

Translation

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Summary of Consolidated Financial Results for the Six Months Ended September 30, 2019 (Based on Japanese GAAP)

October 31, 2019

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 045-682-0808
 Scheduled date to file Quarterly Securities Report: November 8, 2019
 Scheduled date to commence dividend payments: December 5, 2019
 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, 2019 (from April 1, 2019 to September 30, 2019)

(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, 2019	15,360	18.5	1,257	24.8	1,250	24.7	827	23.3
Six months ended September 30, 2018	12,957	3.5	1,007	15.5	1,002	18.0	670	17.3

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2019	52.01		-	
Six months ended September 30, 2018	42.20		-	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2019	29,307	14,853	50.7
As of March 31, 2019	28,515	14,357	50.3

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, 2019	-	20.00	-	20.00	40.00
Year ending March 31, 2020	-	21.50	-	-	-
Year ending March 31, 2020 (Forecast)	-	-	-	21.50	43.00

3. Forecast of consolidated financial results for the year ending March 31, 2020 (from April 1, 2019 to March 31, 2020)

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	31,000	12.4	2,500	6.6	2,440	3.9	1,630	7.1	102.45

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2019
(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, 2019	16,242,424 shares	As of March 31, 2019	16,242,424 shares
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Number of treasury shares at the end of the period

As of September 30, 2019	331,792 shares	As of March 31, 2019	343,711 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, 2019	15,904,719 shares	Six months ended September 30, 2018	15,898,804 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2019	As of September 30, 2019
Assets		
Current assets		
Cash and deposits	3,299,833	2,909,714
Notes and accounts receivable - trade	5,836,688	6,044,831
Merchandise and finished goods	78,565	50,843
Work in process	118,862	253,601
Raw materials and supplies	306,600	256,946
Other	359,656	488,138
Allowance for doubtful accounts	(3,006)	(2,748)
Total current assets	9,997,201	10,001,327
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,331,916	8,874,051
Land	3,202,109	3,202,109
Other, net	1,948,899	2,165,118
Total property, plant and equipment	13,482,925	14,241,279
Intangible assets		
Goodwill	311,404	291,442
Software	853,473	812,400
Other	53,937	53,890
Total intangible assets	1,218,815	1,157,733
Investments and other assets		
Investment securities	2,159,604	2,205,026
Retirement benefit asset	932,677	927,223
Other	725,655	776,664
Allowance for doubtful accounts	(1,546)	(1,546)
Total investments and other assets	3,816,391	3,907,368
Total non-current assets	18,518,132	19,306,381
Total assets	28,515,333	29,307,709

(Thousands of yen)

As of March 31, 2019

As of September 30, 2019

	As of March 31, 2019	As of September 30, 2019
Liabilities		
Current liabilities		
Accounts payable - trade	1,075,524	1,236,468
Short-term borrowings	2,329,640	2,679,040
Income taxes payable	485,664	482,372
Provision for bonuses	846,555	862,760
Provision for loss on construction contracts	5,476	35,274
Other	3,190,847	2,706,722
Total current liabilities	7,933,708	8,002,637
Non-current liabilities		
Long-term borrowings	5,471,980	5,856,260
Retirement benefit liability	62,994	48,676
Asset retirement obligations	67,315	67,957
Other	622,167	478,517
Total non-current liabilities	6,224,457	6,451,411
Total liabilities	14,158,165	14,454,049
Net assets		
Shareholders' equity		
Share capital	3,203,992	3,203,992
Capital surplus	3,274,129	3,275,102
Retained earnings	8,077,012	8,586,195
Treasury shares	(368,789)	(356,025)
Total shareholders' equity	14,186,345	14,709,265
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	160,201	140,669
Remeasurements of defined benefit plans	10,620	3,725
Total accumulated other comprehensive income	170,822	144,394
Total net assets	14,357,167	14,853,659
Total liabilities and net assets	28,515,333	29,307,709

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, 2018	Six months ended September 30, 2019
Net sales	12,957,326	15,360,785
Cost of sales	9,883,158	11,818,151
Gross profit	3,074,168	3,542,634
Selling, general and administrative expenses	2,066,421	2,285,062
Operating profit	1,007,746	1,257,571
Non-operating income		
Interest income	6	170
Dividend income	15,191	20,503
Other	19,650	18,639
Total non-operating income	34,849	39,313
Non-operating expenses		
Interest expenses	27,835	28,467
Commission expenses	11,993	12,024
Other	1	5,805
Total non-operating expenses	39,830	46,297
Ordinary profit	1,002,765	1,250,587
Extraordinary income		
Gain on sales of non-current assets	–	11
Total extraordinary income	–	11
Extraordinary losses		
Loss on valuation of golf club membership	–	3,310
Loss on retirement of non-current assets	–	48
Total extraordinary losses	–	3,358
Profit before income taxes	1,002,765	1,247,240
Income taxes	331,850	420,083
Profit	670,915	827,157
Profit attributable to owners of parent	670,915	827,157

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Profit	670,915	827,157
Other comprehensive income		
Valuation difference on available-for-sale securities	14,868	(19,532)
Remeasurements of defined benefit plans, net of tax	4,134	(6,895)
Total other comprehensive income	19,003	(26,427)
Comprehensive income	689,918	800,729
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	689,918	800,729
Comprehensive income attributable to non-controlling interests	—	—

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Cash flows from operating activities		
Profit before income taxes	1,002,765	1,247,240
Depreciation	690,847	829,600
Amortization of goodwill	5,147	19,962
Increase (decrease) in allowance for doubtful accounts	5,158	(257)
Interest and dividend income	(15,198)	(20,673)
Interest expenses	27,835	28,467
Decrease (increase) in trade receivables	271,557	(208,142)
Decrease (increase) in inventories	(20,828)	(57,363)
Increase (decrease) in trade payables	66,322	160,943
Increase (decrease) in accrued consumption taxes	(31,908)	80,773
Other, net	104,595	(188,543)
Subtotal	2,106,292	1,892,006
Interest and dividends received	15,198	20,673
Proceeds from dividends income from investments in partnership	15,370	11,500
Interest paid	(27,876)	(29,165)
Income taxes paid	(416,548)	(423,455)
Net cash provided by (used in) operating activities	1,692,436	1,471,559
Cash flows from investing activities		
Purchase of property, plant and equipment	(415,672)	(1,932,518)
Purchase of intangible assets	(184,614)	(106,662)
Purchase of investment securities	(2,245)	(88,865)
Other, net	1,966	4,219
Net cash provided by (used in) investing activities	(600,565)	(2,123,828)
Cash flows from financing activities		
Proceeds from long-term borrowings	700,000	2,030,000
Repayments of long-term borrowings	(1,118,040)	(1,296,320)
Purchase of treasury shares	(380)	(111)
Dividends paid	(302,081)	(318,015)
Repayments of lease obligations	(152,028)	(153,404)
Net cash provided by (used in) financing activities	(872,530)	262,149
Net increase (decrease) in cash and cash equivalents	219,339	(390,119)
Cash and cash equivalents at beginning of period	3,303,503	3,299,833
Cash and cash equivalents at end of period	3,522,843	2,909,714