



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

June 3, 2022

Listed Company Name **Kanamoto Co., Ltd.**
 Company Code Number **9678**
 Listing Exchanges **Tokyo Stock Exchange, Sapporo Stock Exchange**
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Scheduled date for submission of Quarterly Report June 13, 2022
 Scheduled date for commencement of dividend payments July 4, 2022
 Preparation of Quarterly Settlement Supplementary Explanatory Materials Yes
 Quarterly Earnings Briefings (For institutional investors and analysts) Yes

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

1. Consolidated Operating Results for the Six-Month Period of the Fiscal Year Ending October 31, 2022

(November 1, 2021 – April 30, 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: Second quarter	93,715	-	7,098	-11.9	7,457	-13.5	4,540	-8.2
Fiscal year ended October 31, 2021: Second quarter	95,225	4.2	8,061	-12.8	8,626	-4.6	4,945	-7.5

(Note) Comprehensive income (millions of yen)

Fiscal year ending October 31, 2022, Second quarter	6,284	(-9.1%)
Fiscal year ended October 31, 2021, Second quarter	6,911	(29.7%)

	Earnings per Share	Earnings per Share on a Fully Diluted Basis
	Yen	Yen
Fiscal year ending October 31, 2022: Second quarter	121.54	-
Fiscal year ended October 31, 2021: Second quarter	130.81	-

- (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 second quarter of the fiscal year ending October 31, 2022 are figures after the application of the said accounting standard. As a result, the percentage of change for 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 second 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 April 30, 2022	304,810	137,512	42.4
As of October 31, 2021	303,754	134,917	41.8

(Reference) Equity (millions of yen)

As of April 30, 2022	129,135
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 as of April 30, 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	-	35.00			
Fiscal year ending October 31, 2022 (projected)			-	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
Full year	191,100	-	15,600	6.7	15,800	2.7	9,700	8.9	259.65

(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 percentage of change for net sales from the previous fiscal year is 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 (4) Notes Concerning Quarterly Consolidated Financial Statements (Changes in Accounting Policies)" on page 13 of the Attachments.
- (4) Number of shares issued (common shares)
- (a) Number of shares issued at the end of the period (including treasury shares)

As of April 30, 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 April 30, 2022:	1,799,465 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: Second quarter:	37,357,999 shares
Fiscal year ended October 31, 2021: Second quarter:	37,810,252 shares

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

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

(Methods of obtaining the quarterly settlement supplementary explanatory materials and the content of the quarterly earnings briefings)

The Company plans to hold an online meeting for institutional investors and analysts on Monday, June 6, 2022.

Following the meeting, the Company will upload the meeting highlights and the discussion (voice recording) on the Company's website as quickly as possible, together with the quarterly earnings briefings materials used that day.

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1. Qualitative Information Concerning Quarterly Consolidated Operating Results

(1) Qualitative Information Concerning Consolidated Operating Results

During the six-month period under review, Japan's economy showed signs of picking up due to measures against infection and the easing of restrictions on economic activity despite the continuing impact of COVID-19. However, amid downside risk becoming more apparent due to semiconductor supply shortages, rising raw material prices, etc., uncertainties are intensifying against the backdrop of factors such as the deterioration of the situation in Ukraine.

In the construction industry in which the Group is involved, although public sector investment remained steady and private sector construction investment has shown signs of gradual recovery, difficulties are increasing in the environment surrounding the industry as rising material and energy prices as well as the shortage of skilled construction workers are becoming increasingly more severe.

In such circumstances, based on the three key measures in the Medium-Term Corporate Management Plan "Creative 60" (FY2020-2024), the Group is strengthening the Alliance Group's foundations and working to further develop business through synergistic effects within the Group. In addition, the Group is committed to sustainable development and the enhancement of corporate value through the promotion of flexible investment strategy that responds to actual demand, and the acceleration of the improvement of capital efficiency.

For the six-month period under review, the Group reported net sales of ¥93,715 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 11.9% from the same period of the prior fiscal year to ¥7,098 million, ordinary profit declined 13.5% to ¥7,457 million, and profit attributable to owners of parent decreased 8.2% to ¥4,540 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. For details, please refer to "2. Quarterly Consolidated Financial Statements and Significant Notes Thereto (4) Notes Concerning Quarterly Consolidated Financial Statements (Changes in Accounting Policies)."

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

< Business related to the Construction Equipment Rental Division >

In the construction-related business, which is Kanamoto's core business, although performance remained steady, primarily in disaster prevention and reduction and activities being carried out for Japan's National Resilience Plan as well as maintenance and renewal of aging social capital, a full-scale recovery in rental demand for construction equipment did not eventuate as some regional disparities in construction demand became more apparent.

In addition, the Group is strengthening its ability to respond to the fields of maintenance and repair of social capital and renewable energy in light of medium- to long-term changes in the construction market in addition to promoting the acceleration of digital transformation as well as technological development and business alliances for customers' diversifying needs despite the promotion of the appropriate deployment and efficient operation of rental equipment.

Used construction equipment sales decreased 5.8% 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 ¥85,417 million, and operating profit of ¥6,293 million, a decrease of 13.6% year on year.

< Other businesses >

In the Group's other businesses, net sales was ¥8,297 million and operating profit increased by 2.8% year on year to ¥559 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

(i) Assets, liabilities, and net assets

Total assets at the end of the second quarter under review stood at ¥304,810 million, an increase of ¥1,055 million compared with the end of the prior fiscal year. This was primarily due to a total increase of ¥4,138 million in property, plant and equipment including an increase of ¥3,361 million in rental equipment, while current assets decreased by ¥2,943 million in total, including a decrease of ¥4,286 million in “notes and accounts receivable - trade, and contract assets” compared with the prior fiscal year-end amount of “notes and accounts receivable - trade.”

Total liabilities stood at ¥167,298 million, a decrease of ¥1,539 million compared with the end of the prior fiscal year. This was primarily due to a decrease of ¥2,069 million in other under current liabilities.

Total net assets stood at ¥137,512 million, an increase of ¥2,595 million compared with the end of the prior fiscal year. This mainly reflects the posting of profit attributable to owners of parent of ¥4,540 million and an increase of ¥1,292 million in foreign currency translation adjustment. Meanwhile, there were decreases of ¥1,701 million and ¥1,966 million, due to dividends of surplus and purchase of treasury shares, respectively.

(ii) Cash flows

Cash and cash equivalents (“cash”) at the end of the six-month period under review increased by ¥308 million compared with the end of the prior fiscal year to ¥55,866 million. Cash flows for the six-month period under review are discussed below.

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

Cash provided by operating activities increased 4.1% from the same period of the prior fiscal year to ¥20,913 million. This was primarily attributable to the following: profit before income taxes of ¥7,450 million, depreciation of ¥15,785 million, decrease in trade receivables of ¥4,356 million, as well as purchase of rental equipment of ¥3,199 million, and income taxes paid of ¥2,435 million.

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

Cash used in investing activities was ¥2,276 million, compared with ¥2,353 million used in the same period of the prior fiscal year. This mainly reflected the posting of ¥1,908 million for purchase of property, plant and equipment.

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

Cash used in financing activities was ¥18,521 million, compared with ¥14,436 million used in the same period of the prior fiscal year. This mainly reflected proceeds from long-term borrowings of ¥5,994 million, repayments of installment payables of ¥12,839 million, repayments of long-term borrowings of ¥7,288 million, purchase of treasury shares of ¥2,000 million, and dividends paid of ¥1,700 million.

(3) Explanation Concerning Future Forecasts Including Projected Consolidated Operating Results

There is no change to the projected consolidated operating results announced in the Financial Statements Bulletin for the Fiscal Year Ended October 31, 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 April 30, 2022
Assets		
Current assets		
Cash and deposits	56,093	56,383
Notes and accounts receivable - trade	39,305	-
Notes and accounts receivable - trade, and contract assets	-	35,019
Electronically recorded monetary claims - operating	7,319	7,443
Merchandise and finished goods	1,666	2,192
Costs on construction contracts in progress	82	-
Raw materials and supplies	1,375	1,604
Construction machine parts	18,055	18,002
Other	3,123	3,439
Allowance for doubtful accounts	-269	-277
Total current assets	<u>126,751</u>	<u>123,807</u>
Non-current assets		
Property, plant and equipment		
Rental equipment	262,239	272,603
Accumulated depreciation	-164,193	-171,196
Rental equipment, net	<u>98,046</u>	<u>101,407</u>
Buildings and structures	42,680	43,438
Accumulated depreciation	-24,656	-25,405
Buildings and structures, net	<u>18,024</u>	<u>18,033</u>
Machinery, equipment and vehicles	9,764	9,759
Accumulated depreciation	-8,141	-8,168
Machinery, equipment and vehicles, net	<u>1,623</u>	<u>1,590</u>
Land	37,684	37,988
Other	2,899	3,424
Accumulated depreciation	-2,143	-2,170
Other, net	<u>756</u>	<u>1,254</u>
Total property, plant and equipment	<u>156,135</u>	<u>160,273</u>
Intangible assets		
Goodwill	4,111	4,079
Customer relationship	1,276	1,411
Other	1,516	1,632
Total intangible assets	<u>6,904</u>	<u>7,122</u>
Investments and other assets		
Investment securities	9,249	9,200
Deferred tax assets	2,175	1,943
Other	3,046	3,041
Allowance for doubtful accounts	-507	-578
Total investments and other assets	<u>13,963</u>	<u>13,606</u>
Total non-current assets	<u>177,003</u>	<u>181,002</u>
Total assets	<u>303,754</u>	<u>304,810</u>

(Millions of yen)

	As of October 31, 2021	As of April 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	37,082	36,670
Short-term borrowings	960	980
Current portion of bonds payable	24	12
Current portion of long-term borrowings	13,055	13,093
Lease obligations	1,269	1,392
Income taxes payable	2,681	2,335
Provision for bonuses	1,548	1,632
Accounts payable - other	24,545	25,218
Other	6,063	3,994
Total current liabilities	87,230	85,327
Non-current liabilities		
Long-term borrowings	31,460	31,342
Lease obligations	2,888	3,349
Long-term accounts payable - other	44,486	44,365
Retirement benefit liability	566	359
Asset retirement obligations	588	593
Deferred tax liabilities	1,501	1,758
Other	115	202
Total non-current liabilities	81,607	81,970
Total liabilities	168,837	167,298
Net assets		
Shareholders' equity		
Share capital	17,829	17,829
Capital surplus	19,326	19,332
Retained earnings	89,048	91,887
Treasury shares	-1,978	-3,945
Total shareholders' equity	124,226	125,104
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,249	2,226
Deferred gains or losses on hedges	0	0
Foreign currency translation adjustment	541	1,834
Remeasurements of defined benefit plans	-60	-30
Total accumulated other comprehensive income	2,729	4,030
Non-controlling interests	7,960	8,377
Total net assets	134,917	137,512
Total liabilities and net assets	303,754	304,810

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

(Millions of yen)

	Six months ended April 30, 2021	Six months ended April 30, 2022
Net sales	95,225	93,715
Cost of sales	66,981	65,697
Gross profit	28,244	28,017
Selling, general and administrative expenses	20,183	20,919
Operating profit	8,061	7,098
Non-operating income		
Interest income	22	26
Dividend income	66	72
Insurance claim income	298	14
Rental income	44	40
Foreign exchange gains	90	183
Other	204	231
Total non-operating income	726	569
Non-operating expenses		
Interest expenses	51	49
Loss on cancellation of leases	12	15
Other	97	144
Total non-operating expenses	161	210
Ordinary profit	8,626	7,457
Extraordinary income		
Gain on sale of non-current assets	6	10
Gain on sale of shares of subsidiaries and associates	20	6
Subsidy income	17	-
Gain on revision of retirement benefit plan	-	34
Total extraordinary income	43	52
Extraordinary losses		
Loss on sale and retirement of non-current assets	79	53
Loss on valuation of investment securities	168	4
Loss on extinguishment of tie-in shares	81	-
Total extraordinary losses	329	58
Profit before income taxes	8,340	7,450
Income taxes - current	2,874	2,093
Income taxes - deferred	-38	383
Total income taxes	2,835	2,477
Profit	5,504	4,973
Profit attributable to non-controlling interests	558	433
Profit attributable to owners of parent	4,945	4,540

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

(Millions of yen)

	Six months ended April 30, 2021	Six months ended April 30, 2022
Profit	5,504	4,973
Other comprehensive income		
Valuation difference on available-for-sale securities	488	-22
Deferred gains or losses on hedges	0	-0
Foreign currency translation adjustment	914	1,292
Remeasurements of defined benefit plans, net of tax	4	40
Total other comprehensive income	1,407	1,310
Comprehensive income	6,911	6,284
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,349	5,841
Comprehensive income attributable to non-controlling interests	561	442

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended April 30, 2021	Six months ended April 30, 2022
Cash flows from operating activities		
Profit before income taxes	8,340	7,450
Depreciation	15,573	15,785
Amortization of goodwill	361	298
Loss (gain) on sale and retirement of non-current assets	73	43
Cost transfer resulting from sale of rental equipment	404	461
Purchase of construction equipment and materials	-227	-244
Purchase of rental equipment	-2,777	-3,199
Loss (gain) on valuation of investment securities	168	4
Loss (gain) on sale of shares of subsidiaries and associates	-20	-6
Increase (decrease) in allowance for doubtful accounts	-29	67
Increase (decrease) in provision for bonuses	94	84
Increase (decrease) in retirement benefit liability	32	22
Interest and dividend income	-88	-99
Assets buy on the installment plan purchase payment interest for rentals	321	292
Interest expenses	51	49
Foreign exchange losses (gains)	-92	-174
Decrease (increase) in trade receivables	5,899	4,356
Decrease (increase) in inventories	-851	-767
Increase (decrease) in trade payables	-5,330	-795
Increase (decrease) in accounts payable - other	846	1,397
Loss (gain) on extinguishment of tie-in shares	81	-
Other, net	-301	-1,417
Subtotal	22,530	23,610
Interest and dividends received	70	81
Interest paid	-374	-343
Income taxes paid	-2,142	-2,435
Net cash provided by (used in) operating activities	20,084	20,913

(Millions of yen)

	Six months ended April 30, 2021	Six months ended April 30, 2022
Cash flows from investing activities		
Payments into time deposits	-292	-275
Proceeds from withdrawal of time deposits	298	293
Purchase of property, plant and equipment	-2,292	-1,908
Proceeds from sale of property, plant and equipment	13	25
Purchase of intangible assets	-219	-343
Proceeds from sale of intangible assets	12	-
Purchase of investment securities	-3	-3
Proceeds from sale of investment securities	7	-
Proceeds from sale of shares of subsidiaries and associates	22	22
Loan advances	-13	-227
Proceeds from collection of loans receivable	23	20
Collection of long-term accounts receivable-other	103	78
Other, net	-13	42
Net cash provided by (used in) investing activities	-2,353	-2,276
Cash flows from financing activities		
Redemption of bonds	-32	-12
Net increase (decrease) in short-term borrowings	-75	20
Proceeds from long-term borrowings	7,980	5,994
Repayments of long-term borrowings	-7,280	-7,288
Repayments of installment payables	-12,773	-12,839
Repayments of lease obligations	-724	-674
Purchase of treasury shares	-0	-2,000
Dividends paid	-1,509	-1,700
Dividends paid to non-controlling interests	-20	-20
Net cash provided by (used in) financing activities	-14,436	-18,521
Effect of exchange rate change on cash and cash equivalents	140	191
Net increase (decrease) in cash and cash equivalents	3,434	308
Cash and cash equivalents at beginning of period	48,023	55,557
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	260	-
Cash and cash equivalents at end of period	51,717	55,866

(4) Notes Concerning Quarterly Consolidated Financial Statements

(Notes Relating to the Going Concern Assumption)

The Company had no material items to report.

(Note on Significant Changes to Shareholders' Equity)

The Company repurchased 889,500 shares of treasury shares in accordance with the resolution of the meeting of the Board of Directors held on December 10, 2021.

As a result, treasury shares increased by ¥1,999 million during the six-month period ended April 30, 2022, resulting in a net loss of ¥3,945 million for treasury shares as of the end of the six-month period ended April 30, 2022.

(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, 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 was added to or deducted from the opening balance of retained earnings of the first quarter, 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, by applying the method provided for in paragraph 86 of the Accounting Standard for Revenue Recognition.

As a result of this change, for the six-month period under review, net sales decreased by ¥1,704 million and cost of sales decreased by ¥1,704 million, while operating profit, ordinary profit and profit before income taxes each increased 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. 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 six-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, 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 ¥34 million was recorded for the six-month period under review.

(Segment Information)

I Six-month period ended April 30, 2021 (From November 1, 2020 to April 30, 2021)

1. Information concerning the amount of net sales and income or loss by reporting segment

(Millions of yen)

	Reporting segment	Other businesses (Note)	Total
	Business related to the Construction Equipment Rental Division		
Net sales			
Net sales to outside customers	86,603	8,622	95,225
Net sales or transfers between related segments	-	-	-
Total	86,603	8,622	95,225
Segment income	7,284	544	7,828

(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 six-month period ended April 30, 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	7,284
Income for "Other businesses" classification	544
Other adjustments	232
Operating profit reported on the Quarterly Consolidated Statement of Income	8,061

(Note) The segment information for the six-month period ended April 30, 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 Six-month period ended April 30, 2022 (From November 1, 2021 to April 30, 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	59,834	3,655	63,490
Sales of merchandise and finished goods	18,641	4,121	22,762
Other	6,849	520	7,370
Revenue from contracts with customers	85,326	8,297	93,623
Other revenues	91	-	91
Net sales to outside customers	85,417	8,297	93,715
Net sales or transfers between related segments	-	-	-
Total	85,417	8,297	93,715
Segment income	6,293	559	6,853

(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	6,293
Income for "Other businesses" classification	559
Other adjustments	244
Operating profit reported on the Quarterly Consolidated Statement of Income	7,098

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, 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 six-month period under review, as a result of this change, and compared with the figures obtained by the previous method, net sales decreased by ¥559 million for the construction-related businesses, and net sales decreased by ¥1,144 million and segment income increased by ¥0 million for other businesses.