

Translation

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Summary of Consolidated Financial Results for the Six Months Ended June 30, 2022 (Based on Japanese GAAP)

August 12, 2022

Company name: Mynet Inc.
 Stock exchange listing: Tokyo
 Stock code: 3928 URL <https://mynet.co.jp/>
 Representative: President and CEO Jin Uehara
 Inquiries: Managing Executive Officer Takuya Nishimura TEL 03-6864-4261
 Scheduled date to file Quarterly Securities Report: August 12, 2022
 Scheduled date to commence dividend payments: September 1, 2022
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended June 30, 2022 (from January 1, 2022 to June 30, 2022)

(1) Consolidated operating results (cumulative)

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	%
Six months ended June 30, 2022	5,299	(4.7)	99	(77.7)	101	(76.8)	99	(69.7)
Six months ended June 30, 2021	5,560	–	445	–	437	–	328	–

Note: Comprehensive income Six months ended June 30, 2022 ¥108 million [(67.0)%]
 Six months ended June 30, 2021 ¥329 million [–%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended June 30, 2022	11.54		–	
Six months ended June 30, 2021	38.05		37.94	

Note: Diluted earnings per share for the six months ended June 30, 2022 are not presented, because there are no dilutive shares with dilutive effects.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2022	5,411	2,779	51.3
As of December 31, 2021	5,814	2,817	48.3

Reference: Equity As of June 30, 2022 ¥2,773 million
 As of December 31, 2021 ¥2,806 million

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended December 31, 2021	–	0.00	–	6.00	6.00
Year ending December 31, 2022	–	6.00			
Year ending December 31, 2022 (Forecast)			–	6.00	12.00

Note: Revision of cash dividends forecast most recently announced: No

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: Revision of consolidated financial results forecast most recently announced: No

4. Notes

(1) Changes in significant subsidiaries during the six months ended June 30, 2022
 (changes in specified subsidiaries resulting in the change in scope of consolidation): Yes
 Newly included: — Excluded: 1 company MYLOOPS inc.

(2) Application of special accounting methods for preparing quarterly consolidated financial statements: No

(3) 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: Yes
 Changes in accounting policies due to other reasons: No
 Changes in accounting estimates: No
 Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

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

As of June 30, 2022	8,710,334 shares	As of December 31, 2021	8,698,760 shares
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Number of treasury shares at the end of the period

As of June 30, 2022	242,065 shares	As of December 31, 2021	23,480 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended June 30, 2022	8,613,355 shares	Six months ended June 30, 2021	8,623,682 shares
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* Quarterly financial results reports are exempt from quarterly review 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.

Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of December 31, 2021	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	3,500,153	2,838,601
Accounts receivable - trade	1,063,202	–
Accounts receivable - trade, and contract assets	–	1,115,591
Accounts receivable - other	38,825	2,859
Income taxes receivable	146,187	32
Other	252,594	381,439
Allowance for doubtful accounts	(9,585)	(3,316)
Total current assets	4,991,377	4,335,206
Non-current assets		
Property, plant and equipment	74,387	71,502
Intangible assets		
Software in progress	–	19,215
Goodwill	222,933	181,765
Other	26,314	19,653
Total intangible assets	249,248	220,633
Investments and other assets		
Investment securities	182,291	208,144
Leasehold deposits	113,891	109,868
Long-term prepaid expenses	76,845	341,068
Deferred tax assets	125,814	124,107
Other	708	665
Total investments and other assets	499,551	783,852
Total non-current assets	823,186	1,075,988
Total assets	5,814,564	5,411,195

(Thousands of yen)

	As of December 31, 2021	As of June 30, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	255,287	292,465
Accounts payable - other	239,077	164,575
Advances received	334,447	–
Contract liabilities	–	181,708
Provision for bonuses	–	72,984
Short-term borrowings	–	177,760
Current portion of long-term borrowings	161,048	111,469
Current portion of bonds payable	400,000	400,000
Income taxes payable	84,746	4,034
Other	167,819	124,080
Total current liabilities	1,642,426	1,529,075
Non-current liabilities		
Long-term borrowings	543,199	487,200
Bonds payable	800,000	600,000
Asset retirement obligations	10,962	9,454
Lease obligations	–	6,099
Total non-current liabilities	1,354,161	1,102,753
Total liabilities	2,996,587	2,631,828
Net assets		
Shareholders' equity		
Share capital	46,483	49,631
Capital surplus	1,387,290	1,391,688
Retained earnings	1,372,940	1,417,241
Treasury shares	(353)	(100,328)
Total shareholders' equity	2,806,360	2,758,232
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,740	15,258
Total accumulated other comprehensive income	5,740	15,258
Share acquisition rights	5,875	5,875
Total net assets	2,817,977	2,779,366
Total liabilities and net assets	5,814,564	5,411,195

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Thousands of yen)

	Six months ended June 30, 2021	Six months ended June 30, 2022
Net sales	5,560,257	5,299,878
Cost of sales	3,303,475	3,205,177
Gross profit	2,256,781	2,094,700
Selling, general and administrative expenses	1,811,349	1,995,207
Operating profit	445,431	99,493
Non-operating income		
Interest income	13	17
Foreign exchange gains	2,609	4,779
Interest on refund of income taxes	70	356
Subsidy income	–	4,594
Other	10	1,228
Total non-operating income	2,703	10,974
Non-operating expenses		
Interest expenses	2,625	6,026
Interest on bonds	2,674	2,398
Loss on investments in investment partnerships	4,061	70
Other	1,773	460
Total non-operating expenses	11,134	8,954
Ordinary profit	437,000	101,513
Extraordinary losses		
Loss on retirement of non-current assets	2,260	133
Impairment losses	2,530	–
Loss on valuation of goods	–	1,242
Total extraordinary losses	4,791	1,376
Profit before income taxes	432,208	100,137
Income taxes - current	53,116	4,096
Income taxes - deferred	50,931	(3,326)
Total income taxes	104,047	769
Profit	328,160	99,367
Profit attributable to owners of parent	328,160	99,367

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended June 30, 2021	Six months ended June 30, 2022
Profit	328,160	99,367
Other comprehensive income		
Valuation difference on available-for-sale securities	904	9,518
Total other comprehensive income	904	9,518
Comprehensive income	329,065	108,885
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	329,065	108,885
Comprehensive income attributable to non-controlling interests	—	—

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended June 30, 2021	Six months ended June 30, 2022
Cash flows from operating activities		
Profit before income taxes	432,208	100,137
Depreciation	68,354	59,417
Amortization of goodwill	32,822	41,168
Increase (decrease) in allowance for doubtful accounts	–	(6,268)
Interest and dividend income	(13)	(17)
Interest expenses on borrowings and bonds	5,299	8,425
Foreign exchange losses (gains)	(2,609)	(11,432)
Impairment losses	2,530	–
Loss (gain) on investments in investment partnerships	4,061	70
Loss on retirement of non-current assets	2,260	133
Decrease (increase) in trade receivables	(39,916)	(52,637)
Decrease (increase) in accounts receivable - other	(806)	34,066
Increase (decrease) in trade payables	(57,523)	37,178
Increase (decrease) in accounts payable - other	(182,857)	(74,502)
Increase (decrease) in provision for bonuses	–	72,984
Other, net	(138,547)	(292,517)
Subtotal	125,263	(83,795)
Interest and dividends received	13	17
Interest paid	(5,171)	(7,507)
Income taxes paid	(50,232)	(84,261)
Receive the amount of refunds and refund of income taxes	6,824	148,056
Net cash provided by (used in) operating activities	76,697	(27,490)
Cash flows from investing activities		
Payments into time deposits	–	(1,400)
Purchase of investment securities	(53,300)	–
Purchase of property, plant and equipment	(14,499)	(6,559)
Purchase of intangible assets	(10,900)	(19,801)
Proceeds from refund of leasehold and guarantee deposits	76,591	100
Payments of leasehold and guarantee deposits	(27,457)	(30)
Purchase of long-term prepaid expenses	(150,500)	(330,000)
Other, net	(378)	29
Net cash provided by (used in) investing activities	(180,444)	(357,661)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	–	177,760
Proceeds from long-term borrowings	500,000	–
Repayments of long-term borrowings	(50,000)	(105,578)
Redemption of bonds	(488,750)	(200,000)
Proceeds from share issuance to non-controlling shareholders	–	1,250
Dividends paid	–	(51,317)
Purchase of treasury shares	–	(99,975)
Net cash provided by (used in) financing activities	(38,750)	(277,860)
Effect of exchange rate change on cash and cash equivalents	–	61
Net increase (decrease) in cash and cash equivalents	(142,496)	(662,951)
Cash and cash equivalents at beginning of period	2,755,830	3,478,945
Cash and cash equivalents at end of period	2,613,334	2,815,993