

Consolidated Financial Results for 1Q21 (April 1, 2021 to June 30, 2021)



Internet Initiative Japan

Internet Initiative Japan Inc.
TSE1 (3774)
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Outline

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I . 1Q21 Summary

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

Revenues ¥52.97bn +5.2 % Operating Profit ¥4.36bn +113.0 % Net Profit ¥3.51bn +214.1%

**Demands: NW following FY20, SI picking up Started first FY of new Mid-term Plan with stronger than expected profit growth
 Revenue increase of NW & SI absorbed ARPU & revenue decrease of mobile triggered by the launch of new consumer plan**

◆ Network (NW) Services

➢ Revenue continued to increase along with further adoption of IT: IP services +13.7%, Security related services +15.0%, WAN services +4.4%

◆ Systems Integration (SI)

➢ Increased from weak 1Q20: Total SI revenue +10.2% + ¥1.93 bn YoY SI construction order-received +30.5% + ¥2.04 bn YoY

- Strong demands for Internet gateway enhancement and other Office IT related projects, Projects to construct Web isolation systems increasing
- Financial impact from a new consolidated subsidiary through M&A (Singaporean Sler: PTC): Revenue ¥1.31 bn, Operating profit ¥0.06 bn

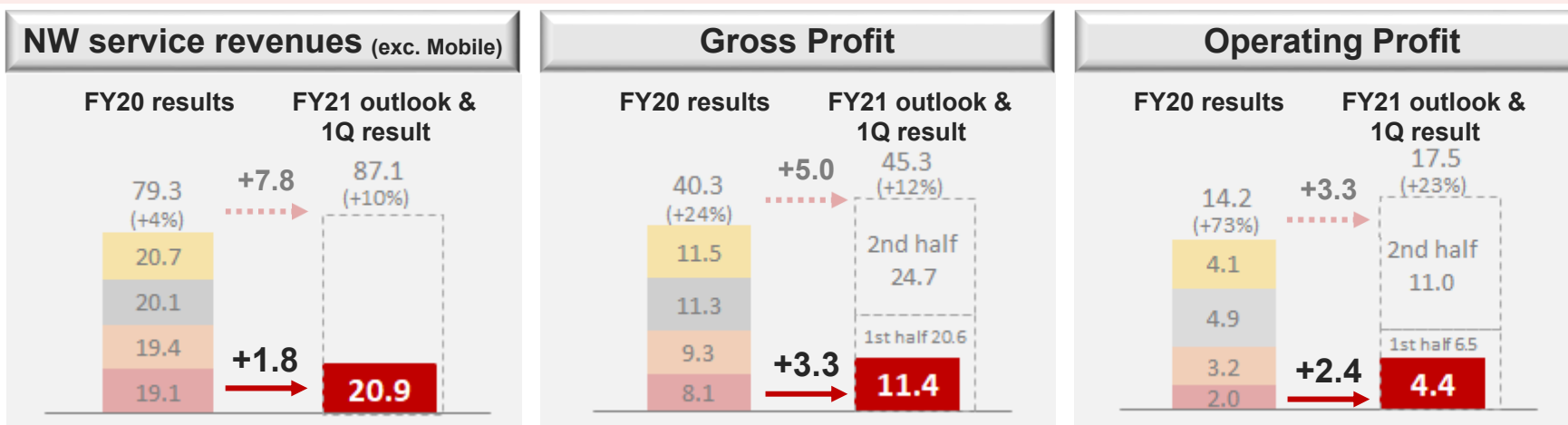
◆ Mobile Services

➢ Enterprise mobile (excluding MVNE) revenue ¥2.34 bn(+40.1% + ¥0.67 bn YoY) Continued to have various network camera connection projects

➢ Subscription increased with new consumer plan “GigaPlans” (launched in Apr. 2021)

1Q21-end consumer subscriptions: 1,053 thousand(+19 thousand QoQ), of which GigaPlans 462 thousand (of which approx. 17% new users)

- Consumer revenue ¥5.39 bn(-0.4 bn YoY), MVNE revenue ¥2.85 bn(-1.53 bn YoY) Revenue progressing as planned toward FY21 outlook which is the total mobile revenue to decrease by ¥8.3 bn YoY



- ARPU is an abbreviation for Average Revenue Per User.
- Net Profit is “Profit for the period attributable to owners of the parent.”

II - 1. Consolidated Financial Results

Unit: ¥ (JPY) billion, except for cash dividend (¥)
YoY = Year over year comparison

	% of revenue		YoY		% of revenue		YoY	
	1Q21 Results Apr. 2021 - June 2021	1Q20 Results Apr. 2020 - June 2020			1H21 Targets (Announced on May 2021) Apr. 2021 - Sep. 2021	FY21 Targets (Announced on May 2021) Apr. 2021 - Mar. 2022		
Revenues	52.97	50.38	+5.2%	+2.60	108.0	226.0	+6.1%	+13.00
Cost of Revenues	78.4% 41.55	83.9% 42.27	(1.7%)	(0.72)	80.9% 87.4	80.0% 180.7	+4.6%	+7.98
Gross Profit	21.6% 11.43	16.1% 8.11	+40.8%	+3.31	19.1% 20.6	20.0% 45.3	+12.5%	+5.02
SG&A etc. ^(*)	13.3% 7.07	12.0% 6.07	+16.5%	+1.00	13.1% 14.1	12.3% 27.8	+6.8%	+1.77
Operating Profit	8.2% 4.36	4.1% 2.05	+113.0%	+2.31	6.0% 6.5	7.7% 17.5	+22.8%	+3.25
Shares of profit (loss) of investments accounted for using equity method investees	(0.22)	(0.28)	-	+0.06	(0.3)	(0.4)	-	+0.01
Profit before tax	10.1% 5.35	3.4% 1.69	+215.8%	+3.66	5.8% 6.3	7.7% 17.3	+23.3%	+3.27
Net Profit ^(*)	6.6% 3.51	2.2% 1.12	+214.1%	+2.39	3.9% 4.2	5.2% 11.7	+20.5%	+1.99
Annual Cash Dividend Per Share ^(*)	-	-	-	-	¥19.50	¥39.00	+31.1%	+¥9.25

(*) SG&A etc. shows 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."

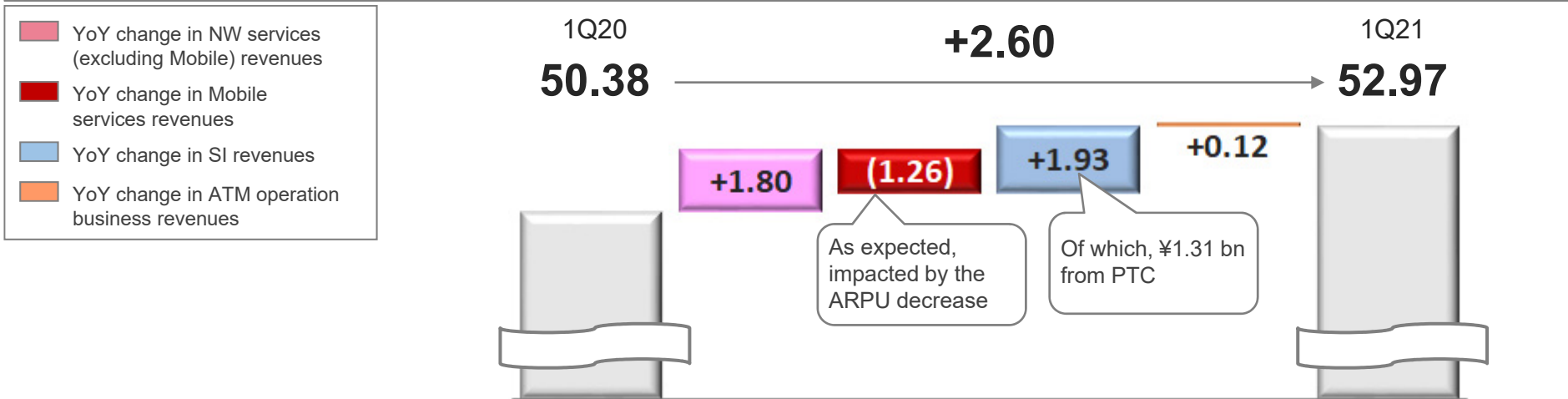
(*) We conducted 1:2 stock split on January 1, 2021. Dividends paid before the split are retroactively adjusted to reflect the split.

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II - 2. Year over Year Analysis

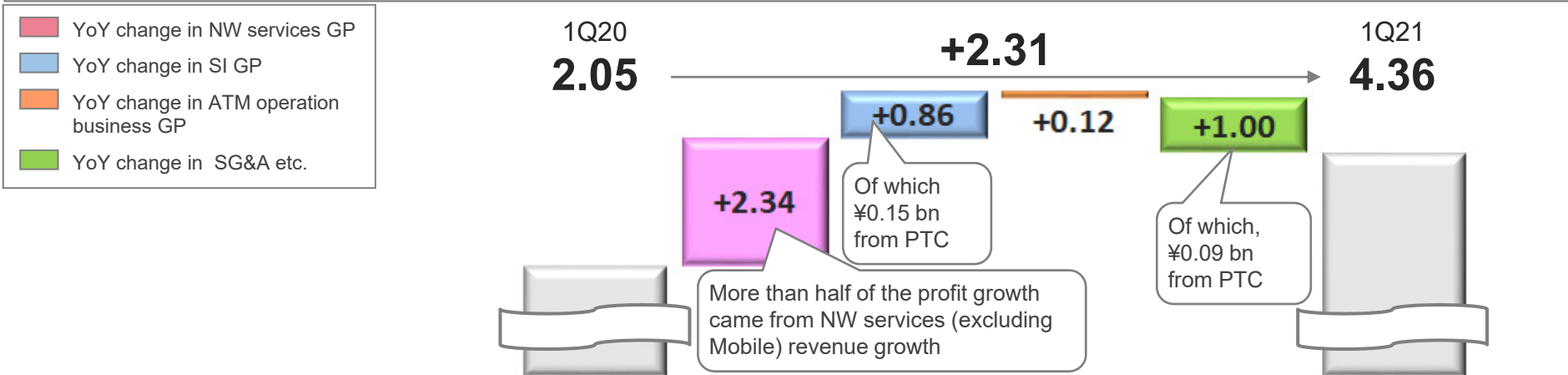
Unit: ¥ (JPY) billion (bn)
 GP = Gross Profit
 YoY = Year over year comparison

Revenues



- 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 small amount
- Mobile services include IIJ Mobile Services (including MVNE) and IIJmio (consumer mobile)
- ARPU is an abbreviation for Average Revenue Per User

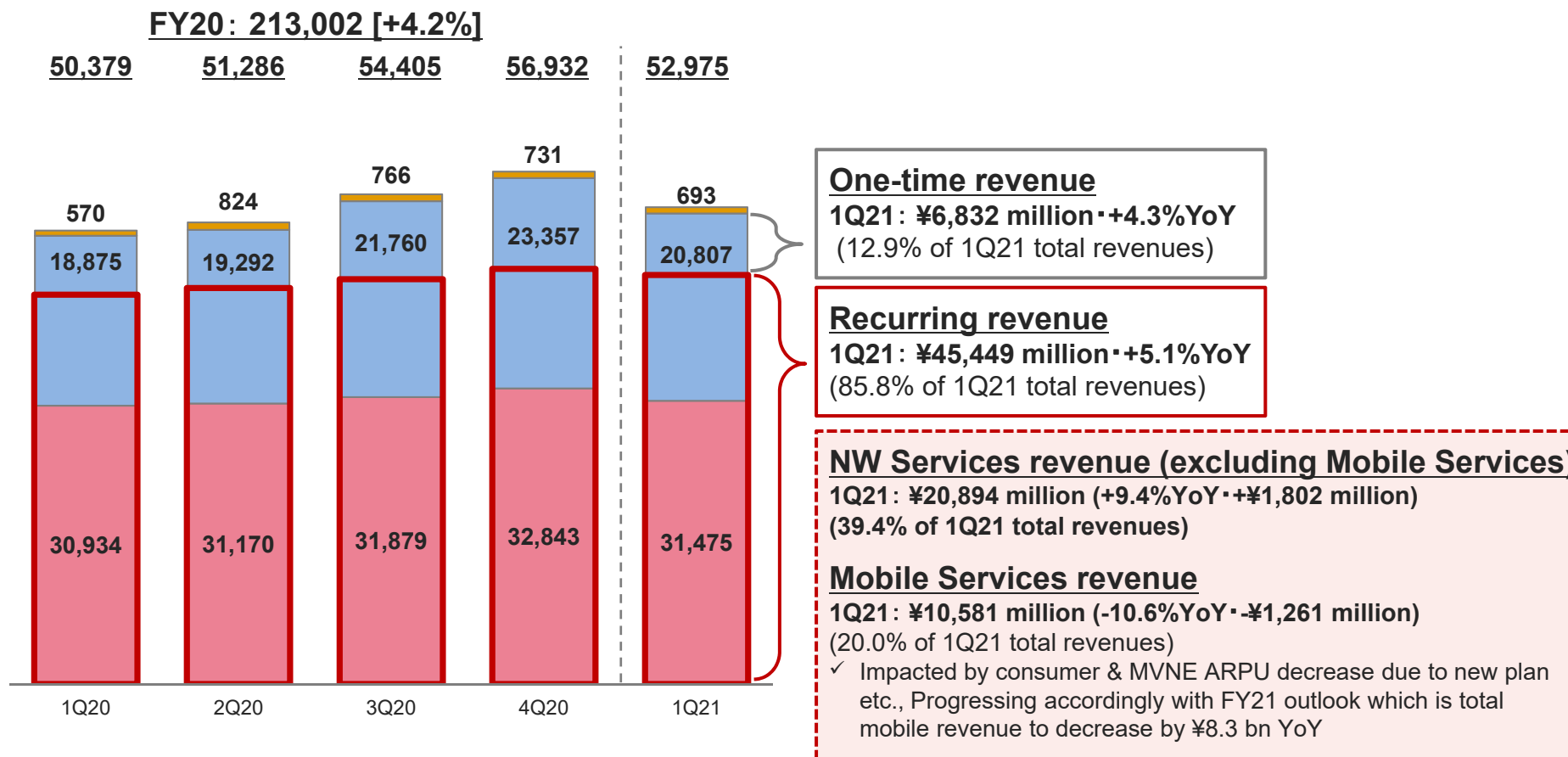
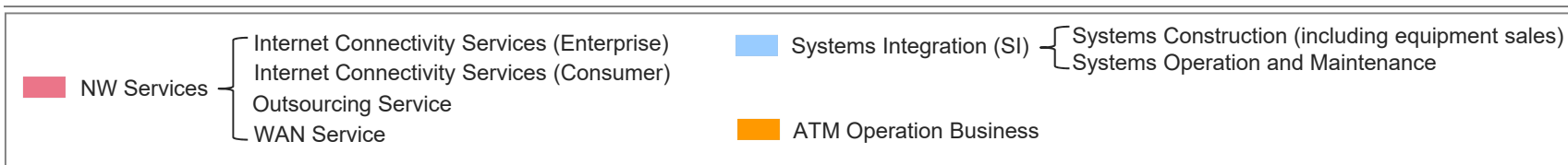
Operating Profit



- SG&A etc. in this slide shows 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

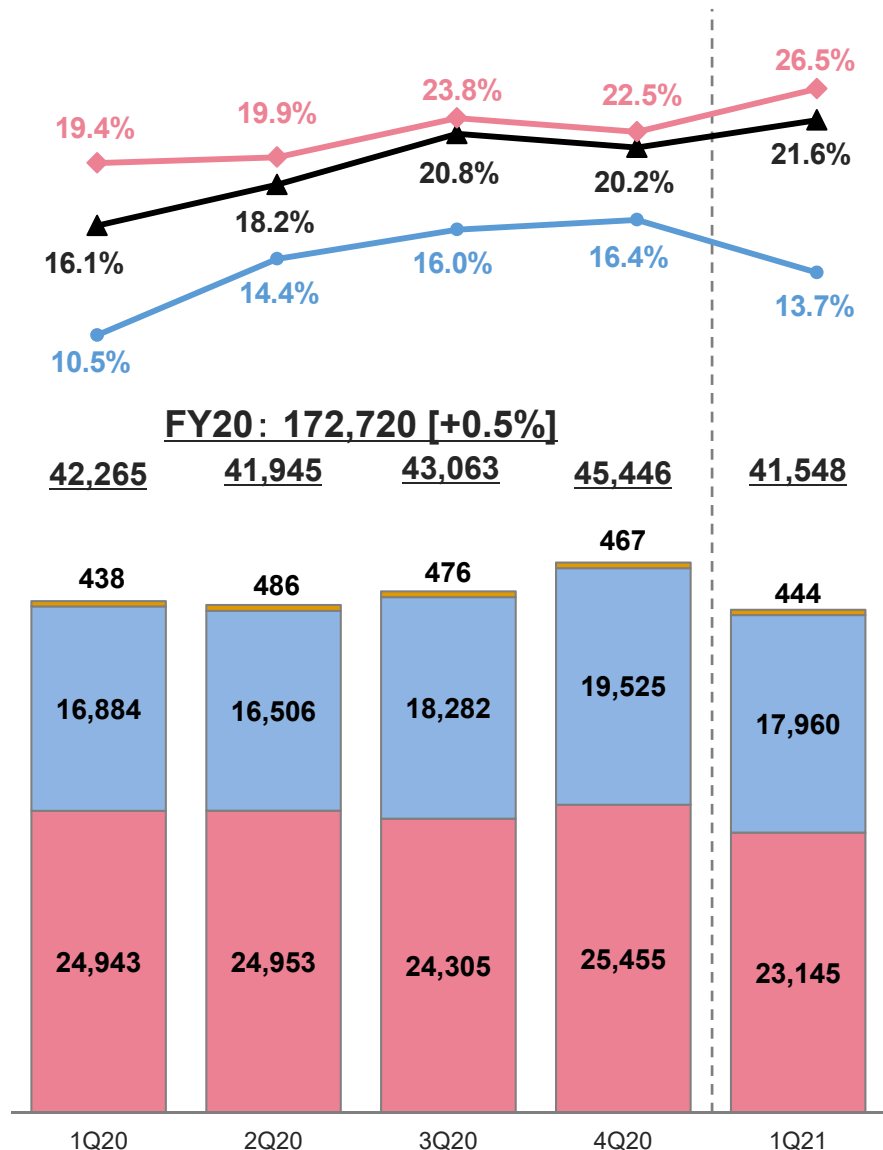


- One-time revenue, systems construction revenues which includes equipment sales, is mainly recognized when systems or equipment are delivered and accepted by customers.
- Recurring revenue represent the following monthly recurring revenues: Internet Connectivity Services (Enterprise), Internet Connectivity Services (Consumer), Outsourcing Services, WAN Services, and Systems Operation and Maintenance.
- Mobile services revenue shows the total of enterprise and consumer mobile revenue.

II - 4. Cost of Sales & Gross Profit Ratio

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

Cost of Sales: ■ NW Services ■ SI ■ ATM Operation Business
Gross profit ratio: ◆ NW Services ● SI ▲ Total



◆ Total gross profit

- 1Q21: ¥11,427 million (+40.8%, +¥3,314 million YoY)

◆ Gross profit for network services

- 1Q21: ¥8,330 million (+39.1%, +¥2,340 million YoY)
 - More than half of the profit growth came from the revenue growth of enterprise network services such as IP services and security related services
 - Profit growth includes cost decreasing factors of mobile data interconnectivity and voice purchasing

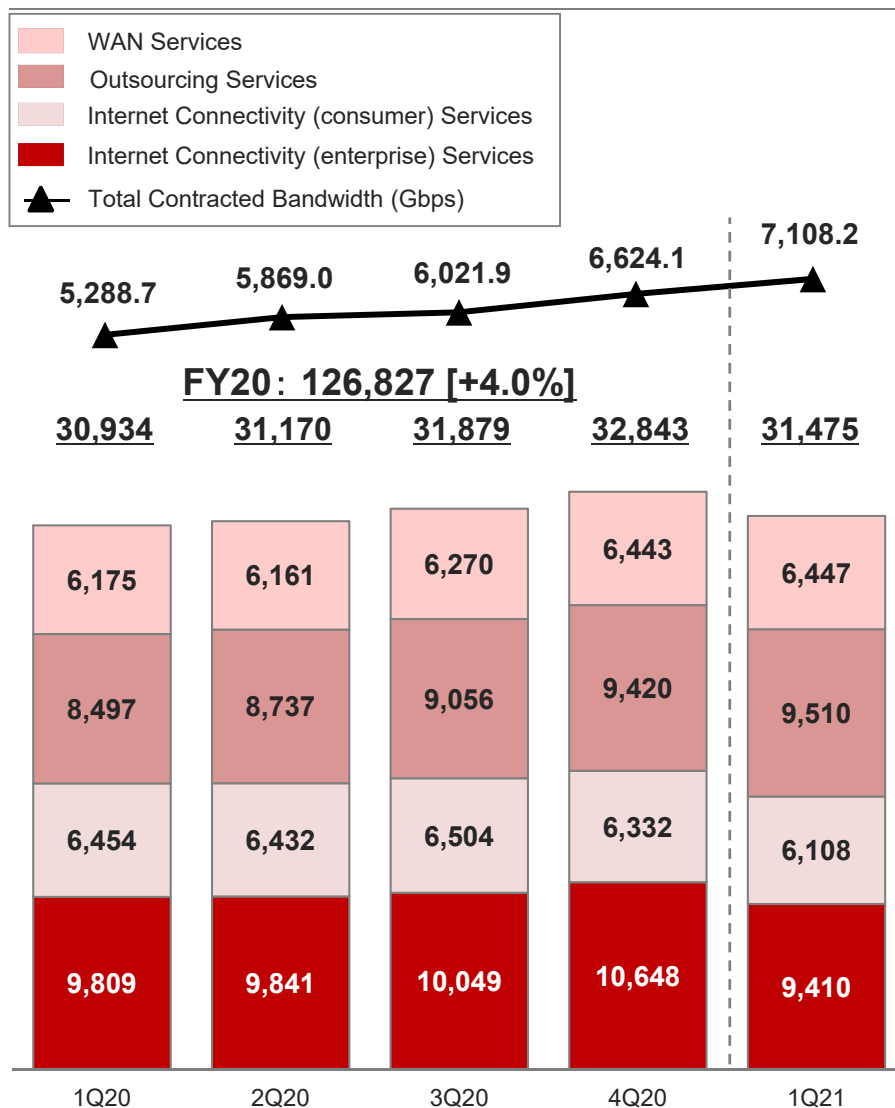
◆ Gross profit for systems integration

- 1Q21: ¥2,847 million (+43.0%, +¥856 million YoY)
 - Of which, ¥0.15 billion is PTC's gross profit (PTC's gross profit ratio: 11.4%)
 - 1Q21 gross profit ratio improved by 3.2 points from 1Q20 mainly due to accumulation of systems operation and maintenance revenue and project cost mixture

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

➢ 1Q21: ¥9,410 million, -4.1% YoY

- Of which, IP services: ¥3,275 million

<Revenue growth>

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

- Of which, IJ Mobile (enterprise): ¥5,189 million, -14.2% YoY

✓ Of which, IoT-related enterprise mobile revenue ¥2,344 million

<Revenue growth>

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

- ✓ Of which, MVNE revenue: ¥2,845 million, -35.0% YoY

- Impacted by 1) the year-beginning decrease of purchasing unit charge and 2) a large MVNE client switching to another operator due to M&A

◆ Internet Connectivity (Consumer) Services

➢ 1Q21: ¥6,108 million, -5.4% YoY

- Well-reviewed GigaPlans accumulating subscriptions as expected

✓ 1Q21-end consumer mobile subscriptions: 1,053 thousand (+19 thousand QoQ)

- Impacted by ARPU decrease along with the launch of GigaPlans

◆ Outsourcing Services

➢ 1Q21: ¥9,510 million, +11.9% YoY

- Of which, security-related services: ¥5,04 billion

<Revenue growth>

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

◆ WAN Services

➢ 1Q21: ¥6,447 million, +4.4% YoY

- Certain large clients migration to mobile which impacted FY20 results is no longer a factor. Revenue increasing along with demands to include WAN to enterprise network

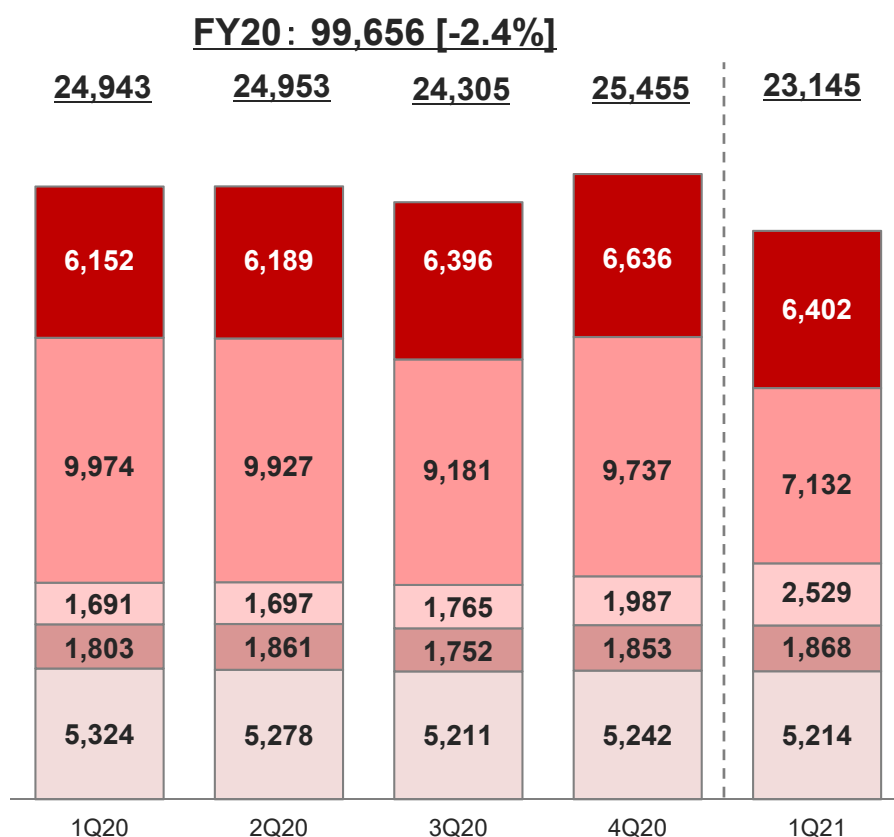
<Revenue growth>

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

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

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.)



- 1Q21 Circuit-related costs increased by 4.1%, +¥0.25 billion YoY, along with WAN revenue increase
 - Internet backbone purchasing cost remains stable as we can leverage scale merit by having one of the largest Internet backbone networks
- 1Q21 Outsourcing-related costs decreased by 28.5%, -¥2.84 billion YoY mainly due to cost decreasing factors of mobile data interconnectivity and voice purchasing
- 1Q21 Others increased by +49.5%, +¥0.84 billion YoY as it included an increase in mobile device purchase, ¥0.52 billion YoY

Regarding mobile data interconnectivity cost recognition:

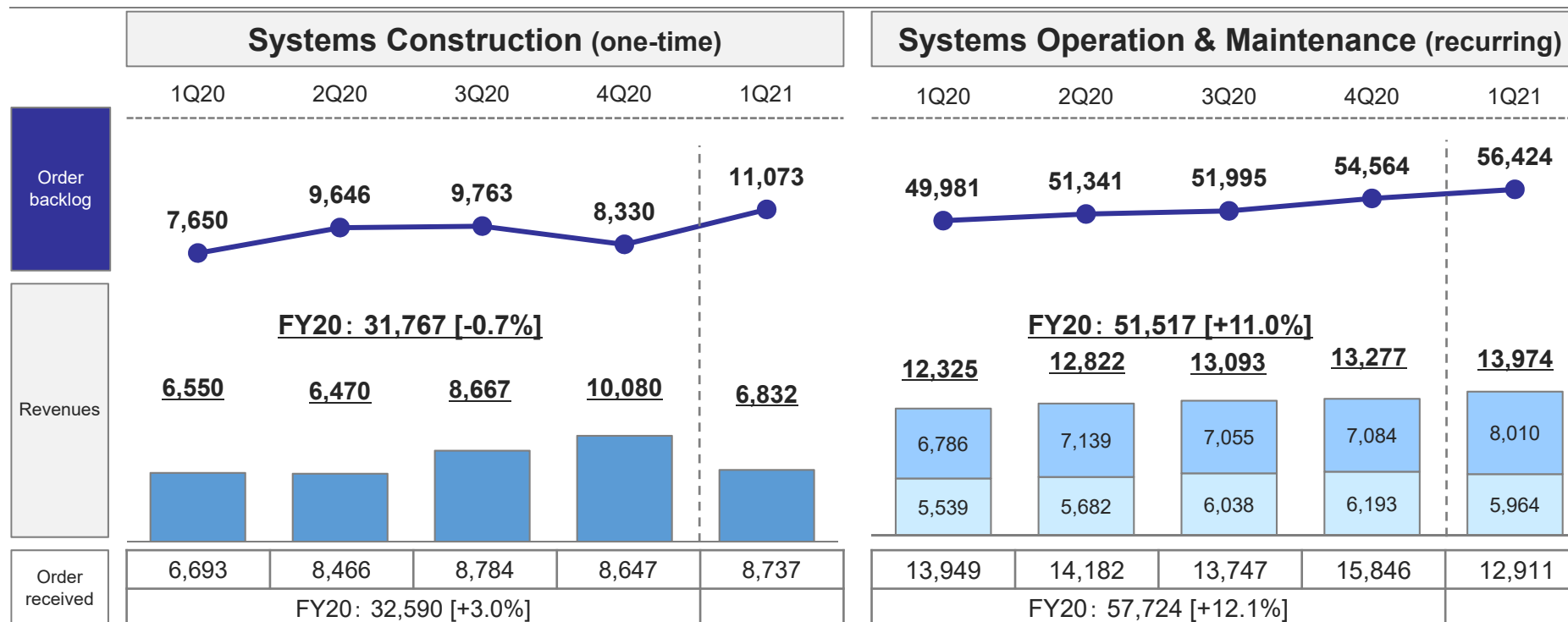
(MNO's mobile infrastructure cost)

- Regarding our FY21 usage charge, from 1Q21, we use the unit charge disclosed by Docomo based on the future cost method, which was a decrease of 14.5% from their FY19 unit charge
- FY19 usage charge, an internal number of FY20 usage charge described above, which is based on Docomo's FY19 results, decreased by 13.4% YoY (fixed in Jan. 2021). The difference between the result and our estimate were recorded as onetime cost reduction 3Q20: ¥0.70 billion, 4Q20: ¥0.39 billion. Remaining, FY20 mobile data interconnectivity cost YoY decrease rate is 3.0% YoY, small decrease, based on future cost method. We expect to have cost reduction impact when FY20 usage charge is fixed (around Jan. 2022)
- Above mentioned cost reduction impact for FY20 usage charge is taken into our FY21 financial target conservatively. Such cost reduction was not accounted for in 1Q21 financial results.

- MNO(Mobile Network Operator)

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

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



• Systems construction's order backlog, revenue and order received include that of equipment sales.

• Revenue written within systems operation and maintenance revenue is cloud revenue that is recognized in systems operation and maintenance revenue.

➤ Order received increased compared to 1Q20 when business activity was slowed down

➤ Large-scale construction orders received in 1Q21

- Enhancement of internet gateway security for a prominent financial institution
- Campus network for private universities
- Replacement of internet gateway for prominent manufacturing company
- Office IT such as Microsoft 365 implementation etc.

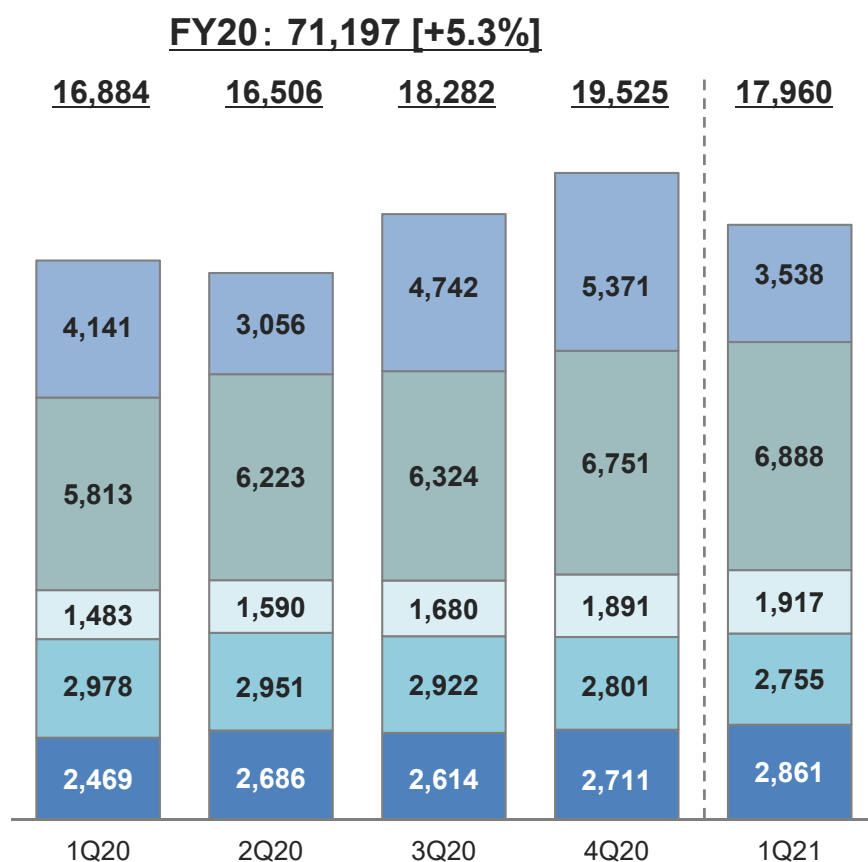
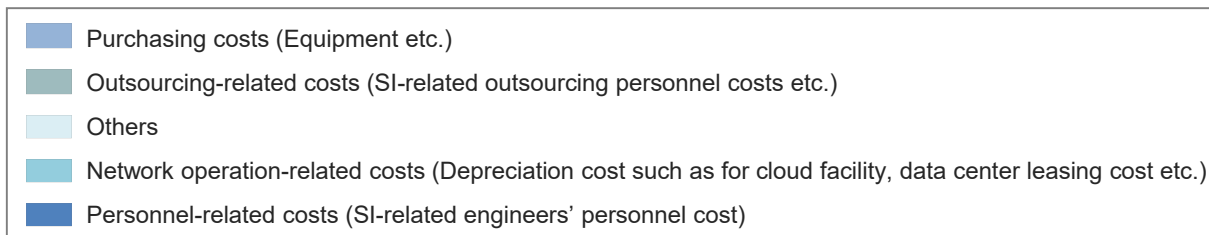
➤ 1Q21 order received QoQ decrease is because contracts renewal for systems operation and maintenance projects' were concentrated in 4Q20

Overseas Business

- ◆ 1Q21 results: Revenues: ¥3.72 bn, Operating profit: ¥0.2 bn
- ◆ FY21 target: Revenues ¥18 bn, Operating Profit ¥0.9 bn
- ◆ Financial impact from PTC consolidation
 - FY21 outlook: Revenues ¥8.5 bn, Gross profit ¥0.8 bn, Operating profit ¥0.4 bn
 - 1Q21 results: Revenues ¥1.31 bn, Gross profit ¥0.15 bn, Operating Profit ¥0.06 bn

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

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



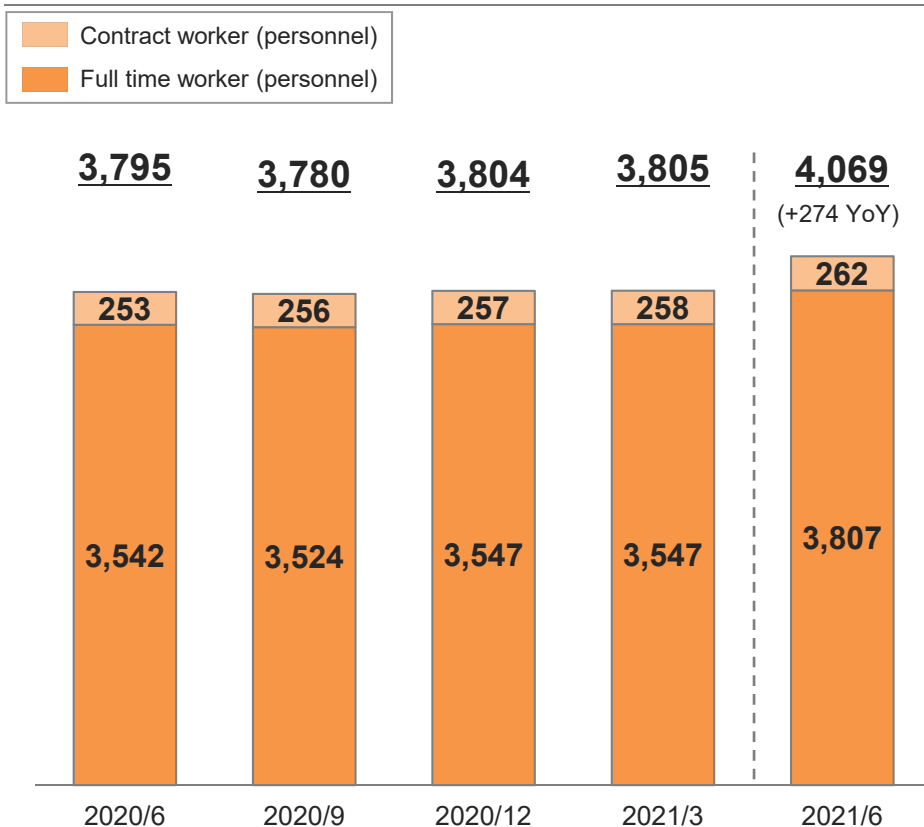
- Outsourcing-related costs are connected with projects size and revenue volume to some extent
- Others increased mainly due to an increase in license costs along with expansion of multi-cloud demands
- No significant increase for network operation-related costs
- Personnel-related costs increased as we entered a new fiscal year (new graduates joined, the existing employees salary ordinarily increased etc.)

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

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

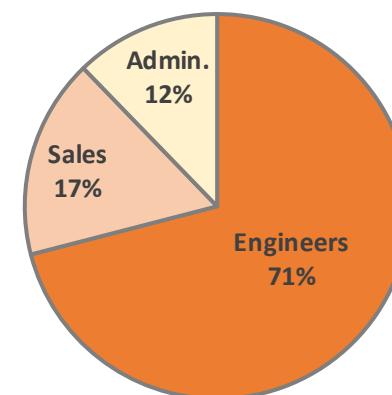
II - 7. Number of Employees

YoY = Year over year comparison



- June 30, 2021: 4,069 personnel(+274 YoY)
 - Added 62 personnel through PTC consolidation (Apr. 2021)
 - Hired 190 new graduates in Apr. 2021
- FY21 net addition of employees is planned to be approximately 290

Employee Distribution



Personnel-related costs & expenses

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

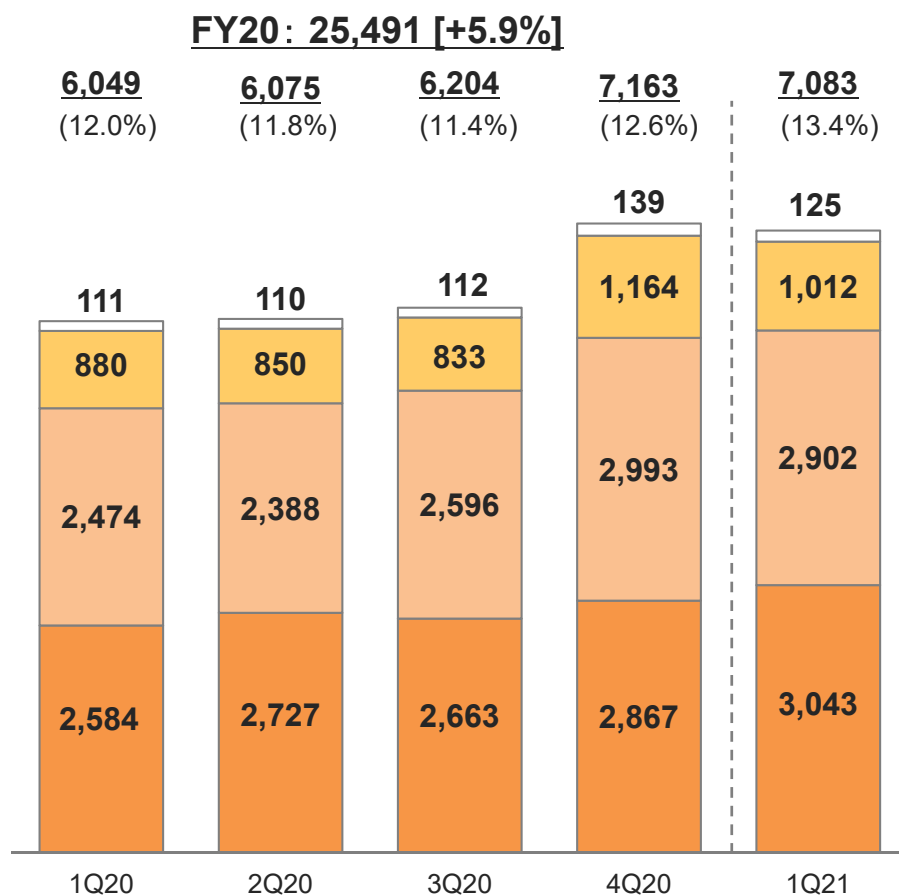
1Q20	2Q20	3Q20	4Q20	1Q21
6,835 (13.6%)	7,281 (14.2%)	7,032 (12.9%)	7,405 (13.0%)	7,756 (14.6%)
FY20: 28,553 (13.4%) +8.4%YoY				

- 1Q21 personnel-related costs and expenses increased by 13.5% YoY
 - Increased mainly because new graduates joined and the existing employees' salary ordinarily increased
 - Through PTC consolidation, ¥0.13 billion is added

- FY20 personnel-related costs and expenses increased slightly stronger compared with the ordinary YoY increase rate due to the additional bonus along with profit results etc.

II - 8. SG&A etc.

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

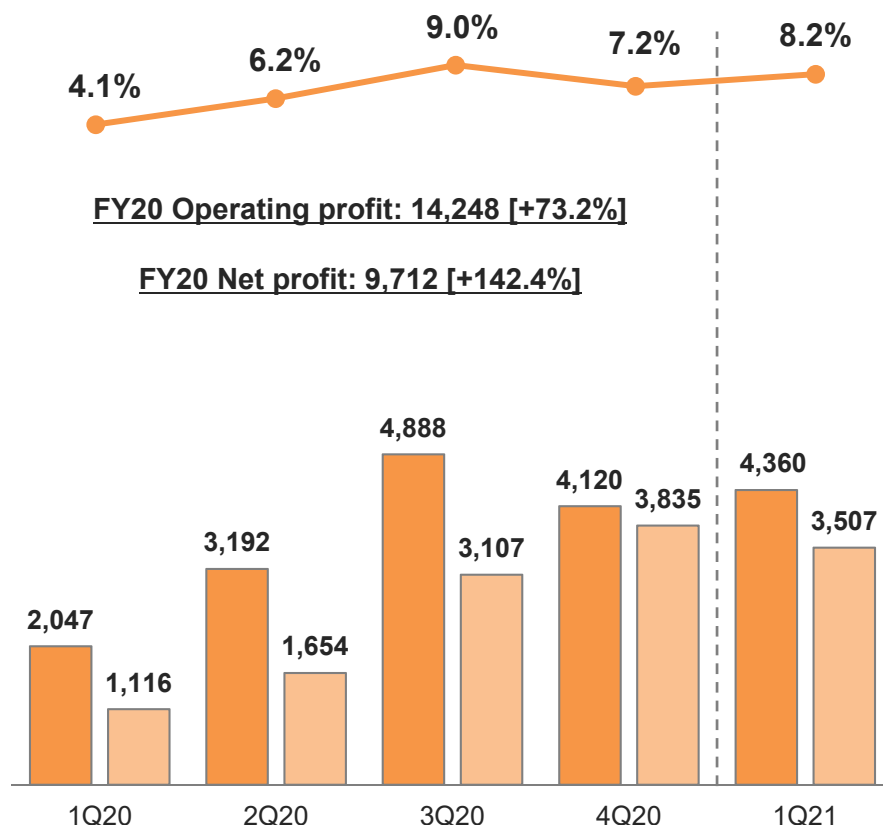


- Research & development expenses mainly consist of personnel expenses of IJ Innovation Institute Inc., consolidated subsidiary
- Commission expenses are mainly consumer sales commissions and recruitment expenses
- 1Q21 Others increased mainly due to advertisements for consumer business
- 1Q21 Personnel expenses increased mainly because new graduates joined and existing employees' salary ordinarily increased (As for 4Q20, the temporary increase was due to the additional provision for bonus)

• 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



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

◆ Operating profit

- 1Q21: ¥4,360 million, +113.0% YoY

◆ Profit before tax

- 1Q21: ¥5,350 million, +215.8% YoY
 - Interest expense: ¥137 million
 - Foreign exchange loss : ¥17 million
 - Gain on funds: +¥1,296 million
 - Dividend income: +¥54 million
 - Interest income: +¥12 million
 - Shares of loss of investments accounted for using equity method: ¥217 million
- ✓ Equity in net loss of DeCurret:

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

- IJJ ownership: 4Q19 30.0%, from 1Q20 41.6%, from 1Q21 38.2% is used to recognize gain and loss
- Other than above, in 4Q20, gain on changes in equity of ¥349 million arisen from the issuance of common stock is recognized

◆ Net profit

- 1Q21: ¥3,507 million, +214.1% YoY
 - Income tax expense: -¥1,807 million (1Q20: -¥572 million)

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, 42.6% as of June 30, 2021

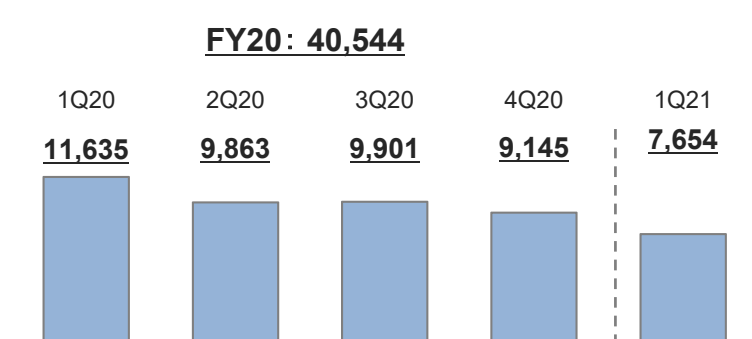
Unit: ¥ (JPY) million

	Mar. 31, 2021	June 30, 2021	Changes
Cash and cash equivalents	42,467	34,831	(7,636)
Trade receivables	34,799	27,920	(6,879)
Inventories	2,171	2,357	+186
Prepaid expenses (current and non-current)	20,136	25,752	+5,617
Tangible assets	17,084	17,780	+696
Right-of-use assets	50,708	48,715	(1,992)
Goodwill and intangible assets	23,037	26,031	+2,994
Investments accounted for using the equity method	9,027	8,734	(293)
Other investments	12,912	15,702	+2,789
Others	8,436	9,440	+1,003
Total assets:	<u>220,777</u>	<u>217,263</u>	<u>(3,515)</u>
Trade and other payables	19,244	15,484	(3,760)
Borrowings (current and non-current)	25,560	22,955	(2,605)
Contract liabilities and Deferred income (current and non-current)	14,832	17,995	+3,163
Income taxes payable	3,012	1,571	(1,441)
Retirement benefit liabilities	4,169	4,267	+99
Other financial liabilities (current and non-current)	53,527	52,459	(1,068)
Others	9,462	8,948	(514)
Total liabilities:	<u>129,806</u>	<u>123,679</u>	<u>(6,126)</u>
Share capital	25,531	25,546	+16
Share premium	36,389	36,383	(6)
Retained earnings	25,047	26,795	+1,748
Other components of equity	4,865	5,707	+842
Treasury shares	(1,875)	(1,851)	+24
Total equity attributable to owners of the parent:	<u>89,956</u>	<u>92,580</u>	<u>+2,624</u>

II - 11. Consolidated Cash Flows

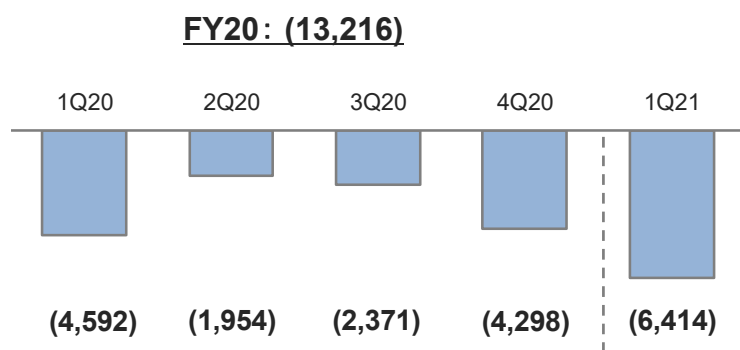
Unit: ¥ (JPY) million
YoY = Year over year comparison

Operating Activities



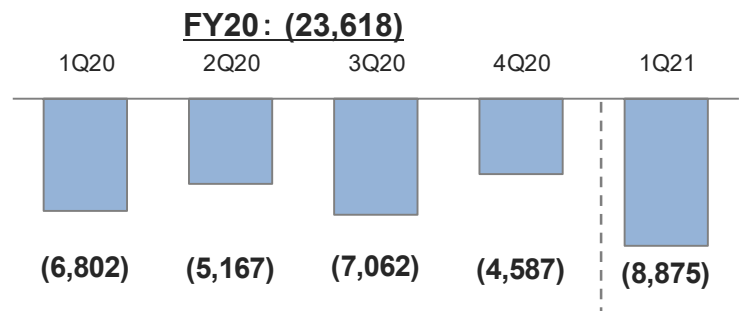
	Major Breakdown	YoY Change
Profit before tax	5,350	+3,656
Depreciation and amortization	6,606	(489)
Equity method loss (gain)	(1,326)	(1,256)
Changes in operating assets and liabilities	(70)	(4,646)
Income taxes paid	(3,334)	(1,157)

Investing Activities



	Major Breakdown	YoY Change
Purchase of tangible assets	(2,839)	(1,431)
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	(1,325)	+480
Proceeds from sales of tangible assets	584	(433)

Financing Activities

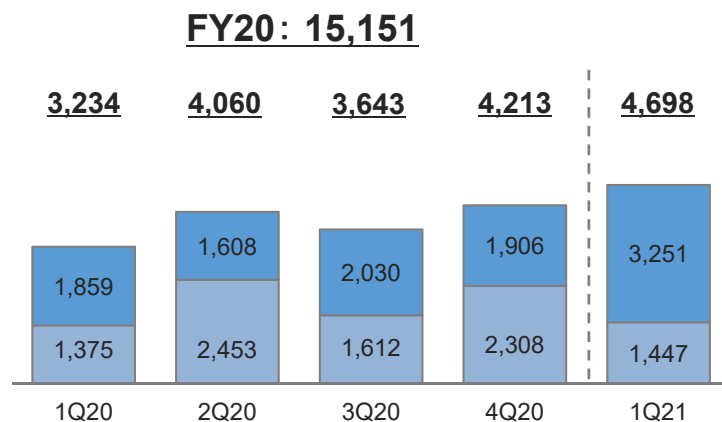
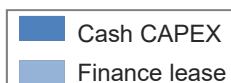


	Major Breakdown	YoY Change
Payment of operating/finance leases and other financial liabilities	(4,463)	+760
Repayment of long-term borrowings	(4,085)	(3,170)
Net increase in short-term borrowings	1,480	+1,480
Dividends paid	(1,759)	(1,150)

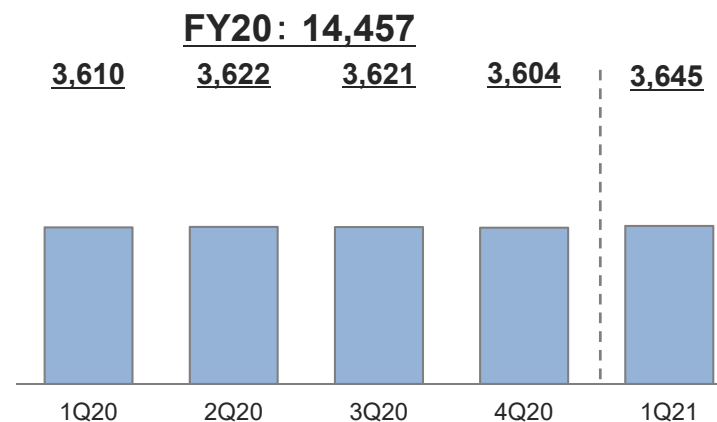
II - 12. Other Financial Data

Unit: ¥ (JPY) million

CAPEX

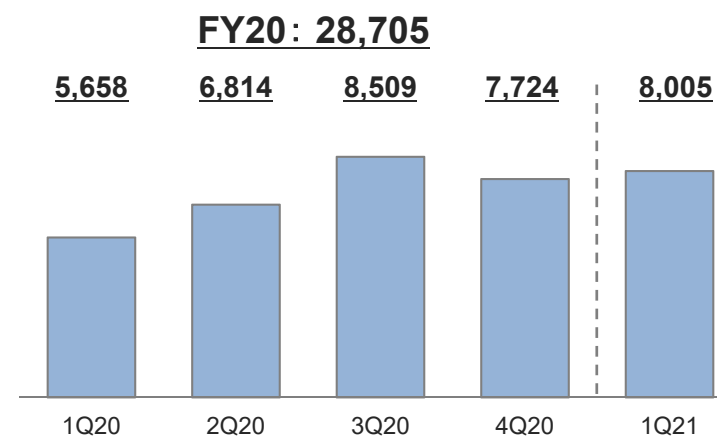


CAPEX-related depreciation and amortization



- 1Q21: Shiroi data center ¥0.6 billion (which was originally planned for in FY20) is included
- FY21 outlook: approx. ¥17.5 billion. Expect to increase year over year as some FY20 investments such as ¥1.2 billion of Shiroi data center and network are slided over

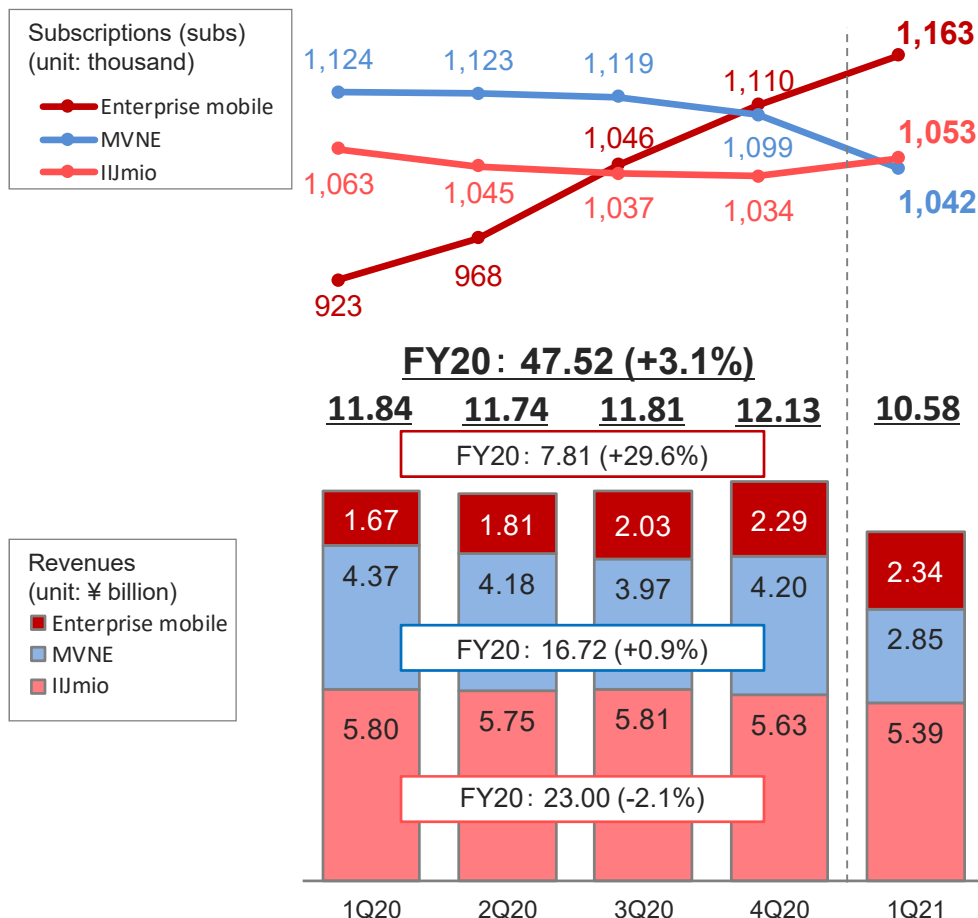
Adjusted EBITDA



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

III- 1. Service & Business Developments: Mobile

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



- MVNE: IJ Mobile MVNO Platform Services (providing mobile services to other MVNOs)
- Enterprise mobile: Deducting MVNE from IJ Mobile
- 1Q21 full-MVNO revenue: ¥0.78 bn (93.5% Enterprise mobile, 6.5% IJmio)

◆ Enterprise mobile

- 1Q21 revenue: ¥2.34 bn (+¥0.67 bn YoY)
- 1Q21-end subs: 1,163 thousand (+53 thousand QoQ)
 - ✓ In addition to various network camera connection projects, continuously accumulating projects such as dashboard camera, remote key open/close usage, GPS tracker for children and elderly, transportation IC card settlement device etc.

◆ MVNE

- 1Q21 revenue: ¥ 2.85 bn (-¥1.53 bn YoY)
 - ✓ Impacted by the year-beginning purchasing unit charge and a large MVNE client switching to another operator due to M&A
- 1Q21-end subs: 1,042 thousand (-57 thousand QoQ)
- 1Q21-end MVNE clients: 159 (+3 clients YoY)
 - ✓ Cable TV operators (86 operators), prominent retailer etc.

◆ IJmio (consumer mobile)

- 1Q21 revenue: ¥5.39 bn (-¥0.4 bn YoY)
- 1Q21-end subs: 1,053 thousand (+19 thousand QoQ)
 - ✓ New plan “GigaPlan” launched on Apr. 1, 2021 (Old plan’s users migration from May 1)
 - ✓ 1Q21-end GigaPlan subs: 462 thousand (of which approx. 17% are new users)

Assumption for FY21 Mobile business (Disclosed in May 2021)

- Revenue: Expect revenue to decrease by ¥8.3 bn YoY as ARPU, especially voice, to decrease due to new consumer plan
 - ✓ IJmio (consumer mobile): More than half of old plan users to migrate to the new plan. IJmio monthly net addition to be a few ten thousands
 - ✓ MVNE: Visible impact from a large MVNE client switching to another operator due to M&A
- Gross Profit: Expect same level of profit as FY20 with decrease in purchasing cost and ARPU (Onetime cost decrease upon FY20 mobile interconnectivity charge confirmation is taken into consideration)

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

Strong demands for Network Integration

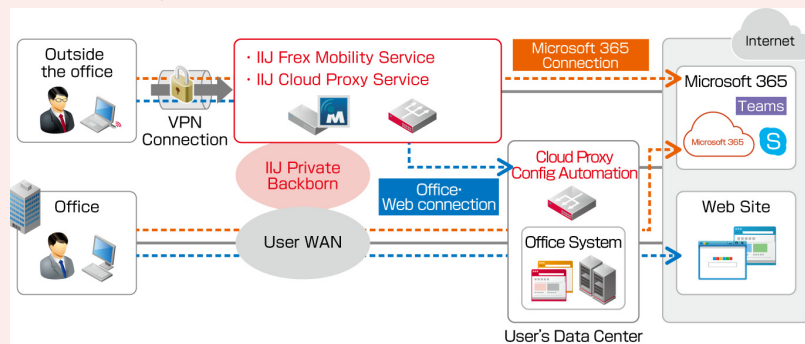
◆ Demands to update internal IT office infrastructure

- Provide design and implementation of user environment as integration by combining network services
 - Enhancement of internet gateway
 - Projects related to digital workplace etc.

◆ Demands to renew enterprise network

- Along with the adoption of SaaS such as Microsoft 365, number of sessions and traffic are increasing, requiring to review entire enterprise network
 - Cross-selling opportunity: remote access, security and WAN services etc.

< Case study >



◆ Demands to construct Web isolation systems

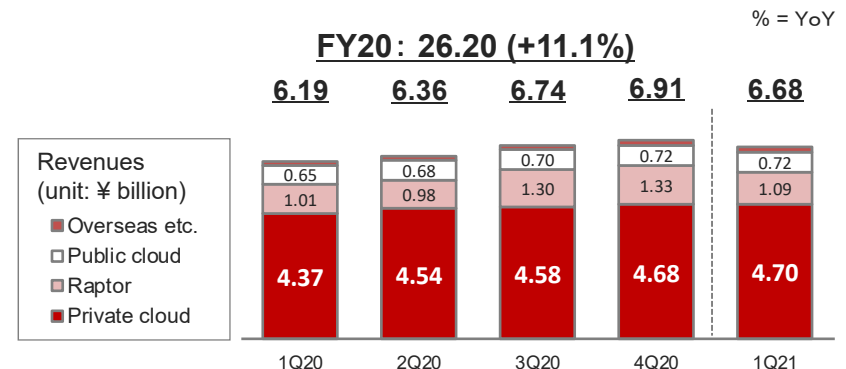
- By isolating areas that are designed to handle web contents, preventing attacks to enter into internal systems
- Strong demands especially from public and finance sectors
 - Information security cloud for local governments etc.

Growing demands to fully outsource enterprise IT systems' operation & maintenance

Providing services & solutions that help to reduce operation & management burden of enterprise IT systems which are becoming more complex and diversified along with penetration of Multi-Cloud & mainstream adoption of IT services

- IJ Unified Operation Management Service (launched in Apr. 2017)
 - Reducing burden to operate on-premise and Multi-Cloud systems
 - Leveraging automated operation
- Strategic IT Outsourcing (launched in July 2019)
 - IJ to oversee all operations of a user's systems by committing to achieve KPIs such as cost reduction

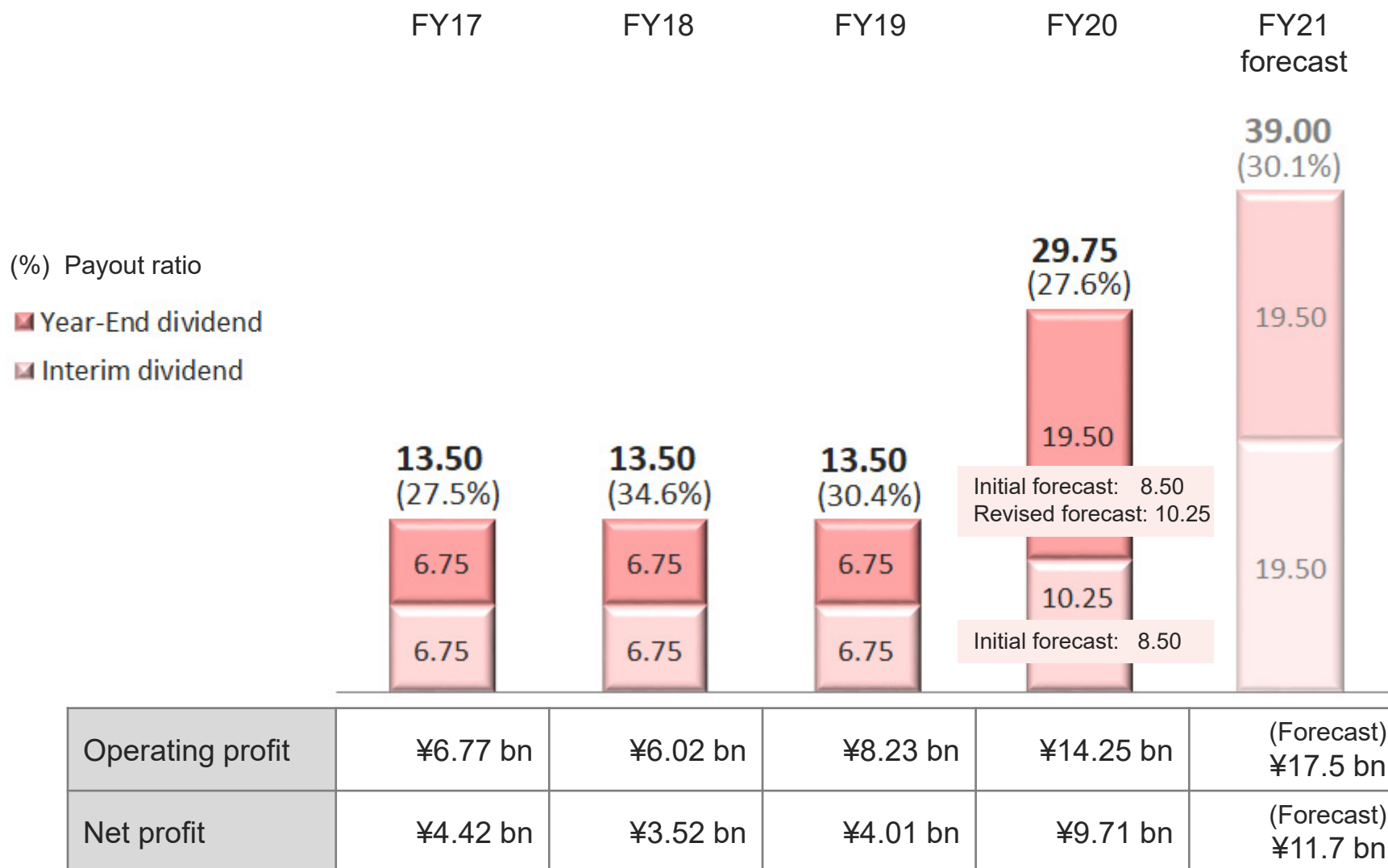
Cloud Service (Monthly recurring) revenue



- Private cloud revenue growth was flattish because of the revenue decrease factor in relation to Cloud service facility migration from old to new
- Raptor, SaaS type FX trading platform, revenue decreased QoQ as it was impacted by FX trading volume volatility
- 1Q21 Cloud revenue recognition: 89.2% SI systems operation & maintenance, 10.8% Outsourcing services

Historical Dividend per Share

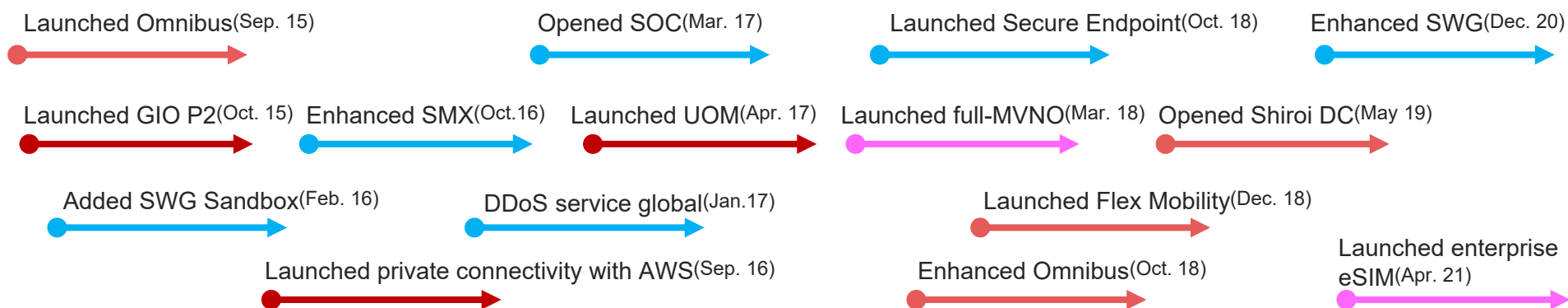
Unit: ¥ (JPY)



- Net profit is "Profit for the year attributable to owners of the parent."
- We conducted 1:2 stock split on January 1, 2021. Dividends paid before the split are retroactively adjusted to reflect the split.
- Bn is an abbreviation for billion

Capex and Business Developments

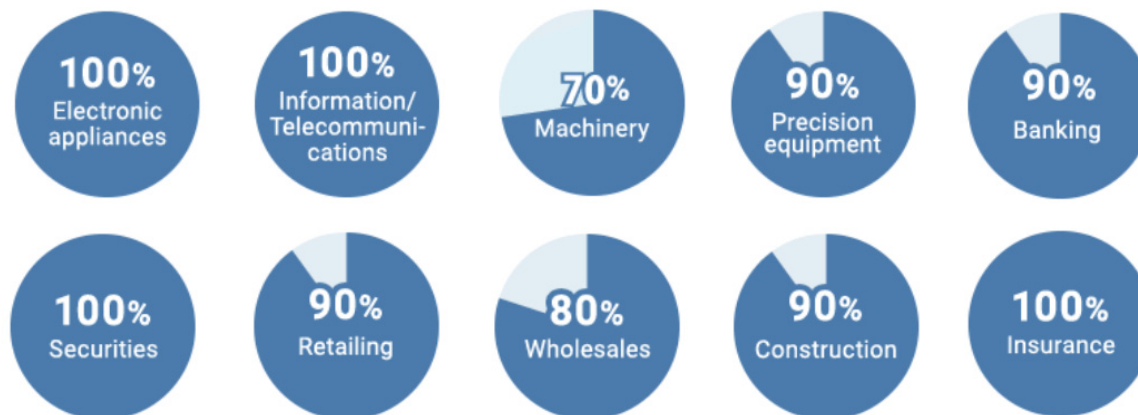
	FY16	FY17	FY18	FY19	FY20
Revenues (¥ bn)	157.8	176.2	192.4	204.5	213.0
Operating profit ratio (%)	3.3	3.8	3.1	4.0	6.7
CAPEX (¥ bn)	16.5	20.7	15.1	15.2	15.2
<i>NW services</i>	12.6	9.4	9.4	9.6	8.8
<i>Cloud</i>	3.6	7.9	1.9	2.6	2.8
<i>Shiroi DC</i>	-	1.2	2.1	2.0	1.5
<i>SI, others</i>	0.3	2.3	1.7	1.0	2.0
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



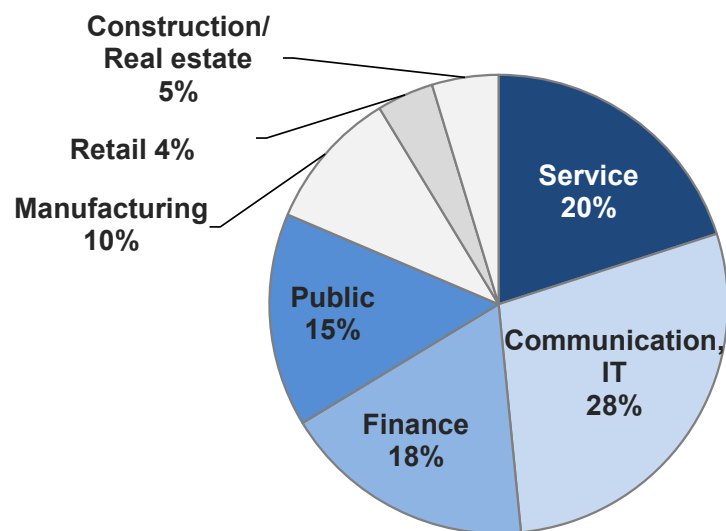
- FY16: US-GAAP, from FY17: IFRS
- CAPEX-related depreciation and amortization is calculated by excluding depreciation and amortization of assets that do not have the nature of capital investment, such as right-of-use assets related to operating leases, small-amount equipment and customer relationship.

Blue-chip client base of approx. 13,000 enterprises

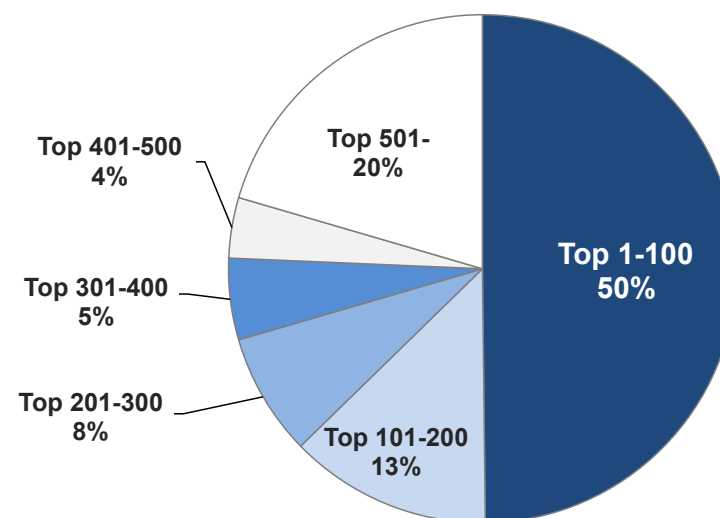
High penetration toward top 10 companies of each industry



Client distribution per industry



Client distribution per revenue volume



- Number of IIJ group's clients is as of March 31, 2021
- 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)
- Client distribution is based on IIJ's FY2020 results and prepared by IIJ

Appendix Revenue Recognition Category

Unit: ¥ (JPY) billion

Revenue category		1Q21 revenue	About				Business Situation & Outlook
Network services	Internet connectivity services for enterprise	9.41	IP	3.28	<ul style="list-style-type: none"> Core service providing from the inception of the company Highly reliable dedicated connectivity services for enterprise (multi-carrier, redundancy etc.) 		<ul style="list-style-type: none"> Matured market (new entry difficult) Blue-chip client base Expect the revenue to continuously increase along with traffic volume and contracted bandwidth increase
			Mobile	5.19	IoT/M2M-related	2.34	
						MVNE	2.85
	Internet connectivity services for consumers	6.11	Mobile	5.39	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 Enterprise: Expect the demand to expand in the middle to long term Consumer: Aim to achieve net addition (subscription) with new consumer plan
WAN	6.45	Closed network used to connect multiple sites				Stable market for long-term	
	Outsourcing	9.51	In-house developed Internet-related various service line-ups (Security, datacenter, remote access related etc.)				<ul style="list-style-type: none"> Have been developing services based on Zero Trust concept, Developing new SASE service Acquire enterprise demand by cross-selling services. Continuous service development is important Demands for security and remote access to increase continuously
			Security	5.04	Public Cloud	0.72	
SI	Operation and Maintenance	13.97	From construction	8.01	Private Cloud	5.96	<ul style="list-style-type: none"> Expect great business opportunity in the middle-to-long term as internal IT systems migrating to cloud Systems to be converted to cloud
	Construction (including Equipment sales)	6.83	System construction related to office IT, security, Cloud, IoT. Internet-related construction such as Online banking & brokerage academic backbone network for university, and E-commerce site				

Monthly Recurring Revenue 86%

One time revenue

Mobile data interconnectivity cost (Mbps unit charge・monthly) YoY change

Fiscal Year		FY18	FY19	FY20	FY21	FY22	FY23	
Method		Actual cost method			Future cost method			
Docomo	New	<u>¥49,311</u> - 6.0%	<u>¥42,702</u> ^(*1) - 13.4%	<u>¥41,436</u> ^(*2) - 3.0%	<u>¥28,385</u> - 31.5%	<u>¥22,190</u> - 21.8%	<u>¥18,014</u> - 18.8%	
	Old	<u>¥49,311</u> - 6.0%	<u>¥42,702</u> ^(*1) - 13.4%	<u>¥41,436</u> ^(*2) - 3.0%	<u>¥33,211</u> - 19.8%	<u>¥27,924</u> - 15.9%		
			Decrease by 16.0%			Expected to be fixed in Jan. 2022 ▲ -14.5%	▲ -20.5%	
KDDI	New	<u>¥52,949</u> - 13.3%	<u>¥42,154</u> ^(*1) - 20.4%	<u>¥32,842</u> ^(*2) - 22.1%	<u>¥26,827</u> - 18.3%	<u>¥21,983</u> - 18.1%	<u>¥18,419</u> - 16.2%	
	Old	<u>¥52,949</u> - 13.3%	<u>¥42,154</u> ^(*1) - 20.4%	<u>¥32,842</u> ^(*2) - 22.1%	<u>¥27,790</u> - 15.4%	<u>¥25,394</u> - 8.6%		
			Decrease by 38.0%			▲ -3.5%	▲ -13.4%	

- The same calculation method is applied to actual cost method & future cost method: (Data communication cost + profit) /demand
- About actual cost method: Calculated based on MNOs' actual cost etc. and applied retrospectively. FY19 usage charge (*1), which is based on MNOs' FY19 results, was fixed in January 2021 and recognized in our FY20 financial results (Recognized as a difference between our estimate and result).
- About future cost method: Calculated based on MNOs' mobile unit charge prediction for next three years, which is based on MNO's future cost etc. It is applied from FY20. Mobile unit charge is fixed based on MNO's actual cost etc. and the difference between prediction and result is revised. 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 "New" above) were announced April 2021.
- FY20 usage charge (*2), which is based on MNO's FY20 results, will be fixed in around January 2022 and recognized in our FY21 financial results (either in 3Q21 or 4Q21).
- Mobile interconnectivity charge, which is underlined above, is fixed based on the result
- 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

Comparison table of basic monthly fees of consumer mobile service <small>*Excluding consumption tax</small>					
Old Plans			New Plans		
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 Shere 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

(Note) The above table briefly indicates service prices for major functions to show the differences between the old and new plans.



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.