

Corporate Overview of Internet Initiative Japan (IIJ)

Internet Initiative Japan Inc. (IIJ)

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

February and March 2024

Disclaimer

Statements made in this presentation regarding IIJ's or managements' intentions, beliefs, expectations, or predictions for the future are forward-looking statements that are based on IIJ's and managements' current expectations, assumptions, estimates and projections about its business and the industry. These forward-looking statements, such as statements regarding revenues, operating and net profitability are subject to various risks, uncertainties and other factors that could cause IIJ's actual results to differ materially from those contained in any forward-looking statement.

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- 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 with Service Integration model

- Enterprise private network and systems in Japan are finally becoming to change
- Increasing track record of large-scale projects covering an entire enterprise private NW & systems
- **Service Integration** (providing in-house developed network services as part of SI) is increasing, covering these demands

2

Network expertise becoming a very critical differentiator

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

3

Revenue growth to be stronger, which results in economics of scale

- Leveraging the current royal Internet access services' client base
- Accelerated growth of MRR (monthly recurring revenue) through Service Integration
- Margin to improve with an accumulation of MRR whose the cost are mainly network operation's common ones

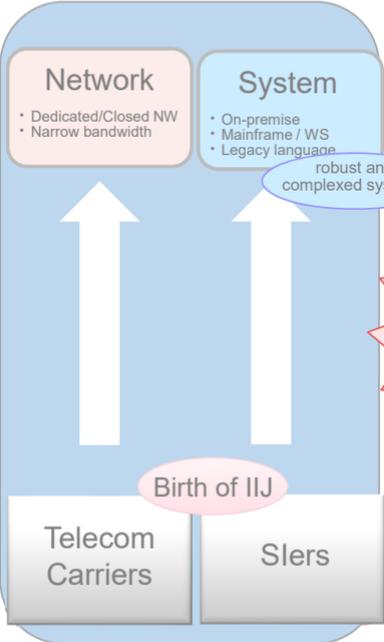
Enterprise private NW and systems in Japan becoming to change

30 years ago

Carriers & Slers each covered private NW & systems

Nowadays

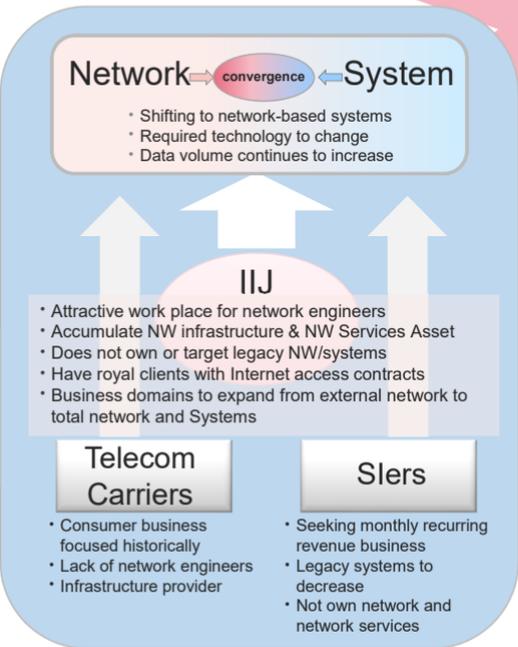
Growing demand for NW-based systems incorporating Internet technologies



- 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

Emergence of Internet

Struggling switch to open systems

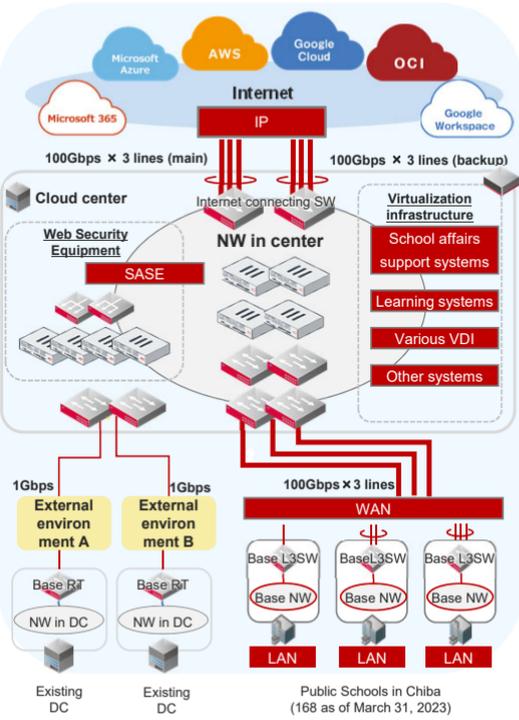


- Labor shortage require more IT
- Japan needs more competitiveness by IT
- Every CEO says DX (Digital Transformation)
- Legacy NW and Systems to be reformed
- Internet Traffic Continue to Increase
- Cyber Security Demands
- Importance for Data governance
- Cloud Systems Penetration
- 5G SA adoption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

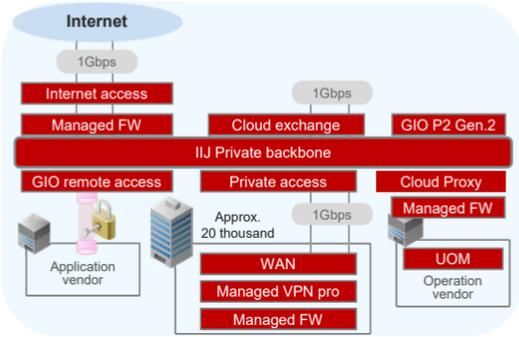
Large-scale Service Integration Transactions

■ Services provided by IJJ
 ■ SI provided by IJJ

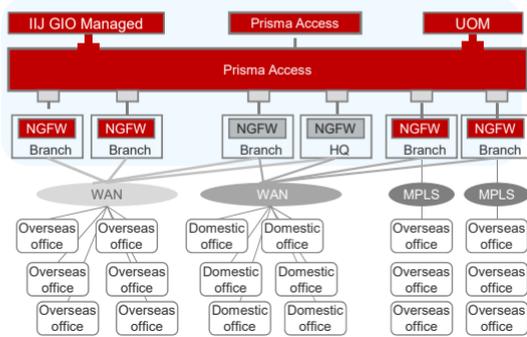
Educational Information NW for Chiba city



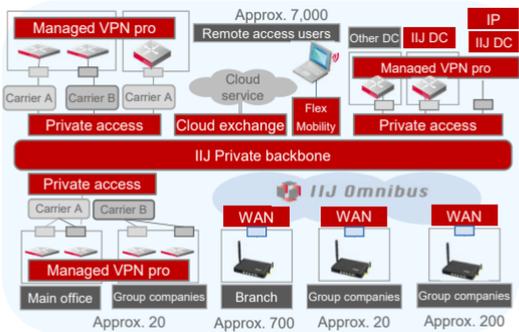
Integrated information system for public safety org.



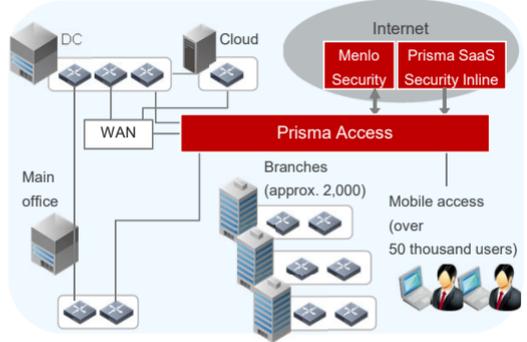
Large-scale SASE project for a global company



Total NW project for a prominent company group



Large-scale NW renewal for a financial institution



UOM: Unified Operation Management, NGFW: Next Generation Firewall, MPLS: MultiProtocol Label Switching

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Track record of large-scale Service Integration projects

Project overview	Project size (approx.)	Main revenue recognition	Acquired	Timing of revenue recognition (plan)
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	¥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	3Q24
Core information NW infrastructure for a broadcaster	¥6.0 bn, from FY24	NW service, SI construction, SI O/M	Dec. 2022 & Jan. 2023	4Q24
Overseas DC project	¥2.8 bn in 3Q23	SI construction	Nov. 2022	Dec. 2023
Subsequent projects of the overseas DC project	¥1.2 bn in FY24 ¥2.0 bn in or after FY25	SI construction	2H22	1Q24 and in or after FY25
Next generation NW renewal for a major system integrator	¥1.0 bn, 5 years	NW service	Apr. 2023	From Nov. 2023
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	4Q23
Next generation research platform for a private university	¥1.0 bn, 5 years	SI construction, SI O/M	May. 2023	4Q23
Educational information network for Chiba City	¥12.3 bn, 5 years	NW service, SI construction, SI O/M	Sep. 2023	4Q24 (approx. ¥5.0 bn in FY24)
Construction & operation for service infrastructure for an enterprise	¥4.0 bn, 5 years	NW service, SI construction, SI O/M	Dec. 2023	2Q24
Large-scale server construction for AI infrastructure (Acquired by PTC, Singaporean Sler subsidiary)	¥3.0 bn, 3 years	SI construction, SI O/M	Dec. 2023	4Q23
Large-scale NW renewal for a prominent financial institution	¥4.0 bn, 8 years	NW service, SI construction, SI O/M	4Q23	1Q25

- The timing of revenue recognition is based on the assumption as of Feb. 2024. It could change due to the progress of project and other factors
- SI O/M = systems operation and maintenance

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

P. 7 – 11

Business Model (Monthly recurring revenue accumulation, etc.)

P. 12 – 16

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

P. 17 – 19

Growth Strategy (Mid-term plan & growth drivers)

P. 20 – 23

Company Profile

IIJ has been taking initiatives in Internet Infrastructure field in Japan

Established	December 1992 (The first established full-scale ISP in Japan)
Number of Employees	4,791 (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 “IIJ” brand among Japanese blue-chip companies’ IT division

- ✓ Differentiate by reliability and quality of network and systems operation
- ✓ Long-term (almost 30 years) client relationship since the establishment of IIJ

◆ Development of innovative Internet-related services

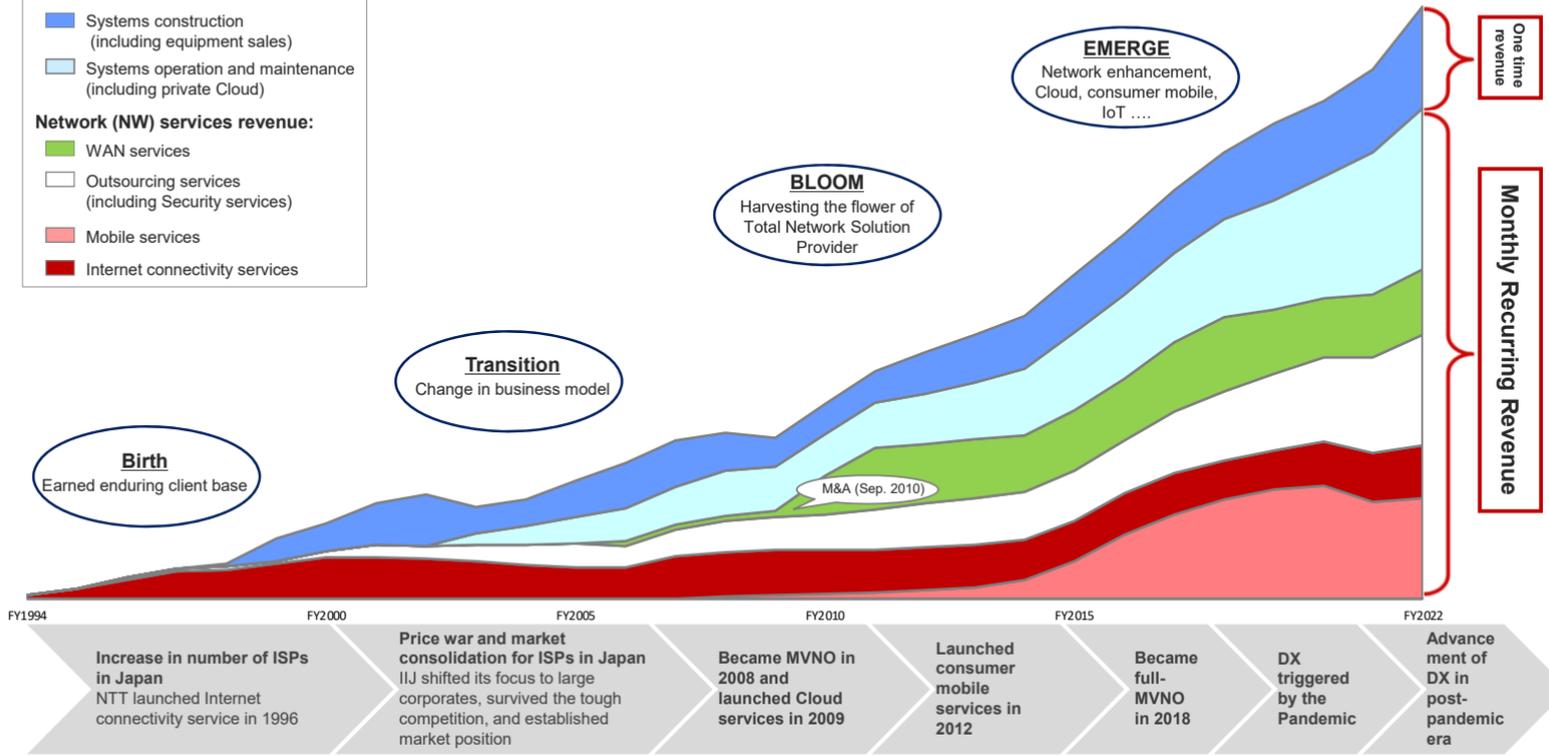
- ✓ Differentiate by continuous network service developments and business investments
- ✓ Focus on Cloud, mobile, security, solutions related to Big Data, IoT and data governance
- ✓ Always ahead of telecom carriers and systems integrators (SIs) with regards to services development and operation

and many more

• Number of employees is on the consolidated basis and as of Dec. 31, 2023
 • 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



IIJ as a Total NW Solution Provider

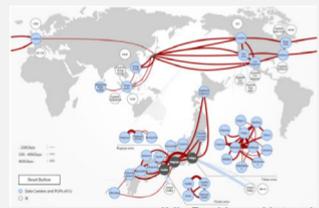
Offers various network services and systems integration together in many projects

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



Initiatives for Sustainability

PDF download link for Integrated Report Portal can be here https://www.ijj.ad.jp/en/ir/integrated-report/archives/pdf/integrated-repot2023_en.pdf

About IJJ	Business Model
Strength	Growth Strategy

IJJ's Material Issues

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

◆ Bringing innovation with IP

Online banking/brokerage	CDN	Smart Government
Online shopping	Telehealth	Remote work
From now on	Adoption of Cloud	IoT Solution
	Digital Currency	Metaverse

◆ 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"

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

 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)

IJJ's MSCI ESG rating: A

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



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



Eijiro Katsu

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



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 LLLC

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/

SWOT of IJ

Strength	Weakness
<p data-bbox="95 212 766 264" style="text-align: center;">High technological capabilities</p> <ul style="list-style-type: none"> ◆ 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 	<ul style="list-style-type: none"> ◆ Business domain mostly in Japan <ul style="list-style-type: none"> ➢ IJ's overseas business is mainly global NW operation and is to increase Japanese clients' loyalty ◆ Smaller in size compared to competitors <ul style="list-style-type: none"> ➢ IJ continuously develops innovative NW services and solutions to be ahead of the market needs
Opportunity	Threat
<p data-bbox="95 608 766 659" style="text-align: center;">Digitalization (DX) in Japan</p> <ul style="list-style-type: none"> ◆ 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 	<ul style="list-style-type: none"> ◆ Slow IT adoption in Japan <ul style="list-style-type: none"> ➢ IJ focuses on promoting digitalization of large Japanese companies with various NW services and systems integration to fully meet their needs

Unit: ¥ (JPY) billion (bn)

Extensive Service Lineup

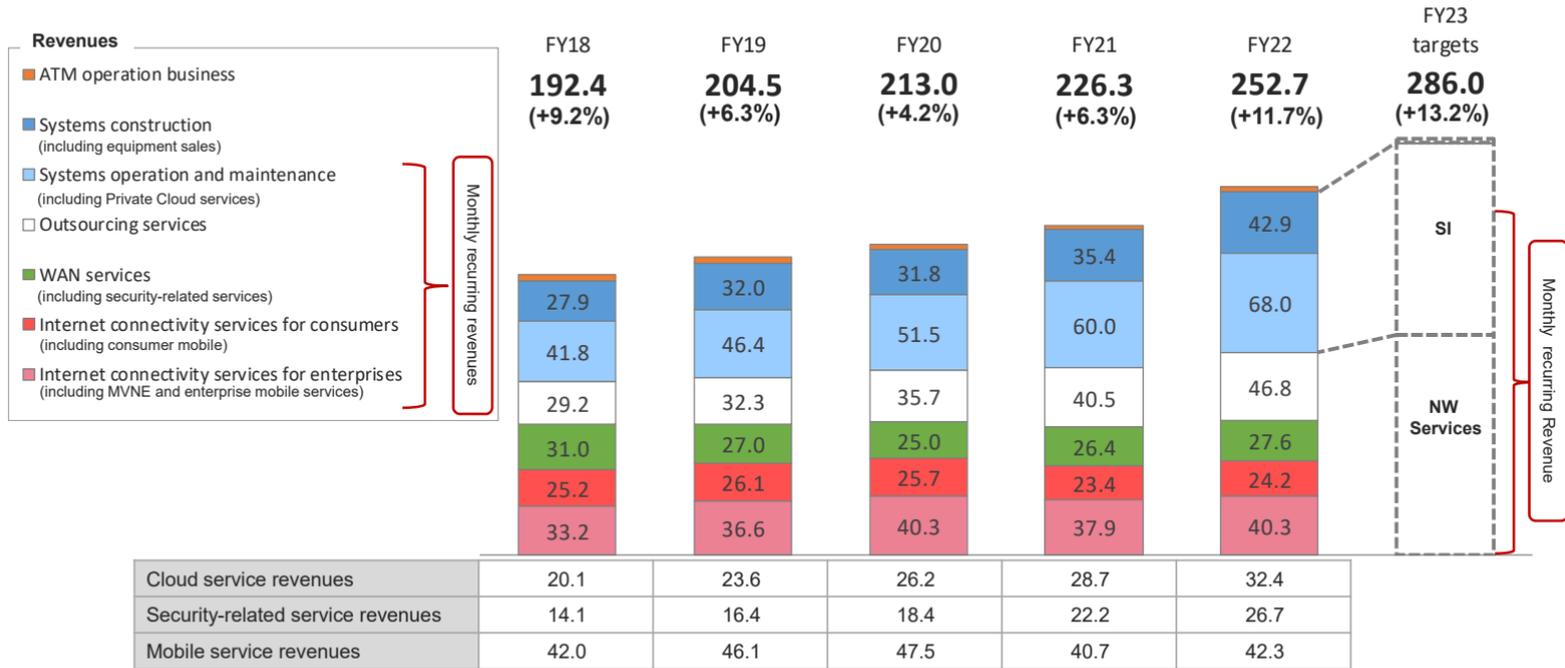
Revenue category		FY22 revenue	About		Business Situation & Outlook													
NW services	Internet connectivity services for enterprise	40.25	<table border="1"> <tr> <td>IP</td> <td>14.84</td> <td> <ul style="list-style-type: none"> > Core service providing from the foundation > Highly reliable dedicated 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 > 1Q-3Q23 IP service revenue: +9.9% YoY </td> </tr> <tr> <td>Mobile</td> <td> <ul style="list-style-type: none"> > Expect infrastructure utilization & profitability to improve by gathering various traffic such as IoT/enterprise/ consumers <ul style="list-style-type: none"> • Enterprise: Expect the demand to increase in the mid-to-long term. Consumer: Maintain and increase market share subscription with GigaPlans in competitive market > 1Q-3Q23 total mobile revenue: +8.4% YoY <ul style="list-style-type: none"> • Of which, enterprise mobile: +23.3% YoY • Of which, MVNE: +6.4% YoY • Of which, consumer mobile: +1.8% YoY </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 > 1Q-3Q23 IP service revenue: +9.9% YoY 	Mobile	<ul style="list-style-type: none"> > Expect infrastructure utilization & profitability to improve by gathering various traffic such as IoT/enterprise/ consumers <ul style="list-style-type: none"> • Enterprise: Expect the demand to increase in the mid-to-long term. Consumer: Maintain and increase market share subscription with GigaPlans in competitive market > 1Q-3Q23 total mobile revenue: +8.4% YoY <ul style="list-style-type: none"> • Of which, enterprise mobile: +23.3% YoY • Of which, MVNE: +6.4% YoY • Of which, consumer mobile: +1.8% YoY
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Internet connectivity services for consumers	24.24	<table border="1"> <tr> <td>Mobile</td> <td>21.03</td> <td> <ul style="list-style-type: none"> > Inexpensive SIM services (mainly data), > Direct sale (via IJ web), Indirect sale (via sales partners such as retailers) </td> </tr> </table> <p>(Others) Broadband Internet services and email services for households, etc.</p>	Mobile	21.03	<ul style="list-style-type: none"> > Inexpensive SIM services (mainly data), > Direct sale (via IJ web), Indirect sale (via sales partners such as retailers) 													
Mobile	21.03	<ul style="list-style-type: none"> > Inexpensive SIM services (mainly data), > Direct sale (via IJ web), Indirect sale (via sales partners such as retailers) 																
WAN (Wide Area NW)	27.63	Closed NW used to connect multiple sites		Stable market in the long-term, 1Q-3Q23 revenue: +3.2% YoY														
Outsourcing	46.81	Various in-house developed Internet-related 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 > 1Q-3Q23 security service revenue: +16.0% YoY 													
		<table border="1"> <tr> <td>Security</td> <td>26.74</td> <td rowspan="2"> <ul style="list-style-type: none"> > Managed security services, Security Operation Center services and so many more > Offered as a part of Cloud service line-ups </td> </tr> <tr> <td>Public Cloud</td> <td>2.82</td> </tr> </table>	Security	26.74		<ul style="list-style-type: none"> > Managed security services, Security Operation Center services and so many more > Offered as a part of Cloud service line-ups 	Public Cloud	2.82										
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SI	Operation and Maintenance	68.00	<table border="1"> <tr> <td>On-premise Systems</td> <td>38.39</td> <td rowspan="2"> <ul style="list-style-type: none"> > Operation and maintenance of constructed systems > Promote Cloud shift with abundant, highly reliable, value-added private Cloud related service line-ups </td> </tr> <tr> <td>Private Cloud, etc.</td> <td>29.61</td> </tr> </table>	On-premise Systems	38.39	<ul style="list-style-type: none"> > Operation and maintenance of constructed systems > Promote Cloud shift with abundant, highly reliable, value-added private Cloud related service line-ups 	Private Cloud, etc.	29.61	<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 > 1Q-3Q23 operation and maintenance revenue : +5.0% YoY 									
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Private Cloud, etc.	29.61																	
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"> > SI projects are becoming larger > 1Q-3Q23 construction revenue: +12.0% YoY 														

Monthly Recurring Revenue 82%

One time revenue

Unit: ¥ (JPY) billion (bn)

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)

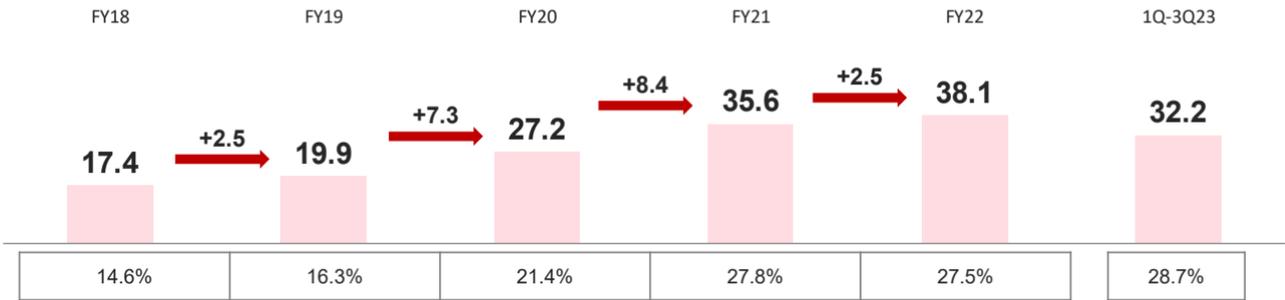
Unit: ¥ (JPY) billion (bn)

Gross Profit and Margin Growth

NW services

Gross profit

Gross margin

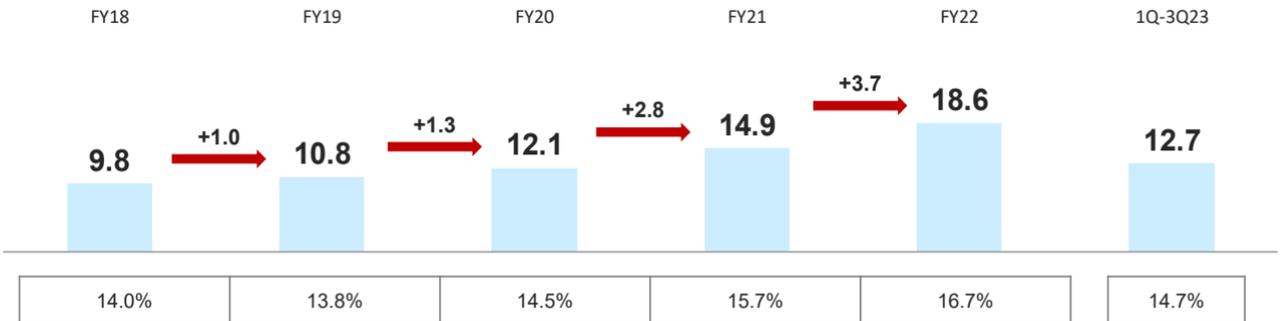


- NW services include Internet connectivity services for enterprises, Internet connectivity for consumers, Outsourcing, and WAN services. These are all monthly recurring revenue
- FY22 NW service gross margin slightly decreased due to the decrease in mobile business margin, which is part of NW services, mainly because of an increase in marketing cost such as low price hand-set offering

SI

Gross profit

Gross margin



- SI includes systems construction which is one-time revenue and systems construction and maintenance which is monthly recurring revenue
- FY21 SI includes PTC revenue which became IJ's consolidated subsidiary from Apr. 2021

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.26
 - 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.32 - 34

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.27 - 30

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.25

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.)

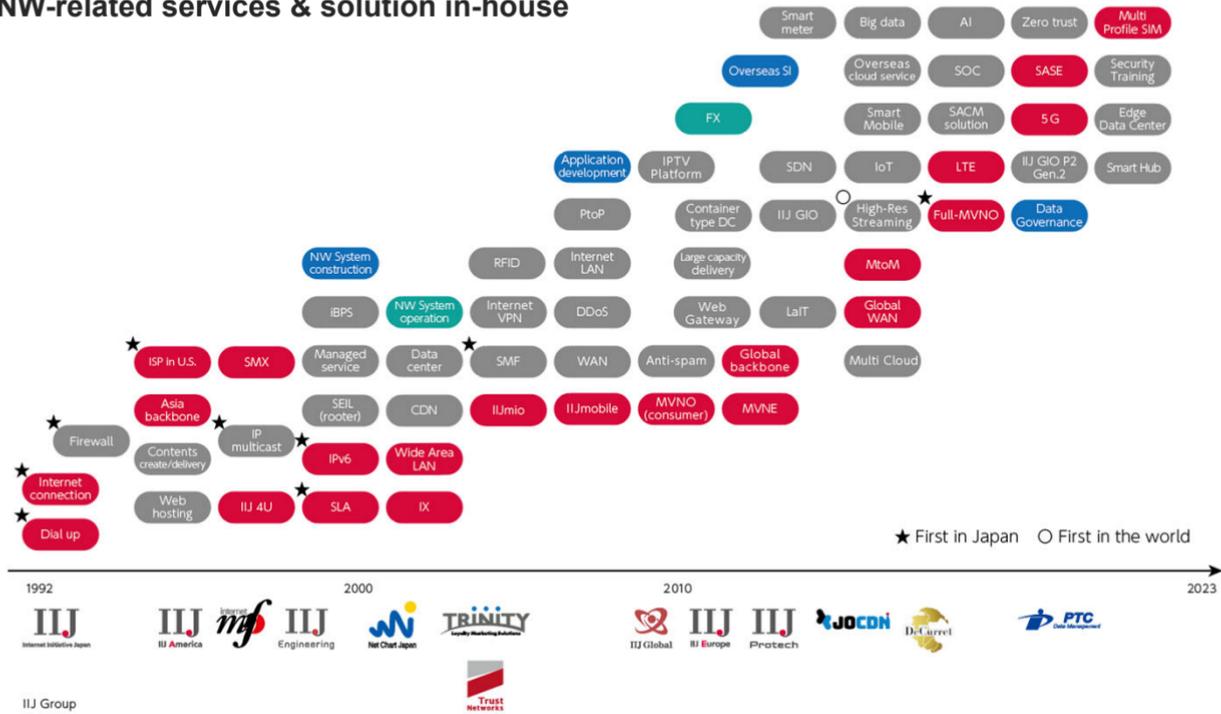
Historical track record of NW services gross margin				
FY18	FY19	FY20	FY21	FY22
14.6%	16.3%	21.4%	27.8%	27.5% *

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

Service & Solution Development Capability

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



IJ Group



© Internet Initiative Japan Inc.

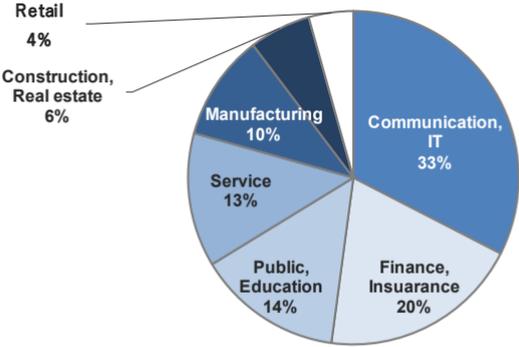
Excellent Customer Base

- ◆ Through reliable operation, continuous use of Internet connectivity services since the inception of IIJ
- ◆ Our reliable infrastructure operation and cross-sell strategy have led to low churn rate
- ◆ Number of IIJ Group's clients: approx. 14,000 as of Mar. 31, 2023

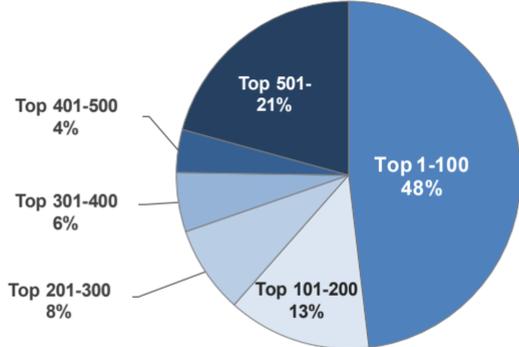
Cover Most of Top Revenue Companies in Japan



Client Distribution by Industry



Client Distribution by Revenue Volume



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

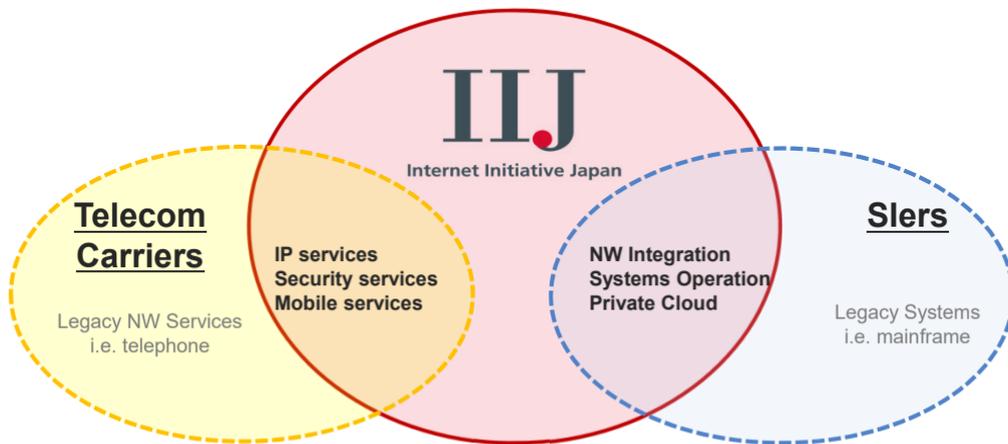
Competitive Advantages

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 (SIs), IIJ

- Operates one of the largest Internet backbone (SIs do not)
- Has NW services asset and development capability (SIs do not)
- Focuses on Internet-related open type systems



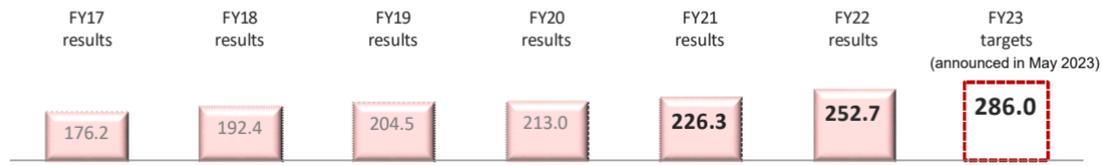
**IIJ deals with newer systems and growing IT market
(Not involved in heavy and legacy systems)**

Mid-term Plan (FY21-FY23)



Initial mid-term plan target (announced in May 2021)
Revenue: ¥270 bn, Operating margin: over 9%
 (updated to 11.5% in May 2022)

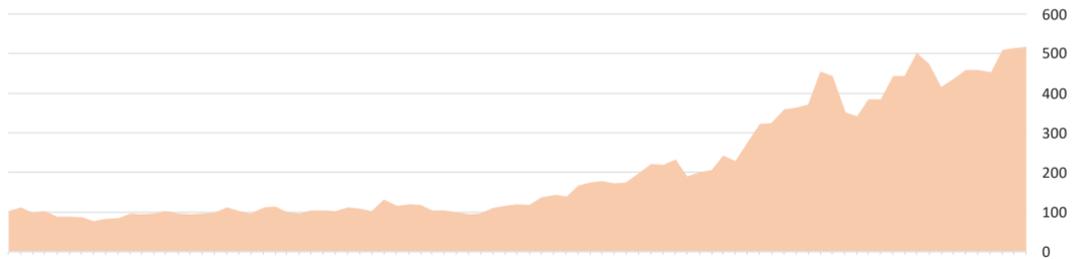
Revenue



Operating Margin and Operating Profit

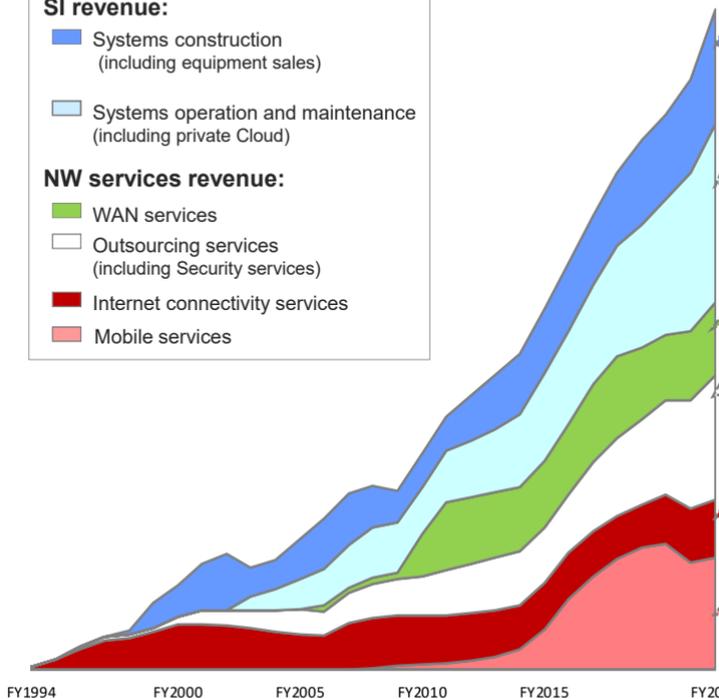


Market capitalization



- ◆ 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

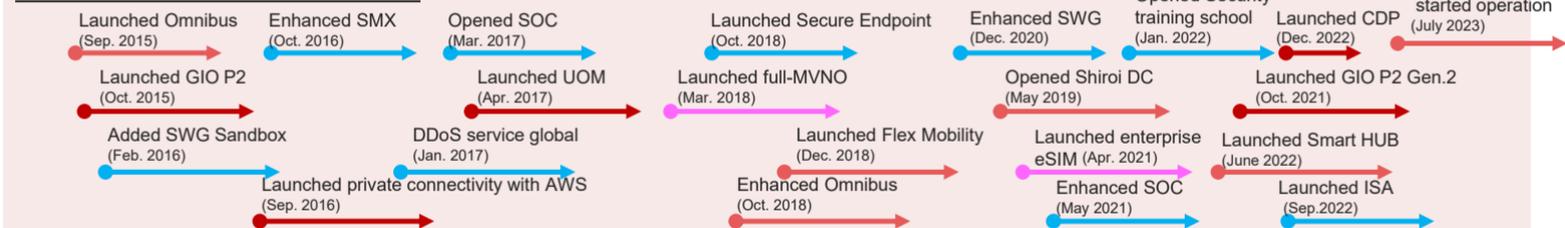
*According to The Ministry of Economy, Trade, and Industry published in September 7, 2018

Unit: ¥ (JPY) billion (bn)

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 Network 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

◆ Basic policy: continuously hire and train new graduates

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

◆ Increasing the size and improving the 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
- IJ provides a wide range of experience which leads to high employee satisfaction. Corporate culture of adopting new technology, aggressively engaging in new service development, etc.

◆ Expect further business expansion by seeking M&A opportunities

Revenue Growth and Human Capital Enhancement

	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	1,123	1,270	1,319	1,385
	Apr. 2020	Apr. 2021	Apr. 2022	Apr. 2023
Number of new graduates	210	190	178	246

- Number of outsourcing personnel is for SI
- We added 62 personnel through PTC consolidation (Apr. 2021)

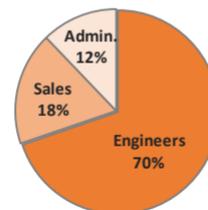
Turnover rate

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

Breakdown of Employees

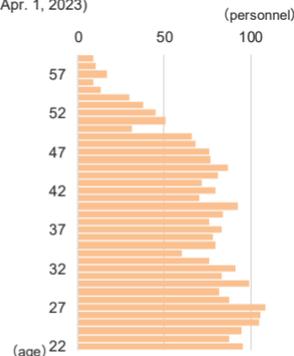
(As of Dec. 31, 2023)



- Breakdown of new graduates is almost identical

Employee Age Composition

(As of Apr. 1, 2023)



Female Manager Ratio

FY20	FY21	FY22	FY23
4.6%	5.5%	5.7%	6.3%

- The female manager ratio is IJ (non-consolidated basis)
- The original target was over 6% for FY24, achieved a year earlier in FY23
- IJ targets over 8% or more in FY27

For more information on human capital, please visit
https://www.ij.ad.jp/en/ir/integrated-report/human_capital/

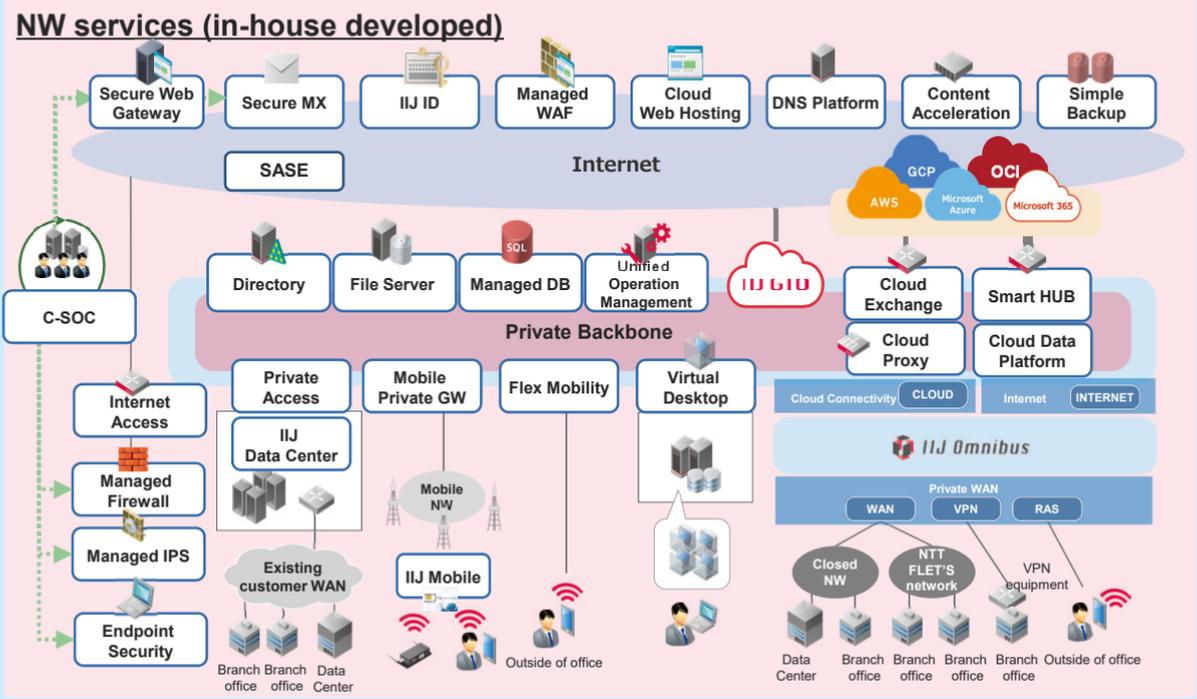
Service/Business Function

Comprehensive NW system solution with NW services and SI	P. 25
Enterprise NW Services	P. 26
Security Services	P. 27 - 30
Mobile Services	P. 31 - 34
IoT Services	P. 35 - 36
Systems Integration (SI)	P. 37
Cloud Services	P. 38 - 39
Data Centers (DC)	P. 40

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



Enterprise NW Services

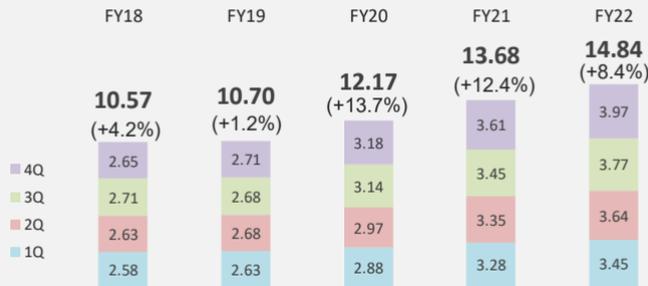
IIJ's enterprise NW services' business model:

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

IP (Internet Protocol) service

- ◆ 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
- ◆ IIJ 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
 - IIJ's IP services clients include general Japanese enterprise as well as NW operators such as consumer ISPs and cable TV operators

IP Service Revenue (unit: ¥ billion)



Cost structure

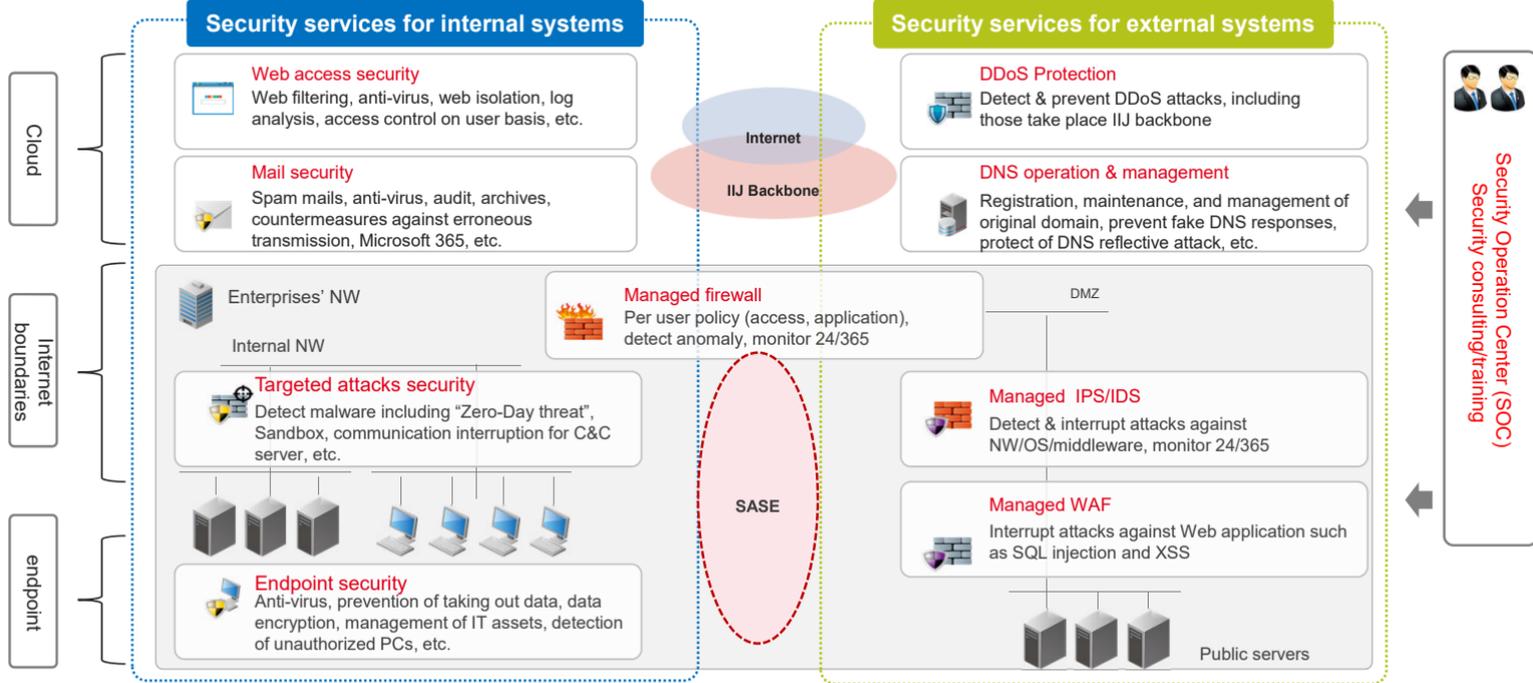
- ◆ IIJ purchases physical fiber from carriers
 - As one of the largest independent ISPs, IIJ has strong buyer power when purchasing fiber
 - IIJ expands its Internet backbone continuously
 - Fiber purchasing cost is recognized as circuit-related costs
- ◆ IIJ owns NW equipment that are needed for Internet 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 higher spec compared to the ¥1 million server a year ago.

Profitability

- ◆ Enterprise NW service revenues such as IP services and Outsourcing services are to continuously increase while their costs remain relatively stable
- ◆ By that, IIJ 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

Security Business (1)

- Provide a wide range of security services over network
- 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)

> Many initiatives taken by IIJ for security

- 1994 Started providing firewall services (first in Japan)
- 1999 Started providing fully-managed firewall services (first in Japan)
- 2004 Started providing spam mail filtering (first in Japan)
- 2005 Added sender domain authorization technology/spam mail protection (first in Japan), Started providing IIJ DDoS Protection Services
- 2006 Started providing IIJ Managed IPS Service and **IIJ Secure MX Service (SMX)**
- 2009 **Started providing IIJ Secure Web Gateway Service (SWG)**
- 2015 Added sandbox option (function to detect behaviors as a countermeasure against targeted attacks)
- 2016 Constructed information analysis platform (constructed platform to analyze log data within our backbone to realize early detection and countermeasures against increasingly sophisticated threats)
- 2017 Started providing DDoS Protection Service (terabit-compatible), Opened new Security Operation Center (SOC) and started providing C-SOC Service**
- 2018 IIJ Security engineers provided trainings at an international security conference “Black Hat USA 2018” (first as Japanese)**
- 2018 Started providing IIJ Secure Endpoint Security Service
- 2019 Started providing IIJ Managed WAF Security Service (public web system vulnerability countermeasures)
- 2021 Started providing IIJ CSPM Solution (Cloud Security Posture Management which means cloud security management)
- 2021 Opened IIJ Security Training School (launched business for IT division personnel assigned for security to become specialists)**
- 2022 Started providing IIJ Secure Access Service (in-house developed SASE service)**
- 2023 IIJ Security Business division director was appointed as Kanto Regional Police Bureau's cyber security advisor

Invited and trained police officers to our SOC

- Apr. 2017 Hyogo prefecture (1 year)
- Oct. 2018 Shimane prefecture (3 months)
- July 2019 Hokkaido prefecture (3 months)

Certification of multiple international standards

- Feb. 2020 Mail, Web Security Services
- Apr. 2020 IIJ Managed IPS/IDS Services
- Mar. 2021 DDoS Protection Service, IIJ Managed WAF

Continued afterwards

Training programs by experienced lecturers and active SOC analysts

Security Business (3)

IIJ Secure MX Service (SMX)

- ◆ Cloud-based integrated mail security service (launched in Sep. 2006)
- ◆ 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



Share No.1
Cloud based mail security

Cloud based mail security market
Share No.1
<Source> ITR *ITR Market View: Cyber Security counter market 2023*

SMX contracted accounts	
Sep. 2023	2.84 million
Sep. 2022	2.83 million
Sep. 2021	2.65 million

Over 9 million accounts if include OEM

IIJ Secure Web Gateway Service (SWG)

- ◆ Cloud-based integrated web security service (launched in Mar. 2009)
- ◆ Differentiating by in-housed developed engines, etc. to block and isolate web functions, etc.
- ◆ SWG clients include Sumitomo Life Insurance, Fuji TV, Mitsubishi Chemical, Meiji Gakuin University, and Morinaga

10 consecutive years



No.1
SaaS Web gateway security

SWG contracted accounts	
Mar. 2023	1.24 million
Sep. 2022	1.23 million
Sep. 2021	1.19 million
Sep. 2020	1.12 million

<Source> ITR *ITR Market View: Cyber Security counter market 2023*

IIJ DDoS (Distributed Denial of Service) Protection Service

- ◆ Comprehensive service to protect enterprise NW system from DDoS attacks (launched in Oct. 2005)
- ◆ Service model requires 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 to prevent terabit level large-scale attack (Jan. 2017)
- ◆ High penetration rate toward large financial institutions

IIJ C-SOC (Security Operation Center) 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, etc.
- ◆ Individual service operation and monitoring including other managed services
- ◆ Relatively expensive service

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

Coverage comparison

<Competitors>

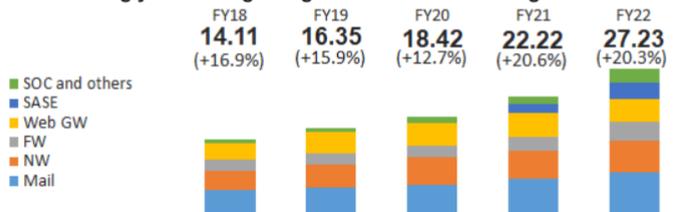
<IIJ>

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

Security Business (4)

Security Service (monthly recurring revenue)

Revenue strongly increasing along with continuous strong demands



Total security business volume also growing

- Security projects outside the scope of IIJ 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

Highly regarded as a top-class SASE implementation & operation vendor

- Palo Alto Networks 2023 JAPAC SASE Partner of the Year (Dec. 2023) and Zscaler Momentum Partner of the Year 2023 (Oct. 2023) were given to IIJ Global, IIJ's subsidiary
- From a vendor neutral position, provide all-in-one support ranging from solution selection, design, construction, implementation to operation

Strong demand for "IIJ C-SOC Service"

Greater opportunity to integrate it as a part of large NW renewal project

- IIJ's competitive advantages:
 - Collaborate with various in-house developed managed type gateway security services
 - Wide monitoring scope including EDR and SASE
 - Apply abundant traffic log data to develop IIJ's unique intelligence as well as detect threat

Continued to enhance service line-ups and functions

- Launched "IIJ leaked account detection solution" in Nov. 2023
 - Research, detect and help manage leaked account information
- Launched "IIJ Attack Surface Assessment Solution" in Nov. 2023
 - Automatically detect IT asset that could potentially become cyber attacks target and conduct risk assessment

Mail Security

- Full outsource of mail system, countermeasures for spam mail, etc.
- IIJ Secure MX Service (SMX)
 - Cloud-based integrated mail security service (launched in Sep. 2006)
 - 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

- IIJ DDoS Protection Service
 - Comprehensive service to protect enterprise network system from DDoS attacks (launched in Oct. 2005)
 - Service model unique to NW operators
 - Realize reliable web services by avoiding overloaded network and server triggered by huge traffic, global coverage to prevent terabit level large-scale attack (launched in Jan. 2017)
- IPS/IDS, WAF, etc.

FW (Firewall)

- Outsource of firewall operation, detection system for anomaly, etc. (launched in Oct. 2006)

- 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

Web GW

- Full outsource of web security, URL filtering, etc.
- IIJ Secure Web GW Service (SWG)
 - Cloud-based integrated web security service (launched in Mar. 2009)
 - Differentiating by in-house developed engines etc. to block and isolate web functions, etc.

SASE

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

SOC and others

- IIJ C-SOC Service
 - Launched in Oct. 2018
 - Operational SOC service unique to ISPs: visualize invisible threats by applying IIJ'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

Mobile Subscription (Subs.)

Subscriptions (Subs.)
(unit: thousand)

Enterprise mobile
IIJmio
MVNE



Mobile Revenue

1Q-3Q22: 31.49

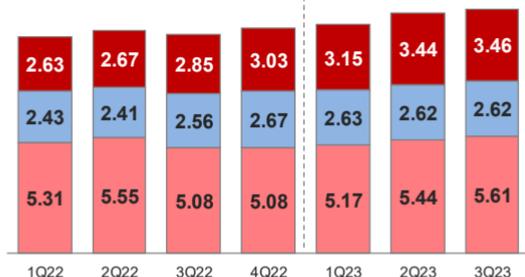
FY22: 42.27

1Q-3Q23: 34.14

10.37 10.63 10.49 10.79 10.94 11.50 11.70

Revenues
(unit: ¥ bn)

Enterprise mobile
MVNE
IIJmio



- 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

◆ Enterprise mobile (deducting MVNE from IIJ Mobile)

- 1Q-3Q23 revenue: ¥10.05 bn (+¥1.90 bn YoY)
- 3Q23-end subs.: 2,249 thousand (+211 thousand QoQ)
 - Revenue largely grew YoY mainly as the existing transaction becoming larger and continuously acquiring new orders. Additional line orders from the current clients such as GPS tracker for safety, taxi payment devices, dashboard cameras, and foreigners visiting Japan-related service

◆ MVNE (providing mobile services to other MVNOs)

- 1Q-3Q23 revenue: ¥7.87 bn (+¥0.47 bn YoY)
- 3Q23-end subs.: 1,147 thousand (+8 thousand QoQ)
- 3Q23-end MVNE clients: 189 clients (+13 clients YoY)
 - Cable TV operators (94 operators), prominent retailer, etc.

◆ IIJmio (consumer)

- 1Q-3Q23 revenue: ¥16.22 bn (+¥0.28 bn YoY)
 - Started offering eSIM and added larger data volume plans to "IIJ Travel SIM" prepaid SIM services mainly targeting foreigners visiting Japan (Feb. 2024, 3GB to 55GB, effective for 30 days)
- 3Q23-end subs.: 1,239 thousand (+16 thousand QoQ)
 - Of which, the old plan's subs. were 232 thousand

GigaPlans (unit: thousand)	1Q22-end	2Q22-end	3Q22-end	4Q22-end	1Q23-end	2Q23-end	3Q23-end
Subs.	757	837	878	908	928	963	995

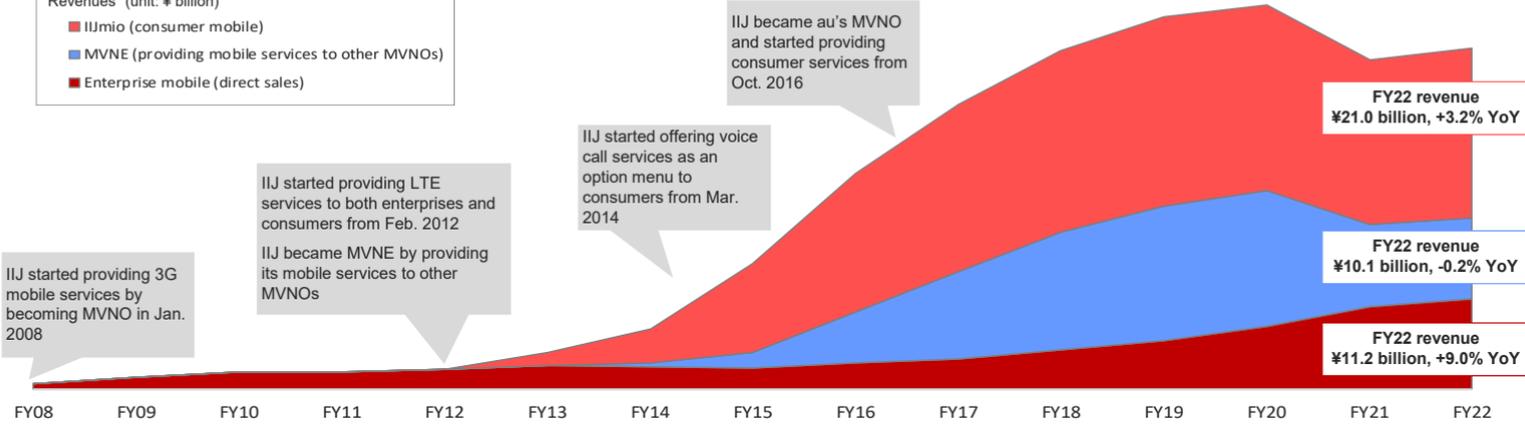
- 4Q22 enterprise mobile revenue includes approx. ¥0.1 bn of lump-up revenue related to a large mobile project which consists of several phases
- Enterprise mobile subs.: in 4Q22, the subs. consistently increased by 124 thousand QoQ mainly due to additional line orders from the existing project for a 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

Mobile Business (2)

Service/Business Function

Revenues (unit: ¥ billion)

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



FY22 revenue
¥21.0 billion, +3.2% YoY

FY22 revenue
¥10.1 billion, -0.2% YoY

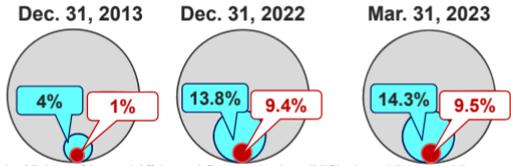
FY22 revenue
¥11.2 billion, +9.0% YoY

FY08 FY09 FY10 FY11 FY12 FY13 FY14 FY15 FY16 FY17 FY18 FY19 FY20 FY21 FY22

Providing mobile services to enterprises for their laptops' data communication and Machine to Machine (M2M) usages Opened mobile infrastructure to consumers Rapid expansion of consumer inexpensive SIM market IJJ became full-MVNO in 2018 The launch of new consumer plan (Apr. 2019)

Japan's consumer inexpensive SIM market

- Total mobile subscription
- MVNO subscription
- SIM subscription



- 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.

SIM type MVNO market share in Japan

	Dec. 31, 2022	Mar. 31, 2023	June 30, 2023	Sep. 30, 2023
1 st IJJ	19.7%	IJJ 19.8%	IJJ 20.0%	IJJ 20.4%
2 nd NTT Resonant	11.1%	NTT Resonant 11.9%	NTT Resonant 12.2%	NTT Docomo(*) 11.3%
3 rd Optage	9.1%	Optage 9.0%	Optage 9.0%	Optage 8.9%
4 th Fujitsu	5.6%	Fujitsu 5.6%	Fujitsu 5.6%	Fujitsu 5.6%
5 th Biglobe	4.9%	Aeon Retail 4.8%	Aeon Retail 4.7%	Aeon Retail 4.8%

(Source: the Ministry of Internal Affairs and Communications)

(*) NTT Docomo's figures as of Sep. 30, 2023 was formerly NTT Resonant's one

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)

IJ's mobile business model

◆ Revenue

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

◆ Cost

- All of IJ's mobile services are provided from the same mobile infrastructure
- Purchasing mobile 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

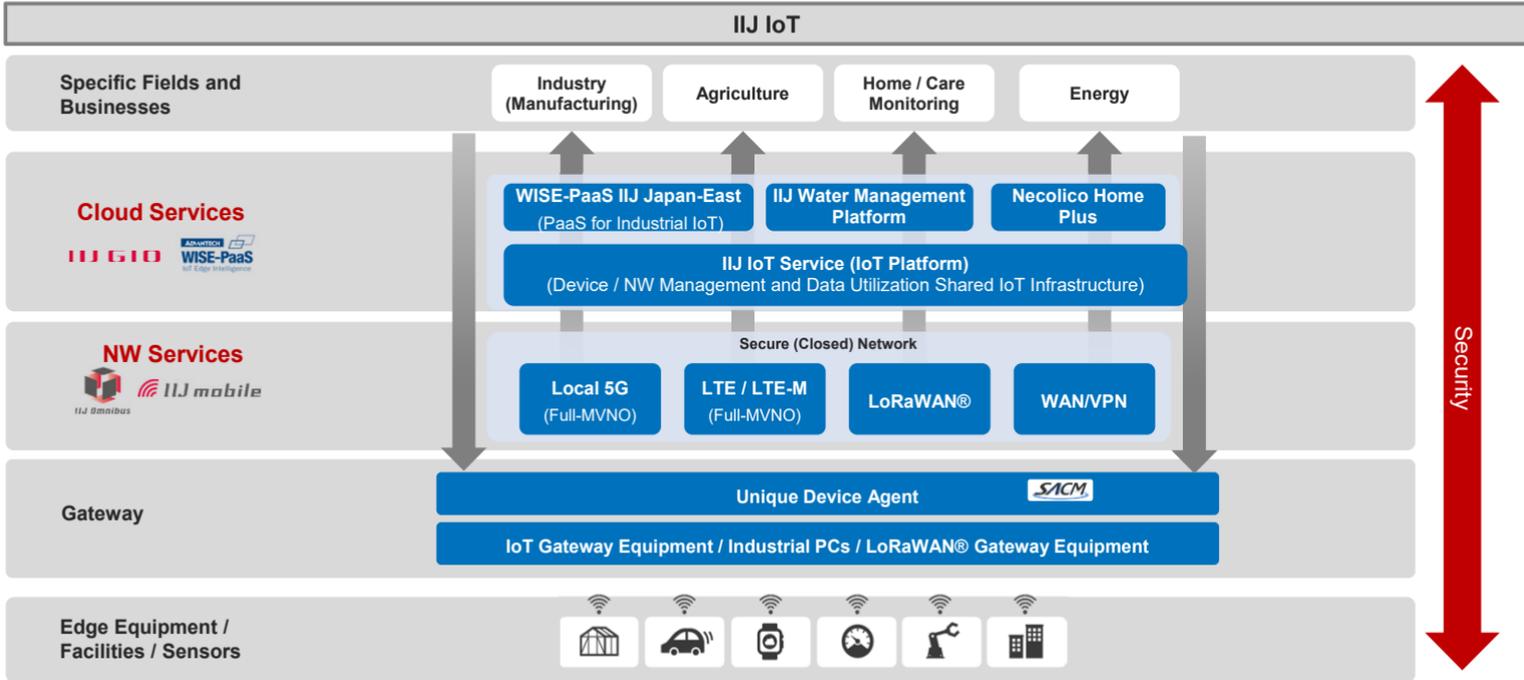
- ◆ **Aim to improve mobile infrastructure utilization by gathering IoT/M2M & various consumer traffic**
 - Currently buying mobile capacity to meet the peak hours which are concentrated on commuting hours and lunch time
- ◆ **Currently, IJ is increasing mobile infrastructure to meet the peak of consumer 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**

IJ's sales channel for consumers

1. **Direct sales** through IJ's website
2. **Sales partners** such as BICCAMERA INC. who is one of the largest retailers in Japan
 - IJ pays sales commission expenses to sales partners
3. **MVNE "IJ Mobile Platform Service"**
 - IJ provides mobile services to other MVNOs
 - As of Dec. 31, 2023, IJ had 189 MVNE clients
 - Among them, 94 MVNE clients are Japanese cable TV operators who already have direct relationship with consumers
 - Largest MVNE client is one of the largest Japanese retailers

IoT Business (1)

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



IoT Business (2)

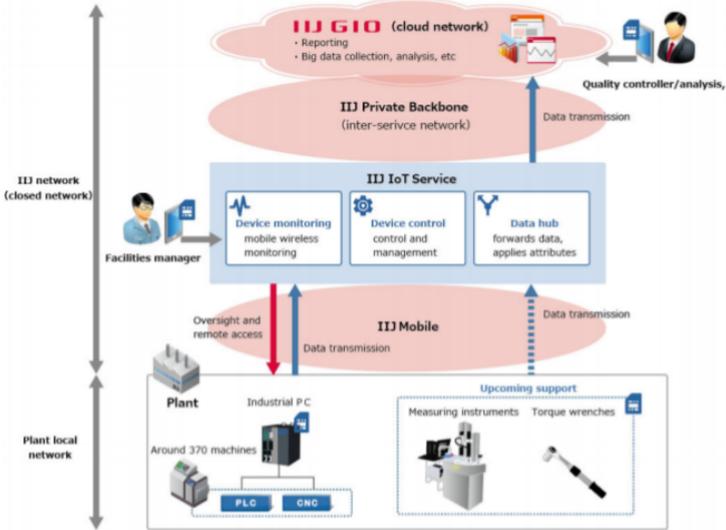
IIJ's IoT projects	
Industrial machinery manufacturers	Shift from reactive post-sales maintenance model to proactive field services (making predictions based on data)
Car accessory manufacturers	Expansion of service businesses by acquiring data through the networking of products and establishing software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

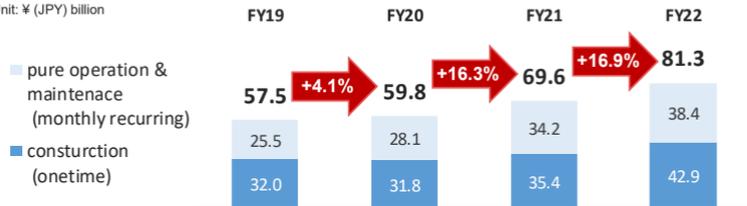


Systems Integration (SI)

- ◆ 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

SI revenue growth

Unit: ¥ (JPY) billion



- ◆ 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.

IIJ's SI projects are 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

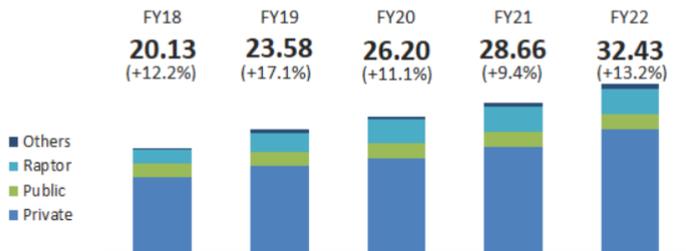
Cloud Business (1)

Unit: ¥ (JPY) billion

Service/Business Function

Cloud service revenue (monthly recurring)

◆ Revenue continued to accumulate along with the constant cloud shift



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



• 3Q23 cloud revenue recognition: 91.9% Systems operation and maintenance, 8.1% Outsourcing services
 • 1Q23 and 2Q22 Private cloud revenue decreased because of a decrease in multi-cloud usages by a game service provider

Private cloud	Public cloud
<ul style="list-style-type: none"> ➢ IJ 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 ➢ IJ 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. 	<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
- "IJ 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
- "IJ 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.
- "IJ Cloud Data Platform Service (CDP)" enabling secure data collaboration on multi-cloud

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

Cloud Business (2)

- Cloud services as one of the cross-selling elements
- Promoting cloud shift of the current blue-chip Japanese enterprises

IIJ's competitive advantages

- ◆ **Blue-chip client base**
- ◆ **Cloud as new business opportunity**
 - Because blue-chip companies' internal systems have been covered by legacy system integrators (Slers), 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, various ways to access cloud systems**
- ◆ **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 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 Slers

IIJ's cloud business model

- ◆ **Revenue**
 - Revenue is to increase along with an increase in the number of cloud service 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 market in Japan

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

Multi-cloud strategy

- ◆ **Japanese enterprises avoid relying on single cloud service vendor and prefer multi-cloud systems**
 - Multi-cloud demands are generating demands for "IIJ Cloud Exchange Services" (revenue recognized in NW Services) which provide private connectivity to third vendor Cloud services such as AWS (Amazon), Microsoft, and Google
 - IIJ provides operation and management services to effectively monitor an entire IT systems through IIJ UOM Service which covers IIJ's cloud services, other cloud vendors' cloud services and on-premise systems
 - "IIJ GIO Infrastructure P2 Gen.2," which was launched in Oct. 2021 to promote full-scale cloud shift of enterprise systems, is accumulating orders

Data center (DC)

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

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



Tesla's power pack



Edge computing



- 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.

	Matsue DCP (opened in Apr. 2011)	Shiroi 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 up to 3rd site) <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)

Financials

Financial Performance (FY19 ~ FY22 results)

P. 42

1Q-3Q23 Financial Results

P. 43 – 57

FY23 Financial Targets

P. 58 - 59

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

Financial Performance (FY19 ~ FY22 results)

	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.iij.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*

1Q-3Q23 Summary

Continuous acquisition of large-scale complex projects by meeting the demands to renew NW from a wide range of industries

(Public, finance and general enterprises)

Competitive advantages of Service Integration Model (*) & Reliable operation have been demonstrating a strong presence

1Q-3Q23 earnings: NW Service progressed steadily. Weaker-than-expected SI was mainly due to longer project period as project sizes becoming larger despite strong demand

Profit increased YoY although the onetime profit contribution impact from NTT Docomo interconnectivity data was smaller in 3Q23 YoY

(*) 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	
¥201.10 bn		¥45.95 bn		¥20.28 bn		¥12.98 bn	
+8.5%		+10.3%		+7.9%		+1.0%	
NW Services				SI			
Revenue		Gross Profit		Revenue		Gross Profit	
1Q-3Q22	1Q-3Q23	1Q-3Q22	1Q-3Q23	1Q-3Q22	1Q-3Q23	1Q-3Q22	1Q-3Q23
102.74	112.30	28.12	32.23	80.48	86.62	12.64	12.75
+9.3%		+14.6%		+7.6%		+0.8%	
NW Service (exc. Mobile)	◆ 1Q-3Q23 total revenue: ¥78.16 bn, +9.7% YoY						
	• Each service revenue continued to grow. IP: +9.9% YoY, Outsourcing: 13.9% YoY (of which, security: +16.0% YoY), WAN: +3.2% YoY						
Mobile IoT	◆ 1Q-3Q23 total revenue: ¥34.14 bn, +8.4% YoY (1Q-3Q22: +2.6% YoY), 3Q23-end total subs.: 4,635 k, +667 k YoY (3Q22-end: +592 k YoY)						
	• The total revenue growth led by enterprise IoT revenue which largely increased by +23.3% YoY: Existing transaction becoming larger and continuously acquiring new orders MVNE & consumer back to QoQ net addition from 2Q23						
SI	◆ 1Q-3Q23 order-received: Construction ¥43.39 bn, +26.9% YoY, Operation & maintenance ¥64.50 bn, +11.6% YoY						
	• In 3Q23, acquired construction & operation of service infrastructure for an enterprise (¥4.0 bn, 5 years), large-scale server construction for AI infrastructure overseas (¥3.0 bn for 3 years), etc.						
Topics	◆ 3Q23-end order backlog: Construction ¥23.65 bn, +41.6% YoY, Operation & maintenance ¥80.38 bn, +18.9% YoY						
	• In 3Q23, as expected, recognized the overseas DC project which had revenue of ¥2.8 bn and associated reasonable profit						
• Foreign exchange platform service for financial institutions "IJ Raptor Service" has been renewed. Sony Bank is the first client to use the new platform							
➢ DeCurret: Partnership with Securitize from Jan. 2024. Aim to adopt digital currency for digital securities' settlement transactions							
Working toward the launch of digital currency platform service in Jul. 2024 which will be the first in Japan							

Steady progress is being made in strengthening business foundation toward accelerating growth over the mid-to-long term

Consolidated Financial Results

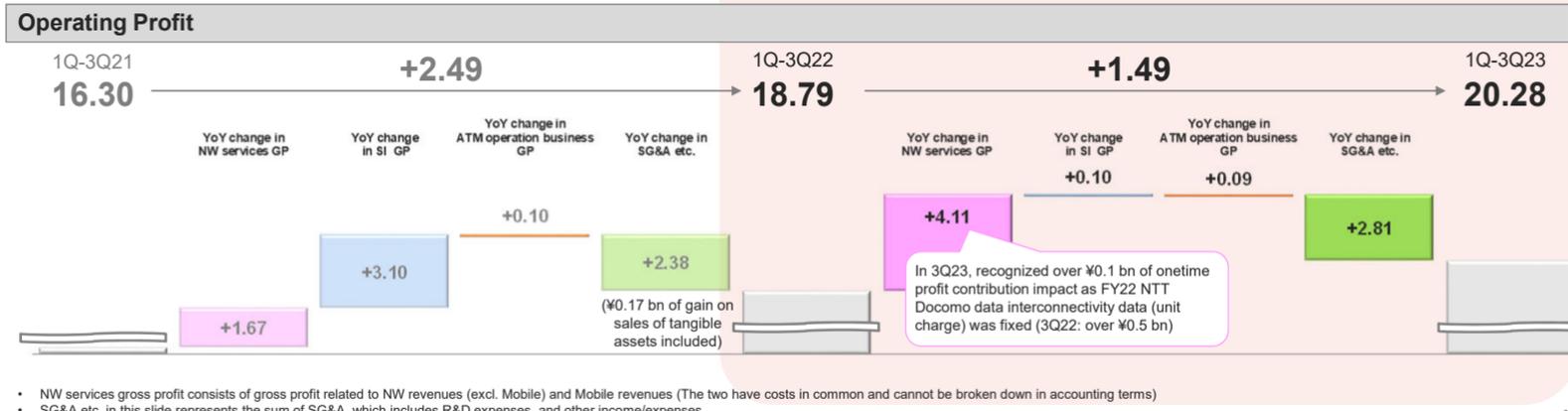
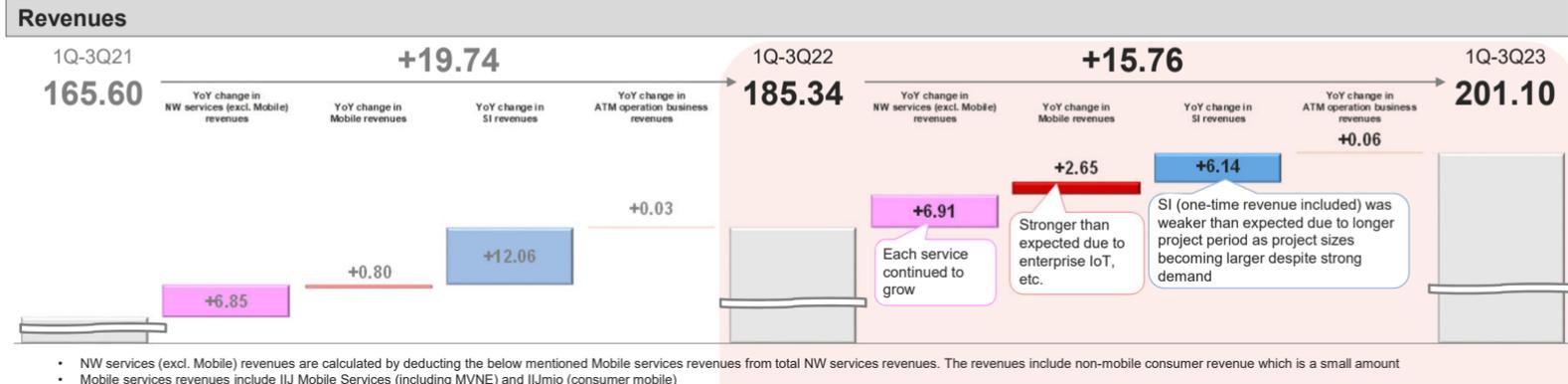
Unit: ¥ (JPY) billion
YoY = Year over year comparison

	% of revenue		YoY	
	1Q-3Q23 Results <small>Apr. 2023 - Dec. 2023</small>	1Q-3Q22 Results <small>Apr. 2022 - Dec. 2022</small>		
Revenues	201.10	185.34	+8.5%	+15.76
Cost of Revenues	<small>77.1%</small> 155.15	<small>77.5%</small> 143.68	+8.0%	+11.46
Gross Profit	<small>22.9%</small> 45.95	<small>22.5%</small> 41.66	+10.3%	+4.30
SG&A etc.	<small>12.8%</small> 25.67	<small>12.3%</small> 22.87	+12.3%	+2.81
Operating Profit	<small>10.1%</small> 20.28	<small>10.1%</small> 18.79	+7.9%	+1.49
Profit before tax	<small>9.8%</small> 19.65	<small>10.3%</small> 19.02	+3.3%	+0.63
Net Profit	<small>6.5%</small> 12.98	<small>6.9%</small> 12.85	+1.0%	+0.13

% of revenue		YoY
FY2023 Targets <small>(Same as before) Apr. 2023 - Mar. 2024</small>		
286.0		+13.2%
<small>77.1%</small> 220.5		+13.2%
<small>22.9%</small> 65.5		+13.1%
<small>11.9%</small> 34.0		+10.8%
<small>11.0%</small> 31.5		+15.7%
<small>10.6%</small> 30.4		+11.1%
<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"
- Net Profit: valuation on gain of funds decreased (1Q-3Q22: gain of approx. ¥0.38 bn, 1Q-3Q23: loss of approx. ¥0.21 bn)

Year over Year Analysis



Revenues



1Q-3Q22: 185,339 [+11.9%]

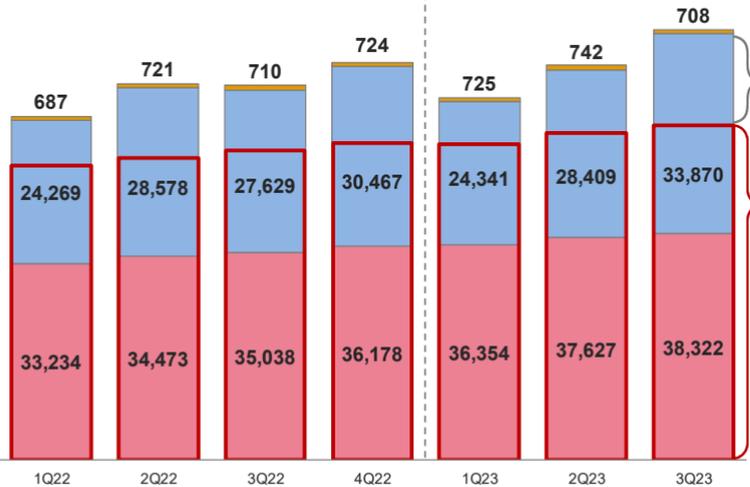
FY22: 252,708 [+11.7%]

58,190 63,772 63,377 67,369

1Q-3Q23: 201,098

[+8.5%]

61,420 66,778 72,900



One-time revenue
 1Q-3Q23: ¥33.54 bn, +12.0% YoY
 (16.7% of 1Q-3Q23 total revenue)

Recurring revenue
 1Q-3Q23: ¥165.38 bn, +7.9% YoY
 (82.2% of 1Q-3Q23 total revenue)

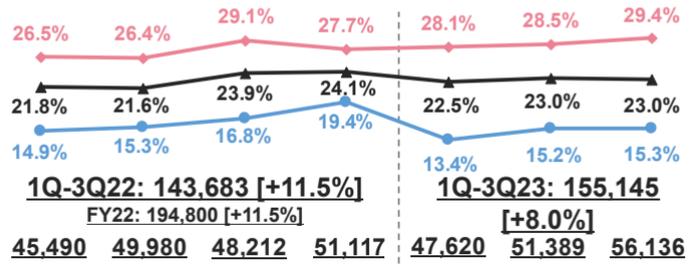
NW Services revenue (excluding Mobile Services)
 1Q-3Q23: ¥78.16 bn (+9.7%, +¥6.91 bn YoY)

Mobile Services revenue
 1Q-3Q23: ¥34.14 bn (+8.4%, +¥2.65 bn YoY)

- 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



◆ Total gross profit

➢ 1Q-3Q23: ¥45.95 bn (+10.3% YoY)

◆ Gross profit for NW services

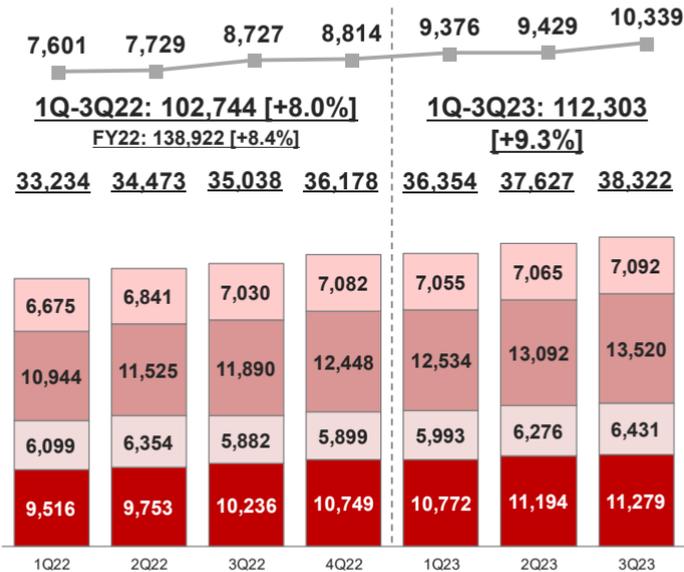
- 1Q-3Q23: ¥32.23 bn (+14.6%, +¥4.11 bn YoY)
 - Gross margin improved along with revenue growth
 - Among ¥4.11 bn of gross profit increase, which is based on managerial accounting, NW service (excluding Mobile services) gross profit increased slightly more than ¥3.0 bn YoY
 - Gross profit of mobile services also nicely increased along with an increase in enterprise IoT revenue, etc.
 - In 3Q23, recognized over ¥0.1 bn of onetime profit contribution impact as FY22 NTT Docomo data interconnectivity data (unit charge) was fixed (3Q22: over ¥0.5 bn)

◆ Gross profit for SI

- 1Q-3Q23: ¥12.75 bn (+0.8%, +¥0.1 bn YoY)
 - FY23 gross margin is trending weak mainly due to the small construction revenue, an allocation of resources such as engineers to prospective orders of large-scale projects, and a low systems operation and maintenance revenue growth (an expected termination of a particular project).

• 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.

Network (NW) Services (1) Revenues



◆ Internet Connectivity (enterprise) Services

- 1Q-3Q23: ¥33.25 bn, +12.7% YoY
- Internet traffic (please refer to P.46) and contracted bandwidth continued to expand
- Of which, IP: ¥11.93 bn, +9.9% YoY
- Of which, Enterprise mobile (IoT usages etc.): ¥10.05 bn, +23.3% YoY
- Of which, MVNE (service offer to other MVNOs): ¥7.87 bn, +6.4% 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")

- 1Q-3Q23: ¥18.70 bn, +2.0% YoY
- Of which, consumer mobile (IIJmio): ¥16.22 bn, +1.8% YoY

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

- 1Q-3Q23: ¥39.15 bn, +13.9% YoY
- Of which, security: ¥22.74 bn, +16.0% YoY
- ✓ Demand for SOC (Security Operation Center) is significantly increasing as it is often included in NW renewal projects with its number increasing

WAN Services (Closed network services)

- 1Q-3Q23: ¥21.21 bn, +3.2% 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

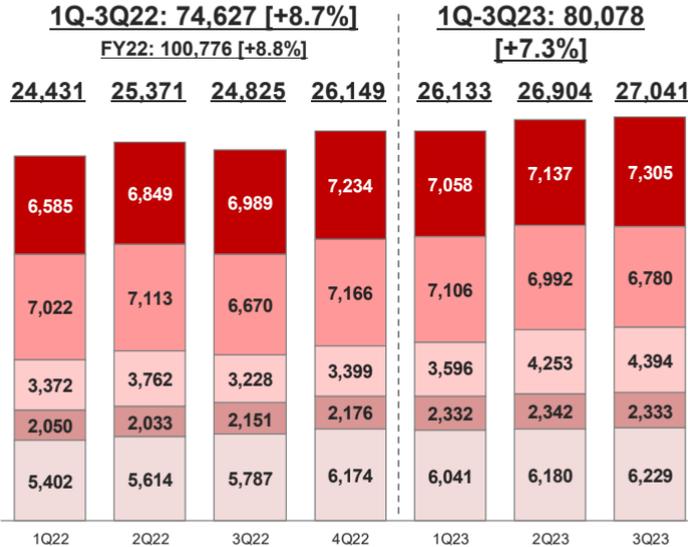
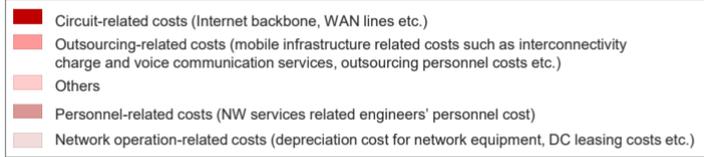
• IP (Internet Protocol) Service is bandwidth guaranteed dedicated Internet connectivity services for enterprises. Contracts are based on bandwidth and enterprises use the service for their core and main Internet connectivity

• 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

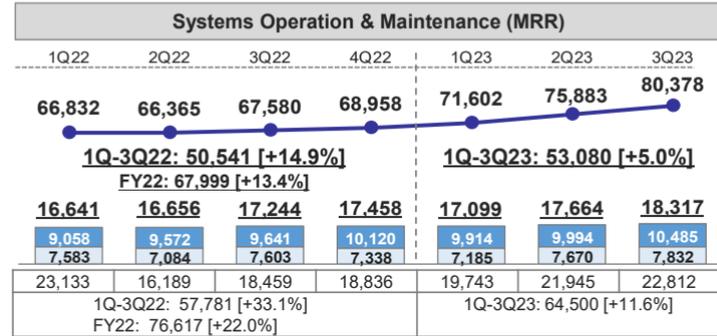
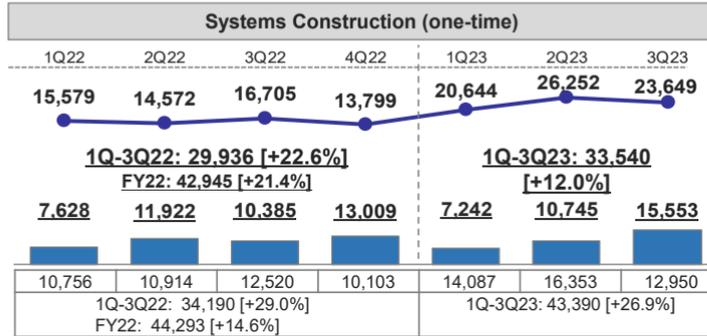


- 1Q-3Q23 Circuit-related costs increased YoY along with an increase in WAN revenue, etc.
 - Internet backbone circuit cost remains stable as we can leverage scale merit by having one of the largest Internet backbone networks
- 3Q23 Outsourcing-related costs included over ¥0.1 bn of onetime profit contribution as FY22 NTT Docomo data connectivity data (unit charge) was fixed (3Q22: over ¥0.5 bn)
- 1Q-3Q23 Others increased YoY mainly due to an increase in the purchasing license fees such as SASE in line with increased revenues
 - 1Q-3Q23 purchasing mobile devices decreased by approx. ¥0.2 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 21.7% from the FY22 fixed unit charge • Previously announced unit charge in Mar. 2022: ¥15,697	• To be fixed around 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	¥19,979 • Fixed at the end of Dec. 2023 • Onetime profit contribution of over ¥0.1 bn in 3Q23 • Decreased by 26.1% from the FY21 fixed unit charge
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

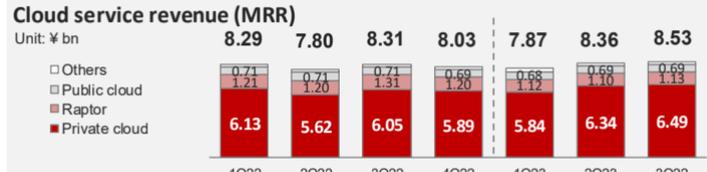
Systems Integration (SI) (1) Revenues

- 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



- Favorable demand from all industries continued (Below projects were acquired in 3Q23)
 - Construction & operation of service infrastructure for an enterprise (approx. ¥4.0 bn, 5 years, included in 3Q23's order-received)
 - Large-scale server construction & operation for AI infrastructure overseas (approx. ¥3.0 bn, 3 years, of which ¥0.8 bn was included in 3Q23's SI O/M order-received). It was acquired by PTC (subsidiary), who is a key partner of NVIDIA. Projects to construct AI infrastructure are increasing in Asia
 - Large-scale NW renewal project for a prominent financial institution (approx. ¥4.0 bn, 8 years, of which approx. 8% is to be recognized as SI revenue)
- Construction revenue was weaker than expected mainly due to longer project period as project sizes becoming larger
- In 3Q23, recognized the overseas DC project as expected (revenue ¥2.8 bn & associated reasonable profit)
 - Plan to recognize revenue of ¥1.2 bn in FY24 and ¥2.0 bn in or after FY25 to the same client as subsequent projects (included in the above order backlog)
- Small business operator "PTC Malaysia" as a new consolidated subsidiary from Dec. 1, 2023 (no significant financial impact), expect higher productivity of a support center in Malaysia
- 1Q23 construction orders received included several large scale projects (approx. ¥3.0 bn in total: two ¥1.5 bn projects)
- 2Q23 construction orders received included ¥5.0 bn of the Chiba city project
- Among 3Q23-end order backlog of ¥23.6 bn, approx. ¥14.0 bn are to be recognized as revenue in or after FY24
- (Among 3Q22-end order backlog of ¥16.7 bn, approx. ¥7.0 bn are to be recognized as revenue in or after FY23)

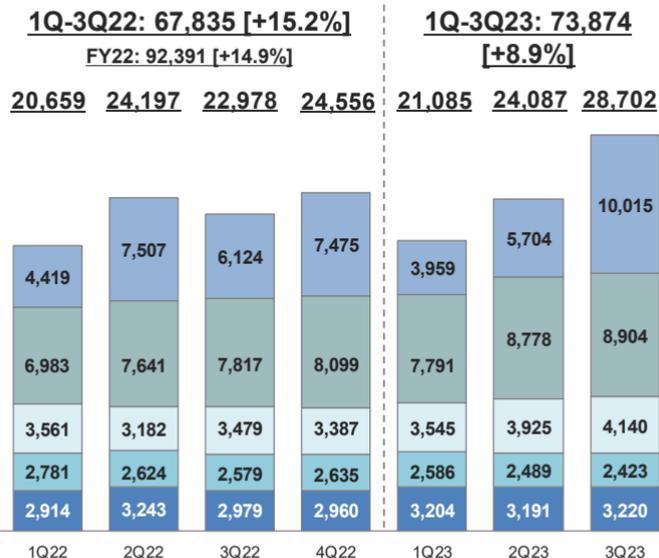
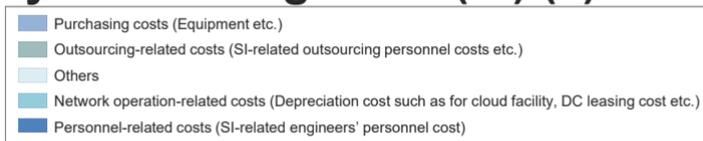
- 1Q23 operation & maintenance revenue was negatively impacted by approx. ¥0.2 bn QoQ as a large system operation project was ended at the end of 4Q22 as expected
- 1Q22 operation & maintenance order received included large-scale projects with fixed multi year contracts (approx. ¥3.0 bn) (Generally, 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



- Foreign exchange platform service for financial institutions "IJ Raptor Service" has been renewed. Sony Bank is the first client to use the new platform
- 3Q23 cloud revenue recognition: 91.9% Systems operation and maintenance, 8.1% Outsourcing services
- 1Q23 and 2Q22 Private cloud revenue decreased because of a decrease in multi-cloud usages by a game service provider

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 a certain degree
 - Most of the cost related to the overseas DC project (revenue approx. ¥2.8 bn) was recognized as purchasing costs
- Outsourcing-related cost increased mainly because of pre-sales activities before order-received for projects which usually requires engineers to be involved (such costs are recorded as work in progress after receiving orders)
- Others include license purchasing costs 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	3Q23-end
1,327	1,390	1,393	1,385	1,367	1,395	1,456

- The number of SI-related outsourcing personnel can be increased in comparison with the number of IIJ's SI engineers
- Due to many ongoing projects before order-received, the number of outsourcing personnel was at high level

Human Capital Disclosure

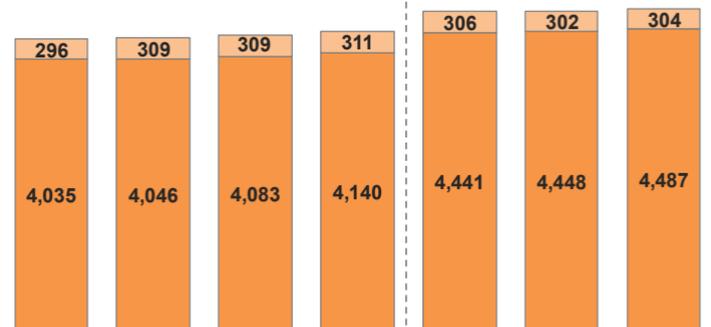
Number of Employees (consolidated basis)

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

Jun. 2022	Sep. 2022	Dec. 2022	Mar. 2023	Jun. 2023	Sep. 2023	Dec. 2023
4,331	4,355	4,392	4,451	4,747	4,750	4,791

+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, progressed as planned
 - Of which, 246 new graduates
 - Plan 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)

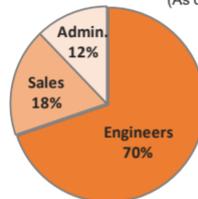
Unit: ¥ (JPY) million

	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23
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%)	9,410 (+12.8%)
	1Q-3Q22: 25,172 (+7.1%) FY22: 33,678 (+6.9%)				1Q-3Q23: 28,019 (+11.3%)		
% of revenue	14.1%	13.6%	13.2%	12.6%	15.2%	13.9%	12.9%

- 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 Dec. 2023)



- Breakdown of new graduates is almost identical

Turnover rates

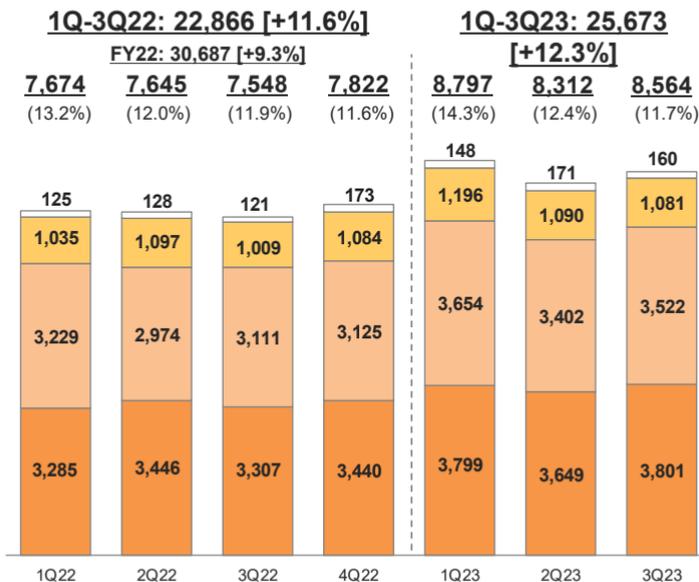
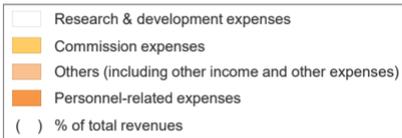
- Lower than the industry average turnover

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

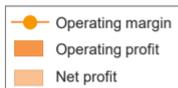


- Almost in line with the plan
 (1Q: slight increase mainly due to human resource training, 2Q & 3Q: normal course)
- Commission expenses are mainly consumer sales commissions and recruitment expenses
- Others are increasing mainly because of an increase in activity-related expenses such as advertisement and business trips' expenses
- Personnel-related expenses are increasing along with an increase in number of employees, etc.

- 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
- 1Q personnel-related and others expenses mainly due to the entry of new graduates increase along with an increase in training and human capital development expenses. Such expenses decrease in 2Q QoQ as expenses for new graduate engineers are recorded as cost of revenues from 2Q

Profit

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

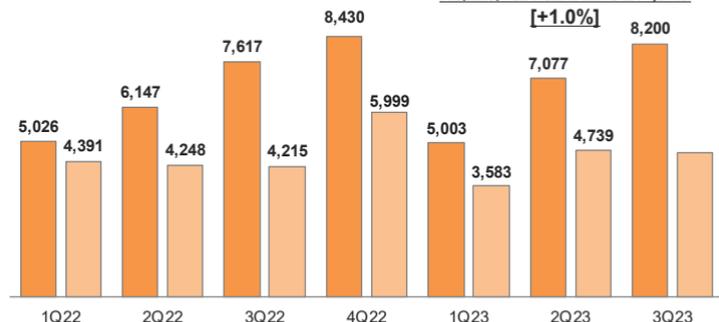


1Q-3Q22 Operating profit: 18,790
[+15.3%]

1Q-3Q23 Operating Profit: 20,280
[+7.9%]

1Q-3Q22 Net profit: 12,854
[+11.6%]

1Q-3Q23 Net Profit: 12,979
[+1.0%]



1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	
1,611	152	(1,374)	(97)	632	114	(957)	Finance income (expense), net
(14)	(64)	(83)	(42)	(154)	(119)	(150)	Share of profit (loss) of investments accounted for using equity method
(2,136)	(1,982)	(1,931)	(2,266)	(1,824)	(2,320)	(2,365)	Income tax expense
96	5	14	26	74	13	71	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

➢ 1Q-3Q23: ¥20.28 bn, +7.9% YoY

◆ Profit before tax

➢ 1Q-3Q23: ¥19.65 bn, +3.3% YoY

- Foreign exchange gain: +¥268 million (1Q-3Q22: +¥323 million)
- Valuation gain(loss) on funds etc.: (¥212) million (1Q-3Q22: +¥376million)

1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	FY23 plan
+1,200	(5)	(820)	(73)	+310	+13	(535)	±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: ¥422 million (1Q-3Q22: ¥161 million)
DeCurret-related loss (IJ ownership: 38.2%)

1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	FY23 plan
78	102	94	109	125	124	143	Approx. 800

- ✓ First in Japan digital currency (DCJPY) is to be issued from July 2024 through DeCurret's platform service (For detail, please refer to P. 25)

◆ Net profit

➢ 1Q-3Q23: ¥12.98 bn, +1.0% YoY

Consolidated Statements of Financial Position (Summary)

Unit: ¥ (JPY) million

	Mar. 31, 2023	Dec. 31, 2023	Changes		Mar. 31, 2023	Dec. 31, 2023	Changes
Cash & cash equivalents	42,472	41,419	(1,053)	Trade & other payables	22,313	27,011	+4,698
Trade receivables	41,340	44,043	+2,703	Borrowings (current & non-current)	20,430	30,190	+9,760
Inventories	3,188	3,783	+595	Contract liabilities & Deferred income (current & non-current)	17,978	20,272	+2,294
Prepaid expenses (current & non-current)	27,920	37,376	+9,456	Income taxes payable	4,034	2,651	(1,383)
Tangible assets	23,321	28,048	+4,727	Retirement benefit liabilities	4,513	4,833	+320
Right-of-use assets	46,675	40,788	(5,887)	Other financial liabilities (current & non-current)	48,800	49,520	+720
Of which, operating leases (rent of office, data center etc.)	31,233	26,618	(4,615)	Of which, operating leases (rent of office, data center etc.)	31,610	27,111	(4,499)
Of which, finance leases (network equipment etc.)	15,442	14,170	(1,272)	Of which, finance leases (network equipment etc.)	16,447	15,124	(1,323)
Goodwill & intangible assets	26,475	27,512	+1,037	Others	8,823	9,806	+983
Investments accounted for using the equity method	5,785	5,225	(560)	Total liabilities:	126,891	144,283	+17,392
Other investments	19,150	22,273	+3,123	Share capital	25,562	25,562	-
Others	9,992	12,063	+2,071	Share premium	36,738	35,685	(1,053)
				Retained earnings	51,202	58,700	+7,498
				Other components of equity	6,571	9,033	+2,462
				Treasury shares	(1,831)	(12,027)	(10,196)
				Total equity attributable to owners of the parent:	118,242	116,953	(1,289)
				Non-controlling interests	1,185	1,294	+109
Total assets:	246,318	262,530	+16,212	Total liabilities and equity:	246,318	262,530	+16,212

- Prepaid expenses increased mainly due to project for clients and license and facility operation
- Tangible assets increased mainly due to investment for Shiroy DC
- Borrowings increased mainly 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 Dec. 31, 2023, decreased due to the share buyback with cancellation

Consolidated Cash Flows

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

Operating Activities

1Q-3Q22: 27,314

FY22: 38,529

1Q-3Q23: 27,587



	1Q-3Q23 Major Breakdown	YoY Change
Profit before tax	19,645	+627
Depreciation and amortization	21,929	+675
Changes in operating assets & liabilities	(6,931)	(3,940)
Income taxes paid	(7,897)	+1,974

Investing Activities

1Q-3Q22: (13,160)

FY22: (18,386)

1Q-3Q23: (13,060)



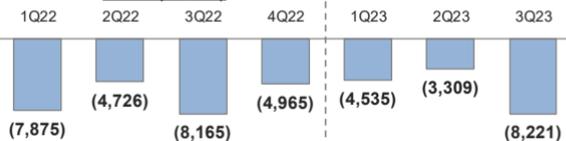
	1Q-3Q23 Major Breakdown	YoY Change
Purchase of tangible assets	(8,261)	+1,499
Purchase of intangible assets such as software	(5,778)	(1,628)

Financing Activities

1Q-3Q22: (20,766)

FY22: (25,731)

1Q-3Q23: (16,065)

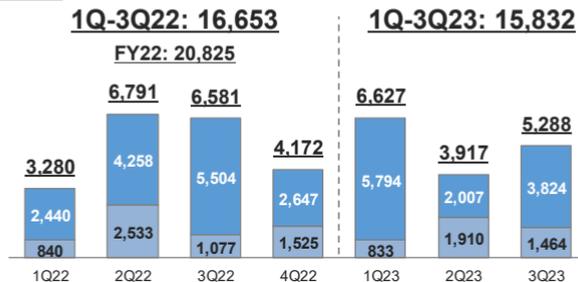


	1Q-3Q23 Major Breakdown	YoY Change
Payment of operating/finance leases and other financial liabilities	(15,053)	(657)
Dividends paid	(5,682)	(781)
Repayment of long-term borrowings	(2,045)	(545)
Short-term borrowings (Borrowings for acquisition of treasury shares, etc.)	11,800	+11,900
Purchase of treasury shares	(11,405)	(11,405)

Other Financial Data

CAPEX

■ Cash CAPEX
■ Finance lease



➢ Major breakdown of CAPEX (Unit: ¥ bn)

	1Q-3Q22	FY22	1Q-3Q23
NW usual Capex	7.9	10.0	9.7
Cloud-related	1.2	2.0	0.9
Shiroi DC-related	5.3	5.4	3.8
Customer-related	2.3	2.9	1.4

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

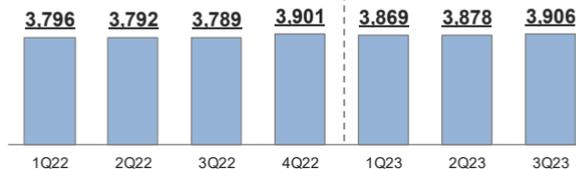
- Total amount of capital expenditure is the amounts of acquisition of tangible and intangible assets by cash and entering into finance leases for the fiscal year, excluding duplication due to sale and leaseback transactions and acquisition of assets that do not have the nature of investment, such as 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.

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CAPEX-related depreciation and amortization

1Q-3Q22: 11,377

FY22: 15,278

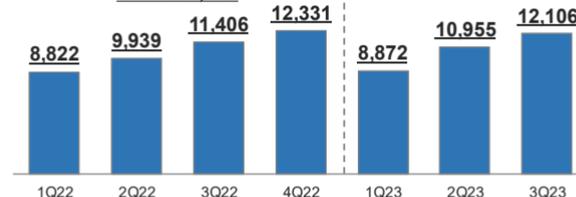


1Q-3Q23: 11,653

Adjusted EBITDA

1Q-3Q22: 30,167

FY22: 42,499



1Q-3Q23: 31,933

FY23 Financial Targets (1)

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

	% of Revenues		YoY	
	FY23 Targets (Apr. 2023 - Mar. 2024)	FY22 Results (Apr. 2022 - Mar. 2023)		
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% 18.9	+9.9%	+1.87

Future prospects including FY2023 financial targets (excerpt from 3Q23 financial release)

- ◆ 1Q-3Q23 revenues and profits fell short of the initial expectation for 1Q-3Q23 at the beginning of FY23. It was mainly because SI revenues were weaker than expected due to longer project duration which is a result of an increase in the number of large-scale projects.
- ◆ The full-year results largely depend on 4Q due to seasonality, and the variable factors associated with recording of large-scale NW renewal projects on a percentage-of-completion method have increased.

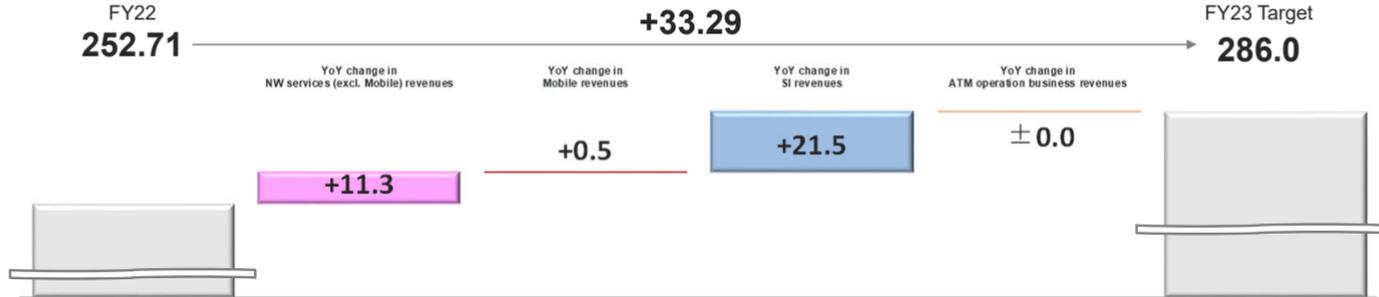
	Assumptions for Revenue Targets	Assumptions for Gross Profit Targets
NW service (excluding Mobile)	<ul style="list-style-type: none"> Each service to grow along with continuous IT advancement Stronger growth than FY22 as the revenue contribution of the large complex projects starts 	<ul style="list-style-type: none"> Structural profit increase along with revenue growth Gross margin to slightly improve
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

Other Assumptions

- 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 Shiroy DC 2nd site)

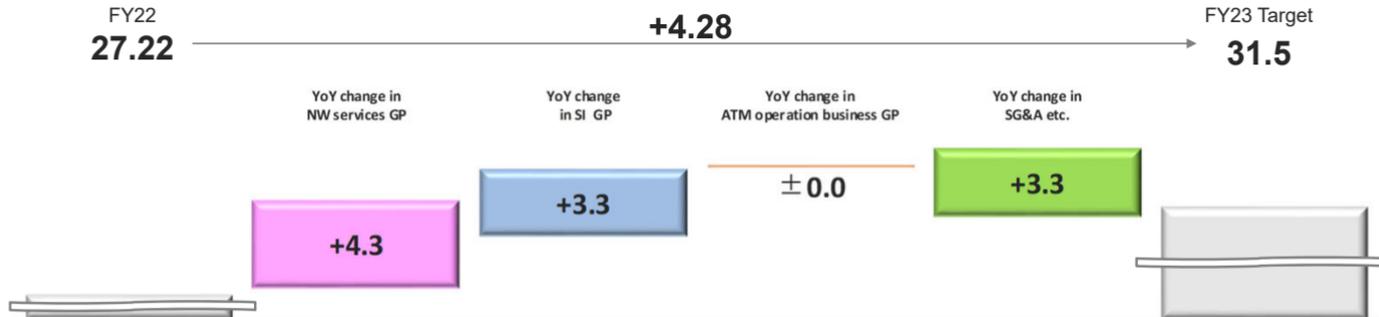
FY23 Financial Targets (2)

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

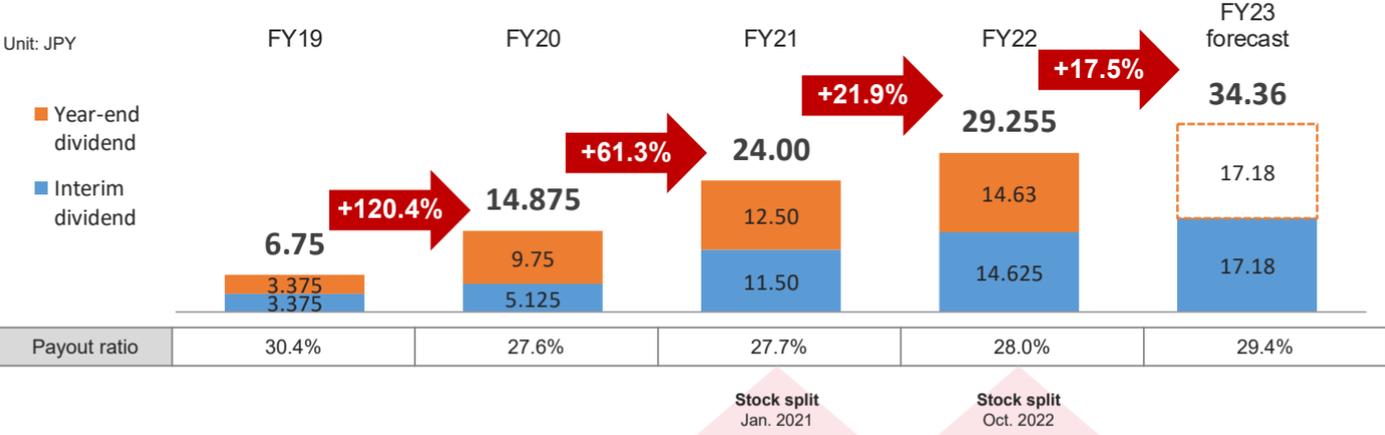
Appendix

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ATM Operation Business	P. 68
Fintech Business: DeCurret (1) - (4)	P. 69 - 72
CDN Business: JOCDN	P. 73

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, IIJ 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

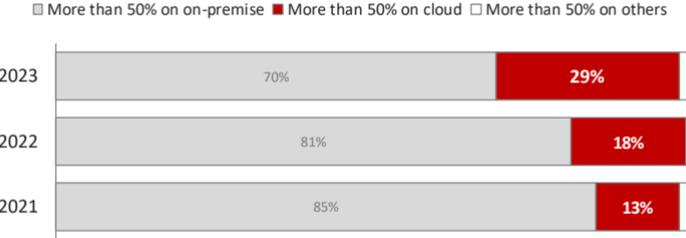


Jun. Sep. Dec. Mar. Jun. Sep. Dec. Mar. Jun. Sep. Dec. Mar. Jun. Sep. Dec. 2019 2019 2020 2020 2021 2021 2022 2022 2023 2023 2023 2023

Source: INTERNET MULTIFEED CO., IX = Internet Exchange

Status of Cloud migration

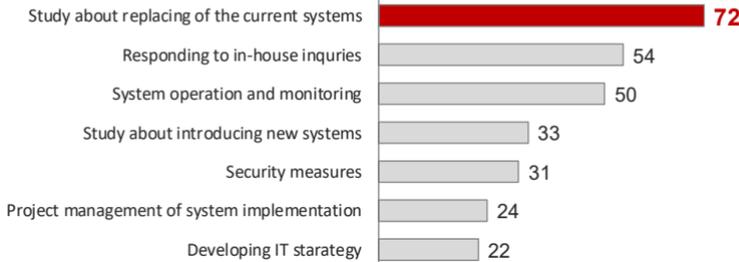
Location of servers working and/or deployed



Source: Internet Initiative Japan "Nationwide survey on IT department" 2021 N=737, 2022 N=598, 2023 N=214

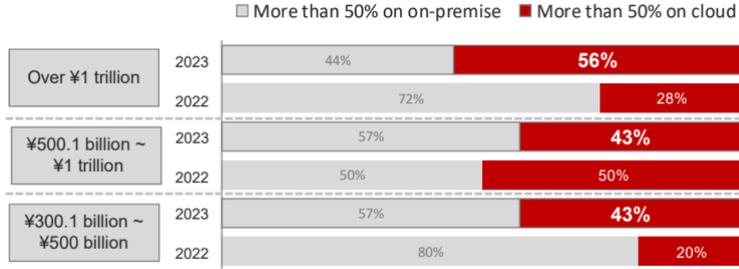
Operation where IT department spends the most time

Top 7 items are shown below



Source: Internet Initiative Japan "Nationwide survey on IT department 2023" Dec. 2023, N=359

Status of Cloud migration by clients' annual revenue size



Source: Internet Initiative Japan "Nationwide survey on IT department" Nov. 2022 2022 N = 598, 2023 N = 359

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 To be fixed around the end of Dec. 2024 ¥15,644 -21.7% 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	Fixed in Dec. 2023 <u>¥19,979</u> -26.1% YoY			
Old					Announced in Mar. 2022 ¥20,327 -24.8% YoY ¥15,697 -22.8% YoY ¥13,207 -15.9% YoY			
				Announced in Apr. 2021 ¥28,385 -23.9% YoY ¥22,190 -21.8% YoY ¥18,014 -18.8% YoY				
			Announced in Mar. 2020 ¥41,436 -3.0% YoY ¥33,211 -19.8% YoY ¥27,924 -15.9% YoY					

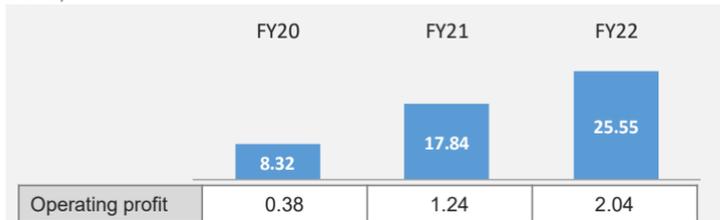
- The same calculation method is applied to both the actual cost method and the future cost method: (Data communication cost + profit) /demand
- The charge disclosed based on the future cost method is to be finalized based on MNOs actual cost results etc.
- Mobile interconnectivity charges, which are 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>

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.

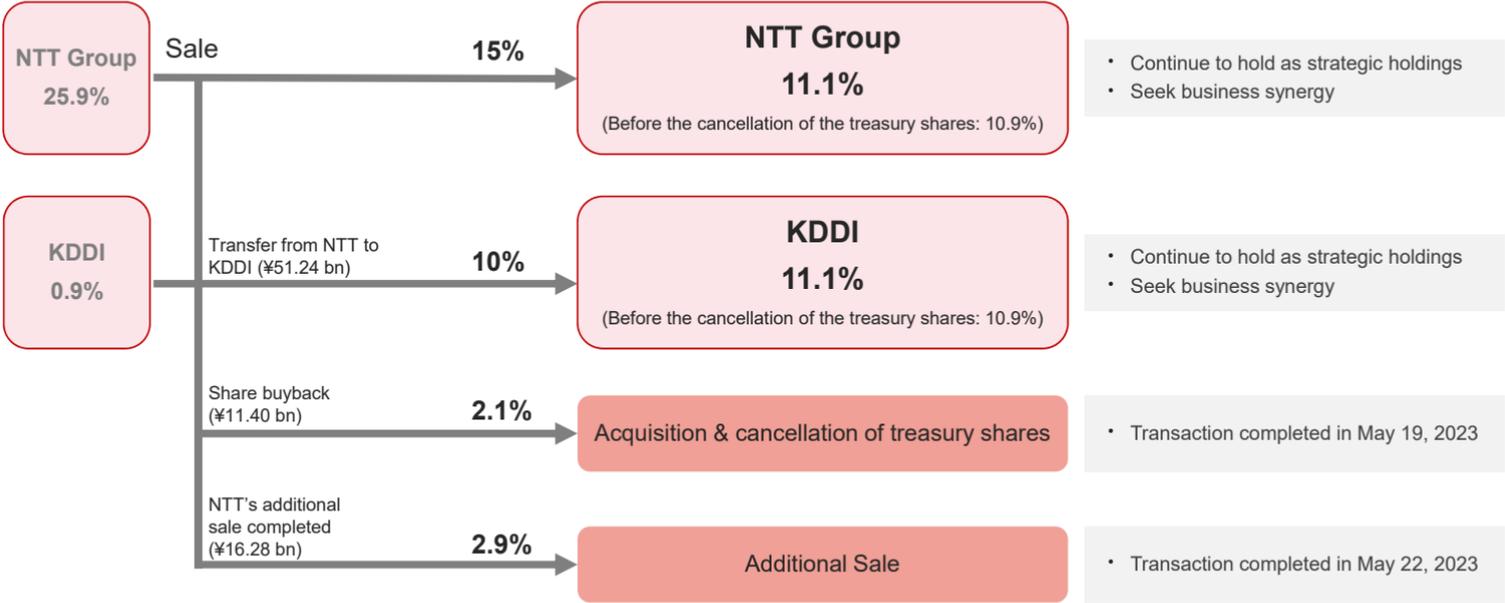
Business Developments

- **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
 - From Dec. 1, 2023, a small business operator “PTC Malaysia” became a new consolidated subsidiary (no significant financial impact), expect higher productivity of a support center in Malaysia
- **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)

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

ATM Operation Business

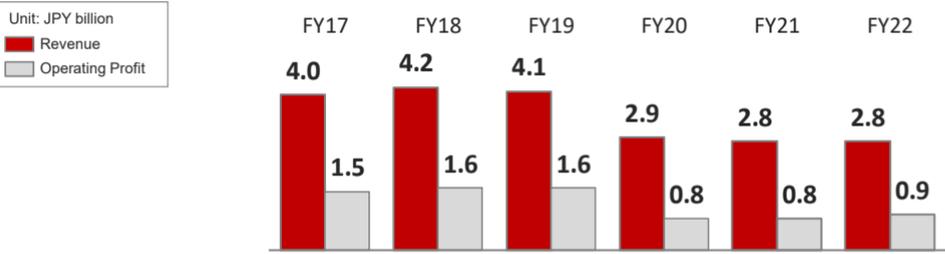
Business Model

- 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
 - 7,665 pachinko parlors in Japan as of Dec. 31, 2022 (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



• 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 IIJ Raptor Service, an 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

◆ Business

- Digital Current Platform Business (mainly BtoB)
- Have been executing various proof of concepts with various business partners (please refer to page 71)
- Plan to issue Japan's first digital currency in July 2024

◆ DeCurret-related loss (IIJ ownership: 38.2%)

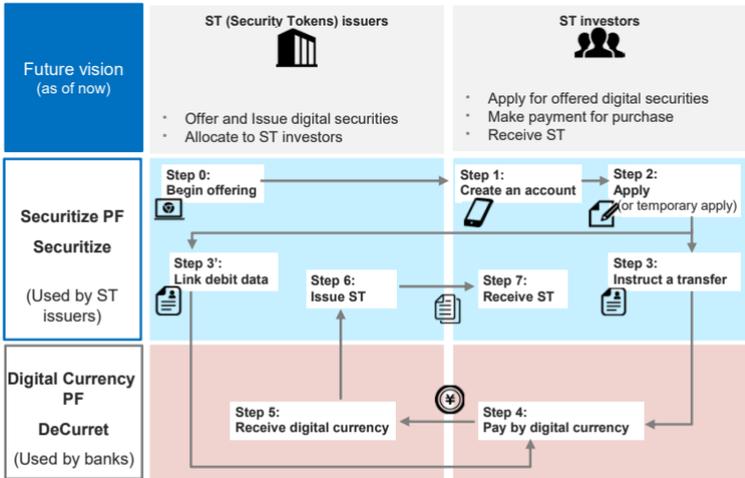
unit: JPY million							
1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	FY23 plan
78	102	94	109	125	124	143	Approx. 800

DeCurret DCP Partnership with Securitize

◆ Aim to adopt digital currency for digital securities' settlement

- Securitize, Inc., a parent company of Securitize Japan K.K., was established in 2017 and proves platform to issue and manage digital securities
- The scope of partnership includes the followings:
 - Explanation and discussion with prospective issuers and other related companies
 - Specifics of the scheme and workflow
 - Legal research and preparation of contract templates
 - Development of system integration

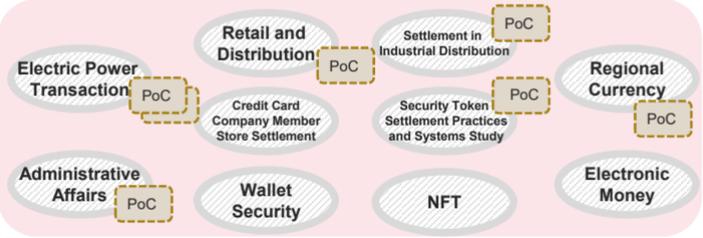
◆ Image of transaction/flow (idea)



FinTech Business through DeCurret (2)

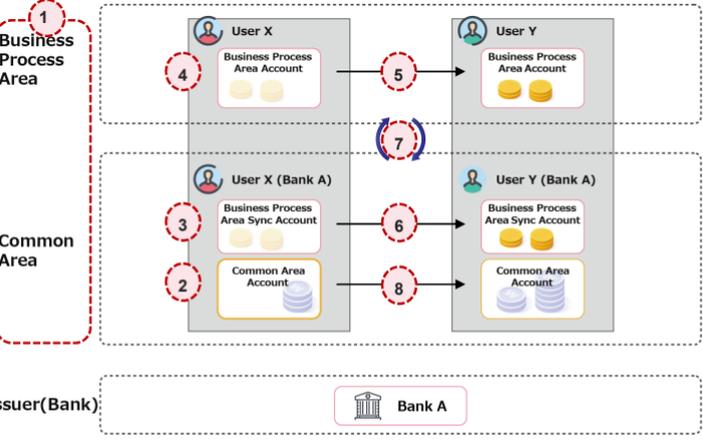
For more details
<https://www.decurret-dcp.com/en/news.html>

Digital Currency Forum Subcommittees (over 100 participants as of Oct. 2023)



The participants include companies, local governments and others

Two-tiered Digital Currency Platform



Issuer(Bank): Bank A

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	Participants	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.

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

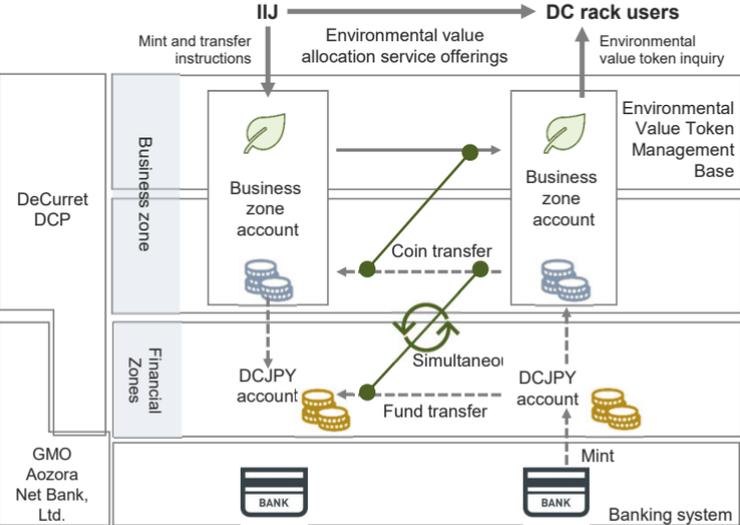
FinTech Business through DeCurret (3)

DeCurret shall be the 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 (4)

Shareholders of DeCurret (35 companies)

Source: DeCurret Web Page

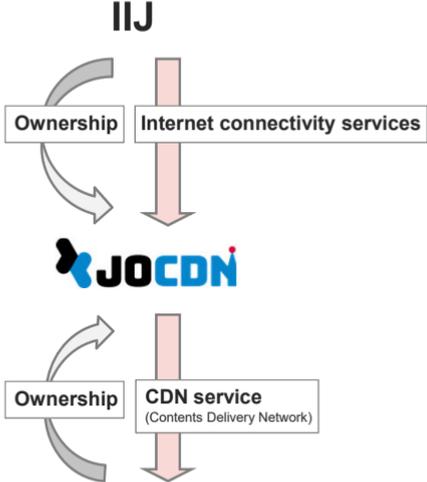
- Internet Initiative Japan Inc. (Ownership: 38.2% as of Mar. 31, 2023)
- KDDI CORPORATION
- NTT Corporation
- Sumitomo Mitsui Banking Corporation
- MUFG Bank, Ltd.
- JAPAN POST BANK Co., Ltd.
- ITOCHU Corporation
- OPTAGE Inc.
- QTnet, Inc.
- Sumitomo Life Insurance Company
- SOHGO SECURITY SERVICES 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.
- Dentsu Group Inc.
- Hankyu Hanshin Holdings Inc.
- Matsui Securities Co., Ltd.
- Enecom, Inc.
- TOPPAN HOLDINGS INC.
- SBI Holdings, Inc.
- SECOM CO., LTD.

CDN Business through JOCDN

Company Profile

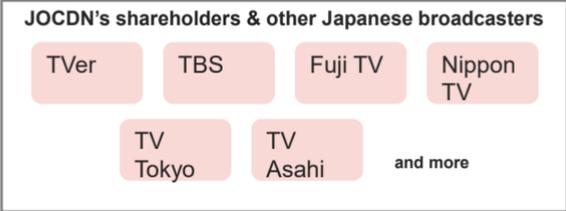
Name	JOCDN Inc. (IIJ's equity method investee)
IIJ Ownership	16.8%
Capital	JPY845 million (including capital reserve)
Established	December 1, 2016
Shareholders	IIJ, Nippon TV, TV Asahi, TBS, TV Tokyo, Fuji TV, WOWOW (Prominent satellite broadcaster in Japan), NHK (Japan's only public broadcaster) and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

Business Model



◆ 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.