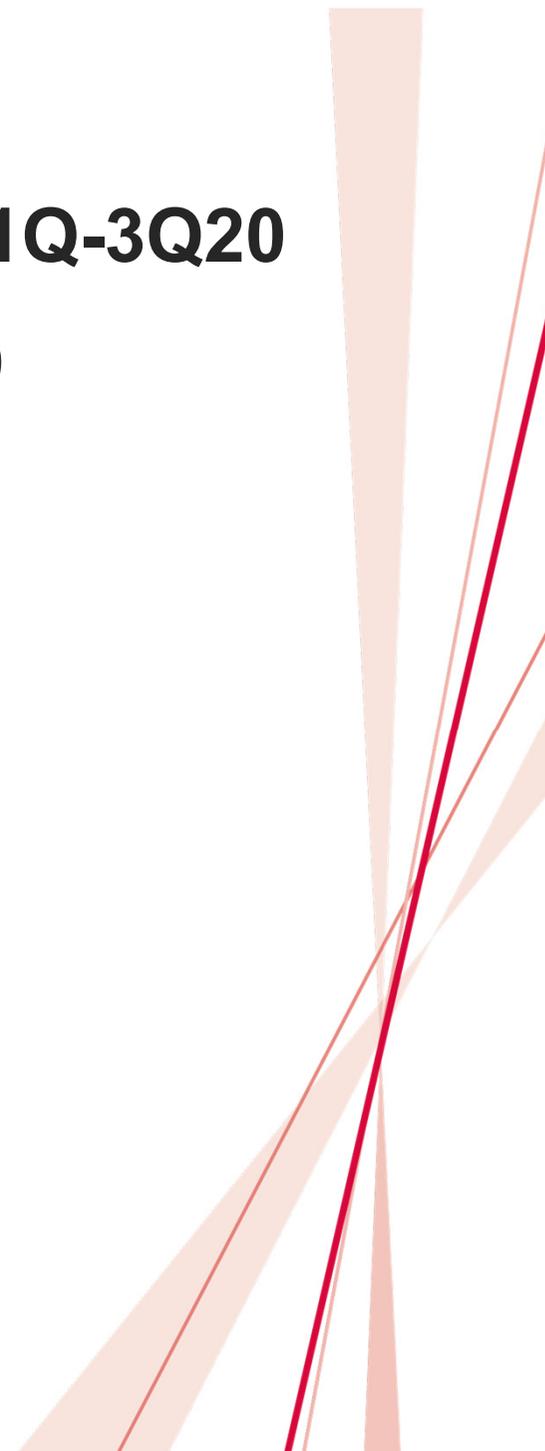


# **Consolidated Financial Results for 1Q-3Q20 (April 1, 2020 to December 31, 2020)**



Internet Initiative Japan

**Internet Initiative Japan Inc.  
TSE1 (3774)  
February 8, 2021**



# Outline

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## II - 1. Consolidated Financial Results

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

	% of revenue		YoY		% of revenue		YoY		% of revenue	
	1Q-3Q20 Apr. 2020 - Dec. 2020	1Q-3Q19 Apr. 2019 - Dec. 2019			FY20 Current Targets (Revised on Feb. 8, 2021) Apr. 2020 - Mar. 2021				FY20 Previous Targets (Revised on Nov. 9, 2020) Apr. 2020 - Mar. 2021	
Revenues	<b>156.07</b>	<b>150.69</b>	+3.6%	+5.38	<b>213.0</b>	+4.2%	+8.53		<b>212.0</b>	
Cost of Revenues	81.5% <b>127.27</b>	84.3% <b>126.99</b>	+0.2%	+0.28	81.6% <b>173.9</b>	+1.2%	+2.02		82.9% <b>175.7</b>	
Gross Profit	18.5% <b>28.80</b>	15.7% <b>23.69</b>	+21.5%	+5.10	18.4% <b>39.1</b>	+20.0%	+6.51		17.1% <b>36.3</b>	
SG&A etc. <sup>(*)</sup>	12.0% <b>18.67</b>	11.7% <b>17.63</b>	+5.9%	+1.04	12.0% <b>25.6</b>	+5.1%	+1.23		11.8% <b>25.0</b>	
Operating Profit	6.5% <b>10.13</b>	4.0% <b>6.06</b>	+67.1%	+4.07	6.3% <b>13.5</b>	+64.1%	+5.27		5.3% <b>11.3</b>	
Profit before tax	5.9% <b>9.23</b>	3.7% <b>5.61</b>	+64.5%	+3.62	5.8% <b>12.3</b>	+71.8%	+5.14		4.7% <b>10.0</b>	
Net Profit <sup>(**)</sup>	3.8% <b>5.88</b>	2.2% <b>3.35</b>	+75.2%	+2.52	3.6% <b>7.6</b>	+89.7%	+3.59		2.9% <b>6.1</b>	

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

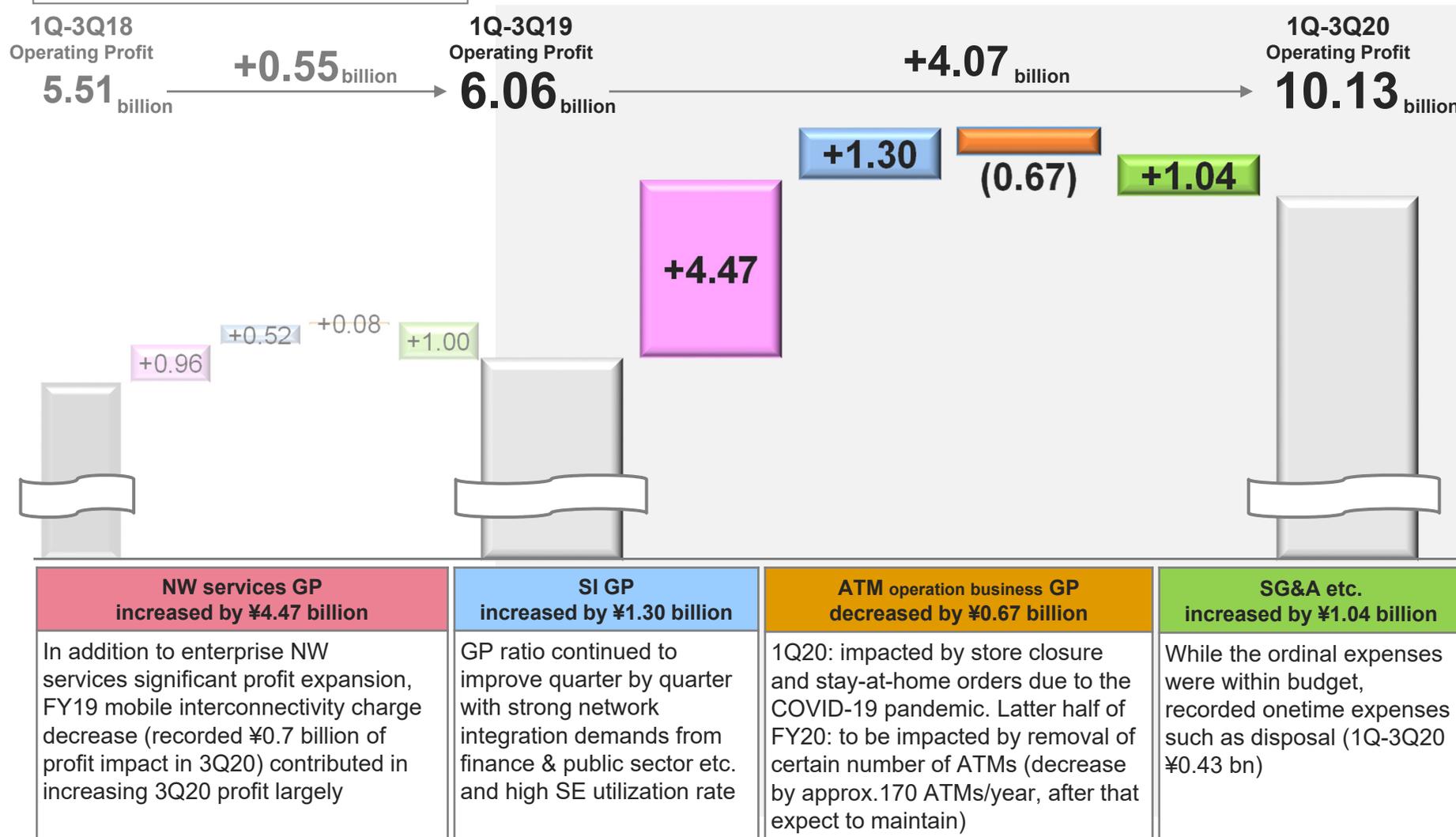
(\*2) Net profit is "Profit for the period/year attributable to owners of the parent."

## II - 2. Operating Profit Comparison

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

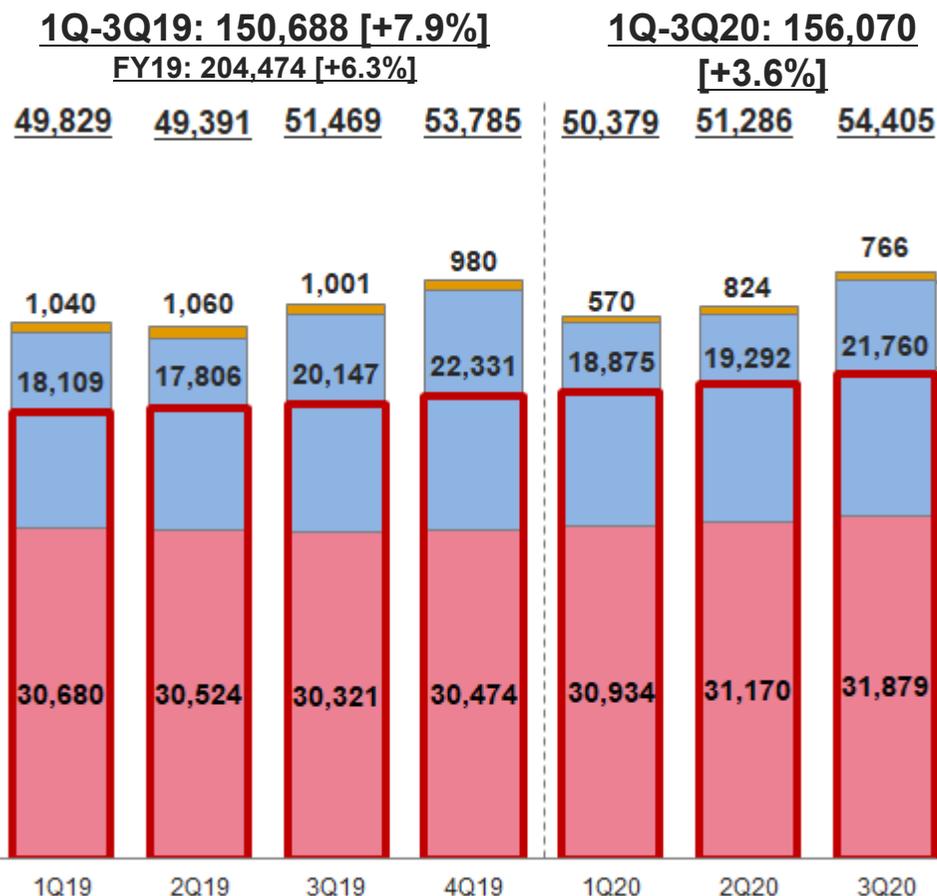
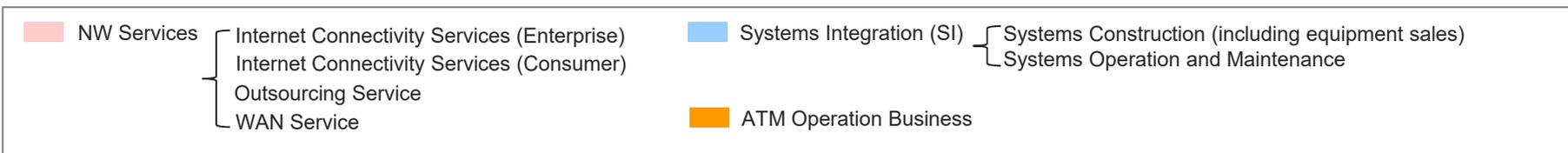
- Operating Profit
- YoY change in NW services GP
- YoY change in SI GP
- YoY change in ATM operation business GP
- YoY change in SG&A etc.

• 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  
 QoQ = 3Q20 compared to 2Q20



**Total Revenue +3.6% YoY**  
 While enterprise recurring revenue strongly grew, the total revenue growth included the following negative factors:

- WAN Service: -10.5%, -¥2,190 million YoY due to YoY impact of the certain large clients' migration to mobile which ended 3Q19. 3Q20 revenue increased by ¥0.11 billion QoQ
- ATM Operation Business: -30.4%, -¥942 million YoY mainly due to store closures and decrease in customers visiting stores. Resulted almost in line with plan

**One-time Revenue (\*1)**  
 1Q-3Q20: ¥21,687 million, -1.8% YoY  
 (13.9% of 1Q-3Q20 revenues)

- 1Q -9.6%, 2Q -0.5%, 3Q +4.1%YoY  
 Sluggish revenue growth for 1H20 systems construction due to the COVID-19 pandemic, Picking up from the latter half of FY2020 with strong network integration demands

**Recurring Revenue(\*2)**  
 1Q-3Q20: ¥132,224 million, +5.4% YoY  
 (84.7% of 1Q-3Q20 revenues)

**Enterprise Recurring Revenue (\*3)**  
 1Q-3Q20: ¥81,707 million, +12.3% YoY  
 (52.4% of 1Q-3Q20 revenues)

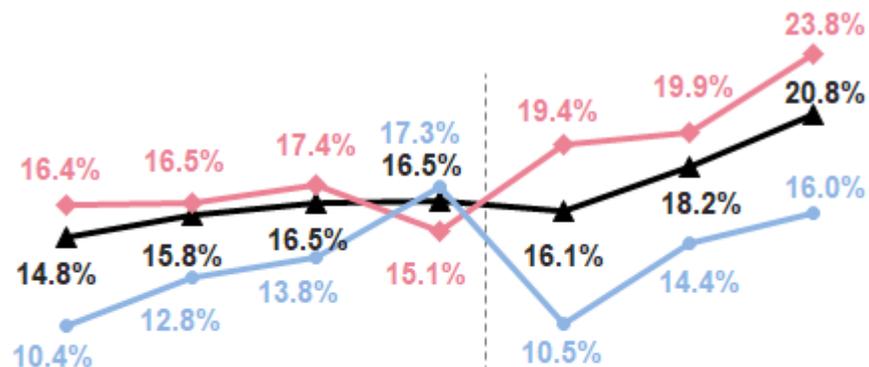
- 1Q +11.5%, 2Q +12.3%, 3Q +13.1%YoY

(\*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 (Enterprise), Internet Connectivity Services (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

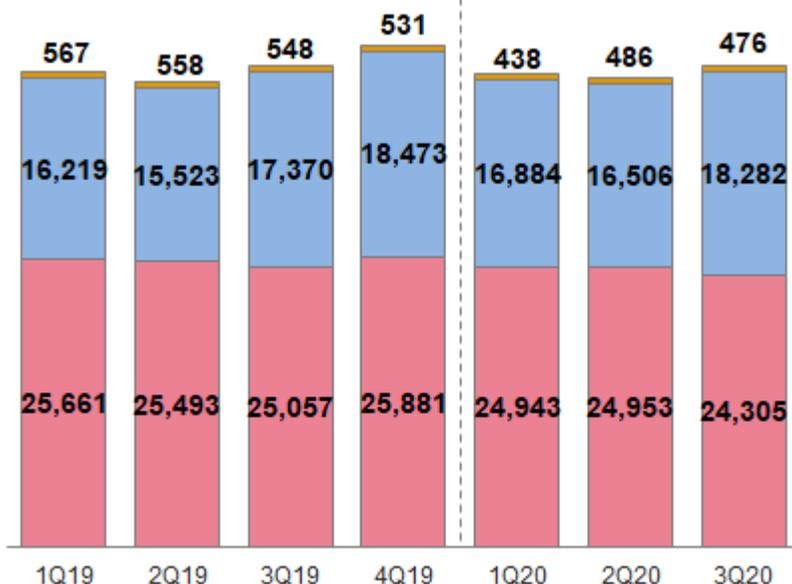
Cost of Sales: ■ NW Services ■ SI ■ ATM Operation Business  
Gross profit ratio: ◆ NW Services ● SI ▲ Total



1Q-3Q19: 126,994 [+8.1%]  
FY19: 171,880 [+5.2%]

1Q-3Q20: 127,273  
[+0.2%]

42,447 41,573 42,974 44,885 42,265 41,945 43,063



### Gross Profit

#### ◆ Total

- 1Q-3Q20: ¥28,797 million (+21.5%, +¥5,103 million YoY)
  - 1Q20: ¥8,113 million (+9.9%, +¥731 million YoY)
  - 2Q20: ¥9,342 million (+19.5%, +¥1,524 million YoY)
  - 3Q20: ¥11,342 million (+33.5%, +¥2,848 million YoY)

#### ◆ NW Services

- 1Q20: ¥5,991 million (+19.4%, +¥972 million YoY)
- 2Q20: ¥6,217 million (+23.6%, +¥1,186 million YoY)
- 3Q20: ¥7,574 million (+43.9%, +¥2,311 million YoY)
  - In 3Q20, recorded ¥0.7 billion of onetime profit impact due to Docomo's mobile interconnectivity (unit charge) decrease based on their FY19 results

#### ◆ SI

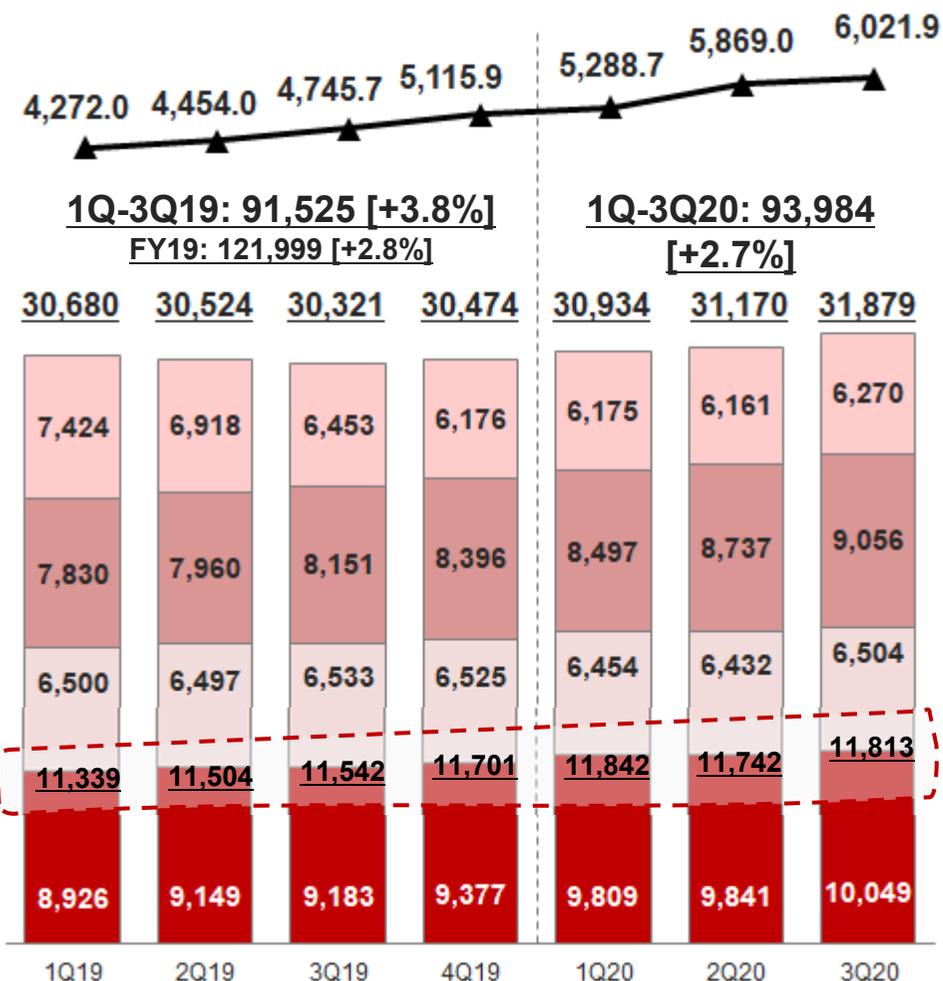
- 1Q20: ¥1,991 million (+5.4%, +¥101 million YoY)
- 2Q20: ¥2,786 million (+22.0%, +¥502 million YoY)
- 3Q20: ¥3,478 million (+25.2%, +¥701 million YoY)
  - 2Q & 3Q gross profit ratio improved due to high SE utilization rate and SI cost mixture (1Q revenue tends to be small due to seasonal factors and 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)
- 3Q20: ¥290 million (-36.2%, -¥164 million YoY)
  - The COVID-19 pandemic impact was largest in 1Q20 with store closure and stay-at-home orders. 2Q and 3Q were impacted by the scheduled removal of certain number of our ATMs and the government's request to refrain from going out

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

Unit: ¥ (JPY) million  
 [ ], YoY = Year over year comparison  
 QoQ = 3Q20 compared to 2Q20



• 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

### ◆ Internet Connectivity (Enterprise)

- 1Q-3Q20: ¥29,699 million, +9.0% YoY
- IP (Dedicated connectivity services for enterprise):  
 1Q-3Q20: ¥8,988 million, +12.5% YoY  
 (1Q +9.4%, 2Q +10.8%, 3Q +17.2% YoY)
- IIJ Mobile (enterprise): ¥18,034 million, +7.5% YoY
  - ✓ Of which, IoT-related (non-MVNE) revenue:  
 1Q-3Q20: ¥5,513 million, +26.7% YoY  
 (1Q +18.2%, 2Q +22.0%, 3Q +39.9% YoY)
  - ✓ Of which, MVNE revenue (providing mobile services to other MVNOs):  
 1Q-3Q20: ¥12,521 million, +0.7% YoY  
 (1Q +7.5%, 2Q +0.3%, 3Q -5.4% YoY)

### ◆ Internet Connectivity (Consumer) (mostly consumer mobile)

- 1Q-3Q20: ¥19,390 million, -0.7% YoY
- Severe competition continuing

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

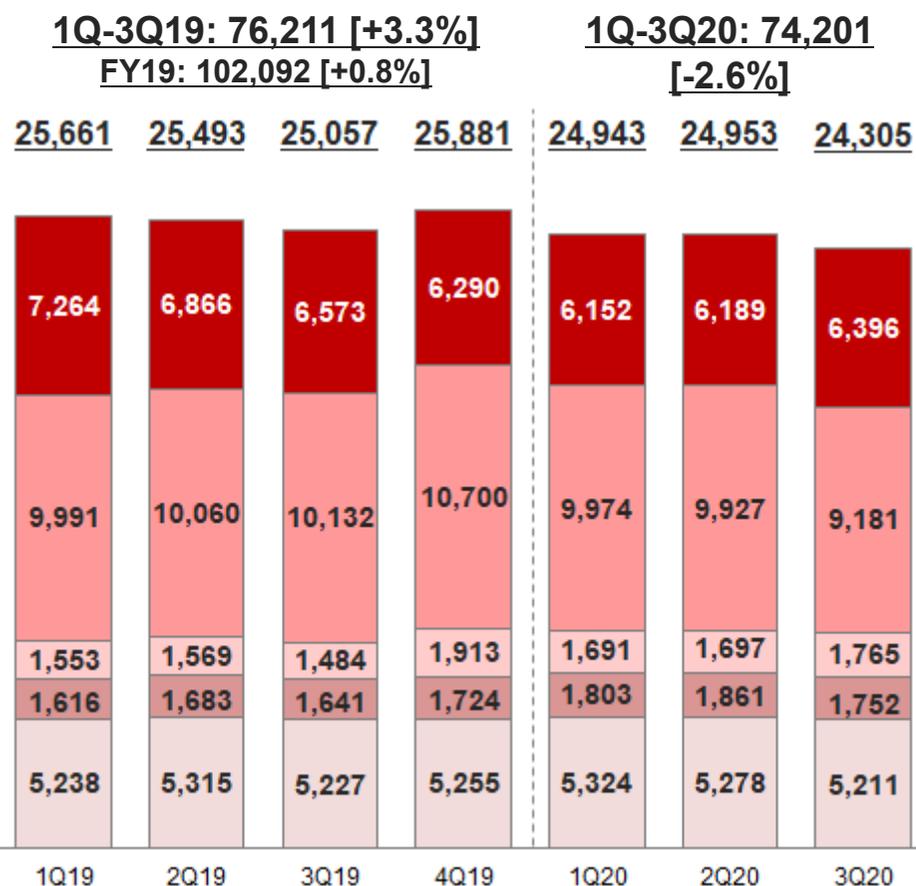
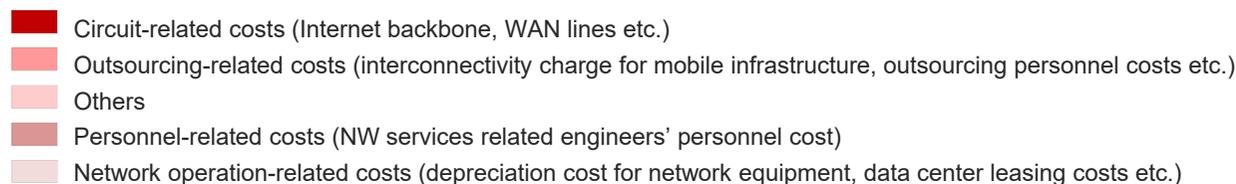
- 1Q-3Q20: ¥26,289 million, +9.8% YoY  
 (1Q +8.5%, 2Q +9.8%, 3Q +11.1% YoY)
- Of which, security services  
 1Q-3Q20: ¥13.61 billion, +12.4% YoY  
 (1Q +11.9%, 2Q +13.1%, 3Q +12.0% YoY)

### ◆ WAN Services

- 1Q-3Q20: ¥18,605 million, -10.5% YoY  
 (1Q -16.8%, 2Q -11.0%, 3Q -2.8% YoY)
- Revenue decreased by the impact of the certain large clients' migration to mobile which ended in 3Q19. 3Q20 revenue increased by ¥0.11 billion QoQ

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

Unit: ¥ (JPY) million  
 [ ], YoY = Year over year comparison  
 QoQ = 3Q20 compared to 2Q20



- Circuit-related costs: Decreased YoY along with WAN revenue decrease. Increased QoQ along with WAN revenue increase. Internet backbone purchasing cost remains stable as we can leverage scale merit by having one of the largest Internet backbone networks
- Outsourcing-related costs: Decreased YoY and QoQ along with mobile interconnectivity YoY decrease rate (for details, please refer below)
- Others: Quarterly fluctuate along with the scale of supplies costs
- Network operation-related costs: Decreased QoQ mainly due to decrease in maintenance costs, etc.

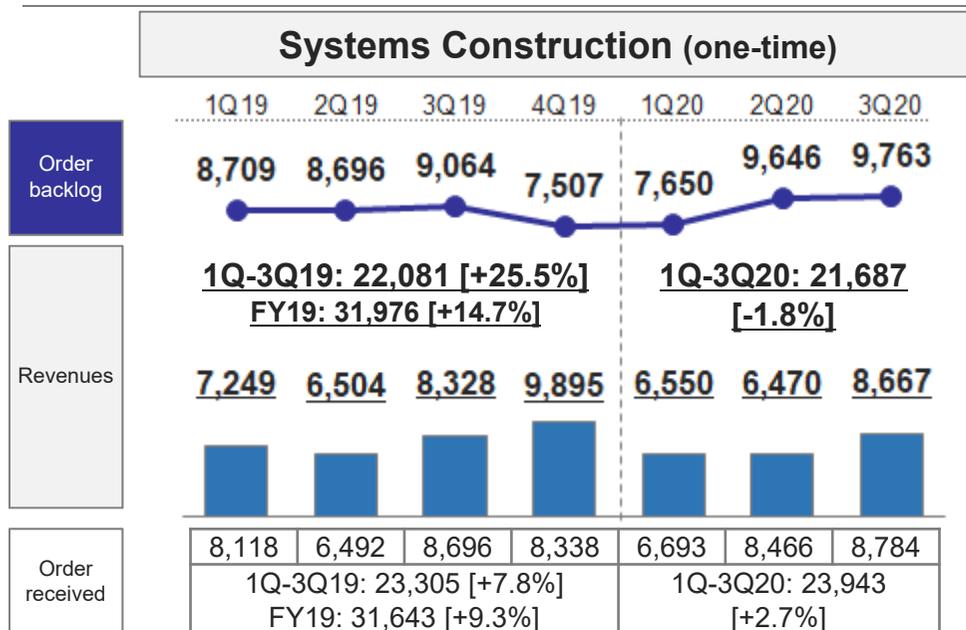
### Regarding mobile interconnectivity cost recognition:

- 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 publically disclosed by Docomo, to recognize our costs from 1Q20
- FY19 usage charge, an internal number of FY20 usage charge described above, which is based on Docomo's FY19 results decreased by 13.4% YoY (fixed in Jan. 2021). In 3Q20, we recognized ¥0.7 billion of profit due to the above decrease and others.
- 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

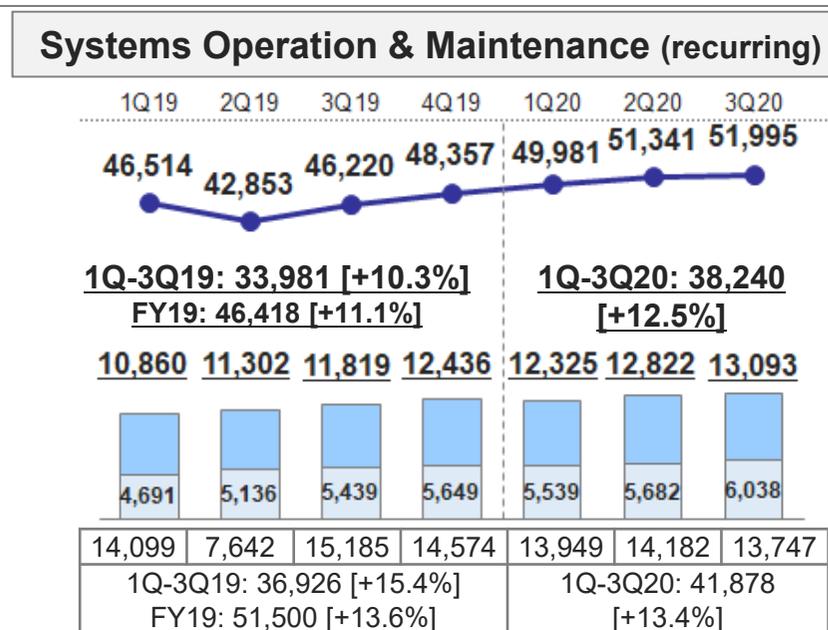
• MNO: Mobile Network Operator

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

Unit: ¥ (JPY) million  
 [ ], YoY = Year over year comparison  
 QoQ = 3Q20 compared to 2Q20



\* 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: 1Q-3Q20 +2.7% YoY (1Q -17.6%, 2Q +30.4%, 3Q +1.0% YoY). Many network integration projects
  - Weak 1Q20 order received due to slowdown in business activity made 2Q20 order received stronger.
  - 1Q19 order received included a certain large scale project amounted to ¥2 billion
- Large-scale construction orders received in 3Q20
  - Many Office IT projects such as installment of Microsoft 365
  - Many GIGA School projects
  - Work from home systems for both private and public sector etc.

### ◆ Overseas Business

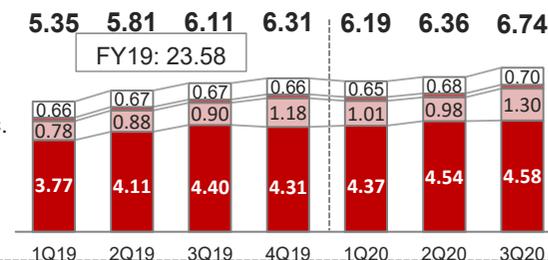
- 1Q-3Q20: revenue: ¥5.99 billion  
operating profit: ¥0.22 billion
  - As for SI, severe impact from the COVID-19 pandemic seen in Europe and the U.S subsidiaries

### ◆ Cloud revenue

- 3Q20 revenue breakdown: 89.6% in systems operation & maintenance, 10.4% in outsourcing services
- 1Q-3Q20 revenue: ¥19.29 billion +11.7% YoY (1Q +15.6%, 2Q +9.5%, 3Q +10.3% YoY)
- Along with multi-cloud and other revenue accumulation, expect to exceed FY20 revenue target ¥24.5 billion (strong revenue increase is not expected by the close of old facilities for services and equipment migration)
- Raptor (foreign currency exchange ASP system) revenue was impacted by FX trading volume volatility

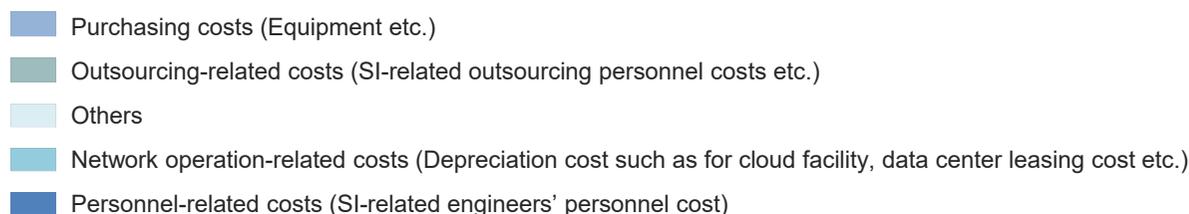
Unit: ¥ (JPY) billion

Public  
 Overseas etc.  
 Raptor  
 Private

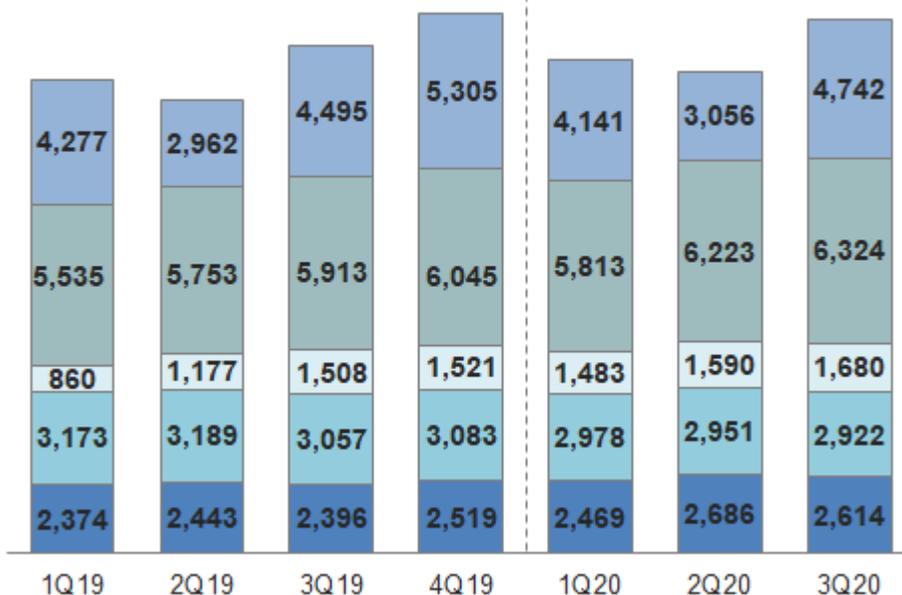


## II - 6. Systems Integration (SI) (2) Cost of Sales

Unit: ¥ (JPY) million  
 [ ], YoY = Year over year comparison  
 QoQ = 3Q20 compared to 2Q20



**1Q-3Q19: 49,112 [+17.0%]**      **1Q-3Q20: 51,672**  
**FY19: 67,584 [+12.9%]**      **[+5.2%]**  
**16,219   15,523   17,370   18,473   16,884   16,506   18,282**



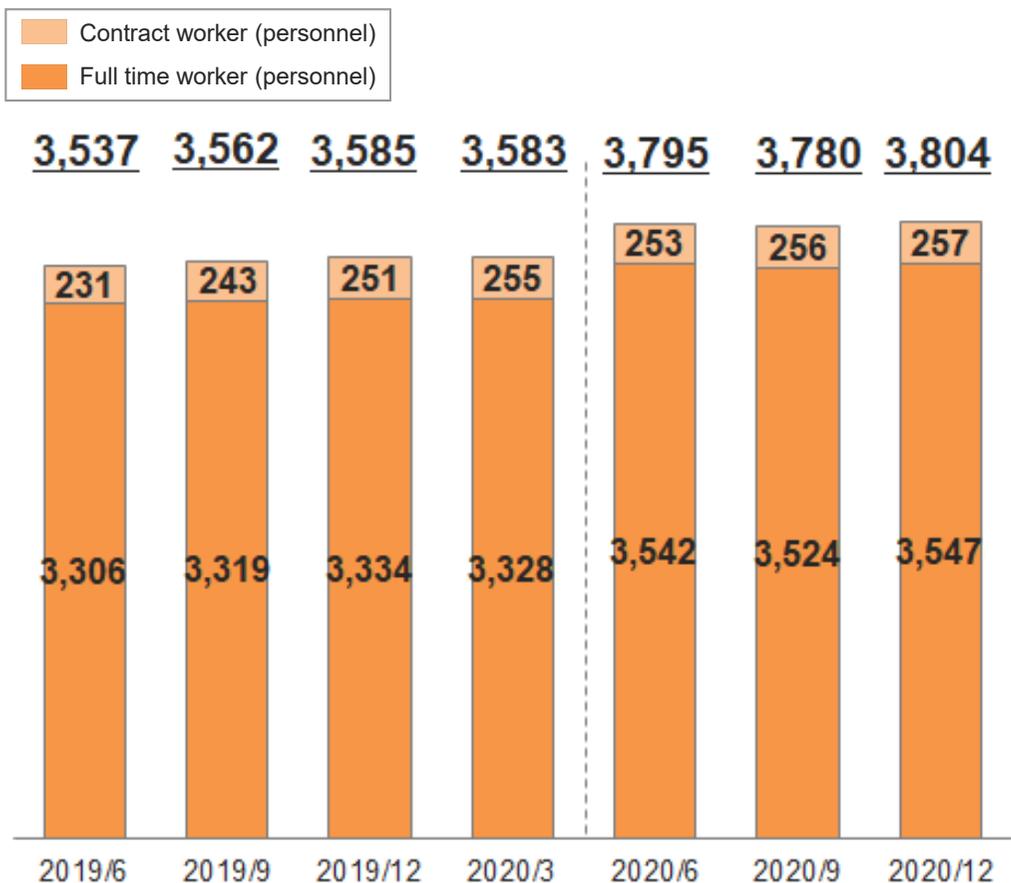
- 3Q20 gross profit ratio improved due to SI cost mixture (low purchasing cost against construction revenue). By keeping high SE utilization rate, gross profit ratio has been improving quarter by quarter
  - 1Q20 10.5%, 2Q20 14.4%, 3Q20 16.0%
- Others increased mainly due to an increase in license costs along with expansion of multi-cloud demands

Number of SI-related outsourcing personnel at the end of each quarter (Unit: personnel)

1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20
1,075	1,104	1,065	1,123	1,094	1,181	1,236

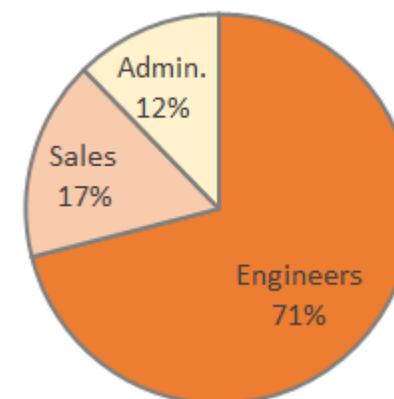
## II - 7. Number of Employees

YoY = Year over year comparison



- 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



### Personnel-related costs & expenses

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

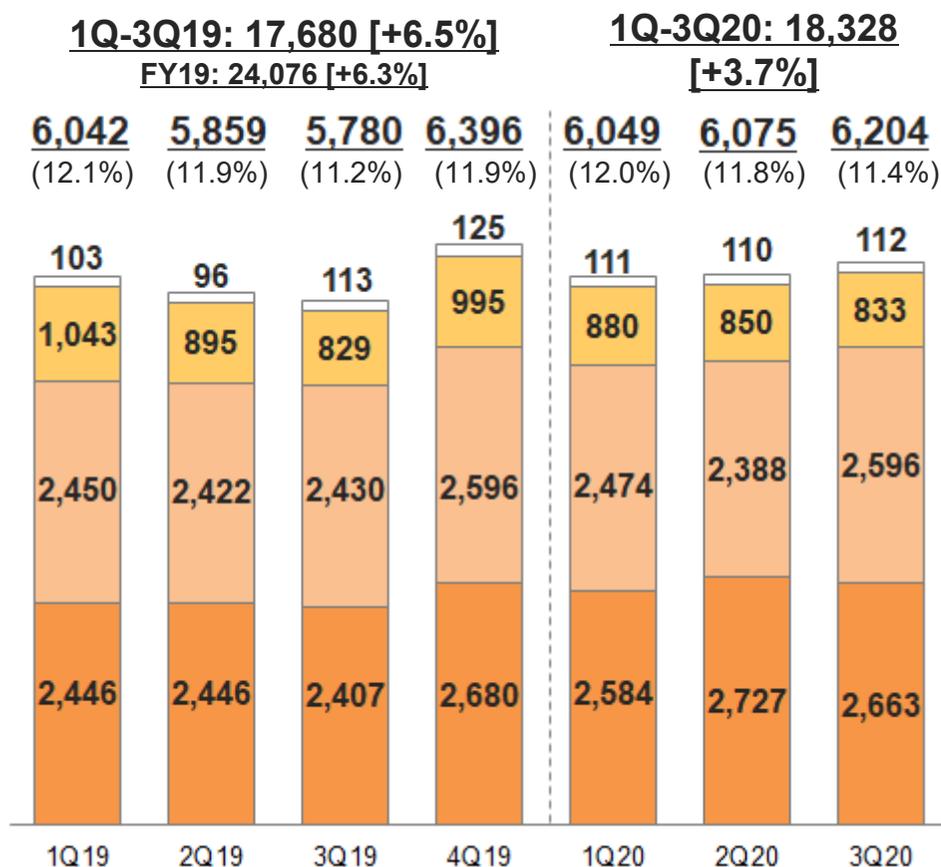
1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20
6,402 (12.8%)	6,573 (13.3%)	6,443 (12.5%)	6,911 (12.8%)	6,835 (13.6%)	7,281 (14.2%)	7,032 (12.9%)
1Q-3Q19: 19,418 (12.9%) +8.8% YoY FY19: 26,329 (12.9%) +10.0% YoY				1Q-3Q20: 21,148 (13.6%) +8.9% YoY		

- 2Q20 personnel-related costs and expenses increased from 1Q20 mainly due to additional provision for employee bonus (based on financial results)

\* 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



➤ SG&A and research and development expenses were within our budget plan

- Others: decreased as traveling expenses (domestic and abroad), advertising expenses and others were small due to work style reform and expense control

➤ Other than the left, we had ¥0.34 billion of expenses (1Q-3Q20), as other income/expenses (net)

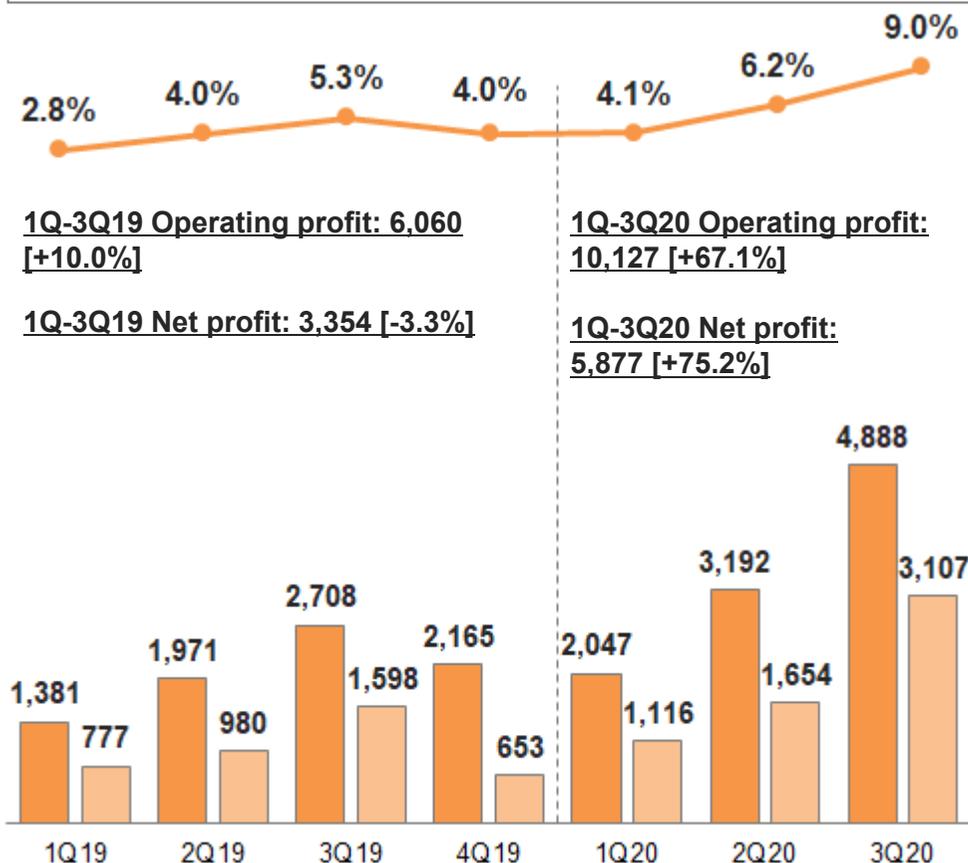
- 1Q-3Q20 other expenses: ¥0.43 billion due to disposal (1Q-3Q19: ¥0.12 billion)

• 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



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 provision for bonus

### ◆ Operating profit

- 1Q-3Q20: ¥10,127 million, +67.1%  
(1Q +48.2%, 2Q +61.9%, 3Q +80.5% YoY)

### ◆ Profit before tax

- 1Q-3Q20: ¥9,227 million, +64.5% YoY  
(1Q +23.8%, 2Q +65.5%, 3Q +85.5% YoY)
  - Interest expense: ¥440 million
  - Gain on funds: ¥192 million
  - Dividend income: ¥83 million
  - Interest income: ¥34 million
  - Foreign exchange loss: ¥49 million
  - Equity method loss related to DeCurret : ¥785 million (IIJ ownership: 41.6%)
    - ✓ Amount of loss: 4Q19 ¥403 million, 1Q20 ¥306 million, 2Q20 ¥273 million, 3Q20 ¥207 million
    - ✓ 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 in 2Q20, 1Q-3Q20 ¥15 million (IIJ ownership: 16.8%)
    - ✓ CDN usage continuously increased due to increases in contents traffic

### ◆ Net profit

- 1Q-3Q20: ¥5,877 million, +75.2% YoY  
(1Q +43.8%, 2Q +68.8%, 3Q +94.4% YoY)

1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	
(124)	(51)	92	(177)	(74)	(286)	186	Finance income (expense), net
112	(245)	(234)	(439)	(279)	(135)	(313)	Share of profit (loss) of investments accounted for using equity method
(543)	(642)	(922)	(858)	(572)	(1,084)	(1,625)	Income tax expense
(49)	(53)	(46)	(39)	(6)	(34)	(29)	Less: Profit for the period attributable to non-controlling interests

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

Unit: ¥ (JPY) million

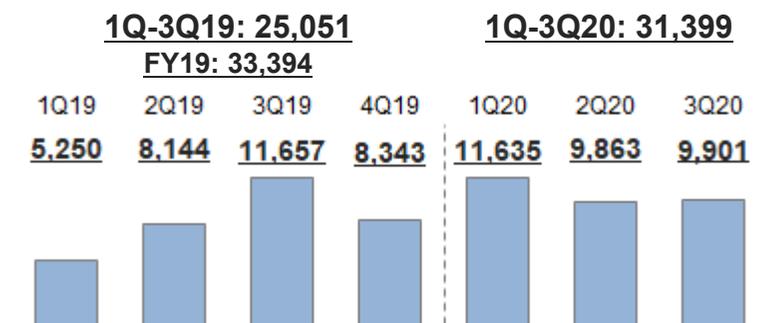
	Mar. 31, 2020	Dec. 31, 2020	Changes
Cash and cash equivalents	38,672	41,970	+3,299
Trade receivables	32,585	29,822	(2,763)
Inventories	2,476	2,346	(131)
Prepaid expenses (current and non-current)	17,475	19,426	+1,951
Tangible assets	17,400	16,553	(847)
Right-of-use assets	50,560	46,420	(4,140)
Goodwill and intangible assets	24,363	23,354	(1,009)
Investments accounted for using the equity method	4,827	6,708	+1,881
Other investments	9,187	11,592	+2,406
Others	8,979	11,917	+2,938
<b>Total assets:</b>	<b><u>206,524</u></b>	<b><u>210,108</u></b>	<b><u>+3,584</u></b>
Trade and other payables	18,288	20,271	+1,984
Borrowings (current and non-current)	27,750	25,560	(2,190)
Contract liabilities and Deferred income (current and non-current)	12,457	13,852	+1,395
Income taxes payable	2,284	1,698	(585)
Retirement benefit liabilities	3,985	4,251	+266
Other financial liabilities (current and non-current)	54,151	49,876	(4,275)
Others	7,553	8,427	+875
<b>Total liabilities:</b>	<b><u>126,467</u></b>	<b><u>123,936</u></b>	<b><u>(2,531)</u></b>
Share capital	25,531	25,531	-
Share premium	36,271	36,372	+101
Retained earnings	16,501	21,096	+4,595
Other components of equity	2,670	4,054	+1,384
Treasury shares	(1,897)	(1,875)	+22
<b>Total equity attributable to owners of the parent:</b>	<b><u>79,076</u></b>	<b><u>85,178</u></b>	<b><u>+6,102</u></b>

- Ratio of total equity attributable to owners of the parent: 38.3% as of March 31, 2020, 40.5% as of December 31, 2020

## II - 11. Consolidated Cash Flows

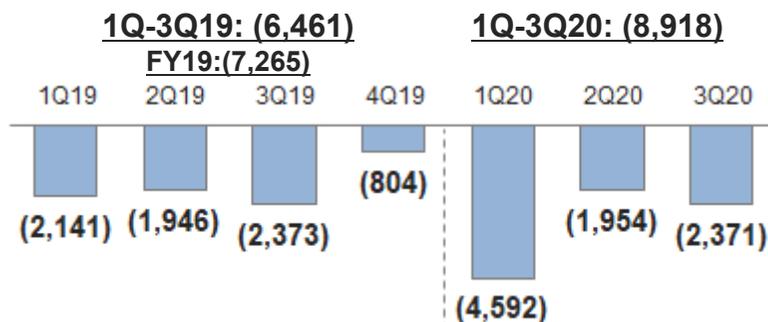
Unit: ¥ (JPY) million  
YoY = Year over year comparison

### Operating Activities



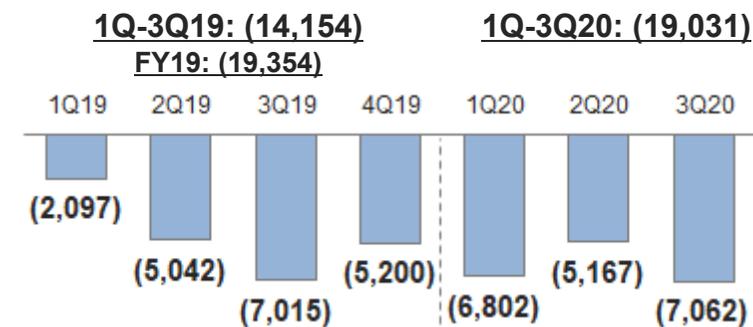
	Major Breakdown	YoY Change
Profit before tax	9,277	+3,617
Depreciation and amortization	21,094	-262
Equity method loss (gain)	727	+360
Changes in operating assets and liabilities	3,526	+3,212
Income taxes paid	(3,928)	-1,326

### Investing Activities



	Major Breakdown	YoY Change
Purchase of tangible assets	(4,555)	+1,667
Proceeds from sales of tangible assets	1,859	+85
Purchase of intangible assets such as software	(3,722)	+295
Purchase of investments accounted for using equity method	(2,754)	-2,036

### Financing Activities

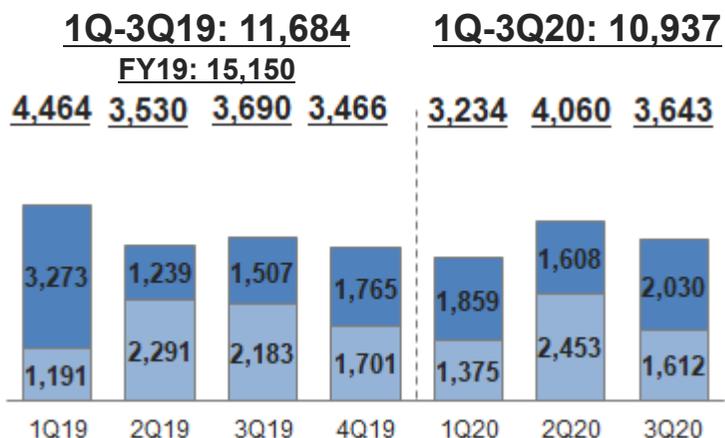


	Major Breakdown	YoY Change
Repayment of borrowings	(2,190)	-3,190
Payments of other financial liabilities	(15,252)	+104
Dividends paid	(1,533)	-316

## II - 12. Other Financial Data

Unit: ¥ (JPY) million

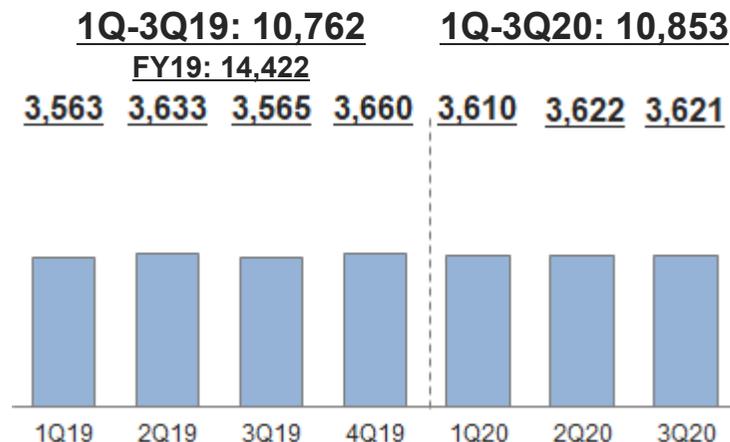
### CAPEX



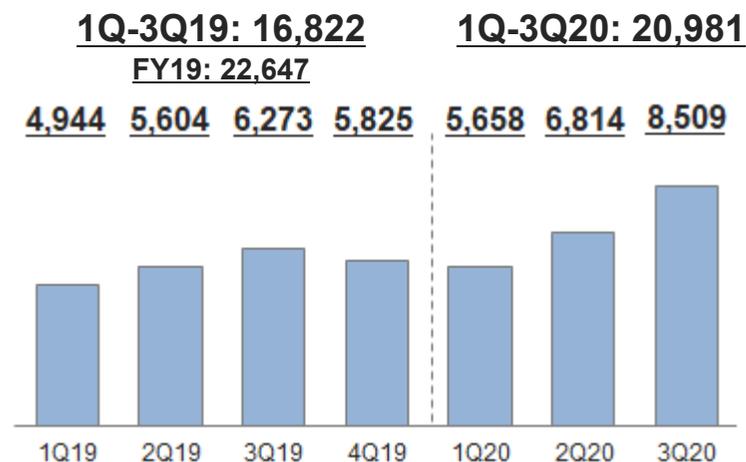
- FY20 CAPEX was initially planned to be around ¥16 billion including ¥3 billion of additional placement of modules for Shiroy data center

- 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



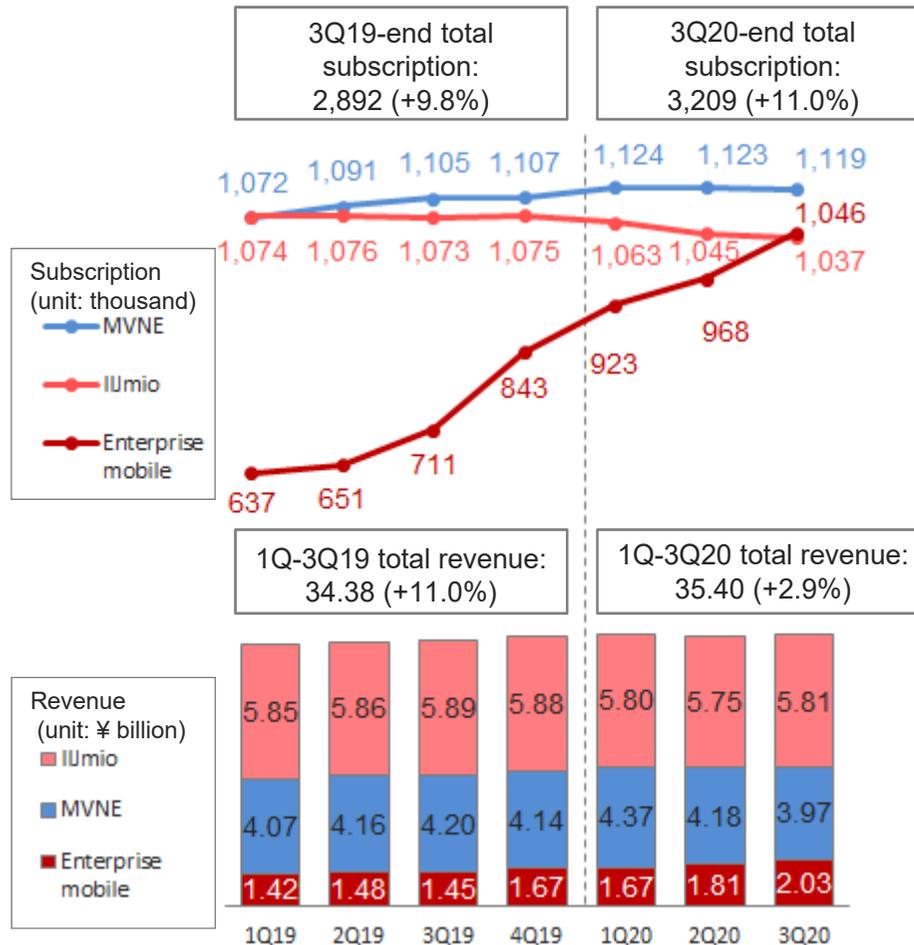
### Adjusted EBITDA



# III - 1. Service & Business Developments: Mobile & IoT

% = Year over year comparison

Led by enterprise mobile, total mobile subscription and revenue continued to increase



- MVNE: IJ Mobile MVNO Platform Services (providing mobile services to other MVNOs)
- Enterprise mobile: Deducing MVNE from IJ Mobile

## ◆ Expect expansion of enterprise IoT transaction along with further advancement of IT

- Expect to better utilize mobile infrastructure and improve mobile service profitability by absorbing various traffic into common mobile infrastructure

## ■ Enterprise mobile

Strong demands for network camera and device connection, Continue to execute various IoT projects: factory/agriculture/HACCP etc.

- 1Q-3Q20 enterprise mobile revenue: ¥5.51 billion, +26.7%YoY (1Q +18.2%, 2Q +22.0%, 3Q +39.9%YoY)

### Various network camera connection projects

- Retail marketing
- Facility remote maintenance
- Motion detector
- Reception system
- River monitoring
- Trains & high ways monitoring
- Dashboard recorder
- etc.

- Leveraging full-MVNO function to acquire IoT projects
  - 1Q-3Q20 full-MVNO revenue: ¥1.46 billion, +31.1% YoY (1Q ¥0.40 billion, 2Q ¥0.46 billion, 3Q ¥0.61 billion)
  - 3Q20 full-MVNO revenue recognition: 96% enterprise mobile, 4% IJmio

## ■ MVNE:

Including negative impact of our large MVNE client switching to another operator due to M&A

- 1Q-3Q20 MVNE revenue: ¥12.52 billion, +0.7%YoY (1Q +7.5%, 2Q +0.3%, 3Q -5.4%YoY)
- 3Q20-end MVNE client: 158 clients (+3 clients YoY)

## ■ IJmio (consumer):

Severe competition continuing

New consumer plans to be announced on Feb. 24

- 1Q-3Q20 consumer revenue: ¥17.36 billion, -1.4%YoY (1Q -1.0%, 2Q -1.8%, 3Q -1.4%YoY)

## Ⅲ - 2 . Service & Business Developments: Mobile interconnectivity charge

### ◆ Mobile unit charge YoY change

Applied FY	FY17	FY18	FY19	FY20	FY21	FY22
Base FY	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		
				Of which, FY19 Docomo's unit charge decreased by 13.4% YoY (Jan. 2021)		
KDDI	-10.8%	-20.2%	-13.3%	(*) -38.0%	-15.4%	-8.6%
				Decrease by 52.1% in total		
				Of which, FY19 KDDI's unit charge decreased by 20.4% YoY (Jan. 2021)		

(\*) FY20 decrease rate: FY20 unit charge (based on MNOs' outlook for FY20 cost) divided by MNOs' FY18 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

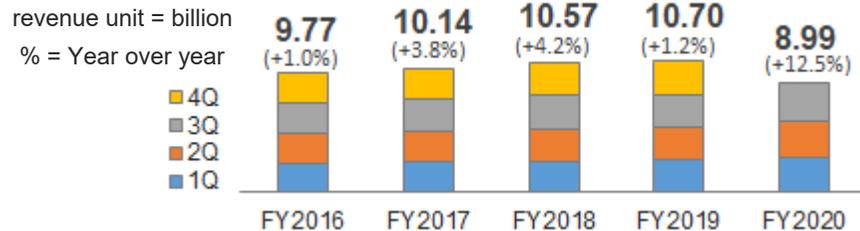
- Recognize cost based on unit charge presented and calculated by MNOs prediction from 1Q. If actual differs from predicted, such difference will be recognized in a following fiscal year

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

# III - 3. Services and Business Developments: Enterprise NW Services

## IP service revenue accumulation accelerating

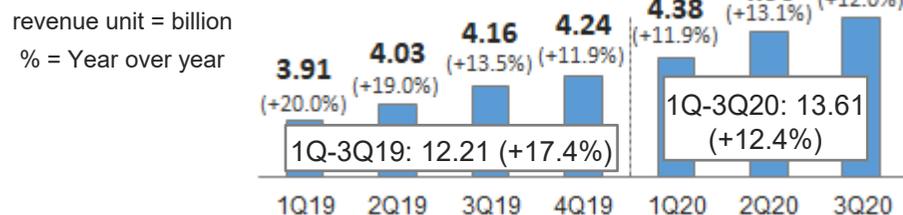
- Triggered by expansion of IT usages, in/out enterprises' Internet traffic is increasing. Higher bandwidth by enterprises is to continue



- IP 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
  - IP service revenue is 100% recognized in Internet connectivity services (Enterprise)
- (\*) Based on IFRS except for FY2016 (U.S.GAAP)

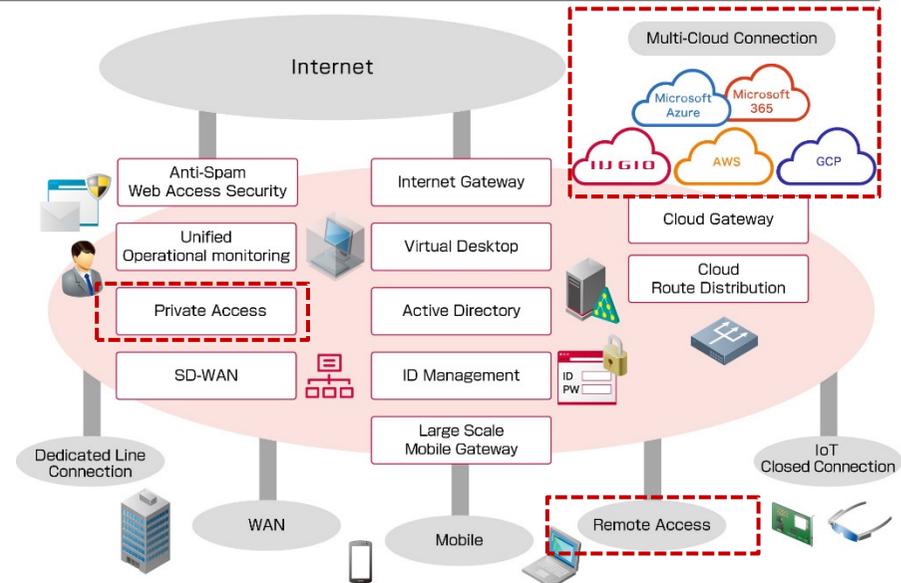
## Security services revenue continued to increase

- Triggered by expansion of IT usages, needs for security services increasing, Counter measures for new threats becoming complex year by year



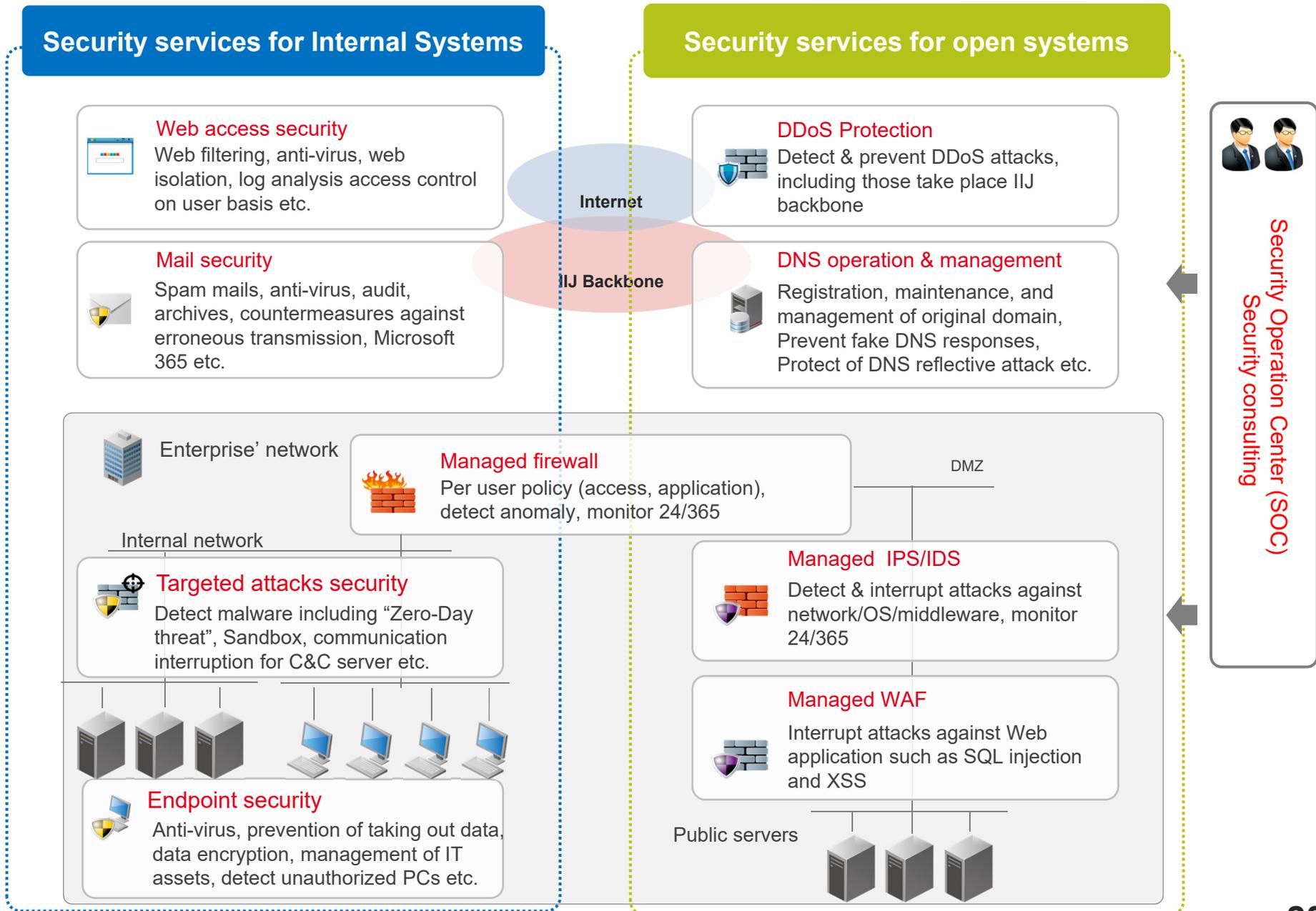
- Total security revenue (service + SI): 1Q-3Q20 ¥15.76 billion (+12.0%)**
- "Security services" is a general term for individual security service such as mail security, firewall, Web filtering, DDoS protection, SOC service, and Endpoint (EDR)
- Security service revenue is 100% recognized in Outsourcing services

## Cross-sell various in-house developed NW services



- Along with cloud service adoption by enterprises, needs for "IIJ Private Access Services" which provide various and highly reliable connectivity to cloud networks are increasing
- As multi-cloud is becoming widely used, continuously accumulating orders for "IIJ Cloud Exchange Services" which enable private connectivity to third party cloud vendors' services
- Strong demands for "IIJ Flex Mobility Services" which provide reliable and secure VPN connectivity
  - Number of contracted devices exceeded 100 thousands as of Jan.-end 2021 (20 thousands as of Feb.-end 2020). Receiving orders from both new users and additional orders from current users

# III - 4. Wide Range of In-house developed Security Services



# IV- 1. FY2020 Financial Targets (Revised on Feb. 8)

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

	% of Revenues		YoY		% of Revenues	
	FY20 Current Target (Revised on Feb. 8, 2021) Apr. 2020 - Mar. 2021	FY19 Results Apr. 2019 - Mar. 2020			FY20 Prev. Targets (Revised on Nov. 9, 2020) Apr. 2020 - Mar. 2021	1Q-3Q20 Results Apr. 2020 - Dec. 2020
Revenues	<b>213.0</b>	<b>204.47</b>	+4.2%	+8.53	<b>212.0</b>	<b>156.07</b>
Cost of Sales	81.6% <b>173.9</b>	84.1% <b>171.88</b>	+1.2%	+2.02	82.9% <b>175.7</b>	81.5% <b>127.27</b>
Gross Profit	18.4% <b>39.1</b>	15.9% <b>32.59</b>	+20.0%	+6.51	17.1% <b>36.3</b>	18.5% <b>28.80</b>
SG&A etc. <sup>(*)</sup>	12.0% <b>25.6</b>	11.9% <b>24.37</b>	+5.1%	+1.23	11.8% <b>25.0</b>	12.0% <b>18.67</b>
Operating Profit	6.3% <b>13.5</b>	4.0% <b>8.23</b>	+64.1%	+5.27	5.3% <b>11.3</b>	6.5% <b>10.13</b>
Shares of profit (loss) of investments accounted for using equity method investees	<b>(0.9)</b>	<b>(0.81)</b>	-	<b>-0.09</b>	<b>(0.9)</b>	<b>(0.73)</b>
Profit before tax	5.8% <b>12.3</b>	3.5% <b>7.16</b>	+71.8%	+5.14	4.7% <b>10.0</b>	5.9% <b>9.23</b>
Net Profit <sup>(*)2</sup>	3.6% <b>7.6</b>	2.0% <b>4.01</b>	+89.7%	+3.59	2.9% <b>6.1</b>	3.8% <b>5.88</b>

\* Cash dividend forecast remain unchanged from what we announced on Nov. 9, 2020. (Year-end: JPY10.25 per share, Annual: JPY20.50 per share). Revision for cash dividend forecast will be considered when FY2020 net profit is fixed.

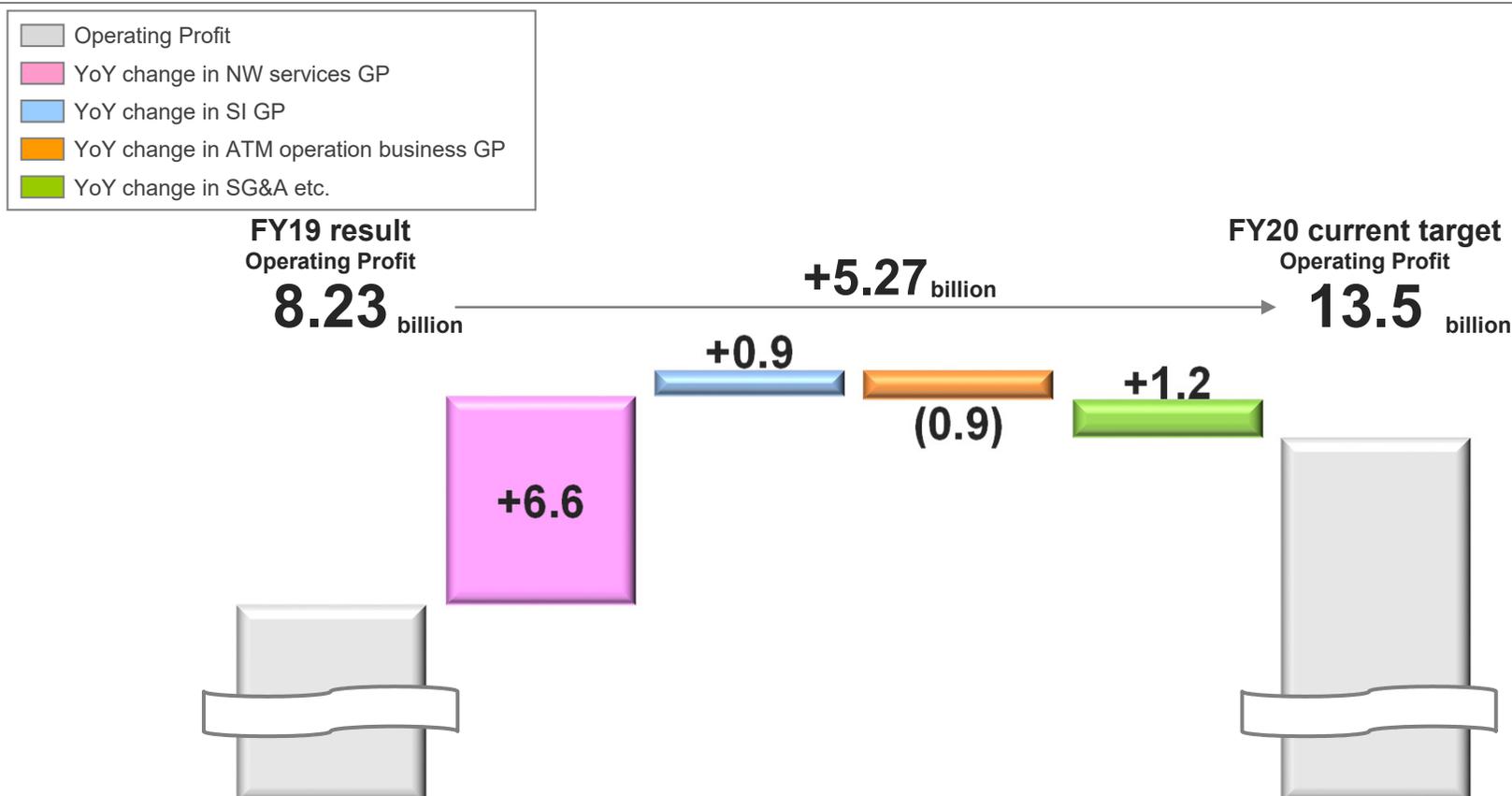
(\*)1 SG&A etc. shows the sum of SG&A, which includes R&D expenses, and other income/expenses.

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

(\*)3 Cash dividend per share is post-stock-split base.

# IV- 2. FY2020 Operating Profit Target (Revised Feb. 8)

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



**NW services GP**  
 Compared to what we had expected as of 2Q20 (+¥3.9 bn YoY), expect further profit increase by ¥1.7 bn ~ ¥1.8 bn due to strong enterprise NW services accumulation. Mobile interconnectivity cost decrease factor is also added

**SI GP**  
 Slightly conservative outlook by unchanging the outlook as of 2Q20 (+¥0.9 bn YoY)

**ATM operation business GP**  
 Based on 1Q-3Q20 results, expect profit decrease to be smaller than what we had expected as of 2Q20 (-¥1.1 bn YoY)

**SG&A etc.**  
 Based on 1Q-3Q20 results and onetime expenses such as bonus in 4Q20, expect SG&A etc. increase to be larger than what we had expected as of 2Q20 (+¥0.6 bn YoY)



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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