

I-NET CORP.

Annual Report

FY2018

(April 1,2017- March 31,2018)

Greetings

We would like to sincerely thank you for your continuous support to I-NET CORP.

We are pleased to express our gratitude in greeting and take this opportunity to announce the 47th term IR Report.



Financial results for the current fiscal year ended 2018
(April 1, 2017 – March 31, 2018)

Net sales	25,615 mil.yen	Year-on-year term 104.1% ↗
Operating income	2,081 mil.yen	Year-on-year term 104.5% ↗
Current net profit attributable to owners of parent company	1,368 mil.yen	Year-on-year term 104.1% ↗

Report of the 47th term

Regarding the Japanese economy in the current consolidated fiscal year, the condition remained on a moderate recovery trend as with corporate revenues and employment situations in the context of economic policies by the government and monetary easing policies by the Bank of Japan, etc. In contrast, a slight uncertainty remains due to fluctuations in crude prices and exchange, etc.

While corporate revenues have been recovering in the data processing service industry where our company group is engaged in, corporate IT investment demand has been increasing. Among them, a keen interest has been attracted in IT investments for enhancement of competitiveness aiming for improvements of corporate

sales expansion and customer service, such as widespread usage of cloud computing, promotion of IoT (Internet of Things), and enhanced usage of Big Data and AI, etc.

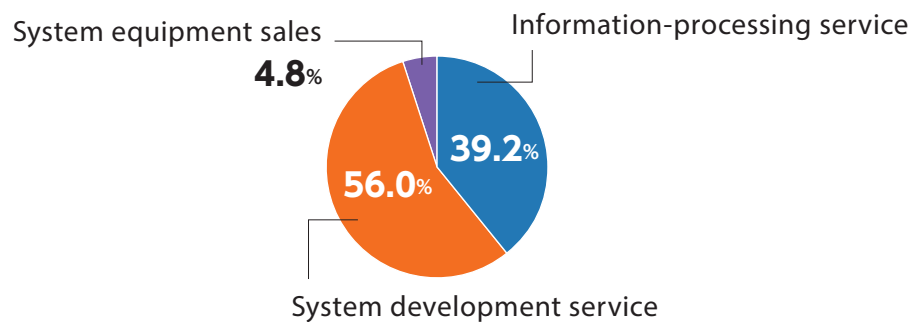
Under such circumstances, our company group has adequately fulfilled diversifying customer needs, and responded to demands of system development and has committed to an improvement of product appeal, such as data center and cloud service.

Consequently, we have achieved net sales of 25,615 mil. yen (104.1% year-on-year), operating income of 2,081 mil. yen (104.5% year-on-year), ordinary income of 2,051 mil. yen (105.8% year-on-year), and current net profit attributable to owners of parent company of 1,368 mil. yen (104.1% year-on-year).

With respect to dividend, we regard continuous stable dividend as a basic policy. In adherence with the policy, we have set annual dividend for the current fiscal year 38 yen per share.

We would like to express our deepest gratitude for further understanding and support from our valuable shareholders.

Net sales by service category



Information-processing service

Net sales	10,051 mil.yen
Composition of sales	39.2%
Year-on-year term	102.7%

System development service

Net sales	14,347 mil.yen
Composition of sales	56.0%
Year-on-year term	102.9%

System equipment sales

Net sales	1,216 mil.yen
Composition of sales	4.8%
Year-on-year term	135.8%

Greetings from the new president

We would like to sincerely thank our shareholders for the continuous support.

As of June 22, I, Mitsuru Sakai, newly assumed the position of President and Representative Director. All the board members and employees will work together to strive to promote continuous development of our corporate value toward an excellent company. We appreciate the understanding and support of our shareholders.

Mitsuru Sakai, President and Representative Director



Q Please tell us about your point of view about promotion of the future business.

A We will strive to firmly implement both “defenses” that strengthen bonds with our customers and “offenses” that create new market fields and services.

We have been aiming at reinforcing our company's unique business model based on our traditional business policy, and achieving a consecutive growth in revenue and profit, which remains unchanged.

In addition, we recognize the expansion of business scale as an crucial theme and consider that we must accelerate our growth speed in this harsh business environment in the industry.

What we will strive to intensively promote in that context is to implement both “defenses” that strengthen bonds with our customers and “offenses” that create new market fields and services in order to build a strong business development basis.

For that reason, we will first work on “establishing a firm customer first philosophy.” By always enhancing follow-ups from the perspectives of our customers, we can achieve better safety, security and satisfaction for the customers. In addition, by conducting “reinforcement of value-added proposal-based sales” as well as “development of new products such as growing cloud services”, we will be able to provide ideal services that exceed the customers' expectations. And we consider that both technical and personal growths of our employees are essential to realize those tasks. Therefore, we will strive to make greater “investments in human resources,” including acquiring excellent human resources, and making efforts in human resource development and career development.

Q Please tell us about improvements or initiatives designed for the sustainable growth down the road.

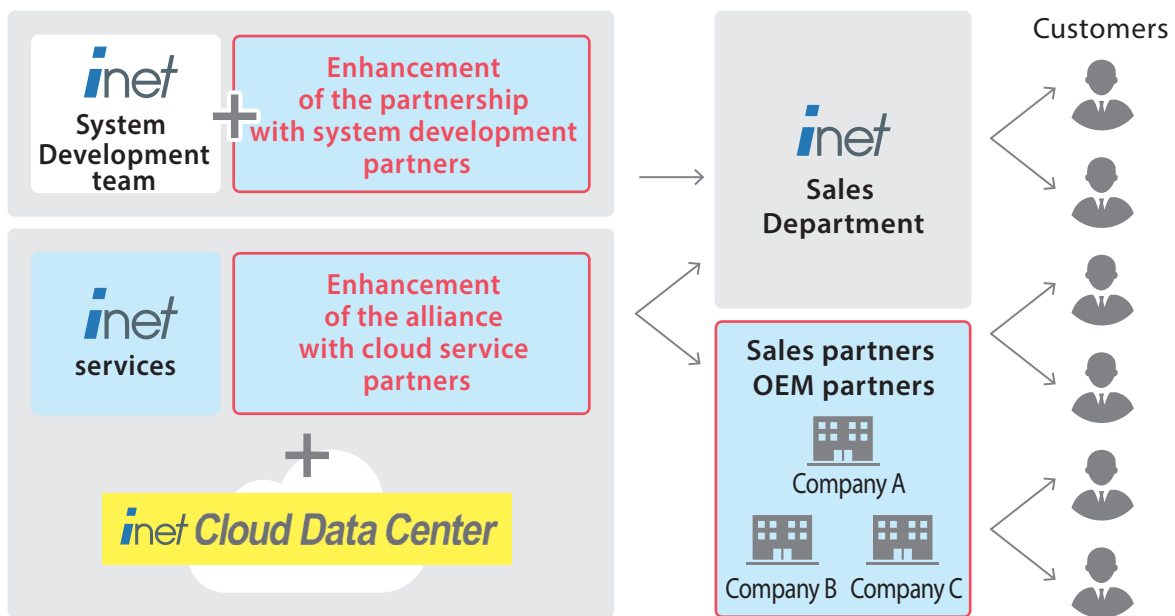
A We intend to pursue further developments of business models expected to be our competencies as well as drive enhancement and expansion of partner alliances.

The first is driving enhancement and expansion of “partner strategy and sales channel strategy.” Corporate demands for IT investments will become increasingly expansive and diverse in the future due to the evolution of system development, usage of IT services, and also digital information technology, with the aim of enhancement of business competitiveness as well as business transformation. To develop our business, it is essential to create a structure that enables us to meet those requirements from customers thoroughly. As part of enhancement measures for this, we created a partnership committee together with development partners from 28 companies in last March. We intend to achieve mutual growth not only through dealing with development projects, of course, but also through exchanges of sales/technologies, etc. Also, we intend to enhance and expand alliance with cloud service partners. This is an alliance model that companies providing strategic and high quality IT services and our company having the Data Center cloud platform cooperate together to provide them as cloud services, which takes advantage of each other’s competences.

It will expand the depth of our company’s cloud applications because not only our partners but also our company will expand sales of them as cloud services. The collaboration formed in the last term with UNIRITA Inc. for their security-related services as well as with NEOJAPAN. Inc. for their communication tool for groupware/business chat applies to this example. Then, as an enhancement measure for sales channel of services and products including these alliance models, we will increase sales channel more actively than ever before through the marketing alliance with companies with rich experience of sales, such as manufacturers.

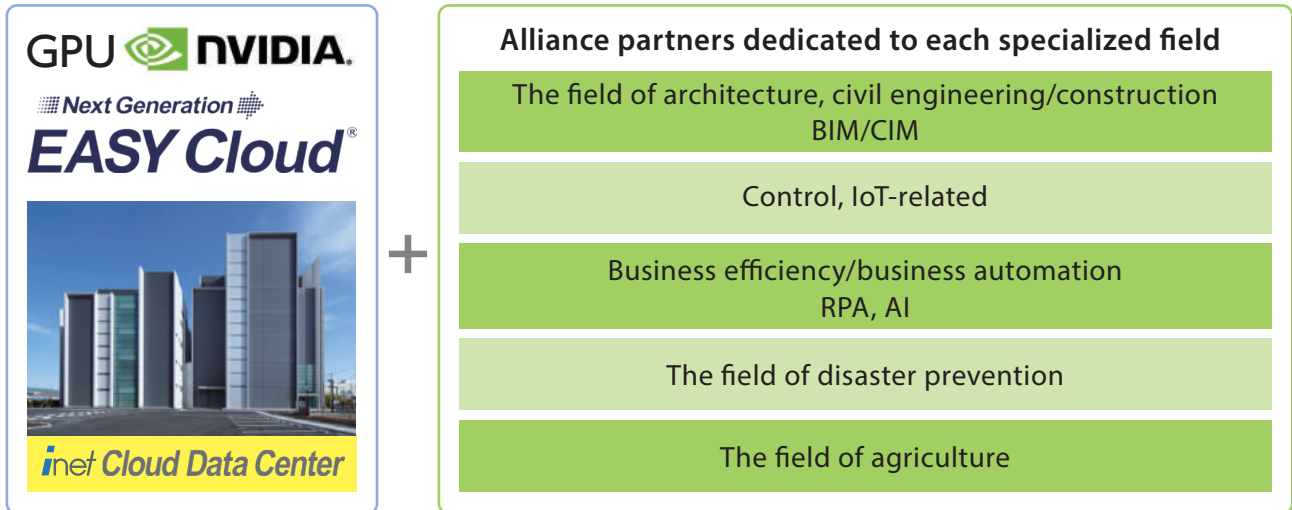
We will strive to enhance this partner strategy and sales channel strategy, positioning them as major measures that boost our company’s growth.

● “Partner strategy and sales channel strategy”



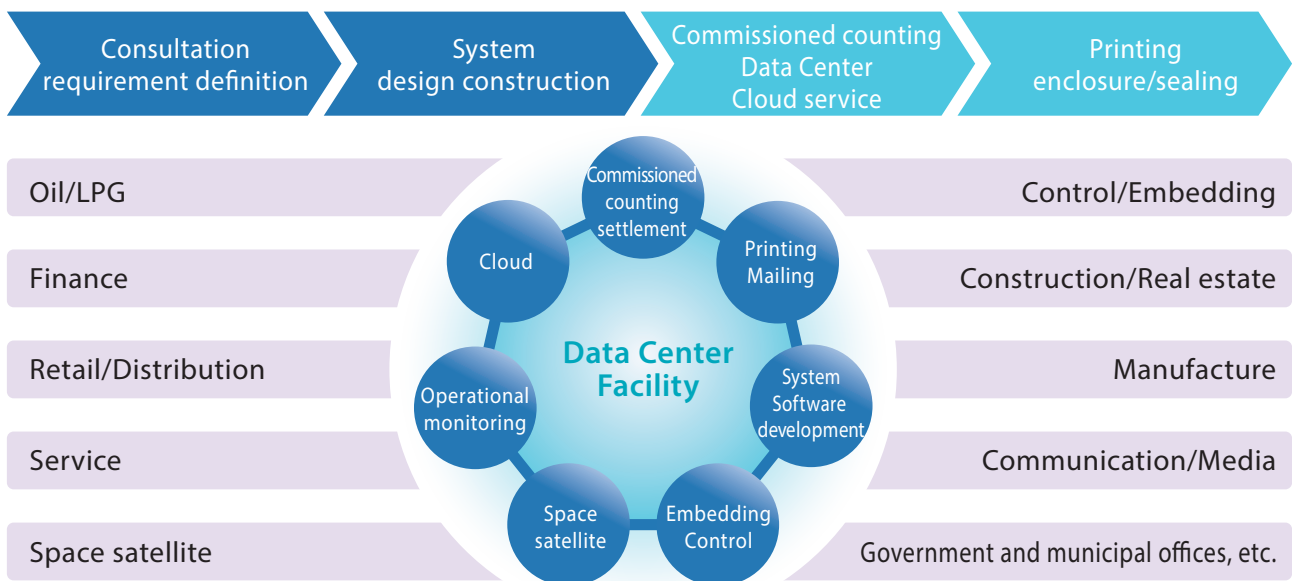
The second is “building services of our company’s cloud platform (NGEC) + applications.”By actively promoting alliance with companies that are dedicated to growing specialized fields and have applications, new technologies and know-how in those fields, and then combining them with our company’s competence—advanced cloud platform, we intend to build/provide a new cloud service that helps business transformation of companies in a variety of industries as well as problem-solving in a society. We will not only providing services utilizing our company’s drone IoT platform in the field of architecture, civil engineering/construction, the field of disaster prevention and the field of agriculture, but we will also focus on the field of RPA (Robotic Process Automation) that realizes better business efficiency and business automation as well as the field of AI service, etc. This alliance model is positioned as a major measure that develops new growth fields of our company.

• Building services of cloud platform (NGEC) + applications



Third, further promoting “cross-selling in business covering from planning to BPO”. We have been implementing this initiative for years. We intend to provide our company’s unique business model, one-stop service from upstream to downstream—from planning phase to BPO (Business Process Outsourcing), and develop various services based on customers’ requirements seamlessly. When a customer has thoughts of systemization, we provide a total service including consultation from the planning stage, system development, operations within the customer or our company’s Data Center, and enclosure/sealing process if printing is needed. Moreover, it is possible to handle the data without taking out from Data Center if required. Regardless of industries and business conditions of customers, we will strive to engage in extensive sales activities. With further efforts on this promotion, we can achieve better customer satisfaction as well as upgraded business competitiveness.

• Cross-selling in business covering from planning to BPO



Furthermore, toward the future of our company group, just like the ongoing drone IoT platform business, we will strive to aggressively challenge a field providing the one-stop service to customers in different stages utilizing digital new technologies that companies consider as the most important IT investment, such as IoT, Big Data, AI and Robotics. In order to realize this, while making planned investments in research and development of new services utilizing the digital new technologies, such as their development and demonstration tests, we intend to partner with companies having experiences or know-how in that market. Also regarding M&A, we would like to carry it out based on careful considerations for the purposes of acquiring new technologies and enhancing our existing business, etc.

Q Please tell us about an outlook for the FY ended March, 2019.

A We intend to remain strong while aiming to further increase our sales and surpass a record high profit.

With regard to business environment in the current fiscal year (48th term) surrounding our company, we anticipate that it will continue to advance steadily along with domestic economy. Further expansion in the IT market is expected due to the backdrop of corporate positive interest in IT investment. Moreover, corporations are pursuing utilization of cloud services for cost reduction, whereas they are promoting IoT and making use of Big Data and AI, etc., as well as accelerating IT investment to enhance competitiveness aiming for further business expansion and improvements in customer services.

Our company group will also put focus on system construction, data center business, and cloud service, etc. more than ever to meet these corporate needs.

From the above, with regard to consolidated performance for the current fiscal year (48th term), we will strive to further improve data center business and cloud service, as well as expand the existing business such as system development service and SS, with a forecast; net sales of 26,700 mil. yen (104.2% year-on-year), operating income of 2,190 mil. yen (105.2% year-on-year), ordinary income of 2,140 mil. yen (104.3% year-on-year), and current net profit attributable to owners of parent company of 1,430 mil. yen (104.5% year-on-year).

• Plan for the 48th term

Net sales	26,700 mil. yen (consecutive growth for eight terms)
Operating income	2,190 mil. yen (record high)
Ordinary income	2,140 mil. yen (record high)
Current net profit attributable to owners of parent company	1,430 mil. yen (record high)

Q In closing, please give a message to the shareholders.

A We aim to implement an increase of dividend considering a strong performance, and continuously stable profit return due to a performance expansion.

Our company is determined to implement stable profit returns to the shareholders while realizing sustainable growth with further promotion of business policies and business models that take advantage of our competencies, as well as aiming for reinforcement of the financial basis.

With respect to dividend, as revenue and profit are anticipated to rise in the current fiscal year (48th term), we plan to set; in addition to normal dividend payment of 38 yen in the previous term (47th term), further 2 yen is allocated, resulting in a total of 40 yen that achieves a dividend raise for seven consecutive terms.

Last but not least, our entire group is committed to press forward for the target. We would like to express our deepest gratitude for the continued support and guidance from our valuable shareholders.

• Plan of annual dividend per share (planned to increase for seven consecutive terms)

FY ended March, 2017	FY ended March, 2018	FY ending March, 2019
36.0 yen	38.0 yen	40.0 yen
Year-end (18.0 yen) Mid-term (18.0 yen)	Year-end (19.0 yen) Mid-term (19.0 yen)	Year-end (20.0 yen) Mid-term (20.0 yen)

Stock split (1 : 1.1)

Report of primary activities

Apr. Formed the capital/business alliance with UNIRITA Inc.



We promote collaboration and a technology alliance, such as providing services that UNIRITA has developed on our company's cloud services. We will expand our business development capabilities through the cloud-based data center.

May Participated in Japan IT Week Spring 2017



We participated in two exhibitions "Cloud Computing EXPO" and "IoT/M2M EXPO" during the largest specialized exposition in Japan, Japan IT Week Spring 2017, where a variety of products/services related to IT gathered.

May ~ Nov. Participated in exhibitions in various areas (Nagoya/Osaka/Hiroshima/Fukuoka)



Business Show & Eco Fair 2017



IT EXPO Hiroshima 2017

We actively participated in exhibitions in various areas to conduct sales promotions of products/services, including "Messe Nagoya 2017" considered as one of Japan's largest cross-industrial exchange exhibitions.

May Nov. Financial results briefing for institutional investors and analysts



We hold financial results briefings biannually to promote understanding about our company group, explaining our business strategies, business confidence in the industry and our business performance.

Jun. Ordinary general meeting of shareholders and business briefing



We held the 46th ordinary general meeting of shareholders at the Yokohama Bay Hotel Tokyu. At the business briefing after the general meeting, an overview of the business performance as well as business strategies of our company group were explained to deepen the understanding from shareholders.

Jun. Expand the drone IoT platform business



As a part of the "drone IoT platform business," we newly established "a drone airfield (Dream Drone Flying Field: DDFF)" in Kimitsu City, Chiba. We will provide this field for demonstration tests to companies considering drone business.

Jul. inet west® has been launched



We started providing a service of the partner Data Center in Kansai area, "inet west®," collaborating with Kanden System Solutions Co., Inc.

Jul. Dream Cloud Seminar 2017



We held a seminar on July 7th to introduce our company's cloud service. The event was successful, which included panel discussions with guests from several companies as well as an exhibition booth related to Star Festival.

Aug. Founded "Drone Business Realizing Initiative Japan (DBRIJ)"



Along with D-ACADEMY, TripodWorks and Drone Japan, we founded "DBRIJ"—an alliance with the aim of accelerating practical use of drone business, taking advantage of each company's competences.

Sep. Concluded the "agreement on cooperation utilizing unmanned aircrafts in disaster situations, etc." with Kimitsu City



This agreement is aimed at promoting a disaster-resistant city planning, such as a city that is capable of quickly handling any conditions in natural disasters by collecting and providing information, including videos and pictures taken by drones in a case of disasters, etc., in collaboration with Kimitsu City.

Oct. Feb. Company information sessions for private investors



We held company information sessions for private investors in three cities, Yokohama, Nagoya and Osaka. We explained our company's business activities, business models, dividend policy and initiatives for social contributions to deepen understanding of the private investors.

Oct. Concluded the partner program by NVIDIA Corporation



We concluded the partner program "Cloud/Virtualization CSP" by NVIDIA Corporation, a leading company for GPU, for the first time in Japan and launched VDI "vGPU-VDI Cloud service" that realizes smooth usability of systems with advanced graphic capabilities, such as CAD, BIM and CIM.

Nov. An opinion exchange meeting for expanding the movement "woman act. Supporters for Kanagawa women empowerment"



Noriyoshi Ikeda, our company's Chairman of the board, announced our company's efforts at the opinion exchange meeting for expanding the movement "woman act. Supporters for Kanagawa women empowerment" organized by 20 heads of local companies, etc. in Kanagawa, including the Governor Kuroiwa.

Jan. Yokohama wellness management certification 2018 Certified company



Our headquarters and our company's special exceptional subsidiary—innet Data Service Corp., were certified as workplaces working on "wellness management" requiring strategic health promotion for employees from a management perspective.

Mar. Started recruiting activities for new employees in 2019



Mynavi Career EXPO Yokohama venue

We actively work on recruiting, participating in events hosted by industry associations in the prefecture as well as on-campus briefings, including "Mynavi Career EXPO" in both Tokyo and Yokohama.

Basic Idea for Corporate Governance

We promote construction and maintenance of business management systems as priority items which can cope with a change of the management environment quickly, while we improve business transparency for the purpose of effectiveness and efficiency of business operations, reliability of the financial statements, the compliance of the relevant laws and ordinances.

Governance Structure and Schemes

Following is the situation of the corporate governance structure overlooking our business management organization etc. concerning the management decision making, execution and supervision.

Supervisory Board

Our company adopts an auditor system. Our supervisory board consists of four people. One of them is a certified public accountant who has a considerable degree of knowledge about finance and accounting, and all the four people are external auditors.

Also, the auditors hold the supervisory board every month aiming at improving the auditor's auditing, and regularly holds an auditors' liaison meeting including group companies, which we intend to share information within the whole group as well as improve the level of the supervisory board.

Board of Directors

In us, the board of directors is held once a month regularly, which consists of 11 people including two outside directors. Auditor always attends, and expresses positive and effective opinion standing on the position of inspecting and supervising the management, which results in the administration system the corporate governance functions appropriately.

Group Executive Committee

The "Group Executive Committee" composed of directors, a standing statutory auditor, division heads of our company, presidents of subsidiaries and the persons in charge from affiliates, is held every month, in which the business performance from each division are reported and an examination for forthcoming measures mainly on budget control are done.

Accounting Auditor

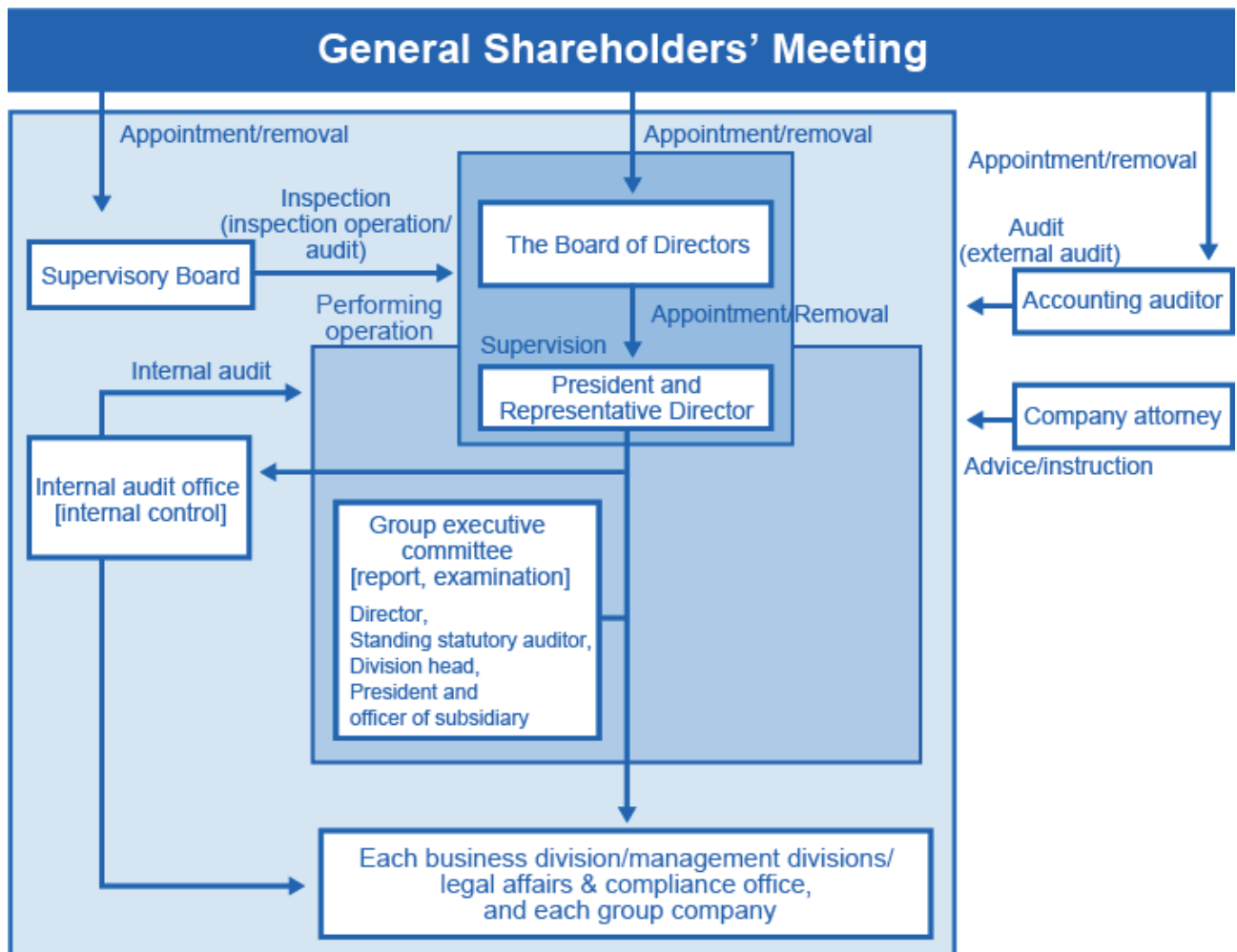
Our company assigns "PricewaterhouseCoopers Arata LLC" as our accounting auditor, and asks for the auditing of the consolidated subsidiaries as well, which also copes with the alteration of the accounts system swiftly.

Two certified public accountants executed the audit and attestation services for our group. Also, auxiliary personnel pertaining to inspection operation are six certified public accountants and other eight staff. Furthermore, the accounting auditor and the auditor have a regular meeting and exchange information as needed in order to develop mutual cooperation.

Concerning Legal Affairs

We conclude the advisory contracts with plural law offices and, therefore, we can receive advices and instructions at right moment concerning overall legal affairs.

Organization Chart



Situation of the Compliance System

To promote the compliance of laws and ordinances as a part of the corporate governance, we founded the Compliance Room (current Legal Affairs/ Compliance Office) under the structural reform dated April 1, 2004. As the first step, this reform embodied the compliance as indispensable for retaining and developing the company.

Compliance Basic Policy

We advocate following compliance basic policies, observe them, and behave ourselves at all times based on "open and honorable spirit".

1. We try hard to build the trust from the society through sound and appropriate task performance, while we always recognize our dignified social responsibility which the information service business should inherently have.
2. We try hard to seek for the transparent management which leads to social evaluation by widening the span of communication with the society including positive and fair disclosure of our accurate management information.
3. We try hard to carry out honest and fair company business activity observing the laws, ordinances or the rules which we have to follow depending on place and time.

Concerning Privacy Policy

Prioritizing the measures against action for "Personal Information Protection Law" which was completely enforced on April 1, 2005, our company having the information Data Centers, carried out the distribution of the brochure to all employees through internal groupware in our company so as to deepen their understanding to "Personal Information Protection Law", which resulted in enhancement of their consciousness.

Furthermore, we try hard to grasp the learning state and the understanding degree of all employees as our introduced e-learning enables us to access from each branch all over the nation as well as from their homes.

We keep on expanding the contents and promoting the awareness campaign.

Additional Information

We reviewed sales management regulations and prevention of insider trading regulations etc., which was instructed to all employees throughout the nation so as to continuously awaken individual consciousness toward the risk management and legal compliance.

As for the insider trading, particularly, we distribute the booklet, "Insider trade regulation Q & A", issued by the Tokyo Stock Exchange Co., Ltd. to all directors and employees including subsidiaries so as to promote their understanding and observance of the regulation contents.

Further, since 2008, in the compliance education program for new employee, we improved the content emphasizing the compliance and put emphasis on the observance of "I-NET Charter of Corporate Code" established in March, 2007 as well as the importance of the compliance.

CSR activities

We would like to introduce CSR activities by I-NET CORP.

Social Contribution Activity to the Local Community

I-NET CORP. positively works on social contribution activities to the local community such as job creation, co-sponsorship to local held events, support to cultural activities or disaster recovery assistance.

Activity to Promote Employment of Persons with Disabilities

I-NET CORP. sincerely considers it as one of utmost essential assignments that we provide strong support for persons with disabilities, same as with persons who are not physically handicapped, to be employed with the occupation fit for their ability and aptitude so that we can materialize the society that they can spend independent life in community. As one of these activities, we founded I-NET DATA SERVICE CORP. , special exceptional subsidiary, and support persons with disabilities for "their independence, growth, autonomy" in daily life in the community.

What is a "Special Exceptional Subsidiary" ?

Based on "The Act for Promotion of Employment of Persons with Disabilities," special exceptional subsidiary is defined as that enterprises establish a subsidiary which especially considers yield volume circumstances or working condition when employing the person with disabilities, and receives the authorization of the Minister of Health, Labor and Welfare, regarded as satisfying constant condition.

Activity to the Environment

I-NET CORP. built the environmental management system in the Data Centers (the 1st Data Center, the 2nd Data Center), acquired the certification of ISO14001 and has tried to reduce the environmental load.

As the natural environmental problem in the community and the earth becomes severe and detrimental topics these days, preservation of the global environment becomes urgent and pressing challenges common to human being. The strongly-built and high level secured Data Centers of our company operate as information infrastructure of industry and the society without stopping for 24 hours a day, for 365 days a year.

We considered minimizing the influence to the preservation of environment as one of our social responsibilities through the operation of our Data Centers and established the environmental policy to carry out the activities for environment load reduction.

Environmental Management

Environmental Policy

1. We strive to minimize the negative influence on environmental preservation and reduce the environmental burden through our operational activities.
2. We strive to work on pollution prevention as well as environmental protection by managing our facilities/processes, etc. that may affect the environment.

The Application Range of the Environmental Management System

1. Applicable offices
 - The 1st Data Center I-NET CORP.
 - The 2nd Data Center I-NET CORP.
2. The range of organizations and personnel
All organizations/departments of the 1st Data Center/the 2nd Data Center (including subcontractors, part-timers) and outsourcing companies
3. Applicable products/services
 - Housing service
 - Hosting service
 - Printing service
 - Mailing service
 - Credit service
 - Cloud service

Environmental Goals

1. Reduction of the environmental load
We reduce the environmental load by recognizing the influence on the environment by operational activities of our Data Centers as well as promoting resource saving, energy saving, recycling and prevention of global warming.
2. Observance of the laws, etc.
We observe the laws/regulations relevant to the environment, including the other requirements that our Data Centers consent to.
3. Continuous improvement of the environmental management system
We promote planned and continuous improvement activities, establishing the environmental policy/environmental goals and periodically performing their review.
4. Education/training
We provide necessary educational trainings to all people working in our Data Centers in order to enhance their environmental consciousness.

We make these environmental policy/environmental goals to be known to all employees working in our Data Centers as well as announce those outside the company.

August 1, 2017 I-NET CORP.
The 1st Data Center
The 2nd Data Center
Masayuki Shimura, Supervisor in charge of Data Center Management

Concerning human relations to our employees

I-NET CORP. promotes the innovation of individual work style to make working environment where our employees can exert all their abilities in peace.

Wellness Management Declaration

I-NET CORP., under a philosophy that employees are the greatest assets in management, actively promotes the wellness management that supports our employees' better health, considering health promotion of our employees from a management perspective and considering both physical and mental wellness of our employees as a source of continuous development of our corporate value.

· Yokohama Health Management Certification

As of January 18, 2018, I-NET CORP. was certified by the City of Yokohama as a Yokohama Health Management Certified Business.

What is a “Yokohama Health Management Certification System”?



The Yokohama Health Management Certification System acknowledges the employees' health maintenance/promotion efforts as an investment that will enhance the profitability of corporations in the future. It is a system in which the City of Yokohama certifies businesses that work on health management as a Yokohama Health Management Certified Business to consider the employees' health creation from a managerial perspective, and to expand the idea of a “health management” that is strategically implemented.

Certification qualifications

Class A:

The manager understands the idea of a health management and has stipulated his/her intention in documents such as health management dedication, and has realized something about the intention.

I-NET CORP. considers health creation from a managerial perspective. As part of creating a working environment for employees written in our company's Corporate Action Charter, the corporation will continue to attempt to improve the mindset such as awareness improvement for the employee's working motivation/health management, by actively working on health management, and will utilize it for promoting the individual's ability fulfillment and improving the production of the corporation.

Child Care Support

・Kurumin Certification



I-NET CORP. was authorized by the Minister of Health, Labor and Welfare (authority delegated to Director of Kanagawa Labor Bureau) pursuant to Law for Measures to Support the Development of the Next Generation as "Child care support company" on May 31, 2012, and acquired Kurumin, next generation support certification logo.

What is the "Act on Advancement of Measures to Support Raising Next-Generation Children"?

This law is enforced to carry out unitary measures (measures to support the development of the next generation) among the national government, local municipal governments, enterprises and peoples together for the purpose of making the environment where children for next generation can be born and raised in good health.

When we achieved the requirements for approval after we prepared and submitted the action plan called "General employer action plans (companies, etc.)", we are authorized as "Child care support company".

Requirements for approval

1. Having prepared appropriate action plan according to Action Plan Formulation Guidelines concerning the creation of an employment environment.
2. Having achieved the targets which were carried out as per the prepared action plan.
3. Announcing the action plan, and make employees to be known to all appropriately.
4. More than one person among male employees acquired the parental leave during action planned period.
5. More than 70% of a parental leave acquisition rate of the female employees during action planned period.
6. Taking necessary measures for an an employee bringing up a child of 3 year of age or more before the time of commencement of elementary school concerning "Child care leave system", "Limitation on overtime work system", and "System pertaining to measures to shorten working hours & measures to change the starting time and the ending time of the work hours".
7. Carrying out one of following ① - ③.
 - ① Measures for reduction of overtime work
 - ② Measures for promotion of the acquisition of annual paid leave
 - ③ Measures for creation of a variety of working conditions to contribute to other working style review
8. No material fact found to violate the relevant laws, orders pertaining to the relevant law, or other relevant ordinances.

I-NET CORP. promises to pursue further good working environment, where the work and child care allowed to stand side by side so that making family life and life in a working place balanced, securing easy to work environment, and all employees hereby can exert their own ability sufficiently.

・ Kanagawa Child Care Supporters

I-NET CORP. acquired the certification by Kanagawa prefectural government pursuant to "Kanagawa Prefecture, Children/Childcare Support Promotion Ordinances" as a promotion company on July 3, 2008.

What is "the certification system pursuant to Kanagawa Prefecture, Children/Childcare Support Promotion Ordinances"?



The certification system pursuant to Kanagawa Prefecture, Children/Childcare Support Promotion Ordinances" is the system that Kanagawa prefectural government authenticates a company institutionalizing children/childcare support for employees as a "Kanagawa childcare supporter".

Requirements for certification

1. Following requirements are clearly regulated as internal system, which systems or measures are obliged under the Child Care and Family Care Leave Law.
 - ① Childcare leave
 - ② Sick/injured child care leave for an employee bringing up before the time of commencement of elementary school
 - ③ Limit of overtime work, the late-night work for an employee bringing up a child before the time of commencement of elementary school
 - ④ Measures to shorten working hours for an employee bringing up a child younger than 3 years of age
2. Being clarified a responsible person in the company concerning support for balance of work and child care.
3. Announcing public inside and out the planned promotion to carry out for children/childcare support.
4. Contents of the plan and business activities being appropriate in the light of relevant laws and ordinances.

I-NET CORP. approves of this purpose, and will push forward maintaining and improving the working environment where our employees can not only have balance of work and child care but are easy to work.

Stock Information

Basic Information of Stock

Overview of Stock

(As of March 31, 2018)

Authorized shares	60,000,000 shares
Number of shares outstanding	16,242,424 shares
Capital	¥3,203,992,690
The number of shareholders	3,745 people

Major shareholders

Shareholders

	Sep 30, 2016	Mar 31, 2017	Sep 30, 2017	Mar 31, 2018
	Thousand shares			
Individual and Others	9,547	10,407	9,998	9,711
General corporation	1,384	1,457	1,558	1,532
Financial institution	2,606	2,933	3,219	3,607
Securities company	72	148	163	142
Foreigner	1,154	1,295	1,302	1,247
Total	14,765	16,242	16,242	16,242

	Sep 30, 2016	Mar 31, 2017	Sep 30, 2017	Mar 31, 2018
	person			
Individual and Others	3,835	3,852	3,767	3,565
General corporation	59	55	63	53
Financial institution	28	27	26	27
Securities company	21	26	22	25
Foreigner	72	74	70	75
Total	4,015	4,034	3,948	3,745

※1,' Individual and Others ' include company-owned stocks.

2,'General corporation'include securities depository center stock

3,Stock figures are rounded to 1,000.

Major shareholders(Top 10)

(As of March 31, 2018)

	Number of Shares Held	Shareholding Ratio
	Thousand shares	
Noriyoshi Ikeda	1,741	10.95%
I-NET Employee Stock Ownership	1,352	8.51%
Japan Trustee Services Bank, Ltd.	1,053	6.63%
Junji Kitagawa	781	4.91%
The Bank of Yokohama, Ltd.	707	4.45%
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC/FIM/LUXEMBOURG FUNDS/UCITS ASSETS	410	2.58%
The Master Trust Bank of Japan, Ltd.	356	2.24%
N and I Co., Ltd.	316	1.99%
NIPPON LIFE INSURANCE COMPANY	275	1.73%
Mitsubishi Research Institute DCS Co., Ltd.	239	1.51%

※1.Number of shares, it has been rounded down to the nearest thousand shares.

2.The shareholding ratio is calculated after deducting treasury stock 342,422 shares.

IR calendar

July 31, 2018	The financial results announcement for the first quarter of the FY ending March, 2019
September 30	The record date of the interim dividends The fixed date of the shareholder benefits rights
Late October	The financial results announcement for the second quarter of the FY ending March, 2019
Late November	The financial results briefing for the second quarter of the FY ending March, 2019
Early December	Release of IR Report to shareholders for the second quarter of the FY ending March, 2019 Payment of the interim dividends
Late January, 2019	The financial results announcement for the third quarter of the FY ending March, 2019
March 31	The record date of the year-end dividends The record date of the ordinary general meeting of shareholders

Early May	The financial results announcement for the FY ending March, 2019
Mid May	The financial results briefing for the FY ending March, 2019
Early June	Release of the notice of ordinary general meeting of shareholders
Late June	The 48th ordinary general meeting of shareholders Release of the resolution notice/the IR Report to shareholders Payment of the year-end dividends

Sahreholder Return

Sahreholder Return

Dividend Policy

Our basic policy is carrying out the stable dividend regularly and is making an effort toward the inner reservation to deal with funding requirements in the future.

In addition, we will enhance the return of profits to shareholders by increasing the corporate value to improve the profitability.

Retained earnings are used for facility enhancement 'data center' which we have been focused on and for business expansion such as the promotion of various research and development activities.

Dividend

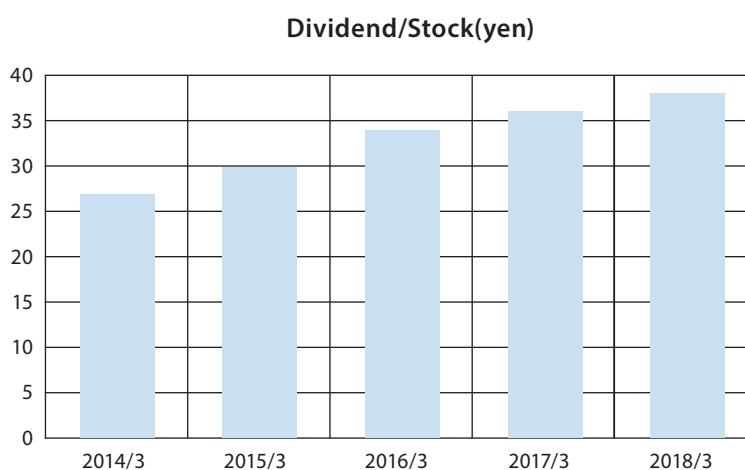
	2014/03	2015/03	2016/03	2017/03	2018/03
Dividend/Stock(yen)	27.00	30.00	34.00	36.00	38.00
(a midterm dividend)	12.50	15.00	17.00	18.00	19.00

※ 1, Dividend in March, 2016 includes 2 yen which is the commemoration dividend.

2, Common shares in inet were split on October 1, 2016.

The dividends before October 1, 2016 are based on the pre-split number of shares.

Change of dividend



Shareholder Preferential Treatment

Shareholder Preferential Treatment

Information of Shareholder Preferential Treatment

We have a shareholder preferential treatment in order to thank for the daily support of the shareholders and enhance the attraction of our stock.

Intended shareholder

Shareholder who possess the number of our stock more than 1,000 as of the end of September.

Contents of Shareholder Preferential Treatment

We deliver original Quo card once a year according to the number of our stock which you possess. (Delivery time is the early part of December)

Social Contribution

We contribute 10% of the donated amount separately to support group of physically handicapped.

Number of Stocks Held	Contents of Shareholder Preferential Treatment
More than 1,000 stocks Less than 3,000 stocks	1,000yen
More than 3,000 stocks Less than 5,000 stocks	2,000yen
More than 5,000	3,000yen

In addition, we deliver 1,000 yen QUO card to shareholder who possess our stock more than 3 years.



Outline of consolidated financial statements

Outline of profit and loss

(Unit: in millions of yen)

	Previous fiscal year (April 1, 2016 - March 31, 2017)	Current fiscal year (April 1, 2017 - March 31, 2018)	Growth amount
Net sales	24,617	25,615	998
Gross profit	5,900	6,065	165
Operating income	1,992	2,081	88
Ordinary income	1,939	2,051	111
Current net profit attributable to owners of parent company	1,314	1,368	53

Outline of assets and liabilities

(Unit: in millions of yen)

	Previous fiscal year (March 31, 2017)	Current fiscal year (March 31, 2018)	Growth amount
Current assets	8,850	9,822	971
Noncurrent assets	16,192	16,365	172
Current liabilities/Noncurrent liabilities	12,358	12,680	322
Net assets	12,684	13,507	822
Total assets	25,043	26,188	1,144

Outline of cash flows

(Unit: in millions of yen)

	Previous fiscal year (April 1, 2016 - March 31, 2017)	Current fiscal year (April 1, 2017 - March 31, 2018)	Growth amount
Cash flows from operating activities	2,932	2,937	5
Cash flow from investing activities	(979)	(1,223)	(244)
Cash flow from financing activities	(1,728)	(1,330)	398
Final balance of cash and cash equivalents	2,920	3,303	383

Points in the settlement values

Point
1

We have achieved growth in net sales for seven consecutive terms, increasing by 998 mil. yen as a result of steady progress in the data center, cloud services, and system development for financial business and distribution service business, etc.

Point
2

We have surpassed a record high profit, increasing operating income by 88 mil. yen due to healthy revenue growth since the second quarter even though a major development project planned from the beginning of the quarter has been extended. We have also made larger upfront investment along with strengthening sales promotions of cloud services implemented at the beginning of the quarter.

Point
3

It has increased by 660 mil. yen due to the acquisition of securities out of a business and capital alliance. Meanwhile, tangible/intangible fixed assets have decreased by 550 mil. yen due to depreciation, etc., resulting in a rise of 172 mil. yen.

Point
4

Loans have decreased by 445 mil. yen. Meanwhile, total liabilities have increased by 322 mil. yen due to increases in accounts payable-trade, accounts payable-other and income taxes payable, etc.

Point
5

Net assets have increased by 822 mil. yen due to payment, etc. for dividends of 588 mil. yen, while we recorded a net profit of 1,368 mil. yen.

Point
6

[Cash flow from operating activities]

It has increased by 3,510 mil. yen due to internal reserves from profit and depreciation. Meanwhile, as a result of an increase in accounts receivable of 638 mil. yen, we have acquired 2,937 mil. yen.

[Cash flow from financing activities]

This has been attributable to 445 mil. yen from reducing interest-bearing debts, 295 mil. yen of repayment of lease obligations, and 588 mil. yen of dividend payments, etc.

Consolidated 5-year Financial Summary

(millions of yen)

	2014.03	2015.03	2016.03	2017.03	2018.03
For the year					
Net sales	22,528	23,229	24,434	24,617	25,615
Operating income	1,664	1,598	1,918	1,992	2,081
Ordinary income	1,561	1,546	1,838	1,939	2,051
Net income(Net sales by segment)	901	982	1,114	1,314	1,368
Information processing service	8,783	9,107	9,607	9,784	10,051
System development service	13,063	13,457	14,081	13,937	14,347
System products sales	681	664	746	895	1,216
At year-end					
Net assets	10,571	12,147	11,793	12,684	13,507
Total assets	24,514	25,962	25,110	25,043	26,188
Number of employees(personnel)	1,328	1,297	1,295	1,307	1,324
Cash flows					
Cash flows from operating activities	1,171	2,648	2,523	2,932	2,937
Cash flows from investing activities	(3,741)	(622)	(468)	(979)	(1,223)
Cash flows from financing activities	2,278	(1,675)	(1,892)	(1,728)	(1,330)
Cash and cash equivalents at the end of year	2,183	2,533	2,696	2,920	3,303
Per share information(yen)					
Net income(EPS) (※1)	57.88	60.52	69.70	82.68	86.06
Net assets	638.39	732.91	741.67	797.79	849.55
Cash dividends (※2)	27.0	30.0	34.0	36.0	38.0
Ratios					
Return on equity(ROE)	9.5%	8.8%	9.4%	10.7%	10.4%
Return on asset(ROA)	6.6%	6.1%	7.2%	7.7%	8.0%

※1 Common shares in net were split at a ratio of 1:1.1 on October 1, 2016.
Net income FY2016-7 are shown based on post-split assumption.

※2 The dividends before October 1, 2016 are based on the pre-split number of shares.

	<ul style="list-style-type: none"> • ISO 9001 [registration number:JQA-QM6329] 1st Data Center/ 2nd Data Center [registration number:JQA-QM7676] Control Division/ Space Development Division • ISO 14001 [registration number:JQA-EM6606] 1st Data Center/ 2nd Data Center • ISO/IEC 27001 [registration number:JQA-IM0093] 1st Data Center/ 2nd Data Center [registration number:JQA-IM0327] Control Division/ Space Development Division • PCI DSS [registration number:ICMS-PCI0145] 2nd Data Center
Memberships	<ul style="list-style-type: none"> • Nippon Keidanren(Japan Business Federation) • Japan Information Technology Services Industry Association (JISA) • FujitsuCenter Association (FCA) • Kanagawa Information Services Industry Association (KIA) • Information Technology Alliance (ITA)

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