

Translation

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Summary of Consolidated Financial Results for the Year Ended March 31, 2020 (Based on Japanese GAAP)

May 7, 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 of ordinary general meeting of shareholders: June 24, 2020
 Scheduled date to file Securities Report: June 24, 2020
 Scheduled date to commence dividend payments: June 25, 2020
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

(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 March 31, 2020	31,097	12.7	2,501	6.6	2,531	7.8	1,672	9.9
Year ended March 31, 2019	27,591	7.7	2,345	12.7	2,347	14.5	1,521	11.2

	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 March 31, 2020	105.13	—	11.3	8.7	8.0
Year ended March 31, 2019	95.72	—	10.9	8.6	8.5

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2020	29,589	15,224	51.5	956.89
As of March 31, 2019	28,515	14,357	50.3	903.04

(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 March 31, 2020	3,965	(3,872)	(308)	3,083
Year ended March 31, 2019	3,052	(3,074)	17	3,299

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 March 31, 2019	—	20.00	—	20.00	40.00	635	41.8	4.6
Year ended March 31, 2020	—	21.50	—	21.50	43.00	684	40.9	4.6

(Note) We have not determined dividends for the fiscal year ending in March 2021, but as we celebrate the 50th anniversary of our founding in April 2021, we plan to increase dividends, including a commemorative dividend, to express our gratitude to all the shareholders who have supported the company thus far.

3. Consolidated business forecasts for fiscal year ending in March 2021 (April 1, 2020 to March 31, 2021)

The current fiscal year, which is the first year in our medium-term management plan, got off to a smooth start, and we recorded the ninth consecutive year of higher sales, the tenth consecutive year of income gains and the eighth consecutive year of increased dividends. While we are determined to achieve this plan in the fiscal year ending in March 2021 as well, it is not possible to adequately predict both the impact of this unprecedented pandemic and the spread of the novel coronavirus to date. Accordingly, we suspend the release of our forecasts.

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2020
(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(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:	No
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 March 31, 2020	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 March 31, 2020	332,038 shares	As of March 31, 2019	343,711 shares
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Average number of shares during the period

Year ended March 31, 2020	15,907,601 shares	Year ended March 31, 2019	15,898,781 shares
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Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of March 31, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and deposits	3,299,833	3,083,435
Notes and accounts receivable - trade	5,836,688	5,739,386
Merchandise and finished goods	78,565	63,136
Work in process	118,862	153,810
Raw materials and supplies	306,600	172,023
Other	359,656	417,608
Allowance for doubtful accounts	(3,006)	(428)
Total current assets	9,997,201	9,628,973
Non-current assets		
Property, plant and equipment		
Buildings and structures	15,190,727	17,653,755
Accumulated depreciation	(6,858,811)	(7,639,050)
Buildings and structures, net	8,331,916	10,014,704
Land	3,202,109	3,157,316
Leased assets	1,380,074	1,401,856
Accumulated depreciation	(820,638)	(1,097,283)
Leased assets, net	559,435	304,572
Construction in progress	298,059	465
Other	3,064,205	3,580,454
Accumulated depreciation	(1,972,801)	(2,182,439)
Other, net	1,091,404	1,398,015
Total property, plant and equipment	13,482,925	14,875,074
Intangible assets		
Goodwill	311,404	271,480
Software	853,473	855,323
Other	53,937	53,842
Total intangible assets	1,218,815	1,180,646
Investments and other assets		
Investment securities	2,159,604	2,227,981
Retirement benefit asset	932,677	843,711
Deferred tax assets	153,807	201,446
Other	571,847	633,161
Allowance for doubtful accounts	(1,546)	(1,343)
Total investments and other assets	3,816,391	3,904,956
Total non-current assets	18,518,132	19,960,677
Total assets	28,515,333	29,589,651

(Thousands of yen)

	As of March 31, 2019	As of March 31, 2020
Liabilities		
Current liabilities		
Accounts payable - trade	1,075,524	1,102,589
Short-term borrowings	2,329,640	2,872,844
Lease obligations	306,033	192,972
Income taxes payable	485,664	479,972
Provision for bonuses	846,555	908,143
Provision for loss on construction contracts	5,476	24,320
Other	2,884,813	2,826,349
Total current liabilities	7,933,708	8,407,192
Non-current liabilities		
Long-term borrowings	5,471,980	5,589,136
Lease obligations	335,381	163,947
Deferred tax liabilities	43,518	—
Retirement benefit liability	62,994	42,846
Asset retirement obligations	67,315	72,679
Other	243,266	89,336
Total non-current liabilities	6,224,457	5,957,946
Total liabilities	14,158,165	14,365,139
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	9,089,268
Treasury shares	(368,789)	(356,390)
Total shareholders' equity	14,186,345	15,211,972
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	160,201	86,992
Remeasurements of defined benefit plans	10,620	(74,453)
Total accumulated other comprehensive income	170,822	12,538
Total net assets	14,357,167	15,224,511
Total liabilities and net assets	28,515,333	29,589,651

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

	(Thousands of yen)	
	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net sales	27,591,755	31,097,421
Cost of sales	21,005,367	24,000,932
Gross profit	6,586,387	7,096,489
Selling, general and administrative expenses	4,240,430	4,594,871
Operating profit	2,345,957	2,501,617
Non-operating income		
Interest income	899	339
Dividend income	27,625	33,645
Gain on investments in investment partnerships	6,599	20,297
Subsidy income	20,334	17,618
Other	28,125	33,786
Total non-operating income	83,584	105,687
Non-operating expenses		
Interest expenses	56,128	54,645
Commission expenses	24,956	15,507
Other	801	5,728
Total non-operating expenses	81,886	75,881
Ordinary profit	2,347,654	2,531,422
Extraordinary income		
Gain on sales of non-current assets	-	11
Total extraordinary income	-	11
Extraordinary losses		
Impairment loss	10,000	75,681
Loss on valuation of golf club membership	-	3,310
Loss on retirement of non-current assets	1,084	385
Loss on sales of non-current assets	40,000	-
Loss on sales of investment securities	11,915	-
Loss on redemption of investment securities	11,687	-
Loss on cancellation of leases	1,804	-
Total extraordinary losses	76,491	79,376
Profit before income taxes	2,271,163	2,452,057
Income taxes - current	739,028	800,424
Income taxes - deferred	10,244	(20,675)
Total income taxes	749,273	779,749
Profit	1,521,889	1,672,308
Profit attributable to owners of parent	1,521,889	1,672,308

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Profit	1,521,889	1,672,308
Other comprehensive income		
Valuation difference on available-for-sale securities	(50,371)	(73,209)
Remeasurements of defined benefit plans, net of tax	(866)	(85,073)
Total other comprehensive income	(51,237)	(158,283)
Comprehensive income	1,470,652	1,514,025
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,470,652	1,514,025
Comprehensive income attributable to non-controlling interests	—	—

Consolidated statements of changes in equity

Fiscal year ended March 31, 2019

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,203,992	3,274,129	7,175,179	(368,323)	13,284,978
Changes during period					
Dividends of surplus			(620,056)		(620,056)
Profit attributable to owners of parent			1,521,889		1,521,889
Purchase of treasury shares				(465)	(465)
Net changes in items other than shareholders' equity					
Total changes during period	–	–	901,833	(465)	901,367
Balance at end of period	3,203,992	3,274,129	8,077,012	(368,789)	14,186,345

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	210,572	11,486	222,059	13,507,037
Changes during period				
Dividends of surplus				(620,056)
Profit attributable to owners of parent				1,521,889
Purchase of treasury shares				(465)
Net changes in items other than shareholders' equity	(50,371)	(866)	(51,237)	(51,237)
Total changes during period	(50,371)	(866)	(51,237)	850,129
Balance at end of period	160,201	10,620	170,822	14,357,167

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,203,992	3,274,129	8,077,012	(368,789)	14,186,345
Changes during period					
Dividends of surplus			(660,052)		(660,052)
Profit attributable to owners of parent			1,672,308		1,672,308
Purchase of treasury shares				(477)	(477)
Disposal of treasury shares		972		12,875	13,848
Net changes in items other than shareholders' equity					
Total changes during period	–	972	1,012,255	12,398	1,025,626
Balance at end of period	3,203,992	3,275,102	9,089,268	(356,390)	15,211,972

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	160,201	10,620	170,822	14,357,167
Changes during period				
Dividends of surplus				(660,052)
Profit attributable to owners of parent				1,672,308
Purchase of treasury shares				(477)
Disposal of treasury shares				13,848
Net changes in items other than shareholders' equity	(73,209)	(85,073)	(158,283)	(158,283)
Total changes during period	(73,209)	(85,073)	(158,283)	867,343
Balance at end of period	86,992	(74,453)	12,538	15,224,511

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flows from operating activities		
Profit before income taxes	2,271,163	2,452,057
Depreciation	1,442,361	1,710,309
Impairment loss	10,000	75,681
Amortization of goodwill	22,639	39,924
Increase (decrease) in allowance for doubtful accounts	283	(2,780)
Interest and dividend income	(28,525)	(33,984)
Interest expenses	56,128	54,645
Decrease (increase) in trade receivables	(333,513)	97,504
Decrease (increase) in inventories	174,439	114,819
Increase (decrease) in trade payables	60,582	27,064
Increase (decrease) in accrued consumption taxes	(26,278)	341,126
Other, net	188,300	(125,470)
Subtotal	3,837,581	4,750,897
Interest and dividends received	28,524	33,984
Proceeds from dividends income from investments in partnership	35,100	45,870
Interest paid	(56,640)	(55,303)
Income taxes paid	(791,727)	(810,429)
Net cash provided by (used in) operating activities	3,052,838	3,965,017
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,949,183)	(3,332,613)
Purchase of intangible assets	(349,540)	(321,127)
Purchase of investment securities	(149,432)	(200,615)
Proceeds from sales of investment securities	172,039	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(809,574)	–
Other, net	11,192	(18,553)
Net cash provided by (used in) investing activities	(3,074,499)	(3,872,911)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	10,000	170,000
Proceeds from long-term borrowings	3,370,000	3,130,000
Repayments of long-term borrowings	(2,434,760)	(2,639,640)
Redemption of bonds	(5,000)	–
Repayments of lease obligations	(301,858)	(308,427)
Purchase of treasury shares	(465)	(477)
Dividends paid	(619,925)	(659,959)
Net cash provided by (used in) financing activities	17,990	(308,504)
Net increase (decrease) in cash and cash equivalents	(3,670)	(216,397)
Cash and cash equivalents at beginning of period	3,303,503	3,299,833
Cash and cash equivalents at end of period	3,299,833	3,083,435