

Consolidated Financial Results for 1Q-3Q23

(April 1, 2023 to December 31, 2023)

Internet Initiative Japan Inc. (IIJ)
The Prime Market of the Tokyo Stock Exchange (Ticker symbol: 3774)
February 7, 2024

Disclaimer

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

Outline

I . Summary	P. 2
II . Financial Results	P. 3 – 16
III . Service & Business Developments etc.	P. 17 – 21
Appendix	P. 22 – 29
【Reference】	
Presentation material for company overview	P. 30 – 46

- FY23 stands for a fiscal year from Apr. 1, 2023 to Mar. 31, 2024
- 1Q-3Q23 stands for 1st quarter through 3rd quarter of FY23 (Apr. 1, 2023 to Dec. 31, 2023)
- Abbreviation: NW stands for network, SI stands for systems integration, DC stands for data center, PF stands for platform, ¥ (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. 1Q-3Q23 Summary

Continuous acquisition of large-scale complex projects by meeting the demands to renew NW from a wide range of industries

(Public, finance and general enterprises)

Competitive advantages of Service Integration Model (*) & Reliable operation have been demonstrating a strong presence

1Q-3Q23 earnings: NW Service progressed steadily. Weaker-than-expected SI was mainly due to longer project period as project sizes becoming larger despite strong demand
 Profit increased YoY although the onetime profit contribution impact from NTT Docomo interconnectivity data was smaller in 3Q23 YoY

(*) 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	
¥201.10 bn		¥45.95 bn		¥20.28 bn		¥12.98 bn	
+8.5%		+10.3%		+7.9%		+1.0%	
NW Services				SI			
Revenue		Gross Profit		Revenue		Gross Profit	
1Q-3Q22	1Q-3Q23	1Q-3Q22	1Q-3Q23	1Q-3Q22	1Q-3Q23	1Q-3Q22	1Q-3Q23
102.74	112.30	28.12	32.23	80.48	86.62	12.64	12.75
+9.3%		+14.6%		+7.6%		+0.8%	
NW Service (exc. Mobile)	◆ 1Q-3Q23 total revenue: ¥78.16 bn, +9.7% YoY						
	• Each service revenue continued to grow. IP: +9.9% YoY, Outsourcing: 13.9% YoY (of which, security: +16.0% YoY), WAN: +3.2% YoY						
Mobile IoT	◆ 1Q-3Q23 total revenue: ¥34.14 bn, +8.4% YoY (1Q-3Q22: +2.6% YoY), 3Q23-end total subs.: 4,635 k, +667 k YoY (3Q22-end: +592 k YoY)						
	• The total revenue growth led by enterprise IoT revenue which largely increased by +23.3% YoY: Existing transaction becoming larger and continuously acquiring new orders MVNE & consumer back to QoQ net addition from 2Q23						
SI	◆ 1Q-3Q23 order-received: Construction ¥43.39 bn, +26.9% YoY, Operation & maintenance ¥64.50 bn, +11.6% YoY						
	• In 3Q23, acquired construction & operation of service infrastructure for an enterprise (¥4.0 bn, 5 years), large-scale server construction for AI infrastructure overseas (¥3.0 bn for 3 years), etc.						
Topics	◆ 3Q23-end order backlog: Construction ¥23.65 bn, +41.6% YoY, Operation & maintenance ¥80.38 bn, +18.9% YoY						
	• In 3Q23, as expected, recognized the overseas DC project which had revenue of ¥2.8 bn and associated reasonable profit						
◆ Foreign exchange platform service for financial institutions "IIJ Raptor Service" has been renewed. Sony Bank is the first client to use the new platform							
➢ DeCurret: Partnership with Securitize from Jan. 2024. Aim to adopt digital currency for digital securities' settlement transactions							
Working toward the launch of digital currency platform service in Jul. 2024 which will be the first in Japan							

Steady progress is being made in strengthening business foundation toward accelerating growth over the mid-to-long term

II - 1. Consolidated Financial Results

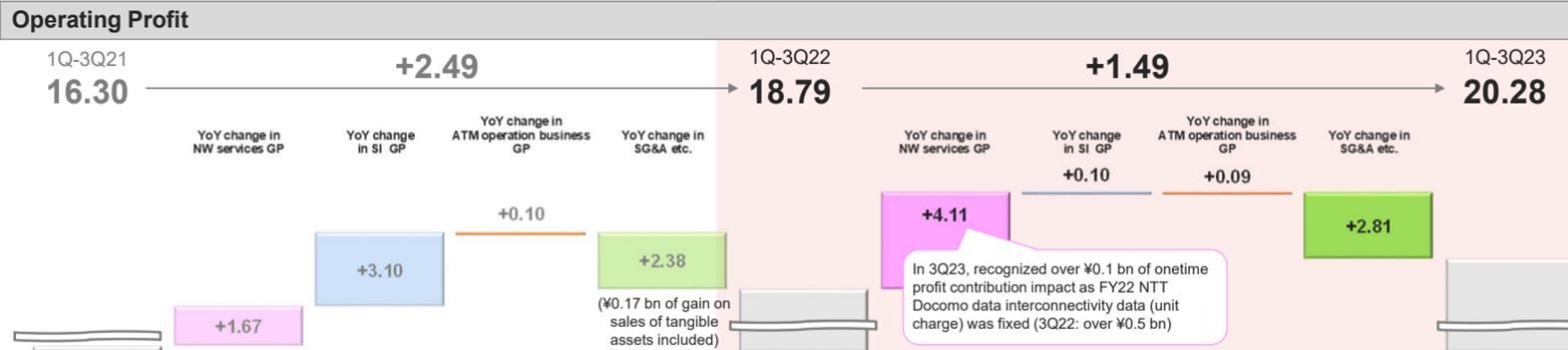
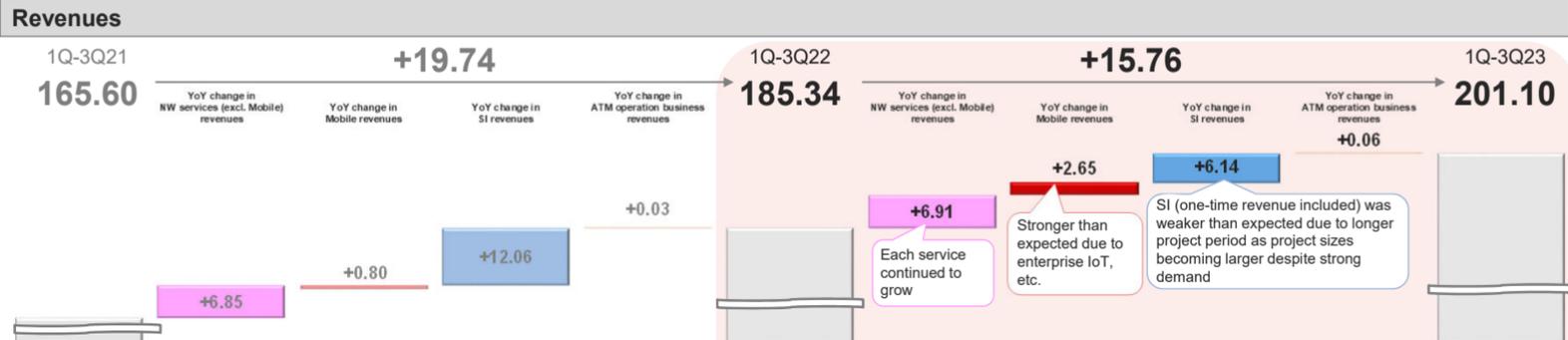
Unit: ¥ (JPY) billion
YoY = Year over year comparison

	% of revenue		YoY	
	1Q-3Q23 Results <small>Apr. 2023 - Dec. 2023</small>	1Q-3Q22 Results <small>Apr. 2022 - Dec. 2022</small>		
Revenues	201.10	185.34	+8.5%	+15.76
Cost of Revenues	<small>77.1%</small> 155.15	<small>77.5%</small> 143.68	+8.0%	+11.46
Gross Profit	<small>22.9%</small> 45.95	<small>22.5%</small> 41.66	+10.3%	+4.30
SG&A etc.	<small>12.8%</small> 25.67	<small>12.3%</small> 22.87	+12.3%	+2.81
Operating Profit	<small>10.1%</small> 20.28	<small>10.1%</small> 18.79	+7.9%	+1.49
Profit before tax	<small>9.8%</small> 19.65	<small>10.3%</small> 19.02	+3.3%	+0.63
Net Profit	<small>6.5%</small> 12.98	<small>6.9%</small> 12.85	+1.0%	+0.13

% of revenue	
FY2023 Targets <small>(Same as before) Apr. 2023 - Mar. 2024</small>	YoY
286.0	+13.2%
<small>77.1%</small> 220.5	+13.2%
<small>22.9%</small> 65.5	+13.1%
<small>11.9%</small> 34.0	+10.8%
<small>11.0%</small> 31.5	+15.7%
<small>10.6%</small> 30.4	+11.1%
<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"
- Net Profit: valuation on gain of funds decreased (1Q-3Q22: gain of approx. ¥0.38 bn, 1Q-3Q23: loss of approx. ¥0.21 bn)

II - 2. Year over Year Analysis



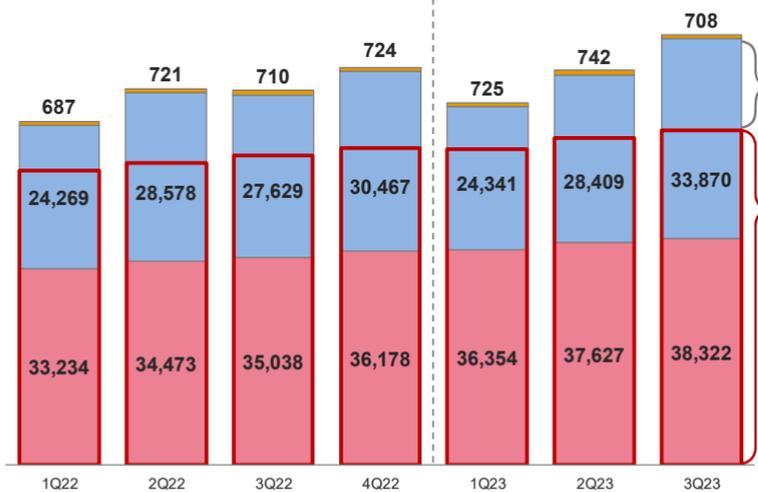
- NW services gross profit consists of gross profit related to NW revenues (excl. Mobile) and Mobile revenues (The two have costs in common and cannot be broken down in accounting terms)
- SG&A etc. in this slide represents the sum of SG&A, which includes R&D expenses, and other income/expenses

II - 3. Revenues



1Q-3Q22: 185,339 [+11.9%]
FY22: 252,708 [+11.7%]
58,190 63,772 63,377 67,369

1Q-3Q23: 201,098
[+8.5%]
61,420 66,778 72,900



One-time revenue
 1Q-3Q23: ¥33.54 bn, +12.0% YoY
 (16.7% of 1Q-3Q23 total revenue)

Recurring revenue
 1Q-3Q23: ¥165.38 bn, +7.9% YoY
 (82.2% of 1Q-3Q23 total revenue)

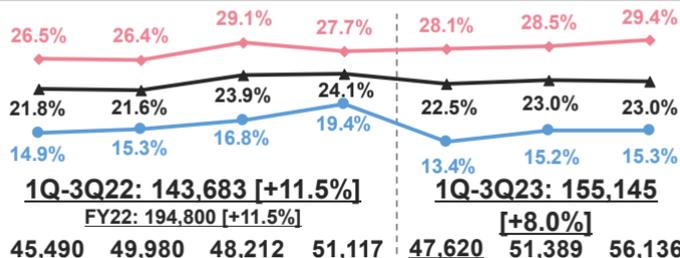
NW Services revenue (excluding Mobile Services)
 1Q-3Q23: ¥78.16 bn (+9.7%, +¥6.91 bn YoY)

Mobile Services revenue
 1Q-3Q23: ¥34.14 bn (+8.4%, +¥2.65 bn YoY)

- 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

- 1Q-3Q23: ¥45.95 bn (+10.3% YoY)

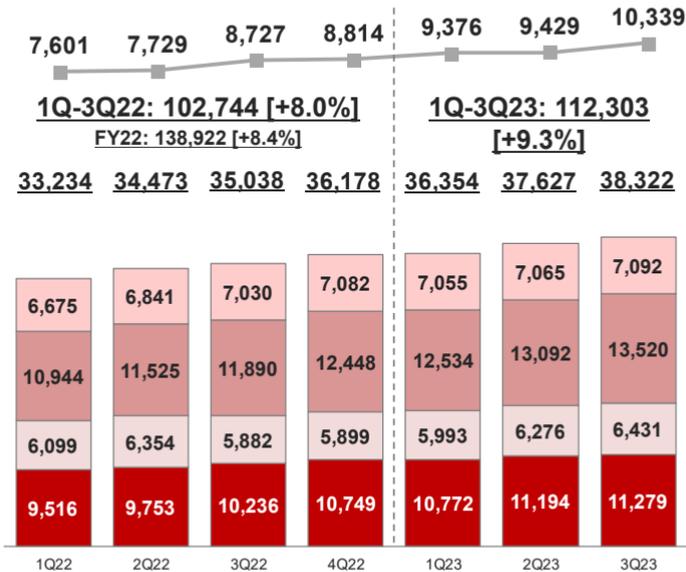
◆ Gross profit for NW services

- 1Q-3Q23: ¥32.23 bn (+14.6%, +¥4.11 bn YoY)
 - Gross margin improved along with revenue growth
 - Among ¥4.11 bn of gross profit increase, which is based on managerial accounting, NW service (excluding Mobile services) gross profit increased slightly more than ¥3.0 bn YoY
 - Gross profit of mobile services also nicely increased along with an increase in enterprise IoT revenue, etc.
 - In 3Q23, recognized over ¥0.1 bn of onetime profit contribution impact as FY22 NTT Docomo data interconnectivity data (unit charge) was fixed (3Q22: over ¥0.5 bn)

◆ Gross profit for SI

- 1Q-3Q23: ¥12.75 bn (+0.8%, +¥0.1 bn YoY)
 - FY23 gross margin is trending weak mainly due to the small construction revenue, an allocation of resources such as engineers to prospective orders of large-scale projects, and a low systems operation and maintenance revenue growth (an expected termination of a particular project).

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



◆ Internet Connectivity (enterprise) Services

- 1Q-3Q23: ¥33.25 bn, +12.7% YoY
- Internet traffic (please refer to P.46) and contracted bandwidth continued to expand
- Of which, IP: ¥11.93 bn, +9.9% YoY
- Of which, Enterprise mobile (IoT usages etc.): ¥10.05 bn, +23.3% YoY
- Of which, MVNE (service offer to other MVNOs): ¥7.87 bn, +6.4% 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 "IIJmio")

- 1Q-3Q23: ¥18.70 bn, +2.0% YoY
- Of which, consumer mobile (IIJmio): ¥16.22 bn, +1.8% YoY

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

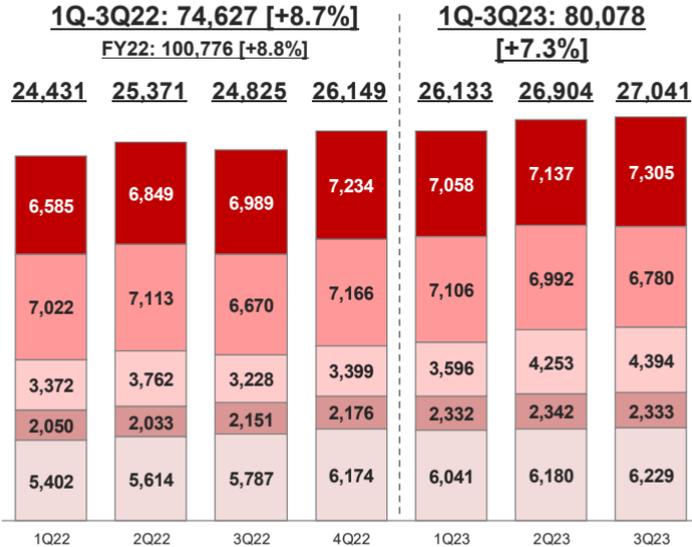
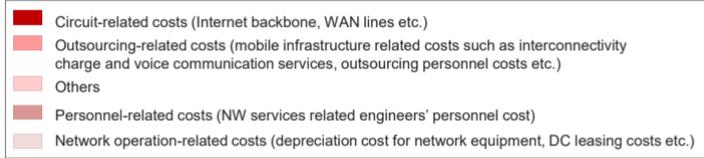
- 1Q-3Q23: ¥39.15 bn, +13.9% YoY
- Of which, security: ¥22.74 bn, +16.0% YoY
- ✓ Demand for SOC (Security Operation Center) is significantly increasing as it is often included in NW renewal projects with its number increasing

WAN Services (Closed network services)

- 1Q-3Q23: ¥21.21 bn, +3.2% 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 IIJ 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



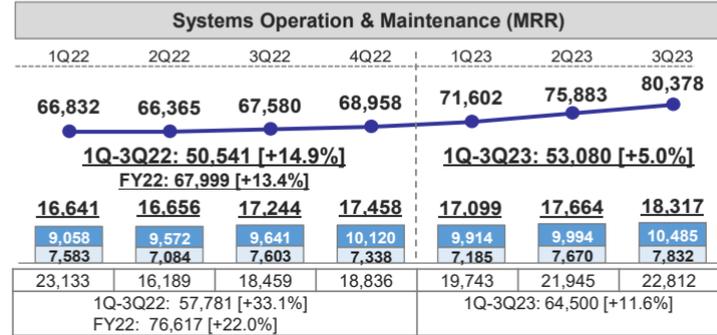
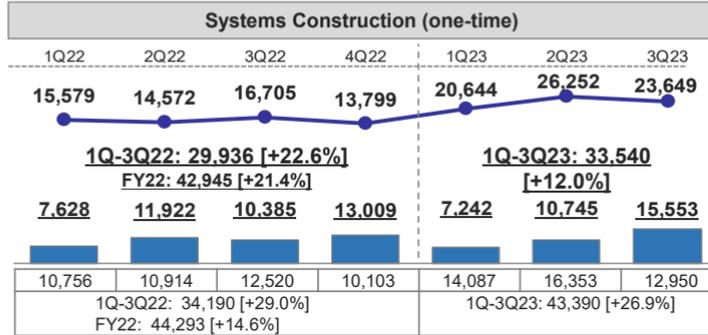
- 1Q-3Q23 Circuit-related costs increased YoY along with an increase in WAN revenue, etc.
 - Internet backbone circuit cost remains stable as we can leverage scale merit by having one of the largest Internet backbone networks
- 3Q23 Outsourcing-related costs included over ¥0.1 bn of onetime profit contribution as FY22 NTT Docomo data connectivity data (unit charge) was fixed (3Q22: over ¥0.5 bn)
- 1Q-3Q23 Others increased YoY mainly due to an increase in the purchasing license fees such as SASE in line with increased revenues
 - 1Q-3Q23 purchasing mobile devices decreased by approx. ¥0.2 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 21.7% from the FY22 fixed unit charge • Previously announced unit charge in Mar. 2022: ¥15,697	• To be fixed around 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	¥19,979 • Fixed at the end of Dec. 2023 • Onetime profit contribution of over ¥0.1 bn in 3Q23 • Decreased by 26.1% from the FY21 fixed unit charge
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

Unit: ¥ (JPY) million
 [], YoY = Year over year comparison
 QoQ = Quarter over quarter comparison
 MRR = Monthly Recurring Revenue
 O/M = systems operation & maintenance

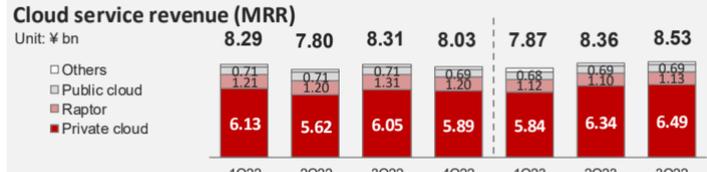
II - 6. Systems Integration (SI) (1) Revenues

- 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



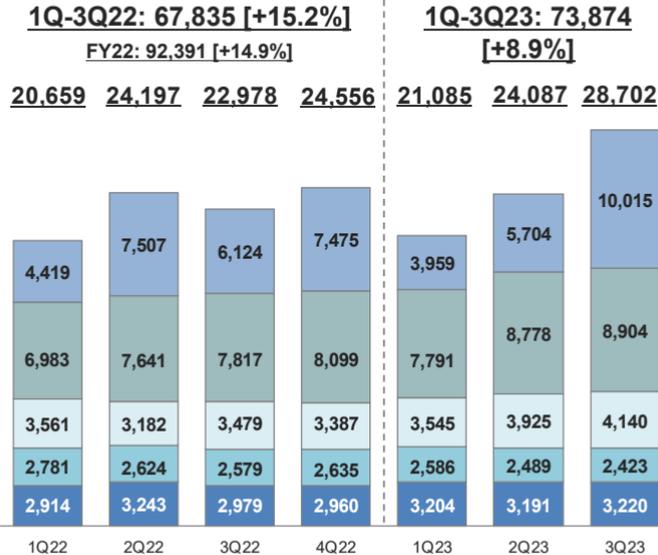
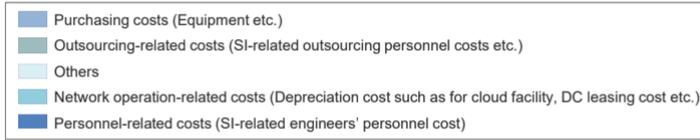
- Favorable demand from all industries continued (Below projects were acquired in 3Q23)
 - Construction & operation of service infrastructure for an enterprise (approx. ¥4.0 bn, 5 years, included in 3Q23's order-received)
 - Large-scale server construction & operation for AI infrastructure overseas (approx. ¥3.0 bn, 3 years, of which ¥0.8 bn was included in 3Q23's SI O/M order-received). It was acquired by PTC (subsidiary), who is a key partner of NVIDIA. Projects to construct AI infrastructure are increasing in Asia
 - Large-scale NW renewal project for a prominent financial institution (approx. ¥4.0 bn, 8 years, of which approx. 8% is to be recognized as SI revenue)
- Construction revenue was weaker than expected mainly due to longer project period as project sizes becoming larger
- In 3Q23, recognized the overseas DC project as expected (revenue ¥2.8 bn & associated reasonable profit)
 - Plan to recognize revenue of ¥1.2 bn in FY24 and ¥2.0 bn in or after FY25 to the same client as subsequent projects (included in the above order backlog)
- Small business operator "PTC Malaysia" as a new consolidated subsidiary from Dec. 1, 2023 (no significant financial impact), expect higher productivity of a support center in Malaysia
- 1Q23 construction orders received included several large scale projects (approx. ¥3.0 bn in total: two ¥1.5 bn projects)
- 2Q23 construction orders received included ¥5.0 bn of the Chiba city project
- Among 3Q23-end order backlog of ¥23.6 bn, approx. ¥14.0 bn are to be recognized as revenue in or after FY24
- (Among 3Q22-end order backlog of ¥16.7 bn, approx. ¥7.0 bn are to be recognized as revenue in or after FY23)

- 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



- Foreign exchange platform service for financial institutions "IJ Raptor Service" has been renewed. Sony Bank is the first client to use the new platform
- 3Q23 cloud revenue recognition: 91.9% Systems operation and maintenance, 8.1% Outsourcing services
- 1Q23 and 2Q22 Private cloud revenue decreased because of a decrease in multi-cloud usages by a game service provider

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



- Purchasing, outsourcing-related, and others are linked to the size of project and revenue to a certain degree
 - Most of the cost related to the overseas DC project (revenue approx. ¥2.8 bn) was recognized as purchasing costs
- Outsourcing-related cost increased mainly because of pre-sales activities before order-received for projects which usually requires engineers to be involved (such costs are recorded as work in progress after receiving orders)
- Others include license purchasing costs 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	3Q23-end
1,327	1,390	1,393	1,385	1,367	1,395	1,456

- The number of SI-related outsourcing personnel can be increased in comparison with the number of IIJ's SI engineers
- Due to many ongoing projects before order-received, the number of outsourcing personnel was at high level

II - 7. Human Capital Disclosure

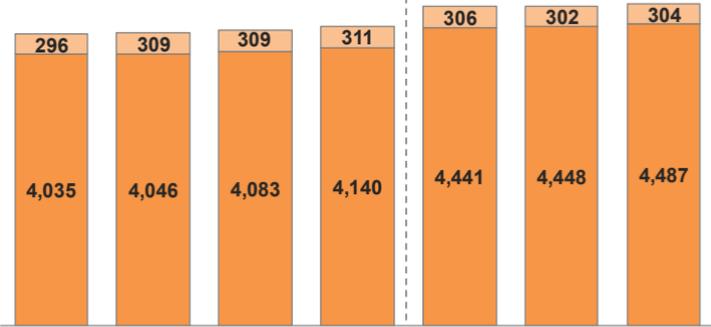
Number of Employees (consolidated basis)

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

Jun. 2022	Sep. 2022	Dec. 2022	Mar. 2023	Jun. 2023	Sep. 2023	Dec. 2023
4,331	4,355	4,392	4,451	4,747	4,750	4,791

+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, progressed as planned
 - Of which, 246 new graduates
 - Plan 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)

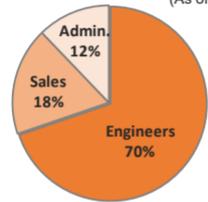
Unit: ¥ (JPY) million

	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23
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%)	9,410 (+12.8%)
	1Q-3Q22: 25,172 (+7.1%) FY22: 33,678 (+6.9%)				1Q-3Q23: 28,019 (+11.3%)		
% of revenue	14.1%	13.6%	13.2%	12.6%	15.2%	13.9%	12.9%

- > 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 Dec. 2023)



- > Breakdown of new graduates is almost identical

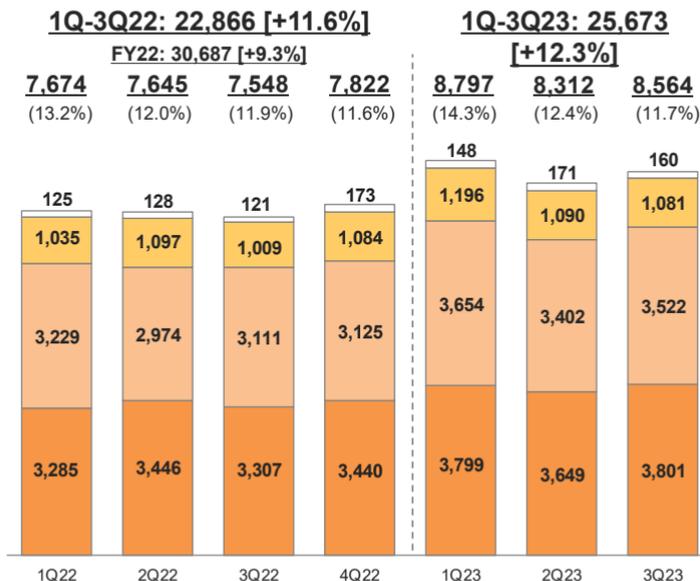
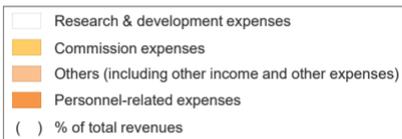
Turnover rates

- > 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

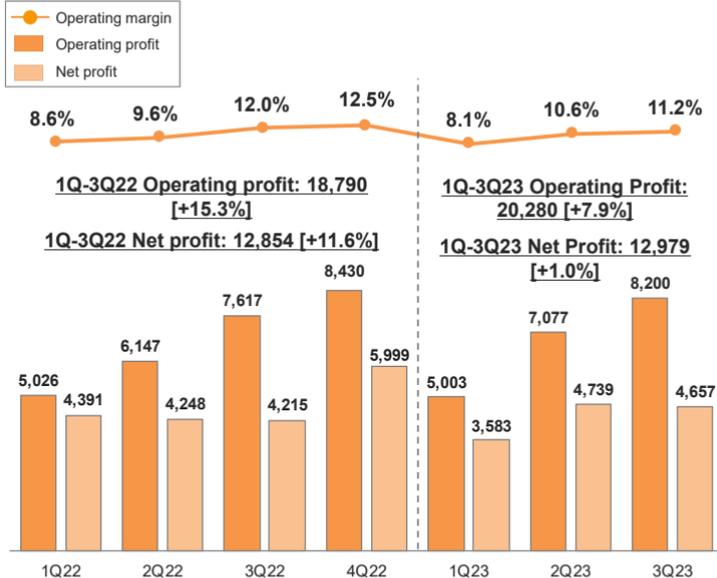
II - 8. SG&A etc.



- Almost in line with the plan
(1Q: slight increase mainly due to human resource training, 2Q & 3Q: normal course)
- Commission expenses are mainly consumer sales commissions and recruitment expenses
- Others are increasing mainly because of an increase in activity-related expenses such as advertisement and business trips' expenses
- Personnel-related expenses are increasing along with an increase in number of employees, etc.

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

II - 9. Profit



◆ Operating profit

➢ 1Q-3Q23: ¥20.28 bn, +7.9% YoY

◆ Profit before tax

➢ 1Q-3Q23: ¥19.65 bn, +3.3% YoY

- Foreign exchange gain: +¥268 million (1Q-3Q22: +¥323 million)
- Valuation gain(loss) on funds etc.: (¥212) million (1Q-3Q22: +¥376million)

1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	FY23 plan
+1,200	(5)	(820)	(73)	+310	+13	(535)	±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: ¥422 million (1Q-3Q22: ¥161 million)

DeCurret-related loss (IIJ ownership: 38.2%)

1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	FY23 plan
78	102	94	109	125	124	143	Approx. 800

✓ First in Japan digital currency (DCJPY) is to be issued from July 2024 through DeCurret's platform service (For detail, please refer to P. 25)

◆ Net profit

➢ 1Q-3Q23: ¥12.98 bn, +1.0% YoY

1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	
1,611	152	(1,374)	(97)	632	114	(957)	Finance income (expense), net
(14)	(64)	(83)	(42)	(154)	(119)	(150)	Share of profit (loss) of investments accounted for using equity method
(2,136)	(1,982)	(1,931)	(2,266)	(1,824)	(2,320)	(2,365)	Income tax expense
96	5	14	26	74	13	71	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"

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

Unit: ¥ (JPY) million

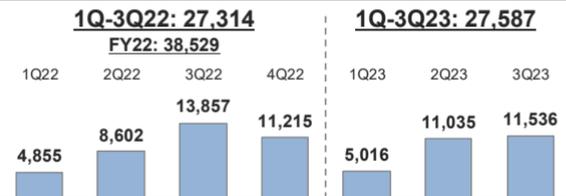
	Mar. 31, 2023	Dec. 31, 2023	Changes		Mar. 31, 2023	Dec. 31, 2023	Changes
Cash & cash equivalents	42,472	41,419	(1,053)	Trade & other payables	22,313	27,011	+4,698
Trade receivables	41,340	44,043	+2,703	Borrowings (current & non-current)	20,430	30,190	+9,760
Inventories	3,188	3,783	+595	Contract liabilities & Deferred income (current & non-current)	17,978	20,272	+2,294
Prepaid expenses (current & non-current)	27,920	37,376	+9,456	Income taxes payable	4,034	2,651	(1,383)
Tangible assets	23,321	28,048	+4,727	Retirement benefit liabilities	4,513	4,833	+320
Right-of-use assets	46,675	40,788	(5,887)	Other financial liabilities (current & non-current)	48,800	49,520	+720
Of which, operating leases (rent of office, data center etc.)	31,233	26,618	(4,615)	Of which, operating leases (rent of office, data center etc.)	31,610	27,111	(4,499)
Of which, finance leases (network equipment etc.)	15,442	14,170	(1,272)	Of which, finance leases (network equipment etc.)	16,447	15,124	(1,323)
Goodwill & intangible assets	26,475	27,512	+1,037	Others	8,823	9,806	+983
Investments accounted for using the equity method	5,785	5,225	(560)	Total liabilities:	126,891	144,283	+17,392
Other investments	19,150	22,273	+3,123	Share capital	25,562	25,562	-
Others	9,992	12,063	+2,071	Share premium	36,738	35,685	(1,053)
				Retained earnings	51,202	58,700	+7,498
				Other components of equity	6,571	9,033	+2,462
				Treasury shares	(1,831)	(12,027)	(10,196)
				Total equity attributable to owners of the parent:	118,242	116,953	(1,289)
				Non-controlling interests	1,185	1,294	+109
Total assets:	246,318	262,530	+16,212	Total liabilities and equity:	246,318	262,530	+16,212

- Prepaid expenses increased mainly due to project for clients and license and facility operation
- Tangible assets increased mainly due to investment for Shiroy DC
- Borrowings increased mainly 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 Dec. 31, 2023, decreased due to the share buyback with cancellation

II - 11. Consolidated Cash Flows

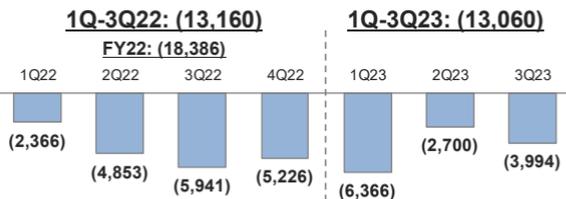
Unit: ¥ (JPY) million
YoY = Year over year comparison

Operating Activities



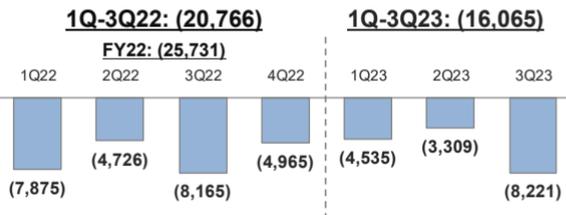
	1Q-3Q23 Major Breakdown	YoY Change
Profit before tax	19,645	+627
Depreciation and amortization	21,929	+675
Changes in operating assets & liabilities	(6,931)	(3,940)
Income taxes paid	(7,897)	+1,974

Investing Activities



	1Q-3Q23 Major Breakdown	YoY Change
Purchase of tangible assets	(8,261)	+1,499
Purchase of intangible assets such as software	(5,778)	(1,628)

Financing Activities



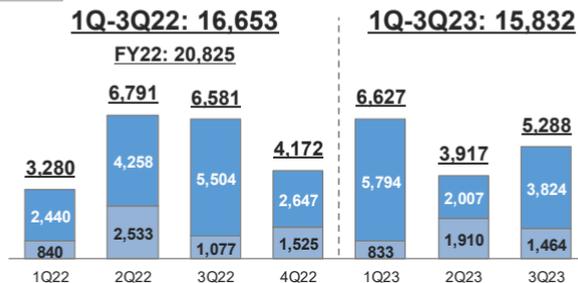
	1Q-3Q23 Major Breakdown	YoY Change
Payment of operating/finance leases and other financial liabilities	(15,053)	(657)
Dividends paid	(5,682)	(781)
Repayment of long-term borrowings	(2,045)	(545)
Short-term borrowings (Borrowings for acquisition of treasury shares, etc.)	11,800	+11,900
Purchase of treasury shares	(11,405)	(11,405)

II - 12. Other Financial Data

Unit: ¥ (JPY) million

CAPEX

■ Cash CAPEX
■ Finance lease



➢ Major breakdown of CAPEX (Unit: ¥ bn)

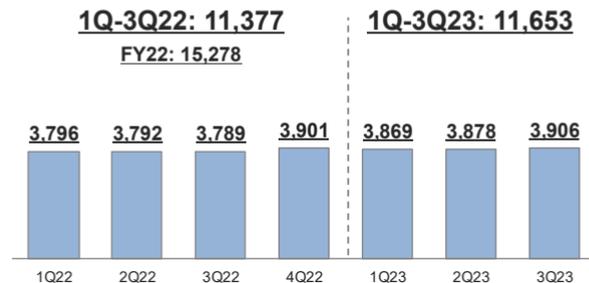
	1Q-3Q22	FY22	1Q-3Q23
NW usual Capex	7.9	10.0	9.7
Cloud-related	1.2	2.0	0.9
Shiroi DC-related	5.3	5.4	3.8
Customer-related	2.3	2.9	1.4

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

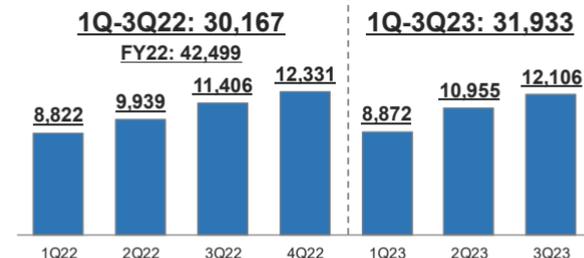
- Total amount of capital expenditure is the amounts of acquisition of tangible and intangible assets by cash and entering into finance leases for the fiscal year, excluding duplication due to sale and leaseback transactions and acquisition of assets that do not have the nature of investment, such as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

© Internet Initiative Japan Inc.

CAPEX-related depreciation and amortization



Adjusted EBITDA



III - 1. 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	¥2.8 bn in 3Q23	SI construction	Nov. 2022	Dec. 2023
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)
Construction & operation for service infrastructure for an enterprise	¥4.0 bn, 5 years	NW service, SI construction, SI O/M	Dec. 2023	To be recognized from FY24
Large-scale server construction for AI infrastructure (Acquired by PTC, Singaporean Sler subsidiary)	¥3.0 bn, 3 years	SI construction, SI O/M	Dec. 2023	To be recognized from FY24
Large-scale NW renewal for a prominent financial institution	¥4.0 bn, 8 years	NW service, SI construction, SI O/M	4Q23	To be recognized from FY25

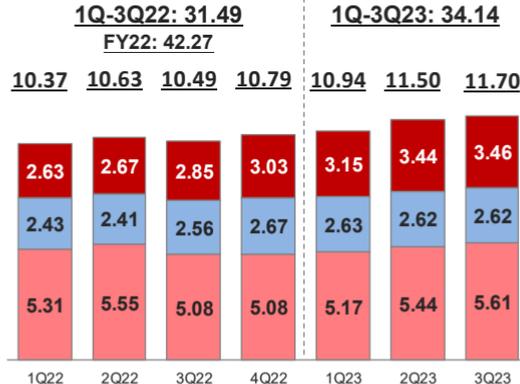
* SI O/M = systems operation and maintenance

III - 2. Mobile and IoT

Mobile Subscription (Subs.)



Mobile Revenue



- 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 IIJ Mobile)

- 1Q-3Q23 revenue: ¥10.05 bn (+¥1.90 bn YoY)
- 3Q23-end subs.: 2,249 thousand (+211 thousand QoQ)
 - Revenue largely grew YoY mainly as the existing transaction becoming larger and continuously acquiring new orders. Additional line orders from the current clients such as GPS tracker for safety, taxi payment devices, dashboard cameras, and foreigners visiting Japan-related service

◆ MVNE (providing mobile services to other MVNOs)

- 1Q-3Q23 revenue: ¥7.87 bn (+¥0.47 bn YoY)
- 3Q23-end subs.: 1,147 thousand (+8 thousand QoQ)
- 3Q23-end MVNE clients: 189 clients (+13 clients YoY)
 - Cable TV operators (94 operators), prominent retailer, etc.

◆ IIJmio (consumer)

- 1Q-3Q23 revenue: ¥16.22 bn (+¥0.28 bn YoY)
 - Started offering eSIM and added larger data volume plans to "IIJ Travel SIM" prepaid SIM services mainly targeting foreigners visiting Japan (Feb. 2024, 3GB to 55GB, effective for 30 days)
- 3Q23-end subs.: 1,239 thousand (+16 thousand QoQ)
 - Of which, the old plan's subs. were 232 thousand

GigaPlans (unit: thousand)	1Q22-end	2Q22-end	3Q22-end	4Q22-end	1Q23-end	2Q23-end	3Q23-end
Subs.	757	837	878	908	928	963	995

➢ SIM type MVNO market share in Japan (Source: the Ministry of Internal Affairs and Communications)

	Dec. 31, 2022	Mar. 31, 2023	June 30, 2023	Sep. 30, 2023
1 st	IIJ 19.7%	IIJ 19.8%	IIJ 20.0%	IIJ 20.4%
2 nd	NTT Resonant 11.1%	NTT Resonant 11.9%	NTT Resonant 12.2%	NTT Docomo(*) 11.3%
3 rd	Optage 9.1%	Optage 9.0%	Optage 9.0%	Optage 8.9%
4 th	Fujitsu 5.6%	Fujitsu 5.6%	Fujitsu 5.6%	Fujitsu 5.6%
5 th	Biglobe 4.9%	Aeon Retail 4.8%	Aeon Retail 4.7%	Aeon Retail 4.8%

(*) NTT Docomo's figures as of Sep. 30, 2023 was formerly NTT Resonant's one

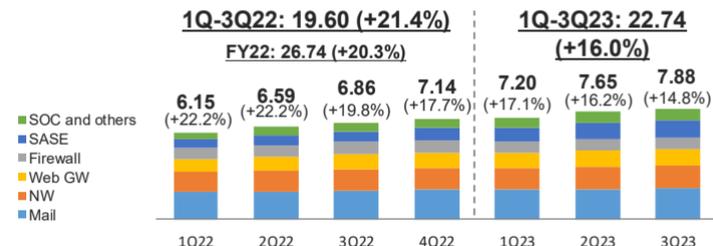
III - 3. NTT Docomo's Mobile data interconnectivity charge (Mbps Unit charge, monthly)

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 To be fixed around the end of Dec. 2024 ¥15,644 -21.7% YoY ¥13,084 -16.4% YoY ¥11,255 -14.0% YoY		
Current	¥49,311 -6.0% YoY	¥42,702 -13.4% YoY	¥37,280 -12.7% YoY	Fixed in Dec. 2022 ¥27,024 -27.5% YoY	Fixed in Dec. 2023 ¥19,979 -26.1% YoY			
Old					Announced in Mar. 2022 ¥20,327 -24.8% YoY ¥15,697 -22.8% YoY ¥13,207 -15.9% 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>

III - 4. Security Business

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



Each service continued to accumulate

Highly regarded as a top-class SASE implementation & operation vendor

- Palo Alto Networks 2023 JAPAC SASE Partner of the Year (Dec. 2023) and Zscaler Momentum Partner of the Year 2023 (Oct. 2023) were given to IJ Global, IJ's subsidiary
- From a vendor neutral position, provide all-in-one support ranging from solution selection, design, construction, implementation to operation

Strong demand for "IJ C-SOC Service"

Greater opportunity to integrate it as a part of large NW renewal project

- IJ's competitive advantages:
 - Collaborate with various in-house developed managed type gateway security services
 - Wide monitoring scope including EDR and SASE
 - Apply abundant traffic log data to develop IJ's unique intelligence as well as detect threat

Continued to enhance service line-ups and functions

- Launched "IJ leaked account detection solution" in Nov. 2023
 - Research, detect and help manage leaked account information
- Launched "IJ Attack Surface Assessment Solution" in Nov. 2023
 - Automatically detect IT asset that could potentially become cyber attacks target and conduct risk assessment

• 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 patterns, etc.

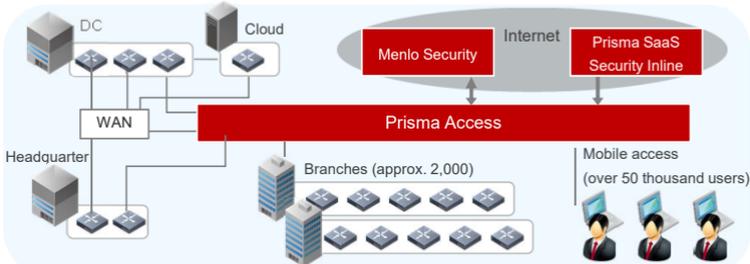
Mail Security	Web GW
<ul style="list-style-type: none"> ➢ Full outsource of mail system, countermeasures for spam mail, etc. ➢ IJ Secure MX Service (SMX) <ul style="list-style-type: none"> • Cloud-based integrated mail security service (launched in Sep. 2006) • Differentiating by in-house developed multi-filtering, 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 	<ul style="list-style-type: none"> ➢ Full outsource of web security, URL filtering, etc. ➢ IJ Secure Web GW Service (SWG) <ul style="list-style-type: none"> • Cloud-based integrated web security service (launched in Mar. 2009) • Differentiating by in-housed developed engines etc. to block and isolate web functions, etc.
NW Security	SASE
<ul style="list-style-type: none"> ➢ IJ DDoS Protection Service <ul style="list-style-type: none"> • Comprehensive service to protect enterprise network system from DDoS attacks (launched in Oct. 2005) • 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 (launched in Jan. 2017) ➢ IPS/IDS, WAF, etc. 	<ul style="list-style-type: none"> ➢ Operation of Prisma Access, Zscaler etc. ➢ IJ Secure Access Service "ISA" <ul style="list-style-type: none"> • Launched in Sep. 2022 • In-house developed SASE service • Differentiating by operating in Japan, high compatibility with other IJ security services such as C-SOC, small start and low-price range
FW (Firewall)	SOC and others
<ul style="list-style-type: none"> ➢ Outsource of firewall operation, detection system for anomaly, etc. (launched in Oct. 2006) 	<ul style="list-style-type: none"> ➢ IJ C-SOC Service <ul style="list-style-type: none"> • Launched in Oct. 2018 • Operational SOC service unique to ISPs: visualize invisible threats by applying IJ'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.

III - 5. Recent Topics and others

Large-scale NW renewal for a prominent financial institution

- ◆ Project size: revenue approx. ¥4 billion, 8 years, (acquired in Jan. 2024)
 - The revenue is to be recognized mainly in outsourcing services (from FY25)
- ◆ IIJ won the project against a prominent legacy Sler and a prominent telecom carrier by comprehensive strengths including abundant experience in implementing and operating large-scale SASE projects

■ Solution provided by IIJ ■ SI provided by IIJ



Raptor service platform renewed: Sony Bank as its first user

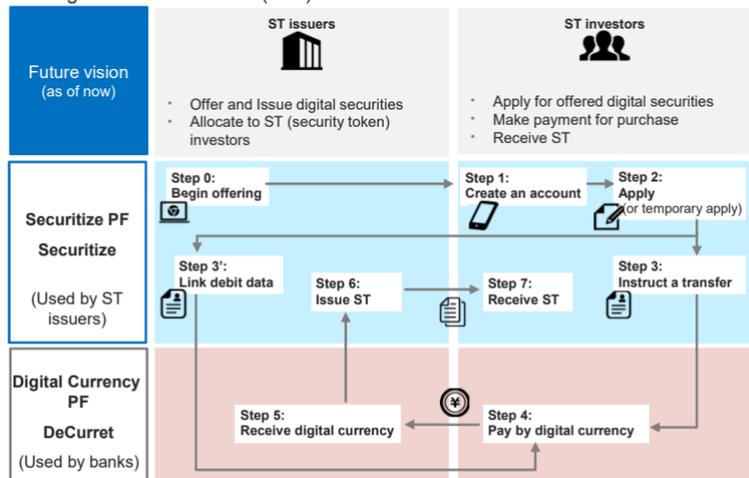
IIJ Raptor Service	<ul style="list-style-type: none"> • In-house developed foreign exchange service for financial institutions (The revenue is 100% recognized as systems operation and maintenance) • Launched in Nov. 2010 • Clients: au Kabu.com Securities, Hirose Tsusho, Nomura Securities, SMBC Nikko Securities, Sony Bank, and others (dozens of companies), top share in Japan
New platform	<ul style="list-style-type: none"> • Cloud-native design ✓ Scalability, performance, and security features largely improved from the previous platform • Sony Bank, the current client, is 1st user of renewed platform

DeCurret DCP Partnership with Securitize

- ◆ Aim to adopt digital currency for digital securities' settlement

DeCurret DCP Inc.	<ul style="list-style-type: none"> • Parent company DeCurret Holdings has 35 shareholders of which IIJ is the largest (ownership: 38.2%). Others include financial institutions, telecom carriers, trading companies, Slers, real estate, logistics, retailers etc. • Plan to launch Japan first digital currency platform service in July 2024
Securitize Japan K.K.	<ul style="list-style-type: none"> • Parent company Securitize, Inc. (US) was established in 2017 and provides PF to issue and manage digital securities

- ◆ Image of transaction/flow (idea)



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

% of Revenues		YoY	
FY23 1H Target <small>(Apr. 2023 - Sep. 2023)</small>			
138.0	+13.1%	+16.04	
107.9	+13.0%	+12.38	
30.2	+13.8%	+3.66	
16.8	+9.3%	+1.43	
13.4	+19.9%	+2.23	
(0.2)	-	(0.1)	
13.0	+1.1%	+0.14	
8.9	+2.5%	+0.21	

	Assumptions for Revenue Targets	Assumptions for Gross Profit Targets	Other Assumptions
NW service <small>(excluding Mobile)</small>	<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 DeCurret'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 1Q-3Q23 	<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

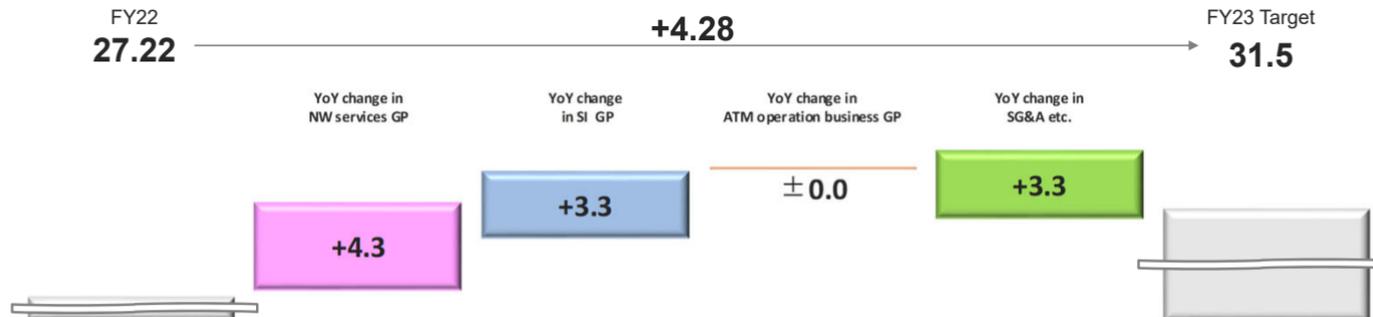
Unit: ¥ (JPY) billion (bn)
GP = Gross Profit
YoY = Year over year comparison

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

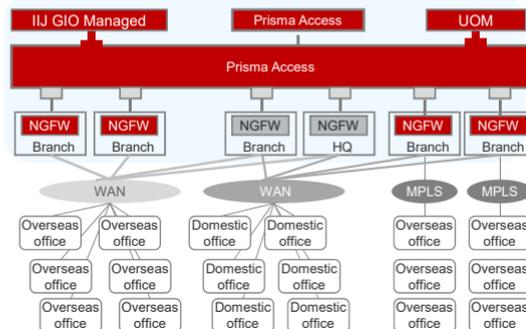
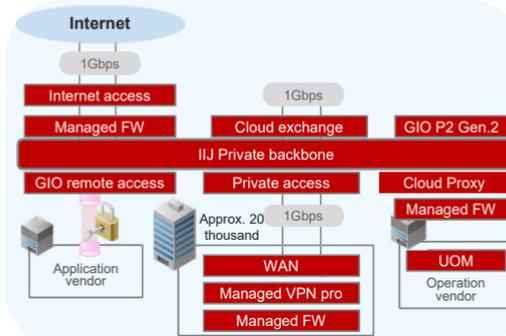
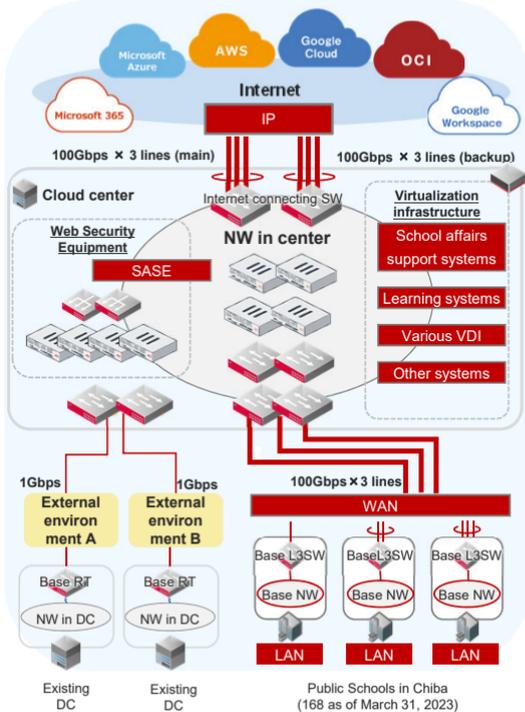
Acquired large-scale Service Integration projects

■ Services provided by IJJ
 ■ SI provided by IJJ

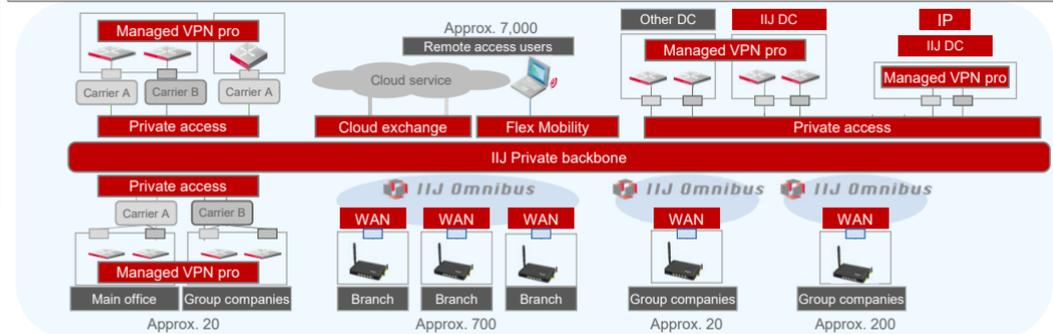
Educational Information NW for Chiba city

Integrated information system for public safety org.

Large-scale SASE project for a global company



Total NW project for a prominent company group



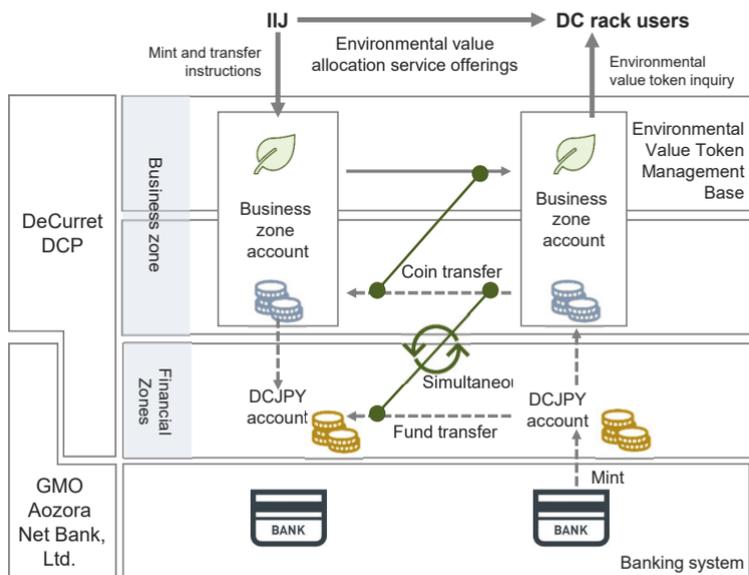
UOM: Unified Operation Management, NGFW: Next Generation FireWall, MPLS: MultiProtocol Label Switching

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

Appendix FY23 Dividend Forecast

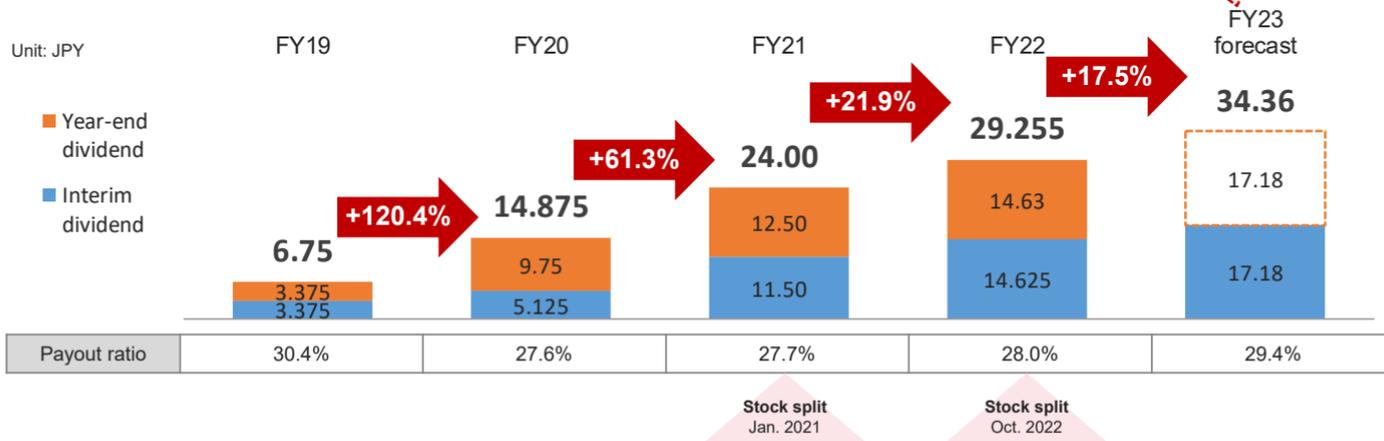
◆ Basic shareholders' return policy:

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

Comparison between the old & new plans of consumer mobile

Including tax

Old

New: GigaPlans (Apr. 2021~)

Current Price

eSIM with voice plans are offered at the same price

Basic Monthly Charge	Old		New: GigaPlans (Apr. 2021~)		Current Price					
Basic Monthly Charge	Minimum Start Plan (3GB)	With voice	¥1,760	2Giga Plan (2GB)	With voice	¥858	2Giga Plan (2GB)	With voice	¥850	
		Data-only	¥990		Data-only	¥748		Data-only	¥740	
	Light Start Plan (6GB)	With voice	¥2,442	4Giga Plan (4GB)	With voice	¥1,078	5Giga Plan (5GB)	With voice	¥990	
		Data-only	¥1,672		Data-only	¥968		Data-only	¥900	
	Family Share Plan (12GB)	With voice	¥3,586	8Giga Plan (8GB)	With voice	¥1,518	10Giga Plan (10GB)	With voice	¥1,500	
		Data-only	¥2,816		Data-only	¥1,408		Data-only	¥1,400	
		With voice	¥3,586	15Giga Plan (15GB)	With voice	¥1,848	15Giga Plan (15GB)	With voice	¥1,800	
		Data-only	¥2,816		Data-only	¥1,738		Data-only	¥1,730	
		With voice	¥3,586	20Giga Plan (20GB)	With voice	¥2,068	20Giga Plan (20GB)	With voice	¥2,000	
		Data-only	¥2,816		Data-only	¥1,958		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

Appendix Data center (DC)

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

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



Tesla's power pack



Edge computing



	Matsue DCP (opened in Apr. 2011)	Shiroy 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 up to 3rd site) <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)

- 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.

Creation of Guiding Principles for Employees “Backbone of IJ”

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

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 “IJ 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

Company Profile

IIJ has been taking initiatives in Internet Infrastructure field in Japan

Established	December 1992 (The first established full-scale ISP in Japan)
Number of Employees	4,791 (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

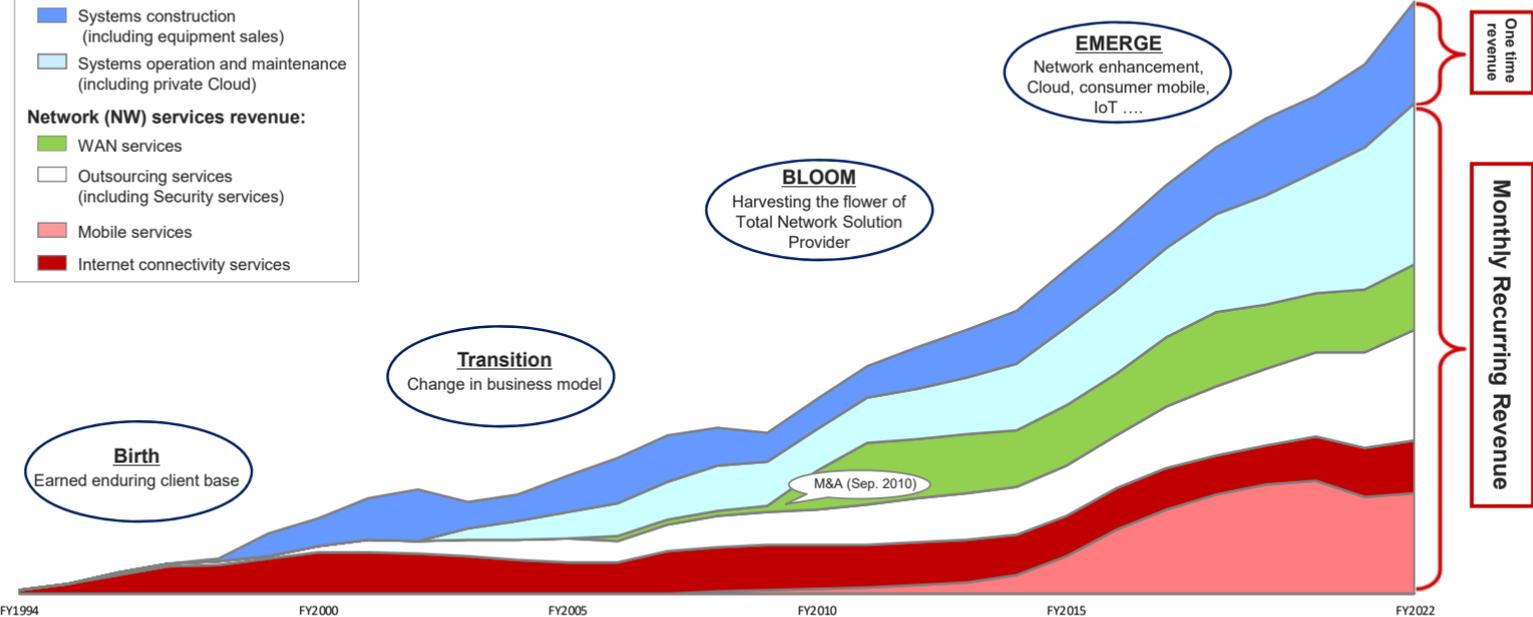
- ✓ Differentiate by continuous network service developments and business investments
- ✓ Focus on Cloud, mobile, security, solutions related to Big Data, IoT and data governance
- ✓ Always ahead of telecom carriers and systems integrators (SIs) with regards to services development and operation

and many more

• Number of employees is on the consolidated basis and as of Dec. 31, 2023.
 • 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

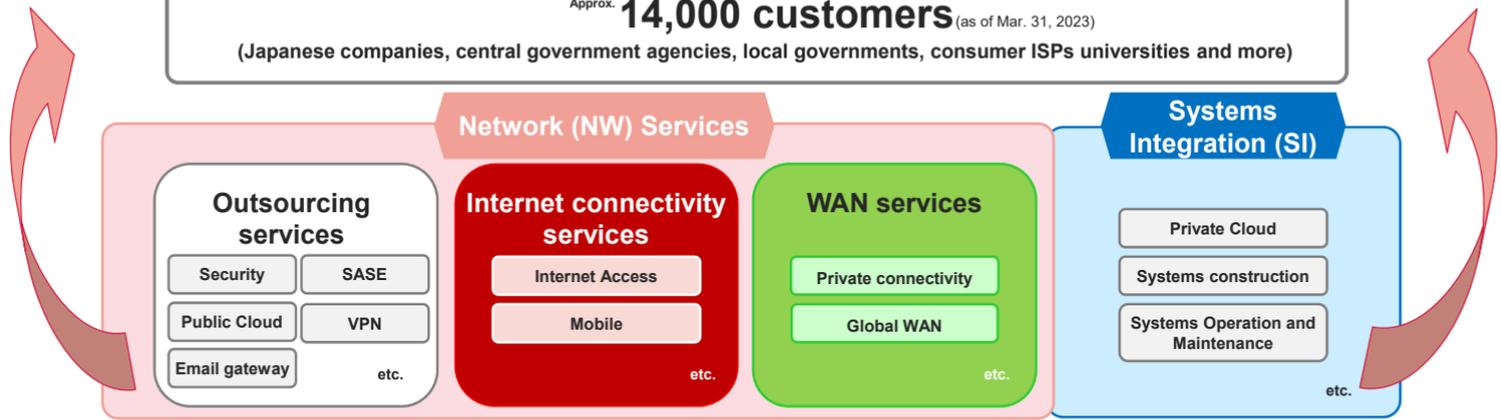
- Systems Integration (SI) revenue:**
- Systems construction (including equipment sales)
 - Systems operation and maintenance (including private Cloud)
- Network (NW) services revenue:**
- WAN services
 - Outsourcing services (including Security services)
 - Mobile services
 - Internet connectivity services



IIJ as a Total Network Solution Provider

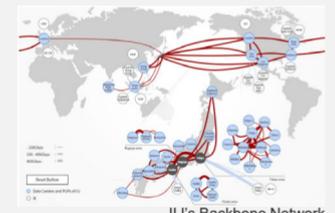
Offers various network services and systems integration together in many projects

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

<https://www.ijj.ad.jp/en/ir/integrated-report/directors/>
 Holdings of IJ share are as of Sep. 30, 2023
 Suzuki's share includes his wholly owned private company portion

About IJJ	Business Model
Strength	Growth Strategy



Koichi Suzuki

- Founder of IJJ
- Chairman, Representative Director and co-CEO
- Holdings of IJJ 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, IJJ's affiliated company, as a concurrent position
- Holdings of IJJ shares: 5,819 shares (0.0%)
- Date of birth: November 1958



Eijiro Katsu

- President, Representative Director and co-CEO & COO
- Career: Vice Minister of Finance
- Holdings of IJJ 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 IJJ 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 LLLC

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

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

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

Initiatives for Sustainability

PDF download link for Integrated Report Portal can be here
https://www.ij.ad.jp/en/ir/integrated-report/archives/pdf/integrated-repot2022_en.pdf

About IJ	Business Model
Strength	Growth Strategy

IJ'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"

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 Shiroi: 1.31



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)

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

More information on IJ's corporate governance: <https://www.ij.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 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

SWOT of IJ

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
 - IJ's overseas business is mainly global network operation and is to increase Japanese clients' loyalty
- ◆ Smaller in size compared to competitors
 - IJ 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
 - IJ focuses on promoting digitalization of large Japanese companies with various network services and systems integration to fully meet their needs

Unit: ¥ (JPY) billion (bn)

Extensive Service Lineups

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 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 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) 													
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) 																
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>Managed security services, Security Operation Center services and so many more</td> </tr> <tr> <td>Public Cloud</td> <td>2.82</td> <td>Offered as a part of Cloud service line-ups</td> </tr> </table>	Security	26.74		Managed security services, Security Operation Center services and so many more	Public Cloud	2.82	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>Operation and maintenance of constructed systems</td> </tr> <tr> <td>Private Cloud etc.</td> <td>29.61</td> <td>Promote Cloud shift with abundant, highly reliable, value-added private Cloud related service line-ups</td> </tr> </table>	On-premise Systems	38.39	Operation and maintenance of constructed systems	Private Cloud etc.	29.61	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	Operation and maintenance of constructed systems															
Private Cloud etc.	29.61	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 														

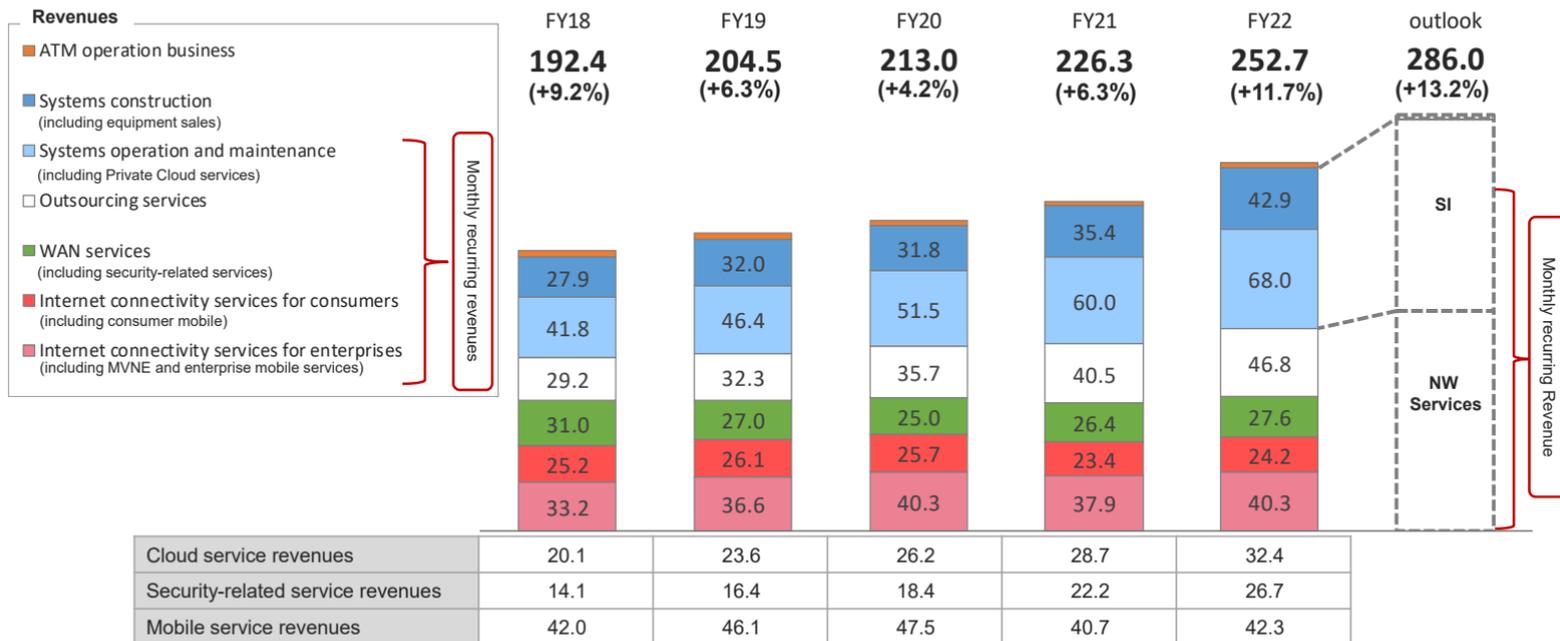
Monthly Recurring Revenue 82%

One time revenue

Monthly Recurring Revenue Accumulation

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

About IJ	Business Model
Strength	Growth Strategy



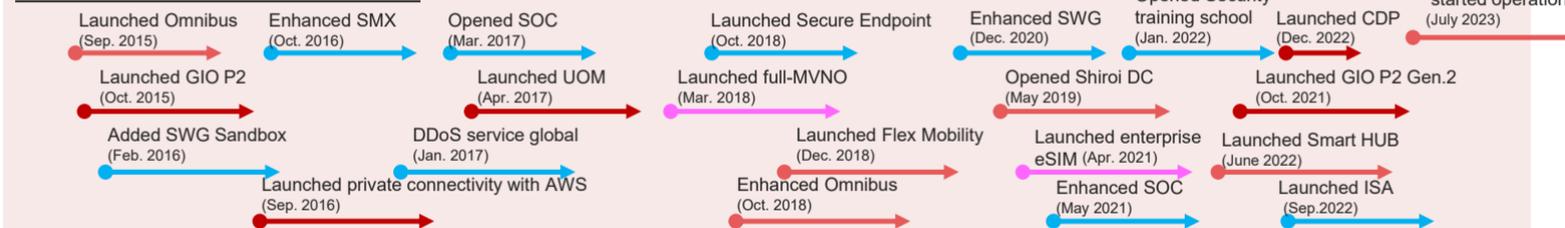
- Mobile revenue decreased year over year in FY21 due to ARPU decrease for consumers and change in unit charge for MVNE clients
- Systems construction and systems operation & maintenance revenue increase for FY21 includes PTC revenue which became IJ's consolidated subsidiary from Apr. 2021
- During FY20,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

Unit: ¥ (JPY) billion (bn)

Capex and Business Developments

	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	-
Shiroi 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	-

Various Network Services Asset

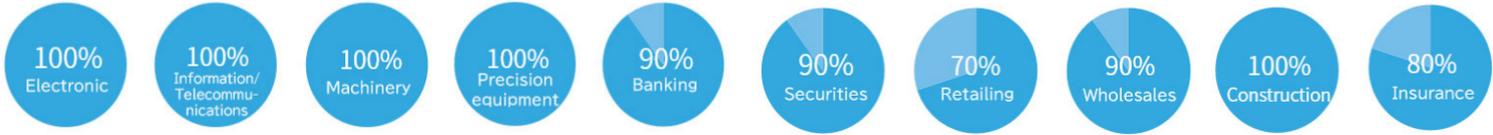


• FY16: US-GAAP, from FY17: IFRS
 • CAPEX-related depreciation and amortization is calculated by excluding depreciation and amortization of assets that do not have the nature of capital investment, such as right-of-use assets related to operating leases, small-amount equipment and customer relationship
 © Internet Initiative Japan Inc.

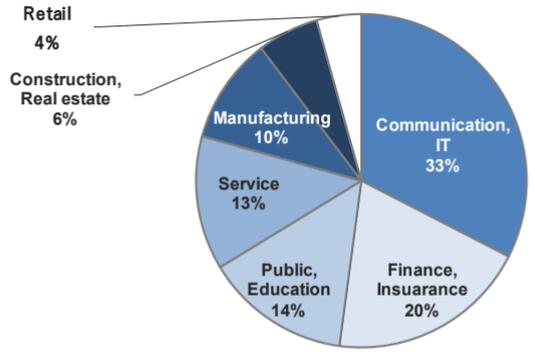
Excellent Customer Base (Number of IJ Group's clients: approx. 14,000 as of March 31, 2023)

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

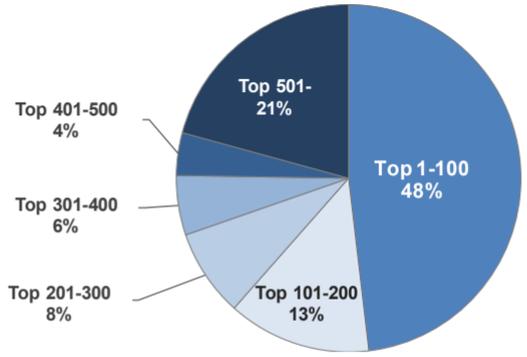
Cover Most of Top Revenue Companies



Client Distribution by Industry



Client Distribution by Revenue Volume



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

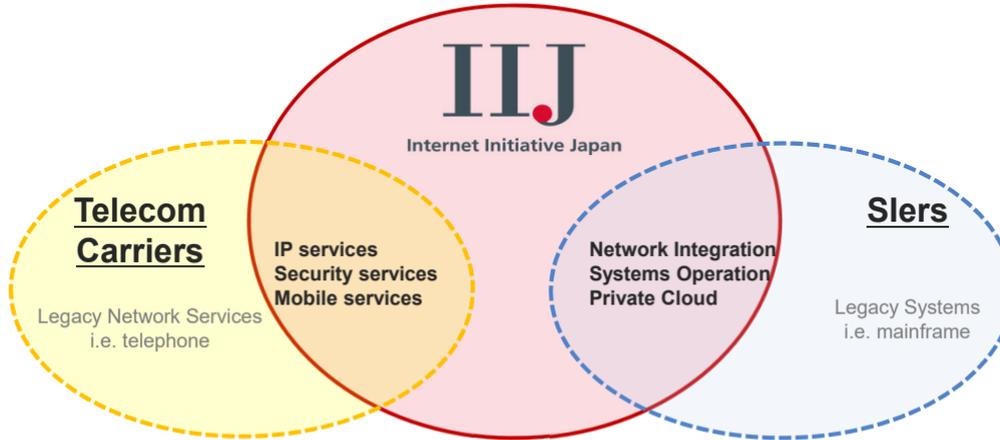
Competitive Advantages

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 (SIs), IIJ

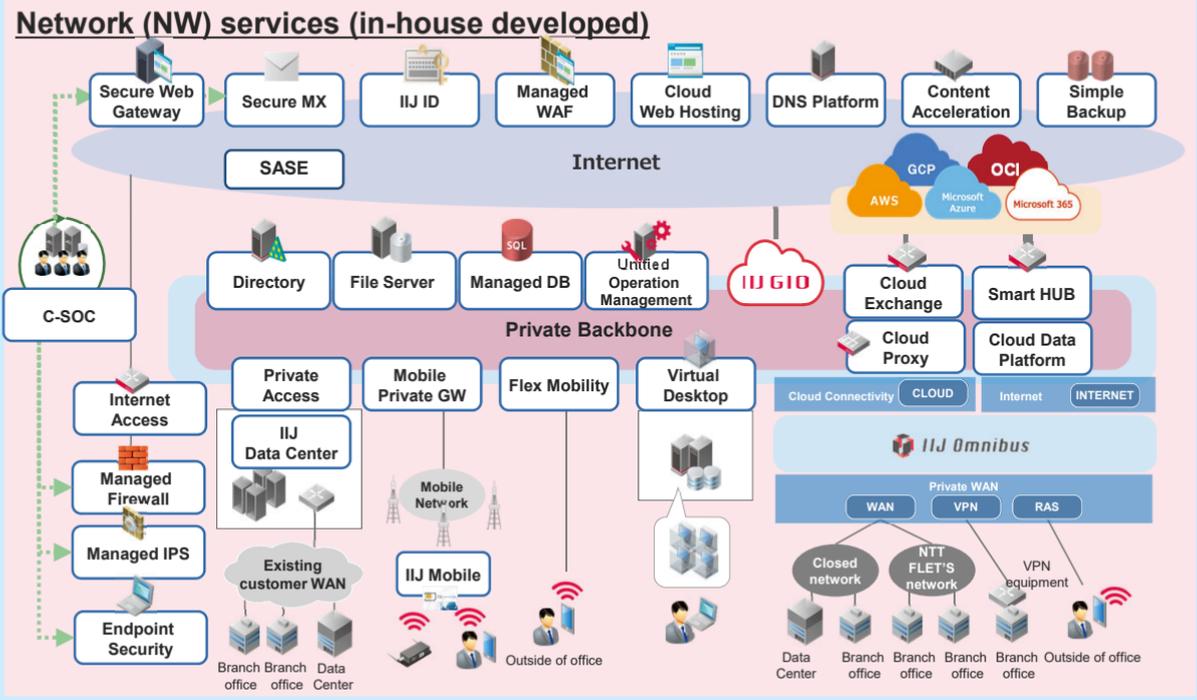
- Operates one of the largest Internet backbone (SIs do not)
- Has NW services asset and development capability (SIs do not)
- Focuses on Internet-related open type systems



**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



Mid-term Plan (FY21-FY23)

Unit: ¥ (JPY) bn

Previous Mid-term (FY15 - FY20)

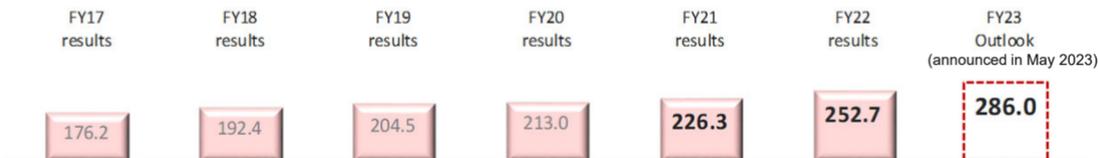
Current Mid-term (FY21 - FY23)

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)

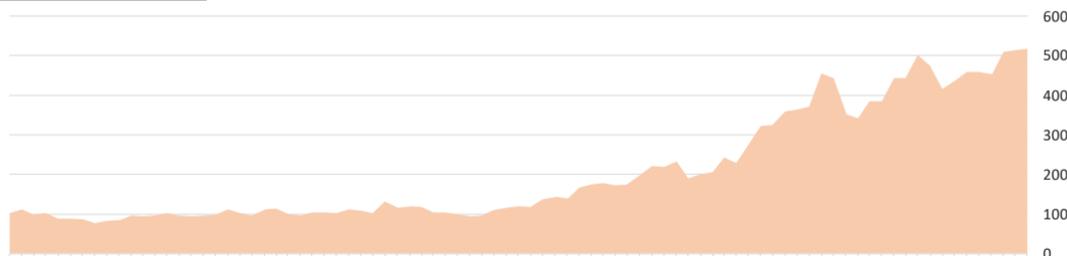
Revenue



Operating Margin and Operating Profit

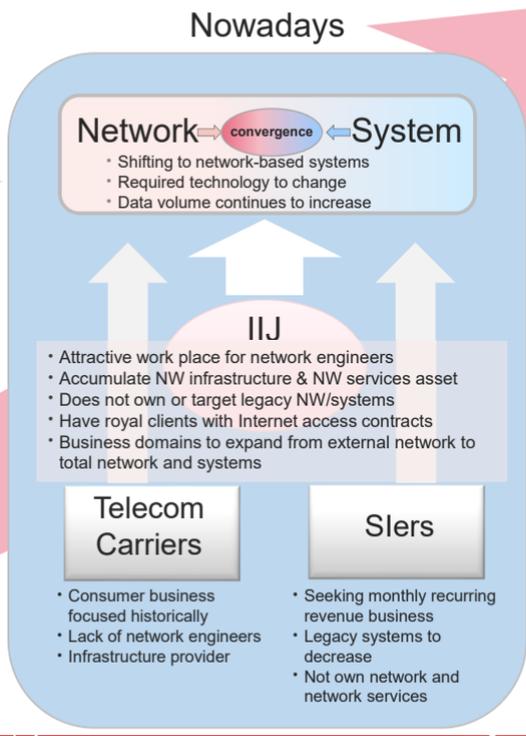
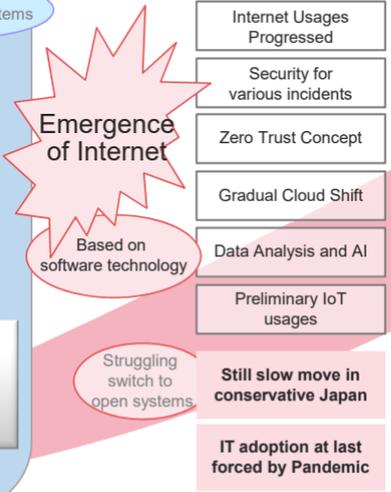
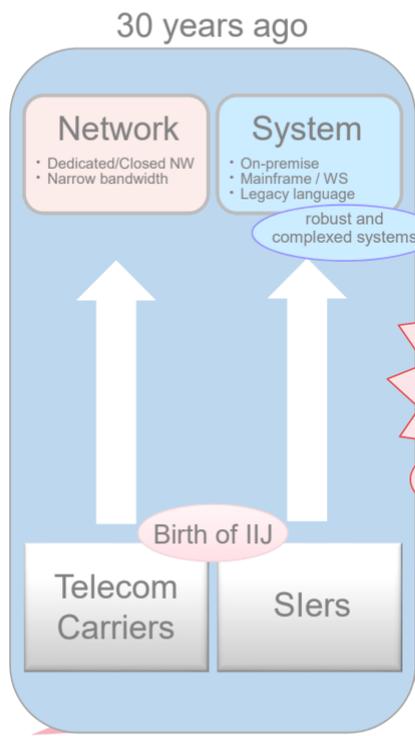


Market capitalization



- ◆ 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

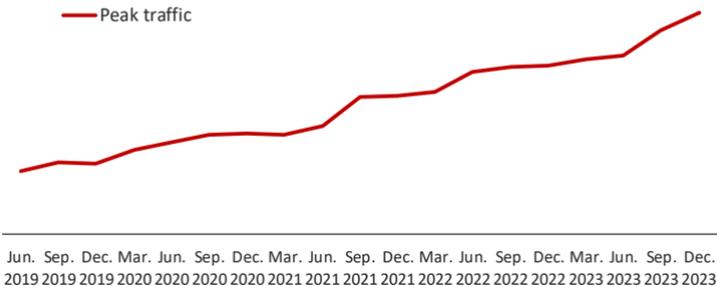


- Labor shortage require more IT
- Japan needs more competitiveness by IT
- Every CEO says DX (Digital Transformation)
- Legacy NW and Systems to be reformed
- Internet Traffic Continue to Increase
- Cyber Security Demands
- Importance for Data governance
- Cloud Systems Penetration
- 5G SA adoption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



Source: INTERNET MULTIFEED CO., IX = Internet Exchange

Status of Cloud migration

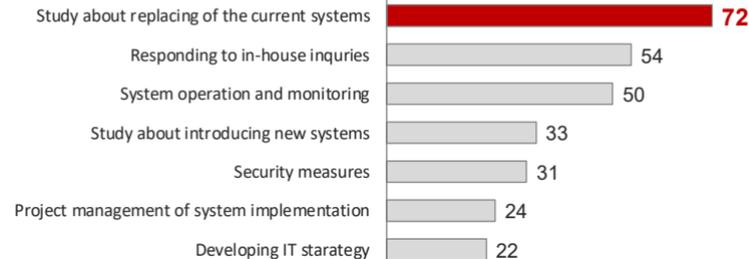
Location of servers working and/or deployed



Source: Internet Initiative Japan "Nationwide survey on IT department" 2021 N=737, 2022 N=598, 2023 N=214

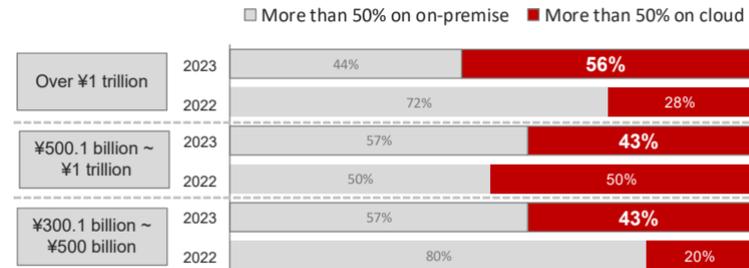
Operation where IT department spends the most time

Top 7 items are shown below



Source: Internet Initiative Japan "Nationwide survey on IT department 2023" Dec. 2023, N=359

Status of Cloud migration by clients' annual revenue size



Source: Internet Initiative Japan "Nationwide survey on IT department" Nov. 2022 2022 N = 598, 2023 N = 359



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.