



Six-Month Consolidated Financial Report for the Fiscal Year Ending October 31, 2021 (Japan GAAP)

June 4, 2021

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 11, 2021
 Scheduled date for commencement of dividend payments July 2, 2021
 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, 2021

(November 1, 2020 – April 30, 2021)

(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, 2021: Second quarter	95,225	4.2	8,118	-12.1	8,683	-4.0	4,943	-7.5
Fiscal year ended October 31, 2020: Second quarter	91,414	-0.5	9,239	-18.0	9,046	-21.4	5,344	-26.3

(Note) Comprehensive income (millions of yen)

Fiscal year ending October 31, 2021, Second quarter 6,909 (29.7%)
 Fiscal year ended October 31, 2020, Second quarter 5,327 (-29.5%)

	Earnings per Share	Earnings per Share on a Fully Diluted Basis
	Yen	Yen
Fiscal year ending October 31, 2021: Second quarter	130.75	-
Fiscal year ended October 31, 2020: Second quarter	138.33	-

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
As of April 30, 2021	300,485	131,598	41.3
As of October 31, 2020	300,748	126,188	39.6

(Reference) Equity (millions of yen)

As of April 30, 2021 123,960
 As of October 31, 2020 119,091

(Note) In the first quarter of the fiscal year ending October 31, 2021, the Company finalized the provisional accounting treatment for business combinations, and the figures for the fiscal year ended October 31, 2020 reflect the finalized content of the provisional accounting treatment.

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, 2020	-	25.00	-	40.00	65.00
Fiscal year ending October 31, 2021	-	25.00			
Fiscal year ending October 31, 2021 (projected)			-	45.00	70.00

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

3. Projected Consolidated Operating Results for the Fiscal Year Ending October 31, 2021

(November 1, 2020 – October 31, 2021)

(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	190,300	6.3	15,000	5.3	15,200	6.5	9,000	6.3	238.03

(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
- | | |
|---------------------------------------|---|
| Company newly included (Company name) | — |
| Company newly excluded (Company name) | — |
- (2) Application of special accounting method in the preparation of quarterly consolidated financial statements: No
- (3) Changes in accounting principles, changes in accounting estimates and retrospective restatements
- (a) Changes in accounting 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 outstanding at the end of the period (including treasury shares)

As of April 30, 2021:	38,742,241 shares
As of October 31, 2020:	38,742,241 shares
 - (b) Number of treasury shares at the end of the period

As of April 30, 2021:	924,596 shares
As of October 31, 2020:	939,142 shares
 - (c) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Fiscal year ending October 31, 2021: Second quarter:	37,810,252 shares
Fiscal year ended October 31, 2020: Second quarter:	38,633,054 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 7, 2021.

Following the meeting, the Company will upload the meeting highlights and the discussion (voice recording) 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 continued to face difficult conditions due to the impact of the spread of COVID-19. Although the economy continues to move toward normalization due to the effects of a range of government policies, the future still remains uncertain given the spread of mutated strains of COVID-19 and the re-issuing of the declaration of a state of emergency.

In the construction industry in which the Group is involved, public sector investment continued to be strong, centered on disaster recovery, infrastructure-related construction, and promotion of Japan's National Resilience Plan. Meanwhile private sector construction investment, which has been on a downward trend, remained weak, although there were signs of a gradual recovery.

In such circumstances, based on the three key measures of the Medium-Term Corporate Management Plan "Creative 60" (FY2020-2024), the Group will promote business alliances and M&As that can be expected to generate significant synergies in order to strengthen the foundation of the Alliance Group in Japan and abroad. At the same time, we are striving to accumulate and share solutions for the sustainable development of the Group and the enhancement of corporate value.

For the six-month period under review, the Group reported net sales of ¥95,225 million, up 4.2% compared with the same period of the prior year. In terms of earnings, operating profit decreased 12.1% from the same period of the prior year to ¥8,118 million, ordinary profit declined 4.0% year on year to ¥8,683 million, and interim period profit attributable to owners of parent declined 7.5% year on year to ¥4,943 million, reflecting investment in human resources for the future and strict control over used construction equipment sales aimed at extending the operating life of rental assets.

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 private sector construction investment remained weak, rental demand for construction equipment was solid overall due to strong public sector investment centered on construction related to disaster recovery and reconstruction work as well as disaster prevention and mitigation in various regions, and maintenance and renewal of aging social capital.

In addition, the Group is promoting the enhancement of service quality and the strengthening of its business structure through the appropriate deployment and efficient operation of rental assets while also strengthening its ability to respond to needs for the development of equipment that applies IoT and ICT-related technologies.

Used construction equipment sales fell 27.9% year on year, as disposals were proceeded with as planned at the beginning of the period.

Reflecting these factors, the Group posted net sales in the construction-related businesses of ¥86,603 million, an increase of 4.3% year on year, and operating profit of ¥7,341 million, a decrease of 14.6%.

< Other businesses >

In the Group's other businesses, net sales increased by 3.3% year on year to ¥8,622 million and operating profit increased by 27.1% to ¥544 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

With regard to the business combination with KANAMOTO AUSTRALIA HOLDINGS PTY LTD conducted on October 15, 2020, although provisional accounting treatment was carried out in the previous consolidated fiscal year, it was finalized in the first quarter under review. As a result of the finalization of the said provisional accounting treatment, a review of the allocation of acquisition costs is applied in the

comparative information included in the condensed consolidated statement of income for the second quarter under review. In the comparison and analysis with the end of the previous fiscal year, the figures after the revision of the initial allocation of acquisition costs due to the finalization of the provisional accounting treatment have been used.

(i) Assets, liabilities, and net assets

Total assets at the end of the second quarter under review stood at ¥300,485 million, a decrease of ¥262 million compared with the end of the prior fiscal year. This was primarily due to increases of ¥3,690 million in cash and deposits and ¥1,330 million in buildings and structures, while notes and accounts receivable - trade decreased by ¥6,422 million.

Total liabilities were ¥168,887 million, a decrease of ¥5,672 million compared with the end of the prior fiscal year. This was primarily due to a ¥1,215 million increase in long-term borrowings, while notes and accounts payable - trade and long-term accounts payable - other decreased by ¥4,579 million and ¥2,999 million, respectively.

Total net assets totaled ¥131,598 million, ¥5,409 million higher than at the end of the prior fiscal year. This mainly reflects the posting of profit attributable to owners of parent of ¥4,943 million, and an increase in foreign currency translation adjustment of ¥914 million. Meanwhile, there was a decrease of ¥1,512 million due to dividends of surplus.

(ii) Cash flows

Cash and cash equivalents ("cash") at the end of the six-month period under review increased by ¥3,694 million compared with the end of the prior fiscal year to ¥51,717 million. Cash flows for the six-month period under review are discussed below.

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

Cash generated from operating activities decreased 4.9% from the same period of the prior fiscal year to ¥20,084 million.

This was primarily attributable to the following: profit before income taxes of ¥8,397 million, depreciation of ¥15,401 million, decrease in trade receivables of ¥5,899 million, as well as decrease in trade payables of ¥5,330 million, purchase of rental equipment of ¥2,777 million, and income taxes paid of ¥2,142 million.

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

Cash utilized in investing activities was ¥2,353 million, compared with cash used in investing activities in the same period of the prior fiscal year of ¥1,751 million in the same period of the prior fiscal year.

This mainly reflected the posting of ¥2,292 million in for purchase of property, plant and equipment.

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

Cash used for financing activities was ¥14,436 million, compared with cash used in financing activities in the same period of the prior fiscal year of ¥16,522 million.

This mainly reflected proceeds from long-term borrowings of ¥7,980 million, repayments of installment payables of ¥12,773 million, repayments of long-term borrowings of ¥7,280 million, and dividends paid of ¥1,509 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, 2020 (Japanese GAAP) on December 4, 2020.

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of October 31, 2020	As of April 30, 2021
Assets		
Current assets		
Cash and deposits	48,563	52,253
Notes and accounts receivable - trade	41,451	35,029
Electronically recorded monetary claims - operating	6,166	6,960
Merchandise and finished goods	1,205	1,992
Costs on construction contracts in progress	148	81
Raw materials and supplies	1,234	1,387
Construction machine parts	19,918	18,770
Other	2,495	3,150
Allowance for doubtful accounts	-230	-228
Total current assets	120,952	119,397
Non-current assets		
Property, plant and equipment		
Rental equipment	251,783	258,526
Accumulated depreciation	-153,225	-159,208
Rental equipment, net	98,557	99,318
Buildings and structures	39,804	41,903
Accumulated depreciation	-23,293	-24,061
Buildings and structures, net	16,510	17,841
Machinery, equipment and vehicles	9,619	9,742
Accumulated depreciation	-8,025	-8,118
Machinery, equipment and vehicles, net	1,593	1,624
Land	37,421	37,728
Other	4,143	3,168
Accumulated depreciation	-2,054	-2,113
Other, net	2,088	1,054
Total property, plant and equipment	156,171	157,567
Intangible assets		
Goodwill	6,600	6,402
Customer relationship	1,276	1,382
Other	1,455	1,405
Total intangible assets	9,332	9,190
Investments and other assets		
Investment securities	8,974	9,260
Deferred tax assets	2,377	2,176
Other	3,557	3,488
Allowance for doubtful accounts	-618	-595
Total investments and other assets	14,291	14,328
Total non-current assets	179,795	181,087
Total assets	300,748	300,485

(Millions of yen)

	As of October 31, 2020	As of April 30, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	37,975	33,396
Short-term borrowings	1,035	960
Current portion of bonds payable	44	24
Current portion of long-term borrowings	12,942	13,114
Lease obligations	1,342	1,318
Income taxes payable	2,401	3,094
Provision for bonuses	1,462	1,571
Accounts payable - other	25,489	25,186
Other	4,913	4,525
Total current liabilities	87,606	83,191
Non-current liabilities		
Bonds payable	24	12
Long-term borrowings	30,082	31,297
Lease obligations	2,857	3,237
Long-term accounts payable - other	52,246	49,247
Retirement benefit liability	498	524
Asset retirement obligations	545	572
Deferred tax liabilities	606	704
Other	91	98
Total non-current liabilities	86,953	85,695
Total liabilities	174,559	168,887
Net assets		
Shareholders' equity		
Share capital	17,829	17,829
Capital surplus	19,324	19,326
Retained earnings	82,599	86,030
Treasury shares	-2,009	-1,978
Total shareholders' equity	117,744	121,209
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,522	2,009
Deferred gains or losses on hedges	-	0
Foreign currency translation adjustment	-126	788
Remeasurements of defined benefit plans	-49	-46
Total accumulated other comprehensive income	1,346	2,750
Non-controlling interests	7,097	7,638
Total net assets	126,188	131,598
Total liabilities and net assets	300,748	300,485

(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, 2020	Six months ended April 30, 2021
Net sales	91,414	95,225
Cost of sales	64,075	66,810
Gross profit	27,338	28,415
Selling, general and administrative expenses	18,098	20,297
Operating profit	9,239	8,118
Non-operating income		
Interest income	18	22
Dividend income	72	66
Insurance fee income	57	298
Rental income	44	44
Other	215	294
Total non-operating income	409	726
Non-operating expenses		
Interest expenses	40	51
Foreign exchange losses	115	-
Loss on cancellation of leases	37	12
Provision of allowance for doubtful accounts	328	-
Other	80	97
Total non-operating expenses	602	161
Ordinary profit	9,046	8,683
Extraordinary income		
Gain on sales of non-current assets	4	6
Gain on sales of shares of subsidiaries and associates	-	20
Subsidy income	12	17
Total extraordinary income	16	43
Extraordinary losses		
Loss on sales and retirement of non-current assets	114	79
Loss on valuation of investment securities	127	168
Loss on valuation of shares of subsidiaries and associates	66	-
Loss on extinguishment of tie-in shares	-	81
Total extraordinary losses	308	329
Profit before income taxes	8,754	8,397
Income taxes - current	2,919	2,874
Income taxes - deferred	-84	20
Total income taxes	2,835	2,895
Profit	5,918	5,502
Profit attributable to non-controlling interests	574	558
Profit attributable to owners of parent	5,344	4,943

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

(Millions of yen)

	Six months ended April 30, 2020	Six months ended April 30, 2021
Profit	5,918	5,502
Other comprehensive income		
Valuation difference on available-for-sale securities	-589	488
Deferred gains or losses on hedges	-0	0
Foreign currency translation adjustment	27	914
Remeasurements of defined benefit plans, net of tax	-29	4
Total other comprehensive income	-590	1,407
Comprehensive income	5,327	6,909
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,764	6,347
Comprehensive income attributable to non-controlling interests	562	561

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended April 30, 2020	Six months ended April 30, 2021
Cash flows from operating activities		
Profit before income taxes	8,754	8,397
Depreciation	14,312	15,401
Amortization of goodwill	71	475
Loss (gain) on sales and retirement of non-current assets	110	73
Cost transfer resulting from sale of rental equipment	511	404
Purchase of construction equipment and materials	-781	-227
Purchase of rental equipment	-2,456	-2,777
Loss (gain) on valuation of investment securities	127	168
Loss on valuation of shares of subsidiaries and associates	66	-
Loss (gain) on sales of shares of subsidiaries and associates	-	-20
Increase (decrease) in allowance for doubtful accounts	258	-29
Increase (decrease) in provision for bonuses	137	94
Increase (decrease) in retirement benefit liability	8	32
Interest and dividend income	-91	-88
Assets buy on the installment plan purchase payment interest for rentals	224	321
Interest expenses	40	51
Foreign exchange losses (gains)	110	-92
Decrease (increase) in trade receivables	2,661	5,899
Decrease (increase) in inventories	-593	-851
Increase (decrease) in trade payables	-541	-5,330
Increase (decrease) in accounts payable - other	2,022	846
Loss (gain) on extinguishment of tie-in shares	-	81
Other, net	311	-301
Subtotal	25,266	22,530
Interest and dividends received	80	70
Interest paid	-259	-374
Income taxes paid	-3,980	-2,142
Net cash provided by (used in) operating activities	21,108	20,084

(Millions of yen)

	Six months ended April 30, 2020	Six months ended April 30, 2021
Cash flows from investing activities		
Payments into time deposits	-190	-292
Proceeds from withdrawal of time deposits	190	298
Purchase of property, plant and equipment	-1,325	-2,292
Proceeds from sales of property, plant and equipment	5	13
Purchase of intangible assets	-189	-219
Proceeds from sales of intangible assets	-	12
Purchase of investment securities	-3	-3
Proceeds from sales of investment securities	-	7
Purchase of shares of subsidiaries	-191	-
Purchase of shares of subsidiaries and associates	-133	-
Proceeds from sales of shares of subsidiaries and associates	-	22
Loan advances	-50	-13
Collection of loans receivable	127	23
Collection of long-term accounts receivable-other	21	103
Other, net	-11	-13
Net cash provided by (used in) investing activities	-1,751	-2,353

(Millions of yen)

	Six months ended April 30, 2020	Six months ended April 30, 2021
Cash flows from financing activities		
Redemption of bonds	-	-32
Net increase (decrease) in short-term borrowings	540	-75
Proceeds from long-term borrowings	6,300	7,980
Repayments of long-term borrowings	-6,305	-7,280
Repayments of installment payables	-13,779	-12,773
Repayments of lease obligations	-721	-724
Purchase of treasury shares	-986	-0
Dividends paid	-1,548	-1,509
Dividends paid to non-controlling interests	-20	-20
Other, net	-0	-
Net cash provided by (used in) financing activities	-16,522	-14,436
Effect of exchange rate change on cash and cash equivalents	13	140
Net increase (decrease) in cash and cash equivalents	2,847	3,434
Cash and cash equivalents at beginning of period	43,511	48,023
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	-	260
Cash and cash equivalents at end of period	46,358	51,717

(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 had no material items to report.

(Supplemental Information)

(Accounting estimates due to the spread of COVID-19)

There have been no significant changes in the assumptions and accounting estimates, including those related to the impact of the spread of COVID-19 and the timing of its settlement as described in the Annual Securities Report for the previous fiscal year (Supplemental Information) (Accounting estimates due to the spread of COVID-19).

(Segment Information)

I Six-month period ended April 30, 2020 (From November 1, 2019 to April 30, 2020)

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	83,062	8,351	91,414
Net sales or transfers between related segments	-	-	-
Total	83,062	8,351	91,414
Segment income	8,594	428	9,023

(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	8,594
Income for "Other businesses" classification	428
Other adjustments	216
Operating profit reported on the Quarterly Consolidated Statement of Income	9,239

3. Information concerning non-current impairment loss and goodwill by reporting segment

The Company had no material items to report.

II Six-month period ended April 30, 2021 (From November 1, 2020 to April 30, 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	86,603	8,622	95,225
Net sales or transfers between related segments	-	-	-
Total	86,603	8,622	95,225
Segment income	7,341	544	7,885

(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	7,341
Income for "Other businesses" classification	544
Other adjustments	232
Operating profit reported on the Quarterly Consolidated Statement of Income	8,118

3. Information concerning non-current asset impairment loss and goodwill by reporting segment
The Company had no material items to report.