayments of long-term loans payable, ¥23,948 million for repayments of installment payables, ¥1,133 million for repayments of lease obligations, and ¥1,942 million in cash dividends paid. Meanwhile, the Company posted ¥13,300 million in proceeds from long-term loans payable.

(Reference) Trends in Cash Flow Indicators

	FY Ended October 2015	FY Ended October 2016	FY Ended October 2017	FY Ended October 2018
Equity ratio (%)	34.3	34.7	37.9	39.6
Equity ratio on a market capitalization basis (%)	42.7	40.4	57.5	55.1
Ratio of interest-bearing liabilities to operating cash flow (year)	2.7	3.8	2.5	2.7
Interest coverage ratio (times)	40.4	40.8	68.3	83.9

(Notes) Equity ratio: $\text{Equity} / \text{Total assets}$

Equity ratio on a market capitalization basis:

$\text{Shareholders' equity on a market capitalization basis} / \text{Total assets}$

Ratio of interest-bearing liabilities to operating cash flow:

$\text{Interest-bearing liabilities} / \text{Cash flows from operating activities}$

Interest coverage ratio: $\text{Cash flows from operating activities} / \text{Interest payments}$

* All indicators are calculated using financial values on a consolidated basis.

* Total market capitalization is calculated by multiplying the closing share price at the end of the fiscal year by the number of shares outstanding (after deducting treasury shares) at the end of the fiscal year.

* Cash flows from operating activities in the consolidated statements of cash flows are used for operating cash flow in the table above. Interest-bearing liabilities include all liabilities posted to the consolidated balance sheets that incur interest. Interest expenses in the consolidated statements of cash flows are used for interest payments in the table above.

(4) Future Outlook

In the next fiscal year, the Group expects public-sector and private-sector capital investments to remain strong, with numerous plans for large projects, such as construction related to the Tokyo Olympics and Paralympics, infrastructure refurbishment construction, and redevelopment projects, primarily in urban areas.

However, there are likely concerns such as unsuccessful bids or delays in the commencement of construction, due to not only the further widening of regional differences accompanying decreases in public construction in some regions of Japan and the concentration of construction projects in urban areas, but also the normalization of skilled worker shortages.

While continuing to provide support for quick recovery in disaster-stricken areas and enhance and expand domestic operations bases, the Group focuses on establishing the structure to increase earnings primarily in the Tokyo Metropolitan Area, the greater Kanto Region, and Kyushu and Okinawa Regions, in consideration of the medium- to long-term demand prospects.

In addition, as a long-term growth engine, Kanamoto aims to systematically and strategically move forward with the establishment of an overseas base for operations, mainly in China and Southeast Asia, where strong underlying demand is a potential.

In addition, Kanamoto will proactively participate in innovation fields, such as METI's i-Construction project as well as the utilization of AI to raise productivity on construction sites, while aiming to build a management system that will facilitate sustainable growth in the long term by further improving its earnings management and strengthening its corporate governance system.

The Kanamoto Group aims for net sales of ¥175,700 million, a growth of 4.5% year-on-year, operating profit of ¥18,400 million, an increase of 4.5%, ordinary profit of ¥18,700 million, a rise of 4.3%, and profit attributable to owners of parent of ¥12,000 million, an improvement of 1.2%.

2. Basic Policy Regarding Selection of Accounting Standards

The Kanamoto Group plans to prepare its consolidated financial statements in accordance with generally accepted accounting practices in Japan, taking into account comparability of consolidated financial statements between different accounting periods and against different companies.

Note that it is the policy of the Kanamoto Group to adopt the international financial reporting standards depending on conditions and trends in Japan and abroad.

3. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated Balance Sheets

(Unit: Millions of yen)

	Prior consolidated fiscal year (As of October 31, 2017)	Current consolidated fiscal year (As of October 31, 2018)
Assets		
Current assets		
Cash and deposits	35,220	36,793
Notes and accounts receivable - trade	37,057	36,736
Electronically recorded monetary claims - operating	4,069	5,091
Securities	200	200
Merchandise and finished goods	583	765
Raw materials and supplies	288	651
Construction equipment and materials	12,193	14,652
Deferred tax assets	706	664
Other	1,237	1,765
Allowance for doubtful accounts	-784	-208
Total current assets	90,772	97,112
Non-current assets		
Property, plant and equipment		
Rental equipment	198,879	203,519
Accumulated depreciation	-125,211	-127,242
Rental equipment, net	73,668	76,277
Buildings and structures	32,910	35,531
Accumulated depreciation	-19,801	-20,859
Buildings and structures, net	13,108	14,671
Machinery, equipment and vehicles	7,290	7,643
Accumulated depreciation	-6,154	-6,333
Machinery, equipment and vehicles, net	1,136	1,309
Land	35,623	36,566
Other	2,170	2,227
Accumulated depreciation	-1,421	-1,544
Other, net	749	682
Total property, plant and equipment	124,286	129,508
Intangible assets		
Goodwill	486	343
Other	1,110	1,236
Total intangible assets	1,596	1,580
Investments and other assets		
Investment securities	8,417	9,989
Deferred tax assets	436	396
Other	2,308	3,367
Allowance for doubtful accounts	-272	-375
Total investments and other assets	10,889	13,377
Total non-current assets	136,772	144,466
Total assets	227,545	241,578

(Unit: Millions of yen)

	Prior consolidated fiscal year (As of October 31, 2017)	Current consolidated fiscal year (As of October 31, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	28,773	30,695
Short-term loans payable	994	1,146
Current portion of long-term loans payable	12,029	12,825
Lease obligations	1,048	945
Income taxes payable	3,247	1,929
Provision for bonuses	1,099	1,136
Accounts payable - other	21,269	22,839
Other	3,060	2,749
Total current liabilities	71,521	74,267
Non-current liabilities		
Long-term loans payable	23,846	23,087
Lease obligations	2,017	1,684
Long-term accounts payable - other	37,127	39,591
Provision for directors' retirement benefits	106	-
Net defined benefit liability	259	261
Asset retirement obligations	431	449
Other	444	204
Total non-current liabilities	64,234	65,279
Total liabilities	135,756	139,547
Net assets		
Shareholders' equity		
Capital stock	13,652	13,652
Capital surplus	14,916	14,916
Retained earnings	57,172	67,086
Treasury shares	-2,129	-2,129
Total shareholders' equity	83,612	93,526
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,538	2,148
Deferred gains or losses on hedges	0	0
Foreign currency translation adjustment	85	-
Remeasurements of defined benefit plans	5	5
Total accumulated other comprehensive income	2,629	2,153
Non-controlling interests	5,547	6,351
Total net assets	91,788	102,031
Total liabilities and net assets	227,545	241,578

**(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
(Consolidated Statements of Income)**

(Unit: Millions of yen)

	Prior consolidated fiscal year (From November 1, 2016 to October 31, 2017)	Current consolidated fiscal year (From November 1, 2017 to October 31, 2018)
Net sales	158,428	168,188
Cost of sales	109,863	117,220
Gross profit	48,565	50,968
Selling, general and administrative expenses	31,899	33,368
Operating profit	16,665	17,599
Non-operating income		
Interest income	4	19
Dividend income	148	159
Insurance income	49	74
Rent income	73	81
Temporary transfer charges income	74	105
Foreign exchange gains	253	-
Reversal of allowance for doubtful accounts	31	20
Other	300	284
Total non-operating income	936	746
Non-operating expenses		
Interest expenses	199	108
Foreign exchange losses	-	78
Other	209	232
Total non-operating expenses	409	420
Ordinary profit	17,193	17,925
Extraordinary income		
Gain on sales of non-current assets	21	8
Gain on donation of non-current assets	13	-
Subsidy income	9	12
Gain on sales of investment securities	220	1
Compensation income for damage	-	29
Total extraordinary income	265	51
Extraordinary losses		
Impairment loss	157	30
Loss on sales and retirement of non- current assets	140	205
Loss on sales of shares of subsidiaries and associates	79	322
Loss on valuation of shares of subsidiaries and associates	140	-
Loss on sales of investment securities	-	157
Loss on valuation of investment securities	-	44
Total extraordinary losses	518	760
Profit before income taxes	16,940	17,216
Income taxes - current	5,594	4,509
Income taxes - deferred	-204	16
Total income taxes	5,389	4,525
Profit	11,551	12,691
Profit attributable to non-controlling interests	806	834
Profit attributable to owners of parent	10,744	11,857

(Consolidated Statements of Comprehensive Income)

(Unit: Millions of yen)

	Prior consolidated fiscal year (From November 1, 2016 to October 31, 2017)	Current consolidated fiscal year (From November 1, 2017 to October 31, 2018)
Profit	11,551	12,691
Other comprehensive income		
Valuation difference on available-for-sale securities	498	-397
Deferred gains or losses on hedges	0	-0
Foreign currency translation adjustment	-79	-85
Remeasurements of defined benefit plans, net of tax	-4	0
Total other comprehensive income	415	-483
Comprehensive income	11,966	12,208
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	11,147	11,382
Comprehensive income attributable to non-controlling interests	818	826

(3) Consolidated Statements of Changes in Equity

Prior consolidated fiscal year (From November 1, 2016 to October 31, 2017)

(Unit: Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	13,652	14,916	48,017	-2,129	74,458
Changes of items during period					
Dividends of surplus			-1,590		-1,590
Profit attributable to owners of parent			10,744		10,744
Change in ownership interest of parent due to transactions with non-controlling interests					-
Purchase of treasury shares				-0	-0
Disposal of treasury shares					-
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	9,154	-0	9,154
Balance at end of current period	13,652	14,916	57,172	-2,129	83,612

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	2,051	-	164	8	2,225	4,750	81,434
Changes of items during period							
Dividends of surplus					-		-1,590
Profit attributable to owners of parent					-		10,744
Change in ownership interest of parent due to transactions with non-controlling interests					-		-
Purchase of treasury shares					-		-0
Disposal of treasury shares					-		-
Net changes of items other than shareholders' equity	486	0	-79	-3	404	796	1,200
Total changes of items during period	486	0	-79	-3	404	796	10,354
Balance at end of current period	2,538	0	85	5	2,629	5,547	91,788

Current consolidated fiscal year (From November 1, 2017 to October 31, 2018)

(Unit: Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	13,652	14,916	57,172	-2,129	83,612
Changes of items during period					
Dividends of surplus			-1,943		-1,943
Profit attributable to owners of parent			11,857		11,857
Change in ownership interest of parent due to transactions with non-controlling interests		-0			-0
Purchase of treasury shares					-
Disposal of treasury shares		0		0	0
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-0	9,913	0	9,913
Balance at end of current period	13,652	14,916	67,086	-2,129	93,526

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	2,538	0	85	5	2,629	5,547	91,788
Changes of items during period							
Dividends of surplus					-		-1,943
Profit attributable to owners of parent					-		11,857
Change in ownership interest of parent due to transactions with non-controlling interests					-		-0
Purchase of treasury shares					-		-
Disposal of treasury shares					-		0
Net changes of items other than shareholders' equity	-389	-0	-85	0	-475	803	328
Total changes of items during period	-389	-0	-85	0	-475	803	10,242
Balance at end of current period	2,148	0	-	5	2,153	6,351	102,031

(4) Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	Prior consolidated fiscal year (From November 1, 2016 to October 31, 2017)	Current consolidated fiscal year (From November 1, 2017 to October 31, 2018)
Cash flows from operating activities		
Profit before income taxes	16,940	17,216
Depreciation	24,428	25,580
Impairment loss	157	30
Amortization of goodwill	142	142
Loss (gain) on sales and retirement of non-current assets	119	196
Cost transfer resulting from sale of rental equipment	994	1,449
Purchase of construction equipment and materials	-1,073	-1,211
Purchase of rental equipment	-2,731	-4,051
Loss (gain) on valuation of investment securities	-	44
Loss (gain) on sales of investment securities	-220	156
Loss on valuation of shares of subsidiaries and associates	140	-
Loss (gain) on sales of shares of subsidiaries and associates	79	322
Increase (decrease) in allowance for doubtful accounts	-113	121
Increase (decrease) in provision for bonuses	8	36
Increase (decrease) in net defined benefit liability	21	2
Interest and dividend income	-153	-178
Assets buy on the installment plan purchase payment interest for rentals	349	315
Interest expenses	199	108
Foreign exchange losses (gains)	-199	65
Compensation income for damage	-	-29
Decrease (increase) in notes and accounts receivable – trade	-808	-1,792
Decrease (increase) in inventories	236	-594
Increase (decrease) in notes and accounts payable – trade	1,915	2,211
Increase (decrease) in accounts payable – other	1,276	2,155
Other, net	884	-841
Subtotal	42,593	41,458
Interest and dividend income received	153	177
Compensation for damage income received	-	29
Interest expenses paid	-553	-422
Income taxes paid	-4,404	-5,822
Net cash provided by (used in) operating activities	37,788	35,421

(Unit: Millions of yen)

	Prior consolidated fiscal year (From November 1, 2016 to October 31, 2017)	Current consolidated fiscal year (From November 1, 2017 to October 31, 2018)
Cash flows from investing activities		
Payments into time deposits	-560	-450
Proceeds from withdrawal of time deposits	640	450
Purchase of investment securities	-583	-9
Proceeds from sales of investment securities	450	50
Purchase of property, plant and equipment	-2,731	-4,413
Proceeds from sales of property, plant and equipment	31	92
Purchase of intangible assets	-461	-365
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	-	-9
Purchase of shares of subsidiaries	-917	-1,692
Proceeds from sales of shares of subsidiaries	76	-
Purchase of shares of subsidiaries and associates	-100	-99
Payments of loans receivable	-742	-621
Collection of loans receivable	28	135
Other, net	122	-46
Net cash provided by (used in) investing activities	-4,747	-6,980
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-212	152
Proceeds from long-term loans payable	10,900	13,300
Repayments of long-term loans payable	-15,667	-13,262
Redemption of bonds	-40	-
Repayments of installment payables	-22,582	-23,948
Repayments of lease obligations	-1,744	-1,133
Cash dividends paid	-1,591	-1,942
Dividends paid to non-controlling interests	-22	-22
Other, net	-0	0
Net cash provided by (used in) financing activities	-30,960	-26,858
Effect of exchange rate change on cash and cash equivalents	10	-9
Net increase (decrease) in cash and cash equivalents	2,091	1,572
Cash and cash equivalents at beginning of period	33,069	35,160
Cash and cash equivalents at end of period	35,160	36,733

(5) Notes to the Consolidated Financial Statements
(Notes Relating to the Going Concern Assumption)

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.

(Segment Information)

1. Summary of reporting segments

The Company's reporting segments are those units of the Company's for which discrete financial information is available and for which the Board of Directors regularly conducts a review for the purpose of making decisions about resources to be allocated to the segments and assess the segments' performance.

The Company conducts business operations by product and service. The "business related to the Construction Equipment Rental Division" is the reporting segment.

The Company's "business related to the Construction Equipment Rental Division" rents and sells construction equipment and temporary materials for construction use.

2. Method of calculating the amount of net sales, income or loss, assets, liabilities and other items of each reporting segment

Except for the Standard for Measurement of Inventories, the accounting standards and methods for the reported business segment are generally identical to the description in "Important Matters Used as Basis for Preparation of the Consolidated Financial Statements."

The Company values inventory assets using prices before write-downs of book value based on decline in profitability.

Reporting segment earnings are the values on an operating profit basis.

3. Information concerning the amount of net sales, income or loss, assets, liabilities and other items of each reporting segment

Prior consolidated fiscal year (From November 1, 2016 to October 31, 2017)

(Unit: Millions of yen)

	Reporting segment	Other businesses (Note)	Total
	Business related to the Construction Equipment Rental Division		
Net sales			
Net sales to outside customers	142,414	16,013	158,428
Net sales or transfers between related segments	-	-	-
Total	142,414	16,013	158,428
Segment income	15,415	856	16,272
Segment assets	172,981	7,793	180,775
Other items			
Depreciation	23,285	985	24,271
Amortization of goodwill	76	66	142
Amount of increase of property, plant and equipment and intangible assets	22,838	1,153	23,992

(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, welfare-related business and other businesses.

Current consolidated fiscal year (From November 1, 2017 to October 31, 2018)

(Unit: Millions of yen)

	Reporting segment	Other businesses (Note)	Total
	Business related to the Construction Equipment Rental Division		
Net sales			
Net sales to outside customers	150,542	17,646	168,188
Net sales or transfers between related segments	-	-	-
Total	150,542	17,646	168,188
Segment income	16,358	846	17,205
Segment assets	182,443	7,681	190,125
Other items			
Depreciation	24,150	1,122	25,273
Amortization of goodwill	76	66	142
Amount of increase of property, plant and equipment and intangible assets	31,081	1,034	32,116

(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, welfare-related business and other businesses.

4. Difference between total reporting segment amount and the amount reported on the consolidated financial statements, and the main reasons for the difference (Matters Pertaining to Reconciliation of Difference)

(Unit: Millions of yen)

Net sales	Prior consolidated fiscal year	Current consolidated fiscal year
Reporting segment total	142,414	150,542
Net sales for "Other businesses" classification	16,013	17,646
Intersegment eliminations	-	-
Net sales reported in the consolidated financial statements	158,428	168,188

(Unit: Millions of yen)

Income	Prior consolidated fiscal year	Current consolidated fiscal year
Reporting segment total	15,415	16,358
Income for "Other businesses" classification	856	846
Other adjustments	393	394
Operating profit reported in the consolidated financial statements	16,665	17,599

(Unit: Millions of yen)

Assets	Prior consolidated fiscal year	Current consolidated fiscal year
Reporting segment total	172,981	182,443
Assets of "Other businesses" classification	7,793	7,681
Company assets (Note)	46,769	51,453
Total assets reported in the consolidated financial statements	227,545	241,578

(Note) Company assets are mainly assets used in administrative divisions at the parent company that are not attributable to the reporting segment.

(Unit: Millions of yen)

Other items	Reporting segment total		Other businesses		Amount of adjustment		Amount reported in the consolidated financial statements	
	Prior consolidated fiscal year	Current consolidated fiscal year	Prior consolidated fiscal year	Current consolidated fiscal year	Prior consolidated fiscal year	Current consolidated fiscal year	Prior consolidated fiscal year	Current consolidated fiscal year
Depreciation	23,285	24,150	985	1,122	156	307	24,428	25,580
Amount of increase of property, plant and equipment and intangible assets	22,838	31,081	1,153	1,034	526	454	24,518	32,570

(Note) The adjustments to the increases in property, plant and equipment and intangible assets are capital investments related to administrative divisions.

(Per Share Information)

Prior consolidated fiscal year (From November 1, 2016 to October 31, 2017)		Current consolidated fiscal year (From November 1, 2017 to October 31, 2018)	
Net assets per share	¥2,440.41	Net assets per share	¥2,707.49
Earnings per share	¥304.05	Earnings per share	¥335.54
Earnings per share on a fully diluted basis	-	Earnings per share on a fully diluted basis	-
The Company has not reported earnings per share on a fully diluted basis because it does not have any potential shares that would have a dilution effect.		Same as at left	

(Note) The basis for calculating earnings per share is as follows.

(Unit: Millions of yen)

	Prior consolidated fiscal year (From November 1, 2016 to October 31, 2017)	Current consolidated fiscal year (From November 1, 2017 to October 31, 2018)
Profit attributable to owners of parent	10,744	11,857
Amount not attributed to common share shareholders	-	-
Profit attributable to owners of parent related to common shares	10,744	11,857
Average number of shares outstanding during the fiscal year	35,339,024	35,339,053

(Material Events after the Close of the Consolidated Fiscal Year)

(Material issuance of new shares)

At the Board of Directors meeting held on November 12, 2018, the Company made resolutions concerning the issuance of new shares by public offering and allocation to a third party, disposal of treasury shares by public offering, and sale of Company shares. With regards to the issuance of new shares by public offering and disposal of treasury shares by public offering, its payment has been completed on November 28, 2018. With regards to the sale of Company shares, the transfer has been completed on November 29, 2018. The outline thereof is as follows.

1. Issuance of new shares due to public offering (standard offering)

(1) Class and number of offered shares	Common shares of the Company: 2,250,000 shares
(2) Issue price (offering price)	¥3,288 per share
(3) Total of issue price	¥7,398,000,000
(4) Amount to be paid in	¥3,152.40 per share
(5) Total amount to be paid in	¥7,092,900,000
(6) Total of increased capital and legal capital surplus	Total of increased capital: ¥3,546,450,000 Total of increased legal capital surplus: ¥3,546,450,000
(7) Application period	From November 21, 2018 to November 22, 2018
(8) Payment date	November 28, 2018

2. Disposal of treasury shares (standard offering)

(1) Class and number of offered shares	Common shares of the Company: 750,000 shares
(2) Disposal price (offering price)	¥3,288 per share
(3) Total of disposal price	¥2,466,000,000
(4) Amount to be paid in	¥3,152.40 per share
(5) Total amount to be paid in	¥2,364,300,000
(6) Application period	From November 21, 2018 to November 22, 2018
(7) Payment date	November 28, 2018

3. Sale of Company shares (sale by over-allotment)

(1) Class and number of shares sold	Common shares of the Company: 450,000 shares
(2) Seller	Nomura Securities Co., Ltd.
(3) Sale amount	¥3,288 per share
(4) Total sale price	¥1,479,600,000
(5) Application period	From November 21, 2018 to November 22, 2018
(6) Delivery date	November 29, 2018

4. Issuance of new shares due to allocation to a third party

(1) Class and number of offered shares (maximum)	Common shares of the Company: 450,000 shares
(2) Amount to be paid in	¥3,152.40 per share
(3) Total amount to be paid in (maximum)	¥1,418,580,000
(4) Total of increased capital and legal capital surplus (maximum)	Total of increased capital: ¥709,290,000 Total of increased legal capital surplus: ¥709,290,000
(5) Allottee	Nomura Securities Co., Ltd.
(6) Application period (application date)	December 18, 2018
(7) Payment date	December 19, 2018

5. Use of funds

Funds are planned to be appropriated for the payments for the fiscal year ending October 2019, 2020, and 2021, as partial repayment of installment debts, etc. pertaining to purchase of rental

equipment by means of installment transactions of the fiscal year ending October 2019. Furthermore, this is a policy for investing with low-risk financial instruments until the specific appropriation period.

(Capital increase of subsidiary)

At the Board of Directors meeting held on December 7, 2018, the Company made a resolution to the effect that Kanamoto (China) Investment Co., Ltd., a non-consolidated subsidiary, carries out a capital increase through a third-party allotment, and the Company subscribes to all of the amount thereof.

1. Objective of capital increase

Purchase of rental equipment

2. Overview of subsidiary increasing capital

(1) Trade name	Kanamoto (China) Investment Co., Ltd.
(2) Date of establishment	September 2017
(3) Location	Room 2407, 24th Floor, New Town Center Building, 83 Loushanguan Road, Changning District, Shanghai City
(4) Chairman of the Board	Kanchu Kanamoto
(5) Capital stock	US\$12,000,000
(6) Description of business	Rental, sales, and import/export businesses of construction machinery
(7) Fiscal year end	December
(8) Ownership by the Company	100.0%

3. Description of capital increase

(1) Amount of capital increase	US\$18,000,000
(2) Capital stock after capital increase	US\$30,000,000
(3) Ownership by the Company after capital increase	100.0%