



[English Translation]

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IIJ Announces “IIJ Group Mid-term Plan (FY2024-FY2026)” and Mid-to-Long Term Vision

TOKYO – May 10, 2024 - Internet Initiative Japan Inc. (“IIJ”, TSE Prime Market: 3774) today announced “IIJ Group Mid-term Plan (FY2024-FY2026)” (hereinafter, “New Mid-term Plan”) and Mid-to-long Term Vision as described below.

1. Result of the previous Mid-term Plan

For the previous Mid-term Plan which was from the fiscal year ended March 31, 2022 (FY2021) to the fiscal year ended March 31, 2024 (FY2023), we initially set financial targets of total revenue of around JPY270.0 billion and operating margin of over 9% for FY2023, and later revised such targets to total revenue of JPY286.0 billion and operating profit of JPY31.5 billion. The results were as follows.

| Consolidated indicator | FY2020 | FY2023 |
|------------------------|------------------------------------|---|
| | (Fiscal year ended March 31, 2021) | (Last fiscal year of the previous Mid-term Plan period) |
| Total revenue | JPY213.0 billion | JPY276.1 billion |
| Operating profit | JPY14.3 billion | JPY29.0 billion |
| Operating margin | 6.7% | 10.5% |
| Number of employees | 3,805 | 4,803 |

During the previous Mid-term Plan period, IT utilization among Japanese private and public sectors, which had generally been slow to progress, has rapidly accelerated triggered by COVID-19, and strong demands including renewal of internal and external networks have continued even after its pandemic subsided. In response to these demands, we have developed "Service Integration" model by which we incorporate our monthly network services into systems integration, and we have acquired many large-scale projects with multi-year contracts ranging from several billion to more than 10 billion in JPY. Compared to FY2020, FY2023 total revenue increased approximately 1.3 times to JPY276.1 billion, operating profit increased approximately 2.0 times to JPY29.0 billion, and operating margin increased by 3.8 points to 10.5% during these three years. We certainly realized a significant increase in enterprise recurring revenues^(*) and profits through economies of scale as planned in the previous Mid-term Plan. Additionally, along with business expansion, the number of employees at the end of FY2023 increased approximately 1.3 times to 4,803 personnel.

In addition to the financial results, we have achieved following business developments.

- We have been promoting the combined provision of network services and systems integration including the development of the above-mentioned Service Integration model. As a result, these revenues increased approximately

^(*) Enterprise recurring revenue: Revenue from enterprises that is expected to be continuously recognized due to the continued provision of services, excluding mobile-related service revenue for consumers and MVNE revenue.

1.2 times to JPY151.4 billion and 1.5 times to JPY121.8 billion, respectively, over the last three years.

- With regard to the public and financial sectors, where IT adoption had generally tended to lag, we have captured the business opportunities of promoting digitalization and accelerating IT utilization, and have acquired GIGA School^(*)2), large-scale network and system platform renewal, foreign exchange trading systems transactions, etc. Through the acquisition of these large-scale projects, we have strengthened our business and customer base in these sectors.
- We have promoted digital workplace^(*)3) strategy that matches the trend of corporate DX^(*)4) progress, and have achieved significant growth by developing and providing value-added services such as "IIJ Flex Mobility Service," which is a secure and high-speed VPN connection^(*)5) service. As for cloud services, we launched "IIJ GIO Infrastructure P2 Gen.2," which enables easy cloud migration, and "IIJ Private Backbone Service/Smart HUB," an interconnection service between on-premises^(*)6) and third party cloud services, to support^(*)6) companies' use of cloud services. As for security-related services, we continued to develop new services and functions and expand their lineups, and SASE^(*)7) and SOC^(*)8) services in particular grew significantly. As a result, security-related services revenue increased approximately 1.7 times to JPY30.9 billion over the last three years.
- With regard to mobile services, we demonstrated our competitive advantage of full-MVNO^(*)9) particularly in the enterprise IoT^(*)10) field, and the number of subscription for enterprise mobile has increased approximately 2.1 times over the last three years. For consumers, we have demonstrated our competitiveness even in a mature market by implementing measures such as the launch of "IIJmio Mobile Service GigaPlans," and have continued to hold No.1 market share for SIM (MVNO) markets for consumer according to research by MM Research Institute, Ltd.
- With regard to overseas businesses, in addition to the existing business progress at local subsidiaries in America, Europe and Asia, there were an approximately JPY2.8 billion overseas data center construction project and a contribution from PTC SYSTEM (S) PTE LTD, a Singaporean systems integrator who became our wholly owned subsidiary in April 2021. As a result, overseas business revenue^(*)11) increased approximately 4.2 times to JPY35.3 billion over the last three years.
- Regarding our network infrastructure, we continued to expand our Internet backbone^(*)12) and own data centers which accommodate our service equipment, in response to increasing Internet traffic^(*)13) and demand for our service equipment. As for our own Shiroi Data Center, we started operating its second site from July 2023, and it is expected to be fully occupied around the fiscal year ending March 31, 2027 due to demand for accommodating our service equipment and collocation from customers.

^(*)2) GIGA School: A government-led initiative to provide each student with one computer and high-speed network connection environment in order to promote the use of IT in education.

^(*)3) Digital Workplace: A productive digital work space that is realized by using digital tools, etc.

^(*)4) DX: DX (Digital Transformation) is the adoption of digital technology to transform products, services or business models based on the needs of customers and society, etc., and also to establish competitive advantage by transforming incumbent operations, organizations, processes, and corporate culture with digital data and technologies, in response to drastic changes in the business environment.

^(*)5) VPN connection: VPN connection means accessing Internet, etc. via a VPN (Virtual Private Network), which is a virtual closed network on a network.

^(*)6) On-premise: Placing and operating information systems such as servers and software owned by a company within its facilities managed by itself.

^(*)7) SASE: SASE (Secure Access Service Edge) is a concept, providing comprehensive service by combining network functions and network security functions on the cloud.

^(*)8) SOC: SOC (Security Operation Center) is an organization providing advices and actions regarding cyber-attacks by constantly monitoring log data of networks and devices to detect and analyze them.

^(*)9) Full-MVNO: Compared to conventional Mobile Virtual Network Operator (light-MVNO), which is highly dependent upon MNO equipment or facilities, full-MVNO services are operated using an in-house HLR/HSS (databases for managing SIM cards), thereby making it possible for such providers to procure and issue their own SIM cards and design their services with more freely.

^(*)10) IoT: IoT refers to the Internet of Things. This means that objects that have not previously been connected to Internet can communicate information by equipping them with communication capabilities.

^(*)11) Overseas business revenue: Overseas business revenue is included in network services revenue and systems integration revenue in our consolidated financial results.

^(*)12) Backbone: A network that constitutes the core part of the entire network.

^(*)13) Internet traffic: The amount of data transferred through the Internet.

- Regarding our corporate structure, we have continuously strengthened our management structure and governance in response to the expansion of our business scale. We have set sustainability targets and started to disclose environmental disclosure based on the TCFD framework,^(*14) along with efforts to promote carbon neutrality initiatives at our own data centers. As a way of social contribution, we have opened and been operating “IIJ Academy,” through which we train network engineers who lead the future of Japan’s network society.
- As for new business areas, we have promoted the digital currency^(*15) business through DeCurret DCP Inc.,^(*16) which is an equity method company of IIJ. The number of participating members of the Digital Currency Forum^(*17) has reached 104 companies, and there are various study groups carrying out proof of concepts, which resulted in the accumulation of potential projects toward the spread of digital currency in Japan. DeCurret DCP Inc. plans to issue digital currency (DCJPY) and provide settlement services for non-fossil certificate transactions as Japan's first digital currency service in July 2024.

^(*14) TCFD: Task force on Climate-related Financial Disclosures

^(*15) Digital Currency: The general term for a variety of virtual currencies such as bitcoin and digital currency pegged to the Japanese yen which some banks are considering to issue.

^(*16) DeCurret DCP Inc.: A wholly owned subsidiary of DeCurret Holdings, Inc., an equity method company of IIJ.

^(*17) The Digital Currency Forum: It is a forum facilitated by DeCurret DCP Inc. to discuss the practicality of digital currency in Japan. The number of participating member includes enterprises, organizations, related government ministries and agencies, etc.

2. New Mid-term Plan, etc.

| | Consolidated Financial Targets | FY2026 |
|--------------------|--------------------------------|-----------------------|
| Business Expansion | Total revenue | Around JPY380 billion |
| Profitability | Operating Profit | Around JPY46 billion |

(1) Business philosophy

IIJ Group's business philosophy is as follows.

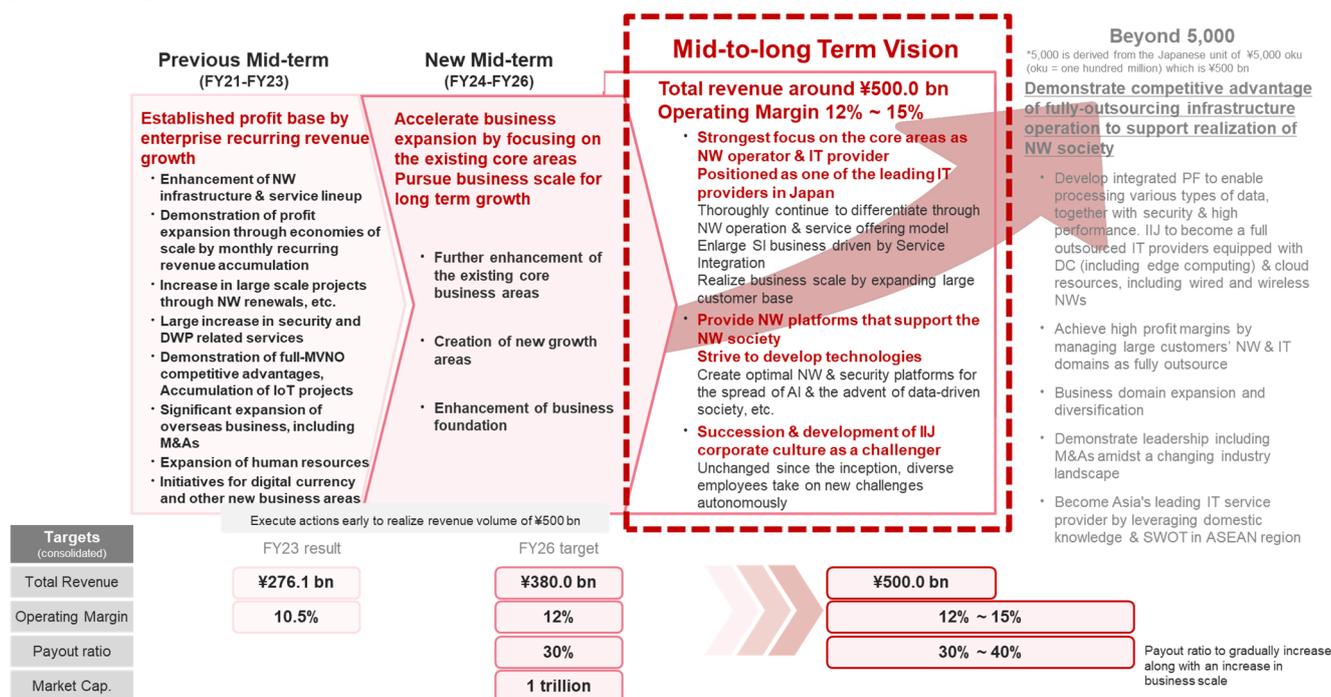
As the company name "Internet Initiative Japan Inc." suggests, we are committed to the ongoing pursuit of initiatives in the field of Internet technology, which is one of those technological innovations that might occur once in a century, and contributing to the development of the networked society by providing groundbreaking services and platforms that propose new uses for the network.

- To develop network infrastructure through technological innovation
We are committed to the ongoing pursuit of initiatives in the field of Internet technology to open up the future of the digital society through new value created by ever faster networks and computing.
- To provide solutions (IT services) that supports a networked society
We continuously develop and introduce highly reliable and value-added IT services that anticipate changes taking place around the world, to support the use of networks by society and individuals.
- To provide meaningful opportunities for growth to our employees (a place where human resources with diversified talents and values can play an active role)
We aim to offer meaningful working opportunities for growth through business, in which our staff can take a proactive approach to technical innovation and social contribution, and actively demonstrate their abilities with pride and a sense of satisfaction. We aspire to be a company where employees are never satisfied with the status quo, and are always thinking about the future world, contributing to social development, and achieving personal growth through work that has value for society.

(2) Mid-to-Long Term Vision and the positioning of the New Mid-term Plan

In order to effectively fulfill our business philosophy, we recognize that it is highly important to continuously expand our business scale while leveraging the strengths of our group. Triggered by the COVID-19, IT utilization among Japanese private and public sectors has finally accelerated, and the market is expected to continuously expand further over the mid-to-long term. Under such recognition, we have formulated the Mid-to-Long Term Vision that includes growth to total revenue volume of JPY 500.0 billion (consolidated) as a milestone we should aim for in the mid-to-long term, as described on the next page. The New Mid-term Plan is positioned as an important growth path and process to reach toward the Mid-to-Long Term Vision over the next three years.

[Mid-to-Long Term Vision]



(3) New Mid-term Plan

Under the New Mid-term Plan, the fundamental vision of our business remains unchanged. We are proud that we had created Internet in Japan as a communication infrastructure and environment by bringing in diverse talents who autonomously demonstrate their abilities. Based on our advanced Internet-related technology, we will develop high value-added network services, stably operate Internet-related networks and systems, and provide systems integration functions to meet the IT demands of Japanese companies. Through implementing these actions, we play our role fully and pursue our business expansion. In particular, considering our business situation such as the increase in large-scale network construction projects with multi-year contracts through Service Integration in FY2023, we will accelerate revenue growth and thereby enhance profit levels by rigorously strengthening our existing core business areas. We will also focus our efforts on new areas for the next phase of growth. We also continue to enhance our business foundation to realize these. Details and targets are as follows.

- Further enhancement of the existing core business area:
 - (i) We will increase the scale of large transactions and the number of customers by advancing composite transactions further through the acquisition and execution of large-scale network construction and operation projects from customers in various industries in the form of Service Integration. We will drive revenue growth through systems integration.
 - (ii) We will enhance profitability by realizing economies of scale through the continuous accumulation of enterprise recurring revenue such as network services, including those derived from Service Integration. We will drive profit growth through network services.
 - (iii) In response to increasingly sophisticated and complex security demands, we will further enhance our line-up of high value-added services. We continue to differentiate ourselves through stable and high-quality network operations toward the era of DX realization. We will create platform services that support the utilization of AI^(*18) and Data Lake.^(*19)
 - (iv) We continue to optimally expand network infrastructure to support business expansion. We plan to make construction investments in the third site of the Shiroi Data Center to accommodate our service equipment in the future.
- Creation for new growth area:

^(*18) AI: AI is an abbreviation for Artificial Intelligence. AI is a technology in which computer systems and machines imitate human intelligence such as reasoning, judgment, learning, etc.

^(*19) Data Lake: A database or archive that centrally stores various digital data in its original various formats without being processed.

- (i) Commercialization towards realizing a data-driven society: We will consider and begin to create a business model that expands the service area of data analysis and distribution, which was initiated during the previous Mid-term Plan, actively generates meaningful data to society, and establishes and operates an information circulation system that enables to function smoothly for multiple purposes.
- (ii) Spread of digital currency (DCJPY) in Japan: We aim for the state of digital currency business currently being developed by DeCurret DCP Inc., to begin spreading in Japan as practical projects, with further market growth expected.
- Enhancement of business foundation:
- (i) We continue to strengthen and expand human resource recruitment and focus on developing next-generation management resources who lead our organization and businesses.
- (ii) We will respond properly to external factors such as rising labor costs and other costs including passing cost rises onto selling prices.
- (iii) We continue to pursue M&A opportunities, primarily to acquire additional human resources necessary for business growth.
- (iv) We continue to address management with an emphasis on sustainability and strengthening governance in line with our business growth, which we have already been promoting since before. We plan to introduce an executive remuneration system that is linked to the achievement of the New Mid-term Plan, and further share the enhancement of corporate value with shareholders.
- (v) As projects become larger, we aim to improve the sophistication of business and project management methods, especially in systems integration. We carry out appropriate capital allocation and balance sheet management in response to investments in large-scale data center and an increase in working capital.

[Capital Allocation]

| Capital allocation (FY24-FY26, 3 years in total) | | | | |
|--|--|--|---|---|
| Cash in | Cash out | | Overview | |
| Cash generated from business approx. ¥134.0 bn(*) (*) post-tax, pre-depreciation Debt Up to approx. ¥65.0 bn | Investment: approx. ¥90.0 bn | | | |
| | Ordinal NW infrastructure, etc. approx. ¥51.0 bn Stable with economies of scale | Shiroi DC 3rd Site construction approx. ¥30.0 bn Mainly for own services | Strategic investment for new growth areas | Shiroi DC 3rd site construction ◆ Start the construction within the new Mid-term plan period, but the schedule is undetermined • First site: CAPEX approx. ¥8.3 bn, No. of racks: approx. 700, started operating from May 2019 • Second site: CAPEX approx. ¥12.8 bn (plan), No. of racks: approx. 1,100, started operating from Jul. 2023 |
| | Along with an increase in large complex project Increase in working capital and lease obligation | | Approx. ¥13.0 bn | Strategic Investment ◆ Specific investment details have not fixed and will be discussed going forward |
| | Payout ratio 30% Dividend | | Approx. ¥24.0 bn | Increase in working capital & lease obligations ◆ Increase in work in process, prepayments, etc. due to an increase in large scale multi-year SI projects • The impact of increased working capital should gradually be reduced due to the constant revenue recognition of large scale projects |
| | Scheduled repayment of long term borrowing | | Approx. ¥1.5 bn | M&As ◆ M&As to be conducted in sequence with borrowing capacity • Maintain debt/equity ratio & financial discipline. Up to ¥70.0 bn of additional debt could be implemented for M&As |
| | M&As | | up to ¥70.0 bn | |

※ Statements made in this release 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 profit, etc. 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.

< About Internet Initiative Japan Inc. >

Founded in 1992, IIJ is one of Japan's leading Internet-access and comprehensive network solutions providers. IIJ and its group companies provide total network solutions that mainly cater to high-end corporate customers. IIJ's services include high-quality Internet connectivity services, mobile services, security services, cloud computing services, and systems integration. Moreover, IIJ operates one of the largest Internet backbone networks in Japan that is connected to the United States, the United Kingdom and Asia. IIJ listed on the First Section of the Tokyo Stock Exchange ("TSE") in 2006 and transitioned to the Prime Market of TSE from April 2022.

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