



November 9, 2021

**Briefing Materials for
Financial Results**

First half of the Fiscal
Year ending March
2022

I-NET Corp.

[TSE, First Section: 9600]



1. Overview of Earnings in First half of Fiscal Year ending March 2022

2. Dividend Policy

3. Initiatives in Medium-term Management Plan

4. Appendix
:Overview of Company



1. Overview of Earnings in First half of Fiscal Year ending March 2022

inet Overview of Earnings in First half of FY 2022 (consolidated)

(Unit: Million yen, %)

	First half of FY2021		First half of FY2022		Change over previous fiscal year	
	Amount	Percentage	Amount	Percentage	Change	Rate of change
Net sales	14,884	100.0	14,935	100.0	50	0.3
Cost of sales	11,734	78.8	11,559	77.4	(175)	(1.5)
Gross profit	3,150	21.2	3,376	22.6	226	7.2
Selling, general and administrative expenses	2,320	15.6	2,389	16.0	69	3.0
Operating income	829	5.6	986	6.6	156	18.9
Ordinary income	854	5.7	1,095	7.3	241	28.2
Net income attributable to parent	372	2.5	715	4.8	342	92.1
Income per share (yen)	23.3	—	44.7	—	21.4	—

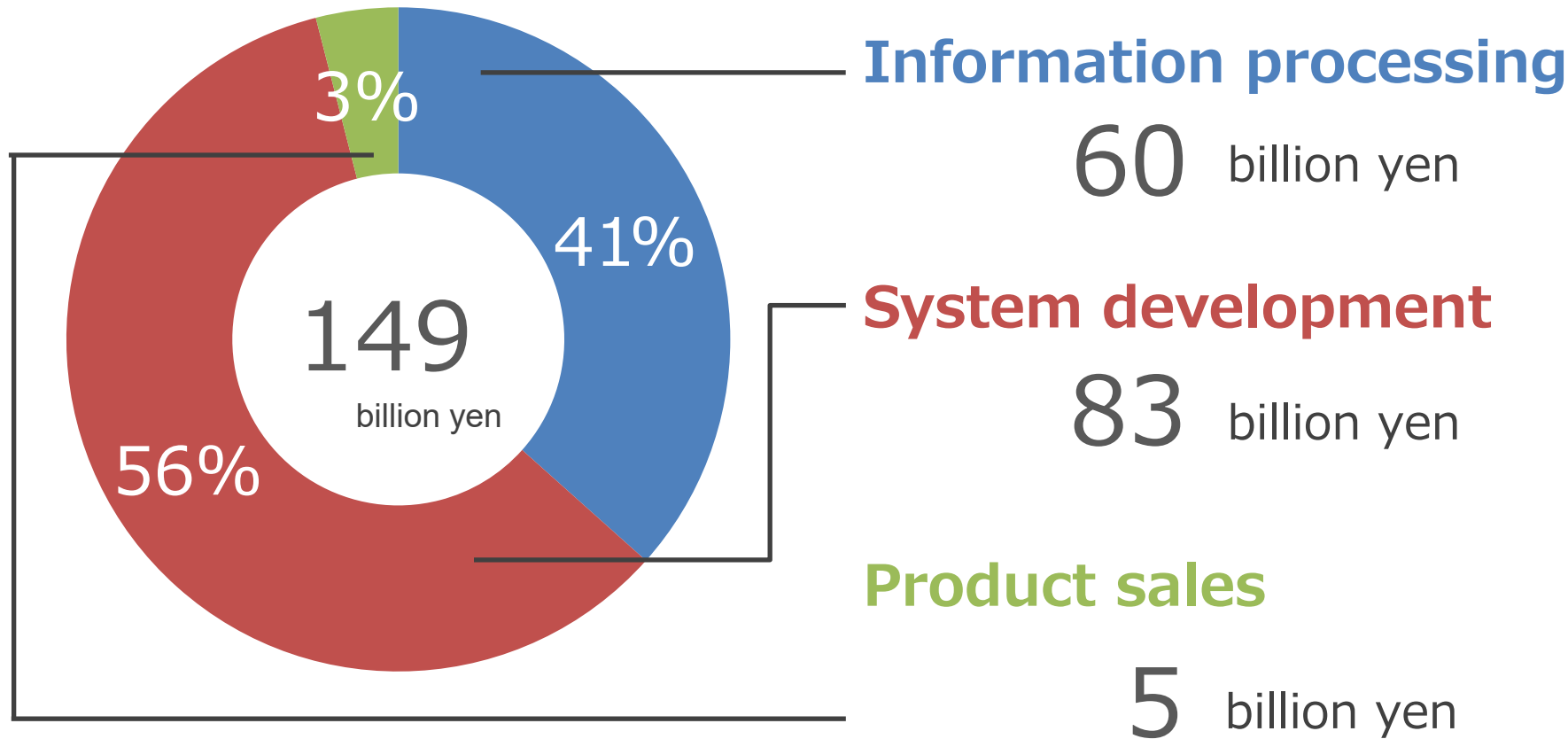
※Figures for the first half of the fiscal year ending on March 31, 2022 reflect the adoption of the Accounting Standard for Revenue Recognition. Net sales increased 334 million yen and both operating income and ordinary income increased by 180 million yen due to the adoption of the Accounting Standard for Revenue Recognition.

(Unit: Million yen, %)

		1Q	2Q	Change of 1Q	Total of 1Q and 2Q
Net sales	FY2022	7,157 (2.5%)	7,777 3.1%	620	14,935
	FY2021	7,341	7,543	201	14,884
Gross profit	FY2022	1,556 0.8%	1,820 13.3%	263	3,376
	FY2021	1,543	1,607	63	3,150
Operating income	FY2022	301 (12.2%)	685 40.9%	383	986
	FY2021	343	486	142	829
Ordinary income	FY2022	354 (4.1%)	741 52.9%	387	1,095
	FY2021	369	484	115	854
Net income attributable to parent	FY2022	241 462.0%	473 43.8%	232	715
	FY2021	42	329	286	372

*The % under the numbers of 1Q and 2Q are year-over-year.

We provide customers with services in the following three service categories.



Information processing

60 billion yen

System development

83 billion yen

Product sales

5 billion yen

149
billion yen

3%

41%

56%

inet Sales by service category (consolidated)

(Unit: Million yen, %)

		First half of FY2021	First half of FY2022	Change	
				Amount of change	Percent change
Information processing services ①	Net sales	5,882	6,077	194	3.3
	Gross profit	1,326	1,434	107	8.1
	Ratio of gross profit to net sales	22.6	23.6	1.0	—
System development services ②	Net sales	8,367	8,339	(27)	(0.3)
	Gross profit	1,740	1,837	96	5.6
	Ratio of gross profit to net sales	20.8	22.0	1.2	—
System Product sales	Net sales	634	518	(116)	(18.3)
	Gross profit	82	104	22	26.8
	Ratio of gross profit to net sales	13.0	20.2	7.2	—
Total	Net sales	14,884	14,935	50	0.3
	Gross profit	3,150	3,376	226	7.2
	Operating income	829	986	156	18.9
	Operating margin	5.6	6.6	1.0	—

(Main factors)

- ① Data center sales increased due to an increase in usage and contributions from commissioned settlement at gas stations. This was likely because the promotion of DX and other factors boosted the usage of data centers and cloud services, among others.
- ② Sales for system development services steadily recovered for the financial, distribution and communications services industries, among others. Sales declined due to delays in starting new development projects and the impact of large projects that contributed to Q1 of FY2021 and were subsequently cancelled. Gross profit increased over the previous year due to improvements in staff operating efficiency.

inet Achieving stable growth by expanding the stock business

Definition of stock business

- **Recurring revenue business = information processing services**
- Business that generates net sales at a **fixed amount every month**
- Business with contracts that continue **beyond the next fiscal year**

Merits of expanding stock business

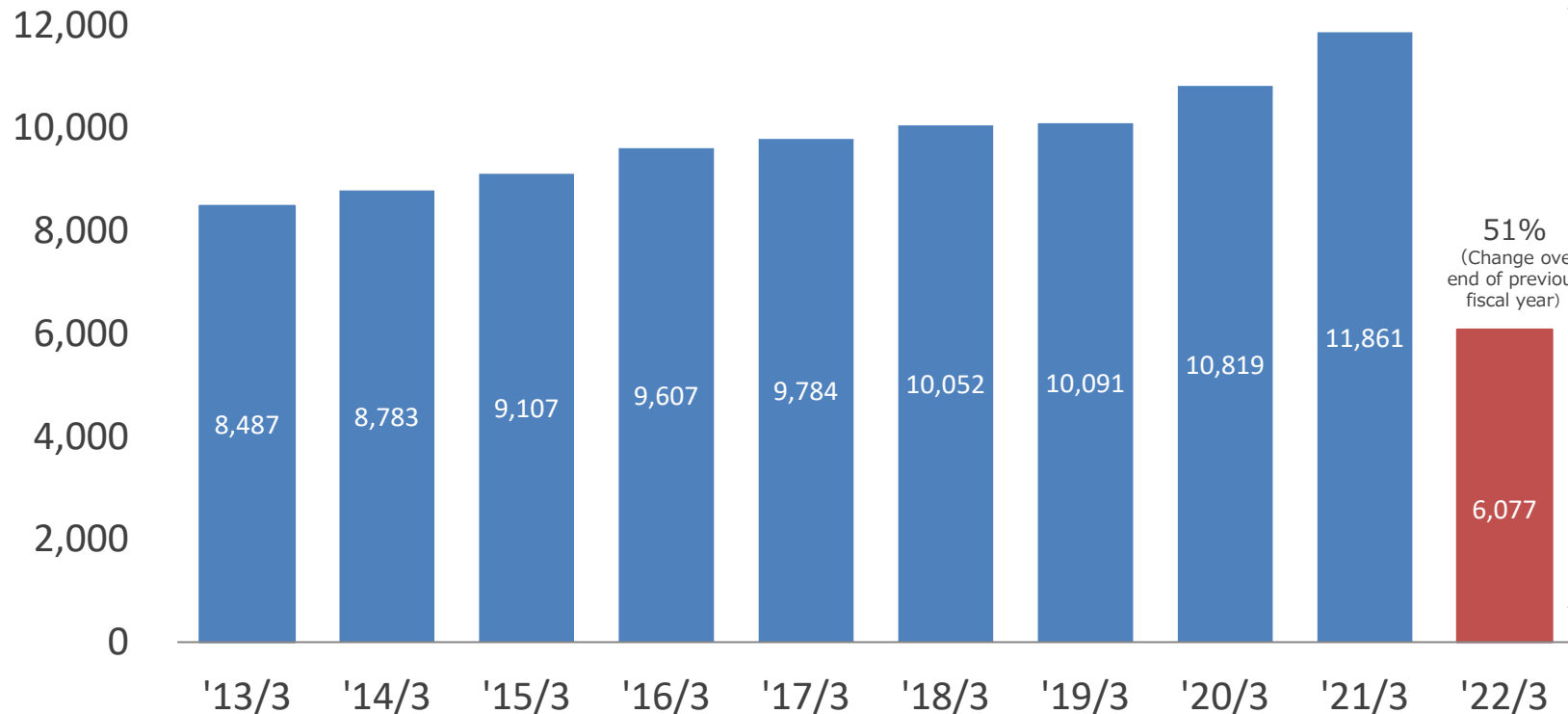
- **Growth foundation** built up with ongoing net sales
- **High profitability (most recent Gross profit was 23%)**
- Increase in net sales and income per person

Examples of stock business

- **Cloud services**
- **Data center services**
- SS commissioned settlement (gas stations)
- Printing and inserting

Trends in net sales for stock business over past 10 years (consolidated)

(Unit: Million yen)

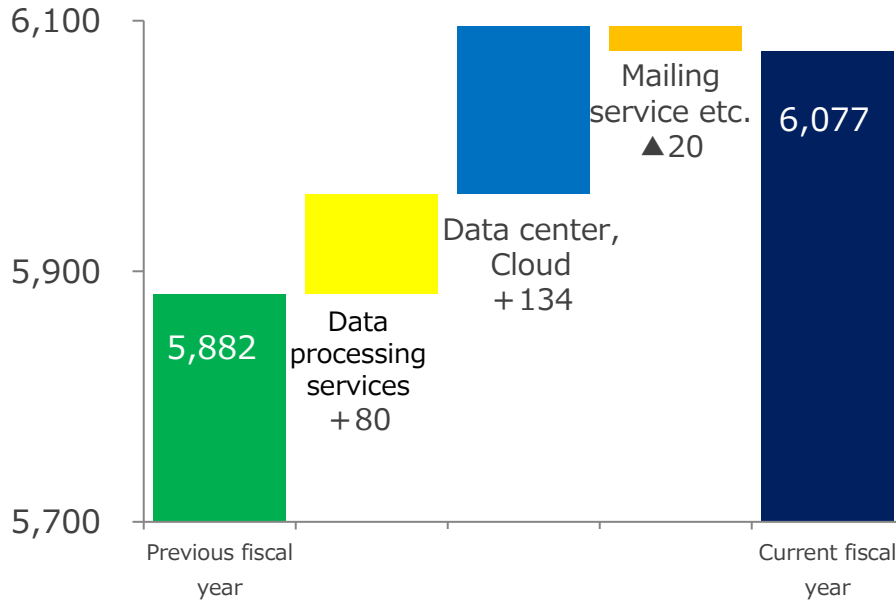


Growth foundation that continues beyond the next fiscal year

51%
(Change over end of previous fiscal year)

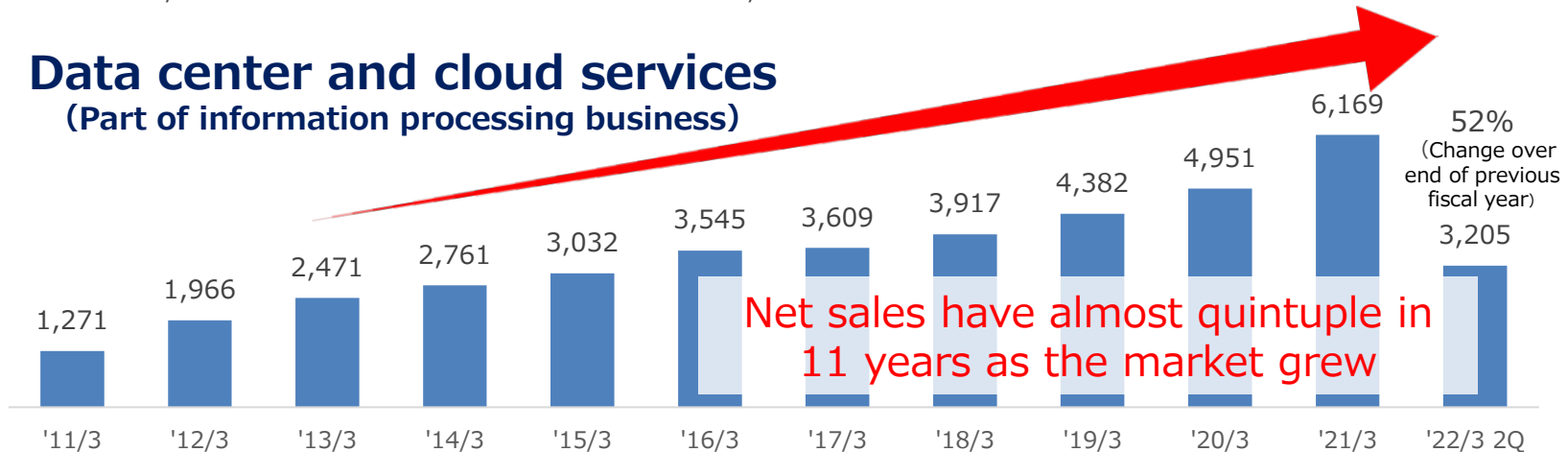
Factors causing trends in net sales for information processing

(Unit: Million yen)

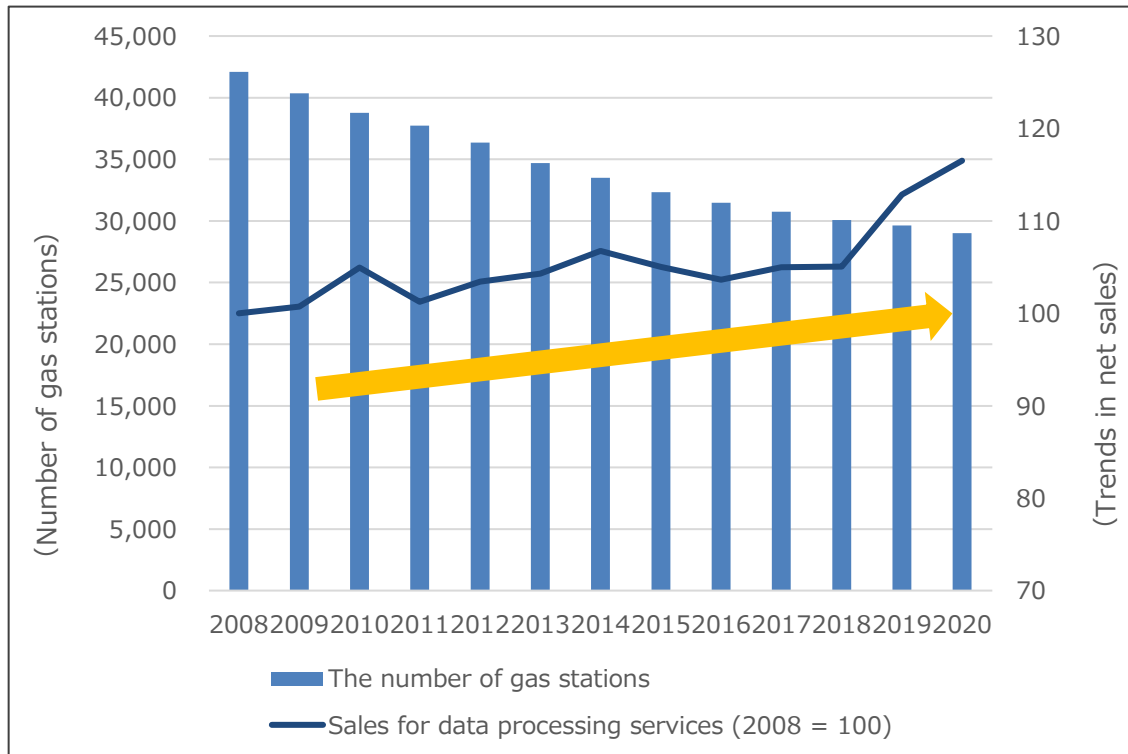


- Sales increased for data centers and cloud services due to greater use of data centers by communications companies.
- Data processing was also solid due to the recovery of economic activity, as well as commissioned settlement at gas stations.

Data center and cloud services (Part of information processing business)



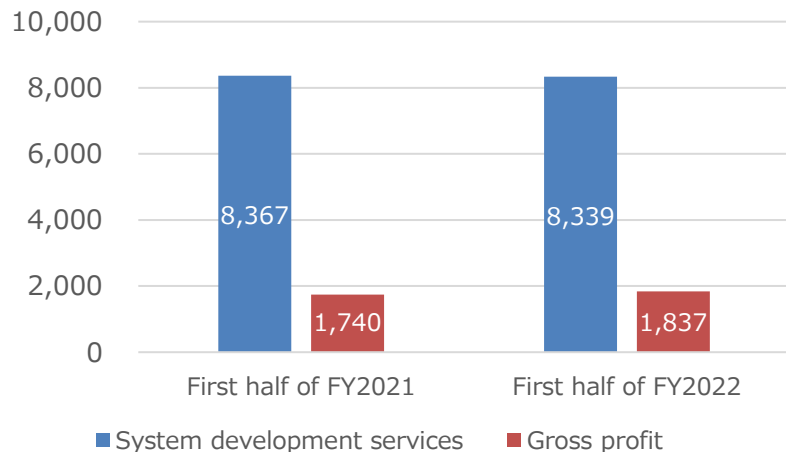
Although the number of gas stations is declining, sales remain on an upward trajectory.



- Maintain number of gas station customers
 - Promote sales at bases nationwide
 - Increase in new payment settlement for large stations with special contracts (transactions between special contract stations, processing over a wide area, etc.)
- Increase in wholesale sales processing for petroleum
 - Increase in service menu (address new needs, such as cashless services and increase in point usage)

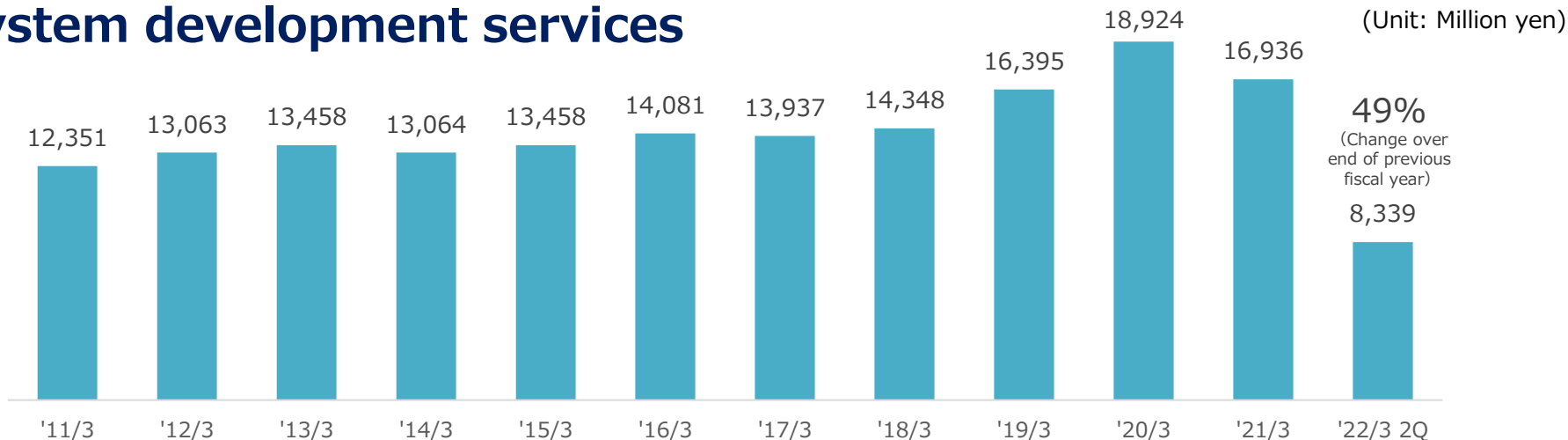
Reinforce foundation as stock business

System development services Net sales · change in gross profit



- Software investment demand was strong before the COVID-19 pandemic and trends at solid levels.
- Development steadily recovered thanks to success in reinforcing the system tailored to each industry and favorable assessments of expertise and technological capacity in the financial, distribution, and communications service industries and others. Sales declined due to delays in starting new development projects and the impact of large projects that contributed to Q1 of FY21 and were subsequently cancelled.
- Gross profit increased over the previous year due to a decline in cost of sales attributable to improvements in staff operating efficiency in system development services.

System development services



(Unit: Million yen, %)

	End of fiscal year ended in March 2021		First half of FY2022		Change over end of previous fiscal year	
	Amount	Constituent ratio	Amount	Constituent ratio	Amount of change	Rate of change
Current assets	10,561	32.9	9,436	29.7	(1,124)	(10.6)
Non-current assets	21,494	67.1	22,348	70.3	853	4.0
Total assets ①	32,056	100.0	31,785	100.0	(271)	(0.8)
Current liabilities	8,625	26.9	8,910	28.0	285	3.3
Non-current liabilities	7,218	22.5	5,975	18.8	(1,243)	(17.2)
Total liabilities ②	15,843	49.4	14,886	46.8	(957)	(6.0)
Net assets ③	16,212	50.6	16,898	53.2	685	4.2
Total liabilities and net assets	32,056	100.0	31,785	100.0	(271)	(0.8)

(Major factors)

- ① 1,152 million yen decrease in cash and deposits, and 909 million yen increase in investment securities due to valuation reappraisals and other factors.
- ② Long-term borrowings decreased by 1,328 million yen and other current liabilities rose by 276 million yen.
- ③ Retained earnings increased by 82 million yen and the valuation difference on other investment securities rose by 608 million yen.

inet Cash flow statement (consolidated)

(Unit: Million yen, %)

	First half of FY2021	First half of FY2022	Change over previous year
	Amount	Amount	Change
Cash flow from operating activities	1,154	① 1,423	269
Cash flow from investing activities	(1,167)	② (861)	305
Cash flow from financing activities	(633)	③ (1,714)	(1,081)
Change in cash and cash equivalents	(646)	(1,152)	(506)
Balance of cash and cash equivalents at beginning of period	3,083	4,027	944
Balance of cash and cash equivalents at end of period	2,436	2,875	438

(Major factors)

① Increase: Profit before income taxes and minority interests totaled 1,088 million yen, retained earnings from depreciation added 906 million yen, and trade receivables increased by 354 million yen, among other factors.
Decrease: 443 million yen payment for corporate taxes, etc.

② Expenditures of 369 million yen due to acquisition of tangible fixed assets mainly for expansion of data center facilities to accommodate large-scale orders for existing customers, as well as 376 million yen in expenditures for the acquisition of intangible fixed assets such as I-NET's own package development

③ 1,266 million yen decrease in interest-bearing debt; 382 million yen payment of dividends

(Unit: Million yen, %)

	First half of FY2021	First half of FY2022	Change	Forecast of FY2022	Progress rate
Net sales	14,884	14,935	50	32,500	46.0%
Operating profit	829	986	156	2,330	42.3%
Ordinary profit	854	1,095	241	2,330	47.0%
Profit attributable to owners of parent	372	715	342	1,600	44.7%

(Full-year forecasts)

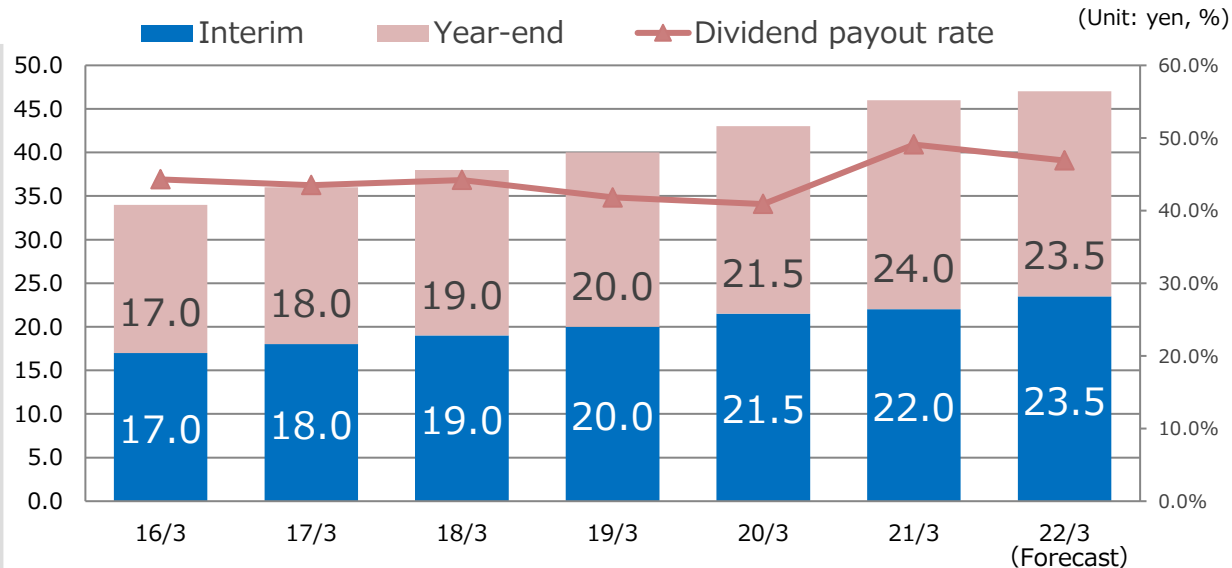
- We expect the data center and cloud service business to remain solid.
- System development will recover steadily in the financial, distribution, and communications service industries and other. There have been delays in launching new development projects, but the number of sales talks has increased and we will work to make up for this lag.
- Recovery in sales will absorb the increase in SG&A expenses.
- The increase in net income was due to the absence of the extraordinary loss posted in Q1 of the previous fiscal year.
- We aim to achieve our full-year forecasts by utilizing the strengths of our balanced business portfolio.



2. Dividend Policy

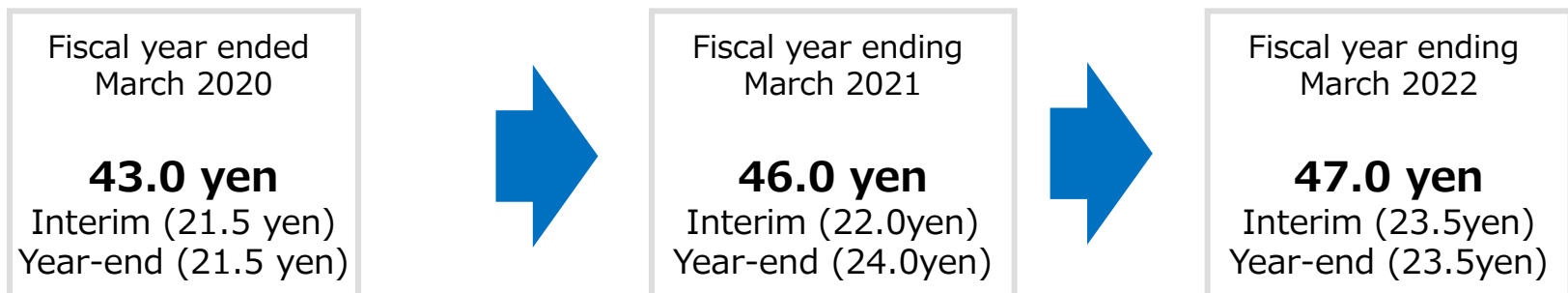
《Dividend Policy》

Continue with stable dividends while retaining earnings to prepare for future capital demand



*We carried out a stock split on October 1, 2016, but actual dividends (estimates) are noted here (without adjusting for the impact of the stock split).

Plans for annual dividends per share (**tenth straight year of dividend increases planned**)



*April 2021 was the 50th anniversary since founding. We raised our dividend and also pay a special end-of-year commemorative dividend of ¥2 as a thank you to our shareholders.



3. Initiatives in Medium-term Management Plan (FY2020-FY2022)

Business strategy plan

Investment strategy plan

ESG initiative plan

Please see our home page for details of the medium-term management plan announced in May 2019.

<https://www.inet.co.jp/ir/policy/mid-goal.html#contents>

(Unit: Million yen, %)

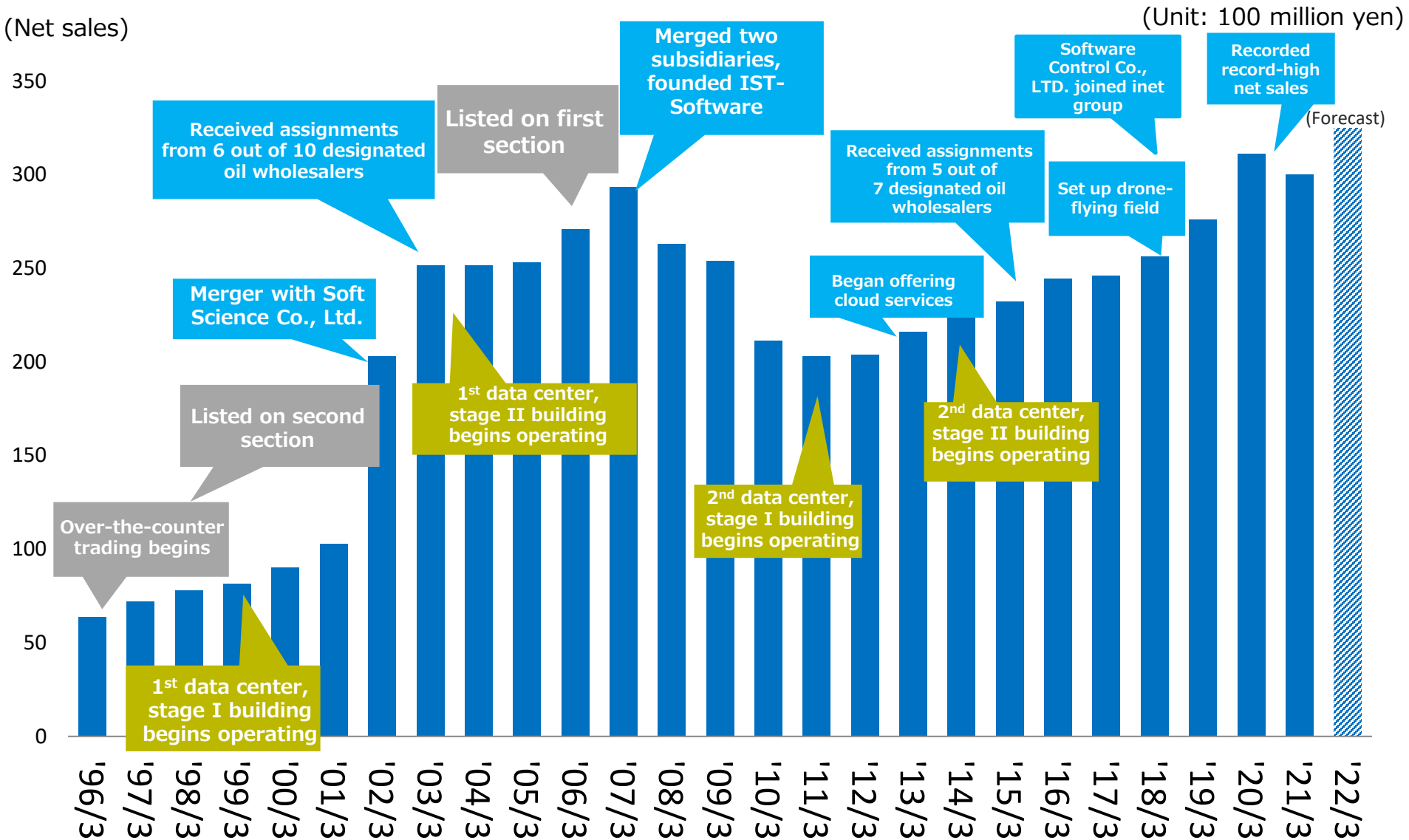
		First year of medium-term Management Plan	Second year	Final year	
	FY2019	FY2020	FY2021	FY2022	
	Results	Results	Results	Plan	Change over previous year
Net sales	27,591	31,097	30,016	32,500	8.3%
Operating income	2,345	2,501	2,155	2,330	8.1%
ROE	10.9%	11.3%	9.5%	10.0%	0.5%

Status in first and second years

- Gains in sales and profit for ninth straight year in first fiscal year
- Throughout the duration of the medium-term plan, data center and cloud services have been strong.
- The decline in sales in the second year was primarily due to adjustments to customers' system development investments as a result of the spread of COVID-19.

Plans for final year

- Strengthen engagement with customers (expand contact with more customers, establish back-up system for new transactions)
- Reinforce IT services for the "new normal" era, starting with contactless and non-face-to-face services
- Improve products and services for IoT, AI, big data, cashless, telework, etc.
- Strengthen promotion of cloud services



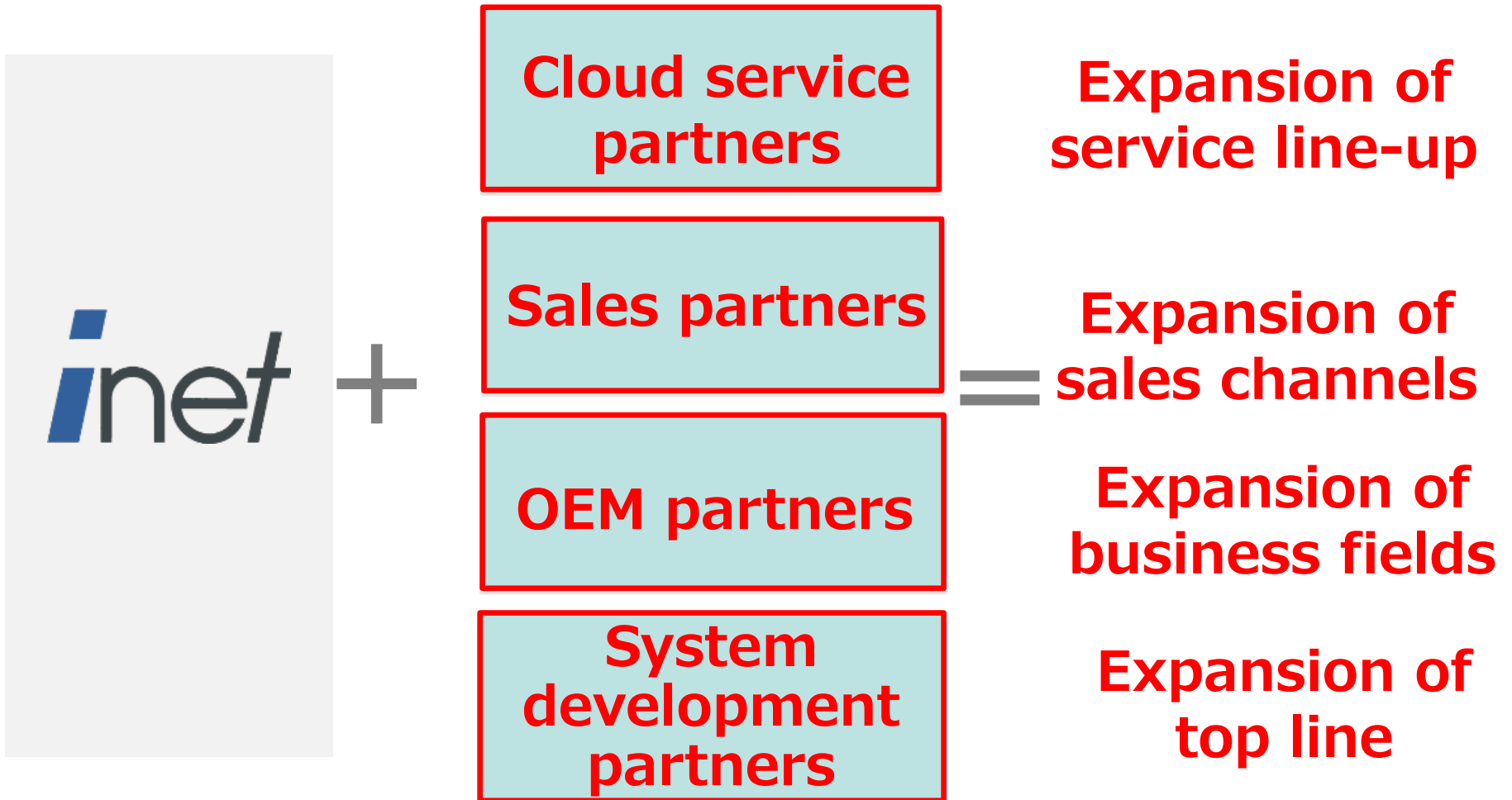


3. Initiatives in Medium-term Management Plan (FY2020-FY2022)

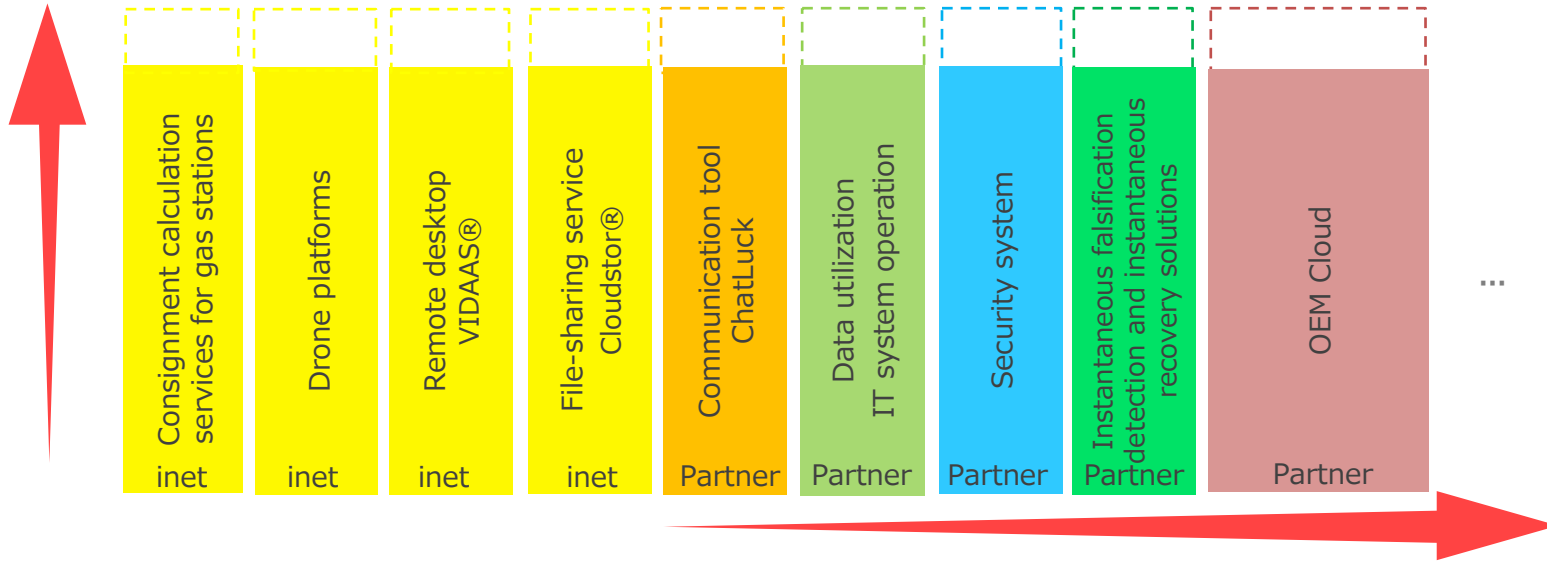
Business strategy plan

Investment strategy plan

ESG initiative plan



Turning Cloud Foundation (NGEC) and Apps into service as **platformer**



Next Generation
EASY Cloud®

Cloud partner • OEM partner

About 20 companies. NEOJAPAN Inc., UNIRITA Inc., DENSAN CO.,LTD. WorkVision Corporation., etc.

Distribution partner

About 10 companies. RICOH Group, FUJITSU Group, etc.

Various new initiatives suited for the “new normal”



Workstyle reforms and lifestyle

- A support desk for the promotion of telework tools has been set up, and remote desktops and other measures are provided.
- Security measure services were reinforced (networks, Endpoint, etc.)
- Measures to avoid contact and crowded spaces (service to analyze data on the 3Cs—crowded places, close-contact settings, confined spaces—cashless payment, etc.)



Data and AI

- Expanded field of data science and AI business
- Strengthened initiatives utilizing image analysis and satellite data



Fintech

- Strengthened development compatible with cashless systems and points in line with new needs
- Package update development based on open source and cloud compatibility



5G

- Local 5G and high-speed data communication contributing to improved public services for communities, etc.

Joint company established on October 1, 2021 to improve operational efficiency and raise digital staff

Company name	ENEOS Digitnet Co., Ltd.
Date of establishment	October 1, 2021 (Established by incorporation-type company split from ENEOS)
Headquarters	Naka-ku, Yokohama, Kanagawa Prefecture (27 th floor, Nisseki Yokohama Bldg.)
Representative	Kouji Ikeda, President and director
Capital	10 million yen
Equity	ENEOS 80%, I-NET 20% (※)
Business	Sales-related operations commissioned by ENEOS

(※) I-NET applies the equity method.

Objectives

- (1) More efficient operations by actively utilizing digital technology (such as RPA)
- (2) Compilation of information on new technology and consideration and demonstration of adoption of this technology in operations
- (3) Training of digital personnel

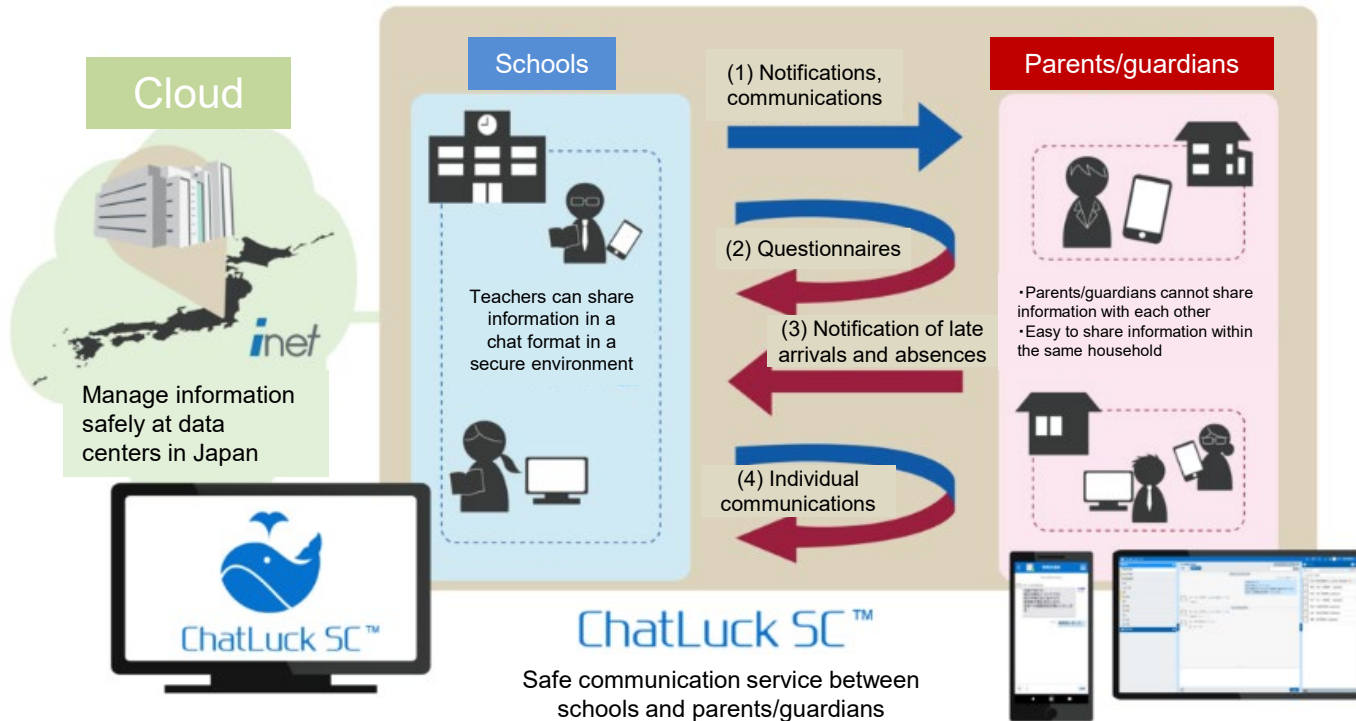
WorkVision (formerly Toshiba Solutions Sales Company) has begun providing WorkVision® Cloud, a fully managed cloud service using Next Generation EASY Cloud®, I-NET's cloud platform. This provides DX support for small- and mid-sized companies as a cloud platformer.



We will focus on this service going forward as a growth driver

- A wide-ranging service lineup is available, including IaaS, DaaS, SaaS and collocation services.
- Possible to propose services tailored to customer needs, particularly in industries (wholesale industry and public services) and operations in which I-NET is particularly strong
- Provide sales tools such as proposals and share expertise in making proposals acquired over many years in cloud service sales
- Augment support system, such as holding study sessions for those in charge of sales and visiting customers with proposals.
- Possible to use I-NET's foundation and increase I-NET's service lineup

Start of sales of ChatLuck SC™ as a safe, inexpensive and easy-to-use communication tool between schools and parents/guardians, began as a joint operation with NEOJAPAN Inc. as a cloud service



Merits

- ① Notifications and communications can be sent out for an entire school as well as between teachers and staff
- ② Higher operating efficiency for teachers and staff (saves on labor when responding to phone calls, promotes workstyle reforms and DX)
- ③ Affordable introduction and maintenance fees

...etc.

3. Initiatives in Medium-term Management Plan (FY2020-FY2022)



Business strategy plan

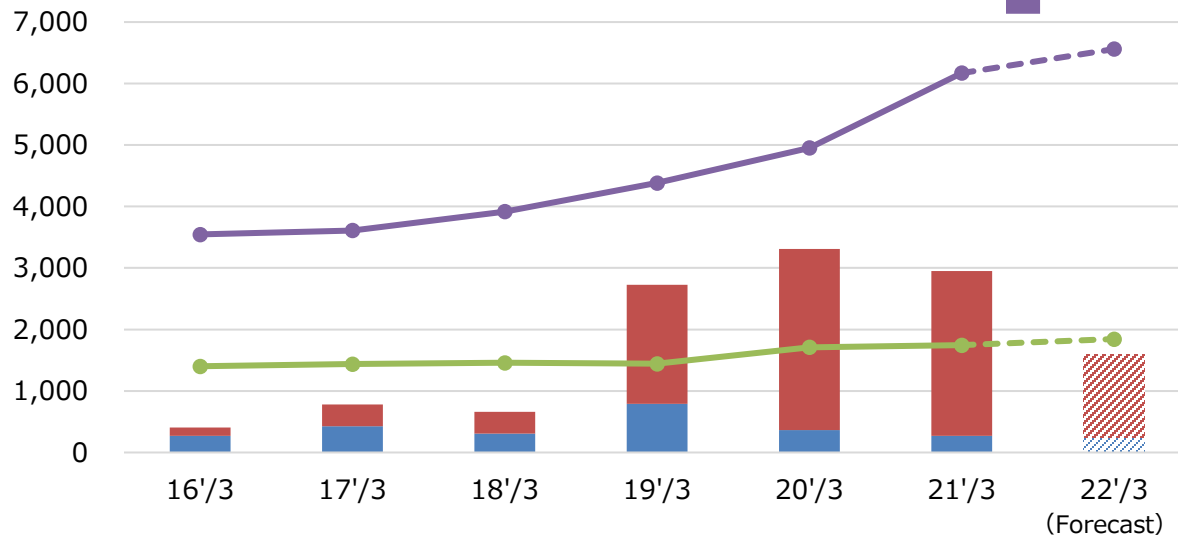
Investment strategy plan

ESG initiative plan

- Capital investment was centered on data centers, which are the core of the Company's services. We will augment facilities on an ongoing basis together with customers' use of the data centers.
- Data center and cloud sales are steadily increasing.
- We expect the peak for total investments to have been reached in the fiscal year ended in March 2020.
- Depreciation costs are expected to be roughly flat in the near term.

(million yen)

Trends in capital investment



■ Capital investment (other)
● Depreciation costs

■ Capital investment (DC expansion)※Estimate
● DC and cloud sales

Employees (Consolidated)

	April 2017	April 2018	April 2019	April 2020	April 2021
Employees	1,397	1,413	1,675*	1,676	1,726
New graduate hires	74	77	86	98	117
Mid-career hires*	23	20	22	23	28

※April 2019: An increase of 241 due to the consolidation of Software Control within the Group.

Mid-career hires

- Employees using cutting-edge IT technology, such as data scientists
- Active hiring of employees in specialized fields such as space development

Human resource training

Implementation of training tailored to career steps

- Training for new hires → Extensive support for a year
- Training for young employees by year → Training by entry year is carried out every year
- Training for management positions → Management training for newly appointed managers
- Management cram school → Special training to educate future class of managers
- In addition, many training sessions by theme, such as “strengthening management” and “diversity,” are held.

3. Initiatives in Medium-term Management Plan (FY2020-FY2022)



Business strategy plan

Investment strategy plan

ESG initiative plan

【Promotion of employment for disabled people】

『I-NET Data Service』

A special subsidiary was established (authorized by Minister of Health, Labour and Welfare) with the aim of providing a place in which disabled people can thrive and receive support in living independently.

自立そして自律



■ Primary operations



Data entry



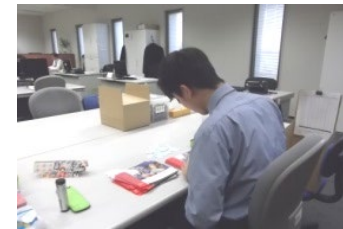
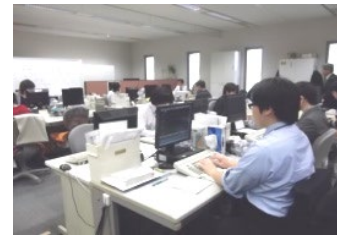
Light work



Scanning



Preparation of business cards, etc.



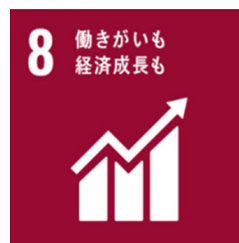
The company was established in April 2009 as a specially designated subsidiary wholly owned by I-NET with the aim of increasing employment opportunities for disabled persons and contributing to the society and community.

Together with I-NET Data Service, the Group's special subsidiary for the employment of disabled persons, I-NET has expanded a new service for the reliable deletion and destruction of data before the industrial disposal of hard discs on PCs, servers and other systems

Magnetic destruction Physical destruction



1. Operations are carried out at I-NET Data Service, which has an office within I-Net's data center
2. The risk of data leaks can be eliminated since the PCs and servers entrusted to I-NET can be processed completely without leaving the data center.



Joint development of a motor learning support app Spotec by IST Software, a Group company, Hisashi Mizutori (Director of the Men's Reinforcement Division of the Japan Gymnastics Association) and Shingo Miki (Asst. Professor at Osaka Ohtani University)

What is Spotec?

Key features

- ◆ All skills listed in the gymnastics section of the Ministry of Education's curriculum guidelines are recorded
- ◆ Students' skills are managed as data
- ◆ A model video and explanation can be viewed on a smartphone anytime, anywhere
- ◆ Evaluations and advice from instructors through smartphones
- ◆ Points can be accrued for activities on the app, increasing motivation

By utilizing ICT for sports, IST Software is supporting initiatives encouraging exercise and helping to improve capacity and healthy children-rearing.



In January 2020, I-NET's regional development foundation was authorized as a public interest corporation. By carrying out long-term and stable activities and supporting activities that contribute to the development of a better local community, we are implementing ESG activities and giving back to society.

I-NET's regional development foundation,
a public interest corporation



The foundation carries out the following projects in the Kanagawa Prefecture region.

- ① Projects to support and provide subsidies or to assess and award the sustainability and activities of organizations that carry out activities related to the following activities
 - Sound training and education of children and youth
 - Sound mental and physical development through sports
 - Improve public sanitation
 - Environmental conservation and infrastructure
 - Sound development of local community
- ② Projects needed to achieve other objectives with public benefit

Result

FY2020: 13 organizations

FY2021: 14 organizations

FY2022: 22 organizations

*I-NET's regional development foundation was established by Noriyoshi Ikeda, I-NET's founder and chairman of the board, to provide support and advice on sustainable activities for organizations carrying out activities contributing to society in Kanagawa Prefecture (activities aimed at providing public benefit).

Link for foundation's website
<https://www.inet-found.or.jp/>

【Cheering on Working Moms】

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利用案内について | 子ども・子育て
支援新制度について

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から探す | 施設名
で探す

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育児に、仕事に、
頑張るママを応援します！

横浜市内の保育園を探す

区から探す

路線
から探す

施設名
で探す

検索

検索

検索

Support Team for Working Mothers was set up and is run as a search site for childcare centers that uses open data for Yokohama City.

- Daycare facilities in Yokohama can be easily searched by ward, train line and name of facility.
- A wide variety of information is available, including the type of daycare facility, usage, support programs for children and childcare and local support centers for childcare.

White 500
(certified for third
straight year)



Primary initiatives on health

- Declare health management
- Under a Chief Health Officer (CHO), the HR division, health support office and health insurance union work together.

※See here for details.



Y-SDGs*
(Certified as “superior,”
a high rank)

横浜市SDGs認証制度

Y-SDGs
– superior –



Overview

Among the categories of region, society, environment, and governance, we earned a particularly high assessment for regional aspects.

We will continue to focus on initiatives addressing SDGs.

※Y-SDGs is Yokohama City’s system for certifying companies working to achieve SDGs, and evaluates companies in 30 areas and the four categories of environment, society, governance and region. Based on their initiatives, companies are classified as either supreme, superior or standard.



These materials were prepared on the basis of information that is currently available, and actual performance may differ from forecasts due to a range of factors. We ask for your understanding.

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Please contact the company with any inquiries.

Corporate Strategy and Investor Relations

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E-Mail contact_ir@inet.co.jp

URL <https://www.inet.co.jp>



Introduction (Overview of Company)

inet Overview of Company (as of April 1, 2021)

- Trade name: I-NET Corp.
- Founded: April 22, 1971 (50th anniversary)
- Headquarters: 3-3-1 Minatomirai, Nishi-ku, Yokohama
- Capital: 3,203 million yen
- Founder: Noriyoshi Ikeda, Founder Supreme Adviser
- Representative Director and Executive President: Mitsuru Sakai
- Subsidiaries: IST-Software Co., Ltd.
Software Control Co., Ltd.
I-NET DATA SERVICE CORP.
- Number of employees: 1,726 (consolidated) 1,012 (non-consolidated)
- Offices, branches and data centers
Tokyo office, Sapporo branch, Sendai branch, Chubu branch, Osaka branch, Chu-Sikoku Branch, Fukuoka branch, No. 1 Data Center, No. 2 Data Center



inet Overview of Company (as of April 1, 2021)

inet I-NET Corp.

Capital: 3,203 million yen
Consolidated employees:
1,726
Non-consolidated
employees: 1,012

Business:
Information processing
services
System development
services
Product sales

Wholly owned
consolidated
subsidiary

ist IST-Software Co., Ltd.

Capital: 608 million yen
Employees: 468

Wholly owned
consolidated
subsidiary



Software Control Co., Ltd.

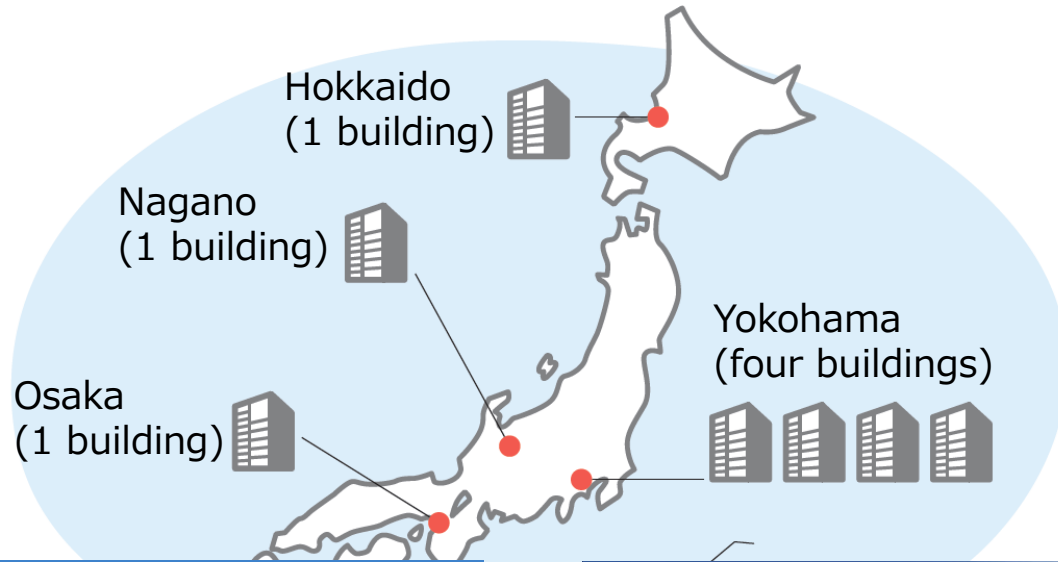
Capital: 54 million yen
Employees: 246

100% non-
consolidated special
subsidiary company

I-NET DATA SERVICE CORP.

Capital: 9 million yen
Employees: 23

Data center services



No. 1 Data Center
(Yokohama)

Total floor area of about 9,000 m²



No. 2 Data Center
(Yokohama)

Total floor area of about 13,000 m²

Cloud services

Wide range of cloud services developed at data centers

Telework support

Remote desktop **VIDAAS**[®]
Private Cloud Desktop as a Service

Business chat **ChatLuck**

File sharing **Cloudstor**[®]
Private Cloud HDFS Storage Service

Other Cloud services

Business card management 名刺情報管理サービス
名刺バンク

Cloud infrastructure **EASY Cloud**[®]

We have provided data processing services for gas stations (SS) nationwide since founding.



Top-ranking share of the domestic market

Support SS at seven branches nationwide (Sapporo, Sendai, Tokyo, Nagoya, Osaka, Chugoku & Shikoku, Fukuoka)
We have a relationship with about 30% of all SS based on over 50 years of results

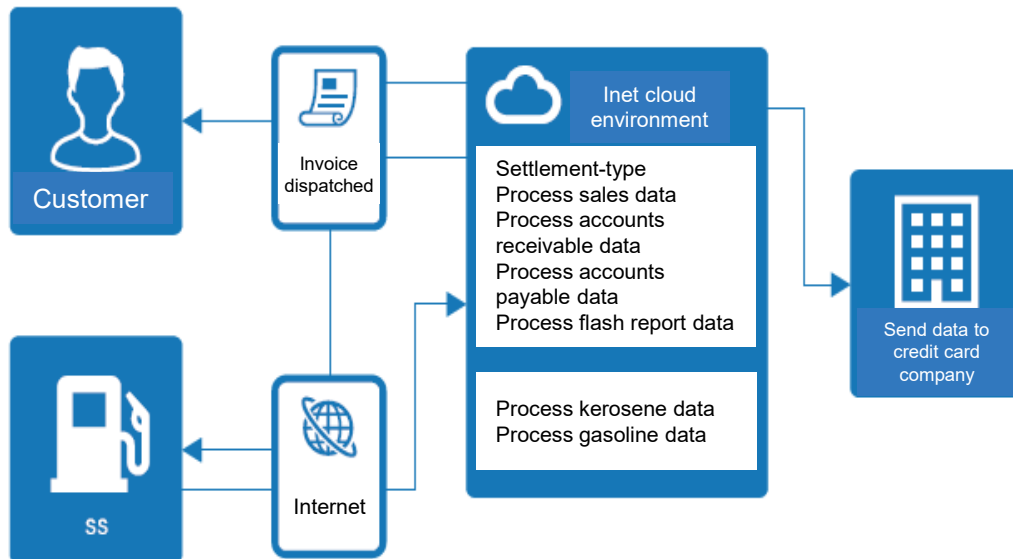
Designated as a processing agent by wholesalers and trading firms

We provide account / credit processing systems for SS affiliated with oil wholesalers (ENEOS, Idemitsu Showa Shell, Kygnus Sekiyu, Taiyo Oil) and trading companies (Itochu Enex, Mitsubishi Corporation Energy, Marubeni Energy, San-Ai Oil)

Stock business supporting many years of growth

Our petroleum sales settlement service has a long track record and is used by many SS, generating stock growth through monthly fees

(Overview of processing services)



- Support for building wholesaler settlement systems
- Credit processing
- Support for building wholesaling systems
- Support for building gas systems
- Settlement systems support, etc.

Expanding stock business

- Developed public-sector card system
- Service for propane gas business
- inet Hikari

We support the digital transformations of many customers through the trusting relationships we have built up over the years in fields such as operational application development, package software development, data services, AI services, embedded control systems, and space development.



Finance



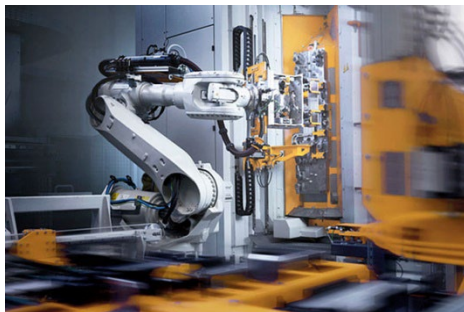
Petroleum and gas



Retail and distribution



Space



Manufacturing



Architecture and real estate



Railways and transportation infrastructure



Medicine

Align range of services with customers' businesses and develop into stock business centered on cloud data centers

