

Internet Initiative Japan Inc.

Corporate Overview

Internet Initiative Japan Inc.
TSE1 (3774)
September 2021

Disclaimer

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.

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We changed our accounting principles from the Generally Accepted Accounting Principles in the U.S. (“U.S. GAAP”) to the International Financial Reporting Standards (IFRS) from the filing of FY2018 annual report “Yuka-shoken-houkokusho” which was filed on June 28, 2019.

Because reporting period of foreign consolidated subsidiaries under IFRS is different from that of under U.S. GAAP, some figures disclosed in the past are different.

Key Investment Highlights

About IIJ

1

High technological capabilities through development & operation of Internet infrastructure

2

**Blue-chip customer base with low churn rate
Very high market share among internet connectivity for large entities**

3

Digitalization in Japan to advance: IoT, Cloud, Security, etc.

4

Strong track record of monthly recurring revenue accumulation

5

Profit expansion in connection with CAPEX level & cycle

6

Sustainable mid-to-long term growth through above mentioned 1 - 5

Company Profile: IJ taking initiatives in Internet field

About IJ

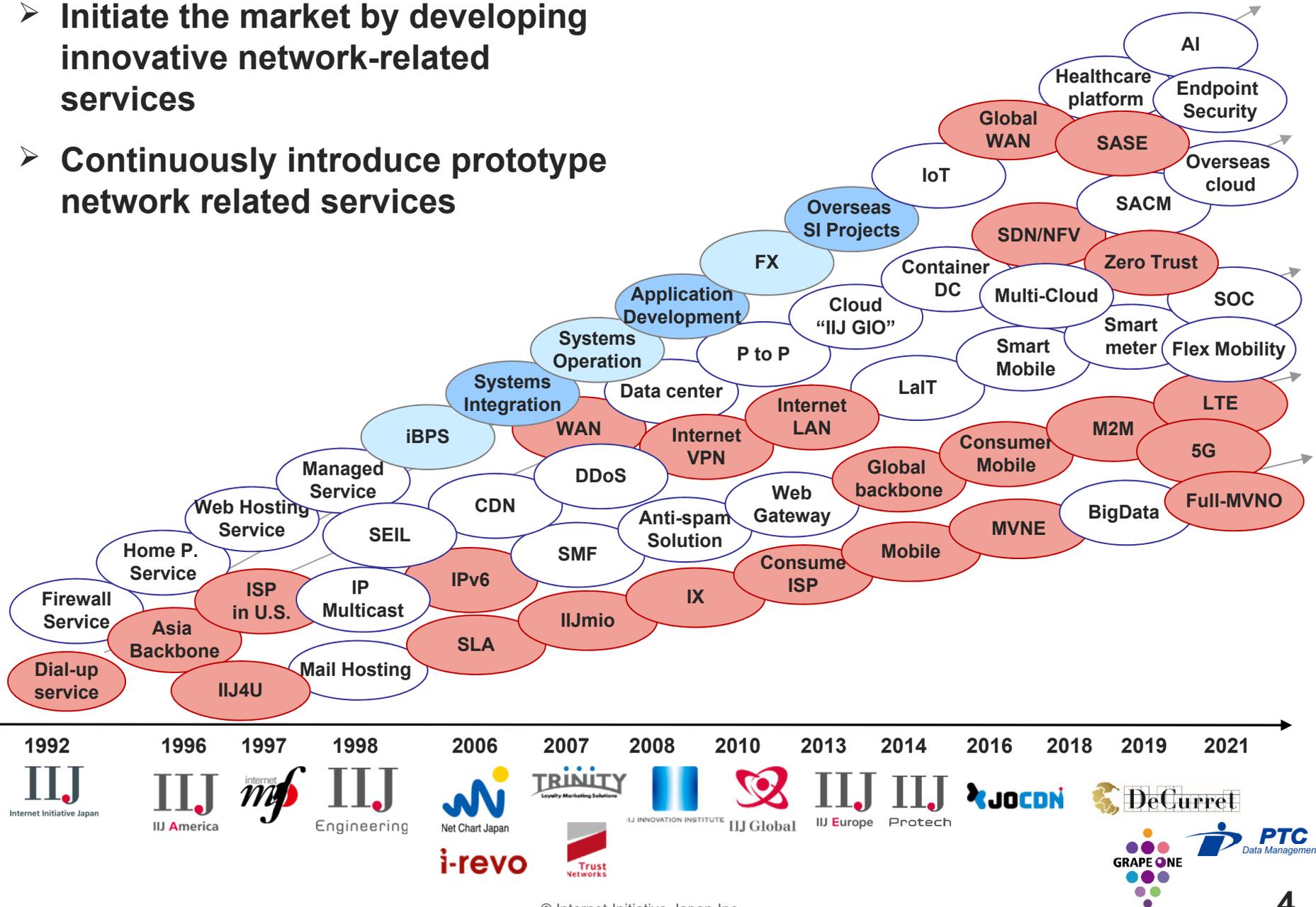
Established	December 1992
Number of Employees	4,069 (approx. 70% engineers, 20% sales, 10% back office)
Listed Market	Tokyo Stock Exchange 1 st Section (code: 3774)
Large Shareholders	NTT group (26.0%), CEO Suzuki (5.6%), Global Alpha (5.0%)

- ◆ **The first established full-scale ISP (Internet Service Provider) in Japan**
 - ✓ Introduced many prototype Internet-related network services
 - ✓ Highly skilled IP (Internet Protocol) engineers
 - ✓ In-house developed services and related back office facilities
- ◆ **Well recognized “IJ” brand among Japanese blue-chips’ IT division**
 - ✓ Mainly among large enterprises and governmental organizations
 - ✓ Differentiate by reliability and quality of network and systems operation
 - ✓ Long-term (almost 30 years) client relationship as there was 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

- Number of employees are consolidated base and as of June 30, 2021
- We voluntary delisted from the U.S. NASDAQ Market in Apr. 2019. Our ticker symbol at OTC is IJJIY
- CEO Suzuki’s ownership 5.6% includes his wholly owned private company portion

Technology and Service Developments

- Initiate the market by developing innovative network-related services
- Continuously introduce prototype network related services



ISP to Total Network Solution Provider

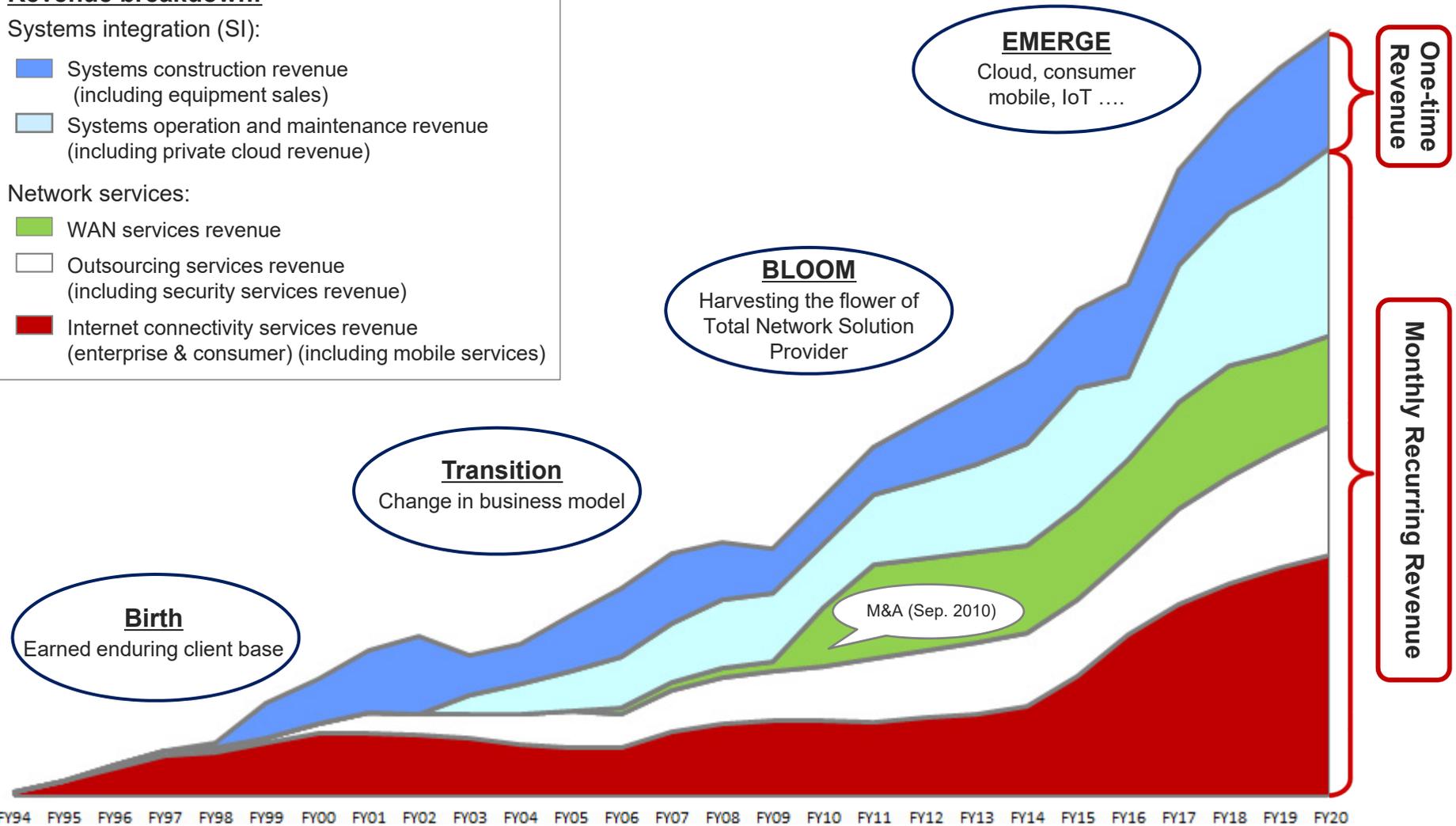
Revenue breakdown:

Systems integration (SI):

- Systems construction revenue (including equipment sales)
- Systems operation and maintenance revenue (including private cloud revenue)

Network services:

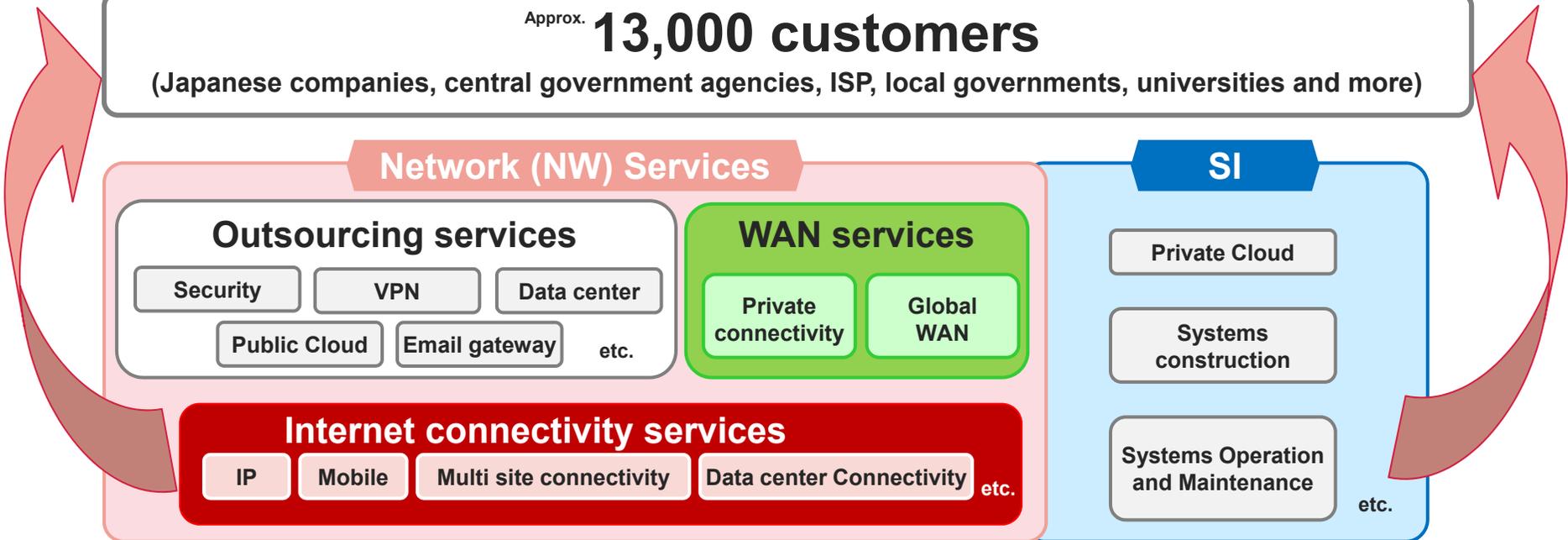
- WAN services revenue
- Outsourcing services revenue (including security services revenue)
- Internet connectivity services revenue (enterprise & consumer) (including mobile services)



Business Model of having both NW services & SI

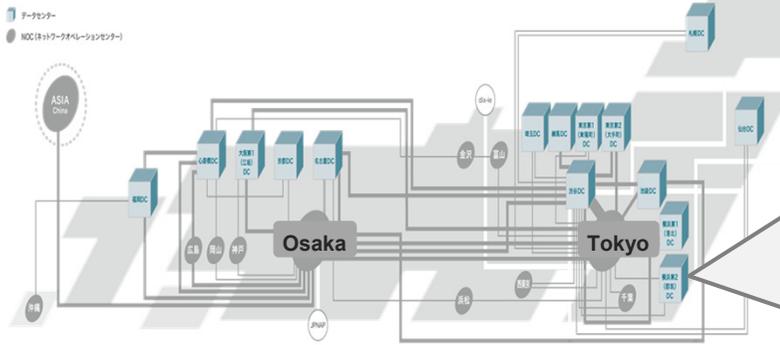
Meeting enterprises' IT needs by leveraging IIJ's business model of having both NW services and SI: IIJ as a comprehensive NW solution provider

Approx. **13,000 customers**
 (Japanese companies, central government agencies, ISP, local governments, universities and more)



Major components of Cost

- We don't own fiber itself, so we lease them carries which cost is recognized as circuit related cost in NW services
- We purchase routers and other network equipment which are needed to operate backbone, so we have depreciation cost which is recognized as depreciation cost in NW services
- Service development and R&D type cost are engineers' personnel cost which are recognized as personnel cost
- As a MVNO, we purchase mobile infrastructure and voice function from MNOs which are recognized as outsourcing related costs in NW services
- While we own 2 data centers, majority of data center are currently leased from data center owners which cost is recognized as network operation cost



• Our consumer business is mostly mobile services.

Excellent Customer Base with Many Blue-Chip Companies

Competitive Advantages

- The current blue-chips client base was mainly accomplished in the early 1990 as IIJ, the first full-scale ISP in Japan, had the pioneer advantage
 - As we never occurred critical network troubles and continuously introduce network related services like security and others, we have been able to maintain good and long lasting relationship with them.

Cover Most of Japanese Blue-Chip Companies

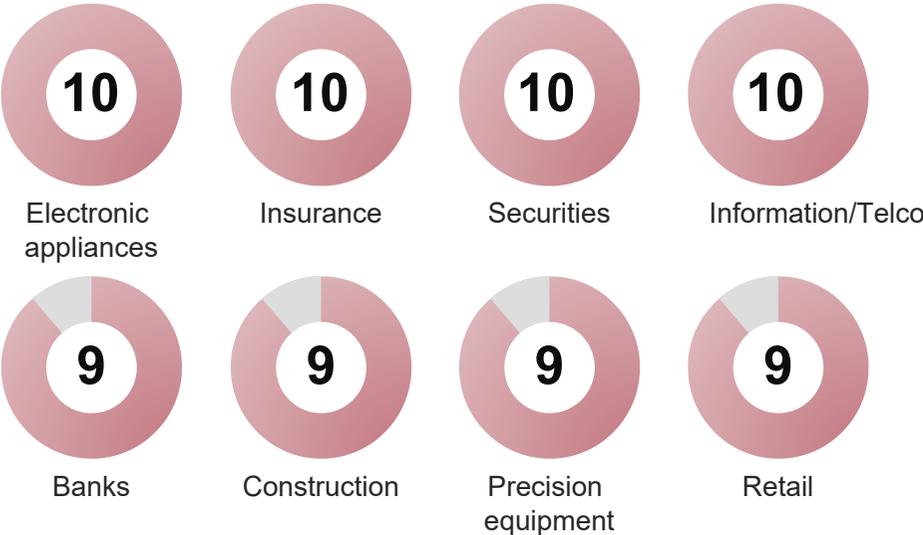


and many more... 7

Excellent Customer Base with Many Blue-Chip Companies

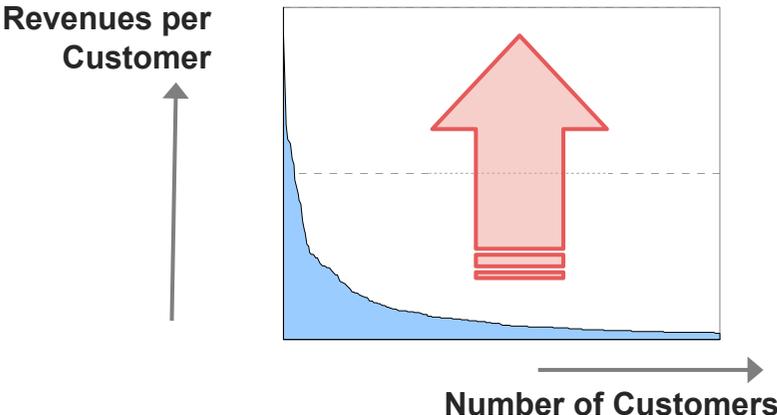
Cover Most of Top Revenue Companies

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

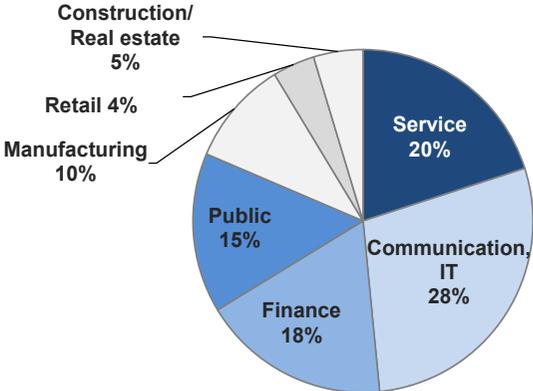


Increase Revenue per Customer

We don't expect our number of clients to increase but revenue per customer should continue to increase by cross-selling strategy.

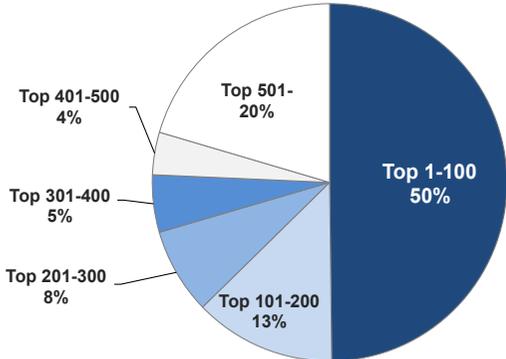


Revenue Distribution by Industry



- Our client base is well diversified among industry sectors because what we offer, Internet connectivity and security for example, are needed by every industry
- Revenues are generated from various industries

Revenue Distribution by Clients



- Approx. 80% of the revenue comes from top 500 clients
 - Much room to grow revenue per customer
 - Cross selling strategy is important
- Largest client revenue portion to the total is less than 3%

Comprehensive Line-ups of IT services

Unit: JPY billion **Competitive Advantages**

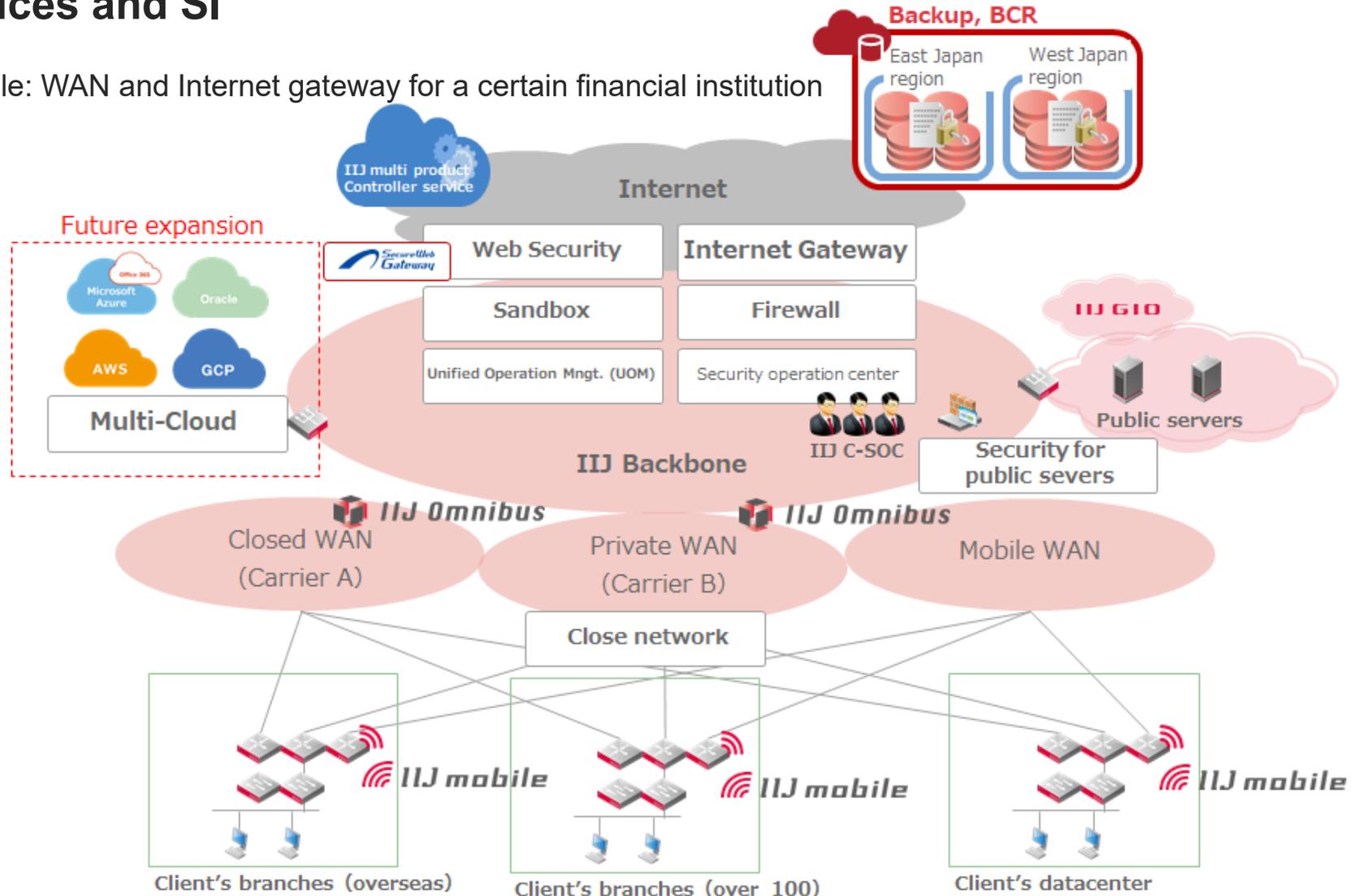
		Revenue category	FY20 revenue	About		Business Situation & Outlook			
Monthly Recurring Revenue 84%	Network services	Internet connectivity services for enterprise	40.3	IP	12.2	Core service providing from the inception of the company, highly reliable dedicated connectivity services for enterprise (multi-carrier, redundancy etc.)	<ul style="list-style-type: none"> ➤ Matured market (new entry difficult) ➤ Blue-chip client base ➤ Expect the revenue to continuously increase along with traffic volume and contracted bandwidth increase 		
				Mobile	24.5			IoT/M2M-related	7.8
								MVNE	16.7
		Internet connectivity services for consumers	25.7	Mobile	23.0	Inexpensive SIM services (mainly data), Direct sale (via IJ web), Indirect sale (via sales partners such as retailers)	<ul style="list-style-type: none"> ➤ Expect profitability and mobile infrastructure utilization to improve as we gather various traffic such as IoT, enterprise, consumers <ul style="list-style-type: none"> • Enterprise: Expect the demand to expand in the middle to long term • Consumer: Aim to achieve net addition (subscription) with new consumer plan 		
		WAN	25.0	Closed network used to connect multiple sites		Stable market for long-term			
One time revenue	SI	Outsourcing	35.7	In-house developed Internet-related various service line-ups (Security, datacenter, remote access related etc.)		<ul style="list-style-type: none"> ➤ Have been developing services based on Zero Trust concept, Developing new SASE service ➤ Acquire enterprise demand by cross-selling services. Continuous service development is important ➤ Demands for security and remote access to increase continuously 			
				Security	18.4		Public Cloud	2.8	
		Operation and Maintenance	51.5	Promote cloud shift with our abundant, highly reliable, value-added private cloud related service line-ups		<ul style="list-style-type: none"> ➤ Expect great business opportunity in the middle-to-long term as internal IT systems migrating to cloud ➤ Systems to be converted to cloud 			
Construction (including Equipment sales)	31.8	System construction related to office IT, security, Cloud, IoT. Internet-related construction such as Online banking & brokerage academic backbone network for university, and E-commerce site		<ul style="list-style-type: none"> ➤ Through providing SI, offer greater value as IoT and cloud usage penetrate 					

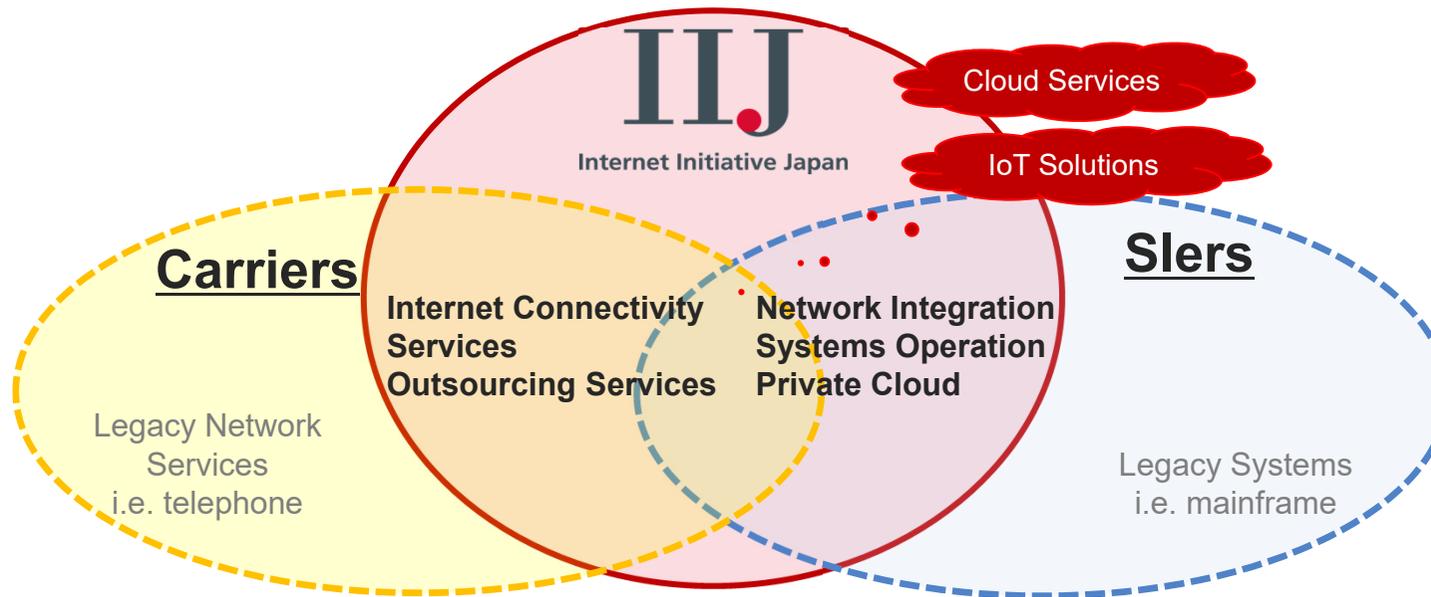
Examples of Cross-selling & Total Solution

Competitive Advantages

Meeting the demands of enterprise network systems that are becoming more complex and diversified with in-house developed network services and SI

Example: WAN and Internet gateway for a certain financial institution





IIJ's differentiation points against competitors

Against Carriers:

- IIJ has many highly skilled network engineers who have been leading the Internet-related market by continuously developing and introducing innovative Internet-related services
- IIJ, much smaller in employees number, is fast to corresponds to the Internet market: unbureaucratic organization structure and corporate culture

Against Systems Integrators (Slers):

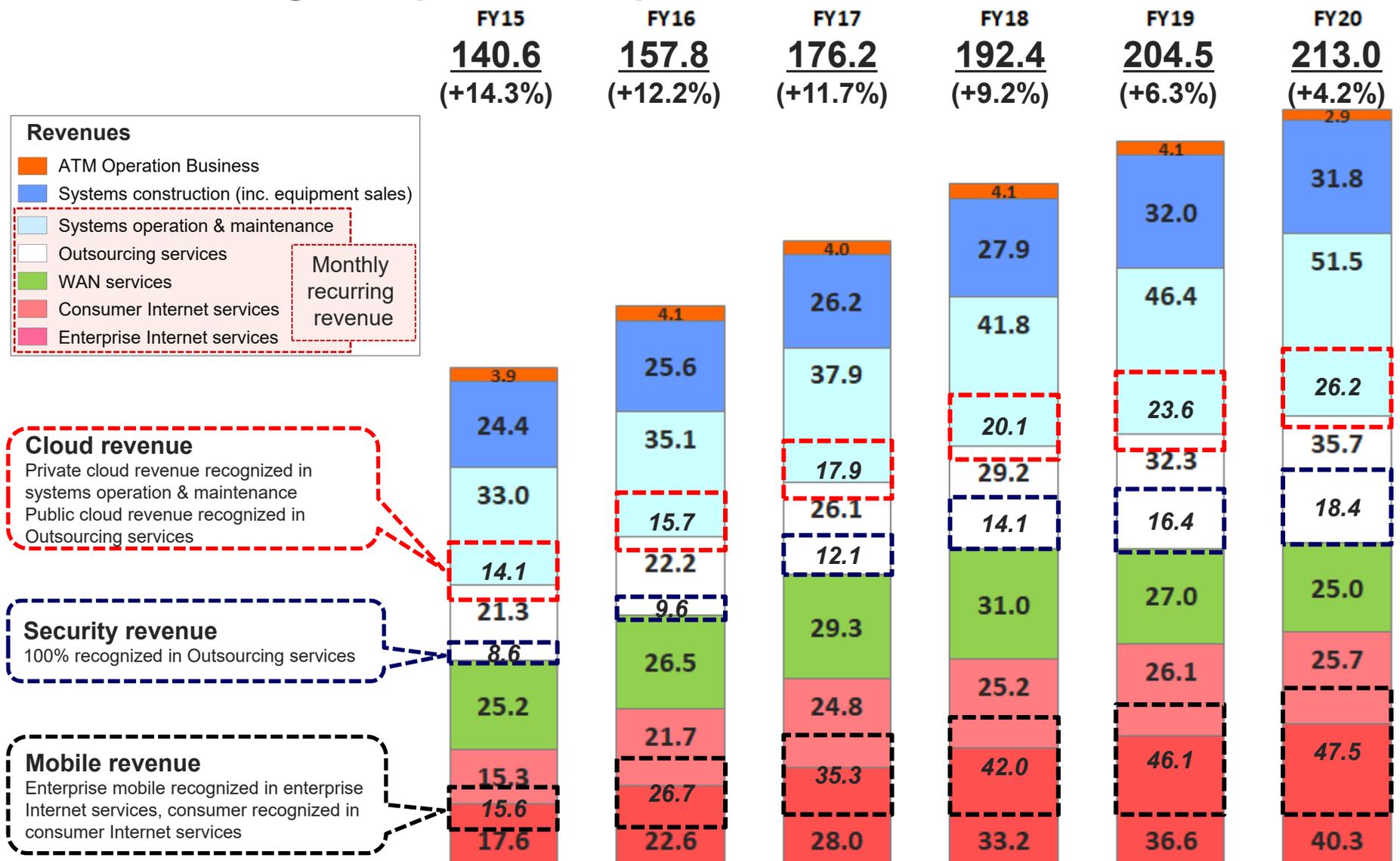
- Enterprise IT systems are shifting from on premise to more network-based systems which trend requires both network operation and integration expertise
 - IIJ operates Internet backbone and network facilities
 - IIJ develops network services

Continuous Revenue Accumulation

Unit: JPY billion
% = year over year change

Growth Strategy

Cross-selling multiple service products



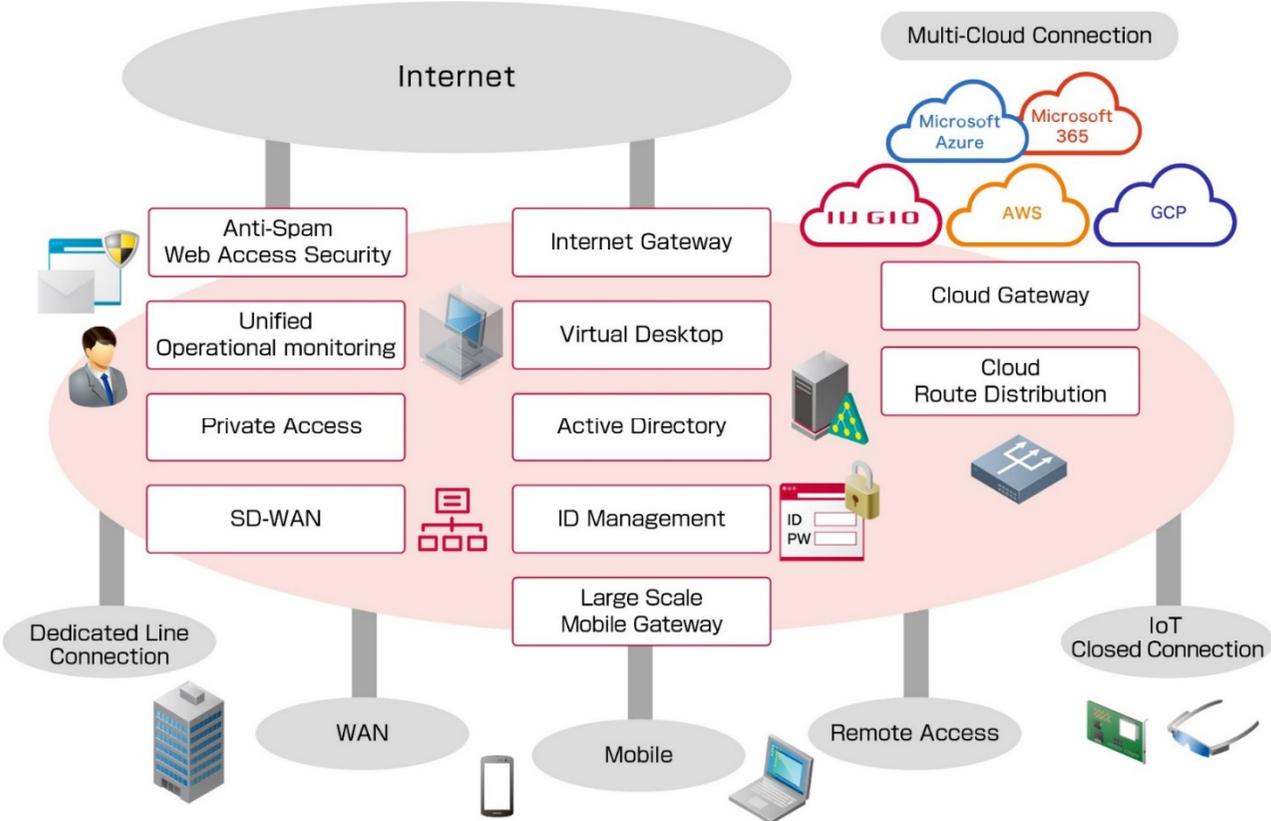
- During FY20, ATM operation business was impacted by the COVID-19 pandemic due for example to the store closure and smaller number of users coming to stores
- WAN revenue decreased year over year in FY19 and FY20 is mainly due to certain large customers' migration to our mobile services (cheaper than WAN to connect multiple sites)
- YoY growth rate written for FY17 revenue is calculated by comparing FY16 revenue which is prepared with U.S. GAAP and FY17 revenue which is prepared with IFRS

Enterprise Network Services (1)

- Continuously developing and operating various network services to promote further IT utilization and advancement by Japanese enterprises
- Cross-selling these various highly reliable and value-added monthly recurring revenue services to fully meet Japanese enterprises' needs

IIJ's enterprise network services

Enterprise network services revenues are recognized in Internet connectivity services for enterprises, Outsourcing and WAN services



Enterprise Network Services (2)

Unit: JPY million

Growth
Strategy

**IIJ's enterprise network services' business model:
Cost doesn't have to increase at the same pace as the revenue – economy of scale business**

◆ Revenue

- Accumulation of monthly recurring revenues
 - IP services are contracted based on bandwidth base
 - ✓ IP service is bandwidth guaranteed dedicated Internet connectivity services for enterprises. Contracts are based on bandwidth and enterprises use the service for their core and main Internet connectivity
 - ✓ IP service revenue is 100% recognized in Internet connectivity services (Enterprise)
 - Security services are charged per an account in addition to monthly basic charge, generally speaking
- Very low churn rate. Minimum contract period is 1 year.
 - Contracts are renewed every year, generally speaking
 - When we lose a client, it's generally when 2 clients are merged into 1 due, for example, to M&As.
- IIJ has very high and stable market share among Japanese blue-chip (IIJ survived the tough price competition)
 - Enterprise Internet connectivity market in Japan is already matured (every company is already using Internet).
 - ✓ Difficult to enter the market because one will need:
1) customer base and 2) know-hows to generate revenue
 - IIJ's internet connectivity services clients include general Japanese enterprise as well as network operators such as consumer ISPs, cable TV operators
- Outsourcing services continuously and largely increasing mainly because demands for security services and remote access services are strong

◆ Cost

- IIJ purchases physical fiber from carriers
 - As one of the largest independent ISPs, IIJ has strong buyer power when purchasing fiber. IIJ can pick the best deal when expanding Internet backbone.
 - IIJ expands its Internet backbone continuously; expanding capacity on a monthly basis.
 - Fiber purchasing cost is recognized as circuit-related costs
- IIJ owns network equipment that are needed for Internet backbone and network service facility
 - Network operation cost which is many depreciation amortization costs for network equipment is stable due to the technological innovation of servers and other network equipment
 - In other words, ¥1 million server today is more high spec compared to the ¥1 million server a year ago.

◆ Profit

- Enterprise network service revenues especially IP services and Outsourcing services continue to increase while their costs remain relatively stable.
- By that, IIJ can enjoy economy of scale with strong revenue accumulation which leads to profit expansion.
- In other words, the costs for enterprise network services do not have to increase at the same pace the revenue growth.

Capex and Business Developments

Unit: JPY billion

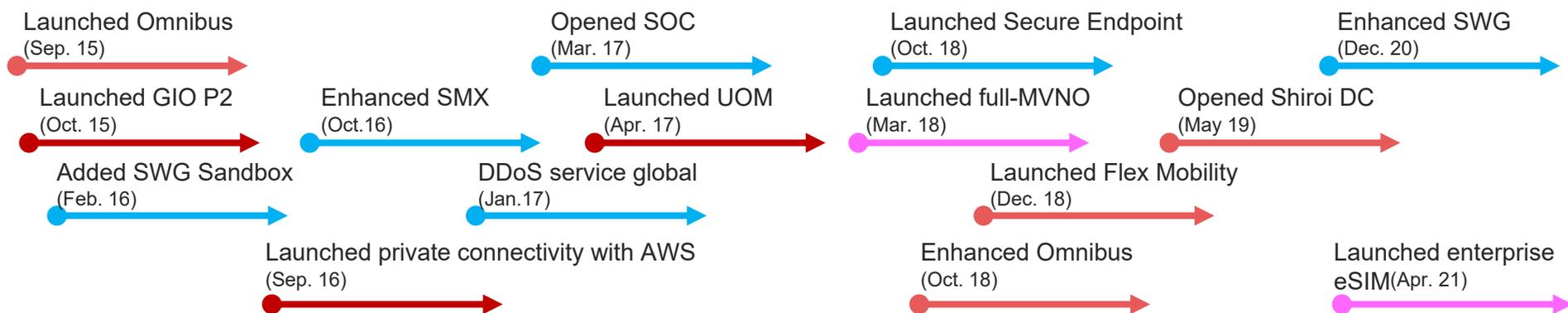
Growth Strategy

	FY16	FY17	FY18	FY19	FY20
Revenues (¥ bn)	157.8	176.2	192.4	204.5	213.0
Operating profit ratio (%)	3.3	3.8	3.1	4.0	6.7
CAPEX (¥ bn)	16.5	20.7	15.1	15.2	15.2
<i>NW services</i>	12.6	9.4	9.4	9.6	8.8
<i>Cloud</i>	3.6	7.9	1.9	2.6	2.8
<i>Shiroi Data Center</i>	-	1.2	2.1	2.0	1.5
<i>SI, others</i>	0.3	2.3	1.7	1.0	2.0
CAPEX-related depreciation and amortization (¥ bn)	10.9	12.1	13.9	14.4	14.5

As we had expected strong market growth, we started to enhance business investment, focus more on developing new services and upgrading service functions. Along with that, cost increased.

As stable CAPEX level continues, cost also stabilizing

Number of employees at FY-end	3,104	3,203	3,353	3,583	3,805
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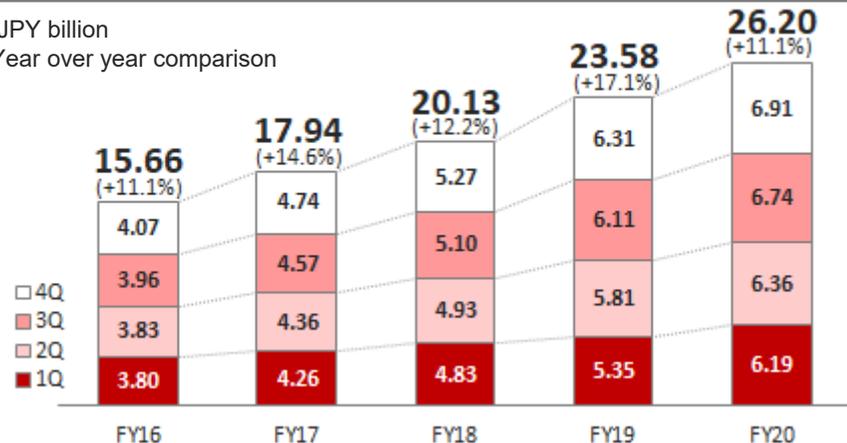
- FY16: US-GAAP, from FY17: IFRS
- CAPEX-related depreciation and amortization is calculated by excluding depreciation and amortization of assets that do not have the nature of capital investment, such as right-of-use assets related to operating leases, small-amount equipment and customer relationship.

Cloud Business (1)

- Cloud shift of Japanese enterprises' large internal core systems just began
- With Cloud services, IIJ can approach IT system areas that are traditionally covered by legacy Slers such as enterprises' internal IT systems

IIJ's Cloud Revenue (recurring)

Unit: JPY billion
% = Year over year comparison



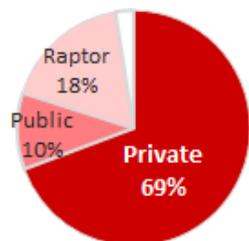
Cloud-related CAPEX	FY16	FY17	FY18	FY19	FY20
	3.6	7.9	2.2	2.6	2.8

• FY17 Cloud-related CAPEX includes 3.0 billion of Cloud-related CAPEX that was originally planned for in FY18

Cloud Market in Japan

- **Cloud penetration among Japanese enterprises**
 - 64.7% as of 2019-end, 33.0% as of 2013-end (source: MIC)
 - Japanese enterprises are slowly but surely using more Cloud services, yet most of such usages are primitive ones such as using cloud services for web and/file servers etc.
- **Cloud shift in Japan tends to take place one by one as:**
 - Japanese blue-chip' internal systems are quite large and complicated - can't migrate all at once
 - Japanese enterprises consider whether to re-invest their on-premise systems or migrate to Cloud services when their existing systems approach to the end of life
 - ✓ Average cycle of IT system: 4-5 years
- **Seeing some advanced usages**
 - Nippon Express (one of the largest logistics companies): replaced on-premise critical business operation system to IIJ Cloud (3,500 servers, 2PB storage) etc.

IIJ's Cloud Service Offerings: Mainly IaaS (Infrastructure as a Service)



- Private Cloud services and other services that are similar to systems integration, meeting specific needs, are recognized in systems operation and maintenance
- Public Cloud services which are similar to conventional web hosting services or simple network services in nature are recognized in Outsourcing services
- Raptor (ASP foreign exchange system developed by IIJ) is currently used by 22 FX service providers including Hirose Tusyō, LINE Securities, au Kabucom, Nomura Securities and Sony Bank
- Others include overseas Cloud services

• Based on FY20 IIJ's results

- **Cloud services as one of the cross-selling element:
Promoting Cloud Shift of the current blue-chip Japanese enterprises**

IIJ's Competitive Advantages

- ◆ **Blue-chip client base: Hands-on/close relationship with clients (Cloud as a cross-selling element)**
- ◆ **New business opportunity: Because blue-chips' internal systems have been covered by legacy system integrators, it is a new business opportunity for IIJ once such systems migrate toward Cloud. IIJ has not dealt with legacy internal enterprise systems**
- ◆ **Various network service line-ups such as security and various ways to access cloud systems (mobile, WAN, etc.)**
- ◆ **Competitors**
 - AWS (Amazon) & Azure (Microsoft): Strong scale merit. Focus on public cloud. Not so strong about meeting individual systems needs
 - Because start-ups and SMEs do not have to worry about so much about existing systems, they tend to use Cloud services much more and much faster compared to large blue-chips who have large and complex existing systems
 - Legacy system integrators who constructed and currently looking over blue chips' large internal systems

Multi-Cloud Strategy

- ◆ **Japanese enterprises avoid relying on single cloud service vendor: increasing demands for multi-cloud**
 - IIJ provides private connectivity with Microsoft Azure/365, AWS (Amazon Web Service), GCP (Google Cloud Platform)
 - IIJ provides operation and management services to effectively monitor an entire IT systems(IIJ UOM Service), covering IIJ's cloud services, other cloud vendors' cloud services and on-premise systems.

IIJ's Cloud Business Model

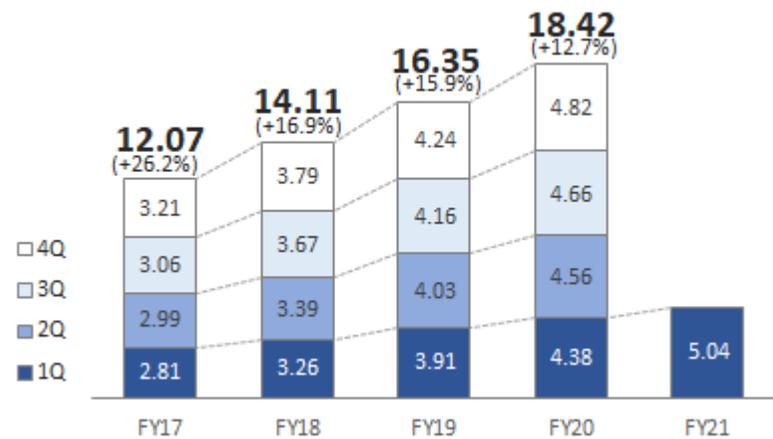
- ◆ **Revenue**
 - Revenue is to increase along with an increase in Cloud clients and each system volume
 - System volume depends on a number of cloud servers, volume of storage etc.
- ◆ **Cost**
 - Depreciation and amortization cost for servers and other network equipment, outsourcing cost and personnel costs for service developments
- ◆ **Profit**
 - Currently very low profitability, need more revenue to have economy of scale

Security Business (1)

- Continuously developing new services and expanding service functions as new cyber/network threats are evolving
- Japanese enterprises used to see security measures as cost, but now they understand them as great necessity.

IIJ's security service revenue (recurring)

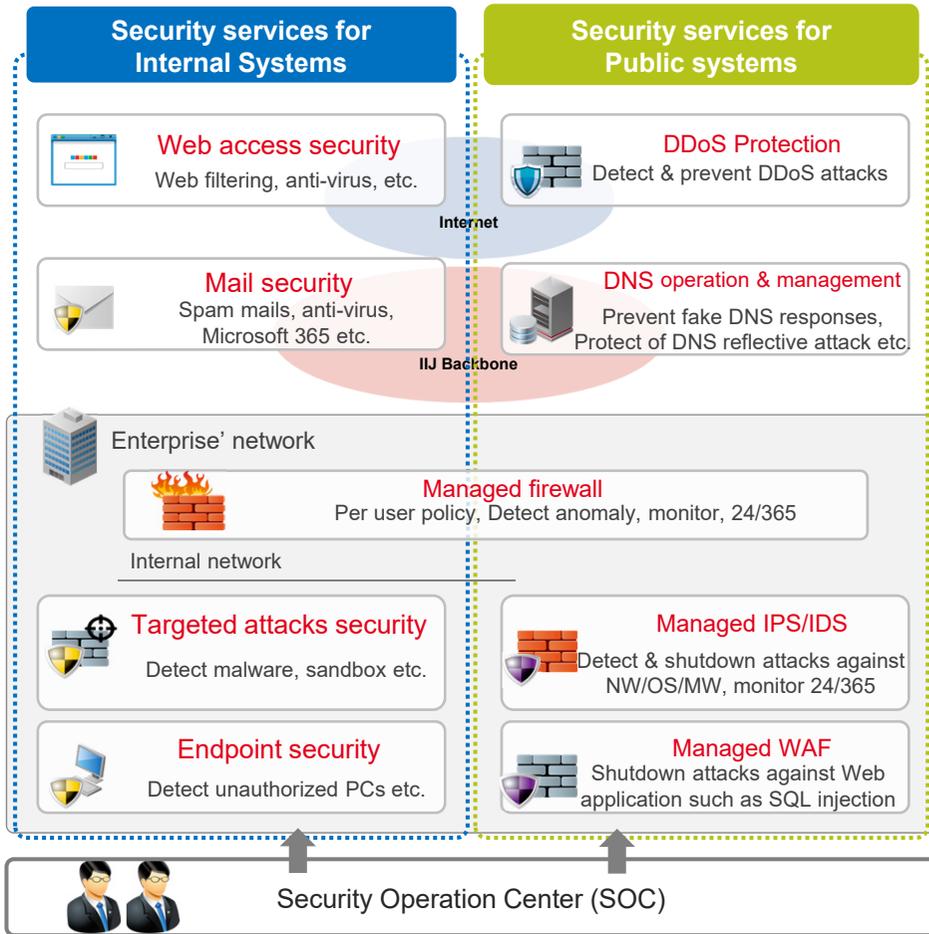
Unit: JPY billion
% = Year over year comparison



Total security revenue (services + SI)	FY17	FY18	FY19	FY20
	14.62	16.77	19.18	21.47

- Strong growth in FY17 was mainly due to “Information Security Cloud” projects. As for FY20, demands to expand NW seemed more urgent than security implementation
- Security service revenue is 100% recognized in Outsourcing services

IIJ's security service offerings

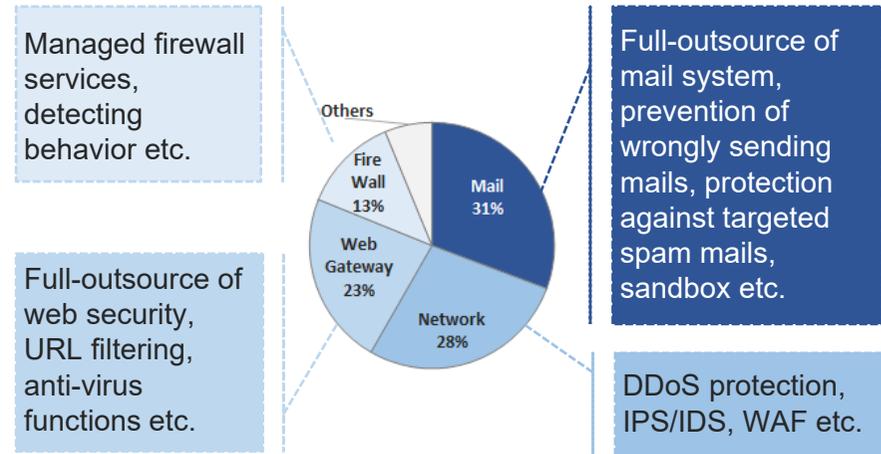


Security Business (2)

Strong & various demands continuing

- **DDoS protection services:** handle terabit cyber attacks. Widely used by central government agencies & major financial institutions. Moreover, prominent services doing business over Internet are also using our DDoS protection services.
- **Security Operation Center services (SOC):** with approximately 6 billion daily log records of network etc. (other vendors: approx. 0.8 billion a day). Detect Internet threats & execute counter measures promptly
 - **Leveraging security log obtained as an ISP** to protect against latest cyber threats
- **Gateway mail security services:** Have been providing for almost 30 years. Still very popular. Some Japanese enterprises fully outsource their email systems to us because email security is becoming critical and difficult to handle. Service providers who were offering similar services withdrawing from the market these days.
- **Advising regional police departments about cyber security** such as unauthorized access and Internet network

Breakdown of IIJ's security service revenue



• Based on IIJ's FY20 results

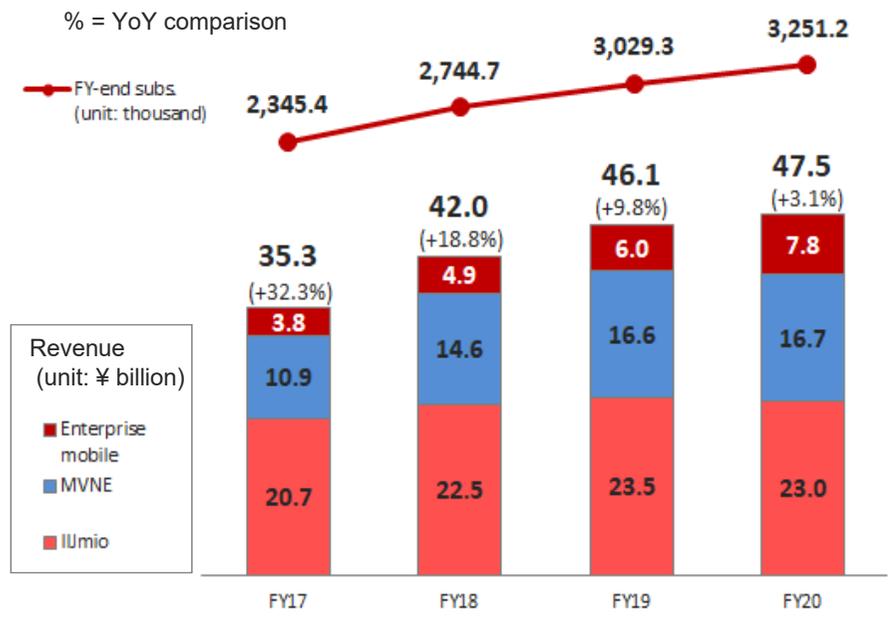
IIJ's Competitive advantage of having them all

	IIJ	Security vendors	System integrators
Network	✓	none	none
Analysis platform	✓	somewhat	somewhat
Operation and monitoring facility	✓	✓	✓
System integration	✓	none	✓

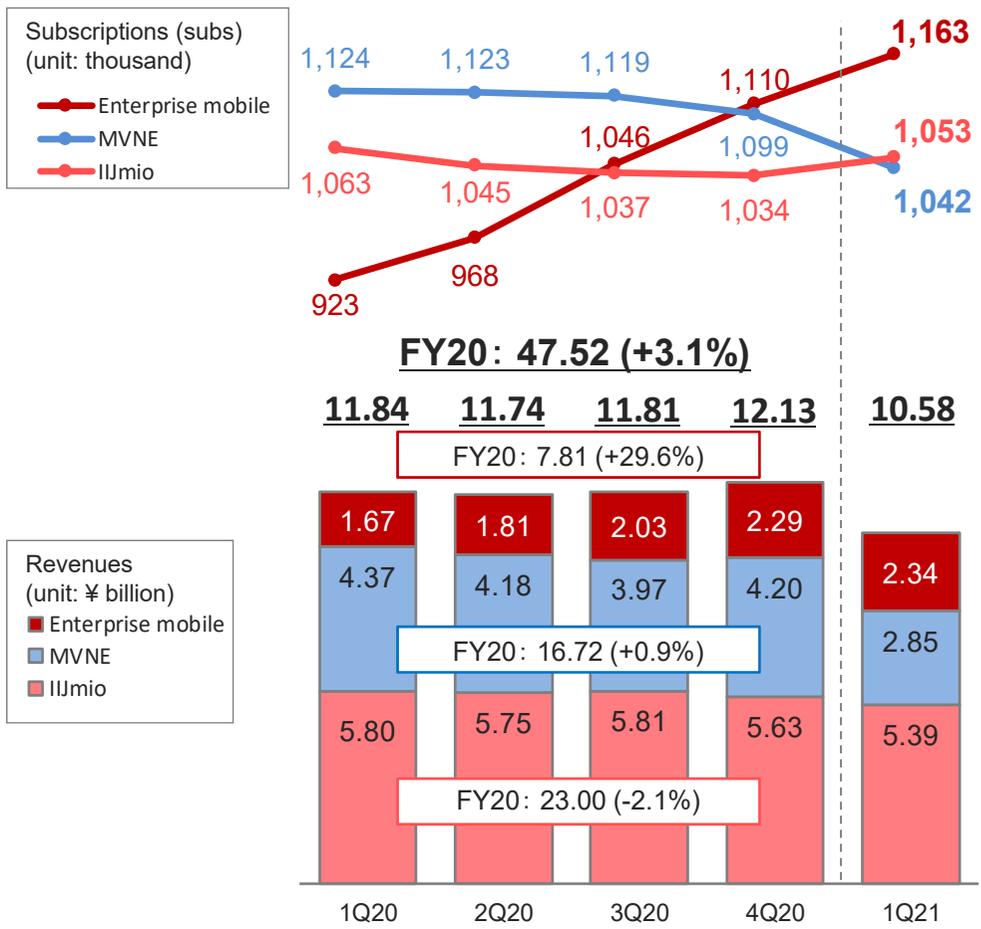
Mobile Business (1)

- Main strategy: accumulate enterprise mobile by leveraging blue-chip client base, various NW services & SI function – higher utilization of the mobile infrastructure
- Consumer subscription contributing to expand the infrastructure

Total subscription & revenue



Recent subscription & revenue



- **Enterprise mobile:** Calculated by deducting MVNE from IIJ Mobile (enterprise)
- **MVNE** (Mobile Virtual Network Enabler) aka “IIJ Mobile Platform Services”: Revenue are generated by providing mobile services to other MVNOs who want to provide mobile services to their consumer customer base.
- **IIJmio:** Brand name for IIJ’s consumer mobile services. IIJ provides the service through its website (direct sales) and sales partners

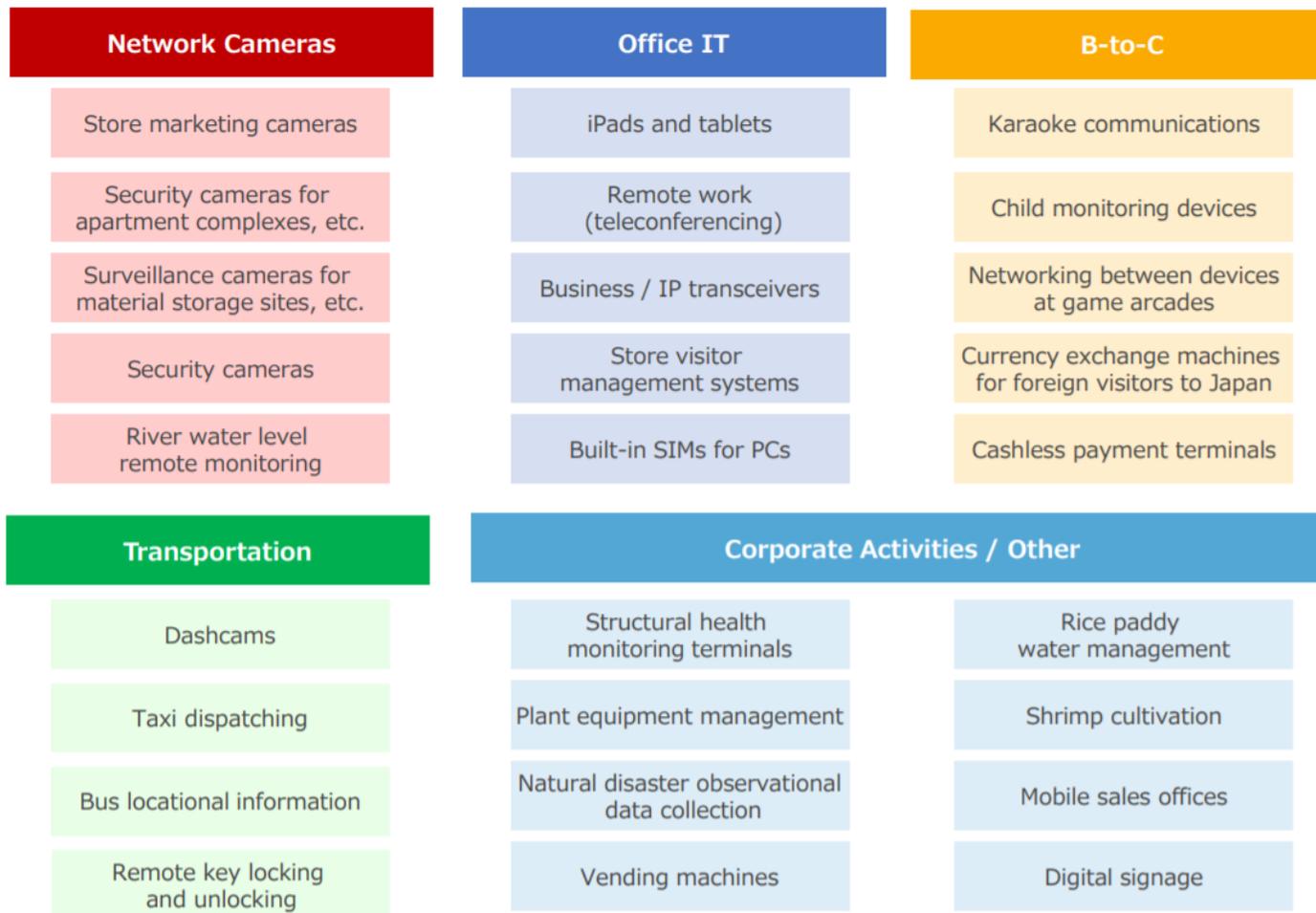
• 1Q21 full-MVNO revenue: ¥0.78 billion (93.5% Enterprise mobile, 6.5% IIJmio)

Mobile Business (2)

➤ Most of current enterprise mobile solution are simple usage such as connecting network and surveillance cameras etc.

- Seeing some advanced usage such as Factory IoT for Toyota Motor Hokkaido
 Details of the case can be found here: <https://www.ij.ad.jp/en/news/pressrelease/2020/0803.html>

Accumulating various enterprise mobile solutions

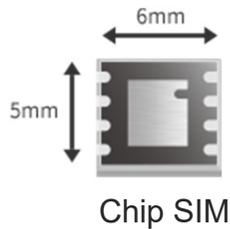


Mobile Business (3)

- Became the first full-MVNO (data) in Japan in March 2018
- Mainly targeting enterprise IoT needs

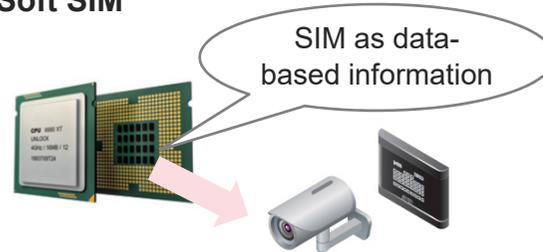
New forms of SIMs

◆ Chip SIM



- Embedded Chip-type SIM (M2M UICC)
- Can handle a wide range of temperature environments and it is resistant to vibrations and corrosion.

◆ Soft SIM



- A communication module given SIM functions where the information required for mobile communications is logically written in internal memory

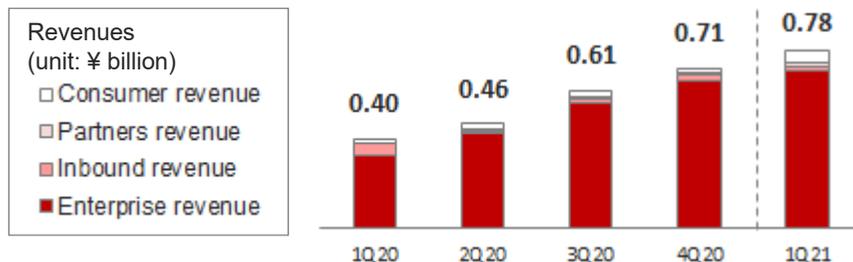
◆ eSIM (embedded SIM)



- Maintaining our own subscriber management features allows us to provide an eSIM service

IJJ's Full-MVNO Revenue Growth

Internal revenue of consumer and enterprise mobile revenue



- FY20 Full-MVNO revenue breakdown: 96% IJJ Mobile, 4% IJJmio
- Consumer revenue: eSIM services
- Partner revenue: IMSI for overseas enterprises such as travel agency
- Inbound revenue: Pre-paid SIM for foreigners visiting Japan
- Enterprise revenue: IoT-type usages such as connecting cameras

5G Business Initiatives

- Developed Japan's first 5G SA-compatible eSIM (Nov. 2020)
 - 5G SA (standalone) is upcoming mainstream 5G mobile communications
- Launched 5G services (au) for enterprises (Oct. 2020)
- Local 5G business: established JV (Grape One) with SUMITOMO CORPORATION and some cable TV operators
 - Local 5G networks: dedicated 5G networks operated by local governments and companies in keeping with diverse needs of their respective communities and industries
 - Cable TV operators, serving as local media, can leverage their own large-capacity bidirectional infrastructure to play key role in local 5G-based community development

Mobile Business (4)

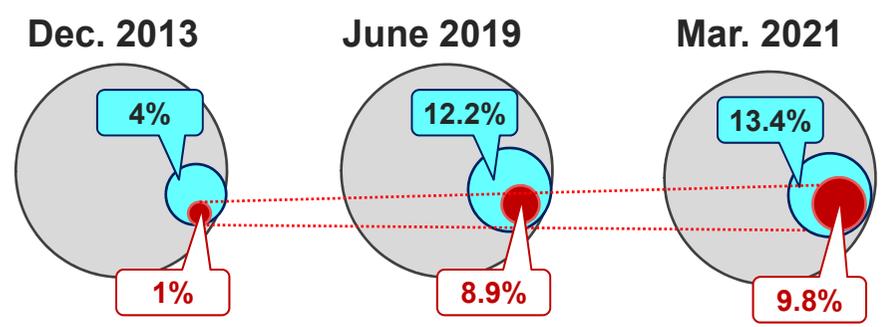
Launched new consumer mobile plan (Apr. 2021)

- New consumer mobile plan “GigaPlans” subscription (Old plan’s users migration started from May 1)
 - As of May 6, approx. 350 thousand
 - ✓ of which approx. 15% new users
 - As of June 31, approx. 462 thousand
 - ✓ of which approx. 17% new users
- For FY21, expect total mobile revenue (sum of enterprise & consumer) to decrease by JPY8.3 billion YoY
- Please refer to P. 59 of this presentation for more detail on the mobile unit charge
- Please refer to P. 60 of this presentation for a table comparing old and new consumer mobile plans

IIJ’s Sale Channel for Consumers

1. **Direct sales** through IIJ’s website
 - Approximately 60% of 4Q19 IIJmio’s revenue was through direct sales
2. **Sales partners** such as BicCamera who have physical stores
 - IIJ pays sales commission expenses to sales partners
3. **MVNE** “IIJ Mobile Platform Service”
 - IIJ provides mobile services to other MVNOs
 - As of June 30, 2021, IIJ had 159 MVNE clients
 - ✓ Largest MVNE client is one of the largest Japanese retailers
 - ✓ 86 out of 159 MVNE clients are Japanese cable TV operators who already have direct relationship with consumers

MVNO Penetration in Japan*1



Source :
 *1 Ministry of Internal Affairs and Communications (the MIC)
 *2 Published by the MIC in June 2021, share among “SIM subscription”
 *3 “MVNO Market Maintains Upward Trajectory” by Pete Bell in Apr. 2019
<https://blog.telegeography.com/mvno-market-maintains-upward-trajectory>

- **Consumer MVNO share as of Mar. 2021** *2
 - IIJ 15.2%
 - NTT Communications (brand name: OCN mobile) 11.5%
 - Rakuten Mobile 11.4%
 - OPTAGE (brand name: mineo) 8.9%
 - LINE Mobile 6.7%

Germany	47.5%	Spain	16.8%
Canada	28.8%	The US	13.8%
France	26.9%	Italy	12.1%
The UK	18.6%	South Korea	12.1%

Mobile Business (5)

Business model of IJ's Mobile Business

◆ Revenue

- IJmio (consumer mobile) revenue is calculated by subscription times ARPU (Average Revenue Per User)
 - Headsets sales are also recognized as consumer revenue. IJ is recognized as MVNO with good lineups of smartphone.
- Enterprise mobile revenue is to grow with IoT/M2M traffic. Because we charge by how much data is needed and an IoT device does not require much data, generally speaking, per device revenue tends to be quite small.

◆ Cost

- All of IJ's mobile services are provided from the same mobile infrastructure
- Purchasing mobile capacity on bandwidth-base from mobile carriers (mainly from Docomo, some from KDDI)
 - Such purchasing cost is recorded as "outsourcing" in non-voice services' costs
- In order to provide voice services, we purchase per usage base (no economy of scale merit for voice services)
- Sales commission expenses (SG&As) to sales partners such as BicCamera

◆ Profit

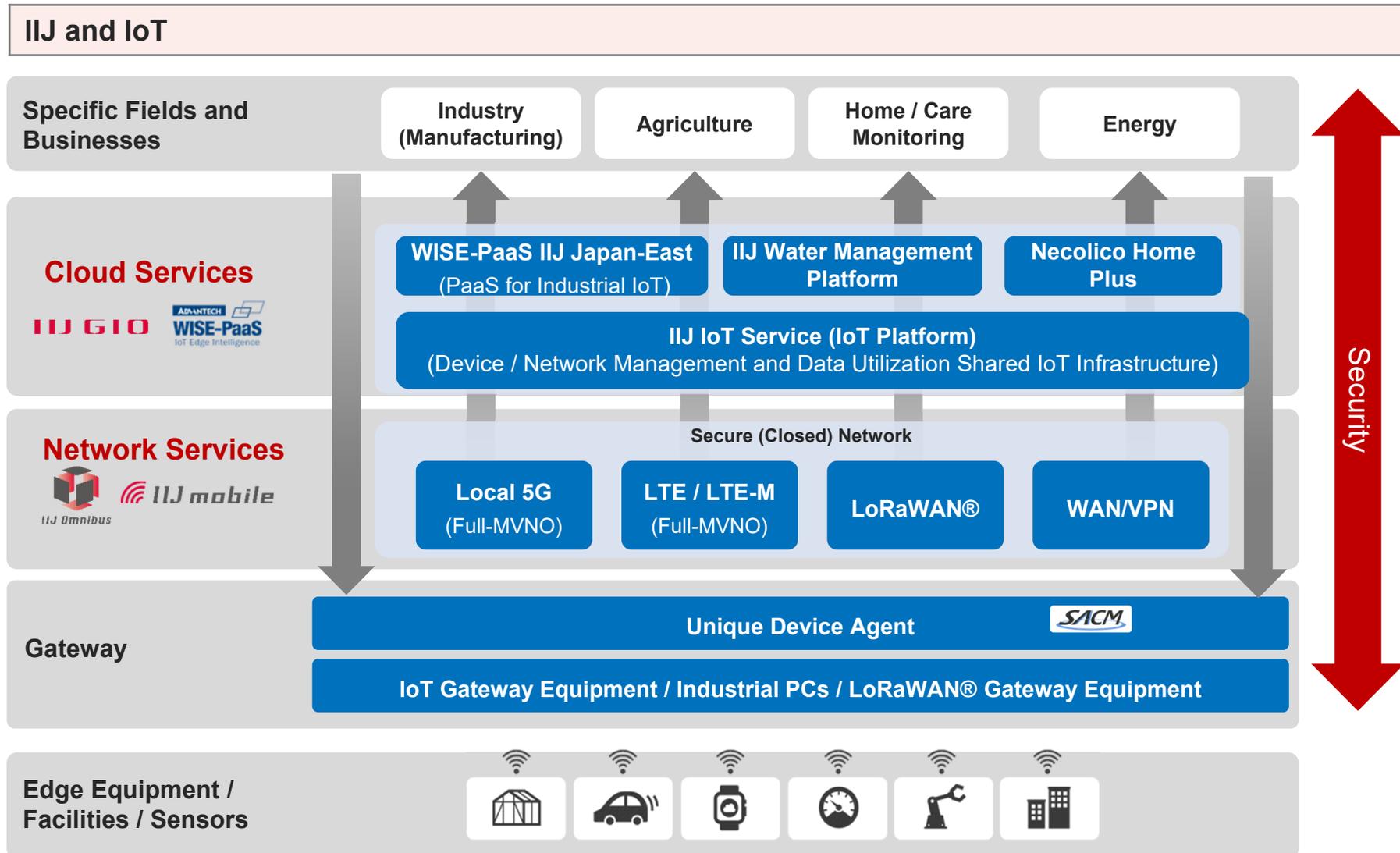
- Profitability to increase by improving infrastructure utilization through gathering various consumer & enterprise traffic
 - Traffic patterns of consumers and enterprises are different
 - ✓ Consumers' peak time is commuting hours and lunch break. Other than these hours, our consumers tend to access Internet through their home and/or office Wi-Fi. On the other hand, there is no clear peak time for enterprise. Traffic is generated through mobile dongle and/or IoT type usages which run 24/7
 - Currently, purchasing mobile capacity to meet the peak time of consumers (commuting hours and lunch break)
 - ✓ Mobile infrastructure utilization is still quite low except for those peak time of consumers

◆ Growth Strategy

- Aim to improve mobile infrastructure utilization by gathering IoT/M2M & various consumer traffic
 - Currently buying mobile capacity to meet the peak hours which are concentrated on commuting hours and lunch time
 - Because traffic patterns of consumers and enterprise/IoT are different, by gathering

IoT Business (1)

Combining IIJ's existing service lineups and SI to build IoT systems



IoT Business (2)

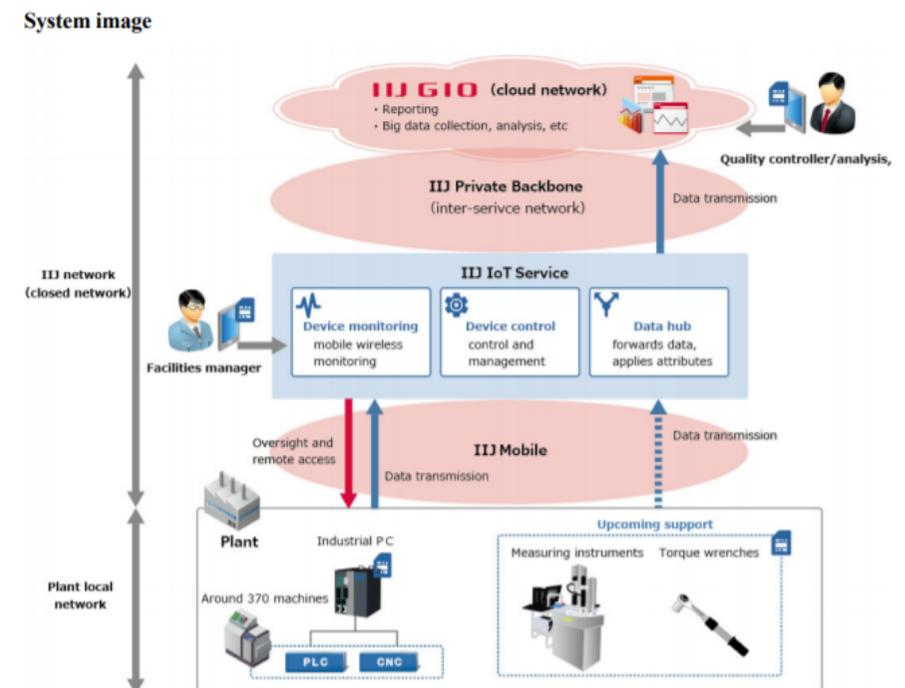
- **Change in Japanese enterprise attitude toward IoT**
 - Just executing PoCs to actually implementing IoT systems

Some IoT projects

Industrial machinery manufacturers	Shift from reactive post-sales maintenance model to proactive field services (making predictions based on data)
Car accessory manufacturers	Expansion of service businesses by acquiring data through the networking of products and establishing software technology development organizations to develop services that use that data
Measuring instrument manufacturers	Expansion of services to streamline & improve the accuracy of recording tasks by going beyond just "measuring" things & providing linking data customers measure with their business systems
Automotive manufacturers	Improved efficiency of equipment management to cover personnel shortages, analyzing the expertise of skilled workers in maintaining operating capacity and implementing traceability to ensure quality
Trading companies (agriculture)	Shift from the sales of pesticides & chemical fertilizers to the provision of pesticide spraying technologies that reduce the amount used, & the development of cutting-edge agricultural technologies

Advanced Usage: Factory IoT

- ◆ **IJ provides IoT system for Toyota Motor Hokkaido**
 - Providing a one-stop solution by offering mobile and Cloud services from data collection via closed mobile network to creation of a cloud platform for visualizing and analyzing the collected data.



Business through affiliated companies: FinTech Business (1)

Growth Strategy

Company Profile (Equity net loss of DeCurret is disclosed in P.49 of this presentation)

Name	DeCurret Inc.
Est.	January 2018
Capital	JPY9.9 billion (including capital reserve)
Directors	<ul style="list-style-type: none"> Chairman: Satoshi Murabayashi (IIJ VP since 2021, former CIO for Mitsubishi UFJ Financial Group) President: Kazuhiro Tokita (from IIJ) Part-time directors: IIJ President, IIJ CFO Special advisor: Toshihide Endo (former head of Japan's Financial Services Agency, financial regulator)
Business	<ul style="list-style-type: none"> Crypto Asset Exchange Services Digital Currency Settlement Platform Business

Crypto Asset Exchange Services (BtoC)

◆ First & new licensed service provider after the FSA enacted registration process

- Line-ups: BTC, ETH, XRP, BCH, LTC, ONT
- Highly reliable system, low bid-ask spread, and meeting security requirement such as AML/KYC. Approx. 70% of DeCurret service system is leveraged from the existing IIJ Raptor system
 - IIJ Raptor: top share SaaS type FX trading platform in Japan. Have been used by Hirose Tusyo, LINE Securities, au Kabucom Securities, Nomura Securities, Sony Bank, SMBC Nikko Securities, Matsui Securities and other major Japanese financial institutions
 - Core-engine, dealing system, connecting multiple FX exchanges, investor service platform, operator management function etc.
- Launched order book trading services from Apr. 2021

Digital Currency Settlement Platform Business (mainly BtoB)

◆ Executing many and various PoCs with business partners and shareholders

Partners	PoCs
KDDI	Automated digital currency settlement
Kansai Electric Power	Automated settlement of P2P electricity trading
DAIDO LIFE INSURANCE	Use digital currency for BtoB transaction
TOYOTA SYSTEMS	Automated settlement for employee benefit programs
Several local governments	Digital coupon systems

◆ Active discussion with core players on how to set up digital currency platform infrastructure in Japan

- Digital Currency Study Group: From June to September 2020
 - Members: Mega banks, Seven Bank, JR East, KDDI, NTT Group, FSA, MIC, Bank of Japan, MOF, METI etc.
- The Study Group developed into Digital Currency Forum
 - Members: the Study Group members and leading companies from various industries
 - Main discussion topics: examination of practicality of digital currencies in each use case, requirement definition, design, and development of common and additional areas, identification of issues and solutions for the actual operation of digital currencies, and creation of standards

Business through affiliated companies: FinTech Business (2)

Growth
Strategy

Shareholders of DeCurret (35 companies)

Source: DeCurret WebP.

Internet Initiative Japan Inc. (Ownership: 38.2% as of June 30,2021)
ITOCHU Corporation
QTnet, Inc.
OPTAGE Inc.
KDDI CORPORATION
KONAMI HOLDINGS CORPORAION
SUMITOMO LIFE INSURANCE COMPANY
Sompo Holdings, Inc.
The Dai-ichi Life Insurance Company, Limited
DAIDO LIFE INSURANCE COMPANY
Daiwa Securities Group Inc.
Tokio Marine & Nichido Fire Insurance Co., Ltd.
Nippon Life Insurance Company
Nomura Holdings, Inc.
NTT Corporation
East Japan Railway Company
SBI Holdings, Inc.,
SECOM CO., LTD.

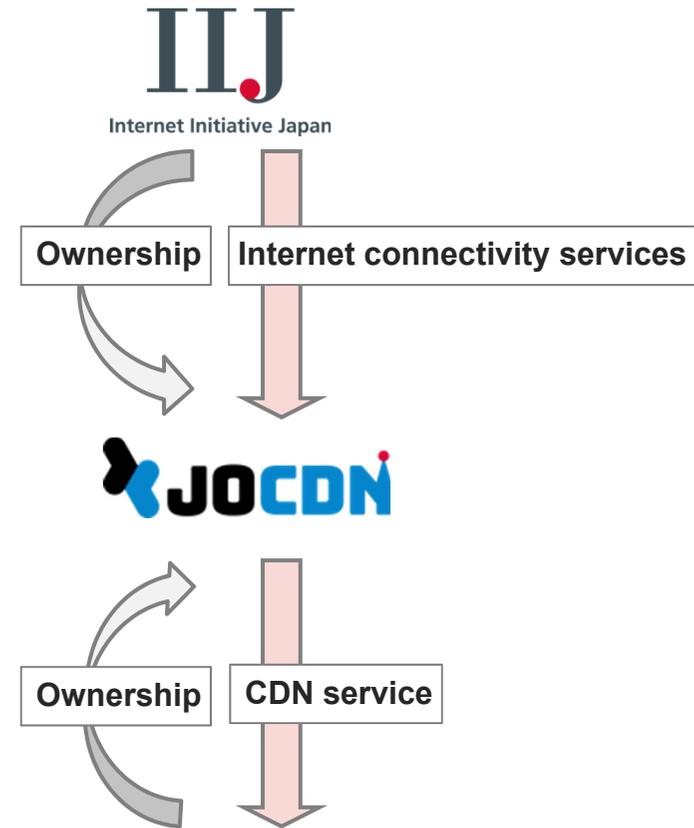
BIC CAMERA INC.
Mitsui Sumitomo Insurance Company, Limited
Sumitomo Mitsui Banking Corporation
Mitsui Fudosan Co., Ltd.
Mitsubishi Corporation
The MUFG Bank
Meiji Yasuda Insurance Company
YAMATO HOLDINGS CO., LTD.
ITOCHU Techno-Solutions Corporation
CHUBU Electric Power Co., LTD.
DENTSU INC.
Hankyu Hanshin Holdings, Inc.
MATSUI SECURITIES CO.,LTD.
Energia Communications, Inc.
SOHGO SECURITY SERVICES CO.,LTD. (ALSOK)
JAPAN POST BANK Co., Ltd.,
Toppan Printing Co., Ltd.

Business through affiliated companies: CDN Business

Growth Strategy

Company Profile	
Name	JOCDN Inc.
IIJ Ownership	16.8%
Capital	JPY845 million (including capital reserve)
Establishment	December 1, 2016
Shareholders	IIJ, Nippon TV, TV Asahi, TBS, TV Tokyo, Fuji TV, WOWOW (Prominent satellite broadcaster in Japan), NHK (Japan's only public broadcaster) and non-Tokyo local broadcasters
Directors	Chairman: Koichi Suzuki (IIJ CEO) President: Shunichi Shinozaki (Nippon TV)

Business Model

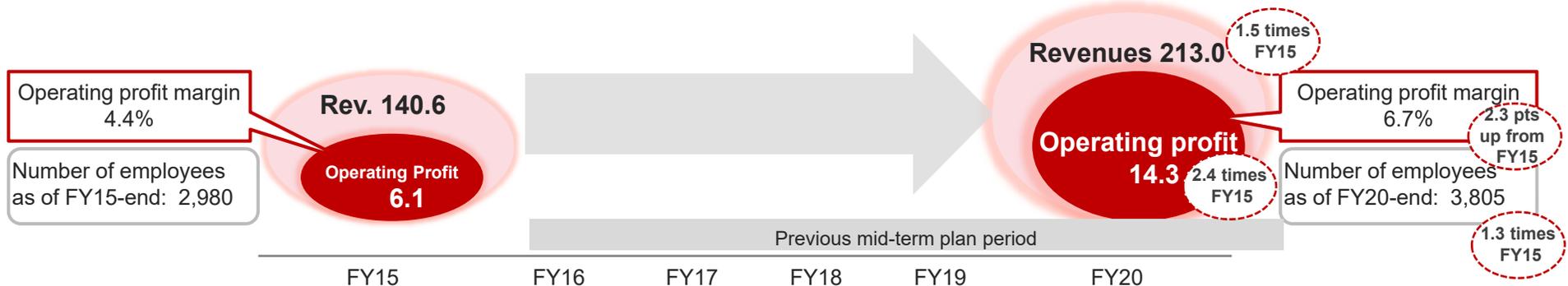


- ◆ **Conditions led to create All Japan CDN (Contents Distribution Network) company JOCDN**
 - Akamai Technologies (global leader in CDN services, US company) has had quite dominant position in CDN market in Japan.
 - Growing needs to distribute contents over Internet
 - Broadcasting companies distributing contents via Internet
 - Nippon TV owns Hulu Japan
 - Broadcasting companies operate “TVer” (web platform operated by Japanese broadcasters where users can watch some TV programs for free)
 - IIJ has rich and well-renowned expertise in CDN business
 - Olympics games, high school base ball games, university sport and many other popular sports events
- ◆ **Equity method gain related to JOCDN: Turned to positive in 2Q20, FY20 ¥28 million**



Previous Mid-term Plan (FY16~FY20) Results

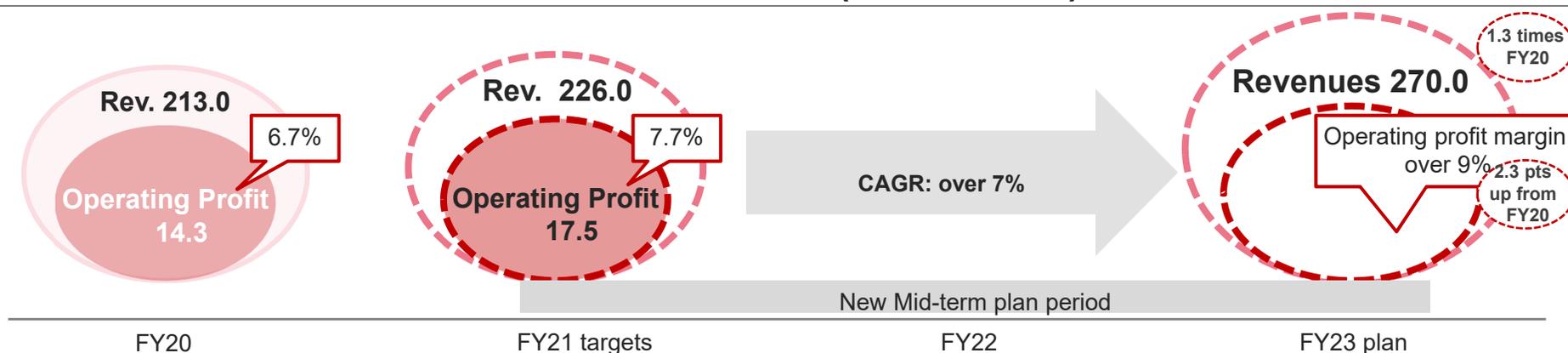
Unit: JPY ¥ billion (bn)
 FY15 U.S. GAAP, FY20 IFRS
 "times" are written in approx. terms



	FY15	FY16	FY17	FY18	FY19	FY20
Enterprise NW services <small>Exc. Mobile & security</small>	FY15: 50.8 → FY20: 58.2					FY15: 8.6 → FY20: 18.4
<ul style="list-style-type: none"> ➢ Retained & cross-sold to current clients, IP service revenue growth accelerated ➢ Met diversifying and more complex enterprise NW by developing IJ Omnibus services, service line-up largely expanded ➢ Continuously expanded NW, stable CAPEX 					<ul style="list-style-type: none"> ➢ Became one of the largest corporate security service providers (monthly recurring revenue) <ul style="list-style-type: none"> • Very high market penetration for Mail & Web gateway securities ➢ Expanded service offerings: DDoS, SOC·EDR etc. 	
Mobile·IoT services	FY15: 15.6 → FY20: 47.5					FY15: 5.3 → FY20: 8.3
<ul style="list-style-type: none"> ➢ Full-MVNO as competitive advantage for IoT etc. <ul style="list-style-type: none"> • Accumulate various NW camera & factory IoT ➢ Established strong market position as one of largest MVNOs in Japan <ul style="list-style-type: none"> • Pioneer in consumer MVNO, top market share with IJmio and MVNE 					<ul style="list-style-type: none"> ➢ Asian region started up, expanded global solution for Japanese clients, turned positive & managing profit, JVs with local prominent companies ➢ Bought a Singaporean Sler – expect to strengthen ASEAN business 	
Cloud services <small>Exc. Cloud-related SI</small>	FY15: 14.1 → FY20: 26.2					FY15: 45.4 → FY20: 59.8
<ul style="list-style-type: none"> ➢ Competitive advantages in Private Cloud services, Multi-Cloud solution, Revenue continued to increase ➢ Opened Shiroy DC, gradually expanding, better visibility about future server racks space ➢ Developed highly migratable and accommodative new cloud facility 					<ul style="list-style-type: none"> ➢ Differentiated by having NW services and SI expertise ➢ Profitability continued to increase with stricter management of system engineers 	
SI <small>Exc. Cloud services, Inc. equipment sales</small>						Overseas <small>Inc. some from Enterprise NW services, Cloud, and SI</small>
New business	<ul style="list-style-type: none"> ➢ Expanded business domain by leveraging accumulated assets such as technology, system infrastructure, client relationship <ul style="list-style-type: none"> • DeCurret: Fintech JV with major banks etc., working to realize digital currency exchange platform which is envisioned in the future • JOCDN: CDN JV with broadcasting companies, consortium by envisioning the future of Internet broadcast & convergence of communications and broadcasting 					
HR	<ul style="list-style-type: none"> ➢ Continuous hiring and training of newly graduates as a core policy, enhanced human capital to support mid-to-long term business growth 					

FY21 Plan & New Mid-term Plan (FY21~FY23)

Unit: ¥ (JPY) billion (bn) except for Dividend per share (¥) "times" are written in approx. terms

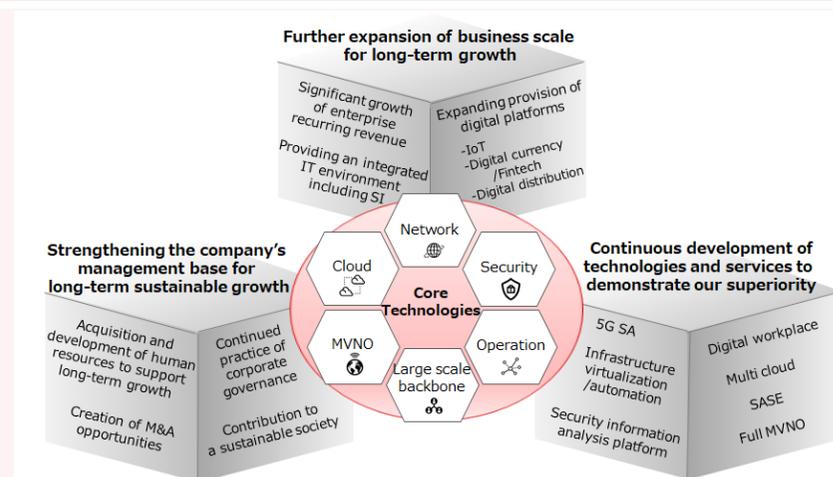


FY21 Plan (financial targets)

¥ bn (%YoY)	Revenues	Operating Profit	Profit before tax	Net Profit	Dividend per share
FY21	226.0 (+6.1)	17.5 (+22.8)	17.3 (+23.3)	11.7 (+20.5)	¥37.00 (+¥9.25)
FY20	213.0 (+4.2)	14.3 (+73.2)	14.0 (+96.0)	9.7 (+142.4)	¥29.75 (+¥16.25)

- ◆ Under structural profit growth phase, achieve economy of scale and lead profit expansion with enterprise recurring revenue accumulation
 - Strengthening total solution: NFV/SD-WAN service enhancement, SASE·SOC (security), DWP/virtual desktop/secure browsing, launching of new cloud facility (Shiroi) etc.
- ◆ Enterprise mobile to expand with various IoT projects, Consumer: Return to subs. net addition with new plan
 - NW utilization to improve by combining both enterprise & consumer, Mobile profitability to remain steady as purchasing cost (unit charge) to decrease (revenue decrease factor)
- ◆ SI; revenue & profit to increase by cross-selling NW construction & services, M&A (SNG/Sler) to be added
- ◆ Profit before tax to improve along with new business starting up

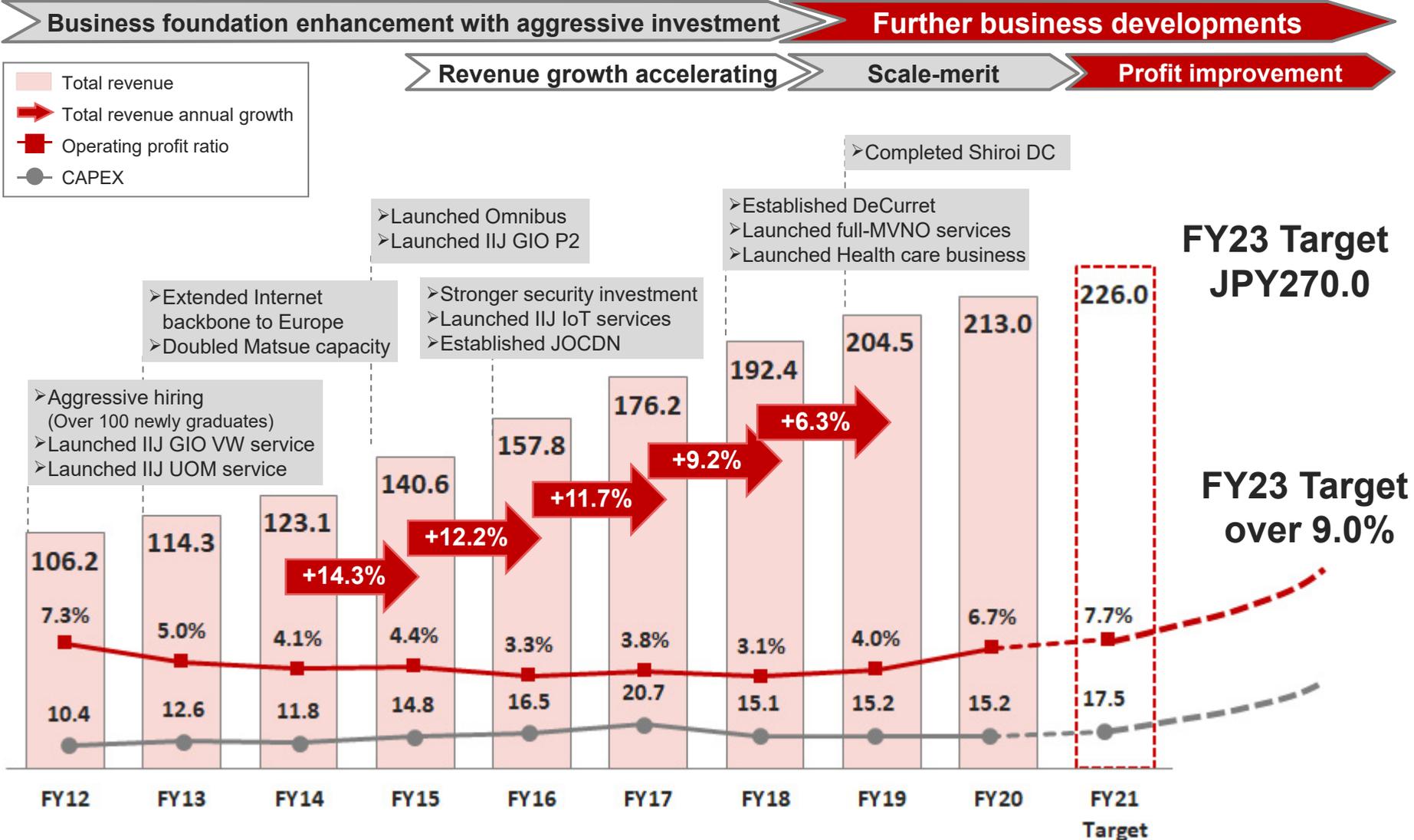
New Mid-term Plan



- ◆ Develop services & solution continuously: Enterprise cloud, business cloud, partner, industry specific Cloud
- ◆ Execute & strengthen current strategy, target to achieve operating margin over 9%
- ◆ Market cap. to largely increase: further business expansion for long-term including M&A opportunities
- ◆ Contribute to sustainable NW society from technology innovation and NW operation perspective

Mid-to-Long term Business Growth

Unit: JPY billion **Growth Strategy**



- FY13 operating profit decrease was mainly due to large gaming clients decreased cloud usage.
- FY18 operating profit decrease was because small Docomo's unit price revision made our network service gross profit decrease significantly
- FY16 and before: US-GAAP, FY17 and after: IFRS
- Total revenue annual growth rate for FY17 revenue (IFRS) is calculated with FY16 revenue (US GAAP)

FY21 Financial Targets (announced in May 2021)

Financials

Unit: ¥ (JPY) billion (bn) except for Dividend per share (¥)
YoY = Year over year

	% of Revenues		YoY		% of Revenues	
	FY21 Targets Apr. 2021 - Mar. 2022	FY20 Results Apr. 2020 - Mar. 2021			1H21 Targets Apr. 2021 - Sep. 2021	YoY
Revenues	226.0	213.00	+6.1%	+13.00	108.0	+6.34
Cost of Sales	180.7 <small>80.0%</small>	172.72 <small>81.1%</small>	+4.6%	+7.98	87.4 <small>80.9%</small>	+3.19
Gross Profit	45.3 <small>20.0%</small>	40.28 <small>18.9%</small>	+12.5%	+5.02	20.6 <small>19.1%</small>	+3.15
SG&A etc. ^(*)	27.8 <small>12.3%</small>	26.03 <small>12.2%</small>	+6.8%	+1.77	14.1 <small>13.1%</small>	+1.88
Operating Profit	17.5 <small>7.7%</small>	14.25 <small>6.7%</small>	+22.8%	+3.25	6.5 <small>6.0%</small>	+1.26
Shares of profit (loss) of investments accounted for using equity method investees	(0.4)	(0.41)	-	+0.01	(0.3)	+0.08
Profit before tax	17.3 <small>7.7%</small>	14.03 <small>6.6%</small>	+23.3%	+3.27	6.3 <small>5.8%</small>	+1.83
Net Profit ^(*)	11.7 <small>5.2%</small>	9.71 <small>4.6%</small>	+20.5%	+1.99	4.2 <small>3.9%</small>	+1.43
Annual Cash Dividend per Share	¥39.00	¥29.75	+31.1%	+¥9.25	¥19.50	+¥9.25

◆ Assumptions for Revenue

- Enterprise NW services: Expect revenue to grow continuously, As WAN decrease factor is solved in FY20, expect to see WAN revenue return to growth
- Mobile: Expect revenue to decrease by ¥8.3 bn as ARPU, especially voice, to decrease due to new consumer plan
- SI: Additional ¥8.5 bn from M&A (PTC) in addition to continuous growth
- ATM: Same level as FY20

◆ Assumption for Gross Profit

- Enterprise NW services: Expect profit to expand along with revenue growth
- Mobile: Expect same level of profit as FY20 with decrease in purchasing cost and ARPU (Onetime cost decrease upon FY20 mobile interconnectivity charge confirmation is taken into consideration)
- SI: Additional ¥0.8 bn from M&A (PTC) in addition to continuous growth
- ATM: Same level as FY20

◆ Assumption for SG&As

- Same incremental pace from the past, smaller disposal than FY20 (¥0.64 bn)
- Additional ¥0.4 bn from M&A (PTC)

◆ Other assumptions

- Equity in net loss of affiliates: approx. ¥0.4 bn, Expect equity in net loss of DeCurret to turn positive in 4Q
- Net addition of employees: approx. 290 (of which, newly graduates 190)
- CAPEX: approx. ¥17.5 bn, Expect to increase YoY as some FY20 investments such as ¥1.2 bn of Shiroi DC and NW are slided over

(*1) SG&A etc. shows the sum of SG&A, which includes R&D expenses, and other income/expenses.

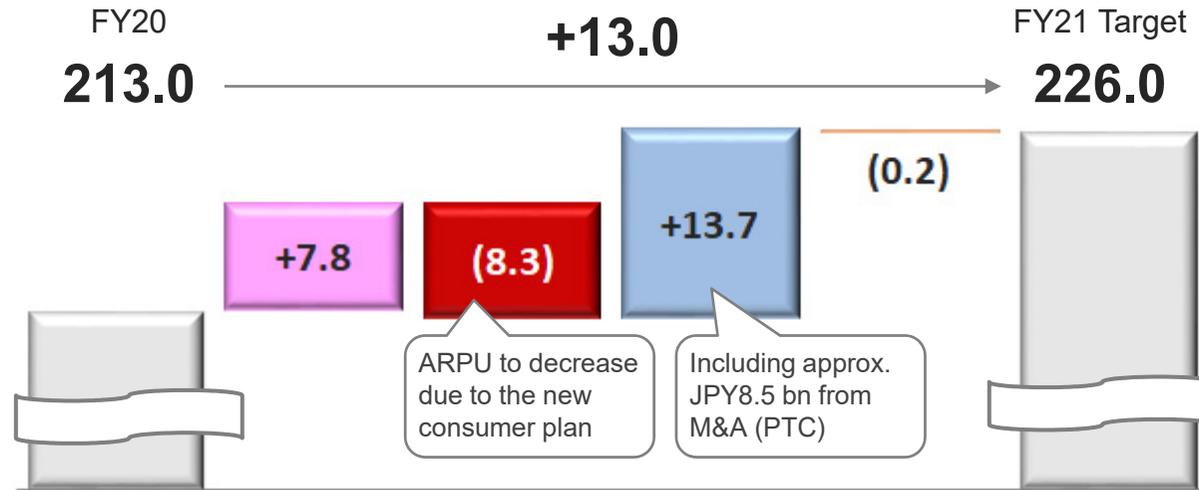
(*2) Net Profit is "Profit for the year (period) attributable to owners of the parent."

FY21 Revenue & OP Targets (announced in May 2021)

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

Revenues

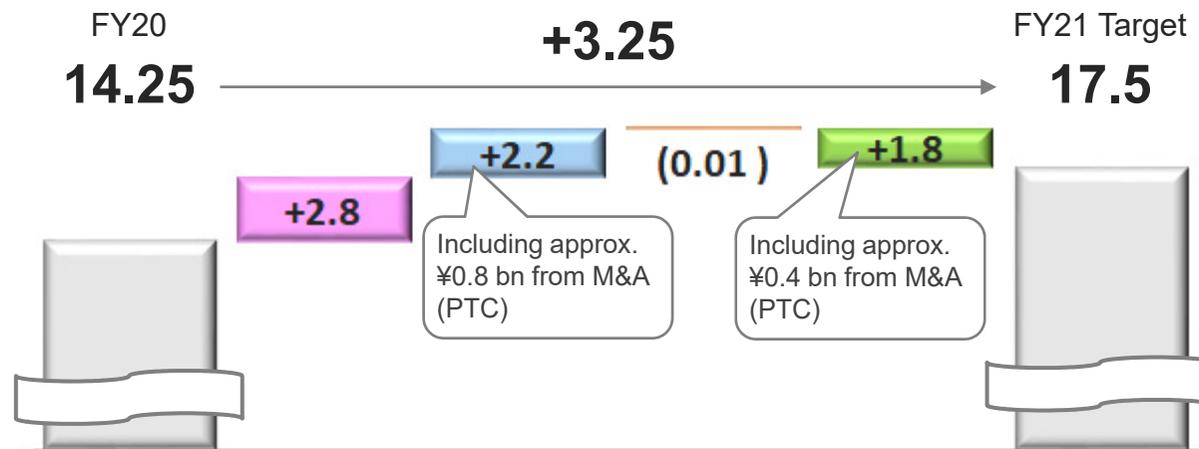
- Revenues
- YoY change in Enterprise NW services revenues
- YoY change in Mobile services revenues
- YoY change in SI revenues
- YoY change in ATM operation business revenues



- Enterprise NW services revenues is calculated by deducting the below mentioned Mobile services revenues from total NW services revenues. It includes non-mobile consumer revenue which is small amount
- Mobile services include IIJ Mobile Services (including MVNE) and IIJmio (consumer mobile)

Operating Profit

- Operating Profit
- YoY change in NW services GP
- YoY change in SI GP
- YoY change in ATM operation business GP
- YoY change in SG&A etc.



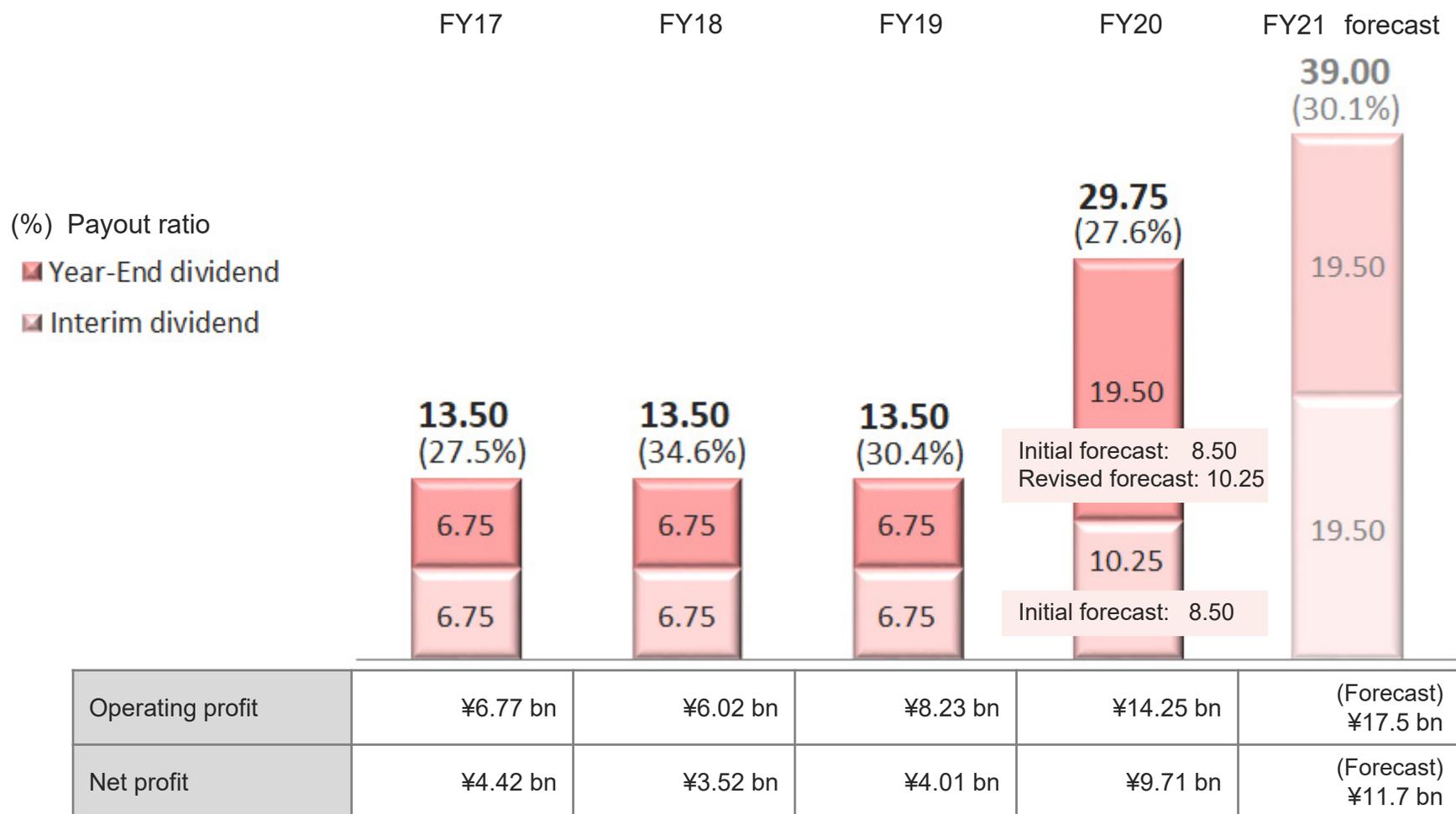
- SG&A etc. in this slide shows the sum of SG&A, which includes R&D expenses, and other income/expenses

FY21 Dividend Forecast

◆ Our basic dividend policy:

Basic dividend policy of IIJ is that IIJ pays dividends to its shareholders continuously and in a stable manner while considering the need to have retained earnings for the enhancement of financial position, medium-to long-term business expansion, future business investment and other goals.

◆ Historical Dividend per Share:



*We conducted 1:2 stock split on January 1, 2021. Dividends paid before the split are retroactively adjusted to reflect the split.
© Internet Initiative Japan Inc.

As the first full-scale ISP in Japan, we have consistently been the leader of Japan’s Internet development. With our management philosophy of developing and supporting Japan’s Internet infrastructure at our core, we recognize our responsibility as a provider of social infrastructure and continue supporting social and corporate system platforms, providing stable network services.

IIJ’s material issues

Lead network infrastructure advancement with technological innovations and contribute to solving various social issues

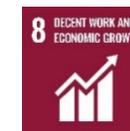
- Bringing innovation: We shall continue to bring technological innovations to realize an even better network society and propose new values and usages.
- Solving social issues through our business: We shall provide Internet services that will help solve social issues
- Our response to climate change: We shall use our Internet services to drive our environmental contributions

Provide safe and robust Internet services that support social infrastructure

- Maintaining security and privacy: We aim for a world where privacy and security are protected for all users as the norm.
- Enhancing network resilience: As a platform for industries, education, and day-to-day living, we develop and operate robust backbone networks that will withstand natural disasters, accidents, and cyber-attacks.

Provide an arena for people with diverse talents and values, where they can exercise their skills and actively and boldly take on challenges

- Promoting diversity and work-life balance: a workplace where all employees’ values are respected and they can exercise their skills, regardless of gender, nationality, or disability.
- Developing human resources: maintain and develop a corporate culture that fully respects and supports employees’ self-actualization and motivation to learn and contribute to society.
- Promoting occupational safety and health and respect for human rights: a workplace that protects employees’ physical and mental health and enables them to work safely.



Consolidated Financial Results for 1Q FY21

Announced on August 10, 2021

Summary of 1Q21

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

Financials

Revenues ¥52.97bn +5.2 % Operating Profit ¥4.36bn +113.0 % Net Profit ¥3.51bn +214.1%

Demands: NW following FY20, SI picking up Started first FY of new Mid-term Plan with stronger than expected profit growth Revenue increase of NW & SI absorbed ARPU & revenue decrease of mobile triggered by the launch of new consumer plan

◆ Network (NW) Services

➢ Revenue continued to increase along with further adoption of IT: IP services +13.7%, Security related services +15.0%, WAN services +4.4%

◆ Systems Integration (SI)

➢ Increased from weak 1Q20: Total SI revenue +10.2% + ¥1.93 bn YoY SI construction order-received +30.5% + ¥2.04 bn YoY

- Strong demands for Internet gateway enhancement and other Office IT related projects, Projects to construct Web isolation systems increasing
- Financial impact from a new consolidated subsidiary through M&A (Singaporean Sler: PTC): Revenue ¥1.31 bn, Operating profit ¥0.06 bn

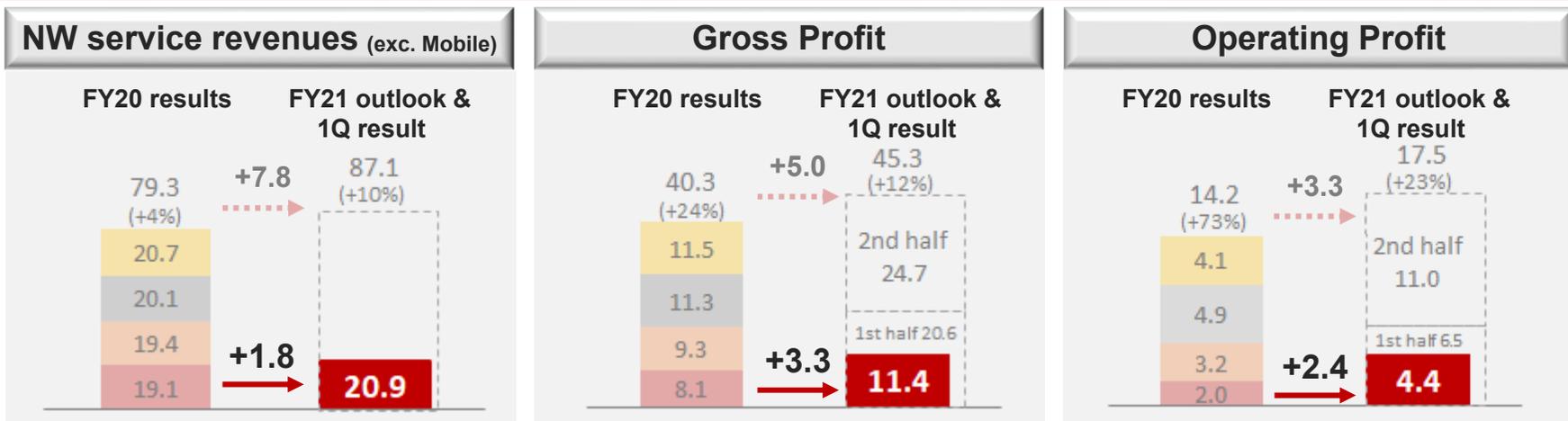
◆ Mobile Services

➢ Enterprise mobile (excluding MVNE) revenue ¥2.34 bn(+40.1% + ¥0.67 bn YoY) Continued to have various network camera connection projects

➢ Subscription increased with new consumer plan “GigaPlans” (launched in Apr. 2021)

1Q21-end consumer subscriptions: 1,053 thousand(+19 thousand QoQ), of which GigaPlans 462 thousand (of which approx. 17% new users)

- Consumer revenue ¥5.39 bn(-0.4 bn YoY), MVNE revenue ¥2.85 bn(-1.53 bn YoY) Revenue progressing as planned toward FY21 outlook which is the total mobile revenue to decrease by ¥8.3 bn YoY



- ARPU is an abbreviation for Average Revenue Per User.
- Net Profit is “Profit for the period attributable to owners of the parent.”

Consolidated Financial Results

Unit: ¥ (JPY) billion, except for cash dividend (¥)
YoY = Year over year comparison

Financials

	% of revenue		YoY	
	1Q21 Results Apr. 2021 - June 2021	1Q20 Results Apr. 2020 - June 2020		
Revenues	52.97	50.38	+5.2%	+2.60
Cost of Revenues	78.4% 41.55	83.9% 42.27	(1.7%)	(0.72)
Gross Profit	21.6% 11.43	16.1% 8.11	+40.8%	+3.31
SG&A etc. ^(*)	13.3% 7.07	12.0% 6.07	+16.5%	+1.00
Operating Profit	8.2% 4.36	4.1% 2.05	+113.0%	+2.31
Shares of profit (loss) of investments accounted for using equity method investees	(0.22)	(0.28)	-	+0.06
Profit before tax	10.1% 5.35	3.4% 1.69	+215.8%	+3.66
Net Profit ^(*)	6.6% 3.51	2.2% 1.12	+214.1%	+2.39
Annual Cash Dividend Per Share ^(*)	-	-	-	-

% of revenue		YoY	
1H21 Targets (Announced on May 2021) Apr. 2021 - Sep. 2021	FY21 Targets (Announced on May 2021) Apr. 2021 - Mar. 2022		
108.0	226.0	+6.1%	+13.00
80.9% 87.4	80.0% 180.7	+4.6%	+7.98
19.1% 20.6	20.0% 45.3	+12.5%	+5.02
13.1% 14.1	12.3% 27.8	+6.8%	+1.77
6.0% 6.5	7.7% 17.5	+22.8%	+3.25
(0.3)	(0.4)	-	+0.01
5.8% 6.3	7.7% 17.3	+23.3%	+3.27
3.9% 4.2	5.2% 11.7	+20.5%	+1.99
¥19.50	¥39.00	+31.1%	+¥9.25

(*1) SG&A etc. shows the sum of SG&A, which includes R&D expenses, and other income/expenses.

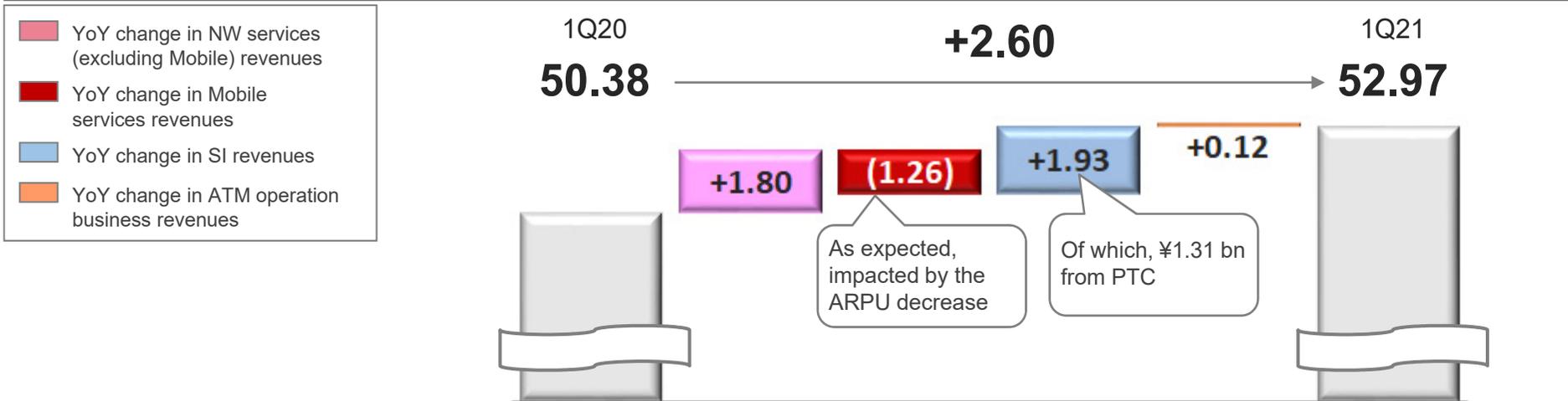
(*2) Net profit is "Profit for the period/year attributable to owners of the parent."

(*3) We conducted 1:2 stock split on January 1, 2021. Dividends paid before the split are retroactively adjusted to reflect the split.

Year over Year Analysis

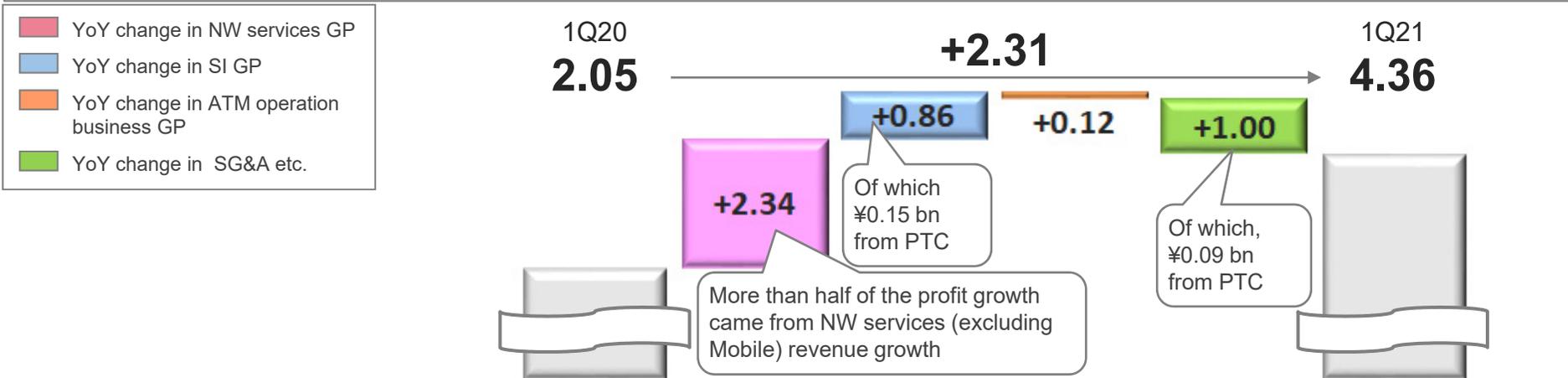
Unit: ¥ (JPY) billion (bn)
 GP = Gross Profit
 YoY = Year over year comparison

Revenues



- NW services (excluding Mobile) revenues is calculated by deducting the below mentioned Mobile services revenues from total NW services revenues. It includes non-mobile consumer revenue which is small amount
- Mobile services include IIJ Mobile Services (including MVNE) and IIJmio (consumer mobile)
- ARPU is an abbreviation for Average Revenue Per User

Operating Profit

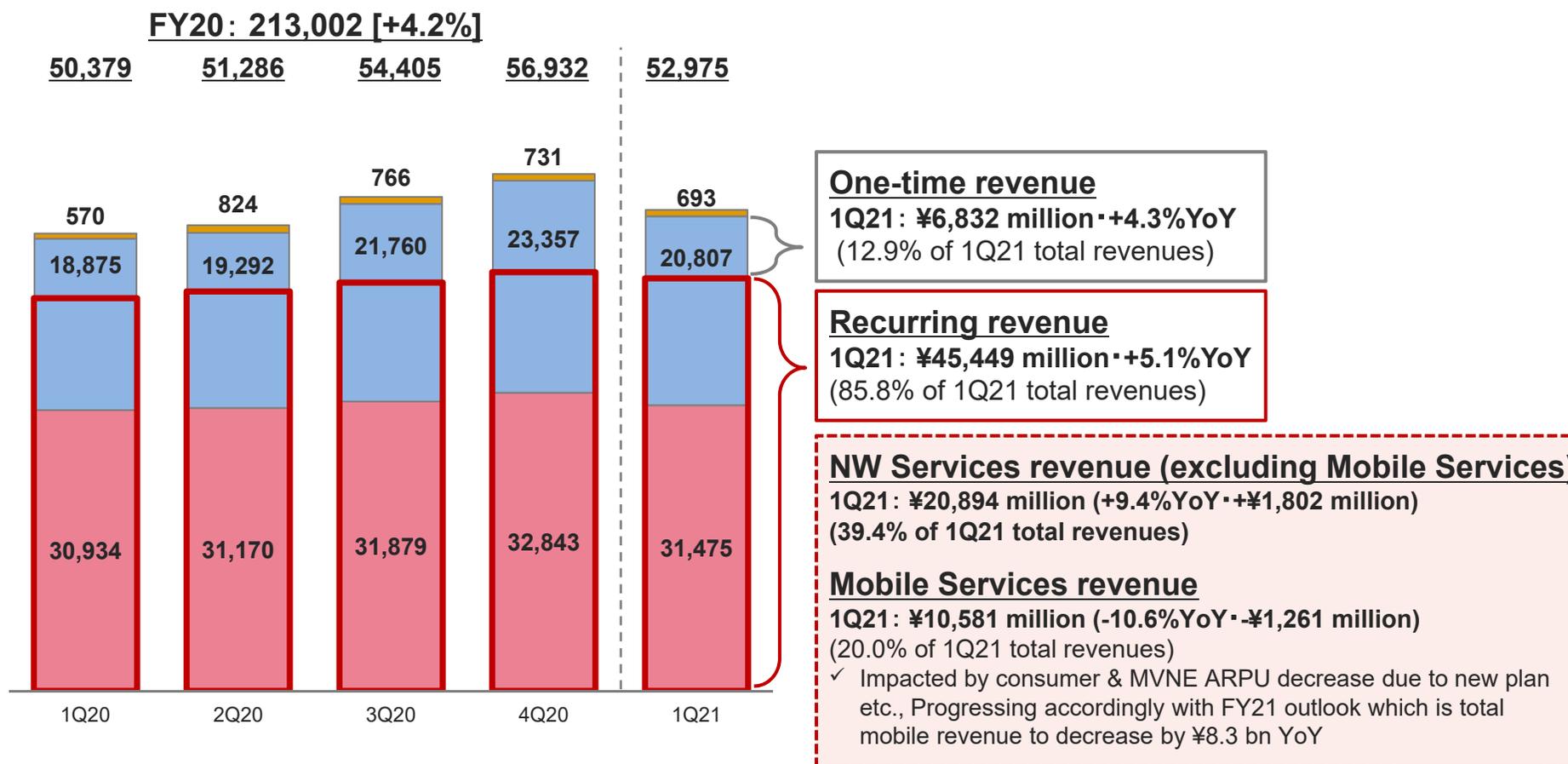
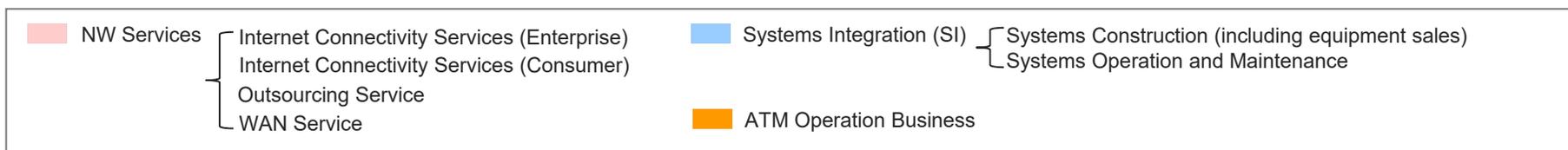


- SG&A etc. in this slide shows the sum of SG&A, which includes R&D expenses, and other income/expenses

Revenues

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

Financials

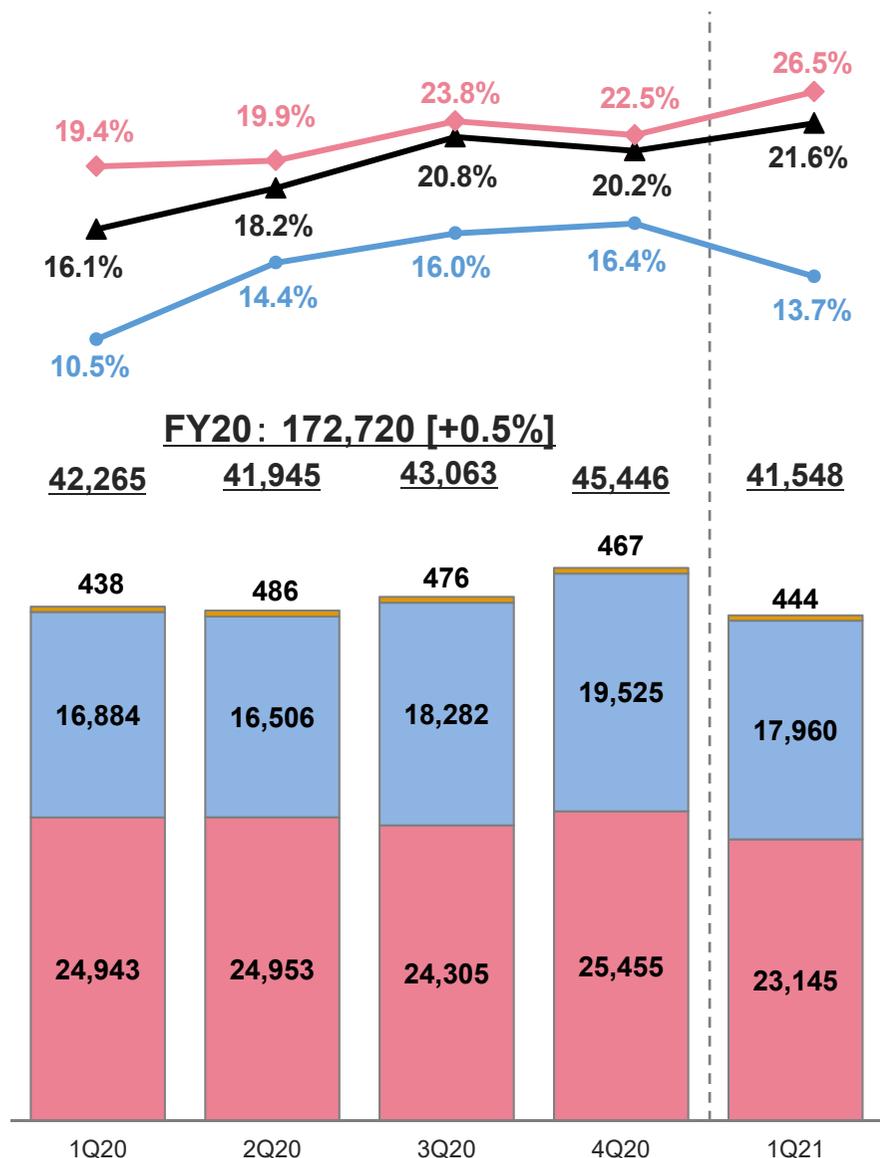


- One-time revenue, systems construction revenues which includes equipment sales, is mainly recognized when systems or equipment are delivered and accepted by customers.
- Recurring revenue represent the following monthly recurring revenues: Internet Connectivity Services (Enterprise), Internet Connectivity Services (Consumer), Outsourcing Services, WAN Services, and Systems Operation and Maintenance.
- Mobile services revenue shows the total of enterprise and consumer mobile revenue.

Cost of Sales & Gross Profit Ratio

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

Cost of Sales: ■ NW Services ■ SI ■ ATM Operation Business
Gross profit ratio: ◆ NW Services ● SI ▲ Total



◆ Total gross profit

➤ 1Q21: ¥11,427 million (+40.8%, +¥3,314 million YoY)

◆ Gross profit for network services

➤ 1Q21: ¥8,330 million (+39.1%, +¥2,340 million YoY)

- More than half of the profit growth came from the revenue growth of enterprise network services such as IP services and security related services
- Profit growth includes cost decreasing factors of mobile data interconnectivity and voice purchasing

◆ Gross profit for systems integration

➤ 1Q21: ¥2,847 million (+43.0%, +¥856 million YoY)

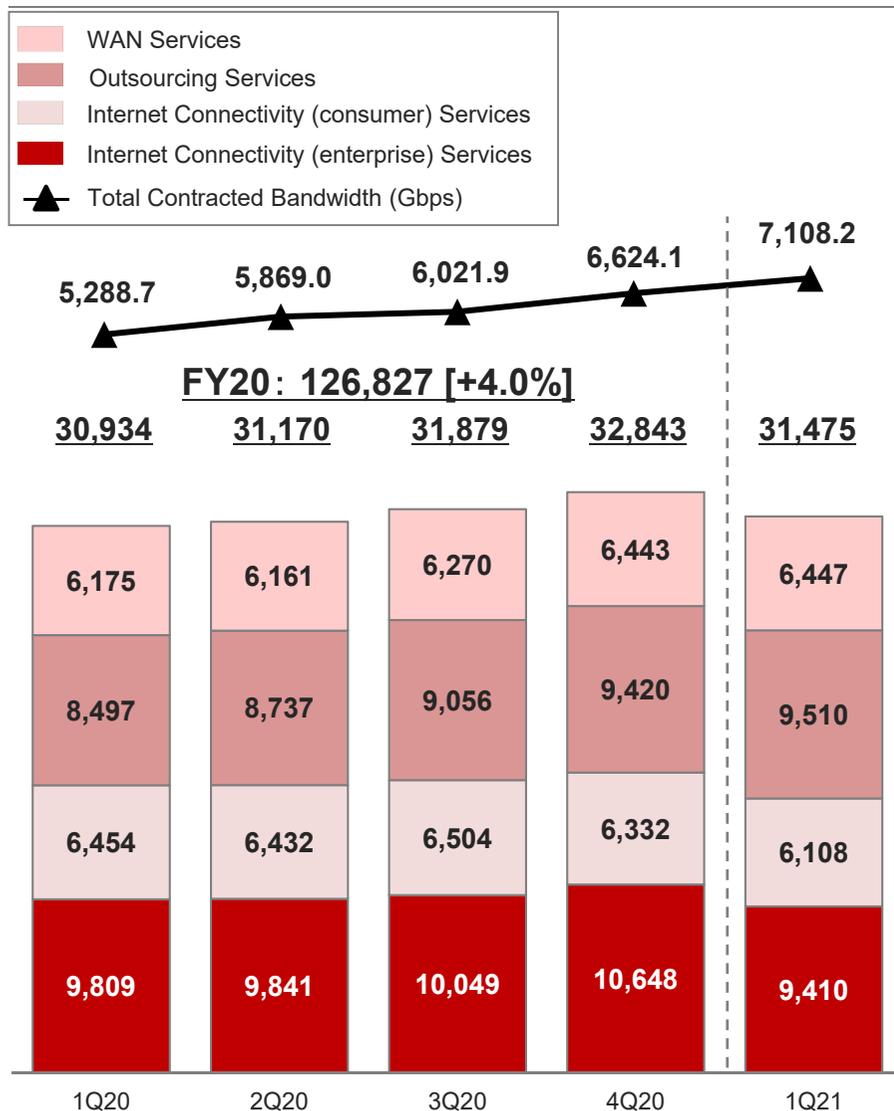
- Of which, ¥0.15 billion is PTC's gross profit (PTC's gross profit ratio: 11.4%)
- 1Q21 gross profit ratio improved by 3.2 points from 1Q20 mainly due to accumulation of systems operation and maintenance revenue and project cost mixture

Network Services (1) Revenues

Unit: ¥ (JPY) million

[], YoY = Year over year comparison
QoQ = Quarter over quarter comparison

Financials



- Total contracted bandwidth is calculated by multiplying number of contracts by contracted bandwidths respectively for IP service and broadband services which are both under Internet connectivity services for enterprise
- IP (Internet Protocol) Service is bandwidth guaranteed dedicated Internet connectivity services for enterprises. Contracts are based on bandwidth and enterprises use the service for their core and main Internet connectivity
- ARPU is an abbreviation for Average Revenue Per User

◆ Internet Connectivity (Enterprise) Services

➢ 1Q21: ¥9,410 million, -4.1% YoY

- Of which, IP services: ¥3,275 million

<Revenue growth>

	1Q20	2Q20	3Q20	4Q20	1Q21
YoY	+9.4%	+10.8%	+17.2%	+17.5%	+13.7%
QoQ	+6.4%	+3.0%	+5.7%	+1.4%	+2.9%

- Of which, IJ Mobile (enterprise): ¥5,189 million, -14.2% YoY

✓ Of which, IoT-related enterprise mobile revenue ¥2,344 million

<Revenue growth>

	1Q20	2Q20	3Q20	4Q20	1Q21
YoY	+18.2%	+22.0%	+39.9%	+37.0%	+40.1%
QoQ	(0.1%)	+8.2%	+12.1%	+13.0%	+2.2%

- ✓ Of which, MVNE revenue: ¥2,845 million, -35.0% YoY

- Impacted by 1) the year-beginning decrease of purchasing unit charge and 2) a large MVNE client switching to another operator due to M&A

◆ Internet Connectivity (Consumer) Services

➢ 1Q21: ¥6,108 million, -5.4% YoY

- Well-reviewed GigaPlans accumulating subscriptions as expected

✓ 1Q21-end consumer mobile subscriptions: 1,053 thousand (+19 thousand QoQ)

- Impacted by ARPU decrease along with the launch of GigaPlans

◆ Outsourcing Services

➢ 1Q21: ¥9,510 million, +11.9% YoY

- Of which, security-related services: ¥5,04 billion

<Revenue growth>

	1Q20	2Q20	3Q20	4Q20	1Q21
YoY	+11.9%	+13.1%	+12.0%	+13.5%	+15.0%
QoQ	+3.2%	+4.2%	+2.3%	+3.3%	+4.5%

◆ WAN Services

➢ 1Q21: ¥6,447 million, +4.4% YoY

- Certain large clients migration to mobile which impacted FY20 results is no longer a factor. Revenue increasing along with demands to include WAN to enterprise network

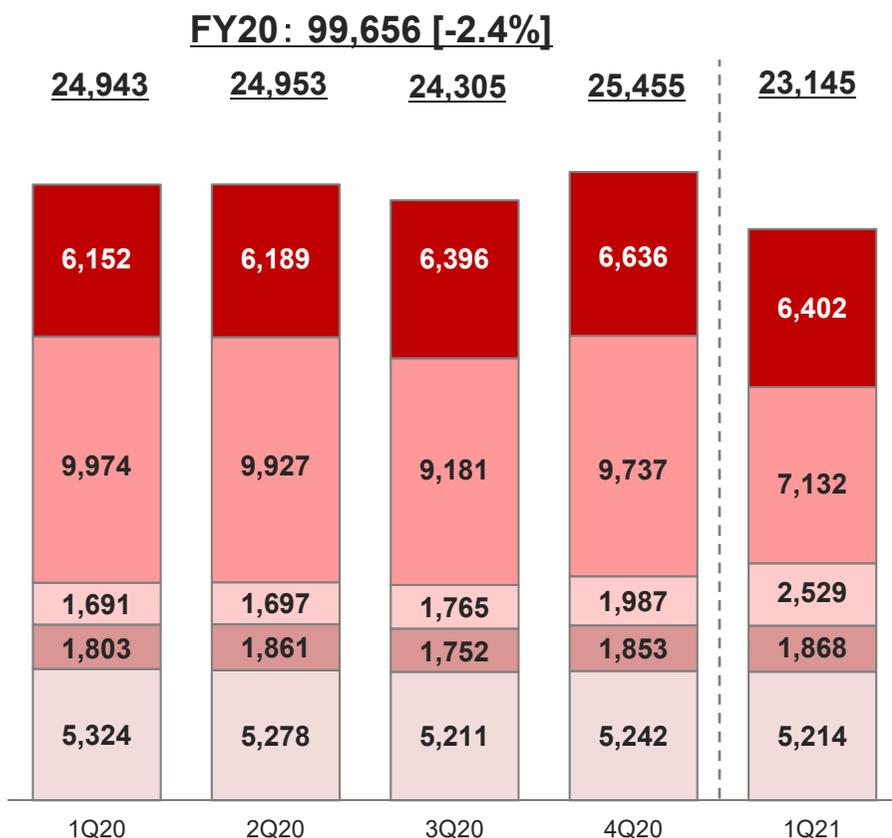
<Revenue growth>

	1Q20	2Q20	3Q20	4Q20	1Q21
YoY	(16.8%)	(11.0%)	(2.8%)	+4.3%	+4.4%
QoQ	(0.0%)	(0.2%)	+1.8%	+2.8%	+0.1%

Network Services (2) Cost of Sales

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

- Circuit-related costs (Internet backbone, WAN lines etc.)
- Outsourcing-related costs (mobile infrastructure related costs such as interconnectivity charge and voice communication services, outsourcing personnel costs etc.)
- Others
- Personnel-related costs (NW services related engineers' personnel cost)
- Network operation-related costs (depreciation cost for network equipment, data center leasing costs etc.)



- 1Q21 Circuit-related costs increased by 4.1%, +¥0.25 billion YoY, along with WAN revenue increase
 - Internet backbone purchasing cost remains stable as we can leverage scale merit by having one of the largest Internet backbone networks
- 1Q21 Outsourcing-related costs decreased by 28.5%, -¥2.84 billion YoY mainly due to cost decreasing factors of mobile data interconnectivity and voice purchasing
- 1Q21 Others increased by +49.5%, +¥0.84 billion YoY as it included an increase in mobile device purchase, ¥0.52 billion YoY

Regarding mobile data interconnectivity cost recognition:

(MNO's mobile infrastructure cost)

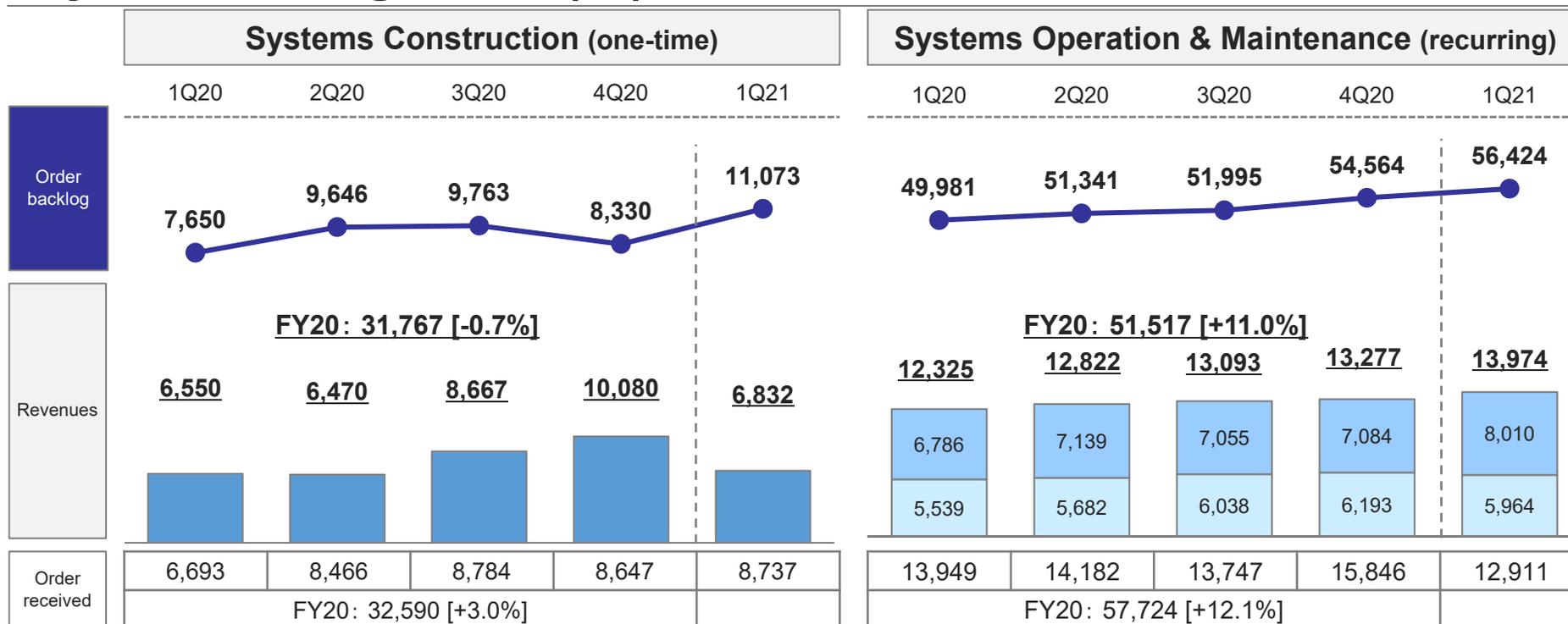
- Regarding our FY21 usage charge, from 1Q21, we use the unit charge disclosed by Docomo based on the future cost method, which was a decrease of 14.5% from their FY19 unit charge
- FY19 usage charge, an internal number of FY20 usage charge described above, which is based on Docomo's FY19 results, decreased by 13.4% YoY (fixed in Jan. 2021). The difference between the result and our estimate were recorded as onetime cost reduction 3Q20: ¥0.70 billion, 4Q20: ¥0.39 billion. Remaining, FY20 mobile data interconnectivity cost YoY decrease rate is 3.0% YoY, small decrease, based on future cost method. We expect to have cost reduction impact when FY20 usage charge is fixed (around Jan. 2022)
- Above mentioned cost reduction impact for FY20 usage charge is taken into our FY21 financial target conservatively. Such cost reduction was not accounted for in 1Q21 financial results.

• MNO(Mobile Network Operator)

Systems Integration (SI) (1) Revenues

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

Financials



• Systems construction's order backlog, revenue and order received include that of equipment sales.

• Revenue written within systems operation and maintenance revenue is cloud revenue that is recognized in systems operation and maintenance revenue.

- Order received increased compared to 1Q20 when business activity was slowed down
- Large-scale construction orders received in 1Q21
 - Enhancement of internet gateway security for a prominent financial institution
 - Campus network for private universities
 - Replacement of internet gateway for prominent manufacturing company
 - Office IT such as Microsoft 365 implementation etc.

- 1Q21 order received QoQ decrease is because contracts renewal for systems operation and maintenance projects' were concentrated in 4Q20

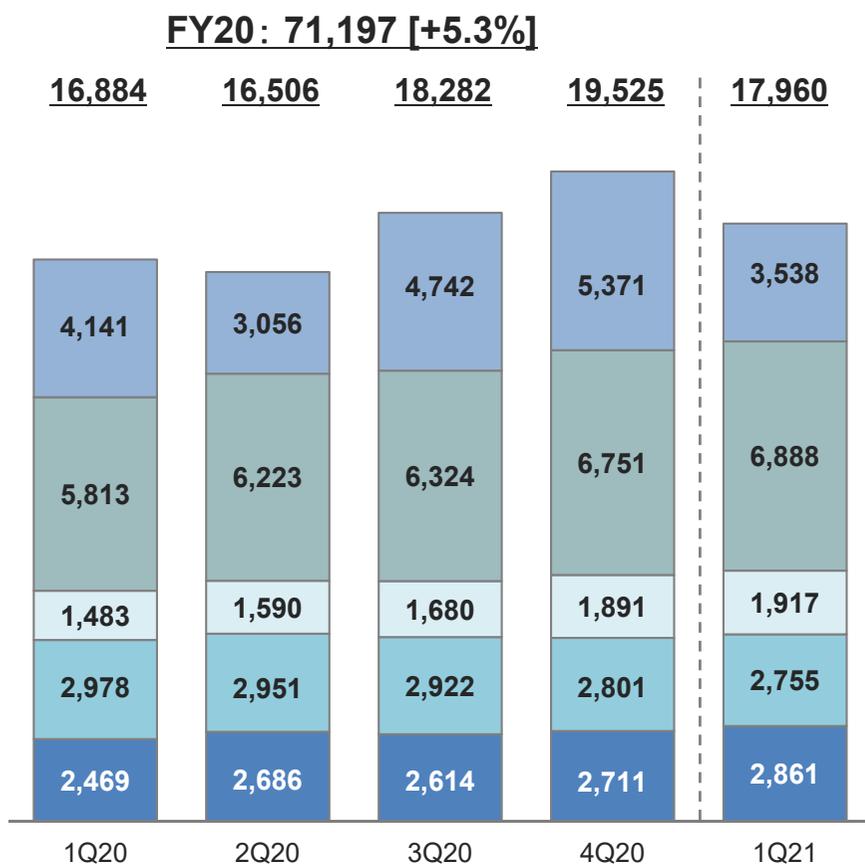
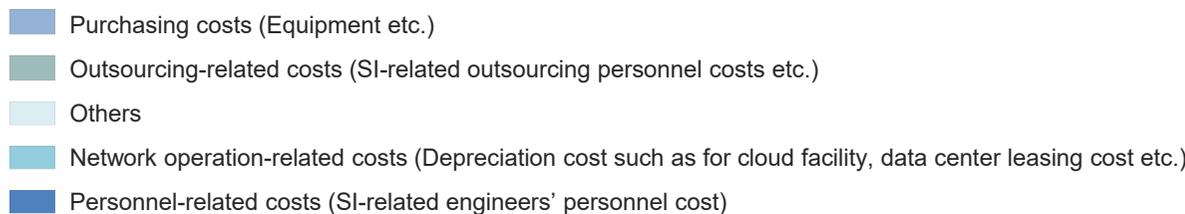
Overseas Business

- ◆ 1Q21 results: Revenues: ¥3.72 bn, Operating profit: ¥0.2 bn
- ◆ FY21 target: Revenues ¥18 bn, Operating Profit ¥0.9 bn
- ◆ Financial impact from PTC consolidation
 - FY21 outlook: Revenues ¥8.5 bn, Gross profit ¥0.8 bn, Operating profit ¥0.4 bn
 - 1Q21 results: Revenues ¥1.31 bn, Gross profit ¥0.15 bn, Operating Profit ¥0.06 bn

Systems Integration (SI) (2) Cost of Sales

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

Financials



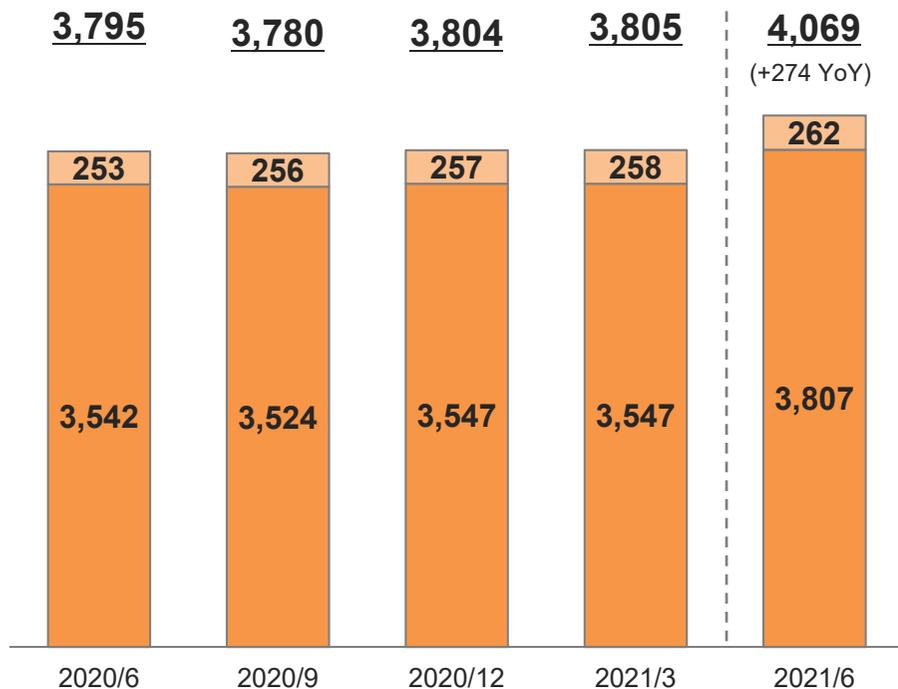
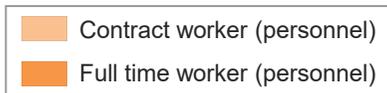
- Outsourcing-related costs are connected with projects size and revenue volume to some extent
- Others increased mainly due to an increase in license costs along with expansion of multi-cloud demands
- No significant increase for network operation-related costs
- Personnel-related costs increased as we entered a new fiscal year (new graduates joined, the existing employees salary ordinarily increased etc.)

Number of SI-related outsourcing personnel (unit: personnel)

1Q20-end	2Q20-end	3Q20-end	4Q20-end	1Q21-end
1,094	1,181	1,236	1,270	1,244

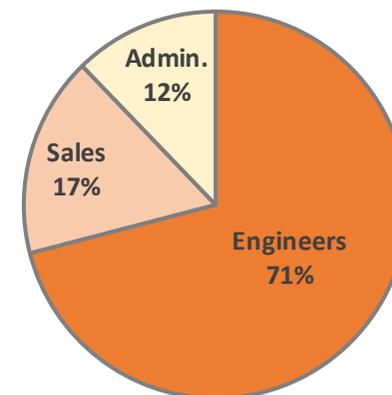
Number of Employees

YoY = Year over year comparison



- June 30, 2021: 4,069 personnel(+274 YoY)
 - Added 62 personnel through PTC consolidation (Apr. 2021)
 - Hired 190 new graduates in Apr. 2021
- FY21 net addition of employees is planned to be approximately 290

Employee Distribution



Personnel-related costs & expenses

Unit: ¥ (JPY) million
() = % of revenue

1Q20	2Q20	3Q20	4Q20	1Q21
6,835 (13.6%)	7,281 (14.2%)	7,032 (12.9%)	7,405 (13.0%)	7,756 (14.6%)
FY20: 28,553 (13.4%) +8.4%YoY				

- 1Q21 personnel-related costs and expenses increased by 13.5% YoY
 - Increased mainly because new graduates joined and the existing employees' salary ordinarily increased
 - Through PTC consolidation, ¥0.13 billion is added

- FY20 personnel-related costs and expenses increased slightly stronger compared with the ordinary YoY increase rate due to the additional bonus along with profit results etc.

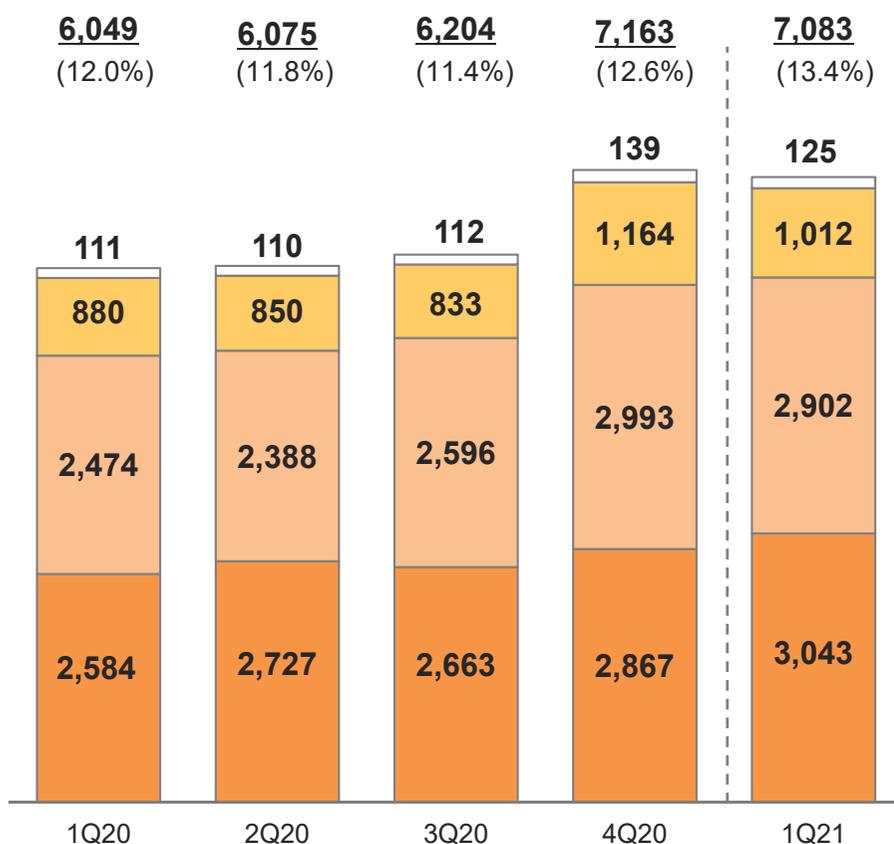
SG&A etc.

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

Financials



FY20: 25,491 [+5.9%]



- Research & development expenses mainly consist of personnel expenses of IJ Innovation Institute Inc., consolidated subsidiary
- Commission expenses are mainly consumer sales commissions and recruitment expenses
- 1Q21 Others increased mainly due to advertisements for consumer business
- 1Q21 Personnel expenses increased mainly because new graduates joined and existing employees' salary ordinarily increased (As for 4Q20, the temporary increase was due to the additional provision for bonus)

• SG&A etc. in this slide shows the sum of SG&A which includes R&D expenses (not including other income/expenses)

Profit

Unit: ¥ (JPY) million
bn = billion

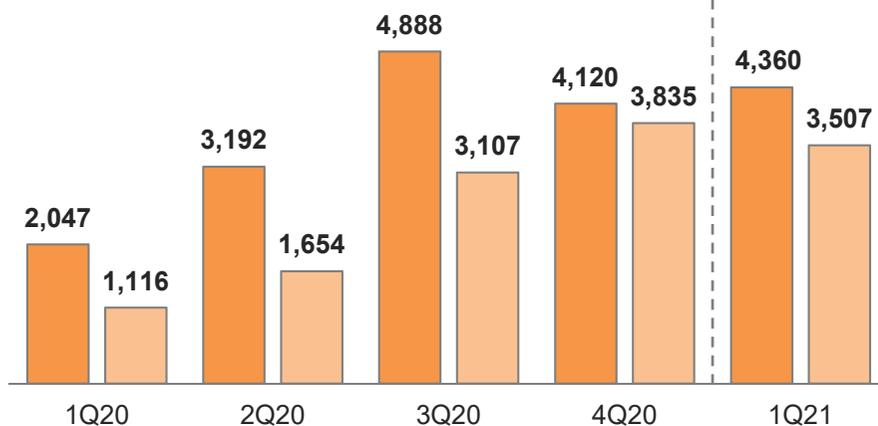
Financials

[], YoY =Year over year comparison



FY20 Operating profit: 14,248 [+73.2%]

FY20 Net profit: 9,712 [+142.4%]



1Q20	2Q20	3Q20	4Q20	1Q21	
(74)	(286)	186	368	1,208	Finance income (expense), net
(279)	(135)	(313)	319	(217)	Share of profit (loss) of investments accounted for using equity method
(572)	(1,084)	(1,625)	(952)	(1,807)	Income tax expense
(6)	(34)	(29)	(21)	(36)	Less: Profit for the period attributable to non-controlling interests

◆ Operating profit

➢ 1Q21: ¥4,360 million, +113.0% YoY

◆ Profit before tax

➢ 1Q21: ¥5,350 million, +215.8% YoY

- Interest expense: ¥137 million
- Foreign exchange loss : ¥17 million
- Gain on funds: +¥1,296 million
- Dividend income: +¥54 million
- Interest income: +¥12 million
- Shares of loss of investments accounted for using equity method: ¥217 million

✓ Equity in net loss of DeCurret:

1Q20	2Q20	3Q20	4Q20	1Q21
306	273	207	193	296

- IJ ownership: 4Q19 30.0%, from 1Q20 41.6%, from 1Q21 38.2% is used to recognize gain and loss

- Other than above, in 4Q20, gain on changes in equity of ¥349 million arisen from the issuance of common stock is recognized

◆ Net profit

➢ 1Q21: ¥3,507 million, +214.1% YoY

- Income tax expense: -¥1,807 million (1Q20: -¥572 million)

Consolidated Statements of Financial Position (Summary)

Financials

- Ratio of total equity attributable to owners of the parent: 40.7% as of March 31, 2021, 42.6% as of June 30, 2021

Unit: ¥ (JPY) million

	Mar. 31, 2021	June 30, 2021	Changes
Cash and cash equivalents	42,467	34,831	(7,636)
Trade receivables	34,799	27,920	(6,879)
Inventories	2,171	2,357	+186
Prepaid expenses (current and non-current)	20,136	25,752	+5,617
Tangible assets	17,084	17,780	+696
Right-of-use assets	50,708	48,715	(1,992)
Goodwill and intangible assets	23,037	26,031	+2,994
Investments accounted for using the equity method	9,027	8,734	(293)
Other investments	12,912	15,702	+2,789
Others	8,436	9,440	+1,003
Total assets:	<u>220,777</u>	<u>217,263</u>	<u>(3,515)</u>
Trade and other payables	19,244	15,484	(3,760)
Borrowings (current and non-current)	25,560	22,955	(2,605)
Contract liabilities and Deferred income (current and non-current)	14,832	17,995	+3,163
Income taxes payable	3,012	1,571	(1,441)
Retirement benefit liabilities	4,169	4,267	+99
Other financial liabilities (current and non-current)	53,527	52,459	(1,068)
Others	9,462	8,948	(514)
Total liabilities:	<u>129,806</u>	<u>123,679</u>	<u>(6,126)</u>
Share capital	25,531	25,546	+16
Share premium	36,389	36,383	(6)
Retained earnings	25,047	26,795	+1,748
Other components of equity	4,865	5,707	+842
Treasury shares	(1,875)	(1,851)	+24
Total equity attributable to owners of the parent:	<u>89,956</u>	<u>92,580</u>	<u>+2,624</u>

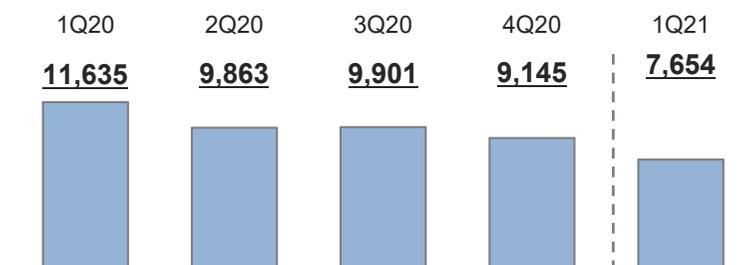
Consolidated Cash Flows

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

Financials

Operating Activities

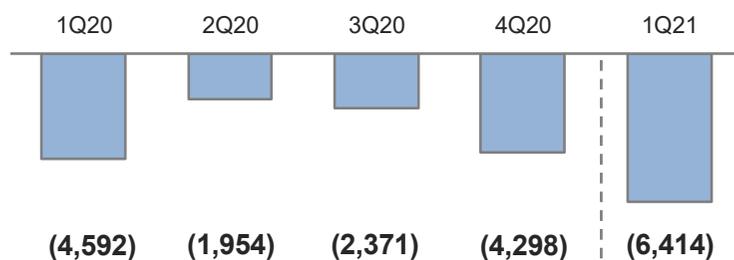
FY20: 40,544



	Major Breakdown	YoY Change
Profit before tax	5,350	+3,656
Depreciation and amortization	6,606	(489)
Equity method loss (gain)	(1,326)	(1,256)
Changes in operating assets and liabilities	(70)	(4,646)
Income taxes paid	(3,334)	(1,157)

Investing Activities

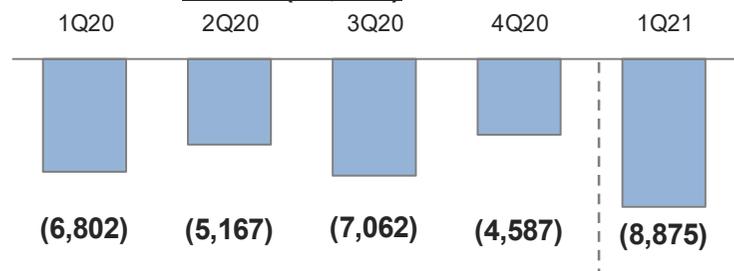
FY20: (13,216)



	Major Breakdown	YoY Change
Purchase of tangible assets	(2,839)	(1,431)
Purchase of investments accounted for using equity method	-	+2,754
Purchases of a subsidiary	(2,612)	(2,612)
Purchase of intangible assets such as software	(1,325)	+480
Proceeds from sales of tangible assets	584	(433)

Financing Activities

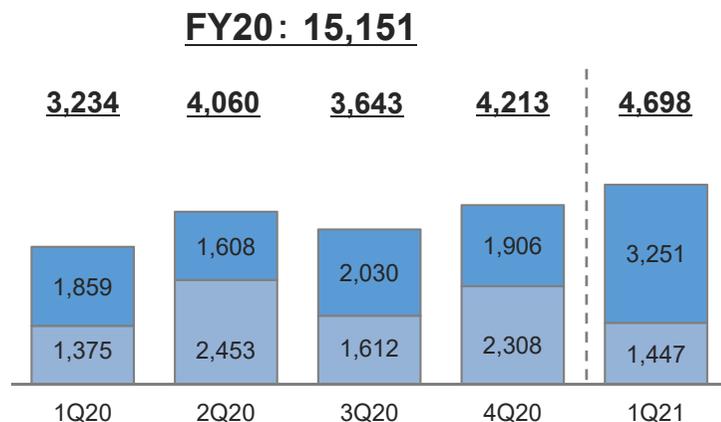
FY20: (23,618)



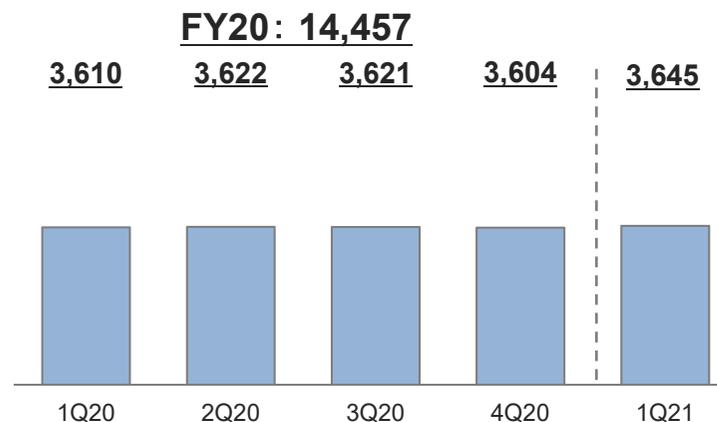
	Major Breakdown	YoY Change
Payment of operating/finance leases and other financial liabilities	(4,463)	+760
Repayment of long-term borrowings	(4,085)	(3,170)
Net increase in short-term borrowings	1,480	+1,480
Dividends paid	(1,759)	(1,150)

Other Financial Data

CAPEX

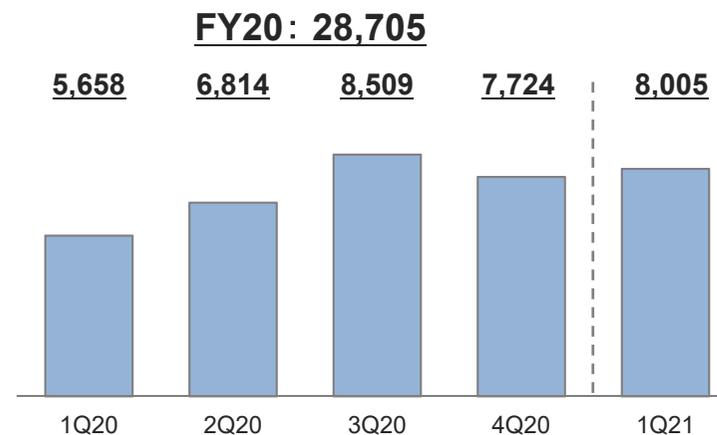


CAPEX-related depreciation and amortization



- 1Q21: Shiroi data center ¥0.6 billion (which was originally planned for in FY20) is included
- FY21 outlook: approx. ¥17.5 billion. Expect to increase year over year as some FY20 investments such as ¥1.2 billion of Shiroi data center and network are slided over

Adjusted EBITDA

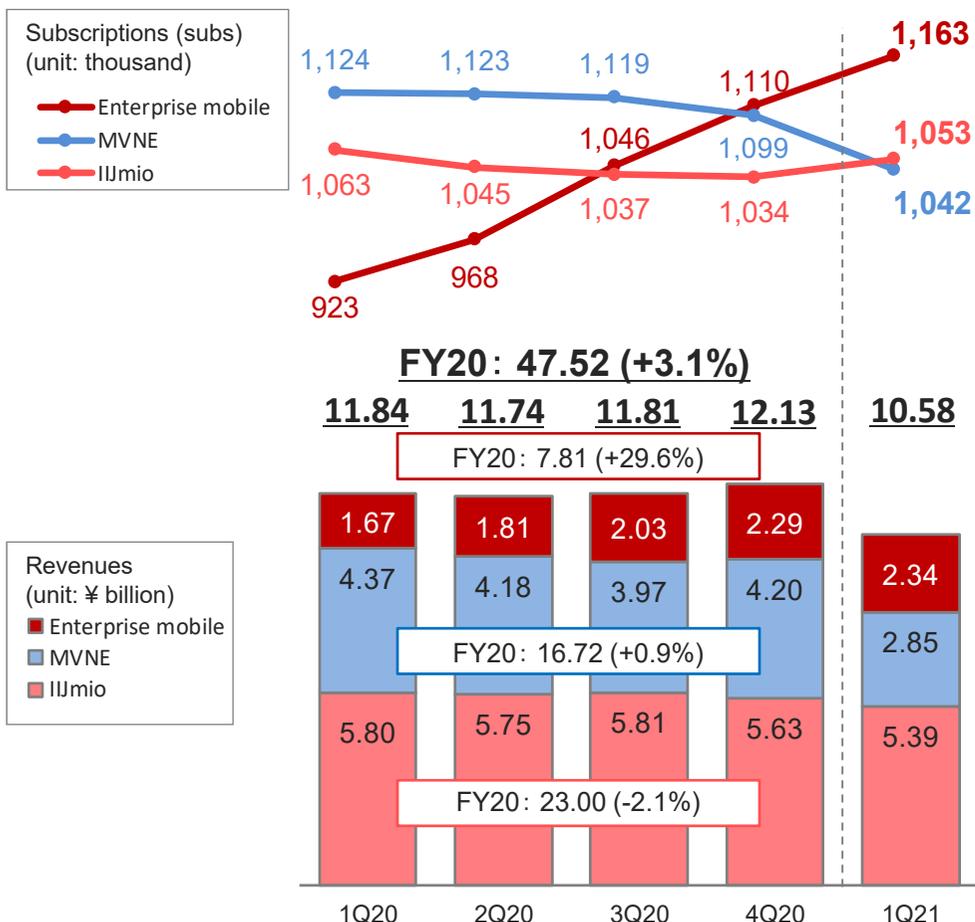


- Total amount of capital expenditure is the amounts of acquisition of tangible and intangible assets by cash and entering into finance leases for the fiscal year, excluding duplication due to sale and leaseback transactions and acquisition of assets that do not have the nature of investment, such as purchase of small-amount equipment.
- CAPEX-related depreciation and amortization is calculated by excluding depreciation and amortization of assets that do not have the nature of capital investment, such as right-of-use assets related to operating leases, small-amount equipment and customer relationship.
- Adjusted EBITDA is calculated by adding operating profit and CAPEX-related depreciation and amortization.

Service & Business Developments: Mobile & Security

% = Year over year comparison
bn = billion

Financials



- MVNE: IJ Mobile MVNO Platform Services (providing mobile services to other MVNOs)
- Enterprise mobile: Deducting MVNE from IJ Mobile
- 1Q21 full-MVNO revenue: ¥0.78 bn (93.5% Enterprise mobile, 6.5% IJmio)

◆ Enterprise mobile

- 1Q21 revenue: ¥2.34 bn (+¥0.67 bn YoY)
- 1Q21-end subs: 1,163 thousand (+53 thousand QoQ)
 - ✓ In addition to various network camera connection projects, continuously accumulating projects such as dashboard camera, remote key open/close usage, GPS tracker for children and elderly, transportation IC card settlement device etc.

◆ MVNE

- 1Q21 revenue: ¥ 2.85 bn (-¥1.53 bn YoY)
 - ✓ Impacted by the year-beginning purchasing unit charge and a large MVNE client switching to another operator due to M&A
- 1Q21-end subs: 1,042 thousand (-57 thousand QoQ)
- 1Q21-end MVNE clients: 159 (+3 clients YoY)
 - ✓ Cable TV operators (86 operators), prominent retailer etc.

◆ IJmio (consumer mobile)

- 1Q21 revenue: ¥5.39 bn (-¥0.4 bn YoY)
- 1Q21-end subs: 1,053 thousand (+19 thousand QoQ)
 - ✓ New plan “GigaPlan” launched on Apr. 1, 2021 (Old plan’s users migration from May 1)
 - ✓ 1Q21-end GigaPlan subs: 462 thousand (of which approx. 17% are new users)

Assumption for FY21 Mobile business (Disclosed in May 2021)

- Revenue: Expect revenue to decrease by ¥8.3 bn YoY as ARPU, especially voice, to decrease due to new consumer plan
 - ✓ IJmio (consumer mobile): More than half of old plan users to migrate to the new plan. IJmio monthly net addition to be a few ten thousands
 - ✓ MVNE: Visible impact from a large MVNE client switching to another operator due to M&A
- Gross Profit: Expect same level of profit as FY20 with decrease in purchasing cost and ARPU (Onetime cost decrease upon FY20 mobile interconnectivity charge confirmation is taken into consideration)

Strong demands for Network Integration

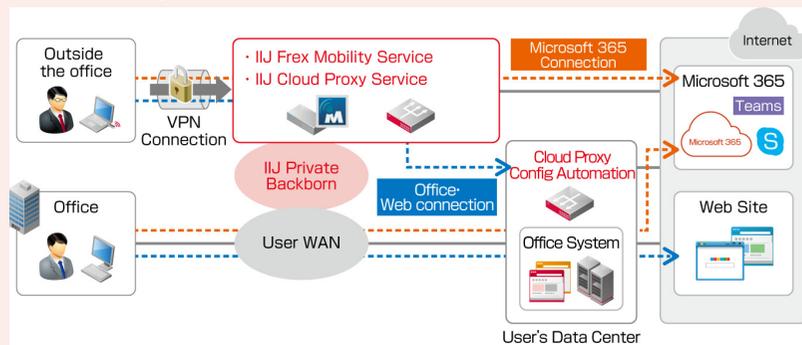
◆ Demands to update internal IT office infrastructure

- Provide design and implementation of user environment as integration by combining network services
 - Enhancement of internet gateway
 - Projects related to digital workplace etc.

◆ Demands to renew enterprise network

- Along with the adoption of SaaS such as Microsoft 365, number of sessions and traffic are increasing, requiring to review entire enterprise network
 - Cross-selling opportunity: remote access, security and WAN services etc.

< Case study >



◆ Demands to construct Web isolation systems

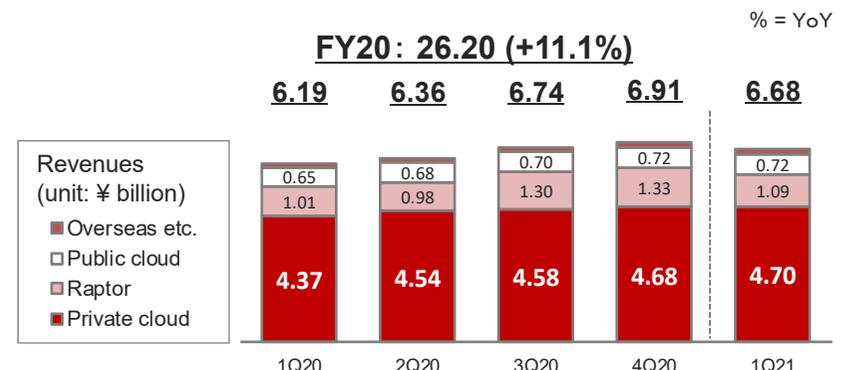
- By isolating areas that are designed to handle web contents, preventing attacks to enter into internal systems
- Strong demands especially from public and finance sectors
 - Information security cloud for local governments etc.

Growing demands to fully outsource enterprise IT systems' operation & maintenance

Providing services & solutions that help to reduce operation & management burden of enterprise IT systems which are becoming more complex and diversified along with penetration of Multi-Cloud & mainstream adoption of IT services

- IIJ Unified Operation Management Service (launched in Apr. 2017)
 - Reducing burden to operate on-premise and Multi-Cloud systems
 - Leveraging automated operation
- Strategic IT Outsourcing (launched in July 2019)
 - IIJ to oversee all operations of a user's systems by committing to achieve KPIs such as cost reduction

Cloud Service (Monthly recurring) revenue



- Private cloud revenue growth was flattish because of the revenue decrease factor in relation to Cloud service facility migration from old to new
- Raptor, SaaS type FX trading platform, revenue decreased QoQ as it was impacted by FX trading volume volatility
- 1Q21 Cloud revenue recognition: 89.2% SI systems operation & maintenance, 10.8% Outsourcing services

Data Centers (1)

- **IJJ operates data centers in Japan and overseas**
 - Except for Matsue DCP and Shiroy DCC, IJJ lease data center space from data center owners, mainly on floor basis
- **In 2011, IJJ built Japan's first container-based modular data center using an outside air-cooling system, eco-friendly DC**
 - Modular approach allows flexible expansion and short-term construction with low cost
- **IJJ has exported container modular center to overseas including the People's Republic of Laos (2016) to help them set up IT infrastructure**

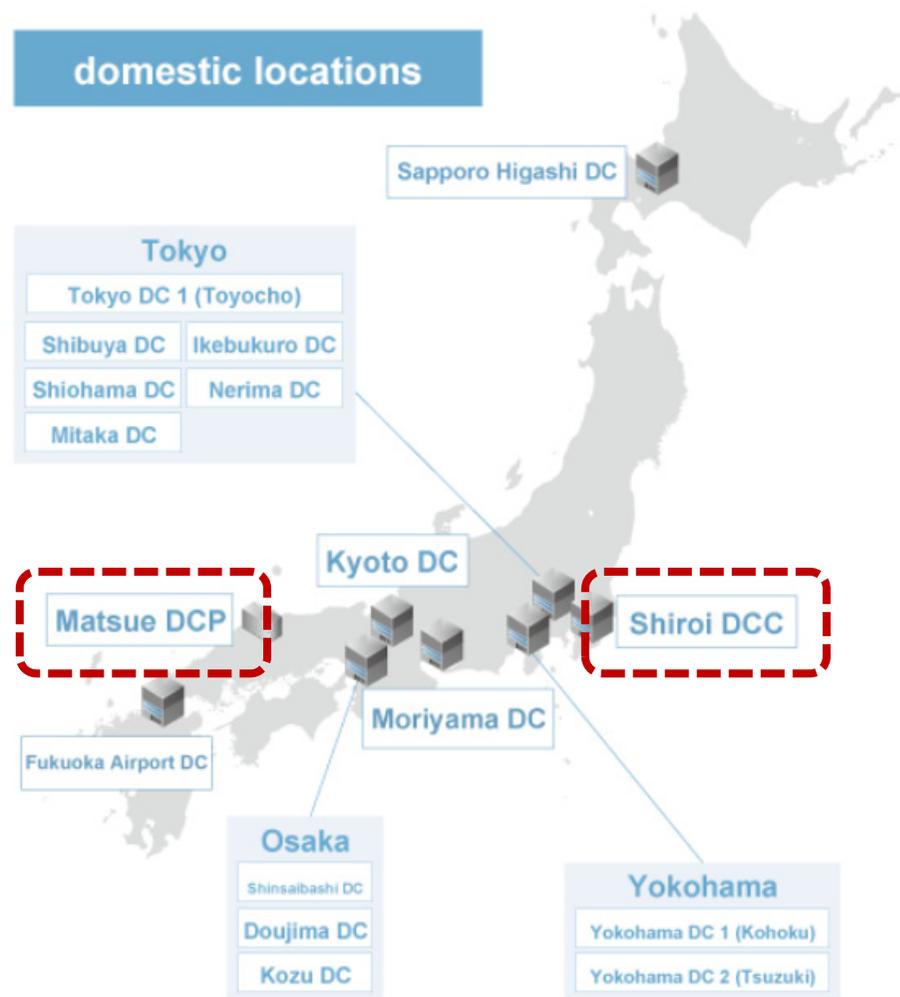


overseas locations



Data Center Locations

domestic locations



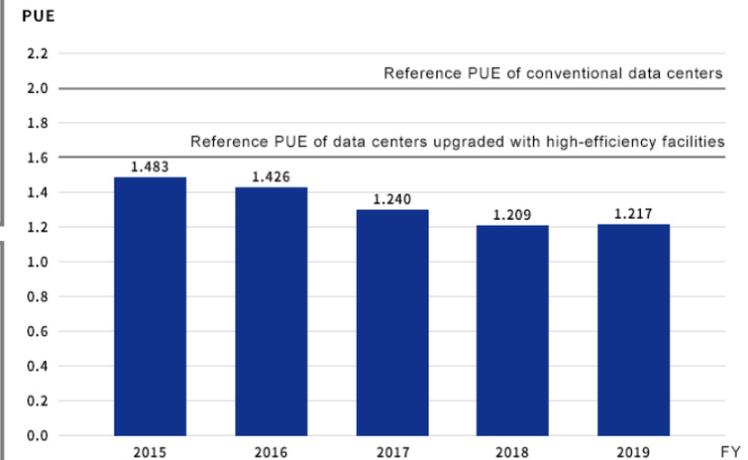
IIJ's second modular container data center

Name	Shiroi Data Center Campus (In operation since May 2019 ~)
Address	Shiroi city, Chiba prefecture
Land	Approx. 40,000m ²
Racks	Can accommodate up to 6,000 racks • Phase 1: approx. 1,000 racks with approx. JPY8.0 bn CAPEX
Accommodation	Service facility, data center housing services etc. • 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	Completed in April 2019, opened in May 2019
Estimated PUE*₂	Less than Matsue DCP's 1.2
Purposes	<p>Integrate racks, currently spread out in the eastern Japan area's data centers</p> <ul style="list-style-type: none"> • Future cost should be approx. 20% lower than continuously expanding leasing space and with improved operation productivity <p>Absorb increasing rack demand along with further penetration of cloud & IoT</p> <p>Competitive advantages with latest technologies</p> <ul style="list-style-type: none"> • Improved facility with outside-air cooling technology & AI for cooling & energy control, and automated operations with robotics technology etc.

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

Matsue DCP's annual average PUE



*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 PUE (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.

Systems Integration (SI)

- **Offer SI as a cross selling element to fully meet Japanese enterprise' IT needs**
- **SI clients are companies already using our network services**
 - Do not depend on particular industry to generate revenue, just like the overall customer portfolio, because IIJ offers systems needed by any industry like Office IT.
- **Most of SI projects are Internet related such as Office IT, online service platforms, large-scale website, etc.**
 - Internal system and/or large-scale application development, main frame related projects are covered by legacy system integrators
 - Sometimes co-work with legacy Sler on large-scale projects in which they cover application development part and IIJ covers Internet related system construction

Business Model

◆ Revenue

- Construction (one-time): recorded upon constructed system is received by a client.
- Operation and Maintenance (recurring): systems constructed by IIJ will be operated and maintained by IIJ as well

◆ Cost

- Each SI project's cost differ. Make estimate for each project
 - ✓ Costs are consisted of purchasing, outsourcing personnel, personnel, and depreciation and amortization

◆ Profit

- SI profitability to improve as we accumulate the revenue of operation and maintenance, which profitability is higher than construction profitability
- Construction profitability is lower because of bidding process etc.

Sales Activity for Public Sector

◆ Long and enduring relationship

- We have been providing reliable Internet connectivity services to central government agencies and local governments from the early 1990s
- They are also using our security services such as firewall services and DDoS Protection services and other network services such as WAN. We also receive network related integration projects from them as well.

◆ Not only private sector, but also public sector is changing their attitude toward IT and network.

◆ Growing demands for network related projects

- Enhance remote access for central government agencies
- Promote telework environment for local governments
 - Hyogo Prefecture
 - Kumamoto City and others
- Support educational institution to become online-capable
 - Hybrid of face-to-face & online classes, remote access environment for faculty and staff etc.
- Projects to replace “Security Cloud” for local governments
 - Kanagawa prefecture in the Tokyo Metropolitan area
- Many other various projects
 - Official web P. for Shibuya City
 - Reliable Internet connectivity environment for Ota city
 - Campus network for universities/colleges

Mobile data interconnectivity cost (Mbps unit charge・monthly)

Appendix

Fiscal Year		FY18	FY19	FY20	FY21	FY22	FY23	
Method		Actual cost method			Future cost method			
Docomo	New	<u>¥49,311</u> - 6.0%	<u>¥42,702</u> ^(*1) - 13.4%	<u>¥41,436</u> ^(*2) - 3.0%	<u>¥28,385</u> - 31.5%	<u>¥22,190</u> - 21.8%	<u>¥18,014</u> - 18.8%	
	Old	<u>¥49,311</u> - 6.0%	<u>¥42,702</u> ^(*1) - 13.4%	<u>¥41,436</u> ^(*2) - 3.0%	<u>¥33,211</u> - 19.8%	<u>¥27,924</u> - 15.9%		
			Decrease by 16.0%			Expected to be fixed in Jan. 2022 ▲ -14.5%	▲ -20.5%	
KDDI	New	<u>¥52,949</u> - 13.3%	<u>¥42,154</u> ^(*1) - 20.4%	<u>¥32,842</u> ^(*2) - 22.1%	<u>¥26,827</u> - 18.3%	<u>¥21,983</u> - 18.1%	<u>¥18,419</u> - 16.2%	
	Old	<u>¥52,949</u> - 13.3%	<u>¥42,154</u> ^(*1) - 20.4%	<u>¥32,842</u> ^(*2) - 22.1%	<u>¥27,790</u> - 15.4%	<u>¥25,394</u> - 8.6%		
			Decrease by 38.0%			▲ -3.5%	▲ -13.4%	

- The same calculation method is applied to actual cost method & future cost method: (Data communication cost + profit) /demand
- About actual cost method: Calculated based on MNOs' actual cost etc. and applied retrospectively. FY19 usage charge (*1), which is based on MNOs' FY19 results, was fixed in January 2021 and recognized in our FY20 financial results (Recognized as a difference between our estimate and result).
- About future cost method: Calculated based on MNOs' mobile unit charge prediction for next three years, which is based on MNO's future cost etc. It is applied from FY20. Mobile unit charge is fixed based on MNO's actual cost etc. and the difference between prediction and result is revised. For FY20, FY21, and FY22, mobile unit charge prospects by future cost method (described as "Old" above) were announced March 2020. For FY21, FY22, and FY23, mobile unit charge prospects by future cost method (described as "New" above) were announced April 2021.
- FY20 usage charge (*2), which is based on MNO's FY20 results, will be fixed in around January 2022 and recognized in our FY21 financial results (either in 3Q21 or 4Q21).
- Mobile interconnectivity charge, which is underlined above, is fixed based on the result
- The decrease percentage in mobile interconnectivity charge described above is compared with the previous year

Old & New Consumer Mobile Plans

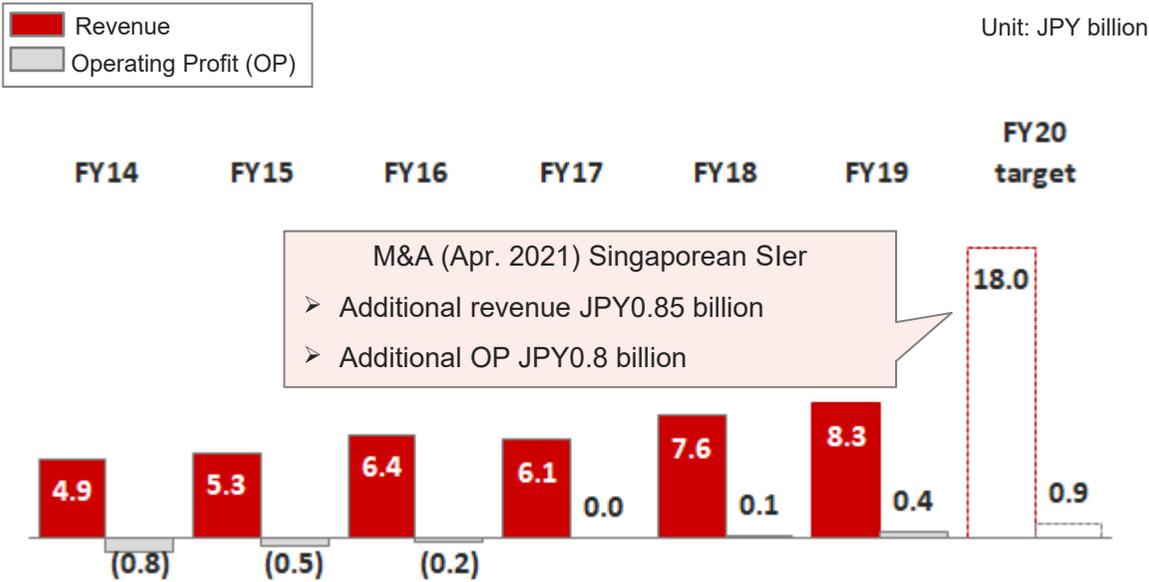
Comparison table of basic monthly fees of consumer mobile service <small>*Excluding consumption tax</small>					
Old Plans			New Plans		
Minimum Start Plan (3GB)	with Voice	¥1,600	2 GigaPlan	with Voice	¥780
	Data-only	¥900		Data-only	¥680
Light Start Plan (6GB)	with Voice	¥2,220	4 GigaPlan	with Voice	¥980
	Data-only	¥1,520		Data-only	¥880
Family Shere Plan (12GB)	with Voice	¥3,260	8 GigaPlan	with Voice	¥1,380
	Data-only	¥2,560		Data-only	¥1,280
	with Voice		15 GigaPlan	with Voice	¥1,680
	Data-only			Data-only	¥1,580
	with Voice		20 GigaPlan	with Voice	¥1,880
	Data-only			Data-only	¥1,780

(Note) The above table briefly indicates service prices for major functions to show the differences between the old and new plans.

Overseas Business

- FY16 and before: US-GAAP, FY17 and after: IFRS
- Revenue mostly recognized in SI

Revenue and operating profit



Overseas offices



Business Developments

- **Started focusing on overseas business around FY2011** when Japanese companies who started to expand their business overseas and requested us to provide the same service quality we offer in Japan
- **Business in Asia: gradually growing**
 - Increasing demand for NW, SI and etc. in China and Thailand, related to Japanese customers
 - Indonesia: Large public infrastructure SI project, cloud business gradually growing
 - Vietnam: Cybersecurity Law (Jan. 2019), Opened another facility in Hanoi in addition to existing Ho Chi Min
 - In Apr. 2021, bought a Singaporean system integrator, PTC – expect to strengthen ASEAN business
- **Provide cloud services in Indonesia, Thailand and Vietnam. Working with local prominent IT companies**
 - With Biznet Networks in Indonesia (from Mar. 2015)
 - With T.C.C. Technology Co., Ltd, in Thailand (Feb. 2016)
 - With FTP Telecom Partner in Vietnam (Nov. 2016)

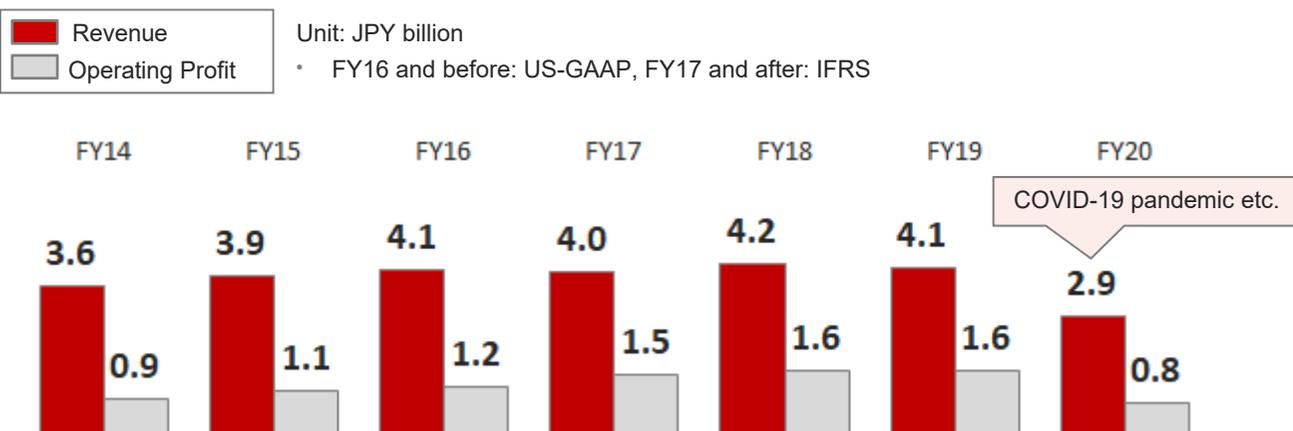
ATM Operation Business

Business Model

- Similar to “Seven Bank” model
- Placing ATMs in Pachinko parlors in Japan
 - After long discussion, started to place in Kanto, Kansai, Kyushu and Tokai areas
 - 9,630 Pachinko parlors in Japan as of December 31, 2019
(source: National Police Agency)
- Receive commission for each withdrawal transaction

Revenue and Operating Income

- FY20: Revenue significantly decreased from FY19 as the stores we had placed ATMs were closed temporarily and fewer customers visited the stores due to the COVID-19 pandemic and stay-at-home-order/request. We also had expected impact from removal of certain number of ATMs which was not triggered by the pandemic. The profit decrease during April and May were severe, as expected. The stores started reopening from June.
- For FY21, we expect same level of revenue and operating profit as FY20



Trust Networks Inc.

- In charge of ATM operation business
- IIJ's ownership: 80.6%
- Established in 2007





Internet Initiative Japan

The internet started in Japan in 1992, along with IIJ. Since that time, the IIJ Group has been building the infrastructure for a networked society, and with our technical expertise, we have continued to support its development. We have also continued to evolve our vision for the future and innovate to make it a reality. As an internet pioneer, IIJ has blazed the trail so that others could realize the full potential of a networked society, and that will never change. The middle "I" in "IIJ" stands for "initiative," and IIJ always starts with the future.