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# Fiscal Year Ending October 31, 2021 Operating Results Briefing Materials

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December 13, 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 Operating Results for the Fiscal Year  
Ending October 31, 2021

02

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

03

Future Expansion: Creative 60

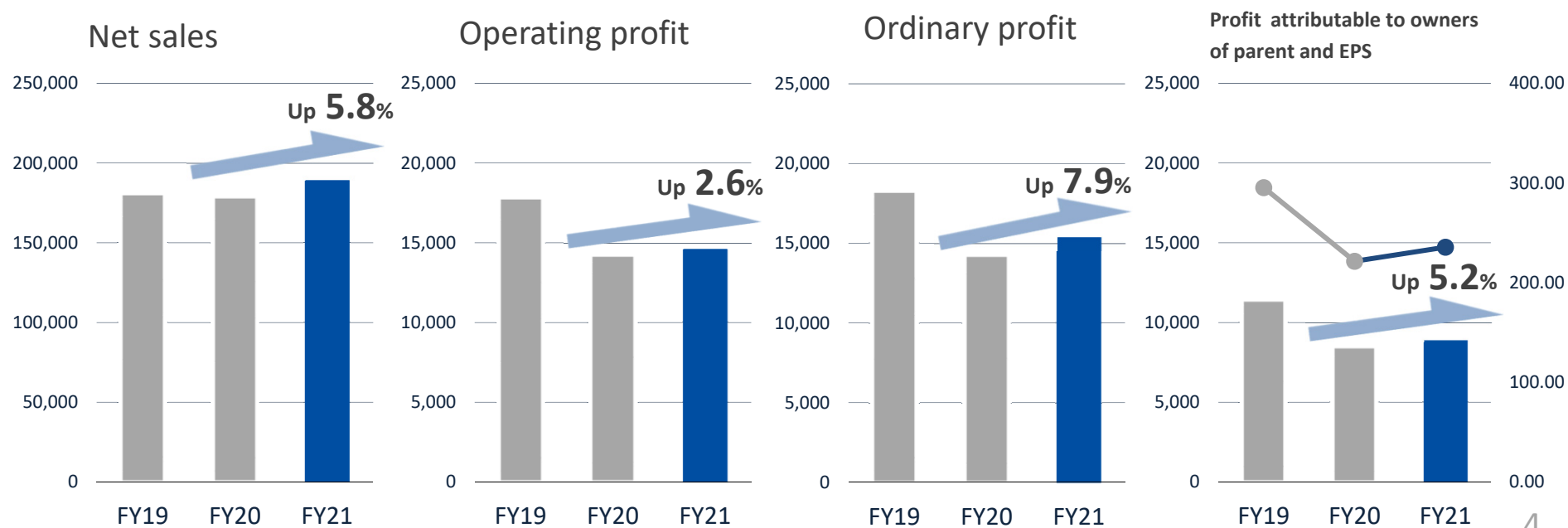
# 01

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

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

(Millions of yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	EPS
Consolidated operating results for the fiscal year ending October 31, 2021	<b>189,416</b>	<b>14,624</b>	<b>15,391</b>	<b>8,907</b>	<b>¥ 235.55</b>
% change from prior year	<b>5.8%</b>	<b>2.6%</b>	<b>7.9%</b>	<b>5.2%</b>	—
Consolidated operating 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%	—
Consolidated operating results for fiscal year ended October 31, 2019	180,694	17,842	18,277	11,430	¥ 295.30



## Consolidated Results by Segment

The Construction Equipment Rental Business makes up 90.3% of total sales while Other Businesses contributed 9.7%.

### Construction Equipment Rental Business



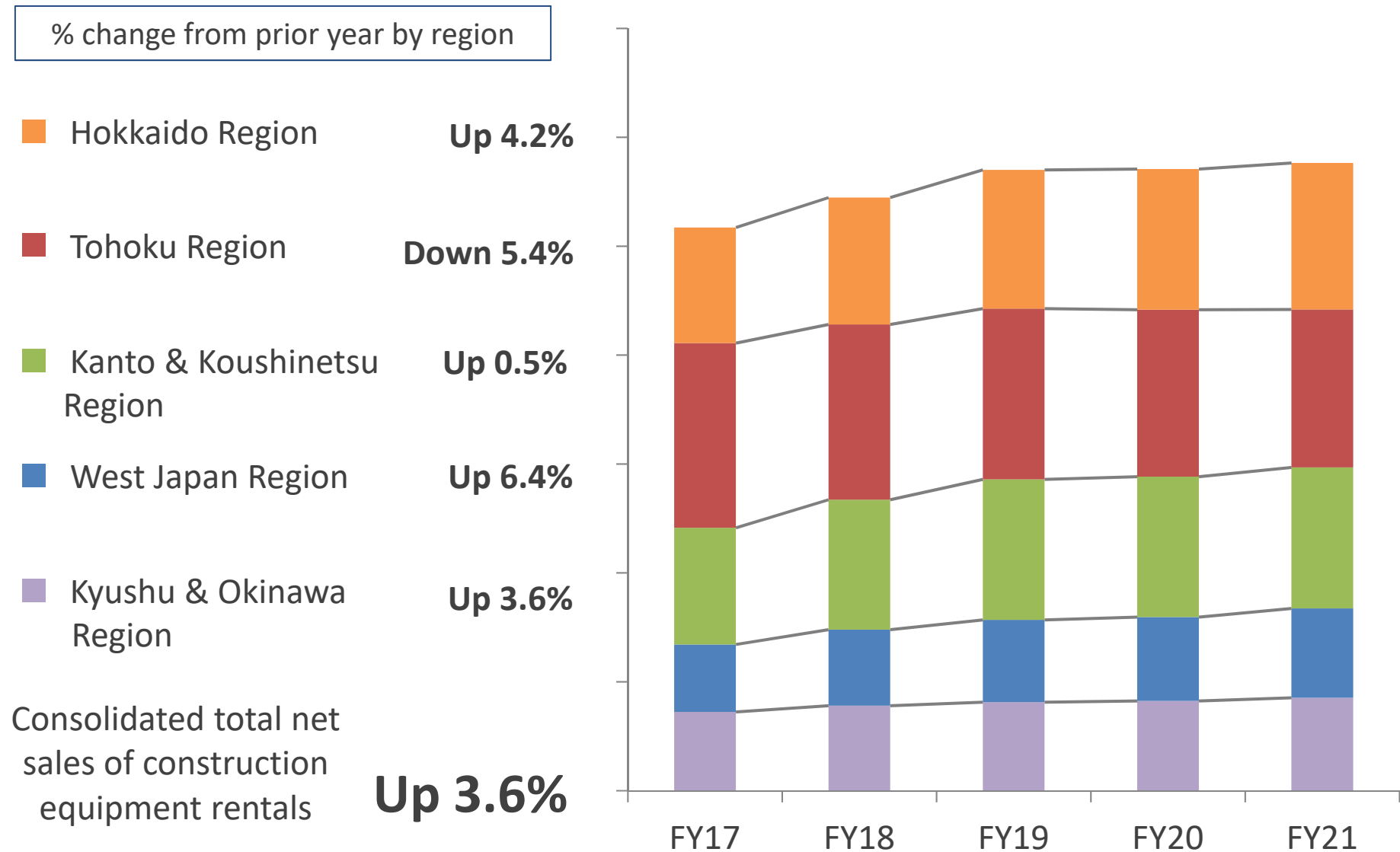
### Other Businesses

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



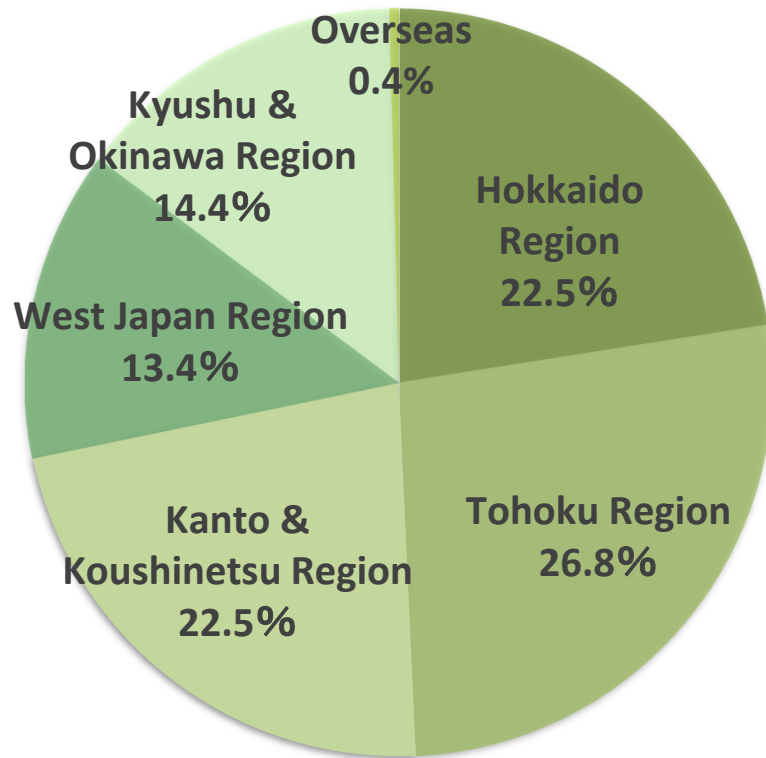
**Net sales: 189,416 million yen** (Up 5.8% from prior year)

# Changes in Consolidated Net Sales from Construction Equipment Rental by Region

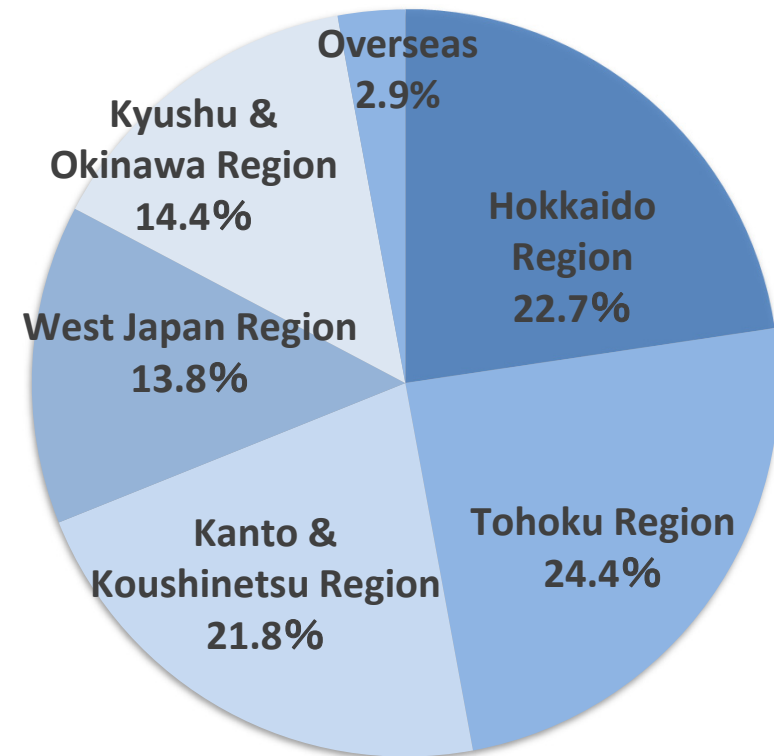


# Construction Equipment Rental Business: Sales Ratio of Equipment Rentals by Region

**FY2020**



**FY2021**



## Assets Balance Sheet

(Millions of yen)

	FY2020	FY2021	Change
Assets			
Current assets	120,952	126,751	5,798
Cash and deposits	48,563	56,093	7,529
Notes and accounts receivable - trade	41,451	39,305	- 2,145
Other current assets	30,937	31,352	414
Non-current assets	180,581	177,003	- 3,577
Property, plant and equipment	158,921	156,135	- 2,785
Rental equipment	254,532	262,239	7,707
Accumulated depreciation	- 153,225	- 164,193	- 10,968
Rental equipment, net	101,307	98,046	- 3,261
Other property, plant and equipment	57,613	58,089	475
Intangible assets	7,368	6,904	- 464
Investments and other assets	14,291	13,963	- 327
<b>Total assets</b>	<b>301,533</b>	<b>303,754</b>	<b>2,221</b>



## Liabilities and Net Assets

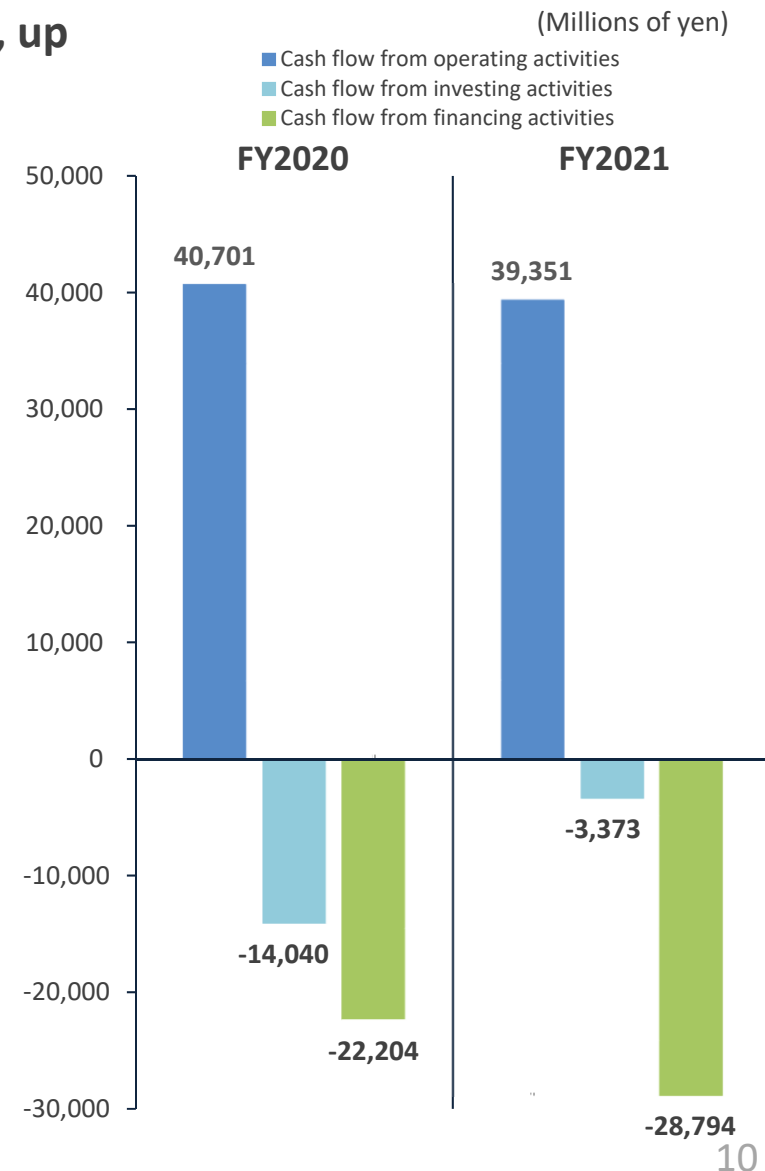
(Millions of yen)

	FY2020	FY2021	Change
Liabilities			
Current liabilities	87,606	87,230	- 376
Non-current liabilities	87,738	81,607	- 6,131
Long-term loans payable	30,082	31,460	1,377
Long-term accounts payable - other	52,246	44,486	- 7,760
Other non-current liabilities	5,409	5,660	251
<b>Total liabilities</b>	<b>175,345</b>	<b>168,837</b>	<b>- 6,507</b>
Net assets			
Total shareholders' equity	117,744	124,226	6,482
Accumulated other comprehensive income	1,346	2,729	1,383
Non-controlling interests	7,097	7,960	863
<b>Total net assets</b>	<b>126,188</b>	<b>134,917</b>	<b>8,728</b>
<b>Total liabilities and net assets</b>	<b>301,533</b>	<b>303,754</b>	<b>2,221</b>

# Cash Flows

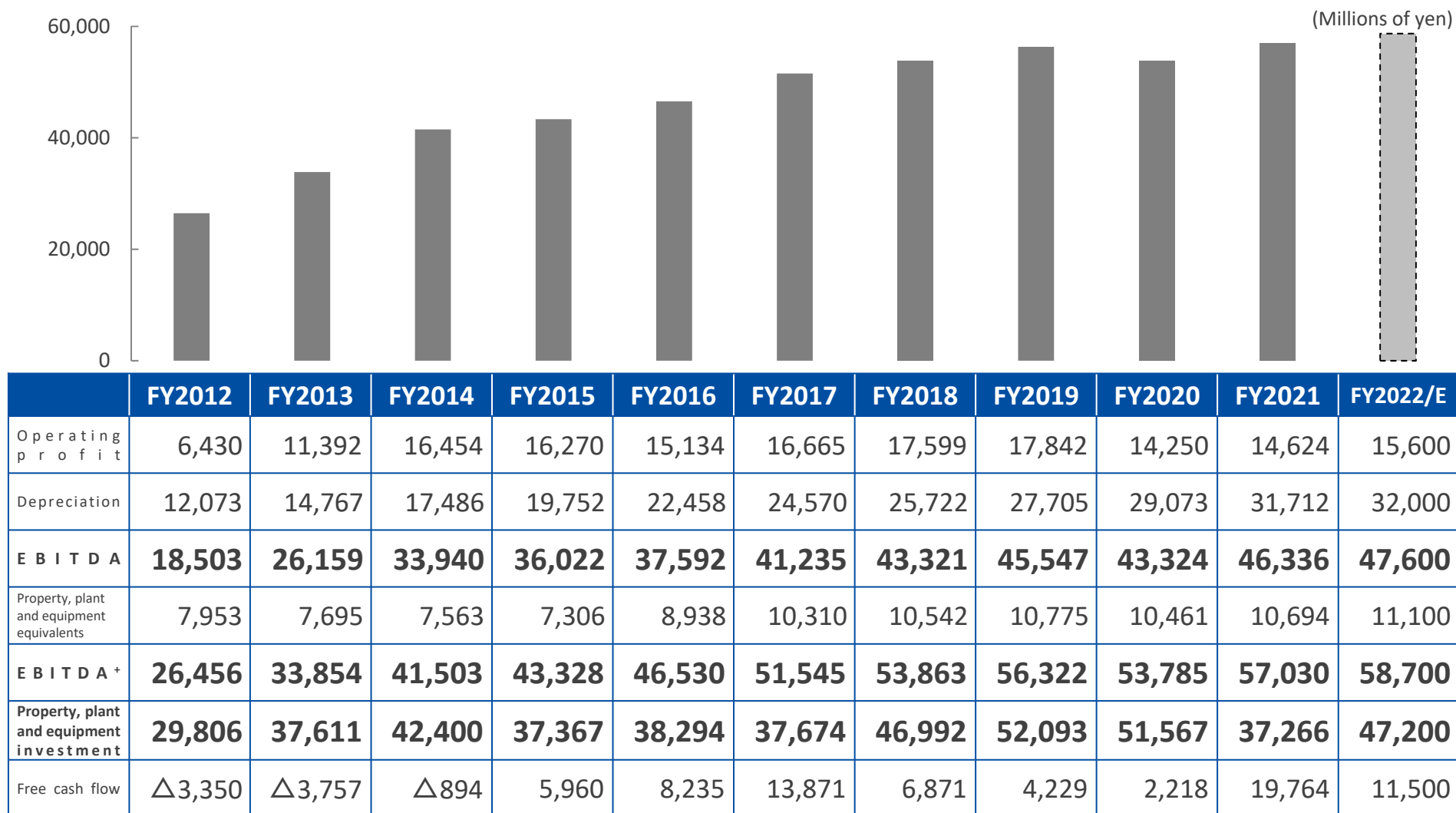
Cash and cash equivalents were 55,557 million yen, up 7,534 million yen compared to the previous consolidated fiscal year.

	FY2020	FY2021	Change
Cash flow from operating activities	40,701	39,351	- 1,349
Cash flow from investing activities	- 14,040	- 3,373	10,666
Cash flow from financing activities	- 22,204	- 28,794	- 6,589
Net increase (decrease) in cash and cash equivalents	4,473	7,274	2,801
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	48,023	55,557	7,534



## Main Comparative Index: EBITDA+ (Consolidated)

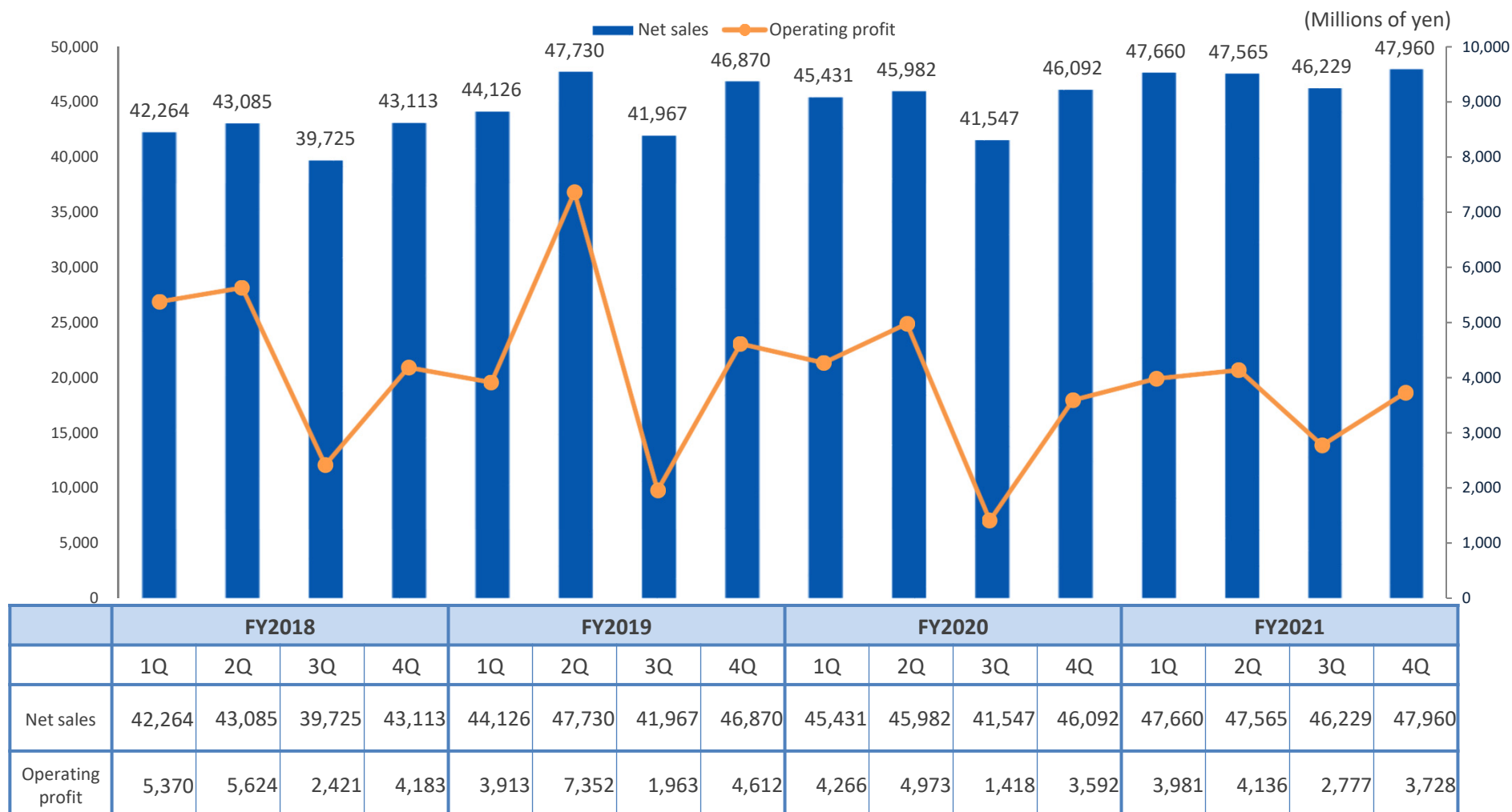
EBITDA+ is one major indicator for the amount of new capital investments in rental equipment and other assets.



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.

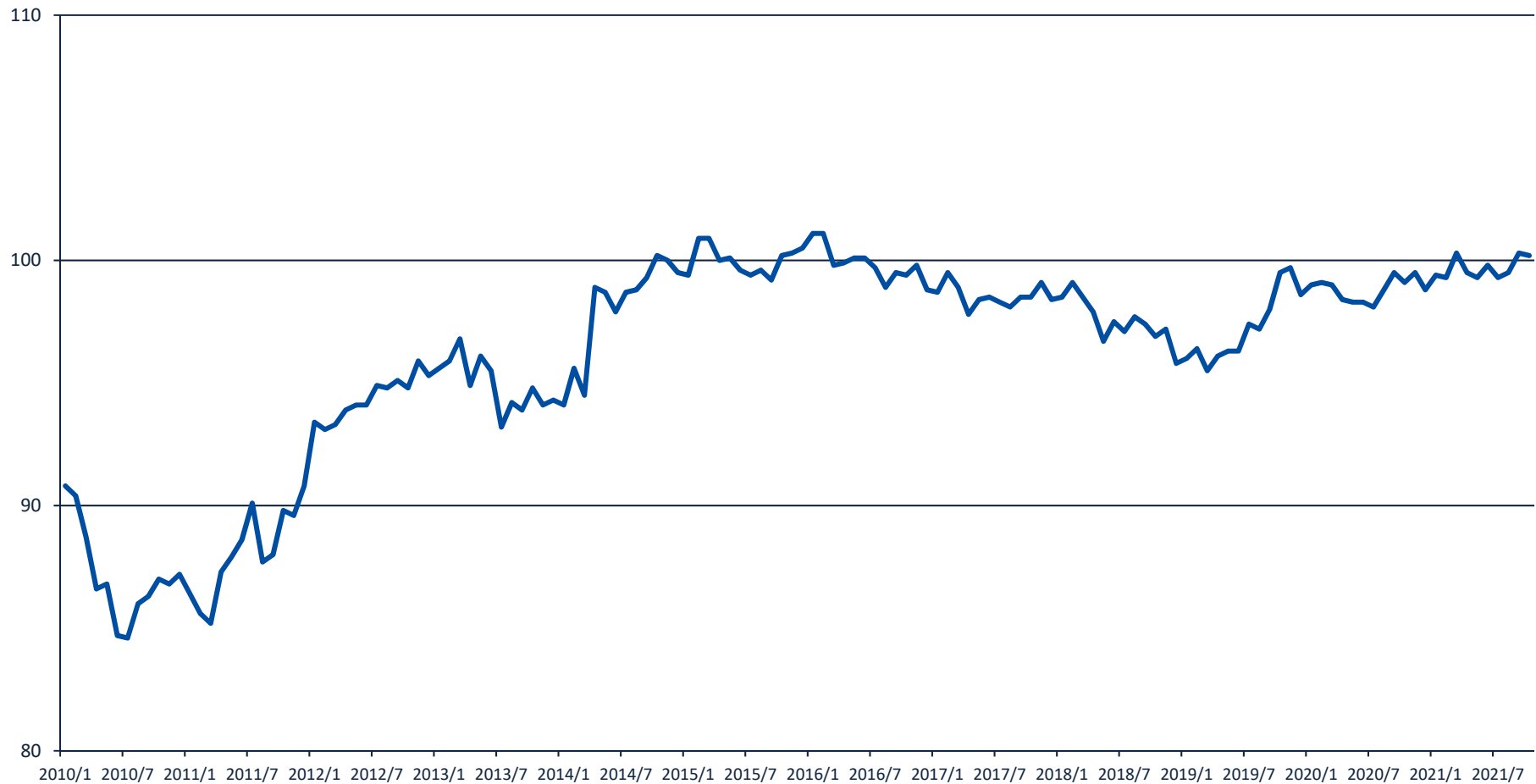




**Projected Consolidated Operating Results  
for the Fiscal Year Ending October 31, 2021**

# Corporate Service Price Index (Construction Rental Equipment)

The construction equipment rental index shows a stable trend.



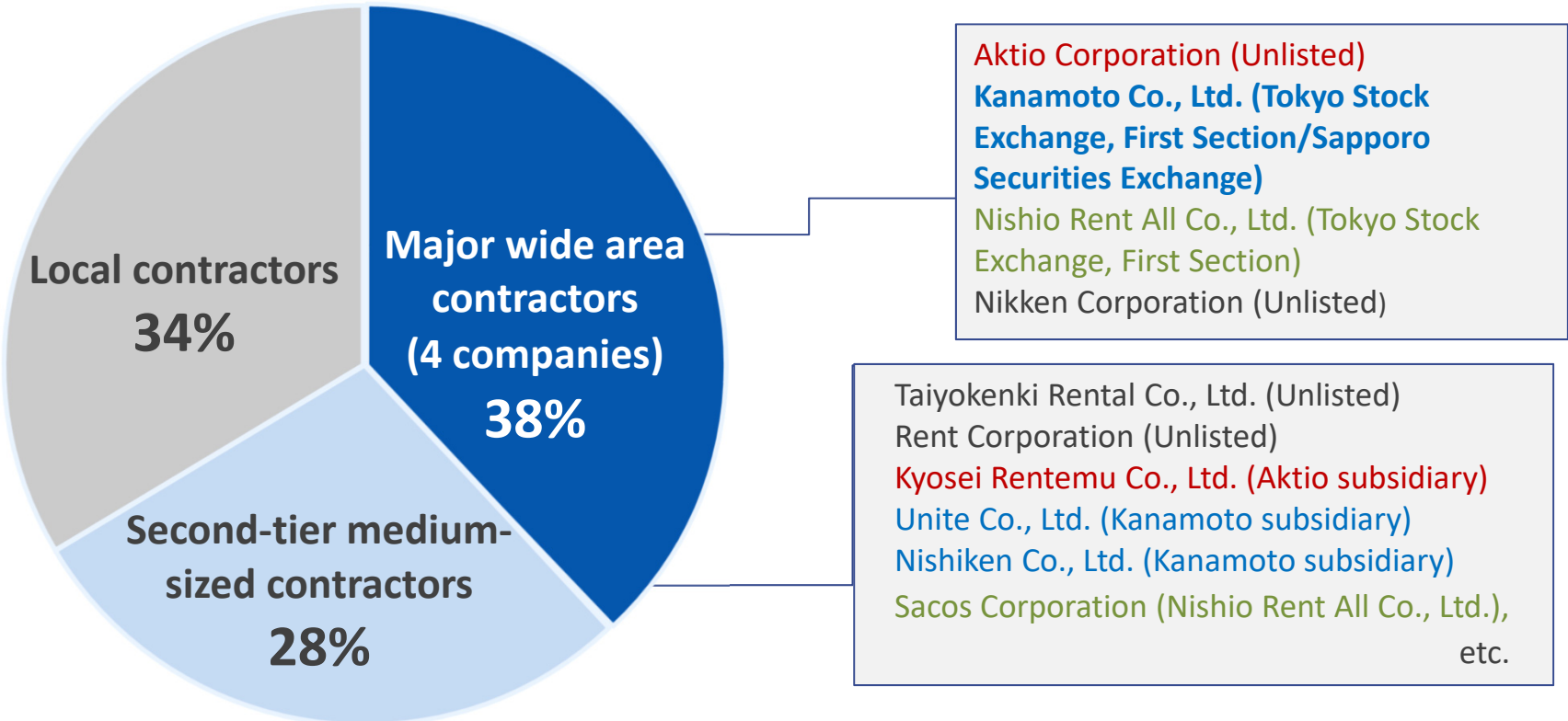
Source: Bank of Japan Corporate Service Price Index (CSPI) on the 2015 Year Base (Construction Rental Equipment)

# 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 38% 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, Kensetsukikai rental nenkan, corporate website information of each company, and other such materials.

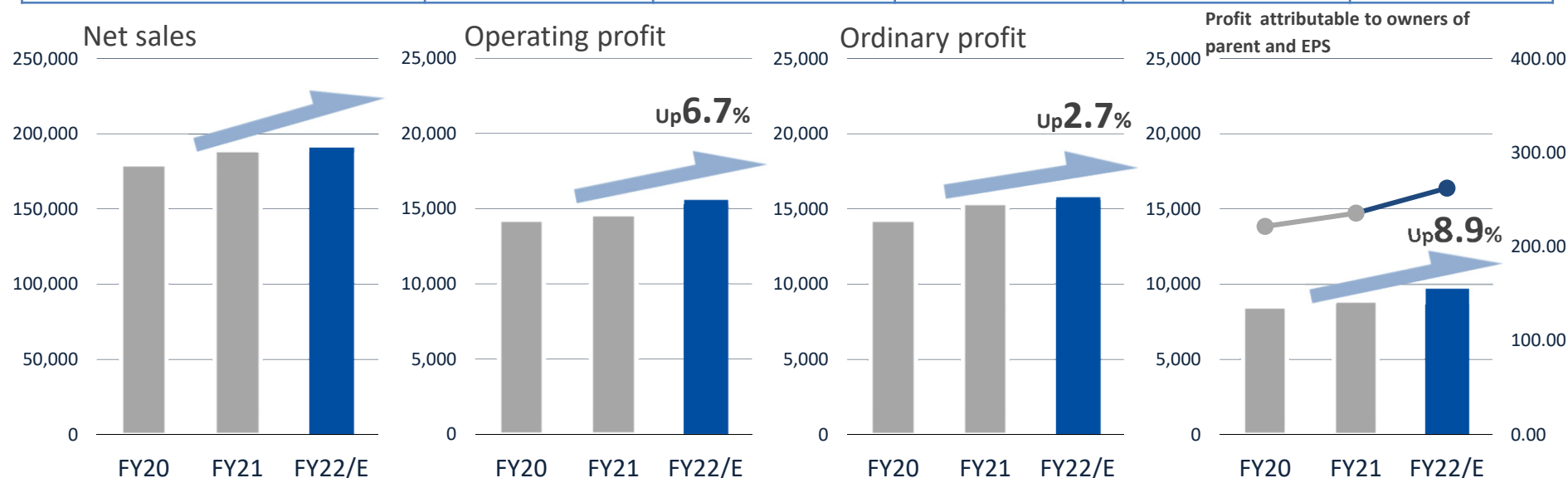
Second-tier medium-sized contractors are calculated as organizations expanding to bases in multiple prefectures.

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

Regarding the outlook for the next fiscal year, public sector investment is expected to remain steady, and private sector construction investment is also expected to continue at a moderate pace of recovery.

(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, 2022	191,100	15,600	15,800	9,700	¥262.19
% change from prior year	—	6.7%	2.7%	8.9%	—
Consolidated results for fiscal year ended October 31, 2021	189,416	14,624	15,391	8,907	¥235.55
% change from prior year	5.8%	2.6%	7.9%	5.2%	—



※As the Company will apply the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29), 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.



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

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|| Expansion of the Kanamoto Domestic Base of Operations

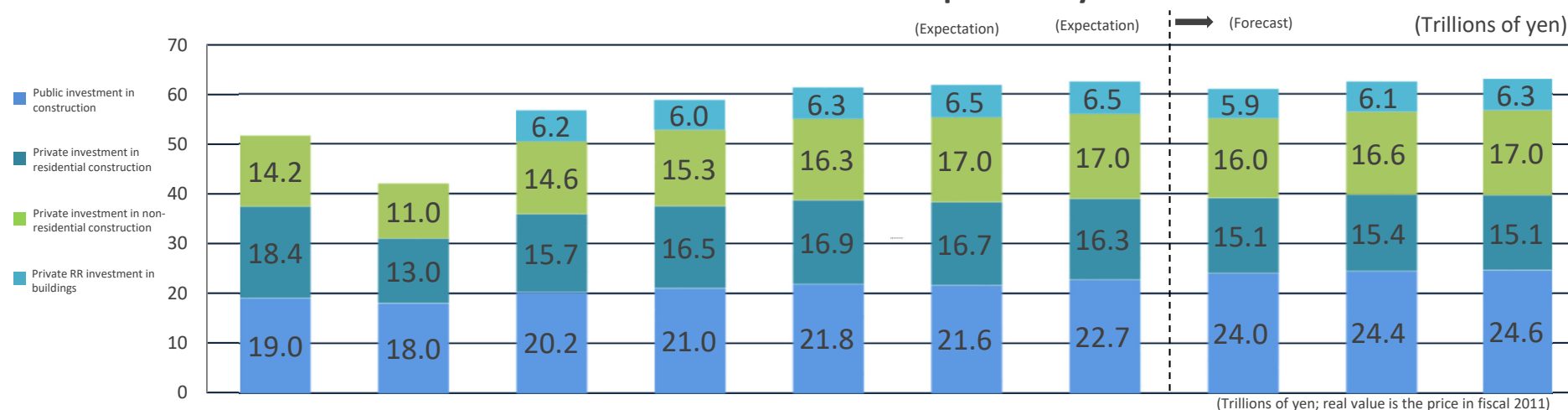
|| Overseas Expansion

|| 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.

In fiscal 2022, public investment in construction is expected to remain steady and the overall investment in construction should remain at a same level as previous year.



Fiscal year	2005	2010	2015	2016	2017	2018 (Expectation)	2019 (Expectation)	2020 (Forecast)	2021 (Forecast)	2022 (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%)	61.8 (0.8%)	62.5 (1.1%)	60.9 (-2.5%)	62.5 (2.7%)	63.0 (0.8%)
Public investment in construction	19.0 (-8.9%)	18.0 (0.3%)	20.2 (8.6%)	21.0 (3.9%)	21.8 (3.8%)	21.6 (-0.9%)	22.7 (5.2%)	24.0 (5.4%)	24.4 (2.0%)	24.6 (0.8%)
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 (-1.2%)	16.3 (-2.8%)	15.1 (-7.1%)	15.4 (1.9%)	15.1 (-1.9%)
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%)	17.0 (4.1%)	17.0 (0.2%)	16.0 (-6.1%)	16.6 (3.9%)	17.0 (2.2%)
Private RR investment in buildings	—	—	6.2 (—)	6.0 (-2.9%)	6.3 (4.5%)	6.5 (3.7%)	6.5 (-0.5%)	5.9 (-9.7%)	6.1 (3.8%)	6.3 (4.3%)
Real investment in construction	57.5 (-3.4%)	44.9 (-2.6%)	56.6 (19.0%)	58.6 (3.4%)	60.0 (2.4%)	58.5 (-2.4%)	57.8 (-1.3%)	56.4 (-2.4%)	57.1 (1.3%)	57.7 (1.0%)

Source: Prepared based on the *Construction Economy Model Forecast of Construction Investment* (November 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

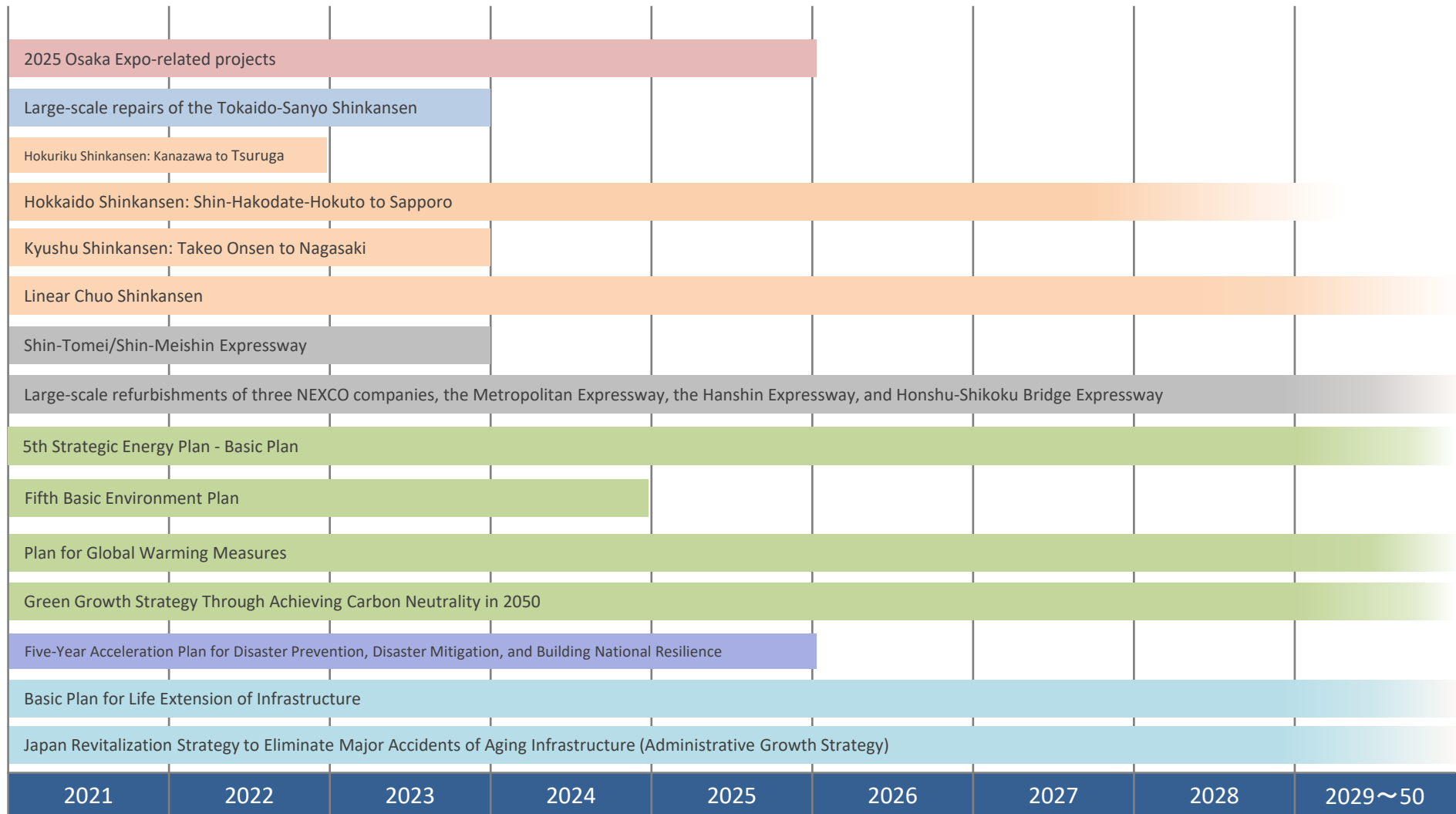


Kyushu Shinkansen:  
Takeo to Nagasaki



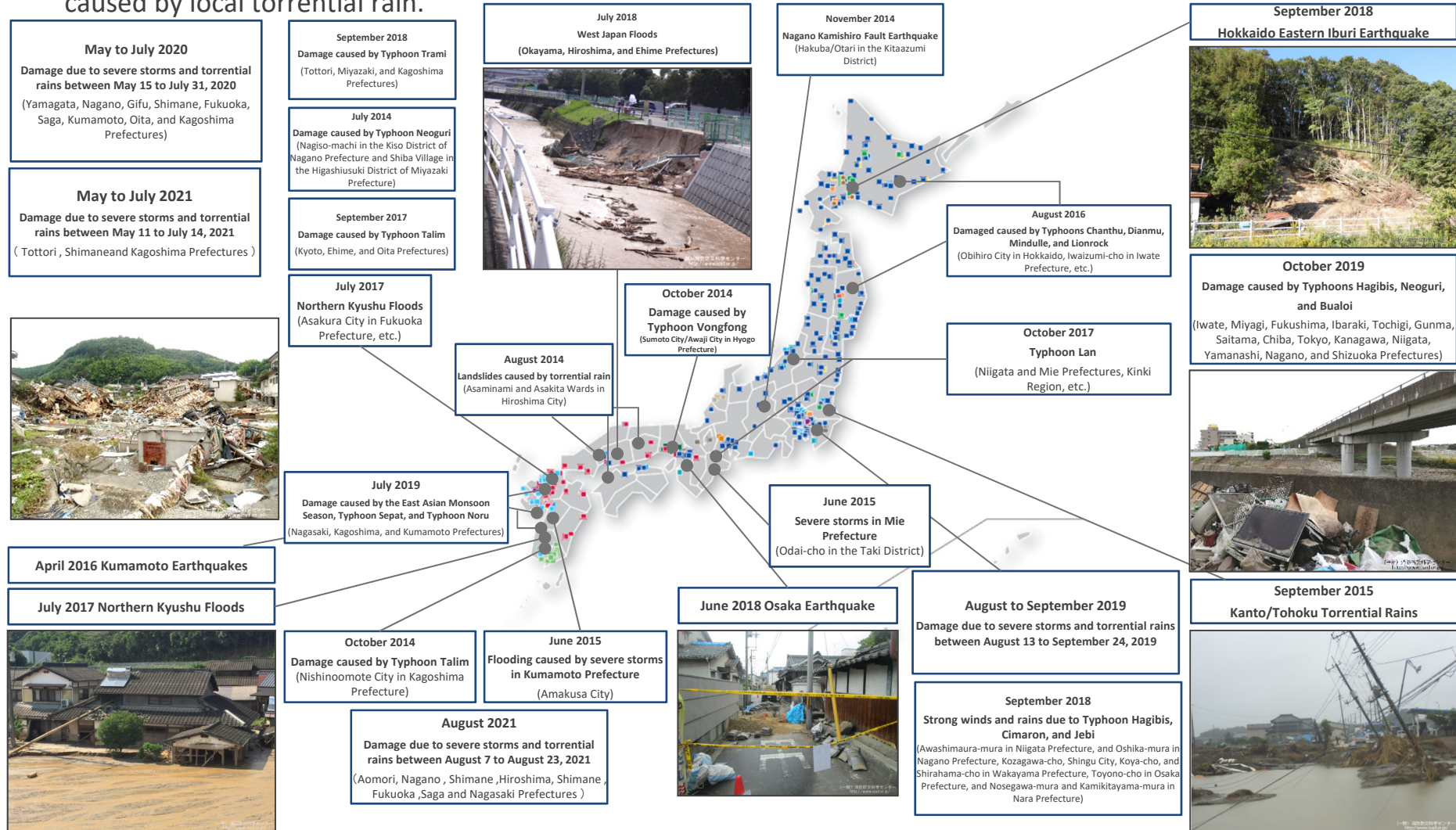
# Expansion of the Kanamoto Domestic Base of Operations

## 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

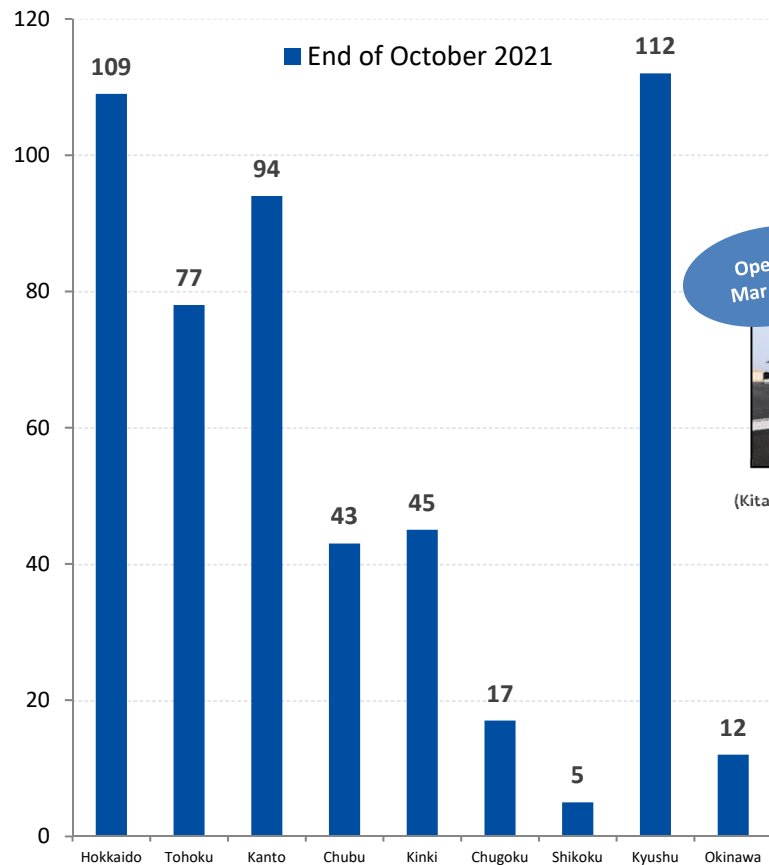
Note: The names of disasters in this list only include some of the disasters designated as catastrophic disasters.



# Expansion of the Kanamoto Domestic Base of Operations

Kanamoto has 212 non-consolidated sales bases throughout Japan.  
 The Kanamoto Group has steadily expanded its sales base to 515 locations.

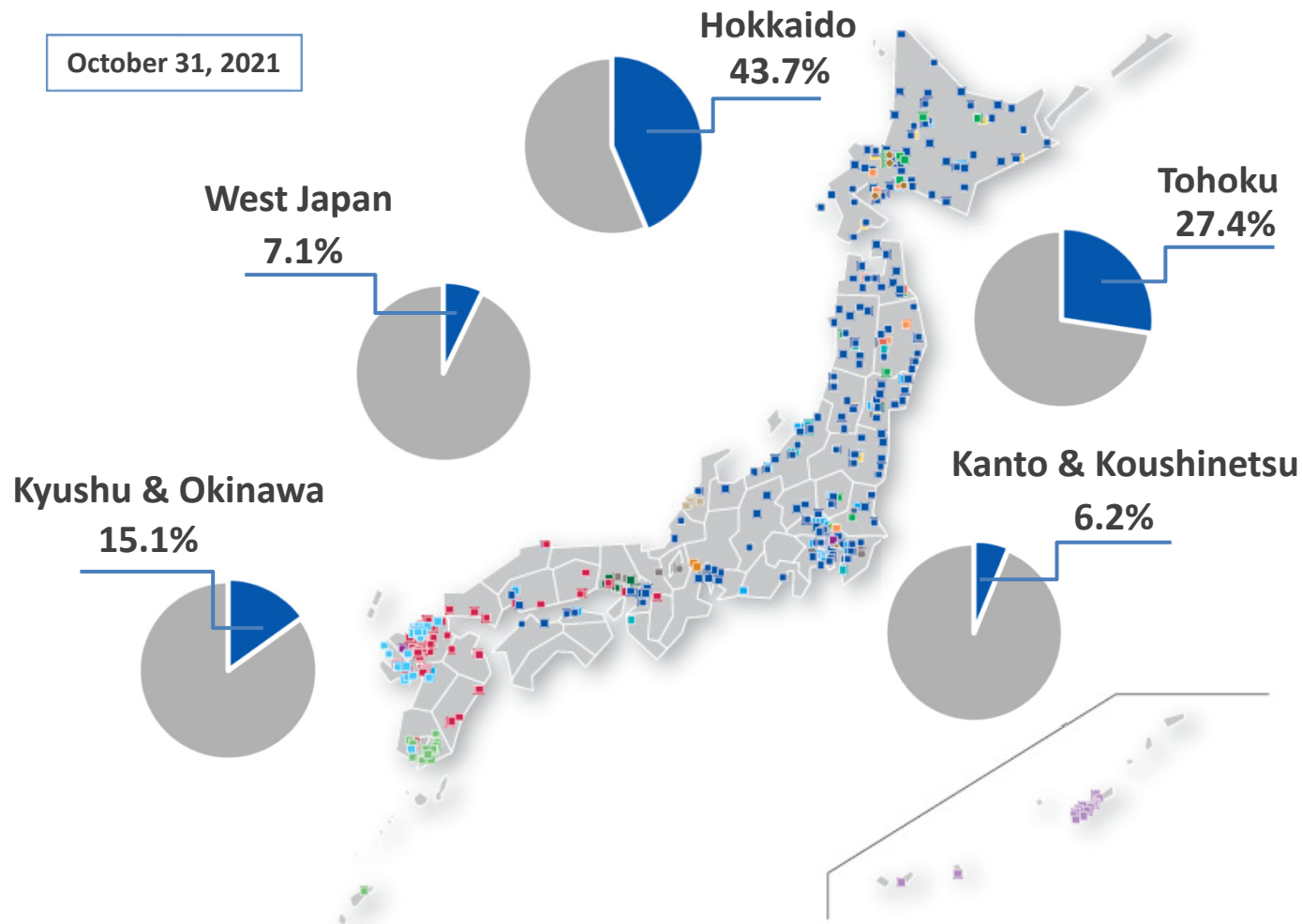
Changes in the Number of Domestic Sales Bases



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

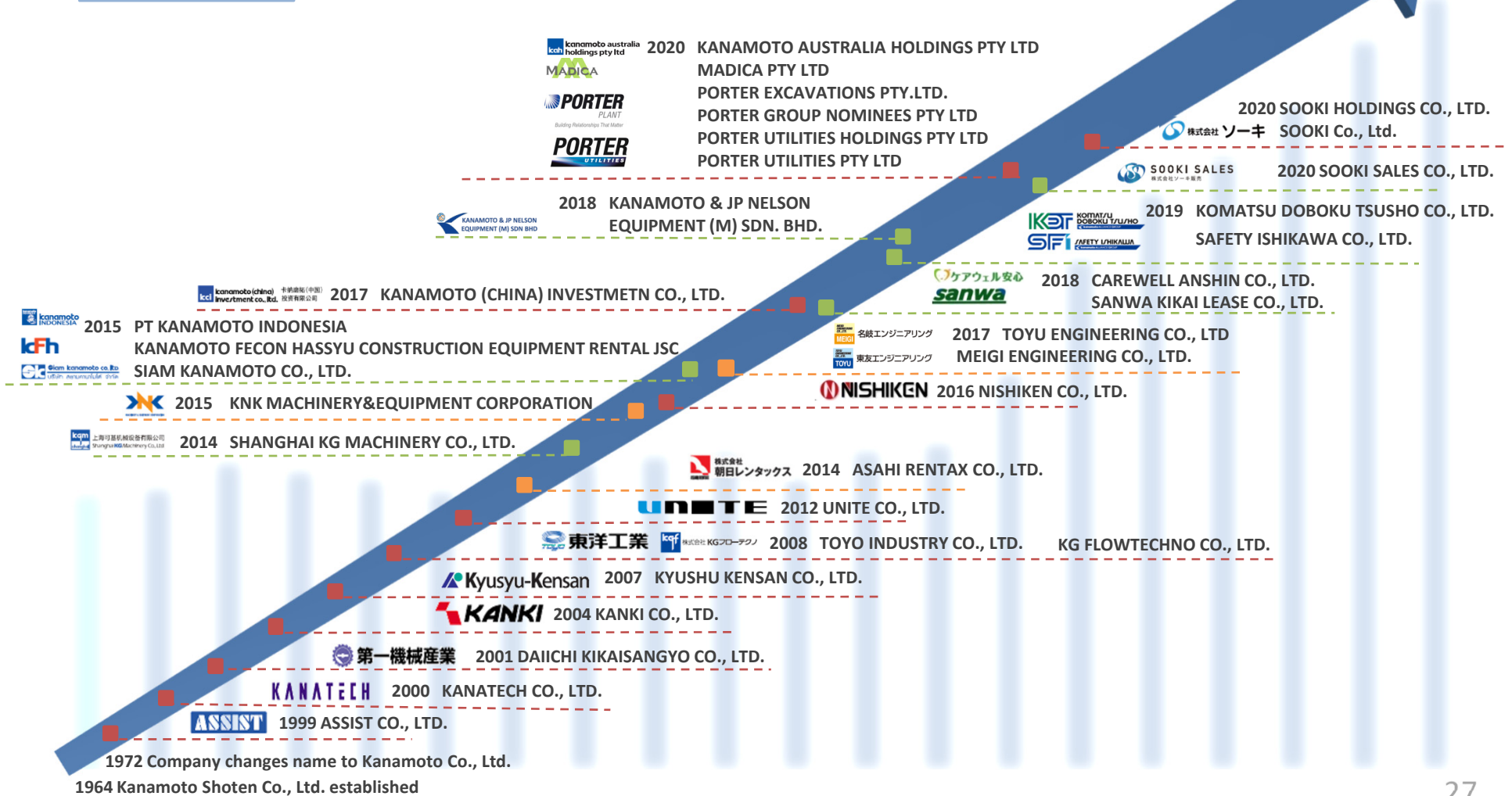
Note: These figures fluctuate with retroactive revisions of the Construction Statistics Guidebook.

# Expansion of the Kanamoto Domestic Base of Operations

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

## M&A History

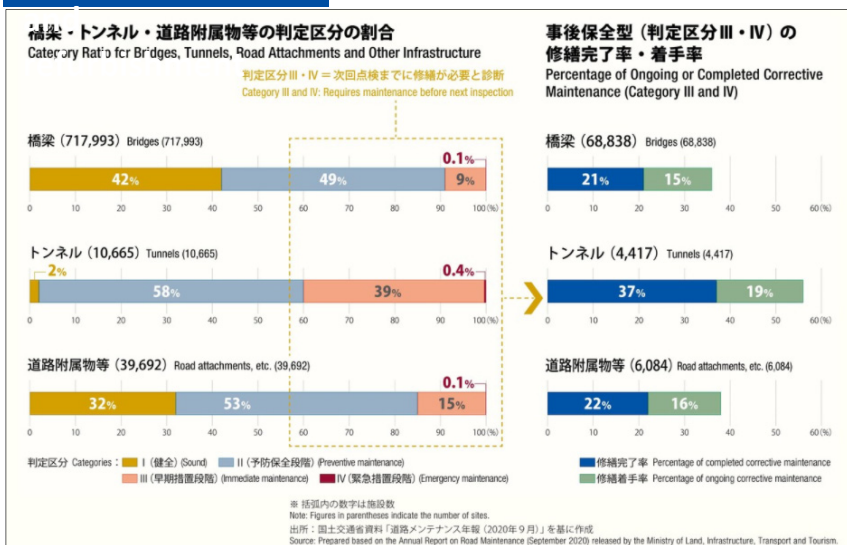
■ Consolidated Subsidiary ■ Non-consolidated Subsidiary ■ Affiliate company



# Expansion of the Kanamoto Domestic Base of Operations

## Overview of Infrastructure Obsolescence Measures and Transportation Infrastructure Projects

### Large-scale repairs

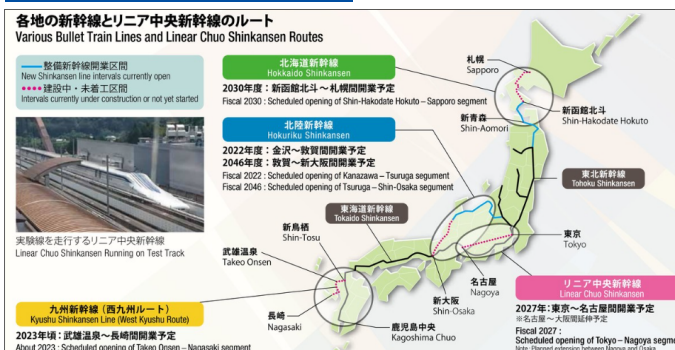


		Length in use (total)	Upgrade Plan			Remarks	
			Large-scale renewals	Large-scale repairs	Upgrade plan total		
Nationwide road network	NEXCO	Length	About 20,000km (Gross length)	237km	1,872km	2,109km (About 10% of total)	Project period: H27-H41 (15 years)
		Cost	-	1,746.8 billion yen	1,259.7 billion 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	626.2 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

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|| 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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|| Expansion of the Kanamoto Domestic Base of Operations

|| Overseas Expansion

**|| Optimize Internal Operational Processes**



# Optimize Internal Operational Processes

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## 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

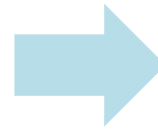
# Optimize Internal Operational Processes

## 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.

SoftBank × Kanamoto

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



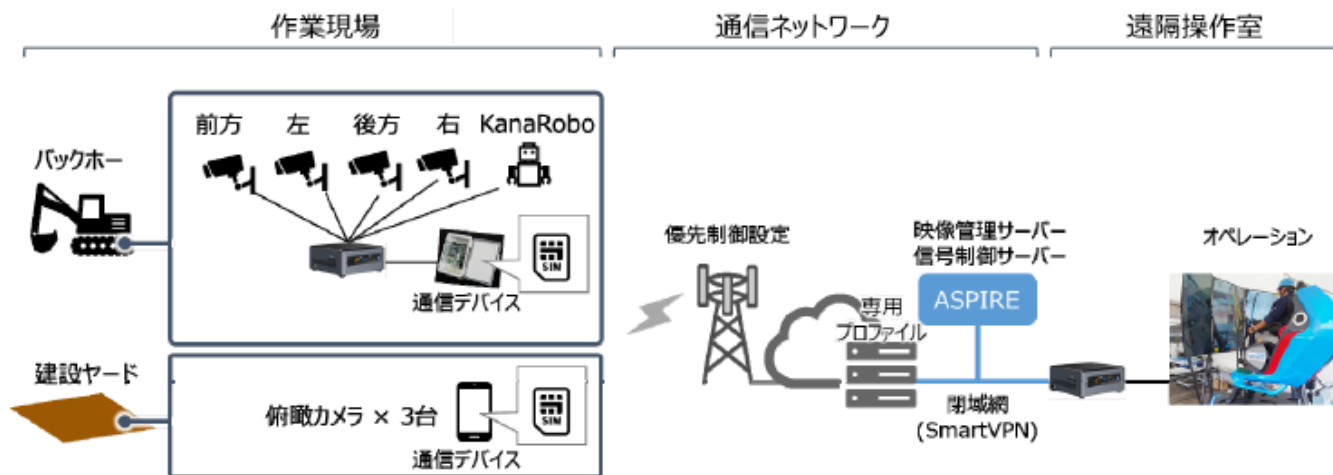
5G high-capacity communication

+

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



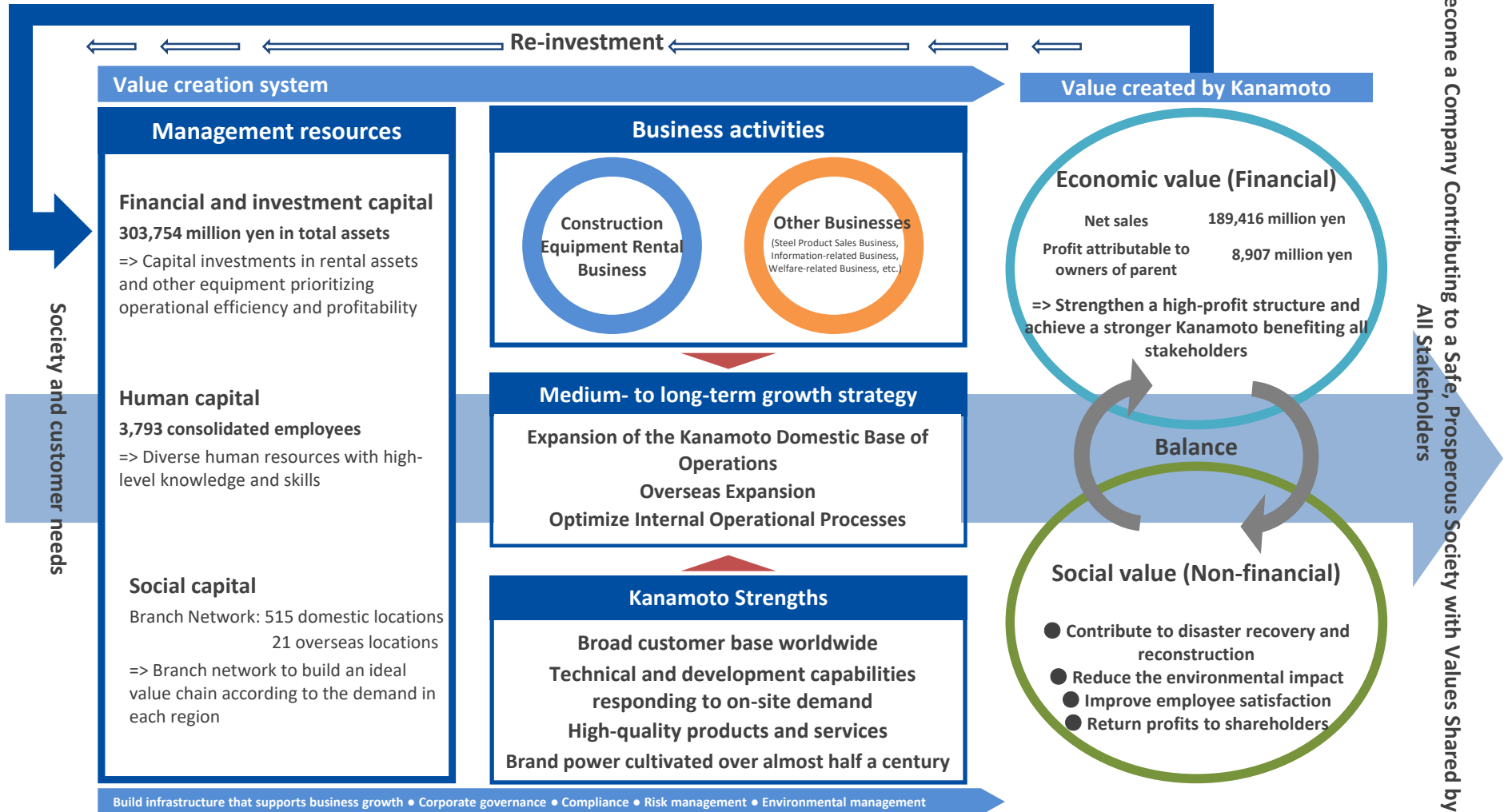
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操作室

# 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.



# Sustainability Initiatives

## Establishment of Basic Sustainability Policy

1. We will capitalize on the unique properties of the rental business as sharing economy, and contribute to solving climate change and other global environmental issues.
2. We will always respect human rights and consider employee health and the labor environment with the aim of contributing to better labor conditions in society.
3. We will engage in fair and proper business dealings with our business partners with the aim of fostering mutually sustainable prosperity.
4. We will strive to help improve crisis management not only in Kanamoto crisis management measures but also those of Japan from disaster prevention and mitigation to national resilience.

### - Launch of Sustainability Website



# Sustainability Initiatives(ESG)

## The Kanamoto Group's priority themes for ESG

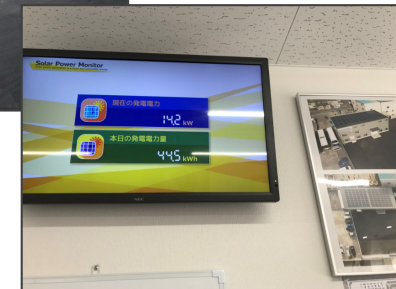
Value creation		Businesses contributing to SDGs	Kanamoto products and services will create new value that helps achieve the SDGs and contribute to the development of a sustainable society.
Foundation supporting value creation	<b>E</b> Environment	<b>Environment</b>	Kanamoto will acknowledge the connection 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.
	<b>S</b> 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.</p> <p>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>
	<b>G</b> 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.



# Sustainability Initiatives(TCFD)

## Shifting Assets to Environment-friendly Equipment

- We are replacing existing models with equipment complying with exhaust gas regulations.
- We are adopting commercial vehicles certified for high fuel efficiency and low emissions.



## Disclosing Climate Change Data in Accordance with TCFD Supporter Guidelines

- We have pledged our support to the Task Force on Climate-Related Financial Disclosures (TCFD).
- We are participating in the TCFD Consortium.
- We utilizing scenario analyses.
- We are strengthening our corporate governance system to combat climate change.
- We have set long-term and other CO<sub>2</sub> reduction targets toward carbon neutrality by 2050.



# Future Endeavors

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## 1. Strengthen entry into the maintenance and repair sector



## 2. Strengthen entry into the renewable energy sector



## 3. Develop ICT and IoT solutions



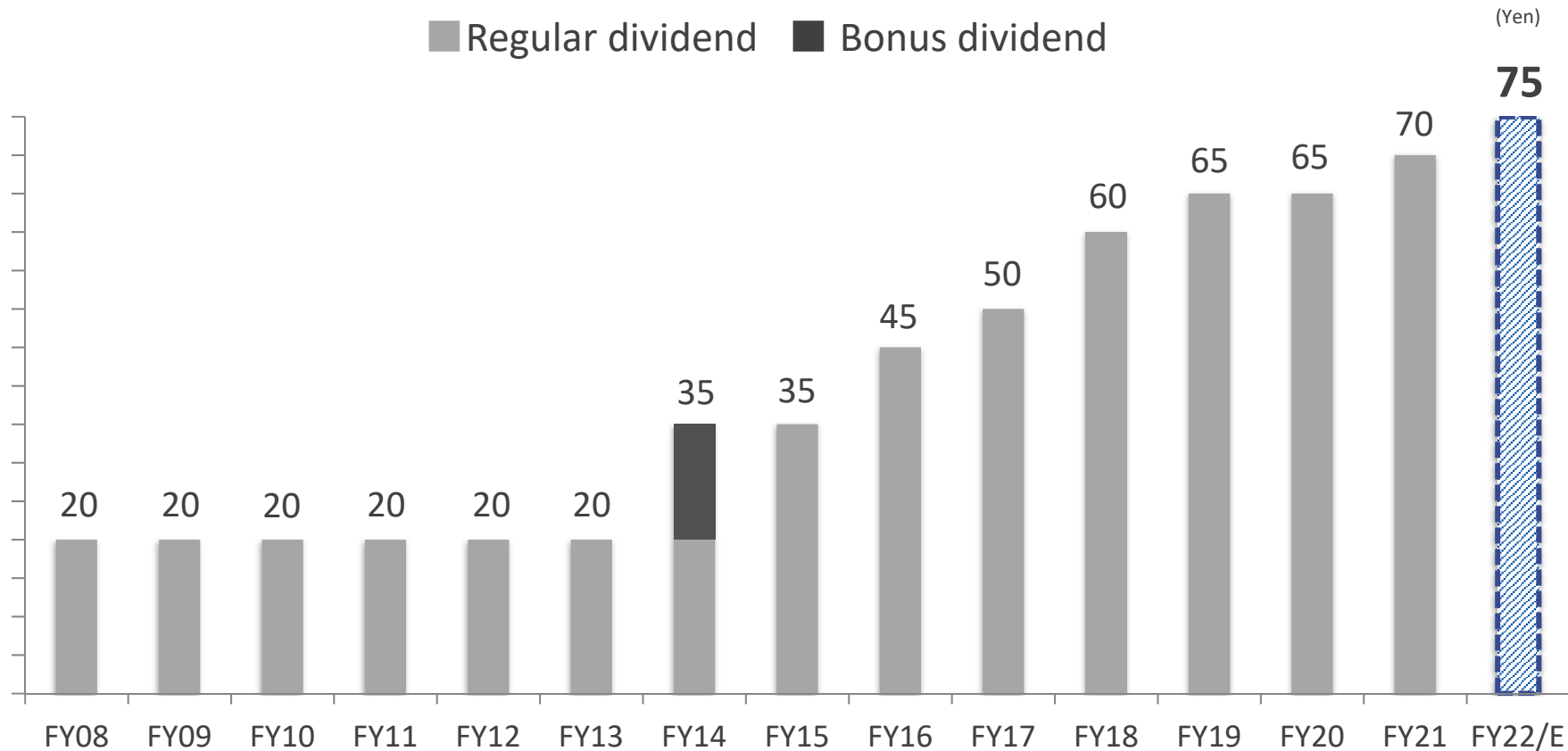
## 4. Strengthen regional revitalization



# Dividend Policy

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

Year-end dividend of 75 yen for the fiscal year ending October 31, 2022 (35 yen interim dividend)







#### [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

### **Kanamoto Public Relations Office**

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Tel: +81-11-209-1631 (8:30 a.m. to 5:00 p.m. except on weekends and holidays)

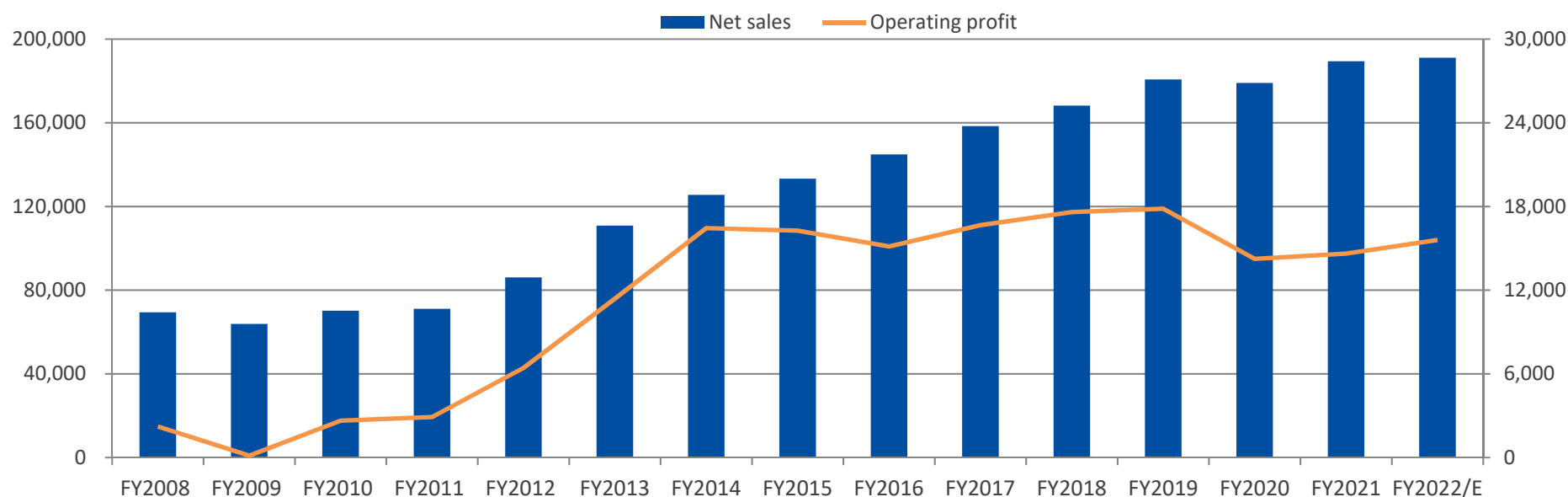
Company website: <https://www.kanamoto.co.jp/en/>

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

## Reference: 15-year Management Index (Consolidated)

(Millions of yen)

	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022/E
Net sales	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	189,416	191,100
Operating profit	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	14,624	15,600
Ordinary profit	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	15,391	15,800
Profit attributable to owners of parent	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	8,907	9,700
Net assets	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	134,917	-
Total assets	91,741	96,435	108,509	115,120	137,343	169,250	188,082	202,578	220,540	227,155	241,374	268,182	301,533	303,754	-



## Reference: Share price between June 2011 to June 2021

