



Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending September 30, 2022 [Japanese GAAP]

May 10, 2022

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 11, 2022 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, 2022 (From October 1, 2021 to March 31, 2022)

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

	Net Sales		Operating Profit		Ordinary Profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Second Quarter ended March 31, 2022	1,068	2.4	435	3.9	435	2.9	299	1.4
March 31, 2021	1,043	14.8	418	40.8	423	33.5	295	38.6

(Reference) Comprehensive income: Second Quarter ended March 31, 2022: 301 million yen (1.8%) Second Quarter ended March 31, 2021: 296 million yen (39.0%)

	Basic profit per share	Basic diluted profit per share
	Yen	Yen
Second Quarter ended March 31, 2022	6.31	6.00
March 31, 2021	6.13	—

(2) Consolidated financial position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	Millions of Yen	Millions of Yen	%
Second quarter ended March 31, 2022	4,613	2,158	46.7
Fiscal year ended September 30, 2021	4,395	1,959	44.5

(Reference) Shareholder's equity: Second Quarter ended March 31, 2022: 2,154 million yen Fiscal year ended September 30, 2021: 1,954 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, 2021	—	0.00	—	2.50	2.50
Fiscal Year ending September 30, 2022	—	0.00			
Fiscal Year ending September 30, 2022 (forecast)			—	3.00	3.00

(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, 2022 (from October 1, 2021 to September 30, 2022)

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

	Net Sales		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	%	Yen
Full Year	2,350	12.9	930	10.5	930	12.1	640	10.4	13.50

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

* 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 : Yes
- ② Changes in accounting policies other than ① : Yes
- ③ Changes in accounting estimates : Yes
- ④ Restatements : None

(Note) The Company has changed its depreciation method since Q1, and this change qualifies as a “change in accounting policy which is difficult to distinguish from a change in accounting estimates”. For details see “2. Quarterly Consolidated Financial Statements and Primary Notes, (4) Notes Regarding the Quarterly Consolidated Financial Statements”.

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

① Total number of issued shares at the end of the period (including treasury shares):	Second quarter ended March 31, 2022	48,132,000 Shares	Fiscal Year ended September 30, 2021	48,132,000 Shares
② Total number of treasury shares at the end of the period:	Second quarter ended March 31, 2022	675,806 Shares	Fiscal Year ended September 30, 2021	710,906 Shares
③ Average number of shares during the 6 month period (quarter-to-date)	Second quarter ended March 31, 2022	47,434,594 Shares	First quarter ended December 31, 2020	48,130,794 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 Thursday, May 17, 2022. Shortly following the briefing, the materials will be published on the Company's website.

1. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	As of September 30, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	3,710,780	3,827,613
Accounts receivable - trade	85,820	77,313
Work in process	164	3,030
Other	78,518	75,518
Allowance for doubtful accounts	-16,363	-16,440
Total current assets	3,858,920	3,967,034
Non-current assets		
Property, plant and equipment	79,078	119,528
Intangible assets		
Software	363,702	423,166
Other	76	76
Total intangible assets	363,779	423,242
Investments and other assets		
Other	93,759	104,474
Allowance for doubtful accounts	-480	-480
Total investments and other assets	93,278	103,993
Total non-current assets	536,136	646,765
Total assets	4,395,056	4,613,800
Liabilities		
Current liabilities		
Accounts payable - trade	8,830	14,086
Income taxes payable	152,361	145,341
Provision for bonuses	30,136	29,355
Asset retirement obligations	16,000	16,000
Other	212,504	234,457
Total current liabilities	419,833	439,240
Non-current liabilities		
Bonds with share acquisition rights	2,003,866	2,003,466
Asset retirement obligations	11,314	11,367
Other	800	800
Total non-current liabilities	2,015,981	2,015,634
Total liabilities	2,435,814	2,454,875
Net assets		
Shareholders' equity		
Share capital	192,060	192,060
Capital surplus	132,060	132,060
Retained earnings	2,065,807	2,241,633
Treasury shares	-436,943	-415,370
Total shareholders' equity	1,952,983	2,150,383
Accumulated other comprehensive income		
Foreign currency translation adjustment	1,795	4,078
Total accumulated other comprehensive income	1,795	4,078
Share acquisition rights	4,464	4,464
Total net assets	1,959,242	2,158,925
Total liabilities and net assets	4,395,056	4,613,800

(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, 2021	Six months ended March 31, 2022
Net sales	1,043,257	1,068,330
Cost of sales	167,119	130,527
Gross profit	876,137	937,802
Selling, general and administrative expenses	457,438	502,729
Operating profit	418,699	435,073
Non-operating income		
Interest income	36	63
Interest on securities	—	399
Foreign exchange gains	2,361	—
Subsidy income	1,599	—
Miscellaneous income	579	582
Total non-operating income	4,576	1,045
Non-operating expenses		
Foreign exchange losses	—	837
Miscellaneous losses	168	58
Total non-operating expenses	168	895
Ordinary profit	423,107	435,222
Extraordinary income		
Gain on sale of non-current assets	323	—
Total extraordinary income	323	—
Profit before income taxes	423,430	435,222
Income taxes - current	127,170	136,071
Income taxes - deferred	1,104	-199
Total income taxes	128,275	135,872
Profit	295,155	299,350
Profit attributable to owners of parent	295,155	299,350

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

(Thousands of yen)

	Six months ended March 31, 2021	Six months ended March 31, 2022
Profit	295,155	299,350
Other comprehensive income		
Foreign currency translation adjustment	1,207	2,283
Total other comprehensive income	1,207	2,283
Comprehensive income	296,363	301,633
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	296,363	301,633
Comprehensive income attributable to non-controlling interests	—	—

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	Six months ended March 31, 2021	Six months ended March 31, 2022
Cash flows from operating activities		
Profit before income taxes	423,430	435,222
Depreciation	64,025	76,805
Increase (decrease) in allowance for doubtful accounts	-7	76
Interest income	-36	-63
Interest income on securities	—	-399
Subsidy income	-1,599	—
Loss (gain) on sale of non-current assets	-323	—
Decrease (increase) in trade receivables	35,302	9,042
Decrease (increase) in inventories	6,166	-2,818
Increase (decrease) in trade payables	-15,262	4,957
Increase (decrease) in provision for bonuses	-4,807	-884
Other, net	-12,958	-21,562
Subtotal	493,930	500,376
Interest received	36	63
Income taxes paid	-123,693	-142,751
Subsidies received	1,599	—
Net cash provided by (used in) operating activities	371,872	357,687
Cash flows from investing activities		
Purchase of property, plant and equipment	-6,160	-9,035
Proceeds from sale of property, plant and equipment	1,145	—
Purchase of intangible assets	-80,790	-114,538
Other, net	-620	-801
Net cash provided by (used in) investing activities	-86,425	-124,375
Cash flows from financing activities		
Dividends paid	-96,261	-118,552
Net cash provided by (used in) financing activities	-96,261	-118,552
Effect of exchange rate change on cash and cash equivalents	3,795	2,072
Net increase (decrease) in cash and cash equivalents	192,980	116,832
Cash and cash equivalents at beginning of period	1,706,530	3,710,780
Cash and cash equivalents at end of period	1,899,510	3,827,613

(4) Notes Regarding the Quarterly Consolidated Financial Statements

(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 during the six months ended March 31, 2022 or to the balance of retained earnings at the beginning of the period.

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 six 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 implementation of 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 six months ended March 31, 2022 each increased by 5,304 thousand yen versus the values which would have resulted using the previous method.

(Segment information)

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.

(Significant subsequent events)

(Business combination through acquisition)

At the meeting of its Board of Directors held on May 10, 2022, the Company resolved to acquire the shares of Urban Fit Co., Ltd. and convert it to a wholly owned subsidiary.

Furthermore, on the same day, the Company entered into a share purchase agreement, and it plans to acquire the shares of Urban Fit Co., Ltd. on May 20, 2022.

1. Overview of the business combination:

(1) Name and business description of the acquired Company:

Name: Urban Fit Co., Ltd.

Business description: Fitness gym business:

(2) Primary reason for business combination:

Urban Fit Co., Ltd.'s primary business is the operation of 24-hour fitness gyms centered in the Osaka area as well as the development of a network of franchise gyms. Urban Fit Co., Ltd. has 14 locations (8 directly-operated and 6 franchise locations). Furthermore, Urban Fit Co., Ltd. plans to expand into the Tokyo area via its franchises within the year and is on the trajectory to expand beyond the Kansai region and develop a presence on the national-scale.

Urban Fit Co., Ltd.'s fitness gym businesses (its direct management business and its franchise business) align with the Company's objective of acquiring brick-and-mortar facilities which provide services that increase peoples' "healthy-life spans". The Group judged that this acquisition will provide a major driving force in delivering high-added-value services as a healthcare / health technology company.

(3) Date of business combination:

May 20, 2022 (date of stock acquisition)

June 30, 2022 (date deemed to be the acquisition date for consolidated accounting purposes)

(4) Legal form of business combination:

cash acquisition of shares

(5) Name following the business combination:

Urban Fit Co., Ltd.

(6) Ratio of voting rights acquired by the Company:

100%

(7) Grounds for determining which company is the acquiring company:

The Company is determined to be the acquiring company on account of it carrying out a cash acquisition of the shares of Urban Fit Co., Ltd.

2. Acquisition cost (and breakdown by type of consideration):

Acquisition via share purchase agreement:

Consideration for acquisition: Cash 258,000 thousand yen

Acquisition cost: 258,000 thousand yen

3. Breakdown of major acquisition-related expenses:

Not yet determined.

4. Amount of goodwill generated, reasons for incidence, and amortization method and period thereof:

Not yet determined.

5. Amount and breakdown of assets received and liabilities assumed on day of business combination:

Not yet determined.