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Quarterly Report

Second Quarter of FY 2022

(From January 1, 2022
To March 31, 2022)

Kanamic Network Co., LTD

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

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

[Conformation Letter]

【Cover】

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【Company name in Japanese】	Kabushiki Gaisha Kanamikku Nettowa-ku
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Part I 【Company Information】

Item 1. 【Business Overview】

1 【Key financial data】

Term		FY 2021 2 nd Quarter (Cumulative, 6 months)	FY 2022 2 nd Quarter (Cumulative, 6 months)	FY 2021 (12 months)
Accounting Period (Cumulative)		October 1, 2020 to March 31, 2021	October 1, 2021 to March 31, 2022	October 1, 2020 to September 30, 2021
Net sales	(thousands of yen)	1,043,257	1,068,330	2,080,776
Ordinary profit	(thousands of yen)	423,107	435,222	829,941
Profit attributable to owners of parent	(thousands of yen)	295,155	299,350	579,583
Comprehensive income	(thousands of yen)	296,363	301,633	581,657
Net assets	(thousands of yen)	2,105,950	2,158,925	1,959,242
Total assets	(thousands of yen)	2,501,250	4,613,800	4,395,056
Profit per share	(yen)	6.13	6.31	12.08
Diluted profit per share	(yen)	—	6.00	11.98
Equity ratio	(%)	84.2	46.7	44.5
Cash flows from operating activities	(thousands of yen)	371,872	357,687	756,754
Cash flows from investing activities	(thousands of yen)	-86,425	-124,375	-216,032
Cash flows from financing activities	(thousands of yen)	-96,261	-118,552	1,458,641
Cash and cash equivalents at end of period	(thousands of yen)	1,899,510	3,827,613	3,710,780

Term		FY 2021 2 nd Quarter (Single Quarter, 3 months)	FY 2022 2 nd Quarter (Single Quarter, 3 months)
Accounting Period (Single Quarter)		January 1, 2021 to March 31, 2021	January 1, 2022 to March 31, 2022
Profit per share	(yen)	3.15	3.36

- (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 Q2-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 the six months ended March 31, 2022, there were no material changes in the business of the Group. Furthermore, there were no changes in the Company’s major subsidiaries / affiliates.

Item 2. 【Business Overview】

1 【Risk factors】

No new risk factors emerged during the six months ended March 31, 2022; 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 March 31, 2022.

(1) Operating Results

During the six months ended March 31, 2022, 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 cloud-powered, digital transformation (DT) solutions which help streamline billing/receipt issuance operations within the long-term care industry. These DT solutions include (1) “Kanamic Easy Web Statements”—which facilitates the transmission of bills/receipts entirely over the internet—, (2) “Kanamic Easy Mailing Service”—a business process outsourcing (BPO) service for sending bills/receipts by postal mail—, and (3) “Easy Electronic Payments by Kanamic”—a cashless payment service for long-term care recipients and their families. 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 six months ended March 31, 2022, were as follows: the Group recorded net sales of 1,068,330 thousand yen (up 25,072 thousand yen (2.4%) year on year), operating profit of 435,073 thousand yen (up 16,373 thousand yen (3.9%) year on year), ordinary profit of 435,222 thousand yen (up 12,115 thousand yen (2.9%) year on year), and profit attributable to owners of parent of 299,350 thousand yen (down 4,194 thousand yen (1.4%) 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 991,181 thousand yen (up 98,115 thousand yen (11.0%) 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 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 47,842 thousand yen (down 47,247 thousand yen (49.7%) 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 six months ended March 31, 2022, and net sales for Other Services came in at 29,306 thousand yen (down 25,795 thousand yen (46.8%) year on year).

(Profit Overview)

Net sales increased. However, due to a decrease in cost of purchased goods and decrease in production expenses for Platform Services and Other Services, cost of sales came in at 130,527 thousand yen, down 36,591 thousand yen year on year. The net result of the foregoing was that gross profit came in at 937,802 thousand yen (up 61,664 thousand yen (7.0%) 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 conducted in response to increased demand, with selling, general and administrative expenses coming in at 502,729 thousand yen (up 45,290 thousand yen year on year). The net result of the foregoing was that operating profit came in at 435,073 thousand yen (up 16,373 thousand yen (3.9%) year on year).

As a result of fluctuations in foreign exchange gains and due to subsidy income having been recorded to the corresponding period of the previous fiscal year, non-operating income decreased 3,531 thousand yen year on year, to 1,045 thousand yen. Non-operating expenses came in at 895 thousand yen (up 727 thousand yen year on year). As a result of the foregoing, ordinary profit came in at 435,222 thousand yen (up 12,115 thousand yen (2.9%) year on year).

In summation, profit before income taxes came in at 435,222 thousand yen (up 11,791 thousand yen (2.8%) year on year), total income taxes came in at 135,872 thousand yen (up 7,597 thousand yen year on year), and profit attributable to owners of parent came in at 299,350 thousand yen (up 4,194 thousand yen (1.4%) year on year).

(2) Analysis of financial position

As of the end of the second quarter of FY 2022 (March 31, 2022), the Group's total assets stood at 4,613,800 thousand yen, having increased by 218,743 thousand yen from the end of FY 2021 (September 30, 2021). This was primarily the result of a 116,832 thousand yen increase in cash and deposits resulting from operating activities, a 40,449 thousand yen increase in property, plant, and equipment owing to server expansion, and a 59,463 thousand yen increase in software (from the addition of new functionality to the Kanamic Cloud Service).

As of the end of the second quarter of FY 2022 (March 31, 2022), the Group's total liabilities stood at 2,454,875 thousand yen, having increased by 19,060 thousand yen from the end of FY 2021 (September 30, 2021). This was primarily the result of a 21,952 thousand yen increase in "other current liabilities" (including accounts payable in relation to property, plant, and equipment and software) which was partially offset by payments of 7,019 thousand yen made against income taxes payable.

As of the end of the second quarter of FY 2022 (March 31, 2022), the Group's total net assets stood at 2,158,925 thousand yen, having increased by 199,683 thousand yen from the end of FY 2021 (September 30, 2021). This primarily stemmed from an increase in retained earnings (the net result of 299,350 thousand yen in profit attributable to owners of parent partially offset by 118,552 thousand yen in dividend payments).

(3) Cash flows

As of the end of the second quarter of FY 2022 (March 31, 2022), the Group's cash and cash equivalents (hereinafter referred to as "cash") stood at 3,827,613 thousand yen.

(Cash flows from operating activities)

Net cash provided by operating activities was 357,687 thousand yen (versus 371,872 during the corresponding period of the previous fiscal year). The primary sources of cash inflow were as follows: 435,222 thousand yen in profit before income taxes, 76,805 thousand yen stemming from depreciation (a noncash item), and 9,042 thousand yen in decreases in trade receivables. Cash outflow primarily consisted of 142,751 thousand yen in income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities was 124,375 thousand yen (versus 86,425 thousand yen during the corresponding period of the previous fiscal year). The primary sources of cash outflow were as follows: 9,035 thousand yen for the purchase of property, plant and equipment and 114,538 thousand yen for the purchase of intangible assets (in relation to the addition of new functionalities to the Kanamic Cloud Service).

(Cash flows from financing activities)

Net cash used in financing activities was 118,552 thousand yen (versus 96,261 thousand yen used during the corresponding period of the previous fiscal year). The entirety of cash used in financing activities was attributed to dividends paid.

(4) Management Policy and Strategy

There were no material changes to the Group's management policy or strategy during the six months ended March 31, 2022.

(5) Important Business / Financial Challenges to be Addressed

There were no material changes to Important Business / Financial Challenges to be Addressed during the six months ended March 31, 2022.

(6) 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 during the six months ended March 31, 2022.

3 【Important Legal and Contractual Matters】

No new important contracts were agreed to or entered into during the second quarter of FY 2022.

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 second quarter (March 31, 2022)	Number of issued shares as of filing date (May 11, 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 (as of March 31, the end of the second quarter) Tokyo Stock Exchange Prime Market (as of May 11, the filing date of this report)	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 January 1, 2022 March 31, 2022	—	48,132,000	—	192,060	—	132,060

(5) 【Major shareholders】

As of March 31, 2022

Name or title	Address	Number of shares held (shares)	Shares held as a percentage of total issued shares excluding treasury shares (%)
SHO Co., Ltd.	4-3-35 Roppongi, Minato-ku, Tokyo	11,380,000	23.98
Takuma Yamamoto	Minato-ku, Tokyo	6,686,600	14.09
The Master Trust Bank of Japan (Trust Account)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	5,982,100	12.60
Nomura Trust & Banking Co., Ltd. (Trust Account)	2-2-2 Otemachi, Chiyoda-ku, Tokyo	1,879,500	3.96
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo Tokyo	1,744,200	3.67
Yoko Yamamoto	Minato-ku, Tokyo	1,402,600	2.95
Nomura Securities Co., Ltd. Self-Transfer Account	1-13-1 Nihonbashi, Chuo-ku, Tokyo	1,400,000	2.95
Credit Suisse International (Standing Proxy: Credit Suisse Securities Co., Ltd., Securities Management Department)	One Cabot Square. London E14 4QJ (Izumi Garden Tower, 1-6-1 Roppongi, Minato-ku, Tokyo)	1,391,100	2.93
Minoru Yamamoto	Minato-ku, Tokyo	902,600	1.90
Kyoya Kawanishi	Shibuya-ku, Tokyo	820,400	1.72
Total	—	33,589,100	70.77

(Note) 1. Of the shareholdings above, the following shares are held through trusts:

The Master Trust Bank of Japan (Trust Account)	3,608,900 shares
Nomura Trust & Banking Co., Ltd. (Trust Account)	1,914,800 shares
Custody Bank of Japan, Ltd. (Trust Account)	1,607,400 shares

2. According to the “Report of Change” pertaining to the “Report of Possession of Large Volume” made public on September 13, 2021, Credit Suisse Securities Co., Ltd. and its co-owners Credit Suisse AG and Credit Suisse International owned the following shares as of September 6, 2021. However, the number of shares actually owned as of September 30, 2021 could not be confirmed by the Company, so the holdings are not included in the above table regarding major shareholders. The details contained in the “Report of Change” made in relation to the “Report of Possession of Large Volume” are as stated below.

Name or Title	Address	Number of Shares Held	Shareholding Ratio
Credit Suisse Securities Co., Ltd.	1-6-1 Roppongi, Minato-ku, Tokyo	5,500,000	10.39
Credit Suisse AG	Paradeplatz 8 8001 Zurich, Switzerland	56,840	0.12
Credit Suisse International	One Cabot Square. London E14 4QJ	2,662,576	5.33

3. According to the “Report of Change” pertaining to the “Report of Possession of Large Volume” made public on February 8, 2022, Nomura Securities Co., Ltd. and its co-owners Nomura International PLC and Nomura Asset Management Co., Ltd. owned the following shares as of February 1, 2022. However, the number of shares actually owned as of March 31, 2022 cannot be confirmed by the Company, so the holdings are not included in the above table regarding major shareholders. The details contained in the “Report of Change” made in relation to the “Report of Possession of Large Volume” are as stated below.

Name or Title	Address	Number of Shares Held	Shareholding Ratio
Nomura Securities Co., Ltd.	1-13-1 Nihonbashi, Chuo-ku, Tokyo	1,400,074	2.91
Nomura International PLC	1 Angel Lane, London EC4R 3AB, United Kingdom	624,600	1.30
Nomura Asset Management Co., Ltd.	2-2-1 Toyosu, Koto-ku, Tokyo	3,981,100	8.27

(6) 【Voting rights】

① 【Issued shares】

As of March 31, 2022

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 675,800	—	—
Shares with full voting rights (others)	Ordinary Shares 47,444,900	474,449	Trading Unit = 100 Shares
Number of shares held in quantities less than one unit	Ordinary Shares 11,300	—	—
Total number of issued shares	48,132,000	—	—
Total number of voting rights	—	474,449	—

② 【Treasury shares】

As of March 31, 2022

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	Shares held as a percentage of total issued shares
Kanamic Network Co.,LTD	4-20-3 Ebisu, Shibuya-ku, Tokyo	675,800	—	675,800	1.4
Total	—	675,800	—	675,800	1.4

(Note) The Company disposed of treasury shares as restricted stock compensation in accordance with a resolution passed at the meeting of its Board of Directors held on December 22, 2021. As a result of this disposal of treasury shares, the number of treasury shares decreased by 35,100 shares.

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 six months ended March 31, 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 second quarter accounting period (from January 1, 2022 to March 31, 2022) and the second quarter cumulative period (from October 1, 2021 to March 31, 2022) 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 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 Flow】

(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

【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 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.

(Items related to Quarterly Consolidated Statement of Income)

*Major expense items and amounts included under selling, general and administrative expenses are as follows.

	Six months ended March 31, 2021	Six months ended March 31, 2022
Employees' salaries	122,897 thousand yen	136,650 thousand yen
Remuneration for directors (and other officers)	105,280 "	109,580 "
Research and development expenses	13,750 "	— "
Provision for bonuses	23,540 "	26,194 "
Provision of allowance for doubtful accounts	— "	76 "
Composition of SGA Expenses (%):		
Selling Expenses	3.0 %	3.1% "
General and Administration Expenses	97.0 %	96.9% "

(Items related to Quarterly Consolidated Statement of Cashflows)

*Cash and Cash Equivalents at the end of the recorded on the quarterly consolidated statement of cash flows is equivalent to the amount recorded to the corresponding item on the quarterly consolidated balance sheet as shown below:

	Six months ended March 31, 2021	Six months ended March 31, 2022
Cash and deposits	1,899,510 thousand yen	3,827,613 thousand yen
Cash and cash equivalents	1,899,510 thousand yen	3,827,613 thousand yen

(Items related to net assets)

I Corresponding Six Month Period (Q1-Q2) of Previous Fiscal Year (from October 1, 2020 to March 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 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-Q2/FY2021 and the effective date falls in a subsequent fiscal quarter.

No applicable matters to report.

II Six Months (Q1-Q2) Under Review (from October 1, 2021 to March 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-Q2/FY2022 and the effective date falls in a subsequent fiscal quarter.

No applicable matters to report.

(Segment information)

【Segment information】

I Corresponding Six Month Period (Q1-Q2) of Previous Fiscal Year (from October 1, 2020 to March 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.

II Six Month Period (Q1-Q2) Under Review (from October 1, 2021 to March 31, 2022)

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

Six Month Period (Q1-Q2) Under Review (from October 1, 2021 to March 31, 2022)

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	991,181
Platform Services	47,842
Other Services	29,306
Revenue from contracts with customers	1,068,330
Other Revenue	—
Net sales to external customers	1,068,330

(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.

	Six months ended March 31, 2021	Six months ended March 31, 2022
(1) Basic profit per share	6.13 yen	6.31 yen
(Basis for the calculation)		
Profit attributable to owners of parent (thousands of yen)	295,155	299,350
Amount not attributable to common shareholders (thousands of yen)	—	—
Profit attributable to owners of parent with respect to common shares (thousands of yen)	295,155	299,350
Average number of common shares during period	48,130,794	47,434,594
(2) Diluted profit per share	—	6.00 yen
(Basis for the calculation)		
Adjustment on profit attributable to owners of parent (thousands of yen)	—	-277
(Of which interest on securities (after tax equivalent deduction) (thousands of yen))	(—)	(-277)
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 the six months ended March 31, 2022 is not shown because there were no dilutive securities.

(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.

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)

May 11, 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 Q2/FY2022 consolidated (3-month) accounting period (January 1, 2022 to March 31, 2022) and the Q1/FY2022 consolidated cumulative (6-month) accounting period (October 1, 2021 to March 31, 2022), namely the quarterly consolidated balance sheets, the quarterly consolidated statements of income, the quarterly consolidated statements of comprehensive income, the quarterly consolidated statement of cash flow, 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 March 31, 2022. Furthermore, its financial performance and cash flows for the 2nd quarter consolidated cumulative (6-month) period (which ended on that date) are 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.

Emphasis of Matter

As is stated under "significant subsequent events", 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 Urban Fit Co., Ltd. into a wholly owned subsidiary, and, on the same day, the Company entered into a share purchase agreement to acquire the said shares.

This event does not impact 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.

(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
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【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 Q2/FY2022 (January 1, 2022 to March 31, 2022) is reasonably and fairly written in accordance with the Financial Instruments and Exchange Act.

2 【Special notes】

None

Disclaimer: This document (including both the “quarterly securities report” (referred to as “quarterly 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.