



kanamoto

Fiscal Year Ending October 31, 2022 Second Quarter Operating Results Briefing Materials

June 6, 2022

Stock Code: 9678

(Tokyo Stock Exchange, Prime Market/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

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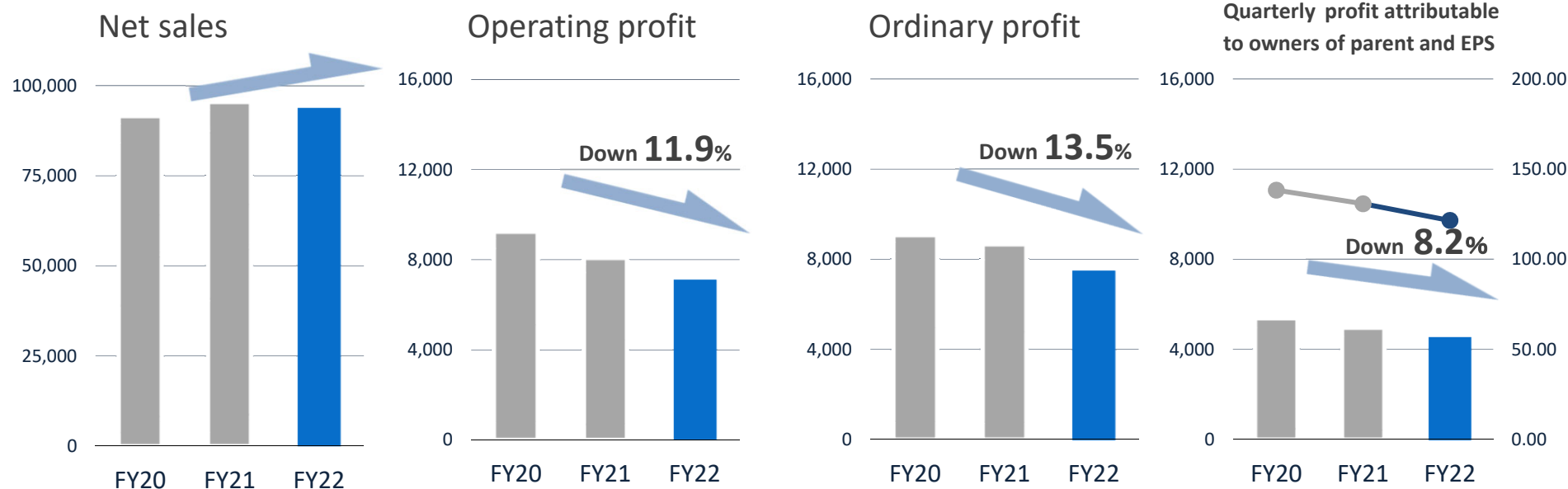
01

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

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

(Millions of yen)

	Net sales	Operating profit	Ordinary profit	Quarterly profit attributable to owners of parent	EPS
Consolidated second quarter operating results for the fiscal year ending October 31, 2022	93,715	7,098	7,457	4,540	¥ 121.54
% change from prior year	—	-11.9%	-13.5%	-8.2%	—
Consolidated second quarter operating results for fiscal year ended October 31, 2021	95,225	8,061	8,626	4,945	¥ 130.81
% change from prior year	4.2%	-12.8%	-4.6%	-7.5%	—



※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.
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.

Consolidated Second Quarter Results by Segment

The Construction Equipment Rental Business makes up 91.1% of total sales while Other Businesses contributed 8.9%.

Construction Equipment Rental Business



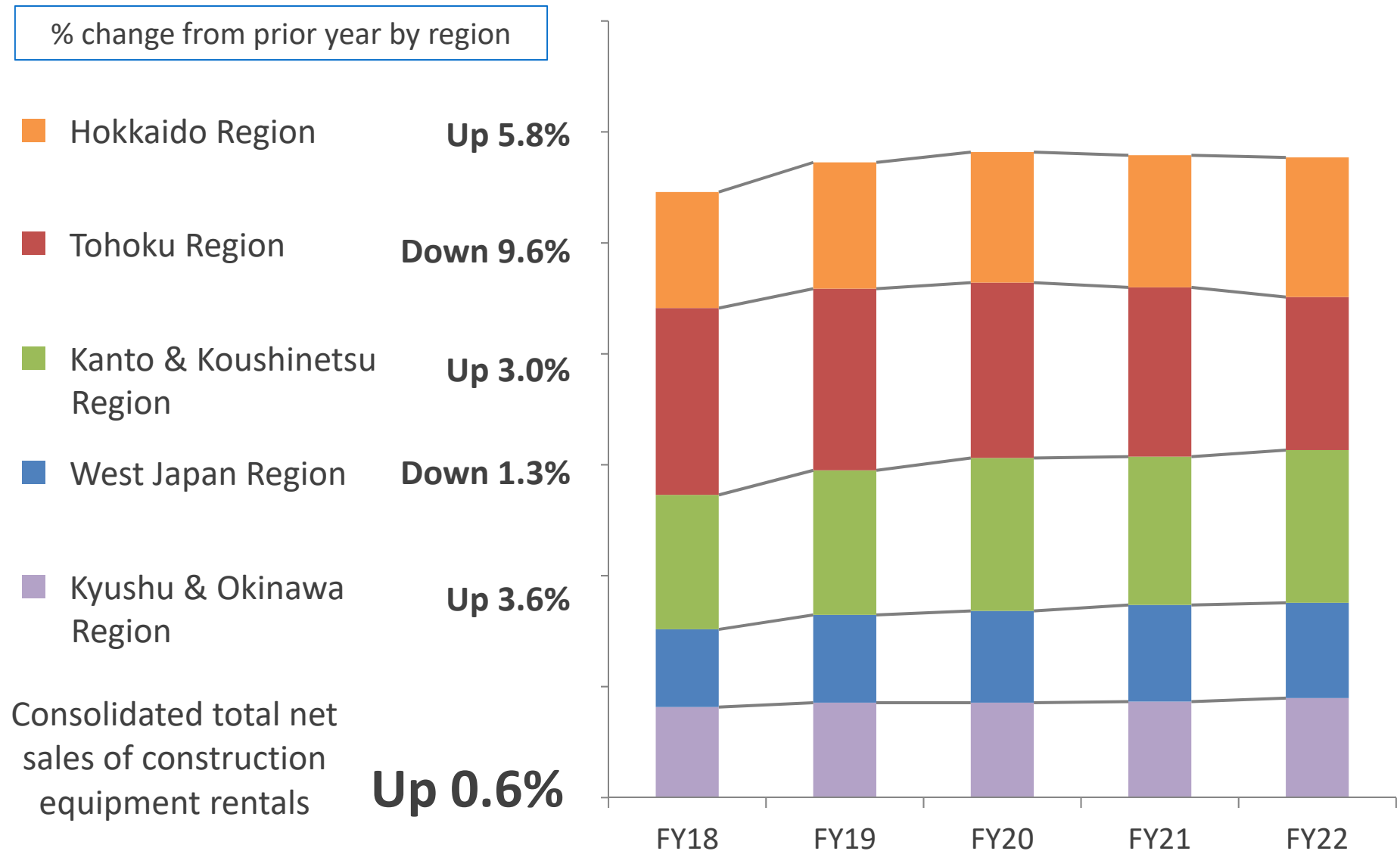
Other Businesses

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



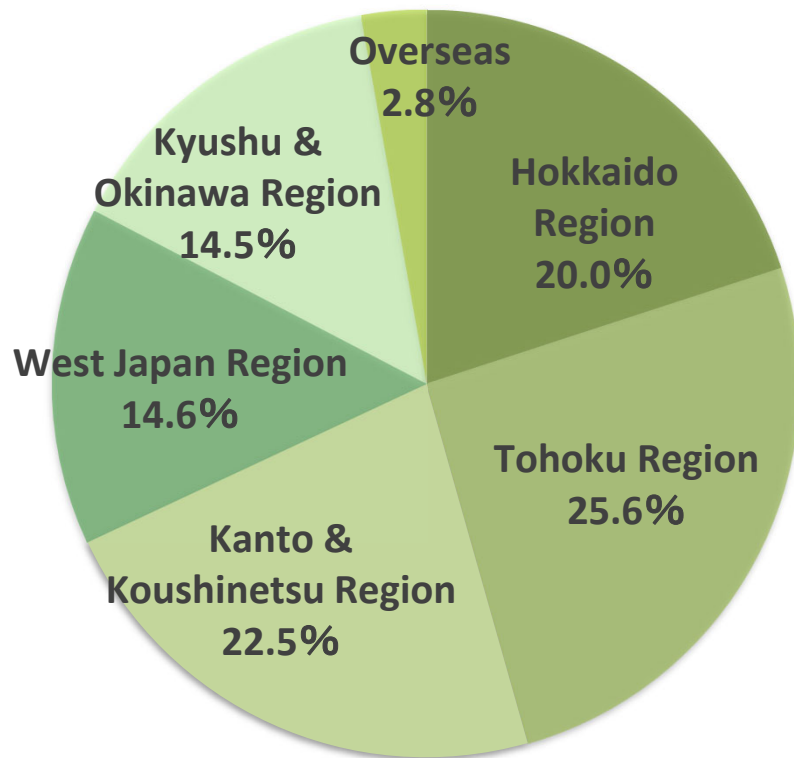
Net sales: ¥93,715 million yen

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

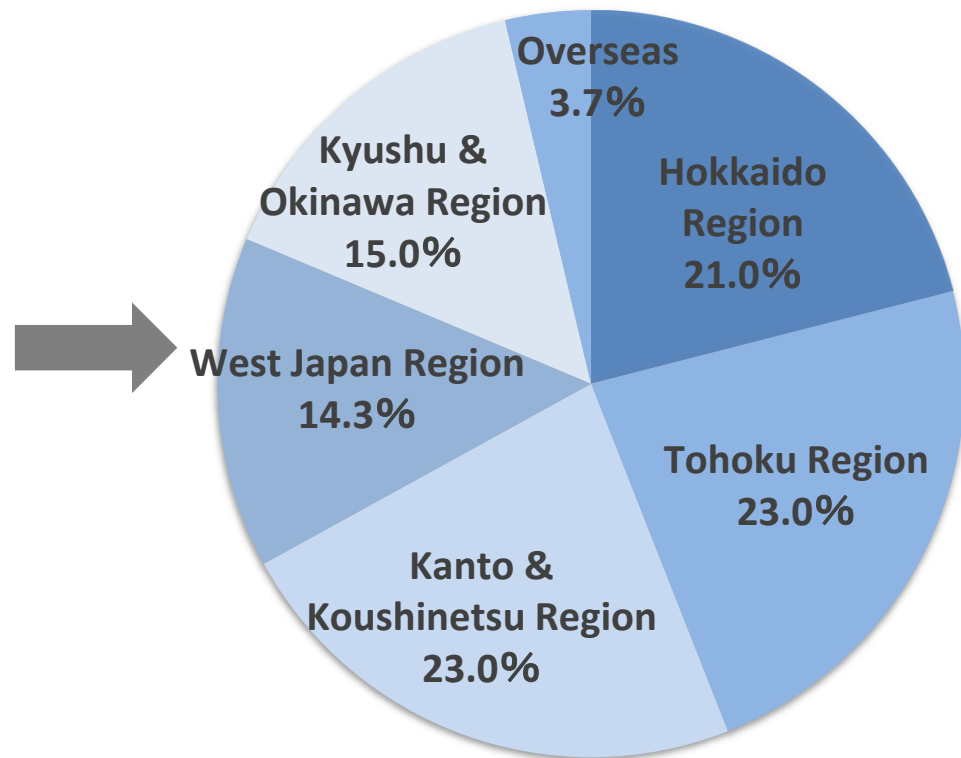


Construction Equipment Rental Business: Sales Ratio of Equipment Rentals by Region

FY2021_2Q



FY2022_2Q



Assets Balance Sheet

(Millions of yen)

	FY2021_4Q	FY2022_2Q	Change
Assets			
Current assets	126,751	123,807	-2,943
Notes and accounts receivable - trade	39,305	—	—
Notes and accounts receivable - trade, and contract assets	—	35,019	—
Other current assets	87,445	88,788	1,343
Non-current assets	177,003	181,002	3,999
Property, plant and equipment	156,135	160,273	4,138
Rental equipment	262,239	272,603	10,363
Accumulated depreciation	-164,193	-171,196	-7,002
Rental equipment, net	98,046	101,407	3,361
Other property, plant and equipment	58,089	58,866	777
Intangible assets	6,904	7,122	218
Investments and other assets	13,963	13,606	-357
Total assets	303,754	304,810	1,055

Liabilities and Net Assets

(Millions of yen)

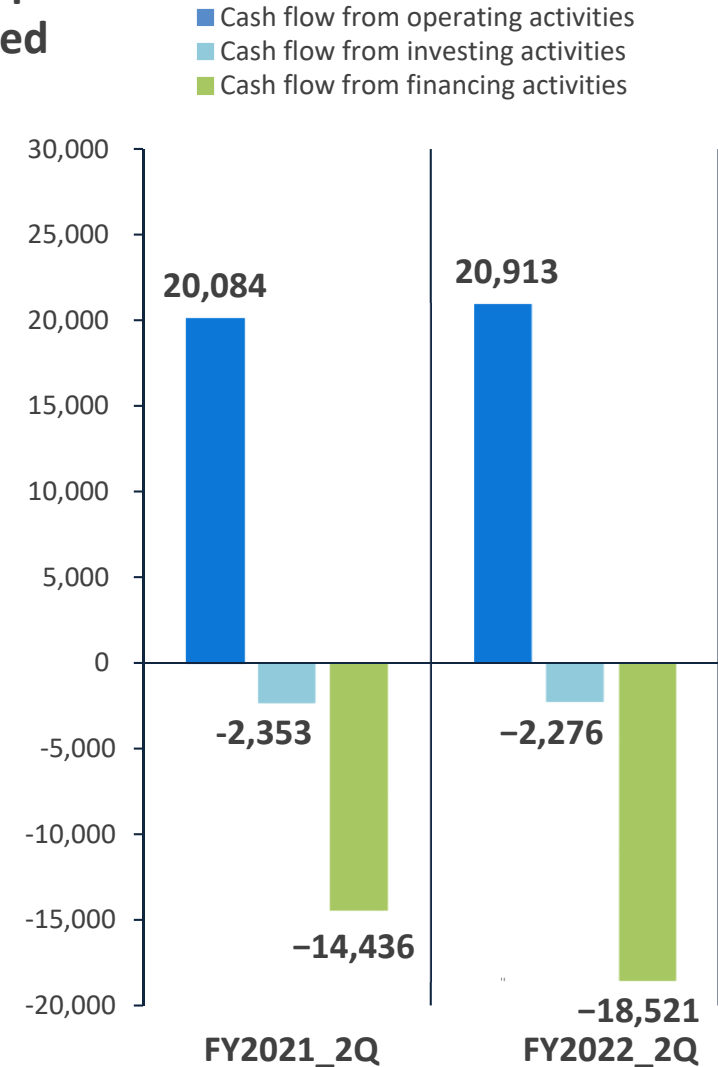
	FY2021_4Q	FY2022_2Q	Change
Liabilities			
Current liabilities	87,230	85,327	-1,902
Notes and accounts payable - trade	37,082	36,670	-412
Accounts payable - other	24,545	25,218	672
Other Current liabilities	25,602	23,439	-2,162
Non-current liabilities	81,607	81,970	362
Long-term borrowings	31,460	31,342	-117
Long-term accounts payable - other	44,486	44,365	-121
Other Current liabilities	5,660	6,262	602
Total liabilities	168,837	167,298	-1,539
Net assets			
Total shareholders' equity	124,226	125,104	877
Accumulated other comprehensive income	2,729	4,043	1,300
Non-controlling interests	7,960	8,377	416
Total net assets	134,917	137,512	2,595
Total liabilities and net assets	303,754	304,810	1,055

Cash Flows

Cash and cash equivalents were 55,866 million yen, up 308 million yen compared to the previous consolidated fiscal year.

(Millions of yen)

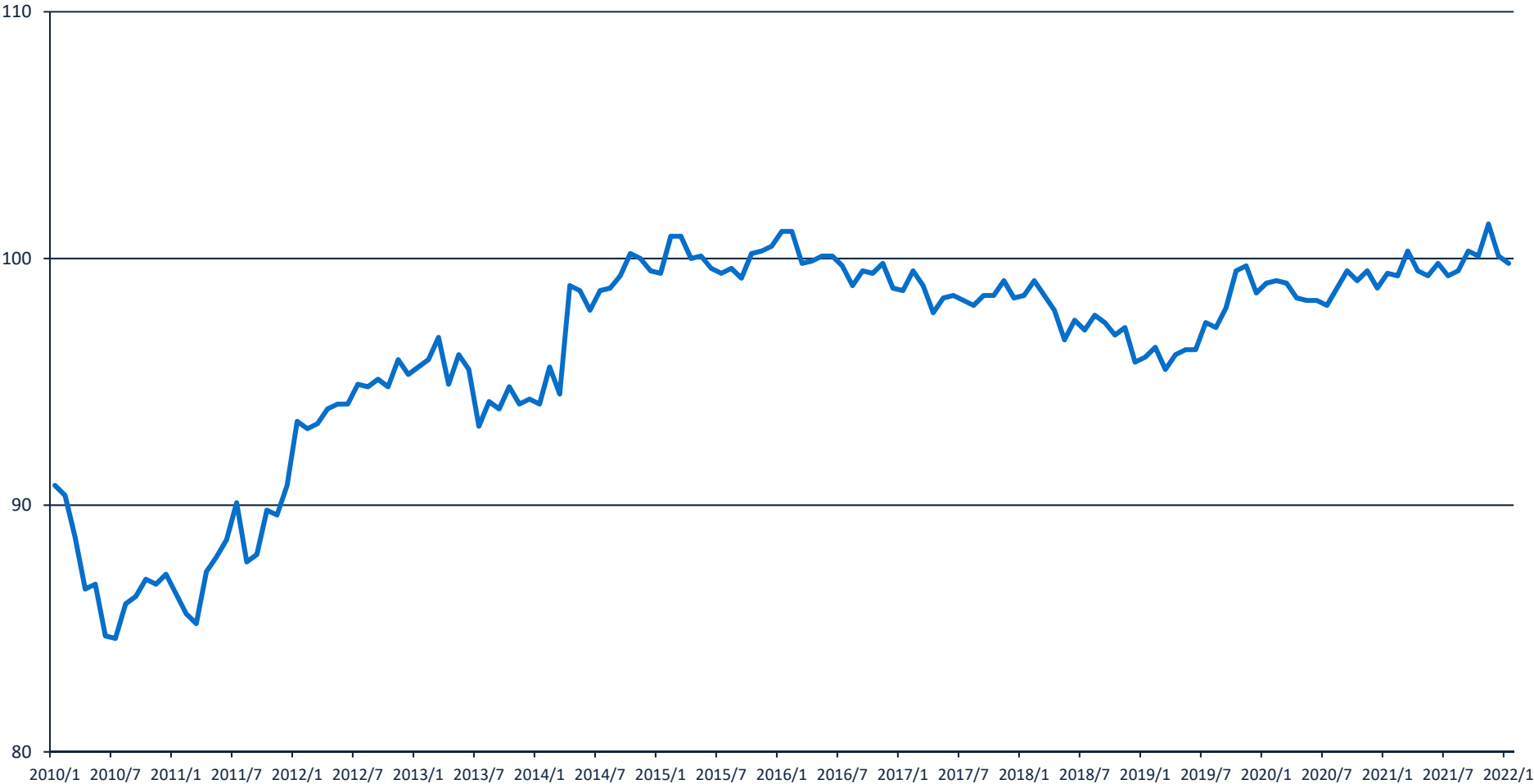
	FY2021_2Q	FY2022_2Q	Change
Cash flow from operating activities	20,084	20,913	829
Cash flow from investing activities	- 2,353	- 2,276	77
Cash flow from financing activities	-14,436	-18,521	- 4,084
Net increase (decrease) in cash and cash equivalents	3,694	308	- 3,386
Cash and cash equivalents at beginning of period	48,023	55,557	7,534
Cash and cash equivalents carried over at end of second quarter	51,717	55,866	4,148



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

Corporate Service Price Index (Construction Rental Equipment)

The construction equipment rental index shows a stable trend.



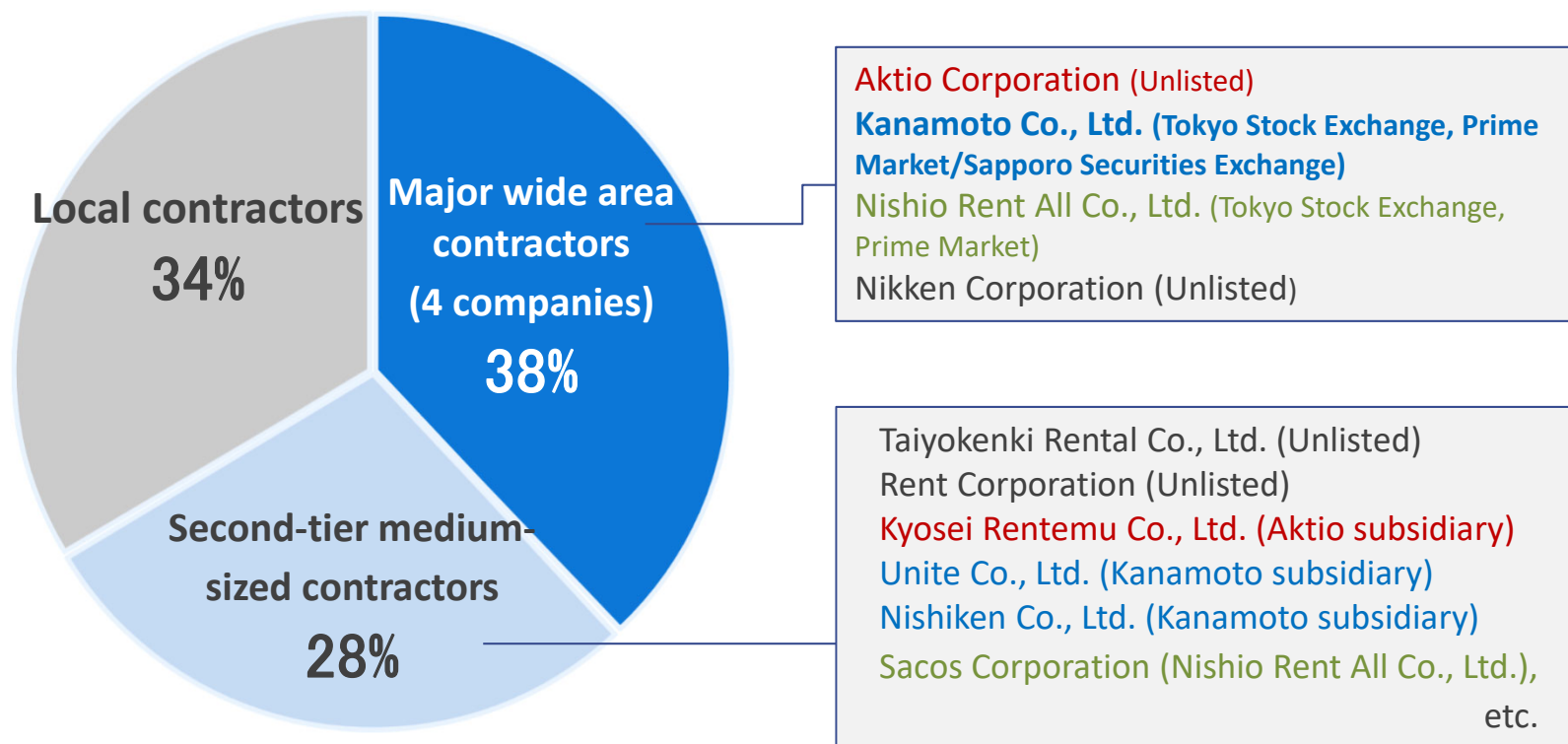
Source: Bank of Japan Corporate Service Price Index (CSPI) on the 2015 Year Base (Construction Rental Equipment)

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, corporate website information of each company, and other such materials.

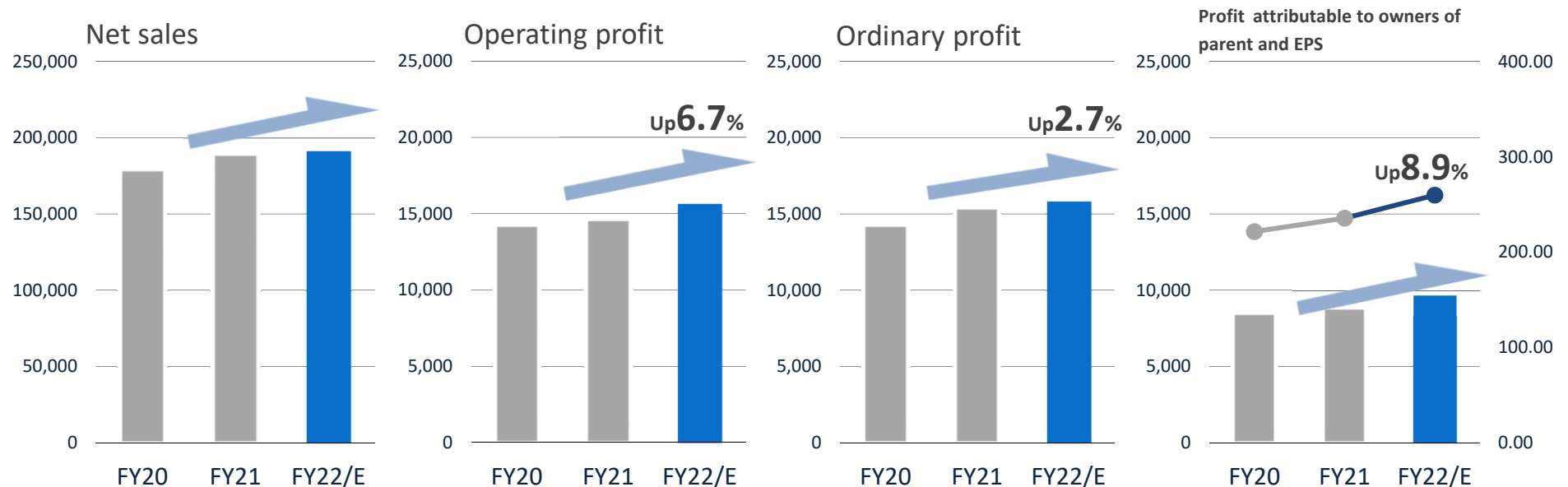
Second-tier medium-sized contractors are calculated as organizations expanding to bases in multiple prefectures.

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	¥259.65
% 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-een ICT construction equipment
- 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



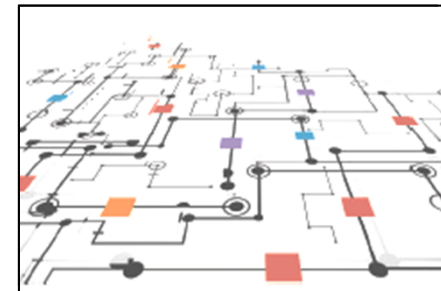
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Overseas Expansion



03

Optimize Internal Operational Processes



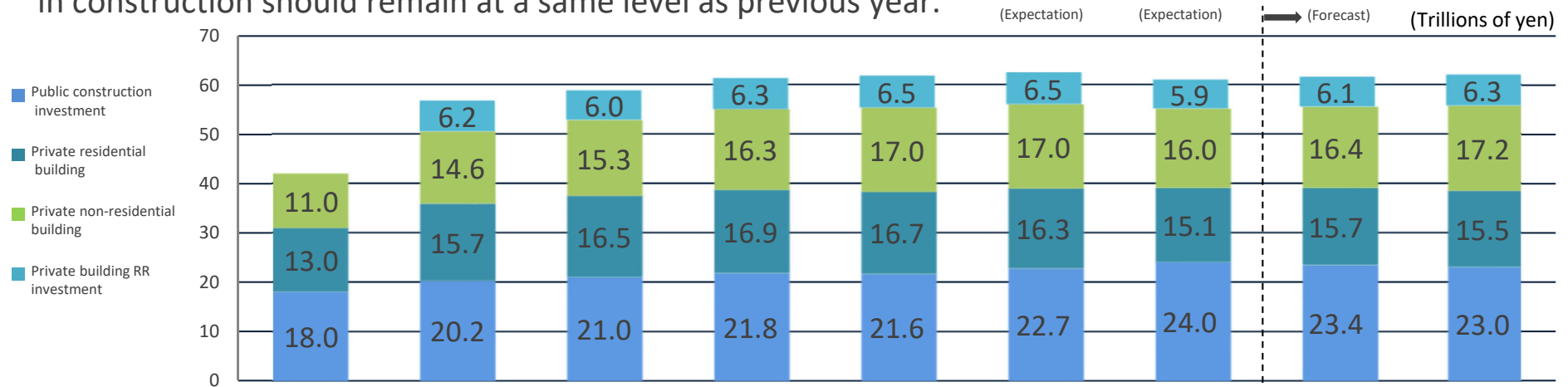
Creative 60

- 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.

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



Fiscal year	2010	2015	2016	2017	2018	2019(Expectation)	2020(Expectation)	2021(Forecast)	2022(Forecast)
Investment in construction (year on year growth rate)	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%)	61.7 (1.2%)	62.0 (0.5%)
Public investment in construction	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%)	23.4 (-2.2%)	23.0 (-1.9%)
Private investment in residential construction	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%)	15.7 (4.1%)	15.5 (-1.5%)
Private investment in non-residential construction	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%)	16.4 (2.8%)	17.2 (4.5%)
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	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%)	54.9 (-2.7%)	53.9 (-1.7%)

Source: Prepared based on the *Construction Economy Model Forecast of Construction Investment* (April 2022) 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

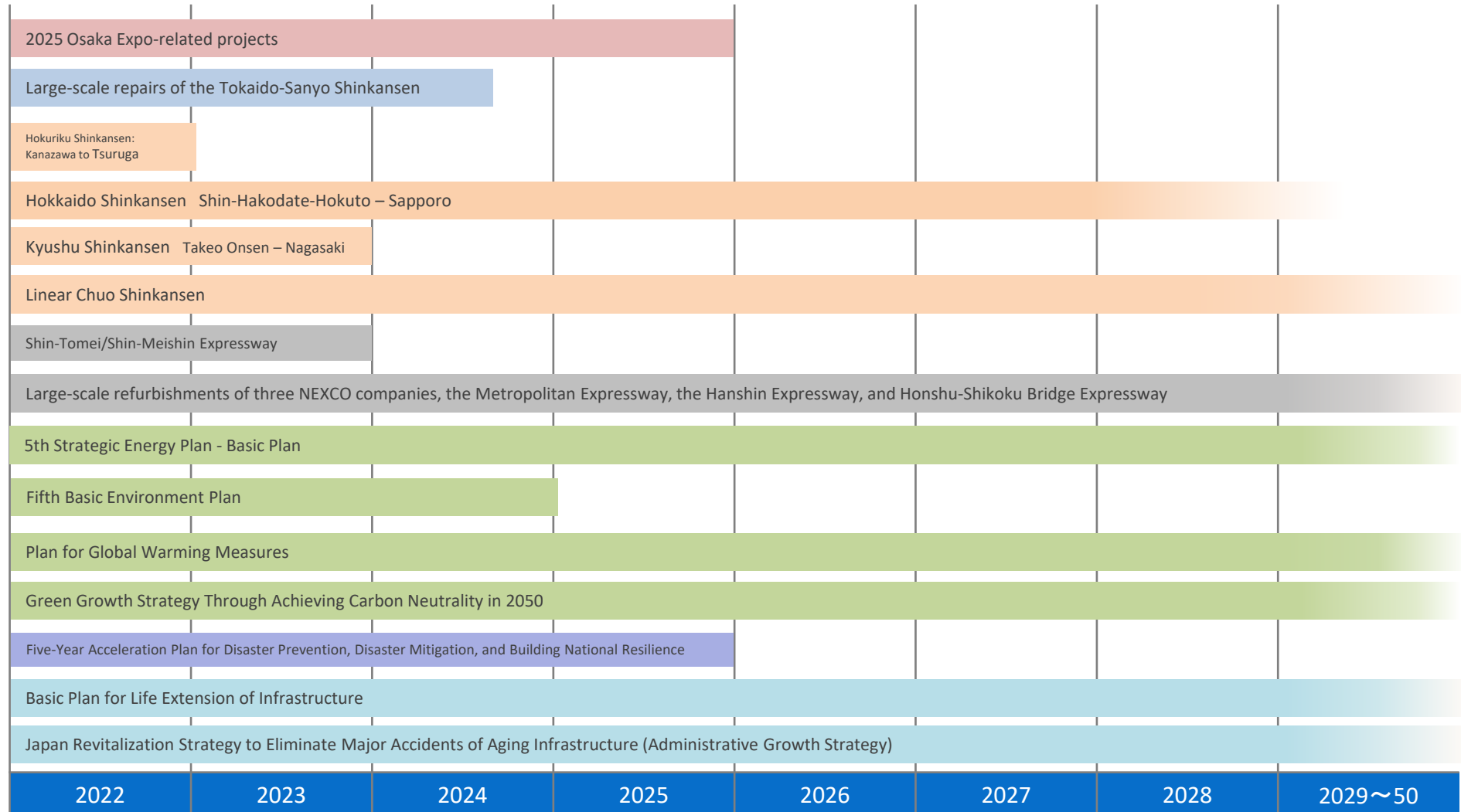


Kyushu Shinkansen:
Takeo to Nagasaki



Expansion of the Kanamoto Domestic Base of Operations

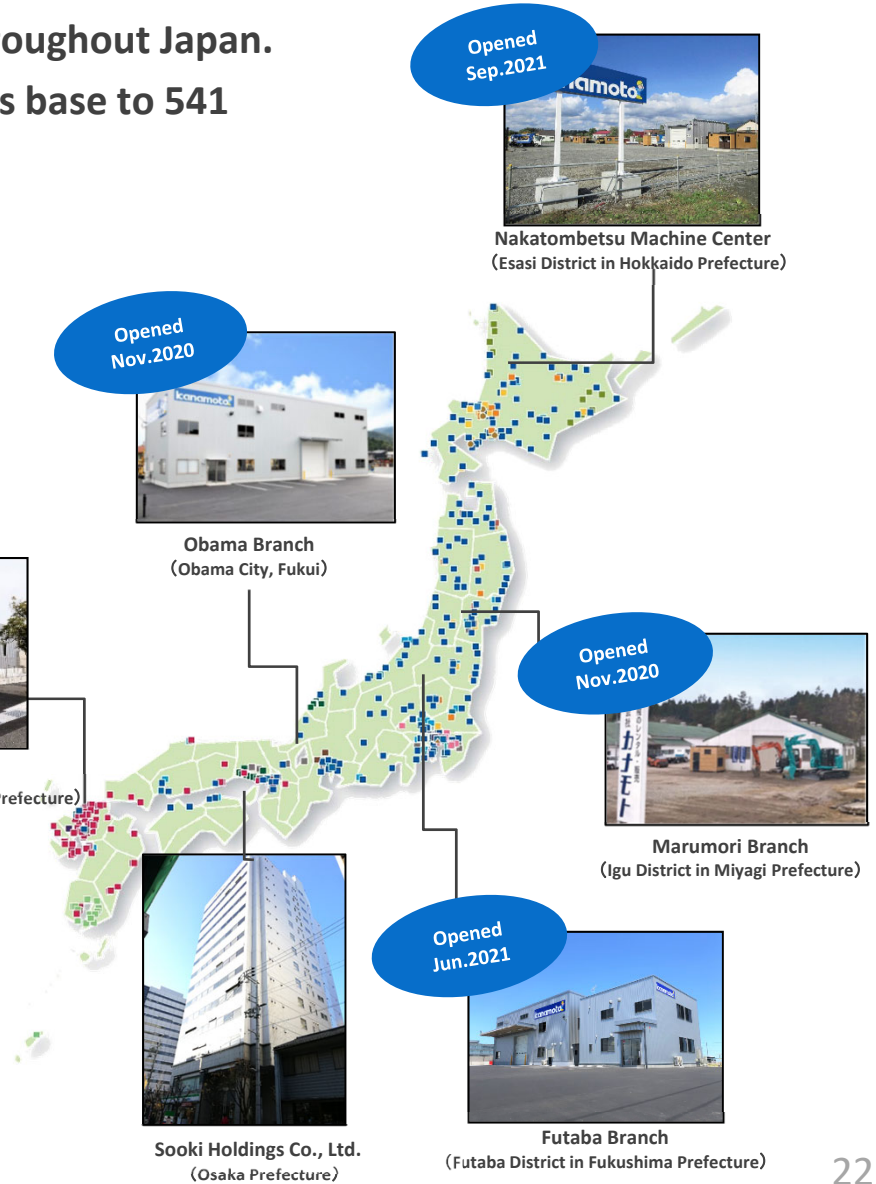
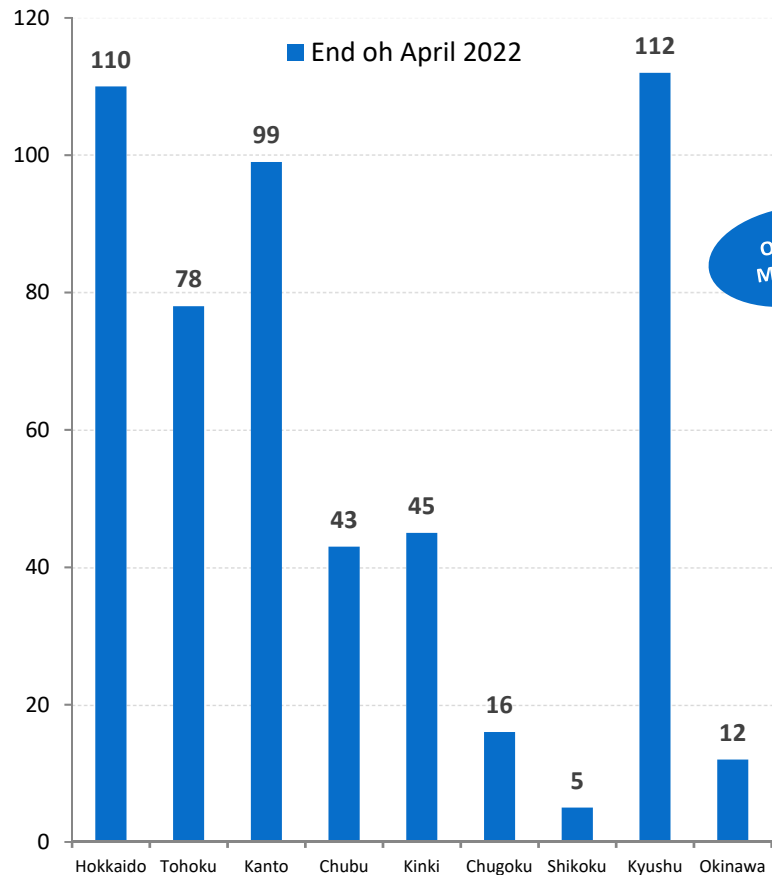
Major Projects Primarily Driving Business Expansion throughout Japan



Expansion of the Kanamoto Domestic Base of Operations

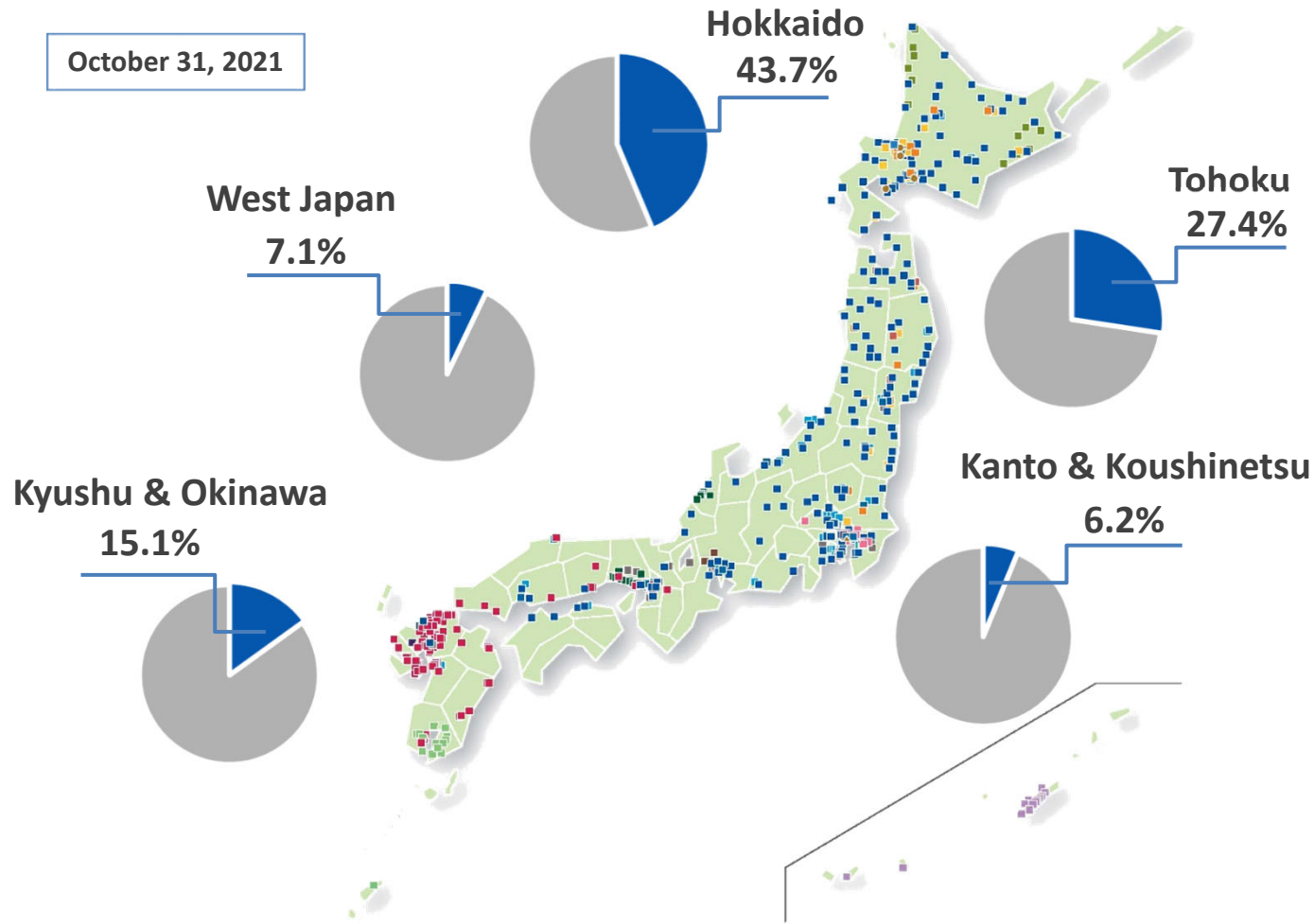
Kanamoto has 215 non-consolidated sales bases throughout Japan.
The Kanamoto Group has steadily expanded its sales base to 541 locations.

Changes in the Number of Domestic Sales Bases



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.

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



Indonesia



Vietnam



Thailand

Overseas Expansion

Overseas sites in Indonesia, Vietnam, Thailand, The Philippines, China, Malaysia, and Australia



Philippines



Malaysia



China



Australia

Creative 60

- Expansion of the Kanamoto Domestic Base of Operations
- Overseas Expansion
- Optimize Internal Operational Processes**

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-een ICT construction equipment
- 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

Real-time Automatic Rebar Arrangement Inspection System

We aim to start the business in the first half of fiscal 2022 to reduce labor of rebar arrangement inspection at construction sites. We strive to contribute to improving work efficiency and innovating workstyles in construction sites across Japan in corporation with Sharp Corporation and SHIMIZU CORPORATION.

Developing a system through matching the needs for improving the productivity of rebar inspections and technology seeds of image analysis using high-definition cameras, we achieved greater productivity, labor-saving, and improved safety of rebar inspections.

Condition of construction sites or weather conditions that were previously impossible to conduct accurate rebar measurement is made possible with this technology and enables telepresence and rebar inspection systems that is more widely applicable

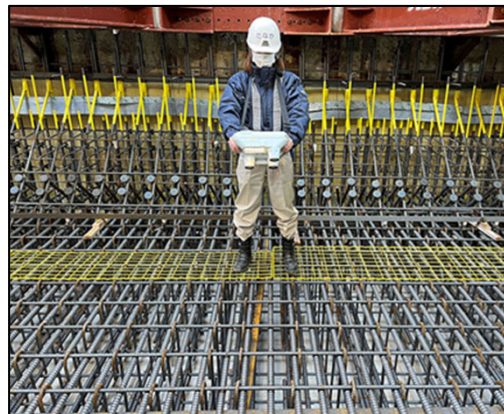


Through improving productivity and labor-saving, time required for rebar inspections was reduced by about 75%

Improves productivity of orderer that manage multiple construction sites through integrating remote operations

Reduces time required for work as well as improves safety by enabling non-contact inspection from safe foothold at construction sites

Rebar Arrangement Inspection System Using Stereo Camera



Awards Received by “Real-time Automatic Rebar Arrangement Inspection System”

受賞日	受賞名	主催
2021年	6月11日 令和2年度 土木学会賞『技術開発賞』	(公社) 土木学会
	6月17日 令和3年度 日本建設機械施工大賞『最優秀賞』	(一社) 日本建設機械施工協会
	7月12日 2021年度 エンジニアリング協会『功労者賞』	(一財) エンジニアリング協会
	9月28日 第23回 国土技術開発賞『入賞』	(一財) 国土技術研究センター (一財) 沿岸技術研究センター
	10月12日 令和3年度 田中賞選考委員会 かけはし賞	(公社) 土木学会田中賞選考委員会
2022年	2月22日 第4回 日本オープンイノベーション大賞『国土交通大臣賞』	内閣府

Contributed to the acquisition of Nearly ZEB certification of the temporary construction office

PENTA-OCEAN CONSTRUCTION CO., LTD. achieved energy-saving rate of 80% including energy generation at the new construction of the temporary construction office. PENTA-OCEAN CONSTRUCTION has acquired Nearly ZEB certification of the Building-Housing Energy-efficiency Labeling System, and we have contributed to that through enhancing the insulation of the unit housing.

Enhancing insulation of unit housing

Implement resin sashes with Low-E glass in cold region to further enhance insulation

Reduce burden on lightings through installation of LEDs and motion sensors

Implementation of highly efficient air conditioners in cold regions

Energy-saving

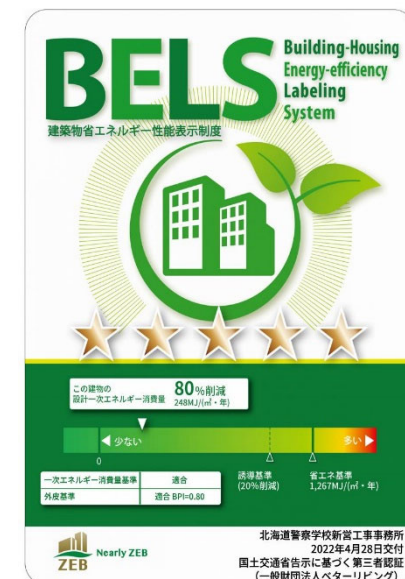
Energy reduction rate:
58%



Exterior of construction office



Solar panels

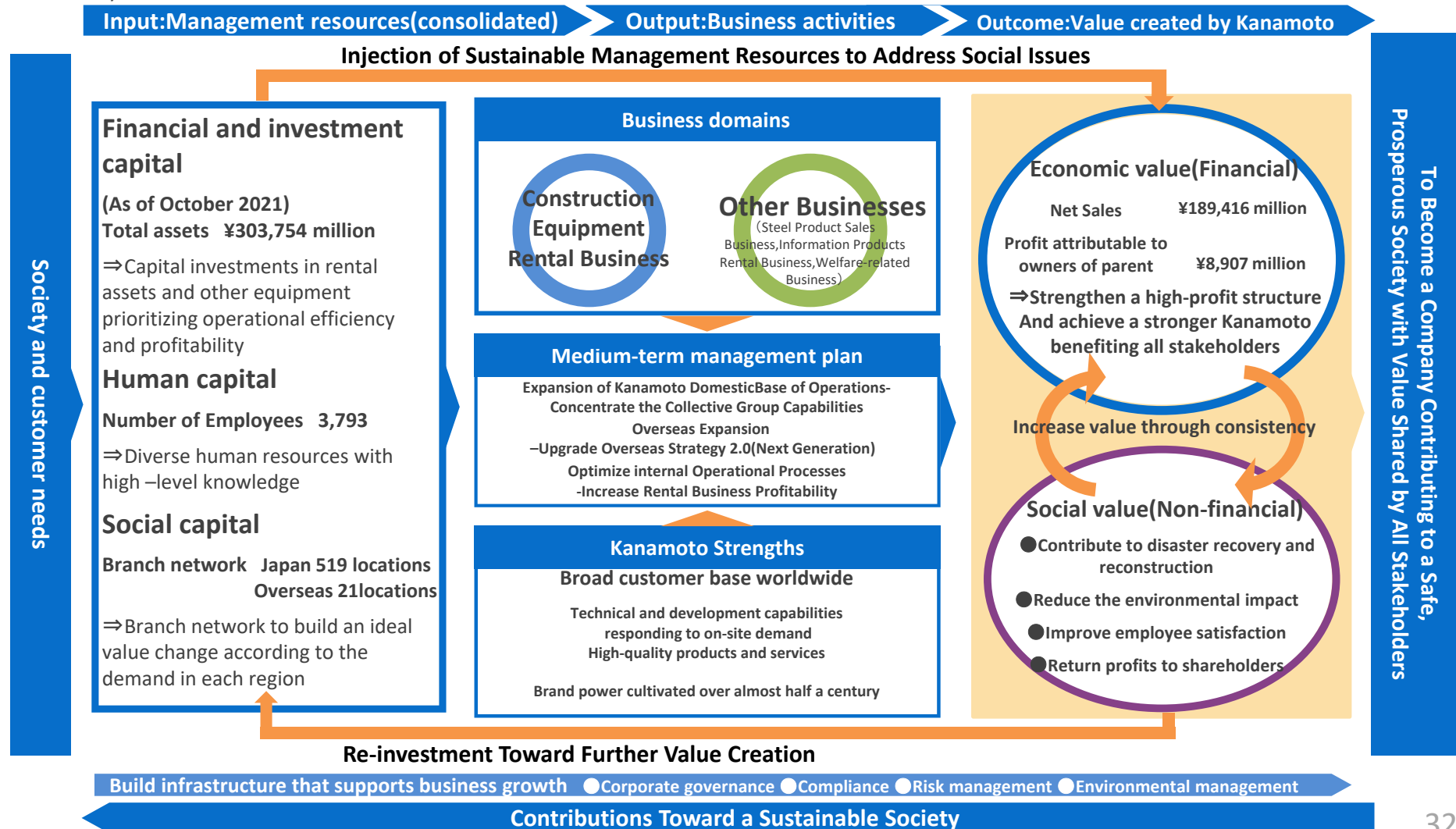


Nearly ZEB Certification

Kanamoto Value Creation Process



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

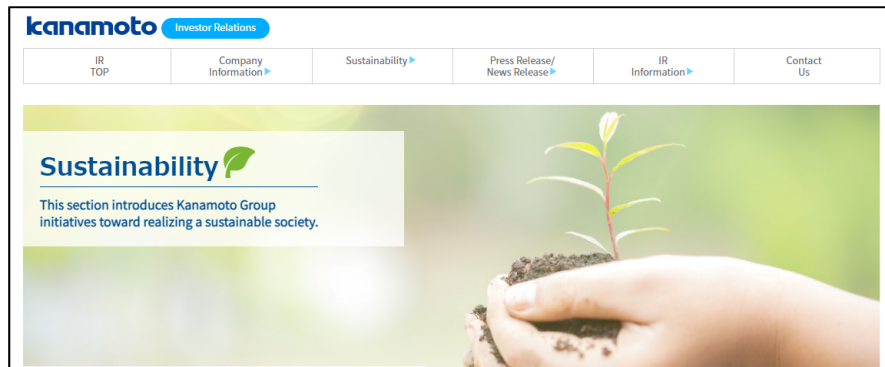


Sustainability Initiatives

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	E Environment	<p>A business called "rental" that leads to decarbonization</p> <p>Asset shift to environmental measures for decarbonization</p> <p>Initiatives for TCFD</p>	<p>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.</p>	
	S Social Activities	<p>Comprehensive disclosure and IR activities</p> <p>Contributions to local communities as well as art and culture</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 aim to strengthen partnerships with local communities, contribute to arts, culture, and education as well as facilitate better communication.</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>	
	G Governance	<p>Corporate governance</p> <p>Compliance</p> <p>Internal control systems</p> <p>Risk management</p>	<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.</p>	

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.



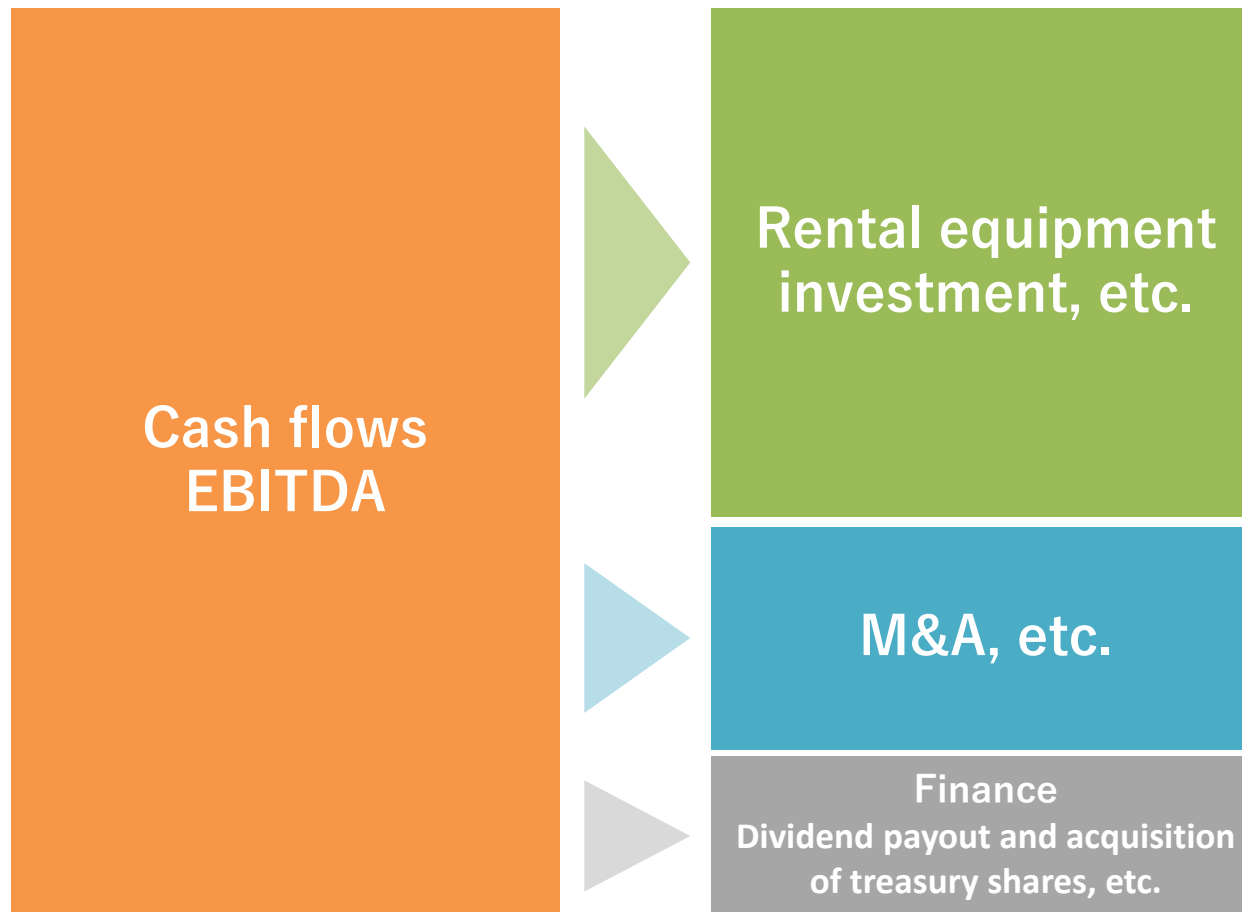
Disclosing Climate Change Data in Accordance with TCFD Supporter Guidelines

- 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 CO₂ reduction targets toward carbon neutrality by 2050.



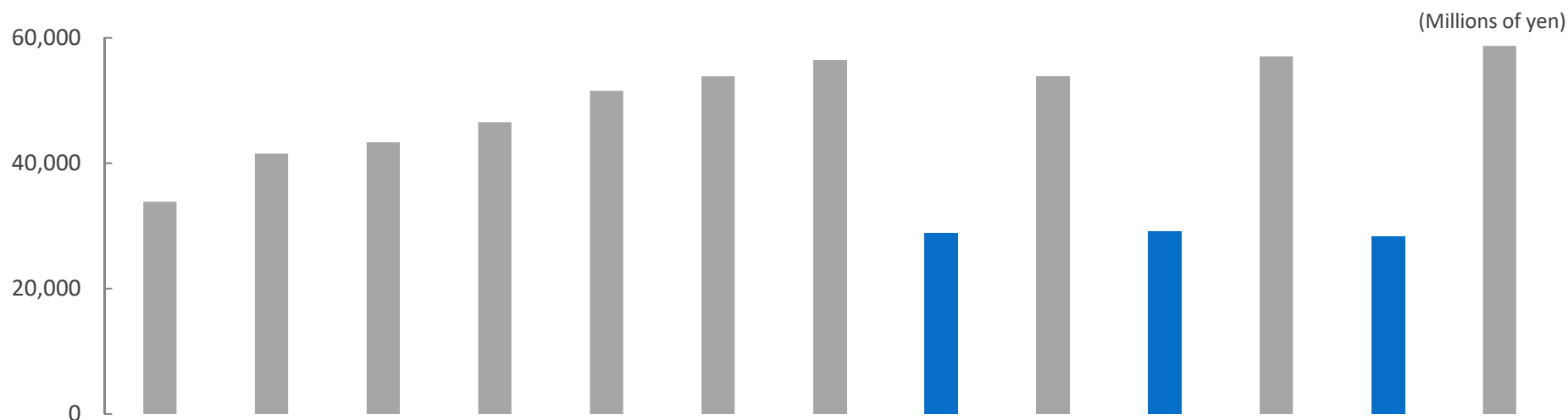
Investment strategy

Promote flexible investment strategy that meet actual demand based on business portfolio management



Main Comparative Index: EBITDA+ (Consolidated)

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



	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020_2Q	FY2020	FY2021_2Q	FY2021	FY2022_2Q	FY2022/E
Operating profit	11,392	16,454	16,270	15,134	16,665	17,599	17,842	9,239	14,250	8,061	14,624	7,098	15,600
Depreciation	14,767	17,486	19,752	22,458	24,570	25,722	27,705	14,384	29,073	15,934	31,712	16,084	32,000
E B I T D A	26,159	33,940	36,022	37,592	41,235	43,321	45,547	23,624	43,324	23,995	46,336	23,183	47,600
Property, plant and equipment equivalents	7,695	7,563	7,306	8,938	10,310	10,542	10,775	5,186	10,461	5,166	10,694	5,096	11,100
E B I T D A +	33,854	41,503	43,328	46,530	51,545	53,863	56,322	28,810	53,785	29,161	57,030	28,279	58,700
Property, plant and equipment investment	37,611	42,400	37,367	38,294	37,674	46,992	52,093	29,100	51,567	20,725	37,266	23,357	47,200
Free cash flow	△3,757	△894	5,960	8,235	13,871	6,871	4,229	△290	2,218	8,436	19,764	4,921	11,500

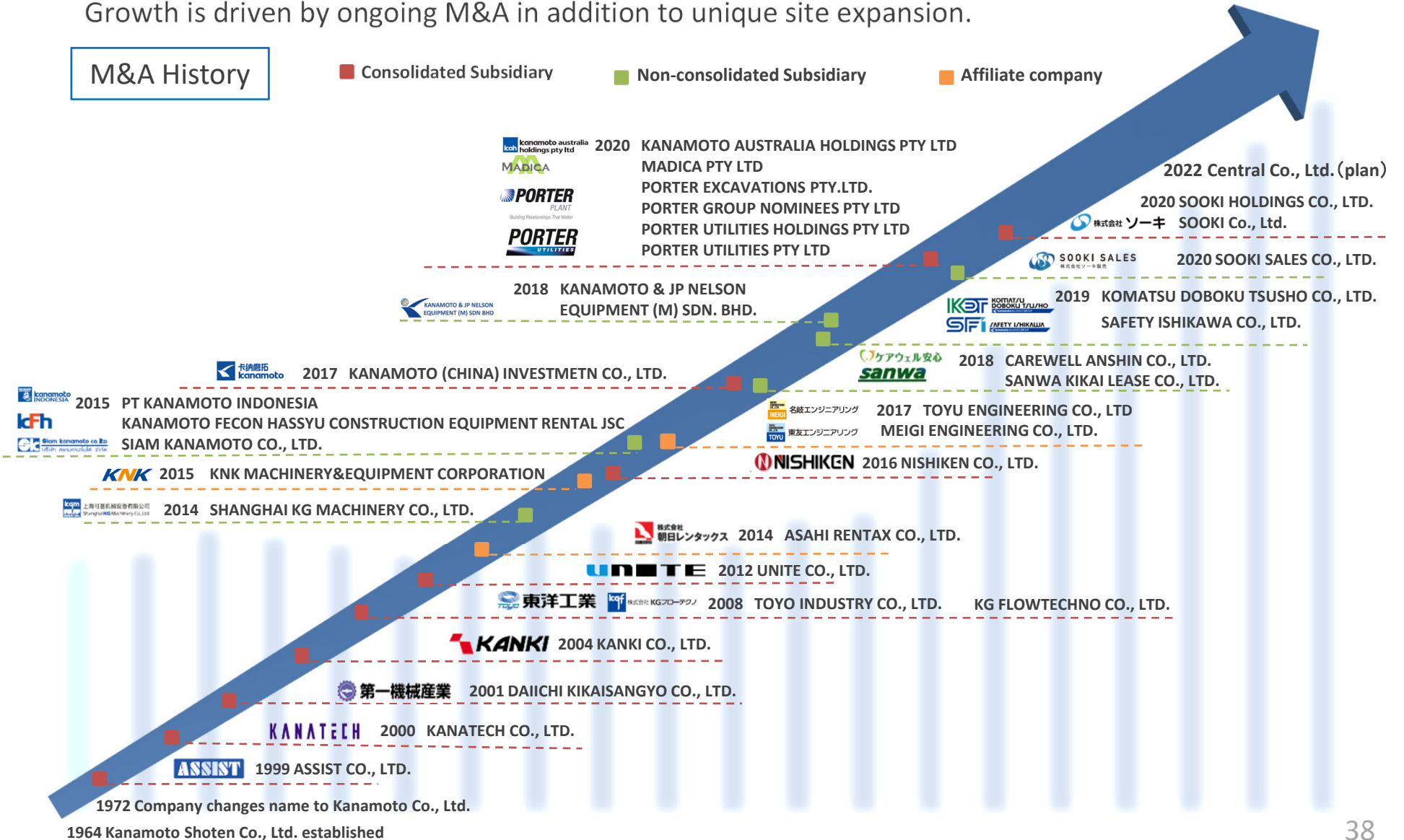
EBITDA+ refers to EBITDA (operating profit and depreciation) plus property, plant and equipment equivalents.

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



Priority Areas

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

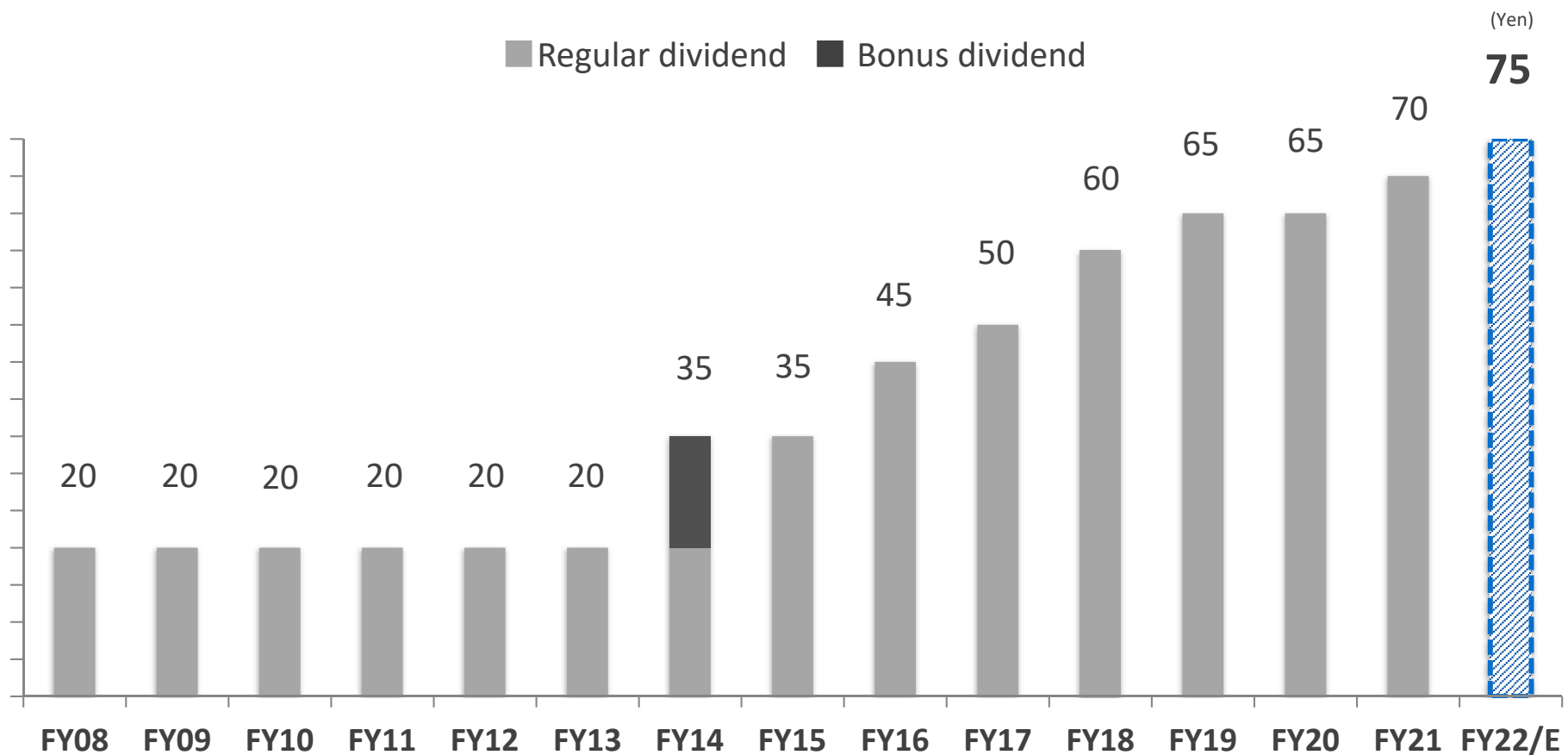


Dividend Policy

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)

Treasury shares will also be acquired flexibly



kanamoto

[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)

	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	-

