



Consolidated Financial Results for the First Quarter of the Fiscal Year Ending September 30, 2024 [Japanese GAAP]

February 14, 2024

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: February 14, 2024 Scheduled date to commence dividend payments: —
 Availability of supplementary briefing material on quarterly financial results: Yes
 Quarterly financial results briefing: None

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the First Quarter of Fiscal Year ending September 30, 2024 (From October 1, 2023 to December 31, 2023)

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

	Net Sales		EBITDA*		Operating Profit		Ordinary Profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First Quarter ended										
December 31, 2023	1,192	49.4	394	29.5	307	31.3	308	29.6	207	25.6
December 31, 2022	797	53.7	304	26.2	234	15.4	237	17.0	165	18.4

(Reference) Comprehensive income: First Quarter ended December 31, 2023: 209 million yen (27.9%) First Quarter ended December 31, 2022: 163 million yen (16.1%)

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

	Basic profit per share		Basic diluted profit per share	
	Yen		Yen	
First Quarter ended				
December 31, 2023	4.38		—	
December 31, 2022	3.49		3.32	

(2) Consolidated financial position

	Total Assets		Net Assets		Shareholders' Equity Ratio	
	Millions of Yen		Millions of Yen		%	
First Quarter ended						
December 31, 2023	5,257		3,123		59.4	
Fiscal year ended						
September 30, 2023	5,653		3,174		56.2	

(Reference) Shareholder's equity: First Quarter ended December 31, 2023: 3,123 million yen Fiscal year ended September 30, 2023: 3,174 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, 2023	—	0.00	—	5.50	5.50
Fiscal Year ending					
September 30, 2024	—				
Fiscal Year ending					
September 30, 2024 (forecast)		0.00	—	6.50	6.50

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

3. Forecast for the consolidated financial results for the fiscal year ending September 30, 2024 (from October 1, 2023 to September 30, 2024)

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

	Net Sales		EBITDA*		Operating Profit		Ordinary Profit		Profit attributable to owners of parent		Profit Per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	
First Half (Cumulative)	2,350	35.3	780	12.3	600	7.3	600	6.2	420	3.5	8.85
Full Year	5,100	36.1	1,780	28.5	1,400	27.7	1,400	26.5	1,000	31.0	21.07

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

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

* Notes

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

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

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

- ① Changes in accounting policies due to the revision of accounting standards : None
- ② Changes in accounting policies other than ① : None
- ③ Changes in accounting estimates : None
- ④ Restatements : None

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

① Total number of issued shares at the end of the fiscal year (including treasury shares):	First quarter ended December 31, 2023	48,132,000 Shares	Fiscal Year ended September 30, 2023	48,132,000 Shares
	② Total number of treasury shares at the end of the fiscal year:	First quarter ended December 31, 2023	659,906 Shares	Fiscal Year ended September 30, 2023
③ Average number of shares during the first quarter (quarter-to-date)	First quarter ended December 31, 2023	47,472,094 Shares	First quarter ended December 31, 2022	47,455,094 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. Qualitative Information on Financial Results for the First quarter ended December 31, 2023

Explanation of Operating Results

Consolidated operating results for the first quarter of the current fiscal year were as follows: net sales of 1,192,515 thousand yen (up 394,575 thousand yen or 49.4% year-on-year), operating income of 307,773 thousand yen (up 73,318 thousand yen or 31.3% year-on-year), ordinary income of 308,065 thousand yen (up 70,283 thousand yen or 29.6% year-on-year), net income attributable to shareholders of the parent company was 207,989 thousand yen (up 42,416 thousand yen, or 25.6% year on year).

Effective from the first quarter of the current fiscal year, the "Healthy Lifespan Extension Service" of the "Cloud Platform Business" reportable segment has become a new reportable segment to clearly present information related to this service due to its increased monetary importance as a business utilizing real stores and expected expansion in scale in the future. Therefore, it has been renamed as a new reportable segment, "Healthy Lifespan Extension Business," in order to clearly present information on this service. In line with this change, the name of the former "Cloud Platform Business" has been changed to "Medical and Nursing Care Cloud Platform Business" to better reflect the actual situation.

(Medical and Nursing Care Cloud Platform Business)

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 638,732 thousand yen (up 81,234 thousand yen or 14.6% year on year).

ii Platform Services

Platform Services include the production, operation, and management of websites of long-term care providers through directly solicited contracts as well as through the Care Work Foundation. These website services provide a stable base income. Platform Services also include an advertising service and human resource services for medical / elderly care provider. Fortunately, sales of these products increased, causing net sales for Platform Services to come in at 100,886 thousands yen (up 55,959 thousand yen or 124.6% year on year).

iii Other Services

The Company secured a contract to undertake customization related development work for a large customer, and net sales for Other Services came in at 23,970 thousands yen (up 9,018 thousand yen or 60.3% year on year).

As a result, segment sales were 763,588 thousand yen (up 146,212 thousand yen, or 23.7% year on year), and segment income was 310,612 thousand yen (up 72,194 thousand yen or 30.3% year on year) due to an increase in cost of sales, including personnel expenses for platform services, and selling, general and administrative expenses.

(Healthy Lifespan Extension Business)

i Healthy Lifespan Extension Services

This service involves the operation and franchising of 24-hour fitness gyms and the provision of services that contribute to extending healthy lifespans through these real stores. As a result, net sales amounted to 280,223 thousand yen (up 99,659 thousand yen or 55.2% year-on-year).

Since this segment includes only one service mentioned above, segment sales are equal to the sales of the Healthy Lifespan Extension Services. In addition, the segment loss was 7,995 thousand yen (segment loss of 1,977 thousand yen in the same period of the previous year) due to an increase in one-time costs resulting from the opening of new stores and an increase in headquarters personnel for the purpose of future business scale expansion.

(Solutions Development Business)

i Solution Services

For this service, the results are those of web service planning and development at Ruby Development Corporation, which has been included in the scope of consolidation since the fourth quarter of the previous consolidated fiscal year. Since the deemed acquisition date of the said company is August 31, 2023, the business results of the said company have been consolidated from the previous consolidated fourth quarter, and sales amounted to 148,703 thousand yen as a result of strong sales of web service planning and development.

This segment includes only the one service mentioned above, and segment profit after deducting cost of sales and selling, general and administrative expenses from net sales of solution services amounted to 15,298 thousand yen.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	As of September 30, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	2,872,526	2,410,618
Accounts receivable - trade	183,489	199,535
Merchandise	7,260	7,414
Work in process	2,163	4,791
Supplies	400	441
Prepaid expenses	76,483	74,744
Current portion of long-term loans receivable	1,250	1,357
Other	98,619	99,751
Allowance for doubtful accounts	-8,393	-9,581
Total current assets	3,233,800	2,789,073
Non-current assets		
Property, plant and equipment		
Buildings, net	631,848	700,393
Vehicles, net	13,418	12,171
Tools, furniture and fixtures, net	327,943	344,542
Leased assets, net	19,995	19,395
Construction in progress	7,238	5,378
Total property, plant and equipment	1,000,444	1,081,881
Intangible assets		
Software	572,768	575,563
Goodwill	524,996	511,255
Other	76	76
Total intangible assets	1,097,841	1,086,895
Investments and other assets		
Shares of subsidiaries and associates	3,740	—
Investments in capital	500	500
Long-term loans receivable	25,888	25,850
Distressed receivables	2,215	2,215
Long-term prepaid expenses	16,688	12,980
Deferred tax assets	48,534	35,735
Leasehold and guarantee deposits	201,272	199,708
Insurance funds	24,299	24,847
Other	49	49
Allowance for doubtful accounts	-2,215	-2,215
Total investments and other assets	320,972	299,671
Total non-current assets	2,419,258	2,468,448
Total assets	5,653,058	5,257,521

(Thousands of yen)

	As of September 30, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	50,790	41,371
Current portion of bonds payable	60,000	60,000
Current portion of long-term borrowings	280,956	280,956
Lease liabilities	7,482	7,551
Accounts payable - other	136,796	130,144
Accrued expenses	74,436	84,438
Income taxes payable	207,026	94,611
Accrued consumption taxes	97,792	70,582
Contract liabilities	368,273	275,682
Deposits received	30,721	28,711
Provision for bonuses	55,938	31,931
Asset retirement obligations	16,000	16,000
Other	19,646	18,358
Total current liabilities	1,405,859	1,140,340
Non-current liabilities		
Bonds payable	65,000	50,000
Long-term borrowings	859,524	789,285
Lease liabilities	6,060	4,146
Deferred tax liabilities	58,410	61,546
Asset retirement obligations	82,454	87,872
Other	800	800
Total non-current liabilities	1,072,249	993,650
Total liabilities	2,478,109	2,133,990
Net assets		
Shareholders' equity		
Share capital	192,060	192,060
Capital surplus	132,060	132,060
Retained earnings	3,247,776	3,194,669
Treasury shares	-404,938	-404,938
Total shareholders' equity	3,166,957	3,113,850
Accumulated other comprehensive income		
Foreign currency translation adjustment	7,991	9,680
Total accumulated other comprehensive income	7,991	9,680
Total net assets	3,174,949	3,123,531
Total liabilities and net assets	5,653,058	5,257,521

(2) Quarterly Consolidated Statement of Income and Comprehensive Income
(Quarterly Consolidated Statement of Income)
(Three months ended December 31, 2023)

(Thousands of yen)

	Three months ended December 31, 2022	Three months ended December 31, 2023
Net sales	797,940	1,192,515
Cost of sales	192,535	460,836
Gross profit	605,405	731,679
Selling, general and administrative expenses	370,950	423,905
Operating profit	234,455	307,773
Non-operating income		
Interest income	42	122
Interest on securities	199	—
Gain on sale of goods	2,879	—
Commission income	1,912	1,968
Miscellaneous income	232	480
Total non-operating income	5,267	2,572
Non-operating expenses		
Interest expenses	801	1,779
Foreign exchange losses	1,011	436
Miscellaneous losses	127	63
Total non-operating expenses	1,940	2,279
Ordinary profit	237,782	308,065
Extraordinary income		
Gain on sale of shares of subsidiaries and associates	—	5,897
Total extraordinary income	—	5,897
Profit before income taxes	237,782	313,963
Income taxes - current	64,477	90,039
Income taxes - deferred	7,732	15,935
Total income taxes	72,210	105,974
Profit	165,572	207,989
Profit attributable to owners of parent	165,572	207,989

(Quarterly Consolidated Statement of Comprehensive Income)
(Three months ended December 31, 2023)

(Thousands of yen)

	Three months ended December 31, 2022	Three months ended December 31, 2023
Profit	165,572	207,989
Other comprehensive income		
Foreign currency translation adjustment	-1,588	1,689
Total other comprehensive income	-1,588	1,689
Comprehensive income	163,983	209,678
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	163,983	209,678
Comprehensive income attributable to non- controlling interests	—	—