

Translation

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**Summary of Consolidated Financial Results
for the Year Ended December 31, 2021
(Based on Japanese GAAP)**

February 14, 2022

Company name: Mynet Inc.
 Stock exchange listing: Tokyo
 Stock code: 3928 URL <https://mynet.co.jp/>
 Representative: President and CEO Jin Uehara
 Inquiries: Director Takao Koide TEL 03-6864-4261
 Scheduled date of ordinary general meeting of shareholders: March 29, 2022
 Scheduled date to file Securities Report: March 30, 2022
 Scheduled date to commence dividend payments: March 30, 2022
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended December 31, 2021 (from January 1, 2021 to December 31, 2021)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended December 31, 2021	10,571	(8.3)	577	(49.1)	546	(51.1)	229	(79.7)
Year ended December 31, 2020	11,533	(1.0)	1,135	-	1,116	-	1,129	-

Note: Comprehensive income Year ended December 31, 2021 ¥236 million [(79.1)%]
 Year ended December 31, 2020 ¥1,128 million [-%]

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended December 31, 2021	26.50	26.45	8.6	10.1	5.5
Year ended December 31, 2020	131.34	130.69	58.5	22.2	9.8

Reference: Share of profit (loss) of entities accounted for using equity method

Year ended December 31, 2021 ¥- million
 Year ended December 31, 2020 ¥- million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2021	5,814	2,817	48.3	324.15
As of December 31, 2020	5,049	2,518	49.6	290.73

Reference: Equity As of December 31, 2021 ¥2,806 million
 As of December 31, 2020 ¥2,504 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended December 31, 2021	527	(14)	210	3,478
Year ended December 31, 2020	1,848	(178)	(1,107)	2,755

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended December 31, 2020	–	0.00	–	0.00	0.00	–	–	–
Year ended December 31, 2021	–	0.00	–	6.00	6.00	52	22.6	2.0
Year ending December 31, 2022 (Forecast)	–	6.00	–	6.00	12.00		86.5	

3. Forecast of consolidated financial results for the year ending December 31, 2022 (from January 1, 2022 to December 31, 2022)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Full year	11,000	4.1	200	(65.4)	175	(68.0)	120	(47.7)

Note: The Company has not prepared the consolidated financial results forecast for the first half of the fiscal year ending December 31, 2022.

4. Notes

(1) Changes in significant subsidiaries during the year ended December 31, 2021

(changes in specified subsidiaries resulting in the change in scope of consolidation):

Newly included: 1 company SHIGA LAKESTARS inc.

Excluded: 1 company MYLOOPS inc.

Yes

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations:

No

Changes in accounting policies due to other reasons:

No

Changes in accounting estimates:

No

Restatement of prior period financial statements:

No

(3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2021	8,698,760 shares	As of December 31, 2020	8,614,600 shares
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Number of treasury shares at the end of the period

As of December 31, 2021	23,480 shares	As of December 31, 2020	5,230 shares
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Average number of shares during the period

Year ended December 31, 2021	8,651,699 shares	Year ended December 31, 2020	8,602,427 shares
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(Reference) Overview of non-consolidated financial results

1. Non-consolidated financial results for the year ended December 31, 2021 (from January 1, 2021 to December 31, 2021)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes)

	Net Sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year Ended December 31, 2021	1,815	(13.0)	(78)	—	339	—	337	—
Year Ended December 31, 2020	2,087	(7.7)	107	88.3	15	—	(46)	—

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Year Ended December 31, 2021	38.96		38.88	
Year Ended December 31, 2020	(5.36)		—	

(2) Non-consolidated financial position

	Total assets		Net assets		Equity ratio		Net assets per share	
	Millions of yen		Millions of yen		%		Yen	
As of December 31, 2021	4,941		1,782		35.8		204.75	
As of December 31, 2020	4,576		1,375		29.7		157.89	

Reference: Equity As of December 31, 2021 ¥1,770 million
 As of December 31, 2020 ¥1,360 million

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* Proper use of forecasts of financial results, and other special matters

The forward-looking statements, including the financial forecasts shown in this document are based on information currently available to the Company and on certain assumptions deemed to be reasonable. As such, they do not constitute guarantees by the Company of future performance. Actual performance and other results may differ materially from these forecasts due to various factors.

Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of December 31, 2020	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	2,755,830	3,500,153
Accounts receivable - trade	1,165,013	1,063,202
Accounts receivable - other	27	38,825
Income taxes receivable	6,825	146,187
Other	190,547	252,594
Allowance for doubtful accounts	–	(9,585)
Total current assets	4,118,243	4,991,377
Non-current assets		
Property, plant and equipment		
Buildings and structures	44,200	54,909
Accumulated depreciation	(13,397)	(12,269)
Buildings and structures, net	30,803	42,639
Tools, furniture and fixtures	109,915	87,478
Accumulated depreciation	(78,782)	(61,173)
Tools, furniture and fixtures, net	31,132	26,304
Other	–	43,631
Accumulated depreciation	–	(38,189)
Other, net	–	5,442
Total property, plant and equipment	61,935	74,387
Intangible assets		
Goodwill	125,817	222,933
Other	30,334	26,314
Total intangible assets	156,152	249,248
Investments and other assets		
Investment securities	152,919	182,291
Leasehold deposits	171,447	113,891
Long-term prepaid expenses	107,400	76,845
Deferred tax assets	281,203	125,814
Other	564	708
Total investments and other assets	713,534	499,551
Total non-current assets	931,623	823,186
Total assets	5,049,867	5,814,564

(Thousands of yen)

	As of December 31, 2020	As of December 31, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	278,084	255,287
Accounts payable - other	321,861	239,077
Advances received	86,448	334,447
Current portion of long-term borrowings	100,000	161,048
Current portion of bonds payable	638,750	400,000
Income taxes payable	50,230	84,746
Other	300,572	167,819
Total current liabilities	1,775,946	1,642,426
Non-current liabilities		
Long-term borrowings	50,000	543,199
Bonds payable	700,000	800,000
Asset retirement obligations	5,193	10,962
Total non-current liabilities	755,193	1,354,161
Total liabilities	2,531,140	2,996,587
Net assets		
Shareholders' equity		
Share capital	3,076,557	46,483
Capital surplus	3,057,113	1,387,290
Retained earnings	(3,629,198)	1,372,940
Treasury shares	(353)	(353)
Total shareholders' equity	2,504,119	2,806,360
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(1,107)	5,740
Total accumulated other comprehensive income	(1,107)	5,740
Share acquisition rights	15,715	5,875
Total net assets	2,518,726	2,817,977
Total liabilities and net assets	5,049,867	5,814,564

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Thousands of yen)

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021
Net sales	11,533,596	10,571,184
Cost of sales	6,404,443	6,278,739
Gross profit	5,129,153	4,292,445
Selling, general and administrative expenses	3,993,918	3,714,834
Operating profit	1,135,234	577,611
Non-operating income		
Interest income	24	25
Dividend income	1,498	–
Interest on refund of income taxes	467	70
Consumption tax difference	3,513	–
Foreign exchange gains	–	3,845
Revenue from sales of consumables	2,095	–
Rental income from buildings	–	550
Other	38	460
Total non-operating income	7,637	4,952
Non-operating expenses		
Interest expenses	7,627	8,439
Bond issuance costs	–	9,539
Interest on bonds	9,177	5,325
Loss on investments in investment partnerships	7,004	8,812
Other	2,188	4,004
Total non-operating expenses	25,997	36,121
Ordinary profit	1,116,874	546,442
Extraordinary income		
Gain on sale of investment securities	–	36,490
Gain on reversal of share acquisition rights	378	9,840
Total extraordinary income	378	46,330
Extraordinary losses		
Loss on retirement of non-current assets	2,640	2,260
Impairment losses	69,569	77,780
Loss on cancellation of rental contracts	23,243	–
Loss on valuation of investment securities	–	40,800
Total extraordinary losses	95,453	120,841
Profit before income taxes	1,021,798	471,930
Income taxes - current	61,069	90,302
Income taxes - deferred	(169,119)	152,353
Total income taxes	(108,049)	242,655
Profit	1,129,848	229,274
Profit attributable to owners of parent	1,129,848	229,274

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021
Profit	1,129,848	229,274
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,107)	6,848
Total other comprehensive income	(1,107)	6,848
Comprehensive income	1,128,740	236,123
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,128,740	236,123
Comprehensive income attributable to non-controlling interests	—	—

Consolidated statements of changes in equity

Fiscal year ended December 31, 2020

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,070,325	3,050,882	(4,759,046)	(353)	1,361,807
Changes during period					
Issuance of new shares	6,231	6,231			12,463
Profit attributable to owners of parent			1,129,848		1,129,848
Net changes in items other than shareholders' equity					
Total changes during period	6,231	6,231	1,129,848	–	1,142,311
Balance at end of period	3,076,557	3,057,113	(3,629,198)	(353)	2,504,119

	Accumulated other comprehensive income		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of period	–	–	16,093	1,377,901
Changes during period				
Issuance of new shares				12,463
Profit attributable to owners of parent				1,129,848
Net changes in items other than shareholders' equity	(1,107)	(1,107)	(378)	(1,485)
Total changes during period	(1,107)	(1,107)	(378)	1,140,825
Balance at end of period	(1,107)	(1,107)	15,715	2,518,726

Fiscal year ended December 31, 2021

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,076,557	3,057,113	(3,629,198)	(353)	2,504,119
Changes during period					
Issuance of new shares	36,483	36,483			72,966
Capital reduction	(3,066,557)	3,066,557			–
Deficit disposition		(4,772,863)	4,772,863		–
Profit attributable to owners of parent			229,274		229,274
Net changes in items other than shareholders' equity					
Total changes during period	(3,030,073)	(1,669,823)	5,002,138		302,241
Balance at end of period	46,483	1,387,290	1,372,940	(353)	2,806,360

	Accumulated other comprehensive income		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of period	(1,107)	(1,107)	15,715	2,518,726
Changes during period				
Issuance of new shares				72,966
Capital reduction				–
Deficit disposition				–
Profit attributable to owners of parent				229,274
Net changes in items other than shareholders' equity	6,848	6,848	(9,840)	(2,991)
Total changes during period	6,848	6,848	(9,840)	299,250
Balance at end of period	5,740	5,740	5,875	2,817,977

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021
Cash flows from operating activities		
Profit before income taxes	1,021,798	471,930
Depreciation	123,475	138,467
Amortization of goodwill	65,644	69,817
Increase (decrease) in allowance for doubtful accounts	–	6,768
Interest and dividend income	(1,523)	(25)
Foreign exchange losses (gains)	–	(4,961)
Interest expenses on borrowings and bonds	16,804	13,764
Investment business association investment loss and profit	7,004	8,812
Loss on cancellation of lease contract	23,243	–
Impairment losses	69,569	77,780
Gain on reversal of share acquisition rights	(378)	(9,840)
Loss on retirement of non-current assets	2,640	2,260
Loss (gain) on valuation of investment securities	–	40,800
Loss (gain) on sale of investment securities	–	(36,490)
Decrease (increase) in trade receivables	352,811	122,573
Decrease (increase) in accounts receivable - other	241	(143,166)
Increase (decrease) in trade payables	19,677	(44,537)
Increase (decrease) in accrued consumption taxes	193,478	(162,434)
Other, net	35,170	64,047
Subtotal	1,929,659	615,568
Interest and dividends received	1,523	25
Interest paid	(16,391)	(8,215)
Payment of Business structure improvement expenses	(64,546)	–
Income taxes paid	(48,681)	(86,243)
Receive the amount of refunds and refund of income taxes	46,910	6,825
Net cash provided by (used in) operating activities	1,848,474	527,961
Cash flows from investing activities		
Payments into time deposits	–	(400)
Payment of conditional acquisition consideration for subsidiary shares	(200,000)	–
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	–	143,158
Purchase of investment securities	(100,445)	(65,800)
Proceeds from sale of investment securities	–	38,130
Purchase of property, plant and equipment	(233)	(17,119)
Purchase of intangible assets	–	(11,441)
Proceeds from refund of leasehold and guarantee deposits	152,670	77,067
Payments of leasehold and guarantee deposits	(84)	(27,685)
Purchase of long-term prepaid expenses	(32,000)	(150,500)
Other, net	1,384	(378)
Net cash provided by (used in) investing activities	(178,708)	(14,969)

(Thousands of yen)

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021
Cash flows from financing activities		
Repayments of short-term borrowings	(70,000)	–
Proceeds from long-term borrowings	–	500,000
Repayments of long-term borrowings	(100,000)	(151,148)
Proceeds from issuance of bonds	–	500,000
Redemption of bonds	(944,500)	(638,750)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	6,839	–
Net cash provided by (used in) financing activities	(1,107,660)	210,102
Effect of exchange rate change on cash and cash equivalents	–	21
Net increase (decrease) in cash and cash equivalents	562,105	723,114
Cash and cash equivalents at beginning of period	2,193,725	2,755,830
Cash and cash equivalents at end of period	2,755,830	3,478,945