

Presentation Material for Consolidated Financial Results for FY23 and New Mid-term Plan (FY24~FY26)

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

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• FY23 stands for a fiscal year from Apr. 1, 2023 to Mar. 31, 2024
• Abbreviation: NW for network, SI for systems integration, DC for data center, PF for platform, ¥ (JPY) bn for JPY billion, SI O/M for systems operation and maintenance, MRR for Monthly Recurring Revenue
• 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"

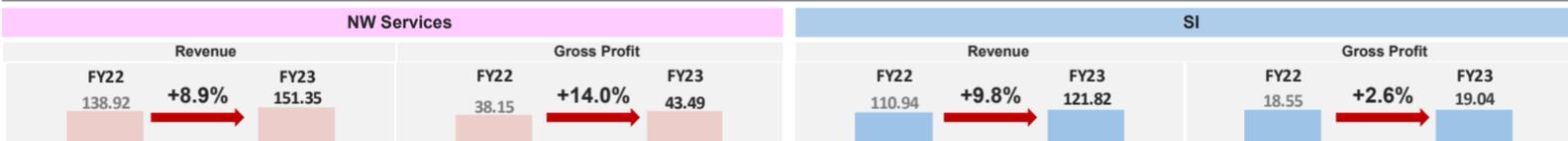
I . FY23 Summary

Unit: JPY/¥ billion (bn), +%. YoY = Year over year comparison, QoQ = Quarter over quarter comparison
Net Profit is "Profit for the period attributable to owners of the parent"

Expanded business domain to Service Integration in response to the advancement & renewal of enterprise NW
Pivotal fiscal year for the further revenue growth in SI construction and NW service

Total Revenue: ¥276.1 bn, +9.2% **Operating Profit: ¥29.0 bn, +6.6%** **Net Profit: ¥19.8 bn, +5.2%** **ROE: 16.3%** **Total Shareholders' Return: 82.4%**

(Executed share buyback and its cancellation of ¥11.4 bn in May 2023)



NW Service (exc. Mobile) ◆ **FY23 total revenue: ¥105.2 bn, +8.9% YoY**
 • Each service revenue continued to grow. IP: +7.8% YoY, Outsourcing: +13.2% YoY (of which, security: +15.7% YoY), WAN: +2.7% YoY
 • IP & Outsourcing revenue growth continued to expand gross profit through economies of scale

Mobile IoT ◆ **FY23 total revenue: ¥46.1 bn, +9.1% YoY (FY22: +3.8% YoY), FY23-end total subs.: 4,810 k, +674 k YoY (FY22-end: +639 k YoY)**
 • Business growth led by enterprise IoT with large increase in revenue and subscription (subs.) by +21.9% and 540 thousand YoY respectively
 Existing transaction such as connecting NW cameras, GPS devices, & on-board devices are becoming larger & continuously acquiring new orders
 • Revenues & subs. for MVNE & consumer were back to QoQ net addition. No.1 MVNO market share since Dec. 2020 (MIC, SIM type), No.1 customer satisfaction 3 years in a row (J.D. Power)

SI ◆ **FY23 order-received: Construction ¥59.86 bn, +35.2% YoY, Operation & maintenance ¥88.09 bn, +15.0% YoY**
FY23-end order backlog: Construction ¥23.76 bn, +72.2% YoY, Operation & maintenance ¥85.13 bn, +23.5% YoY
 • FY23 revenue recognition was weak because of a structural change of longer lead time which was due to projects becoming larger in sizes & more complex
 • In 4Q23, received orders of large-scale NW renewal project for a prominent manufacturer (¥3.0 bn, 5 years), large-scale IT infrastructure installation project (¥1.0 bn, SI construction), etc.

FY23 Business Topics ◆ **Acquired large scale projects with multi-year contract consecutively through Service Integration^(*) model**
 • Renewal of Chiba-city's educational information NW (¥12.3 bn), NW renewal for a large financial institution (¥4.0 bn), service infrastructure construction & operation for an enterprise (¥4.0 bn), Integrated operation system construction for a public sector organization (¥3.0 bn)

(*) Provide in-house developed NW services with SI, Greater opportunities and proposal areas along with internal large-scale NW renewals, etc.

◆ **Expansion of own DCs:** Shiroi second site started operating from Jul. 2023, to be fully occupied by around FY26 due to own service facility expansion and collocation demand

◆ **Significant revenue growth for overseas business, FY23 revenue ¥35.3 bn (+38.1% YoY)**
 ASEAN business growing as strong demands for global NW, large-scale DC construction project (¥2.8 bn) & increased momentum for PTC^(*) ^{(*) Singaporean Sler, consolidated subsidiary since Apr. 2021}

◆ **Change in shareholders structure:** NTT Group & KDDI both own 11.1% as leading shareholders (May 2023). As a part of the transaction, executed ¥11.4 bn of share buyback

◆ **DeCurret progressing:** Working toward Japan's first digital currency platform service to be launched in Jul. 2024

II. Result of the Previous Mid-term Plan (FY21~FY23)

ICT usage & its advancement by Japanese enterprises finally kicked off, triggered by the Pandemic
Realized economies of scale in NW service model due to continued increase in traffic & security demand, etc.
Established profit base along with continuing to expand NW infrastructure & service lineup

Total Revenue	Operating Profit	Human Capital (unit: personnel)	Dividend Per Share (annual)	Market Capitalization
1.3 times FY20 ¥213.0 bn FY23 ¥276.1 bn Enterprise MRR 1.4 times Sum of SI M/O & NW Service (excl. consumer & MVNE)	Doubled FY20 ¥14.3 bn FY23 ¥29.0 bn Operating Margin: FY20 6.7% FY23 10.5% ROE: FY20 11.5% FY23 16.3%	+1.3 times FY20-end 3,805 FY23-end 4,803 Stable turnover rate (I/IJ) the level of 3% to 4%	2.3 times FY20 ¥14.875 FY23 ¥34.36	2.2 times FY20-end ¥240 bn FY23-end ¥520 bn

Remarkable increase in large scale projects & Service Integration orders

Revenue: SI 1.5 times, NW services 1.2 times

- FY-end SI construction order-backlog: 2.9 times (FY23-end ¥23.8 bn)
- Visible increase in large-scale complex projects by Service Integration model
- Public & finance sectors transaction expanded
 - Public: GIGA school, construction of large NW system infrastructure, etc.
 - Finance: Renewal of large NW, construction of FX trading infrastructure, etc.

Overseas business: ASEAN expansion

- Revenue: 4.2 times, ¥8.3 bn ➔ ¥35.3bn
 Business Profit: 7.2 times, ¥0.4 bn ➔ ¥2.7 bn
(overwrapping with enterprise MRR)
- Expanded ASEAN local business through PTC M&As (Singapore & Malaysia)
 - Completed large-scale overseas DC construction, executing its subsequent projects
 - Operating several global SASE projects (Top partner of Palo Alto & Zscaler in Japan)

Expanded service & solution development

- DWP(☞)-related services such as Flex Mobility grew along with enterprises' DX advancement even after the pandemic
- Continued developing services to promote cloud migration
 - "GIO P2 Gen. 2" to realize easy cloud migration
 - "Smart Hub" to connect on-premise & third party cloud
 - "CDP" to integrate data, etc.

(*) Digital Work Place: Office IT environment for client company & its employees

Continued expanding NW service infra.

- Contracted bandwidth(☞): 1.6 times
- Mobile bandwidth(☞): doubled
- No. of operating racks at Shiroy DC: 3 times
 - Continued to expand our owned DCs of Shiroy & Matsue
 - Promoted carbon neutral initiatives through on-site solar power generation & non-fossil certificate direct procurement, etc.
 - Developed & launched micro DC solution, the core infrastructure for edge computing

(*) Calculated by multiplying number of contracts by contracted bandwidths for IP & broadband services respectively

(☞) Sum of our purchase of mobile data bandwidth from NTT Docomo & KDDI

Significant growth in Security Service

- Revenue 1.7 times ¥18.4 bn ➔ ¥30.9 bn
Within enterprise MRR (excl. security related SI)
- Cross-selling opportunity increased such as SOC(Security Operation Center) along with an increase in large scale NW renewal projects
 - Increased the overwhelming market share of long-standing mail & web securities
 - Expanded value-added function through continuous development of new service & function

Continued enhancing Governance & Sustainability

- Enhanced management structure by inviting two VPs from outside, etc.
- Maintained A rating on MSCI ESG through proactive communication & disclosure enlargement
 - Opened Integrated Report Portal (web)
 - Disclosure on TCFD & human capital, etc.
- Contributed to NW society of Japan and education of NW engineers by opening "IJJ Academy"

Demonstrated competitive advantages of full-MVNO

- Mobile subs. 1.5 times 3.24 m ➔ 4.81 m
- Enterprise IoT subs. 2.1 times (FY23-end 2.35 m)
 - Developed & launched "IJJ Public Safety Mobile Services" to public agencies for secure reliable connectivity in case of disasters
 - Gained & maintained No.1 market share for the consumer SIM (MVNO) with Giga Plans and others (MM Research Institute)

Start-up Digital Currency Business

(Equity method investee: DeCurrency)

- No. of participants in Digital Currency Forum 2.7 times 38 ➔ 104
- Issue & settle using DCJPY (digital currency) for non-fossil certificate transaction as a first service (first in Japan, from Jul. 2024)
 - PoCs through various study groups
 - Invoice chain, electricity trading, retail & distribution, regional currency, wallet security, e-money, security token payment practices & systems study, merchant settlement, NFT(Non-fungible Token), and administrative affairs

III. New Mid-term Plan (FY24 ~ FY26)

Accelerate business scale expansion toward the Mid-to-long Term Vision by advancing the business structure transformation in FY23
Revenue growth led by integration and profit growth through economies of scale as a NW service operator

Total Revenue	Operating Profit	Net Profit	ROE	Human Capital
1.4 times FY23 ¥276.1 bn → FY26 ¥380.0 bn	1.6 times FY23 ¥29.0 bn → FY26 ¥46.0 bn	1.5 times FY23 ¥19.8 bn → FY26 ¥30.0 bn	+2.7 pt. FY23 16.3% → FY26 19%	1.3 times FY23-end 4,803 → FY26-end around 6,100

Further enhancement of the existing core business area

SI as Revenue driver

- Accelerate revenue growth by rolling out NW construction/renewal projects to various industry, enhancing account sales & PM, expanding human resource
- Enhance SI project management

NW service as Profit driver

- Accelerate NW service accumulation through Service Integration
- Demonstrate the strength of stable NW operation in the DX era

Promotion of large transactions & clients

- Comprehensive outsourcing of client's NW and open systems
- Add large volume revenue to the multi-industry recurring revenue base
- Stable additional profit source for the future

Enhancement of Service Control

- Higher efficiency for service development & operation by new technology such as AI
- Implement appropriate pricing in response to inflation & cost increase

Further enhancement of service development & operation

- Focus on strengthening cyber-security service development
- Respond to DX progress with DWP lineup
- Develop services that would be PF for AI, data lake, etc.

Continuous expansion of NW infrastructure Pursuit of differentiation

- Construct the third site of Shiroy DC for long-term growth
- Deploy full-MVNO 5G SA

Creation of new growth area

Initiatives for Data-driven society

- Operate data utilization business, generate meaningful data, data distribution mechanisms & operations, etc.
- Study & create business models in conjunction with the existing infrastructure & services



Achieve the spread of Digital Currency in Japan

(Equity method investee: DeCurret)

- First in Japan to issue commercial digital currency as a practical case (scheduled in Jul. 2024)
 - ✓ Digitalized token of environmental value transaction
- Within FY26, anticipate loss to shrink & become profitable on a monthly basis
- Executing STO^(*) of digital currency, invoice chain^(*), web3/NFT^(*) & other practical projects

(*) STO (Security Token Offering): securities issued using electronic means such as blockchain, replacing traditional mechanism of stocks and bonds

(*) Invoice chain: concept of industry standard systems for corporate intercompany reimbursement

(*) NFT (Non-Fungible Token): Token issued on the blockchain that can prove uniqueness and cannot be replaced

Enhancement of business foundation

Thorough expansion of Human Capital

- Continuous expansion of human resources
- Develop next-generation human resources for long term growth
- Maintain & enhance top-tier engineering capabilities & expand that to multiple layer

Enhancement of cash control

- Appropriate management of increasing SI-related working capital
- Investment allocation Shiroy DC & growth areas
- Increase payout ratio when the Mid-to-long Term Vision is realized

Maintain & improve Sustainability /Governance

- Strengthen governance in line with growth
- Contribute to the productivity of future society through continuous stable NW operation
- Introduce a new executive compensation scheme linked to the new Mid-term Plan

Complement growth through M&As

- Pursuit M&A opportunities as a supplemental means of expanding domestic resources & technology
- Leverage residual borrowing capability (up to ¥70.0 bn is envisioned image)

IV. Mid-to-long Term Vision

The figures mentioned below are all assumed status and image

Previous Mid-term (FY21-FY23)

Established profit base by enterprise recurring revenue growth

- Enhancement of NW infrastructure & service lineup
- Demonstration of profit expansion through economies of scale by monthly recurring revenue accumulation
- Increase in large scale projects through NW renewals, etc.
- Large increase in security and DWP related services
- Demonstration of full-MVNO competitive advantages, Accumulation of IoT projects
- Significant expansion of overseas business, including M&As
- Expansion of human resources
- Initiatives for digital currency and other new business areas

New Mid-term (FY24-FY26)

Accelerate business expansion by focusing on the existing core areas Pursue business scale for long term growth

- Further enhancement of the existing core business areas
- Creation of new growth areas
- Enhancement of business foundation

Mid-to-long Term Vision

Total revenue around ¥500.0 bn Operating Margin 12% ~ 15%

- **Strongest focus on the core areas as NW operator & IT provider**
Positioned as one of the leading IT providers in Japan
Thoroughly continue to differentiate through NW operation & service offering model
Enlarge SI business driven by Service Integration
Realize business scale by expanding large customer base
- **Provide NW platforms that support the NW society**
Strive to develop technologies
Create optimal NW & security platforms for the spread of AI & the advent of data-driven society, etc.
- **Succession & development of IJ corporate culture as a challenger**
Unchanged since the inception, diverse employees take on new challenges autonomously

Beyond 5,000

*5,000 is derived from the Japanese unit of ¥5,000 oku (oku = one hundred million) which is ¥500 bn

Demonstrate competitive advantage of fully-outsourcing infrastructure operation to support realization of NW society

- Develop integrated PF to enable processing various types of data, together with security & high performance. IJ to become a full outsourced IT providers equipped with DC (including edge computing) & cloud resources, including wired and wireless NWS
- Achieve high profit margins by managing large customers' NW & IT domains as fully outsource
- Business domain expansion and diversification
- Demonstrate leadership including M&As amidst a changing industry landscape
- Become Asia's leading IT service provider by leveraging domestic knowledge & SWOT in ASEAN region

Execute actions early to realize revenue volume of ¥500 bn

FY23 result

¥276.1 bn

10.5%

FY26 target

¥380.0 bn

12%

30%

1 trillion

¥500.0 bn

12% ~ 15%

30% ~ 40%

Payout ratio to gradually increase along with an increase in business scale

Targets (consolidated)

Total Revenue	¥276.1 bn	¥380.0 bn	¥500.0 bn
Operating Margin	10.5%	12%	12% ~ 15%
Payout ratio		30%	30% ~ 40%
Market Cap.		1 trillion	

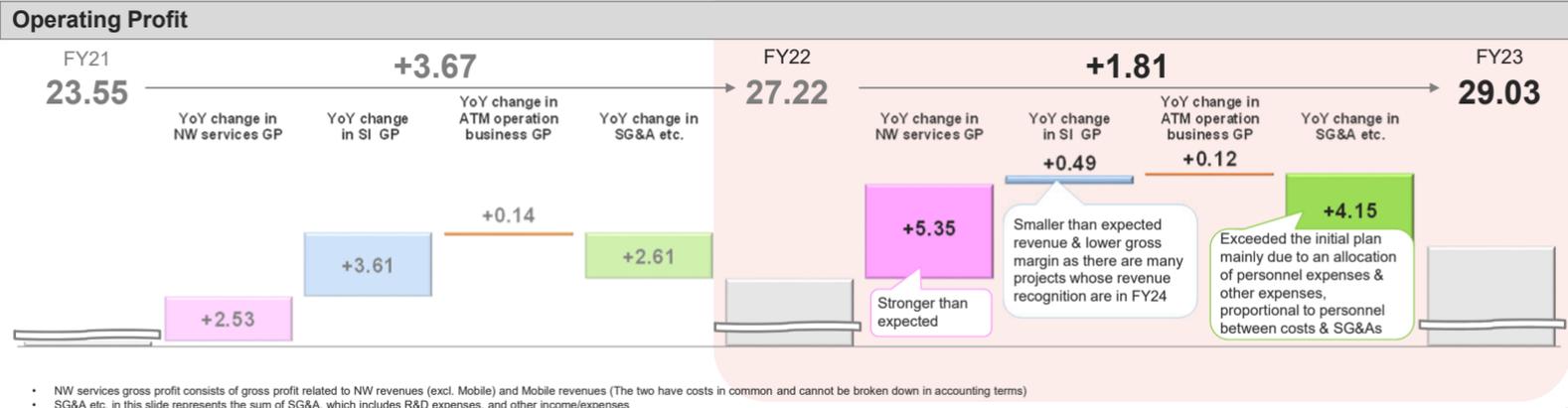
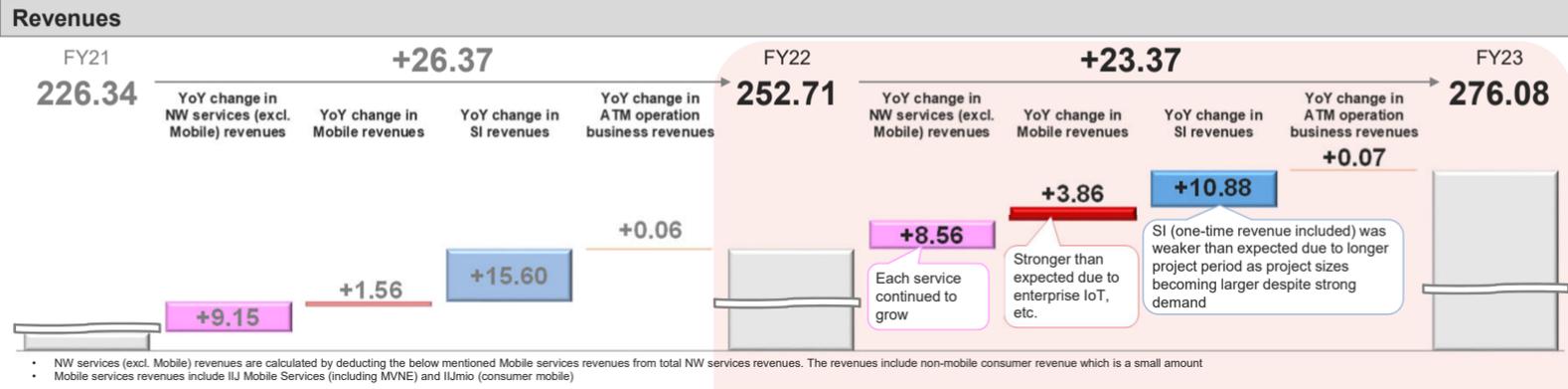
V - 1. Consolidated Financial Results

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

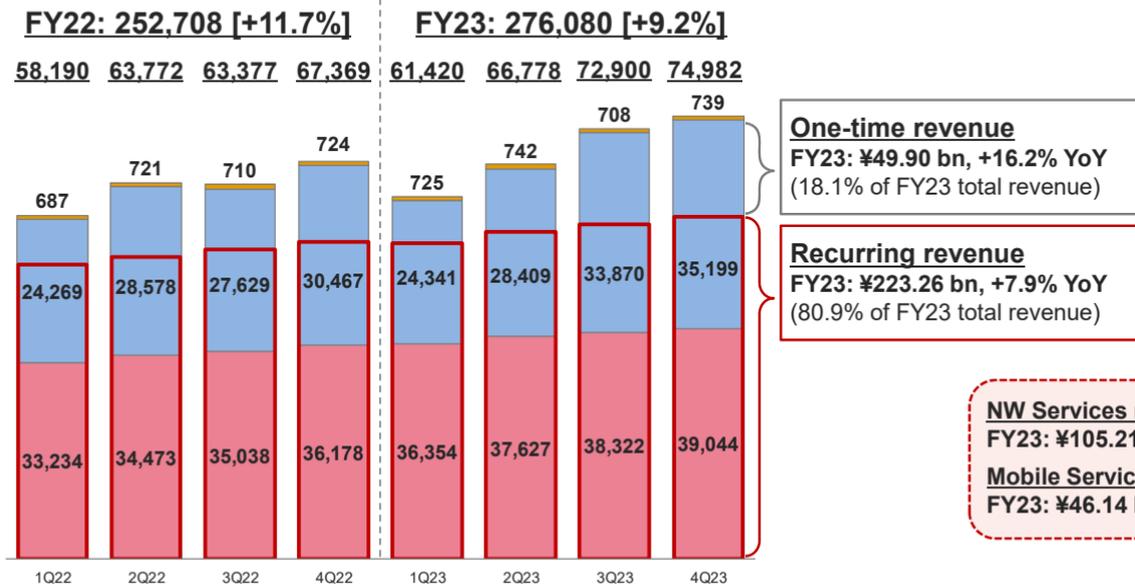
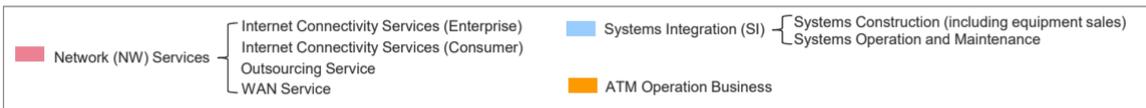
	% of revenue		YoY		% of revenue
	FY23 Results Apr. 2023 - Mar. 2024	FY22 Results Apr. 2022 - Mar. 2023			FY2023 Targets (Announced in May 2023) Apr. 2023 - Mar. 2024
Revenues	276.08	252.71	+9.2%	+23.37	286.0
Cost of Revenues	76.9% 212.21	77.1% 194.80	+8.9%	+17.41	77.1% 220.5
Gross Profit	23.1% 63.87	22.9% 57.91	+10.3%	+5.96	22.9% 65.5
SG&A etc.	12.6% 34.84	12.1% 30.69	+13.5%	+4.15	11.9% 34.0
Operating Profit	10.5% 29.03	10.8% 27.22	+6.6%	+1.81	11.0% 31.5
Profit before tax	10.5% 28.93	10.8% 27.31	+6.0%	+1.63	10.6% 30.4
Net Profit	7.2% 19.83	7.5% 18.85	+5.2%	+0.98	7.2% 20.7

- 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"

V- 2. Year over Year Analysis



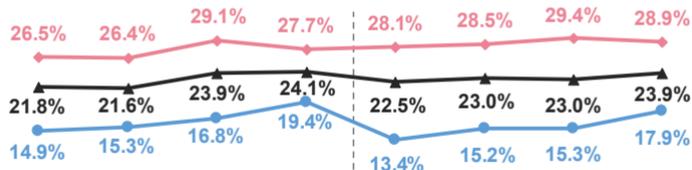
V - 3. Revenues



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

V- 4. Cost of Revenues & Gross Profit Ratio

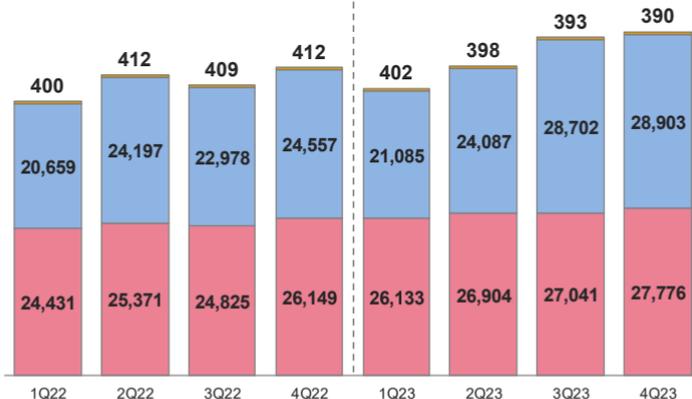
Gross margin: ◆ NW (Network Services) ◆ SI (Systems Integration) ▲ Total
 Cost of revenues: ■ NW (Network Services) ■ SI (Systems Integration) ■ ATM Operation Business



FY22: 194,800 [+11.5%]

FY23: 212,214 [+8.9%]

45,490 49,980 48,212 51,117 47,620 51,389 56,136 57,069



NW service gross margin:

- 3Q23 gross margin included a onetime profit contribution of over ¥0.1 bn which was the result of FY22 Docomo's mobile data interconnectivity (unit charge) revision
- 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

- FY23: ¥63.87 bn (+10.3% YoY)

◆ Gross profit for NW services

- FY23: ¥43.49 bn (+14.0%, +¥5.35 bn YoY)
 - Gross margin improved by 1.3 points YoY along with revenue growth
 - Among ¥5.35 bn of gross profit increase, which is based on managerial accounting, NW service (excluding Mobile services) gross profit increased slightly more than ¥4.2 bn YoY
 - Gross profit of mobile services also nicely increased along with an increase in enterprise IoT revenue, etc.

◆ Gross profit for SI

- FY23: ¥19.04 bn (+2.6%, +¥0.49 bn YoY)
 - FY23 gross margin was 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 (a scheduled termination of a particular project)
FY23 gross margin decreased by 1.1 points YoY

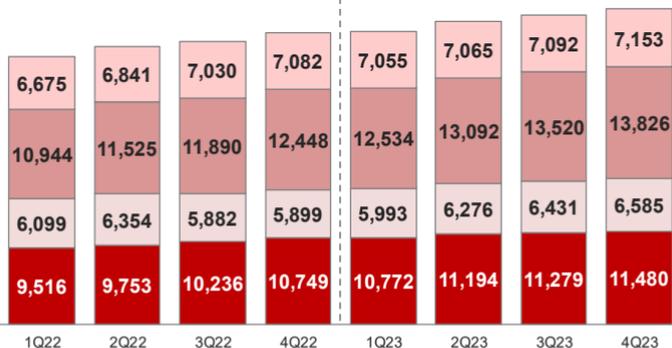
V - 5. Network (NW) Services (1) Revenues



FY22: 138,922 [+8.4%]

FY23: 151,347 [+8.9%]

33,234 34,473 35,038 36,178 36,354 37,627 38,322 39,044



◆ Internet Connectivity (enterprise) Services

➢ FY23: ¥44.73 bn, +11.1% YoY

- Internet traffic (please refer to P.45) and contracted bandwidth continued to expand
- Of which, IP: ¥15.99 bn, +7.8% YoY
- Of which, Enterprise mobile (IoT usages etc.): ¥13.63 bn, +21.9% YoY
- Of which, MVNE (service offer to other MVNOs): ¥10.55 bn, +4.7% 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")

➢ FY23: ¥25.29 bn, +4.3% YoY

- Of which, consumer mobile (IIJmio): ¥21.96 bn, +4.5% YoY

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

➢ FY23: ¥52.97 bn, +13.2% YoY

- Of which, security: ¥30.93 bn, +15.7% YoY
 - ✓ Strong demand for SASE mainly due to NW renewal projects
 - ✓ 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)

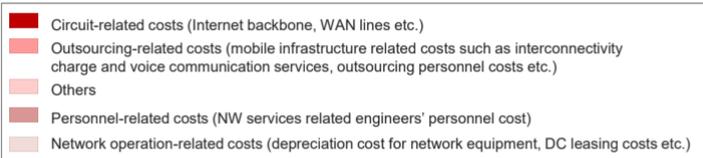
➢ FY23: ¥28.37 bn, +2.7% YoY

- 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

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

Unit: ¥ (JPY) million

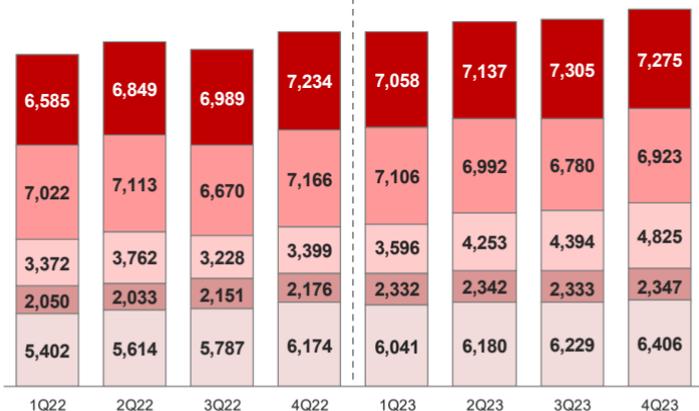
[], YoY = Year over year comparison



FY22: 100,776 [+8.8%]

FY23: 107,854 [+7.0%]

24,431 25,371 24,825 26,149 26,133 26,904 27,041 27,776



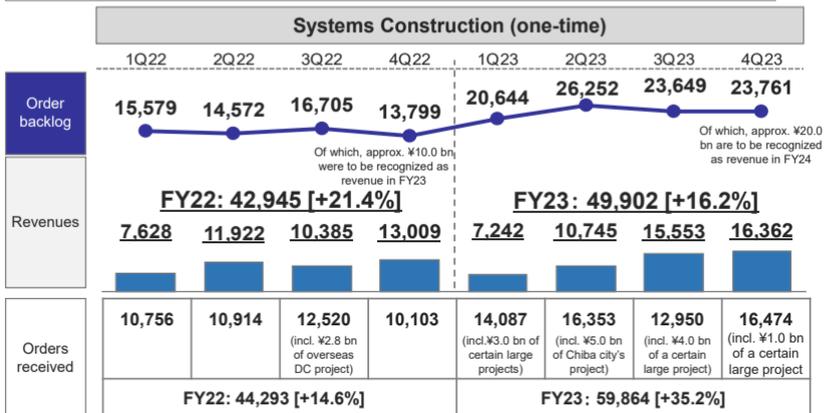
- 3Q23 outsourcing-related costs included a onetime profit contribution of over ¥0.1 bn which was the result of FY22 Docomo's mobile data interconnectivity (unit charge) revision
- 3Q22 outsourcing-related costs included a onetime profit contribution of over ¥0.5 bn which was the result of FY21 Docomo's mobile data interconnectivity (unit charge) revision

- FY23 Circuit-related costs increased stably
 - Internet backbone circuit cost remains stable as we can leverage scale merit by having one of the largest Internet backbone networks
- FY23 Outsourcing-related costs increased stably
- FY23 Others increased YoY mainly due to an increase in the purchasing license fees such as SASE in line with increased revenues
 - FY23 purchasing mobile devices increased by approx. ¥0.24 bn YoY (YoY breakdown: 1Q23 -¥0.41bn, 2Q23 -¥0.20 bn, 3Q23 +¥0.42 bn, 4Q23 +¥0.43 bn)
 - 4Q23 temporarily increased due to supplies expenses
- 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
FY24	¥12,862 • Announced in Mar. 2024 • Will use this unit charge from 1Q24 • Slightly lower than the previously announced unit charge in Mar. 2023 which was ¥13,084	• To be fixed around at the end of Dec. 2025
FY23	¥15,644 • Announced in Mar. 2023 • Used this unit charge in FY23 • Decreased by 21.7% from the FY22 fixed unit charge • Previously announced unit charge in Mar. 2022 was ¥15,697	• To be fixed around at the end of Dec. 2024
FY22	¥20,327 • Announced in Mar. 2022 • Used this unit charge in FY22 • Decreased by 24.8% from the FY21 fixed unit charge	¥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

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

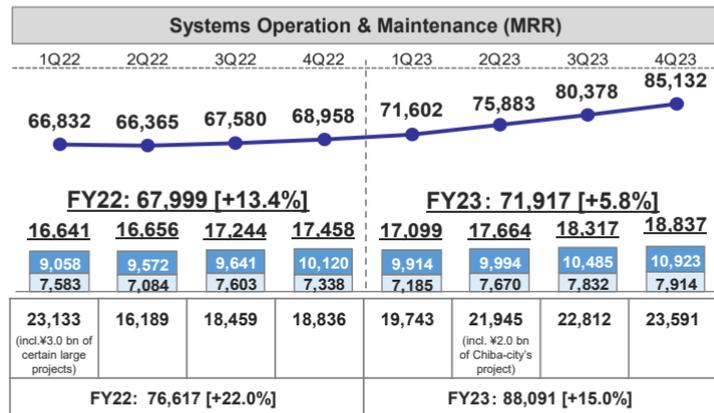
- Systems Construction revenues (including equipment sales)
- Systems operation & maintenance revenues for on-premise system
- Cloud revenues such as private cloud which are recognized as systems operation & maintenance revenues



- Favorable demand from all industries continued (below projects were acquired in 4Q23)
 - Large-scale NW renewal project for a prominent manufacturer (¥3.0 bn, 5 years)
 - Large-scale IT infrastructure installment project (¥1.0 bn, SI construction, included in 4Q23 SI construction orders received)
- FY23 construction revenue was weak mainly due to longer project period as project becoming larger in sizes and more complex

Overseas business

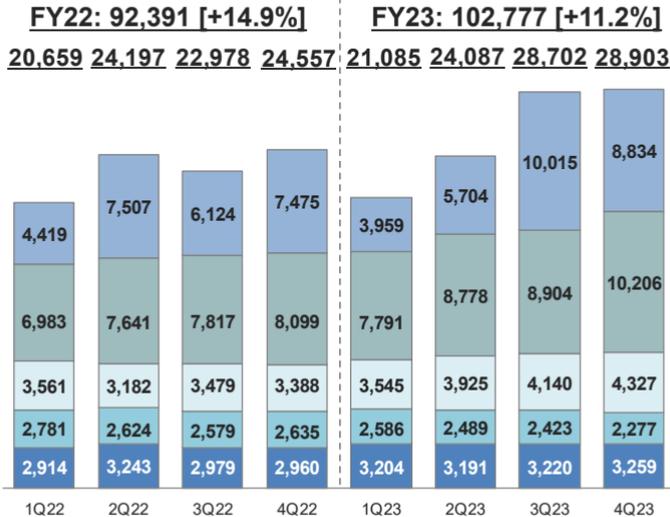
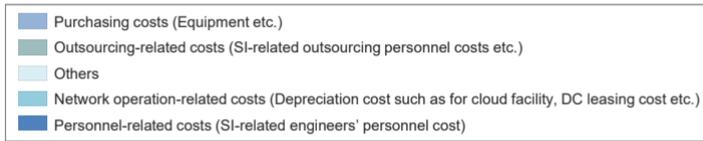
- FY23 revenue: ¥35.29 bn (+38.1%YoY), business profit: ¥2.73 bn (+33.6%YoY)
 - Completed the overseas DC construction project (¥2.8 bn), executing its subsequent projects (¥3.2 bn in total, multi-year)
 - Increased momentum for PTC (Singaporean Sler): NVIDIA's "ASEAN Top Value Partners of the Year" (sole recipient in ASEAN). Received large-scale AI infrastructure construction project, ASEAN business growing with M&A of PTC Malaysia, etc.
- Expect in FY24 to also achieve revenue & profit growth through global SASE and ASEAN business expansion, compared to FY23 results including the overseas DC construction project



- 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 scheduled
- Operation & maintenance orders received fluctuate quarterly due to the impact of large-scale projects with multi year contract. (Generally, orders received is 1 year contract and automatically renewed)

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

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



- Purchasing, outsourcing-related, and others are linked to the size of project and revenue to a certain degree
- 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)

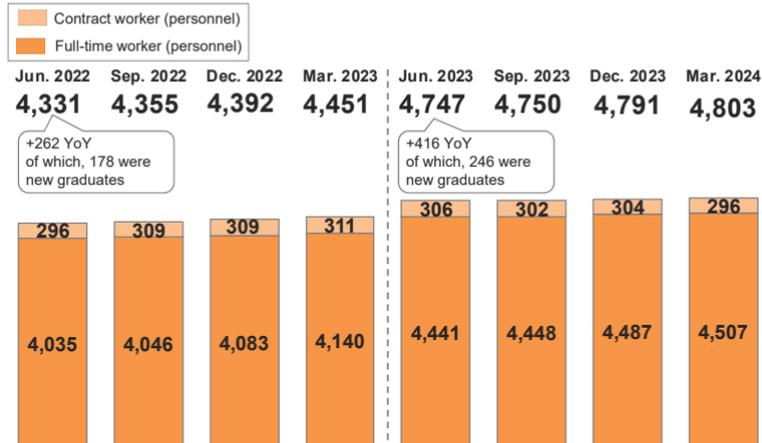
1Q22-end	2Q22-end	3Q22-end	4Q22-end	1Q23-end	2Q23-end	3Q23-end	4Q23-end
1,327	1,390	1,393	1,385	1,367	1,395	1,456	1,521

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

* 3Q23 purchasing costs included most of the cost related to the overseas DC construction project (revenue approx. ¥2.8 bn)

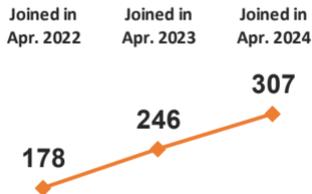
V - 7. Human Capital Disclosure

Number of Employees (consolidated basis)



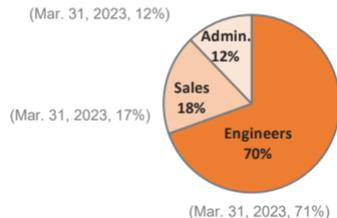
Number of new graduates

Unit: personnel



Breakdown of Employees

(As of Mar. 31, 2024)



Personnel-related costs & expenses (consolidated basis)

Unit: ¥ (JPY) million

	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23
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%)	9,622 (+13.1%)
	FY22: 33,678 (+6.9%)				FY23: 37,642 (+11.8%)			
% of revenue	14.1%	13.6%	13.2%	12.6%	15.2%	13.9%	12.9%	12.8%

- FY23 personnel-related costs & expenses increased as expected due to an increase in number of employees and the modification of monthly salary table
 - FY23 result: increased by 352 personnel
 - Revised the new graduates salary table in Apr. 2023 (previous revision in Apr. 2019). New graduates with bachelor's degree: ¥256,667 per month, up 4.8%. Salary ranges for the existing employees were revised along with it
- FY24 outlook
 - Number of employees (consolidated basis) to increase by over 400 personnel (including 307 of new graduates)
 - No change in salary table at the beginning of FY24

Ratio of Female Managers

- Achieved FY24 target (6% or more) a year in advance
- Brought FY27 target forward by 1 year (IIJ)

Apr. 2022	Apr. 2023	Apr. 2024	FY26 target
5.7%	6.3%	7.5%	8% or more

Turnover rates

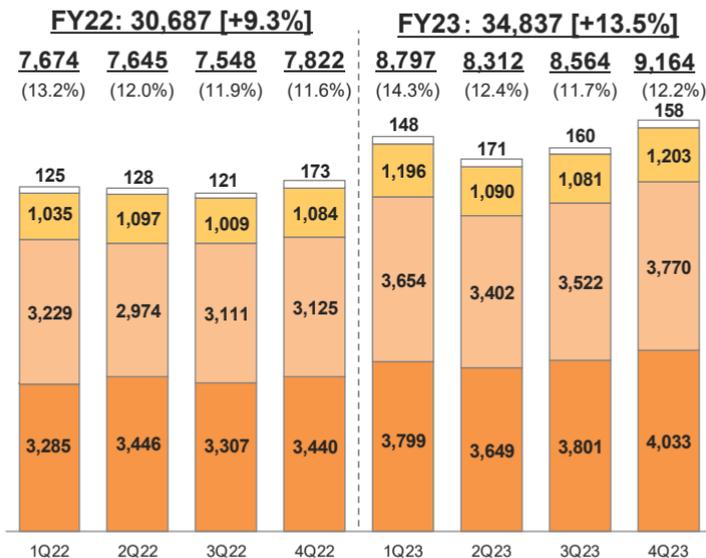
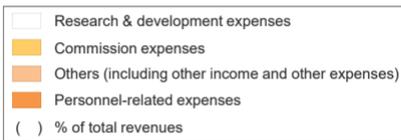
- Lower than the industry average turnover

FY19	FY20	FY21	FY22	FY23
4.6%	3.6%	4.2%	3.8%	4.6%

- The turnover rate of IIJ (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

V - 8. SG&A, etc.

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



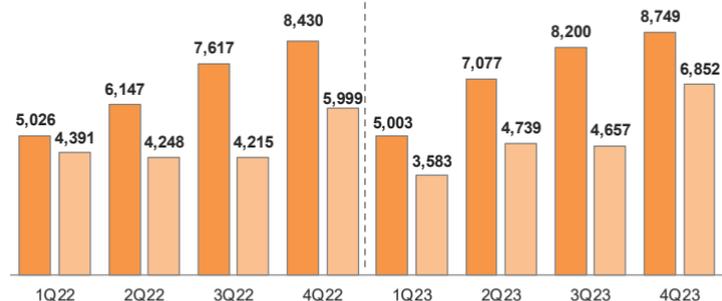
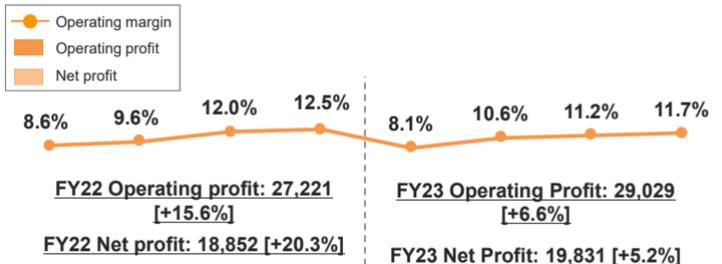
- FY23 SG&As exceeded the initial plan mainly due to an allocation of personnel expenses & other expenses, proportional to personnel between costs & SG&As
- Commission expenses are mainly consumer sales commissions and recruitment expenses (Recruitment expenses tend to be concentrated in FY-end)
- Others are increasing mainly because of an increase in activity-related expenses such as advertisement and travel 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 increase mainly due to an increase in training and human capital development expenses along with the entry of new graduates. Such expenses decrease in 2Q QoQ as expenses for new graduate engineers are recorded as cost of revenues from 2Q

V- 9. Profit



1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	
1,611	152	(1,374)	(97)	632	114	(957)	581	Finance income (expense), net
(14)	(64)	(83)	(42)	(154)	(119)	(150)	(42)	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)	(2,449)	Income tax expense
96	5	14	26	74	13	71	(13)	Profit (loss) for the period attributable to non-controlling interests

* Net profit shows "Profit for the period attributable to owners of the parent"

* Under IFRS, equity securities are measured at fair value through OCI (Other Comprehensive Income) while funds are measured through profit or loss

* Figures for the fiscal year ended March 31, 2023 are based on the retrospective application of IAS 12 "Income Taxes"

◆ Operating profit

➢ FY23: ¥29.03 bn, +6.6% YoY

◆ Profit before tax

➢ FY23: ¥28.93 bn, +6.0% YoY

- Foreign exchange gain: +¥533 million (FY22: +¥365 million)
- Valuation gain(loss) on funds etc.: +¥149 million (FY22: +¥303 million)

1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	FY24 plan
+1,200	(5)	(820)	(73)	+310	+13	(535)	+361	±0

- ✓ Foreign exchange impacts were also included as lots of assets are dominated in USD
- Share of loss of investments accounted for using equity method: ¥465 million (FY22: ¥204 million)

DeCurret-related loss (IIJ ownership: 38.2%)

1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	FY24 plan
78	102	94	109	125	124	143	143	Approx. 800

- ✓ Plan to provide first in Japan commercial digital currency (DCJPY) in Jul. 2024 (For detail, please refer to P.30)
- ✓ Expect cost and expenses such as personnel are to increase in FY24 toward the service launch. After the launch, anticipate to become profitable on a monthly basis within FY26 by the revenue accumulation

◆ Net profit

➢ FY23: ¥19.83 bn, +5.2% YoY

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

Unit: ¥ (JPY) million

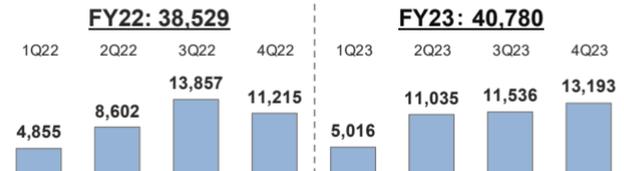
	Mar. 31, 2023	Mar. 31, 2024	Changes		Mar. 31, 2023	Mar. 31, 2024	Changes
Cash & cash equivalents	42,472	45,474	+3,002	Trade & other payables	22,313	25,435	+3,122
Trade receivables	41,340	45,683	+4,343	Borrowings (current & non-current)	20,430	30,180	+9,750
Inventories	3,188	3,227	+39	Contract liabilities & Deferred income (current & non-current)	17,978	21,530	+3,552
Prepaid expenses (current & non-current)	27,920	39,496	+11,576	Income taxes payable	4,034	5,328	+1,294
Tangible assets	23,321	29,072	+5,751	Retirement benefit liabilities	4,513	4,991	+478
Right-of-use assets	46,675	41,242	(5,433)	Other financial liabilities (current & non-current)	48,800	49,138	+338
Of which, operating leases (rent of office, data center etc.)	31,233	26,428	(4,805)	Of which, operating leases (rent of office, data center etc.)	31,610	26,982	(4,628)
Of which, finance leases (network equipment etc.)	15,442	14,814	(628)	Of which, finance leases (network equipment etc.)	16,447	15,750	(697)
Goodwill & intangible assets	26,475	28,685	+2,210	Others	8,823	10,079	+1,256
Investments accounted for using the equity method	5,785	5,169	(616)	Total liabilities:	126,891	146,681	+19,790
Investment securities (Equity)	10,031	14,563	+4,532	Share capital	25,562	25,562	-
Other investments	9,119	9,805	+686	Share premium	36,738	35,737	(1,001)
Others	9,992	11,297	+1,305	Retained earnings	51,202	65,616	+14,414
				Other components of equity	6,571	10,863	+4,292
				Treasury shares	(1,831)	(12,027)	(10,196)
				Total equity attributable to owners of the parent:	118,242	125,751	+7,509
				Non-controlling interests	1,185	1,281	+96
Total assets:	246,318	273,713	27,395	Total liabilities and equity:	246,318	273,713	+27,395

- Prepaid expenses increased mainly due to an increase in projects for clients and maintenance for license and facility
- Tangible assets increased mainly due to investment in 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, 45.9% as of Mar. 31, 2024, decreased due to the share buyback with cancellation

V- 11. Consolidated Cash Flows

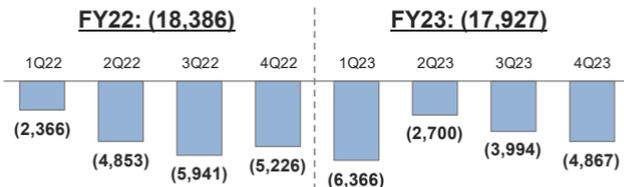
Unit: ¥ (JPY) million
YoY = Year over year comparison

Operating Activities



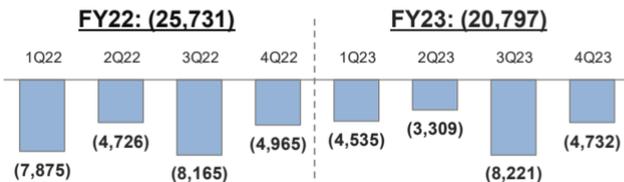
	FY23 Major Breakdown	YoY Change
Profit before tax	28,934	+1,625
Depreciation and amortization	29,296	+495
Changes in operating assets & liabilities	(9,880)	(2,168)
Income taxes paid	(8,130)	+1,828

Investing Activities



	FY23 Major Breakdown	YoY Change
Purchase of tangible assets	(11,744)	+43
Purchase of intangible assets such as software	(7,199)	(1,728)

Financing Activities



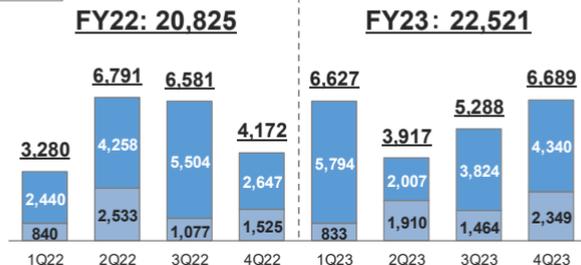
	FY23 Major Breakdown	YoY Change
Payment of operating/finance leases and other financial liabilities	(20,008)	(664)
Dividends paid	(5,682)	(781)
Repayment of long-term borrowings	(2,060)	(545)
Short-term borrowings (Borrowings for acquisition of treasury shares, etc.)	11,800	+11,900
Purchase of treasury shares	(11,405)	(11,405)

V- 12. Other Financial Data

Unit: ¥ (JPY) million

CAPEX

■ Cash CAPEX
■ Finance lease



Major breakdown of CAPEX (Unit: ¥ bn)

	FY22	FY23
Ordinal NW CAPEX (NW equipment, etc.)	9.0	10.4
Cloud-related	2.0	1.5
Shiroy DC second site -related	5.4	5.5
Customer-related	2.9	2.3
Renewal of Raptor service facility	0.2	1.1
Renewal of Full-MVNO 5G infrastructure	0.8	1.7

FY23 CAPEX plan: ¥22.5 bn

(Including approx. ¥7.0 bn for Shiroy DC second site)

- Almost as expected in the total amount
- Part of Shiroy DC second site expansion investment was postponed to FY24

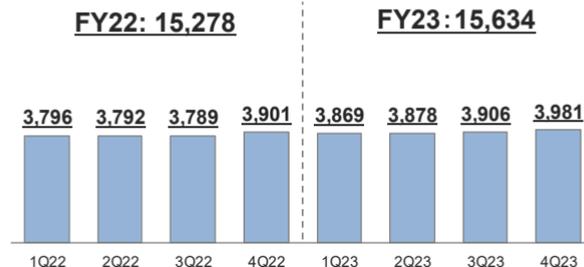
FY24 CAPEX plan: ¥23.0 bn

- Of which, approx. ¥3.7 bn is for Matsue DC's construction of its additional modules
- Of which, approx. ¥2.0 bn is for Shiroy DC's expansion investment

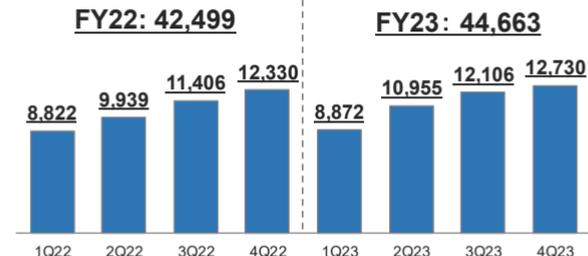
- Total amount of capital expenditure is the amounts of acquisition of tangible and intangible assets by cash and entering into finance leases for the fiscal year, excluding duplication due to sale and leaseback transactions and acquisition of assets that do not have the nature of investment, such as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

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CAPEX-related depreciation and amortization



Adjusted EBITDA



VI- 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
Foreign exchange trading platform for a prominent financial group	¥3.0 bn, 5 years	SI O/M	Dec. 2022	To be recognized from 3Q24
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 4Q24
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 1Q24 In or after FY25
Next generation NW renewal for a major system integrator	¥1.0 bn, 5 years	NW service	Apr. 2023	From Nov. 2023
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	From 4Q23
Next generation research platform for a private university	¥1.0 bn, 5 years	SI construction, SI O/M	May. 2023	From 4Q23
Educational information network for Chiba City	¥12.3 bn, 5 years (¥5.0 bn in SI construction, ¥2.0 bn in SI O/M, the rest in NY Service)	NW service, SI construction, SI O/M	Sep. 2023	To be recognized from 4Q24 (approx. ¥5.0 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 2Q24
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	From 4Q23
Large-scale NW renewal for a prominent financial institution	¥4.0 bn, 8 years	NW service, SI construction, SI O/M	Mar. 2024	To be recognized from 1Q25
Large-scale NW renewal for a prominent manufacturer	¥3.0 bn, 5 years	SI construction, SI O/M	Mar. 2024	To be recognized from 1Q24
Large-scale IT infrastructure installment project	¥1.0 bn	SI construction	Mar. 2024	To be recognized mainly in 1Q25

* SI O/M = systems operation and maintenance

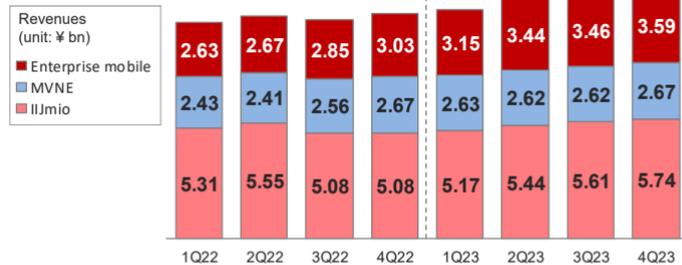
VI- 2. Mobile and IoT

Mobile Subscription (Subs.)



Mobile Revenue

FY22: 42.27 (+3.8%) **FY23: 46.14 (+9.1%)**
10.37 10.63 10.49 10.79 **10.94 11.50 11.70 12.00**



- 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)

- FY23 revenue: ¥13.63 bn (+¥2.45 bn YoY)
- FY23-end subs.: 2,350 thousand (+101 thousand QoQ)
 - Existing transaction such as connecting NW cameras, GPS devices, and on-board unit-related devices are becoming larger and continuously acquiring new orders

◆ MVNE (providing mobile services to other MVNOs)

- FY23 revenue: ¥10.55 bn (+¥0.48 bn YoY)
- FY23-end subs.: 1,186 thousand (+38 thousand QoQ)
- 3Q23-end MVNE clients: 192 clients (+11 clients YoY)
 - Cable TV operators (94 operators), prominent retailer, etc.

◆ IIJmio (consumer)

- FY23 revenue: ¥21.96 bn (+¥0.94 bn YoY)
 - Started offering large data volume plans from Mar. 2024, maximum of 50GB
- FY23-end subs.: 1,274 thousand (+36 thousand QoQ)
 - Of which, the old plan's subs. were 218 thousand

GigaPlans (unit: thousand)	1Q22-end	2Q22-end	3Q22-end	4Q22-end	1Q23-end	2Q23-end	3Q23-end	4Q23-end
Subs.	757	837	878	908	928	963	995	1,041

SIM type MVNO market share in Japan

	Dec. 31, 2022	Dec. 31, 2023
1st	IIJ 19.7%	IIJ 21.3%
2nd	NTT Resonant 11.1%	NTT Docomo(*) 10.4%
3rd	Optage 9.1%	Optage 8.7%
4th	Fujitsu 5.6%	Fujitsu 5.7%
5th	Biglobe 4.9%	Aeon Retail 4.7%

Source: the Ministry of Internal Affairs and Communications.
 (*) NTT Docomo's figures as of Dec. 31, 2023 was formerly NTT Resonant's one

SIM contracts ratio in Japan

Dec. 2023	9.7%
Sep. 2023	9.6%
Jun. 2023	9.6%
Mar. 2023	9.5%
Dec. 2022	9.4%

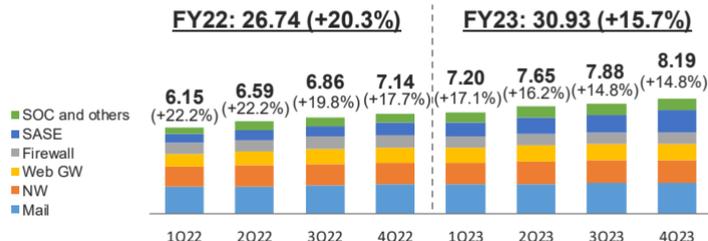
VI- 3. NTT Docomo's Mobile data interconnectivity charge (Mbps Unit charge, monthly)

Fiscal Year	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
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. 2024 To be fixed around the end of Dec. 2025 ¥12,862 -17.8% YoY	¥10,874 -15.5% YoY	¥10,708 -1.5% YoY(*)
Fixed	¥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		Slight decrease in the unit price		(*) Impacted by the revision of allocation standards for voice & data transmission services
Old						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	
					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.
- 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.nttdocomo.ne.jp/binary/pdf/corporate/disclosure/mvno/business/oroshi.pdf>
- The impact of the revision of allocation standards for voice & data transmission services refers to the fact that, from 2023, with regard to the calculation of data communication cost (MNO investment) as the numerator of the MIC formula, a part of the costs that were previously recognized as voice related costs are to be recognized as data communication related costs

VI- 4. Security Business

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



Each service continued to accumulate

Total security business volume also continued to increase

- Security projects outside the scope of IJ security services are handled through SI
- Total security business volume (Service + SI) FY23: ¥34.81 bn (FY22: 31.25 bn)

Strong demand for "IJ C-SOC Service"

Greater opportunity to integrate it as 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 & 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

- First in the Asia-Pacific to be certified as Palo Alto Networks Partner for SP Interconnect, providing Internet connection between Prisma Access and IJ Backbone (Apr. 2024)
- Expanded functions of "IJ Managed WAF Service" by adding DDoS protection function in Oct. 2023
- Launched "IJ leaked account detection solution" in Nov. 2023
- Launched "IJ Attack Surface Assessment Solution" in Nov. 2023

- 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
<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

NW Security
<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.

FW (Firewall)
<ul style="list-style-type: none"> ➢ Outsource of firewall operation, detection system for anomaly, etc. (launched in Oct. 2006)

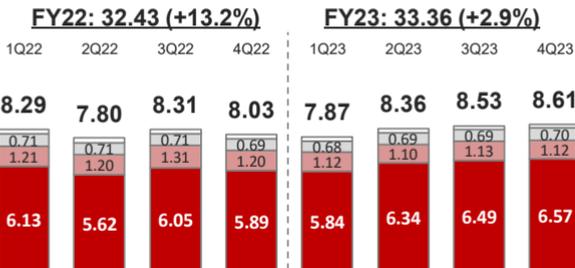
Web GW
<ul style="list-style-type: none"> ➢ Full outsource of web security, URL filtering, ➢ IJ Secure Web GW Service (SWG) <ul style="list-style-type: none"> • Cloud-based integrated web security service (launched in Mar. 2009) • Differentiating by in-house developed engines etc. to block and isolate web functions, etc.

SASE
<ul style="list-style-type: none"> ➢ Operation of Prisma Access, Zscaler etc. • Highly regarded as a top-class SASE implementation & operation vendor • From a vendor neutral position, provide all-in-one support ranging from solution selection, design, construction, implementation to operation
<ul style="list-style-type: none"> ➢ IJ Secure Access Service "ISA" <ul style="list-style-type: none"> • In-house developed SASE service (launched in Sep. 2022) • Differentiating by high compatibility with other IJ security services, small start & low-price range • Continue to enhance the service, in the middle of setting up

SOC and others
<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.

VI- 5. Cloud Business

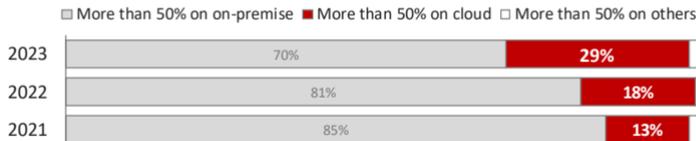
◆ Cloud service revenue (MRR)



* Breakdown of 4Q23 cloud revenue: 91.9% Systems operation & maintenance, 8.1% Outsourcing service
 * 2Q22 and 1Q23 private cloud revenue decreased due to a certain gaming client's usage for multi cloud decreased

◆ Majority of enterprise systems are still operating on-premise

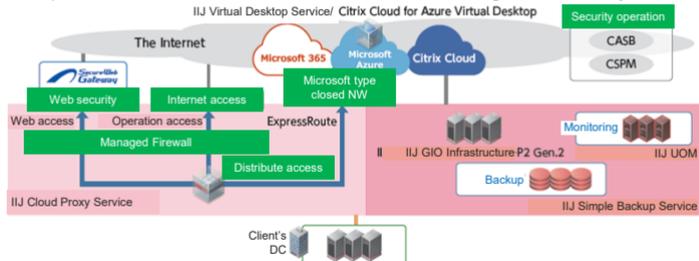
Location of servers working and/or deployed



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

◆ Continued to accumulate cloud migration projects

- Case 1: Upon DC contract renewal, a client started considering cloud migration of the current systems
 - ✓ IIJ GIO Infrastructure P2.Gen2, Migration Solution, and UOM combined to achieve easy migration to cloud with almost no changes to the current configuration. IIJ was in charge of test and production migration work, continued use of existing IP addresses, integrated cloud and NW maintenance, etc.
- Case 2: Upon the end of service of virtual desktop systems, a client started considering cloud migration
 - ✓ On-premise environment often causes long waits for login and other usability problems, but IIJ provides multiple IIJ services including IP and security to create



Private cloud
<ul style="list-style-type: none"> ➢ IIJ GIO Infrastructure P2.Gen.2 <ul style="list-style-type: none"> • Next generation IaaS enabling easy Cloud migration from on-premise (launched in Oct. 2021) • Highly transitional VMware base hosted private Cloud ➢ IIJ Unified Operation Management Service (UOM) <ul style="list-style-type: none"> • SaaS to improve efficiency of multi-cloud system operation work (launched in Apr. 2017) • Management and operation cover wide range from cloud to on-premise, Improve efficiency with automated incident management etc. ➢ Multi-cloud, etc.

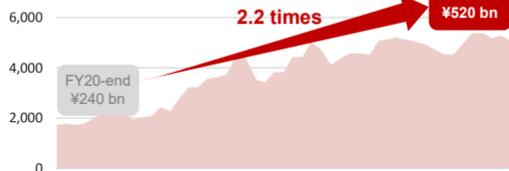
Public cloud
<ul style="list-style-type: none"> ➢ Low-cost servers with pay-as-you-go pricing, etc.
Raptor
<ul style="list-style-type: none"> ➢ In-house developed SaaS base FX (Foreign Exchange) platform services for online brokers, launched in Nov. 2011 ➢ Providing services to Hirose Tsusho, Line Securities, au Kabucom Securities, Nomura Securities, Sony Bank, SMBC Nikko Securities, Matsui Securities etc. ➢ New service platform (from Sep. 2023) <ul style="list-style-type: none"> • With cloud-native design, greater scalability, performance, and security features than the previous platform
Others
<ul style="list-style-type: none"> ➢ Cloud services provided through overseas subsidiaries, etc.

VI- 6. Initiatives to achieve sustainable corporate value expansion

Key KPIs

	PER	PBR	ROE
FY20-end	24.1	2.6	11.5%
FY23-end	25.4	4.0	16.3%

Market Cap. (FY20 ~ FY23)



IR engagement

- ◆ Number of IR dialogues (Total number of IR meetings per year)



- ◆ Practice IR at the management level
 - Domestic/foreign institutional investors (FY23: 5 overseas roadshows, 4 large conference, and one-on-one meetings), analysts, individual investors
- ◆ In response to increase in market capitalization, focusing on new access to long-term and large-cap investors such as pension funds (FY23: approx. 60 contacts)
- ◆ Expanding non-financial disclosure such as Integrated Report Portal, human capital disclosure, TCFD disclosure, etc.

Business Evaluation by IRR

- ◆ Calculate WACC every FY and report it to the Board of Directors, and apply to the entire company
- ◆ Continuously evaluate each business project using IRR & implement portfolio management
- ◆ A business model that flexibly pursues overall optimization & economies of scale, rather than making individual judgments for each business or service because NW infrastructure has many common cost
- ◆ B/S management to control increasing the work-in-process and prepayment due to an increase in acquisition of large multi-year projects, etc. For the time being, continue to increase working capital as the scale of SI expands

Continuous enhancement of Governance

- ◆ **New structure from Jun. 2024**
 - 5 outside independent directors; 42% of the total directors
 - Have been inviting outside independent directors since Jun. 2004 as the U.S. SOX compliance
 - 3 female officers; 19% of the entire Board (including company auditors)
- ◆ **Introduction of a new officer compensation scheme linking with the new Mid-term Plan (from Jun. 2024)**

Evaluate based on business performance (revenue, operating profit, performance of assigned business area), engagement (employee satisfaction, etc.), ROE 19% & market capitalization of ¥1 trillion to be realized in FY26, & achievement/progress of sustainability and other targets, provision of restricted stocks. Through these, enhance both shareholder & corporate value
- ◆ **Implementation of efficient & productive management activity based on business philosophy**
 - BOD is annually leveled-up through continuous evaluation, the Nomination & Remuneration Committee, monitoring of Board of Company Auditors and Internal audit, whistle blower system, etc.
 - Continuously assign employees who have been involved in setting up each technology and/or business area as officers

Enhancement of Human Capital

	FY20-end	FY21-end	FY22-end	FY23-end
No. of employees (consolidated)	3,805	4,147	4,451	4,803
Of which, new graduates	210	190	178	246
	FY20	FY21	FY22	FY23
Turn over (IU)	3.6%	4.2%	3.8%	4.6%
Engagement (employee satisfaction**))	3.9	3.9	3.9	3.9

- ◆ **Strengthen & promote human resources development**
 - OJT (On the Job Training) as the foundation of human resource development, supplemented by training by job level for each employee's year & role, training by department to acquire specialized knowledge & skills

(*) Based on annual employee survey's satisfaction questionnaires

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Initiatives for Sustainability and ESG

- ◆ The core of our social contribution and sustainable development is to support Internet in Japan through stable operation and contribute to IT society

Major KPIs	Target	FY23 result
Usage of renewable energy	FY30 85%	50% Matsue 100%
PUE of own DCs (Power Usage Effectiveness at DCs, industry max at 1.4 or lower)	Throughout FY30 Continue to be lower than 1.4	Matsue: 1.33 Shiro: 1.36
Self evaluation of employees on ①Challenge, ②Growth, ③Support from supervisors	Continue to be higher than 3.5	①3.9 ②4.0 ③4.3
Female manager ratio	FY26: over 8% (Brought FY27 target forward by 1 year)	6.5% (Achieved FY24 target early)

VII. FY24 Financial Targets

	% of total revenue		YoY	% of total revenue		YoY
	First Half Targets (Apr. 2024 to Sep. 2024)			Full Year Targets (Apr. 2024 to Mar. 2025)		
Total Revenue	142.0 ~ 143.0		+10.8% ~ +11.5%	312.0 ~ 315.0		+13.0% ~ +14.1%
Gross Profit	20.6% 21.1%		+0.0% ~ +3.5%	22.0% 22.7%		+7.3% ~ +12.0%
SG&A, etc.	13.5% 13.4%	19.2	+12.2%	12.3% 12.2%	38.5	+10.5%
Operating Profit	7.0% 7.7%	10.0 ~ 11.0	(17.2%) ~ (8.9%)	9.6% 10.5%	30.0 ~ 33.0	+3.3% ~ +13.7%
shares of profit(loss) of investments accounted for using equity method investees		(0.3)	-		(0.7)	-
Profit before tax	6.7% 7.4%	9.5 ~ 10.5	(24.3%) ~ (16.4%)	9.3% 10.2%	29.0 ~ 32.0	+0.2% ~ +10.6%
Net Profit (Profit for the period attributable to owners of the parent)	4.4% 4.9%	6.3 ~ 7.0	(24.3%) ~ (15.9%)	6.4% 7.0%	19.9 ~ 21.9	+0.3% ~ +10.4%
Dividend per share	¥17.18 ~ ¥18.58	¥0.00 ~ +¥1.40		¥34.36 ~ ¥37.16	¥0.00 ~ +¥2.80	

Assumption					
Revenue	1st half	Full year	Gross Profit	1st half	Full year
	approx. 60.0 ~ 61.0	approx. 142.5 ~ 144.5		approx. 6.5 ~ 7.5	approx. 20.0 ~ 22.0
■ SI					
■ NW service	approx. 81.0	approx. 167.0 ~ 168.0		approx. 22.0	approx. 47.0 ~ 48.0

◆ NW Service:

- Revenue to grow by recurring revenue accumulation & Service Integration
- Expect mobile to achieve revenue & profit growth without the onetime cost reduction of data connectivity
- At the upper limit, expect gross margin to improve YoY (1H: decrease, 2H: increase)

◆ SI:

- Revenue to largely increase by realizing FY23-end order backlog & strong demand
- At the upper limit, expect gross margin to slightly decrease YoY (1H: decrease, 2H: increase)

◆ VMware impact: We are taking actions of passing through of the cost increase which would require some time to be adopted thoroughly. Thus, we have set some ranges.

◆ SG&A, etc.: Increase along with an increase in number of employees and others (No modification of the salary table for FY24 new graduates)

◆ Shares of profit (loss) of investments accounted for using equity method investees: Expect DeCurret's related loss to be around ¥0.8 bn as they approach near to the service launch the cost should increase

◆ No consideration on any valuation gain (loss) on funds & foreign exchange gain (loss)

◆ Others: Number of employees to increase slightly over 400 personnel (of which, 307 are new graduates), CAPEX: ¥23.0 bn (of which, approx. ¥5.7 bn is for own DCs expansion)

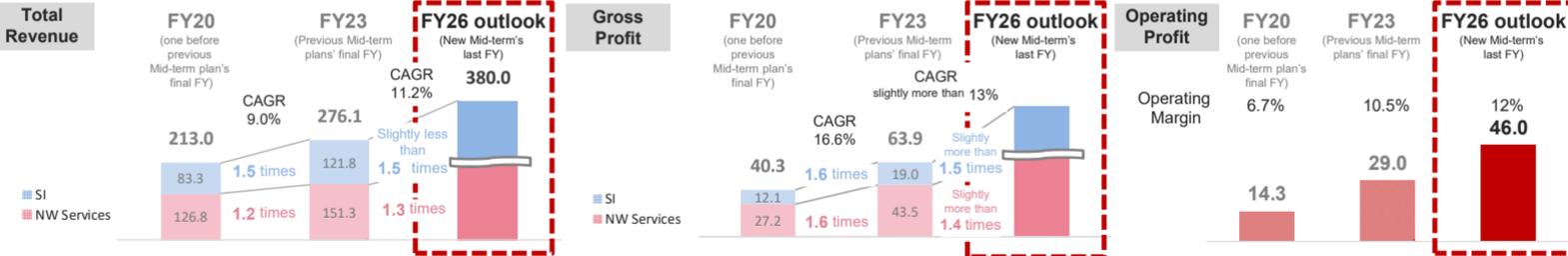
The impact from VMware license for virtualization software

- ◆ Effective from Apr. 2024, there were major changes in VMware product lineup & IJ was migrated to a new partner program
- ◆ Under the new product lineup, generally, individual products are no longer sold separately, which was the case previously, and they are now bundled together. This leads to a substantial increase in price & cost
- ◆ IJ is taking actions including the revision of our service price; however, because the product lineup & the terms & conditions were shared in such a last minute, the full year financial targets are disclosed as ranges of ¥3.0 bn. The upper limit indicates that the impact of VMware license is mostly passed through in the second half. The lower limit indicates that the impact of VMware license is passed through with delay, except to the extent that can be assumed

VIII. New Mid-term Plan's Financial Outlook

Unit: ¥ (JPY) billion

Breakdown image of financial outlook



Capital allocation (FY24-FY26, 3 years in total)

Cash in

Cash out

Overview

Cash generated from business approx. ¥134.0 bn^(*)

Investment: approx. ¥90.0 bn

Ordinal NW infrastructure, etc. approx. ¥51.0 bn

Stable with economies of scale

Shiroi DC 3rd Site construction approx. ¥30.0 bn

Mainly for own services

Strategic investment for new growth areas

Shiroi DC 3rd site construction

- Start the construction within the new Mid-term plan period, but the schedule is undetermined
 - First site: CAPEX approx. ¥8.3 bn, No. of racks: approx. 700, started operating from May 2019
 - Second site: CAPEX approx. ¥12.8 bn (plan), No. of racks: approx. 1,100, started operating from Jul. 2023

Strategic Investment

- Specific investment details have not fixed and will be discussed going forward

Increase in working capital & lease obligations

- Increase in work in process, prepayments, etc. due to an increase in large scale multi-year SI projects
 - The impact of increased working capital should gradually be reduced due to the constant revenue recognition of large scale projects

M&As

- M&As to be conducted in sequence with borrowing capacity
 - Maintain debt/equity ratio & financial discipline, Up to ¥70.0 bn of additional debt could be implemented for M&As

Along with an increase in large complex project
Increase in working capital and lease obligation

Approx. **¥13.0 bn**

Payout ratio 30%

Dividend

Approx. **¥24.0 bn**

Scheduled repayment of long term borrowing

Approx. **¥1.5 bn**

M&As

up to **¥70.0 bn**

^(*) post-tax, pre-depreciation

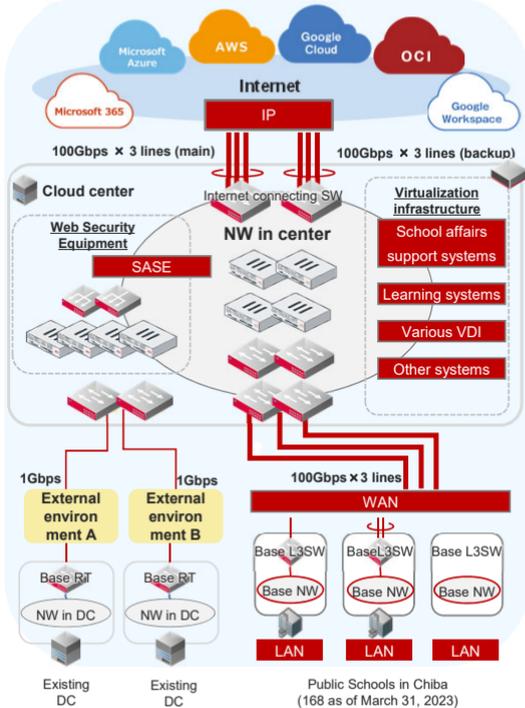
Debt

Up to approx. ¥65.0 bn

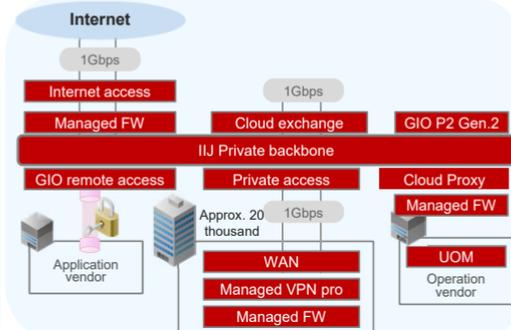
Acquired large-scale Service Integration projects

Services provided by IIJ
SI provided by IIJ

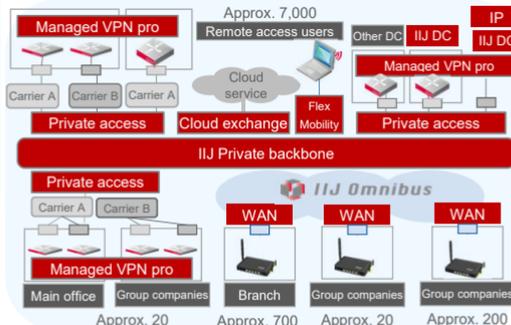
Educational Information NW for Chiba city



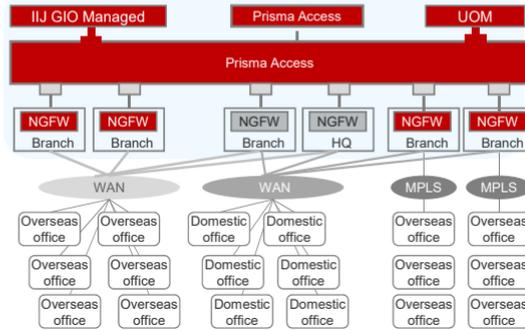
Integrated information system for public safety org.



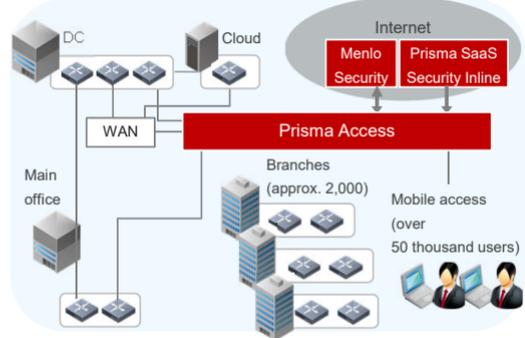
Total NW project for a prominent company group



Large-scale SASE project for a global company



Large-scale NW renewal for a financial institution



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

Comparison between the old & new plans of consumer mobile

Including tax

Old

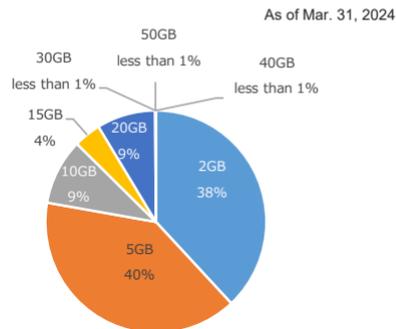
Minimum Start Plan (3GB)	With voice	¥1,760
	Data-only	¥990
Light Start Plan (6GB)	With voice	¥2,442
	Data-only	¥1,672
Family Share Plan (12GB)	With voice	¥3,586
	Data-only	¥2,816

New: GigaPlans (Apr. 2021~)

2Giga Plan (2GB)	With voice	¥850
	Data-only	¥740
5Giga Plan (5GB)	With voice	¥990
	Data-only	¥900
10Giga Plan (10GB)	With voice	¥1,500
	Data-only	¥1,400
15Giga Plan (15GB)	With voice	¥1,800
	Data-only	¥1,730
20Giga Plan (20GB)	With voice	¥2,000
	Data-only	¥1,950
30Giga Plan (30GB)	With voice	¥2,700
	Data-only	¥2,640
40Giga Plan (40GB)	With voice	¥3,300
	Data-only	¥3,240
50Giga Plan (50GB)	With voice	¥3,900
	Data-only	¥3,840

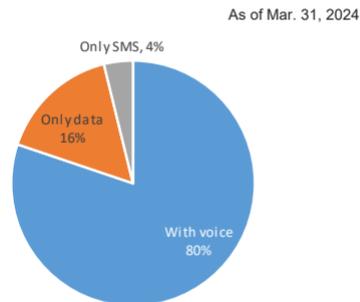
Launched large data volume plan
(Mar. 1, 2024)

GigaPlans: by data plans



* Current users' migration as well as the start of the large data volume was from Apr. 1, 2024

GigaPlans: by plans



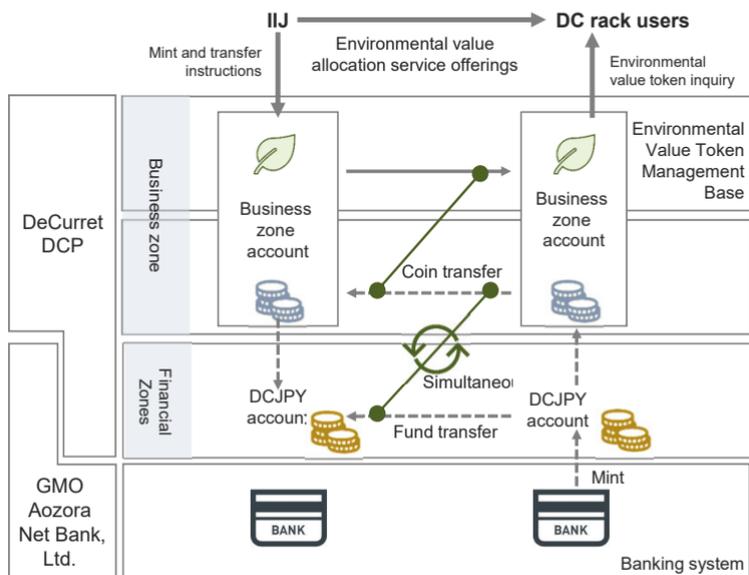
- The above table briefly indicates service prices for major functions to show the differences between the old and new plans
- GigaPlans pricings are as of Mar. 2024. eSIM with voice function services are offered at the same price.
- Voice call charge is only for domestic calls. Old plan: ¥22 for 30 seconds, new plan: ¥11 for 30 seconds

Appendix 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"> As of Mar. 31, 2024, there are 104 companies, organization, experts, as members 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 Data center (DC)

◆ Operate 16 DCs in Japan, 2 of which are owned by IIJ (as of Mar. 2024)

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



Tesla's power pack



Edge computing



- PUE(Power Usage Effectiveness) is a metric that shows how efficiently electricity is used at a data center. The closer to 1.0 is considered to be good.

	Matsue DCP (opened in Apr. 2011)	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 • Direct procurement of non-fossil fuel certificates toward the supply of electricity with environmental values (Apr. 2023)
Land	Approx. 16 thousand square meters	Approx. 40 thousand square meters
Number of in placed racks	Approx. 500 racks	Over 700 racks
FY23 PUE	1.33	1.36
Plan	<ul style="list-style-type: none"> • Construction of new system module <ul style="list-style-type: none"> ✓ Construction from Feb. 2024, Scheduled operation from 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"> • 2nd site is to be fully occupied around FY26 by own service facility and collocation • 3rd site construction is under discussion (From FY25)

【Reference】
Presentation material for company overview
P. 32 ~ 45

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	4,803 (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

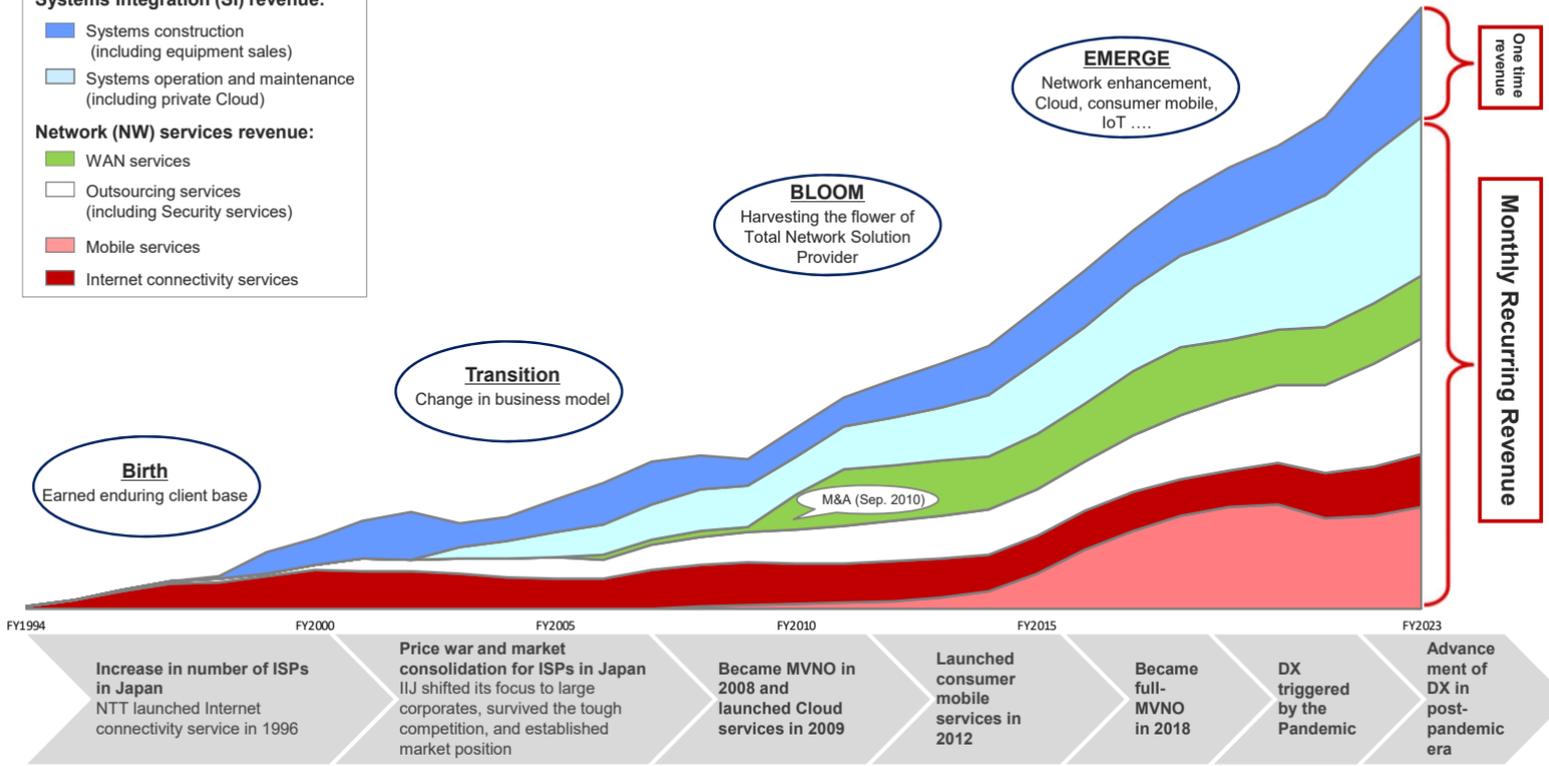
- ✓ Differentiate by continuous network service developments and business investments
- ✓ Focus on Cloud, mobile, security, solutions related to Big Data, IoT and data governance
- ✓ Always ahead of telecom carriers and systems integrators (SIs) with regards to services development and operation

and many more

• Number of employees is on the consolidated basis and as of Mar. 31, 2024
 • Large shareholders are as of Mar. 31, 2024, 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

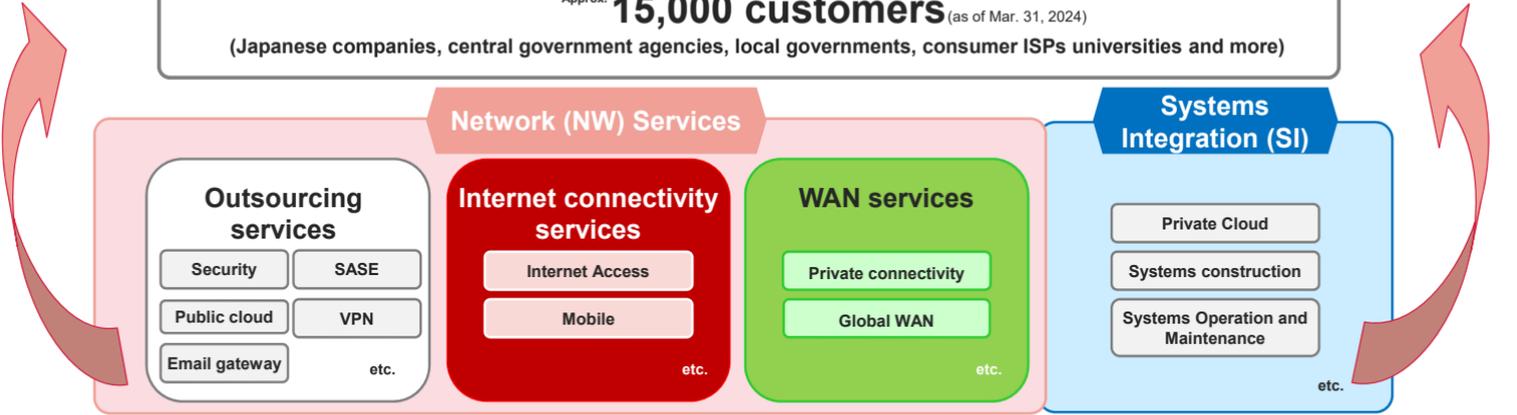
- Systems Integration (SI) revenue:**
- Systems construction (including equipment sales)
 - Systems operation and maintenance (including private Cloud)
- Network (NW) services revenue:**
- WAN services
 - Outsourcing services (including Security services)
 - Mobile services
 - Internet connectivity services



IIJ as a Total Network Solution Provider

Offers various network services and systems integration together in many projects

Approx. **15,000 customers** (as of Mar. 31, 2024)
 (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



Extensive Service Lineups

Revenue category		FY23 revenue	About		Business Situation & Outlook													
Network services	Internet connectivity services for enterprise	44.73	<table border="1"> <tr> <td>IP</td> <td>15.99</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>24.18</td> <td> <table border="1"> <tr> <td>Enterprise mobile (IoT usages etc.)</td> <td>13.63</td> </tr> <tr> <td>MVNE (Proving to other MVNOs)</td> <td>10.55</td> </tr> </table> </td> </tr> </table> <p>(Others) Broadband Internet services etc.</p>	IP	15.99	<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	24.18	<table border="1"> <tr> <td>Enterprise mobile (IoT usages etc.)</td> <td>13.63</td> </tr> <tr> <td>MVNE (Proving to other MVNOs)</td> <td>10.55</td> </tr> </table>	Enterprise mobile (IoT usages etc.)	13.63	MVNE (Proving to other MVNOs)	10.55	<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	25.29	<table border="1"> <tr> <td>Mobile</td> <td>21.96</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	21.96	<ul style="list-style-type: none"> Inexpensive SIM services (mainly data), Direct sale (via IJ web), Indirect sale (via sales partners such as retailers) 													
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WAN (Wide Area Network)	28.37	Closed network used to connect multiple sites		Stable market in the long-term														
Outsourcing	52.97	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>30.93</td> <td>Managed security services, Security Operation Center services and so many more</td> </tr> <tr> <td>Public Cloud</td> <td>2.76</td> <td>Offered as a part of Cloud service line-ups</td> </tr> </table>	Security	30.93		Managed security services, Security Operation Center services and so many more	Public Cloud	2.76	Offered as a part of Cloud service line-ups									
Security	30.93	Managed security services, Security Operation Center services and so many more																
Public Cloud	2.76	Offered as a part of Cloud service line-ups																
SI	Operation and Maintenance	71.92	<table border="1"> <tr> <td>On-premise Systems</td> <td>41.32</td> <td>Operation and maintenance of constructed systems</td> </tr> <tr> <td>Private Cloud etc.</td> <td>30.60</td> <td>Promote Cloud shift with abundant, highly reliable, value-added private Cloud related service line-ups</td> </tr> </table>	On-premise Systems	41.32	Operation and maintenance of constructed systems	Private Cloud etc.	30.60	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	41.32	Operation and maintenance of constructed systems															
Private Cloud etc.	30.60	Promote Cloud shift with abundant, highly reliable, value-added private Cloud related service line-ups																
Construction (including equipment sales)	49.90	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"> Increase in large-scale complex projects as enterprises' private NW and systems are renewed Through providing SI, offer greater value as IoT and Cloud usage penetrate 														

Monthly Recurring Revenue 81%
 One time revenue

Management Structure (planned from June 2024)

- ◆ Outside independent directors: 5 directors, 42% of the total directors
- ◆ Female officers: 3 officers, 19% of the entire Board (including Company Auditors)



Koichi Suzuki

- Founder of IIJ
- Chairman, Representative Director and co-CEO
- Holdings of IIJ share: 10,643,589 shares (6.0%)*
*Suzuki's share includes his indirectly wholly owned private company portion
- 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, IIJ's affiliated company, as a concurrent position
- Holdings of IIJ 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 IIJ shares: 210,795 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 IIJ shares: 2,617 shares (0.0%)
- Date of birth: September 1960

Full-time Directors

Senior Managing Directors

- K. Kitamura
- A. Watai (CFO)
- J. Shimagami (CTO)

Outside Independent Directors

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

Company Auditors

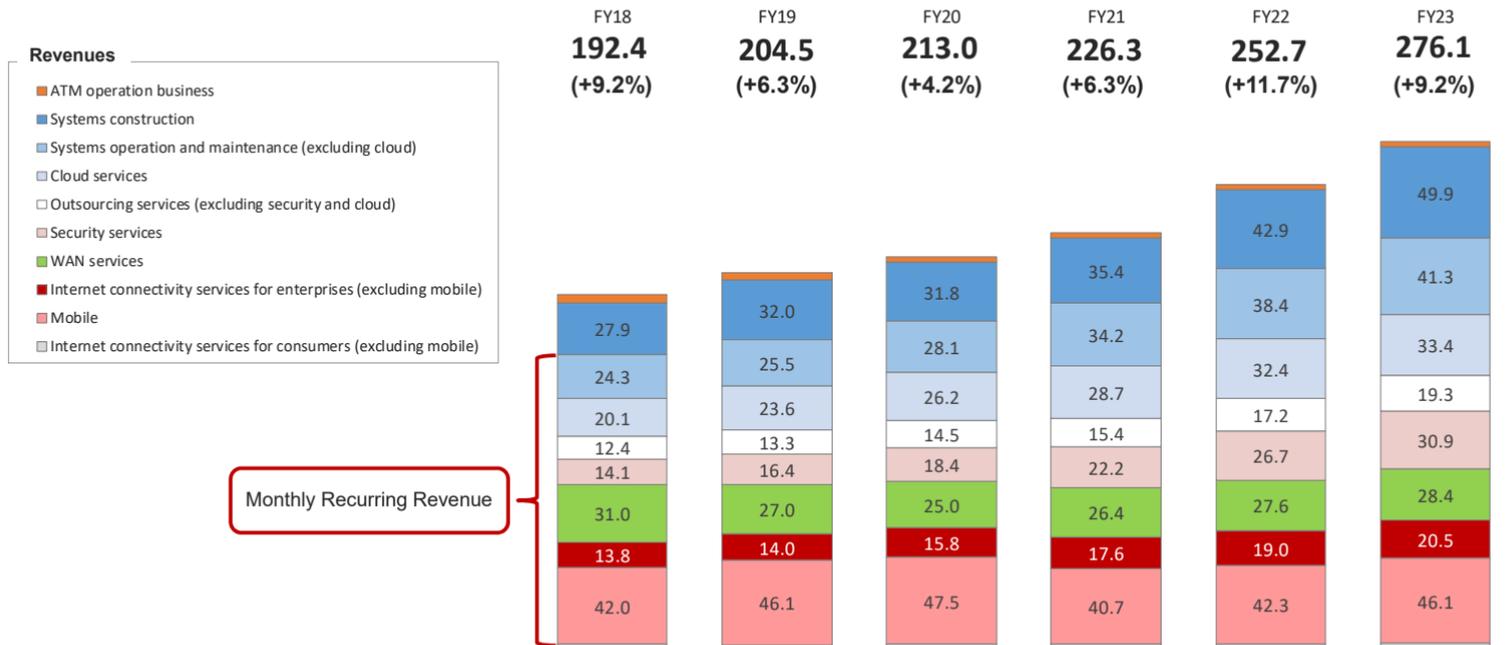
(of which, 2 outside, 2 female)

- K. Aso (Ms.) (New, CPA)
- M. Tanaka (Ms.)
- T. Michishita (attorney)
- M. Tobita (New)

* Holdings of IIJ shares are as of Mar. 31, 2024

Monthly Recurring Revenue Accumulation

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

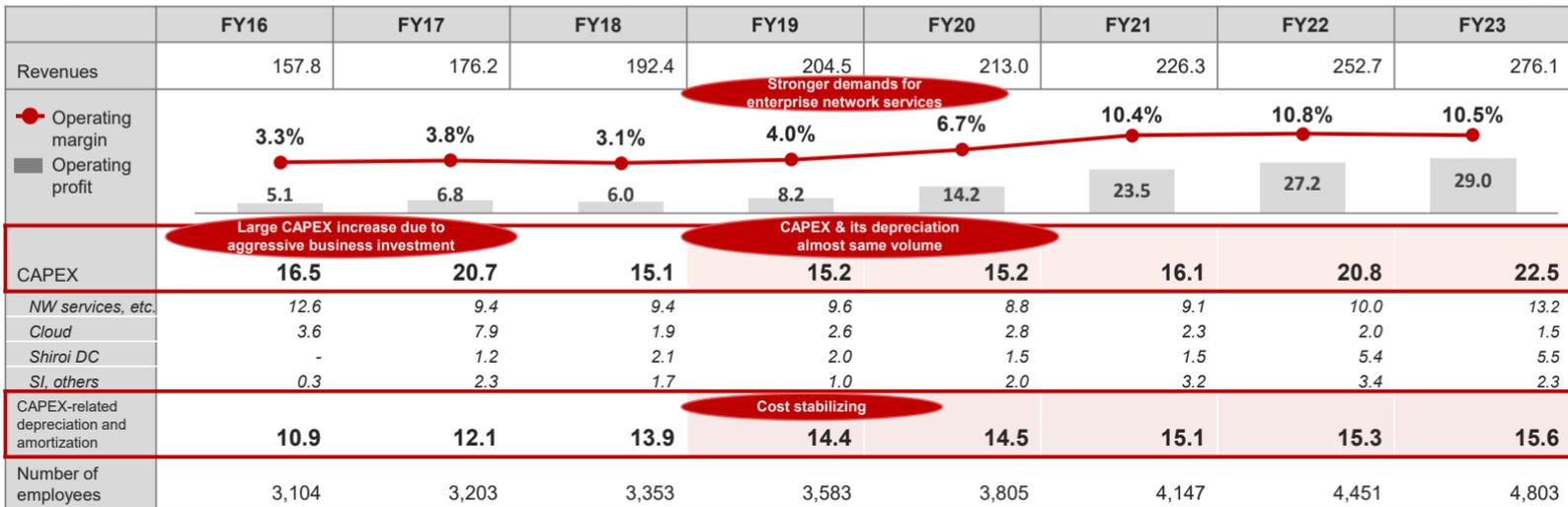


Monthly Recurring Revenue

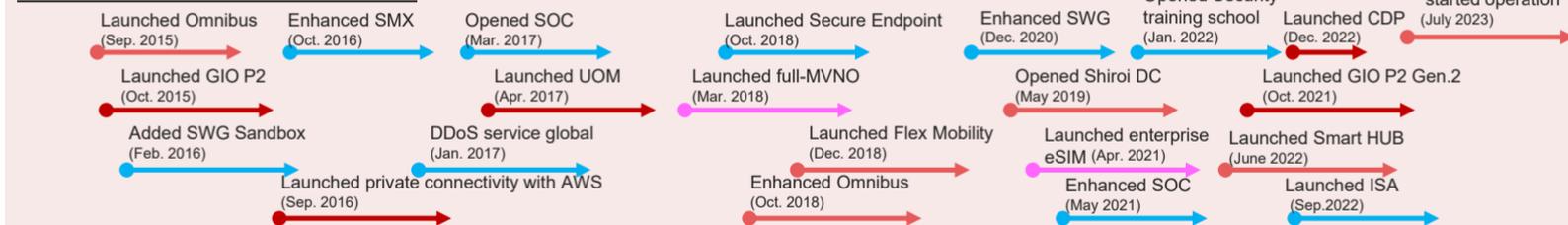
- Mobile revenue decreased year over year in FY21 due to ARPU decrease for consumers and change in unit charge for MVNE clients
- Systems construction and systems operation & maintenance revenue increase for FY21 includes PTC revenue which became IJ's consolidated subsidiary from Apr. 2021
- During FY20,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



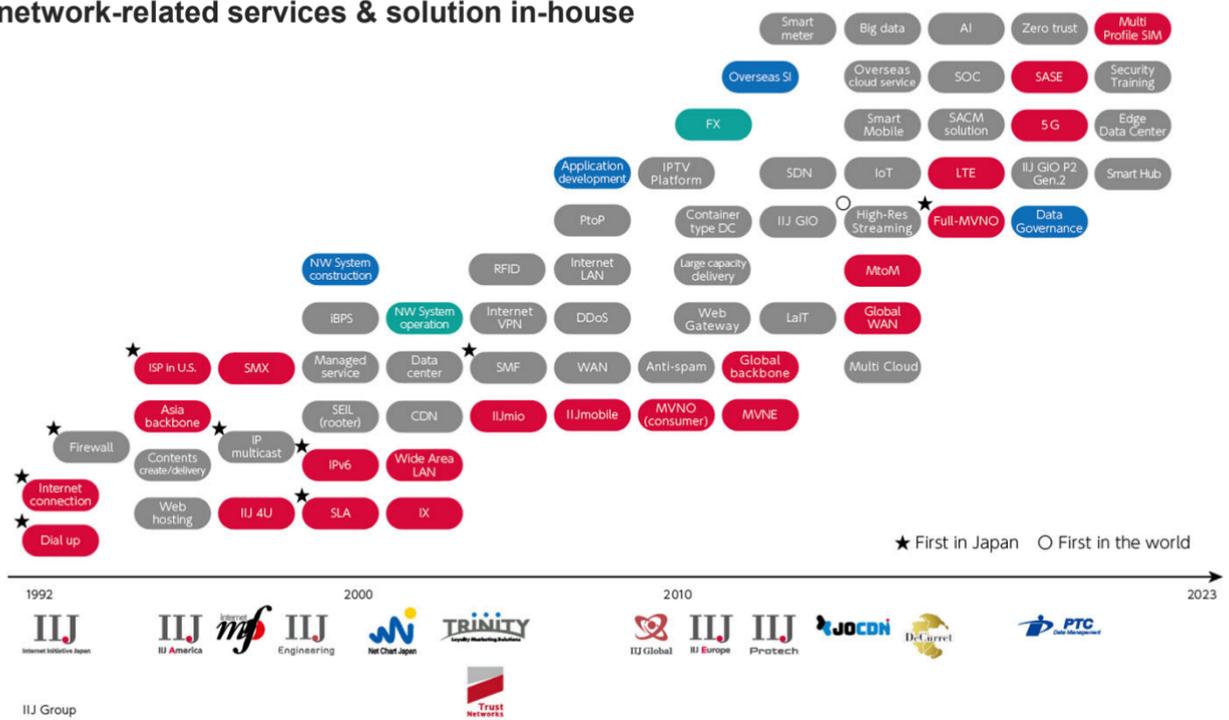
Various Network Services Asset



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

Service & Solution Development Capability

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



Excellent Customer Base (Number of IJ Group's clients: approx. 15,000 as of March 31, 2024)

- ◆ 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

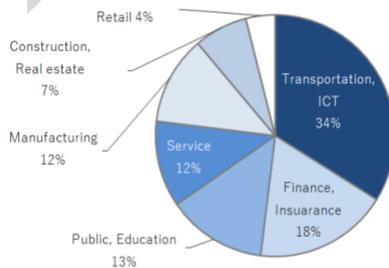
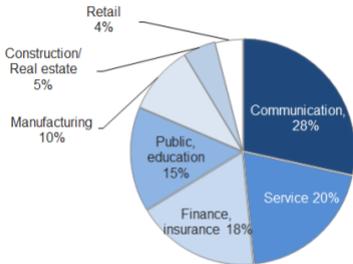
Cover Most of Top Revenue Companies



Client Distribution by Industry

FY20

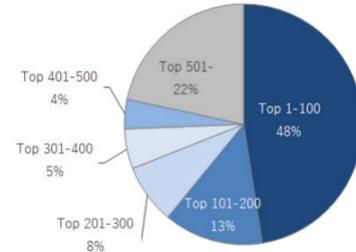
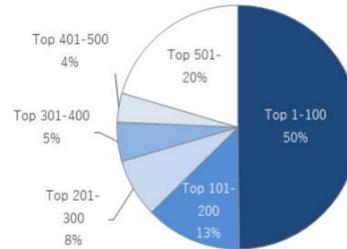
FY23



Client Distribution by Revenue Volume

FY20

FY23



- 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 FY23

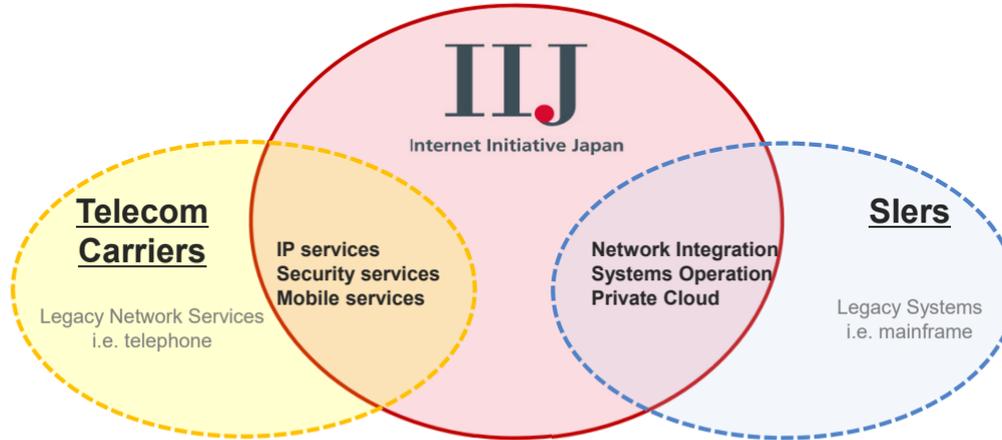
Competitive Advantages

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

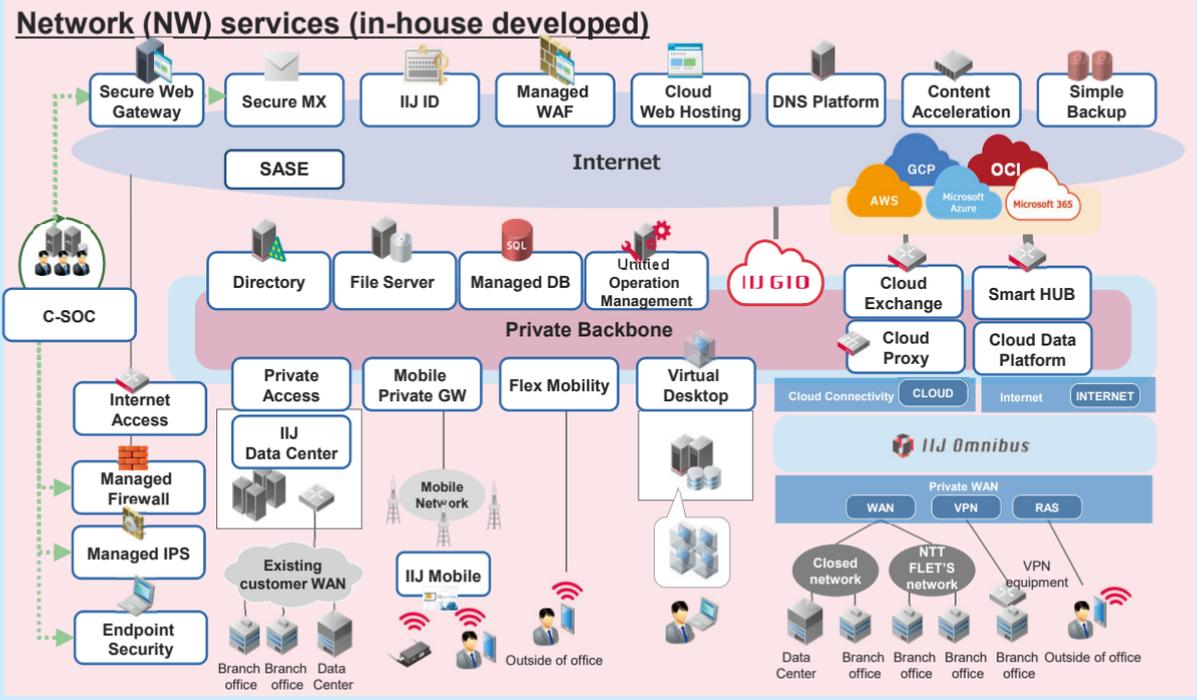
- Operates one of the largest Internet backbone (SIs do not)
- Has NW services asset and development capability (SIs do not)
- Focuses on Internet-related open type systems



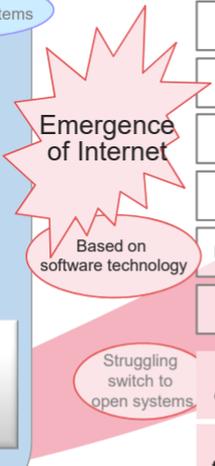
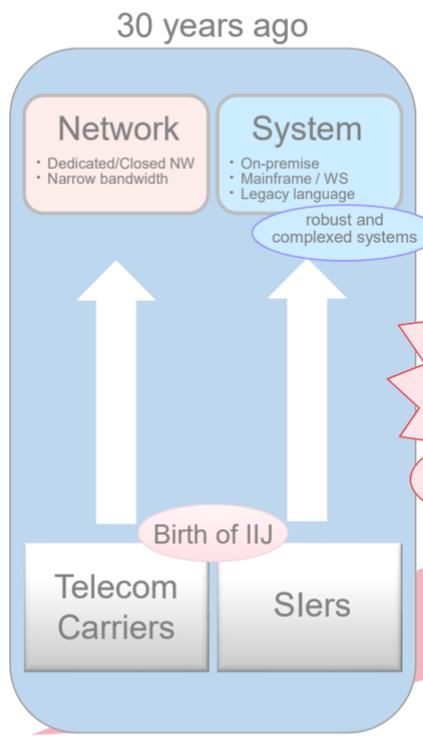
**IIJ deals with newer systems and growing IT market
(Not involved in heavy and legacy systems)**

NW Services and SI provided together as a Total Solution

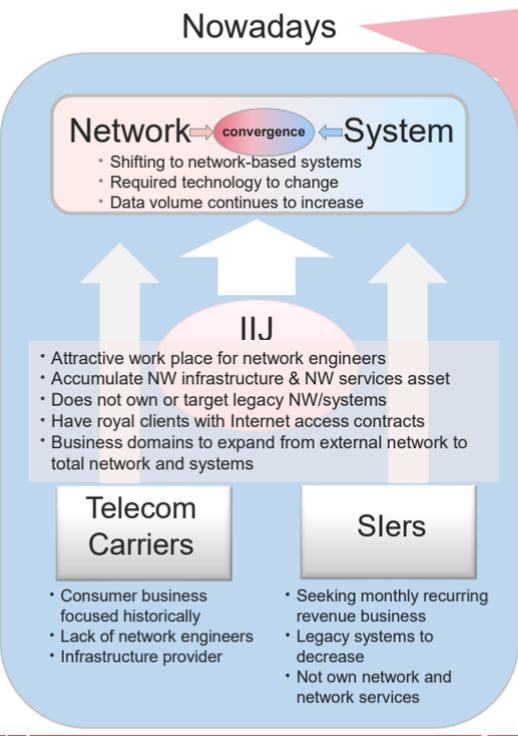
Systems Integration (SI) to meet specific requirements cannot be covered by NW services



Drastically Changing Enterprises Circumstance



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



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

Structural Changes

Market Growth Forecast, etc.

Historical traffic data of major domestic IX



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

Source: INTERNET MULTIFEED CO., IX = Internet Exchange

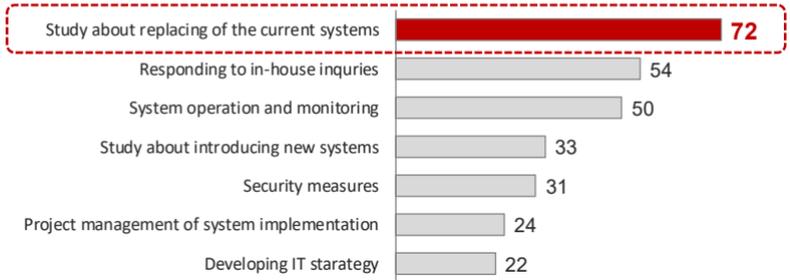
Digital Competitiveness Ranking 2023

1	U.S.A
2	The Netherlands
3	Singapore
4	Denmark
5	Switzerland
6	South Korea
(omission)	
31	Spain
32	Japan
33	Malaysia

Source: IMD WORLD DIGITAL COMPETITIVENESS RANKING 2023

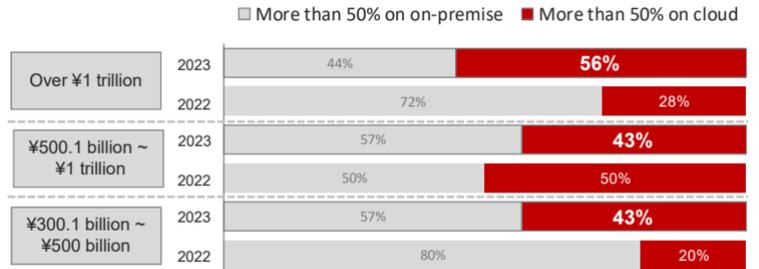
Operation where IT department spends the most time

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.