

Internet Initiative Japan Inc. Corporate Overview

IR Roadshow in New York, Toronto, and Chicago

April 2018

TSE1:3774 NASDAQ:IJJI

Ongoing Innovation

Outline

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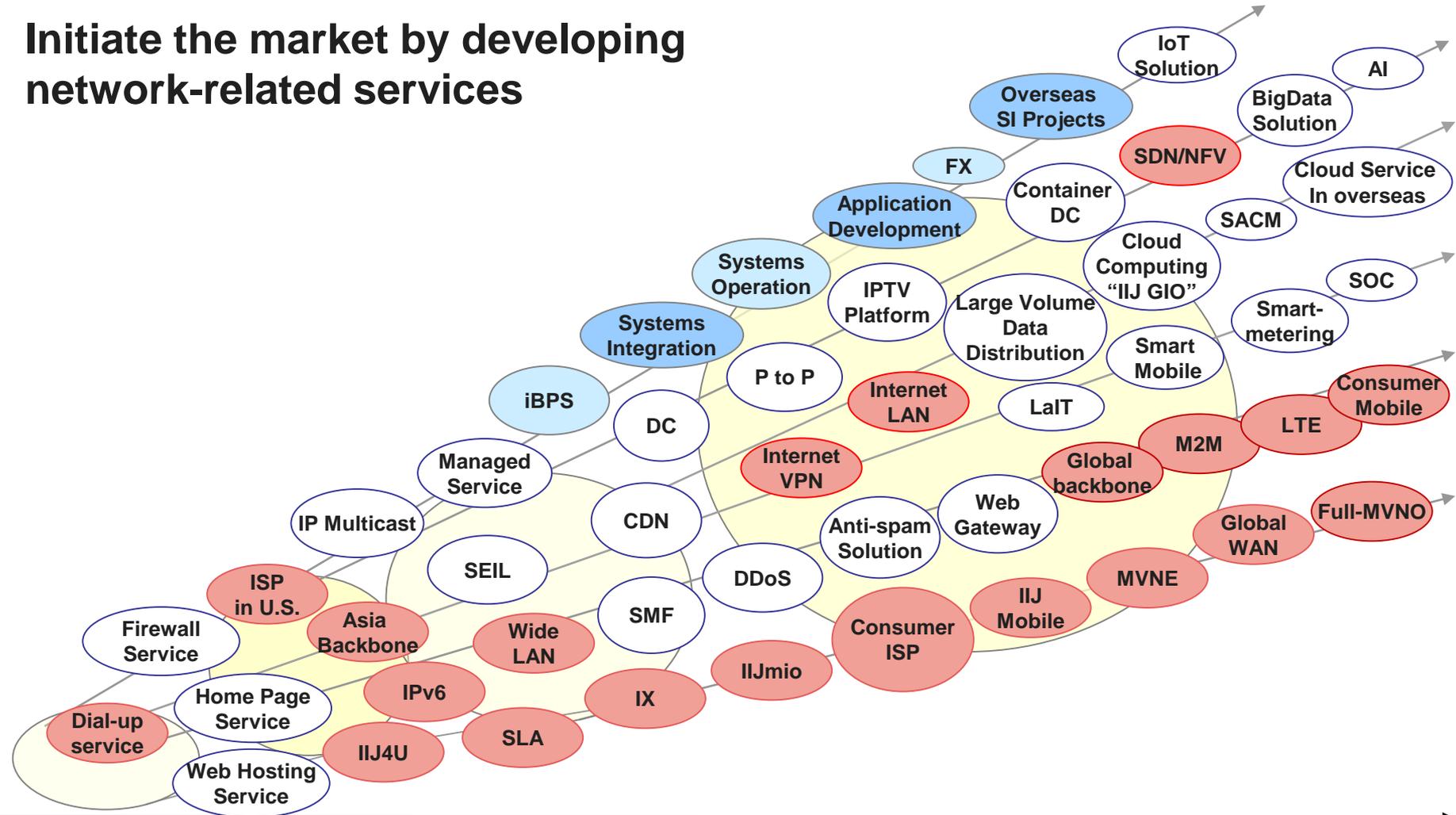
- ◆ **Appendix** P. 27 – 30

Established	December 1992
Number of Employees	3,222 (approx. 70% engineers) <small>Consolidated as of December 31, 2017</small>
Listed Markets	NASDAQ (IIJI), TSE1 (3774)
Large Shareholders	NTT group (26.0%), Dalton (6.3%), CEO Suzuki (5.6%*) <small>*Jointly owned by Mr. Suzuki's wholly owned private company as of September 30, 2017</small>

- ◆ **The first established full-scale ISP (Internet Service Provider) in Japan**
 - Introduced many prototype Internet-related network services
 - Highly skilled IP (Internet Protocol) engineers
 - Self-develop services and the related back office facilities
- ◆ **“IIJ” brand towards blue-chips**
 - Mainly large enterprises and governmental organizations
 - Differentiate by reliability and quality of network and systems operation
 - Long-term client relationship with no serious systems troubles
- ◆ **At the leading edge of IP R&D**
 - Differentiate by continuous service developments and business investments
 - Enhancing cloud, mobile, security, CDN (Contents Distribution Network) and solutions related to bigdata and IoT
 - Participate in world-wide research and organizations ...and many more

Technology and Service Developments

Initiate the market by developing network-related services



1992 1996 1997 1998 2006 2007 2008 2010 2013 2014 2016 2018

Internet Initiative Japan

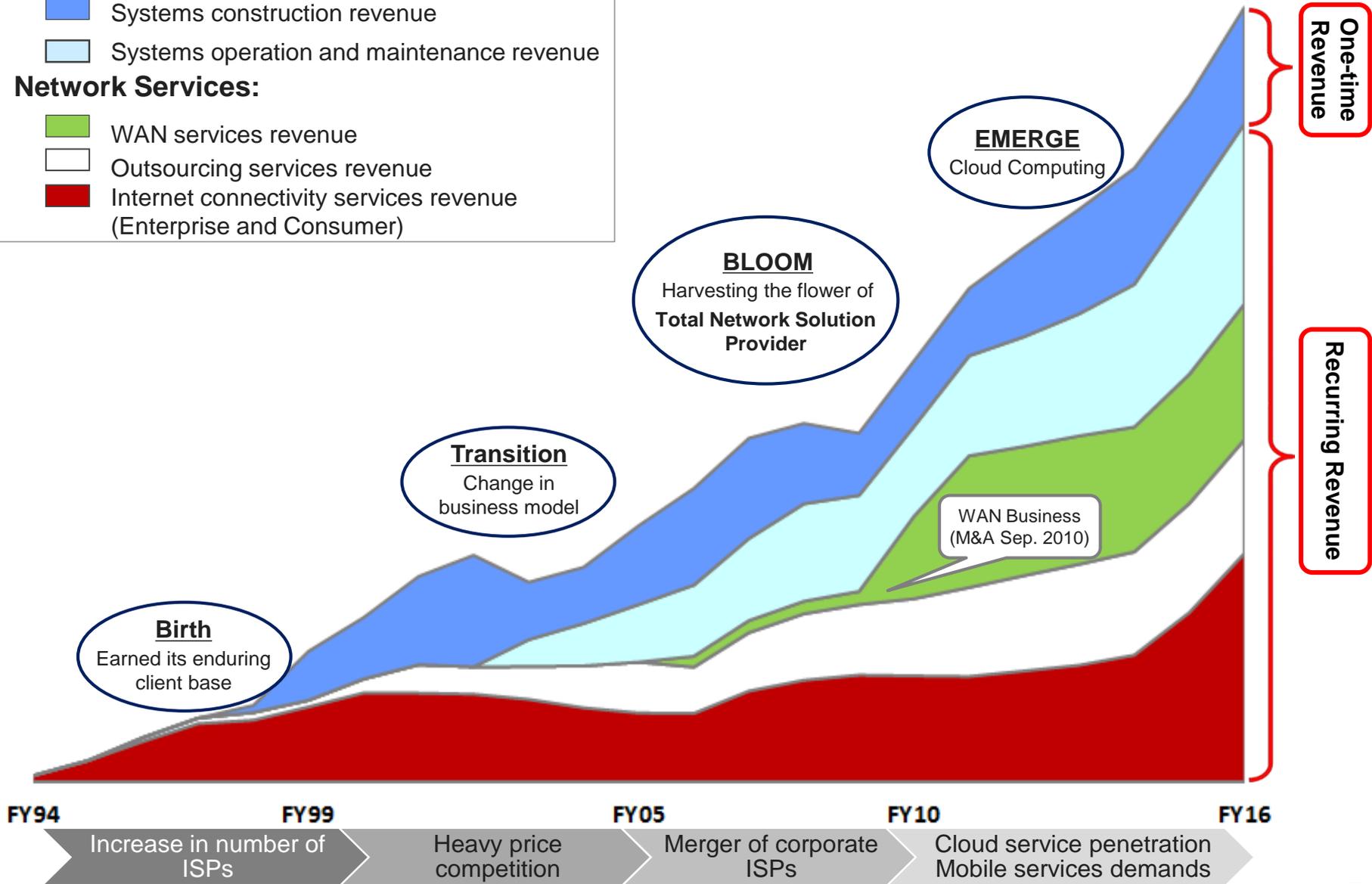
ISP to Total Network Solution Provider

Systems Integration:

- Systems construction revenue
- Systems operation and maintenance revenue

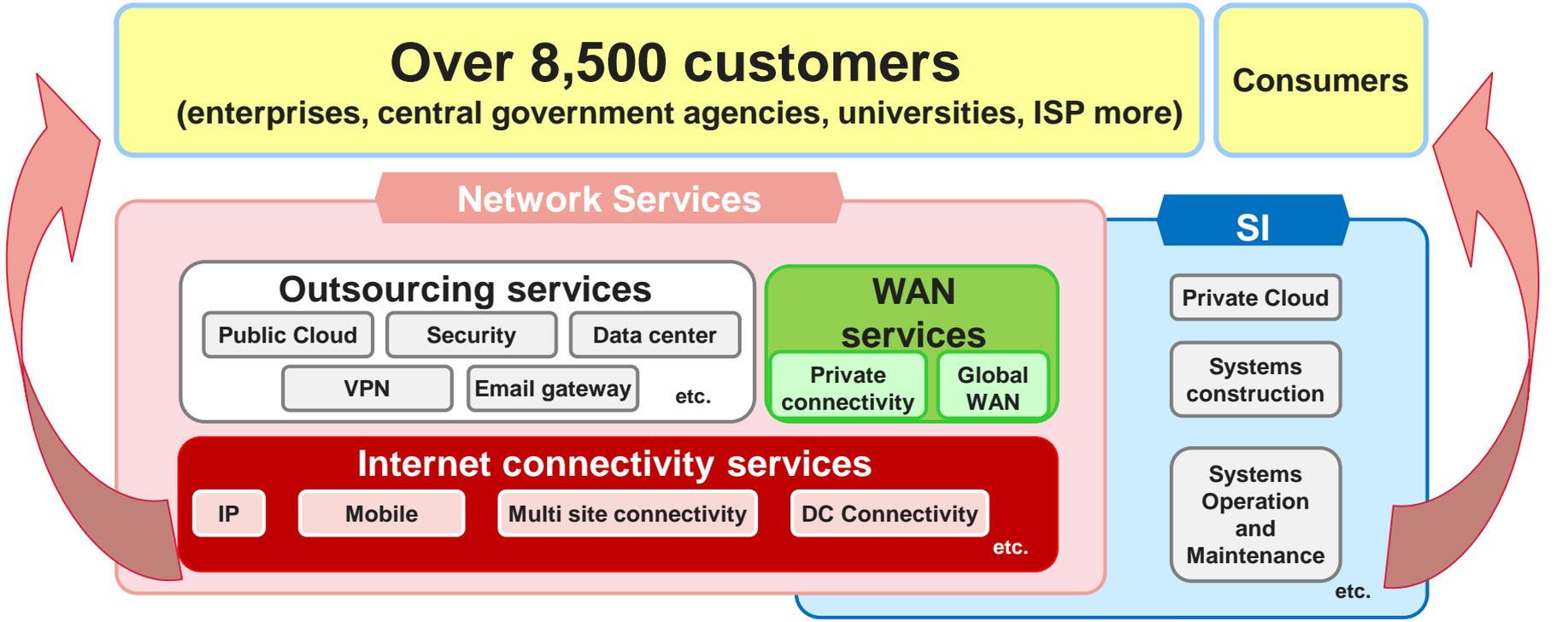
Network Services:

- WAN services revenue
- Outsourcing services revenue
- Internet connectivity services revenue (Enterprise and Consumer)

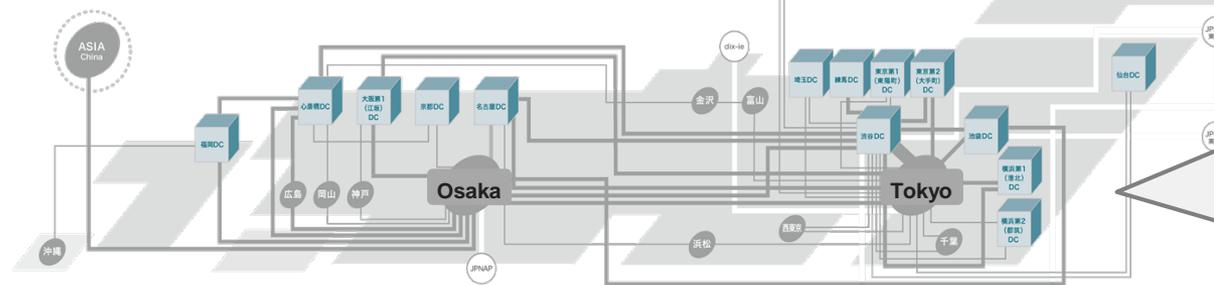


Leveraging Internet-related technology

Total network solution provider with services and SI



■ データセンター
● NOC (ネットワークオペレーションセンター)



Cost

- Service development
- Network equipment depreciation
- Purchasing mobile bandwidth from MNOs
- Leasing data center space from data center owners (own 1 data center, container-type DC)
- Leasing fiber from carries etc.

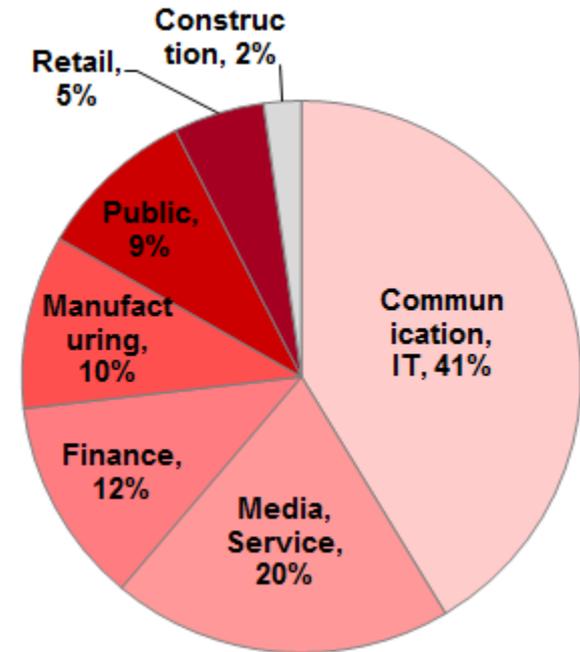
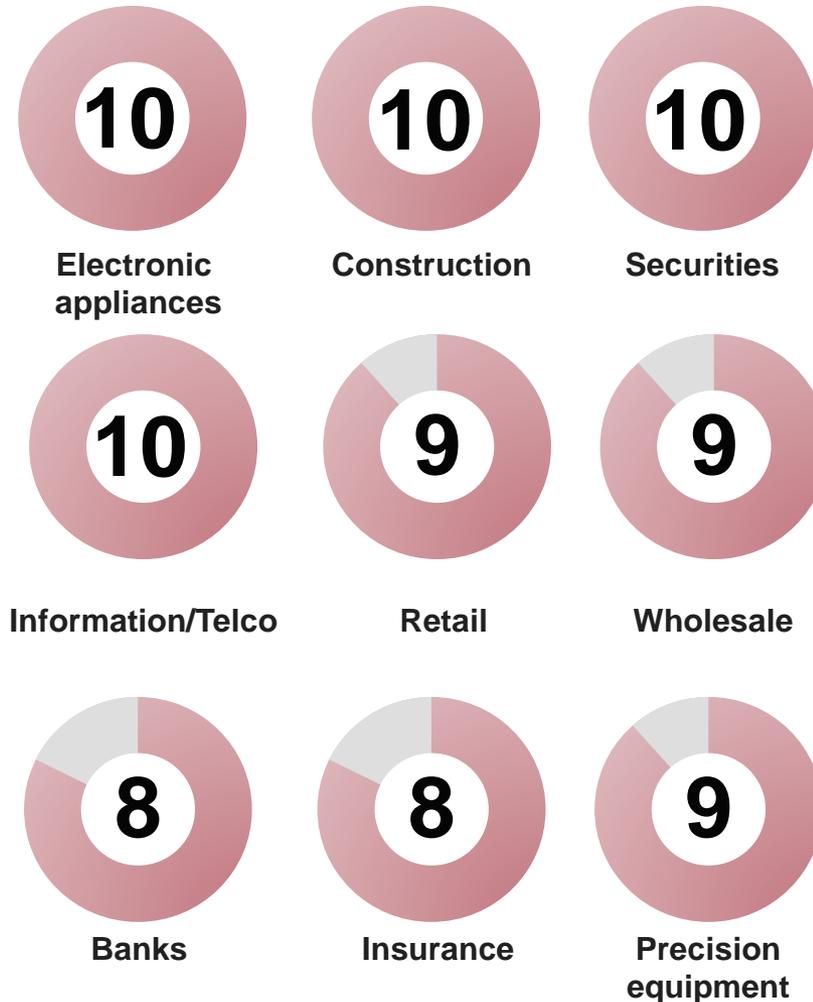
Excellent Customer Base with Many Blue-Chips

Competitive Advantages

Cover Most of Top Revenue Companies

The number of clients among the top 10 companies in each industry.

Revenue Distribution by Industry



Source: IJ's FY2016 Financials

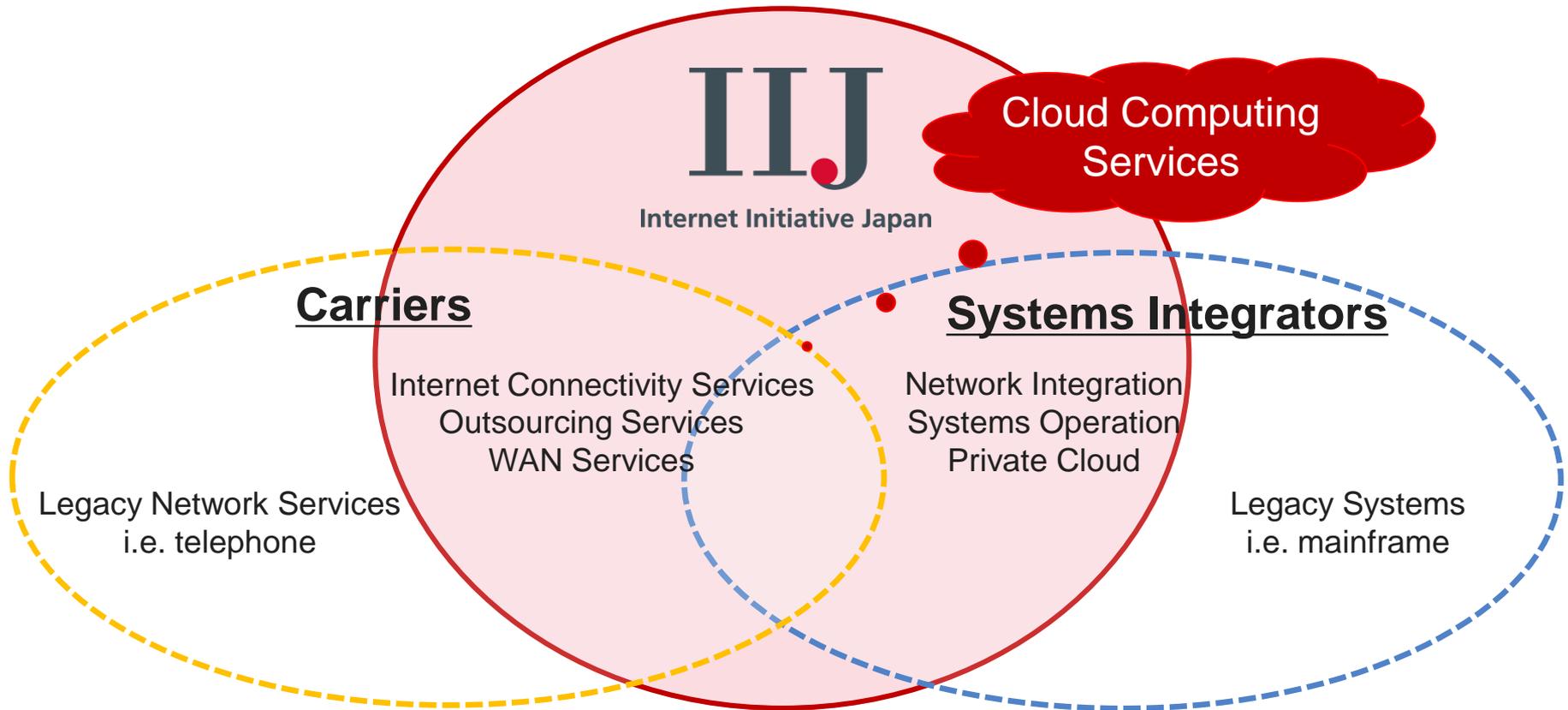
Comprehensive Line-ups of IT services

Revenues		Services	Business status
NW Services	Internet Connectivity (Enterprise)	<ul style="list-style-type: none"> • Primary connectivity for head offices • High-performance dedicated connectivity • Redundant connectivity for multi-site 	<ul style="list-style-type: none"> • Dominate the matured market • Revenue gradually increase with greater contracted bandwidth/traffic • Anticipate to grow with further cloud service penetration and CDN • Continuous network expansion
	Internet Connectivity (Consumer)	Mobile <ul style="list-style-type: none"> • Mobile solutions, M2M/IoT, MVNE for enterprises • Inexpensive SIM card services for consumers 	<ul style="list-style-type: none"> • Emerging market, consumer rapidly expanding • M2M/IoT for enterprises grow for mid-term • Business investment for full-MVNO
	WAN	<ul style="list-style-type: none"> • Closed NW for multi-site connection 	<ul style="list-style-type: none"> • Stable market for long term
	Outsourcing	<ul style="list-style-type: none"> • Security, data center, email outsource, NW/Server management service line-ups etc. • Over 60 in-house developed services 	<ul style="list-style-type: none"> • Cross-sell and accumulate various outsourcing services • Growing demands for security • Continuous service development
SI	Operation & Maintenance	Cloud <ul style="list-style-type: none"> • Full service line-ups for IaaS • SaaS/PaaS with partners • Hybrid/Multi cloud solutions • BigData, FX application etc. 	<ul style="list-style-type: none"> • Enormous opportunities with cloud shift of large enterprises' systems • Core area of the mid-long term growth • Continuous service enhancement including GIO P2
	Construction	<ul style="list-style-type: none"> • Internet-related SI, NW integration • Cloud-related, mobile-related SI • Operation & maintenance after construction 	<ul style="list-style-type: none"> • Value-added functions to promote cloud, mobile systems etc.
Equipment Sales			

Target Blue-chip's IT Shift

Competitive Advantages

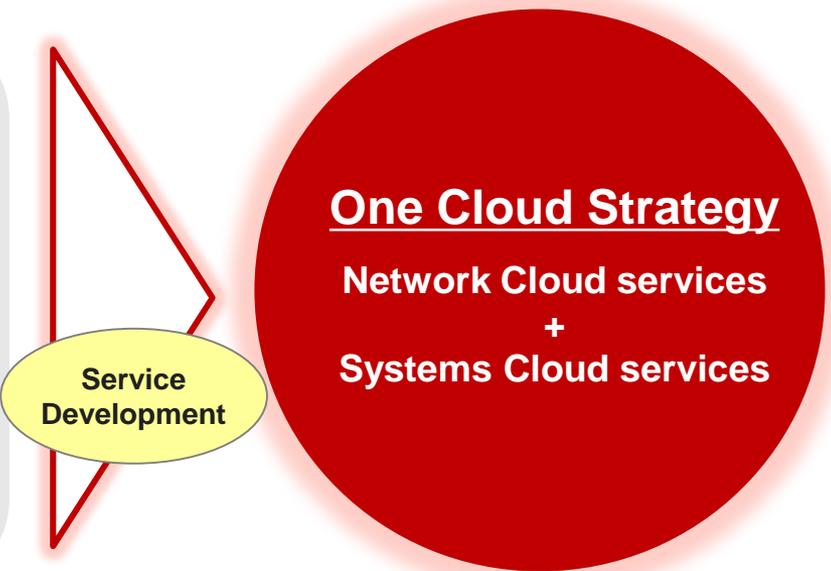
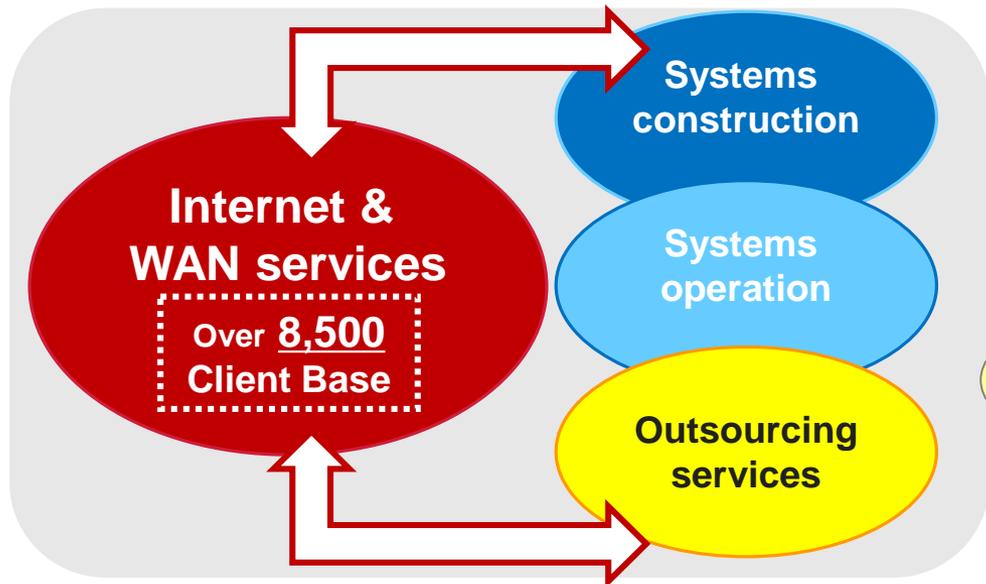
Cover Corporates' New IT Services Demands with reliable operation



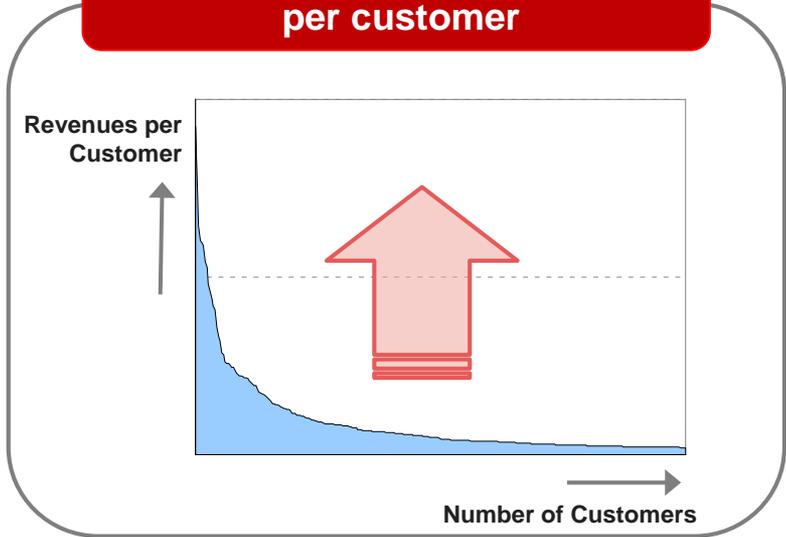
IIJ's differentiation points towards competitors

- Many highly skilled network engineers
- Corresponds to the Internet market rapidly
- Unbureaucratic organization structure

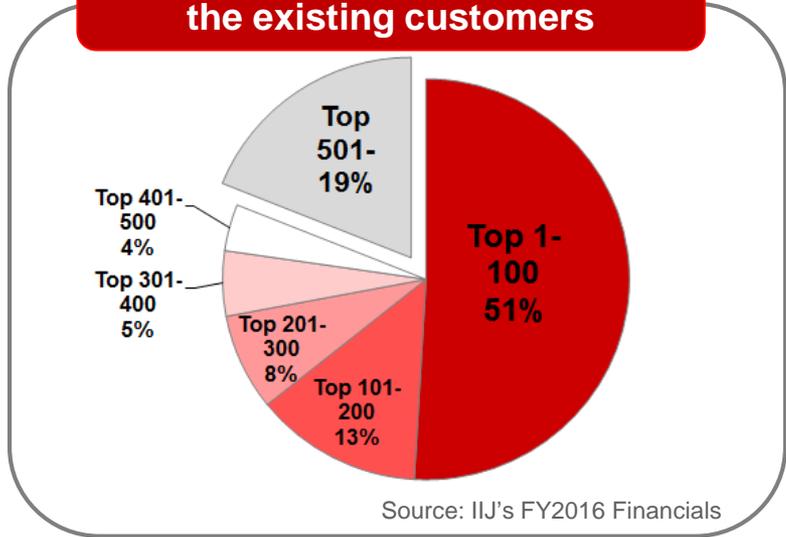
- Operates network facilities by ourselves
- Develops network services
- Moderate number of employees



Increase revenues per customer



Room to increase revenue from the existing customers

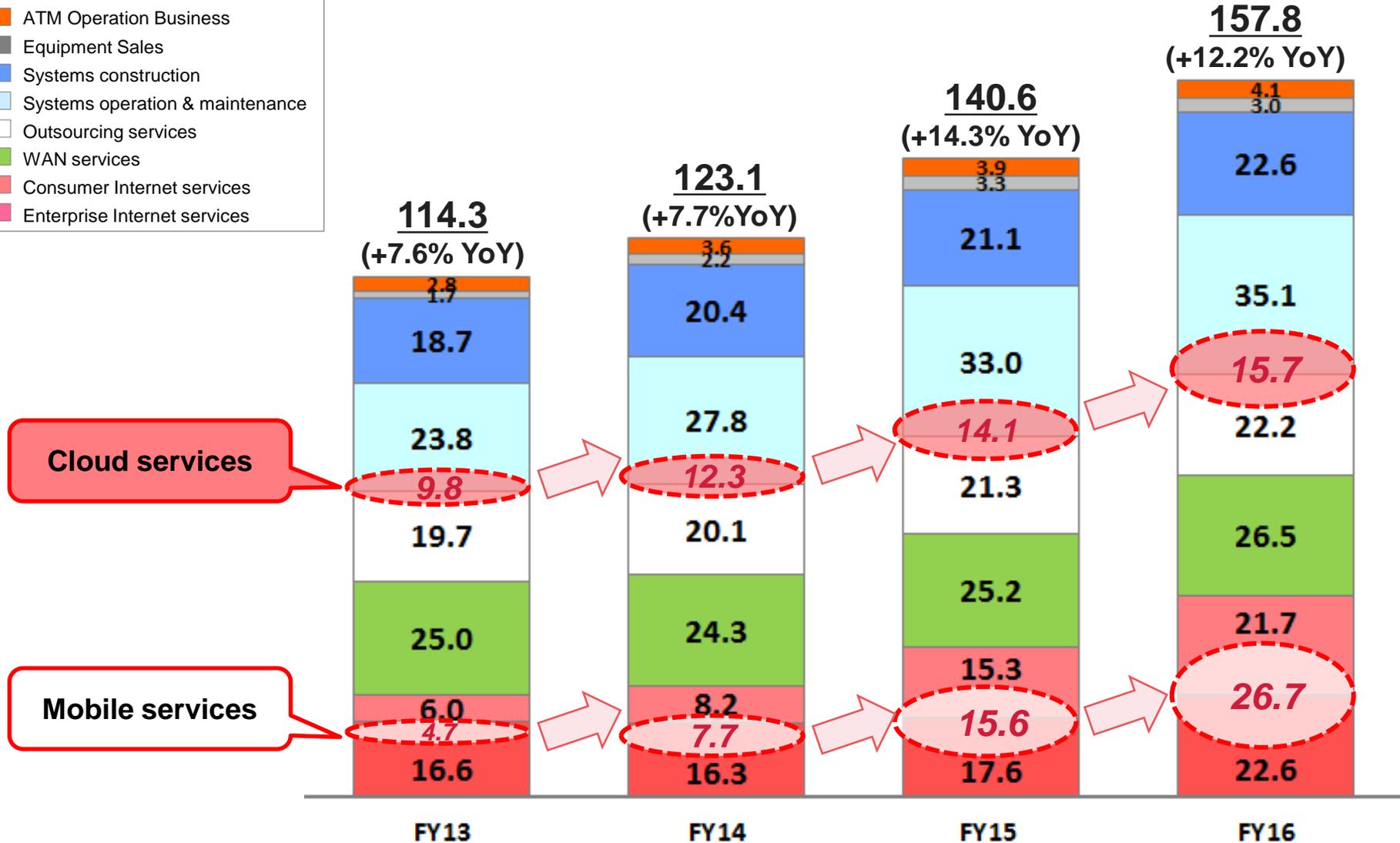
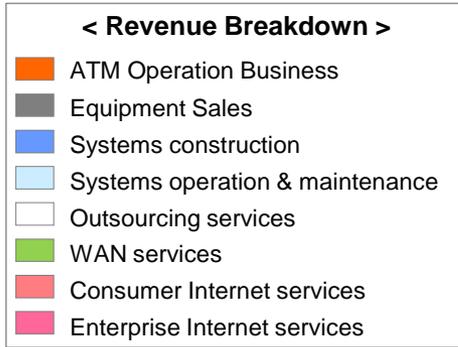


Source: IJ's FY2016 Financials

Leveraging Blue-chip Customer Base

Unit: JPY billion

Cross-selling multiple service products

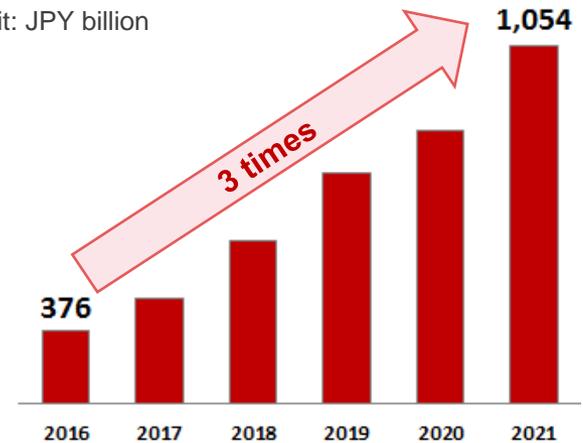


Cloud Market in Japan

- Cloud penetration among Japanese enterprises
 - 46.9% as of 2016-end, 33.0% as of 2013-end (MIC)
- Some advanced and mission critical enterprise systems on cloud services
- Average system life cycle: 5 years
 - Enterprises consider re-investing in their on premise systems or migrate to cloud service when their existing systems approach to the end of life
- Systems don't migrate at once, especially large internal systems
 - Customization (SI) is required when migrating to cloud
- Great business opportunity with IoT and BigData

Cloud Market Growth in Japan

Unit: JPY billion



Published in Mar. 2017 by IDC Japan "Domestic Public Cloud Market Estimation revenue-base (2016-2021)"

IIJ's Competitive Advantages

IIJ

- ◆ Integrate Full-MVNO, security, SI
- ◆ Operate and manage not only IIJ's cloud services but also other vendors' cloud services and on premise systems seamlessly
- ◆ Target blue-chip's large internal IT systems which are traditionally covered by Slers
- ◆ Experience, reputation
 - One of the first cloud service providers in Japan (since FY2010)
- ◆ Reliable operation
- ◆ Deep relationships with blue-chip customers
 - Leverage network service clients customer base
- ◆ Various options for CPUs/OSs/storage/network usage etc.

Competitors

AWS/Azure

- ◆ Strong scale merit
- ◆ Not so strong about meeting individual system needs
 - Service specs
 - SI expertise
 - Customer support

Slers

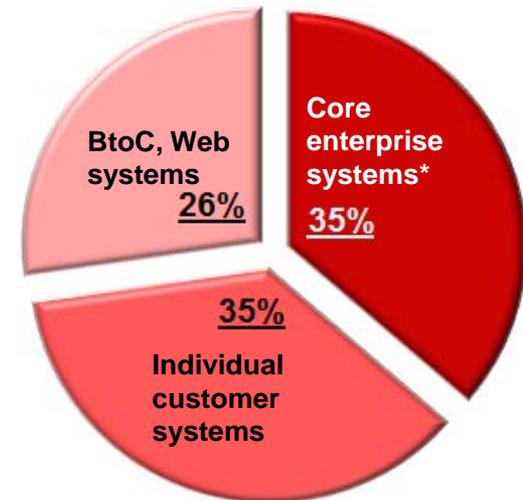
- ◆ Tailored toward individual private cloud, in principal
- ◆ Target current clients, in principal

Flagship IJ GIO P2 Projects

- One of the largest global logistics companies chose IJ's cloud service for its fully-outsourced internal systems (3,500 servers and 2PT storage)
➔ MRC JPY9 million
- One of the largest prefectures chose IJ's cloud services for "Local Government Information Security Cloud" systems
➔ MRC JPY60 million
- One of the largest online ticketing companies chose IJ's cloud service for its main and prominent service platform
➔ MRC JPY14 million
- One of the largest travel agencies chose IJ's cloud services for its core business operation systems
➔ MRC JPY12 million
- A central government agency chose IJ's cloud service for a system managing sales point
➔ MRC JPY8 million

IJ GIO P2 System Usage

Among IJ GIO P2 prospective projects with monthly revenue charge over JPY1 million, 35% are core enterprise systems-related

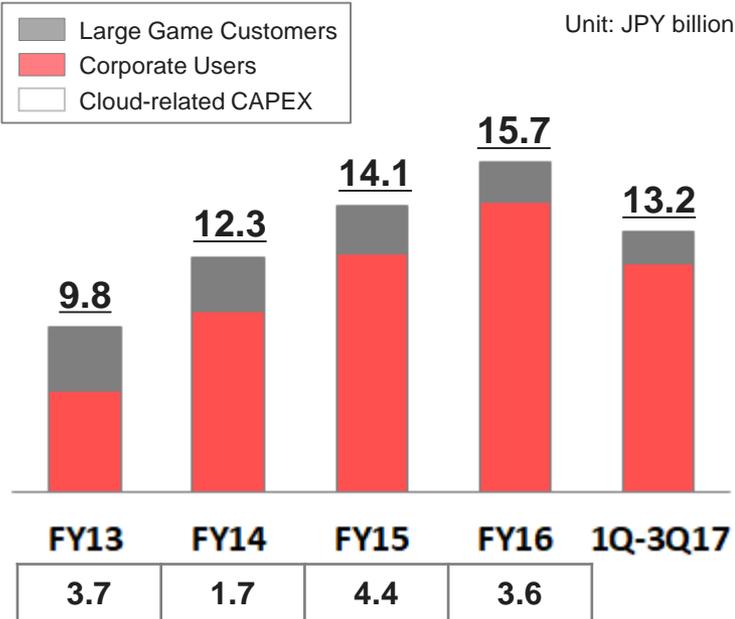


- Launched IJ GIO P2 in fall 2015, profit burden currently
 - FY16 revenue up JPY0.65 billion YoY
 - FY16 cost up JPY1.19 billion YoY

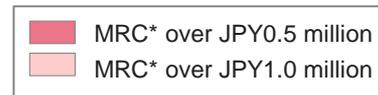
Cloud Business

Growth Strategy

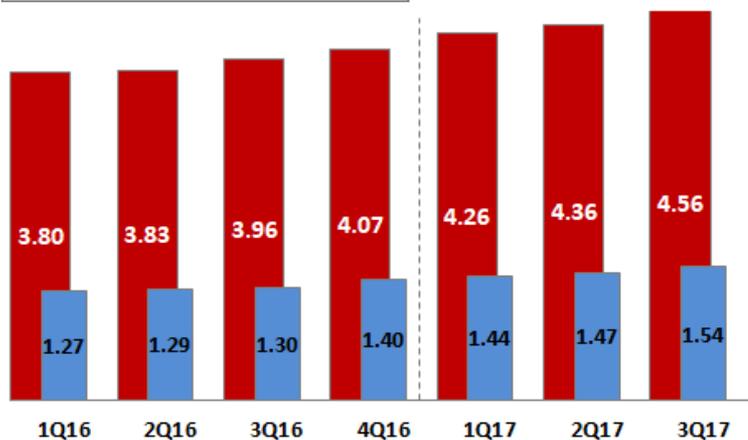
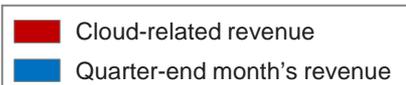
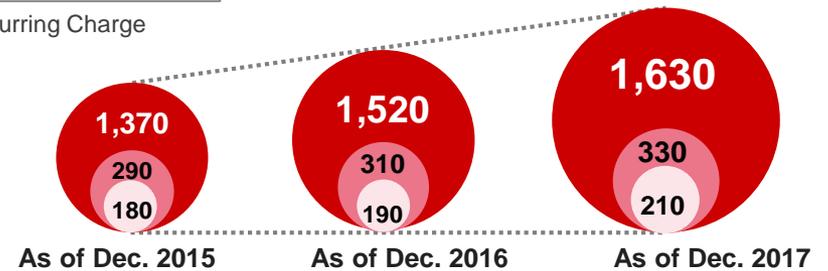
IIJ's Cloud Revenue Growth



IIJ's Cloud Customer Base



*Monthly Recurring Charge

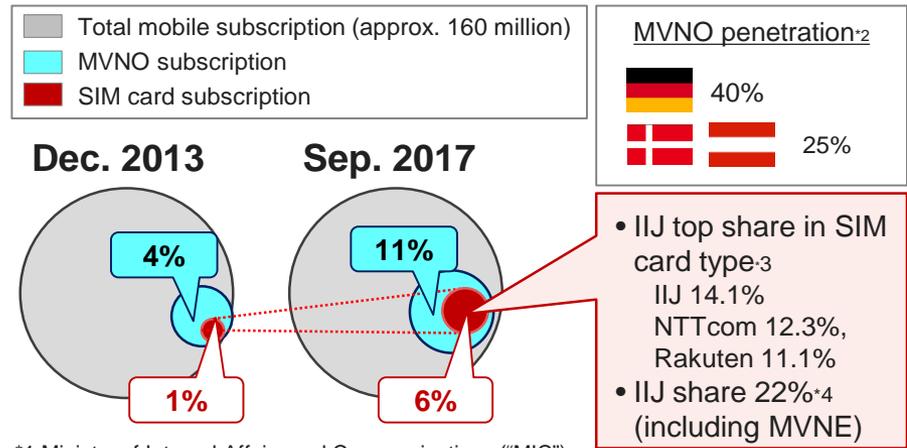


Business Model

- Continuously invest in service facility and developments (servers, storage and datacenter)
- Benefit from large-scale service facility by improving utilization
- Energy-efficient container-type datacenter in country side

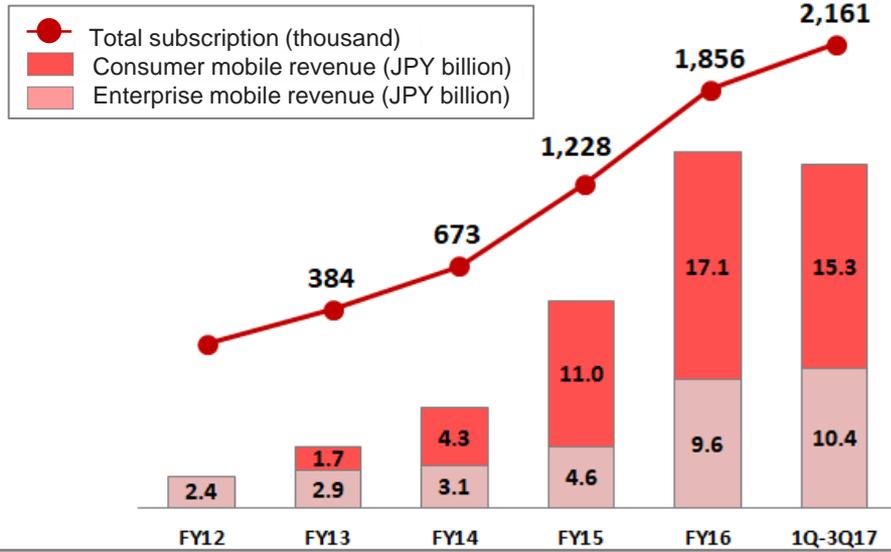


MVNO Penetration in Japan*1



*1 Ministry of Internal Affairs and Communications ("MIC")
 *2 "Promoting a vibrant mobile market in New Zealand" by Trustpower Limited in Nov, 2015
 *3 MIC, excluding MVNE subscription
 *4 MM Research Institute as of March 2017, published in June 2017

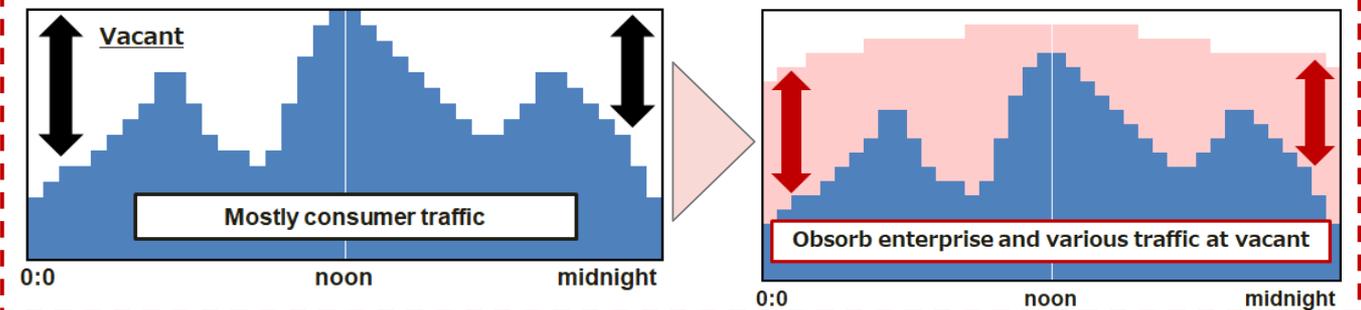
IIJ's Subscription and Revenue Growth



IIJ's Growth Strategy

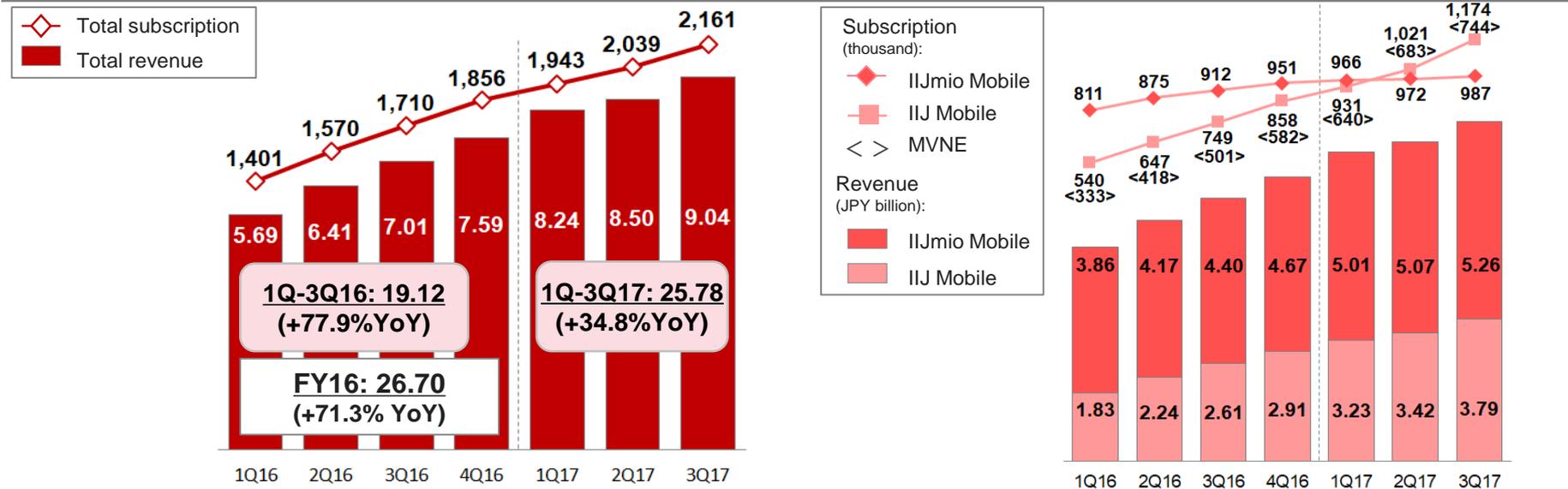
- ◆ **Improve mobile infrastructure utilization by gathering enterprise traffic such as IoT and various consumer traffic** (young, old, student, households, business persons etc.)
 - ✓ Launched full-MVNO services targeting further IoT traffic (private global network, inventory control with flexible billing management for IoT usage, direct overseas roaming, chip SIM etc.)
 - ✓ 135 MVNE clients as of Dec. 2017 (retailers, CATV, EC vendors, Slers, manufacturers etc.)

Mobile infrastructure utilization image



- Continued to be profitable.
- Currently leasing bandwidth to meet the traffic peak of consumers
- By absorbing enterprise traffic (M2M/IoT), total network utilization should improve

Subscription (unit: thousand) and Revenue (unit: JPY billion)



Consumer Mobile Price Comparison

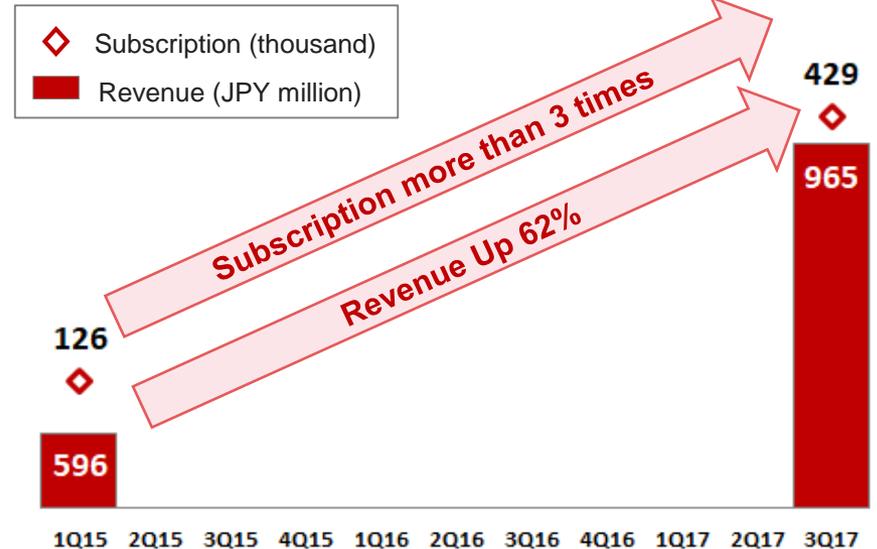
➤ MNOs's affiliated companies and MNOs themselves started to lower their services, yet IJ (genuine MVNO) is very cheap. Below information is as of March 2018

	IJ	Y!mobile	UQ mobile	Docomo "Simple"	au "Pitatto"
Monthly fee	¥1,600	¥3,980	¥3,980	¥6,700	¥4,980
Data volume	3GB	1GB	1GB	2GB	1GB
Voice	Including basic fee for voice service	Can call unlimited times if each session is less than 10 mins	Can call unlimited times if each session is less than 5 mins		
Others	N/A	1 st 1yr at ¥1,980 and 2 nd yr at ¥2,980 if commit for 2yrs	First 14 months at ¥1,980 if commit for 2yrs	Monthly fee is ¥5,200 (including 2GB@¥3,500) if commit for 2yrs	If commit for 2yrs, ¥3,780. If commit for automatic contract renewal for every 2yrs, 1 st yr at ¥1,980 and from 2 nd yr at ¥2,980,

Accumulating Enterprise Mobile Solutions

- **IJ started providing enterprise mobile solutions from 2008** by becoming the 1st MVNO in Japan to connect Docomo's mobile network
 - Wireless solution to enterprise customers
 - Leveraging blue-chip customer base
 - Provide with SI, if necessary
- **Accumulating IoT-type M2M projects continuously**
 - Security cameras, digital signage, BtoC service handy devices, large-scale solar panel monitoring, ticket vending machine etc.

Enterprise Mobile Revenue (excluding MVNE)



First Full-MVNO in Japan

- **Full-MVNO enables to issue own SIM card:**
 - Develop various type of mobile solutions for IoT (BtoBtoX etc.)
 - Expect to offer closed network, private roaming, business solution with inventory optimization, cost compression of SIM by issuing own original SIM
 - Embedded SIM (“eSIM”), Re-Programmable SIM, Multi-Profile SIM etc.
 - SIM card adjustable to any type of SIM (multi-form function)
- **Preparation on track for service launch in Mar. 2018**
 - Private global network, inventory control with flexible billing management for IoT usage, direct overseas roaming, chip SIM etc.
- **Expected total investment: approx. JPY4.5 billion**
 - Construction of HLR/HSS systems
 - Accumulation of monthly payment to NTT Docomo for their network remodeling fee (not IJ CAPEX)
 - Expect cost of approx. JPY0.4 billion in FY17 (from Dec. 2017)
 - Expect related CAPEX up JPY0.8 billion YoY in FY17

Further Accumulation of IoT Projects

- ◆ IoT-related discussion & PoC prj. with our blue-chip customers as they seek business opportunities with IoT
- ◆ Prospective orders increasing after the announcement of to engage in full-MVNO

3Q17-end: approx. 280 projects

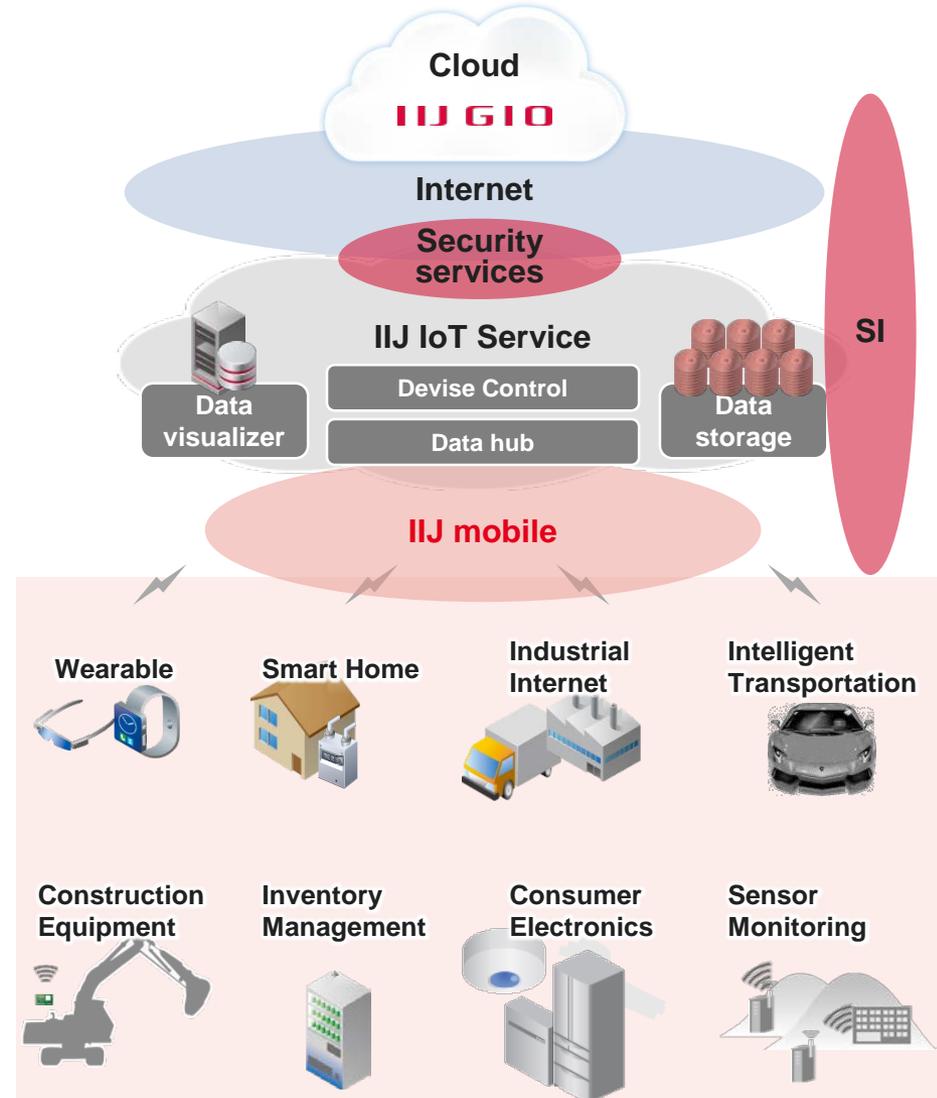
Sector	Examples of usage
Factory	<ul style="list-style-type: none"> • Remote mgmt. and control of factory facility • Predict machine failures, reduction in maintenance cost
Agri.	<ul style="list-style-type: none"> • Paddy mgmt. (control of water level & temp.)
Log.	<ul style="list-style-type: none"> • Mgmt. of vehicle location & delivery status • Connected Cars, data monitoring of racing cars
Retail	<ul style="list-style-type: none"> • Analysis on consumers' movement from in-store cameras to create marketing data • Monitoring waiting customers
Housing	<ul style="list-style-type: none"> • Mgmt. of electricity with info from smart-meter • IoT to consumer electronics and nursing care
Others	<ul style="list-style-type: none"> • Mgmt. for solar panels & windmills • Tracing products

< Glossary >

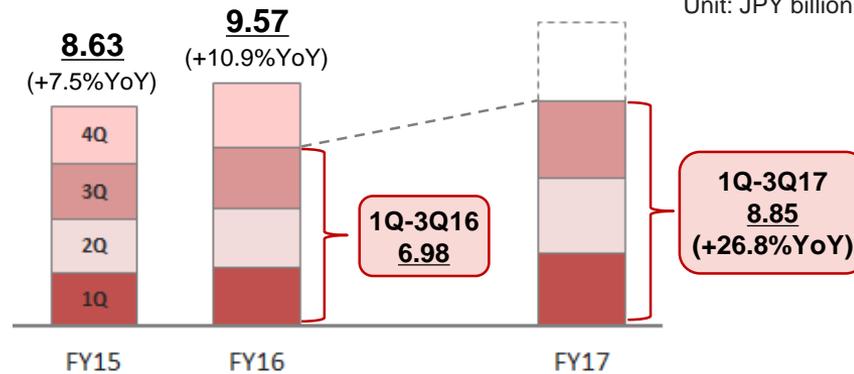
PoC	Proof of Concept	Agri.	Agriculture
Prj.	Projects	Log.	Logistics
Mgmt.	Management	Inst.	Institution
Temp.	Temperature	Govt.	Government
		a/c	account

IIJ as IoT platform

IIJ provides necessary elements for IoT comprehensively



IJJ's Security Services Revenue Growth



FY16 security related revenue was over JPY11 bn if include security-related SI projects

IJJ's Security Service line-ups

◆ Provide together with NW and SI as comprehensive

Various security service line-ups

- Firewall
- Targeted attacks protection
- Unified security solution/SOC
- Web access security
- Smart devices security
- WAF
- IPS/IDS
- DDoS protection
- Mail security
- Security hole testing

etc.



Enterprise customers

NW

SI

IJJ's Competitive Advantages

- ◆ First in Japan to provide **firewall services** (since 1994)
- ◆ **DDoS protection services** which are able to handle terabit cyber attacks, widely used among central government agencies and major financial institutions
- ◆ **Security Operation Center services** with approx. 6 billion daily log records of network etc. (others: approx. 0.8 billion records a day), able to detect Internet threats and execute countermeasures in early stage
 - Providing to local government. Leveraging security log obtained as an ISP to protect against latest cyber threats
 - Assist enterprise security systems with establishment of CERT, SOC service & wide-range of security services
- ◆ **Advising regional police departments about cyber security** such as unauthorized access and Internet network

Business Developments

- ◆ **DDoS protection service strongly growing**
 - Growing penetration toward BtoC service providers
 - Expanded facility globally, able to protect from over terabit scale attacks
- ◆ **Email & Web gateway service continuously expanding**

Mail service: approx. 1.8 million a/c

Web gateway service: approx. 1.2 million a/c

- Protecting **several hundreds of thousands email accounts** with our services for such as global manufacturing companies, local governments and more from external threats and information leaks
- Fully-manage over several hundred thousand a/c for global manufacturing company's mail gateway and more
- 10yrs+ of service operation, filter logics in-house developed

Company Profile

Name	DeCurret Inc. (IIJ's equity method investee)
Est.	January 2018
Capital	JPY5.23 billion (as of mid-Feb.)
Shareholder	IIJ (ownership 35%), 18 other companies
Directors	President: Kazuhiro Tokita (IIJ senior managing executive officer) Part-time directors: IIJ CEO, IIJ COO, IIJ CFO

Business

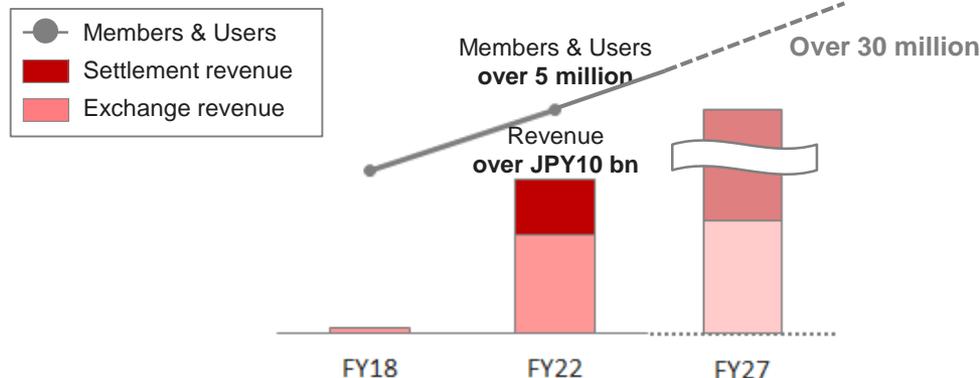
- **Providing cryptocurrency exchange and settlement services altogether**
- **Exchange service (from 2H18)**
 - Providing users to exchange various cryptocurrency real time 24 hours 365 days, mainly for consumers
 - ✓ Basic function of Wallet will be launched
 - ✓ Differentiate with highly reliable system, low bid-ask spread, and security requirement such as AML/KYC*
 - ✓ Bid-ask spread as revenue
- **Settlement service (from FY19)**
 - Cryptocurrency settlement at location such as E-commerce, retail shops, BtoBtoC and BtoC business model
 - ✓ Co-working with capital partners
 - ✓ Bid-ask spread and system usage as revenue

* AML(Anti-Money Laundering). KYC(Know Your Customer) refers to a procedures to verify customer, which is required when opening accounts. In cryptocurrency transaction, KYC is performed through blockchain which reduces the hassle and cost for identity verification.

Competitive Advantages

- **Trading system leveraging the existing IIJ Raptor system**
 - Top share ASP FX system in Japan, proving to 13 major Japanese financial institutions
 - ✓ Core-engine, dealing system, connecting multiple fx exchanges, investor service platform, operator management function etc.
 - Able to launch services by expanding IIJ Raptor function
 - ✓ Approx. 70% of DeCurret service system is leveraged from the existing IIJ Raptor system
- **Executing business with prominent capital partners**
 - Expect to include electronic money, bank coins and more
 - ✓ Aim to be a common platform for partners' cryptocurrency distribution
 - Future potential: connecting payment data and accounting, smart contract, BtoB settlement and more by leveraging blockchain technology

Business Target



Impact on IIJ's consolidated financial results etc.

<PL> Impacted by equity in net income/loss of equity method investees

FY18: Assume approx. JPY0.6 bn equity in net loss

FY19: Equity in net loss to become smaller

FY20: Turn positive, equity in net income to expand thereafter

<Business>

- Raptor & cloud to grow
- IIJ owns 35% of DeCurret's value

Shareholders of DeCurret



By your side, for life

DAI-ICHI LIFE



NOMURA



dentsu

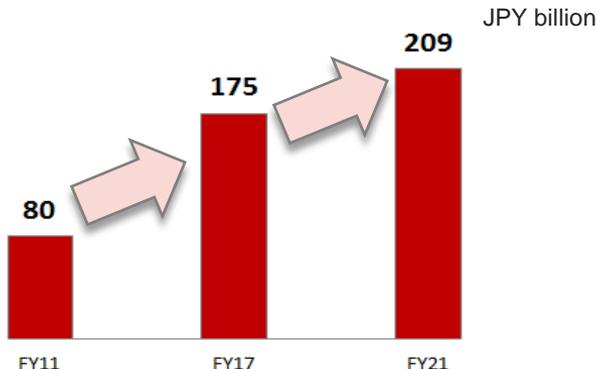
CDN (Contents Distribution Network) Business

Growth Strategy

CDN Market in Japan

- Growing needs to distribute contents over Internet
 - 4K/8K and high-definition contents to increase towards the Tokyo Olympics
- Broadcasting companies distributing contents via Internet
 - Nippon TV owns Hulu Japan,
 - Broadcasting companies operate “TVer”
- Akamai strong in Japan CDN market, no prominent Japanese provider currently
- IIJ has rich and long experience in CDN business
 - ✓ Olympics games, high school base ball games, and many more

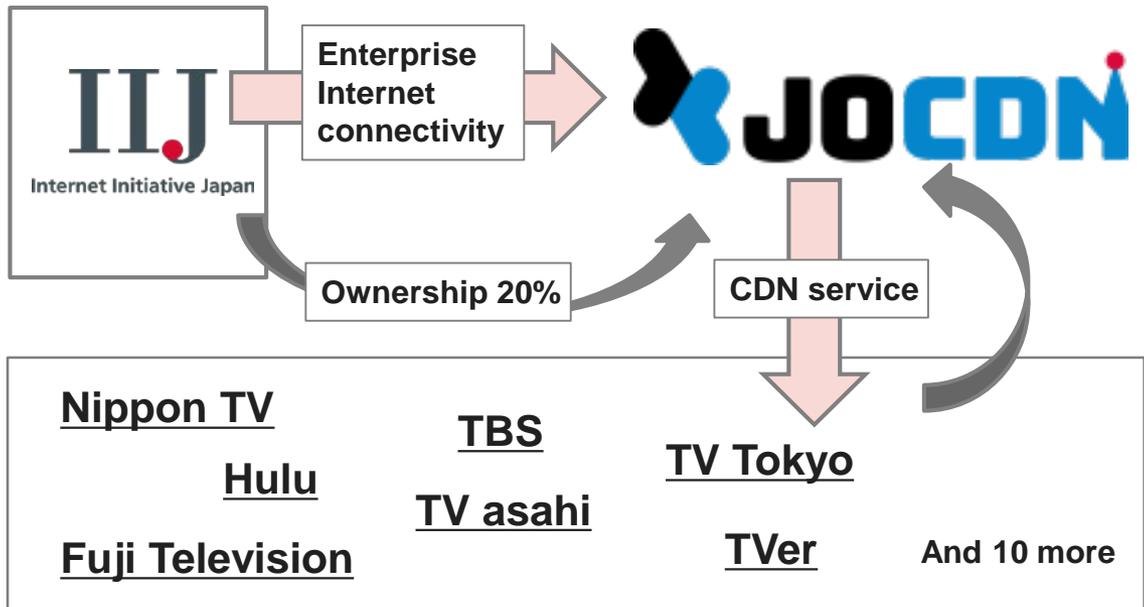
CDN Market Growth in Japan



Source: Nomura Research Institute “ICT and Media Market Growth Outlook and Trend through FY2021”, published in Nov. 2015

JV with Japanese Major Broadcasting Companies

Company name	JOCDN Inc.
Capital	JPY710 million
Establishment	December 1, 2016
Shareholders	IIJ (20%), Nippon TV (14%), TV asahi (14%), TBS (14%), TV Tokyo (14%), Fuji TV (14%) and 10 more
Management	Chairman: Koichi Suzuki (IIJ) President: Shunichi Shinozaki (Nippon TV)
Business	<ul style="list-style-type: none"> ➤ Provide a video content distribution platform service for use within Japan ➤ Construct and operate broadcasting systems



Revenue & Operating Margin Growth

Growth Strategy

Business Status

Investment

- Cost increase / Large AC Revenue down (Game etc.)
- Accumulate Business Assets

Revenue Growth

- MVNO to explode
- Cloud accumulation
- GP increase lead OP increase
- Continuous business investment (P2, Omnibus, Full-MVNO, CDN, AI etc)

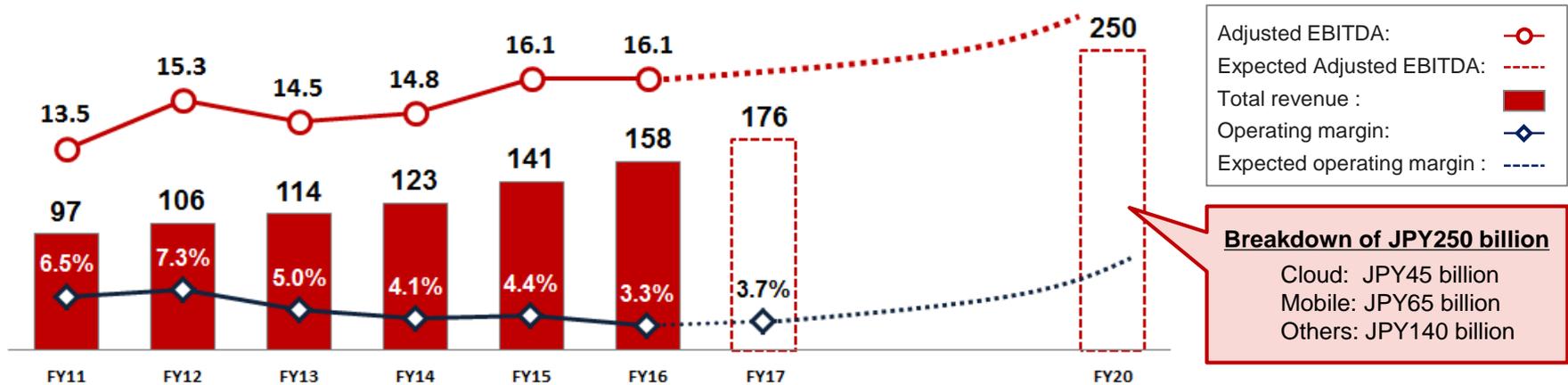
Scale Merit

- Cloud GPM up by scale
- MVNO GPM up by NW utilization
- Integrated Transactions

Next Stage

- Main platform provider for enterprises' next usage of IT (ie. Big Data/IoT)
- Operating margin growth as a service provider

Revenue, Operating Margin, and Adjusted EBITDA (unit: JPY billion)



Business Developments to be Integrated



Summary of 3Q FY2017 Financials

Financials

	3Q17(3 months)	YoY	1Q-3Q17 Results	YoY	FY17 Targets	YoY
Revenue	JPY44.6 bn	+13.0%	JPY127.6 bn	+12.3%	JPY176.0 bn	+11.5%
Gross Margin	JPY6.7 bn	+12.5%	JPY19.8 bn	+10.8%	JPY28.2 bn	+11.7%
Operating Income	JPY1.5 bn	+20.9%	JPY3.8 bn	+19.7%	JPY6.5 bn	+26.6%
Pre-tax income*	JPY1.9 bn	+40.1%	JPY4.3 bn	+26.1%	JPY6.5 bn	+19.8%
Net income**	JPY1.2 bn	+49.6%	JPY2.7 bn	+40.7%	JPY4.0 bn	+26.3%

Enterprise Network Services

- ◆ **Internet connectivity revenue grew largely +24.0%YoY with MVNE etc.**
 - IP revenue also stably increasing, expect stronger growth with CDN etc.
- ◆ **Security-related revenue grew largely +26.8%YoY**
 - Strong demands for DDoS protection, secure Web & Mail services
- ◆ **With Omnibus, acquiring demands for WAN and NW replacement**
 - WAN revenue +9.2%YoY, Omnibus revenue more than quadrupled YoY
 - Omnibus expanding its service functions (WAN enhancement from 1Q18)
- ◆ **Construction of our own data center in Chiba prefecture**
 - Expect future operation cost to be approx. 20% lower with better operation productivity by integrated service facility, outside air cooling & AI control

Mobile & IoT

- ◆ **Differentiate from others with enterprise solution & MVNE**
 - Total mobile revenue: +34.8%YoY, MVNE revenue: +77.7%YoY
 - MVNE clients as of 3Q17-end: 135 (+7 from 2Q17-end)
- ◆ **Launching Full MVNO services from Mar. 2018 gradually**
 - Private global network, flexible billing control for IoT usage, original overseas roaming, chip SIM etc.
- ◆ **3Q17-end IoT prospective orders approx. 280: such as NW cameras, factory IoT**
 - JV with Chubu Electric Power for connected home IoT business
 - Strong interest to be our partners along with Full MVNO launch

Cloud & SI

- ◆ **Differentiating with Private cloud strategy: Revenue +13.7%YoY**
 - VMware virtualization PF, Multi-cloud, Unified Operation Management etc.
- ◆ **Realizing competitive advantages towards complex projects with Cloud, Security, Network +SI**
 - SI construction +4.0%YoY, SI operation & maintenance +7.3%YoY
- ◆ **Overseas business developing almost as planned**
 - **Asian subsidiaries continuously expanding business**
 - 1Q-3Q17 revenue JPY4.25 bn, operating deficit JPY0.08 bn
 - Expect FY17 to turn positive
 - Strong interests for GDPR solution, accumulating orders

Further Business Developments

- ◆ **Cryptocurrency exchange and settlement business with prominent Japanese companies**
 - DeCurret Inc. IJ's equity method investee with 35% ownership
 - Launching services from 2H18
- ◆ **CDN JV with Japanese major broadcasting companies "JOCDN" developing business and accumulating orders**
 - To provide CDN service to major contents holder from 1Q18
- ◆ **Over 100 prospects "IJ electronic contact/communication Note service"** cloud-based collaboration platform allowing various professional involved in home-based cares to share healthcare information, Enhancing partnership with university professors for new ideas for healthcare

Expanding existing business steadily: recurring revenue grew 14.2%YoY
Grasping business opportunity like FinTech with accumulated business assets of technology, system infrastructure, customer base and more

**Continuous strong revenue growth just as the middle term plan's second year
Operating income to largely improve with strong revenue absorbing cost increase**

	% of Revenues		YoY Change	
	FY16 Results <small>(Apr. 2016 - Mar. 2017)</small>	FY17 Target <small>(Apr. 2017 - Mar. 2018)</small>		
Total Revenues	157.8	176.0	+18.2	+11.5%
Total Cost of Revenues	84.0% 132.5	84.0% 147.8	+15.3	+11.5%
Gross Margin	16.0% 25.2	16.0% 28.2	+3.0	+11.7%
SG&A/R&D	12.7% 20.1	12.3% 21.7	+1.6	+7.9%
Operating Income	3.3% 5.1	3.7% 6.5	+1.4	+26.6%
Income before Income Tax Expense	3.4% 5.4	3.7% 6.5	+1.1	+19.8%
Net Income*	2.0% 3.2	2.3% 4.0	+0.8	+26.3%
Cash Dividend per common share	JPY27.00	JPY27.00	-	-

Unit: JPY billion, YoY=FY target compared with FY16 results, *Net income attributable to IJJ

Cloud

- GIO P2 flagship projects to be recognized as revenue
 - Unified business operation platform for a global manufacturing company's group, virtual desktop services etc.
- Continuously developing services and service facility investment
 - ➔ **FY17 target revenue: JPY18 billion (up 15% YoY)**

Mobile, IoT

- Continuously enhance service quality, strengthen sales promotion with sales partners for consumer
- Further acquire enterprise IoT/M2M solution orders
- Full-MVNO services from 4Q17, cost to be recorded from Dec. 2017 (included in the budget)
 - ➔ **FY17 target subs. net addition: stronger than FY16**

Security

- Stronger revenue accumulation with services developed in FY16
- Information Security Cloud project's revenue to increase
- Continuously developing services and enhancing differentiation
 - ➔ **Security services revenue accumulation to accelerate**

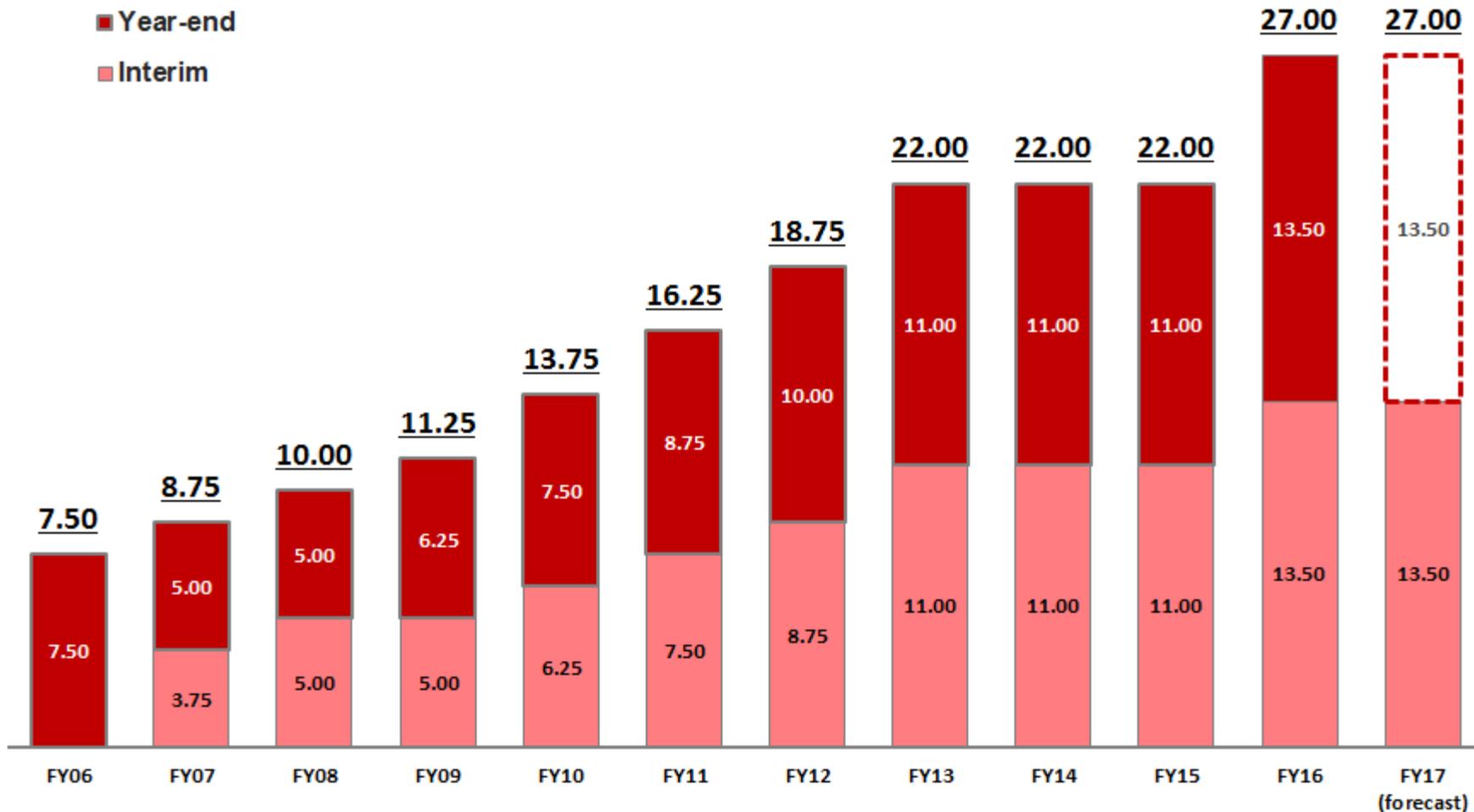
SI

- Expect no significant YoY increase for SI construction revenue due to cloud trend
- Expect SI gross margin ratio to improve by 1 point YoY with SE productivity improvement and cloud revenue accumulation

Overseas

- Target revenue of JPY7.0 billion and plan to turn positive with each overseas subsidiaries making more contribution
- JOCDN Inc. to launch services
 - Provide CDN services for Japanese broadcasting companies' contents

Dividend Forecast

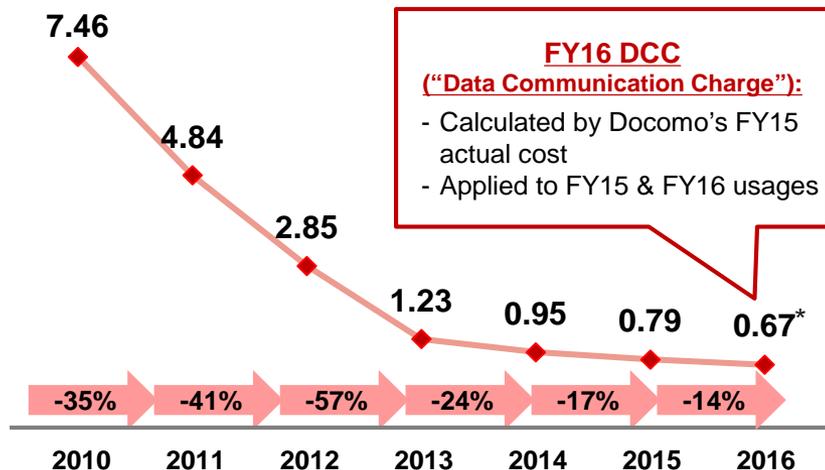


(YoY) (+JPY1.25) (+JPY1.25) (+JPY1.25) (+JPY2.5) (+JPY2.5) (+JPY2.5) (+JPY3.25) (-) (-) (+JPY5.00) (-)

*IIJ conducted a 1:200 stock split on common stock with an effective date of October 1, 2012. Dividend figures shown below are retroactively adjusted to reflect the stock split.

Data Communication Charge for MVNO (NTT Docomo)

Docomo's monthly DCC per 10Mbps



*From FY16, SIM issue fee has been excluded from the DCC calculation (MVNOs need to pay the fee separately to Docomo)

MVNO infrastructure cost for Docomo

- Mobile infrastructure leasing fee from Docomo
- A fixed charge by bandwidth
- Regulated price by the government (MIC & guideline)
- Same flat-rate for all MVNOs
- Renews every year based on Docomo's actual cost etc.
- Continuously decreasing
- Fixed 1 year after, applied to current and a previous year
- FY16 DCC payment has been deducted 15% from 1Q16 by Docomo's arrangement
- FY15 DCC was fixed in March 2017 and its decrease rate shall be applied to FY16 DCC

IIJ's estimate vs. actual decrease rate

	(1) Docomo's payment arrangement	(2) IIJ's estimation	(3) Actual results
FY14	40%	40%	24%
FY15	25%	15%	17%
FY16**	15%	12%	14%*

(1) Fixed in April
 (2) Fixed based on (1)
 (3) Fixed next March

(*) Fixed in March 2017
 (**) IIJ's fiscal year ended March 31, 2017

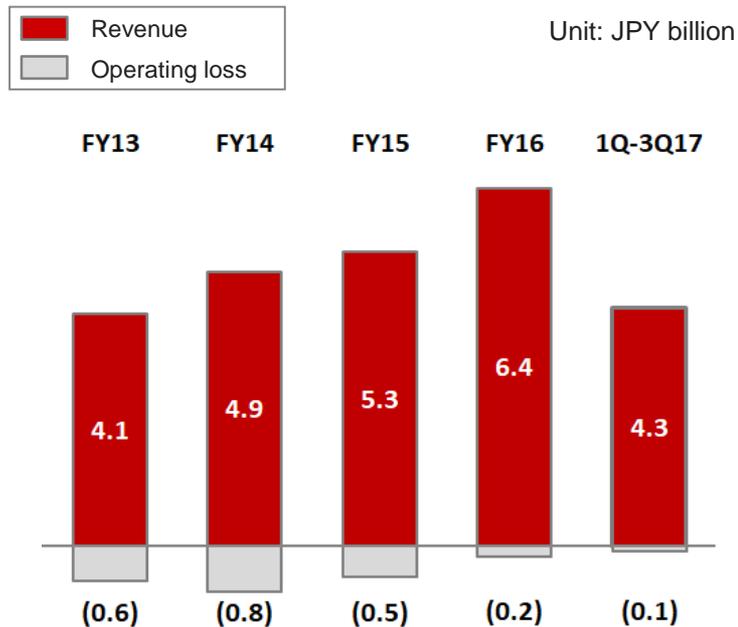
Docomo changed depreciation method

- Docomo historically used **declining-balance method** for calculating the depreciation of property, plant and equipment
 - From fiscal year ended March 31, 2017 Docomo uses **straight-line method**



Docomo's DCC based on their March 31, 2017 actual costs are to be noticed to their MVNOs around March 2018

Financials



Overseas offices



Business Developments

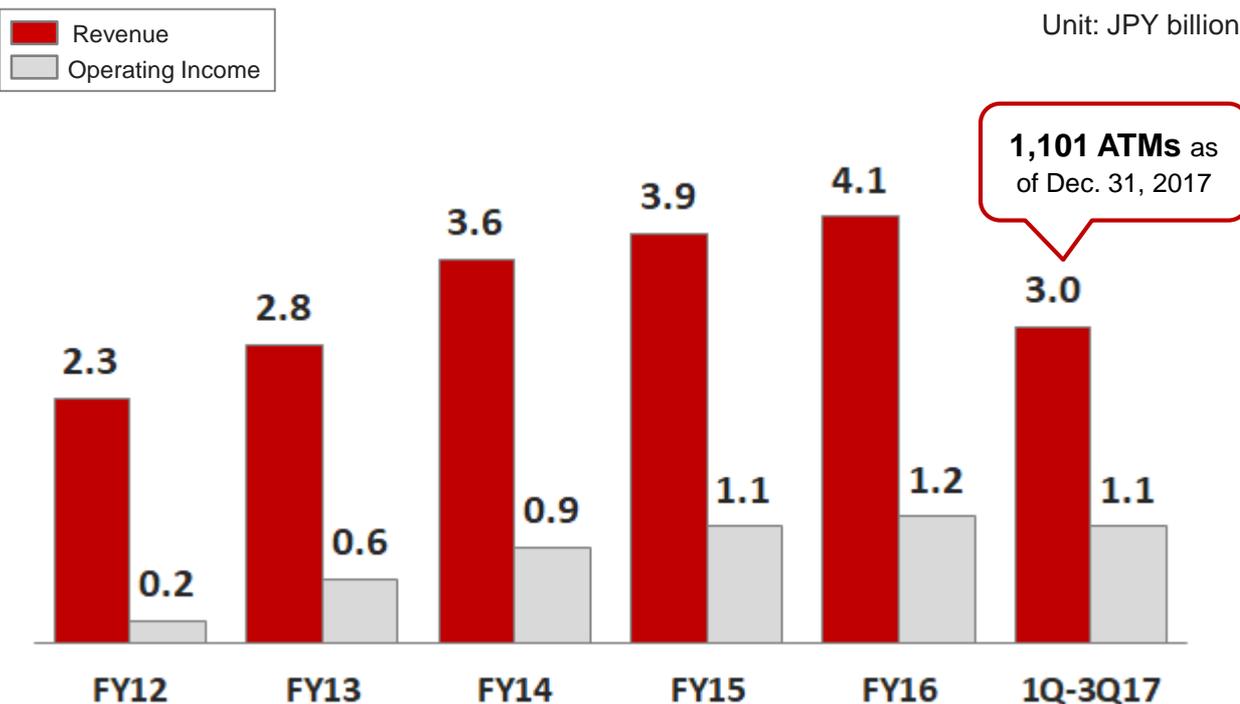
- **Started focusing on overseas business around FY2010 when Japanese companies who were started expand their business overseas and requested us to provide the same service quality we offer in Japan**
- **Provide cloud services in Indonesia, Thailand and Vietnam together with local prominent IT companies**
 - With Biznet Networks in Indonesia (from March 2015)
 - With T.C.C. Technology Co., Ltd, in Thailand (February 2016)
 - With FTP Telecom Partner in Vietnam (November 2016)
- **Export container datacenters, Expect transactions to expand in the middle-to-long term**
 - Exported to Russia (FY15)
 - Exported to Laos (3Q16) revenue of JPY1.2 billion
 - Accumulating similar prospective orders from other emerging countries

ATM Operation Business

Business Model

- Similar to “Seven Bank” model, high profitability
 - Seven Bank: 23,368 ATMs, revenue JPY121.6 billion, profit ratio 30.2% (as of March 31, 2017)
- Placing ATMs in Pachinko parlors in Japan with dominant position
 - After long discussion, started to place in Kanto, Kansai, Kyushu and Tokai areas
 - 10,986 Pachinko parlors in Japan as of December 31, 2016 (source: Zennichi Yuren)
- Receive commission for each withdrawal transaction

Revenue and Operating Income



Trust Networks Inc.

- In charge of ATM operation business
- IJ's ownership: 80.9%
- Established in 2007



Fully Complied with the Sarbanes-Oxley Act

- Have implemented outside directors since 2004
- Have implemented SOX – based operation from the enactment of the SOX Act
- Evaluate the effectiveness of internal control over financial reporting based on COSO
- Report to the U.S. Security and Exchange Commission (“SEC”) with the U.S. GAAP

Business Operation Covering the entire Group

- 17 subsidiaries, 9 equity method investees
- Implement group-wide Code of Ethics
- Pursue comprehensive business operation by assigning IJJ directors as group companies outside directors
- Consolidated-based internal audit
- The headquarters of most group companies are the same as IJJ’s headquarter, allowing daily active communication

Directors with Abundant Experience

4 outside directors among 12 BOD members, 6 independent directors among 16 directors*

* Including auditors

➤ Outside directors

T. Tsukamoto	Former Chairman of Mizuho Bank
Y. Tanahashi	Former Chairman of NSSOL
S. Oda	Former President of HP Japan
T. Okamura	Former Chairman of Toshiba

➤ Outside auditors

Y. Akatsuka	CPA
T. Michishita	Attorney at Law
K. Ohira	

ESG in the nature of IJJ business

- Contributed greatly to expand Internet in Japan as the first comprehensive commercial ISP in Japan
- Business philosophy works as the foundation of the control environment
 1. We commit ourselves to take initiatives continuously in the field of Internet technology to open up network society's unlimited possibilities.
 2. We contribute to make sure network society operates at its best by developing and introducing highly reliable and highly value-added IT services to support social infrastructure
 3. We aim to offer a working environment where our staffs aggressively challenge towards technology innovation and social contribution with pride and the feeling of reward.

3Q FY2017
Consolidated Financials Results

Announced on February 8, 2018

Consolidated Financials for 1H17

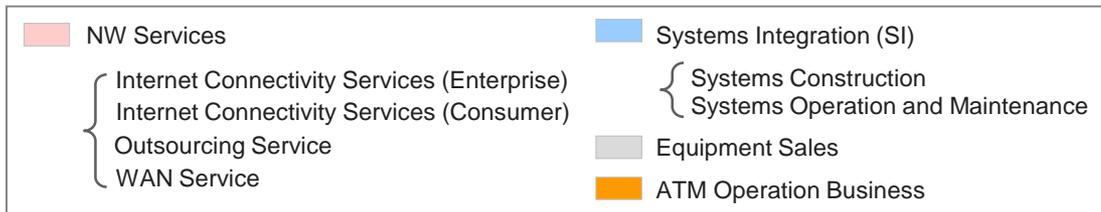
Unit: JPY billion

	<i>% of Revenues</i>	<i>% of Revenues</i>	YoY Change	<i>% of Revenues</i>	YoY Change
	1Q-3Q17 Results <small>(Apr. 2017 - Dec. 2017)</small>	1Q-3Q16 Results <small>(Apr. 2016 - Dec. 2016)</small>		FY17 Targets <small>(Apr. 2017 - Mar. 2018)</small>	
Total Revenues	127.6	113.6	+12.3%	176.0	+11.5%
Total Cost of Revenues	<small>84.5%</small> 107.9	<small>84.3%</small> 95.8	+12.6%	<small>84.0%</small> 147.8	+11.5%
Gross Margin	<small>15.5%</small> 19.8	<small>15.7%</small> 17.8	+10.8%	<small>16.0%</small> 28.2	+11.7%
SG&A/R&D	<small>12.5%</small> 16.0	<small>12.9%</small> 14.7	+8.9%	<small>12.3%</small> 21.7	+7.9%
Operating Income	<small>3.0%</small> 3.8	<small>2.8%</small> 3.2	+19.7%	<small>3.7%</small> 6.5	+26.6%
Income before Income Tax Expense	<small>3.4%</small> 4.3	<small>3.0%</small> 3.4	+26.1%	<small>3.7%</small> 6.5	+19.8%
Net Income*	<small>2.1%</small> 2.7	<small>1.7%</small> 1.9	+40.7%	<small>2.3%</small> 4.0	+26.3%

*Net income attributable to IIJ

Unit: JPY million

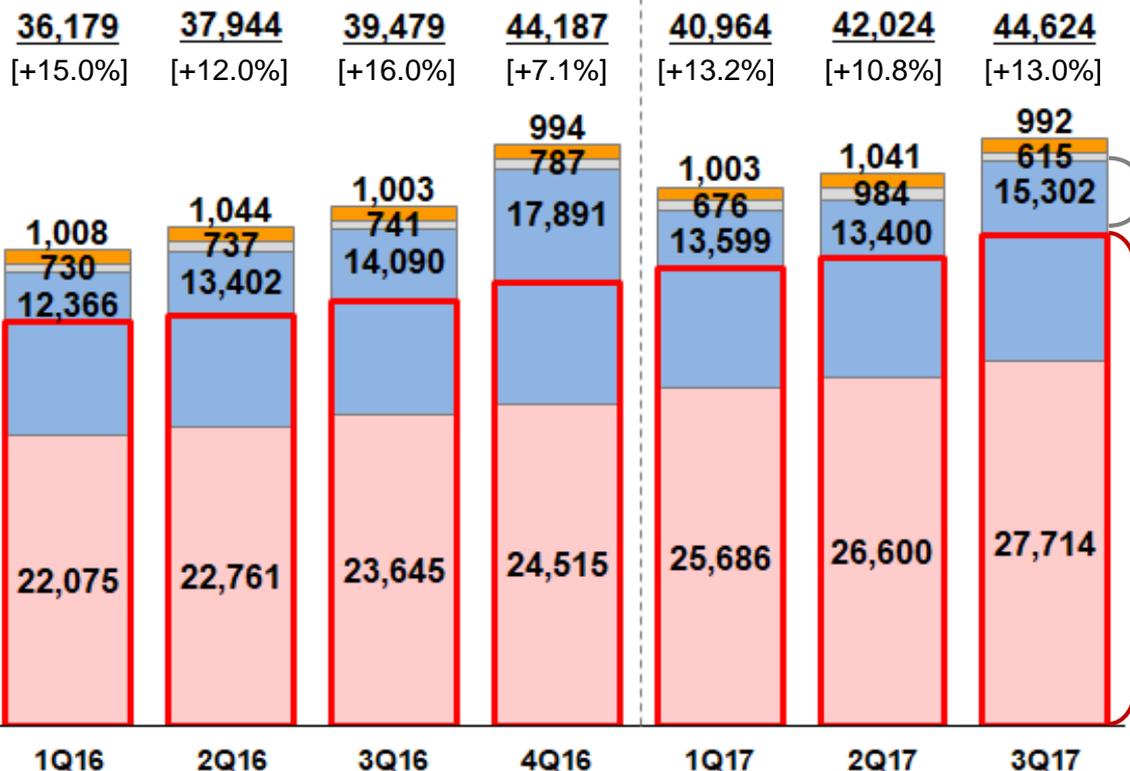
[], YoY = compared to the same period in a previous year



1Q-3Q16: 113,602 [+14.3%]

1Q-3Q17: 127,612 [+12.3%]

FY16: 157,789 [+12.2%]



One-time Revenue *
 1Q-3Q17: JPY16,806 million (up 3.9% YoY)
 (13.2% of 1Q-3Q17 revenues)

Recurring Revenue*
 1Q-3Q17: JPY107,770 million (up 14.2% YoY)
 (84.5% of 1Q-3Q17 revenues)

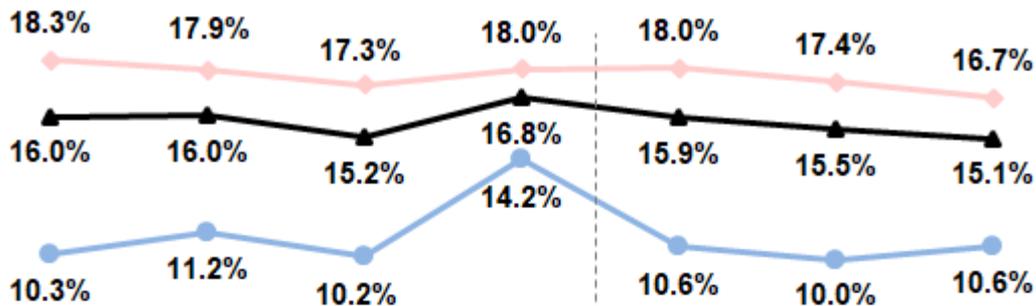
* One-time revenues, which are systems construction and equipment sales, are recognized when systems or equipment are delivered and accepted by customers
 * Recurring revenues represent the following monthly recurring revenues: Internet Connectivity Services for Enterprise, Internet Connectivity Services for Consumer, Outsourcing Services, WAN Services, and Systems Operation and Maintenance

Cost of Revenues and Gross Margin Ratio

Cost of revenues: ■ NW Services ■ SI ■ Equipment Sales ■ ATM Operation Business
 Gross margin ratio: ◆ NW Services ● SI ▲ Overall

Unit: JPY million

[], YoY = compared to the same period in a previous year
 QoQ = 3Q17 compared to 2Q17

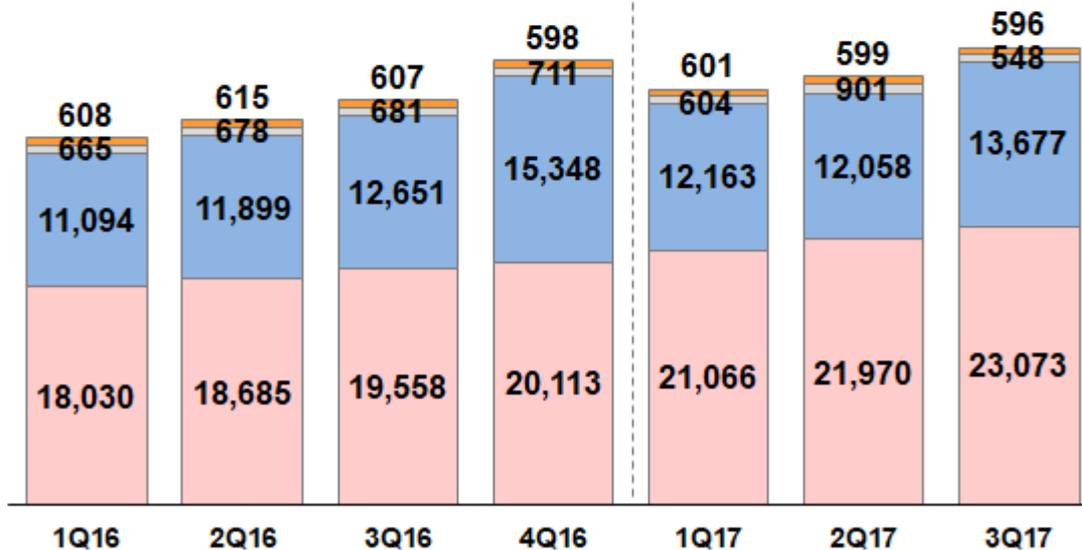


1Q-3Q16: 95,722 [+17.4%]

1Q-3Q17: 107,856 [+12.6%]

FY16: 132,542 [+14.3%]

Period	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17
Value	30,397	31,878	33,497	36,770	34,434	35,529	37,894
YoY Change	[+17.8%]	[+14.6%]	[+19.8%]	[+6.9%]	[+13.3%]	[+11.5%]	[+13.1%]



Gross Margin

◆ Total

1Q-3Q17: JPY19,756 million (up 10.8% YoY)
 1Q-3Q16: JPY17,830 million (up 0.2% YoY)

◆ NW Services

1Q-3Q17: JPY13,890 million (up 13.8% YoY)
 1Q-3Q16: JPY12,207 million (up 9.6% YoY)

- Mobile gross margin amount continued to increase YoY. Mobile gross margin ratio on a slightly decreasing trend QoQ along with an increase in MVNE transactions
- The revised NTT DOCOMO's interconnectivity charge, fixed in Mar. 2017, decreased by 14% YoY (unlike the previous revisions, the calculation excluded the cost for lending SIM). Charge is expected to be revised in Mar. 2018.

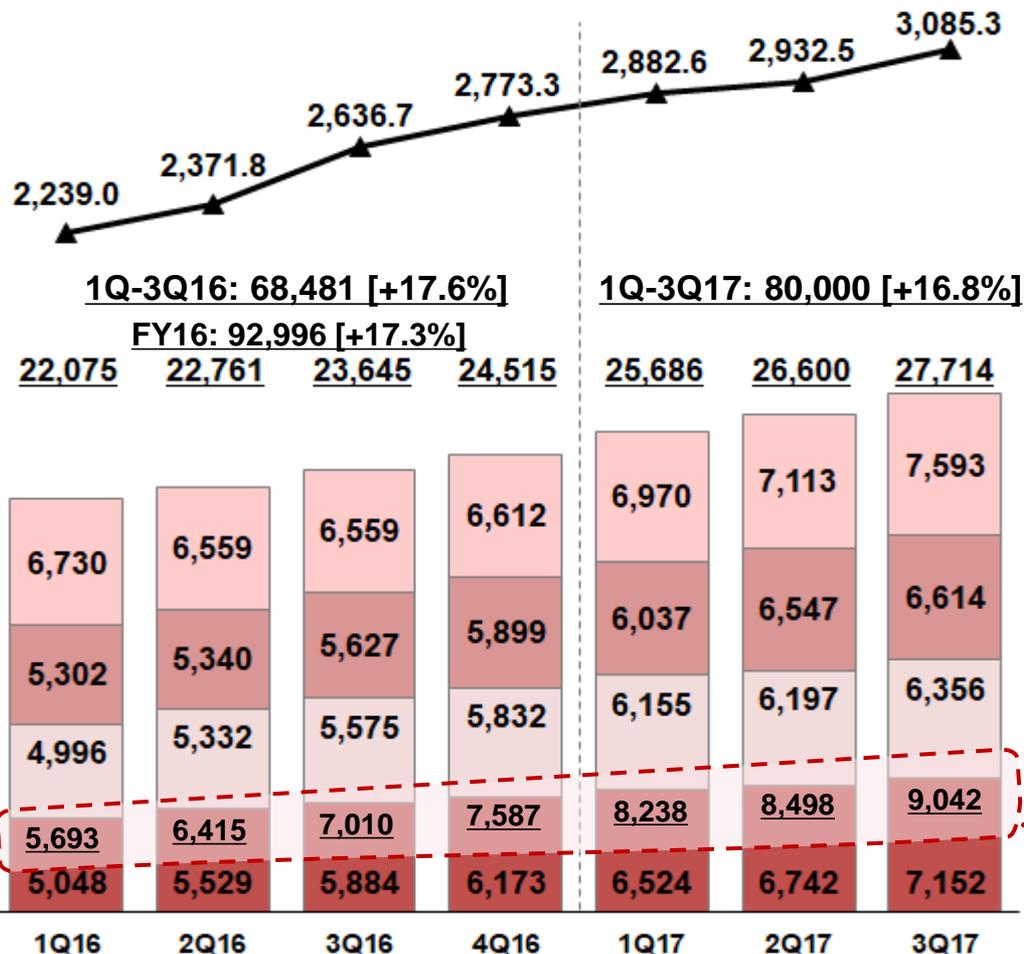
◆ SI

1Q-3Q17: JPY4,403 million (up 4.5% YoY)
 1Q-3Q16: JPY4,214 million (down 22.9% YoY)

Network Services (1)Revenues

Unit: JPY million

[], YoY = compared to the same period in a previous year
QoQ = 3Q17 compared to 2Q17



NW Services Revenues

◆ Internet Connectivity (Enterprise)

- 1Q-3Q17: up 24.0% YoY
 - MVNE & enterprise mobile solution continued to increase
 - ✓ 3Q17-end subs.: 744 thousand (up 48.5% YoY)

◆ Internet Connectivity (Consumer)

- 1Q-3Q17: up 17.6% YoY
 - “IIJmio Mobile Services”
 - ✓ 3Q17-end subs.: 987 thousand (up 8.2% YoY)

◆ Outsourcing Services

- 1Q-3Q17: up 18.0% YoY,
 - Security-related revenue continued to grow
 - ✓ 1Q-3Q17 : up 26.8% YoY

◆ WAN Services

- 1Q-3Q17: up 9.2% YoY

◆ Mobile services: 1Q-3Q17: up 34.8% YoY

◆ Non-mobile services: 1Q-3Q17: up 9.8% YoY

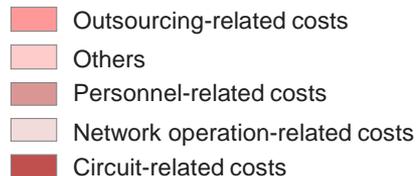
(*) To focus our resources on mobile services, IIJ sold all the shares of common stock of hi-ho, Inc. which was IIJ's wholly owned subsidiary and mainly provides fixed Internet connectivity services for consumer, on Dec. 31, 2017

(**) Total contracted bandwidth is calculated by multiplying number of contracts by contracted bandwidths respectively for IP service, data center connectivity service and IIJ FiberAccess/F and IIJ DSL/F of Internet connectivity services (Enterprise).

Network Services (2)Cost of Revenues

Unit: JPY million

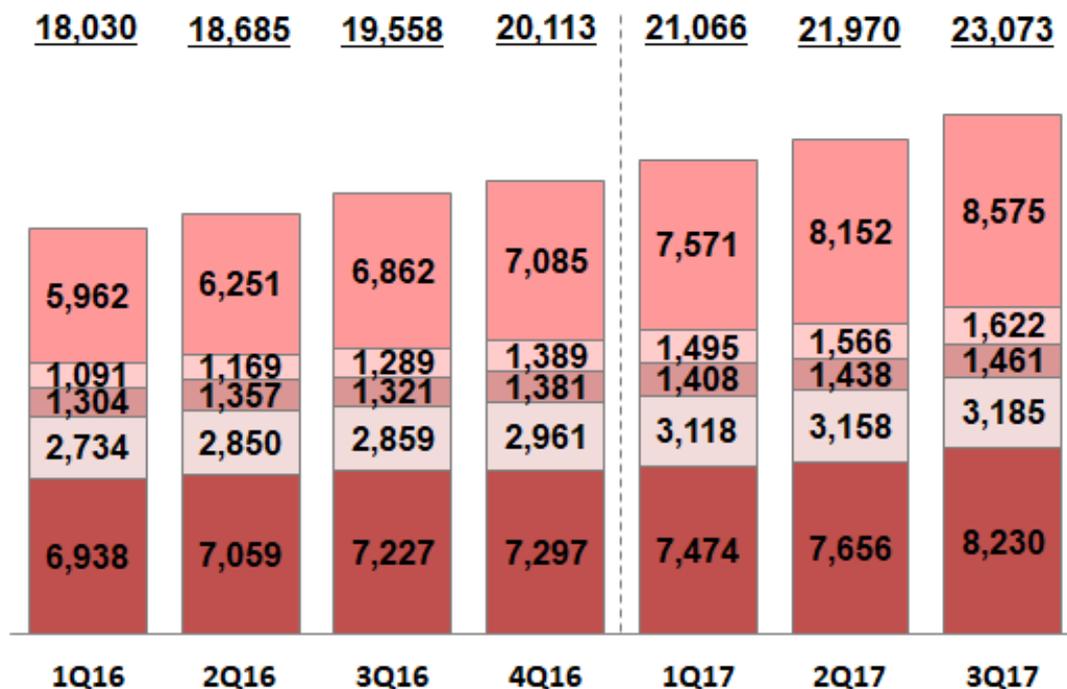
[], YoY = compared to the same period in a previous year



1Q-3Q16: 56,274 [+19.5%]

FY16: 76,387 [+18.9%]

1Q-3Q17: 66,109 [+17.5%]



Cost of NW Services

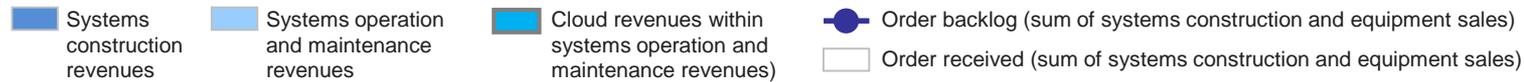
➤ 1Q-3Q17: up 17.5% YoY

- Along with increases in WAN revenues and continuous network expansion, circuit-related costs increased
- Along with continuous network equipment installation and service developments, network operation-related costs increased
- Along with increases in mobile traffic, mobile-related costs (mainly in outsourcing-related costs) increased

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

- Regarding our FY16 and FY15 usage charge, DOCOMO's interconnectivity telecommunications service charge was fixed in Mar. 2017 and it decreased by 14% (excluding the cost for lending SIM) YoY.
- Regarding our FY17 and FY16 usage charge, DOCOMO's interconnectivity telecommunications service charge, which is calculated by DOCOMO's FY16 mobile-related cost, is expected to be fixed in Mar. 2018. DOCOMO's payment arrangement is 15% off temporarily from Apr. 2017 which is same as FY16.

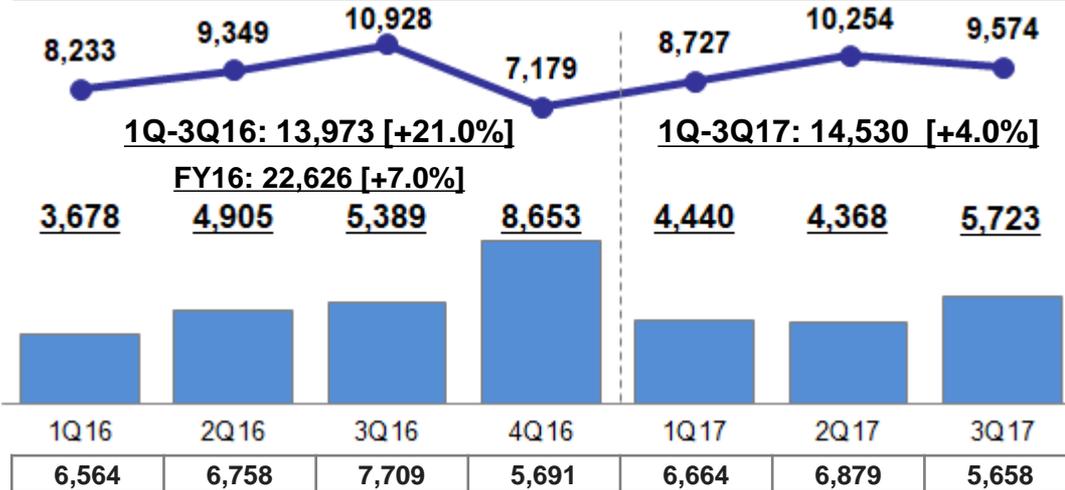
Systems Integration (SI) (1)Revenues



Unit: JPY million

[], YoY = compared to the same period in a previous year

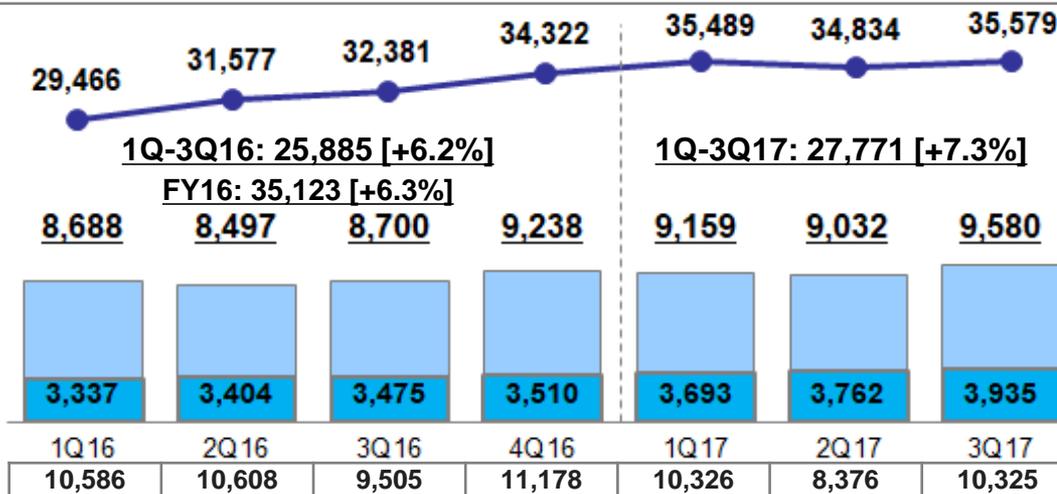
Systems Construction



- 1Q-3Q17 revenue: up JPY558 million YoY
- Large-scale construction projects orders received in 3Q17:
 - Virtual desktop infrastructure for a prominent service business operator
 - External web server for a major broadcast station
 - NW construction for a major automotive manufacturer
 - Back office system for a major travel agency
 - Cloud migration of large BtoC site

etc.

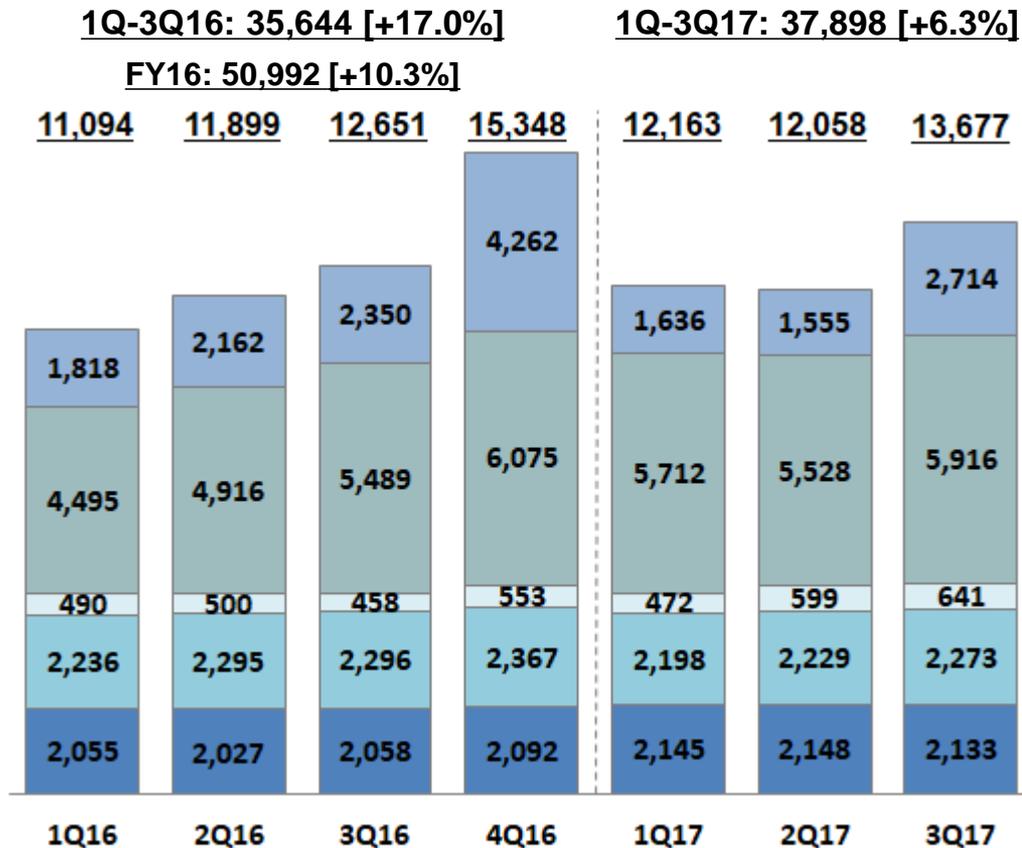
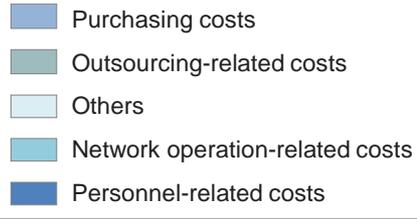
Systems Operation and Maintenance



- 1Q-3Q17 revenue: up JPY1,885 million YoY
- Continuous revenue growth mainly due to the accumulation of systems construction which migrated to systems operation and maintenance phase as well as continuous increase in private Cloud revenue
 - 1Q-3Q17 revenue from private Cloud: up 11.5% YoY
 - 1Q-3Q17 revenue from SI construction: up 4.5% YoY
- 86.4% of 3Q17 Cloud-related revenue is recognized in systems operation and maintenance revenues (13.6% in outsourcing)

Unit: JPY million

[], YoY = compared to the same period in a previous year
QoQ = 3Q17 compared to 2Q17



Cost of SI

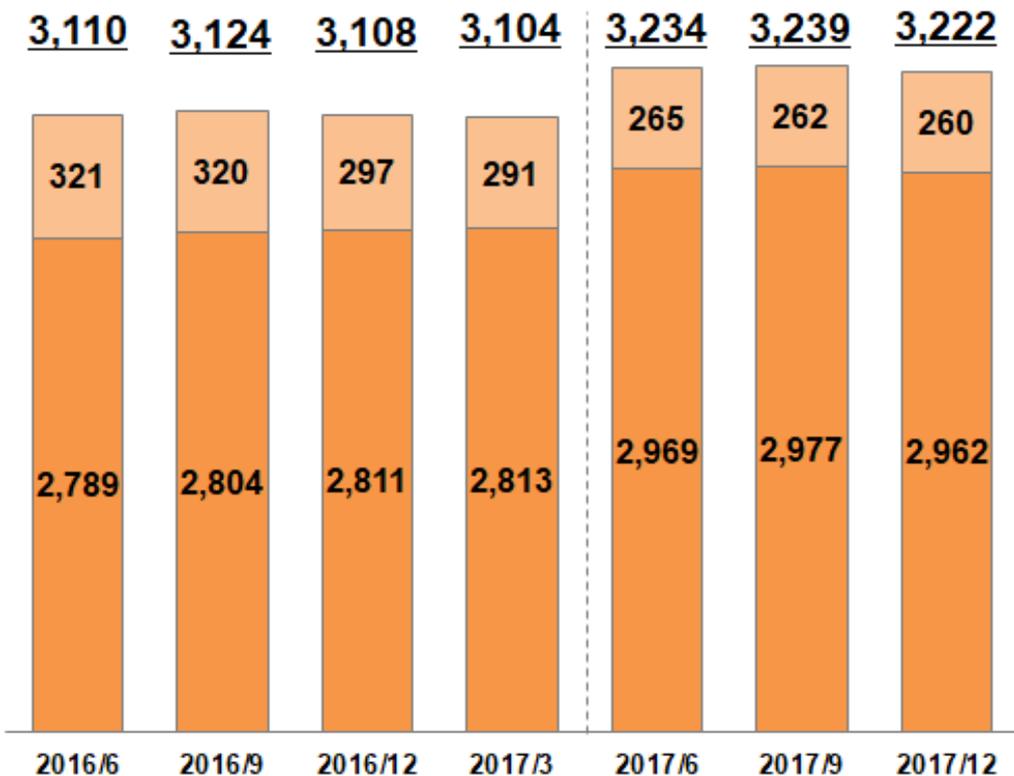
- 1Q-3Q17: up JPY2,254 million YoY
 - 3Q17-end number of outsourcing personnel: 1,655 personnel (up 329 YoY, up 29 QoQ)
 - ✓ Within the above 1,655 personnel, 1,122 personnel were for SI related (up 36 YoY, up 43 QoQ)

Number of Employees

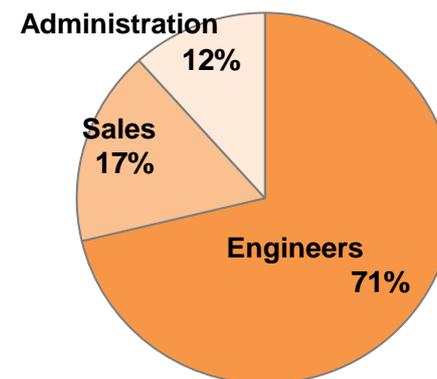
Contract worker
Full time worker

Unit: JPY million

[], YoY = compared to the same period in a previous year



Employee Distribution



- ◆ 3Q17: up JPY343 million, up 6.3% YoY
- ◆ Hired 148 new graduates in Apr. 2017 (137 in Apr. 2016, 155 in Apr. 2015)
- ◆ 178 new graduates are planned to join in Apr. 2018

Personnel related costs & expenses (% of revenue)

1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17
5,464 (15.1%)	5,446 (14.4%)	5,432 (13.8%)	5,635 (12.8%)	5,797 (14.2%)	5,784 (13.8%)	5,775 (12.9%)
1Q-3Q16: 16,341 (14.4%) up 3.2% YoY FY16: 21,977 (13.9%), up 3.9% YoY				1Q-3Q17: 17,356 (13.6%) up 6.2% YoY		

- Research & development expenses
- General & administrative expenses
- Sales & marketing expenses
- () % of total revenues

Unit: JPY million

[], YoY = compared to the same period in a previous year

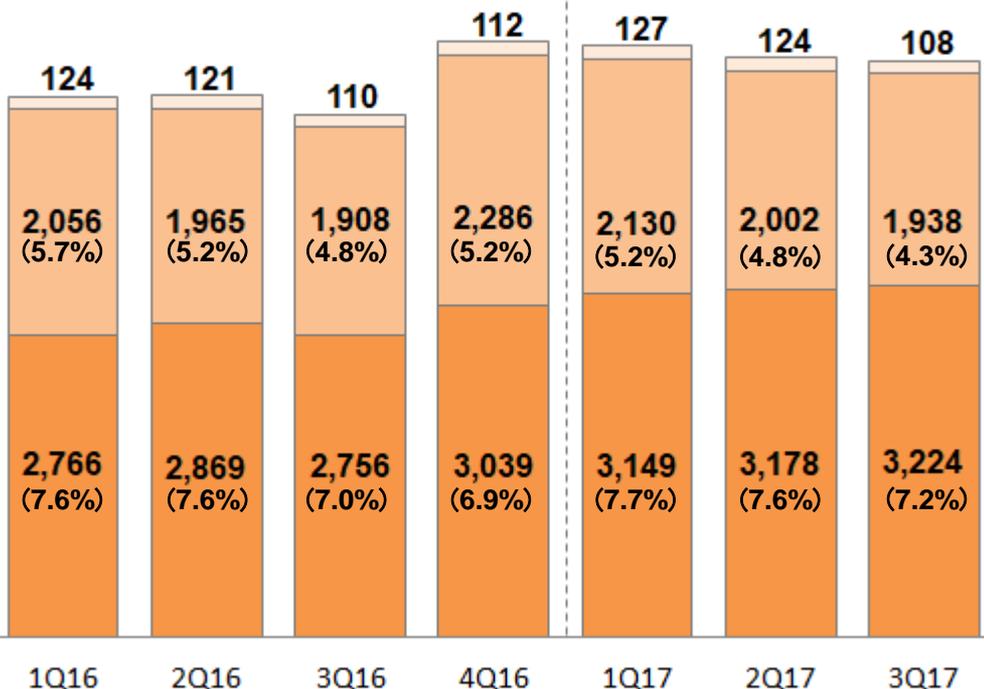
1Q-3Q16: 14,675 [+7.0%]

FY16: 20,113 (12.7%)

4,946
(13.7%) **4,955**
(13.1%) **4,774**
(12.1%) **5,438**
(12.3%)

1Q-3Q17: 15,980 [+8.9%]

5,406
(13.2%) **5,305**
(12.6%) **5,270**
(11.8%)



Sales & marketing expenses

- 1Q-3Q17: up 13.8% YoY
 - Advertising expenses, sales commission expenses, and personnel-related expenses increased

General & administrative expenses

- 1Q-3Q17: up 2.4% YoY
 - Personnel-related expenses increased

◆ SG&A related to ATM operation business

Unit: JPY million

1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17
43.5	51.1	42.9	47.0	35.5	44.8	36.4

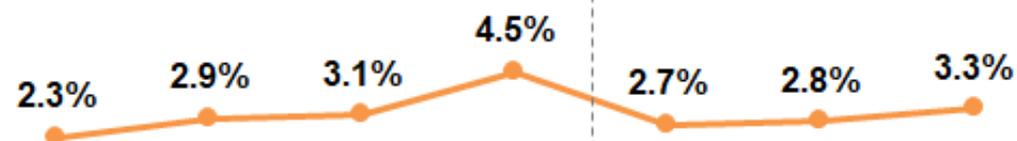
- Placed 1,101 ATMs as of December 31, 2017

Operating Income and Net Income

Unit: JPY million

[], YoY = compared to the same period in a previous year

Operating Income Net Income Attributable to IIJ Operating Margin Ratio

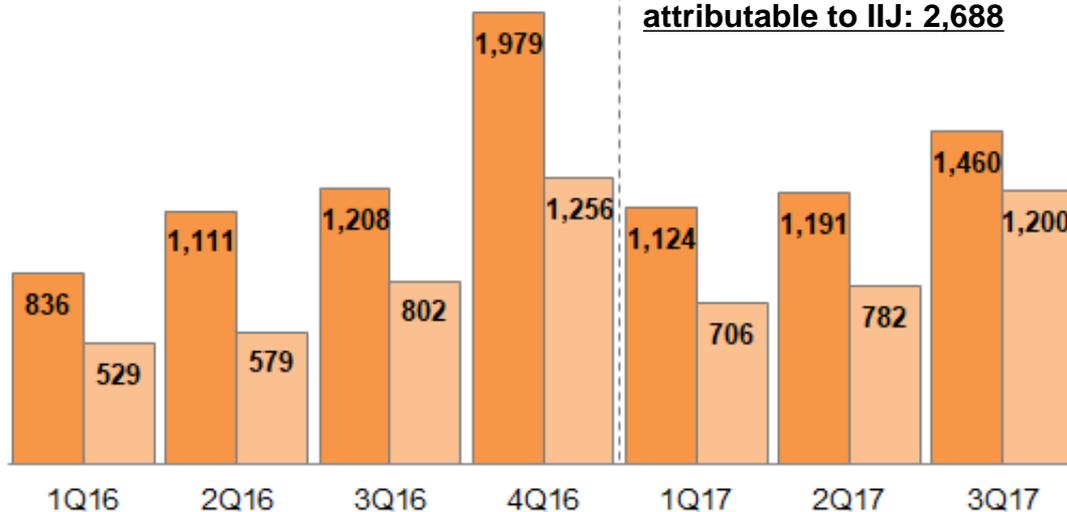


1Q-3Q16 Operating income: 3,155

1Q-3Q16 Net income attributable to IIJ: 1,910

1Q-3Q17 Operating income: 3,776

1Q-3Q17 Net income attributable to IIJ: 2,688



Income

◆ Income before income tax expense:

- 1Q-3Q17: JPY4,329 million (up JPY896 million, up 26.1% YoY)
- Net gain on sales of available-for-sale securities: JPY373 million
- Dividend income: JPY231 million
- Distribution from fund investments: JPY196 million
- Foreign exchange gain: JPY29 million
- Interest expense: JPY276 million

◆ Net income attributable to IIJ:

- 1Q-3Q17: JPY2,688 million (up JPY778 million, up 40.7% YoY)
- Equity in net income of equity method investees including Internet Multifeed: JPY101 million
- Net income attributable to noncontrolling interests including Trust Networks: JPY128 million

139	531	446	1,203	342	764	531	Current income tax expense
301	(18)	67	(444)	109	(245)	113	Deferred tax expense (benefit)
17	25	28	61	36	41	24	Equity in net income of equity method investees
(42)	(43)	(41)	(39)	(42)	(47)	(39)	Less: Net income attributable to noncontrolling interests

Consolidated Balance Sheets (Summary)

Financials

Unit: JPY million

	Mar. 31, 2017	Dec. 31, 2017	Changes
Cash and Cash Equivalents	21,959	23,044	+1,086
Accounts Receivable	27,384	27,615	+231
Inventories	2,798	4,329	+1,531
Prepaid Expenses (Current and Noncurrent)	14,218	16,296	+2,078
Investments in Equity Method Investees	3,150	3,383	+233
Other Investments	7,925	10,933	+3,008
Property and Equipment	39,775	45,125	+5,349
Goodwill and Other Intangible Assets	9,257	8,880	(376)
Guarantee Deposits	3,060	3,346	+286
Total Assets:	<u>137,395</u>	<u>150,273</u>	<u>+12,877</u>
Accounts Payable	16,962	17,424	+462
Income Taxes Payable	1,076	531	(545)
Borrowings (Short-term and Long-term)	17,750	24,900	+7,150
Capital Lease Obligations (Current and Noncurrent)	15,203	16,586	+1,382
Total Liabilities:	<u>70,015</u>	<u>79,227</u>	<u>+9,212</u>
Common Stock	25,509	25,512	+2
Additional Paid-in Capital	36,118	36,161	+44
Retained earnings	4,512	5,983	+1,471
Accumulated Other Comprehensive Income	2,500	4,621	+2,121
Treasury stock	(1,897)	(1,897)	-
Total IJ Shareholders' Equity:	<u>66,742</u>	<u>70,381</u>	<u>+3,639</u>

➤ Total IJ Shareholders' Equity to Total Assets: 48.6% as of Mar. 31, 2017, 46.8% as of Dec. 31, 2017

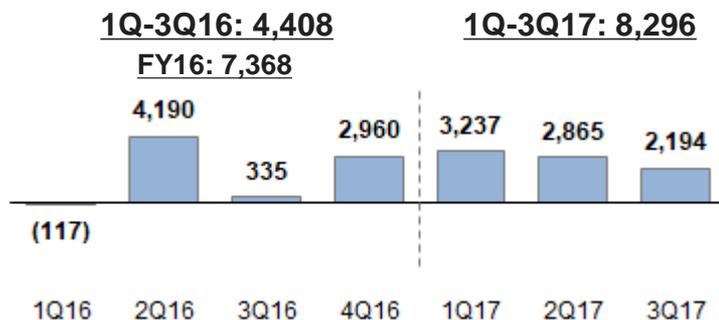
Consolidated Cash Flows

Financials

Unit: JPY million

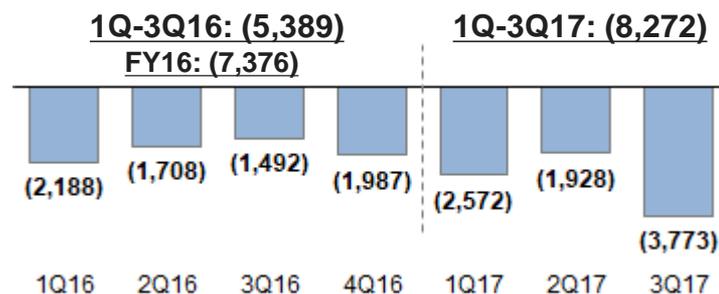
[], YoY = compared to the same period in a previous year

Operating Activities



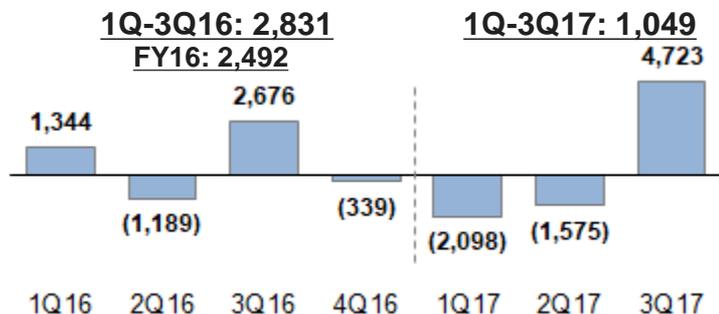
	Major Breakdown	YoY Change
Net income	2,816	+779
Depreciation and amortization	9,156	+1,150
Fluctuations of operating assets and liabilities	(3,486)	+2,493

Investing Activities



	Major Breakdown	YoY Change
Purchase of property and equipment	(11,785)	(3,845)
of purchase of land	(1,205)	(1,205)
Proceeds from sales of property & equipment (mainly lease-back transaction)	2,757	+538
Proceeds from sale of stock of a subsidiary (net of cash divested)	726	+726

Financing Activities

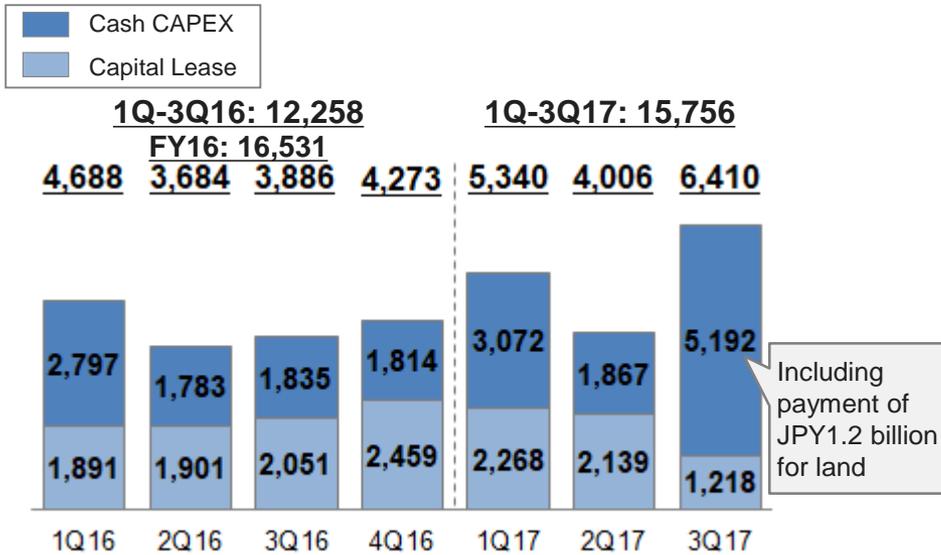


	Major Breakdown	YoY Change
Principal payments under capital leases	(4,230)	(695)
Dividends paid	(1,217)	(91)
Long-term bank borrowings	7,000	(1,500)

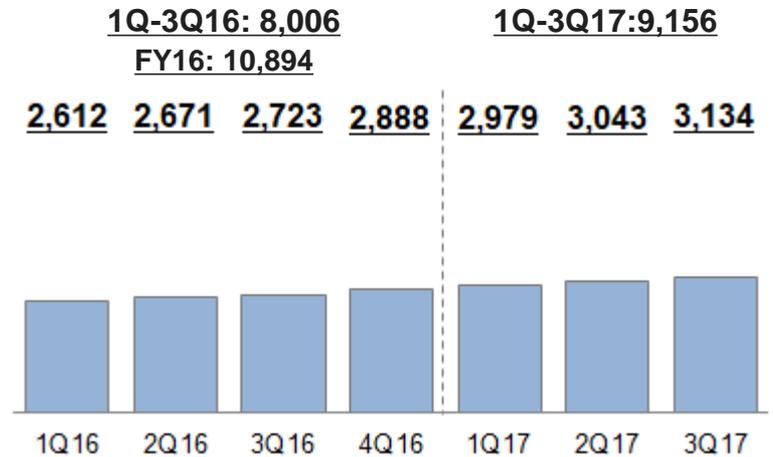
Other Financial Data (CAPEX etc.)

Unit: JPY million

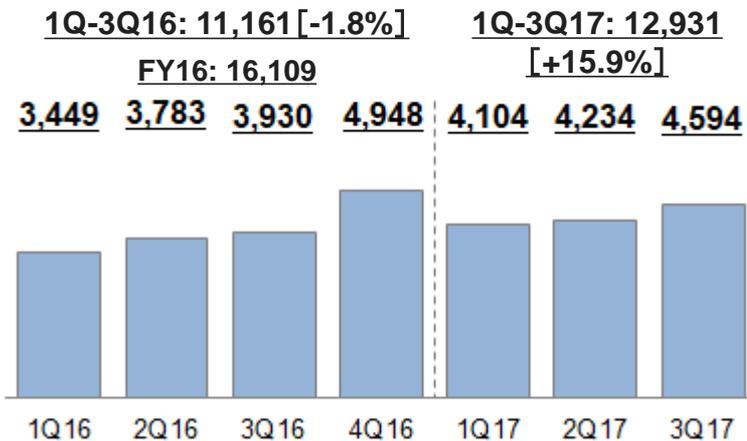
CAPEX



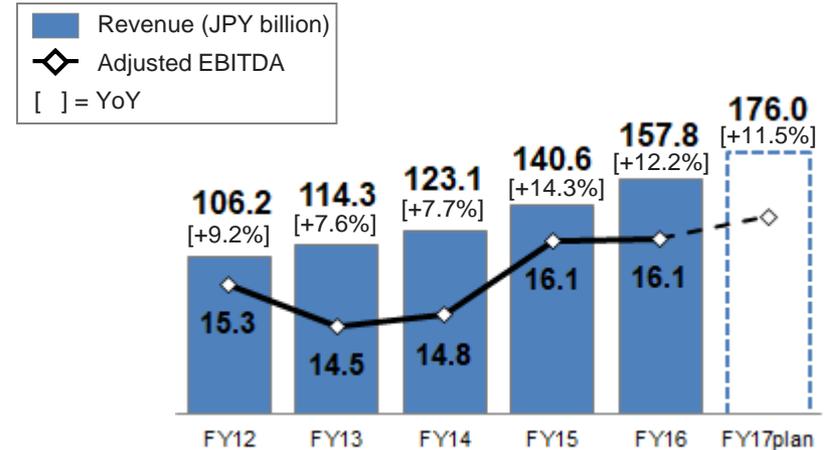
Depreciation and Amortization



Adjusted EBITDA

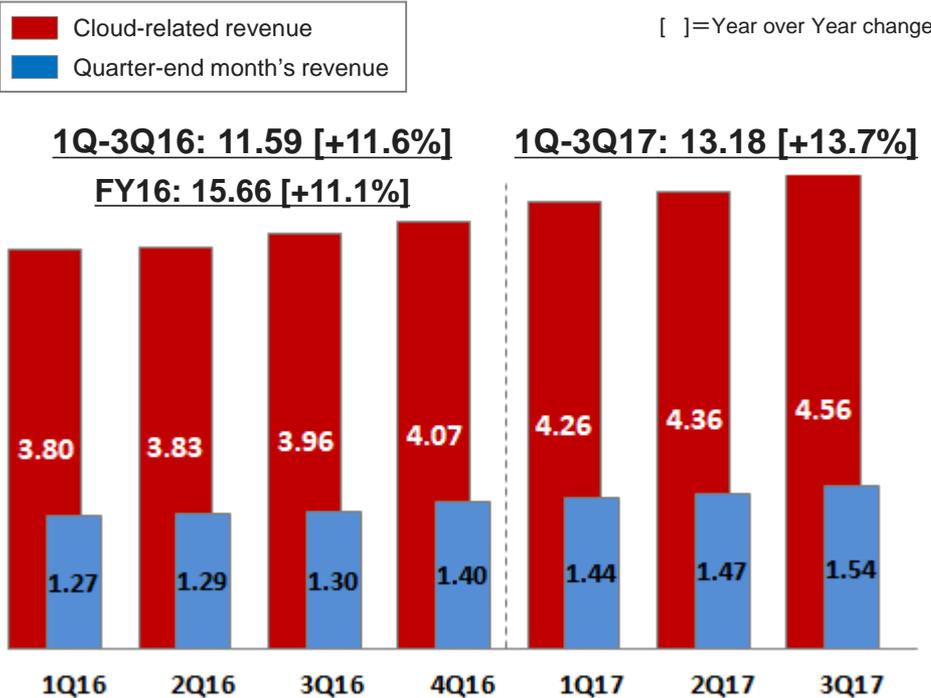


Revenue and Adjusted EBITDA Annual Growth



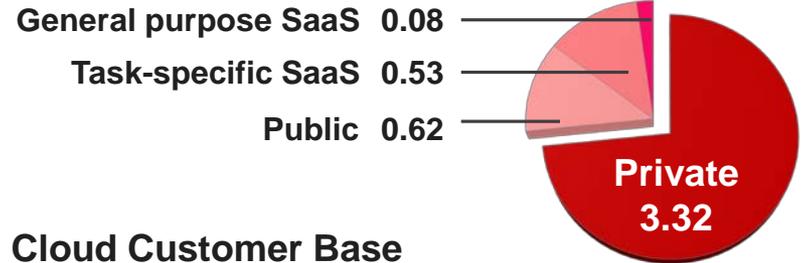
Cloud-related revenue

Unit: JPY billion

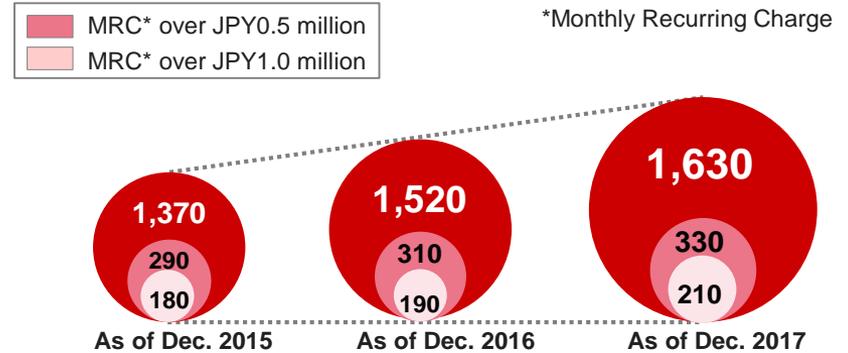


3Q17 revenue

Unit: JPY billion



Cloud Customer Base



◆ Differentiating with Private Cloud Strategy

- VMware Virtualization Platform continued to grow
 - Migration from on premise system to cloud are increasing: a prominent travel agency's service platform, group common communication platform etc.
- Connecting with other systems via multi-cloud
 - Local government's internal business system etc.
- Comprehensively monitoring and operating total systems with "Unified Operation Management Service (UOM)"
 - Providing the service to a major logistics company etc.
- Increasing demands for virtual desktop services along with growing security concerns, several ten thousand accounts for a major financial institution

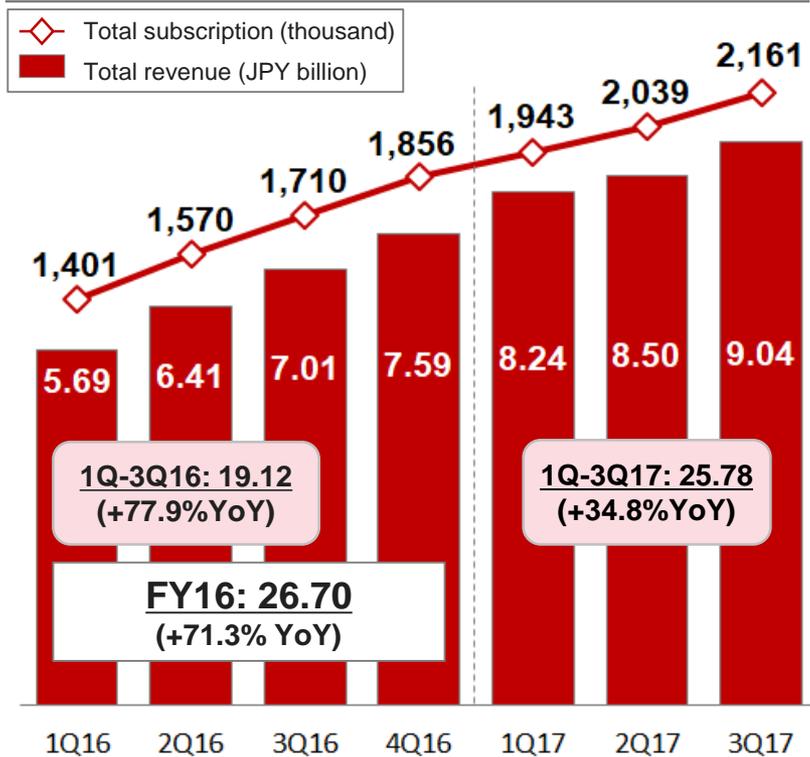
◆ Competitive advantage of IIJ Raptor

- ASP type high speed foreign exchange system launched in Nov. 2010
- Top share in the Japanese market for ASP FX system, 13 clients include Nomura securities, Sony Bank, Kabu.com and Hirose Tsusyo
- Revenue recognized in Task-specific SaaS
- Raptor will be provided to DeCurret as its system platform

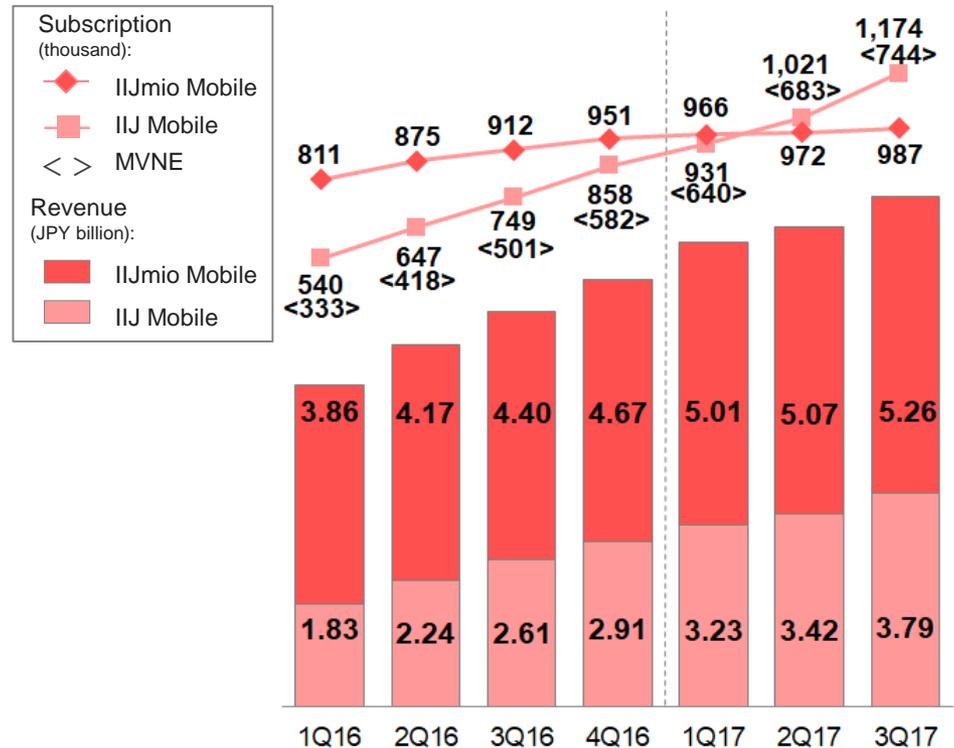
◆ 3Q17 Cloud revenue recognition

- 86.4% in systems operation and maintenance
- 13.6% in outsourcing services

Total subscription & revenue



IJmio Mobile (consumer) & IJ Mobile (enterprise)



◆ Advancing as a total MVNO towards both consumer and enterprise

- 3Q17-end MVNE clients: 135 (+7 QoQ)
- Continued to be profitable by gathering enterprise and consumer traffic

◆ Enterprise mobile (excluding MVNE) strongly growing

- 3Q17 revenue JPY0.96 billion (+17.2%YoY, +11.7%QoQ)
 - Accumulating solutions such as security cameras, IP transceiver, taxi dispatch system, TV conference system in response to work style reform

◆ Full-MVNO

- Preparation on track for service launch in Mar. 2018
 - Private global network, inventory control with flexible billing management for IoT usage, direct overseas roaming, chip SIM etc.

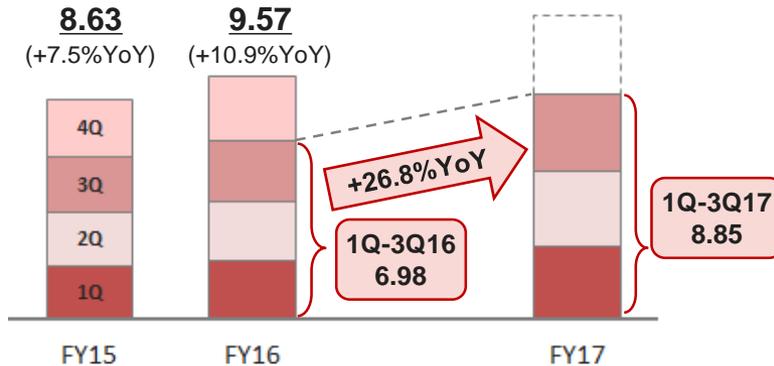
◆ Originating IoT-related business

- Establish JV with Chubu Electric Power for Connected Homes IoT business (Apr. 2018)
- IoT-related prospective orders & PoC continued increasing
 - SIM card for automobile, security cameras etc.
 - 3Q17-end prospective orders: approx. 280

Security-related service strongly growing

◆ Security-related services revenue strongly growing

Unit: JPY billion
YoY=Year over Year change



◆ DDoS protection service strongly growing

- Widely used among central government agencies, major financial institutions, Growing penetration toward BtoC service providers

◆ Mail & Web security services expanding

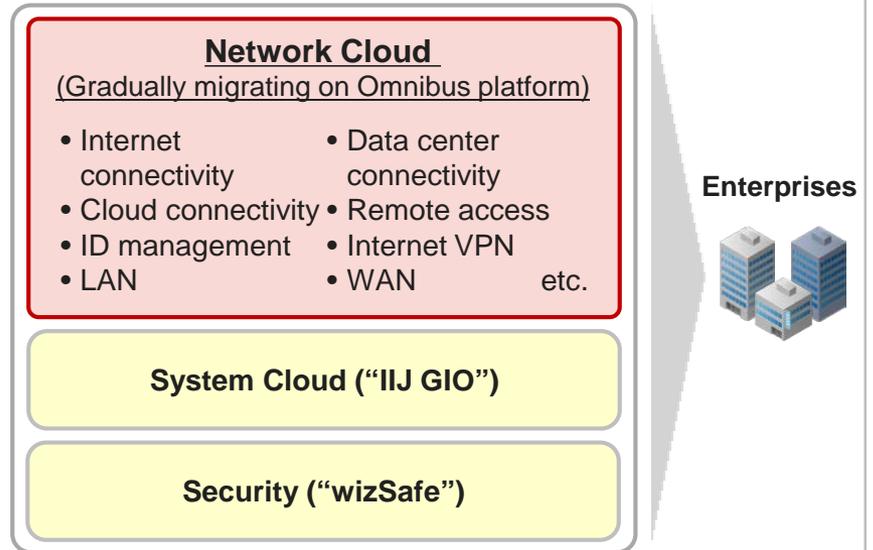
- Providing more than 10 years, Demand continue to increase to prevent information leaks etc. Clients in various industries: managing a corporate group with several hundreds of thousands accounts
- Maintaining competitive advantages by continuously enhancing service lineups
 - Sandbox, in-house developed filter logics etc.

◆ Strengthen total security package with Security Operation Center services

- Accumulating large-scale security operation projects including blue-chips and local governments
- Enhanced SOC facility (2H16), hiring security experts continuously etc.

Promoting NW services totality with Omnibus

◆ “One Cloud” Strategy



◆ With Omnibus, strengthening competitive advantage toward enterprise NW solution

- Closed connectivity among cloud systems, multiple location WAN, replacing existing WAN etc.
 - NW integration for a major private study lesson school
 - Several hundred location WAN for a major retailer
- With network cloud service line-ups, creating synergy between cloud and security

◆ Continuously service developments and enhancement

- “Omnibus 2.0” WAN connection function to be enhanced from 1Q18
- IoT services , closed connectivity with mobile etc.

Further Business Developments (FinTech)

Company Profile

Name	DeCurret Inc. (IIJ's equity method investee)
Est.	January 2018
Capital	JPY5.23 billion (as of mid-Feb.)
Shareholder	IIJ (ownership 35%), 18 other companies
Directors	President: Kazuhiro Tokita (IIJ senior managing executive officer) Part-time directors: IIJ CEO, IIJ COO, IIJ CFO

Business

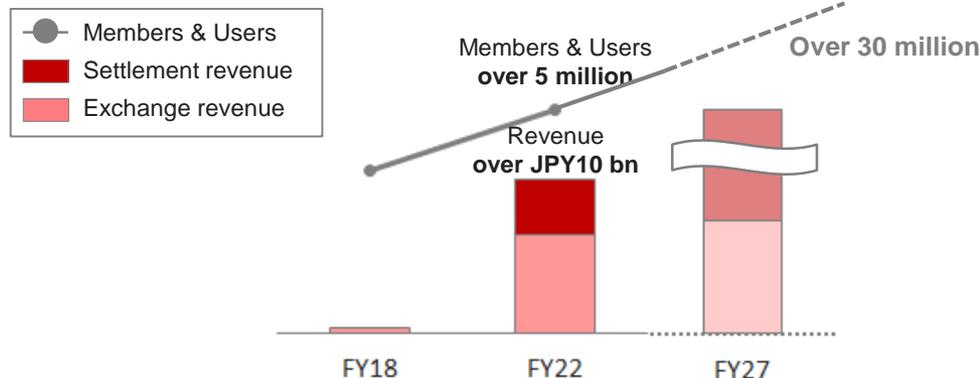
- **Providing cryptocurrency exchange and settlement services altogether**
- **Exchange service (from 2H18)**
 - Providing users to exchange various cryptocurrency real time 24 hours 365 days, mainly for consumers
 - ✓ Basic function of Wallet will be launched
 - ✓ Differentiate with highly reliable system, low bid-ask spread, and security requirement such as AML/KYC*
 - ✓ Bid-ask spread as revenue
- **Settlement service (from FY19)**
 - Cryptocurrency settlement at location such as E-commerce, retail shops, BtoBtoC and BtoC business model
 - ✓ Co-working with capital partners
 - ✓ Bid-ask spread and system usage as revenue

* AML(Anti-Money Laundering). KYC(Know Your Customer) refers to a procedures to verify customer, which is required when opening accounts. In cryptocurrency transaction, KYC is performed through blockchain which reduces the hassle and cost for identity verification.

Competitive Advantages

- **Trading system leveraging the existing IIJ Raptor system**
 - Top share ASP FX system in Japan, proving to 13 major Japanese financial institutions
 - ✓ Core-engine, dealing system, connecting multiple fx exchanges, investor service platform, operator management function etc.
 - Able to launch services by expanding IIJ Raptor function
 - ✓ Approx. 70% of DeCurret service system is leveraged from the existing IIJ Raptor system
- **Executing business with prominent capital partners**
 - Expect to include electronic money, bank coins and more
 - ✓ Aim to be a common platform for partners' cryptocurrency distribution
 - Future potential: connecting payment data and accounting, smart contract, BtoB settlement and more by leveraging blockchain technology

Business Target



Impact on IIJ's consolidated financial results etc.

<PL> Impacted by equity in net income/loss of equity method investees

FY18: Assume approx. JPY0.6 bn equity in net loss

FY19: Equity in net loss to become smaller

FY20: Turn positive, equity in net income to expand thereafter

<Business>

- Raptor & cloud to grow
- IIJ owns 35% of DeCurret's value

Shareholders of DeCurret



By your side, for life

DAI-ICHI LIFE

Dai-ichi Life Group

大和証券グループ本社
Daiwa Securities Group Inc.



NOMURA



MS&AD Mitsui Sumitomo Insurance



dentsu

IIJ Data Centers

- **Operating 21 data centers in Japan** (as of Dec. 2017)
 - 20 data centers are leased from data center owners per space
 - ✓ Continuously expanding the facility to meet demands
 - Own 1 data center: Matsue Data Center Park (Shimane prefecture)
 - ✓ Japan's first container-type data center using outside-air cooling system
 - ✓ Opened in Apr. 2011, accommodate approx. 500 racks

New Data Center Profile

Name	Shiroi Data Center Campus
Address	Shiroi city, Chiba prefecture
Land	Approx. 40,000m ² (already acquired)
Racks	Can accommodate up to 6,000 racks <ul style="list-style-type: none"> • Phase 1: approx. 1,000 racks with approx. JPY8.0 bn CAPEX
Accommodation	Service facility, data center housing services etc. <ul style="list-style-type: none"> • Mainly to meet the middle-to-long term eastern Japan data center demand
Investment	FY18 approx. JPY3.0 bn (power receiving facility, common facility racks etc.)
Plan	Gradually place system module-based* ₁ facility accordingly with demand
Schedule	Begin operations in Spring 2019
Estimated PUE*₂	Less than Matsue DCP's 1.2

*1 Construction method systematizing the overall building production by standardizing the components used in the buildings' construction. This allows shorter construction times, cost saving, and flexible scalability while maintaining quality

*2 Power Usage Effectiveness is a metric, calculated by dividing overall data center power consumption by IT equipment power consumption, indicates the efficiency of power use at data centers. The smaller the figure, the lower the percentage of power consumed by equipment other than IT devices.

Purposes

- **Integrate racks, currently spread out in the eastern Japan area's data centers**
 - Future cost should be approx. 20% lower than continuously expanding leasing space and with improved operation productivity
- **Absorb increasing rack demand along with further penetration of cloud & IoT**
- **Competitive advantages with latest technologies**
 - Improved facility with outside-air cooling technology & AI for cooling & energy control, and automated operations with robotics technology etc.

New Data Center Image



Impact on IIJ's consolidated financial results

- While CAPEX and cash flow will be impacted, this is without new investment return risk because it's an integration of our current service facilities
- Suppress incremental cost and ensure business expansion scalability for the future

※ Forward-looking Statements

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

※ Contact Information IIJ Investor Relations

Iidabashi Grand Bloom, 2-10-2 Fujimi, Chiyoda-ku, Tokyo, 102-0071, Japan

TEL: 81-3-5205-6500 URL: <https://www.ij.ad.jp/en/ir/> E-Mail: ir@ij.ad.jp

