



Three-Month Consolidated Financial Report for the Fiscal Year Ending October 31, 2022 (Japan GAAP)

March 4, 2022

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 Company Code Number **9678**
 Listing Exchanges **Tokyo Stock Exchange, Sapporo Stock Exchange**
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Scheduled date for submission of Quarterly Report March 16, 2022
 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, 2022

(November 1, 2021 – January 31, 2022)

(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, 2022: First quarter	46,730	–	3,311	-16.2	3,509	-16.0	2,072	-8.5
Fiscal year ended October 31, 2021: First quarter	47,660	4.9	3,953	-7.3	4,177	-4.3	2,266	-10.7

(Note) Comprehensive income (millions of yen)

Fiscal year ending October 31, 2022, First quarter 2,636 (-19.7%)
 Fiscal year ended October 31, 2021, First quarter 3,281 (8.4%)

	Earnings per Share	Earnings per Share on a Fully Diluted Basis
	Yen	Yen
Fiscal year ending October 31, 2022: First quarter	55.04	–
Fiscal year ended October 31, 2021: First quarter	59.95	–

- (Notes) 1. The Company applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter of the fiscal year ending October 31, 2022, and the figures for the first quarter of the fiscal year ending October 31, 2022 are figures after the application of the said accounting standard. As such, the change in net sales from the same period of the previous year is not shown.
2. In the previous fiscal year, the Company finalized the provisional accounting treatment for business combinations, and the figures for the first quarter of the fiscal year ended October 31, 2021 reflect the finalized content of the provisional accounting treatment.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio
	Millions of yen	Millions of yen	%
As of January 31, 2022	300,153	135,052	42.3
As of October 31, 2021	303,754	134,917	41.8

(Reference) Equity (millions of yen)

As of January 31, 2022 126,897
 As of October 31, 2021 126,956

(Note) The Company applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter of the fiscal year ending October 31, 2022, and the figures for the first quarter of the fiscal year ending October 31, 2022 are figures after the application of the said accounting standard.

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, 2021	-	25.00	-	45.00	70.00
Fiscal year ending October 31, 2022	-				
Fiscal year ending October 31, 2022 (projected)		35.00	-	40.00	75.00

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

3. Projected Consolidated Operating Results for the Fiscal Year Ending October 31, 2022

(November 1, 2021 – October 31, 2022)

(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	95,500	-	8,200	1.7	8,300	-3.8	5,100	3.1	135.42
Full year	191,100	-	15,600	6.7	15,800	2.7	9,700	8.9	257.56

(Notes) 1. Has the Company revised its most recently released projected consolidated operating results during the quarter?: No
 2. As the Company applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the fiscal year ending October 31, 2022, the above projected consolidated operating results are after the application of the said accounting standard. As a result, the percentages for net sales for the previous fiscal year and the same period of the previous year are not shown.

Notes

- (1) Changes in material subsidiaries during the period under review (Changes in specific subsidiaries in conjunction with a change in the scope of consolidation): No
- (2) Application of special accounting method in the preparation of quarterly consolidated financial statements: No
- (3) Changes in accounting principles, changes in accounting estimates and retrospective restatements
 - (a) Changes in accounting policy in conjunction with revision of accounting standards: Yes
 - (b) Changes other than the above: No
 - (c) Changes in accounting estimates: No
 - (d) Retrospective restatements: No

(Note) For details, please refer to "2. Quarterly Consolidated Financial Statements and Significant Notes Thereto (3) Notes Concerning Quarterly Consolidated Financial Statements (Changes in Accounting Policies)" on page 11 of the Attachments.
- (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, 2022:	38,742,241 shares
As of October 31, 2021:	38,742,241 shares
 - (b) Number of treasury shares at the end of the period

As of January 31, 2022:	1,255,165 shares
As of October 31, 2021:	924,846 shares
 - (c) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Fiscal year ending October 31, 2022: First quarter:	37,660,982 shares
Fiscal year ended October 31, 2021: First quarter:	37,803,099 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.

oAttachments Table of Contents

1. Qualitative Information Concerning Quarterly Consolidated Operating Results	5
(1) Qualitative Information Concerning Consolidated Operating Results	5
(2) Qualitative Information Concerning Consolidated Financial Position	6
(3) Explanation Concerning Future Forecasts Including Projected Consolidated Operating Results	6
2. Quarterly Consolidated Financial Statements and Significant Notes Thereto	7
(1) Quarterly Consolidated Balance Sheets	7
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income	9
(Quarterly Consolidated Statements of Income)	9
(Consolidated Three-Month Period Ended January 31).....	9
(Quarterly Consolidated Statements of Comprehensive Income)	10
(Consolidated Three-Month Period Ended January 31).....	10
(3) Notes Concerning Quarterly Consolidated Financial Statements	11
(Notes Relating to the Going Concern Assumption)	11
(Note on Significant Changes to Shareholders' Equity).....	11
(Changes in Accounting Policies).....	11
(Supplemental Information)	12
(Segment Information).....	12

1. Qualitative Information Concerning Quarterly Consolidated Operating Results

(1) Qualitative Information Concerning Consolidated Operating Results

During the three-month period under review, Japan's economy gradually began to recover amid the continuing impact of COVID-19. However, the outlook remains uncertain due to concerns about the spread of infection caused by new variants strains and the increasing downside risk from global semiconductor supply shortages.

In the construction industry in which the Group is involved, although public sector investment remained strong and private sector construction investment has shown signs of picking up, the situation still requires monitoring as rising material prices and chronic shortage of skilled construction workers are becoming increasingly more severe.

In such circumstances, to achieve the goals of its Medium-Term Corporate Management Plan "Creative 60" (FY2020-2024), the Group is promoting three key measures: expansion of domestic bases for operations, overseas expansion, and optimization of internal operations. In addition, to build a solid revenue and stable management base for the future, the Group is committed to sustainable development and the enhancement of corporate value through measures such as a flexible investment strategy that responds to actual demand and the strengthening of its systems for the appropriate deployment and efficient operation of rental equipment.

For the three-month period under review, the Group reported net sales of ¥46,730 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 16.2% from the same period of the prior fiscal year to ¥3,311 million, ordinary profit declined 16.0% to ¥3,509 million, and profit attributable to owners of parent decreased 8.5% to ¥2,072 million.

Please note that the Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the first quarter under review. For details, please refer to "2. Quarterly Consolidated Financial Statements and Significant Notes Thereto (3) Notes Concerning Quarterly Consolidated Financial Statements (Changes in Accounting Policies)."

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 public sector investment including activity being carried out for Japan's National Resilience Plan remained strong, a full-scale recovery in rental demand for construction equipment did not eventuate.

In addition, the Group is striving to strengthen its ability to respond to the fields of maintenance and repair of social infrastructure and renewable energy, where demand is expected to increase toward the realization of a decarbonized society. The Group has also promoted business alliances to accelerate digital transformation, and construction DX that contributes to labor-saving and safety improvements at construction sites.

Used construction equipment sales decreased 40.0% year on year, as Kanamoto has carried out the extension of the rental equipment operation period as planned at the beginning of the fiscal year.

Reflecting these factors, the Group posted net sales in the construction-related businesses of ¥42,636 million, and operating profit of ¥2,901 million, a decrease of 18.3%.

< Other businesses >

In the Group's other businesses, net sales was ¥4,094 million and operating profit increased by 1.4% year on year to ¥287 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

Assets, liabilities, and net assets

Total assets at the end of the first quarter under review stood at ¥300,153 million, a decrease of ¥3,601 million compared with the end of the prior fiscal year. This was primarily due to an increase of ¥3,360 million in rental equipment, while cash and deposits decreased by ¥4,288 million and “notes and accounts receivable - trade, and contract assets” decreased by ¥3,158 million from “notes and accounts receivable - trade” at the end of the prior fiscal year.

Total liabilities were ¥165,100 million, a decrease of ¥3,736 million compared with the end of the prior fiscal year. This was primarily due to an increase of ¥2,120 million in short-term borrowings, while notes and accounts payable - trade and income taxes payable decreased by ¥3,532 million and ¥1,848 million, respectively.

Total net assets totaled ¥135,052 million, ¥135 million higher than at the end of the prior fiscal year. This mainly reflects the posting of profit attributable to owners of parent of ¥2,072 million and an increase of ¥368 million in foreign currency translation adjustment. Meanwhile, there were decreases of ¥1,701 million and ¥778 million, due to dividends of surplus and purchase of treasury shares, respectively.

(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, 2021 (Japanese GAAP) on December 10, 2021.

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of October 31, 2021	As of January 31, 2022
Assets		
Current assets		
Cash and deposits	56,093	51,804
Notes and accounts receivable - trade	39,305	-
Notes and accounts receivable - trade, and contract assets	-	36,147
Electronically recorded monetary claims - operating	7,319	7,936
Merchandise and finished goods	1,666	1,925
Costs on construction contracts in progress	82	-
Raw materials and supplies	1,375	1,489
Construction machine parts	18,055	17,474
Other	3,123	3,635
Allowance for doubtful accounts	-269	-292
Total current assets	126,751	120,121
Non-current assets		
Property, plant and equipment		
Rental equipment	262,239	271,453
Accumulated depreciation	-164,193	-170,047
Rental equipment, net	98,046	101,406
Buildings and structures	42,680	42,707
Accumulated depreciation	-24,656	-25,017
Buildings and structures, net	18,024	17,690
Machinery, equipment and vehicles	9,764	9,798
Accumulated depreciation	-8,141	-8,208
Machinery, equipment and vehicles, net	1,623	1,589
Land	37,684	37,660
Other	2,899	3,509
Accumulated depreciation	-2,143	-2,106
Other, net	756	1,403
Total property, plant and equipment	156,135	159,750
Intangible assets		
Goodwill	4,111	4,034
Customer relationship	1,276	1,301
Other	1,516	1,558
Total intangible assets	6,904	6,894
Investments and other assets		
Investment securities	9,249	9,150
Deferred tax assets	2,175	1,785
Other	3,046	2,945
Allowance for doubtful accounts	-507	-494
Total investments and other assets	13,963	13,386
Total non-current assets	177,003	180,032
Total assets	303,754	300,153

(Millions of yen)

	As of October 31, 2021	As of January 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	37,082	33,550
Short-term borrowings	960	3,080
Current portion of bonds payable	24	12
Current portion of long-term borrowings	13,055	13,255
Lease obligations	1,269	1,349
Income taxes payable	2,681	833
Provision for bonuses	1,548	698
Accounts payable - other	24,545	24,638
Other	6,063	4,641
Total current liabilities	87,230	82,059
Non-current liabilities		
Long-term borrowings	31,460	32,348
Lease obligations	2,888	3,240
Long-term accounts payable - other	44,486	44,744
Retirement benefit liability	566	363
Asset retirement obligations	588	589
Deferred tax liabilities	1,501	1,619
Other	115	136
Total non-current liabilities	81,607	83,041
Total liabilities	168,837	165,100
Net assets		
Shareholders' equity		
Share capital	17,829	17,829
Capital surplus	19,326	19,332
Retained earnings	89,048	89,419
Treasury shares	-1,978	-2,756
Total shareholders' equity	124,226	123,825
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,249	2,193
Deferred gains or losses on hedges	0	-0
Foreign currency translation adjustment	541	909
Remeasurements of defined benefit plans	-60	-31
Total accumulated other comprehensive income	2,729	3,071
Non-controlling interests	7,960	8,155
Total net assets	134,917	135,052
Total liabilities and net assets	303,754	300,153

(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, 2021	Three months ended January 31, 2022
Net sales	47,660	46,730
Cost of sales	33,747	33,006
Gross profit	13,913	13,724
Selling, general and administrative expenses	9,959	10,412
Operating profit	3,953	3,311
Non-operating income		
Interest income	10	12
Dividend income	65	72
Rental income	22	20
Foreign exchange gains	57	18
Other	145	156
Total non-operating income	301	280
Non-operating expenses		
Interest expenses	25	25
Loss on cancellation of leases	7	7
Other	43	51
Total non-operating expenses	77	83
Ordinary profit	4,177	3,509
Extraordinary income		
Gain on sale of non-current assets	1	5
Gain on sale of shares of subsidiaries and associates	20	6
Gain on revision of retirement benefit plan	-	31
Total extraordinary income	21	43
Extraordinary losses		
Loss on sale and retirement of non-current assets	26	31
Loss on valuation of investment securities	211	4
Total extraordinary losses	238	36
Profit before income taxes	3,960	3,515
Income taxes - current	942	735
Income taxes - deferred	459	495
Total income taxes	1,401	1,230
Profit	2,559	2,284
Profit attributable to non-controlling interests	292	211
Profit attributable to owners of parent	2,266	2,072

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

(Millions of yen)

	Three months ended January 31, 2021	Three months ended January 31, 2022
Profit	2,559	2,284
Other comprehensive income		
Valuation difference on available-for-sale securities	403	-55
Deferred gains or losses on hedges	0	-0
Foreign currency translation adjustment	316	368
Remeasurements of defined benefit plans, net of tax	2	39
Total other comprehensive income	<u>722</u>	<u>351</u>
Comprehensive income	<u>3,281</u>	<u>2,636</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,987	2,414
Comprehensive income attributable to non-controlling interests	294	221

(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.

(Changes in Accounting Policies)

(Application of accounting standard for revenue recognition, etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations effective from the beginning of the first quarter under review, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services. The main changes resulting from the application are as follows:

(1) Change in the timing of revenue recognition

With respect to revenues from construction-related businesses and other businesses, the Group previously recognized revenues from the rental of construction equipment to customers and sales of products at the time of shipment. However, the Group now recognizes revenue at the time of delivery when control over the rental construction equipment or goods sold is transferred to the customer.

(2) Revenue recognition for agent transactions

For certain transactions, the Group previously recognized as revenue the gross amount of consideration received from customers. However, for transactions in which the Group's role in the provision of goods or services to customers is that of an agent, the Group now recognizes revenue as the net amount received from customers less the amount paid to suppliers.

The application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the first quarter under review was added to or deducted from the opening balance of retained earnings of the first quarter under review, and thus the new accounting policy was applied from such opening balance; provided, however, that the new accounting policy was not retrospectively applied to contracts for which nearly all the revenue amounts had been recognized according to the previous treatment in periods prior to the beginning of the first quarter under review, by applying the method provided for in paragraph 86 of the Accounting Standard for Revenue Recognition.

As a result of this change, for the three-month period under review, net sales decreased by ¥907 million and cost of sales decreased by ¥907 million, while operating profit, ordinary profit and profit before income taxes each decreased by ¥0 million. In addition, the opening balance of retained earnings decreased by ¥0 million.

Due to the application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations, "Notes and accounts receivable - trade" under current assets of the consolidated balance sheet as of the end of the prior fiscal year has been included in "Notes and accounts receivable - trade, and contract assets" under current assets from the quarterly consolidated balance sheet as of the end of the first quarter under review. In accordance with the transitional treatment provided for in paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the prior fiscal year have not been restated in accordance with the new approach to presentation. Furthermore, the information on disaggregation of revenue from contracts with customers during the three-month period of the prior fiscal year has not been disclosed as allowed by the transitional treatment provided for in paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020).

(Application of accounting standard for fair value measurement, etc.)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the first quarter under review, and it has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures provided for in paragraph 19 of the Accounting Standard for Fair Value Measurement, and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). There is no impact on the quarterly consolidated financial statements.

(Supplemental Information)

(Changes to a retirement benefit plan)

NISHIKEN CO., LTD., a consolidated subsidiary of the Company, shifted from a lump-sum retirement benefit plan to a defined contribution pension plan on January 31, 2022, except for certain eligible employees. The accounting treatment in this transition applied "Accounting for Transfer between Retirement Benefit Plans" (ASBJ Guidance No. 1, December 16, 2016) and "Practical Solution on Accounting for Transfer between Retirement Benefit Plans" (ASBJ Practical Issues Task Force No. 2, February 7, 2007). As a result, extraordinary income of ¥31 million was recorded for the three-month period under review.

(Segment Information)

I Three-month period ended January 31, 2021 (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	3,553	283	3,836

(Notes) 1. 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. The segment information for the three-month period ended January 31, 2021 reflects material changes that were made to the initial allocation of acquisition costs as a result of finalizing the provisional accounting treatment for business combinations.

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	3,553
Income for "Other businesses" classification	283
Other adjustments	116
Operating profit reported on the Quarterly Consolidated Statement of Income	3,953

(Note) The segment information for the three-month period ended January 31, 2021 reflects material changes that were made to the initial allocation of acquisition costs as a result of finalizing the provisional accounting treatment for business combinations.

II Three-month period ended January 31, 2022 (From November 1, 2021 to January 31, 2022)

1. Information concerning the amount of net sales and income or loss by reporting segment, and information on disaggregation of revenue

(Millions of yen)

	Reporting segment	Other businesses (Note)	Total
	Business related to the Construction Equipment Rental Division		
Net sales			
Rental contracts	32,016	1,829	33,846
Sales of merchandise and finished goods	6,961	2,033	8,994
Other	3,600	231	3,832
Revenue from contracts with customers	42,578	4,094	46,672
Other revenues	57	-	57
Net sales to outside customers	42,636	4,094	46,730
Net sales or transfers between related segments	-	-	-
Total	42,636	4,094	46,730
Segment income	2,901	287	3,189

(Note) The "Other businesses" classification encompasses business segments not included in the reporting segment, and includes business related to the Steel Sales Division and business related to the Information Products Division, welfare-related business and other businesses.

2. Difference between total reporting segment income or loss and the amount reported on the Quarterly Consolidated Statement of Income, and the main reasons for the difference (Matters Pertaining to Reconciliation of Difference)

(Millions of yen)

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

3. Matters pertaining to changes in reporting segments, etc.

As described in "Changes in Accounting Policies," the Company has applied the "Accounting Standard for Revenue Recognition" and relevant ASBJ regulations from the beginning of the first quarter under review, and changed the accounting treatment for revenue recognition. Accordingly, the Company has changed the method of measuring profit or loss of operating segments.

For the three-month period under review, as a result of this change, and compared with the figures obtained by the previous method, net sales decreased by ¥60 million for the construction-related businesses, and net sales and segment income decreased by ¥846 million and ¥0 million, respectively, for other businesses.