

Consolidated Financial Results for 1H23

(April 1, 2023 to September 30, 2023)

Internet Initiative Japan Inc. (IIJ)

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

November 6, 2023

Disclaimer

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- FY23 stands for a fiscal year from Apr. 1, 2023 to Mar. 31, 2024
- 1H23 stands for 1st half of FY23 (Apr. 1, 2023 to Sep. 30, 2023)
- 2H23 stands for 2nd half of FY23 (Oct. 1, 2023 to Mar. 31, 2024)
- Abbreviation: NW stands for network, SI stands for systems integration, DC stands for data center, ¥ (JPY) bn stands for JPY billion
- Figures for FY22, a fiscal year from Apr. 1, 2022 to Mar. 31, 2023, are based on the retrospective application of IAS 12 "Income Taxes"

I. 1H23 Summary

Increasing demands for large-scale "Service Integration"^(*) such as internal NW renewal **Acquired a super large project**
 (Educational Information NW for Chiba City, ¥12.3 bn of revenue, 5 years contract)
Expect significant expansion of business scale & area through large SI and accelerated accumulation of NW services

1H23 earnings: NW services resulted as planned, SI to be concentrated in 2H23 due to the postponement of the overseas DC & longer lead-time as projects becoming large.
 Full-year financial targets and the interim dividend remain unchanged

(*) Provide in-house developed NW services with SI function. Greater opportunities along with internal large-scale NW renewal, etc.

Total Revenue		Gross Profit		Operating Profit		Net Profit	
¥128.20 bn	+5.1%	¥29.19 bn	+10.2%	¥12.08 bn	+8.1%	¥8.32 bn	-3.7%

Valuation on gain on funds decreased (1H22: approx. ¥1.2 bn, 1H23: approx. ¥0.3 bn)

NW Service				SI				SG&A etc.		
Revenue		Gross Profit		Revenue		Gross Profit		1H22	1H23	
1H22	1H23	1H22	1H23	1H22	1H23	1H22	1H23	1H22	1H23	
2Q	67.71	73.98	+9.3%	2Q	17.91	20.94	+17.0%	2Q	15.32	17.11
1Q	34.47	37.63		1Q	9.10	10.72		1Q	7.65	8.31
	33.23	36.35			8.80	10.22			7.67	8.80

NW Service (exc. Mobile)	<ul style="list-style-type: none"> ◆ 1H23 total revenue: ¥51.54 bn, +10.4% YoY Each service continued to grow 1H23 IP: +11.3% YoY, Outsourcing: +14.1% YoY, WAN: +4.5% YoY • Security (included in Outsourcing) 1H23 +16.6%, Rapid increase in inquires for comprehensive security incident handling service called "IIJ C-SOC"
Mobile IoT	<ul style="list-style-type: none"> ◆ 1H23 total revenue: ¥22.44 bn, +¥1.44 bn YoY, led by enterprise IoT growth of 24.2% YoY, 1H23-end total subs.: 4.4 M (+131 k QoQ), MVNE & consumers back to QoQ net addition • "IIJ Public Safety Mobile Services" to be launched in Apr. 2024. Provided to public safety agencies (i.e. police & fire department) to secure reliable connectivity in case of disasters • IoT partnership with Murata Manufacturing in Southeast Asia. Providing IoT platform (Oct. 23) Already accumulating orders including a system automatically detecting road damages
SI	<ul style="list-style-type: none"> ◆ Favorable order situation continued 1H23 order received: Construction ¥30.44 bn, +40.5% YoY Operation & maintenance ¥41.69 bn, +6.0% YoY 1H23-end order backlog: Construction ¥26.25 bn, +80.2% YoY Operation & maintenance ¥75.88 bn, +14.3% YoY ◆ Smaller than expected 1H23 revenue & profit due to the postponement of the overseas DC project revenue recognition which is pushed to 2H23 (approx. ¥3.0 bn of revenue & associated reasonable profit) and longer lead-time which is caused by the change in projects' nature and an increase in large projects
Topics	<ul style="list-style-type: none"> ➢ IIJ's own Shiroi DC 2nd site started operating from Jul. 2023. Soon reach to its capacity by own service facility & colocation ➢ First in Japan digital currency (DCJPY) is to be issued from Jul. 2024 through DeCurret's platform service • GMO Aozora Net Bank is to issue digital currency and settle non-fossil certificate transaction ➢ 2nd session of "IIJ Academy" (educational program by IIJ engineers) is to take place after successful 1st session ➢ MSCI ESG rating score upgraded to A (Sep. 2023)

II - 1. Consolidated Financial Results

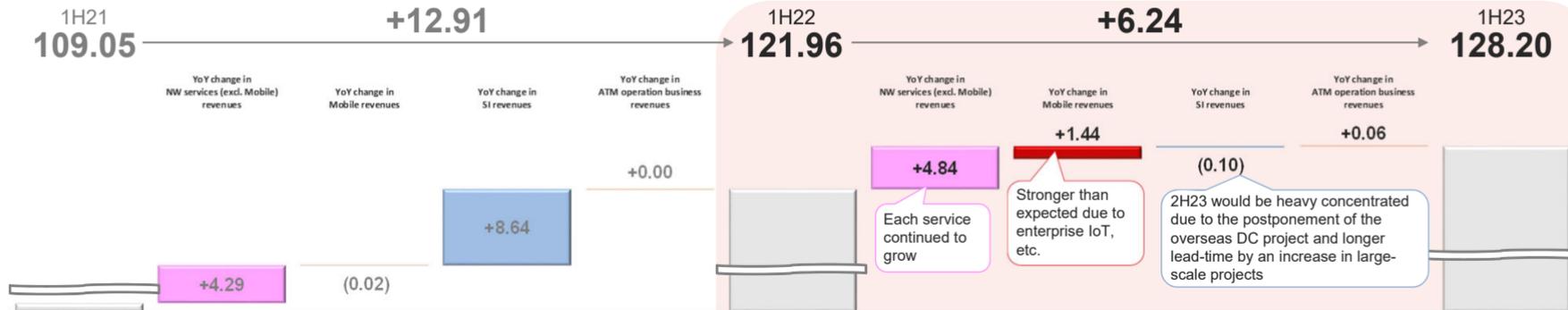
Unit: ¥ (JPY) billion
YoY = Year over year comparison

	% of revenue		YoY		% of revenue		% of revenue	
	1H23 Results <small>Apr. 2023 - Sep. 2023</small>	1H22 Results <small>Apr. 2022 - Sep. 2022</small>	YoY		1H23 Targets <small>(Announced in May 2023) Apr. 2023 - Sep. 2023</small>	YoY	FY2023 Targets <small>(Announced in May 2023) Apr. 2023 - Mar. 2024</small>	YoY
Revenues	128.20	121.96	+5.1%	+6.24	138.0	+13.1%	286.0	+13.2%
Cost of Revenues	<small>77.2%</small> 99.01	<small>78.3%</small> 95.47	+3.7%	+3.54	<small>78.2%</small> 107.9	+13.0%	<small>77.1%</small> 220.5	+13.2%
Gross Profit	<small>22.8%</small> 29.19	<small>21.7%</small> 26.49	+10.2%	+2.70	<small>21.8%</small> 30.2	+13.8%	<small>22.9%</small> 65.5	+13.1%
SG&A etc.	<small>13.3%</small> 17.11	<small>12.6%</small> 15.32	+11.7%	+1.79	<small>12.1%</small> 16.8	+9.3%	<small>11.9%</small> 34.0	+10.8%
Operating Profit	<small>9.4%</small> 12.08	<small>9.2%</small> 11.17	+8.1%	+0.91	<small>9.7%</small> 13.4	+19.9%	<small>11.0%</small> 31.5	+15.7%
Profit before tax	<small>9.8%</small> 12.55	<small>10.5%</small> 12.86	(2.4%)	(0.31)	<small>9.4%</small> 13.0	+1.1%	<small>10.6%</small> 30.4	+11.1%
Net Profit	<small>6.5%</small> 8.32	<small>7.1%</small> 8.64	(3.7%)	(0.32)	<small>6.4%</small> 8.9	+2.5%	<small>7.2%</small> 20.7	+9.9%

- SG&A etc. represents the sum of SG&A, which includes R&D expenses, and other income/expenses
- Net profit is "Profit for the period/year attributable to owners of the parent"
- YoY change of net profit is based on the retrospective application of IAS 12 "Income Taxes"

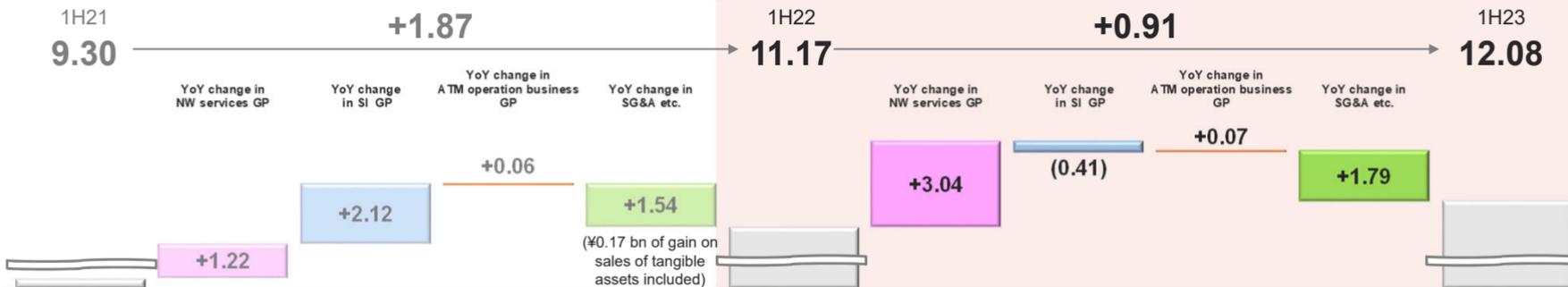
II - 2. Year over Year Analysis

Revenues



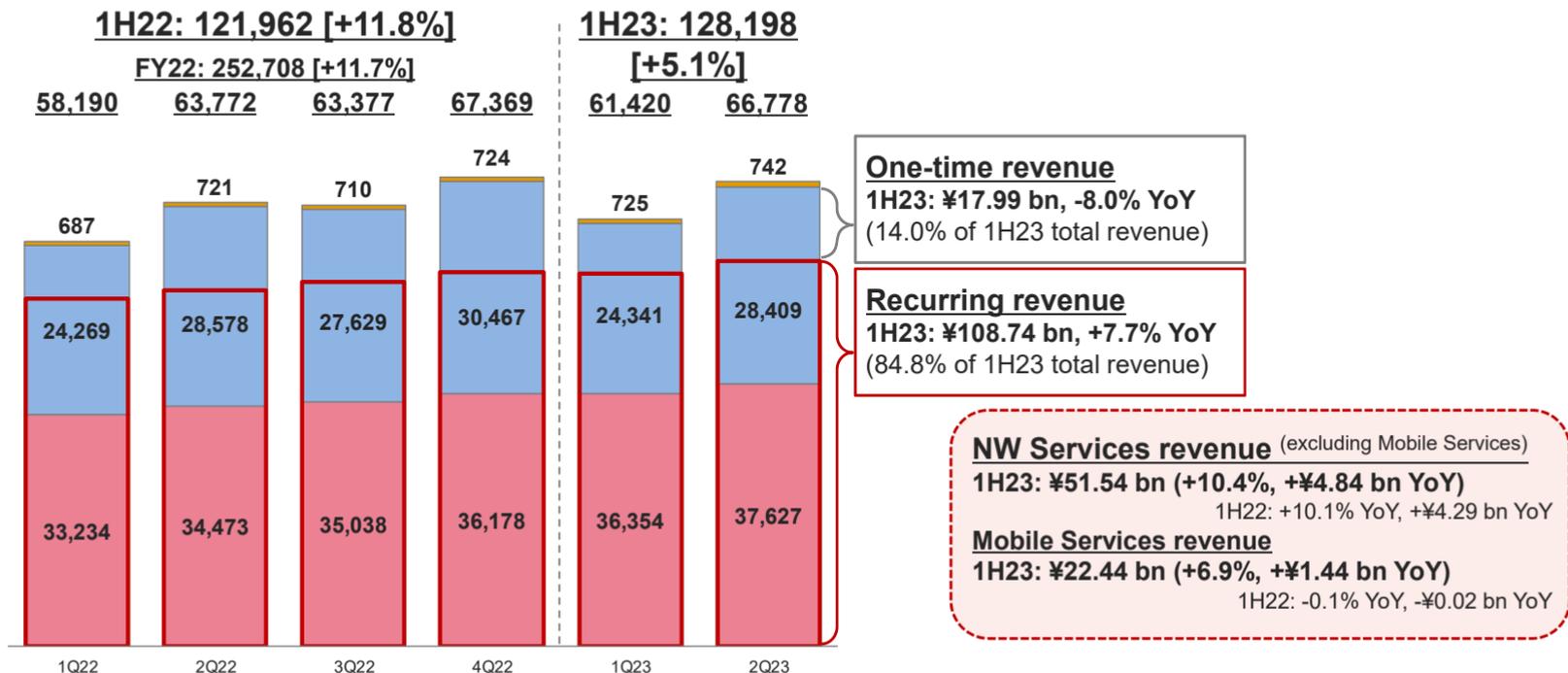
- NW services (excl. Mobile) revenues are calculated by deducting the below mentioned Mobile services revenues from total NW services revenues. The revenues include non-mobile consumer revenue which is a small amount
- Mobile services revenues include IJ Mobile Services (including MVNE) and IJmio (consumer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

Operating Profit



- NW services gross profit consists of gross profit related to NW revenues (excl. Mobile) and Mobile revenues (The two 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

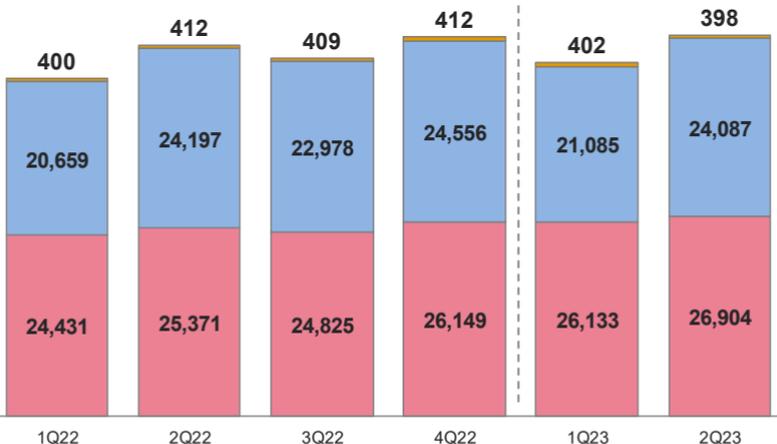
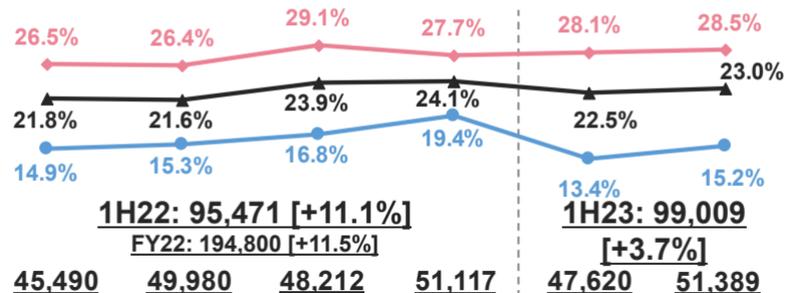
II - 3. Revenues



- One-time revenue, systems construction revenues which include equipment sales, is mainly recognized when systems and/or equipment are delivered and accepted by customers
- Recurring revenue represents the following monthly recurring revenues: Internet Connectivity Services (Enterprise), Internet Connectivity Services (Consumer), Outsourcing Services, WAN Services, and Systems Operation and Maintenance
- Mobile services revenues include IJ Mobile Services (including MVNE) and IJmio (consumer mobile)

II - 4. Cost of Revenues & Gross Profit Ratio

Gross margin: ◆ NW (Network) Services ● SI (Systems Integration) ▲ Total
 Cost of revenues: ■ NW (Network) Services ■ SI (Systems Integration) ■ ATM Operation Business



NW service gross margin:

- FY22 gross margin 27.5% decreased by 0.3 points YoY as mobile services' profitability decreased temporarily due to smaller onetime profit contribution related to the mobile interconnectivity (unit charge) revision, the user migration from the old plan, whose voice plan's margin is higher, to the new plan and the enhanced procurement of mobile devices for marketing purposes with low margin
- 3Q22 gross margin included a onetime profit contribution of over ¥0.5 bn which was the result of FY21 Docomo's mobile data interconnectivity (unit charge) revision.

◆ Total gross profit

- 1H23: ¥29.19 bn (+10.2% YoY)

◆ Gross profit for NW services

- 1H23: ¥20.94 bn (+17.0%, +¥3.04 bn YoY)

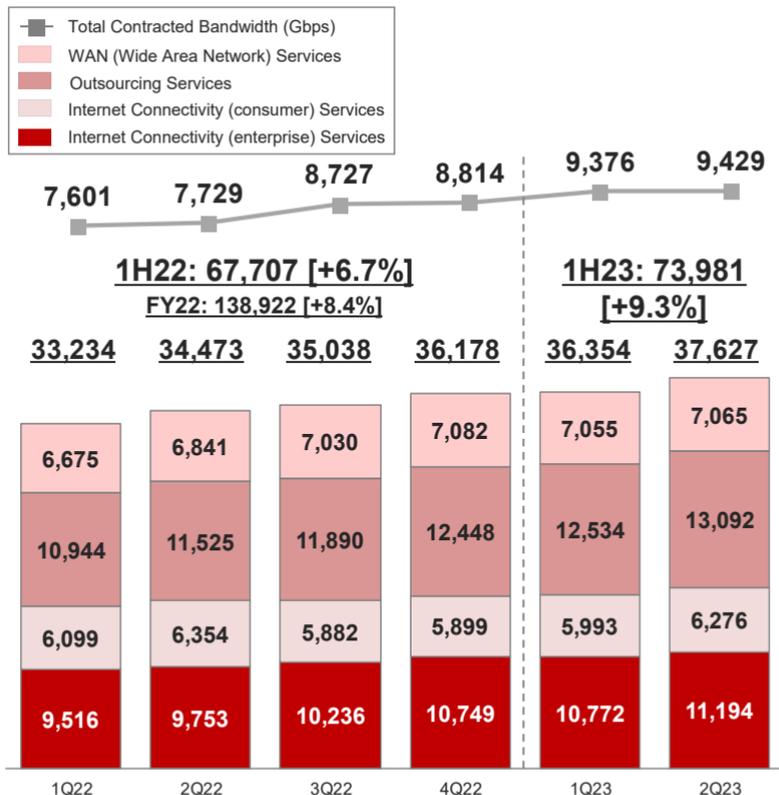
- Gross margin improved along with revenue growth
- Among ¥3.04 bn of gross profit increase, which is based on managerial accounting, NW service (excluding Mobile services) gross profit increased by slightly more than ¥2.0 bn YoY
- Gross profit of mobile services also nicely increased along with an increase in enterprise IoT revenue, etc.

◆ Gross profit for SI

- 1H23: ¥7.58 bn (-5.1%, -¥0.41 bn YoY)

- Gross margin decreased YoY because of small 1H23 systems construction revenue which was mainly due to the postponement of the overseas DC project of ¥3.0 bn and longer lead-time due to an increase in large-scale projects. Therefore, the gross profit recognition would be concentrated in 2H23

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



◆ Internet Connectivity (enterprise) Services

- 1H23: ¥21.97 bn, +14.0% YoY
 - Internet traffic (please refer to P.46) and contracted bandwidth continue to expand
 - Of which, IP: ¥7.89 bn, +11.3% YoY (1H22: +7.1% YoY)
 - Of which, Enterprise mobile (IoT usages etc.): ¥6.59 bn, +24.2% YoY
 - Of which, MVNE (service offer to other MVNOs): ¥5.25 bn, +8.6% YoY
 - ✓ Revenue growth absorbed a decrease in revenue due to reflecting a decreased procurement costs in selling prices at the beginning of FY23

◆ Internet Connectivity (consumer) Services (Mainly consumer mobile "IJmio")

- 1H23: ¥12.27 bn, -1.5% YoY
 - Of which, consumer mobile (IJmio): ¥10.61 bn, -2.4% YoY
 - Fixed line connectivity "IJmio Hikari" also increased mainly due to packed offering with mobile services

◆ Outsourcing Services (Various in-house developed network services)

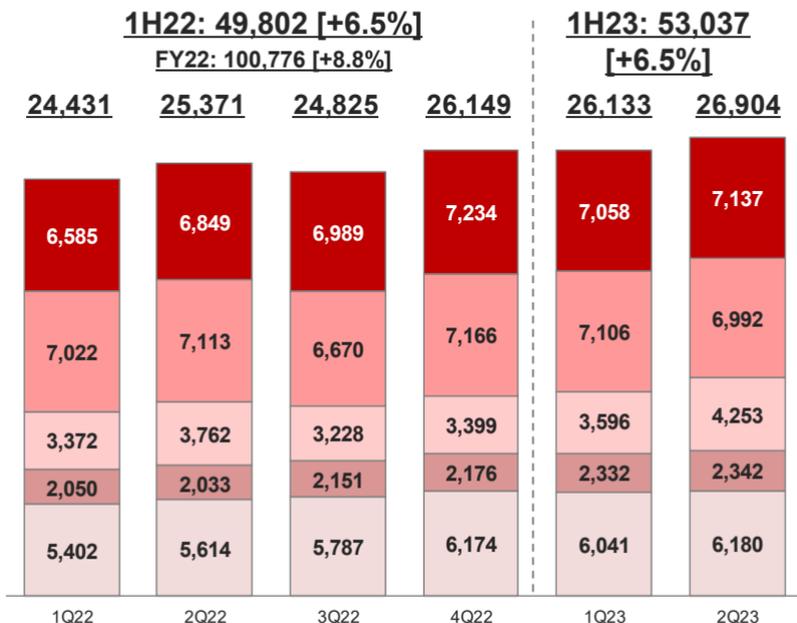
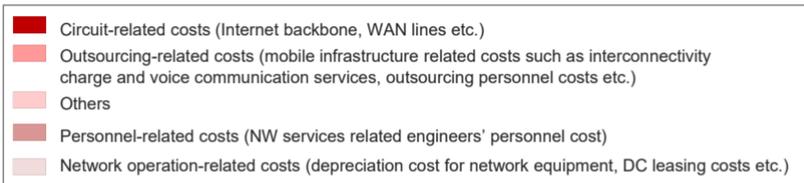
- 1H23: ¥25.63 bn, +14.1% YoY
 - Of which, security: ¥14.86 bn, +16.6% YoY
 - Other Outsourcing services (please refer to P.43) such as flex mobility also increased: +10.7% YoY
 - ✓ Number of contracted devices for "IJJ Flex Mobility Service/ZTNA," remote access services for enterprises, exceeded 200 thousand as of Jun. 30, 2023

◆ WAN Services (Closed network services)

- 1H23: ¥14.12 bn, +4.5% YoY

- 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
- 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
- MVNE is IJJ Mobile MVNO Platform Service
- 3Q22 contracted bandwidth increased due to Tokyo public school project by approx. 500Gbps
- 4Q22 enterprise mobile revenue included slightly over ¥0.1 bn of lump-sum revenue related to a large mobile project which consists of several phases

II - 5. Network (NW) Services (2) Cost of Revenues

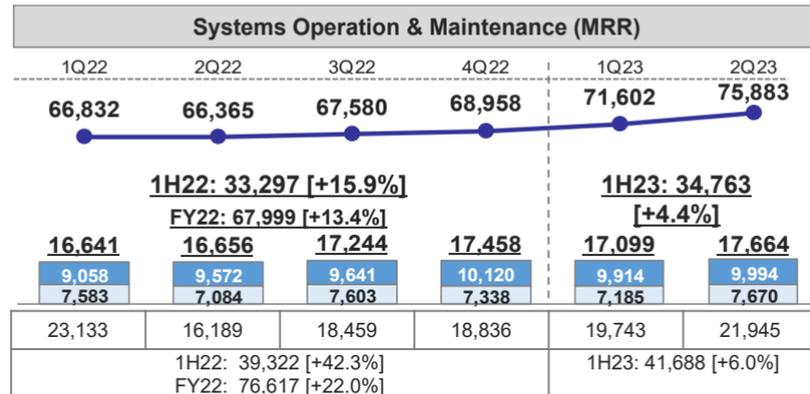
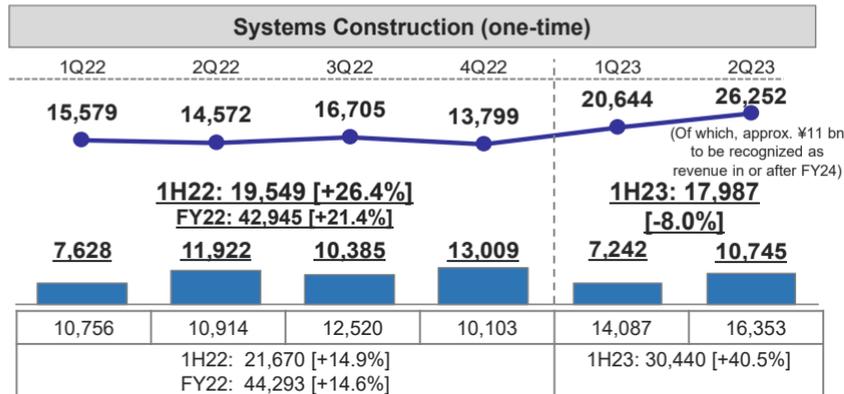


- 1H23 Circuit-related costs increased by 5.7%, +¥0.76 bn YoY, mainly related to an increase in WAN revenue which increased by +¥0.6 bn YoY
 - Internet backbone circuit cost remains stable as we can leverage scale merit by having one of the largest Internet backbone networks
- 1H23 Others increased by 10.0%, +¥0.71 bn YoY mainly due to an increase in the purchasing license fees such as SASE in line with increased revenues
 - 1H23 purchasing mobile devices decreased by approx. ¥0.6 bn YoY
- Network operation-related continued to increase along with facility expansions

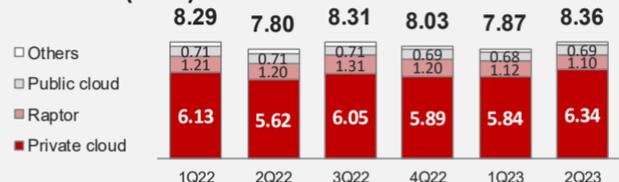
NTT Docomo's mobile data interconnectivity charge (unit charge)		
	Unit charge based on future cost method	Fixed unit charge
FY23	¥15,644 • Announced in Mar. 2023 • Have been using this unit charge from 1Q23 • Decreased by 23.0% from the FY22 unit charge • Previously announced unit charge in Mar. 2022: ¥15,697	• To be fixed around at the end of Dec. 2024
FY22	¥20,327 • Announced in Mar. 2022 • Used this unit charge in FY22 • Decreased by 24.8% from the FY21 fixed unit charge	• To be fixed around at the end of Dec. 2023 FY23 financial targets do not include any gain from the unit charge revision
FY21	¥28,385 • Announced in Apr. 2021 • Used this unit charge in FY21 • Decreased by 23.9% from the FY20 fixed unit charge	¥27,024 • Fixed at the end of Dec. 2022 • Onetime profit contribution of over ¥0.5 bn in 3Q22 • Decreased by 27.5% from the FY20 fixed unit charge

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

- Systems Construction revenues (including equipment sales)
- Systems operation & maintenance revenues for on-premise system
- Cloud revenues such as private Cloud which are recognized as systems operation & maintenance revenues



Cloud Service revenue (MRR)



- 2Q23 cloud revenue recognition: 91.8% Systems operation and maintenance, 8.2% Outsourcing services
- 1Q23 and 2Q22 revenue decreased because of a decrease in multi-cloud usages by a game service provider

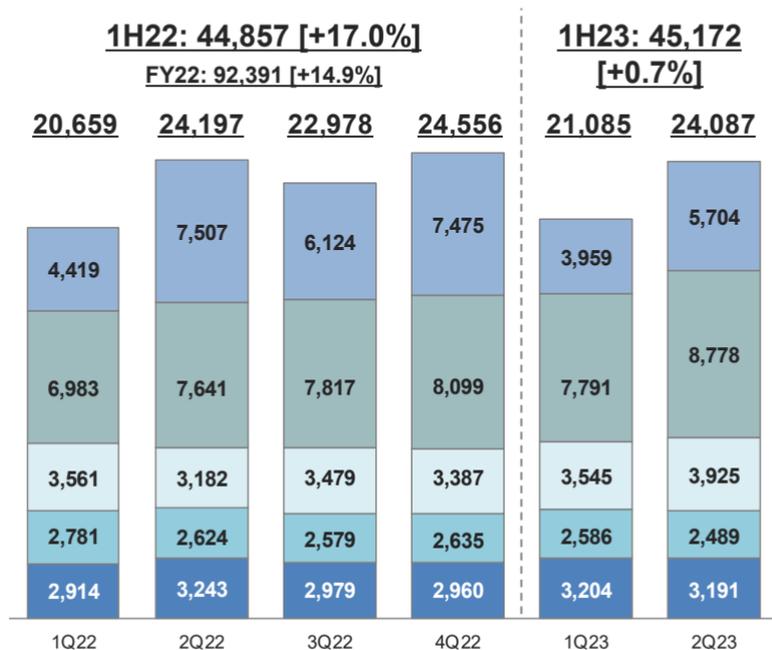
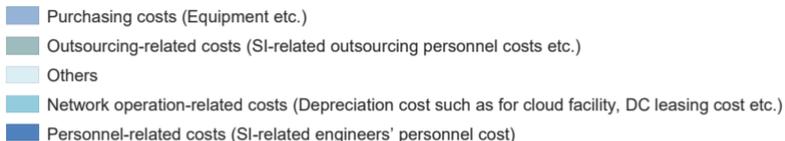
- 1Q23 operation & maintenance revenue was negatively impacted by approx. ¥0.2 bn QoQ as a large system operation project was ended at the end of 4Q22 as expected,
- 1Q22 operation & maintenance order received included large-scale projects with fixed multi year contracts (approx. ¥3.0 bn) (Generally, orders received is 1 year contract and automatically renewed), 2Q23 operation & maintenance order received included approx. ¥2.0 bn for the Chiba city project which has fixed multi-year contract

- 1H23 construction revenue decreased by ¥1.56 bn YoY mainly due to the postponement of the overseas DC project pushed to 2H23 and longer lead-time as project becoming larger. Expect revenue concentration in 2H23
- Overseas DC project (revenue approx. ¥3.0 bn & associated reasonable profit)
 - Export constructed equipment such as servers to a public sector client in Asia
 - Purchase agreement, equipment construction, and pre-export inspection had already been completed. The revenue recognition is pushed to 2H23 due to the prolonged procedure before the export as the project is large and highly complicated, which has involved various parties such as a domestic comprehensive export-related company, an overseas client and its government-related organization, their agents, and domestic and overseas financial institutions (the revenue & profit scale remain unchanged)
 - Plan to recognize revenue of ¥1.2 bn in FY24 and ¥2.0 bn in or after FY25 to the same client as a subsequent projects (included in the above order backlog)
- Super large project for Chiba city (5 years, ¥12.3 bn of revenue in total) is expected to be recognized as revenue from starting Jan. 2025 (please refer to page 18)

- 3Q22 construction orders received & 2Q23-end order backlog included ¥3.0 bn of the overseas DC project
- 1Q23 construction orders received included several large scale projects (approx. ¥3.0 bn in total)
- 2Q23 construction orders received included ¥5.0 bn of the Chiba city project

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

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



- Purchasing, outsourcing-related, and others are linked to the size of project and revenue to certain degree
- 1H23 outsourcing-related cost increased mainly because of pre-sales activities before order-received for large projects which usually requires engineers to be involved (such cost are booked as work in progress after receiving an order)
- Others include license purchasing for multi-cloud which fluctuates along with customers' demand
- No significant change in network operation-related costs on a quarterly basis

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

1Q22-end	2Q22-end	3Q22-end	4Q22-end	1Q23-end	2Q23-end
1,327	1,390	1,393	1,385	1,367	1,395

- The number of SI-related outsourcing personnel can be increased in comparison with the number of IJ's SI engineers
- Although 1H23 systems construction revenue was small, due to many ongoing projects before order-received, the number of outsourcing personnel was at high level

II - 7. Human Capital Disclosure

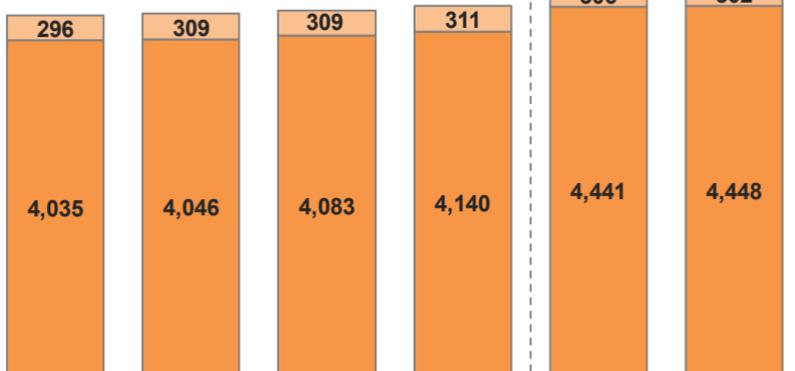
Number of Employees (consolidated basis)

■ Contract worker (personnel)
■ Full-time worker (personnel)

Jun. 2022	Sep. 2022	Dec. 2022	Mar. 2023	Jun. 2023	Sep. 2023
4,331	4,355	4,392	4,451	4,747	4,750

+262 YoY
of which, 178 were
new graduates

+416 YoY
of which, 246 were
new graduates



- FY23 plan: number of employees (consolidated base) to increase by approx. 400 personnel
 - Of which, 246 new graduates
 - Policy to strengthen recruitment of new graduates at the same level for the time being
- Over 300 new graduates are expected to join in Apr. 2024

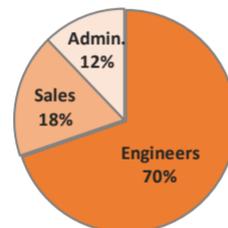
Personnel-related costs & expenses (consolidated basis)

Unit: ¥ (JPY) million

	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23
Consolidated personnel-related costs & expenses (YoY)	8,177 (+5.4%)	8,655 (+9.7%)	8,341 (+6.1%)	8,506 (+6.5%)	9,358 (+14.4%)	9,252 (+6.9%)
	1H22: 16,831 (+7.6%) FY22: 33,678 (+6.9%)				1H23: 18,609 (+10.6%)	
% of revenue	14.1%	13.6%	13.2%	12.6%	15.2%	13.9%

- The monthly salary table for new graduates was modified in Apr. 2023 (the previous modification was in Apr. 2019)
 - Graduates with bachelor's degree: ¥256,667 per month, up 4.8%
 - Salary ranges for the existing employees were revised along with it
- Personnel-related costs & expenses increased as expected due to the expansion of human resources and modified salary tables

Breakdown of Employees



(As of Sep. 2023)

- Breakdown of new graduates is almost identical

Turnover rates

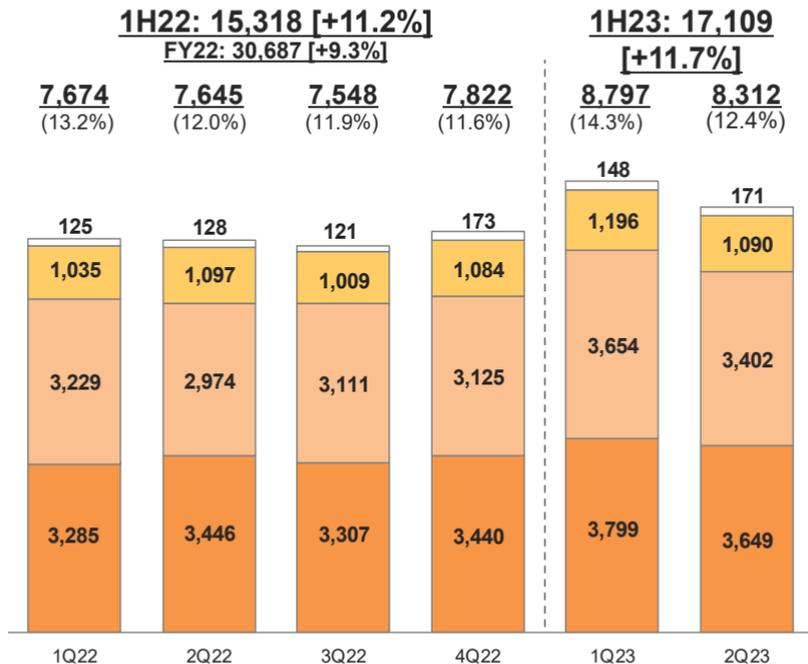
- Lower than the industry average turnover

FY19	FY20	FY21	FY22
4.6%	3.6%	4.2%	3.8%

- The turnover rate of IJ (non-consolidated basis) 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

II - 8. SG&A etc.

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

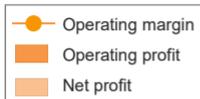


- Almost in line with the plan
- 1Q personnel-related and others expenses increase along with an increase in training and human capital development expenses mainly due to the entry of new graduates. Such expenses decrease in 2Q QoQ as expenses for new graduate engineers are booked as cost of revenues from 2Q
- Activity-related expenses such as promotion and business trips' expenses are on increasing trend YoY

- Above figures are SG&A expenses plus other income and other expenses
- 1Q22 others included ¥0.17 bn of gain on sales of tangible assets

II - 9. Profit

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

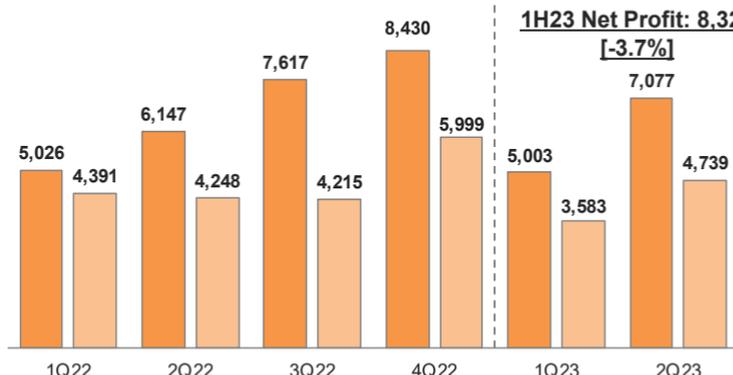


1H22 Operating profit: 11,173 [+20.1%]

1H22 Net profit: 8,638 [+25.3%]

1H23 Operating Profit: 12,080 [+8.1%]

1H23 Net Profit: 8,322 [-3.7%]



1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	
1,611	152	(1,374)	(97)	632	114	Finance income (expense), net
(14)	(64)	(83)	(42)	(154)	(119)	Share of profit (loss) of investments accounted for using equity method
(2,136)	(1,982)	(1,931)	(2,266)	(1,824)	(2,320)	Income tax expense
96	5	14	26	74	13	Profit 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
- Figures for the fiscal year ended March 31, 2023 are based on the retrospective application of IAS 12 "Income Taxes"

◆ Operating profit

➢ 1H23: ¥12.08 bn, +8.1% YoY

◆ Profit before tax

➢ 1H23: ¥12.55 bn, -2.4% YoY

- Foreign exchange gain: +¥573 million (1H22: +¥761 million)
- Valuation gain on funds etc.: +¥323 million (1H22: +¥1,196 million), decreased ¥873 million YoY as a reactionary drop

1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	FY23 plan
+1,200	(5)	(820)	(73)	+310	+13	±0

✓ Foreign exchange impacts were also included as lots of assets are dominated in U.S. dollars

- Share of loss of investments accounted for using equity method: ¥273 million (1H22: ¥78 million)

DeCurret- related loss (IIJ ownership: 38.2%)

1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	FY23 plan
78	102	94	109	125	124	Approx. 800

✓ First in Japan digital currency (DCJPY) is to be issued from Jul. 2024 through DeCurret's platform service (For detail, please refer to P. 23)

◆ Net profit

➢ 1H23: ¥8.32 bn, -3.7% YoY

Interim dividend

➢ Remain unchanged from initial target: ¥17.18 (1H22: ¥14.625, +17.5% YoY)

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

Unit: ¥ (JPY) million

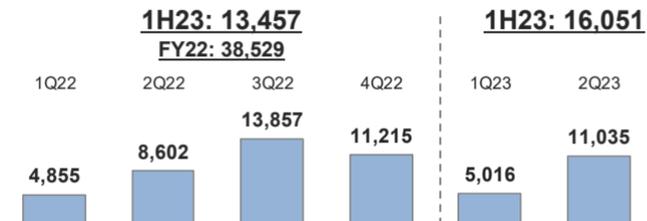
	Mar. 31, 2023	Sep. 30, 2023	Changes		Mar. 31, 2023	Sep. 30, 2023	Changes
Cash & cash equivalents	42,472	42,587	+115	Trade & other payables	22,313	22,412	+99
Trade receivables	41,340	39,017	(2,323)	Borrowings (current & non-current)	20,430	31,408	+10,978
Inventories	3,188	5,430	+2,242	Contract liabilities & Deferred income (current & non-current)	17,978	19,933	+1,955
Prepaid expenses (current & non-current)	27,920	35,711	+7,791	Income taxes payable	4,034	3,842	(192)
Tangible assets	23,321	26,825	+3,504	Retirement benefit liabilities	4,513	4,734	+221
Right-of-use assets	46,675	43,391	(3,284)	Other financial liabilities (current & non-current)	48,800	50,704	+1,904
Of which, operating leases (rent of office, data center etc.)	31,233	28,989	(2,244)	Of which, operating leases (rent of office, data center etc.)	31,610	29,422	(2,188)
Of which, finance leases (network equipment etc.)	15,442	14,402	(1,040)	Of which, finance leases (network equipment etc.)	16,447	15,519	(928)
Goodwill & intangible assets	26,475	27,460	+985	Others	8,823	9,510	+687
Investments accounted for using the equity method	5,785	5,374	(411)	Total liabilities:	126,891	142,543	+15,652
Other investments	19,150	22,302	+3,152	Share capital	25,562	25,562	-
Others	9,992	11,011	+1,019	Share premium	36,738	35,633	(1,105)
				Retained earnings	51,202	57,081	+5,879
				Other components of equity	6,571	9,093	+2,522
				Treasury shares	(1,831)	(12,027)	(10,196)
				Total equity attributable to owners of the parent:	118,242	115,342	(2,900)
				Non-controlling interests	1,185	1,223	+38
Total assets:	246,318	259,108	+12,790	Total liabilities and equity:	246,318	259,108	+12,790

- Prepaid expenses increased mainly due to project and license for clients and facility operation
- Borrowings: increased mainly due to due to the share buyback
- Ratio of total equity attributable to owners of the parent: 48.0% as of Mar. 31, 2023, 44.5% as of Sep. 30, 2023, decreased due to the share buyback with cancellation

II - 11. Consolidated Cash Flows

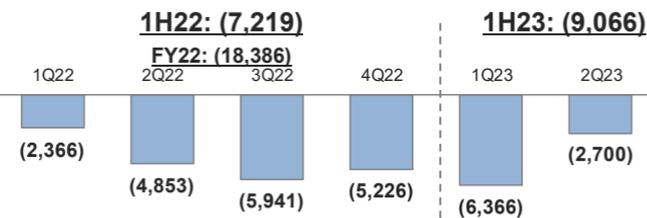
Unit: ¥ (JPY) million
YoY = Year over year comparison

Operating Activities



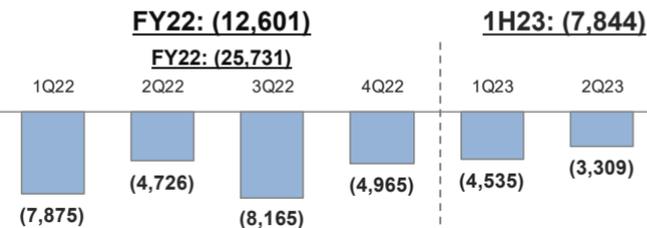
	1H23 Major Breakdown	YoY Change
Profit before tax	12,552	(306)
Depreciation and amortization	14,598	+453
Changes in operating assets & liabilities	(6,524)	(532)
Income taxes paid	(4,342)	+1,693

Investing Activities



	1H23 Major Breakdown	YoY Change
Purchase of tangible assets	(5,732)	(28)
Purchase of intangible assets such as software	(3,962)	(1,825)

Financing Activities

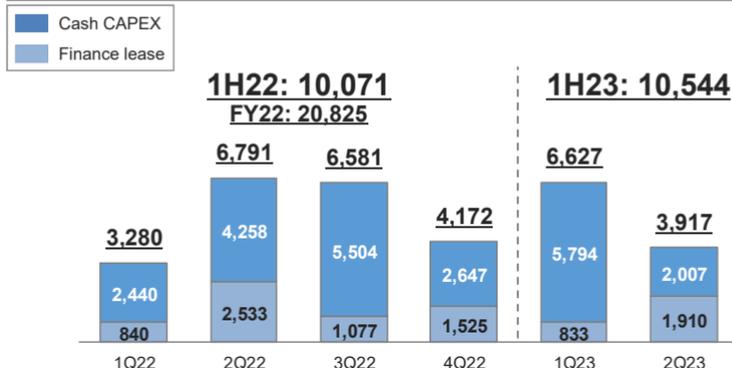


	1H23 Major Breakdown	YoY Change
Payment of operating/finance leases and other financial liabilities	(9,965)	(421)
Dividends paid	(2,644)	(386)
Repayment of long-term borrowings	(1,030)	(280)
Short-term borrowings (Borrowings for acquisition of treasury shares)	12,000	+12,000
Purchase of treasury shares	(11,405)	(11,405)

II - 12. Other Financial Data

Unit: ¥ (JPY) million

CAPEX



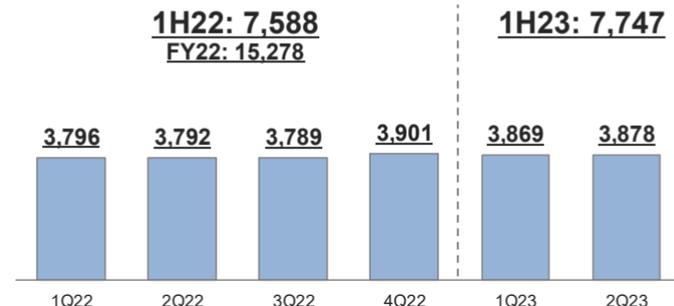
➤ Breakdown of CAPEX (Unit: ¥ bn)

	1H22	1H23
NW usual Capex	4.6	5.7
Cloud-related	0.7	0.6
Shiroi DC-related	3.1	3.1
Customer-related	1.7	1.1

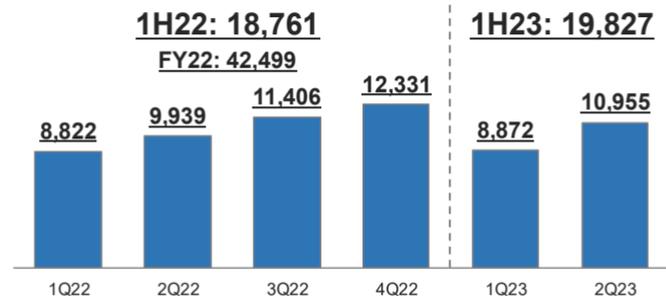
➤ FY23 CAPEX plan: ¥22.5 bn
(including approx. ¥7.0 bn for Shiroi DC 2nd site)

- 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.
- Adjusted EBITDA is calculated by adding operating profit and CAPEX-related depreciation and amortization.

CAPEX-related depreciation and amortization



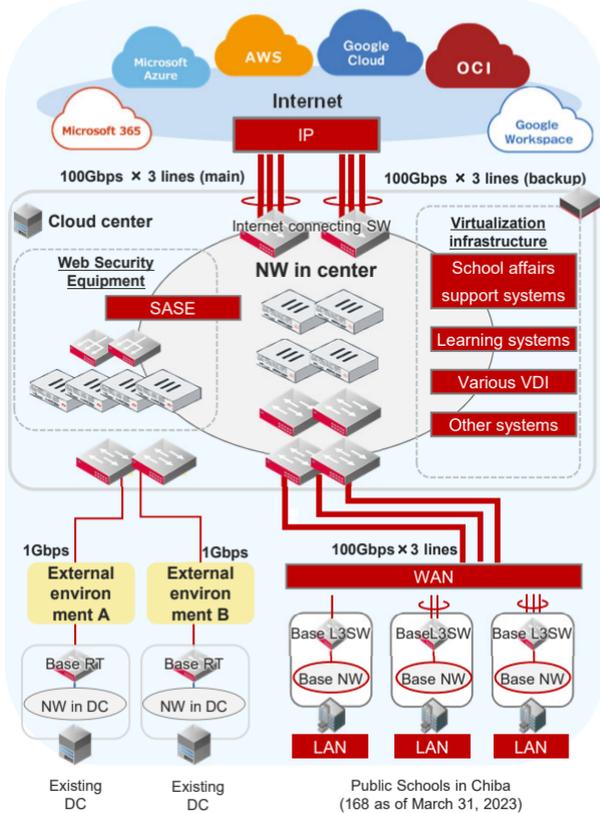
Adjusted EBITDA



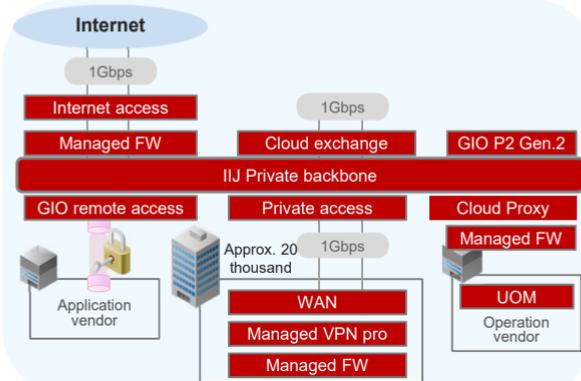
III - 1. Acquired large-scale Service Integration projects

■ Services provided by IJ
■ SI provided by IJ

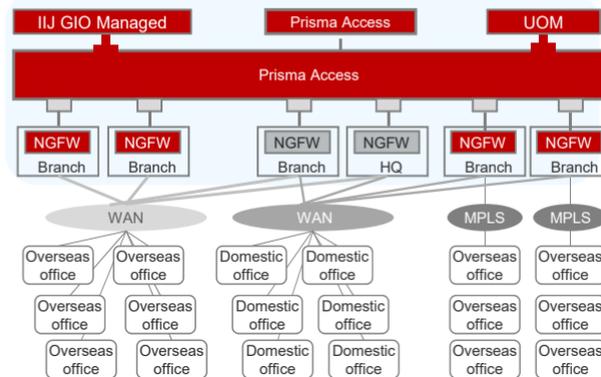
Educational Information NW for Chiba city



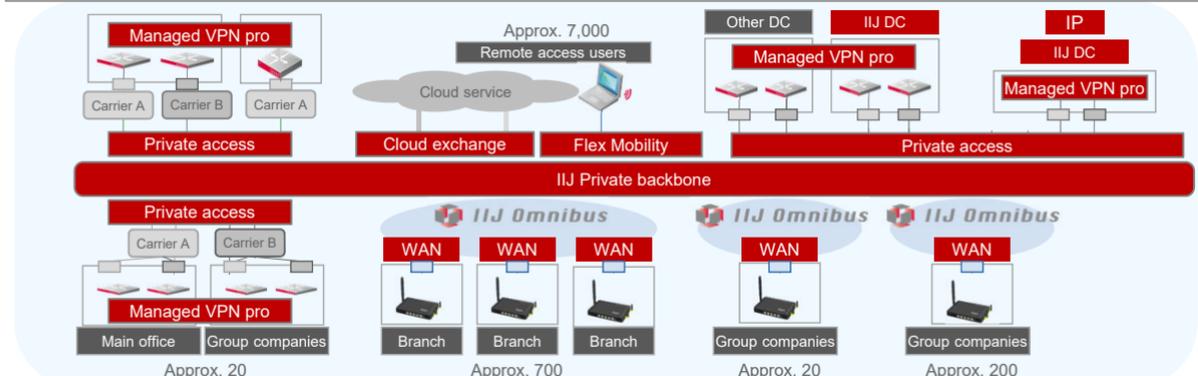
Integrated information system for public safety org.



Large-scale SASE project for a global company



Total NW project for a prominent company group



III - 2. Timing of revenue recognition for large-scale complex flagship projects

Project overview	Project size (approx.)	Main revenue recognition	Order received	Timing of revenue recognition
Nationwide NW replacement for a prominent financial institution	¥5.0 bn, 5 years	NW service, SI O/M	Jan. 2021	From Mar. 2022
Nationwide WAN connection NW infrastructure for all tax offices in Japan	¥2.0 bn, 4 years	NW service	May 2022	From Jan. 2023
Internet connection environment for Tokyo public schools	¥2.0 bn, 3 years	NW service	Apr. 2022	From Oct. 2022
Core information system for governmental administrative operation	¥5.0 bn, 4 years	NW service, SI construction, SI O/M	May 2022	From Oct. 2022
NW system upgrade for a central government agency	¥2.6 bn, 4 years	NW service, SI construction, SI O/M	Jan. 2023	From Jan. 2023
Large scale NW upgrade for a prominent manufacturing company	¥5.0 bn, 5 years	NW service	Feb. 2023	From Mar. 2023
Foreign exchange trading platform for a prominent financial group	¥3.0 bn, 5 years	SI O/M	Dec. 2022	To be recognized from FY24
Core information NW infrastructure for a broadcaster	¥6.0 bn, from FY24	NW service, SI construction, SI O/M	Dec. 2022 & Jan. 2023	To be recognized from FY24
Overseas DC project	¥3.0 bn, to be launched in FY23	SI construction	Nov. 2022	To be recognized in 2H23
Subsequent projects of the overseas DC project	¥1.2 bn in FY24 ¥2.0 bn in or after FY25	SI construction	2H22	To be recognized in FY24 and in or after FY25
Next generation NW renewal for a major system integrator	¥1.0 bn, 5 years	NW service	Apr. 2023	To be recognized from FY24
Enhancement of security for a prominent carrier	¥1.5 bn, 5 years	SI construction, SI O/M	Apr. 2023	From Aug. 2023
Integrated operation system for a public sector organization	¥3.0 bn, 5 years	NW service, SI construction, SI O/M	Apr. 2023	To be recognized from FY24
Next generation research platform for a private university	¥1.0 bn, 5 years	SI construction, SI O/M	May. 2023	To be recognized from FY24
Educational information network for Chiba City	¥12.3 bn, 5 years	NW service, SI construction, SI O/M	Sep. 2023	To be recognized from Jan. 2025 (approx. ¥5 bn in FY24)

* SI O/M = systems operation and maintenance

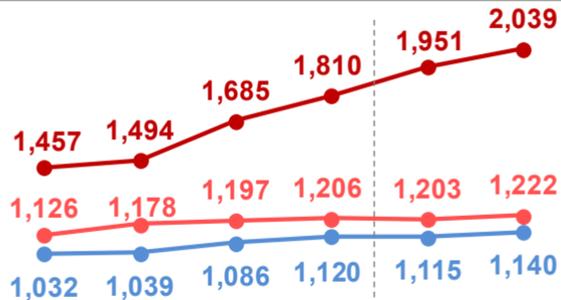
III - 3. Mobile & IoT

Unit: ¥ (JPY) billion (bn)
 %, YoY = Year over year comparison
 QoQ = Quarter over quarter comparison

Mobile Subscription (Subs.)

Subscriptions (Subs.)
 (unit: thousand)

- Enterprise mobile
- IJmio
- MVNE



Mobile Revenue

Revenues
 (unit: ¥ bn)

- Enterprise mobile
- MVNE
- IJmio



- 4Q22 enterprise mobile revenue includes approx. ¥0.1 bn of lump-up revenue related to a large mobile project which consists of several phases
- Enterprise mobile subs.: in 4Q22, the subs. consistently increased by 124 thousand QoQ mainly due to additional line orders from the existing project for a taxi payment devices and increased demands from foreigners visiting Japan. In 3Q22, the subs. increased by 192 thousand QoQ as the existing project for a GPS tracker for children security largely increased by approx. 60 thousand

◆ Enterprise mobile (deducting MVNE from IJ Mobile)

- 1H23 revenue: ¥6.59 bn (+¥1.28 bn YoY)
- 2Q23-end subs.: 2,039 thousand (+87 thousand QoQ)
 - Continued to increase mainly through camera connections, GPS tracker etc.
- Plan to launch "IJ Public Safety Mobile Service" dedicated to public safety agencies in Apr. 2024

◆ MVNE (providing mobile services to other MVNOs)

- 1H23 revenue: ¥5.25 bn (+¥0.41 bn YoY)
- 2Q23-end subs.: 1,140 thousand (+25 thousand QoQ)
- 2Q23-end MVNE clients: 187 clients (+10 clients YoY)
 - Cable TV operators (93 operators), prominent retailer, etc.

◆ IJmio (consumer)

- 1H23 revenue: ¥10.61 bn (-¥0.26 bn YoY)
 - Revenue of the old plan which was higher ARPU slightly decreased and sales of mobile device decreased
- 2Q23-end subs.: 1,222 thousand (+19 thousand QoQ)
 - Of which, the old plan's subs. were 247 thousand

GigaPlans (unit: thousand)	1Q22-end	2Q22-end	3Q22-end	4Q22-end	1Q23-end	2Q23-end
Subs.	757	837	878	908	928	963

- Awarded for best customer satisfaction in 3 consecutive years (Source: J.D Power Japan)
- Launched NTT Docomo network's eSIM with voice call functionality (Sep. 2023)
- SIM type MVNO market share in Japan (Source: the Ministry of Internal Affairs and Communications)

	June 30, 2023		Mar. 31, 2023		Dec. 31, 2022	
1 st	IJ	20.0%	IJ	19.8%	IJ	19.7%
2 nd	NTT Resonant	12.2%	NTT Resonant	11.9%	NTT Resonant	11.1%
3 rd	Optage	9.0%	Optage	9.0%	Optage	9.1%
4 th	Fujitsu	5.6%	Fujitsu	5.6%	Fujits	5.6%
5 th	Aeon Retail	4.7%	Aeon Retail	4.8%	Biglobe	4.9%

III - 4. Security Business

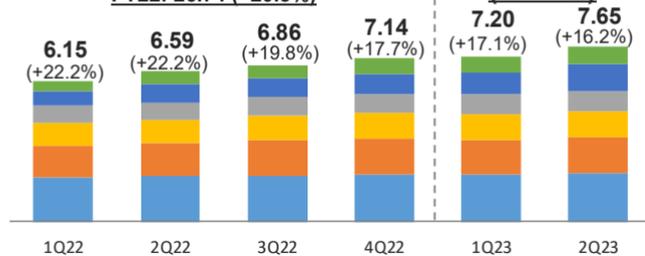
Security service (MRR) largely grew along with continuous strong demands

1H22: 12.74 (+22.2%)

FY22: 26.74 (+20.3%)

1H23: 14.86

(+16.6%)



◆ Each service continued to accumulate

◆ Continued to enhance service line-ups and functions

- Continued to enhance the functions of in-house developed SASE service "IJJ Secure Access Service"
 - Added "Firewall Type 2" which provides more advanced security measures in Sep. 2023
- Expanded functions of "IJJ Managed WAF Service" by adding DDoS protection function in Oct. 2023

◆ Rapid increase in inquires for "IJJ C-SOC Service"

- Clients attitudes changing from needing to be educated about the necessity of having SOC to proactively seeking to have SOC
- IJJ's competitive advantages:
 - Collaborate with various in-house devolved managed type gateway security services
 - Wide monitoring scope including EDR and SASE
 - Apply abundant traffic log data to develop IJJ's unique intelligence as well as detect threat

- Security Service Revenue (recurring) is 100% recognized in outsourcing
- SASE (Secure Access Service Edge) is a concept to shift controls of network and security to the route to Cloud services to enable secure access from any points, instead of the conventional centralized management through headquarters or data centers. This concept is gaining popularity along with Cloud migration of enterprise operation systems, prevalence of flexible workstyle including teleworking
- SOC (Security Operation Center) is an organization providing advices and actions regarding cyber attacks by constantly monitoring log data such as NW and device to detect and analyze cyber attacks
- EDR (Endpoint Detection and Response) is a product that realizes faster analysis on endpoint, such as laptop pc, by automatically gather behavior and associate such with cyber attack patters, etc.

Mail Security

- Full outsource of mail system, countermeasures for spam mail etc.
- IJJ Secure MX Service (SMX)
 - Cloud-based integrated mail security service (17 years in operation)
 - Differentiating by in-house developed multi-filtering, providing support in Japanese and upgrades
 - Minimize mail threats with multi-filtering, able to store unlimited mail date in DCs located in Japan, prevent accidental transmission/information leak with the system

NW Security

- IJJ DDoS Protection Service
 - Comprehensive service to protect enterprise network system from DDoS attacks (18 years in operation)
 - Service model unique to NW operators
 - Realize reliable web services by avoiding overloaded network and server triggered by huge traffic, global coverage to prevent terabit level large-scale attack (Jan. 17)
- IPS/IDS, WAF etc.

FW (Firewall)

- Outsource of firewall operation, detection system for anomaly etc.(17 years in operation)

Web GW

- Full outsource of web Security, URL filtering etc.
- IJJ Secure Web GW Service (SWG)
 - Cloud-based integrated web security service (13 years in operation)
 - Differentiating by in-housed developed engines etc. to block and isolate web functions etc.

SASE

- Operation of Prisma Access, Zscaler etc.
- IJJ Secure Access Service "ISA"
 - Launched in Sep. 2022
 - In-house developed SASE service
 - Differentiating by operating in Japan, high compatibility with other IJJ security services such as C-SOC, small start and low-price range

SOC and others

- IJJ C-SOC Service
 - Launched in Oct. 2018
 - Operational SOC service unique to ISPs: visualize invisible threats by applying IJJ's unique intelligence, execute initial response as well as notification etc.
 - Continuously expanding functions including recently launched "Premium" in May 2021 which offers primary responses against attacks
- Endpoint Security etc.

FY23 Financial Targets (1)

Unchanged from May 2023

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

Net profit is "Profit for the period/year attributable to owners of the parent"

YoY change of net profit is based on the retrospective application of IAS 12 "Income Taxes"

	% of Revenues FY23 Targets (Apr. 2023 - Mar. 2024)	% of Revenues FY22 Results (Apr. 2022 - Mar. 2023)	YoY	
Revenues	286.0	252.7	+13.2%	+33.29
Cost of Sales	^{77.1%} 220.5	^{77.1%} 194.8	+13.2%	+25.70
Gross Profit	^{22.9%} 65.5	^{22.9%} 57.9	+13.1%	+7.59
SG&A etc.	^{11.9%} 34.0	^{12.1%} 30.7	+10.8%	+3.31
Operating Profit	^{11.0%} 31.5	^{10.8%} 27.2	+15.7%	+4.28
Shares of profit (loss) of investments accounted for using equity method investees	(0.6)	(0.2)	-	(0.4)
Profit before tax	^{10.6%} 30.4	^{10.8%} 27.3	+11.1%	+3.04
Net Profit	^{7.2%} 20.7	^{7.5%} 18.9	+9.9%	+1.87

% of Revenues FY23 1H Target (Apr. 2023 - Sep. 2023)	YoY	
138.0	+13.1%	+16.04
^{78.2%} 107.9	+13.0%	+12.38
^{21.8%} 30.2	+13.8%	+3.66
^{12.1%} 16.8	+9.3%	+1.43
^{9.7%} 13.4	+19.9%	+2.23
(0.2)	-	(0.1)
^{9.4%} 13.0	+1.1%	+0.14
^{6.4%} 8.9	+2.5%	+0.21

	Assumptions for Revenue Targets	Assumptions for Gross Profit Targets	Other Assumptions
NW service (excluding Mobile)	<ul style="list-style-type: none"> Each service to grow along with continuous IT advancement Stronger growth than FY22 as the revenue contribution of the large complex projects starts 	<ul style="list-style-type: none"> Structural profit increase along with revenue growth Gross margin to slightly improve 	<ul style="list-style-type: none"> SG&A etc. to increase due to business expansion, including personnel expenses Shares of profit (loss) of investments accounted for using equity method investees: Expect DeCurrent's related loss to be around ¥0.8 bn No consideration on any valuation gain (loss) on funds & foreign exchange gain (loss) Number of employees (consolidated base) to increase by approx. 400 personnel (of which 246 new graduates) CAPEX: ¥22.5 bn (including ¥7.0 bn for Shiroi DC 2nd site)
Mobile	<ul style="list-style-type: none"> Return to high revenue growth in enterprise mobile (IoT usages) as better semiconductor procurement situation and the post-Pandemic Consumer revenue to be flat growth due to a decrease in mobile devices sales, MVNE revenue to decrease mainly due to reflecting a decrease in procurement cost at the beginning of FY23 	<ul style="list-style-type: none"> Increase as a rebound from FY22 (decrease in device procurement cost & smaller YoY negative profit impact than FY22 due to the migration to the new plan whose voice service margin is lower than the old plan. No gain from the unit charge revision) 	
SI	<ul style="list-style-type: none"> Strong demands as favorable business environment continues Largely increase backed by trend and outlook for large projects Expect to recognize approx. ¥3.0 bn of overseas DC construction in 1H23 	<ul style="list-style-type: none"> Increase as the revenue volume to expand Gross margin to be almost the same level as FY22 	

FY23 Financial Targets (2)

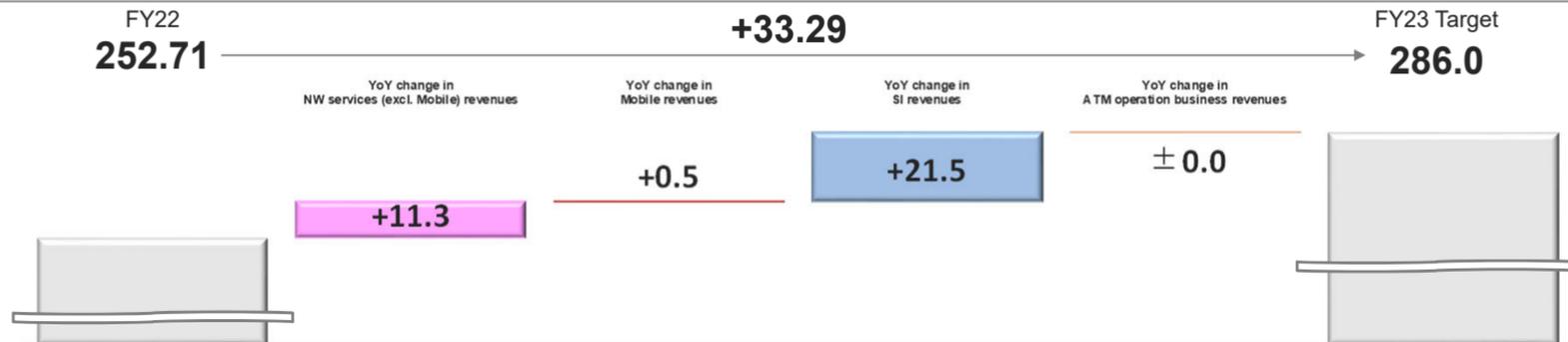
Unchanged from May 2023

Unit: ¥ (JPY) billion (bn)

GP = Gross Profit

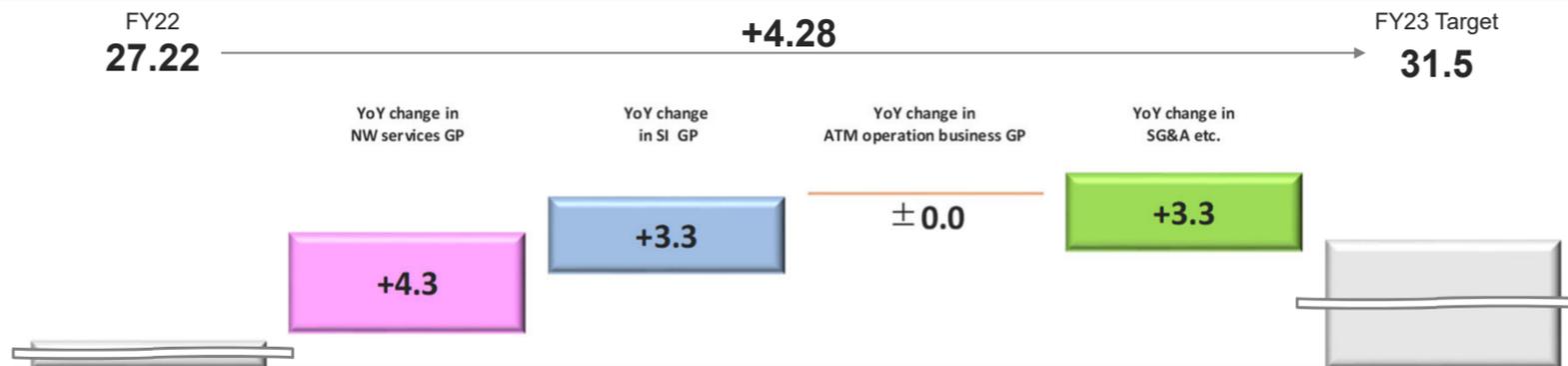
YoY = Year over year comparison

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 IJmio (consumer mobile)

Operating Profit



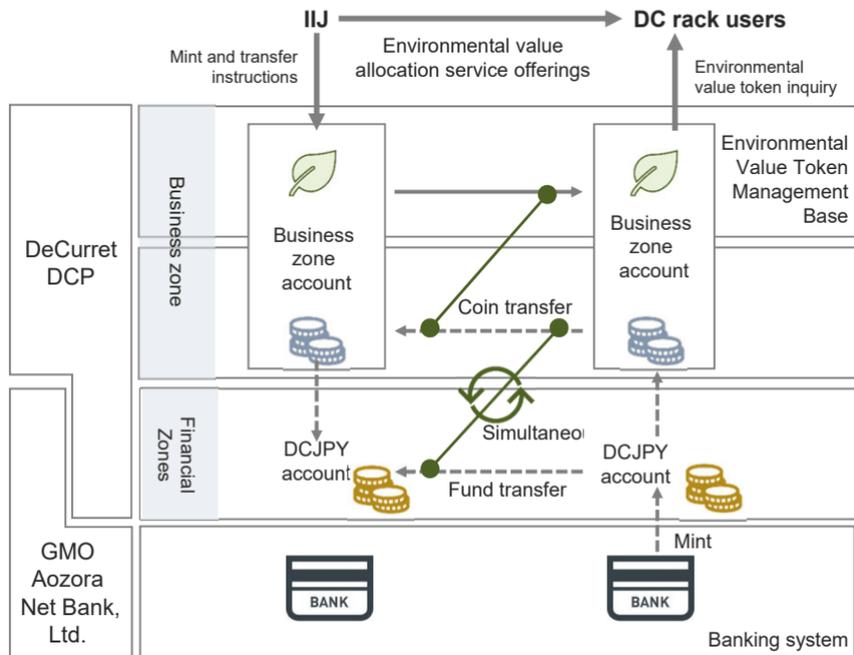
- NW services gross profit consists of gross profit related to NW revenues (excl. Mobile) and Mobile revenues (The two have costs in common and cannot be broken down in accounting terms)
- SG&A etc. in this slide represents the sum of SG&A, which includes R&D expenses, and other income/expenses

First in Japan to issue commercial digital currency (July 2024)

About the Case

Issuer of digital currency	GMO Aozora Net Bank, Ltd.
Usages of digital currency	<ul style="list-style-type: none"> 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



About DeCurret

DeCurret HLD	Shareholder: 35 companies including IIJ
DeCurret DCP	Shareholder: DeCurret HLD 100% Business: <ul style="list-style-type: none"> Digital currency business Secretary for the "Digital Currency Forum" <ul style="list-style-type: none"> Members consist of over 100 companies, organization, experts, and related regulatory agencies (FSA, MIC, MOF, METI, BOJ)

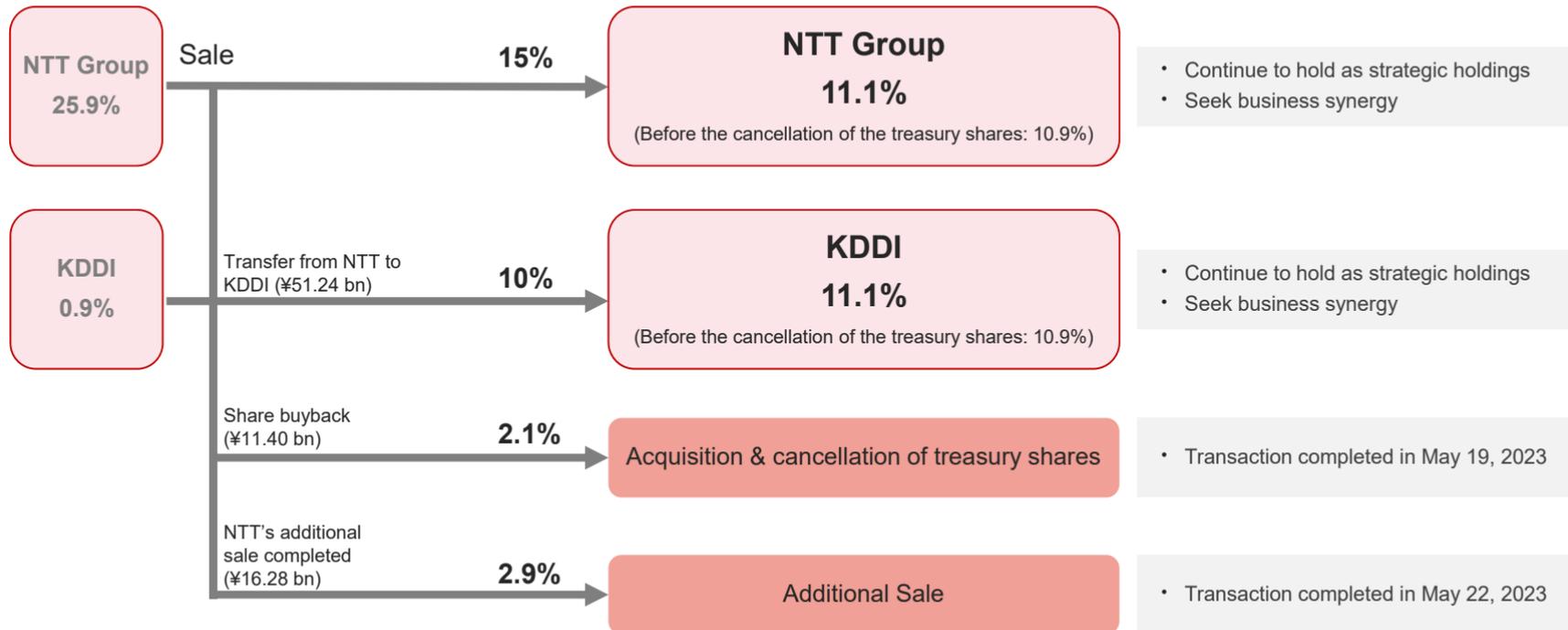
Difference between "DCJPY" and Trust Bank's Stablecoins

	DeCurret's digital currency "DCJPY"	Trust Bank's stablecoins
Corresponding act	The Banking Act	The revised Payment Services Act (enforced in June 2023)
Form	Bank deposits	Stablecoins
Scheme of issuance	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> User needs to deposit money and set up a trust asset each time Then, stablecoins can be issued by a trust bank
Features	<ul style="list-style-type: none"> Highly compatible with the current settlement system Issuers are reliable and trustworthy banks Banks support DCJPY can use the Digital Currency services 	<ul style="list-style-type: none"> 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

Change in Largest Shareholders

As of Mar. 31, 2023

As of Sep. 30, 2023



- NTT Group includes NTT and NTT Communications
- "%" which is shareholding percentage is calculated by the total number of shares outstanding

FY23 Dividend Forecast

◆ Basic shareholders' return policy:

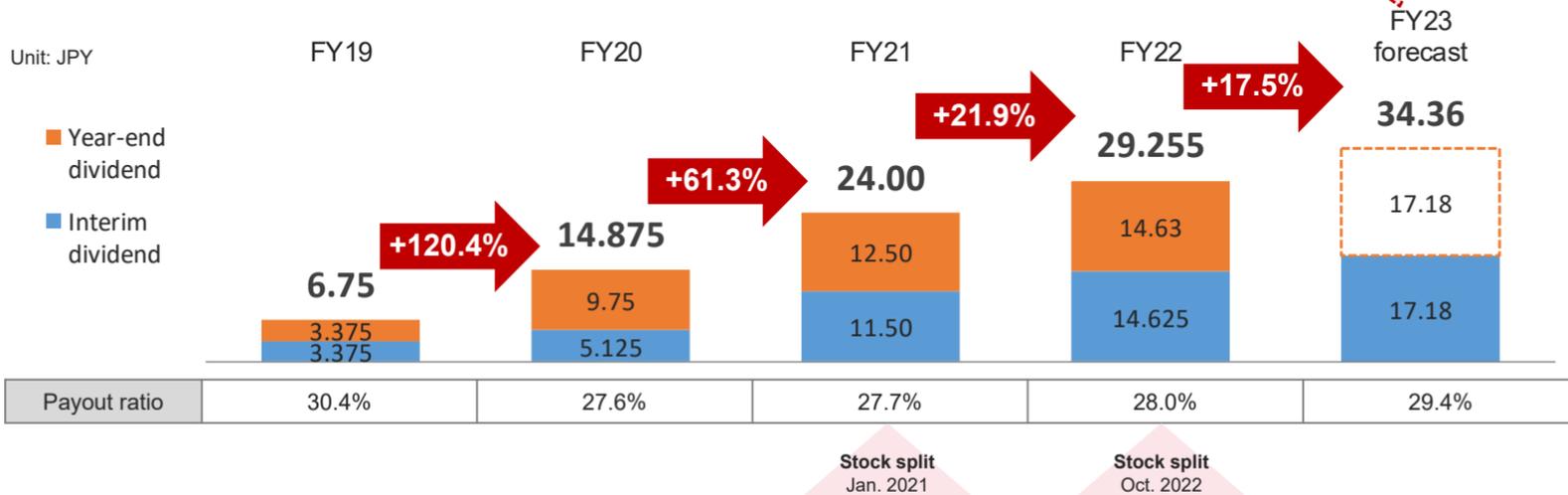
Continuous and stable dividend payment while considering the need to have retained earnings for the enhancement of financial position, mid-to-long term business expansion and future investment

◆ Dividend per share:

Continued to increase dividend in line with profit increase due to revenue growth, 5 times in 4 years

In May 2023, IJ executed share buyback of ¥11.4 bn and cancellation of shares

FY23 total payout ratio forecast: approx. 84%



- 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

NTT Docomo's Mobile data interconnectivity charge

(Mbps unit charge, monthly)

Fiscal Year	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	
Method	Actual cost method		Future cost method MNOs are to disclose the charges for next three years based on their prediction about cost etc.						
New						Announced in Mar. 2023 ¥15,644 -23.0% YoY ¥13,084 -16.4% YoY ¥11,255 -14.0% YoY			
Current	<u>¥49,311</u> -6.0% YoY	<u>¥42,702</u> -13.4% YoY	<u>¥37,280</u> -12.7% YoY	Fixed in Dec. 2022 <u>¥27,024</u> -27.5% YoY	Announced in Mar. 2022 To be fixed around the end of Dec. 2023 <u>¥20,327</u> -24.8% YoY			¥15,697 -22.8% YoY	¥13,207 -15.9% YoY
Old	<u>¥49,311</u> -6.0% YoY	<u>¥42,702</u> -13.4% YoY	<u>¥37,280</u> -12.7% YoY	Announced in Apr. 2021 ¥28,385 -23.9% YoY ¥22,190 -21.8% YoY ¥18,014 -18.8% YoY			Announced in Mar. 2020 ¥41,436 -3.0% YoY ¥33,211 -19.8% YoY ¥27,924 -15.9% YoY		

- The same calculation method is applied to both the actual cost method and the future cost method: (Data communication cost + profit) / demand
- The charge disclosed based on the future cost method is to be finalized based on MNOs actual cost results etc.
- Mobile interconnectivity charges, which are underlined above, had been fixed based on the results
- 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>

Comparison between the old & new plans of consumer mobile

Old

New: GigaPlans (Apr. 2021~)

Current Price list as of Apr. 1, 2023

Basic Monthly Charge	Old		New: GigaPlans (Apr. 2021~)		Current Price list as of Apr. 1, 2023		
		Minimum Start Plan (3GB)	With voice ¥1,760 Data-only ¥990	2Giga Plan (2GB)	With voice ¥858 Data-only ¥748	2Giga Plan (2GB)	With voice ¥850 Data-only ¥740
	Light Start Plan (6GB)	With voice ¥2,442 Data-only ¥1,672	4Giga Plan (4GB)	With voice ¥1,078 Data-only ¥968	5Giga Plan (5GB)	With voice ¥990 Data-only ¥900	
	Family Share Plan (12GB)	With voice ¥3,586 Data-only ¥2,816	8Giga Plan (8GB)	With voice ¥1,518 Data-only ¥1,408	10Giga Plan (10GB)	With voice ¥1,500 Data-only ¥1,400	
			15Giga Plan (15GB)	With voice ¥1,848 Data-only ¥1,738	15Giga Plan (15GB)	With voice ¥1,800 Data-only ¥1,730	
			20Giga Plan (20GB)	With voice ¥2,068 Data-only ¥1,958	20Giga Plan (20GB)	With voice ¥2,000 Data-only ¥1,950	
Pay as you go	Voice call charge as you go	¥22 per 30 seconds	Voice call charge as you go	¥11 per 30 second			

- The above table briefly indicates service prices for major functions to show the differences between the old and new plans
- Voice call charge is only for domestic calls. New voice call charge as you go was revised on September 11, 2021 and is applied to old plan's users
- eSIM service for consumers: "I!Jmio eSIM Service Data Plan Zero" launched in Mar. 2020, Data communication service using NTT Docomo's LTE and 3G network
Pricing: monthly charge (bundled data volume: 0 GB), ¥165 per month. Additional data volume: First 1GB ¥330, 2GB to 10GB: ¥495 per GB

Data center (DC)

◆ Operate 16 DCs in Japan, 2 of which are owned by IIJ (as of Sep. 2023)

- Expanding own DC capacity along with growing demands for IIJ services
- Expect higher efficiency by gradually migrating leased DC spaces to own DCs



Tesla's power pack



Edge computing



- 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 to be good.

	Matsue DCP (opened in Apr. 2011)	Shiroi DCC (opened in May 2019)
Objective	Own service facility	
Features	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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
Land	Approx. 16 thousand square meters	Approx. 40 thousand square meters
Number of in placed racks	Approx. 500 racks	Approx. 700 racks
FY22 PUE	1.33	1.31
FY23 plan	<ul style="list-style-type: none"> • Constructing new system module <ul style="list-style-type: none"> ✓ Schedule: begin construction in Feb. 2024, operation in May 2025 ✓ Approx. 2 thousand square meters ✓ Approx. 300 racks ✓ FY23 capex (plan): over ¥5.0 bn (to be partially covered with subsidy) 	<ul style="list-style-type: none"> • Operation of 2nd site (Expandable) <ul style="list-style-type: none"> ✓ Started operation from July 2023 ✓ Approx. 8 thousand square meters ✓ Approx. 1,100 racks (1st site: approx. 700) ✓ FY23 CAPEX (plan): approx. ¥7.0 bn (FY22: ¥5.4 bn) ✓ Soon reach to its capacity by own service facility & colocation • Began direct procurement of non-fossil fuel certificates toward the supply of electricity with environmental values (Apr. 2023)

Creation of Guiding Principles for Employees “Backbone of IIJ”

- ◆ “Backbone of IIJ” was created by volunteer members across departments as a guideline for realizing IIJ's business philosophy and accelerating future growth on the occasion of IIJ's 30th anniversary.
- ◆ The name “Backbone of IIJ” was chosen in the hope that it would become a "spiritual pillar" that IIJ employees would carry on as well as making a reference to "backbone network" which is the foundation of IIJ

1. Challenge: Every action is for achievement

We make action and get others involved toward realizing not only big ambition but also small improvement.
With flexible mindset and active discussion, we deepen our ideas not only for innovation but also for improvement.
If somebody has an exciting idea and is seeking to make it happen, we shall join such initiatives.
We will continue to have discussions and take challenges which has been our tradition since the company's inception.

2. Curiosity: Don't stop at “Just being interested”

Every curiosity counts because it could lead to something extraordinary. This is why we sincerely value ours as well as others' curiosity.
Curiosity is one of our driving force which has led to “IIJ as first in the world/Japan” and high customer satisfaction.
The curiosity of employees is our important asset which can neither be visualized nor quantified.
We believe that such asset is opening up the possibility of Internet and making network society even better.

3. Passion: Pursuing “My Interests” is the path to becoming a professional

We work with commitment and passion when we see something interesting in front of us.
Such approach allows us to make more decisions on our own, enlarge what we can do, and make work more enjoyable.
We continue to strive with passion to be professionals and leading experts.

4. Responsibility: Never compromise. Not accepting “this should be good enough”

We contribute to society by providing “Internet infrastructure.”
We have a commitment to society that we shall provide uninterrupted and protected Internet connectivity, continue to improve Internet and show new possibility of Internet.
Going forward, we shall continue to be sincere for those beyond each job and never compromise.

5. Respect: Listen, especially when you are not sure

We aim for an organization in which people with diverse background and values can exercise one's strength and have discussion from various view points.
Even it seems difficult, we are committed to mutual respect and honest communication.
Sincere communication means never cheat on the spot, speaking honestly and avoiding misunderstandings.
This is how we have been creating a working environment where diversified talents can demonstrate their abilities and achieve great satisfaction.

【Reference】
Presentation material for company overview
P. 30 – 46

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

4,750 (approx. 70% engineers)

Large Shareholders

NTT Group, KDDI, ITOCHU Techno-Solutions (CTC), Koichi Suzuki, Global Alpha Capital Management

◆ 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 (almost 30 years) client relationship since the establishment of IIJ

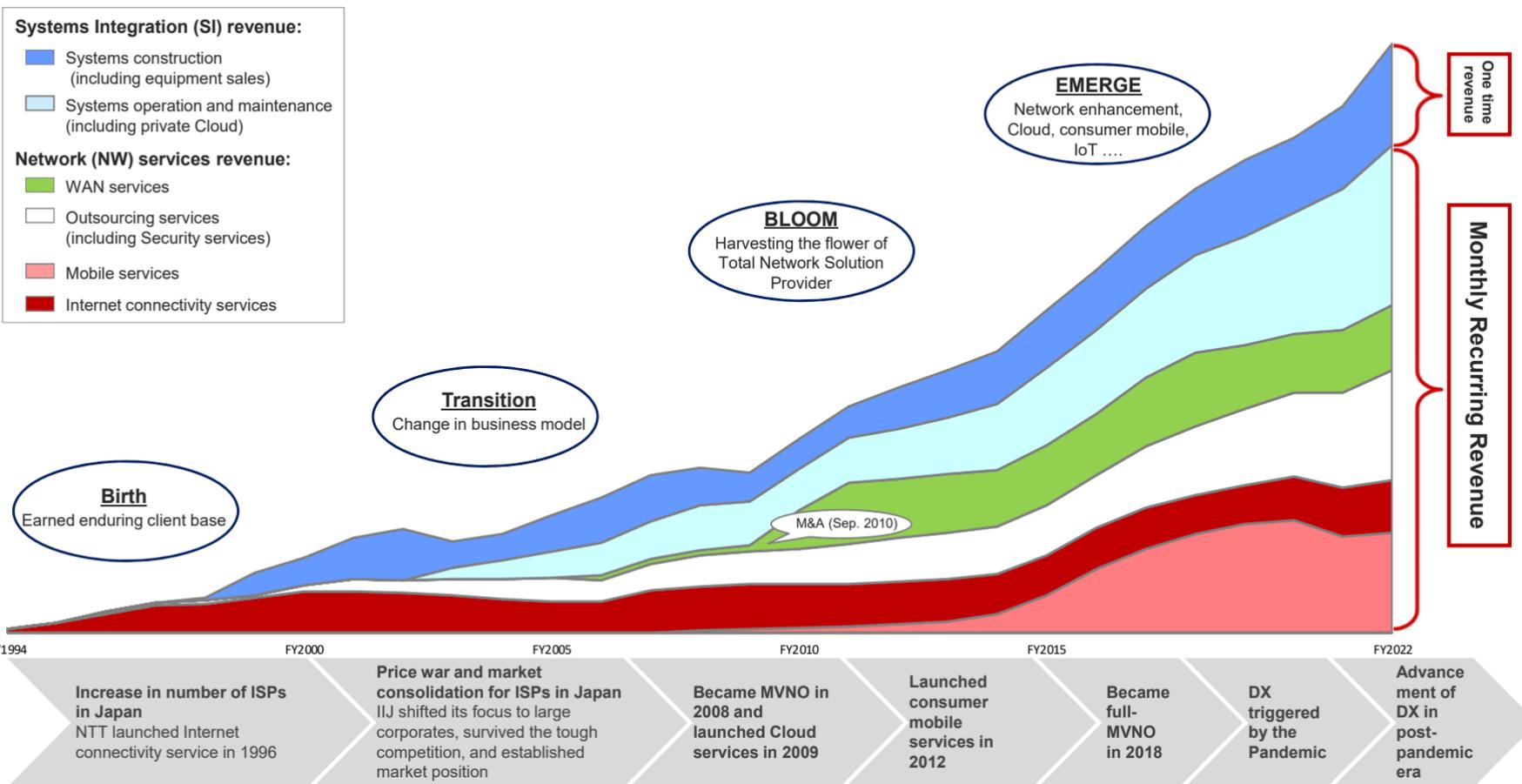
◆ Development of innovative Internet-related services

- ✓ 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

and many more

• Number of employees is on the consolidated basis, and large shareholders are as of Sep. 30, 2023, except for Global Alpha whose holding is based on their Large Volume Holding Report filing as of Oct. 2023

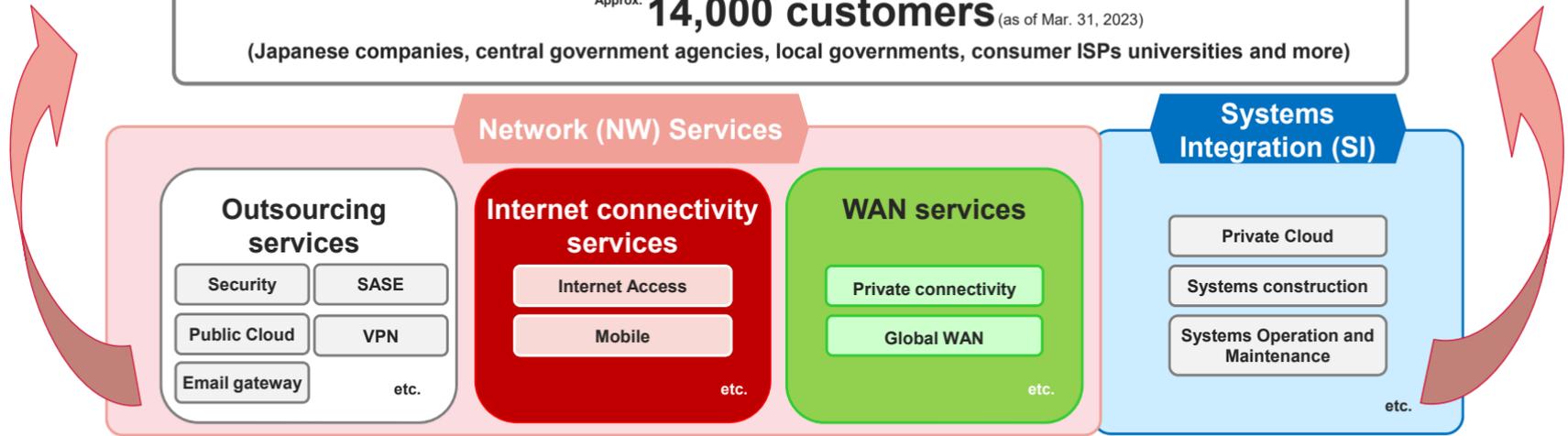
From ISP to Total Network Solution Provider



IJ as a Total Network Solution Provider

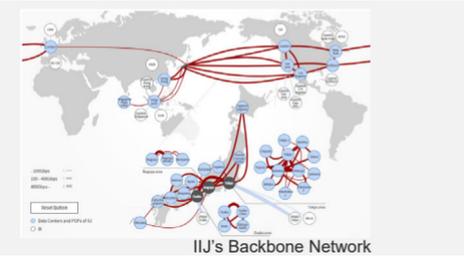
Offers various network services and systems integration together in many projects

Approx. **14,000 customers** (as of Mar. 31, 2023)
 (Japanese companies, central government agencies, local governments, consumer ISPs universities and more)



Major cost components of Network services (mostly non-revenue linked cost)

- Fiber leasing cost for Internet backbone and WAN access line
- Depreciation cost and maintenance cost of network equipment
- Personnel cost for network service development and operation and outsourcing cost
- Data center operation cost etc.
- Mobile data interconnectivity and voice service purchasing cost for mobile services



Management Structure



Koichi Suzuki

- Founder of IJ
- Chairman, Representative Director and co-CEO
- Holdings of IJ share: 10,641,389 shares (6.0%)
- Date of birth: September 1946



Satoshi Murabayashi

- Executive Vice President and Director (since June 2021)
- Career: CIO at MUFG Financial Group, Inc.
- President and Representative Director of DeCurret Holdings, IJ's affiliated company, as a concurrent position
- Holdings of IJ shares: 5,819 shares (0.0%)
- Date of birth: November 1958



Eiji Katsu

- President, Representative Director and co-CEO & COO
- Career: Vice Minister of Finance
- Holdings of IJ shares: 208,495 shares (0.1%)
- Date of birth: June 1950



Yasuhiko Taniwaki

- Executive Vice President and Director (since June 2022)
- Career: Vice-Minister for Policy Coordination of Posts and Telecommunications at the Ministry of Internal Affairs and Communications (MIC)
- Holdings of IJ shares: 2,417 shares (0.0%)
- Date of birth: September 1960

Full-time Directors

Senior Managing Directors

- K. Kitamura
- A. Watai (CFO)

Managing Directors

- T. Kawashima
- J. Shimagami (CTO)
- N. Yoneyama (CIO)

Outside Independent Directors: (of which, 1 female. Outside independent director is 35.7% to the total directors)

- T. Tsukamoto Senior Advisor of Mizuho Financial Group, Inc.
- K. Tsukuda Former Chairman and Representative Director of Mitsubishi Heavy Industries, Ltd.
- Y. Iwama Outside Director and Chairman of the Board of Nikko Asset Management Co., Ltd.
Former Chairman of Japan Securities Investment Advisers Association
- A. Okamoto Former President and CEO of Iwanami Shoten, Publishers (one of the best publishing houses in Japan)
- K. Tonosu (Ms.) Outside Director of JAPAN POST INSURANCE Co., Ltd.
Former Board member of Deloitte Touche Tohmatsu LLC

Company Auditors

(of which, 3 outside, 1 female)

- K. Ohira
- M. Tanaka (Ms.)
- T. Michishita (attorney)
- K. Uchiyama (CPA)

Remuneration for full-time directors

Annual salary	Fixed monthly remuneration	Cash	67% - 71%
Substitution for retirement allowance	Fixed remuneration	Stock-option	6% - 11%
Performance-linked remuneration	Variable remuneration	Restricted stock	22% - 24%

(Note) Above percentages are in the case of full paid performance-linked remuneration. Performance-linked remuneration varies (0 - 4 months) along with financial performance

**Interview with outside director,
Mr. Tsukamoto, can be found here**

- https://www.ijj.ad.jp/en/ir/integrated-report/outside_director/

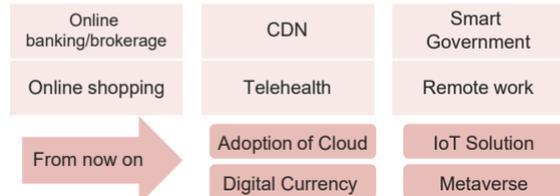
Initiatives for Sustainability

IJJ's Material Issues



Lead NW infrastructure advancement with technological innovations and contribute to solving various social issues

◆ Bringing innovation with IP



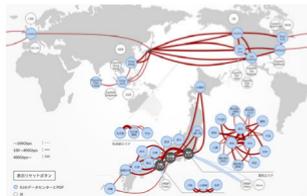
◆ Information disclosures based on the TCFD Recommendations

- Reduce greenhouse gas emissions at its own data centers which consume about 80% of all electricity consumption by "usage of renewable energy" and "improvement of energy conservation"



Provide safe and robust Internet services that support social infrastructure

◆ Provide stable and safe Internet connectivity services, construct and operate Internet backbone that cover the world



◆ Support privacy protection regulations. Had acquired EU BCR and APEC CBPR



Provide an arena for people with diverse talents & values, where they can exercise their skills & actively and boldly take on challenges

- ◆ Corporate culture of taking initiatives and challenging new things since the inception
- ◆ Human resources culture of sincerely striving to meet the demands of clients
- ◆ Lower than the industry average turnover

FY19	FY20	FY21	FY22
4.6%	3.6%	4.2%	3.8%

◆ Target for diversity: the ratio of female managers

Apr. 2022	Apr. 2023	FY24 target	FY27 target
5.7%	6.3%	6% or more	8% or more

(Achieved in Apr. 2023)

Measures	Targets	FY22 results
Usage of renewable energy	To increase the renewable energy usage rate of data centers (Scope 1 and 2) to 85% in FY2030	46.1%
Improvement of energy conservation	To keep the PUE of the data center at or below the industry's highest level (1.4) until FY2030 through continuous technological innovation	Matsue: 1.33 Shiroy: 1.31

IJJ's ESG rating by MSCI has been updated to "A" in September 2023

More information on IJJ's corporate governance: <https://www.ijj.ad.jp/en/ir/integrated-report/governance/>

Overview of corporate governance	Operation of the Board of Directors	Design of Remuneration for Directors
Operation of the Nomination and Remuneration Committee	Business Operation	Operation of the Board of Company Auditors
Operation of Internal Audit	Initiatives for Information Security	Related Party Transactions

- 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 to be good
- TCFD: Task Force on Climate-related Financial Disclosures
- Scope 1 and 2 (Greenhouse gas emissions by a company): Direct emissions from the use of fuels and industrial processes at the company and indirect emissions from the use of electricity and heat purchased by the company (as defined by the GHG Protocol)
- The turnover rate of IJJ (non-consolidated basis) 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

Strength

High technological capabilities

- ◆ First full-scale ISP in Japan
- ◆ Highly skilled Internet-related engineers
- ◆ NW service development & operation capabilities
- ◆ One of the largest Internet backbone networks in Japan
- ◆ Reliable Internet backbone operation
- ◆ Excellent customer base
- ◆ Corporate culture of pioneering spirit

Weakness

- ◆ Business domain mostly in Japan
 - IIJ's overseas business is mainly global network operation and is to increase Japanese clients' loyalty
- ◆ Smaller in size compared to competitors
 - IIJ continuously develops innovative network services and solutions to be ahead of the market needs

Opportunity

Digitalization (DX) in Japan

- ◆ Network, CPU and storage are becoming faster and larger, Domains of network and systems are converging
- ◆ Internet traffic increasing
- ◆ Security demands expanding: zero trust and cyber security
- ◆ Cloud shift
- ◆ Japan, slow IT adopter, including public sector is changing triggered by the Pandemic, Digitalization to advance

Threat

- ◆ Slow IT adoption in Japan
 - IIJ focuses on promoting digitalization of large Japanese companies with various network services and systems integration to fully meet their needs

Extensive Service Lineup

Unit: ¥ (JPY) billion (bn)

About IJ
Strength
Business Model
Growth Strategy

Revenue category		FY22 revenue	About		Business Situation & Outlook													
Network services	Internet connectivity services for enterprise	40.25	<table border="1"> <tr> <td>IP</td> <td>14.84</td> <td> <ul style="list-style-type: none"> Core service providing from the foundation Highly reliable dedicated connectivity services for enterprise (multi-carrier, redundancy etc.) Contracts are based on bandwidth Enterprises use the service for their main Internet line </td> </tr> <tr> <td>Mobile</td> <td>21.25</td> <td> <table border="1"> <tr> <td>Enterprise mobile (IoT usages etc.)</td> <td>11.18</td> </tr> <tr> <td>MVNE (Proving to other MVNOs)</td> <td>10.07</td> </tr> </table> </td> </tr> </table> <p>(Others) Broadband Internet services etc.</p>	IP	14.84	<ul style="list-style-type: none"> Core service providing from the foundation Highly reliable dedicated connectivity services for enterprise (multi-carrier, redundancy etc.) Contracts are based on bandwidth Enterprises use the service for their main Internet line 	Mobile	21.25	<table border="1"> <tr> <td>Enterprise mobile (IoT usages etc.)</td> <td>11.18</td> </tr> <tr> <td>MVNE (Proving to other MVNOs)</td> <td>10.07</td> </tr> </table>	Enterprise mobile (IoT usages etc.)	11.18	MVNE (Proving to other MVNOs)	10.07	<table border="1"> <tr> <td>IP</td> <td> <ul style="list-style-type: none"> Matured market (hard to entry) Blue-chip client base Expect the revenue to continuously increase along with traffic volume and contracted bandwidth increase </td> </tr> <tr> <td>Mobile</td> <td> <ul style="list-style-type: none"> Expect infrastructure utilization & profitability to improve by gathering various traffic such as IoT/enterprise/consumers <ul style="list-style-type: none"> Enterprise: Expect the demand to increase in the mid-to-long term Consumer: Maintain and increase market share subscription with GigaPlans in competitive market </td> </tr> </table>	IP	<ul style="list-style-type: none"> Matured market (hard to entry) Blue-chip client base Expect the revenue to continuously increase along with traffic volume and contracted bandwidth increase 	Mobile	<ul style="list-style-type: none"> Expect infrastructure utilization & profitability to improve by gathering various traffic such as IoT/enterprise/consumers <ul style="list-style-type: none"> Enterprise: Expect the demand to increase in the mid-to-long term Consumer: Maintain and increase market share subscription with GigaPlans in competitive market
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Internet connectivity services for consumers	24.24	<table border="1"> <tr> <td>Mobile</td> <td>21.03</td> <td> <ul style="list-style-type: none"> Inexpensive SIM services (mainly data), Direct sale (via IJ web), Indirect sale (via sales partners such as retailers) </td> </tr> </table> <p>(Others) Broadband Internet services and email services for households etc.</p>	Mobile	21.03	<ul style="list-style-type: none"> Inexpensive SIM services (mainly data), Direct sale (via IJ web), Indirect sale (via sales partners such as retailers) 													
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WAN (Wide Area Network)	27.63	Closed network used to connect multiple sites		Stable market in the long-term														
Outsourcing	46.81	Various in-house developed Internet-related service line-ups			<ul style="list-style-type: none"> Have been developing services based on Zero Trust concept Acquire enterprise demand by cross-selling services. Continuous service development is important Demands for security and remote access to increase continuously 													
		<table border="1"> <tr> <td>Security</td> <td>26.74</td> <td> <ul style="list-style-type: none"> Managed security services, Security Operation Center services and so many more </td> </tr> <tr> <td>Public Cloud</td> <td>2.82</td> <td> <ul style="list-style-type: none"> Offered as a part of Cloud service line-ups </td> </tr> </table>	Security	26.74		<ul style="list-style-type: none"> Managed security services, Security Operation Center services and so many more 	Public Cloud	2.82	<ul style="list-style-type: none"> Offered as a part of Cloud service line-ups 									
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SI	Operation and Maintenance	68.00	<table border="1"> <tr> <td>On-premise Systems</td> <td>38.39</td> <td> <ul style="list-style-type: none"> Operation and maintenance of constructed systems </td> </tr> <tr> <td>Private Cloud etc.</td> <td>29.61</td> <td> <ul style="list-style-type: none"> Promote Cloud shift with abundant, highly reliable, value-added private Cloud related service line-ups </td> </tr> </table>	On-premise Systems	38.39	<ul style="list-style-type: none"> Operation and maintenance of constructed systems 	Private Cloud etc.	29.61	<ul style="list-style-type: none"> Promote Cloud shift with abundant, highly reliable, value-added private Cloud related service line-ups 	<ul style="list-style-type: none"> Expect great business opportunity in the mid-to-long term as internal IT systems migrate to Cloud Revenue to increase continuously along with accumulation of construction projects 								
	On-premise Systems	38.39	<ul style="list-style-type: none"> Operation and maintenance of constructed systems 															
Private Cloud etc.	29.61	<ul style="list-style-type: none"> Promote Cloud shift with abundant, highly reliable, value-added private Cloud related service line-ups 																
Construction (including equipment sales)	42.95	System construction related to office IT, security, Cloud, IoT, Internet-related construction such as online banking & brokerage, 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

82%

One time revenue

Monthly Recurring Revenue Accumulation

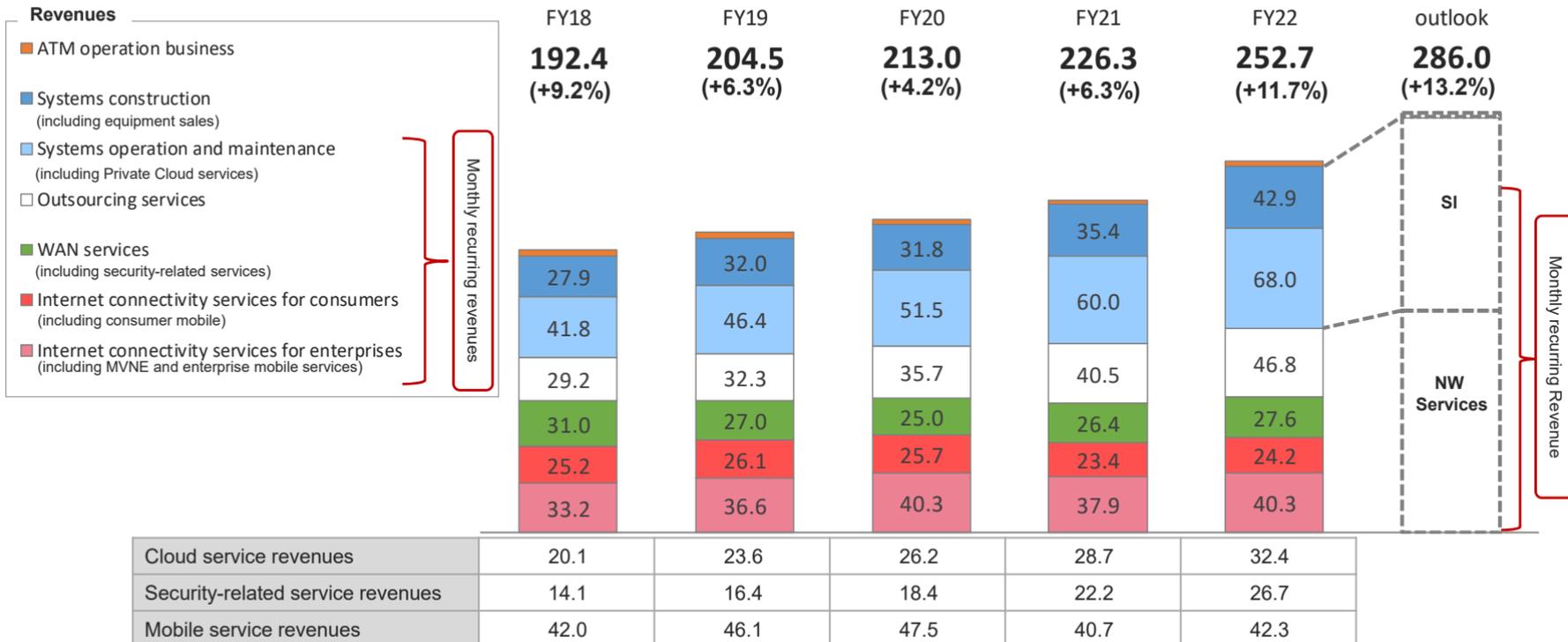
Unit: ¥ (JPY) billion (bn)
% = Year over year change

About IJ

Business Model

Strength

Growth Strategy



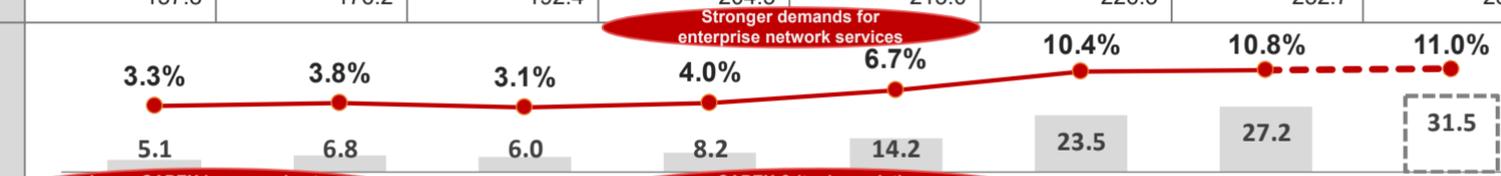
- Mobile revenue decreased year over year in FY21 due to ARPU decrease for consumers and change in unit charge for MVNE clients
- Systems construction and systems operation & maintenance revenue increase for FY21 includes PTC revenue which became IJ's consolidated subsidiary from Apr. 2021
- During FY20, 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)

Capex and Business Developments

Unit: ¥ (JPY) billion (bn)

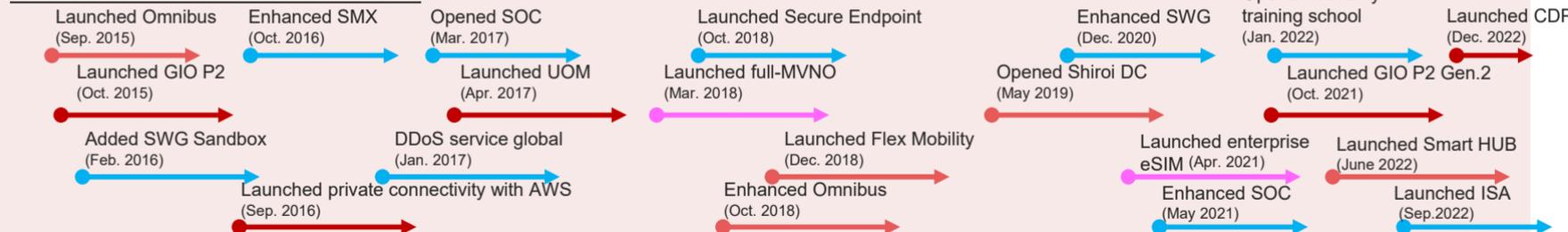
Business Model
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	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23 targets
Revenues (¥ bn)	157.8	176.2	192.4	204.5	213.0	226.3	252.7	286.0
Operating margin	3.3%	3.8%	3.1%	4.0%	6.7%	10.4%	10.8%	11.0%
Operating profit (¥ bn)	5.1	6.8	6.0	8.2	14.2	23.5	27.2	31.5
CAPEX (¥ bn)	16.5	20.7	15.1	15.2	15.2	16.1	20.8	22.5
NW services	12.6	9.4	9.4	9.6	8.8	9.1	10.0	-
Cloud	3.6	7.9	1.9	2.6	2.8	2.3	2.0	-
Shiroy DC	-	1.2	2.1	2.0	1.5	1.5	5.4	-
SI, others	0.3	2.3	1.7	1.0	2.0	3.2	3.4	-
CAPEX-related depreciation and amortization (¥ bn)	10.9	12.1	13.9	14.4	14.5	15.1	15.3	-
Number of employees	3,104	3,203	3,353	3,583	3,805	4,147	4,451	-



Cost stabilizing

Various Network Services Asset

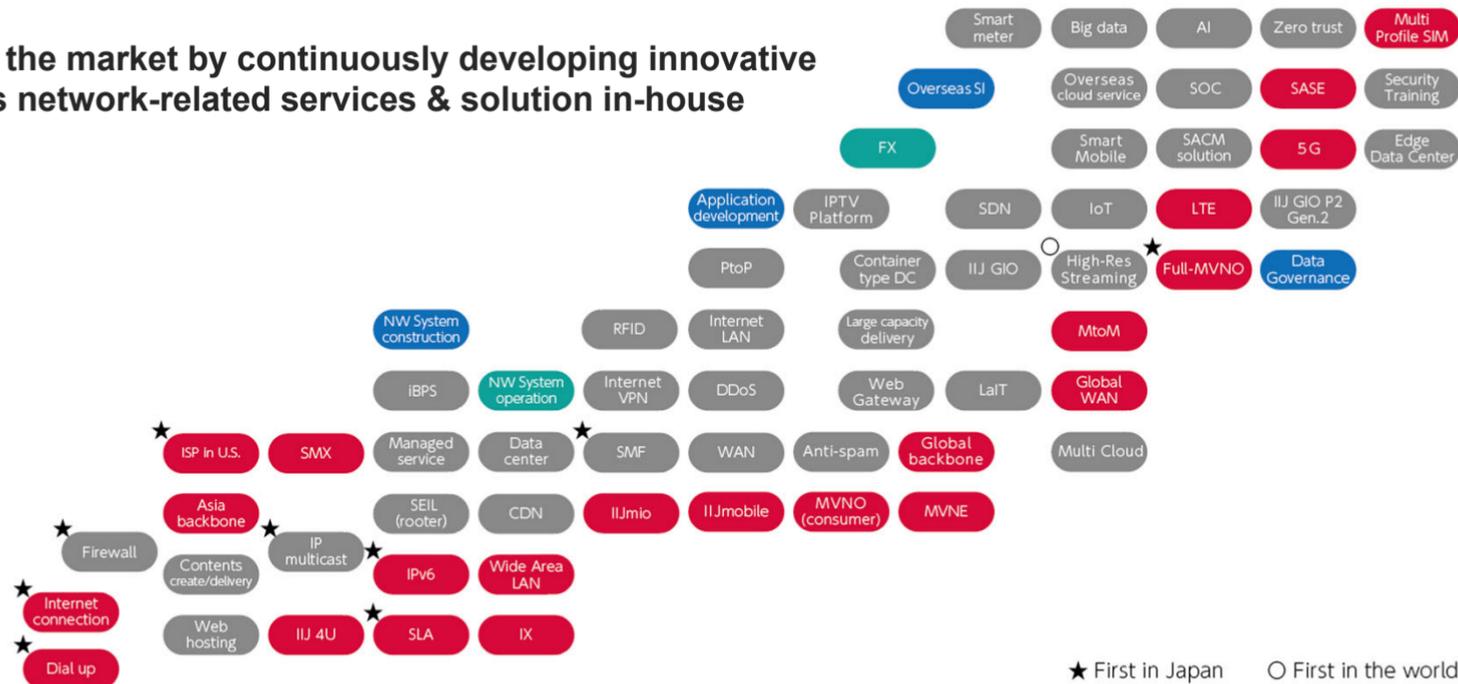


• FY16: US-GAAP, from FY17: IFRS

• 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

Service & Solution Development Capability

Initiate the market by continuously developing innovative various network-related services & solution in-house



1992



IJ Group

2000



2010



2022



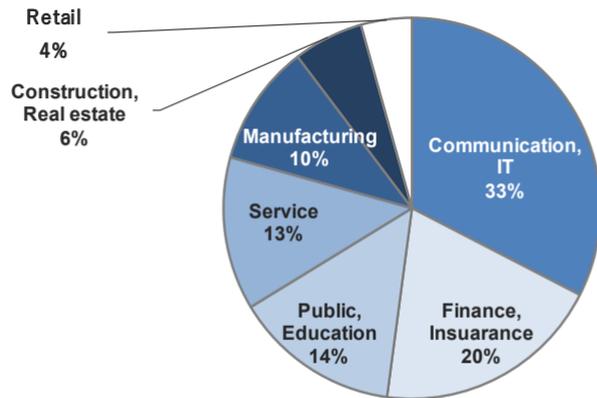
Excellent Customer Base (Number of IIJ Group's clients: approx. 14,000 as of March 31, 2023)

- ◆ 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

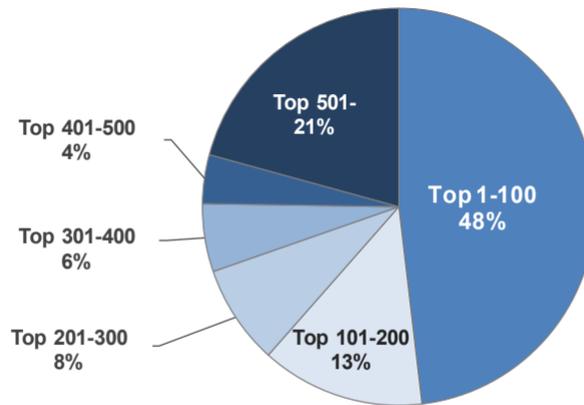
Cover Most of Top Revenue Companies



Client Distribution by Industry



Client Distribution by Revenue Volume



- * Top ten firms in each industry taken from annual revenues are selected by IIJ based on the Yahoo! Japan Finance website (finance/sales/whole market/daily).
- * The service penetration and the revenue distributions are based on IIJ's FY22

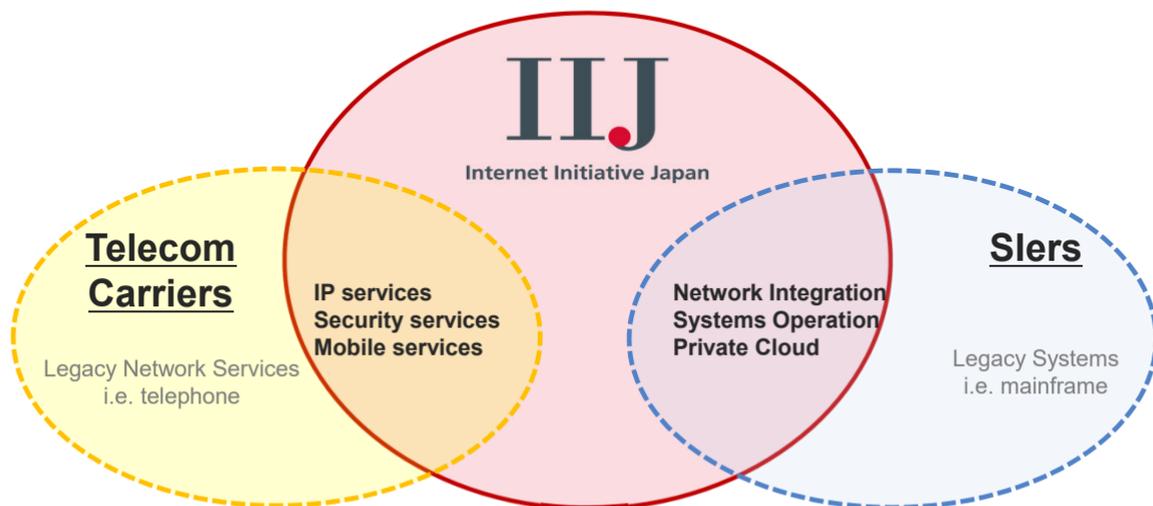
Competitive Advantages

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



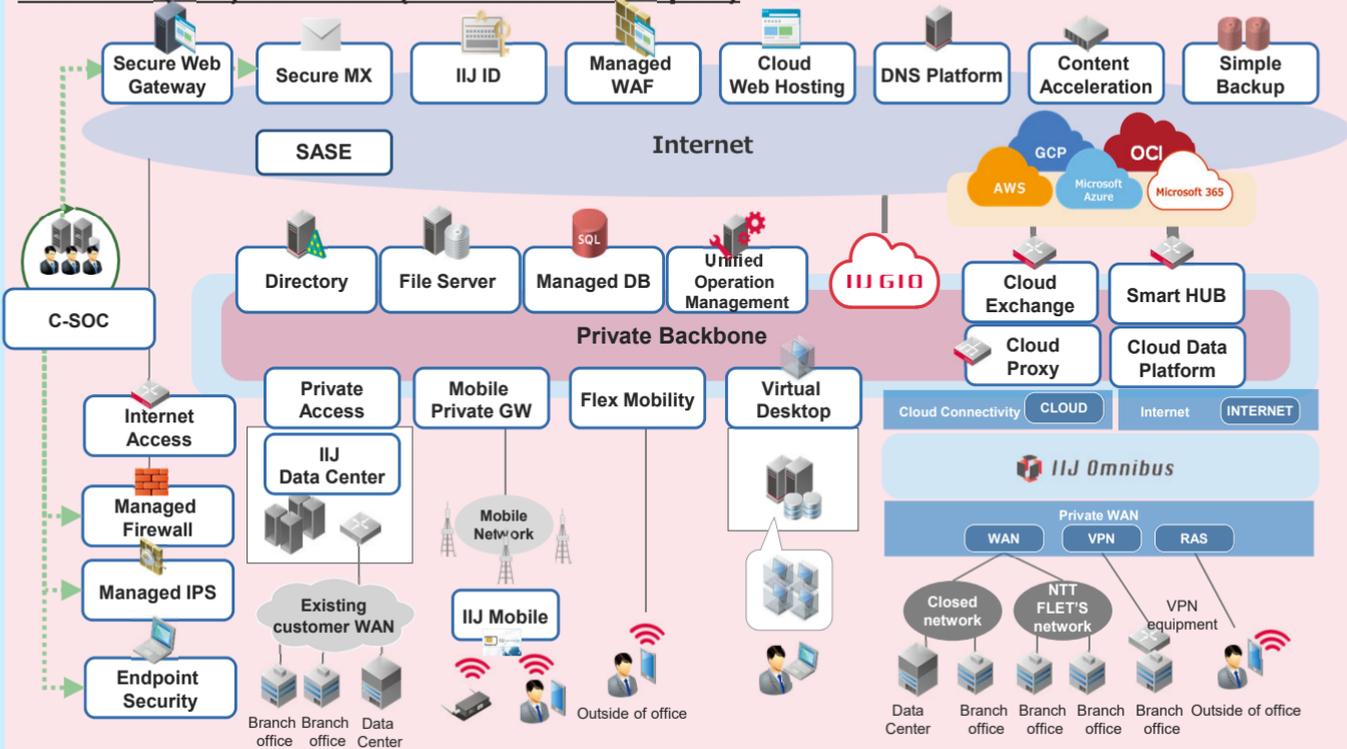
**IIJ deals with newer systems and growing IT market
(Not involved in heavy and legacy systems)**

NW Services and SI provided together as a Total Solution

Systems Integration (SI) to meet specific requirements cannot be covered by NW services



Network (NW) services (in-house developed)



Mid-term Plan (FY21-FY23)

Unit: ¥ (JPY) bn

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Previous Mid-term (FY15 - FY20)

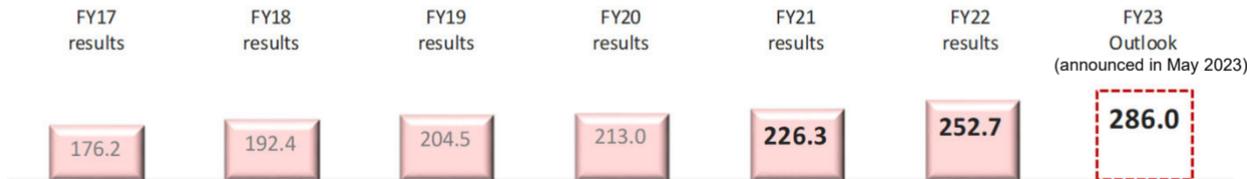
Current Mid-term (FY21 - FY23)

Longer term growth (FY24 -)

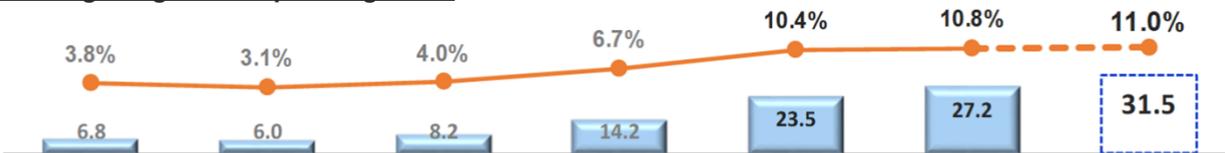
Initial mid-term plan target (announced in May 2021)

Revenue: ¥270 bn, Operating margin: over 9%
(updated to 11.5% in May 2022)

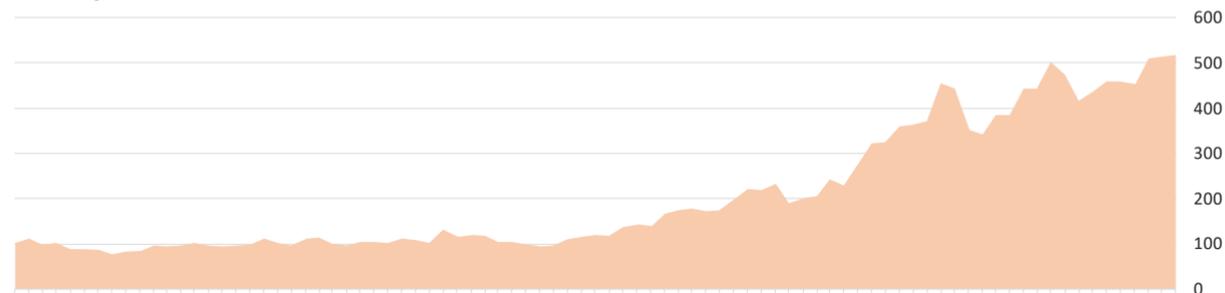
Revenue



Operating Margin and Operating Profit



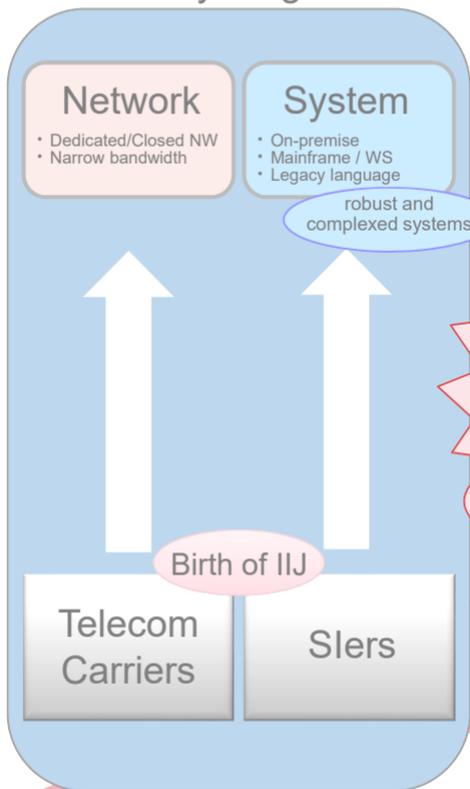
Market capitalization



- ◆ Plan to largely expand business in the long term
- ◆ Continuously seek business investment & M&A opportunities
- ◆ Expect market capitalization to further increase

Drastically Changing Enterprises Circumstance

30yrs Ago



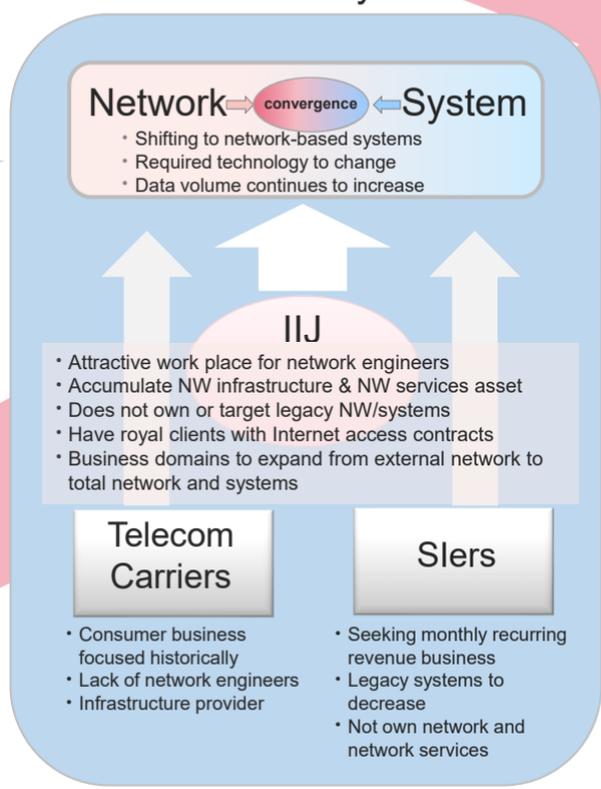
Emergence of Internet

Based on software technology

Struggling switch to open systems

- High Speed/Capacity Network
- CPU/Storage Performance Improve
- Internet Usages Progressed
- Security for various incidents
- Zero Trust Concept
- Gradual Cloud Shift
- Data Analysis and AI
- Preliminary IoT usages
- Still slow move in conservative Japan
- IT adoption at last forced by Pandemic

Nowadays

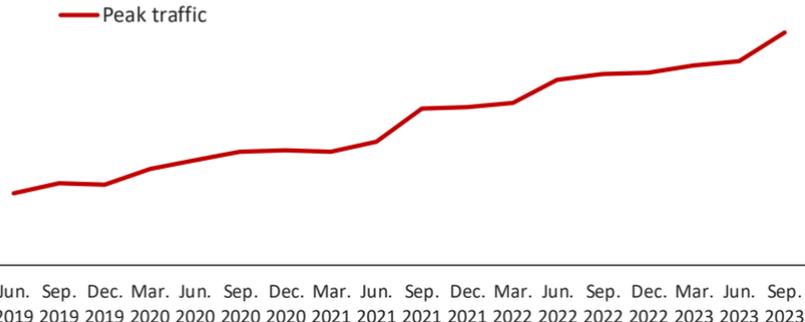


- Labor shortage require more IT
- Japan needs more competitiveness by IT
- Every CEO says DX (Digital Transformation)
- Legacy NW and Systems to be reformed
- Internet Traffic Continue to Increase
- Cyber Security Demands
- Importance for Data governance
- Cloud Systems Penetration
- 5G SA adoption and advanced IoT projects
- Importance of stable operation of large-scale NW remains unchanged

Structural Changes

Market Growth Forecast etc.

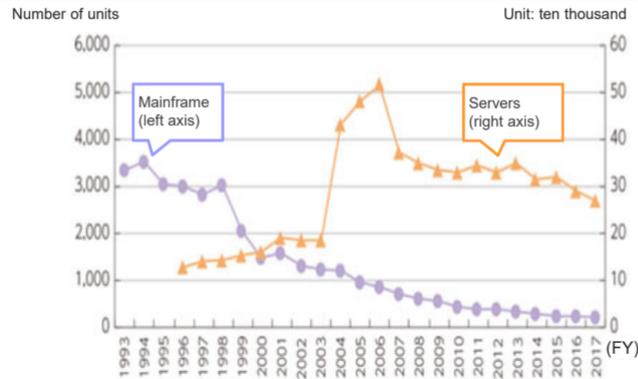
Historical traffic data of major domestic IX



Jun. Sep. Dec. Mar. Jun. Sep. Dec. Mar. Jun. Sep. Dec. Mar. Jun. Sep.
2019 2019 2019 2020 2020 2020 2020 2021 2021 2021 2021 2022 2022 2022 2022 2023 2023 2023

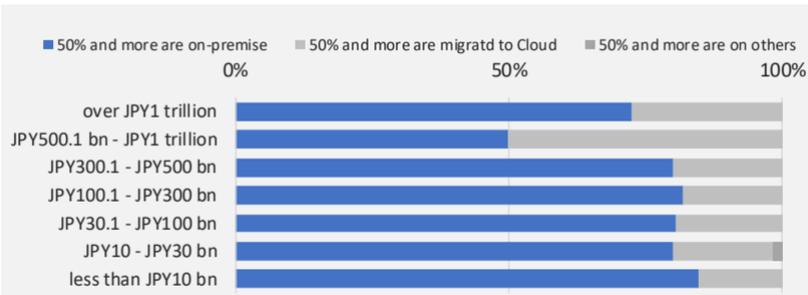
Source: INTERNET MULTIFEED CO.

Domestic shipments of mainframe and servers



Source: JEITA (Japan Electronics and Information Technology Association)
<https://www.soumu.go.jp/johotsusintokei/whitepaper/ja/r01/html/nd111140.html>

Status of Cloud migration by clients' annual revenue size



Source: Internet Initiative Japan "Nationwide survey on IT department 2022" published in Nov. 2022, N=598

Digital competitiveness ranking (2022)

1	Denmark
2	U.S.A.
3	Sweden
4	Singapore
5	Switzerland
(omission)	
28	Spain
29	Japan

Source: IMD WORLD DIGITAL COMPETITIVENESS RANKING 2022
<https://www.imd.org/centers/world-competitiveness-center/rankings/world-digital-competitiveness/>



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.