



Fiscal Year ended October 31, 2020

Financial Statements Bulletin (Japan GAAP)

December 4, 2020

Listed Company Name **Kanamoto Co., Ltd.**
 Company Code Number **9678**
 Listing Exchanges **Tokyo Stock Exchange, Sapporo Stock Exchange**
 URL <https://www.kanamoto.co.jp>
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Scheduled date for Regular General Meeting of the Shareholders January 28, 2021
 Scheduled date for commencement of dividend payments January 29, 2021
 Scheduled date for submission of Annual Securities Report January 28, 2021
 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, 2020

(November 1, 2019 – October 31, 2020)

(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, 2020	179,053	-0.9	14,250	-20.1	14,268	-21.9	8,466	-25.9
Fiscal year ended October 31, 2019	180,694	7.4	17,842	1.4	18,277	2.0	11,430	-3.6

(Note) Comprehensive income (millions of yen)

Fiscal year ended October 31, 2020 8,936 (-24.1%)
 Fiscal year ended October 31, 2019 11,770 (-3.6%)

	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, 2020	221.45	-	7.2	5.0	8.0
Fiscal year ended October 31, 2019	295.30	-	10.8	7.2	9.9

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

Fiscal year ended October 31, 2020 -
 Fiscal year ended October 31, 2019 -

(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, 2020	300,362	126,188	39.6	3,150.30
As of October 31, 2019	268,182	121,779	43.1	2,981.68

(Reference) Equity (millions of yen)

As of October 31, 2020 119,091
 As of October 31, 2019 115,507

(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, 2020	40,701	-14,040	-22,204	48,023
Fiscal year ended October 31, 2019	39,146	-5,989	-26,740	43,511

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, 2019	-	25.00	-	40.00	65.00	2,518	22.0	2.3
Fiscal year ended October 31, 2020	-	25.00	-	40.00	65.00	2,468	29.4	2.1
Fiscal year ending October 31, 2021 (projected)	-	25.00	-	45.00	70.00		29.7	

3. Projected Consolidated Operating Results for the Fiscal Year Ending October 31, 2021

(November 1, 2020 - October 31, 2021)

(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	95,900	4.9	8,100	-12.3	8,200	-9.4	4,700	-12.1	122.93
Full year	190,300	6.3	15,000	5.3	15,200	6.5	9,000	6.3	235.40

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	1 company (Company name: KANAMOTO AUSTRALIA HOLDINGS PTY LTD)
Company newly excluded	–

(Note) For details, please refer to “Changes to Material Subsidiaries during the Consolidated Fiscal Year under Review” on Page 21 of the Attachments.

(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: Yes

(c) Changes in accounting estimates: Yes

(d) Retrospective restatements: No

(Note) The above matters fall under Article 14-7 of the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements. For details, please refer to “3. Consolidated Financial Statements and Significant Notes Thereto (5) Notes to the Consolidated Financial Statements (Changes in Accounting Policies)” on Page 21 of the Attachments.

(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, 2020 38,742,241 shares

As of October 31, 2019 38,742,241 shares

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

As of October 31, 2020 939,142 shares

As of October 31, 2019 3,259 shares

(c) Average number of shares outstanding during the period

Fiscal year ended October 31, 2020 38,232,825 shares

Fiscal year ended October 31, 2019 38,706,149 shares

(Reference) Summary of Non-Consolidated Operating Results

1. Non-Consolidated Operating Results for the Fiscal Year Ended October 31, 2020

(November 1, 2019 – October 31, 2020)

(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, 2020	118,654	-2.7	8,170	-29.1	8,702	-30.1	5,856	-30.3
Fiscal year ended October 31, 2019	121,965	7.0	11,531	-5.7	12,451	-4.0	8,400	-11.8

	Earnings per Share		Earnings per Share on a Fully Diluted Basis	
	Yen		Yen	
Fiscal year ended October 31, 2020	153.18		-	
Fiscal year ended October 31, 2019	217.03		-	

(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, 2020	232,009	103,802	44.7	2,745.86
As of October 31, 2019	214,065	102,823	48.0	2,654.26

(Reference) Equity (millions of yen)
As of October 31, 2020 103,802
As of October 31, 2019 102,823

2. Projected Non-Consolidated Operating Results for the Fiscal Year Ending October 31, 2021

(November 1, 2020 - October 31, 2021)

(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	59,200	-2.6	4,400	-21.1	3,000	-17.8	78.47
Full year	119,100	0.4	8,800	1.1	5,900	0.7	154.32

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 an online meeting for institutional investors and analysts on Monday, December 7, 2020. 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, 2020

During the consolidated fiscal year under review, Japan's economy continued to be unpredictable, with corporate earnings and the employment environment on an improving trend, but with greatly restricted economic activities due to the spread of the novel coronavirus disease (COVID-19).

Also, the outlook for the business conditions of the global economy remained unclear due to movement restrictions and city lockdowns caused by COVID-19, in addition to the effects of the trade frictions between the US and China.

In the construction industry where the Kanamoto Group belongs, public sector investments were firm, mainly in construction related to restoration, recovery and prevention from natural disasters, and in the promotion of the national resilience related to measures against the aging of infrastructure, while for the private sector construction investments there are concerns that capital investment is cooling due to a decline in investment sentiment, and other conditions that demand close attention persist.

In such circumstances, the Group has worked to achieve its Medium-Term Corporate Management Plan "Creative 60" (FY2020-2024) by promoting three key measures: expansion of domestic bases for operations, overseas expansion, and optimization of internal operations. In addition, while implementing measures against infections and reducing fixed costs, we also strove to further increase corporate value by training personnel for the future, strengthening the foundation of the alliance group at in Japan and abroad, and implementing an asset strategy that pays close attention to the market environment.

Consequently, in the fiscal year ended October 31, 2020 net sales fell 0.9% from the prior consolidated fiscal year level to ¥179,053 million. On the earnings front, operating profit decreased 20.1% year-on-year to ¥14,250 million, ordinary profit fell 21.9% to ¥14,268 million, and profit attributable to owners of parent fell 25.9% to ¥8,466 million, due to such factors as the extension of the used construction equipment operation period as planned at the beginning of the fiscal year, and the impact of increased depreciation associated with additional capital investment for disaster recovery.

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, public sector investments were relatively steady due to the full-scale implementation of construction related to disaster recovery, infrastructure and disaster prevention, but private sector construction investments did not reach a full-fledged recovery in rental demand for construction equipment, as construction was canceled or postponed at some sites.

In addition, the Group has strengthened its operations bases by working on business alliances that are expected to have high synergistic effects in Japan and abroad, and by expanding its product lineup to immediately meet a wide variety of demands. As a result, sales by region in this business were up 3.1% in the Hokkaido Region, down 1.6% in the Tohoku Region, down 0.7% in the Kanto & Koushinetsu Region, up 4.8% in the Nishi-nihon Region, and up 1.7% in the Kyushu & Okinawa Region.

In addition, used construction equipment sales decreased 26.4% year-on-year, as Kanamoto carried out the sale as planned at the beginning of the fiscal year.

Reflecting these factors, the Kanamoto Group posted net sales in the construction-related businesses of ¥160,826 million, a decrease of 0.6% year-on-year, and operating profit of ¥12,852 million, a decrease of 22.1%.

< Other businesses >

In the Company's other businesses, sales performed well in the welfare and information-related business, while the steel products-related business was affected by the fall in steel materials prices, resulting in a 3.4% decrease year-on-year in net sales to ¥18,226 million and a 6.1% increase in operating profit to ¥969 million.

(2) Overview of Financial Position for the Fiscal Year Ended October 31, 2020

Total assets at the end of the consolidated fiscal year under review stood at ¥300,362 million, an increase of ¥32,180 million compared with the end of the prior consolidated fiscal year. This was primarily due to a ¥4,811 million increase in cash and deposits, a ¥1,877 million increase in notes and accounts receivable - trade, a ¥2,350 million increase in construction equipment and materials in conjunction with operating activities, and a ¥12,702 million increase in rental equipment.

Total liabilities were ¥174,174 million, an increase of ¥27,771 million compared with the end of the prior consolidated fiscal year. This was primarily due to a ¥4,317 million increase in notes and accounts payable - trade, a ¥1,795 million increase in current portion of long-term borrowings, a ¥2,118 million increase in accounts payable - other, a ¥12,875 million increase in long-term borrowings and a ¥4,203 million increase in long-term accounts payable - other, while income taxes payable decreased by ¥1,843 million.

Total net assets totaled ¥126,188 million, ¥4,409 million higher than at the end of the prior consolidated fiscal year. This chiefly reflects profit attributable to owners of parent of ¥8,466 million. Meanwhile, the Company posted ¥2,000 million in purchase of treasury shares and a decrease of ¥2,505 million due to dividends of surplus.

(3) Overview of Cash Flows for the Fiscal Year Ended October 31, 2020

(Unit: Millions of yen)

	FY Ended October 2019 (Prior consolidated fiscal year)	FY Ended October 2020 (Consolidated fiscal year under review)	Change from prior year
Net cash provided by (used in) operating activities	39,146	40,701	1,555
Net cash provided by (used in) investing activities	-5,989	-14,040	-8,051
Net cash provided by (used in) financing activities	-26,740	-22,204	4,536
Net increase (decrease) in cash and cash equivalents	6,388	4,473	-1,914
Cash and cash equivalents at beginning of period	36,733	43,511	6,778
Cash and cash equivalents at end of period	43,511	48,023	4,511

The balance of cash and cash equivalents ("cash") at the end of the consolidated fiscal year under review was ¥48,023 million, an increase of ¥4,511 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 ¥40,701 million, an increase of 4.0% from the prior consolidated fiscal year. This was primarily attributable to the following: profit before income taxes of ¥13,731 million, depreciation of ¥28,896 million, increase in trade payables of ¥3,891 million, increase in accounts payable - other of ¥3,679 million, as well as purchase of construction equipment and materials of ¥1,743 million, purchase of rental equipment of ¥4,124 million, and income taxes paid of ¥6,768 million.

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

Cash flow utilized in investing activities was ¥14,040 million, compared with ¥5,989 million in the prior consolidated fiscal year. This mainly reflected the posting of ¥9,821 million for purchase of shares of subsidiaries resulting in change in scope of consolidation, and of ¥3,211 million for purchase of property, plant and equipment.

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

Cash flow used for financing activities was ¥22,204 million, compared with cash flow used in financing activities in the prior consolidated fiscal year of ¥26,740 million. This mainly reflected

proceeds from long-term borrowings of ¥23,270 million, repayments of long-term borrowings of ¥12,425 million, repayments of installment payables of ¥27,294 million, purchase of treasury shares of ¥2,000 million, and dividends paid of ¥2,504 million.

(Reference) Trends in Cash Flow Indicators

	FY Ended October 2017	FY Ended October 2018	FY Ended October 2019	FY Ended October 2020
Equity ratio (%)	38.0	39.6	43.1	39.6
Equity ratio on a market capitalization basis (%)	57.6	55.2	42.1	27.0
Ratio of interest-bearing liabilities to operating cash flow (year)	2.5	2.7	2.5	3.0
Interest coverage ratio (times)	68.3	83.9	104.6	74.3

(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

Regarding the outlook for the next fiscal year, the impact of COVID-19 on economic activity and the timing of its settlement are unclear, and there are concerns about a decline in private construction investment due to the decline in the physical economy. Meanwhile, although public sector investments will continue to be required for construction related to recovery and reconstruction from increasingly severe natural disasters, disaster prevention and mitigation, and maintenance and renewal of aging social capital, we do not expect an optimistic outlook for rental demand for construction equipment in this difficult environment.

In such circumstances, to achieve the goals of its Medium-Term Corporate Management Plan "Creative 60" (FY2020-2024), the Group aims to strengthen its profitability by assessing the medium- to long-term demand outlook, securing optimal asset holdings and model mix, promoting innovation in response to changes, and further improving operational efficiency and productivity, based on the promotion of three key measures: expansion of domestic bases for operations, overseas expansion, and optimization of internal operations. The Company will also work to become a true general rental company by pursuing synergies through M&As both in Japan and abroad to further enhance the Group's strength and enhance its efforts in low market share regions and areas.

Through the above measures, for the fiscal year ending October 31, 2021, the Kanamoto Group aims for net sales of ¥190.3 billion, a growth of 6.3% year-on-year, operating profit of ¥15.0 billion, a growth of 5.3%, ordinary profit of ¥15.2 billion, a growth of 6.5%, and profit attributable to owners of parent of ¥9.0 billion, a growth of 6.3%.

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, 2019)	Current consolidated fiscal year (As of October 31, 2020)
Assets		
Current assets		
Cash and deposits	43,751	48,563
Notes and accounts receivable - trade	39,574	41,451
Electronically recorded monetary claims - operating	6,347	6,166
Merchandise and finished goods	1,017	1,205
Costs on construction contracts in progress	33	148
Raw materials and supplies	800	1,234
Construction machine parts	17,567	19,918
Other	2,527	2,495
Allowance for doubtful accounts	-225	-230
Total current assets	111,393	120,952
Non-current assets		
Property, plant and equipment		
Rental equipment	220,812	251,783
Accumulated depreciation	-134,957	-153,225
Rental equipment, net	85,855	98,557
Buildings and structures	37,453	39,804
Accumulated depreciation	-22,060	-23,293
Buildings and structures, net	15,393	16,510
Machinery, equipment and vehicles	7,828	9,611
Accumulated depreciation	-6,377	-8,025
Machinery, equipment and vehicles, net	1,451	1,585
Land	37,211	37,421
Other	2,857	4,143
Accumulated depreciation	-1,684	-2,054
Other, net	1,173	2,088
Total property, plant and equipment	141,084	156,164
Intangible assets		
Goodwill	201	7,499
Other	1,478	1,455
Total intangible assets	1,680	8,954
Investments and other assets		
Investment securities	9,319	8,974
Deferred tax assets	1,714	2,377
Other	3,344	3,557
Allowance for doubtful accounts	-353	-618
Total investments and other assets	14,024	14,291
Total non-current assets	156,789	179,410
Total assets	268,182	300,362

(Unit: Millions of yen)

	Prior consolidated fiscal year (As of October 31, 2019)	Current consolidated fiscal year (As of October 31, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	33,657	37,975
Short-term borrowings	1,120	1,035
Current portion of bonds payable	-	44
Current portion of long-term borrowings	11,147	12,942
Lease obligations	885	1,342
Income taxes payable	4,245	2,401
Provision for bonuses	1,320	1,462
Accounts payable - other	23,370	25,489
Other	2,772	4,913
Total current liabilities	78,519	87,606
Non-current liabilities		
Bonds payable	-	24
Long-term borrowings	17,206	30,082
Lease obligations	1,800	2,857
Long-term accounts payable - other	48,043	52,246
Retirement benefit liability	285	498
Asset retirement obligations	492	545
Deferred tax liabilities	-	221
Other	55	91
Total non-current liabilities	67,883	86,567
Total liabilities	146,403	174,174
Net assets		
Shareholders' equity		
Share capital	17,829	17,829
Capital surplus	19,324	19,324
Retained earnings	76,638	82,599
Treasury shares	-9	-2,009
Total shareholders' equity	113,783	117,744
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,918	1,522
Deferred gains or losses on hedges	0	-
Foreign currency translation adjustment	-192	-126
Remeasurements of defined benefit plans	-2	-49
Total accumulated other comprehensive income	1,723	1,346
Non-controlling interests	6,272	7,097
Total net assets	121,779	126,188
Total liabilities and net assets	268,182	300,362

**(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, 2018 to October 31, 2019)	Current consolidated fiscal year (From November 1, 2019 to October 31, 2020)
Net sales	180,694	179,053
Cost of sales	127,766	127,925
Gross profit	52,928	51,128
Selling, general and administrative expenses	35,085	36,877
Operating profit	17,842	14,250
Non-operating income		
Interest income	28	44
Dividend income	165	170
Rental income	80	86
Insurance claim income	69	77
Temporary transfer charges income	107	91
Reversal of allowance for doubtful accounts	14	28
Other	349	241
Total non-operating income	815	740
Non-operating expenses		
Interest expenses	88	82
Share issuance costs	46	-
Foreign exchange losses	22	75
Loss on cancellation of leases	42	60
Provision of allowance for doubtful accounts	4	340
Other	177	163
Total non-operating expenses	380	722
Ordinary profit	18,277	14,268
Extraordinary income		
Gain on sales of non-current assets	38	17
Gain on sales of investment securities	15	-
Subsidy income	19	12
Total extraordinary income	74	30
Extraordinary losses		
Loss on sales and retirement of non- current assets	189	206
Loss on valuation of investment securities	-	171
Loss on valuation of shares of subsidiaries and associates	438	188
Total extraordinary losses	627	567
Profit before income taxes	17,723	13,731
Income taxes - current	6,214	4,785
Income taxes - deferred	-698	-381
Total income taxes	5,515	4,403
Profit	12,207	9,327
Profit attributable to non-controlling interests	777	860
Profit attributable to owners of parent	11,430	8,466

(Consolidated Statements of Comprehensive Income)

(Unit: Millions of yen)

	Prior consolidated fiscal year (From November 1, 2018 to October 31, 2019)	Current consolidated fiscal year (From November 1, 2019 to October 31, 2020)
Profit	12,207	9,327
Other comprehensive income		
Valuation difference on available-for-sale securities	-234	-397
Deferred gains or losses on hedges	0	-0
Foreign currency translation adjustment	-192	66
Remeasurements of defined benefit plans, net of tax	-10	-60
Total other comprehensive income	<u>-437</u>	<u>-391</u>
Comprehensive income	<u>11,770</u>	<u>8,936</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	10,999	8,089
Comprehensive income attributable to non-controlling interests	770	846

(3) Consolidated Statements of Changes in Equity

Prior consolidated fiscal year (From November 1, 2018 to October 31, 2019)

(Unit: Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	13,652	14,916	67,086	-2,129	93,526
Changes during period					
Issuance of new shares	4,176	4,176			8,353
Dividends of surplus			-2,382		-2,382
Change in scope of consolidation			504		504
Profit attributable to owners of parent			11,430		11,430
Change in ownership interest of parent due to transactions with non-controlling interests		-13			-13
Purchase of treasury shares				-0	-0
Disposal of treasury shares		243		2,120	2,364
Net changes in items other than shareholders' equity					
Total changes during period	4,176	4,407	9,552	2,120	20,257
Balance at end of period	17,829	19,324	76,638	-9	113,783

	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	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	2,148	0	-	5	2,153	6,351	102,031
Changes during period							
Issuance of new shares					-		8,353
Dividends of surplus					-		-2,382
Change in scope of consolidation					-		504
Profit attributable to owners of parent					-		11,430
Change in ownership interest of parent due to transactions with non-controlling interests					-		-13
Purchase of treasury shares					-		-0
Disposal of treasury shares					-		2,364
Net changes in items other than shareholders' equity	-229	0	-192	-8	-430	-78	-509
Total changes during period	-229	0	-192	-8	-430	-78	19,748
Balance at end of period	1,918	0	-192	-2	1,723	6,272	121,779

Current consolidated fiscal year (From November 1, 2019 to October 31, 2020)

(Unit: Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	17,829	19,324	76,638	-9	113,783
Changes during period					
Issuance of new shares					-
Dividends of surplus			-2,505		-2,505
Change in scope of consolidation					-
Profit attributable to owners of parent			8,466		8,466
Change in ownership interest of parent due to transactions with non-controlling interests		-0			-0
Purchase of treasury shares				-2,000	-2,000
Disposal of treasury shares					-
Net changes in items other than shareholders' equity					
Total changes during period	-	-0	5,960	-2,000	3,960
Balance at end of period	17,829	19,324	82,599	-2,009	117,744

	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 period	1,918	0	-192	-2	1,723	6,272	121,779
Changes during period							
Issuance of new shares					-		-
Dividends of surplus					-		-2,505
Change in scope of consolidation					-		-
Profit attributable to owners of parent					-		8,466
Change in ownership interest of parent due to transactions with non-controlling interests					-		-0
Purchase of treasury shares					-		-2,000
Disposal of treasury shares					-		-
Net changes in items other than shareholders' equity	-395	-0	66	-46	-376	825	448
Total changes during period	-395	-0	66	-46	-376	825	4,409
Balance at end of period	1,522	-	-126	-49	1,346	7,097	126,188

(4) Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	Prior consolidated fiscal year (From November 1, 2018 to October 31, 2019)	Current consolidated fiscal year (From November 1, 2019 to October 31, 2020)
Cash flows from operating activities		
Profit before income taxes	17,723	13,731
Depreciation	27,562	28,896
Amortization of goodwill	142	176
Loss (gain) on sales and retirement of non-current assets	151	188
Cost transfer resulting from sale of rental equipment	828	744
Purchase of construction equipment and materials	-1,200	-1,743
Purchase of rental equipment	-3,847	-4,124
Loss (gain) on valuation of investment securities	-	171
Loss (gain) on sales of investment securities	-15	-
Loss on valuation of shares of subsidiaries and associates	438	188
Increase (decrease) in allowance for doubtful accounts	-10	227
Increase (decrease) in provision for bonuses	172	88
Increase (decrease) in retirement benefit liability	9	8
Interest and dividend income	-194	-215
Assets buy on the installment plan purchase payment interest for rentals	293	472
Interest expenses	88	82
Foreign exchange losses (gains)	-11	80
Decrease (increase) in trade receivables	-3,505	51
Decrease (increase) in inventories	-13	-558
Increase (decrease) in trade payables	2,025	3,891
Increase (decrease) in accounts payable - other	2,516	3,679
Other, net	92	1,773
Subtotal	43,245	47,810
Interest and dividends received	193	207
Interest paid	-374	-548
Income taxes paid	-3,918	-6,768
Net cash provided by (used in) operating activities	39,146	40,701

(Unit: Millions of yen)

	Prior consolidated fiscal year (From November 1, 2018 to October 31, 2019)	Current consolidated fiscal year (From November 1, 2019 to October 31, 2020)
Cash flows from investing activities		
Payments into time deposits	-450	-430
Proceeds from withdrawal of time deposits	470	430
Purchase of investment securities	-9	-9
Proceeds from sales of investment securities	51	25
Purchase of property, plant and equipment	-3,853	-3,211
Proceeds from sales of property, plant and equipment	42	20
Purchase of intangible assets	-490	-341
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	-9,821
Purchase of shares of subsidiaries	-1,393	-532
Purchase of shares of subsidiaries and associates	-	-133
Loan advances	-588	-398
Collection of loans receivable	112	376
Collection of long-term accounts receivable - other	125	140
Other, net	-5	-155
Net cash provided by (used in) investing activities	-5,989	-14,040

(Unit: Millions of yen)

	Prior consolidated fiscal year (From November 1, 2018 to October 31, 2019)	Current consolidated fiscal year (From November 1, 2019 to October 31, 2020)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	-256	-85
Proceeds from long-term borrowings	5,560	23,270
Repayments of long-term borrowings	-13,133	-12,425
Repayments of installment payables	-25,358	-27,294
Repayments of lease obligations	-1,027	-1,143
Proceeds from issuance of shares	8,353	-
Proceeds from sales of treasury shares	2,364	-
Purchase of treasury shares	-0	-2,000
Dividends paid	-2,379	-2,504
Dividends paid to non-controlling interests	-22	-20
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-840	-
Other, net	-0	-0
Net cash provided by (used in) financing activities	-26,740	-22,204
Effect of exchange rate change on cash and cash equivalents	-28	16
Net increase (decrease) in cash and cash equivalents	6,388	4,473
Cash and cash equivalents at beginning of period	36,733	43,511
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	390	-
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	-	38
Cash and cash equivalents at end of period	43,511	48,023

(5) Notes to the 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 purchased 935,800 shares of treasury shares in accordance with the resolution of the Board of Directors held on March 17, 2020.

As a result, the Company's treasury shares increased by ¥2,000 million during the consolidated fiscal year under review, and treasury shares at the end of the consolidated fiscal year under review totaled -¥2,009 million.

(Changes to Material Subsidiaries during the Consolidated Fiscal Year under Review)

In the consolidated fiscal year under review, the Company acquired the shares of PORTER GROUP NOMINEES PTY LTD, PORTER UTILITIES PTY LTD, and MADICA PTY LTD through KANAMOTO AUSTRALIA HOLDINGS PTY LTD, a specific subsidiary established by the Company, making these three companies the Company's consolidated subsidiaries including the two subsidiaries.

Although not a change corresponding to changes in specific subsidiaries, during the consolidated fiscal year under review, the Company acquired the shares of SOOKI HOLDINGS Co., Ltd. and made it a consolidated subsidiary including one of its subsidiaries.

(Changes in Accounting Policies)

(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)

Certain domestic consolidated subsidiaries, which previously used the declining-balance method of depreciation for rental assets, changed to the straight-line method from the consolidated fiscal year under review.

This change was made as a result of a review of the depreciation method in connection with the formulation of the new Medium-Term Corporate Management Plan "Creative 60," one of the core elements of which is "to strengthen cooperation among the Group and to align our goals to the strategic and tactical level," and as a result, the Company judged that the straight-line method is a reasonable method that more appropriately reflects the actual conditions of future use of rental assets, as it will achieve long-term, stable operation of rental assets through the "development of an environment that promotes group circulation" and other means.

As a result, compared with the figures based on the previous method, operating profit, ordinary profit and profit before income taxes for the consolidated fiscal year under review each increased by ¥1,052 million. The impact on segment information is stated in the relevant section.

(Supplemental Information)

(Accounting estimates due to the spread of COVID-19)

COVID-19 is still having an economic impact and will include a minor impact on the consolidated results of the Group. Accounting estimates such as estimates for the recoverability of deferred tax assets are based on assumptions regarding the future spread of the disease, the timing of its settlement and the market trend afterwards, supposing that the spread of the disease will settle in the next fiscal year or later and business activities will be largely normalized.

Please note that these assumptions are highly volatile and results based on actual values in the future may differ from these estimates and assumptions.

(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 comply with accounting standards that have been adopted in preparing 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, 2018 to October 31, 2019)

(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	161,831	18,862	180,694
Net sales or transfers between related segments	-	-	-
Total	161,831	18,862	180,694
Segment income	16,505	913	17,419
Segment assets	203,504	7,731	211,235
Other items			
Depreciation	25,993	1,165	27,158
Amortization of goodwill	76	66	142
Amount of increase of property, plant and equipment and intangible assets	35,559	1,186	36,745

(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, 2019 to October 31, 2020)

(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	160,826	18,226	179,053
Net sales or transfers between related segments	-	-	-
Total	160,826	18,226	179,053
Segment income	12,852	969	13,822
Segment assets	235,719	8,169	243,888
Other items			
Depreciation	27,222	1,255	28,478
Amortization of goodwill	110	66	176
Amount of increase of property, plant and equipment and intangible assets	48,275	1,594	49,869

(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	161,831	160,826
Net sales for "Other businesses" classification	18,862	18,226
Intersegment eliminations	-	-
Net sales reported in the consolidated financial statements	180,694	179,053

(Unit: Millions of yen)

Income	Prior consolidated fiscal year	Current consolidated fiscal year
Reporting segment total	16,505	12,852
Income for "Other businesses" classification	913	969
Other adjustments	423	428
Operating profit reported in the consolidated financial statements	17,842	14,250

(Unit: Millions of yen)

Assets	Prior consolidated fiscal year	Current consolidated fiscal year
Reporting segment total	203,504	235,719
Assets of "Other businesses" classification	7,731	8,169
Company assets (Note)	56,947	56,474
Total assets reported in the consolidated financial statements	268,182	300,362

(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	25,993	27,222	1,165	1,255	404	418	27,562	28,896
Amount of increase of property, plant and equipment and intangible assets	35,559	48,275	1,186	1,594	580	404	37,325	50,274

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

5. Matters concerning changes to reporting segments

(Change in the depreciation method of property, plant and equipment)

As described in "Changes in Accounting Policies," beginning from the consolidated fiscal year under review, certain consolidated subsidiaries have changed their depreciation method for rental equipment from the declining-balance method to the straight-line method.

As a result of this change, compared with the figure based on the previous method, segment income for the business related to the Construction Equipment Rental Division for the consolidated fiscal year under review increased by ¥1,052 million.

(Business Combinations)

Business combination through acquisition
(SOOKI HOLDINGS Co., Ltd.)

1. Outline of the business combination

(1) Name and business of the acquired company

Name of the acquired company: SOOKI HOLDINGS Co., Ltd.

Description of business: Owner of shares in the company (subsidiary SOOKI Co., Ltd.) specializing in the measuring instrument business, business of the development, rental and on-site introduction support of automatic measurement systems, etc. In addition, controls, manages, guides, develops, etc. the business activities of that company.

(2) Main reasons for business combination

Strengthen the measuring instrument business and pursue improved service quality, management efficiency and other synergies through the sharing of management resources, such as providing technical know-how and utilizing the customer base, to further increase corporate value.

(3) Date of business combination

September 30, 2020

(4) Legal form of business combination

Acquisition of shares paid for in cash

(5) Name of resulting entity

There is no change in the company name.

(6) Ownership ratio after acquisition of voting rights

100%

(7) Main grounds for determining the acquirer

As the Company has acquired a voting right ratio of 100% following an acquisition of shares of SOOKI HOLDINGS Co., Ltd. paid for in cash, the Company is considered to be the acquirer.

2. Period of operating results of acquired entity included in consolidated financial statements

The consolidated operating results of SOOKI HOLDINGS Co., Ltd. are not included in the consolidated statements of income for the consolidated fiscal year under review.

3. Acquisition cost of the acquired company and acquisition cost breakdown

(Unit: Millions of yen)

Cash and deposits delivered on date of business	5,582
<u>combination</u>	
Acquisition cost	5,582

4. Details and amounts of main acquisition-related costs

(Unit: Millions of yen)

Advisory fees and others	8
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5. Amount of goodwill recognized, reason for recognition of goodwill, and method and period for amortization of goodwill

(1) Amount of goodwill recognized

¥4,325 million

(2) Reason for recognition of goodwill

As the net assets at fair value at the time of combination were below the acquisition price, the difference was recorded as goodwill.

(3) Method and period for amortization of goodwill

Goodwill is amortized by the straight-line method over eight years.

6. Acquisition cost allocation

Because the process of specifying identifiable assets and liabilities on the date of business combination and calculating their fair value was incomplete and the acquisition cost allocation was

not completed at the end of the consolidated fiscal year under review, a provisional accounting treatment was performed based on the reasonable information available at that time.

7. Amounts and main breakdown of assets acquired and liabilities assumed as of date of business combination

	(Unit: Millions of yen)
Current assets	2,310
Non-current assets	1,251
<u>Total assets</u>	<u>3,562</u>
Current liabilities	1,386
Non-current liabilities	919
<u>Total liabilities</u>	<u>2,305</u>

8. Estimated amounts of the impact on consolidated statements of income for the consolidated fiscal year under review assuming the business combination was completed at the beginning of the consolidated fiscal year, and the calculation method thereof

	(Unit: Millions of yen)
Net sales	4,885
Operating profit	574
Ordinary profit	578
Profit before income taxes	441
Profit attributable to owners of parent	223

(Calculation method of estimated amounts)

The estimated amounts of the impact indicate the differences between the net sales and the profit and loss information calculated by assuming the business combination was completed at the beginning of the consolidated fiscal year and the net sales and the profit and loss information on the consolidated statements of income of the acquiring company.

The note has not received audit certification.

(KANAMOTO AUSTRALIA HOLDINGS PTY LTD)

1. Outline of the business combination

(1) Name and business of the acquired company

Name of the acquired company: KANAMOTO AUSTRALIA HOLDINGS PTY LTD

Description of business: Asset management (holding company), and management of subsidiaries (the following five companies)

(i) PORTER EXCAVATIONS PTY. LTD.: Rental of construction equipment

(ii) PORTER UTILITIES PTY LTD: Laying of gas pipes

(iii) MADICA PTY LTD: Civil engineering and public works projects, and dispatching of professional operators

(iv) PORTER GROUP NOMINEES PTY LTD: Holding company (100% ownership of (i))

(v) PORTER UTILITIES HOLDINGS PTY LTD: Holding company (100% ownership of (ii))

(2) Main reasons for business combination

The Company believes the business combination will help strengthen overseas expansion, which is one of the key measures of the Company's new Medium-Term Corporate Management Plan "Creative 60."

(3) Date of business combination

October 15, 2020

(4) Legal form of business combination

Acquisition of shares paid for in cash

(5) Name of resulting entity

There is no change in the company name.

(6) Ownership ratio after acquisition of voting rights

100%

(7) Main grounds for determining the acquirer

As the Company has acquired a voting right ratio of 100% following an acquisition of shares of KANAMOTO AUSTRALIA HOLDINGS PTY LTD paid for in cash, the Company is considered to be the acquirer.

2. Period of operating results of acquired entity included in consolidated financial statements

The consolidated operating results of KANAMOTO AUSTRALIA HOLDINGS PTY LTD are not included in the consolidated statements of income for the consolidated fiscal year under review.

3. Acquisition cost of the acquired company and acquisition cost breakdown

(Unit: Millions of yen)

Cash and deposits delivered on date of business combination	5,687
Acquisition cost	5,687

4. Details and amounts of main acquisition-related costs

(Unit: Millions of yen)

Advisory fees and others	324
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5. Amount of goodwill recognized, reason for recognition of goodwill, and method and period for amortization of goodwill

(1) Amount of goodwill recognized

¥3,114 million

(2) Reason for recognition of goodwill

As the net assets at fair value at the time of combination were below the acquisition price, the difference was recorded as goodwill.

(3) Method and period for amortization of goodwill

Goodwill is amortized by the straight-line method over eight years.

6. Acquisition cost allocation

Because the process of specifying identifiable assets and liabilities on the date of business combination and calculating their fair value was incomplete and the acquisition cost allocation was not completed at the end of the consolidated fiscal year under review, a provisional accounting treatment was performed based on the reasonable information available at that time.

7. Amounts and main breakdown of assets acquired and liabilities assumed as of date of business combination

(Unit: Millions of yen)

Current assets	1,567
Non-current assets	8,141
Total assets	9,708
Current liabilities	1,485
Non-current liabilities	2,484
Total liabilities	3,970

8. Estimated amounts of the impact on consolidated statements of income for the consolidated fiscal year under review assuming the business combination was completed at the beginning of the consolidated fiscal year, and the calculation method thereof

(Unit: Millions of yen)

Net sales	4,188
Operating profit	692
Ordinary profit	760
Profit before income taxes	842
Profit attributable to owners of parent	577

(Calculation method of estimated amounts)

The estimated amounts of the impact indicate the differences between the net sales and the profit and loss information calculated by assuming the business combination was completed at the beginning of the consolidated fiscal year and the net sales and the profit and loss information on the consolidated statements of income of the acquiring company.

In addition, because the business combination was before the establishment of the holding company KANAMOTO AUSTRALIA HOLDINGS PTY LTD, the figures shown are the consolidated financial results of the operating company that became a subsidiary as a result of acquiring the shares.

The note has not received audit certification.

(Per Share Information)

Prior consolidated fiscal year (From November 1, 2018 to October 31, 2019)		Current consolidated fiscal year (From November 1, 2019 to October 31, 2020)	
Net assets per share	¥2,981.68	Net assets per share	¥3,150.30
Earnings per share	¥295.30	Earnings per share	¥221.45
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, unless otherwise noted)

	Prior consolidated fiscal year (From November 1, 2018 to October 31, 2019)	Current consolidated fiscal year (From November 1, 2019 to October 31, 2020)
Profit attributable to owners of parent	11,430	8,466
Amount not attributed to common share shareholders	-	-
Profit attributable to owners of parent related to common shares	11,430	8,466
Average number of shares outstanding during the fiscal year (Shares)	38,706,149	38,232,825

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

The Company had no material items to report.