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Quarterly Report

First Quarter of FY 2022

(From October 1, 2021
To December 31, 2021)

Kanamic Network Co., LTD

4-20-3 Ebisu, Shibuya-ku, Tokyo

Contents

	Page
Cover.....	2
Part I Company Information.....	4
Item 1. Overview.....	4
1. Key financial data.....	4
2. Description of Business Activities.....	4
Item 2. Business Overview.....	5
1. Risk Factors	5
2. Management’s Analysis of Financial Position, Operating Results and Cash Flows.....	5
4. Important Legal and Contractual Matters.....	7
Item 3. Other Matters Related to the Company.....	8
1. Share-related Information, etc.	8
(1) Total number of shares, etc.	8
(2) Information on Stock Options, etc.	8
(3) Status of exercise of Moving Strike Convertible Bonds.....	8
(4) Changes in Total Number of Issued Shares and Changes in Share Capital.....	8
(5) Major shareholders.....	8
(6) Voting rights.....	9
2. Information on Directors	9
Item 4. Financial Information	10
1. Quarterly Consolidated Financial Statements.....	11
(1) Quarterly Consolidated Balance Sheet.....	11
(2) Quarterly Consolidated Statement of Income and Comprehensive Income.....	12
Quarterly Consolidated Statement of Income.....	12
Quarterly Consolidated Statement of Comprehensive Income.....	13
2. Other.....	19
Part II Information about the Guarantors of the Company.....	20

[Independent Auditor’s Quarterly Review Report (English Translation)]

[Conformation Letter]

【Cover】

【Document type】	Quarterly Report (Japanese: “Shihanki Hokokusho”)
【Governing law】	Article 24-4-7, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
【Filed with】	Director-General of the Kanto Local Finance Bureau
【Filing date】	February 14, 2022
【Fiscal term】	First Quarter of the 22 nd Fiscal Year (October 1, 2021 to December 31, 2021)
【Company name in Japanese】	Kabushiki Gaisha Kanamikku Nettowa-ku
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Part I 【Company Information】

Item 1. 【Overview】

1 【Key financial data】

Term	FY 2021 1 st Quarter (3 months)	FY 2022 1 st Quarter (3 months)	FY 2021 (12 months)
Accounting Period	October 1, 2020 to December 31, 2020	October 1, 2021 to December 31, 2021	October 1, 2020 to September 30, 2021
Net sales (thousands of yen)	533,473	519,244	2,080,776
Ordinary profit (thousands of yen)	206,801	203,237	829,941
Profit attributable to owners of parent (thousands of yen)	143,646	139,788	579,583
Comprehensive income (thousands of yen)	144,175	141,204	581,657
Net assets (thousands of yen)	1,953,762	1,981,894	1,959,242
Total assets (thousands of yen)	2,283,894	4,333,301	4,395,056
Profit per share (yen)	2.98	2.95	12.08
Diluted profit per share (yen)	—	2.80	11.98
Equity ratio (%)	85.5	45.6	44.5

- (Note) 1. Since the Company publishes consolidated quarterly financial statements, trends in key financial data for the reporting company are not shown.
2. Diluted profit per share for Q1-FY2021 is not shown because there were no dilutive securities.
3. The company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) from the beginning of the Q1-FY2022. However, this had no impact on key financial data.

2 【Description of Business Activities】

In Q1-FY2022 (the three months ended December 31, 2021), there were no material changes in the business of the Group. Furthermore, there were no changes in the Company’s major subsidiaries / affiliates.

2 【Business Overview】

1 【Risk factors】

No new risk factors emerged during the first quarter of FY 2022 (October 1, 2021 to December 31, 2021); And there were no significant changes in the business and other risk factors that were described in the annual report for the previous fiscal year.

2 【Management’s Analysis of Financial Position, Operating Results and Cash Flows】

This report contains forward-looking statements that are based on the Group’s judgements as of December 31, 2021.

(1) Operating Results

During the first quarter of FY 2022 (October 1, 2021 to December 31, 2021), the Japanese economy was in a period of gradual easing in the severity of conditions brought about by Covid-19, and signs of movement toward recovery were visible.

The following can be said about the business environment in which the Group operates: the aging of Japan’s extremely elderly population is resulting in an increase in long-term care costs, increase in the number of long-term care recipients, and an increase in the number of long-term care service providers. Amid this, the overall expansion of the long-term care industry continues. Furthermore, the 2021 revision to the long-term care insurance law called for a strengthened response to infectious disease outbreaks and other disasters. And, in order to spearhead the development of a framework which facilitates high-quality and efficient long-term care services, the revisions also called for the advancement of the “community-based integrated care” framework, increased utilization of ICT, expansion of the long-term care labor force, and the promotion of science-based long-term care through the use of MHLW’s “Long-term care Information system For Evidence” (LIFE) database, which is composed of the following databases: VISIT (“monitoring & eValuation for rehabilitation SerVices for long-Term care”) database and CHASE (Care, HeAlth Status & Events) database.

Because the Group provides a service which facilitates “community-based integrated care” (the Japanese Government’s framework for collaboration amongst healthcare and long-term care providers), the Group participates in joint-projects with various government ministries / agencies and the Group works to develop its systems in line with national policy. Furthermore, the Group endeavors to stay prepared to respond to revisions to the long-term care insurance law, to update its systems in a timely manner, and to reduce the workload of users of its systems, thereby improving user convenience. Through case studies conducted through MIC’s “Project to Support the Creation of IoT Services”, the Group promotes the collaborative utilization of various data with the Kanamic Cloud Service. And through the “Tokyo Interprofessional Communication Portal Site” (a system implemented at the prefectural-level as opposed to the traditional municipality-level), the Group has helped propel the implementation of “in-home care” on a broader scale. The Group leverages know-how it has cultivated (in healthcare and long-term care communications) through its experience with the “Kanamic Cloud Service” in order to contribute to the promotion of regional-based communication in medical care and elderly care. In addition to the aforementioned projects in support of the advancement of long-term care, the Group, as an initiative in support of the realization of “a comprehensive care framework for all generations”, uses its “child-rearing support system” to help municipalities improve the efficiency of operations related to assisting community members with raising children. Furthermore, beginning in the previous fiscal year, the Group has, in collaboration with NGO Healthy City Support, been conducting systems development work aimed at standardizing data health systems used by municipalities.

The Group continued to expand upon its platform service offerings through the provision of (1) "Kanamic Easy Web Statements" and (2) "Kanamic Easy Mailing Service". These cloud-powered, digital transformation (DT) solutions help long-term care service providers streamline their billing/receipt issuance operations, with the former allowing bills/receipts to be transmitted entirely over the internet and the latter providing a business process outsourcing (BPO) service for sending bills/receipts by postal mail. The Group also continued to expand upon its platform service offerings via strengthened digital media / advertisement contents, a database-powered talent matching service, services related to the sale of physical products to healthcare / long-term care providers, IoT cloud services for assisted living facilities, and services provided through business alliances. Furthermore, the Group is moving forward with expansion activities and the selection process for future M&A activities aimed at expanding the business.

Along with the expansion of the Group’s platform, an increasing amount of data is amassing in the Group’s systems. And the Group uses big data analytics to develop AI services for extracting care efficacy evidence (which is needed by the national government, municipalities, and insurance companies) and conducts research activities aimed at providing solutions to patients, long-term care recipients and healthcare / long-term care providers.

The group’s primary clients are long-term care service providers, and due to the COVID-19 pandemic, some long-term care services providers have been subject to certain restrictions. However, the impact of this on the Group is minor at this time.

As a result of the above, operating results for the first quarter of FY 2022 (October 1, 2021 to December 31, 2021), were as follows: the Group recorded net sales of 519,244 thousand yen (down 14,229 thousand yen (2.7%) year on year), operating profit of 203,253 thousand yen (down 697 thousand yen (0.3%) year on year), ordinary profit of 203,237 thousand yen (down 3,564 thousand yen (1.7%) year on year), and profit attributable to owners of parent of 139,788 thousand yen (down 3,857 thousand yen (2.7%) year on year).

Because the Group is a single-segment business (information sharing platform for the medical / long-term care fields and related business thereof), segment information is omitted and net sales figures are reported on a by-service basis below.

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 486,939 thousand yen (up 51,528 thousand yen (11.8%) 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 services provided through the Group's information sharing platform, such as the sale of products intended for use against COVID-19. Unfortunately, competition within the COVID-19 countermeasure products space has intensified and sales of these products greatly decreased, causing net sales for Platform Services to come in at 24,011 thousand yen (down 43,438 thousand yen (64.4%) year on year).

iii Other Services

The Company secured a contract to undertake customization related development work for a large customer, but due to the length of the development period, this revenue was not recorded to net sales for the first quarter of FY 2022 (October 1, 2021 to December 31, 2021), and net sales for Other Services came in at 8,293 thousand yen (down 22,318 thousand yen (72.9%) year on year).

(Profit Overview)

Net sales decreased. However, due to the accompanying decrease in cost of purchased goods and accompanying decrease in production expenses for Platform Services and Other Services, cost of sales came in at 63,969 thousand yen, down 33,880 thousand yen year on year. The net result of the foregoing was that gross profit came in at 455,275 thousand yen (up 19,650 thousand yen (4.5%) year on year).

Research and Development expenses decreased due to the conclusion of Joint Research with Asahikawa Medical University but labor cost increased due to personnel expansion, with selling, general and administrative expenses coming in at 252,021 thousand yen (up 20,348 thousand yen year on year). The net result of the foregoing was that operating profit came in at 203,253 thousand yen (down 697 thousand yen (0.3%) year on year).

As a result of fluctuations in foreign exchange gains and due to subsidy income having been recorded to the first quarter of the previous fiscal year, non-operating income decreased 2,450 thousand yen year on year to 563 thousand yen. Non-operating expenses came in at 579 thousand yen (up 416 thousand yen year on year). As a result of the foregoing, ordinary profit came in at 203,237 thousand yen (down 3,564 thousand yen (1.7%) year on year).

In summation, profit before income taxes came in at 203,237 thousand yen (down 3,564 thousand yen (1.7%) year on year), total income taxes came in at 63,448 thousand yen (up 293 thousand yen year on year), and profit attributable to owners of parent came in at 139,788 thousand yen (down 3,857 thousand yen (2.7%) year on year).

(2) Analysis of financial position

As of the end of the first quarter of FY 2022 (December 31, 2021), the Group's total assets stood at 4,333,301 thousand yen, having decreased by 61,755 thousand yen from the end of FY 2021 (September 30, 2021). This was primarily the net result of a 28,462 thousand yen increase in software (from the addition of new functionality to the Kanamic Cloud Service) offset by a 73,248 thousand yen decrease in cash and deposits (resulting from the payment of income tax and dividends).

As of the end of the first quarter of FY 2022 (December 31, 2021), the Group's total liabilities stood at 2,351,407 thousand yen, having decreased by 84,406 thousand yen from the end of FY 2021 (September 30, 2021). This was primarily the result of payments against income taxes payable of 95,673 thousand yen.

As of the end of the first quarter of FY 2022 (December 31, 2021), the Group's total net assets stood at 1,981,894 thousand yen, having increased by 22,651 thousand yen from the end of FY 2021 (September 30, 2021). This primarily stemmed from an increase in retained earnings (the net result of 139,788 thousand yen in profit attributable to owners of parent offset by 118,552 thousand yen in dividend payments).

(3) Management Policy and Strategy

There were no material changes to the Group's management policy or strategy during the first quarter of FY 2022 (October 1, 2021 to December 31, 2021).

(4) Important Business / Financial Challenges to be Addressed

There were no material changes to Important Business / Financial Challenges to be Addressed during the first quarter of FY 2022 (October 1, 2021 to December 31, 2021).

(5) Research and Development

The Group carries out research and development aimed at strengthening network infrastructure for collaboration/coordination within the in-home medical care, nursing, and long-term care industries.

Because the totality of the R&D expense for the above activities was recorded to prior fiscal years, no R&D expense was recorded to the first quarter of FY 2022 (October 1, 2021 to December 31, 2021).

3 【Important Legal and Contractual Matters】

No new important contracts were agreed to or entered into during the first quarter of FY 2022 (October 1, 2021 to December 31, 2021).

Item 3. 【Other Matters Related to the Company】

1 【Share-related Information, etc.】

(1) 【Total number of shares, etc.】

① 【Total authorized shares】

Class	Total number of shares authorized to be issued
Common shares	158,400,000
Total	158,400,000

② 【Issued shares】

Class	Number of issued shares as of end of first quarter (December 31, 2021)	Number of issued shares as of filing date (February 14, 2022)	Name of stock exchange on which the Company is listed	Comments
Common shares	48,132,000	48,132,000	Tokyo Stock Exchange (first section)	The number of shares constituting one trading unit is 100 shares.
Total	48,132,000	48,132,000	—	—

(2) 【Information on Stock Options, etc.】

① 【Description of Stock Option Scheme】

No applicable matters to report.

② 【Information on other Stock Acquisition Rights】

No applicable matters to report.

(3) 【Status of exercise of Moving Strike Convertible Bonds】

No applicable matters to report.

(4) 【Changes in Total Number of Issued Shares and Changes in Share Capital】

Period	Change in total number of issued shares	Total number of issued shares after change	Change in share capital (thousands of yen)	Share capital after change (thousands of yen)	Change in capital surplus (thousands of yen)	Capital surplus after change (thousands of yen)
From October 1, 2021 to December 31, 2021	—	48,132,000	—	192,060	—	132,060

(5) 【Major shareholders】

Major shareholders are not described because the period under review is the first quarter of the fiscal year.

(6) 【Voting rights】

① 【Issued shares】

As of December 31, 2021

Classification	Number of shares	Number of voting rights	Comments
Shares with no voting rights	—	—	—
Shares with restricted voting rights (treasury shares, etc.)	—	—	—
Shares with restricted voting rights (others)	—	—	—
Shares with full voting rights (treasury shares, etc.)	Ordinary Shares 710,900	—	—
Shares with full voting rights (others)	Ordinary Shares 47,410,300	474,103	Trading Unit = 100 Shares
Number of shares held in quantities less than one unit	Ordinary Shares 10,800	—	—
Total number of issued shares	48,132,000	—	—
Total number of voting rights	—	474,103	—

(Note) Because the Company is unable to confirm the contents of the shareholder register as of the end of the first quarter of FY 2022 (December 31, 2021), the information on issued shares provided above is based on the contents of the shareholder register as of the immediately preceding cut-off date (September 30, 2021)

② 【Treasury shares】

As of December 31, 2021

Name or title of shareholder	Address of shareholder	Number of shares held under own name	Number of shares held under the names of others	Total number of shares held	Name or title of shareholder
Kanamic Network Co.,LTD	4-20-3 Ebisu, Shibuya-ku, Tokyo	710,900	—	710,900	Kanamic Network Co.,LTD
Total	—	710,900	—	710,900	Total

(Note) Because the Company is unable to confirm the contents of the shareholder register as of the end of the first quarter of FY 2022 (December 31, 2021), the information on Treasury Shares provided above is based on the contents of the shareholder register as of the immediately preceding cut-off date (September 30, 2021)

2 【Information on Directors】

There were no changes to the status of Directors which occurred subsequent to the filing of the Annual Report for the previous fiscal year and during the first quarter of FY 2022.

Item 4. **【Financial Information】**

1 . Method of preparing quarterly consolidated financial statements

The Company's quarterly consolidated financial statements are prepared in conformity with the "Regulation on Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Ordinance No. 64 of 2007)"

2 . Attestation (audit of financial statements)

The Company's quarterly consolidated financial statements for the first quarter accounting period (from October 1, 2021 to December 31, 2021) and the first quarter cumulative period (from October 1, 2021 to December 31, 2021) were reviewed by KPMG AZSA LLC, in accordance with Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

1 【Quarterly Consolidated Financial Statements】

(1) 【Quarterly Consolidated Balance Sheet】

(Thousands of yen)

	As of September 30, 2021	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	3,710,780	3,637,532
Accounts receivable - trade	85,820	72,784
Work in process	164	777
Other	78,518	81,983
Allowance for doubtful accounts	-16,363	-16,374
Total current assets	3,858,920	3,776,703
Non-current assets		
Property, plant and equipment	79,078	80,327
Intangible assets		
Software	363,702	392,165
Other	76	76
Total intangible assets	363,779	392,242
Investments and other assets		
Other	93,759	84,509
Allowance for doubtful accounts	-480	-480
Total investments and other assets	93,278	84,028
Total non-current assets	536,136	556,597
Total assets	4,395,056	4,333,301
Liabilities		
Current liabilities		
Accounts payable - trade	8,830	13,400
Income taxes payable	152,361	56,687
Provision for bonuses	30,136	17,286
Asset retirement obligations	16,000	16,000
Other	212,504	232,225
Total current liabilities	419,833	335,599
Non-current liabilities		
Bonds with share acquisition rights	2,003,866	2,003,666
Asset retirement obligations	11,314	11,341
Other	800	800
Total non-current liabilities	2,015,981	2,015,807
Total liabilities	2,435,814	2,351,407
Net assets		
Shareholders' equity		
Share capital	192,060	192,060
Capital surplus	132,060	132,060
Retained earnings	2,065,807	2,087,043
Treasury shares	-436,943	-436,943
Total shareholders' equity	1,952,983	1,974,219
Accumulated other comprehensive income		
Foreign currency translation adjustment	1,795	3,210
Total accumulated other comprehensive income	1,795	3,210
Share acquisition rights	4,464	4,464
Total net assets	1,959,242	1,981,894
Total liabilities and net assets	4,395,056	4,333,301

(2) 【Quarterly Consolidated Statement of Income and Comprehensive Income】
 【Quarterly Consolidated Statement of Income】
 【Three months ended December 31, 2021】

(Thousands of yen)

	Three months ended December 31, 2020	Three months ended December 31, 2021
Net sales	533,473	519,244
Cost of sales	97,849	63,969
Gross profit	435,624	455,275
Selling, general and administrative expenses	231,672	252,021
Operating profit	203,951	203,253
Non-operating income		
Interest income	—	20
Interest on securities	—	199
Foreign exchange gains	867	—
Subsidy income	1,599	—
Miscellaneous income	546	342
Total non-operating income	3,013	563
Non-operating expenses		
Foreign exchange losses	—	574
Miscellaneous losses	162	4
Total non-operating expenses	162	579
Ordinary profit	206,801	203,237
Profit before income taxes	206,801	203,237
Income taxes - current	55,086	53,715
Income taxes - deferred	8,068	9,732
Total income taxes	63,154	63,448
Profit	143,646	139,788
Profit attributable to owners of parent	143,646	139,788

【Quarterly Consolidated Statement of Comprehensive Income】
【Three months ended December 31, 2021】

(Thousands of yen)

	Three months ended December 31, 2020	Three months ended December 31, 2021
Profit	143,646	139,788
Other comprehensive income		
Foreign currency translation adjustment	528	1,415
Total other comprehensive income	528	1,415
Comprehensive income	144,175	141,204
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	144,175	141,204
Comprehensive income attributable to non-controlling interests	—	—

【Notes】

(Going Concern Assumption)

No applicable matters to report.

(Changes in Accounting Policies)

(Application of Accounting Standards for Revenue Recognition)

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29 issued on March 31, 2020) from the beginning of the first quarter of FY 2022. In accordance with this standard, when control of a promised good or service is transferred to a customer, revenue is recognized at the amount expected to be received in exchange for the good or service.

In accordance with the proviso to Article 84 of the Accounting Standard for Revenue Recognition, the Company has applied the standard transitionally. In doing so, the cumulative effect of retrospective application of the new accounting policy, assuming it had been applied to periods prior to the beginning of the first quarter of FY 2022, has been added to or subtracted from retained earnings at the beginning of the first quarter of FY 2022, and the new accounting policy is applied from the said balance.

This application of the Standard for Revenue Recognition did not result in any significant impact to profit recorded to the first quarter of FY 2022 or to the balance of retained earnings at the beginning of the quarter.

As allowed for by the transitional treatment provided for in paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12 issued on March 31, 2020), information on disaggregation of revenue from contracts with customers during the first three months of the previous fiscal year has been omitted.

(Application of “Accounting Standard for Calculation of Market Value”)

The Company has applied the “Accounting Standard for Calculation of Market Value” (ASBJ Statement No. 30 issued on July 4, 2019), from the beginning of the first quarter of FY 2022. The company has prospectively applied new accounting policies based on the Accounting Standard for Calculation of Market Value, in accordance with the transitional treatment provided for in Article 19 of the aforementioned standard and Article 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No.10 issued on July 4, 2019).

This has no impact on the quarterly consolidated financial statements.

(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)

(Change in method for calculation of depreciation of property, plant, and equipment)

Previously, the Company used the declining-balance method for depreciation of tools, furniture, and fixtures. Effective from the first quarter of FY 2022, The Company has changed to the straight-line method.

The reason for the aforementioned change is as follows: In light of plans to implement large-scale data servers during the current fiscal year and in consideration of the capital expenditure plan detailed in the Company’s “Medium-term Objectives / Management Plan (2022-2024)”, the Company reassessed its method for calculating depreciation. As a result of this reassessment, The Company made the following judgement: given that these assets will properly operate for a lengthy period of time and that the benefit of these investments is spread uniformly across the life of these assets, applying the straight-line method is more rational.

As a result, operating profit, ordinary profit, and profit before income taxes for the first quarter of FY 2022 each increased by 1,447 thousand yen versus the values which would have resulted using the previous method.

(Quarterly Consolidated Statement of Cashflows Items)

The Company has not prepared a quarterly consolidated statement of cashflows for the first quarter of FY 2022.

Depreciation (including amortization of intangible assets) for the first quarter of FY 2022 is as follows.

	Q1/FY2021 (From October 1, 2020 to December 31, 2020)	Q1/FY2022 (From October 1, 2021 to December 31, 2021)
Depreciation (cumulative)	31,906 thousand yen	37,936 thousand yen

(Items related to net assets)

I Corresponding Period of Previous Fiscal Year (from October 1, 2020 to December 31, 2020)

1 Dividends paid

(Resolution)	Type of shares	Total amount of dividends (thousands of yen)	Dividend per share (yen)	Record date	Effective date	Source of Dividend
Ordinary General Meeting of Shareholders held on December 18, 2020	Common shares	96,261	2.00	September 30, 2020	December 21, 2020	Retained Earnings

- 2 Dividends for which the record date falls in Q1/FY2021 and the effective date falls in a subsequent fiscal quarter.
No applicable matters to report.

II Fiscal Quarter Under Review (from October 1, 2021 to December 31, 2021)

1 Dividends paid

(Resolution)	Type of shares	Total amount of dividends (thousands of yen)	Dividend per share (yen)	Record date	Effective date	Source of Dividend
Ordinary General Meeting of Shareholders held on December 22, 2021	Common shares	118,552	2.50	September 30, 2021	December 23, 2021	Retained Earnings

- 2 Dividends for which the record date falls in Q1/FY2022 and the effective date falls in a subsequent fiscal quarter.
No applicable matters to report.

(Segment information)

【Segment information】

I Corresponding Period of Previous Fiscal Year (from October 1, 2020 to December 31, 2020)

Since the Group operates in a single reportable business segment (which aims to develop an information sharing platform for the medical and long-term care fields as well as to conduct related business thereof), segment information is omitted.

II Fiscal Quarter Under Review (from October 1, 2021 to December 31, 2021)

Since the Group operates in a single reportable business segment (which aims to develop an information sharing platform for the medical and long-term care fields as well as to conduct related business thereof), segment information is omitted.

(Items related to revenue recognition)

Disaggregation of revenue from contracts with customers

Fiscal Quarter Under Review (from October 1, 2021 to December 31, 2021)

Since the Group operates in a single reportable business segment (which aims to develop an information sharing platform for the medical and long-term care fields as well as to conduct related business thereof), segment information is omitted and net sales figures are reported on a by-service basis.

(Unit: thousands of yen)

Name of Service	Net Sales
Kanamic Cloud Service	486,939
Platform Services	24,011
Other Services	8,293
Revenue from contracts with customers	519,244
Other Revenue	—
Net sales to external customers	519,244

(Per-share information)

Basic profit per share (and the basis for its calculation) and diluted profit per share (and the basis for its calculation) are as follows.

	Q1/FY2021 (October 1, 2020 to December 31, 2020)	Q1/FY2022 (October 1, 2021 to December 31, 2021)
(1) Basic profit per share	2.98 yen	2.95 yen
(Basis for the calculation)		
Profit attributable to owners of parent (thousands of yen)	143,646	139,788
Amount not attributable to common shareholders (thousands of yen)	—	—
Profit attributable to owners of parent with respect to common shares (thousands of yen)	143,646	139,788
Average number of common shares during period	48,130,794	47,421,094
(2) Diluted profit per share	—	2.80 yen
(Basis for the calculation)		
Adjustment on profit attributable to owners of parent (thousands of yen)	—	-138
(Of which interest on securities (after tax equivalent deduction) (thousands of yen))	(—)	(-138)
Increase in common shares (number of shares)	—	2,408,767
(Of which bonds with share acquisition rights (number of shares))	(—)	(2,408,767)
Overview of residual shares which were not included in calculation of diluted profit per share because they have no dilutive effect (for which there were significant changes from the end of the previous fiscal year)	—	3 rd Series Stock Acquisition Rights (issued pursuant to resolutions of the Board of Directors on July 15, 2021 and July 19, 2021) Total number of warrants: 48,000 Number of underlying shares: 4,800,000 ordinary shares

(Note) Diluted profit per share for Q1/FY2021 is not shown because there were no dilutive securities.

(Significant subsequent events)

(Disposal of Treasury Shares as Restricted Stock Compensation)

The Company, at the meeting of its Board of Directors held on December 22, 2021, resolved to dispose of treasury shares as restricted stock compensation (hereinafter the “Disposal of Treasury Stock”), and the disposal was carried out as follows:

1. Overview of disposal

(1) Date of Disposal	January 21, 2022
(2) Class and number of shares disposed	Common shares of the company, 35,100 shares
(3) Disposal price	473 yen per share
(4) Total value of shares disposed	16,602,300 yen
(5) Recipients of the shares disposed	Directors (none external): 5 people, 12,600 shares Employees: 10 people, 22,500 shares
(6) Other details	A notice regarding the disposal of treasury shares was filed pursuant to the Financial Instruments and Exchange Act

2. Purpose and Reason for Disposal

Through “the System”, directors (excluding external directors) and employees are granted restricted shares with the aim of providing them with incentive to strive to affect sustainable improvement in the Company’s enterprise value, while also further promoting shared interests with the Company’s shareholders.

At the 15th Ordinary General Meeting of Shareholders, which was held on December 24th, 2015, approval was obtained to compensate directors of the Company in an amount which is not more than 500 million yen annually (this amount does not include the portion of compensation which accounts for employee salary for Directors who concurrently serve as employees). And at the 21st Ordinary General Meeting of Shareholders held on December 22, 2021, it was resolved to compensate directors of the Company with restricted stock through “the System” in an amount which respects the aforementioned limitation and does not exceed 90 million yen annually (this amount does not include the portion of compensation which accounts for employee salary for Directors who concurrently serve as employees).

3. Overview of the restricted stock compensation system

(1) Transfer Restriction Period

Applicable Directors and Applicable Employees may not transfer allotted shares to a third party, post them as collateral, or dispose of them in any other way during the period from January 21, 2022 (the disposal date) to the relevant date described below:

- ① Applicable Directors : the date which immediately follows the Applicable Director’s retirement from all positions at the Company and its subsidiaries
- ② Applicable Employees : January 21, 2025

(2) Conditions for lifting the Transfer Restrictions

The Company will lift the transfer restrictions on all of the allotted shares when the “transfer restriction period” concludes provided that the following relevant condition is met:

- ① Applicable Directors : has held “the position” for the duration of a period stipulated in advanced by the Board of Directors
- ② Applicable Employees : has held “the position” for the duration of the “transfer restriction period”

However, if the resignation or retirement was justifiable for reasons (such as the conclusion of the term of office), then the transfer restriction on the allotted shares may be lifted immediately following the resignation or retirement through approval of the Board of Directors.

(3) Forced Reacquisition of the Shares by the Company (without payment for them)

Upon the conclusion of the transfer restriction period (or at any other time stipulated by the restricted stock allocation agreement), the Company shall, ipso facto, forcibly reacquire the allotted shares for which transfer restrictions have not been lifted (without making any payment for them).

2 **【Other】**

No applicable matters to report.

Part II 【Information about the Guarantors of the Company】

No applicable matters to report.

Independent Auditor's Quarterly
Review Report (English Translation of
Document Originally Issued in
Japanese)

February 14, 2022

To the Board of Directors of Kanamic Network Co., LTD

KPMG AZSA LLC
Tokyo Office

Designated Limited Liability Partner and Engagement Partner	Certified Public Accountant	Hiroki Nakayama
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Designated Limited Liability Partner and Engagement Partner	Certified Public Accountant	Yasuhito Kawaguchi
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Auditor's Conclusion

Pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, we have reviewed the quarterly consolidated financial statements of Kanamic Network Co., LTD for the Q1/FY2022 consolidated accounting period (October 1, 2021 to December 31, 2021) and the Q1/FY2022 cumulative accounting period (October 1, 2021 to December 31, 2021), namely the quarterly consolidated balance sheets, the quarterly consolidated statements of income, the quarterly consolidated statements of comprehensive income, and notes thereto.

Based on our quarterly review, nothing has come to our attention that causes us to believe that the quarterly consolidated financial statements referred to above do not present fairly, in all material respects, the financial position of Kanamic Network Co., LTD and its consolidated subsidiary as of December 31, 2021. Furthermore, its consolidated financial performance for the 1st quarter consolidated cumulative period (which ended on that date) is presented in conformity with accounting principles for quarterly consolidated statements generally accepted in Japan.

Basis for Auditor's Conclusion

We conducted our quarterly review in accordance with quarterly review standards generally accepted in Japan. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Quarterly Review of the Quarterly 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 review of financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Responsibilities of Management and Audit & Supervisory Board for the Quarterly Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the quarterly consolidated financial statements in accordance with accounting principles for quarterly consolidated financial statements generally accepted in Japan and for designing and implementing such internal controls as management determines is necessary to enable the preparation and fair presentation of quarterly consolidated financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the quarterly consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles for quarterly consolidated financial statements generally accepted in Japan, matters related to its status as a going concern.

The Audit & Supervisory Board is responsible for overseeing the directors' execution of duties relating to the design and operating effectiveness of the Group's financial reporting process.

Auditor's Responsibilities for the Quarterly Review of the Quarterly Consolidated Financial Statements

Our responsibility is to express an independent conclusion regarding the quarterly consolidated financial statements based on our quarterly review.

In accordance with quarterly review standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the quarterly review. We also do the following:

- Conduct a quarterly review principally through making inquiries, primarily of management and persons responsible for financial and accounting matters, and applying analytical procedures and other quarterly review procedures. Quarterly review procedures are more limited in scope compared with an annual audit conducted in accordance with auditing standards generally accepted in Japan.
- If a material uncertainty exists related to events or conditions that may cast significant doubt on the matters concerning the ability of the Group to continue as a going concern, we shall conclude, based on the evidence obtained, whether there are matters that cause us to believe the quarterly consolidated financial statements and disclosures have not been presented fairly in conformity with accounting principles for quarterly financial statements generally accepted in Japan. In addition, if we conclude that a material uncertainty exists concerning the ability of the Group to continue as a going concern, we are required to draw attention, in our quarterly review report, to the related disclosures in the quarterly consolidated financial statements, or if the relevant disclosures in the quarterly consolidated financial statements concerning material uncertainty are inadequate, provide a qualified conclusion or a negative conclusion in relation to the quarterly consolidated financial statements. Our conclusions are based on the evidence obtained up to the date of the quarterly review report. However, future events or conditions may cause the Group to cease to continue as a going concern
- Evaluate whether there are matters that cause us to believe the quarterly consolidated financial statements and disclosures have not been prepared in conformity with accounting principles for quarterly financial statements generally accepted in Japan and whether there are matters that cause us to believe the overall presentation, structure and content of the quarterly consolidated financial statements, including the disclosures, and the transactions and events that underlie the quarterly consolidated financial statements have not been presented fairly.
- Obtain evidence regarding the financial information of the Company and its consolidated subsidiary to express a conclusion on the quarterly consolidated financial statements. We are responsible for the direction, supervision and performance regarding the quarterly review of the quarterly consolidated financial statements. We remain solely responsible for our conclusion.

We report to the Audit & Supervisory Board regarding the planned scope and timing of the quarterly review and significant findings that we identify during the quarterly review.

We also provide the Audit & Supervisory Board with a statement that we have complied with the relevant ethical requirements regarding independence and report to them all relationships and other matters that may reasonably be thought to bear upon our independence, and where applicable, related mitigation measures or safeguards.

Conflicts of Interest

We have no interest in or relationship with the Company or its consolidated subsidiary which is required to be disclosed pursuant to the provisions of the Certified Public Accountant Act of Japan.

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- (Notes) 1. The document presented above is an English translation of a digitized copy of the original version of the Independent Auditor's Quarterly Review Report (which was issued in Japanese only). The original report is kept separately by the Company (the filing company of the Quarterly Report).
2. XBRL data is not included in the scope of the quarterly review.

【Cover】

【Document type】	Confirmation Letter (Japanese: “Kakuninsho”)
【Governing law】	Article 24-4-8, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
【Filed with】	Director-General of the Kanto Local Finance Bureau
【Filing date】	February 14, 2021
【Company name in Japanese】	Kabushiki Gaisha Kanamikku Nettowa-ku
【Company name in English】	Kanamic Network Co., LTD
【Name and title of representative】	Takuma Yamamoto Representative Director and President
【Title and name of chief financial officer】	Not Applicable
【Head office address】	4-20-3 Ebisu, Shibuya-ku, Tokyo Ebisu Garden Place Tower
【Location where a copy of this filing is made available for public inspection】	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo)

1 【Appropriateness of statements in this Quarterly Report】

Representative Director and President of the Company, Takuma Yamamoto, has confirmed that this quarterly report for Q1/FY2022 (October 1, 2021 to December 31, 2021) is reasonably and fairly written in accordance with the Financial Instruments and Exchange Act.

2 【Special notes】

None

Disclaimer: This document (including both the “annual securities report” (referred to as “annual report” within the document) as well as the documents originally issued by the independent auditor) have been translated from the Japanese version for reference purposes only. In the event of any discrepancy whatsoever between this translated document and the Japanese version, the Japanese version shall prevail in any and all instances. The Company assumes no responsibility whatsoever for this translation, the accuracy of this translation, or for direct, indirect or any other forms of damages arising from the translation.