

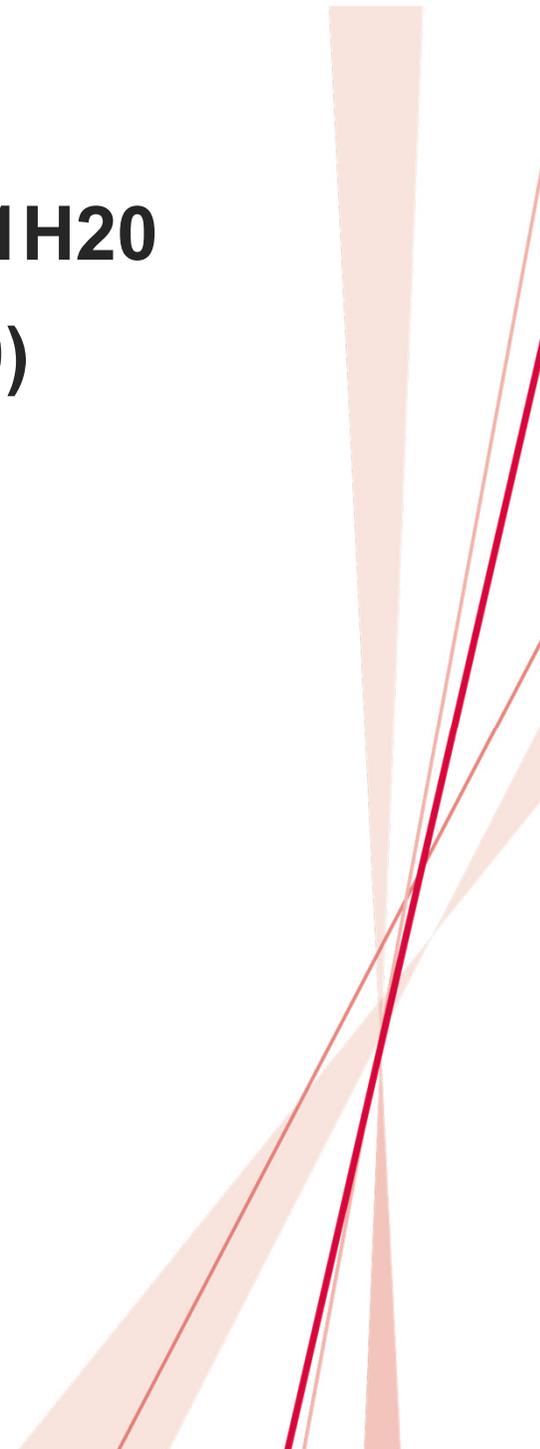
Consolidated Financial Results for 1H20

(April 1, 2020 to September 30, 2020)



Internet Initiative Japan

Internet Initiative Japan Inc.
TSE1 (3774)
November 9, 2020



Outline

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II - 1. Consolidated Financial Results for 1H20

Unit: ¥ (JPY) billion
YoY = Year over year

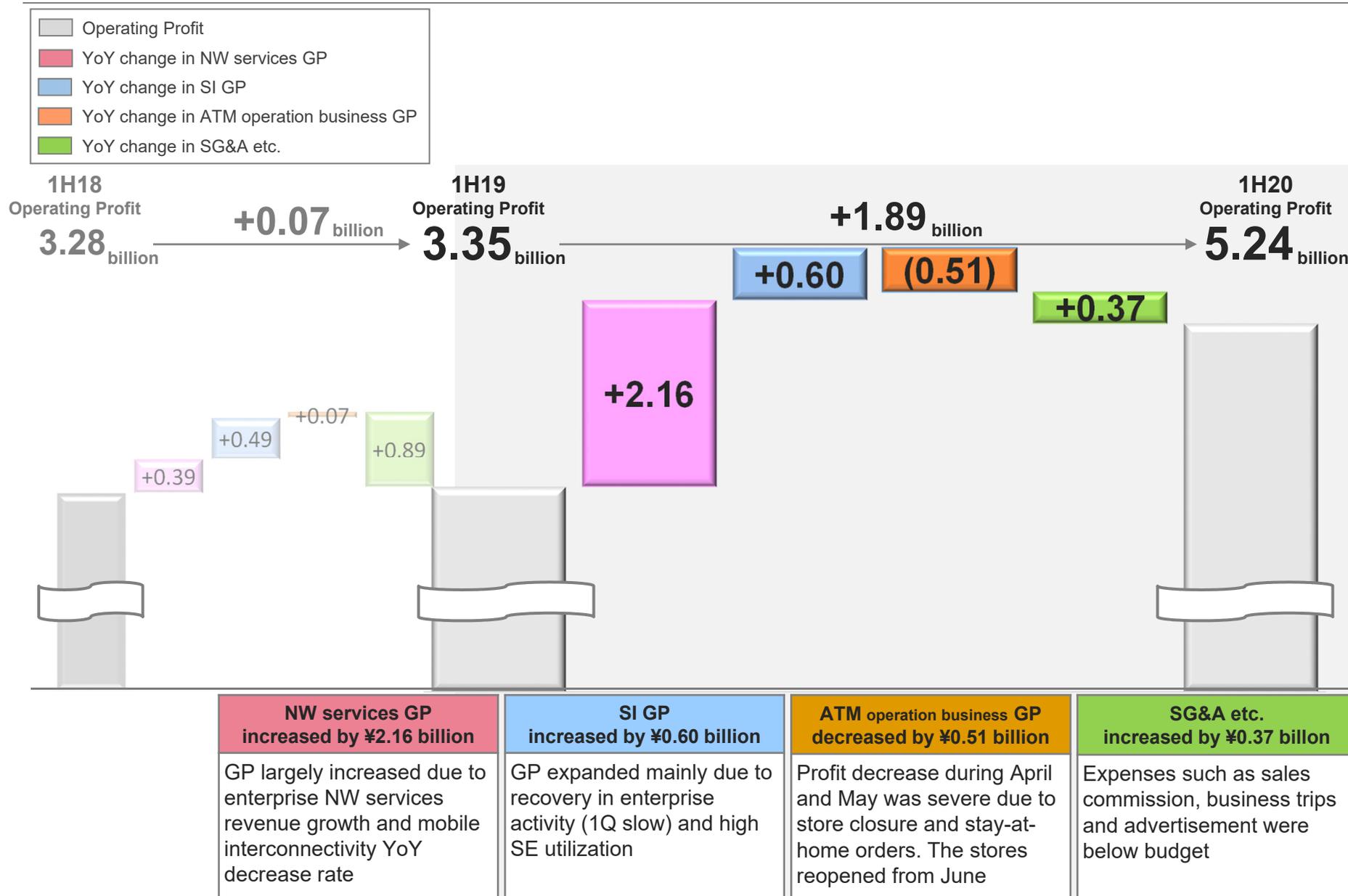
	% of revenue		YoY		% of revenue		YoY	
	1H20 results Apr. 2020 - Sep. 2020	1H19 results Apr. 2019 - Sep. 2019			Old FY20 Targets (announced May 14, 2020) Apr. 2020 - Mar. 2021	New FY20 Targets (revised Nov. 9, 2020) Apr. 2020 - Mar. 2021		
Revenue	101.7	99.2	+2.5%	+2.4	210.0	212.0	+3.7%	+7.5
Cost of Revenue	82.8% 84.2	84.7% 84.0	+0.2%	+0.2	83.9% 176.1	82.9% 175.7	+2.2%	+3.8
Gross Profit	17.2% 17.5	15.3% 15.2	+14.8%	+2.3	16.1% 33.9	17.1% 36.3	+11.4%	+3.7
SG&A etc. ^(*1)	12.0% 12.2	11.9% 11.8	+3.1%	+0.4	12.0% 25.2	11.8% 25.0	+2.6%	+0.6
Operating Profit	5.2% 5.2	3.4% 3.4	+56.3%	+1.9	4.1% 8.7	5.3% 11.3	+37.4%	+3.1
Profit before tax	4.4% 4.5	3.1% 3.0	+46.7%	+1.4	3.8% 8.0	4.7% 10.0	+39.7%	+2.8
Net Profit ^(*2)	2.7% 2.8	1.8% 1.8	+57.7%	+1.0	2.4% 5.0	2.9% 6.1	+52.2%	+2.1

(*1) SG&A etc. shows the sum of SG&A, which includes R&D expenses, and other income/expenses.

(*2) Net profit is "Profit for the period/year attributable to owners of the parent."

II - 2. Operating Profit Comparison

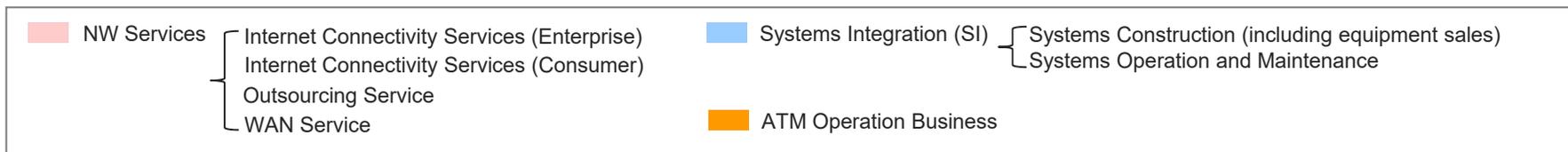
Unit: ¥ (JPY) billion
 GP = Gross Profit
 YoY = Year over year comparison



* SG&A etc. in this slide shows the sum of SG&A, which includes R&D expenses, and other income/expenses.

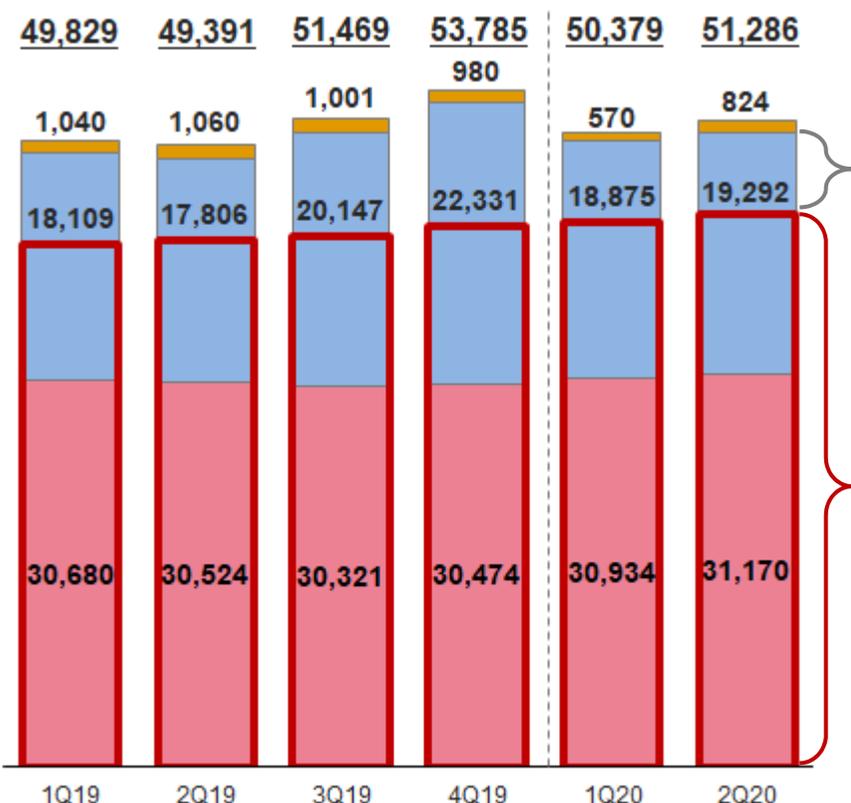
II - 3. Revenues

Unit: ¥ (JPY) million
[], YoY = Year over year comparison



1H19: 99,220 [+8.8%]
FY19: 204,474 [+6.3%]

1H20: 101,665
[+2.5%]



Total Revenue +2.5% YoY

Total revenue grew despite the following negative factors:

- WAN Service: -14.0%, -¥2,007 million YoY due to YoY impact of the certain large clients' migration to mobile which ended 3Q19
- ATM Operation Business: -33.6%, -¥706 million YoY mainly due to store closures and decrease in customers visiting stores

One-time Revenue (*1)

1H20: ¥13,020 million, -5.3% YoY
(12.8% of 1H20 revenues)

- Sluggish revenue growth for 1Q systems construction due to the pandemic
- 1Q -9.6%, 2Q -0.5% YoY

Recurring Revenue (*2)

1H20: ¥87,251 million, +4.7% YoY
(85.8% of 1H20 revenues)

- Recurring revenue excluding WAN:
1H20 ¥74,916 million, +8.5% YoY (1Q +8.7%, 2Q +8.4%YoY)

Enterprise Recurring Revenue (*3)

1H20: ¥53,479 million, +11.9% YoY
(52.6% of 1H20 revenues)

- 1Q +11.5%, 2Q +12.3%YoY

(*1) One-time revenue, systems construction revenues which includes equipment sales, is mainly recognized when systems or equipment are delivered and accepted by customers

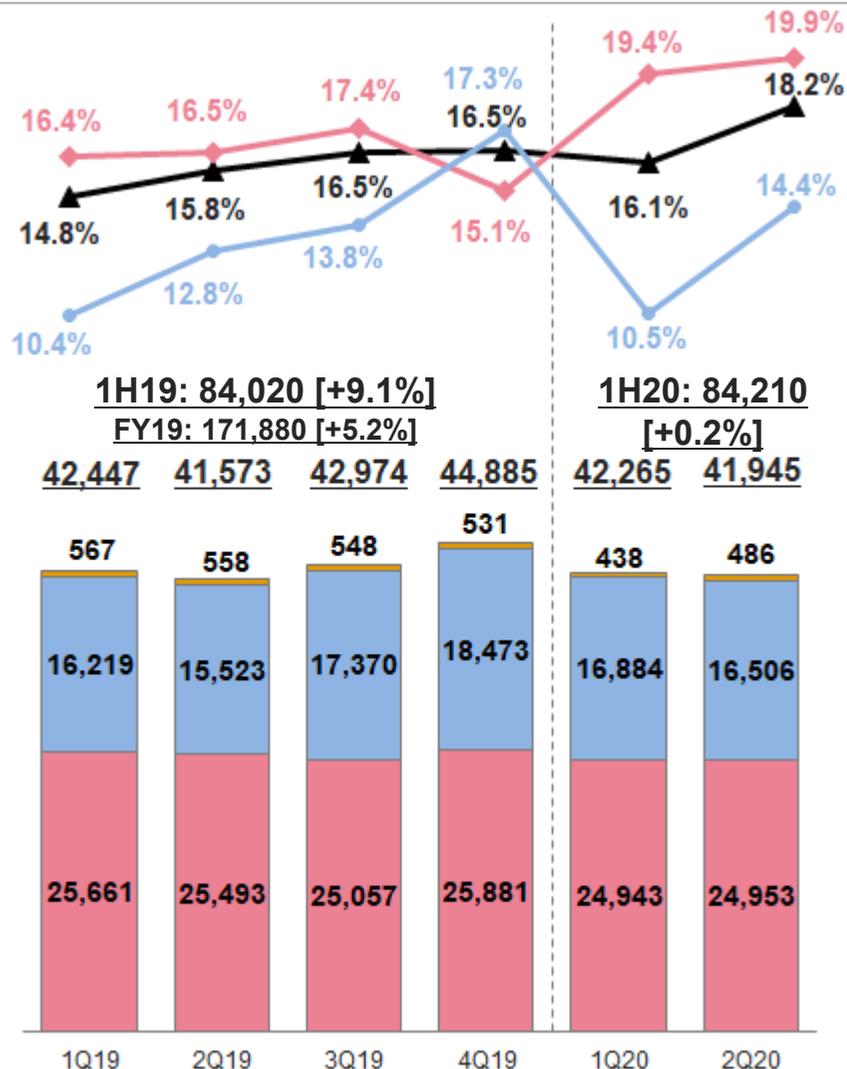
(*2) Recurring revenue represent the following monthly recurring revenues: Internet Connectivity Services for Enterprise, Internet Connectivity Services for Consumer, Outsourcing Services, WAN Services, and Systems Operation and Maintenance

(*3) Enterprise recurring revenue: Internet Connectivity Services (Enterprise) excluding MVNE, Outsourcing Service and Systems Operation and Maintenance, which excludes WAN Services due to the impact of specific factor.

II - 4. Cost of Sales & Gross Profit Ratio

Unit: ¥ (JPY) million
[], YoY = Year over year comparison

Cost of Sales: ■ NW Services ■ SI ■ ATM Operation Business
Gross profit ratio: ◆ NW Services ● SI ▲ Total



Gross Profit

◆ Total

- 1H20: ¥17,455 million (+14.8%, +¥2,255 million YoY)
 - 1Q20: ¥8,113 million (+9.9%, +¥731 million YoY)
 - 2Q20: ¥9,342 million (+19.5%, +¥1,524 million YoY)

◆ NW Services

- 1Q20: ¥5,991 million (+19.4%, +¥972 million YoY)
- 2Q20: ¥6,217 million (+23.6%, +¥1,186 million YoY)
 - Largely expanded along with enterprise NW services revenue growth and mobile interconnectivity YoY decrease rate

◆ SI

- 1Q20: ¥1,991 million (+5.4%, +¥101 million YoY)
- 2Q20: ¥2,786 million (+22.0%, +¥502 million YoY)
 - 2Q gross profit ratio improved largely due to high SE utilization rate (1Q revenue tends to be small due to seasonal factors and 1Q gross profit ratio tends to be smaller than 4Q which revenue volume is large)

◆ ATM Operation Business

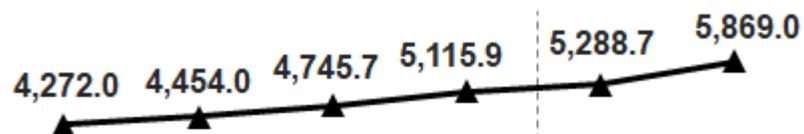
- 1Q20: ¥131 million (-72.2%, -¥342 million YoY)
- 2Q20: ¥339 million (-32.6%, -¥164 million YoY)
 - 1H20 gross profit decreased along with 1H20 revenue decrease (-¥706 million YoY) due to store closure and stay-at-home order due to the COVID-19. YoY profit decrease was vivid during April and May, yet the stores reopened from June

4Q19 NW services gross profit ratio temporarily decreased because the actual decrease rate, 6.0%, of Docomo's mobile interconnectivity telecommunications charge (fixed in Mar. 2020) was smaller than our estimate 8%, we had to recognized ¥0.35 billion(*) of additional cost in 4Q19.

(*) Difference between our estimate and actual mobile interconnectivity and other charge of Docomo and KDDI

II - 5. Network Services (1) Revenues

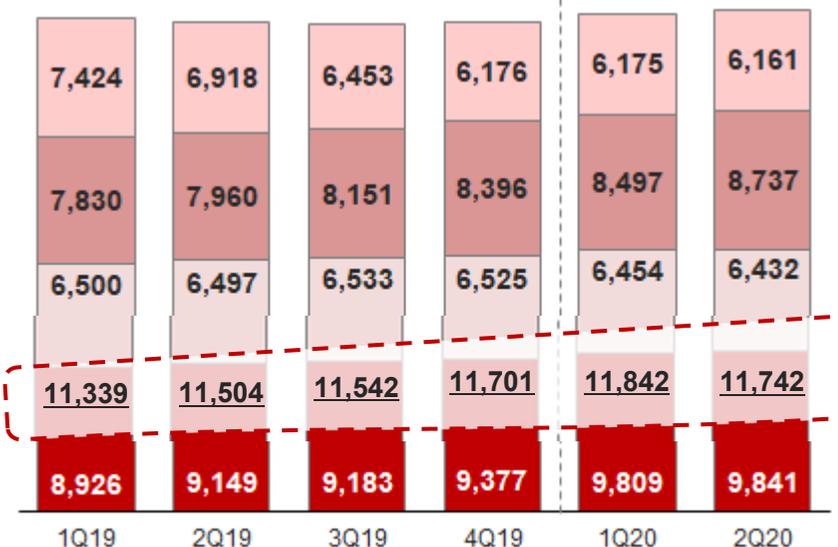
Unit: ¥ (JPY) million
 [], YoY = Year over year comparison
 QoQ = 2Q20 compared to 1Q20



1H19: 61,204 [+5.2%]
 FY19: 121,999 [+2.8%]

1H20: 62,104
 [+1.5%]

30,680 30,524 30,321 30,474 30,934 31,170



Total contracted bandwidth is calculated by multiplying number of contracts by contracted bandwidths respectively for IP service and broadband services which are both under Internet connectivity services for enterprise

Meeting various network demand with in-house developed highly reliable & value-added services. Have been executing based on Zero Trust concept

- | | |
|--------------------------------|------------------|
| Flex Mobility | Virtual Desktop |
| ID authentication & federation | Gateway security |
| Cloud Exchange | Remote Access |
| Private Access | Cloud Proxy |
| | Endpoint etc. |

◆ Internet Connectivity (Enterprise)

- 1H20: ¥19,650 million, +8.7% YoY
 - IP (Dedicated connectivity services for enterprise): 1H20: ¥5,849 million, +10.1% YoY (1Q +9.4% YoY, 2Q +10.8% YoY)
 - IIJ Mobile (enterprise): ¥12,035 million, +8.1% YoY
 - ✓ Of which, IoT-related (non-MVNE) revenue: 1H20: ¥3,484 million, +20.2% YoY (1Q +18.2%, 2Q +22.0% YoY)
 - ✓ Of which, MVNE revenue: 1H20: ¥8,551 million, +3.9% YoY (1Q +7.5%, 2Q +0.3% YoY)
 - 1H20-end MVNE clients: 155 (+2 clients YoY)

◆ Internet Connectivity (Consumer) (mostly consumer mobile)

- 1H20: ¥12,886 million, -0.9% YoY, severe competition continued

◆ Outsourcing Services (in-house developed various NW services)

- 1H20: ¥17,233 million, +9.1% YoY (1Q +8.5%, 2Q +9.8% YoY)
 - Of which, security services 1H20: ¥8,941 million, +12.6% YoY (1Q +11.9%, 2Q +13.1% YoY)

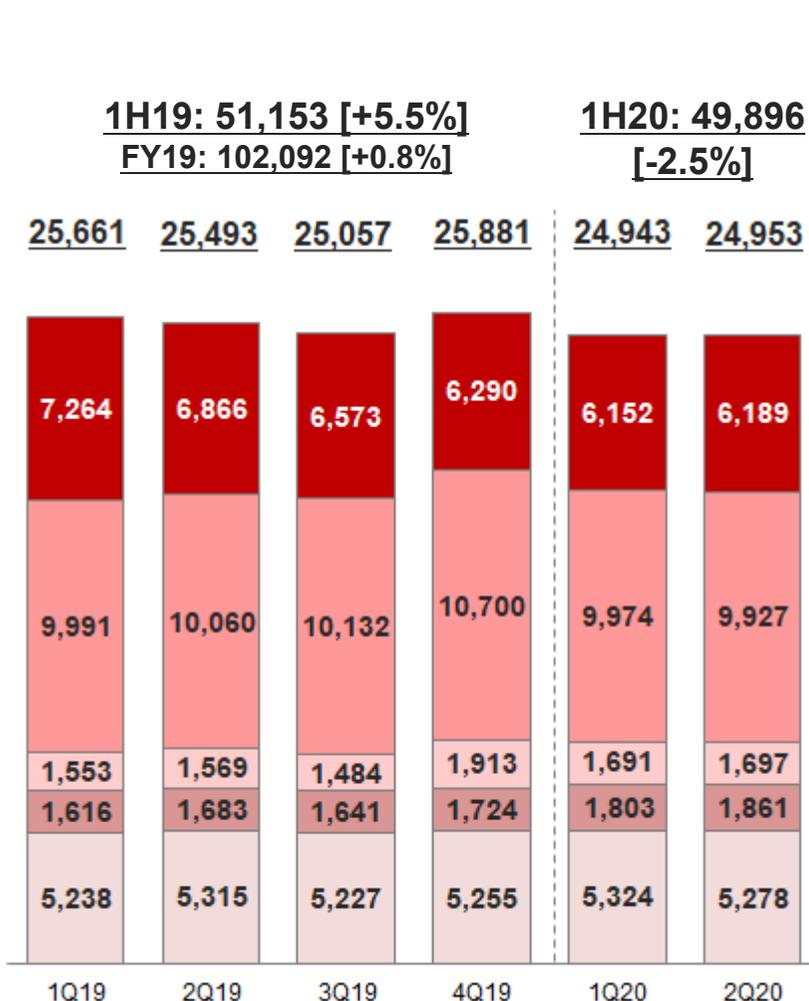
◆ WAN Services

- 1H20: ¥12,336 million, -14.0% YoY (1Q -16.8%, 2Q -11.0% YoY)
 - Revenue decreased by the impact of the certain large clients' migration to mobile which ended in 3Q19. QoQ decrease almost stopped

II - 5. Network Services (2) Cost of Sales

Unit: ¥ (JPY) million
 [], YoY = Year over year comparison
 QoQ = 2Q20 compared to 1Q20

- Circuit-related costs (Internet backbone, WAN lines etc.)
- Outsourcing-related costs (interconnectivity charge for mobile infrastructure, outsourcing personnel costs etc.)
- Others
- Personnel-related costs (NW services related engineers' personnel cost)
- Network operation-related costs (depreciation cost for network equipment, data center leasing costs etc.)



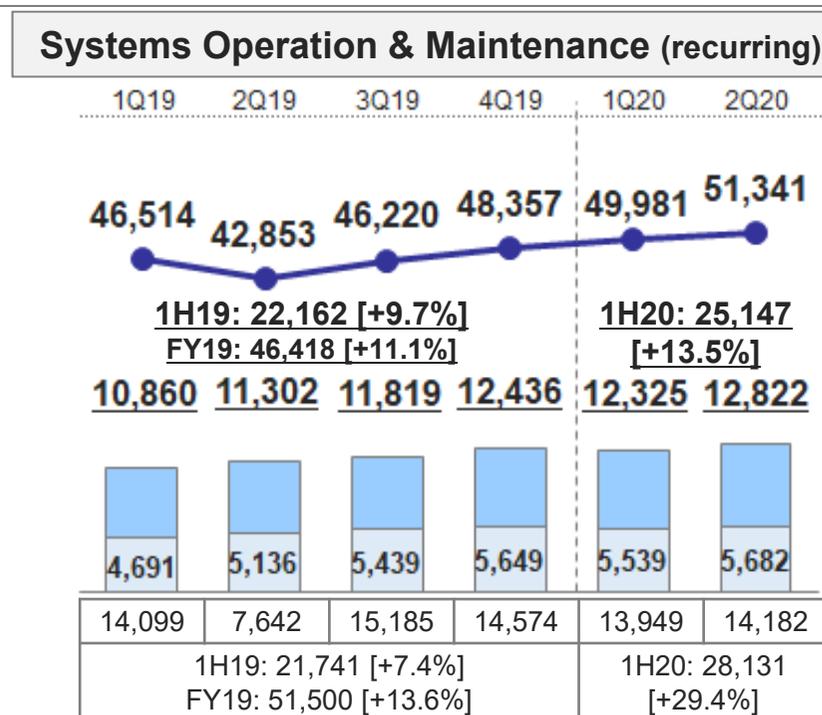
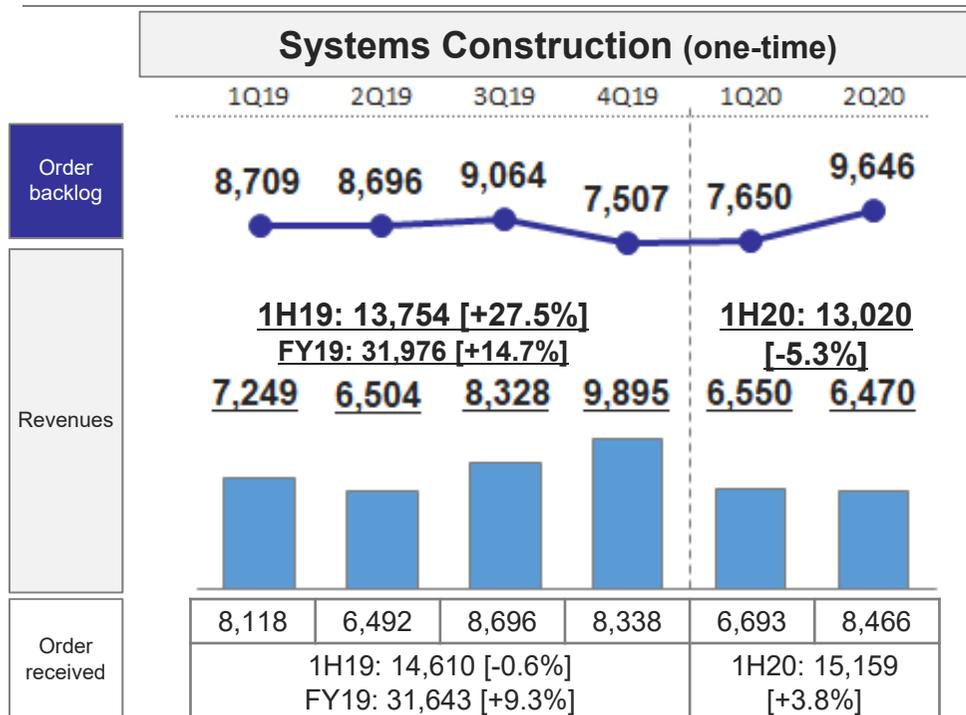
- Circuit-related costs decreased YoY along with WAN revenue decrease
 - 1H20: -12.7% YoY
- Outsourcing-related costs decreased along with mobile interconnectivity YoY decrease rate
 - Decreased QoQ as well, due to other mobile-related costs reduction
- Others quarterly fluctuate along with the scale of supplies expenses
- Network operation-related costs decreased QoQ mainly due to decrease in maintenance costs, etc.

- ◆ **Regarding Docomo mobile interconnectivity cost recognition:**
- Future cost method adopted from FY20(*). In this method, mobile interconnectivity telecommunications charge is calculated by MNOs' prediction for their future costs and etc.
 (*) The difference between prediction and result is adjusted to the next fiscal year
 - Regarding our FY20 usage charge, we use 16.0% decrease, which has been publicly disclosed by Docomo, to recognize our costs from 1Q20
 - ✓ FY19 usage charge, an internal number of FY20 usage charge, which is based on Docomo's results is expected to be fixed in Dec. 2020
 - Regarding our FY19 & FY18 usage charge, Docomo's mobile interconnectivity telecommunications charge was fixed in Mar. 2020 and it decreased by 6.0% YoY. As for FY19, we recorded ¥0.35 billion(*) of additional cost in 4Q19 as a difference between our estimate (8% decrease) and actual (6.0% decrease)
 (*) Includes difference between our estimate and actual mobile interconnectivity and other charge of Docomo and KDDI

• MNO: Mobile Network Operator

II - 6. Systems Integration (SI) (1) Revenues

Unit: ¥ (JPY) million
 [], YoY = Year over year comparison
 QoQ = 2Q20 compared to 1Q20



• Systems construction's order backlog, revenue and order received include that of equipment sales.

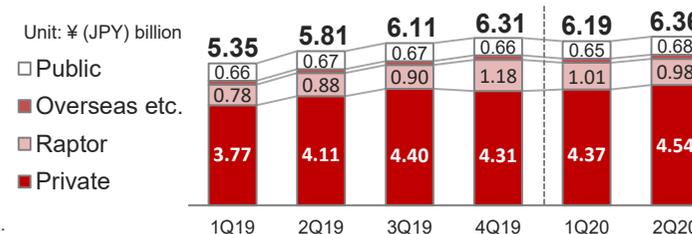
• Revenue written within systems operation and maintenance revenue is cloud revenue that is recognized in systems operation and maintenance revenue.

- Order received: 1H20 +3.8% YoY (1Q -17.6%, 2Q +30.4% YoY), order situation recovered in 2Q. Network integration project increasing
 - 1Q19 order received included a certain large scale project amounted to ¥2 billion
- Large-scale construction orders received in 2Q20
 - System infrastructure for teleworking for local governments
 - Online ticket system
 - Introduction of Microsoft 365 for a leading medical manufacturer
 - Integration of Website for a leading financial institution and others

- Revenue: 1H20 +13.5% YoY (1Q +13.5%, 2Q +13.4% YoY)
- ◆ **Cloud revenue**
 - 2Q20 Cloud revenue breakdown: 89.3% in systems operation & maintenance, 10.7% in outsourcing services
 - Revenue: 1H20 ¥12.55 billion +12.4% YoY (1Q +15.6%, 2Q +9.5% YoY)
 - FY20 revenue target ¥24.5 billion (FY19 revenue ¥23.58 billion). Progressing as expected (Strong revenue increase is not expected by the close of old facilities for services and equipment migration)
 - Raptor (foreign currency exchange ASP system) revenue decreased QoQ as it was impacted by FX trading volume volatility

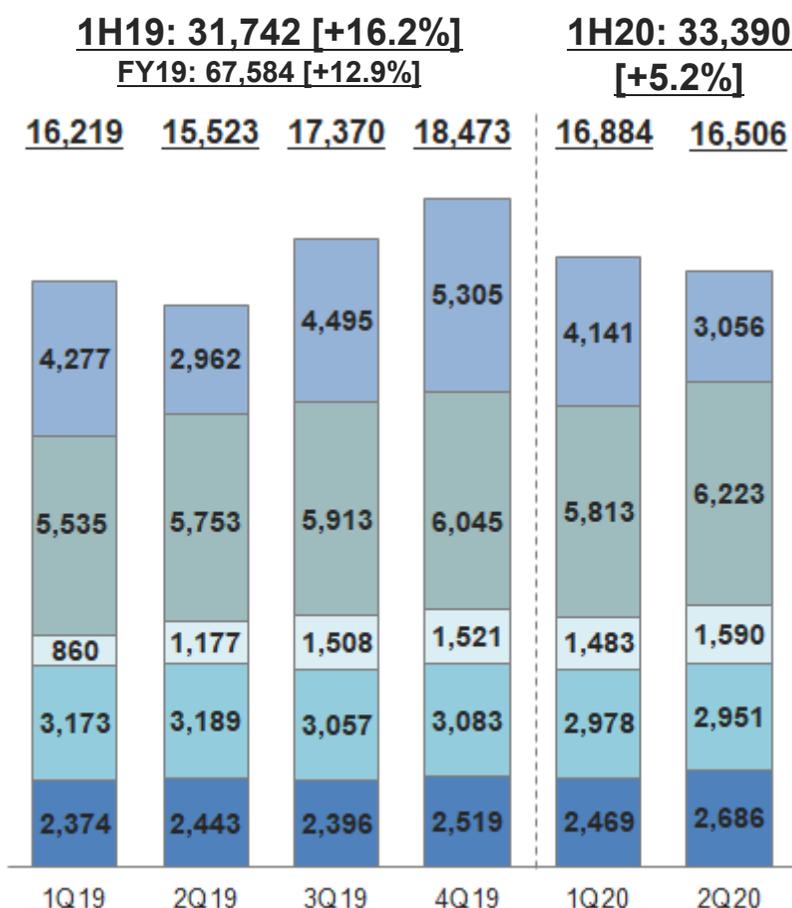
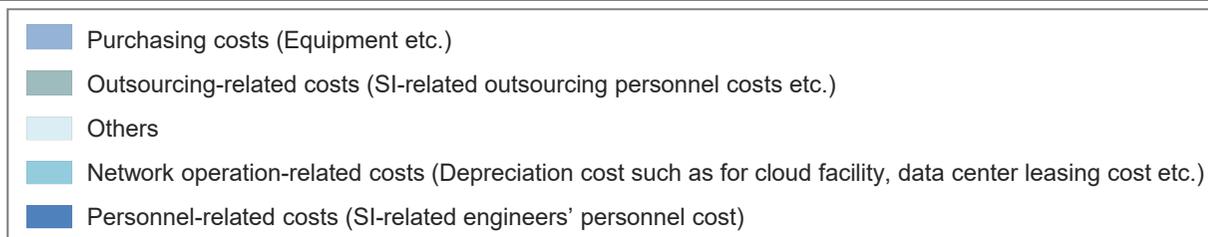
◆ Overseas Business

- FY2020 Target: Revenue ¥10 billion, Operating Profit approx. ¥0.3 billion
- 1H20 results: Revenue: ¥3.85 billion, Operating profit: ¥0.12 billion
 - ✓ Accumulation of revenue mainly by service revenue. As for SI, shall continue to focus on order accumulation as some areas are still significantly impacted by the COVID-19



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

Unit: ¥ (JPY) million
[], YoY = Year over year comparison

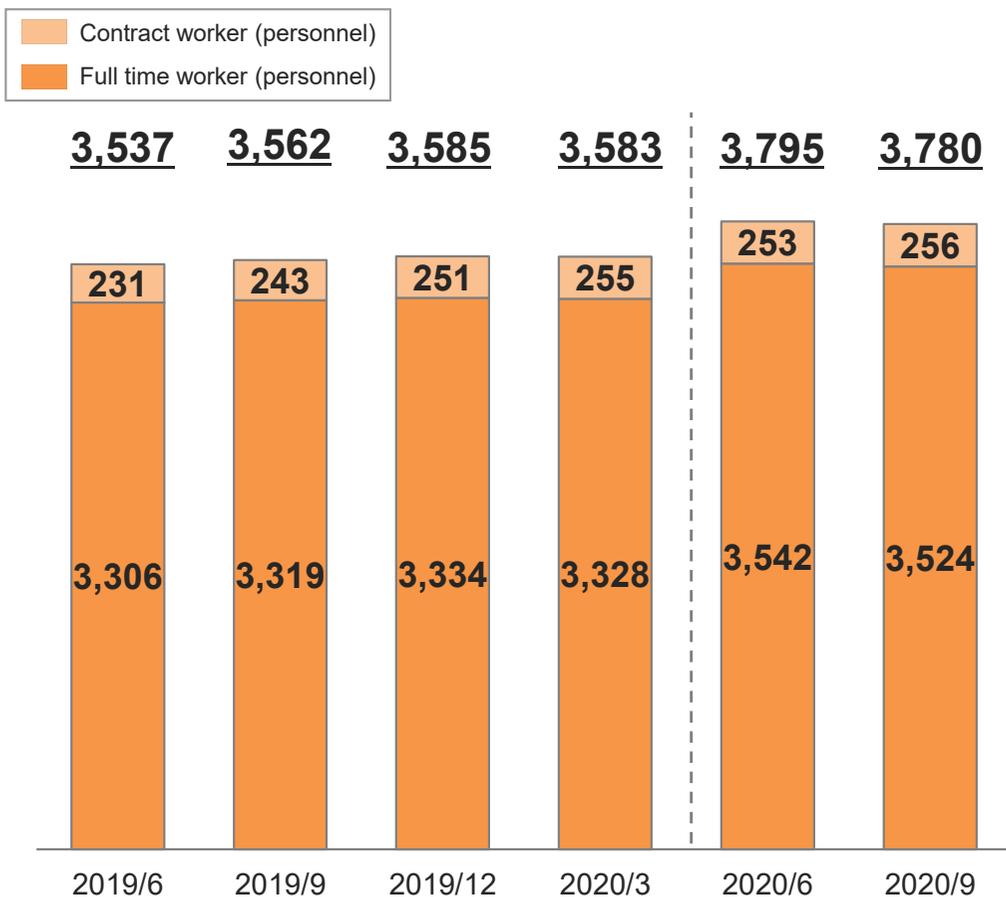


- 2Q gross profit ratio improved (1Q20 10.5%, 2Q20 14.4%) due to SI cost mixture (small purchasing costs and large outsourcing personnel costs) and high SE utilization rate
- Number of SI-related outsourcing personnel as of the end of each quarter:

1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
1,075	1,104	1,065	1,123	1,094	1,181
- Others increased mainly due to an increase in license expenses along with expansion of multi-cloud demands

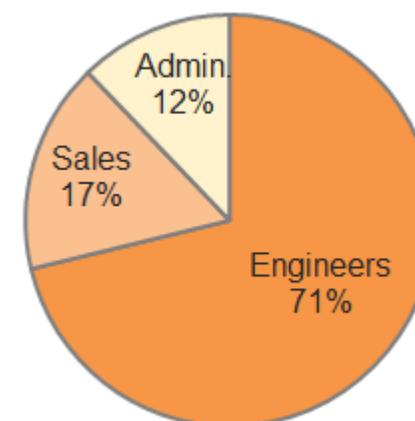
II - 7. Number of Employees

YoY = Year over year comparison
QoQ = 2Q20 compared to 1Q20



- Hired 210 new graduates in Apr. 2020 (171 in Apr. 2019, 175 in Apr. 2018)
- 191 new graduates are planned to join in Apr. 2021
- FY20 net addition of employees is planned to be approx. 290 (FY19 result: 230)

Employee Distribution



- 2Q20 personnel-related costs and expenses increased QoQ mainly due to additional employee bonus (based on financial results)

Personnel-related costs & expenses

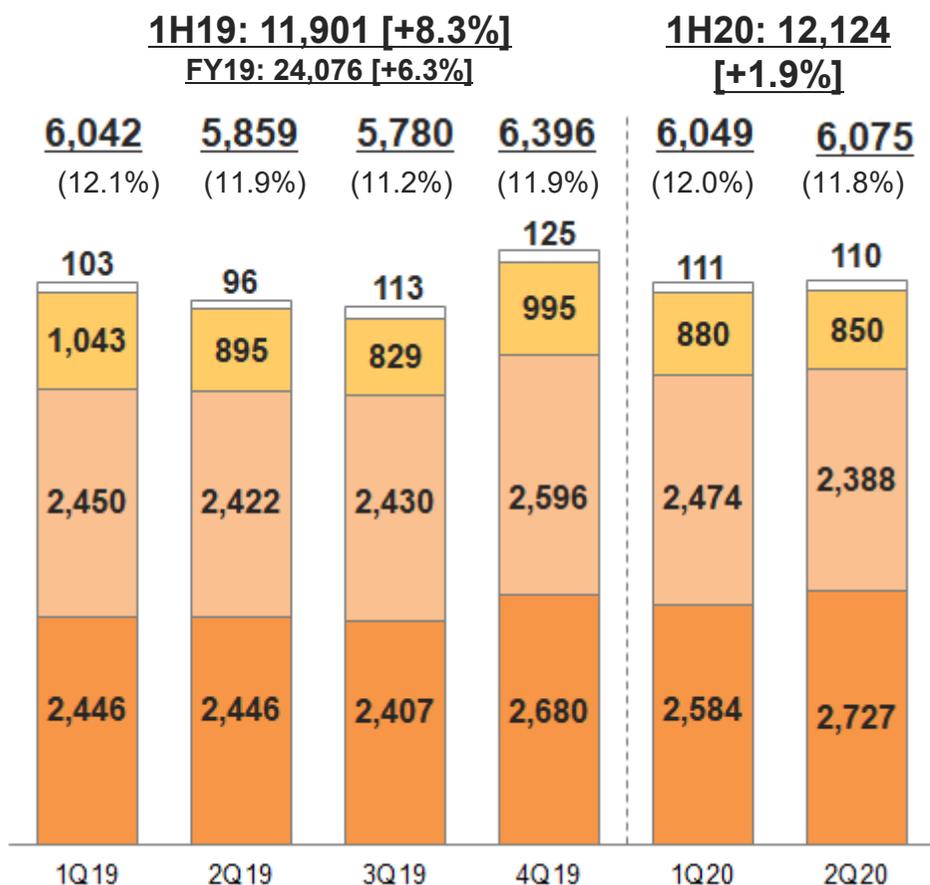
Unit: ¥ (JPY) million
() = % of revenue

1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
6,402 (12.8%)	6,573 (13.3%)	6,443 (12.5%)	6,911 (12.8%)	6,835 (13.6%)	7,281 (14.2%)
1H19: 12,975 (13.1%) +8.8% YoY FY19: 26,329 (12.9%) +10.0% YoY				1H20: 14,115 (13.9%) +8.8% YoY	

- FY19 personnel-related costs and expenses increased temporarily due to revision of personnel remuneration structure

II - 8. SG&A etc.

Unit: ¥ (JPY) million
[], YoY =Year over year comparison



➤ Overall below our budget plan

- Commission expenses decreased mainly due to the decrease in sales commission expenses related to mobile offerings
- Others decreased as traveling expenses (domestic and abroad), advertising expenses and others were small due to work style reform and cost control

• SG&A etc. in this slide shows the sum of SG&A which includes R&D expenses (not including other income/expenses)

II - 9. Profit

Unit: ¥ (JPY) million
[], YoY =Year over year comparison

Operating profit Net Profit (Profit for the period attributable to owners of the parent) Operating profit ratio



1H19 Operating profit: 3,352 [+2.0%]

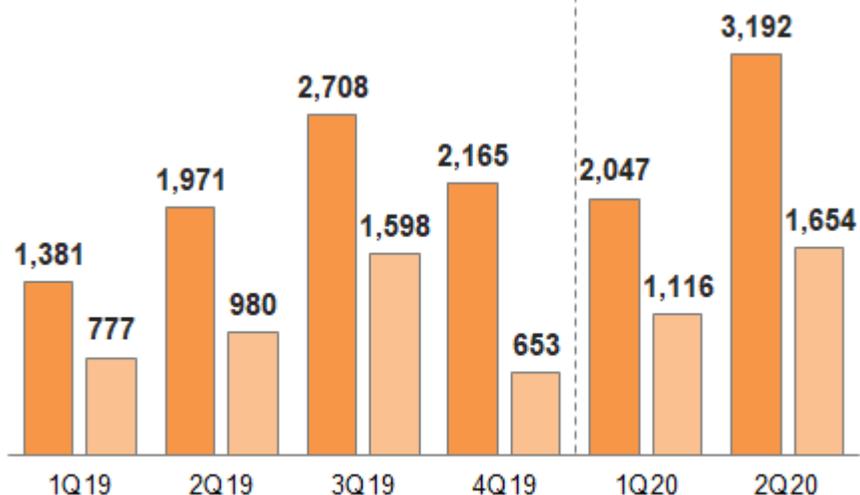
1H19 Net profit: 1,756 [-16.2%]

1H20 Operating profit:

5,239 [+56.3%]

1H20 Net profit:

2,770 [+57.7%]



4Q19 operating profit includes one-time factors such as ¥0.35 billion of additional cost regarding mobile interconnectivity, ¥0.36 billion of disposal loss, and ¥0.25 billion of additional allocation of bonus

◆ Operating profit

➢ 1H20: ¥5,239 million, +56.3%YoY (1Q +48.2%, 2Q: +61.9% YoY)

◆ Profit before tax

➢ 1H20: ¥4,466 million, +46.7% YoY (1Q +23.8%, 2Q +65.5% YoY)

- Loss on funds (mainly foreign-exchange-related): ¥141 million
- Interest expense: ¥296 million
- Dividend income: ¥75 million
- Interest income: ¥23 million
- Foreign exchange loss: ¥28 million
- Equity method loss related to DeCurret : ¥578 million (IIJ ownership: 41.6%)
 - ✓ 4Q19: loss of ¥403 million, 1Q20: loss of ¥306 million, 2Q20: loss of ¥273 million. Gradually decreasing
 - ✓ While the loss estimated was at a ratio of voting interests (30.0%) at the beginning of FY20, the loss were accounted at a ratio of ownership interests (41.6%) from 1Q20
- Equity method gain related to JOCDN: Turned to positive, 1H20 ¥6 million (IIJ ownership: 16.8%)
 - ✓ CDN usage continuously increased due to increases in contents traffic

◆ Net profit

➢ 1H20: ¥2,770 million, +57.7% YoY (1Q +43.8%, 2Q +68.8% YoY)

1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	
(124)	(51)	92	(177)	(74)	(286)	Finance income (expense), net
112	(245)	(234)	(439)	(279)	(135)	Share of profit (loss) of investments accounted for using equity method
(543)	(642)	(922)	(858)	(572)	(1,084)	Income tax expense
(49)	(53)	(46)	(39)	(6)	(34)	Less: Profit for the period attributable to non-controlling interests

II - 10. Consolidated Statements of Financial Position (Summary)

Unit: ¥ (JPY) million

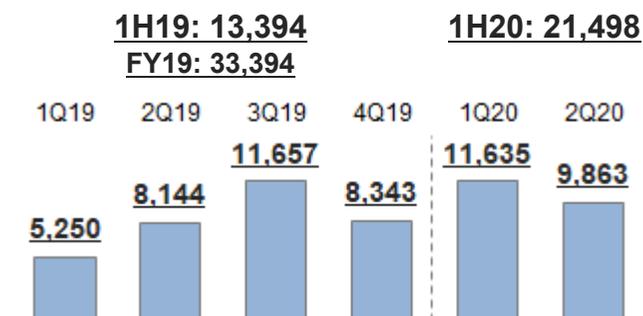
	Mar. 31, 2020	Sep. 30, 2020	Changes
Cash and cash equivalents	38,672	41,602	+2,931
Trade receivables	32,585	28,182	(4,403)
Inventories	2,476	2,547	+71
Prepaid expenses (current and non-current)	17,475	19,096	+1,621
Tangible assets	17,400	16,206	(1,194)
Right-of-use assets	50,560	48,144	(2,416)
Goodwill and intangible assets	24,363	23,783	(579)
Investments accounted for using the equity method	4,827	7,032	+2,205
Other investments	9,187	11,030	+1,843
Others	8,979	8,832	(147)
Total assets:	<u>206,524</u>	<u>206,455</u>	<u>(69)</u>
Trade and other payables	18,288	15,645	(2,643)
Borrowings (current and non-current)	27,750	26,835	(915)
Contract liabilities and Deferred income (current and non-current)	12,457	15,258	+2,801
Income taxes payable	2,284	1,811	(473)
Retirement benefit liabilities	3,985	4,154	+169
Other financial liabilities (current and non-current)	54,151	51,022	(3,129)
Others	7,553	7,915	+362
Total liabilities:	<u>126,467</u>	<u>122,640</u>	<u>(3,827)</u>
Share capital	25,531	25,531	-
Share premium	36,271	36,355	+84
Retained earnings	16,501	18,914	+2,413
Other components of equity	2,670	3,925	+1,255
Treasury shares	(1,897)	(1,875)	+22
Total equity attributable to owners of the parent:	<u>79,076</u>	<u>82,850</u>	<u>+3,774</u>

- Ratio of total equity attributable to owners of the parent: 38.3% as of March 31, 2020, 40.1% as of September 30, 2020

II - 11. Consolidated Cash Flows

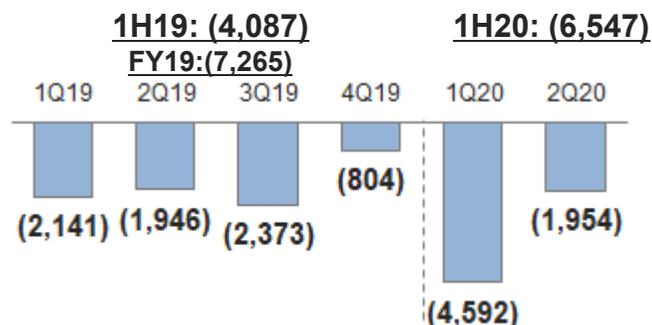
Unit: ¥ (JPY) million
YoY = Year over year comparison

Operating Activities



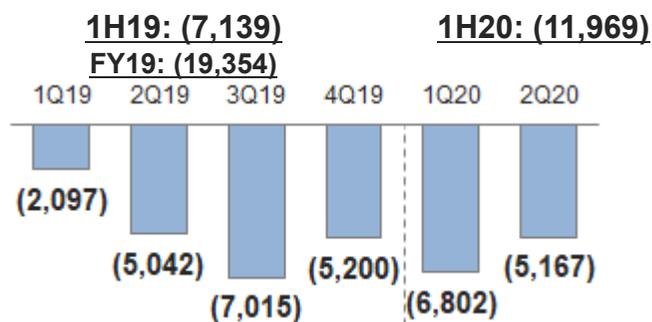
	Major Breakdown	YoY Change
Profit before tax	4,466	+1,423
Depreciation and amortization	14,156	-144
Equity method loss (gain)	414	+280
Changes in operating assets and liabilities	4,022	+6,969
Income taxes paid	(2,045)	-716

Investing Activities



	Major Breakdown	YoY Change
Purchase of tangible assets	(2,754)	+2,034
Proceeds from sales of tangible assets	1,448	+630
Purchase of intangible assets such as software	(2,772)	-350
Purchase of investments accounted for using equity method	(2,754)	-2,256

Financing Activities

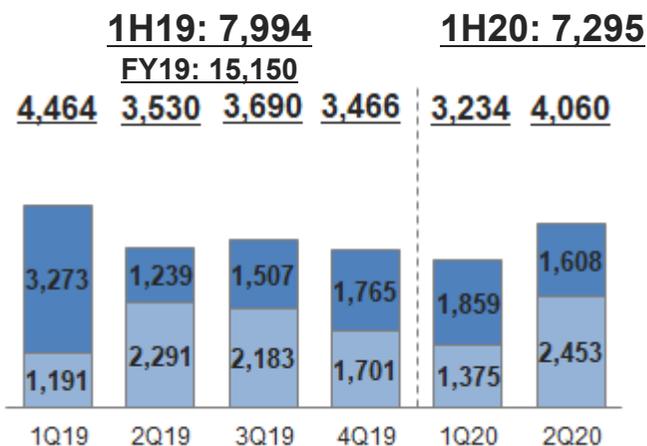


	Major Breakdown	YoY Change
Repayment of long-term borrowings	(915)	-165
Payments of other financial liabilities	(10,390)	-160
Dividends paid	(609)	-0

II - 12. Other Financial Data

Unit: ¥ (JPY) million

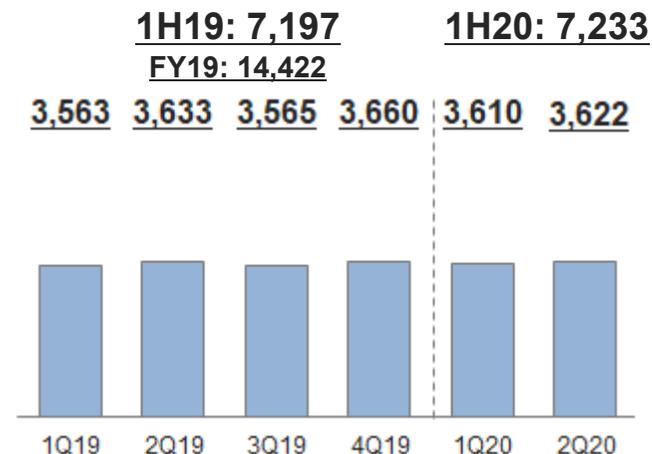
CAPEX



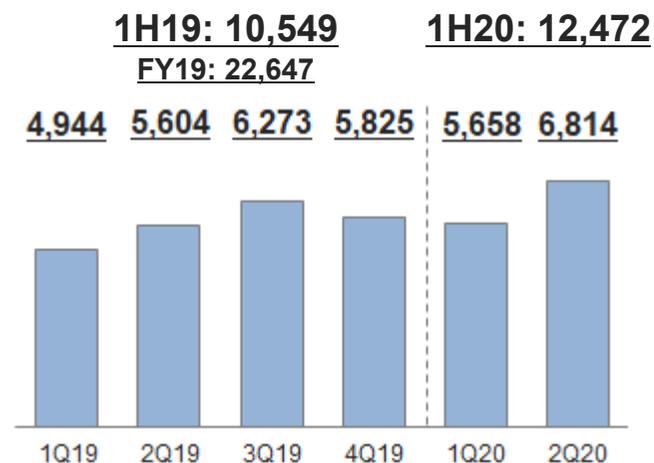
➤ FY20 CAPEX is planned to be around ¥16 billion including ¥3 billion of additional placement of modules for Shiroy data center

- Total amount of capital expenditure are 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.
- Adjusted EBITDA is calculated by adding operating profit and CAPEX-related depreciation and amortization.

CAPEX-related depreciation and amortization



Adjusted EBITDA

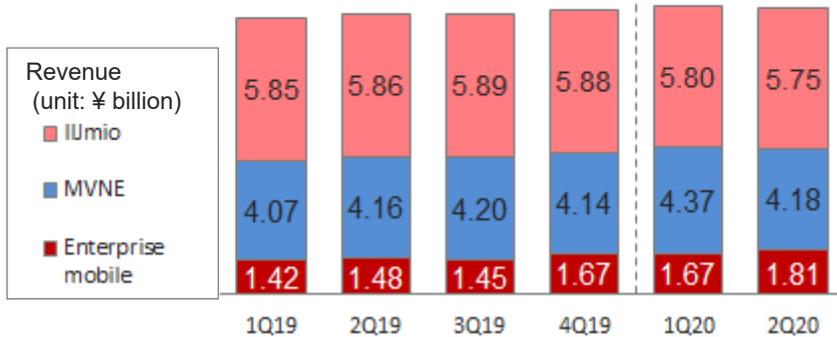


III - 1. Service & Business Developments: Mobile & Security

% = Year over year comparison
bn = billion

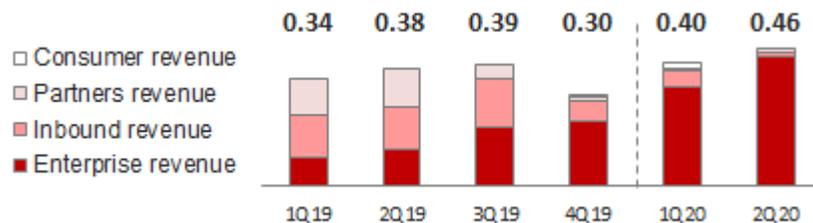
Mobile Revenue & Subscription

- ◆ **Subs. & revenue continuous growth led by enterprise**
 - 1H20-end total subscription: 3.140 million (+11.3%)
 - 1H20 total revenue: ¥23.58 billion (+3.2%)



- MVNE: IIJ Mobile MVNO Platform Services
- Enterprise mobile: Deducting MVNE from IIJ Mobile

- ◆ **Full-MVNO: enterprise revenue largely increased**
(included in the above mentioned total revenue) Unit: ¥ billion



- 2Q20 full-MVNO revenue recognition: 95.9% IIJ Mobile, 4.1%IIJmio
- Partner revenue: IMSI revenue for overseas enterprises such as travel agencies
- Inbound revenue: Pre-paid SIM revenue for foreign visitors

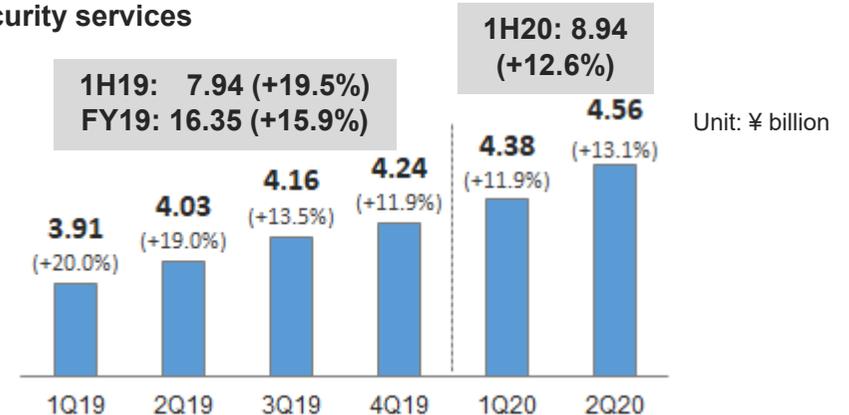
- ◆ **Enterprise mobile: High revenue growth rate continued**
Accumulating demands for web meeting and remote access
 - Revenue 1H20: ¥3.48 bn, +20.2% YoY (1Q +18.2%, 2Q +22.0% YoY)
 - Launched 5G (au) services from Oct. 2020

- ◆ **MVNE:**
 - Revenue 1H20: ¥8.55 bn, +3.9% YoY (1Q +7.5%, 2Q +0.3% YoY)
 - Smaller than expected impact regarding a large MVNE client switching to another MVNO due to M&A

- ◆ **Consumer: Sluggish growth due to severe competition, differentiating with eSIM plans etc.**
 - Revenue 1H20: ¥11.55 bn, -1.4% YoY (1Q -1.0%, 2Q -1.8% YoY)
 - SIM type share (As of June 2020, published by the MIC in Sep. 2020)
Rakuten Mobile 16.3%, IIJ 13.7%, NTT Communications 10.8%

Security services revenue (recurring)

- ◆ **Conventional services of gateway mail & web services and DDoS protection services continued to grow. Adding demands for managed WAF services and end point security services**



- 100% of security service revenue is recognized in outsourcing

- ◆ **Total security business volume (sum of service and SI)**
 - 1H20: ¥10.31 billion (+12.0%)

III - 2. Service & Business Developments: Mobile Unit Charge

◆ Mobile unit charge YoY change

Applied Fiscal Year	FY17	FY18	FY19	FY20	FY21	FY22
Base Fiscal Year	Calculated based on MNO's FY16 actual cost and demand	Calculated based on MNO's FY17 actual cost and demand	Calculated based on MNO's FY18 actual cost and demand	Calculated based on MNOs' outlook for FY20, FY21, and FY22 cost and demand. Disclosed in March 2020		
Method	Actual Cost Method			Future Cost method		
Docomo	-18.2%	-5.0%	-6.0%	-16.0% ^(*)	-19.8%	-15.9%
				Decrease by 43.3% in total		
KDDI	-10.8%	-20.2%	-13.3%	-38.0% ^(*)	-15.4%	-8.6%
				Decrease by 52.1% in total		

(*) FY20 decrease rate: FY20 unit charge (based on FY20 actual cost) divided by FY19 unit charge (based on FY2018 actual cost)

◆ About future cost method:

- Revised from the previous method, calculate unit charge by using cost results, to method using predicted figures such as future cost
- FY21, FY22, and FY23 mobile unit charge are expected to be announced around February and March 2021 by MNOs

◆ Reduce uncertainty about financial outlook

- Recognize cost based on unit charge presented and calculated by MNOs prediction from 1Q. If actual differs from predicted, such difference will be recognized in a following fiscal year

◆ Calculation method & factors remain unchanged: (Data communication cost + profit) /demand

The MIC announced in Oct. 2020 "Action Plan for setting up fair competition for mobile market"

- Further lowering mobile unit charge (Starting this FY and in the next 3 years, 50% lower than the previous FY) (Begin consideration from this FY)
 - Further lowering voice wholesale charge (Publish study results by summer 2021)
 - Promotion of unlocking SIM (Implement study group from fall 2020)
 - Promotion of eSIM (Announce policies by summer 2021)
 - Steps to lower switching costs
- and others

III - 3. Services and Business Developments: IoT, Public Sector, DeCurret, CDN

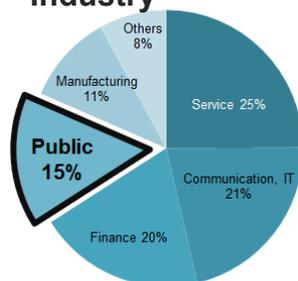
IoT Business	
Factory IoT	<ul style="list-style-type: none"> ➤ Introducing TOYOTA MOTOR HOKKAIDO's factory IoT <ul style="list-style-type: none"> • Providing closed mobile connectivity and cloud services for virtualize and analyze facility utilization information ➤ Launched "IIJ Industrial IoT Secure Remote Management" in Aug. 2020 <ul style="list-style-type: none"> • Solution to reduce factory facility maintenance cost and improve productivity • Incorporating WISE-PaaS by Advantech, global leader in industrial computer manufacturer
IoT for Maintenance	<ul style="list-style-type: none"> ➤ In-store environment sensing for a major retailer <ul style="list-style-type: none"> • Deliver humanless operation for daily check-ups such as room temperature
Agri. IoT	<ul style="list-style-type: none"> ➤ Continue to introduce ICT system for paddy water management to farmers to save energy consumption (Prefectures such as Shizuoka, Gifu, Hokkaido, Osaka etc.)
Home IoT	<ul style="list-style-type: none"> ➤ Provide care services using sensors through necolico (JV with Chubu electricity) <ul style="list-style-type: none"> • Executing trial study on frail with Japan Data Science Consortium and University of Tokyo by using AI and electricity data

DeCurret
<ul style="list-style-type: none"> ◆ Executing settlement-related PoCs with partners <ul style="list-style-type: none"> ➤ KDDI: Automated digital currency settlement ➤ Tokio Marine & Nichido Fire Insurance: Automated insurance contracts process ➤ Kansai Electric Power: Automated settlement of P2P electricity trading ➤ DAIDO LIFE INSURANCE: Use digital currency for BtoB transaction ➤ TOYOTA SYSTEMS: Automated settlement for employee benefit programs ➤ Local governments: Digital coupon systems ◆ Study group with Mega banks, FSA, BOJ and others on digital currency infrastructure ◆ Cryptocurrency trading business starting up ◆ Equity method loss related to DeCurret: <ul style="list-style-type: none"> ➤ 4Q19: ¥403 million, 1Q20: ¥306 million, 2Q20: ¥273 million (IIJ ownership: by 4Q19 30.0%, from 1Q20 41.6%)

Sales Activity for Public Sector

- ◆ **Major projects**
 - Enhance remote access for central government agencies
 - Promote telework environment for local governments
 - Hyogo Pref. Kumamoto City etc.
 - Support educational institution to become online-capable
 - Hybrid of face-to-face & online classes, remote access environment for faculty and staff etc.
 - Projects to replace "Security Cloud" for local governments etc.

Revenue by Clients Industry



- Based on IIJ's FY2019
- Others include real estate, construction, & commercial

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CDN Business

- ◆ **JOCDN (IIJ ownership: 16.8%) CDN Services**
 - Turned positive (equity method loss/gain) in 1H20 progressing as expected
 - Continuously providing CDN services to large contents holders such as TVer and Hulu. Large volume of contents traffic
- ◆ **IIJ: Streaming Services**
 - Launched contents streaming platform service "IIJ Media Sphere Services" in Nov. 2020
 - Service packaging related functions provided on individual bases. Meeting streaming demands by contents holder, business enterprises, central governments, educational institutions and others

IV- 1. FY2020 Financial Targets (Revised on Nov. 9)

Unit: ¥ (JPY) billion except annual cash dividend
YoY = Year over year

	% of Revenues		YoY		% of Revenues	
	New FY20 Target (revised Nov. 9, 2020) Apr. 2020 - Mar. 2021	FY19 Results Apr. 2019 - Mar. 2020			Old FY20 Target (announced on May 14, 2020) Apr. 2020 - Mar. 2021	1H20 Results Apr. 2020 - Sep. 2020
Revenues	212.0	204.5	+3.7%	+7.5	210.0	101.7
Cost of Sales	82.9% 175.7	84.1% 171.9	+2.2%	+3.8	83.9% 176.1	82.8% 84.2
Gross Profit	17.1% 36.3	15.9% 32.6	+11.4%	+3.7	16.1% 33.9	17.2% 17.5
SG&A etc. ^{(*)1}	11.8% 25.0	11.9% 24.4	+2.6%	+0.6	12.0% 25.2	12.0% 12.2
Operating Profit	5.3% 11.3	4.0% 8.2	+37.4%	+3.1	4.1% 8.7	5.2% 5.2
Shares of profit (loss) of investments accounted for using equity method investees	(0.9)	(0.8)	-	-0.1	(0.6)	(0.4)
Profit before tax	4.7% 10.0	3.5% 7.2	+39.7%	+2.8	3.8% 8.0	4.4% 4.5
Net Profit ^{(*)2}	2.9% 6.1	2.0% 4.0	+52.2%	+2.1	2.4% 5.0	2.7% 2.8
Annual Cash Dividend ^{(*)3}	¥41.00	¥27.00	+51.9%	+¥14.00	¥34.00	¥20.50

Revenues	Enterprise recurring revenue exceeding the budget. Consumer revenue weaker than the initial expectation
Operating Profit	Compared with the initial expectation, network services gross profit to largely increase, SI gross profit to increase, and SG&As to increase not as much (reference: page 21)
Profit before tax	While the initial expectation for equity method loss related to DeCurret was ¥0.8 billion, due to the change in the ratio used to calculate equity method loss/gain (from 30.0% to 41.6%) ¥0.3 billion is to be added to the loss. 1H20 results of ¥0.14 billion of loss on funds (mainly foreign-exchange-related) is taken into consideration
Annual Cash Dividend	Revised upward along with profit increase. Interim dividend is revised upward too (reference: page 22)

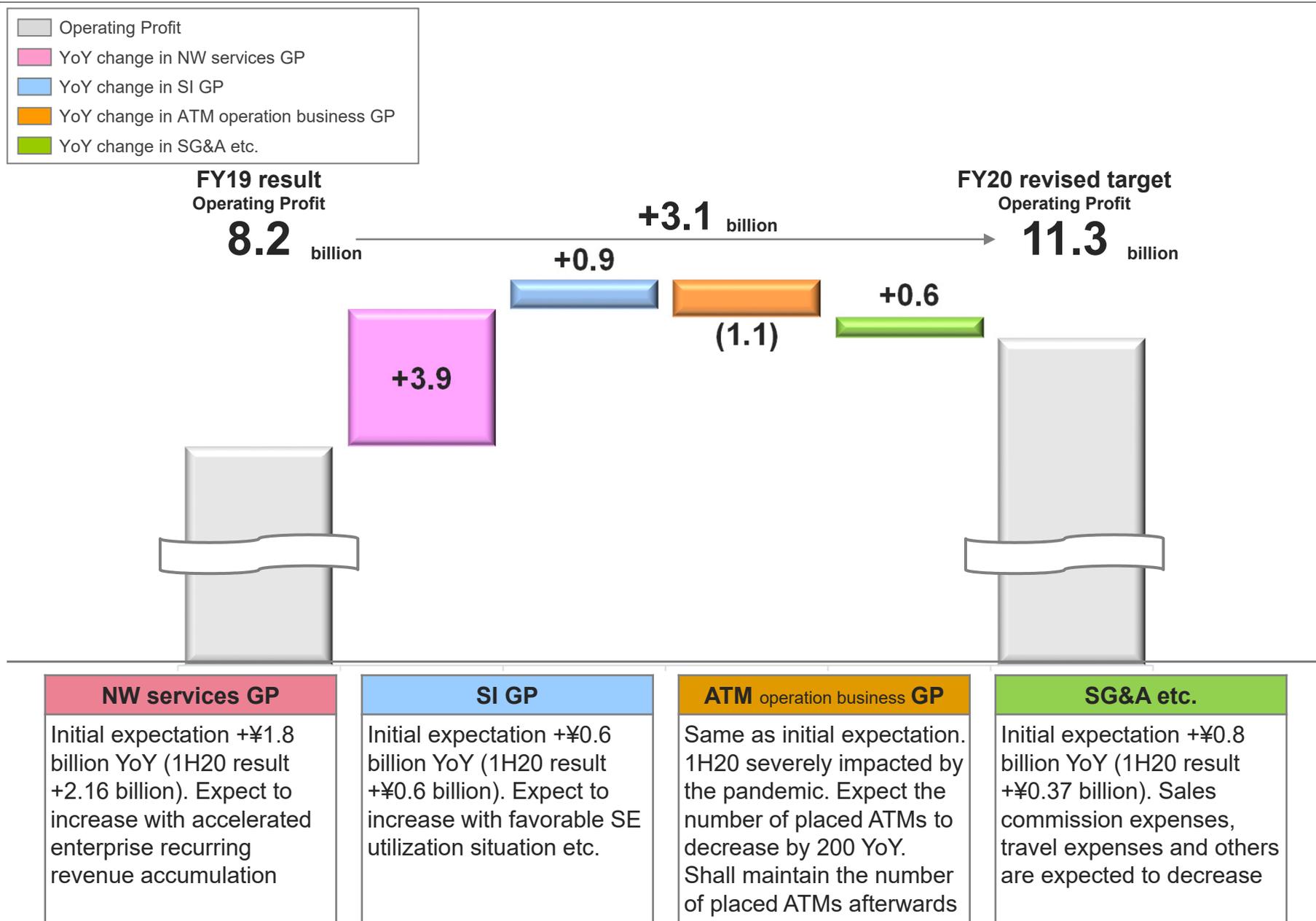
(*1) SG&A etc. shows the sum of SG&A, which includes R&D expenses, and other income/expenses.

(*2) Net Profit is "Profit for the year (period) attributable to owners of the parent."

(*3) Annual cash dividend is per common share and is written pre-stock-split base.

IV- 2. FY2020 Operating Profit Target

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



IV- 3. Upward Revision of Dividend & Stock Split (announced on Nov. 9)

Upward Revision of Dividend (pre-stock-split base)

- ◆ Dividend increased from interim, exceeding the initial forecast

Unit: JPY

	FY19 results	Initial forecast	Revision	YoY
Interim	13.50	17.00	20.50	+7.00
Year-end	13.50	17.00	20.50	+7.00
Full year	27.00	34.00	41.00	+14.00

Stock Split

- ◆ Stock split ratio: 2-for-1
- ◆ Effective date: January 1, 2021

➤ Record date: December 31, 2020

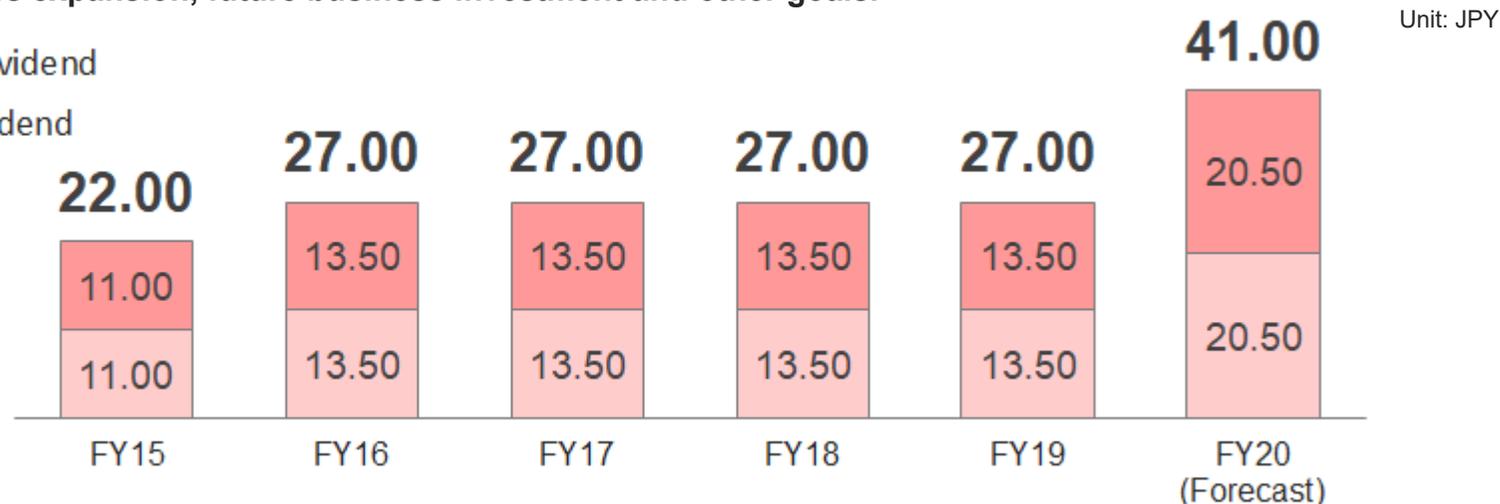
*Along with the stock split, ADR ratio will be 1 common stock = 1 ADR

Cash Dividend per common share (pre-stock-split base)

- ◆ Our basic dividend policy is that we pay dividends to our shareholders continuously and in a stable manner while considering the need to have retained earnings for the enhancement of financial position, medium-to long-term business expansion, future business investment and other goals.

■ Year-end dividend

■ Interim dividend



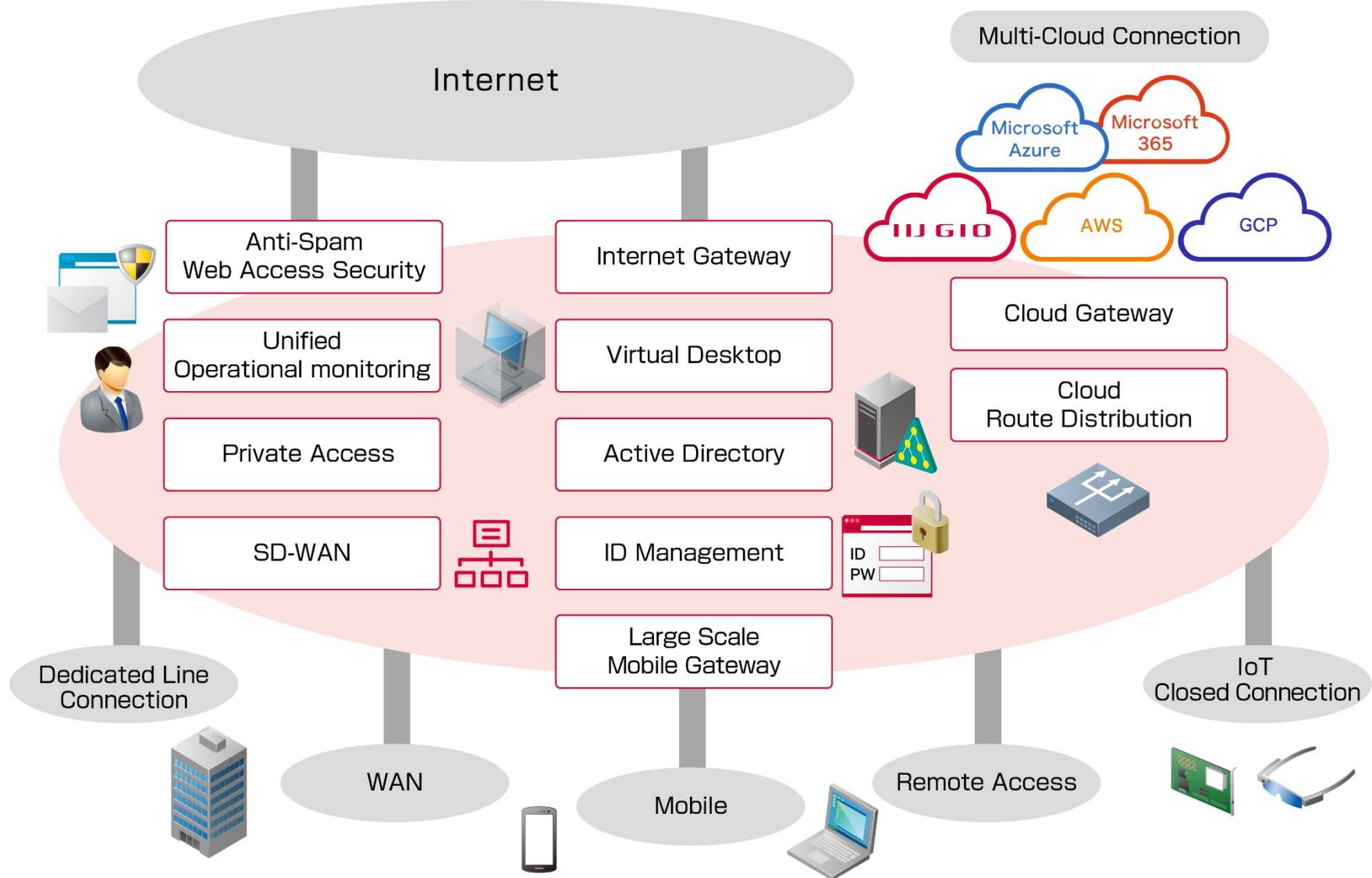
Payout ratio	25.0%	38.9%	27.5%	34.6%	30.4%	30.3%
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*FY16 and before: US-GAAP, FY17 and after: IFRS

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V - 1. NW Service meeting diversifying enterprise NW Demands

Support Japanese enterprises' digital shift with various highly reliable & value-added Omnibus service line-ups



V - 2. Service Revenue Category

Unit: ¥ (JPY) billion **Appendix**

Revenue category		1H20 Revenue	About				Business Situation & Outlook
Network Services	Internet connectivity services for enterprise	19.6	IP	5.8	Core service providing from the inception of the company, highly reliable dedicated connectivity services for enterprise (multi-carrier, redundancy etc.)		<ul style="list-style-type: none"> ➢ Matured market (new entry difficult) ➢ Blue-chip client base ➢ Expect the revenue to continuously increase along with traffic volume and contracted bandwidth increase which is increasing along with CDN traffic, remote work etc.
	Internet connectivity services for consumers	12.9	Mobile	11.5	IoT/M2M-related	3.5	<ul style="list-style-type: none"> ➢ Expect profitability and mobile infrastructure utilization to improve as we gather various traffic such as IoT, enterprise, consumers • IoT/M2M: Expect the demand to expand in the middle to long term • MVNE/Consumer: Focus on expanding sales channel under severe competition
					MVNE	8.6	
	WAN	12.3	Closed network used to connect multiple sites				Stable market for long-term, Large clients migrated to mobile in FY2019
Outsourcing	17.2	In-house developed Internet-related various service line-ups (Security, datacenter, remote access related etc.)				<ul style="list-style-type: none"> ➢ Acquire enterprise demand by cross-selling services. Continuous service development is important ➢ Demands for security and remote access to increase continuously 	
SI	Operation and Maintenance	25.1	From construction	13.9	Private Cloud	11.2	<ul style="list-style-type: none"> ➢ Expect great business opportunity in the middle-to-long term as internal IT systems migrating to cloud ➢ Systems to be converted to cloud
	Construction (including Equipment sales)	13.0	System construction related to office IT, security, Cloud, IoT. Internet-related construction such as Online banking & brokerage academic backbone network for university, and E-commerce site				<ul style="list-style-type: none"> ➢ Through providing SI, offer greater value as IoT and cloud usage penetrate

Monthly Recurring Revenue 88%



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 always starts with the future.

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