

Report of Business Operations for the 56th Business Period (Business Period ended October 2020) (Attachment to the Notification and Invitation to the 56th Regular General Meeting of the Shareholders)

From November 1, 2019 to October 31, 2020

1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

a) Summary of consolidated fiscal year operating results (From November 1, 2019 to October 31, 2020)

During the consolidated fiscal year under review, Japan's economy continued to be unpredictable, with corporate earnings and the employment environment on an improving trend, but with greatly restricted economic activities due to the spread of the novel coronavirus disease (COVID-19). Also, the outlook for the business conditions of the global economy remained unclear due to movement restrictions and city lockdowns caused by COVID-19, in addition to the effects of the trade frictions between the US and China.

In the construction industry where the Kanamoto Group belongs, public sector investments were firm, mainly in construction related to restoration, recovery and prevention from natural disasters, and in the promotion of the national resilience related to measures against the aging of infrastructure, while for the private sector construction investments there are concerns that capital investment is cooling due to a decline in investment sentiment, and other conditions that demand close attention persist.

In such circumstances, the Group has worked to achieve its Medium-Term Corporate Management Plan "Creative 60" (FY2020-2024) by promoting three key measures: expansion of domestic bases for operations, overseas expansion, and optimization of internal operations. In addition, while implementing measures against infections and reducing fixed costs, we also strove to further increase corporate value by training personnel for the future, strengthening the foundation of the alliance group at in Japan and abroad, and implementing an asset strategy that pays close attention to the market environment.

Consequently, in the fiscal year ended October 31, 2020 net sales fell 0.9% from the prior consolidated fiscal year level to ¥179,053 million. On the earnings front, operating profit decreased 20.1% year-on-year to ¥14,250 million, ordinary profit fell 21.9% to ¥14,268 million, and profit attributable to owners of parent fell 25.9% to ¥8,466 million, due to such factors as the extension of the used construction equipment operation period as planned at the beginning of the fiscal year, and the impact of increased depreciation associated with additional capital investment for disaster recovery.

Results for each of the Company's business segments were as follows.

b) Summary of consolidated operating results by business segment

[Business related to the Construction Equipment Rental Division]

In the construction-related business, which is Kanamoto's core business, public sector investments were

relatively steady due to the full-scale implementation of construction related to disaster recovery, infrastructure and disaster prevention, but private sector construction investments did not reach a full-fledged recovery in rental demand for construction equipment, as construction was canceled or postponed at some sites.

In addition, the Group has strengthened its operations bases by working on business alliances that are expected to have high synergistic effects in Japan and abroad, and by expanding its product lineup to immediately meet a wide variety of demands. As a result, sales by region in this business were up 3.1% in the Hokkaido Region, down 1.6% in the Tohoku Region, down 0.7% in the Kanto & Koushinetsu Region, up 4.8% in the Nishi-nihon Region, and up 1.7% in the Kyushu & Okinawa Region.

In addition, used construction equipment sales decreased 26.4% year-on-year, as Kanamoto carried out the sale as planned at the beginning of the fiscal year.

Reflecting these factors, the Kanamoto Group posted net sales in the construction-related businesses of ¥160,826 million, a decrease of 0.6% year-on-year, and operating profit of ¥12,852 million, a decrease of 22.1%.

[Other Businesses]

In the Company's other businesses, sales performed well in the welfare and information-related business, while the steel products-related business was affected by the fall in steel materials prices, resulting in a 3.4% decrease year-on-year in net sales to ¥18,226 million and a 6.1% increase in operating profit to ¥969 million.

(Millions of yen)

Segment	55th Business Period Business Period ended October 2019	56th Business Period Business Period ended October 2020	Change from prior year (%)
Business related to the Construction Equipment Rental Division	161,831	160,826	-0.6
Other Businesses	18,862	18,226	-3.4
Total	180,694	179,053	-0.9

(2) Financing activities

1) Funds Procurement

Funds procurement through capital increase or the issuance of corporate bonds has not been performed during the current consolidated fiscal year.

2) Capital investment

Capital investment implemented by the Kanamoto Group during the current consolidated fiscal year

totaled ¥38,585 million. This included purchases of rental equipment of ¥34,113 million, and investments in assets used by the group, including the establishment, relocation and expansion of branches, of ¥4,471 million.

< Main branches newly established in the Corporate Group >

During the consolidated fiscal year under review, Kanamoto newly opened 3 branches .
Kanamoto Co., Ltd.

New branches: Specialized Equipment Engineering Division, Arao Equipment Center

(Arao City, Kumamoto Prefecture)

Kurashiki Branch (Kurashiki City, Okayama Prefecture)

Sapporo Small Equipment Center (Sapporo City)

Closed branches: Aomori Equipment Center (Aomori City, Aomori Prefecture)

3) Transfer, absorption, division or new establishment of businesses

The Company had no material items to report.

4) Receipt of businesses from other companies

The Company acquired the Construction Equipment Business Division from YAMAMOTO CO., LTD. on April 30, 2020.

5) Succession to rights and obligations concerning the businesses of other corporations etc. by absorption and merger or absorption and division

The Company had no material items to report.

6) Acquisition or disposal of shares, other equity or subscription rights to shares of other companies

The Company acquired all of the shares of SOOKI HOLDINGS Co., Ltd. on September 30, 2020 to strengthen its measuring instrument business domain, and SOOKI HOLDINGS Co., Ltd. became a consolidated subsidiary of the Company.

(3) Financial position and profit and loss in the current business period and three immediately prior business periods

(Millions of yen except per share data, which are in yen)

Category	53th Business Period (Business Period ended October 2017)	54th Business Period (Business Period ended October 2018)	55th Business Period (Business Period ended October 2019)	56th Business Period (current consolidated fiscal year) (Business Period ended October 2020)
Net sales	158,428	168,188	180,694	179,053
Ordinary income	17,193	17,925	18,277	14,268
Profit attributable to	10,744	11,857	11,430	8,466

owners of parent				
Net income per share	304.05	335.54	295.30	221.45
Total assets	227,155	241,374	268,182	300,362
Net assets	91,788	102,031	121,779	126,188
Net assets per share	2,440.41	2,707.49	2,981.68	3,150.30

(4) Issues to be Addressed by the Company

With the economic outlook remaining uncertain due to such factors as the spread of the novel coronavirus disease (COVID-19), the situation is unpredictable.

In the construction equipment rental business, which is a core business of the Kanamoto Group, it is important to select assets that match the characteristics of sales areas and customers' needs. Based on the collected data, the Company must build an asset portfolio structure aimed at maximizing operational efficiency and establish a strong earnings structure with a detailed operation. In addition, the Company also needs to aspire to be a "general rental company" that provides one-stop and comprehensive customer service, not just rental of goods.

1) Strengthen human resources training, and also Kanamoto Group alliances

In the construction equipment rental industry, intensifying competition between companies could lead to a trend of mergers and acquisitions due to a further increase in distinction and selection. The Company will make efforts to develop employees with the knowledge and skills appropriate for a leader in the construction equipment rental industry, and we will work to develop human resources that can adapt to business expansion in Japan and overseas.

Also, in order to expand the business domains that are essential for the Company to become a general rental company, we will strengthen cooperation with the Group companies and relationships with alliance companies to increase synergy effects between the Group.

2) Deepen asset strategies

In introducing assets, we give top priority to market needs, but in recent years the particulars of domestic construction demand, such as ICT techniques, are changing, and therefore we ultimately determine the composition of the assets to be introduced and appropriate amount thereof by thoroughly examining the market and earnings characteristics not only at present, but also looking forward.

3) Optimizing Maintenance Costs

Maintaining and improving asset value is the very lifeline of the construction equipment rental business, and maintenance costs are essential to that end, but we aim to reduce the cost ratio by consolidating and optimizing the expertise of the Group in terms of expenditures.

4) Promotion of overseas business

In addition to strengthening sales activities in the countries whose markets we have currently entered, we also seek to increase profitability through thorough asset and revenue management.

(5) Main businesses (As of October 31, 2020)

Activities	Main products and services
Business related to the Construction Equipment Rental Division	Rental and sale of equipment and instruments for use in construction, temporary materials for construction use, safety products for the construction industry, measuring instrument and modular housing units for temporary use
Other Businesses	Sale of steel products such as steel bar, steel plate and round bar, contract construction, rental and sale of computers and computer peripheral equipment. Rental and sales of social-welfare-service and nursing-care equipment

(6) Main offices of the Kanamoto Group (As of October 31, 2020)**1) Main offices and facilities**

Kanamoto's Head Office and Operations Control Headquarters are located in Chuo-ku in Sapporo, Hokkaido, and the Company's Business Coordination Headquarters is located in Minato-ku in Tokyo.

The number of branches in each of the Company's operating regions is shown below.

■Number of offices by region (excluding non-operating divisions)

	Region	Business related to the Construction Equipment Rental Division		Other Businesses	
		Kanamoto	Consolidated subsidiaries	Kanamoto	Consolidated subsidiaries
Japan	Hokkaido	66	23	3	0
	Tohoku	56	12	0	0
	Kanto	38	28	1	3
	Chubu	23	9	0	0
	Kinki	8	18	0	9
	Chugoku	3	3	0	11
	Shikoku	4	1	0	0
	Kyushu	3	82	0	22
Overseas	China	0	1	0	0
	Australia	0	9	0	0
Total		387		49	

2) Number of Kanamoto Group employees

	Number of employees
Business related to the Construction Equipment Rental Division	3,168
Other Businesses	305

All companies (shared)	203
Total	3,676

Notes : 1. Figures are the number of full-time employees and do not include directors, temporary or part-time employees.

2. The number of employees increased by 395 compared to the end of the previous fiscal year. This is mainly due to the increase in number of employees by 146 due to the consolidation of the SOOKI HOLDINGS Co., Ltd. Group and by 93 due to the consolidation of the KANAMOTO AUSTRALIA HOLDINGS PTY LTD Group in the current consolidated fiscal year.
3. Employees designated as "All companies (shared)" are individuals affiliated with management departments who cannot be classified in a specific segment.

3) Number of Kanamoto employees

Number of employees	Change compared with end of prior fiscal year	Average age	Average length of service
1,999	+60	38.2	11.0 years

Note : Figures are the number of full-time employees and do not include temporary or part-time employees.

(7) Important parent company affiliates and subsidiary companies

1) Parent company affiliates

The Company had no items to report.

2) Subsidiaries

(Unit: Millions of yen; Thousands of yuan)

Company name	Capital	Kanamoto's ownership (%)	Main activities
Assist Co., Ltd.	136	100.0	Rental and sale of furniture, fixtures and safety products
Kanatech Co., Ltd.	100	100.0	Design and sale of modular housing units for temporary use
Kanki Corporation	99	93.6	Rental and sale of construction equipment
Kyushu Kensan Co., Ltd.	70	90.1	Rental and sale of construction equipment centered on foundation equipment
SOOKI HOLDINGS Co., Ltd.	1	100.0	Holding Company
Daiichi Kikaisangyo Co., Ltd.	20	100.0	Rental and sale of construction equipment
Toyo Industry Co., Ltd.	31	100.0	Shield tunneling method-related peripheral equipment rentals and sales
NISHIKEN CO., LTD.	1,049	77.6	Rental and sales of construction machinery, temporary materials for construction use, social-welfare-service and nursing-care

			equipment
Unite Co., Ltd.	1,144	66.9	Rental and sale of road construction equipment, road construction works
KG Flowtechno Co., Ltd.	20	100.0	Developing a business in the rental and design, manufacture and sale of specialized equipment used for projects such as ground improvement work and the construction of underground structures
Kanamoto (China) Investment Co., Ltd.	2,376	100.0	Rental and sale of construction equipment
Kanamoto Australia Holdings Pty Ltd	5,687	100.0	Holding Company

Note : 1. There are no specified wholly-owned subsidiaries as of the end of this fiscal year.

2. The holding ratio in Kanki Corporation and NISHIKEN CO., LTD. is calculated excluding treasury shares.

(8) Primary lenders and amount of borrowing (As of October 31, 2020)

Financial institution	Loan balance (Millions of yen)
MUFG Bank, Ltd.	5,885
North Pacific Bank, Ltd.	4,640
Mizuho Bank, Ltd.	3,775
The Hokkaido Bank, Ltd.	3,720
The 77 Bank, Ltd.	3,675
JA - Hokkaido Shinren	3,115
The Norinchukin Bank	2,820
The Aomori Bank, Ltd.	1,305
The Bank of Fukuoka, Ltd.	1,075
THE NISHI-NIPPON CITY BANK, LTD.	1,075

(9) Basic Policy Concerning Distribution of Earnings and Dividends for the Consolidated Fiscal Year under Review and Next Consolidated Fiscal Year

Distribution of earnings to shareholders is a key management issue. The dividend policy of Kanamoto is to provide shareholders with a consistent and stable dividend regardless of the business environment. Furthermore, the Company aims to implement profit distribution in line with earnings performance. Moreover, it is the basic policy of Kanamoto to sufficiently build up its retained earnings, which is essential for strengthening financial position and to implement aggressive business expansion.

For the fiscal year ended October 2020, the Board of Directors has decided to pay a year-end dividend of ¥40 and an annual dividend of ¥65 per share (which includes an

interim dividend of ¥25).

Furthermore, the Company aims to allocate retained earnings to capital investments, including facilities investment for rental equipment and other assets. Note that the company is putting a share buyback program into place to facilitate the flexible implementation of capital policies.

(10) Summary of other important matters concerning the corporate group

There are no material events that should be reported.

2. Matters Concerning the Company's Stock

Summary of Common Stock (As of October 31, 2020)

1) Total number of shares authorized 130,000,000 shares

2) Shares issued and outstanding 38,742,241 shares
(including 939,142 shares of treasury stock)

3) Number of shareholders 9,536

4) Principal shareholders (ten largest)

Shareholder name	Number of shares held ('000 shares)	Percentage of total (%)
Custody Bank of Japan, Ltd. (Trust account)	3,483	9.21
The Master Trust Bank of Japan, Ltd. (Trust account)	1,486	3.93
ORIX Corporation	960	2.54
Kanamoto Capital Company	915	2.42
The Hokkaido Bank, Ltd.	888	2.35
Tokio Marine & Nichido Fire Insurance Co., Ltd.	802	2.12
North Pacific Bank, Ltd.	763	2.02
Custody Bank of Japan, Ltd. (Trust account 5)	702	1.86
SSBTC CLIENT OMNIBUS ACCOUNT	698	1.85
Custody Bank of Japan, Ltd. (Trust account 9)	668	1.77

Note : 1. Percentage of total is calculated excluding treasury shares (939,142 shares).

2. The Company holds treasury share numbering 939,142 hundred shares. However, the Company is excluded from the above list of Principal shareholders.

5) Other important matters concerning stocks

Pursuant to a resolution made at the board of directors' meeting held on March 17, 2020, the Company acquired 935,800 shares of treasury stock between March 18, 2020 and June 17, 2020 (in terms of trade dates) through buying on the market.

3. Matters Concerning Stock Acquisition Rights etc.

The Company had no material items to report.

4. Matters Concerning Company Directors (As of October 31, 2020)

(1) Summary of directors and auditors

Name	Position and duties	Main concurrent positions at other entities
Kanchu Kanamoto	Chairman of the Board and Representative Director	Chairman of the Board, Kanamoto (China) Investment Co., Ltd.
Tetsuo Kanamoto	President and CEO, Corporate Officer; and General Manager, Business Coordination Headquarters	President and Representative Director, Toyo Industry Co., Ltd. Chairman of the Board and Representative Director, Unite Co., Ltd. Chairman of the Board and Representative Director, KG Flowtechno Co., Ltd. President and Representative Director, Soki Holdings Co., Ltd. Chairman of the Board, KANAMOTO (HK) CO., LTD. Representative Director, Kanamoto & JP Nelson Equipment (S) PTE. Ltd. President and Representative Director, Kanamoto Australia Holdings PTY. Ltd.
Hitoshi Narita	Director, Corporate Officer; and Division Manager, Management Planning Division	President and Representative Director, Kanatech Co., Ltd.
Tatsuo Kanamoto	Director, Corporate Officer; Division Manager, Construction Equipment Rental Division; Regional Manager, Construction Equipment Rental Division Hokkaido Region; and Manager in charge of Steel Sales Division	
Masakazu Hirata	Director, Corporate Officer; Deputy Division Manager, Construction Equipment Rental Division; and Division Manager, Used Equipment Sales Division	
Hiroyuki Isono	Director, Corporate Officer; Division Manager, Accounting Division; Manager, Bill Collection Center	

Yuichi Asano	Director, Corporate Officer; and Division Manager, Credit Management Division	
Kazunori Hashiguchi	Director, Corporate Officer; Division Manager Human Resources Division; General Manager, Business Development Office	
Susumu Naito	Director (Outside Director)	
Eiji Arita	Director (Outside Director)	
Motoki Yonekawa	Director (Outside Director)	Chairperson, Social Medical Corporation Hokuyukai
Ayako Tabata	Director (Outside Director)	Lawyer
Eichu Kanamoto	Standing Corporate Auditor	
Naoyuki Yokota	Standing Corporate Auditor	
Noriaki Ikushima	Auditor (Outside Auditor)	
Katsunori Matsushita	Auditor (Outside Auditor)	
Yasushi Ishiwaka	Auditor (Outside Auditor)	Certified public accountant

Notes: 1. Directors Susumu Naito, Eiji Arita, Motoki Yonekawa and Ayako Tabata are Outside Directors.

2. Corporate Auditors Noriaki Ikushima, Katsunori Matsushita and Yasushi Ishiwaka are Outside Corporate Auditors.

3. Corporate Auditor Katsunori Matsushita has many years of experience in the banking business, and has considerable knowledge of finance and accounting.

4. Corporate Auditor Yasushi Ishiwaka is a certified public accountant with considerable knowledge of finance and accounting.

5. The Company has notified the Tokyo Stock Exchange and Sapporo Securities Exchange, the exchanges on which Kanamoto's shares are listed, of the positions of directors Susumu Naito, Eiji Arita, Motoki Yonekawa and Ayako Tabata as "independent officers" as provided by the rules, etc., of both exchanges.

6. The Company has notified the Tokyo Stock Exchange and Sapporo Securities Exchange, the exchanges on which Kanamoto's shares are listed, of the positions of Corporate Auditors Noriaki Ikushima,

Katsunori Matsushita and Yasushi Ishiwaka as “independent officers” as provided by the rules, etc., of both exchanges.

7. Based on the provision of Article 427 paragraph 1 of the Companies Act, the Company has entered agreements with its outside directors and outside auditors that limits their liability for compensation for damages under Article 423 paragraph 1 of the same law. The amount of the limit on the liability for compensation for damages based on said agreement is the amount provided by the law.

(2) Total remuneration and other amounts paid to Directors and Auditors

Classification	Number of compensated individuals	Compensation amount (Millions of yen)
Director	11(2)	101(3)
Auditor (Outside Auditor)	6 (4)	30 (4)
Total	17(6)	132 (7)

Notes : 1. Two Directors (Outside Directors) who received no remuneration are not included in the compensated individuals indicated above.

2. Total compensation paid to Directors does not include ¥87 million equivalent to the employee salary portion (including bonuses) paid to Directors serving concurrently as employees.
3. The maximum compensation for Directors was established at a maximum annual amount of ¥240 million (however, not including the employee salary portions) by a resolution of the 26th Regular General Meeting of the Shareholders convened on January 24, 1991.
4. The maximum compensation for Auditors was established at a maximum annual amount of ¥50 million by a resolution of the 42nd Regular General Meeting of the Shareholders convened on January 26, 2007.

(3) Matters concerning Outside Directors

1) Concurrent posts held by Company executives including positions at other companies

Director Motoki Yonekawa is the Chairperson of Social Medical Corporation Hokuyukai. There is no special relationship between Social Medical Corporation Hokuyukai and the Company.

2) Concurrent service as an outside director at other companies

The Company had no material items to report.

3) Relationships with specified related parties including main customers

The Company had no material items to report.

4) Activities during the current fiscal year

Classification	Name	Activities
Director	Susumu Naito	Attended five of the six Board of Directors meetings held during the fiscal year and appropriately contributed the necessary advice and proposals concerning

		resolutions and discussions.
Director	Eiji Arita	After inauguration attended all of the five Board of Directors meetings held during the fiscal year and appropriately contributed the necessary advice and proposals concerning resolutions and discussions.
Director	Motoki Yonekawa	Attended five of the six Board of Directors meetings held during the fiscal year and appropriately contributed the necessary advice and proposals concerning resolutions and discussions.
Director	Ayako Tabata	After inauguration attended all of the five Board of Directors meetings held during the fiscal year and appropriately contributed the necessary advice and proposals concerning resolutions and discussions.
Auditor	Noriaki Ikushima	Attended all of the six Board of Directors meetings and all of the eight Board of Corporate Auditors meetings held during the fiscal year, and appropriately contributed the necessary advice and proposals based on his experience involvement in administration and management through his participation in municipal government.
Auditor	Katsunori Matsushita	Attended all of the six Board of Directors meetings and all of the eight Board of Corporate Auditors meetings held during the fiscal year, and appropriately contributed the necessary advice and proposals based on his many years of employment and experience at financial institutions and his experience as a standing auditor at other companies.
Auditor	Yasushi Ishiwaka	After inauguration attended all of the five Board of Directors meetings and all of the four Board of Corporate Auditors meetings held during the fiscal year and appropriately contributed the necessary advice and proposals based mainly on his expert perspective as a certified public accountant.

Note : In addition to the above, to achieve more rapid decision-making the Company implemented resolutions in writing 14 times based on the provision of Article 370 of the Companies Act.

5. Matters Concerning Independent Auditors

(1) Name

Ernst & Young ShinNihon LLC

(2) Amount of compensation and other benefits

	Amount paid (Millions of yen)
Amount paid for compensation etc. as independent auditors pertaining to the current fiscal year	45
Total amount of cash and other financial interests Kanamoto and its subsidiary companies will pay to the Company's independent auditors	63

- Note : 1. The amount of compensation and other benefits pertaining to the current fiscal year is reported in these total amounts because the amounts of the audit fees etc. for audits based on the Companies Act and audits based on the Financial Instruments and Exchange Act are not classified separately and cannot be substantively classified in the audit agreement between the Company and its independent auditors.
2. The Board of Corporate Auditors comprehensively examined the details of audit plans by the accounting auditor, the status of its execution of duties in accounting and others audit, as well as referring to past remuneration of the accounting auditor before agreeing on the remuneration amount, etc. for the accounting auditor.

(3) Details of Non-audit Duties

The Company, as business outside of the business set forth in Article 2 paragraph 1 of the Certified Public Accountants Act, has commissioned the agreed procedural business to the accounting auditor, and is paying a fee for this.

(4) Policy for deciding on dismissal or refusal of reappointment

If the Board of Corporate Auditors judges that the accounting auditor falls under any of the items in Article 340, paragraph (1) of the Companies Act, and that there is no prospect of improvement, the Audit Committee shall dismiss the accounting auditor by unanimous decision.

Furthermore, the Board of Corporate Auditors shall decide whether to dismiss or refuse to reappoint the accounting auditor in cases that the Board of Corporate Auditors judges that the above action is needed, such as when it is recognized that audits cannot be conducted appropriately due to the occurrence of events that harm the competence and independence of the accounting auditor.

6. System and Operating Status for Ensuring Appropriate Business Operations

(1) System for Ensuring Appropriate Business Operations

Pursuant to the Board of Directors meeting held on April 23, 2015, the Company has resolved to partially revise its "Basic Policy on Establishment of an Internal Control System." In conjunction with this, the Company has also revised its system to ensure that Company directors comply with laws and the Company's Articles of Incorporation in the execution of their duties and its systems to ensure that other Company operations are appropriate. A summary of the Company's decisions concerning the above revisions is provided below.

1) System to ensure directors and employees comply with laws and the Articles of Incorporation in the execution of their duties

Kanamoto Company, Ltd. and its subsidiaries have prepared Ethics Guidelines as part of the corporate philosophy, and use these as the Company standard for compliance. Under the Compliance Committee chaired by Kanamoto's president, the Company has disseminated these Guidelines throughout the Company and established a system for compliance with laws and the Ethics Guidelines, and has prepared a handbook

summarizing Kanamoto's corporate philosophy and employee conduct standards, which it distributes to all executives and regular employees to increase compliance awareness. As a consultation and reporting system, Kanamoto also has set up in-house and external compliance hotlines, and created a system to resolve problems quickly when consultations or reports are received directly from employees and other individuals, while strictly observing confidentiality and ensuring that individuals who report problems do not suffer any disadvantages. Furthermore, the Company has established a Legal Section reporting directly to the president, to act as an advisory panel for important legal issues, and a system to enable the Company to give proper legal consideration to all decision making.

2) System for preserving and managing information concerning the execution of directors' duties

Kanamoto retains documents and various information in accordance with laws and ordinances and its internally established document administration regulations and document retention rules. Information is controlled in accordance with internal information management regulations and general data management rules, and personal data are administered in accordance with the Kanamoto Rules on Personal Data Protection and the Company's personal data protection manual.

3) Rules and other systems concerning management of loss risk

Kanamoto and its subsidiaries have established mechanisms to recognize and evaluate risks related to the business activities of each division, and prepared systems to avoid such risks. This has created a system capable of clarifying the authority and responsibilities of each division, supervising risk management conditions throughout the organization under the Board of Directors and discovering new risks. If unforeseen circumstances have occurred that will have a serious effect on the Company operations, or if there is concern such circumstances might occur, the Company and its subsidiaries will respond appropriately, and take measures to prevent a recurrence, based on its Emergency Response Manual (Contingency Plan).

4) System for ensuring efficient execution of directors' duties

In addition to its regular Board of Directors meetings, Kanamoto and its subsidiaries hold extraordinary Board of Directors meetings from time to time as necessary to decide important matters and to make flexible decisions concerning the execution and supervision of management strategies and the Company's business plans. The Company's Board of Directors receives reports on important matters including the financial condition and other matters of the Company's subsidiaries. For its management plan, the Company establishes budgets for the next business fiscal year and medium-term future, which gives the managers of each division the Company's overall objectives based on specific numerical targets. Each division sets division-wide objectives, and executes progress management and specific measures aimed at achieving its goals. Kanamoto has also introduced the corporate officer system to accelerate management decision-making and clarify supervisory authority and responsibility for plan execution, and each corporate officer is responsible for achieving the management plan approved by the Board of Directors. To respond quickly to

the severe pace of change in its management environment, the Company has also shortened the directors' term of office to one year.

5) System to ensure appropriate activities at Kanamoto and within the corporate group comprised of the parent company and subsidiaries

To apply Kanamoto's Ethics Guidelines correspondingly to each company in the Kanamoto Group, the Company has decided to enlarge the scope of the Compliance Committee and the consultation and reporting system to every group firm, to ensure the effectiveness of business activities is as extensive as possible.

In addition, in accordance with the provisions of the Financial Instruments and Exchange Act, the Company and its affiliates maintain an excellent management environment, and work to strengthen company-wide internal controls, internal controls pertaining to settlement of accounts financial reports and operating process control activities, create internal control systems that enable the Company to make proper and effective assessments and conduct appropriate operations. Furthermore, under Kanamoto's internal management system concerning financial reporting, each organization (individual) has affirmed the following roles.

- [1] Managers have the final responsibility for all of the organization's activities, and prepare and implement internal controls based on this basic policy.
- [2] The Board of Directors has supervisory responsibility for the preparation and operation of the managers' internal controls, and monitors and supervises managers to ensure the financial reporting and internal controls are executed properly.
- [3] The auditors monitor and verify the financial reporting and preparation and operation of the internal controls from an independent standpoint.
- [4] The Internal Control and Auditing Office objectively evaluates from an independent standpoint, the effectiveness of the internal controls related to financial reporting at Kanamoto and its affiliated companies on behalf of the Company's managers in accordance with the audit rules, and when necessary makes proposals concerning improvements and corrections and reports to the managers and Board of Directors.

6) Matters concerning individuals requested by the auditors to assist with auditors' activities

Kanamoto currently does not employ any individuals to assist the auditors in their activities, but should it become necessary, the Company will hire audit staff. During a period the auditors specify, the management authority for the nominated employees will be transferred to the auditors, and the employees will not receive instructions or orders from the Company's directors, thereby ensuring the effectiveness of instructions from auditors.

7) Matters related to the independence of employees in the preceding paragraph from directors

Personnel matters for employees assigned to audit activities (appointments, transfers and evaluations) will have the consent of the auditors.

8) System for directors and employees to report to the auditors, other systems concerning reports to auditors, and other systems to ensure audits are performed effectively

To perform audits of the directors, the Company's auditors attend the meetings of the Board of Directors, and also attend important meetings and committees, in order to understand other important decisions and the circumstances of execution of the Company's business activities. If the directors and employees of Kanamoto and its subsidiaries discover facts that might cause the Company considerable harm, they are to report immediately to the auditors. The standing auditors will circulate a report and request for managerial decision, and if necessary can request explanations from the directors and employees. Those who reported to the auditors shall not be treated unfavorably on the grounds of giving such report.

The auditors also meet regularly with the president and representative director, to exchange opinions concerning issues the Company should address and important audit matters. After audits are completed, the Internal Control and Auditing Office promptly submits an Auditors' Report concerning the audit results to the president and representative director and the auditors.

The auditors and the Internal Control and Auditing Office also exchange information and cooperate in other ways with outside specialists, including the accounting auditors and the Company's attorneys.

9) Matters regarding policies related to processing of expenses or liabilities arising from the execution of auditors' duties

In regards to procedures for prepayment or reimbursement of expenses arising from execution of auditors' duties and processing of expenses or liabilities arising from execution of auditors' duties, such expenses or liabilities are accounted for upon requests made by the auditors, except where the requests cannot be considered necessary for the execution of auditors' duties.

10) System for eliminating antisocial forces

In its Ethics Guidelines, Kanamoto has adopted a resolute stance and set forth provisions to block all transactions and relationships with antisocial forces, individuals and groups that threaten the order and safety of society and the stable operation of firms. In addition to gathering information from specialized external agencies and other sources at an internal division, the Company works to educate employees through programs such as internal training. Moreover, in an emergency the Company will cooperate with the police authorities having jurisdiction, its advising attorney and other institutions and individuals, to organizationally block and eliminate unwarranted demands from antisocial elements.

(2) Operating Effectiveness of Internal Controls

In accordance with the provisions of the Financial Instruments and Exchange Act, Kanamoto and its subsidiaries evaluate the design and operating effectiveness of internal controls for each period and have the accounting auditor conduct audits on the appropriateness.

In addition, for the purpose of maintaining and enhancing the level of control, the Internal Control and Auditing Office conducts audits of Kanamoto and its affiliated companies for each period, and when necessary, reports to the managers, Board of Directors, Board of Auditors and Internal Control Committee.

7. Kanamoto's Basic Policy Concerning Dividends

The Company had no applicable items to report.

Consolidated Financial Statements

56th Business Period

From November 1, 2019

to October 31, 2020

Kanamoto Co., Ltd.

Consolidated Balance Sheet

(As of October 31, 2020)

(Millions of Yen)

Classification	Amount	Classification	Amount
(Assets)		(Liabilities)	
Current assets	120,952	Current liabilities	87,606
Cash and deposits	48,563	Notes and accounts payable-trade	37,975
Notes and accounts receivable - trade	41,451	Short-term loans payable	13,977
Electronically recorded monetary claims - operating	6,166	Current portion of bonds payable	44
Merchandise and finished goods	1,205	Lease obligations	1,342
Uncompleted construction expenditure	148	Income taxes payable	2,401
Raw materials and supplies	1,234	Provision for bonuses	1,462
construction machine parts	19,918	Accounts payable-other	25,489
Other	2,495	Other	4,913
Allowance for doubtful accounts	-230	Noncurrent liabilities	86,567
Total non-current assets	179,410	Long-term loans payable	30,082
Property, plant and equipment	156,164	Bonds payable	24
Rental equipment	98,557	Lease obligations	2,857
Buildings and structures	16,510	Long-term accounts payable-other	52,246
Machinery, equipment and vehicles	1,585	Net defined benefit liability	498
Tools, furniture and fixtures	481	Asset retirement obligations	545
Land	37,421	Deferred tax liabilities	221
Lease assets	29	Other	91
Construction in progress	1,577	Total Liabilities	174,174
Intangible assets	8,954	(Net Assets)	
Goodwill	7,499	Shareholders' equity	117,744
Other	1,455	Capital stock	17,829
Investments and other assets	14,291	Capital surplus	19,324
Investment securities	8,974	Retained earnings	82,599
Deferred tax assets	2,377	Treasury stock	-2,009
Other	3,557	Accumulated other comprehensive income	1,346
Allowance for doubtful accounts	-618	Valuation difference on available-for-sale securities	1,522
		Foreign currency translation adjustment	-126
		Remeasurements of defined benefit plans	-49
		Minority interests	7,097
		Total Net Assets	126,188
Total Assets	300,362	Total liabilities and net assets	300,362

Consolidated Statement of Income
(From November 1, 2019 to October 31, 2020)

(Millions of Yen)

Classification	Amount	
Net sales		179,053
Cost of sales		127,925
Gross profit		51,128
Selling, general and administrative expenses		36,877
Operating income		14,250
Non-operating income		740
Interest income and dividends	215	
Insurance income	77	
Rent income	86	
Temporary transfer charges income	91	
Reversal of allowance for doubtful accounts	28	
Other	241	
Non-operating expenses		722
Interest expenses	82	
Foreign exchange losses	75	
Loss on lease cancellation	60	
Provision of allowance for doubtful accounts	340	
Other	163	
Ordinary income		14,268
Extraordinary income		30
Gain on sales of non-current assets	17	
Subsidy income	12	
Extraordinary loss		567
Loss on sales and retirement of noncurrent assets	206	
Loss on valuation of investment securities	171	
Loss on valuation of shares of subsidiaries and associates	188	
Income before income taxes and minority interests		13,731
Income taxes-current	4,785	
Income taxes-deferred	-381	4,403
Income before minority interests		9,327
Minority interests in income		860
Profit attributable to owners of parent		8,466

Consolidated statements of income and consolidated statements of comprehensive income

Consolidated statements of income

Fiscal year ended October 31, 2020

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	17,829	19,324	76,638	-9	113,783
Changes of items during period					
Dividends of surplus			-2,505		-2,505
Profit attributable to owners of parent			8,466		8,466
Change in ownership interest of parent due to transactions with non-controlling interests		-0			-0
Acquisition of treasury stock				-2,000	-2,000
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	-0	5,960	-2,000	3,960
Balance at end of current period	17,829	19,324	82,599	-2,009	117,744

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	1,918	0	-192	-2	1,723	6,272	121,779
Changes of items during period							
Dividends of surplus					-		-2,505
Profit attributable to owners of parent					-		8,466
Change in ownership interest of parent due to transactions with non-controlling interests					-		-0
Acquisition of treasury stock					-		-2,000
Net changes of items other than shareholders' equity	-395	-0	66	-46	-376	825	448
Total changes of items during period	-395	-0	66	-46	-376	825	4,409
Balance at end of current period	1,522	-	-126	-49	1,346	7,097	126,188

The Accounting Auditor's Report of Consolidated Financial Statements

Independent Auditor's Report

December 18, 2020

Kanamoto Co., Ltd.
To the Board of Directors,

Ernst & Young ShinNihon LLC
Sapporo Office, Japan
Tatsuro Hayashi
Designated limited liability partner
Managing Partner
Certified public accountant

Mitsuhiro Fujimori
Designated limited liability partner
Managing Partner
Certified public accountant

Audit Opinion

Pursuant to Article 444, Section 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity and the notes to the consolidated financial statements, of Kanamoto Co., Ltd. ("the Company") applicable to the fiscal year from November 1, 2019 to October 31, 2020.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Kanamoto Group, which consisted of the Company and its consolidated subsidiaries, in the fiscal year under review in accordance with accounting principles generally accepted in Japan.

Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

As stated in the notes (Changes in accounting policies that are difficult to distinguish from changes in accounting estimates), some domestic consolidated subsidiaries previously used the declining-balance method for depreciation of rental assets, but have switched to the straight-line method from the current consolidated fiscal year.

This matter does not affect our opinion.

Responsibilities of Management, Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan; this includes the maintenance and operation of such internal control as management determines is necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements with the assumption of the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

Corporate Auditors and the Board of Corporate Auditors are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the decisions of users taken on the basis of the consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider, in making those risk assessments, internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates by management and related notes thereto.
- Conclude on the appropriateness of management's use of the going concern basis for preparing the consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the consolidated financial statements or, if the notes to the consolidated financial statements on material uncertainty are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the consolidated financial statements and the notes thereto are in accordance with accounting standards generally accepted in Japan, as well as evaluate the overall presentation, structure and content of the consolidated financial statements, including the related notes thereto, and whether the consolidated financial statements fairly represent the underlying transactions and accounting events.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion. We communicate with Corporate Auditors and the Board of Corporate Auditors regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

We also provide Corporate Auditors and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements in Japan regarding independence that are relevant to our audit of the financial statements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Conflicts of Interest

Our firm and the designated engagement partners have no interest in the Company and its consolidated subsidiaries which should be disclosed in accordance with the Certified Public Accountants Act.

Financial Statements

*55th Business Period
From November 1, 2019
to October 31, 2020*

Kanamoto Co., Ltd.

Balance Sheet

(As of October 31, 2020)

(Million of Yen)

Classification	Amount	Classification	Amount
(Assets)		(Liabilities)	
Current assets	80,105	Current liabilities	61,719
Cash and deposits	30,761	Notes payable-trade	20,910
Notes receivable-trade	5,664	Accounts payable-trade	6,152
Electronically recorded monetary claims - operating	5,088	Short-term loans payable	9,860
Accounts receivable, trade	19,449	Income taxes payable	947
Merchandise and finished goods	298	Provision for bonuses	769
Costs on uncompleted construction contracts	58	Accounts payable-other	20,186
Raw materials and supplies	756	Accrued expenses	463
Construction machine parts	16,260	Notes payable-facilities	990
Prepaid expenses	325	Other	1,439
Short-term loans receivable	693		
Other	804	Noncurrent liabilities	66,487
Allowance for doubtful accounts	-55	Long-term loans payable	23,490
		Long-term accounts payable-other	42,655
		Asset retirement obligations	341
Noncurrent assets	151,904		
Property, plant and equipment	114,062	Total Liabilities	128,207
Rental equipment	65,587		
Buildings	9,610	(Net Assets)	
Structures	2,465	Shareholders' equity	102,289
Machinery and equipment	1,050	Capital stock	17,829
Vehicles and delivery equipment	41	Capital surplus	19,337
Tools, furniture and fixtures	246	Legal capital surplus	18,950
Land	33,672	Other capital surplus	387
Construction in progress	1,388	Retained earnings	67,130
Intangible assets	876	Legal retained earnings	1,375
Software	780	Other retained earnings	65,755
Telephone subscription right	20	Reserve for advanced depreciation of noncurrent assets	22
Other	76	General reserve	57,731
Investments and other assets	36,965	Retained earnings brought	8,001
Investment securities	4,732	Treasury stock	-2,009
Stocks of subsidiaries and affiliates	28,849	Valuation and translation adjustments	1,512
Investments in capital	10	Valuation difference on available-for-sale securities	1,512
Long-term loans receivable	1,764		
Other	2,614	Total Net Assets	103,802
Allowance for doubtful accounts	-1,007		
		Liabilities and Total Net Assets	232,009
Total Assets	232,009		

Statement of Income

(From November 1, 2019 to October 31, 2020)

(Million of Yen)

Classification	Amount	
Net sales		118,654
Cost of sales		88,411
Gross profit		30,243
Selling, general and administrative expenses		22,072
Operating income		8,170
Non-operating income		1,082
Interest income and dividends	269	
Rent income	329	
Temporary transfer charges income	210	
Reversal of allowance for doubtful accounts	56	
Other	216	
Non-operating expenses		549
Interest expenses	40	
Foreign exchange losses	75	
Provision of allowance for doubtful accounts	257	
Other	176	
Ordinary income		8,702
Extraordinary income		15
Gain on sales of noncurrent assets	3	
Subsidy income	12	
Extraordinary loss		462
Loss on sales and retirement of noncurrent assets	101	
Loss on valuation of investment securities	171	
Loss on valuation of shares of subsidiaries and associates	188	
Income before income taxes		8,256
Income taxes-current	2,620	
Income taxes-deferred	-221	2,399
Net income		5,856

Statement of Changes in Net Assets
(From November 1, 2019 to October 31, 2020)

(Million of Yen)

	Shareholders' equity								
	Capital stock	Capital surplus			Retained earnings				
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings			Total retained earnings
					Reserve for advanced depreciation of noncurrent assets	General reserve	Retained earnings brought forward		
Balance at beginning of current period	17,829	18,950	387	19,337	1,375	22	51,731	10,650	63,780
Changes of items during period									
Provision of general reserve				-			6,000	-6,000	-
Dividends of surplus				-				-2,505	-2,505
Profit				-				5,856	5,856
Acquisition of treasury stock				-					-
Net changes of items other than shareholders' equity				-					-
Total changes of items during period	-	-	-	-	-	-	6,000	-2,649	3,350
Balance at end of current period	17,829	18,950	387	19,337	1,375	22	57,731	8,001	67,130

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	-9	100,938	1,884	1,884	102,823
Changes of items during period					
Provision of general reserve		-		-	-
Dividends of surplus		-2,505		-	-2,505
Profit		5,856		-	5,856
Acquisition of treasury stock	-2,000	-2,000		-	-2,000
Net changes of items other than shareholders' equity		-	-371	-371	-371
Total changes of items during period	-2,000	1,350	-371	-371	978
Balance at end of current period	-2,009	102,289	1,512	1,512	103,802

The Accounting Auditor's Report of Financial Statements

Independent Auditor's Report

December 18, 2020

Kanamoto Co., Ltd.
To the Board of Directors,

Ernst & Young ShinNihon LLC

Sapporo Office, Japan

Takuro Hayashi

Designated limited liability partner

Managing Partner

Certified public accountant

Mitsuhiro Fujimori

Designated limited liability partner

Managing Partner

Certified public accountant

Audit Opinion

Pursuant to Article 436, paragraph (2), item (i) of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in equity, the notes to financial statements, and the supplementary schedules (collectively, "financial statements, etc.") of Kanamoto Co., Ltd. (the "Company"), applicable to the 56th Business Period from November 1, 2019 to October 31, 2020.

In our opinion, financial statements, etc. referred to above present fairly, in all material respects, the financial position and results of operations of Kanamoto Co., Ltd. in the fiscal year under review in accordance with accounting principles generally accepted in Japan.

Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, Corporate Auditors and the Board of Corporate Auditors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in Japan; this includes the maintenance and operation of such internal control as management determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing whether it is appropriate to prepare the financial statements with the assumption of the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

Corporate Auditors and the Board of Corporate Auditors are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

Responsibilities of Management, Corporate Auditors and the Board of Corporate Auditors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in Japan; this includes the maintenance and operation of such internal control as management determines is necessary to enable the preparation

and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing whether it is appropriate to prepare the financial statements with the assumption of the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

Corporate Auditors and the Board of Corporate Auditors are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the decisions of users taken on the basis of the financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider, in making those risk assessments, internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates by management and related notes thereto.
- Conclude on the appropriateness of management's use of the going concern basis for preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the financial statements or, if the notes to the financial statements on material uncertainty are inadequate, to express a qualified opinion with exceptions on the financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the financial statements and the notes thereto are in accordance with accounting standards generally accepted in Japan, as well as evaluate the overall presentation, structure and content of the financial statements, including the related notes thereto, and whether the financial statements fairly represent the underlying transactions and accounting events.

We communicate with Corporate Auditors and the Board of Corporate Auditors regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

We also provide Corporate Auditors and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements in Japan regarding independence that are relevant to our audit of the financial statements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Conflicts of Interest

Our firm and the designated engagement partners have no interest in the Company and its consolidated subsidiaries which should be disclosed in accordance with the Certified Public Accountants Act.

Audit Report

The Board of Corporate Auditors has received the audit reports prepared by each of the Corporate Auditors concerning the business performance of the Directors during the 56rd Business Period from November 1, 2019 through October 31, 2020. After discussing the audit results based on the reports, we have prepared this Audit Report and report as follows as the consensus of opinion of the Board of Corporate Auditors.

1. Procedures and details of the audits by the Corporate Auditors and the Board of Corporate Auditors

(1) The Board of Corporate Auditors establishes the audit policies, audit plans and other matters, and receives reports concerning the implementation of audits and the audit result from each of the Corporate Auditors as well as reports from the Directors and the Accounting Auditor concerning the execution of their duties, and requests explanations as necessary.

(2) In addition to communicating with the Directors, the internal audit division, employees and other individuals in accordance with the standards for Corporate Auditors and audits provided by the Board of Corporate Auditors and in compliance with the audit policy and audit plan, and gathering information and striving to improve the audit environment, each Corporate Auditor performed audits according to the following procedures:

(i) Each Corporate Auditor attended the Board of Directors meetings and other important meetings, received reports from Directors, employees and other individuals on their execution of duties and requested explanations from the Directors, other employees and other individuals when necessary as well as reviewed documents concerning matters such as important decisions and conducted inspections of the business and financial condition at the Company's Head Office and main branches. With respect to subsidiaries, each Corporate Auditor communicated and exchanged information with the Directors and Corporate Auditors of such subsidiaries and received business reports therefrom as necessary.

(ii) Each Corporate Auditor regularly received reports from the Company's Directors and employees, and requested explanations and clarified opinions when necessary, regarding the contents of Board of Director resolutions concerning the establishment of the organization provided in Article 100 paragraph (1) and paragraph (3) of the Ordinance for Enforcement of the Companies Act, and the status of operation of the organization (internal controls system) that has been established based on said resolutions, as the organization necessary to ensure that the Directors comply with laws and the Company's Articles of Incorporation in the execution of their duties as described in the Report of Business Operations and to ensure the appropriateness of other operations of the corporate group, which consists of a stock company and the subsidiaries thereof.

(iii) Each Corporate Auditor monitored and verified whether or not the Accounting Auditor performed audits properly while maintaining an independent position as well as received reports from the Accounting Auditor on the execution of duties thereby and requested explanations when necessary. Each Corporate Auditor was also notified by the Accounting Auditor that the System for Securing the Proper Performance of Duties (matters listed in the items of Article 131 of the Ordinance on Company Accounting) was developed in accordance with the Standards for Quality Control of Audits (Business Accounting Council, October 28, 2005), and requested explanations as necessary.

Based on the above procedures, the Board of Corporate Auditors reviewed the Report of Business Operations and the supporting schedules, the Financial Statements (Balance Sheet, Statement of Income, Statement of Changes in Net Assets and Notes to the Financial Statements) and the supporting schedules and the Consolidated Financial Statements (Consolidated Balance Sheet, Consolidated Statement of Income, Consolidated Statement of Changes in Net Assets and Notes to the Consolidated Financial Statements) for the business period.

2. Result of audit

(1) Audit result of the Report of Business Operations, etc.

(i) The Report of Business Operations and its supporting schedules fairly represent the condition of the Company in accordance with the laws of Japan and the Articles of Incorporation of the Company.

(ii) We have determined that there was no serious occurrence of improper activity or violation of laws or the Company's Articles of Incorporation by any of the Directors in carrying out the duties and responsibilities of their office.

(iii) In our opinion, the details of the Board of Directors resolutions concerning the internal controls system are appropriate. We also have determined that there are no matters that should be highlighted as a concern with regard to the information contained in the Report of Business Operations and the Directors in carrying out their duties concerning the internal controls system.

(2) Financial statement and audit result of the supporting schedules

In our opinion, the audit procedures and audit results received from the Accounting Auditor Ernst &

Young ShinNihon LLC are appropriate.

(3) Audit result of consolidated financial statements

In our opinion, the audit procedures and audit results received from the Accounting Auditor Ernst & Young ShinNihon LLC are appropriate.

December 25, 2020

Kanamoto Co., Ltd.
The Board of Corporate Auditors

Standing Corporate Auditor	Eichu Kanamoto	Seal
Standing Corporate Auditor	Naoyuki Yokota	Seal
Outside Corporate Auditor	Noriaki Ikushima	Seal
Outside Corporate Auditor	Katsunori Matsushita	Seal
Outside Corporate Auditor	Yasushi Ishiwaka	Seal