

Translation

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

October 31, 2022

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 8, 2022
 Scheduled date to commence dividend payments: December 5, 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 September 30, 2022 (from April 1, 2022 to September 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 September 30, 2022	16,808	12.5	1,059	7.4	1,074	(1.9)	648	(9.4)
Six months ended September 30, 2021	14,935	0.3	986	18.9	1,095	28.2	715	92.1

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2022	40.57		-	
Six months ended September 30, 2021	44.78		-	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2022	33,181	17,363	52.3
As of March 31, 2022	33,503	17,304	51.6

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended March 31, 2022	-	23.50	-	23.50	47.00
Year ending March 31, 2023	-	24.00	-	-	-
Year ending March 31, 2023 (Forecast)	-	-	-	24.00	48.00

3. Forecast of consolidated financial results for the year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

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	33,500	7.5	2,640	11.5	2,770	9.0	1,830	8.0	114.48

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2022
(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: 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 September 30, 2022	16,242,424 shares	As of March 31, 2022	16,242,424 shares
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Number of treasury shares at the end of the period

As of September 30, 2022	256,871 shares	As of March 31, 2022	266,281 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2022	15,980,886 shares	Six months ended September 30, 2021	15,976,161 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	3,684,659	3,487,894
Notes and accounts receivable - trade, and contract assets	6,394,311	6,265,523
Merchandise and finished goods	179,768	191,606
Work in process	83,557	116,316
Raw materials and supplies	66,432	45,681
Other	293,375	576,334
Allowance for doubtful accounts	(473)	(398)
Total current assets	10,701,631	10,682,957
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	10,390,018	9,962,808
Land	3,108,756	3,066,996
Other, net	1,732,900	1,990,410
Total property, plant and equipment	15,231,675	15,020,215
Intangible assets		
Goodwill	195,063	180,248
Software	1,587,595	1,859,467
Other	50,956	50,405
Total intangible assets	1,833,615	2,090,121
Investments and other assets		
Investment securities	3,811,261	3,470,746
Retirement benefit asset	1,048,344	1,038,879
Other	905,165	906,127
Allowance for doubtful accounts	(27,841)	(27,995)
Total investments and other assets	5,736,929	5,387,758
Total non-current assets	22,802,220	22,498,095
Total assets	33,503,851	33,181,052

(Thousands of yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	1,695,714	1,611,508
Short-term borrowings	3,065,848	3,270,120
Income taxes payable	558,140	403,171
Provision for bonuses	916,833	914,323
Provision for loss on construction contracts	27,590	2,418
Provision for loss on anti monopoly act	19,366	–
Other	3,619,988	3,328,985
Total current liabilities	9,903,482	9,530,528
Non-current liabilities		
Long-term borrowings	5,858,070	5,900,194
Retirement benefit liability	500	500
Asset retirement obligations	130,789	131,276
Other	306,591	254,915
Total non-current liabilities	6,295,951	6,286,886
Total liabilities	16,199,433	15,817,414
Net assets		
Shareholders' equity		
Share capital	3,203,992	3,203,992
Capital surplus	3,146,335	3,147,381
Retained earnings	10,576,788	10,849,708
Treasury shares	(314,986)	(304,351)
Total shareholders' equity	16,612,129	16,896,731
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	686,469	474,952
Remeasurements of defined benefit plans	5,818	(8,046)
Total accumulated other comprehensive income	692,288	466,906
Total net assets	17,304,418	17,363,637
Total liabilities and net assets	33,503,851	33,181,052

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, 2021	Six months ended September 30, 2022
Net sales	14,935,646	16,808,505
Cost of sales	11,559,060	13,278,434
Gross profit	3,376,585	3,530,071
Selling, general and administrative expenses	2,389,994	2,470,540
Operating profit	986,591	1,059,530
Non-operating income		
Interest income	166	22
Dividend income	25,547	32,588
Gain on investments in investment partnerships	36,317	6,416
Subsidy income	74,563	173
Other	8,908	11,091
Total non-operating income	145,503	50,292
Non-operating expenses		
Interest expenses	23,866	22,109
Commission expenses	11,569	11,569
Share of loss of entities accounted for using equity method	–	450
Other	848	715
Total non-operating expenses	36,284	34,844
Ordinary profit	1,095,810	1,074,978
Extraordinary income		
Gain on sale of investment securities	4,563	8,027
Gain on bargain purchase	28,076	–
Gain on sale of non-current assets	2,945	–
Total extraordinary income	35,585	8,027
Extraordinary losses		
Loss on valuation of investment securities	–	49,999
Loss on sale of non-current assets	–	20,019
Loss on retirement of non-current assets	2,824	479
Provision for loss on anti monopoly act	40,219	–
Total extraordinary losses	43,043	70,498
Profit before income taxes	1,088,352	1,012,506
Income taxes	373,018	364,146
Profit	715,333	648,360
Profit attributable to owners of parent	715,333	648,360

Consolidated statements of comprehensive income (cumulative)

	(Thousands of yen)	
	Six months ended September 30, 2021	Six months ended September 30, 2022
Profit	715,333	648,360
Other comprehensive income		
Valuation difference on available-for-sale securities	608,253	(211,517)
Remeasurements of defined benefit plans, net of tax	(5,015)	(13,865)
Total other comprehensive income	603,237	(225,382)
Comprehensive income	1,318,571	422,977
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,318,571	422,977
Comprehensive income attributable to non-controlling interests	-	-

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from operating activities		
Profit before income taxes	1,088,352	1,012,506
Depreciation	906,425	923,140
Amortization of goodwill	19,962	14,814
Gain on bargain purchase	(28,076)	–
Increase (decrease) in allowance for doubtful accounts	(210)	78
Interest and dividend income	(25,714)	(32,610)
Interest expenses	23,866	22,109
Loss (gain) on valuation of investment securities	–	49,999
Loss (gain) on sale of non-current assets	–	20,019
Decrease (increase) in trade receivables	354,663	128,633
Decrease (increase) in inventories	(31,184)	(23,845)
Increase (decrease) in trade payables	(29,417)	(84,205)
Increase (decrease) in contract liability	(127,295)	(45,980)
Increase (decrease) in accrued consumption taxes	(52,837)	(97,166)
Other, net	(263,266)	(237,511)
Subtotal	1,835,266	1,649,983
Interest and dividends received	25,714	32,610
Proceeds from dividends income from investments in partnership	29,200	16,160
Interest paid	(23,521)	(22,377)
Income taxes paid	(443,279)	(518,181)
Net cash provided by (used in) operating activities	1,423,380	1,158,195
Cash flows from investing activities		
Purchase of property, plant and equipment	(369,177)	(746,759)
Proceeds from sale of property, plant and equipment	–	24,770
Purchase of intangible assets	(376,200)	(422,847)
Payments of leasehold and guarantee deposits	(127,138)	(841)
Purchase of investment securities	(11,807)	(39,460)
Proceeds from sale of investment securities	4,800	13,384
Proceeds from redemption of investment securities	–	10,000
Other, net	18,008	(1,397)
Net cash provided by (used in) investing activities	(861,515)	(1,163,151)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	300,000	–
Proceeds from long-term borrowings	30,000	1,800,000
Repayments of long-term borrowings	(1,596,104)	(1,553,604)
Purchase of treasury shares	(14)	(117)
Proceeds from sale of treasury shares	118	–
Dividends paid	(382,866)	(374,640)
Repayments of lease liabilities	(65,609)	(63,446)
Net cash provided by (used in) financing activities	(1,714,476)	(191,808)
Net increase (decrease) in cash and cash equivalents	(1,152,611)	(196,764)
Cash and cash equivalents at beginning of period	4,027,713	3,684,659
Cash and cash equivalents at end of period	2,875,101	3,487,894