

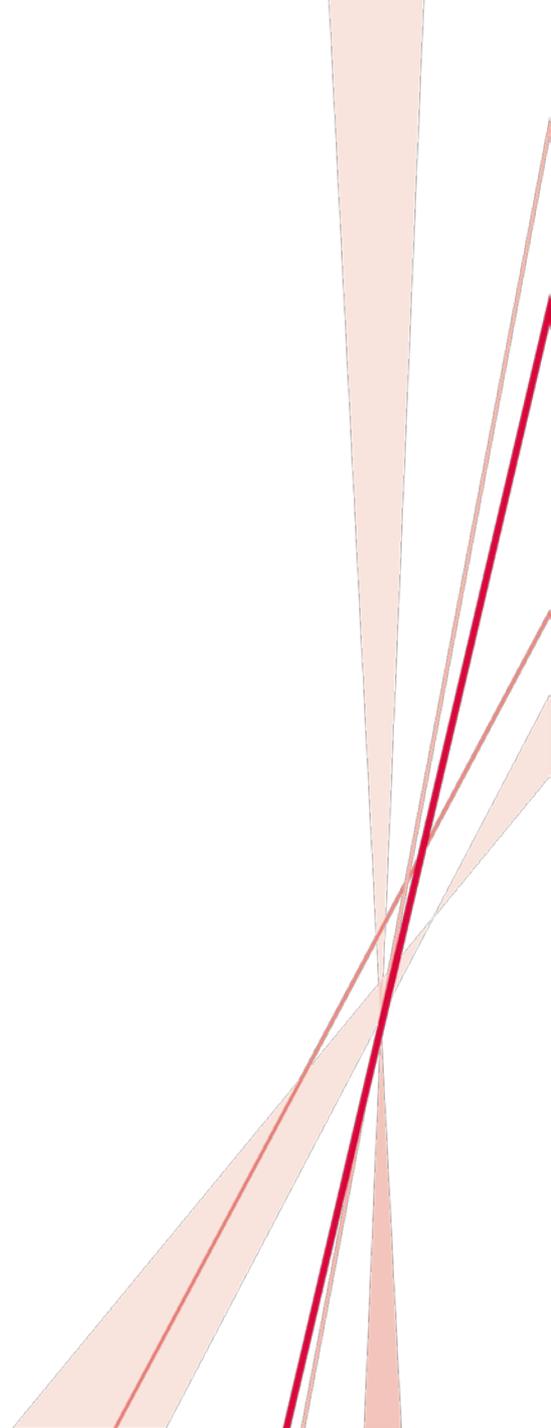
Internet Initiative Japan Inc. Corporate Overview

IR Roadshow in Hong Kong

November 2018

TSE1: 3774 NASDAQ: IIJI

Ongoing Innovation



Outline

- ◆ **Strengths and competitive advantages**
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 - Blue-chip customer base P. 7
 - Comprehensive service line-up P. 8
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 - Recent growth P. 11

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 - Mobile P. 15 – 17
 - Security P. 18
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 - FinTech P. 20-21
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- ◆ **Financials**
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 - FY18 plan summary P. 26
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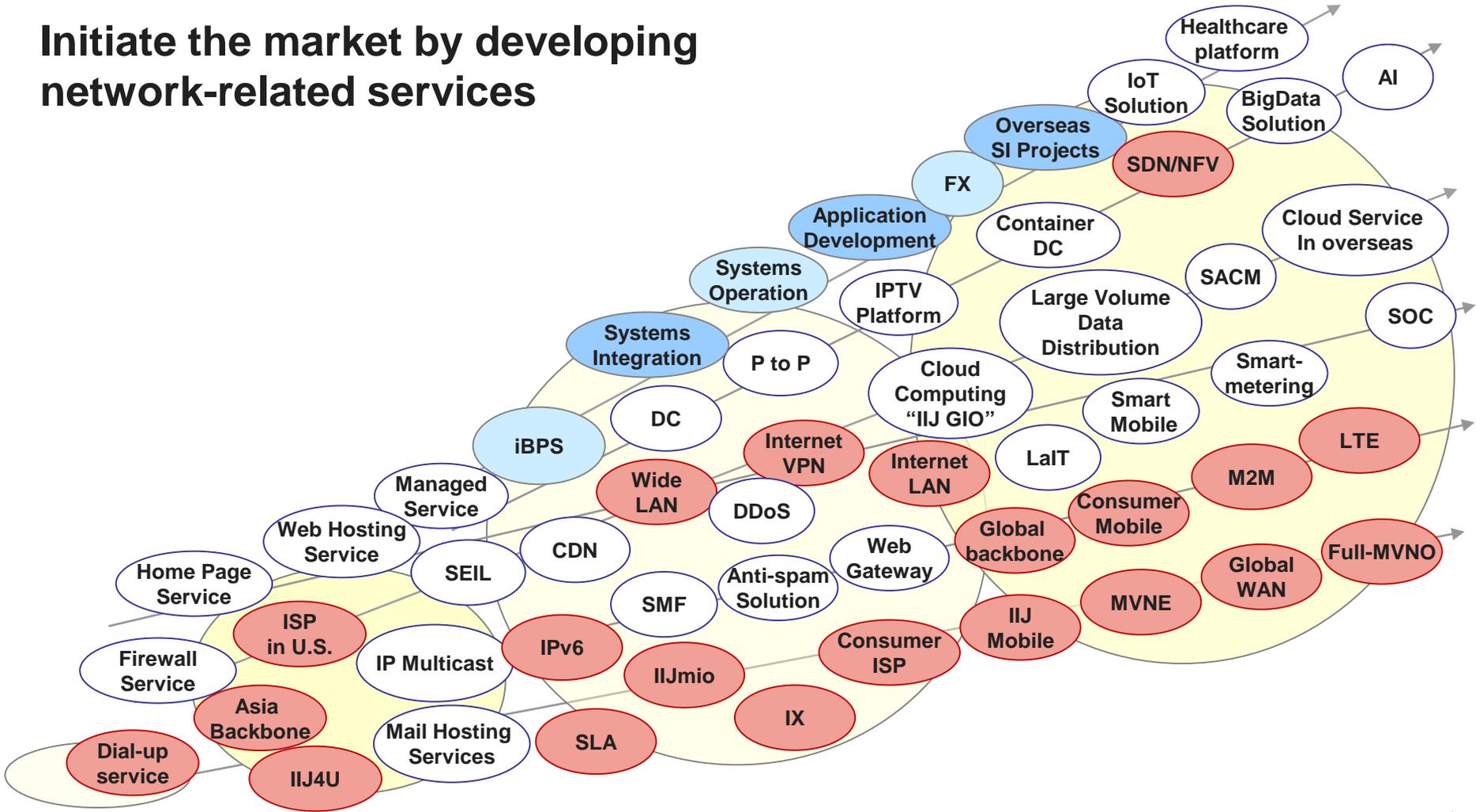
- ◆ **Appendix** P. 28 – 32

Established	December 1992
Number of Employees	3,344 (approx. 70% engineers) Consolidated
Listed Markets	NASDAQ (IIJI), TSE1 (3774)
Large Shareholders	NTT group (26.0%), Dalton (7.3%), CEO Suzuki (5.6%*) <small>*Jointly owned by Mr. Suzuki's wholly owned private company</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 IJ Internet Initiative Japan

1996 IJ America

1997 internet my

1998 IJ Engineering

2006 Net Chart Japan

2007 TRINITY Loyalty Marketing Solutions

2008 IJ INNOVATION INSTITUTE

2010 IJ Global

2013 IJ Europe

2014 株式会社ネットワークイフ (IIFUKU) NETWORK

2016 JOCODN

2018 DeCurret

IJ Group

i-revo

Trust Networks

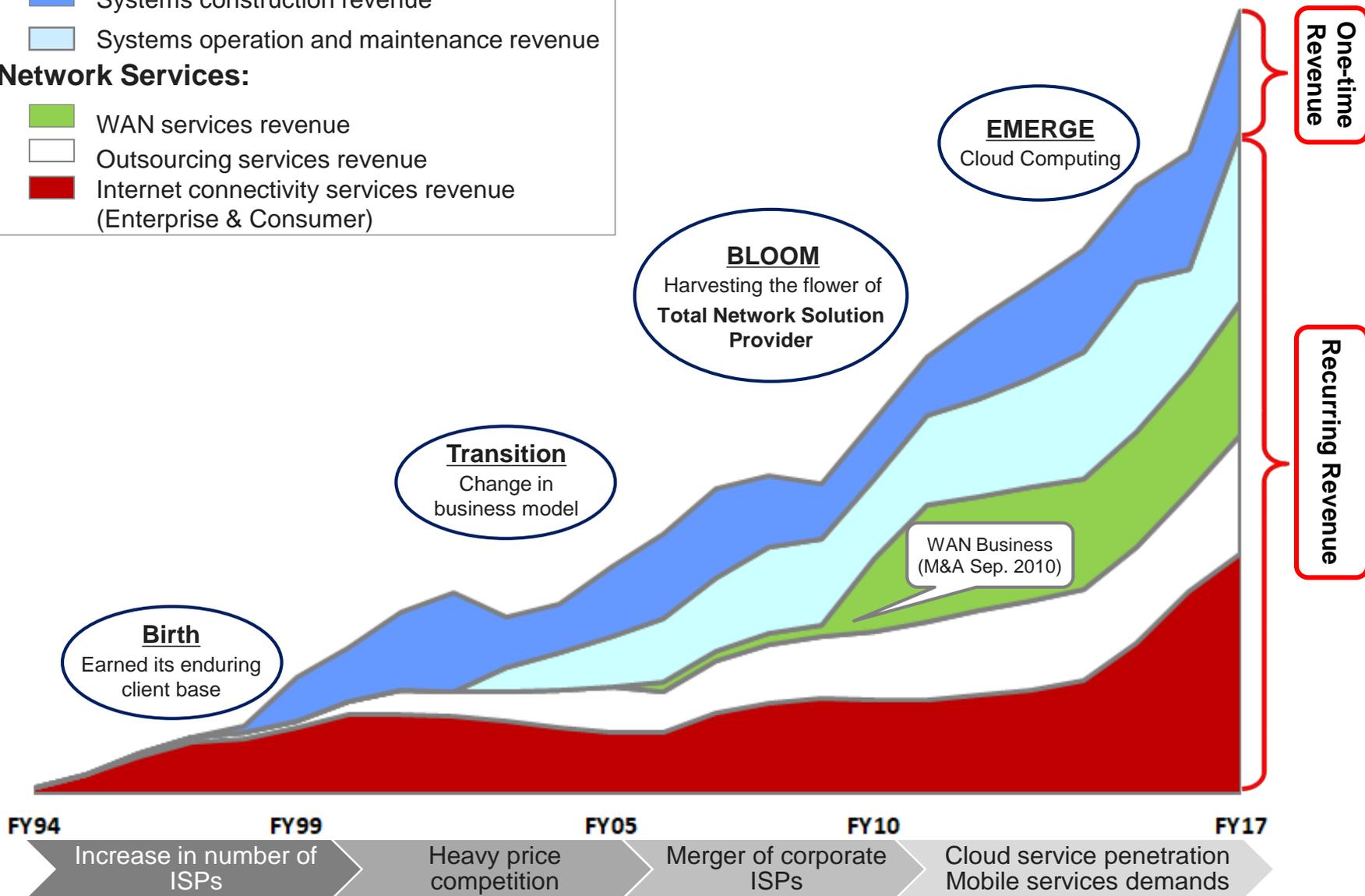
ISP to Total Network Solution Provider

Systems Integration:

- Systems construction revenue
- Systems operation and maintenance revenue

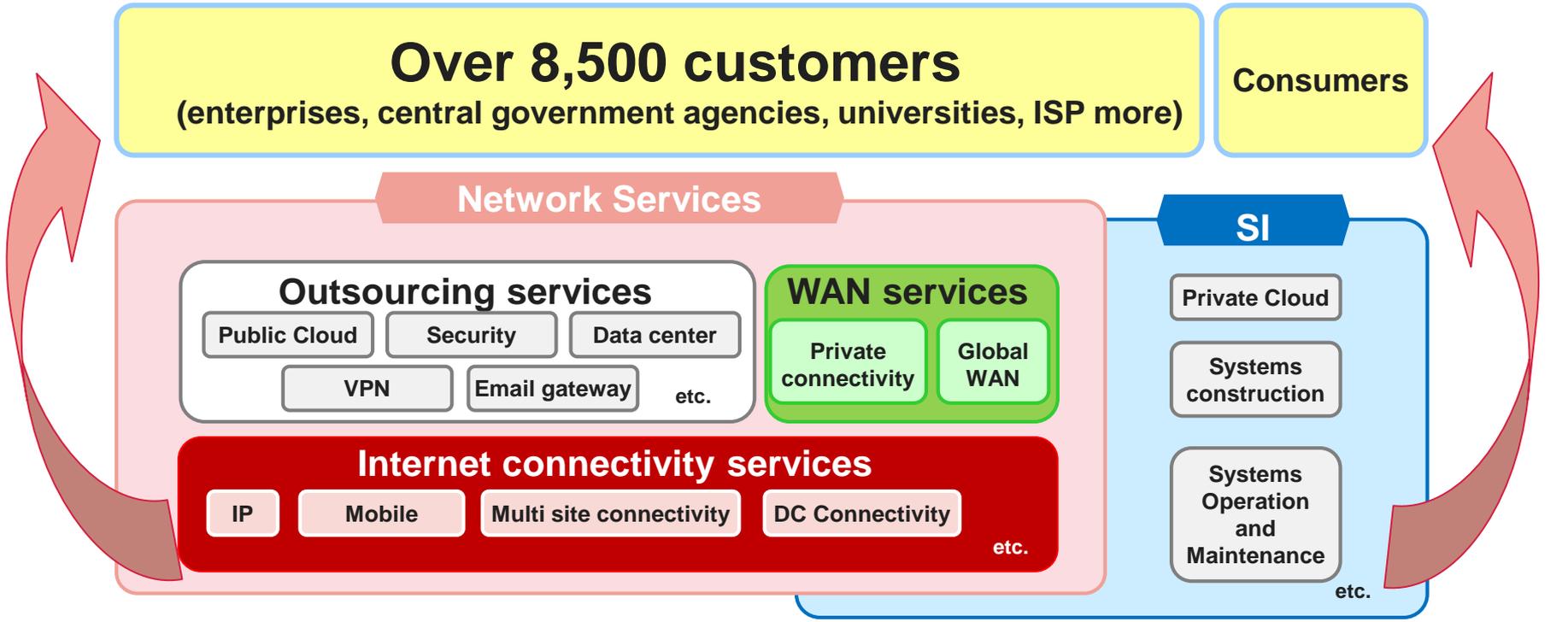
Network Services:

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

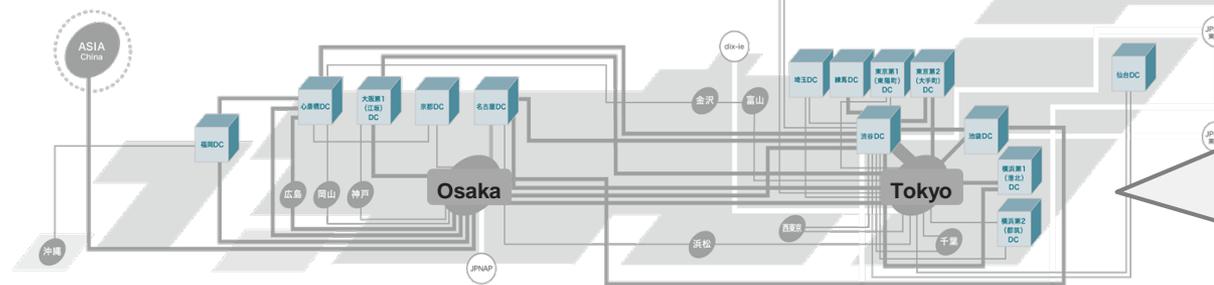


Leveraging Internet-related technology

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)



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.

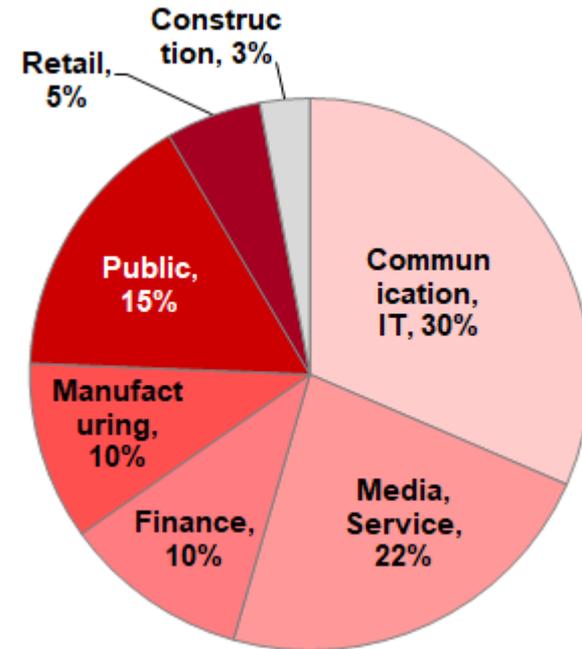
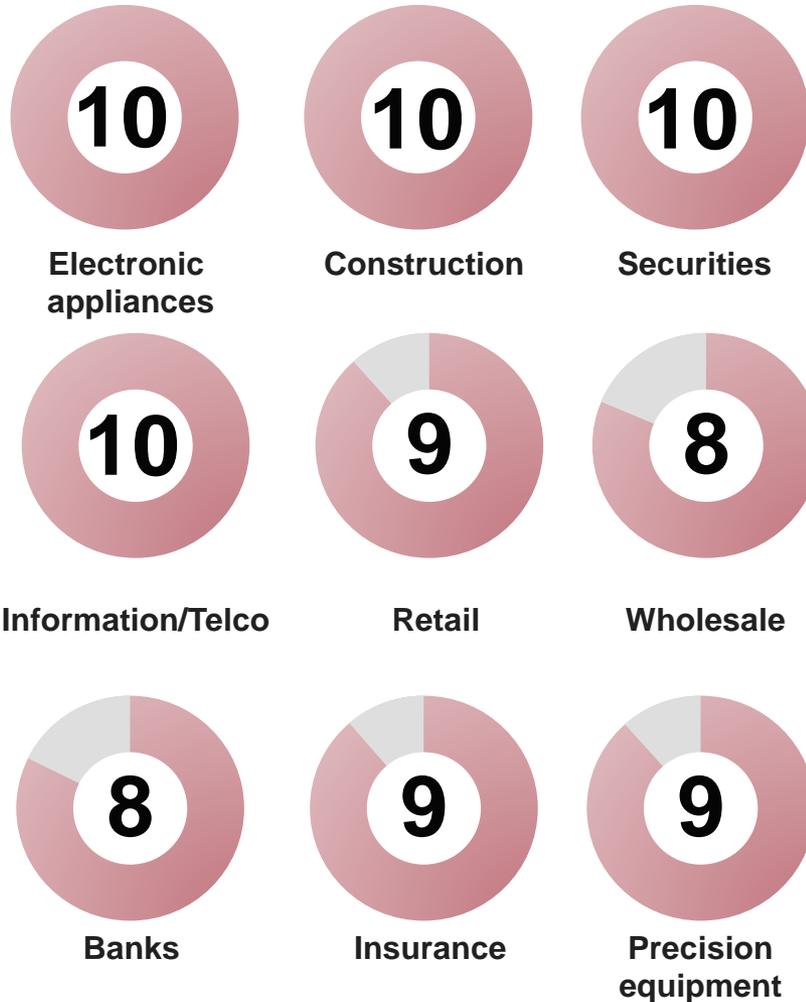
Excellent Customer Base with Many Blue-Chips

Competitive Advantages

Cover Most of Top Revenue Companies

Revenue Distribution by Industry

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



Source: IJ's FY2017 Financials

Comprehensive Line-ups of IT services

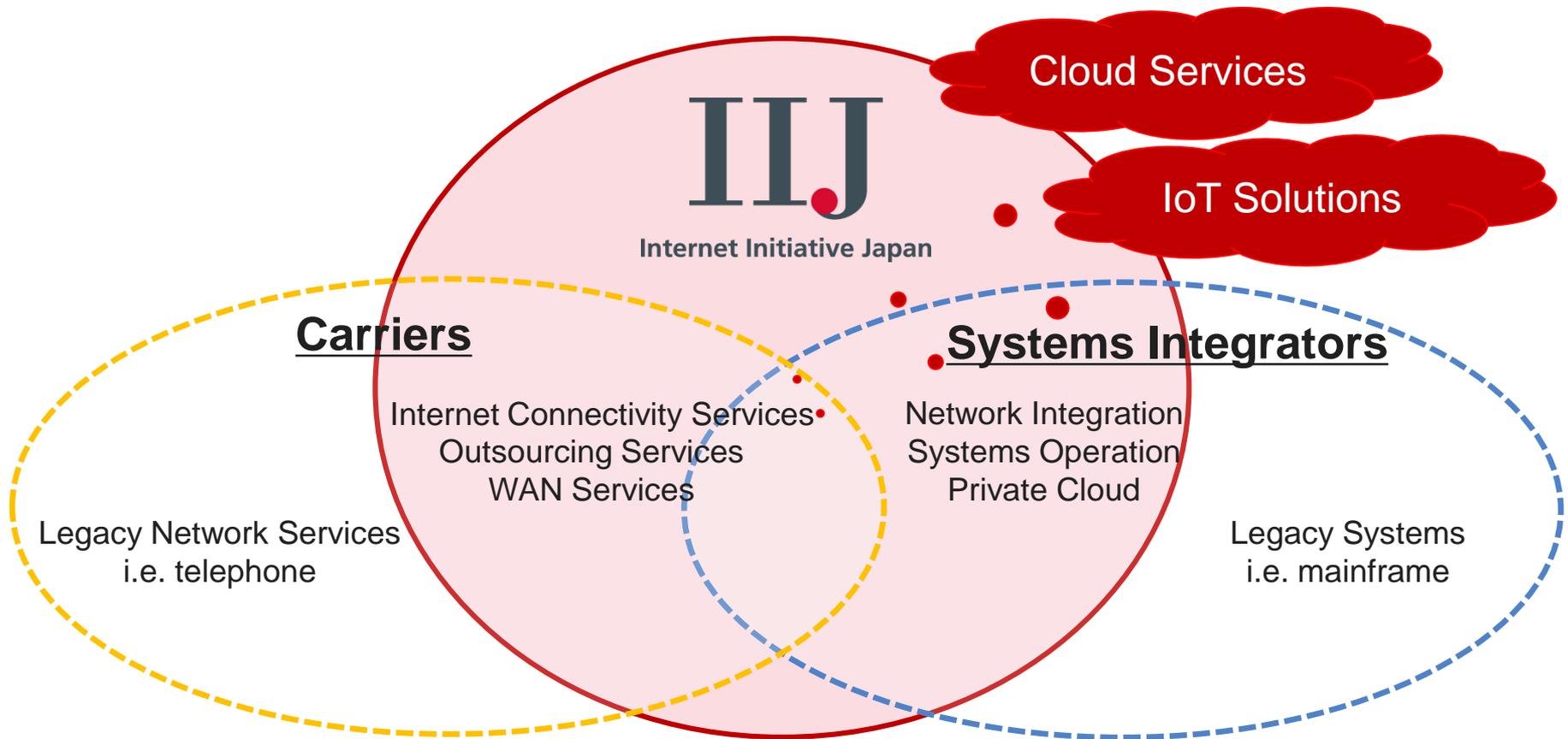
Competitive Advantages

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

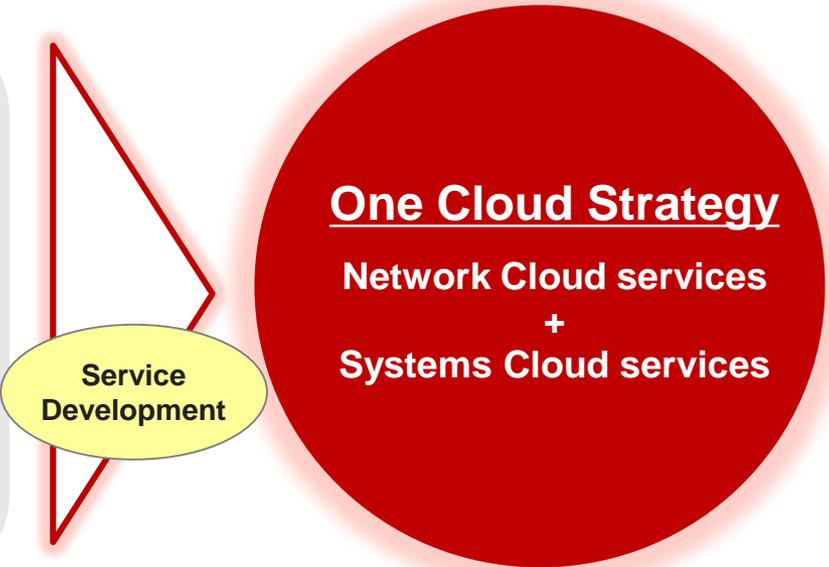
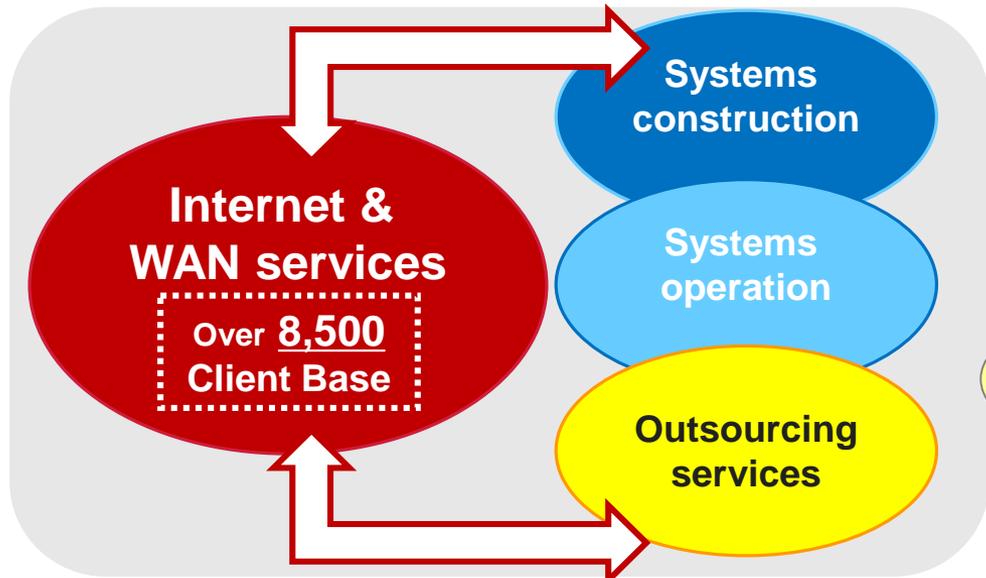
Cover Corporates' New IT Services Demands with reliable operation



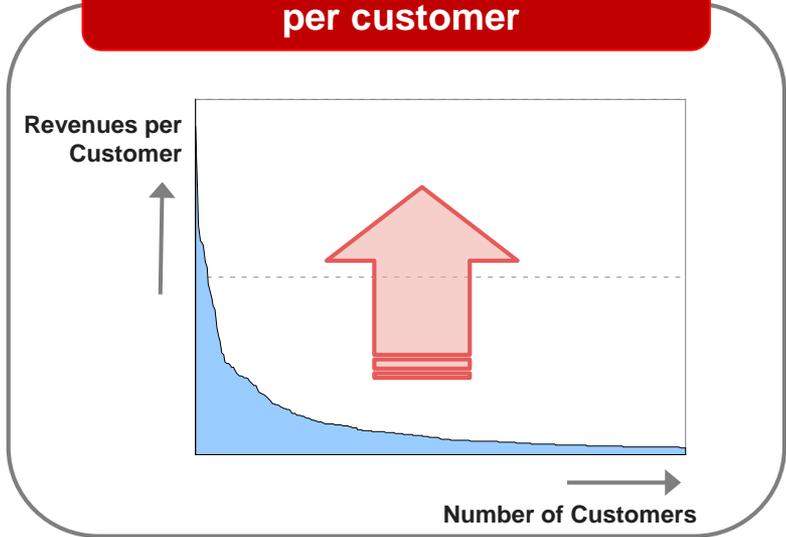
IIJ's differentiation points towards competitors

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

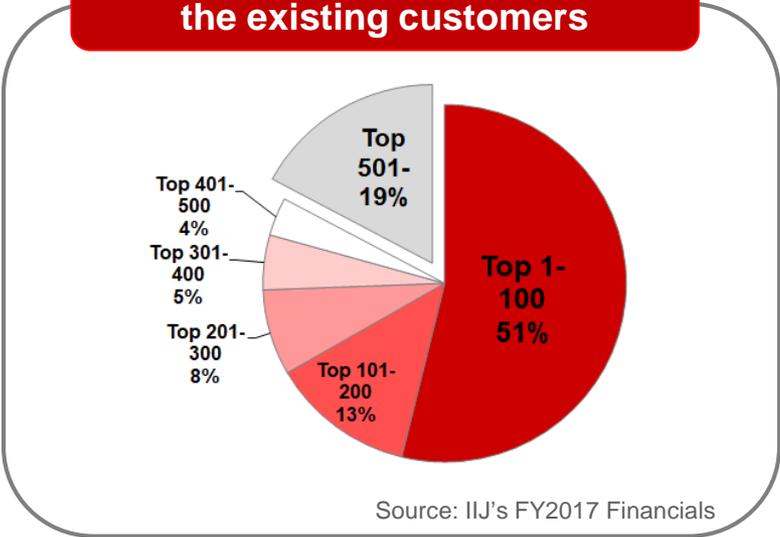
- Operates network facilities by ourselves
- Develops network services
- Moderate number of employees



Increase revenues per customer



Room to increase revenue from the existing customers

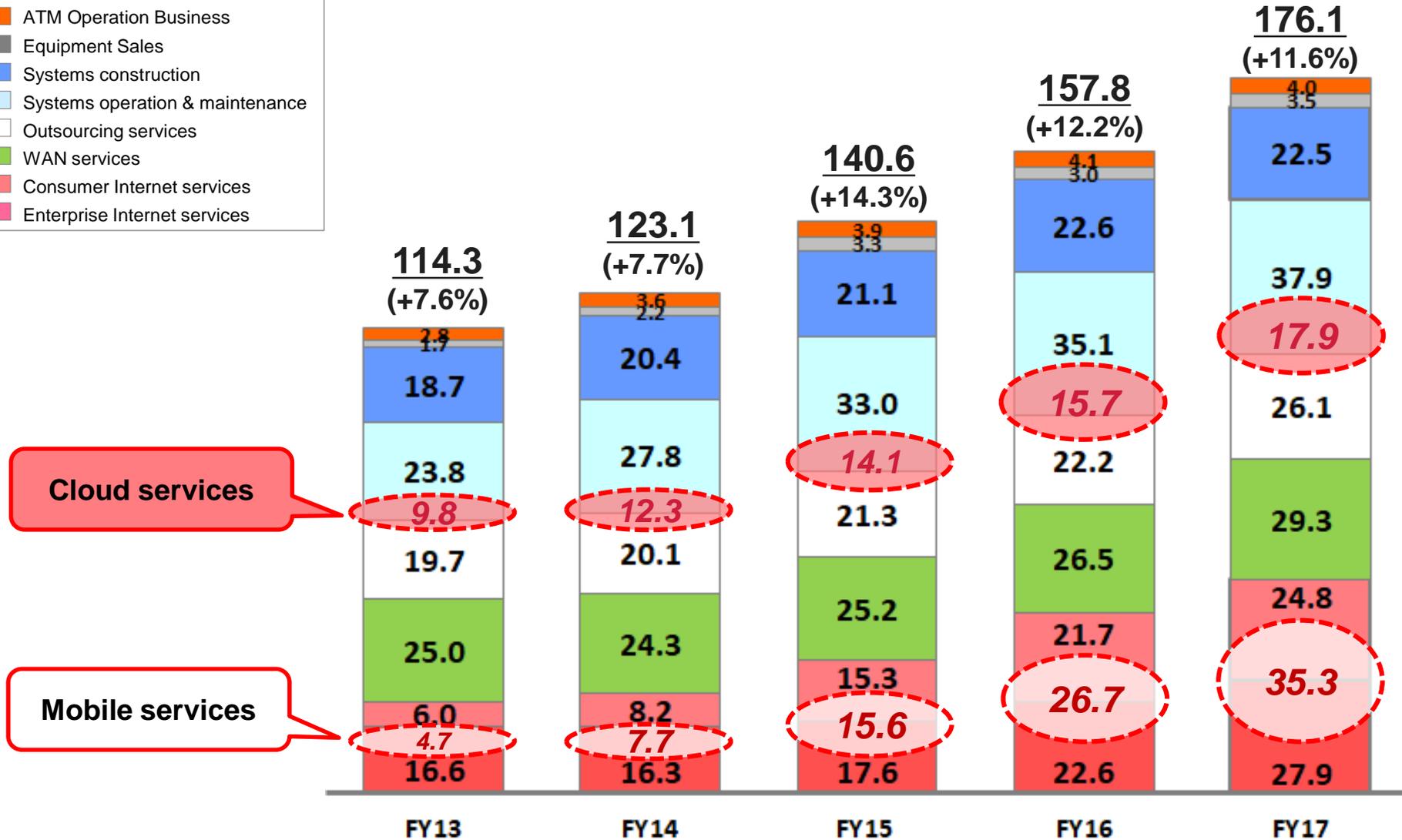
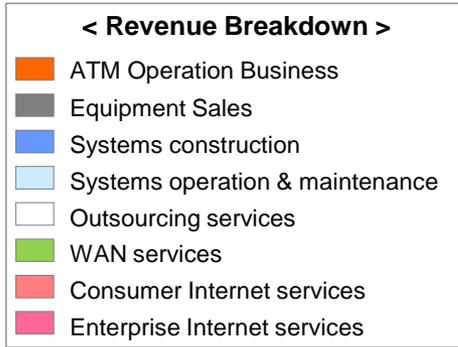


Leveraging Blue-chip Customer Base

Growth Strategy

Cross-selling multiple service products

Unit: JPY billion
% = year over year change

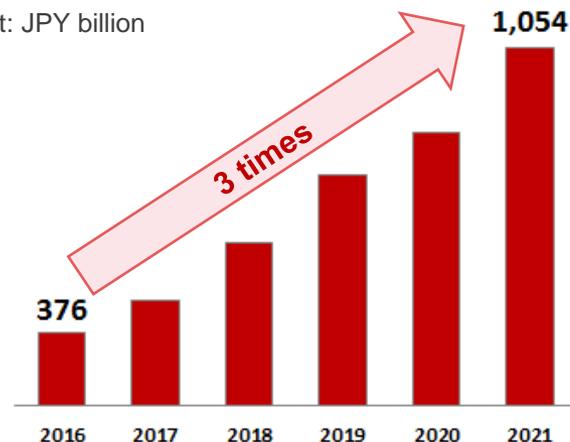


Cloud Market in Japan

- Cloud penetration among Japanese enterprises
 - 56.9% as of 2017-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 and other IIJ services
- ◆ Operate and manage not only IIJ's cloud services but also other vendors' cloud services and on premise systems seamlessly through UOM (Unified Operation Management) Service
- ◆ 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

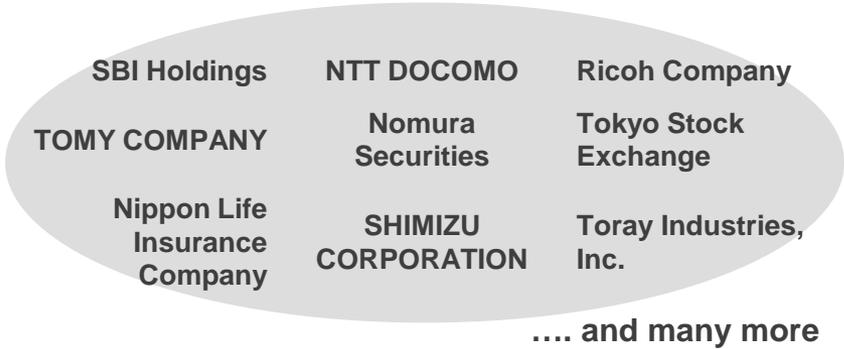
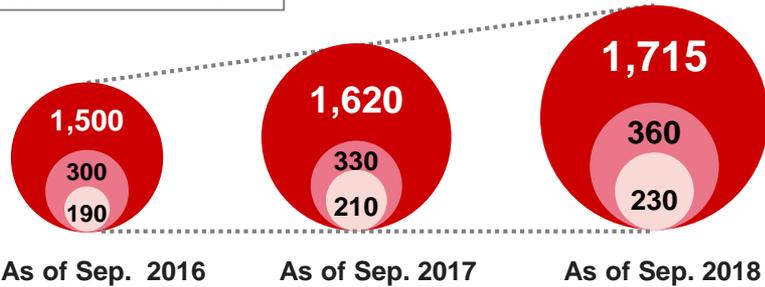
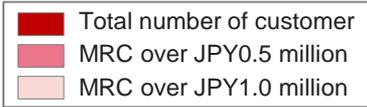
AWS/Azure

- ◆ 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

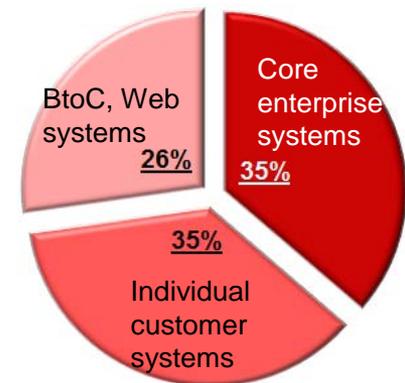
IIJ's Cloud Customer Base



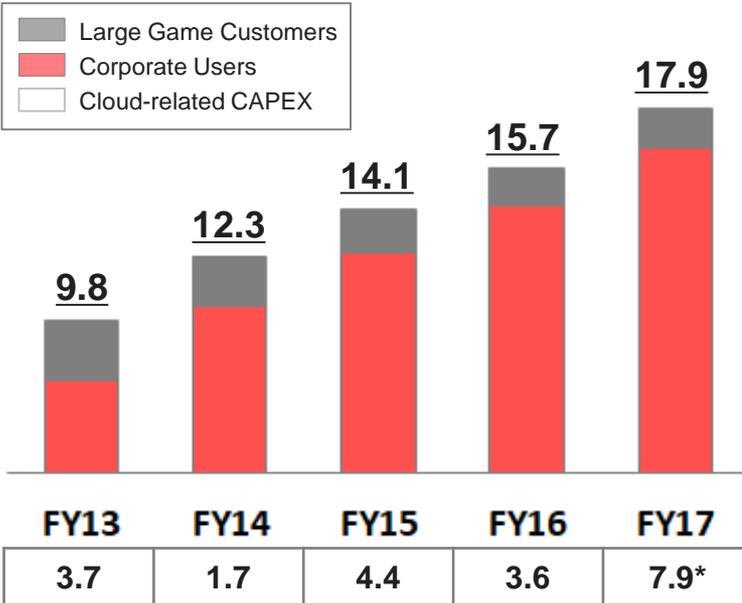
Flagship IIJ GIO P2 Projects

- One of the largest global logistics companies, chose IIJ's cloud service for its fully-outsourced internal systems (3,500 servers and 2PT storage) → MRC JPY9 million
- One of the largest prefectures, chose IIJ's cloud services for "Local Government Information Security Cloud" systems → MRC JPY60 million
- One of the largest online ticketing companies chose IIJ's cloud service for its main and prominent service platform → MRC JPY14 million
- One of the largest travel agencies chose IIJ's cloud services for its core business operation systems → MRC JPY12 million

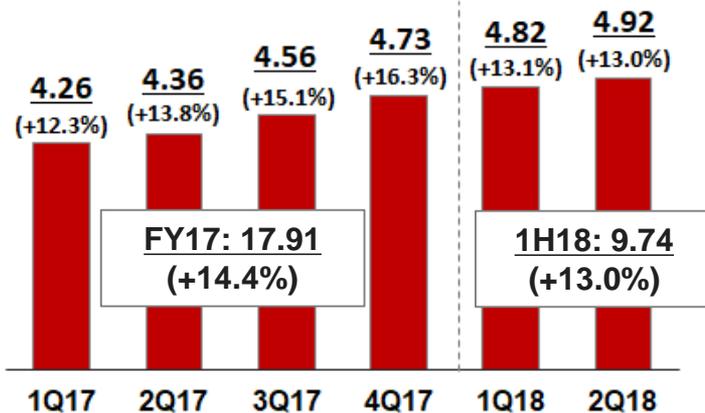
IIJ GIO P2 System Usage



IIJ's Cloud Revenue Growth Unit: JPY billion



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



Business model

◆ Revenue

- Enterprise systems life cycle: 4 to 5 years on average
- Along with Japanese enterprises' internal IT systems migration to cloud, types of systems IIJ can deal should expand
- Revenue depends on system volume (i.e. number of cloud servers)
- Revenue to expand along with increase in customers and system volume

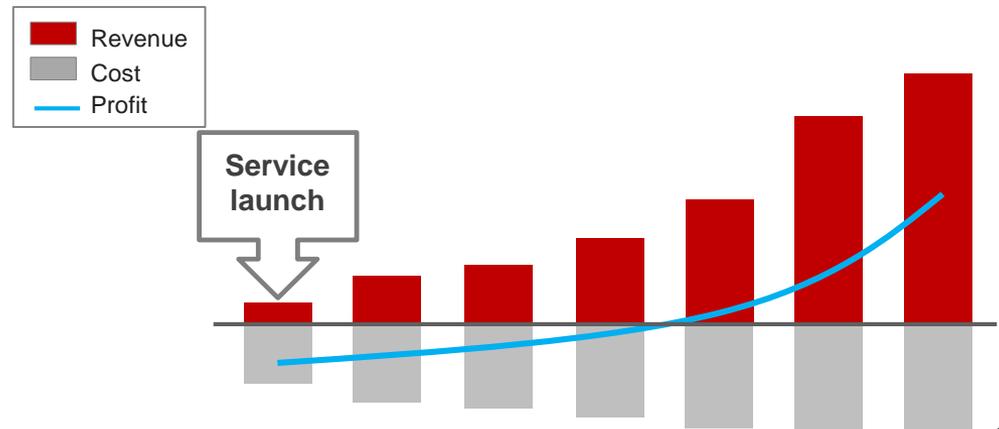
◆ Cost

- Leasing fee for data center space, depreciation and amortization cost for services and other network equipment, outsourcing cost and personnel costs

◆ Profit

- Currently very low profitability as still in investment phase (need to expand service facility and develop services)
- Should be able to enjoy economy of scale once large volume of cloud services are used by customers

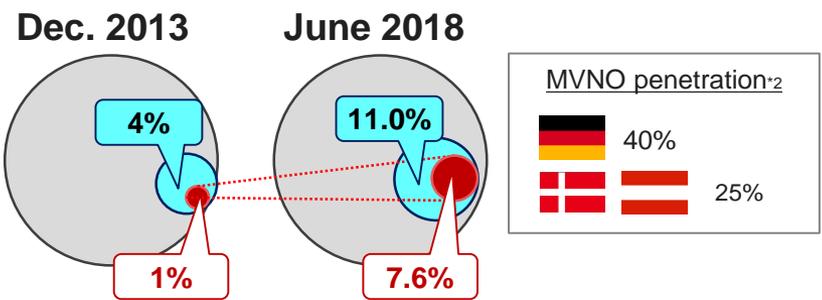
Image on profit making



Mobile Business

MVNO Penetration in Japan*1

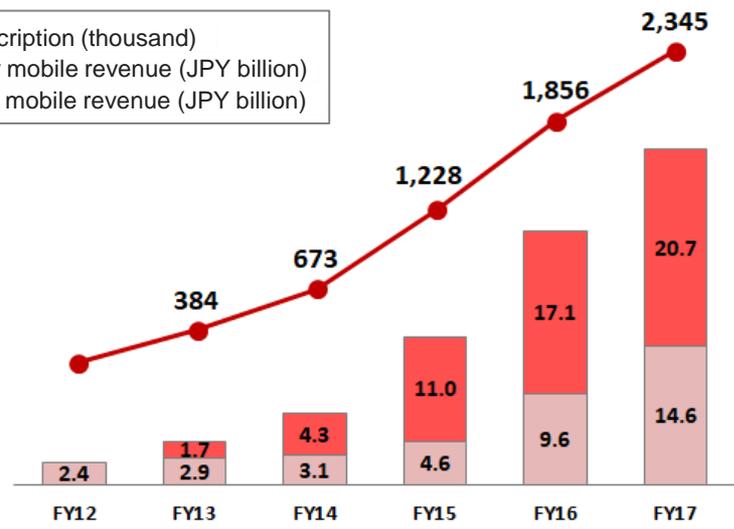
- Total mobile subscription (around 170 million)
- MVNO subscription
- SIM card subscription



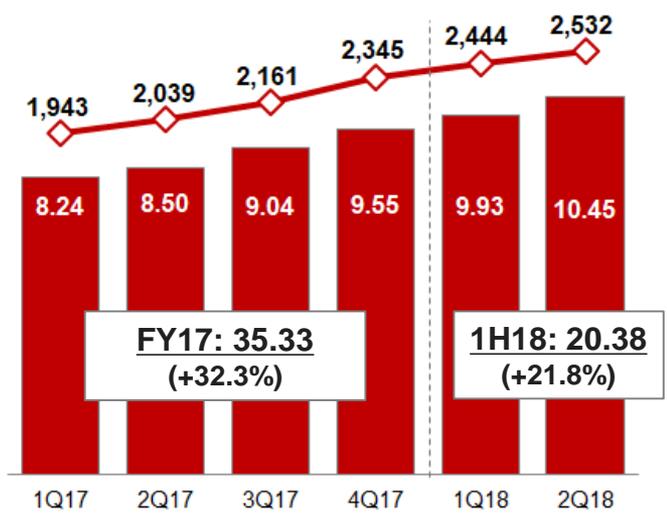
*1 Ministry of Internal Affairs and Communications ("MIC")
 *2 "Promoting a vibrant mobile market in New Zealand" by Trustpower Limited in Nov, 2015

IJ's Subscription and Revenue Growth

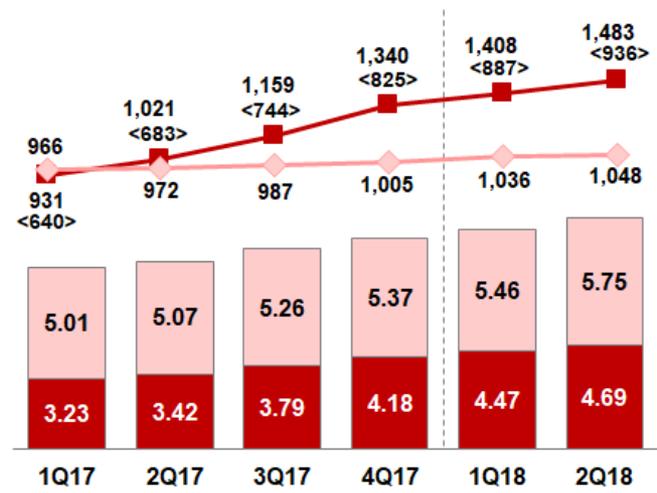
- Total subscription (thousand)
- Consumer mobile revenue (JPY billion)
- Enterprise mobile revenue (JPY billion)



- Total subscription (thousand)
- Total revenue (JPY billion)



- Subscription (thousand): IJmio Mobile (consumer), IJ Mobile (enterprise), < > MVNE
- Revenue (JPY billion): IJmio Mobile (consumer), IJ Mobile (enterprise)



Overall business developments

- ◆ 1H18 subscription acquisition pace almost in line with plan
- ◆ Strong demands for headsets-bundle services
- ◆ Additional expansion of mobile interconnectivity bandwidth to improve connectivity (July and August)

Business model

◆ Revenue

- Expect consumer market to grow as currently only 7.6% are SIM card subscribers
 - Consumer mobile revenue = Subscription multiplied by ARPU
- Enterprise mobile revenue to grow with IoT/M2M traffic
 - Charge IoT projects by how much data traffic is needed for that usage

◆ Cost

- Consumer & enterprise mobile services are provided from the same mobile infrastructure
- Mainly buying mobile capacity on bandwidth-base from NTT Docomo (some from KDDI)
- In order to provide voice services, we purchase per usage base (no economy of scale merit)
- Sales commission expenses to sales partners
- Gross margin ratio tends to decrease along with expansion of MVNE business because we sell down our mobile services lower than market price

◆ Profit

- Profitability to increase by improving infrastructure utilization through gathering various consumer & enterprise traffic.
- Continues to be profitable but still low profitability as continuously expanding infrastructure to meet the peak traffic of consumers

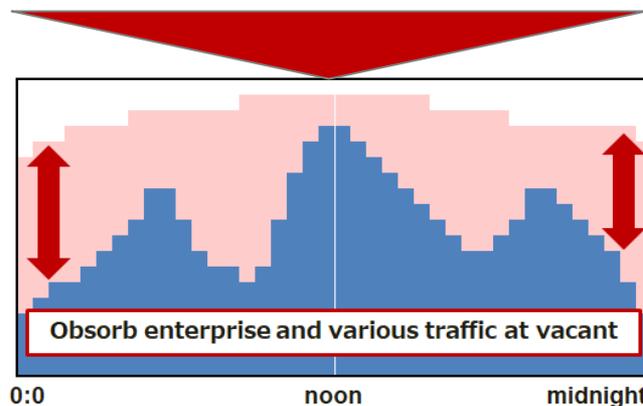
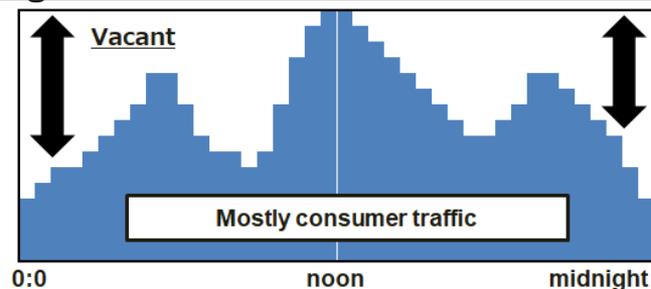
IIJ's Growth Strategy

◆ Improve mobile infrastructure utilization by gathering IoT/M2M & various consumer traffic*

- 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.)
- 145 MVNE clients as of Sep. 2018 (retailers, CATV, EC vendors, Slers, manufacturers etc.)

*young, old, student, households, business persons etc.

Image on mobile infrastructure utilization



First in Japan to launch full-MVNO services supporting data services

➤ Updates on full-MVNO services

- **“SIM Life Cycle Management”** (from Mar.); able to remotely check and change status of SIMs, suited for IoT usages such as inventory management
 - ✓ Panasonic “Let’s Note,” Mitsui Bussan Electronics “FORKERS” etc.
- Small data volume-bundle services targeting IoT usages (from Aug.)
- Started trial of **eSIM platform** on Microsoft Surface, **official service to be launched in spring 2019**
- **“Japan Travel SIM”** (from Apr.); prepaid SIMs for foreigners visiting Japan, partnering with local partners in Asian countries to provide SIMs before tourists leave their home counties
- International roaming services for enterprise customers (from Jul.)

➤ Fixed-type cost increased by over JPY0.3 billion in 1Q as planned

➤ Revenue: 1Q JPY0.09 billion, 2Q JPY0.16 billion

- FY18 revenue target of approx. JPY0.5 billion

➤ Expected total investment: approx. JPY4.5 billion

- HSS/HLR systems depreciation, NTT DOCOMO’s network remodeling fee

Accumulating Enterprise Mobile Solutions

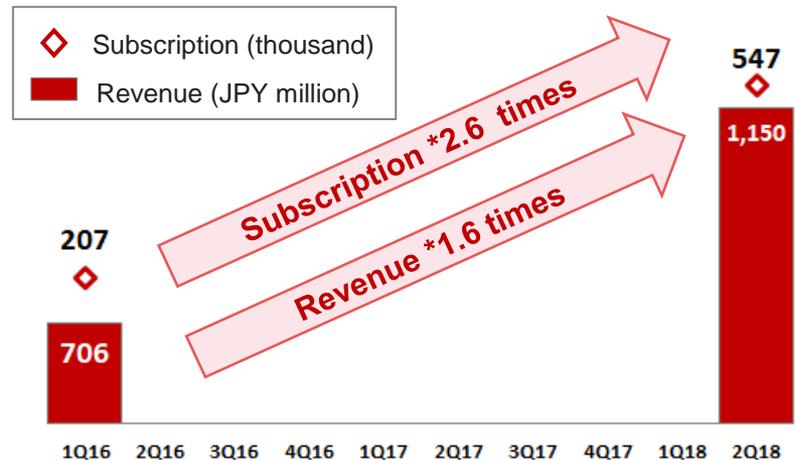
➤ IJ started providing enterprise mobile solutions from 2008 by becoming the 1st MVNO in Japan to connect Docomo’s mobile network

- Wireless solution to enterprise customers
- Leveraging blue-chip customer base
- Provide with SI, if necessary

➤ Accumulating IoT-type M2M projects continuously

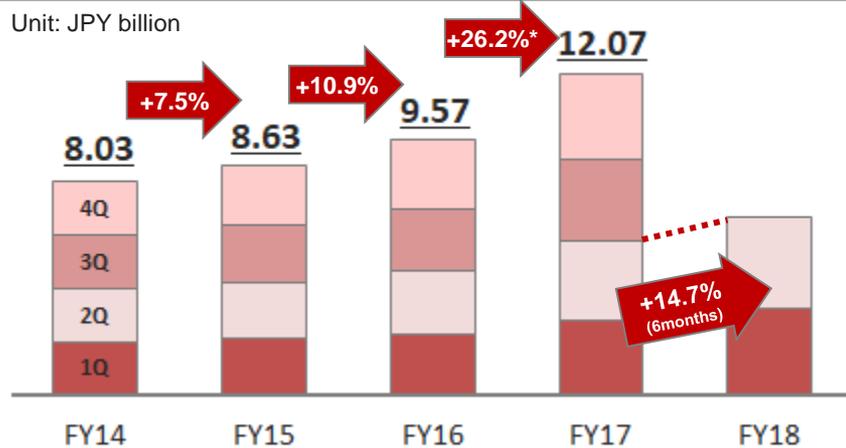
- Surveillance & dashboard cameras, digital signage, sensors, ticket vending machine etc.

Enterprise Mobile Revenue (excluding MVNE)



IIJ's Security Services Revenue Growth

Unit: JPY billion



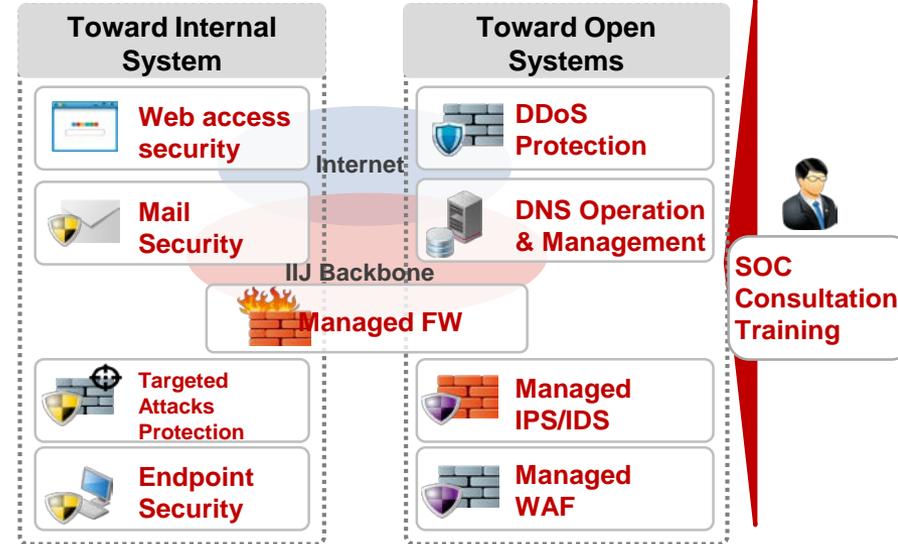
* FY17 security service largely grew due to a large security cloud project for local government in addition to overall strong demand. Security service revenue is recognized in outsourcing service.

IIJ's Competitive Advantages

- ◆ **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

IIJ's Security Service line-ups

◆ Provide together with NW and SI as comprehensive



Business Developments

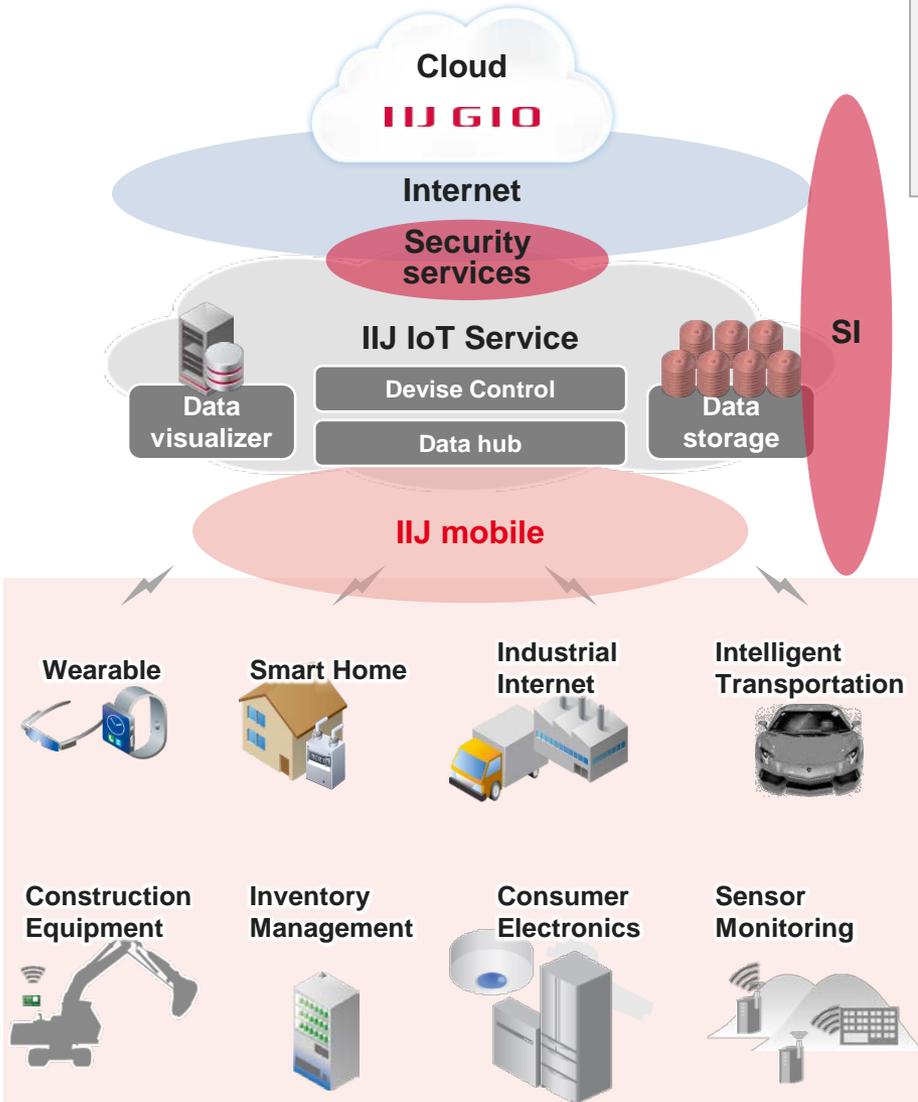
- ◆ **DDoS protection service strongly growing**
 - Growing penetration toward BtoC service providers
 - Expanded facility globally, able to protect from over terabit scale attacks
- ◆ **Email & Web gateway service continuously expanding**

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

IIJ as IoT platform

IIJ provides necessary elements for IoT comprehensively



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

< Glossary >

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

Company Profile

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

Business

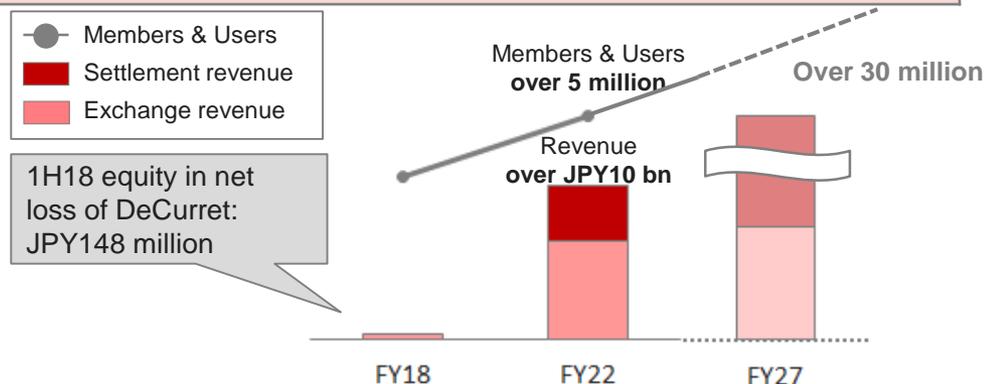
- **Provide cryptocurrency exchange & settlement services altogether**
- **Exchange service** (from FY18)
 - 24 hours 365 days exchange platform to exchange various cryptocurrencies, mainly for consumers
 - ✓ Revenue: bid-ask spread
 - ✓ Cost: service infrastructure
 - ✓ Competitive advantage: highly reliable system, low bid-ask spread, and meeting security requirement such as AML/KYC* with existing IIJ services that have been used by major financial and central government agencies for many years
- **Settlement service** (from FY19)
 - Cryptocurrency settlement at location such as E-commerce, retail shops, BtoBtoC and BtoC business model
 - ✓ Co-working with capital partners
 - ✓ Revenue: bid-ask spread and system usage

* 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 (Foreign Exchange) 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

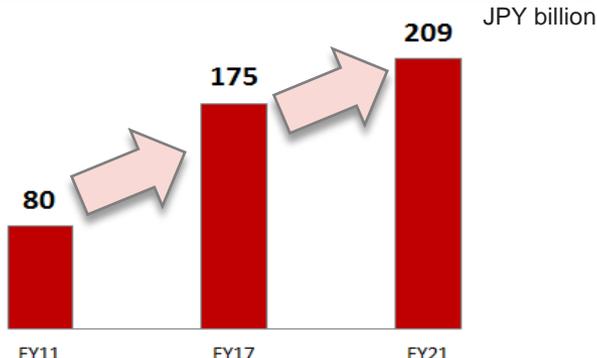
CDN (Contents Distribution Network) Business

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

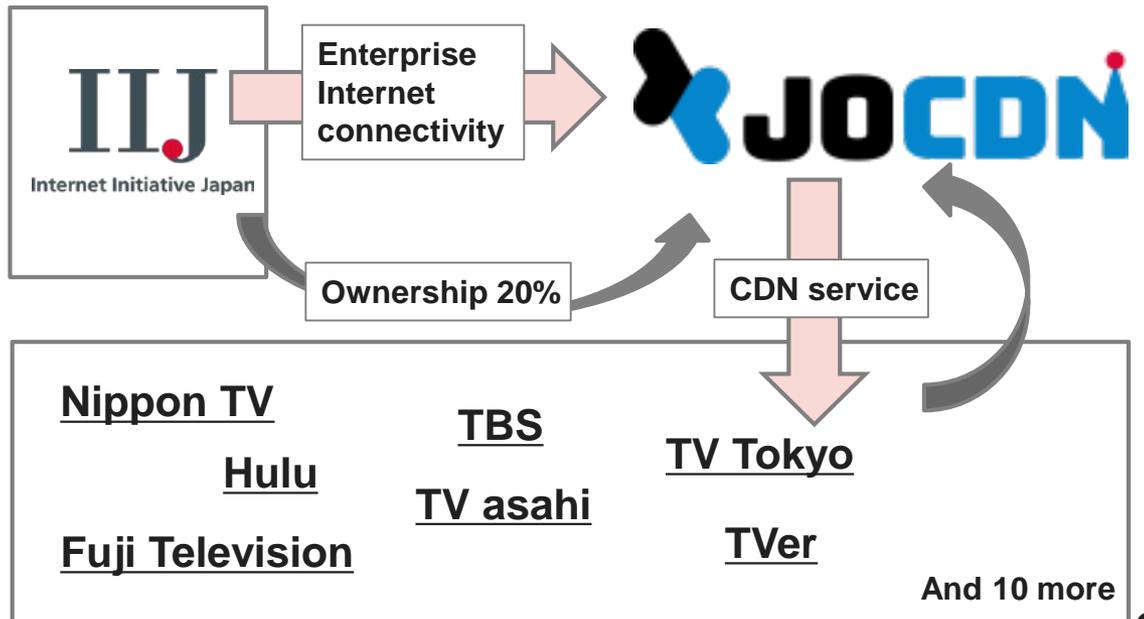
CDN Market Growth in Japan



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



Mid-to-Long term Business Growth

Unit: JPY billion

Growth Strategy

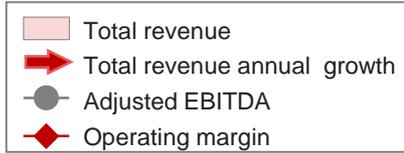
Business foundation enhancement with aggressive investment

Further business developments

Revenue growth accelerating

Scale-merit

Income improvement



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

> Extended Internet backbone to Europe
 > Doubled Matsue capacity

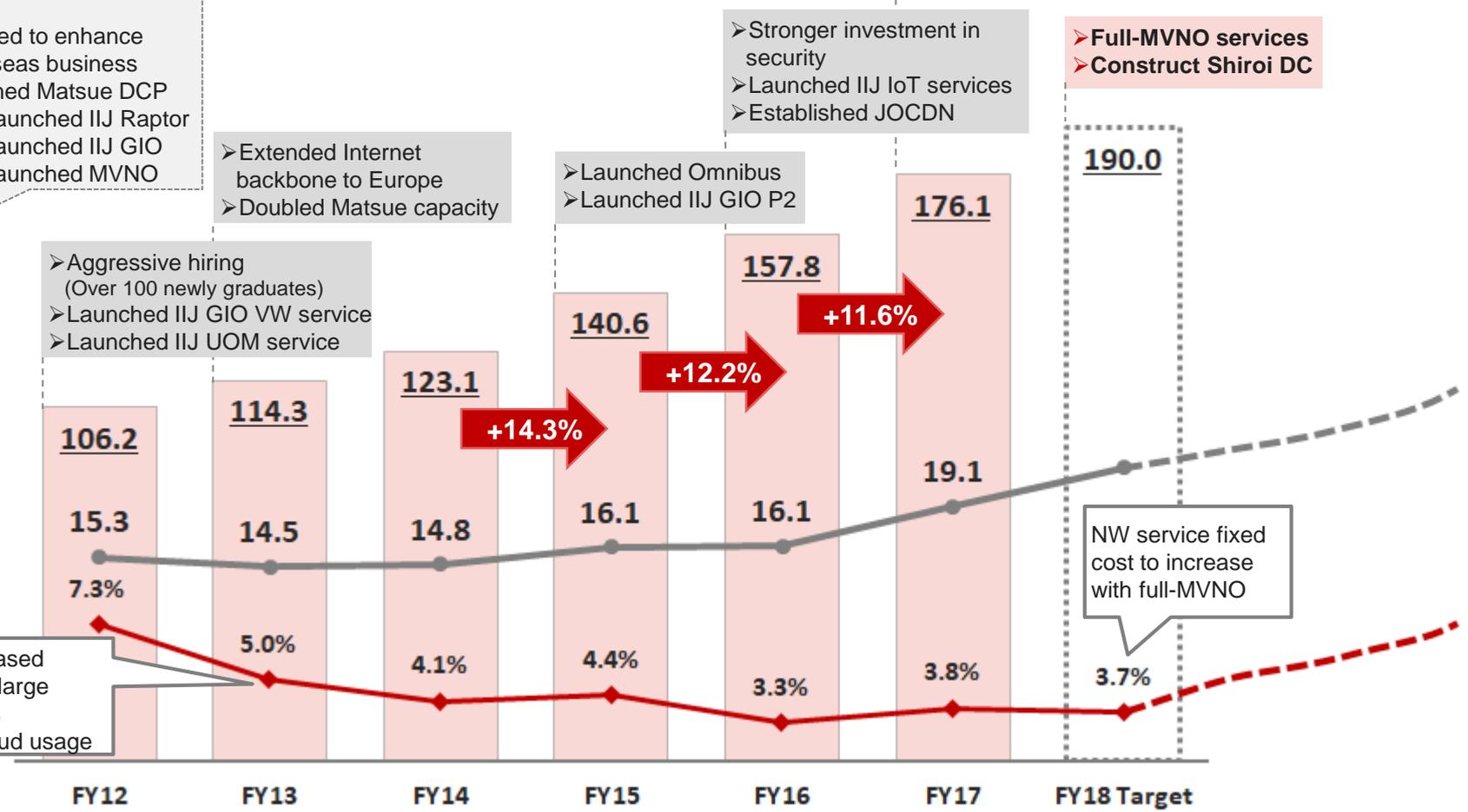
> Aggressive hiring (Over 100 newly graduates)
 > Launched IIJ GIO VW service
 > Launched IIJ UOM service

> Stronger investment in security
 > Launched IIJ 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



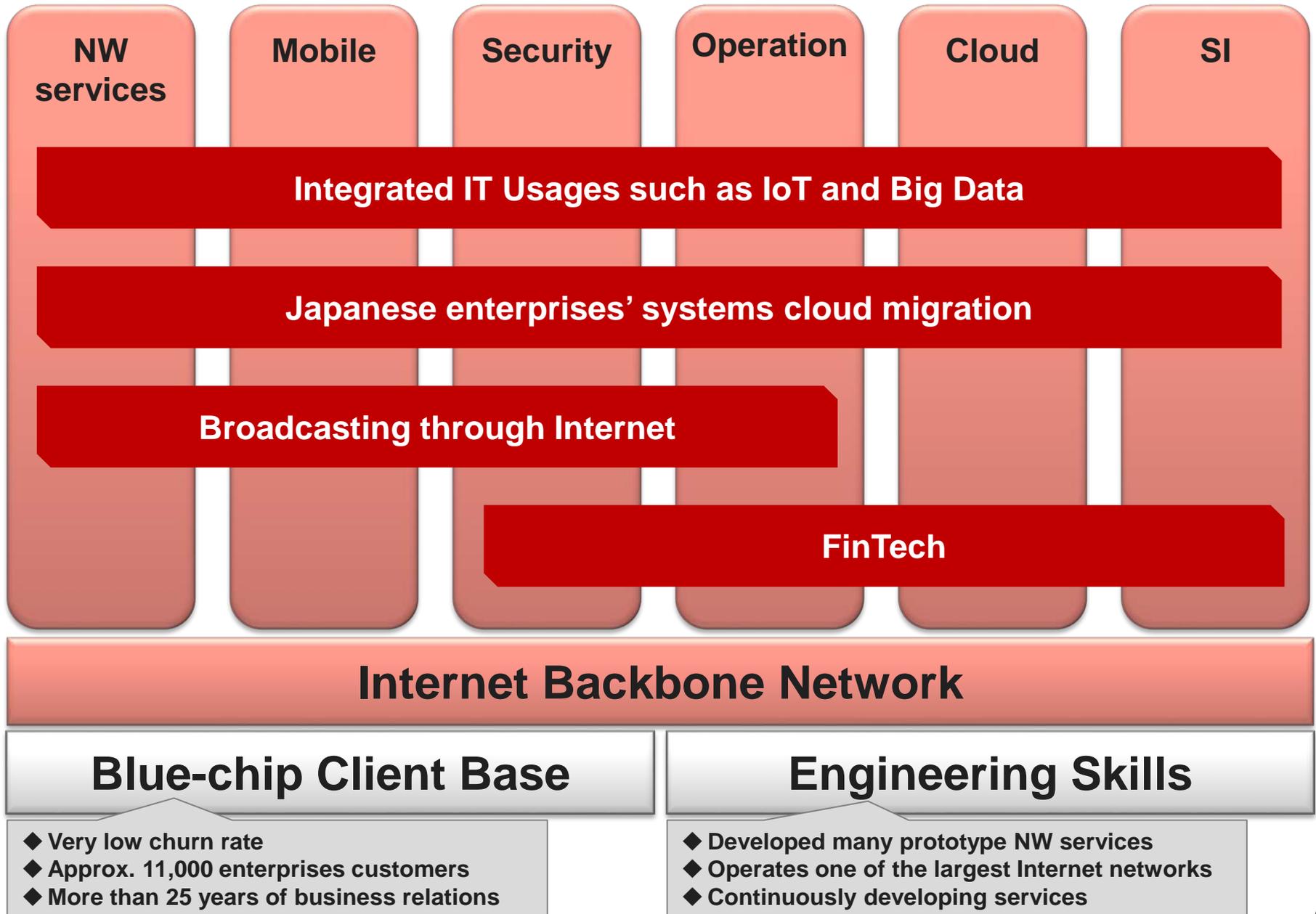
NW service fixed cost to increase with full-MVNO

Outsourcing trend

Inexpensive SIM card boom

Advanced IT usage by enterprises

Established Business Elements Ready for Coming IT Future



Summary of 1H18 Financial Results

Financials

Enterprise recurring revenue growth & SI gross margin improvement led to income growth by absorbing cost increase, Seek for stronger revenue accumulation & income growth with service function enhancement

Unit: JPY billion, % = Year over year change

	1H18 Results		1H18 Targets	2Q18 Results		1H18 Results		2Q18 Results		
Revenue	90.96	+9.6%	90.0	46.26	+10.1%	Adjusted EBITDA ^(*1)	9.66	+15.9%	5.19	+22.5%
Gross Margin	14.09	+8.2%	13.7	7.31	+12.5%	Adjusted pre-tax income ^(*) ^{(*)2}	2.94	+25.2%	1.71	+37.6%
Operating Income	2.91	+25.8%	2.5	1.73	+45.4%	Adjusted net income ^(*) ^{(*)3}	1.72	+22.7%	0.96	+30.3%

◆ Enterprise NW services

Recurring revenue ^{(*)4}78.25 (+11.0%) including Security 6.65 (+14.7%)

- **Expanded IIJ Omnibus functions:** Provide even more flexible enterprise NW with Cloud routing ^{(*)5} & SD-LAN ^{(*)6}
- **Enhanced Security solutions:** "IIJ Secure Endpoint" & inexpensive SOC ^{(*)7} ; Together with the existing gateway type security services, meeting even wider enterprises' demand for security

◆ Mobile & IoT

Total mobile subscriptions ^{(*)8}2.5 million (+24.2%) Total mobile revenue 20.38 (+21.8%)

- **Leveraging "SIM Life Cycle Management":** Accumulating prospective orders of surveillance & dashboard cameras, sensors etc.
- **IoT business developments:** Comprehensive projects such as factory IoT & traceability gradually increasing in addition simple projects such as gathering & analyzing data
- **Expanded full-MVNO solutions:** Small data volume-bundled services targeting IoT usages, verifying our eSIMs with partners, launched consumer services targeting IoT usages
- **Acquiring consumer subs. through MVNE strategy:** 145 MVNE clients (+17 from 1H17-end), MVNE subs. 936 thousand (+37.2%)

◆ Cloud & SI

**Cloud revenue 9.74 (+13.0%) SI revenue 28.63 (+6.0%) 1H18 SI construction order received 14.62 (+7.9%)
1H18-end order backlog 50.52 (+12.0%)**

- **Promoting Cloud migration:** New solution for smooth & live migration from on-premise to Cloud
- **Favorable SI appetite:** Large financial NW, NW for local governments, mail system for an ISP, LAN for a government agency etc.
- **Visible outcome from SE ^{(*)9} productivity improvement efforts:** SI profitability improved with reorganization at the beginning of FY18 & even stricter implementation of profitability controls etc.

(*)1 Operating income before depreciation and amortization (*)2 Pre-tax income is an abbreviation for income before income tax expense (*)3 Net income is an abbreviation for net income attributable to IIJ (*)4 Revenues in this slide show 1H18 (*)5 Technology to best optimize traffic automatically (*)6 Software Defined LAN: function enabling to control network equipment within LAN on per application basis and/or control bandwidth from Cloud (*)7 Security Operation Center: organization that detects and notifies cyber attacks based on its monitoring and analysis on log from security equipment and network (*)8 1H18-end subscription and MVNE clients (*)9 Systems Engineers

**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 IJ IoT Services & full-MVNO functions to establish B2B2X scheme; Leverage case studies to accelerate the penetration

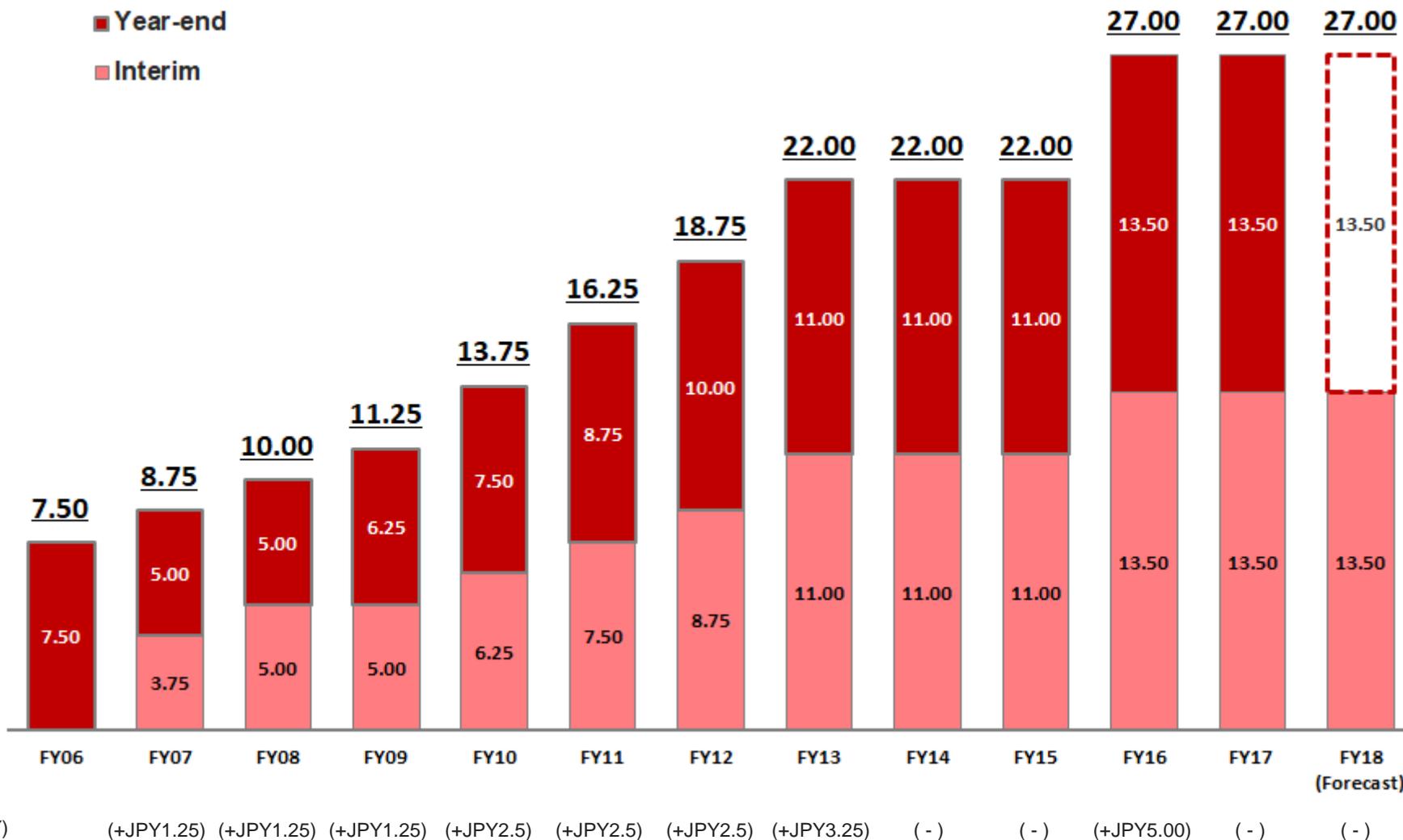
Cloud/SI

- 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

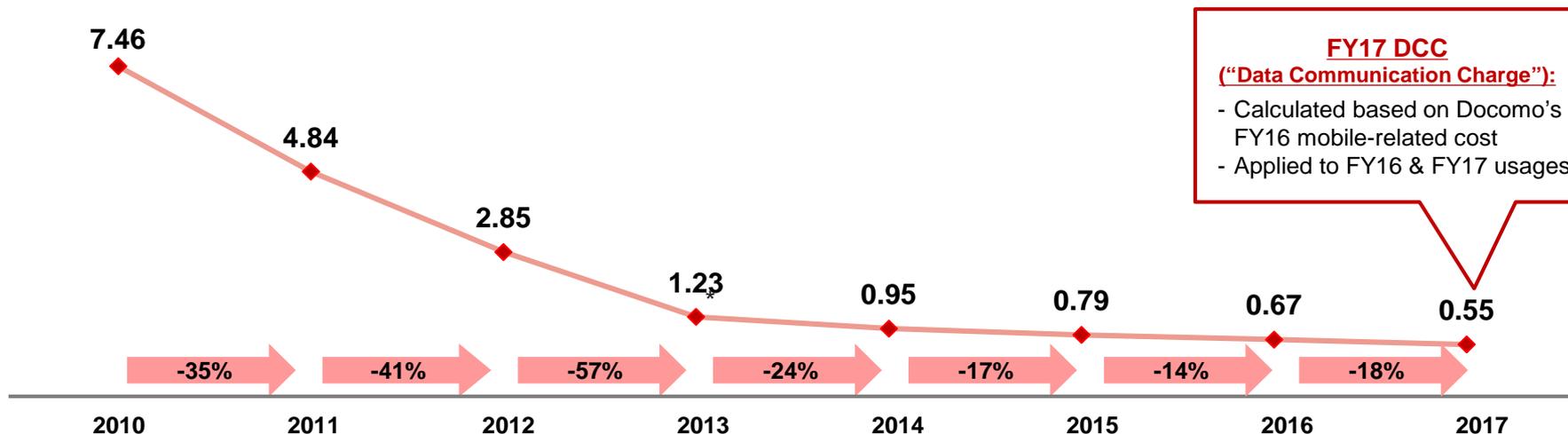
Dividend Forecast



*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)

NTT Docomo's monthly DCC per 10Mbps



FY17 DCC
 ("Data Communication Charge"):

- Calculated based on Docomo's FY16 mobile-related cost
- Applied to FY16 & FY17 usages

*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

MVNO infrastructure cost for Docomo

	(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%*

- 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

(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

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

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 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.

New Data Center Image

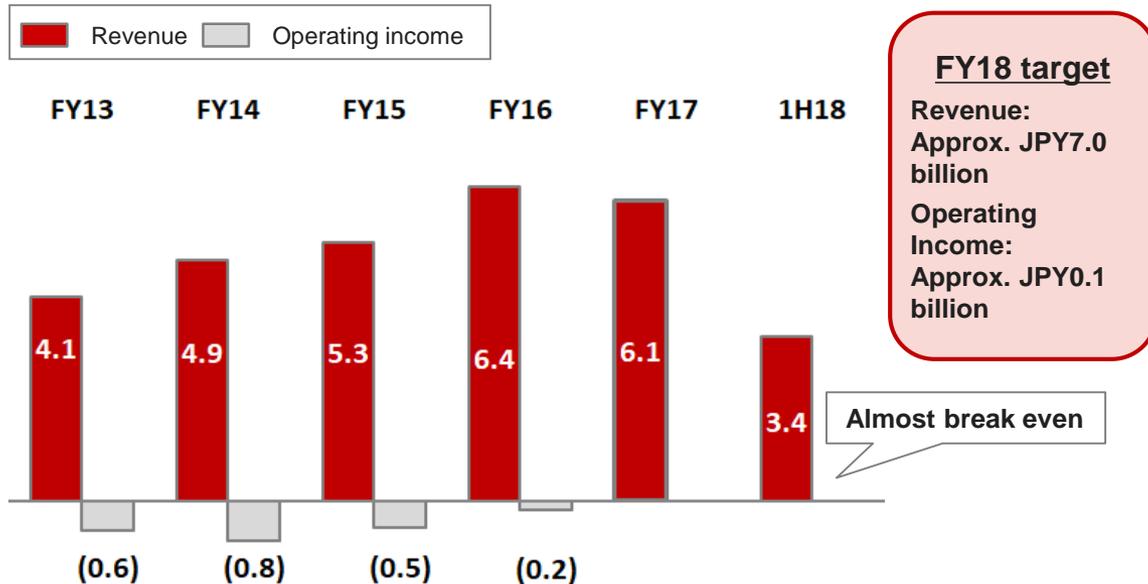


Impact on IIJ's consolidated financial results

- 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
- **GDPR-related business expanding.** 1Q18 revenue volume approx. JPY0.1 billion. Generating cloud and network related orders from consultation
- **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

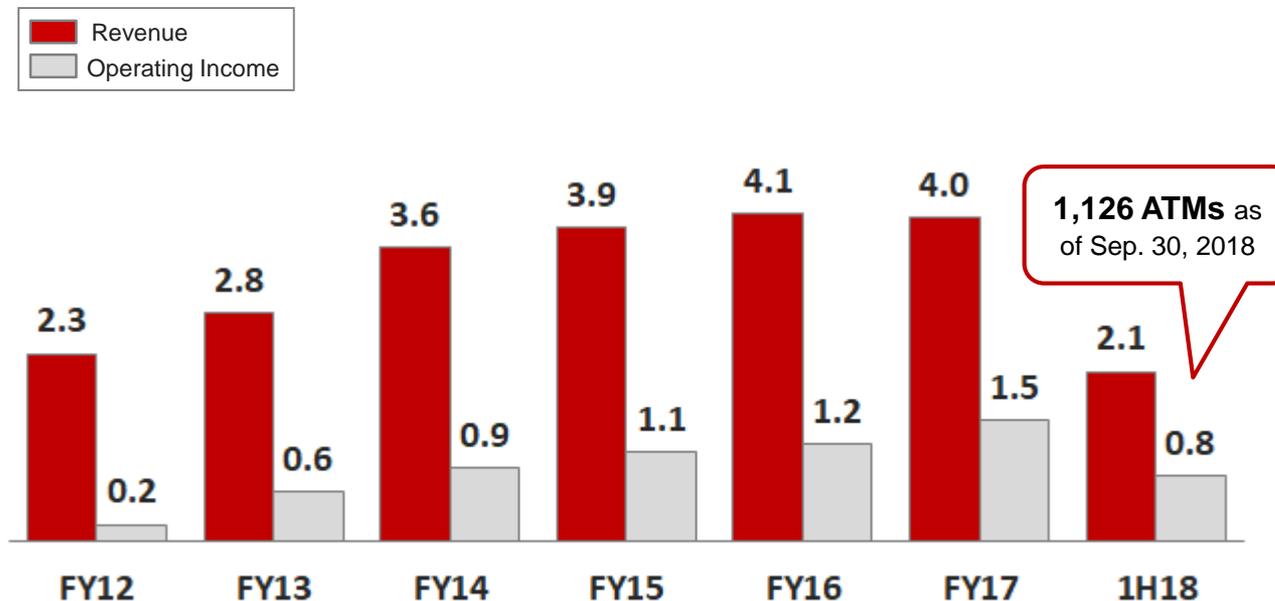
Trust Networks Inc.

- In charge of ATM operation business
- IJ'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

- 16 subsidiaries, 8 equity method investees
- Implement group-wide Code of Ethics
- Pursue comprehensive business operation by assigning IJ directors as group companies outside directors
- Consolidated-based internal audit

Directors with Abundant Experience

5 outside directors among 13 BOD members, 6 independent directors among 17 directors & 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
S. Umino	Former President of NTT Comware

➤ Board of Auditors

Consisted of CPA, Attorney, female auditors

➤ Director compensation

- Based mainly on base salary, stock option: 8-14%
- Annual compensation within JPY100 million range

ESG in the nature of IJ business

Have been contributing greatly to establish and expand Internet in Japan as the first comprehensive commercial ISP in Japan

➤ Environment

- Contribute significantly by operating stable and reliable Internet
- Have developed container-based data center which emits much lesser Carbon dioxide compared to traditional building type datacenters.

➤ Social

- Focus on providing a working environment that lets employees to pursue their interested subjects related to network in addition to protecting human rights, health and safety, work-life balance, anti-discrimination.
- First in Japan to introduce Service Level Agreement on categories of availability, latency, packet loss, and outage notification

➤ Governance

- Board of Auditors is liaison of Whistle-blower system
- Established code of ethics, regulations to prevent insider-trading, protection of personal information

1H FY2018
Consolidated Financials Results

Announced on November 6, 2018

Consolidated Financials for 1H18

Financials

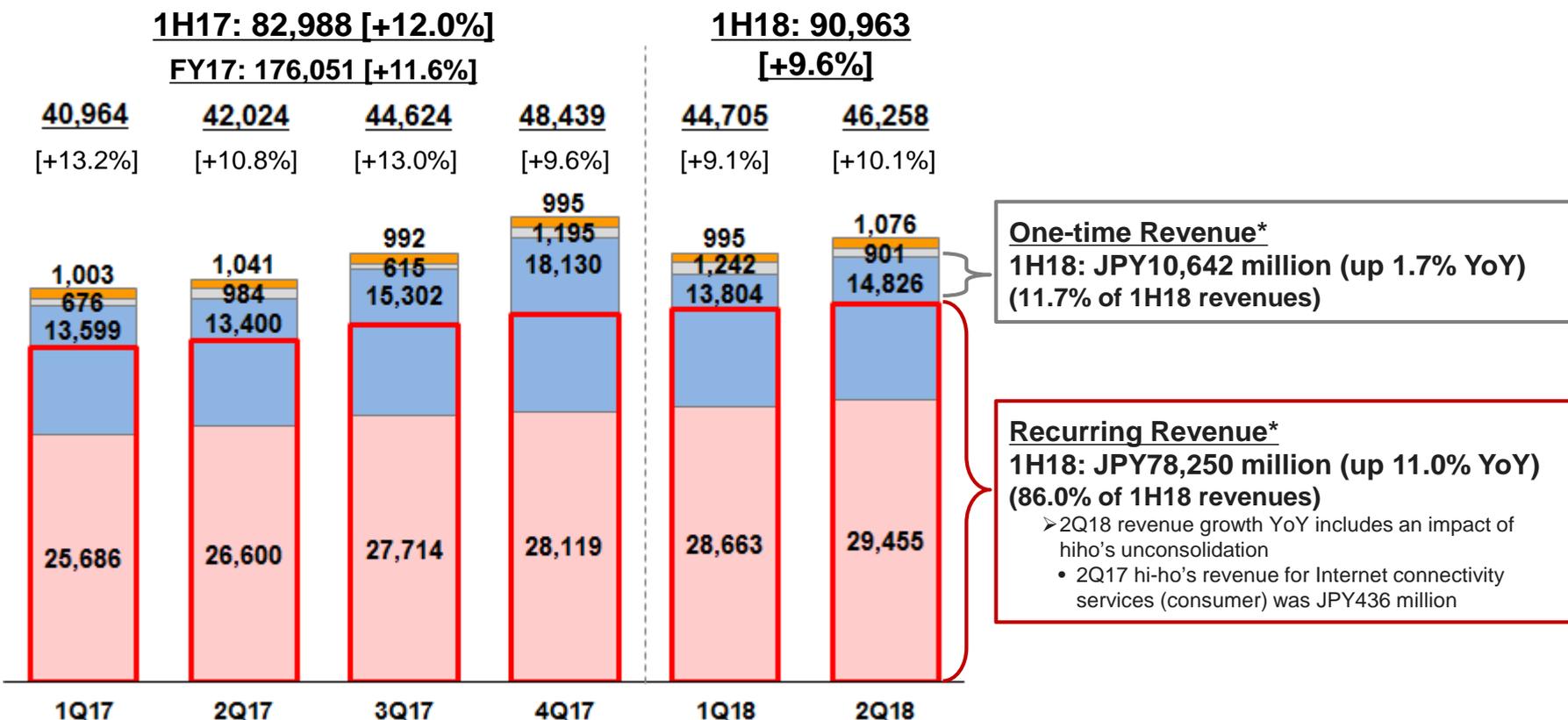
Unit: JPY billion

	% of Revenues	% of Revenues	Year over Year Change		% of Revenues	% of Revenues
	1H18 Results (Apr. 2018 - Sep. 2018)	1H17 Results (Apr. 2017 - Sep. 2017)			1H18 Targets (Apr. 2018 - Sep. 2018)	FY18 Targets (Apr. 2018 - Mar. 2019)
Total Revenues	91.0	83.0	+9.6%	+8.0	90.0	190.0
Total Cost of Revenues	84.5% 76.9	84.3% 70.0	+9.9%	+6.9	84.8% 76.3	84.3% 160.2
Gross Margin	15.5% 14.1	15.7% 13.0	+8.2%	+1.1	15.2% 13.7	15.7% 29.8
SG&A/R&D	12.3% 11.2	12.9% 10.7	+4.4%	+0.5	12.4% 11.2	12.0% 22.8
Adjusted EBITDA*1	10.6% 9.7	10.0% 8.3	+15.9%	+1.3	-	-
Operating Income	3.2% 2.9	2.8% 2.3	+25.8%	+0.6	2.8% 2.5	3.7% 7.0
Adjusted Pre-tax Income*2	3.2% 2.9	2.8% 2.3	+25.2%	+0.6	-	-
Adjusted Net Income*2,*3	1.9% 1.7	1.7% 1.4	+22.7%	+0.3	-	-

*1: Operating income before depreciation and amortization

*2: Adjusted incomes exclude effect of the revision of U.S GAAP related to gains/losses on equity securities and funds

*3: Net income is an abbreviation for net income attributable to IJJ



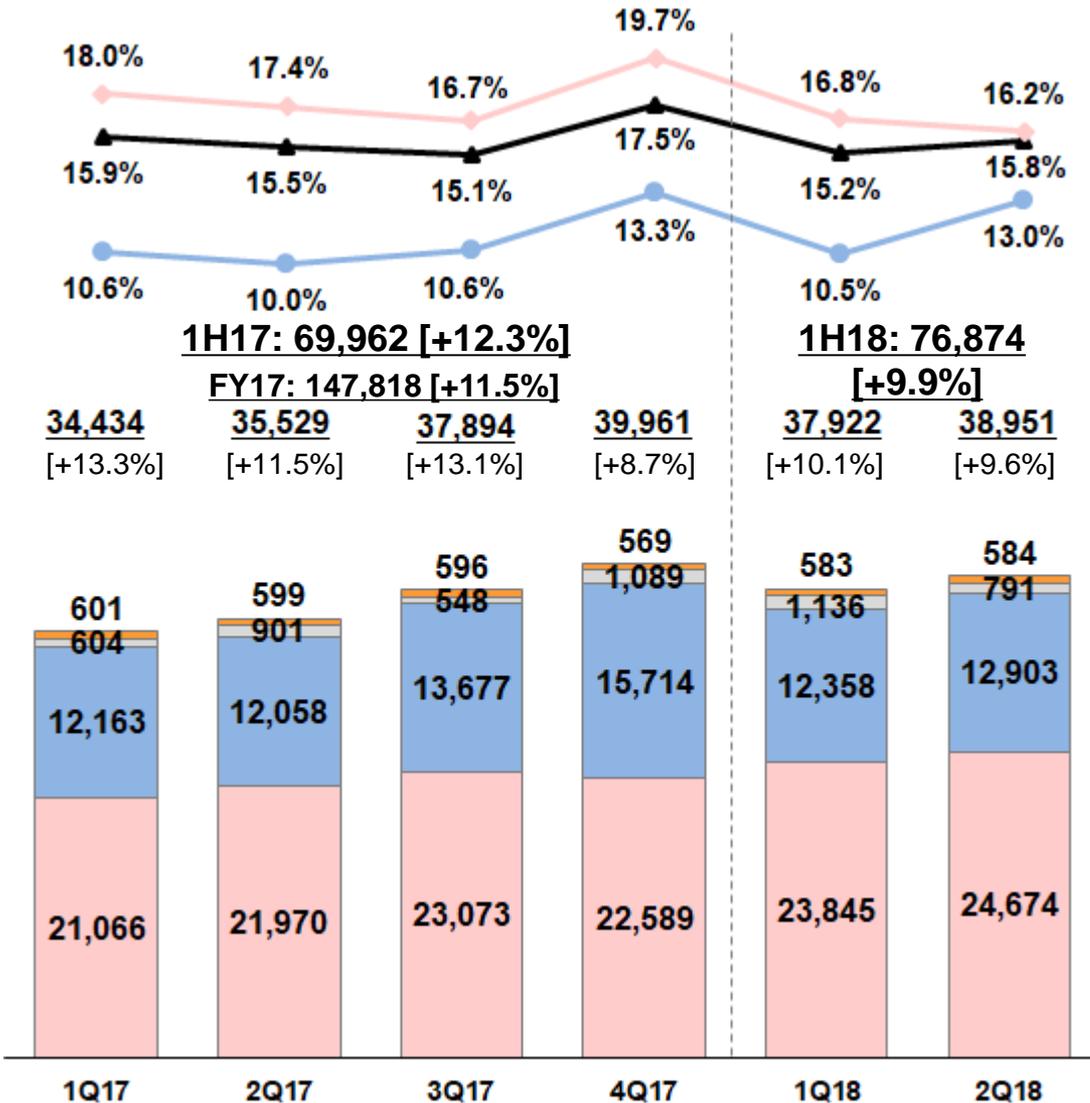
* One-time revenues, which are systems construction and equipment sales, are recognized when systems or equipment are delivered and accepted by customers

* 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

[], YoY = Year over year comparison



Gross Margin

◆ Total

- 1H18: JPY14,089 million (up 8.2% YoY)
- 1H17: JPY13,026 million (up 9.9% YoY)
- Gross margin ratio: 15.5% (down 0.2 points YoY)

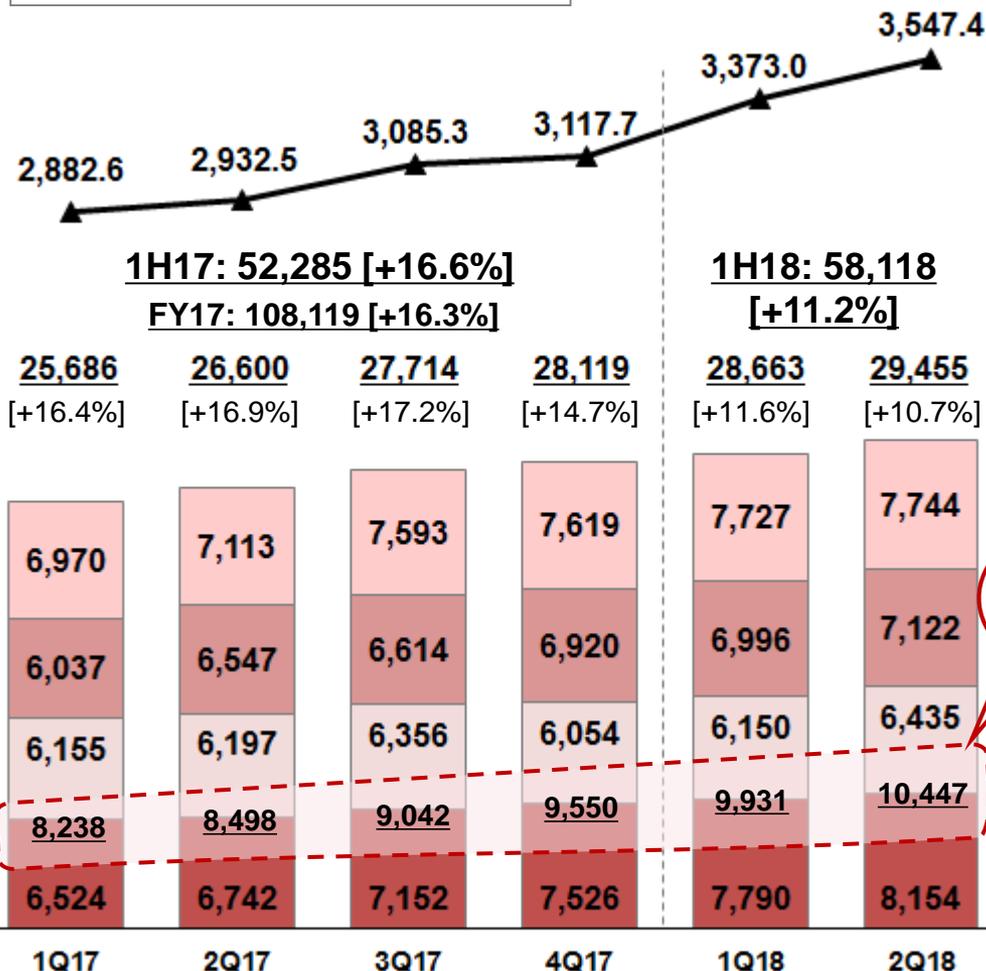
◆ NW Services

- 1H18: JPY9,599 million (up 3.8% YoY)
- 1H17: JPY9,249 million (up 13.9% YoY)
- The revised NTT DOCOMO's mobile interconnectivity telecommunications charge was fixed in Mar. 2018 and its unit price decreased by 18.2% YoY
- Gross margin results include full-MVNO related fixed-type cost which increased by over JPY0.3 billion per quarter (from Mar. 2018)

◆ SI

- 1H18: JPY3,370 million (up 21.3% YoY)
- 1H17: JPY2,778 million (up 0.1% YoY)
- Profitability improved due to our reorganization and strengthening of profitability management which took place from the beginning of this fiscal year

Network Services (1)Revenues



NW Services Revenues

◆ Internet Connectivity (Enterprise)

- 1H18: up 20.2% YoY
- 2Q18: up 20.9% YoY, up 4.7% QoQ
 - Mobile services revenue continued to increase
 - ✓ IJ Mobile 2Q18-end subscription: 1,483 thousand (up 462 thousand YoY)
 - ✓ 2Q18 IP services revenue favorably increased by 6.2% YoY

◆ Internet Connectivity (Consumer)

- 1H18: up 1.9% YoY
- 2Q18: up 3.8% YoY, up 4.6% QoQ
 - Revenue increased including a negative impact of hiho's unconsolidation (Dec. 2017)
 - ✓ Hi-ho's revenue for Internet connectivity services (consumer): 2Q17 JPY436 million, 1H17 JPY894 million

◆ Outsourcing Services

- 1H18: up 12.2% YoY
- 2Q18: up 8.8% YoY, up 1.8% QoQ
 - Strong demands for security services
 - ✓ 1H18 Security-related revenue: JPY6.65 billion, up 14.7% YoY

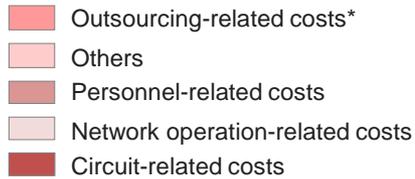
◆ WAN Services

- 1H18: up 9.9% YoY
- 2Q18: up 8.9% YoY, up 0.2% QoQ

◆ 1H18 Mobile services revenue: up 21.8% YoY

◆ 1H18 NW Services Revenue (excluding mobile services revenue): up 6.2% YoY

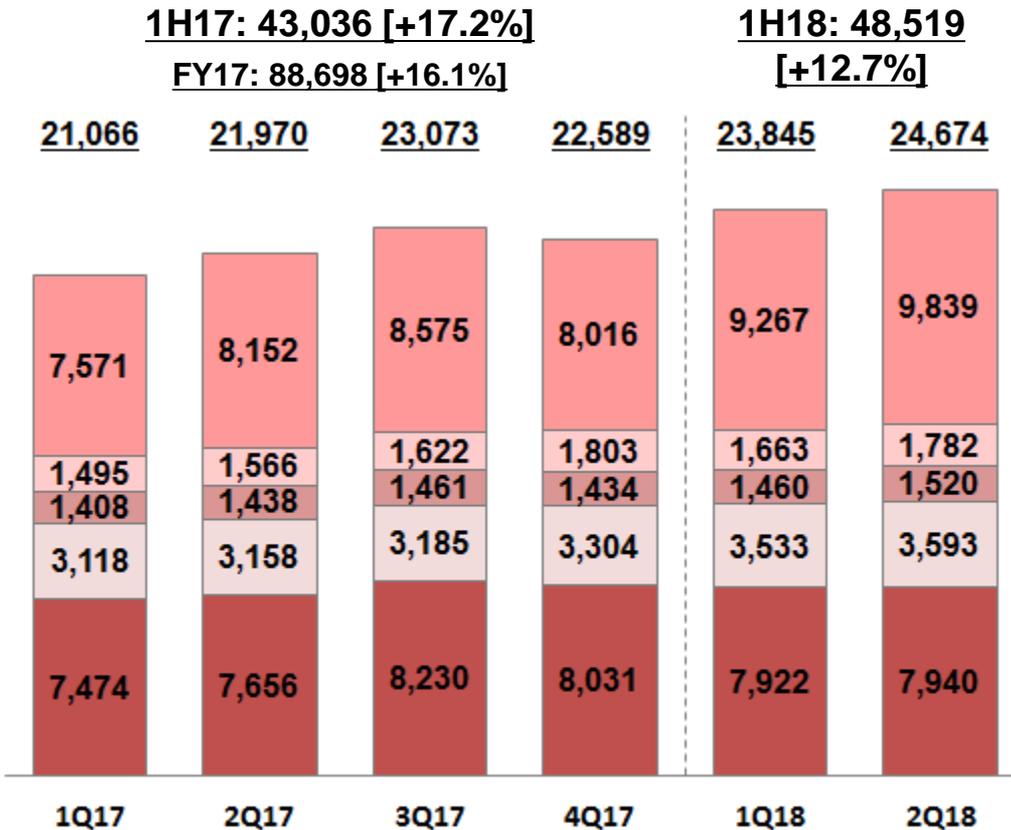
* Total contracted bandwidth is calculated by multiplying number of contracts by contracted bandwidths respectively for IP service (including data center connectivity service) and IJ FiberAccess/F and IJ DSL/F of Internet connectivity services (Enterprise).



Unit: JPY million
 [], YoY =Year over year comparison
 QoQ = 2Q18 compared to 1Q18

Cost of NW Services

- 1H18: up 12.7% YoY
- 2Q18: up 12.3% YoY, up 3.5% QoQ
 - Along with an increase in mobile subscriptions, mobile-related costs (mainly in outsourcing-related costs) increased
 - ✓ Additional expansion of mobile interconnectivity bandwidth to maintain connection quality (Jul.& Aug.)
 - Along with continuous service developments and enhance functions for Omnibus, security, etc., outsourcing-related costs, personnel-related costs and operation-related costs increased
 - ✓ Omnibus 2.0 (Oct.), New VPN service "IIJ Flex Mobility" (Dec.), "IIJ xSP Platform Service/Mail" (email outsourcing services for large-scale service providers) (Dec.), and more



◆ 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.
- During FY18, IIJ estimates certain decrease of the charge, based on the past results and the above mentioned payment arrangement, and applies to every quarter earnings (same procedure as in the past). The difference, if any, between estimate and result will be recognized in 4Q18 as adjustment

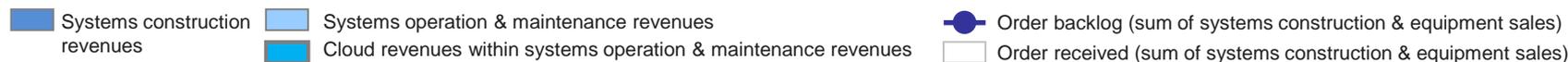
* Outsourcing-related costs include interconnectivity charge for mobile infrastructure, datacenter leasing costs and customer support center operation costs etc.

Systems Integration (SI) (1) Revenues

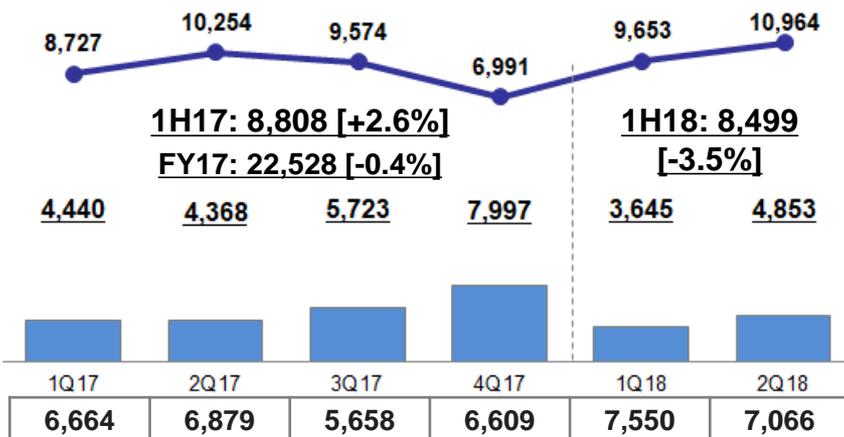
Unit: JPY million

[], YoY = Year over year comparison
QoQ = 2Q18 compared to 1Q18

Financials

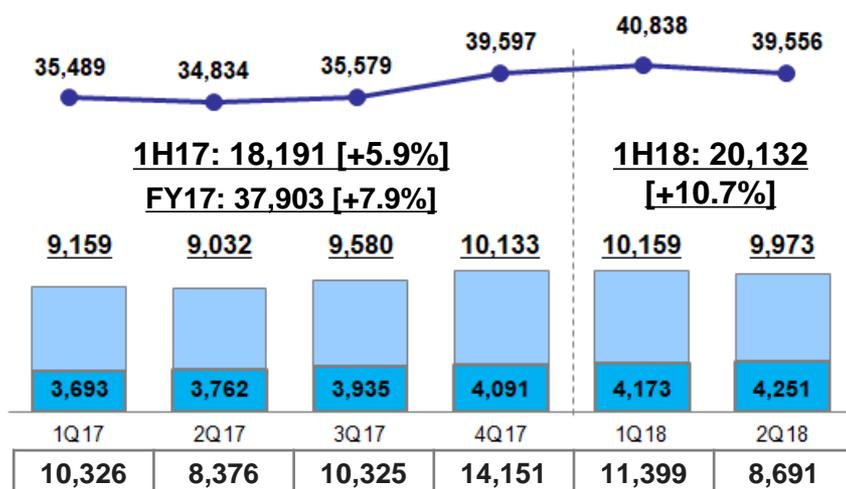


Systems Construction



- 1H18 revenue: down JPY309 million, down 3.5% YoY
 - 1H18 revenue decreased YoY as 4Q17-end order backlog decreased YoY
 - 2Q18 revenue: up 11.1% YoY, up 33.1% QoQ
- Favorable systems construction order environment continued;
 - 1H18 order received: up 7.9% YoY
 - 2Q18-end order backlog: up 6.9% YoY
- Large-scale construction orders received in 2Q18:
 - Network infrastructure for a local govt.
 - Core business network for a major financial institution
 - Mail system for a major network operator
 - Thin client terminal for a major financial institution
 - Replacing LAN environment for a central govt. agency etc.

Systems Operation & Maintenance

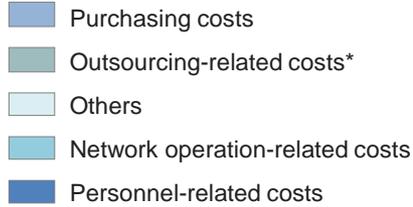


- 1H18 revenue: up JPY1,941 million, up 10.7% YoY
- Continuous revenue growth mainly due to the accumulation of systems construction which are migrated to systems operation & maintenance phase as well as continuous increase in private cloud revenue
 - 1H18 revenue from private cloud: up 13.0% YoY
 - 1H18 revenue from SI construction: up 9.1% YoY
- 86.4% of 2Q18 cloud-related revenue is recognized in systems operation and maintenance revenues (13.6% in outsourcing)

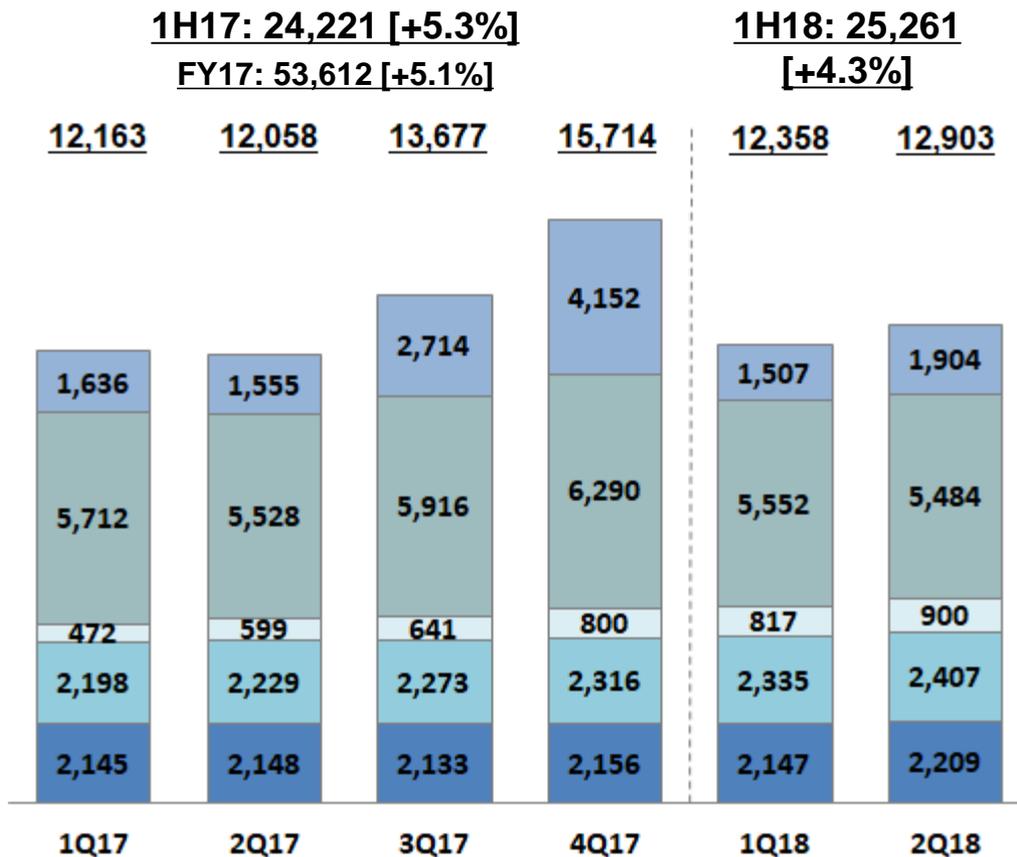
Overseas business

- **Progressing as planned:** 1H18 revenue JPY3.35 billion, almost break even. FY18 target: revenue: approx. JPY 7.0 billion, operating income: approx. JPY 0.1 billion
- **Demands for GDPR-related continue:** Expect more demands as similar laws are to be implemented in California (the U.S) and China following EU.
 - FY18 expected GDPR-related revenue: JPY0.7 ~ 0.8 billion

Systems Integration (SI) (2) Cost of Revenues



[], YoY = Year over year comparison
QoQ = 2Q18 compared to 1Q18



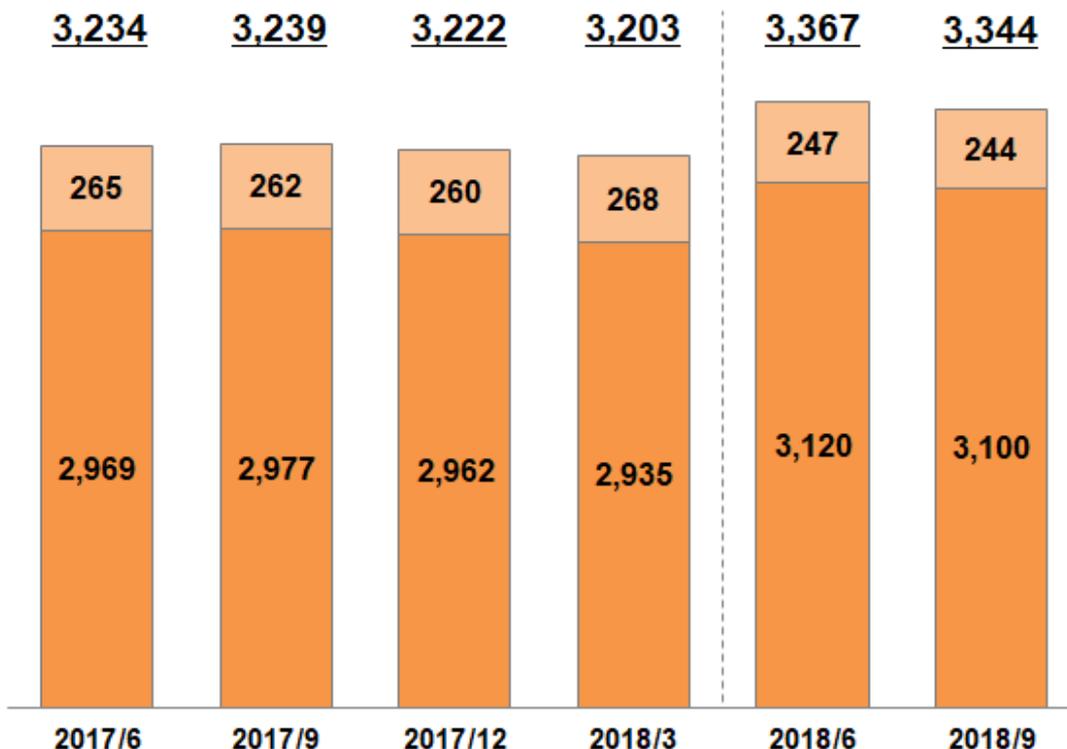
Cost of SI

- 1H18: up JPY1,039 million, up 4.3% YoY
- 1H18 outsourcing-related costs decreased YoY as 1H18 systems construction revenues decreased YoY
 - 2Q18-end number of SI-related outsourcing personnel: 1,093 personnel (increased by 14 personnel YoY, increased by 54 personnel QoQ)
- Network operation-related costs slightly increased QoQ
 - IJ GIO P2 facility in western Japan (Matsue data center) started to provide services from June as planned. Depreciation and equipment maintenance costs to gradually increase
- No particularly unprofitable projects. Favorable productivity condition of system engineers

*Outsourcing-related costs include

Number of Employees

Contract worker (personnel)
 Full time worker (personnel)

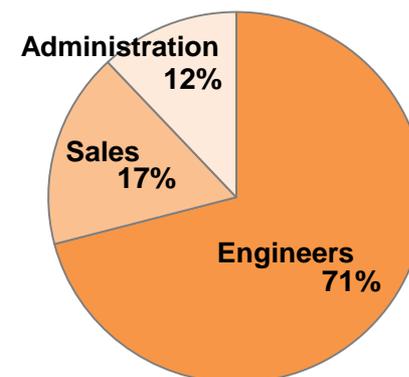


Personnel-related costs & expenses

Unit: JPY million
() = % of total revenue

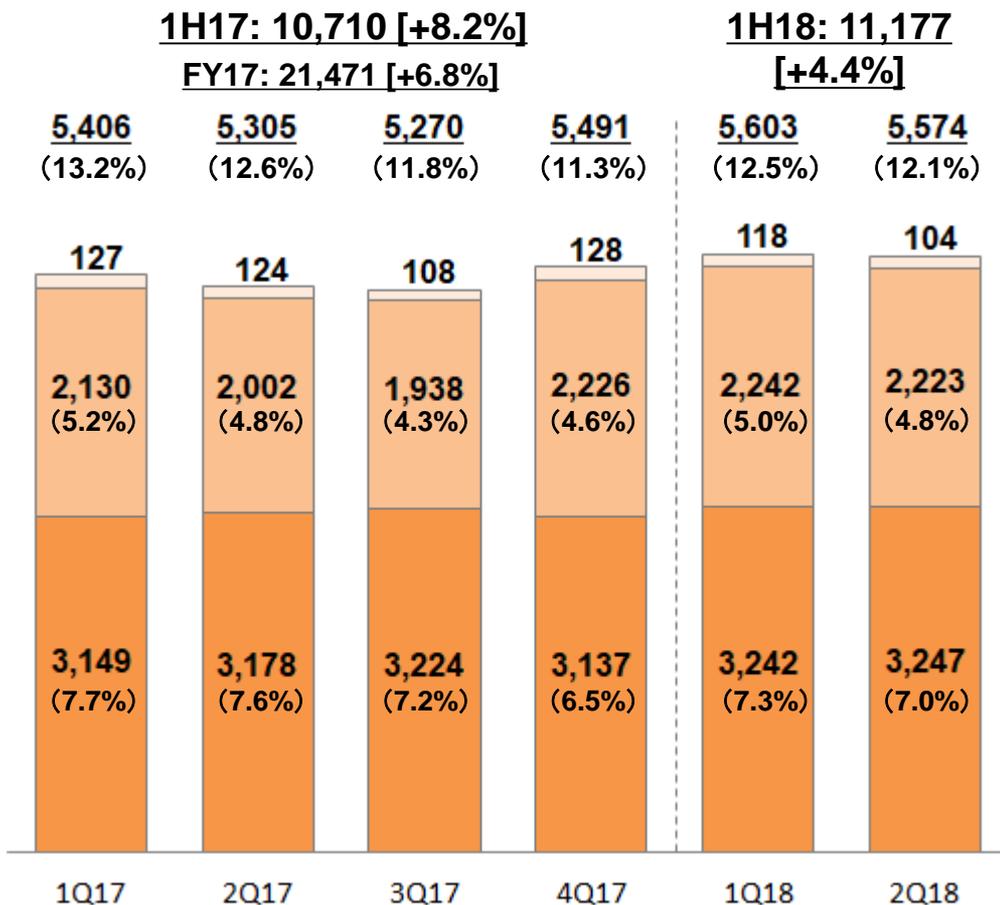
1Q17	2Q17	3Q17	4Q17	1Q18	2Q18
5,797 (14.2%)	5,784 (13.8%)	5,775 (12.9%)	5,843 (12.1%)	5,909 (13.2%)	6,053 (13.1%)
1H17: 11,581 (14.0%)+6.2%YoY FY17: 23,199 (13.2%)+5.6%YoY				1H18: 11,962 (13.2%)+3.3%YoY	

Employee Distribution



- ◆ 1H18: up JPY381 million, up 3.3% YoY
- ◆ Hired 175 new graduates in Apr. 2018 (148 in Apr. 2017, 137 in Apr. 2016)

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



SG&A

- ◆ Sales & marketing expenses
 - 1H18: up 2.6% YoY
 - Personnel-related expenses and outsourcing expenses increased
- ◆ General & administrative expenses
 - 1H18: up 8.1% YoY
 - Personnel-related expenses increased
- ◆ Progressing accordingly within the plan
 - FY18 SG&A plan: JPY22.8 billion
 - 2Q18 SG&A slightly decreased compared to 1Q18 as employee trainings were concentrated in 1Q18

◆ SG&A related to ATM operation business

1Q17	2Q17	3Q17	4Q17	1Q18	2Q18
35.5	44.8	36.4	38.4	47.0	50.8

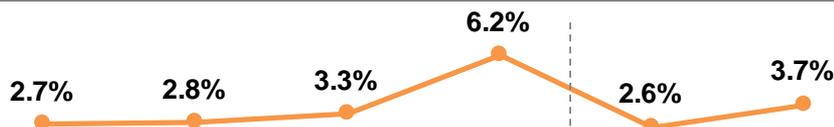
- Placed 1,126 ATMs as of September 30, 2018

Operating Income & Net Income

Unit: JPY million

YoY = Year over year comparison

Operating income Adjusted net income attributable to IJ (*) Operating margin ratio



FY17 Operating income: 6,762

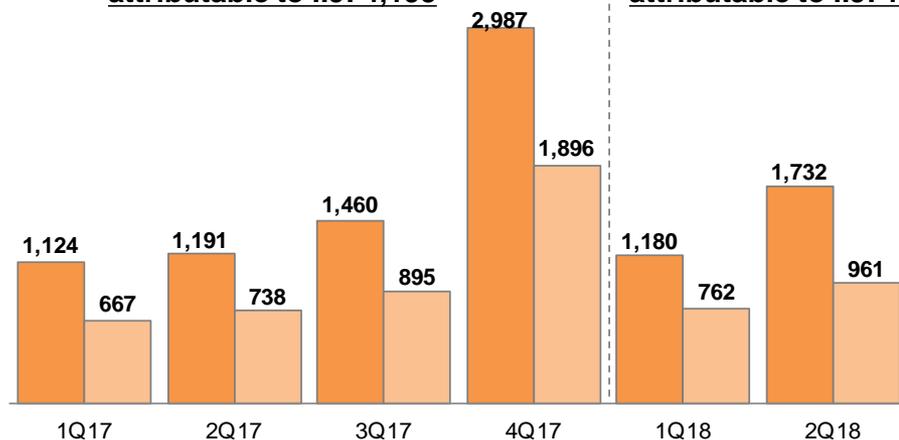
FY17 Adjusted net income

attributable to IJ: 4,195

1H18 Operating income: 2,912

1H18 Adjusted net income

attributable to IJ: 1,723



Income

◆ Adjusted income before income tax expense: (*)

➢ 1H18: JPY2,939 million (up 25.2% YoY)

- Miscellaneous income: JPY109 million
- Dividend income: JPY75 million
- Interest expense: JPY197 million

◆ Adjusted net income attributable to IJ: (*)

➢ 1H18: JPY1,723 million (up 22.7% YoY)

- Equity in net loss of DeCurret was JPY148 million, as planned (1Q18 JPY62 million, 2Q18 JPY86 million)
 - ✓ FY18 equity in net loss of DeCurret is expected to be approx. JPY0.6 billion
- Net income attributable to noncontrolling interests including Trust Networks: JPY86 million

(*) These amount exclude effect of the revision of U.S GAAP related to gains/losses on equity securities and funds.

1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	
324	743	390	1,128	424	932	Current income tax expense (*)
109	(245)	113	(290)	(26)	(223)	Deferred tax expense (benefit) (*)
36	41	24	33	(31)	7	Equity in net income (loss) of equity method investees
(42)	(47)	△39	(42)	(41)	(45)	Less: Net income attributable to noncontrolling interests

Consideration of IFRS Adoption

- Plan to adopt IFRS from the filing of FY18 Annual Report “Yuka-shoken Houkokusho”
 - Because of different accounting principles, P/L impact due to gains/losses on marketable equity securities are not expected under IFRS
- FY18 earnings press release & documents for ordinary general meeting of shareholders will be prepared under U.S. GAAP; P/L will be impacted by stock price fluctuation, FY18 Annual Report “Yuka-shoken Houkokusho” will be prepared under IFRS; P/L will not be impacted by stock price fluctuation; Retained earnings & AOCI will be different from the U.S. GAAP etc.

Consolidated Balance Sheets (Summary)

Unit: JPY million

	Mar. 31, 2018	Sep. 30, 2018	Changes
Cash and Cash Equivalents	21,403	28,051	+6,648
Accounts Receivable	31,831	29,745	(2,086)
Inventories	1,715	3,560	+1,846
Prepaid Expenses (Current and Noncurrent)	16,409	18,971	+2,562
Investments in Equity Method Investees	5,246	5,143	(103)
Other Investments	11,374	12,456	+1,081
Property and Equipment	46,414	46,089	(326)
Goodwill and Other Intangible Assets	8,787	8,608	(179)
Guarantee Deposits	3,422	3,385	(38)
Total Assets:	<u>153,449</u>	<u>161,694</u>	<u>+8,245</u>
Accounts Payable	16,399	19,828	+3,428
Income Taxes Payable	1,928	1,290	(638)
Borrowings (Short-term and Long-term)	24,750	24,750	-
Capital Lease Obligations (Current and Noncurrent)	16,577	17,264	+688
Total Liabilities:	<u>79,460</u>	<u>85,310</u>	<u>+5,850</u>
Common Stock	25,512	25,519	+7
Additional Paid-in Capital	36,176	36,197	+22
Retained earnings	8,404	15,899	+7,495
Accumulated Other Comprehensive Income (Loss)	5,075	91	(5,165)
Treasury stock	(1,897)	1,897	-
Total IJ Shareholders' Equity:	<u>73,270</u>	<u>75,628</u>	<u>+2,358</u>

Due to the revision of U.S. GAAP on other investments. Please refer to page 20 of this document for details

➤ Total IJ Shareholders' Equity to Total Assets: 46.8% as of Sep. 30, 2018; 47.7% as of Mar. 31, 2018

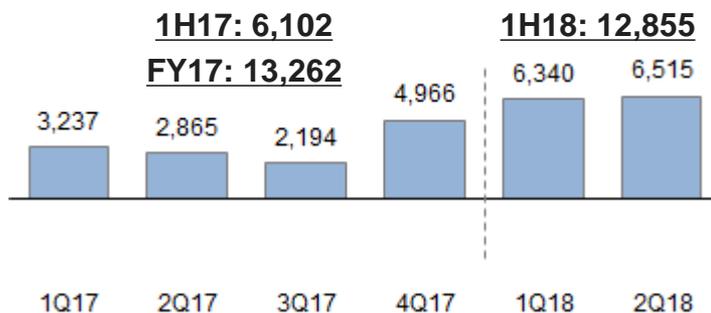
Consolidated Cash Flows

Financials

Unit: JPY million

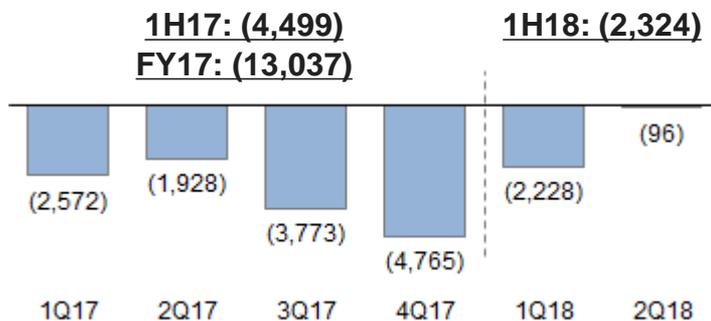
YoY = Year over year comparison

Operating Activities



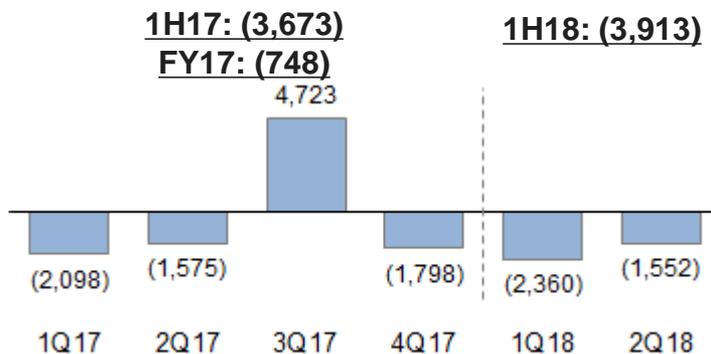
	Major Breakdown	YoY Change
Net income	2,068	+492
Depreciation and amortization	6,751	+729
Fluctuations of operating assets and liabilities	4,220	+5,732
Realized and unrealized loss on other investments	(378)	(378)

Investing Activities



	Major Breakdown	YoY Change
Purchase of property and equipment	(4,446)	(1,977)
Proceeds from sales of property & equipment (mainly lease-back transaction)	1,767	(616)

Financing Activities



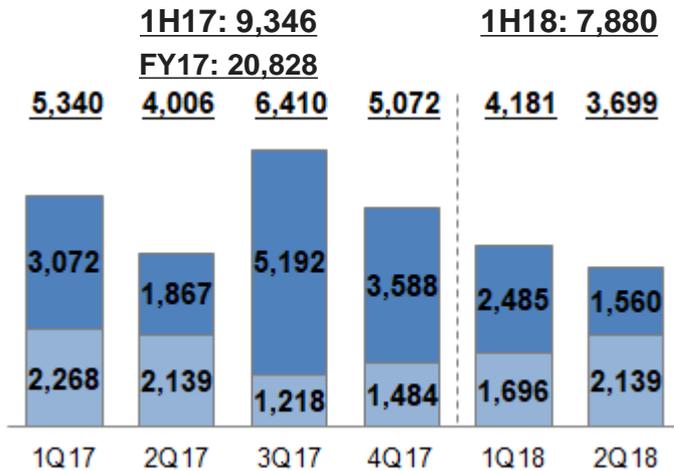
	Major Breakdown	YoY Change
Principal payments under capital leases	(3,145)	(381)
Dividends paid	(608)	(0)

Other Financial Data

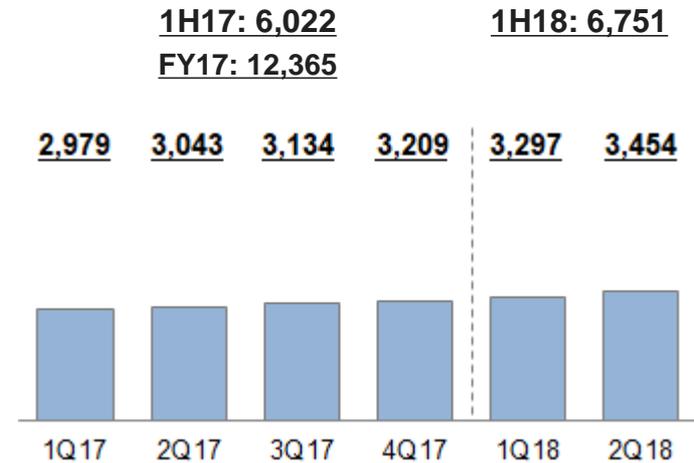
Unit: JPY million
[] = Year over year comparison

Financials

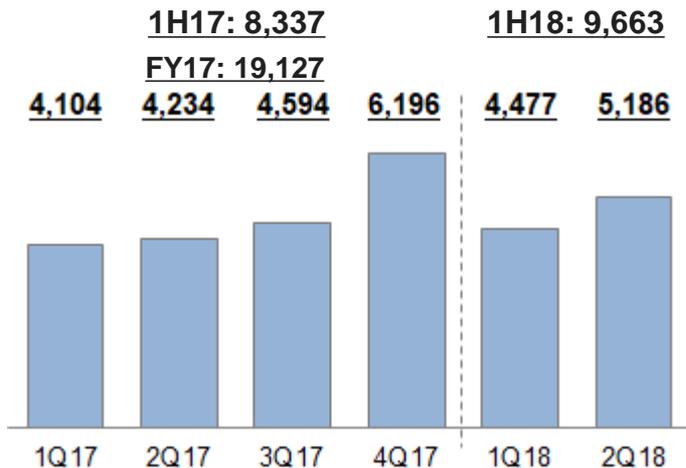
CAPEX



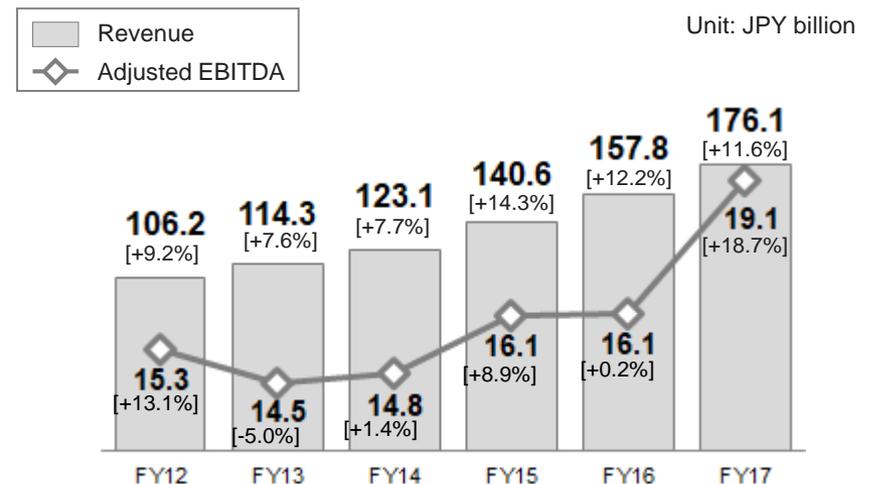
Depreciation and Amortization



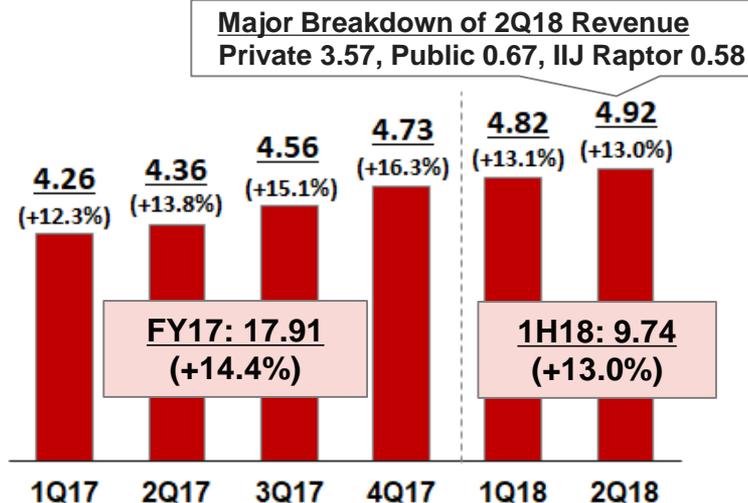
Adjusted EBITDA



Revenue & Adjusted EBITDA Annual Growth



Cloud-related revenue



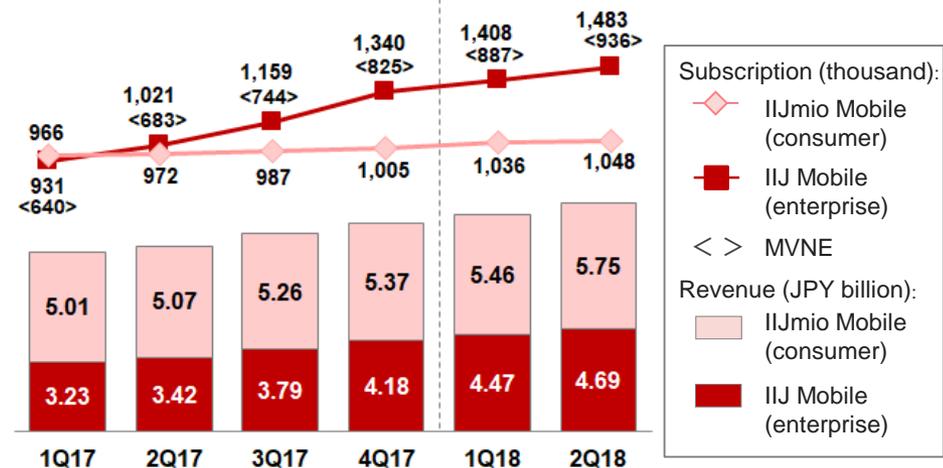
◆ Continuously accumulating revenue FY18 revenue target: JPY20.0 billion

- Promoting Hybrid/Multi Cloud by expanding functions
 - ✓ Seamless connection between on-premise VMware systems and IIJ GIO P2 systems
 - ✓ Real time, smooth, one-stop Cloud migration solution
 - ✓ Comprehensive control panel covering multi Cloud systems
 - ✓ Enhanced reporting, research and alert function of "UOM"
 - ✓ "IIJ Flex Mobility" provides secure, reliable, and fast VPN; suited to use Office365 and other multi Cloud systems

◆ Customer Base



Mobile revenue & subscription



◆ Accumulating mobile subscriptions & revenue continuously

- 1H18-end subs: 2.532 million, 1H18 total revenue: JPY20.38 bn (+21.8%)
- Additional expansion of mobile interconnectivity bandwidth to maintain good connectivity quality (Jul.& Aug.), Optimization of mobile traffic patterns with multiple connection points between Tokyo & Osaka, Expect to improve network utilization with uplink traffic from enterprise mobile orders
- Favorable order situation for smartphone-bundled services as continuously expanding line-ups such as OPPO and Essential Phone

◆ Full-MVNO revenue: 1Q JPY0.09 billion, 2Q JPY0.16 billion, FY18 revenue target: approx. JPY0.5 billion

- "SIM Life Cycle Management" as competitive advantage
 - ✓ Panasonic "Let's Note," Mitsui Bussan Electronics "FORKERS" etc.
- Gradually increasing sales partners, now include South-east Asia and Europe for prepaid SIMs for foreigners visiting Japan, "Japan Travel SIM"
- Verifying eSIM toward the launch of eSIM platform services in spring '19

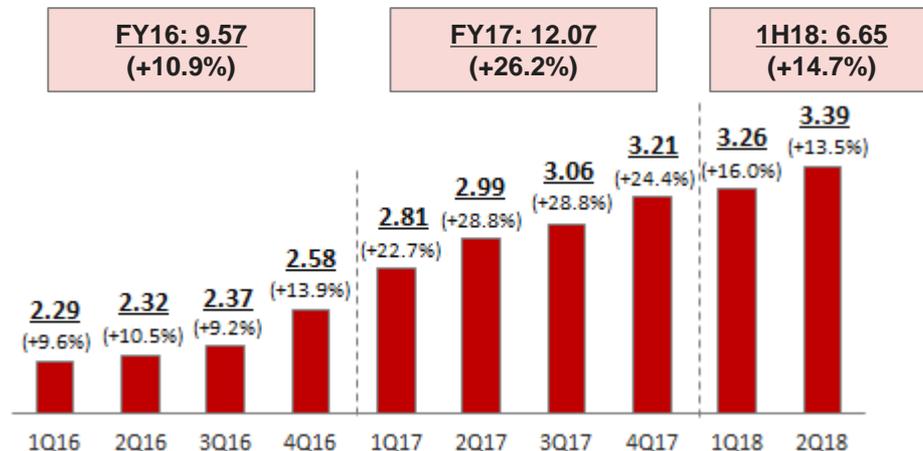
◆ Updates on enterprise mobile (excluding MVNE)

- 1H18-end subs: 547 thousand (+61.6%), 1H18 revenue: JPY2.23 billion (+29.2%)
- Receiving orders of surveillance & dashboard cameras, vending machines, taxi dispatch systems, work style reform/remote work etc.

Security

◆ Security-related services revenue growth

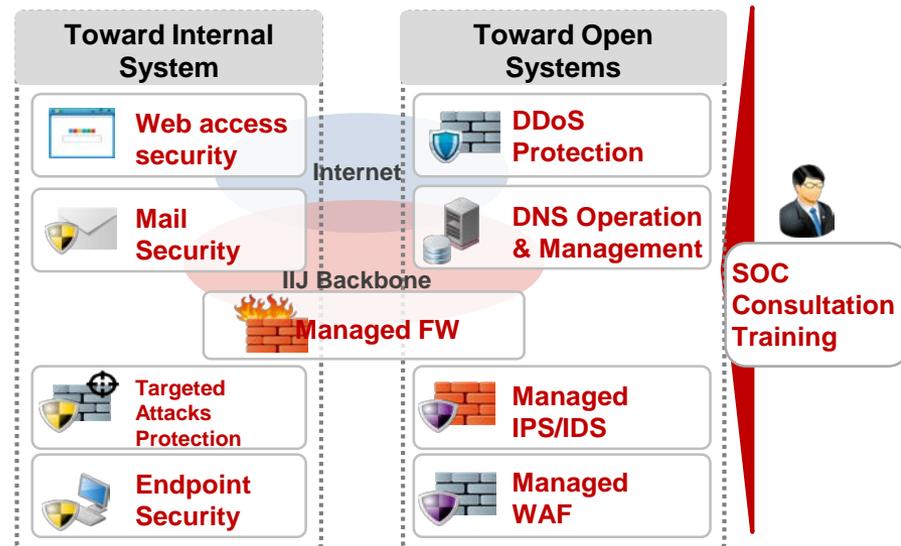
- Recognized in Outsourcing Services
- In addition to services, provide SI for security needs
- Particularly large security Cloud project for local government in FY17



◆ Business Developments

- Continuously expand service lineups: "IIJ Secure Endpoint Service" (Oct.), inexpensive SOC services (Oct.)
- DDoS Protection & other IIJ security services were registered to METI's Information Security Service Standards Complying Service List
- Invited local governments' law enforcement cyber officers and training them on cyber security

◆ Comprehensive Total Security Solution Provider



IoT

◆ Accumulating prospective orders including factory IoT

- Partnership with Hirata Corporation on **cognitive factory**. Accumulating prospective orders especially from manufacturers along with demands to include IoT for higher productivity
- Partnership with Sumitomo Corporation on **agriculture IoT**. Received a project for large plantation data collection through a partnership with a prominent system integrator
- JV with Chubu Electric Power launched "IoT services" by connecting web cameras & thermo-hygrometer sensors etc. to create **connected home** environment

Omnibus

- ◆ Virtualize functions such as Internet connectivity, security, and WAN as cloud services (Sep. '15), Updated to meet large scale WAN demands (Aug. '18), Incorporated SD-LAN (Oct. '18)
- ◆ Use cases continuously increasing:
 - ISID, Daiwa Lifenext, Regal Corporation (shoe company), At Home (real estate), Hibiya Kadan (large flower store chain), GABA (large foreign tutor school chain) etc.

Recent Press Releases of Services' Function Expansion

October

IIJ Omnibus Services

Provide even more optimized and flexible enterprise network with Cloud routing and SD-LAN

IIJ Flex Mobility Services

Provide secure and fast VPN connection to access "Office365" of Microsoft and others with UDP protocol

IIJ GIO Migration Solution

Provide smooth and live migration to Cloud from on-premise

VMware HCX on IIJ GIO

Seamless connection between on-premise VMware and our Cloud VMware virtualized environment with HCX technology

IIJ Unified Operation Management Services (UOM)

Added analysis, research and alert functions to SaaS-type management services overseeing overall systems including on-premise, Cloud and other vendors Cloud services

September

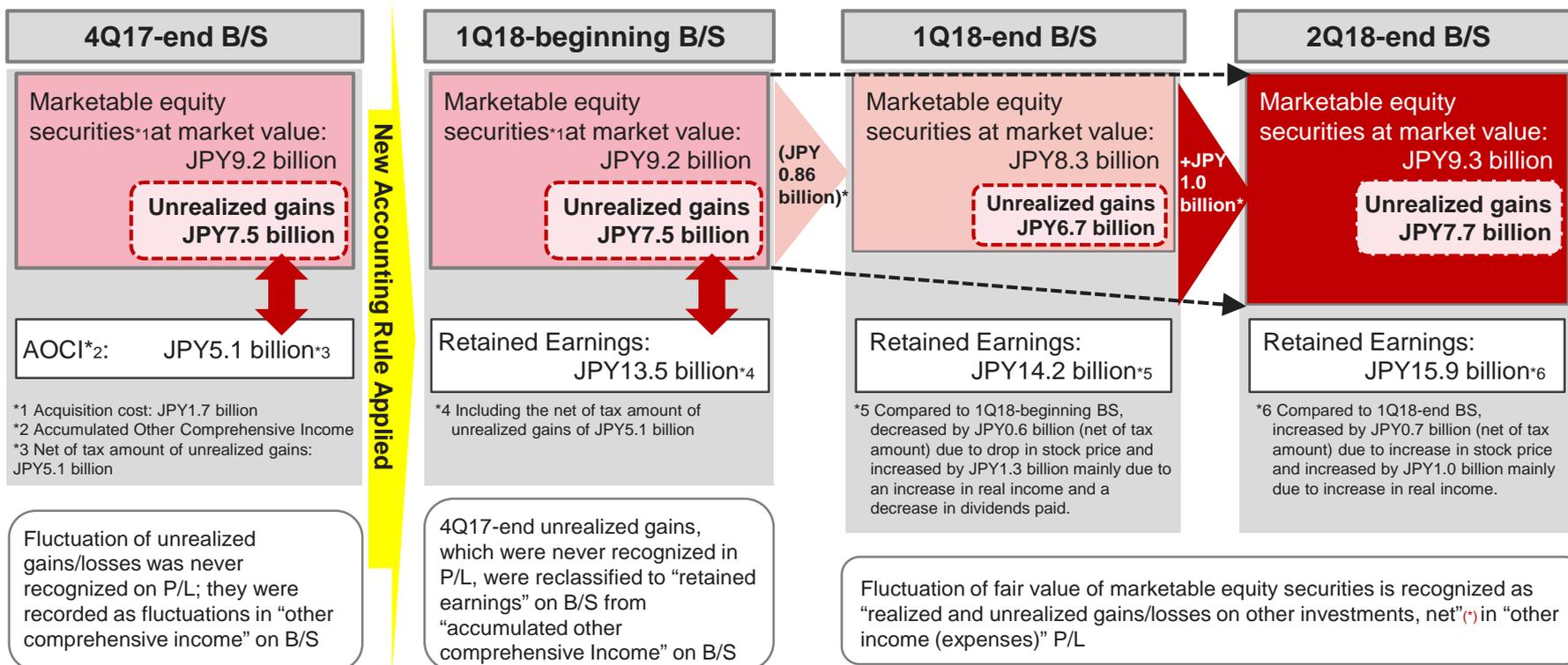
IIJ Secure Endpoint Services

Launched security services to protect endpoint such as computers and servers connected to and within enterprise network. Together with the existing gateway type various security services, meeting even wider security demands of enterprises

IIJ C-SOC Services Basic

Inexpensive SOC services, security monitoring and threat analysis of security logs

Gains/Losses on Marketable Equity Securities



* Major breakdown of gains/losses on marketable equity securities

Stock	IJJ holdings (shares)	Stock Price (JPY)		Gains/losses for 1Q18 P/L (JPY0.86 billion)	Stock Price (JPY) 2Q18-end	Gains/losses for 2Q18 P/L +JPY1.0 billion	Gains/Losses for 1H18 P/L +JPY0.1 billion
		4Q17-end	1Q18-end				
SIGMAXYZ Inc.	1.98 million	2,137	1,331	(JPY1.6 billion)	1,306	(JPY0.1 billion)	(JPY1.6 billion)
Recruit HLDG	1.5 million	2,645	3,066	+JPY0.6 billion	3,792	+JPY1.1 billion	+JPY1.7 billion
PIA Corp.	0.15 million	5,450	6,230	+JPY0.1 billion	5,880	(JPY0.1 billion)	+JPY0.1 billion

(*) “Realized and unrealized loss on other investments, net” for 1Q18 was JPY0.75 billion. The breakdown of which were losses of JPY0.86 billion on marketable equity securities and gains of JPY0.12 billion on funds that were available to be measured at fair value. “Realized and unrealized loss on other investments, net” for 2Q18 was JPY1.12 billion. The breakdown of which were gains of JPY1.0 billion on marketable equity securities and gains of JPY0.13 billion on funds. Due to the recent share price down, it is expected to recognize losses on marketable equity securities again in 3Q18.

※ 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.

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