



# Fiscal Year ended October 31, 2019

## Financial Statements Bulletin (Japan GAAP)

December 6, 2019

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, 2020  
 Scheduled date for commencement of dividend payments January 29, 2020  
 Scheduled date for submission of Annual Securities Report January 28, 2020  
 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, 2019

(November 1, 2018 – October 31, 2019)

#### (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, 2019	180,694	7.4	17,842	1.4	18,277	2.0	11,430	-3.6
Fiscal year ended October 31, 2018	168,188	6.2	17,599	5.6	17,925	4.3	11,857	10.4

(Note) Comprehensive income (millions of yen)

Fiscal year ended October 31, 2019	11,770	(-3.6%)
Fiscal year ended October 31, 2018	12,208	(2.0%)

	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, 2019	295.30	–	10.8	7.2	9.9
Fiscal year ended October 31, 2018	335.54	–	13.0	7.6	10.5

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

Fiscal year ended October 31, 2019	–
Fiscal year ended October 31, 2018	–

#### (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, 2019	268,182	121,779	43.1	2,981.68
As of October 31, 2018	241,374	102,031	39.6	2,707.49

(Reference) Equity (millions of yen)

As of October 31, 2019	115,507
As of October 31, 2018	95,680

#### (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, 2019	39,146	-5,989	-26,740	43,511
Fiscal year ended October 31, 2018	35,421	-6,980	-26,858	36,733

## 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, 2018	–	20.00	–	40.00	60.00	2,120	17.9	2.3
Fiscal year ended October 31, 2019	–	25.00	–	40.00	65.00	2,518	22.0	2.3
Fiscal year ending October 31, 2020 (projected)	–	25.00	–	40.00	65.00		25.4	

## 3. Projected Consolidated Operating Results for the Fiscal Year Ending October 31, 2020

(November 1, 2019 - October 31, 2020)

(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	92,300	0.5	9,400	-16.6	9,500	-17.5	5,700	-21.4	147.26
Full year	182,700	1.1	16,100	-9.8	16,400	-10.3	9,900	-13.4	255.77

Notes

(1) Changes in material subsidiaries during the period under review (changes in specific subsidiaries in conjunction with a change in the scope of consolidation): No

Company newly included	–
Company newly excluded	–

(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, 2019 38,742,241 shares

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

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

As of October 31, 2019 3,259 shares

As of October 31, 2018 753,183 shares

(c) Average number of shares outstanding during the period

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

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

**(Reference) Summary of Non-Consolidated Operating Results****1. Non-Consolidated Operating Results for the Fiscal Year Ended October 31, 2019**

(November 1, 2018 – October 31, 2019)

**(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, 2019	121,965	7.0	11,531	-5.7	12,451	-4.0	8,400	-11.8
Fiscal year ended October 31, 2018	113,990	6.3	12,233	2.3	12,971	3.6	9,529	11.4

	Earnings per Share	Earnings per Share on a Fully Diluted Basis
	Yen	Yen
Fiscal year ended October 31, 2019	217.03	–
Fiscal year ended October 31, 2018	269.66	–

**(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, 2019	214,065	102,823	48.0	2,654.26
As of October 31, 2018	193,459	86,288	44.6	2,441.74

(Reference) Equity (millions of yen)  
As of October 31, 2019 102,823  
As of October 31, 2018 86,288

**2. Projected Non-Consolidated Operating Results for the Fiscal Year Ending October 31, 2020**

(November 1, 2019 - October 31, 2020)

(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	61,400	-1.2	5,700	-22.9	3,900	-23.5	100.76
Full year	122,400	0.4	9,700	-22.1	6,600	-21.4	170.52

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 9, 2019. 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.

## ○Attachments Table of Contents

1. Overview of Operating Results and Others .....	6
(1) Overview of Operating Results and Others for the Fiscal Year Ended October 31, 2019.....	6
(2) Overview of Financial Position for the Fiscal Year Ended October 31, 2019.....	6
(3) Overview of Cash Flows for the Fiscal Year Ended October 31, 2019.....	7
(4) Future Outlook.....	8
2. Basic Policy Regarding Selection of Accounting Standards .....	10
3. Consolidated Financial Statements and Significant Notes Thereto.....	11
(1) Consolidated Balance Sheets.....	11
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income .....	13
(Consolidated Statements of Income) .....	13
(Consolidated Statements of Comprehensive Income) .....	14
(3) Consolidated Statements of Changes in Equity .....	15
(4) Consolidated Statements of Cash Flows.....	19
(5) Notes to the Consolidated Financial Statements.....	21
(Notes Relating to the Going Concern Assumption) .....	21
(Note on Significant Changes to Shareholders' Equity) .....	21
(Changes to Material Subsidiaries during the Consolidated Fiscal Year under Review).....	21
(Changes in Presentation) .....	21
(Segment Information) .....	22
(Per Share Information) .....	24
(Material Events after the Close of the Consolidated Fiscal Year).....	24

## 1. Overview of Operating Results and Others

### (1) Overview of Operating Results and Others for the Fiscal Year Ended October 31, 2019

In the fiscal year under review, Japan's economy maintained a moderate recovery trend, with continuous improvements in employment and income environments despite apparent weaknesses in exports and production. However, the outlook for the business conditions remained unclear due to foreign economic trends including Brexit issue, uncertainty over governmental policies, effects of tensions regarding trade issues on the global economy, etc.

In the construction industry where the Kanamoto Group belongs, public sector investment was solid, mainly in construction related to preventing and reducing damage from disasters and maintenance, updates, etc. in response to the aging of social capital, and favorable private sector construction investments were seen mainly in redevelopment projects, etc. in major metropolitan areas, while a chronic shortage of skilled construction workers, persistently high material and equipment costs, and other conditions that demand close attention persist.

In such circumstances, the Group moved forward aggressively with its regional strategy and capital investment with the aim of ensuring earning opportunities for the entire Group and achieving the "BULL55" long-term vision (fiscal 2015 to fiscal 2019). Also, securing and training the human resources who will lead the Group's future is a priority issue in order to commit to the long-term growth strategy and, anticipating the future of the overall industry, the Group carried out personnel system reforms and other measures.

Consequently, in the fiscal year ended October 31, 2019 net sales rose 7.4% from the prior consolidated fiscal year level to ¥180,694 million. Operating profit increased 1.4% year on year to ¥17,842 million, ordinary profit rose 2.0% to ¥18,277 million, and profit attributable to owners of parent decreased 3.6% to ¥11,430 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, rental demand for construction equipment was solid as a whole, with transportation infrastructure refurbishment related to the Tokyo Olympics and Paralympics, large-scale redevelopment construction, construction projects related to national resilience, etc. Further, the Group has worked to strengthen 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. As a result, sales by region in this business were up 8.8% in the Hokkaido Region, down 2.0% in the Tohoku Region, up 12.1% in the Kanto & Koushinetsu Region, up 8.8% in the Nishi-nihon Region, and up 11.5% in the Kyushu & Okinawa Region.

In addition, used construction equipment sales increased 22.9% year-on-year, as Kanamoto sold its equipment based on its initial plan in order to maintain a proper composition of assets.

Reflecting these factors, the Kanamoto Group posted net sales in the construction-related businesses of ¥161,831 million, an increase of 7.5% year-on-year, and operating profit of ¥16,505 million, an increase of 0.9%.

#### < Other businesses >

In the Company's other businesses, net sales were up 6.9% from the same period of the previous consolidated fiscal year to ¥18,862 million because of steady demand in Kanamoto's steel products-related, information and telecommunications-related, and welfare-related businesses. Operating profit from these operations was up 7.9% to ¥913 million.

### (2) Overview of Financial Position for the Fiscal Year Ended October 31, 2019

Total assets at the end of the consolidated fiscal year under review stood at ¥268,182 million, an increase of ¥26,808 million compared with the end of the prior consolidated fiscal year. This was primarily due to a ¥6,958 million increase in cash and deposits, a ¥2,838 million increase in notes and accounts receivable -

trade, a ¥1,255 million increase in electronically recorded monetary claims - operating, a ¥2,914 million increase in construction equipment and materials in conjunction with operating activities, and a ¥9,578 million increase in rental equipment.

Total liabilities were ¥146,403 million, an increase of ¥7,060 million compared with the end of the prior consolidated fiscal year. This was primarily due to a ¥2,962 million increase in notes and accounts payable - trade, a ¥2,316 million increase in income taxes payable, and a ¥8,452 million increase in long-term accounts payable - other, tempered by a ¥1,678 million decrease in current portion of long-term loans payable and a ¥5,881 million decrease in long-term loans payable.

Total net assets totaled ¥121,779 million, ¥19,748 million higher than at the end of the prior consolidated fiscal year. This mainly reflected increases of ¥8,353 million from the issuance of new shares by way of a public offering and third-party allotment and an increase of ¥2,364 million from the disposal of treasury shares by way of a public offering, profit attributable to owners of parent of ¥11,430 million, and a decrease of ¥2,382 million for dividends of surplus.

### (3) Overview of Cash Flows for the Fiscal Year Ended October 31, 2019

(Unit: Millions of yen)

	FY Ended October 2018 (Prior consolidated fiscal year)	FY Ended October 2019 (Consolidated fiscal year under review)	Change from prior year
Net cash provided by (used in) operating activities	35,421	39,146	3,725
Net cash provided by (used in) investing activities	-6,980	-5,989	991
Net cash provided by (used in) financing activities	-26,858	-26,740	117
Net increase (decrease) in cash and cash equivalents	1,572	6,388	4,815
Cash and cash equivalents at beginning of period	35,160	36,733	1,572
Cash and cash equivalents at end of period	36,733	43,511	6,778

The balance of cash and cash equivalents ("cash") at the end of the consolidated fiscal year under review was ¥43,511 million, an increase of ¥6,778 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 ¥39,146 million, an increase of 10.5% from the prior consolidated fiscal year. This was primarily attributable to the following: profit before income taxes of ¥17,723 million, depreciation of ¥27,562 million, increase in notes and accounts payable - trade of ¥2,025 million, increase in accounts payable - other of ¥2,516 million, as well as purchase of construction equipment and materials of ¥1,200 million, purchase of rental equipment of ¥3,847 million, increase in notes and accounts receivable - trade of ¥3,505 million and income taxes paid of ¥3,918 million.

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

Cash flow utilized in investing activities was ¥5,989 million, compared with ¥6,980 million in the prior consolidated fiscal year. This mainly reflected the purchase of property, plant and equipment of ¥3,853 million and the purchase of shares of subsidiaries of ¥1,393 million.

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

Cash flow used for financing activities was ¥26,740 million, compared with cash flow used in financing activities in the prior consolidated fiscal year of ¥26,858 million. This mainly reflected proceeds from issuance of common shares of ¥8,353 million, proceeds from sales of treasury shares of ¥2,364 million, proceeds from long-term loans payable of ¥5,560 million, as well as repayments of

installment payables of ¥25,358 million, repayments of long-term loans payable of ¥13,133 million, and cash dividends paid of ¥2,379 million.

(Reference) Trends in Cash Flow Indicators

	FY Ended October 2016	FY Ended October 2017	FY Ended October 2018	FY Ended October 2019
Equity ratio (%)	34.8	38.0	39.6	43.1
Equity ratio on a market capitalization basis (%)	40.5	57.6	55.2	42.1
Ratio of interest-bearing liabilities to operating cash flow (year)	3.8	2.5	2.7	2.5
Interest coverage ratio (times)	40.8	68.3	83.9	104.6

(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, such as construction related to the Tokyo Olympics and Paralympics, infrastructure refurbishment construction, redevelopment projects, primarily in urban areas, and other large projects.

The Group has formulated a new medium-term management plan "Creative 60" (fiscal 2020 to fiscal 2024) to create a new Kanamoto Group for a new era.

The Group's corporate philosophy is to be an excellent, dynamic corporate group that uses its solid earnings as a base to reward shareholders, customers and employees, the Group vision is to build a foundation for sustainable growth, and the Group value is as a true general rental company, a large-scale rental mall that functions as a centralized site for specialty stores, and a company that accumulates and shares all types of solutions.

##### Priority policies

- (i) Expansion of domestic base of operations: Bring together the strengths of the Group
  - ◇ Extract further potential from existing areas ◇ Enter new areas and develop areas that have a low share ◇ Enter non-construction-related fields
- (ii) Overseas development: Upgrade to Overseas Strategy 2.0 (Next Generation)
  - ◇ Optimize global portfolio ◇ Establish Kanamoto version of global platform ◇ Non-organic strategy ◇ Move toward 10% overseas sales ratio
- (iii) Optimization of internal operational processes: Improve earnings in rental business
  - ◇ Merge sales strategy (marketing and sales) and IT ◇ Invest in resources for product planning and R&D ◇ Improve productivity ◇ Improve environment to enhance Group logistics ◇ Focus on securing and training human resources

#### Medium-term performance plan

Overcome changes in the external environment (rising material and labor costs, intense competition, etc.), changes in the Company environment (increasing rental costs, personnel expenses, etc.) and other factors that will impede growth, and create a strong Kanamoto Group for a new era.

##### Goals for FY2024

- Net sales: ¥228.0 billion
- Operating profit: ¥23.0 billion
- EBITDA+: ¥72.7 billion
- Equity ratio: 48.7%
- ROA: 4.8%
- ROE: 10.0%

For the consolidated results in the fiscal year ending October 31, 2020, which is the first year of the management reforms aimed at achieving “Creative 60” that tackles the challenges in the medium to long term, the Kanamoto Group aims for net sales of ¥182.7 billion, a growth of 1.1% year-on-year. On the earnings front, the Group will select and focus on opportunities according to the market environment while remaining on the current growth path, plans to extend the operation period of rental equipment aimed at strengthening the Group’s ability to respond to future restructuring in the industry and frequently occurring serious disasters, and will proactively invest in human resources through personnel system reforms and other measures. Accordingly, the Group aims for operating profit of ¥16.1 billion, a decrease of 9.8% year-on-year, ordinary profit of ¥16.4 billion, a decrease of 10.3%, and profit attributable to owners of parent of ¥9.9 billion, a decrease of 13.4%.

## **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, 2018)	Current consolidated fiscal year (As of October 31, 2019)
<b>Assets</b>		
Current assets		
Cash and deposits	36,793	43,751
Notes and accounts receivable - trade	36,736	39,574
Electronically recorded monetary claims - operating	5,091	6,347
Securities	200	-
Merchandise and finished goods	765	1,017
Costs on uncompleted construction contracts	55	33
Raw materials and supplies	651	800
Construction equipment and materials	14,652	17,567
Other	1,710	2,527
Allowance for doubtful accounts	-208	-225
Total current assets	96,448	111,393
Non-current assets		
Property, plant and equipment		
Rental equipment	203,519	220,812
Accumulated depreciation	-127,242	-134,957
Rental equipment, net	76,277	85,855
Buildings and structures	35,531	37,453
Accumulated depreciation	-20,859	-22,060
Buildings and structures, net	14,671	15,393
Machinery, equipment and vehicles	7,643	7,828
Accumulated depreciation	-6,333	-6,377
Machinery, equipment and vehicles, net	1,309	1,451
Land	36,566	37,211
Other	2,227	2,857
Accumulated depreciation	-1,544	-1,684
Other, net	682	1,173
Total property, plant and equipment	129,508	141,084
Intangible assets		
Goodwill	343	201
Other	1,236	1,478
Total intangible assets	1,580	1,680
Investments and other assets		
Investment securities	9,989	9,319
Deferred tax assets	856	1,714
Other	3,367	3,344
Allowance for doubtful accounts	-375	-353
Total investments and other assets	13,837	14,024
Total non-current assets	144,926	156,789
Total assets	241,374	268,182

(Unit: Millions of yen)

	Prior consolidated fiscal year (As of October 31, 2018)	Current consolidated fiscal year (As of October 31, 2019)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	30,695	33,657
Short-term loans payable	1,146	1,120
Current portion of long-term loans payable	12,825	11,147
Lease obligations	945	885
Income taxes payable	1,929	4,245
Provision for bonuses	1,136	1,320
Accounts payable - other	22,839	23,370
Other	2,749	2,772
Total current liabilities	74,267	78,519
Non-current liabilities		
Long-term loans payable	23,087	17,206
Lease obligations	1,684	1,800
Long-term accounts payable - other	39,591	48,043
Retirement benefit liability	261	285
Asset retirement obligations	449	492
Other	-	55
Total non-current liabilities	65,075	67,883
<b>Total liabilities</b>	<b>139,342</b>	<b>146,403</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	13,652	17,829
Capital surplus	14,916	19,324
Retained earnings	67,086	76,638
Treasury shares	-2,129	-9
Total shareholders' equity	93,526	113,783
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,148	1,918
Deferred gains or losses on hedges	0	0
Foreign currency translation adjustment	-	-192
Remeasurements of defined benefit plans	5	-2
Total accumulated other comprehensive income	2,153	1,723
Non-controlling interests	6,351	6,272
<b>Total net assets</b>	<b>102,031</b>	<b>121,779</b>
<b>Total liabilities and net assets</b>	<b>241,374</b>	<b>268,182</b>

**(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, 2017 to October 31, 2018)	Current consolidated fiscal year (From November 1, 2018 to October 31, 2019)
Net sales	168,188	180,694
Cost of sales	117,220	127,766
Gross profit	50,968	52,928
Selling, general and administrative expenses	33,368	35,085
Operating profit	17,599	17,842
Non-operating income		
Interest income	19	28
Dividend income	159	165
Insurance income	74	69
Rent income	81	80
Temporary transfer charges income	105	107
Reversal of allowance for doubtful accounts	20	14
Other	284	349
Total non-operating income	746	815
Non-operating expenses		
Interest expenses	108	88
Foreign exchange losses	78	22
Share issuance cost	–	46
Loss on cancellation of leases	38	42
Other	194	181
Total non-operating expenses	420	380
Ordinary profit	17,925	18,277
Extraordinary income		
Gain on sales of non-current assets	8	38
Subsidy income	12	19
Gain on sales of investment securities	1	15
Compensation income for damage	29	–
Total extraordinary income	51	74
Extraordinary losses		
Impairment loss	30	–
Loss on sales and retirement of non- current assets	205	189
Loss on sales of shares of subsidiaries and associates	322	–
Loss on valuation of shares of subsidiaries and associates	–	438
Loss on sales of investment securities	157	–
Loss on valuation of investment securities	44	–
Total extraordinary losses	760	627
Profit before income taxes	17,216	17,723
Income taxes - current	4,509	6,214
Income taxes - deferred	16	-698
Total income taxes	4,525	5,515
Profit	12,691	12,207
Profit attributable to non-controlling interests	834	777
Profit attributable to owners of parent	11,857	11,430

**(Consolidated Statements of Comprehensive Income)**

(Unit: Millions of yen)

	Prior consolidated fiscal year (From November 1, 2017 to October 31, 2018)	Current consolidated fiscal year (From November 1, 2018 to October 31, 2019)
Profit	12,691	12,207
Other comprehensive income		
Valuation difference on available-for-sale securities	-397	-234
Deferred gains or losses on hedges	-0	0
Foreign currency translation adjustment	-85	-192
Remeasurements of defined benefit plans, net of tax	0	-10
Total other comprehensive income	-483	-437
Comprehensive income	12,208	11,770
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	11,382	10,999
Comprehensive income attributable to non-controlling interests	826	770

**(3) Consolidated Statements of Changes in Equity**

Prior 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					
Issuance of new shares					-
Dividends of surplus			-1,943		-1,943
Change of scope of consolidation					-
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	Remeasure-ments 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							
Issuance of new shares					-		-
Dividends of surplus					-		-1,943
Change of scope of consolidation					-		-
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

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

(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	67,086	-2,129	93,526
Changes of items during period					
Issuance of new shares	4,176	4,176			8,353
Dividends of surplus			-2,382		-2,382
Change of 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 of items other than shareholders' equity					
Total changes of items during period	4,176	4,407	9,552	2,120	20,257
Balance at end of current 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 current period	2,148	0	–	5	2,153	6,351	102,031
Changes of items during period							
Issuance of new shares					–		8,353
Dividends of surplus					–		-2,382
Change of 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 of items other than shareholders' equity	-229	0	-192	-8	-430	-78	-509
Total changes of items during period	-229	0	-192	-8	-430	-78	19,748
Balance at end of current period	1,918	0	-192	-2	1,723	6,272	121,779

**(4) Consolidated Statements of Cash Flows**

(Unit: Millions of yen)

	Prior consolidated fiscal year (From November 1, 2017 to October 31, 2018)	Current consolidated fiscal year (From November 1, 2018 to October 31, 2019)
Cash flows from operating activities		
Profit before income taxes	17,216	17,723
Depreciation	25,580	27,562
Impairment loss	30	–
Amortization of goodwill	142	142
Loss (gain) on sales and retirement of non-current assets	196	151
Cost transfer resulting from sale of rental equipment	1,449	828
Purchase of construction equipment and materials	-1,211	-1,200
Purchase of rental equipment	-4,051	-3,847
Loss (gain) on valuation of investment securities	44	–
Loss (gain) on sales of investment securities	156	-15
Loss on valuation of shares of subsidiaries and associates	–	438
Loss (gain) on sales of shares of subsidiaries and associates	322	–
Increase (decrease) in allowance for doubtful accounts	121	-10
Increase (decrease) in provision for bonuses	36	172
Increase (decrease) in retirement benefit liability	2	9
Interest and dividend income	-178	-194
Assets buy on the installment plan purchase payment interest for rentals	315	293
Interest expenses	108	88
Foreign exchange losses (gains)	65	-11
Compensation income for damage	-29	–
Decrease (increase) in notes and accounts receivable - trade	-1,792	-3,505
Decrease (increase) in inventories	-594	-13
Increase (decrease) in notes and accounts payable - trade	2,211	2,025
Increase (decrease) in accounts payable - other	2,155	2,516
Other, net	-841	92
Subtotal	41,458	43,245
Interest and dividend income received	177	193
Compensation for damage income received	29	–
Interest expenses paid	-422	-374
Income taxes paid	-5,822	-3,918
Net cash provided by (used in) operating activities	35,421	39,146

(Unit: Millions of yen)

	Prior consolidated fiscal year (From November 1, 2017 to October 31, 2018)	Current consolidated fiscal year (From November 1, 2018 to October 31, 2019)
Cash flows from investing activities		
Payments into time deposits	-450	-450
Proceeds from withdrawal of time deposits	450	470
Purchase of investment securities	-9	-9
Proceeds from sales of investment securities	50	51
Purchase of property, plant and equipment	-4,413	-3,853
Proceeds from sales of property, plant and equipment	92	42
Purchase of intangible assets	-365	-490
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	-9	-
Purchase of shares of subsidiaries	-1,692	-1,393
Purchase of shares of subsidiaries and associates	-99	-
Payments of loans receivable	-621	-588
Collection of loans receivable	135	112
Collection of long-term accounts receivable - other	-	125
Other, net	-46	-5
Net cash provided by (used in) investing activities	-6,980	-5,989
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	152	-256
Proceeds from long-term loans payable	13,300	5,560
Repayments of long-term loans payable	-13,262	-13,133
Repayments of installment payables	-23,948	-25,358
Repayments of lease obligations	-1,133	-1,027
Proceeds from issuance of common shares	-	8,353
Proceeds from sales of treasury shares	-	2,364
Purchase of treasury shares	-	-0
Cash dividends paid	-1,942	-2,379
Dividends paid to non-controlling interests	-22	-22
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	-26,858	-26,740
Effect of exchange rate change on cash and cash equivalents	-9	-28
Net increase (decrease) in cash and cash equivalents	1,572	6,388
Cash and cash equivalents at beginning of period	35,160	36,733
Increase in cash and cash equivalents from newly consolidated subsidiary	-	390
Cash and cash equivalents at end of period	36,733	43,511

## **(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)**

At its Board of Directors meeting held on November 12, 2018, the Company resolved to issue new shares by way of public offering and third-party allotment, dispose of treasury shares by way of public offering, and conduct a secondary offering of the Company's shares. Accordingly, the Company issued 2,250,000 new shares by way of public offering with a payment date of November 28, 2018, which increased the capital stock and capital surplus of the Company by ¥3,546 million each, and disposed of 750,000 shares of treasury shares by way of public offering, which decreased treasury shares by ¥2,120 million and increased capital surplus by ¥243 million. The delivery of 450,000 secondary offering shares of the Company was completed on November 29, 2018 and the capital stock and capital surplus of the Company each increased by ¥630 million through the issuance of 400,000 new shares by way of third-party allotment for which the payment date was December 19, 2018.

As a result, as of October 31, 2019 the Company's capital stock was ¥17,829 million, its capital surplus was ¥19,324 million and treasury shares were -¥9 million.

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

The Company had no material items to report.

Although not a change corresponding to changes in specific subsidiaries, beginning from the current consolidated fiscal year the Company is including KG Flowtechno Co., Ltd. and KANAMOTO (CHINA) INVESTMENT CO., LTD., which were non-consolidated subsidiaries in the prior consolidated fiscal year, within the scope of consolidation because their material importance increased.

### **(Changes in Presentation)**

(Changes Accompanying the Application of the Partial Amendments to Accounting Standard for Tax Effect Accounting)

Beginning from the current consolidated fiscal year, the Company is applying the Partial Amendments to Accounting Standard for Tax Effect Accounting (Accounting Standards Board of Japan Accounting Standard Statement No. 28 dated February 16, 2018) and has included deferred tax assets in the category "investments and other assets."

As a result, in the consolidated balance sheets for the prior consolidated fiscal year, deferred tax assets in the category "current assets" decreased by ¥664 million, and deferred tax assets in the category "investments and other assets" increased by ¥459 million.

Deferred tax assets and deferred tax liabilities of the same taxable entity are offset in presentation, and total assets decreased by ¥204 million compared with the amount before the change.

## (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, 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	182,418	7,680	190,099
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.

Current 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.

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	150,542	161,831
Net sales for “Other businesses” classification	17,646	18,862
Intersegment eliminations	–	–
Net sales reported in the consolidated financial statements	168,188	180,694

(Unit: Millions of yen)

Income	Prior consolidated fiscal year	Current consolidated fiscal year
Reporting segment total	16,358	16,505
Income for “Other businesses” classification	846	913
Other adjustments	394	423
Operating profit reported in the consolidated financial statements	17,599	17,842

(Unit: Millions of yen)

Assets	Prior consolidated fiscal year	Current consolidated fiscal year
Reporting segment total	182,418	203,504
Assets of “Other businesses” classification	7,680	7,731
Company assets (Note)	51,275	56,947
Total assets reported in the consolidated financial statements	241,374	268,182

(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	24,150	25,993	1,122	1,165	307	404	25,580	27,562
Amount of increase of property, plant and equipment and intangible assets	31,081	35,559	1,034	1,186	454	580	32,570	37,325

(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, 2017 to October 31, 2018)		Current consolidated fiscal year (From November 1, 2018 to October 31, 2019)	
Net assets per share	¥2,707.49	Net assets per share	¥2,981.68
Earnings per share	¥335.54	Earnings per share	¥295.30
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, 2017 to October 31, 2018)	Current consolidated fiscal year (From November 1, 2018 to October 31, 2019)
Profit attributable to owners of parent	11,857	11,430
Amount not attributed to common share shareholders	–	–
Profit attributable to owners of parent related to common shares	11,857	11,430
Average number of shares outstanding during the fiscal year	35,339,053	38,706,149

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

The Company had no material items to report.