President Tomomichi Saeki

I-NET Corp. (9600)

株式会社アイネット

Corporate Information

Exchange	TSE Prime Section
Industry	Information and communications
Representative Director, Executive President	Tomomichi Saeki
Address	23F, Mitsubishi Juko Yokohama Bldg., 3-3-1 Minatomirai, Nishi-Ku, Yokohama
Year-end	March
URL	https://www.inet.co.jp/english/

Stock Information

Share Price	Shares Outstanding (Less treasury stock)		Total Market Cap	ROE (Actual)	Trading Unit
¥1,671	15,984,903shares		¥26,710on	7.7%	100 shares
DPS (Estimate)	Dividend Yield (Estimate)	EPS (Estimate)	PER (Estimate)	BPS (Actual)	PBR (Actual)
¥52.00	3.1%	¥126.37	13.2x	¥1,099.90	1.5x

*The share price is the closing price on July 2. The number of outstanding shares was obtained by subtracting the number of treasury shares from the number of outstanding shares as of the end of the latest term, and rounded off. Figures are rounded to the nearest whole number.

*ROE and BPS are the actual values in the term ended March 2023. EPS and DPS are the forecast values for the term ending March 2024.

Consolidated Earnings Trends

Fiscal Year	Net Sales	Operating Profit	Ordinary Profit	Profit	EPS	DPS
March 2020 (Actual)	31,097	2,501	2,531	1,672	105.13	43.00
March 2021（Actual）	30,016	2,155	2,279	1,494	93.62	46.00
March 2022（Actual）	31,169	2,367	2,542	1,694	106.08	47.00
March 2023（Actual）	34,988	2,129	2,175	1,343	84.06	48.00
March 2024（Estimate）	37,700	2,750	2,900	2,020	126.37	52.00

*Unit: Million-yen, yen. Profit is profit attributable to owners of the parent. Hereinafter the same applies.

This Bridge Report presents I-NET Corp's overview of the financial results for the fiscal year ended March 2023, and other information.

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Key Points

- **In the term ended March 2023, sales increased 12.3% year on year to 34,988 million yen, hitting a record high, as system development services performed well and information processing services, including cloud services and commissioned calculation, remained healthy. Operating income declined 10.1% year on year to 2,129 million yen, because costs augmented due to the skyrocketing of electricity charges, etc. and SGA increased due to the rise in personnel expenses caused by pay raises.**

- **For the term ending March 2024, the company forecasts that sales will rise 7.7% year on year to 37,700 million yen and operating income will increase 29.2% year on year to 2,750 million yen. The sales from information processing and system development services are expected to be healthy. In terms of profit, the company revised selling prices related to data centers to reflect the augmentation of costs caused by the skyrocketing of electricity charges, etc. from the previous term, and actively invested in energy-saving equipment. These activities are expected to contribute to the improvement in profitability.**
  The company plans to pay a dividend of 52.00 yen/share, up 4.00 yen/share from the previous term, increasing the dividend amount for the 12th consecutive term. The expected payout ratio is 41.1%.

- **The term ending March 2024 is the second year of the mid-term management plan. In the mid-term management plan, the company plans to put energy into the following points: (1) promotion of customer services and R&D for the DX and New Normal ages, (2) co-creation, innovation, and value creation, (3) diversification and improvement of human resources, and productivity enhancement, and (4) the appropriate management of the business portfolio in the service provision model and the improvement in corporate value. The company actively engages in these activities. The progress and outcomes of these activities are noteworthy.**

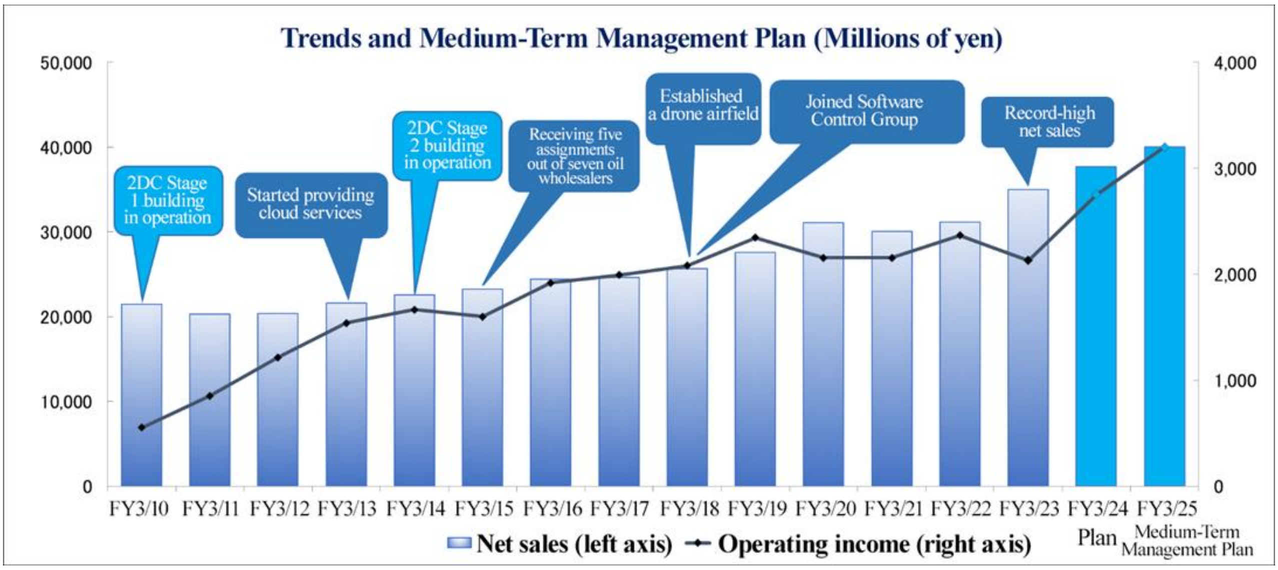
1. Company Overview

Based on its own data center with Japan's highest level of safety and management of system operations which has been nurtured for many years, I-NET Corp. offers optimal one-stop solutions to meet various needs from customers, including system planning, development, operation, and monitoring, as well as printing, enclosing and sealing, and advanced cloud computing. Its strengths are the great capability of operating business through vertical integration and horizontal expansion and the stable business model supported by a robust customer portfolio.

1-1 Corporate history

Although private automobiles were distributed rapidly and the number of gas stations (hereinafter called "Service Stations") were expected to increase, the service station managers were suffering from the fact that it was difficult to manage accounts receivable, sale, customers, etc. surely and efficiently at that time.
Considering that introducing a system which could solve those problems would bring a big business chance, Mr. Noriyoshi Ikeda from a foreign-affiliated oil company (currently, Founder Chairman of I-NET Corp.) established Fuji Consult Co., Ltd., the predecessor of I-NET Corp., in 1971, with the purpose of undertaking the counting at service stations.

As Mr. Ikeda expected, the company was designated as a regional or nationwide calculation center first by Idemitsu Kosan and then by other oil wholesalers, including Showa Shell Sekiyu, Mobil, Kygnus Sekiyu, and Mitsui Oil, resulting in rapid business growth. Listed on the OTC market in 1995, and in 1997, it was listed in the second section of Tokyo Stock Exchange.
Later, it expanded its business domains beyond the distribution of oil such as M&A, etc., and intensified its presence in its current main fields, including data centers, finance, manufacturing, retail, and distribution. In 2006, it was listed in the first section of Tokyo Stock Exchange. In April 2022, the company got listed on the Prime Market of TSE through market reorganization.



1-2 Corporate philosophy

As I-NET Corp. set "inet Way" as the corporate group's ethos, considering that it is necessary for executives and employees to share common values as their standards when taking any action all together in order to grow further and become an enterprise that can grow sustainably.

"inet Way" consists of 4 pillars: "Corporate Philosophy," "Corporate Vision," "Management Policy," and "Mid-term Management Plan." It is based on "Charter of Corporate Code" corporations should follow and "Course of Action" which serves as the driving force for attaining "inet Way."

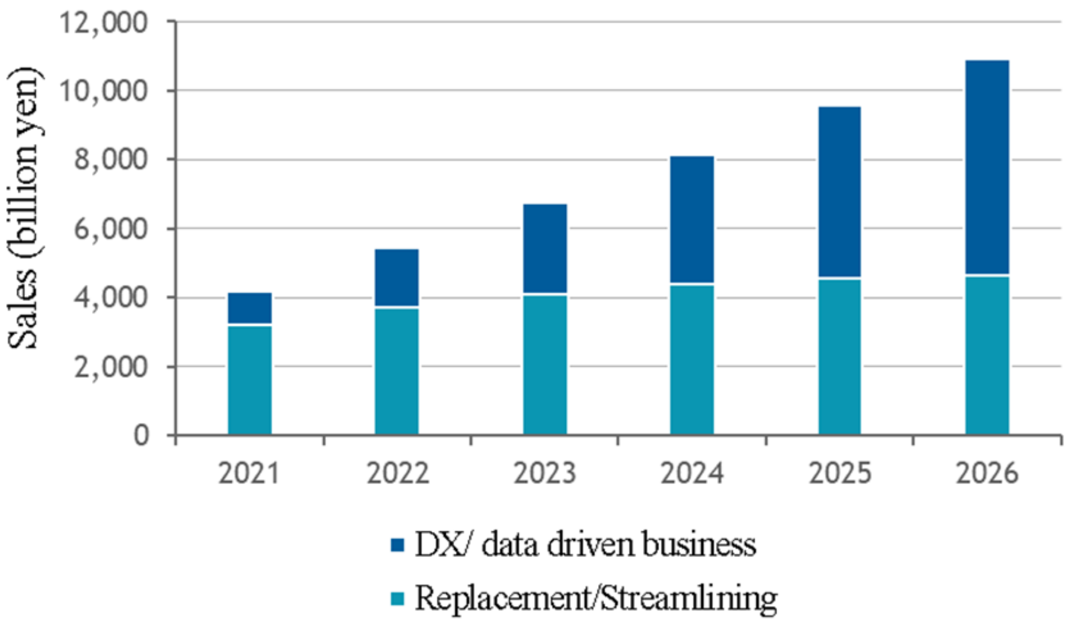
(Taken from the reference material of the company)

“inet Way” set a new management policy: “To become an excellent company that enables sustainable growth” to expand its business scale and develop a sturdy foundation for business growth.
It indicates the mindset: “The company and employees need to keep growing by changing themselves while seeing the changes of the times and trends.”

Corporate Philosophy	To create new systems and values using information technology and contribute to the realization of a prosperous, happy society.
Corporate Vision	With "Create" "Challenge" "Trust" as our foundation, we aspire for the sustainable improvement of our corporate values and will grow as a company that contributes to society and our stakeholders. **integrated** A company that understands the value of knowledge and leads an IT society **networking** A company that strives to create a network connecting technology-to-technology, heart-to-heart(person-to-person), and individual-to-society. **energy** An energetic company that takes on creativity and innovation for the realization of a sustainable society. **technology** A company that works towards the realization of a prosperous and happy society through information technology.
Management Policy	Becoming an excellent company that makes sustainable growth possible

1-3 Market environment

I-NET Corp. recognizes the industrial and business environments of its major domains and those the company will focus on as follows.



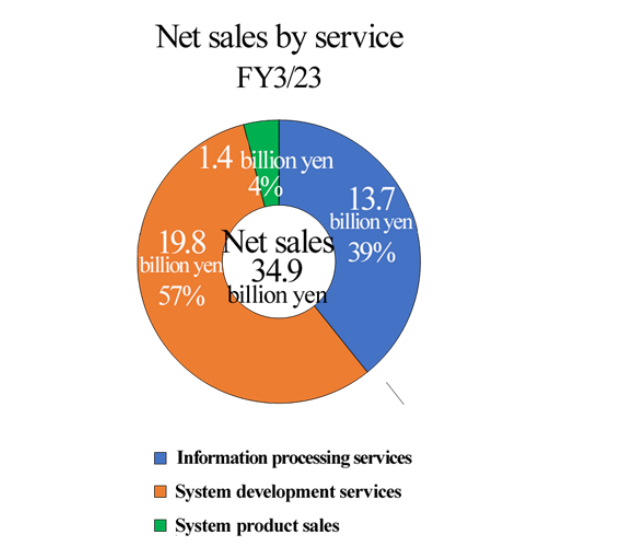
(Taken from the reference material of the company)

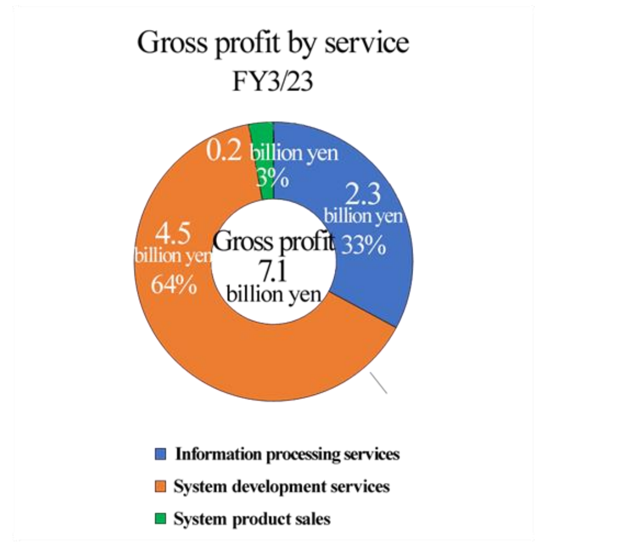
The market of data centers in which the company is competitive is expected to grow steadily.

Through the consolidation and reorganization of oil wholesalers, the number of them decreased from 15 in 1990 to 5. As a result, the number of domestic service stations has halved from the peak around 1990.
Amid this situation, the company acquired new customers and increased its market share based on its experiences and capabilities it has developed, and it cemented its No.1 position as competitors withdrew from their businesses.
There are many orders for the development of systems for interconnecting credit cards and sales data, etc., and it is unnecessary to conduct significant investment for increasing customers. This situation is favorable for the company.
Through the advent and spread of technologies and methods to increase business efficiency, such as cloud computing, AI, IoT, and RPA, the demand for investment in systems is growing in almost all fields in addition to petroleum-related ones, and the business environment surrounding the company is good.

1-4 Business contents

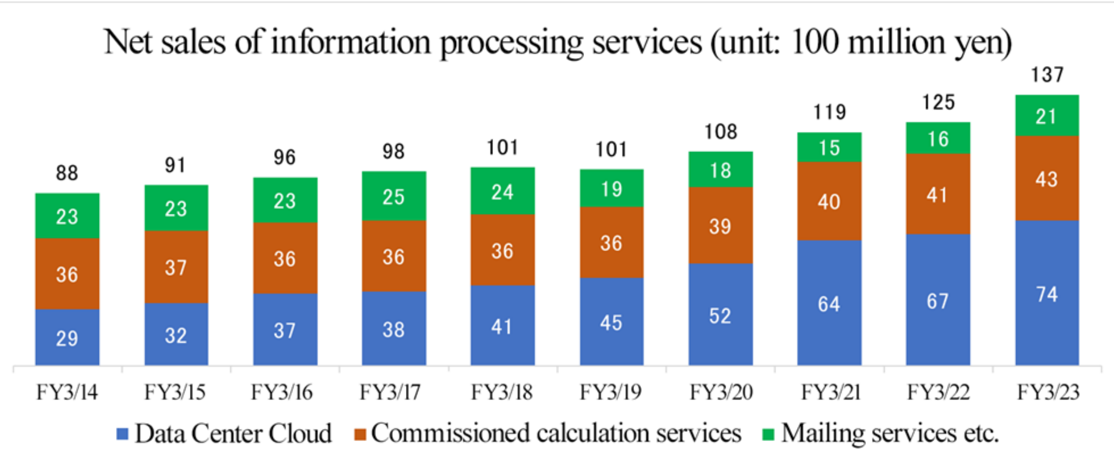
Based on its own data center with Japan's highest level of safety and management of system operations which has been nurtured for many years, I-NET Corp. offers optimal one-stop solutions to meet various needs from customers, including system planning, development, operation, and monitoring, as well as printing, enclosing, and sealing, and advanced cloud computing.
Its core businesses are "Information processing services," "System development services," and "System product sales."





【Information processing services(accounting for 39% of net sales in the term ended March 2023)】

The company is involved in the operation of data centers, cloud services, commissioned calculation services, and mailing services etc. It is positioned as a growth driver. The company defines this information processing service as a recurring-revenue business and considers it the foundation for stable growth. The sales of "Data Center and Cloud Services." have grown 2.5 times over the past 10 years. sales in the segment of Information Processing Services have increased in line with the growth of "Data Center and Cloud Services."



◎ **Data center services**

In the Information processing services, the company is recently exerting their strengths and concentrating on “the data center service” and “the cloud service” the most. The company developed these services earlier than its competitors. The data centers are located in Yokohama (4 buildings). Backup bases are in Hokkaido (1 center), Nagano (1 center) and Osaka (1 center), which back up one another and can cope with disasters.

◎ **Cloud services**

In the cloud service, started by utilizing the business base nurtured through the data center business, the company not only offers its own services, but also cooperates with various competitive enterprises that offer useful applications to customers for mounting a platform. By improving the customer satisfaction level, the company has established this service as a stable recurring-revenue business.

◎ **Commissioned calculation services**

While "Commissioned calculation services" have maintained stable sales, sales have been gradually increasing over the past few years. This is because retailers are shifting from owning their own business systems to using business platforms, and are increasingly using this company's proven services.

As for the commissioned calculation and payment processing for service stations (gas stations), the company’s initial business, it offers services related to credit cards and settlement of accounts receivable for payment at service stations. Credit-card transactions are handled by data centers of I-NET via networks. On behalf of service stations, the company processes data of accounts receivable and calculates quantities, unit prices, discounts, etc., and then it produces and dispatches bills at the end of each month. The company has the largest market share, as about 30% of service stations in Japan use the systems of I-NET. By utilizing its know-how, experiences, and business base nurtured through the processing of credit cards and accounts receivable, I-NET handled settlement tasks in other fields, including finance and retail, and expanded its business scale.

Recently, the company has been distributing the "Government Demand Card System" for oil unions across the country to support emergency activities by making the fueling of emergency vehicles and other vehicles seamless. Under a blanket contract, the system allows public organizations in each prefecture (prefectural police headquarters, hospitals, prefectural offices, etc.) to refuel preferentially in the events of an emergency or disasters with the same card at service stations of any provider within each prefecture. It has been deployed to oil associations around the country and has so far been introduced in four prefectures and are planning to expand in the future. Additionally, the company's service "Propanet," which is a sales management and billing system for LP gas dealers, is a platform for the energy industry that supports social infrastructure and is used by approximately 200 companies. The company also began offering a service for propane gas retail businesses, which operate its LPG sales management system on its own cloud. In addition to providing one-stop services for development, operation, BPO, and call centers, the company plans to strengthen its sales structure and further expand sales.

◎ **Mailing services, etc.**

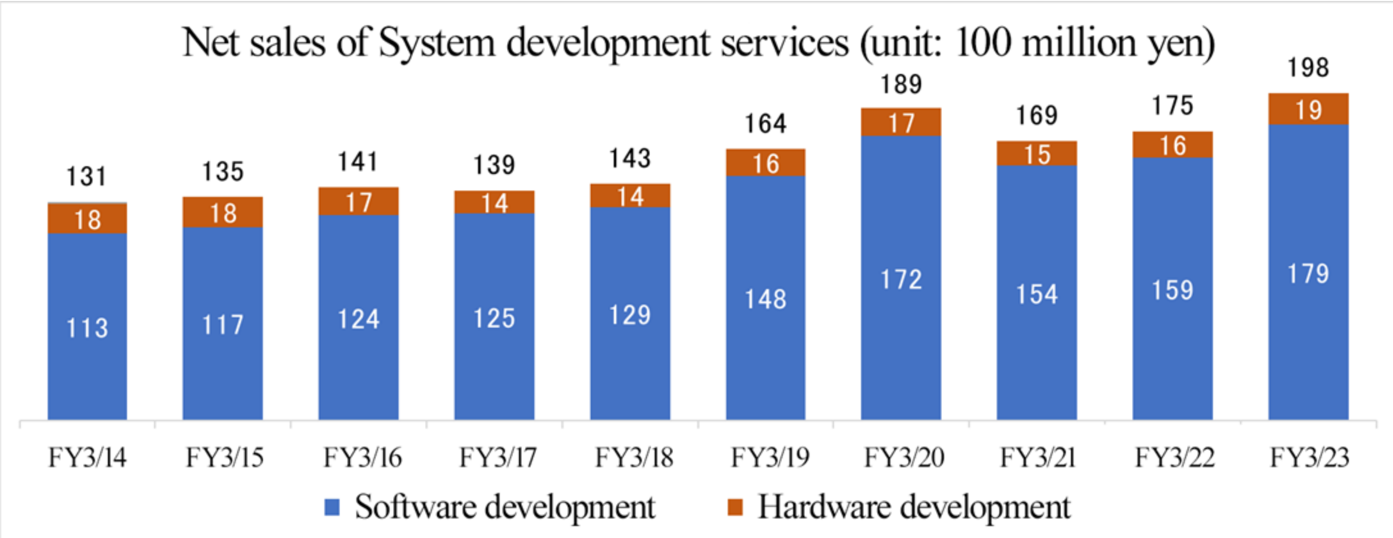
"Mailing services" showed an upturn in revenues from the previous fiscal year. This is because the number of competitors is decreasing and the company's services, which can handle everything from printing to mailing of data stored at its centers, are highly valued.

As the company has dealt with the task of dispatching bills at service stations, it also prints, encloses, and seals credit-card statements, tax notices, government mail, direct mails, bills, etc. It also undertakes the tasks of inputting data, receiving applications for credit cards, handling inquiries about status of card utilization, and operating call centers from credit card companies, which are major clients, through business process outsourcing (BPO).

【System development services(accounting for 57% of net sales in the term ended March 2023)】

Sales in the system development division have increased every fiscal year until the term ended March 2020, partly due to successful M&A. Although sales declined for the first time in the term ended March 2021 due to COVID-19, they began to increase again from the following term ended March 2022. The sales of the system development department have grown 1.5 times over the past 10 years. One software development subsidiary became a group company in the term ended March 2019. Two other subsidiaries are also performing well, contributing to the overall performance of the development services division. Based on the trusting relationship that has been fostered for many years, the company designs and develops systems for customers in a broad range of fields, including development of business applications, packaged software, and general-purpose tools, embedding control, and space development. There are customers from a wide array of business fields such as banks and financial institutions, service stations, convenience stores, supermarkets, space development, construction, architecture, aviation, travel, public offices, municipalities, medical and manufacturing.

The demand for software investment is expected to be strong in the medium to long term as they would seek to strengthen their competitiveness, starting with the improved operational efficiency and the response to labor shortages.
The "LOAN RANGER" is an unsecured card loan system designed for banks and non-banks, and can handle all loan-related tasks at sales offices. The system can also offer a diverse range of security products, and analyze the customer's current situation to provide optimal plans. Furthermore, the company has a proven track record in designing, assembling, and operating small artificial satellites, having participated in projects such as the "Himawari" meteorological satellite, as well as "Hayabusa" and "Hayabusa 2."



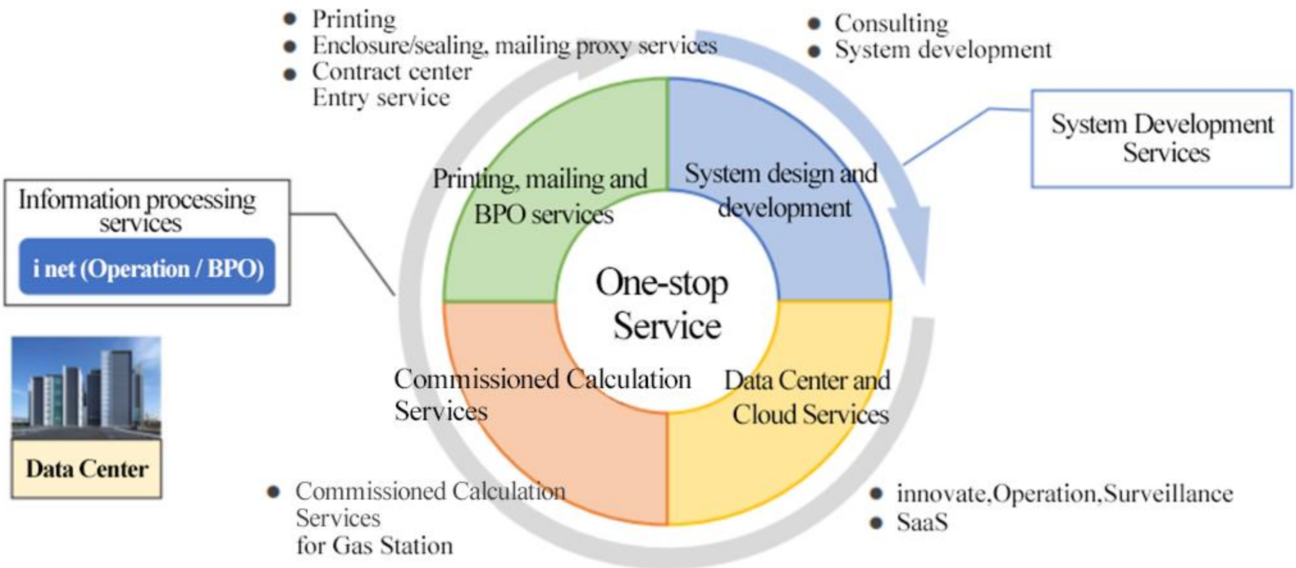
【System product sales(accounting for 4% of net sales in the term ended March 2023)】
The company procures and sells PCs, POS, supplies, and packaged software that are necessary to install systems in customers' facilities, and it also gives instructions for operating devices and software.

1-5 Strengths

【A group of engineers with 4,300 clients】
◆With a history of 52 years, a group of 1,200 development engineers support 4,300 clients.
◆In particular, they have built a multitude of deep and long-lasting relationships with clients in various industries, including the energy industry, distribution industry (such as convenience stores), finance industry (including banks and non-banks), and artificial satellite development.

【A recurring-revenue business that supports social infrastructure】
◆Cloud services utilizing their own data center
◆A platform service that supports the backbone of the energy industry
◆Business systems for financial institutions (such as card loans and cost management), which were adopted by many banks and non-banks

【One-stop service for information processing, development, and BPO】
◆In addition to providing cloud services, data processing, and calculation, the company can handle a series of processes in house, including the development of related systems and the notification of processing results to customers (via e-mail and postal mail).
◆Existing clients value the company as a strong partner for streamlining and digital transformation (DX).



(Taken from the reference material of the company)

【Stable growth through the expansion of recurring-revenue business】

The sales of the Information processing services account for about 40%, while the sales of the System development services account for about 60%, but the company defined the Information processing services as a "recurring-revenue business" and considers it as the base for stable growth.

The recurring-revenue business means a business that can "earn fixed sales every month" and "maintain contracts for the following fiscal years." Cloud and data center services fall under it, and SS (service station) commissioned calculation, printing, enclosing and sealing are included.

Data center and cloud services have grown rapidly over the past decade with a 2.5-fold increase in sales as the market grew. Driven by data centers and cloud services, the sales of information processing services have also grown 1.5 times over the past decade. Excluding the previous fiscal year, there were only two periods of revenue decline in system development services and only one in total sales during this period, which is precisely due to the stable growth of the "recurring-revenue business."

Gross profit margin of FY3/22 was 20.5%, which is also characterized by its high profitability.

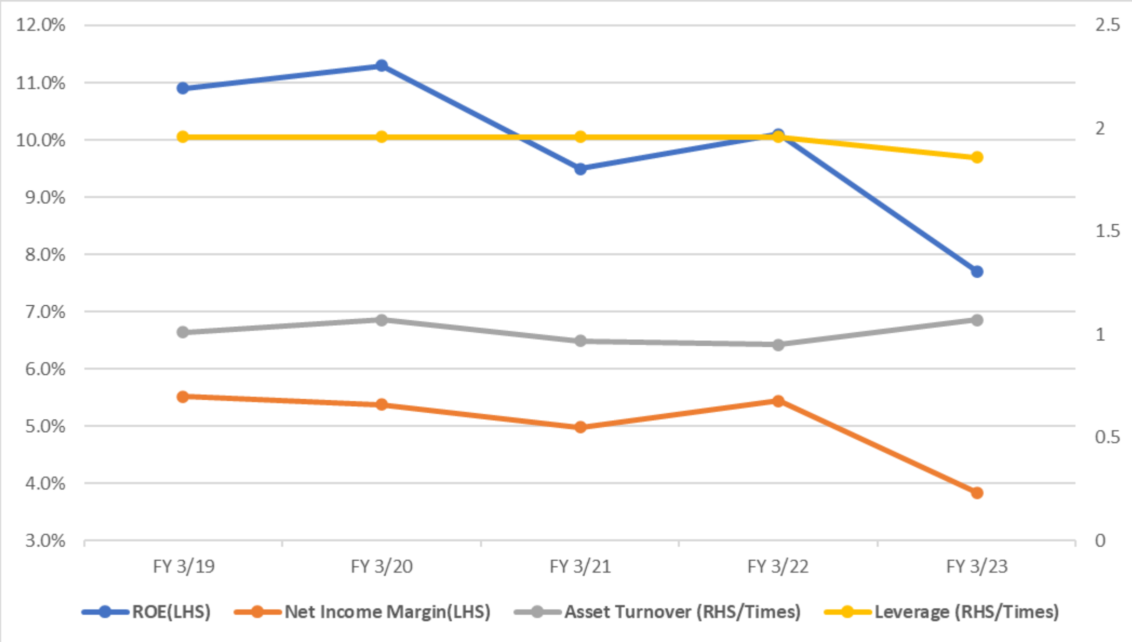
The company plans to grow stably by expanding the recurring-revenue business, mainly data center and cloud services, from this term onward.

1-6 Target managerial indicators

The company's important managerial indicators are "sales," "operating income," "operating income ratio," and "ROE" as they imply main business results to improve its corporate value sustainably through its continuous expansion on business scale.

1-7 ROE analysis

	FY 3/16	FY 3/17	FY 3/18	FY 3/19	FY 3/20	FY 3/21	FY 3/22	FY 3/23
ROE (%)	**9.4**	**10.7**	**10.4**	**10.9**	**11.3**	**9.5**	**10.1**	**7.7**
Net income margin [%]	4.56	5.34	5.34	5.52	5.38	4.98	5.44	3.84
Total asset turnover [times]	0.96	0.98	1.00	1.01	1.07	0.97	0.95	1.07
Leverage [times]	2.16	2.05	1.95	1.96	1.96	1.96	1.96	1.86

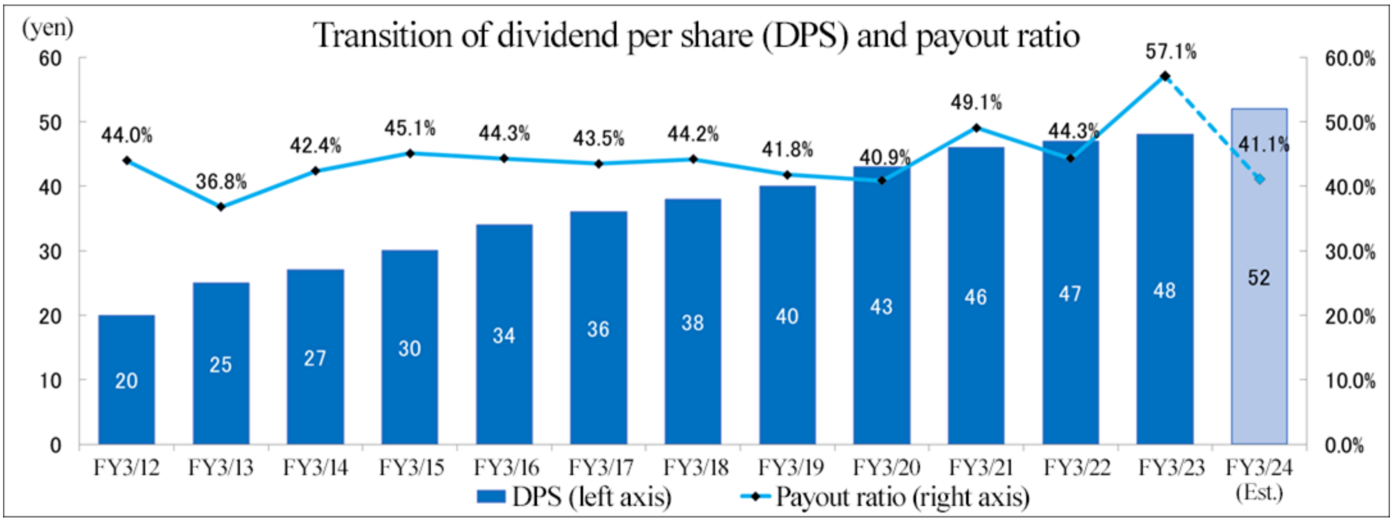


*Prepared by Investment Bridge Co., Ltd. based on disclosed material.

1-8 Dividend policy and the system for shareholder benefits

The company's dividend policy is to continue paying stable dividends while securing some retained earnings for the future capital requirements.
The company has not set a target payout ratio. However, it has been over 40% in the past several years.
The expected payout ratio for the term ending March 2024 is 41.1%.
The company expects to increase its dividend for 12 consecutive terms in the term ended March 2024.

The company established a system for shareholder benefits.
Previously, the company provided a QUO card once a year to shareholders who owned 1,000 or more shares as of September 30th, based on the number of shares they owned. However, at the end of September 2023, the shareholder benefit program will be expanded. Under the new system, shareholders who own 100 or more shares will receive a QUO Card Pay based on the number of shares they own, and shareholders who own 1,000 or more shares will receive a QUO card worth an additional 1,000 yen compared to the previous system.
In addition, the company will donate 10% of the amount of the QUO Cards to social contribution organizations, allowing shareholders to participate in social contribution activities.



1-9 Initiatives for ESG and SDGs

【Environment】

◎Energy saving through use of data centers

The company's data centers have received an "A" rank in the Comprehensive Assessment System for Built Environment Efficiency (CASBEE Yokohama). Incorporating servers into the cloud computing of the company's data center would reduce power consumption by approximately 73.5%*. The company is also considering further use of renewable energy in the future.

*From the "Project Results Report" of the FY 2014 Energy-type Cloud Utilization Demonstration Support Project for Small and Medium-sized Enterprises and Others by the Ministry of Economy, Trade, and Industry.

◎ Sponsoring Space Sustainability

In August 2022, the company signed a marketing partnership contract with a subsidiary of Astroscale Holdings Inc., a company engaged in orbit maintenance services including space debris removal, to support space sustainability, which is advocated by Astroscale Holdings Inc. and aims for the sustainability of space*. The partnership is related to the commercial debris removal verification satellite "ADRAS-J (Active Debris Removal by Astroscale-Japan)."

*Space sustainability aims to share this issue with as many people as possible, consider and act together to address the impact of space debris on daily life and the future of humanity, and Astroscale is at the forefront of promoting it.

【Social Contribution】

◎ Donation of 5 million yen to each of Kanagawa Prefecture and Yokohama City

As part of activities for commemorating its 50th anniversary, the company donated a total of 10 million yen to Kanagawa Prefecture to support "young people who are struggling to live independently in society" and Yokohama City to support "specific measures against climate change" with the aim of improving society. Kanagawa Prefecture utilized the donated money to implement measures to support young people in need of assistance with their education and the pursuit of independent employment.

◎Started a data science internship program with Yokohama National University

In December 2019, the company signed a Comprehensive Collaborative Agreement with Yokohama National University, a national university corporation, and is building a multifaceted relationship that includes joint research and the exchange of human resources. The parties have agreed to start a data science internship program in the fiscal year ended March 31, 2023, and to accept students from the Data Science Education Program (DSEP) of Yokohama National University's College of Business Administration every year thereafter, and to cooperate in human resources development.

◎Promoting Employment of People with Disabilities: I-NET DATA SERVICE CORP.

In April 2009, I-NET established a special subsidiary (certified by the Minister of Health, Labor and Welfare) to promote employment of people with disabilities. As of June 1, 2022, there were 579 special-purpose subsidiaries nationwide, including 49 in Kanagawa Prefecture, and I-NET DATA SERVICE CORP. is one of them.

◎ Childcare Support Site: Working Moms Supporter

The company operates a childcare support site called "Working Moms Supporter," which is a childcare facility search site that utilizes open data from Yokohama City. The site supports childcare and promotes women's participation in the workforce. In June 2022, the site was updated, and a parenting blog was started.

◎I-NET Foundation

The I-NET Foundation implements ESG activities and social contributions by supporting social activities that contribute to the development of local communities, and conducts the following projects in Kanagawa Prefecture.

(1) Projects to support and subsidize, or evaluate and commend the sustainability and activities of organizations and others engaged in activities related to the following

・Healthy development and education of children and young people
・Physical and mental development through sports and other activities
・Improvement of public health
・Environmental conservation and maintenance

･Sound development of local communities
(2) Other activities necessary to achieve public interest purposes
Since its establishment, the company has supported the activities of 14 organizations in FY 2020, 22 organizations in FY 2021, and 27 organizations in FY 2022.

【Diversity】
Based on the belief that employees are the greatest asset in management, the company promotes health management, believing that the health of its employees, both physically and mentally, is the source of sustainable corporate value enhancement. The company will continue to promote the transformation of work styles to create a working environment in which all employees can exercise their abilities with peace of mind.
- Hataraku Yell 2023: Received the highest award of "Excellent Employee Benefit Corporation (General)”
- White 500 certification for five consecutive years
- PRIDE Index 2022: The highest rank “Gold”

2. Medium-Term Management Plan (April 2022-March 2025)

The new three-year medium-term management plan was announced.

(1) Key points

Based on the company’s service development model of providing a one-stop shop for system development, data center/cloud service, commissioned counting settlement, and BPO, the company has identified the following key points.

Key Points of Focus

Key Points of Focus	Major Initiatives	Related SDGs
Toward DX and New Normal Era Promotion of customer service and R&D	• Expanding Cloud Service Penetration • Non-contact, non-aggregated measures • Big data, AI, IoT promotion	9, 11, 12
Co-creation, innovation promotion and value creation	• Establishment of a department specializing in SDGs promotion • Promote industry-government-academia-industry collaboration projects • Promotion of business activities by foundations and special subsidiaries Promotion of business activities	3, 9, 11
Diversification, advancement, and productivity improvement of human resources	• Employee Development • Diversity Promotion • Career development support • Promotion of work style reform	3, 4, 5, 8, 10
Proper management of the business portfolio in the service development model Appropriate management of business portfolio and enhancement of corporate value	• In-house data center Promote one-stop model • Strengthen stock business	9, 11

(Taken from the reference material of the company)

(2) Business strategy in each service

◎ **Information processing services**
<Data center and cloud service>
* Promote providing a wide range of services, including infrastructure operation, system operation, and business operation.
* Provide extensive support for migration to the cloud in accordance with customers’ needs.
* Expand new services such as security and storage.
* Provide energy-saving services using high-efficiency, low-power consumption servers and storage devices.

<Commissioned calculation services>
* Strengthen DX promotion for petroleum wholesalers and trading companies, while giving proposals to improve operational efficiency.
* Expand services for major distributors such as complying with regulations, expanding ASP use, etc.
* Expand services for service stations and develop services for the LPG industry to increase the number of customers.

<Printing/mailing, and BPO services>
* Promote consulting services to improve operational efficiency by developing hybrid systems using electronic and paper documents.
* Promote collaboration with business partners in BPO, delivery services, etc., to diversify services.
* Promote enhancement of facilities and efficient operations to strengthen the quality and quantity of operations.

Position the information processing services, which yields stable recurring revenues, as a foundation for growth through continuous sales, and aim to increase per capita sales and profit.

◎ **System development services**
* Strengthen services for financial institutions
* Strengthen service development of sales management systems and IoT platforms
* Strengthen collaboration and in-house services in the space and satellite business

(3) Capital investment
Strengthen capital investment centered on data centers, which are the source of growth and the service pillar, as a social infrastructure. From FY2019 to FY2021, the company enhanced its facilities along with the use of customers' data centers. From FY2022 onward, the enhancement will continue in line with the expansion of cloud service.
New data center construction will also be considered.

(4) Strengthening human capital
Recognizing the importance of strengthening human capital, the company has established the following policies and will promote the following initiatives.

<Policies>
Based on the philosophy that employees are the greatest asset in management, the company has established a fair personnel system that leads to a sense of job satisfaction for employees and enables both the company and employees to grow.

◎ Expanding the growth scale of business performance through investment in human resources
Aim for sustainable growth while focusing on improving productivity and increasing the number of employees.
Actively promote the hiring of new graduates and strengthen mid-career hiring. Work to prevent the resignation of employees.
Focus on DX human resource development, placing the right people in the right jobs, and improving employee satisfaction to increase productivity.

◎ Ideal IT human resources
Cultivate technical and human skills that customers can trust.
Create an environment where young people, seniors, and all generations can play an active role.

<Initiatives>
The main initiatives to strengthen human capital are as follows.

Human resources development	-Foster advanced DX human resources (AI, data science, etc.) -Early training of young employees (one year of training support for new employees) -Provide learning opportunities (joint industry-academia research, university for working adults, and e-learning) -Increase third-party evaluation of engineers by encouraging them to acquire qualifications

Workstyle reform	-Promote telework -Promote reviewing office layout (free-address, etc.) -DX of internal systems, promote paperless, and improving productivity -Consider permitting side jobs
Diversity and inclusion	-Activities by the Diversity Promotion Office -Continuous active recruitment of female employees (40% of new recruits are women) -Hiring of diverse human resources, including foreigners and people with disabilities -Maintain the "Eru-boshi" and certified as “Platinum Kurumin (an enterprise supporting childcare)” -Actively promote women to management positions
Health management	-Continue to maintain 100% of employees receiving periodic health checkups -Increase the consultation rate for specific health guidance in cooperation with the health insurance association -Continue to hold sports tournaments and support club activities -Maintain certification as a White 500 company

(5) Target Value

	FY 3/23 (Act.)	FY 3/25 (Plan)	Decrease/Increase
Net sales	34,988	40,000	+6.9%
Operating profit	2,129	3,200	+22.6%
ROE	7.7%	Over 10%	-
Operating profit ratio	6.1%	8.0%	+1.9pt

*Unit: Million yen. Changes in sales and operating profit are CAGR (Compound Annual Growth Rate). Calculated by Investment Bridge based on company data.

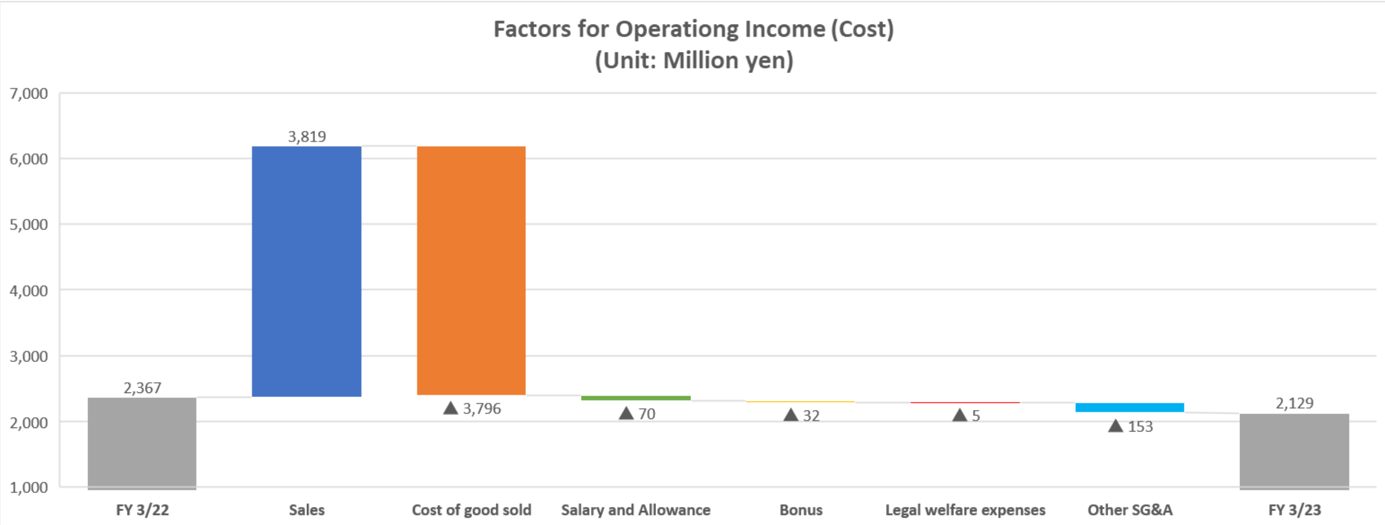
Considering the recent business performance, the company upwardly revised the target sales for the term ending March 2025 from 37,700 million yen to 40,000 million yen.
On the other hand, the target operating income remains 3,200 million yen, as set in the initial plan. This is because the business environment is harsher than initially expected and depreciation augmented as the company actively invested in equipment in a positive manner for the purpose of improving the capacity of its data center. The company aims to improve operating income margin and ROE, while increasing sales and operating income.

3. Fiscal Year ended March 2023 Earnings Results

(1) Earnings Results

	FY 3/22	Ratio to sales	FY 3/23	Ratio to sales	YoY
Net sales	31,169	100.0%	34,988	100.0%	+12.3%
Gross profit	7,151	22.9%	7,174	20.5%	+0.3%
SG&A expenses	4,783	15.3%	5,044	14.4%	+5.5%
Operating income	2,367	7.6%	2,129	6.1%	-10.1%
Ordinary income	2,542	8.2%	2,175	6.2%	-14.4%
Profit	1,694	5.4%	1,343	3.8%	-20.7%

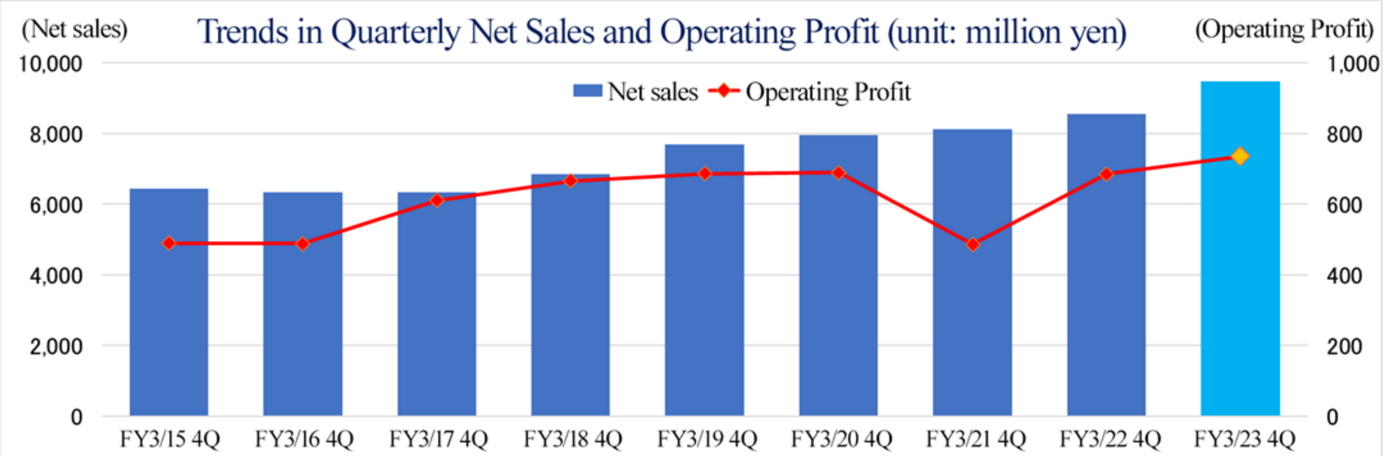
*Unit: Million yen.
*The figures include those calculated by Investment Bridge Co., Ltd. as reference values, and may differ from the actual figures (the same applies below).



*Prepared by Investment Bridge Co., Ltd. based on disclosed material.
*The ▲ in the expense item indicates an increase in expenses.

12.3% YoY increase in sales and 10.1% YoY increase in operating income.
Sales grew 12.3% year on year to 34,988 million yen, and operating income decreased 10.1% year on year to 2,129 million yen. The sales from information processing services were healthy like in the previous term. The revenues from cloud services for SaaS increased, the platform for sales management for propane gas performed well, and the performance of their mailing service recovered. In addition, the sales from system development grew considerably, as COVID-19 subsided.
In terms of profit, operating income declined 10.1% year on year to 2,129 million yen. Gross profit was unchanged from the previous term, as the cost of sales augmented due to the soaring of electricity charges, etc. and depreciation grew due to the increase in capital investment. Gross profit margin decreased 2.4 points from the previous term to 20.5%. SGA ratio decreased 0.9 points, as personnel expenses augmented due to pay raises, but the increase rate of SGA was kept below sales growth rate. As a result, operating income margin declined 1.5 points from the previous term to 6.1%.
Ordinary income dropped 14.4% year on year to 2,175 million yen, partially because the revenue from subsidies decreased from 104 million yen to 17 million yen. In addition, net income decreased 20.7% year on year to 1,343 million yen, because extraordinary losses augmented, as loss on valuation of investment securities was 79 million yen, loss on sale of fixed assets was 51 million yen, and compensation for damages was 43 million yen.

4th Quarter (Jan-Mar) Financial Trends

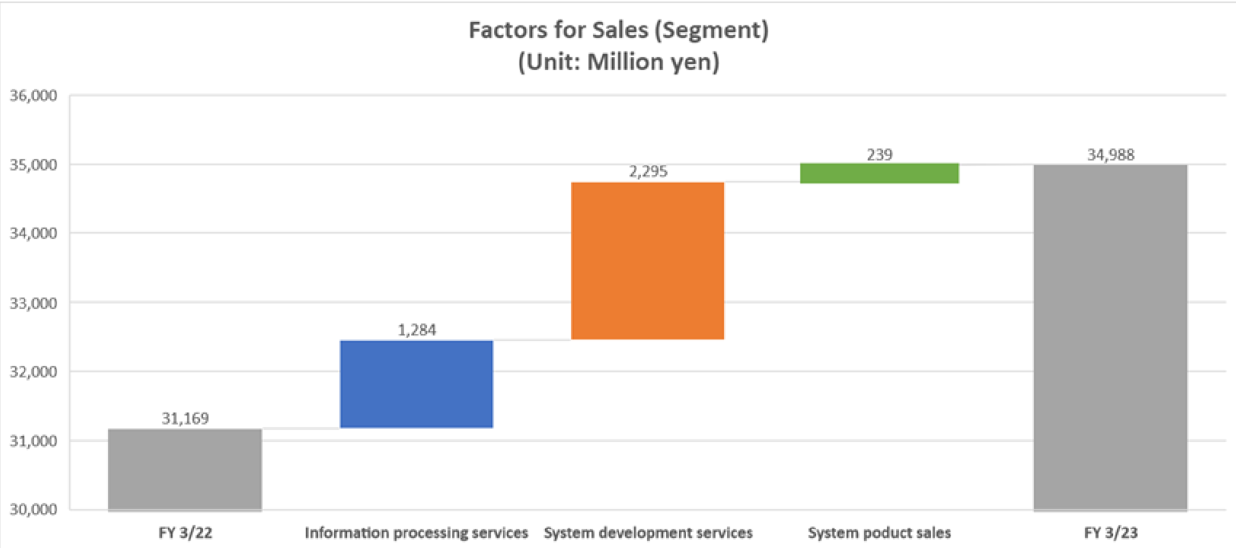


In the fourth quarter (Jan. to Mar.), sales and profit grew year on year to high levels compared with the past performance. Sales and profit also grew from the previous quarter (Oct. to Dec.). Since the fourth quarter (Jan. to Mar.), the company has been revising the prices of information processing services, so profitability has improved.

(2) Trend by Segment

	FY 3/22	Ratio to sales	FY 3/23	Ratio to sales	YoY
Information processing services	12,464	40.0%	13,749	39.3%	10.3%
System development services	17,511	56.2%	19,806	56.6%	13.1%
System product sales	1,193	3.8%	1,432	4.1%	20.0%
Net Sales	31,169	100.0%	34,988	100.0%	12.3%
Information processing services	2,949	23.7%	2,381	17.3%	-19.2%
System development services	4,001	22.8%	4,548	23.0%	+13.7%
System product sales	200	16.8%	243	17.0%	+21.4%
Gross profit	7,151	22.9%	7,174	20.5%	+0.3%

*Unit: Million yen. The composition ratio of gross profit means profit ratio.



*Prepared by Investment Bridge Co., Ltd. based on disclosed material.

◎**Information Processing Services**

Sales grew 10.3% year on year at 13,749 million yen, and gross profit decreased 19.2% year on year to 2,381 million yen.
The sales of data centers and cloud services were healthy, as existing clients kept using data centers and cloud services amid the promotion of digitalization and the growth of demand for IT investment. In the past few years, the I-NET Group has been striving to improve the capabilities of data centers and strengthening their capacity to offer services, in order to proactively meet the growing demand from clients. Regarding the commissioned calculation service, which offers a system for sale and charging as SaaS to service stations (SS), the company received a healthy number of orders, as the revenues from charging increased thanks to the vitalization of social activities and an increasing number of service stations shifted from on-premise computers to the service of the I-NET Group. In addition, the mailing service got back on a sales growth track, due to the decrease of competitors, etc. although the demand for printing and mailing services is declining. The company is making efforts to stir up new demand, by enhancing the provision of new services combining distribution through the Internet and postal mails.
On the other hand, gross profit decreased from the previous term. In the term ended March 2023, electricity charges increased rapidly in a short period of time and the costs for data centers of the I-NET Group skyrocketed. Due to the time lag from the increase in revenues from clients, the I-NET Group bore the increases in electricity charges.

【Factors in Increase/Decrease in Information Processing Services】

FY3/22 Net sales	12,464
Data Center Cloud	+608
Commissioned calculation services	+220
Mailing services etc.	+456
FY3/23 Net sales	13,749

FY3/22 Operating profit	2,949	
Data Center Cloud	-666	Sales growth effect: +38, Fluctuation in profitability: -704
Commissioned calculation services	+6	Sales growth effect: +77, Fluctuation in profitability: -71
Mailing services etc.	+92	Sales growth effect: +89, Fluctuation in profitability: +3
FY3/23 Operating profit	2,381	

*Unit: Million yen.

◎**System Development Services**

Sales increased 13.1% year on year to 19,806 million yen, and gross profit rose 13.7% year on year to 4,548 million yen.
In the past few years, development projects were cancelled or postponed due to the restrictions on social and economic activities amid the COVID-19 pandemic, affecting the performance of the I-NET Group. In the term ended March 2023, such restrictions were lifted, so the company received many inquiries from existing clients, and two subsidiaries for system development performed well, so the performance of the system development service was favorable. The know-how and technologies of the I-NET Group are highly evaluated in the fields of finance, distribution, telecommunications, energy, and outer space, in which the I-NET Group has strengths. This led to the stable receipt of orders and the posting of sales.
Gross profit grew from the previous term. The system development service was not affected by the skyrocketing of costs, including electricity charges, so profitability was unchanged from the previous term.

【Factors in Increase/Decrease for System Development Services】

FY3/22 Net sales	17,511
Software development	+1,951
Hardware development, etc.	+344
FY3/23 Net sales	19,806

Y3/22 Operating profit	4,001	
Software development	+447	Sales growth effect: +437, Fluctuation in profitability: +10
Hardware development, etc.	+100	Sales growth effect: +96, Fluctuation in profitability: +4
FY3/23 Operating profit	4,548	

*Unit: Million yen.

◎**System Product Sales**

Sales increased 20.0% year on year to 1,432 million yen, and gross profit rose 21.4% year on year to 243 million yen. The capital investment by clients using the data center service of the I-NET Group became active, and the sale of equipment for system development was healthy.

(3) Financial Conditions and Cash Flow

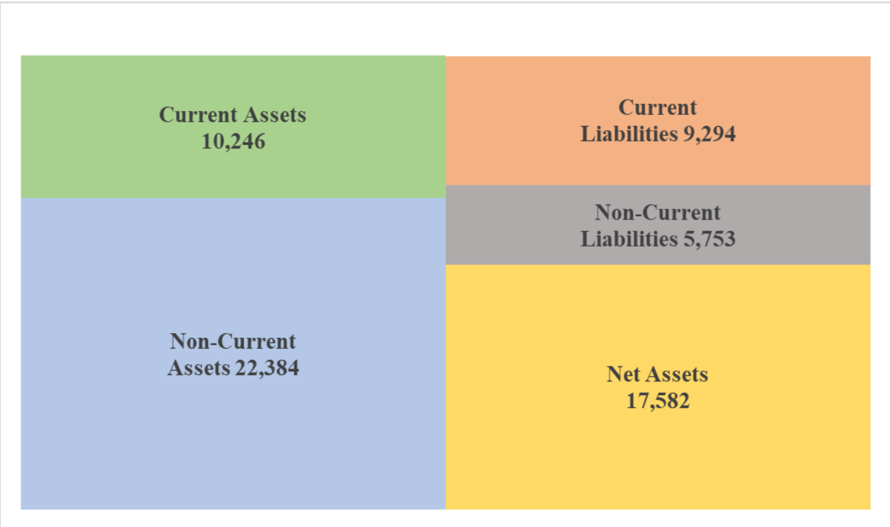
◎**Major BS**

	End of Mar. 2022	End of Mar. 2023		End of Mar. 2022	End of Mar. 2023
Cash and deposits	3,684	2,310	Accounts payable	1,695	1,743
Notes and accounts receivable	6,394	7,287	Short-term borrowings	3,065	3,068
Merchandise and finished goods	329	203	Current liabilities	9,903	9,294
Current assets	10,701	10,246	Long-term borrowings	5,858	5,239
Property, plant and equipment	15,231	14,951	Non-current liabilities	6,295	5,753
Software	1,587	1,895	Liabilities	16,199	15,048
Intangible assets	1,833	2,093	Net assets	17,304	17,581
Investments and other assets	5,736	5,339	Liabilities and net assets	33,503	32,630
Non-current assets	22,802	22,384	Interest-bearing debt	8,923	8,307

*Unit: Million yen.

*Inventories = merchandise and finished goods + work in process + raw materials and supplies

*Interest-bearing debt = borrowings (excluding lease obligations)



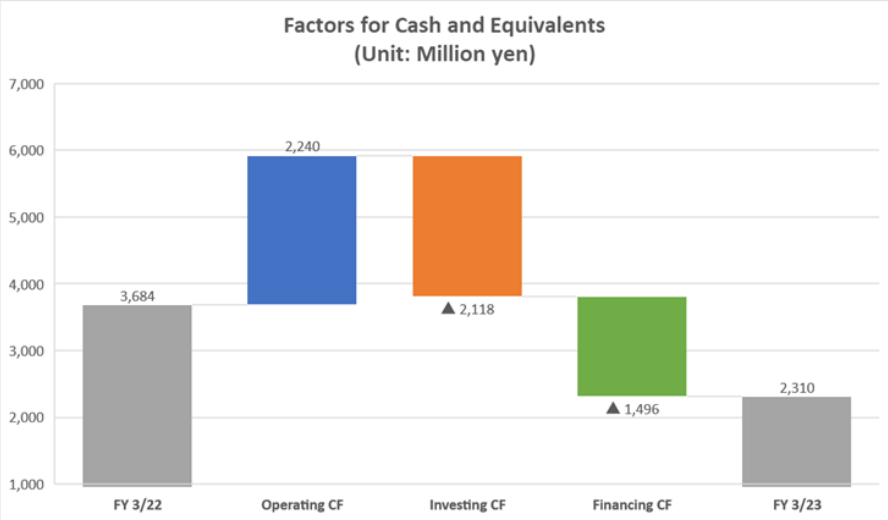
*Prepared by Investment Bridge Co., Ltd. based on disclosed material.

The total assets as of the end of March 2023 stood at 32,630 million yen, down 873 million yen from the end of the previous term. Regarding assets, main factors in increasing them were accounts receivable and software, while main factors in decreasing them were cash & deposits, accounts receivable, and investment securities. Regarding liabilities and net assets, main factors in increasing them were retained earnings, while main factors in decreasing them were income taxes payable, long-term debt, valuation difference on available-for-sale securities, and adjustments for retirement benefits. Capital-to-asset ratio was 53.9%, up 2.3 points from the end of the previous term. Interest-bearing debt decreased 616 million yen from the end of the previous term.

◎ **Cash flow**

	FY 3/22	FY 3/23	YoY	
Cash flows from operating activities	3,715	2,240	-1,475	-39.7%
Cash flows from investing activities	-2,185	-2,118	+66	-
Free cash flows	1,530	121	-1,409	-92.1%
Cash flows from financing activities	-1,873	-1,496	+377	-
Cash and cash equivalents at end of period	3,684	2,310	-1,374	-37.3%

*Unit: Million yen.



*Prepared by Investment Bridge Co., Ltd. based on disclosed material.

In terms of cash flows, the cash inflow from operating activities shrank due to the decrease in net income before taxes and other adjustments and the increases in accounts receivable and the payment of income taxes. In addition, the cash outflow from investing activities shrank due to the decrease in expenditure for acquiring tangible fixed assets, but the surplus of free cash flow decreased. The cash outflow from financing activities declined due to the rise in revenues through long-term borrowing, etc. As a result of the above, the cash position at the end of March 2023 was up 37.3% from the previous fiscal year.

4. Fiscal Year ending March 2024 Earnings Forecasts

(1) Earnings Forecasts

	FY 3/23	Ratio to sales	FY 3/24(Est.)	Ratio to sales	YoY
Net sales	34,988	100.0%	37,700	100.0%	+7.7%
Operating profit	2,129	6.1%	2,750	7.3%	+29.2%
Ordinary profit	2,175	6.2%	2,900	7.7%	+33.3%
Profit	1,343	3.8%	2,020	5.4%	+50.3%

*Unit: Million yen.

They project a 7.7% increase in sales and a 29.2% increase in operating income from the previous fiscal year.
For the term ending March 2024, the company forecasts that sales will rise 7.7% year on year to 37,700 million yen and operating income will increase 29.2% year on year to 2,750 million yen. The sales from information processing and system development services are expected to be healthy. In terms of profit, the company revised selling prices related to data centers to reflect the augmentation of costs caused by the skyrocketing of electricity charges, etc. from the previous term, and actively invested in energy-saving equipment. These activities are expected to contribute to the improvement in profitability. This year, the rise in electricity charges for business subsided, so it will not decrease profitability. Operating income margin is projected to rise 1.2 points from the previous term to 7.3%.
The company plans to pay a dividend of 52.00 yen/share, up 4.00 yen/share from the previous term, increasing the dividend amount for the 12th consecutive term. The expected payout ratio is 41.1%.

5. Conclusions

In the term ended March 2023, sales increased 12.3% year on year, but operating income declined 10.1% year on year, because costs augmented due to the skyrocketing of electricity charges, etc. and SGA grew due to the increase in personnel expenses caused by pay raises. Around mid-2022, electricity charges rose steeply, and operating income dropped considerably in the third quarter (Oct. to Dec.). In response, the company revised selling prices related to data centers, and actively invested in energy-saving devices. Such swift response paid off, and sales in the fourth quarter (Jan. to Mar.) hit a record high, and operating income recovered to the level in the same period of the previous year. Operating income margin dropped to 3.4% in the third quarter (Oct. to Dec.) and rebounded rapidly to 8.2% in the fourth quarter (Jan. to Mar.). The advanced management capability of I-NET, which improved profitability swiftly amid the harsh business environment, should be highly evaluated. In the term ending March 2024, it is expected that there will remain the effects of revision to selling prices related to data centers and active investment in energy-saving devices in the previous term. In the term ended March 2022, before the skyrocketing of electricity charges, operating income margin was 7.6% and ROE was 10.1%. In the term ending March 2024, it is projected that profitability will keep improving, but will not reach the level in the term ended March 2022. We would like to see how much they can improve profitability through further corporate efforts with expectation.

The term ending March 2024 is the second year of the mid-term management plan. In the mid-term management plan, the company plans to put energy into the following points: (1) promotion of customer services and R&D for the DX and New Normal ages, (2) co-creation, innovation, and value creation, (3) diversification and improvement of human resources, and productivity enhancement, and (4) the appropriate management of the business portfolio in the service provision model and the improvement in corporate value. The company actively engages in these activities. The progress and outcomes of these activities are noteworthy.

<Reference: Regarding Corporate Governance>

◎Organization type and the composition of directors

Organization type	Company with audit and supervisory committee
Directors	10 directors, including 6 outside ones
Audit and Supervisory Committee Member	3 auditors, including 3 outside ones

◎Corporate Governance Report
Last update date: June 23, 2023

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

<Disclosure Based on the Principles of the Corporate Governance Code (Excerpts)>

Principle	Reason for not Following
Principle 1-4 [Strategically-held shares]	<Policy on strategic shareholding> We will hold shares strategically for the purpose of smooth business operations, maintenance and strengthening of business relationships, etc., only when it is deemed necessary after comprehensively considering the medium to long-term economic rationality and future prospects. With regard to strategically-held shares, we will discuss the purpose of shareholding, the risks associated, and investment returns for each stock while considering changes in the business environment, etc., and periodically review our shareholding policy with a view to reducing the number of shares we hold. <Criteria for exercising voting rights for strategically-held shares> With respect to the exercise of voting rights for strategically-held shares, our company makes decisions on whether to approve or disapprove proposals, based on a comprehensive review of the management policy and business strategy of the company concerned, in addition to whether each proposal conforms to our shareholding policy, and whether it would lead to an improvement in corporate value. In addition, we will engage in dialogue with the issuing company regarding the content of the proposal, etc. as necessary.
Principle 2-4-1 [Ensuring Diversity in the Promotion of Core Human Resources, etc.]	Our company has been actively and continuously recruiting and appointing diverse human resources, including women, non-Japanese workers, and mid-career hires, and making efforts to create a working environment that makes the most of the characteristics and abilities of each individual and to educate the management. We have set a target of increasing the ratio of female managers from the current 8.2% to 12% by March 2026, and have adopted a policy of keeping the ratio of female employees fresh out of college 40% or higher every year. To know more about our other initiatives, please refer to our website. (https://www.inet.co.jp/sustainability/social/diversity.html) In addition to the initiatives we have made so far, the medium-term management plan includes a mid-career recruitment strategy and the strengthening of the education and training system and content to improve human resources at all levels.

Supplementary Principle 3-1-3 [Sustainability Initiatives]	For more information on our management strategy, sustainability initiatives, etc., please refer to our website. (1) Medium to Long-term Goals/Management Strategy https://www.inet.co.jp/ir/policy/goal.html#contents (2) Medium-term Management Plan https://www.inet.co.jp/ir/policy/mid-goal.html#contents (3) Sustainability Initiatives https://www.inet.co.jp/sustainability/ <Investment in human capital and intellectual property> We formulate mid-term management plans, design management strategies based on our company-wide priority measures, with a "defense" strategy of strengthening ties with customers and an "offense" strategy of developing new market areas and services, and strive to enhance both tangible and intangible value by thoroughly adopting a customer-first approach, offering value-added proposals, developing products and services with growth potential, and promoting investment in human resources. In addition, we are making future-oriented investments based on our medium-term management plan, including investments in human resources that form the basis of everything we do, data centers that are the core of our business model, and research and development, which will help us differentiate our products and strengthen our competitiveness. <Disclosure, etc. based on the recommendations of TCFD> Please refer to our website for our climate-related financial information (disclosure based on TCFD recommendations). https://www.inet.co.jp/sustainability/environment/tcfd.pdf
Principle 5-1 [Policy for Constructive Dialogue with Shareholders]	Our company has established an IR policy and discloses basic policies, disclosure standards, disclosure methods, quiet periods, etc. In order to contribute to sustainable growth and medium/long-term improvement of corporate value, we are open to dialogue with shareholders and investors to a reasonable extent. Our company has established a Corporate Strategy & Investor Relations Department as a department in charge of IR, and has established an IR system with an executive officer in charge of IR. The IR department fully cooperates with the Corporate Planning, General Affairs, Accounting, Human Resources, and Business Divisions, etc. to disclose management and financial information to stakeholders, including shareholders and investors, in a timely and appropriate manner. In terms of dialogue with shareholders, we hold business briefings after the announcement of full-year financial results, as well as financial results briefings for analysts and institutional investors twice a year, at which the President and Representative Director provides explanations and holds dialogue. In addition, the President and Representative Director, the senior management, and the IR department hold individual meetings with institutional investors and company briefing sessions for individual investors when necessary. The officer in charge of IR submits the opinions of shareholders and investors as feedback for discussion and reporting to the Board of Directors, etc., as necessary. In addition, when engaging in dialogue, the company pays close attention to the management of insider information in accordance with internal regulations.