

# **Report of Business Operations for the 58th Business Period (Business Period ended October 2022) (Attachment to the Notification and Invitation to the 58th Regular General Meeting of the Shareholders) From November 1, 2021 to October 31, 2022**

## **1. Analysis of Operating Results and Financial Position**

### **(1) Analysis of Operating Results**

#### **a) Summary of consolidated fiscal year operating results (From November 1, 2021 to October 31, 2022)**

During the consolidated fiscal year under review, while Japan's economy showed signs of recovery in economic activities that had been stagnant due to the spread of COVID-19, the situation remained unpredictable due to the prolonged situation in Ukraine, soaring raw material prices, and growing concerns of an economic recession caused by global financial tightening and other factors.

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, the situation still requires monitoring as semiconductor supply shortages, soaring material prices and chronic 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 reinforcing the Alliance Group's foundations in Japan and overseas, pursuing synergistic effects to further improve management efficiency, while carrying out a flexible investment strategy that responds to actual demand. In addition, the Group focused on sustainable development and enhancement of corporate value by realizing efficient utilization of rental assets and building an organizational structure to address sustainability issues.

Consequently, in the fiscal year ended October 31, 2022, the Group reported net sales of ¥188,028 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, in addition to a trend of rental demand, operating profit decreased 9.5% from the same period of the prior fiscal year to ¥13,229 million, ordinary profit declined 10.5% to ¥13,780 million, and profit attributable to owners of parent decreased 6.3% to ¥8,345 million.

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

## **b) Summary of consolidated operating results by business segment**

### **[Construction Equipment Rental Business]**

In the construction-related business, which is Kanamoto's core business, public sector investment remained steady, primarily in activities carried out for Japan's National Resilience Plan as well as infrastructure-related construction, and while private sector construction investment showed signs of picking up, regional differences, as well as delays and slow progress in construction due to soaring material prices at some sites, prevented a full-scale recovery in rental demand for construction equipment.

In addition to strengthening its ability to respond to the fields of maintenance and repair of social infrastructure and renewable energy, where further priority investment is expected, the Group also promoted technological development and business alliances aimed at realizing DX at construction sites by utilizing digital technology and reducing environmental impact.

As a result, sales by region in this business were up 5.5% in the Hokkaido Region, down 7.3% in the Tohoku Region, down 0.6% in the Kanto & Koushinetsu Region, down 0.7% in the Nishi-nihon Region, and up 1.1% in the Kyushu & Okinawa Region.

Used construction equipment sales decreased 15.1% 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 ¥170,433 million, and operating profit of ¥11,508 million, a decrease of 11.8% year on year.

### **[Other Businesses]**

In the Group's other businesses, net sales was ¥17,594 million and operating profit increased by 11.0% year on year to ¥1,232 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.

(Millions of yen)

Segment	57th Business Period Business Period ended October 2021	58th Business Period Business Period ended October 2022	Change from prior year (%)
Construction Equipment Rental Business	171,020	170,433	—
Other Businesses	18,395	17,594	—
Total	189,416	188,028	—

Note : Given that the Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29 of March 31, 2020) and relevant ASBJ regulations from the beginning of the 58th Business Period, the above figures for the 58th Business Period (Business Period ended October 2022) are amounts subsequent to the application of said accounting standard and relevant ASBJ regulations. As a result, percentage changes for year-on-year comparisons of net sales are not shown.

## **(2) Financing activities**

### **1) Funds Procurement**

Funds procurement through capital increase or the issuance of corporate bonds has not been performed during the current consolidated fiscal year.

### **2) Capital investment**

Capital investment implemented by the Kanamoto Group during the current consolidated fiscal year totaled ¥35,831 million. This included purchases of rental equipment of ¥30,605 million, and investments in assets used by the group, including the establishment, relocation and expansion of branches, of ¥5,226 million.

< Main branches newly established in the Corporate Group >

Kanamoto Co., Ltd.

Closed branches: Tokyo Construction Branch, Special Small Equipment Center (Misato City, Saitama Prefecture)

Adachi Branch (Adachi Ward, Tokyo)

### **3) Transfer, absorption, division or new establishment of businesses**

The Company had no material items to report.

### **4) Receipt of businesses from other companies**

The Company had no material items to report

**5) Succession to rights and obligations concerning the businesses of other corporations etc. by absorption and merger or absorption and division**

The Company's consolidated subsidiaries Nishiken CO., LTD. and Kyushu Kensan Co., Ltd. conducted an absorption-type merger with the effective date of January 1, 2022, with Nishiken CO., LTD. as the surviving company.

The Company conducted an absorption-type merger with its wholly owned subsidiary Sanwa Kikai Lease Co., Ltd. with an effective date of June 1, 2022.

**6) Acquisition or disposal of shares, other equity or subscription rights to shares of other companies**

The Company had no material items to report

**(3) Financial position and profit and loss in the current business period and three immediately prior business periods**

(Millions of yen except per share data, which are in yen)

Category	55th Business Period (Business Period ended October 2019)	56th Business Period (Business Period ended October 2020)	57th Business Period (Business Period ended October 2021)	58th Business Period (current consolidated fiscal year) (Business Period ended October 2022)
Net sales	180,694	179,053	189,416	188,028
Ordinary income	18,277	14,268	15,391	13,780
Profit attributable to owners of parent	11,430	8,466	8,907	8,345
Net income per share	295.30	221.45	235.55	224.64
Total assets	268,182	301,533	303,754	305,320
Net assets	121,779	126,188	134,917	140,611
Net assets per share	2,981.68	3,150.30	3,357.10	3,571.98

Note : 1. During the 57th Business Period, the Company finalized the provisional accounting treatment for business combinations. As a result, figures for the 56th Business Period are amounts that reflect the finalization of the provisional accounting treatment.

2. Given that the Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29 of March 31, 2020) and relevant ASBJ regulations from the beginning of the 58th Business Period, the above figures for the 58th Business Period (Business Period ended October 2022) are amounts subsequent

to the application of said accounting standard and relevant ASBJ regulations.

#### **(4) Issues to be Addressed by the Company**

The outlook for the economy remains unclear due to the effects of COVID-19 infections and the global inflation accelerating.

In the construction equipment rental business, which is a core business of the Kanamoto Group, it is important to select rental assets that match the characteristics of sales areas and customers' needs. Based on the collected data, the Company must build an asset portfolio structure aimed at maximizing operational efficiency and establish a strong earnings structure with a detailed operation. In addition, the Company also needs to aspire to be a "general rental company" that provides one-stop and comprehensive customer service, not just rental of goods.

##### **1) Strengthen human resources training, and also Kanamoto Group alliances**

In the construction equipment rental industry, intensifying competition between companies could lead to a trend of mergers and acquisitions due to a further increase in distinction and selection. The Company will make efforts to develop employees with the knowledge and skills appropriate for a leader in the construction equipment rental industry, and we will work to develop human resources that can adapt to business expansion in Japan and overseas.

Also, in order to expand the business domains that are essential for the Company to become a general rental company, we will strengthen cooperation with the Group companies and relationships with alliance companies to increase synergy effects between the Group.

##### **2) Deepen asset strategies**

In introducing rental assets, we give top priority to market needs, but in recent years the particulars of domestic construction demand, such as ICT techniques, are changing, and therefore we ultimately determine the composition of the assets to be introduced and appropriate amount thereof by thoroughly examining the market and earnings characteristics not only at present, but also looking forward.

To improve operational efficiency of assets, the Group will work to further strengthen systems for collaborative cohesion within the Group.

##### **3) Optimizing Maintenance Costs**

Maintaining and improving rental asset value is the very lifeline of the construction equipment rental business, and maintenance costs are essential to that end, but we aim to reduce the cost ratio by consolidating and optimizing the expertise of the Group in

terms of expenditures.

#### 4) Promotion of overseas business

At each overseas business location, the Group will strive to create a stronger underpinning for revenue through strengthening the sales structure, including partner strategies, and giving utmost attention to asset and revenue management.

The Group aims to continue to further enhance overseas businesses as future growth engines.

#### (5) Main businesses (As of October 31, 2022)

Activities	Main products and services
Construction Equipment Rental Businesses	Rental and sale of equipment and instruments for use in construction, temporary materials for construction use, safety products for the construction industry, measuring instrument and modular housing units for temporary use
Other Businesses	Sale of steel products such as steel bar, steel plate and round bar, contract construction, rental and sale of computers and computer peripheral equipment, Rental and sales of social-welfare-service and nursing-care equipment

#### (6) Main offices of the Kanamoto Group (As of October 31, 2022)

##### 1) Main offices and facilities

Kanamoto's Head Office and Operations Control Headquarters are located in Chuo-ku in Sapporo, Hokkaido, and the Company's Business Coordination Headquarters is located in Minato-ku in Tokyo.

The number of branches in each of the Company's operating regions is shown below.

■Number of offices by region (excluding non-operating divisions)

	Region	Construction Equipment Rental Business		Other Businesses	
		Kanamoto	Consolidated subsidiaries	Kanamoto	Consolidated subsidiaries
Japan	Hokkaido	80	27	3	0
	Tohoku	59	15	0	0
	Kanto	41	29	1	5
	Chubu	24	9	0	0
	Kinki	9	16	0	9
	Chugoku	4	4	0	10
	Shikoku	4	1	0	0
	Kyushu	4	81	0	27
Overseas	China	0	3	0	0
	Australia	0	9	0	0
Total		419		55	

2) Number of Kanamoto Group employees

	Number of employees
Construction Equipment Rental Business	3,300
Other Businesses	331
All companies (shared)	201
Total	3,832

Notes: 1. Figures are the number of full-time employees and do not include directors, temporary or part-time employees.

2. The number of employees increased by 39 compared to the end of the previous fiscal year.

3. Employees designated as "All companies (shared)" are individuals affiliated with management departments who cannot be classified in a specific segment.

3) Number of Kanamoto employees

Number of employees	Change compared with end of prior fiscal year	Average age	Average length of service
2,028	+12	38.9	11.9 years

Note: Figures are the number of full-time employees and do not include temporary or part-time employees.

## (7) Important parent company affiliates and subsidiary companies

### 1) Parent company affiliates

The Company had no items to report.

### 2) Subsidiaries

Company name	Capital (Millions of yen)	Kanamoto's ownership (%)	Main activities
Assist Co., Ltd.	136	100.0	Rental and sale of furniture, fixtures and safety products
Kanatech Co., Ltd.	100	100.0	Design and sale of modular housing units for temporary use
Kanki Co., Ltd.	99	93.6	Rental and sale of construction equipment
KG Flowtechno Co., Ltd.	20	100.0	Developing a business in the rental and design, manufacture and sale of specialized equipment used for projects such as ground improvement work and the construction of underground structures
SOOKI HOLDINGS Co., Ltd.	1	100.0	Holding Company
Daiichi Kikaisangyo Co., Ltd.	20	100.0	Rental and sale of construction equipment
Toyo Industry Co., Ltd.	31	100.0	Shield tunneling method-related peripheral equipment rentals and sales
NISHIKEN CO., LTD.	1,119	79.7	Rental and sales of construction machinery, temporary materials for construction use, social-welfare-service and nursing-care equipment
Unite Co., Ltd.	1,144	66.9	Rental and sale of road construction equipment, road construction works
Kanamoto (China) Investment Co., Ltd.	2,376	100.0	Rental and sale of construction equipment
Kanamoto Australia Holdings Pty Ltd	5,687	100.0	Holding Company

Notes : 1. There are no specified wholly-owned subsidiaries as of the end of this fiscal year.

2. The holding ratio in Kanki Co., Ltd. is calculated excluding treasury shares.



**(8) Primary lenders and amount of borrowing (As of October 31, 2022)**

Financial institution	Loan balance (Millions of yen)
MUFG Bank, Ltd.	6,710
North Pacific Bank, Ltd.	6,145
The 77 Bank, Ltd.	4,910
The Hokkaido Bank, Ltd.	4,725
JA - Hokkaido Shinren	4,325
Mizuho Bank, Ltd.	3,315
The Norinchukin Bank	2,855
The Aomori Bank, Ltd.	1,210
The Bank of Fukuoka, Ltd.	1,145
THE NISHI-NIPPON CITY BANK, LTD.	1,145

**(9) Basic Policy Concerning Distribution of Earnings and Dividends for the Consolidated Fiscal Year under Review and Next Consolidated Fiscal Year**

Distribution of earnings to shareholders is a key management issue. The dividend policy of Kanamoto is to provide shareholders with a consistent and stable dividend regardless of the business environment. Furthermore, the Company aims to implement profit distribution in line with earnings performance. Moreover, it is the basic policy of Kanamoto to sufficiently build up its retained earnings, which is essential for strengthening financial position and to implement aggressive business expansion.

For the fiscal year ended October 2022, the Board of Directors has decided to pay a year-end dividend of ¥40 and an annual dividend of ¥75 per share (which includes an interim dividend of ¥35).

Furthermore, the Company aims to allocate retained earnings to capital investments, including facilities investment for rental equipment and other assets. Note that the company is putting a share buyback program into place to facilitate the flexible implementation of capital policies.

**(10) Summary of other important matters concerning the corporate group**

There are no material events that should be reported.

## 2. Matters Concerning the Company's Stock

### Summary of Common Stock (As of October 31, 2022)

- 1) Total number of shares authorized    **130,000,000 shares**
- 2) Shares issued and outstanding           **38,742,241 shares**  
(including 1,799,490 shares of treasury stock)
- 3) Number of shareholders                   **8,929**

#### 4) Principal shareholders (ten largest)

Shareholder name	Number of shares held ('000 shares)	Percentage of total (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	4,300	11.64
Custody Bank of Japan, Ltd. (Trust account)	2,566	6.95
SMBC Nikko Securities Inc.	1,047	2.84
ORIX Corporation	960	2.60
Kanamoto Capital Company	915	2.48
The Hokkaido Bank, Ltd.	888	2.41
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	826	2.24
Tokio Marine & Nichido Fire Insurance Co., Ltd.	802	2.17
North Pacific Bank, Ltd.	763	2.07
CEP LUX-ORBIS SICAV	744	2.01

Notes : 1. Percentage of total is calculated excluding treasury shares (1,799,490 shares).

2. The Company holds treasury share numbering 1,799,490 hundred shares. However, the Company is excluded from the above list of Principal shareholders.

#### 5) Status of shares granted to officers of the Company as compensation for their execution of duties during the fiscal year under review

Classification	Number of shares	Eligible for issuance
Directors	9,200 shares	8 directors

Note : Details of the Company's share-based remuneration are presented in "2) Matters concerning non-monetary remuneration, etc.

#### 6) Other important matters concerning stocks

Pursuant to a resolution made at the Board of Directors meeting held on December 10, 2021, the Company acquired 889,500 shares of treasury stock through buying on the market during the period from December 13, 2021 to March 14, 2022.

Also, Pursuant to a resolution made at the Board of Directors meeting held on

December 9, 2022, the Company will acquire up to 1,100,000 shares of treasury stock at a total cost of no more than ¥2.0 billion between December 12, 2022 and April 21, 2023 through buying on the market in order to increase shareholders' value.

### 3. Matters Concerning Stock Acquisition Rights etc.

The Company had no material items to report.

### 4. Matters Concerning Company Directors (As of October 31, 2022)

#### (1) Summary of directors and auditors

Name	Position and duties	Main concurrent positions at other entities
Kanchu Kanamoto	Chairman of the Board and Representative Director	Chairman of the Board, Kanamoto (China) Investment Co., Ltd.
Tetsuo Kanamoto	President and CEO, Corporate Officer; and General Manager, Business Coordination Headquarters	President and Representative Director, Toyo Industry Co., Ltd. Chairman of the Board and Representative Director, Unite Co., Ltd. Chairman of the Board and Representative Director, KG Flowtechno Co., Ltd. President and Representative Director, Soki Holdings Co., Ltd. Chairman of the Board and Representative Director, Kanki Co., Ltd.
Hitoshi Narita	Director, Corporate Officer; and Division Manager, Business Administration Division; and Division Manager, Used Products Sales Division	
Tatsuo Kanamoto	Director, Corporate Officer; Division Manager, Construction Equipment Rental Division; Regional Manager, Construction Equipment Rental Division Hokkaido Region; and Manager in charge of Steel Sales Division	

Kazunori Hashiguchi	Director, Corporate Officer; Division Manager Human Resources Division; General Manager, Business Development Office	
Akira Sannomiya	Director, Corporate Officer; Regional Manager, Construction Equipment Rental Division west japan Region; and Regional Manager, Construction Equipment Rental Division Kyusyu Region	
Jun Watanabe	Director, Corporate Officer; Division Manager, Construction Equipment Rental Division National Special Demand Sales Division; and General Manager New Products Office	President and Representative Director, KG Flowtechno Co., Ltd.
Shun Hirose	Director, Corporate Officer; Division Manager, Accounting Division; and General Manager, Public Relations Office; serving concurrently as Manager, Bill Collection Center	
Hideaki Yamashita	Director, Corporate Officer; Division Manager, Overseas Business Division	
Susumu Naito	Director (Outside Director)	
Eiji Arita	Director (Outside Director)	
Motoki Yonekawa	Director (Outside Director)	
Ayako Tabata	Director (Outside Director)	Lawyer
Tetsuya Okawa	Director (Outside Director)	Lawyer
Eichu Kanamoto	Standing Corporate Auditor	
Naoyuki Yokota	Standing Corporate Auditor	
Noriaki Ikushima	Auditor (Outside Auditor)	
Katsunori	Auditor (Outside Auditor)	President and Representative Director,

Matsushita		Hokusei Corporation Co., Ltd.
Yasushi Ishiwaka	Auditor (Outside Auditor)	Certified public accountant

- Notes: 1. Directors Susumu Naito, Eiji Arita, Motoki Yonekawa, Ayako Tabata and Tetsuya Okawa are Outside Directors.
2. Corporate Auditors Noriaki Ikushima, Katsunori Matsushita and Yasushi Ishiwaka are Outside Corporate Auditors.
3. Corporate Auditor Naoyuki Yokota and Corporate Auditor Katsunori Matsushita has many years of experience in the banking business, and has considerable knowledge of finance and accounting.
4. Corporate Auditor Yasushi Ishiwaka is a certified public accountant with considerable knowledge of finance and accounting.
5. The Company has notified the Tokyo Stock Exchange and Sapporo Securities Exchange, the exchanges on which Kanamoto's shares are listed, of the positions of directors Susumu Naito, Eiji Arita, Motoki Yonekawa, Ayako Tabata and Tetsuya Okawa as "independent officers" as provided by the rules, etc., of both exchanges.
6. The Company has notified the Tokyo Stock Exchange and Sapporo Securities Exchange, the exchanges on which Kanamoto's shares are listed, of the positions of Corporate Auditors Noriaki Ikushima, Katsunori Matsushita and Yasushi Ishiwaka as "independent officers" as provided by the rules, etc., of both exchanges.
7. Based on the provision of Article 427 paragraph 1 of the Companies Act, the Company has entered agreements with its outside directors and outside auditors that limits their liability for compensation for damages under Article 423 paragraph 1 of the same law. The amount of the limit on the liability for compensation for damages based on said agreement is the amount provided by the law.

## **(2) Summary of the directors and officers liability insurance policy**

The Company and certain subsidiaries has entered into a directors and officers liability insurance policy as provided for in Article 430-3 paragraph (1) of the Companies Act with an insurance company.

### **1) Scope of insureds**

The Company's and certain subsidiaries' directors, auditors and corporate officers

### **2) Summary of insurance policy terms**

The insurance policy covers losses that may arise when the insured assumes liability incurred in the course of the performance of duties or receives claims related to the pursuit of such liability. However, certain reasons, such as claims for damages pertaining to intentional violations of laws, will not be covered so as not to impair the appropriateness of the performance of duties by the insured. The full amount of the insurance premiums is borne by the Company.

### **(3) Total remuneration and other amounts paid to Directors and Auditors**

#### **1) Total amount of remuneration for the fiscal year under review**

Classification	Number of compensated individuals	Compensation amount (Millions of yen)	Remuneration by type (Millions of yen)	
			Basic reward	Non-monetary remuneration, etc.
Director	12(3)	114 (5)	100 (5)	14(—)
Auditor (Outside Auditor)	5(3)	30 (5)	30 (5)	—(—)
Total	17(6)	145(10)	131(10)	14(—)

- Notes : 1. Two Directors (Outside Directors) who received no remuneration are not included in the compensated individuals indicated above.
2. Total compensation paid to Directors does not include ¥108 million equivalent to the employee salary portion (including bonuses) paid to Directors serving concurrently as employees.

#### **2) Matters concerning non-monetary remuneration, etc.**

The Company has introduced a restricted share-based remuneration plan for directors (excluding outside directors; hereinafter, the “Eligible Directors”) with the aim of providing an incentive to sustainably increase the corporate value, and further promote shared value with shareholders. Eligible Directors shall, pursuant to a resolution of the Board of Directors of the Company, make contributions in-kind of all of the monetary remuneration claims received to have common shares of the Company issued or disposed of. The total amount of these monetary remuneration claims shall be no more than ¥100 million per year, and the total number of common shares of the Company to be issued or disposed of through this plan shall be no more than 50,000 shares per year. In addition, the specific timing and allocation of payment to individual Eligible Directors shall be determined by the Board of Directors.

#### **3) Matters concerning the resolution of the General Meeting of the Shareholders on remuneration, etc. for directors and auditors**

At the 26th Regular General Meeting of the Shareholders held on January 24, 1991, it was resolved that remuneration paid to directors shall be no more than ¥240 million per year (excluding salaries and bonuses received as an employee). The number of directors at the conclusion of the said Regular General Meeting of the Shareholders was nine. Furthermore, at the 56th Regular General Meeting of the Shareholders held on January 28, 2021, it was resolved that, separately from the above-mentioned annual remuneration, restricted share-based remuneration for directors (excluding outside directors) shall be no more than ¥100 million per year. The number of directors at the conclusion of the said Regular General Meeting of the Shareholders was nine.

At the 42nd Regular General Meeting of the Shareholders held on January 26, 2007, it was resolved that remuneration paid to auditors shall be no more than ¥50 million per year. The number of auditors at the conclusion of the said Regular General Meeting of the Shareholders was two.

#### **4) Matters concerning the policy for determining details of remuneration, etc. for individual directors**

Many directors of the Company concurrently serve as corporate officers. Directors' remuneration is a fixed amount paid in respect of management decision-making and the performance of supervisory functions, while corporate officers' remuneration is paid based on an assessment of business performance. Since a certain portion of the remuneration is linked to business performance and therefore functions as an incentive, directors' remuneration and corporate officers' remuneration are considered on a clearly separate basis.

Remuneration for outside directors shall be a fixed amount in light of their roles and independent position.

Remuneration for directors is entrusted solely to the President and CEO according to a resolution of the Board of Directors and is determined based on an evaluation of each director within the remuneration limits decided at the General Meeting of the Shareholders.

#### **5) Matters concerning delegation of the determination of the details of remuneration, etc. for individual directors**

Based on a resolution of the Board of Directors, the individual remuneration amount is delegated to the President and CEO Tetsuo Kanamoto. The reason for this delegation is that the Company has judged the President and CEO as appropriate to conduct evaluations of the departments that each director is in charge of while considering the Company's overall performance.

The Board of Directors has judged that individual remuneration, etc. are in accordance with the determination policy.

#### **(4) Matters concerning Outside Directors**

##### **1) Concurrent posts held by Company executives including positions at other companies**

The Company had no material items to report.

##### **2) Concurrent service as an outside director at other companies**

The Company had no material items to report.

##### **3) Relationships with specified related parties including main customers**

The Company had no material items to report.

##### **4) Activities during the current fiscal year**

Classification	Name	Activities
Director	Susumu Naito	Attended all of the five Board of Directors meetings held during the fiscal year and appropriately contributed the necessary advice and proposals concerning resolutions and discussions.
Director	Eiji Arita	Attended all of the five Board of Directors meetings held during the fiscal year and appropriately contributed the necessary advice and proposals concerning resolutions and discussions.
Director	Motoki Yonekawa	Attended all of the five Board of Directors meetings held during the fiscal year and appropriately contributed the necessary advice and proposals concerning resolutions and discussions.
Director	Ayako Tabata	Attended all of the five Board of Directors meetings held during the fiscal year and appropriately contributed the necessary advice and proposals concerning resolutions and discussions.
Director	Tetsuya Okawa	Attended all of the five Board of Directors meetings held during the fiscal year and appropriately contributed the necessary advice and proposals concerning resolutions and discussions.
Auditor	Noriaki Ikushima	Attended all of the five Board of Directors meetings and all of the eight Board of Corporate Auditors meetings held during the fiscal year, and appropriately contributed the necessary advice and proposals based on his experience involvement in administration and management through his participation in municipal government.
Auditor	Katsunori Matsushita	Attended all of the five Board of Directors meetings and all of the eight Board of Corporate Auditors meetings held during the fiscal year, and appropriately contributed the necessary advice and proposals based on his many years of employment and experience at



		financial institutions and his experience as a standing auditor at other companies.
Auditor	Yasushi Ishiwaka	Attended all of the five Board of Directors meetings and all of the eight Board of Corporate Auditors meetings held during the fiscal year, and appropriately contributed the necessary advice and proposals based mainly on his expert perspective as a certified public accountant.

Note : In addition to the above, to achieve more rapid decision-making the Company implemented resolutions in writing 6 times based on the provision of Article 370 of the Companies Act.

## 5. Matters Concerning Independent Auditors

### (1) Name

Ernst & Young ShinNihon LLC

### (2) Amount of compensation and other benefits

	Amount paid (Millions of yen)
Amount paid for compensation etc. as independent auditors pertaining to the current fiscal year	54
Total amount of cash and other financial interests Kanamoto and its subsidiary companies will pay to the Company's independent auditors	75

Notes : 1. The amount of compensation and other benefits pertaining to the current fiscal year is reported in these total amounts because the amounts of the audit fees etc. for audits based on the Companies Act and audits based on the Financial Instruments and Exchange Act are not classified separately and cannot be substantively classified in the audit agreement between the Company and its independent auditors.

2. The Board of Corporate Auditors comprehensively examined the details of audit plans by the accounting auditor, the status of its execution of duties in accounting and others audit, as well as referring to past remuneration of the accounting auditor before agreeing on the remuneration amount, etc. for the accounting auditor.

### (3) Details of Non-audit Duties

The Company had no material items to report.

### (4) Policy for deciding on dismissal or refusal of reappointment

If the Board of Corporate Auditors judges that the accounting auditor falls under any of the items in Article 340, paragraph (1) of the Companies Act, and that there is no prospect of improvement, the Audit Committee shall dismiss the accounting auditor by

unanimous decision.

Furthermore, the Board of Corporate Auditors shall decide whether to dismiss or refuse to reappoint the accounting auditor in cases that the Board of Corporate Auditors judges that the above action is needed, such as when it is recognized that audits cannot be conducted appropriately due to the occurrence of events that harm the competence and independence of the accounting auditor.

## **6. System and Operating Status for Ensuring Appropriate Business Operations**

### **(1) System for Ensuring Appropriate Business Operations**

Pursuant to the Board of Directors meeting held on January 28, 2021, the Company has resolved to partially revise its "Basic Policy on Establishment of an Internal Control System." In conjunction with this, the Company has revised its matters concerning individuals requested by the auditors to assist with auditors' activities. A summary of the Company's decisions concerning the above revisions is provided below.

#### **1) System to ensure directors and employees comply with laws and the Articles of Incorporation in the execution of their duties**

Kanamoto Company, Ltd. and its subsidiaries have prepared Ethics Guidelines as part of the corporate philosophy, and use these as the Company standard for compliance. Under the Compliance Committee chaired by Kanamoto's president, the Company has disseminated these Guidelines throughout the Company and established a system for compliance with laws and the Ethics Guidelines, and has prepared a handbook summarizing Kanamoto's corporate philosophy and employee conduct standards, which it distributes to all executives and regular employees to increase compliance awareness. As a consultation and reporting system, Kanamoto also has set up in-house and external compliance hotlines, and created a system to resolve problems quickly when consultations or reports are received directly from employees and other individuals, while strictly observing confidentiality and ensuring that individuals who report problems do not suffer any disadvantages. Furthermore, the Company has established a Legal Section reporting directly to the president, to act as an advisory panel for important legal issues, and a system to enable the Company to give proper legal consideration to all decision making.

#### **2) System for preserving and managing information concerning the execution of directors' duties**

Kanamoto retains documents and various information in accordance with laws and ordinances and its internally established document administration regulations and document retention rules. Information is controlled in accordance with internal information management regulations and general data management rules, and personal data are administered in accordance with personal data protection rules and the Company's personal data protection manual.

### **3) Rules and other systems concerning management of loss risk**

Kanamoto and its subsidiaries have established mechanisms to recognize and evaluate risks related to the business activities of each division, and prepared systems to avoid such risks. This has created a system capable of clarifying the authority and responsibilities of each division, supervising risk management conditions throughout the organization under the Board of Directors and discovering new risks. If unforeseen circumstances have occurred that will have a serious effect on the Company operations, or if there is concern such circumstances might occur, the Company and its subsidiaries will respond appropriately, and take measures to prevent a recurrence, based on its Emergency Response Manual (Contingency Plan).

### **4) System for ensuring efficient execution of directors' duties**

In addition to its regular Board of Directors meetings, Kanamoto and its subsidiaries hold extraordinary Board of Directors meetings from time to time as necessary to decide important matters and to make flexible decisions concerning the execution and supervision of management strategies and the Company's business plans. The Company's Board of Directors receives reports on important matters including the financial condition and other matters of the Company's subsidiaries. For its management plan, the Company establishes budgets for the next business fiscal year and medium-term future, which gives the managers of each division the Company's overall objectives based on specific numerical targets. Each division sets division-wide objectives, and executes progress management and specific measures aimed at achieving its goals. Kanamoto has also introduced the corporate officer system to accelerate management decision-making and clarify supervisory authority and responsibility for plan execution, and each corporate officer is responsible for achieving the management plan approved by the Board of Directors. To respond quickly to the severe pace of change in its management environment, the Company has also shortened the directors' term of office to one year.

### **5) System to ensure appropriate activities at Kanamoto and within the corporate group comprised of the parent company and subsidiaries**

To apply Kanamoto's Ethics Guidelines correspondingly to each company in the Kanamoto Group, the Company has decided to enlarge the scope of the Compliance Committee and the consultation and reporting system to every group firm, to ensure the effectiveness of business activities is as extensive as possible.

In addition, in accordance with the provisions of the Financial Instruments and Exchange Act, the Company and its affiliates maintain an excellent management environment, and work to strengthen company-wide internal controls, internal controls pertaining to settlement of accounts financial reports and operating process control activities, create internal control systems that enable the Company to make proper and effective assessments and conduct appropriate operations. Furthermore, under Kanamoto's internal management system concerning financial reporting, each organization (individual) has affirmed the following roles.

- [1] Managers have the final responsibility for all of the organization's activities, and prepare and implement internal controls based on this basic policy.
- [2] The Board of Directors has supervisory responsibility for the preparation and operation of the managers' internal controls, and monitors and supervises managers to ensure the financial reporting and internal controls are executed properly.
- [3] The auditors monitor and verify the financial reporting and preparation and operation of the internal controls from an independent standpoint.
- [4] The Internal Control and Auditing Office objectively evaluates from an independent standpoint, the effectiveness of the internal controls related to financial reporting at Kanamoto and its affiliated companies on behalf of the Company's managers in accordance with the audit rules, and when necessary makes proposals concerning improvements and corrections and reports to the managers and Board of Directors.

#### **6) Matters concerning individuals requested by the auditors to assist with auditors' activities**

With regard to employees to assist auditors in their activities, the Company will appoint audit staff to provide operational assistance upon request of auditors. With regard to the matters designated by auditors to be provided assistance for, the management authority for the nominated employees will be transferred to the auditors, and the employees will not receive instructions or orders from the Company's directors, thereby ensuring the effectiveness of instructions from auditors.

#### **7) Matters related to the independence of employees in the preceding paragraph from directors**

Personnel matters for employees assigned to audit activities (appointments, transfers and evaluations) will have the consent of the auditors.

**8) System for directors and employees to report to the auditors, other systems concerning reports to auditors, and other systems to ensure audits are performed effectively**

To perform audits of the directors, the Company's auditors attend the meetings of the Board of Directors, and also attend important meetings and committees, in order to understand other important decisions and the circumstances of execution of the Company's business activities. If the directors and employees of Kanamoto and its subsidiaries discover facts that might cause the Company considerable harm, they are to report immediately to the auditors. The standing auditors will circulate a report and request for managerial decision, and if necessary can request explanations from the directors and employees. Those who reported to the auditors shall not be treated unfavorably on the grounds of giving such report.

The auditors also meet regularly with the president and representative director, to exchange opinions concerning issues the Company should address and important audit matters. After audits are completed, the Internal Control and Auditing Office promptly submits an Auditors' Report concerning the audit results to the president and representative director and the auditors.

The auditors and the Internal Control and Auditing Office also exchange information and cooperate in other ways with outside specialists, including the accounting auditors and the Company's attorneys.

**9) Matters regarding policies related to processing of expenses or liabilities arising from the execution of auditors' duties**

In regards to procedures for prepayment or reimbursement of expenses arising from execution of auditors' duties and processing of expenses or liabilities arising from execution of auditors' duties, such expenses or liabilities are accounted for upon requests made by the auditors, except where the requests cannot be considered necessary for the execution of auditors' duties.

**10) System for eliminating antisocial forces**

In its Ethics Guidelines, Kanamoto has adopted a resolute stance and set forth provisions to block all transactions and relationships with antisocial forces, individuals and groups that threaten the order and safety of society and the stable operation of firms. In addition to gathering information from specialized external agencies and other sources at an internal division, the Company works to educate employees through programs such as internal training. Moreover, in an emergency the Company will cooperate with the police authorities having jurisdiction, its advising attorney and other institutions and individuals, to organizationally block and eliminate unwarranted demands from antisocial elements.

## **(2) Operating Effectiveness of Internal Controls**

In accordance with the provisions of the Financial Instruments and Exchange Act, Kanamoto and its subsidiaries evaluate the design and operating effectiveness of internal controls for each period and have the accounting auditor conduct audits on the appropriateness.

In addition, for the purpose of maintaining and enhancing the level of control, the Internal Control and Auditing Office conducts audits of Kanamoto and its affiliated companies for each period, and when necessary, reports to the managers, Board of Directors, Board of Auditors and Internal Control Committee.

## **7. Kanamoto's Basic Policy Concerning Dividends**

The Company had no applicable items to report.

# *Consolidated Financial Statements*

*58th Business Period*

*From November 1, 2021*

*to October 31, 2022*

*Kanamoto Co., Ltd.*

## Consolidated Balance Sheet

(As of October 31, 2022)

( Millions of Yen)

Classification	Amount	Classification	Amount
<b>(Assets)</b>		<b>(Liabilities)</b>	
<b>Current assets</b>	<b>118,066</b>	<b>Current liabilities</b>	<b>82,465</b>
Cash and deposits	47,565	Notes and accounts payable - trade	33,714
Notes and accounts receivable - trade and contract asset	38,452	Short-term loans payable	14,893
Electronically recorded monetary claims - operating	8,025	Lease liabilities	1,444
Merchandise and finished goods	1,729	Income taxes payable	1,957
Raw materials and supplies	1,432	Provision for bonuses	1,579
Construction machine parts	17,047	Accounts payable - other	24,853
Other	4,098	Other	4,022
Allowance for doubtful accounts	-284	<b>Non-current liabilities</b>	<b>82,242</b>
<b>Total non-current assets</b>	<b>187,253</b>	Long-term borrowings	34,659
<b>Property, plant and equipment</b>	<b>161,728</b>	Lease liabilities	3,179
Rental equipment, net	100,616	Long-term accounts payable-other	41,121
Buildings and structures, net	18,581	Retirement benefit liability	374
Machinery, equipment and vehicles, net	1,576	Asset retirement obligations	657
Tools, furniture and fixtures	552	Deferred tax liabilities	2,095
Land	38,688	Other	<b>154</b>
Lease assets	169	<b>Total Liabilities</b>	<b>164,708</b>
Construction in progress	1,542	<b>(Net Assets)</b>	
<b>Intangible assets</b>	<b>6,717</b>	<b>Shareholders' equity</b>	<b>127,616</b>
Goodwill	3,810	Share capital	17,829
Customer relationship	1,395	Capital surplus	19,332
Other	1,511	Retained earnings	94,399
<b>Investments and other assets</b>	<b>18,808</b>	Treasury shares	-3,945
Investment securities	9,699	<b>Accumulated other comprehensive income</b>	<b>4,342</b>
Deferred tax assets	2,370	Valuation difference on available-for-sale securities	2,181
Long-term loans receivable	5,213	Foreign currency translation adjustment	2,198
Other	2,081	Remeasurements of defined benefit plans	-37
Allowance for doubtful accounts	-556	<b>Non-controlling interests</b>	<b>8,652</b>
<b>Total Assets</b>	<b>305,320</b>	<b>Total Net Assets</b>	<b>140,611</b>
		<b>Total liabilities and net assets</b>	<b>305,320</b>



## Consolidated Statement of Income

(From November 1, 2021 to October 31, 2022)

(Millions of Yen)

Classification	Amount	
<b>Net sales</b>		<b>188,028</b>
<b>Cost of sales</b>		<b>132,196</b>
<b>Gross profit</b>		<b>55,831</b>
<b>Selling, general and administrative expenses</b>		<b>42,602</b>
<b>Operating profit</b>		<b>13,229</b>
<b>Non-operating income</b>		<b>1,086</b>
Interest income and dividends	243	
Insurance claim income	35	
Rent income	77	
Temporary transfer charges income	77	
Foreign exchange gains	262	
Reversal of allowance for doubtful accounts	40	
Other	349	
<b>Non-operating expenses</b>		<b>536</b>
Interest expenses	102	
Loss on cancellation of lease	38	
Waste disposal costs	62	
Compensation for damage	122	
Provision of allowance for doubtful accounts	19	
Other	190	
<b>Ordinary profit</b>		<b>13,780</b>
<b>Extraordinary income</b>		<b>196</b>
Gain on sales of non-current assets	19	
Gain on sale of shares of subsidiaries and associates	6	
Gain on revision of retirement benefit plan	34	
Gain on extinguishment of tie-in shares	135	
<b>Extraordinary loss</b>		<b>402</b>
Loss on sale and retirement of non-current assets	222	
Loss on valuation of investment securities	4	
Loss on valuation of shares of subsidiaries and associates	174	
<b>Profit before income taxes</b>		<b>13,574</b>
Income taxes-current	4,174	
Income taxes-deferred	344	<b>4,518</b>
<b>Income before minority interests</b>		<b>9,056</b>
Minority interests in income		711
<b>Profit attributable to owners of parent</b>		<b>8,345</b>

**Consolidated statements of income and consolidated statements of comprehensive income**

**Consolidated statements of income**

Fiscal year ended October 31, 2022

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	17,829	19,326	89,048	-1,978	124,226
Cumulative effects of changes in accounting policies			-0		-0
Restated balance	17,829	19,326	89,048	-1,978	124,226
Changes during period					
Dividends of surplus			-2,994		-2,994
Profit attributable to owners of parent			8,345		8,345
Change in ownership interest of parent due to transactions with non-controlling interests		5			5
Purchase of treasury shares				-2,000	-2,000
Restricted stock compensation		0		33	33
Net changes in items other than shareholders' equity					
Total changes during period	-	6	5,350	-1,967	3,389
Balance at end of period	17,829	19,332	94,399	-3,945	127,616

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	2,249	0	541	-60	2,729	7,960	134,917
Cumulative effects of changes in accounting policies							-0
Restated balance	2,249	0	541	-60	2,729	7,960	134,917
Changes during period							
Dividends of surplus					-		-2,994
Profit attributable to owners of parent					-		8,345
Change in ownership interest of parent due to transactions with non-controlling interests					-		5
Purchase of treasury shares					-		-2,000
Restricted stock compensation					-		33
Net changes in items other than shareholders' equity	-67	-0	1,657	23	1,612	692	2,304
Total changes during period	-67	-0	1,657	23	1,612	692	5,694
Balance at end of period	2,181	-	2,198	-37	4,342	8,652	140,611

# The Accounting Auditor's Report of Consolidated Financial Statements

## Independent Auditor's Report

December 16, 2022

Kanamoto Co., Ltd.  
To the Board of Directors,

Ernst & Young ShinNihon LLC  
Sapporo Office, Japan  
Tatsuro Hayashi  
Designated limited liability partner  
Managing Partner  
Certified public accountant  
  
Mitsuhiro Fujimori  
Designated limited liability partner  
Managing Partner  
Certified public accountant

### Audit Opinion

Pursuant to Article 444, Section 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity and the notes to the consolidated financial statements, of Kanamoto Co., Ltd. ("the Company") applicable to the fiscal year from November 1, 2021 to October 31, 2022.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Kanamoto Group, which consisted of the Company and its consolidated subsidiaries, in the fiscal year under review in accordance with accounting principles generally accepted in Japan.

### Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other information

The other information comprises the information included in the Company's Report of Business Operations and its supplementary schedules. Management is responsible for preparing and disclosing the other information. Corporate Auditors and the Board of Corporate Auditors are responsible for overseeing the Directors' execution of duties

relating to the design, implementation and maintenance of the Company's reporting other information process.

The other information does not fall under the scope of our opinion on the consolidated financial statements, etc., and we express no opinion on the other information.

Our responsibility in auditing the consolidated financial statements, etc. is to read through the other information and, in the course of reading, consider whether there are any material differences between the other information and the consolidated financial statements, etc. or our knowledge obtained in the course of our audit, and to pay attention to whether there are any other signs of material errors in the other information in addition to such material differences.

If, based on the work we have performed, we determine that there are material errors in the other information, we are required to report that fact. We have nothing to report with respect to the other information.

#### Responsibilities of Management, Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan; this includes the maintenance and operation of such internal control as management determines is necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements with the assumption of the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

Corporate Auditors and the Board of Corporate Auditors are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

#### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the decisions of users taken on the basis of the consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and

appropriate to provide a basis for our opinion.

- Consider, in making those risk assessments, internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates by management and related notes thereto.
- Conclude on the appropriateness of management's use of the going concern basis for preparing the consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the consolidated financial statements or, if the notes to the consolidated financial statements on material uncertainty are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the consolidated financial statements and the notes thereto are in accordance with accounting standards generally accepted in Japan, as well as evaluate the overall presentation, structure and content of the consolidated financial statements, including the related notes thereto, and whether the consolidated financial statements fairly represent the underlying transactions and accounting events.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion. We communicate with Corporate Auditors and the Board of Corporate Auditors regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

We also provide Corporate Auditors and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements in Japan regarding independence that are relevant to our audit of the financial statements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

#### Conflicts of Interest

Our firm and the designated engagement partners have no interest in the Company and its consolidated subsidiaries which should be disclosed in accordance with the Certified Public Accountants Act.

*Non-Consolidated  
Financial Statements*

*58th Business Period  
From November 1, 2021  
to October 31, 2022*

*Kanamoto Co., Ltd.*

## Balance Sheet

(As of October 31, 2022)

( Million of Yen)

Classification	Amount	Classification	Amount
<b>(Assets)</b>		<b>(Liabilities)</b>	
<b>Current assets</b>	<b>75,448</b>	<b>Current liabilities</b>	<b>57,628</b>
Cash and deposits	28,264	Notes payable-trade	18,120
Notes and accounts receivable - trade and contract asset	23,693	Accounts payable-trade	5,988
Electronically recorded monetary claims - operating	5,476	Short-term loans payable	10,490
Merchandise and finished goods	392	Income taxes payable	1,019
Raw materials and supplies	899	Provision for bonuses	764
Construction machine parts	13,495	Accounts payable-other	19,481
Prepaid expenses	416	Accrued expenses	486
Short-term loans receivable	1,831	Notes payable-facilities	445
Other	1,033	Other	832
Allowance for doubtful accounts	-55	<b>Noncurrent liabilities</b>	<b>61,833</b>
<b>Noncurrent assets</b>	<b>151,405</b>	Long-term borrowings	28,125
<b>Property, plant and equipment</b>	<b>109,733</b>	Long-term accounts payable-other	33,333
Rental equipment, net	60,720	Asset retirement obligations	375
Buildings, net	9,816	<b>Total Liabilities</b>	<b>119,462</b>
Structures, net	2,347	<b>(Net Assets)</b>	
Machinery and equipment, net	970	<b>Shareholders' equity</b>	<b>105,255</b>
Vehicles and delivery equipment	88	<b>Share capital</b>	<b>17,829</b>
Tools, furniture and fixtures	250	<b>Capital surplus</b>	<b>19,340</b>
Land	34,194	Legal capital surplus	18,950
Construction in progress	1,344	Other capital surplus	390
<b>Intangible assets</b>	<b>569</b>	<b>Retained earnings</b>	<b>72,030</b>
Software	507	Legal retained earnings	1,375
Telephone subscription right	19	Other retained earnings	70,655
Other	41	Reserve for advanced depreciation of noncurrent assets	22
<b>Investments and other assets</b>	<b>41,103</b>	General reserve	62,731
Investment securities	5,647	Retained earnings brought forward	7,900
Stocks of subsidiaries and affiliates	28,747	<b>Treasury stock</b>	<b>-3,945</b>
Deferred tax assets	734	<b>Valuation and translation adjustments</b>	<b>2,137</b>
Investments in capital	13	Valuation difference on available-for-sale securities	2,137
Long-term loans receivable	5,825	<b>Total Net Assets</b>	<b>107,392</b>
Other	1,043		
Allowance for doubtful accounts	-908		
<b>Total Assets</b>	<b>226,854</b>	<b>Liabilities and Total Net Assets</b>	<b>226,854</b>

## Statement of Income

(From November 1, 2021 to October 31, 2022)

(Million of Yen)

Classification	Amount	
<b>Net sales</b>		<b>115,714</b>
<b>Cost of sales</b>		<b>85,975</b>
<b>Gross profit</b>		<b>29,739</b>
<b>Selling, general and administrative expenses</b>		<b>23,276</b>
<b>Operating income</b>		<b>6,462</b>
<b>Non-operating income</b>		<b>1,410</b>
Interest income and dividends	299	
Rent income	336	
Temporary transfer charges income	230	
Foreign exchange gain	261	
Reversal of allowance for doubtful accounts	40	
Other	242	
<b>Non-operating expenses</b>		<b>418</b>
Interest expenses	57	
Compensation for damage	122	
Other	238	
<b>Ordinary income</b>		<b>7,454</b>
<b>Extraordinary income</b>		<b>146</b>
Gain on sales of noncurrent assets	10	
Gain on extinguishment of tie-in shares	135	
Gain on valuation of shares of subsidiaries and	0	
<b>Extraordinary loss</b>		<b>340</b>
Loss on sales and retirement of noncurrent assets	160	
Loss on valuation of investment securities	4	
Loss on valuation of shares of subsidiaries and associates	174	
<b>Income before income taxes</b>		<b>7,261</b>
Income taxes-current	2,136	
Income taxes-deferred	165	<b>2,301</b>
<b>Net income</b>		<b>4,959</b>



## Statement of Changes in Net Assets

(From November 1, 2021 to October 31, 2022)

(Million of Yen)

	Shareholders' equity								
	Capital stock	Capital surplus			Retained earnings				
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings			Total retained earnings
					Reserve for advanced depreciation of noncurrent assets	General reserve	Retained earnings brought forward		
Balance at beginning of current period	17,829	18,950	389	19,340	1,375	22	62,731	5,936	70,065
Cumulative effects of changes in accounting policies								-0	-0
Restated balance	17,829	18,950	389	19,340	1,375	22	62,731	5,935	70,065
Changes of items during period									
Dividends of surplus				-				-2,994	-2,994
Profit				-				4,959	4,959
Acquisition of treasury stock				-					-
Transfer-restricted stock-based compensation			0	0					-
Net changes of items other than shareholders' equity				-					-
Total changes of items during period	-	-	0	0	-	-	-	1,964	1,964
Balance at end of current period	17,829	18,950	390	19,340	1,375	22	62,731	7,900	72,030

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	-1,978	105,257	2,223	2,223	107,480
Cumulative effects of changes in accounting policies		-0			-0
Restated balance	-1,978	105,256	2,223	2,223	107,480
Changes of items during period					
Dividends of surplus		-2,994		-	-2,994
Profit		4,959		-	4,959
Acquisition of treasury stock	-2,000	-2,000		-	-2,000
Transfer-restricted stock-based compensation	33	33		-	33
Net changes of items other than shareholders' equity		-	-86	-86	-86
Total changes of items during period	-1,967	-1	-86	-86	-88
Balance at end of current period	-3,945	105,255	2,137	2,137	107,392

# The Accounting Auditor's Report of Financial Statements

## Independent Auditor's Report

December 16, 2022

Kanamoto Co., Ltd.

To the Board of Directors,

Ernst & Young ShinNihon LLC

Sapporo Office, Japan

Takuro Hayashi

Designated limited liability partner

Managing Partner

Certified public accountant

Mitsuhiro Fujimori

Designated limited liability partner

Managing Partner

Certified public accountant

### Audit Opinion

Pursuant to Article 436, paragraph (2), item (i) of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in equity, the notes to non-consolidated financial statements, and the supplementary schedules (collectively, "financial statements, etc.") of Kanamoto Co., Ltd. (the "Company"), applicable to the 58th Business Period from November 1, 2021 to October 31, 2022.

In our opinion, non-consolidated financial statements, etc. referred to above present fairly, in all material respects, the financial position and results of operations of Kanamoto Co., Ltd. in the fiscal year under review in accordance with accounting principles generally accepted in Japan.

### Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements section of our report. We are independent of the Company and its non-consolidated subsidiaries in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other information

The other information comprises the information included in the Company's Report of Business Operations and its supplementary schedules. Management is responsible for preparing and disclosing

the other information. Corporate Auditors and the Board of Corporate Auditors are responsible for overseeing the Directors' execution of duties relating to the design, implementation and maintenance of the Company's reporting other information process.

The other information does not fall under the scope of our opinion on the non-consolidated financial statements, etc., and we express no opinion on the other information.

Our responsibility in auditing the non-consolidated financial statements, etc. is to read through the other information and, in the course of reading, consider whether there are any material differences between the other information and the non-consolidated financial statements, etc. or our knowledge obtained in the course of our audit, and to pay attention to whether there are any other signs of material errors in the other information in addition to such material differences.

If, based on the work we have performed, we determine that there are material errors in the other information, we are required to report that fact. We have nothing to report with respect to the other information.

#### Responsibilities of Management, Corporate Auditors and the Board of Corporate Auditors for the Non-Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements in accordance with accounting principles generally accepted in Japan; this includes the maintenance and operation of such internal control as management determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing whether it is appropriate to prepare the non-consolidated financial statements with the assumption of the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

Corporate Auditors and the Board of Corporate Auditors are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

#### Responsibilities of Management, Corporate Auditors and the Board of Corporate Auditors for the Non-Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements in accordance with accounting principles generally accepted in Japan; this includes the maintenance and operation of such internal control as management determines is necessary to enable the preparation and fair presentation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the non-consolidated financial statements with the assumption of the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

Corporate Auditors and the Board of Corporate Auditors are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

#### Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the non-consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the decisions of users taken on the basis of the non-consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider, in making those risk assessments, internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates by management and related notes thereto.
- Conclude on the appropriateness of management's use of the going concern basis for preparing the non-consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the financial statements or, if the notes to the financial statements on material uncertainty are inadequate, to express a qualified opinion with exceptions on the non-consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the financial statements and the notes thereto are in accordance with accounting standards generally accepted in Japan, as well as evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the related notes thereto, and whether the non-consolidated financial statements fairly represent the underlying transactions and accounting events.

We communicate with Corporate Auditors and the Board of Corporate Auditors regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

We also provide Corporate Auditors and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements in Japan regarding independence that are relevant to our audit of the non-consolidated financial statements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

## Conflicts of Interest

Our firm and the designated engagement partners have no interest in the Company and its consolidated subsidiaries which should be disclosed in accordance with the Certified Public Accountants Act.

## **Audit Report**

The Board of Corporate Auditors has received the audit reports prepared by each of the Corporate Auditors concerning the business performance of the Directors during the 58th Business Period from November 1, 2021 through October 31, 2022. After discussing the audit results based on the reports, we have prepared this Audit Report and report as follows as the consensus of opinion of the Board of Corporate Auditors.

1. Procedures and details of the audits by the Corporate Auditors and the Board of Corporate Auditors

(1) The Board of Corporate Auditors establishes the audit policies, audit plans and other matters, and receives reports concerning the implementation of audits and the audit result from each of the Corporate Auditors as well as reports from the Directors and the Accounting Auditor concerning the execution of their duties, and requests explanations as necessary.

(2) In addition to communicating with the Directors, the internal audit division, employees and other individuals in accordance with the standards for Corporate Auditors and audits provided by the Board of Corporate Auditors and in compliance with the audit policy and audit plan, and gathering information and striving to improve the audit environment, each Corporate Auditor performed audits according to the following procedures:

(i) Each Corporate Auditor attended the Board of Directors meetings and other important meetings, received reports from Directors, employees and other individuals on their execution of duties and requested explanations from the Directors, other employees and other individuals when necessary as well as reviewed documents concerning matters such as important decisions and conducted inspections of the business and financial condition at the Company's Head Office and main branches. With respect to subsidiaries, each Corporate Auditor communicated and exchanged information with the Directors and Corporate Auditors of such subsidiaries and received business reports therefrom as necessary.

(ii) Each Corporate Auditor regularly received reports from the Company's Directors and employees, and requested explanations and clarified opinions when necessary, regarding the contents of Board of Director resolutions concerning the establishment of the organization provided in Article 100 paragraph (1) and paragraph (3) of the Ordinance for Enforcement of the Companies Act, and the status of operation of the organization (internal controls system) that has been established based on said resolutions, as the organization necessary to ensure that the Directors comply with laws and the Company's Articles of Incorporation in the execution of their duties as described in the Report of Business Operations and to ensure the appropriateness of other operations of the corporate group, which consists of a stock company and the subsidiaries thereof.

(iii) Each Corporate Auditor monitored and verified whether or not the Accounting Auditor performed audits properly while maintaining an independent position as well as received reports from the Accounting Auditor on the execution of duties thereby and requested explanations when necessary. Each Corporate Auditor was also notified by the Accounting Auditor that the System for Securing the Proper Performance of Duties (matters listed in the items of Article 131 of the Ordinance on Company Accounting) was developed in accordance with the Standards for Quality Control of Audits (Business Accounting Council, October 28, 2005), and requested explanations as necessary.

Based on the above procedures, the Board of Corporate Auditors reviewed the Report of Business

Operations and the supporting schedules, the Non-Consolidated Financial Statements (Balance Sheet, Statement of Income, Statement of Changes in Net Assets and Notes to the Financial Statements) and the supporting schedules and the Consolidated Financial Statements (Consolidated Balance Sheet, Consolidated Statement of Income, Consolidated Statement of Changes in Net Assets and Notes to the Consolidated Financial Statements) for the business period.

## 2. Result of audit

### (1) Audit result of the Report of Business Operations, etc.

(i) The Report of Business Operations and its supporting schedules fairly represent the condition of the Company in accordance with the laws of Japan and the Articles of Incorporation of the Company.

(ii) We have determined that there was no serious occurrence of improper activity or violation of laws or the Company's Articles of Incorporation by any of the Directors in carrying out the duties and responsibilities of their office.

(iii) In our opinion, the details of the Board of Directors resolutions concerning the internal controls system are appropriate. We also have determined that there are no matters that should be highlighted as a concern with regard to the information contained in the Report of Business Operations and the Directors in carrying out their duties concerning the internal controls system.

### (2) Non-Consolidated Financial statement and audit result of the supporting schedules

In our opinion, the audit procedures and audit results received from the Accounting Auditor Ernst & Young ShinNihon LLC are appropriate.

### (3) Audit result of consolidated financial statements

In our opinion, the audit procedures and audit results received from the Accounting Auditor Ernst & Young ShinNihon LLC are appropriate.

December 23, 2022

Kanamoto Co., Ltd.

The Board of Corporate Auditors

Standing Corporate Auditor	Eichu Kanamoto	Seal
Standing Corporate Auditor	Naoyuki Yokota	Seal
Outside Corporate Auditor	Noriaki Ikushima	Seal
Outside Corporate Auditor	Katsunori Matsushita	Seal
Outside Corporate Auditor	Yasushi Ishiwaka	Seal