

Consolidated Financial Results for FY2020 (April 1, 2020 to March 31, 2021)



Internet Initiative Japan

Internet Initiative Japan Inc.
TSE1 (3774)
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Disclaimer

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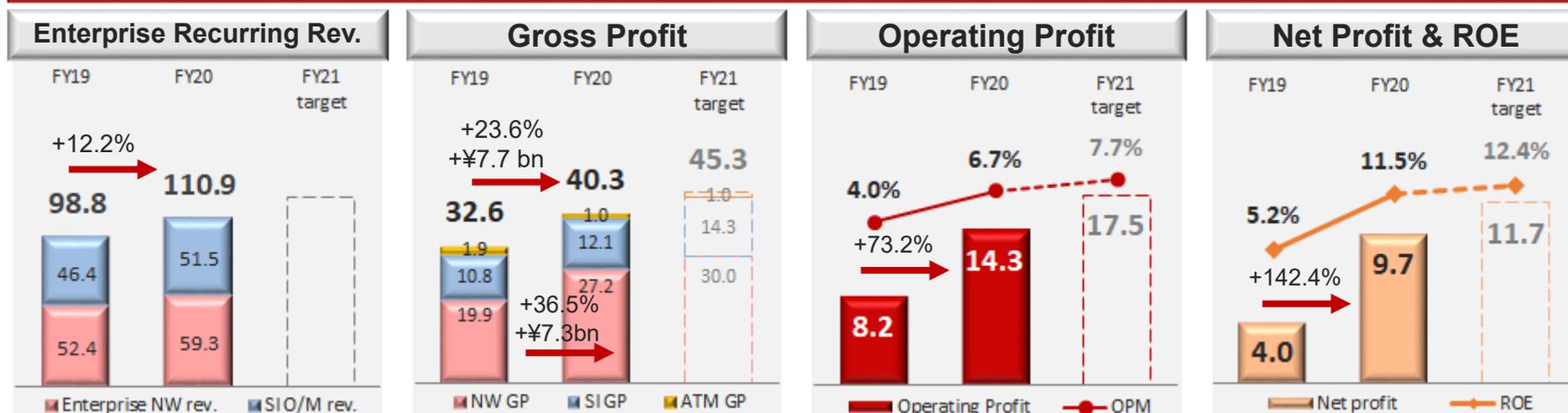
I . FY2020 Summary

Unit: ¥ (JPY) billion (bn) except for dividend per share (¥)
 mil = million
 %= Year over year

Phase of structural profit expansion with enterprise recurring revenue growth

Accumulated asset of blue-chip customer base & NW service business
 strongly demonstrated competitive advantage under the digital transformation expansion

Revenues ¥213.00 bn +4.2% Operating Profit ¥14.25 bn +73.2%



◆Enterprise recurring revenue

Stronger than expected expansion of ICT usage, Growth rate accelerated FY20 + 12.2%, FY19 +10.3%

- Satisfying enterprise NW demands that are becoming more diversified and complexed by continuously expanding and improving in-house developed services
 - IP services ¥12.17 bn +13.7% +¥1.5 bn, Outsourcing services ¥35.71 bn +10.4% +¥3.4 bn, Cloud services ¥26.20 bn +11.1% +¥2.6 bn

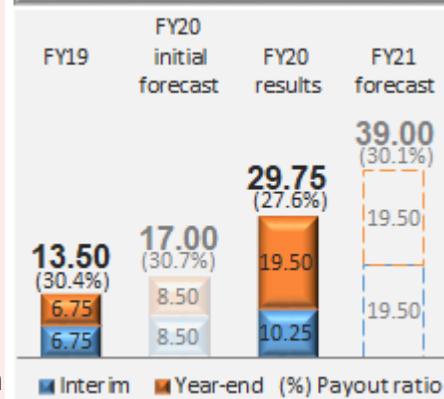
◆Mobile/IoT

Enterprise: leading IoT penetration with full-MVNO, Consumer: enhance our presence with new plan

- Total mobile revenue ¥47.52 bn +3.1% , of which enterprise ¥7.81 bn +29.6%
- Total mobile subscription 3.251 mil +7.3% , of which enterprise 1.110 mil +31.8%

◆Amid the COVID pandemic, leveraged comprehensiveness with enterprise NW services & integration

Dividend per share



(Notes) Enterprise NW revenues: sum of Internet Connectivity Services (Enterprise) excluding MVNE and Outsourcing. It does not include WAN Services which had specific factor.
 Net profit is "Profit for the period/year attributable to owners of the parent"

II - 1. Consolidated Financial Results

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

	% of revenue		YoY		% of revenue		YoY	
	FY20 Apr. 2020 - Mar. 2021	FY19 Apr. 2019 - Mar. 2020			FY20 Targets (Revised on Feb. 8, 2021)(*3) Apr. 2020 - Mar. 2021			
Revenues	213.00	204.47	+4.2%	+8.53	213.0	+4.2%	+8.53	
Cost of Revenues	81.1% 172.72	84.1% 171.88	+0.5%	+0.84	81.6% 173.9	+1.2%	+2.02	
Gross Profit	18.9% 40.28	15.9% 32.59	+23.6%	+7.69	18.4% 39.1	+20.0%	+6.51	
SG&A etc. (*1)	12.2% 26.03	11.9% 24.37	+6.8%	+1.67	12.0% 25.6	+5.1%	+1.23	
Operating Profit	6.7% 14.25	4.0% 8.23	+73.2%	+6.02	6.3% 13.5	+64.1%	+5.27	
Profit before tax	6.6% 14.03	3.5% 7.16	+96.0%	+6.88	5.8% 12.3	+71.8%	+5.14	
Net Profit (*2)	4.6% 9.71	2.0% 4.01	+142.4%	+5.70	3.6% 7.6	+89.7%	+3.59	
Annual Cash Dividend Per Share	¥29.75	¥13.50	+120.4%	+¥16.25	¥20.50	+51.9%	+¥7.00	

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

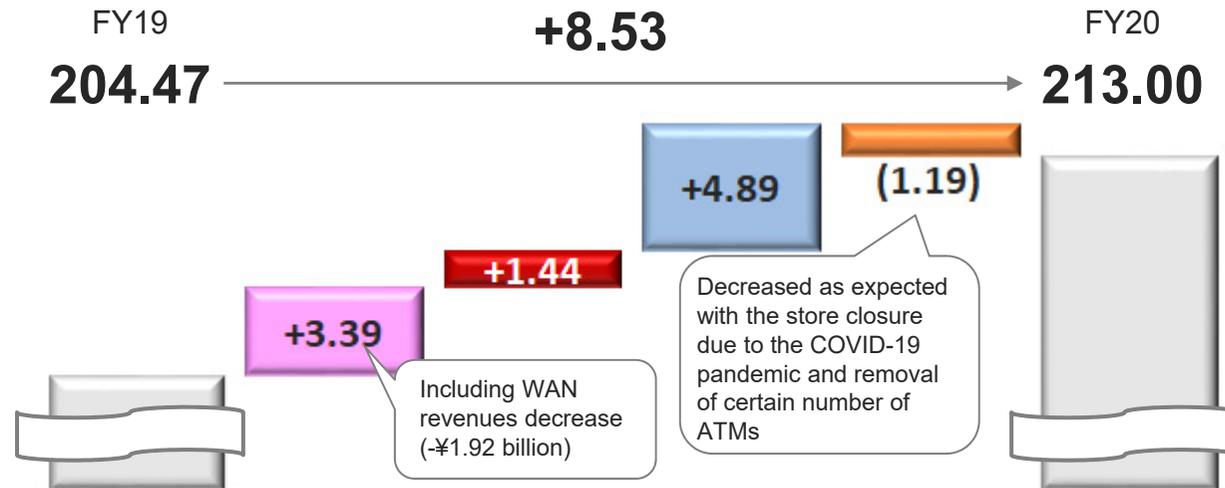
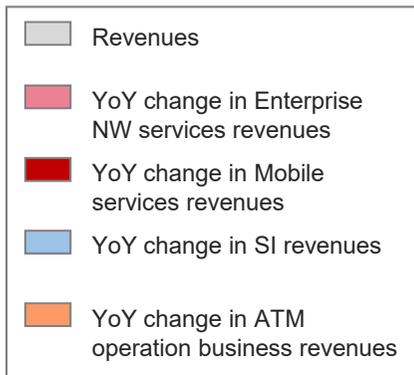
(*2) Net profit is "Profit for the period/year attributable to owners of the parent."

(*3) FY20 Targets were revised upward from the original targets on Nov. 9, 2020 and Feb. 8, 2021.

II - 2. FY2020 Revenue & Operating Profit YoY

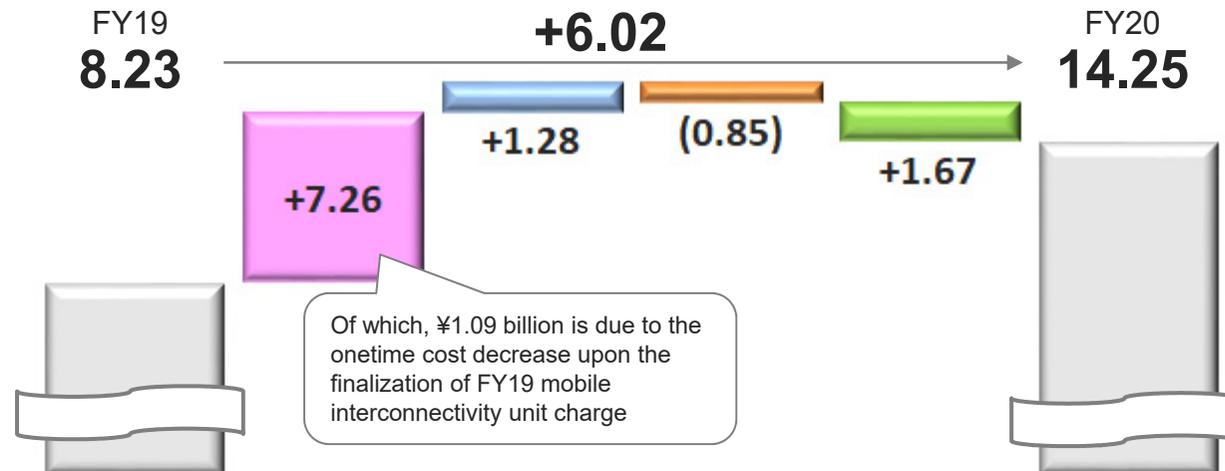
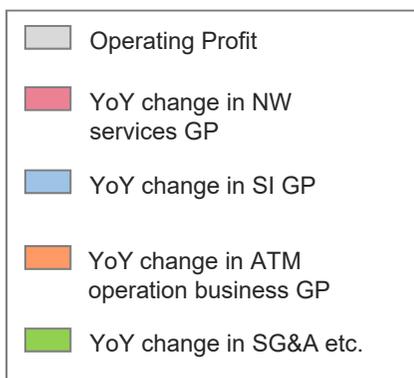
Unit: JPY billion
GP: Gross Profit

Revenues



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

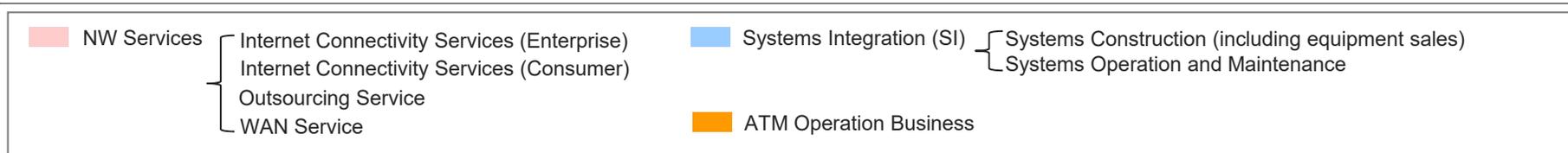
Operating Profit



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

II - 3. Revenues

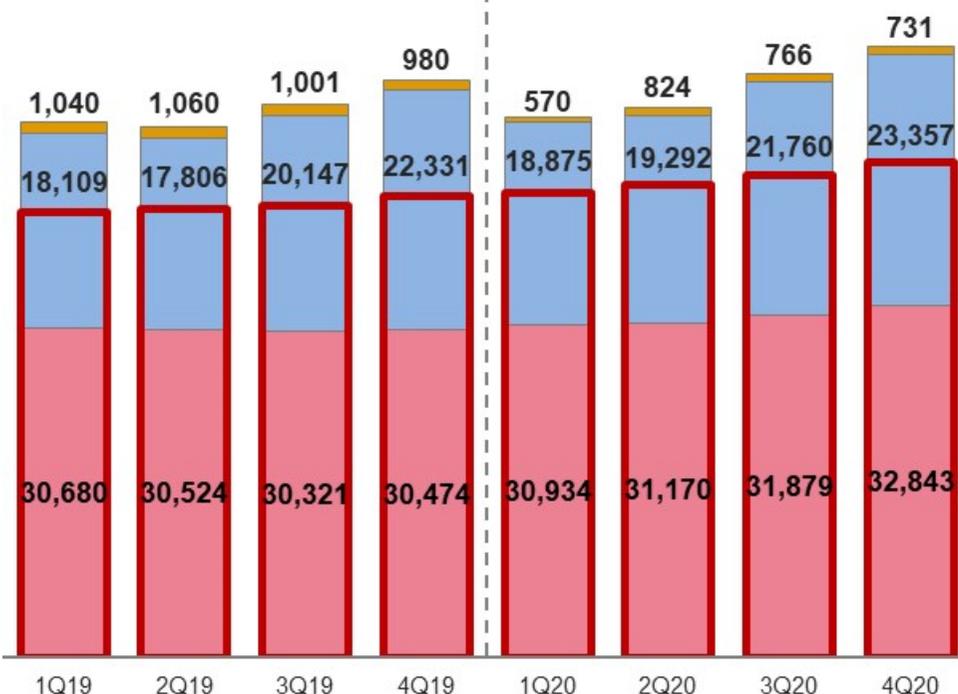
Unit: ¥ (JPY) million
[], YoY = Year over year comparison



FY19: 204,474 [+6.3%]

FY20: 213,002 [+4.2%]

49,829 49,391 51,469 53,785 50,379 51,286 54,405 56,932



One-time Revenue
FY20: ¥31,767 million, -0.7% YoY
(14.9% of FY20 revenues)

Recurring Revenue
FY20: ¥178,344 million, +5.9% YoY
(83.7% of FY20 revenues)

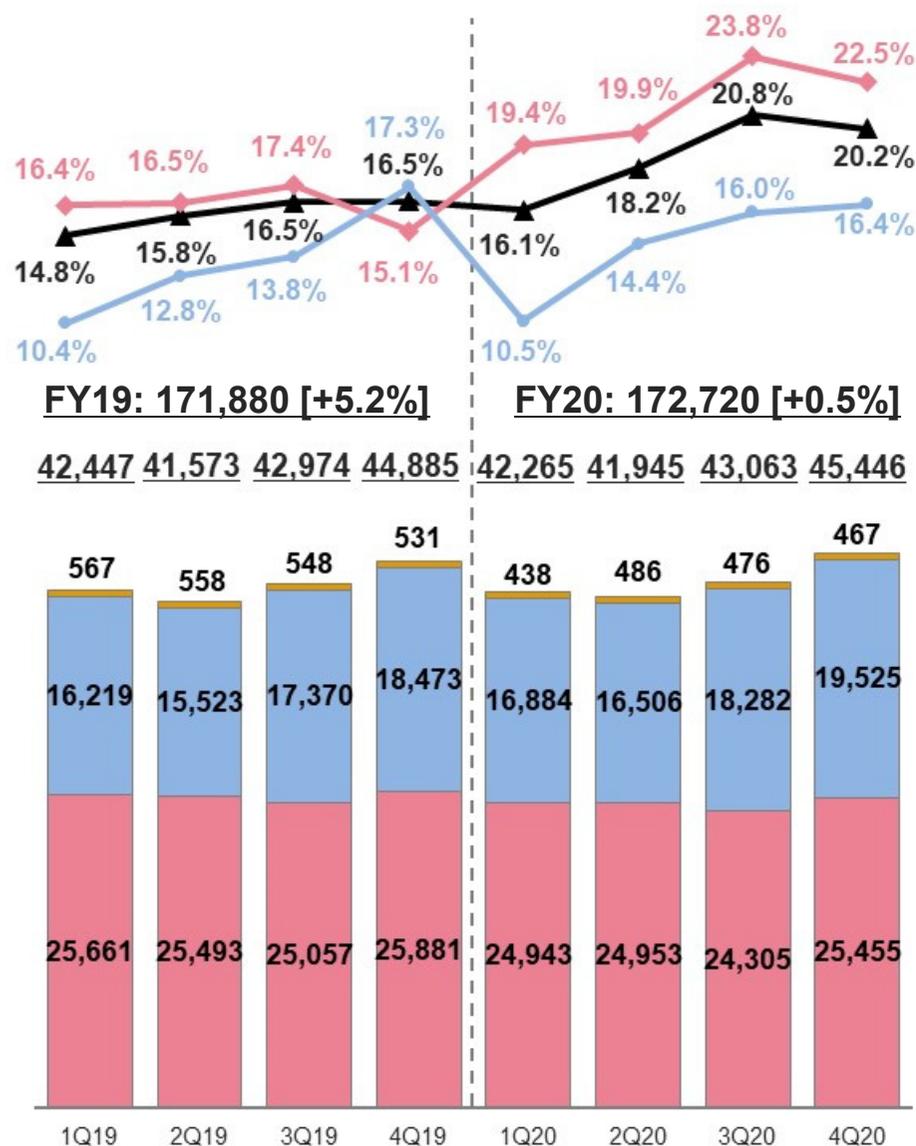
Enterprise Recurring Revenue
FY20: ¥110,855 million, +12.2% YoY
(52.0% of FY20 revenues)
➢ 1Q +11.5%, 2Q +12.3%, 3Q +13.1%, 4Q +11.8% YoY

- One-time revenue, systems construction revenues which includes equipment sales, is mainly recognized when systems or equipment are delivered and accepted by customers
- 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
- Enterprise recurring revenue: Internet Connectivity Services (Enterprise) excluding MVNE, Outsourcing Service and Systems Operation and Maintenance, which excludes WAN Services due to the impact of specific factor.

II - 4. Cost of Sales & Gross Profit Ratio

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

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



Gross Profit

◆ Total

- FY20: ¥40,282 million (+23.6%, +¥7,689 million YoY)
 - 1Q: ¥8,113 million (+9.9%, +¥731 million YoY)
 - 2Q: ¥9,342 million (+19.5%, +¥1,524 million YoY)
 - 3Q: ¥11,342 million (+33.5%, +¥2,848 million YoY)
 - 4Q: ¥11,485 million (+29.1%, +¥2,585 million YoY)

◆ NW Services

- FY20: ¥27,171 million (+36.5%, +¥7,264 million YoY)
 - 1Q: ¥5,991 million (+19.4%, +¥972 million YoY)
 - 2Q: ¥6,217 million (+23.6%, +¥1,186 million YoY)
 - 3Q: ¥7,574 million (+43.9%, +¥2,311 million YoY)
 - 4Q: ¥7,388 million (+60.9%, +¥2,796 million YoY)
 - ✓ Onetime cost decrease impact was recorded in 3Q20 (¥0.70 billion) & 4Q20 (¥0.39 billion) as the mobile interconnectivity (unit charge) based on FY19 was fixed
 - ✓ Onetime cost increase impact was recorded in 4Q19 (¥0.35 billion) as the mobile interconnectivity (unit charge) based on FY18 was fixed

◆ SI

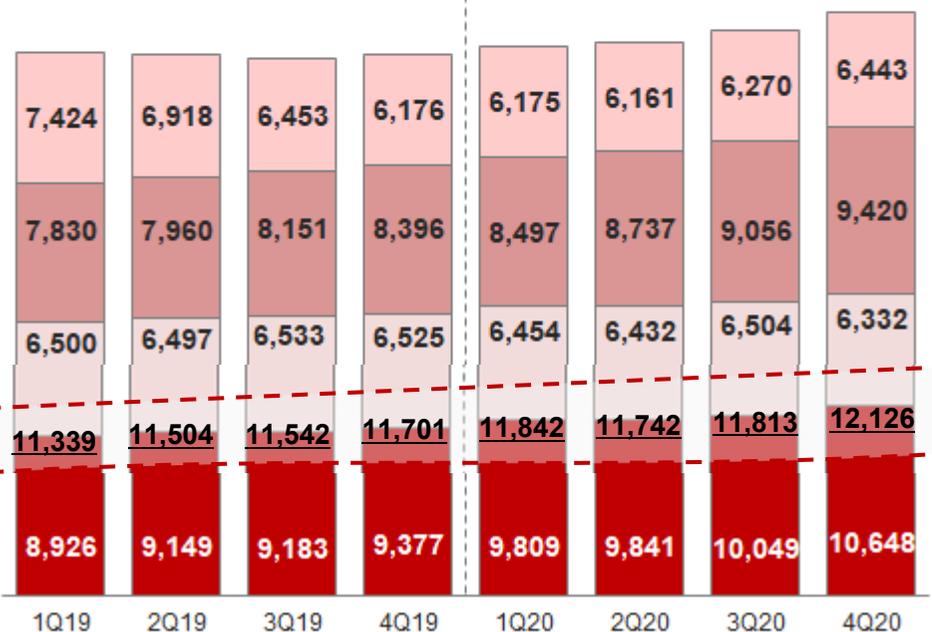
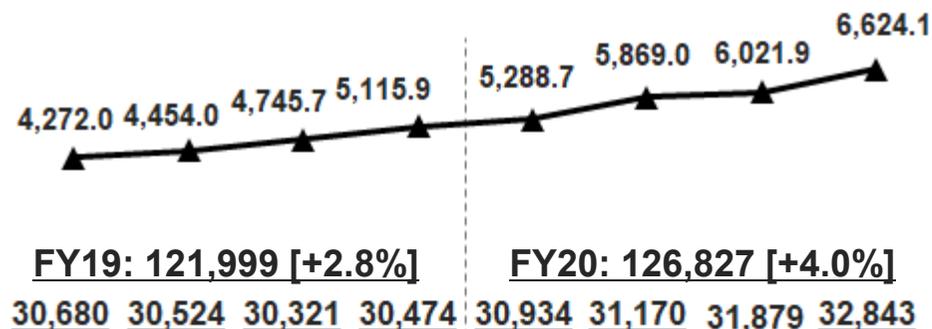
- FY20: ¥12,087 million (+11.8%, +¥1,278 million YoY)
 - 1Q: ¥1,991 million (+5.4%, +¥101 million YoY)
 - 2Q: ¥2,786 million (+22.0%, +¥502 million YoY)
 - 3Q: ¥3,478 million (+25.2%, +¥701 million YoY)
 - 4Q: ¥3,832 million (-0.7%, -¥27 million YoY)
 - ✓ In 4Q, recognized allowance for prospected personnel-related costs of ¥0.31 billion

◆ ATM Operation Business

- FY20: ¥1,024 million (-45.4%, -¥853 million YoY)
 - ✓ The COVID-19 pandemic impact was largest in 1Q with store closure and stay-at-home orders. For the remaining quarters 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 = Quarter over quarter comparison



◆ Internet Connectivity (Enterprise)

- FY20: ¥40,347 million, +10.1% YoY
 - IP (Dedicated connectivity services for enterprise):
 - ✓ FY20: ¥12,171 million, +13.7% YoY +¥1.5 bn YoY
 - 1Q +9.4%, 2Q +10.8%, 3Q +17.2%, 4Q +17.5% YoY
 - IJ Mobile (enterprise): ¥24,525 million, +8.5% YoY
 - ✓ 1Q +10.2%, 2Q +6.0%, 3Q +6.2%, 4Q +11.6% YoY
 - Of which, IoT-related revenue: ¥7,807 million, +29.6% YoY
 - Of which, MVNE revenue: ¥16,718 million, +0.9% YoY

◆ Internet Connectivity (Consumer) (mostly consumer mobile)

- FY20: ¥25,722 million, -1.3% YoY
- Severe competition continued. Launched new consumer plans called "Giga Plans" (from Apr.1, 2021) targeting MVNO customers' demand

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

- FY20: ¥35,710 million, +10.4% YoY
- 1Q +8.5%, 2Q +9.8%, 3Q +11.1%, 4Q +12.2% YoY
- Of which, security services: ¥18.42 billion, +12.7% YoY

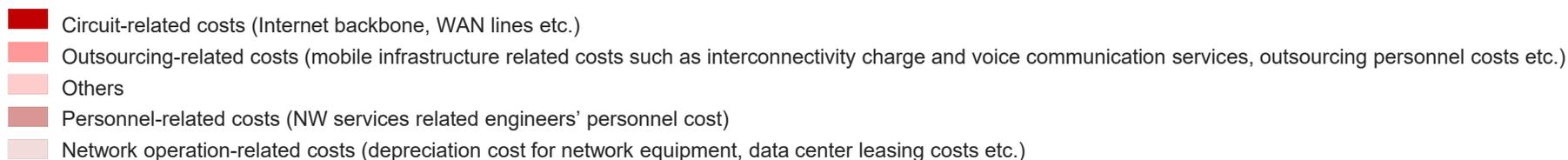
◆ WAN Services

- FY20: ¥25,048 million, -7.1% YoY (-¥1,923 million YoY)
- 1Q -16.8%, 2Q -11.0%, 3Q -2.8%, 4Q +4.3% YoY
- Revenue decreased by the impact of the certain large clients' migration to mobile which ended in 3Q19. After overcoming the annual impact, 4Q20 revenue increased YoY
- Revenue gradually increased QoQ due to the demands to include WAN to enterprise NW
- 3Q +¥0.11 billion +1.8% QoQ, 4Q +¥0.17 billion +2.8% QoQ

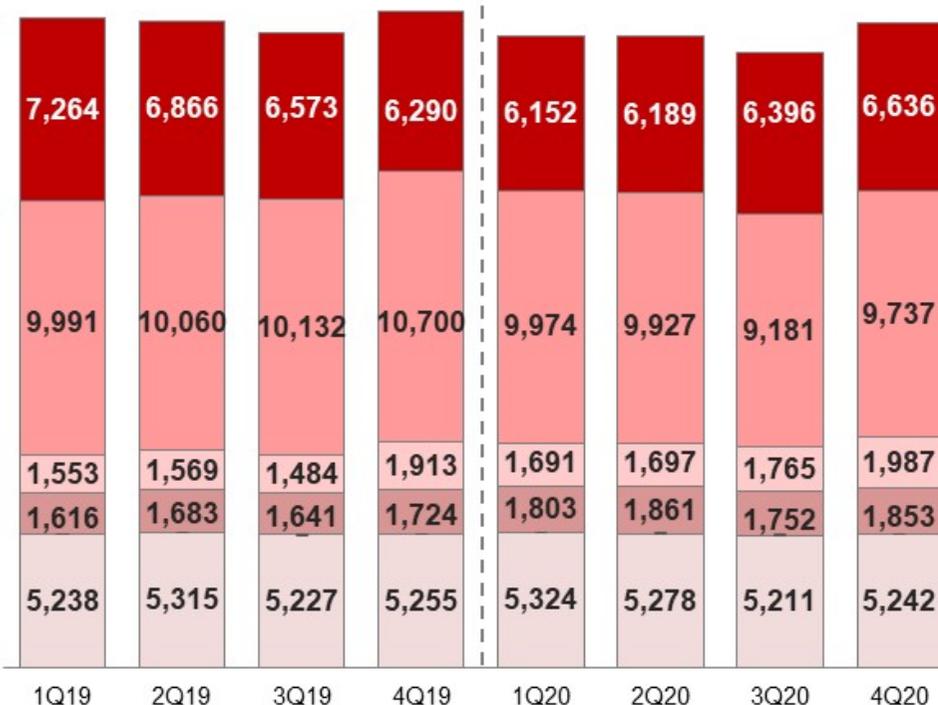
* Total contracted bandwidth is calculated by multiplying number of contracts by contracted bandwidths respectively for IP service and broadband services which are both under Internet connectivity services for enterprise

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

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



FY19: 102,092 [+0.8%] **FY20: 99,656 [-2.4%]**
 25,661 25,493 25,057 25,881 24,943 24,953 24,305 25,455



- FY20 circuit-related costs decreased by 6.0% YoY, along with WAN revenue decrease
 - Internet backbone purchasing cost remains stable as we can leverage scale merit by having one of the largest Internet backbone networks
- FY20 outsourcing-related costs decreased by 5.0%, ¥2.06 billion YoY along with mobile data interconnectivity YoY decrease (for details, please refer below)
- Others: Quarterly fluctuate along with the scale of supplies costs

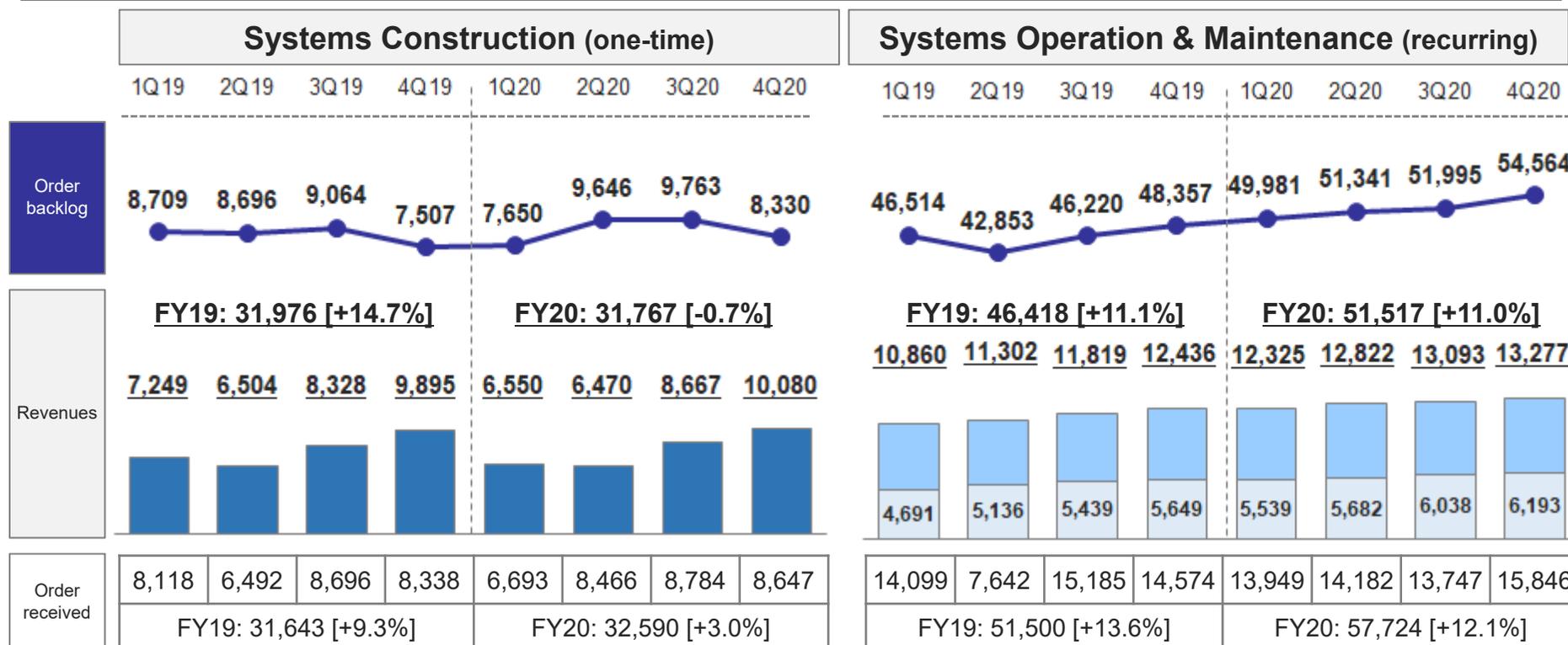
Regarding mobile data interconnectivity cost recognition:

(MNO's mobile infrastructure cost. Please refer P.18 of this presentation material)

- 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 (FY20 usage charge is expected to be fixed around Jan. 2022)
- Regarding our FY20 usage charge, from 1Q20, we use the unit charge disclosed by Docomo based on the future cost method, which was a decrease of 16.0% from their FY18 unit charge
- 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). The difference between the result and our estimate were recorded as onetime cost reduction: 3Q20 (¥0.70 bn) & 4Q20 (¥0.39 bn). Remainingly, FY20 mobile data interconnectivity cost YoY decrease rate is 3.0% YoY based on future cost method. we expect to have cost reduction impact when FY20 usage charge is fixed (around Jan. 2022)
- Regarding our FY19 & FY18 usage charge, Docomo's mobile interconnectivity charge based on FY18 results was fixed in Mar. 2020 and it decreased by 6.0% YoY. We recorded ¥0.35 bn (*) 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

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

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



- Systems construction's order backlog, revenue and order received include that of equipment sales.
- Systems construction's order received: Weak 1Q20 order received due to slowdown in business activity made 2Q20 order received stronger
1Q19 order received: A certain large scale project amounted to ¥2 billion

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

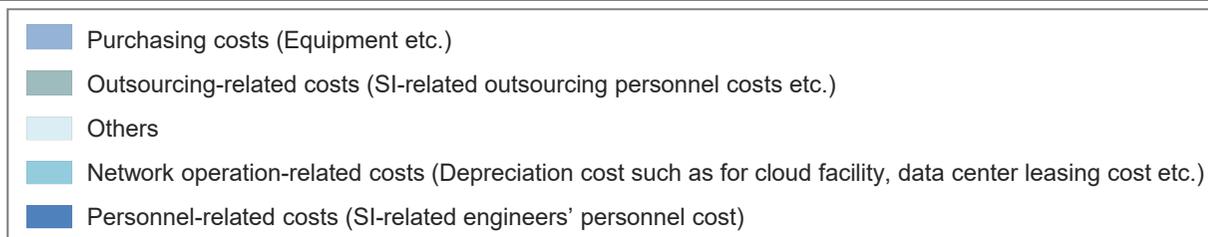
➤ Accumulating SI order received from all around industries, under the COVID-19 pandemic.

Large-scale construction orders received in 4Q20 are as follows.

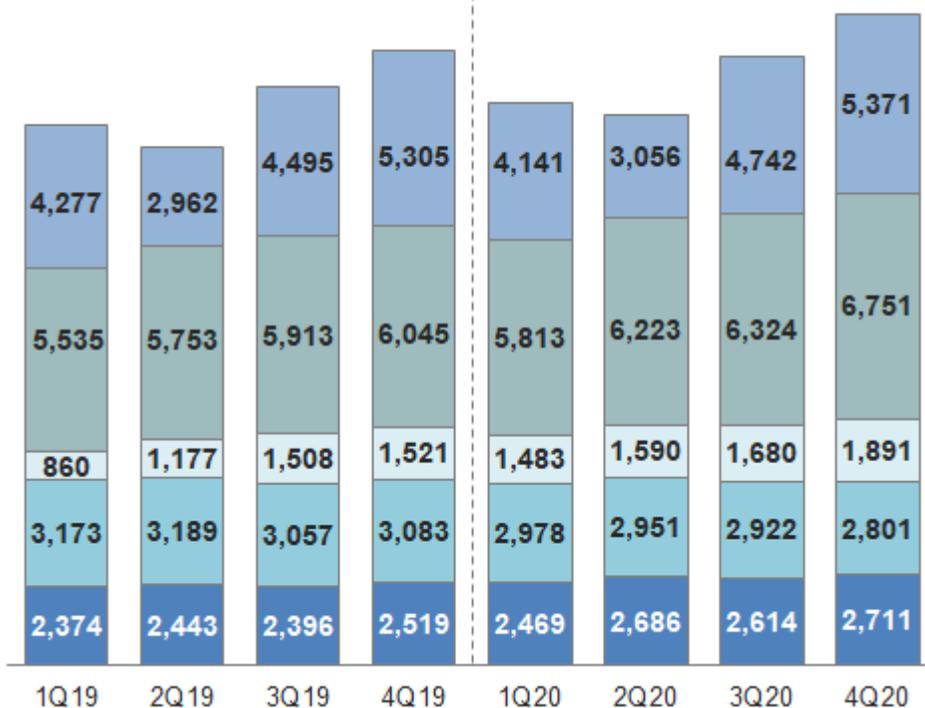
- Branch offices' WAN & Internet gateway for a certain financial institution
- Security enforcement of Internet gateway for a financial institution
- 5G infrastructure for Japanese Cable TV service providers
- LAN (Local Area Network) for a central ministry
- EC site migration to Cloud
- Many campus network for universities
- Many Office IT projects such as installment of Microsoft 365 etc.

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

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



FY19: 67,584 [+12.9%] **FY20: 71,197 [+5.3%]**
16,219 15,523 17,370 18,473 16,884 16,506 18,282 19,525



Number of SI-related outsourcing personnel at the end of each quarter

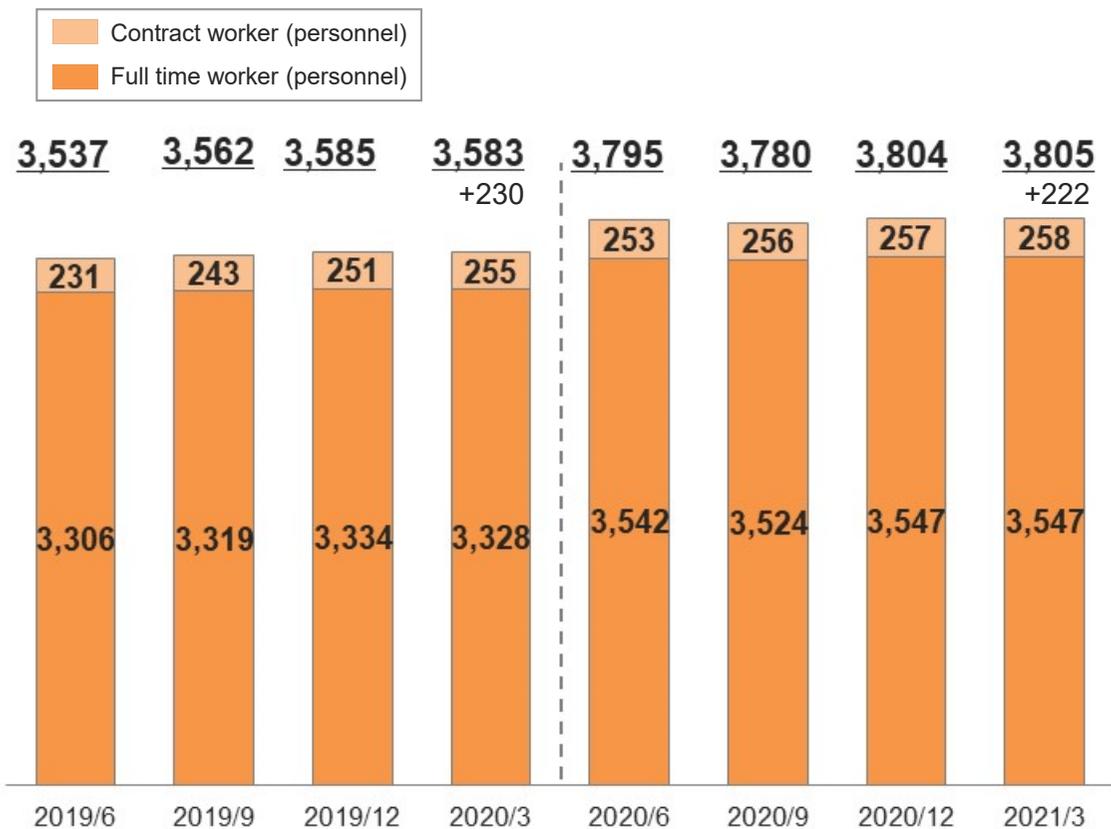
1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20
1,075	1,104	1,065	1,123	1,094	1,181	1,236	1,270

(Unit: personnel)

- By keeping high SE utilization rate, gross profit ratio has been improving quarter by quarter
 - In 4Q20, recognized allowance for prospected personnel-related costs of ¥0.31 billion
- Others increased mainly due to an increase in license costs along with expansion of multi-cloud demands

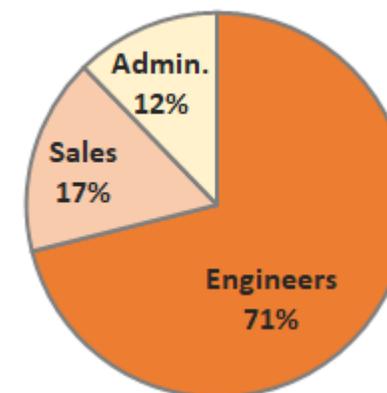
II - 7. Number of Employees

YoY = Year over year comparison



- Hired 190 new graduates in Apr. 2021
 - 210 in Apr. 2020, 171 in Apr. 2019
- FY21 net addition of employees is planned to be approx. 290

Employee Distribution



- 4Q20 & 2Q20 personnel-related costs and expenses increased from previous quarter, respectively, mainly due to additional provision for employee bonus (based on financial results)

Personnel-related costs & expenses

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

1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20
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%)	7,405 (13.0%)
FY19: 26,329 (12.9%) +10.0%YoY				FY20: 28,553 (13.4%) +8.4%YoY			

- FY19 personnel-related costs and expenses increased relatively strong due to the revision of personnel remuneration structure
- FY20 personnel-related costs and expenses increased slightly stronger compared with the ordinary YoY increase rate due to the additional bonus along with profit results etc.

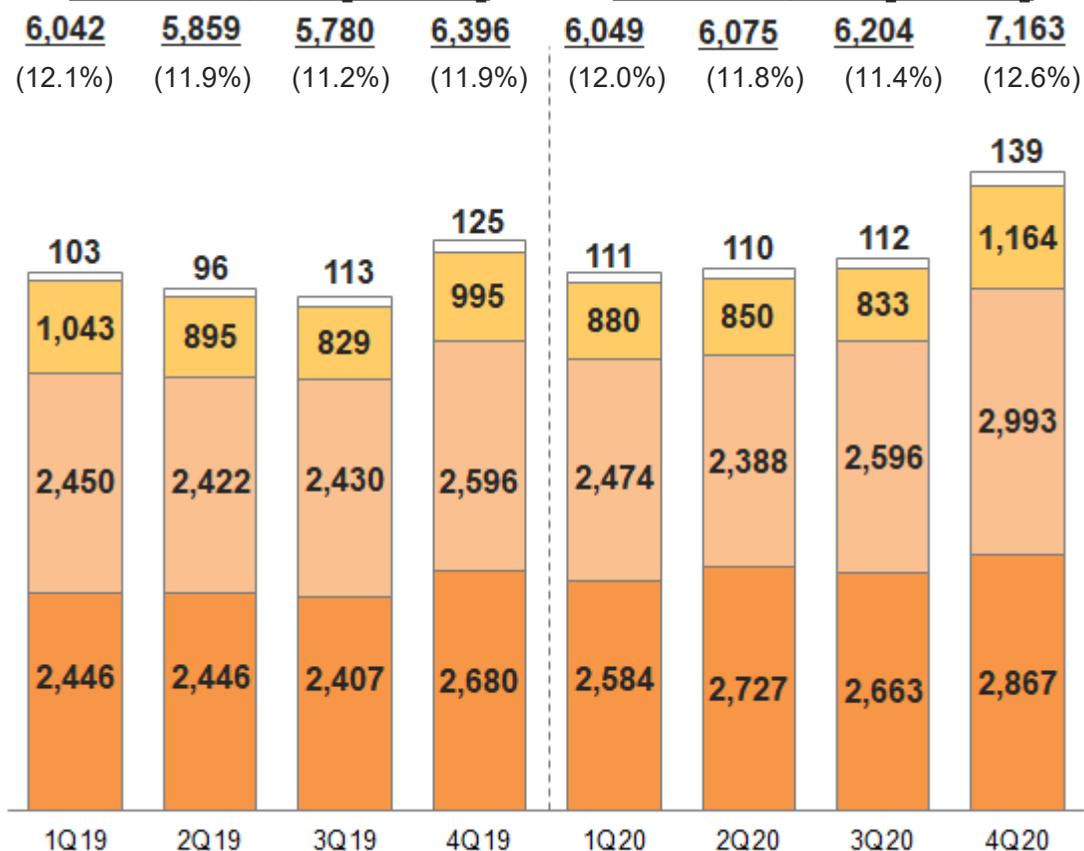
II - 8. SG&A etc.

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



FY19: 24,076 [+6.3%]

FY20: 25,491 [+5.9%]



Other than the left, we had ¥0.54 billion of expenses, as other income/expenses (net) in FY20

- FY20 other expenses include ¥0.64 billion due to disposal (FY19: ¥0.47 billion)

- Research & development expenses only include the operational personnel cost of IJ Innovation Institute Inc., consolidated subsidiary
- Commission expenses are mainly consumer sales commissions and recruitment expenses. No significant YoY increase under the consumer mobile situation
- Others decreased as traveling expenses (domestic and abroad), advertising expenses and others were small due to work style reform and expense control. As for 4Q20, advertising expenses for consumers increased
- 4Q20 SG&A etc. increased from 3Q20 as we had additional provision for bonus, sales promotion fees, M&A advisory fees, advertisement expenses and taxes and dues

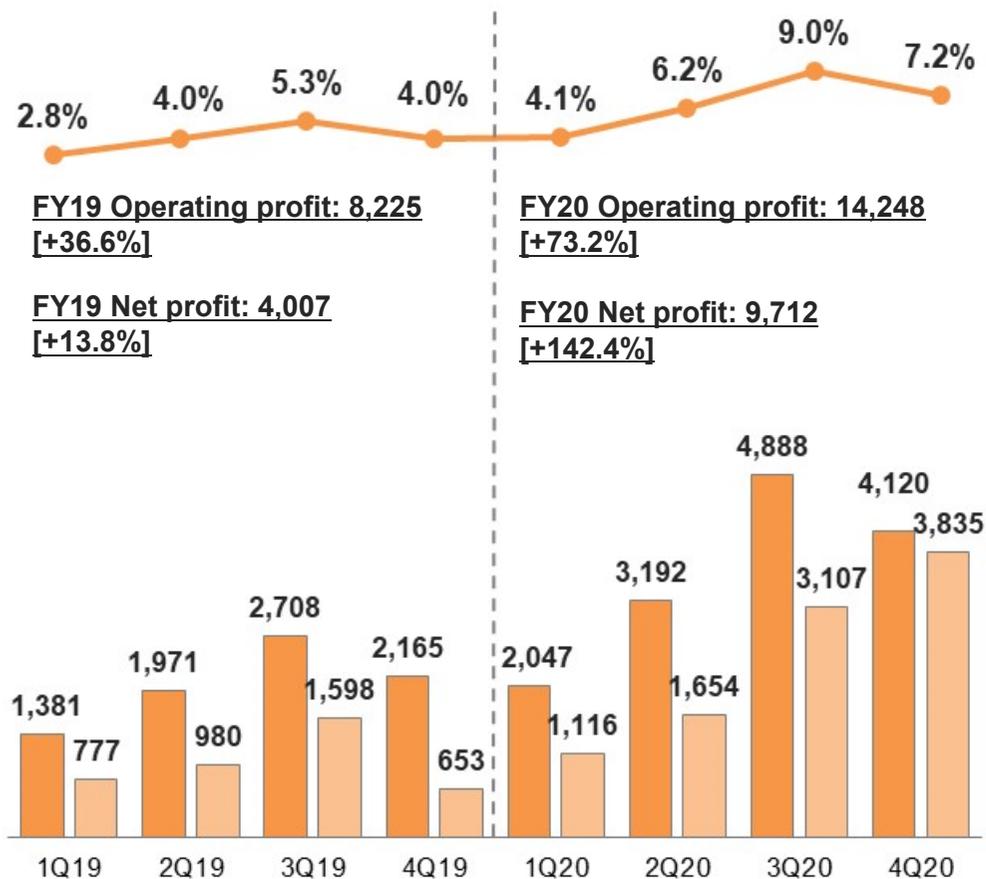
• SG&A etc. in this slide shows the sum of SG&A which includes R&D expenses (not including other income/expenses)

II - 9. Profit

Unit: ¥ (JPY) million

bn = billion

[], YoY =Year over year comparison



FY19 Operating profit: 8,225

[+36.6%]

FY19 Net profit: 4,007

[+13.8%]

FY20 Operating profit: 14,248

[+73.2%]

FY20 Net profit: 9,712

[+142.4%]

◆ Operating profit

- FY20: ¥14,248 million, +73.2% YoY
 - 4Q20 operating profit includes onetime factors such as ¥0.39 bn of decreased cost in mobile interconnectivity (3Q20: ¥0.70 bn), ¥0.20 bn of disposal loss (3Q20: ¥0.29 bn), ¥0.31 bn of additional provision for bonus, and approx. ¥0.1 bn of M&A advisory fees
- FY20: ¥14,035 million, +96.0% YoY
 - Interest expense: -¥580 million
 - Gain on funds: +¥479 million
 - Foreign exchange gain: +¥138 million
 - Dividend income: +¥98 million
 - Interest income: +¥45 million
 - Equity method investment loss of DeCurret: ¥629 million
 - ✓ Equity in net loss of DeCurret (Unit: ¥ (JPY) million):

4Q19	1Q20	2Q20	3Q20	4Q20
403	306	273	207	193

 - IJJ ownership: 4Q19 30.0%, from 1Q20 41.6%, from 1Q21 38.2% is planned to be used to recognize gain and loss
 - Other than above, in 4Q20, gain on changes in equity of ¥349 million arisen from the issuance of common stock is recognized
 - Equity in net profit of JOCDN: Turned to positive in 2Q20, ¥28 million in FY20 (IJJ ownership: 16.8%)

◆ Net profit

- FY20: ¥9,712 million, +142.4%YoY
 - Income tax expense:-¥4,234 million (FY19: -¥2,965 million)
 - ✓ Of which, tax reduction due to employment promotion taxation: +¥306 million (FY19: +¥237 million)
 - ✓ Of which, deferred tax benefit : +¥384 million (FY19: + ¥70 million)

1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	
(124)	(51)	92	(177)	(74)	(286)	186	368	Finance income (expense), net
112	(245)	(234)	(439)	(279)	(135)	(313)	319	Share of profit (loss) of investments accounted for using equity method
(543)	(642)	(922)	(858)	(572)	(1,084)	(1,625)	(952)	Income tax expense
(49)	(53)	(46)	(39)	(6)	(34)	(29)	(21)	Less: Profit for the period attributable to non-controlling interests

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

Unit: ¥ (JPY) million

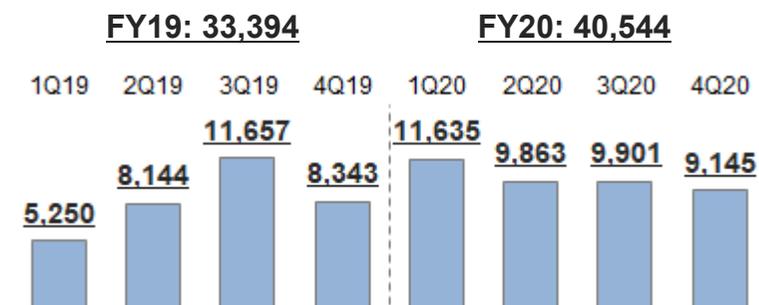
	Mar. 31, 2020	Mar. 31, 2021	Changes
Cash and cash equivalents	38,672	42,467	+3,795
Trade receivables	32,585	34,799	+2,214
Inventories	2,476	2,171	(305)
Prepaid expenses (current and non-current)	17,475	20,136	+2,661
Tangible assets	17,400	17,084	(315)
Right-of-use assets	50,560	50,708	+147
Goodwill and intangible assets	24,363	23,037	(1,326)
Investments accounted for using the equity method	4,827	9,027	+4,200
Other investments	9,187	12,912	+3,726
Others	8,979	8,436	(543)
Total assets:	<u>206,524</u>	<u>220,777</u>	<u>+14,253</u>
Trade and other payables	18,288	19,244	+956
Borrowings (current and non-current)	27,750	25,560	(2,190)
Contract liabilities and Deferred income (current and non-current)	12,457	14,832	+2,374
Income taxes payable	2,284	3,012	+729
Retirement benefit liabilities	3,985	4,169	+184
Other financial liabilities (current and non-current)	54,151	53,527	(624)
Others	7,553	9,462	+1,909
Total liabilities:	<u>126,467</u>	<u>129,806</u>	<u>+3,338</u>
Share capital	25,531	25,531	-
Share premium	36,271	36,389	+117
Retained earnings	16,501	25,047	+8,546
Other components of equity	2,670	4,865	+2,196
Treasury shares	(1,897)	(1,875)	+22
Total equity attributable to owners of the parent:	<u>79,076</u>	<u>89,956</u>	<u>+10,881</u>

- Ratio of total equity attributable to owners of the parent: 38.3% as of March 31, 2020, 40.7% as of March 31, 2021

II - 11. Consolidated Cash Flows

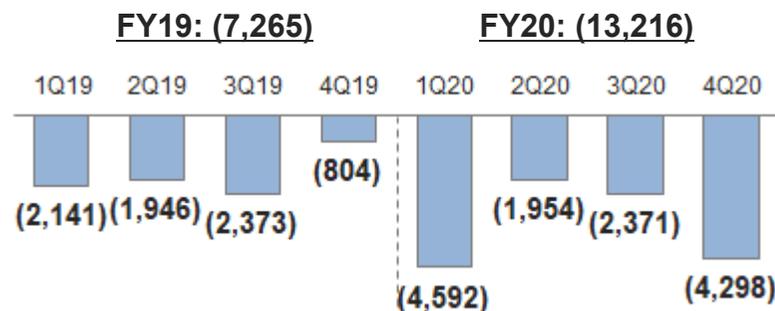
Unit: ¥ (JPY) million
YoY = Year over year comparison

Operating Activities



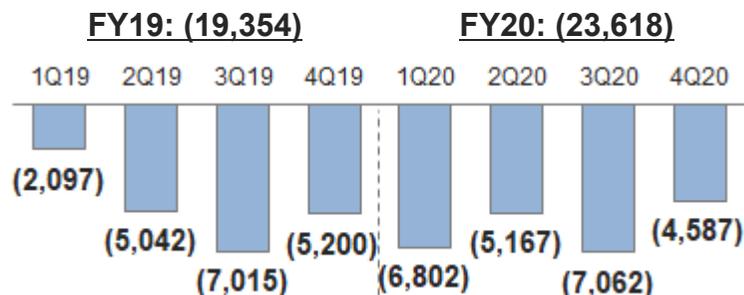
	Major Breakdown	YoY Change
Profit before tax	14,035	+6,876
Depreciation and amortization	27,974	-546
Equity method loss (gain)	408	-398
Changes in operating assets and liabilities	1,513	+2,422
Income taxes paid	(3,912)	-1,301

Investing Activities



	Major Breakdown	YoY Change
Purchase of tangible assets	(6,391)	+806
Purchase of investments accounted for using equity method	(4,754)	-3,886
Purchase of intangible assets such as software	(4,617)	+25
Proceeds from sales of tangible assets	2,499	-272

Financing Activities

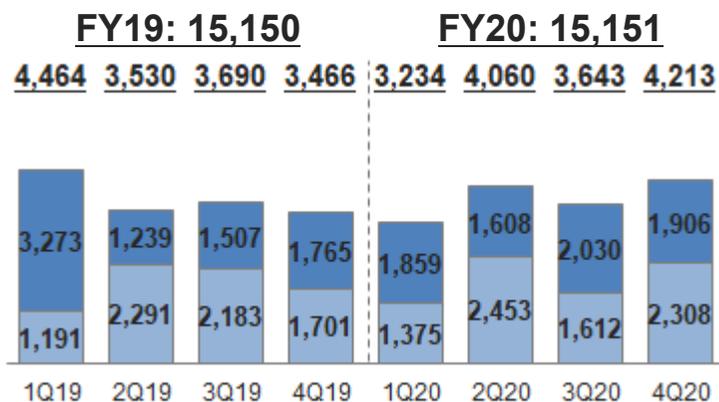


	Major Breakdown	YoY Change
Payment of operating/finance leases and other financial liabilities	(20,168)	+388
Repayment of borrowings	(2,190)	-3,190
Dividends paid	(1,533)	-316

II - 12. Other Financial Data

Unit: ¥ (JPY) million

CAPEX

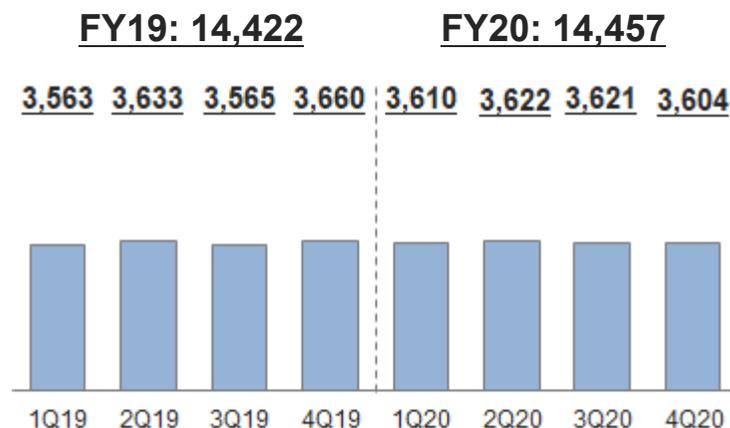


- While FY20 CAPEX was initially planned to be around ¥16 billion including ¥3 billion of additional placement of modules for Shiroi data center, it landed in ¥15.2 billion
- FY21 CAPEX plan: approx. ¥17.5 bn, Expect to increase YoY as some FY20 investments such as ¥1.2 bn of Shiroi DC and NW are slid over

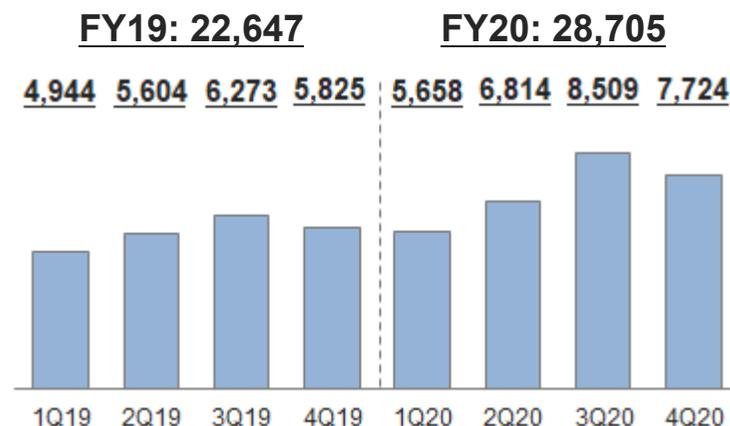
(Unit: JPY billion)	FY19	FY20
NW Usual Capex	9.6	8.8
Cloud-related	2.6	2.8
Shiroi DC-related	2.0	1.5
SI customer-related	0.7	1.7
ATM-related	0.3	0.3

- 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

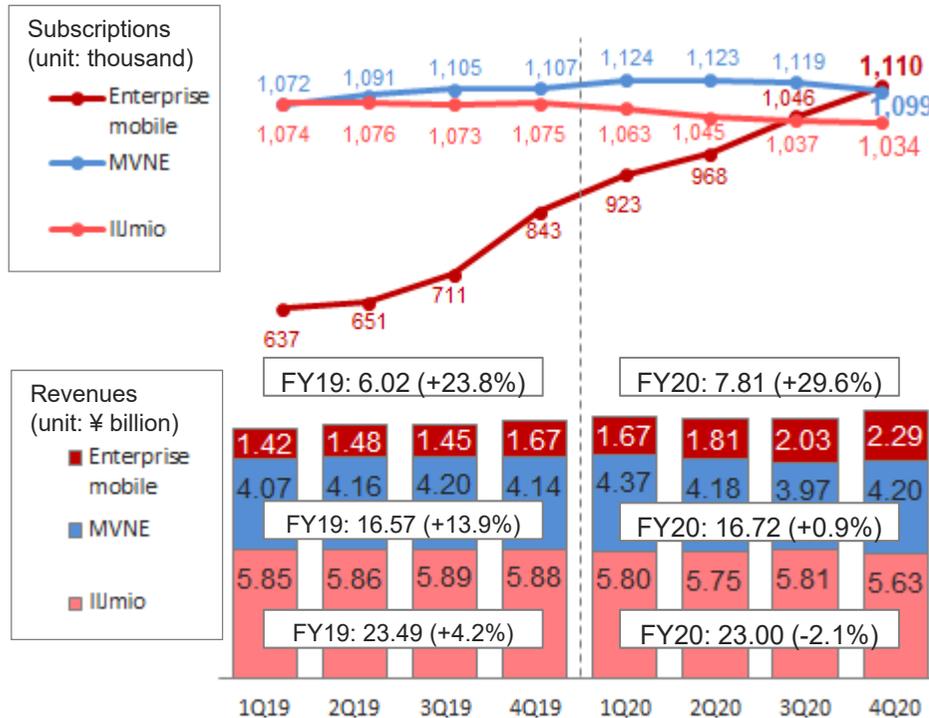


III - 1. Service & Business Developments: Mobile & IoT

bn = billion
% = Year over year comparison

Taking advantage of full-MVNO, enterprise mobile revenues continued to increase Strengthening customer appeal with new consumer mobile plans

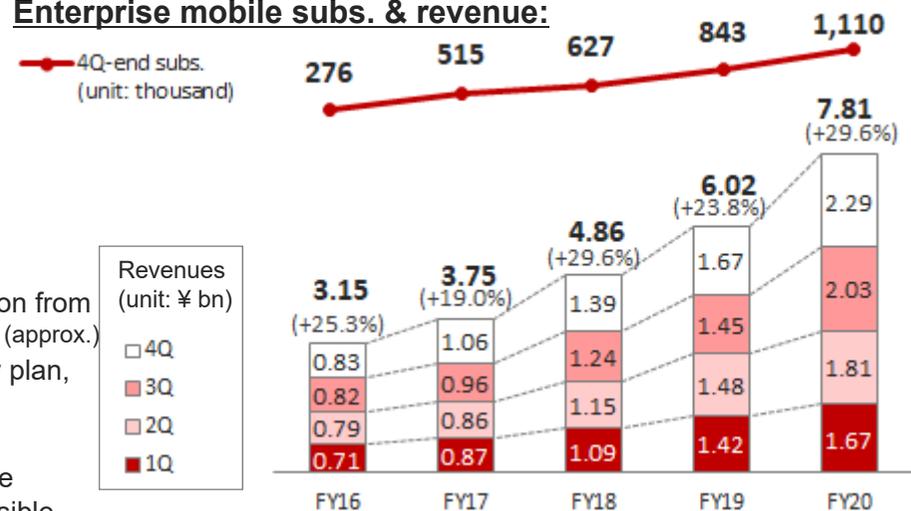
- Total mobile subs. on March 31, 2021: 3,251 thousand (+7.3%)
- FY2020 total revenue: ¥47.52 billion (+3.1%), of which full-MVNO revenue: ¥2.17 billion (+54.3%)



◆ Enterprise mobile (included in the left graph)

- High revenue growth rate continued by leveraging full-MVNO functions
 - Continuously accumulating Soft/Chip SIM projects
 - Strong demands for remote monitoring using NW camera continuing, Also seeing demands for remote management demand to realize automation and man power reduction
 - Expanding IoT service solution
 - ✓ HACCP solution, automatically collecting temperature data, detect and report abnormal situation, for food industry (Jul. 2020)
 - ✓ Solution to reduce factory facility maintenance cost and improve productivity “IIJ Industrial IoT Secure Remote Management” (Aug. 2020)
 - Demands to fully implement remote-work continuing
- Launched enterprise eSIM services (Apr. 2021)

Enterprise mobile subs. & revenue:



- MVNE: IIJ Mobile MVNO Platform Services (providing mobile services to other MVNOs)
- Enterprise mobile: Deducting MVNE from IIJ Mobile
- FY2020 Full-MVNO revenue recognition: 96% enterprise mobile, 4% IJmio

◆ Consumer mobile plans (IJmio)

- New mobile plans “GigaPlans” from Apr. 1, 2021 (Old plan’s user migration from May 1), As of May 6: 350 thousand subs., of which. 15% are new users (approx.)
- FY21 expectation: more than half of old plan users to migrate to the new plan, IJmio monthly net addition to be a few ten thousands

◆ MVNE

- Smaller than initially expected negative impact (-¥1.4 billion YoY) of large MVNE client switching to another operator due to M&A, Expect to see visible impact in FY21

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

◆ Mobile data interconnectivity cost (Mbps unit charge・monthly) YoY change

Fiscal Year		FY18	FY19	FY20	FY21	FY22	FY23
Method		Actual cost method			Future cost method		
Docomo	New	<u>¥49,311</u> - 6.0%	<u>¥42,702</u> ^(*1) - 13.4%	<u>¥41,436</u> ^(*2) - 3.0%	<u>¥28,385</u> - 31.5%	<u>¥22,190</u> - 21.8%	<u>¥18,014</u> - 18.8%
	Old	<u>¥49,311</u> - 6.0%	<u>¥42,702</u> ^(*1) - 13.4%	<u>¥41,436</u> ^(*2) - 3.0%	<u>¥33,211</u> - 19.8%	<u>¥27,924</u> - 15.9%	
		Decrease by 16.0%			Expected to be fixed in Jan. 2022		
KDDI	New	<u>¥52,949</u> - 13.3%	<u>¥42,154</u> ^(*1) - 20.4%	<u>¥32,842</u> ^(*2) - 22.1%	<u>¥26,827</u> - 18.3%	<u>¥21,983</u> - 18.1%	<u>¥18,419</u> - 16.2%
	Old	<u>¥52,949</u> - 13.3%	<u>¥42,154</u> ^(*1) - 20.4%	<u>¥32,842</u> ^(*2) - 22.1%	<u>¥27,790</u> - 15.4%	<u>¥25,394</u> - 8.6%	
		Decrease by 38.0%					

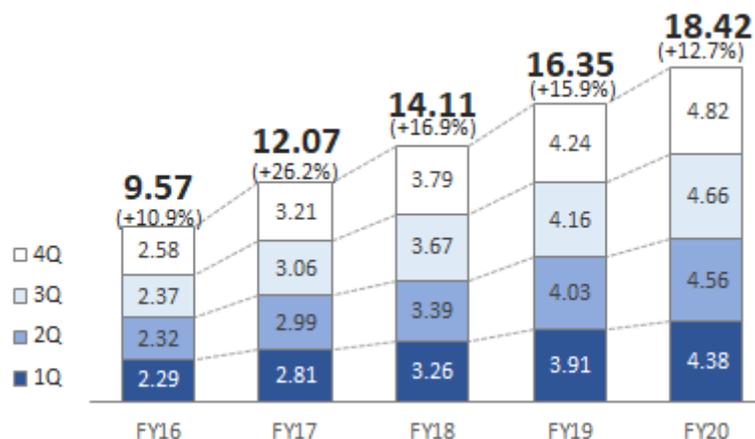
- The same calculation method is applied to actual cost method & future cost method: (Data communication cost + profit) /demand
- About actual cost method: Calculated based on MNOs' actual cost etc. and applied retrospectively. FY19 usage charge (*1), which is based on MNOs' FY19 results, was fixed in January 2021 and recognized in our FY20 financial results (Recognized as a difference between our estimate and result).
- About future cost method: Calculated based on MNOs' mobile unit charge prediction for next three years, which is based on MNO's future cost etc. It is applied from FY20. Mobile unit charge is fixed based on MNO's actual cost etc. and the difference between prediction and result is revised. For FY20, FY21, and FY22, mobile unit charge prospects by future cost method (described as "Old" above) were announced March 2020. For FY21, FY22, and FY23, mobile unit charge prospects by future cost method (described as "New" above) were announced April 2021.
- FY20 usage charge (*2), which is based on MNO's FY20 results, will be fixed in around January 2022 and recognized in our FY21 financial results (correctly recorded as a difference between our estimate and result).
- Mobile interconnectivity charge, which is underlined above, is fixed based on the result
- The decrease percentage in mobile interconnectivity charge described above is compared with the previous year

III - 3. Service & Business Developments: Security & Cloud

Unit : ¥(JPY) billion

Security service (recurring) revenue continued to increase

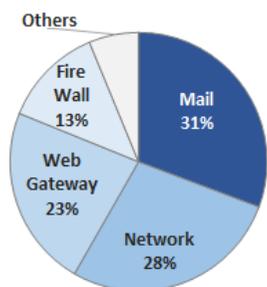
- ◆ Triggered by expansion of IT usages, demand for security services increasing



Total scale of security revenue (NW services + SI)	FY16	FY17	FY18	FY19	FY20
	14.62	16.77	19.18	21.47	

- Strong growth in FY17 was mainly due to “Information Security Cloud” projects. As for FY20, demands to expand NW seemed more urgent than security implementation
- Security service revenue is 100% recognized in Outsourcing services

◆ Breakdown of FY20 Security service revenues

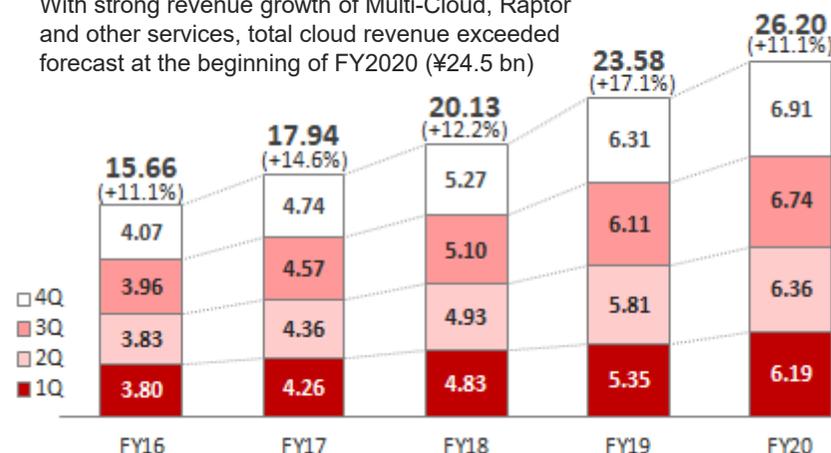


Mail	Full-outsourcing of mail systems, protected delivery/anti-threat email, sandboxing, etc.
Network	DDoS protection, IPS/IDS, WAF etc.
Web GW	Full-outsourcing of web security, URL filtering, anti-virus protection etc
FW	Managed firewall services, Anomaly detection etc

Cloud service (recurring) revenue steadily increased

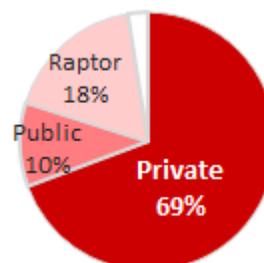
- ◆ Continued revenue growth as enterprises migrate to and adopt cloud services

With strong revenue growth of Multi-Cloud, Raptor and other services, total cloud revenue exceeded forecast at the beginning of FY20 (¥24.5 bn)



- FY20 & FY21 Cloud revenue include slight revenue decrease factor in relation to Cloud service facility migration from old to new
- 4Q20 Cloud revenue recognition: 89.6% SI systems operation & maintenance, 10.4% Outsourcing services

◆ Breakdown of FY20 Cloud service revenues



Private	Multi-cloud, GIO P2, VMware virtualization platform, high value-added services such as integrated operation and monitoring, etc.
Public	Low cost, volume billing server, etc.
Raptor	SaaS type FX trading platform. Providing to 22 online brokers such as Hirose Tusyo, LINE Securities, au Kabucom Securities, Nomura Securities, Sony Bank, SMBC Nikko Securities, Matsui Securities

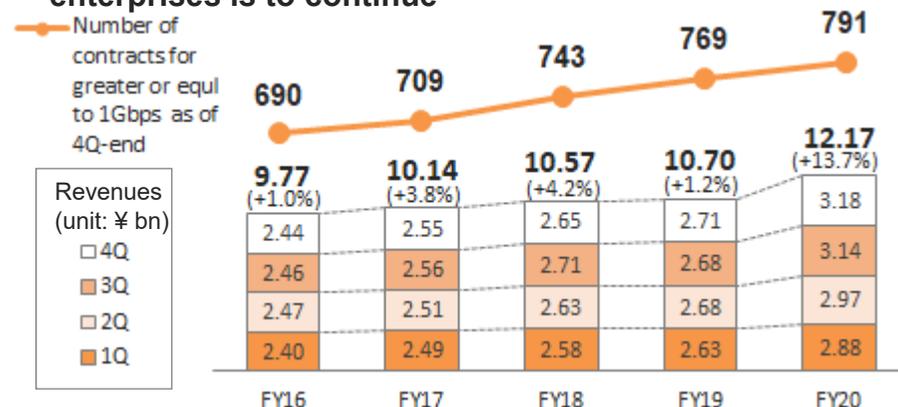
III - 4. Services and Business Developments

bn = billion

(*) Based on IFRS except for FY16 (U.S.GAAP)

IP service revenue growth rate accelerating

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



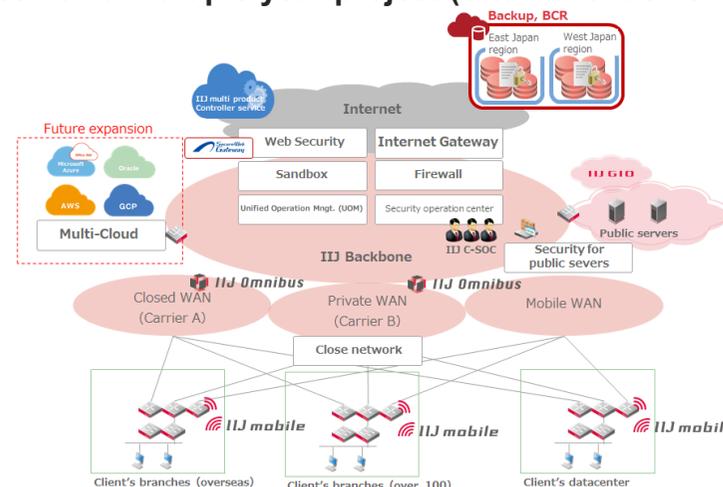
- IP service is bandwidth guaranteed dedicated Internet connectivity services for enterprises. Contracts are based on bandwidth and enterprises use the service for their core and main Internet connectivity
- IP service revenue is 100% recognized in Internet connectivity services (Enterprise)

Overseas business

- ◆ **FY20: Revenue ¥8.32 bn, Operating Profit ¥0.38 bn**
 - Due to the COVID-19 pandemic, weak SI revenue, accumulate recurring revenues such as NW services
 - Along with service accumulation and cost control, profit grew
- ◆ **Plan to enhance ASEAN business with M&A of prominent Singaporean Sler**
 - PTC SYSTEM (S) a new consolidated subsidiary (Apr. 2021)
 - Acquisition price: SGD44 million
 - Most recent earnings (preliminary) Revenues: SGD100.4 million, Profit before tax: SGD5.1 million
- ◆ **FY21 Target: Revenue ¥18 bn, Operating Profit ¥0.9 bn (approx.)**
 - Amid the ongoing uncertainty under the COVID-19 pandemic, expect to have group synergy with PTC and accumulation of recurring revenue such as global SASE services

Accumulating large scale projects by cross-selling NW&SI

- ◆ Meeting enterprise NW systems that are becoming more complex and diversified with in-house developed NW services and SI
- ◆ Received a multiple year project (total revenue ¥5.4 bn)



DeCurret

- ◆ **Raised funds (Mar. 2021) by ¥6.7 bn to set up digital currency business and enhance partnership (IIJ invested ¥2 bn)**
 - New shareholders: NTT, SBI HD, Japan Post Bank, Mitsubishi Corp. SECOM
 - Former head of FSA, Mr. Endo, became DeCurret's special advisor
- ◆ **Equity in net loss of DeCurret (unit: ¥ million)**

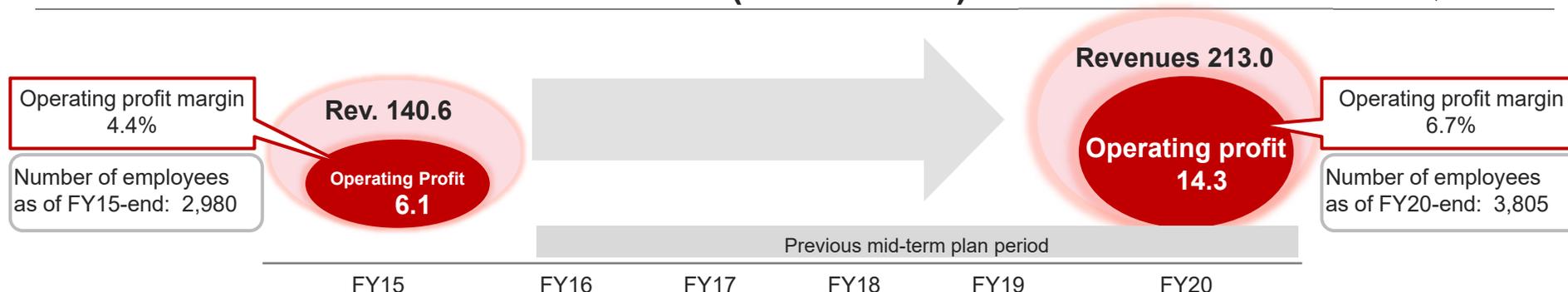
4Q19	1Q20	2Q20	3Q20	4Q20
403	306	273	207	193

- Along with transaction increase, loss is gradually diminishing, Started offering order book trading services which show competitive pricing – expect to start up cryptocurrency trading business
- ◆ **FY21 Target: turned positive in 4Q**
 - Will use 38.2% to calculate equity in net profit (loss) of DeCurret

• Other than left, in 4Q20, gain on changes in equity of ¥349 million arisen from the issuance of common stock is recognized

IV. Previous Mid-term Plan (FY16~FY20) Results

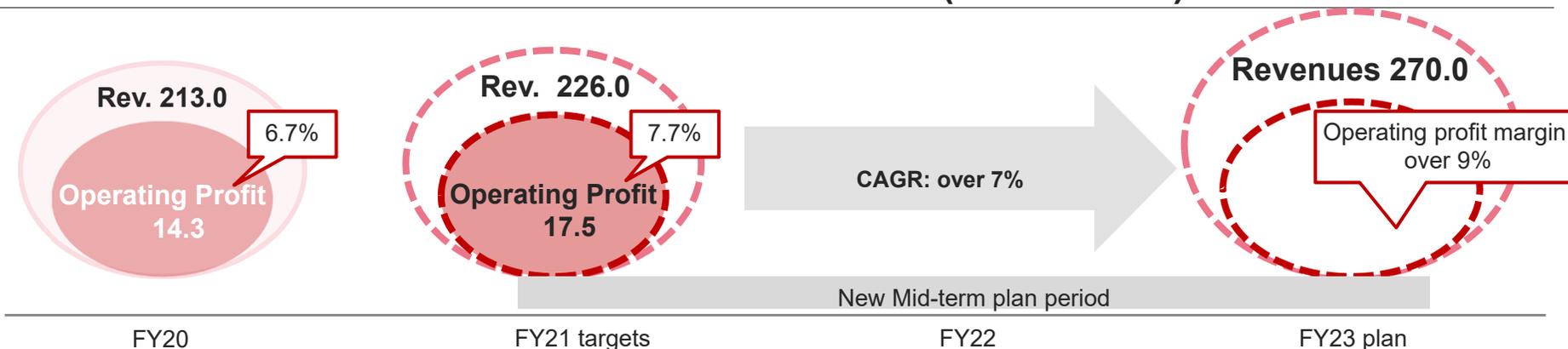
Unit: JPY ¥ billion (bn)
FY15 U.S. GAAP, FY20 IFRS



	FY15	FY16	FY17	FY18	FY19	FY20
Enterprise NW services <small>Exc. Mobile & security</small>	FY15: 50.8 → FY20: 58.2					
<ul style="list-style-type: none"> ➢ Retained & cross-sold to current clients, IP service revenue growth accelerated ➢ Met diversifying and more complex enterprise NW by developing IJ Omnibus services, service line-up largely expanded ➢ Continuously expanded NW, stable CAPEX 						
Mobile·IoT services	FY15: 15.6 → FY20: 47.5					
<ul style="list-style-type: none"> ➢ Full-MVNO as competitive advantage for IoT etc. <ul style="list-style-type: none"> • Accumulate various NW camera & factory IoT ➢ Established strong market position as one of largest MVNOs in Japan <ul style="list-style-type: none"> • Pioneer in consumer MVNO, top market share with IJmio and MVNE 						
Security services <small>Exc. Security related SI</small>	FY15: 8.6 → FY20: 18.4					
<ul style="list-style-type: none"> ➢ Became one of the largest corporate security service providers (monthly recurring revenue) <ul style="list-style-type: none"> • Very high market penetration for Mail & Web gateway securities ➢ Expanded service offerings: DDoS, SOC·EDR etc. 						
Cloud services <small>Exc. Cloud-related SI</small>	FY15: 14.1 → FY20: 26.2					
<ul style="list-style-type: none"> ➢ Competitive advantages in Private Cloud services, Multi-Cloud solution, Revenue continued to increase ➢ Opened Shiroy DC, gradually expanding, better visibility about future server racks space ➢ Developed highly migratable and accommodative new cloud facility 						
SI <small>Exc. Cloud services, Inc. equipment sales</small>	FY15: 45.4 → FY20: 59.8					
<ul style="list-style-type: none"> ➢ Differentiated by having NW services and SI expertise ➢ Profitability continued to increase with stricter management of system engineers 						
Overseas <small>Inc. some from Enterprise NW services, Cloud, and SI</small>	FY15: 5.3 → FY20: 8.3					
<ul style="list-style-type: none"> ➢ Asian region started up, expanded global solution for Japanese clients, turned positive & managing profit, JVs with local prominent companies ➢ Bought a Singaporean Sler – expect to strengthen ASEAN business 						
New business	<ul style="list-style-type: none"> ➢ Expanded business domain by leveraging accumulated assets such as technology, system infrastructure, client relationship <ul style="list-style-type: none"> • DeCurret: Fintech JV with major banks etc., working to realize digital currency exchange platform which is envisioned in the future • JOCDN: CDN JV with broadcasting companies, consortium by envisioning the future of Internet broadcast & convergence of communications and broadcasting 					
HR	<ul style="list-style-type: none"> ➢ Continuous hiring and training of newly graduates as a core policy, enhanced human capital to support mid-to-long term business growth 					

V. FY21 Plan & New Mid-term Plan (FY21~FY23)

Unit: ¥ (JPY) billion (bn) except for Dividend per share (¥)

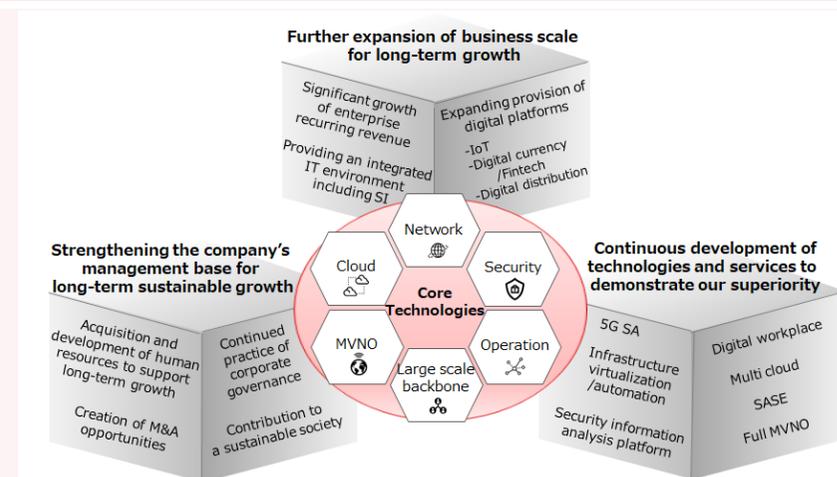


FY21 Plan (financial targets)

¥ bn (%YoY)	Revenues	Operating Profit	Profit before tax	Net Profit	Dividend per share
FY21	226.0 (+6.1)	17.5 (+22.8)	17.3 (+23.3)	11.7 (+20.5)	¥37.00 (+¥9.25)
FY20	213.0 (+4.2)	14.3 (+73.2)	14.0 (+96.0)	9.7 (+142.4)	¥29.75 (+¥16.25)

- ◆ Under structural profit growth phase, achieve economy of scale and lead profit expansion with enterprise recurring revenue accumulation
 - Strengthening total solution: NFV/SD-WAN service enhancement, SASE·SOC (security), DWP/virtual desktop/secure browsing, launching of new cloud facility (Shiroi) etc.
- ◆ Enterprise mobile to expand with various IoT projects, Consumer: Return to subs. net addition with new plan
 - NW utilization to improve by combining both enterprise & consumer, Mobile profitability to remain steady as purchasing cost (unit charge) to decrease (revenue decrease factor)
- ◆ SI; revenue & profit to increase by cross-selling NW construction & services, M&A (SNG/Sler) to be added
- ◆ Profit before tax to improve along with new business starting up

New Mid-term Plan



- ◆ Develop services & solution continuously: Enterprise cloud, business cloud, partner, industry specific Cloud
- ◆ Execute & strengthen current strategy, target to achieve operating margin over 9%
- ◆ Market cap. to largely increase: further business expansion for long-term including M&A opportunities
- ◆ Contribute to sustainable NW society from technology innovation and NW operation perspective

VI- 1. FY2021 Financial Targets

Unit: ¥ (JPY) billion (bn) except for Dividend per share (¥)
YoY = Year over year

	% of Revenues		YoY		% of Revenues		YoY
	FY21 Targets Apr. 2021 - Mar. 2022	FY20 Results Apr. 2020 - Mar. 2021			1H21 Targets Apr. 2021 - Sep. 2021		
Revenues	226.0	213.00	+6.1%	+13.00	108.0	+6.34	
Cost of Sales	80.0% 180.7	81.1% 172.72	+4.6%	+7.98	80.9% 87.4	+3.19	
Gross Profit	20.0% 45.3	18.9% 40.28	+12.5%	+5.02	19.1% 20.6	+3.15	
SG&A etc. ^(*)	12.3% 27.8	12.2% 26.03	+6.8%	+1.77	13.1% 14.1	+1.88	
Operating Profit	7.7% 17.5	6.7% 14.25	+22.8%	+3.25	6.0% 6.5	+1.26	
Shares of profit (loss) of investments accounted for using equity method investees	(0.4)	(0.41)	-	+0.01	(0.3)	+0.08	
Profit before tax	7.7% 17.3	6.6% 14.03	+23.3%	+3.27	5.8% 6.3	+1.83	
Net Profit ^(*)	5.2% 11.7	4.6% 9.71	+20.5%	+1.99	3.9% 4.2	+1.43	
Annual Cash Dividend per Share	¥39.00	¥29.75	+31.1%	+¥9.25	¥19.50	+¥9.25	

◆ Assumptions for Revenue

- Enterprise NW services: Expect revenue to grow continuously, As WAN decrease factor is solved in FY20, expect to see WAN revenue return to growth
- Mobile: Expect revenue to decrease by ¥8.3 bn as ARPU, especially voice, to decrease due to new consumer plan
- SI: Additional ¥8.5 bn from M&A (PTC) in addition to continuous growth
- ATM: Same level as FY20

◆ Assumption for Gross Profit

- Enterprise NW services: Expect profit to expand along with revenue growth
- Mobile: Expect same level of profit as FY20 with decrease in purchasing cost and ARPU (Onetime cost decrease upon FY20 mobile interconnectivity charge confirmation is taken into consideration)
- SI: Additional ¥0.8 bn from M&A (PTC) in addition to continuous growth
- ATM: Same level as FY20

◆ Assumption for SG&As

- Same incremental pace from the past, smaller disposal than FY20 (¥0.64 bn)
- Additional ¥0.4 bn from M&A (PTC)

◆ Other assumptions

- Equity in net loss of affiliates: approx. ¥0.4 bn, Expect equity in net loss of DeCurret to turn positive in 4Q
- Net addition of employees: approx. 290 (of which, newly graduates 190)
- CAPEX: approx. ¥17.5 bn, Expect to increase YoY as some FY20 investments such as ¥1.2 bn of Shiroi DC and NW are slided over

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

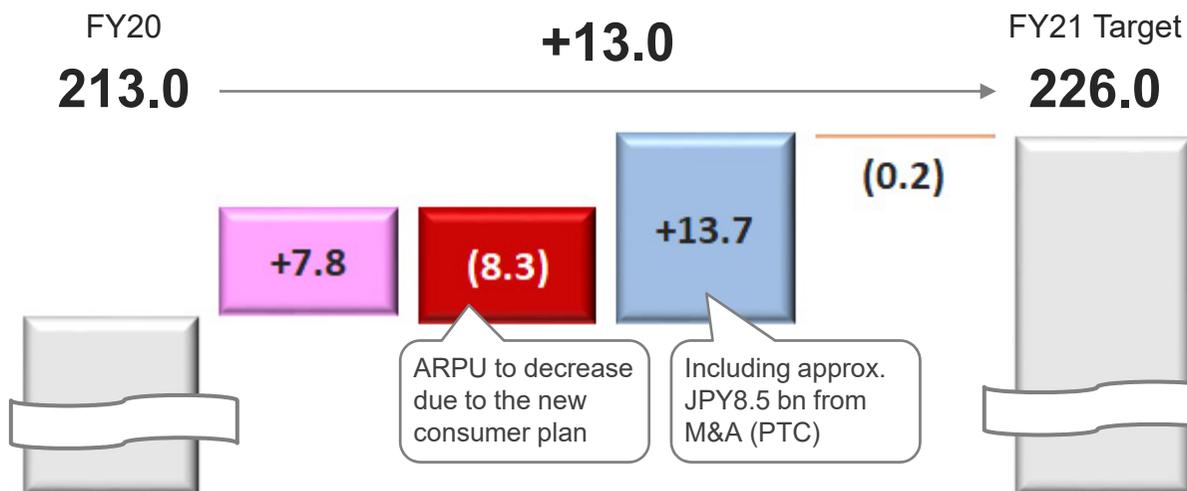
(*2) Net Profit is "Profit for the year (period) attributable to owners of the parent."

VI- 2. FY2021 Revenue and Operating Profit

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

Revenues

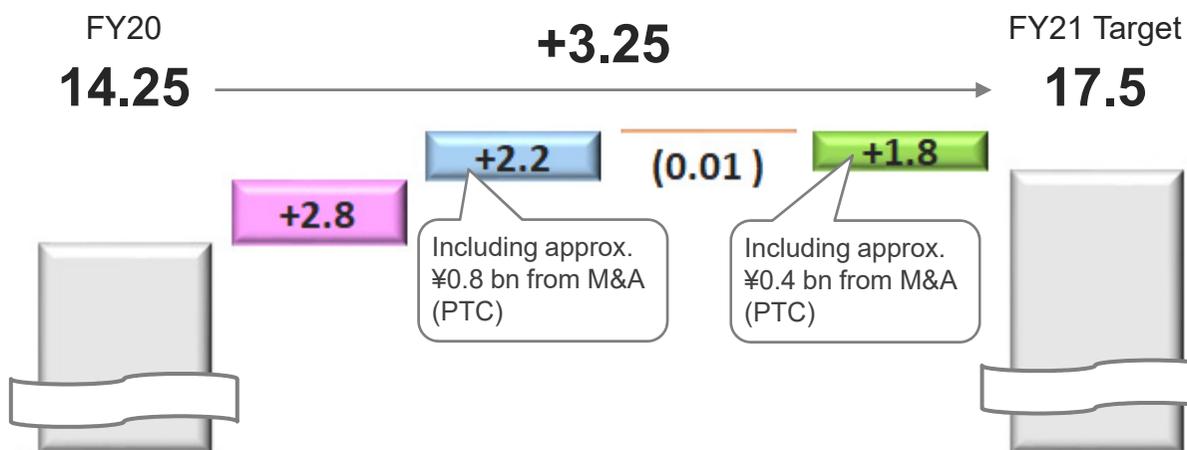
- Revenues
- YoY change in Enterprise NW services revenues
- YoY change in Mobile services revenues
- YoY change in SI revenues
- YoY change in ATM operation business revenues



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

Operating Profit

- 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

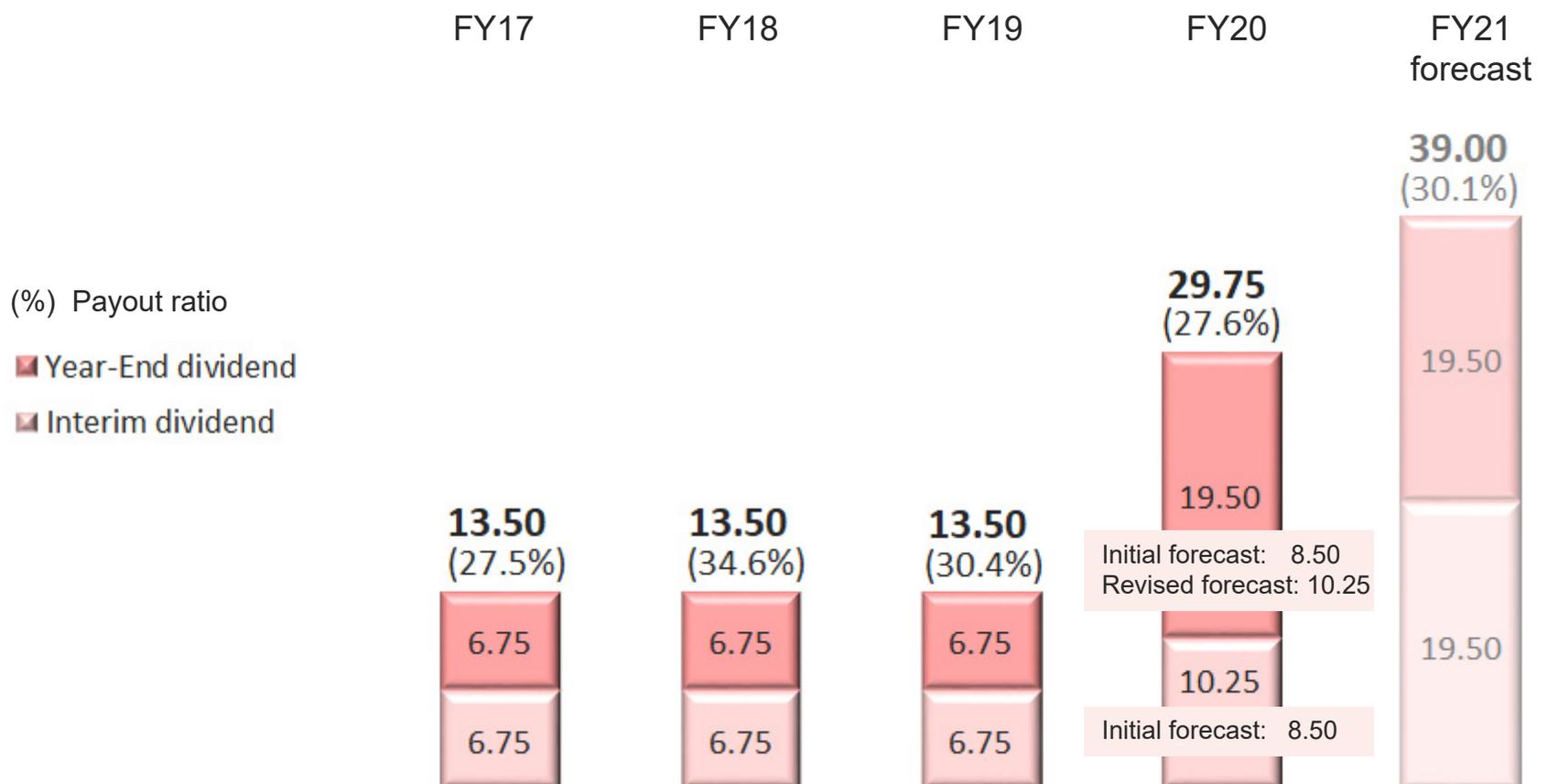
VI- 3. FY2021 Dividend Forecast

Unit: JPY

◆ Our basic dividend policy:

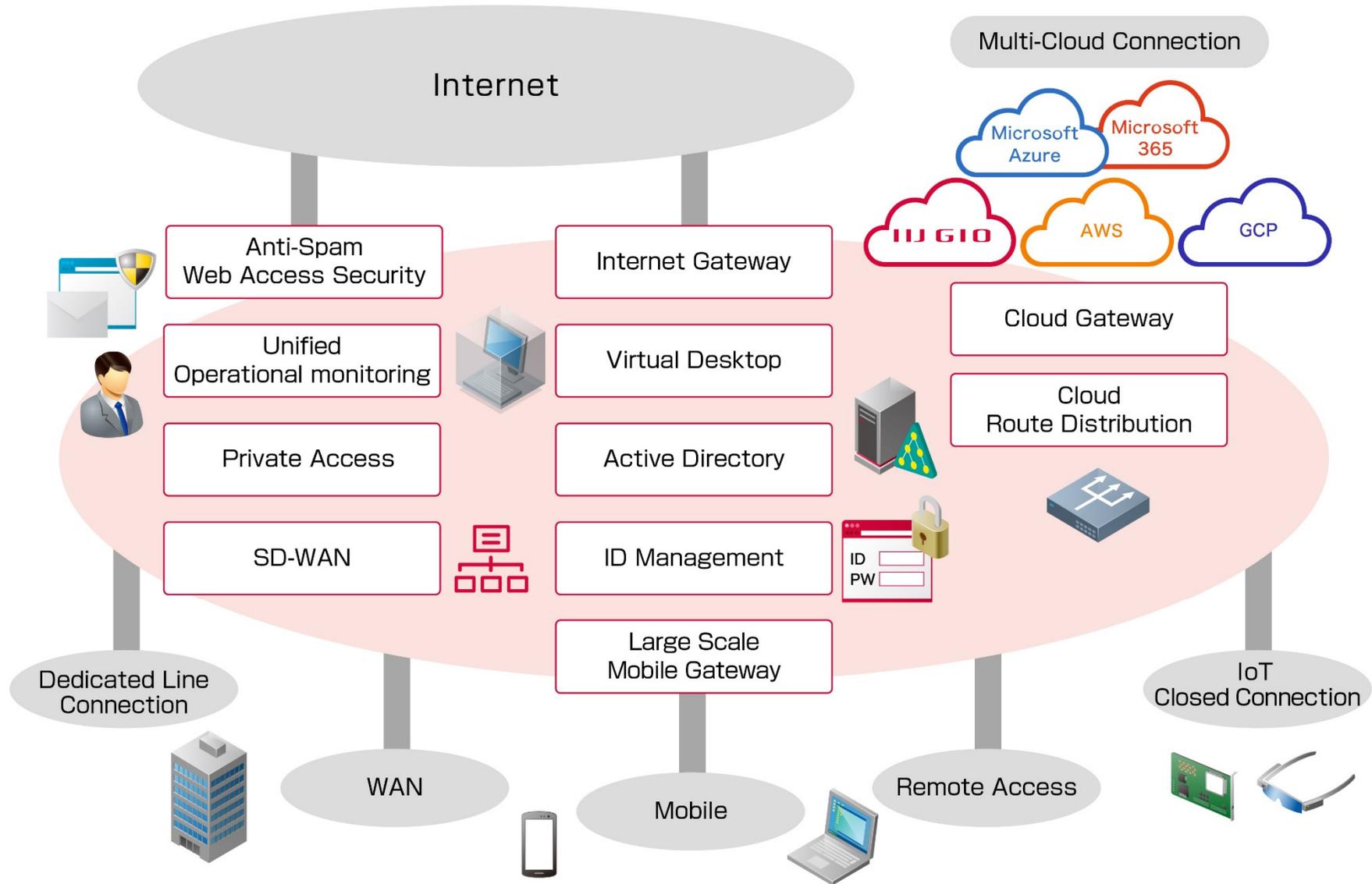
Basic dividend policy of IJ is that IJ pays dividends to its shareholders continuously and in a stable manner while considering the need to have retained earnings for the enhancement of financial position, medium-to long-term business expansion, future business investment and other goals.

◆ Historical Dividend per Share:

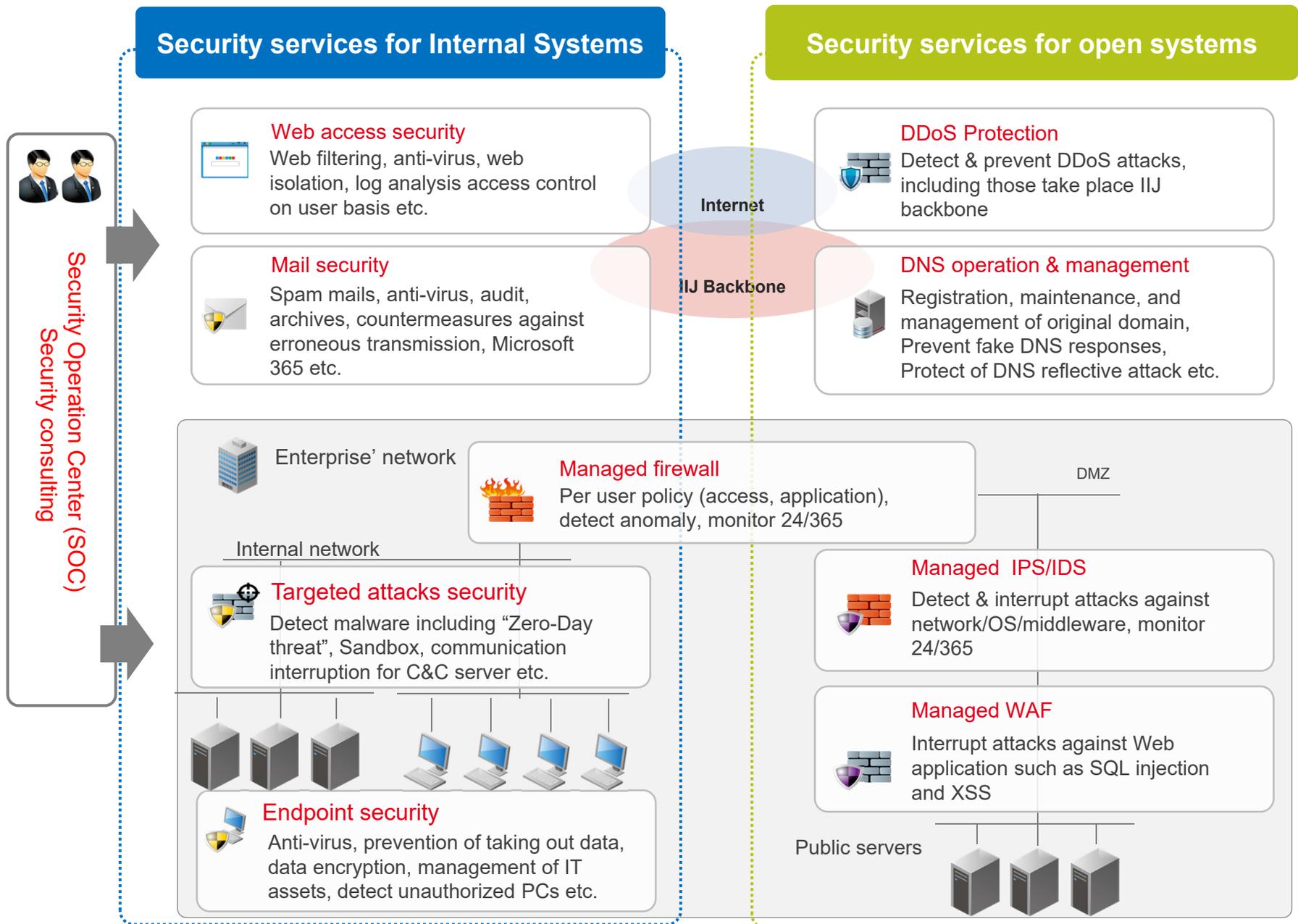


*We conducted 1:2 stock split on January 1, 2021. Dividends paid before the split are retroactively adjusted to reflect the split.

Highly value-added and reliable IIJ Omnibus Services



Wide Range of In-house developed Security Services



Comparison between the old and new plans of consumer mobile

Comparison table of basic monthly fees of consumer mobile service <small>*Excluding consumption tax</small>					
Old Plans			New Plans		
Minimum Start Plan (3GB)	with Voice	¥1,600	2 GigaPlan	with Voice	¥780
	Data-only	¥900		Data-only	¥680
Light Start Plan (6GB)	with Voice	¥2,220	4 GigaPlan	with Voice	¥980
	Data-only	¥1,520		Data-only	¥880
Family Shere Plan (12GB)	with Voice	¥3,260	8 GigaPlan	with Voice	¥1,380
	Data-only	¥2,560		Data-only	¥1,280
			15 GigaPlan	with Voice	¥1,680
				Data-only	¥1,580
			20 GigaPlan	with Voice	¥1,880
				Data-only	¥1,780

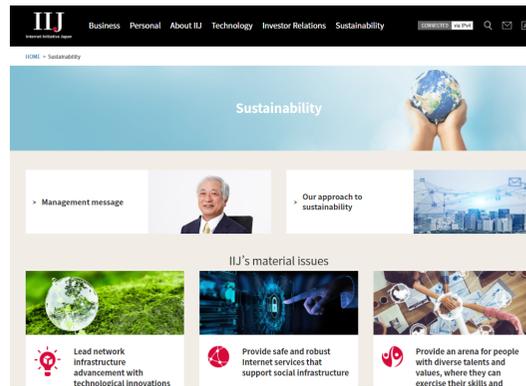
(Note) The above table briefly indicates service prices for major functions to show the differences between the old and new plans.

Providing various information

Sustainability

<https://www.ij.ad.jp/en/sustainability/>

Introduction of our company's efforts to solve environmental problems and other issues in order to realize a sustainable society.



Security information “wizSafe Security Signal”

<https://www.ij.ad.jp/en/wizsafe/>

Introduction of Internet-based threat trends etc. based on our collected and observed security-related information.



IJ Engineers Blog

<https://eng-blog.ij.ad.jp/> (Only in Japanese)

This is the official Blog written by IJ engineers about technological information and activities



Technical report “Internet Infrastructure Review (IIR)”

<https://www.ij.ad.jp/en/dev/iir/index.html>

Quarterly technical reports providing the latest technology trends and security information on Internet infrastructure technologies.





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.