

Translation

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

Summary of Consolidated Financial Results for the Six Months Ended September 30, 2020 (Based on Japanese GAAP)

October 30, 2020

Company name: I-NET CORP.
 Stock exchange listing: Tokyo
 Stock code: 9600 URL <https://www.inet.co.jp>
 Representative: Representative Director, Executive President Mitsuru Sakai
 Inquiries: Director and Managing Executive Officer Naokatsu Uchida TEL 045-682-0806
 Scheduled date to file Quarterly Securities Report: November 9, 2020
 Scheduled date to commence dividend payments: December 3, 2020
 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 September 30, 2020 (from April 1, 2020 to September 30, 2020)

(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 September 30, 2020	14,884	(3.1)	829	(34.0)	854	(31.7)	372	(55.0)
Six months ended September 30, 2019	15,360	18.5	1,257	24.8	1,250	24.7	827	23.3

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2020	23.34	–
Six months ended September 30, 2019	52.01	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2020	29,148	15,346	52.6
As of March 31, 2020	29,589	15,224	51.5

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2020	–	21.50	–	21.50	43.00
Year ending March 31, 2021	–	22.00	–	–	–
Year ending March 31, 2021 (Forecast)	–	–	–	24.00	46.00

3. Forecast of consolidated financial results for the year ending March 31, 2021 (from April 1, 2020 to March 31, 2021)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	31,500	1.3	2,580	3.1	2,540	0.3	1,675	0.2	104.84

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2020
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: Yes
- (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 September 30, 2020	16,242,424 shares	As of March 31, 2020	16,242,424 shares
--------------------------	-------------------	----------------------	-------------------

Number of treasury shares at the end of the period

As of September 30, 2020	266,128 shares	As of March 31, 2020	332,038 shares
--------------------------	----------------	----------------------	----------------

Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2020	15,955,515 shares	Six months ended September 30, 2019	15,904,719 shares
-------------------------------------	-------------------	-------------------------------------	-------------------

Quarterly consolidated financial statements
Consolidated balance sheets

	(Thousands of yen)	
	As of March 31, 2020	As of September 30, 2020
Assets		
Current assets		
Cash and deposits	3,083,435	2,436,971
Notes and accounts receivable - trade	5,739,386	5,512,135
Merchandise and finished goods	63,136	122,829
Work in process	153,810	186,685
Raw materials and supplies	172,023	100,371
Other	417,608	462,147
Allowance for doubtful accounts	(428)	(443)
Total current assets	9,628,973	8,820,696
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	10,014,704	9,744,620
Land	3,157,316	3,156,227
Other, net	1,703,053	1,925,155
Total property, plant and equipment	14,875,074	14,826,003
Intangible assets		
Goodwill	271,480	251,518
Software	855,323	895,996
Other	53,842	53,795
Total intangible assets	1,180,646	1,201,310
Investments and other assets		
Investment securities	2,227,981	2,633,100
Retirement benefit asset	843,711	881,207
Other	834,607	787,469
Allowance for doubtful accounts	(1,343)	(1,301)
Total investments and other assets	3,904,956	4,300,474
Total non-current assets	19,960,677	20,327,788
Total assets	29,589,651	29,148,485

(Thousands of yen)

	As of March 31, 2020	As of September 30, 2020
Liabilities		
Current liabilities		
Accounts payable - trade	1,102,589	1,289,221
Short-term borrowings	2,872,844	2,913,044
Income taxes payable	479,972	281,206
Provision for bonuses	908,143	846,431
Provision for loss on construction contracts	24,320	769
Other	3,019,322	2,626,093
Total current liabilities	8,407,192	7,956,765
Non-current liabilities		
Long-term borrowings	5,589,136	5,500,734
Retirement benefit liability	42,846	28,009
Asset retirement obligations	72,679	73,335
Other	253,284	243,274
Total non-current liabilities	5,957,946	5,845,353
Total liabilities	14,365,139	13,802,119
Net assets		
Shareholders' equity		
Share capital	3,203,992	3,203,992
Capital surplus	3,275,102	3,146,335
Retained earnings	9,089,268	9,119,645
Treasury shares	(356,390)	(314,751)
Total shareholders' equity	15,211,972	15,155,222
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	86,992	261,146
Remeasurements of defined benefit plans	(74,453)	(70,003)
Total accumulated other comprehensive income	12,538	191,143
Total net assets	15,224,511	15,346,365
Total liabilities and net assets	29,589,651	29,148,485

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

Consolidated statements of income (cumulative)

	(Thousands of yen)	
	Six months ended September 30, 2019	Six months ended September 30, 2020
Net sales	15,360,785	14,884,778
Cost of sales	11,818,151	11,734,359
Gross profit	3,542,634	3,150,418
Selling, general and administrative expenses	2,285,062	2,320,700
Operating profit	1,257,571	829,718
Non-operating income		
Interest income	170	167
Dividend income	20,503	22,555
Subsidy income	4,983	29,480
Surrender value of insurance policies	417	25,050
Other	13,238	6,713
Total non-operating income	39,313	83,967
Non-operating expenses		
Interest expenses	28,467	25,271
Loss on investments in investment partnerships	4,833	20,843
Commission expenses	12,024	11,996
Other	972	1,091
Total non-operating expenses	46,297	59,203
Ordinary profit	1,250,587	854,482
Extraordinary income		
Gain on sales of non-current assets	11	-
Total extraordinary income	11	-
Extraordinary losses		
Special Retirement Payments	-	250,000
Loss on valuation of investment securities	-	22,616
Loss on retirement of non-current assets	48	8,827
Impairment loss	-	1,089
Loss on valuation of golf club membership	3,310	-
Total extraordinary losses	3,358	282,533
Profit before income taxes	1,247,240	571,949
Income taxes	420,083	199,499
Profit	827,157	372,450
Profit attributable to owners of parent	827,157	372,450

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Profit	827,157	372,450
Other comprehensive income		
Valuation difference on available-for-sale securities	(19,532)	174,154
Remeasurements of defined benefit plans, net of tax	(6,895)	4,449
Total other comprehensive income	(26,427)	178,604
Comprehensive income	800,729	551,054
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	800,729	551,054
Comprehensive income attributable to non-controlling interests	—	—

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Cash flows from operating activities		
Profit before income taxes	1,247,240	571,949
Depreciation	829,600	882,717
Impairment loss	–	1,089
Special Retirement Payments	–	250,000
Amortization of goodwill	19,962	19,962
Increase (decrease) in allowance for doubtful accounts	(257)	(27)
Interest and dividend income	(20,673)	(22,723)
Interest expenses	28,467	25,271
Decrease (increase) in trade receivables	(208,142)	227,293
Decrease (increase) in inventories	(57,363)	(20,914)
Increase (decrease) in trade payables	160,943	186,632
Increase (decrease) in accrued consumption taxes	80,773	(50,711)
Other, net	(188,543)	(125,659)
Subtotal	1,892,006	1,944,878
Interest and dividends received	20,673	22,722
Proceeds from dividends income from investments in partnership	11,500	15,490
Interest paid	(29,165)	(24,823)
Payments of retirement benefits for directors (and other officers)	–	(150,000)
Payments of special Retirement Payments	–	(250,000)
Income taxes paid	(423,455)	(404,067)
Net cash provided by (used in) operating activities	1,471,559	1,154,199
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,932,518)	(823,282)
Purchase of intangible assets	(106,662)	(178,356)
Purchase of investment securities	(88,865)	(212,556)
Other, net	4,219	46,912
Net cash provided by (used in) investing activities	(2,123,828)	(1,167,282)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	–	30,000
Proceeds from long-term borrowings	2,030,000	1,400,000
Repayments of long-term borrowings	(1,296,320)	(1,478,202)
Purchase of treasury shares	(111)	(105,431)
Proceeds from sales of treasury shares	–	125
Dividends paid	(318,015)	(341,401)
Repayments of lease obligations	(153,404)	(138,470)
Net cash provided by (used in) financing activities	262,149	(633,381)
Net increase (decrease) in cash and cash equivalents	(390,119)	(646,464)
Cash and cash equivalents at beginning of period	3,299,833	3,083,435
Cash and cash equivalents at end of period	2,909,714	2,436,971