# Presentation Material for Consolidated Financial Results for 1Q25

(April 1, 2025 to June 30, 2025)



**Internet Initiative Japan Inc. (IIJ)** 

The Prime Market of the Tokyo Stock Exchange (Ticker symbol: 3774)

August 7, 2025

#### **Disclaimer**

Statements made in this presentation regarding IIJ's or managements' intentions, beliefs, expectations, or predictions for the future are forward-looking statements that are based on IIJ's and managements' current expectations, assumptions, estimates and projections about its business and the industry. These forward-looking statements, such as statements regarding revenues, operating and net profitability are subject to various risks, uncertainties and other factors that could cause IIJ's actual results to differ materially from those contained in any forward-looking statement.

# **Outline**

- I. 1Q25 Summary
- II. 1Q25 Financial Results
- **Ⅲ.** List of Large-scale Projects
- **Appendix**
- [Reference]
- Presentation material for company overview P. 25 ~ P. 42

- P. 2
- P. 3 ~ P. 17
- P. 18
- P. 19 ~ P. 24

- FY25 stands for a fiscal year from Apr. 1, 2025 to Mar. 31, 2026
- 1Q25 stands for 1st quarter of FY25 (Apr. 1, 2025 to Jun. 30, 2025), others alike
- Abbreviation: NW for network, SI for systems integration, DC for data center, HD for holdings, PF for platform, ¥ (JPY) bn for JPY billion,

· Growth in secured projects

### Stronger NW Replacement Demand Multiple Large-scale Projects Secured including a Japanese Megabank 1Q Revenue & Profit on Track Solid Start with High Profit Growth





- ◆ 1Q25 revenue: ¥29.51 bn, +9.1% YoY IP: +9.5% YoY, Outsourcing: +13.7% YoY Of which, Security:+11.2% YoY
- FY25 is to strengthen the accumulation of recurring revenue by enhancing the existing services and promoting solution-based offerings: Enhanced web security in "IIJ Flex Mobility Service/ZTNA"(Jun. 2025). Launched "mxHERO with IIJ" to enable easy transition from PPAP (Jul. 2025), etc.

#### Mobile IoT

- ◆ 1Q25 revenue: ¥13.01 bn, +8.3% YoY 1Q25-end total subscription: 5,772 thousand, +748 thousand YoY
- ◆ Expanding MVNE business by leveraging top MVNO share, Number of MVNE clients: 195 (1Q24-end), 202 (1Q25-end) Consumer subscription increased by 61 thousand YoY driven by JAL Mobile (Apr. 2025) and others

SI

- ◆ 1Q25 revenue: ¥33.56 bn, +4.1% YoY Of which, construction: ¥11.69 bn, -7.3% YoY, operation & maintenance (O/M): ¥21.87 bn, +11.4% YoY O/M (recurring revenue) largely grew, Construction remained on track backed by its order-backlog (¥15.81 bn as of 4Q24-end, ¥23.76 bn as of 4Q23-end)
- ◆ 1Q25 order received: ¥45.32 bn, +12.9% YoY Of which, construction: ¥17.07 bn, +12.8% YoY O/M: ¥28.24 bn, +12.9% YoY, High demand for both
- Revised engineer billing rates at the beginning of each fiscal year, reflecting changes in personnel and outsourcing costs

Trends in large-scale projects"

1Q25 Total contract amount Approx. ¥6.0 bn Approx. ¥7.5 bn Global NW project for a Japanese megabank included (5 years, ¥5.5 bn)

1024

Potential pipeline ranging from ¥1 billion to over ¥10 billion is also underway

1Q24 (3 months in total) One-time revenue Approx. ¥0.7 bn Monthly recurring revenue Approx. ¥1.0 bn

Revenue trends

Approx. ¥0.5 bn Approx. ¥3.0 bn

1Q25

Achieved high profit growth YoY, excluding the contribution from the VMware license-related profit rebound, despite typical 1Q profit weakness caused by seasonal cost increases

- New management structure launched: Enhancing existing strategy and strengthening execution in alignment with the Mid-term Plan
- Expansion of our own data centers; Construction for Shiroi's 3<sup>rd</sup> site started (Jun. 2025), its operations to begin in FY26. Matsue's new building operation began (Jun. 2025)
- Reinforcement of human capital: 269 new graduates (Apr. 2025), Compensation revision (approx. +6% average salary increase for IIJ), FY25 headcount to increase by approx. 440 personnel
- Prevention of security incident recurrence: Enhancement of behavioral detection & multi-layered WAF implemented, Security enhancement for all services led by the president in progress

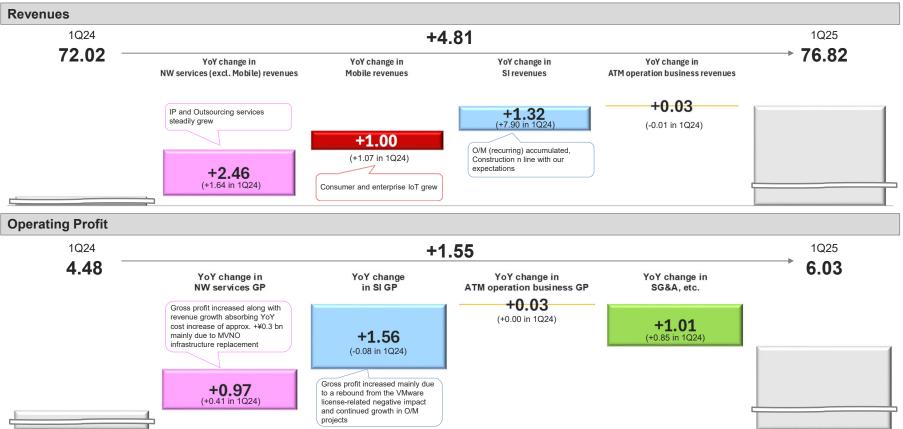
Topics

	% of revenue	% of revenue			% of revenue		% of revenue	
	1Q25 Results	1Q24 Results	Yo	ρY	1H25 Targets	YoY	FY25 Targets	YoY
	Apr. 2025 - Jun. 2025	Apr. 2024 - Jun. 2024			(Announced in May 2025) Apr. 2025 - Sep. 2025		(Announced in May 2025) Apr. 2025 - Mar. 2026	
Revenues	76.82	72.02	+6.7%	+4.81	158.0	+7.5%	340.0	+7.3%
Cost of	78.3%	80.4%			77.9%		77.4%	
Revenues	60.13	57.88	+3.9%	+2.24	123.1	+5.8%	263.0	+5.9%
	21.7%	19.6%			22.1%		22.6%	
Gross Profit	16.69	14.13	+18.1%	+2.56	34.9	+13.8%	77.0	+12.6%
SG&A etc.	13.9% <b>10.66</b>	13.4% <b>9.65</b>	+10.5%	+1.01	Reversal of over #1 bin retirement benefit provisions in 20 (planned)	+2.7%	40.5	+5.7%
	7.9%	6.2%			9.8%		10.7%	
Operating Profit	6.03	4.48	+34.6%	+1.55	15.5	+31.6%	36.5	+21.2%
	7.5%	7.0%			8.8%		9.9%	
Profit before tax	5.74	5.04	+13.9%	+0.70	13.9	+25.0%	33.7	+15.5%
	4.9%	4.6%			5.9%		6.8%	
Net Profit Profit for the period attributable to owners of the parent	3.78	3.32	+13.7%	+0.46	9.4	+25.8%	23.0	+15.4%

 $<sup>\</sup>bullet \quad \text{SG\&A etc. represents the sum of SG\&A, which includes R\&D expenses, and other income/expenses}\\$ 

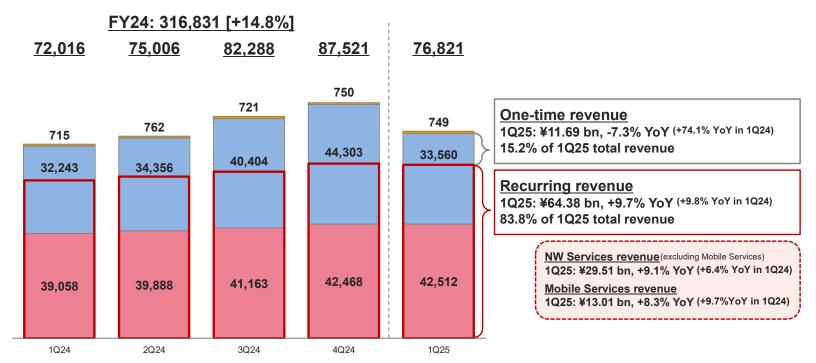
# II - 2. Year over Year Analysis

Unit: ¥ (JPY) billion (bn) GP = Gross Profit YoY = Year over year comparison



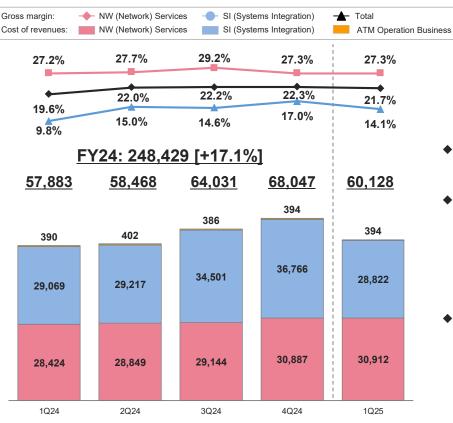
- NW services (excl. Mobile) revenues are calculated by deducting the below mentioned Mobile services revenues from total NW services revenues. The revenues include non-mobile consumer revenue which is a small amount
- Mobile services revenues include IIJ Mobile Services (including MVNE) and IIJmio (consumer mobile)
- NW services gross profit consists of gross profit related to NW revenues (excl. Mobile) and Mobile revenues (The two services have costs in common and cannot be broken down in accounting terms)





One-time revenue, systems construction revenues which include equipment sales, is mainly recognized when systems and/or equipment are delivered and accepted by customers (Some revenues on a percentage-of-progress basis based on cost progression)
Recurring revenue represents the following revenues: Internet Connectivity Services (Enterprise), Internet Connectivity Services (Consumer), Outsourcing Services, WAN Services, and Systems Operation and Maintenance

Recurring revenue represents are included IJJ Mobile Services (including MVNE) and IJJ mic consumer oblights revenues include IJJ Mobile Services (including MVNE) and IJJ mic consumer mobile)



#### **♦** Total gross profit

> 1Q25: ¥16.69 bn, +18.1%, +¥2.56 bn YoY

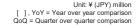
#### Gross profit for NW services

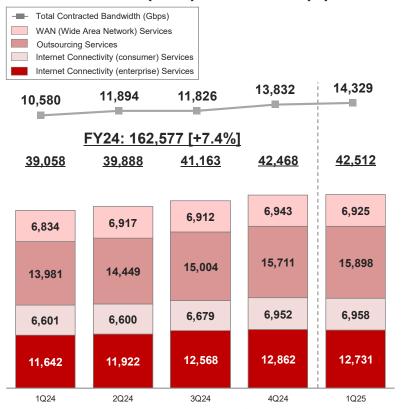
- > 1Q25: ¥11.60 bn, +9.1%, +¥0.97 bn YoY
  - Fixed-type costs such as NW operation, outsourcing, and personnel-related costs have been on an upward trend, with a particularly large seasonal cost increase observed at the beginning of fiscal year
  - There was YoY cost increase of approx. +¥0.3 bn mainly due to MVNO infrastructure replacement

### ♦ Gross profit for SI

- > 1Q25: ¥4.74 bn, +49.3%, +¥1.56 bn YoY
  - Gross margin improved YoY, mainly due to the accumulation of O/M projects and the rebound from the VMware license-related negative profit impact in FY24 (approx. -¥0.9 billion YoY)
  - 1Q25 gross margin slightly exceeded 1Q23 gross margin of 13.4%, which was unaffected by the VMware license-related negative profit impact
- 3Q24 NW Services gross margin include one-time cost reimbursement related to the mobile data interconnectivity charge
- 4Q24 SI gross margin improved QoQ to seasonal revenue growth and economies of scale
- VMware license-related profit impact on NW Services: FY24 ¥-0.1 bn (1Q: approx. -¥0.3 bn, 2Q: approx. -¥0.3 bn, 3Q: approx. +¥0.2 bn, 4Q: approx. +¥0.3 bn)
- VMware license-related profit impact on SI: FY24 ¥-1.4 bn (1Q: approx. ¥0.9 bn, including approx. ¥0.7 bn of one-time cost due to provisions, 2Q: approx. ¥0.1 bn, 3Q: approx. ¥0.2 bn, 4Q: approx. ¥0.2 bn)

# II - 5. Network (NW) Services (1) Revenues



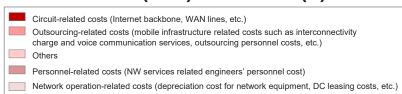


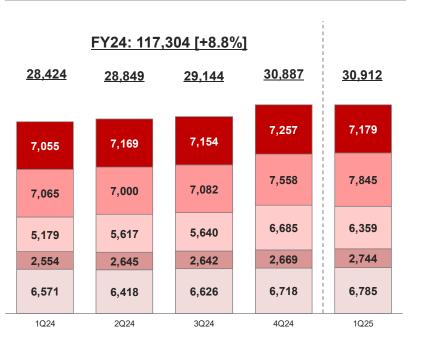
### ◆Internet Connectivity (enterprise) Services

- > 1Q25: ¥12.73 bn, +9.4% YoY (+8.1% YoY in 1Q24)
  - Of which, IP Service: ¥4.57 bn, +9.5% YoY (+6.7% YoY in 1Q24), +¥54 million QoQ
  - Of which, Enterprise mobile: ¥4.01 bn, +13.6% YoY (+12.3% YoY in 1Q24), -¥206 million QoQ
    - √ QoQ decline mainly reflecting the impact of large lump-sum sales in 4Q24
  - Of which, MVNE: ¥2.89 bn, +4.2% YoY (+5.5% YoY in 1Q24), -¥0 million QoQ

#### ◆ Internet Connectivity (consumer) Services

- > 1Q25: ¥6.96 bn, +5.4% YoY (+10.1% YoY in 1Q24)
  - Of which, consumer mobile (IIJmio): ¥6.11 bn, +7.0% YoY (+10.3% YoY in 1Q24), +¥44 million QoQ
- ◆ <u>Outsourcing Services</u> (Various in-house developed network services)
  - > 1Q25: ¥15.90 bn, +13.7% YoY (+11.5% YoY in 1Q24), +¥187 million QoQ
    - Of which, security: ¥9.57 bn, +11.2% YoY (+19.4% YoY in 1Q24)
- ◆ WAN Services (Closed network services)
  - > 1Q25: ¥6.93 bn. +1.3% YoY (-3.1% YoY in 1Q24), -¥18 million QoQ
- Total contracted bandwidth is calculated by multiplying number of contracts by contracted bandwidths for IP service and broadband services respectively which are both under Internet connectivity services for enterprise Total contracted bandwidth in 4Q24 significantly increased, driven by multiple customers adding or newly acquiring over 100Gbps
- IP (Internet Protocol) Service is bandwidth guaranteed dedicated Internet connectivity services for enterprises. Contracts are based on bandwidth and enterprises use the service for their core and main Internet connectivity
- Enterprise mobile primarily refer to direct offerings for IoT and similar usages
- MVNE (sales of service to other MVNOs) refers to IIJ Mobile MVNO Platform Service
- 3Q24 consumer mobile (IIJmio) include approx. ¥0.18 bn of sales netting due to campaign expenses in 3Q23 for fiber optic internet service, which was confirmed after one-year usage





- Circuit-related costs remained stable
  - Internet backbone circuit cost remains stable as we can leverage scale merit by having one of the largest Internet backbone networks
- Outsourcing-related costs remained stable
  - The decline in the mobile data interconnectivity unit charge at the beginning of FY25 was similar to that in FY24 (Details in P.23)
  - · Outsourcing personnel cost increase at the beginning of fiscal year
- Others were on a continuous increasing trend
  - · License fees such as SASE increased along with its increased revenue
  - 1Q25 mobile device purchasing costs decreased QoQ by approx. ¥0.3 bn as in 4Q24 procurement volume was large
- Personnel-related costs increased at the beginning of fiscal year due to revision of salary table and others
- Network operation-related costs continued to increase along with facility expansions
  - Increases in depreciation and other costs were mainly due to MVNO infrastructure replacement

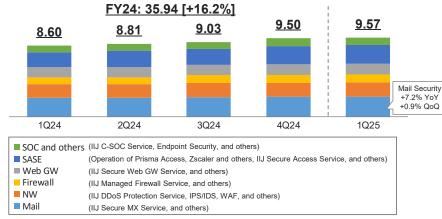
<sup>3</sup>Q24 Outsourcing-related costs include one-time cost reimbursement based on the difference between future cost method figures and actual figures regarding FY23 usage

FY24 Others cost was impacted by the VMware licenses (approx., +¥1.0 bn YoY) and enhancement of mobile procurement for 4Q promotional season (approx. +¥0.5 bn YoY)

#### **Security Business**

#### ◆ Continuous demand for in-house developed security services

· Security services (recurring revenue) is recognized as Outsourcing services revenue



#### Security enhancement initiatives

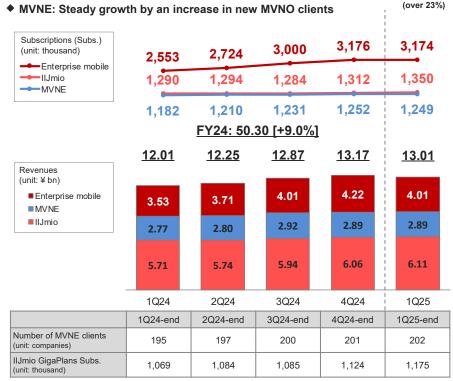
- Enhancement of behavioral detection and multi-layered WAF implemented
- · Pursuing company-wide security enhancement under the president's direct leadership

#### Ongoing enhancement of existing services and solutions

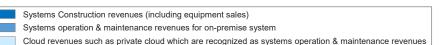
- Plan to launch integrated security management solution for OT (Operational Technology) in Sep. 2025 (in collaboration with NTT DOCOMO Business)
- Launched a secure and user-friendly file transfer environment with an assetless model through "IIJ File Transfer Solution with Soliton" (Jul. 2025)
- "IIJ Managed WAF Service" and others registered on ISMAP (Government Security Evaluation Scheme) in Jun. 2025
- Added web security features to "IIJ Flex Mobility Service/ZTNA" to enhance Zero Trust (Jun. 2025)
- Launched endpoint isolation security solution in Mar. 2025 (co-developed with Soliton)

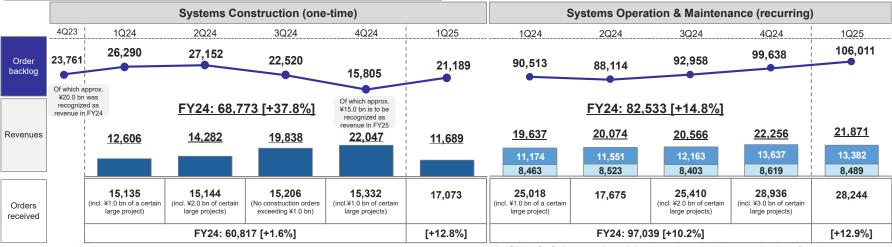
#### Mobile/IoT Business

- ♦ Enterprise: Continued demand for device connectivity, including NW cameras
- ◆ Consumer: Acquisition with competitive pricing, Maintained No.1 market share



- Enterprise Mobile: Refers to direct service offerings for IoT and other device connectivity use cases.
- MVNE: Refers to IIJ Mobile MVNO Platform Services provided to other MVNO operators.





- Construction revenue decreased YoY due to lower order backlog at the end of FY24 compared to FY23, but remained in line with expectations (Order backlog: ¥15.81 bn at 4Q24-end, ¥23.76 bn at 4Q23-end)
- Favorable demand from all industries continued
- Consistently secured large-scale NW & SI projects in 1Q25
  - Global NW construction for a Japanese megabank (5 years, ¥5.5 bn)
  - NW infrastructure for public institution (3 years, ¥1.0 bn)
  - Infrastructure for education services (5 years, ¥1.0 bn), etc.

Slight QoQ decrease is mainly due to the scheduled termination of maintenance projects at PTC, subsidiary in Singapore, and the termination of certain legacy cloud service offerings

#### Cloud Service Revenue (recurring)

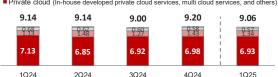
Unit: ¥ bn



■ Public cloud (In-house developed public cloud services)

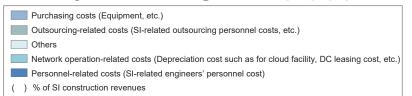
(Foreign Exchange system services for financial institutions)

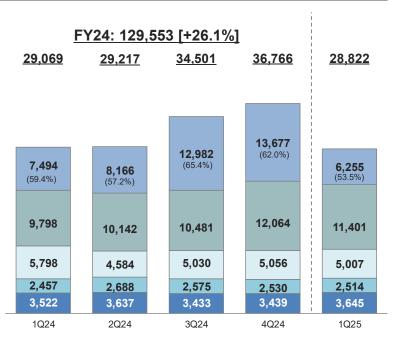
Private cloud (In-house developed private cloud services, multi cloud services, and others) 9.14 9.14 9.20 9.00 9.06



- Breakdown of 1Q25 cloud revenue: 93.7% Systems O/M, 6.3% Outsourcing service
- FY24 cloud service revenue was impacted by a certain multi-cloud project: 1Q24 revenue included +¥0.3 bn of one-time due to the termination of the transaction, 2Q. 3Q, and 4Q24 MRR decreased by approx. -¥0.6 bn/Q

# II - 6. Systems Integration (SI) (2) Cost of Revenues





- Purchasing & outsourcing-related costs are linked to the size of project and revenue to a certain degree in principle
- Others include license purchasing costs and others
- No significant change in network operation-related costs on a quarterly basis
- Personnel-related costs increased at the beginning of fiscal year due to revision of salary table and others

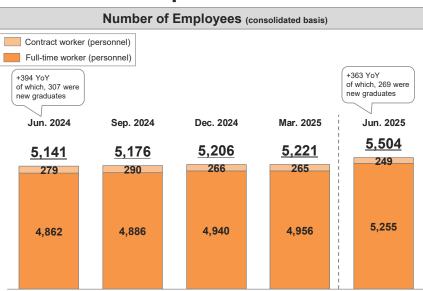
#### Number of SI-related outsourcing personnel (unit: personnel)

1Q24-end	2Q24-end	3Q24-end	4Q24-end	1Q25-end
1,513	1,525	1,510	1,596	1,578

Due to many ongoing projects including ones before order-received, the number of outsourcing personnel has been at a high level

Regarding Others, the revenue-linked multi-cloud license cost decreased as expected along with the termination of a large client's transaction at the end of 1Q24. FY24 cost impact related to VMware license was approx. +¥2.6 bn YoY (including a one-time cost due to provisions of approx. ¥0.7 bn in 1Q24, resulting in a YoY increase of ¥1.2 bn for the quarter)

# II - 7. Human Capital Disclosure



#### Personnel-related costs & expenses (consolidated basis)

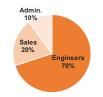
Unit: ¥ (JPY) million

	1Q24	2Q24	3Q24	4Q24	1Q25
Consolidated	10,333 10,665		10,299	10,341	11,049
personnel-related costs & expenses	(+10.4%)	(+15.3%)	(+9.4%)	(+7.5%)	(+6.9%)*
(YoY)		FY24: 41,63	38 (+10.6%)		
% of revenue	14.3%	14.2%	12.5%	11.8%	14.4%

#### ➤ FY25

- Number of employees to increase by approx. 440 personnel, including 269 new graduates
- Average annual salary increased by approx. 6.0%, including the compensation revision, in Apr. 2025 (IIJ)
   In 1Q24, there was a one-time payment to address inflation. As a result, the YoY growth rate of personnel-related expenses in 1Q25 slightly declined.
  - ✓ Compensation revisions in the past: Apr. 2019, Apr. 2023

#### **Breakdown of Employees**



### Number of new graduates

(consolidated basis)
Unit: personnel

Apr. 2022 Apr. 2023 Apr. 2024 Apr. 2025



### **Ratio of Female Managers**

- Achieved FY24 and FY27 targets a year in advance
  - Initial targets:
     FY24 over 6%, FY27 over 8%

Apr.	Apr.	Apr.	Apr.
2022	2023	2024	2025
5.7%	6.3%	7.5%	8.4%

# FY20 FY21 FY22 FY23 FY24 3.9 3.9 3.9 3.9 3.9 3.9

- > FY24 employee survey indicates high overall satisfaction level: 3.9 (out of 5)
- \* The Employee Survey(IIJ) is an annual engagement survey (approx. 50 questions), and each item is rated on a five-point scale: 1 (disagree), 2 (somewhat disagree), 3 (neutral), 4 (somewhat agree), and 5 (agree). The "Overall Satisfaction" is the result of a question, "I am satisfied overall"

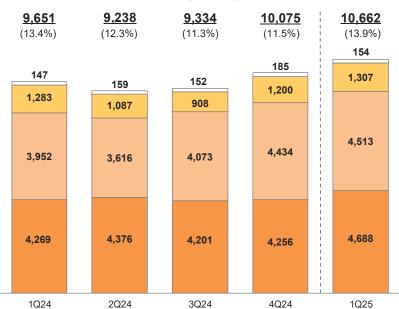


- Lower than the industry average turnover
- \* The turnover rate of IIJ is calculated by dividing leavers for the fiscal year by the number of full-time employees at the beginning of that fiscal year. The industry average turnover rate of approx. 10% is announced by the Ministry of Health, Labor, and Welfare

13





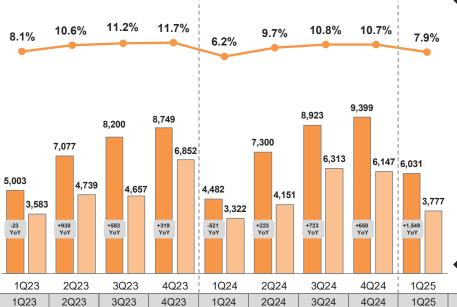


- Research & development expenses are mainly personnel expenses of research institute division. No major changes
- Commission expenses are mainly recruitment expenses and credit card fees for consumers
- Others are increasing mainly because of an increase in advertisement and activity-related expenses such as travel expenses. 1Q training expenses also increased temporarily due to new graduate hire
- Personnel-related expenses (salary, employee benefits, etc.) increased as expected, mainly due to the compensation revision and hiring of new graduate at the beginning of FY25
  - In 2Q25, personnel-related expenses are expected to include a reversal of over ¥1.0 billion in retirement benefit provisions, following the revision of the retirement benefit system (IIJ) to focus on defined contribution (DC) plans

- · Above figures are SG&A expenses plus other income and other expenses
- 1Q personnel-related and others expenses increase mainly due to an increase in training and human capital development expenses along with the entry of new graduates. Such expenses decrease in 2Q QoQ as expenses for new graduate engineers are recorded as cost of revenues from 2Q

## II - 9. Profit





•	Operating	profit
---	-----------	--------

- > 1Q25: ¥6.03 bn, +34.6% YoY
  - Achieved high profit growth YoY, excluding the contribution from the VMware license-related profit rebound, despite typical 1Q profit weakness caused by seasonal cost increases

#### ◆ Profit before tax

- > 1Q25: ¥5.74 bn, +13.9% YoY
  - Interest expense: ¥327 million (1Q24: ¥206 million)
  - Foreign exchange gain(loss) and valuation gain(loss) on funds
     Due to foreign exchange rate, profit or loss quarterly fluctuate, 1Q25 was within our expectations

	1Q24	2Q24	3Q24	4Q24	1Q25
Exchange rate at the end of Q (per USD)	161.07	142.73	158.18	149.52	144.81
Foreign exchange gain(loss)	+196	(249)	+196	(97)	(67)
Valuation gain(loss) on funds, etc.*	+585	(863)	+790	(311)	(14)

<sup>\*</sup>Foreign exchange impacts were also included as lots of assets are dominated in USD

- Share of gain(loss) of investments accounted for using equity method: ¥(108) million (1Q24: ¥(162) million)
- ✓ DeCurret-related gain(loss) :

1Q24	2Q24	3Q24	4Q24	1Q25
(182)	+25	(177)	(219)	(174)

- IIJ ownership from Sep. 2024: 34.8%
- 2Q24 included gain of ¥209 million on change in equity interest due to DeCurret HD's capital increase in Sep. 2024
- Started Japan's first digital currency business in Aug. 2024 (Details in P.42)
   FY25 plan: approx. ¥0.7 bn of loss
- FY25 plan: approx. ¥0.7 bn of los

#### ◆ Net profit

> 1Q25: ¥3.78 bn, +13.7% YoY

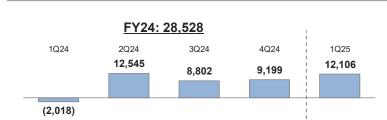
1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	7 1Q23. +3.70 bit, +13.7 % 101
1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	
632	114	(957)	581	719	(1,294)	722	(653)	(186)	Finance income (expense), net
(154)	(119)	(150)	(42)	(162)	71	(173)	(150)	(108)	Share of profit (loss) of investments accounted for using equity method
(1,824)	(2,320)	(2,365)	(2,449)	(1,654)	(1,915)	(3,092)	(2,419)	(1,928)	Income tax expense
74	13	71	(13)	63	11	67	30	32	Profit (loss) for the period attributable to non-controlling interests

- · Net profit shows "Profit for the period attributable to owners of the parent"
- Under IFRS, equity securities are measured at fair value through OCI (Other Comprehensive Income) while funds are measured through profit or loss

	Mar. 31, 2025	June 30, 2025	Changes		Mar. 31, 2025	June 30, 2025	Changes
Cash & cash equivalents	32,534	30,020	(2,514)	Trade & other payables	30,238	26,543	(3,695)
Trade receivables	56,361	46,759	(9,602)	Borrowings (current & non-current)	33,616	33,600	(16)
Inventories	4,681	5,775	+1,094	Contract liabilities & Deferred income (current & non-current)	26,043	30,425	+4,382
Prepaid expenses (current & non-current)	56,930	62,513	+5,583	Income taxes payable	5,205	2,150	(3,055)
Tangible assets	33,771	37,365	+3,594	Retirement benefit liabilities	4,849	4,960	+111
Right-of-use assets	45,756	44,228	(1,528)	Other financial liabilities (current & non-current)	58,578	58,728	+150
Of which, operating leases (rent of office, data center etc.)	28,958	27,227	(1,731)	Of which, operating leases (rent of office, data center etc.)	29,714	27,983	(1,731)
Of which, finance leases (network equipment etc.)	16,798	17,001	+203	Of which, finance leases (network equipment etc.)	19,172	19,561	+389
Goodwill & intangible assets	31,328	31,573	+245	Others	11,820	11,555	(265)
Investments accounted for using the equity method	6,639	6,451	(188)	Total liabilities:	170,349	167,961	(2,388)
Investment securities (Equity)	15,823	19,007	+3,184	Share capital	25,577	25,584	+7
Other investments	10,711	10,888	+177	Share premium	35,865	35,808	(57)
Others	17,901	18,419	+518	Retained earnings	79,885	80,663	+778
				Other components of equity	11,266	13,427	+2,161
				Treasury shares	(11,910)	(11,817)	+93
				Total equity attributable to owners of the parent:	140,683	143,665	+2,982
				Non-controlling interests	1,403	1,372	(31)
Total assets:	312,435	312,998	+563	Total liabilities and equity:	312,435	312,998	+563

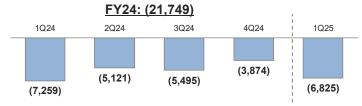
- Prepaid expenses increased mainly due to increases in projects for clients, license fee and maintenance for facility, etc., Expected to be recovered gradually over multiple years
- · Tangible assets increased mainly due to investment in data centers
- Ratio of total equity attributable to owners of the parent: 45.0% as of Mar. 31, 2025, 45.9% as of Jun. 30, 2025

### **Operating Activities**



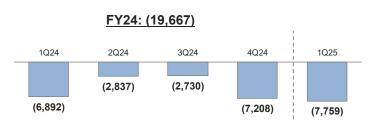
	1Q25 Major Breakdown	YoY Change
Profit before tax	5,737	+698
Depreciation and amortization	7,963	+364
Changes in operating assets & liabilities	2,952	+12,004
Of which, decrease (increase) in prepaid expenses	(5,520)	+9,665
Income taxes paid	(5,043)	+243

## **Investing Activities**

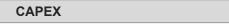


	1Q25 Major Breakdown	YoY Change
Purchase of tangible assets	(4,470)	(250)
Of which, data center-related	(1,927)	+72
Purchase of intangible assets such as software	(2,458)	+55

### **Financing Activities**

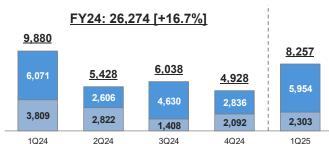


	1Q25 Major Breakdown	YoY Change
Proceeds from other financial liabilities	991	(2,250)
Payment of operating/finance leases and other financial liabilities	(5,576)	(295)
Dividends paid	(3,096)	(58)





Finance lease

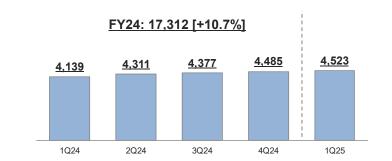


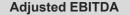
Major breakdown of CAPEX (Unit: ¥ bn)

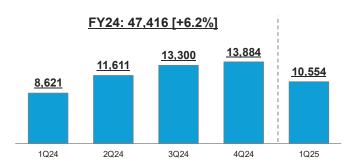
	1Q24	1Q25	Notes	
Ordinal CAPEX (NW equipment & server, etc.)	3.3	4.3	Sustained investment	
Shiroi data center second site-related	0.1	0.2	Individual investment for	
Matsue data center-related	1.9	1.8	anticipated demand	
Customer-related	3.4	1.0	Investment for each project	
Renewal of Full-MVNO 5G infrastructure	1.0	0.9	Ad-hoc investment	
Renewal of Raptor service facility	0.2	0.1	Ad-hoc investment	

- > FY25 CAPEX plan: approx. ¥30.0 bn
  - Of which, approx. ¥8.5 bn is for Shiroi data center's 3<sup>rd</sup> site construction
  - An increase in customer-related CAPEX along with the trend of acquiring of large-scale projects

### **CAPEX-related depreciation and amortization**







<sup>•</sup> Total amount of capital expenditure is the amounts of acquisition of tangible and intangible assets by cash and entering into finance leases for the fiscal year, excluding duplication due to sale and leaseback transactions and acquisition of assets that do not have the nature of investment, such as purchase of small-amount equipment.

CAPEX-related depreciation and amortization is calculated by excluding depreciation and amortization of assets that do not have the nature of capital investment, such as right-of-use assets related to operating leases, small-amount equipment and customer relationship.

<sup>·</sup> Adjusted EBITDA is calculated by adding operating profit and CAPEX-related depreciation and amortization.

# III. Accumulation of large-scale projects as a new norm by Service Integration model

♦Along with accumulation of large-scale projects, MRR is gradually increasing

Revenue recognitions of large-scale projects	1H23	2H23	1H24	2H24	1Q25 (3 months in total)
One-time	Approx. ¥0.4 bn	Approx. ¥5.0 bn	Approx. ¥2.3 bn	Approx. ¥7.7 bn	Approx. ¥0.5 bn
Monthly recurring	Approx. ¥1.4 bn	Approx. ¥1.7 bn	Approx. ¥2.3 bn	Approx. ¥4.5 bn	Approx. ¥3.0 bn
•					

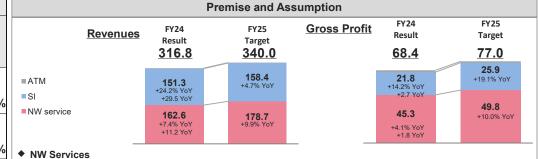
The first project of the new shared banking system Revenue recognition category platform for regional banks NW service ¥6.0 bn. 8 vrs SI NW service Revenue recognition from 3Q24 NW infrastructure renewal Security enhancement for a manufacturer for a real estate company ¥1.0 bn, 3 yrs ¥3.0 bn, 5 yrs NW service NW service, SI construction, SI O/M Revenue recognition from 2Q24 Revenue recognition from 1Q25 Remote access environment Sales system renewal for a service provider for a construction company ¥2.0 bn, 2 yrs ¥2.0 bn, 5 yrs NW service, SLO/M NW service, SI construction, SI O/M Revenue recognition from 2Q24 Revenue recognition from 2Q25 Remote access implementation Business operation environment Construction & operation for service infrastructure Educational information network for Chiba city for a manufacturer for a public institution for an enterprise ¥12.3 bn, 5 yrs ¥3.0 bn, 5 yrs ¥2.0 bn, 3 yrs ¥4.0 bn, 5 yrs NW service, SI construction, SI O/M NW service, SI construction, SI O/M NW service NW service, SI construction, SI O/M Revenue recognition from 3Q24 Revenue recognition from 3Q25 Remote work environment development **New Wins** Next generation research platform ICT infrastructure for a public institution Large-scale IT infrastructure installment project for a public sector organization for a private university ¥3.0 bn, 5 yrs ¥1.0 bn ¥1.0 bn ¥1.0 bn, 5 yrs NW service, SI construction, SI O/M SI construction SI construction SI construction, SI O/M Revenue recognition from 4Q24 Revenue recognition from 2Q24 Research platform renewal The second project of the new shared banking system Integrated operation system Global NW for a Japanese megabank Large-scale NW renewal for a manufacturer for a private educational institution platform for regional banks for a public sector organization ¥5.5 bn, 5 yrs ¥2.0 bn. 4 vrs ¥11.0 bn. 8 vrs ¥3.0 bn, 5 yrs ¥3.0 bn, 5 yrs NW service, SI construction, SI O/M NW service, SLO/M NW service, SI construction, SI O/M SI construction NW service, SI construction, SI O/M Revenue recognition from 2Q25 Revenue recognition from 3Q24 Revenue recognition from 4Q24 Office IT Installation Introduction of a service system Enhancement of security for a carrier Large-scale NW renewal Infrastructure for education service for a public institution for a public sector organization for a prominent financial institution ¥1.0 bn. 5 vrs ¥1.5 bn. 5 vrs ¥1.0 bn. 3 vrs ¥1.0 bn. 5 vrs ¥4.0 bn. 8 vrs NW service, SI construction, SI O/M SI construction, SI O/M NW service SI construction, SI O/M NW service, SI construction, SI O/M Revenue recognition from 1Q25 Revenue recognition from 2Q24 Revenue recognition from 4Q24 System infrastructure construction Information infrastructure system **Business operation environment** Next generation NW renewal Large-scale server construction for a public sector organization for a public institution for a public institution for Al infrastructure for a system integrator ¥3.0 bn. 4 vrs ¥4.0 bn. 5 vrs ¥1.0 bn. 3 vrs ¥1.0 bn. 5 vrs ¥3.0 bn. 3 vrs NW service, SI construction, SI O/M NW service, SI construction, SI O/M NW service, SI construction, SI O/M NW service SI construction, SI O/M Revenue recognition from 3Q24 Revenue recognition from 3Q24 Revenue recognition from 2Q25

For details, please refer to "Timing of revenue recognition for large-scale complex flagship projects" in the past financial results presentation materials

	FY25 Targets				
	% of total reveue 1H25 (Apr. 1, 2025 - Sep. 30, 2025)	YoY	% of total reveue FY25 (Apr. 1, 2025 - Mar. 31, 2026)	YoY	
Total Revenue	158.0	+7.5%	340.0	+7.3%	
Gross Profit	34.9	+13.8%	77.0	+12.6%	
SG&A etc.	19.4	+2.7%	40.5	+5.7%	
Operating Profit	15.5	+31.6%	36.5	+21.2%	
Shares of profit(loss) of investments accounted for using equity method investee	(0.2)	-	(0.5)	_	
Profit before tax	13.9	+25.0%	9.9%	+15.5%	
Net Profit (Profit for the period attributable to owners of the parent)	5.9% <b>9.4</b>	+25.8%	23.0	+15.4%	
Dividend	V40 F0		V00 00		

per share

¥39.00



- Revenue to grow through enhancement on service function & sales promotion. Expect monthly recurring revenues of large-scale Service Integration projects to increase (an incremental impact of approx. ¥1.7 bn compared to FY24)
- Rebound from FY24 VMware license negative profit impact: 1H24 approx. -¥0.6 bn, FY24 approx. -¥0.1 bn
- · No consideration on mobile data interconnectivity reimbursement

#### ♦ SI

- Continue to meet demand for NW renewal etc.
- SI construction revenue target has been set by considering approx. ¥5.0 bn for Chiba city project, which was recognized in FY24, and others
  - Gross margin to improve by the accumulation of operation projects and rebound from VMware license negative profit
    impact (1H24: approx. -¥1.0 bn, FY24: approx. -¥1.4 bn)

#### ◆ SG&A

- SG&A, etc. to increase along with the expansion of business scale & increase in the number of employees
- Average annual salary increase rate: approx. 6% (IIJ, it had been around 3.5%~4.0%)
- The reversal of over ¥1.0 bn provisions for IIJ's retirement benefits due to the revision of the retirement benefit plan
  which is now more centered around defined contribution plan (expected in 2025)

#### ♦ Non-operating income & expenses

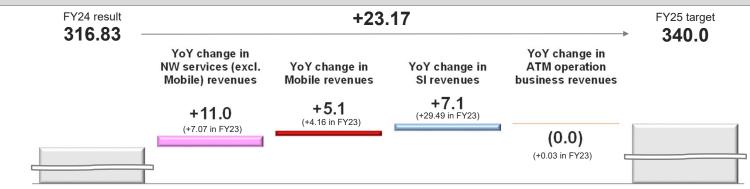
- Shares of profit (loss) of investments accounted for using equity method investee: approx. ¥0.5 bn loss, of which DeCurret HD, approx. ¥0.7 bn loss
- Assume financial expenses incl. interests, foreign exchange losses etc. (Assumed exchange rate: ¥140/USD)

#### **♦** Others

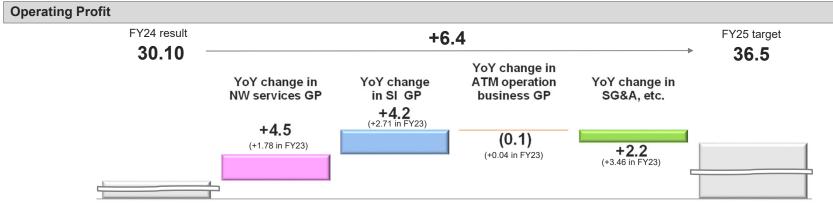
- CAPEX: approx. ¥30.0 bn, of which, approx. ¥8.5 bn is for Shiroi DC's 3<sup>rd</sup> site, spending over multiple yrs
- Start constructing Shiroi DC's 3<sup>rd</sup> site from June 2025, expected to accommodate approx. 7 yrs of IIJ service demand
- Number of employees (consolidated basis) to increase by approx. 440 personnel, of which, 269 are new graduates

# Unchanged from May 2025

### Revenues



- NW services (excl. Mobile) revenues are calculated by deducting the below mentioned Mobile services revenues from total NW services revenues. The revenues include non-mobile consumer revenue which is a small amount
   Mobile services revenues include IJ Mobile Services (including MVNE) and IJJmio (consumer mobile)
- Mobile services revenues include IIJ Mobile Services (including MVNE) and IIJmio (consumer mobile)



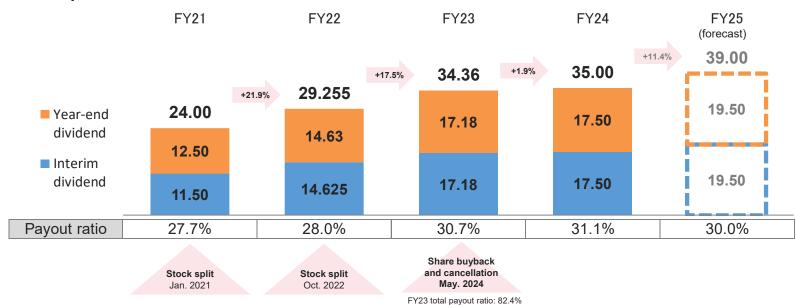
- NW services gross profit consists of gross profit related to NW revenues (excl. Mobile) and Mobile revenues (The two services have costs in common and cannot be broken down in accounting terms)
- SG&A, etc. in this slide represents the sum of SG&A, which includes R&D expenses, and other income/expenses

### Appendix FY25 Dividend Forecast

**Unchanged from** May 2025

Basic shareholders' return policy: Continuous and stable dividend payment while considering the need to have retained earnings for the enhancement of financial position, mid-to-long term business expansion and future investment

## Dividend per share:



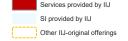
Dividend per share is written on the post-stock-split basis

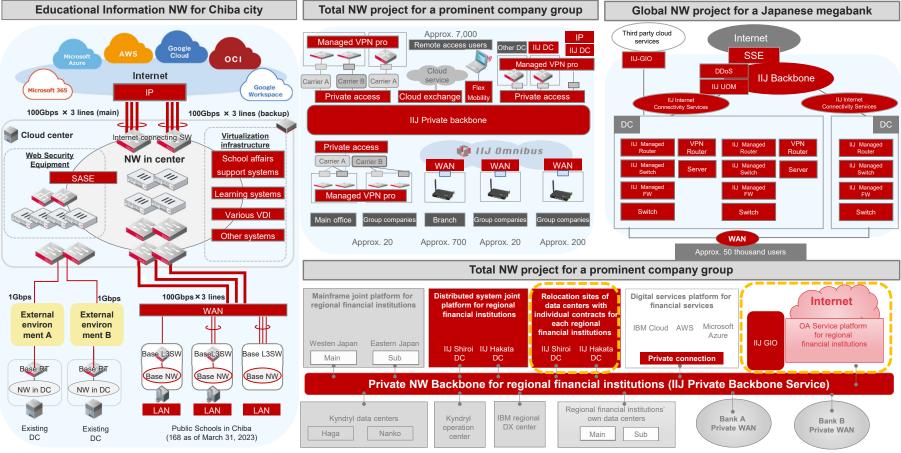
FY21 payout ratio: adjusted payout ratio is around 30% which is calculated by deducting temporary and non-cash transaction such as valuation on funds and impairment loss

FY22 payout ratio takes the retrospective application of IAS 12 "Income Taxes" into consideration

FY23 payout ratio takes the share buyback with cancellation which took place in May 2023 into consideration

# Appendix Secured large-scale Service Integration projects





# Appendix NTT Docomo's Mobile data interconnectivity charge (Mbps Unit charge, monthly)

Fiscal Year	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	
Method		Future cost method: MNOs are to disclose the charges for next three yrs based on their prediction about cost etc.							
						Announced in Mar. 20	25		
New						¥10,874 -15.5% YoY	¥10,383 -4.5% YoY	¥9,052 -12.8% YoY	
Fixed	¥37,280 -12.7% YoY	<u>¥27,024</u> -27.5% YoY	¥19,979 -26.1% YoY	¥15,042 -24.7% YoY	To be fixed in Dec. 2025	To be fixed in Dec. 2026			
					Announced in Mar. 2 ¥12,862 -14.5% YoY	¥10,874 -15.5% YoY	¥10,708 -1.5% Yoy		
				Announced in Mar.	2023				
				¥15,644 21.7% YoY	¥13,084 -16.4% YoY	¥11,255 -14.0% YoY			
Old			Announced in Mar. ¥20,327 -24.8% YoY	¥15,697 -22.8% YoY	¥13,207 -15.9% YoY				
		Announced in Apr. ¥28,385 -23.9% YoY	2021 ¥22,190 -21.8% YoY	¥18,014 -18.8% YoY					
	Announced in Mar. ¥41,436 -3.0% YoY	¥33,211 -19.8% YoY	¥27,924 -15.9% YoY						

The calculation: (Data communication cost + profit) /demand

<sup>.</sup> The charge disclosed based on the future cost method is to be finalized based on MNOs actual cost results etc.

<sup>.</sup> The YoY (Year over Year) decrease percentage written under each charge is compared with the previous year charge

The charge is public information disclosed in NTT Docomo's service terms and conditions document uploaded on NTT Docomo's website (only available in Japanese) https://www.docomo.ne.jp/binary/pdf/corporate/disclosure/mvno/business/oroshi.pdf

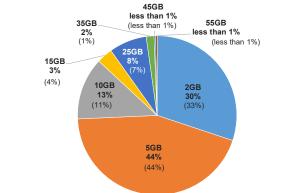
As of Jun 30, 2025

### Price list for "IIJmio GigaPlans"

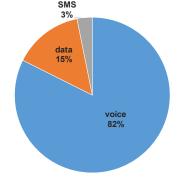
200	With voice	¥850
2GB	Data-only	¥740
5GB	With voice	From ¥990 to ¥950
ЭСВ	Data-only	From ¥900 to <b>¥860</b>
10GB	With voice	From ¥1,500 to ¥1,400
10GB	Data-only	From ¥1,400 to <b>¥1,300</b>
15GB	With voice	¥1,800
1966	Data-only	¥1,730
From 20GB to 25GB	With voice	¥2,000
FIORI 200B to 200B	Data-only	¥1,950
From 30GB to 35GB	With voice	From ¥2,700 to ¥2,400
FIORE SOURCE	Data-only	From ¥2,640 to ¥2,340
From 40GB to 45GB	With voice	¥3,300
110111 40 GB 10 43 GB	Data-only	¥3,240
From 50GB to 55GB	With voice	¥3,900
From 50GB to 55GB	Data-only	¥3,840

### GigaPlans: by data plans





# GigaPlans: by plans



The price list was slightly updated in Mar. 2025

[Reference]
Presentation material for company overview
P. 25 ~ P. 42

# **Company Profile**

# IIJ has been taking initiatives in Internet Infrastructure field in Japan

Established	December 1992 (The first established full-scale ISP in Japan)				
Number of Employees 5,504 (approx. 70% engineers)					
Large Shareholders NTT Group, KDDI, ITOCHU Techno-Solutions (CTC), Koichi Suzuki					

### ◆ The first established full-scale ISP (Internet Service Provider) in Japan

- ✓ Introduce many in-house developed Internet-related network services
- ✓ Highly skilled IP (Internet Protocol) engineers from the inception
- ✓ Operate one of the largest Internet backbone networks in Japan

## ◆ Well recognized "IIJ" brand among Japanese blue-chip companies' IT division

- ✓ Differentiate by reliability and quality of network and systems operation
- Long-term (approx. 30 yrs) client relationship since the establishment of IIJ

### **♦** Development of innovative Internet-related services

- Differentiate by continuous network service developments and business investments
- ✓ Focus on Cloud, mobile, security, solutions related to Big Data, IoT and data governance
- ✓ Always ahead of telecom carriers and systems integrators (Slers) with regards to services development and operation

Number of employees is on the consolidated basis and as of Jun. 30, 2025

<sup>·</sup> Large shareholders are as of Mar. 31, 2025

# Leadership (As of June 30, 2025)

# About IIJ

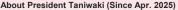
#### **Board of Directors (11 members)**



Koichi Suzuki Representative Director. Chairman. Executive Officer. Co-CEO



Yasuhiko Taniwaki Representative Director. President. Executive Officer. Co-CEO & COO



Joined MIC in 1984 and led major telecom reforms including NTT's restructuring and mobile policy initiatives. Served as Vice-Minister for Policy Coordination in 2019, promoting lower mobile charges. Joined IIJ in 2022 as Executive VP, driving growth in cybersecurity and digital transformation.



Satoshi Murabayashi Vice President Executive Officer



Koichi Kitamura Vice President Executive Officer



Akihisa Watai Vice President **Executive Officer** CFO



Junichi Shimagami Vice President Executive Officer СТО

#### **Outside Directors**

45.5% (5 out of 11)



Takashi Tsukamoto (since 2017)

Former Chairman of Mizuho Financial Group, Inc. Former President and CFO of Mizuho Bank, Ltd.



Kazuo Tsukuda (since 2020)

Former Chairman and Representative Director of Mitsubishi Heavy Industries.



Yoichiro Iwama (since 2021)

Former President and Representative Director of Tokio Marine Asset Management Co., Ltd.



Atsushi Okamoto (since 2022)

Former President and CEO of Iwanami Shoten, Publishers



Kaori Tonosu (since 2022)

Former Board Member of Deloitte Touche Tohmatsu LLC

Female

#### Performance based compensation for an annual and mid-term plan have been implemented since 2024. Directors are evaluated based on business performance such as revenue, operating profit, and performance of assigned business area, engagement such as employee satisfaction, ROE target of 19% in FY26, achievement/progress of sustainability and other targets

- Vice Presidents have been assigned to oversee each business domain, enhancing the promotion of business operations
- Board of Directors is annually leveled-up through continuous evaluation
- Ratio of outside directors: 46.7% (7 out of 15, sum of Board of Directors and Board of Company Auditors)
- Ratio of female directors: 20.0% (3 out of 15, sum of Board of Directors and Board of Company Auditors)

### **Board of Company Auditors (4 members)**

Masavoshi Tobita

Masako Tanaka Female

Attorney at law Outside

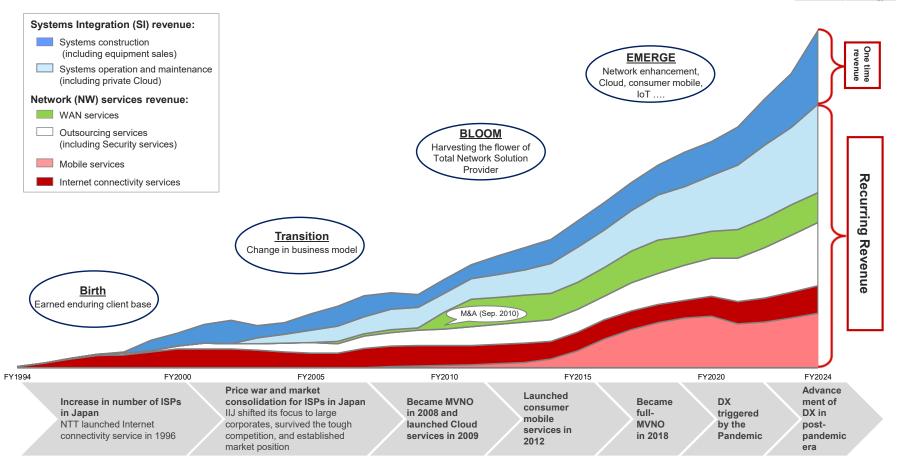
Takashi Michishita

Kumiko Aso Certified Public Accountant

Female Outside

# From ISP to Total Network Solution Provider

28

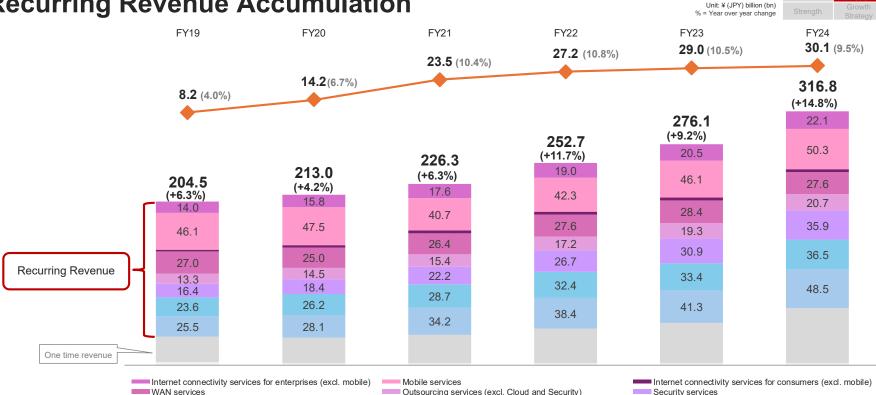


# **Extensive Service Lineups**

	About IIJ	Business Model
Unit: ¥ (JPY) billion (bn)	Strength	Growth Strategy

Rev	enue category	FY24 revenue	YoY growth			About			Business situation, growth drivers and outlook		
	Internet connectivity services for	48.99	+9.5%	IP (Internet Protocol)	2 +8.3%	<ul><li>Highl (mult</li><li>Contr</li></ul>	y reliable i-carrier, r racts are t enue to in	ded edu oase	since the establishment dicated connectivity services undancy, etc.) ed on data bandwidth ase as volume per client	IP	<ul> <li>Matured market (hard to entry)</li> <li>Very low churn rate, loyal clients for 30 years</li> <li>Expect Internet traffic volume to continuously increase along with cloud penetration, SaaS, DX, etc.</li> </ul>
Network	enterprise			Mobile 26.8 (Others) Broadband Intel	MVNE	15.48	+13.5%	>	Provide data connectivity for mainly IoT usages Provide mobile services for other MVNOs	S	<ul> <li>Provide enterprise mobile, MVNE and consumer mobile from the same infrastructure. Expect such infrastructure utilization to improve by gathering various traffic such as IoT/enterprise/ consumers</li> </ul>
ork services	Internet connectivity services for consumers	26.83	+6.1%		4 +6.7%	> Provi (voice	e as optio	n)	monthly data limits	Mobile	Currently procuring mobile infrastructure to meet the peak traffic of consumer whose traffic is concentrated at commuting and lunch time      Largest market share in consumer MVNO market     Expect advanced IoT usages to emerge
Š	Outsourcing	59.15	+11.7%	> Various in-ho Security 35.9 (Others) NW monitoring	+16.2%	Mana Oper	aged secu ation Cen	rity s ter s	services, Security services and so many more	> , > (	Have been developing services based on Zero Trust concept Acquire enterprise demand by cross-selling services Continuous service development is important Expect security demand to be strong continuously  77%
	WAN (Wide Area Network)	27.61	-2.7%	Legacy way of     Directly purcha				anet	t, closed NW		Stable market Cross-selling element to make up comprehensive lineup
SI	Operation and Maintenance	82.53	+14.8%	Private	3 +17.4% 1 +11.1%	system > Prom	ms ote cloud	shift	ntenance of constructed it with abundant, highly ed functions	i ≻ I	Expect great business opportunity in the mid-to-long term as internal IT systems migrate to cloud  Expect revenue to increase continuously along with accumulation of construction projects
	Construction (including equipment sales)	68.77	+37.8%	> Mainly NW in	egration p	rojects sı	uch as se	rver	r construction		Securing large-scale projects as Japanese enterprises' private NW/systems are becoming more NW-based and requiring various NW function (Service Integration model)

# **Recurring Revenue Accumulation**



Systems Operation and maintenance (excl. cloud)

Operating profit (%) Operating Margin

- . Mobile revenue decreased year over year in FY21 due to ARPU decrease for consumers and change in unit charge for MVNE clients
- Systems construction and systems operation & maintenance revenue increase for FY21 includes PTC revenue which became IIJ's consolidated subsidiary from Apr. 2021
- During FY20. ATM operation business was impacted by the COVID-19 pandemic due for example to the store closure and smaller number of users coming to stores
- WAN revenue decreased year over year in FY19 and FY20 mainly due to certain large customers' migration to our mobile services (cheaper than WAN to connect multiple sites)
- FY24 Operating margin includes the significant increase of VMware licenses

Cloud services

ATM operation business

Systems construction

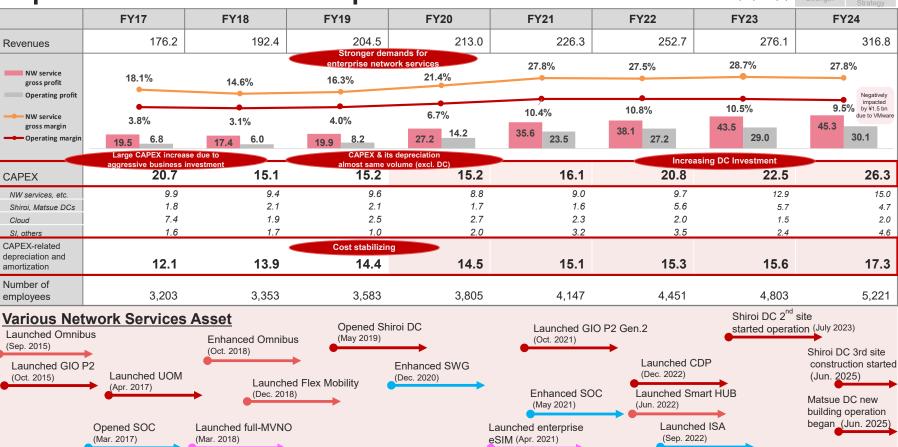
Business

Model

# **Capex and Business Developments**

About II.
Unit: ¥ (JPY) billion (bn) Strength



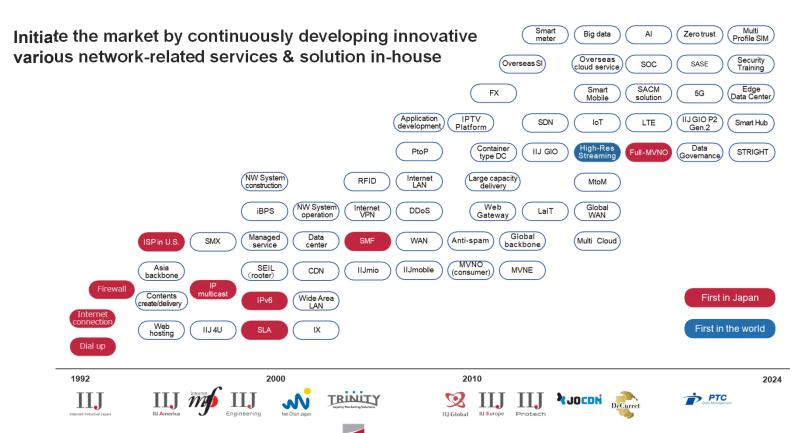


CAPEX-related depreciation and amortization is calculated by excluding depreciation and amortization of assets that do not have the nature of capital investment, such as right-of-use assets related to operating leases, small-amount equipment and customer relationship

© Internet Initiative Japan Inc.

# **Service & Solution Development Capability**

IIJ Group



# Excellent Customer Base (Number of IIJ Group's clients: approx. 16,000 as of March 31, 2025)

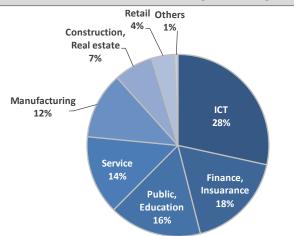


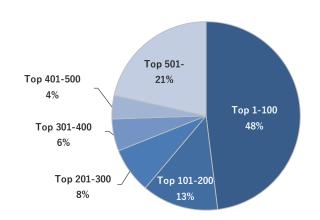
- ◆ Through reliable operation, continuous use of Internet connectivity services since the inception of IIJ
- ◆ Our reliable infrastructure operation and cross-sell strategy have led to low churn rate



### **Client Distribution by Industry**

### **Client Distribution by Revenue Volume**





Top ten firms in each industry taken from annual revenues are selected by II J based on the Yahoo! Japan Finance website (finance/sales/whole market/daily)

The service penetration and the revenue distributions are based on IIJ's FY24

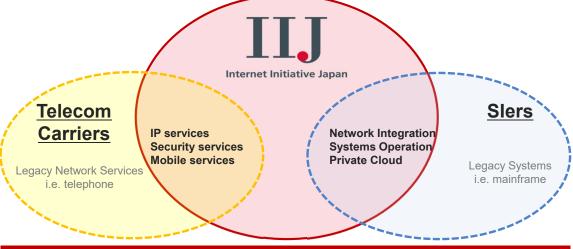
# **Competitive Advantages**

### Against telecom carriers, IIJ

- Has highly skilled IP (Internet Protocol) engineers
- Is faster to move than bureaucratic organizations
- · Focuses on blue-chip companies' IT needs with SI

### Against systems integrators (Slers), IIJ

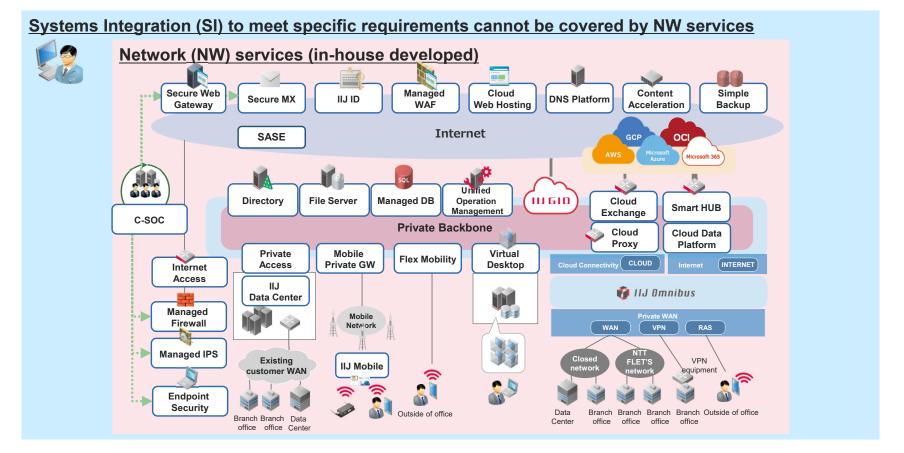
- Operates one of the largest Internet backbone (Slers do not)
- Has NW services asset and development capability (Slers do not)
- Focuses on Internet-related open type systems



IIJ deals with newer systems and growing IT market (Not involved in heavy and legacy systems)

# NW Services and SI provided together as a Total Solution





# Mid-term Plan (FY24 ~ FY26)

Consolidated base
Net Profit is "Profit for the period attributable to owners of the parent"
"times" are calculated by comparing FY26/FY26-end to FY23/FY23-end
The figures below are all assumed targets

About IIJ Model

Strength Growth Strategy

# Accelerate business scale expansion toward the Mid-to-long Term Vision by advancing the business structure transformation in FY23 Revenue growth led by integration and profit growth through economies of scale as a NW service operator



Creation of new growth area

### Further enhancement of the existing core business area

#### SI as Revenue driver

- Accelerate revenue growth by rolling out NW construction/renewal projects to various industry, enhancing account sales & PM, expanding human resource
- Enhance SI project management

# Promotion of large transactions & clients

- Comprehensive outsourcing of client's NW and open systems
- Add large volume revenue to the multi-industry recurring revenue base
- Stable additional profit source for the future

#### Enhancement of Service Control

- Higher efficiency for service development & operation by new technology such as AI
- Implement appropriate
   pricing in response to inflation
   & cost increase

#### NW service as Profit driver

- Accelerate NW service accumulation through Service Integration
- Demonstrate the strength of stable
   NW operation in the DX era

# Further enhancement of service development & operation

- Focus on strengthening cyber-security service development
- development
   Respond to DX progress with DWP
- Develop services that would be PF for AI, data lake, etc.

#### Continuous expansion of NW infrastructure Pursuit of differentiation

- Construct the third site of Shiroi DC for long-term growth
- Deploy full-MVNO 5G SA

# Initiatives for Data-driven society

 Operate data utilization business, generate meaningful data, data distribution mechanisms & operations, etc.
 Study & create business models in conjunction with the existing infrastructure & services



## Achieve the spread of Digital Currency in Japan (Equity method investee: DeCurret)

- First in Japan to issue commercial digital currency as a practical case (scheduled in Jul. 2024)
  - ✓ Digitalized token of environmental value transaction
- Within FY26, anticipate loss to shrink & become profitable on a monthly basis
- Executing STO(\*) of digital currency, invoice chain(\*), web3/NFT(\*) & other practical projects

(\*) STO (Security Token Offering): securities issued using electronic means such as blockchain, replacing traditional mechanism of stocks and bonds

- (\*) Invoice chain: concept of industry standard systems for corporate intercompany
- (\*) NFT(Non-Fungible Token): Token issued on the blockchain that can prove uniqueness and cannot be replaced

#### **Enhancement of business foundation**

# Thorough expansion of Human Capital

- Continuous expansion of human resources
- Develop next-generation human resources for long term growth
- Maintain & enhance top-tier engineering capabilities & expand that to multiple layer

#### Enhancement of cash control

- Appropriate management of increasing SI-related working capital
- Investment allocation
  Shiroi DC & growth areas
- Increase payout ratio when the Mid-to-long Term Vision is realized

# Maintain & improve Sustainability /Governance

- Strengthen governance in line with growth
- Contribute to the productivity of future society through continuous stable NW operation
- Introduce a new executive compensation scheme linked to the new Mid-term Plan

#### Complement growth through M&As

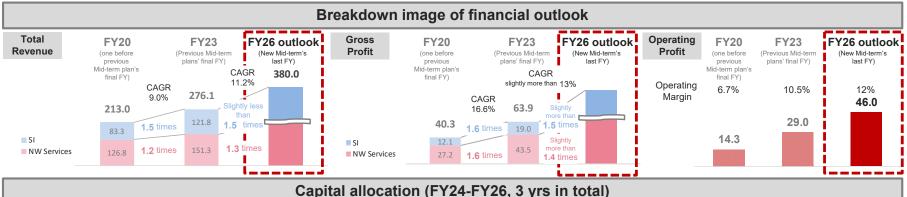
- Pursuit M&A opportunities as a supplemental means of expanding domestic resources & technology
- Leverage residual borrowing capability (up to ¥70.0 bn is envisioned image)

# Mid-term Plan's Financial Outlook

Growth Strategy



Unit: ¥ (JPY) billion



#### Cash in Cash out Overview ◆ Start the construction within the new Mid-term plan period, Investment: approx. ¥90.0 bn but the schedule is undetermined Shiroi DC First site: CAPEX approx. ¥8.3 bn, No. of racks: approx. 700, 3rd site Ordinal NW infrastructure, etc. Shiroi DC 3rd Site started operating from May 2019 Strategic construction approx. ¥51.0 bn Second site: CAPEX approx. ¥12.8 bn (plan), construction investment for new Cash generated approx. ¥30.0 bn No. of racks: approx. 1.100, started operating from Jul. 2023 Stable with economies of scale growth areas from business Mainly for own services Specific investment details have not fixed and will be discussed approx. ¥134.0 bn(\*) Strategic going forward Investment Along with an increase in large complex project Approx. ¥13.0 bn Increase in working capital and lease obligation Increase in ◆ Increase in work in process, prepayments, etc. due to an working increase in large scale multi-year SI projects Payout ratio 30% capital & Approx. ¥24.0 bn (\*) post-tax, pre-depreciation The impact of increased working capital should gradually be reduced Dividend lease due to the constant revenue recognition of large scale projects obligations Debt Scheduled repayment of long term borrowing Approx. ¥1.5 bn ◆ M&As to be conducted in sequence with borrowing capacity Up to approx. ¥65.0 bn M&As · Maintain debt/equity ratio & financial discipline, Up to ¥70.0 bn of additional debt could be implemented for M&As M&As up to **¥70.0 bn**

# Mid-to-long Term Vision

Growth Strategy

The figures mentioned below are all assumed status and image

#### **Previous Mid-term** (FY21-FY23)

Mid-term (FY24-FY26)

Established profit base by enterprise recurring revenue arowth

- · Enhancement of NW infrastructure & service lineup
- · Profit expansion through economies of scale by recurring revenue accumulation
- · Increase in large scale projects through NW renewals, etc.
- · Cloud, security & IoT demands
- Started expansion of overseas business, including M&As
- · Expansion of human resources
- · Initiatives for digital currency and other new business areas

**Accelerate business** expansion by focusing on the existing core areas Pursue business scale for long term growth

- Further enhancement of the existing core business areas
- Creation of new growth areas
- Enhancement of business foundation

### **Mid-to-long Term Vision**

Total revenue around ¥500.0 bn Operating Margin 12% ~ 15%

- Strongest focus on the core areas as NW operator & IT provider Positioned as one of the leading IT providers in Japan Reliable NW operation & service as
  - differentiator Enlarge SI business driven by Service
  - Integration Expand large customer base to realize business scale
- Provide NW platforms which support the **NW** society

Create optimal NW & security platforms for the spread of AI & the advent of data-driven society, etc.

 Maintain and develop IIJ corporate culture as a challenger Unchanged since the inception, diverse employees take on new challenges autonomously

### **Beyond 5,000**

\*5,000 is derived from the Japanese unit of ¥5,000 oku (oku = one hundred million) which is ¥500 bn

Deliver added value as an IT full outsourcer for infrastructure operation to support realization of **NW** society

- Develop integrated PF to enable processing various types of data, together with security & high performance. IIJ to become a full outsourced IT providers equipped with DC (including edge computing) & cloud resources, including wired and wireless NWs
- Achieve high profit margins by managing large customers' NW & IT domains as fully outsource
- Leadership including M&As amidst a changing industry landscape
- Become leading IT service provider by leveraging domestic knowledge & SWOT in ASFAN

Execute actions early to realize revenue volume of ¥500 bn

**Targets** (consolidated)

Total Revenue

Operating Margin

Payout ratio

FY23 result

¥276.1 bn

10.5%

FY26 target

¥380.0 bn

12%

30%

¥500.0 bn

12% ~ 15%

30% ~ 40%

Payout ratio to gradually increase along with an increase in business scale

# Enterprise internal NW & systems in Japan becoming to change



30 yrs ago

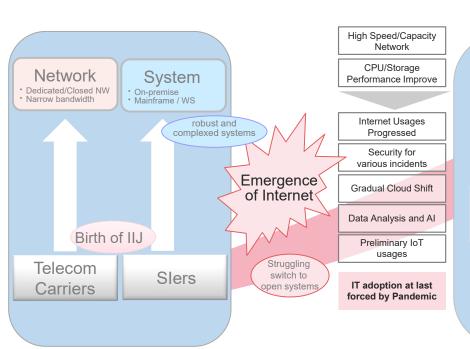
IIJ covered external NW with Internet
Carriers & Slers covered internal NW & systems

Stick to legacy NW systems

Nowadays

IIJ's opportunities rise to cover entire NW & system utilizing various NW functions

Finally systems & NW began to change in Japan after the COVID-19



Network Convergence System

IIJ

- Accumulate NW infrastructure & NW Services Asset
- Have loval clients with Internet access contracts
- Business domains to expand from external network to total network and Systems

Telecom Carriers

- Consumer business focused historically
- Lack of network engineers
- · Infrastructure provider

Slers

- Legacy systems to decrease
- Not own network and network services

Labor shortage requires more IT

Every CEO says DX (Digital Transformation)

Legacy NW and Systems to be reformed

Internet traffic continues to increase

Cyber security demands

Cloud systems penetration

5G SA adoption and advanced IoT projects

Importance of stable operation of large-scale NW remains unchanged

# Data center (DC)

- ◆ Operate 16 DCs in Japan, 2 of which are owned by IIJ (as of Aug. 2025)
  - > Expanding own DC capacity along with growing demands for IIJ services
  - Expect higher efficiency by gradually migrating leased DC spaces to own DCs



#### Container DC at Matsue DCP



Server room at Shiroi DCC



 PUE(Power Usage Effectiveness) is a metric that shows how efficiently electricity is used at a data center. The closer to 1.0 is considered good. Industry max at 1.4 or lower.

		Strength
	Matsue DCP (opened in Apr. 2011)	Shiroi DCC (opened in May 2019)
Objective	IIJ's own se	ervice facility
Features	First in Japan to use outside-air cooling container units     Able to increase capacity responding to demand per container     Utilize on-site solar power panels	Adopt latest energy-saving method including outside-air cooling method     More flexible and cheaper capacity expansion through system module method     Shifting peak of air conditioning power by utilizing lithium-ion storage batteries     Utilize on-site solar power panels     Direct procurement of non-fossil fuel certificates toward the supply of electricity with environmental values
Land	Approx. 16,000m <sup>2</sup>	Approx. 40,000m <sup>2</sup>
Number of in placed racks	Approx. 500 racks	Approx. 1,800 racks
Plan	Construction of new system module Construction from June 2024, Scheduled operation from May 2025 Construction area: approx. 2,000m² Approx. 300 racks Expected CAPEX: over ¥5.0 bn (to be partially covered with subsidy)	2nd site which started its operation from July 2023 is to be fully occupied around FY26 by IIJ's own service facility and collocation     3rd site construction     Expected CAPEX: approx.¥30.0 bn     Plan to start constructing from June 2025, expected to start operating from FY26     Construction area: approx. 5,400m²     Approx. 1,000 racks

Growth

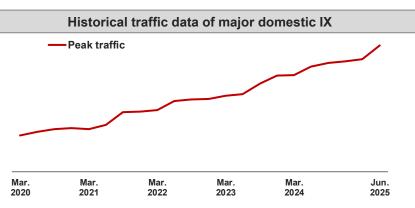
#### ◆ Sustainability targets

Major KPIs	Targets	FY24 results					
Usage of renewable energy	FY30: 85%	55% (Matsue 100%)					
PUE of own DCs	Throughout FY30:	Matue: 1.34					
FOE OF OWIT DOS	Continue to be lower than 1.4	Shiroi: 1.32					

# Market Environment & Growth Forecast, etc.



41



#### SIM type MVNO market share in Japan

#### ◆ Maintain top share in the domestic SIM-type MVNO market

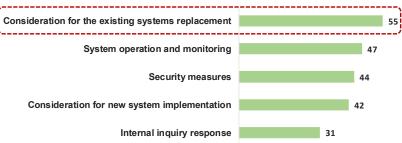
	Mar. 31, 2024		Mar. 31, 2025		
1 <sup>st</sup>	IIJ	21.6%	IIJ	23.3%	
2 <sup>nd</sup>	NTT Docomo(*)	9.7%	Optage	8.1%	
3 <sup>rd</sup>	Optage	8.7%	NTT Docomo(*)	7.1%	
4 <sup>th</sup>	Fujitsu	5.6%	NTT Communications	4.9%	
5 <sup>th</sup>	Aeon Retail	4.7%	Fujitsu	4.6%	

- Source: the Ministry of Internal Affairs and Communications,
- \* NTT Docomo's figures as of Mar. 31, 2024 was formerly NTT Resonant's one

### Nationwide survey on IT department 2024



Source: INTERNET MULTIFEED CO., IX = Internet Exchange



### ◆ Challenges for IT department



Source: Internet Initiative Japan "Nationwide survey on IT department 2024", Questionnaire conducted by IIJ since 2021 targeting information system divisions of companies, etc. Number of valid responses in 2024: 363

# The progress of DeCurret's business

About IIJ	Business Model
Strength	Growth Strategy

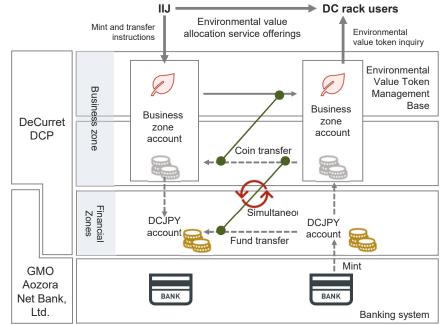
About DeCurret			
DeCurret Holdings	Shareholder: 43 companies, IIJ ownership: 34.8% (an equity method investee)     Business: Business planning and management of a digital currency business subsidiary     Sep. 2024: Raised capital of approx. ¥6.35 bn through a third-party allotment (13 shareholders including 8 new shareholders: Hitachi, SHIZUOKA BANK, NSD, Fujitsu, Higo Bank, Kagoshima Bank, GMO Financial Holdings and ABeam Consulting)		
DeCurret DCP	Shareholder: DeCurret Holdings 100% Business: Digital currency business Secretary for the "Digital Currency Forum" Focus on the core areas of digital currency issuance and management, etc., with a view to practical application, and study use cases using digital currencies As of Oct. 2024, there are 119 companies, organization, experts, as members and		

related regulatory agencies (FSA, MIC, MOF, METI, BOJ)

Difference between "DCJPY" and Trust Bank's Stablecoins			
	DeCurret's digital currency "DCJPY"	Trust Bank's stablecoins	
Correspond ing act	The Banking Act	The revised Payment Services Act (enforced in June 2023)	
Form	Bank deposits	Stablecoins	
Scheme of issuance	Withdraw from user's bank deposit     DCJPY will be issued after booking the same amount of such withdrawal to DCJPY account on the digital currency platform	User needs to deposit money and set up a trust asset each time Then, stablecoins can be issued by a trust bank	
Features	Highly compatible with the current settlement system Issuers are reliable and trustworthy banks Banks support DCJPY can use the Digital Currency services	User needs to open an account with the Trust bank and deposit money each time     User needs to arrange a trust asset each time transferring funds other than the two companies, a trust bank and a beneficiary	

The first commercial project about digital currency (DCJPY) in Japan			
Issuer of digital currency	GMO Aozora Net Bank, Ltd.		
Usages of digital currency	Digitalization of environmental value transaction (non-fossil certificates, etc.)     Transactions and settlement in the digital currency DCJPY		

### Flow on DCJPY on the Two-tiered Digital Currency Platform





The internet started in Japan in 1992, along with IIJ. Since that time, the IIJ Group has been building the infrastructure for a networked society, and with our technical expertise, we have continued to support its development. We have also continued to evolve our vision for the future and innovate to make it a reality. As an internet pioneer, IIJ has blazed the trail so that others could realize the full potential of a networked society, and that will never change. The middle "I" in "IIJ" stands for "initiative," and IIJ alway starts with the future.