



## Three-month Consolidated Financial Report for the Fiscal Year ending October 31, 2020 [Japan GAAP]

March 6, 2020

Listed Company Name **Kanamoto Co., Ltd.**  
 Company Code Number **9678**  
 Listing Exchanges **Tokyo Stock Exchange, Sapporo Stock Exchange**  
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Scheduled date for submission of Quarterly Report March 13, 2020  
 Scheduled date for commencement of dividend payments —  
 Preparation of Quarterly Settlement Supplementary Explanatory Materials: No  
 Quarterly Earnings Briefings No

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

### 1. Consolidated Operating Results for the Three-Month Period of the Fiscal Year Ending October 31, 2020

(November 1, 2019 – January 31, 2020)

#### (1) Consolidated Operating Results (Cumulative)

(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 ending October 31, 2020: First quarter	45,431	3.0	4,266	9.0	4,367	8.9	2,536	2.2
Fiscal Year ended October 31, 2019: First quarter	44,126	4.4	3,913	-27.1	4,010	-27.7	2,482	-27.5

(Note) Comprehensive income (millions of yen)

Fiscal Year Ending October 31, 2020, First Quarter 3,027 (25.5%)  
 Fiscal Year Ended October 31, 2019, First Quarter 2,412 (-34.7%)

	Net Income per Share	Net Income per Share on a Fully Diluted Basis
	Yen	Yen
Fiscal Year ending October 31, 2020: First quarter	65.48	—
Fiscal Year ended October 31, 2019: First quarter	64.30	—

#### (2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
Fiscal Year ending October 31, 2020: First quarter	276,454	123,236	42.2
Fiscal Year ended October 31, 2019	268,182	121,779	43.1

(Reference) Equity (millions of yen)

Fiscal Year Ending October 31, 2020 First Quarter 116,681  
 Fiscal Year Ended October 31, 2019 115,507

## 2. Dividends

	Annual Dividends per Share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Full-year
Fiscal year ended October 31, 2019	Yen —	Yen 25.00	Yen —	Yen 40.00	Yen 65.00
Fiscal year ending October 31, 2020	—				
Fiscal Year ending October 31, 2020 (Projected)		25.00	—	40.00	65.00

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

## 3. Projected Consolidated Operating Results for the Fiscal Year Ending October 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		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Interim (Cumulative)	92,300	0.5	9,400	-16.6	9,500	-17.5	5,700	-21.4	147.14
Full year	182,700	1.1	16,100	-9.8	16,400	-10.3	9,900	-13.4	255.56

(Note) Has the Company revised its most recently released projected consolidated operating results during the quarter?:

No

#### 4. Notes

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

Company newly included (Company name) —

Company newly excluded (Company name) —

(2) Application of special accounting method in the preparation of quarterly consolidated financial statements: No

(3) Changes in accounting principles, changes in accounting estimates and retrospective restatements

(a) Changes in accounting policy in conjunction with revision of accounting standards: No

(b) Changes other than the above: Yes

(c) Changes in accounting estimates: Yes

(d) Retrospective restatements: No

(Note) These changes fall under Article 10-5 of the *Regulation on the Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements*. For details please refer to "2. Quarterly Consolidated Financial Statements and Notes (3) Notes Concerning Quarterly Consolidated Financial Statements (Change in Accounting Policy)" on p. 11 of the Attachments.

(4) Number of shares issued (common shares)

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

Fiscal year ending October 31, 2020 First Quarter: 38,742,241 shares

Fiscal year ended October 31, 2019: 38,742,241 shares

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

Fiscal year ending October 31, 2020 First Quarter: 3,342 shares

Fiscal year ended October 31, 2019: 3,259 shares

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

Fiscal year ending October 31, 2020 First Quarter: 38,738,899 shares

Fiscal year ended October 31, 2019 First Quarter: 38,608,623 shares

Note: Quarterly earnings reports are not subject to quarterly review by certified public accountants or independent account auditors.

Note: Explanation concerning appropriate use of the projected operating results and other items to note  
Note Concerning Forward-Looking Statements

The forward-looking statements, including business results forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. The Company does not guarantee the achievement of the projections. Actual operating results may differ substantially due to a number of factors. Please refer to "1. Qualitative Information Concerning Quarterly Consolidated Operating Results (3) Explanation Concerning Future Forecasts Including Projected Consolidated Operating Results" on Page 6 of the Attachments for the conditions used as assumptions for the projected operating results and matters to note before using the projected operating results.

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## 1. Qualitative Information Concerning Quarterly Consolidated Operating Results

### (1) Qualitative Information Concerning Consolidated Operating Results

During the consolidated three-month period ended January 31, 2020, Japan's economy maintained its moderate recovery trend despite weakness in exports and production, as the employment and income environment and other aspects continued to improve against the backdrop of strong corporate earnings. Conditions will continue to warrant vigilance, however, because of the economic impact from the spread of the new coronavirus, in addition to the prolonged trade friction between the U.S. and China and heightened geopolitical tensions.

In the construction industry related to the Kanamoto Group, demand generally remained strong. In addition to robust private sector capital investment, spending on public works projects remains focused on works related to disaster recovery and disaster prevention and mitigation.

Given such circumstances, to realize its new Medium-Term Management Plan (FY2020-FY2024) "Creative 60" the Kanamoto Group strove to build the organization that will be the foundation of the new plan, and moved ahead with its three priority policies of expanding its domestic base of operations, developing its overseas business, and optimizing internal operational processes.

For the three-month consolidated accounting period of the current fiscal year, the Company reported net sales of ¥45,431 million, up 3.0% compared with the same period of the previous consolidated fiscal year. In terms of earnings, operating income increased 9.0% from the same period of the previous consolidated fiscal year to ¥4,266 million, ordinary income increased 8.9% year-on-year to ¥4,367 million, and first-quarter profit attributable to owners of parent rose 2.2% year-on-year to ¥2,536 million.

Results for each of the Company's business segments were as follows.

#### < Business related to the Construction Equipment Rental Division >

In the construction-related business that is Kanamoto's primary business, construction equipment rental demand was supported by activities such as infrastructure-related works, works related to disaster prevention and mitigation, energy-related works, and redevelopment works, and remained brisk as a whole.

In addition, to strengthen its support organization for restoration and reconstruction activities following the multiple natural disasters that occurred in various regions of Japan, the Kanamoto Group worked to expand its response capabilities through steps such as appropriate deployment of rental equipment in the stricken areas and expansion of its asset portfolio.

Used construction equipment sales were basically at the same level as in the previous fiscal year, as the Company proceeded with sales in line with its plan at the beginning of the fiscal year.

As a result of the above factors, first quarter net sales for Kanamoto's construction-related businesses rose 3.4% from the same period of the previous consolidated fiscal year to ¥40,934 million, and operating income increased 11.3% year-on-year to ¥3,910 million.

#### < Other businesses >

In the Company's other businesses, sales from welfare-related business expanded steadily, but because steel products-related sales and sales in the information and telecommunications-related division declined in reaction to the jump in the prior year and returned to levels seen in a more typical year, net sales slipped 1.3% from the same period of the previous consolidated fiscal year to ¥4,497 million, and operating income fell 16.7% year-on-year to ¥246 million.

### (2) Qualitative Information Concerning Consolidated Financial Position

#### Assets, liabilities and net assets

Total assets at the end of the first quarter under review increased by ¥8,271 million compared with the end of the previous consolidated fiscal year to ¥276,454 million. This change mainly reflected an increase in rental equipment of ¥8,286 million.

Total liabilities were ¥153,218 million, an increase of ¥6,814 million compared with the end of the previous consolidated fiscal year. The principal items contributing to this change were an increase of ¥2,046 million in notes

and accounts payable-trade, an increase of ¥1,718 million in accounts payable-other, an increase of ¥1,196 million in long-term loans payable and an increase of ¥5,024 million in long-term accounts payable-other, and a decrease of ¥3,152 in income taxes payable.

Total net assets came to ¥123,236 million, ¥1,457 million higher than at the end of the previous consolidated fiscal year. This was mainly because of profit attributable to owners of parent for the three-month period of ¥2,536 million, and a decrease of ¥1,549 million for dividends from surplus.

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

There are no revisions to the full-year projected operating results that the Company announced in the Financial Statements Bulletin for the Fiscal Year Ended October 31, 2019 (Japan GAAP) released on December 6, 2019.

## 2. Quarterly Consolidated Financial Statements and Notes

### (1) Quarterly Consolidated Balance Sheets

(Unit: Millions of yen)

	As of October 31, 2019	As of January 31, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	43,751	42,426
Notes and accounts receivable - trade	39,574	39,206
Electronically recorded monetary claims - operating	6,347	6,485
Merchandise and finished goods	1,017	1,203
Costs on uncompleted construction contracts	33	48
Raw materials and supplies	800	1,286
Construction machine parts	17,567	17,642
Other	2,527	2,959
Allowance for doubtful accounts	-225	-222
Total current assets	111,393	111,036
Non-current assets		
Property, plant and equipment		
Rental equipment	220,812	234,223
Accumulated depreciation	-134,957	-140,082
Rental equipment, net	85,855	94,141
Buildings and structures	37,453	38,366
Accumulated depreciation	-22,060	-22,324
Buildings and structures, net	15,393	16,042
Machinery, equipment and vehicles	7,828	7,872
Accumulated depreciation	-6,377	-6,393
Machinery, equipment and vehicles, net	1,451	1,479
Land	37,211	37,308
Other	2,857	2,552
Accumulated depreciation	-1,684	-1,697
Other, net	1,173	855
Total property, plant and equipment	141,084	149,827
Intangible assets		
Goodwill	201	166
Other	1,478	1,499
Total intangible assets	1,680	1,665
Investments and other assets		
Investment securities	9,319	9,674
Deferred tax assets	1,714	1,251
Other	3,344	3,359
Allowance for doubtful accounts	-353	-360
Total investments and other assets	14,024	13,925
Total non-current assets	156,789	165,418
Total assets	268,182	276,454

(Unit: Millions of yen)

	As of October 31, 2019	As of January 31, 2020
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	33,657	35,704
Short-term loans payable	1,120	1,620
Current portion of long-term loans payable	11,147	11,212
Lease obligations	885	895
Income taxes payable	4,245	1,092
Provision for bonuses	1,320	615
Accounts payable - other	23,370	25,089
Other	2,772	2,685
Total current liabilities	78,519	78,915
Non-current liabilities		
Long-term loans payable	17,206	18,403
Lease obligations	1,800	1,932
Long-term accounts payable - other	48,043	53,068
Net defined benefit liability	285	333
Asset retirement obligations	492	503
Other	55	61
Total non-current liabilities	67,883	74,302
Total liabilities	146,403	153,218
<b>Net assets</b>		
Shareholders' equity		
Capital stock	17,829	17,829
Capital surplus	19,324	19,324
Retained earnings	76,638	77,625
Treasury shares	-9	-9
Total shareholders' equity	113,783	114,770
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,918	2,043
Deferred gains or losses on hedges	0	-
Foreign currency translation adjustment	-192	-106
Remeasurements of defined benefit plans	-2	-26
Total accumulated other comprehensive income	1,723	1,910
Non-controlling interests	6,272	6,555
Total net assets	121,779	123,236
Total liabilities and net assets	268,182	276,454

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income  
(Quarterly Consolidated Statements of Income)  
(Consolidated Three-month Period ended January 31)

(Unit: Millions of yen)

	Three months ended January 31, 2019	Three months ended January 31, 2020
Net sales	44,126	45,431
Cost of sales	31,607	32,166
Gross profit	12,519	13,264
Selling, general and administrative expenses	8,605	8,998
Operating profit	3,913	4,266
Non-operating income		
Interest income	6	10
Dividend income	63	71
Rent income	20	22
Other	121	105
Total non-operating income	212	210
Non-operating expenses		
Interest expenses	24	20
Foreign exchange losses	5	31
Share issuance cost	46	—
Loss on cancellation of leases	9	23
Other	29	34
Total non-operating expenses	115	109
Ordinary profit	4,010	4,367
Extraordinary income		
Gain on sales of non-current assets	24	2
Subsidy income	5	—
Gain on sales of investment securities	5	—
Total extraordinary income	35	2
Extraordinary losses		
Loss on sales and retirement of non-current assets	10	47
Loss on valuation of shares of subsidiaries and associates	—	66
Total extraordinary losses	10	114
Profit before income taxes	4,035	4,255
Income taxes - current	1,079	983
Income taxes - deferred	210	422
Total income taxes	1,289	1,406
Profit	2,746	2,848
Profit attributable to non-controlling interests	264	311
Profit attributable to owners of parent	2,482	2,536

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

(Unit: Millions of yen)

	Three months ended January 31, 2019	Three months ended January 31, 2020
Profit	2,746	2,848
Other comprehensive income		
Valuation difference on available-for-sale securities	-273	124
Deferred gains or losses on hedges	-0	-0
Foreign currency translation adjustment	-59	86
Remeasurements of defined benefit plans, net of tax	-0	-30
Total other comprehensive income	-333	179
Comprehensive income	2,412	3,027
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,150	2,723
Comprehensive income attributable to non-controlling interests	262	304

(3) Notes Concerning Quarterly Consolidated Financial Statements

(Notes Relating to the Going Concern Assumption)

The Company had no material items to report.

(Notes on Significant Changes to Shareholders' Equity)

The Company had no material items to report.

(Change in Accounting Policy)

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

Traditionally, certain of the Company's domestic consolidated subsidiaries depreciated rental assets by applying the declining balance method. From the beginning of the three-month consolidated accounting period under review, these subsidiaries have changed their depreciation method to the straight-line depreciation method.

This change was based on the judgment the straight-line method is a reasonable method to appropriately reflect actual conditions of future use as the long-term, stable use of rental assets is achieved through actions to "enhance the environment to promote Group logistics" and other measures, and was the result of using the formulation of the Kanamoto Group's new Medium-Term Corporate Management Plan "Creative 60", which positions "strengthening intra-Group cooperation and aligning vectors up to the strategic and tactical levels" as a key component, as an opportunity to review the depreciation method.

As a result, operating income, ordinary income and income before income taxes and minority interests for the three-month period ended January 31 increased by ¥228 million, respectively, compared with what they otherwise would have been had the traditional depreciation method been applied. The effect of this change on the Company's information by segment is described in the relevant section.

(Business Segment Information)

[ Segment information ]

I First quarter of the prior consolidated fiscal year (From November 1, 2018 to January 31, 2019)

1. Information concerning net sales and profit or loss of each reporting segment

(Unit: Millions of yen)

	Reporting segment	Other Businesses (See note)	Total
	Business related to the Construction Equipment Rental Division		
Net sales			
Net sales to outside customers	39,569	4,556	44,126
Net sales or transfers between related segments	—	—	—
Total	39,569	4,556	44,126
Segment profit	3,514	295	3,810

(Note) The “Other businesses” classification encompasses business segments not included in the reporting segment, and includes business related to the Steel Sales Division, the Information Products Division, welfare-related businesses and other businesses.

2. Difference between total reporting segment profit or loss and the amount reported on the Quarterly Consolidated Statements of Income, and the main reasons for the difference (Matters Pertaining to Reconciliation of Difference)

(Unit: Millions of yen)

Income	Amount
Reporting segment total	3,514
Income for “Other businesses” classification	295
Other adjustments	103
Operating profit reported on the Consolidated Quarterly Statements of Income	3,913

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

The Company had no material items to report.

II First quarter of the current consolidated fiscal year (From November 1, 2019 to January 31, 2020)

1. Information on the amount of net sales and profit or loss by reporting segment

(Millions of yen)

	Reporting segment		Other Businesses (See note)	Total
	Business related to the Construction Equipment Rental Division			
Net sales				
Net sales to outside customers	40,934		4,497	45,431
Net sales or transfers between related segments	—		—	—
Total	40,934		4,497	45,431
Segment profit	3,910		246	4,157

(Note) The “Other businesses” classification encompasses business segments not included in the reporting segment, and includes business related to the Steel Sales Division, the Information Products Division, welfare-related businesses and other businesses.

2. Difference between total reporting segment profit or loss and the amount reported on the Quarterly Consolidated Statements of Income, and the main reasons for the difference (Matters Pertaining to Reconciliation of Difference)

(Unit: Millions of yen)

Income	Amount
Reporting segment total	3,910
Income for “Other businesses” classification	246
Other adjustments	109
Operating profit reported on the Consolidated Quarterly Statements of Income	4,266

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

The Company had no material items to report.

4. Matters concerning changes to reporting segments

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

As described in Change in Accounting Policy, beginning from the first quarter of the current consolidated accounting fiscal year, certain domestic subsidiaries have changed their method for depreciation of rental equipment from the declining balance method to the straight-line depreciation method.

In conjunction with this change, the income from business related to the Construction Equipment Rental Division for the three-month consolidated accounting period under review increased by ¥228 million compared with what it otherwise would have been had the accounting standard used in past periods been applied.