

Translation

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Summary of Consolidated Financial Results for the Six Months Ended June 30, 2023 (Based on Japanese GAAP)

August 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: Director Takuya Nishimura TEL 03-6864-4261
 Scheduled date to file Quarterly Securities Report: August 14, 2023
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: No
 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, 2023 (from January 1, 2023 to June 30, 2023)

(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, 2023	4,777	(9.9)	74	(25.4)	66	(34.3)	129	29.9
Six months ended June 30, 2022	5,299	–	99	–	101	–	99	–

Note: Comprehensive income Six months ended June 30, 2023 ¥145 million [34.0%]
 Six months ended June 30, 2022 ¥108 million [(67.0)%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended June 30, 2023	15.31		–	
Six months ended June 30, 2022	11.54		–	

Note: Diluted earnings per share is 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, 2023	3,424	1,139	33.1
As of December 31, 2022	4,360	995	22.7

Reference: Equity As of June 30, 2023 ¥1,134 million
 As of December 31, 2022 ¥989 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, 2022	–	6.00	–	0.00	6.00
Year ending December 31, 2023	–	0.00			
Year ending December 31, 2023 (Forecast)			–	0.00	0.00

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

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)	110	–	85	–	100	–

Note: Revision of consolidated financial results forecast most recently announced: Yes

4. Notes

- (1) Changes in significant subsidiaries during the six months ended June 30, 2023
(changes in specified subsidiaries resulting in the change in scope of consolidation): Yes
- (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: No
- 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, 2023	8,710,334 shares	As of December 31, 2022	8,710,334 shares
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Number of treasury shares at the end of the period

As of June 30, 2023	281,621 shares	As of December 31, 2022	271,621 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, 2023	8,429,829 shares	Six months ended June 30, 2022	8,613,355 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, 2022	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	1,977,096	1,573,532
Accounts receivable - trade, and contract assets	1,187,360	1,022,702
Accounts receivable - other	13,699	3,936
Income taxes refund receivable	27,266	–
Other	416,194	163,988
Allowance for doubtful accounts	(5,942)	(3,700)
Total current assets	3,615,673	2,760,458
Non-current assets		
Property, plant and equipment	53,066	47,989
Intangible assets		
Goodwill	31,000	25,000
Other	57,480	45,089
Total intangible assets	88,480	70,089
Investments and other assets		
Investment securities	215,027	229,979
Leasehold deposits	106,131	101,430
Long-term prepaid expenses	265,665	210,514
Deferred tax assets	15,432	3,628
Other	550	151
Total investments and other assets	602,806	545,702
Total non-current assets	744,353	663,781
Total assets	4,360,027	3,424,240

(Thousands of yen)

	As of December 31, 2022	As of June 30, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	351,758	198,943
Accounts payable - other	279,107	120,298
Contract liabilities	274,717	123,529
Short-term borrowings	–	37,500
Current portion of long-term borrowings	165,999	160,000
Current portion of bonds payable	490,000	440,000
Income taxes payable	7,880	3,730
Provision for bonuses	73,862	69,069
Other	129,859	162,492
Total current liabilities	1,773,182	1,315,561
Non-current liabilities		
Long-term borrowings	662,200	395,000
Bonds payable	770,000	565,000
Asset retirement obligations	25,339	9,454
Long-term accounts payable - other	127,652	–
Other	5,796	–
Total non-current liabilities	1,590,987	969,454
Total liabilities	3,364,169	2,285,015
Net assets		
Shareholders' equity		
Share capital	49,631	49,631
Capital surplus	1,391,688	1,390,438
Retained earnings	(366,083)	(237,017)
Treasury shares	(100,328)	(100,328)
Total shareholders' equity	974,907	1,102,723
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	15,074	31,877
Total accumulated other comprehensive income	15,074	31,877
Share acquisition rights	5,875	4,624
Total net assets	995,857	1,139,225
Total liabilities and net assets	4,360,027	3,424,240

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, 2022	Six months ended June 30, 2023
Net sales	5,299,878	4,777,004
Cost of sales	3,205,177	2,999,833
Gross profit	2,094,700	1,777,170
Selling, general and administrative expenses	1,995,207	1,702,964
Operating profit	99,493	74,206
Non-operating income		
Interest income	17	408
Foreign exchange gains	4,779	5,948
Interest on refund of income taxes	356	1,020
Subsidy income	4,594	2,772
Other	1,228	1,128
Total non-operating income	10,974	11,276
Non-operating expenses		
Interest expenses	6,026	5,542
Interest on bonds	2,398	2,811
Loss on investments in investment partnerships	70	10,156
Other	460	258
Total non-operating expenses	8,954	18,767
Ordinary profit	101,513	66,715
Extraordinary income		
Gain on sale of shares of subsidiaries and associates	–	139,604
Gain on sale of investment securities	–	12,000
Gain on reversal of share acquisition rights	–	1,251
Total extraordinary income	–	152,855
Extraordinary losses		
Loss on retirement of non-current assets	133	–
Loss on valuation of goods	1,242	–
Extra retirement payments	–	48,539
Total extraordinary losses	1,376	48,539
Profit before income taxes	100,137	171,031
Income taxes - current	4,096	32,008
Income taxes - deferred	(3,326)	9,950
Total income taxes	769	41,959
Profit	99,367	129,071
Profit attributable to owners of parent	99,367	129,071

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Profit	99,367	129,071
Other comprehensive income		
Valuation difference on available-for-sale securities	9,518	16,803
Total other comprehensive income	9,518	16,803
Comprehensive income	108,885	145,874
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	108,885	145,874
Comprehensive income attributable to non-controlling interests	—	—

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Cash flows from operating activities		
Profit before income taxes	100,137	171,031
Depreciation	59,417	65,935
Amortization of goodwill	41,168	6,000
Increase (decrease) in allowance for doubtful accounts	(6,268)	–
Interest and dividend income	(17)	(408)
Interest expenses on borrowings and bonds	8,425	8,354
Foreign exchange losses (gains)	(11,432)	(5,948)
Loss (gain) on investments in investment partnerships	70	10,156
Loss on retirement of non-current assets	133	–
Loss (gain) on sale of shares of subsidiaries and associates	–	(139,604)
Decrease (increase) in trade receivables	(52,637)	(383,417)
Decrease (increase) in accounts receivable - other	34,066	(8,164)
Increase (decrease) in trade payables	37,178	(119,397)
Increase (decrease) in accounts payable - other	(74,502)	(47,334)
Increase (decrease) in provision for bonuses	72,984	(4,793)
Other, net	(292,517)	449,935
Subtotal	(83,795)	2,348
Interest and dividends received	17	409
Interest paid	(7,507)	(8,940)
Income taxes paid	(84,261)	(7,390)
Receive the amount of refunds and refund of income taxes	148,056	27,389
Net cash provided by (used in) operating activities	(27,490)	13,816
Cash flows from investing activities		
Payments into time deposits	(1,400)	–
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	–	(108,241)
Purchase of property, plant and equipment	(6,559)	–
Purchase of intangible assets	(19,801)	–
Proceeds from refund of leasehold and guarantee deposits	100	–
Payments of leasehold and guarantee deposits	(30)	(30)
Purchase of long-term prepaid expenses	(330,000)	–
Proceeds from sale of investment securities	–	12,000
Other, net	29	–
Net cash provided by (used in) investing activities	(357,661)	(96,271)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	177,760	37,500
Repayments of long-term borrowings	(105,578)	(80,000)
Redemption of bonds	(200,000)	(245,000)
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	(277,860)	(287,500)
Effect of exchange rate change on cash and cash equivalents	61	–
Net increase (decrease) in cash and cash equivalents	(662,951)	(369,956)
Cash and cash equivalents at beginning of period	3,478,945	1,943,488
Cash and cash equivalents at end of period	2,815,993	1,573,532