



Summary of Supplementary Briefing Materials for the Year Ended March 31, 2020

The briefing on the earnings results for the year ended March 31, 2020 has been cancelled as a measure to prevent the spread of the novel coronavirus.

We have added explanatory notes to these supplementary briefing materials on earnings results as a summary to enable institutional investors and analysts to gain a better understanding of the Company.



1. Introduction (Overview of Company)
2. Overview of Earnings in Fiscal Year Ended March 2020
3. Initiatives in Medium-term Management Plan
4. Full-year Earnings Forecasts



## 1. Introduction (Overview of Company)

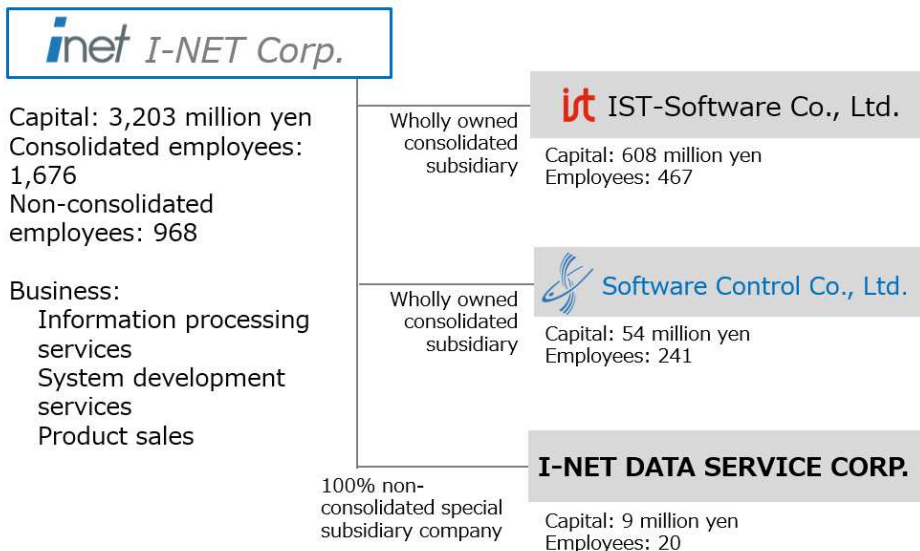
## **inet** Overview of Company (as of April 1, 2020)

- Trade name: I-NET Corp.
- Founded: April 22, 1971
- Headquarters: 3-3-1 Minatomirai, Nishi-ku, Yokohama
- Capital: 3,203 million yen
- Founder: Noriyoshi Ikeda, Chairman of the Board
- Representative Director and Executive President: Mitsuru Sakai
- Subsidiaries: IST-Software Co., Ltd.  
Software Control Co., Ltd.  
I-NET DATA SERVICE CORP.
- Number of employees: 1,676 (consolidated) 968 (non-consolidated)
- Offices, branches, data centers and overseas offices  
Tokyo office, Sapporo branch, Sendai branch, Chubu branch, Osaka branch, Chu-Sikoku Branch, Fukuoka branch, No. 1 Data Center, No. 2 Data Center  
Singapore Representative Office



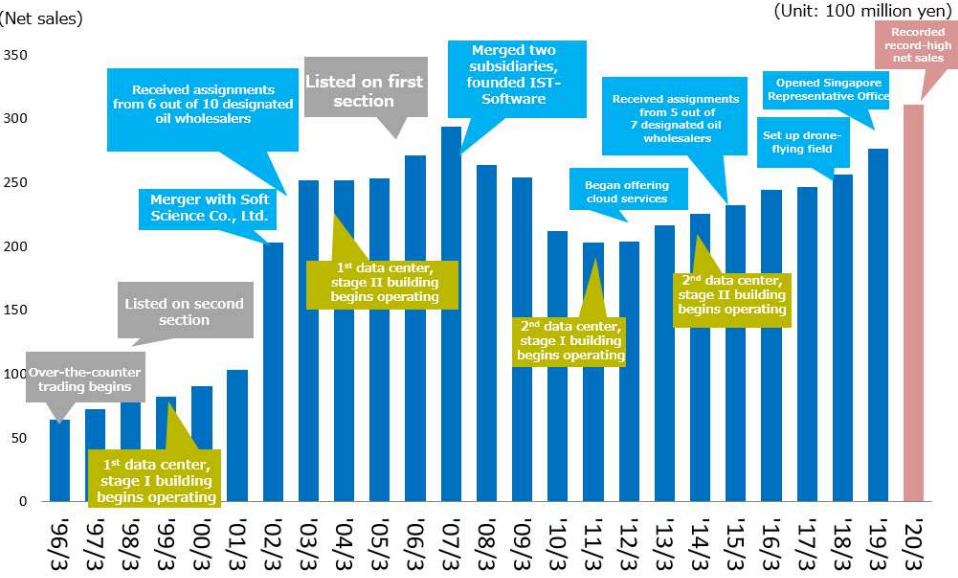
Established in 1971, we will attain the 50<sup>th</sup> anniversary of our founding in this fiscal year. The company has capital totaling 3,203 million yen, with headquarters located in Minato Mirai, Yokohama. The company has 1,676 employees on a consolidated basis, and 968 on a parent-only basis.

**inet** Overview of Company (as of April 1, 2020)



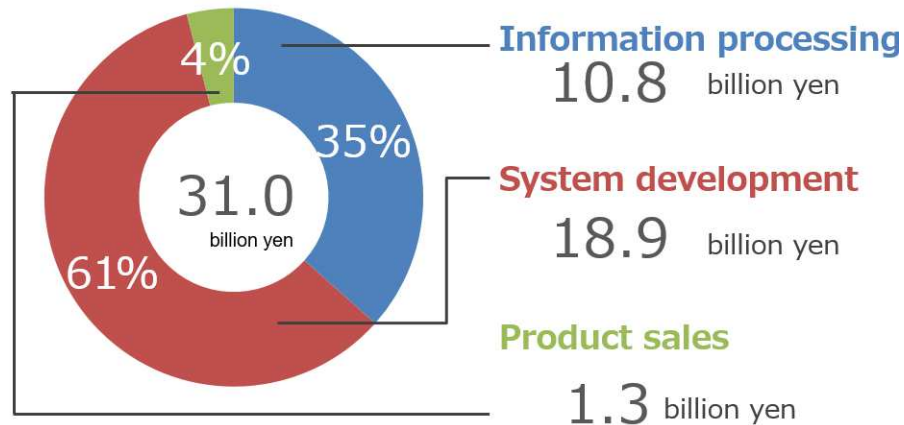
This diagram shows an overview of the I-NET Group's structure. In October 2018, the Group grew with the addition of Software Control Co., Ltd. as a consolidated subsidiary.

# inet History (Over-the-counter trading to present)



I-NET was established as an information processing service company in 1971, and initially our operations consisted primarily of data processing services for gas stations. Subsequently, the scope of our operations expanded to include account settlement in the financial industry, such as credit card companies, as well as in the retail industry and other sectors. In 1991, we began offering system development services, and we currently operate in a wide range of areas, from finance, logistics services, and oil and gas to the space development business. In 1995, we began over-the-counter trading of our stock, and in 2006 we were listed on the First Section of the Tokyo Stock Exchange. Greater need for services to safeguard data encouraged us to build our own data center in 1998, and in 2009 and 2014 we began operating cutting-edge cloud data centers, and were at the forefront of the industry in developing our data center and cloud businesses. In 2017, we opened a drone-flying field and began working on our drone business in earnest. We are also proactively engaged in new fields such as AI and data analytics. The achievements we have built up over 50 years resulted in sales of 30 billion yen in the fiscal year ended in March 2020, for the first time since our founding. With the objective of achieving further growth going forward, in this same year, we opened a representative office in Singapore with the aim of carrying out a market survey of the Southeast Asian market, where growth has been impressive. We will continue to aggressively work toward growth with the aim of expanding the scale of our businesses and raising corporate value.

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



\*Net sales as of the fiscal year ended in March 2020  
©2020 I-NET CORP.All rights reserved [www.inet.co.jp](http://www.inet.co.jp) 7

I-NET provides integrated services that encompass every step from planning and developing information systems to operations, repair and maintenance after operations have begun. These services are managed as a single business. Business services are divided into three categories: information processing, which refers to the administration, handling and processing of the systems and data customers have entrusted to us; system development, which refers to the process from system design to development, tailored to customer needs; and product sales, which sells the POS and network equipment servers needed to provide information processing services and system development services.

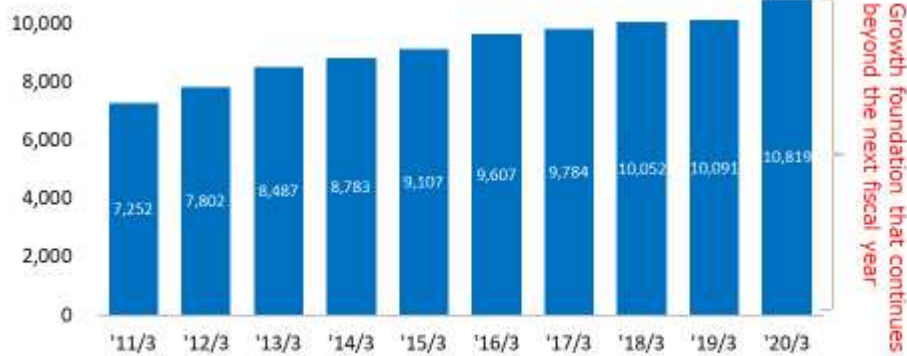
System development accounts for most of the Group's business, with information processing accounting for about 50% of I-NET's business on a parent basis.



## Achieving stable growth by expanding the recurring revenue business

Definition	Merits	Examples
<ul style="list-style-type: none"><li>• Business that generates net sales at a <b>fixed amount every month</b></li><li>• Business with contracts that continue <b>beyond the next fiscal year</b></li></ul> <b>Recurring revenue business</b> <ul style="list-style-type: none"><li>• <b>information processing services</b></li></ul>	<ul style="list-style-type: none"><li>• <b>Growth foundation</b> built up with ongoing net sales</li><li>• <b>High profitability (most recent Gross profit was 25%)</b></li><li>• Increase in net sales and income per person</li></ul>	<ul style="list-style-type: none"><li>• <b>Cloud services</b></li><li>• <b>Data center services</b></li><li>• SS commissioned settlement (gas stations)</li><li>• Printing and inserting</li></ul>

Trends in net sales for recurring revenue business over past 10 years (consolidated) (Unit: Million yen)



©2020 I-NET CORP. All rights reserved.

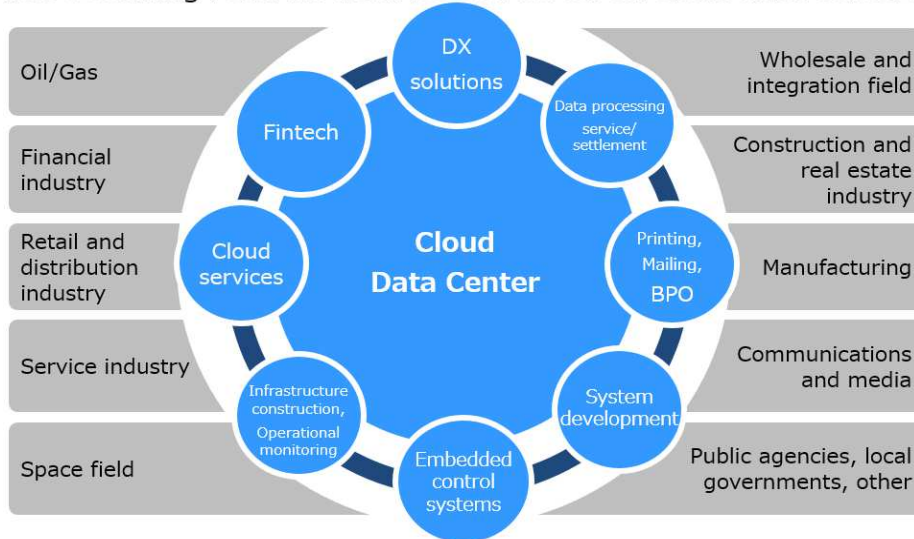
www.inet.co.jp

8

Data centers and cloud services, our mainstay businesses, and commissioned settlement services for gas stations – which is our founding business – are recurring revenue businesses, or cumulative businesses. Once we have finalized a contract, we receive user fees every month at a set amount, and this continues annually. This very solid foundation allows I-NET to sustain stable growth, and since our founding we have continued to expand this stock business.



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



This is a diagram of our business model. With our cloud data center, shown in the middle of the image, as the axis, we link a range of services in line with the businesses of a wide variety of customers and expand them as recurring revenue businesses. Providing services to customers in such a diverse range of industries and sectors leads to stable management for I-NET, allowing us to grow stably without being affected significantly by the ups and downs of customers and industries. By providing a range of services, rather than just a single service, we are more convenient for customers. From our perspective, sales and income increase, creating a barrier to entry for other companies. Our strength is that we can offer one-stop IT services of all kinds to customer businesses in a wide range of industries. We are not limited to system development, nor do we specialize in data centers; we build systems and operate them and everything in between, as well as offering various cloud services. In addition, we print invoices and various kinds of ledgers and ship out inserts. In this way, we aim to provide services that cover the entire IT process at a high level of security, thus setting I-NET apart from other companies.

### Data center services

©2020 I-NET CORP. All rights reserved

### 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

Business card management service

**名刺バンク**

Cloud infrastructure

Next Generation  
**EASY Cloud**

10

We are currently focusing on data center services and cloud services, and were the first in the industry to devote our resources to these businesses. We have four of our own data centers in Yokohama. In addition, we have affiliations with data center companies in Hokkaido, Nagano and Osaka, and take reciprocal back-up measures as well as disaster preparedness steps.

As shown on the right of the slide, we are also involved in providing cloud services using our data centers. Recently, we have developed a remote desktop, business chat, and file sharing software, among other tools that are effective for telework support, and inquiries have also been steady.



The uppermost diagram explains the SS business (gas station business). Accounts are generally settled at gas stations using cash, credit cards, and sales on credit, and of these, our company offers settlement services for credit card and credit sales. In the case of credit cards, the card payment goes through centralized processing at our data center. We calculate credit sales data for gas stations, and prepare and send out invoices at the end of the month. We currently have an approximately 33% share of this business, which is the highest in Japan.

As shown in the middle, we provide a range of printing/enclosing and sealing/mailing services such as printing and mailing of the aforementioned gas station invoices, as well as credit card statements, tax notices and election campaign postcards. We are closely involved in making all kinds of documents that are an integral part of your lives. While pay statements, credit card statements and other documents are increasingly being provided as e-statements in recent years, needs are still high for this service since direct mail is more likely to leave an impression and have an effect in paper form. We also handle call center operations and BPO operations, such as the receipt of data entry cards.

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.



Retail and distribution



Finance



Medical



Petroleum and gas



Public agencies and local governments



Space



Communications



Manufacturing



Construction and real estate



Railways

Next, in our system development service, we design and build systems for many customers in a wide range of areas, thanks to the trusting relationships built over a long period in retail and distribution, finance, medical, manufacturing, and construction and real estate. We are unique in that we have been involved with the space development sector since the launch of the geostationary meteorological satellite Himawari in 1977, and are developing man-made satellites and operating international space stations.



## 2. Overview of Earnings in Fiscal Year Ended March 2020

**inet** Overview of Earnings in Fiscal Year Ended March 2020 (consolidated)

(Unit: Million yen, %)

	Fiscal year ended March 2019		Fiscal year ended March 2020		Change over previous fiscal year	
	Amount	Percentage	Amount	Percentage	Change	Rate of change
Net sales	27,591	100.0	31,097	100.0	3,505	12.7
Cost of sales	21,005	76.1	24,000	77.2	2,995	14.3
Gross profit	6,586	23.9	7,096	22.8	510	7.7
Selling, general and administrative expenses	4,240	15.4	4,594	14.8	354	8.4
Operating income	2,345	8.5	2,501	8.0	155	6.6
Ordinary income	2,347	8.5	2,531	8.1	183	7.8
Net income attributable to parent	1,521	5.5	1,672	5.4	150	9.9
Income per share (yen)	95.7	—	105.1	—	9.4	9.8

Record high

Record high

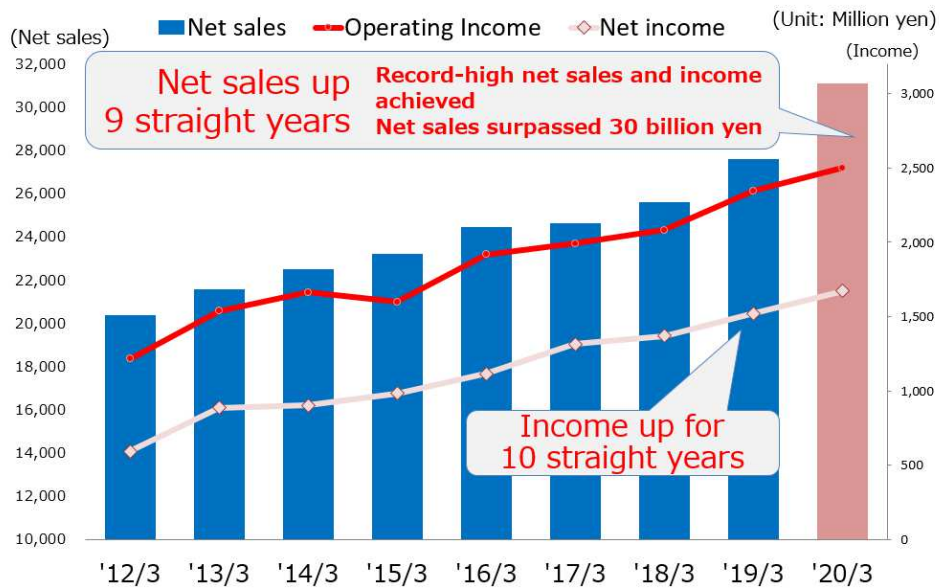
©2020 I-NET CORP. All rights reserved

www.inet.co.jp

14

This slide shows our income statement. The table compares the fiscal year ended in March 2020 and the previous fiscal year. Net sales increased 12.7% over the previous year to 31,097 million yen, operating income rose 6.6% to 2,501 million yen, ordinary income increased 7.8% to 2,531 million yen and net income attributable to owners of parent rose 9.9% to 1,672 million yen. Both sales and income increased at growth rates exceeding those of the previous year, and both sales and income reached record highs.

**inet** Trends in net sales, operating income and net income



©2020 I-NET CORP. All rights reserved

www.inet.co.jp

15

This graph shows trends in net sales, operating income and net income over the past 10 fiscal years. Our efforts to work together as a Group and use our strengths to pursue our business model have reliably yielded results, and we have reached record-high sales. In addition, sales and income have increased every year, and in this fiscal year as well we recorded the ninth straight year of sales gains and the tenth straight year of income gains.

## inet Sales by services category (consolidated)

(Unit: Million yen, %)

		Fiscal year ended March 2019	Fiscal year ended March 2020	Change	
				Amount of change	Percent change
Information processing services ①	Net sales	10,091	10,819	728	7.2
	Gross profit	2,778	2,783	4	0.2
	Ratio of gross profit to net sales	27.5	25.7	(1.8)	-
System development services ②	Net sales	16,395	18,924	2,529	15.4
	Gross profit	3,639	4,136	496	13.6
	Ratio of gross profit to net sales	22.2	21.9	(0.3)	-
Product sales	Net sales	1,104	1,353	248	22.5
	Gross profit	167	176	8	5.4
	Ratio of gross profit to net sales	15.2	13.1	(2.1)	-
Total	Net sales	27,591	31,097	3,505	12.7
	Gross profit	6,586	7,096	510	7.7
	Operating income	2,345	2,501	155	6.6
	Operating margin	8.5	8.0	(0.5)	-

(Main factors)

① Starting with large projects acquired in the previous fiscal year, the use of data centers by existing customers increased steadily. As a result, data center services and cloud services, which have a high profit rate, were strong performers, and sales and income increased.

② With software investment providing a boost, the development of systems for the distribution services industry and others was strong, and the consolidation of Software Control Corporation in October 2018 made contributions, resulting in higher sales and income.

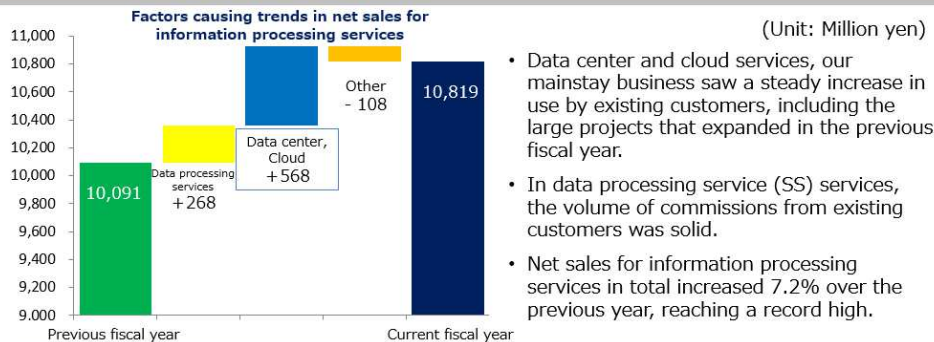
©2020 I-NET CORP. All rights reserved

www.inet.co.jp

16

This table shows sales and income by service category. The information processing business recorded sales of 10,819 million yen, up 7.2% over the previous year, while the gross margin rose 0.2% to 2,783 million yen. Starting with large projects acquired in the previous fiscal year, the use of data centers by existing customers increased steadily. As such, data center services and cloud services, which have a high profit rate, were strong performers, resulting in higher sales and income. Sales in the system development business increased 15.4% over the previous year to 18,924 million yen, and the gross margin rose 13.6% to 4,136 million yen. Not only was the development of systems for the distribution service industry and others strong, but the consolidation of Software Control Co., Ltd. in October 2018 made contributions, resulting in higher sales and income. The product sales business generated 1,353 million yen in sales, up 22.5% over the previous year, and the gross margin was up 5.4% over the previous year, at 176 million yen.





The upper graph shows the factors causing sales trends for the information processing services, which is a recurring revenue business that serves as the foundation for I-NET's growth. In the information processing services, data processing services for gas stations generated a 268 million yen increase, partly due to steady orders from existing customers. Data center and cloud services, to which we have devoted the most resources in the past few years, had a positive impact of 568 million yen due to a steady increase in use by existing customers, as well as large projects acquired in the previous fiscal year. As shown in the lower graph, data center and cloud services have grown into a business in which sales have more than quadrupled as the market has grown over the last 10 years. We plan to continue focusing on this business as a growth driver.

## inet Trends in net sales for system development services

(Unit: Million yen)



- Systems construction for the distribution services industry, such as supermarkets and convenience stores, was a strong performer.
- In addition to the former projects with public institutions, points of contact with private-sector start-up companies are also increasing in the space development field.
- Software Control, which became a consolidated subsidiary in October 2018, contributed to net sales, and the controls area was solid.



©2020 I-NET CORP.All rights reserved

www.inet.co.jp

18

This table shows trends in net sales for the system development services overall. Demand for software investment aimed at enhancing companies' competitiveness has been consistently high, in part because companies are trying to improve the efficiency of operations and address labor shortages, leading to steady sales. More recently, our success in building systems for companies in the distribution service industry, such as supermarkets and convenience stores, the expansion in our involvement not only with the projects of conventional public institutions in the space development field, but also private-sector start-up projects in this field, and contributions from Software Control Corporation, which became a consolidated subsidiary in October 2018, all contributed to sales in this business.

## inet Balance sheet (consolidated)

(Unit: Million yen, %)

	End of fiscal year ended in March 2019		End of fiscal year ended in March 2020		Change over end of previous fiscal year	
	Amount	Constituent ratio	Amount	Constituent ratio	Amount of change	Rate of change
Current assets	9,997	35.1	9,628	32.5	(368)	(3.7)
Non-current assets ①	18,518	64.9	19,960	67.5	1,442	7.8
Total assets	28,515	100.0	29,589	100.0	1,074	3.8
Current liabilities	7,933	27.8	8,407	28.4	473	6.0
Non-current liabilities	6,224	21.8	5,957	20.1	(266)	(4.3)
Total liabilities ②	14,158	49.7	14,365	48.5	206	1.5
Net assets ③	14,357	50.3	15,224	51.5	867	6.0
Total liabilities and net assets	28,515	100.0	29,589	100.0	1,074	3.8

(Major factors)

- ① Property, plant and equipment increased 1,392 million yen, primarily as a result of expansions to data centers.
- ② Short-term borrowings rose 543 million yen and lease obligations fell 284 million yen.
- ③ This resulted from a 1,012 million yen increase in retained earnings, a 12 million yen decrease due to Treasury share disposal; accumulated remeasurements of defined benefit plans fell 85 million yen due to fluctuations in the market share price and valuation differences on available-for-sale securities decreased 73 million yen, among other factors.

This slide shows our balance sheet. Current assets total 9,628 million yen, down 368 million yen compared to the end of the previous fiscal year. Total non-current assets total 19,960 million yen, up 1,442 million yen compared to the end of the previous fiscal year. This was primarily due to a 1,392 million yen increase in property, plant and equipment. Total current liabilities amount to 8,407 million yen, up 473 million yen over the end of the previous fiscal year. Non-current liabilities totaled 5,957 million yen, down 266 million yen over the end of the previous fiscal year. This increase in liabilities was due to a 543 million yen rise in short-term borrowings and a 284 million yen decrease in lease obligations, among other factors.

## inet Cash flow statement (consolidated)

(Unit: Million yen)

	Fiscal year ended March 2019	Fiscal year ended March 2020	Change over previous year
	Amount	Amount	Change
Cash flow from operating activities	3,052	① 3,965	912
Cash flow from investing activities	(3,074)	② (3,872)	(798)
Cash flow from financing activities	17	③ (308)	(326)
Change in cash and cash equivalents	(3)	(216)	212
Balance of cash and cash equivalents at beginning of period	3,303	3,299	(3)
Balance of cash and cash equivalents at end of period	3,299	3,083	(216)

(Main factors)

① Increase: 4,162 million yen from internal reserves due to income and depreciation, 341 million yen increase in accrued consumption taxes

Decrease: 810 million yen payment of income taxes

② 3,332 million yen in expenditures to expand data center facilities following orders for large projects

③ 660 million yen increase in interest-bearing liabilities, 308 million yen in the repayment of lease obligations, and 659 million yen in dividends paid

©2020 I-NET CORP.All rights reserved

www.inet.co.jp

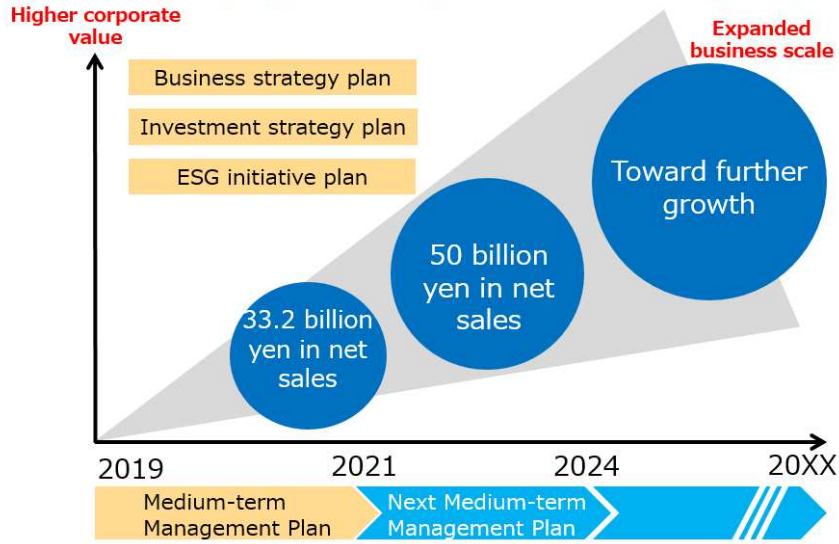
20

This next slide shows our statement of cash flows. Net cash provided by operating activities totaled 3,965 million yen. This can be attributed primarily to a 4,162 million yen increase from income as well as internal reserves due to depreciation and amortization of goodwill, a 341 million yen increase in accrued consumption taxes, and an 810 million yen decrease in income taxes paid. Net cash used in investing activities totaled 3,872 million yen, primarily due to 3,332 million yen in expenditures to expand data center facilities following orders for large projects. Net cash used in financing activities totaled 308 million yen, primarily due to a 660 million yen increase in interest-bearing liabilities, 308 million yen in the repayment of lease obligations, and 659 million yen in dividends paid.



### 3. Initiatives in Medium-term Management Plan (Fiscal 2019-Fiscal 2021 Plan)

~keep growing while changing~



This graph shows the role of the medium-term management plan, which is a three-year plan covering fiscal 2019 through fiscal 2021. The company’s medium- and long-term goals are to expand business scale and raise corporate value, and the plan targets sales of 33.2 billion yen by the plan’s third year (fiscal 2021) and 50 billion yen in sales in six years, or fiscal 2024. The medium-term management plan lays out a business strategy plan, investment strategy plan, a plan for ESG initiatives and an earnings plan.

Strengthen ties  
with customers

**Protect**

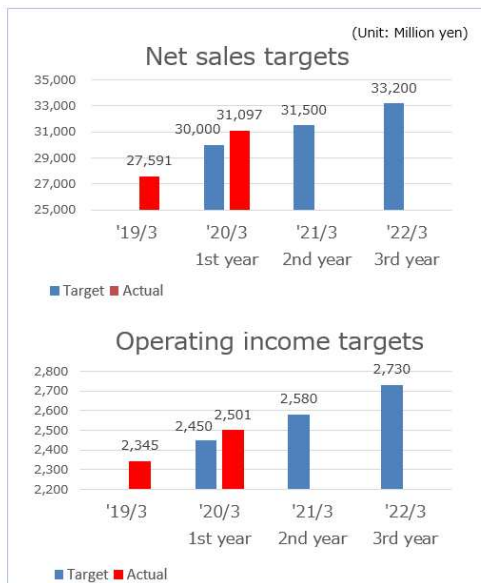


Enter new markets  
and service areas

**Offense**

Ensure that customer comes first  
Proposals with added value  
Develop products and services with growth  
potential  
Invest in human resources

This slide illustrates our approach that forms the base from which we will pursue our business to achieve further growth for the Group. This approach is designated as our management strategy. The Group has pursued its own unique business model that capitalizes on the company's strengths and has continued to achieve stable growth to date. Going forward, we believe the Group's most important issues to be expanding the scale of business and accelerating the speed of growth. The cumulative effect of our business since our founding 49 years ago has brought the number of customers to 4,300 companies at this point. We want to achieve a good balance between a "protective" approach in which we earn even greater trust by creating firm ties with customers and strengthening these connections, and an "offensive" approach in which we enter other business areas that our customers are involved in, attract new customers and create new services. We will also ensure that employees always put customers first when making decisions and impress customers with proposals that go beyond their expectations and raise I-NET's caliber. We will also aggressively develop new products and services that meet the needs of the market and customers, tailored to changes in our times. The technical and personal growth of our employees is the most important factor in ensuring that we carry out these three strategies. To that end, we will accelerate our investment in human resources by hiring even more capable personnel for the company and helping employees with their training and career development.



**Status in first year of plan**

- Net sales increased for the ninth straight year and net income rose for the tenth straight year, showing that we have made major strides in achieving our targets.
- Data center and cloud services were solid.
- System development field was strong due to high demand for IT investment.

**Plan for second and third years**

- Respond proactively to customers' DX needs
- Improve product and service capacity for big data, AI and fintech
- Strengthen pursuit of cloud services
- Address needs for workstyle reform such as telework
- Work with private-sector venture companies and others in the space development field

We will accurately identify customer needs and continue to meet our targets.

This shows our progress with the medium-term management plan. In the first year, we got off to a good start by achieving our sales and operating income targets and making good progress. This was primarily thanks to the strong performance of the data center and cloud service, as well as solid results in the system development area due to rising demand for IT capital investment. Going forward, we will work on a number of fronts, including actively responding to customers' DX needs; raising the product and service capacity for big data, AI and fintech; promoting and reinforcing cloud services; addressing needs for work style reforms such as telework; and affiliating with private-sector venture companies in the space development field. We will also continue to accurately identify customer needs and implement plans.





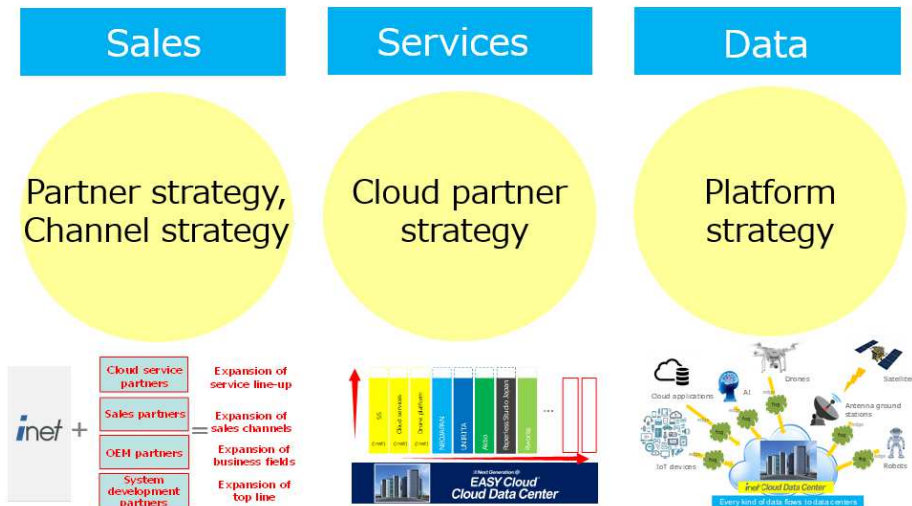
### 3. Initiatives in Medium-term Management Plan

Business strategy plan

Investment strategy plan

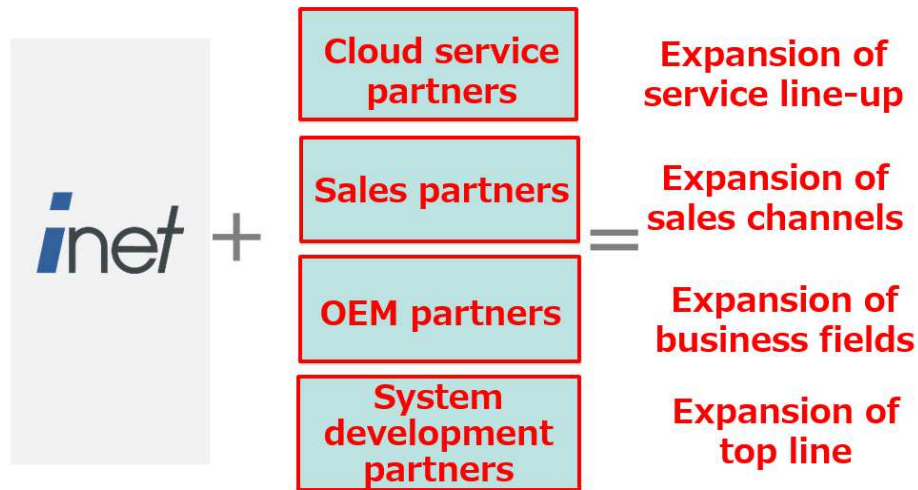
ESG initiative plan

Cloud and data center services will focus on three strategies



In terms of progress with the business strategy plan outlined in the medium-term management plan, these next slides explain our initiatives in cloud and data center services, an area on which we are currently focusing.

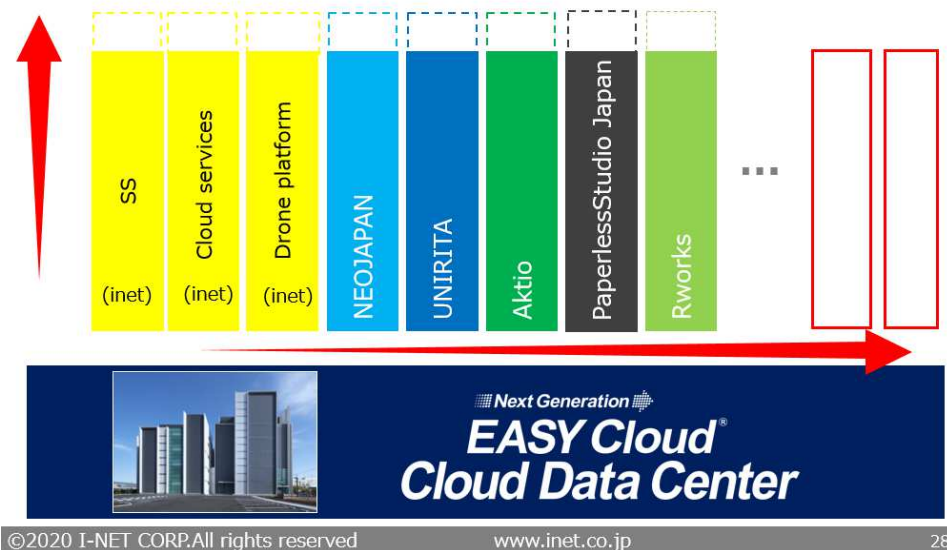
We have three strategies for our cloud and data center services: a strategy for the partners and channels through which we make sales, a strategy for the cloud partners that provide services, and a strategy for the platforms that hold data. We are focusing on and moving ahead with these three strategies, which I will explain in more detail on the next slide.



The first management strategy is our partner and channel strategy. This strategy is not limited to cloud and data center services, but is company-wide. Change is intense in our industry, and as the environment changes, it is difficult for I-NET, as a single entity, to pursue all of its businesses. Given this, we are aiming to strengthen our relationships with trustworthy partner companies that have strengths in the systems development area and reinforce affiliations. We are running the business chat services of NEOJAPAN Inc., a company that provides cloud services, on our cloud platform. In our marketing, we are increasing our affiliations as a cloud service partner that sells those services. And we are not only selling such services and products, but are increasing our sales partners and OEM partners. We will expand our sales channels with sales affiliations with manufacturers such as Toshiba and Hitachi, which have large customer bases, and Xerox and Ricoh, which have impressive sales capabilities.

## inet Management strategy: Cloud partner strategy

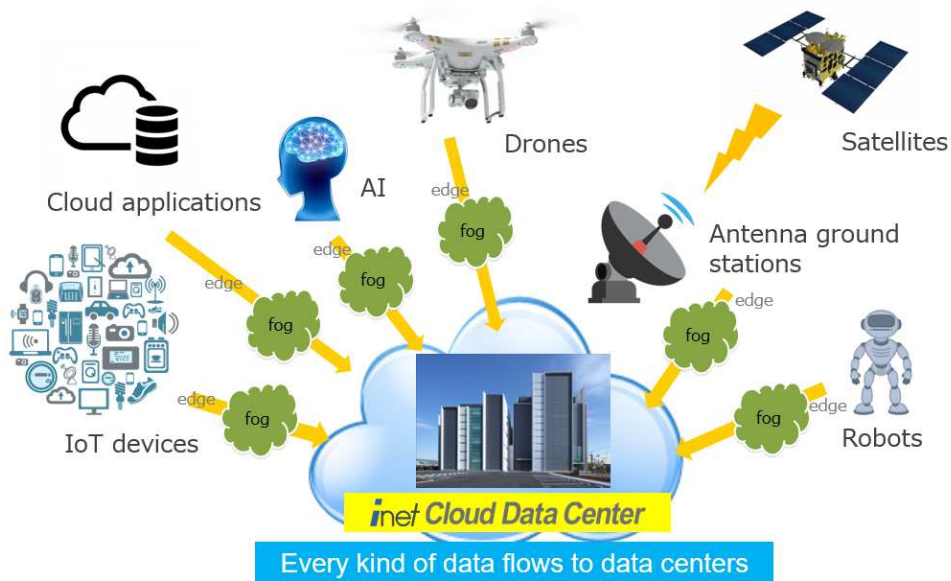
As a **platform** provider,  
we will combine cloud infrastructure (NGEC) and applications as a service.



To date, we have provided a cutting-edge cloud environment as an IT base that supports customer business. Our second management strategy comprises measures to capitalize on our strengths as a platform provider, put the applications of other companies with expertise in various specialized areas on our cloud infrastructure, and offer this as a cloud service. We will set up the cloud services that companies have provided individually as a package business until now and offer them instead as a cloud service.

For example, we offer the BIM and CIM systems of Aktio Corporation and PaperlessStudio co., Ltd., which are strong in the area of construction design, as services to customers. We also offer UNIRITA Inc.'s automated packaging system as a service, and form affiliations with structures that can provide services that can be used with only modest investments.

Going forward, we will increase services together with companies with which we form alliances specializing in various areas, while also aggressively expanding sales of services and extending our reach in both directions.



Our third management strategy is a platform strategy. As shown in this diagram, all kinds of technology, including drones, AI, satellites and robots, use data, and all services generate massive amounts of data. By accumulating this data at our data centers, we can turn it into big data and utilize it through accumulation and analysis. In this business model, we take the various services that the Group has long pursued and form affiliations tailored to customers' businesses, integrating this with the data centers and operating securely. Going forward, we will proactively engage in fields such as IoT, AI and fintech that will develop further, expand data center and cloud services, and steadily build up revenue.



### Workstyle reforms

- Set up a telework promotion contact point and provide remote desktops and other tools



### Data and AI

- Expand the fields of data science and AI business
- Augment AI cloud services to mid-sized and small- and medium-sized companies and strengthen sales



### Fintech

- Strengthen and adjust financial packages tailored to change needs in financial market, monitor future market trends, revise financial products, expand system scope, and plan and consider package updates based on cloud compatibility



### Solutions for specific industries and applications

- Utilize our expertise in sales management operations for the distribution industry to differentiate ourselves from competing companies
- Modernize AS400 legacy assets
- Pursue BIM and CIM businesses for the construction industry
- Pursue infrastructure inspection services for local governments (Kimitsu model)



### 5G

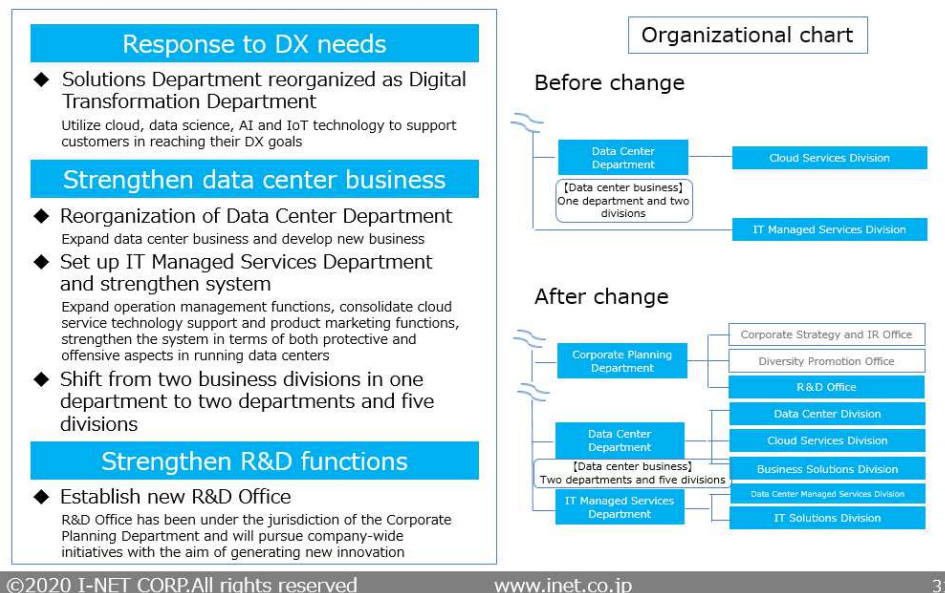
- Regional broadband wireless access (BWA) initiatives, high-speed data communications helping to improve local public services

In order to pursue our business strategy plans, we will put particular emphasis on digital transformation, an area in which customer needs are high.

- Pursuing work style reforms through telework has become more urgent in light of the need to prevent crowded commutes during the Tokyo Olympics and Paralympics and the growing novel coronavirus outbreak. Given this, we have set up a telework promotion contact point and provide virtual desktops and tools enabling multiple members to share information in real time.
- In our data and AI initiatives, we are expanding the field of data science and AI business and work to strengthen sales of AI cloud services with a target narrowed on midsized and small- and medium-sized companies.
- Our fintech initiatives aim to strengthen financial packages—one of I-NET's strengths—while monitoring future market trends, review financial products, and plan and consider package updates.
- In solutions for specific industries and specific applications, we utilize our expertise in sales management operations for the distribution industry to differentiate ourselves from competing companies and provide services that accurately meet customer needs, such as the BIM and CIM business for the construction industry.

- In the 5G area, we will consider initiatives in regional broadband wireless access (BWA), a wireless system for telecommunications operations utilizing the 2.5 GHz-band frequency (2,575–2,595 MHz), introduced with the aim of eradicating the digital divide and enhancing public welfare in outlying areas.

### Structural reforms implemented to promote DX (April 2020)



We carried out the following institutional reforms in April 2020 to pursue DX (digital transformation).

- R&D Office: We set up the R&D Office in the Corporate Planning Department with the aim of creating new innovations, based on the company’s basic policy of becoming an exceptional company capable of sustainable growth. This will serve as a space for R&D to generate new value utilizing cutting-edge cloud services and the newest data science, AI and IoT technology. This office will pursue R&D and technology acquisition in the field of DX technology, which leads to the future.
- Digital Transformation Department: We reorganized the Solution Department as the Digital Transformation Department to accurately meet customers’ DX needs, and also put together the FinTech Solutions Division, the Distribution・Service Solutions Division, the Enterprise Solutions Division, the IoT Solutions Division and the Space・Satellite Solutions Division. Going forward, we will provide our sophisticated expertise on industry sectors and operations to meet the needs of a wide range of customers, and implement operations with flexibility, while also supporting customers as they are attaining DX.
- Reorganization of Data Center Department: The Data Center Department was reorganized into a system of three business divisions: the Data Center Division, the Cloud Services Division,



and the Business Solutions Division. As the Data Center Department, this organization will expand data center business and develop new business.

- Establishment of IT Managed Services Department: The IT Managed Services Business Division was upgraded to the IT Managed Services Department, and comprises two business divisions: the Data Center Managed Services Division and IT Solutions Division. We will strengthen the system in terms of both protective and offensive aspects in operating data centers, and work to expand operation management functions while also consolidating cloud service technology support and product marketing functions.

As the novel coronavirus spread, we set up a dedicated contact point to support telework tools in order to promote work-style reforms (March 2020).

**VIDAAS**<sup>®</sup>  
by **Horizon DaaS**

Remote desktop:  
Workplace computer can be used anywhere,  
anytime, including at home

 **ChatLuck**

Business chat:  
Chat tool exclusively for business that is easy  
to use

 **Mobile Meets**<sup>®</sup>

Web conferencing system:  
Video conferencing tool with high sound  
quality and high picture quality

**Cloudstor**<sup>®</sup>  
Private Cloud HDFS Storage Service

File-sharing service:  
Secure file-sharing service

We sincerely hope that the novel coronavirus  
outbreak subsides as soon as possible.

Inquiries for an overview of  
the dedicated support line



As an independent, top-class data center, we provide a range of SaaS (service providing software through the Internet) using our cloud infrastructure as a base. Interest in telework (working at home or elsewhere outside of the workplace) has been rising recently as a means of addressing potential crowding during the Tokyo Olympics and Paralympics and the growing spread of the novel coronavirus. We have received many inquiries due to our convenient telework tools, and have accordingly set up a dedicated support hotline in the Data Center Department's Cloud Services Division.



### 3. Initiatives in Medium-term Management Plan

Business strategy plan

Investment strategy plan

ESG initiative plan



### Data center/Cloud platforms

- Development of a next-generation cloud platform that takes cloud infrastructure (NGEC) to the next level
- Upgrade data center facilities, increase floor space, and systematically carry out expansions
- Expansion of data analysis and data science business



### Human resource strategy

- Implement measures to achieve targets for number of new graduate hires, strengthen hiring of mid-career hires who can immediately be effective
- Reinforce education and training programs and their substance to enhance human resource capacity at each level



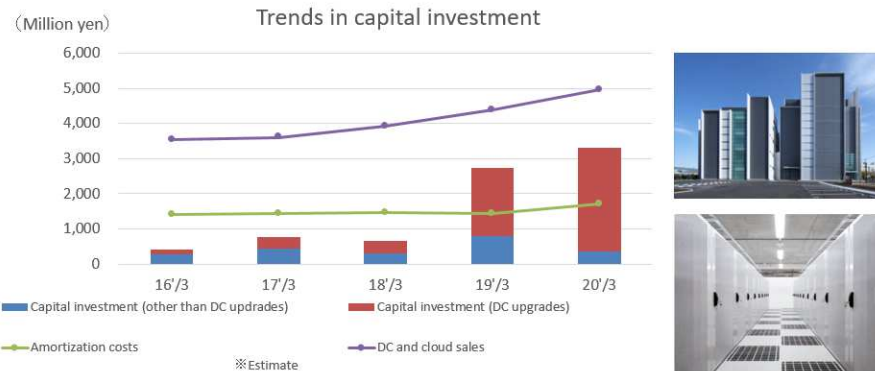
### Overseas business

- Build business foundation in Southeast Asia (plans to set up a business base)
- Aim to expand services with areas of expertise and cutting-edge technology

Now I will explain the progress we have made with the investment strategy plan prepared as part of the medium-term management plan. We will continue to systematically make investments in data centers, which are the central part of our business model. We are systematically updating facilities at the No. 1 and No. 2 data centers in Yokohama, and will augment equipment in line with project inquiries. We are also moving ahead with consideration of guidelines for a plan to augment data centers in the future. We continue to invest in our staff and will hire capable individuals with the goal of achieving targets for new graduate hires and the number of new hires as well as implementation of a strategy for mid-career hires. In addition, we will implement planned investment and use thorough PDCA for initiatives to train staff and develop their careers on the premise that employee growth and self-expression is consistent with company growth.

We have also launched overseas businesses. In November 2019, we opened an overseas office in Southeast Asia, and are considering ways to enter this market that will capitalize on I-NET's areas of expertise and our cutting-edge technology.

- Capital investment focused on data centers, which are the core of our services
- As customers use data centers, we regularly update facilities, and recently have augmented facilities in line with large-scale projects.



We have strengthened our data center equipment to address the increase in customers for our data center services and respond broadly to cloud service needs. When data centers are completed, rather than fully equipping them, we augment equipment as needed with new projects. As a result, sales from data center services and cloud services have been steady as we have reinforced our facilities. We will continue to respond with flexibility to customer needs, and grow our mainstay data center service and cloud service businesses while maintaining a good balance with the expenditures needed to augment data center facilities. In this way, we are working to expand the scale of our business.

### New graduate hires

Trends in number of new graduate employees for I-NET on parent basis

Number of new graduate hires increases every year

Entry in April 2015	Entry in April 2016	Entry in April 2017	Entry in April 2018	Entry in April 2019	Entry in April 2020	Planned hires for April 2021
33	42	42	44	48	64	80

### Mid-career hires

Hire professionals with cutting-edge IT skills such as data analysis and professionals who can immediately be effective in the space development field, an area on which we are currently focusing

### Human resource training

#### Training for each step along the career path

- New hire training → Six-month new hire training
  - Annual training for young employees → Training for each class of new hires is provided annually
  - Training for managers → Management training for newly appointed managers
  - Management Academy → Special training to train future managers
- Many other theme-specific training programs, such as training to strengthen sales and diversity training

We believe that investing in our human resources is the most important factor in achieving our medium- and long-term goals of “expanding business scale” and “raising corporate value,” and we have been reinforcing these efforts even more. On a non-consolidated basis, 64 new graduates joined the company this fiscal year, and we are working to bring in 80 in the next fiscal year. We plan to continue proactively pursuing recruitment activities to attract the valuable new employees that will fuel our growth.

We are also devoting resources to mid-career recruiting so that we can attract sophisticated IT professionals with the skills needed to work with AI, big data and other new technologies, as well as those who can immediately be effective in the space development field, a key business for us.

We also focused on human resource development for employees. I-NET provides training tailored to each individual employee. This includes training for our younger employees, such as the six-month new-hire training that we have been augmenting; the “management academy,” which trains future managers by having senior managers and section managers learn about administration and management and think of measures to grow the company; and training on specific themes, such as diversity training, to meet the needs of our employees’ wide range of work styles. We will continue to reinforce these programs.

## Building a business foundation in Southeast Asia

- Representative office opened in Singapore in November 2019
- We plan to open business bases targeting the entire Southeast Asian region
- We aim to expand services using our areas of expertise and cutting-edge technology



As part of our overseas business strategy, we opened a representative office in Singapore in November 2019 with the aim of carrying out a market survey, primarily in the Southeast Asian region. This region shows remarkable growth in IT-related markets. Opening this office allows us to gather local information, conduct market surveys, and consider new business expansion. We aim to expand services using such cutting-edge technologies as IoT, AI and data analytics based on our areas of expertise built up over many years, such as our mainstay data center and cloud services and the development of commissioned calculating systems for gas stations. Going forward, we will consider ways to enter the overseas market.



### 3. Initiatives in Medium-term Management Plan

Business strategy plan

Investment strategy plan

ESG initiative plan



Reinforcing system for fair and transparent corporate management

Shift to company with an Audit and Supervisory Committee

Strengthen supervisory functions of board of directors

- Audit and Supervisory Committee members, who supervise the job execution of board members, become members of the board of directors
- Audit and Supervisory Committee members have the right to vote in board of directors meetings



Strengthen supervisory function

Establishment of Nominating and Compensation Committee

Strengthen independence and transparency, as well as accountability, of the functions of board of directors meetings

- Responsible for appointing and removing managers and nominating candidates for director positions
- Compensation for managers and directors, and other



Enhance transparency

We established a Nominating and Compensation Committee and plan to become a company with an Audit and Supervisory Committee to further strengthen corporate governance.

The Nominating and Compensation Committee was set up as a voluntary advisory committee for the board of directors with the aim of further enhancing the corporate governance system. This committee will be responsible for appointing and removing managers, nominating candidates for director positions, and also strengthening the independence and objectivity of, and accountability for, the functions of the board of directors in regards to the compensation received by managers and directors.

In becoming a company with an Audit and Supervisory Committee, the Audit and Supervisory Committee members, who supervise board members as they execute their job responsibilities, also become members of the board of directors, in turn strengthening the supervisory functions of the board of directors and augmenting corporate governance even more by further reinforcing the supervisory system.

I-NET recognized as a "White 500" organization in Certified Health & Productivity Management Organization Recognition Program in 2020 for second straight year

We aim for ongoing improvements to corporate value and will go even further in supporting efforts to promote employee health.



2020

健康経営優良法人

Health and productivity

ホワイト500

～Declaration of Health-Focused Management～

Based on the philosophy that employees are the greatest asset in management, I-NET recognizes employee health from a management perspective. We believe that the mental and physical health of employees is the source of sustainable corporate value improvement. Therefore, we will actively promote health management that supports employee health.



For details, see here→ <https://www.inet.co.jp/company/csr.html#a05>

Since our founding, one of our action guidelines has been appreciation, perseverance and health. Our management policy is to become an exceptional company capable of sustained growth, and we believe that the mental and physical health of our employees is the key to raising the company's value in a sustained way. As such, we aim for a company in which all employees are healthy, and pursue sound management. As of last year, I-NET was recognized as a 2020 "White 500"\* organization in the Certified Health & Productivity Management Organization Recognition Program conducted jointly by the Ministry of Economy, Trade and Industry (METI) and the Nippon Kenko Kaigi. Going forward, our representative director/executive president will take the lead in working with the industrial physicians, the Personnel Division and the Health Support Office, as well as other organizations to consider and implement a range of health-promoting measures.

\* In this program, METI and the Nippon Kenko Kaigi select companies every year for the "White 500," recognizing large companies that demonstrate outstanding health and productivity management on the basis of initiatives addressing local health issues and measures to improve health promoted by the Nippon Kenko Kaigi.

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



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

**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

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).

I-NET has worked on ESG issues in the Group overall. For the hiring of disabled persons, we established I-NET Data Service as a special subsidiary company with authorization from the Minister of Health, Labour and Welfare, and have hired those with mental disabilities as full-time employees. In addition, we set up and administer a search site for daycare facilities called “Cheering on Working Moms” that utilizes open data for Yokohama. We also carry out initiatives that support parents raising children and lead to more workplace opportunities for women.

In addition, in 2019, Noriyoshi Ikeda, I-NET's founder and chairman of the board, set up a new foundation to provide support and subsidies on sustainable activities for organizations carrying out activities that contribute to society in Kanagawa Prefecture. In January 2020, the foundation was authorized as a public interest corporation and began activities again under this new system, which allows the foundation to contribute even more to the community. We will continue to implement long-term and stable activities to help develop a better local community.

### 3. Medium-term Management Plan Initiatives



Topics

## inet Topic ① Affiliation with space startups

Capitalizing on our experience involved in space satellite development over many years, as well as the trust we have earned, I-NET is accelerating its affiliations and collaboration with private-sector space startup companies

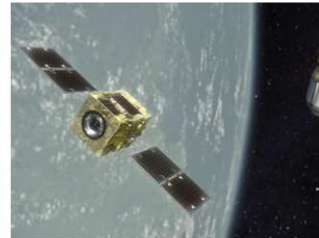
### Over 40 years of achievements in space development field

I-NET has been involved in the design, inspection and operation of various satellites, from the geostationary meteorological satellite Himawari No. 1 in 1977 to the asteroid probe Hayabusa, which returned to earth in 2010.

(Investment)



In May 2020, I-NET directly invested in and formed an affiliation with Astroscale Holdings, Inc., a space startup that is one of the few companies with removal technology that can remove the space debris floating near the earth, a serious problem for the world's space business.



(Investments in fund)



In August 2019, we invested in Space aSTART's No. 1 Investment Business Limited Partnership, which specializes in space startups.

(Capital and business affiliations)



In September 2019, in addition to our business affiliation with the expansion of space startup SPACE WALKER's spaceplane business, we strengthened our relationship further with an investment.

(Business affiliations)



In September 2019, I-NET signed a business affiliation agreement for a manmade satellite project with Amanogi, a space startup that began at Tokyo Institute of Technology, which is providing star trackers manufactured in Japan.

This slide shows our new initiatives in the space business. Our company has been involved in the design, inspection and operation of various satellites for over 40 years now, from the geostationary meteorological satellite Himawari in 1977 to the asteroid probe Hayabusa, which returned to earth in 2010. Using these experiences, we are accelerating our collaboration and cooperation with private-sector space start-up companies that have become more active in recent years.

Until now, Japan's satellites have been almost entirely developed under the national government, as with the Japan Aerospace Exploration Agency (JAXA), but we are now seeing private-sector start-up companies enter the space industry in Japan as well, encouraged by similar developments in America and other countries and plans to promote the space business in Japan. As one of Japan's few system development players with more than 40 years of involvement in space development, as well as a data center business, we have had many opportunities to collaborate with private-sector start-up companies.

## inet Topic ① Investments in Astroscale, a space startup

In May 2020, I-NET invested directly in and strengthened its relationship with Astroscale Holdings, a space startup with cutting-edge technology that can solve the international problem of space debris.



Company name: Astroscale Holdings, Inc.

Established: May 2013

Business: Development of space debris removal technology and provision of services

Removal of space debris, or refuse floating near the earth, is a serious problem for the world's space business, and Astroscale is one of the few companies with removal technology.

※Space debris includes the skeletons of manmade satellites and rockets that are no longer being used and the fragments of debris created when satellites and rockets collide or blow up. At present, there are approximately 23,000 fragments that are 10 cm or larger, and this has become a major impediment to the use of space.

In May 2020, I-NET invested in Astroscale Holdings, Inc., a company with cutting-edge technology for the removal of space debris, in a third-party capital increase. We have built a close relationship with this company from early on in the development of debris-removal satellites and the operation of ground stations, and made this investment to further strengthen the relationship. I-NET will continue to design, assemble and operate debris-removal satellites, run ground stations, support resale to space start-ups, which are potential antenna users, and support the accumulation and analysis of satellite data.

Resolving the problem of space debris, or refuse floating in space around the earth, is an important issue for the world's space business, and is closely linked to our ESG initiatives.

**inet** Topic ① Investment in space startup SPACE WALKER

In September 2019, in addition to a business affiliation, we strengthened our relationship with space startup SPACE WALKER further with an investment in the expansion of its space-plan project.

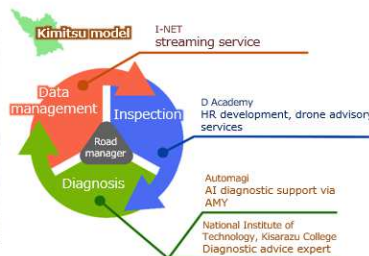


In September 2019, we formed a business tie-up with SPACE WALKER Inc., a company running a spaceplane business that aims to develop Japan's first manned spaceplane. We also made investments in this company to further reinforce the relationship. This investment will not only accelerate SPACE WALKER's development of a spaceplane that will enable anyone to easily travel to space in a plane, but will also allow I-NET to support the development of a security management system in terms of the technology and operations from the position of a data center operator. Going forward, we will utilize our 40-plus years of experience in the space development business and collaborate with promising start-up companies while actively taking part in this rapidly expanding space business.

Demonstration experiments of bridge inspection methods utilizing drones (Kimitsu Model) were completed and full-scale deployment began (March 2020)



Presentation of results



Overview of demonstration experiments and photographs of Kimitsu model that was established are available here



#### Issues that can be resolved

Although much of the infrastructure built during Japan's period of rapid economic growth is nearing the limits of its useful life, local governments face a lack of inspectors and insufficient budgets.

#### **The Kimitsu model has been established as a new bridge inspection method that can cut costs.**

#### Markets going forward

A review of drone service markets by industry shows that drones are being increasingly used for infrastructure and equipment inspections. The use of drones is clearly effective in inspecting structures such as bridges, steel towers, ground stations, power facilities, plants, factories and buildings, and ships. (Source: Impress Corporation)

I-NET has worked with Kimitsu City and other collaborating partners since last year on new bridge inspection methods using unmanned aerial vehicles (drones), carrying out experiments on this Kimitsu model.

In March 2020, together with Kimitsu City and collaborating partners, we held a conference to report on the results of experiments on bridge inspections using unmanned drones, and reported that the Kimitsu model has been shown to be effective as a new bridge inspection method that cuts costs. According to research by Impress Corporation that looks at the drone service market by industry field, drones are being increasingly used for infrastructure and equipment inspections. The use of drones is clearly effective for inspection of structures such as bridges, steel towers, ground stations, power facilities, plants, factories and buildings, and ships, and the market is expected to expand. In particular, bridges have traditionally been inspected by boarding a dedicated inspection vehicle and approaching the sides and underside of a bridge for visual inspection. By using drones for bridge inspections, we can expect benefits such as lower inspection costs and a relaxation of traffic restrictions. Going forward, together with our collaborating partners, we aim for an expansion of this Kimitsu model to local governments around the country.



**inet** Topic ③ Agreement on Comprehensive Affiliation with  
Yokohama National University

On December 10, 2019, Yokohama National University and I-NET announced at a press conference that they had signed an agreement to form a comprehensive affiliation.



Agreement signing ceremony

**Purpose**

To contribute to society by identifying society's and industry's issues and sharing knowledge about R&D that can help to solve these issues



Issues to be resolved as advocated in affiliation agreement

**Areas for affiliation and collaboration**

1. Review of value and issues sought by society and industries, and selection of R&D themes
2. Deliberation leading to joint research, commercialization and implementation
3. Employee interaction and meetings to exchange opinions to contribute to this affiliation
4. Cooperation related to building an information security management system

In December 2019, I-NET and Yokohama National University, which are both based in Yokohama, signed a letter of agreement on a comprehensive affiliation that will capitalize on I-NET's strengths and Yokohama National University's initiatives. I-NET's strengths lie in its technology, infrastructure and human resources in its businesses as an ICT company, as well as its contacts with many customers in Yokohama, Kanagawa prefecture and neighboring regions. Yokohama National University trains students to thrive in the 21<sup>st</sup> century's new global era at a campus combining the humanities and sciences with roots in the Yokohama and Kanagawa regions. The university aims to become a model of global excellence by pursuing education, research and community service throughout the university departments and graduate school.

The objective of the comprehensive collaboration agreement is to contribute to society through implementation by identifying society's and industry's issues and sharing knowledge about R&D that can help to solve these issues.

I-NET's cloud data center, micro data center, system development, commissioned settlement and other businesses, and Yokohama National University's "sustainable mobility system," "realization of social value through collaborations in the humanities and sciences," "AI research," "ultra 3D modeling technology platform" and "information and physical security research" will be utilized as research bases. Going forward, we will draw on synergistic effects of our knowledge,

research and technology and help to resolve the issues faced by society and the community, with SDG and Society 5.0 initiatives top of mind.



## 4. Full-year Earnings Forecasts

**Consolidated earnings forecasts for fiscal year ending in March 2021**

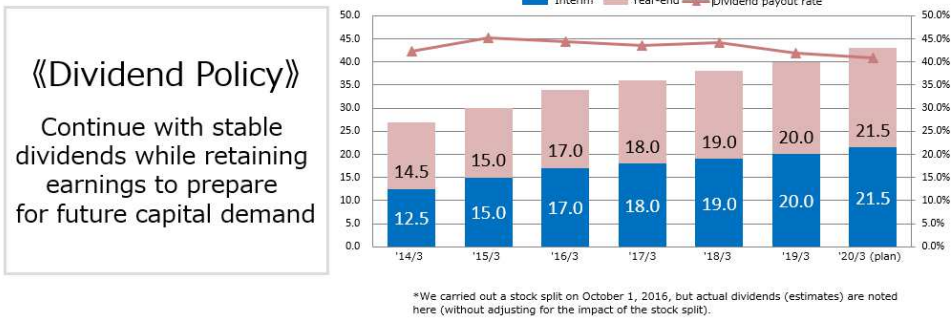
This fiscal year under review, the first year in our medium-term plan, got off to a smooth start, marking the ninth straight year of higher net sales, the tenth straight year of higher income and the eighth straight year of higher dividends. We are delaying the release of our consolidated earnings forecasts for the fiscal year ending in March 2021 because the unprecedented nature of this pandemic, which is unlike anything we have experienced before, means that we cannot adequately predict the impact of the growing spread of the novel coronavirus, although we have been making every effort to achieve the original target under the plan. We will announce our forecasts once we are able to make rational projections.

**Management initiatives to tackle spread of novel coronavirus**

Area	Initiatives
Employees	In principle, employees work from home (telework) or come to work at staggered times. Record daily activities so that activity logs can be promptly reviewed if necessary.
Customer response	Web conferencing and other tools used for meetings within and outside of the company Data centers that manage customers' data and BPO operations are stable
Event response	Seminars and participation in exhibitions are cancelled for a certain period Hiring activities are ongoing, with web-based briefings held
Other	Establishment of support line for telework tools (support in introducing remote desktop, business chat, web conferencing system, and file-sharing service is currently being offered)

We are delaying the release of our consolidated earnings forecasts for the fiscal year ending in March 2021 because the unprecedented nature of this pandemic, which is unlike anything we have experienced before, means that we cannot adequately predict the impact of the growing spread of the novel coronavirus. We will announce our forecasts once we are able to make rational projections.

In addition, we are working hard to reduce the risk of infection from the coronavirus so that we can ensure the health and safety of our customers, people involved and employees, and continue to provide stable services to our customers, based on the guidelines released by the government on measures to prevent spread of the coronavirus. We will continue with these efforts. We check the temperatures of everyone entering our data centers and operate with every attention to safety. We will continue to operate consistently in light of our sense of mission as a company running data centers, essential infrastructure for society. We will respond promptly and proactively, in line with social conditions, to continue providing peace of mind for all of those who use our data centers and the cloud infrastructure and services that rely on our data centers.



I-NET’s basic policy is to provide stable dividends. In the fiscal year ended in March 2020, annual dividends were 43 yen, amounting to a 21.5 yen interim dividend and a 21.5 yen year-end dividend. This is the eighth consecutive year in which we increased dividends. We are delaying the release of our earnings forecasts for the fiscal year ending in March 2021, but plan to increase dividends in this year as well. Dividends will include an increase to commemorate the 50<sup>th</sup> anniversary of our founding, which will be celebrated in April 2021, as a sign of our appreciation to all shareholders.



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.

All services and products listed in these materials are registered trademarks or trademarks of I-NET or other companies.

Please contact the company with any inquiries.

Corporate Strategy and Investor Relations

TEL 045-682-0806

E-Mail [contact\\_ir@inet.co.jp](mailto:contact_ir@inet.co.jp)

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