

**I-NET CORP.**

# **Annual Report**

---

**FY2019**

**(April 1,2018- March 31,2019)**

## Greetings

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

We are pleased to express our gratitude in this greeting and take this opportunity to announce the 48th term IR Report.



Financial results for the current fiscal year  
(April 1, 2018 – March 31, 2019)

Net sales	27,591 mil.yen	Year-on-year term 107.7%	↗
Operating income	2,345 mil.yen	Year-on-year term 112.7%	↗
Current net profit attributable to owners of parent company	1,521 mil.yen	Year-on-year term 111.2%	↗

## Report of the 48th term

Regarding the Japanese economy in the current consolidated fiscal year, the conditions remained on a moderate recovery trend due to the improvements in corporate revenues and employment situations, etc. In the future, the conditions are expected to remain on a moderate recovery trend despite requiring to pay attention to the uncertainty in overseas economy like trade friction trends between the U.S. and China, as well as to effects of fluctuations on financial and capital markets.

In the data processing service industry where our company group is engaged in, corporate IT investment demands for operational efficiency, informatization and labor shortage support have been increasing while

corporate revenues have been recovered. Among them, along with intensifying initiatives in corporate “digital transformation (DX)”, 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 (Artificial Intelligence), etc.

Under the circumstance, our company group has adequately fulfilled diversifying customer needs, and responded to demands of system development and has committed to improvements on market value of products, such as data center service and cloud service, that are fundamental for data and indispensable for initiatives in corporate “digital transformation (DX)”.

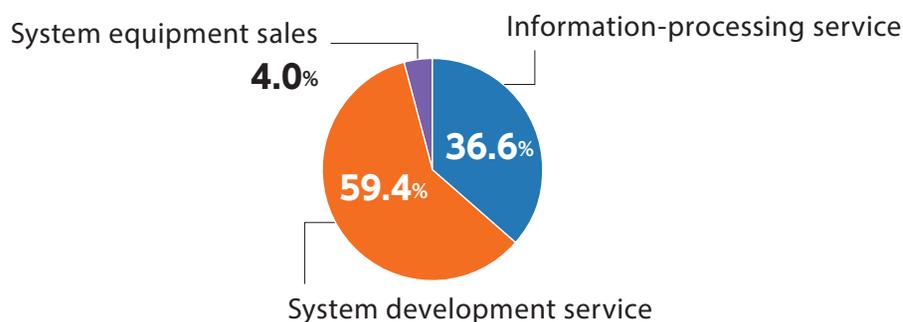
Furthermore, we have aggressively promoted alliances and M&A activities with companies having superior technologies and solutions, aiming at expanding our business scale and services. We made Software Control Corporation a subsidiary in Oct. 2018 during the current consolidated fiscal year. The company has a strong business foundation in western Japan and we consequently expect to various synergetic effects along with further expansion of sales/development/customer bases in the future.

As a result of management for the current consolidated fiscal year, we have achieved net sales of 27,591 mil. yen (107.7% year-on-year), operating income of 2,345 mil. yen (112.7% year-on-year), ordinary income of 2,347 mil. yen (114.5% year-on-year), and current net profit attributable to owners of parent company of 1,521 mil. yen (111.2% 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 40 yen per share.

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

## Net sales by service category



### Information-processing service

Net sales	10,091 mil.yen
Composition of sales	36.6%
Year-on-year term	100.4%

### System development service

Net sales	16,395 mil.yen
Composition of sales	59.4%
Year-on-year term	114.3%

### System equipment sales

Net sales	1,104 mil.yen
Composition of sales	4.0%
Year-on-year term	90.8%

Becoming an excellent company that makes sustainable growth possible  
 ~Announcement of our mid-term management plan~



**Q** How do you evaluate the financial results of the FY ending March, 2019?

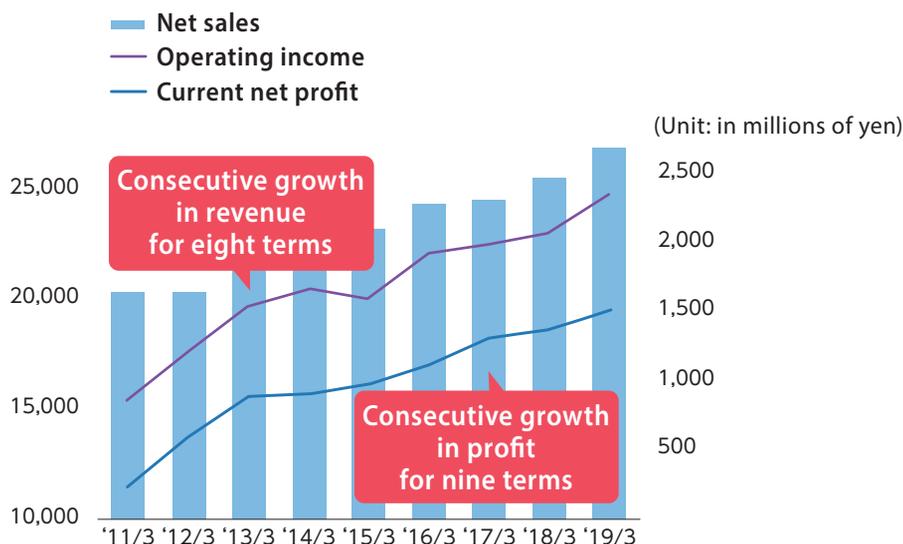
**A** We achieved revenue growth for eight consecutive terms and surpassed a record high profit with promotion of the key initiatives and the synergy effect of the entire group.

The financial results ending March, 2019 (48th term) have resulted in net sales of 27,591 mil. yen (107.7% year-on-year), operating income of 2,345 mil. yen (112.7% year-on-year), ordinary income of 2,347 mil.

yen (114.5% year-on-year), and current net profit attributable to owners of parent company of 1,521 mil. yen (111.2% year-on-year), leading to growth in net sales for eight consecutive terms and an consecutive update of the record high profit. Regarding current net profit, a rise for nine consecutive terms was recognized.

The trust we gained from customers in a variety of industries and business conditions led a number of inquiries in data center service, cloud service and system development service on which our company group has focused, and ended up this performance improvement. In regard to net sales conditions in each service, data processing services remained strong, acquiring new large-scale projects particularly in IT managed service and cloud service utilized data center, though the volume of BPO service business was decreased along with business pattern changes in some customers, which resulted in net sales of 10,091 mil. yen (100.4% year-on-year), almost the same level as in the previous year. System development services were greatly expanded and achieved net sales of 16,395 mil. yen (114.3% year-on-year) due to a strong progress in system constructions for oil industry and distribution service industry, etc., as well as an acquisition of Software Control Corporation primarily engaging in system development services. Regarding system equipment sales, the business generally progressed according to our plan.

• Changes in net sales / operating income / current net profit



Also, we have been making good progress on the key initiatives set at the time of being appointed president in last June. Our company has been providing advanced cloud environment as IT platform for supporting the customers' businesses. Taking advantage of our competencies as a platformer, based on the alliance with some other companies, we have started providing services of "cloud platform (NextGenerationEASYCloud®, hereinafter referred to as NGEC) plus applications", an initiative to provide cloud services mounting applications of other companies having each specialty on our company's cloud platform. For example, we started the BIM introduction support service as the first service of the advanced construction process renting business that our company engaged in jointly with AKTIO Corporation; the major company in construction equipment renting business, and PaperlessStudio co., Ltd.; the major company in BIM consultant business. Together with Rworks, Inc. who has an advantage in the field of security services, we started providing cloud services combining their solutions for instant web alteration detection and instant recovery with our company's cloud platform. In addition, we started joint development of the highly accurate cloud service with an AI solution company, SPJ, Inc., gradually expanding our activities including providing AI cloud services, in the fields with high growth potential (refer to topics on page 8-9).

We will continue to promote further development of business models centering on data center business; one of our competencies, and further alliance with companies having experiences in various markets or having know-how as well as provide new digital technology services including IoT, Big Data, AI and robotics, where companies consider the most important IT investments, according to customers' needs.

**Q Please tell us about new initiatives in your second year as president.**

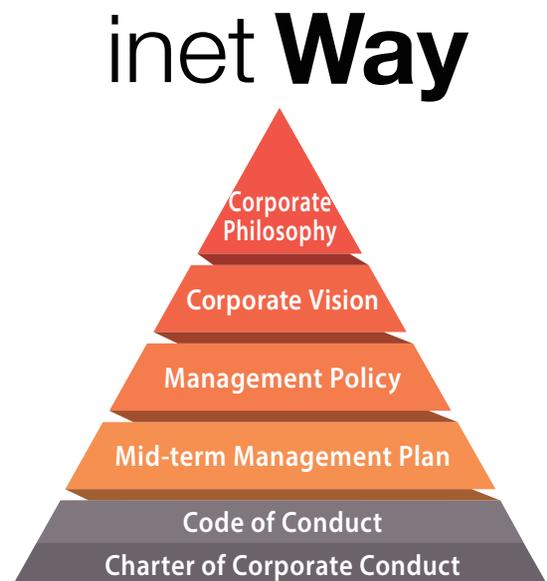
**A For the sustainable growth down the road, "inet Way" was established as our group's corporate philosophy to further strengthen "One inet".**

In two years, we will be celebrating our 50th anniversary in 2021. In order to stay as a company that continues to grow, we felt that common values shared by all officers and employees that forms the basis of any type of action, was needed. So we took this opportunity to establish our group's philosophy, "inet Way."

"inet Way" is formed by four tiers, "Corporate Philosophy," "Corporate Vision," "Management Policy," and "Mid-term Management Plan." At its foundation are the "Charter of Corporate Conduct," which should be followed by all corporate employees, and the "Code of Conduct," which acts as the driving force in achieving "inet Way."

In order to build a solid business growth foundation with expanding our business scale, a new "management policy"—"Becoming an excellent company that makes sustainable growth possible ~keep growing while changing~" was established. It expresses our thoughts that both company itself and employees should always keep growing while changing personally in the light of changes in times and trends.

Based on this management policy, we will always think about two-way management placing a priority on the balance between "defense" strengthening connections with customers and "offense" exploiting new market areas and services, as well as firmly practice efficient strategies/tactics corresponding to changes in conditions. Also, we will powerfully continue to further promote the key targets—1. enhancing/expanding "partner strategy and sales channel strategy", 2. building services of "cloud platform (NGEC) + applications" and 3. "cross-selling in business covering from planning to BPO".



Furthermore, under the fourth layer of “inet Way”; “the mid-term management plan”, strategic plans are specifically designed for the sustainable growth, and we decided to disclose the major contents. “The mid-term management plan” is composed of “the business strategic plan”, “the investment strategic plan”, “the ESG action plan” and “the performance plan”.

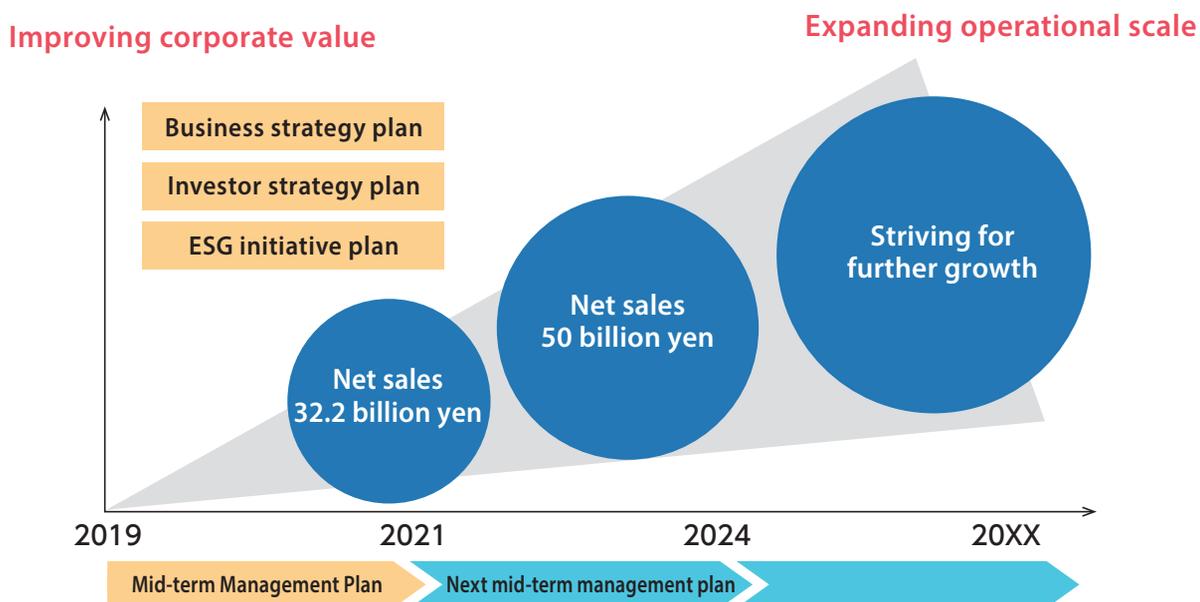
In “the business strategic plan”, strategies/tactics were designed based on differentiating competitors by further improving competencies in each business field, expanding sales of NGEC that can lift our position as a IT platformer, increasing the rate of stock business that brings stable revenue, expanding DX solutions and cloud services having high corporate interest in IT investments, and entering new business market with high growth potential. Among those, for SS (gas station) commissioned counting/settlement business; our first business, cloud services and DX solutions; our current primary business, financial/unsecured loans business and sales business for the distribution/service industries that are required specialized management know-how, and high technology space development business, we will firmly promote strategic plans that fit the future industrial strategies.

In “the investment strategic plan”, with promoting existing businesses, we will dedicate efforts more aggressively than ever for the future growth. We will strengthen not only of course human resource investment, but also enhancement of facilities in data centers as an axis of our company’s business model, and additionally, investment in research and development in order to differentiate competitors as well as enhance competitiveness. We are planning to enter overseas business with our strong fields.

In “the ESG action plan”, based on an idea that employees are our most precious assets in operation, our company strives to “promoting the wellness management” as well as “promoting diversity” in order to realize the environment that every employees are in good mental and physical health and able to work safely and effectively. Also, we continue to dedicate efforts to our society through our business activities and initiatives.

As steadily working on these three plans, we aim to achieve “the performance plan” by powerfully promoting business models taking advantage of our company’s competencies. According to this plan, the forecast for the FY ending March, 2022, in three years is as follows; net sales of 33,200 mil. yen, operating income of 2,730 mil. yen and ROE at 11.1%. After the achievement of this plan, we will further aim to net sales of 50,000 mil. yen as a mid- and long-term target for the FY 2024.

- **Becoming an excellent company that makes sustainable growth possible**  
~keep growing while changing~



## • The strategic plan composing the mid-term management plan

### The business strategic plan “Data processing service”



#### SS/commissioned counting/settlement

Increasing market share of processing SS (from 33% to over 55%), expanding non-oil business by utilizing a nationwide network of sales branches, enhancing services for LPG distribution business



#### Cloud service

Expanding sales of cloud service platform (NGEC), strengthening/expanding sales channels (increasing resellers/developing OEM model)



#### Printing/mailing/BPO

Reviewing/expanding range of services, aggressively expanding BPO service business



#### DX solution

Early monetizing BIM/CIM business with drones, expanding sales of AI cloud service to small and medium-sized companies, establishing/developing IoT business model

### The business strategic plan “System development service”



#### Finance

Strengthening/reviewing financial packages according to changing needs in the financial market



#### Distribution/service

Differentiating competitors by using sales management know-how for the distribution industry (developing the introduction business of industry template), utilizing the modernization know-how of AS 400 legacy assets/expanding orders



#### Space satellite

Expanding business fields by expanding business partners—new space companies and in-house satellite development venture companies



#### New market/service

Entering/developing new business markets (“parking lots”-related/“renting”-related)

### The investment strategic plan



#### Human resource development

Implementing measures to achieve the targeted number of new graduate recruitment, implementing a mid-career recruitment strategy, strengthening education and training systems and the contents for upgrading human resources in each level



#### Data center

Systematically replacing facilities in the 1st data center and the 2nd data center, discussing a policy of data center expansion plan



#### Research and development

Developing the next generation cloud platform developed from NGEC, developing data analysis/science businesses, utilizing observed data from satellites in business



#### Overseas business

Discussing forms of overseas expansion (planning to launch an overseas site in Southeast Asia), aiming at service development with strong fields and advanced technologies

### The ESG action plan



**Promoting the wellness management, promoting diversity, promoting employment for the disabled, developing a supporting website for childcare/women empowerment, “Working Mothers’ Supporter”**

\* Refer to Concerning human relations to our employees on page 15-18

**Q Please tell us about an outlook for the FY ending March, 2020.**

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

With regard to a business environment in the current fiscal year (49th term) surrounding our company, we anticipate that it will continue to advance steadily. Further expansion in IT market is expected against 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 are accelerating IT investment to enhance competitiveness aiming for further business expansion and improvements in customer services. Our company group will also 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 (49th 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 30,000 mil. yen (108.7% year-on-year), operating income of 2,450 mil. yen (104.4% year-on-year), ordinary income of 2,390 mil. yen (101.8% year-on-year), and current net profit attributable to owners of parent company of 1,590 mil. yen (104.5% year-on-year).

• **Plan for the 49th term**

<b>Net sales</b>	<b>30,000 mil. yen (record high)</b>
<b>Operating income</b>	<b>2,450 mil. yen (record high)</b>
<b>Ordinary income</b>	<b>2,390 mil. yen (record high)</b>
<b>Current net profit attributable to owners of parent company</b>	<b>1,590 mil. yen (record high)</b>

**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 consistent promotion of “inet Way” and business models that take advantage of our competencies, as well as aiming for a reinforcement of the financial basis. With respect to the dividend, as revenue and profit are anticipated to rise in the current fiscal year (49th term), we plan to set; in addition to a normal dividend payment of 40 yen in the previous term (48th term), further 3 yen is allocated, resulting in a total of 43 yen that achieves a dividend raise for eight consecutive terms.

Finally, our entire group is committed to strive for the target. We would like to express our deepest gratitude for further support and guidance from our valuable shareholders.

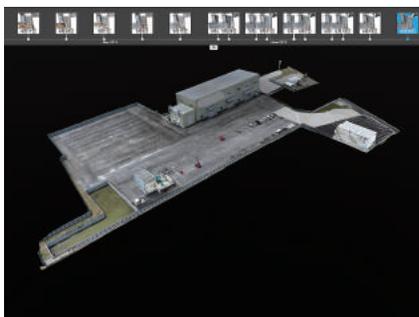
• **Plan of annual dividend per share (planned to increase for eight consecutive terms)**

FY ending March, 2018	FY ending March, 2019	FY ending March, 2020
<b>38.0 yen</b>	<b>40.0 yen</b>	<b>43.0 yen</b>
Mid-term (19.0 yen) Year-end (19.0 yen)	Mid-term (20.0 yen) Year-end (20.0 yen)	Mid-term (21.5 yen) Year-end (21.5 yen)

## Report of primary activities

Topics  
1

### A demonstration test for “Plant construction progress management with drones”



In the VDI environment through our company’s cloud platform (NGEC), we conducted a demonstration test creating 3D images of an under-construction plant with CAD and 3DCG software that are required advanced graphics functions based on a huge amount of pictures of the construction site periodically taken by an auto-navigated drone.

Topics  
2

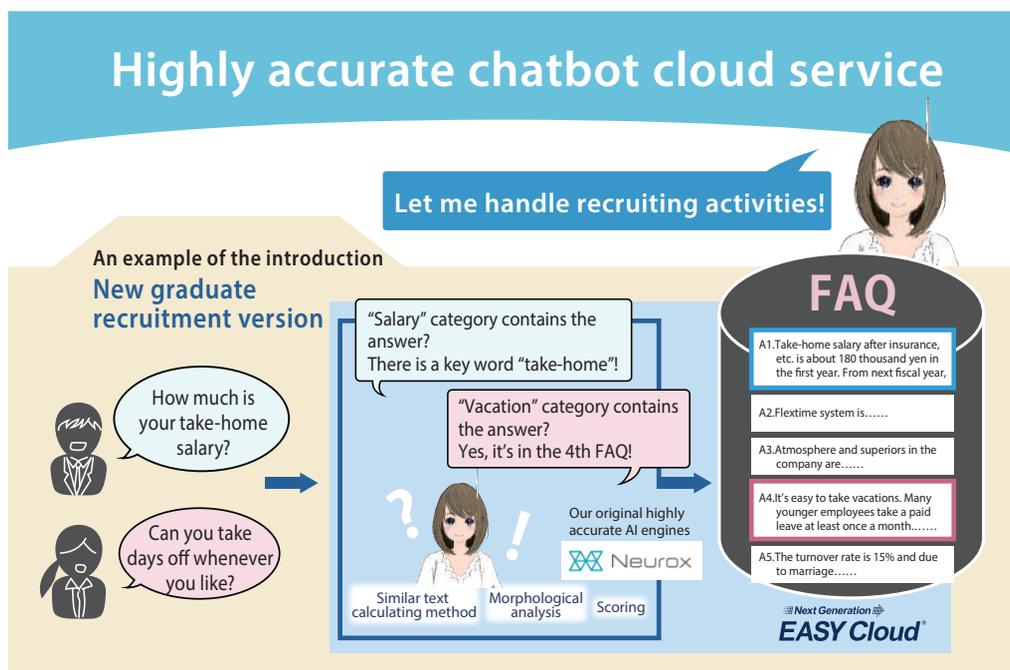
### Working Mothers’ Supporter on a special TV program; tvk “Kanagawa Business Up To Date” × “Yokohama KYOSO”



Our company’s search website for childcare facilities “Working Mothers’ Supporter” was featured as one of the cases on a special TV program, A new value comes after “Future City” Yokohama’s collaboration “KYOSO”, on which Television KANAGAWA’s economic information program “Kanagawa Business Up To Date” collaborated with Co-Governance and Creation Division, City of Yokohama.

Topics  
3

### Started joint developments of the highly accurate cloud service



We started joint developments of the highly accurate cloud service, applying SPJ, Inc.’s AI technologies to our company’s cloud computing. We will gradually expand AI to contact center/help desk operations, multilingual chatbot corresponding to inbound, interpretation/automatic summarization/spell check of a variety of texts, and reputation analysis of products/services.

Topics  
4

## Acquired ISO/IEC 27017 certification Cloud Service Data Security Management System



In order to ensure the security of customers' data in our company's cloud service "NextGenerationEASYCloud®", we acquired ISO/IEC 27017 certification that complies with the international standards for data security management systems specialized for cloud services (Targeted for the certification: Cloud platform service utilizing Software-Defined Data Center architectures).

Topics  
5

## A seminar for teleworking "Work Style Reform"



We introduced cloud services that our company provides for teleworking, including a virtual desktop service "VIDAAS" enabling to operate PCs at home or from anywhere with a high level of security, as well as NEOJAPAN's business chat service "ChatLuck".

Topics  
6

## Acquired Software Control Corporation as a subsidiary



We acquired shares of Software Control Corporation and made it a subsidiary. Our company will further strive to expand sales/development foundations as well as strengthen our business in western Japan by welcoming this company having a strong business foundation in western Japan to our company group.

Topics  
7

## Started the BIM introduction support service provided/sold by AKTIO Corporation



As the first service of "the advanced construction process renting business" that our company engaged in with AKTIO Corporation and PaperlessStudio co., Ltd., we started providing i-BIM+. Our company provides BIM\* packages through virtual desktop services, cloud platform to BIM educational video streaming websites and drone flying fields for pilot training, etc.

\*It's an abbreviation of Building Information Modeling—solutions and flows in every process to centrally control/utilize buildings' database that cost data and other are added to a 3D model

Topics  
8

## Started the micro data center business with NVIDIA' s GPU installed



We aim to establish micro data centers receiving attention as one of methods to realize edge computing\* at our company's drone flying field (DreamDroneFlyingField) as well as at construction/civil engineering fields, factories/plants and farms/fields, etc.

\*A method for reducing processing time and network load by performing data processing near end users

### 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.

### Overview of Corporate Governance Framework

We are a company with a Board of Corporate Auditors. The Board of Company Auditors, whose members are all outside corporate auditors, supervises management. We have also introduced the Executive Officer System, in which the Board of Directors is responsible for the "management decision-making and supervisory functions," and the executive officers are responsible for the "business operation functions."

#### Board of Corporate Auditors

---

We have adopted the Board of Corporate Auditors System. Our Board of Corporate Auditors is composed of four members (of whom one is a certified public accountant, who possesses a considerable degree of knowledge on finance and accounting) and all four members are outside corporate auditors.

Furthermore, in order to enhance audits, corporate auditors hold a Board of Corporate Auditors meeting every month and hold regular auditory liaison meetings that include group companies to share information within the entire group and boost the level of the Board of Corporate Auditors.

#### Board of Directors

---

At our company, we regularly hold a Board of Directors meeting every month. We ensure that our corporate governance is a management system that functions properly by always having an auditor attend these meetings and actively state his/her valid opinion from the perspective of supervisor/auditor of corporate management. Of the seven directors, two are outside corporate directors.

#### Executive Officer System

---

Our company has introduced the Executive Officer System to clarify the division of responsibilities between management supervision and business operation functions. Under this system, we are working to strengthen the supervision of business operations by the Board of Directors while also ensuring the soundness and efficiency of management by speeding up decision-making.

#### Group Executive Committee

---

The Group Executive Committee, composed of our company director, auditors, executive officers, division heads, president of subsidiary companies, and representatives of affiliated companies, holds a monthly

meeting, where each department gives performance reports and consider future measures centered around budget control.

## Legal Matters

We have concluded an advisory contract with several law firms and have established a system to receive timely advice and guidance on all legal issues.

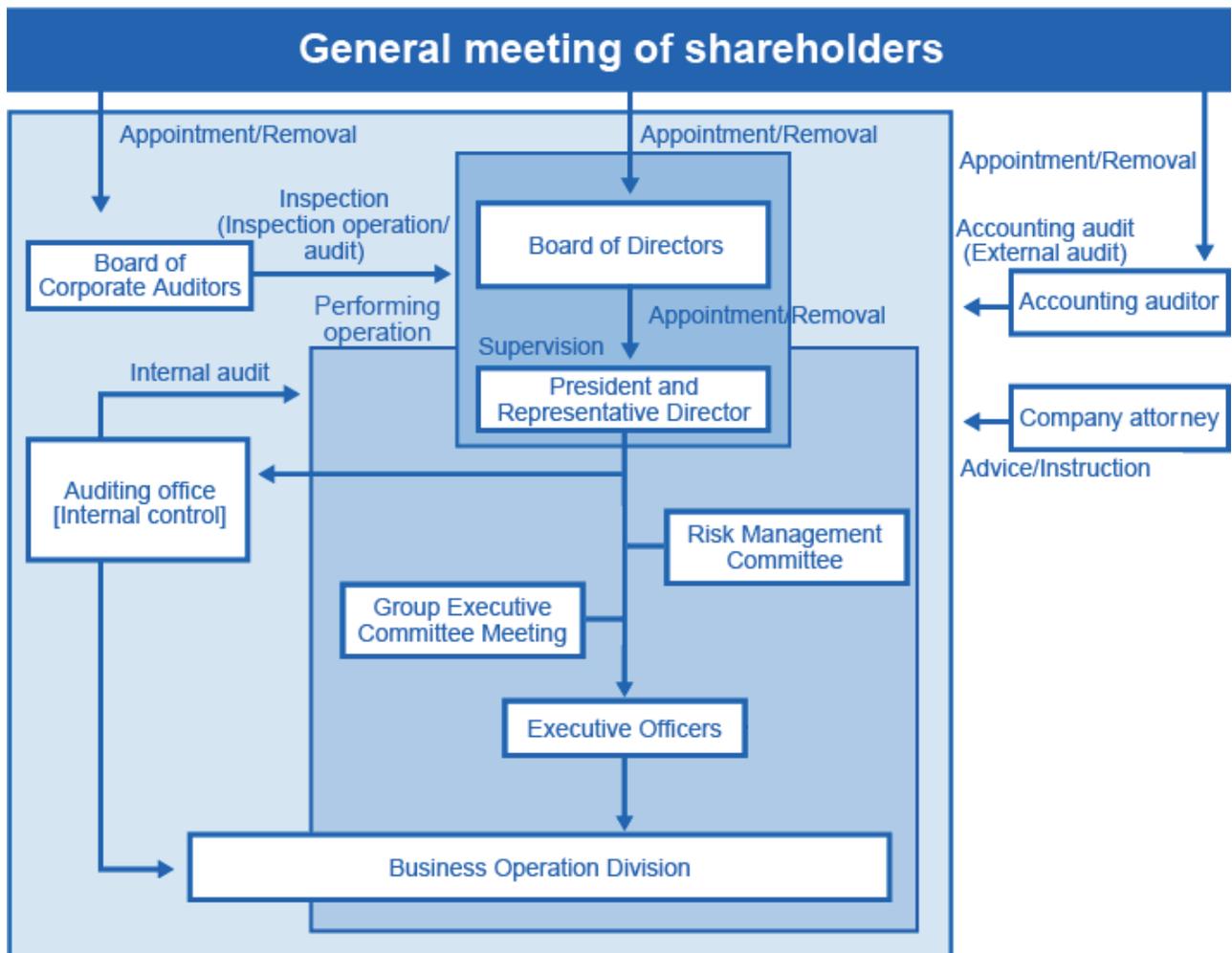
## Risk Management Committee

The "Risk Management Committee," composed of our company director, executive officers, division heads, and administrative office, holds monthly meetings to discuss and check the progress of countermeasures concerning risks that may adversely affect our company's business development.

## System to Ensure the Proper Operation of Our Subsidiary Companies

We dispatch our executive officers to our subsidiaries as corporate auditors, establishing a system in which important matters of our subsidiary companies are reported to us through the executive officers.

## 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 Risk Management 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.

## Protection of Personal Information

---

We acquired the PrivacyMark on December 3, 1999 and have been renewing our accreditation by passing continuing reviews since then. We are striving to continuously improve our personal information protection management system.

In addition, we consider initiatives for the "Personal Information Protection Act," which was fully implemented on April 1, 2005, as a top priority and strive to deepen the understanding of the Personal Information Protection Act by hold e-learning training sessions every year for all our employees at our information center. In the future, we will further enhance the content of our initiatives and continue our educational activities.

## 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.

#### · The 2019 Health and Productivity Management Outstanding Organizations (White 500)

I-NET CORP. was recognized under the joint program by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi as "the 2019 Health and Productivity Management Outstanding Organizations (White 500)" on Feb. 21, 2019.

#### What is "The 2019 Health and Productivity Management Outstanding Organizations (White 500)"?



Under the Health and Productivity Management Outstanding Organizations recognition program, the Ministry of Economy, Trade and Industry praises the outstanding large enterprises engaging in efforts to develop better health and productivity management every year, based on initiatives for local health-related challenges and initiatives for health promotions led by the Nippon Kenko Kaigi.

#### Main initiatives

1. To prevent healthy individuals from acquiring epidemics including lifestyle diseases
2. To prevent people at high risks of acquiring epidemics including life style diseases from becoming severe
3. Outbreak prevention/early detection/support against stress-related diseases including mental illness
4. To support a person to balance reinstatement/work in a workplace with treatment after a leave of absence
5. To ensure appropriate working hours and work-life balance

#### · Yokohama Health Management Certification

I-Net CORP. achieved Yokohama wellness management certification by City of Yokohama as a certified workplace on Jan. 18, 2018.

#### What is the "Yokohama Wellness Management Certification System"?



Under the Yokohama Wellness Management Certification System, City of Yokohama recognizes workplaces engaging in efforts to develop better health and productivity management as certified workplaces of Yokohama Wellness Management Certification in order to widely spread the concept of "health and productivity management" that treats initiatives for employees' health maintenances/promotions as investments enhancing the future corporate revenues, strategically engaging in health promotions for employees from the management perspective.

## Requirements for certification

Class AA:

Organizing a system for engaging in health and productivity management, appropriately understanding employees' health-related challenges as a workplace based on features of the workplace, and taking countermeasures against the challenges throughout the organization.

Taking into account health promotions from the management perspective, I-NET CORP. will strive to improve employees' mindset including improving motivation for work as well as awareness of health control, promote realization of individual abilities and improve corporate productivity by positively engaging in health and productivity management as part of activities to create employees' working environment stipulated in our company's corporate behavior charter.

## Women Empowerment

---

### ・Eruboshi Certification



I-NET CORP. was authorized by the Ministry of Health, Labor and Welfare that the company matched the criteria pursuant to Article 9 of the Act on promotion of the participation and advancement of females in labor force (Act on Promotion of Women's Participation and Advancement in the Workplace) on Oct. 3, 2018, and acquired the best certification logo "Eruboshi" (Stage 3).

### What is the "Eruboshi certification system"?

Under this system, entrepreneurs that prepared and registered general entrepreneur action plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace can receive the certification as outstanding entrepreneurs in terms of implement conditions of initiatives on the promotion of the participation and advancement of females by applying to prefectural labor offices.

There are three stages according to the number of satisfied items.

### Requirements for approval

1. Meeting all the five criteria (1. recruitment, 2. continuous employment, 3. way to work including working hours, 4. percentage of managers, 5. various career courses), and announcing the performance on the database of the promotion of the participation and advancement of females on the website of the Ministry of Health, Labor and Welfare every year.

2. Having prepared appropriate general entrepreneur action plan according to Entrepreneur Action Plan formulation Guidelines.
3. Announcing the established general entrepreneur action plan, and make employees to be known to all appropriately.
4. No material fact found to violate the Act on Promotion of Women's Participation and Advancement in the Workplace, orders pertaining to the Act on Promotion of Women's Participation and Advancement in the Workplace, or other relevant ordinances.  
\* "Other relevant ordinances" include the Equal Employment Opportunity Act for Men and Women, the Child Care and Family Care Leave Act, and Part-Time Employment Act, etc.

I-NET CORP. will continue to strive to promote the work style reform as an entrepreneur engaging in promoting women's participation and advancement, and create a better working environment for women.

## 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, 2019)

Authorized shares	60,000,000 shares
Number of shares outstanding	16,242,424 shares
Capital	¥3,203,992,690
The number of shareholders	3,647 people

### Major shareholders

#### Shareholders

	Sep 30, 2017	Mar 31, 2018	Sep 30, 2018	Mar 31, 2019
	Thousand shares			
Individual and Others	9,998	9,711	9,403	9,506
General corporation	1,558	1,532	1,520	1,529
Financial institution	3,219	3,607	4,433	4,458
Securities company	163	142	149	87
Foreigner	1,302	1,247	735	661
Total	16,242	16,242	16,242	16,242

	Sep 30, 2017	Mar 31, 2018	Sep 30, 2018	Mar 31, 2019
	person			
Individual and Others	3,767	3,565	3,500	3,648
General corporation	63	53	50	51
Financial institution	26	27	26	26
Securities company	22	25	30	32
Foreigner	70	75	73	70
Total	3,948	3,745	3,679	3,647

※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, 2019)

	Number of Shares Held	Shareholding Ratio
	Thousand shares	
Noriyoshi Ikeda	1,742	10.96%
Japan Trustee Services Bank, Ltd.	1,588	9.99%
I-NET Employee Stock Ownership	1,333	8.39%
Junji Kitagawa	781	4.91%
The Bank of Yokohama, Ltd.	707	4.45%
The Master Trust Bank of Japan, Ltd.	426	2.68%
N and I Co., Ltd.	316	1.99%
NIPPON LIFE INSURANCE COMPANY	275	1.73%
Mitsubishi Research Institute DCS Co., Ltd.	239	1.51%
TOPPAN FORMS CO., LTD.	232	1.46%

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

2.The shareholding ratio is calculated after deducting treasury stock 343,711 shares.

## IR calendar

On Jul. 31, 2019	The financial results announcement for the first quarter of the FY ending March, 2020
On Sep. 30	The record date of the interim dividends The fixed date of the shareholder benefits rights
In late Oct.	The financial results announcement for the second quarter of the FY ending March, 2020
In late Nov.	The financial results briefing for the second quarter of the FY ending March, 2020
In early Dec.	Release of IR Report to shareholders for the second quarter of the FY ending March, 2020 Payment of the interim dividends
In late Jan. 2020	The financial results announcement for the third quarter of the FY ending March, 2020
On Mar. 31	The record date of the year-end dividends The record date of the ordinary general meeting of shareholders
In early May	The financial results announcement for the FY ending March, 2020

In mid-May	The financial results briefing for the FY ending March, 2020
In early June	Release of the notice of the ordinary general meeting of shareholders
In late June	The 49th ordinary general meeting of shareholders Release of the resolution notice/the IR Report to shareholders Payment of the year-end dividends

## 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

---

	2015/03	2016/03	2017/03	2018/03	2019/03
Dividend/Stock(yen)	30.00	34.00	36.00	38.00	40.00
(a midterm dividend)	15.00	17.00	18.00	19.00	20.00

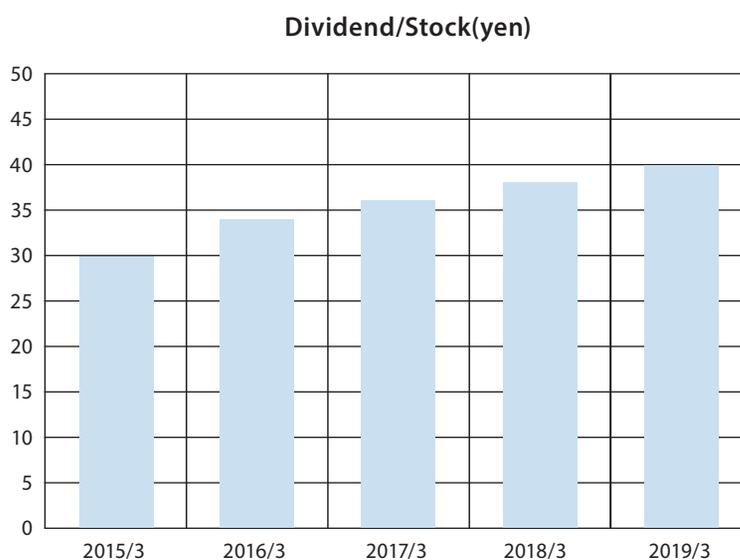
※ 1, Dividend in March, 2016 includes 2 yen which is the commemoration dividend.

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.

### 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, 2017 - March 31, 2018)	Current fiscal year (April 1, 2018 - March 31, 2019)	Growth amount
Net sales	25,615	27,591	1,975
Gross profit	6,065	6,586	521
Operating income	2,081	2,345	264
Ordinary income	2,051	2,347	296
Current net profit attributable to owners of parent company	1,368	1,521	153

### Outline of assets and liabilities

(Unit: in millions of yen)

	Previous fiscal year (March 31, 2018)	Current fiscal year (March 31, 2019)	Growth amount
Current assets	9,535	9,997	461
Noncurrent assets	16,471	18,518	2,046
Current liabilities/Noncurrent liabilities	12,500	14,158	1,658
Net assets	13,507	14,357	850
Total assets	26,007	28,515	2,508

### Outline of cash flows

(Unit: in millions of yen)

	Previous fiscal year (April 1, 2017 - March 31, 2018)	Current fiscal year (April 1, 2018 - March 31, 2019)	Growth amount
Cash flows from operating activities	2,937	3,052	115
Cash flow from investing activities	(1,223)	(3,074)	(1,850)
Cash flow from financing activities	(1,330)	17	1,348
Final balance of cash and cash equivalents	3,303	3,299	(3)

## Points in the settlement values

Point  
1

We have achieved growth in net sales for eight consecutive terms, increasing by 1,975 mil. yen as a result of a strong progress in data center, cloud services, and system constructions for oil industry and distribution service as well as an acquisition of Software Control Corporation.

Point  
2

We have surpassed a record high profit, increasing operating income by 264 mil. yen due to rises in net sales of data processing service and in high revenue projects on system development services.

Point  
3

The fixed assets have resulted in a rise of 2,046 mil. yen because of a rise of 1,250 mil. yen in tangible fixed assets due to enhancement of facilities in data centers as well as acquiring goodwill of 296 mil. yen due to a new consolidated subsidiary, etc.

Point  
4

The total liabilities have increased by 1,658 mil. yen because of a rise of 1,000 mil. yen in interest-bearing liability due to a new consolidated subsidiary and enhancement of facilities in data centers, etc., as well as a rise of 445 mil. yen in accounts payable-other due to purchased fixed assets, etc., despite a decrease of 225 mil. yen in lease obligations.

Point  
5

### **[Cash flow from investing activities]**

This has been attributable to the outflows of 1,949 mil. yen for an acquisition of tangible fixed assets, 809 mil. yen for an acquisition of a subsidiary, and 349 mil. yen for an acquisition of intangible fixed assets, etc.

### **[Cash flow from financing activities]**

This has been attributable to 2,434 mil. yen of repayment of long-term loans payable, 301 mil. yen of repayment of lease obligations and 619 mil. yen of dividend payments, etc., while there is 3,370 mil. yen of new long-term loans payable.

## Consolidated 5-year Financial Summary

(millions of yen)

	2015.03	2016.03	2017.03	2018.03	2019.03
<b>For the year</b>					
Net sales	23,229	24,434	24,617	25,615	27,591
Operating income	1,598	1,918	1,992	2,081	2,345
Ordinary income	1,546	1,838	1,939	2,051	2,347
Net income(Net sales by segment)	982	1,114	1,314	1,368	1,521
Information processing service	9,107	9,607	9,784	10,051	10,091
System development service	13,457	14,081	13,937	14,347	16,395
System products sales	664	746	895	1,216	1,104
<b>At year-end</b>					
Net assets	12,147	11,793	12,684	13,507	14,357
Total assets (※3)	25,962	25,110	25,043	26,007	28,515
Number of employees(personnel)	1,297	1,295	1,307	1,324	1,556
<b>Cash flows</b>					
Cash flows from operating activities	2,648	2,523	2,932	2,937	3,052
Cash flows from investing activities	(622)	(468)	(979)	(1,223)	(3,074)
Cash flows from financing activities	(1,675)	(1,892)	(1,728)	(1,330)	17
Cash and cash equivalents at the end of year	2,533	2,696	2,920	3,303	3,299
<b>Per share information(yen)</b>					
Net income(EPS) (※1)	60.52	69.70	82.68	86.06	95.72
Net assets	732.91	741.67	797.79	849.55	903.04
Cash dividends (※2)	30.0	34.0	36.0	38.0	40.0
<b>Ratios</b>					
Return on equity(ROE)	8.8%	9.4%	10.7%	10.4%	10.9%
Return on asset(ROA) (※3)	6.1%	7.2%	7.7%	8.1%	8.6%

※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.

※3 The partial amendment of "the accounting standards for tax effect accounting" has been applied since the beginning of the FY ending March, 2019. Those new accounting standards were applied to the major management benchmarks, etc. in the FY ending March, 2018.

### Company profile

<b>Trade name</b>	I-NET CORP.																																				
<b>Headquarters</b>	23F, MitsubishiJuko Yokohama Bldg. , 3-3-1 Minatomirai, Nishi-Ku, Yokohama, Kanagawa 220-8401, Japan Phone#: +81-(0)45-682-0800 (main)																																				
<b>Founded</b>	April 22, 1971																																				
<b>Capital</b>	¥3,203.992,000																																				
<b>Listing</b>	Tokyo Stock Exchange 1st Section of the Tokyo Stock Exchange(code: 9600)																																				
<b>Board of Directors and Auditors</b>	<p>(as of June 25 2019)</p> <table> <tr> <td>Chairman of the board</td> <td>Noriyoshi Ikeda</td> </tr> <tr> <td>Representative Director, Executive President</td> <td>Mitsuru Sakai</td> </tr> <tr> <td>Representative Director, Senior Managing Executive Officer</td> <td>Hiroshi Wanibuchi</td> </tr> <tr> <td>Director and Managing Executive Officer</td> <td>Tomomichi Saeki</td> </tr> <tr> <td>Director and Managing Executive Officer</td> <td>Naokatsu Uchida</td> </tr> <tr> <td>Director (※1)</td> <td>Kiyoko Asai</td> </tr> <tr> <td>Director (※1)</td> <td>Yukiko Takenouchi</td> </tr> <tr> <td>Standing Auditor (※2)</td> <td>Masatoshi Miyazaki</td> </tr> <tr> <td>Auditor (※2)</td> <td>Hideo Ohashi</td> </tr> <tr> <td>Auditor (※2)</td> <td>Yoshihiko Tashita</td> </tr> <tr> <td>Auditor (※2)</td> <td>Chikafumi Urakawa</td> </tr> <tr> <td>Senior Executive Officer</td> <td>Akira Ishigami</td> </tr> <tr> <td>Senior Executive Officer</td> <td>Masakazu Kinoshita</td> </tr> <tr> <td>Executive Officer</td> <td>Toshiaki Ikebe</td> </tr> <tr> <td>Executive Officer</td> <td>Mikio Ito</td> </tr> <tr> <td>Executive Officer</td> <td>Shigeru Hiki</td> </tr> <tr> <td>Executive Officer</td> <td>Katsuyuki Imai</td> </tr> <tr> <td>Executive Officer</td> <td>Katsumi Kawasaki</td> </tr> </table> <p>※1...Outside Director ※2...Outside Auditor</p>	Chairman of the board	Noriyoshi Ikeda	Representative Director, Executive President	Mitsuru Sakai	Representative Director, Senior Managing Executive Officer	Hiroshi Wanibuchi	Director and Managing Executive Officer	Tomomichi Saeki	Director and Managing Executive Officer	Naokatsu Uchida	Director (※1)	Kiyoko Asai	Director (※1)	Yukiko Takenouchi	Standing Auditor (※2)	Masatoshi Miyazaki	Auditor (※2)	Hideo Ohashi	Auditor (※2)	Yoshihiko Tashita	Auditor (※2)	Chikafumi Urakawa	Senior Executive Officer	Akira Ishigami	Senior Executive Officer	Masakazu Kinoshita	Executive Officer	Toshiaki Ikebe	Executive Officer	Mikio Ito	Executive Officer	Shigeru Hiki	Executive Officer	Katsuyuki Imai	Executive Officer	Katsumi Kawasaki
Chairman of the board	Noriyoshi Ikeda																																				
Representative Director, Executive President	Mitsuru Sakai																																				
Representative Director, Senior Managing Executive Officer	Hiroshi Wanibuchi																																				
Director and Managing Executive Officer	Tomomichi Saeki																																				
Director and Managing Executive Officer	Naokatsu Uchida																																				
Director (※1)	Kiyoko Asai																																				
Director (※1)	Yukiko Takenouchi																																				
Standing Auditor (※2)	Masatoshi Miyazaki																																				
Auditor (※2)	Hideo Ohashi																																				
Auditor (※2)	Yoshihiko Tashita																																				
Auditor (※2)	Chikafumi Urakawa																																				
Senior Executive Officer	Akira Ishigami																																				
Senior Executive Officer	Masakazu Kinoshita																																				
Executive Officer	Toshiaki Ikebe																																				
Executive Officer	Mikio Ito																																				
Executive Officer	Shigeru Hiki																																				
Executive Officer	Katsuyuki Imai																																				
Executive Officer	Katsumi Kawasaki																																				
<b>Employees</b>	consolidated 1,675 , Non-consolidated 945(as of April 1, 2019)																																				
<b>Business Outline</b>	Information-processing service System development service System equipment sales																																				
<b>Qualifications</b>	<ul style="list-style-type: none"> <li>Ministry of Health, Labour and Welfare Workers Dispatching Undertaking [permit number: HA14-301383]</li> </ul>																																				

	<ul style="list-style-type: none"> <li>• Ministry of Internal Affairs and Communications Notifying telecommunications Carrier [notification number: A-07-968]</li> <li>• Kanagawa Prefecture, Electrical Constructors [notification acceptance number, Kanagawa Prefectural governor notice: No. 300001]</li> <li>• JIPDEC Privacy Marks [registration number:11820061(10)]</li> <li>• ISO 9001 [registration number:JQA-QM6329] 1st Data Center/ 2nd Data Center [registration number:JQA-QM7676] Control Division/ Space Development Division/Space &amp; IoT Sales Dept.</li> <li>• ISO 14001 [registration number:JQA-EM6606] 1st Data Center/ 2nd Data Center</li> <li>• ISO/IEC 27001 [registration number:JQA-IM0093] 1st Data Center/ 2nd Data Center [registration number:JQA-IM0327] Control Division/ Space Development Division/ Space &amp; IoT Sales Dept.</li> <li>• ISO/IEC 27017 [registration number:JQA- IC0018] Operation and maintenance of Next Generation EASY Cloud® (Cloud infrastructure service using Software-Defined Data Center architecture)</li> <li>• PCI DSS [registration number:ICMS-PCI0145] 2nd Data Center</li> </ul>
<b>Memberships</b>	<ul style="list-style-type: none"> <li>• Nippon Keidanren(Japan Business Federation)</li> <li>• Japan Information Technology Services Industry Association (JISA)</li> <li>• FujitsuCenter Association (FCA)</li> <li>• Kanagawa Information Services Industry Association (KIA)</li> <li>• Information Technology Alliance (ITA)</li> </ul>

## Group Affiliate

### Subsidiaries

<b>IST-Software Co., Ltd.</b>	13F, Nissay Aroma Square, 5-37-1 Kamata, Ota-ku, Tokyo 144-8721, Japan TEL : +81-(0)3-5480-7211 <a href="http://www.ist-software.co.jp">http://www.ist-software.co.jp</a>
<b>Software Control Co., LTD.</b>	Seisyu Nihonbashi Bldg, 12-2, Nihonbashi Ohdenmachou, Chuo-ku, Tokyo 103-0011, Japan <a href="http://www.scnet.co.jp/">http://www.scnet.co.jp/</a>
<b>I-NET DATA SERVICE CORP.</b>	644-12, Maioka-cho, Totsuka-ku, Yokohama, Kanagawa 244-0813, Japan TEL : +81-(0)45-820-5897 <a href="http://www.inet-d.co.jp">http://www.inet-d.co.jp</a>