



Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending September 30, 2023 [Japanese GAAP]

May 9, 2023

Company Name: Kanamic Network Co., Ltd. Stock Exchange Listing: Tokyo
 Stock Code: 3939 URL: <http://www.kanamic.net/>
 Representative: Representative Director and President: Takuma Yamamoto
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 Scheduled date to submit quarterly securities report: May 10, 2023 Scheduled date to commence dividend payments: —
 Availability of supplementary briefing material on quarterly financial results: Yes
 Quarterly financial results briefing: Yes (for securities analysts and institutional investors)

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Second Quarter of Fiscal Year ending September 30, 2023 (From October 1, 2022 to March 31, 2023)

(1) Consolidated Operating Results (Cumulative) (Percentages indicate year-on-year changes from the previous corresponding period)

	Net Sales		EBITDA*		Operating Profit		Ordinary Profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Second Quarter ended										
March 31, 2023	1,736	62.6	694	35.7	559	28.6	565	29.9	405	35.5
March 31, 2022	1,068	2.4	511	6.0	435	3.9	435	2.9	299	1.4

(Reference) Comprehensive income: Second Quarter ended March 31, 2023: 404 million yen (34.1%) Second Quarter ended March 31, 2022: 301 million yen (1.8%)

* EBITDA = Operating profit + Depreciation (property, plant and equipment; intangible assets) + Amortization of goodwill

	Basic profit per share	Basic diluted profit per share
	Yen	Yen
Second Quarter ended		
March 31, 2023	8.55	8.09
March 31, 2022	6.31	6.00

(2) Consolidated financial position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	Millions of Yen	Millions of Yen	%
Second Quarter ended March 31, 2023	6,508	2,816	43.3
Fiscal year ended September 30, 2022	6,506	2,548	39.1

(Reference) Shareholder's equity: Second Quarter ended March 31, 2023: 2,816 million yen Fiscal year ended September 30, 2022: 2,544 million yen

2. Dividends

	Annual cash dividends per share				
	First Quarter End	Second Quarter End	Third Quarter End	Fiscal Year End	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal Year ended September 30, 2022	—	0.00	—	3.00	3.00
Fiscal Year ending September 30, 2023	—	0.00			
Fiscal Year ending September 30, 2023 (forecast)			—	3.50	3.50

(Note) Revisions in dividend forecast subsequent to most recent announcement: None

3. Forecast for the consolidated financial results for the fiscal year ending September 30, 2023 (from October 1, 2022 to September 30, 2023)

(% indicates YoY change from the previous corresponding fiscal year)

	Net Sales		EBITDA*		Operating Profit		Ordinary Profit		Profit attributable to owners of parent		Profit Per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full Year	3,600	43.8	1,400	22.8	1,150	19.4	1,150	17.2	800	16.7	16.86

(Note) Changes in consolidated financial results forecasts subsequent to most recent announcement: No

* EBITDA = Operating profit + Depreciation (property, plant and equipment; intangible assets) + Amortization of goodwill

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

(2) Special accounting methods adopted for the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates and restatements

① Changes in accounting policies due to the revision of accounting standards : None

② Changes in accounting policies other than ① : None

③ Changes in accounting estimates : None

④ Restatements : None

(4) Total number of issued shares (common shares)

① Total number of issued shares at the end of the fiscal year (including treasury shares):	Second quarter ended March 31, 2023	48,132,000 Shares	Fiscal Year ended September 30, 2022	48,132,000 Shares
② Total number of treasury shares at the end of the fiscal year:	Second quarter ended March 31, 2023	659,906 Shares	Fiscal Year ended September 30, 2022	676,906 Shares
③ Average number of shares during the first quarter (quarter-to-date)	Second quarter ended March 31, 2023	47,461,726 Shares	Second quarter ended March 31, 2022	47,434,594 Shares

* This quarterly financial results report is not subject to quarterly review by a certified public accountant or auditing corporation.

* Explanation of appropriate use of performance forecasts and other special notes.

The statements regarding forecast of financial results in this report are based on information that is available to the Company, as well as certain assumptions that are deemed to be reasonable, and we make no promise that such statements will prove to be correct. Actual results may differ materially due to a variety of factors.

(Obtaining Financial Results Supplementary and Briefing Material)

The Company plans to hold a financial results briefing for securities analysts and institutional investors on Tuesday, May 16, 2023. The materials will be published on the Company's website.

1. Qualitative Information on Financial Results for the Second quarter ended March 31, 2023

Explanation of Operating Results

Consolidated operating results for the first quarter of the current fiscal year were as follows: net sales of 1,736,970 thousand yen (up 668,639 thousand yen or 62.6% year-on-year), operating income of 559,300 thousand yen (up 124,227 thousand yen or 28.6% year-on-year), ordinary income of 565,174 thousand yen (up 129,951 thousand yen or 29.9% year-on-year), net income attributable to owners of the parent of 405,727 thousand yen (up 106,376 thousand yen or 35.5% year-on-year).

Since the Group operates a single-segment business for the purpose of building information-sharing platforms and healthcare platforms in the medical, nursing care, and health fields and related operations, segment information is not presented; however, net sales by individual service are as follows.

i Kanamic Cloud Service

The Kanamic Cloud Service is mainly a recurring revenue business. As a result of recurring revenue from existing customers combined with continued acquisition of new customers, net sales for the Kanamic Cloud Service came in at 1,149,290 thousands yen (up 158,109 thousand yen (16.0%) year on year).

ii Platform Services

Platform Services include the production, operation, and management of websites of long-term care providers through directly solicited contracts as well as through the Care Work Foundation. These website services provide a stable base income. Platform Services also include an advertising service and human resource services for medical / elderly care provider. Fortunately, sales of these products increased, causing net sales for Platform Services to come in at 101,678 thousands yen (up 53,835 thousand yen (112.5%) year on year).

iii Healthy lifespan Extension Services

In the healthy lifespan extension service, the results are those of the fitness gym operation and franchise business of Urban Fit Corporation, which has been included in the scope of consolidation since the end of the third quarter of the previous fiscal year. Since the deemed acquisition date of Urban Fit Corporation is June 30, 2022, the results of this company have been consolidated from the fourth quarter of the previous fiscal year. As a result of strong sales in the fitness gym management business and the franchise business, net sales amounted to 384,390 thousands yen.

iv Other Services

The Company secured a contract to undertake customization related development work for a large customer, and net sales for Other Services came in at 101,610 thousands yen (up 72,304 thousands yen (246.7%) year on year).

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	As of September 30, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	4,552,730	4,242,366
Accounts receivable - trade	165,564	348,596
Merchandise	16,031	10,616
Work in process	19,097	1,521
Other	138,361	129,661
Allowance for doubtful accounts	-17,390	-20,728
Total current assets	4,874,395	4,712,034
Non-current assets		
Property, plant and equipment	729,655	796,987
Intangible assets		
Software	498,704	547,500
Goodwill	168,556	159,266
Other	76	76
Total intangible assets	667,337	706,843
Investments and other assets		
Other	235,997	293,568
Allowance for doubtful accounts	-1,062	-1,062
Total investments and other assets	234,934	292,506
Total non-current assets	1,631,927	1,796,336
Total assets	6,506,323	6,508,371
Liabilities		
Current liabilities		
Accounts payable - trade	49,420	17,829
Current portion of bonds payable	80,000	60,000
Current portion of long-term borrowings	200,442	190,440
Income taxes payable	189,080	197,410
Provision for bonuses	38,053	34,989
Asset retirement obligations	16,000	16,000
Other	342,953	356,989
Total current liabilities	915,949	873,660
Non-current liabilities		
Bonds payable	175,000	95,000
Bonds with share acquisition rights	2,003,066	2,002,666
Long-term borrowings	740,861	596,310
Asset retirement obligations	61,436	66,420
Other	61,142	58,041
Total non-current liabilities	3,041,507	2,818,438
Total liabilities	3,957,456	3,692,098
Net assets		
Shareholders' equity		
Share capital	192,060	192,060
Capital surplus	132,060	132,060
Retained earnings	2,627,799	2,890,402
Treasury shares	-415,370	-404,938
Total shareholders' equity	2,536,548	2,809,583
Accumulated other comprehensive income		
Foreign currency translation adjustment	7,853	6,688
Total accumulated other comprehensive income	7,853	6,688
Share acquisition rights	4,464	-
Total net assets	2,548,866	2,816,272
Total liabilities and net assets	6,506,323	6,508,371

(2) Quarterly Consolidated Statement of Income and Comprehensive Income
(Quarterly Consolidated Statement of Income)
(Six months ended March 31, 2022)

(Thousands of yen)

	Six months ended March 31, 2022	Six months ended March 31, 2023
Net sales	1,068,330	1,736,970
Cost of sales	130,527	468,567
Gross profit	937,802	1,268,402
Selling, general and administrative expenses	502,729	709,102
Operating profit	435,073	559,300
Non-operating income		
Interest income	63	111
Interest on securities	399	399
Gain on sale of goods	555	3,739
Commission income	—	2,992
Miscellaneous income	26	1,383
Total non-operating income	1,045	8,626
Non-operating expenses		
Interest expenses	—	1,673
Foreign exchange losses	837	899
Miscellaneous losses	58	179
Total non-operating expenses	895	2,752
Ordinary profit	435,222	565,174
Extraordinary income		
Gain on sale of non-current assets	—	22,622
Total extraordinary income	—	22,622
Profit before income taxes	435,222	587,797
Income taxes - current	136,071	183,902
Income taxes - deferred	-199	-1,832
Total income taxes	135,872	182,069
Profit	299,350	405,727
Profit attributable to owners of parent	299,350	405,727

(Quarterly Consolidated Statement of Comprehensive Income)
(Six months ended March 31, 2023)

(Thousands of yen)

	Six months ended March 31, 2022	Six months ended March 31, 2023
Profit	299,350	405,727
Other comprehensive income		
Foreign currency translation adjustment	2,283	△1,165
Total other comprehensive income	2,283	△1,165
Comprehensive income	301,633	404,561
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	301,633	404,561
Comprehensive income attributable to non-controlling interests	—	—

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	Six months ended March 31, 2022	Six months ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	435,222	587,797
Depreciation	76,805	126,240
Amortization of goodwill	—	9,289
Increase (decrease) in allowance for doubtful accounts	76	3,337
Interest income	-63	-111
Interest income on securities	-399	-399
Interest expenses	—	1,673
Loss (gain) on sale of non-current assets	—	-22,622
Decrease (increase) in trade receivables	9,042	-183,263
Decrease (increase) in inventories	-2,818	17,369
Increase (decrease) in trade payables	4,957	-31,410
Increase (decrease) in provision for bonuses	-884	-3,020
Other, net	-21,562	12,304
Subtotal	500,376	517,184
Interest received	63	111
Interest paid	—	-2,747
Income taxes paid	-142,751	-175,906
Net cash provided by (used in) operating activities	357,687	338,642
Cash flows from investing activities		
Purchase of property, plant and equipment	-9,035	-177,604
Proceeds from sale of property, plant and equipment	—	89,392
Purchase of intangible assets	-114,538	-129,719
Other, net	-801	-24,105
Net cash provided by (used in) investing activities	-124,375	-242,036
Cash flows from financing activities		
Repayments of long-term borrowings	—	-154,553
Redemption of bonds	—	-100,000
Dividends paid	-118,552	-142,365
Other, net	—	-8,036
Net cash provided by (used in) financing activities	-118,552	-404,954
Effect of exchange rate change on cash and cash equivalents	2,072	-2,015
Net increase (decrease) in cash and cash equivalents	116,832	-310,364
Cash and cash equivalents at beginning of period	3,710,780	4,552,730
Cash and cash equivalents at end of period	3,827,613	4,242,366