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

December 7, 2018

Listed Company Name **Kanamoto Co., Ltd.**
Company Code Number **9678**
Listing Exchanges **Tokyo Stock Exchange, Sapporo Stock Exchange**
URL https://www.kanamoto.co.jp
Representative **Tetsuo Kanamoto** President and CEO
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Scheduled date for Regular General Meeting of the Shareholders January 29, 2019
Scheduled date for commencement of dividend payments January 30, 2019
Scheduled date for submission of Annual Securities Report January 29, 2019
Preparation of Supplementary Explanatory Materials: Yes
Earnings Briefings (For institutional investors and analysts): Yes

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

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

(November 1, 2017 – October 31, 2018)

(1) Consolidated Operating Results

(Percentages show the change from the prior year)

	Net Sales		Operating Profit		Ordinary Profit		Profit Attributable to Owners of Parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended October 31, 2018	168,188	6.2	17,599	5.6	17,925	4.3	11,857	10.4
Fiscal year ended October 31, 2017	158,428	9.4	16,665	10.1	17,193	19.4	10,744	32.7

(Note) Comprehensive income (millions of yen)
Fiscal year ended October 31, 2018 12,208 (2.0%)
Fiscal year ended October 31, 2017 11,966 (35.7%)

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

(Reference) Investment profit or loss accounted for by the equity method (millions of yen)
Fiscal year ended October 31, 2018 –
Fiscal year ended October 31, 2017 –

(2) Consolidated Financial Position

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

(Reference) Equity (millions of yen)
As of October 31, 2018 95,680
As of October 31, 2017 86,241

(3) Consolidated Cash Flows

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

2. Dividends

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

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

(November 1, 2018 - October 31, 2019)

(Percentages show the change from the prior year)

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

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

Notes

(1) Changes in material subsidiaries during the period under review (changes in specific subsidiaries in conjunction with a change in the scope of consolidation): Yes

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

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

(a) Changes in accounting policy in conjunction with revision of accounting standards: No
(b) Changes other than the above: No
(c) Changes in accounting estimates: No
(d) Retrospective restatements: No

(3) Number of shares issued (common shares)

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

As of October 31, 2018	36,092,241 shares
As of October 31, 2017	36,092,241 shares

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

As of October 31, 2018	753,183 shares
As of October 31, 2017	753,253 shares

(c) Average number of shares outstanding during the period

Fiscal year ended October 31, 2018	35,339,053 shares
Fiscal year ended October 31, 2017	35,339,024 shares

(Reference) Summary of Non-Consolidated Operating Results

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

(November 1, 2017 – October 31, 2018)

(1) Non-Consolidated Operating Results

(Percentages show the change from the prior year)

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

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

(2) Non-Consolidated Financial Position

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

(Reference) Equity (millions of yen)
As of October 31, 2018 86,288
As of October 31, 2017 79,048

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

(November 1, 2018 - October 31, 2019)

(Percentages show the change from prior year)

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

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

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

Note: Explanation concerning appropriate use of the projected operating results and other items to note

(Note concerning forward-looking statements)

The forward-looking statements, including business results forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. The Company does not guarantee the achievement of the projections. Actual operating results may differ substantially due to a number of factors.

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

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

1. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated Balance Sheets

(Unit: Millions of yen)

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

(Unit: Millions of yen)

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

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

(Consolidated Statements of Income)

(Unit: Millions of yen)

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

(Consolidated Statements of Comprehensive Income)

(Unit: Millions of yen)

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

(3) Consolidated Statements of Changes in Equity

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

(Unit: Millions of yen)

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

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

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

(Unit: Millions of yen)

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

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

(4) Consolidated Statements of Cash Flows

(Unit: Millions of yen)

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

(Unit: Millions of yen)

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