



Six-month Consolidated Financial Report for the Fiscal Year ending October 31, 2018 [Japan GAAP]

June 8, 2018

Listed Company Name	Kanamoto Co., Ltd.	
Company Code Number	9678	
Listing Exchanges	Tokyo Stock Exchange, Sapporo Stock Exchange	
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Scheduled date for submission of Quarterly Report	June 13, 2018	
Scheduled date for commencement of dividend payments	July 5, 2018	
Preparation of Quarterly Settlement Supplementary Explanatory Materials	Yes	
Quarterly Earnings Briefings	Yes (For institutional investors and analysts)	

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

1. Consolidated Operating Results for the Six-Month Period of the Fiscal Year Ending October 31, 2018

(November 1, 2017 – April 30, 2018)

(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, 2018: Second quarter	85,349	7.8	10,994	10.0	11,155	8.9	6,735	4.1
Fiscal Year ended October 31, 2017: Second quarter	79,210	15.4	9,993	16.1	10,242	24.2	6,468	30.2

(Note) Comprehensive income (millions of yen)

Fiscal Year Ending October 31, 2018, Second Quarter	7,171 (1.7%)
Fiscal Year Ended October 31, 2017, Second Quarter	7,053 (36.2%)

	Net Profit per Share	Net Profit per Share on a Fully Diluted Basis
	Yen	Yen
Fiscal Year ending October 31, 2018: Second quarter	190.59	—
Fiscal Year ended October 31, 2017: Second quarter	183.03	—

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
Fiscal Year ending October 31, 2018: Second quarter	242,968	97,701	37.7
Fiscal Year ended October 31, 2017	227,545	91,788	37.9

(Reference) Equity (millions of yen)

Fiscal Year Ending October 31, 2018 Second Quarter	91,621
Fiscal Year Ended October 31, 2017	86,241

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, 2017	Yen —	Yen 15.00	Yen —	Yen 35.00	Yen 50.00
Fiscal year ending October 31, 2018	—	20.00			
Fiscal year ending October 31, 2018 (Projected)			—	35.00	55.00

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

3. Projected Consolidated Operating Results for the Fiscal year ending October 2018

(November 1, 2017 – October 31, 2018)

(Percentages show the change from the prior year)

	Net Sales		Operating Profit		Ordinary Profit		Profit Attributable to Owners of Parent		Net Profit per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	161,870	2.2	17,330	4.0	17,420	1.3	10,900	1.4	308.44

(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 principles 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

(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, 2018 Second Quarter:	36,092,241 shares
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Fiscal year ended October 31, 2017:	36,092,241 shares
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(b) Number of shares of treasury stock at the end of the period

Fiscal year ending October 31, 2018 Second Quarter:	753,183 shares
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Fiscal year ended October 31, 2017:	753,253 shares
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(c) Average number of shares during the period (consolidated year-to-date)

Fiscal year ending October 31, 2018 Second Quarter:	35,339,047 shares
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Fiscal year ended October 31, 2017 Second Quarter:	35,339,060 shares
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Note: This quarterly earnings report is exempt from the quarterly review procedure

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.

Procedure for obtaining the Quarterly Settlement Supplementary Explanatory Materials and Quarterly Earnings Briefing

The Company plans to hold a briefing for institutional investors and analysts on Tuesday, June 12, 2018.

Following the briefing, the Company will upload the briefing highlights and discussion (voice recording) on the Company's website as quickly as possible, together with the Quarterly Earnings Briefing materials used that day.

○Attachments Table of Contents

1. Qualitative Information Concerning Quarterly Consolidated Operating Results	5
(1) Qualitative Information Concerning Consolidated Operating Results	5
(2) Qualitative Information Concerning Consolidated Financial Position	6
(3) Explanation Concerning Future Forecasts Including Projected Consolidated Operating Results	6
2. Quarterly Consolidated Financial Statements and Notes	7
(1) Quarterly Consolidated Balance Sheets	7
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income	9
Quarterly Consolidated Statements of Income	
Consolidated Interim Period Ended April 30	9
Quarterly Consolidated Statements of Comprehensive Income	
Consolidated Interim Period Ended April 30	10
(3) Quarterly Consolidated Statements of Cash Flows	11
(4) Notes Concerning Quarterly Consolidated Financial Statements	13
(Notes Relating to the Going Concern Assumption)	13
(Notes on Significant Changes in Shareholders' Equity)	13
(Supplemental Information)	13
(Business Segment Information)	13

1. Qualitative Information Concerning Quarterly Consolidated Operating Results

(1) Qualitative Information Concerning Consolidated Operating Results

< Second Quarter Operating Results > (From November 1, 2017 to April 30, 2018)

During the first two quarters of Kanamoto's current consolidated fiscal year, the business environment maintained its modest recovery trend despite uncertainty surrounding the overseas economy and heightened geopolitical risks.

In the construction industry related to the Kanamoto Group, construction demand continued to be supported by public works projects, as well as by steady corporate capital investment, modestly increasing demand driven by redevelopment projects concentrated in the Tokyo metropolitan area, and works related to the 2020 Tokyo Olympics, and remained brisk.

Given these conditions, the Kanamoto Group's consolidated net sales for the interim period were ¥85,349 million yen, up 7.8% compared with the same period of the previous consolidated fiscal year. From an earnings perspective, operating profit rose 10.0% from the same period of the previous consolidated fiscal year to ¥10,994 million, ordinary profit increased 8.9% year-on-year to ¥11,155 million, and interim period profit attributable to owners of parent rose 4.1% year-on-year to ¥6,735 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 focus, the Company pursued development of branches in the Tokyo metropolitan area and in regions of western Japan where it has not had a strong presence, in accordance with its medium and long-term plans. At the same time, the Company moved to bolster measures in business domains where it can take advantage of its strengths as a group, such as broadening its line-up of equipment for tunnel-related works, and worked to broaden its operating base.

The Company also continued to maintain its support system for disaster recovery and restoration activities, and proactively repositioned its assets to further improve the utilization rates of existing rental equipment.

Sales of used construction equipment, which the Company is undertaking systematically, remained robust against the backdrop of a favorable market environment.

As a result of the above factors, interim period net sales for Kanamoto's construction-related businesses increased 6.5% from the same period of the previous consolidated fiscal year to ¥76,782 million, and operating profit improved 11.8% year-on-year to ¥10,355 million.

< Other businesses >

In the Company's other businesses, net sales were up 20.5% compared with the interim period of the previous consolidated fiscal year to ¥8,567 million because of steady demand in Kanamoto's steel products-related, information and telecommunications-related, and welfare-related businesses. Operating profit from these operations slipped 16.7% to ¥444 million, however, reflecting a decline in net sales from steel-related works.

(2) Qualitative Information Concerning Consolidated Financial Position

Assets, liabilities and net assets

Total assets at the end of the interim period under review increased by ¥15,423 million compared with the end of the prior consolidated fiscal year to ¥242,968 million. This change mainly reflected an increase of ¥4,903 million in cash and deposits, an increase of ¥3,240 million in rental equipment, and an increase of ¥1,656 million in investment securities.

Total liabilities were ¥145,266 million, an increase of ¥9,510 million compared with the end of the prior consolidated fiscal year. The principal items contributing to this change were an increase of ¥4,873 million in notes and accounts payable-trade, an increase of ¥1,095 million in accounts payable-other, and an increase of ¥2,181 million in long-term accounts payable-other.

Total net assets came to ¥97,701 million, ¥5,912 million higher than at the end of the prior consolidated fiscal year. This was mainly because of profit attributable to owners of parent for the interim period of ¥6,735 million, and a decrease of ¥1,236 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, 2017 (Japan GAAP) released on December 8, 2017.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheets

(Unit: Millions of yen)

	As of October 31, 2017	As of April 30, 2018
Assets		
Current assets		
Cash and deposits	35,220	40,123
Notes and accounts receivable - trade	37,057	37,986
Electronically recorded monetary claims - operating	4,069	4,900
Securities	200	200
Merchandise and finished goods	583	1,125
Raw materials and supplies	288	629
construction machine parts	12,193	12,790
Deferred tax assets	706	756
Other	1,237	1,343
Allowance for doubtful accounts	-784	-795
Total current assets	90,772	99,060
Non-current assets		
Property, plant and equipment		
rental equipment	198,879	202,027
accumulated depreciation	-125,211	-125,119
rental equipment, net	73,668	76,908
Buildings and structures	32,910	33,407
Accumulated depreciation	-19,801	-20,332
Buildings and structures, net	13,108	13,074
Machinery, equipment and vehicles	7,290	7,472
Accumulated depreciation	-6,154	-6,319
Machinery, equipment and vehicles, net	1,136	1,152
Land	35,623	36,657
Other	2,170	3,206
Accumulated depreciation	-1,421	-1,481
Other, net	749	1,724
Total property, plant and equipment	124,286	129,518
Intangible assets		
Goodwill	486	415
Other	1,110	1,263
Total intangible assets	1,596	1,678
Investments and other assets		
Investment securities	8,417	10,073
Deferred tax assets	436	446
Other	2,308	2,510
Allowance for doubtful accounts	-272	-320
Total investments and other assets	10,889	12,710
Total non-current assets	136,772	143,907
Total assets	227,545	242,968

(Unit: Millions of yen)

	As of October 31, 2017	As of April 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	28,773	33,647
Short-term loans payable	994	770
Current portion of long-term loans payable	12,029	12,405
Lease obligations	1,048	1,018
Income taxes payable	3,247	3,989
Provision for bonuses	1,099	1,229
Accounts payable - other	21,269	22,364
Other	3,060	3,245
Total current liabilities	71,521	78,672
Non-current liabilities		
Long-term loans payable	23,846	24,309
Lease obligations	2,017	1,925
Long-term accounts payable - other	37,127	39,308
Provision for directors' retirement benefits	106	—
Net defined benefit liability	259	251
Asset retirement obligations	431	437
Other	444	361
Total non-current liabilities	64,234	66,594
Total liabilities	135,756	145,266
Net assets		
Shareholders' equity		
Capital stock	13,652	13,652
Capital surplus	14,916	14,916
Retained earnings	57,172	62,670
Treasury shares	-2,129	-2,129
Total shareholders' equity	83,612	89,110
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,538	2,415
Deferred gains or losses on hedges	0	—
Foreign currency translation adjustment	85	90
Remeasurements of defined benefit plans	5	4
Total accumulated other comprehensive income	2,629	2,510
Non-controlling interests	5,547	6,080
Total net assets	91,788	97,701
Total liabilities and net assets	227,545	242,968

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income
(Quarterly Consolidated Statements of Income)
(Consolidated Interim Period Ended April 30)

(Unit: Millions of yen)

	Six months ended April 30, 2017	Six months ended April 30, 2018
Net sales	79,210	85,349
Cost of sales	53,718	58,052
Gross profit	25,492	27,297
Selling, general and administrative expenses	15,499	16,303
Operating profit	9,993	10,994
Non-operating income		
Interest income	1	9
Dividend income	55	64
Rent income	38	43
Foreign exchange gains	122	—
Other	263	259
Total non-operating income	481	376
Non-operating expenses		
Interest expenses	133	57
Foreign exchange losses	—	34
Other	97	124
Total non-operating expenses	231	215
Ordinary profit	10,242	11,155
Extraordinary income		
Gain on sales of non-current assets	8	0
Gain on donation of non-current assets	13	—
Subsidy income	3	12
Gain on sales of investment securities	174	0
Total extraordinary income	200	12
Extraordinary losses		
Loss on sales and retirement of non-current assets	63	32
Loss on valuation of shares of subsidiaries and associates	28	—
Loss on sales of investment securities	—	157
Loss on valuation of investment securities	—	44
Total extraordinary losses	91	234
Profit before income taxes	10,351	10,993
Income taxes - current	3,547	3,724
Income taxes - deferred	-197	-86
Total income taxes	3,349	3,637
Profit	7,001	7,296
Profit attributable to non-controlling interests	533	561
Profit attributable to owners of parent	6,468	6,735

(Quarterly Consolidated Statements of Comprehensive Income)
(Consolidated Interim Period Ended April 30)

(Unit: Millions of yen)

	Six months ended April 30, 2017	Six months ended April 30, 2018
Profit	7,001	7,296
Other comprehensive income		
Valuation difference on available-for-sale securities	93	-127
Deferred gains or losses on hedges	0	-0
Foreign currency translation adjustment	-41	4
Remeasurements of defined benefit plans, net of tax	-0	-0
Total other comprehensive income	51	-124
Comprehensive income	7,053	7,171
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,512	6,616
Comprehensive income attributable to non-controlling interests	540	555

(3) Quarterly Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	Six months ended April 30, 2017	Six months ended April 30, 2018
Cash flows from operating activities		
Profit before income taxes	10,351	10,933
Depreciation	11,940	12,487
Amortization of goodwill	71	71
Loss (gain) on sales and retirement of non-current assets	55	31
The amount of cost price transfer with asset sell-off for rentals	665	1,151
Expenditure by the construction equipment and supplies	-460	-584
Expenditure by the assets acquisition for rentals	-1,381	-2,603
Loss (gain) on sales of investment securities	-174	157
Loss (gain) on valuation of investment securities	—	44
Loss on valuation of shares of subsidiaries and associates	28	—
Increase (decrease) in allowance for doubtful accounts	-168	59
Increase (decrease) in provision for bonuses	94	129
Increase (decrease) in net defined benefit liability	9	-8
Interest and dividend income	-56	-73
Assets buy on the installment plan purchase payment interest for rentals	176	157
Interest expenses	133	57
Foreign exchange losses (gains)	-91	2
Decrease (increase) in notes and accounts receivable - trade	10	-1,765
Decrease (increase) in inventories	-85	-890
Increase (decrease) in notes and accounts payable - trade	3,485	5,484
Increase (decrease) in accounts payable - other	1,114	1,364
Other, net	463	-369
Subtotal	26,180	25,838
Interest and dividend income received	56	69
Interest expenses paid	-309	-213
Income taxes paid	-1,812	-2,976
Net cash provided by (used in) operating activities	24,114	22,716
Cash flows from investing activities		
Payments into time deposits	-60	-190
Proceeds from withdrawal of time deposits	—	190
Purchase of property, plant and equipment	-1,527	-2,602
Proceeds from sales of property, plant and equipment	16	0
Purchase of intangible assets	-259	-227
Purchase of investment securities	-4	-4
Proceeds from sales of investment securities	316	1
Purchase of shares of subsidiaries	—	-1,393
Purchase of shares of subsidiaries and associates	—	-99
Payments of loans receivable	-96	-345
Collection of loans receivable	11	81
Other, net	193	23
Net cash provided by (used in) investing activities	-1,409	-4,562

(Unit: Millions of yen)

	Six months ended April 30, 2017	Six months ended April 30, 2018
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-158	-223
Redemption of bonds	-30	—
Proceeds from long-term loans payable	6,440	7,600
Repayments of long-term loans payable	-8,701	-6,760
Repayments of installment payables	-10,959	-12,031
Repayments of lease obligations	-1,137	-576
Purchase of treasury shares	-0	—
Purchase of treasury shares of subsidiaries	-0	—
Cash dividends paid	-1,056	-1,235
Dividends paid to non-controlling interests	-22	-22
Other, net	—	0
Net cash provided by (used in) financing activities	-15,627	-13,250
Effect of exchange rate change on cash and cash equivalents	7	-0
Net increase (decrease) in cash and cash equivalents	7,084	4,903
Cash and cash equivalents at beginning of period	33,069	35,160
Cash and cash equivalents at end of period	40,154	40,063

(4) 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 in Shareholders' Equity)

The Company had no material items to report.

(Supplemental Information)

(Provision for directors' retirement benefits)

Certain consolidated subsidiaries resolved at the Board of Directors meeting held in January 2018 to discontinue the system for retirement allowances to directors and pay a termination payment, in conjunction with revisions to the Work Provisions for Directors. In accordance with this change, Kanamoto has reversed the full amount of the retirement allowances to directors for the period until the resolution of the same Board of Directors Meeting, and disclosed the unpaid amount of ¥108 million in conjunction with the termination payment by including the amount in long-term accounts payable-other reported under long-term liabilities.

(Business Segment Information)

[Segment information]

I Interim period of the prior consolidated fiscal year (From November 1, 2016 to April 30, 2017)

1. Information concerning net sales and profit or loss by 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	72,099	7,110	79,210
Net sales or transfers between related segments	—	—	—
Total	72,099	7,110	79,210
Segment income	9,259	534	9,793

(Note) The "Other businesses" classification encompasses business segments not included in the reporting segment, and includes business related to the Steel Sales Division and 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	9,259
Income for "Other businesses" classification	534
Other adjustments	199
Operating profit reported on the Consolidated Quarterly Statements of Income	9,993

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

The Company had no material items to report.

II Interim period of the current consolidated fiscal year (From November 1, 2017 to April 30, 2018)

1. Information concerning net sales and profit or loss by 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	76,782	8,567	85,349
Net sales or transfers between related segments	—	—	—
Total	76,782	8,567	85,349
Segment income	10,355	444	10,800

(Note) The “Other businesses” classification encompasses business segments not included in the reporting segment, and includes business related to the Steel Sales Division and 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	10,355
Income for “Other businesses” classification	444
Other adjustments	194
Operating profit reported on the Consolidated Quarterly Statements of Income	10,994

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

The Company had no material items to report.