Notes for readers of this English translation

This document has been translated from the Japanese original for reference purpose only. In the event of any discrepancy between this English translation and the Japanese original, the Japanese original shall prevail.

Cyber Security Latest Technology and Market Trend Seminar 2022 hosted by Daiwa Securities

Internet Initiative Japan Inc. (IIJ)
The Prime Market of the Tokyo Stock Exchange (Ticker symbol: 3774)
November 21, 2022

Agenda

1. About IIJ
2. IIJ's Network Services
3. IIJ's Security Services

Company Profile

IIJ has been taking initiatives in Internet Infrastructure field in Japan

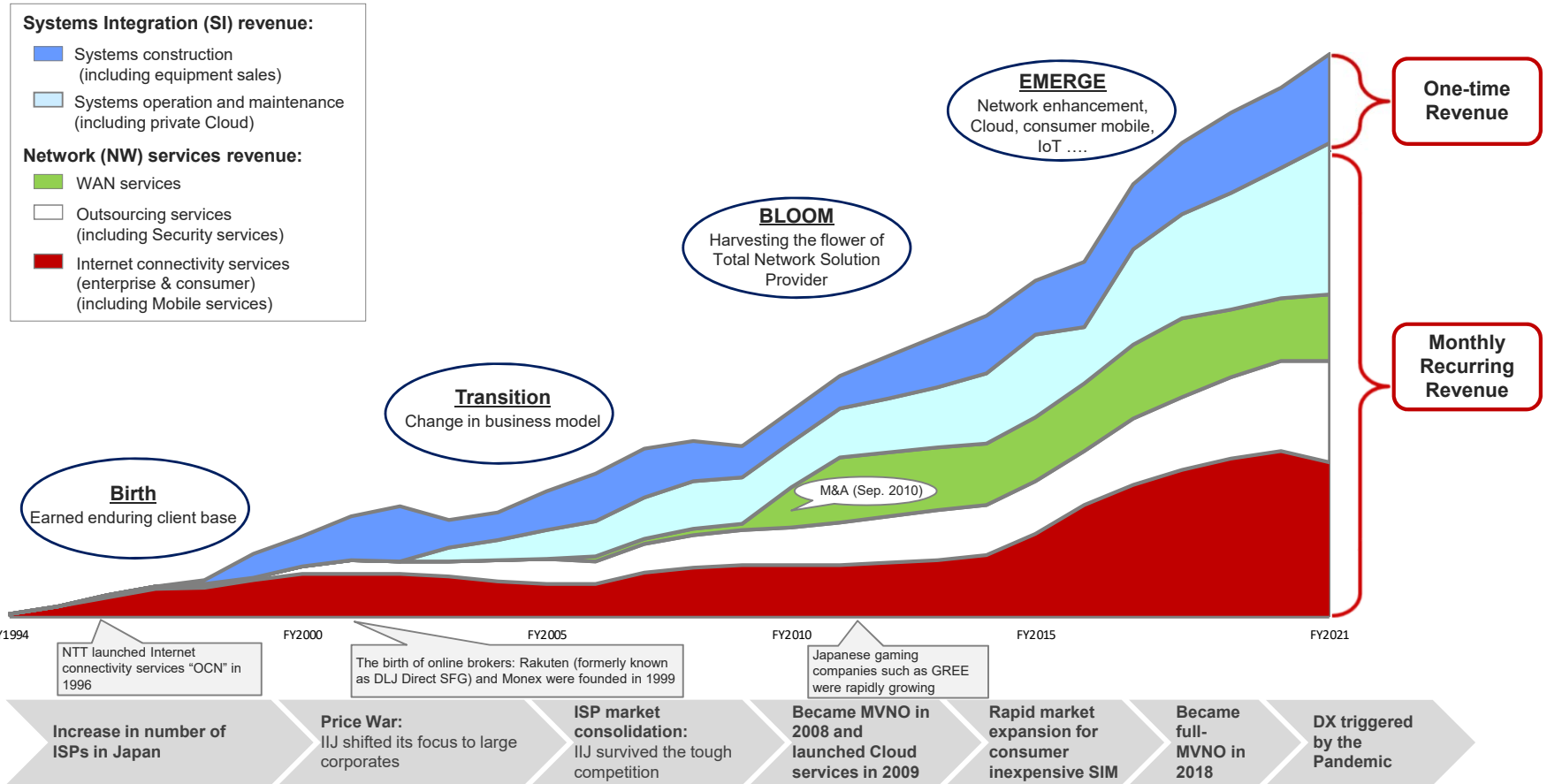
Established	December 1992
Number of Employees	4,355 (approx. 70% engineers, 20% sales, 10% back office)
Listed Market	The Prime Market of the Tokyo Stock Exchange (Ticker symbol: 3774)
Large Shareholders	NTT group (26.9%), Koichi Suzuki (5.9%), Global Alpha (5.0%) *Koichi Suzuki is Founder, Chairman and Co-CEO of IIJ

- **The first established full-scale ISP (Internet Service Provider) in Japan**
  - ✓ Operate one of the largest Internet backbone networks in Japan
  - ✓ Introduce many in-house developed Internet-related network services
  - ✓ Highly skilled IP (Internet Protocol) engineers from the inception
  - ✓ Support blue-chip clients from the early 90s
- **Well recognized "IIJ" brand among Japanese blue-chip companies' IT division**
  - ✓ Differentiate by reliability and quality of network and systems operation, no critical network troubles ever since the inception
  - ✓ Long-term (almost 30 years) client relationship
- **At the leading edge of IP R&D**
  - ✓ Differentiate by continuous service developments and business investments
  - ✓ Enhancing Cloud, mobile, security, solutions related to BigData, IoT and data governance
  - ✓ Always ahead of telecom carriers and systems integrators (SIers) with regards to network services development and operation

…and many more

- Number of employees is consolidated basis and as of Sep 30, 2022.
- We voluntary delisted from the U.S. NASDAQ Market in April 2019. Our ticker symbol at the OTC (Over The Counter) is IIJIY.
- Large shareholders are as of March 31, 2022 and their shareholding ratios (%) are calculated by deducting number of treasury stock from the total number of shares issued except for Global Alpha whose information is based on their filing as of March 2021. Suzuki's ownership includes his wholly owned private company portion.

From ISP to Total Network Solution Provider



IIJ as a Total Network Solution Provider

Offers various network services and systems integration together in many projects

Approx. **13,000 customers** (as of Mar. 31, 2022)

(Japanese companies, central government agencies, local governments, consumer ISPs universities and more)

Network (NW) Services

Outsourcing services
- Security
- VPN
- Public Cloud
- Email gateway
- SASE
- etc.

Internet connectivity services
- Internet Access
- Mobile
- etc.

WAN services
- Private connectivity
- Global WAN
- etc.

Systems Integration (SI)

- Private Cloud
- Systems construction
- Systems Operation and Maintenance
- etc.

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

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

IIJ's Backbone Network

Initiatives for Sustainability

https://www.iij.ad.jp/en/ir/integrated-report/
https://www.iij.ad.jp/en//ir/esg/
https://www.iij.ad.jp/en/sustainability/

IIJ's Material Issues

Lead network 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

◆ **Own highly energy effective data centers**

- Industry top level PUE (FY21):
  Matsue 1.22, Shiroi 1.42

◆ **Information disclosures based on the TCFD Recommendations**

- Reduce greenhouse gas emissions at its own data centers which account for more than 70% of greenhouse gas emissions (Scope 1 and 2) through "usage of renewable energy" and "improvement of energy conservation"

Measures	Targets
Usage of renewable energy	To increase the renewable energy usage rate of data centers to 85% in FY2030.
Improvement of energy conservation	To keep the PUE of the data center at or below the industry's highest level until FY2030 through continuous technological innovation.

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 rate**

FY19	FY20	FY21
4.6%	3.6%	4.2%

◆ **Target for diversity: the ratio of female managers**

Apr. 2022	FY24 target	FY27 target
5.7%	6%~	8%~

For more information about IIJ's corporate governance, please visit

➢ https://www.iij.ad.jp/en/ir/integrated-report/governance/

Overview of corporate governance	Operation of the Board of Directors	Operation of the Board of Company Auditors
Operation of the Nomination and Remuneration Committee	Design of Remuneration for Directors	Business Operation
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 IIJ's and is calculated by dividing leavers for the fiscal year by the number of full-time employees at the beginning of that fiscal year. The industry average turnover rate is announced by the Ministry of Health, Labor, and Welfare

Management Structure

https://www.iij.ad.jp/en/ir/integrated-report/directors/
Holdings of IIJ shares are as of September 30, 2022 (Stock-split not reflected)
Suzuki's share includes his wholly owned private company portion

Koichi Suzuki

- Founder of IIJ
- Chairman, Representative Director and co-CEO
- Holdings of IIJ share: 5,316,361 shares (5.9%)
- Date of birth: September 1946

Eijiro Katsu

- President, Representative Director and co-CEO & COO
- Prior to joining IIJ in 2012, Vice Minister of Finance
- Holdings of IIJ shares: 99,350 shares (0.1%)
- Date of birth: June 1950

Satoshi Murabayashi

- Executive Vice President and Director
- Prior to joining IIJ in 2021, CIO at MUFG Financial Group, Inc.
- President and Representative Director of DeCurret Holdings, IIJ's affiliated company, as a concurrent position
- Holdings of IIJ shares: 1,901 shares (0.0%)
- Date of birth: November 1958

Yasuhiko Taniwaki

- Executive Vice President and Director
- Prior to joining IIJ in 2022, Vice-Minister for Policy Coordination of Posts and Telecommunications at the Ministry of Internal Affairs and Communications (MIC)
- Holdings of IIJ shares: none
- 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, 35.7% to the total directors)

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

Company Auditors (of which, 3 outside, 1 female)

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

Reward for full-time directors

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

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

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

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

SWOT of IIJ

Strength

High technological capabilities

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

Weakness

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

Opportunity

Digitalization (DX) in Japan

- Internet traffic increasing
- Security demands expanding
- Cloud shift
- Japan, slow IT adopter, including public sector is changing triggered by the pandemic

Threat

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

Comprehensive Lineups of IT services

Unit: ¥ (JPY) billion (bn)

Revenue category		FY21 revenue	About			Business Situation & Outlook
Network services	Internet connectivity services for enterprise	37.9	IP	13.68	➢ 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	IP: ➢ Matured market (hard to entry) ➢ Blue-chip client base ➢ Major cost is fiber leasing, network equipment depreciation, and personnel cost ➢ Expect the revenue to continuously increase along with traffic volume and contracted bandwidth increase
			Mobile	20.35	Enterprise mobile (IoT usages etc.) 10.26 MVNE (Providing to other MVNOs) 10.09	Mobile: ➢ Expect infrastructure utilization & profitability to improve by gathering various traffic such as IoT/enterprise/ consumers ・ Enterprise: Expect the demand to increase mid-to-long term ・ Consumer: maintain and increase market share subscription) with new consumer plan in competitive market
	Internet connectivity services for consumers	23.4	Mobile	20.37	➢ Inexpensive SIM services (mainly data), ➢ Direct sale (via IIJ web), Indirect sale (via sales partners such as retailers)	
	WAN (Wide Area Network)	26.4	Closed network used to connect multiple sites			Stable market for long-term
	Outsourcing	40.5	Various in-house developed Internet-related service line-ups Security 22.22 Public Cloud 2.87		➢ Managed security services, Security Operation Center services and so many more ➢ Offered as a part of Cloud service line-ups	➢ Have been developing services based on Zero Trust concept ➢ Acquire enterprise demand by cross-selling services ➢ Continuous service development is important ➢ Demands for security and remote access to increase continuously
SI	Operation and Maintenance	60.0	On-premise Systems	34.18	➢ Operation and maintenance of constructed systems	➢ Expect great business opportunity in the middle-to-long term as internal IT systems migrate to Cloud ➢ Revenue to increase continuously along with accumulation of construction projects
			Private Cloud etc.	25.78	➢ Promote Cloud shift with abundant, highly reliable, value-added private Cloud related service line-ups	
	Construction (including Equipment sales)	35.4	System construction related to office IT, security, Cloud, IoT, Internet-related construction such as Online banking & brokerage, backbone network for university, and E-commerce site			➢ Through providing SI, offer greater value as IoT and Cloud usage penetrate

Monthly Recurring Revenue 83.1%

One time revenue

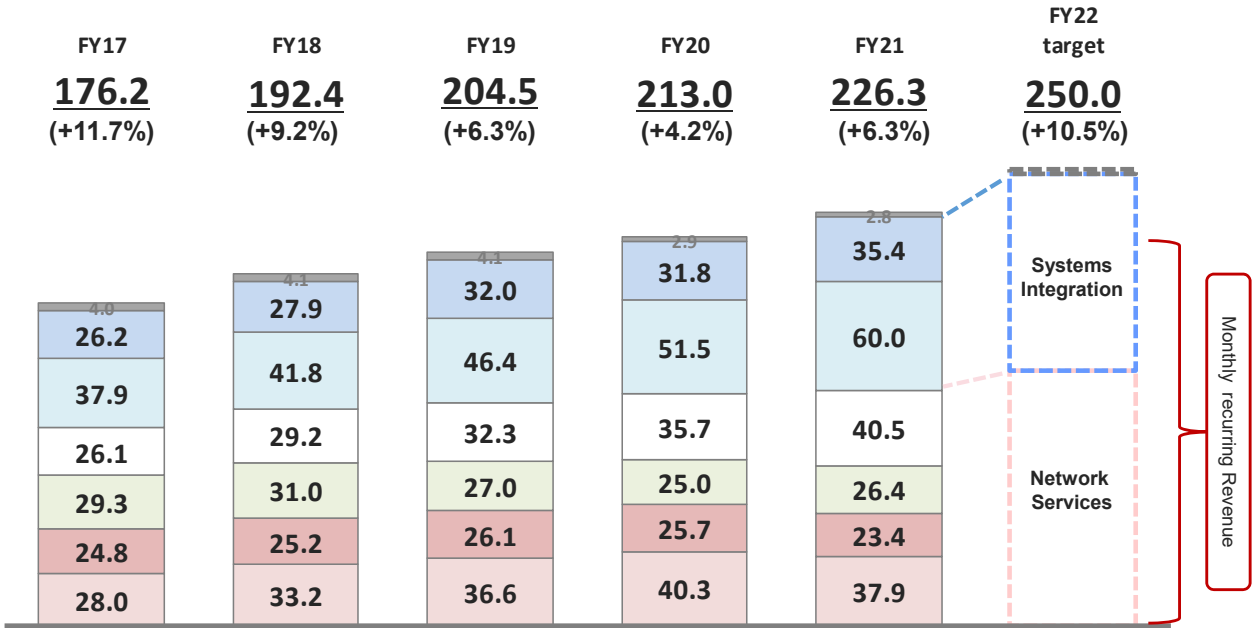
Monthly Recurring Revenue Accumulation

Unit: JPY billion
% = Year over year change

Revenues

- ATM Operation Business
- Systems construction (including equipment sales)
- Systems operation & maintenance (including Private Cloud services)
- Outsourcing services (include security-related services)
- WAN services
- Internet connectivity services for consumers (including consumer mobile)
- Internet connectivity services for enterprises (including MVNE and enterprise mobile services)

Monthly recurring revenues



Cloud service revenues	17.9	20.1	23.6	26.2	28.7
Security-related service revenues	12.1	14.1	16.4	18.4	22.2
Mobile service revenues	35.3	42.0	46.1	47.5	40.7

- Mobile revenue decreased year over year in FY21 due to ARPU decrease for consumers and change in unit charge for MVNE clients
- Systems construction and systems operation & maintenance revenue increase for FY21 includes PTC revenue which became IIJ's consolidated subsidiary from Apr. 2021
- During FY20, ATM operation business was impacted by the COVID-19 pandemic due for example to the store closure and smaller number of users coming to stores
- WAN revenue decreased year over year in FY19 and FY20 mainly due to certain large customers' migration to our mobile services (cheaper than WAN to connect multiple sites)
- Year over year growth rate written for FY17 revenue is calculated by comparing FY16 revenue which is prepared with U.S. GAAP and FY17 revenue which is prepared with IFRS

Capex & Business Development/Profitability Improvement

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

Stronger demands for enterprise network services

Large CAPEX increase due to aggressive business investment

CAPEX & its depreciation almost same volume

Including 5.0 billion for Shiroi DC 2nd site

Cost stabilizing

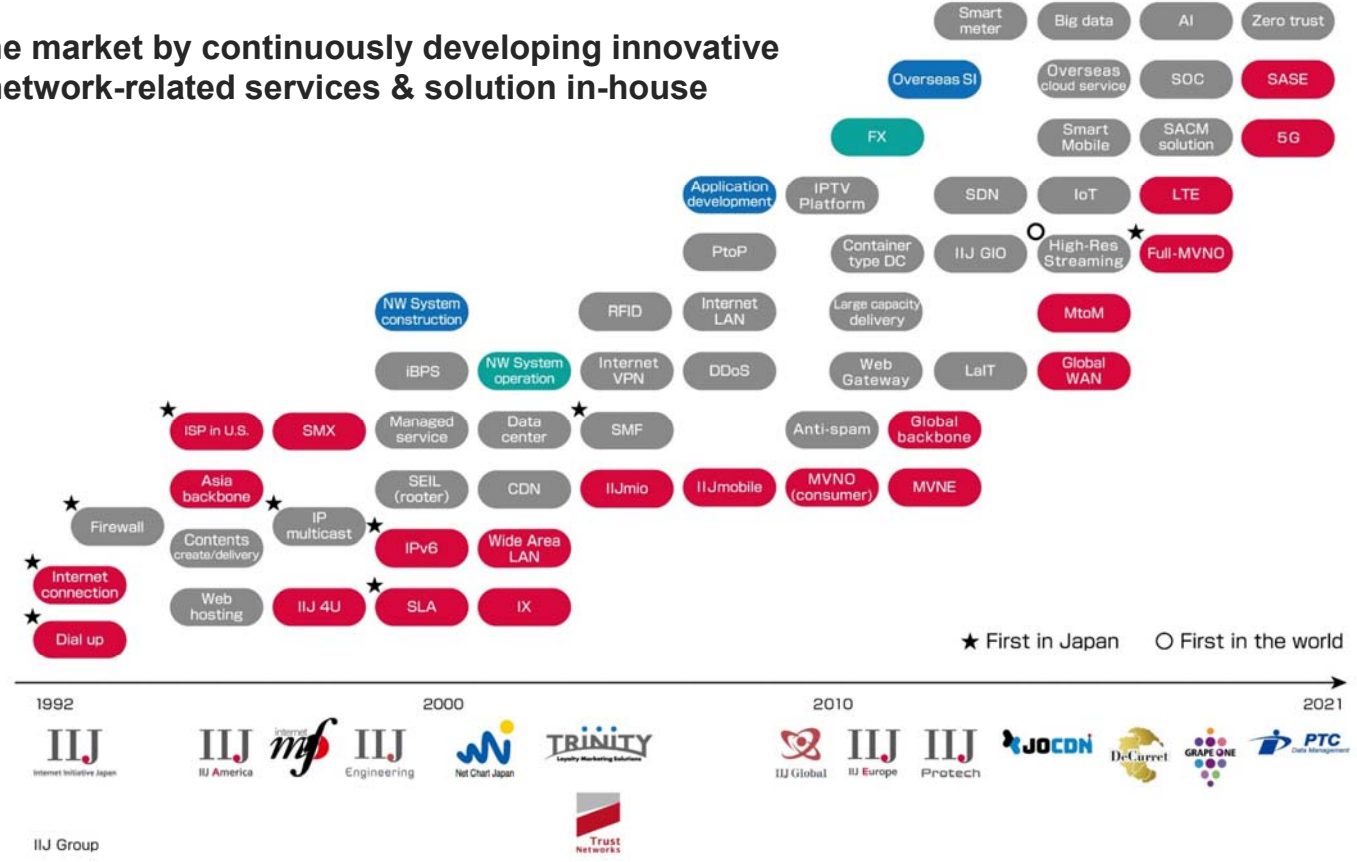
Various Network Services Asset

- Launched Omnibus (Sep. 2015)
- Enhanced SMX (Oct. 2016)
- Opened SOC (Mar. 2017)
- Launched Secure Endpoint (Oct. 2018)
- Enhanced SWG (Dec. 2020)
- Opened Security training center (Jan. 2022)
- Launched GIO P2 (Oct. 2015)
- Launched UOM (Apr. 2017)
- Launched full-MVNO (Mar. 2018)
- Opened Shiroi DC (May 2019)
- Launched GIO P2 Gen.2 (Oct. 2021)
- Added SWG Sandbox (Feb. 2016)
- DDoS service global (Jan. 2017)
- Launched Flex Mobility (Dec. 2018)
- Launched enterprise eSIM (Apr. 2021)
- Launched Smart HUB (June 2022)
- Launched private connectivity with AWS (Sep. 2016)
- Enhanced Omnibus (Oct. 2018)
- Enhanced SOC (May 2021)

- 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

Service & Solution Development Capability

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



Excellent Customer Base

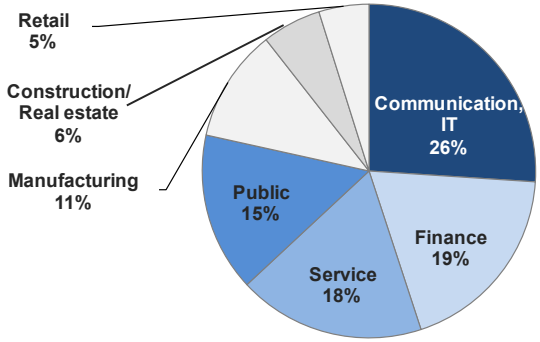
(approx. 13,000 clients as of March 31, 2022)

- **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**

Cover Most of Top Revenue Companies

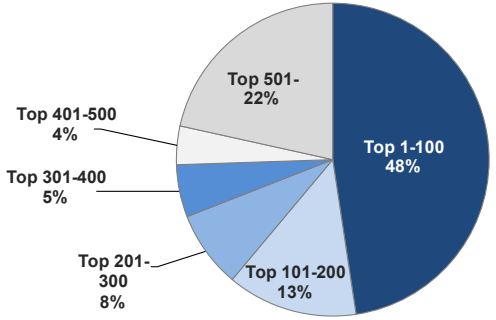
Revenue Distribution by Industry

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



Revenue Distribution by Clients

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



- 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 FY21

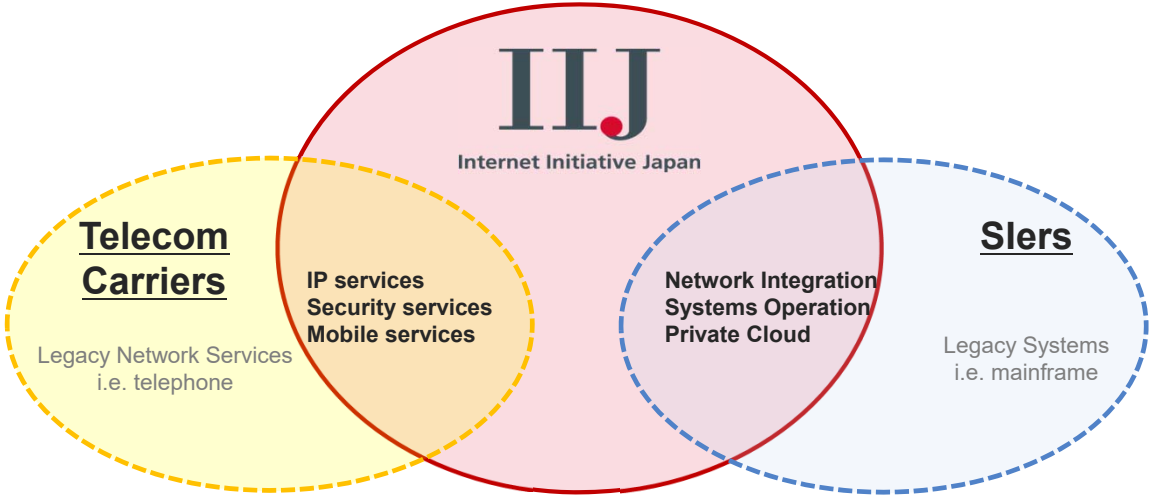
Competitive Advantages

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 (SIers), IIJ

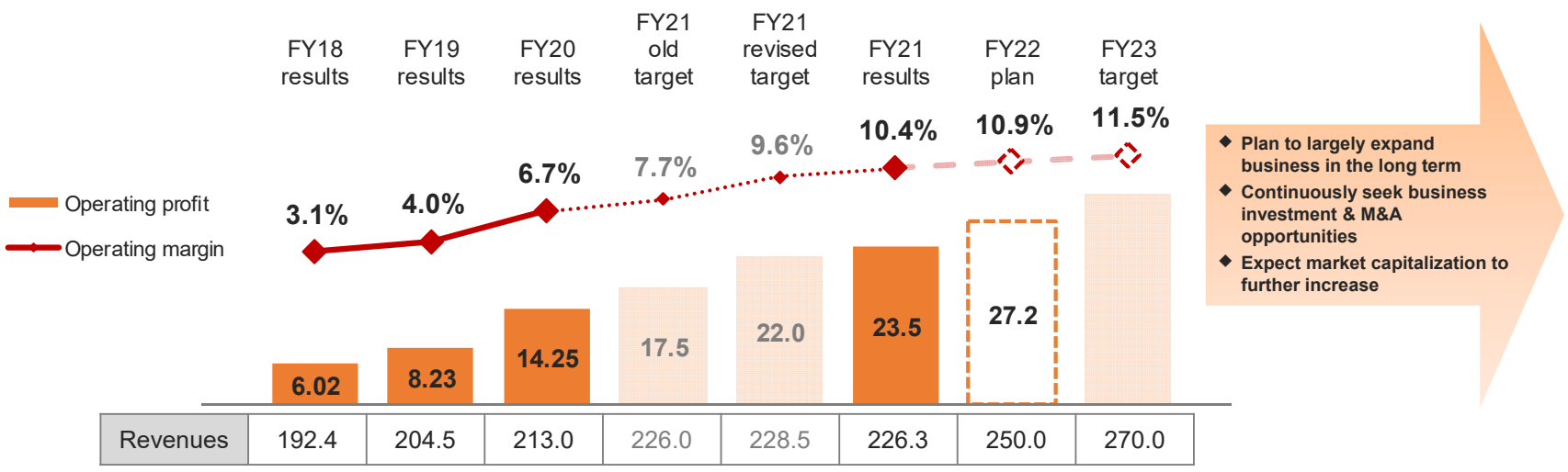
- Operates one of the largest Internet backbone (SIers do not)
- Has network service assets & development capability (SIers do not)
- Focuses on Internet-related open type systems



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

Mid-term Plan (FY21-FY23)

Previous Mid-term (FY15～FY20) | **Current Mid-term** (FY21～FY23) | **Longer term growth** (FY24～)



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

Key Points of the Mid-term Plan

- Continuously develop services & solutions
- **Execute & strengthen the current strategy, target to improve operating margin**
- Market capitalization to largely increase including M&A opportunities etc.
- Contribute to sustainable networked society through technology innovation and network operation

FY23 Operating Margin Target

Over 9%	Over 10%	11.5%
Initial target (announced in May 2021)	Previous target (announced in Nov. 2021)	Current target (announced in May 2022)

Drastically Changing Enterprises Circumstance

30yrs Ago

Network
- Dedicated/Closed NW
- Narrow bandwidth

System
- On-premise
- Mainframe / WS
- Legacy language

robust and complexed systems

Birth of IIJ

Telecom Carriers

SIers

Emergence of Internet

Based on software technology

- 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

Struggling switch to open systems

Still slow move in conservative Japan

IT adoption at last forced by Pandemic

Nowadays

Network →← System
- Shifting to network-based systems
- Required technology to change
- Data volume continues to increase

IIJ
- Attractive work place for network engineers
- Accumulate NW infrastructure & NW Services Asset
- Does not own or target legacy NW/systems
- Have royal clients with Internet access contracts
- Business domains to expand from external network to total network and Systems

Telecom Carriers
- Consumer business focused historically
- Lack of network engineers
- Infrastructure provider

SIers
- Seeking monthly recurring revenue business
- Legacy systems to decrease
- Not own network and network services

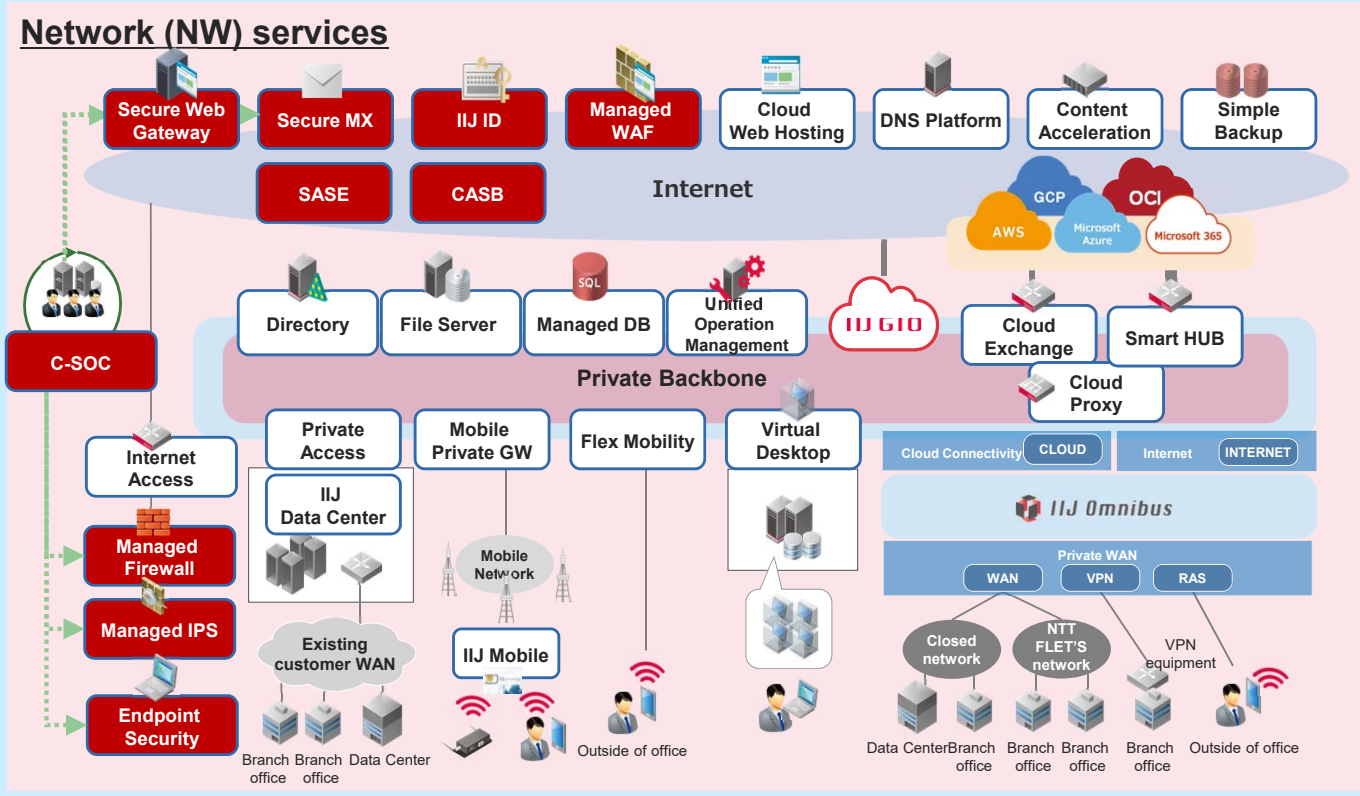
- **Labor shortage require more IT**
- **Japan needs more competitiveness by IT**
- **Every CEO says DX** (Digital Transformation)
- **Legacy NW and Systems to be reformed**
- **Internet Traffic Continue to Increase**
- **Cyber Security Demands**
- **Importance for Data governance**
- **Cloud Systems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

Structural Changes

Comprehensive NW system solution with NW services & SI

Systems Integration (SI)

Network (NW) services



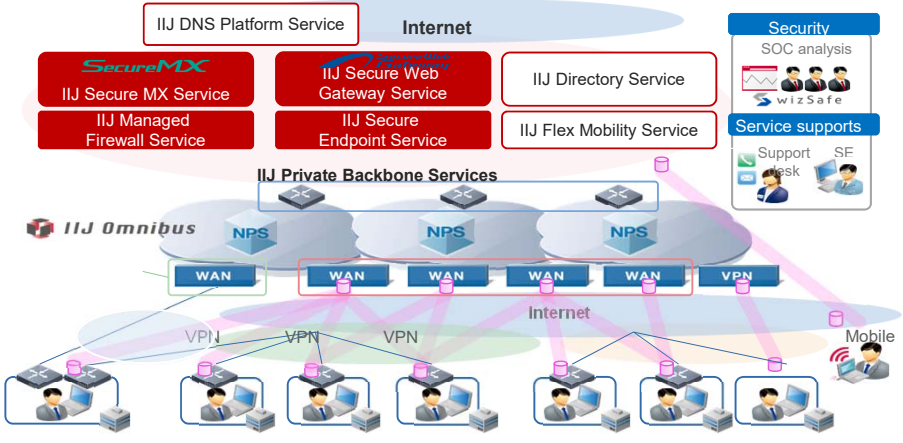
Combining in-house developed NW services and SI

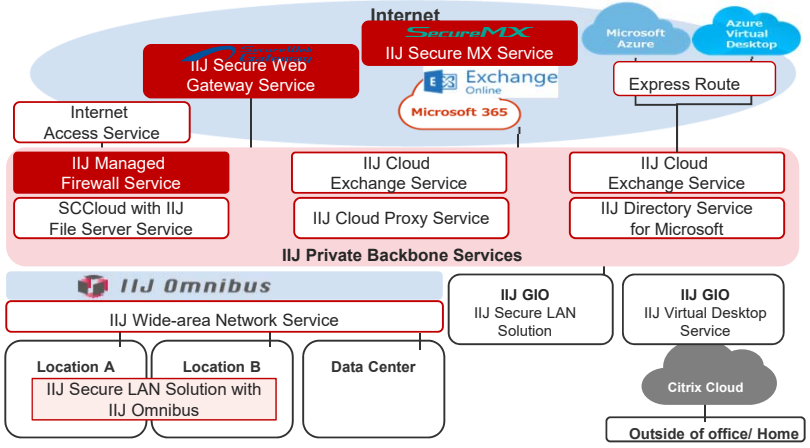
Multi-year-confirmed contracts related to network replacement etc.

- Orders received around 4Q21 (excerpt from 4Q21 earnings' presentation material)
  - Total contracted revenue: over ¥10 billion, 5 projects whose revenue volume ranging from a little less than ¥1 billion to over ¥5 billion (These projects' revenues would be largely recognized as network services)
  - Contract period: 3 to 4 years
  - Construction & operation of NW replacement and/or shared platform infrastructure such as Internet connection environment for all Tokyo metropolitan high schools and WAN to connect all Tax Offices in Japan

- Orders received around 1Q22
  - Total contracted revenue: approximately ¥3.5 billion, 9 projects whose revenue volumes ranging from over ¥0.2 billion to ¥0.8 billion (These projects' revenues would be largely recognized as network services)
  - Contract period: 3 to 5 years
  - Several large-scale SASE projects for private sector clients, construction of network infrastructure for a major financial institution, construction of administrative information infrastructure systems for a certain central government agency, etc.

Images of the multi-year-fixed contracts related to network replacement etc.





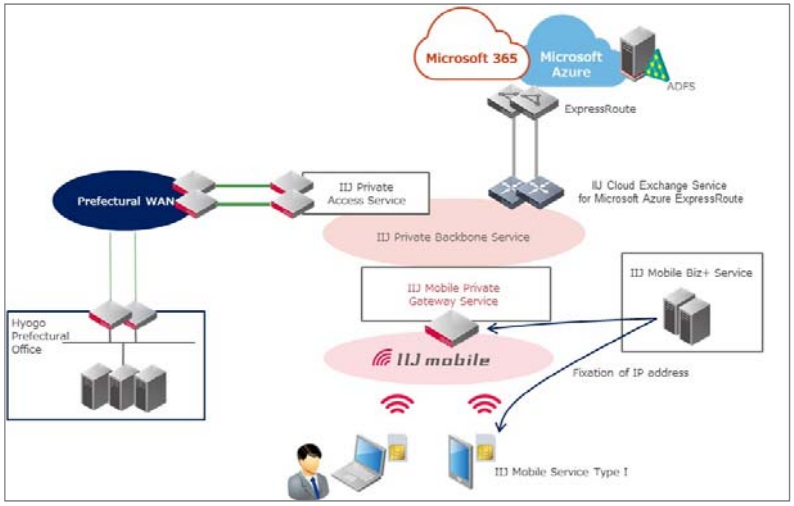
Network systems in Japan are gradually changing along with the penetration of Cloud, DX, Zero Trust, IoT, Digital Work Place etc.

Favorable business environment as IIJ now has greater opportunity to propose various NW-based service solutions

Case studies of combining multiple NW services (1)

Hyogo prefecture (Jan. 2022)

Work from home infrastructure capable of connecting up to 90 thousand people simultaneously

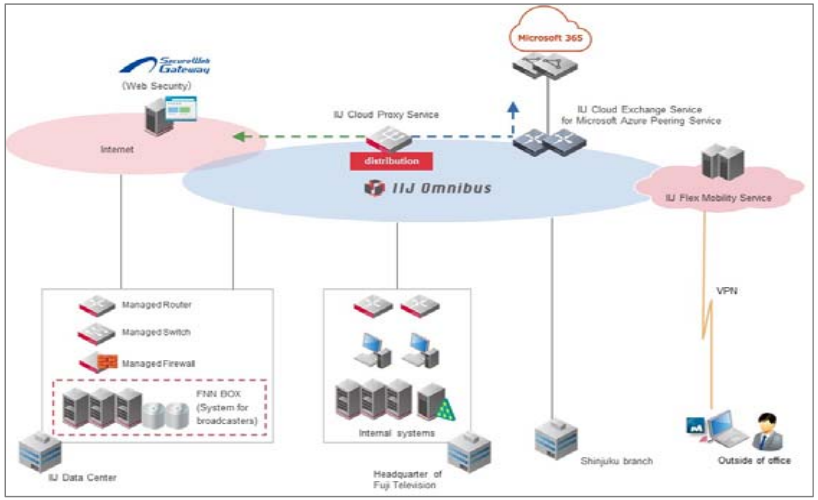


Services provided

- IIJ Mobile Private Gateway Service
- IIJ Mobile Biz+ Service
- IIJ Mobile Access Service Type I
- IIJ Cloud Exchange Service for Microsoft Azure ExpressRoute
- IIJ Private Access Service

Fuji Television Network, Inc. (Apr. 2021)

Stable connectivity and reduction of operation load with cloud-based Internet gateway



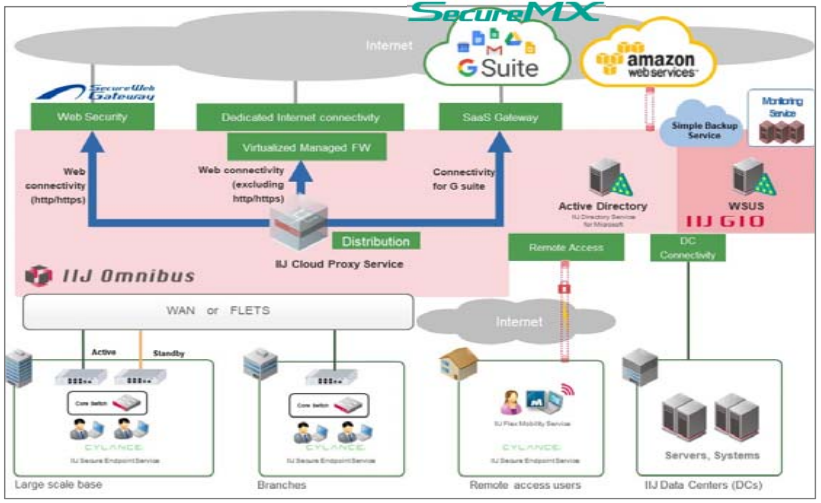
Services provided

- IIJ Omnibus Service
- IIJ Cloud Exchange Service for Microsoft Azure Peering Service
- IIJ Cloud Proxy Service
- Internet Connectivity Service
- IIJ Managed Firewall Service
- IIJ Private Access Service
- IIJ Secure Web Gateway Service
- IIJ Flex Mobility Service
- Managed Router Service

Case studies of combining multiple NW services (2)

Kokusai Kogyo (May 2022)

Update NW of 50 branches nationwide with IIJ Services
Stabilization of connectivity and improvement of reliability

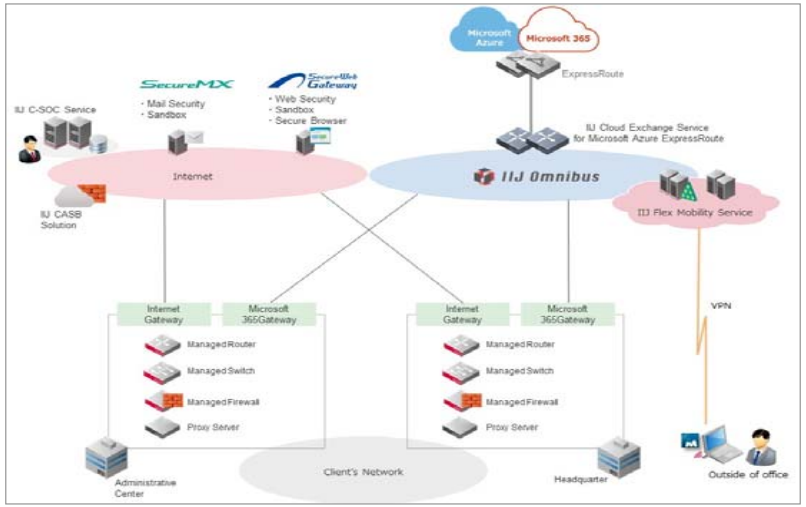


Services provided

- IIJ Omnibus Service
- IJ Cloud Proxy Service
- IIJ Private Backbone Service
- IIJ Secure Web Gateway Service
- IIJ Managed Firewall Service
- IIJ Secure Endpoint Service
- IIJ Flex Mobility Service
- IIJ Directory Service for Microsoft

Bank of Yokohama, Ltd. (Jan. 2021)

Stable connectivity and reduction of operation load with cloud-based Internet gateway

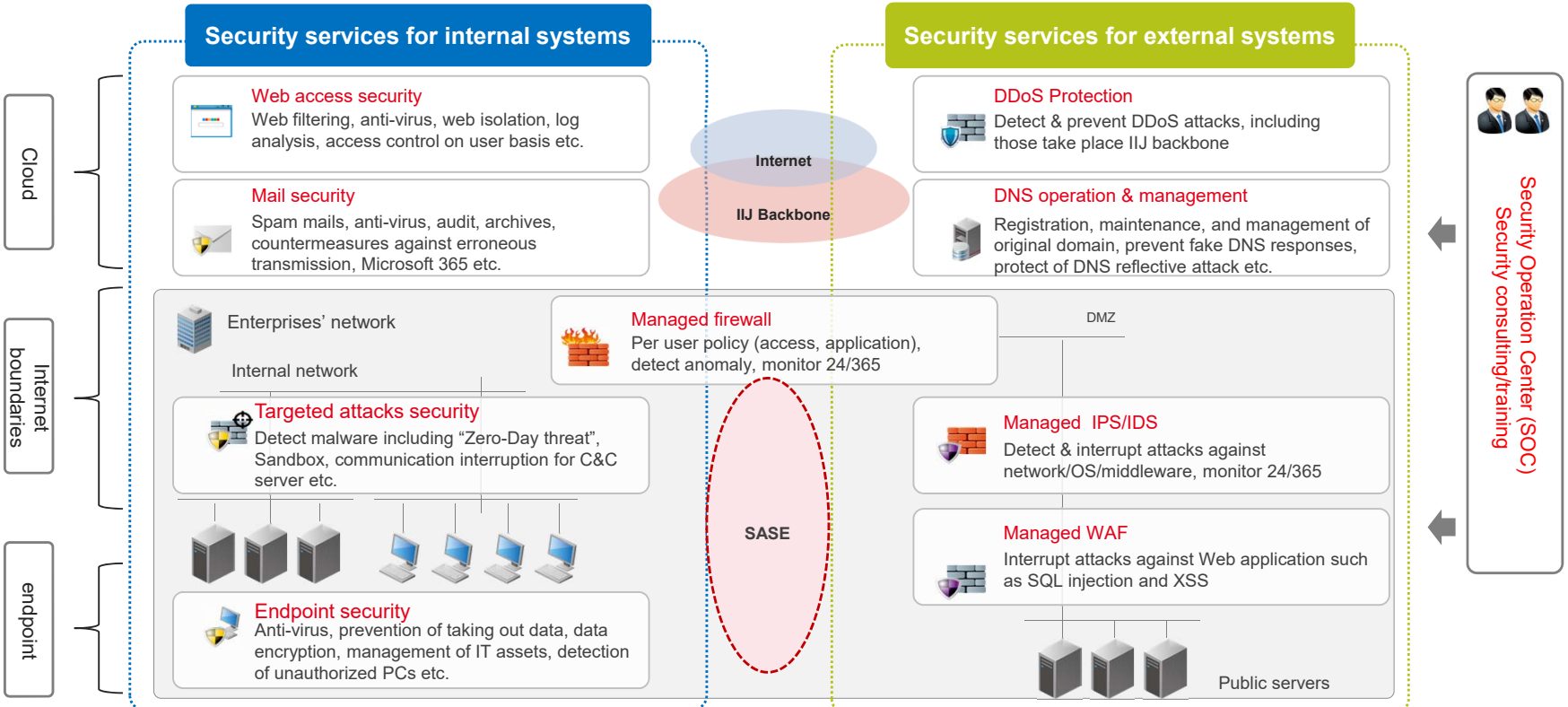


Services provided

- IIJ Cloud Exchange Service for Microsoft Azure ExpressRoute
- IIJ Secure Web Gateway Service
- IIJ CASB Solution
- IIJ Flex Mobility Service
- IIJ GIO Infrastructure P2
- IIJ Secure MX Service
- IIJ C-SOC Service
- IIJ Managed Firewall Service
- IIJ Omnibus Service
- IIJ Unified Operation Management Service (UOM)

Provide 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 network and security on the route to Cloud services to enable secure access from any points, instead of the conventional centralized management through headquarters or data centers.

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)**

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

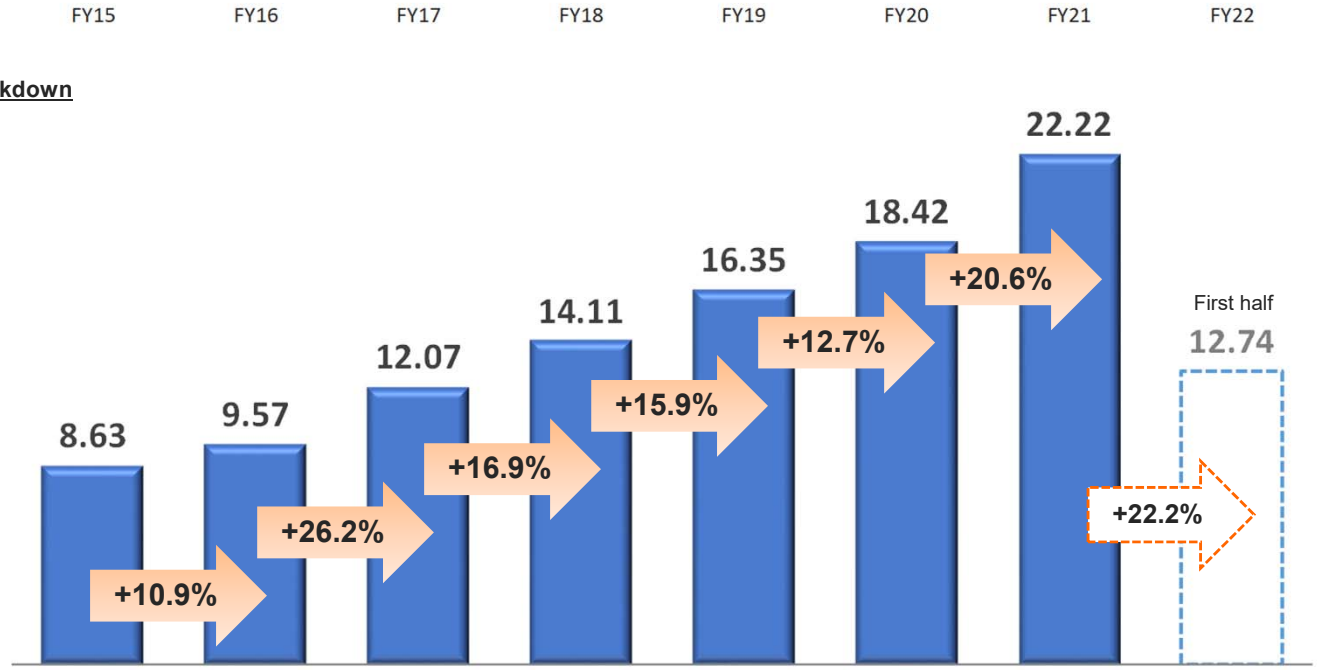
Continued afterwards

Training programs by experienced lecturers and active SOC analysts

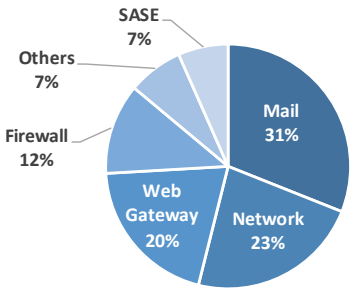
IIJ Security Service Revenue

Unit: JPY billion

Security Services



FY21 Security Service Revenue Breakdown



Mail	Full outsource of mail system, countermeasures for spam mail, sandbox etc.
Network	DDoS protection, IPS/IDS, WAF etc.
Web Gateway	Full outsource of Web security, URL filtering etc.
Firewall	Outsource of firewall operation, detection system for anomaly etc.
Others	SOC etc.

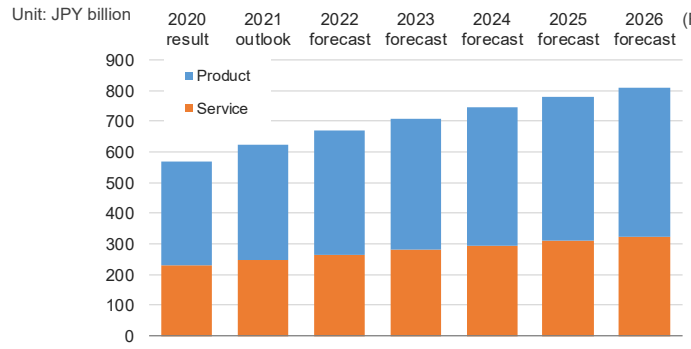
Total Security business (service + SI)	-	-	**14.62**	**16.77**	**19.18**	**21.47**	**25.44**

- All of security service revenue (recurring) is recognized in outsourcing services
- Security service is a general term for individual security service
- Security projects outside the scope of our security service provision are handled through system integration (SI); security SI in FY15 and FY16 are not counted.

Security market and competitors

- **Movement to review security** after telework expansion
- With the changes in the way we work, there is a shift toward **zero trust model** whose premises is “all traffic is untrusted”
- Along with cloud migration, mechanisms to ensure **safety relating to cloud** are attracting attention
- Opportunities to propose SMX together with Microsoft365 are increasing as the SaaS adoption gains momentum

Network security business market forecast



Source: Fuji Chimera Research Institute “2021 Network Security Business Survey”
https://www.fcr.co.jp/pr/21117.htm

	IIJ	LAC	NTT Security	NRI Secure Technologies
Category	Total network service solution provider	Vendors specialized in security		
Feature	• Provide a number of first in Japan full managed security services over network • Security services utilizing information and expertise unique to Internet Service Provider	• Many emergency response record • KDDI capital participation in Dec. 2013 • SOC as a core operation	• Founded in Aug. 2016 by integrating NTT Communications (“Ncom”), Ncom Security and overseas subsidiaries’ security businesses	• Founded in 2000 as a Nomura Research Institute’s group company • High penetration toward large enterprises (especially finance) • Cover upper layer consultation to managed type services
FY21 revenue	**¥25.4 billion** (of monthly services: **¥22.2 billion**)	**¥42.7 billion** (of services, **¥19.4 billion**)	N/A	N/A
Number of employees dedicated to security	IIJ(non-consolidated) **346** As of Sep. 30, 2022	consolidated **2,172** As of Apr. 1, 2022	N/A	525 non-consolidated, as of Oct. 1, 2022

Focused Security Services

IIJ Secure MX Service (SMX)

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

Cloud based mail security market
Share No.1
(Resource: Fuji Chimera Research Institute) monthly BT Sep. 2019 " Cloud based mail security service market survey" based on FY18 figure base

SMX contracted accounts

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

IIJ DDoS Protection Service

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

IIJ Secure Web Gateway Service (SWG)

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

10 consecutive years

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

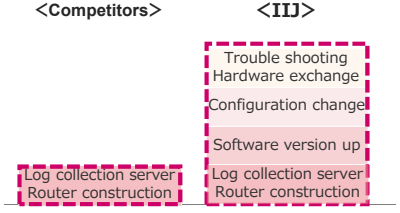
SWG contracted accounts

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

IIJ C-SOC Service

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

Coverage comparison



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

・ DDoS(Distributed Denial of Service), SOC(Security Operation Center)

IIJ Secure Access Service (in-house developed SASE service, “ISA,” Launched in Sep. 2022)

- **IIJ’s been long fulfilled the SASE concept through individual services such as managed firewall**
- **Launched in-house developed SASE services by packaging security requirement**

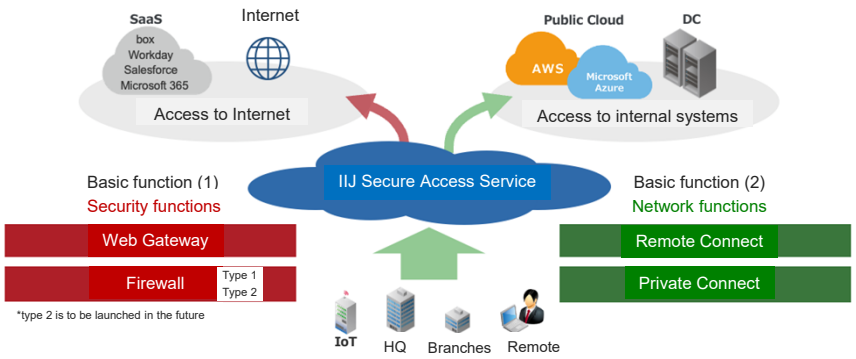
Why SASE Services are attracting attention

- Acceleration of cloud shift of enterprise system
- Spread of flexible work style including telework
- Increase in information leak due to internal fraud & criminal activity

Features of our SASE Service

- A packaged product utilizing the existing security functions’ strength
- Differentiate by operation in Japan
  - Handle Japanese enterprises’ information asset in data centers located in Japan
- High compatibility with other IIJ’s security services functions such as C-SOC
- Developed in-house with a focus on cost effectiveness
  - Improve operation productivity and centralized management with IIJ’s original UI
  - Monthly service charge: IIJ ¥500 - ¥990 per user, competitors ¥1,000 over per user
- Small smart & low price range (minimum 50 users)
  - Competitors target large number of users such as global corporations (over 500 users)

Image of service provision



Comparison with Prisma Access “PA”

ISA	PA
Mainly for network within Japan	Mainly for global network
Mid-to-low price range	High-priced, high functionality, high efficiency
Japanese language support	-
Packaged by aggregating managed services	Require large-scale integration when installing
Extensive engineers support	Automation & XDR-centric design

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 alway starts with the future.