



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

March 3, 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 March 16, 2023
 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 Three-Month Period of the Fiscal Year Ending October 31, 2023

(November 1, 2022 – January 31, 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: First quarter	49,508	5.9	3,096	-6.5	3,267	-6.9	1,738	-16.1
Fiscal year ended October 31, 2022: First quarter	46,730	–	3,311	-16.2	3,509	-16.0	2,072	-8.5

(Note) Comprehensive income (millions of yen)
 Fiscal year ending October 31, 2023, First quarter 1,451 (-45.0%)
 Fiscal year ended October 31, 2022, First quarter 2,636 (-19.7%)

	Earnings per Share	Earnings per Share on a Fully Diluted Basis
	Yen	Yen
Fiscal year ending October 31, 2023: First quarter	47.31	–
Fiscal year ended October 31, 2022: First quarter	55.04	–

(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 three months ended January 31, 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 January 31, 2023	309,173	139,112	42.1
As of October 31, 2022	305,320	140,611	43.2

(Reference) Equity (millions of yen)
 As of January 31, 2023 130,268
 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	–				
Fiscal year ending October 31, 2023 (projected)		35.00	–	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
Interim period	96,700	3.2	6,200	-12.7	6,200	-16.9	3,600	-20.7	97.96
Full year	198,000	5.3	14,000	5.8	14,100	2.3	8,400	0.7	228.57

(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 January 31, 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 January 31, 2023:	2,202,190 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: First quarter:	36,749,709 shares
Fiscal year ended October 31, 2022: First quarter:	37,660,982 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 three-month period under review, while the impact of COVID-19 remained, Japan's economy showed signs of a gradual recovery. However, the outlook remains uncertain mainly due to concerns over the impact of uncertainties in overseas economies and heightened geopolitical risks on Japan's economy.

In the construction industry in which the Group is involved, although public sector investment remained firm, backed mainly by Japan's National Resilience Plan, and signs of a recovery in private sector construction investment continued, the impact of soaring labor costs, material prices, etc. on profitability, and other conditions that demand close attention persist.

In such circumstances, in order to achieve the goals of its Medium-Term Corporate Management Plan "Creative 60" (FY2020-2024), the Group is committed to sustainable development and the enhancement of corporate value mainly through a business strategy that matches regional characteristics using Group synergy and the promotion of developing bases for strengthening its overseas business foundation, while also pursuing a flexible asset strategy that is adapted to the external environment and effective asset management.

For the three-month period under review, the Group reported net sales of ¥49,508 million, an increase of 5.9% year on year. On the earnings front, partly due to an increase in selling, general and administrative expenses caused by rises in depreciation and investment in human resources in preparation for the future, operating profit was ¥3,096 million, a decrease of 6.5% year on year, ordinary profit was ¥3,267 million, a decrease of 6.9% year on year, and profit attributable to owners of parent was ¥1,738 million, a decrease of 16.1% year on year.

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 the strength in rental demand for construction equipment overall returned mainly as public sector investment remained steady and private sector construction investment has shown signs of a recovery, price competition accompanying rising construction costs has become increasingly severe.

In addition, the Group is working to ensure a foundation for further improvement in earnings, such as by enhancing its rental equipment in regions where there is expected to be significant construction demand and reorganizing its network of bases in order to improve liquidity.

Used construction equipment sales increased 53.5% year on year, as Kanamoto proceeded with sales to maintain an appropriate asset mix while carrying 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 ¥45,110 million, an increase of 5.8% year on year, and operating profit of ¥2,661 million, a decrease of 8.3% year on year.

< Other businesses >

In the Group's other businesses, net sales was ¥4,397 million, an increase of 7.4% year on year, and operating profit was ¥304 million, an increase of 5.8% 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 well.

(2) Qualitative Information Concerning Consolidated Financial Position

Assets, liabilities, and net assets

Total assets at the end of the first quarter under review stood at ¥309,173 million, an increase of ¥3,853 million compared with the end of the prior fiscal year. This was primarily due to increases of ¥3,682 million

in cash and deposits and ¥4,650 million in rental equipment, while long-term loans receivable decreased by ¥3,706 million.

Total liabilities stood at ¥170,061 million, an increase of ¥5,352 million compared with the end of the prior fiscal year. This was primarily due to increases of ¥2,781 million in notes and accounts payable - trade and ¥2,100 million in short-term borrowings.

Total net assets stood at ¥139,112 million, a decrease of ¥1,499 million compared with the end of the prior fiscal year. This mainly reflects decreases of ¥1,477 million due to dividends of surplus, ¥912 million due to purchase of treasury shares, and ¥625 million in foreign currency translation adjustment, despite the posting of profit attributable to owners of parent of ¥1,738 million.

As a result, equity ratio was 42.1% compared with 43.2% at the end of the prior fiscal year.

(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 January 31, 2023
Assets		
Current assets		
Cash and deposits	47,565	51,247
Notes and accounts receivable - trade, and contract assets	38,452	37,956
Electronically recorded monetary claims - operating	8,025	9,418
Merchandise and finished goods	1,729	1,907
Raw materials and supplies	1,432	1,485
Construction machine parts	17,047	16,808
Other	4,098	3,165
Allowance for doubtful accounts	-284	-226
Total current assets	118,066	121,762
Non-current assets		
Property, plant and equipment		
Rental equipment	282,605	293,019
Accumulated depreciation	-181,989	-187,752
Rental equipment, net	100,616	105,267
Buildings and structures	44,709	45,870
Accumulated depreciation	-26,128	-26,477
Buildings and structures, net	18,581	19,392
Machinery, equipment and vehicles	10,088	10,288
Accumulated depreciation	-8,511	-8,638
Machinery, equipment and vehicles, net	1,576	1,650
Land	38,688	38,888
Other	4,570	4,185
Accumulated depreciation	-2,305	-2,350
Other, net	2,265	1,835
Total property, plant and equipment	161,728	167,034
Intangible assets		
Goodwill	3,810	3,559
Customer relationship	1,395	1,303
Other	1,511	1,580
Total intangible assets	6,717	6,444
Investments and other assets		
Investment securities	9,699	9,051
Deferred tax assets	2,370	1,812
Long-term loans receivable	5,213	1,506
Other	2,081	2,096
Allowance for doubtful accounts	-556	-534
Total investments and other assets	18,808	13,931
Total non-current assets	187,253	187,410
Total assets	305,320	309,173

(Millions of yen)

	As of October 31, 2022	As of January 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	33,714	36,496
Short-term borrowings	980	3,080
Current portion of long-term borrowings	13,913	13,957
Lease liabilities	1,444	1,585
Income taxes payable	1,957	805
Provision for bonuses	1,579	738
Accounts payable - other	24,853	24,636
Other	4,022	4,775
Total current liabilities	82,465	86,076
Non-current liabilities		
Long-term borrowings	34,659	35,968
Lease liabilities	3,179	3,679
Long-term accounts payable - other	41,121	41,019
Retirement benefit liability	374	373
Asset retirement obligations	657	656
Deferred tax liabilities	2,095	2,082
Other	154	205
Total non-current liabilities	82,242	83,984
Total liabilities	164,708	170,061
Net assets		
Shareholders' equity		
Share capital	17,829	17,829
Capital surplus	19,332	19,332
Retained earnings	94,399	94,121
Treasury shares	-3,945	-4,857
Total shareholders' equity	127,616	126,427
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,181	2,305
Foreign currency translation adjustment	2,198	1,573
Remeasurements of defined benefit plans	-37	-36
Total accumulated other comprehensive income	4,342	3,841
Non-controlling interests	8,652	8,843
Total net assets	140,611	139,112
Total liabilities and net assets	305,320	309,173

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income**(Quarterly Consolidated Statements of Income)
(Consolidated Three-Month Period Ended January 31)**

(Millions of yen)

	Three months ended January 31, 2022	Three months ended January 31, 2023
Net sales	46,730	49,508
Cost of sales	33,006	35,414
Gross profit	13,724	14,094
Selling, general and administrative expenses	10,412	10,997
Operating profit	3,311	3,096
Non-operating income		
Interest income	12	15
Dividend income	72	86
Rental income	20	20
Foreign exchange gains	18	4
Other	156	140
Total non-operating income	280	268
Non-operating expenses		
Interest expenses	25	28
Loss on cancellation of leases	7	9
Other	51	58
Total non-operating expenses	83	96
Ordinary profit	3,509	3,267
Extraordinary income		
Gain on sale of non-current assets	5	3
Gain on sale of shares of subsidiaries and associates	6	0
Gain on revision of retirement benefit plan	31	-
Total extraordinary income	43	4
Extraordinary losses		
Loss on sale and retirement of non-current assets	31	77
Loss on valuation of investment securities	4	-
Total extraordinary losses	36	77
Profit before income taxes	3,515	3,194
Income taxes - current	735	709
Income taxes - deferred	495	537
Total income taxes	1,230	1,247
Profit	2,284	1,946
Profit attributable to non-controlling interests	211	208
Profit attributable to owners of parent	2,072	1,738

(Quarterly Consolidated Statements of Comprehensive Income)
(Consolidated Three-Month Period Ended January 31)

(Millions of yen)

	Three months ended January 31, 2022	Three months ended January 31, 2023
Profit	2,284	1,946
Other comprehensive income		
Valuation difference on available-for-sale securities	-55	128
Deferred gains or losses on hedges	-0	-
Foreign currency translation adjustment	368	-625
Remeasurements of defined benefit plans, net of tax	39	1
Total other comprehensive income	<u>351</u>	<u>-495</u>
Comprehensive income	<u>2,636</u>	<u>1,451</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,414	1,237
Comprehensive income attributable to non-controlling interests	221	213

(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 402,700 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 ¥912 million during the three-month period ended January 31, 2023, resulting in ¥4,857 million as of the end of the three-month period ended January 31, 2023.

(Segment Information)

I Three-month period ended January 31, 2022 (From November 1, 2021 to January 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	32,016	1,829	33,846
Sales of merchandise and finished goods	6,961	2,033	8,994
Other	3,600	231	3,832
Revenue from contracts with customers	42,578	4,094	46,672
Other revenues	57	-	57
Net sales to outside customers	42,636	4,094	46,730
Net sales or transfers between related segments	-	-	-
Total	42,636	4,094	46,730
Segment income	2,901	287	3,189

(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	2,901
Income for "Other businesses" classification	287
Other adjustments	122
Operating profit reported on the Quarterly Consolidated Statement of Income	3,311

II Three-month period ended January 31, 2023 (From November 1, 2022 to January 31, 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	33,777	1,917	35,694
Sales of merchandise and finished goods	7,573	2,156	9,729
Other	3,729	323	4,053
Revenue from contracts with customers	45,080	4,397	49,478
Other revenues	30	-	30
Net sales to outside customers	45,110	4,397	49,508
Net sales or transfers between related segments	-	-	-
Total	45,110	4,397	49,508
Segment income	2,661	304	2,965

(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	2,661
Income for "Other businesses" classification	304
Other adjustments	130
Operating profit reported on the Quarterly Consolidated Statement of Income	3,096