



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

August 9, 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: August 10, 2022 Scheduled date to commence dividend payments: —
 Availability of supplementary briefing material on quarterly financial results: Not available
 Quarterly financial results briefing: No

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Third Quarter of Fiscal Year ending September 30, 2022 (From October 1, 2021 to June 30, 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	%
Third Quarter ended June 30, 2022	1,627	4.7	624	-2.0	624	-2.7	420	-5.8
June 30, 2021	1,555	13.9	637	36.9	642	32.3	445	37.3

(Reference) Comprehensive income: Third Quarter ended June 30, 2022: 424 million yen (-5.4%) Third Quarter ended June 30, 2021: 448 million yen (38.1%)

	Basic profit per share	Basic diluted profit per share
	Yen	Yen
Third Quarter ended June 30, 2022	8.86	8.42
June 30, 2021	9.27	—

(2) Consolidated financial position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	Millions of Yen	Millions of Yen	%
Third quarter ended June 30, 2022	5,257	2,281	43.3
Fiscal year ended September 30, 2021	4,395	1,959	44.5

(Reference) Shareholder's equity: Third Quarter ended June 30, 2022: 2,277 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: None

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): Yes

One New Company (Name: Urban Fit Co., Ltd.)

(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) In Q1 of the current fiscal year the Company changed its depreciation method, 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, (3) 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):	Third quarter ended June 30, 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:	Third quarter ended June 30, 2022	675,806 Shares	Fiscal Year ended September 30, 2021	710,906 Shares
③ Average number of shares during the 9 month period (quarter-to-date)	Third quarter ended June 30, 2022	47,441,794 Shares	Third quarter ended June 30, 2021	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.

1. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	As of September 30, 2021	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	3,710,780	3,499,959
Accounts receivable - trade	85,820	119,292
Merchandise	—	17,287
Work in process	164	14,064
Other	78,518	108,961
Allowance for doubtful accounts	-16,363	-17,135
Total current assets	3,858,920	3,742,429
Non-current assets		
Property, plant and equipment	79,078	631,969
Intangible assets		
Software	363,702	457,092
Goodwill	—	180,594
Other	76	76
Total intangible assets	363,779	637,763
Investments and other assets		
Other	93,759	245,346
Allowance for doubtful accounts	-480	-256
Total investments and other assets	93,278	245,089
Total non-current assets	536,136	1,514,823
Total assets	4,395,056	5,257,253
Liabilities		
Current liabilities		
Accounts payable - trade	8,830	17,414
Current portion of bonds payable	—	80,000
Short-term borrowings	—	10,000
Current portion of long-term borrowings	—	18,109
Income taxes payable	152,361	89,502
Provision for bonuses	30,136	48,034
Asset retirement obligations	16,000	16,000
Other	212,504	341,174
Total current liabilities	419,833	620,234
Non-current liabilities		
Bonds payable	—	200,000
Bonds with share acquisition rights	2,003,866	2,003,266
Long-term borrowings	—	71,471
Asset retirement obligations	11,314	61,344
Other	800	19,298
Total non-current liabilities	2,015,981	2,355,380
Total liabilities	2,435,814	2,975,615
Net assets		
Shareholders' equity		
Share capital	192,060	192,060
Capital surplus	132,060	132,060
Retained earnings	2,065,807	2,362,524
Treasury shares	-436,943	-415,370
Total shareholders' equity	1,952,983	2,271,274
Accumulated other comprehensive income		
Foreign currency translation adjustment	1,795	5,899
Total accumulated other comprehensive income	1,795	5,899
Share acquisition rights	4,464	4,464
Total net assets	1,959,242	2,281,637
Total liabilities and net assets	4,395,056	5,257,253

(2) Quarterly Consolidated Statement of Income and Comprehensive Income
(Quarterly Consolidated Statement of Income)
(Nine months ended
June 30, 2022)

(Thousands of yen)

	Nine months ended June 30, 2021	Nine months ended June 30, 2022
Net sales	1,555,348	1,627,903
Cost of sales	229,195	205,633
Gross profit	1,326,153	1,422,269
Selling, general and administrative expenses	688,477	797,292
Operating profit	637,676	624,977
Non-operating income		
Interest income	50	109
Interest on securities	—	599
Foreign exchange gains	2,430	—
Subsidy income	1,599	—
Miscellaneous income	583	670
Total non-operating income	4,662	1,379
Non-operating expenses		
Foreign exchange losses	—	1,475
Miscellaneous losses	185	71
Total non-operating expenses	185	1,547
Ordinary profit	642,153	624,809
Extraordinary income		
Gain on sale of non-current assets	596	—
Total extraordinary income	596	—
Profit before income taxes	642,749	624,809
Income taxes - current	195,724	207,537
Income taxes - deferred	1,039	-2,969
Total income taxes	196,763	204,567
Profit	445,985	420,241
Profit attributable to owners of parent	445,985	420,241

(Quarterly Consolidated Statement of Comprehensive Income)
(Nine months ended
June 30, 2022)

(Thousands of yen)

	Nine months ended June 30, 2021	Nine months ended June 30, 2022
Profit	445,985	420,241
Other comprehensive income		
Foreign currency translation adjustment	2,426	4,104
Total other comprehensive income	2,426	4,104
Comprehensive income	448,411	424,345
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	448,411	424,345
Comprehensive income attributable to non-controlling interests	—	—

(3) 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 nine months ended June 30, 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 nine 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 nine months ended June 30, 2022 each increased by 10,279 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)

No applicable matters to report.