

Corporate Overview of Internet Initiative Japan (IIJ)

Internet Initiative Japan Inc. (IIJ)

The Prime Market of the Tokyo Stock Exchange (Ticker symbol: 3774)

June 2022

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.

Outline

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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

- 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

About IIJ	Business Model
Strength	Growth Strategy

IIJ has been taking initiatives in Internet field

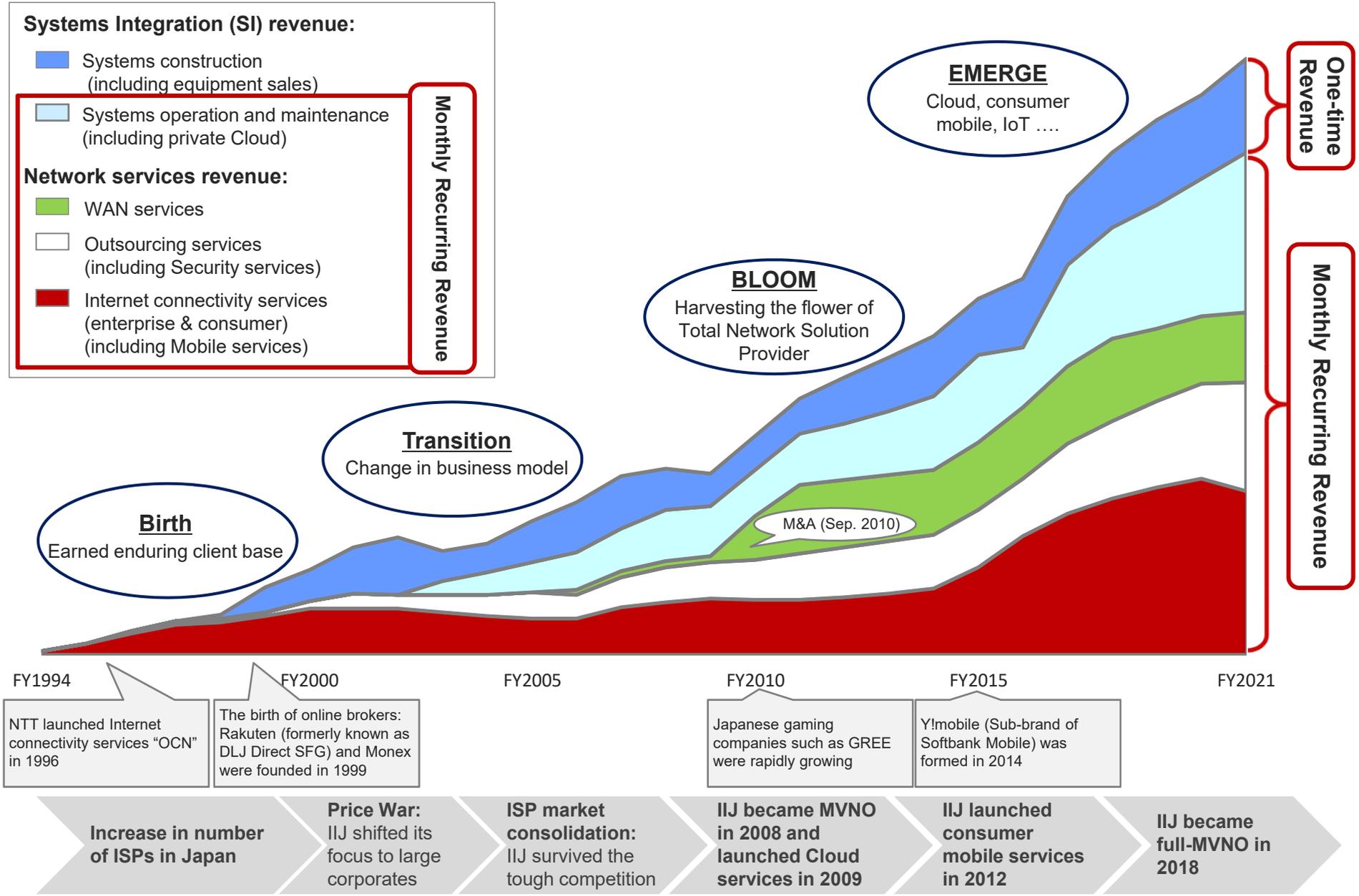
Established	December 1992
Number of Employees	4,117 (approx. 70% engineers, 20% sales, 10% back office)
Listed Market	The Prime Market of the Tokyo Stock Exchange (Ticker symbol: 3774)
Large Shareholders	NTT group (26.9%), Koichi Suzuki (5.9%), Global Alpha (5.0%) Koichi Suzuki is Founder, Chairman and Co-CEO of IIJ

- ◆ **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 “IIJ” brand among Japanese blue-chip companies’ IT division**
 - ✓ Differentiate by reliability and quality of network and systems operation
 - ✓ Long-term (almost 30 years) client relationship as there have been no critical systems troubles
 - ◆ **At the leading edge of IP R&D**
 - ✓ Differentiate by continuous service developments and business investments
 - ✓ Enhancing Cloud, mobile, security 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 March 31, 2022.
- We voluntarily delisted from the U.S. NASDAQ Market in April 2019. Our ticker symbol at the OTC (Over The Counter) is IIJIY.
- Large shareholders are as of March 31, 2022 and their shareholding ratios (%) are calculated by deducting number of treasury stock from the total number of shares issued except for Global Alpha whose information is based on their filing as of March 2021. Suzuki’s ownership includes his wholly owned private company portion.

From ISP to Total Network Solution Provider

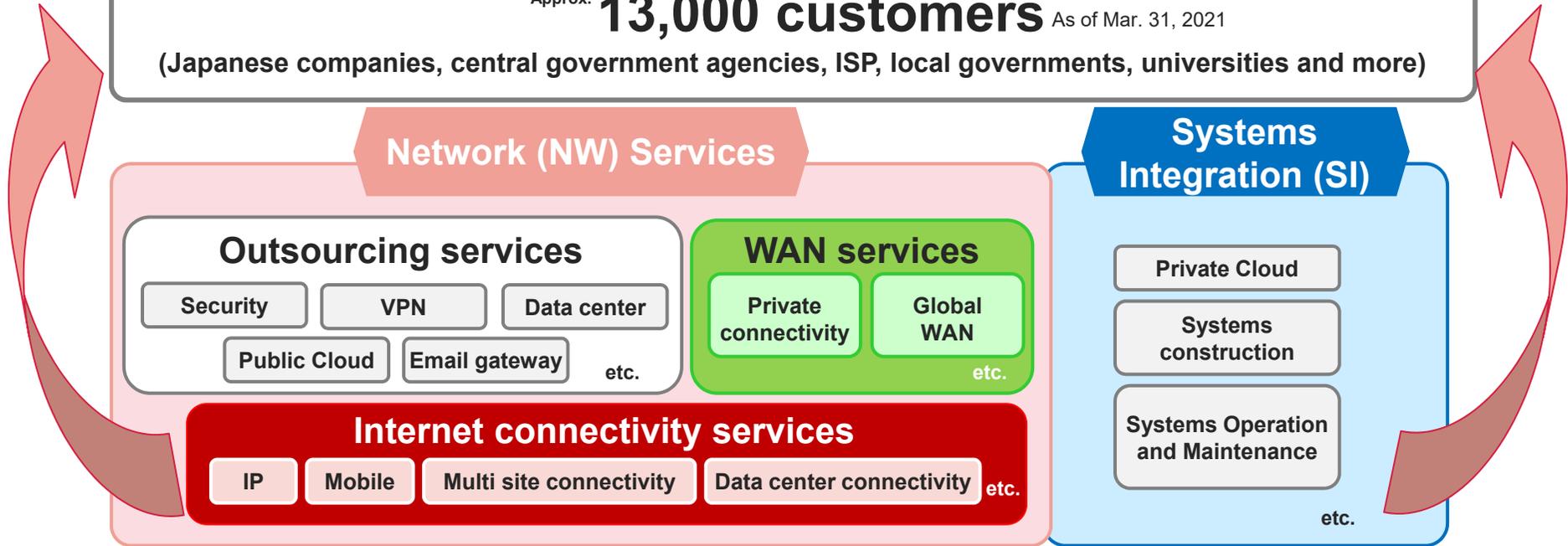
About IIJ	Business Model
Strength	Growth Strategy



IJ as a Total Network Solution Provider

About IJ	Business Model
Strength	Growth Strategy

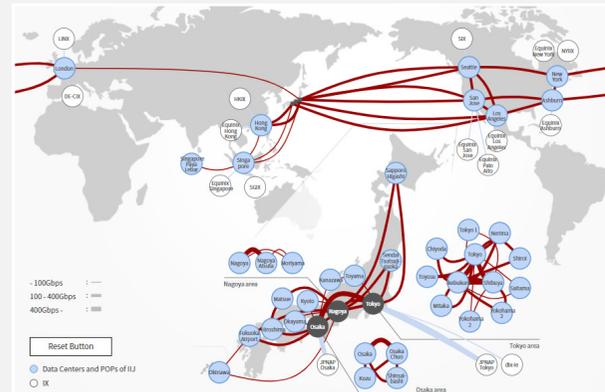
Approx. **13,000 customers** As of Mar. 31, 2021
 (Japanese companies, central government agencies, ISP, local governments, universities and more)



Major components of Cost

- Fiber leasing cost for Internet backbone
- Depreciation cost of network equipment
- Personnel cost for network service development and operation
- Mobile data interconnectivity and voice service purchasing cost for Mobile services

IJ's Backbone Network



SWOT of IIJ

Strength	Weakness
<p data-bbox="219 336 1079 456">High technological capabilities</p> <ul data-bbox="208 496 1070 839" style="list-style-type: none">◆ First full-scale ISP in Japan◆ Highly skilled Internet-related engineers◆ NW service development & operation capabilities◆ Reliable Internet backbone operation◆ Excellent customer base◆ Corporate culture of pioneering spirit	<ul data-bbox="1137 336 1975 735" style="list-style-type: none">◆ Business domain mostly in Japan<ul data-bbox="1211 408 1953 504" style="list-style-type: none">➤ IIJ's overseas business is mainly to increase Japanese clients' loyalty◆ Smaller in size compared to competitors<ul data-bbox="1211 592 1975 735" style="list-style-type: none">➤ IIJ continuously develops innovative network services and solutions to be ahead of the market needs
Opportunity	Threat
<p data-bbox="219 979 1079 1099">Digitalization in Japan</p> <ul data-bbox="208 1134 1010 1445" style="list-style-type: none">◆ Internet traffic increasing◆ Security demands expanding◆ Cloud shift◆ Emerging new IT usages such as IoT◆ Growing IT demands from public sector	<ul data-bbox="1137 991 2007 1257" style="list-style-type: none">◆ Slow IT adoption in Japan<ul data-bbox="1211 1062 2007 1257" style="list-style-type: none">➤ IIJ focuses on promoting digitalization of large Japanese companies with various network services and systems integration to fully meet their needs

Comprehensive Lineups of IT services

About IIJ	Business Model
Strength	Growth Strategy

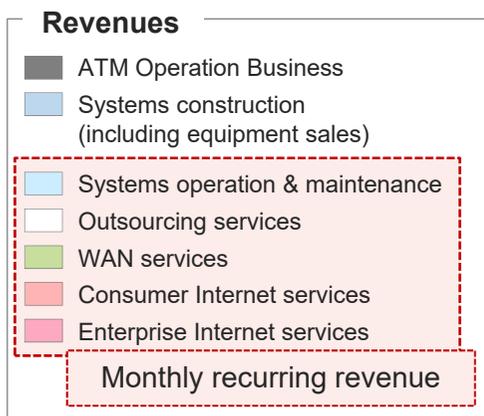
Revenue category		FY21 Revenue	About		Business Situation & Outlook		
Network services	Internet connectivity services for enterprise	37.91	IP	13.68	<ul style="list-style-type: none"> Core service providing from the foundation Highly reliable dedicated connectivity services for enterprise (multi-carrier, redundancy etc.) Charge based on contracted bandwidth. Enterprises use the service for their main Internet line 	<ul style="list-style-type: none"> Matured market (hard to entry) Blue-chip client base Expect the revenue to continuously increase along with traffic volume and contracted bandwidth increase from CDN 	
			Mobile	20.35	<table border="1"> <tr> <td>Enterprise mobile (IoT usages etc.)</td> <td>10.26</td> </tr> <tr> <td>MVNE (Proving to other MVNOs)</td> <td>10.09</td> </tr> </table>		Enterprise mobile (IoT usages etc.)
	Enterprise mobile (IoT usages etc.)	10.26					
	MVNE (Proving to other MVNOs)	10.09					
Internet connectivity services for consumers	23.38	Mobile	20.37	<ul style="list-style-type: none"> Inexpensive SIM services (mainly data), Direct sale (via IIJ 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 Enterprise: Expect demand to increase in the mid-to-long term Consumer: Net increase (subscription) with new consumer plan in competitive market 		
WAN	26.40	Closed network used to connect multiple sites		Stable market for long-term			
SI	Outsourcing	40.52	In-house developed Internet-related various service line-ups (Security, datacenter and remote access etc.)		<ul style="list-style-type: none"> Have been developing services based on Zero Trust concept Acquire enterprise demand by cross-selling services. Continuous service development is important Demands for security and remote access to increase continuously 		
			Security	22.22		Public Cloud	2.87
SI	Operation and Maintenance	59.96	<ul style="list-style-type: none"> Operation and maintenance of constructed systems 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 Revenue to increase continuously along with accumulation of construction projects 		
			On-premise Systems	34.18		Private Cloud etc.	25.78
	Construction (including Equipment sales)	35.38	System construction related to office IT, security, Cloud, IoT. Internet-related construction such as Online banking & brokerage, 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 		

Monthly Recurring Revenue 83%

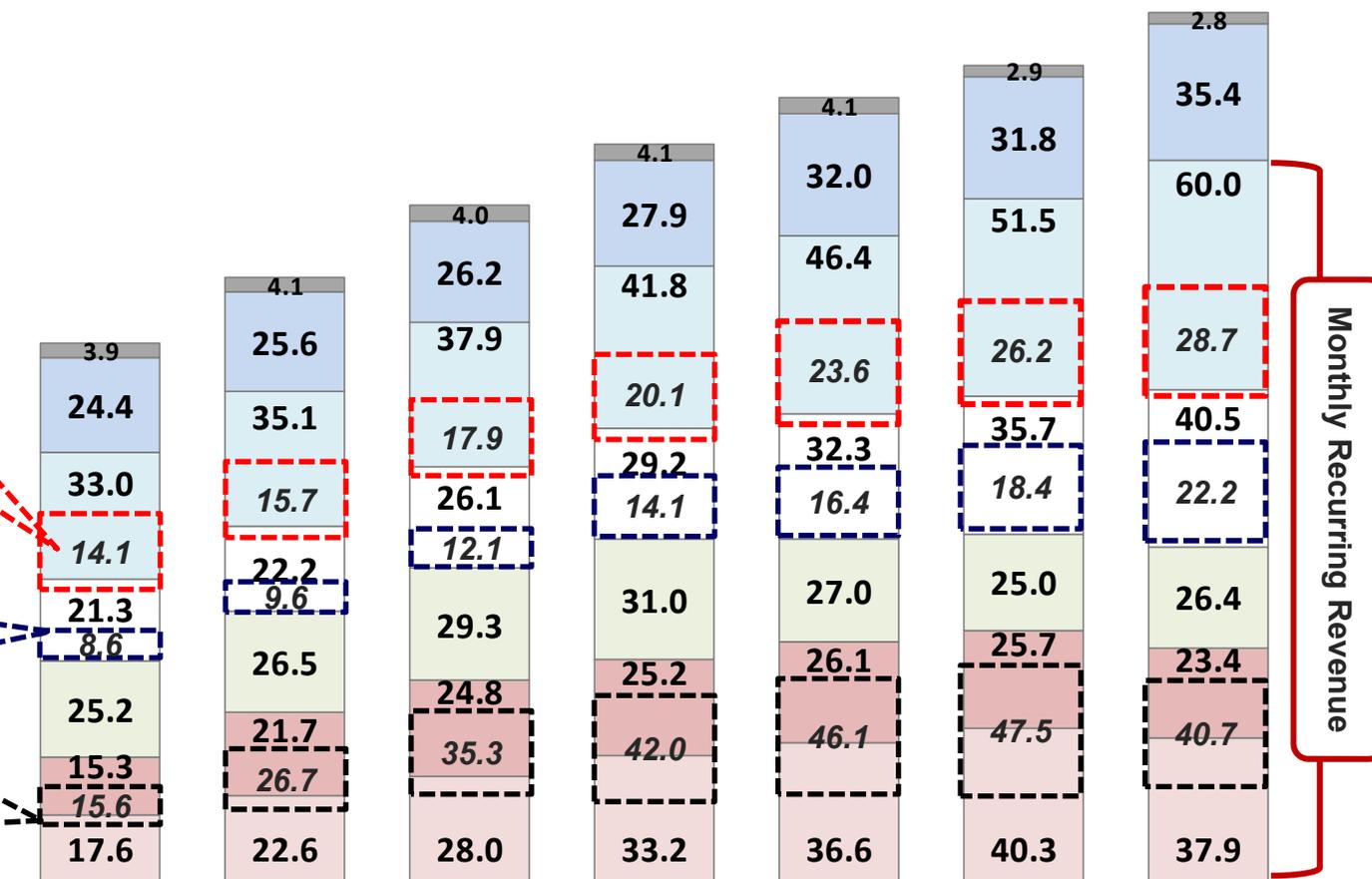
One time revenue

Monthly Recurring Revenue Accumulation

Unit: JPY billion
% = Year over year change



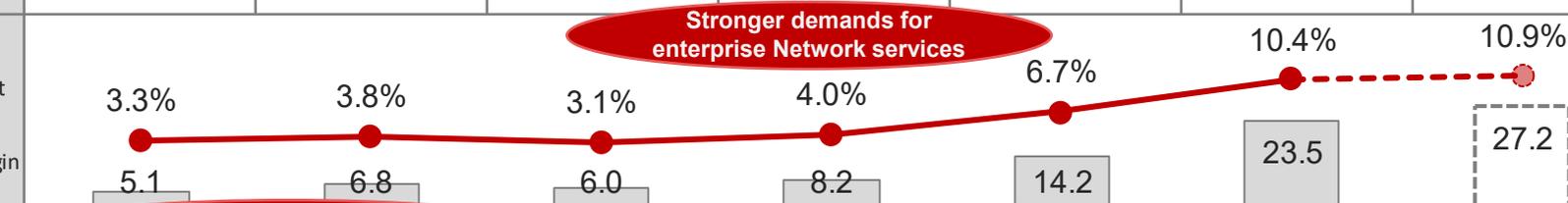
FY15	FY16	FY17	FY18	FY19	FY20	FY21
140.6	157.8	176.3	192.4	204.5	213.0	226.3
(+14.3%)	(+12.2%)	(+11.7%)	(+9.2%)	(+6.3%)	(+4.2%)	(+6.3%)



- Mobile revenue decreased year over year in FY21 due to ARPU decrease for consumers and change in unit charge for MVNE clients
- Systems construction and systems operation & maintenance revenue increase for FY21 includes PTC revenue which became IIJ's consolidated subsidiary from Apr. 2021
- 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 mainly due to certain large customers' migration to our mobile services (cheaper than WAN to connect multiple sites)
- Year over year 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

Recent Business Performance

	FY16	FY17	FY18	FY19	FY20	FY21	FY22 targets
Revenues (¥ bn)	157.8	176.2	192.4	204.5	213.0	226.3	250.0
Operating Profit (JPY billion)	5.1	6.8	6.0	8.2	14.2	23.5	27.2
Operating Margin (%)	3.3%	3.8%	3.1%	4.0%	6.7%	10.4%	10.9%
CAPEX (¥ bn)	16.5	20.7	15.1	15.2	15.2	16.1	21.5
NW services	12.6	9.4	9.4	9.6	8.8	9.7	-
Cloud	3.6	7.9	1.9	2.6	2.8	2.3	-
Shiroi DC	-	1.2	2.1	2.0	1.5	1.5	-
SI, others	0.3	2.3	1.7	1.0	2.0	2.6	-
CAPEX-related depreciation and amortization (¥ bn)	10.9	12.1	13.9	14.4	14.5	15.1	-
Number of employees	3,104	3,203	3,353	3,583	3,805	4,147	-



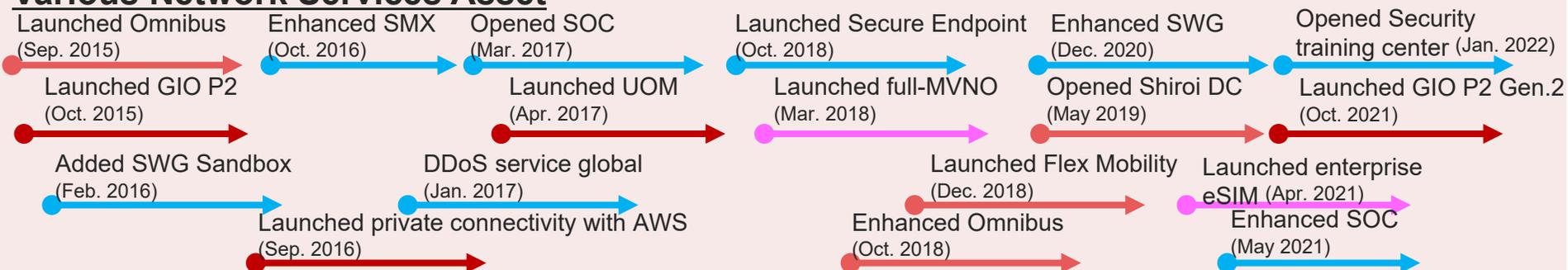
Stronger demands for enterprise Network services

Large CAPEX increase due to aggressive business investment

CAPEX & its depreciation almost same volume

Cost stabilizing

Various Network Services Asset



- FY16: US-GAAP, from FY17: IFRS
- FY22 target capex of ¥21.5 billion includes approx. 5 billion of Shiroi data center's second site construction for FY22 portion
- 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

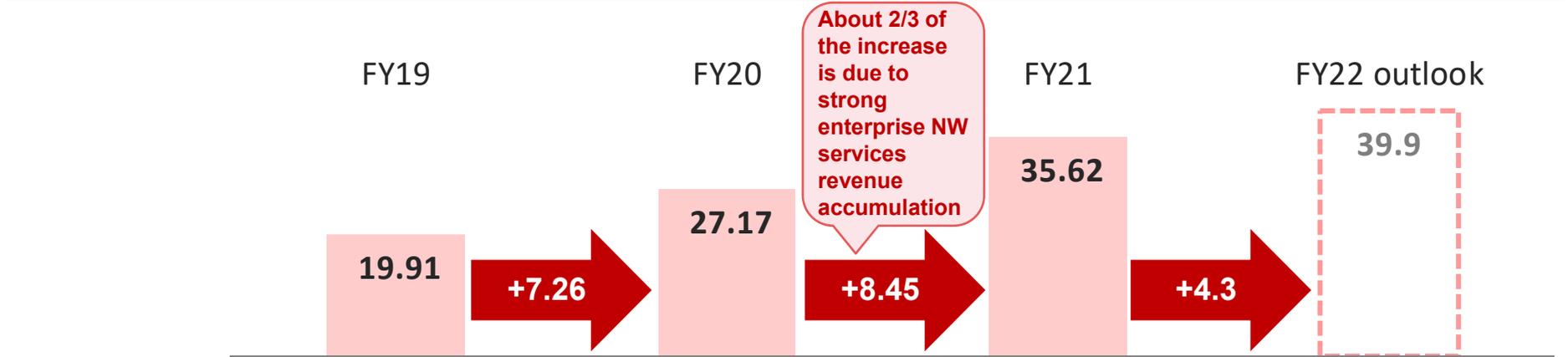
Profit Growth Driver: Enterprise NW Services

About IJ	Business Model
Strength	Growth Strategy

Revenues of Network Services Unit: JPY billion (bn)



Gross Profit of Network Services Unit: JPY billion (bn)



The main cost for Network services (excluding Mobile), written below, are not directly linked to the revenues fluctuation

- Circuit leasing fees for Internet backbone
- Depreciation cost for network equipment
- Personnel cost for service development & operation
- Operation cost for data centers

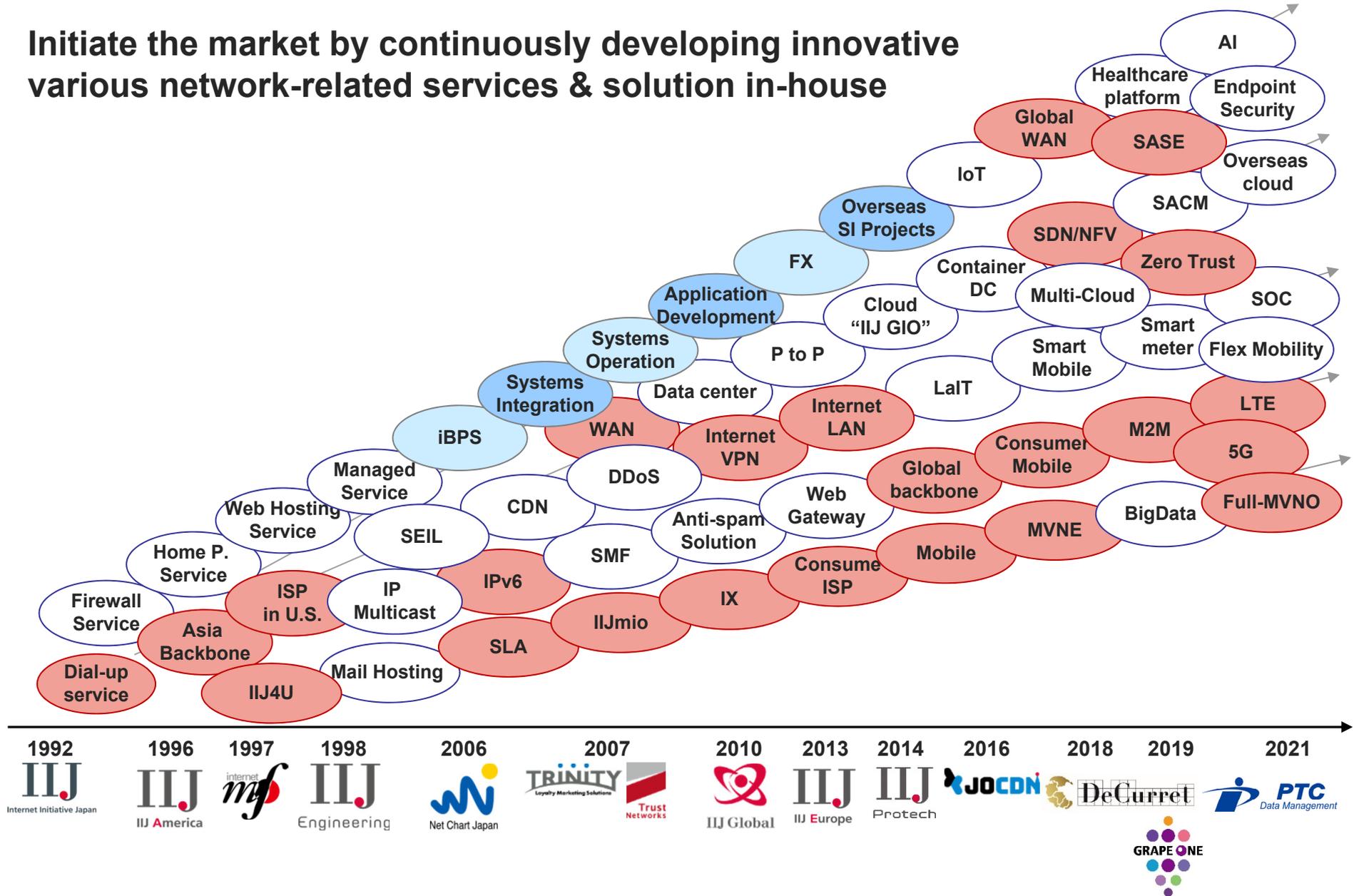
(*1) Year over year revenue increase of ¥3.39 bn includes year over year revenue decrease of ¥1.92 bn for WAN Services, which require circuit purchasing

(*2) Planned year over year revenue increase of ¥12.1 bn largely includes a revenue increase of WAN Services, which require circuit purchasing

Service & Solution Development Capability

About IJ	Business Model
Strength	Growth Strategy

Initiate the market by continuously developing innovative various network-related services & solution in-house



Excellent Customer Base (approx. 13,000 clients as of March 31, 2021)

About IJ	Business Model
Strength	Growth Strategy

- ◆ With the pioneer advantage, IJ's current blue-chip clients base was mainly accomplished in the early 1990
- ◆ Long term relationship with low churn rate is mainly due to reliable operation and cross-selling strategy

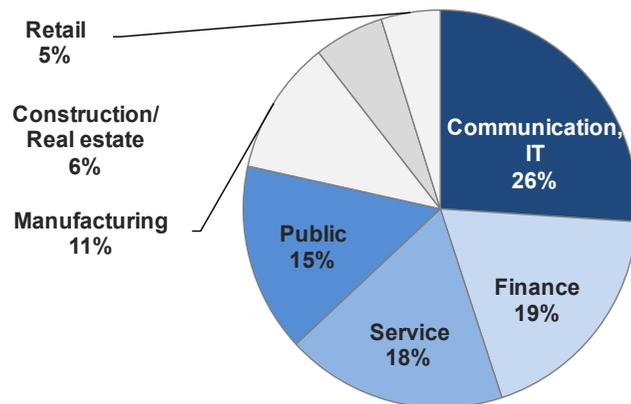
Cover Most of Top Revenue Companies

The number of IJ clients among the top 10 companies in each industry (based on IJ's FY21 results)



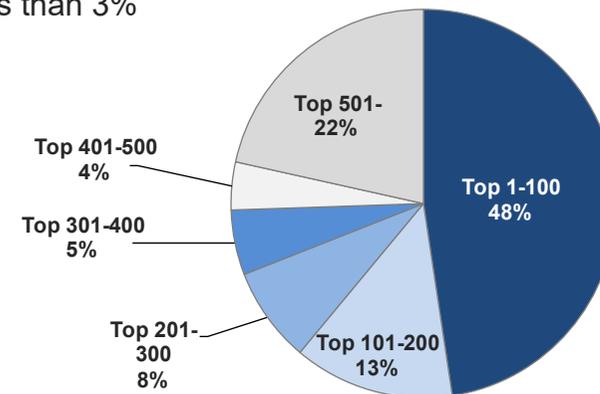
Revenue Distribution by Industry

- IJ's client base is well diversified among industry sectors because what we offer, Internet connectivity and security for example, are needed by every industry



Revenue Distribution by Clients

- About 80% of the total revenue were generated from top 500 clients
 - Much room to grow revenue per customer from the current client base
 - Cross selling strategy is important
- Largest client revenue portion to the total revenue was less than 3%



Competitive Advantages

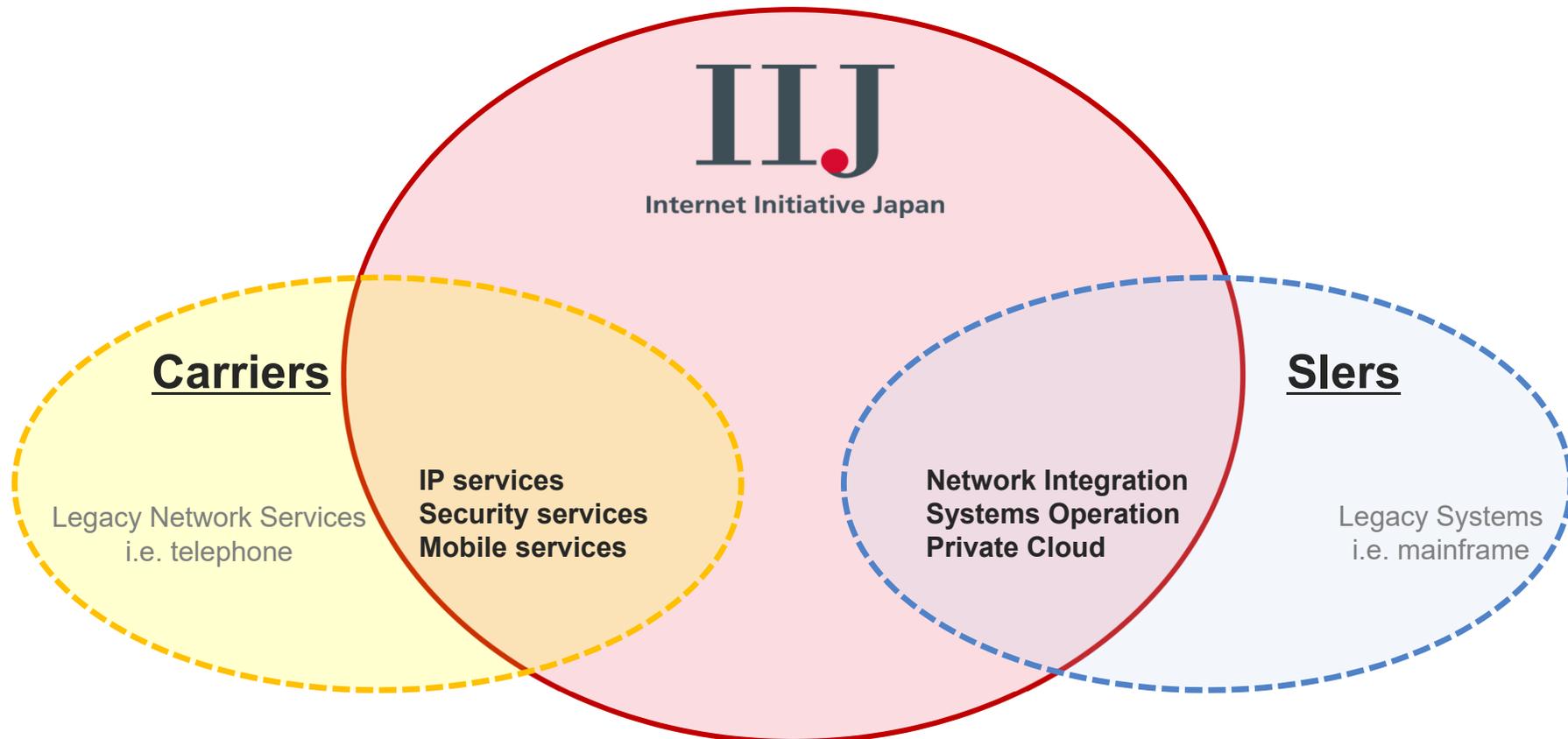
About IIJ	Business Model
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Against Carriers:

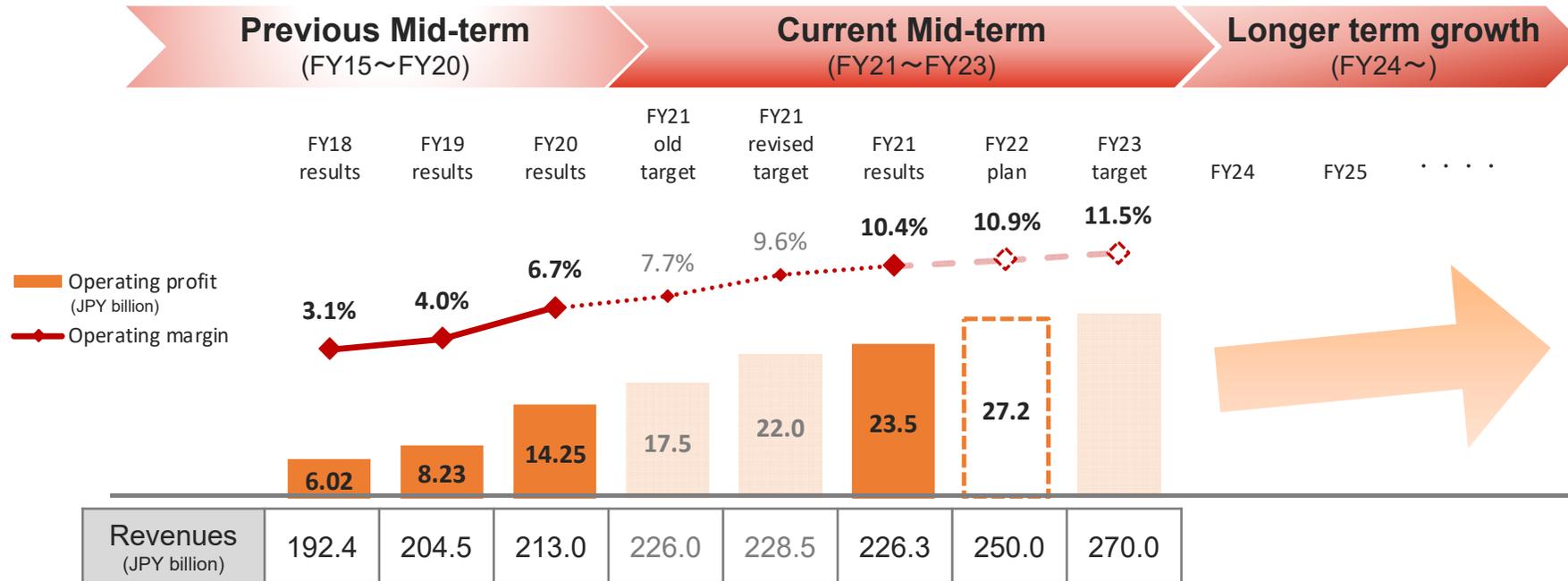
- Highly skilled IP (Internet Protocol) engineers
- Faster to move than bureaucratic organizations
- Focuses on blue-chip companies' IT needs with SI

Against Systems Integrators (Slers):

- Operates one of the largest Internet backbone
- Network service development capability
- Focuses on Internet-related open type systems



Mid-term Plan (FY21-FY23)



Key Points of the Mid-term Plan

- ◆ Develop services & solution continuously: enterprise Cloud, business Cloud, partner, industry specific Cloud
- ◆ **Execute & strengthen the current strategy. target to improve operating margin**
- ◆ Market capital to largely increase: further business expansion for long-term including M&A opportunities
- ◆ Contribute to sustainable Network society from technology innovation and NW operation perspective

FY23 Operating Margin Target



Growth Strategy Going Forward

Growth Drivers: Various IT usages in Japan to increase

Office IT usage

Hybrid workstyle, Web meetings, SaaS etc.

Security

As Internet becomes a critical infrastructure

Management of IT system

As enterprise systems become more complicated

Business IT usage

Integrating Internet to BtoC/BtoB businesses etc.

Cloud shift & SI

As enterprise systems become more network-based

Advanced IoT

Growing interests in automation & higher productivity etc.

And more

Growth Strategies: Enhancement of the current growth strategies

Network

- ◆ Continuously enhance enterprise NW service offerings by developing new services & functions
- ◆ Continuously execute cross-selling strategy to increase blue-chip clients' loyalty and maintain low churn rate
- ◆ Capture growing needs to outsource enterprise IT department function with the comprehensive service lineups

Systems

- ◆ Greater opportunity to leverage the business model of having Network & SI with Cloud shift, advanced IoT etc.
- ◆ Target Cloud migration of large enterprise internal systems, currently on-premise and managed by legacy SIers
- ◆ Seek M&A opportunities to secure resources including engineers

Profitability Improvement

- ◆ Enterprise NW: accumulate enterprise NW services revenues which have an economy of scale
- ◆ Mobile: achieve higher mobile infrastructure utilization by mainly gathering more enterprise IoT traffic
- ◆ SI: accumulate more operation and maintenance revenue which is higher margin than construction

New Businesses

- ◆ Leveraging accumulated assets including close client relationship to engage in FinTech (DeCurret), Contents Delivery Network (JOCDN) and other markets that are expected to expand

Business Details

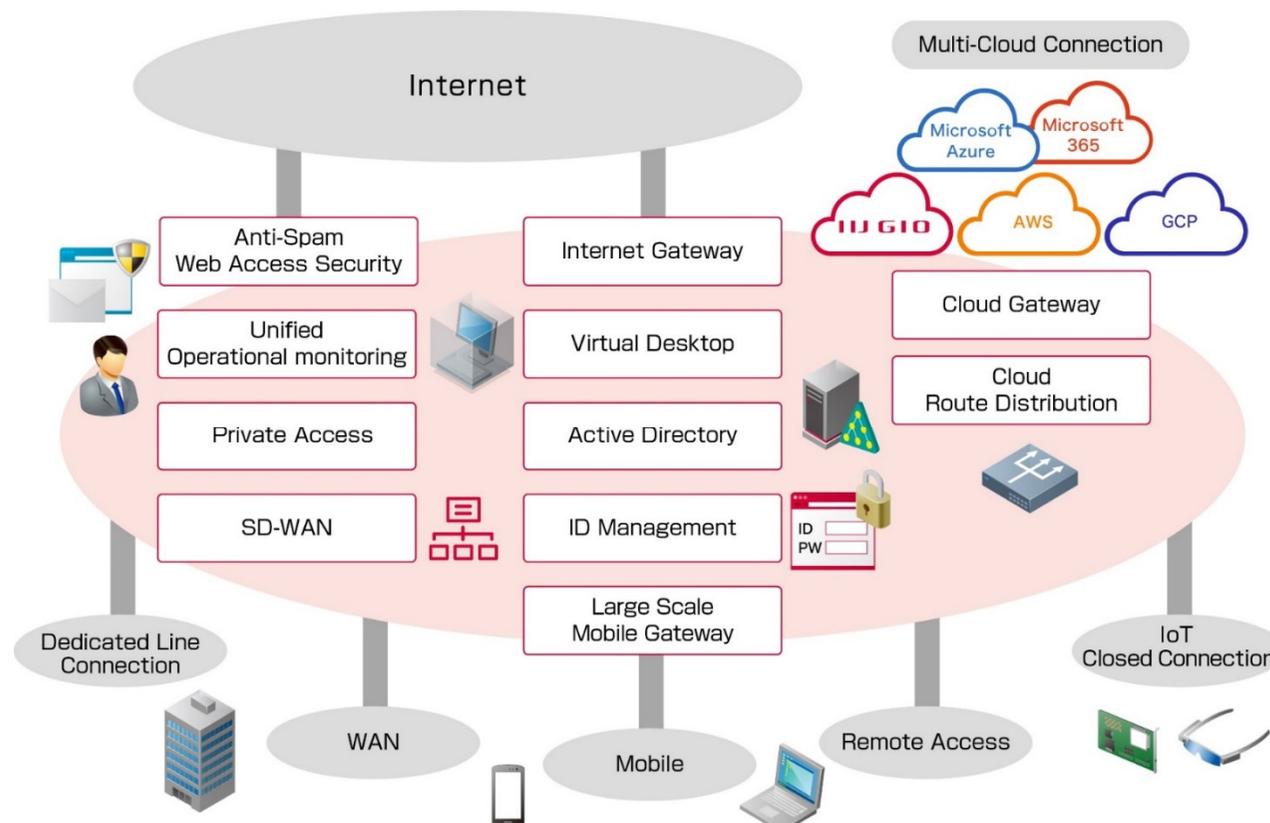
1. Enterprise Network Services P. 17 – 18
2. Cloud Business P. 19 – 21
3. Security Business P. 22 – 23
4. Mobile Business P. 24 – 28
5. IoT Business P. 29 – 31

Enterprise Network Services (1)

- Continuously developing and operating various network services to promote further IT utilization and advancement by Japanese enterprises and public sector
- 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

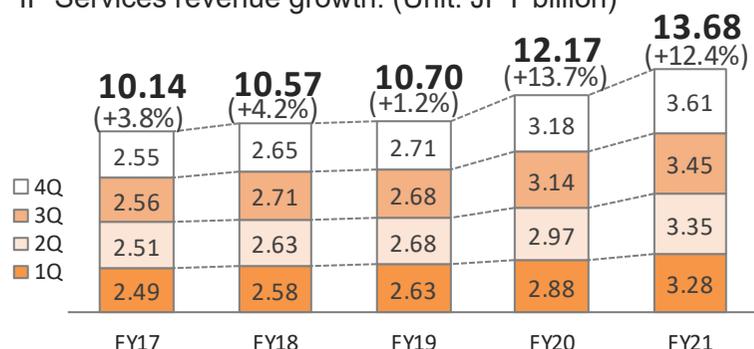


Enterprise Network Services (2)

**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

- 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 (below bar chart, unit: JPY billion) is 100% recognized in Internet connectivity services (Enterprise)
 - IP Services revenue growth: (Unit: JPY billion)



- Very low churn rate. Minimum contract period is 1 year.
 - Contracts are renewed every year, generally speaking
- 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

◆ 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

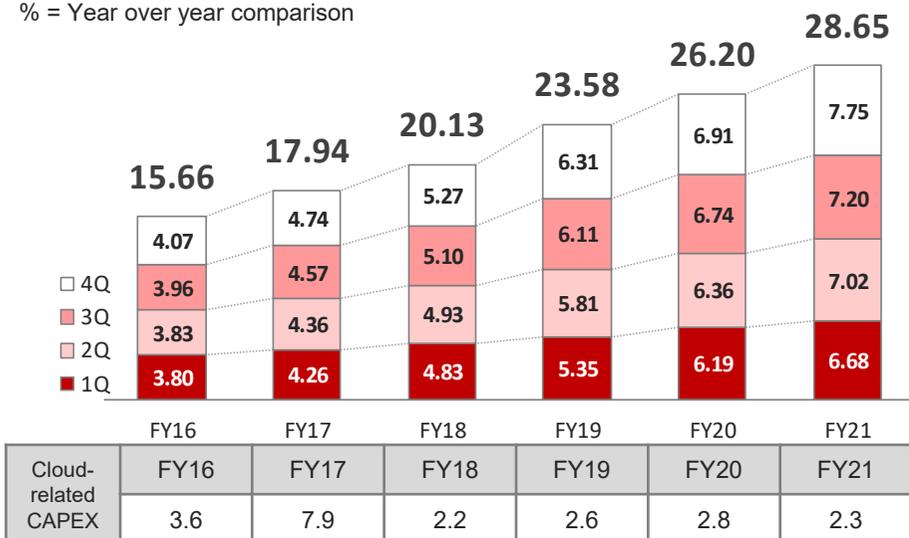
- Enterprise network service revenues especially IP services and Outsourcing services continue to increase while their costs remain relatively stable.
- By that, IIJ can enjoy economy of scale with strong revenue accumulation which leads to profit expansion.
- In other words, the costs for enterprise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

Cloud Business (1)

- Cloud shift of Japanese enterprises' large internal core systems just began
- With Cloud services, IIJ can approach IT system areas that have traditionally been covered by legacy SIs

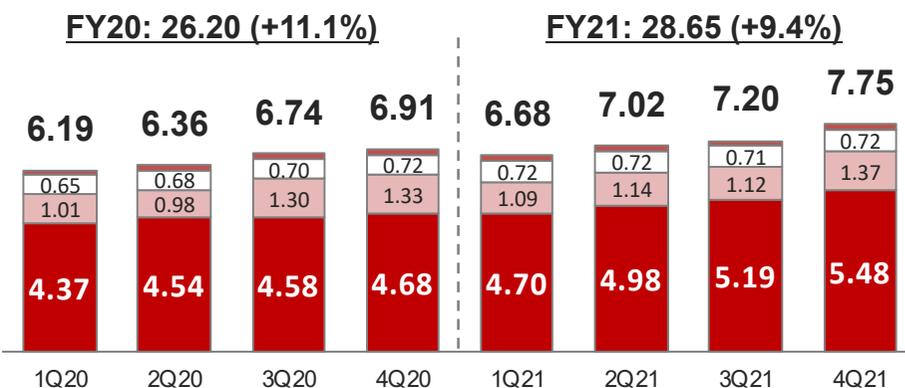
IIJ's Cloud Revenue (recurring)

Unit: JPY billion
% = Year over year comparison



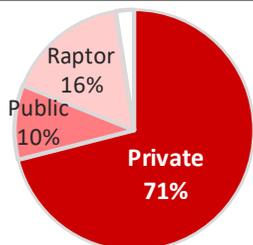
• FY17 Cloud-related CAPEX includes 3.0 billion of Cloud-related CAPEX that was originally planned for in FY18

Revenue
■ Private cloud ■ Raptor ■ Public cloud ■ Overseas etc.



- 4Q21 revenue recognition
 90% Systems operation and maintenance (mainly private cloud which includes multi-cloud)
 10% Outsourcing service (mainly public cloud)

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 FY21 IIJ's results

Cloud Business (2)

- **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-chip companies' 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-chip companies who have large and complex existing 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

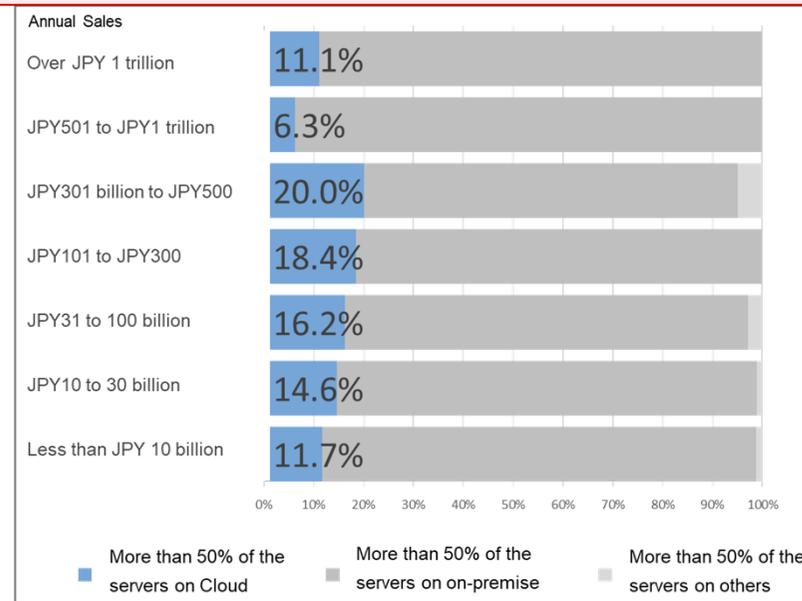
- ◆ **Revenue**
 - Revenue is to increase along with an increase in Cloud clients and each system volume
 - System volume depends on a number of cloud servers, volume of storage etc.
- ◆ **Cost**
 - Depreciation and amortization cost for servers and other network equipment, outsourcing cost and personnel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

Cloud Business (3)

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
 - Position of CIO is not high or respected as much as other C class executives
 - 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 IJ Cloud (3,500 servers, 2PB storage) etc.

**Still so many assets on on-premise:
Only 20% of the surveyed clients had shifted more than 50%
of the servers to Cloud**



Source: "Nationwide report on IT department 2021" published by IJ in July 2021 (n=737)

Recent Cloud Business Trend

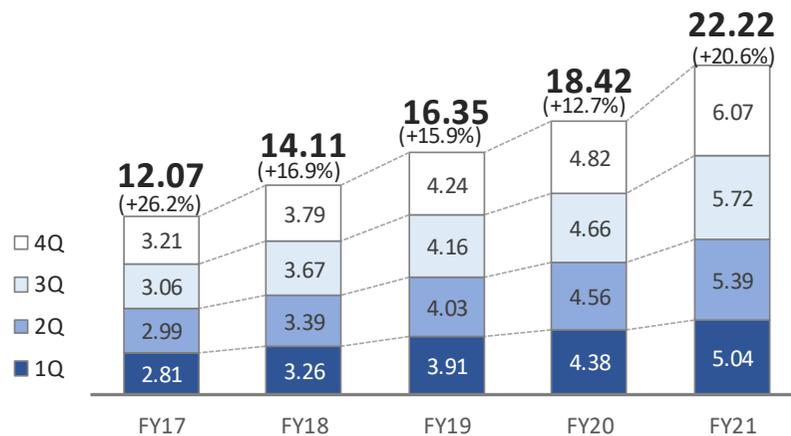
- **IJ's private cloud revenue grew as demands for multi-cloud continued**
 - Multi-cloud demands are generating demands for "IJ Cloud Exchange Services" (revenue recognized in Network Services) which provide private connectivity to third vendor Cloud services such as AWS (Amazon), Microsoft, and Google
 - "IJ GIO Infrastructure P2 Gen.2," which was launched in Oct. 2021 to promote full-scale cloud shift of enterprise systems, is accumulating orders
- **Raptor, SaaS type Foreign Exchange (FX) trading platform launched in Oct. 2008, revenue fluctuates depending on trading volume of FX**
 - Added CFD (Contract for Difference) to its service line-up from Jan. 2022

Security Business (1)

- Continuously developing new services and expanding service functions
- Japanese enterprises used to see security measures as cost, but now they understand them as great necessity

IIJ's security service revenue (recurring)

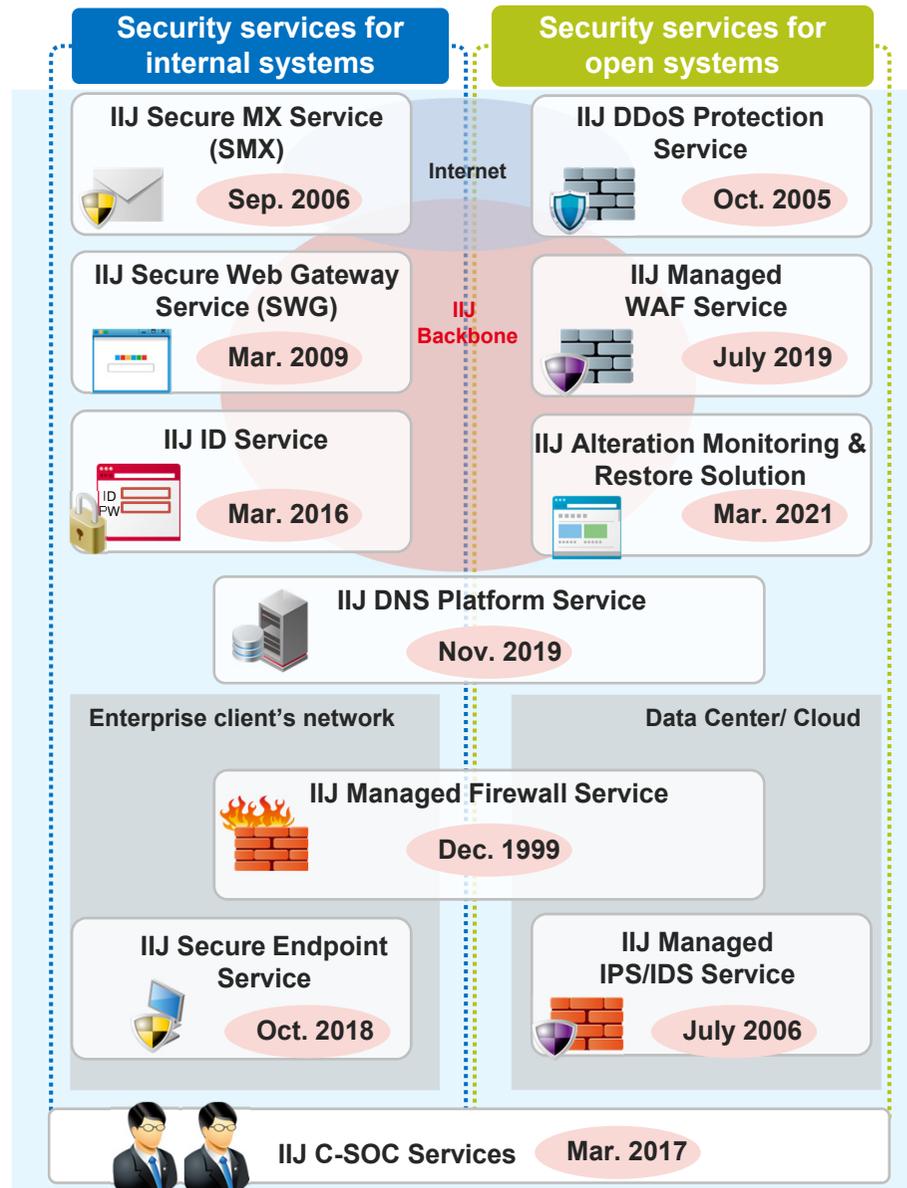
Unit: JPY billion
% = Year over year comparison



Total security revenue (services + SI)	FY17	FY18	FY19	FY20	FY21
	14.62	16.77	19.18	21.47	25.44

- Security service revenue (recurring) is 100% recognized in Outsourcing services
- Security services is a general term for individual security service such as mail security, firewall, Web filtering, DDoS protection, SOC service, Endpoint (EDR) and SASE
- SASE (Secure Access Service Edge) is a concept to shift controls of network and security on the route to Cloud services to enable secure access from any points, instead of the conventional centralized management through headquarters or data centers

Various & Multi-layer service lineups developed in house

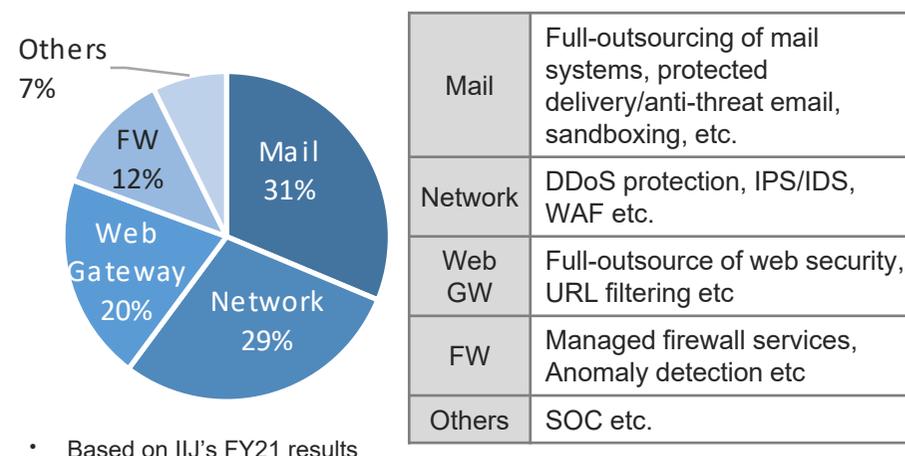


Security Business (2)

Strong & various demands continuing

- Conventional Security services such as SMX and SWG continued to accumulate orders
- IIJ C-SOC Service is accumulating orders since its service launch and growing its revenue
 - Differentiating by leveraging comprehensiveness as ISP and intelligence unique to IIJ etc.
- SASE revenue growing by accumulating network projects with “Global SASE with IIJ Omnibus Prisma,” launched in Dec. 2020 & “Global Web Security Zscaler ZIA,” launched in Mar. 2019
- Opened “IIJ Security Training School” in Jan. 2022 as a new area of Security business
- Total security business volume (Service + SI)
 - FY21: ¥25.44 billion (+18.5%)
 - Meet security needs that are not offered by our services through SI
- SASE (Secure Access Service Edge) is a concept to shift controls of network and security on the route to Cloud services to enable secure access from any points, instead of the conventional centralized management through headquarters or data centers.

Breakdown of IIJ’s security service revenue



IIJ’s Competitive advantage of having them all

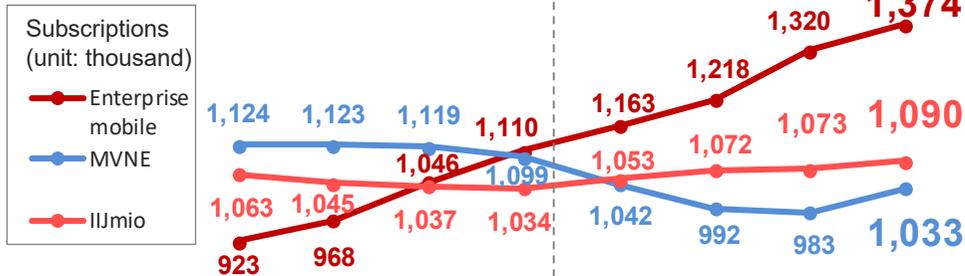
	IIJ	Security vendors	System integrators
Network	✓	none	none
Analysis platform	✓	somewhat	somewhat
Operation and monitoring facility	✓	✓	✓
System integration	✓	none	✓

Mobile Business (1)

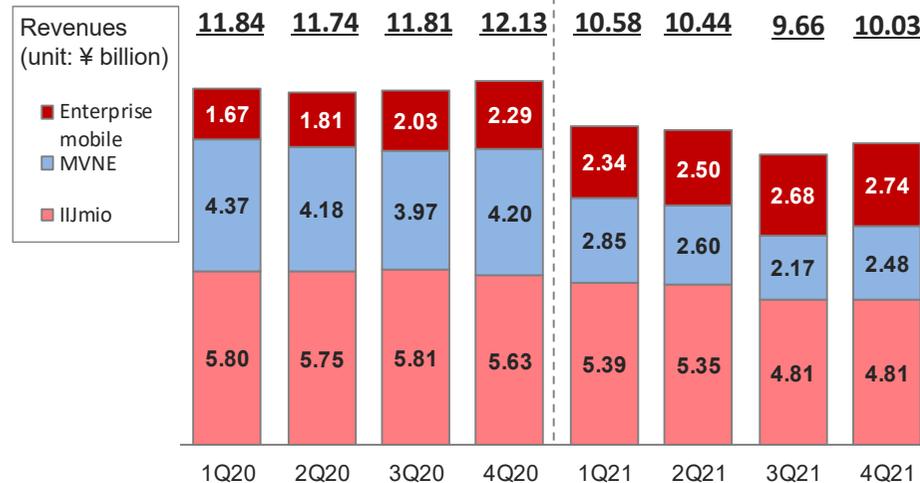
Unit: ¥ (JPY) billion (bn)
 %, YoY = Year over year comparison
 QoQ = Quarter over quarter comparison

**Business
 Details**

Subscription (Subs.)



Revenue



	FY20	FY21
Enterprise	7.81 (+29.6%)	10.26 (+31.4%)
MVNE	16.72 (+0.9%)	10.09 (-39.6%)
IJmio	23.00 (-2.1%)	20.37 (-11.4%)
Total	47.52 (+3.1%)	40.72 (-14.3%)

◆ Enterprise mobile (deducting MVNE from IJ Mobile)

- FY21 revenue: ¥10.26 bn (+¥2.45 bn YoY)
- 4Q21-end subs.: 1,374 thousand (+54 thousand QoQ)
 - Growing by additional orders from the existing projects & continuously receiving new projects
 - Differentiate with Multi carriers, SoftSIM and other various forms of SIM
 - Various usage: payment (vending machines etc.), marketing cameras, surveillance cameras (attached to helmets etc.), dashboard cameras, backup for WAN, GPS trackers (for kids safety etc.), remote control (close/open door keys etc.) remote work and many more

◆ MVNE (providing mobile services to other MVNOs)

- FY21 revenue: ¥10.09 bn (-¥6.62 bn YoY)
 - Impacted by the decrease in purchasing unit charge and a large MVNE client switching to another operator due to M&A
- 4Q21-end subs.: 1,033 thousand (+50 thousand QoQ)
- 4Q21-end MVNE clients: 170 clients (+11 clients YoY)
 - Cable TV operators (91 operators), prominent retailer etc.

◆ IJmio (consumer)

- FY21 revenue: ¥20.37 bn (-¥2.63 bn YoY)
- 4Q21-end subs.: 1,090 thousand (+17 thousand QoQ)

FY22 Outlook: total mobile revenue to decrease by ¥0.5 bn

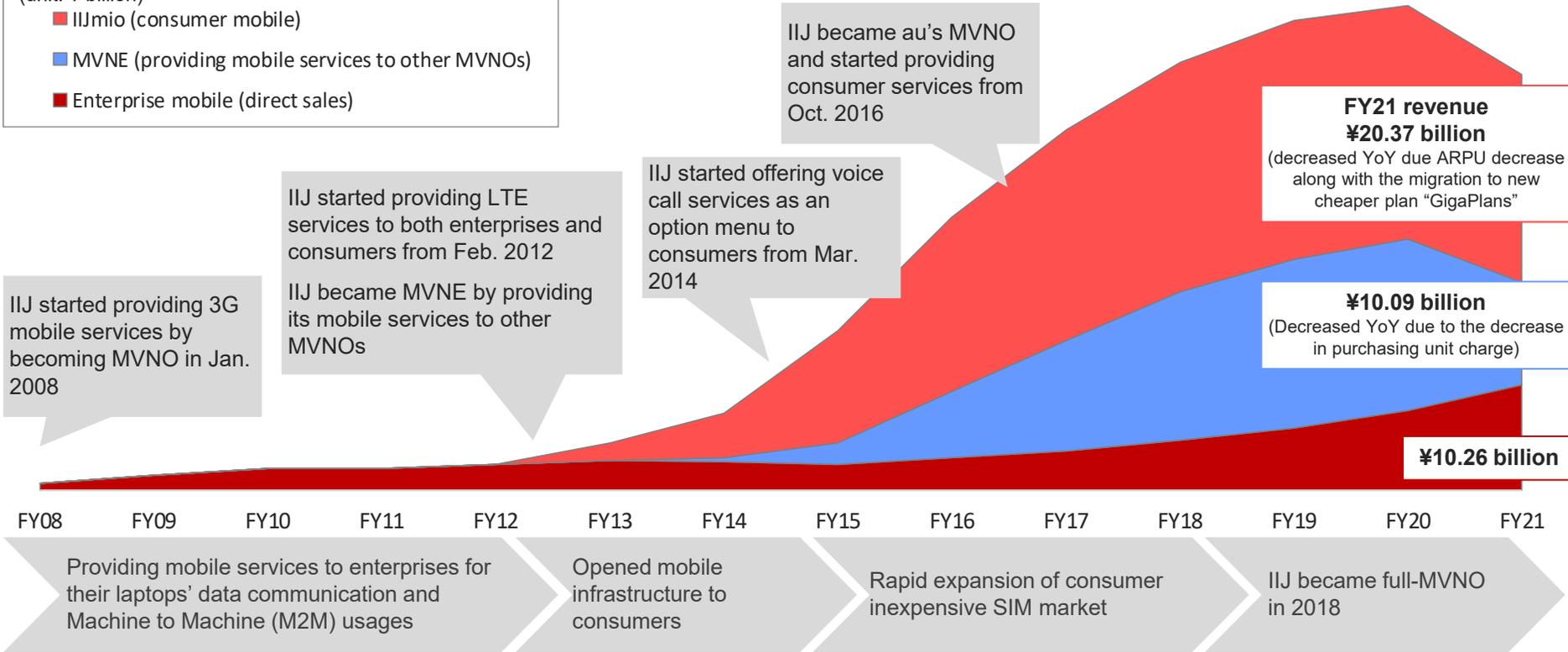
- ◆ Enterprise: revenue & subs. to continuously & largely increase along with continuous accumulation of IoT projects
- ◆ MVNE: Revenue per unit to decrease along with decrease in purchasing costs. The certain client's migration impact to continue
- ◆ IJmio: Aim for larger than FY21 net addition subs. (56 thousand)

Mobile Business (2)

Business Details

Revenues
(unit: ¥ billion)

- IJmio (consumer mobile)
- MVNE (providing mobile services to other MVNOs)
- Enterprise mobile (direct sales)



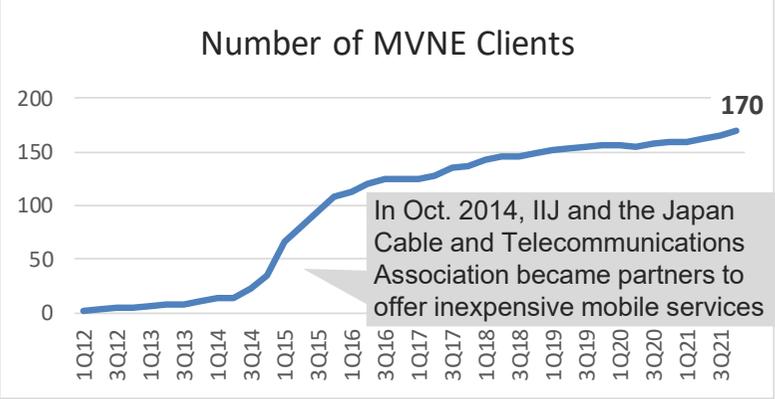
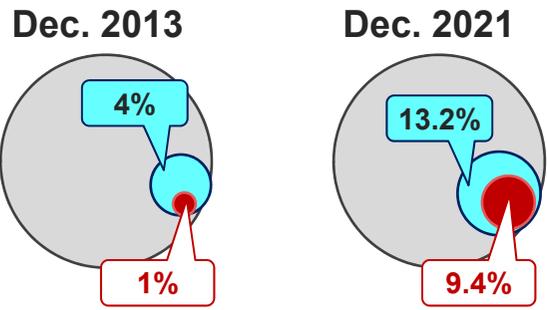
Consumer inexpensive SIM market

■ Total mobile subscription in Japan (around 100 million)

■ MVNO subscription

■ SIM subscription

Data is based on the reports by the Ministry of Internal Affairs and Communications who publishes mobile subscription quarterly

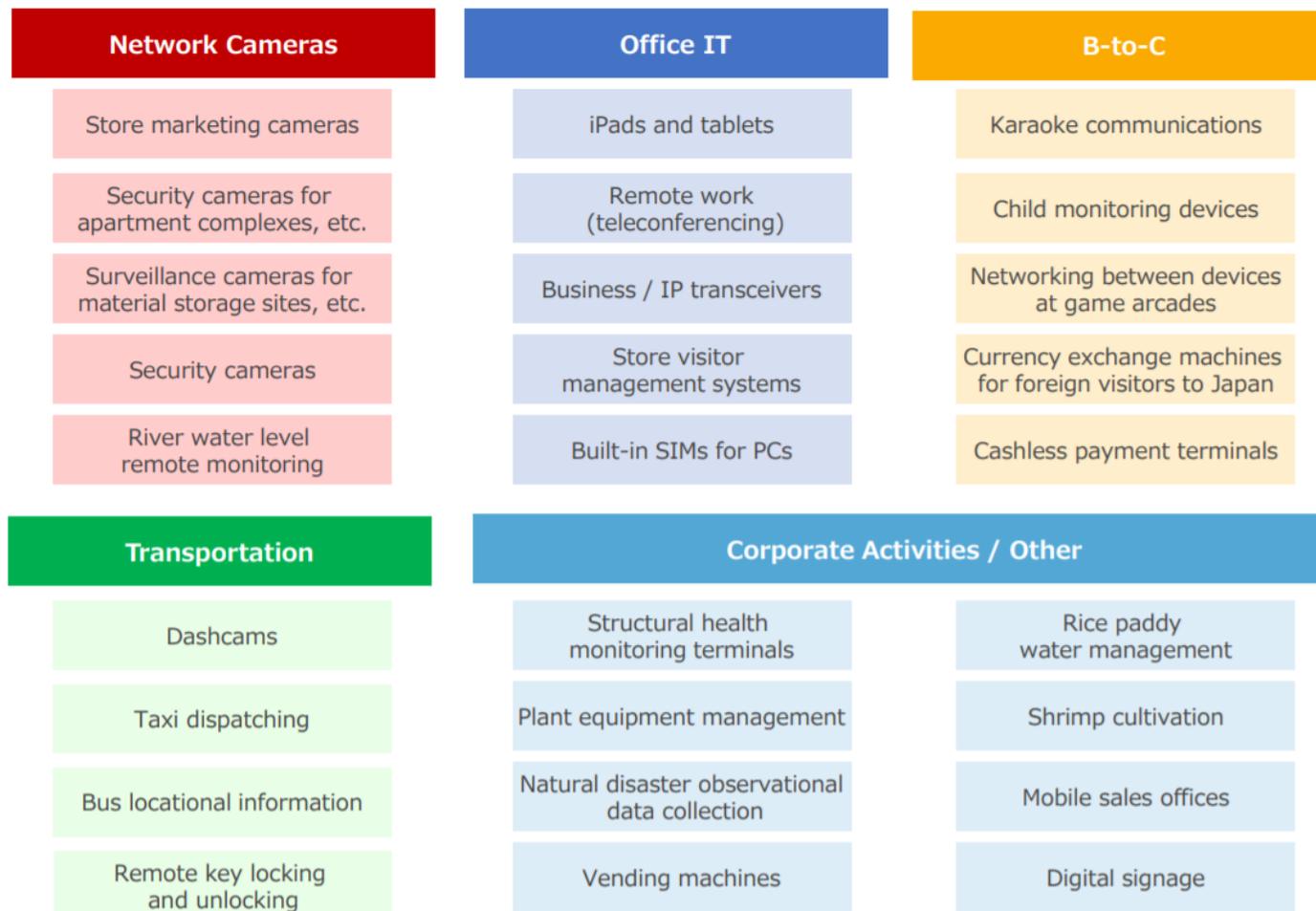


Mobile Business (3)

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

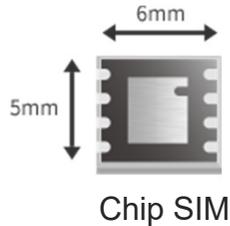
- Seeing some advanced usage such as Factory IoT for Toyota Motor Hokkaido
Details of the case can be found here: <https://www.ij.ad.jp/en/news/pressrelease/2020/0803.html>

Accumulating various enterprise mobile solutions



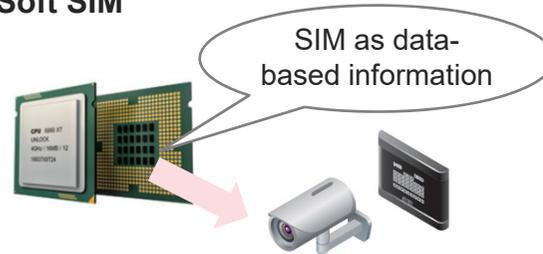
New forms of SIMs

◆ 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

Recent enterprise mobile case studies

- Strong demands for remote monitoring using network cameras. Also seeing demands for remote management demand to realize automation and man power reduction

Various network camera connection projects

- Retail marketing
- Facility remote maintenance
- Motion detector
- Reception system
- River monitoring
- Trains & high ways monitoring
- Dashboard recorder
- etc.

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 (5)

Launched new consumer mobile plan (Apr. 2021)

- New consumer mobile plan “GigaPlans” subscription (Old plan’s users migration started from May 1)

	1Q21-end	2Q21-end	3Q21-end	4Q21-end
GigaPlan’s subscription (approx., unit; thousand)	462	566	607	667
Of which new users (approx.)	17%	30%	34%	38%

- Please refer to P. 57 of this presentation for more detail on the mobile unit charge
- Please refer to P. 58 of this presentation for a table comparing old and new consumer mobile plans

Mobile infrastructure utilization

- Currently, IJ is increasing mobile infrastructure to meet the peak of consumer traffic which is concentrated around commuting hours and lunch time.
 - Mobile infrastructure utilization of other hours is low
- By gathering various type of mobile traffics such as enterprise IoT traffic which is not concentrated at certain hours, we could aim for higher mobile infrastructure utilization

IJ’s Sale Channel for Consumers

1. **Direct sales** through IJ’s website
2. **Sales partners** such as BicCamera
 - IJ pays sales commission expenses to sales partners
3. **MVNE “IJ Mobile Platform Service”**
 - IJ provides mobile services to other MVNOs
 - As of March 31, 2022, IJ had 170 MVNE clients
 - ✓ Largest MVNE client is one of the largest Japanese retailers
 - ✓ 91 out of 170 MVNE clients are Japanese cable TV operators who already have direct relationship with consumers

MVNO Penetration in Japan

- Consumer MVNO share as of Sep. 2021 *1
 - IJ 18.2%
 - NTT Communications (brand name: OCN mobile) 13.5%
 - OPTAGE (brand name: mineo) 9.6%
 - Biglobe 6.6%
 - Rakuten Mobile 6.4%

MVNO share in other countries *2

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%

*1 Published by the MM Research

*2 “MVNO Market Maintains Upward Trajectory” by Pete Bell in Apr. 2019
<https://blog.telegeography.com/mvno-market-maintains-upward-trajectory>

Mobile Business (6)

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

Business model of IJJ's Mobile Business

◆ Revenue

- IJmio (consumer mobile) revenue is calculated by multiplying subscription by ARPU (Average Revenue Per User)
 - Headsets sales are also recognized as consumer revenue. IJJ 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 IJJ'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 network 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

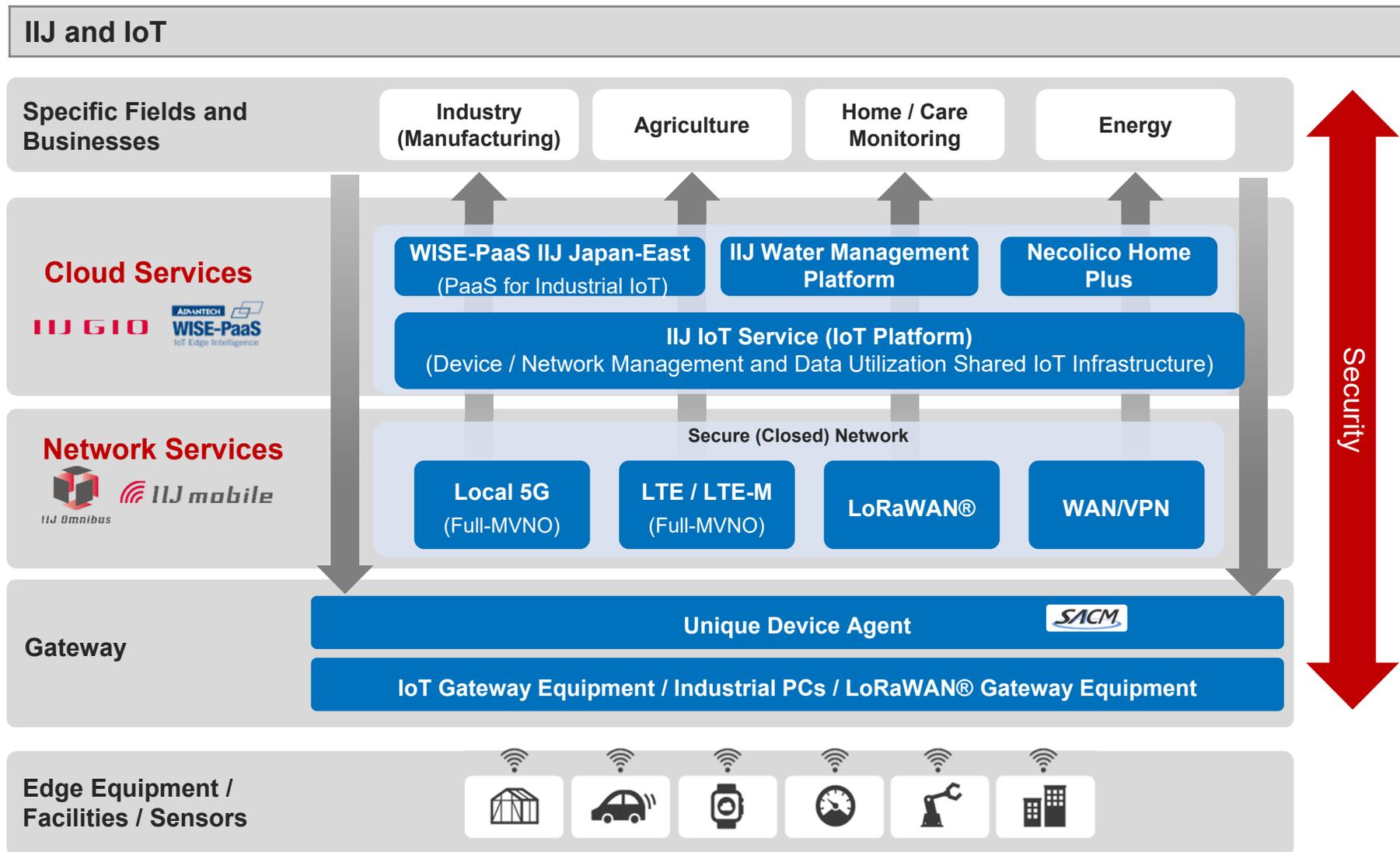
- Profitability to increase by improving infrastructure utilization through gathering various consumer & enterprise traffic
 - Traffic patterns of consumers and enterprises are different
 - ✓ Consumers' peak time is commuting hours and lunch break. Other than these hours, our consumers tend to access 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)

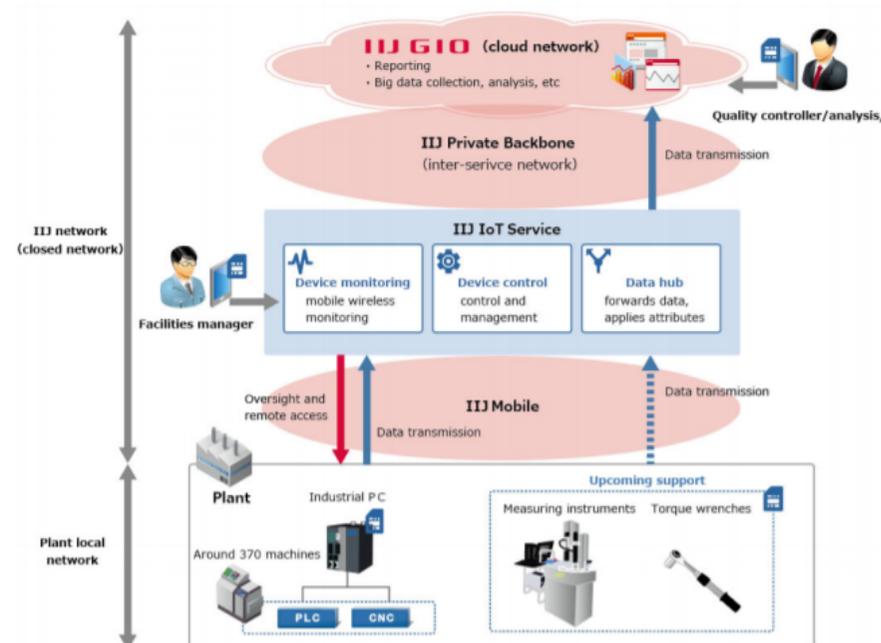
IoT projects	
Industrial machinery manufacturers	Shift from reactive post-sales maintenance model to proactive field services (making predictions based on data)
Car accessory manufacturers	Expansion of service businesses by acquiring data through the networking of products and establishing software technology 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

◆ IIJ 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.

System image



Consolidated Financial Results for FY21

(April 1, 2021 to March 31, 2022)

Announced on May 13, 2022

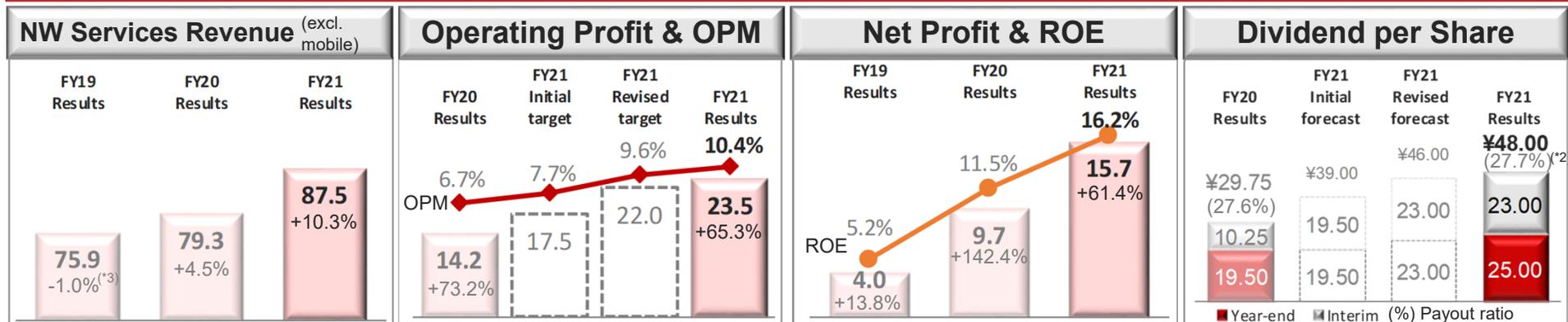
Summary of FY21

Unit: ¥ (JPY) billion (bn)
 +/- %, YoY = Year over year comparison
 Net Profit is "Profit for the period attributable to owners of the parent"

Financials

Revenues ¥226.3 bn, +6.3% Operating Profit ¥23.5 bn, +65.3% Net Profit ¥15.7 bn, +61.4%

**Started the Mid-term Plan with the first year's profit largely exceeding the initial target
 Structural profit expansion continued with our scale-merited enterprise recurring revenue^(*) growth
 Increased dividend along with the profit growth (FY21 adjusted payout ratio: around 30%^(*))**



Network Services (excl. Mobile)

- In-house developed highly value-added enterprise network (NW) services continued to grow by increasing digitalization demands
 - IP: ¥13.68 bn, +12.4%, Outsourcing: ¥40.52 bn, +13.5%, WAN: ¥26.40 bn, +5.4%, Security (part of Outsourcing) ¥22.22 bn, +20.6%

Mobile

- Total Mobile subscription as of Mar. 31, 2022: 3,508 thousand (of which, GigaPlans: 667 thousand)
 - Enterprise (excluding MVNE) largely grew by accumulating various NW camera projects etc.
Revenue: ¥10.26 bn, +31.4%, Subscription: 1,374 thousand, +23.7%
 - Consumer & MVNE revenues decreased as planned due to ARPU decrease for consumers & change in unit charge for MVNE clients at the beginning of FY21 (Total mobile revenue decrease: Plan: ¥7.0 bn, Result: ¥6.81bn)

SI

- Received orders of several large scale integrated NW replacement projects. Favorable demands for NW integration such as Office IT
- Financial impacts from PTC (consolidated from Apr. 1, 2021): Revenues ¥6.89 bn (Plan: ¥8.5 bn) Operating profit ¥0.31 bn (Plan: ¥0.4 bn)

Topics

- ◆ "IIJ GIO Infrastructure P2 Gen.2" was launched in Oct. 2021 to promote full-scale Cloud shift of enterprise systems
- ◆ "IIJ GIO Infrastructure P2" was registered on ISMAP, Japanese government's Cloud service list (Dec. 2021)
- ◆ Construct 2nd site of Shiroy DC to absorb growing facility demands through FY2027 by gradually operating from July 2023
- ◆ DeCurret HLD, an equity method investee, divested its crypto asset exchange business to focus on digital currency business. (Feb. 2022), enhanced management

(*)1 Enterprise recurring revenue: Sum of Network services (excluding Mobile) and Systems operation and maintenance revenues

(*)2 FY21 adjusted payout ratio is around 30%, which is calculated by deducting temporary and non-cash transaction such as valuation gain on funds & impairment losses

(*)3 FY19 NW Services Revenue (excluding mobile) includes certain large clients' WAN revenue which decreased by ¥4.4 bn YoY

Consolidated Financial Results

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

Financials

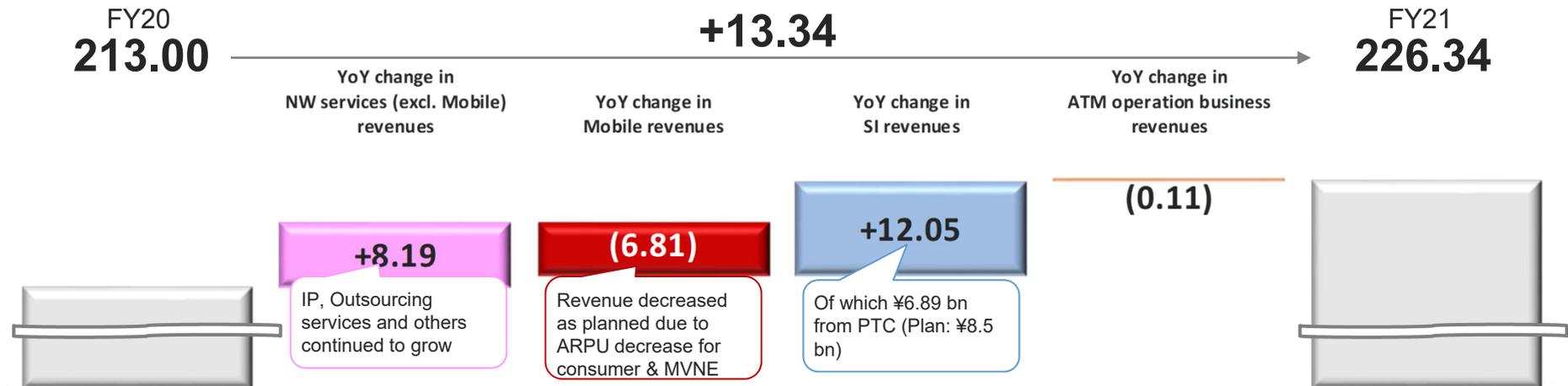
	% of revenue		YoY		% of revenue		
	FY2021 Results Apr. 2021 - Mar. 2022	FY2020 Results Apr. 2020 - Mar. 2021			FY2021 Targets (Revised in Nov. 2021) Apr. 2021 - Mar. 2022	YoY	
Revenues	226.34	213.00	+6.3%	+13.33	228.5	+7.3%	+15.50
Cost of Revenues	77.2% 174.71	81.1% 172.72	+1.2%	+1.99	78.2% 178.7	+3.5%	+5.98
Gross Profit	22.8% 51.63	18.9% 40.28	+28.2%	+11.35	21.8% 49.8	+23.6%	+9.52
SG&A etc.	12.4% 28.08	12.2% 26.03	+7.9%	+2.05	12.2% 27.8	+6.8%	+1.77
Operating Profit	10.4% 23.55	6.7% 14.25	+65.3%	+9.30	9.6% 22.0	+54.4%	+7.75
Profit before tax	10.7% 24.16	6.6% 14.03	+72.2%	+10.13	9.4% 21.5	+53.2%	+7.47
Net Profit	6.9% 15.67	4.6% 9.71	+61.4%	+5.96	6.0% 13.7	+41.1%	+3.99

- SG&A etc. represents the sum of SG&A, which includes R&D expenses, and other income/expenses
- Net profit is "Profit for the period/year attributable to owners of the parent"

Year over Year Analysis

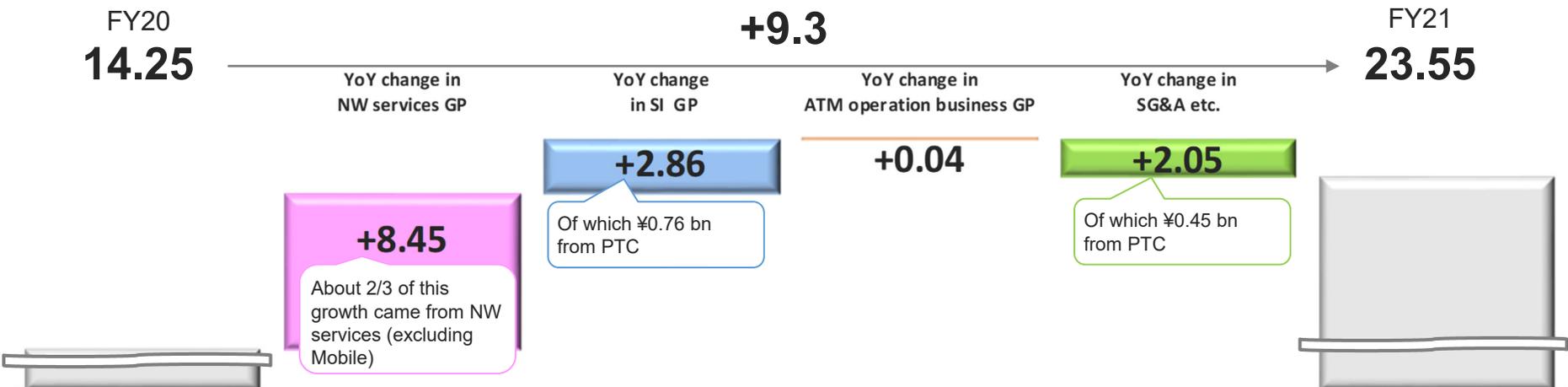
Unit: ¥ (JPY) billion (bn)
 GP = Gross Profit
 YoY = Year over year comparison

Revenues



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

Operating Profit

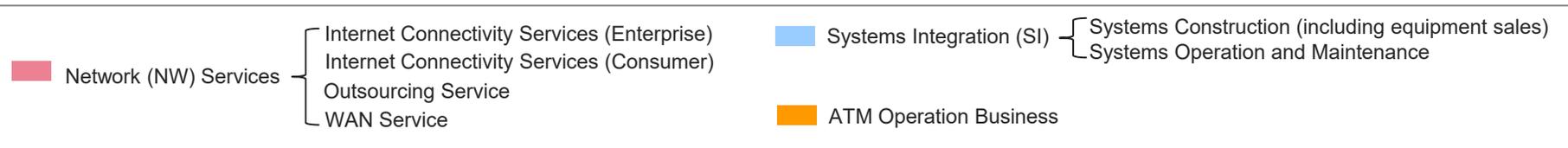


- SG&A etc. in this slide represents the sum of SG&A, which includes R&D expenses, and other income/expenses

Revenues

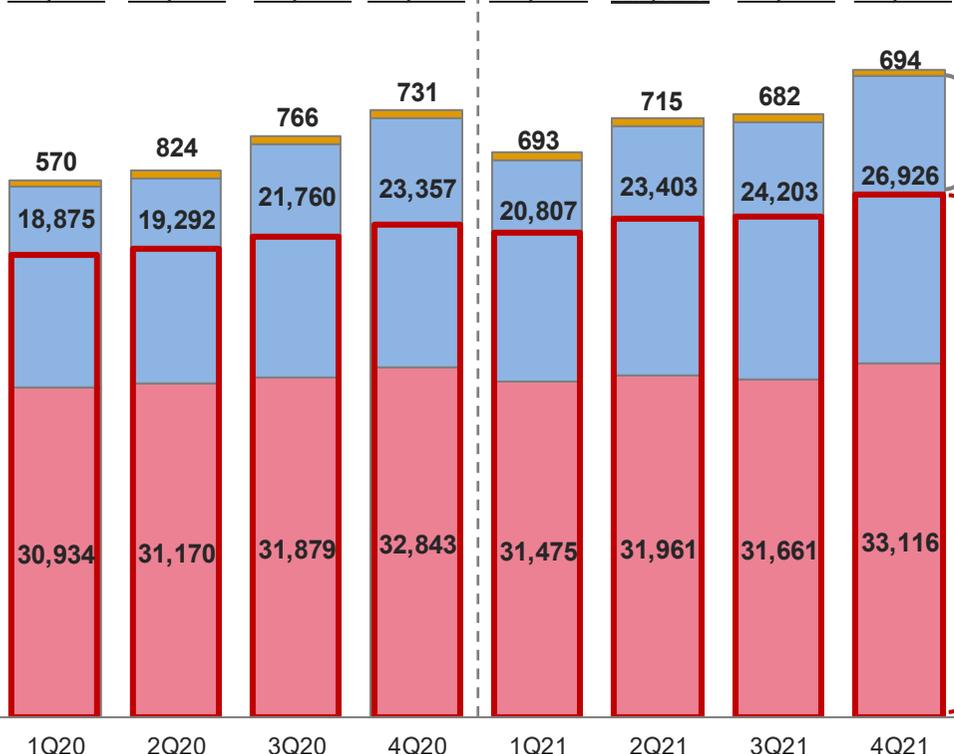
Unit: ¥ (JPY) million
[], YoY = Year over year comparison

Financials



FY20: 213,002 [+4.2%] **FY21: 226,335 [+6.3%]**

50,379 51,286 54,405 56,932 52,975 56,079 56,546 60,736



One-time revenue
 FY21: ¥35.38 billion, +11.4%YoY
 of which ¥4.73 billion from PTC
 (15.6% of FY21 total revenues)

Recurring revenue
 FY21: ¥188.17 billion, +5.5%YoY
 of which ¥2.16 billion from PTC
 (83.1% of FY21 total revenues)

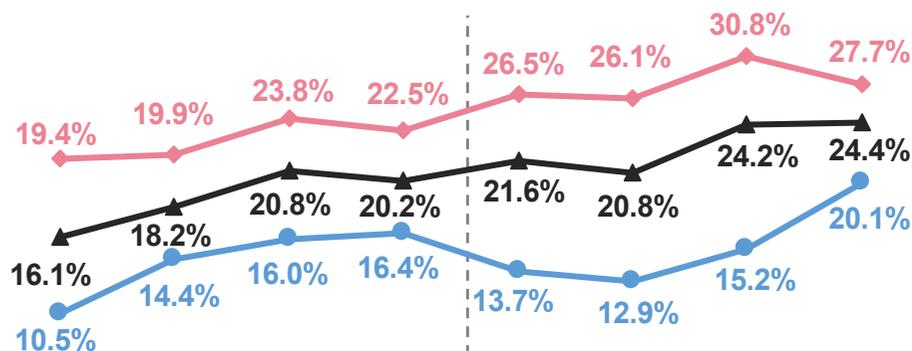
NW Services revenue (excluding Mobile)
 FY21: ¥87.50 billion (+10.3%YoY, +¥8.19 billion)
 (38.7% of FY21 total revenues)

Mobile Services revenue
 FY21: ¥40.72 billion (-14.3%YoY, -¥6.81 billion)
 (18.0% of FY21 total revenues)

- One-time revenue, systems construction revenues which include equipment sales, is mainly recognized when systems and/or equipment are delivered and accepted by customers
- Recurring revenue represents the following monthly recurring revenues: Internet Connectivity Services (Enterprise), Internet Connectivity Services (Consumer), Outsourcing Services, WAN Services, and Systems Operation and Maintenance
- Mobile services revenues include IJ Mobile Services (including MVNE) and IJmio (consumer mobile)
- ARPU is an abbreviation for Average Revenue Per User

Cost of Revenues & Gross Profit Ratio

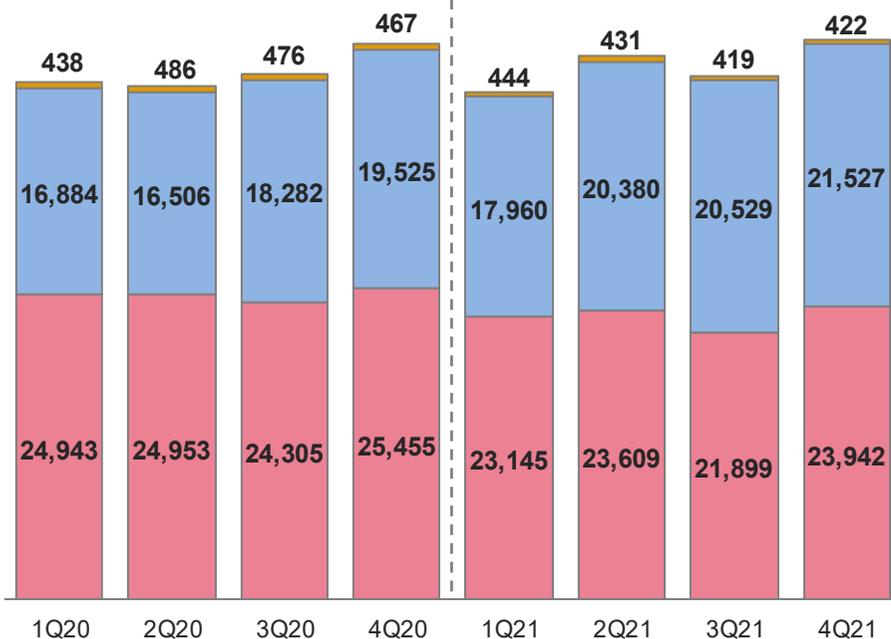
Unit: ¥ (JPY) million
[], YoY = Year over year comparison



FY20: 172,720 [+0.5%]

FY21: 174,707 [+1.2%]

42,265 41,945 43,063 45,446 41,548 44,420 42,847 45,891



◆ Total gross profit

- FY21: ¥51.63 billion (+28.2%, +¥11.35 billion YoY)
- FY21 gross profit ratio: 22.8% (FY20: 18.9%)

◆ Gross profit for NW services

- FY21: ¥35.62 billion (+31.1%, +¥8.45 billion YoY)
- FY21 gross profit ratio: 27.8% (FY20: 21.4%)
 - Gross profit increased by the increase in enterprise network services revenues, such as IP and Security
 - In 3Q21, we had onetime profit contribution of approximately ¥1.08 billion as FY20 Docomo's mobile interconnectivity (unit charge) was fixed
 - ✓ For FY20, we recorded the following temporary cost reimbursement: 3Q ¥0.70 billion, 4Q: ¥0.39 billion

◆ Gross profit for SI

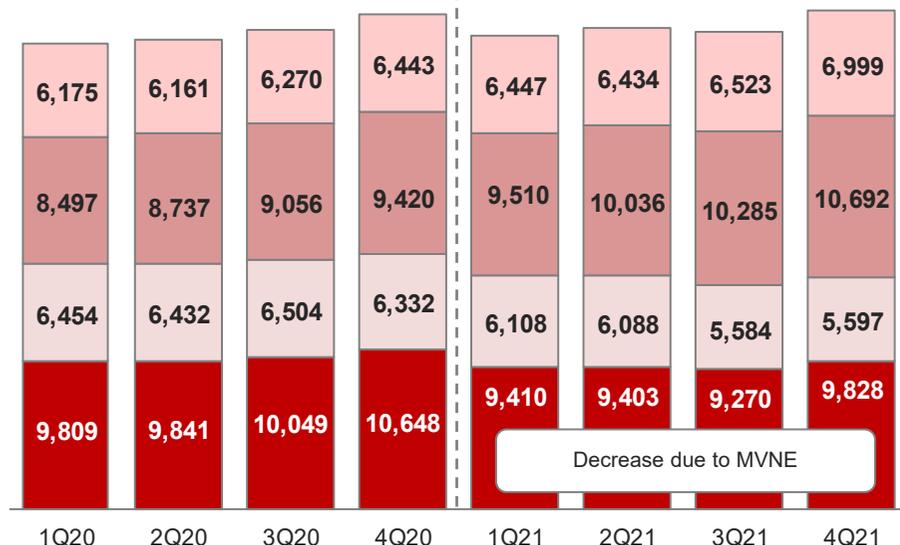
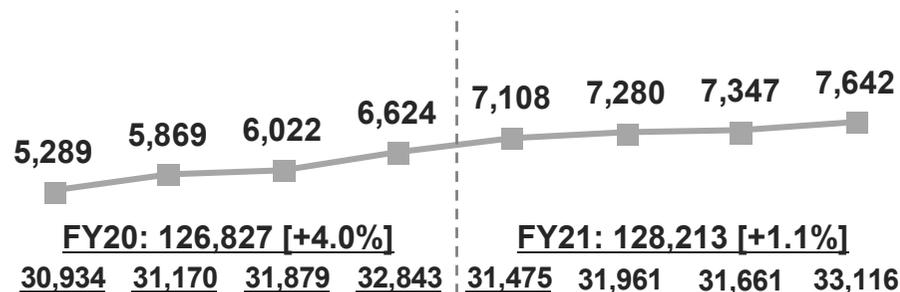
- FY21: ¥14.94 billion (+23.6%, +¥2.86 billion YoY)
- FY21 gross profit ratio: 15.7% (FY20: 14.5%)
 - 4Q21 gross profit ratio increased mainly due to a large systems construction revenue, which is a seasonal factor, and a small purchasing cost portion

Network Services (1) Revenues

Unit: ¥ (JPY) million

[], YoY = Year over year comparison

QoQ = Quarter over quarter comparison



- Total contracted bandwidth is calculated by multiplying number of contracts by contracted bandwidths for IP service and broadband services respectively 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

➢ FY21: ¥37.91 billion, -6.0% YoY

Of which, IP (Dedicated connectivity for enterprises) FY21 revenue: ¥13.68 billion								
	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
YoY	+9.4%	+10.8%	+17.2%	+17.5%	+13.7%	+12.8%	+9.8%	+13.5%
QoQ	+6.4%	+3.0%	+5.7%	+1.4%	+2.9%	+2.2%	+3.0%	+4.8%

• Of which, IJ Mobile (enterprise): ¥20.35 billion, -17.0% YoY

Of which, enterprise mobile (IoT usages) FY21 revenue: ¥10.26 billion								
	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
YoY	+18.2%	+22.0%	+39.9%	+37.0%	+40.1%	+37.8%	+31.9%	+19.5%
QoQ	(0.1%)	+8.2%	+12.1%	+13.0%	+2.2%	+6.5%	+7.3%	+2.3%

✓ Of which, MVNE revenue: FY21 ¥10.09 billion, -39.6% YoY

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

◆ Internet Connectivity (consumer) Services (Mainly consumer mobile)

➢ FY21: ¥23.38 billion, -9.1% YoY

- Impacted by ARPU decrease along with the launch of GigaPlans

◆ Outsourcing Services (Various network services developed in-house)

➢ FY21: ¥40.52 billion, +13.5% YoY

Of which, security FY21 revenue: ¥22.22 billion								
	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
YoY	+11.9%	+13.1%	+12.0%	+13.5%	+15.0%	+18.2%	+22.7%	+25.9%
QoQ	+3.2%	+4.2%	+2.3%	+3.3%	+4.5%	+7.0%	+6.2%	+6.0%

◆ WAN Services (Wide Area Network, Closed network)

➢ FY21: ¥26.40 billion, +5.4% YoY

	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
YoY	(16.8%)	(11.0%)	(2.8%)	+4.3%	+4.4%	+4.4%	+4.0%	+8.6%
QoQ	(0.0%)	(0.2%)	+1.8%	+2.8%	+0.1%	(0.2%)	+1.4%	+7.3%

• FY20 revenue decreased due to certain large clients migration to mobile

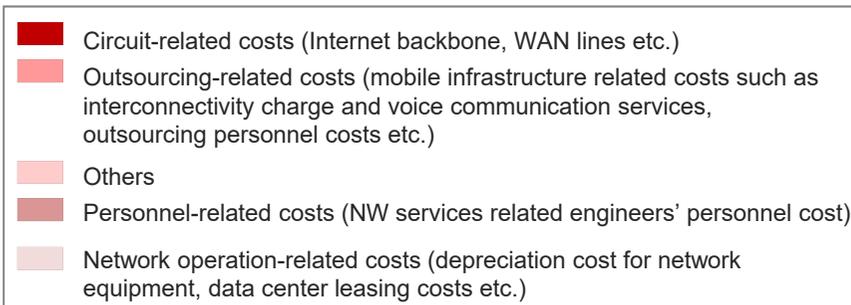
FY22 Outlook

- There is no major change with enterprise monthly recurring transactions (excluding MVNE) from 1Q22 (no large impact from annual renewal pricing pressure)
- Large-scale NW replacement projects' revenues would be gradually added to the continuous revenue accumulation

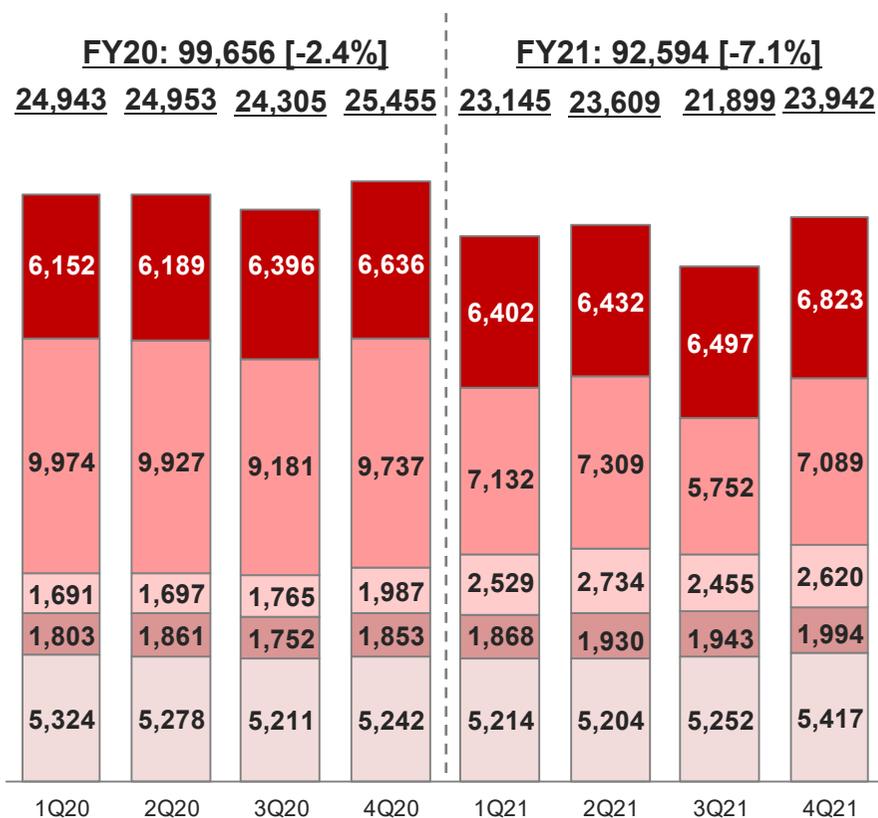
Network Services (2) Cost of Revenues

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

Financials



- FY21 Circuit-related costs increased by 3.1%, +¥0.78 billion YoY, along with WAN revenue increase
 - Internet backbone circuit cost remains stable as we can leverage scale merit by having one of the largest Internet backbone networks
- FY21 Outsourcing-related costs decreased by 29.7%, -¥11.54 billion YoY mainly because costs related to voice purchasing and mobile data interconnectivity decreased
 - Voice purchasing cost (unit charge) was revised lower at the beginning of FY21 and Sep. 2021 (switched to auto-prefix appending in Sep.)
 - 3Q21 Outsourcing-related costs reflect onetime cost reduction impact of Docomo's FY20 mobile interconnectivity cost (unit charge) revision
- FY21 Others increased by 44.8%, +¥3.20 billion YoY as it included an increase in mobile device purchase
 - FY21 purchasing cost of mobile device increased by ¥1.91 billion YoY
Breakdown: 1Q: up ¥0.52 billion, 2Q: up ¥0.72 billion, 3Q: up ¥0.48 billion, 4Q: up ¥0.19 billion



Regarding mobile data interconnectivity cost recognition:

(Mobile Network Operator's mobile infrastructure cost)

- As for our FY22 usage charge, from 1Q22, we plan to apply ¥20,327 per Mbps as a unit charge which was disclosed by Docomo in Mar. 2022. The charge is lower than ¥22,190 which was disclosed by Docomo in Apr. 2021. Both charges were based on Docomo's future cost method.
- As for our FY21 usage charge, from 1Q21, we applied ¥28,385 per Mbps as a unit charge, decrease of 23.9% from the previous year's charge, which was disclosed by Docomo based on the future cost method in Apr. 2021. The charge is to be fixed in late Dec. 2022. No onetime cost reduction upon the charge finalization is taken into consideration for FY22 financial targets.
- As for our FY20 usage charge, from 1Q20, we applied ¥41,436 per Mbps as a unit charge which was disclosed by Docomo based on the future cost method. This unit charge was fixed in late Dec. 2021 to ¥37,280 which is a decrease of 12.7% from the previous year's charge. Onetime cost reduction of slightly more than ¥1.0 billion was recorded in 3Q21.
- As for our FY19 usage charge, we used ¥42,702 per Mbps (decrease of 13.4% from the previous year's charge) as a unit charge, which was fixed in Jan. 2021. We recorded onetime cost reduction due to the difference between the fixed unit charge and our estimated unit charge were as follows: 3Q20: ¥0.70 billion, 4Q20: ¥0.39 billion.

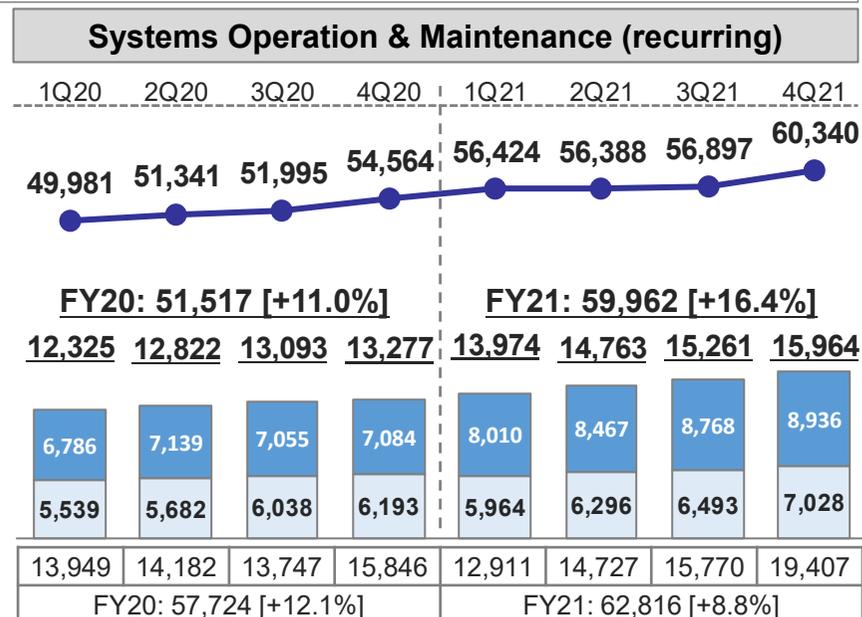
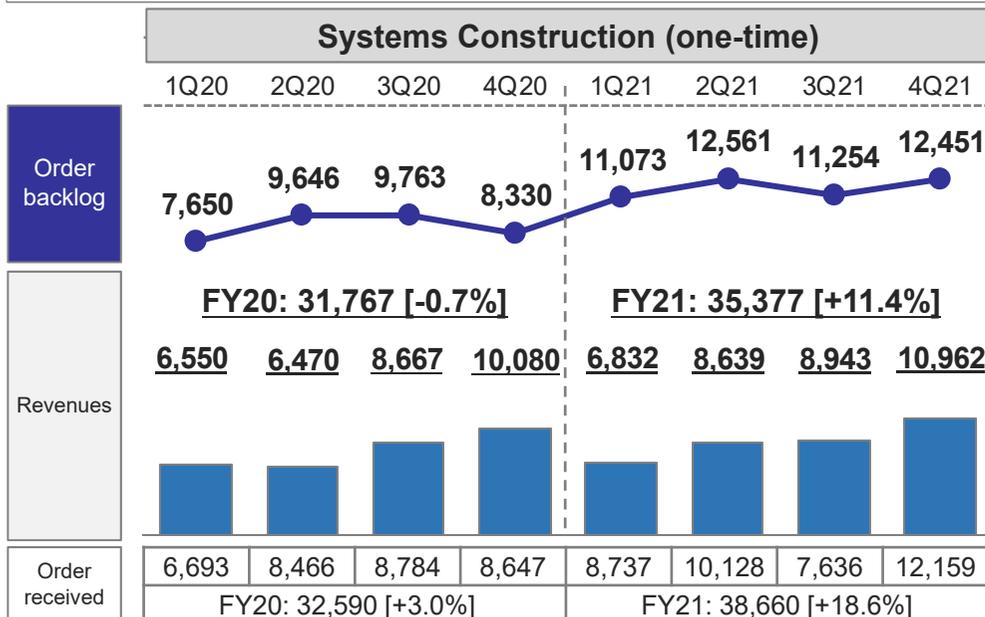
Systems Integration (SI) (1) Revenues

Unit: ¥ (JPY) million

Financials

[], YoY = Year over year comparison

■ Systems Construction revenues (including equipment sales)
 ■ Systems operation & maintenance revenues for on-premise system revenues
 ■ Cloud revenues such as private cloud which are recognized as systems operation & maintenance revenues



- Accumulated orders across all industries (Large-scale construction orders received in 4Q21)
 - Several large-scale NW renewal projects for public sector
 - Several groupware implementation projects such as Microsoft 365
 - Several campus network renewal projects

- 1Q21 order received decreased because contracts for renewals were concentrated in 4Q20
- Systems operation & maintenance revenues stably increased mainly because we continued to accumulate system construction project orders

FY22 Outlook

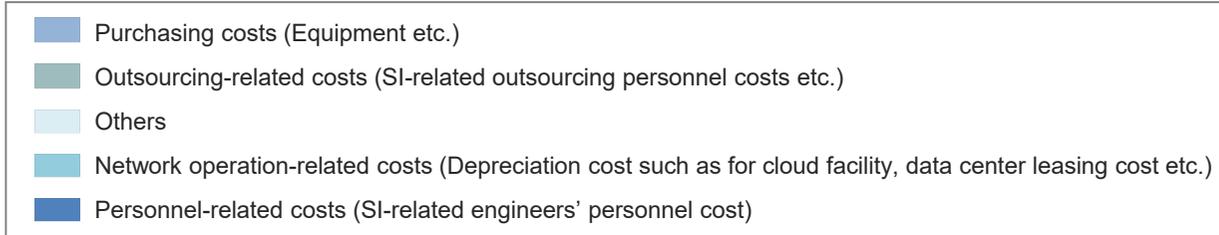
- In addition to NW integration demands, we expect SI construction revenues to largely increase with large-scale & development projects
- We acquired several large-scale integrated NW replacement projects, which require both NW services & SI
 - Acquired 5 projects ranging from a little less than ¥1 bn to over ¥5 bn in revenue. In total, revenue volume of over 10 bn for the total contracted period
 - Contract period: 3 to 4 years
 - Construction & operation of NW replacement and/or shared platform infrastructure such as Internet connection environment for all Tokyo metropolitan high schools and WAN to connect all Tax Offices in Japan (The projects' revenues would be largely recognized as NW services)

PTC (Singaporean Sler, consolidated subsidiary from Apr. 2021)

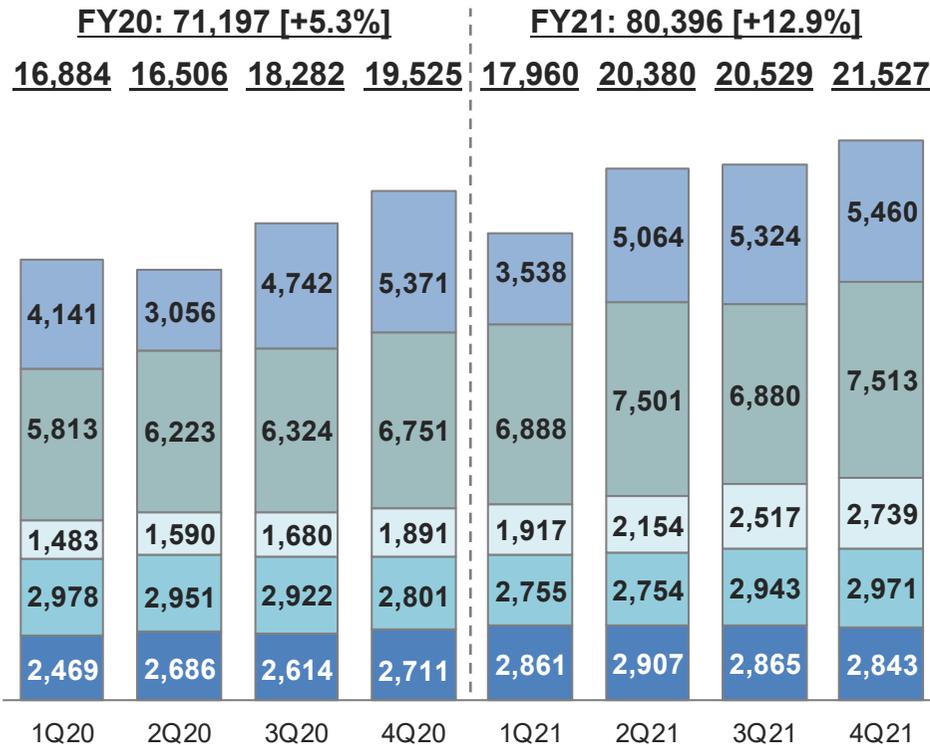
- While FY21 revenue was weaker than expected which was mainly due to fluctuation in orders from large customers & the Pandemic, we expect to accumulate demands from both the current large clients & new clients for FY22

Impact on consolidated financial results (All of PTC revenues is recognized as SI)			
Unit: ¥ bn	FY21 plan	FY21 results	FY22 target
Revenues	Approx. 8.5	6.89	Approx. 10.2
Operating Profit	Approx. 0.4	0.31	Approx. 0.4

Systems Integration (SI) (2) Cost of Revenues



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



- Cost of revenues related to PTC is mainly recognized in purchasing costs, outsourcing-related costs and personnel related costs
 - 1Q: ¥1.16 billion, 2Q: ¥2.16 billion, 3Q: ¥1.39 billion, 4Q: ¥1.41 billion (FY21: ¥6.12 billion)
- 4Q21 gross profit ratio increased mainly because the ratio of purchasing cost to the systems construction revenue was small
- Others increased mainly due to an increase in license costs along with expansion of multi-cloud demands
- No significant increase in network operation-related costs

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

1Q20-end	2Q20-end	3Q20-end	4Q20-end	1Q21-end	2Q21-end	3Q21-end	4Q21-end
1,094	1,181	1,236	1,270	1,244	1,300	1,302	1,319

Human Capital Disclosure

YoY = Year over year comparison

Financials

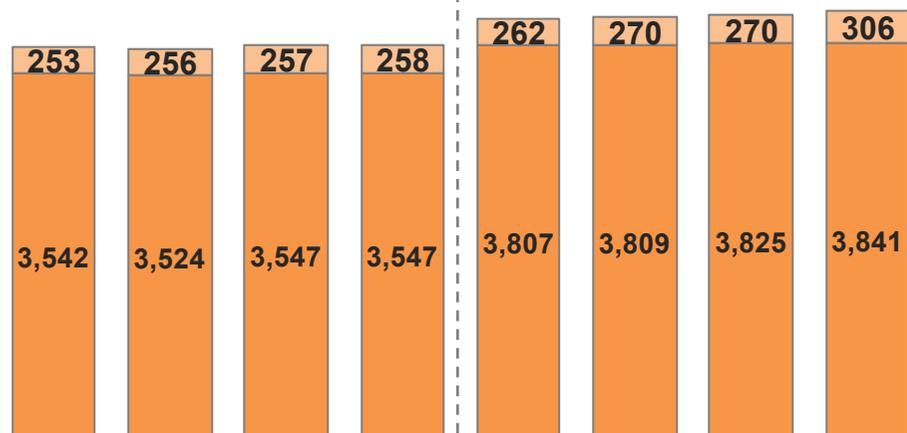
Number of Employees

- Contract worker (personnel)
- Full-time worker (personnel)

FY22 Outlook

- FY22 net increase of employees is planned to be approx. 290 (including 178 new graduates joined in Apr. 2022)

Jun. 2020	Sep. 2020	Dec. 2020	Mar. 2021	Jun. 2021	Sep. 2021	Dec. 2021	Mar. 2022
3,795	3,780	3,804	3,805	4,069	4,079	4,095	4,147
			(+222)				(+342, of which +56 from PTC)



- June-end 2021 employees increased by 274 YoY mainly due to the followings: +190 of new graduates in Apr. 2021, +62 through PTC consolidation

Personnel-related costs & expenses

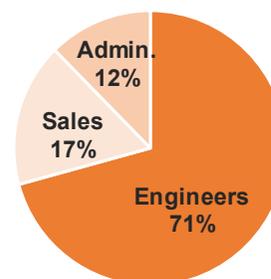
Unit: ¥ (JPY) million, () = % of revenue

1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
6,835 (13.6%)	7,281 (14.2%)	7,032 (12.9%)	7,405 (13.0%)	7,756 (14.6%)	7,892 (14.1%)	7,859 (13.9%)	7,985 (13.1%)
FY20: 28,553 (13.4%) +8.4%YoY				FY21: 31,491 (13.9%) +10.3%YoY			

- ¥0.55 bn was added through PTC consolidation (Apr. 2021)

Distribution

(as of Mar. 31, 2022)



Turnover Rate

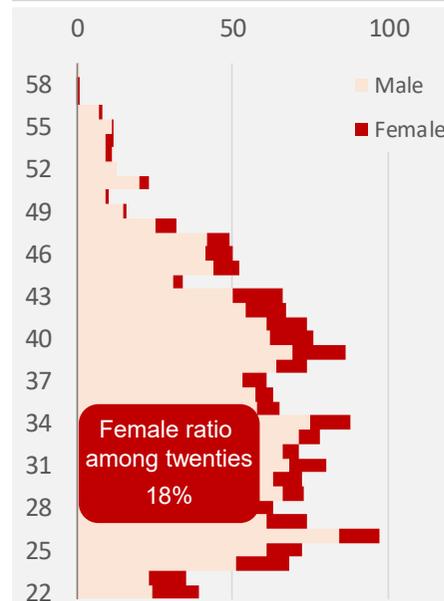
FY19	FY20	FY21
4.6%	3.6%	4.2%

- Turnover rate is calculated by dividing the number of leavers who joined before that FY by the number of full-time employees at the beginning of that FY
- IJJ's turnover rate is lower than its industry average turnover rate for telecommunication of about 10%, which is announced by the Ministry of Health, Labor and Welfare every year

Age composition of IJJ's full-time workers

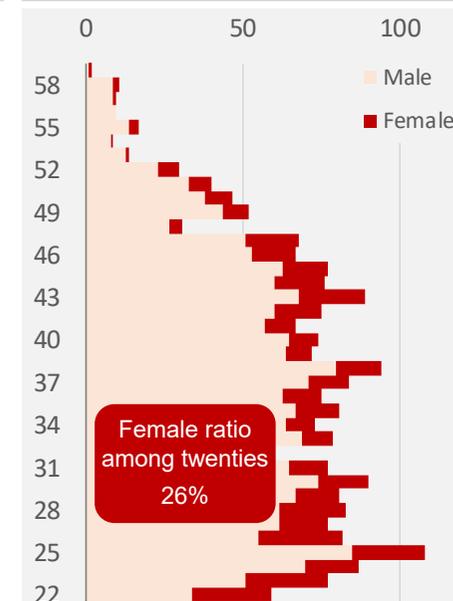
As of Mar. 31, 2018

Number of IJJ's full time workers: 1,868
(female to total: 16%)

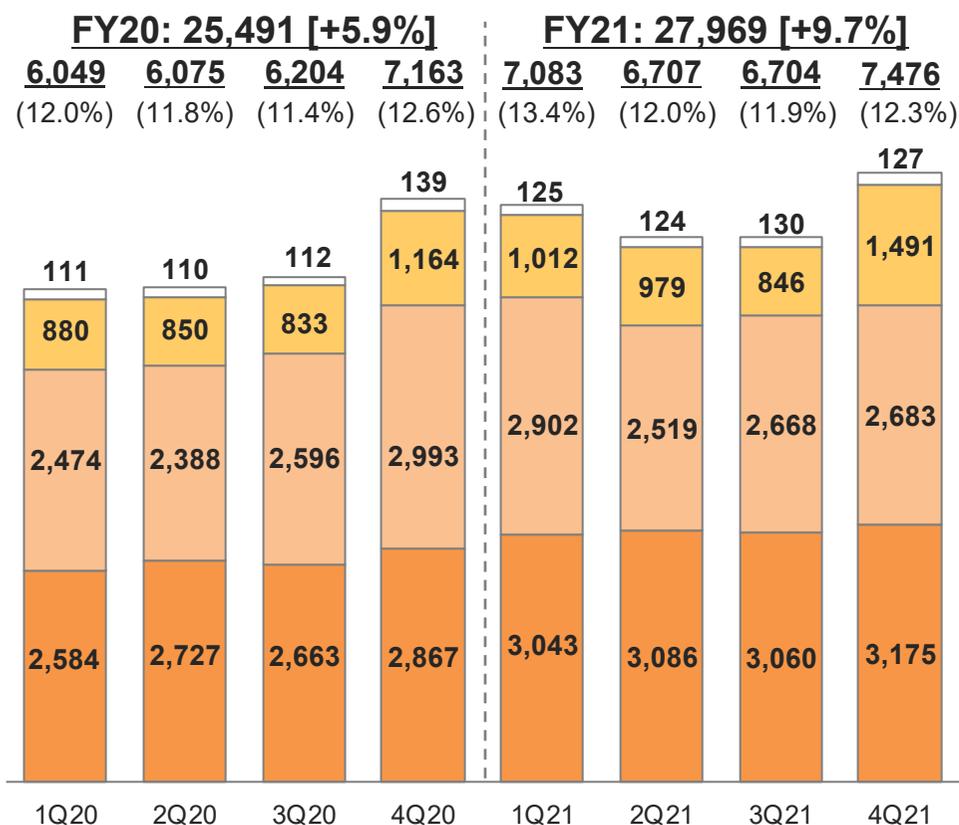


As of Mar. 31, 2022

Number of IJJ's full-time workers: 2,301
(female to total: 19%)



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



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

Other than as provided to the left, we had ¥0.11 billion of expenses, as other income/expenses (net) in FY21 (FY20: ¥0.54 billion of expenses)

- Of which, FY21 disposal loss on fixed assets was ¥0.22 billion (FY20: ¥0.64 billion)

- Research & development expenses mainly consist of personnel expenses of IJ Innovation Institute, a wholly owned subsidiary
 - IJ absorbed IJ Innovation Institute on Apr. 1, 2022
- Commission expenses are mainly consumer sales commission and recruitment expenses. In 4Q21, mobile marketing expenses increased due to a seasonal factor
- FY21 Others slightly increased mainly due to advertisements for consumer business
- PTC's SG&A etc. has been added from 1Q21
 - 1Q: ¥0.09 billion, 2Q: ¥0.11 billion, 3Q: ¥0.12 billion, 4Q: ¥0.13 billion (FY21: ¥0.45 billion)

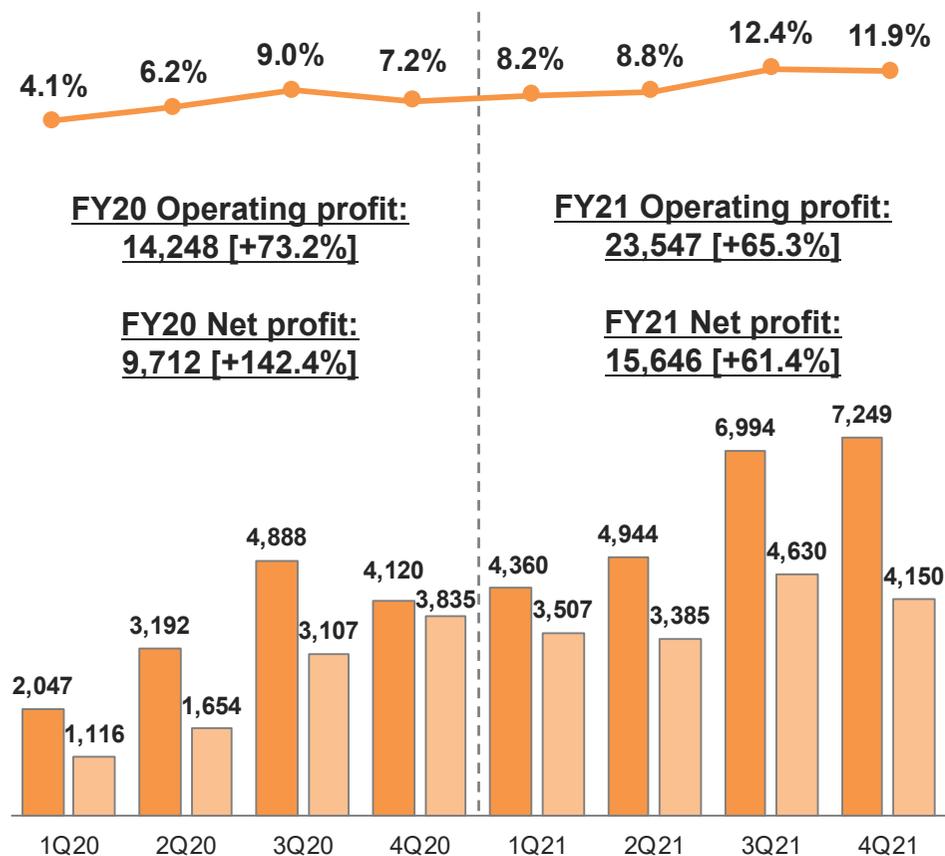
FY22 Outlook

- Expect the YoY increase to become large mainly due to enhanced recruitment and promotion

Profit

Unit: ¥ (JPY) million

[], YoY =Year over year comparison



◆ Operating profit

➢ FY21: ¥23.55 billion, +65.3% YoY

◆ Profit before tax

➢ FY21: ¥24.16 billion, +72.2% YoY

- Interest expense: ¥538 million
 - Foreign exchange gain : ¥327 million
 - Gain on funds* : ¥3,055 million (of which, ¥585 million is fixed and realized amount)
(1Q: ¥1,296 million, 2Q: ¥396 million, 3Q: ¥867 million, 4Q: ¥495 million)
 - Dividend income: ¥82 million
 - Interest income: ¥42 million
 - Share of loss of investments accounted for using equity method: ¥2,335 million
- DeCurret-related income (loss):

1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
(306)	(273)	(207)	156	(296)	(256)	(780)	(1,456)

- ✓ IJJ ownership: 4Q19 30.0%, from 1Q20 41.6%, from 1Q21 38.2% is used to recognize gain and loss
- ✓ DeCurret divested its crypto asset business on Feb. 1, 2022 to dedicate its business resources to digital currency business
- ✓ 3Q21 loss increased as it included temporary loss of ¥484 million due to the divestiture in addition to ordinal loss. 4Q21 loss includes ¥1.18 billion of loss as impairment on corresponding amount of goodwill (No more loss related to the divestiture)
- ✓ 4Q20 income includes a gain on changes in equity of ¥349 million arisen from the issuance of common stock

◆ Net profit

➢ FY21: ¥15.67 billion, +61.4% YoY

- Income tax expense: ¥8,362 million, +97.5% YoY
 - ✓ Tax benefit on loss related to DeCurret investments was not recognized

1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	
(74)	(286)	186	368	1,208	292	855	595	Finance income (expense), net
(279)	(135)	(313)	319	(217)	(155)	(684)	(1,278)	Share of profit (loss) of investments accounted for using equity method
(572)	(1,084)	(1,625)	(952)	(1,807)	(1,667)	(2,500)	(2,388)	Income tax expense
(6)	(34)	(29)	(21)	(36)	(30)	(35)	(27)	Less: Profit for the period attributable to non-controlling interests

*Under IFRS, equity securities are measured at fair value through OCI (Other Comprehensive Income) while funds are measured through profit or loss.

Consolidated Statements of Financial Position (Summary)

Financials

- Ratio of total equity attributable to owners of the parent: 40.7% as of Mar. 31, 2021, 44.7% as of Mar. 31, 2022

Unit: ¥ (JPY) million

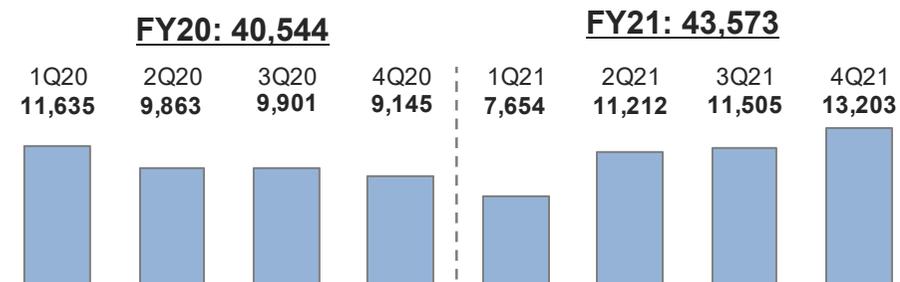
	Mar. 31, 2021	Mar. 31, 2022	Changes
Cash & cash equivalents	42,467	47,391	+4,924
Trade receivables	34,799	37,649	+2,850
Inventories	2,171	2,608	+437
Prepaid expenses (current & non-current)	20,136	24,006	+3,870
Tangible assets	17,084	17,846	+761
Right-of-use assets	50,708	44,874	(5,834)
Of which, operating leases (rent of office, data center etc.)	34,222	27,859	(6,363)
Of which, finance leases (network equipment etc.)	16,486	17,015	+529
Goodwill & intangible assets	23,037	25,903	+2,866
Investments accounted for using the equity method	9,027	5,830	(3,197)
Other investments	12,912	17,410	+4,497
Others	8,436	8,289	(147)
Total assets:	<u>220,777</u>	<u>231,805</u>	<u>+11,028</u>
Trade & other payables	19,244	20,742	+1,498
Borrowings (current & non-current)	25,560	21,870	(3,690)
Contract liabilities & Deferred income (current & non-current)	14,832	17,405	+2,574
Income taxes payable	3,012	5,795	+2,783
Retirement benefit liabilities	4,169	4,395	+226
Other financial liabilities (current & non-current)	53,527	47,181	(6,346)
Of which, operating leases (rent of office, data center etc.)	34,432	28,157	(6,274)
Of which, finance leases (network equipment etc.)	18,229	18,069	(160)
Others	9,462	9,796	+334
Total liabilities:	<u>129,806</u>	<u>127,184</u>	<u>(2,621)</u>
Share capital	25,531	25,562	+31
Share premium	36,389	36,518	+129
Retained earnings	25,047	37,024	+11,977
Other components of equity	4,865	6,275	+1,410
Treasury shares	(1,875)	(1,851)	+24
Total equity attributable to owners of the parent:	<u>89,956</u>	<u>103,528</u>	<u>+13,572</u>

Consolidated Cash Flows

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

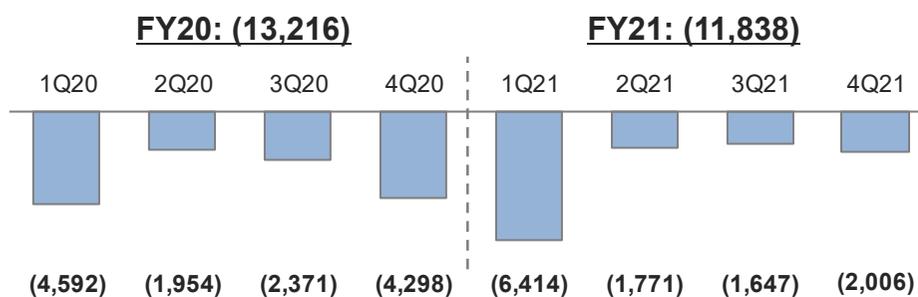
Financials

Operating Activities



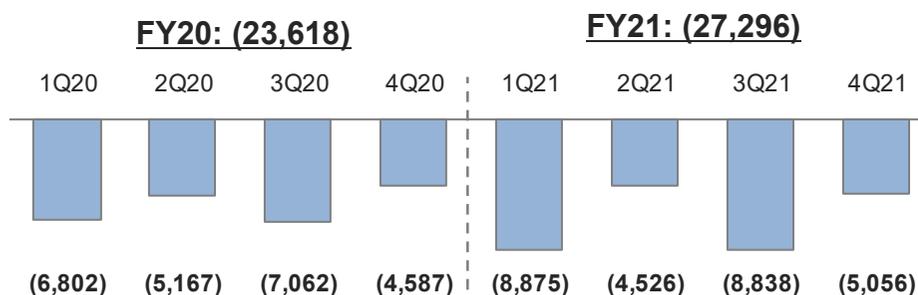
	Major Breakdown	YoY Change
Profit before tax	24,162	+10,127
Depreciation and amortization	28,444	+471
Changes in operating assets & liabilities	(2,892)	(4,406)
Income taxes paid	(5,700)	(1,788)

Investing Activities



	Major Breakdown	YoY Change
Purchase of tangible assets	(6,783)	(393)
Purchase of investments accounted for using equity method	—	+4,754
Purchases of a subsidiary	(2,612)	(2,612)
Purchase of intangible assets such as software	(4,734)	(118)
Proceeds from sales of tangible assets (leaseback)	2,150	(349)

Financing Activities

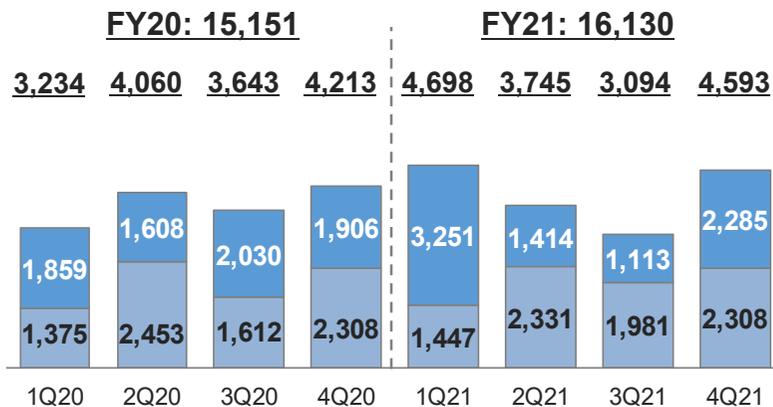


	Major Breakdown	YoY Change
Payment of operating/finance leases and other financial liabilities	(19,983)	+186
Repayment of borrowings	(3,690)	(1,500)
Dividends paid	(3,836)	(2,303)

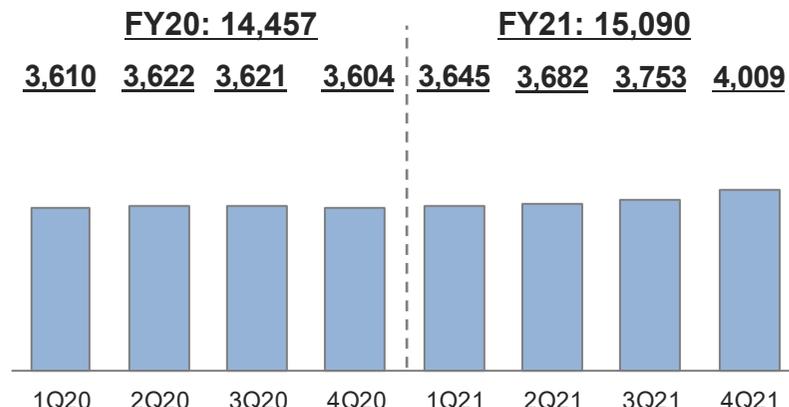
Other Financial Data

Unit: ¥ (JPY) million

CAPEX



CAPEX-related depreciation and amortization



Breakdown (Unit: JPY billion)

	FY20	FY21
NW Usual Capex	8.8	9.7
Cloud-related	2.8	2.3
Shiroy DC-related	1.5	1.5
Customer-related	1.7	2.6
ATM-related	0.3	0.0

Adjusted EBITDA



FY22 Outlook: around ¥21.5 billion

- CAPEX for Shiroy data center's 2nd site construction to be approx. ¥5.0 billion for FY22 portion. Network (NW) usual CAPEX & others to be normal level

- 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.

FY22 Targets & Status of Mid-term Plan

Unit: JPY (¥) billion (bn)
 %, YoY = Year over year comparison
 Net Profit is "Profit for the period attributable to owners of the parent"

Financials

FY22 Targets

Revenue & profit to increase by executing & enhancing growth strategy

Revenues	¥250.0 bn	+10.5%	Profit before tax	¥26.3 bn	+8.8%
Operating Profit	¥27.2 bn	+15.5%	Net Profit	¥17.5 bn	+11.7%

DPS to increase with profit growth (%) payout ratio

FY21 results	FY22 forecast
¥48.00 (27.7%)	¥58.50 (30.2%)

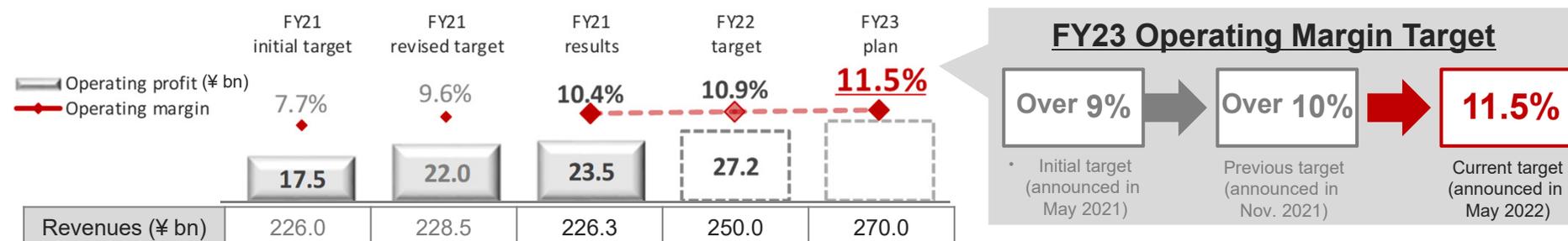
+¥10.50

FY21 adjusted payout ratio is around 30%, which is calculated by deducting temporary and non-cash transaction

Network Services (excl. mobile)	Mobile	SI
<ul style="list-style-type: none"> Accelerate growth with large-scale NW replacement projects in addition to ongoing & continuous revenue accumulation Further strengthen competitive advantage of integrating various services such as Internet connectivity, Security, & WAN 	<ul style="list-style-type: none"> Generate advanced IoT flagship projects Develop technology for 5G SA Expand market share by timely upgrading consumer plans Amount of expected revenue decrease to be smaller than FY21 	<ul style="list-style-type: none"> Differentiate with comprehensiveness by providing services & SI Promote enterprise Cloud migration with GIO P2 Gen.2 Construction revenue to largely increase with large-scale & development projects in addition to NW integration demands following FY21 trend
Enhancement of Company Foundation	CAPEX	DeCurret HLD, an equity method investee
<ul style="list-style-type: none"> Enhance senior management to accelerate long term growth Level-up volume & quality of recruitment & human capital development Expect further business expansion by seeking M&A opportunities etc. 	<ul style="list-style-type: none"> Construct Shiroy data center's 2nd site all at once Others such as network expansion related CAPEX to be usual volume 	<ul style="list-style-type: none"> Execute service & business development for digital currency platform to be launched in the latter half of FY23

Status of the Mid-term Plan (FY21-23)

Stronger-than-expected profit growth led to FY23 operating margin upward revision



• 5G SA (Stand Alone) is a way of communications in which core network, data communication, control functions and others are all comprised by 5G technology

Financial Targets for FY22 (1)

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

Financials

	% of Revenues		YoY	
	FY22 Targets (Apr. 2022 - Mar. 2023)	FY21 Results (Apr. 2021 - Mar. 2022)		
Revenues	250.0	226.3	+10.5%	+23.7
Gross Profit	23.1% 57.8	22.8% 51.6	+12.0%	+6.2
SG&A etc.	12.2% 30.6	12.4% 28.1	+9.0%	+2.5
Operating Profit	10.9% 27.2	10.4% 23.5	+15.5%	+3.7
Shares of profit (loss) of investments accounted for using equity method investees	(0.4)	(2.3)	-	+19.3
Profit before tax	10.5% 26.3	10.7% 24.2	+8.8%	+2.1
Net Profit	7.0% 17.5	6.9% 15.7	+11.7%	+1.8

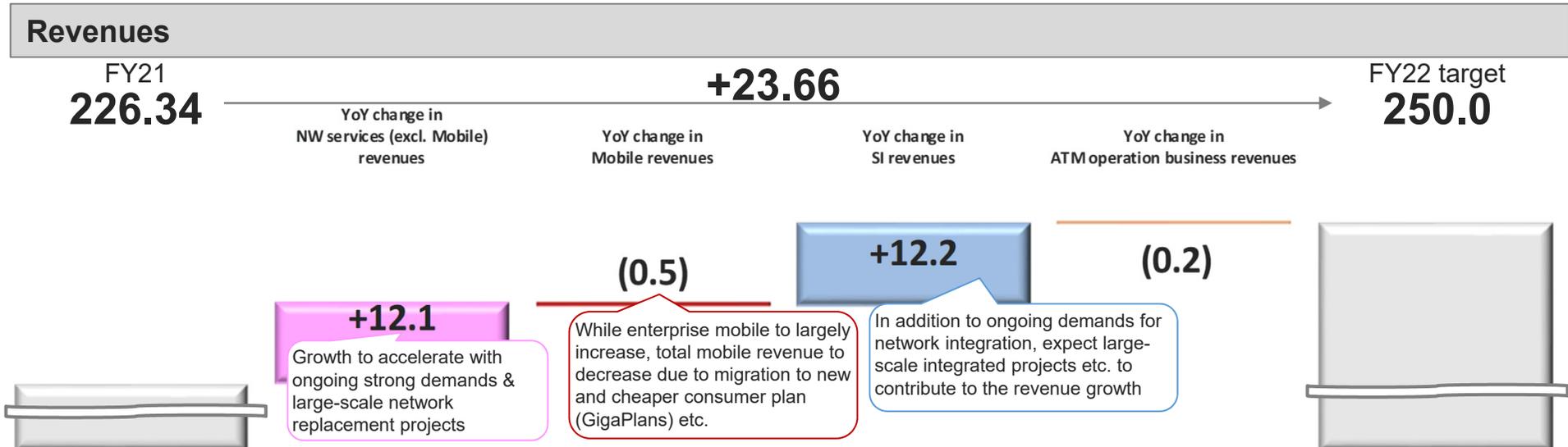
	% of Revenues		YoY	
	FY22 1H Target (Apr. 2022 - Sep. 2022)			
	117.0	+7.3%		+7.9
	22.3% 26.1	+13.1%		+3.0
	13.2% 15.4	+11.7%		+1.6
	9.1% 10.7	+15.0%		+1.4
	(0.2)	-		+2.0
	8.8% 10.3	(1.3%)		-0.1
	5.8% 6.8	(1.3%)		-0.1

	Assumption for Revenue	Assumption for Gross Profit	Other assumptions
NW services (excluding mobile)	Accelerate with large-scale NW replacement projects in addition to strong revenue accumulation trend following FY21	Structurally and continuously expand with revenue growth	<ul style="list-style-type: none"> SG&As: increase due to enhanced recruitment & promotion Share of loss of investments accounted for using equity method investees to be smaller as DeCurret related loss would be smaller (Plan: DeCurret's loss to be around ¥0.7 bn) Net addition of employees: approx. 290 including 178 newly graduates CAPEX: approx. ¥21.5 bn including approx. ¥5.0 bn for Shiroi DC 2nd site
Mobile	While enterprise mobile to largely grow, total mobile revenue to decrease by ¥0.5 bn or slightly more as migration to cheaper new plan (GigaPlans) continues etc.	Smaller than FY21 profit as no onetime impact upon the unit charge finalization is taken into consideration (in FY21, we had approx. ¥1.08 bn of profit contribution) & onetime profit related to voice-purchasing cost down impact would be smaller in FY22	
SI	Increase with demands for NW integration & large-scale NW replacement projects requiring both NW services and SI etc.	Increase as SI revenue volume to expand and gross margin to slightly improve	
ATM	Same level as FY21	Same level as FY21	

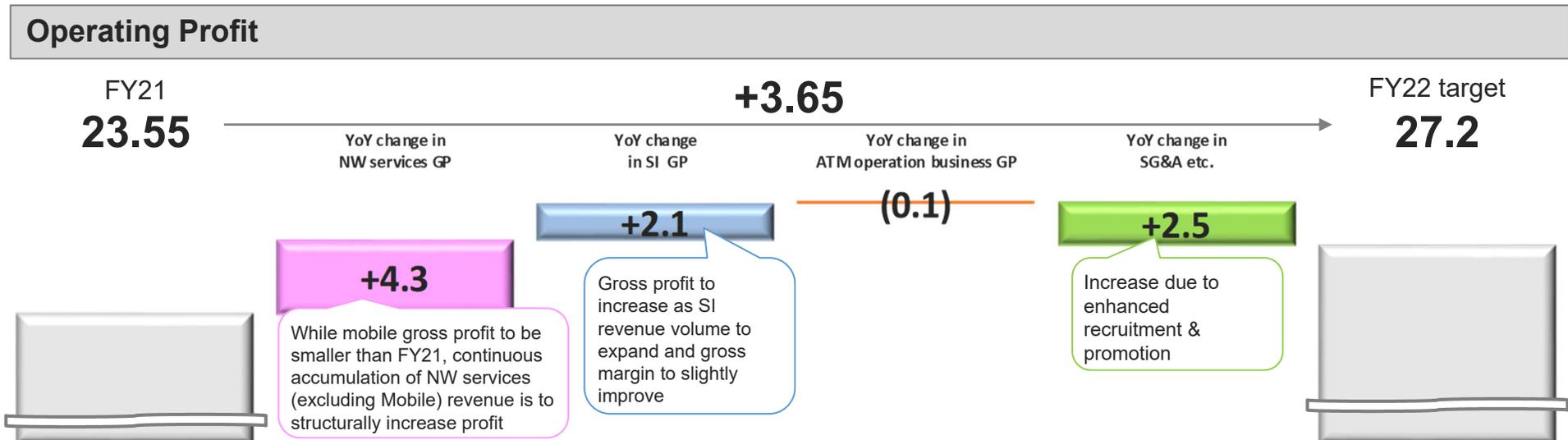
- SG&A etc. shows the sum of SG&A, which includes R&D expenses, and other income/expenses
- Net profit is "Profit for the year attributable to owners of the parent" © Internet Initiative Japan Inc.

Financial Targets for FY22 (2)

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



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



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

Appendix

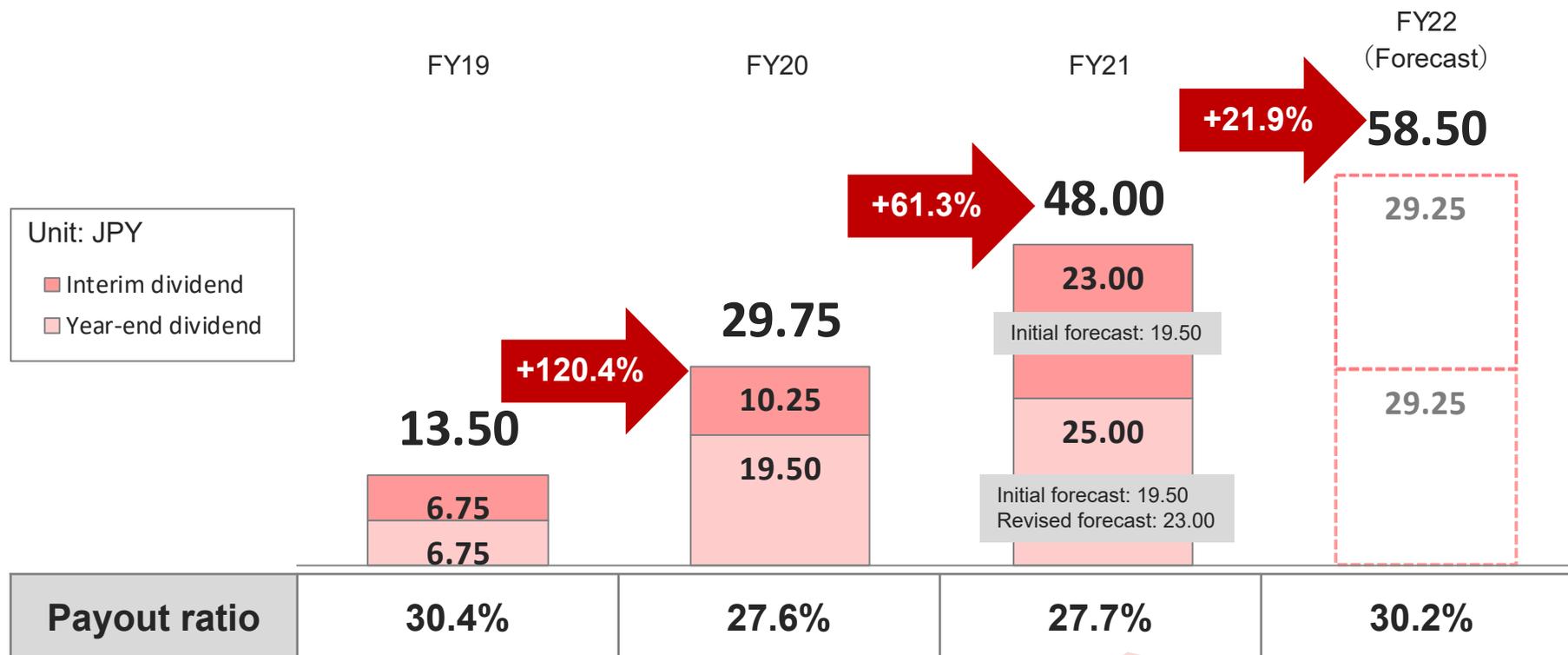
Dividend Forecast	P. 52
Data Centers (1) – (2)	P. 53 – 54
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Sales activity for Public Sector	P. 56
Docomo's Mobile data interconnectivity charge	P. 57
Consumer Mobile Price list	P. 58
Overseas Business	P. 59
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Dividend Forecast

◆ Basic dividend policy:

Basic dividend policy of IIJ is that IIJ pays dividends to its shareholders continuously and stably while considering the need to have retained earnings for the enhancement of financial position, med-to-long term business expansion and future business investment etc.

◆ Historical dividend per share:



Adjusted payout ratio is around 30%, which is calculated by deducting temporary and non-cash transaction such as valuation gain on funds & impairment losses

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

Data Centers (1)

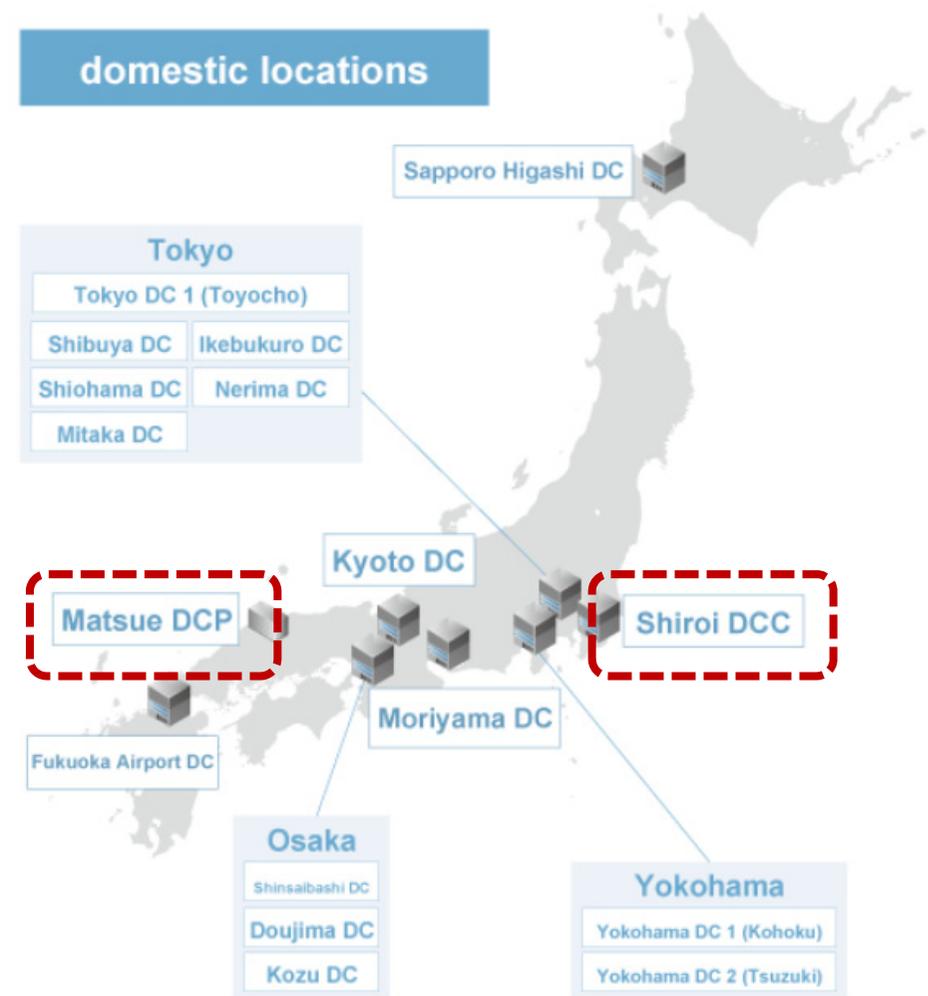
- **Operating 16 data centers in Japan** (as of Dec. 2021)
 - Of which, 14 data centers are leased from data center owners per space
 - Of which Shiroy & Matsue are owned by IIJ and used for own service facility such as for network & Cloud as well as colocation services to store clients' IT assets.
 - ✓ Integrate racks currently spread out throughout Japan to improve operation productivity
- **In 2011, IIJ built Japan's first container-based modular data center using an outside air-cooling system, eco-friendly data center**
 - Modular approach allows flexible expansion and short-term construction with low cost
- **IIJ has exported container modular data center to overseas including the People's Republic of Laos in 2016 to help them set up IT infrastructure**

overseas locations



Data Center Locations

domestic locations



Data Centers (2)

Profiles of data centers owned by IJ

	Matsue Data Center Park	Shiroi Data Center Campus
Location	Matsue city, Shimane prefecture	Shiroi city, Chiba prefecture
Land	Approx. 16,000m ²	Approx. 40,000m ²
Server capacity	Approx. 500	Can accommodate up to 6,000 1 st facility: approx. 700 2 nd facility: approx. 1,100 (plan)
Operation	Apr. 2011 2 nd facility: Nov. 2013	May 2019 2 nd facility: Gradually operate from July 2027
Highlights of the facility	<ul style="list-style-type: none"> • First commercial modular DC in Japan to use outside-air cooling system (FY20 average PUE: approx. 1.2) • Have received Environment Management System etc. • Implementing carbon neutral initiatives by using substantial renewable energy from Feb. 2022 	<ul style="list-style-type: none"> • System module • Applying AI to control overall facility and IT • Using robots to realize automated operation, fewer or non human operation • Deploying Tesla Powerpack

*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

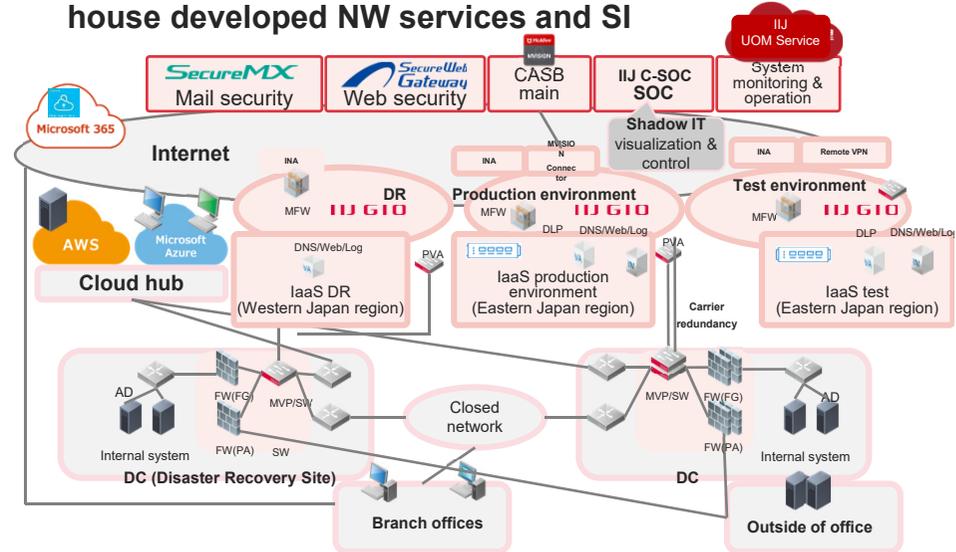
*2 PUE (Power Usage Effectiveness) is a metric, calculated by dividing overall data center power consumption by IT equipment power consumption, indicates the efficiency of power use at data centers. The smaller the figure, the lower the percentage of power consumed by equipment other than IT devices.

Systems Integration

Acquired several large projects requiring both NW & SI

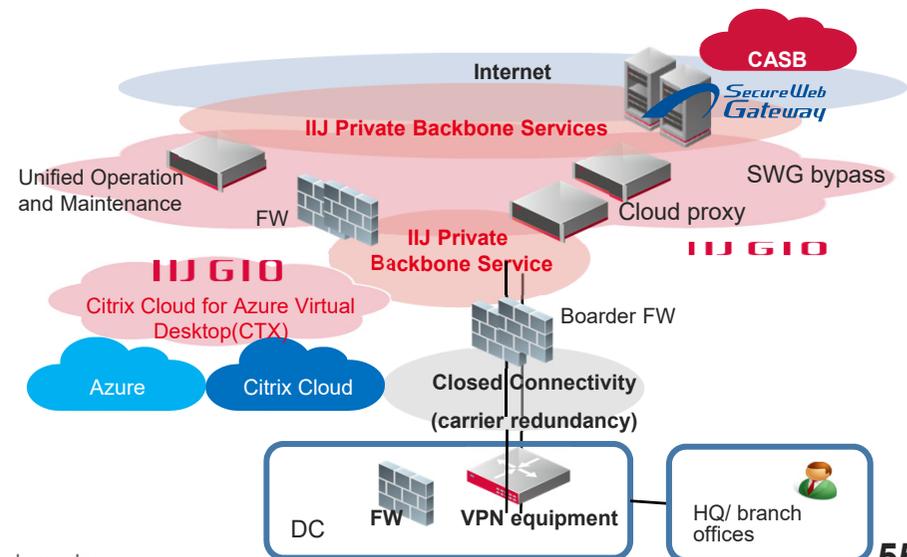
- ◆ Offer SI as a cross selling element to fully meet Japanese enterprise' IT needs
- ◆ SI clients are companies already using our network services
 - Do not depend on particular industry to generate revenue, just like the overall customer portfolio, because IIJ offers systems needed by any industry 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 mainly covered by legacy system integrators
 - Sometimes co-work with legacy SIer on large-scale projects in which they cover application development part and IIJ covers Internet related system construction

- ◆ Meeting demands for enterprise NW systems that are becoming more complexed and diversified with in-house developed NW services and SI



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
- 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

◆ Social Security and Tax Number System which is often called “my number” was first introduced in October 2015. As of January 1, 2022, 41% to the total Japanese population has received their ID according to the MIC.

https://www.soumu.go.jp/kojinbango_card/

Docomo's Mobile data interconnectivity charge (Mbps unit charge · monthly)

Appendix

Fiscal Year	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Method	Actual cost method		Future cost method MNOs are to disclose the charges for next three years based on their prediction about cost etc.				
New					Announced in Mar. 2022 ¥20,327 -28.4% YoY -8.4% compared to the previously announced charge ¥15,697 -22.8% YoY -12.9% compared to the previously announced charge ¥13,207 -15.9% YoY		
Current	<u>¥49,311</u> -6.0% YoY	<u>¥42,702</u> -13.4% YoY	<u>¥37,280</u> -12.7% YoY	Announced in Apr. 2021 To be fixed around late Dec. 2022 (scheduled) ¥28,385 -23.9% YoY -14.5% compared to the previously announced charge ¥22,190 -21.8% YoY -20.5% compared to the previously announced charge ¥18,014 -18.8% YoY			
Old	<u>¥49,311</u> -6.0% YoY	<u>¥42,702</u> -13.4% YoY	Announced in Mar. 2020 ¥41,436 -3.0% YoY ¥33,211 -19.8% YoY ¥27,924 -15.9% YoY				

- The same calculation method is applied to both the actual cost method and the future cost method: (Data communication cost + profit) / demand
- As for our FY20 usage charge(*), from 1Q20, we applied ¥41,436 per Mbps as a unit charge which was disclosed by Docomo based on the future cost method. This unit charge was revised and fixed at the end of Dec. 2021 as ¥37,280 which is a decrease of 12.7% from the previous year's charge. We recorded all impact generated from this revision in our 3Q21 financial results.
- The charge disclosed based on the future cost method is to be finalized based on MNOs actual cost results etc. FY21 charge of ¥28,385 is to be fixed around at the end of Dec. 2022. MNO is an abbreviation for Mobile Network Operator such as NTT Docomo.
- Mobile interconnectivity charges, which are underlined above, had been fixed based on the results
- The YoY (Year over Year) decrease percentage written under each charge is compared with the previous year charge
- The charge is public information disclosed in NTT Docomo's service terms and conditions document uploaded on NTT Docomo's website (only available in Japanese)
<https://www.docomo.ne.jp/binary/pdf/corporate/disclosure/mvno/business/oroshi.pdf>

Comparison between Old & New Consumer Mobile Plans

Appendix

Including tax

Old

New: GigaPlans (Apr. 2021~)

**New Price
from April 1,
2022**

Basic Monthly Charge	Minimum Start Plan (3 GB)	With voice	¥1,760
		Data-only	¥990
	Light Start Plan (6 GB)	With voice	¥2,442
		Data-only	¥1,672
	Family Share Plan (12 GB)	With voice	¥3,586
		Data-only	¥2,816

2Giga Plan (2 GB)	With voice	¥858
	Data-only	¥748
4Giga Plan (4 GB)	With voice	¥1,078
	Data-only	¥968
8Giga Plan (8 GB)	With voice	¥1,518
	Data-only	¥1,408
15Giga Plan (15 GB)	With voice	¥1,848
	Data-only	¥1,738
20Giga Plan (20 GB)	With voice	¥2,068
	Data-only	¥1,958

¥850
¥740
¥990
¥900
¥1,500
¥1,400
¥1,800
¥1,730
¥2,000
¥1,950

Pay as you go	Voice call charge as you go	¥22 per 30 seconds
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Voice call charge as you go	¥11 per 30 second (from Sep. 2021)
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- The above table briefly indicates service prices for major functions to show the differences between the old and new plans
- Voice call charge is only for domestic calls. New voice call charge as you go was revised on September 11, 2021 and is applied to old plan's users

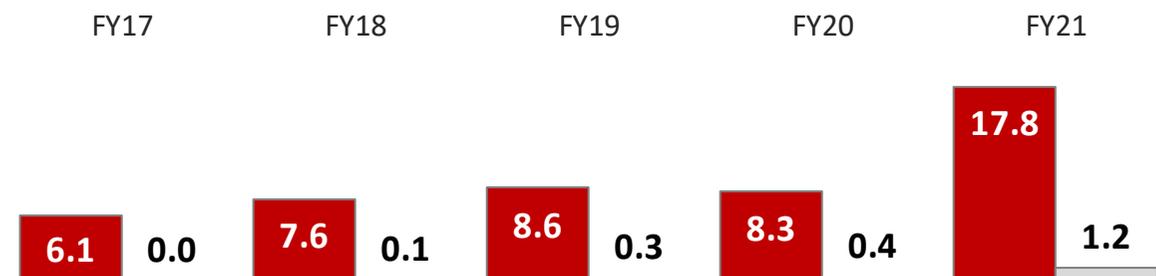
Overseas Business

Revenue and Operating Profit

Unit: JPY billion

■ Revenue (Mostly recognized in SI)
 □ Operating Profit

◆ While FY21 revenue was weaker than expected mainly due to PTC, newly consolidated Singaporean Sler, for FY22 we aim for revenue and operating profit increase with each country's advancement, PTC recovery, certain projects, change in foreign exchanges etc.



- FY20 results were impacted by the COVID-19 pandemic etc.
- FY21 results include a new consolidated subsidiary PTC which we acquired in Apr. 2021.

Overseas offices



© Internet Initiative Japan Inc.

Business Developments

- **Started focusing on overseas business around FY11.** It was when Japanese companies started to expand their business overseas and requested us to provide the same service quality we offer in Japan
- **While IT markets in the U.S. and Europe are relatively matured, the markets in Asia are just beginning to build up**
 - Increasing demand for network services, SI and etc. in China and Thailand,
 - Vietnam: Cybersecurity Law (Jan. 2019), Opened another facility in Hanoi in addition to Ho Chi Min
 - In Apr. 2021, we bought a Singaporean system integrator, PTC – expect to strengthen ASEAN business
- **Providing 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

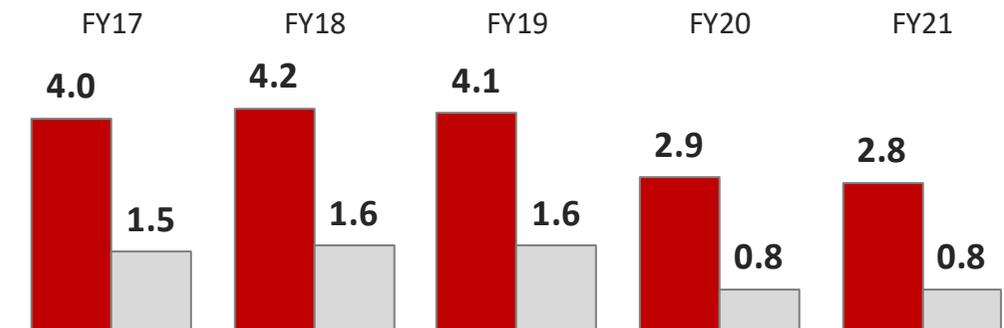
- Similar to “Seven Bank” model
- Placing ATMs in Pachinko parlors in Japan
 - After long discussion, started to place in Kanto, Kansai, Kyushu and Tokai areas
 - 9,035 Pachinko parlors in Japan as of December 31, 2020 (Source: Zennichiyuren)
- Receive commission for each withdrawal transaction

Trust Networks Inc.

- In charge of ATM operation business
- IIJ’s ownership: 80.6%
- Established in 2007
- Number of employees: about 10 personnel

Revenue and Operating Profit

Unit: JPY billion
 ■ Revenue
 ■ Operating Profit



- FY20 Revenue significantly decreased from FY19 as the stores we had placed ATMs were closed temporarily and fewer customers visited due to the COVID-19 pandemic and stay-at-home-order/request.



- ATM (Automated Teller Machine)

FinTech Business through DeCurret (1)

About DeCurret Holdings (IIJ's equity method investee)

◆ Management (from Apr. 2022)

- DeCurret Holdings (Shareholders: 35 companies including IIJ)
 - Representative Director and President: Murabayashi (Mr.) (IIJ Vice President, former CIO for Mitsubishi Tokyo UFJ Bank)
 - Part-time directors: IIJ, MUFG bank, KDDI, NTT, JAPAN POST bank

◆ Background:

- In Jan. 2018, IIJ established DeCurret Inc. as an equity method investee engaging in crypto asset business and digital currency business with prominent Japanese companies
 - IIJ has been providing Raptor which is a ASP based FX systems which have been used by prominent Japanese security companies
- In Dec. 2021, DeCurret Inc. established DeCurret Holdings through a share transfer
- In Feb. 2022, DeCurret Holdings divested its crypto asset business to dedicate its business resources to digital currency business

◆ DeCurret-related income (loss)

unit: JPY million							
1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
(306)	(273)	(207)	156	(296)	(256)	(780)	(1,456)

- IIJ ownership: 4Q19 30.0%, from 1Q20 41.6%, from 1Q21 38.2% is used to recognize gain and loss
- 3Q21 loss increased as it included temporary loss of ¥484 million due to the divestiture in addition to ordinal loss. 4Q21 loss includes ¥1.18 billion of loss as impairment on corresponding amount of goodwill (No more loss related to the divestiture)
- 4Q20 income includes a gain on changes in equity of ¥349 million arisen from the issuance of common stock

Digital Currency Settlement Platform Business (mainly BtoB)

◆ Plan to launch digital currency platform services in the latter half of FY23

◆ Executing PoCs with various companies

- Apply Smart Contract to calculate fees & execute payment for trade transaction (Mitsubishi Corporation, NTT),
- Test electricity trading through virtualized data (ENERES)
- Execute store settlement at LAWSON, convenience store chain (Kansai Electric Power)
- Issue digital coupon in anticipation of temporary special benefit for child-rearing households (Kesenuma & Aizuwakamatsu cities) etc.

◆ About Digital Currency Forum (DeCurret as a facilitator)

- Number of members: 83 as of Apr. 2022
 - Not only companies but also local government such as Tokyo is a member
- Observers: FSA, METI, BOJ and other regulators
- Several working groups:
 - Electricity trading
 - Digital coupons and others for local government services
 - Logistics

FinTech Business through DeCurret (2)

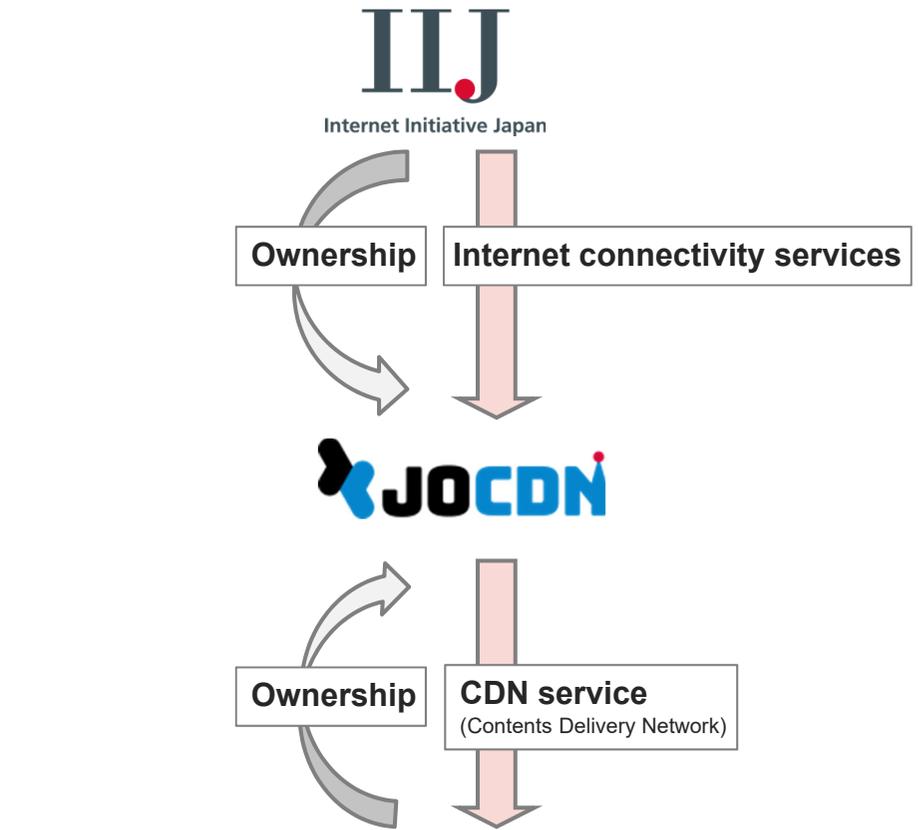
Shareholders of DeCurret (35 companies)

- Internet Initiative Japan Inc. (Ownership: 38.2% as of Mar. 31,2022)
- KDDI CORPORATION
- NTT Corporation
- Sumitomo Mitsui Banking Corporation
- MUFG Bank, Ltd.
- JAPAN POST BANK Co., Ltd.
- ITOCHU Corporation
- OPTAGE Inc.
- QTnet, Inc.
- KONAMI HOLDINGS CORPORATION
- Sumitomo Life Insurance Company
- SOHGO SECURITY SERVICES CO., LTD.
- SOMPO Light Vortex Inc.
- The Dai-ichi Life Insurance Co., Limited
- Daido Life Insurance Company
- Daiwa Securities Group Inc.
- Tokio Marine & Nichido Fire Insurance Co., Ltd.
- Nippon Life Insurance Company
- Nomura Holdings, Inc.
- East Japan Railway Company
- BicCamera Inc.
- Mitsui Sumitomo Insurance Company, Limited
- Mitsui Fudosan Co., Ltd.
- Mitsubishi Corporation
- Meiji Yasuda Life Insurance Company
- Yamato Holdings Co., Ltd.
- ITOCHU Techno-Solutions Corporation
- Chubu Electric Power Co., Inc.
- Dentsu Group Inc.
- Hankyu Hanshin Holdings Inc.
- Matsui Securities Co., Ltd.
- Energia Communications, Inc.
- Toppan Printing Co., Ltd.
- SBI Holdings, Inc.
- SECOM CO., LTD.

CDN Business through JOCDN

Company Profile	
Name	JOCDN Inc. (IIJ's equity method investee)
IIJ Ownership	16.8%
Capital	JPY845 million (including capital reserve)
Established	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 company JOCDN

- Akamai Technologies (global leader in CDN services, US company) has been dominating CDN market in Japan.
- Growing needs to distribute contents over Internet
- Broadcasting companies distributing contents via Internet
 - Nippon TV bought Hulu Japan in 2014
 - Japanese broadcasting companies operate "TVer" (web platform where viewers can watch certain 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

JOCDN's shareholders & other Japanese broadcasters

TVer

TBS

Fuji TV

Nippon TV

TV Tokyo

TV Asahi

TVer is system developed jointly by major commercial television networks in Japan to broadcast TV programs over Internet etc.

And more

Initiatives for Sustainability

IJJ's Material Issues



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



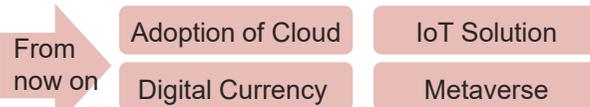
Provide safe and robust Internet services that support social infrastructure



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

◆ Bringing innovation with IP

Online banking/brokerage	CDN	Smart Government
Online shopping	Telehealth	Remote work



◆ Initiatives at our owned data centers

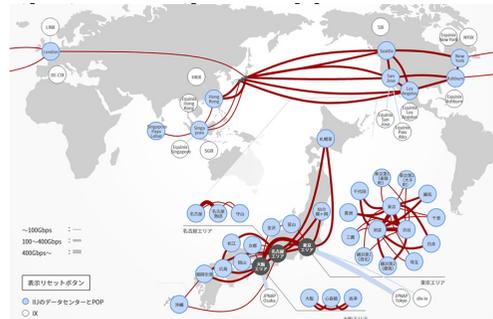
Matsue Data Center Park

- First in Japan to use outside air-cooled container data center (Opened in 2011 in Shimane)
- Auto-select and save energy based on temperature and humidity situation by incorporating container-based IT modules
- PUE:1.2 range
- Adoption of renewable energy

Shiroy Data Center Campus

- System module-based construction method to realize flexible expansion (Opened in 2019 in Chiba)
- Cuts and shifts peak of energy demand by using Powerpack battery

◆ Provide stable and safe Internet connectivity services, construct and operate Internet backbone



◆ Support privacy protection regulations including GDPR

◆ Corporate culture of taking initiatives and challenging new things since the inception

- “Select Job,” open call concurrent job system that supports self-motivated career development
- In addition to official training programs, systems to help realize new technology and services through “Tech Challenge”

◆ IJJ's turnover rate is lower than the industry average turnover rate

FY19	FY20	FY21
4.6%	3.6%	4.2%

Initiatives for Corporate Governance

- Independent outside directors
- Operation of the Nomination and Remuneration Committee (2 representative directors, 4 independent outside directors)
- Planned BOD after Jun. 28, 2022: 14 directors (of which 1 female, of which 5 independent outside directors)

• PUE(Power Usage Effectiveness) is a metric that shows how efficiently electricity is used at a data center. The closer to 1.0 is considered to be good.
 • IJJ's turnover rate is calculated by dividing leavers for the fiscal year by the number of full-time employees at the beginning of that fiscal year. The industry average turnover rate is announced by the Ministry of Health, Labor, and Welfare



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.