

Translation

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Summary of Consolidated Financial Results for the Year Ended December 31, 2022 (Based on Japanese GAAP)

February 14, 2023

Company name: Mynet Inc.
 Stock exchange listing: Tokyo
 Stock code: 3928 URL <https://mynet.co.jp/>
 Representative: President and CEO Minoru Iwaki
 Inquiries: Managing Executive Officer Takuya Nishimura TEL 03-6864-4261
 Scheduled date of ordinary general meeting of shareholders: March 29, 2023
 Scheduled date to file Securities Report: March 30, 2023
 Scheduled date to commence dividend payments: –
 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, 2022 (from January 1, 2022 to December 31, 2022)

(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, 2022	10,542	(0.3)	(399)	–	(419)	–	(1,633)	–
Year ended December 31, 2021	10,571	(8.3)	577	(49.1)	546	(51.1)	229	(79.7)

Note: Comprehensive income Year ended December 31, 2022 ¥(1,623) million [–%]
 Year ended December 31, 2021 ¥236 million [(79.1)%]

	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, 2022	(191.28)	–	–	–	–
Year ended December 31, 2021	26.50	26.45	8.6	10.1	5.5

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

Year ended December 31, 2022 ¥– million
 Year ended December 31, 2021 ¥– 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, 2022	4,360	995	22.7	117.31
As of December 31, 2021	5,814	2,817	48.3	324.15

Reference: Equity As of December 31, 2022 ¥989 million
 As of December 31, 2021 ¥2,806 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, 2022	(148)	(1,360)	(26)	1,943
Year ended December 31, 2021	527	(14)	210	3,478

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, 2021	–	0.00	–	6.00	6.00	52	22.6	2.0
Year ended December 31, 2022	–	6.00	–	0.00	6.00	50	–	2.7
Year ending December 31, 2023 (Forecast)	–	0.00	–	0.00	0.00		–	

3. Forecast of consolidated financial results for the year ending December 31, 2023 (from January 1, 2023 to December 31, 2023)

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	9,400	(10.8)	100	–	80	–	70	–

Note: The Company has not prepared the consolidated financial results forecast for the first half of the fiscal year ending December 31, 2023.

4. Notes

(1) Changes in significant subsidiaries during the year ended December 31, 2022

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

Yes

Newly included: —

Excluded: 1 company MYLOOPS inc.

(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:

Yes

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, 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 December 31, 2022	271,621 shares	As of December 31, 2021	23,480 shares
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Average number of shares during the period

Year ended December 31, 2022	8,537,706 shares	Year ended December 31, 2021	8,651,699 shares
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(Reference) Overview of non-consolidated financial results

1. Non-consolidated financial results for the year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)

(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, 2022	2,262	24.6	(192)	—	(350)	—	(1,002)	—
Year ended December 31, 2021	1,815	(13.0)	(78)	—	339	—	337	—

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Year ended December 31, 2022	(117.48)		—	
Year ended December 31, 2021	38.96		38.88	

(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, 2022	4,509		591		13.0		69.45	
As of December 31, 2021	4,941		1,782		35.8		204.75	

Reference: Equity As of December 31, 2022 ¥586 million
As of December 31, 2021 ¥1,770 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, 2021	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	3,500,153	1,977,096
Accounts receivable - trade	1,063,202	–
Accounts receivable	–	1,187,360
Accounts receivable - other	38,825	13,699
Income taxes refund receivable	146,187	27,266
Other	252,594	416,194
Allowance for doubtful accounts	(9,585)	(5,942)
Total current assets	4,991,377	3,615,673
Non-current assets		
Property, plant and equipment		
Buildings and structures	54,909	54,875
Accumulated depreciation	(12,269)	(16,405)
Buildings and structures, net	42,639	38,470
Tools, furniture and fixtures	87,478	75,256
Accumulated depreciation	(61,173)	(60,659)
Tools, furniture and fixtures, net	26,304	14,596
Other	43,631	–
Accumulated depreciation	(38,189)	–
Other, net	5,442	–
Total property, plant and equipment	74,387	53,066
Intangible assets		
Goodwill	222,933	31,000
Other	26,314	57,480
Total intangible assets	249,248	88,480
Investments and other assets		
Investment securities	182,291	215,027
Leasehold deposits	113,891	106,131
Long-term prepaid expenses	76,845	265,665
Deferred tax assets	125,814	15,432
Other	708	550
Total investments and other assets	499,551	602,806
Total non-current assets	823,186	744,353
Total assets	5,814,564	4,360,027

(Thousands of yen)

	As of December 31, 2021	As of December 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	255,287	351,758
Accounts payable - other	239,077	279,107
Advances received	334,447	–
Contract liabilities	–	274,717
Provision for bonuses	–	73,862
Current portion of long-term borrowings	161,048	165,999
Current portion of bonds payable	400,000	490,000
Income taxes payable	84,746	7,880
Other	167,819	129,859
Total current liabilities	1,642,426	1,773,182
Non-current liabilities		
Long-term borrowings	543,199	662,200
Bonds payable	800,000	770,000
Long-term accounts payable - other	–	127,652
Asset retirement obligations	10,962	25,339
Other	–	5,796
Total non-current liabilities	1,354,161	1,590,987
Total liabilities	2,996,587	3,364,169
Net assets		
Shareholders' equity		
Share capital	46,483	49,631
Capital surplus	1,387,290	1,391,688
Retained earnings	1,372,940	(366,083)
Treasury shares	(353)	(100,328)
Total shareholders' equity	2,806,360	974,907
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,740	15,074
Total accumulated other comprehensive income	5,740	15,074
Share acquisition rights	5,875	5,875
Total net assets	2,817,977	995,857
Total liabilities and net assets	5,814,564	4,360,027

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

(Thousands of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Net sales	10,571,184	10,542,863
Cost of sales	6,278,739	6,841,436
Gross profit	4,292,445	3,701,427
Selling, general and administrative expenses	3,714,834	4,100,696
Operating profit (loss)	577,611	(399,269)
Non-operating income		
Insurance fee income	–	6,225
Foreign exchange gains	3,845	–
Subsidy income	–	4,841
Other	1,107	3,101
Total non-operating income	4,952	14,167
Non-operating expenses		
Interest expenses	8,439	12,778
Bond issuance costs	9,539	8,811
Interest on bonds	5,325	5,277
Loss on investments in investment partnerships	8,812	3,315
Foreign exchange losses	–	3,835
Other	4,004	567
Total non-operating expenses	36,121	34,583
Ordinary profit (loss)	546,442	(419,685)
Extraordinary income		
Gain on sale of investment securities	36,490	–
Gain on reversal of share acquisition rights	9,840	–
Total extraordinary income	46,330	–
Extraordinary losses		
Loss on retirement of non-current assets	2,260	133
Impairment losses	77,780	1,098,572
Loss on valuation of investment securities	40,800	–
Loss on valuation of goods	–	1,242
Total extraordinary losses	120,841	1,099,949
Profit (loss) before income taxes	471,930	(1,519,634)
Income taxes - current	90,302	7,996
Income taxes - deferred	152,353	105,446
Total income taxes	242,655	113,443
Profit (loss)	229,274	(1,633,077)
Profit (loss) attributable to owners of parent	229,274	(1,633,077)

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Profit (loss)	229,274	(1,633,077)
Other comprehensive income		
Valuation difference on available-for-sale securities	6,848	9,333
Total other comprehensive income	6,848	9,333
Comprehensive income	236,123	(1,623,744)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	236,123	(1,623,744)
Comprehensive income attributable to non-controlling interests	—	—

Consolidated statements of changes in equity

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

Fiscal year ended December 31, 2022

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	46,483	1,387,290	1,372,940	(353)	2,806,360
Cumulative effects of changes in accounting policies			(3,084)		(3,084)
Restated balance	46,483	1,387,290	1,369,855	(353)	2,803,276
Changes during period					
Issuance of new shares	3,148	3,148			6,296
Capital increase of consolidated subsidiaries		1,250			1,250
Dividends of surplus			(102,861)		(102,861)
Loss attributable to owners of parent			(1,633,077)		(1,633,077)
Purchase of treasury shares				(99,975)	(99,975)
Net changes in items other than shareholders' equity					
Total changes during period	3,148	4,398	(1,735,939)	(99,975)	(1,828,368)
Balance at end of period	49,631	1,391,688	(366,083)	(100,328)	974,907

	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	5,740	5,740	5,875	2,817,977
Cumulative effects of changes in accounting policies				(3,084)
Restated balance	5,740	5,740	5,875	2,814,892
Changes during period				
Issuance of new shares				6,296
Capital increase of consolidated subsidiaries				1,250
Dividends of surplus				(102,861)
Loss attributable to owners of parent				(1,633,077)
Purchase of treasury shares				(99,975)
Net changes in items other than shareholders' equity	9,333	9,333		9,333
Total changes during period	9,333	9,333		(1,819,035)
Balance at end of period	15,074	15,074	5,875	995,857

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Cash flows from operating activities		
Profit (loss) before income taxes	471,930	(1,519,634)
Depreciation	138,467	264,895
Amortization of goodwill	69,817	81,867
Increase (decrease) in allowance for doubtful accounts	6,768	(3,642)
Interest and dividend income	(25)	(32)
Foreign exchange losses (gains)	(4,961)	3,835
Interest expenses on borrowings and bonds	13,764	18,056
Investment business association investment loss and profit	8,812	3,315
Impairment losses	77,780	1,098,572
Gain on reversal of share acquisition rights	(9,840)	–
Loss on retirement of non-current assets	2,260	133
Loss (gain) on valuation of investment securities	40,800	–
Loss (gain) on sale of investment securities	(36,490)	–
Decrease (increase) in trade receivables	122,573	(124,426)
Decrease (increase) in accounts receivable - other	(143,166)	50,456
Increase (decrease) in trade payables	(44,537)	96,470
Increase (decrease) in provision for bonuses	–	73,862
Increase (decrease) in accrued consumption taxes	(162,434)	(45,096)
Other, net	64,047	(141,898)
Subtotal	615,568	(143,265)
Interest and dividends received	25	32
Interest paid	(8,215)	(14,392)
Income taxes paid	(86,243)	(111,833)
Receive the amount of refunds and refund of income taxes	6,825	120,827
Net cash provided by (used in) operating activities	527,961	(148,632)
Cash flows from investing activities		
Payments into time deposits	(400)	(12,400)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	143,158	–
Purchase of investment securities	(65,800)	(12,500)
Proceeds from sale of investment securities	38,130	–
Purchase of property, plant and equipment	(17,119)	(33,795)
Purchase of intangible assets	(11,441)	(94,712)
Purchase of long-term prepaid expenses	(150,500)	(1,207,000)
Other, net	49,003	(139)
Net cash provided by (used in) investing activities	(14,969)	(1,360,548)
Cash flows from financing activities		
Repayments of short-term borrowings	–	–
Proceeds from long-term borrowings	500,000	300,000
Repayments of long-term borrowings	(151,148)	(176,048)
Proceeds from issuance of bonds	500,000	450,307
Redemption of bonds	(638,750)	(400,000)
Proceeds from share issuance to non-controlling shareholders	–	1,250
Purchase of treasury shares	–	(99,975)
Dividends paid	–	(101,810)
Net cash provided by (used in) financing activities	210,102	(26,276)

(Thousands of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Effect of exchange rate change on cash and cash equivalents	21	0
Net increase (decrease) in cash and cash equivalents	723,114	(1,535,457)
Cash and cash equivalents at beginning of period	2,755,830	3,478,945
Cash and cash equivalents at end of period	3,478,945	1,943,488