

Consolidated Financial Results for 1Q-3Q21

(April 1, 2021 to December 31, 2021)

Internet Initiative Japan Inc.
TSE1 (3774)
February 8, 2022

Disclaimer

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• FY21(FY2021) means a fiscal year ending March 31, 2022. Others alike

I . Summary of 1Q-3Q21

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

Revenue & Profit structurally growing with Enterprise Recurring Revenues Accumulation

Capturing growing demands for IT utilization by leveraging our network (NW) infrastructure and service assets, and development/operation capabilities accumulated over the mid- to long-term

Revenues		Operating Profit		Operating Margin		Net Profit	
¥165.6 bn	+6.1%	¥16.3 bn	+60.9%	9.8%	+3.3 Pt	¥11.5 bn	+96.1%

Network Service (excluding Mobile)	<ul style="list-style-type: none"> ➢ IP Services revenue ¥10.1 bn +12.0% Continuously increased with growing enterprise Internet traffic ➢ Outsourcing services revenue ¥29.8 bn +13.5% In addition to Security services, strong demands for VPN and NW management <ul style="list-style-type: none"> • Of which, Security services ¥16.2 bn +18.7% Led by conventional services (i.e. gateway security) & newer services (i.e. C-SOC & SASE) ➢ WAN services revenue ¥19.4 bn +4.3% Opportunities for providing WAN services increasing as a part of enterprises NW
Mobile (Enterprise & Consumer)	<ul style="list-style-type: none"> ➢ Total mobile subscription (3Q-end) 3,375 thousand (+93 thousand QoQ) ➢ Enterprise (excluding MVNE) revenue: ¥7.5 bn +36.3% Accumulating IoT related orders by our advantages of full-MVNO, blue chip customer base, and network related solutions ➢ GigaPlans subscription (3Q-end) 607 thousand (of which 34% were new users, +51 thousand QoQ) <ul style="list-style-type: none"> • Top MVNO market share 18.2%, increasing the share with GigaPlans (MM Research Institute's survey, the end of Sep. 21) ➢ FY20 Docomo's mobile interconnectivity cost (unit charge) was fixed (Dec. 21) which decreased by 12.7% YoY, Onetime cost reimbursement in 3Q
Systems Integration (SI)	<ul style="list-style-type: none"> ➢ SI Construction: Revenue ¥24.4 bn +12.6% Order-received ¥26.5 bn +10.7% Order backlog (3Q-end) ¥11.3 bn +15.3% <ul style="list-style-type: none"> • Continuous strong demands for network integration such as adopting Cloud services for Internet gateway, strengthening Internet security, and constructing DR environment ➢ Financial impacts from PTC consolidation (consolidated from Apr. 1, 2021) <ul style="list-style-type: none"> • Revenues ¥5.30 bn Operating profit ¥0.26 bn Slightly weaker than expected mainly due to behavior restrictions caused by the Pandemic
Topics	<ul style="list-style-type: none"> ◆ Construct 2nd site of Shiroi DC to absorb growing demands for racks through FY2027 by gradually operating from Apr. 23 ◆ Launched a new remote access service "IIJ Flex Mobility Service/ZTNA" enhancing Zero Trust concept (Jan. 22) ◆ "IIJ GIO Infrastructure P2" was registered on ISMAP, Japanese government's Cloud service list (Dec. 21) ◆ DeCurret HLD, an equity method investee, divested its crypto asset exchange business to focus on digital currency business. (Feb. 22)

- Net Profit is "Profit for the period attributable to owners of the parent"
- Please refer to page 18 of this document for the details about our Security services such as C-SOC and SASE
- ISMAP (Information System Security Management and Assessment Program) is Japanese government's program for assessing the safety of Cloud services

II - 1. Consolidated Financial Results

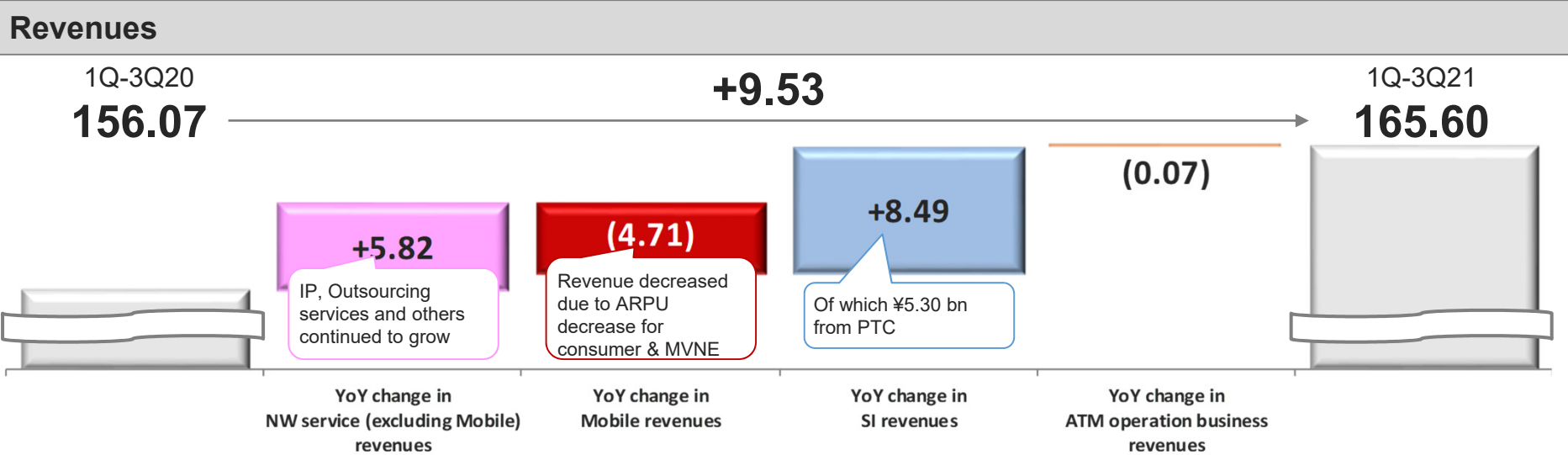
Unit: ¥ (JPY) billion
YoY = Year over year comparison

	% of revenue		YoY		% of revenue		YoY	
	1Q-3Q21 Results <small>Apr. 2021 - Dec. 2021</small>	1Q-3Q20 Results <small>Apr. 2020 - Dec. 2020</small>			FY21 Targets (Revised in Nov. 2021) <small>Apr. 2021 - Mar. 2022</small>			
Revenues	165.60	156.07	+6.1%	+9.53	228.5	+7.3%	+15.50	
Cost of Revenues	<small>77.8%</small> 128.82	<small>81.5%</small> 127.27	+1.2%	+1.54	<small>78.2%</small> 178.7	+3.5%	+5.98	
Gross Profit	<small>22.2%</small> 36.78	<small>18.5%</small> 28.80	+27.7%	+7.99	<small>21.8%</small> 49.8	+23.6%	+9.52	
SG&A etc.	<small>12.4%</small> 20.49	<small>12.0%</small> 18.67	+9.7%	+1.82	<small>12.2%</small> 27.8	+6.8%	+1.77	
Operating Profit	<small>9.8%</small> 16.30	<small>6.5%</small> 10.13	+60.9%	+6.17	<small>9.6%</small> 22.0	+54.4%	+7.75	
Profit before tax	<small>10.6%</small> 17.60	<small>5.9%</small> 9.23	+90.7%	+8.37	<small>9.4%</small> 21.5	+53.2%	+7.47	
Net Profit	<small>7.0%</small> 11.52	<small>3.8%</small> 5.88	+96.1%	+5.64	<small>6.0%</small> 13.7	+41.1%	+3.99	

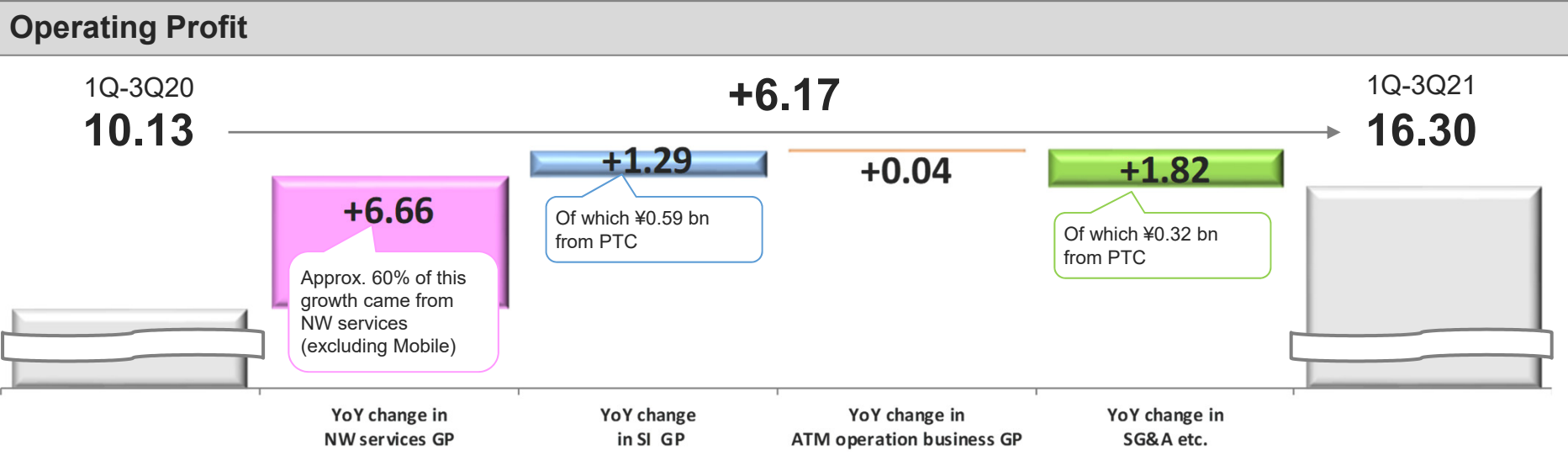
- SG&A etc. represents the sum of SG&A, which includes R&D expenses, and other income/expenses
- Net profit is "Profit for the period/year attributable to owners of the parent"

II - 2. Year over Year Analysis

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



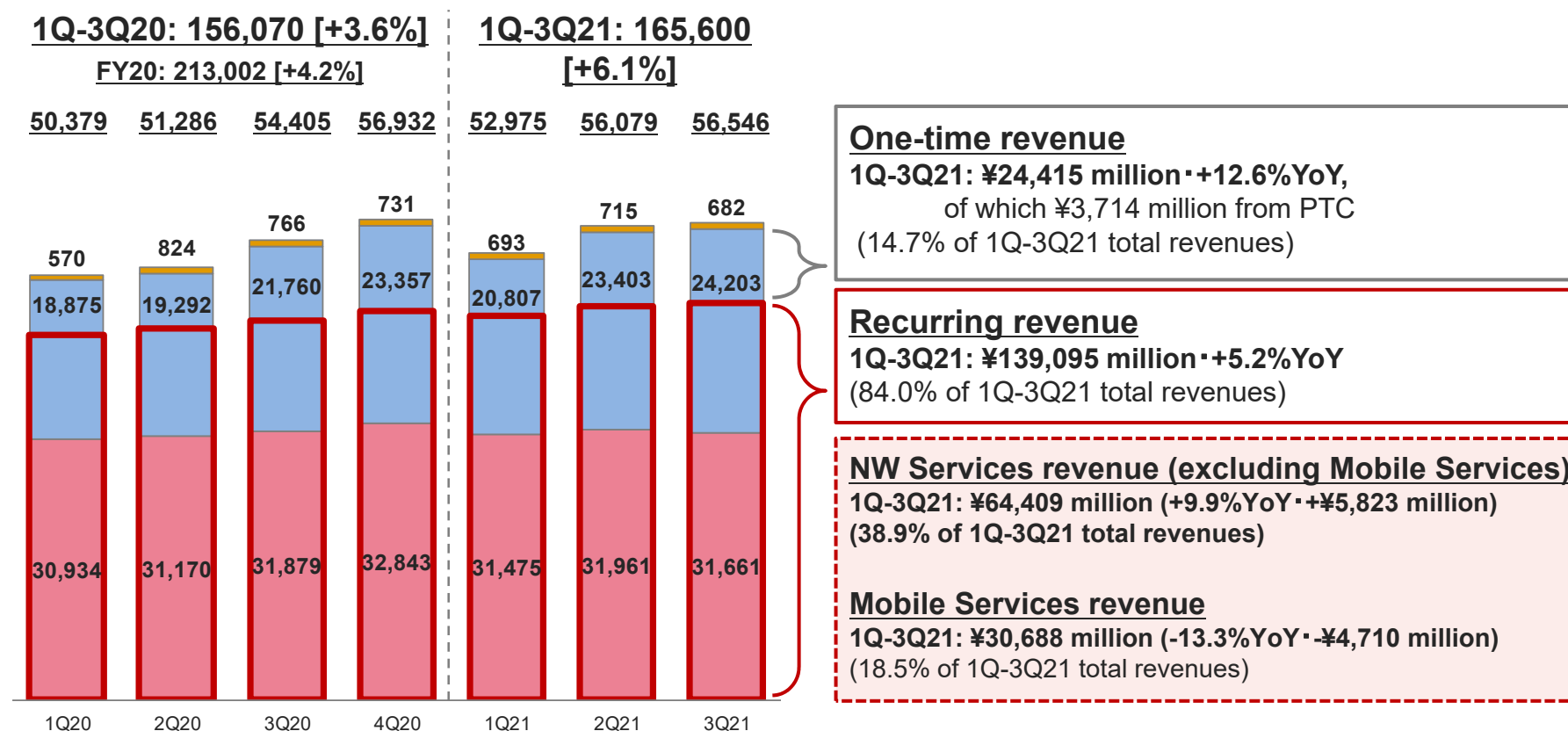
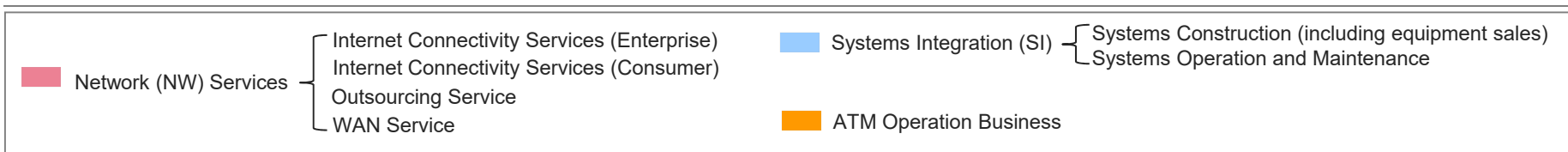
- NW services (excluding Mobile) revenues is calculated by deducting the below mentioned Mobile services revenues from total NW services revenues. It includes non-mobile consumer revenue which is a small amount
- Mobile services include IIJ Mobile Services (including MVNE) and IIJmio (consumer mobile)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



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

II - 3. Revenues

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

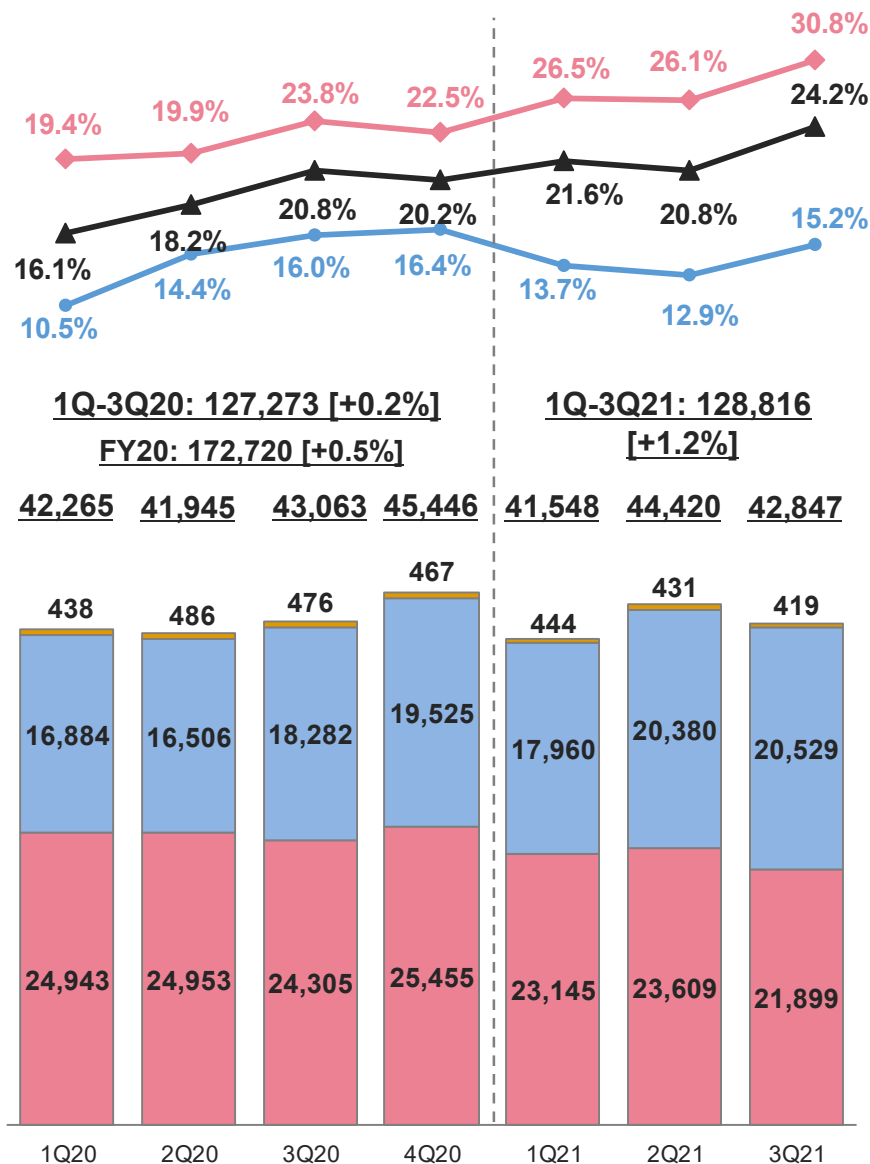


- One-time revenue, systems construction revenues which include equipment sales, is mainly recognized when systems or equipment are delivered and accepted by customers
- Recurring revenue represents the following monthly recurring revenues: Internet Connectivity Services (Enterprise), Internet Connectivity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

II - 4. Cost of Revenues & Gross Profit Ratio

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

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



◆ Total gross profit

- 1Q-3Q21: ¥36,784 million (+27.7%, +¥7,987 million YoY)
- 1Q-3Q21 gross profit ratio: 22.2% (1Q-3Q20: 18.5%)

◆ Gross profit for NW services

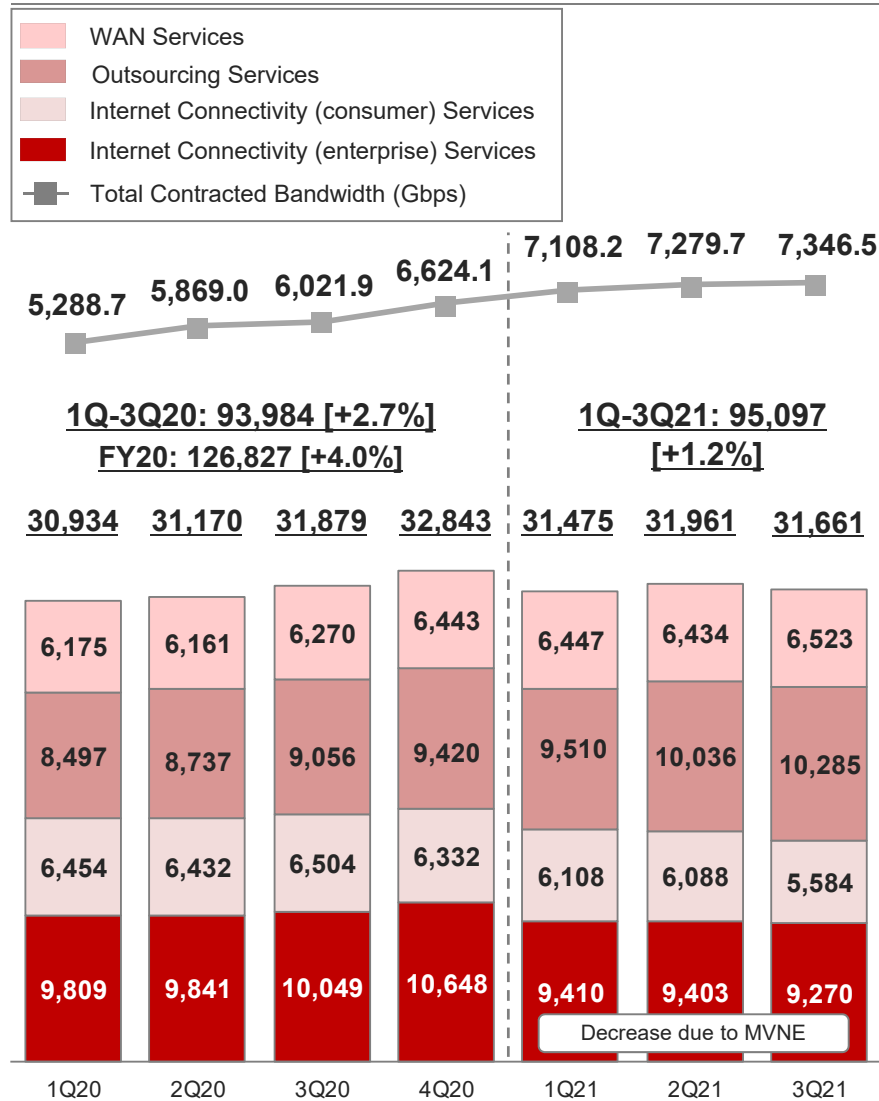
- 1Q-3Q21: ¥26,444 million (+33.7%, +¥6,662 million YoY)
- 1Q-3Q21 NW services gross profit ratio: 27.8% (1Q-3Q20: 21.0%)
 - Gross profit increased by the increase in enterprise network services revenues, such as IP and Security
 - As for mobile services, in 3Q21, we had onetime profit contribution of ¥1.0 billion or a little bit more as FY20 Docomo's mobile interconnectivity (unit charge) was fixed. (Substantial part of such impact was already considered in our FY21 targets)
 - ✓ For FY20, we recorded the following temporary cost reimbursement: 3Q ¥0.70 billion, 4Q: ¥0.39 billion

◆ Gross profit for SI

- 1Q-3Q21: ¥9,544 million (+15.6%, +¥1,289 million YoY)
- 1Q-3Q21 SI services gross profit ratio: 13.9% (1Q-3Q20: 13.8%)

II - 5. Network Services (1) Revenues

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



- Total contracted bandwidth is calculated by multiplying number of contracts by contracted bandwidths respectively for IP service and broadband services which are both under Internet connectivity services for enterprise
- IP (Internet Protocol) Service is bandwidth guaranteed dedicated Internet connectivity services for enterprises. Contracts are based on bandwidth and enterprises use the service for their core and main Internet connectivity
- ARPU is an abbreviation for Average Revenue Per User

◆ Internet Connectivity (enterprise) Services

- 1Q-3Q21: ¥28,082 million, -5.4% YoY
 - Of which, IP services: ¥10,069 million

<Revenue growth>

	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21
YoY	+9.4%	+10.8%	+17.2%	+17.5%	+13.7%	+12.8%	+9.8%
QoQ	+6.4%	+3.0%	+5.7%	+1.4%	+2.9%	+2.2%	+3.0%

- Of which, IJ Mobile (enterprise): ¥15,132 million, -16.1% YoY
 - Of which, IoT-related enterprise mobile revenue ¥7,516 million

<Revenue growth>

	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21
YoY	+18.2%	+22.0%	+39.9%	+37.0%	+40.1%	+37.8%	+31.9%
QoQ	(0.1%)	+8.2%	+12.1%	+13.0%	+2.2%	+6.5%	+7.3%

- Of which, MVNE revenue: ¥7,616 million, -39.2% YoY
 - Impacted by the year-beginning decrease of purchasing unit charge and a large MVNE client switching to another operator due to M&A

◆ Internet Connectivity (consumer) Services

- 1Q-3Q21: ¥17,780 million, -8.3% YoY
 - 3Q21-end consumer mobile subs.: 1,073 thousand (+1 thousand QoQ). Of which, GigaPlans: 607 thousand (+51 thousand QoQ)
 - Impacted by ARPU decrease along with the launch of GigaPlans

◆ Outsourcing Services

- 1Q-3Q21: ¥29,831 million, +13.5% YoY
 - Of which, security services: ¥16,153 million

<Revenue growth>

	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21
YoY	+11.9%	+13.1%	+12.0%	+13.5%	+15.0%	+18.2%	+22.7%
QoQ	+3.2%	+4.2%	+2.3%	+3.3%	+4.5%	+7.0%	+6.2%

◆ WAN Services

- 1Q-3Q21: ¥19,404 million, +4.3% YoY

<Revenue growth>

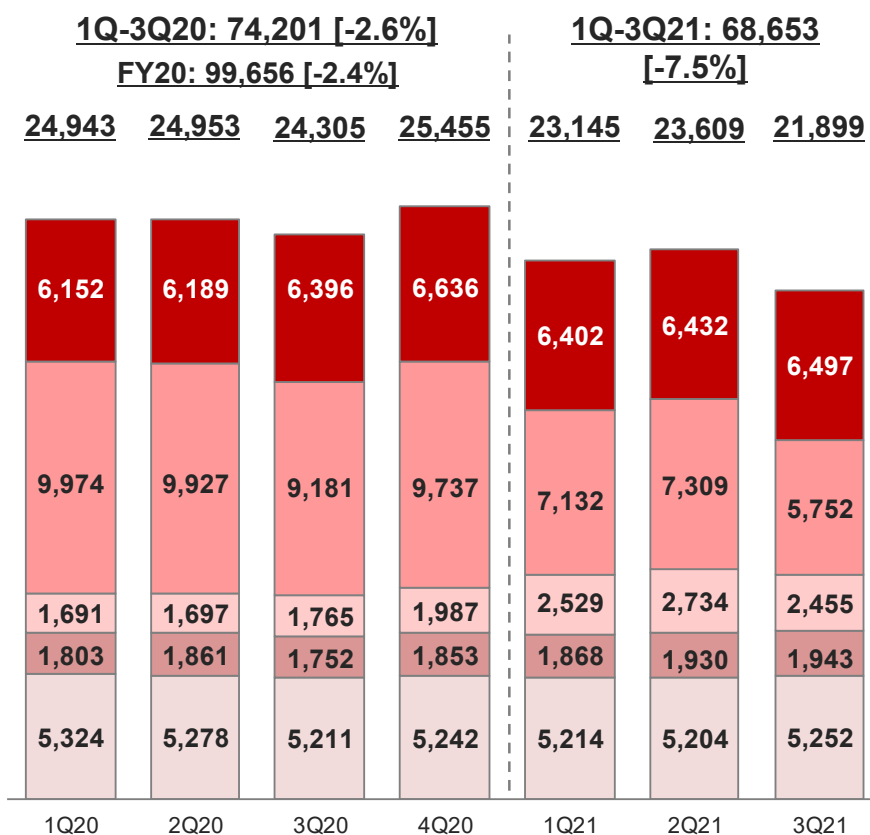
	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21
YoY	(16.8%)	(11.0%)	(2.8%)	+4.3%	+4.4%	+4.4%	+4.0%
QoQ	(0.0%)	(0.2%)	+1.8%	+2.8%	+0.1%	(0.2%)	+1.4%

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

II - 5. Network Services (2) Cost of Revenues

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

■	Circuit-related costs (Internet backbone, WAN lines etc.)
■	Outsourcing-related costs (mobile infrastructure related costs such as interconnectivity charge and voice communication services, outsourcing personnel costs etc.)
■	Others
■	Personnel-related costs (NW services related engineers' personnel cost)
■	Network operation-related costs (depreciation cost for network equipment, data center leasing costs etc.)



- 1Q-3Q21 Circuit-related costs increased by 3.2%, +¥0.59 billion YoY, along with WAN revenue increase
 - Internet backbone circuit cost remains stable as we can leverage scale merit by having one of the largest Internet backbone networks
- 1Q-3Q21 Outsourcing-related costs decreased by 30.6%, -¥8.89 billion YoY mainly due to cost decreasing factors of voice purchasing and mobile data interconnectivity cost
 - Voice purchasing cost (unit charge) was revised lower at the beginning of FY21 and Sep. 2021 (switched to auto-prefix appending in Sep.)
 - 3Q21 Outsourcing-related costs includes onetime cost reduction impact of Docomo's FY20 mobile interconnectivity cost (unit charge) revision
- 1Q-3Q21 Others increased by +49.8%, +¥2.56 billion YoY as it included an increase in mobile device purchase
 - 1Q-3Q21 purchasing of mobile device: up ¥1.72 billion YoY
1Q: up ¥0.52 billion YoY, 2Q: up ¥0.72 billion YoY, 3Q: up ¥0.48 billion

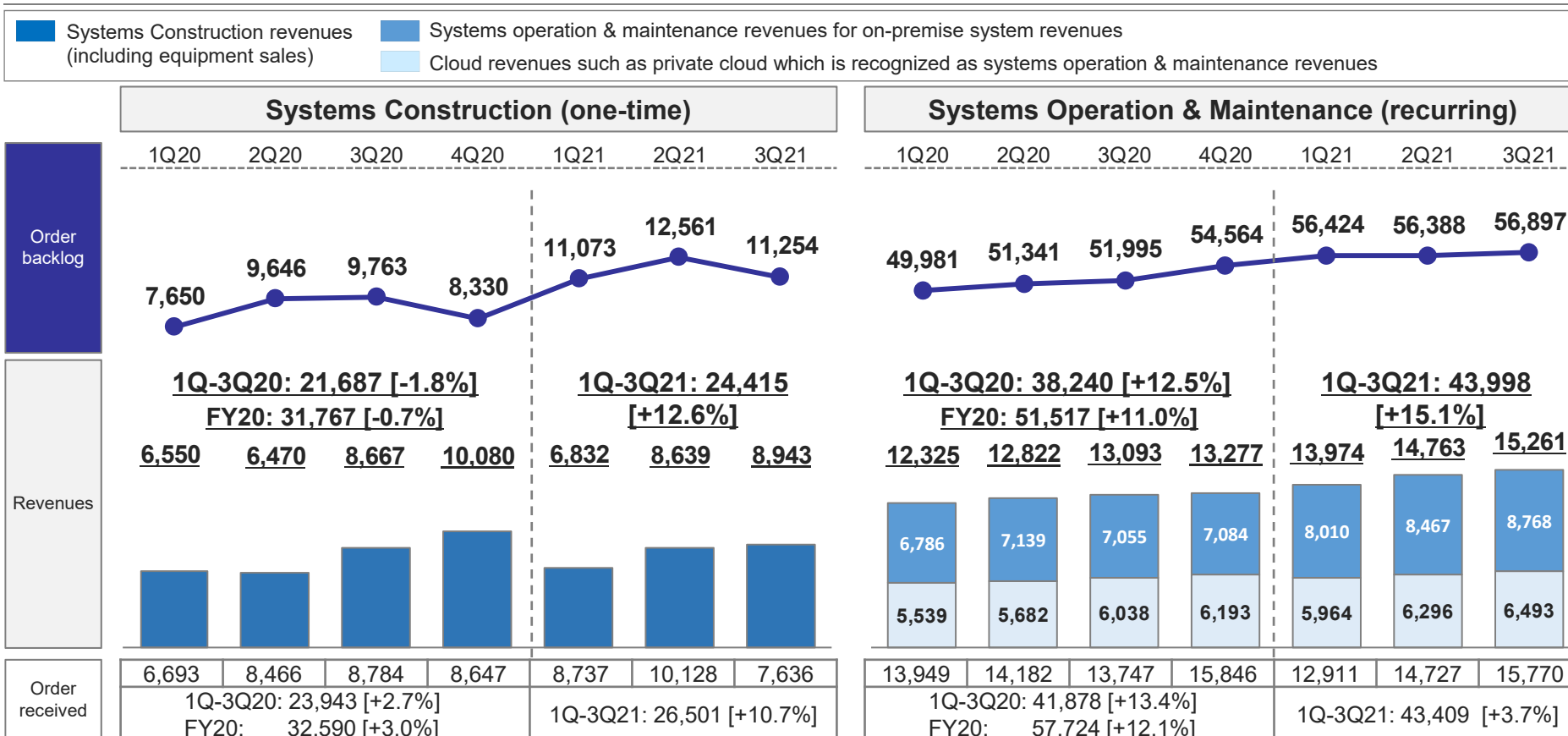
Regarding mobile data interconnectivity cost recognition:

(Mobile Network Operator's mobile infrastructure cost)

- As for our FY21 usage charge, from 1Q21, we are applying ¥28,385 per Mbps as a unit charge which was disclosed by Docomo based on the future cost method.
- As for our FY20 usage charge, from 1Q20, we applied ¥41,436 per Mbps as a unit charge which was disclosed by Docomo based on the future cost method. This unit charge was revised and fixed as ¥37,280 which is a decrease of 12.7% YoY in late Dec. 2021.
- As for our FY19 Docomo's usage charge, we used ¥42,702 per Mbps (decrease by 13.4% YoY) as a unit charge, which was fixed in Jan. 2021. Onetime cost reduction recorded due to the difference between the fixed unit charge and our estimate unit charge were as follows: 3Q20: ¥0.70 billion, 4Q20: ¥0.39 billion.

II - 6. Systems Integration (SI) (1) Revenues

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



➤ We continued to accumulate orders related to implementation of SaaS such as Microsoft 365 and enhancement of Internet gateway across all industries in 3Q21

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

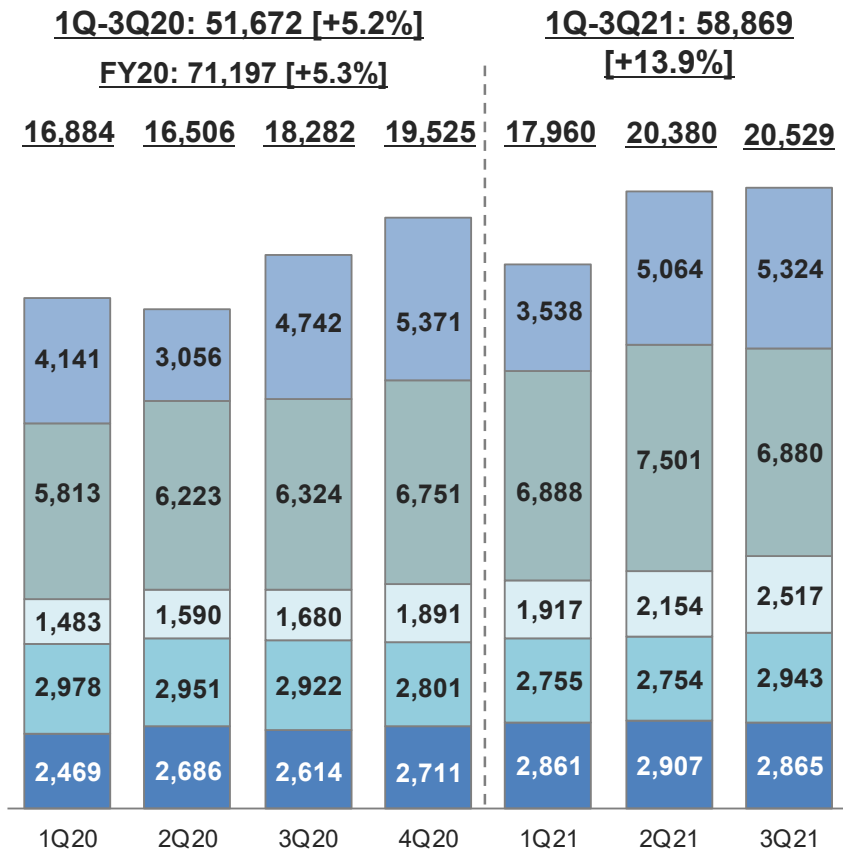
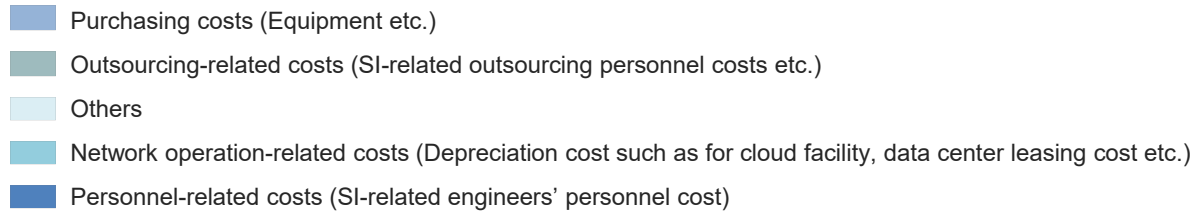
Overseas Business

- ◆ 1Q-3Q21 results: Revenues: ¥12.72 bn (mainly recognized as SI revenues), Operating profit: ¥0.88 bn
- ◆ Financial impact from PTC consolidation (consolidated from Apr. 1, 2021, all of PTC's revenue is recognized in SI)
 - FY21 outlook: Revenues approx. ¥8.5 bn, Gross profit approx. ¥0.8 bn, Operating profit approx. ¥0.4 bn
 - 1Q-3Q21 results: Revenues ¥5.30 bn (construction ¥3.71 bn, systems operation & maintenance ¥1.59 bn), Gross profit ¥0.59 bn (Gross profit ratio: 11.1%), Operating Profit ¥0.26 bn. Slightly weaker than expected mainly due to behavior restrictions caused by the Pandemic
 - Quarterly revenues: 1Q ¥1.31 bn, 2Q ¥2.33 bn, 3Q ¥1.66 bn

II - 6. Systems Integration (SI) (2) Cost of Revenues

Unit: ¥ (JPY) million

[], YoY = Year over year comparison



- Cost of revenues related to PTC (1Q: ¥1.16 billion, 2Q ¥2.16 billion, 3Q ¥1.39 billion) is mainly recognized in purchasing costs, outsourcing-related costs and personnel related costs
- Outsourcing-related costs are connected with projects size and revenue volume to some extent
- Others increased mainly due to an increase in license costs along with expansion of multi-cloud demands
- No significant increase for network operation-related costs

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

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

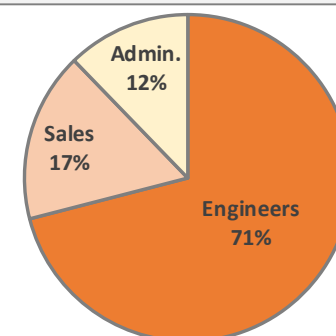
II - 7. Number of Employees

YoY = Year over year comparison



- 179 new graduates are planned to join in Apr. 2022

Employee Distribution



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

Personnel-related costs & expenses

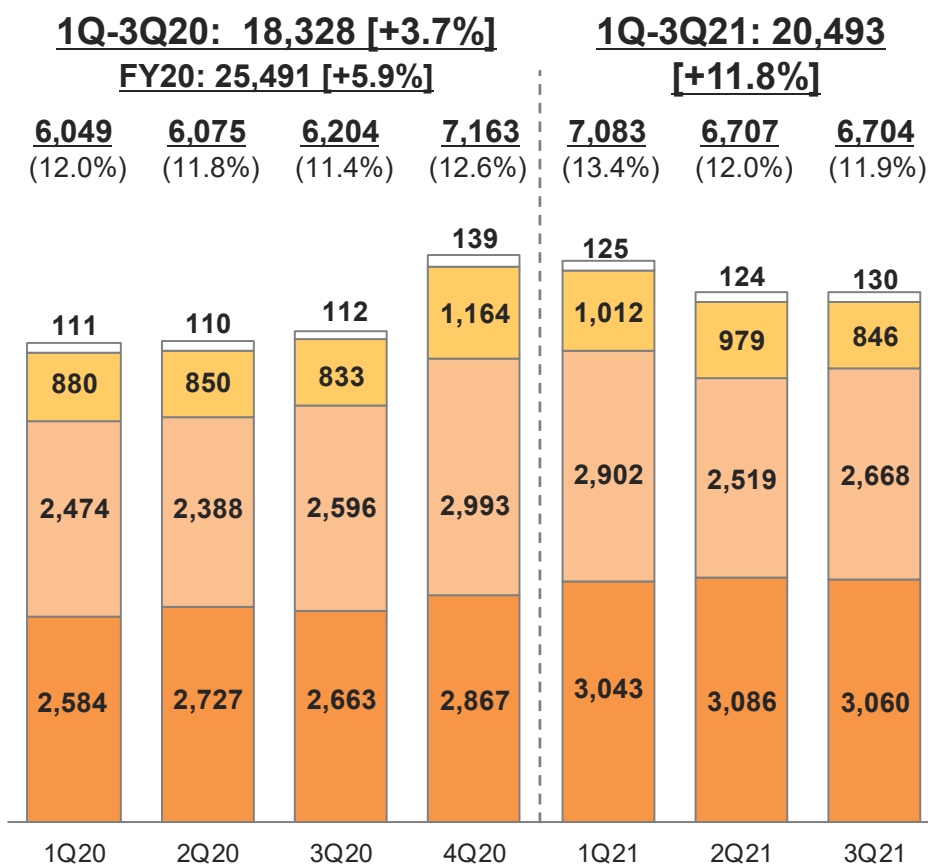
Unit: ¥ (JPY) million
() = % of revenue

1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21
6,835 (13.6%)	7,281 (14.2%)	7,032 (12.9%)	7,405 (13.0%)	7,756 (14.6%)	7,892 (14.1%)	7,859 (13.9%)
1Q-3Q20: 21,148 (13.6%) +8.9%YoY FY20: 28,553 (13.4%) +8.4%YoY				1Q-3Q21: 23,506 (14.2%) +11.2%YoY		

- 1Q-3Q21 personnel-related costs and expenses
 - Through PTC consolidation, ¥0.4 billion was added (1Q: ¥0.13 billion, 2Q: ¥0.14 billion, 3Q ¥0.13 billion)

II - 8. SG&A etc.

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

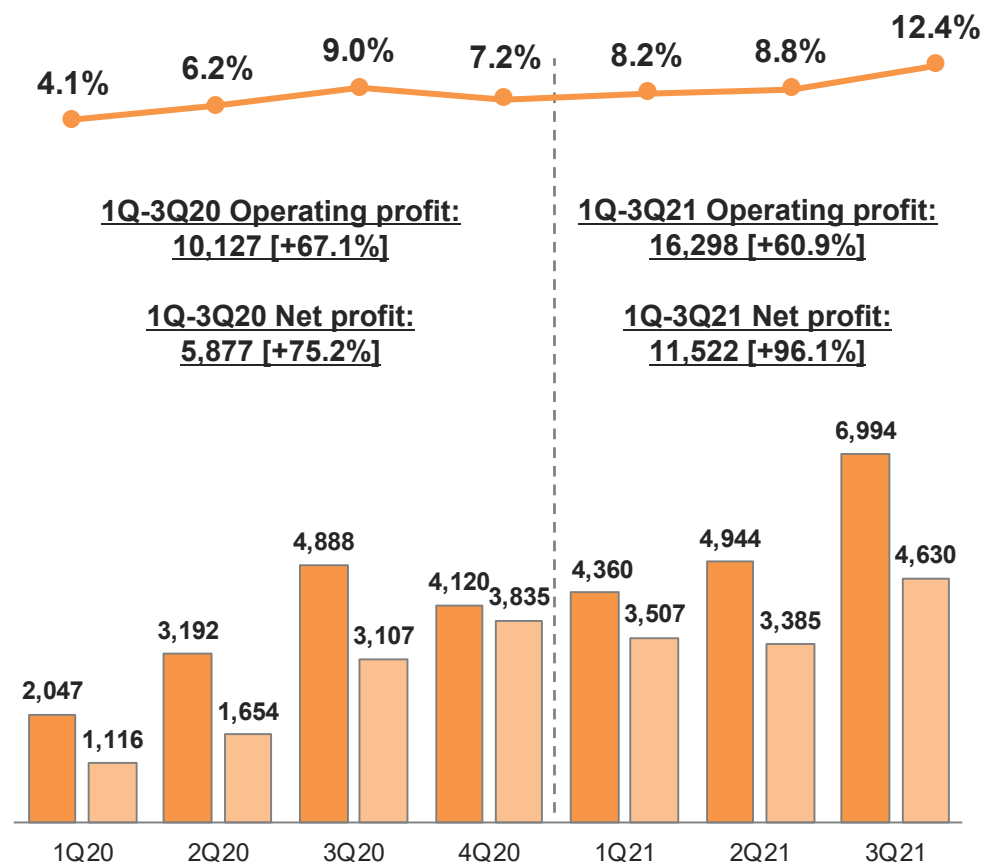


- SG&A is within our budget (1Q: slight increase mainly due to human resource training, 2Q & 3Q: ordinal course)
- Research & development expenses mainly consist of personnel expenses of IIJ Innovation Institute, a wholly owned subsidiary
 - IIJ is to absorb IIJ Innovation Institute on Apr. 1, 2022
- Commission expenses are mainly consumer sales commissions and recruitment expenses
- 1Q-3Q21 Others slightly increased mainly due to advertisements for consumer business
- PTC SG&A has been added from 1Q21
1Q ¥0.09 billion, 2Q 0.11 billion, 3Q 0.12 billion

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

II - 9. Profit

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



◆ Operating profit

➢ 1Q-3Q21: ¥16,298 million, +60.9% YoY

◆ Profit before tax

➢ 1Q-3Q21: ¥17,597 million, +90.7% YoY

- Interest expense: -¥401 million
- Foreign exchange gain : +¥98 million
- Valuation gain on funds* etc.: +¥2,560 million
(1Q +¥1,296 million, 2Q +¥396 million, 3Q +¥867 million)
- Dividend income: +¥65 million
- Interest income: +¥32 million
- Share of loss of investments accounted for using equity method: -¥1,056 million

Equity in net loss of DeCurret:

1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21
306	273	207	193	296	256	780

- ✓ IJ ownership: 4Q19 30.0%, from 1Q20 41.6%, from 1Q21 38.2% is used to recognize gain and loss
- ✓ DeCurret divested its crypto asset business on Feb. 1, 2022 to dedicate its business resources to digital currency business
- ✓ 3Q21 loss increased as it includes temporary loss of ¥484 million due to the above mentioned transaction in addition to ordinal loss. As for 4Q21, we expect to record about ¥1.2 billion loss as impairment on corresponding, amount of goodwill (No more loss related to the transaction)

◆ Net profit

➢ 1Q-3Q21: ¥11,522 million, +96.1% YoY

- Income tax expense: -¥5,974 million

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

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

II - 10. Consolidated Statements of Financial Position (Summary)

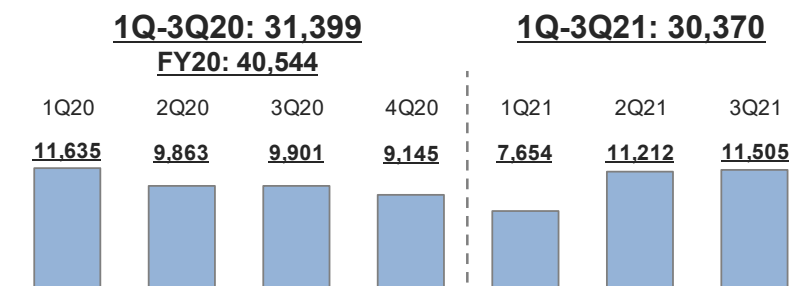
- Ratio of total equity attributable to owners of the parent: 40.7% as of March 31, 2021, 44.5% as of December 31, 2021 Unit: ¥ (JPY) million

	Mar. 31, 2021	Dec. 31, 2021	Changes
Cash and cash equivalents	42,467	40,960	(1,507)
Trade receivables	34,799	31,750	(3,049)
Inventories	2,171	2,381	+210
Prepaid expenses (current and non-current)	20,136	24,562	+4,426
Tangible assets	17,084	17,609	+525
Right-of-use assets	50,708	44,410	(6,298)
Goodwill and intangible assets	23,037	25,759	+2,722
Investments accounted for using the equity method	9,027	7,900	(1,127)
Other investments	12,912	18,608	+5,695
Others	8,436	10,659	+2,223
Total assets:	<u>220,777</u>	<u>224,599</u>	<u>+3,821</u>
Trade and other payables	19,244	19,467	+223
Borrowings (current and non-current)	25,560	21,870	(3,690)
Contract liabilities and Deferred income (current and non-current)	14,832	16,882	+2,050
Income taxes payable	3,012	3,474	+461
Retirement benefit liabilities	4,169	4,500	+332
Other financial liabilities (current and non-current)	53,527	47,536	(5,991)
Others	9,462	9,878	+416
Total liabilities:	<u>129,806</u>	<u>123,607</u>	<u>(6,199)</u>
Share capital	25,531	25,562	+31
Share premium	36,389	36,467	+78
Retained earnings	25,047	32,732	+7,685
Other components of equity	4,865	7,016	+2,151
Treasury shares	(1,875)	(1,851)	+24
Total equity attributable to owners of the parent:	<u>89,956</u>	<u>99,926</u>	<u>+9,970</u>

II - 11. Consolidated Cash Flows

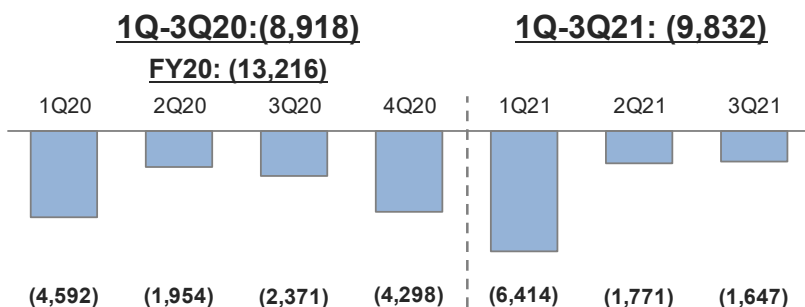
Unit: ¥ (JPY) million
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Operating Activities



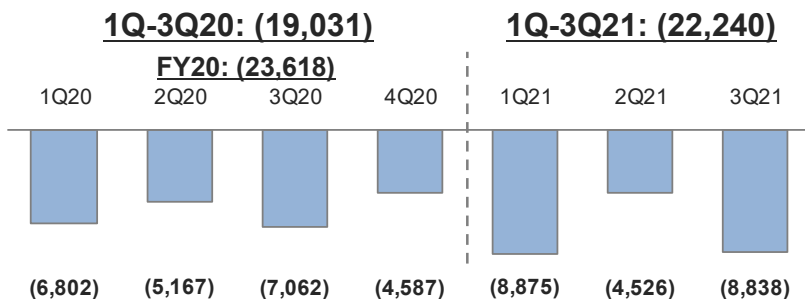
	Major Breakdown	YoY Change
Profit before tax	17,597	+8,370
Depreciation and amortization	21,088	(6)
Finance income	(2,776)	(2,493)
Changes in operating assets and liabilities	(1,298)	(4,824)
Income taxes paid	(5,680)	(1,752)

Investing Activities



	Major Breakdown	YoY Change
Purchase of tangible assets	(4,893)	(338)
Purchase of investments accounted for using equity method	—	+2,754
Purchases of a subsidiary	(2,612)	(2,612)
Purchase of intangible assets such as software	(3,627)	+95
Proceeds from sales of tangible assets	1,776	(83)

Financing Activities

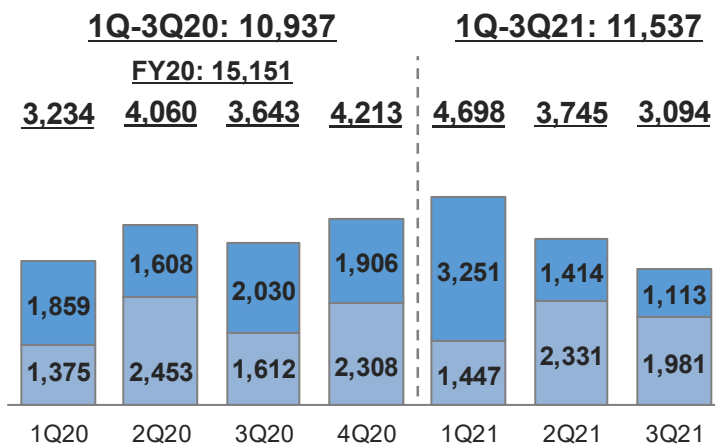
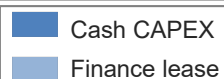


	Major Breakdown	YoY Change
Payment of operating/finance leases and other financial liabilities	(14,665)	+587
Repayment of long-term borrowings	(5,170)	(3,340)
Net increase in short-term borrowings	1,480	+1,840
Dividends paid	(3,836)	(2,303)

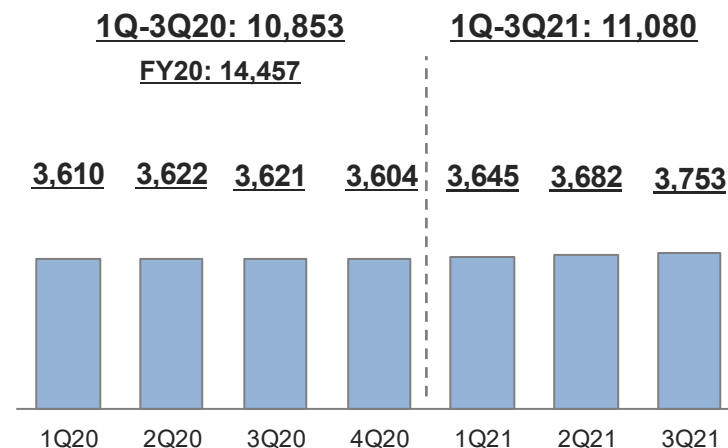
II - 12. Other Financial Data

Unit: ¥ (JPY) million

CAPEX



CAPEX-related depreciation and amortization



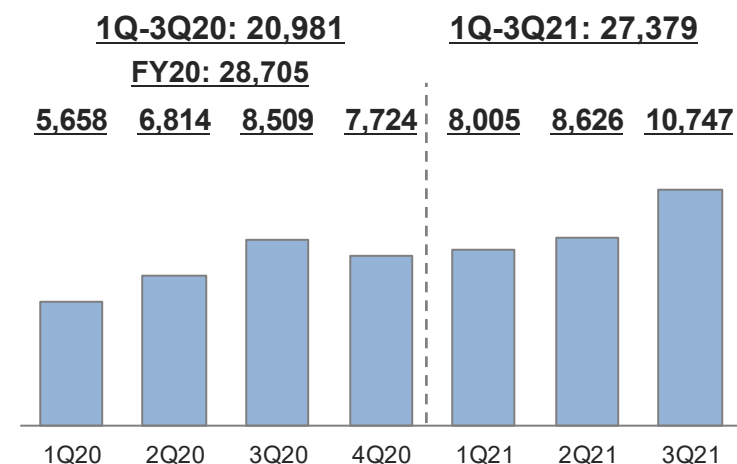
➤ Breakdown (Unit: JPY billion)

	1Q-3Q20	1Q-3Q21
NW Usual Capex	6.9	6.7
Cloud-related	1.6	1.9
Shiroi DC-related	1.5	0.6
Customer-related	0.8	2.3
ATM-related	0.2	0.0

➤ FY21 outlook: approx. ¥17.5 billion (mostly in line with plan)

- 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.

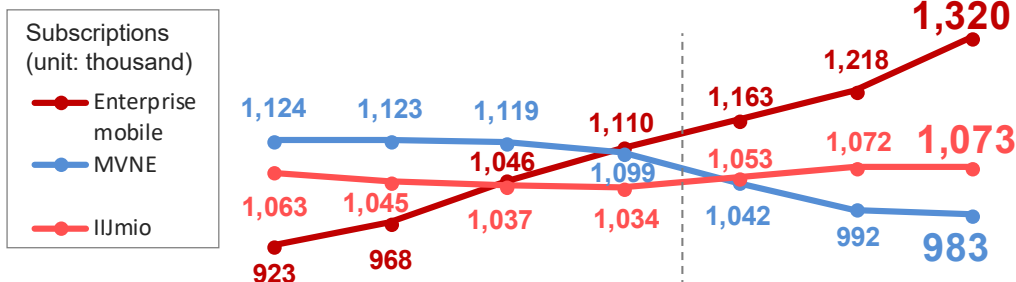
Adjusted EBITDA



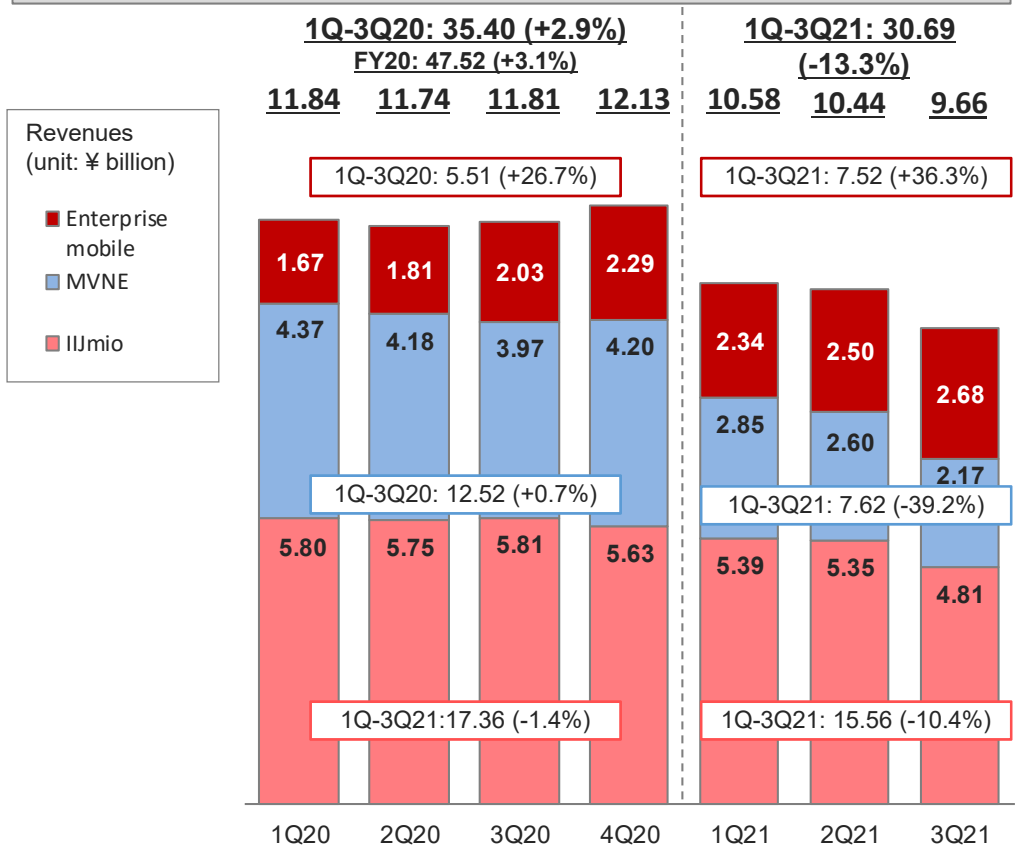
III- 1. Service & Business Developments: Mobile & IoT

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

Subscription (Subs.)



Revenue



◆ Enterprise mobile

- 1Q-3Q21 revenue: ¥7.52 bn (+¥2.00 bn YoY)
- 3Q21-end subs: 1,320 thousand (+102 thousand QoQ)
 - ✓ Our enterprise IoT business continues to expand with strong demands for surveillance camera, GPS tracker, dashboard camera connections as well as additional line orders from the existing projects.

◆ MVNE

- 1Q-3Q21 revenue: ¥7.62 bn (-¥4.91 bn YoY)
 - ✓ Impacted by the decrease in purchasing unit charge and a large MVNE client switching to another operator due to M&A
- 3Q21-end subs: 983 thousand (-9 thousand QoQ)
 - ✓ QoQ decrease is mainly due to a large MVNE client switching to another operator due to M&A
- 3Q21-end MVNE clients: 165 (+7 clients YoY)
 - ✓ Cable TV operators (88 operators), prominent retailer etc.

◆ IJmio (consumer mobile)

- 1Q-3Q21 revenue: ¥15.56bn (-¥1.81 bn YoY)
- 3Q21-end subs: 1,073 thousand (1 thousand QoQ)
 - ✓ New plan "GigaPlans" launched on Apr. 1, 2021

	1Q21-end	2Q21-end	3Q21-end
Subs. (unit: thousand)	462	556	607
Of which, new users	17%	30%	34%

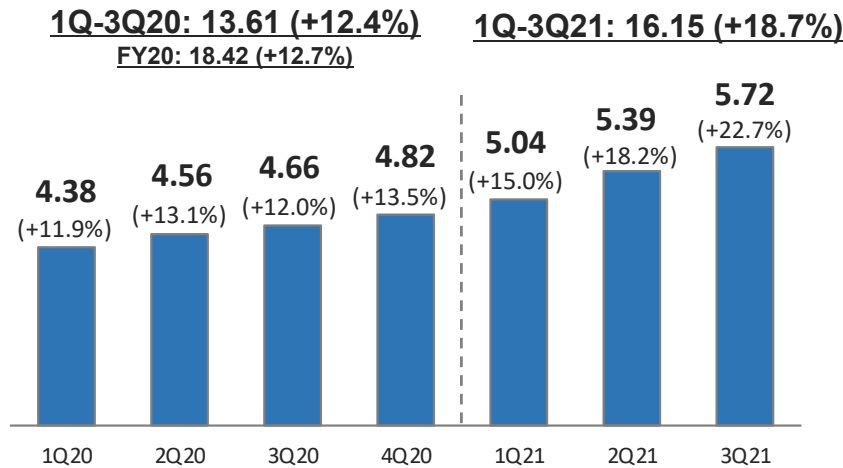
- ✓ Top MVNO market share 18.2% (MM Research Institute's survey as of the end of Sep. 2021). The share increased by GigaPlans

- MVNE: IJ Mobile MVNO Platform Services (providing mobile services to other MVNOs)
- Enterprise mobile: Deducting MVNE from IJ Mobile
- 3Q21 full-MVNO revenue: ¥1.02 bn (89.1% Enterprise mobile, 10.9% IJmio)
- ARPU is an abbreviation for Average Revenue Per User

III - 2. Service & Business Developments: Security & Cloud

% = Year over year comparison

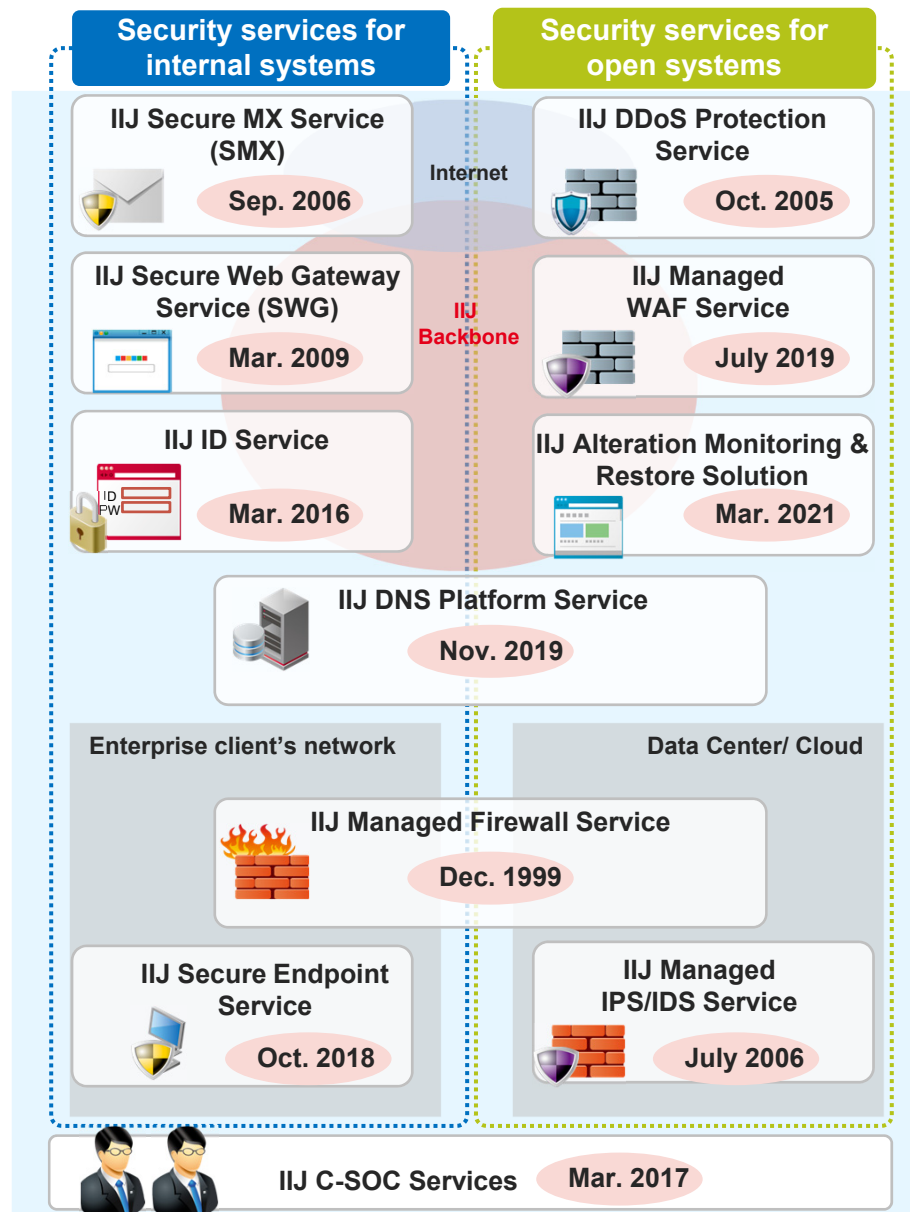
Security Services (recurring) revenue Unit: ¥ (JPY) billion



- Security service revenue (recurring) is 100% recognized in Outsourcing services
- "Security services" is a general term for individual security service such as mail security, firewall, Web filtering, DDoS protection, SOC service, and Endpoint (EDR)

- Conventional Security services such as SMX and SWG continued to accumulate orders
- IIJ C-SOC Service is accumulating orders since the service launch and growing its revenue
 - Differentiating by leveraging comprehensiveness as ISP and intelligence unique to IIJ etc.
- SASE revenue growing by accumulating network projects with "Global SASE with IIJ Omnibus Prisma," launched in Dec. 2020 & "Global Web Security Zscaler ZIA," launched in Mar. 2019
- Opened "IIJ Security Training School" in Jan. 2022 as a new area of Security business
- Total security business volume (Service + SI)
 - 1Q-3Q21: ¥18.39 bn (+16.7%)
 - Meet security needs that are not offered by our services through SI
- SASE (Secure Access Service Edge) is a concept to shift controls of network and security on the route to Cloud services to enable secure access from any points, instead of the conventional centralized management through headquarters or data centers.

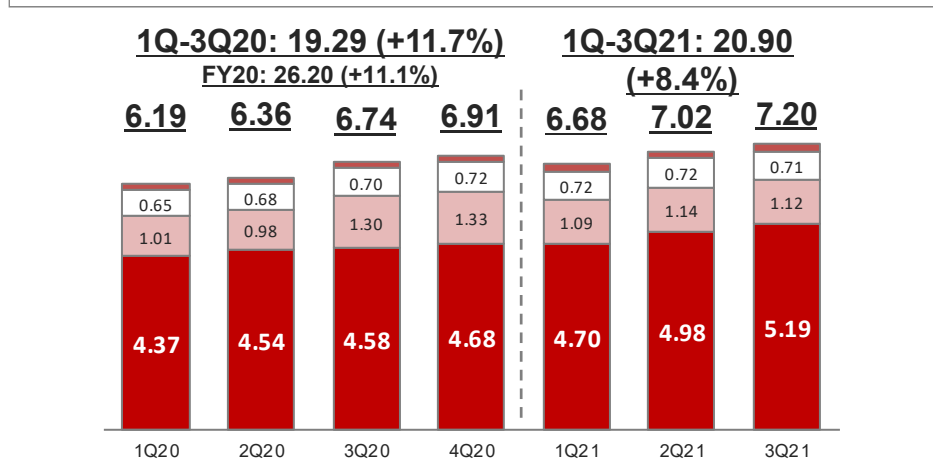
Various & Multi-layer service lineups developed in house



III - 3. Service & Business Developments: Cloud and DC

% = Year over year comparison

Cloud Services (recurring) revenue Unit: ¥ (JPY) billion



- 3Q21 revenue recognition
90.2% Systems operation and maintenance (mainly private cloud which includes multi-cloud)
9.8% Outsourcing service (mainly public cloud)

➤ Private cloud revenue grew as demands for multi-cloud continued

- Multi-cloud demands are generating demands for “IIJ Cloud Exchange Services” (revenue recognized in Network Services) which provide private connectivity to third vendor Cloud services such as AWS (Amazon), Microsoft, and Google
- “IIJ GIO Infrastructure P2 Gen.2,” which was launched in Oct. 2021 to promote full-scale cloud shift of enterprise systems, is accumulating orders

➤ Raptor, SaaS type Foreign Exchange (FX) trading platform launched in Oct. 2008, revenue fluctuates depending on trading volume of FX

- Added CFD (Contract for Difference) to its service line-up from Jan. 2022

IIJ's Data Center

➤ Operating 16 data centers in Japan (as of Dec. 2021)

- Of which, 14 data centers are leased from data center owners per space
- Of which Shiroi & Matsue are owned by IIJ and used for own service facility such as for network & Cloud as well as colocation services to store clients' IT assets.
 - ✓ Integrate racks currently spread out throughout Japan to improve operation productivity

Profiles of data centers owned by IIJ

	Matsue Data Center Park	Shiroi Data Center Campus
Location	Matsue city, Shimane prefecture	Shiroi city, Chiba prefecture
Land	Approx. 16,000 m ²	Approx. 40,000m ²
Server capacity	Approx. 500	Can accommodate up to 6,000 1 st facility: approx. 700 2 nd facility: approx. 1,100 (plan)
Operation	Apr. 2011 2 nd facility: Nov. 2013	May 2019 2 nd facility: Gradually operate from Apr. 2023
Highlights of the facility	<ul style="list-style-type: none"> • First commercial modular DC in Japan to use outside-air cooling system (FY20 average PUE: approx. 1.2) • Have received Environment Management System etc. • Implementing carbon neutral initiatives by using substantial renewable energy from Feb. 2022 	<ul style="list-style-type: none"> • System module • Applying AI to control overall facility and IT • Using robots to realize automated operation, fewer or non human operation • Deploying Tesla Powerpack

- PUE (Power Usage Effectiveness) is a KPI indicating the effectiveness of a data center. PUE=1 is considered to be the best.

IV. Financial Targets for FY21 (Remained unchanged from Nov. 2021)

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

	% of Revenues	% of Revenues	Progress
	FY21 Targets (Revised in Nov. 2021)	1Q-3Q21 Results (Apr. 2021 - Dec. 2021)	
Revenues	228.5	165.6	72%
Cost of Sales	78.2% 178.7	77.8% 128.8	72%
Gross Profit	21.8% 49.8	22.2% 36.8	74%
SG&A etc.	12.2% 27.8	12.4% 20.5	74%
Operating Profit	9.6% 22.0	9.8% 16.3	74%
Profit before tax	9.4% 21.5	10.6% 17.6	82%
Net Profit	6.0% 13.7	7.0% 11.5	84%

% of Revenues	YoY	
FY20 Results (Apr. 2020 - Mar. 2021)	(Comparison b/w FY21Targets & FY20)	
213.0	+7.3%	+15.50
81.1% 172.7	+3.5%	+5.98
18.9% 40.3	+23.6%	+9.52
12.2% 26.0	+6.8%	+1.77
6.7% 14.2	+54.4%	+7.75
6.6% 14.0	+53.2%	+7.47
4.6% 9.7	+41.1%	+3.99

FY21 outlook as of 3Q21 earnings announcement day (Feb. 8, 2022)

- ◆ Revenues are to be slightly weaker FY21 target mainly due to PTC revenues
- ◆ Operating Profit is to exceed FY21 target mainly due to accumulation of network services & cost reduction for Mobile services
- ◆ Profit before tax is to exceed FY21 target by absorbing the loss generated from the divestment of DeCurret's crypto asset business

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

Appendix Cash Dividend

◆ Basic dividend policy:

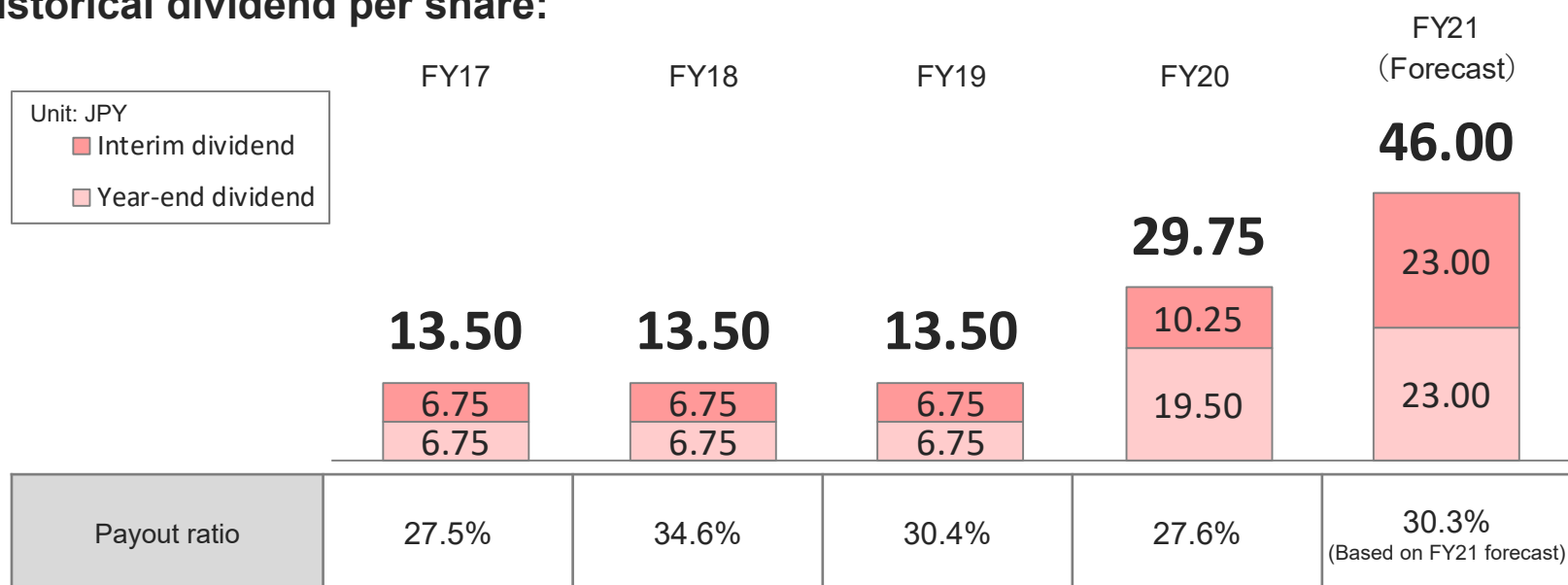
Basic dividend policy of IIJ is that IIJ pays dividends to its shareholders continuously and stably while considering the need to have retained earnings for the enhancement of financial position, med-to-long term business expansion and future business investment etc.

◆ Along with profit growth, dividend increased, exceeding its initial forecast

(both interim and year-end forecast)

Unit: JPY	FY20 results	FY21 initial forecast (announced in May 2021)	FY21 current forecast (Revised in Nov. 2021)	Year over year
Interim dividend	10.25	19.50	23.00	+12.75
Year-end dividend	19.50	19.50	23.00	+3.50
Annual dividend	29.75	39.00	46.00	+16.25

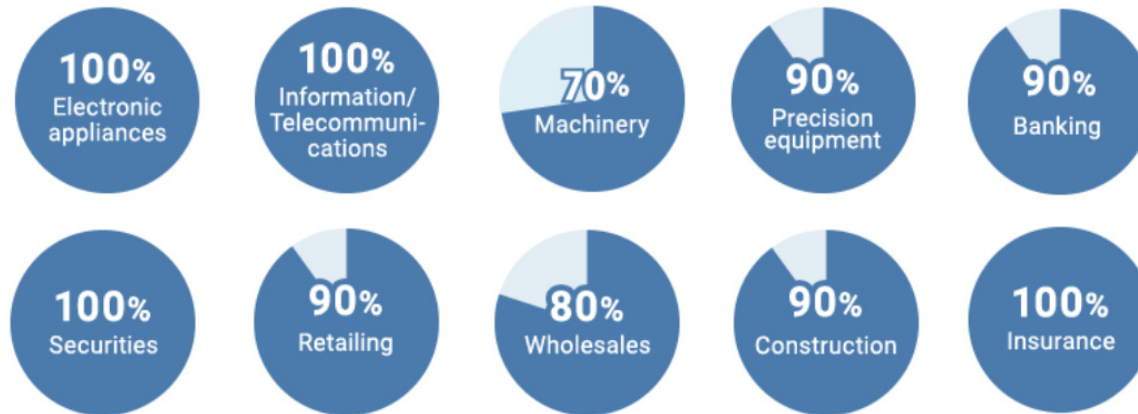
◆ Historical dividend per share:



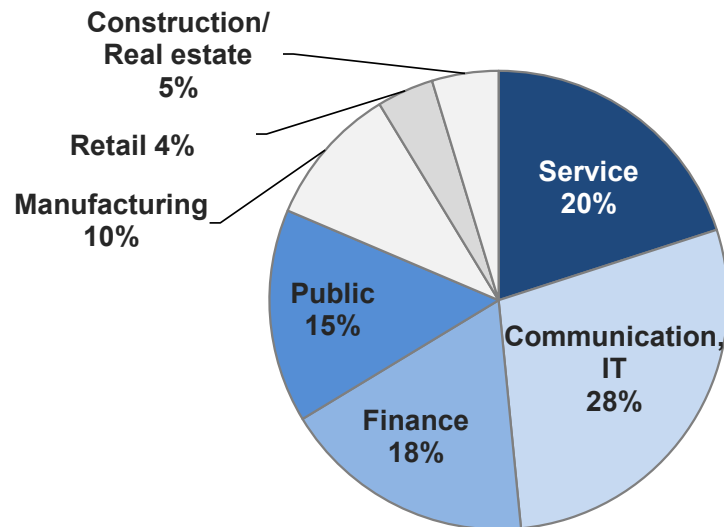
• We conducted 1:2 stock split on January 1, 2021. Dividends paid before the split are retroactively adjusted to reflect the split

IJJ Group's Client base: approx. 13,000 enterprises

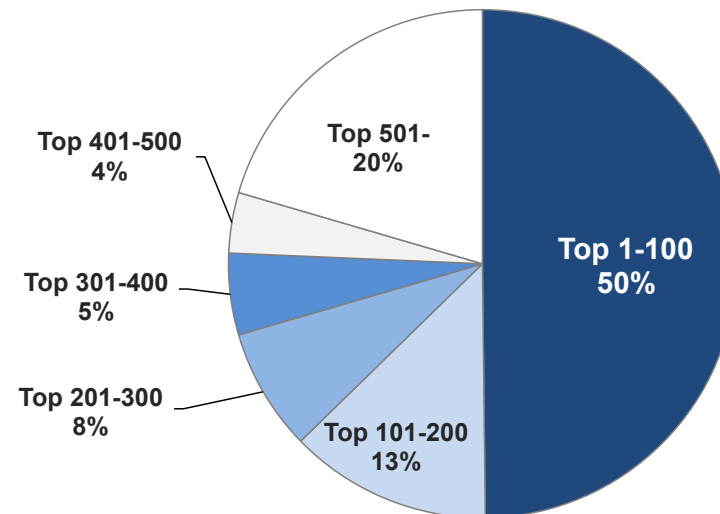
High penetration toward top 10 companies of each industry



Client distribution per industry



Client distribution per revenue volume



- Number of IJJ group's clients is as of March 31, 2021
- Top ten firms in each industry taken from annual revenues are selected by IJJ based on the Yahoo! Japan Finance website (finance/sales/whole market/daily)
- Client distribution is based on IJJ's FY2020 results and prepared by IJJ

Appendix Revenue Recognition Category

Unit: ¥ (JPY) billion

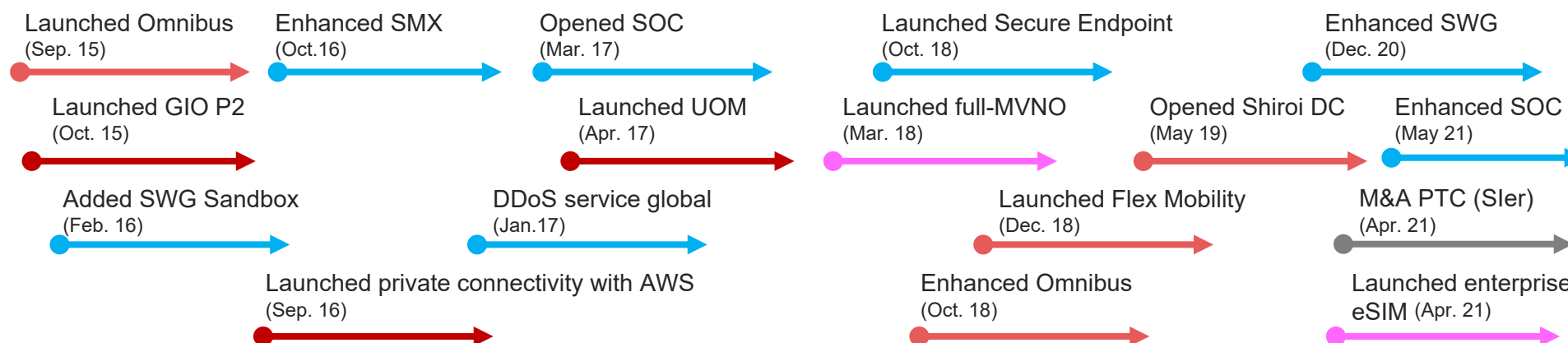
Revenue category		1Q-3Q21 revenue	About		Business Situation & Outlook								
Network services	Internet connectivity services for enterprise	28.08	<table border="1"> <tr> <td>IP</td> <td>10.07</td> <td> <ul style="list-style-type: none"> Core service providing from the foundation Highly reliable dedicated connectivity services for enterprise (multi-carrier, redundancy etc.) Charge based on contracted bandwidth. Enterprises use the service for their main Internet line </td> </tr> <tr> <td rowspan="2">Mobile</td> <td rowspan="2">15.13</td> <td>IoT/M2M-related</td> <td>7.52</td> </tr> <tr> <td>MVNE (Providing services to other MVNOs)</td> <td>7.62</td> </tr> </table>	IP	10.07	<ul style="list-style-type: none"> Core service providing from the foundation Highly reliable dedicated connectivity services for enterprise (multi-carrier, redundancy etc.) Charge based on contracted bandwidth. Enterprises use the service for their main Internet line 	Mobile	15.13	IoT/M2M-related	7.52	MVNE (Providing services to other MVNOs)	7.62	<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
	IP	10.07	<ul style="list-style-type: none"> Core service providing from the foundation Highly reliable dedicated connectivity services for enterprise (multi-carrier, redundancy etc.) Charge based on contracted bandwidth. Enterprises use the service for their main Internet line 										
	Mobile	15.13	IoT/M2M-related	7.52									
			MVNE (Providing services to other MVNOs)	7.62									
Internet connectivity services for consumers	17.78	<table border="1"> <tr> <td>Mobile</td> <td>15.56</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>	Mobile	15.56	<ul style="list-style-type: none"> Inexpensive SIM services (mainly data), Direct sale (via IJ web), Indirect sale (via sales partners such as retailers) 	<ul style="list-style-type: none"> Expect profitability and mobile infrastructure utilization to improve as we gather various traffic such as IoT, enterprise, consumers <ul style="list-style-type: none"> Enterprise: Expect demand to increase in the mid-to-long term Consumer: Net increase (subscription) with new consumer plan in competitive market 							
Mobile	15.56	<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	19.40	Closed network used to connect multiple sites		Stable market for long-term									
SI	Outsourcing	29.83	In-house developed Internet-related various service line-ups (Security, datacenter and remote access etc.) <table border="1"> <tr> <td>Security</td> <td>16.15</td> <td>Public Cloud</td> <td>2.15</td> </tr> </table>		Security	16.15	Public Cloud	2.15	<ul style="list-style-type: none"> Have been developing services based on Zero Trust concept Acquire enterprise demand by cross-selling services. Continuous service development is important Demands for security and remote access to increase continuously 				
	Security	16.15	Public Cloud	2.15									
Operation and Maintenance	44.00	<ul style="list-style-type: none"> Operation and maintenance of constructed systems Promote cloud shift with our abundant, highly reliable, value-added private Cloud related service line-ups <table border="1"> <tr> <td>On-premise Systems</td> <td>25.24</td> <td>Private Cloud etc.</td> <td>18.75</td> </tr> </table>		On-premise Systems	25.24	Private Cloud etc.	18.75	<ul style="list-style-type: none"> Expect great business opportunity in the middle-to-long term as internal IT systems migrating to cloud Certain volume of systems to be converted to Cloud Revenue to increase continuously along with accumulation of construction projects 					
On-premise Systems	25.24	Private Cloud etc.	18.75										
	Construction (including Equipment sales)	24.41	System construction related to office IT, security, Cloud, IoT. Internet-related construction such as Online banking & brokerage, backbone network for university, and E-commerce site		<ul style="list-style-type: none"> Through providing SI, offer greater value as IoT and cloud usage penetrate 								

Monthly Recurring Revenue 84.0 %

One time revenue

Capex and Business Developments

	FY16	FY17	FY18	FY19	FY20	FY21 Target
Revenues (¥ bn)	157.8	176.2	192.4	204.5	213.0	228.5
Operating margin (%)	3.3	3.8	3.1	4.0	6.7	9.6
CAPEX (¥ bn)	16.5	20.7	15.1	15.2	15.2	17.5
<i>NW services</i>	12.6	9.4	9.4	9.6	8.8	-
<i>Cloud</i>	3.6	7.9	1.9	2.6	2.8	-
<i>Shiroi DC</i>	-	1.2	2.1	2.0	1.5	-
<i>SI, others</i>	0.3	2.3	1.7	1.0	2.0	-
CAPEX-related depreciation and amortization (¥ bn)	10.9	12.1	13.9	14.4	14.5	-
Number of employees at FY-end	3,104	3,203	3,353	3,583	3,805	-



- 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

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

Fiscal Year		FY18	FY19	FY20	FY21	FY22	FY23	FY24	
Method		Actual cost method			Future cost method				
Unit Charge	New								
	Current	<u>¥49,311</u> -6.0%	<u>¥42,702</u> -13.4%	<u>¥37,280</u> -12.7%	<u>¥28,385</u> -23.9%	<u>¥22,190</u> -21.8%	<u>¥18,014</u> -18.8%		
	Old	<u>¥49,311</u> -6.0%	<u>¥42,702</u> -13.4%	<u>¥41,436</u> -3.0%	<u>¥33,211</u> -19.8%	<u>¥27,924</u> -15.9%			

Fixed at the end of Dec. 2021 (*)

To be fixed around at the end of Dec. 2022

New unit charge are to be disclosed around Mar. and Apr. 2022 by Docomo

- The same calculation method is applied to actual cost method & future cost method: (Data communication cost + profit) /demand
- About future cost method: calculate MNOs' mobile unit charge prediction for next three years, which is based on MNO's future cost etc. It has been applied from FY20. Mobile unit charge is fixed based on MNO's actual cost etc. and the difference between prediction and result is adjusted. For FY20, FY21, and FY22, mobile unit charge prospects by future cost method (described as "Old" above) were announced March 2020. For FY21, FY22, and FY23, mobile unit charge prospects by future cost method (described as "Current" above) were announced April 2021.
- As for our FY20 usage charge(*), from 1Q20, we applied ¥41,436 per Mbps as a unit charge which was disclosed by Docomo based on the future cost method. This unit charge was revised and fixed at the end of Dec. 2021 as ¥37,280 which is a decrease of 12.7% from the previous year's charge. We recorded all impact generated from this revision in our 3Q21 financial results.
- Mobile interconnectivity charge, which is underlined above, is fixed based on the results
- The decrease percentage in mobile interconnectivity charge described above is compared with the previous year

Comparison between the old and new plans of consumer mobile

	Old		New				
Basic Monthly Charge	Minimum Start Plan (3GB)	with Voice	¥1,600	2 GigaPlan	with Voice	¥780	
		Data-only	¥900		Data-only	¥680	
	Light Start Plan (6GB)	with Voice	¥2,220	4 GigaPlan	with Voice	¥980	
		Data-only	¥1,520		Data-only	¥880	
	Family Share Plan (12GB)	with Voice	¥3,260	8 GigaPlan	with Voice	¥1,380	
		Data-only	¥2,560		Data-only	¥1,280	
				15 GigaPlan	with Voice	¥1,680	
					Data-only	¥1,580	
				20 GigaPlan	with Voice	¥1,880	
					Data-only	¥1,780	
	Pay as you go	Voice call charge as you go		¥22 per 30 seconds		Voice call charge as you go	
						¥11 per 30 seconds	

- The above table briefly indicates service prices for major functions to show the differences between the old and new plans.
- Basic monthly charge excludes taxes while pay as you go includes taxes.
- Voice call charge is only for domestic calls. New voice call charge as you go was revised on September 11, 2021



Internet Initiative Japan

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.