



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

March 5, 2021

Listed Company Name **Kanamoto Co., Ltd.**
 Company Code Number **9678**
 Listing Exchanges **Tokyo Stock Exchange, Sapporo Stock Exchange**
 URL <https://www.kanamoto.co.jp>
 Representative **Tetsuo Kanamoto** President and CEO
 Inquiries **Shun Hirose** Director & Corporate Officer, Division Manager,
 Accounting Division
 TEL 81-11-209-1600

Scheduled date for submission of Quarterly Report March 15, 2021
 Scheduled date for commencement of dividend payments –
 Preparation of Quarterly Settlement Supplementary Explanatory Materials No
 Quarterly Earnings Briefings No

(Numbers less than one million yen have been rounded down)

1. Consolidated Operating Results for the Three-Month Period of the Fiscal Year Ending October 31, 2021

(November 1, 2020 – January 31, 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: First quarter	47,660	4.9	3,981	-6.7	4,206	-3.7	2,265	-10.7
Fiscal year ended October 31, 2020: First quarter	45,431	3.0	4,266	9.0	4,367	8.9	2,536	2.2

(Note) Comprehensive income (millions of yen)

Fiscal year ending October 31, 2021, First quarter	3,280	(8.3%)
Fiscal year ended October 31, 2020, First quarter	3,027	(25.5%)

	Earnings per Share	Earnings per Share on a Fully Diluted Basis
	Yen	Yen
Fiscal year ending October 31, 2021: First quarter	59.92	–
Fiscal year ended October 31, 2020: First quarter	65.48	–

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
As of January 31, 2021	304,895	127,936	39.5
As of October 31, 2020	300,789	126,188	39.6

(Reference) Equity (millions of yen)

As of January 31, 2021	120,565
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	-				
Fiscal year ending October 31, 2021 (projected)		25.00	-	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
Interim period	95,900	4.9	8,100	-12.3	8,200	-9.4	4,700	-12.1	124.33
Full year	190,300	6.3	15,000	5.3	15,200	6.5	9,000	6.3	238.08

(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 January 31, 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 January 31, 2021:	939,142 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: First quarter:	37,803,099 shares
Fiscal year ended October 31, 2020: First quarter:	38,738,899 shares

Note: Quarterly earnings reports are not subject to quarterly review by certified public accountants or independent account auditors.

Note: Explanation concerning appropriate use of the projected operating results and other items to note (Note concerning forward-looking statements)

The forward-looking statements, including business results forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. The Company does not guarantee the achievement of the projections. Actual operating results may differ substantially due to a number of factors. Please refer to "1. Qualitative Information Concerning Quarterly Consolidated Operating Results (3) Explanation Concerning Future Forecasts Including Projected Consolidated Operating Results" on Page 6 of the Attachments for the conditions used as assumptions for the projected operating results and matters to note before using the projected operating results.

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1. Qualitative Information Concerning Quarterly Consolidated Operating Results

(1) Qualitative Information Concerning Consolidated Operating Results

During the first quarter of the current consolidated fiscal year, Japan's economy continued to be in a difficult situation due to the prolonged effects of the spread of the novel coronavirus disease (COVID-19). Although there are expectations of a pickup due to the effects of a range of government policies and the start of vaccinations, the outlook is expected to remain uncertain for the near future.

In the construction industry where the Kanamoto Group belongs, public sector investments were steady, mainly in construction related to restoration, recovery from natural disasters, and in the promotion of the national resilience, while there are concerns about the chronic shortage of skilled construction workers, in addition to the downward trend in private sector construction investments due to the continued cautious investment attitude of companies, 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, the Group is committed to the sustainable development of the Group and the enhancement of corporate value by strengthening the foundation of the Alliance Group in Japan and abroad, ensuring the optimal ownership and model mix of assets according to market conditions, as well as selection and concentration to reinforce profitability.

In the first quarter of the current fiscal year, net sales rose 4.9% from the same period of the prior consolidated fiscal year to ¥47,660 million. On the earnings front, partly due to an increase in selling, general and administrative expenses caused by investment in human resources in preparation for the future, operating profit decreased 6.7% year-on-year to ¥3,981 million, ordinary profit declined 3.7% to ¥4,206 million, and profit attributable to owners of parent decreased 10.7% to ¥2,265 million.

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 investments were weak, rental demand for construction equipment was solid as a whole, due to the fact that public sector investments in construction related to restoration, recovery and prevention from natural disasters, as well as infrastructure maintenance and repair and new construction, were relatively firm. In addition, the Group is working to expand its business by developing bases that are deemed effective, promoting business alliances and M&As that are expected to have high synergistic effects, addressing areas with low market share, and strengthening area collaboration.

In addition, used construction equipment sales were at the same level as the same period of the previous fiscal 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 ¥43,299 million, an increase of 5.8% year-on-year, and operating profit of ¥3,581 million, a decrease of 8.4%.

< Other businesses >

In the Company's other businesses, sales continued to perform 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 3.0% decrease year-on-year in net sales to ¥4,360 million and a 15.1% increase in operating profit to ¥283 million.

(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 of the current consolidated fiscal year. 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 first quarter of the current fiscal year. In the comparison and analysis with the end of the previous consolidated 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.

Assets, liabilities, and net assets

Total assets at the end of the first quarter of the current consolidated fiscal year under review stood at ¥304,895 million, an increase of ¥4,106 million compared with the end of the prior consolidated fiscal year. This was primarily due to a ¥1,474 million increase in cash and deposits, a ¥1,286 million increase in electronically recorded monetary claims - operating and a ¥2,747 million increase in rental equipment, while notes and accounts receivable - trade decreased by ¥1,797 million.

Total liabilities were ¥176,959 million, an increase of ¥2,358 million compared with the end of the prior consolidated fiscal year. This was primarily due to a ¥2,055 million increase in short-term borrowings and a ¥1,444 million increase in long-term borrowings, while income taxes payable decreased by ¥1,372 million.

Total net assets totaled ¥127,936 million, ¥1,747 million higher than at the end of the prior consolidated fiscal year. This mainly reflects the posting of profit attributable to owners of parent of ¥2,265 million, an increase in valuation difference on available-for-sale securities of ¥402 million, and an increase in foreign currency translation adjustment of ¥316 million. Meanwhile, there was a decrease of ¥1,512 million due to dividends of surplus.

(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 January 31, 2021
Assets		
Current assets		
Cash and deposits	48,563	50,037
Notes and accounts receivable - trade	41,451	39,654
Electronically recorded monetary claims - operating	6,166	7,452
Merchandise and finished goods	1,205	1,760
Costs on construction contracts in progress	148	116
Raw materials and supplies	1,234	1,286
Construction machine parts	19,918	19,440
Other	2,495	2,606
Allowance for doubtful accounts	-230	-224
Total current assets	120,952	122,130
Non-current assets		
Property, plant and equipment		
Rental equipment	251,960	260,089
Accumulated depreciation	-153,225	-158,606
Rental equipment, net	98,734	101,482
Buildings and structures	39,833	41,387
Accumulated depreciation	-23,293	-23,628
Buildings and structures, net	16,540	17,758
Machinery, equipment and vehicles	9,631	9,680
Accumulated depreciation	-8,025	-8,035
Machinery, equipment and vehicles, net	1,605	1,644
Land	37,421	37,728
Other	4,143	3,160
Accumulated depreciation	-2,054	-2,082
Other, net	2,088	1,078
Total property, plant and equipment	156,389	159,692
Intangible assets		
Goodwill	6,504	6,374
Customer relationship	1,195	1,228
Other	1,455	1,473
Total intangible assets	9,155	9,076
Investments and other assets		
Investment securities	8,974	9,335
Deferred tax assets	2,377	1,720
Other	3,557	3,543
Allowance for doubtful accounts	-618	-603
Total investments and other assets	14,291	13,995
Total non-current assets	179,836	182,764
Total assets	300,789	304,895

(Millions of yen)

	As of October 31, 2020	As of January 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	37,975	38,319
Short-term borrowings	1,035	3,090
Current portion of bonds payable	44	32
Current portion of long-term borrowings	12,942	13,252
Lease obligations	1,342	1,378
Income taxes payable	2,401	1,028
Provision for bonuses	1,462	661
Accounts payable - other	25,489	25,982
Other	4,913	4,522
Total current liabilities	87,606	88,267
Non-current liabilities		
Bonds payable	24	24
Long-term borrowings	30,082	31,526
Lease obligations	2,857	3,230
Long-term accounts payable - other	52,246	52,056
Retirement benefit liability	498	512
Asset retirement obligations	545	562
Deferred tax liabilities	647	685
Other	91	93
Total non-current liabilities	86,994	88,692
Total liabilities	174,600	176,959
Net assets		
Shareholders' equity		
Share capital	17,829	17,829
Capital surplus	19,324	19,324
Retained earnings	82,599	83,352
Treasury shares	-2,009	-2,009
Total shareholders' equity	117,744	118,497
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,522	1,925
Deferred gains or losses on hedges	-	0
Foreign currency translation adjustment	-126	190
Remeasurements of defined benefit plans	-49	-48
Total accumulated other comprehensive income	1,346	2,067
Non-controlling interests	7,097	7,370
Total net assets	126,188	127,936
Total liabilities and net assets	300,789	304,895

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income

(Quarterly Consolidated Statements of Income)

(Consolidated Three-Month Period Ended January 31)

(Millions of yen)

	Three months ended January 31, 2020	Three months ended January 31, 2021
Net sales	45,431	47,660
Cost of sales	32,166	33,661
Gross profit	13,264	13,998
Selling, general and administrative expenses	8,998	10,016
Operating profit	4,266	3,981
Non-operating income		
Interest income	10	10
Dividend income	71	65
Foreign exchange gains	-	57
Rental income	22	22
Other	105	145
Total non-operating income	210	301
Non-operating expenses		
Interest expenses	20	25
Foreign exchange losses	31	-
Loss on cancellation of leases	23	7
Other	34	43
Total non-operating expenses	109	77
Ordinary profit	4,367	4,206
Extraordinary income		
Gain on sales of non-current assets	2	1
Gain on sales of shares of subsidiaries and associates	-	20
Total extraordinary income	2	21
Extraordinary losses		
Loss on sales and retirement of non-current assets	47	26
Loss on valuation of investment securities	-	211
Loss on valuation of shares of subsidiaries and associates	66	-
Total extraordinary losses	114	238
Profit before income taxes	4,255	3,989
Income taxes - current	983	942
Income taxes - deferred	422	489
Total income taxes	1,406	1,431
Profit	2,848	2,558
Profit attributable to non-controlling interests	311	292
Profit attributable to owners of parent	2,536	2,265

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

(Millions of yen)

	Three months ended January 31, 2020	Three months ended January 31, 2021
Profit	2,848	2,558
Other comprehensive income		
Valuation difference on available-for-sale securities	124	403
Deferred gains or losses on hedges	-0	0
Foreign currency translation adjustment	86	316
Remeasurements of defined benefit plans, net of tax	-30	2
Total other comprehensive income	179	722
Comprehensive income	3,027	3,280
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,723	2,986
Comprehensive income attributable to non-controlling interests	304	294

**(3) Notes Concerning Quarterly Consolidated Financial Statements
(Notes Relating to the Going Concern Assumption)**

The Company had no material items to report.

(Note on Significant Changes to Shareholders' Equity)

The Company had no material items to report.

(Segment Information)

I First quarter of the prior consolidated fiscal year (From November 1, 2019 to January 31, 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	40,934		4,497	45,431
Net sales or transfers between related segments	-		-	-
Total	40,934		4,497	45,431
Segment income	3,910		246	4,157

(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 Statements of Income, and the main reasons for the difference (Matters Pertaining to Reconciliation of Difference)

(Millions of yen)

Income	Amount
Reporting segment total	3,910
Income for "Other businesses" classification	246
Other adjustments	109
Operating profit reported on the Consolidated Quarterly Statements of Income	4,266

3. Information concerning fixed asset impairment loss and goodwill by reporting segment

The Company had no material items to report.

II First quarter of the current consolidated fiscal year (From November 1, 2020 to January 31, 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	43,299	4,360	47,660
Net sales or transfers between related segments	-	-	-
Total	43,299	4,360	47,660
Segment income	3,581	283	3,865

(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 Statements of Income, and the main reasons for the difference (Matters Pertaining to Reconciliation of Difference)

(Millions of yen)

Income	Amount
Reporting segment total	3,581
Income for "Other businesses" classification	283
Other adjustments	116
Operating profit reported on the Consolidated Quarterly Statements of Income	3,981

3. Information concerning fixed asset impairment loss and goodwill by reporting segment
(Significant changes in amount of goodwill)

In the reporting segment "Business related to the Construction Equipment Rental Division," the amount of goodwill recognized was provisionally calculated due to the fact that the allocation of acquisition costs for the business combination of KANAMOTO AUSTRALIA HOLDINGS PTY LTD in the previous consolidated fiscal year had not been completed. However, amount of goodwill recognized has been revised because the allocation of acquisition costs was completed in the first quarter of the current consolidated fiscal year and the provisional accounting treatment was finalized.

As a result, the amount of goodwill was ¥2,227 million.