



Six-Month Consolidated Financial Report for the Fiscal Year Ending October 31, 2024 (Japan GAAP)

June 7, 2024

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, 2024
 Scheduled date for commencement of dividend payments July 2, 2024
 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, 2024

(November 1, 2023 – April 30, 2024)

(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, 2024: Second quarter	100,681	3.5	6,188	16.2	6,456	17.6	3,623	23.9
Fiscal year ended October 31, 2023: Second quarter	97,268	3.8	5,327	-24.9	5,488	-26.4	2,924	-35.6

(Note) Comprehensive income (millions of yen)

Fiscal year ending October 31, 2024, Second quarter 5,111 (65.0%)
 Fiscal year ended October 31, 2023, Second quarter 3,097 (-50.7%)

	Earnings per Share	Earnings per Share on a Fully Diluted Basis
	Yen	Yen
Fiscal year ending October 31, 2024: Second quarter	101.50	-
Fiscal year ended October 31, 2023: Second quarter	80.23	-

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
As of April 30, 2024	315,149	145,324	43.1
As of October 31, 2023	316,440	143,677	42.5

(Reference) Equity (millions of yen)

As of April 30, 2024 135,702
 As of October 31, 2023 134,495

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, 2023	Yen –	Yen 35.00	Yen –	Yen 40.00	Yen 75.00
Fiscal year ending October 31, 2024	–	35.00			
Fiscal year ending October 31, 2024 (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, 2024

(November 1, 2023 – October 31, 2024)

(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	205,300	4.0	14,100	17.9	14,300	14.5	8,300	23.5	232.52

(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, 2024:	38,742,241 shares
As of October 31, 2023:	38,742,241 shares
 - (b) Number of treasury shares at the end of the period

As of April 30, 2024:	3,402,310 shares
As of October 31, 2023:	2,681,810 shares
 - (c) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Fiscal year ending October 31, 2024: Second quarter:	35,696,449 shares
Fiscal year ended October 31, 2023: Second quarter:	36,450,921 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 10, 2024.

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 showed signs of gradual recovery due to an improved employment and income environment and the effects of various policies. However, the outlook remained uncertain due to a need to watch downside risks from overseas economies, such as global monetary tightening and concerns over the Chinese economy, the effects of yen depreciation and rising prices, the situation in the Middle East region and financial and capital market fluctuations.

In the construction industry in which the Group is involved, public sector investment is expected to remain strong and private investment is expected to continue to pick up in the area of capital investment. However, on the supply side, the situation remained unpredictable due to such concerns as persistently high prices for construction materials and energy, rising labor costs, tightening of labor regulations, and the ongoing shortage of workers.

In such circumstances, as the Medium-Term Corporate Management Plan "Creative 60" (FY2020-2024) enters its final year, the Group focused on establishing a structure to form the foundation for the next Medium-Term Corporate Management Plan. At the same time, the Company has been working to create lasting corporate value by improving its profit structure through optimization of rental unit prices and proactively implementing appropriate allocation of rental equipment after ascertaining trends in demand.

For the six-month period under review, the Group reported net sales of ¥100,681 million, an increase of 3.5% year on year. On the earnings front, operating profit was ¥6,188 million, an increase of 16.2% year on year, ordinary profit was ¥6,456 million, an increase of 17.6% year on year, and profit attributable to owners of parent was ¥3,623 million, an increase of 23.9% 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 overall.

In addition to developing and introducing technology that can be applied to labor-saving, efficiency and safety measures at sites, environmental measures, etc., the Group also promoted the establishment of a system to strengthen its ability to respond to frequent natural disasters and various large-scale projects.

Used construction equipment sales increased 2.6% 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 ¥90,815 million, an increase of 2.9% year on year, and operating profit of ¥5,450 million, an increase of 20.9% year on year.

< Other businesses >

In the Group's other businesses, net sales was ¥9,866 million, an increase of 9.4% year on year, and operating profit was ¥473 million, a decrease of 16.0% 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 ¥315,149 million, a decrease of ¥1,291 million compared with the end of the prior fiscal year. This was primarily due to decreases of ¥4,245 million in notes and accounts receivable - trade, and contract assets and ¥2,764 million in electronically recorded monetary claims - operating while cash and deposits increased by ¥5,172 million.

Total liabilities stood at ¥169,825 million, a decrease of ¥2,938 million compared with the end of the prior fiscal year. This was primarily due to a decrease of ¥2,472 million in notes and accounts payable - trade.

Total net assets stood at ¥145,324 million, an increase of ¥1,647 million compared with the end of the prior fiscal year. This mainly reflects the posting of profit attributable to owners of parent of ¥3,623 million. Meanwhile, there were decreases of ¥2,000 million due to purchase of treasury shares and ¥1,442 million due to dividends of surplus.

As a result, equity ratio was 43.1% compared with 42.5% 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 ¥5,172 million compared with the end of the prior fiscal year to ¥50,266 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 stood at ¥23,810 million, a decrease of 9.1% from the same period of the prior fiscal year. This was primarily attributable to the following: profit before income taxes of ¥6,395 million, depreciation of ¥17,768 million, and decrease (increase) in trade receivables and contract assets of ¥7,051 million, as well as purchase of rental equipment of ¥2,790 million, increase (decrease) in trade payables of ¥2,735 million, and income taxes paid of ¥2,384 million.

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

Cash used in investing activities was ¥1,032 million, compared with ¥2,560 million used in the same period of the prior fiscal year. This mainly reflected the posting of ¥1,120 million for purchase of property, plant and equipment.

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

Cash used in financing activities was ¥17,655 million, compared with ¥17,234 million used in the same period of the prior fiscal year. This mainly reflected proceeds from long-term borrowings of ¥7,500 million, repayments of installment payables of ¥12,905 million, repayments of long-term borrowings of ¥8,029 million, purchase of treasury shares of ¥2,000 million, and dividends paid of ¥1,441 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, 2023 (Japan GAAP) on December 8, 2023.

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of October 31, 2023	As of April 30, 2024
Assets		
Current assets		
Cash and deposits	45,611	50,784
Notes and accounts receivable - trade, and contract assets	41,048	36,803
Electronically recorded monetary claims - operating	11,474	8,710
Merchandise and finished goods	1,442	2,131
Raw materials and supplies	1,574	1,723
Construction machine parts	15,962	15,728
Other	3,453	2,742
Allowance for doubtful accounts	-269	-162
Total current assets	120,298	118,461
Non-current assets		
Property, plant and equipment		
Rental equipment	308,318	315,356
Accumulated depreciation	-197,632	-204,075
Rental equipment, net	110,685	111,281
Buildings and structures	47,935	48,540
Accumulated depreciation	-27,522	-28,237
Buildings and structures, net	20,413	20,303
Machinery, equipment and vehicles	10,550	10,795
Accumulated depreciation	-8,798	-8,967
Machinery, equipment and vehicles, net	1,752	1,827
Land	39,511	39,526
Other	4,091	3,944
Accumulated depreciation	-2,476	-2,567
Other, net	1,614	1,377
Total property, plant and equipment	173,977	174,315
Intangible assets		
Goodwill	3,163	2,881
Customer relationship	1,244	1,228
Other	1,369	1,276
Total intangible assets	5,778	5,386
Investments and other assets		
Investment securities	10,637	11,756
Deferred tax assets	2,013	1,471
Long-term loans receivable	1,702	1,687
Other	2,508	2,534
Allowance for doubtful accounts	-476	-462
Total investments and other assets	16,386	16,986
Total non-current assets	196,141	196,688
Total assets	316,440	315,149

(Millions of yen)

	As of October 31, 2023	As of April 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	36,077	33,604
Short-term borrowings	900	850
Current portion of long-term borrowings	14,600	15,622
Lease liabilities	1,645	1,679
Income taxes payable	2,657	2,503
Provision for bonuses	1,676	1,700
Accounts payable - other	26,075	24,771
Other	3,992	4,003
Total current liabilities	87,624	84,736
Non-current liabilities		
Long-term borrowings	35,796	36,743
Lease liabilities	3,626	3,763
Long-term accounts payable - other	42,324	41,246
Retirement benefit liability	354	337
Asset retirement obligations	686	723
Deferred tax liabilities	2,288	2,243
Other	60	31
Total non-current liabilities	85,139	85,089
Total liabilities	172,763	169,825
Net assets		
Shareholders' equity		
Share capital	17,829	17,829
Capital surplus	19,432	19,400
Retained earnings	97,842	100,023
Treasury shares	-5,906	-7,906
Total shareholders' equity	129,198	129,348
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,983	3,778
Deferred gains or losses on hedges	0	0
Foreign currency translation adjustment	2,343	2,603
Remeasurements of defined benefit plans	-30	-28
Total accumulated other comprehensive income	5,296	6,354
Non-controlling interests	9,181	9,622
Total net assets	143,677	145,324
Total liabilities and net assets	316,440	315,149

(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, 2023	Six months ended April 30, 2024
Net sales	97,268	100,681
Cost of sales	69,794	71,957
Gross profit	27,473	28,724
Selling, general and administrative expenses	22,145	22,535
Operating profit	5,327	6,188
Non-operating income		
Interest income	31	44
Dividend income	86	94
Insurance fee income	29	29
Rental income	40	37
Foreign exchange gains	-	62
Other	204	241
Total non-operating income	391	509
Non-operating expenses		
Interest expenses	57	74
Loss on cancellation of leases	17	22
Other	155	145
Total non-operating expenses	230	242
Ordinary profit	5,488	6,456
Extraordinary income		
Gain on sale of non-current assets	19	18
Gain on sale of shares of subsidiaries and associates	0	1
Gain on sale of investment securities	56	-
Total extraordinary income	76	20
Extraordinary losses		
Loss on sale and retirement of non-current assets	184	81
Total extraordinary losses	184	81
Profit before income taxes	5,380	6,395
Income taxes - current	1,925	2,237
Income taxes - deferred	88	112
Total income taxes	2,014	2,350
Profit	3,366	4,044
Profit attributable to non-controlling interests	441	421
Profit attributable to owners of parent	2,924	3,623

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

(Millions of yen)

	Six months ended April 30, 2023	Six months ended April 30, 2024
Profit	3,366	4,044
Other comprehensive income		
Valuation difference on available-for-sale securities	277	802
Deferred gains or losses on hedges	-	0
Foreign currency translation adjustment	-549	260
Remeasurements of defined benefit plans, net of tax	3	3
Total other comprehensive income	<u>-268</u>	<u>1,066</u>
Comprehensive income	<u>3,097</u>	<u>5,111</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,649	4,680
Comprehensive income attributable to non-controlling interests	448	430

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended April 30, 2023	Six months ended April 30, 2024
Cash flows from operating activities		
Profit before income taxes	5,380	6,395
Depreciation	16,850	17,768
Amortization of goodwill	323	321
Loss (gain) on sale and retirement of non-current assets	165	63
Cost transfer resulting from sale of rental equipment	443	865
Purchase of construction equipment and materials	-728	-1,585
Purchase of rental equipment	-2,232	-2,790
Loss (gain) on sale of investment securities	-56	-
Loss (gain) on sale of shares of subsidiaries and associates	-0	-1
Increase (decrease) in allowance for doubtful accounts	-88	-121
Increase (decrease) in provision for bonuses	94	24
Increase (decrease) in retirement benefit liability	2	-11
Interest and dividend income	-117	-138
Assets buy on the installment plan purchase payment interest for rentals	315	333
Interest expenses	57	74
Foreign exchange losses (gains)	20	-65
Decrease (increase) in trade receivables and contract assets	-284	7,051
Decrease (increase) in inventories	-399	-833
Increase (decrease) in trade payables	6,848	-2,735
Increase (decrease) in accounts payable - other	751	617
Other, net	730	1,266
Subtotal	28,076	26,498
Interest and dividends received	96	107
Interest paid	-374	-412
Income taxes paid	-1,606	-2,384
Net cash provided by (used in) operating activities	26,192	23,810

(Millions of yen)

	Six months ended April 30, 2023	Six months ended April 30, 2024
Cash flows from investing activities		
Payments into time deposits	-279	-239
Proceeds from withdrawal of time deposits	279	239
Purchase of property, plant and equipment	-2,249	-1,120
Proceeds from sale of property, plant and equipment	28	36
Purchase of intangible assets	-160	-92
Purchase of investment securities	-13	-4
Proceeds from sale of investment securities	144	-
Proceeds from sale of shares of subsidiaries and associates	16	37
Loan advances	-400	-0
Proceeds from collection of loans receivable	58	198
Other, net	15	-88
Net cash provided by (used in) investing activities	-2,560	-1,032
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	-	-50
Proceeds from long-term borrowings	7,445	7,500
Repayments of long-term borrowings	-7,722	-8,029
Repayments of installment payables	-12,609	-12,905
Repayments of lease liabilities	-770	-706
Purchase of treasury shares	-1,999	-2,000
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	-78	-
Dividends paid	-1,476	-1,441
Dividends paid to non-controlling interests	-22	-21
Net cash provided by (used in) financing activities	-17,234	-17,655
Effect of exchange rate change on cash and cash equivalents	-79	50
Net increase (decrease) in cash and cash equivalents	6,317	5,172
Cash and cash equivalents at beginning of period	47,047	45,093
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	731	-
Cash and cash equivalents at end of period	54,096	50,266

(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 720,400 shares of treasury shares in accordance with the resolution of the meeting of the Board of Directors held on December 8, 2023. As a result, treasury shares increased by ¥2,000 million during the six-month period ended April 30, 2024, resulting in ¥7,906 million as of April 30, 2024.

(Segment Information)

I 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

II Six-month period ended April 30, 2024 (From November 1, 2023 to April 30, 2024)

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	64,217	3,993	68,211
Sales of merchandise and finished goods	19,491	5,597	25,088
Other	7,062	275	7,338
Revenue from contracts with customers	90,771	9,866	100,638
Other revenues	43	-	43
Net sales to outside customers	90,815	9,866	100,681
Net sales or transfers between related segments	-	-	-
Total	90,815	9,866	100,681
Segment income	5,450	473	5,924

(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	5,450
Income for "Other businesses" classification	473
Other adjustments	264
Operating profit reported on the Quarterly Consolidated Statement of Income	6,188

(Material Events after the Close of the Period)

The Company had no material items to report.