



Fiscal Year Ending October 31, 2021

Second Quarter Operating Results Briefing Materials

June 7, 2021

kanamoto

Stock Code: 9678

(Tokyo Stock Exchange, First Section/Sapporo Securities Exchange)

President and CEO
Executive Division
Manager, Business
Coordination
Headquarters

Tetsuo
Kanamoto

Executive Director
Division Manager,
Accounting Division
General Manager,
Public Relations Office
General Manager

Shun Hirose

01

Consolidated Second Quarter Operating Results for the Fiscal Year Ending October 31, 2021

02

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

03

Future Expansion: Creative 60

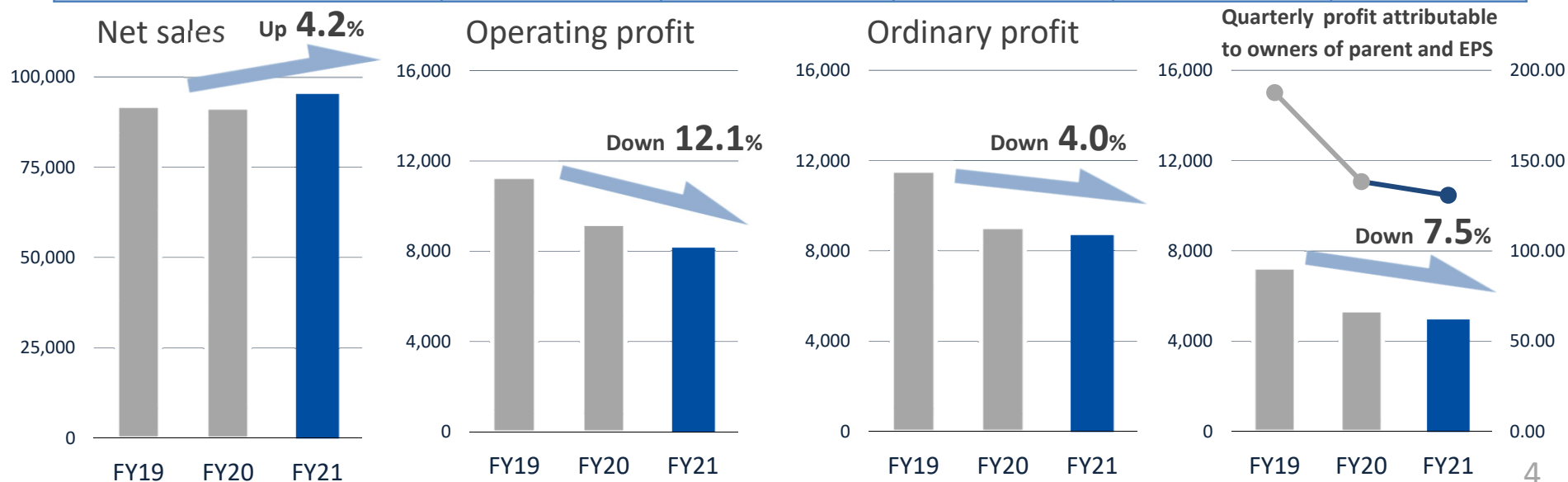
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Consolidated Second Quarter Operating Results for the Fiscal Year Ending October 31, 2021

Consolidated Second Quarter Operating Results for the Fiscal Year Ending October 31, 2021

(Millions of yen)

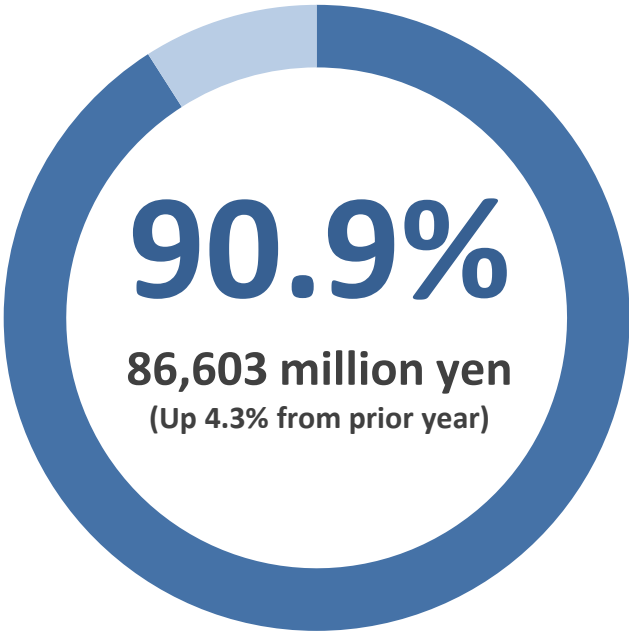
	Net sales	Operating profit	Ordinary profit	Quarterly profit attributable to owners of parent	EPS
Projected consolidated second quarter operating results for the fiscal year ending October 31, 2021	95,900	8,100	8,200	4,700	¥ 124.33
Consolidated second quarter operating results for the fiscal year ending October 31, 2021	95,225	8,118	8,683	4,943	¥ 130.75
% change from prior year	4.2%	- 12.1%	- 4.0%	- 7.5%	—
Consolidated second quarter operating results for fiscal year ended October 31, 2020	91,414	9,239	9,046	5,344	¥ 138.33
% change from prior year	- 0.5%	- 18.0%	- 21.4%	- 26.3%	—
Consolidated second quarter operating results for fiscal year ended October 31, 2019	91,856	11,266	11,511	7,255	¥ 187.62



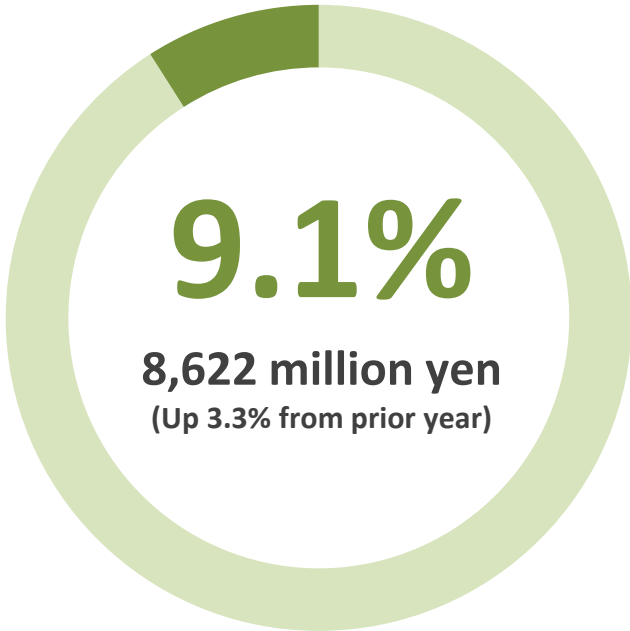
Consolidated Second Quarter Results by Segment

The Construction Equipment Rental Business makes up 90.9% of total sales while Other Businesses contributed 9.1%.

**Construction Equipment
Rental Business**

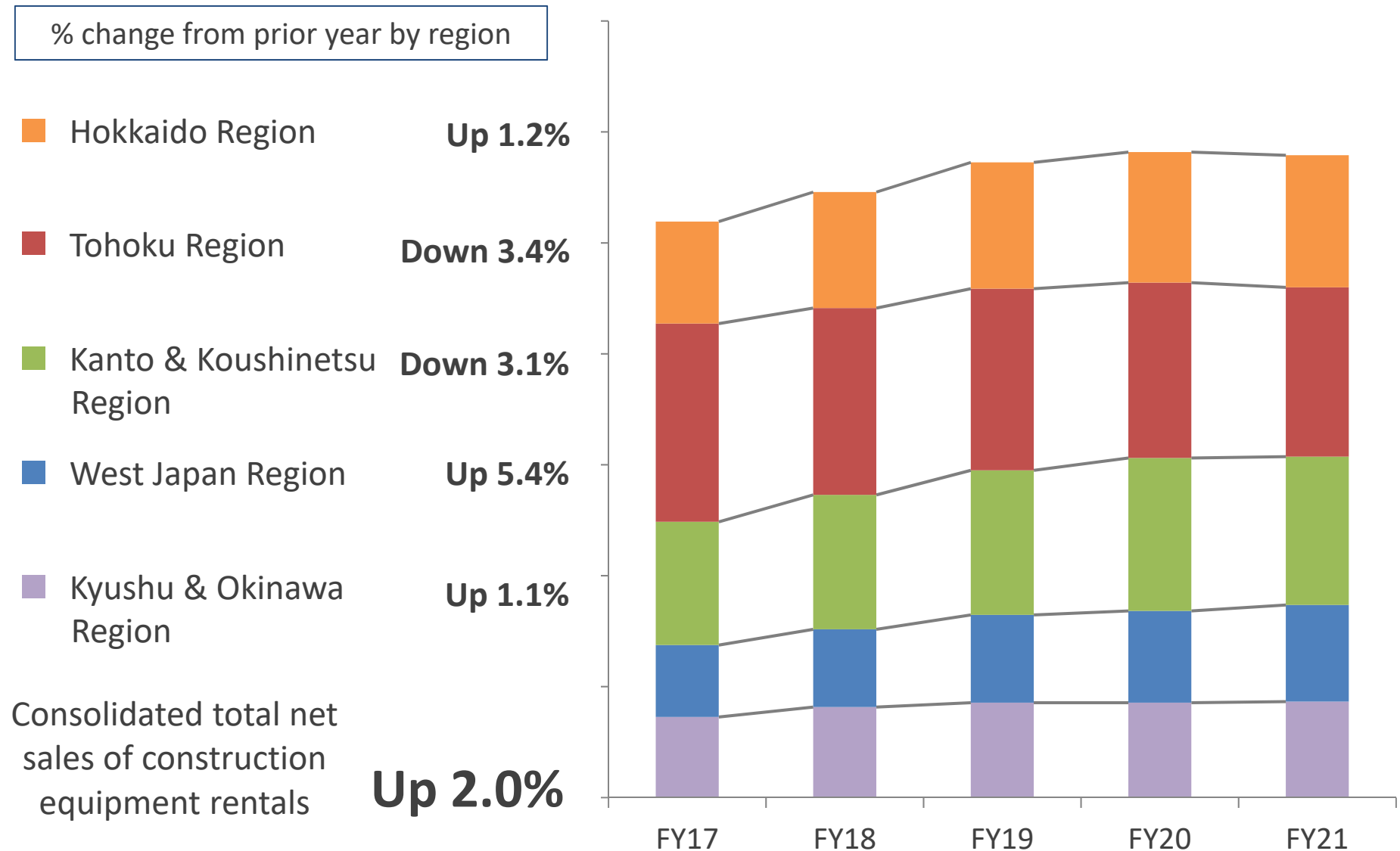


Other Businesses
(Steel Product Sales Business, Information-related Business,
Welfare-related Business, etc.)



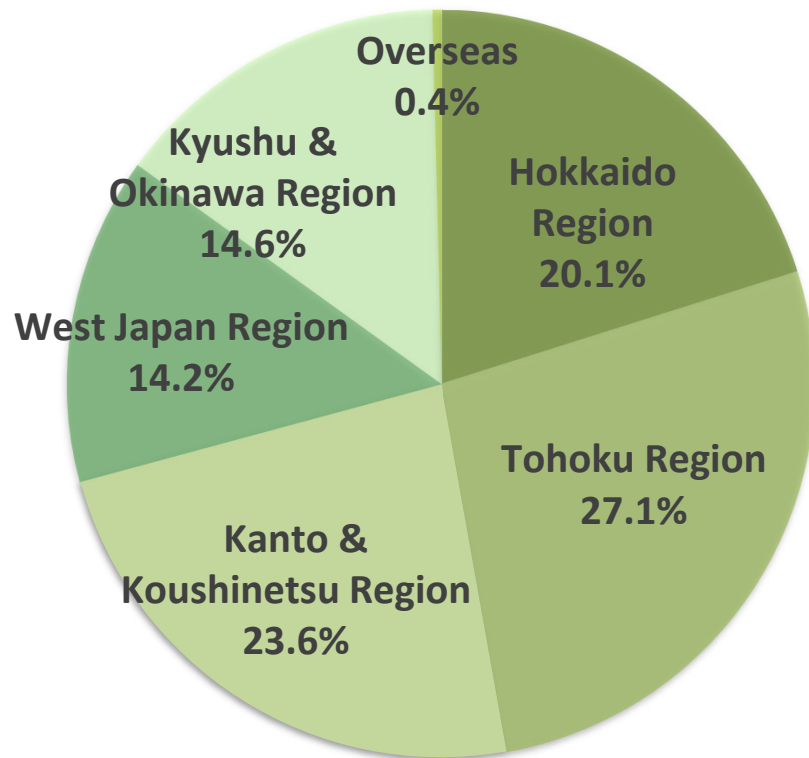
Net sales: 95,225 million yen (Up 4.2% from prior year)

Changes in Consolidated Second Quarter Net Sales from Construction Equipment Rental by Region

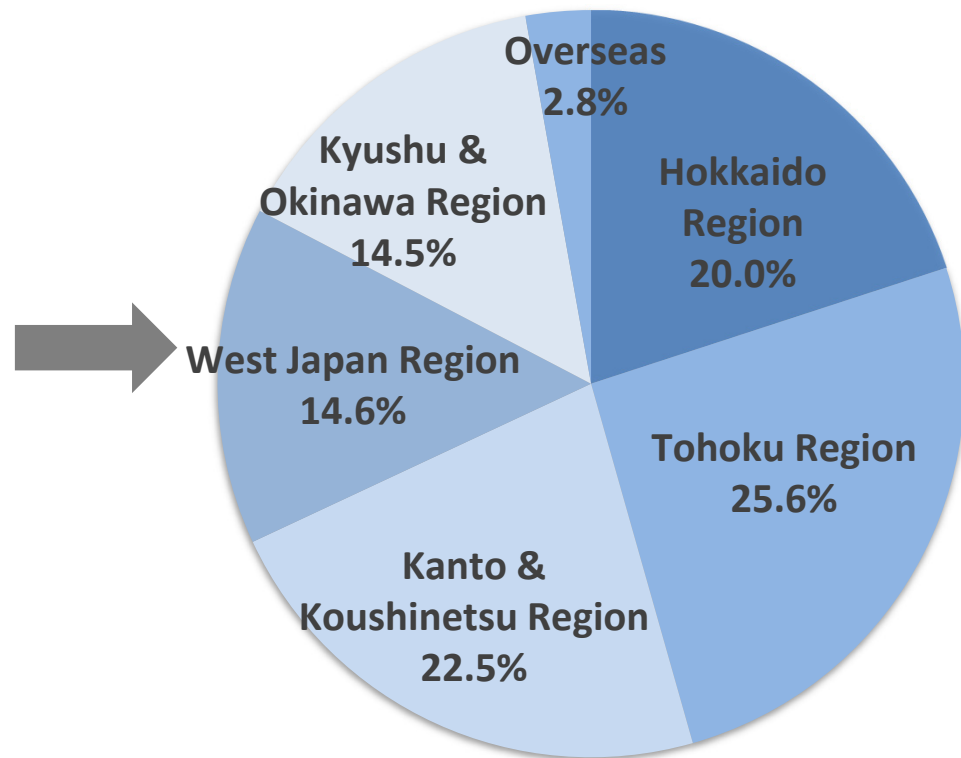


Construction Equipment Rental Business: Sales Ratio of Equipment Rentals by Region

FY2020_2Q



FY2021_2Q



Assets Balance Sheet

(Millions of yen)

	FY2020_4Q	FY2021_2Q	Change
Assets			
Current assets	120,952	119,397	-1,554
Cash and deposits	48,563	52,253	3,690
Notes and accounts receivable - trade	41,451	35,029	-6,422
Other current assets	30,937	32,114	1,177
Non-current assets	179,795	181,087	1,291
Property, plant and equipment	156,171	157,567	1,395
Rental equipment	251,783	258,526	6,743
Accumulated depreciation	-153,225	-159,208	-5,983
Rental equipment, net	98,557	99,318	760
Buildings and structures	39,804	41,903	2,098
Accumulated depreciation	-23,293	-24,061	-768
Buildings and structures, net	16,510	17,841	1,330
Other property, plant and equipment	41,102	40,407	-695
Intangible assets	9,332	9,190	-141
Investments and other assets	14,291	14,328	37
Total assets	300,748	300,485	-262

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Liabilities and Net Assets

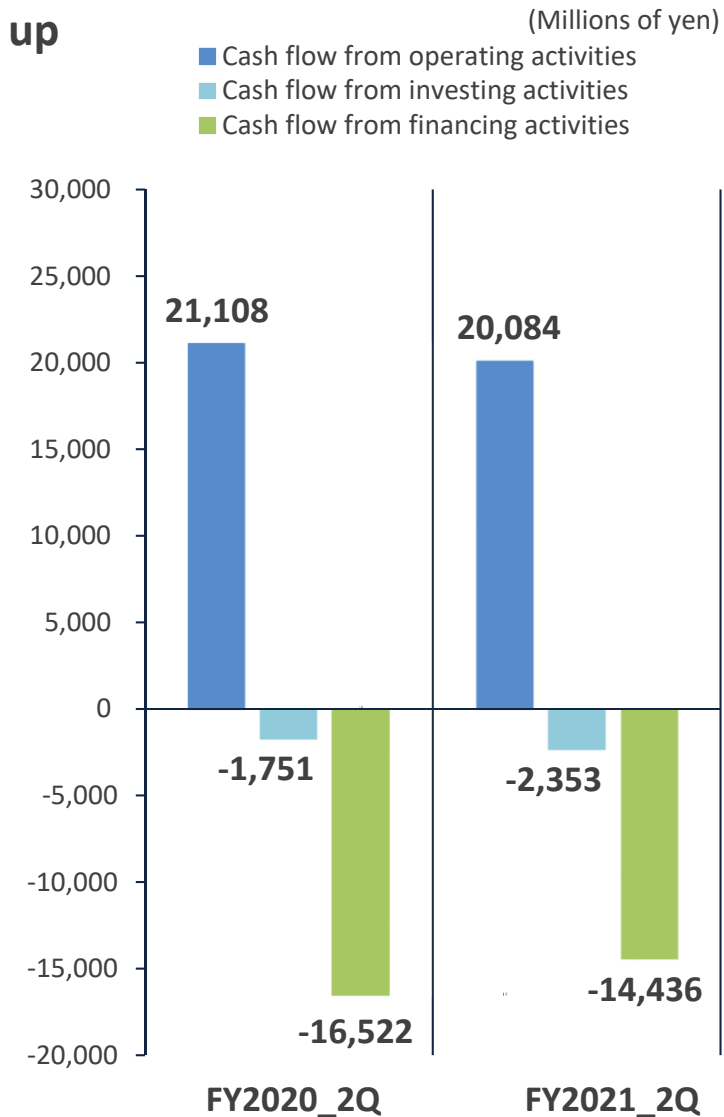
(Millions of yen)

	FY2020_4Q	FY2021_2Q	Change
Liabilities			
Current liabilities	87,606	83,191	-4,414
Notes and accounts payable - trade	37,975	33,396	-4,579
Accounts payable - other	25,489	25,186	-302
Other current liabilities	24,141	24,608	467
Non-current liabilities	86,953	85,695	-1,257
Long-term loans payable	30,082	31,297	1,215
Long-term accounts payable - other	52,246	49,247	-2,999
Other non-current liabilities	4,623	5,149	525
Total liabilities	174,559	168,887	-5,672
Net assets			
Total shareholders' equity	117,744	121,209	3,464
Accumulated other comprehensive income	1,346	2,750	1,404
Non-controlling interests	7,097	7,638	540
Total net assets	126,188	131,598	5,409
Total liabilities and net assets	300,748	300,485	-262

Cash Flows

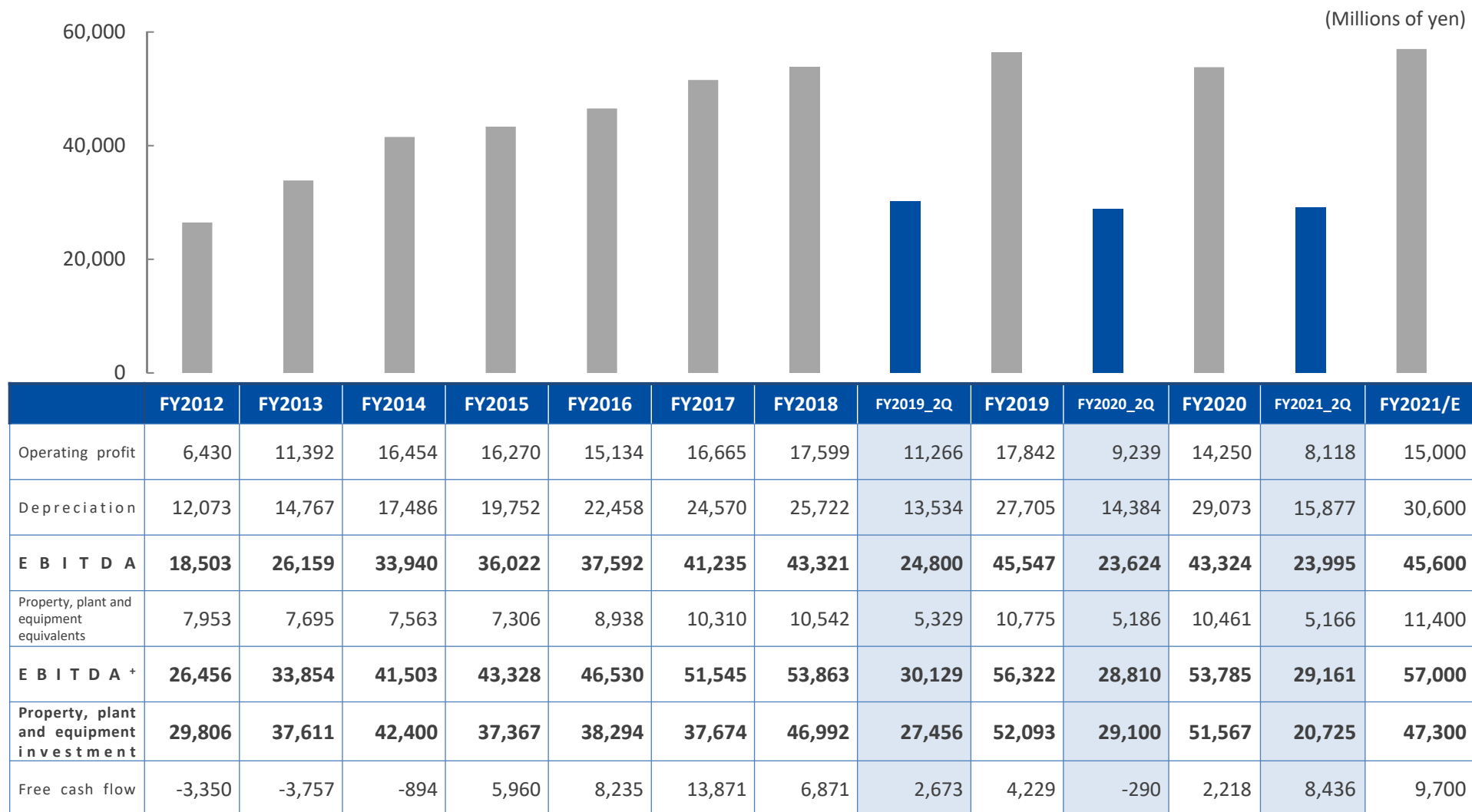
Cash and cash equivalents were 51,717 million yen, up 3,694 million yen compared to the previous consolidated fiscal year.

	FY2020_2Q	FY2021_2Q	Change
Cash flow from operating activities	21,108	20,084	-1,024
Cash flow from investing activities	- 1,751	- 2,353	- 601
Cash flow from financing activities	- 16,522	- 14,436	2,085
Net increase (decrease) in cash and cash equivalents	2,847	3,694	847
Cash and cash equivalents at beginning of period	43,511	48,023	4,511
Cash and cash equivalents carried over at end of second quarter	46,358	51,717	5,359



Main Comparative Index: EBITDA+ (Consolidated)

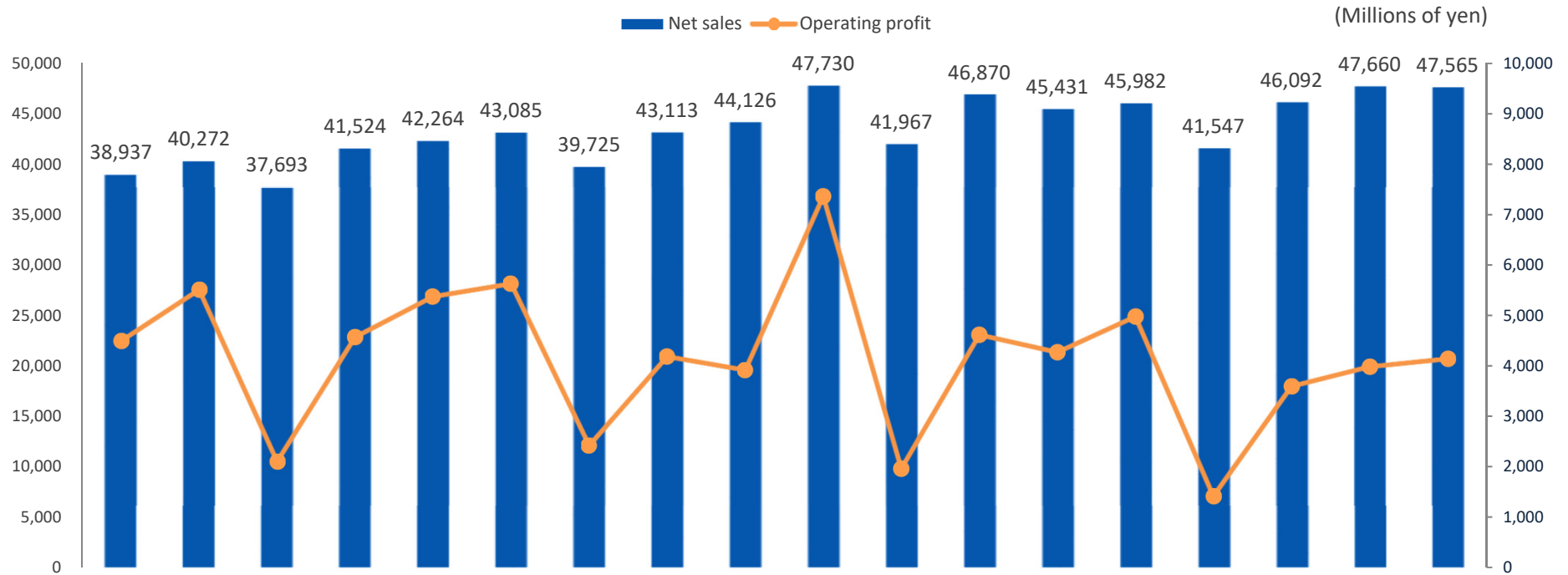
EBITDA+ is one major indicator for the amount of new capital investments in rental equipment and other assets.




EBITDA+ refers to EBITDA (operating profit and depreciation) plus property, plant and equipment equivalents.

Changes in Quarterly Financial Results

The sales trends show sales peaking at the end of the fourth quarter to the first quarter with a decline in the second and third quarters.



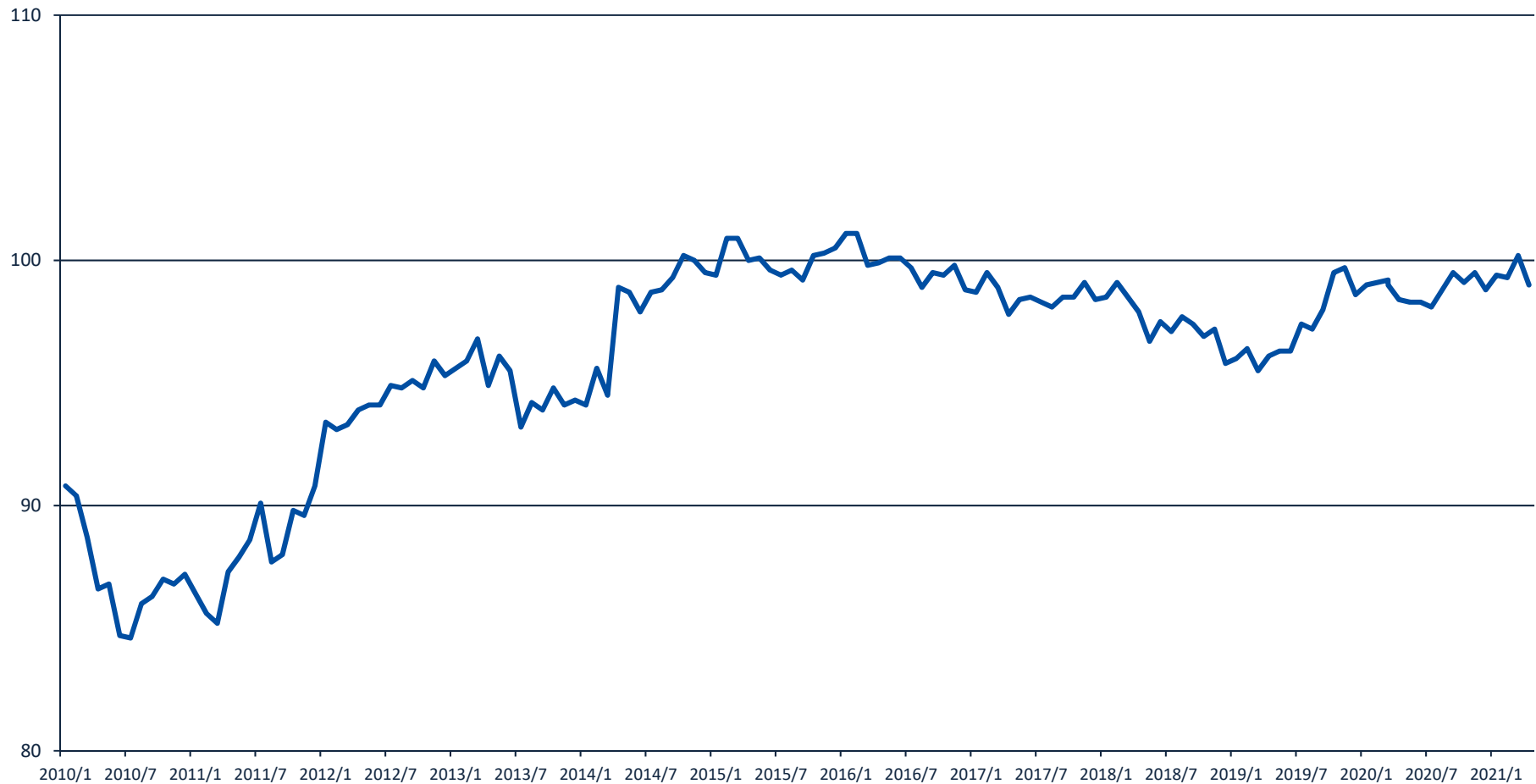
	FY2017				FY2018				FY2019				FY2020				FY2021	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Net sales	38,937	40,272	37,693	41,524	42,264	43,085	39,725	43,113	44,126	47,730	41,967	46,870	45,431	45,982	41,547	46,092	47,660	47,565
Operating profit	4,490	5,503	2,104	4,568	5,370	5,624	2,421	4,183	3,913	7,352	1,963	4,612	4,266	4,973	1,418	3,592	3,981	4,136



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

Corporate Service Price Index (Construction Rental Equipment)

The construction equipment rental index shows a stable trend.



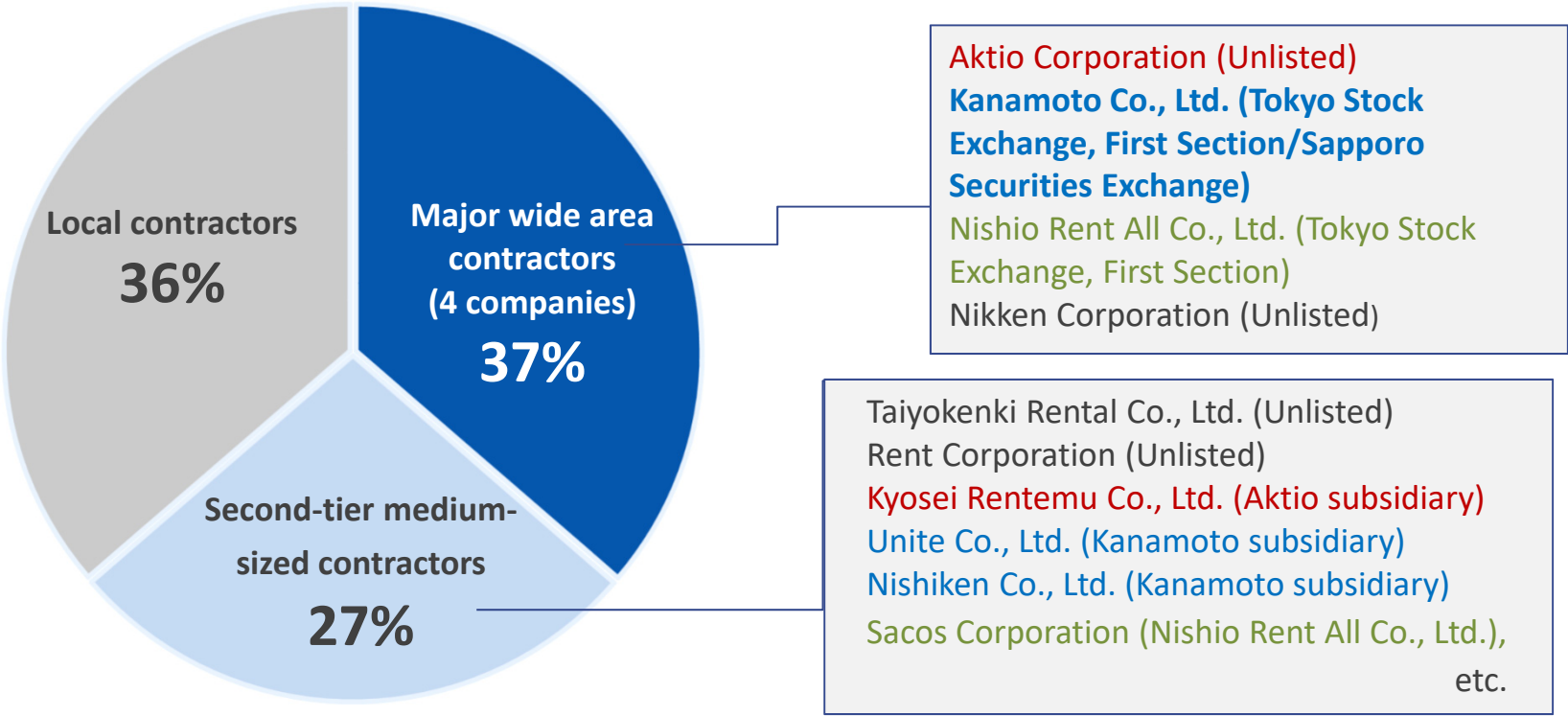
Source: Bank of Japan Corporate Service Price Index (CSPI) on the 2015 Year Base (Construction Rental Equipment)

Overview of Construction Equipment Rental Industry

Net sales in the industry are approximately 2% to 3% of the total domestic investment in construction.

The industry has roughly 2,000 competitors in construction equipment rentals.

Kanamoto and other major wide-area contractors make up 37% the market based on recent non-consolidated comparison data of each company.



Source: Calculated from the volume base in the Ministry of Land, Infrastructure, Transport and Tourism Construction Statistics Guidebook, securities reports, corporate website information of each company, and other such materials.

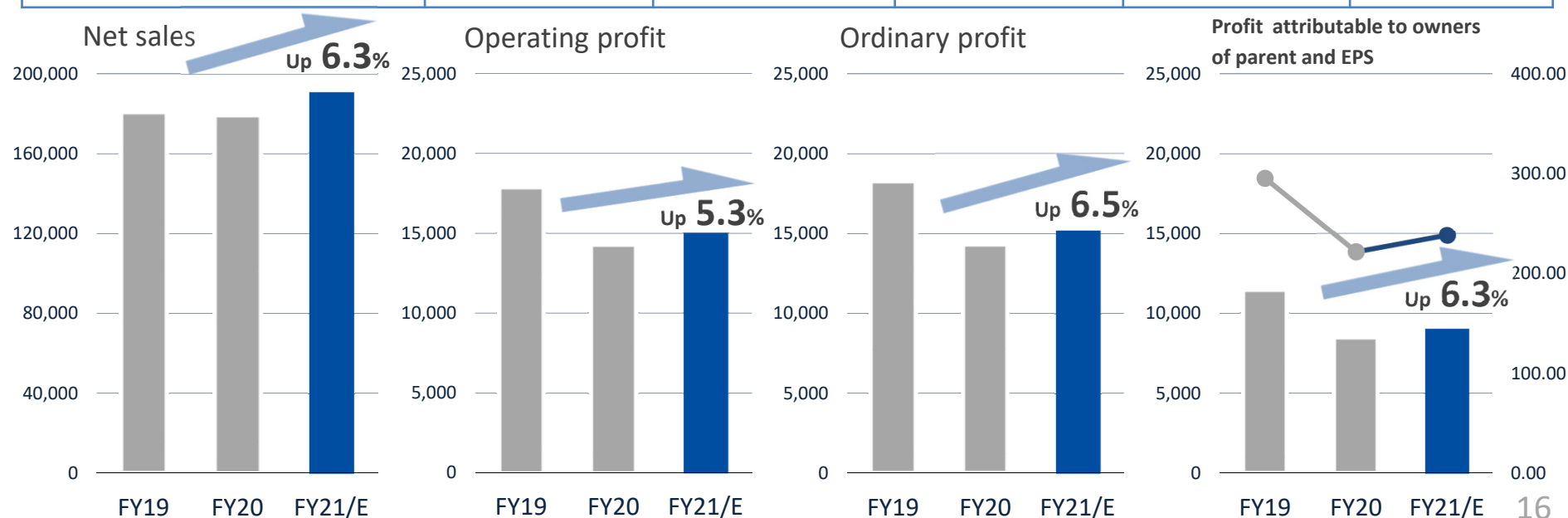
Second-tier medium-sized contractors are calculated as organizations expanding to bases in multiple prefectures.

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

The construction demand is expected to continue to show strong growth driven by disaster recovery and restoration works, disaster prevention construction, infrastructure renewals, and other such projects.

(Millions of yen)

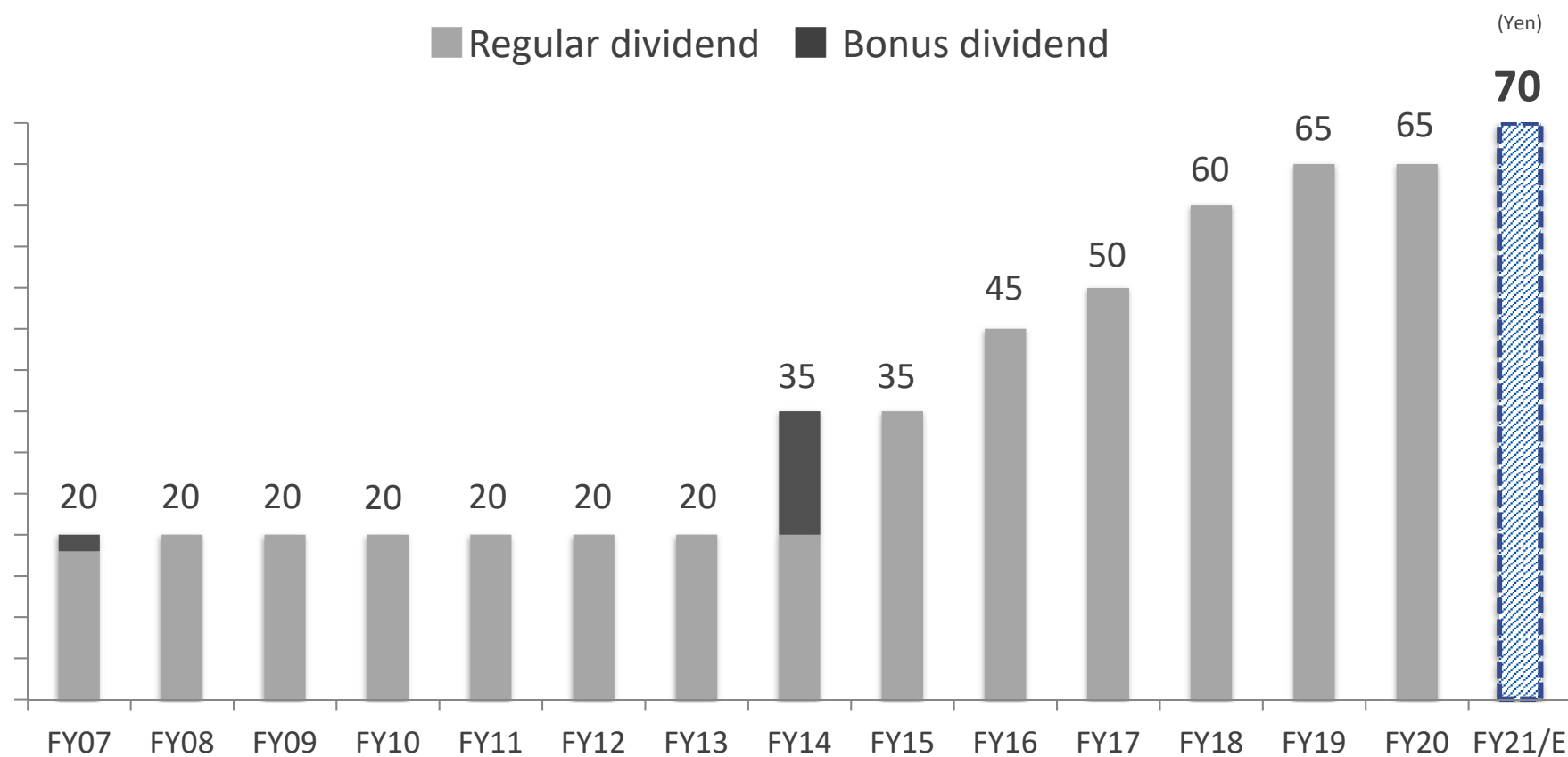
	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	EPS
Projected consolidated results for the fiscal year ending October 31, 2021	190,300	15,000	15,200	9,000	¥238.03
% change from prior year	6.3%	5.3%	6.5%	6.3%	—
Consolidated results for fiscal year ended October 31, 2020	179,053	14,250	14,268	8,466	¥ 221.45
% change from prior year	- 0.9%	- 20.1%	- 21.9%	- 25.9%	—



Dividend Policy

Year-end dividend of 65 yen for the fiscal year ended October 31, 2020 (25 yen interim dividend)

Year-end dividend of 70 yen for the fiscal year ending October 31, 2021 (25 yen interim dividend)



03

Future Expansion: Creative 60

Creative 60

■ Priority Measures of the Creative 60 Medium-Term Corporate Management Plan

1. Expansion of the Kanamoto Domestic Base of Operations

— Concentrate the Collective Group Capabilities

- Deeply mine existing areas
- Enter new areas and develop areas where Kanamoto has low market share
- Expand into non-construction sectors

2. Overseas Expansion—Upgrade to Overseas Strategy 2.0 (Next Generation)

- Optimize a global portfolio
- Establish a Kanamoto global platform
- Inorganic strategy: Overseas M&A initiatives
- Lay the groundwork to raise overseas sales to 10% of total net sales

3. Optimize Internal Operational Processes—Increase Rental Business Profitability

- Integrate marketing and sales strategies with IT
- Invest resources in product planning and research and development to develop the technology and systems needed at construction sites
 - i.e.: Kana Robo Naccident AX Q-eeen ICT construction equipment
 - Softbank and Kanamoto Remote Control Demonstration of Construction Machinery, and Iwasaki and Kanamoto partnership
- Improve operational efficiency
- Build an environment to promote Group logistics i.e.: Cost control, stable long-term operations
- Place emphasis on recruiting and developing human resources

Creative 60

Creative 60 Medium-Term Corporate Management Plan

< Priority measures >

01

Expansion of the Kanamoto Domestic Base of Operations



02

Overseas Expansion



03

Optimize Internal Operational Processes



Creative 60

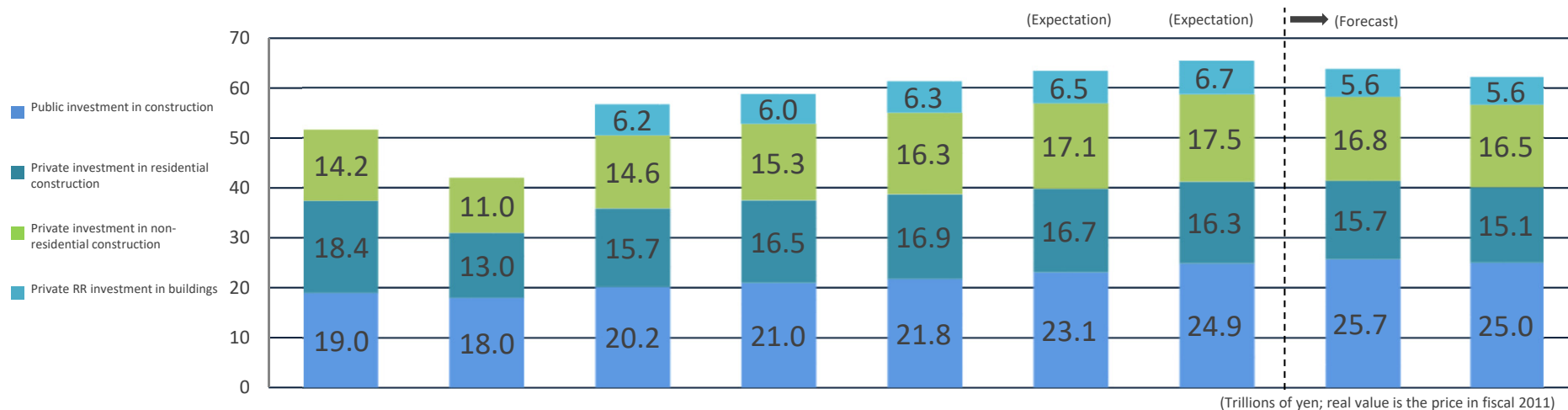
|| Expansion of the Kanamoto Domestic Base of Operations

|| Overseas Expansion

|| Optimize Internal Operational Processes

Expansion of the Kanamoto Domestic Base of Operations

Gradual increase in investment after hitting bottom at 42 trillion yen in fiscal 2010 Approx.
62 trillion yen forecast for fiscal 2021 (down 1.7% year on year) (Trillions of yen)



(Trillions of yen; real value is the price in fiscal 2011)

Fiscal year	2005	2010	2015	2016	2017	2018 (Expectation)	2019 (Expectation)	2020 (Forecast)	2021 (Forecast)
Investment in construction (year on year growth rate)	51.6 (-2.4%)	41.9 (-2.4%)	56.6 (19.3%)	58.7 (3.7%)	61.3 (4.4%)	63.4 (3.4%)	65.4 (3.1%)	63.2 (-3.4%)	62.1 (-1.7%)
Public investment in construction	19.0 (-8.9%)	18.0 (0.3%)	20.2 (8.6%)	21.0 (3.9%)	21.8 (3.8%)	23.1 (5.9%)	24.9 (7.8%)	25.7 (3.2%)	25.0 (-2.6%)
Private investment in residential construction	18.4 (0.3%)	13.0 (1.1%)	15.7 (5.5%)	16.5 (4.9%)	16.9 (2.9%)	16.7 (-1.3%)	16.3 (-2.3%)	15.7 (-7.5%)	15.1 (-0.4%)
Private investment in non-residential construction	14.2 (4.0%)	11.0 (-10.0%)	14.6 (3.9%)	15.3 (5.0%)	16.3 (6.8%)	17.1 (4.7%)	17.5 (2.5%)	16.8 (-3.9%)	16.5 (-2.2%)
Private RR investment in buildings	—	—	6.2 (—)	6.0 (-2.9%)	6.3 (4.5%)	6.5 (3.6%)	6.7 (2.1%)	5.6 (-16.7%)	5.6 (0.7%)
Real investment in construction	54.7 (-3.5%)	42.5 (-2.8%)	53.7 (19.0%)	55.5 (3.5%)	56.7 (1.1%)	56.8 (0.1%)	57.3 (0.5%)	55.7 (-2.9%)	54.5 (-2.0%)

Source: Prepared based on the *Construction Economy Model Forecast of Construction Investment* (April 2021) published by the Research Institute of Construction and Economy (RICE)

Expansion of the Kanamoto Domestic Base of Operations

Major Projects Primarily Driving Business Expansion throughout Japan

Wind Power Generation



Geothermal Power Generation



Solar Power Generation



Linear Chuo Shinkansen



Hokuriku Shinkansen



Hokkaido Shinkansen



Large-scale Refurbishments of Three NEXCO Companies



2025 Osaka Expo

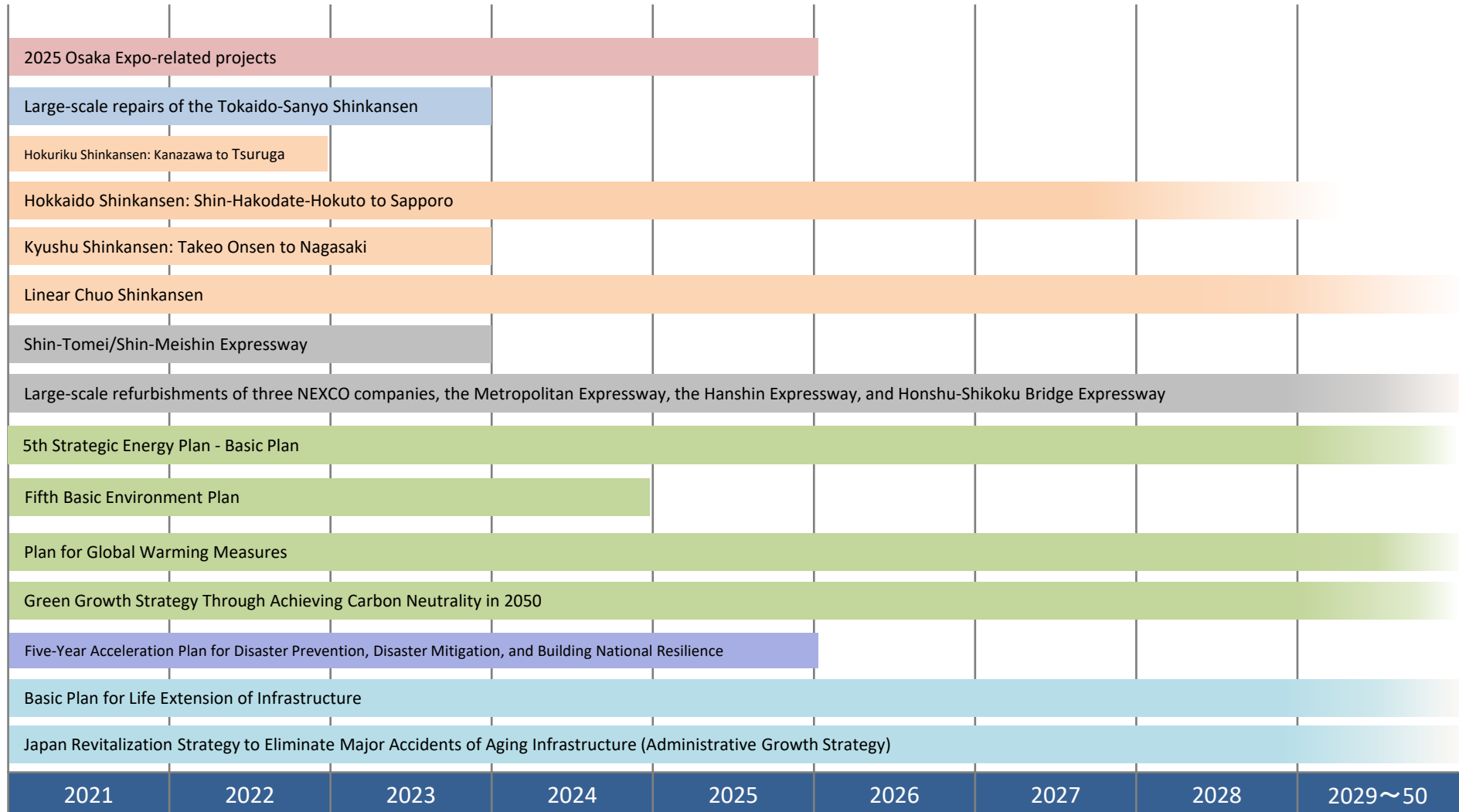


Kyushu Shinkansen:
Takeo to Nagasaki



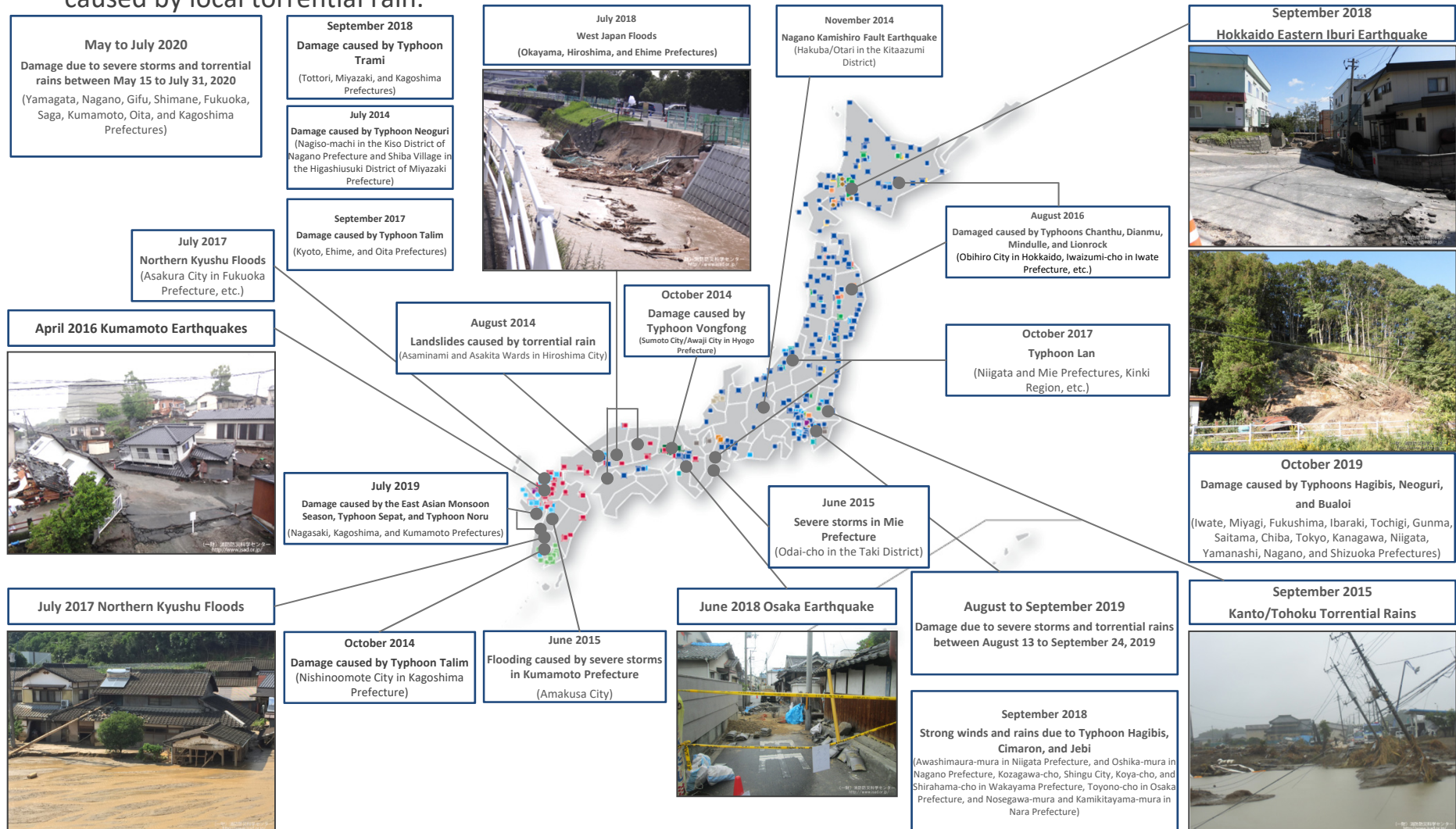
Expansion of the Kanamoto Domestic Base of Operations

Major Projects Primarily Driving Business Expansion throughout Japan



Expansion of the Kanamoto Domestic Base of Operations

Many regions suffer damage from landslides caused by earthquakes to floods and landslides caused by local torrential rain.



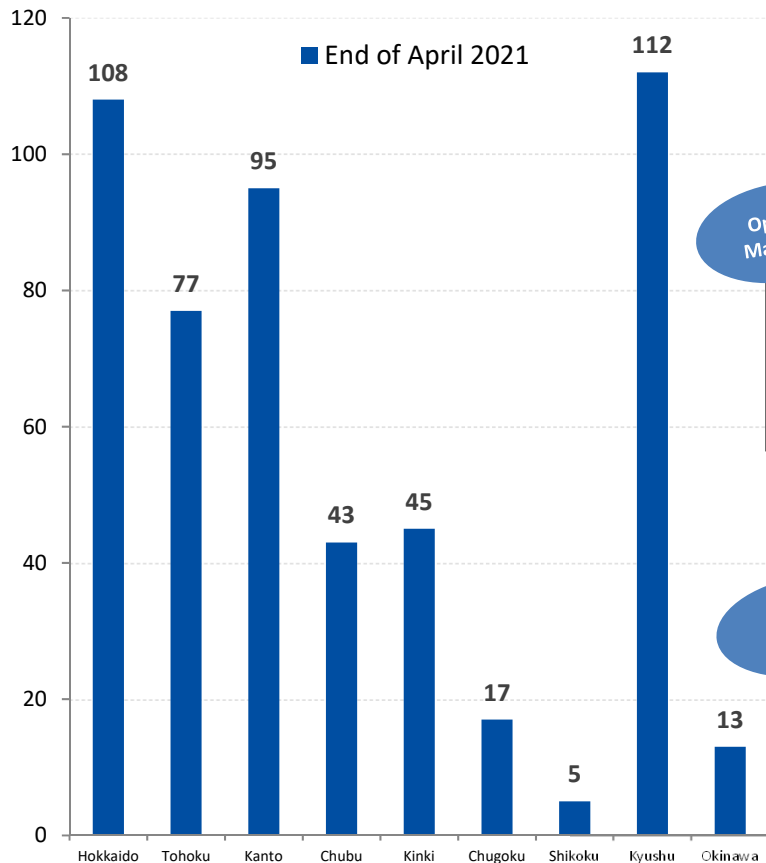
Source: Cabinet Office website Photos: Institute of Scientific Approaches for Fire and Disaster

Note: The names of disasters in this list only include some of the disasters designated as catastrophic disasters.

Expansion of the Kanamoto Domestic Base of Operations

Kanamoto has 210 non-consolidated sales bases throughout Japan.
 The Kanamoto Group has steadily expanded its sales base to 515 locations.

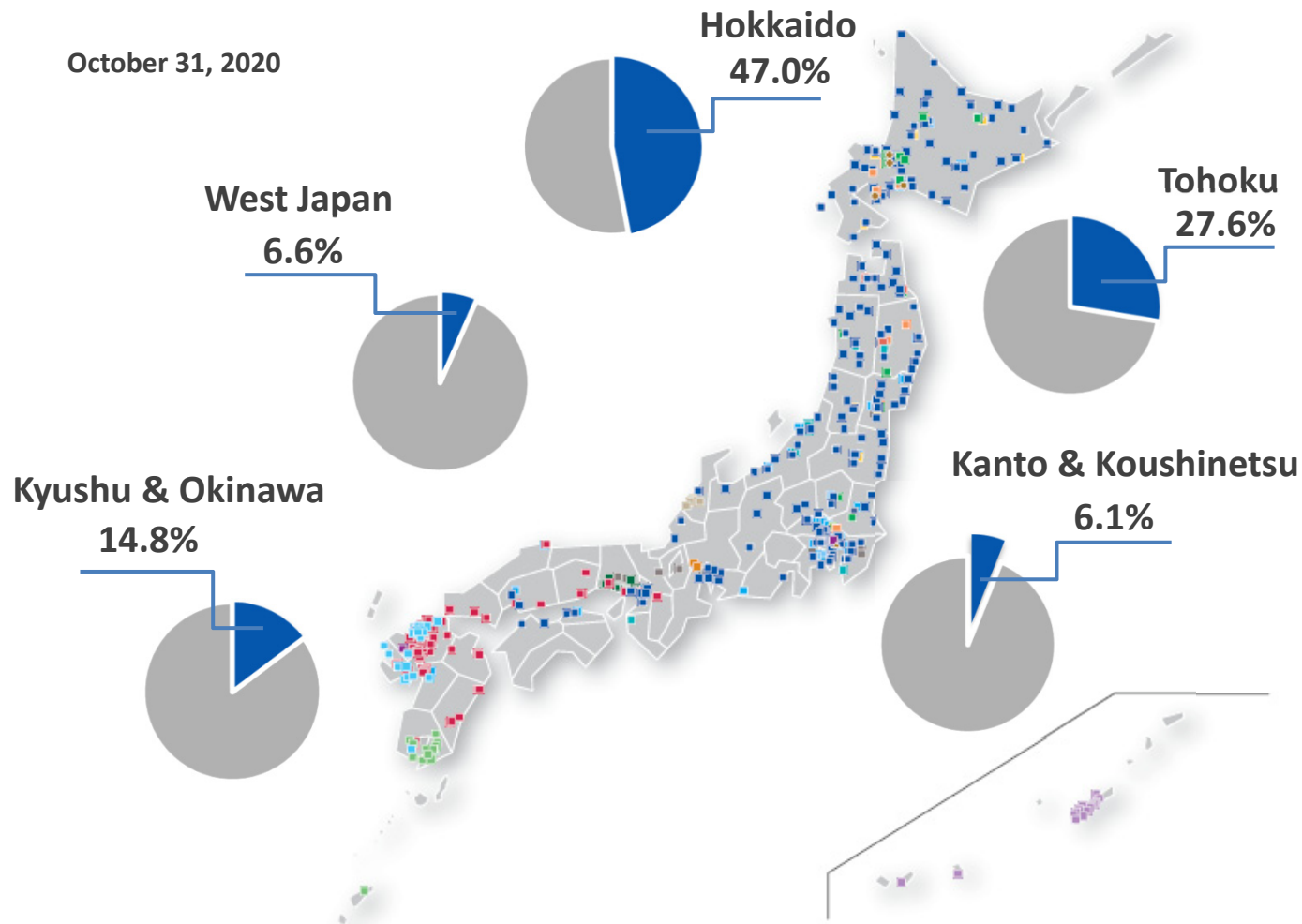
Changes in the Number of Domestic Sales Bases



- Opened Nov. 2020**: Obama Branch (Obama City, Fukui)
- Opened Apr. 2020**: Kurashiki Branch (Kurashiki City, Okayama Prefecture)
- Opened Mar. 2021**: Kitakyushu Branch (Kitakyushu City in Fukuoka Prefecture)
- Opened Sept. 2020**: Sapporo Small Machine Center (Sapporo City)
- Opened Nov. 2020**: Marumori Branch (Igu District in Miyagi Prefecture)
- Opened Jun. 2021**: Futaba Branch (Futaba District in Fukushima Prefecture)
- Opened May 2020**: Specialized Equipment Engineering Division Arao Machine Center (Arao City in Kumamoto Prefecture)
- Sooki Holdings Co., Ltd.** (Osaka Prefecture)

Expansion of the Kanamoto Domestic Base of Operations

Stronger strategic regional promotion and sales as well as share expansion that prioritize areas without a sales presence.



Source: Calculated uniformly at 2.5% according to the volume base in the Ministry of Land, Infrastructure, Transport and Tourism Construction Statistics Guidebook.

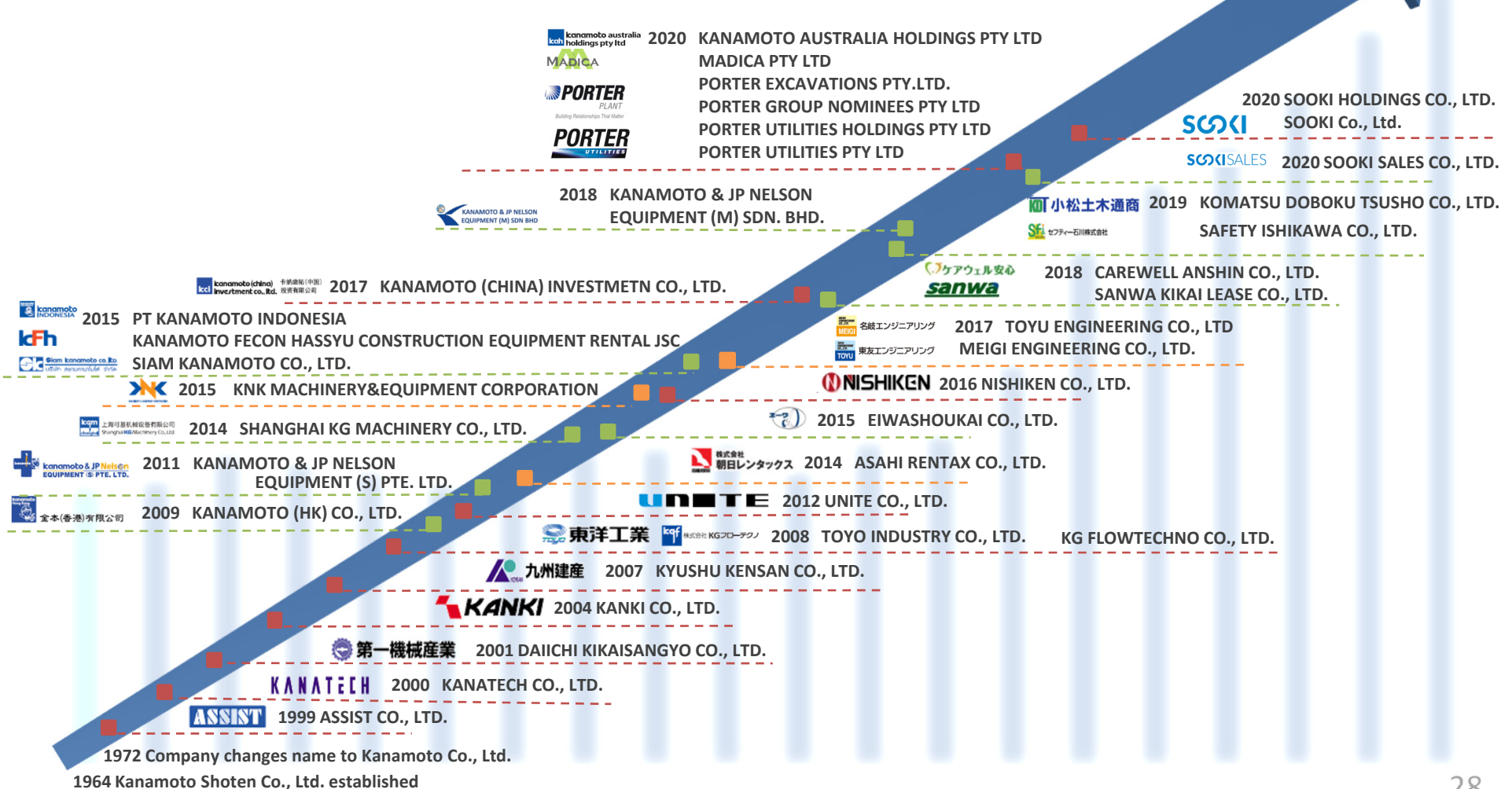
Note: These figures fluctuate with retroactive revisions of the Construction Statistics Guidebook.

Expansion of the Kanamoto Domestic Base of Operations

Growth is driven by ongoing M&A in addition to unique site expansion.

M&A History

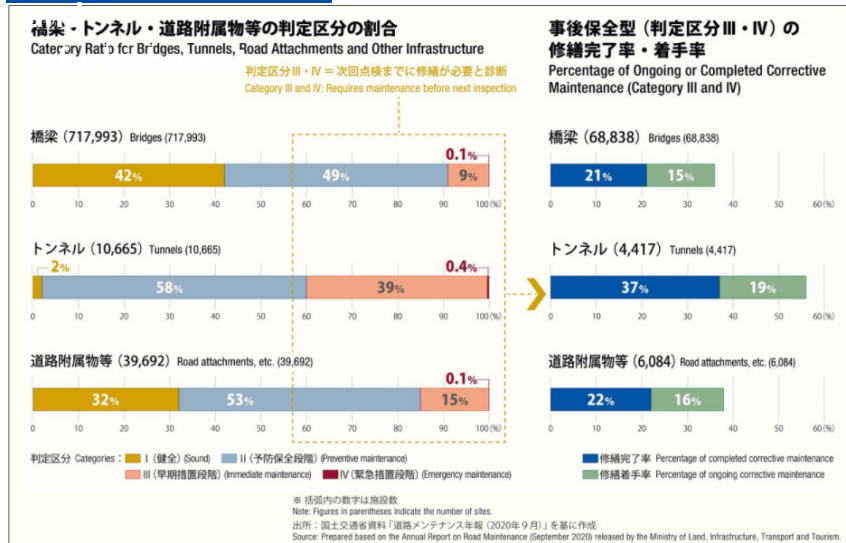
■ Consolidated Subsidiary ■ Non-consolidated Subsidiary ■ Affiliate company



Expansion of the Kanamoto Domestic Base of Operations

Overview of Infrastructure Obsolescence Measures and Transportation Infrastructure Projects

Large-scale repairs

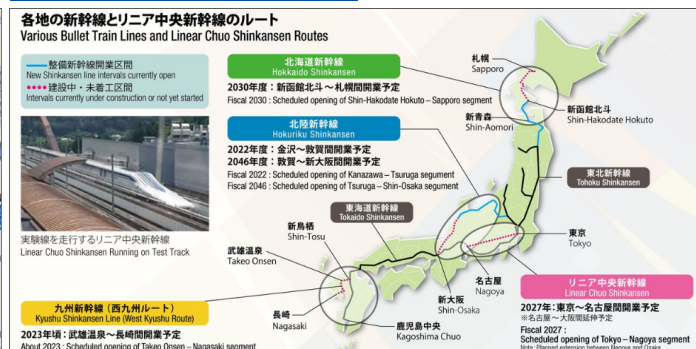


		Length in use (total)	Upgrade Plan			Remarks	
			Large-scale renewals	Large-scale repairs	Upgrade plan total		
Nationwide road network	NEXCO	Length	About 20,000km (Gross length)	237km	1,872km	2,109km (About 10% of total)	Project period: H27-H41 (15 years)
		Cost	-	1,746.8 billion yen	1,259.7 billion yen	3,006.4 billion yen	Toll collection period will be extended 10 years (~H72.6.24)
	Honshu/Shikoku Bridge Expressway Company Ltd.	Length	About 150km (Gross length)	-	30km	30km (About 20% of total)	-
		Cost	-	-	24.7 billion yen	24.7 billion yen	-
Tokyo Metropolitan Expressway	Length	About 300km (Roadway length)	8km	55km	63km (About 20% of total)	Project period: H26-H40 (15 years)	
	Cost	-	377.5 billion yen	248.7 billion yen	625.2 billion yen	Toll collection period will be extended 15 years (~H77.9.30)	
Hanshin Expressway	Length	About 250km (Roadway length)	5km	57km	62km (About 25% of total)	Project period: H27-H41 (15 years)	
	Cost	-	150.9 billion yen	217.6 billion yen	368.5 billion yen	Toll collection period will be extended 12 years (~H74.9.18)	

Tokyo Gaikan Expressway Project



Shinkansen Project



Source: Hanshin Expressway Hanshin Expressway Large-scale Renewal/Repair Project (March 30, 2015) and Ministry of Land, Infrastructure, Transport and Tourism Annual Report on Road Maintenance (Sept.2020) Tokyo Gaikan Expressway Project Main Line Tunnel Construction | Learn About Construction | Tokyo Gaikan Expressway Project (tokyo-gaikan-project.com; Only in Japanese)

Creative 60

|| Expansion of the Kanamoto Domestic
Base of Operations

|| Overseas Expansion

|| Optimize Internal Operational Processes

Overseas Expansion

Overseas Expansion—Upgrade Overseas Strategy 2.0 (Next Generation)

- Optimize a global portfolio
i.e.: Selection and distribution of management resources
- Establish a Kanamoto global platform
i.e.: Configuration of a framework for overseas sites
- Inorganic strategy: Overseas M&A initiatives
- Lay the groundwork to raise overseas sales to 10% of total net sales



Overseas Expansion



Creative 60

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Optimize Internal Operational Processes

Optimize Internal Operational Processes—Increase Rental Business Profitability

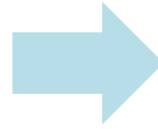
- Integrate sales strategy (marketing, sales) and IT
- Invest resources in product planning and R&D as well as develop technologies and systems needed at construction sites
 - Kana Robo Naccident AX Q-eeen ICT construction equipment
 - SoftBank and Kanamoto verification testing for remote control of construction equipment and Iwasaki and Kanamoto business alliance
- Improve operational efficiency
- Build an environment to promote Group logistics
 - i.e.: Cost control, stable long-term operations
- Place emphasis on recruiting and developing human resources

SoftBank × Kanamoto

Verification Testing to Realize Remote Control of Construction Equipment

Verification testing taking into account weather, network load and other factors aims to provide commercial services from 2022.

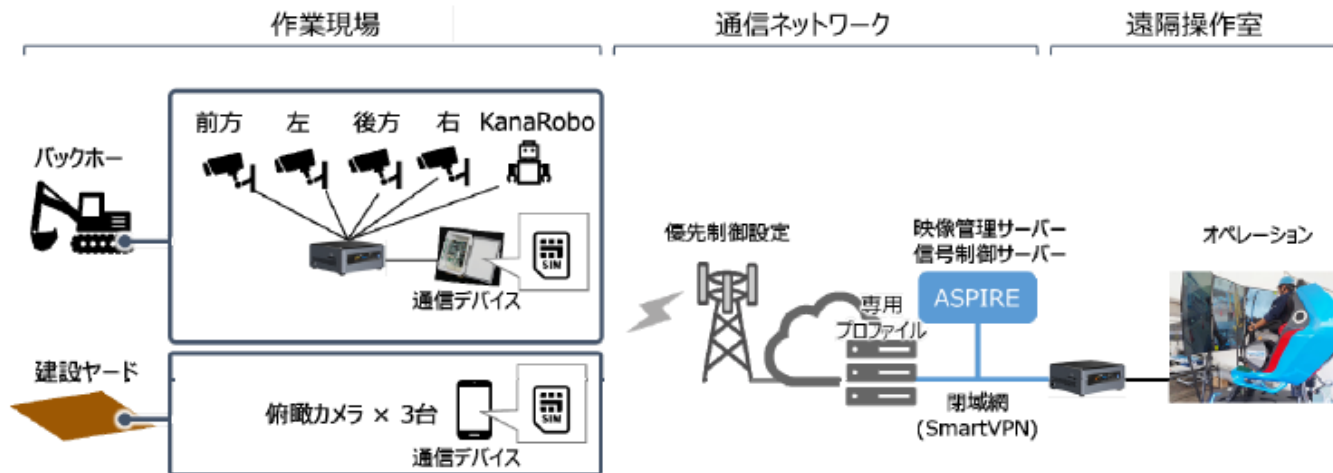
Remote work environment at construction sites where there is a lot of delicate and dangerous work



5G high-capacity communication
+
Requires configuration of a stable wireless and transmission communication environment

Verify the remote control of construction equipment using priority control functions of communication network and a closed network anticipating commercial 5G services

■ 構成イメージ



前方カメラ/KanaRobo



操作室

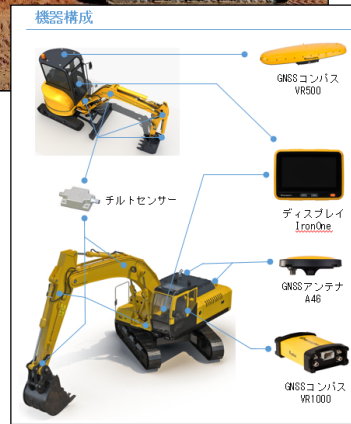
Iwasaki × kanamoto

Business Alliance to Expand ICT Construction Solutions

Total support of built-in machine systems through the provision of excavator system as well as ground improvement systems

Hemisphere
UniStrongJapan Excavator system

MITS method, surface layer and intermediate layer
ground improvement management systems



深層混合処理工法

■ MITS工法

深層版 集約システム施工モニター画面

施工位置をリアルタイムに計測表示、
施工基準(深さ・流量・回転数)に応じて
着色表示されます。

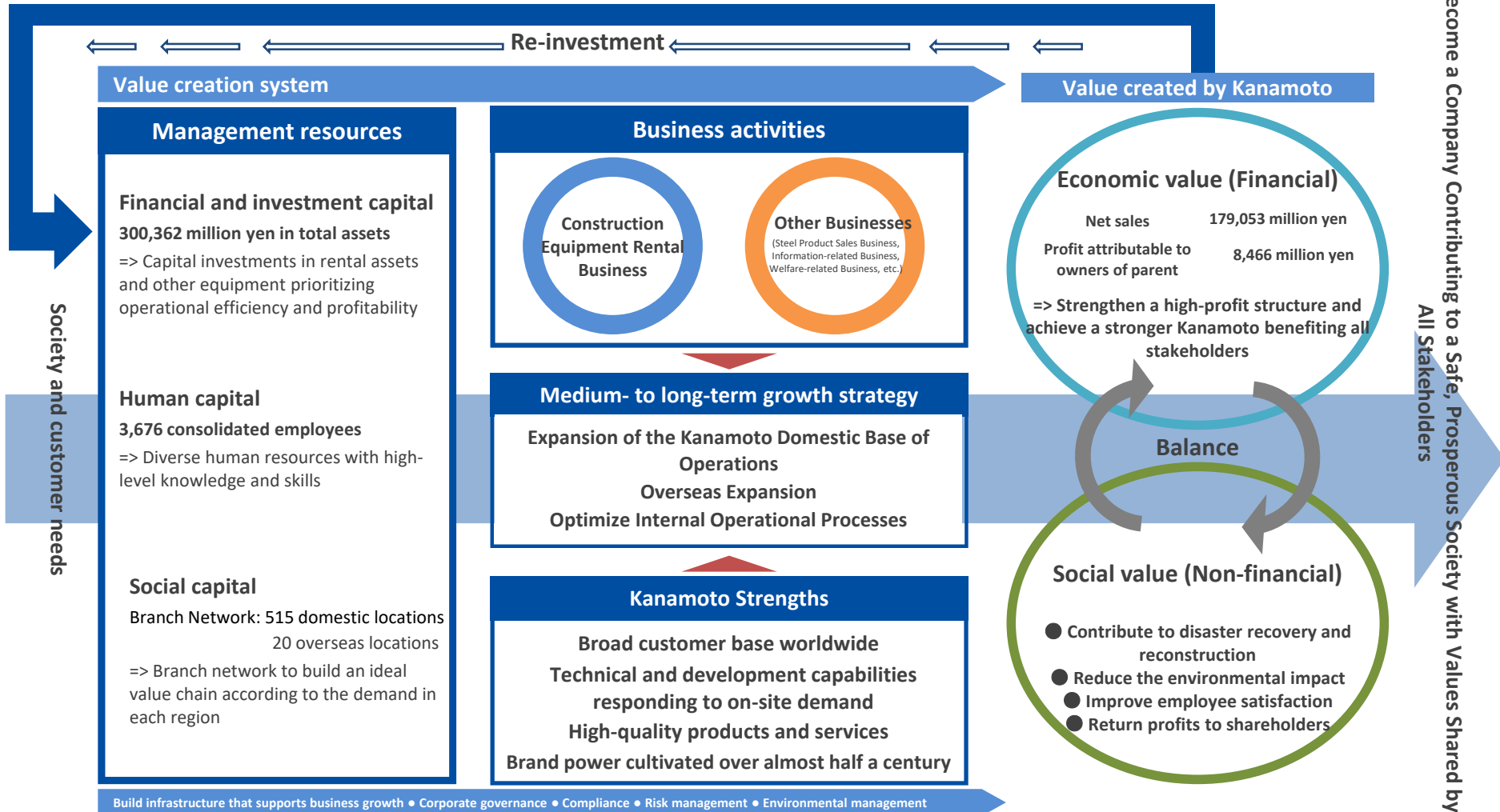
- スラリー攪拌工に対応
バックホウをベースマシンとするMITS工法に対応します。
- ICT管理要領に準拠
杭芯位置や改良深さ、セメント流量等の管理が可能です。
- 振票の自動作成
施工履歴データより各振票を自動で作成できます。



Broadly promote ICT construction solutions, strengthen sales and enhance services throughout Japan

Kanamoto Value Creation Process

The Kanamoto Group creates value that helps address social issues through the development of global businesses centered upon the Construction Equipment Rental Business, robust corporate governance and ideal organizations and structures, while integrating and using management resources founded in the needs of society and customers.



ESG

The Kanamoto Group's priority themes for ESG

Value creation		Businesses contributing to SDGs	Kanamoto products and services will create new value that helps achieve the SDGs and contribute to the development of a sustainable society.
Foundation supporting value creation	E Environment	Environment	Kanamoto will acknowledge the connection between all of its business activities and the environment, reduce its environmental burden, and preserve biodiversity to realize a sustainable society even with limited global resources by complying with environmental laws and regulations and promoting appropriate environmental management.
	S Social	<p>Comprehensive disclosure and IR activities</p> <p>Stronger information security</p> <p>Stronger health and safety systems</p> <p>Environment inspiring human resource development</p>	<p>Kanamoto will practice highly transparent and prompt informational disclosure, broaden its disclosure mediums, and enhance IR activities for shareholders and investors in Japan and overseas.</p> <p>Kanamoto will ensure the highest level of security to manage and protect informational assets responsibly as a Group handling personal information and many other informational assets.</p> <p>Kanamoto will aim to maintain and improve workplace environments so that all executives and employees can work safely, energetically and with good mental and physical wellbeing. Kanamoto will aim to build an environment inspiring innovation by ensuring diverse human resources with different perspectives and modes of thinking can each be themselves and fully utilize their skills.</p>
	G Governance	<p>Corporate governance</p> <p>Compliance</p> <p>Internal control systems</p> <p>Risk management</p>	Kanamoto will promote and strengthen compliance and corporate governance by acknowledging that corporate governance and compliance are critical management challenges to enhance corporate value.



ESG



Electric Vehicle



Hybrid Car



Ultra-low Noise Construction Equipment in Compliance with Tier 4 Emission Regulations



Hybrid Truck



Four LED Hybrid Floodlight



Future Endeavors

1. Strengthen entry into the maintenance and repair sector



2. Strengthen entry into the renewable energy sector



3. Develop ICT and IoT solutions



4. Strengthen regional revitalization





[Disclaimer]

Certain information other than historical facts set forth in this briefing and the briefing materials contain forward-looking information.

These forward-looking statements are determined based on currently available information and include elements which may differ substantially from original forecasts.

Therefore, we ask that you refrain from fully rely on these forecasts.

Please be aware actual performance may differ from these forecasts due to changes in a variety of circumstances.

Contact

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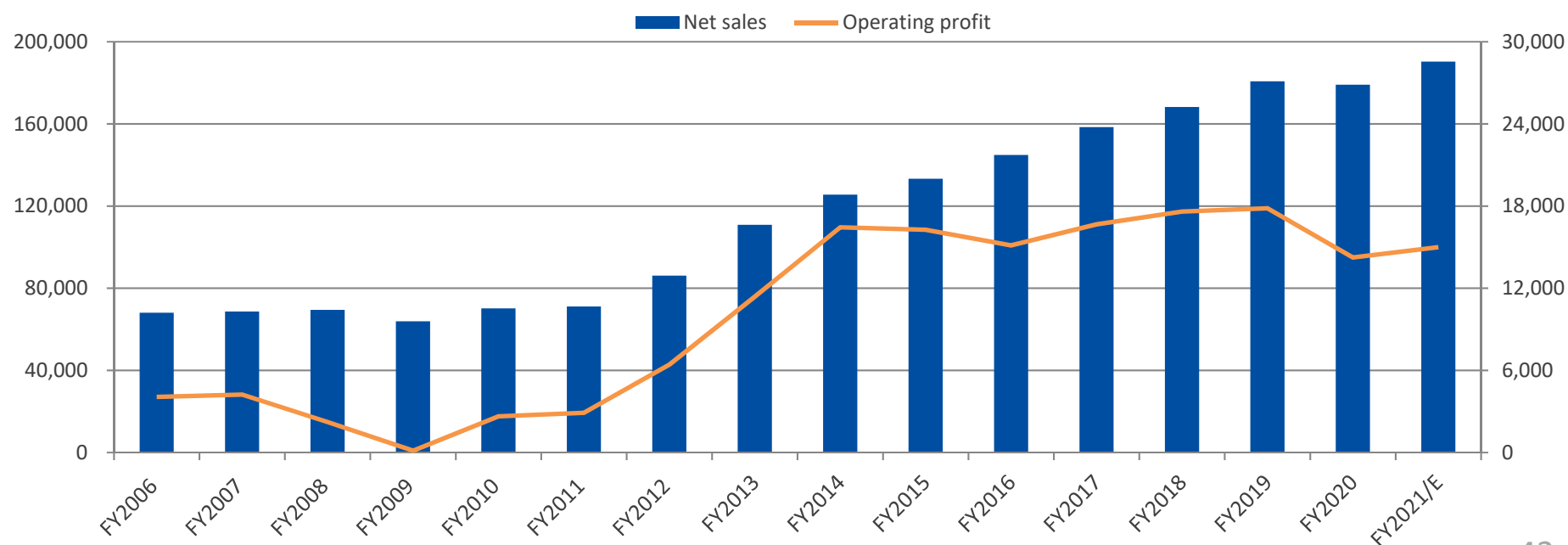
Company website: <https://www.kanamoto.co.jp/en/>

IR Information: <https://www.kanamoto.ne.jp/en/>

Reference: 15-year Management Index (Consolidated)

(Millions of yen)

	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021/E
Net sales	68,023	68,626	69,411	63,863	70,173	71,086	86,106	110,831	125,555	133,292	144,870	158,428	168,188	180,694	179,053	190,300
Operating profit	4,068	4,236	2,227	137	2,648	2,905	6,430	11,392	16,454	16,270	15,134	16,665	17,599	17,842	14,250	15,000
Ordinary profit	3,788	4,416	2,028	-222	2,083	2,239	5,932	11,073	16,078	16,164	14,405	17,193	17,925	18,277	14,268	15,200
Profit attributable to owners of parent	1,742	3,035	644	-1,158	1,041	1,165	3,575	5,809	9,299	9,557	8,098	10,744	11,857	11,430	8,466	9,000
Net assets	38,051	39,973	38,202	36,541	37,025	37,592	41,399	56,192	65,513	71,998	81,434	91,788	102,031	121,779	126,188	-
Total assets	86,815	85,155	91,741	96,435	108,509	115,120	137,343	169,250	188,082	202,578	220,540	227,155	241,374	268,182	300,362	-



Reference: Share price between June 2011 to June 2021

