



# Nine-Month Consolidated Financial Report for the Fiscal Year Ending October 31, 2022 (Japan GAAP)

September 2, 2022

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 September 13, 2022  
 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 Nine-Month Period of the Fiscal Year Ending October 31, 2022

(November 1, 2021 – July 31, 2022)

### (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, 2022: Third quarter	138,828	–	9,162	-15.2	9,679	-15.6	5,927	-13.2
Fiscal year ended October 31, 2021: Third quarter	141,455	6.4	10,810	1.4	11,462	9.6	6,829	11.2

(Note) Comprehensive income (millions of yen)  
 Fiscal year ending October 31, 2022, Third quarter 8,108 (-7.0%)  
 Fiscal year ended October 31, 2021, Third quarter 8,716 (43.0%)

	Earnings per Share	Earnings per Share on a Fully Diluted Basis
	Yen	Yen
Fiscal year ending October 31, 2022: Third quarter	159.27	–
Fiscal year ended October 31, 2021: Third quarter	180.61	–

(Notes) 1. The Company applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter of the fiscal year ending October 31, 2022, and the figures for the third quarter of the fiscal year ending October 31, 2022 are figures after the application of the said accounting standard. As a result, the percentage of change for net sales from the same period of the previous year is not shown.  
 2. In the previous fiscal year, the Company finalized the provisional accounting treatment for business combinations, and the figures for the third quarter of the fiscal year ended October 31, 2021 reflect the finalized content of the provisional accounting treatment.

### (2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
As of July 31, 2022	309,542	138,043	41.9
As of October 31, 2021	303,754	134,917	41.8

(Reference) Equity (millions of yen)  
 As of July 31, 2022 129,614  
 As of October 31, 2021 126,956

(Note) The Company applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter of the fiscal year ending October 31, 2022, and the figures as of July 31, 2022 are figures after the application of the said accounting standard.

## 2. Dividends

	Annual Dividends per Share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Full-year
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended October 31, 2021	-	25.00	-	45.00	70.00
Fiscal year ending October 31, 2022	-	35.00	-		
Fiscal year ending October 31, 2022 (projected)				40.00	75.00

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

## 3. Projected Consolidated Operating Results for the Fiscal Year Ending October 31, 2022

(November 1, 2021 – October 31, 2022)

(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
Full year	186,900	-	13,500	-7.7	14,000	-9.0	8,600	-3.4	231.07

- (Notes) 1. Has the Company revised its most recently released projected consolidated operating results during the quarter?: Yes  
For the revisions to projected consolidated operating results, please refer to the "Notification Concerning Revision of Projected Full-Year Operating Results for the Fiscal Year Ending October 31, 2022" announced today (September 2, 2022).
2. As the Company applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the fiscal year ending October 31, 2022, the above projected consolidated operating results are after the application of the said accounting standard. As a result, the percentage of change for net sales from the previous fiscal year is not shown.

## 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
- (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: Yes
  - (b) Changes other than the above: No
  - (c) Changes in accounting estimates: No
  - (d) Retrospective restatements: No
- (Note) For details, please refer to "2. Quarterly Consolidated Financial Statements and Significant Notes Thereto (3) Notes Concerning Quarterly Consolidated Financial Statements (Changes in Accounting Policies)" on page 11 of the Attachments.
- (4) Number of shares issued (common shares)
- (a) Number of shares issued at the end of the period (including treasury shares)

As of July 31, 2022:	38,742,241 shares
As of October 31, 2021:	38,742,241 shares
  - (b) Number of treasury shares at the end of the period

As of July 31, 2022:	1,799,490 shares
As of October 31, 2021:	924,846 shares
  - (c) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Fiscal year ending October 31, 2022: Third quarter:	37,218,062 shares
Fiscal year ended October 31, 2021: Third quarter:	37,812,715 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 nine-month period under review, Japan's economy showed signs of picking up as economic activities normalized due to the gradual easing of restrictions on movement associated with COVID-19. However, the outlook remains uncertain due to concerns about the impact of the recent re-emergence of infection, the prolonged situation in Ukraine, and the acceleration of global inflation.

In the construction industry in which the Group is involved, although public sector investment remained steady and private sector construction investment has shown signs of gradual recovery, the situation still requires monitoring as the supply shortage of semiconductors and soaring material and energy prices are causing construction costs to rise, and as the shortage of skilled construction workers are becoming increasingly more severe.

In such circumstances, based on the three key measures in the Medium-Term Corporate Management Plan "Creative 60" (FY2020-2024), the Group is promoting the Alliance Group's foundations, and working to further develop business through synergistic effects and the establishment of a meticulous service system. In addition, the Group is committed to sustainable development and the enhancement of corporate value through the promotion of flexible investment strategy that responds to actual demand, and through efforts such as focusing on securing and training the human resources who will lead the company in the future.

For the nine-month period under review, the Group reported net sales of ¥138,828 million. On the earnings front, partly due to an increase in selling, general and administrative expenses caused by investment in human resources in addition to a trend of rental demand, operating profit decreased 15.2% from the same period of the prior fiscal year to ¥9,162 million, ordinary profit declined 15.6% to ¥9,679 million, and profit attributable to owners of parent decreased 13.2% to ¥5,927 million.

Please note that the Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the first quarter. For details, please refer to "2. Quarterly Consolidated Financial Statements and Significant Notes Thereto (3) Notes Concerning Quarterly Consolidated Financial Statements (Changes in Accounting Policies)."

Operating 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, although performance of public sector investment remained steady, primarily in disaster prevention and reduction and activities being carried out for Japan's National Resilience Plan as well as maintenance and renewal of aging social capital, a full-scale recovery in rental demand for construction equipment did not eventuate as some regional disparities in construction demand became more apparent.

In addition to strengthening its ability to respond to the fields of maintenance and repair of social infrastructure and renewable energy, where further priority investment is expected, the Group is also promoting technological development and business alliances for environmental equipment as well as measures for saving labor and protecting the environment at construction sites, which are desirable to accelerate digital reform and realize a decarbonized society.

Used construction equipment sales decreased 16.0% year on year, as Kanamoto has carried out the extension of the rental equipment operation period as planned at the beginning of the fiscal year.

Reflecting these factors, the Group posted net sales in the construction-related businesses of ¥125,879 million, and operating profit of ¥7,929 million, a decrease of 17.7% year on year.

### < Other businesses >

In the Group's other businesses, net sales was ¥12,949 million and operating profit increased by 4.4% year on year to ¥865 million, as the business related to the Steel Sales Division as well as the business related to the Information Products Division and welfare-related business performed well.

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

Assets, liabilities, and net assets

Total assets at the end of the third quarter under review stood at ¥309,542 million, an increase of ¥5,787 million compared with the end of the prior fiscal year. This was primarily due to an increase of ¥4,462 million in rental equipment and ¥4,134 million in other under investments and other assets, respectively, while cash and deposits decreased by ¥4,080 million.

Total liabilities stood at ¥171,498 million, an increase of ¥2,661 million compared with the end of the prior fiscal year. This was mainly due to increases of ¥2,120 million in short-term loans payable and ¥3,954 million in long-term loans payable, while income taxes payable decreased by ¥2,422 million and other under current liabilities decreased by ¥1,708 million, respectively.

Total net assets stood at ¥138,043 million, an increase of ¥3,126 million compared with the end of the prior fiscal year. This mainly reflects the posting of profit attributable to owners of parent of ¥5,927 million and an increase of ¥1,644 million in foreign currency translation adjustment. Meanwhile, there were decreases of ¥2,994 million and ¥1,967 million, due to dividends of surplus and purchase of treasury shares, respectively.

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

For details, please refer to the "Notification Concerning Revision of Projected Full-Year Operating Results for the Fiscal Year Ending October 31, 2022" announced on September 2, 2022.

## 2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

### (1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of October 31, 2021	As of July 31, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	56,093	52,012
Notes and accounts receivable - trade	39,305	-
Notes and accounts receivable - trade, and contract assets	-	36,979
Electronically recorded monetary claims - operating	7,319	7,696
Merchandise and finished goods	1,666	1,840
Costs on construction contracts in progress	82	-
Raw materials and supplies	1,375	1,591
Construction machine parts	18,055	17,415
Other	3,123	4,252
Allowance for doubtful accounts	-269	-285
<b>Total current assets</b>	<b>126,751</b>	<b>121,501</b>
Non-current assets		
Property, plant and equipment		
Rental equipment	262,239	279,865
Accumulated depreciation	-164,193	-177,357
Rental equipment, net	98,046	102,508
Buildings and structures	42,680	43,458
Accumulated depreciation	-24,656	-25,708
Buildings and structures, net	18,024	17,750
Machinery, equipment and vehicles	9,764	10,011
Accumulated depreciation	-8,141	-8,448
Machinery, equipment and vehicles, net	1,623	1,563
Land	37,684	38,530
Other	2,899	4,608
Accumulated depreciation	-2,143	-2,257
Other, net	756	2,350
<b>Total property, plant and equipment</b>	<b>156,135</b>	<b>162,703</b>
Intangible assets		
Goodwill	4,111	3,963
Customer relationship	1,276	1,415
Other	1,516	1,542
<b>Total intangible assets</b>	<b>6,904</b>	<b>6,921</b>
Investments and other assets		
Investment securities	9,249	10,048
Deferred tax assets	2,175	1,759
Other	3,046	7,180
Allowance for doubtful accounts	-507	-572
<b>Total investments and other assets</b>	<b>13,963</b>	<b>18,415</b>
<b>Total non-current assets</b>	<b>177,003</b>	<b>188,040</b>
<b>Total assets</b>	<b>303,754</b>	<b>309,542</b>

(Millions of yen)

	As of October 31, 2021	As of July 31, 2022
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	37,082	36,296
Short-term borrowings	960	3,080
Current portion of bonds payable	24	-
Current portion of long-term borrowings	13,055	14,175
Lease obligations	1,269	1,426
Income taxes payable	2,681	259
Provision for bonuses	1,548	1,009
Accounts payable - other	24,545	25,338
Other	6,063	4,354
Total current liabilities	87,230	85,941
Non-current liabilities		
Long-term borrowings	31,460	35,414
Lease obligations	2,888	3,319
Long-term accounts payable - other	44,486	43,719
Retirement benefit liability	566	361
Asset retirement obligations	588	589
Deferred tax liabilities	1,501	1,922
Other	115	230
Total non-current liabilities	81,607	85,557
Total liabilities	168,837	171,498
<b>Net assets</b>		
Shareholders' equity		
Share capital	17,829	17,829
Capital surplus	19,326	19,332
Retained earnings	89,048	91,981
Treasury shares	-1,978	-3,945
Total shareholders' equity	124,226	125,198
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,249	2,258
Deferred gains or losses on hedges	0	0
Foreign currency translation adjustment	541	2,185
Remeasurements of defined benefit plans	-60	-29
Total accumulated other comprehensive income	2,729	4,415
Non-controlling interests	7,960	8,429
Total net assets	134,917	138,043
Total liabilities and net assets	303,754	309,542



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

**(Quarterly Consolidated Statements of Income)  
(Consolidated Nine-Month Period Ended July 31)**

(Millions of yen)

	Nine months ended July 31, 2021	Nine months ended July 31, 2022
Net sales	141,455	138,828
Cost of sales	100,075	98,004
Gross profit	41,380	40,823
Selling, general and administrative expenses	30,569	31,661
Operating profit	10,810	9,162
Non-operating income		
Interest income	33	53
Dividend income	158	179
Insurance fee income	327	20
Rental income	64	58
Foreign exchange gains	29	177
Other	281	317
Total non-operating income	895	806
Non-operating expenses		
Interest expenses	77	75
Loss on cancellation of leases	18	19
Other	147	195
Total non-operating expenses	243	290
Ordinary profit	11,462	9,679
Extraordinary income		
Gain on sale of non-current assets	14	14
Gain on sale of shares of subsidiaries and associates	20	6
Subsidy income	17	-
Gain on revision of retirement benefit plan	-	34
Gain on extinguishment of tie-in shares	-	135
Total extraordinary income	51	191
Extraordinary losses		
Loss on sale and retirement of non-current assets	140	182
Loss on valuation of investment securities	-	4
Loss on extinguishment of tie-in shares	81	-
Total extraordinary losses	222	187
Profit before income taxes	11,292	9,683
Income taxes - current	3,636	2,554
Income taxes - deferred	168	715
Total income taxes	3,805	3,269
Profit	7,487	6,413
Profit attributable to non-controlling interests	657	485
Profit attributable to owners of parent	6,829	5,927

**(Quarterly Consolidated Statements of Comprehensive Income)**  
**(Consolidated Nine-Month Period Ended July 31)**

(Millions of yen)

	Nine months ended July 31, 2021	Nine months ended July 31, 2022
Profit	7,487	6,413
Other comprehensive income		
Valuation difference on available-for-sale securities	370	8
Deferred gains or losses on hedges	-	0
Foreign currency translation adjustment	852	1,644
Remeasurements of defined benefit plans, net of tax	6	41
Total other comprehensive income	1,229	1,694
Comprehensive income	8,716	8,108
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,055	7,613
Comprehensive income attributable to non-controlling interests	660	495

### **(3) Notes Concerning Quarterly Consolidated Financial Statements**

#### **(Notes Relating to the Going Concern Assumption)**

The Company had no material items to report.

#### **(Note on Significant Changes to Shareholders' Equity)**

The Company repurchased 889,500 shares of treasury shares in accordance with the resolution of the meeting of the Board of Directors held on December 10, 2021.

As a result, treasury shares increased by ¥1,999 million during the nine-month period ended July 31, 2022, resulting in a net loss of ¥3,945 million for treasury shares as of the end of the nine-month period ended July 31, 2022.

#### **(Changes in Accounting Policies)**

(Application of accounting standard for revenue recognition, etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations effective from the beginning of the first quarter, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services. The main changes resulting from the application are as follows:

##### **(1) Change in the timing of revenue recognition**

With respect to revenues from construction-related businesses and other businesses, the Group previously recognized revenues from the rental of construction equipment to customers and sales of products at the time of shipment. However, the Group now recognizes revenue at the time of delivery when control over the rental construction equipment or goods sold is transferred to the customer.

##### **(2) Revenue recognition for agent transactions**

For certain transactions, the Group previously recognized as revenue the gross amount of consideration received from customers. However, for transactions in which the Group's role in the provision of goods or services to customers is that of an agent, the Group now recognizes revenue as the net amount received from customers less the amount paid to suppliers.

The application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the first quarter was added to or deducted from the opening balance of retained earnings of the first quarter, and thus the new accounting policy was applied from such opening balance; provided, however, that the new accounting policy was not retrospectively applied to contracts for which nearly all the revenue amounts had been recognized according to the previous treatment in periods prior to the beginning of the first quarter, by applying the method provided for in paragraph 86 of the Accounting Standard for Revenue Recognition.

As a result of this change, for the nine-month period under review, net sales decreased by ¥2,792 million and cost of sales decreased by ¥2,791 million, while operating profit, ordinary profit and profit before income taxes each decreased by ¥0 million. In addition, the opening balance of retained earnings decreased by ¥0 million.

Due to the application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations, "Notes and accounts receivable - trade" under current assets of the consolidated balance sheet as of the end of the prior fiscal year has been included in "Notes and accounts receivable - trade, and contract assets" under current assets from the quarterly consolidated balance sheet as of the end of the first quarter. In accordance with the transitional treatment provided for in paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the prior fiscal year have not been restated in accordance with the new approach to presentation. Furthermore, the information on disaggregation of revenue from contracts with customers during the nine-month period of the prior fiscal year has not been disclosed as allowed by the transitional treatment provided for in paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020).

(Application of accounting standard for fair value measurement, etc.)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the first quarter, and it has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures provided for in paragraph 19 of the Accounting Standard for Fair Value Measurement, and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). There is no impact on the quarterly consolidated financial statements.

### (Supplemental Information)

(Changes to a retirement benefit plan)

NISHIKEN CO., LTD., a consolidated subsidiary of the Company, shifted from a lump-sum retirement benefit plan to a defined contribution pension plan on January 31, 2022, except for certain eligible employees. The accounting treatment in this transition applied "Accounting for Transfer between Retirement Benefit Plans" (ASBJ Guidance No. 1, December 16, 2016) and "Practical Solution on Accounting for Transfer between Retirement Benefit Plans" (ASBJ Practical Issues Task Force No. 2, February 7, 2007). As a result, extraordinary income of ¥34 million was recorded for the nine-month period under review.

### (Segment Information)

I Nine-month period ended July 31, 2021 (From November 1, 2020 to July 31, 2021)

1. Information concerning the amount of net sales and income or loss by reporting segment

(Millions of yen)

	Reporting segment	Other businesses (Note)	Total
	Business related to the Construction Equipment Rental Division		
Net sales			
Net sales to outside customers	128,085	13,370	141,455
Net sales or transfers between related segments	-	-	-
Total	128,085	13,370	141,455
Segment income	9,629	828	10,458

(Notes) 1. 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.

2. The segment information for the nine-month period ended July 31, 2021 reflects material changes that were made to the initial allocation of acquisition costs as a result of finalizing the provisional accounting treatment for business combinations.

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

(Millions of yen)

Income	Amount
Reporting segment total	9,629
Income for "Other businesses" classification	828
Other adjustments	352
Operating profit reported on the Quarterly Consolidated Statement of Income	10,810

(Note) The segment information for the nine-month period ended July 31, 2021 reflects material changes that were made to the initial allocation of acquisition costs as a result of finalizing the provisional accounting treatment for business combinations.

II Nine-month period ended July 31, 2022 (From November 1, 2021 to July 31, 2022)

1. Information concerning the amount of net sales and income or loss by reporting segment, and information on disaggregation of revenue

(Millions of yen)

	Reporting segment	Other businesses (Note)	Total
	Business related to the Construction Equipment Rental Division		
Net sales			
Rental contracts	88,276	5,520	93,797
Sales of merchandise and finished goods	27,500	6,589	34,089
Other	9,969	839	10,809
Revenue from contracts with customers	125,746	12,949	138,695
Other revenues	132	-	132
Net sales to outside customers	125,879	12,949	138,828
Net sales or transfers between related segments	-	-	-
Total	125,879	12,949	138,828
Segment income	7,929	865	8,794

(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.

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

(Millions of yen)

Income	Amount
Reporting segment total	7,929
Income for "Other businesses" classification	865
Other adjustments	368
Operating profit reported on the Quarterly Consolidated Statement of Income	9,162

3. Matters pertaining to changes in reporting segments, etc.

As described in "Changes in Accounting Policies," the Company has applied the "Accounting Standard for Revenue Recognition" and relevant ASBJ regulations from the beginning of the first quarter, and changed the accounting treatment for revenue recognition. Accordingly, the Company has changed the method of measuring profit or loss of operating segments.

For the nine-month period under review, as a result of this change, and compared with the figures obtained by the previous method, net sales decreased by ¥639 million for the construction-related businesses, and net sales decreased by ¥2,152 million and segment income decreased by ¥0 million for other businesses.