



Six-Month Consolidated Financial Report for the Fiscal Year Ending October 31, 2023 (Japan GAAP)

June 2, 2023

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, 2023
 Scheduled date for commencement of dividend payments July 4, 2023
 Preparation of Quarterly Settlement Supplementary Explanatory Materials Yes
 Quarterly Earnings Briefings (For institutional investors and analysts) Yes
 (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, 2023

(November 1, 2022 – April 30, 2023)

(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, 2023: Second quarter	97,268	3.8	5,327	-24.9	5,488	-26.4	2,924	-35.6
Fiscal year ended October 31, 2022: Second quarter	93,715	-	7,098	-11.9	7,457	-13.5	4,540	-8.2

(Note) Comprehensive income (millions of yen)
 Fiscal year ending October 31, 2023, Second quarter 3,097 (-50.7%)
 Fiscal year ended October 31, 2022, Second quarter 6,284 (-9.1%)

	Earnings per Share	Earnings per Share on a Fully Diluted Basis
	Yen	Yen
Fiscal year ending October 31, 2023: Second quarter	80.23	-
Fiscal year ended October 31, 2022: Second quarter	121.54	-

(Note) As the Company has 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 ended October 31, 2022, the percentage of change for net sales from the results for the six months ended April 30, 2021, which was prior to the application of the said accounting standard, etc. is not shown.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
As of April 30, 2023	311,509	139,632	42.0
As of October 31, 2022	305,320	140,611	43.2

(Reference) Equity (millions of yen)
 As of April 30, 2023 130,737
 As of October 31, 2022 131,958

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, 2022	Yen –	Yen 35.00	Yen –	Yen 40.00	Yen 75.00
Fiscal year ending October 31, 2023	–	35.00			
Fiscal year ending October 31, 2023 (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, 2023

(November 1, 2022 – October 31, 2023)

(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	198,000	5.3	14,000	5.8	14,100	2.3	8,400	0.7	230.45

(Note) Has the Company revised its most recently released projected consolidated operating results during the quarter?: No

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: 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 issued at the end of the period (including treasury shares)

As of April 30, 2023:	38,742,241 shares
As of October 31, 2022:	38,742,241 shares
 - (b) Number of treasury shares at the end of the period

As of April 30, 2023:	2,681,790 shares
As of October 31, 2022:	1,799,490 shares
 - (c) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Fiscal year ending October 31, 2023: Second quarter:	36,450,921 shares
Fiscal year ended October 31, 2022: Second quarter:	37,357,999 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.

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

The Company plans to hold an online meeting for institutional investors and analysts on Monday, June 5, 2023.

Following the meeting, the Company will upload a video of the meeting on the Company's website as quickly as possible, together with the quarterly earnings briefings materials used that day.

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1. Qualitative Information Concerning Quarterly Consolidated Operating Results

(1) Qualitative Information Concerning Consolidated Operating Results

During the six-month period under review, Japan's economy had persisting conditions that demanded close attention, such as uncertainties in overseas economies and heightened geopolitical risks, despite economic activity showing signs of restarting due to the easing of restrictions on movement.

In the construction industry in which the Group is involved, although public sector investment remained firm, and gradual recovery in private sector construction investment continued, the situation remained unpredictable as there were concerns about delays in equipment supply due to rising construction costs and semiconductor supply shortages.

In such circumstances, in order to achieve the goals of its Medium-Term Corporate Management Plan "Creative 60" (FY2020-2024), the Group built a robust foundation that increases earnings without being influenced by changes in the business environment while enhancing utilization rates through the integrated management of assets and establishing an organizational structure for the optimization of rental unit price. Furthermore, the Group worked to solve issues related to the stable supply of rental equipment in relation to the increase of construction demand.

For the six-month period under review, the Group reported net sales of ¥97,268 million, an increase of 3.8% year on year. On the earnings front, partly due to investment in human resources in preparation for the future in addition to increases in depreciation and selling, general and administrative expenses caused by an absorption-type merger within the Group, operating profit was ¥5,327 million, a decrease of 24.9% year on year, ordinary profit was ¥5,488 million, a decrease of 26.4% year on year, and profit attributable to owners of parent was ¥2,924 million, a decrease of 35.6% year on year.

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, domestic construction investment remained steady, and although there were differences by region, the strength in rental demand for construction equipment returned. Kanamoto progressed with various types of large-scale projects, such as the construction of semiconductor plants and security-related construction in addition to the continuation of redevelopment work in urban areas, extension projects for bullet trains and renewable energy-related work.

Furthermore, the Group promoted technological development and business alliances aimed at realizing DX at construction sites and reducing environmental impact, such as by jointly developing a bar arrangement inspection system using a three-lens camera.

Used construction equipment sales decreased 32.0% year on year, as Kanamoto proceeded with sales in accordance with the initial plan in order to maintain an appropriate asset mix while carrying out the extension of the rental equipment operation period.

Reflecting these factors, the Group posted net sales in the construction-related businesses of ¥88,248 million, an increase of 3.3% year on year, and operating profit of ¥4,507 million, a decrease of 28.4% year on year.

< Other businesses >

In the Group's other businesses, net sales was ¥9,019 million, an increase of 8.7% year on year, and operating profit was ¥564 million, an increase of 0.8% year on year, 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 favorably.

(2) Qualitative Information Concerning Consolidated Financial Position

(i) Assets, liabilities, and net assets

Total assets at the end of the second quarter under review stood at ¥311,509 million, an increase of ¥6,189 million compared with the end of the prior fiscal year. This was primarily due to increases of ¥7,049 million in cash and deposits and ¥3,504 million in rental equipment, while long-term loans receivable decreased by ¥3,760 million.

Total liabilities stood at ¥171,877 million, an increase of ¥7,168 million compared with the end of the prior fiscal year. This was primarily due to an increase of ¥6,469 million in notes and accounts payable - trade.

Total net assets stood at ¥139,632 million, a decrease of ¥978 million compared with the end of the prior fiscal year. This mainly reflects decreases of ¥1,477 million due to dividends of surplus, ¥1,960 million due to purchase of treasury shares, etc., and ¥549 million in foreign currency translation adjustment, despite the posting of profit attributable to owners of parent of ¥2,924 million.

As a result, equity ratio was 42.0% compared with 43.2% at the end of the prior fiscal year.

(ii) Cash flows

Cash and cash equivalents ("cash") at the end of the six-month period under review increased by ¥7,049 million compared with the end of the prior fiscal year to ¥54,096 million. Cash flows for the six-month period under review are discussed below.

(Net cash provided by (used in) operating activities)

Cash provided by operating activities increased 25.2% from the same period of the prior fiscal year to ¥26,192 million. This was primarily attributable to the following: profit before income taxes of ¥5,380 million, depreciation of ¥16,850 million, increase (decrease) in trade payables of ¥6,848 million, as well as purchase of rental equipment of ¥2,232 million, and income taxes paid of ¥1,606 million.

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

Cash used in investing activities was ¥2,560 million, compared with ¥2,276 million used in the same period of the prior fiscal year. This mainly reflected the posting of ¥2,249 million for purchase of property, plant and equipment.

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

Cash used in financing activities was ¥17,234 million, compared with ¥18,521 million used in the same period of the prior fiscal year. This mainly reflected proceeds from long-term borrowings of ¥7,445 million, repayments of installment payables of ¥12,609 million, repayments of long-term borrowings of ¥7,722 million, purchase of treasury shares of ¥1,999 million, and dividends paid of ¥1,476 million.

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

There is no change to the projected consolidated operating results announced in the Financial Statements Bulletin for the Fiscal Year Ended October 31, 2022 (Japan GAAP) on December 9, 2022.

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of October 31, 2022	As of April 30, 2023
Assets		
Current assets		
Cash and deposits	47,565	54,614
Notes and accounts receivable - trade, and contract assets	38,452	37,497
Electronically recorded monetary claims - operating	8,025	9,738
Merchandise and finished goods	1,729	2,116
Raw materials and supplies	1,432	1,518
Construction machine parts	17,047	16,370
Other	4,098	2,736
Allowance for doubtful accounts	-284	-221
Total current assets	118,066	124,371
Non-current assets		
Property, plant and equipment		
Rental equipment	282,605	294,838
Accumulated depreciation	-181,989	-190,717
Rental equipment, net	100,616	104,121
Buildings and structures	44,709	46,728
Accumulated depreciation	-26,128	-26,810
Buildings and structures, net	18,581	19,918
Machinery, equipment and vehicles	10,088	10,414
Accumulated depreciation	-8,511	-8,675
Machinery, equipment and vehicles, net	1,576	1,738
Land	38,688	38,891
Other	4,570	3,885
Accumulated depreciation	-2,305	-2,409
Other, net	2,265	1,475
Total property, plant and equipment	161,728	166,145
Intangible assets		
Goodwill	3,810	3,484
Customer relationship	1,395	1,281
Other	1,511	1,442
Total intangible assets	6,717	6,208
Investments and other assets		
Investment securities	9,699	9,184
Deferred tax assets	2,370	2,155
Long-term loans receivable	5,213	1,452
Other	2,081	2,522
Allowance for doubtful accounts	-556	-530
Total investments and other assets	18,808	14,784
Total non-current assets	187,253	187,138
Total assets	305,320	311,509

(Millions of yen)

	As of October 31, 2022	As of April 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	33,714	40,183
Short-term borrowings	980	980
Current portion of long-term borrowings	13,913	13,739
Lease liabilities	1,444	1,630
Income taxes payable	1,957	2,163
Provision for bonuses	1,579	1,705
Accounts payable - other	24,853	25,246
Other	4,022	4,721
Total current liabilities	82,465	90,371
Non-current liabilities		
Long-term borrowings	34,659	35,073
Lease liabilities	3,179	3,646
Long-term accounts payable - other	41,121	39,452
Retirement benefit liability	374	372
Asset retirement obligations	657	660
Deferred tax liabilities	2,095	2,038
Other	154	262
Total non-current liabilities	82,242	81,505
Total liabilities	164,708	171,877
Net assets		
Shareholders' equity		
Share capital	17,829	17,829
Capital surplus	19,332	19,438
Retained earnings	94,399	95,307
Treasury shares	-3,945	-5,906
Total shareholders' equity	127,616	126,670
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,181	2,453
Foreign currency translation adjustment	2,198	1,649
Remeasurements of defined benefit plans	-37	-35
Total accumulated other comprehensive income	4,342	4,067
Non-controlling interests	8,652	8,894
Total net assets	140,611	139,632
Total liabilities and net assets	305,320	311,509

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income**(Quarterly Consolidated Statements of Income)
(Consolidated Six-Month Period Ended April 30)**

(Millions of yen)

	Six months ended April 30, 2022	Six months ended April 30, 2023
Net sales	93,715	97,268
Cost of sales	65,697	69,794
Gross profit	28,017	27,473
Selling, general and administrative expenses	20,919	22,145
Operating profit	7,098	5,327
Non-operating income		
Interest income	26	31
Dividend income	72	86
Insurance fee income	14	29
Rental income	40	40
Foreign exchange gains	183	-
Other	231	204
Total non-operating income	569	391
Non-operating expenses		
Interest expenses	49	57
Loss on cancellation of leases	15	17
Other	144	155
Total non-operating expenses	210	230
Ordinary profit	7,457	5,488
Extraordinary income		
Gain on sale of non-current assets	10	19
Gain on sale of shares of subsidiaries and associates	6	0
Gain on sale of investment securities	-	56
Gain on revision of retirement benefit plan	34	-
Total extraordinary income	52	76
Extraordinary losses		
Loss on sale and retirement of non-current assets	53	184
Loss on valuation of investment securities	4	-
Total extraordinary losses	58	184
Profit before income taxes	7,450	5,380
Income taxes - current	2,093	1,925
Income taxes - deferred	383	88
Total income taxes	2,477	2,014
Profit	4,973	3,366
Profit attributable to non-controlling interests	433	441
Profit attributable to owners of parent	4,540	2,924

(Quarterly Consolidated Statements of Comprehensive Income)
(Consolidated Six-Month Period Ended April 30)

(Millions of yen)

	Six months ended April 30, 2022	Six months ended April 30, 2023
Profit	4,973	3,366
Other comprehensive income		
Valuation difference on available-for-sale securities	-22	277
Deferred gains or losses on hedges	-0	-
Foreign currency translation adjustment	1,292	-549
Remeasurements of defined benefit plans, net of tax	40	3
Total other comprehensive income	1,310	-268
Comprehensive income	6,284	3,097
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,841	2,649
Comprehensive income attributable to non-controlling interests	442	448

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended April 30, 2022	Six months ended April 30, 2023
Cash flows from operating activities		
Profit before income taxes	7,450	5,380
Depreciation	15,785	16,850
Amortization of goodwill	298	323
Loss (gain) on sale and retirement of non-current assets	43	165
Cost transfer resulting from sale of rental equipment	461	443
Purchase of construction equipment and materials	-244	-728
Purchase of rental equipment	-3,199	-2,232
Loss (gain) on valuation of investment securities	4	-
Loss (gain) on sale of investment securities	-	-56
Loss (gain) on sale of shares of subsidiaries and associates	-6	-0
Increase (decrease) in allowance for doubtful accounts	67	-88
Increase (decrease) in provision for bonuses	84	94
Increase (decrease) in retirement benefit liability	22	2
Interest and dividend income	-99	-117
Assets buy on the installment plan purchase payment interest for rentals	292	315
Interest expenses	49	57
Foreign exchange losses (gains)	-174	20
Decrease (increase) in trade receivables	4,356	-284
Decrease (increase) in inventories	-767	-399
Increase (decrease) in trade payables	-795	6,848
Increase (decrease) in accounts payable - other	1,397	751
Other, net	-1,417	730
Subtotal	23,610	28,076
Interest and dividends received	81	96
Interest paid	-343	-374
Income taxes paid	-2,435	-1,606
Net cash provided by (used in) operating activities	20,913	26,192

(Millions of yen)

	Six months ended April 30, 2022	Six months ended April 30, 2023
Cash flows from investing activities		
Payments into time deposits	-275	-279
Proceeds from withdrawal of time deposits	293	279
Purchase of property, plant and equipment	-1,908	-2,249
Proceeds from sale of property, plant and equipment	25	28
Purchase of intangible assets	-343	-160
Purchase of investment securities	-3	-13
Proceeds from sale of investment securities	-	144
Proceeds from sale of shares of subsidiaries and associates	22	16
Loan advances	-227	-400
Proceeds from collection of loans receivable	20	58
Collection of long-term accounts receivable - other	78	-
Other, net	42	15
Net cash provided by (used in) investing activities	-2,276	-2,560
Cash flows from financing activities		
Redemption of bonds	-12	-
Net increase (decrease) in short-term borrowings	20	-
Proceeds from long-term borrowings	5,994	7,445
Repayments of long-term borrowings	-7,288	-7,722
Repayments of installment payables	-12,839	-12,609
Repayments of lease liabilities	-674	-770
Purchase of treasury shares	-2,000	-1,999
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	-	-78
Dividends paid	-1,700	-1,476
Dividends paid to non-controlling interests	-20	-22
Net cash provided by (used in) financing activities	-18,521	-17,234
Effect of exchange rate change on cash and cash equivalents	191	-79
Net increase (decrease) in cash and cash equivalents	308	6,317
Cash and cash equivalents at beginning of period	55,557	47,047
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	-	731
Cash and cash equivalents at end of period	55,866	54,096

(4) 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 900,300 shares of treasury shares in accordance with the resolution of the meeting of the Board of Directors held on December 9, 2022. As a result, treasury shares increased by ¥1,960 million during the six-month period ended April 30, 2023, resulting in ¥5,906 million as of the end of the six-month period ended April 30, 2023.

(Segment Information)

I Six-month period ended April 30, 2022 (From November 1, 2021 to April 30, 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	59,834	3,655	63,490
Sales of merchandise and finished goods	18,641	4,121	22,762
Other	6,849	520	7,370
Revenue from contracts with customers	85,326	8,297	93,623
Other revenues	91	-	91
Net sales to outside customers	85,417	8,297	93,715
Net sales or transfers between related segments	-	-	-
Total	85,417	8,297	93,715
Segment income	6,293	559	6,853

(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	6,293
Income for "Other businesses" classification	559
Other adjustments	244
Operating profit reported on the Quarterly Consolidated Statement of Income	7,098

II Six-month period ended April 30, 2023 (From November 1, 2022 to April 30, 2023)

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	62,343	3,841	66,184
Sales of merchandise and finished goods	18,440	4,539	22,980
Other	7,419	638	8,058
Revenue from contracts with customers	88,203	9,019	97,223
Other revenues	45	-	45
Net sales to outside customers	88,248	9,019	97,268
Net sales or transfers between related segments	-	-	-
Total	88,248	9,019	97,268
Segment income	4,507	564	5,071

(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	4,507
Income for "Other businesses" classification	564
Other adjustments	256
Operating profit reported on the Quarterly Consolidated Statement of Income	5,327