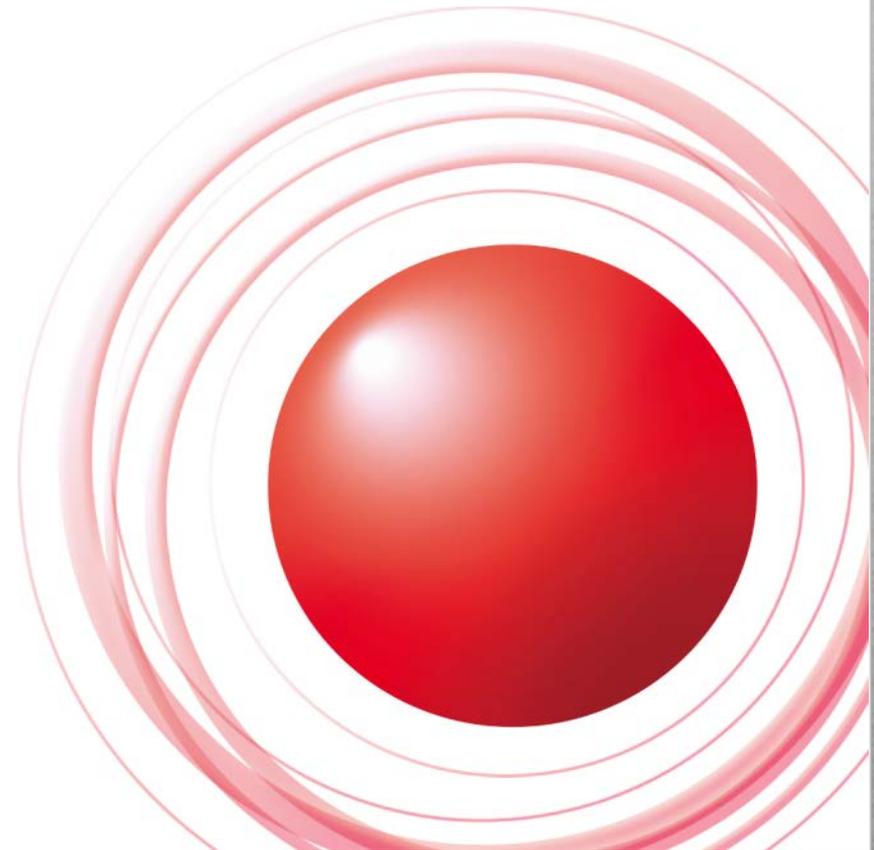


# Consolidated Financial Results for 1H FY2015 (First 6 months ended September 30, 2015)



Internet Initiative Japan Inc.  
TSE1(3774), NASDAQ(IIJI)  
November 9, 2015

Ongoing Innovation



# Agenda

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**I . Summary of 1H FY2015 Financial Results**

**II . Consolidated Financial Results for 1H FY2015**

**III . Reference Materials**

# I . Summary of 1H FY2015 Financial Results

	< 1H15 Results >		< FY15 Targets >		%: YoY change
Revenues	JPY65.33 billion	up 14.3%	JPY139.0 billion	up 13.0%	
Gross margin	JPY11.71 billion	up 7.4%	JPY25.1 billion	up 13.7%	
Operating income	JPY2.56 billion	up 6.1%	JPY6.5 billion	up 28.1%	
Net Income attributable to IIJ	JPY1.65 billion	up 14.4%	JPY4.0 billion	up 20.4%	

**Operating income increased with strong revenue accumulation, absorbed annual operating costs increase, Seek income growth with further enhancement of revenue growth**

## ◆ 2Q15 3-month financials

YoY: compared to the same period in a previous year

- Revenue JPY33.87 billion (up 14.3% YoY), 1Q15 up 14.2%, 4Q14 up 11.7%, 3Q14 up 8.2%, 2Q14 up 6.0% YoY
- Operating income decreased from JPY1.65 billion (2Q14) to JPY1.42 billion mainly because of a temporary positive impact of approx. JPY0.29 billion we recognized in 2Q14 due to MVNO data communication charge with NTT Docomo (same impact of approx. JPY0.27 billion in 1Q15)

## ◆ Consumer mobile market expanding, MVNE business transactions growing

(\*) as of Sep. 30 2015  
QoQ: 2Q15 compared with 1Q15

- Subscription<sup>(\*)</sup> (unit: thousand): total 934 (up 123 QoQ), consumer 605 (up 78 QoQ), MVNE 136 (up 32 QoQ)
  - ✓ More SIM lock-free devices (iPhone6s etc.) in the market, OTA, headsets-bundle services, enhancement of advertisement etc.
  - ✓ MVNE business largely expanding: approx. 80 MVNE partners including CATV operators and a prominent contents business provider
  - ✓ M2M demands expanding While large projects tend to require longer negotiation, executing small-to-mid size projects
  - ✓ Started providing voice call function via SIM card to corporate customers (Sep. 2015)

## ◆ Accumulating SI orders along with a return of corporates' systems investment appetite

- 1H15 Systems operation and maintenance revenue: up 23.7% YoY, Order received including systems construction: up 17.5% YoY
- Virtualization platform VMware services continued to grow, new "IIJ GIO Infrastructure P2" services accumulating prospective orders

## ◆ Aggressively expanding business opportunities in ASEAN region

- SI and global WAN projects in 1H15, Executing container datacenter export projects for 2H15, Cloud business in Indonesia etc.

## ◆ Continuously focusing on service development and line-up enhancement

- Launch of new services "IIJ Omnibus Service" (Sep. 2015) and "IIJ GIO Infrastructure P2" (Nov. 2015)
- Increasing demands for security services, Continuously enhancing line-up including solution for targeted email attacks

## II - 1. Consolidated Financial Results for 1H FY2015

Unit: JPY billion

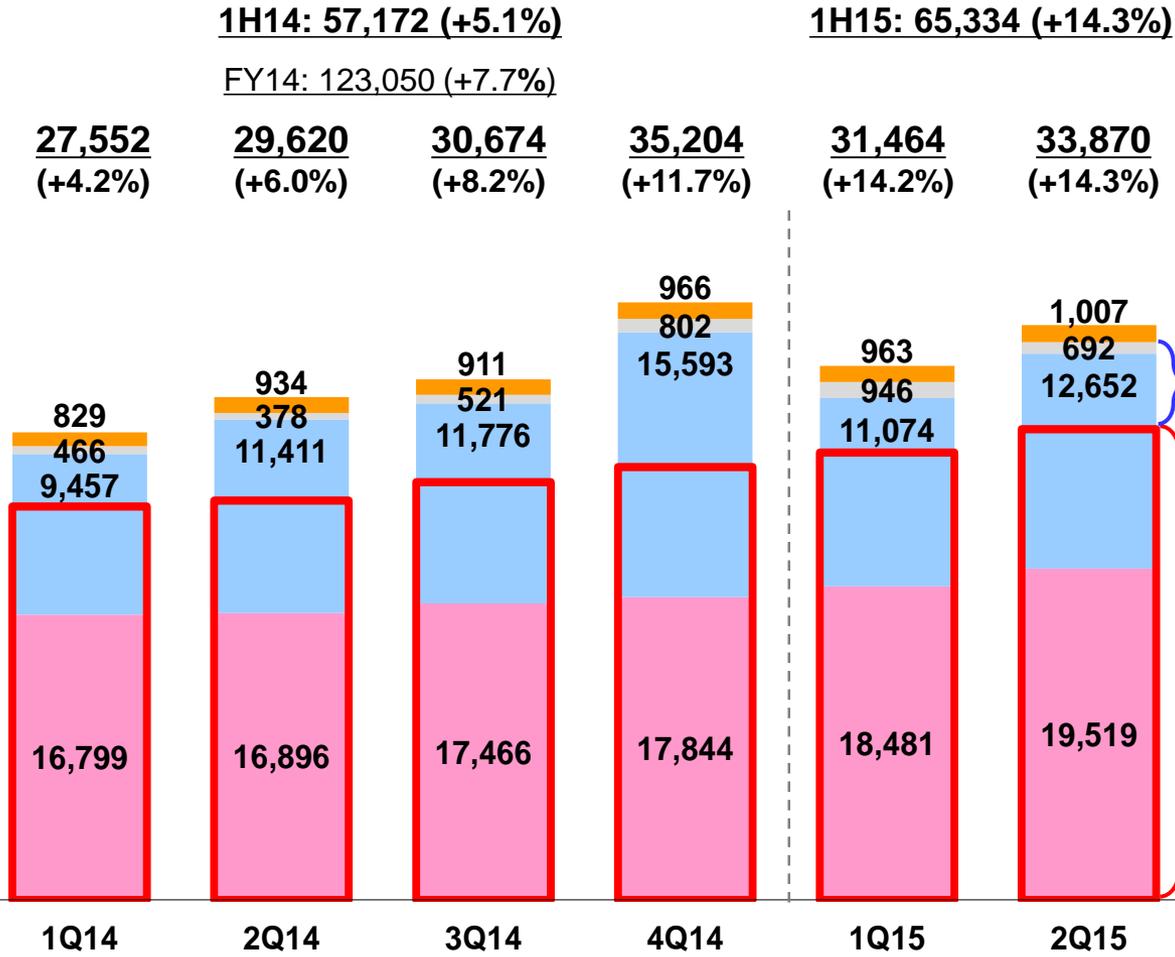
	<i>% of Revenues</i>	<i>% of Revenues</i>	YoY Change in %	<i>% of Revenues</i>	Actual against Target	<i>% of Revenues</i>
	<b>1H15</b> (Apr. 2015 -Sep. 2015)	<b>1H14</b> (Apr. 2014 -Sep. 2014)		<b>1H15 Target</b> (Apr. 2015 -Sep. 2015)		<b>FY15 Target</b> (Apr. 2015 -Mar. 2016)
Total Revenues	<b>65.3</b>	<b>57.2</b>	<b>+14.3%</b>	<b>64.0</b>	<b>+2.1%</b>	<b>139.0</b>
Total Cost of Revenues	82.1% <b>53.6</b>	80.9% <b>46.3</b>	<b>+15.9%</b>	—	—	81.9% <b>113.9</b>
Gross Margin	17.9% <b>11.7</b>	19.1% <b>10.9</b>	<b>+7.4%</b>	—	—	18.1% <b>25.1</b>
SG&A/R&D	14.0% <b>9.1</b>	14.8% <b>8.5</b>	<b>+7.7%</b>	—	—	13.4% <b>18.6</b>
Operating Income	3.9% <b>2.6</b>	4.2% <b>2.4</b>	<b>+6.1%</b>	3.8% <b>2.5</b>	<b>+4.6%</b>	4.7% <b>6.5</b>
Income before Income Tax Expense	4.1% <b>2.6</b>	4.4% <b>2.5</b>	<b>+6.2%</b>	3.8% <b>2.4</b>	<b>+10.3%</b>	4.6% <b>6.4</b>
Net Income attributable to IIJ	2.5% <b>1.7</b>	2.5% <b>1.4</b>	<b>+14.4%</b>	2.3% <b>1.5</b>	<b>+10.2%</b>	2.9% <b>4.0</b>

# II - 2. Revenues



Unit: JPY million

( ), YoY = compared to the same period in a previous year



**One-time Revenue \***  
 1H15: JPY9,281 million (up 6.5% YoY)  
 1H14: JPY8,713 million (up 10.2% YoY)  
 (14.2% of 1H15 revenue)

\* Revenue which is recognized when systems or equipment are delivered and accepted by customers

1. Systems Construction
2. Equipment Sales

**Recurring Revenue\***  
 1H15: JPY54,082 million (up 15.8% YoY)  
 1H14: JPY46,696 million (up 3.5% YoY)  
 (82.8% of 1H15 revenue)

\*Represents the following monthly recurring revenues

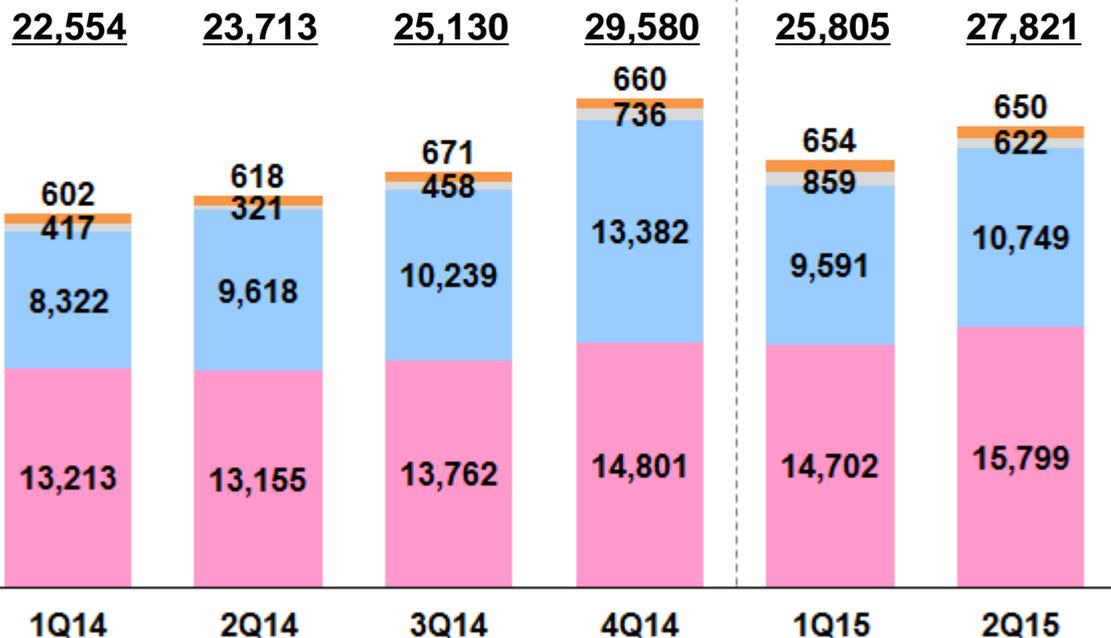
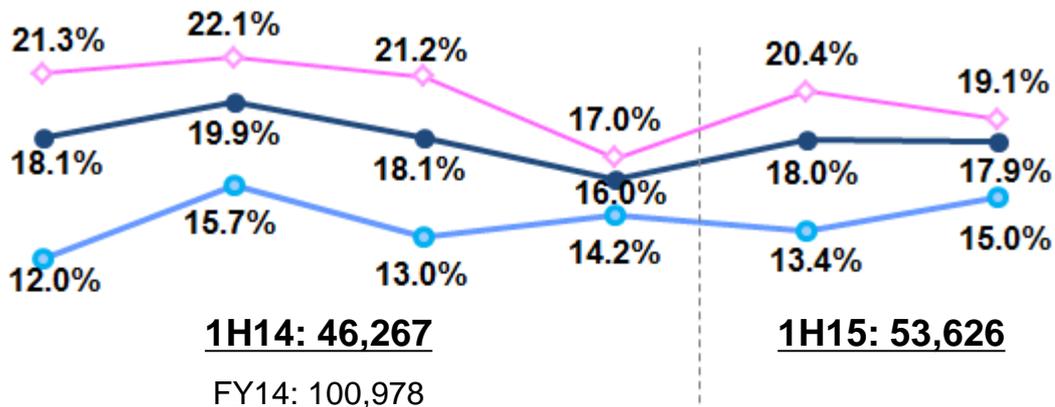
1. Internet Connectivity Services(Enterprise/Consumer)
2. Outsourcing Services
3. WAN Services
4. Systems Operation and Maintenance

# II - 3. Cost of Revenues and Gross Margin Ratio

Cost of revenues: Network Services (Pink), Systems Integration(SI) (Blue), Equipment Sales (Grey), ATM Operation Business (Orange)  
 Gross margin ratio: Network Services (Pink diamond), Systems Integration(SI) (Blue circle), Total Revenues (Dark Blue circle)

Unit: JPY million

YoY = 1H15 compared to 1H14



## 1H15 Gross Margin

### Total:

- JPY11,708 million (up JPY803 million, up 7.4% YoY)
- Gross margin ratio: 17.9% (down 1.2 points YoY)

### Network Services:

- JPY7,498 million (up JPY171 million, up 2.3% YoY)
- Gross margin ratio: 19.7% (down 2.0 points YoY)
- The below table shows the actual network service gross margin ratio which is calculated by excluding temporary positive impact(\*) and recalculating FY2014 mobile interconnectivity cost by applying the final wholesale data communication charge which decreased by 23.5% from a year before:

	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15
Unit:%	20.7	20.3	20.6	19.0	19.0	19.1

(\*) IIJ recognized a temporary positive cost impact of approx. JPY0.27 billion in 1Q15 for FY14 mobile interconnectivity usage. The same positive impact of approx. JPY0.29 billion was recognized in 2Q14 for FY13 usage.

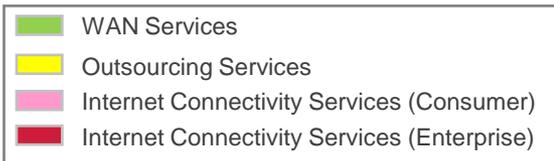
### SI:

- JPY3,385 million (up JPY456 million, up 15.6% YoY)
- Gross margin ratio: 14.3% (up 0.2 points YoY)

### ATM Operation Business:

- JPY666 million (up JPY123 million, up 22.7% YoY)
- Gross margin ratio: 33.8% (up 3.0 points YoY)

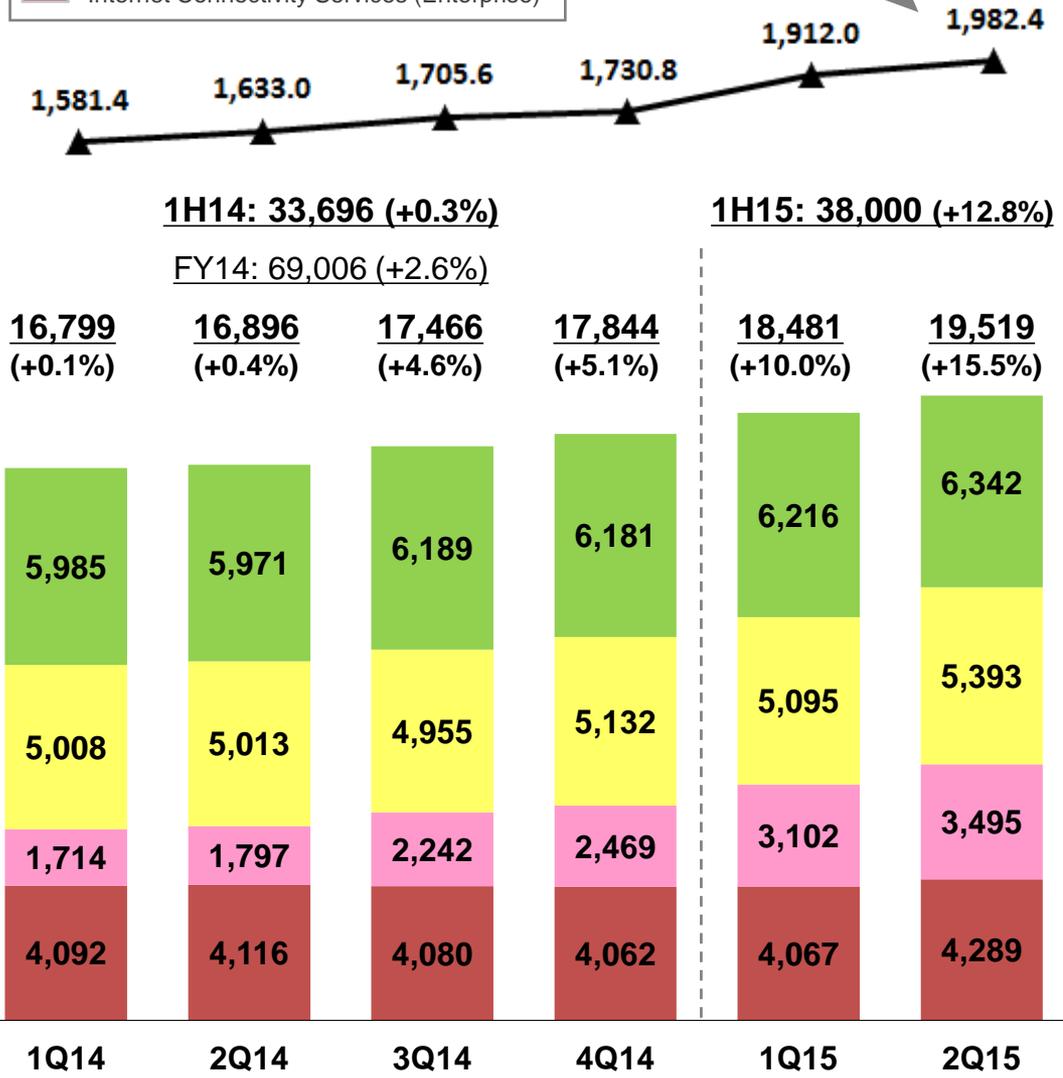
# II - 4. Network Services (1)Revenues



Unit: JPY million

YoY = 1H15 compared to 1H14  
QoQ = 2Q15 compared to 1Q15

( ) = compared to the same period in a previous year



### ◆ 1H15 Internet Connectivity (Enterprise)

- JPY8,357 million (up JPY149 million, up 1.8% YoY)
  - Mobile services revenue continued to increase
  - Over 1Gbps contracts:
    - ✓ as of 2Q15-end: 343 contracts
    - ✓ as of 2Q14-end: 305 contracts
  - 2Q15 IP services revenue increased from 1Q15

### ◆ 1H15 Internet Connectivity (Consumer)

- JPY6,597 million (up JPY3,068 million, up 87.9% YoY)
  - IJmio mobile services continued to increase
    - ✓ 2Q15-end subscription: 605 thousand (up 359 thousand YoY, up 78 thousand QoQ)
    - ✓ 1H15 revenue: JPY4.57 billion (up 3.07 billion YoY)
    - ✓ 2Q15 revenue: JPY2.47 billion (up 0.38 billion QoQ)
    - ✓ 2Q15 net addition was slightly weaker than 1Q15 due to seasonality. Expect pace to increase from Oct. along with the sales of iPhone6s and other SIM-lock free devices

### ◆ 1H15 Outsourcing Services

- JPY10,489 million (up JPY468 million, up 4.7% YoY)
  - Demands for security-related services increased, overseas hosting services accumulated revenue

### ◆ 1H15 WAN Services

- JPY12,558 million (up JPY601 million, up 5.0% YoY)
  - Revenue increased, no major revenue decrease from large customers

## II - 4. Network Services (2) Cost of Revenues

1H14: 26,369 (21.7%)

1H15: 30,501 (19.7%)

FY14: 54,932 (20.4%)

Unit: JPY million

YoY = 1H15 compared to 1H14

**13,213**  
(21.3%)

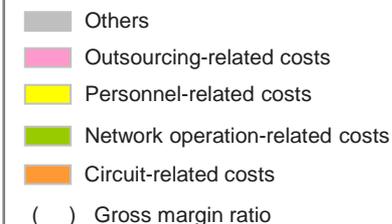
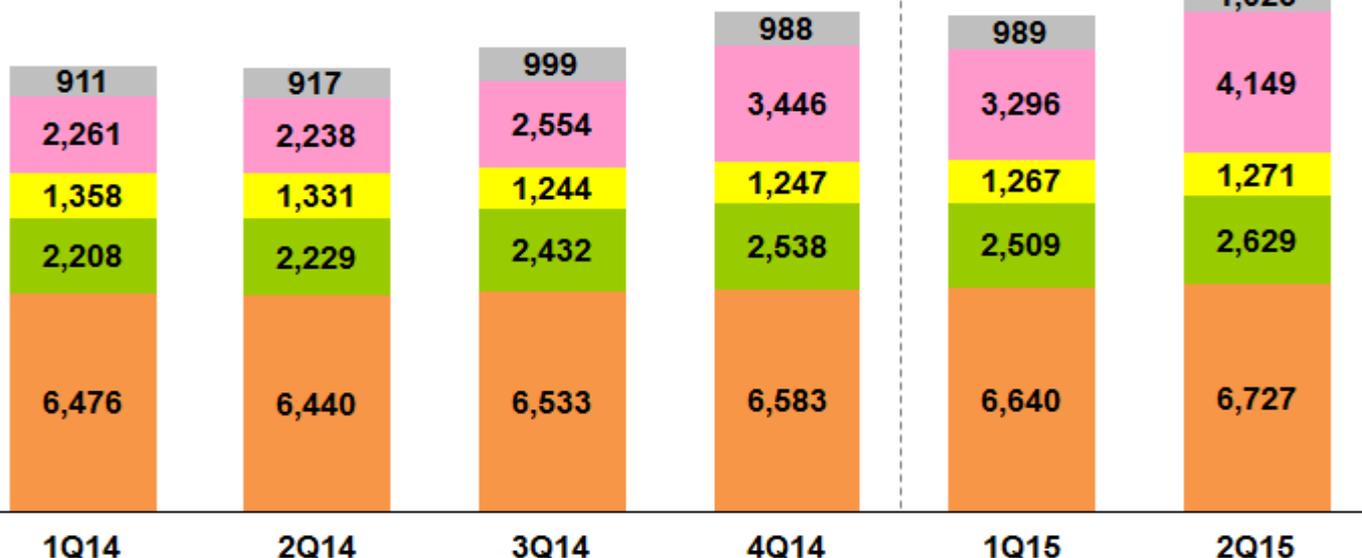
**13,155**  
(22.1%)

**13,762**  
(21.2%)

**14,801**  
(17.0%)

**14,702**  
(20.4%)

**15,799**  
(19.1%)



◆ **1H15 Cost of network services: up JPY4,133 million, up 15.7% YoY**

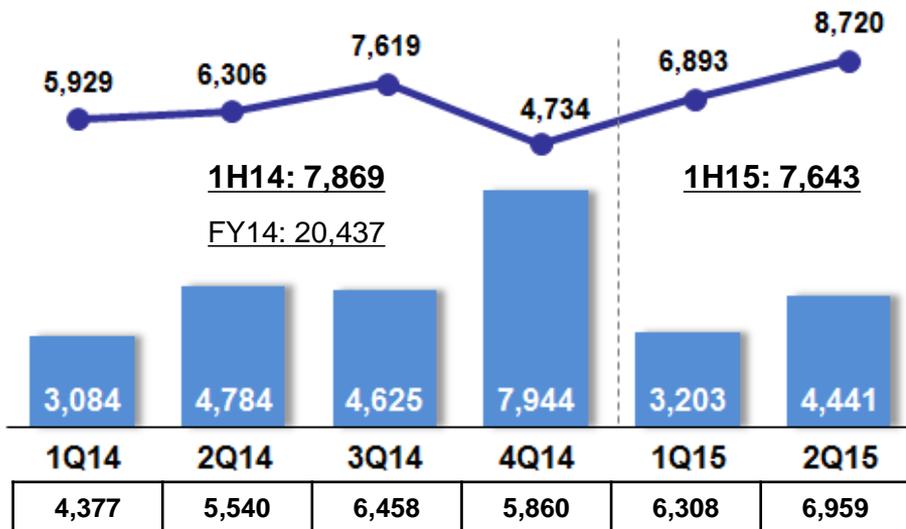
- Mobile-related costs (recognized in outsourcing-related costs) increased with the increase in mobile subscription and traffic
- Network operation-related costs increased by JPY702 million YoY mainly due to upgrading our network to 100Gbps compatible environment and enhancing mobile infrastructure. The costs are expected to increase slightly from 3Q with the launch of new services
- Circuit-related costs increased by JPY451 million YoY mainly due to an increase in WAN services revenue

◆ **Regarding NTT Docomo's ("Docomo") mobile interconnectivity cost recognition:**

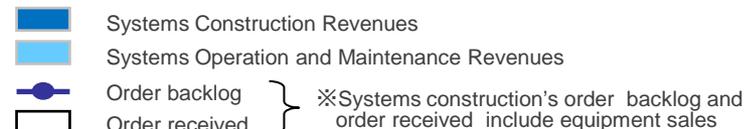
- Docomo's interconnectivity telecommunications service charge, which was calculated by Docomo's FY13 mobile-related cost, was fixed in Mar. 2015 and it decreased by 23.5% from a year ago.
- The same charge based on Docomo's FY14 mobile-related cost should be fixed in Mar. 2016. In the meantime, Docomo's bill for FY15 mobile interconnectivity usage has been 25% off temporarily from Apr. 2015. During FY2015, IJ calculates its mobile interconnectivity cost by applying a supposed annual decrease rate of 15%.
- In 1Q15, IJ recognized a temporary positive cost impact of approx. JPY0.27 billion for FY14 mobile interconnectivity usage by applying supposed annual decrease rate of 15%. The same positive impact of approx. JPY0.29 billion was recognized in 2Q14 for FY13 usage.

# II - 5. Systems Integration (SI) (1)Revenues

## < Systems Construction >



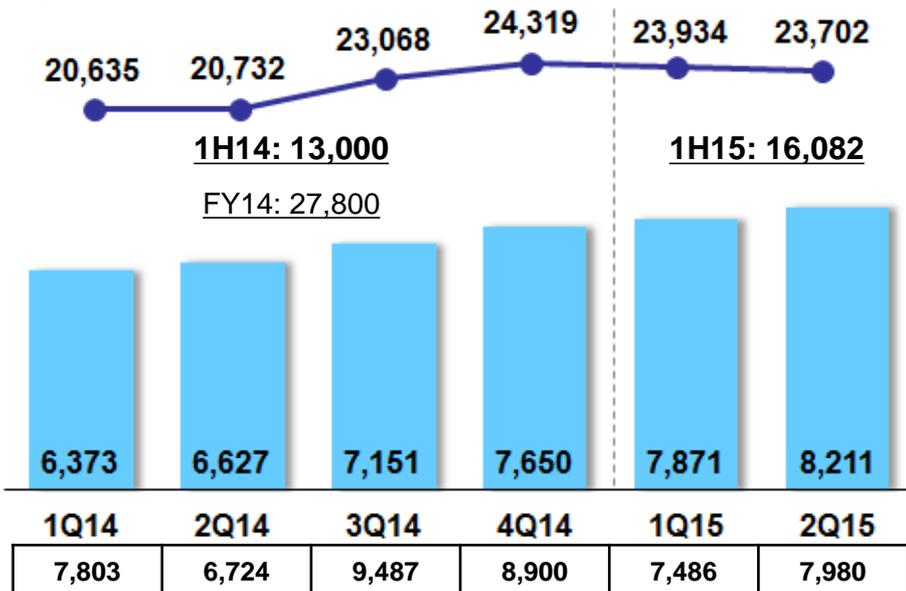
YoY = compared to the same period a previous year Unit: JPY million



### Systems construction revenues

- ◆ **1H15 revenue: down JPY226 million, down 2.9% YoY**
  - 1H15 revenues are almost the same level with 1H14. Number and scale of projects in FY15 are exceeding those of FY14 along with economic recovery. Accumulating order-received
- ◆ **2Q15 order received: up JPY1,419 million, up 25.6% YoY**
  - Revenue continued to increase along with economic recovery
  - Large-scale construction projects orders received in 2Q15:
    - Upgrading DDoS systems for a major bank
    - Virtualizing global merchandising platform system for a major retailer
    - Back office systems for a major travel agency etc.
  - 2Q15 order backlog includes a large network integration project which we received in 1Q15 (approx. JPY2.1 billion)

## < Systems Operation and Maintenance >



### Systems operation and maintenance revenues

- ◆ **1H15 revenue: up JPY3,082 million, up 23.7% YoY**
  - Private cloud-related revenue continued to increase (up JPY1,128 million, up 24.2% YoY), Systems construction projects which migrated to systems operation and maintenance phase also continued to increase strongly (up JPY1,954 million, up 23.5% YoY)
- ◆ **2Q15 order received: up JPY1,256 million, up 18.7% YoY**
  - 85% of 2Q15 cloud-related revenue is recognized in systems operation and maintenance revenues (15% in outsourcing)

### < Overseas business >

1H15 revenue: approx. JPY2.40 billion, loss: approx. JPY0.42 billion  
(1H14 revenue: approx. JPY2.20 billion, loss: approx. JPY0.46 billion)

## II - 5. Systems Integration (SI) (2)Cost of Revenues

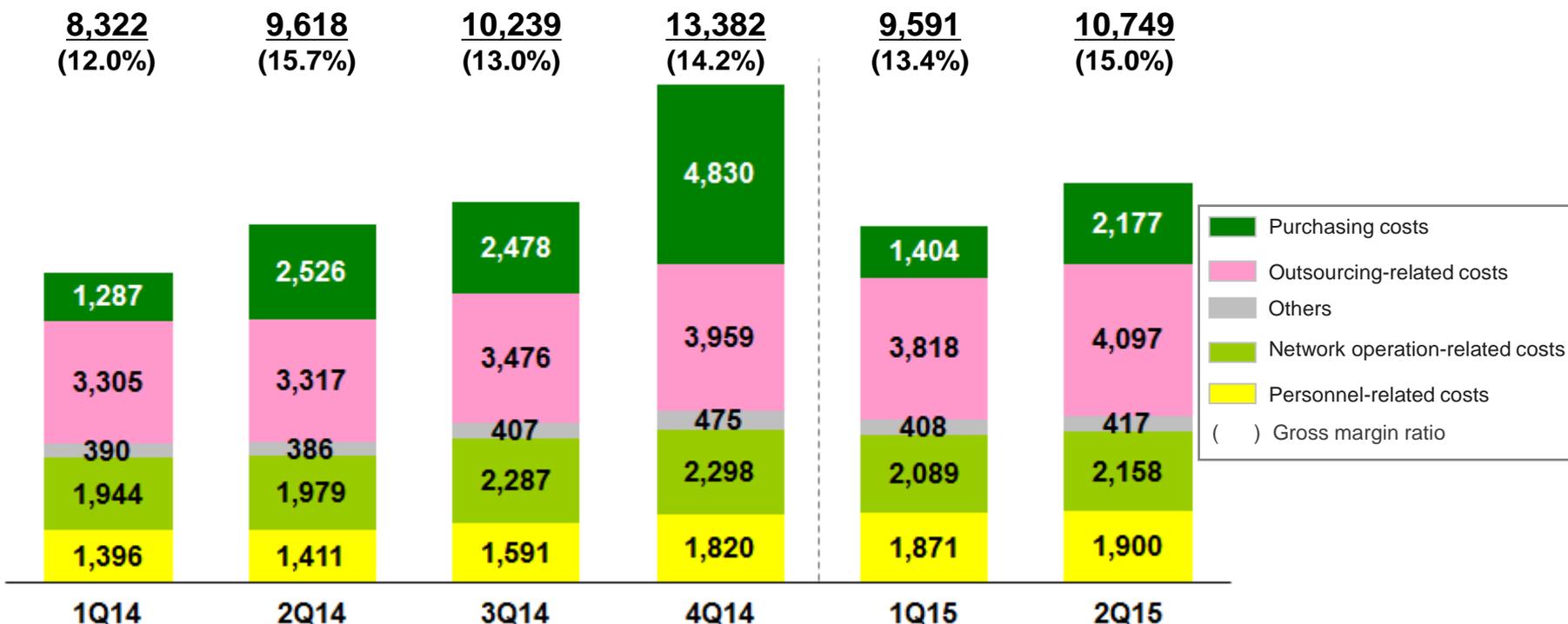
**1H14: 17,940 (14.0%)**

**FY14: 41,562 (13.8%)**

**1H15: 20,341 (14.3%)**

Unit: JPY million

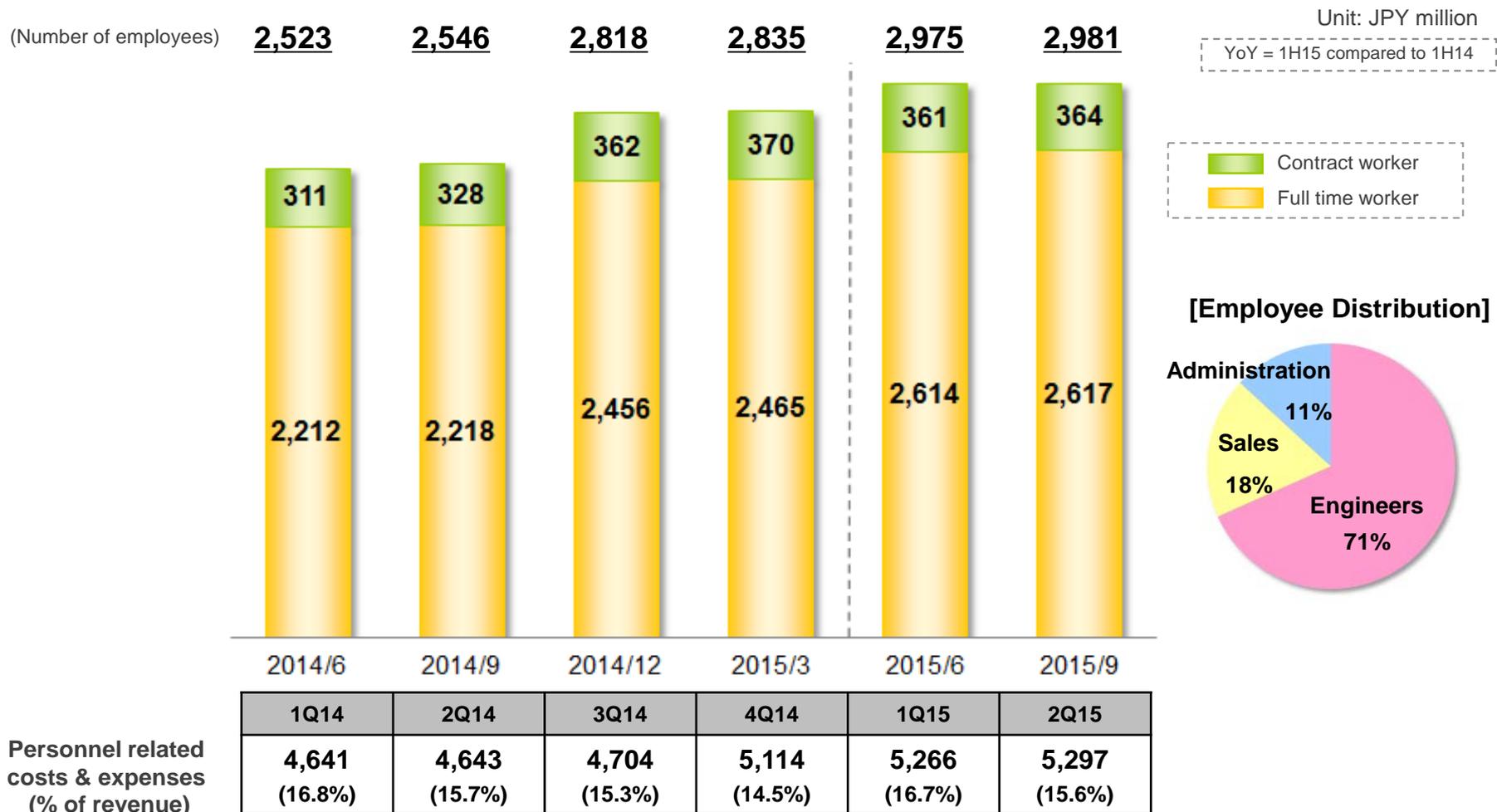
YoY = 1H15 compared to 1H14  
QoQ = 2Q15 compared to 1Q15



◆ **1H15 Cost of SI: up JPY2,401 million, up 13.4% YoY**

- Number of outsourcing personnel as of 2Q15-end: 979 personnel (up 72 personnel YoY, down 6 personnel QoQ)
- Outsourcing-related costs increased along with the increase in the number of construction projects and the accumulation of operation and maintenance projects which were migrated from construction phase
- Outsourcing-related and personnel-related costs increased due to new services and solutions developments
- Recognized loss provision of approx. JPY30 million for a project in 2Q15
- Network operation-related costs (such as depreciation and amortization costs) are expected to increase from 3Q15 due to the launch of new services "IIJ GIO Infrastructure P2" (Nov. 2015)

## II - 6. Number of Employees



- ◆ 1H15 personnel-related costs and expenses: JPY10,563 million (up JPY1,279 million YoY, up 13.8% YoY)
- ◆ Number of employees increased by 264 personnel with RYUKOSHA M&A (Dec. 2014) in 3Q14, personnel-related expenses increased
- ◆ Hired 155 new graduates in Apr. 2015 (129 in Apr. 2014, 136 in Apr. 2013). Planning to hire 128 new graduates in Apr. 2016
- ◆ Number of employees is within our plan

## II - 7. SG&A Expenses/R&D

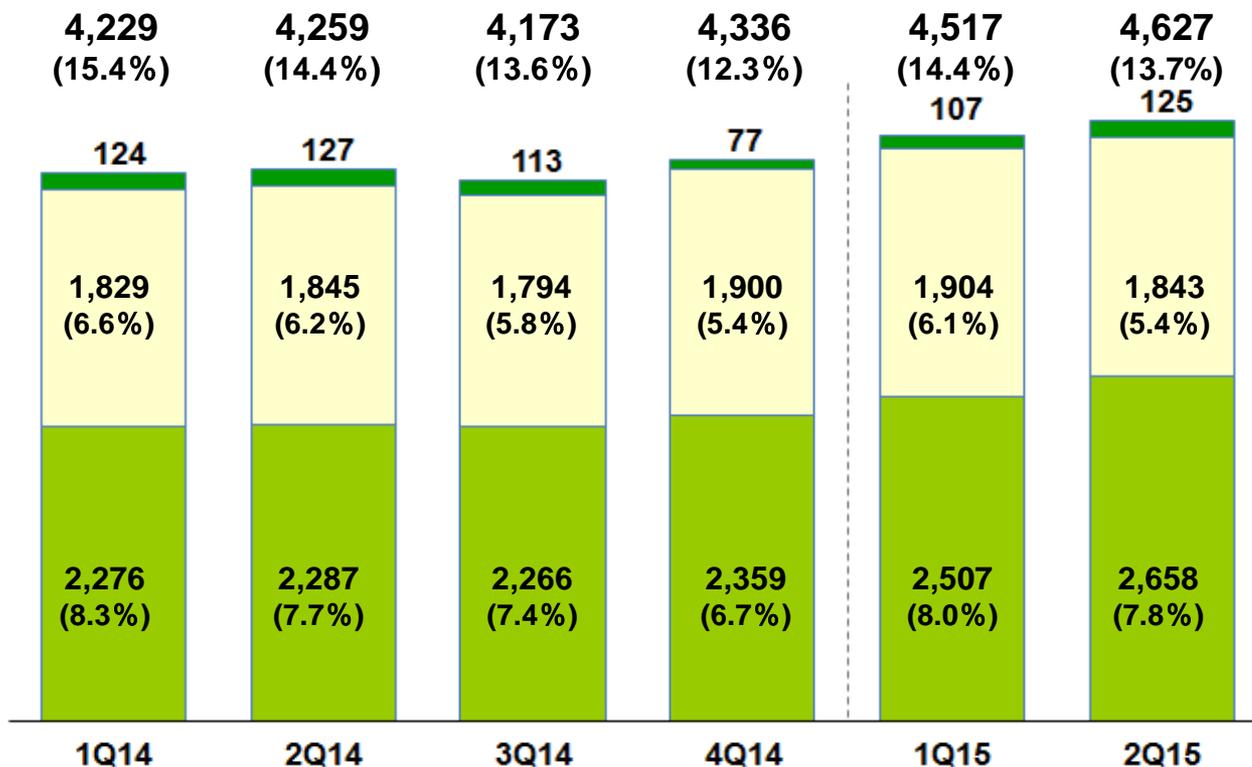
1H14: 8,488 (14.8%)

FY14: 16,997 (13.8%)

1H15: 9,145 (14.0%)

Unit: JPY million

YoY = 1H15 compared to 1H14  
QoQ = 2Q15 compared to 1Q15



◆ 1H15 SG&A Expenses/R&D: up JPY656 million, up 7.7% YoY

- Personnel-related and mobile services' sales commission expenses increased
- SG&A Expenses/R&D slightly exceeding our plan mainly due to sales commission expenses

◆ 2Q15 SG&A Expenses/R&D: up JPY110 million, up 2.4% QoQ

- Expenses related to mobile services' sales commission and advertising increased

◆ SG&A related to ATM operation business:

Unit: JPY million

1Q14	2Q14	3Q14	4Q14	1Q15	2Q15
37.6	45.4	45.9	73.4	44.9	45.1

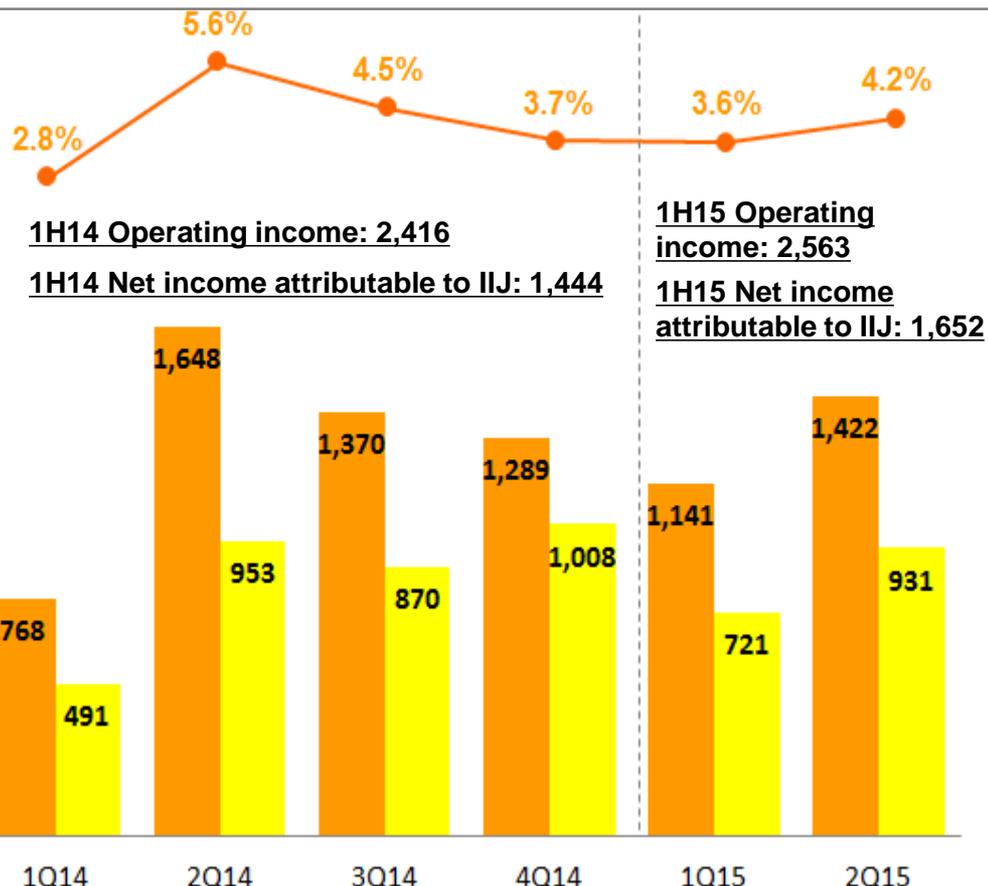
- Placed 1,097 ATMs as of Sep. 30, 2015

## II - 8 Operating Income and Net Income

Operating Income    Net Income Attributable to IIJ    Operating Margin Ratio

Unit: JPY million

YoY = compared to the same period in a previous year



### ◆ Operating income:

- 2Q15: JPY1,422 million  
(down JPY226 million, down 13.7% YoY)
- Temporary positive cost impact of approx. JPY0.29 billion related Docomo's mobile interconnectivity cost in 2Q14 (Recognized the same temporary positive impact of approx. JPY0.27 billion in 1Q15)

### ◆ Income before income tax expenses:

- 1H15: JPY2,647 million  
(up JPY156 million, up 6.2% YoY)
- Dividend income: JPY74 million
- Distribution from fund investments: JPY115 million
- Interest expense: JPY112 million
- 1Q15 foreign exchange gains were mostly offset by 2Q15 foreign exchange losses

### ◆ Net income attributable to IIJ:

- 1H15: JPY1,652 million  
(up JPY208 million, up 14.4% YoY)
- Mainly due to equity in net income of Internet Multifeed: JPY137 million
- Net income attributable to noncontrolling interests including Trust Networks: JPY92 million

	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	
	220	624	523	319	450	472	Current income tax expense
	132	98	36	(55)	111	6	Deferred tax expense (benefit)
	34	35	46	40	61	76	Equity in net income of equity method investees
	(18)	(24)	(15)	(18)	(57)	(35)	Less: Net income attributable to noncontrolling interests

## II - 9. Consolidated Balance Sheets (Summary)

Unit: JPY million

	Mar. 31, 2015	Sep. 30, 2015	Changes
Cash and Cash Equivalents	21,094	20,098	(995)
Accounts Receivable	22,252	20,067	(2,184)
Inventories and Prepaid Expenses (Current and Noncurrent)	7,835	10,079	+2,243
Investments in Equity Method Investees	2,561	2,657	+97
Other Investments	6,661	6,395	(266)
Property and Equipment	29,370	32,651	+3,281
Goodwill and Other Intangible Assets	10,111	9,918	(193)
Guarantee Deposits	2,800	2,815	+15
<b>Total Assets</b>	<b>108,705</b>	<b>110,806</b>	<b>+2,101</b>
Accounts Payable	13,626	14,159	+533
Income Taxes Payable	499	799	+300
Short-term Borrowings	9,250	9,250	-
Capital Lease Obligations (Current and Noncurrent)	7,863	8,467	+604
<b>Total Liabilities</b>	<b>45,862</b>	<b>46,852</b>	<b>+990</b>
Common Stock	25,500	25,509	+10
Additional Paid-in Capital	36,014	36,032	+18
Retained earnings (Accumulated deficit)	(556)	591	+1,147
Accumulated Other Comprehensive Income	1,939	1,779	(160)
<b>Total IJ Shareholders' Equity</b>	<b>62,504</b>	<b>63,519</b>	<b>+1,015</b>

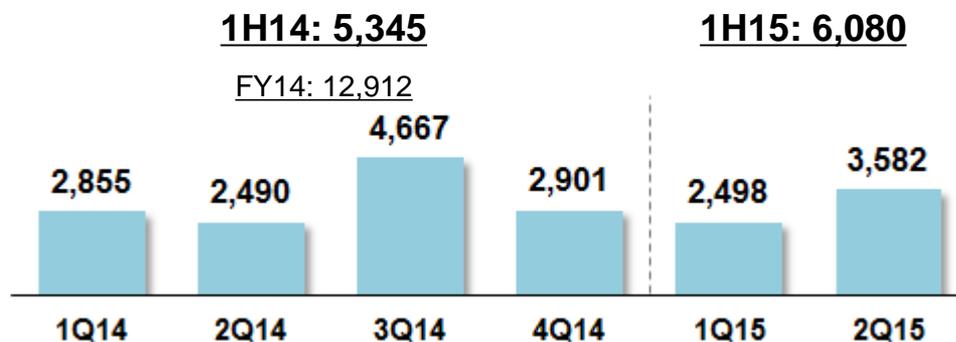
➤ Total IJ Shareholders' Equity to Total Assets: 57.5% as of Mar. 31, 2015, 57.3% as of Sep. 30, 2015

## II - 10. Consolidated Cash Flows

### < Operating Activities >

Unit: JPY million

YoY = 1H15 compared to 1H14

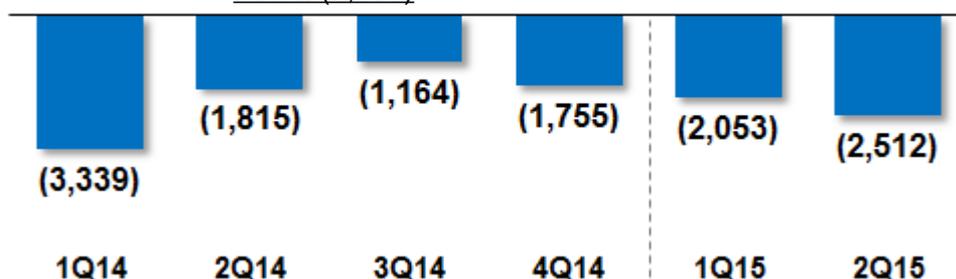


Operating Activities	1H15 Breakdown	YoY Change
Net income	1,744	+258
Depreciation and amortization	4,800	+117
Net gain on other non-cash transactions	119	(191)
Fluctuation of operating assets and liabilities	(584)	+552

### < Investing Activities >

**1H14: (5,154)****1H15: (4,565)**

FY14: (8,073)

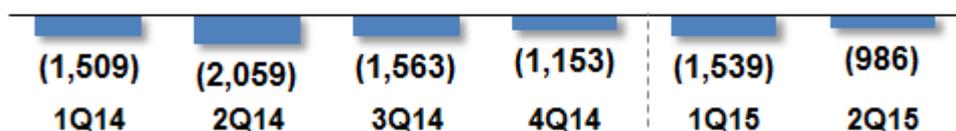


Investing Activities	1H15 Breakdown	YoY Change
Purchase of property and equipment	(5,321)	(1,311)

### < Financing Activities >

**1H14: (3,568)****1H15: (2,525)**

FY14: (6,283)

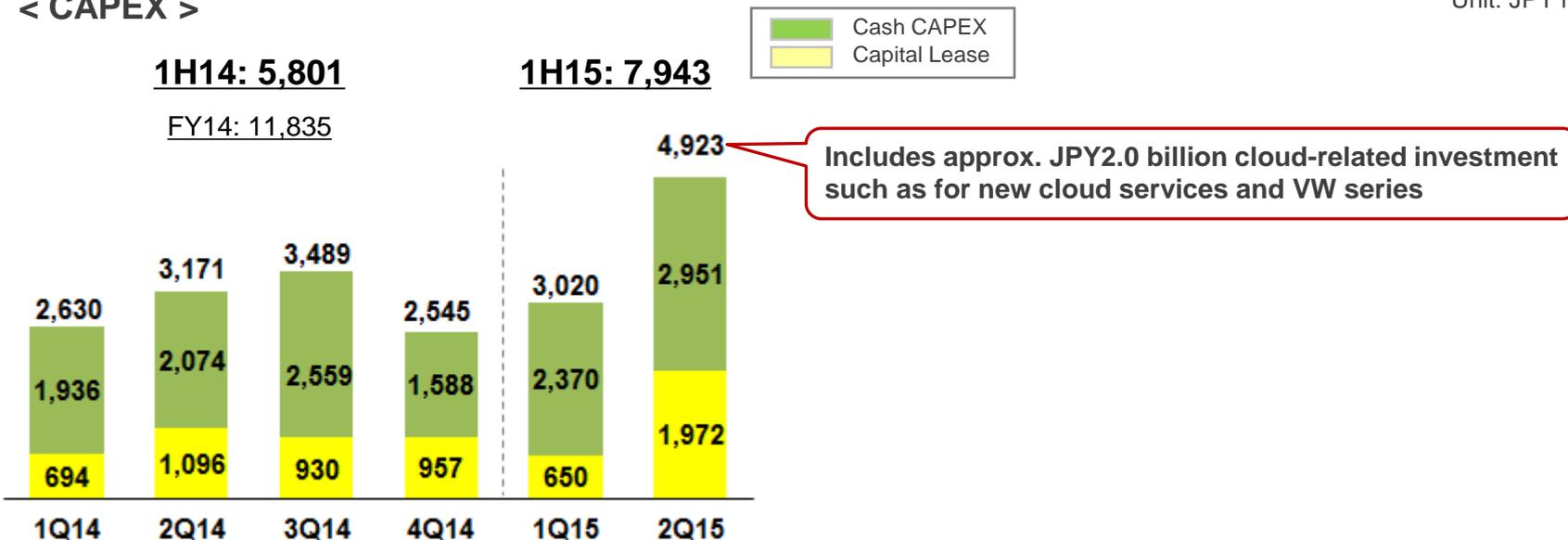


Financing Activities	1H15 Breakdown	YoY Change
Principal payments under capital leases	(2,020)	+63
Dividends paid	(505)	(0)

## II - 11. Other Financial Data (CAPEX etc.)

### < CAPEX >

Unit: JPY million



### < Depreciation and Amortization >



### < Adjusted EBITDA >



# III-1. Cloud Business Developments

## Cloud-related revenue

(Unit: JPY billion)

- Large game customers
- Business enterprise customers

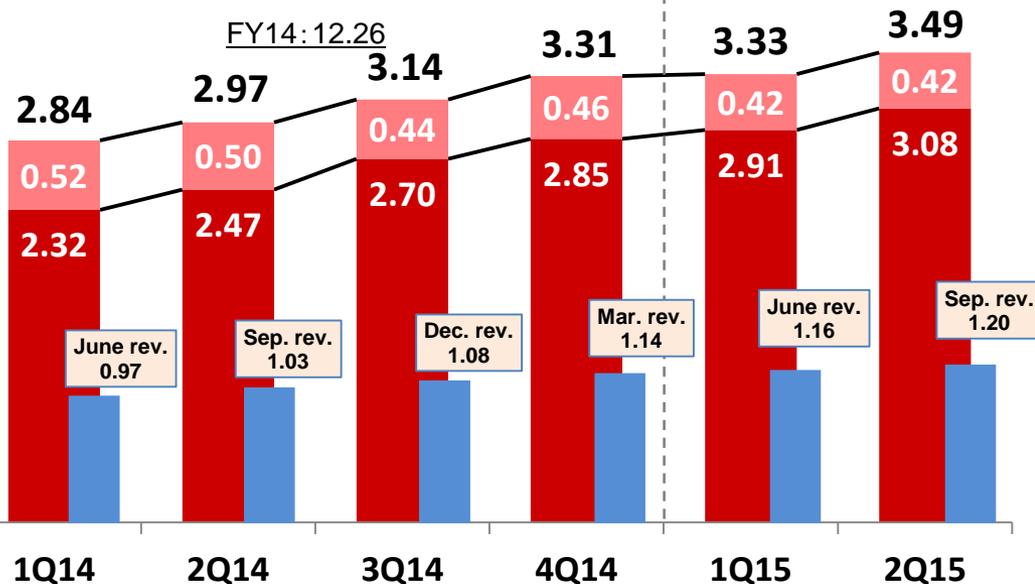
2Q15 cloud-related revenue recognition:  
85% in systems operation and maintenance, 15% in outsourcing

( ) = compared to the same period in a previous year

1H14: 5.81 (+23.3%)

1H15: 6.82 (+17.4%)

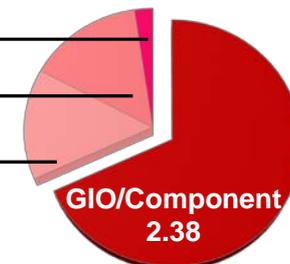
FY14: 12.26



## Breakdown of 2Q15 revenue

(Unit: JPY billion)

- General purpose SaaS 0.08 (groupware etc.)
- Task-specific SaaS 0.52 (FX, POS etc.)
- GIO/Hosting 0.51



## Business progress

### 2Q15 revenue:

- Virtualization platform VMware services continue to grow
- Large game customers' revenue stayed at the same level as 1Q15

### New cloud service:

- "IIJ GIO Infrastructure P2" (Nov. 2015) accumulating over 100 prospective orders, including MRC over JPY10 million projects, expect revenue contribution from 2H15 forward
  - Cloud migration of core business platform, next generation infrastructure, new business platform, and hybrid cloud projects etc.)

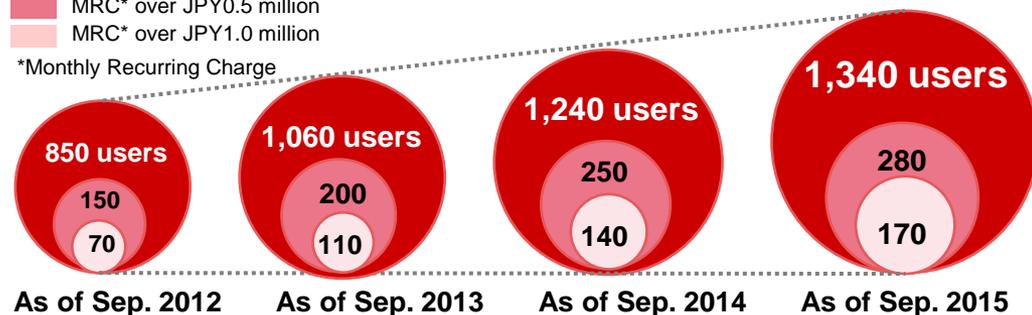
### IIJ Raptor services (FinTech\* business):

Providing FX system as ASP services (Nov. 2010), Nomura Securities, Sony Bank and other prominent financial institutions as users, revenue increase along with FX transaction increase

## Cloud customer base

- MRC\* over JPY0.5 million
- MRC\* over JPY1.0 million

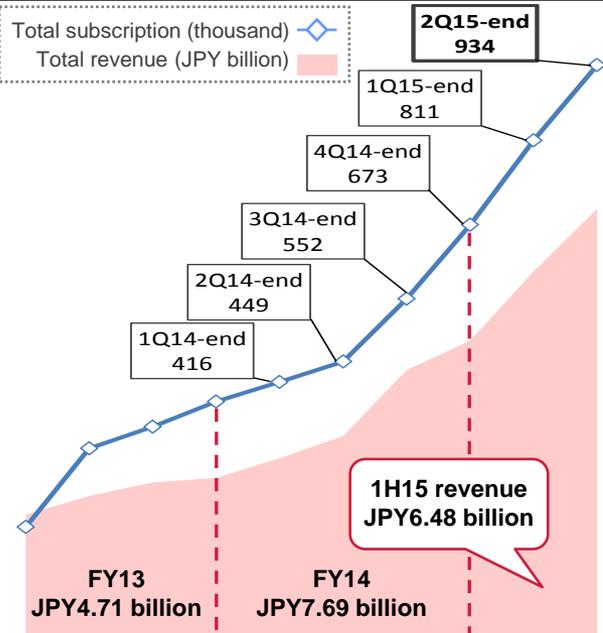
\*Monthly Recurring Charge



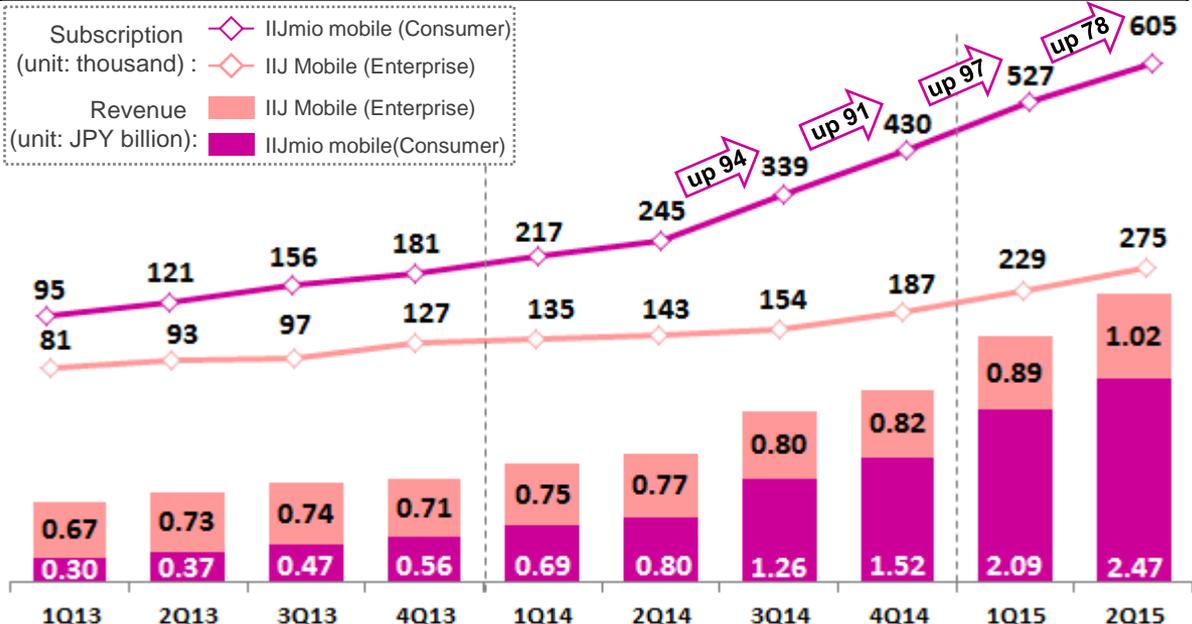
(\*) Financial Technology, also known as FinTech, points to a line of business using software technology to provide financial services.

# III-2. Mobile Business Developments

## Total subscription & revenue



## IIJmio mobile & IIJ Mobile subscription & revenue



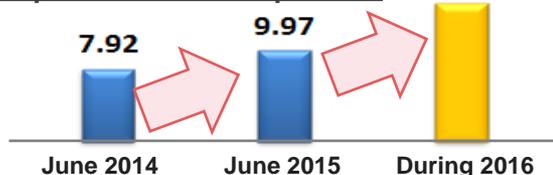
From 1Q15, IIJ Mobile subscription includes the subscription of "IIJ Mobile MVNO Platform Services" which is our MVNE service (exclude hi-ho) <MVNE subscription> 1Q14: 35 thousand, 2Q14: 36 thousand, 3Q14: 40 thousand, 4Q14: 67 thousand, 1Q15: 104 thousand, 2Q15: 136 thousand

## MVNO Market in Japan

Unit: million subscription

Market growing.  
Expect for further expansion

MIC's goal  
15.00



The above shows MVNO subscription excluding MNO's MVNOS but including SIM-type, module-type and resale-type. IIJmio mobile services are under SIM-type category. (Source: Ministry of Internal Affairs and Communications (MIC) Oct. 2014 and Sep. 2015)

### Enterprise

#### Demands for MVNE continues to be strong:

- ✓ 1H15 revenue: approx. JPY0.77 billion (up 315.0% YoY)
- ✓ 1H15-end subscription: approx. 136 thousand (up 100 thousand YoY)
- ✓ 2Q15-end MVNE partners: approx. 80 (increased by more than 60 partners from 2Q14-end)
- ✓ Each MVNE transaction becoming larger - more CATV operators starting MVNE business

#### Enhanced M2M-related service line-ups to aggressively capture demand

- ✓ 1H15 revenue: approx. JPY0.26 billion (up 37.6% YoY)

### Consumer

#### 2Q15 subs. accumulating, Pace increasing from Oct. with iPhone6s launch

#### Maintaining high user satisfaction with continuous infrastructure expansion

#### Further business development

- ✓ Expansion of headsets-bundle service line-ups (Fujitsu, ASUS, HUAWEI)
- ✓ MNP transaction taken place at over 250 electronic stores nationwide and home
- ✓ Pre-paid SIM card services to foreigners visiting Japan sold at airports, convenience stores, electronic stores, tourist centers etc.

YoY = 1H15 compared to 1H14

### Ⅲ-3. FY2015 Financial Target (Remain unchanged)

Unit: JPY billion

	<b>FY15 Target</b> (Apr. 2015 - Mar.2016)	<b>FY14 Actual</b> (Apr. 2014 - Mar.2015)	<b>FY15 Target to FY14 Actual</b>	
<b>Total Revenues</b>	<b>139.0</b>	<b>123.1</b>	<b>+15.9</b>	<b>+13.0%</b>
<b>Gross Margin</b>	<b>25.1</b>	<b>22.1</b>	<b>+3.0</b>	<b>+13.7%</b>
<b>Operating Income</b>	<b>6.5</b>	<b>5.1</b>	<b>+1.4</b>	<b>+28.1%</b>
<b>Income before Income Tax Expense</b>	<b>6.4</b>	<b>5.1</b>	<b>+1.3</b>	<b>+24.5%</b>
<b>Net Income attributable to IIJ</b>	<b>4.0</b>	<b>3.3</b>	<b>+0.7</b>	<b>+20.4%</b>
<b>Net Income attributable to IIJ per Share</b>	<b>JPY 87.07</b>	<b>JPY 72.31</b>	<b>+ JPY 14.76</b>	<b>+20.4%</b>
<b>Cash Dividends per Share</b>	<b>JPY 22.00</b> (Annual)	<b>JPY 22.00</b> (Annual)	<b>-</b>	<b>-</b>

## ※ Forward-looking statements

Statements made in this presentation regarding IJ's or managements' intentions, beliefs, expectations, or predictions for the future are forward-looking statements that are based on IJ's and managements' current expectations, assumptions, estimates and projections about its business and the industry. These forward-looking statements, such as statements regarding revenues, operating and net profitability are subject to various risks, uncertainties and other factors that could cause IJ's actual results to differ materially from those contained in any forward-looking statement. These risks, uncertainties and other factors include but not limited to:

- a decrease of corporate spending or capital expenditure due to depression in the Japanese economy and/or corporate earnings decreased,
- an inability to achieve anticipated results and cause negative impact on profitability,
- a possibility that less of reliability for our services and loss of business chances due to interruption or suspension of our services,
- an excess increase and fluctuation in network-related cost, mobile-related cost, outsourcing cost, personnel cost etc,
- a possibility to lose business opportunity due to our inadequate resources in personnel and others,
- an increase in competition and strong pricing pressure,
- the recording of an impairment loss as a result of an impairment test on the non-amortized intangible assets such as goodwill,
- a decline in value and trading value of our holding securities.

Please refer to IJ's filings on Form 20-F of its annual report and other filings with the United States Securities and Exchange Commission ("SEC") for other risks.

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