

Internet Initiative Japan Inc. Corporate Overview

IR Roadshow in London, Edinburgh, Oslo and Stockholm

July 2018

TSE1: 3774 NASDAQ: IIJI

Ongoing Innovation

Outline

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Established	December 1992
Number of Employees	3,203 (approx. 70% engineers) <small>Consolidated as of March 31, 2018</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 March 31, 2018</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

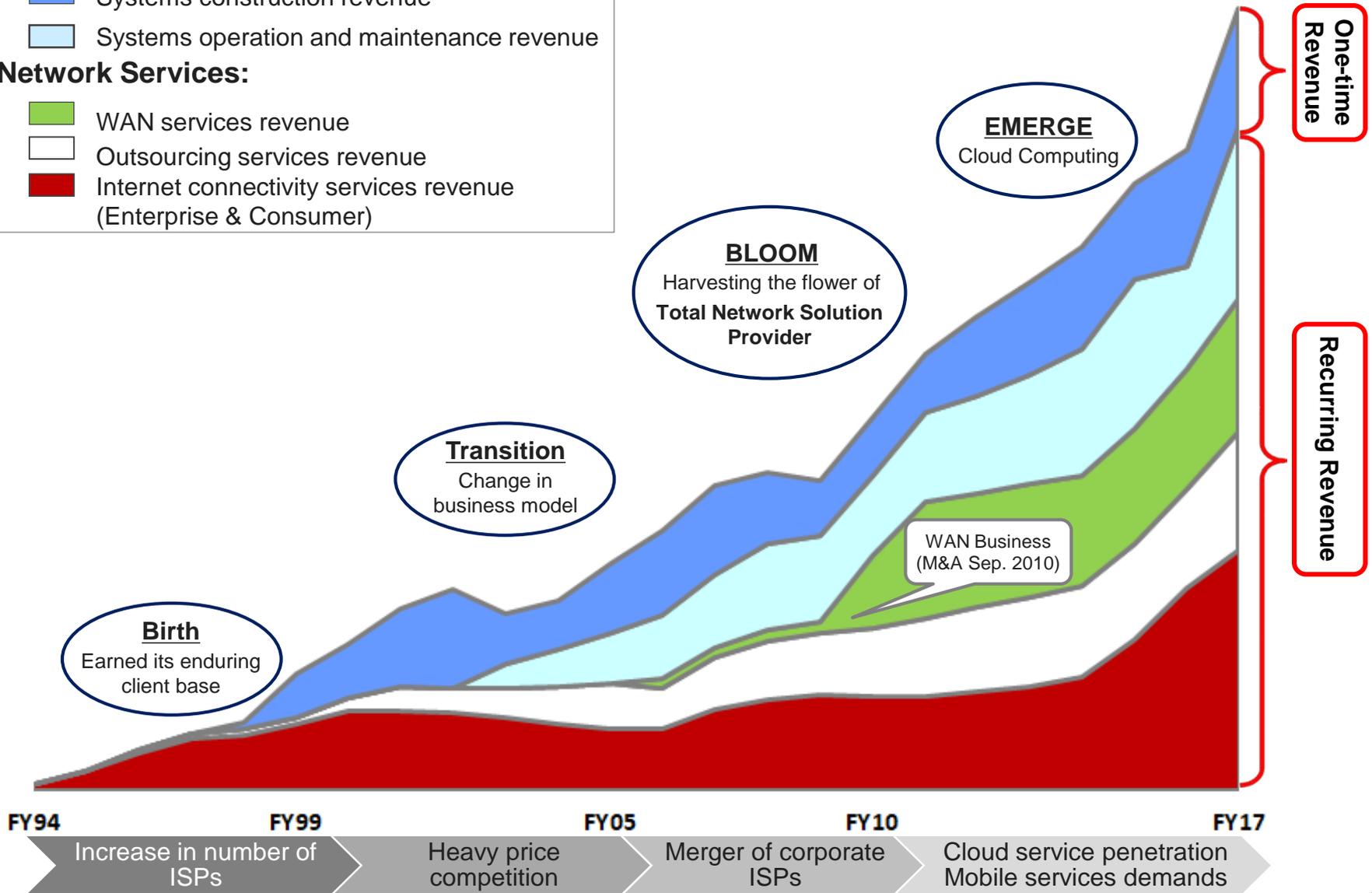
ISP to Total Network Solution Provider

Systems Integration:

- Systems construction revenue
- Systems operation and maintenance revenue

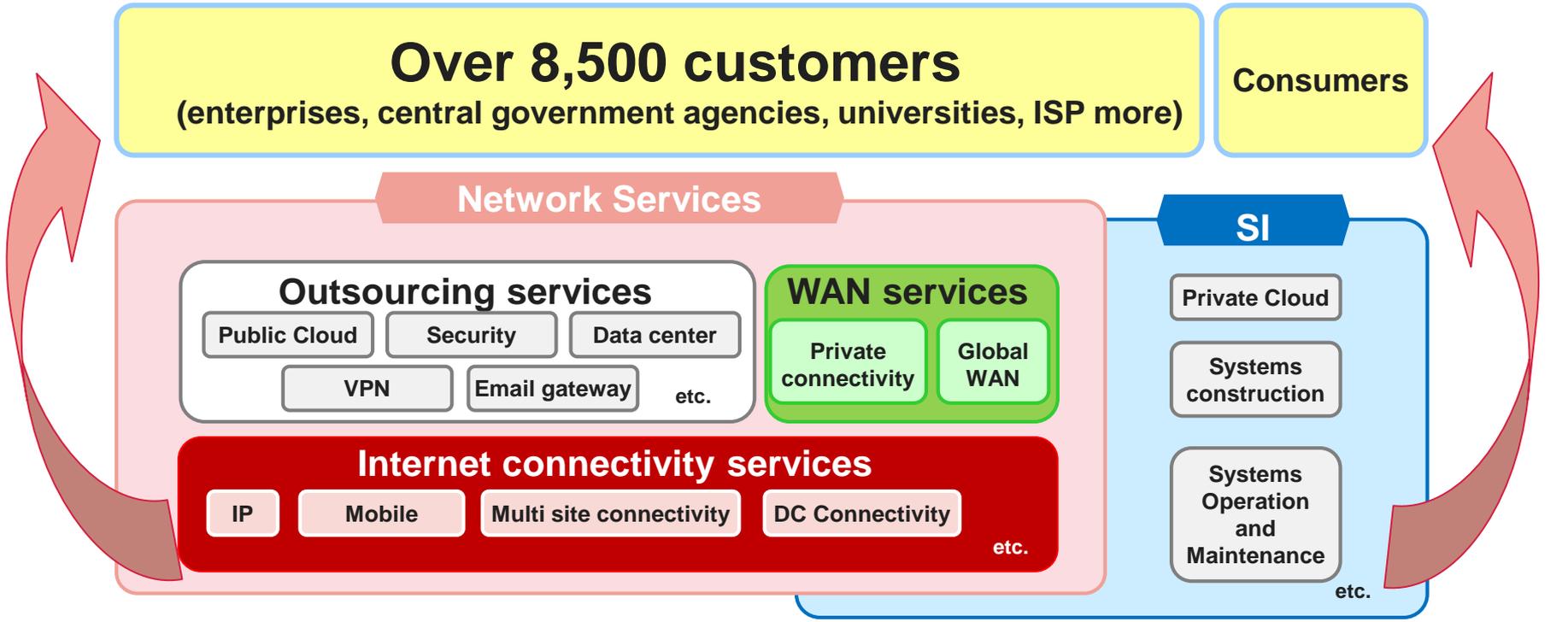
Network Services:

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

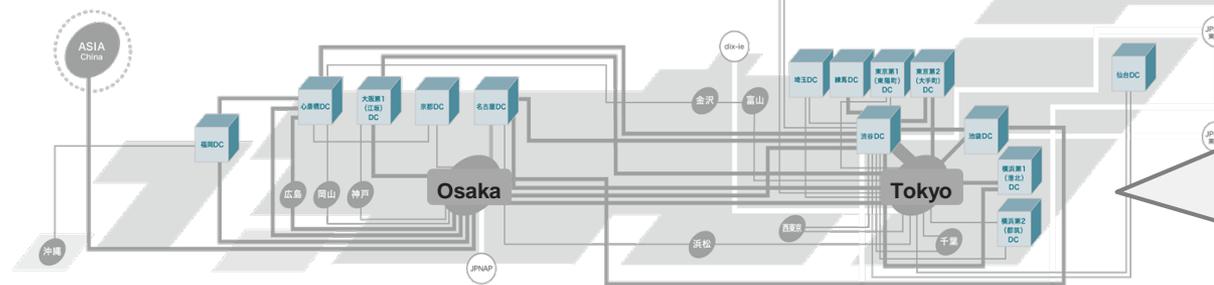


Leveraging Internet-related technology

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)



- 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 carriers etc.

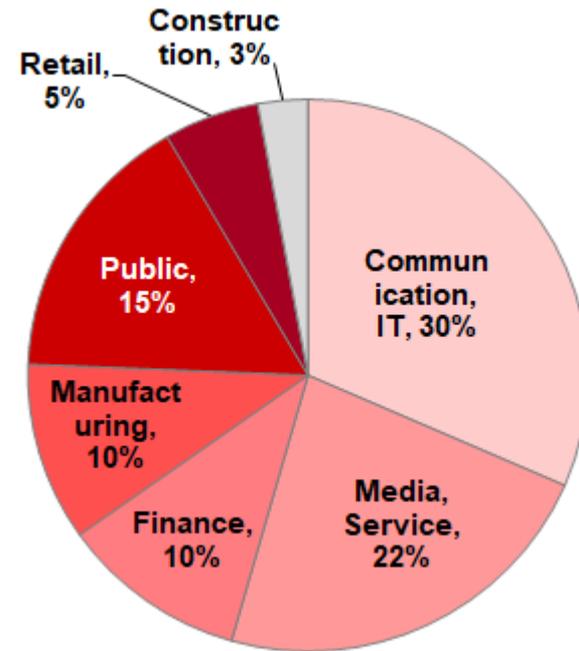
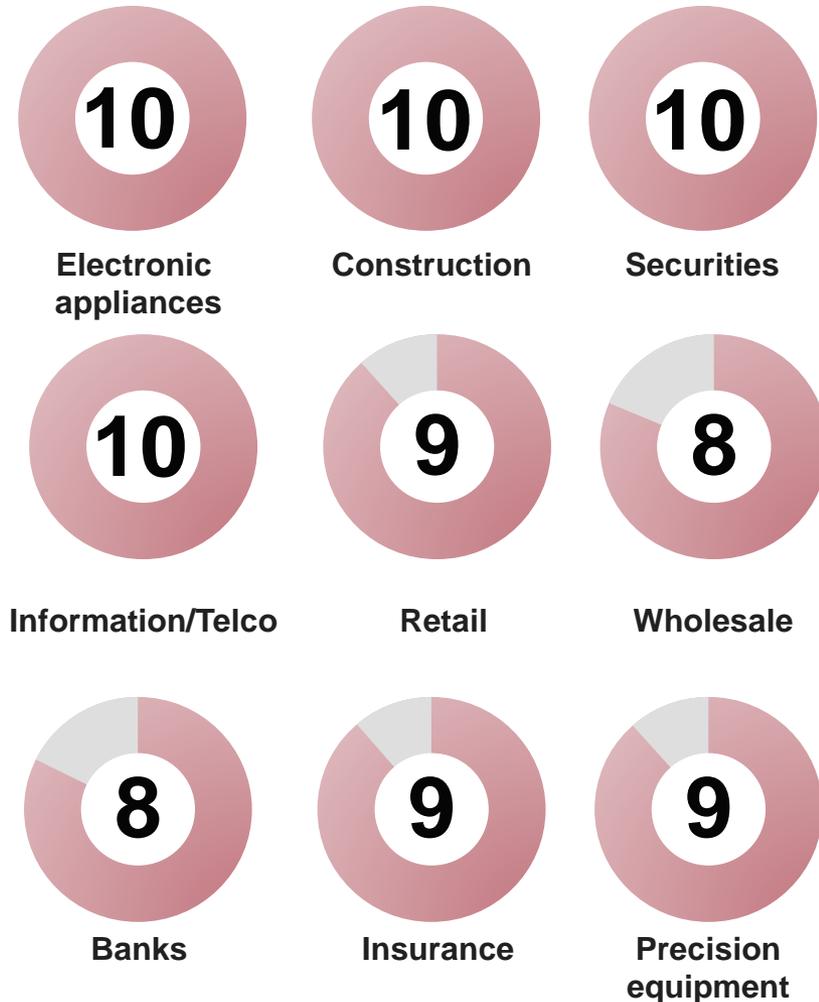
Excellent Customer Base with Many Blue-Chips

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 FY2017 Financials

Comprehensive Line-ups of IT services

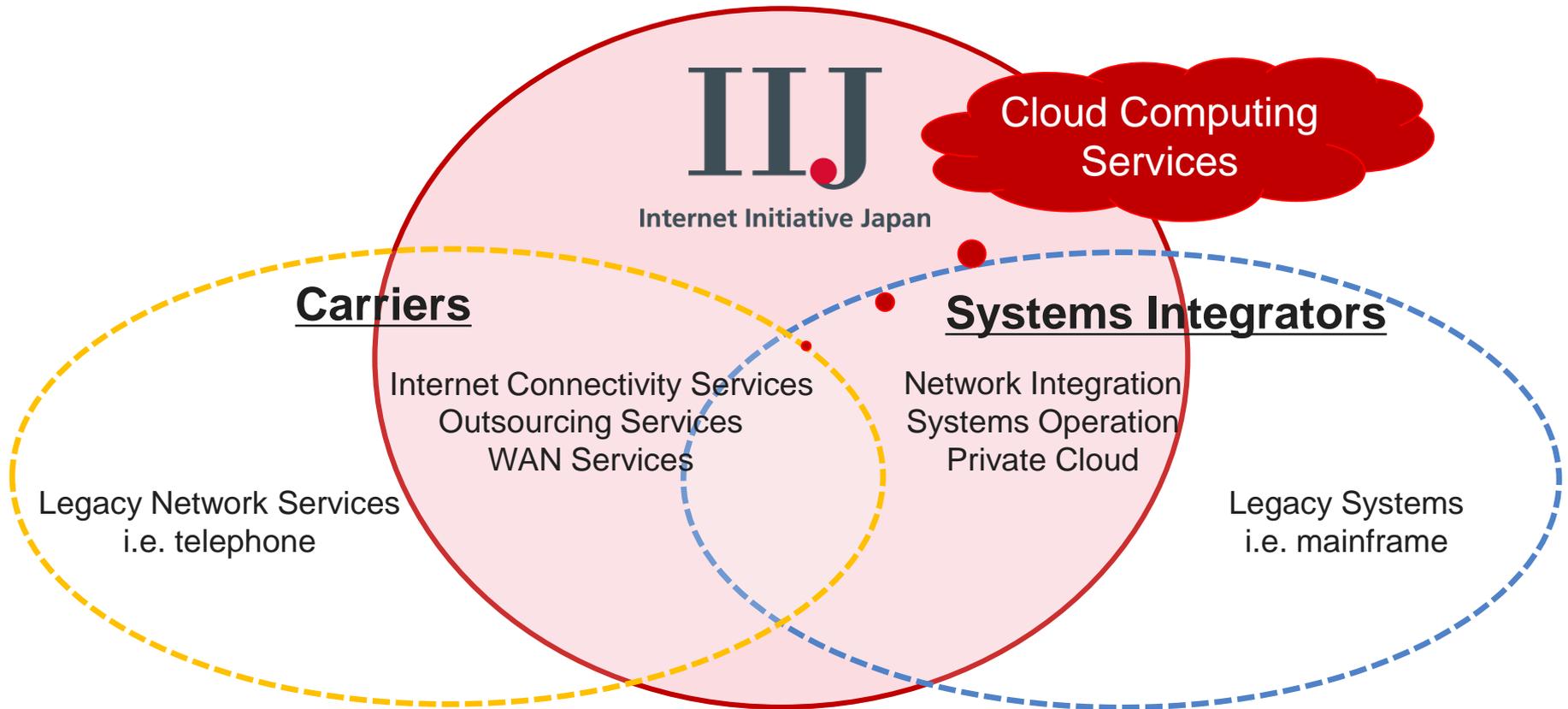
Competitive Advantages

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 CDN traffic & further cloud service penetration • 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"> • Accumulate subscription with MVNE and IoT • Further capture IoT demand with full-MVNO supporting data services
	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, IJ Raptor (FX application) etc. 	<ul style="list-style-type: none"> • Competitive advantage of SI with multi/private cloud • 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

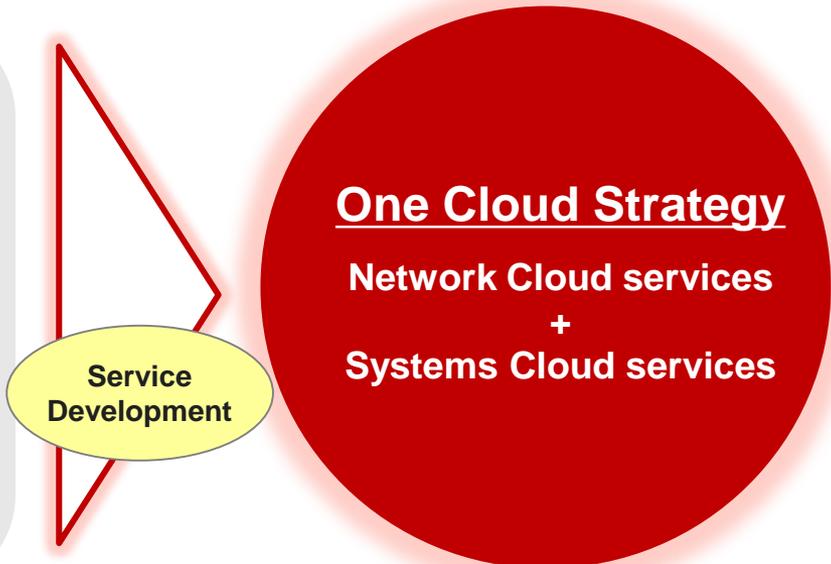
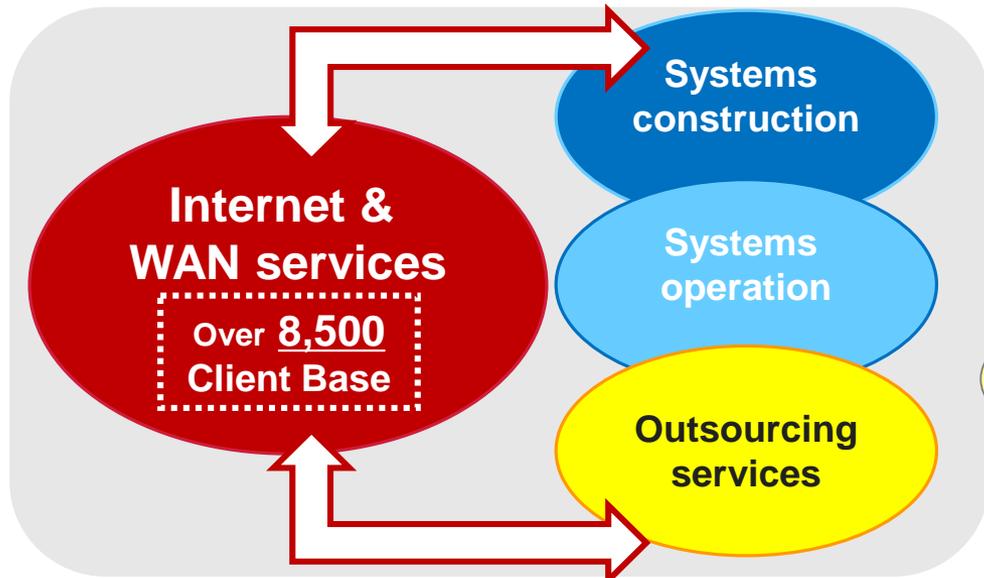
Cover Corporates' New IT Services Demands with reliable operation



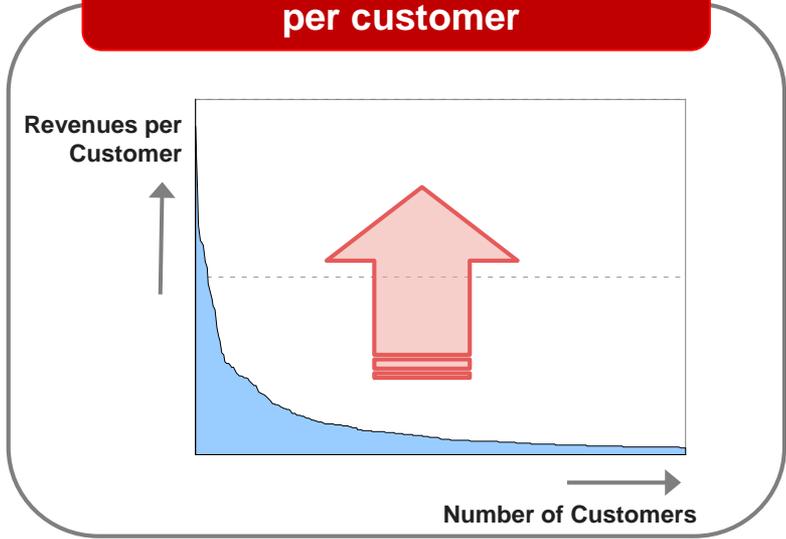
IIJ's differentiation points towards competitors

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

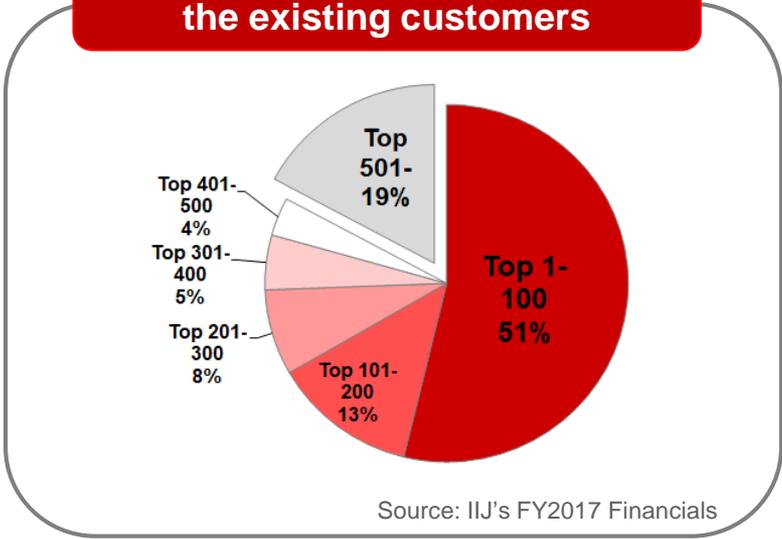
- Operates network facilities by ourselves
- Develops network services
- Moderate number of employees



Increase revenues per customer



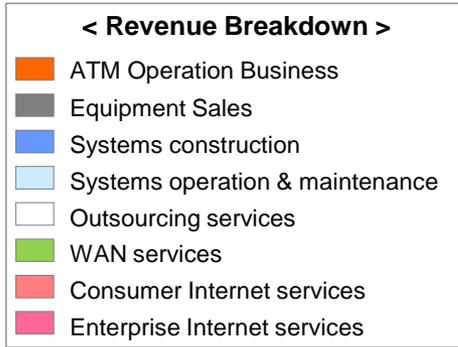
Room to increase revenue from the existing customers



Leveraging Blue-chip Customer Base

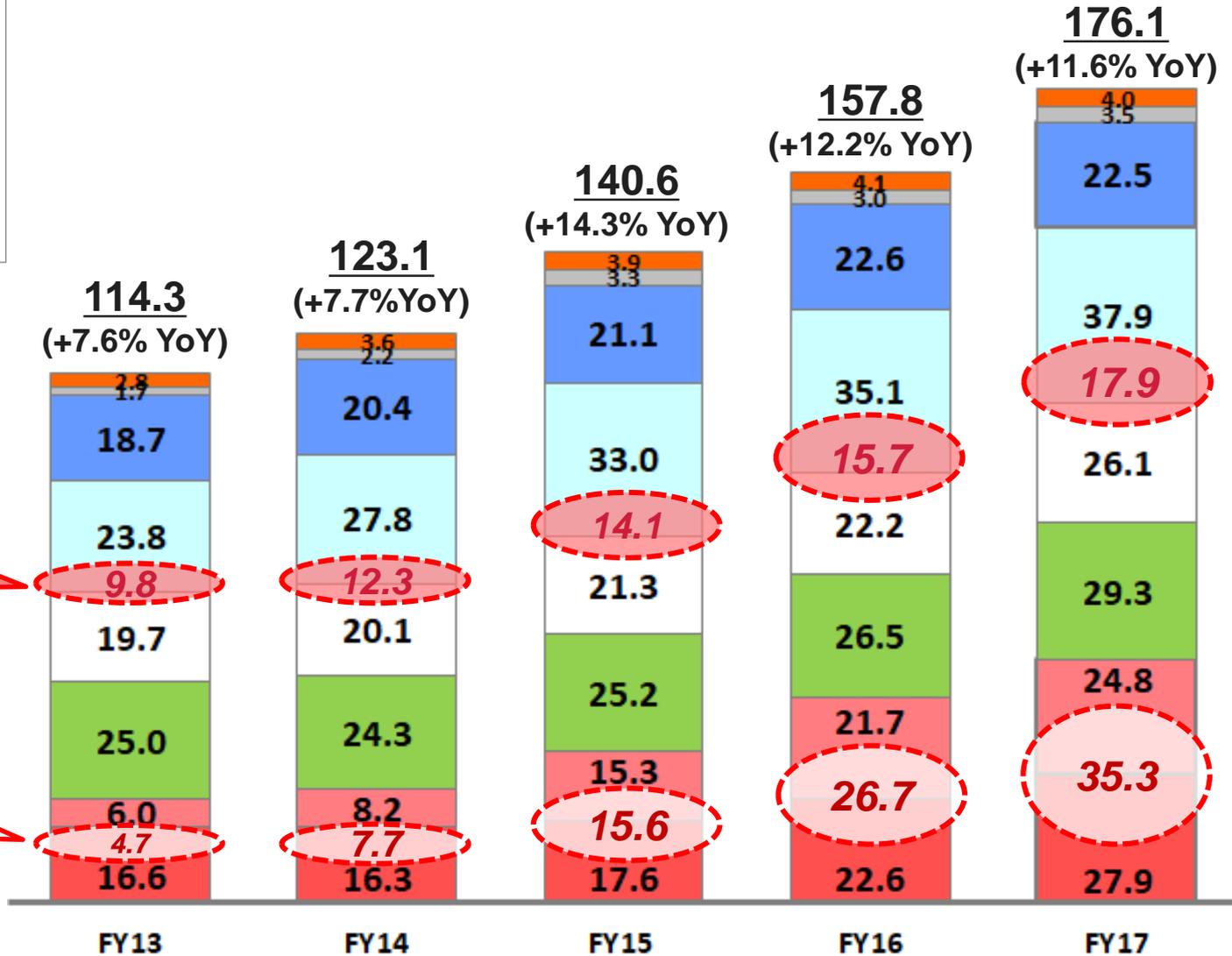
Unit: JPY billion

Cross-selling multiple service products



Cloud services

Mobile services

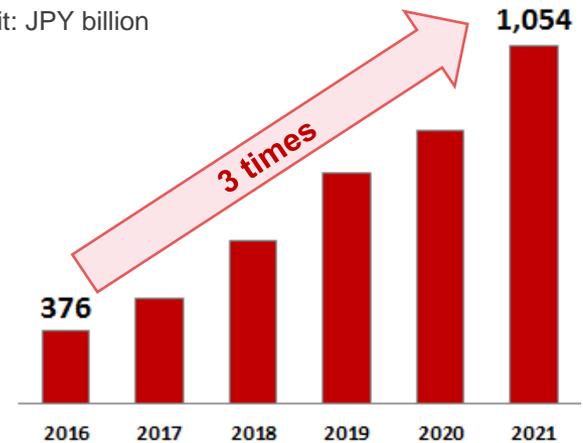


Cloud Market in Japan

- 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 (data services), 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

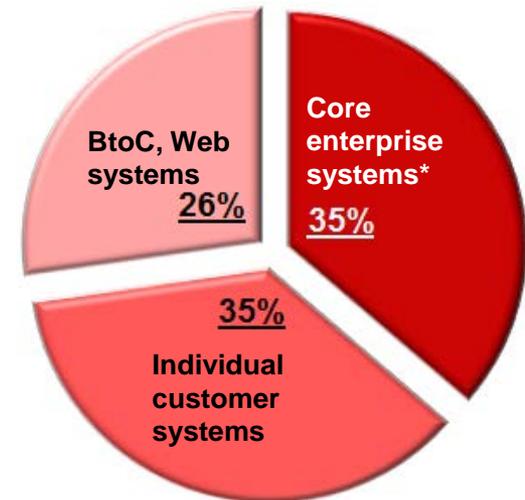
- ◆ Tailored toward individual private cloud, in principal
- ◆ Target current clients, in principal

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

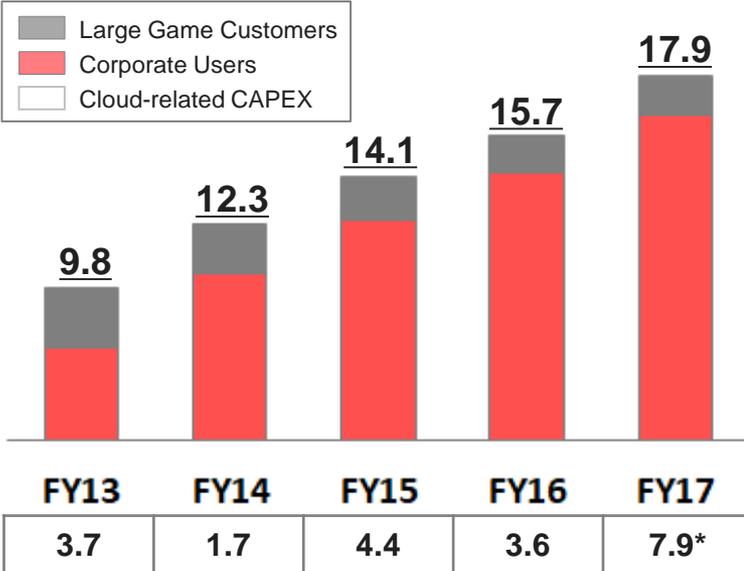


Cloud Business

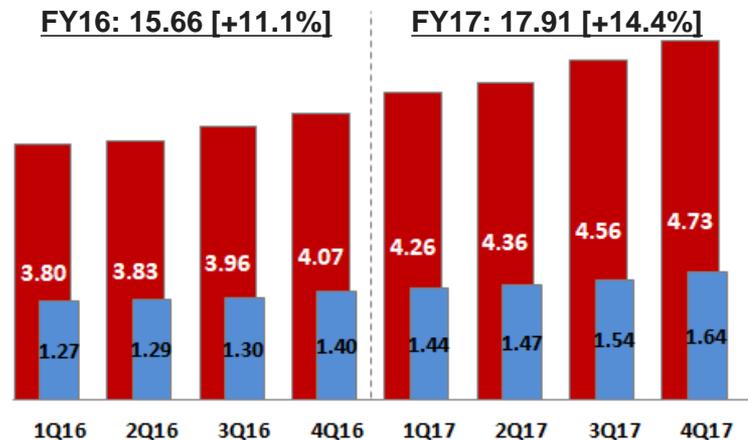
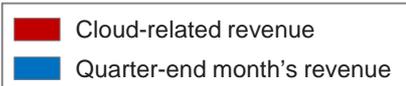
Growth Strategy

IIJ's Cloud Revenue Growth

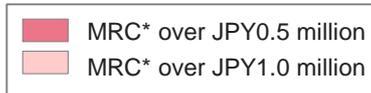
Unit: JPY billion



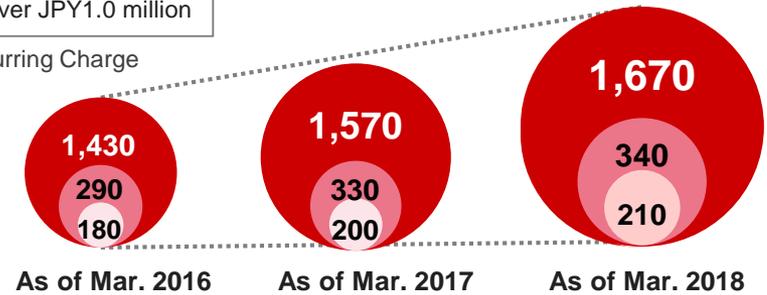
*Including GIO P2 facility in Western Japan of approx. JPY3 billion which is for FY18 usage



IIJ's Cloud Customer Base



*Monthly Recurring Charge

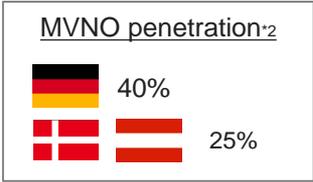
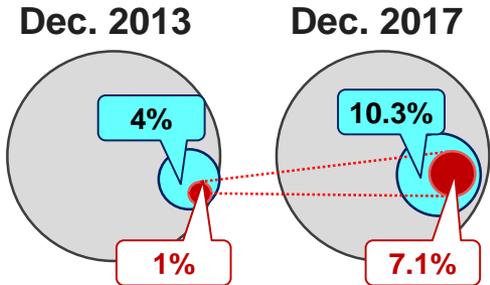


Business Model

- 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

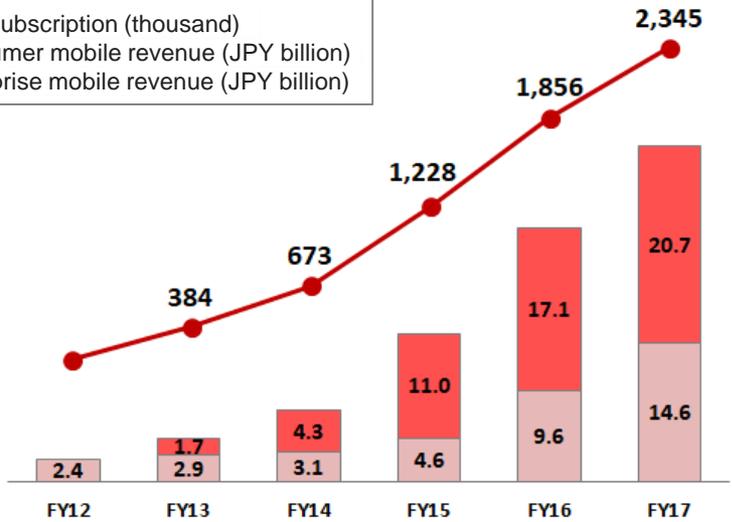
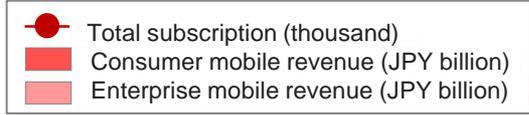


MVNO Penetration in Japan*1



*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

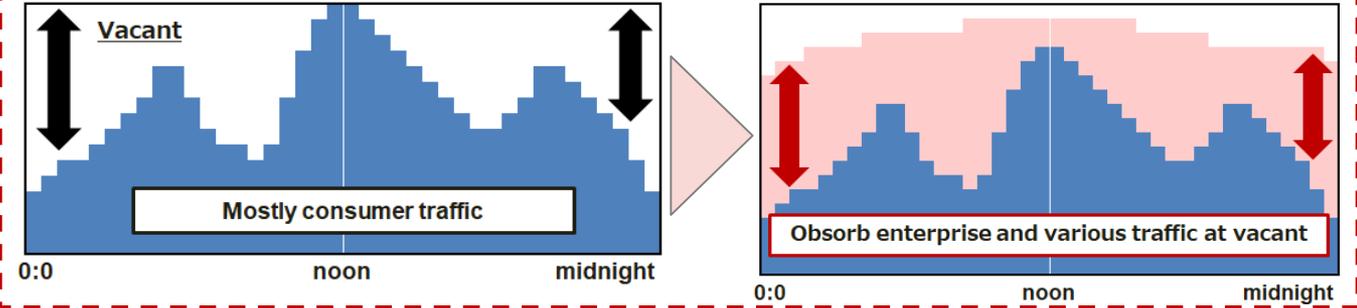
IJ's Subscription and Revenue Growth



IJ's Growth Strategy

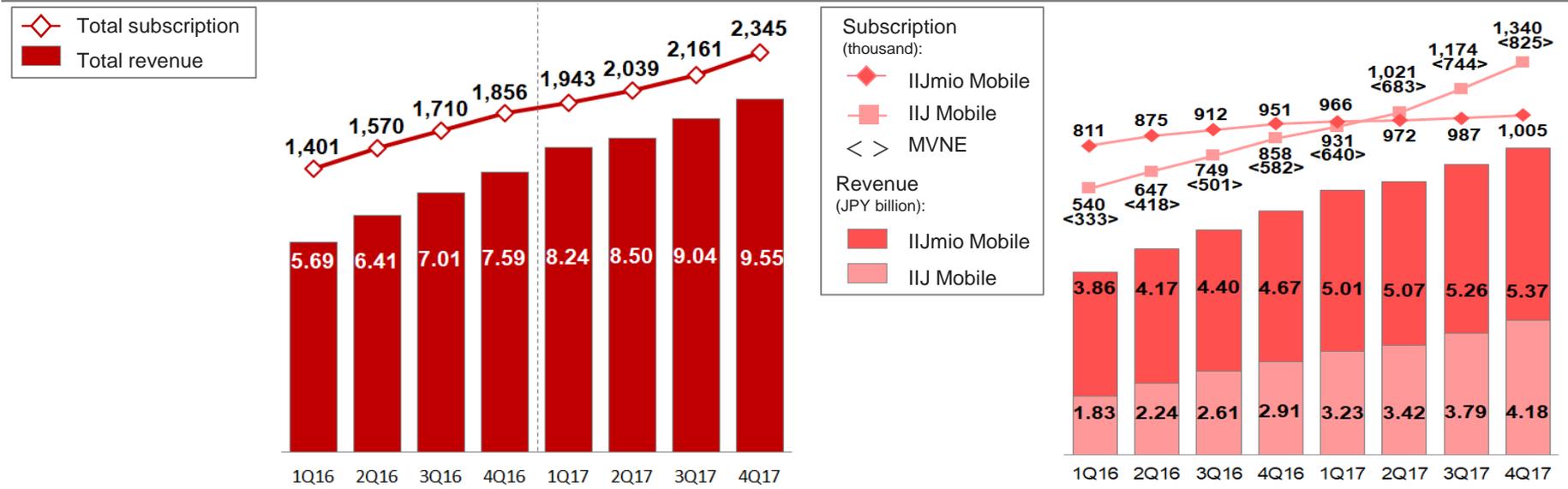
- ◆ Improve mobile infrastructure utilization by gathering enterprise traffic such as IoT and various consumer traffic (young, old, student, households, business persons etc.)
 - ✓ Launched full-MVNO services (supporting data services) targeting further IoT traffic (private global network, inventory control with flexible billing management for IoT usage, direct overseas roaming, chip SIM etc.)
 - ✓ 137 MVNE clients as of Mar. 2018 (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

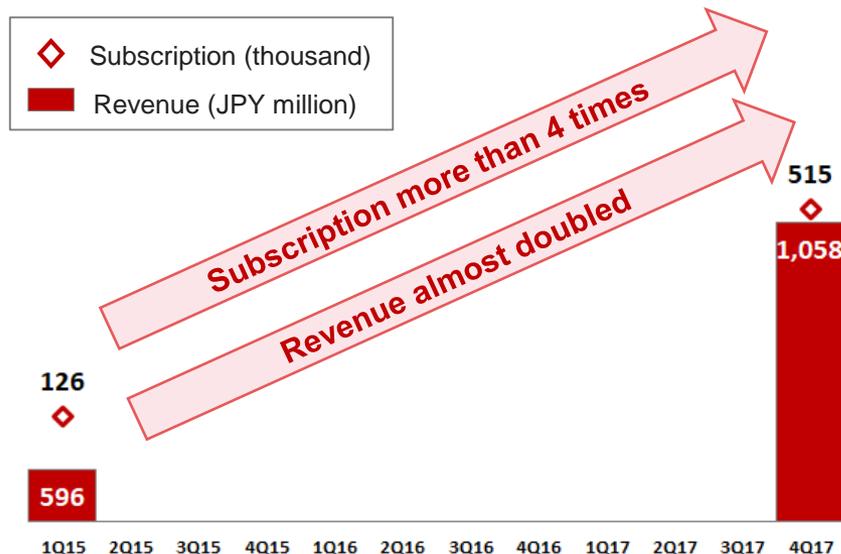
➤ MNOs's affiliated companies and MNOs themselves started to lower their services, yet IJ (genuine MVNO) is very cheap. Below information is as of March 2018

	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 in Japan to launch full-MVNO services supporting data services

- **Full-MVNO** (supporting data services) **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)

- **Launched full-MVNO** (supporting data services) **in Mar. 2018**
 - Private global network, inventory control with flexible billing management for IoT usage, direct overseas roaming, chip SIM etc.
 - FY18 full-MVNO target revenue: approx. JPY0.5 billion
- **Expected total investment:** approx. **JPY4.5 billion**
 - Increase in fixed network service cost by approx. JPY0.1 billion per month due to full-MVNO from 1Q18
 - ✓ HSS/HLR systems depreciation
 - ✓ NTT DOCOMO's network remodeling fee

Further Accumulation of IoT Projects

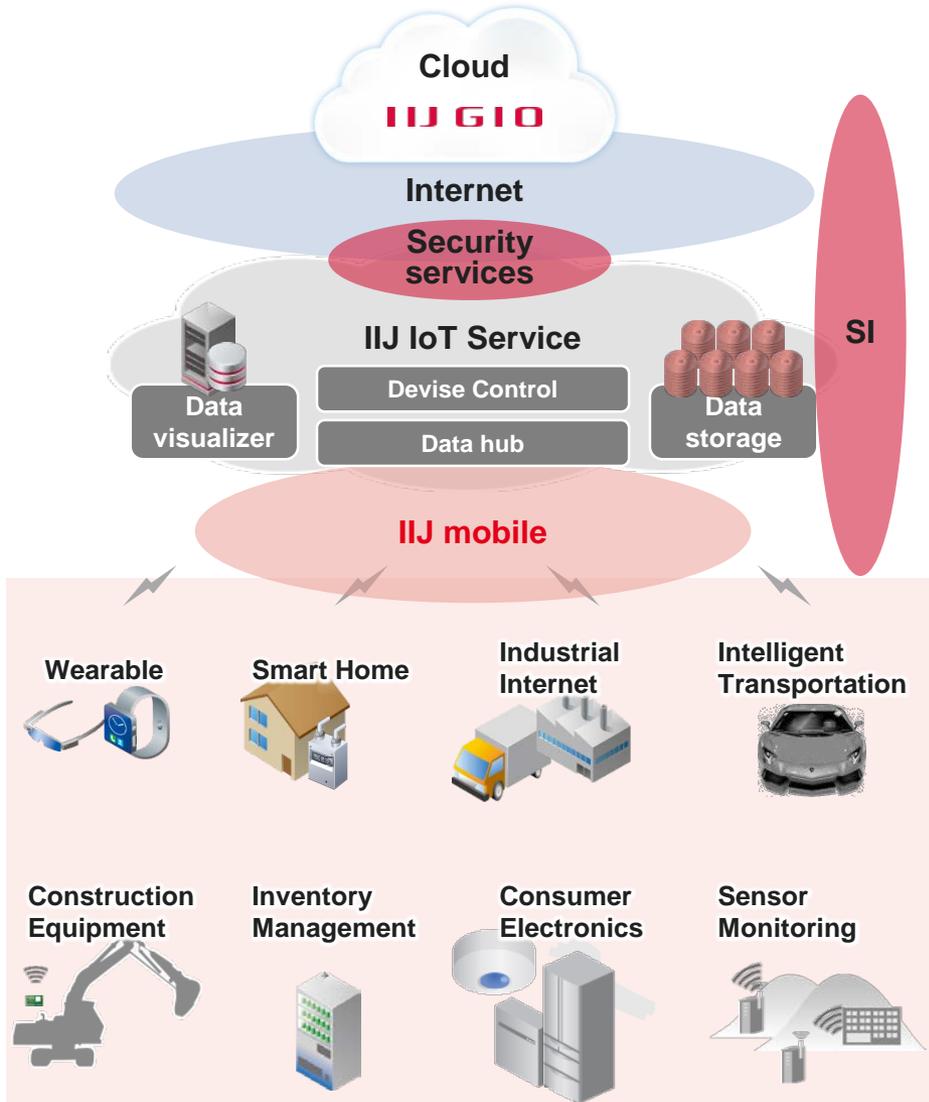
- ◆ IoT-related discussion & PoC prj. with our blue-chip customers as they seek business opportunities with IoT
- ◆ Prospective orders increasing after the announcement of to engage in full-MVNO supporting data services

FY17- end: over 320 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

IJ as IoT platform

IJ provides necessary elements for IoT comprehensively

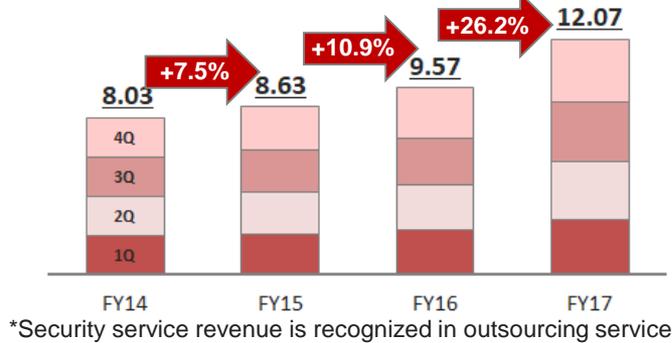


< Glossary >

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

IIJ's Security Services Revenue Growth

- ◆ FY17 security service largely grew due to a large security cloud project for local government & overall strong demand
- ◆ Continuously accumulating security-related SI projects in addition to security service revenue
 - FY17 total security-related revenue approx. JPY13.5 billion



IIJ's Security Service line-ups

- ◆ Provide together with NW and SI as comprehensive

Various security service line-ups

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

etc.



Enterprise customers

NW

SI

IIJ'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. 2.1 million accounts
Web gateway service: approx. 1.2 million accounts

- 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

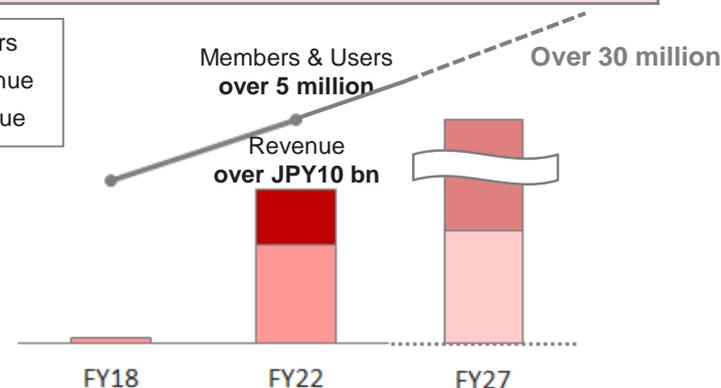
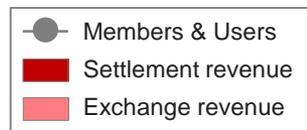
- **Providing cryptocurrency exchange and settlement services altogether**
- **Exchange service (from 2H18)**
 - Providing users to exchange various cryptocurrency real time 24 hours 365 days, mainly for consumers
 - ✓ Basic function of Wallet will be launched
 - ✓ Differentiate with highly reliable 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

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

CDN (Contents Distribution Network) Business

Growth Strategy

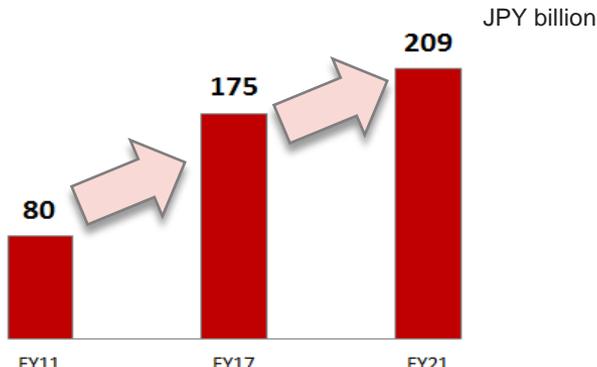
CDN Market in Japan

- 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

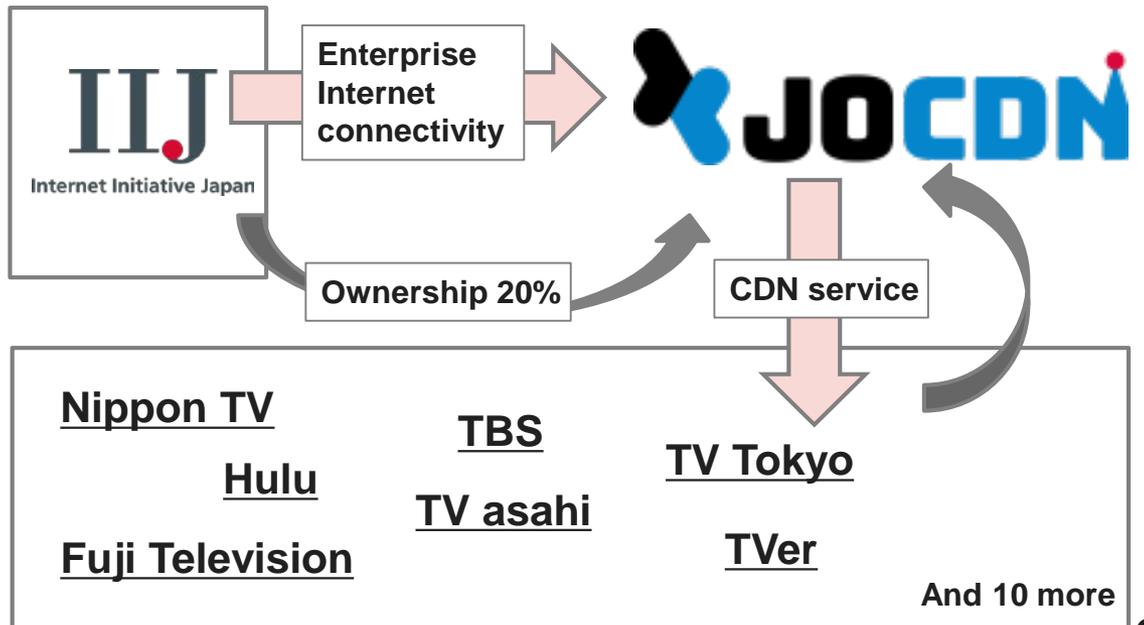
JV with Japanese Major Broadcasting Companies

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

CDN Market Growth in Japan



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



Mid-to-Long term Business Growth

Unit: JPY billion

Growth Strategy

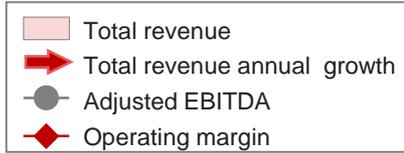
Business foundation enhancement with aggressive investment

Further business developments

Revenue growth accelerating

Scale-merit

Income improvement



FY11:
 > Started to enhance overseas business
 > Opened Matsue DCP
 FY10: Launched IJJ Raptor
 FY09: Launched IJJ GIO
 FY08: Launched MVNO

> Extended Internet backbone to Europe
 > Doubled Matsue capacity

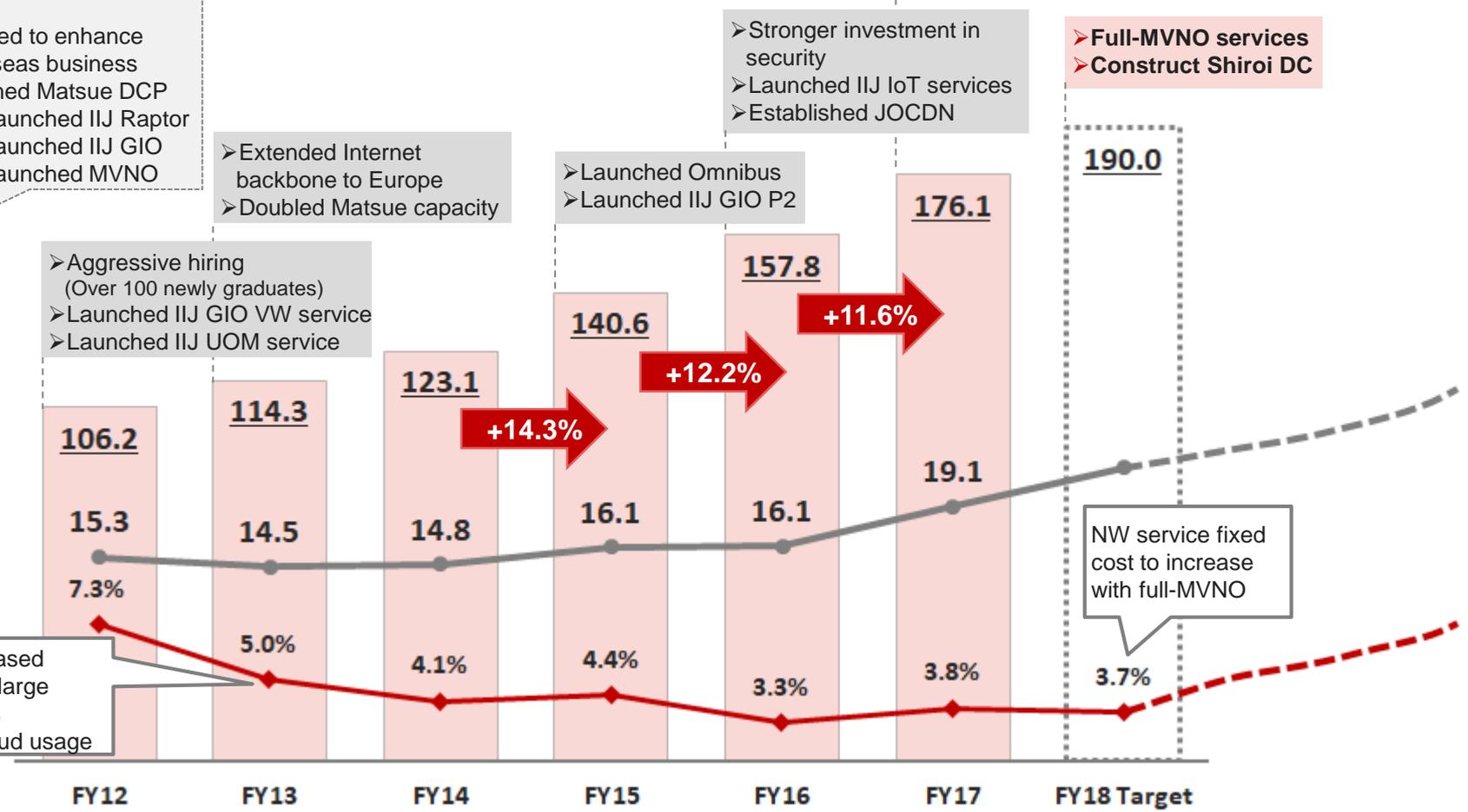
> Aggressive hiring (Over 100 newly graduates)
 > Launched IJJ GIO VW service
 > Launched IJJ UOM service

> Stronger investment in security
 > Launched IJJ IoT services
 > Established JOCDN

> Established DeCurret
 > Launched full-MVNO services
 > Launched Health care business

> Full-MVNO services
 > Construct Shiroy DC

Income decreased mainly due to large gaming clients decreased cloud usage



NW service fixed cost to increase with full-MVNO

Outsourcing trend

Inexpensive SIM card boom

Advanced IT usage by enterprises

Summary of FY2017 Financial Results

bn = billion
 % = Year over year comparison
 *Income before income tax expense
 **Net income attributable to IIJ

Financials

Revenue	JPY176.1 bn	+11.6%	Adjusted EBITDA	JPY19.1bn	+18.7%
Gross margin	JPY28.2 bn	+11.8%	ROE	7.3%	
Operating income	JPY6.8 bn	+31.7%	Annual cash dividend per share	JPY27.00	
Pre-tax income*	JPY7.8 bn	+44.5%			
Net income**	JPY5.1 bn	+61.3%			

Strong position as a service provider with recurring revenue continuous growth, Further business developments like FinTech by leveraging business assets

◆ Enterprise NW service revenue largely grew

- Recurring revenue +14.0%**
- Enterprise connectivity revenue +23.5%
 - Security service revenue +26.2%
 - WAN revenue +10.7%
- **Leveraging various NW services toward enterprises**
- Omnibus, DDoS protection, SOC, and Virtual desktop services especially led the growth
 - Particularly large security cloud project for local government also contributed to recurring revenue growth

◆ Competitive advantage of SI with Multi/Private Cloud

- **Cloud revenue JPY17.9 bn (+14.4%)**
- Continuously acquiring large projects with private cloud service line-ups including VMware virtualization platform service, GIO P2, Unified Operation Management (UOM)
- **Systems operation and maintenance +7.9%**
- Comprehensive solution with Cloud + Security + NW + SI

◆ Overseas business: Revenue JPY6.1 bn, Turned positive as planned

- **Expanding business with global solution for domestic customer base, overseas JV, GDPR consultation etc.**

◆ Differentiate from others with IoT projects & MVNE

- Total mobile revenue JPY35.3 bn (+32.3%)**
Total mobile subscription 2.3 million (+26.4%)
FY2017-end MVNE clients 137 (+13 clients from FY2016-end)
- **Over 320 IoT-related prospective projects as of Mar. 2018**
- Accumulating sales prospects & PoC from manufacturers and others: Connected homes & cars; remote monitoring for agriculture, fisheries, factory, facility; security cameras, embedding SIM for clients' products and more
- **Launched Full MVNO services (Mar. 2018)**
- Starting to offer IIJ-original functions such as SIM life cycle management, flexible collaboration with overseas companies, Chip SIM etc.

◆ Further Business Developments

- Established DeCurret Inc. (IIJ ownership 35%) to provide cryptocurrency exchange & settlement services; Shareholders include mega banks; Plan to launch services from 2H18
- Japanese commercial broadcasting companies invested in JOCDN Inc. in Apr. 2017 (IIJ ownership 20%); Providing CDN services to 15 clients including broadcasting companies & large contents holder
- Constructing of own data center near Tokyo; Expect better productivity with integrated service facility
- Providing home-based healthcare solution "IIJ electronic contact/communication Note service" to local governments such as Aichi, Ibaraki and Nagano as well as medical institutions

**Aim to increase income with continuous recurring revenue growth
while full-MVNO-related costs increase,
Seek significant income growth in FY19 by strengthening revenue accumulation**

	% of Revenues		YoY Change	
	FY17 Results <small>(Apr. 2017 - Mar. 2018)</small>	FY18 Target <small>(Apr. 2018 - Mar. 2019)</small>		
Total Revenues	176.1	190.0	+13.9	+7.9%
Total Cost of Revenues	147.8	160.2	+12.4	+8.4%
Gross Margin	28.2	29.8	+1.6	+5.6%
SG&A/R&D	21.5	22.8	+1.3	+6.3%
Operating Income	6.8	7.0	+0.2	+3.5%
Cash Dividend per common share	JPY27.00	JPY27.00	-	-

Others

- Overseas: Revenue JPY7.0 billion, OP JPY0.1 billion
 - In addition to NW services and SI, GDPR consultation and others to expand global solution offerings
 - Consolidated subsidiaries in Asia as a whole turn positive
- JOCDN to provide full-scale CDN service
- DeCurret plans to launch cryptocurrency exchange service

Target & Assumption

Enterprise NW

- Strengthen income level with continuous revenue accumulation of already invested service line-ups
- Enhance xSP-targeted sales structure
- Security services to further increase with DDoS protection and SOC
 - Leveraging security log and cyber threats information obtained as an ISP to apply to our services
- IP service to expand with CDN traffic through JOCDN

Mobile & IoT

- Focus on acquiring and gathering enterprise traffic through IoT/M2M
 - Expect mobile profitability to improve in the mid-term
 - Security, Cloud, SI revenues to increase with IoT projects
 - MVNE business to grow continuously along with increase in clients and subscription
- Collaborate IJJ IoT Services & full-MVNO functions to establish B2B2X scheme; Leverage case studies to accelerate the penetration

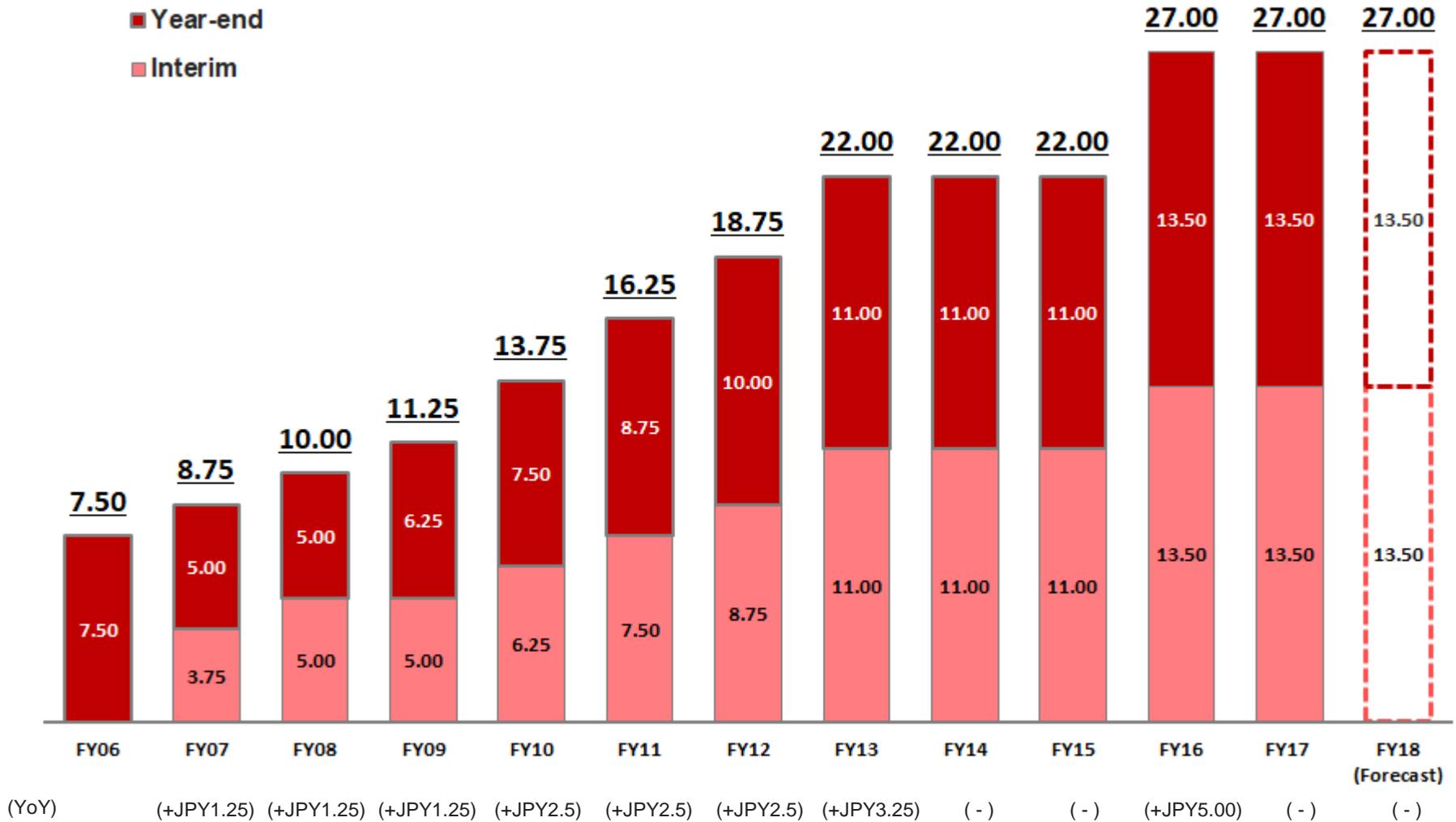
Cloud/SI

- SI profitability to improve with an increase in SE utilization rate etc.
- Further enhance to acquire Multi/Private cloud demands
 - Collaboration with NW services such as security
 - Focus on Unified Operation Management (UOM) services
- Cloud revenue JPY20 billion (+11.7% YoY)
 - Cloud gross margin to improve with revenue growth

Dividends

- Accordingly with our basic policy of continuous and stable dividend policy, JPY27.00 per common share

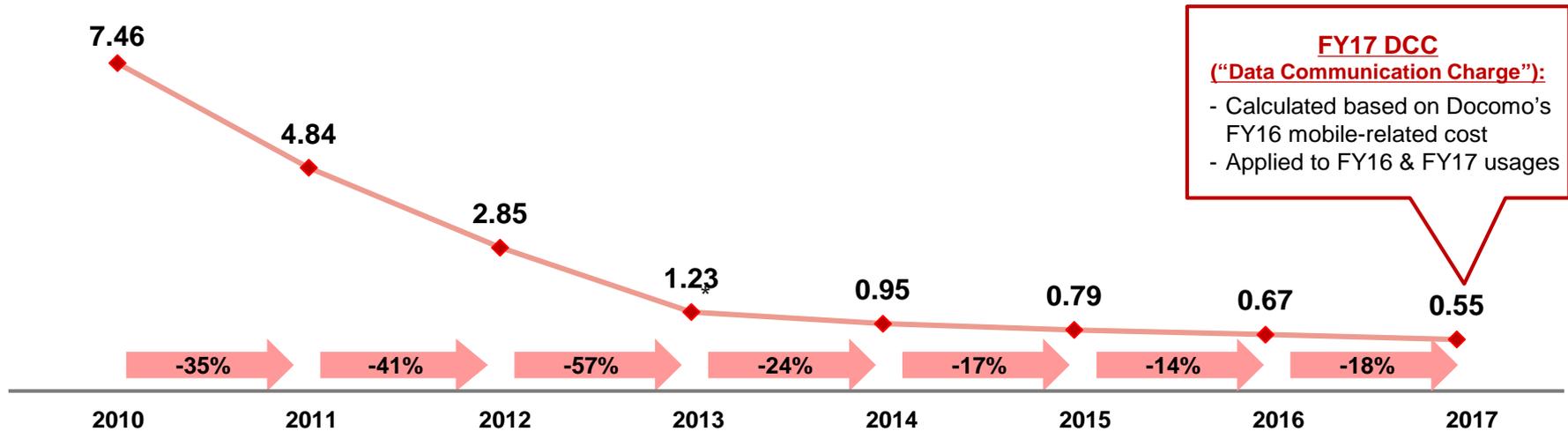
Dividend Forecast



*IJJ 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)

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%
FY17**	15%	14%	18.2%*

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

(*) Fixed in March 2018
 (**) IIJ's fiscal year ended March 31, 2018

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
- FY18 DCC payment has been deducted 15% from 1Q18 by Docomo's arrangement

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

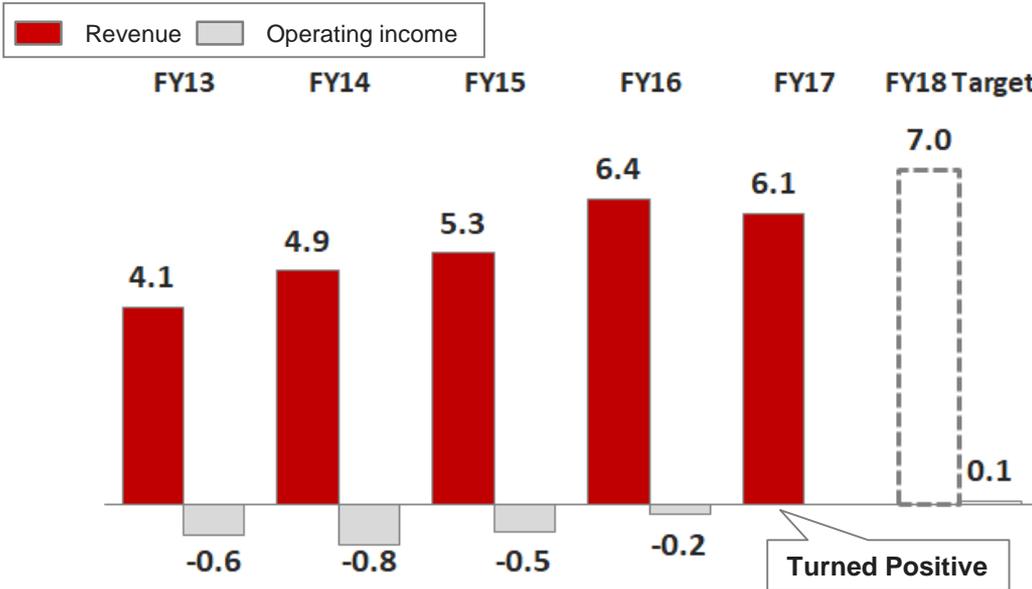


Impact on IIJ's consolidated financial results

- 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

Financials

Unit: JPY billion



Overseas offices



Business Developments

- **Started focusing on overseas business around FY2011 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 (FY16)
 - Accumulating similar prospective orders from other emerging countries

ATM Operation Business

Business Model

- Similar to “Seven Bank” model, high profitability
 - Seven Bank: 24,392 ATMs, revenue JPY127.7 billion, profit ratio 30.0% (as of March 31, 2018)
- Placing ATMs in Pachinko parlors in Japan with dominant position
 - After long discussion, started to place in Kanto, Kansai, Kyushu and Tokai areas
 - 10,596 Pachinko parlors in Japan as of December 31, 2017 (source: National Police Agency)
- Receive commission for each withdrawal transaction

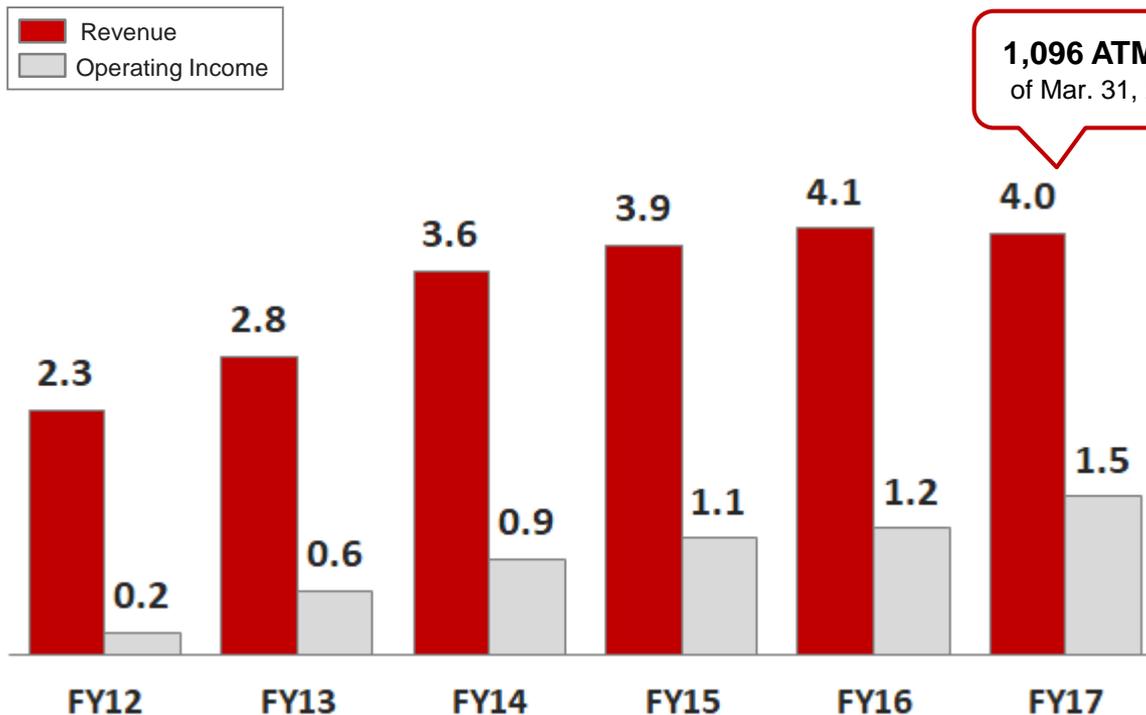
Trust Networks Inc.

- In charge of ATM operation business
- IIJ’s ownership: 80.9%
- Established in 2007



Revenue and Operating Income

Unit: JPY billion



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.

FY2017
Consolidated Financials Results

Announced on May 15, 2018

Consolidated Financials for FY17

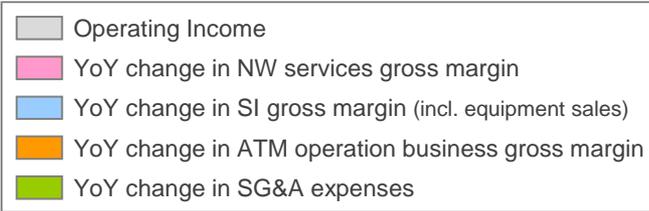
Unit: JPY billion

	<i>% of Revenues</i>	<i>% of Revenues</i>	Year over Year Change	
	FY17 Results <small>(Apr. 2017 - Mar. 2018)</small>	FY16 Results <small>(Apr. 2016 - Mar. 2017)</small>		
Total Revenues	176.1	157.8	+11.6%	+18.3
Total Cost of Revenues	<small>84.0%</small> 147.8	<small>84.0%</small> 132.5	+11.5%	+15.3
Gross Margin	<small>16.0%</small> 28.2	<small>16.0%</small> 25.2	+11.8%	+3.0
SG&A/R&D	<small>12.2%</small> 21.5	<small>12.7%</small> 20.1	+6.8%	+1.4
Adjusted EBITDA*1	<small>10.9%</small> 19.1	<small>10.2%</small> 16.1	+18.7%	+3.0
Operating Income	<small>3.8%</small> 6.8	<small>3.3%</small> 5.1	+31.7%	+1.6
Income before Income Tax Expense	<small>4.5%</small> 7.8	<small>3.4%</small> 5.4	+44.5%	+2.4
Net Income*2	<small>2.9%</small> 5.1	<small>2.0%</small> 3.2	+61.3%	+1.9

*1: Operating income before depreciation and amortization *2: Net income attributable to IJ

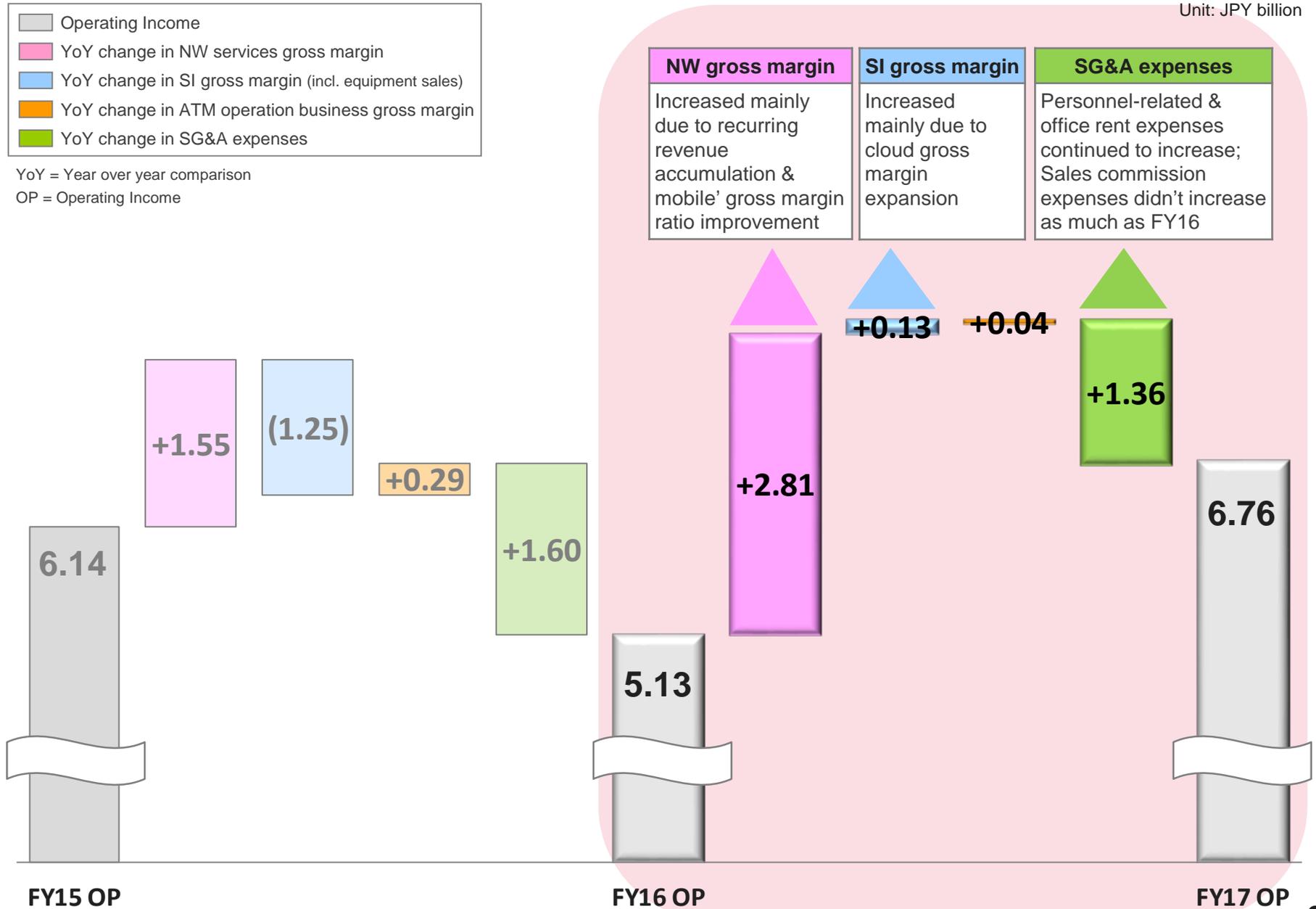
Consolidated Financial Results for FY2017 (2)

Unit: JPY billion



YoY = Year over year comparison

OP = Operating Income



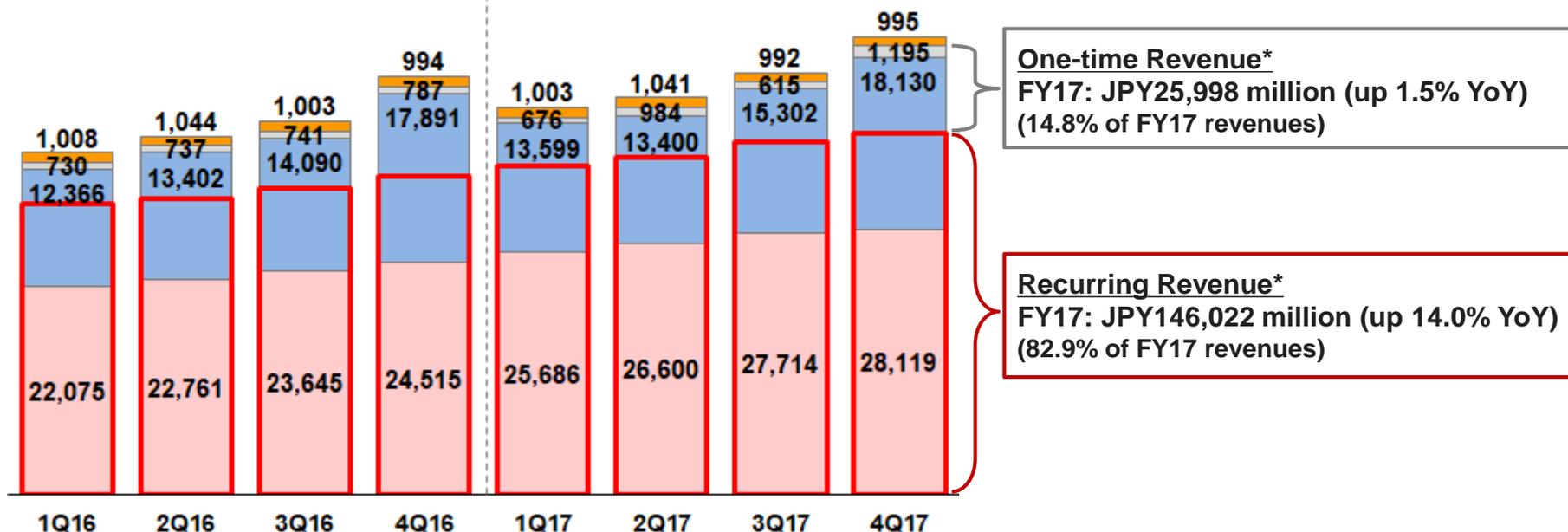
NW gross margin	SI gross margin	SG&A expenses
Increased mainly due to recurring revenue accumulation & mobile' gross margin ratio improvement	Increased mainly due to cloud gross margin expansion	Personnel-related & office rent expenses continued to increase; Sales commission expenses didn't increase as much as FY16

Unit: JPY million

[], YoY = Year over year comparison



FY16: 157,789 [+12.2%] **FY17: 176,051 [+11.6%]**
36,179 37,944 39,479 44,187 40,964 42,024 44,624 48,439
 [+15.0%] [+12.0%] [+16.0%] [+7.1%] [+13.2%] [+10.8%] [+13.0%] [+9.6%]



* One-time revenues, which are systems construction and equipment sales, are recognized when systems or equipment are delivered and accepted by customers

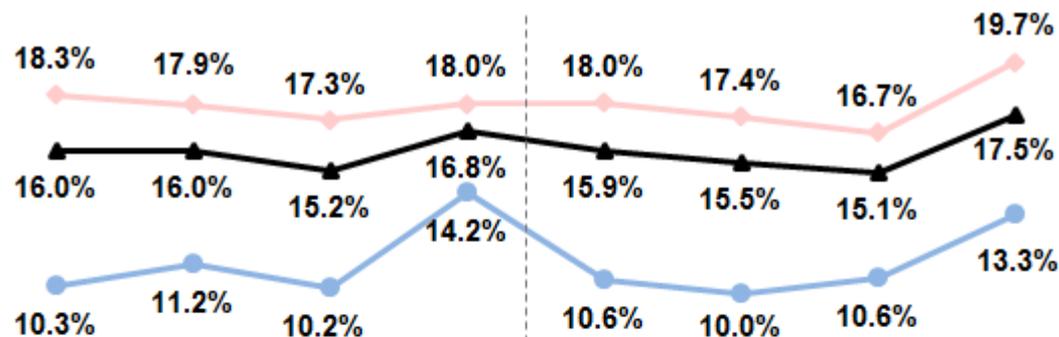
* Recurring revenues represent the following monthly recurring revenues: Internet Connectivity Services for Enterprise, Internet Connectivity Services for Consumer, Outsourcing Services, WAN Services, and Systems Operation and Maintenance

Cost of Revenues & Gross Margin Ratio

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

Unit: JPY million

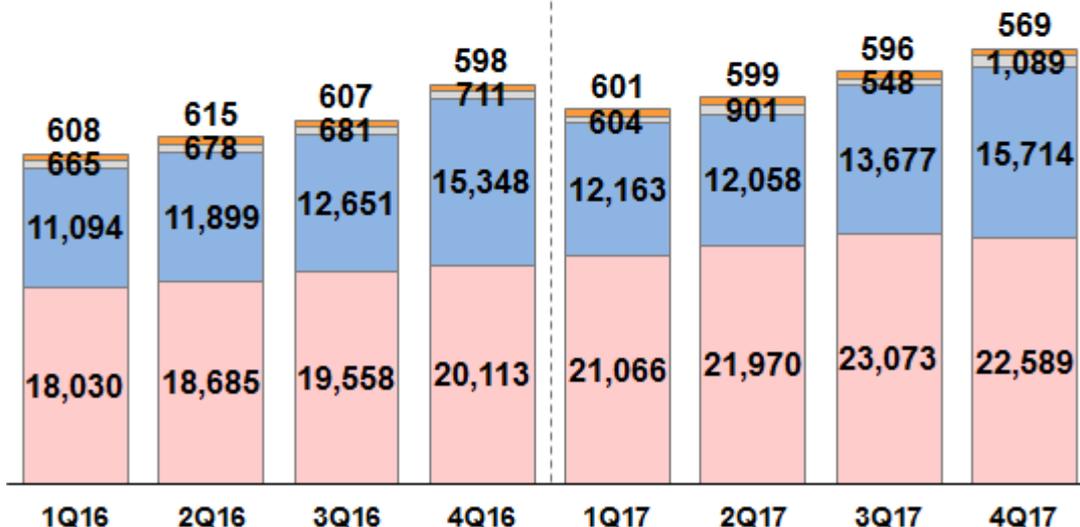
[], YoY = Year over year comparison



FY16: 132,542 [+14.3%]

FY17: 147,818 [+11.5%]

Quarter	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
Revenue	30,397	31,878	33,497	36,770	34,434	35,529	37,894	39,961
YoY Change	[+17.8%]	[+14.6%]	[+19.8%]	[+6.9%]	[+13.3%]	[+11.5%]	[+13.1%]	[+8.7%]



Gross Margin

◆ Total

- FY17: JPY28,233 million (up 11.8% YoY)
- FY16: JPY25,247 million (up 2.4% YoY)
 - FY17 gross margin ratio: 16.0%
 - 4Q17 gross margin ratio exceeded 4Q16

◆ NW Services

- FY17: JPY19,421 million (up 16.9% YoY)
- FY16: JPY16,609 million (up 10.3% YoY)
 - Along with an increase in MVNE transactions, mobile gross margin ratio was on a decreasing trend through 1Q-3Q FY2017
 - Regarding our FY17 and FY16 NTT DOCOMO's ("DOCOMO") mobile interconnectivity telecommunications revision, its unit price was fixed in Mar. 2018 and its unit price decreased by 18.2% YoY
 - 4Q17 NW services gross margin ratio increased from 3Q17 mainly due to a decrease in DOCOMO's mobile interconnectivity telecommunications charge along with the unit price revision

◆ SI

- FY17: JPY6,819 million (up 0.9% YoY)
- FY16: JPY6,756 million (down 15.2% YoY)
 - FY17 gross margin ratio: 11.3% (down 0.4 points YoY)
 - Outsourcing-related costs continued to increase along with SI revenue increase

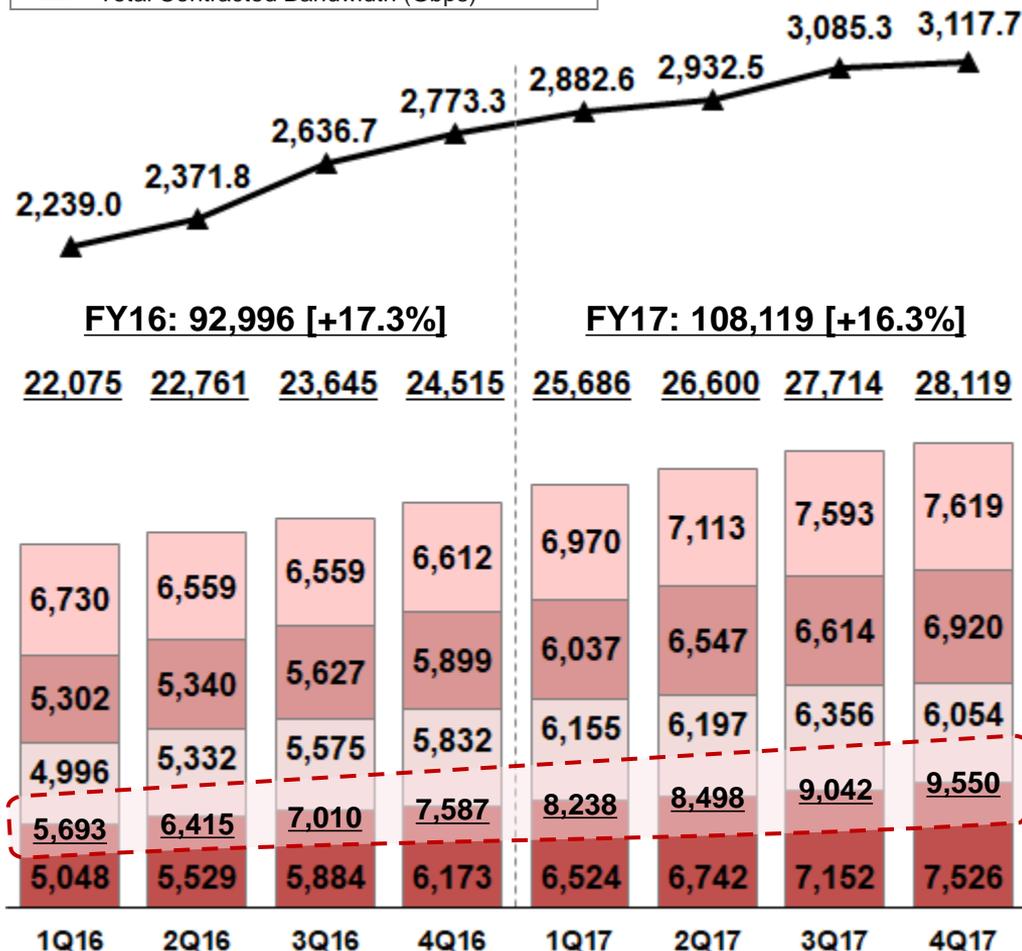
◆ ATM

- FY17: JPY1,665 million (up 2.7% YoY)
- FY16: JPY1,622 million (up 22.0% YoY)

Network Services (1)Revenues

Unit: JPY million

[], YoY = Year over year comparison
QoQ = 4Q17 compared to 3Q17



NW Services Revenues

◆ Internet Connectivity (Enterprise)

- FY17: up 23.5% YoY
 - MVNE & enterprise mobile solution continued to increase
 - ✓ IJ Mobile 4Q17-end subscription: 1,340 thousand (up 56.1% YoY)

◆ Internet Connectivity (Consumer)

- FY17: up 13.9% YoY
 - “IJmio Mobile Services”
 - ✓ 4Q17-end subscription: 1,005 thousand (up 5.7% YoY)
- 4Q17 revenue decreased QoQ as hi-ho became unconsolidated
- 3Q17 hi-ho’s revenue for Internet connectivity services (Consumer) was JPY420 million

◆ Outsourcing Services

- FY17: up 17.8% YoY
 - Security-related revenue continued to grow
 - ✓ FY17 : up 26.2% YoY

◆ WAN Services

- FY17: up 10.7% YoY
 - Continued to grow along with order accumulation

◆ Mobile services: FY17 up 32.3% YoY

◆ Non-mobile services: FY17 up 9.8% YoY

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

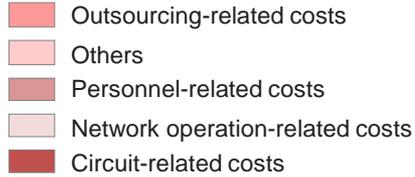
** Total contracted bandwidth is calculated by multiplying number of contracts by contracted bandwidths respectively for IP service, data center connectivity service and IJ FiberAccess/F and IJ DSL/F of Internet connectivity services (Enterprise).

Network Services (2) Cost of Revenues

Unit: JPY million

[], YoY =Year over year comparison

QoQ = 4Q17 compared to 3Q17



Cost of NW Services

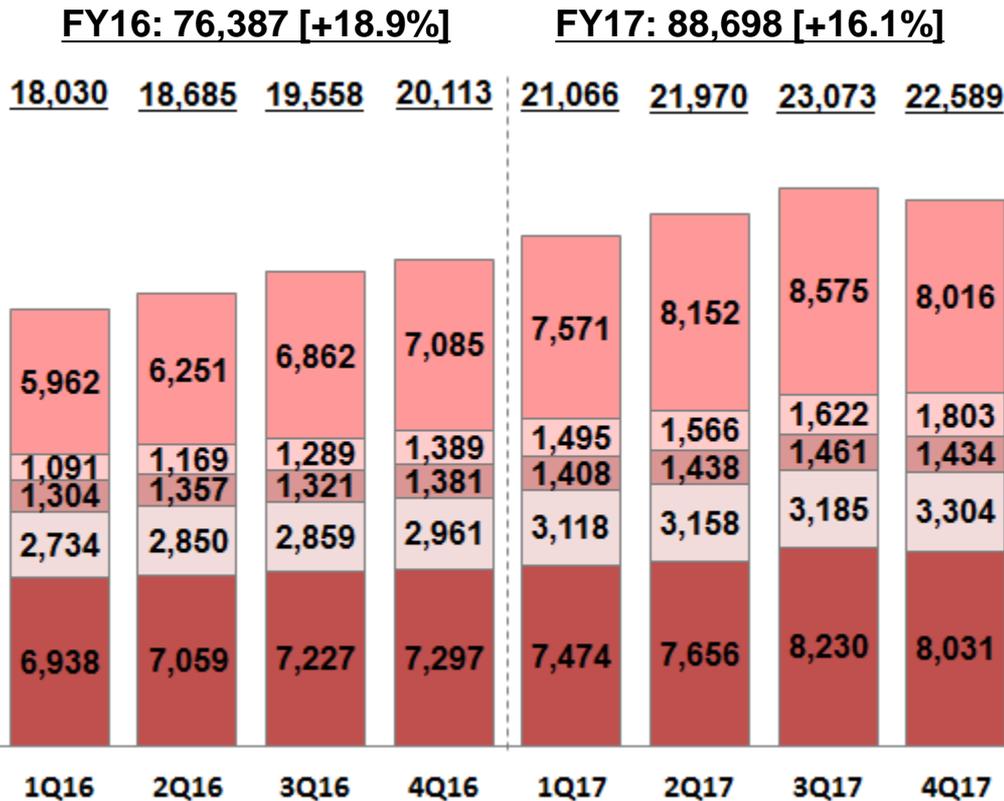
➤ FY17: up 16.1% YoY

- Along with an increase in mobile traffic, mobile-related costs (mainly in outsourcing-related costs) increased
- Along with continuous network equipment installation and service developments, network operation-related costs increased
- Along with increases in WAN revenues and continuous network expansion, circuit-related costs increased. 4Q17 circuited-related costs decreased QoQ mainly due to the decrease related to hi-ho which became unconsolidated

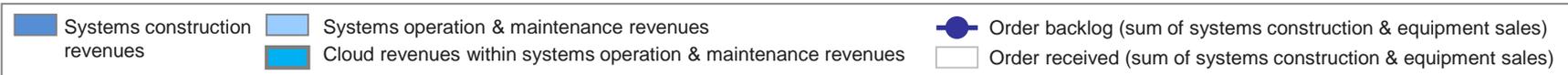
➤ 4Q17 outsourcing-related costs decreased QoQ as retroactively adjusted cost related to DOCOMO's mobile interconnectivity cost resulted in our cost decrease (estimate: 14% YoY decrease, actual: 18.2% YoY decrease)

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

- Regarding our FY17 & FY16 usage charge, DOCOMO's mobile interconnectivity telecommunications charge was fixed in Mar. 2018 and its unit price decreased by 18.2% YoY.
- Regarding our FY18 & FY17 usage charge, DOCOMO's mobile interconnectivity telecommunications charge, which is calculated based on DOCOMO's FY17 mobile-related cost, is expected to be fixed in Mar. 2019. DOCOMO's payment arrangement is 15% off temporarily from Apr. 2018 which is the same as FY17.
- For FY18, we adopt certain assumption about DOCOMO's mobile interconnectivity charge in the same way as FY17



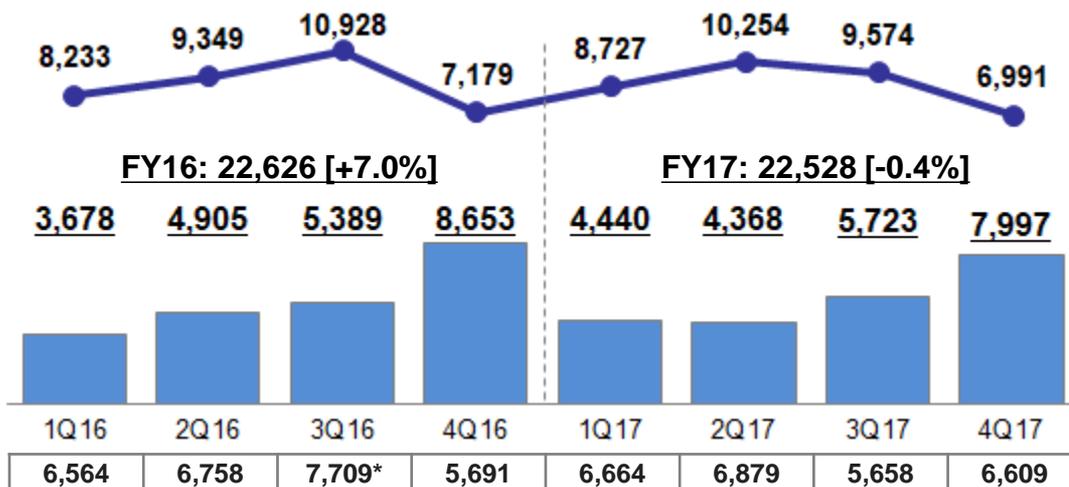
Systems Integration (SI) (1) Revenues



Unit: JPY million

[], YoY = Year over year comparison

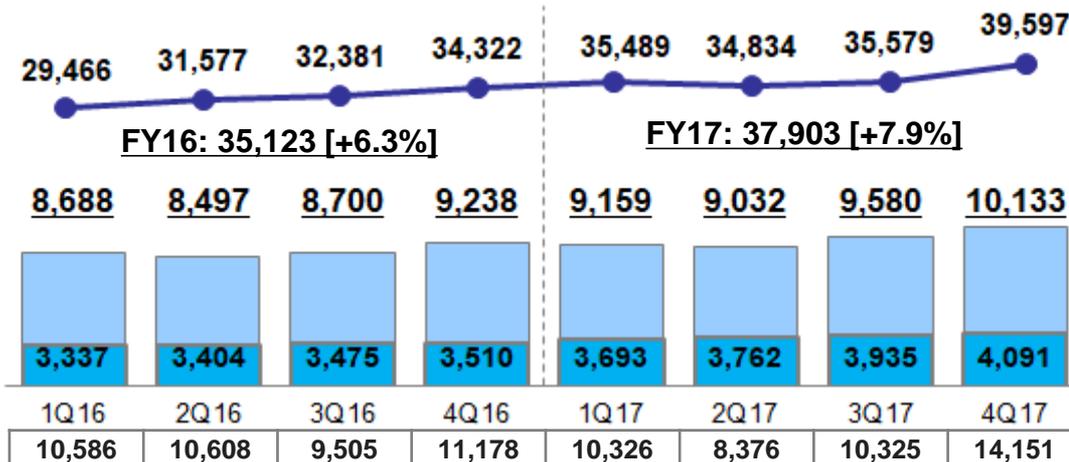
Systems Construction



*Including data center export project to Laos (approx. JPY1.5 billion)

- FY17 revenue: down JPY98 million YoY
 - Revenue almost as the same level as FY16 due to
 - ✓ SE resources were concentrated on a large-scale services integrated project in 1H17
 - ✓ Equipment-purchase-type revenue is on a decreasing trend as cloud-related SI increases
 - ✓ Individual data center export project (approx. JPY1.2 billion) was included in FY16 revenue
- Large-scale construction orders received in 4Q17:
 - Renewing network system for a certain government agency
 - Next generation cloud service for a major financial institution
 - Renewing Internet network environment for a major financial institution
 - BtoC web site for a major land transportation company
 - Network for a major wholesale company
 - Core business infrastructure for a major recruiting services company etc.

Systems Operation & Maintenance

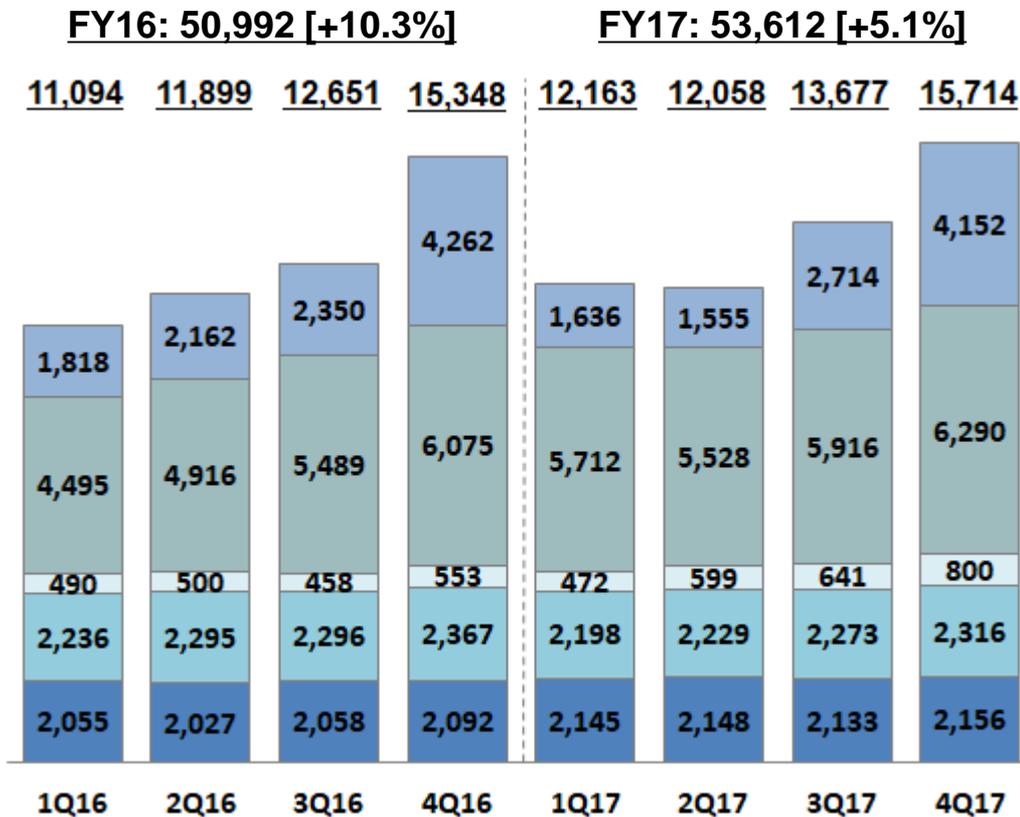
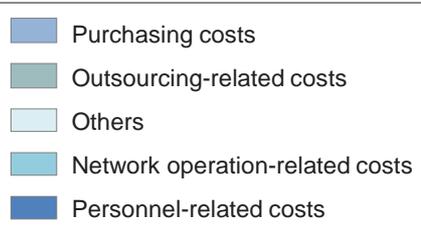


- FY17 revenue: up JPY2,780 million YoY
- Continuous revenue growth mainly due to the accumulation of systems construction which are migrated to systems operation & maintenance phase as well as continuous increase in private cloud revenue
 - 4Q17 revenue from private cloud: up 16.5% YoY
 - 4Q17 revenue from SI construction: up 5.5% YoY
- 86.4% of 4Q17 cloud-related revenue is recognized in systems operation and maintenance revenues (13.6% in outsourcing)

Systems Integration (SI) (2) Cost of Revenues

Unit: JPY million

[], YoY = Year over year comparison
QoQ = 4Q17 compared to 3Q17

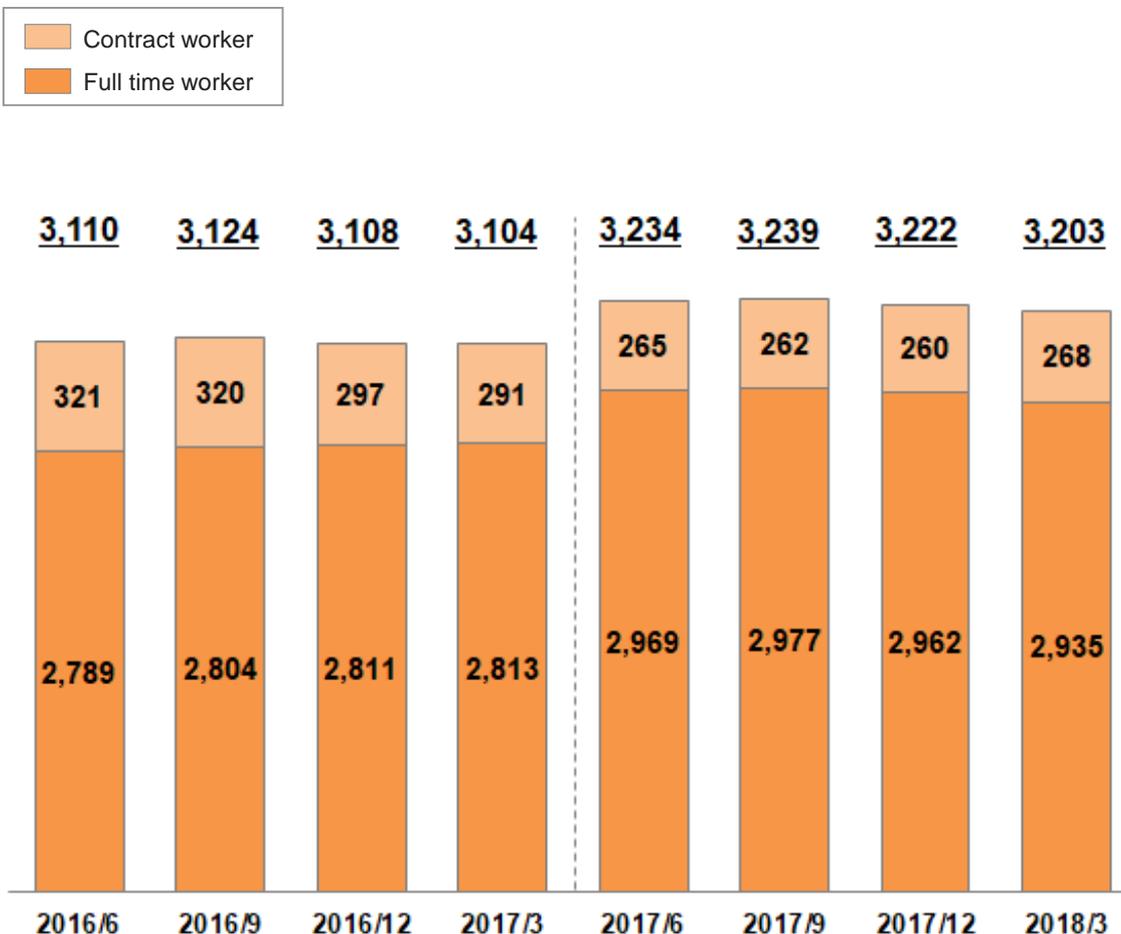


Cost of SI

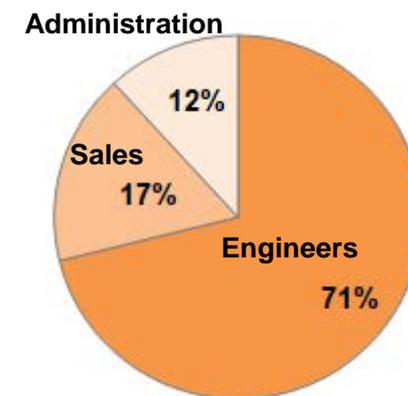
- FY17: up JPY2,620 million YoY
 - 4Q17-end number of SI-related outsourcing personnel: 1,054 personnel
 - ✓ 4Q17-end number of SI-related outsourcing personnel decreased QoQ mainly because a large-scale cloud/SI project for a major BtoC company was completed

Number of Employees

Unit: JPY million
YoY = Year over year comparison



Employee Distribution



- ◆ 4Q17: up JPY208 million, up 3.7% YoY
- ◆ Hired 175 new graduates in Apr. 2018 (148 in Apr. 2017, 137 in Apr. 2016)

Personnel related costs & expenses (% of revenue)

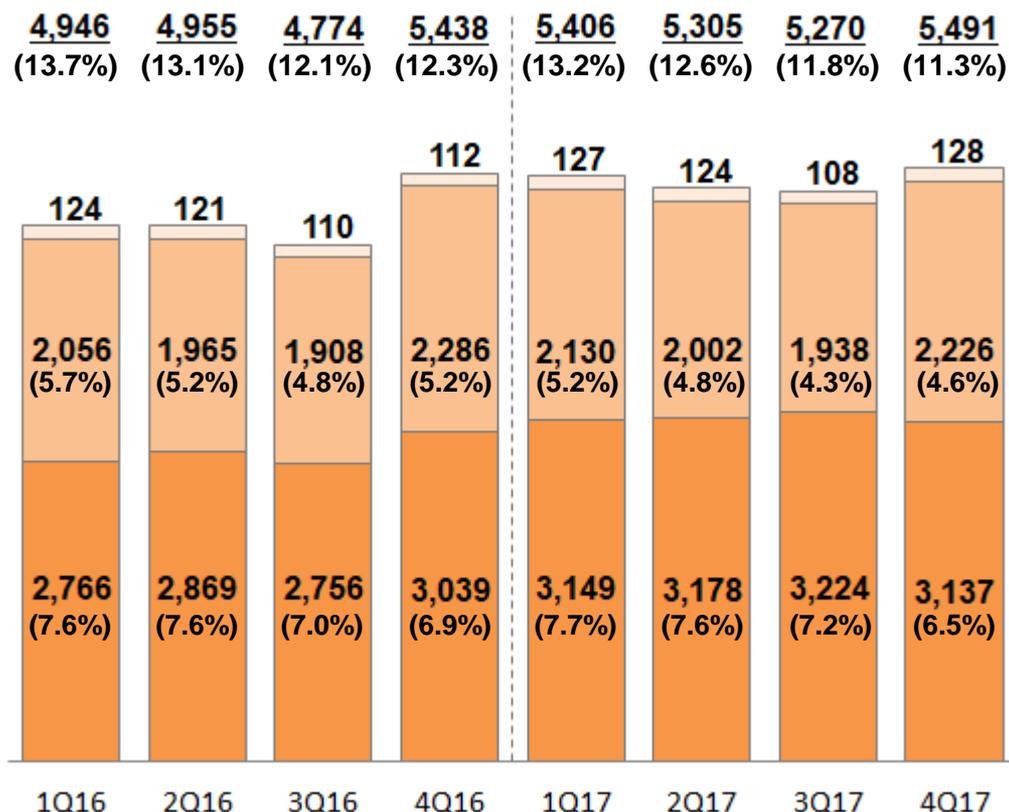
1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
5,464 (15.1%)	5,446 (14.4%)	5,432 (13.8%)	5,635 (12.8%)	5,797 (14.2%)	5,784 (13.8%)	5,775 (12.9%)	5,843 (12.1%)
FY16: 21,977 (13.9%) +3.9%YoY				FY17: 23,199 (13.2%) +5.6%YoY			

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

Unit: JPY million
 [], YoY =Year over year comparison
 QoQ = 4Q17 compared to 3Q17

FY16: 20,113 [+12.7%]

FY17: 21,471 [+6.8%]



Sales & marketing expenses

- FY17: up 11.0% YoY
 - Advertising expenses, sales commission expenses, and personnel-related expenses increased
 - Sales commission expenses: up approx. JPY0.3 billion YoY

General & administrative expenses

- FY17: up 1.0% YoY
 - Personnel-related expenses increased
- 4Q17
 - Increased QoQ mainly due to disposal (JPY50 million)

◆ SG&A related to ATM operation business

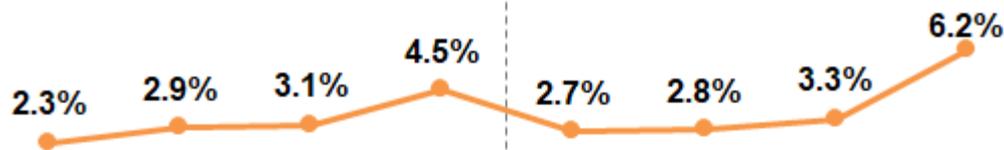
1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17
43.5	51.1	42.9	47.0	35.5	44.8	36.4	38.4

- Placed 1,096 ATMs as of March 31, 2018

Operating Income & Net Income

Operating Income Net Income Attributable to IIJ Operating Margin Ratio

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

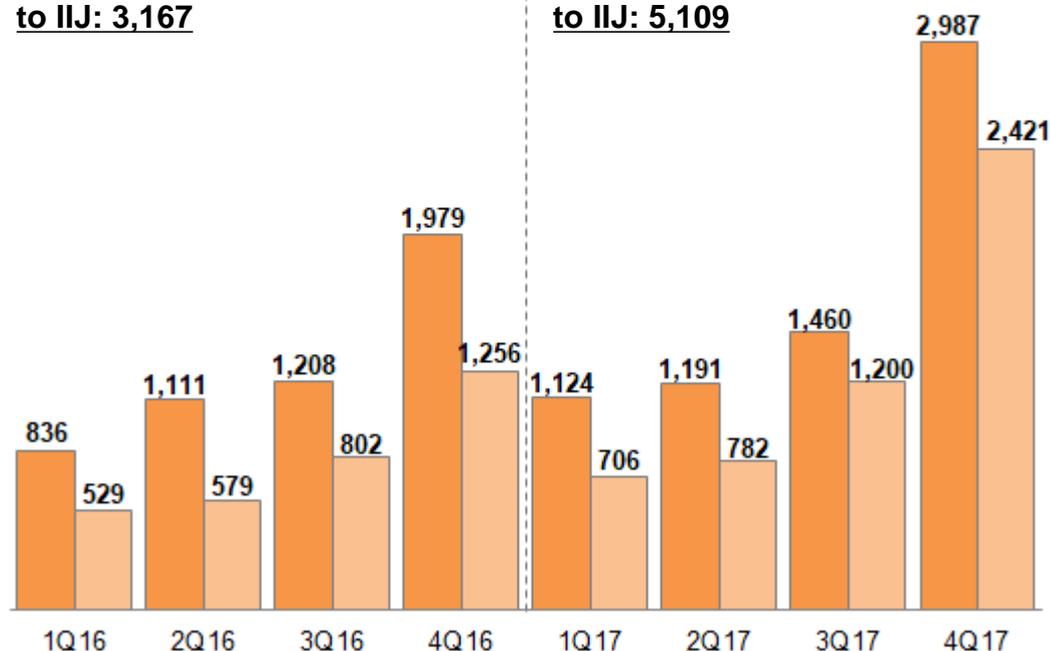


FY16 Operating income: 5,134

FY16 Net income attributable to IIJ: 3,167

FY17 Operating income: 6,762

FY17 Net income attributable to IIJ: 5,109



139	531	446	1,203	342	764	531	1,372	Current income tax expense
301	(18)	67	(444)	109	(245)	113	(290)	Deferred tax expense (benefit)
17	25	28	61	36	41	24	33	Equity in net income of equity method investees
(42)	(43)	(41)	(39)	(42)	(47)	(39)	(42)	Less: Net income attributable to noncontrolling interests

Income

◆ Income before income tax expense:

- FY17: JPY7,840 million
(up JPY2,413 million, up 44.5% YoY)
 - Net gain on sales of available-for-sale securities: JPY1,068 million
 - Distribution from fund investments: JPY270 million
 - Dividend income: JPY243 million
 - Interest expense: JPY375 million
 - Foreign exchange loss: JPY16 million
- Net gain on sales of other investments: 3Q17 JPY373 million, 4Q17 JPY695 million

◆ Net income attributable to IIJ:

- FY17: JPY5,109 million
(up JPY1,942 million, up 61.3% YoY)
 - Equity in net income of equity method investees including INTERNET MULTIFEED Co.: JPY135 million
 - Net income attributable to noncontrolling interests including Trust Networks Inc.: JPY170 million

Consolidated Balance Sheets (Summary)

Financials

Unit: JPY million

	Mar. 31, 2017	Mar. 31, 2018	Changes
Cash and Cash Equivalents	21,959	21,403	(556)
Accounts Receivable	27,384	31,831	+4,447
Inventories	2,798	1,715	(1,084)
Prepaid Expenses (Current and Noncurrent)	14,218	16,409	+2,191
Investments in Equity Method Investees	3,150	5,246	+2,096
Other Investments	7,925	11,374	+3,450
Property and Equipment	39,775	46,414	+6,639
Goodwill and Other Intangible Assets	9,257	8,787	(469)
Guarantee Deposits	3,060	3,422	+362
Total Assets:	<u>137,395</u>	<u>153,449</u>	<u>+16,054</u>
Accounts Payable	16,962	16,399	(563)
Income Taxes Payable	1,076	1,928	+852
Borrowings (Short-term and Long-term)	17,750	24,750	+7,000
Capital Lease Obligations (Current and Noncurrent)	15,203	16,577	+1,373
Total Liabilities:	<u>70,015</u>	<u>79,460</u>	<u>+9,445</u>
Common Stock	25,509	25,512	+2
Additional Paid-in Capital	36,118	36,176	+58
Retained earnings	4,512	8,404	+3,892
Accumulated Other Comprehensive Income	2,500	5,075	+2,575
Treasury stock	(1,897)	(1,897)	-
Total IJ Shareholders' Equity:	<u>66,742</u>	<u>73,270</u>	<u>+6,528</u>

Increased mainly due to DeCurret Inc.

Increased mainly due to an increase in the fair value of equity securities including strategic shareholdings such as Recruit Holdings Co., Ltd. & SIGMAXYZ Inc.

Increased due to capital expenditure

Increased mainly due to an increase in the fair value of investment securities

➤ Total IJ Shareholders' Equity to Total Assets: 48.6% as of Mar. 31, 2017; 47.7% as of Mar. 31, 2018

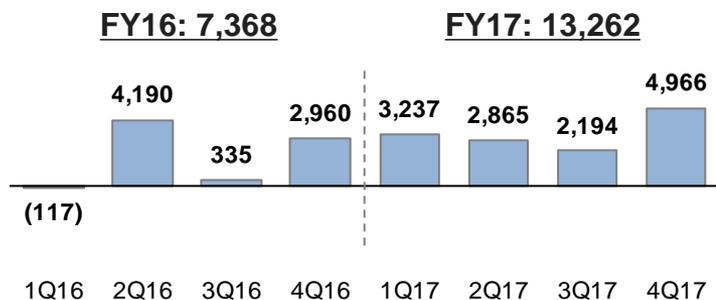
Consolidated Cash Flows

Financials

Unit: JPY million

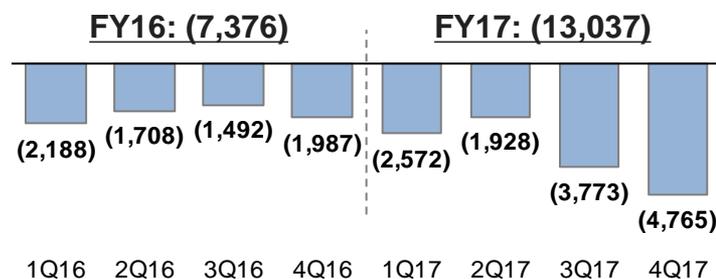
YoY = Year over year comparison

Operating Activities



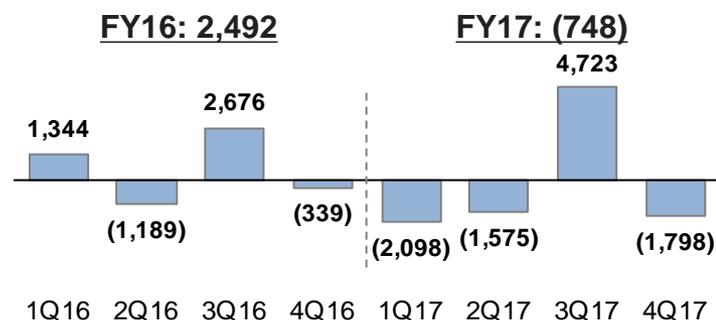
	Major Breakdown	YoY Change
Net income	5,279	+1,947
Depreciation and amortization	12,365	+1,471
Net gain on sales of other investments	(1,068)	(852)
Fluctuations of operating assets and liabilities	(3,526)	+3,500

Investing Activities



	Major Breakdown	YoY Change
Purchase of property and equipment	(15,771)	(5,147)
Proceeds from sales of property & equipment (mainly lease-back transaction)	3,306	+260
Investment in an equity method investee	(2,005)	(1,906)
Proceeds from sale of stock of a subsidiary (net of cash divested)	726	+726
Proceeds from sales of available-for sale securities	1,207	+1,202

Financing Activities



	Major Breakdown	YoY Change
Principal payments under capital leases	(5,724)	(904)
Dividends paid	(1,217)	(91)
Long-term bank borrowings	7,000	(1,500)
Payment of long-term accounts payable	(571)	(541)

Other Financial Data (CAPEX etc.)

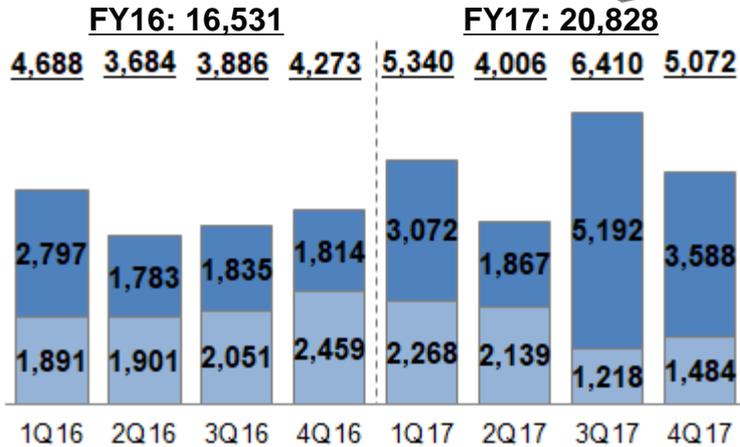
Unit: JPY million
[] = Year over year comparison

Financials

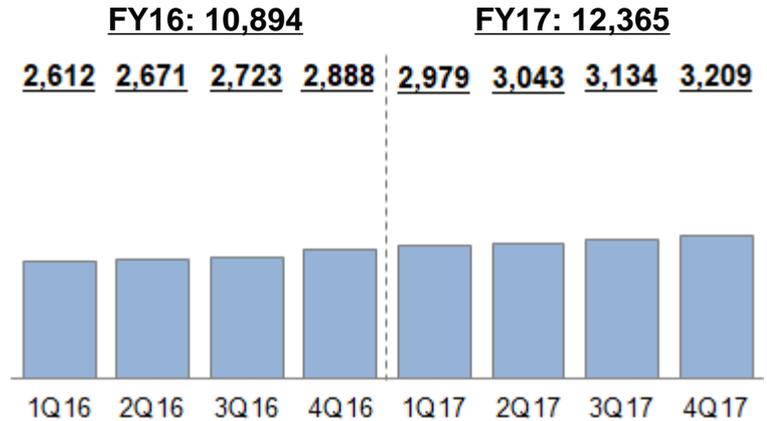
CAPEX

- Cash CAPEX
- Capital Lease

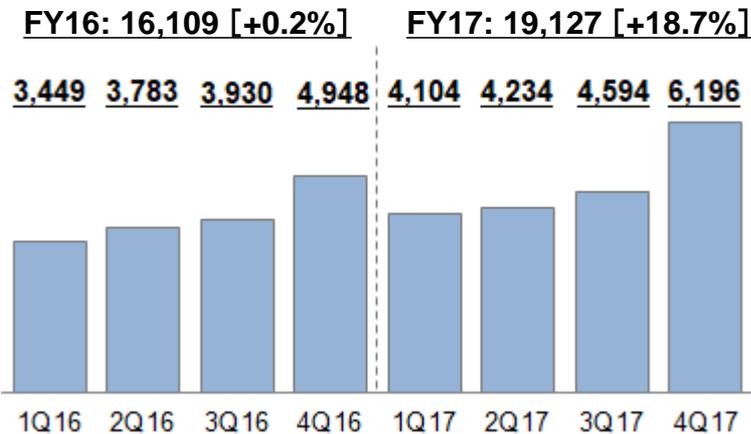
- Cloud-related: JPY7.9 billion
(Including GIO P2 facility in Western Japan of approx. JPY3 billion which is for FY18 usage)
- Ordinary CAPEX (i.e. NW expansion): JPY11.7 billion
(almost the same volume as usual)
- Shiroi data center-related: JPY1.2 billion



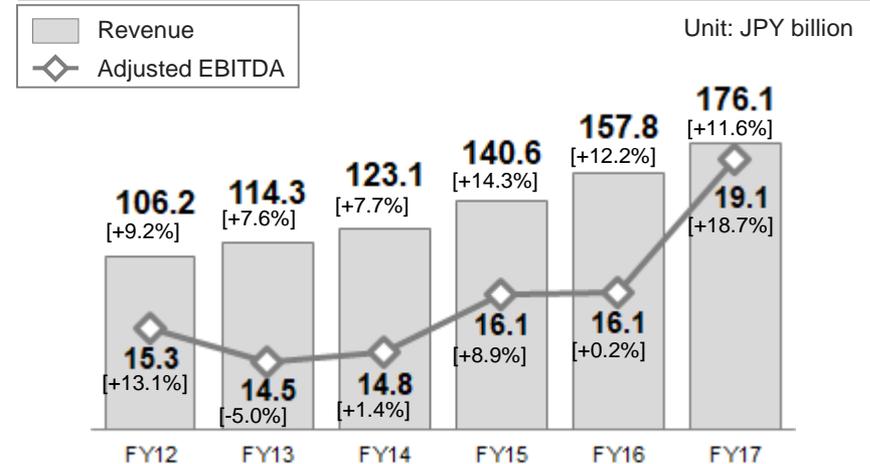
Depreciation and Amortization



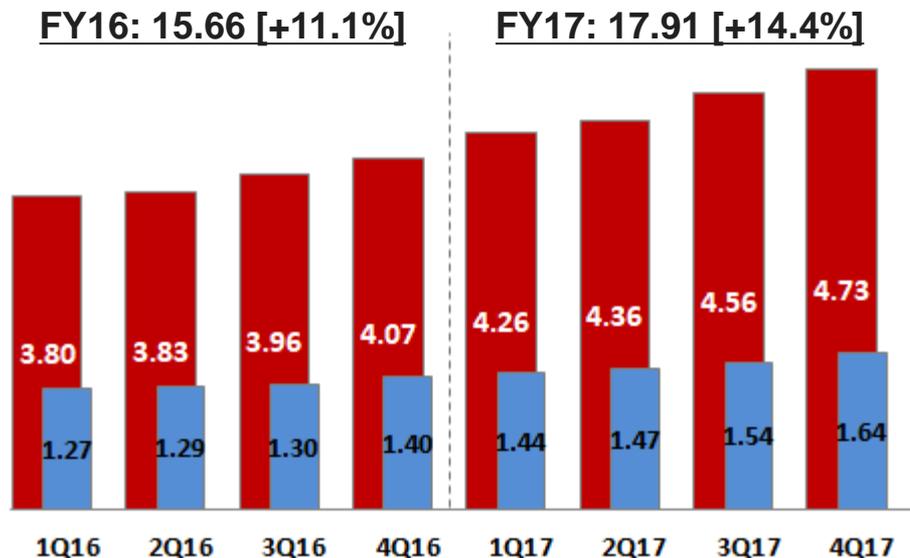
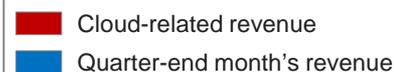
Adjusted EBITDA



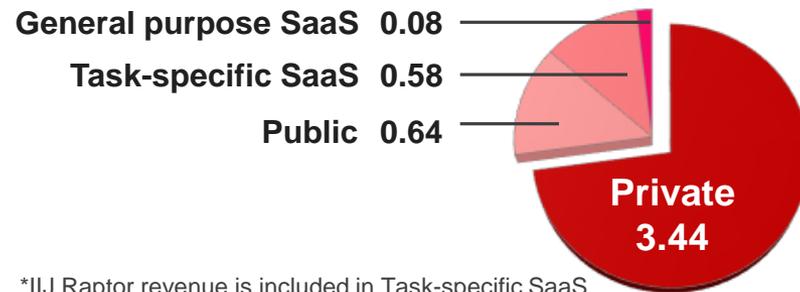
Revenue & Adjusted EBITDA Annual Growth



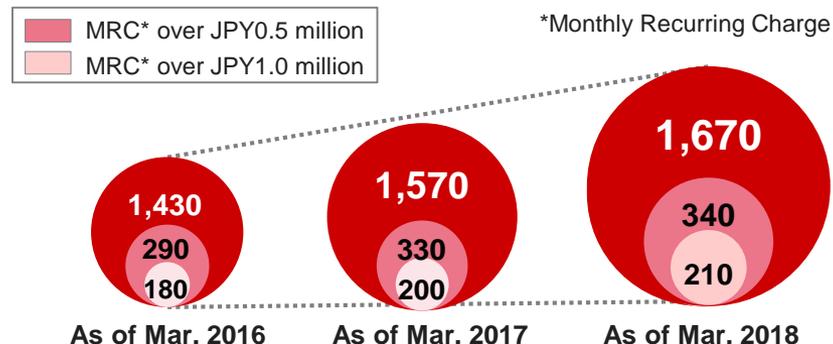
Cloud-related revenue



4Q17 revenue



Cloud Customer Base



◆ FY17 Results

- **Resulted almost as planned with continuous revenue accumulation including large projects**
 - Core business operation system for a prominent travel agency's service platform, multi-cloud system for a prominent logistics company, service platform for a large online business company etc.
 - Cloud gross margin increased by approx. JPY0.4 billion from FY16, almost as planned
 - Large gaming clients' revenue at approx. 8% towards the total cloud revenue

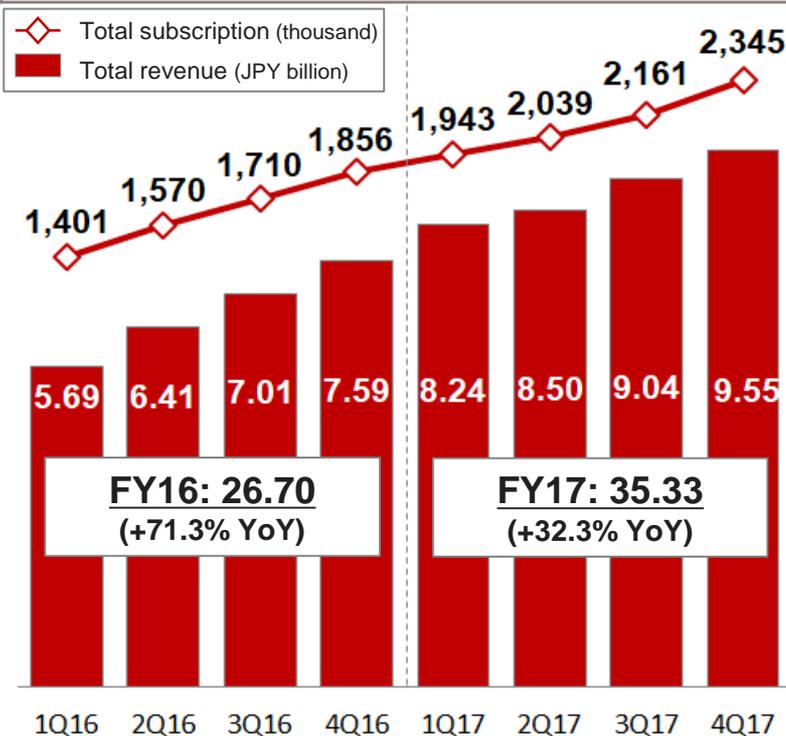
◆ FY18 Plan

- **FY18 revenue target: approx. JPY20.0 billion (up 11.7%YoY)**
 - Continuously accumulating revenue by executing enterprise demands-suited multi/private cloud strategy with GIO P2, VMware virtualization platform service, UOM etc.

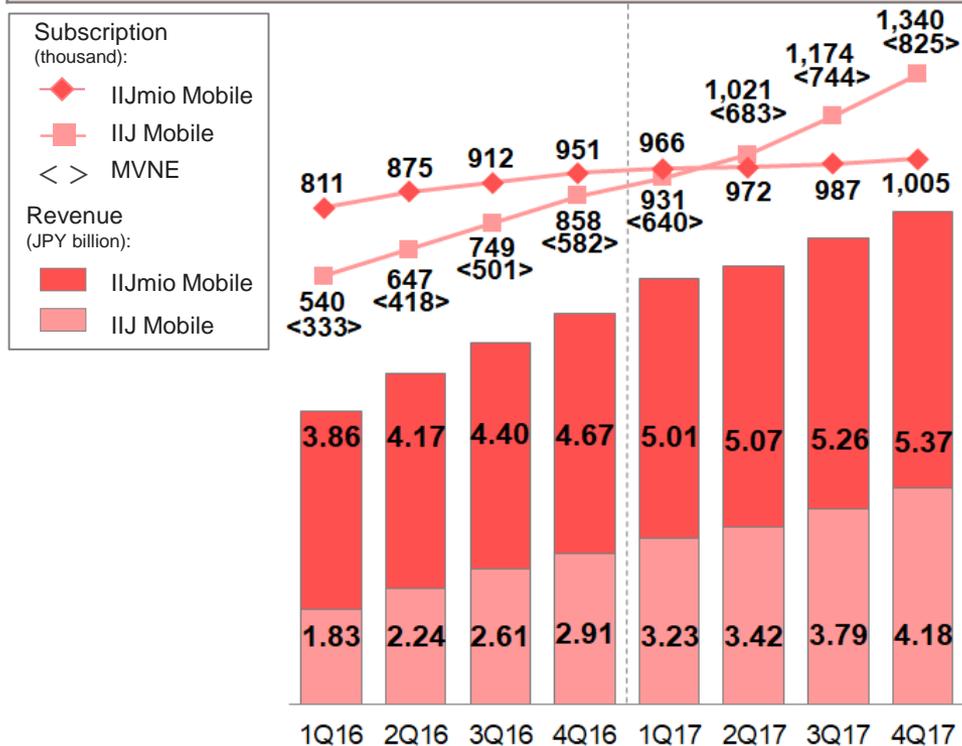
◆ 4Q17 Cloud revenue recognition

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

Total subscription & revenue



IIJmio Mobile (consumer) & IIJ Mobile (enterprise)



◆ Enterprise mobile (excluding MVNE) strongly growing

- FY17 revenue JPY3.75 billion
- FY17-end subscription up 86.8% YoY
 - Accumulating solutions such as BtoC handy devices, security cameras connection, dashboard cameras, taxi dispatch system etc.

◆ Continuously accumulating consumer traffic with MVNE strategy

- FY17-end MVNE subscription: up 41.6% YoY
- FY17-end MVNE clients: 137 (up 13 clients YoY)
 - MVNE growth mainly led by a prominent retailer, prominent contents distribution holder, CATV operators etc.

◆ FY18 Plan

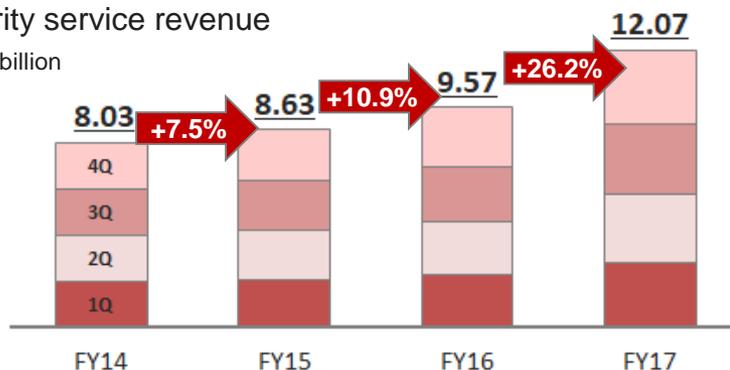
- Plan to further accumulate enterprise IoT demands with full-MVNO
 - Continuously expand functions such as SIM life cycle management, global connection, eSIM/chip SIM etc.
 - Increase in fixed cost by approx. JPY0.1 billion per month due to full-MVNO
 - ✓ HSS/HLR systems depreciation
 - ✓ Monthly payment for NTT DOCOMO's network remodeling fee
- Continuously accumulate subscription of both consumer & enterprise with MVNE and IoT
 - While cost increases due to full-MVNO in FY18, expect profitability to improve in the mid-term with accumulation of enterprise traffic which is to absorb the fixed cost increase

Security

% = Year over year revenue growth

◆ Security service revenue

Unit: JPY billion



*Security service revenue is recognized in outsourcing service

- ◆ FY17 security service largely grew due to a large security cloud project for local government & overall strong demand
 - SOC, DDoS protection & Virtual desktop services led the growth
- ◆ Continuously accumulating security-related SI projects in addition to security service revenue
 - FY17 total security-related revenue approx. JPY13.5 billion

IoT

- ◆ Continuously accumulating IoT related prospective project: over 320 as of FY17-end

Security camera	In-store camera for marketing	Metric camera
Remote monitoring	Office IT	Connected car
In-vehicle system	Wearable sensors	Smart factory
Vehicle management	Traceability	etc.

- ◆ Chubu Electric Power Co. to start connected home business with “necolico LLC,” IIJ co-working as JV
 - Plan to provide IoT service platform to energy service providers & CATV from Sep. 2018, nenolico is not IIJ’s equity method investee

JOCDN Inc. ~ CDN business ~

- ◆ Established in Dec. 2016; Major Japanese commercial broadcasting companies invested in Apr. 2017, IIJ ownership 20%
- ◆ Providing highly reliable & performance CDN services to 15 clients including TVer as of Mar. 2018
 - Greater than initially expected traffic demand in FY17
- ◆ Plan to provide CDN services to a prominent contents distribution service provider from 1Q18



DeCurret Inc. ~ FinTech ~

- ◆ Established in Jan. 2018; 18 companies including mega banks as shareholders, Capital JPY5.23 billion, IIJ ownership 35%
- ◆ Working rigorously on developing systems & operation process; preparing to be registered by the FSA
 - Plan to launch cryptocurrency exchange service (from 2H18), cryptocurrency settlement service (from FY19)
 - Co-working with employees from shareholders’ companies on service development; Over 20 employees as of FY17-end
 - Former CIO of MUFG Bank, Mr. Murabayashi, as advisor



FY2018 Financial Target (1)

Unit: JPY billion
YoY = Year over year comparison
Subs. = subscription

Financials

	% of Revenues		% of Revenues		YoY Change	
	FY17 Results (Apr. 2017 - Mar. 2018)	1H18 Target (Apr. 2018 - Sep. 2018)	FY18 Target (Apr. 2018 - Mar. 2019)			
Total Revenues	176.1	90.0	190.0	+7.9%	+13.9	
Total Cost of Revenues	84.0% 147.8	84.8% 76.3	84.3% 160.2	+8.4%	+12.4	
Gross Margin	16.0% 28.2	15.2% 13.7	15.7% 29.8	+5.6%	+1.6	
SG&A/R&D	12.2% 21.5	12.4% 11.2	12.0% 22.8	+6.3%	+1.3	
Operating Income	3.8% 6.8	2.8% 2.5	3.7% 7.0	+3.5%	+0.2	
Cash Dividends per common share	JPY27.00	JPY13.50	JPY27.00	-	-	

Target & Assumption

Network Services	◆ NW services revenue to further grow
	<ul style="list-style-type: none"> ➢ Connectivity, Security and others to continue growing like FY17 but without the contribution of the large local govt proj ➢ IP service revenue to expand with CDN demand ➢ hi-ho's unconsolidation is a negative for consumer revenue ➢ WAN services won't grow as a large-scale project connecting multiple locations migrating to mobile
	◆ Continue to acquire mobile subs. with MVNE & IoT
	<ul style="list-style-type: none"> ➢ MVNE clients & subs. to increase continuously ➢ Consumer subs. acquisition pace following 2H17
	◆ Increase in fixed cost by approx. JPY0.1 billion per month due to full-MVNO
	<ul style="list-style-type: none"> ➢ HSS/HLR systems depreciation ➢ NTT DOCOMO's network remodeling fee
◆ Full-MVNO annual revenue approx. JPY0.5 billion	
◆ Gross margin to increase by absorbing forefront cost increase related to full-MVNO through enhanced sales activity for already invested service	

SI	◆ Construction revenue growth not so large as cloud penetration to expand
	◆ Cloud revenue approx. JPY20.0 billion (up 11.7%)
	◆ Overseas: revenue approx. JPY7.0 billion, OP approx. JPY0.1 billion
	<ul style="list-style-type: none"> ➢ Consolidated subsidiaries in Asia as a whole turn positive
	◆ Gross margin ratio to increase due to cloud revenue accumulation & SI project profitability improvement

IoT	◆ Expand IoT service function by enhancing collaboration between full-MVNO, cloud, security, Accumulate orders with B2B2X business model
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◆ Due to the revision of U.S.GAAP, fluctuation of unrealized gains (losses) on holding equity securities will be recognized in other income (expenses) from 1Q18. Due to difficulties of forecasting such fluctuation, we don't disclose our FY18 targets for income before income tax expense and below
◆ Plan to voluntarily adopt IFRS from FY18 annual report
◆ Please refer to page 8 of our earnings release dated May 15, 2018

SG&A	<ul style="list-style-type: none"> • Personnel-related cost continued to increase • Sales commission expense not to increase as much as FY17 	HR	<ul style="list-style-type: none"> • Net addition of 200 personnel • 175 newly graduates joined in Apr. 2018
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CAPEX	<ul style="list-style-type: none"> • Ordinary capex for network expansion to be almost same level as usual • Cloud-related capex to be approx. JPY3 billion less than FY17 • Approx. JPY3 billion due to Shiroi DC construction (without new investment return risk as the new DC is for integrating service facility) 	Equity Method	<ul style="list-style-type: none"> • Approx. JPY0.6 billion of equity in net loss due to DeCurret • For other equity method investees, assume same level as FY17
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ATM	◆ Almost same as FY17, ATM slightly increase
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FY2018 Financial Target (2)

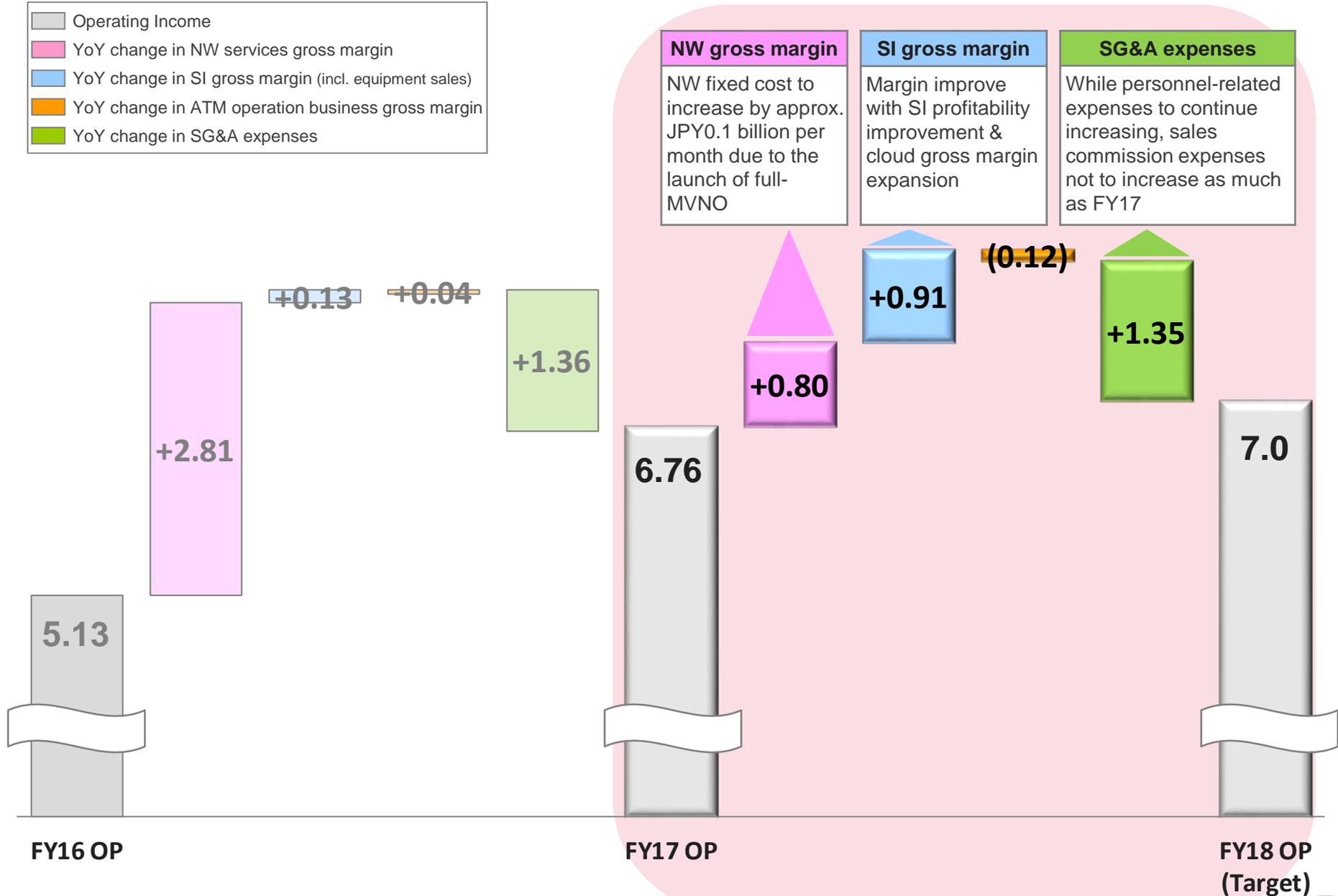
Unit: JPY billion

YoY = Year over year comparison

OP = operating income

Financials

- Operating Income
- YoY change in NW services gross margin
- YoY change in SI gross margin (incl. equipment sales)
- YoY change in ATM operation business gross margin
- YoY change in SG&A expenses



※ 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,
- fluctuations of equity in net income (loss) of equity method investees

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

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