

Corporate Overview of Internet Initiative Japan (IIJ)

Internet Initiative Japan Inc. (IIJ)

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

November 2023

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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- FY23 (FY2023) stands for a fiscal year ending March 31, 2024. Others alike
- Abbreviation: NW stands for network, SI stands for systems integration, DC stands for data center, ¥ (JPY) bn stands for JPY billion

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 Updates

1

Business domain expanding to cover entire private NW_(network)

- Enterprise private NW and systems in Japan finally becoming to change
- Acquiring large-scale comprehensive NW renewal projects
- Service Integration model works (provide NW services products with SI function)

2

Internet technology expertise as differentiation becoming critical

- Reliable and stable NW operation is indispensable
- Large number of talented Internet-related engineers
- Wide range of in-house developed NW services

3

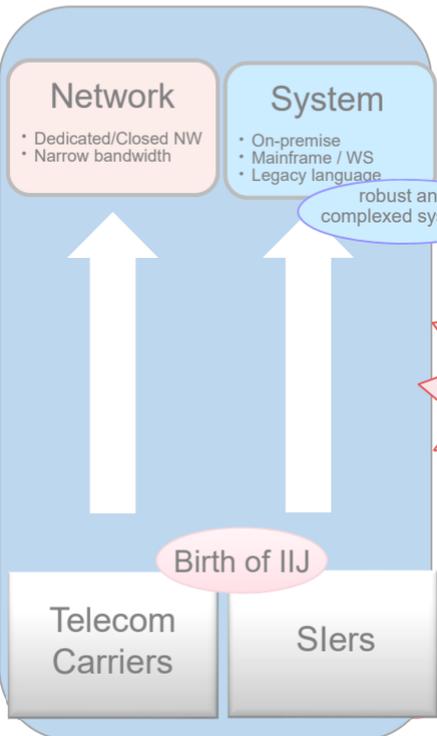
Entering into high revenue growth phase, which results in economics of scale

- Adding to consistent accumulation of MRR (monthly recurring revenue), Service Integration becoming large
- Leveraging the current royal Internet access services' client base
- Margin improve with accumulation of MRR, whose cost are mainly NW operation's common ones

Enterprise private NW and systems in Japan becoming to change

30yrs ago

Carriers & Slers each covered private NW & systems



Emergence of Internet

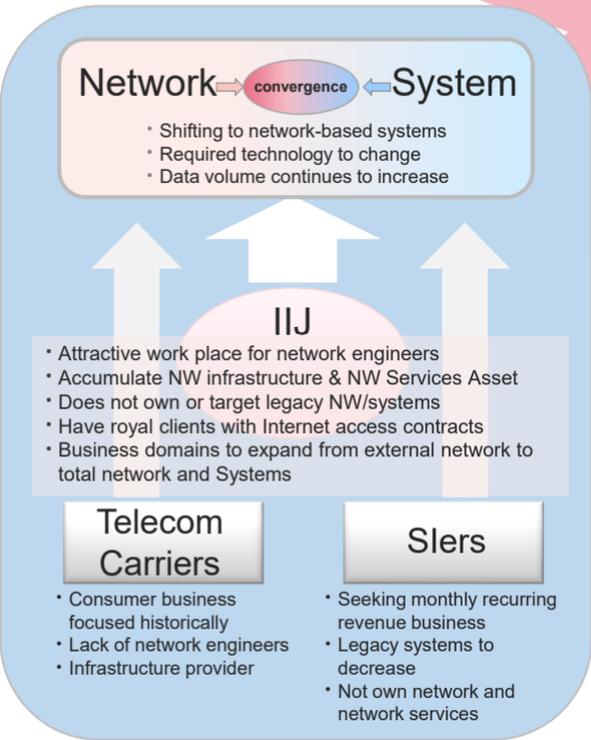
Struggling switch to open systems



Nowadays

Growing demand for NW-based systems incorporating Internet technologies

- High Speed/Capacity Network
- CPU/Storage Performance Improve
- Internet Usages Progressed
- Security for various incidents
- Zero Trust Concept
- Gradual Cloud Shift
- Data Analysis and AI
- Preliminary IoT usages
- Still slow move in conservative Japan
- IT adoption at last forced by Pandemic



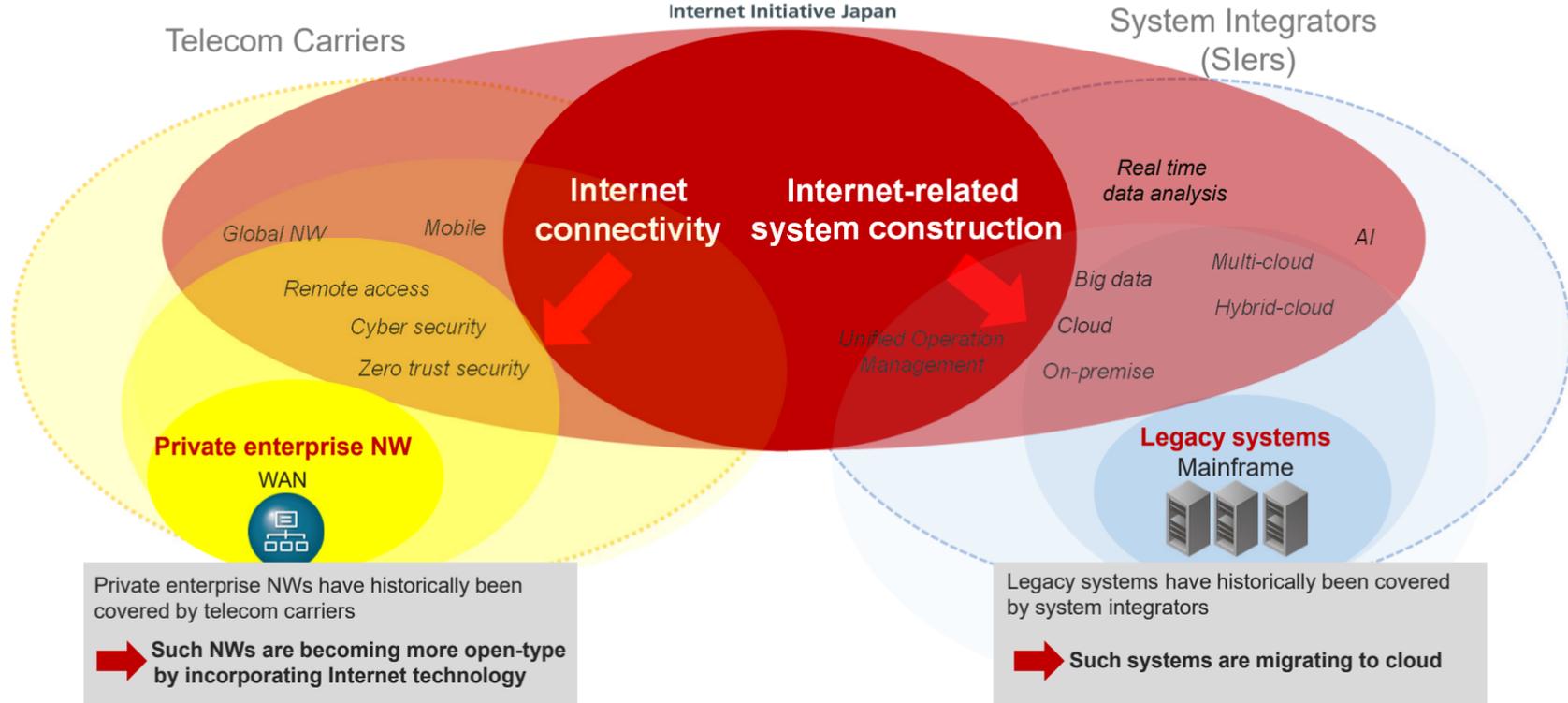
- Labor shortage require more IT
- Japan needs more competitiveness by IT
- Every CEO says DX (Digital Transformation)
- Legacy NW and Systems to be reformed
- Internet Traffic Continue to Increase
- Cyber Security Demands
- Importance for Data governance
- Cloud Systems Penetration
- 5G SA adoption and advanced IoT projects
- Importance of stable operation of large-scale NW remains unchanged

Business domain expanding

- Private enterprise network (NW) & legacy systems are becoming more NW-based



Internet Initiative Japan



Private enterprise NWs have historically been covered by telecom carriers

➔ Such NWs are becoming more open-type by incorporating Internet technology

Legacy systems have historically been covered by system integrators

➔ Such systems are migrating to cloud

Large-scale NW renewal projects with Service Integration model

(Provide NW services products with SI function)

➤ Typical large-scale NW renewal projects

Construction & operation of educational information network "CABINET" for Chiba city Board of Education (project period: 5 years, revenue in total: ¥12 bn)

- Bandwidth-guaranteed Internet connectivity of 300Gbps directly from IIJ's DC, WAN network to connect all of the city's public schools, etc.

Next generation NW system covering a few thousand branches

Full-scale renewal of office NW (LAN, wireless NW, NW equipment)

Adoption of Zero trust architecture for next generation IT infrastructure

Construction of private cloud for core operation systems

Renewal of university core NW infrastructure and education system

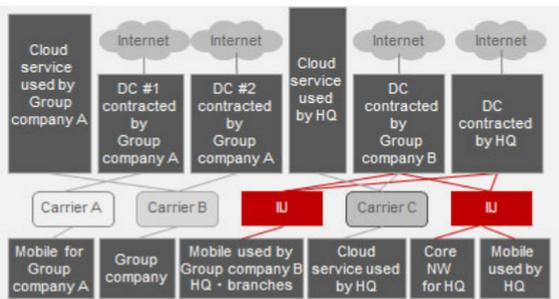
SASE for global and domestic location

Comprehensive security consulting and next generation security system for a financial institution

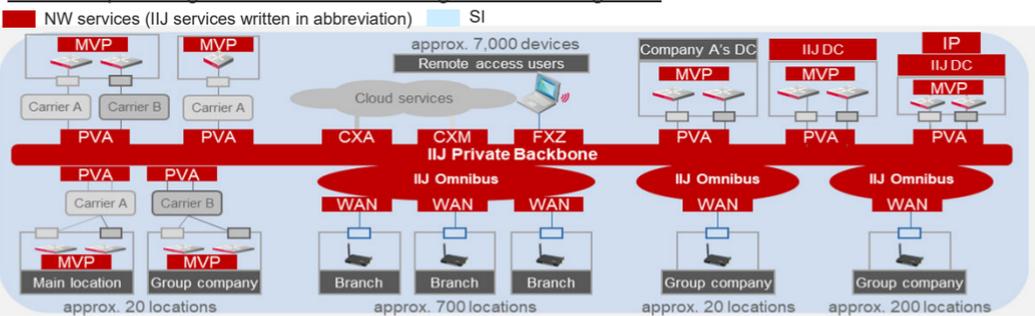
Full scale renewal of internal virtual platform system

➤ Example of large-scale Service Integration project

IIJ was only providing a part of WAN



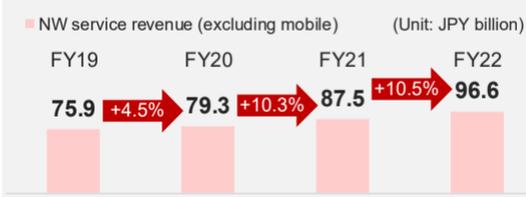
IIJ will be providing various NW services together with integration



For the acquired large-scale complex flagship projects incorporating NW services, please refer to page 27 of this presentation material

➤ Favorable order situation

- ◆ Service Integration projects include both SI and NW services
- ◆ Seeing longer lead-time to complete large transactions to the moment



• In FY20, WAN service revenue decreased by 7.1% due to certain clients' migration to mobile

NW Services (monthly recurring revenue) as Profit Growth Driver - Economies of Scale -

Profit Model of NW Services

Revenue

Connectivity services

IP (Internet Protocol) service Details in P.28

- Contracted based on bandwidth
- Contract period: 1 year, generally auto-renew
- Low churn rate, royal clients for 30 years

WAN (Wide Area NW) service

Mobile service Details in P.36 - 39

Security services

DDoS protection, Firewall, SOC, etc.

- Contracted based on number of accounts
- Contract period: 1 year, generally auto-renew
- Cross-selling to IP service clients

Details in P.33- 35

Various in-house developed services

Remote access, DNS, monitoring, etc.

- Contracted based on number of accounts
- Contract period: 1 year, generally auto-renew
- Cross-selling to IP clients

Details in P.26

Cost

Mainly common and shared cost to operate NW

Leasing cost
for Internet backbone, WAN lines and leased DCs, etc.

Depreciation & Amortization
cost for NW equipment, etc.

Personnel cost
for engineers
(service development & operation, etc.)

Outsourcing cost
(mobile-related, outsourcing personnel, maintenance, etc.)

Historical track record of NW services gross margin					
FY18	FY19	FY20	FY21	FY22	FY23 (forecast)
14.6%	16.3%	21.4%	27.8%	27.5% *	28%

Intend to enhance NW services revenue accumulation by Service Integration strategy

* FY22 gross margin slightly decreased due to the decrease in mobile business margin, which is part of NW services, mainly because of an increase in marketing cost such as low price hand-set offering
 • Among NW service revenues, WAN, mobile and part of security services have variable cost which fluctuates depending on revenue

Summary of Key Updates

- 1. Networks and systems in Japan are finally becoming to change**
- 2. Expect business scale to largely expand with Service Integration which includes NW services in the middle-to-long term**
- 3. Margin should continuously improve by the accumulation of MRR** (Monthly Recurring Revenue)

About IIJ (From ISP to Total NW Solution Provider, etc.)

P. 9 – 14

Business Model (Monthly recurring revenue accumulation, etc.)

P. 15 – 17

Strength (Service development capabilities, customer base, etc.)

P. 18 – 20

Growth Strategy (Mid-term plan & growth drivers)

P. 21 – 24

Company Profile

IJ has been taking initiatives in Internet Infrastructure field in Japan

Established	December 1992 (The first established full-scale ISP in Japan)
Number of Employees	4,750 (approx. 70% engineers)
Large Shareholders	NTT Group, KDDI, ITOCHU Techno-Solutions (CTC), Koichi Suzuki, Global Alpha Capital Management

◆ The first established full-scale ISP (Internet Service Provider) in Japan

- ✓ Introduce many in-house developed Internet-related network services
- ✓ Highly skilled IP (Internet Protocol) engineers from the inception
- ✓ Operate one of the largest Internet backbone networks in Japan

◆ Well recognized “IJ” 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 since the establishment of IJ

◆ Development of innovative Internet-related services

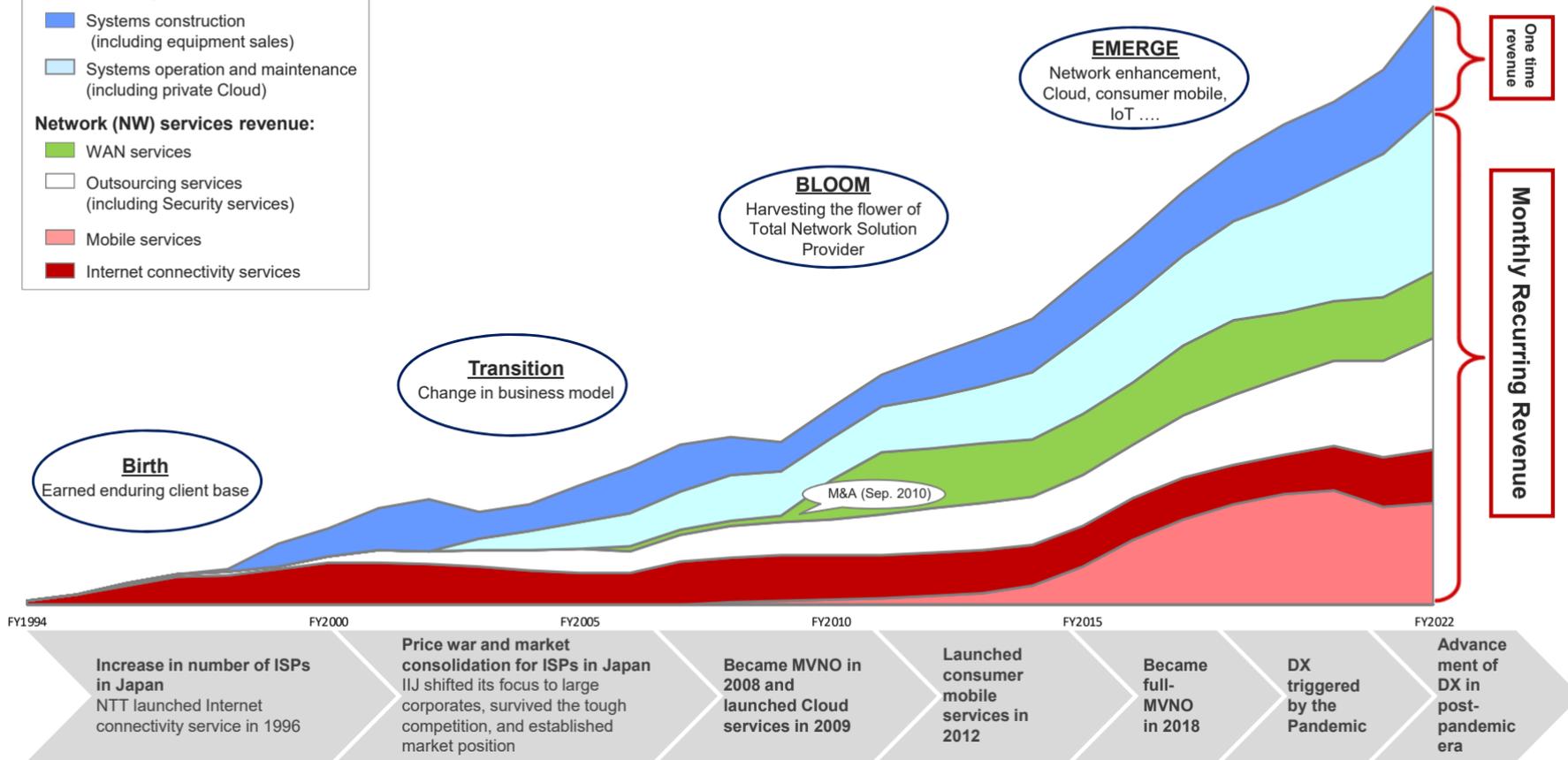
- ✓ Differentiate by continuous network service developments and business investments
- ✓ Focus on Cloud, mobile, security, solutions related to Big Data, IoT and data governance
- ✓ Always ahead of telecom carriers and systems integrators (Slers) with regards to services development and operation

and many more

• Number of employees is on the consolidated basis, and large shareholders are as of Sep. 30, 2023, except for Global Alpha whose holding is based on their Large Volume Holding Report filing as of Oct. 2023

From ISP to Total NW Solution Provider

- Systems Integration (SI) revenue:**
- Systems construction (including equipment sales)
 - Systems operation and maintenance (including private Cloud)
- Network (NW) services revenue:**
- WAN services
 - Outsourcing services (including Security services)
 - Mobile services
 - Internet connectivity services



IJ as a Total NW Solution Provider

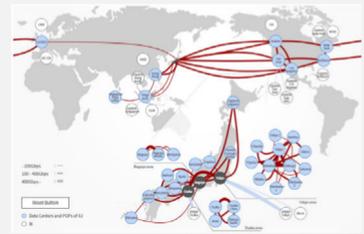
Offers various network services and systems integration together in many projects

Approx. **14,000 customers** (as of Mar. 31, 2023)
 (Japanese companies, central government agencies, local governments, consumer ISPs universities and more)



Major cost components of Network services (mostly non-revenue linked cost)

- Fiber leasing cost for Internet backbone and WAN access line
- Depreciation cost and maintenance cost of NW equipment
- Personnel cost for NW service development and operation and outsourcing cost
- Data center operation cost, etc.
- Mobile data interconnectivity and voice service purchasing cost for mobile services



IJ's Backbone Network

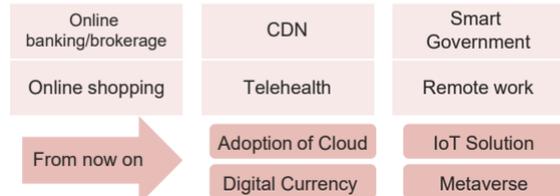
Initiatives for Sustainability

IJJ's Material Issues



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

◆ Bringing innovation with IP



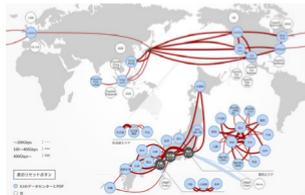
◆ Information disclosures based on the TCFD Recommendations

- Reduce greenhouse gas emissions at its own data centers which consume about 80% of all electricity consumption by "usage of renewable energy" and "improvement of energy conservation"



Provide safe and robust Internet services that support social infrastructure

◆ Provide stable and safe Internet connectivity services, construct and operate Internet backbone that cover the world



◆ Support privacy protection regulations. Had acquired EU BCR and APEC CBPR



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

- ◆ Corporate culture of taking initiatives and challenging new things since the inception
- ◆ Human resources culture of sincerely striving to meet the demands of clients
- ◆ Lower than the industry average turnover

FY19	FY20	FY21	FY22
4.6%	3.6%	4.2%	3.8%

◆ Target for diversity: the ratio of female managers

Apr. 2022	Apr. 2023	FY24 target	FY27 target
5.7%	6.3%	6% or more	8% or more

(Achieved in Apr. 2023)

Measures	Targets	FY22 results
Usage of renewable energy	To increase the renewable energy usage rate of data centers (Scope 1 and 2) to 85% in FY2030	46.1%
Improvement of energy conservation	To keep the PUE of the data center at or below the industry's highest level (1.4) until FY2030 through continuous technological innovation	Matsue: 1.33 Shiroi: 1.31

IJJ's ESG rating by MSCI has been updated to "A" in September 2023

More information on IJJ's corporate governance: <https://www.ijj.ad.jp/en/ir/integrated-report/governance/>

Overview of corporate governance	Operation of the Board of Directors	Design of Remuneration for Directors
Operation of the Nomination and Remuneration Committee	Business Operation	Operation of the Board of Company Auditors
Operation of Internal Audit	Initiatives for Information Security	Related Party Transactions

- 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
- TCFD: Task Force on Climate-related Financial Disclosures
- Scope 1 and 2 (Greenhouse gas emissions by a company): Direct emissions from the use of fuels and industrial processes at the company and indirect emissions from the use of electricity and heat purchased by the company (as defined by the GHG Protocol)
- The turnover rate of IJJ (non-consolidated basis) 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 of approx. 10% is announced by the Ministry of Health, Labor, and Welfare

Management Structure



Koichi Suzuki

- Founder of IJ
- Chairman, Representative Director and co-CEO
- Holdings of IJ share: 10,641,389 shares (6.0%)
- Date of birth: September 1946



Eiji Katsu

- President, Representative Director and co-CEO & COO
- Career: Vice Minister of Finance
- Holdings of IJ shares: 208,495 shares (0.1%)
- Date of birth: June 1950



Satoshi Murabayashi

- Executive Vice President and Director (since June 2021)
- Career: CIO at MUFG Financial Group, Inc.
- President and Representative Director of DeCurret Holdings, IJ's affiliated company, as a concurrent position
- Holdings of IJ shares: 5,819 shares (0.0%)
- Date of birth: November 1958



Yasuhiko Taniwaki

- Executive Vice President and Director (since June 2022)
- Career: Vice-Minister for Policy Coordination of Posts and Telecommunications at the Ministry of Internal Affairs and Communications (MIC)
- Holdings of IJ shares: 2,417 shares (0.0%)
- Date of birth: September 1960

Full-time Directors

Senior Managing Directors

- K. Kitamura
- A. Watai (CFO)

Managing Directors

- T. Kawashima
- J. Shimagami (CTO)
- N. Yoneyama (CIO)

Outside Independent Directors: (of which, 1 female. Outside independent director is 35.7% to the total directors)

- T. Tsukamoto Senior Advisor of Mizuho Financial Group, Inc.
- K. Tsukuda Former Chairman and Representative Director of Mitsubishi Heavy Industries, Ltd.
- Y. Iwama Outside Director and Chairman of the Board of Nikko Asset Management Co., Ltd. Former Chairman of Japan Securities Investment Advisers Association
- A. Okamoto Former President and CEO of Iwanami Shoten, Publishers (one of the best publishing houses in Japan)
- K. Tonosu (Ms.) Outside Director of JAPAN POST INSURANCE Co., Ltd. Former Board member of Deloitte Touche Tohmatsu LLC

Company Auditors

(of which, 3 outside, 1 female)

- K. Ohira
- M. Tanaka (Ms.)
- T. Michishita (attorney)
- K. Uchiyama (CPA)

Remuneration for full-time directors

Annual salary	Fixed monthly remuneration	Cash	67% - 71%
Substitution for retirement allowance	Fixed remuneration	Stock-option	6% - 11%
Performance-linked remuneration	Variable remuneration	Restricted stock	22% - 24%

(Note) Above percentages are in the case of full paid performance-linked remuneration. Performance-linked remuneration varies (0 - 4 months) along with financial performance

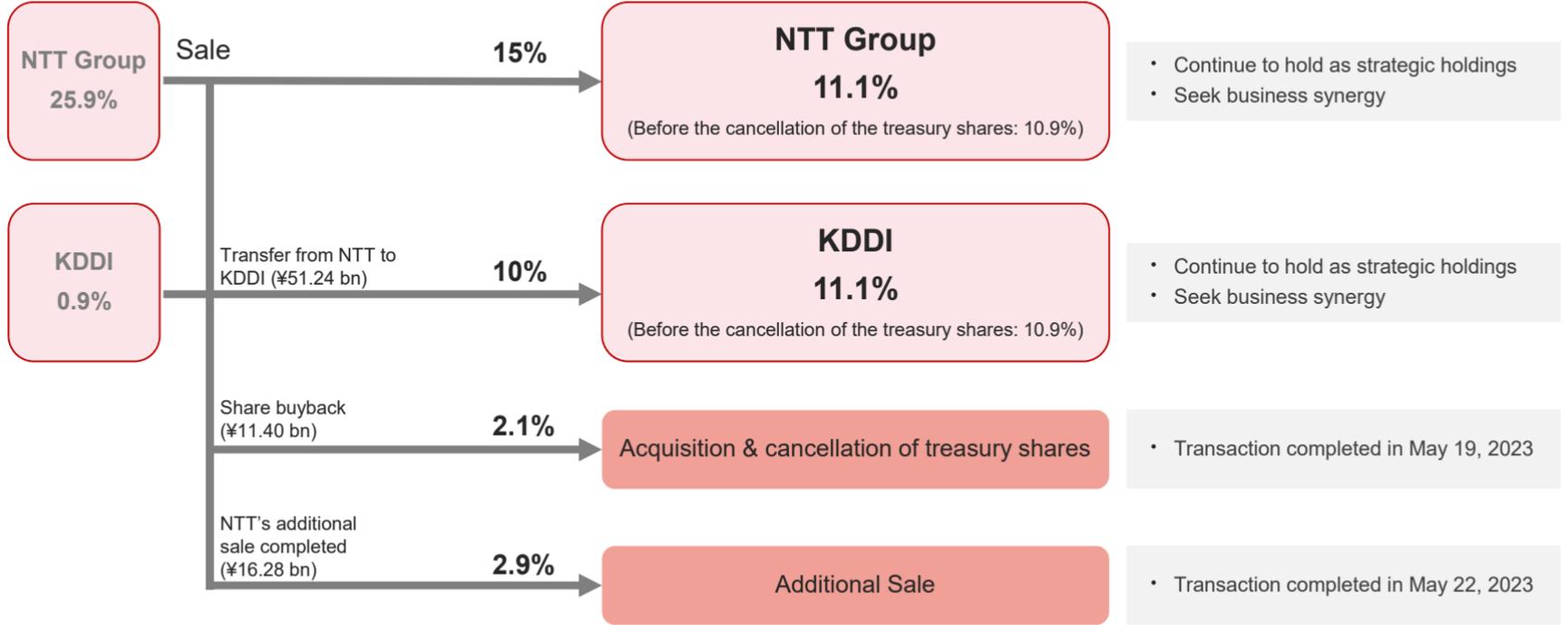
Interview with outside director, Mr. Tsukamoto, can be found here

- https://www.ijj.ad.jp/en/ir/integrated-report/outside_director/

Change in Largest Shareholders

As of Mar. 31, 2023

As of Sep. 30, 2023



- NTT Group includes NTT and NTT Communications
- "%" which is shareholding percentage is calculated by the total number of shares outstanding

SWOT of IJ

Strength

High technological capabilities

- ◆ First full-scale ISP in Japan
- ◆ Highly skilled Internet-related engineers
- ◆ NW service development & operation capabilities
- ◆ One of the largest Internet backbone NWs in Japan
- ◆ Reliable Internet backbone operation
- ◆ Excellent customer base
- ◆ Corporate culture of pioneering spirit

Weakness

- ◆ Business domain mostly in Japan
 - IJ's overseas business is mainly global NW operation and is to increase Japanese clients' loyalty
- ◆ Smaller in size compared to competitors
 - IJ continuously develops innovative NW services and solutions to be ahead of the market needs

Opportunity

Digitalization (DX) in Japan

- ◆ NW, CPU and storage are becoming faster and larger, Domains of NW and systems are converging
- ◆ Internet traffic increasing
- ◆ Security demands expanding: zero trust and cyber security
- ◆ Cloud shift
- ◆ Japan, slow IT adopter, including public sector is changing triggered by the Pandemic・Digitalization to advance

Threat

- ◆ Slow IT adoption in Japan
 - IJ focuses on promoting digitalization of large Japanese companies with various NW services and systems integration to fully meet their needs

Extensive Service Lineup

Unit: ¥ (JPY) billion (bn)

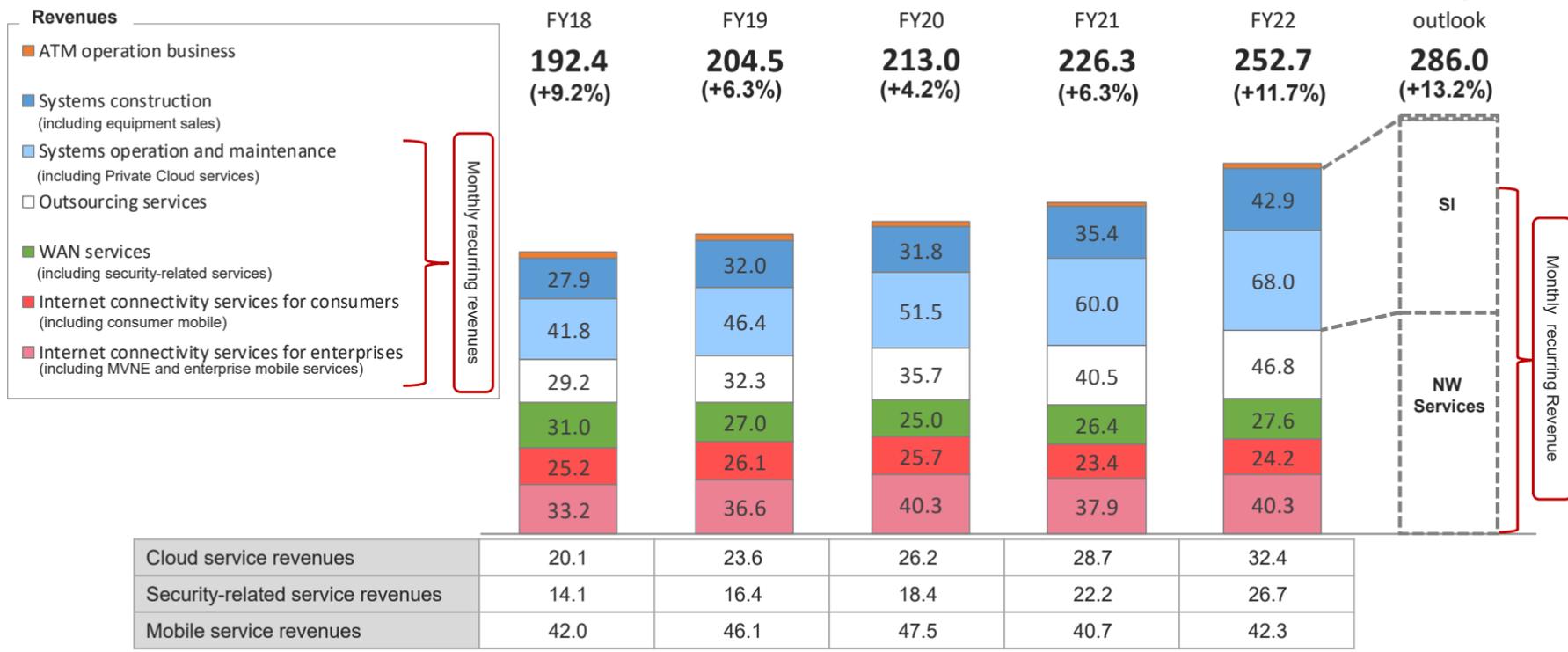
About IJ	Business Model
Strength	Growth Strategy

Revenue category		FY22 revenue	About		Business Situation & Outlook											
NW services	Internet connectivity services for enterprise	40.25	<table border="1"> <tr> <td>IP</td> <td>14.84</td> <td> <ul style="list-style-type: none"> Core service providing from the foundation Highly reliable dedicated connectivity services for enterprise (multi-carrier, redundancy, etc.) Contracts are based on bandwidth Enterprises use the service for their main Internet line </td> </tr> <tr> <td>Mobile</td> <td>21.25</td> <td> <table border="1"> <tr> <td>Enterprise mobile (IoT usages, etc.)</td> <td>11.18</td> </tr> <tr> <td>MVNE (Proving to other MVNOs)</td> <td>10.07</td> </tr> </table> </td> </tr> </table> <p>(Others) Broadband Internet services, etc.</p>	IP	14.84	<ul style="list-style-type: none"> Core service providing from the foundation Highly reliable dedicated connectivity services for enterprise (multi-carrier, redundancy, etc.) Contracts are based on bandwidth Enterprises use the service for their main Internet line 	Mobile	21.25	<table border="1"> <tr> <td>Enterprise mobile (IoT usages, etc.)</td> <td>11.18</td> </tr> <tr> <td>MVNE (Proving to other MVNOs)</td> <td>10.07</td> </tr> </table>	Enterprise mobile (IoT usages, etc.)	11.18	MVNE (Proving to other MVNOs)	10.07	<table border="1"> <tr> <td>IP</td> <td> <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 </td> </tr> </table>	IP	<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
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WAN (Wide Area NW)	27.63	Closed NW used to connect multiple sites		Stable market in the long-term												
Outsourcing	46.81	<p>Various in-house developed Internet-related service line-ups</p> <table border="1"> <tr> <td>Security</td> <td>26.74</td> <td> <ul style="list-style-type: none"> Managed security services, Security Operation Center services and so many more </td> </tr> <tr> <td>Public Cloud</td> <td>2.82</td> <td> <ul style="list-style-type: none"> Offered as a part of Cloud service line-ups </td> </tr> </table>		Security	26.74	<ul style="list-style-type: none"> Managed security services, Security Operation Center services and so many more 	Public Cloud	2.82	<ul style="list-style-type: none"> Offered as a part of Cloud service line-ups 	<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 						
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SI	Operation and Maintenance	68.00	<table border="1"> <tr> <td>On-premise Systems</td> <td>38.39</td> <td> <ul style="list-style-type: none"> Operation and maintenance of constructed systems </td> </tr> <tr> <td>Private Cloud, etc.</td> <td>29.61</td> <td> <ul style="list-style-type: none"> Promote Cloud shift with abundant, highly reliable, value-added private Cloud related service line-ups </td> </tr> </table>	On-premise Systems	38.39	<ul style="list-style-type: none"> Operation and maintenance of constructed systems 	Private Cloud, etc.	29.61	<ul style="list-style-type: none"> Promote Cloud shift with abundant, highly reliable, value-added private Cloud related service line-ups 	<ul style="list-style-type: none"> Expect great business opportunity in the mid-to-long term as internal IT systems migrate to Cloud Revenue to increase continuously along with accumulation of construction projects 						
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Construction (including equipment sales)	42.95	System construction related to office IT, security, Cloud, IoT, Internet-related construction such as online banking & brokerage, NW 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 82%

One time revenue

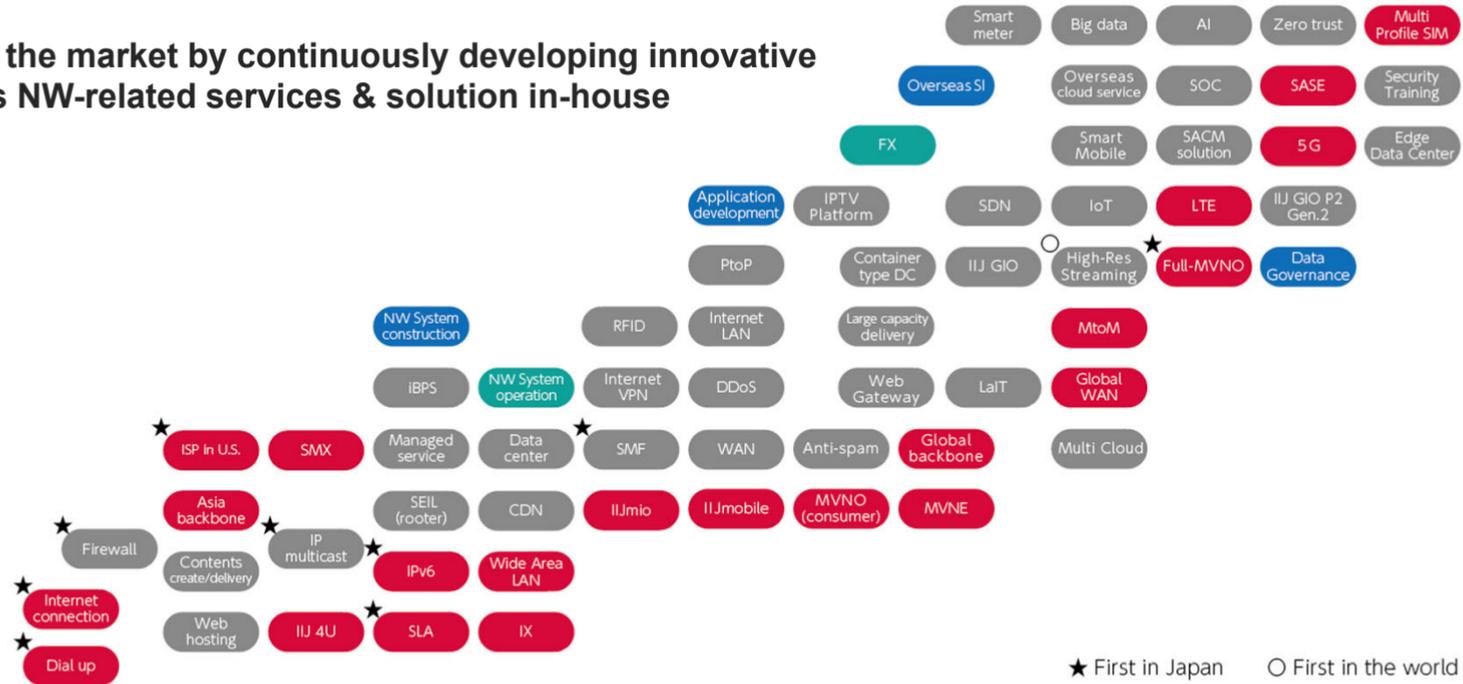
Monthly Recurring Revenue Accumulation



- 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 IJ'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)

Service & Solution Development Capability

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



★ First in Japan ○ First in the world



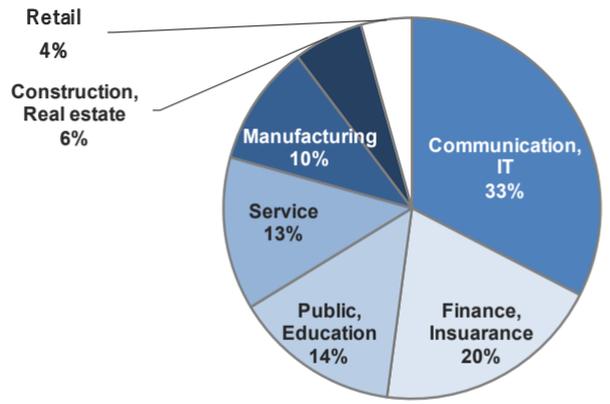
Excellent Customer Base (Number of IJ Group's clients: approximately 14,000 as of March 31, 2023)

- ◆ Through reliable operation, continuous use of Internet connectivity services since the inception of IJ
- ◆ Our reliable infrastructure operation and cross-sell strategy have led to low churn rate

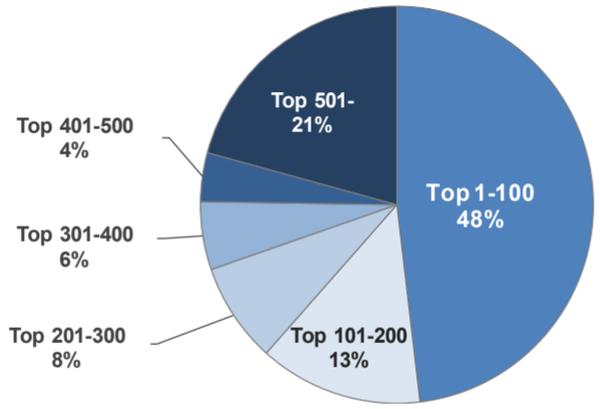
Cover Most of Top Revenue Companies



Client Distribution by Industry



Client Distribution by Revenue Volume

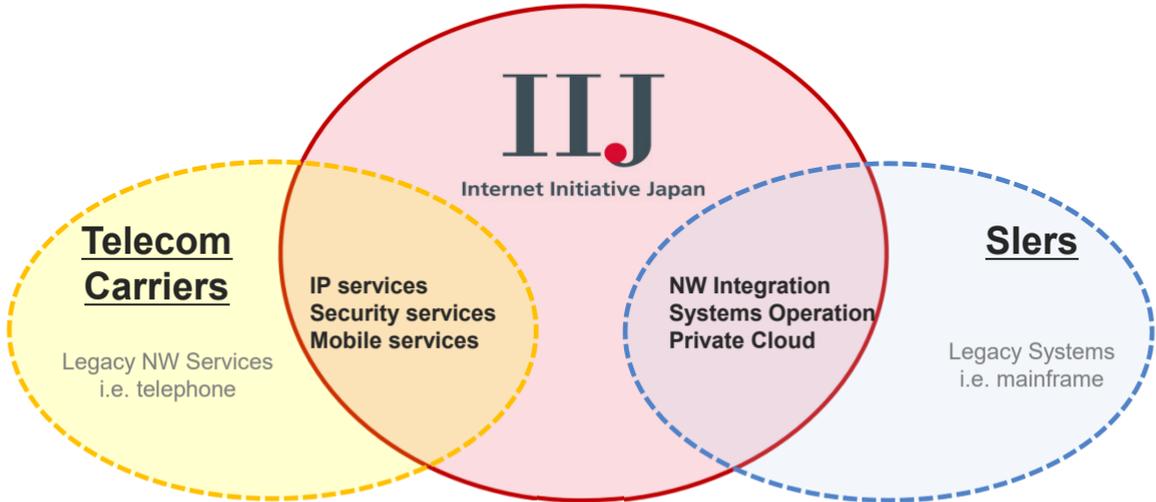


- * Top ten firms in each industry taken from annual revenues are selected by IJ based on the Yahoo! Japan Finance website (finance/sales/whole market/daily).
- * The service penetration and the revenue distributions are based on IJ's FY22

Competitive Advantages

- Against telecom carriers, IIJ**
- Has highly skilled IP (Internet Protocol) engineers
 - Is faster to move than bureaucratic organizations
 - Focuses on blue-chip companies' IT needs with SI

- Against systems integrators (Slers), IIJ**
- Operates one of the largest Internet backbone (Slers do not)
 - Has NW services asset and development capability (Slers do not)
 - Focuses on Internet-related open type systems



**IIJ deals with newer systems and growing IT market
(Not involved in heavy and legacy systems)**

Mid-term Plan (FY21-FY23)

Unit: ¥ (JPY) bn

About IJ
Strength
Business Model
Growth Strategy

Previous Mid-term (FY15 - FY20)

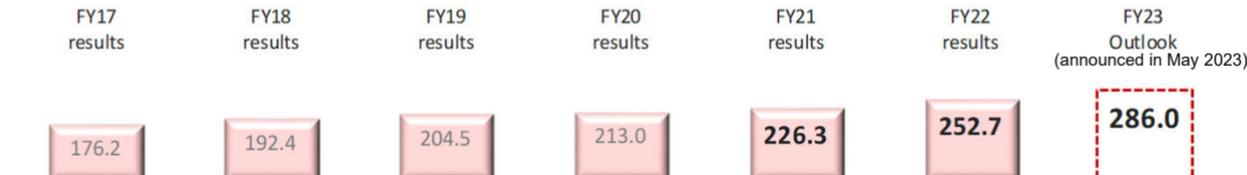
Current Mid-term (FY21 - FY23)

Longer term growth (FY24 -)

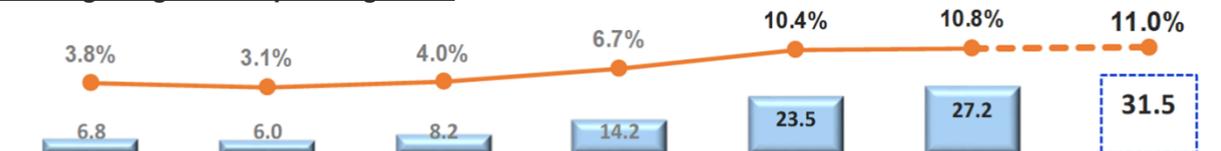
Initial mid-term plan target (announced in May 2021)

Revenue: ¥270 bn, Operating margin: over 9%
(updated to 11.5% in May 2022)

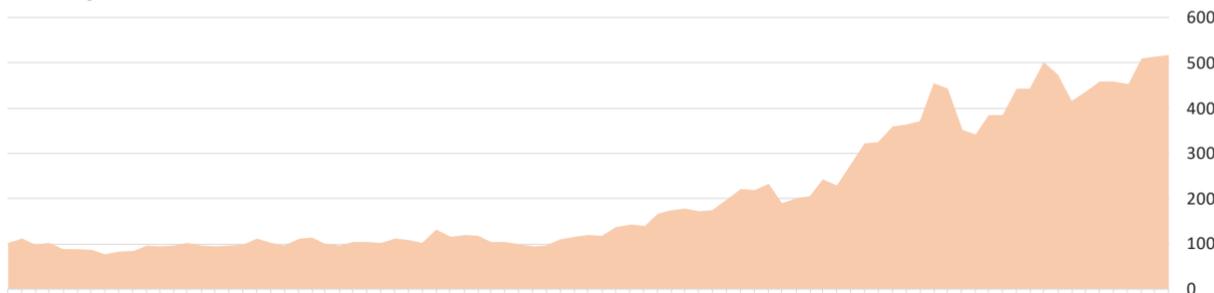
Revenue



Operating Margin and Operating Profit

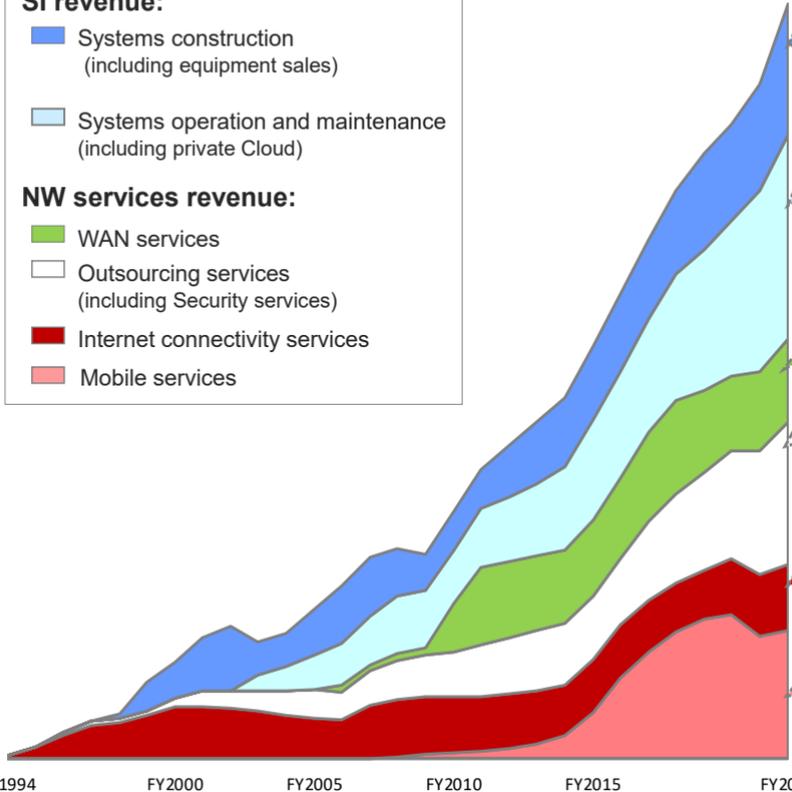


Market capitalization



- ◆ Plan to largely expand business in the long term
- ◆ Continuously seek business investment & M&A opportunities
- ◆ Expect market capitalization to further increase

Long-term Growth Outlook



Future outlook

Migration of legacy systems requires customization with systems construction

- Approx. 80% of Japanese corporates are faced with legacy systems issues*
- Legacy systems are transforming to NW-based systems to which IJ can leverage its Service Integration model (provide NW services as part of SI projects)

Cloud migration among Japanese blue-chip should continue to take place

- IJ is one of the few Japanese cloud service providers with great client base

Structurally increase along with continuous accumulation of construction projects most of which have operation & maintenance phase

WAN shall be a required element in enterprise private NW

- IJ, an independent ISP, can offer multi-carrier WAN.

Cyber security demands continuously increasing

- IJ has great set of service leveraging NW traffic data obtained as an ISP

Various NW services to be offered through Service Integration

Internet traffic should continue to increase (Cloud, generated AI, CDN, etc.)

- IJ is one of the few reliable ISPs offering services to Japanese blue-chip for more than 30 years

Advanced usages of IoT projects to increase, in addition to the existing projects

- IJ can offer both NW services & SI to construct IoT systems

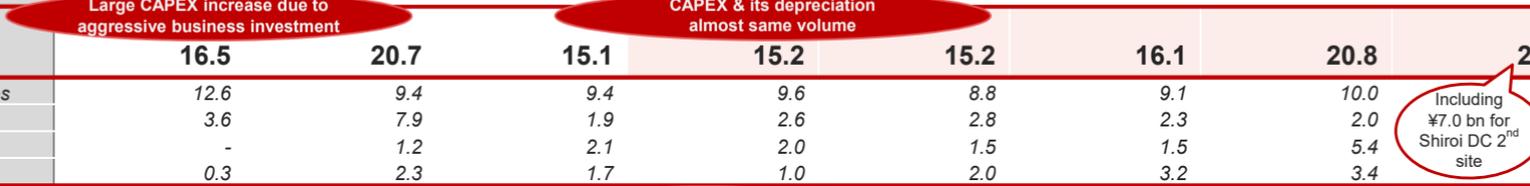
Stable and reliable operation

FY1994 FY2000 FY2005 FY2010 FY2015 FY2022

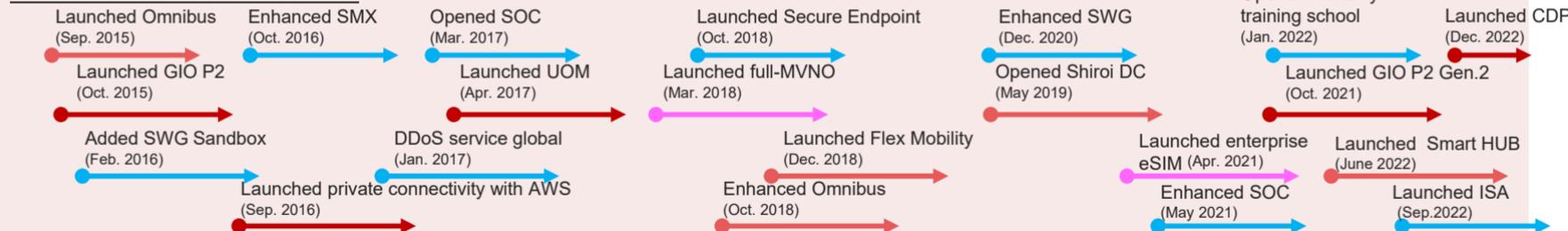
*According to The Ministry of Economy, Trade, and Industry published in September 7, 2018

Capex and Business Developments

	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23 targets
Revenues (¥ bn)	157.8	176.2	192.4	204.5	213.0	226.3	252.7	286.0
Operating margin	3.3%	3.8%	3.1%	4.0%	6.7%	10.4%	10.8%	11.0%
Operating profit (¥ bn)	5.1	6.8	6.0	8.2	14.2	23.5	27.2	31.5
CAPEX (¥ bn)	16.5	20.7	15.1	15.2	15.2	16.1	20.8	22.5
NW services	12.6	9.4	9.4	9.6	8.8	9.1	10.0	-
Cloud	3.6	7.9	1.9	2.6	2.8	2.3	2.0	-
Shiroi DC	-	1.2	2.1	2.0	1.5	1.5	5.4	-
SI, others	0.3	2.3	1.7	1.0	2.0	3.2	3.4	-
CAPEX-related depreciation and amortization (¥ bn)	10.9	12.1	13.9	14.4	14.5	15.1	15.3	-
Number of employees	3,104	3,203	3,353	3,583	3,805	4,147	4,451	-



Various NW Services Asset



• FY16: US-GAAP, from FY17: IFRS
 • CAPEX-related depreciation and amortization is calculated by excluding depreciation and amortization of assets that do not have the nature of capital investment, such as right-of-use assets related to operating leases, small-amount equipment and customer relationship
 © Internet Initiative Japan Inc.

Enhancement of Human Capital

◆ Lower than the industry average turnover rate

- IJ (non-consolidated base): FY19: 4.6%, FY20: 3.6%, FY21: 4.2%, FY22: 3.8%
- IJ can provide a wide range of experience which leads to high employee satisfaction
 - ✓ IJ provides a wide range of products: NW, security, Cloud, Mobile, IoT, system integration, etc.
 - ✓ Corporate culture of adopting new technology, aggressively engaging in new service development, etc.

◆ Basic policy of human resources is to continuously hire and train new graduates

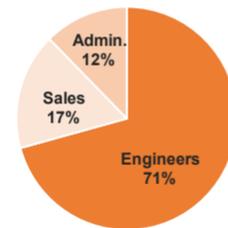
- New graduates who studied NW are attracted to IJ who is the first full-scale ISP in Japan

◆ Increase the size and quality of recruitment and human capital development

- Programs to promote autonomous career development by having working experiences at other departments and/or working at overseas subsidiaries.

◆ Expect further business expansion by seeking M&A opportunities, accelerate growth by acquiring human resources

Breakdown of Employees



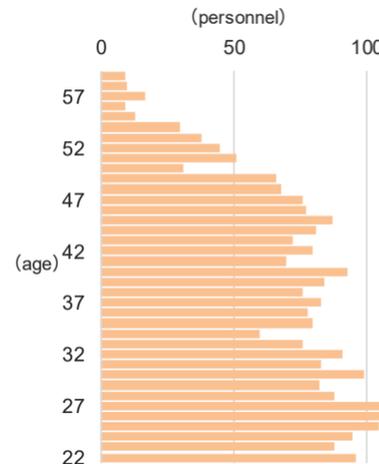
(As of Mar. 2023)

Revenue growth supported by the enhancement of human resources

	FY19	FY20	FY21	FY22
Total revenue	¥204.5 bn	¥213.0 bn	¥226.3 bn	¥252.7 bn
<i>Year over year</i>	+6.3%	+4.2%	+6.3%	+11.7%
	FY19-end	FY20-end	FY21-end	FY22-end
Total number of employees	3,583	3,805	4,147	4,451
<i>Year over year</i>	+6.9%	+6.2%	+9.0% *	+7.3%
Number of outsourcing personnel (SI)	1,123	1,270	1,319	1,385
	Apr. 2020	Apr. 2021	Apr. 2022	Apr. 2023
Number of new graduates	210	190	178	246

* We added 62 personnel through PTC consolidation (Apr. 2021)

Age composition of IJ's full-time workers



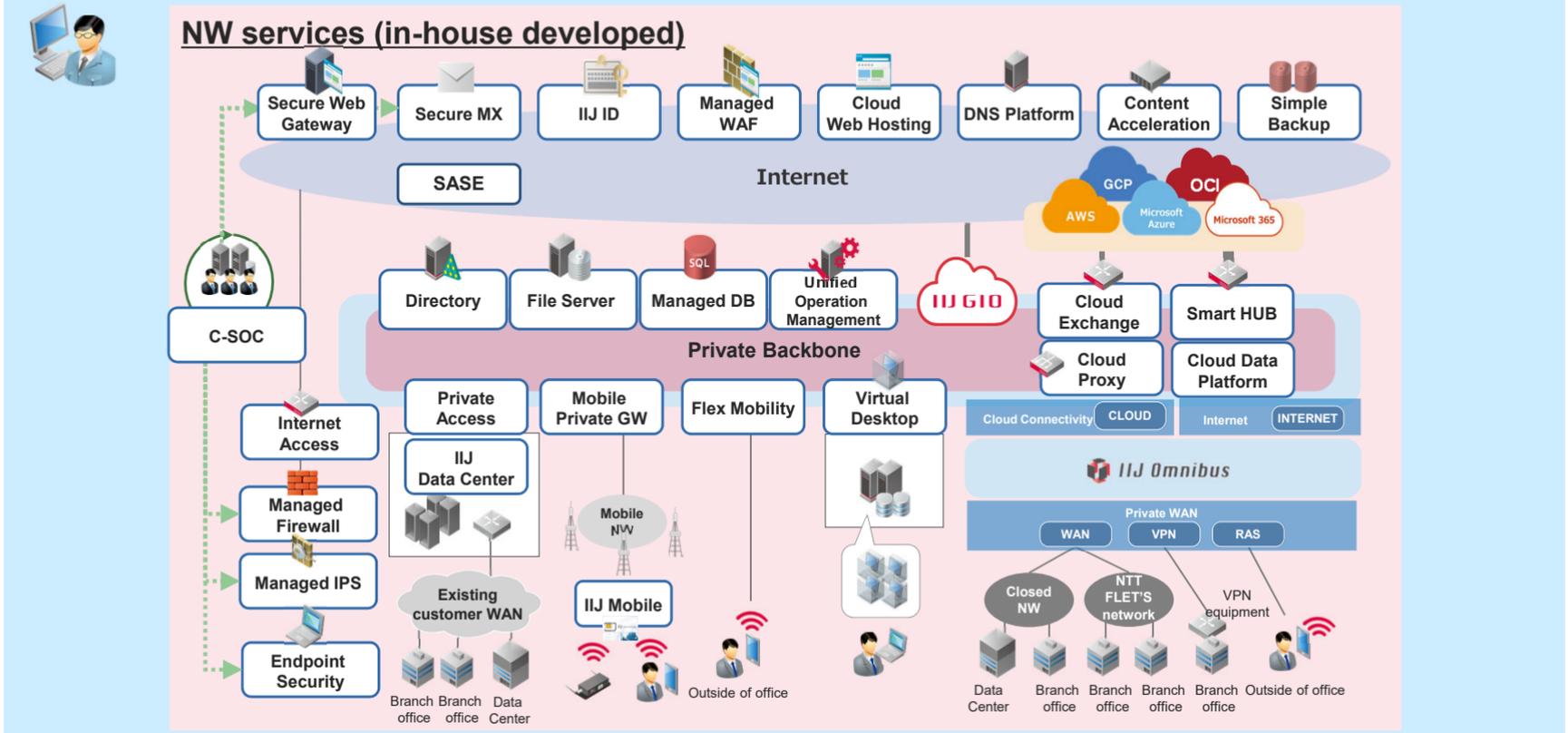
Service/Business Function

Comprehensive NW system solution with NW services and SI	P. 26
Timing of revenue recognition for large-scale complex flagship projects	P. 27
Enterprise NW Services	P. 28
Systems Integration (SI)	P. 29
Cloud Services	P. 30 – 32
Security Services	P. 33 – 35
Mobile Services	P. 36 – 39
IoT Services	P. 40 – 41
Data Centers (DC)	P. 42

Comprehensive NW system solution with NW services & SI

➤ By combining various in-house developed NW services with SI to provide comprehensive NW system solution

SI to meet specific requirements cannot be covered by NW services



Timing of revenue recognition for large-scale complex flagship projects

Project overview	Project size (approx.)	Main revenue recognition	Order received	Timing of revenue recognition
Nationwide NW replacement for a prominent financial institution	¥5.0 bn, 5 years	NW service, SI O/M	Jan. 2021	From Mar. 2022
Nationwide WAN connection NW infrastructure for all tax offices in Japan	¥2.0 bn, 4 years	NW service	May 2022	From Jan. 2023
Internet connection environment for Tokyo public schools	¥2.0 bn, 3 years	NW service	Apr. 2022	From Oct. 2022
Core information system for governmental administrative operation	¥5.0 bn, 4 years	NW service, SI construction, SI O/M	May 2022	From Oct. 2022
NW system upgrade for a central government agency	¥2.6 bn, 4 years	NW service, SI construction, SI O/M	Jan. 2023	From Jan. 2023
Large scale NW upgrade for a prominent manufacturing company	¥5.0 bn, 5 years	NW service	Feb. 2023	From Mar. 2023
Foreign exchange trading platform for a prominent financial group	¥3.0 bn, 5 years	SI O/M	Dec. 2022	To be recognized from FY24
Core information NW infrastructure for a broadcaster	¥6.0 bn, from FY24	NW service, SI construction, SI O/M	Dec. 2022 & Jan. 2023	To be recognized from FY24
Overseas DC project	¥3.0 bn, to be launched in FY23	SI construction	Nov. 2022	To be recognized in 2H23
Subsequent projects of the overseas DC project	¥1.2 bn in FY24 ¥2.0 bn in or after FY25	SI construction	2H22	To be recognized in FY24 and in or after FY25
Next generation NW renewal for a major system integrator	¥1.0 bn, 5 years	NW service	Apr. 2023	To be recognized from FY24
Enhancement of security for a prominent carrier	¥1.5 bn, 5 years	SI construction, SI O/M	Apr. 2023	From Aug. 2023
Integrated operation system for a public sector organization	¥3.0 bn, 5 years	NW service, SI construction, SI O/M	Apr. 2023	To be recognized from FY24
Next generation research platform for a private university	¥1.0 bn, 5 years	SI construction, SI O/M	May. 2023	To be recognized from FY24
Educational information network for Chiba City	¥12.3 bn, 5 years	NW service, SI construction, SI O/M	Sep. 2023	To be recognized from Jan. 2025 (approx. ¥5 bn in FY24)

* SI O/M = systems operation and maintenance

Enterprise NW Services

IJJ's enterprise NW services' business model:

Cost doesn't have to increase at the same pace as the revenue – economy of scale business

◆ IP (Internet Protocol) Service Revenue

- IP Service is a bandwidth guaranteed dedicated Internet connectivity service for enterprises who use the services for their core Internet access services
- Service contracts are based on bandwidth. Minimum contract period is 1 year
- The revenue is 100% recognized in Internet connectivity services (Enterprise)
- Very low churn rate. Contracts are renewed every year, generally speaking
- IJJ has very high and stable market share among Japanese blue-chip
 - Difficult to newly enter the market because one will need customer base and engineers to operate Internet
 - ✓ IJJ's IP services clients include general Japanese enterprise as well as NW operators such as consumer ISPs, cable TV operators

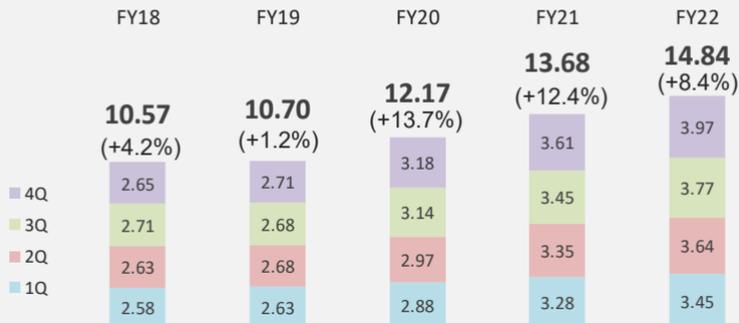
◆ Cost

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

◆ Profit

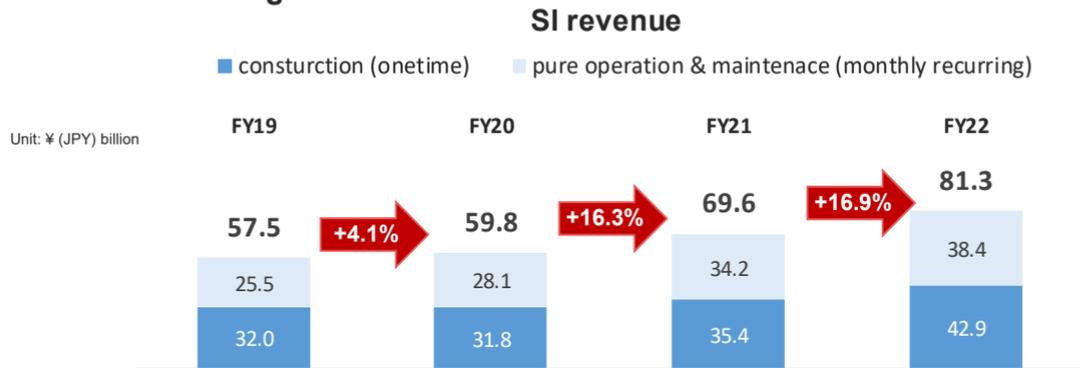
- Enterprise NW service revenues such as IP services and Outsourcing services are to continuously increase while their costs remain relatively stable
- By that, IJJ can enjoy an economy of scale with strong revenue accumulation which leads to gross profit expansion
- In other words, the costs for enterprise NW services do not have to increase at the same pace the revenue growth

IP Service Revenue (unit: ¥ billion)



Systems Integration (SI)

- ◆ Started offering SI to fully meet Japanese enterprises' IT demands which are quite specific & difficult to meet solely by NW services
- ◆ Seeing greater proposal opportunities to replace legacy private NW and systems which often require customization and Service Integration



- A quotation of construction revenue, a onetime revenue, is prepared based on cost; an increase in cost can be reflected
- Pure operation and maintenance which is calculated by deducting private cloud service revenues from systems operation and maintenance revenue is monthly recurring revenues, for constructed systems

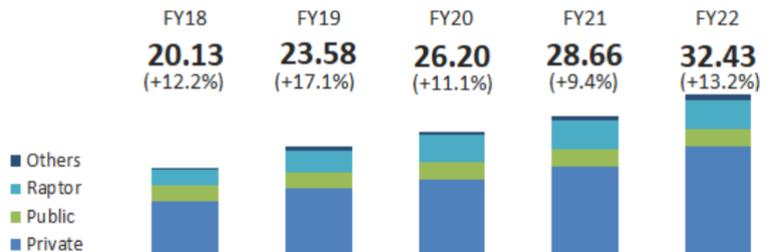
- FY20 construction revenue decreased slightly year over year mainly because of the Pandemic recession. Because construction revenue is one time revenue, it is easily affected by the economic environment and highly impacted by IT investment appetite of Japanese enterprises.

◆ Projects becoming larger and more complex:

	Conventional contracts	Current trend
Revenue Size	Few million to tens of millions (JPY)	Few hundreds of millions (JPY)
Type	NW integration, server enhancement and other Internet related systems construction projects	Complete replacement of current enterprise NW/system
Term	Construction revenue is usually booked after 3 to 6 months from order received	<ul style="list-style-type: none"> • Construction revenue is sometimes booked a year later from order received • Greater time to book order received as projects becoming more complex and larger
Cost structure	Mainly hardware	Larger number of system engineers and outsourcing personnel are needed

Cloud Business (1)

◆ Cloud service revenue (recurring) continued to accumulate along with constant Cloud migration

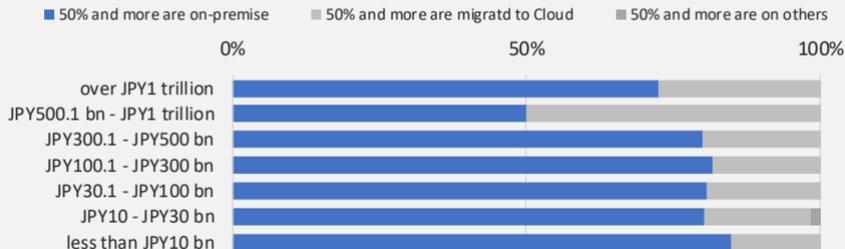


• FY22 Cloud Service revenue recognition: 91.3% in systems operation, 8.7% in Outsourcing

◆ Majority of enterprise systems are operating on-premise

• IIJ offers various services to promote Cloud migration

Status of Cloud migration by Clients' annual revenue size



Source: Internet Initiative Japan "Nationwide survey on IT department 2022" published in Nov. 2022, N=598

Private cloud
<ul style="list-style-type: none"> ➢ IIJ GIO Infrastructure P2 Gen.2 <ul style="list-style-type: none"> • Next generation IaaS enabling easy Cloud migration from on-premise • Highly transitional VMware base hosted private Cloud ➢ IIJ Unified Operation Management Service (UOM) <ul style="list-style-type: none"> • SaaS to improve efficiency of multi-cloud system operation work • Management and operation cover wide range from cloud to on-premise, Improve efficiency with automated incident management, etc. ➢ Multi-cloud etc.

Public cloud
<ul style="list-style-type: none"> ➢ Low-cost servers with pay-as-you-go pricing, etc.
Raptor
<ul style="list-style-type: none"> ➢ In-house developed SaaS base FX (Foreign Exchange) platform services for online brokers ➢ Providing services to Hirose Tsusho, Line Securities, au Kabucom Securities, Nomura Securities, Sony Bank, SMBC Nikko Securities, Matsui Securities, etc.
Others
<ul style="list-style-type: none"> ➢ Cloud services provided through overseas subsidiaries, etc.

◆ Extensive service line-up promoting multi-cloud usages

- Multi-cloud usages increasing as companies prefer to avoid "vendor lock-in" which is a dependence on a specific cloud vendor, flexible system design by combining multiple cloud services, and BCP measures such as redundancy and risk diversification
- "IIJ Unified Operation Management Service (UOM)" reducing IT department's operational burden by fully outsourcing the operation and management of multi-cloud that is becoming more complexed
- "IIJ Cloud Exchange Services" enabling private connectivity to third party cloud services: offers connectivity to Amazon AWS, Microsoft Azure, Microsoft 365, GCP (Google Cloud Platform), OCI (Oracle Cloud Infrastructure), etc.
- "IIJ Cloud Data Platform Service (CDP)" enabling secure data collaboration on multi-cloud

- Multi-Cloud: Cloud that is comprise of combining multiple cloud services
- "IIJ Cloud Exchange Services" revenue are recognized in NW Service Revenue

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 NW 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
 - Legacy system integrators who constructed and currently looking over blue chips' large internal systems

Multi-Cloud Strategy

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

IIJ's Cloud Business Model

- ◆ **Revenue**
 - Revenue is to increase along with an increase in Cloud clients and each system volume
 - System volume depends on a number of cloud servers, volume of storage, etc.
- ◆ **Cost**
 - Depreciation and amortization cost for servers and other NW 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.

Recent Cloud Business Trend

➤ IJ's private cloud revenue grew as demands for multi-cloud continued

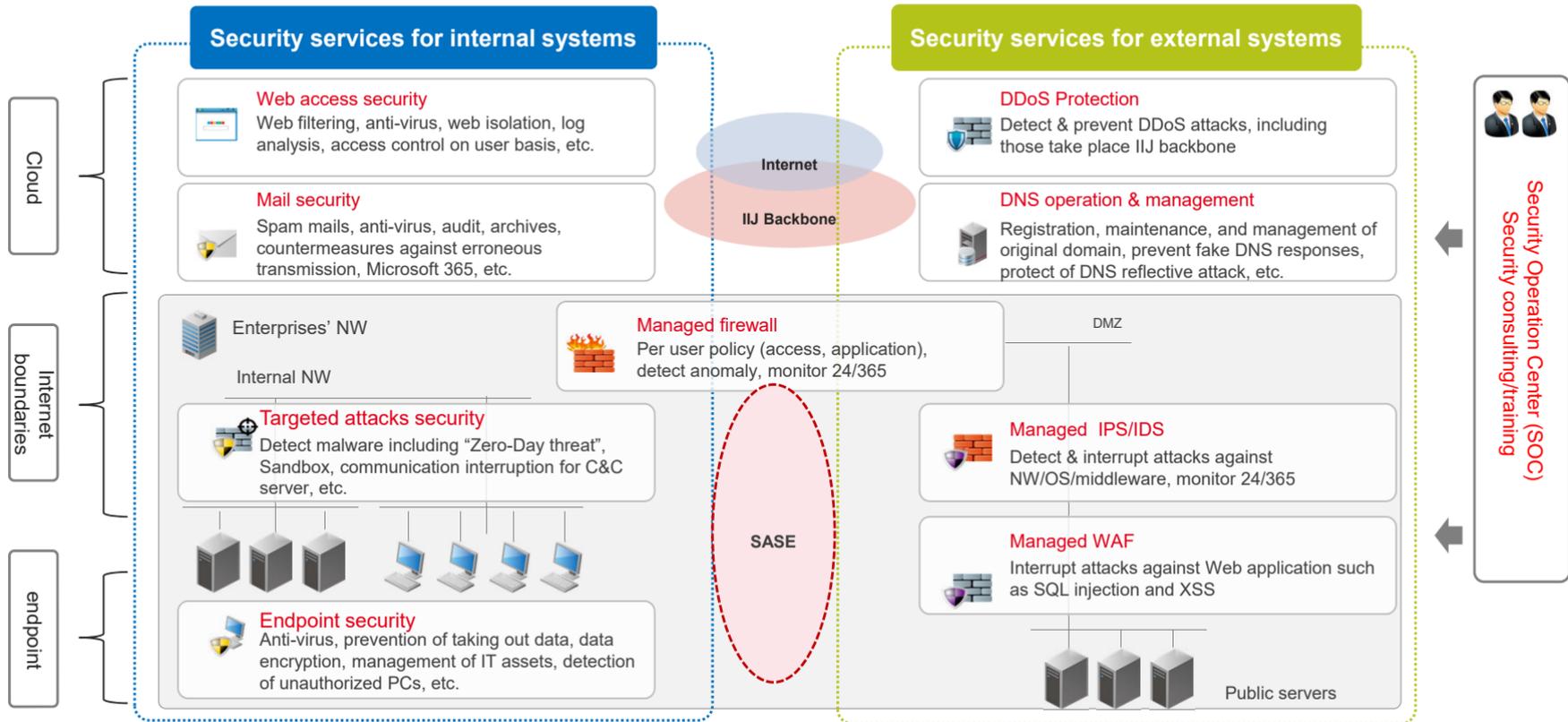
- Multi-cloud demands are generating demands for "IJ Cloud Exchange Services" (revenue recognized in NW Services) which provide private connectivity to third vendor Cloud services such as AWS (Amazon), Microsoft, and Google
- "IJ GIO Infrastructure P2 Gen.2," which was launched in Oct. 2021 to promote 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)

Information Analysis Platform utilizing information and expertise only available to ISPs



• SASE (Secure Access Service Edge) is a concept to shift controls of NW 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.

Security Business (2)

IIJ Secure MX Service (SMX)

- ◆ Cloud-based integrated mail security service (16 yrs in operation)
- ◆ Differentiating by in-house developed filtering, providing support in Japanese, update, etc.
 - Minimize mail threats with multi filtering, able to store unlimited mail data in DCs located in Japan, prevent accidental transmission/information leak with the system
- ◆ Competitors withdrawing from the market



Cloud based mail security market
Share No.1

(Resource: Fuji Chimera Research Institute) monthly BT Sep. 2019 "Cloud based mail security service market survey" based on FY18 figure base

SMX contracted accounts

Sep. 2022	2.83 million
Sep. 2021	2.65 million
Sep. 2020	2.41 million

IIJ DDoS Protection Service

- ◆ Comprehensive service to protect enterprise NW system from DDoS attacks (17 yrs in operation)
- ◆ Service model unable for Slers & vendors who do not have NW backbone to offer
 - Realize reliable web services by avoiding overloaded NW and server triggered by huge traffic
 - 24/365 operation by security engineers who have expertise obtained through ISP business
 - Automatically detect and prevent DDoS attacks
 - Internet access line are also within service coverage
 - Global coverage and capability of preventing terabit level large-scale attack (Jan. 2017)
- ◆ High penetration rate toward large financial institutions

IIJ Secure Web Gateway Service (SWG)

- ◆ Cloud-based integrated web security service (13 yrs in operation)
- ◆ Differentiating by in-housed developed engines, etc. to block and isolate web functions, etc.



<Resource> ITR "ITR Market View: Cyber Security counter market 2021"

SWG contracted accounts

Sep. 2022	1.23 million
Sep. 2021	1.19 million
Sep. 2020	1.12 million

IIJ C-SOC Service

- ◆ Comprehensive security incident response service provided by IIJ security engineers
- ◆ Operational SOC service unique to ISPs: visualize invisible threats by applying IIJ's unique intelligence, execute initial response as well as notification, etc.
- ◆ Service policy: individual operation and monitoring including other managed services
- ◆ Relatively expensive monthly transaction

Coverage comparison

<Competitors>

<IIJ>

Log collection server
Router construction

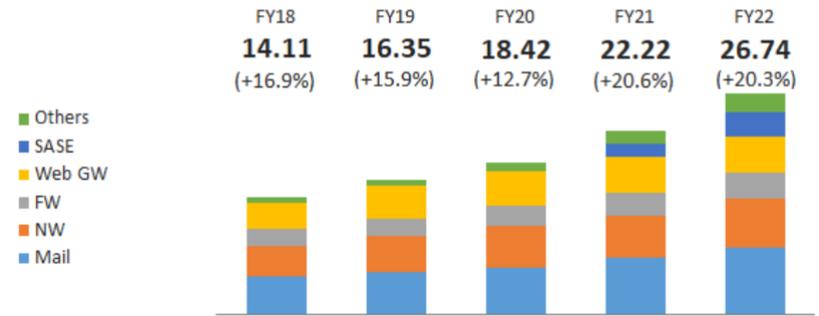
Trouble shooting
Hardware exchange
Configuration change
Software version up
Log collection server
Router construction

Information resource of IIJ

Security equipment log	170 billion lines per month
Mail access log	3.8 billion lines per month
Web access log	90 billion lines per month
Monitoring node	48 thousand
Number research sites by web crawler	Over 400 thousand per day

Security Business (3)

◆ Security service (recurring revenue) largely grew along with continuous strong demands



◆ Total security business volume also growing

- Security projects outside the scope of IJ security services are handled through SI

Total security business volume (Service+SI)	FY18	FY19	FY20	FY21	FY22
	16.77	19.18	21.47	25.44	31.25

◆ IJ Security Business division director has been appointed as Kanto Regional Police Bureau's cyber security advisor (Feb. 2023)

- Invited and trained police officers of Hyogo, Shimane and Hokkaido prefectures to IJ SOC for a certain period

◆ Opened "IJ Security Training School" (Dec. 2021) to educate security specialist. Added beginners' course in Apr. 2023

- Security Service Revenue (recurring) is 100% recognized in Outsourcing
- SASE (Secure Access Service Edge) is a concept to shift controls of NW 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. This concept is gaining popularity along with Cloud migration of enterprise operation systems, prevalence of flexible workstyle including teleworking.
- SOC (Security Operation Center): organization providing advices and actions regarding cyber attacks by constantly monitoring log data such as NW and device to detect and analyze cyber attacks

Mail Security

- Full outsource of mail system, countermeasures for spam mail, etc.
- IJ Secure MX Service (SMX)
 - Cloud-based integrated mail security service (17 years in operation)
 - Differentiating by in-house developed multi-filtering, providing support in Japanese and upgrades
 - Minimize mail threats with multi-filtering, able to store unlimited mail data in DCs located in Japan, prevent accidental transmission/information leak with the system

NW Security

- IJ DDoS Protection Service
 - Comprehensive service to protect enterprise NW system from DDoS attacks (18 years in operation)
 - Service model unique to NW operators
 - Realize reliable web services by avoiding overloaded NW and server triggered by huge traffic, global coverage to prevent terabit level large-scale attack (Jan. 17)
- IPS/IDS, WAF, etc.

FW (Firewall)

- Outsource of firewall operation, detection system for anomaly, etc. (17 years in operation)

Web GW

- Full outsource of web Security, URL filtering, etc.
- IJ Secure Web GW Service (SWG)
 - Cloud-based integrated web security service (13 years in operation)
 - Differentiating by in-house developed engines, etc. to block and isolate web functions, etc.

SASE

- Operation of Prisma Access, Zscaler etc.
- IJ Secure Access Service "ISA"
 - Launched in Sep. 2022
 - In-house developed SASE service
 - Differentiating by operating in Japan, high compatibility with other IJ security services such as C-SOC, small start and low-price range

Others

- IJ C-SOC Service
 - Launched in Oct. 2018
 - Operational SOC service unique to ISPs: visualize invisible threats by applying IJ's unique intelligence, execute initial response as well as notification, etc.
 - Continuously expanding functions including recently launched "Premium" in May 2021 which offers primary responses against attacks
- Endpoint Security, etc.

Mobile Business (1)

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

Service/Business
 Function

- Accumulate enterprise IoT traffic by leveraging the blue-chip client base, various NW services & SI function – higher utilization of the mobile infrastructure
- Consumer subscription contributing to expand the infrastructure

Mobile Subscription (Subs.)

Subscriptions (Subs.)
 (unit: thousand)

- Enterprise mobile
- IJmio
- MVNE



Mobile Revenue

10.37 10.63 10.49 10.79 10.94 11.50

Revenues
 (unit: ¥ bn)

- Enterprise mobile
- MVNE
- IJmio



- 4Q22 enterprise mobile revenue includes approx. ¥0.1 bn of lump-up revenue related to a large mobile project which consists of several phases
- Enterprise mobile subs.: in 4Q22, the subs. consistently increased by 124 thousand QoQ mainly due to additional line orders from the existing project for a taxi payment devices and increased demands from foreigners visiting Japan. In 3Q22, the subs. increased by 192 thousand QoQ as the existing project for a GPS tracker for children security largely increased by approx. 60 thousand

◆ Enterprise mobile (deducting MVNE from IJ Mobile)

- 1H23 revenue: ¥6.59 bn (+¥1.28 bn YoY)
- 2Q23-end subs.: 2,039 thousand (+87 thousand QoQ)
 - Continued to increase mainly through camera connections, GPS tracker etc.
- Plan to launch “IJ Public Safety Mobile Service” dedicated to public safety agencies in Apr. 2024

◆ MVNE (providing mobile services to other MVNOs)

- 1H23 revenue: ¥5.25 bn (+¥0.41 bn YoY)
- 2Q23-end subs.: 1,140 thousand (+25 thousand QoQ)
- 2Q23-end MVNE clients: 187 clients (+10 clients YoY)
 - Cable TV operators (93 operators), prominent retailer, etc.

◆ IJmio (consumer)

- 1H23 revenue: ¥10.61 bn (-¥0.26 bn YoY)
 - Revenue of the old plan which was higher ARPU slightly decreased and sales of mobile device decreased
- 2Q23-end subs.: 1,222 thousand (+19 thousand QoQ)
 - Of which, the old plan's subs. were 247 thousand

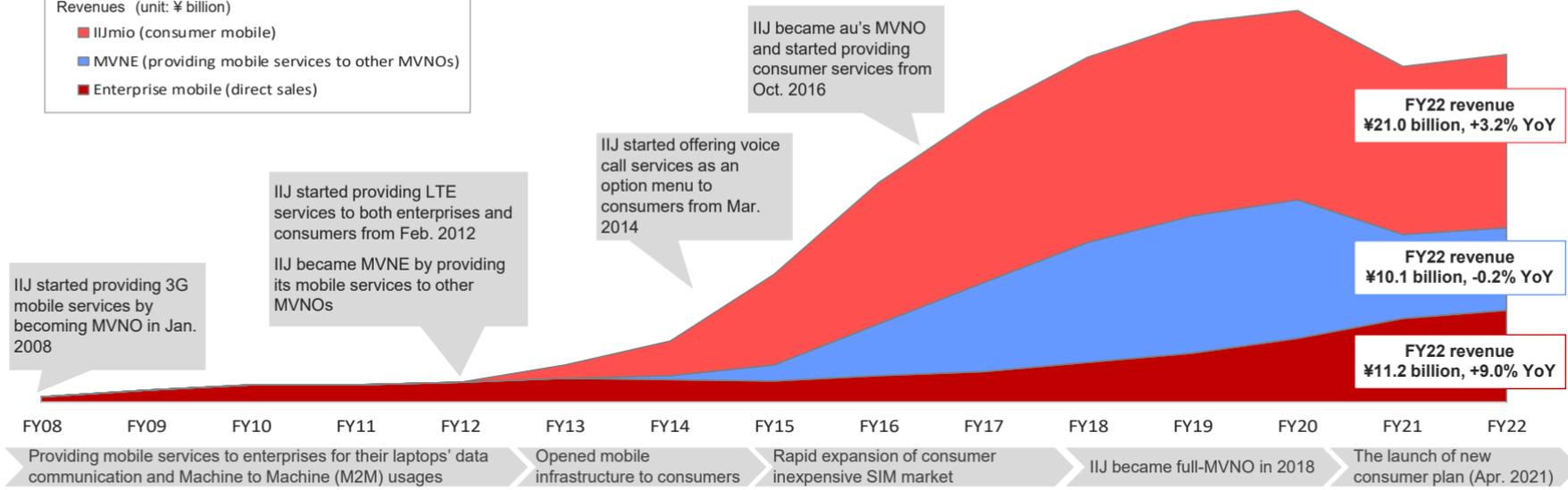
GigaPlans (unit: thousand)	1Q22-end	2Q22-end	3Q22-end	4Q22-end	1Q23-end	2Q23-end
Subs.	757	837	878	908	928	963

- Awarded for best customer satisfaction in 3 consecutive years (Source: J.D Power Japan)
- Launched NTT Docomo network's eSIM with voice call functionality (Sep. 2023)

Mobile Business (2)

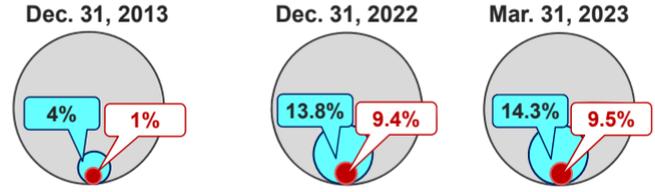
Revenues (unit: ¥ billion)

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



Japan's consumer inexpensive SIM market

■ Total mobile subscription
■ MVNO subscription
■ SIM subscription



SIM type MVNO market share in Japan (Source: the Ministry of Internal Affairs and Communications)

	June 30, 2023		Mar. 31, 2023		Dec. 31, 2022	
1 st	IJJ	20.0%	IJJ	19.8%	IJJ	19.7%
2 nd	NTT Resonant	12.2%	NTT Resonant	11.9%	NTT Resonant	11.1%
3 rd	Optage	9.0%	Optage	9.0%	Optage	9.1%
4 th	Fujitsu	5.6%	Fujitsu	5.6%	Fujitsu	5.6%
5 th	Aeon Retail	4.7%	Aeon Retail	4.8%	Biglobe	4.9%

- The data is based on the reports by the Ministry of Internal Affairs and Communications (MIC) who publishes mobile subscription quarterly
- The total mobile subscription was over 200 million for both Mar. 31, 2023 and Dec. 31, 2022.
- As of Mar. 31, 2023, MVNO subscription was 30.2 million, SIM subscription was 15.6 million
- As of Dec. 31, 2022, MVNO subscription was 28.8 million, SIM subscription was 15.3 million
- IJJ's total mobile subscription was approx. 4,136 thousand and 3,968 thousand as of Mar. 31, 2023 and Dec. 31, 2022, respectively.

Mobile Business (3)

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

- Seeing some advanced usage such as Factory IoT for Toyota Motor Hokkaido <https://www.ij.ad.jp/en/news/pressrelease/2020/0803.html>

Accumulating various enterprise mobile solutions

Network Cameras	Office IT	B-to-C
Store marketing cameras	iPads and tablets	Karaoke communications
Security cameras for apartment complexes, etc.	Remote work (teleconferencing)	Child monitoring devices
Surveillance cameras for material storage sites, etc.	Business / IP transceivers	Networking between devices at game arcades
Security cameras	Store visitor management systems	Currency exchange machines for foreign visitors to Japan
River water level remote monitoring	Built-in SIMs for PCs	Cashless payment terminals
Transportation	Corporate Activities / Other	
Dashcams	Structural health monitoring terminals	Rice paddy water management
Taxi dispatching	Plant equipment management	Shrimp cultivation
Bus locational information	Natural disaster observational data collection	Mobile sales offices
Remote key locking and unlocking	Vending machines	Digital signage

Mobile Business (4)

Business model of IJJ's mobile business

◆ Revenue

- Consumer mobile revenue is calculated by multiplying subscription by ARPU
 - 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 infrastructure on bandwidth-base from mobile carriers (mainly from Docomo, some from KDDI). Such purchasing cost is recorded as "outsourcing" in NW 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

◆ 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

Mobile infrastructure utilization

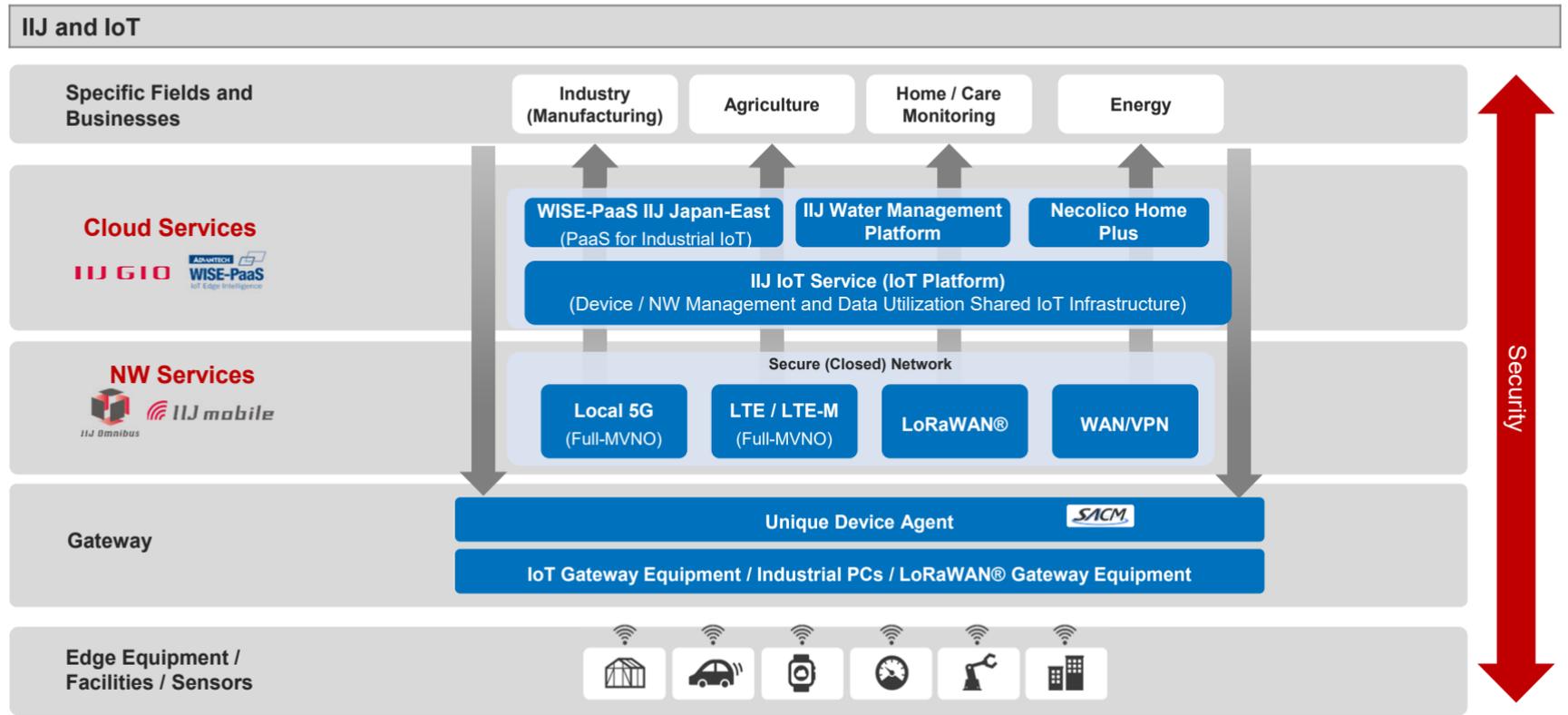
- Currently, IJJ is increasing mobile infrastructure to meet the peak of consumer traffic which is concentrated around commuting hours and lunch time. The overall mobile infrastructure utilization of other hours is low
- By gathering various type of mobile traffics such as enterprise IoT traffic which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

IJJ's sale channel for consumers

1. **Direct sales** through IJJ's website
2. **Sales partners** such as BicCamera
 - IJJ pays sales commission expenses to sales partners
3. **MVNE** "IJJ Mobile Platform Service"
 - IJJ provides mobile services to other MVNOs
 - As of Mar. 31, 2023, IJJ had 181 MVNE clients
 - ✓ Largest MVNE client is one of the largest Japanese retailers
 - ✓ 91 out of 171 MVNE clients are Japanese cable TV operators who already have direct relationship with consumers

IoT Business (1)

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



IoT Business (2)

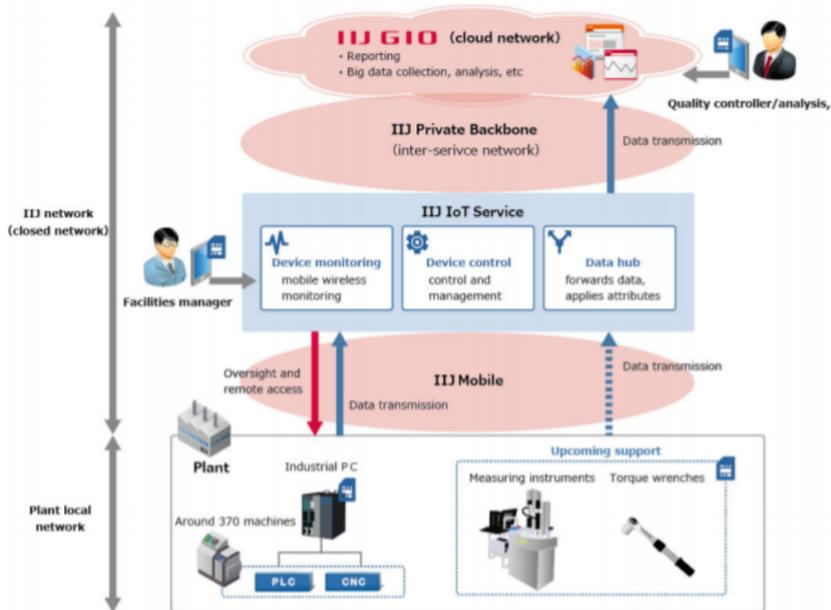
IoT projects	
Industrial machinery manufacturers	Shift from reactive post-sales maintenance model to proactive field services (making predictions based on data)
Car accessory manufacturers	Expansion of service businesses by acquiring data through the networking of products and establishing software technology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



Data center (DC)

◆ Operate 16 DCs in Japan, 2 of which are owned by IIJ (as of Sep. 2023)

- Expanding own DC capacity along with growing demands for IIJ services
- Expect higher efficiency by gradually migrating leased DC spaces to own DCs



Tesla's power pack



Edge computing



	Matsue DCP (opened in Apr. 2011)	Shiroy DCC (opened in May 2019)
Objective	Own service facility	
Features	<ul style="list-style-type: none"> • First in Japan to use outside-air cooling container units • Able to increase capacity responding to demand per container • Utilize on-site solar power panels 	<ul style="list-style-type: none"> • Adopt latest energy-saving method including outside-air cooling method • More flexible and cheaper capacity expansion through system module method • Shifting peak of air conditioning power by utilizing lithium-ion storage batteries • Utilize on-site solar power panels
Land	Approx. 16 thousand square meters	Approx. 40 thousand square meters
Number of in placed racks	Approx. 500 racks	Approx. 700 racks
FY22 PUE	1.33	1.31
FY23 plan	<ul style="list-style-type: none"> • Constructing new system module <ul style="list-style-type: none"> ✓ Schedule: begin construction in Feb. 2024, operation in May 2025 ✓ Approx. 2 thousand square meters ✓ Approx. 300 racks ✓ FY23 capex (plan): over ¥5.0 bn (to be partially covered with subsidy) 	<ul style="list-style-type: none"> • Operation of 2nd site (Expandable) <ul style="list-style-type: none"> ✓ Started operation from July 2023 ✓ Approx. 8 thousand square meters ✓ Approx. 1,100 racks (1st site: approx. 700) ✓ FY23 CAPEX (plan): approx. ¥7.0 bn (FY22: ¥5.4 bn) ✓ Soon reach to its capacity by own service facility & colocation • Began direct procurement of non-fossil fuel certificates toward the supply of electricity with environmental values (Apr. 2023)

- 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.

Financials

Financial Performance (FY19 ~ FY22 results)

P. 44

1H23 Financial Results

P. 45 – 59

FY23 Financial Targets

P. 60 – 61

Financial Performance (FY19 ~ FY22 results)

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

Financials

	FY19	FY20	FY21	FY22
Total revenue	204.5	213.0	226.3	252.7
YoY	+6.3%	+4.2%	+6.3%	+11.7%
NW services	122.0	126.8	128.2	138.9
YoY	+2.8%	+4.0%	+1.1%	+8.4%
of, enterprise NW	75.9	79.3	87.5	96.6
YoY	(0.1%)	+4.5%	+10.3%	+10.5%
of, mobile	46.1	47.5	40.7	42.3
YoY	+9.8%	+3.1%	(14.3%)	+3.8%
SI	78.4	83.3	95.3	110.9
YoY	+12.5%	+6.2%	+14.5%	+16.4%
Operating profit	8.2	14.2	23.5	27.2
YoY	+36.6%	+73.2%	+65.3%	+15.6%
Operating margin	4.0%	6.7%	10.4%	10.8%
Net Profit	4.0	9.7	15.7	18.8
YoY	+13.8%	+142.4%	+61.4%	+20.2%
ROE	5.2%	11.5%	16.2%	17.0%
NW service gross margin	16.3%	21.4%	27.8%	27.5%
SI gross margin	13.8%	14.5%	15.7%	16.7%

For our financial strategy, please visit https://www.ij.ad.jp/en/ir/integrated-report/financial_strategy/

- NW services (excluding Mobile service) revenue decreased YoY in FY19 mainly due to WAN services' certain large customers' migration to our mobile services
- Mobile service revenue decreased YoY in FY21 and expect to decrease in FY22 mainly due to subscriber migration to new cheaper plan
- Net profit is "Profit for the period/year attributable to owners of the parent"

1H23 Summary

Increasing demands for large-scale "Service Integration"^(*) such as internal NW renewal **Acquired a super large project**
 (Educational Information NW for Chiba City, ¥12.3 bn of revenue, 5 years contract)

Expect significant expansion of business scale & area through large SI and accelerated accumulation of NW services

1H23 earnings: NW services resulted as planned, SI to be concentrated in 2H23 due to the postponement of the overseas DC & longer lead-time as projects becoming large.

Full-year financial targets and the interim dividend remain unchanged

(*) Provide in-house developed NW services with SI function. Greater opportunities along with internal large-scale NW renewal, etc.

Total Revenue		Gross Profit		Operating Profit		Net Profit	
¥128.20 bn	+5.1%	¥29.19 bn	+10.2%	¥12.08 bn	+8.1%	¥8.32 bn	-3.7%
Valuation on gain on funds decreased (1H22: approx. ¥1.2 bn, 1H23: approx. ¥0.3 bn)							

NW Service				SI				SG&A etc.	
Revenue		Gross Profit		Revenue		Gross Profit		1H22	1H23
1H22	1H23	1H22	1H23	1H22	1H23	1H22	1H23	1H22	1H23
2Q	73.98	20.94	52.75	7.58	15.32	17.11			
1Q	37.63	10.72	28.41	4.32	7.65	8.31			
	36.35	10.22	24.34	3.26	7.67	8.80			

NW Service (exc. Mobile)	<ul style="list-style-type: none"> ◆ 1H23 total revenue: ¥51.54 bn, +10.4% YoY Each service continued to grow 1H23 IP: +11.3% YoY, Outsourcing: +14.1% YoY, WAN: +4.5% YoY • Security (included in Outsourcing) 1H23 +16.6%, Rapid increase in inquires for comprehensive security incident handling service called "IIJ C-SOC"
Mobile IoT	<ul style="list-style-type: none"> ◆ 1H23 total revenue: ¥22.44 bn, +¥1.44 bn YoY, led by enterprise IoT growth of 24.2% YoY, 1H23-end total subs.: 4.4 M (+131 k QoQ), MVNE & consumers back to QoQ net addition • "IIJ Public Safety Mobile Services" to be launched in Apr. 2024. Provided to public safety agencies (i.e. police & fire department) to secure reliable connectivity in case of disasters • IoT partnership with Murata Manufacturing in Southeast Asia. Providing IoT platform (Oct. 23) Already accumulating orders including a system automatically detecting road damages
SI	<ul style="list-style-type: none"> ◆ Favorable order situation continued 1H23 order received: Construction ¥30.44 bn, +40.5% YoY Operation & maintenance ¥41.69 bn, +6.0% YoY 1H23-end order backlog: Construction ¥26.25 bn, +80.2% YoY Operation & maintenance ¥75.88 bn, +14.3% YoY ◆ Smaller than expected 1H23 revenue & profit due to the postponement of the overseas DC project revenue recognition which is pushed to 2H23 (approx. ¥3.0 bn of revenue & associated reasonable profit) and longer lead-time which is caused by the change in projects' nature and an increase in large projects
Topics	<ul style="list-style-type: none"> ➢ IIJ's own Shiroi DC 2nd site started operating from Jul. 2023. Soon reach to its capacity by own service facility & colocation ➢ First in Japan digital currency (DCJPY) is to be issued from Jul. 2024 through DeCurret's platform service • GMO Aozora Net Bank is to issue digital currency and settle non-fossil certificate transaction ➢ 2nd session of "IIJ Academy" (educational program by IIJ engineers) is to take place after successful 1st session ➢ MSCI ESG rating score upgraded to A (Sep. 2023)

Consolidated Financial Results

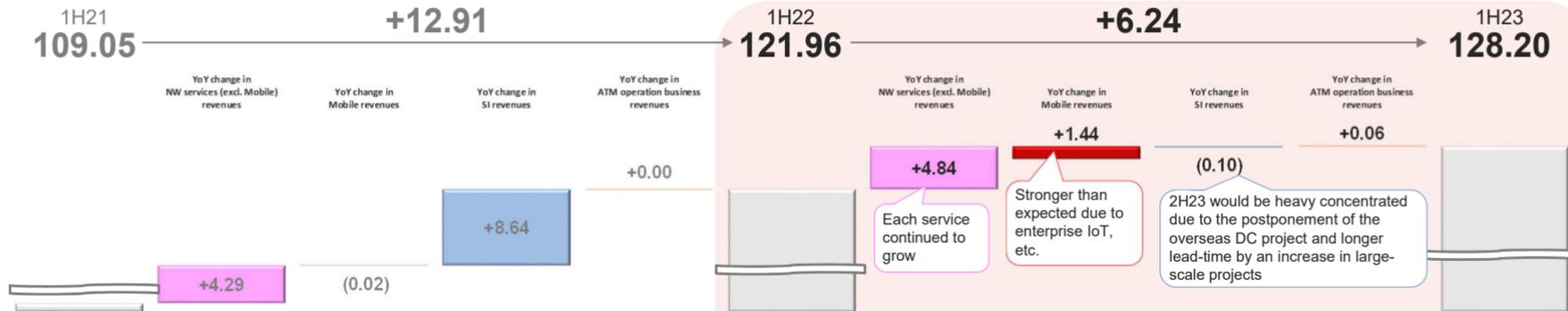
Unit: ¥ (JPY) billion
YoY = Year over year comparison

	% of revenue		YoY		% of revenue		% of revenue	
	1H23 Results <small>Apr. 2023 - Sep. 2023</small>	1H22 Results <small>Apr. 2022 - Sep. 2022</small>			1H23 Targets <small>(Announced in May 2023) Apr. 2023 - Sep. 2023</small>	YoY	FY2023 Targets <small>(Announced in May 2023) Apr. 2023 - Mar. 2024</small>	YoY
Revenues	128.20	121.96	+5.1%	+6.24	138.0	+13.1%	286.0	+13.2%
Cost of Revenues	<small>77.2%</small> 99.01	<small>78.3%</small> 95.47	+3.7%	+3.54	<small>78.2%</small> 107.9	+13.0%	<small>77.1%</small> 220.5	+13.2%
Gross Profit	<small>22.8%</small> 29.19	<small>21.7%</small> 26.49	+10.2%	+2.70	<small>21.8%</small> 30.2	+13.8%	<small>22.9%</small> 65.5	+13.1%
SG&A etc.	<small>13.3%</small> 17.11	<small>12.6%</small> 15.32	+11.7%	+1.79	<small>12.1%</small> 16.8	+9.3%	<small>11.9%</small> 34.0	+10.8%
Operating Profit	<small>9.4%</small> 12.08	<small>9.2%</small> 11.17	+8.1%	+0.91	<small>9.7%</small> 13.4	+19.9%	<small>11.0%</small> 31.5	+15.7%
Profit before tax	<small>9.8%</small> 12.55	<small>10.5%</small> 12.86	(2.4%)	(0.31)	<small>9.4%</small> 13.0	+1.1%	<small>10.6%</small> 30.4	+11.1%
Net Profit	<small>6.5%</small> 8.32	<small>7.1%</small> 8.64	(3.7%)	(0.32)	<small>6.4%</small> 8.9	+2.5%	<small>7.2%</small> 20.7	+9.9%

- 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"
- YoY change of net profit is based on the retrospective application of IAS 12 "Income Taxes"

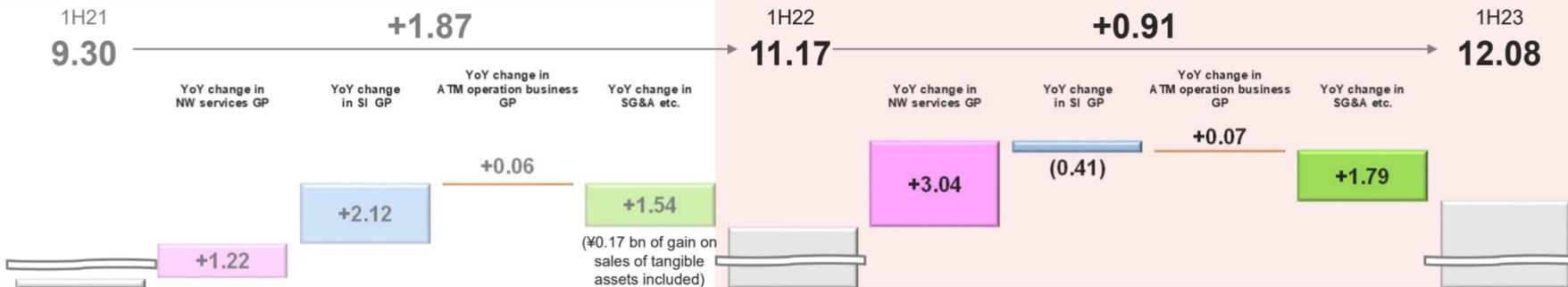
Year over Year Analysis

Revenues



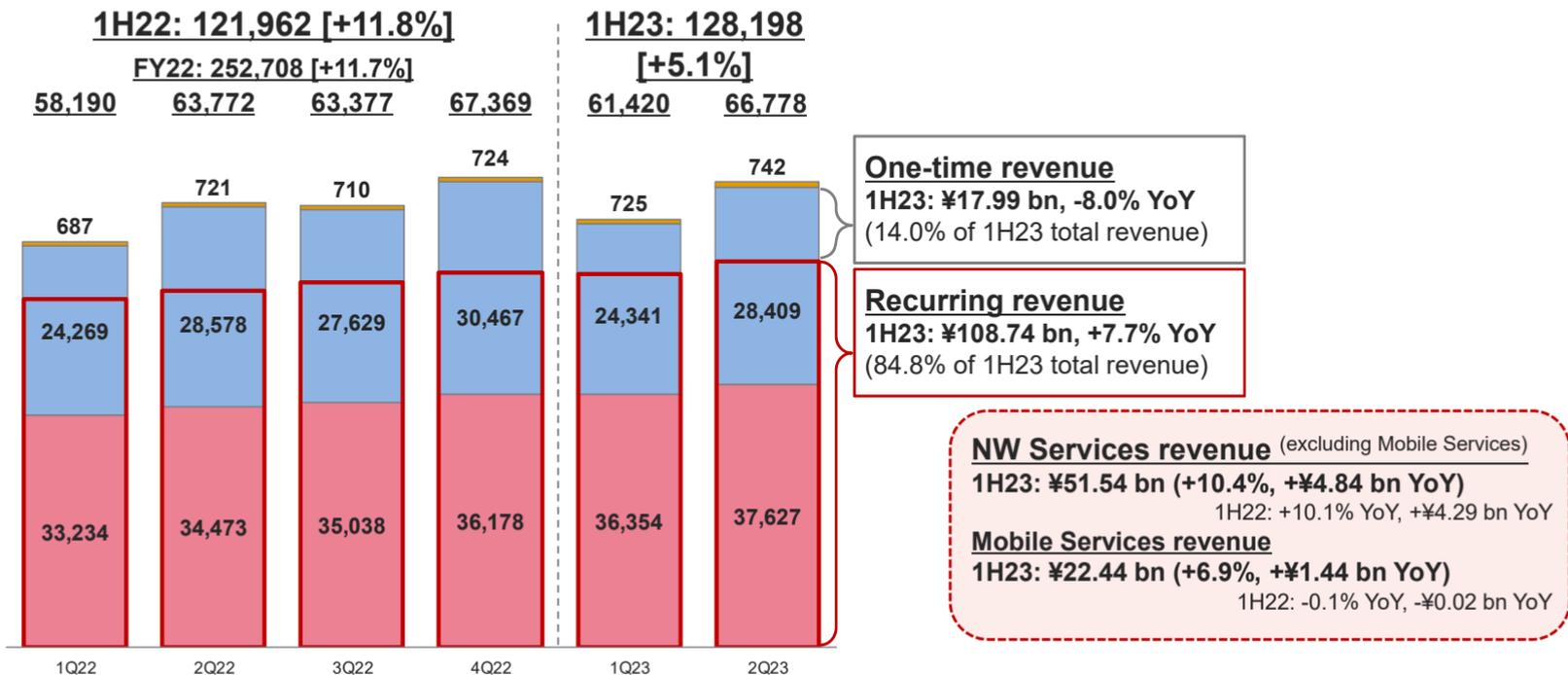
- NW services (excl. Mobile) revenues are calculated by deducting the below mentioned Mobile services revenues from total NW services revenues. The revenues include non-mobile consumer revenue which is a small amount
- Mobile services revenues include IJ Mobile Services (including MVNE) and IJmio (consumer mobile)

Operating Profit



- NW services gross profit consists of gross profit related to NW revenues (excl. Mobile) and Mobile revenues (The two have costs in common and cannot be broken down in accounting terms)
- SG&A etc. in this slide represents the sum of SG&A, which includes R&D expenses, and other income/expenses

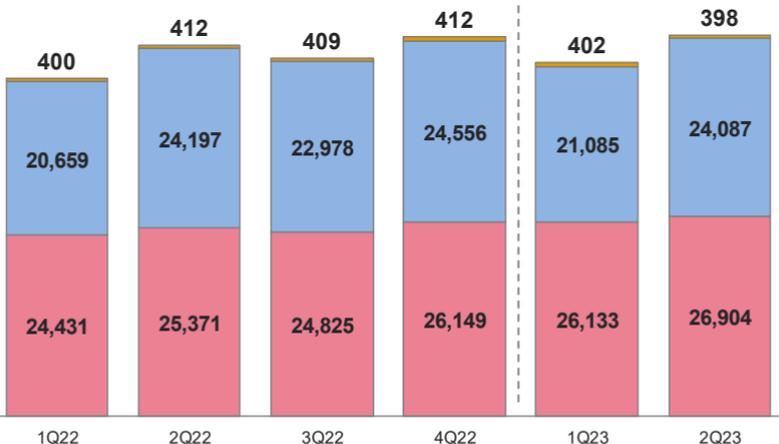
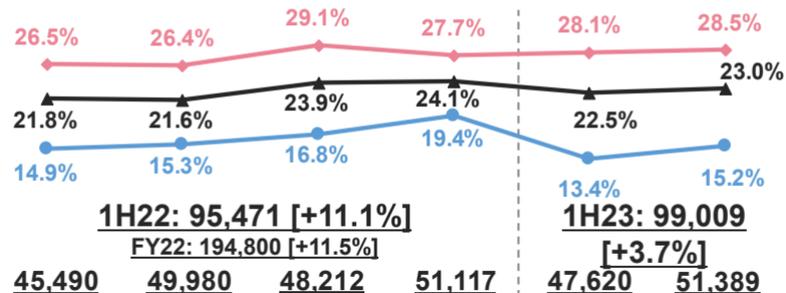
Revenues



- 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)

Cost of Revenues & Gross Profit Ratio

Gross margin: ◆ NW (Network) Services ● SI (Systems Integration) ▲ Total
 Cost of revenues: ■ NW (Network) Services ■ SI (Systems Integration) ■ ATM Operation Business



NW service gross margin:

- FY22 gross margin 27.5% decreased by 0.3 points YoY as mobile services' profitability decreased temporarily due to smaller onetime profit contribution related to the mobile interconnectivity (unit charge) revision, the user migration from the old plan, whose voice plan's margin is higher, to the new plan and the enhanced procurement of mobile devices for marketing purposes with low margin
- 3Q22 gross margin included a onetime profit contribution of over ¥0.5 bn which was the result of FY21 Docomo's mobile data interconnectivity (unit charge) revision.

◆ Total gross profit

- 1H23: ¥29.19 bn (+10.2% YoY)

◆ Gross profit for NW services

- 1H23: ¥20.94 bn (+17.0%, +¥3.04 bn YoY)

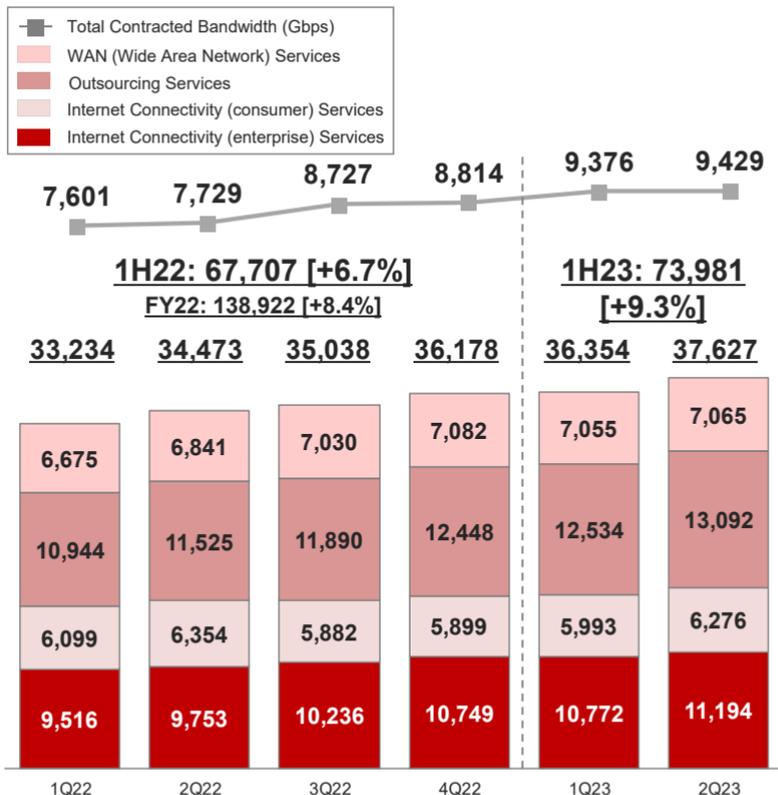
- Gross margin improved along with revenue growth
- Among ¥3.04 bn of gross profit increase, which is based on managerial accounting, NW service (excluding Mobile services) gross profit increased by slightly more than ¥2.0 bn YoY
- Gross profit of mobile services also nicely increased along with an increase in enterprise IoT revenue, etc.

◆ Gross profit for SI

- 1H23: ¥7.58 bn (-5.1%, -¥0.41 bn YoY)

- Gross margin decreased YoY because of small 1H23 systems construction revenue which was mainly due to the postponement of the overseas DC project of ¥3.0 bn and longer lead-time due to an increase in large-scale projects. Therefore, the gross profit recognition would be concentrated in 2H23

Network (NW) Services (1) Revenues



◆ Internet Connectivity (enterprise) Services

- 1H23: ¥21.97 bn, +14.0% YoY
 - Internet traffic (please refer to P.46) and contracted bandwidth continue to expand
 - Of which, IP: ¥7.89 bn, +11.3% YoY (1H22: +7.1% YoY)
 - Of which, Enterprise mobile (IoT usages etc.): ¥6.59 bn, +24.2% YoY
 - Of which, MVNE (service offer to other MVNOs): ¥5.25 bn, +8.6% YoY
 - ✓ Revenue growth absorbed a decrease in revenue due to reflecting a decreased procurement costs in selling prices at the beginning of FY23

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

- 1H23: ¥12.27 bn, -1.5% YoY
 - Of which, consumer mobile (IIJmio): ¥10.61 bn, -2.4% YoY
 - Fixed line connectivity "IIJmio Hikari" also increased mainly due to packed offering with mobile services

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

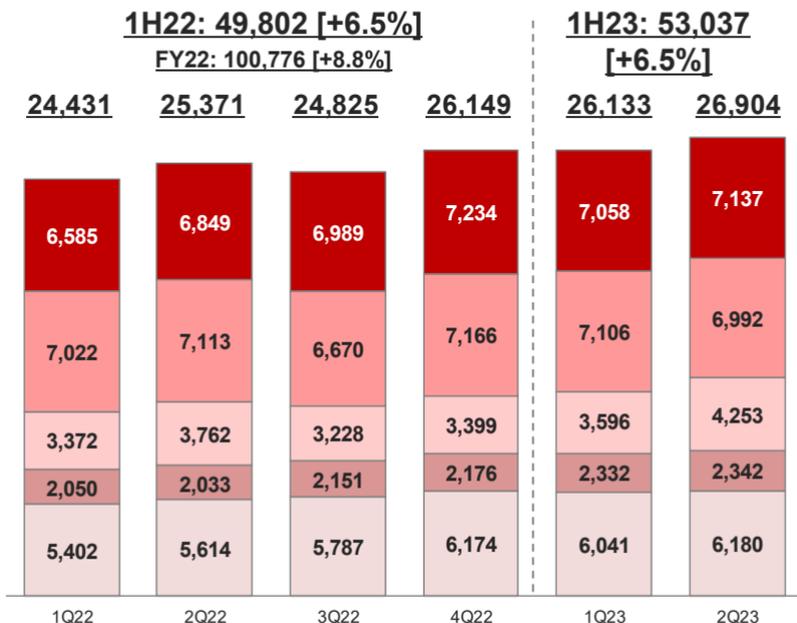
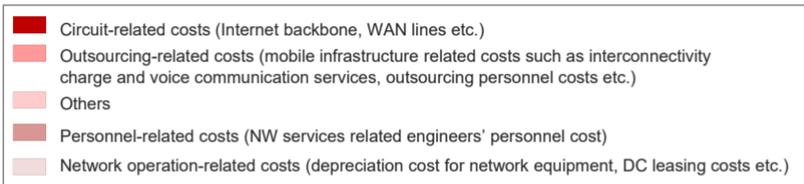
- 1H23: ¥25.63 bn, +14.1% YoY
 - Of which, security: ¥14.86 bn, +16.6% YoY
 - Other Outsourcing services (please refer to P.43) such as flex mobility also increased: +10.7% YoY
 - ✓ Number of contracted devices for "IIJ Flex Mobility Service/ZTNA," remote access services for enterprises, exceeded 200 thousand as of Jun. 30, 2023

◆ WAN Services (Closed network services)

- 1H23: ¥14.12 bn, +4.5% YoY

- 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
- MVNE is IIJ Mobile MVNO Platform Service
- 3Q22 contracted bandwidth increased due to Tokyo public school project by approx. 500Gbps
- 4Q22 enterprise mobile revenue included slightly over ¥0.1 bn of lump-sum revenue related to a large mobile project which consists of several phases

Network (NW) Services (2) Cost of Revenues

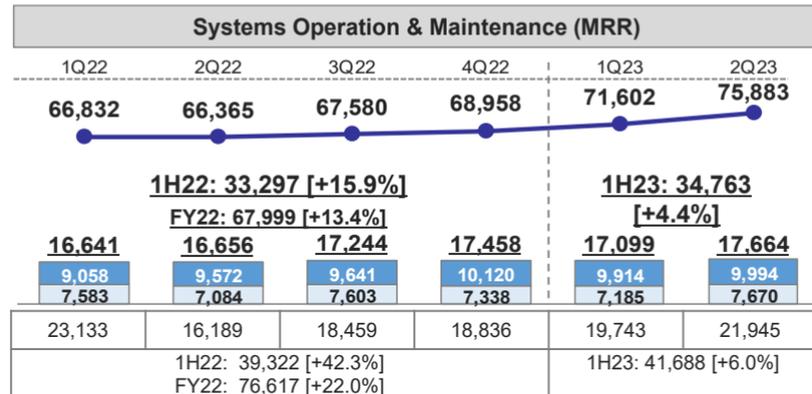
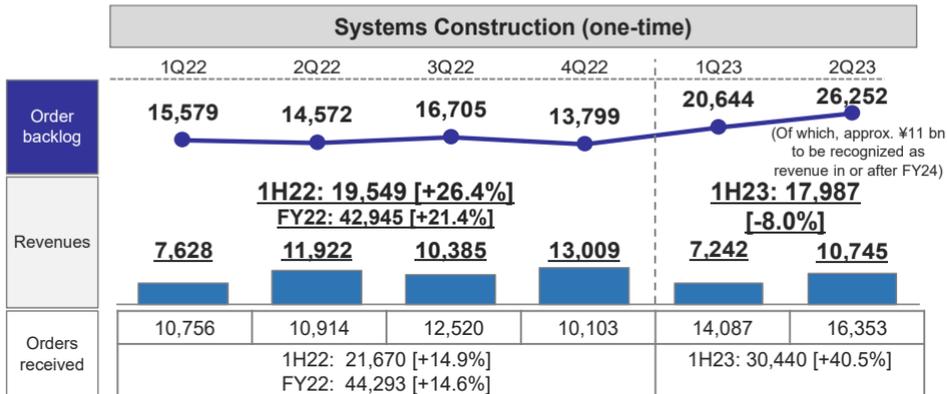


- 1H23 Circuit-related costs increased by 5.7%, +¥0.76 bn YoY, mainly related to an increase in WAN revenue which increased by +¥0.6 bn YoY
 - Internet backbone circuit cost remains stable as we can leverage scale merit by having one of the largest Internet backbone networks
- 1H23 Others increased by 10.0%, +¥0.71 bn YoY mainly due to an increase in the purchasing license fees such as SASE in line with increased revenues
 - 1H23 purchasing mobile devices decreased by approx. ¥0.6 bn YoY
- Network operation-related continued to increase along with facility expansions

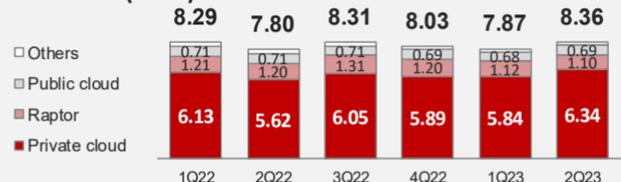
NTT Docomo's mobile data interconnectivity charge (unit charge)		
	Unit charge based on future cost method	Fixed unit charge
FY23	¥15,644 • Announced in Mar. 2023 • Have been using this unit charge from 1Q23 • Decreased by 23.0% from the FY22 unit charge • Previously announced unit charge in Mar. 2022: ¥15,697	• To be fixed around at the end of Dec. 2024
FY22	¥20,327 • Announced in Mar. 2022 • Used this unit charge in FY22 • Decreased by 24.8% from the FY21 fixed unit charge	• To be fixed around at the end of Dec. 2023 FY23 financial targets do not include any gain from the unit charge revision
FY21	¥28,385 • Announced in Apr. 2021 • Used this unit charge in FY21 • Decreased by 23.9% from the FY20 fixed unit charge	¥27,024 • Fixed at the end of Dec. 2022 • Onetime profit contribution of over ¥0.5 bn in 3Q22 • Decreased by 27.5% from the FY20 fixed unit charge

Systems Integration (SI) (1) Revenues

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



Cloud Service revenue (MRR)



- 2Q23 cloud revenue recognition: 91.8% Systems operation and maintenance, 8.2% Outsourcing services
- 1Q23 and 2Q22 revenue decreased because of a decrease in multi-cloud usages by a game service provider

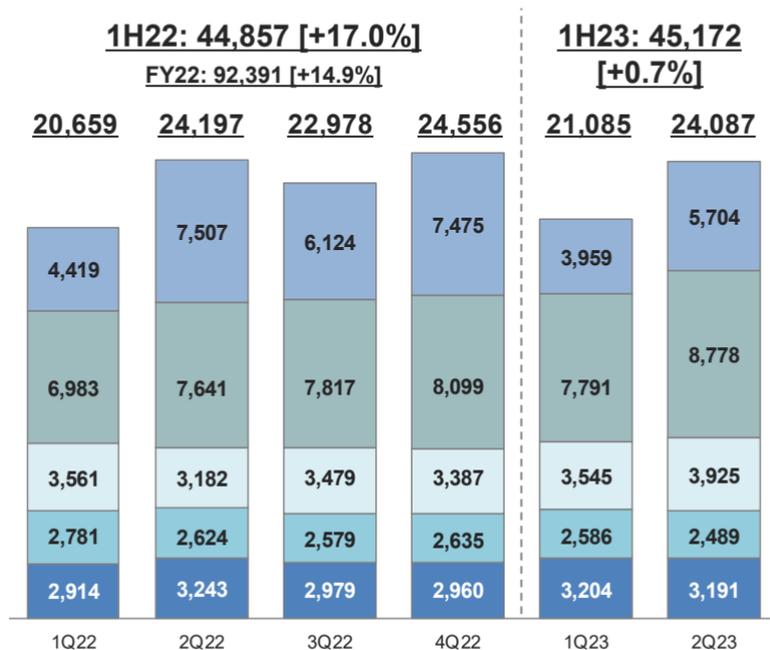
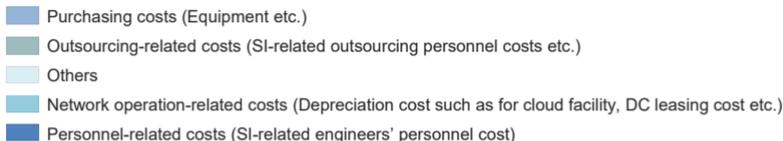
- 1Q23 operation & maintenance revenue was negatively impacted by approx. ¥0.2 bn QoQ as a large system operation project was ended at the end of 4Q22 as expected,
- 1Q22 operation & maintenance order received included large-scale projects with fixed multi year contracts (approx. ¥3.0 bn) (Generally, orders received is 1 year contract and automatically renewed), 2Q23 operation & maintenance order received included approx. ¥2.0 bn for the Chiba city project which has fixed multi-year contract

- 1H23 construction revenue decreased by ¥1.56 bn YoY mainly due to the postponement of the overseas DC project pushed to 2H23 and longer lead-time as project becoming larger. Expect revenue concentration in 2H23
- Overseas DC project (revenue approx. ¥3.0 bn & associated reasonable profit)
 - Export constructed equipment such as servers to a public sector client in Asia
 - Purchase agreement, equipment construction, and pre-export inspection had already been completed. The revenue recognition is pushed to 2H23 due to the prolonged procedure before the export as the project is large and highly complicated, which has involved various parties such as a domestic comprehensive export-related company, an overseas client and its government-related organization, their agents, and domestic and overseas financial institutions (the revenue & profit scale remain unchanged)
 - Plan to recognize revenue of ¥1.2 bn in FY24 and ¥2.0 bn in or after FY25 to the same client as a subsequent projects (included in the above order backlog)
- Super large project for Chiba city (5 years, ¥12.3 bn of revenue in total) is expected to be recognized as revenue from starting Jan. 2025 (please refer to page 18)

- 3Q22 construction orders received & 2Q23-end order backlog included ¥3.0 bn of the overseas DC project
- 1Q23 construction orders received included several large scale projects (approx. ¥3.0 bn in total)
- 2Q23 construction orders received included ¥5.0 bn of the Chiba city project

Systems Integration (SI) (2) Cost of Revenues

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



- Purchasing, outsourcing-related, and others are linked to the size of project and revenue to certain degree
- 1H23 outsourcing-related cost increased mainly because of pre-sales activities before order-received for large projects which usually requires engineers to be involved (such cost are booked as work in progress after receiving an order)
- Others include license purchasing for multi-cloud which fluctuates along with customers' demand
- No significant change in network operation-related costs on a quarterly basis

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

1Q22-end	2Q22-end	3Q22-end	4Q22-end	1Q23-end	2Q23-end
1,327	1,390	1,393	1,385	1,367	1,395

- The number of SI-related outsourcing personnel can be increased in comparison with the number of IJ's SI engineers
- Although 1H23 systems construction revenue was small, due to many ongoing projects before order-received, the number of outsourcing personnel was at high level

Human Capital Disclosure

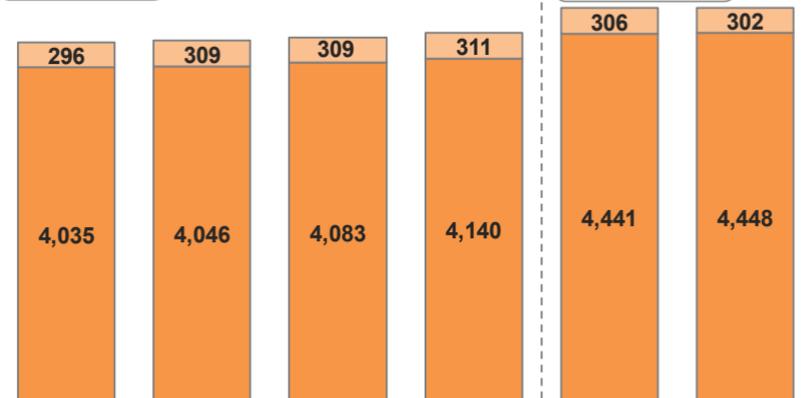
Number of Employees (consolidated basis)

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

Jun. 2022	Sep. 2022	Dec. 2022	Mar. 2023	Jun. 2023	Sep. 2023
4,331	4,355	4,392	4,451	4,747	4,750

+262 YoY
of which, 178 were
new graduates

+416 YoY
of which, 246 were
new graduates



- FY23 plan: number of employees (consolidated base) to increase by approx. 400 personnel
 - Of which, 246 new graduates
 - Policy to strengthen recruitment of new graduates at the same level for the time being
- Over 300 new graduates are expected to join in Apr. 2024

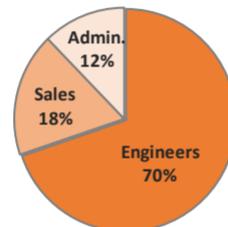
Personnel-related costs & expenses (consolidated basis)

Unit: ¥ (JPY) million

	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23
Consolidated personnel-related costs & expenses (YoY)	8,177 (+5.4%)	8,655 (+9.7%)	8,341 (+6.1%)	8,506 (+6.5%)	9,358 (+14.4%)	9,252 (+6.9%)
	1H22: 16,831 (+7.6%) FY22: 33,678 (+6.9%)				1H23: 18,609 (+10.6%)	
% of revenue	14.1%	13.6%	13.2%	12.6%	15.2%	13.9%

- The monthly salary table for new graduates was modified in Apr. 2023 (the previous modification was in Apr. 2019)
 - Graduates with bachelor's degree: ¥256,667 per month, up 4.8%
 - Salary ranges for the existing employees were revised along with it
- Personnel-related costs & expenses increased as expected due to the expansion of human resources and modified salary tables

Breakdown of Employees



(As of Sep. 2023)

- Breakdown of new graduates is almost identical

Turnover rates

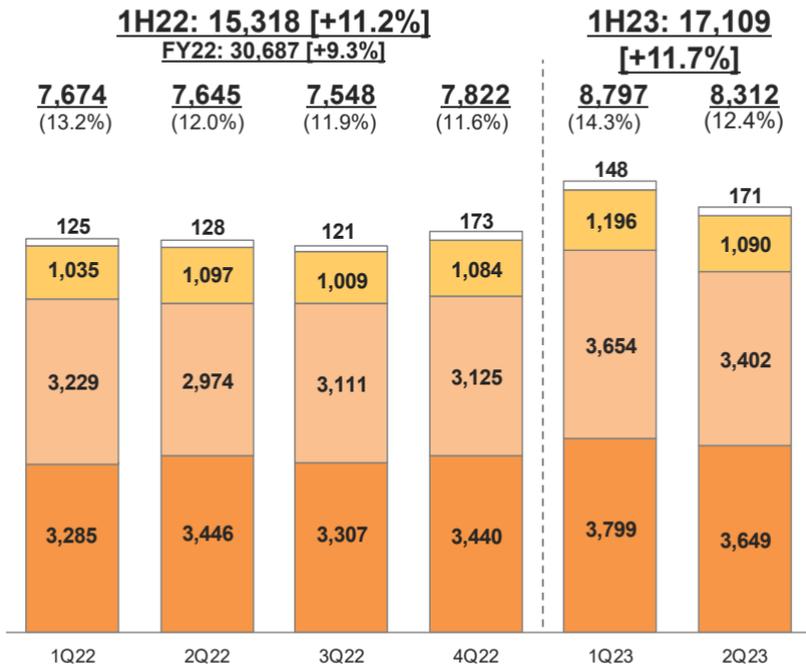
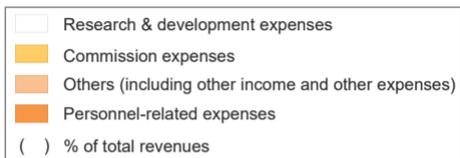
- Lower than the industry average turnover

FY19	FY20	FY21	FY22
4.6%	3.6%	4.2%	3.8%

- The turnover rate of IJ (non-consolidated basis) 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 of approx. 10% is announced by the Ministry of Health, Labor, and Welfare

SG&A etc.

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

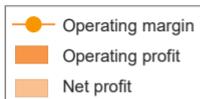


- Almost in line with the plan
- 1Q personnel-related and others expenses increase along with an increase in training and human capital development expenses mainly due to the entry of new graduates. Such expenses decrease in 2Q QoQ as expenses for new graduate engineers are booked as cost of revenues from 2Q
- Activity-related expenses such as promotion and business trips' expenses are on increasing trend YoY

- Above figures are SG&A expenses plus other income and other expenses
- 1Q22 others included ¥0.17 bn of gain on sales of tangible assets

Profit

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

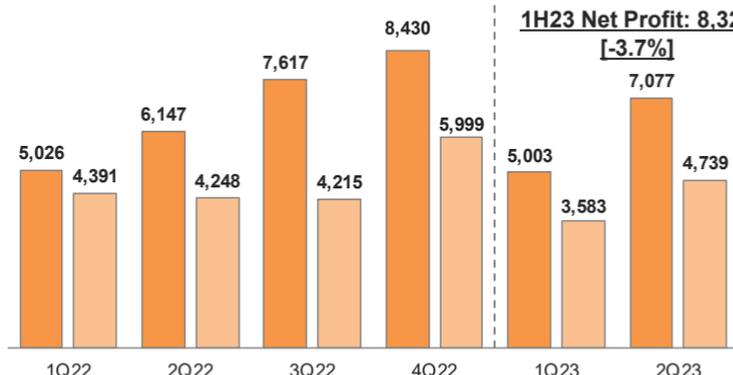


1H22 Operating profit: 11,173 [+20.1%]

1H22 Net profit: 8,638 [+25.3%]

1H23 Operating Profit: 12,080 [+8.1%]

1H23 Net Profit: 8,322 [-3.7%]



1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	
1,611	152	(1,374)	(97)	632	114	Finance income (expense), net
(14)	(64)	(83)	(42)	(154)	(119)	Share of profit (loss) of investments accounted for using equity method
(2,136)	(1,982)	(1,931)	(2,266)	(1,824)	(2,320)	Income tax expense
96	5	14	26	74	13	Profit for the period attributable to non-controlling interests

- Net profit shows "Profit for the period attributable to owners of the parent"
- Under IFRS, equity securities are measured at fair value through OCI (Other Comprehensive Income) while funds are measured through profit or loss
- Figures for the fiscal year ended March 31, 2023 are based on the retrospective application of IAS 12 "Income Taxes"

◆ Operating profit

➢ 1H23: ¥12.08 bn, +8.1% YoY

◆ Profit before tax

➢ 1H23: ¥12.55 bn, -2.4% YoY

- Foreign exchange gain: +¥573 million (1H22: +¥761 million)
- Valuation gain on funds etc.: +¥323 million (1H22: +¥1,196 million), decreased ¥873 million YoY as a reactionary drop

1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	FY23 plan
+1,200	(5)	(820)	(73)	+310	+13	±0

✓ Foreign exchange impacts were also included as lots of assets are dominated in U.S. dollars

- Share of loss of investments accounted for using equity method: ¥273 million (1H22: ¥78 million)

DeCurret- related loss (IIJ ownership: 38.2%)

1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	FY23 plan
78	102	94	109	125	124	Approx. 800

✓ First in Japan digital currency (DCJPY) is to be issued from Jul. 2024 through DeCurret's platform service (For detail, please refer to P. 23)

◆ Net profit

➢ 1H23: ¥8.32 bn, -3.7% YoY

Interim dividend

➢ Remain unchanged from initial target: ¥17.18 (1H22: ¥14.625, +17.5% YoY)

Consolidated Statements of Financial Position (Summary)

Unit: ¥ (JPY) million

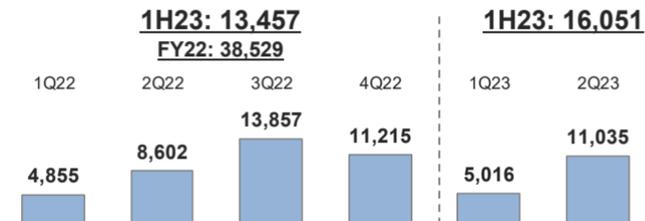
	Mar. 31, 2023	Sep. 30, 2023	Changes		Mar. 31, 2023	Sep. 30, 2023	Changes
Cash & cash equivalents	42,472	42,587	+115	Trade & other payables	22,313	22,412	+99
Trade receivables	41,340	39,017	(2,323)	Borrowings (current & non-current)	20,430	31,408	+10,978
Inventories	3,188	5,430	+2,242	Contract liabilities & Deferred income (current & non-current)	17,978	19,933	+1,955
Prepaid expenses (current & non-current)	27,920	35,711	+7,791	Income taxes payable	4,034	3,842	(192)
Tangible assets	23,321	26,825	+3,504	Retirement benefit liabilities	4,513	4,734	+221
Right-of-use assets	46,675	43,391	(3,284)	Other financial liabilities (current & non-current)	48,800	50,704	+1,904
Of which, operating leases (rent of office, data center etc.)	31,233	28,989	(2,244)	Of which, operating leases (rent of office, data center etc.)	31,610	29,422	(2,188)
Of which, finance leases (network equipment etc.)	15,442	14,402	(1,040)	Of which, finance leases (network equipment etc.)	16,447	15,519	(928)
Goodwill & intangible assets	26,475	27,460	+985	Others	8,823	9,510	+687
Investments accounted for using the equity method	5,785	5,374	(411)	Total liabilities:	126,891	142,543	+15,652
Other investments	19,150	22,302	+3,152	Share capital	25,562	25,562	-
Others	9,992	11,011	+1,019	Share premium	36,738	35,633	(1,105)
				Retained earnings	51,202	57,081	+5,879
				Other components of equity	6,571	9,093	+2,522
				Treasury shares	(1,831)	(12,027)	(10,196)
				Total equity attributable to owners of the parent:	118,242	115,342	(2,900)
				Non-controlling interests	1,185	1,223	+38
Total assets:	246,318	259,108	+12,790	Total liabilities and equity:	246,318	259,108	+12,790

- Prepaid expenses increased mainly due to project and license for clients and facility operation
- Borrowings: increased mainly due to due to the share buyback
- Ratio of total equity attributable to owners of the parent: 48.0% as of Mar. 31, 2023, 44.5% as of Sep. 30, 2023, decreased due to the share buyback with cancellation

Consolidated Cash Flows

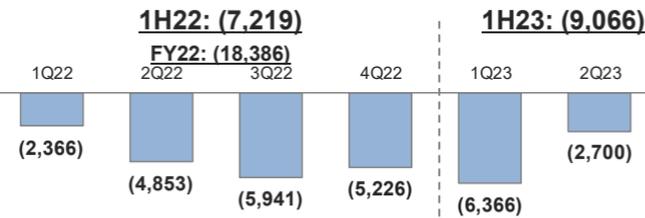
Unit: ¥ (JPY) million
YoY = Year over year comparison

Operating Activities



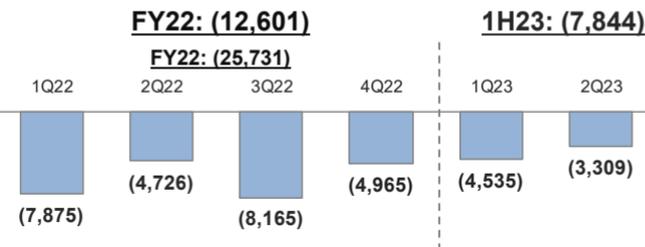
	1H23 Major Breakdown	YoY Change
Profit before tax	12,552	(306)
Depreciation and amortization	14,598	+453
Changes in operating assets & liabilities	(6,524)	(532)
Income taxes paid	(4,342)	+1,693

Investing Activities



	1H23 Major Breakdown	YoY Change
Purchase of tangible assets	(5,732)	(28)
Purchase of intangible assets such as software	(3,962)	(1,825)

Financing Activities

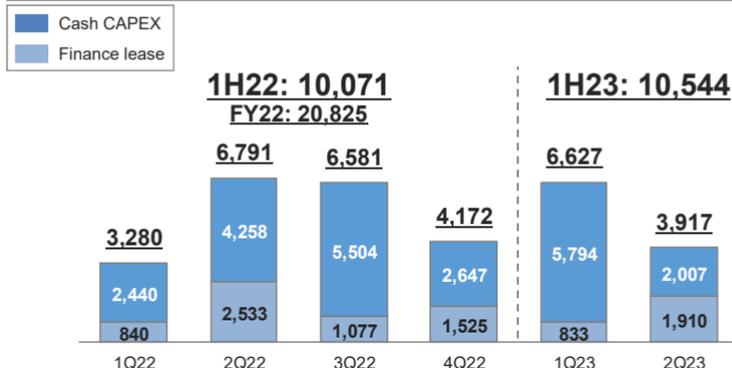


	1H23 Major Breakdown	YoY Change
Payment of operating/finance leases and other financial liabilities	(9,965)	(421)
Dividends paid	(2,644)	(386)
Repayment of long-term borrowings	(1,030)	(280)
Short-term borrowings (Borrowings for acquisition of treasury shares)	12,000	+12,000
Purchase of treasury shares	(11,405)	(11,405)

Other Financial Data

Unit: ¥ (JPY) million

CAPEX

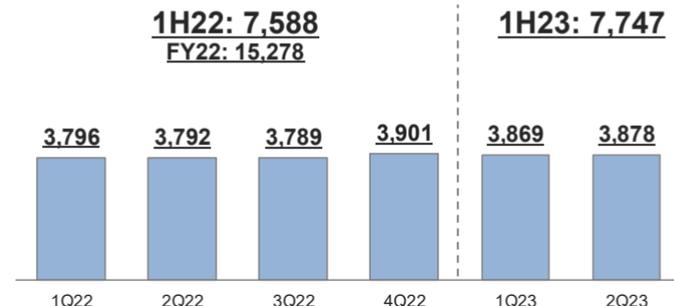


➤ Breakdown of CAPEX (Unit: ¥ bn)

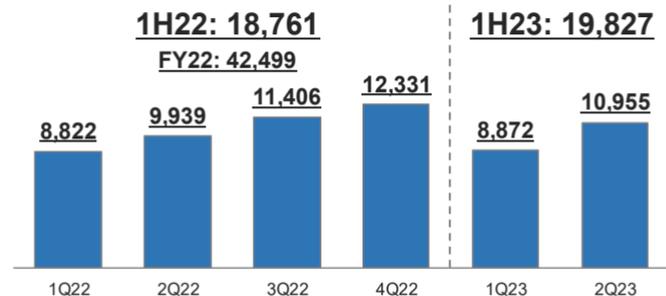
	1H22	1H23
NW usual Capex	4.6	5.7
Cloud-related	0.7	0.6
Shiroi DC-related	3.1	3.1
Customer-related	1.7	1.1

➤ FY23 CAPEX plan: ¥22.5 bn
(including approx. ¥7.0 bn for Shiroi DC 2nd site)

CAPEX-related depreciation and amortization



Adjusted EBITDA



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

FY23 Financial Targets (1)

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

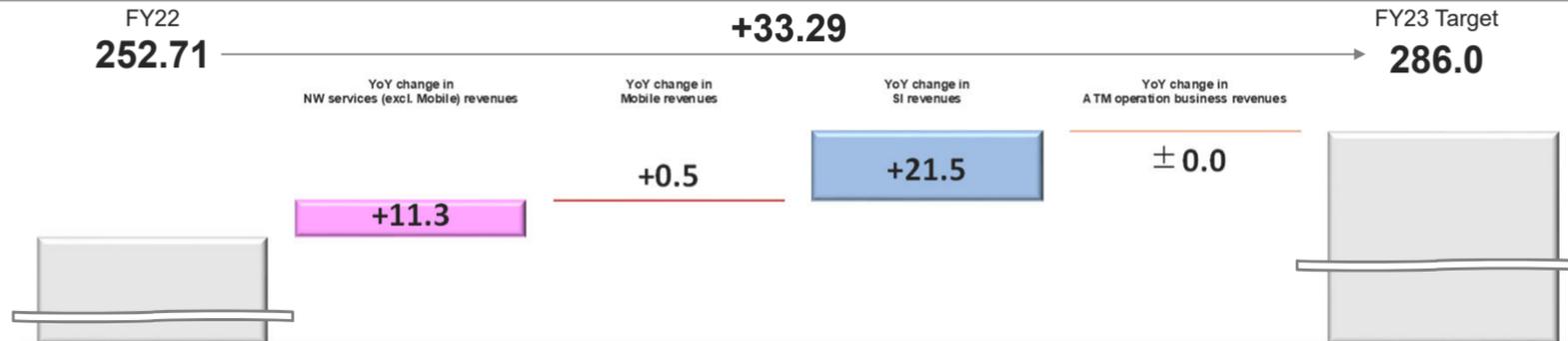
	<small>% of Revenues</small> FY23 Targets <small>(Apr. 2023 - Mar. 2024)</small>	<small>% of Revenues</small> FY22 Results <small>(Apr. 2022 - Mar. 2023)</small>	YoY	
Revenues	286.0	252.7	+13.2%	+33.29
Cost of Sales	^{77.1%} 220.5	^{77.1%} 194.8	+13.2%	+25.70
Gross Profit	^{22.9%} 65.5	^{22.9%} 57.9	+13.1%	+7.59
SG&A etc.	^{11.9%} 34.0	^{12.1%} 30.7	+10.8%	+3.31
Operating Profit	^{11.0%} 31.5	^{10.8%} 27.2	+15.7%	+4.28
<i>Shares of profit (loss) of investments accounted for using equity method investees</i>	(0.6)	(0.2)	-	(0.4)
Profit before tax	^{10.6%} 30.4	^{10.8%} 27.3	+11.1%	+3.04
Net Profit	^{7.2%} 20.7	^{7.5%} 18.8	+10.0%	+1.88

<small>% of Revenues</small> FY23 1H Target <small>(Apr. 2023 - Sep. 2023)</small>	YoY	
138.0	+13.1%	+16.04
^{78.2%} 107.9	+13.0%	+12.38
^{21.8%} 30.2	+13.8%	+3.66
^{12.1%} 16.8	+9.3%	+1.43
^{9.7%} 13.4	+19.9%	+2.23
(0.2)	-	(0.1)
^{9.4%} 13.0	+1.1%	+0.14
^{6.4%} 8.9	+2.5%	+0.21

	Assumptions for Revenue Targets	Assumptions for Gross Profit Targets	Other Assumptions
NW service <small>(excluding Mobile)</small>	<ul style="list-style-type: none"> Each service to grow along with continuous IT advancement Stronger growth than FY22 as the revenue contribution of the large complex projects starts 	<ul style="list-style-type: none"> Structural profit increase along with revenue growth Gross margin to slightly improve 	<ul style="list-style-type: none"> SG&A, etc. to increase due to business expansion, including personnel expenses Shares of profit (loss) of investments accounted for using equity method investees: Expect DeCurret's related loss to be around ¥0.8 bn No consideration on any valuation gain (loss) on funds & foreign exchange gain (loss) Number of employees (consolidated base) to increase by approx. 400 personnel (of which 246 new graduates) CAPEX: ¥22.5 bn (including ¥7.0 bn for Shiroi DC 2nd site)
Mobile	<ul style="list-style-type: none"> Return to high revenue growth in enterprise mobile (IoT usages) as better semiconductor procurement situation and the post-Pandemic Consumer revenue to be flat growth due to a decrease in mobile devices sales, MVNE revenue to decrease mainly due to reflecting a decrease in procurement cost at the beginning of FY23 	<ul style="list-style-type: none"> Increase as a rebound from FY22 (decrease in device procurement cost & smaller YoY negative profit impact than FY22 due to the migration to the new plan whose voice service margin is lower than the old plan. No gain from the unit charge revision) 	
SI	<ul style="list-style-type: none"> Strong demands as favorable business environment continues Largely increase backed by trend and outlook for large projects Expect to recognize approx. ¥3.0 bn of overseas DC construction in 1H23 	<ul style="list-style-type: none"> Increase as the revenue volume to expand Gross margin to be almost the same level as FY22 	

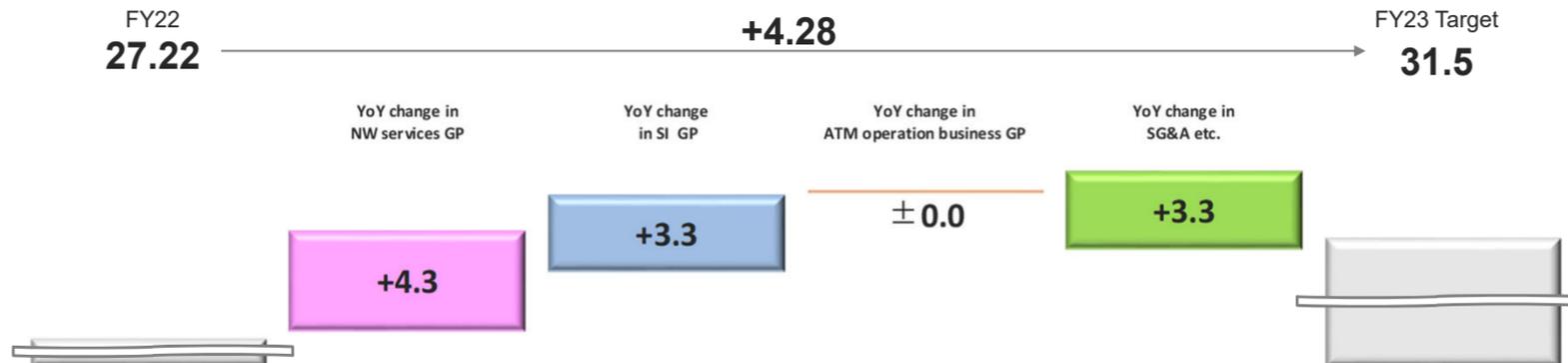
FY23 Financial Targets (2)

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 IJ Mobile Services (including MVNE) and IJmio (consumer mobile)

Operating Profit



- NW services gross profit consists of gross profit related to NW revenues (excl. Mobile) and Mobile revenues (These two are not decomposable because some costs are common among them)
- SG&A, etc. in this slide represents the sum of SG&A, which includes R&D expenses, and other income/expenses

Appendix

Shareholders' Return	P. 63
Market Growth Forecast	P. 64
Sales activity for Public Sector	P. 65
Docomo's Mobile data interconnectivity charge	P. 66
Consumer Mobile Price list	P. 67
Overseas Business	P. 68
ATM Operation Business	P. 69
Fintech Business: DeCurret (1) - (4)	P. 70 – 73
CDN Business: JOCDN	P. 74

Shareholders' Return

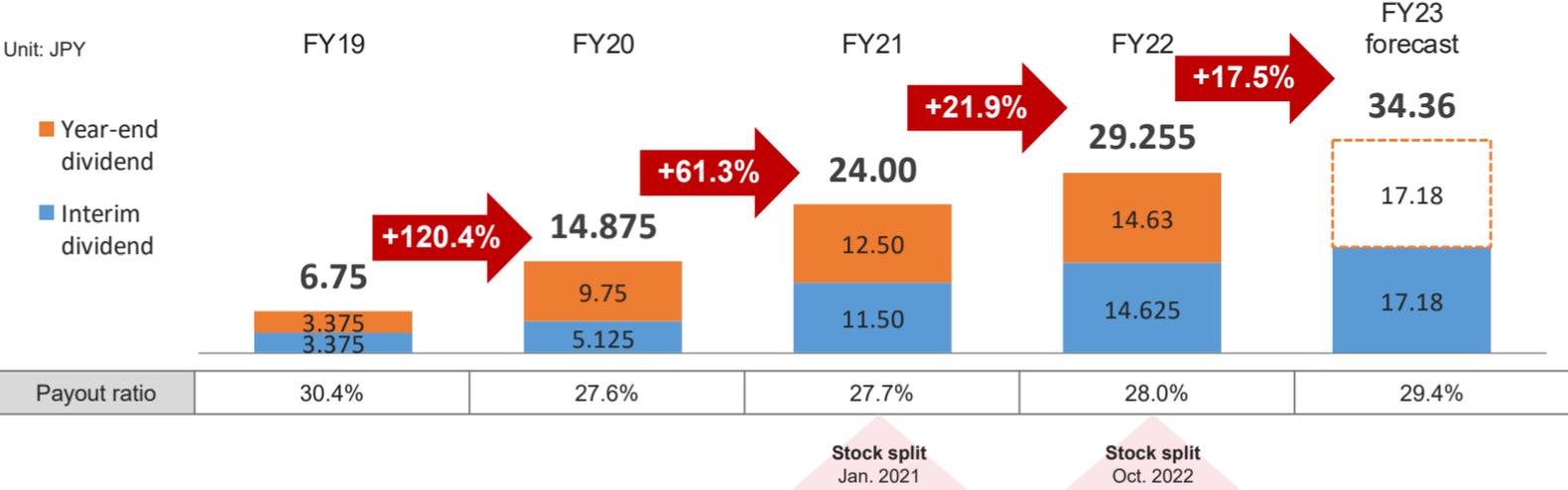
◆ Basic shareholders' return policy:

Continuous and stable dividend payment while considering the need to have retained earnings for the enhancement of financial position, mid-to-long term business expansion and future investment

◆ Dividend per share:

Continued to increase dividend in line with profit increase due to revenue growth, 5 times in 4 years

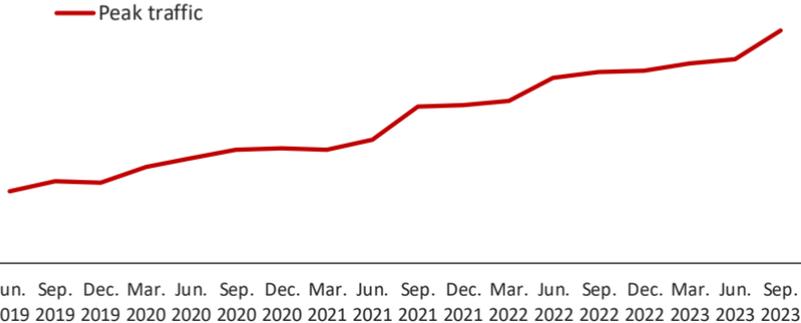
In May 2023, IJ executed share buyback of ¥11.4 bn and cancellation of shares
FY23 total payout ratio forecast: approx. 84%



- Dividend per share is written on the post-stock-split basis
- FY21 payout ratio: adjusted payout ratio is around 30% which is calculated by deducting temporary and non-cash transaction such as valuation on funds and impairment loss
- FY22 payout ratio takes the retrospective application of IAS 12 "Income Taxes" into consideration
- FY23 payout ratio takes the share buyback with cancellation which took place in May 2023 into consideration

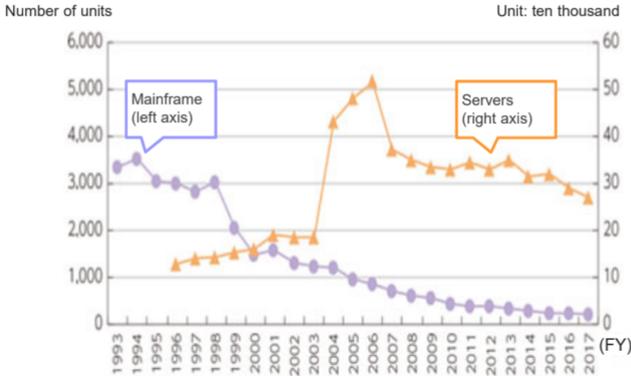
Market Growth Forecast

Historical traffic data of major domestic IX



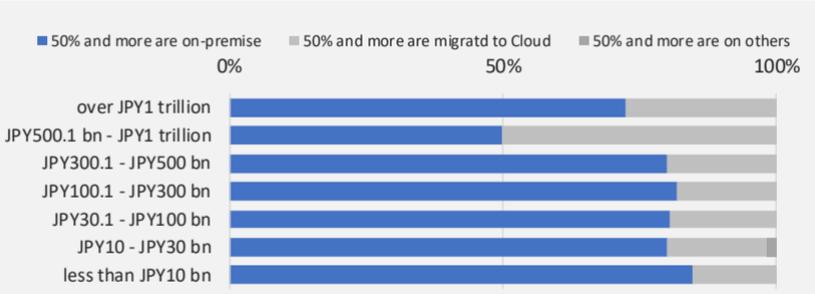
Source: INTERNET MULTIFEED CO.

Domestic shipments of mainframe and servers



Source: JEITA (Japan Electronics and Information Technology Association)
<https://www.soumu.go.jp/johotsusintokei/whitepaper/ja/r01/html/nd111140.html>

Status of Cloud migration by clients' annual revenue size



Source: Internet Initiative Japan "Nationwide survey on IT department 2022" published in Nov. 2022, N=598

Digital competitiveness ranking (2022)

1	Denmark
2	U.S.A.
3	Sweden
4	Singapore
5	Switzerland
(omission)	
28	Spain
29	Japan

Source: IMD WORLD DIGITAL COMPETITIVENESS RANKING 2022
<https://www.imd.org/centers/world-competitiveness-center/rankings/world-digital-competitiveness/>

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, 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 February 12, 2023, 68.8% to the total Japanese population has received their ID according to the Ministry of Internal affairs and Communications

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	FY25	
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. 2023 ¥15,644 -23.0% YoY ¥13,084 -16.4% YoY ¥11,255 -14.0% YoY			
Current	<u>¥49,311</u> -6.0% YoY	<u>¥42,702</u> -13.4% YoY	<u>¥37,280</u> -12.7% YoY	Fixed in Dec. 2022 <u>¥27,024</u> -27.5% YoY	Announced in Mar. 2022 To be fixed around the end of Dec. 2023 <u>¥20,327</u> -24.8% YoY			<u>¥15,697</u> -22.8% YoY	<u>¥13,207</u> -15.9% YoY
Old	<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 <u>¥28,385</u> -23.9% YoY <u>¥22,190</u> -21.8% YoY <u>¥18,014</u> -18.8% YoY			Announced in Mar. 2020 <u>¥41,436</u> -3.0% YoY <u>¥33,211</u> -19.8% YoY <u>¥27,924</u> -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
- The charge disclosed based on the future cost method is to be finalized based on MNOs actual cost results, etc.
- 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 the old & new plans of consumer mobile

Old

New: GigaPlans (Apr. 2021~)

Current Price list as of Apr. 1, 2023

Basic Monthly Charge	Old		New: GigaPlans (Apr. 2021~)		Current Price list as of Apr. 1, 2023	
		Minimum Start Plan (3GB)	With voice: ¥1,760 Data-only: ¥990	2Giga Plan (2GB)	With voice: ¥858 Data-only: ¥748	2Giga Plan (2GB)
	Light Start Plan (6GB)	With voice: ¥2,442 Data-only: ¥1,672	4Giga Plan (4GB)	With voice: ¥1,078 Data-only: ¥968	5Giga Plan (5GB)	With voice: ¥990 Data-only: ¥900
	Family Share Plan (12GB)	With voice: ¥3,586 Data-only: ¥2,816	8Giga Plan (8GB)	With voice: ¥1,518 Data-only: ¥1,408	10Giga Plan (10GB)	With voice: ¥1,500 Data-only: ¥1,400
			15Giga Plan (15GB)	With voice: ¥1,848 Data-only: ¥1,738	15Giga Plan (15GB)	With voice: ¥1,800 Data-only: ¥1,730
			20Giga Plan (20GB)	With voice: ¥2,068 Data-only: ¥1,958	20Giga Plan (20GB)	With voice: ¥2,000 Data-only: ¥1,950
Pay as you go	Voice call charge as you go	¥22 per 30 seconds	Voice call charge as you go	¥11 per 30 second		

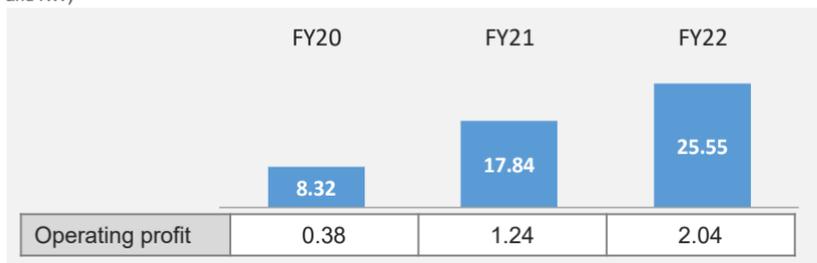
- The above table briefly indicates service prices for major functions to show the differences between the old and new plans
- Voice call charge is only for domestic calls. New voice call charge as you go was revised on September 11, 2021 and is applied to old plan's users
- eSIM service for consumers: "I!Jmio eSIM Service Data Plan Zero" launched in Mar. 2020, Data communication service using NTT Docomo's LTE and 3G network
Pricing: monthly charge (bundled data volume: 0 GB), ¥165 per month. Additional data volume: First 1GB ¥330, 2GB to 10GB: ¥495 per GB

Overseas Business

Revenue and Operating Profit

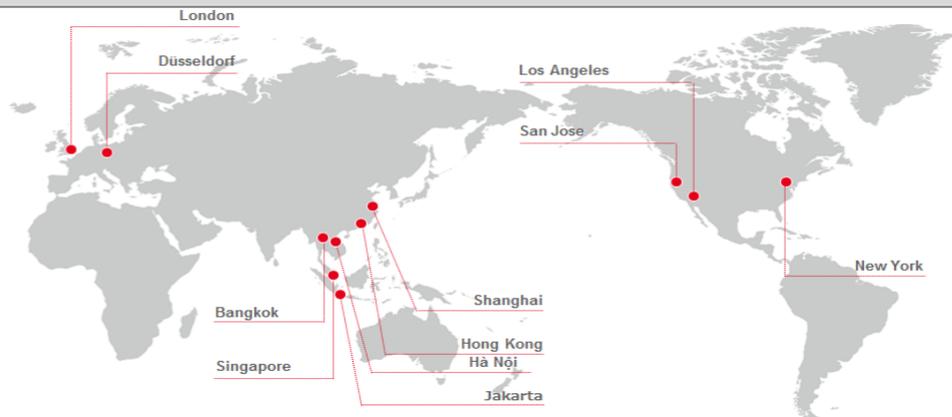
Overseas business's revenue and operating profit
(included in SI and NW)

Unit: JPY bn



- PTC financial results (included in the above results) : FY21 revenue ¥6.89 bn, operating profit ¥0.31 bn, FY22 revenue ¥10.68 bn, operating profit: ¥0.47 bn

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 and SI 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

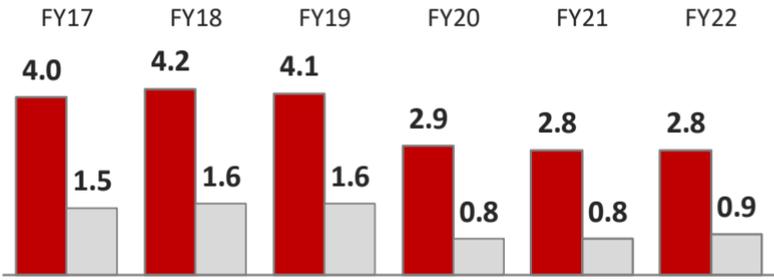
- Similar to “Seven Bank” model
- Placing ATMs in pachinko parlors in Japan
 - After long discussion, started to place in Kanto, Kansai, Kyushu and Tokai areas
 - 8,458 pachinko parlors in Japan as of December 31, 2021 (Source: National Police Agency)
- Receive commission for each withdrawal transaction

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



• ATM (Automated Teller Machine)

• 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

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 at MUFG Financial Group, Inc.)
 - Part-time directors: IIJ, MUFG bank, au Financial Holdings, 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									
1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23
(296)	(256)	(780)	(1,456)	(78)	(102)	(94)	(109)	(125)	(124)

- IIJ ownership: 38.2%
- 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)
- FY23 DeCurret related loss is to be around ¥0.8 billion

Digital Currency Settlement Platform Business (mainly BtoB)

◆ 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.

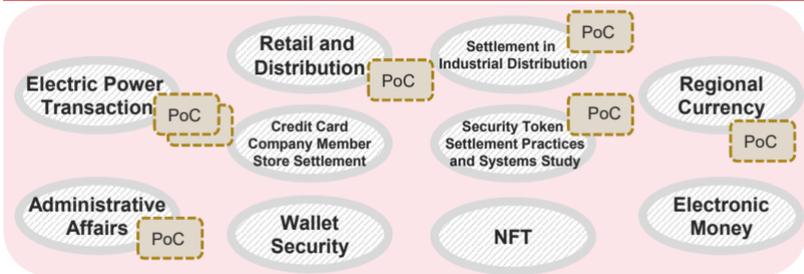
◆ About Digital Currency Forum (DeCurret as a facilitator)

- Number of members: over 100 as of Oct. 2023
 - 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

Expect the first commercial service utilizing the DCJPY Network (Two-tiered Digital Currency Settlement Platform) provided by DeCurret DCP to be launched in July 2024. GMO Aozora Net Bank plans to issue a digital currency DCJPY (tentative name) for the digitalization of IIJ's transactions of environmental value (non-fossil certificates, etc.) into digital assets, and transactions and settlements.

FinTech Business through DeCurret (2)

Digital Currency Forum Subcommittees (83 participants: companies, local governments, etc.)

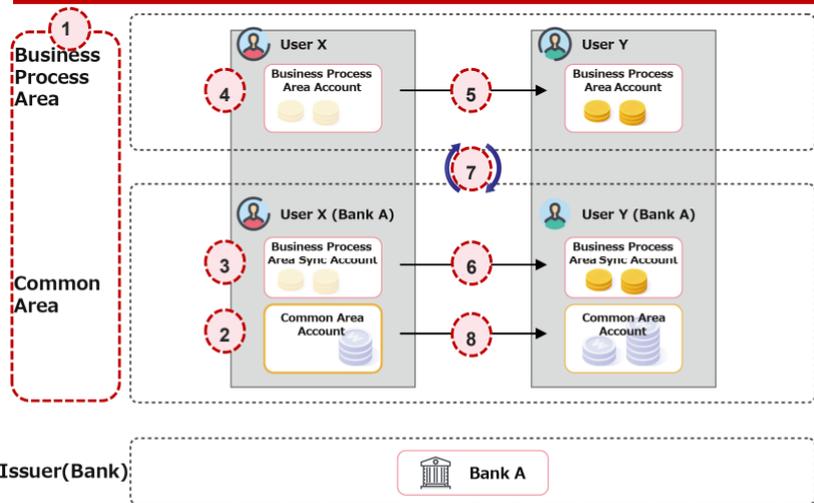


Promoting Proof of Concept (PoC) for DCJPY* (approx. 40 companies participating)

*DCJPY: tentative name of digital currency issued by banks that is able to be issued, transfer, and repay through the Two-tiered Digital Currency Platform

Subcommittees	Participators	Outline
Industrial distribution	Mitsubishi Corporation, NTT, etc.	Feasibility studies to use DCJPY for Mitsubishi's trading transaction settlement with smart contracts
Electricity power transaction A	Kansai Electric Power Company, etc.	Purchase of goods at convenience stores by using DCJPY which is obtained through electricity Peer to Peer (P2P) transactions
	ENERES, etc.	Feasibility studies to launch new services by utilizing DCJPY and electric power transaction data
Regional currency	Mitsubishi UFJ Research & Consulting, TIS, etc.	Digitalization of local governments' benefits for selective usages through DCJPY so that local governments' administrative process such as printing, mailing and others are improved
Administrative process		
Retail and Distribution	Seven Bank, etc.	Feasibility studies to apply DCJPY transaction among retail, wholesale and banking through EDI (Electronic Data Interchange)
Security token	Nomura HD, Future Architect, etc.	Feasibility studies to use security token and DCJPY for DVP (Delivery Versus Payment) settlement to learn about potential issues, etc.

Two-tiered Digital Currency Platform



Patented "Two-tiered Digital Currency Platform"

Outline of the patent (Electronic Currency Management System)	
①	Two-tiered system consisting of Common Area and Business Process Area
②	Issuance of digital currency within Common Area
③④	Issuance of Business Process Area's token tied to Common Area's digital currency
⑤⑥	Transfer of token within Business Process Area, and transfer of digital currency, being tied to those transfer of token, within Common Area
⑦	Synchronous processing of Common Area and Business Process Area
⑧	Transfer of digital currency, not being tied to Business Process Area, within Common Area

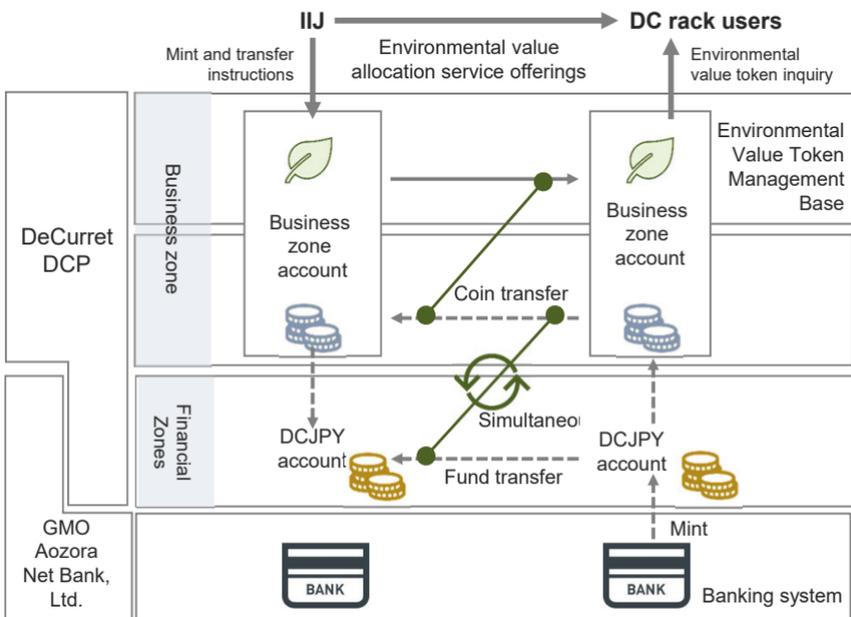
FinTech Business through DeCurret (2)

First in Japan to issue commercial digital currency (July 2024)

About the Case

Issuer of digital currency	GMO Aozora Net Bank, Ltd.
Usages of digital currency	<ul style="list-style-type: none"> Digitalization of environmental value transaction (non-fossil certificates, etc.) Transactions and settlement in the digital currency DCJPY

Flow on DCJPY on the Two-tiered Digital Currency Platform



About DeCurret

DeCurret HLD	Shareholder: 35 companies including IIJ
DeCurret DCP	Shareholder: DeCurret HLD 100% Business: <ul style="list-style-type: none"> Digital currency business Secretary for the "Digital Currency Forum" <ul style="list-style-type: none"> Members consist of over 100 companies, organization, experts, and related regulatory agencies (FSA, MIC, MOF, METI, BOJ)

Difference between "DCJPY" and Trust Bank's Stablecoins

	DeCurret's digital currency "DCJPY"	Trust Bank's stablecoins
Corresponding act	The Banking Act	The revised Payment Services Act (enforced in June 2023)
Form	Bank deposits	Stablecoins
Scheme of issuance	<ul style="list-style-type: none"> Withdraw from user's bank deposit DCJPY will be issued after booking the same amount of such withdrawal to DCJPY account on the digital currency platform 	<ul style="list-style-type: none"> User needs to deposit money and set up a trust asset each time Then, stablecoins can be issued by a trust bank
Features	<ul style="list-style-type: none"> Highly compatible with the current settlement system Issuers are reliable and trustworthy banks Banks support DCJPY can use the Digital Currency services 	<ul style="list-style-type: none"> User needs to open an account with the Trust bank and deposit money each time User needs to arrange a trust asset each time transferring funds other than the two companies, a trust bank and a beneficiary

FinTech Business through DeCurret (3)

Shareholders of DeCurret (35 companies)

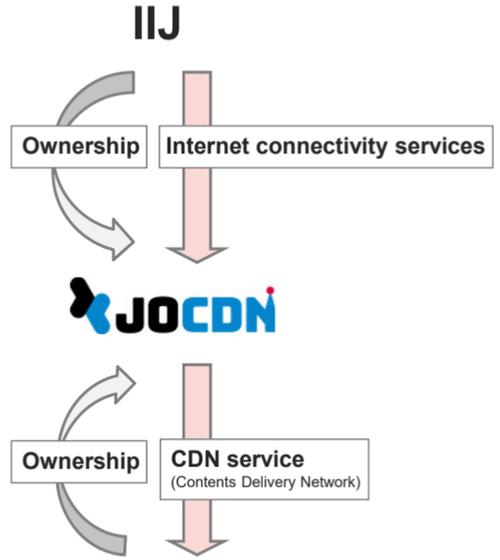
Source: DeCurret Web Page

- 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.
- 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.
- TIS 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.

CDN Business through JOCDN

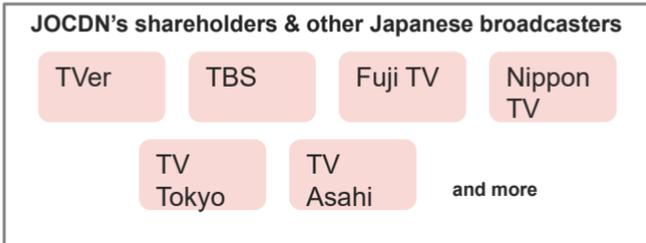
Company Profile	
Name	JOCDN Inc. (IIJ's equity method investee)
IIJ Ownership	16.8%
Capital	JPY845 million (including capital reserve)
Established	December 1, 2016
Shareholders	IIJ, Nippon TV, TV Asahi, TBS, TV Tokyo, Fuji TV, WOWOW (Prominent satellite broadcaster in Japan), NHK (Japan's only public 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"
 - 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
- TVer is a web platform where viewers can watch certain TV programs for free. Its system was developed jointly by major commercial television networks in Japan to broadcast TV programs over Internet





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.