



I-NET CORP.

Q2 Financial Results Briefing for the Fiscal Year Ending March 2021

November 12, 2020

Event Summary

[Company Name]	I-NET CORP.	
[Company ID]	9600-QCODE	
[Event Language]	JPN	
[Event Type]	Earnings Announcement	
[Event Name]	Q2 Financial Results Briefing for the Fiscal Year Ending March 2021	
[Fiscal Period]	FY2020 Q2	
[Date]	November 12, 2020	
[Number of Pages]	34	
[Time]	15:45 – 16:31 (Total: 46 minutes, Presentation: 29 minutes, Q&A: 17 minutes)	
[Venue]	2-1 Kabutocho Nihonbashi, TSE Bldg., 1F TSE Arrows, Chuo-ku, Tokyo 103-8224	
[Venue Size]		
[Participants]	22	
[Number of Speakers]	4	
	Mitsuru Sakai	Representative Director, Executive President
	Hiroshi Wanibuchi	Representative Director, Senior Managing Executive Officer
	Naokatsu Uchida	Director and Managing Executive Officer
	Masakazu Kinoshita	Director and Executive Officer

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Presentation

Moderator: Now, we will hold an investor relations meeting for I-NET Corporation. First, I would like to introduce you to the four people we are welcoming from the Company.

First, Mitsuru Sakai, Representative Director, Executive President.

Sakai: I'm Sakai, thank you.

Moderator: Thank you very much. Next, Mr. Hiroshi Wanibuchi, Representative Director, Senior Managing Executive Officer.

Wanibuchi: Wanibuchi. Thank you in advance.

Moderator: Thank you very much. Next, Mr. Naokatsu Uchida, Director and Managing Executive Officer.

Uchida: Uchida. Thank you in advance.

Moderator: Thank you very much. Next, Mr. Masakazu Kinoshita, Director and Executive Officer.

Kinoshita: Kinoshita. Thank you in advance.

Moderator: Thank you very much. Today, President Sakai is supposed to explain the matter to us, but once the explanation is finished, we have set aside time for a question and answer session.

Well then, Mr. Sakai, please start with your presentation, please.

Sakai: Thank you very much for your precious time today. This is Sakai, the president. Thank you very much.

I will start my explanation right away. This is the content of today's explanation. First, I will explain the Company overview, the business overview of Q2 of the fiscal year ending March 2021, and our efforts towards the medium-term management plans, and finally, I will explain about the dividends.

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inet 会社概要 (2020年9月30日現在)

- 商号 株式会社アイネット
- 設立 1971年4月22日
- 本社 横浜市西区みなとみらい3-3-1
- 資本金 3,203百万円
- 創業者 創業者最高顧問 池田 典義
- 代表者 代表取締役
兼社長執行役員 坂井 満
- 子会社 株式会社ISTソフトウェア
株式会社ソフトウェアコントロール
株式会社アイネット・データサービス
- 社員数 1,663名 (連結)
959名 (単独)
- 事業所/支店/データセンター/海外拠点
東京事業所
札幌支店、仙台支店、中部支店、大阪支店、中四国支店、福岡支店
第1データセンター、第2データセンター
シンガポール駐在員事務所



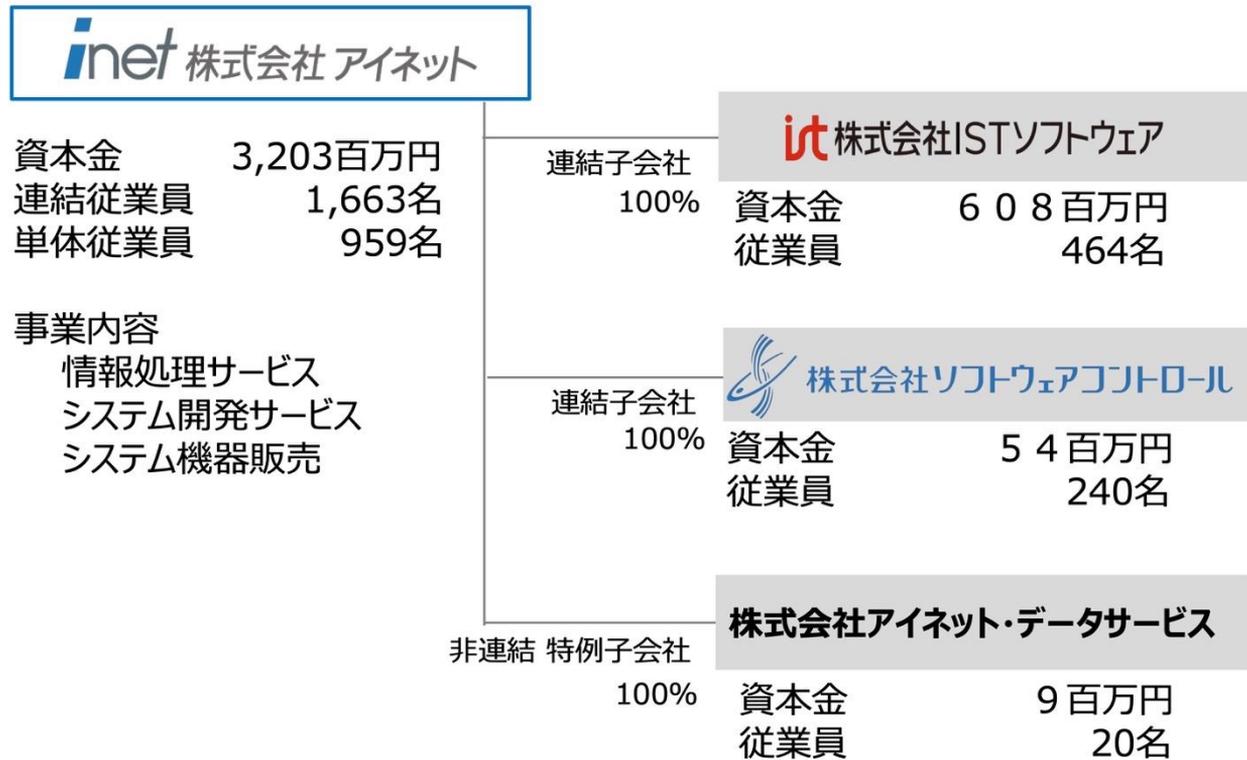
First of all, by explaining the Company outline, I would like you to deepen your understanding of us. We were established in 1971, and we are now in the 50th fiscal year. Shareholders' equity is JPY3.203 million, and the head office is located in Minato Mirai, Yokohama. The number of employees is 1,663 on a consolidated basis and 959 on a non-consolidated basis.

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inet グループ概要 (2020年9月30日現在)



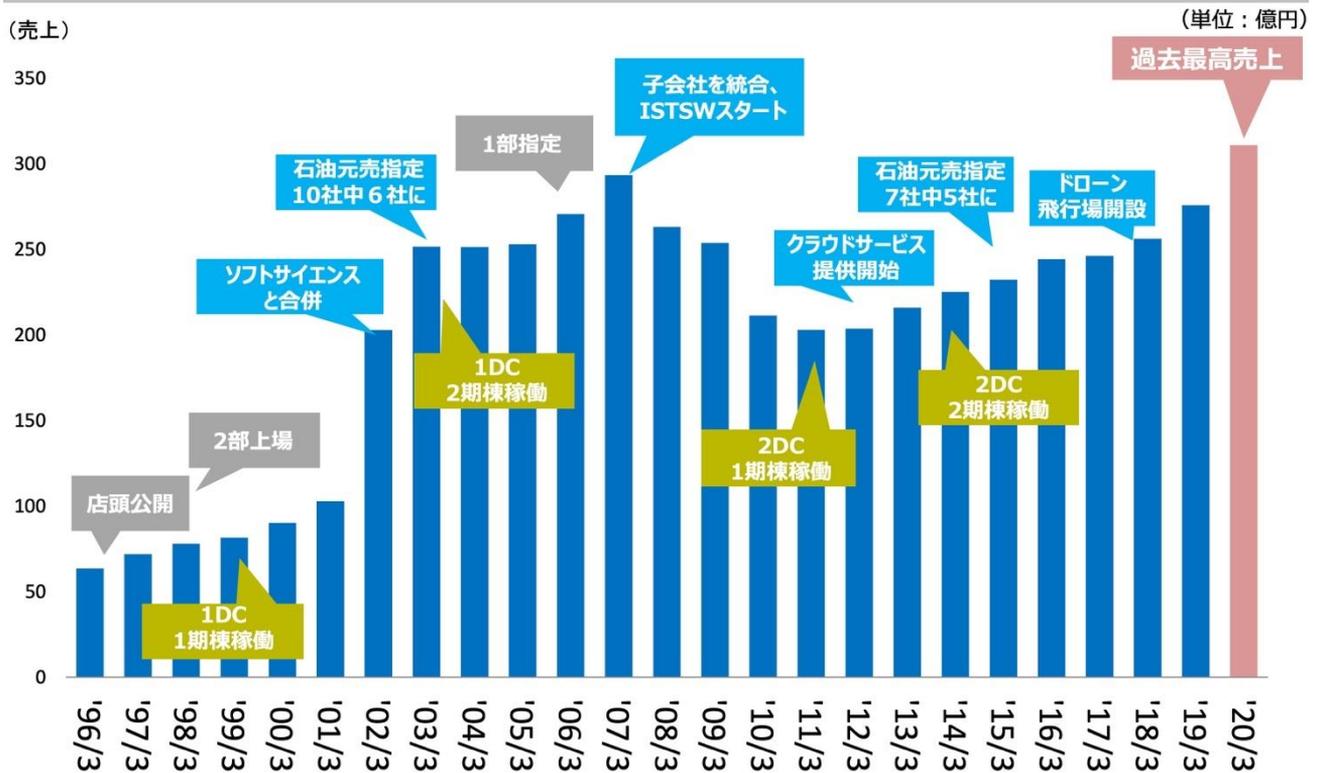
This is an overview of the composition of the I-NET Group. Software Control Co., Ltd. was newly added in October 2018.

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inet 沿革（店頭公開～現在）



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This is a graph showing the history and sales from the in-store listing to the present. I hope you will take a look when you have time.

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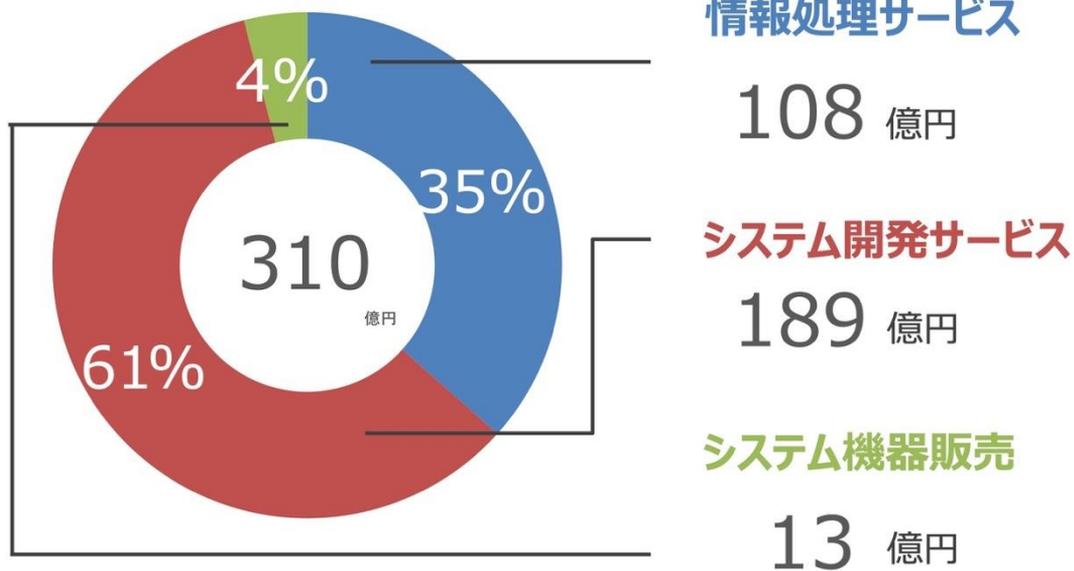
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inet 【事業内容】 サービス区分別の売上高（2020年3月期）

当社は、以下の3つのサービス区分に分けて、お客様にサービスを提供しています。



Next, we will explain the content of our business by service category. Our three service categories are information processing services, system development services, and system equipment sales. This pie graph is based on the annual results for the fiscal year ended March 31, 2020, and provides an overview of our business. This section introduces information processing services and system development services, which account for the majority of sales.

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inet スtockビジネスの拡大により安定成長を実現

ストックビジネスの定義

- 毎月定額で売上を得られるもの
- 次年度以降も契約が継続されるもの
- スtockビジネス=情報処理サービス

ストックビジネス拡大メリット

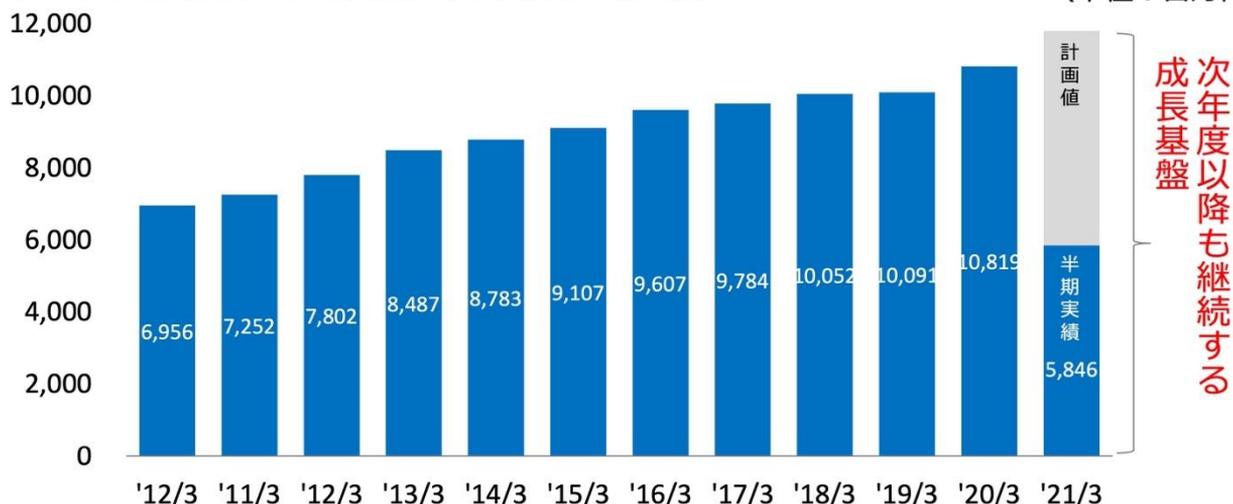
- 継続的な売上による**成長基盤**
- **高い利益率**
(直近売上総利益率23%)
- 1人あたりの売上・利益の増加

ストックビジネスの例

- **クラウドサービス**
- **データセンターサービス**
- SS受託計算 (ガソリンスタンド)
- プリント・封入封緘

過去10年のストックビジネス売上高の推移 (連結)

(単位：百万円)



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First, let me explain the information processing services. We are focusing on strengthening our Stock Business and expanding our stable foundation for growth. This includes data centers and cloud services and data processing services, such as our Founding Business. Consignment calculation services for gas stations are Stock Businesses. Once you subscribe, this business allows you to continue earning monthly usage fees.

The graph below shows the trends in sales of our Stock Businesses over the past 10 years. You can see that the information processing services, which is a Stock Business, is the foundation for our growth.

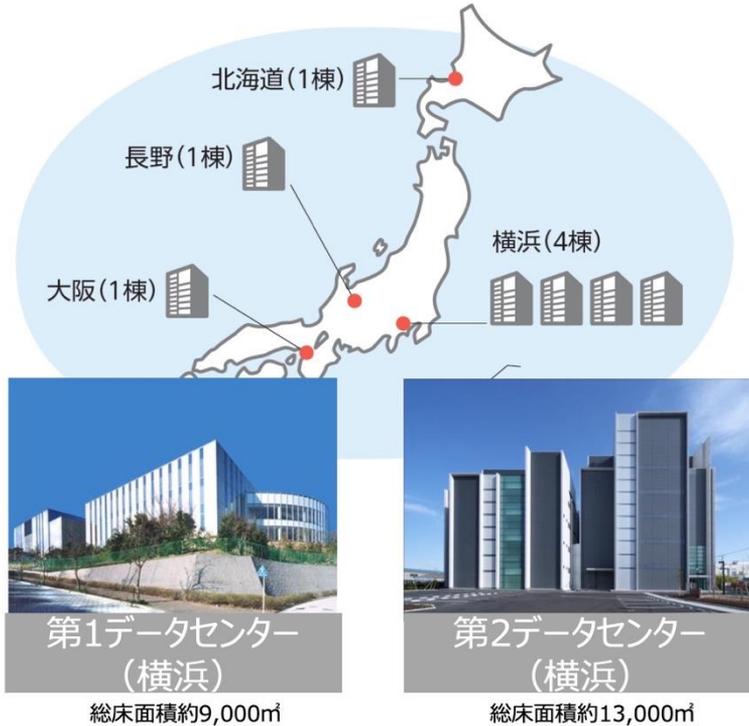
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【データセンターサービス】



【クラウドサービス】

データセンター上で、
様々なクラウドサービスを展開

・テレワーク支援ツール

リモートデスクトップ

VIDAAS[®]
Private Cloud Desktop as a Service

ビジネスチャット

ChatLuck

ファイル共有

Cloudstor[®]
Private Cloud HDFS Storage Service

・その他クラウドサービス

名刺管理

名刺情報管理サービス
名刺バンク

クラウド基盤

Next Generation
EASY Cloud[®]

I would like to explain some of the main businesses of information processing services. First, data center services and cloud services are our most focused businesses today. We were among the first in the industry to focus on this business.

Please refer to the Japanese map on the left. We have four in-house data centers in Yokohama. The photo shows the center in Yokohama. In addition to this, in order to prepare for disasters, we hold comprehensive backups in data centers located in Hokkaido, Nagano, and Osaka, which are all affiliated by different electric power companies.

The right side is an example of a cloud service using our data center. You can understand that we are offering a variety of services. Recently, we have received many inquiries, due in part to the growing demand for remote works within the coronavirus crisis.

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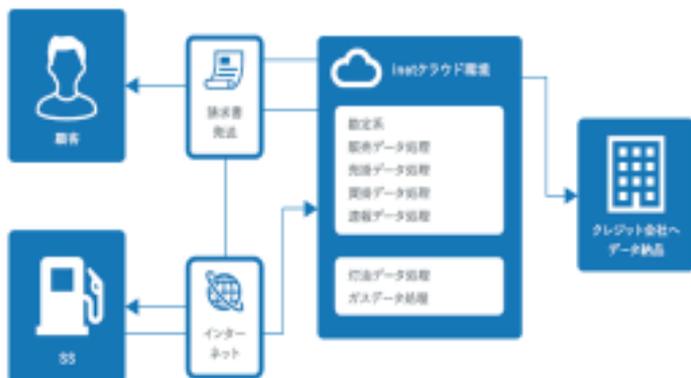
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創業以来、石油販売に関する計算処理代行等を全国のガソリンスタンド (SS) にサービスとして提供しています。



(基本的な処理概要)



- 元売勘定システム構築支援
- クレジット処理
- 卸システム構築支援
- ガスシステム構築支援
- 決済サービス支援 等

全国各地の石油組合向けに『官公需カードシステム』の展開を強化
緊急車両等の燃料給油をシームレス化で、緊急時の活動を支援

国内シェアトップクラス

全国（札幌・仙台・首都圏・名古屋・大阪・中国・福岡）7支店でSSをフォロー
50年以上にわたる実績をもとに約3割のガソリンスタンドとの関わりを持つ

元売・商社系から計処理代行指定

石油元売（ENEOS様・出光昭和シェル様・キクナス石油様・太陽石油様）商社（伊藤忠エネクス様・三菱商事エネルギー様・丸紅エネルギー様・三豊石油様）傘下のSS勘定系 / クレジット処理を提供

長年の成長を支えるストックビジネス

長年の実績がある石油販売向け勘定系システムをベースに多数のSSにサービスをご利用いただき、毎月の処理料をストックとして潤益し成長

I would like to introduce another information processing services. The consignment calculation for gas stations is a business that we have been working on for 50 years since our foundation. Thanks to these efforts, approximately 30% of the 30,000 gas stations nationwide have used our services in some form, and we currently hold the top share of the domestic market.

In gas stations, payments are mainly done in cash, credit cards, and accounts receivable. Of these, we provide settlement services for credit cards and accounts receivable. For example, card payments are handled centrally at our data centers. And for the accounts receivable, data is calculated on behalf of the gas stations and an invoice is prepared and sent at the end of the month.

As a new initiative, we have begun the development of a public-sector card system, which is a mechanism provided by oil unions around the country to support fuel supply for emergency vehicles. This is a mechanism whereby emergency vehicles can refuel by accounts receivable if they display a specific card at the gas station. This is a mechanism that allows us to refuel on credit even when emergency vehicles go to other prefectures due to disasters, et cetera.

As it is a Stock Business, of course, commissioned calculation for gas stations has been a business that supported our long-standing growth. In addition to this, information-processing services include mailing services for printing ledgers, invoices, and others, as well as enveloping, and BBO operations, such as call center operations, data entry, and card acceptance.

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業務アプリケーション開発、パッケージソフト開発、データビジネス、AIサービス、制御組込、宇宙開発など、長年培った信頼関係により、多くのお客様のデジタルトランスフォーメーションをサポートします。



金融



石油・ガス



小売り・流通



宇宙



製造



建設・不動産



鉄道・交通インフラ



医療

System development services are conducted in a wide range of fields, including financial customers, customers in the oil and gas, retail and distribution industries, and customers in the space-related and manufacturing industries. Through relationships of trust cultivated over many years, we design and build systems for many of our customers.

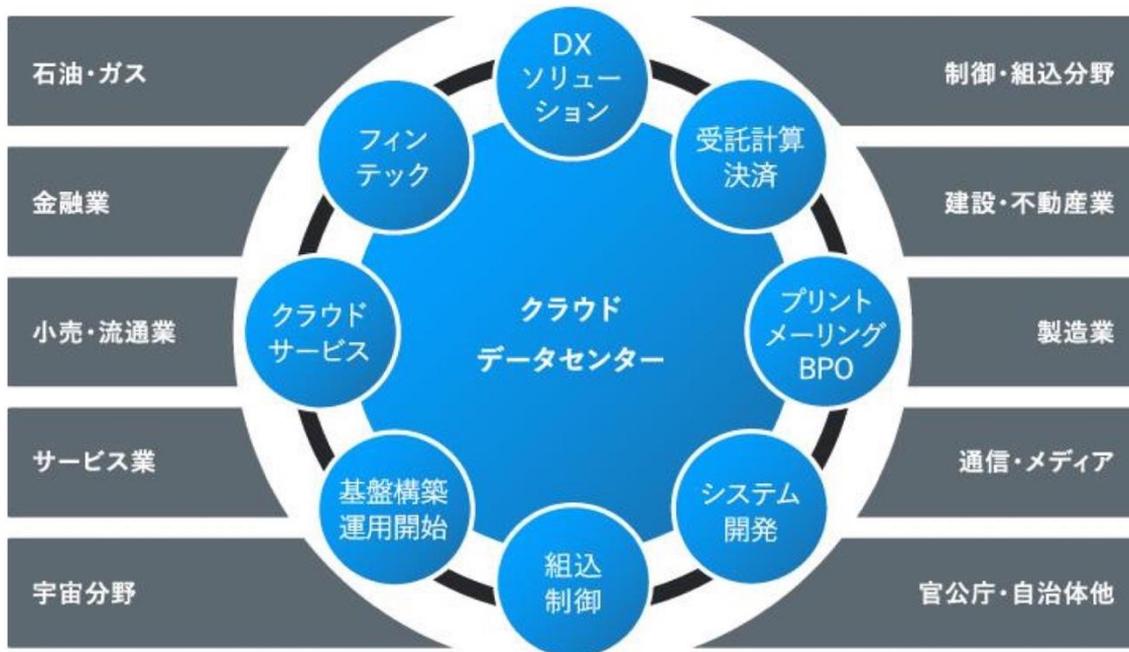
In particular, growing demand is found in the FinTech field from the financial industry in recent years. To be different from the rest, in the space development field, we have been involved with the weather satellite Himawari's first build in 1977, and are engaged in the development of artificial satellites and operations of international space stations.

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様々なサービスをお客様のビジネスに合わせ連携
クラウドデータセンターを軸に、ストックビジネスへ展開



This is a conceptual diagram of our business model. With cloud data centers at the center of the screen as the axis, we are developing a Stock Business by linking various services to meet the business of a wide variety of customers.

Customers will find it convenient not only by being provided with a single service, but also to be provided with a variety of services. From our perspective, of course, sales and profits will increase, and this will also serve as a barrier of entry from other companies. Our strength is providing a one-stop service for a wide range of IT-related services in the businesses of our customers in a wide range of industries and business formats.

Not only system developments and specializing in data centers, enabling the Company to provide a wide range of services, from system construction to operation, and even a variety of cloud services. In addition, we print various invoices and ledgers, and provide enveloping and shipping services. We differentiate ourselves from competitors by providing high-level security services in all processes related to IT, from upstream to downstream.

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inet 2021年3月期2Q業績概要（連結）

（単位：百万円・％）

	2020年3月期2Q		2021年3月期2Q		前年同期比	
	金額	比率	金額	比率	増減額	増減率
売上高	15,360	100.0	14,884	100.0	▲476	▲3.1
売上原価	11,818	76.9	11,734	78.8	▲83	▲0.7
売上総利益	3,542	23.1	3,150	21.2	▲392	▲11.1
販管費	2,285	14.9	2,320	15.6	35	1.6
営業利益	1,257	8.2	829	5.6	▲427	▲34.0
経常利益	1,250	8.1	854	5.7	▲396	▲31.7
親会社株主に帰属する 四半期純利益	827	5.4	372	2.5	▲454	▲55.0
1株当たり利益（円）	52.01	—	23.34	—	▲28.67	—

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This section provides an overview of the results for Q2 of the period ending March 2021. First one is the income statement. The table compares H1 of the current fiscal year with Q2 of H1 of the previous year.

As you can see, net sales were JPY14.884 billion, down 3.1% on a YoY basis, operating income was JPY829 million, down 34% on a YoY basis, ordinary income was JPY854 million, down 31.7% on a YoY basis, and profit attributable to owners of Parent was JPY372 million, down 55% on a YoY basis. Sales and profits declined mainly in system development, which was affected more than expected by the coronavirus crisis. For details, please refer to the next page.

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inet サービス区分別販売実績（連結）

（単位：百万円・％）

		2020年3月期2Q	2021年3月期2Q	増減	
				増減額	増減率
情報処理 サービス ①	売上高	5,396	5,882	485	9.0
	売上総利益	1,432	1,326	▲105	▲7.3
	売上総利益率	26.5	22.6	▲4.0	－
システム開発 サービス ②	売上高	9,264	8,367	▲897	▲9.7
	売上総利益	2,028	1,740	▲287	▲14.2
	売上総利益率	21.9	20.8	▲1.1	－
システム機器販売	売上高	699	634	▲64	▲9.2
	売上総利益	81	82	0	0.7
	売上総利益率	11.7	13.0	1.3	－
合計	売上高	15,360	14,884	▲476	▲3.1
	売上総利益	3,542	3,150	▲392	▲11.1
	営業利益	1,257	829	▲427	▲34.0
	営業利益率	8.2	5.6	▲2.6	－

（主な要因）

- ① データセンター利用が順調に増加し増収。昨今のデジタル化の進展の影響等によりメールサービスは利用減等により、減収・減益。他、業容拡大を目的に戦略的に獲得した低利益率案件が加わり利益率低下。
- ② 新型コロナウイルスの感染症拡大に伴い、システム開発における石油業を始めとした案件の凍結と延期による技術者の稼働率低下等により、減収・減益。

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This table shows sales and gross profit by service category. Information processing services sales were JPY5.882 billion, an increase of 9% YoY, and gross profit was JPY1.326 billion, a decrease of 7.3% YoY.

Sales increased due to a steady increase in customers' use of data centers even in the coronavirus disaster, including investments in corporate remote work and work style reforms. In terms of profits, both sales and profits declined due to a decrease in the use of mailing services caused by the progress of digitization and other factors. The decrease in the profit margin was due to low-margin projects that were strategically acquired for the purpose of expanding the scope of operations.

Next, system development services recorded net sales of JPY8.367 billion, a decrease of 9.7% on a YoY basis, gross profit of JPY1.74 billion, a decrease of 14.2% on a YoY basis. System development services were most significantly impacted by the spread of the new coronavirus. At the time when the State of Emergency was declared during the coronavirus disaster, the progress of outsourced development projects declined due to controlled work attendance.

Regarding the status of development projects, although there were few business partners directly affected by the coronavirus crisis, such as the restaurant industry, development projects were postponed or frozen mainly in the industries, and had an indirect impact to them, which includes the petroleum development industry, distribution industry, service industry, and the financial industry. This continued impacts also affected our business in the beginning of Q2, which caused a decrease in the production rate of our engineers and some others, resulting in a decrease in sales and profits.

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In system equipment sales as well, some of the equipment sales associated with each service were affected by the coronavirus crisis, resulting in customers postponing investment.

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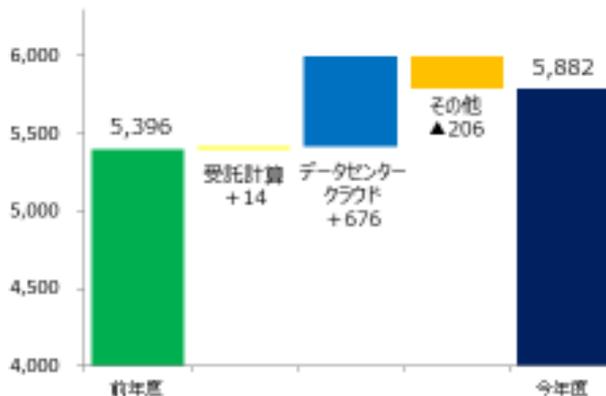
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(単位：百万円)

2Q累計 情報処理サービス 売上高増減要因



- データセンター・クラウドサービスは、既存顧客や新規顧客のデータセンターの利用拡大により増収
- デジタル化の進展の影響等によるメールマガジンサービスの利用減の影響により減収

データセンター・クラウドサービス (情報処理サービス内) ※2020年3月期末時点



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For your reference, I would like to introduce the factors behind the change in net sales for the services that we are focusing on in particular as annual trends. First is the information processing services. The graph above shows a breakdown of the factors behind the increase in information processing services in the previous fiscal year and the current fiscal year in the cumulative Q2.

Revenues increased due to an increase in the use of data centers by customers, including new customers, in our data center and cloud services, which we have been focusing on in recent years, despite the impact of a decrease in use in some businesses, such as mailing services.

The graph below shows the trends in sales of data center and cloud services, which we have been focusing on most in the past few years among our information processing services. Over the past 10 years, we have grown into a business with sales that more than quadrupled in tandem with market growth. We plan to continue focusing on this as a growth driver.

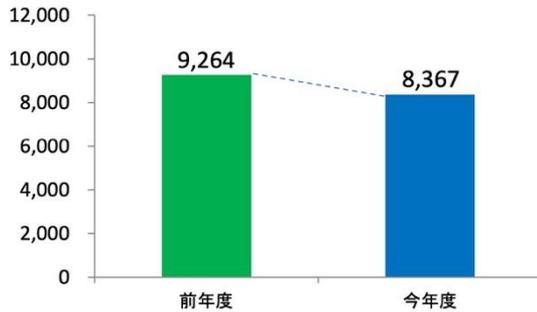
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(単位：百万円)

2Q累計 システム開発サービス 売上高増減



- 新型コロナウイルス感染症拡大以前まではソフトウェア投資需要が高く、堅調推移
- 今年度は、新型コロナウイルス感染症の影響による技術者の稼働率低下の影響を受けて減収、1Qのみならず2Qへも影響あり

システム開発サービス

※2020年3月期末時点



This graph compares the system development services for the previous fiscal year and the current fiscal year in Q2 cumulative period. The main reason for the decline in sales is as stated before.

The graph below shows the overall sales trend of system development services up to March 2020. Prior to the spread of the new coronavirus infectious disease, the trend of demand for software investment to strengthen the competitiveness of companies, such as improving operational efficiency and responding to labor shortages, was stable and high, and sales were steady.

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(単位:百万円)

	2020年3月期 2Q	2021年3月期 2Q	増減	2021年3月期 公表値	進捗率
売上高	15,360	14,884	▲476	31,500	47.3%
営業利益	1,257	829	▲427	2,580	32.2%
経常利益	1,250	854	▲396	2,540	33.6%
親会社株主に帰属する 当期(四半期)純利益	827	372	▲454	1,675	22.2%

(通期見通しについて)

- 新型コロナウイルス感染症拡大に伴う経済低迷により、システム開発サービスにおける一部の案件の凍結と延期が発生し、技術者の稼働率が低下するなどの影響を受け、売上、利益ともに進捗が遅れている。
- データセンタークラウドサービス事業は、コロナ禍でも需要が高く、好調に利用が進んでいる。
- 当期純利益の減少の一部は、創業者である前取締役会長の取締役退任に伴う特別功労金250百万円を1Qに特別損失として計上したことによるもの。
- バランスのとれた事業ポートフォリオを持つ強みを生かして通期見通しの達成を目指す。

This table shows the progress rate against the full-year forecast announced on July 31. See the right-most column of the table. As I mentioned earlier, we achieved 47.3% of our net sales, and although we have reached about half of our sales, our progress in terms of profits has been delayed.

The outlook for corporate capital investment remains uncertain, despite the gradual recovery of business sentiment, which had been deteriorating due to the coronavirus crisis, in areas such as consumer spending and corporate earnings.

Regarding the outlook for the full fiscal year, we expect this uncertainty to continue. However, we believe that high demand for data center and cloud services continues. In system development services, business negotiations are gradually becoming more active at present. We will aggressively acquire these business negotiations and work to recover them.

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(単位:百万円)

		1Q	2Q	対1Q増減	2Q累計
売上高	2021年3月	7,341	7,543	201	14,884
	前年	7,280	8,080	799	15,360
	増減	60	▲536	▲597	▲476
営業利益	2021年3月	343	486	142	829
	前年	568	688	119	1,257
	増減	▲225	▲202	23	▲427
営業利益率	2021年3月	4.7%	6.4%	1.7%	5.6%
	前年	7.8%	8.5%	0.7%	8.2%
	増減	▲3.1%	▲2.1%	1.1%	▲2.6%

This table compares Q1 and Q2 of the year ended March 31, 2021. Please refer to the second column from the right. I think you can see that the amount and rate in Q2 have increased compared to Q1 and are gradually improving.

In addition to system development, we have been involved in a variety of fields, including data center and cloud services, consignment calculation of gas stations, space development-related services, and mailing services. So far, each business has been strong and weak in the past, but we have continued to grow steadily by compensating for each other's respective fields.

This fiscal year was affected by the coronavirus crisis, which forced us to struggle in Q2 cumulative period. However, we will aim to achieve our full-year forecast by leveraging our strengths of having a well-balanced business portfolio.

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（単位：百万円・％）

	2020年3月期末		2021年3月期 2Q		前期末比	
	金額	構成比	金額	構成比	増減額	増減率
流動資産	9,628	32.5	8,820	30.3	▲808	▲8.4
固定資産 ①	19,960	67.5	20,327	69.7	367	1.8
資産合計	29,589	100.0	29,148	100.0	▲441	▲1.5
流動負債	8,407	28.4	7,956	27.3	▲450	▲5.4
固定負債	5,957	20.1	5,845	20.1	▲112	▲1.9
負債合計 ②	14,365	48.5	13,802	47.4	▲563	▲3.9
純資産 ③	15,224	51.5	15,346	52.6	121	0.8
負債・純資産合計	29,589	100.0	29,148	100.0	▲441	▲1.5

（主な要因）

- ① 事業強化のための出資や評価額の見直しによる投資有価証券の増405百万円
- ② 有利子負債の減少48百万円、未払い法人税等の減少198百万円、その他、固定資産取得に伴う未払金の減少124百万円、消費税の支払い及びリース債務の返済による減少186百万円
- ③ 資本剰余金の減少128百万円、その他有価証券評価差額金の増174百万円、自己株式の減少による増41百万円

Next is the balance sheet. The balance of current assets was JPY8.82 billion, a decrease of JPY808 million from the end of the previous fiscal year. The balance of non-current assets was JPY20.327 billion, an increase of JPY367 million from the end of the previous fiscal year. This was mainly due to an increase of JPY405 million in investment securities.

The balance of current liabilities was JPY7.956 billion, a decrease of JPY450 million from the end of the previous fiscal year. The balance of non-current liabilities was JPY5.845 billion, a decrease of JPY112 million from the end of the previous fiscal year.

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inet キャッシュ・フロー計算書 (連結)

(単位：百万円)

	2020年3月期 2Q	2021年3月期 2Q	前年同期比
	金額	金額	増減額
営業活動によるキャッシュ・フロー	1,471	① 1,154	▲317
投資活動によるキャッシュ・フロー	▲2,123	② ▲1,167	956
財務活動によるキャッシュ・フロー	262	③ ▲633	▲895
現金及び現金同等物の増減額	▲390	▲646	▲256
現金及び現金同等物の期首残高	3,299	3,083	▲216
現金及び現金同等物の期末残高	2,909	2,436	▲472

(主な要因)

- ①増加・・・減価償却およびのれん償却による資金の内部留保で902百万円
税金等調整前四半期純利益571百万円、売上債権の減少227百万円等
減少・・・法人税等の支払404百万円等
- ②主に大型案件受注に伴うデータセンターの設備増設等により1,001百万円の支出
- ③有利子負債の減少48百万円、自己株式の取得による支出105百万円、配当金の支払341百万円

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Next is the cash flow statement. Net cash provided by operating activities amounted to JPY1.154 billion. This was mainly due to increases of JPY902 million in retained earnings due to depreciation and amortization of goodwill, JPY571 million in profit before income taxes for the quarter, JPY227 million in decrease in notes and accounts-receivable trade, and a decrease of JPY404 million in income taxes paid.

Net cash used in investing activities was JPY1.167 billion. This was mainly attributable to expenditures of JPY1.001 billion for the expansion of facilities at data centers in conjunction with the receipt of a large-scale order. Net cash used in financing activities was JPY633 million. This was mainly due to a decrease of JPY48 million in interest-bearing debt, purchase of treasury stock of JPY105 million, and cash dividends paid of JPY341 million.

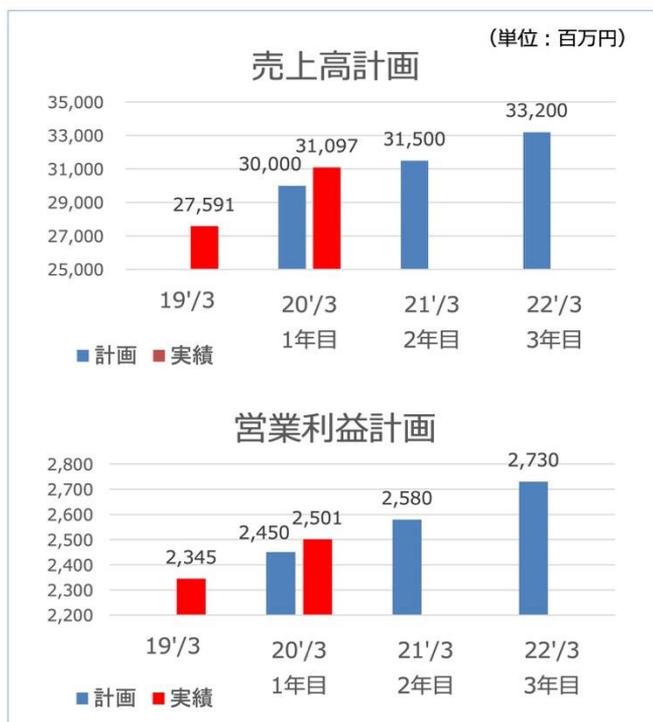
As a result of the above, cash and cash equivalents at the end of the fiscal year decreased by JPY472 million from the end of the previous fiscal year to JPY2.436 billion.

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 **SCRIPTS**
Asia's Meetings, Globally



お客様のニーズを的確に捉え、
引き続き計画の達成に努めてまいります

計画1年目の状況

- 9期連続増収、当期純利益は10期連続増益となり、計画の進捗を大きく前進
- データセンタークラウドサービスが好調
- システム開発分野がIT設備投資需要の高まりにより堅調

2～3年目の計画

- お客様のDXニーズへの積極的な対応
- ビッグデータ、AI、フィンテック等に対する商品・サービス力の向上
- クラウドサービスの推進強化
- テレワーク等働き方改革ニーズへの対応

コロナウイルス感染症拡大による影響

- コロナ禍でもデータセンター・クラウドを中心に情報処理サービスが牽引
- システム開発サービスは、稼働率低下による影響を受ける。今後正常化を見込む。
- 足許は、コロナにより企業の設備投資を取り巻く環境は不透明であるがテレワークなどの働き方改革を始めIT投資需要は継続。
- ストックビジネスの一層の強化を図る。

Next, I would like to explain the progress of the medium-term management plan launched in the previous fiscal year. In the first year of the plan, we achieved our targets for both net sales and operating income, and started to make significant progress in achieving these targets. This was mainly due to the strong performance of data center and cloud services and the strong performance of the system development field due to the rising demand for IT capital investment.

Going forward, we will work on a wide range of initiatives, including proactively responding to customers' digital transformation needs, improving our product and service capabilities for big data, AI, and FinTech, strengthening the promotion of cloud services, responding to remote work and other work style reform needs, and collaborating with private ventures in the space development field.

Despite the impact of the spread of the coronavirus, we will recover the results in the cumulative Q2 as early as possible and aim to achieve the three-year performance plan outlined in the medium-term management plan.

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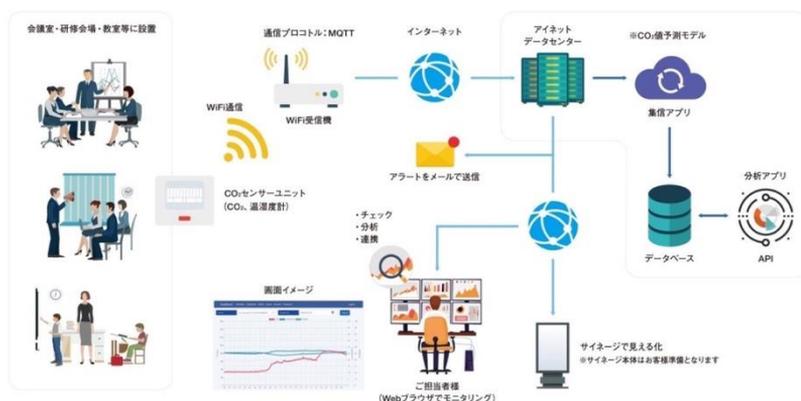
2020年4月、研究開発強化を目的に、R & D推進室を新設。最初の研究成果として、IoT・クラウドによる新型コロナ対策3密データ分析サービス提供開始

【新サービス】

Dream Data Sensing™

i-visible CO₂™

CO₂を計測する小型のIoTデバイスで、室内のCO₂濃度を常時モニタリング、スマートフォンやパソコンで計測値を確認、アラートを通知することが可能。企業、商業施設、教育機関など多くの人が集まる空間の3密によるコロナウイルス感染リスクを低減。



【特長】

- アラート通知機能で最適な環境を提供
- 一目でわかるユーザインタフェース
- withコロナ環境における感染リスク低減
- お客様の負担を軽減！データは安心安全なアイネットデータセンターへ

From this point on, I would like to explain our focus businesses and topics as part of our medium-term management plan. In April 2020, we reorganized and strengthened the former R&D Division and established the R&D Office with the aim of strengthening R&D.

As one of our studies, we are developing services to solve the problems caused by coronavirus problems, and we have begun providing a diagnostic service called Dream Data Sensing i-visible CO₂ for populated spaces that use CO₂ temperature/humidity sensors.

I-visible CO₂ is a small-scale IoT-device that measures CO₂, temperature/humidity. By monitoring CO₂ concentrations in heavily populated spaces, such as companies, commercial facilities, schools, and cram schools, it is possible to check the measurement values on smartphones and PCs.

Each data collected on an IoT device is sent over the Internet to the I-NET data center for environmental analysis and immediate analysis by a cloud application. If it is determined that ventilation is required based on forecasts of CO₂ increases and decreases, we will provide customers with safety and peace of mind by alerting e-mail and signage.

This service is also an important part of our platform strategy as a developer in data center business, in which by focusing to bring all kinds of data to data centers. In addition to CO₂, we plan to increase our lineup of Dream Data Sensing series by measuring pollen, dusts, yellow sands, and other particulates, as well as measuring tobacco and ammonia odor.

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DX化が急速に進行する銀行の業務モデル変革に対して迅速に対応でき、多角的な原価分析が可能な金融機関向け活動基準原価計算システム『ABC Financial®』が好調、今後は金融業以外の業種へ展開、【原価計算のスタンダード】を目指す。

ABC Financial



～金融機関向け活動基準原価計算システム～

当社が開発した、金融機関向け活動基準原価計算（Activity Based Costing）システムで、分析したい情報を自由に設定することができ、これまで捉えづらかったコスト構造の把握が容易になります。データベースソフトを必要とせず、PC単体でも動作可能な軽量システム構成となっています。また、アイネットで独自開発されたABC原価計算専用の計算エンジン搭載による高速計算、基幹系システム等より抽出されたビッグデータの取込みも可能です。

・原価計算モデル構築のノウハウを保有

原価計算モデル（事業に要した経費を、対象とする活動、商品に賦課するための配賦ルール）の構築経験を持つ人材を保有し、モデル構築からシステム構築までをワンストップで提供可能。

・高品質、高速なシステムをご提供可能

実績を持つABC原価計算専用の計算エンジンを組み込んだシステムを提供。モデル管理、原価計算結果分析までをExcelで行うことができ、分析用に新たにBIツール等を導入する必要がない。

・地方銀行へ続々導入、実績は23社

9月には地方銀行大手の静岡銀行様で導入が決定。上位地方銀行様を中心に、第2地方銀行様、労働金庫様、特殊金融機関様で導入実績あり。

10月6日プレスリリースはこちら⇒



・今後は水道局などの他業種展開へも展開を検討

多くの業種のシステム構築経験を持つ弊社のノウハウをいかし、様々なお客様へ原価計算システム導入を進めていく。

※一般的に、金融業、物流業、医療などで利用されることが多く、昨今ではコストの透明化のために水道局に導入される事例が多い。

On the other hand, in the press release, we disclosed that Shizuoka Bank, LTD., the leading local bank, has given us an order for the construction of an ABC cost calculation system. In recent years, the proportion of overhead costs has been expanding as companies accelerate the shift to digital transformation for the purpose of improving operational efficiency, and the importance of ascertaining cost structures has become extremely high.

We provide ABC Financial, which is a cost accounting system based on activity standards for financial institutions. Including the Bank of Shizuoka, we have 23 customers, mainly local banks.

In the future, we will expand this ABC cost accounting system to other industries. In general, basic activity cost calculations are often used not only by financial institutions, but also by the logistics industry and medical-related industries. Recently, there are many cases in which basic activity cost calculations are introduced to the water supply bureau to make costs transparent. We intend to leverage our expertise in system construction to introduce the system to a variety of customers.

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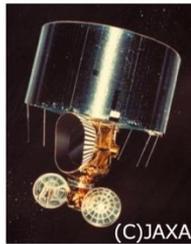
宇宙ビジネスのトレンドは、民間企業が続々とチャレンジ、将来的に大きな市場規模になる見込み。アイネットの宇宙開発分野での40年以上知見を活かした取組みを強化。

【宇宙ビジネスのトレンド】

従来、政府・国の宇宙機関が莫大な予算をかけて実施してきたが、まだ宇宙ビジネスの実績がない民間企業が続々とチャレンジ中。人工衛星分野では技術の進歩で低コストでの開発が可能となっている小型衛星が主流となりつつ、将来大きな市場規模になる見込み。

【アイネットの知見】

1977年の気象衛星ひまわり初号機開発からスタートし、衛星開発に関しては40年以上の知見を有する。もともとプレーヤーの多くない業界においてアイネットは希少な存在であり、有力宇宙スタートアップの殆どから衛星開発協力の依頼が来る状況。



(C)JAXA
(ひまわり初号機)

【今後有望な人工衛星ビジネス】

1. 小型衛星コンステレーションビジネス

多数の小型衛星による編隊で以下を提供

- ①世界のどこからでもインターネットに接続できる環境
- ②地球上のあらゆる地域の衛星映像を提供

2. 宇宙デブリ除去ビジネス

宇宙機の安全航行確保のための宇宙空間で日々脅威を増すデブリを除去

3. 衛星データ利用ビジネス

画像や位置情報等の各種宇宙関連データの解析を行い、別の分野に利用

⇒アイネット1～3にはいずれにも着々と布石を打っている。

As another priority business, I would like to introduce the Company's initiatives in the Space Development Business. The trend of the Space Business has been implemented with enormous budgets by governmental and national space organizations, JAXA, et cetera. In recent years, however, private companies have been taking on challenges one after another, and we are working as a space startup.

This is due to the progress of technology, such as the downsizing and cost reduction of the satellite field, and the impact of the US, which has a lot of start-ups. We have been involved in space development since the first Himawari aircraft in 1977, and we have knowledge based on more than 40 years of technology and experience in this field.

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1 小型衛星

コンステレーションビジネス

小型衛星系の有力宇宙スタートアップの多くがアイネットに開発を依頼してくれている。今後は十分な人材供給が重要ポイントであり、以下の手段で対応していく。

- ① OLD SPACE大企業OBの積極的採用
- ② IoT等、社内他開発部門からの人材シフト推進
- ③ BPとの提携推進
- ④ 宇宙開発系企業M&A検討
- ⑤ 共同研究パートナーである有力国立大学からの採用
- ⑥ 新規チャンネルを通じて即戦力の高専人材の採用

2 宇宙デブリ除去ビジネス

宇宙デブリ除去のパイオニアで、開発では独走するアストロスケールホールディング様とは以下の関係を構築、本ビジネスの世界的展開に布石。

- ① Eシリーズに先頭を切って出資、衛星関連事業者としては唯一の株主に。
- ② 同社設立時より関係を強化してきており、既に以下を連携中。

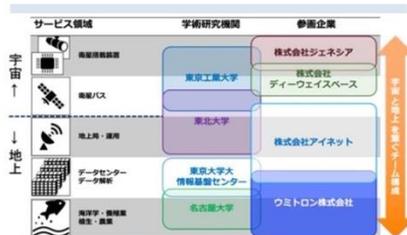
【デブリ除去衛星開発】



【地上局運営】

3 衛星データ利用ビジネス

東工大を中心とした有力な4国立大学とアイネット等民間企業のチームはJAXA革新3号のプロジェクトに採択され、2022年中の打上げに向け始動。



(アイネットの役割)
衛星システム設計、試験支援
衛星運用(運用設計、運用)
プロジェクト推進クラウド環境
衛星データ活用IT基盤提供

アイネットは衛星開発・運用のみならず、中核データセンター・クラウド事業とも連携させ、衛星データ活用事業確立を目指す。

In recent years, we have received requests for cooperation in satellite development from many space start-up companies. Among these, in the future we will strengthen our efforts in the Artificial Satellite Business, which is promising in the future. I would like to introduce three steps to that end. The three pillars for strengthening the Space Development Business are the Small Satellite Constellation Business, the Removal Business of Space Debris, and the Business of Utilizing Satellite Data.

First of all, in the Small Satellite Constellation Business on the left side of the material, the supply of sufficient human resources is an important point, and we will take six measures described here. We are also actively recruiting former employees of large corporations who have long been engaged in space development.

Next, in the Space Debris Removal Business stated at the center of the material, we are building a relationship with Astroscale Holdings, a pioneer in this field. In business, we support the assembly, knowledge, and operation of satellites, as well as supporting the operation of ground station facilities, including parabola antennas installed on our premises. In addition, in the current fiscal year, we invested ahead of the procurement of the Company's E-Series and further strengthened our relationships.

Finally, the Satellite Data Usage Business on the right side of the document. The ultra-small marine observation satellite project was adopted as a demonstration theme for JAXA's Innovative Satellite Technology Demonstration Unit No. 3 at four prominent national universities, led by Tokyo Institute of Technology, and private companies, including us.

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Details of the demonstration include the identification of surface and sea-level substances, the state of plant growth, and the installation of cameras capable of diagnosis on satellites, which can contribute to solving problems mainly in agriculture and fisheries. This is a demonstration theme with this potential.

We are responsible for designing, testing, and operating satellite systems, as well as providing information technology services. The essence of this initiative is that it handles a large amount of data obtained from satellites. Like CO₂ sensor introduced earlier, it is one of the strategies that we are focusing on, bringing all kinds of data to data centers. Although we have only just taken the first step, we will aim for the achievement of the project in the future.

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項目	取組状況
事業、サービス	<ul style="list-style-type: none"> ・テレワークツール支援窓口を設置 (リモートデスクトップ、ビジネスチャット、Web会議システム、ファイル共有サービスの導入支援を実施中) ・ニューノーマルへのシステム対応支援の案件が徐々に活発化 (自動車用品関連のECサイトビジネスの構築支援やキャッシュレスを進める金融機関での案件)
顧客対応	<ul style="list-style-type: none"> ・社内外との会議は、Web会議等の仕組みを適宜利用 ・お客様との会食は極力控え、人数を制限して開催 ・お客様からデータをお預かりするデータセンターやBPO事業は安定稼働中
イベント対応	<ul style="list-style-type: none"> ・セミナー開催、展示会への参加は一定期間中止 ・新たにオンラインセミナーを開始 ・採用活動はWeb説明会及びweb面談を実施し、継続中
従業員	<ul style="list-style-type: none"> ・テレワークによる在宅勤務または時差勤務を必要に応じて実施 ・万一の行動履歴の調査を迅速に実施するために日々の行動を記録 ・従業員は継続して健康的に勤務を継続中

Please refer to page 28. This report summarizes management efforts for the expansion of the new coronavirus in business and services. In March, we established a dedicated telework contact point using the services we provide. In addition, projects to support companies in responding to new norms are becoming increasingly active at present. Support for the construction of EC site businesses and cashless responses are in this way.

In responding to events, we also began holding online seminars to increase contact points with new customers in the aftermath of the coronavirus disaster. Monthly seminars on various themes are offered online. In addition, we are implementing initiatives as described above. Going forward, we will continue to take a proactive stance in response to social conditions.

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《配当方針》
 将来の資金需要に備え
 内部留保しつつ
 安定配当を継続実施



※16年10月1日に株式分割をしておりますが、配当実績(予想)に記載しております。(分割影響調整せず)

1株当たり年間配当金の計画 (9期連続増配)

2019年3月期

40.0円
 中間 (20.0円)
 期末 (20.0円)

2020年3月期

43.0円
 中間 (21.5円)
 期末 (21.5円)

2021年3月期

46.0円
 中間 (22.0円)
 期末 (24.0円) ※

※2021年4月に創立50周年を迎えるにあたり、株主の皆様への感謝の意を込めまして、期末に記念配当2円を含めた増配を予定しております。

The final issue is the dividend policy. Please refer to page 30. There is no change in the dividend calculation from the plan announced on July 31. Our policy is to continue focusing on shareholder returns.

This year, we will increase the ordinary dividend by JPY1, and we will pay a commemorative dividend of JPY2 to commemorate the 50th anniversary of the Company's founding in April next year. In this way, we intend to increase the total dividend by JPY3. The Board of Directors at the end of October has already resolved to pay an interim dividend of JPY22. At the end of the fiscal year, we plan to pay JPY24, or JPY46 per year. This will be the ninth consecutive year of dividend increases.

Finally, we will work together as a group to earn the greater trust of our stakeholders, including our stakeholders. We look forward to your continued support in this endeavor.

This is my explanation, but I have a supplement. We have included a booklet named *Best Partner* published by Hamagin Research Institute, Ltd. in the materials distributed today. In the booklet, we are featured as a creative company that takes on challenges. This is written over six pages, so if you look at this booklet, the content explains very well and clear about us. Please take your time to look for it later.

This will be the end of our presentation. Thank you very much for your attention until the end.

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Question & Answer

Moderator: Mr. Sakai, thank you very much for your explanation. Now, we will enter a question and answer session. If you have any questions, the attendant will bring the microphone if you raise your hand. This IR meeting, including the question and answer portion, will be published in a full document. Accordingly, if you wish to ask questions anonymously, we ask that you not state your name when you are asked. So, please go on with your question.

Participant: I am Tanaka of J Capital Partners. There are three questions.

The first point is the comparison of the two quarters on page 15 of this document. Regarding system development, the gross profit margin is almost unchanged despite the decline in sales, so I think this is inevitable. However, I would like for you to tell me why the gross profit margin, or in other words, cost of sales, is increasing in information processing, despite the fact that sales are increasing compared to last year. This is the first point.

The second is about the financial summary. It may have been written if it is better than the previous term and you don't need to mention the names of the stocks, but I would like to ask about the breakdown of investment stocks of your Company and what you think about your policy on investment stocks. For example, please tell us roughly whether it is a government bond, a listed stock, or an unlisted stock.

And the third question, I think that telework has been crucial to your Company's operations, including your customers, but I would like to ask how much impact would your Company's organizational structure or your Company's order backlog, which is the current stage of development suffer? This year, and perhaps the next year as well, I think, the top line has weakened slightly in H1 of the year. I think that the weak balance will be aligned in a long run, so I personally recognize that it will not continue to change significantly. Please tell us about the organizational structure based on that as well. Please answer the above three questions.

Wanibuchi: Let me answer the three questions I have just received from you.

First of all, the reason for the decline in the gross profit margin for information services. As Sakai has mentioned earlier, one of the causes was the mailing service, or so-called encapsulating and enveloping services, which was originally highly profitable.

Due to the impact of the coronavirus this time, much of the work of sending printed materials has been cancelled or postponed. This is one of the factors that has lowered the profit margins of information processing plants and information processing services.

In addition to this, which we have already factored in to the initial budget, the data center I mentioned earlier can be brought into consideration. This means that we are making capital investments in large-scale projects in the future. This is, of course, an investment, so in that case, there is depreciation. To some extent, this will be a burden of costs.

However, this was assumed in the original plan and our plan was to cover that liability with other services, such as system development. Unfortunately, however, because system development failed to increase sales in line with our expectations, we were not able to cover the burden imposed.

And for the second question, regarding the policy of securities.

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Uchida: I will explain the breakdown of marketable securities. At the end of the fiscal year, the figures for listed companies were large. However, for the breakdown of the increase of about JPY400 million from the end of the fiscal year under review was that JPY200 million was accounted for new investments, investments in unlisted stocks, and an increase in market value.

In addition, to answer the question about the policy of investment securities, with regard to these matters, the Board of Directors has adopted a policy of investing in line with the budget pool created in consideration of net assets, our net assets as a group, and taking into account as some percent of our profit.

Wanibuchi: Let me then answer about the third question, about the development system. We, in other words, the name of the development team is called the DX Headquarters, and we have five development divisions aiming for the so-called digital transformation.

We provide solutions tailored to our customers' industries and business formats. There are FinTech Solutions Division and Distribution Services for the financial market, Distribution and Service Solutions Division, which is in charge of markets centered on retailing and retail distribution services, and Enterprize Solutions Division, which caters to manufacturers and other services, and travel, tourists, and other industries.

And this one is close to an embedded system or an IoT using sensor systems. IoT Solutions Division, which is in charge of the development and business of so-called control and embedded systems. Then, finally, the Space Business, which previously has been mentioned by Sakai, Space and Satellite Solutions Division by providing a variety of services for space. These are the five divisions we have. We are currently building a development system tailored to each market.

Because of the spread of the coronavirus, we were basically asked by our client companies to provide services from home. All business divisions basically adopt telework environments for jobs that are able to stay at home.

While at home, we always use our telework tools to ensure that we, our managers, and our developers are connected online. In this way, while communicating, we can make progress in our Development Business without losing productivity.

However, as we mentioned earlier, because we were unable to conduct various sales activities, the number of projects we receive is slightly decreasing. Although this does not lead to direct sales at this point, we have a solid development system in place to enable businesses to take on projects and do the same as before, whether they are at home or in the current work system. I think this answer makes everything clear to you. Thank you very much.

Participant: Yes, thank you. Also, I'm sorry, but please allow me to ask you an additional question.

Based on what I have heard now, is the understanding that the catch-up in order backlogs and other factors has not yet kept pace because of the impact of telework systems which makes sales activities to make slower progress?

Uchida: Yes, for the backlog of orders, we only disclose such information at the end of the fiscal year in the financial report. However, for the backlogs in the interim period, it has remained at about 80% of the value compared with the same period of last year.

Participant: Okay. Then, please let me ask only one more question.

Regarding the previous discussion of investment securities, should we basically have the image of CVC regarding those that have not yet been listed? Assuming that you will form a business alliance with venture companies in the future, am I correct to understand that the provision of capital will be identical? [Inaudible]

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Net investment, not making a net investment in something of interest, but something related to your business?

Uchida: Yes, it is a policy-based investment.

Participant: Okay, thank you.

Sakai: The part I've talked about now is very true, and our investment policy is to first form a business alliance and make a decision after properly assessing our synergy as a company. In terms of the development structure that I mentioned earlier, I do not mean to say that telework is better or that it is good to be in the office, not like which one is better. The best way to do in the current situation is to stay at the customer's for a day, then take two days in the office, and then decide what to do with the customer for the remaining two days. Then, you decide what to do within the team in two days and work at home for two days after it is decided. We found out that performance will improve in this way.

During the past six months, there have been a variety of cases, so there are some limitations on the part of our customers, but we are pursuing our development system while pursuing what methods will best improve our performance.

Participant: Yes.

Moderator: Thank you very much. Do you have any other questions? Yes, thank you. Please wait a moment.

Participant: Thank you very much for your explanation. There are some overlapping contents from the questions from the first person, but what is the current ratio of teleworking workers? Also, could you tell me up to what percentage of people were at home at the peak when the state of emergency was declared?

Wanibuchi: Yes, it was just after the state of urgency was declared, right then, developments, well, up to about 70% of the Company-wide total was teleworking, but now it's just under 30%. As Sakai said, we're not always at home, and if there is a meeting and if necessary, or if it is better to go to the customer first, we will go there, or if not, we let them stay at home for two days of the week. On average, I think it is in the range of 20% to 30%.

Participant: Based on that, I have another question. If 70% of workers stayed home at peak, and if you currently average between 20% to 30%, I think that some costs, such as overtime and transportation-commuting costs, will generally be reduced. Looking at your Company's situation in H1, the cost of sales has not fallen as much as expected. Regarding the decline in sales, there is no way to go about this time, but what is the reason behind the cost of sales not being declined?

Is this cost of goods sold in a state of no further decline, or can it still fall depending on how it is done? The same applies to SG&A expenses. I have heard that there are investments in data centers. What is your outlook for how you will control SG&A expenses in H2 of the fiscal year, even where sales are increasing more than the decline in sales?

Wanibuchi: Cost is the cost of the engineer's labor in our case. Whether engineers work at home or in so-called offices, they don't change that much. Regarding transportation and other expenses, our system basically pays a regular fee for commuter pass. This has not changed even during the telecommuting of coronavirus situation, so the situation is almost unchanged for the time being.

Selling, general and administrative expenses are obviously immobile in operating activities, which reduce the cost of that portion. However, fixed costs and rents other than sales activities have not basically changed, so

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that part of them has not been affected. In addition, since the cost of salespeople's labor and other costs is basically the same, the part remains the same.

Moderator: Thank you very much. Do you have any other questions? Yes, thank you.

Participant: Since this is my first time participating and because I came in late, the content may overlap in some parts, but please tell me the projection about your data center cloud from next term and onwards. Regarding data centers, I feel that [Inaudible] even looking at NTT's data center strategy, it seems to have a slight tone-down due to concerns about the competitive landscape. I feel that the competitive environment surrounding data centers are changing in a bad way going into the future. It would be a great help if I would be able to know your projections about your data center cloud for the next fiscal year and beyond as much as possible.

Sakai: We believe that the Data Center Business will grow even further. As we mentioned earlier, collecting data at the data center will lead to a new business of how to use that data in the future. Those that we are focusing on, such as drones, robots, and satellites in space, are all machines that produce enormous amounts of data. By linking them to a data center, data is collected there. I think that how to use this data will become a business in the future. Therefore, demand is increasing in the event of a physical impact, such as a typhoon or coronavirus disaster like it is now, and this is also true for data centers as well.

Then, more data gets collected. We have set the goal of growing the field of information services expending the largest budget, so we will continue to invest aggressively focusing on this over the next few years. Do you have any answers?

Participant: I would like to ask you one more question about what you expect on gross profit. Regarding the concept of profitability you mentioned earlier, if you take into account the supply-demand environment, should we think that gross profit will not deteriorate in the next few years, but rather improve gradually?

Sakai: Yes, as you say. Starting in April of this year, we strategically won large-scale business negotiations with low gross profit in services. This is not only because we are aiming to expand the scope of our business, but also because, from around February, we thought that the coronavirus could be menacing in the future. In February and March, we were quite in danger of this. As business prospects were in fear for the new fiscal year, we decided to actively take this project to secure gross profit. For this reason, I think our gross profit is temporarily falling low, but I think this will be gradually improved.

Participant: Thank you very much.

Moderator: Thank you very much. Any other questions? Then, there seem to be no questions, so we would like to close the Company briefing. Thank you very much, Mr. Sakai, ladies and gentlemen. Thank you for your cooperation.

Sakai: Thank you very much.

[END]

Document Notes

1. *Portions of the document where the audio is unclear are marked with [Inaudible].*
2. *Portions of the document where the audio is obscured by technical difficulty are marked with [TD].*
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