

## Message from the President



**Tomomichi Saeki**

Representative Director and  
Executive President

**Together as one,  
we will tackle problem solving and,  
by working to contribute to the  
community through our business,  
will continue to grow I-NET even larger**

### **I-NET was founded on a strong determination to see each decision through**

Fuji Consult Co., Ltd., the predecessor of I-NET Corp. (the Company), was founded in 1971. Its history began with a commissioned calculating business for gas stations (“service stations”). The Company’s founder, Noriyoshi Ikeda, launched the business after seeing a significant opportunity to streamline the complex administrative tasks, including billing, sales, and purchasing (“administrative operations”), which were a major burden on the service station industry. His goal was to improve efficiency and contribute to the rationalization of the industry as a whole.

In the late 1960s Japan experienced a period of rapid motorization, and there was an increased demand for the expansion and improvement of service stations, essential infrastructure to support this growth. At the time, Ikeda, who was working as a sales representative for Exxon Mobil Corporation, a major petroleum wholesaler, was busy with the establishment of new service stations and promoting the sale of petroleum products. With his on-the-ground experience, he realized that the complex administrative operations required to handle the



## Message from the President

industry's unique business practices, such as credit sales and variable pricing ("one item, multiple prices"), were becoming bottlenecks for store expansion and improvement in profits. To solve some of these problems, Ikeda looked to personal computers (PCs), which were just being commercialized at the time, and came up with the idea of using them to systematize administrative operations that were then being handled manually. Owners of service stations showed great interest in this idea, and having garnered a positive reaction to the concept, Ikeda decided to take concrete action, thinking to establish a company that would contract for administrative operations through a cooperative system comprised of service station business operators.

With his intimate understanding of day-to-day operations at service stations, Ikeda already had a plan in mind for streamlining their administrative operations using PCs and what kind of programs would be needed to do so. With the cooperation of the Yokohama branch of IBM Japan, where a relative of his then-supervisor worked, he immediately got to work on developing a system. However, once the system was finally completed, the service station business owners who had initially agreed to the arrangement—at least in principle—expressed reluctance toward the idea of establishing a company via a system of cooperatives, forcing Ikeda to abandon the plan. That said, Ikeda had confidence in the system he had created, and given that it had already been developed, it needed to be paid for. After long consideration, he decided to raise the funds needed to launch the company himself and went on to establish Fuji Consult Co., Ltd.

Later, with the significant fluctuations in crude oil prices brought on by the first oil crisis of 1973, administrative operations at service stations grew even more complex. As a result, the number of service stations delegating those operations to Fuji Consult rapidly increased, and the Company's business quickly grew. In this way, today's I-NET was founded and continued to grow driven by Ikeda's strong determination to never give up, even in the face of unforeseen

circumstances, and by his belief in seeing things through once a decision had been made. That determination continues to be handed down to this day as part of I-NET's corporate culture.

### Achieving unique growth through "asset-heavy management"

For the first few years after Fuji Consult's founding, it did not own its own large computers and instead borrowed computing time at night from a major corporation to process data, printing out the completed data on paper and sending it to the service stations. However, the founder, Ikeda, believed that owning their own key business assets would lead to more stable management and would be essential to significantly expanding the scope of business. Thus, in 1977 the Company introduced its own large-scale general-purpose computer system (a state-of-the-art NEC ACOS Series 77 mainframe). The deployment of a mainframe computer just seven years after the Company's founding was a bold investment given the scale of the business at the time. However, this decision laid the foundation for the subsequent construction and operation of its data centers and became the cornerstone of I-NET's significant growth. During this period, it was not uncommon for IT companies, such as software and system development firms, to achieve rapid growth through so-called asset-light management, declining to own their own large-scale computer systems. With the commissioned calculation business in mind, however, I-NET deliberately focused on an "asset-heavy" management strategy.

The subsequent rapid rise in credit card payments accelerated the Company's growth. The service station industry was quick to adopt credit card payments, and we were contracted to develop and operate those systems. The system worked like this: First, the major petroleum wholesalers would organize the service stations and enter into comprehensive merchant agreements with the credit card companies.



## Message from the President

Based on those agreements, whenever a credit card is used at a service station, data on such usage is automatically accumulated at the Company's data centers. We then carefully review the data, deliver the data on card usage to the dozens of credit card companies, and at the same time provide card usage statements to the service stations. Additionally, payments are made to the service stations by the credit card companies through the petroleum wholesalers. The entire system relieves the credit card companies, petroleum wholesalers, and service stations of complex administrative operations, while we earn income from fees from both the credit card companies and the service stations.

Further, the ability to track not only the behavior of cash-paying customers but also credit card users led to the development of sales information management and analysis services. As a result, we became an increasingly important partner of the service station industry. Looking back today, I-NET had created and operated a system similar to the "cloud" long before that term ever came into use.

Today's I-NET is the result of subsequent mergers with multiple software companies. One of our key features is that we have both our own data centers and software development capabilities. This serves as a unique strength that differentiates us from other companies.

### Expanding beyond IT-related services to extend services into operations surrounding stand-alone tasks

One example of our unique capabilities is our mailing service business. This service offers a one-stop solution, handling every step—from printing to envelope stuffing, sealing, and mailing—of preparing direct mail (DM), invoices, notifications, and payroll statements, all within the secure environment of our in-house data centers. This comprehensive service is something only I-NET can provide. Originally I launched this business myself about 30 years ago with the goal of effectively utilizing the idle time on high-speed printers we owned for printing

forms for service stations. In the form printing business, high-speed printers typically run at full capacity during monthly closing periods but remain mostly unused at other times. It thus occurred to me to take on tasks from financial institutions and local governments, which require large volumes of printing concentrated during limited periods. Initially we only handled printing tasks involving use of high-speed printers, but as we gradually built a track record, we expanded the scope of our services. We eventually began to take on the entire process, including post-printing steps, such as separating and folding of continuous forms and envelope stuffing, sealing, and mailing.

In this way, the Company has extended its services from stand-alone tasks to the operations surrounding those tasks, aiming to reduce the operational burden on our customers. As a result, we are able to offer a wide range of services that go beyond addressing IT-related needs, including system development and data center operations, as well as non-IT business process outsourcing (BPO) services. Further, we are expanding our business by promoting cross-selling, for instance by proposing mailing and other related services to customers we interact with through system development and offering system development proposals to customers already using our mailing services.

### Continuing to ask, "How can I create a method that is truly my own?"

Let me talk a little bit about my own story involving the mailing service business. For about five years after joining the Company, I was engaged in technical work, specifically the operation and management of data





## Message from the President

centers. At the time, as I increased my level of expertise in computer systems, I also fell into the delusion that I had acquired some kind of special skill. It was during this period that our founder, Ikeda, suddenly approached me. “What you’ve learned so far isn’t really a skill,” he told me. “You’re just following existing manuals. True skill lies in thinking for yourself, creating your own methods, and making sure your customers understand them. In other words, it’s about applying what you’ve learned from manuals to suit the specific needs of the customer in front of you.” I was then offered a position in sales, something the complete opposite of the work I had been doing up until then. Sales work does not come with an easy-to-understand manual. The challenge Ikeda tasked me with was to find how I could create a method that was truly my own. At first I was confused at times, but as I became involved in sales, I reached a deeper understanding of exactly what Ikeda’s words meant. One answer I came up with was the commercialization of the mailing service business I mentioned earlier. There were no manuals or pioneers to guide me in launching that business. To start, I submitted proposals to local financial institutions and municipalities we had previously worked with, gradually acquiring new business. I even loaded the printed materials onto trucks myself and delivered them to the post office. While I experienced some failures along the way, eventually, through trial and error, I built the foundational framework for the mailing service business. Fortunately, this was at the height of the economic bubble and companies were sending out millions of promotional DM postcards each month, so demand for the service was strong. Also, since the mailing service business was not limited to such industries as service stations or finance, it had the potential to attract clients from a wide range of other industries, and that greatly expanded I-NET’s customer base.

Looking back, I think Ikeda understood my natural tendency to dislike being put in a box and offered me this opportunity with that in mind. Through my experience in sales, I learned firsthand the

importance of thinking and acting in a way that worked for me and would benefit my customers, as well as the sense of achievement and fulfillment that comes from doing so. Even today, I continue to ask myself, “How can I create a method that is truly my own?” and I strive each day to improve.

### Attempting to create new business opportunities under the Medium-term Management Plan

With the current drastic changes in business conditions and society, predicting the future is no simple matter. If anything, I think that making poor predictions and then becoming fixated on them can itself become a risk. In such circumstances, what we should do is to understand that business conditions and society itself will change, and regardless of what the future holds, continue to provide services that align with the times. Just as Fuji Consult, the predecessor of I-NET, began by solving problems in the service station industry, every era will produce challenges that require solutions. I believe that I-NET can continue to grow and thrive going forward by continuing to tackle and respond to those challenges.

When I became president in June 2023, I introduced the Company’s Platform Strategy to give concrete form to this concept. Our goal is to create new business opportunities by expanding and increasing our existing services and partnerships centered on our data centers. To achieve this, it is crucial that we foster an environment in which each employee can think for themselves, with the freedom to discuss and propose ideas, such as “Maybe there will be a need for this kind of service next year, or the year after.” As a member of the team, I will also take on the role of sparking discussions and energizing the entire Company. By focusing our business resources on the many services with strong growth potential that emerge from these discussions, I hope to nurture businesses that will sustain I-NET into the next generation.



## Message from the President

### Setting a significant new record in net sales

In FY2023, the second year of the current Medium-term Management Plan, net sales increased 7.9% year-on-year to 37,763 million yen, while operating income rose 35.6% to 2,887 million yen. As a result, net sales set a new record that significantly exceeded the previous fiscal year. This increase in net sales was driven by the strong performance of information processing services, including cloud services and commissioned calculation and other solutions for service stations, as well as our steady progress in system development services, especially in system development for the financial services industry. In addition, although personnel costs and other sales, general and administrative expenses increased, we worked to control our cost of sales through price revisions and energy-saving measures, which improved profitability and allowed us to achieve a significant increase in operating income. I am pleased that the day-to-day efforts of our employees have resulted in such a positive outcome.

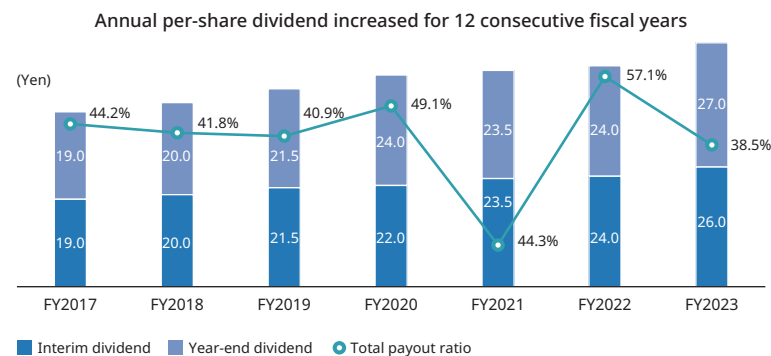
That said, we were unable to expand adequately in the areas of new customer acquisition and the creation of new services. The revenue and profit growth in FY2023 came primarily from price revisions for existing customers and services, as well as cost reductions. In other words, the majority of this growth was driven by temporary factors. Rather than settling for this numerical growth, we will work to achieve even greater growth through aggressive efforts to pursue new customer acquisition and the creation of new services. To this end, in FY2024 we will strengthen cross-functional collaboration between our business divisions and fully engage the efforts of the task force established to create synergies between different business sectors, with the goal of stimulating our front lines. At the same time, we will pursue aggressive investments while also considering M&A as a means of accelerating our Platform Strategy. We also plan to steadily prepare for the construction of our third data center, which will play an important role in I-NET's long-term growth.

### Aiming for our 13th consecutive dividend increase against a backdrop of strong results

Regarding shareholder returns, the Company aims for a total payout ratio of 40% or more, maintaining stable dividends while also focusing on retaining earnings to meet future capital needs. Due to the strong business results mentioned earlier, in FY2024 we plan to raise our annual per-share dividend by 3 yen over the previous fiscal year to 56 yen (interim dividend of 28 yen, year-end dividend of 28 yen). Thus, we should be able to achieve our 13th consecutive dividend increase. We will make effective use of retained earnings for advancing our Platform Strategy and making capital investments in such areas as expanding our data centers in an effort to enhance corporate value.

In FY2023 our return on equity (ROE) also rose by 4 percentage points over the previous year to 11.7%, a level that exceeds our 5% cost of shareholders' equity. To continue to maintain and improve capital efficiency, we will work to reduce cross-shareholdings, while also boosting shareholder returns and curbing the uncontrolled growth of net assets in order to maximize ROE.

**Shareholder Return Policy:** Our aim is for a total payout ratio of over 40%, continuing to offer stable dividends and working to retain earnings in preparation for future capital needs.





## Message from the President

### Continuing to be a company needed by the local community

One of I-Net's values that we inherit from our founder, Ikeda, is the principle of being a company recognized as needed by the local community. Ikeda was someone who cared about the vulnerable in society, and as early as 2009 he focused on promoting employment for people with disabilities, including establishing a company for that purpose. Ikeda also had a deep attachment to Yokohama, the city where the Company was founded. He often told me, "I've come this far because Yokohama raised me." Ikeda's gratitude toward the community and his desire to give back resonate strongly even to me as someone who was also born and raised in Yokohama. In 2019 we established the Inet Foundation, with the goal of supporting and providing grants for various social contribution activities in Kanagawa Prefecture, including Yokohama. Through donations, we assist the activities of NPOs and other organizations, enabling them to carry out regional contribution efforts on our behalf. We intend to continue valuing the spirit of such contributions and further develop them going forward.

Business growth is also essential to that effort. We must grow our top line. To repeat, I-NET is in the business of solving problems, a never-ending process as new challenges inevitably arise with each problem solved. And, while I-NET is an IT company, we are also able to handle physical, hands-on tasks, such as our mailing services. There are still many issues that can be resolved by strengthening cross-functional collaboration within the Company. By tackling problem solving as a single, united team, and by contributing to our local community through our business, we will continue to grow I-NET even further. My mission is to lead the charge and energize that effort. To our shareholders and investors, I ask for your understanding of our values and vision, and I hope you will look forward to I-NET's endeavors going forward.



September 2024

石田 友道

Representative Director and Executive President