

Consolidated Financial Results for 1Q-3Q22

(April 1, 2022 to December 31, 2022)

Internet Initiative Japan Inc. (IIJ)

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

February 8, 2023

Disclaimer

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

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• FY22(FY2022) means a fiscal year ending March 31, 2023. Others alike

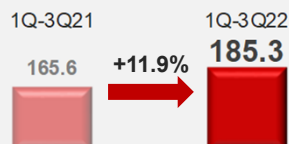
I. Summary of Financial Results

Unit: ¥ (JPY) billion (bn)
+, YoY = Year over year comparison, QoQ = Quarter over quarter comparison
Net Profit is "Profit for the period attributable to owners of the parent"

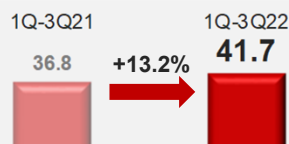
Strong revenue growth trend advanced as projects becoming larger & high demand continued

Expect revenue growth to accelerate from FY23 onward with consistent service releases & newly acquired large scale SI projects

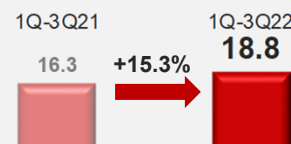
Total Revenue



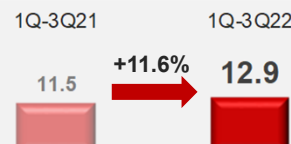
Gross Profit



Operating Profit



Net Profit



NW services (excluding mobile)

- Each service continued to grow. Large scale NW replacement projects such as connecting a large number of locations through WAN & strong demands for security contributed
 - 1Q-3Q22 revenue: IP +7.9% YoY, Security +21.4% YoY, WAN +5.9% YoY
- Continued to expand NW service line-ups by developing cloud connectivity service "IIJ Private Backbone Service/Smart Hub," in-house developed SASE service "IIJ Secure Access Service" etc.
- Recently acquired a large scale project combining NW & SI for a broadcaster (to be gradually launched from FY24), a NW replacement project with a fixed multi-year contract (to be launched in FY23)

SI

- 1Q-3Q22 Construction: revenue: +22.6% YoY, order-received: +29.0% YoY, Operation & maintenance: revenue +14.9% YoY, order-received +33.1% YoY
- Launched "IIJ Cloud Data Platform Service" which enables easy & secure data linkage between on-premise & multi-cloud (Dec. 2022)
- Recently acquired a large-scale core system construction for a financial group (to be launched in FY24), construction of container-type IT modules for Uzbekistan (to be exported gradually in FY23)

Mobile

- 3Q22-end total subscription: 3,968 thousand, +592 thousand YoY, 1Q-3Q22 total revenue: ¥31.49 billion, +¥0.8 billion YoY
 - In 3Q22 recognized over ¥0.5 billion of onetime profit contribution impact as FY21 NTT Docomo data connectivity unit charge was fixed (3Q21 ¥1.08 billion)
 - Enterprise: 3Q22-end subscription: 1,685 thousand, +365 thousand YoY, launched inexpensive & simple enterprise mobile service "IIJ Mobile Service/type D for IIJmio Biz" (Jan. 2023)
 - Consumer: 3Q22-end subscription: 1,197 thousand, +124 thousand YoY of which GigaPlans: 878 thousand, +271 thousand YoY, awarded for best customer satisfaction (ORICON, J.D.Power & JCSI)

Topics

- IIJ owned DCs Shiroi: Constructing its 2nd site. Started solar power generation (Feb. 2023)
Matsue: Due to growing demands, constructing system modules (to be launched in May 2025). Its capex of over ¥5.0 billion is to be covered partially by subsidy
- "IIJ Academy" to be opened in May 2023. Training NW engineers, contributing to the development of network society of Japan
- As part of CDN business, opened "IIJ Studio TOKYO" in Oct. 2022. Streaming system/network directly connected to IIJ's Internet backbone. Services for enterprises to be launched in FY23

• Abbreviation: NW for network services, SI for systems integration, DC for data centers, CDN for contents distribution network

II - 1. Consolidated Financial Results

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

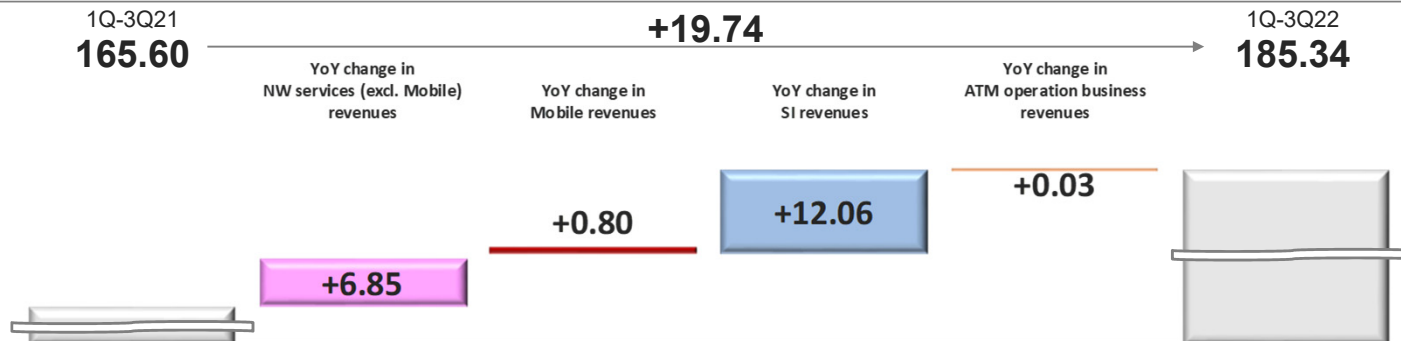
	% of revenue 1Q-3Q22 Results Apr. 2022 - Dec. 2022	% of revenue 1Q-3Q21 Results Apr. 2021 - Dec. 2021	YoY		% of revenue FY2022 Targets (Announced in May 2022) Apr. 2022 - Mar. 2023	YoY	
Revenues	185.34	165.60	+11.9%	+19.74	250.0	+10.5%	+23.66
Cost of Revenues	77.5% 143.68	77.8% 128.82	+11.5%	+14.87	76.9% 192.2	+10.0%	+17.49
Gross Profit	22.5% 41.66	22.2% 36.78	+13.2%	+4.87	23.1% 57.8	+12.0%	+6.17
SG&A etc.	12.3% 22.87	12.4% 20.49	+11.6%	+2.38	12.2% 30.6	+9.0%	+2.52
Operating Profit	10.1% 18.79	9.8% 16.30	+15.3%	+2.49	10.9% 27.2	+15.5%	+3.65
Profit before tax	10.3% 19.02	10.6% 17.60	+8.1%	+1.42	10.5% 26.3	+8.8%	+2.14
Net Profit	6.9% 12.85	7.0% 11.52	+11.6%	+1.33	7.0% 17.5	+11.7%	+1.83

- 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

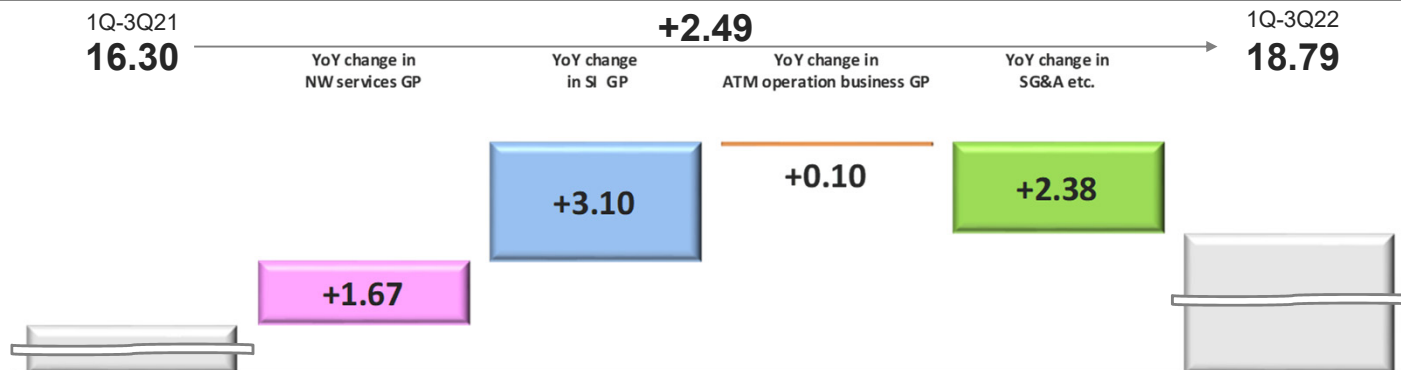
Unit: ¥ (JPY) billion (bn)
GP = Gross Profit
YoY = Year over year comparison

Revenues



- NW services (excl. Mobile) revenues are calculated by deducting the below mentioned Mobile services revenues from total NW services revenues. The revenues include non-mobile consumer revenue which is a small amount
- Mobile services revenues include IJ Mobile Services (including MVNE) and IJmio (consumer mobile)

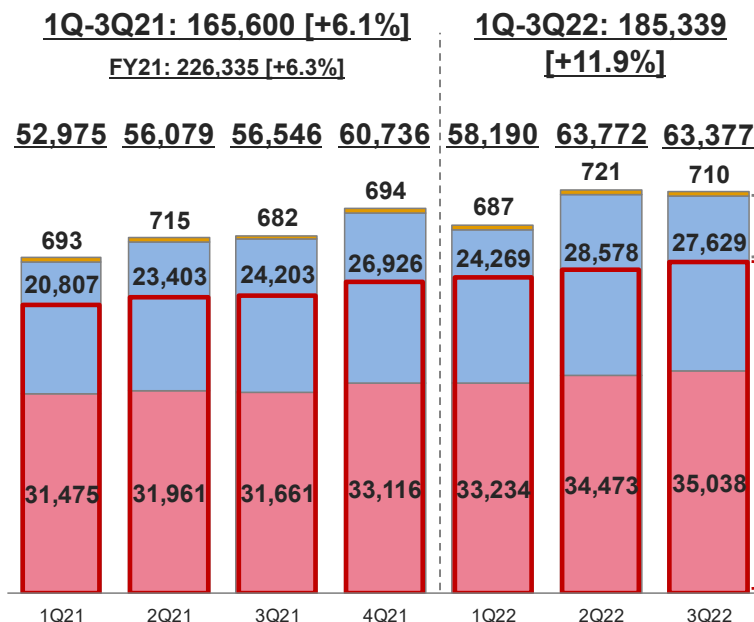
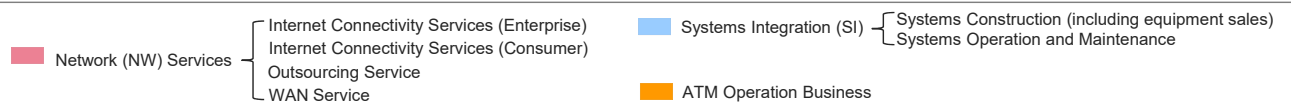
Operating Profit



- NW services gross profit consists of gross profit related to NW revenues (excl. Mobile) and Mobile revenues (These two are not decomposable because some costs are common among them)
- SG&A etc. in this slide represents the sum of SG&A, which includes R&D expenses, and other income/expenses

II - 3. Revenues

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



One-time revenue

1Q-3Q22: ¥29.94 billion, +22.6% YoY
(16.2% of 1Q-3Q22 total revenue)

Recurring revenue

1Q-3Q22: ¥153.29 billion, +10.2% YoY
(82.7% of 1Q-3Q22 total revenue)

NW Services revenue (excluding Mobile Services)

1Q-3Q22: ¥71.26 billion (+10.6% YoY, +¥6.85 billion YoY)
(38.4% of 1Q-3Q22 total revenue)

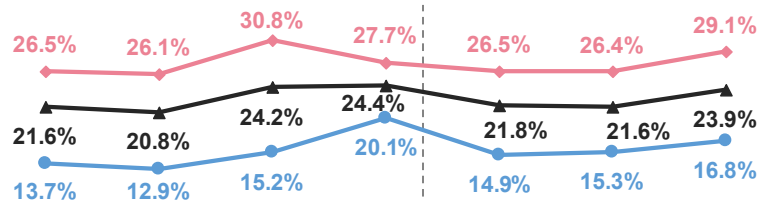
Mobile Services revenue

1Q-3Q22: ¥31.49 billion (+2.6% YoY, +¥0.8 billion YoY)
(17.0% of 1Q-3Q22 total revenue)

- One-time revenue, systems construction revenues which include equipment sales, is mainly recognized when systems and/or equipment are delivered and accepted by customers
- Recurring revenue represents the following monthly recurring revenues: Internet Connectivity Services (Enterprise), Internet Connectivity Services (Consumer), Outsourcing Services, WAN Services, and Systems Operation and Maintenance
- Mobile services revenues include IJ Mobile Services (including MVNE) and IJmio (consumer mobile)

II - 4. Cost of Revenues & Gross Profit Ratio

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



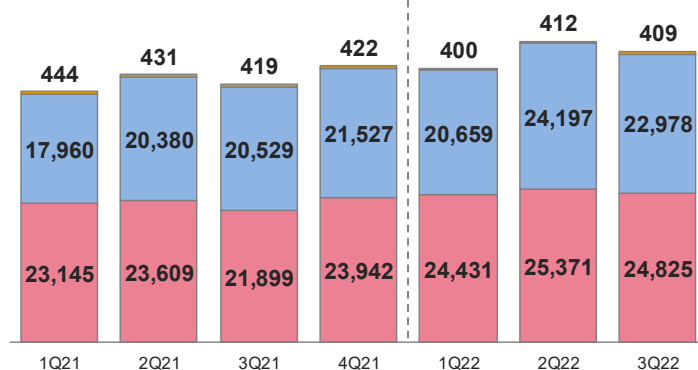
1Q-3Q21: 128,816 [+1.2%]

FY21: 174,707 [+1.2%]

1Q-3Q22: 143,683

[+11.5%]

41,548 44,420 42,847 45,891 45,490 49,980 48,212



◆ Total gross profit

- 1Q-3Q22: ¥41.66 billion (+13.2% YoY)

◆ Gross profit for NW services

- 1Q-3Q22: ¥28.12 billion (+6.3% YoY)
 - 3Q22 gross margin includes a onetime profit contribution of over ¥0.5 billion which was a result of FY21 Docomo's mobile interconnectivity (unit charge) revision. It was smaller than that of ¥1.08 billion in 3Q21
 - 1Q-3Q22 gross margin reflects a YoY decrease in margin of mobile services which is due to the user migration from the old plan, whose voice plan's margin is higher, to the new plan and the enhanced procurement of mobile devices with low margin for marketing purposes
 - 1Q-3Q22 gross margin increased by +¥1.67 billion YoY
 - ✓ NW service (excluding Mobile services) gross margin YoY increase was ¥2.7 billion

◆ Gross profit for SI

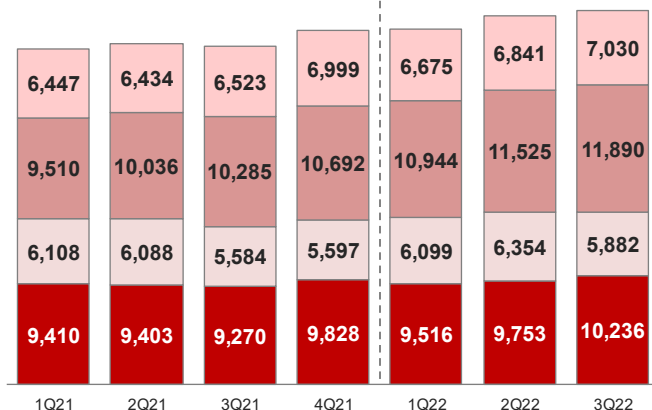
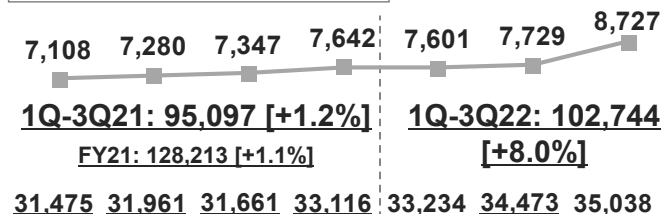
- 1Q-3Q22: ¥12.64 billion (+32.5% YoY)
 - 3Q22 gross margin improved mainly due to an increase in revenues and the mixture of projects

II - 5. Network (NW) Services (1) Revenues

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



Revenue recognition of the order-received large scale monthly recurring revenue projects(*) started as planned (WAN, security, SI operation and IP)



◆ Internet Connectivity (enterprise) Services

- 1Q-3Q22: ¥29.50 billion, +5.1% YoY
 - Of which, IP: ¥10.86 billion, +7.9% YoY
 - ✓ 3 months YoY revenue growth rate: 3Q22 +9.4%, 2Q22 +8.9%, 1Q22 +5.2%
 - ✓ Number of contracts & contracted bandwidth increased mainly due to Tokyo public high school project
 - Of which, Enterprise mobile (IoT usages etc.): ¥8.15 billion, +8.4% YoY
 - Of which, MVNE (IJJ Mobile MVNO Platform Service, service offer to other MVNOs): ¥7.40 billion, -2.8% YoY
 - ✓ Degree of revenue decrease in response to a decrease in procurement cost at the beginning of FY22 was as expected

◆ Internet Connectivity (consumer) Services (Mainly consumer mobile "IJJmio")

- 1Q-3Q22: ¥18.34 billion, +3.1% YoY, of which consumer mobile (IJJmio): ¥15.94 billion, +2.5% YoY

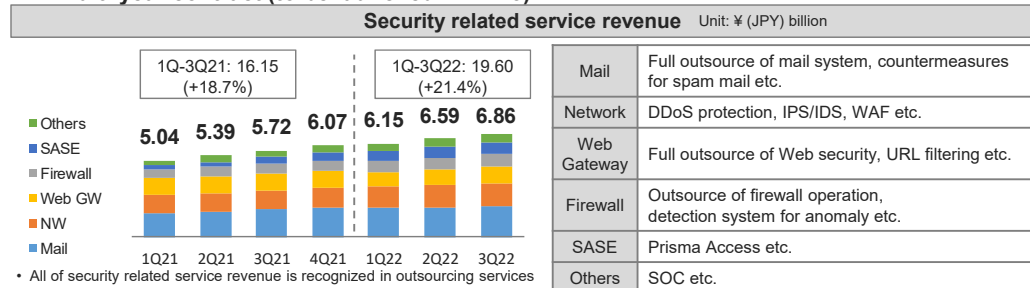
◆ Outsourcing Services (Various in-house developed network services)

- 1Q-3Q22: ¥34.36 billion, +15.2% YoY
 - 3 months YoY revenue growth rate: 3Q22 +15.6%, 2Q22 +14.8%, 1Q22 +15.1%

◆ WAN Services (Closed network services)

- 1Q-3Q22: ¥20.55 billion, +5.9% YoY
 - 3 months YoY revenue growth rate: 3Q22 +7.8%, 2Q22 +6.3%, 1Q22 +3.5%

■ Recently acquired a NW replacement project for a major manufacturing company with a fixed multi-year contract (to be launched in FY23)



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

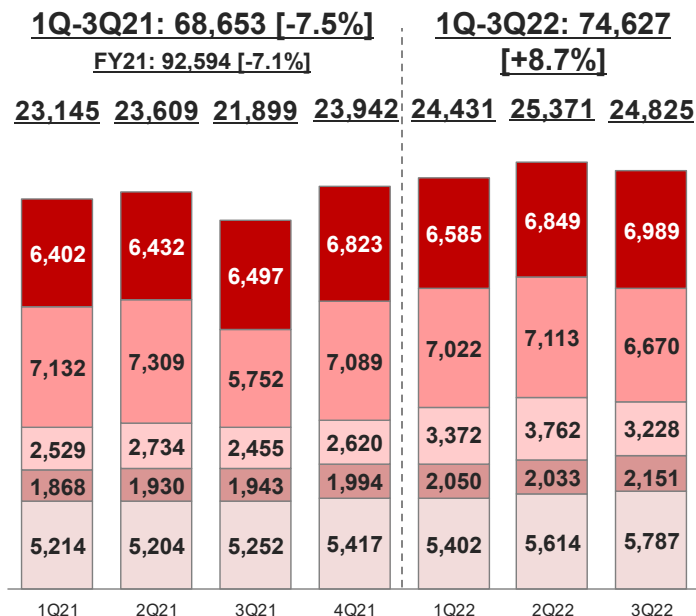
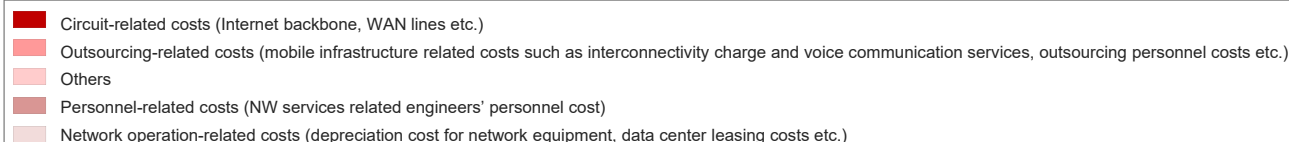
- Total contracted bandwidth is calculated by multiplying number of contracts by contracted bandwidths for IP service and broadband services respectively which are both under Internet connectivity services for enterprise
- IP (Internet Protocol) Service is bandwidth guaranteed dedicated Internet connectivity services for enterprises. Contracts are based on bandwidth and enterprises use the service for their core and main Internet connectivity
- 1Q22 IP, enterprise mobile & WAN revenues decreased QoQ mainly due to a certain large scale NW replacement project whose initial revenue concentrated in 4Q21, which led 1Q22 revenue to decrease by ¥0.29 billion from 4Q21. A large mobile project whose revenue recognized per phase, which led 1Q22 revenue to decrease by ¥0.21 billion from 4Q21
- (*) Details of the order-received large scale monthly recurring revenue projects: around 4Q21-end: Total contracted revenue: over ¥10.0 billion (approximately 70% of the revenues in NW services), 5 projects, contract period: 3 to 4 years. In 1Q22: Total contracted revenue: approximately ¥3.5 billion (most of the revenues in NW services), 9 projects, contract period: 3 to 5 years. Outlook for these monthly recurring revenue recognition: 3Q22 approximately ¥0.5 billion, 4Q22 approximately ¥0.7 billion

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

Unit: ¥ (JPY) million

billion (bn)

[], YoY = Year over year comparison



- Regarding Outsourcing-related costs:
 - Voice purchasing cost (unit charge) was revised lower at the beginning of FY21 and Sep. 2021 (switched to auto-prefix appending)

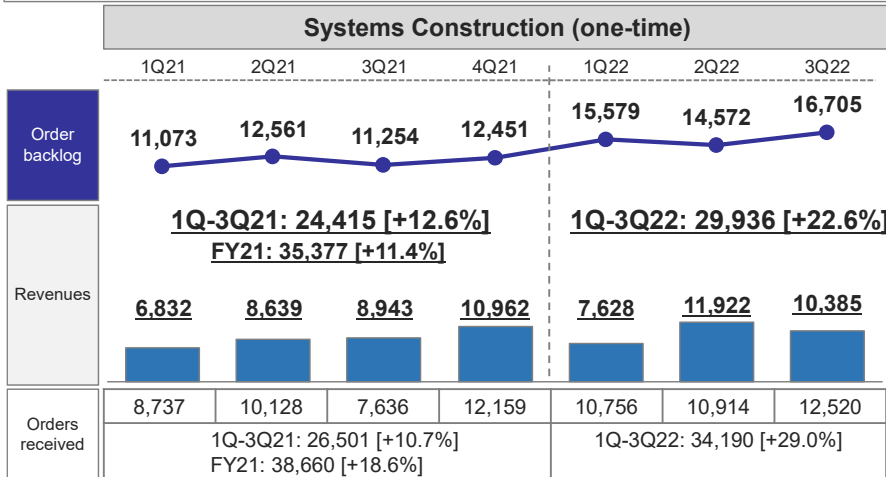
- 1Q-3Q22 Circuit-related costs increased by 5.7%, +¥1.09 bn YoY, along with an increase in WAN revenue which increased by +¥1.14 bn YoY
 - Internet backbone circuit cost remains stable as we can leverage scale merit by having one of the largest Internet backbone networks
- 1Q-3Q22 Outsourcing-related costs increased by 3.0%, +¥0.61 bn YoY
 - In 3Q22, recorded over ¥0.5 bn of a onetime profit contribution which was a result of FY21 Docomo's mobile interconnectivity (unit charge) revision (3Q21 ¥1.08 bn plus impact)
- 1Q-3Q22 Others increased by 34.3%, +¥2.65 bn YoY as the purchasing mobile devices and licenses for SASE and others increased
 - YoY increase for purchasing cost of mobile devices:
 - 1Q22: +¥0.44 bn, 2Q22: +¥0.52 bn, 3Q22 +¥0.16 bn
- Network operation-related costs slightly increase on a quarterly basis

NTT Docomo's mobile data connectivity charge (unit charge)		
	Unit charge based on future cost method	Fixed unit charge
FY20	¥41,436 • Announced in Mar. 2020 • Used this unit charge from 1Q20 • Decreased 3.0% from the FY19 fixed unit charge	¥37,280 • Fixed at the end of Dec. 2021 • Onetime profit contribution of ¥1.08 bn in 3Q21 • Decreased 12.7% from the FY19 fixed unit charge
FY21	¥28,385 • Announced in Apr. 2021 • Used this unit charge from 1Q21 • Decreased 23.9% from the FY20 fixed unit charge	¥27,024 • Fixed at the end of Dec. 2022 • Onetime profit contribution of over ¥0.5 bn in 3Q22 • Decreased by 27.5% from the FY20 fixed unit charge
FY22	¥20,327 • Announced in Mar. 2022 • Have been using this unit charge from 1Q22 • Decreased 24.8% from the FY21 fixed unit charge	• To be fixed around at the end of Dec. 2023

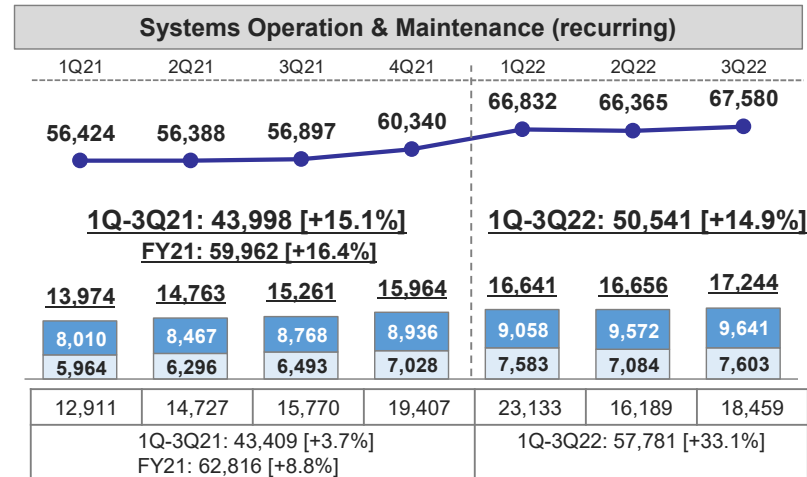
II - 6. Systems Integration (SI) (1) Revenues

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

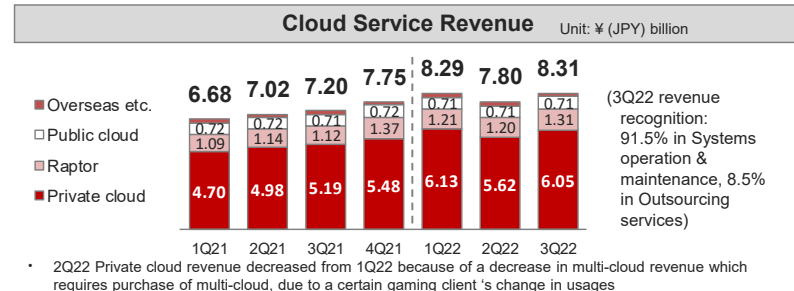
- Systems Construction revenues (including equipment sales)
- Systems operation & maintenance revenues for on-premise system revenues
- Cloud revenues such as private Cloud which are recognized as systems operation & maintenance revenues



- Favorable order situation
 - Continued to accumulate NW integration projects and others from all industries
 - PTC (Singaporean Sler, consolidated from 1Q21) financial performance was stronger than expected. 1Q-3Q22 revenue ¥8.80 billion, operating profit ¥0.53 billion
- Recently acquired large scale projects whose revenue volume is over a few ¥ billion
 - Core information NW infrastructure including NW services for a broadcaster, approximately ¥6.0 billion (to be launched from FY24 in phases)
 - Data centers construction, approximately ¥3.0 billion (to be launched in FY23)
 - Core system platform for a financial group, approximately ¥3.0 billion in total, 5 years contract (Monthly revenues to be recognized from FY24)

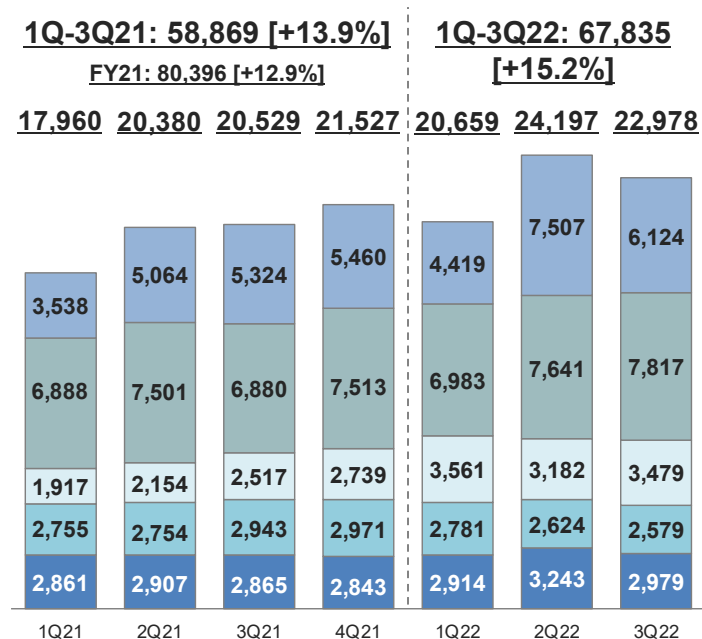
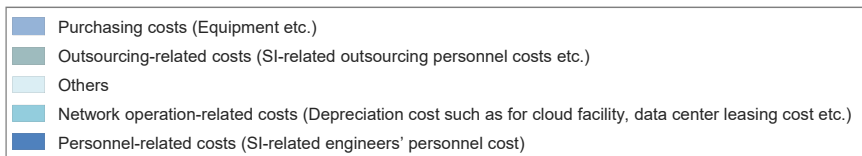


- 1Q22 order-received includes multi-year-fixed large-scale projects (approximately ¥3.0 billion) (Generally speaking, orders received is for 1 year and are automatically renewed)



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

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



- 3Q22 gross margin improved mainly due to an increase in revenues and the low ratio of purchasing cost to the systems construction revenue
- Purchasing and outsourcing-related costs are linked to the size of project and revenue to certain degree
- Others, which include license purchasing for multi-cloud, fluctuate along with multi-cloud demand
- No significant change in network operation-related costs on a quarterly basis

Number of SI-related outsourcing personnel

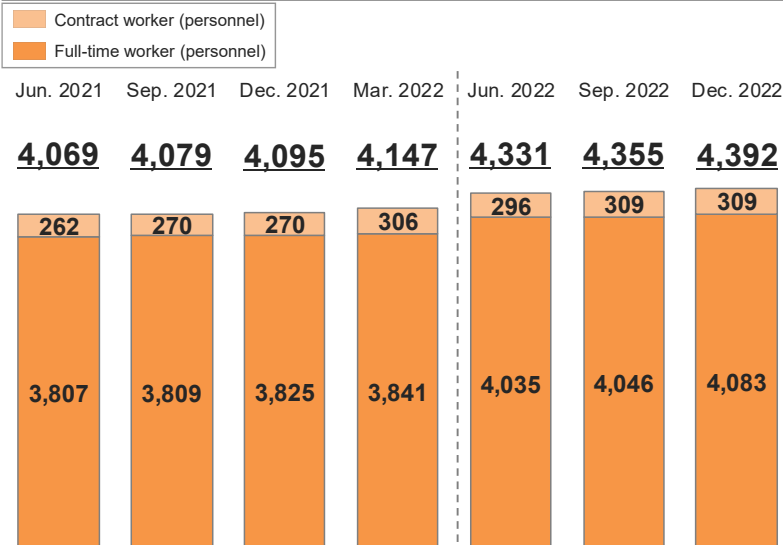
(unit: personnel)

1Q21-end	2Q21-end	3Q21-end	4Q21-end	1Q22-end	2Q22-end	3Q22-end
1,244	1,300	1,302	1,319	1,327	1,390	1,393

II - 7. Human Capital Disclosure

YoY = Year over year comparison

Number of Employees (consolidated basis)

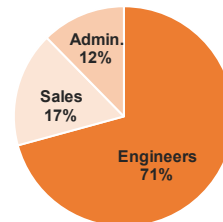


Personnel-related costs & expenses

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

1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22
7,756 (14.6%)	7,892 (14.1%)	7,859 (13.9%)	7,985 (13.1%)	8,177 (14.1%)	8,655 (13.6%)	8,341 (13.2%)
1Q-3Q21: 23,506 (14.2%) +11.2% YoY FY21: 31,491 (13.9%) +10.3% YoY				1Q-3Q22: 25,172 (13.6%) +7.1% YoY		

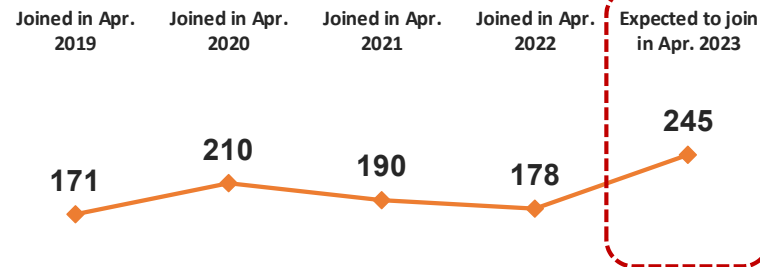
Breakdown of Employees



(As of Dec. 2022)

➤ Breakdown of new graduates is almost identical

Number of new graduates (consolidated basis)

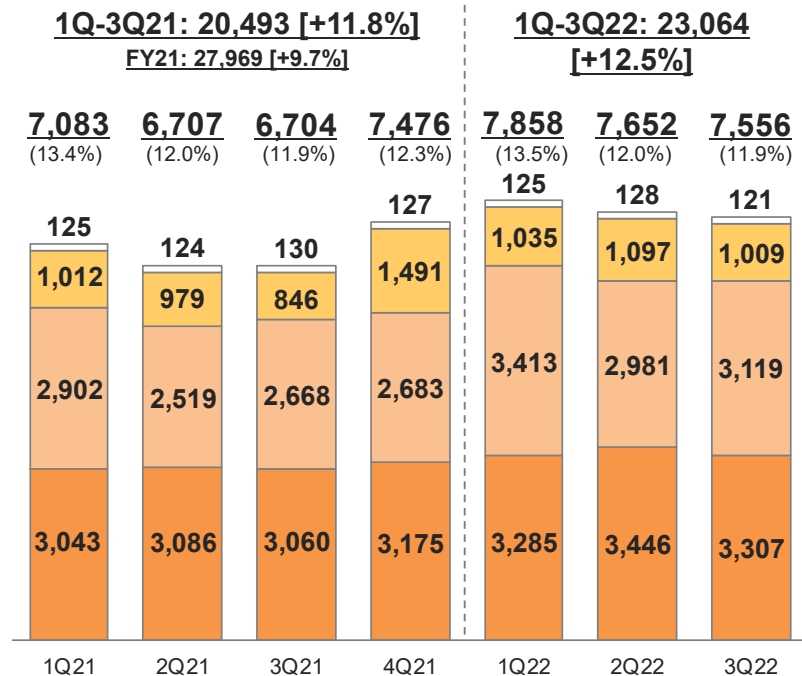


➤ The monthly wage table for new graduates will be updated at the beginning of FY23

- Graduates with bachelor's degree: ¥256,667 per month, +4.8%
- Salary ranges for the existing employees will be revised along with it

II - 8. SG&A

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

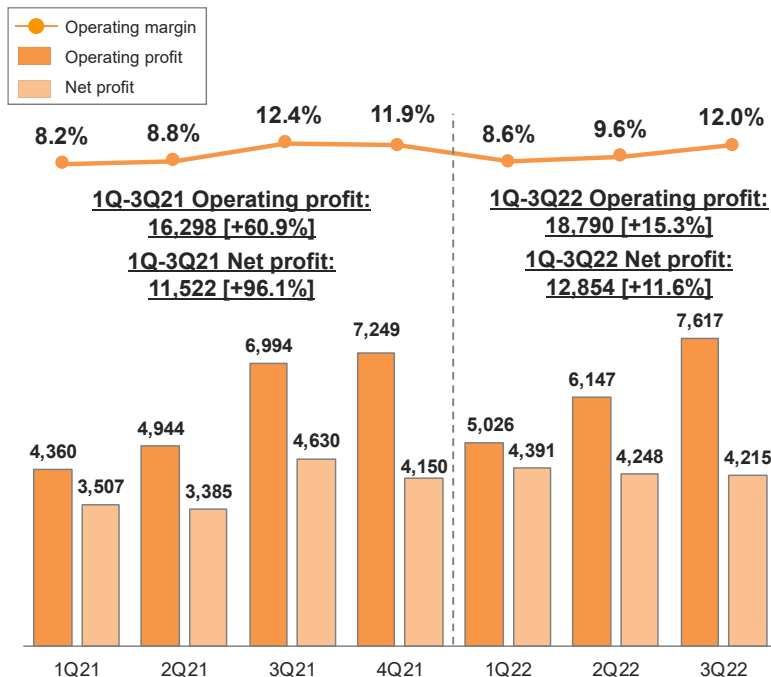


- SG&A is within our budget
- 1Q22 Others increased temporarily mainly due to advertisements for consumer business
- 4Q21 SG&A increased compared to the previous quarters because personnel expenses such as bonus and commission expenses such as sales promotions increased. (4Q21 other expenses also increased due to disposal loss on fixed assets)

- SG&A in this slide shows the sum of SG&A which includes R&D expenses (not including other income/expenses)
- In 4Q21, mobile marketing expenses increased due to a seasonal factor

II - 9. Profit

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



◆ 1Q-3Q22 Operating profit: ¥18.79 billion, +15.3% YoY

◆ 1Q-3Q22 Profit before tax: ¥19.02 billion, +8.1% YoY

- Foreign exchange gain: +¥323 million (1Q-3Q21: +¥98 million)
 - Valuation gain on funds etc.: +¥376 million (1Q-3Q21: +¥2,560 million)
 - ✓ 1Q22: +¥1.2 billion, 2Q22: -¥5 million, 3Q22: -¥820 million
3Q22 includes -¥0.6 billion of foreign exchange loss regarding the U.S. dollar-based funds
 - Share of loss of investments accounted for using equity method: ¥161 million (1Q-3Q21: ¥1,056 million)
- DeCurret-related loss (IIJ ownership:38.2%):
- | 1Q21 | 2Q21 | 3Q21 | 4Q21 | 1Q22 | 2Q22 | 3Q22 |
|------|------|------|-------|------|------|------|
| 296 | 256 | 780 | 1,456 | 78 | 102 | 94 |
- ✓ DeCurret divested its crypto asset business on Feb. 1, 2022 to dedicate its business resources to digital currency business for full-scale service launch (planned in 4Q23). 3Q21 loss increased as it included temporary loss of ¥484 million due to the divestiture in addition to ordinal loss. 4Q21 loss includes ¥1.18 billion of loss as impairment on corresponding amount of goodwill (No more loss related to the divestiture)

◆ 1Q-3Q22 Net profit: ¥12.85 billion, +11.6% YoY

1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	
1,208	292	855	595	1,611	152	(1,374)	Finance income (expense), net
(217)	(155)	(684)	(1,278)	(14)	(64)	(83)	Share of profit (loss) of investments accounted for using equity method
(1,807)	(1,667)	(2,500)	(2,388)	(2,136)	(1,982)	(1,931)	Income tax expense
36	30	35	27	96	5	14	Profit for the period attributable to non-controlling interests

- Net profit shows "Profit for the period attributable to owners of the parent"
- Under IFRS, equity securities are measured at fair value through OCI (Other Comprehensive Income) while funds are measured through profit or loss

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

Unit: ¥ (JPY) million

	Mar. 31, 2022	Dec. 31, 2022	Changes
Cash & cash equivalents	47,391	41,327	(6,064)
Trade receivables	37,649	36,079	(1,570)
Inventories	2,608	4,290	+1,682
Prepaid expenses (current & non-current)	24,006	27,757	+3,751
Tangible assets	17,846	22,902	+5,056
Right-of-use assets	44,874	42,498	(2,376)
Of which, operating leases (rent of office, data center etc.)	27,859	26,647	(1,212)
Of which, finance leases (network equipment etc.)	17,015	15,851	(1,164)
Goodwill & intangible assets	25,903	25,990	+87
Investments accounted for using the equity method	5,830	5,598	(232)
Other investments	17,410	17,689	+279
Others	8,289	10,728	+2,439
Total assets:	231,805	234,858	+3,053
Trade & other payables	20,742	23,819	+3,077
Borrowings (current & non-current)	21,870	20,441	(1,429)
Contract liabilities & Deferred income (current & non-current)	17,405	17,083	(322)
Income taxes payable	5,795	1,978	(3,817)
Retirement benefit liabilities	4,395	4,578	+183
Other financial liabilities (current & non-current)	47,181	45,449	(1,732)
Of which, operating leases (rent of office, data center etc.)	28,157	26,983	(1,174)
Of which, finance leases (network equipment etc.)	18,069	16,733	(1,336)
Others	9,796	8,345	(1,451)
Total liabilities:	127,184	121,693	(5,491)
Share capital	25,562	25,562	-
Share premium	36,518	36,677	+159
Retained earnings	37,024	44,977	+7,953
Other components of equity	6,275	6,621	+346
Treasury shares	(1,851)	(1,831)	+20
Total equity attributable to owners of the parent:	103,528	112,006	+8,478

- Increase in inventories and prepaid expenses along with business expansion
- Shiroy data center construction-related
- Repayment of borrowings
- Payment of income taxes etc.

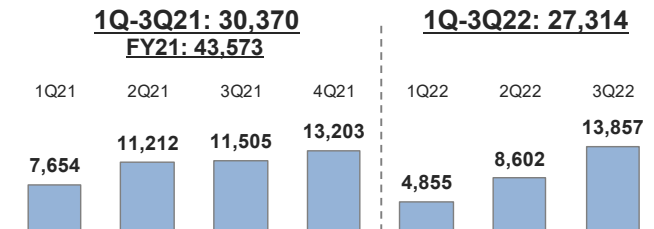
Ratio of total equity attributable to owners of the parent:

- 44.7% as of Mar. 31, 2022
- 47.7% as of Dec. 31, 2022

II - 11. Consolidated Cash Flows

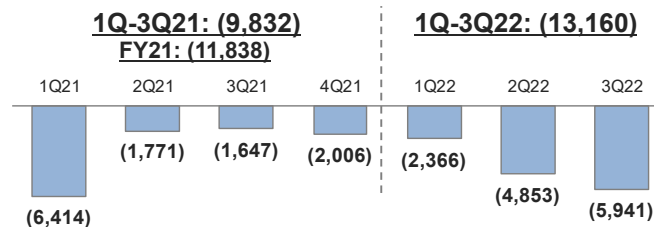
Unit: ¥ (JPY) million
YoY = Year over year comparison

Operating Activities



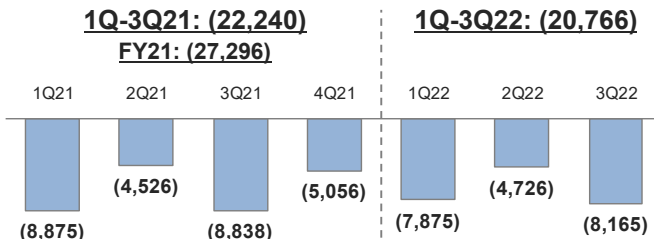
	1Q-3Q22 Major Breakdown	YoY Change
Profit before tax	19,018	+1,421
Depreciation and amortization	21,254	+166
Changes in operating assets & liabilities	(2,991)	(1,694)
Income taxes paid	(9,871)	(4,191)

Investing Activities



	1Q-3Q22 Major Breakdown	YoY Change
Purchase of tangible assets	(9,760)	(4,867)
Purchase of intangible assets such as software	(4,150)	(523)
Proceeds from sales of tangible assets (leaseback)	1,216	(560)

Financing Activities

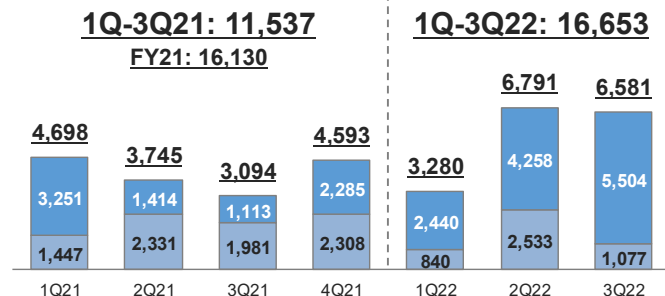
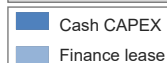


	1Q-3Q22 Major Breakdown	YoY Change
Payment of operating/finance leases and other financial liabilities	(14,396)	+269
Dividends paid	(4,901)	(1,065)
Repayment of long-term borrowings	(1,500)	+3,670

II - 12. Other Financial Data

Unit: ¥ (JPY) million

CAPEX



➤ Breakdown (Unit: JPY billion)

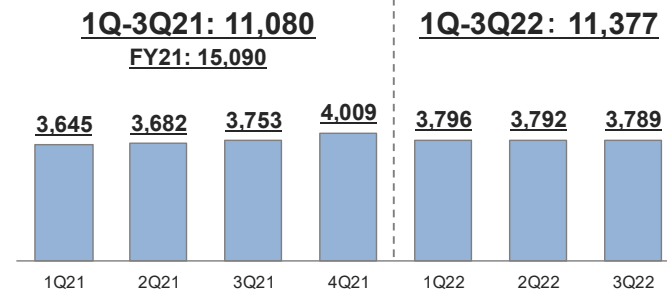
	1Q-3Q21	1Q-3Q22
NW Usual Capex	6.7	7.9
Cloud-related	1.9	1.2
Shiroi DC-related	0.6	5.3
Customer-related	2.3	2.3
ATM-related	0.0	0.0

➤ FY22 outlook: ¥21.5 billion which includes approx. ¥5.0 billion for Shiroi DC second site

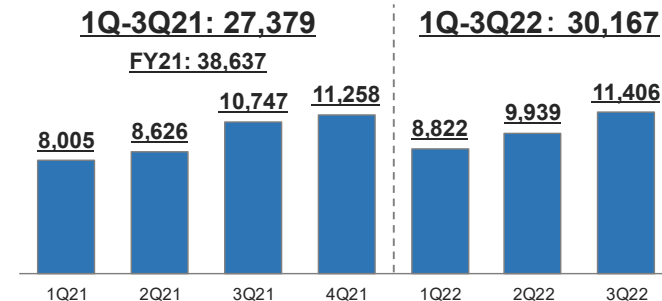
- Unchanged from the year-beginning outlook

- 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.

CAPEX-related depreciation and amortization



Adjusted EBITDA



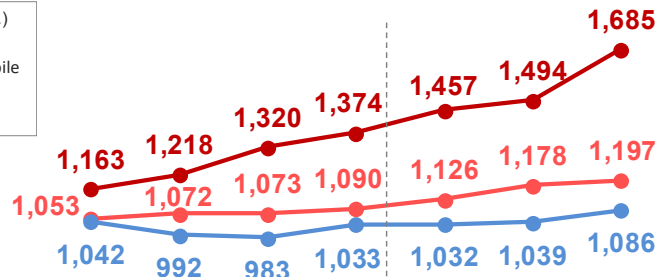
III - 1. Service & Business Developments: Mobile & IoT

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

Mobile Subscription (Subs.)

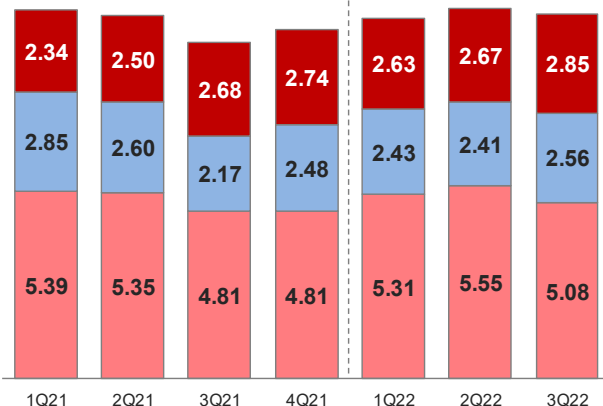
Subscriptions (Subs.)
(unit: thousand)

Enterprise mobile
IIJmio
MVNE



Mobile Revenue

10.58 10.44 9.66 10.03 10.37 10.63 10.49



Revenues
(unit: ¥ billion)

Enterprise mobile
MVNE
IIJmio

◆ Enterprise mobile (deducting MVNE from IIJ Mobile)

- 1Q-3Q22 revenue: ¥8.15 bn (+¥0.63 bn YoY)
- 3Q22-end subs.: 1,685 thousand (+192 thousand QoQ)
 - Largely increased mainly due to additional orders from the existing GPS tracker for kids projects and Digital Agency's project for their agriculture and fishers government solution service
 - Launched inexpensive & simple "IIJ Mobile Service/type D for IIJmio Biz" (Jan. 2023). Flat-rate voice services as an option ¥1,700 per month. The below table is on a monthly basis (excerpts, excluding tax.)

Bundled data volume	4GB	8GB	20GB	40GB
Data and voice	¥900	¥1,364	¥1,819	¥3,009

◆ MVNE (providing mobile services to other MVNOs)

- 1Q-3Q22 revenue: ¥7.40 bn (-¥0.22 bn YoY)
 - Degree of revenue decrease in response to a decrease in procurement cost at the beginning of FY22 was as expected
- 3Q22-end subs.: 1,086 thousand (+47 thousand QoQ)
 - General enterprises' subscriptions are increasing. The subscribers related to one particular client being bought by a MNO are decreasing
- 3Q22-end MVNE clients: 176 clients (+11 clients YoY)
 - Cable TV operators (91 operators), prominent retailer etc.

◆ IIJmio (consumer)

- 1Q-3Q22 revenue: ¥15.94 bn (+¥0.39 bn YoY)
 - Smaller marketing activities utilizing mobile devices with low margin in 3Q22 compared to 2Q22 which led to QoQ revenue decrease
- 3Q22-end subs.: 1,197 thousand (+18 thousand QoQ)
 - Awarded for best customer satisfaction (ORICON, J.D. Power, and JCSI)
 - Opened same-day-opening-counters at EDION, a prominent retailer (11 stores, in Jan. 2023)

GigaPlans (unit: thousand)	1Q21- end	2Q21- end	3Q21- end	4Q21- end	1Q22- end	2Q22- end	3Q22- end
Subs.	462	556	607	667	757	837	878
Of which, new users	17%	30%	34%	38%	43%	48%	41%

In 3Q22, recorded over ¥0.5 bn of onetime profit contribution as FY21 Docomo's mobile data connectivity charge was fixed. (3Q21 ¥1.08 bn plus impact)

Continued to expand in-house developed service lineups

IIJ Secure Access Service (ISA)

- ◆ IIJ's been long fulfilled the SASE concept through individual services such as managed firewall
- ◆ Launched in-house developed SASE services by incorporating security requirements
- ◆ Differentiate by operating within Japan, high compatibility with other IIJ's security services including C-SOC Services, able to start small, mid-to-low price range etc.

Features of the service

- A packaged product utilizing IIJ's existing security functions' strength
- Handle Japanese enterprises' information asset in data centers located in Japan
- Developed in-house with a focus on cost effectiveness. Improve operation productivity and centralized management with IIJ's original user interface

ISA	Palo Alto's Prisma Access
Mainly for network within Japan	Mainly for global network
Small start (minimum number of users: 50)	Target large number of users (over 500 users)
Mid-to-low price range	High-priced, high functionality, high efficiency
Japanese language support	-
Aggregating managed services	Require large-scale integration when installing
Extensive engineers support	Automation & XDR-centric design

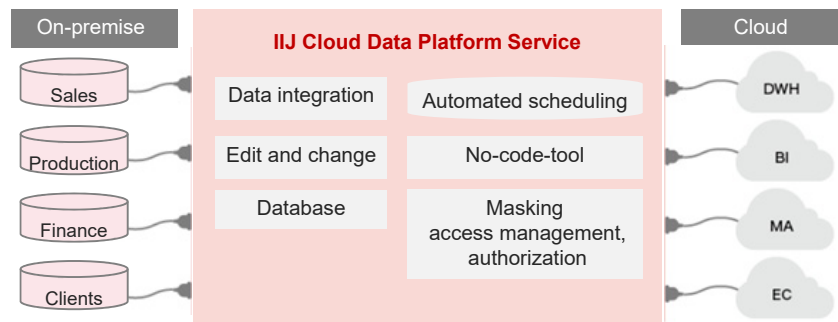
- SASE (Secure Access Service Edge) is a concept to shift controls of network and security on the route to Cloud services to enable secure access from any points, instead of the conventional centralized management through headquarters or data centers. This concept is gaining popularity along with Cloud migration of enterprise operation systems, prevalence of flexible workstyle including teleworking.

IIJ Cloud Data Platform Service (CDP)

- ◆ Enables easy & secure data linkage between on-premise & multi-cloud
- ◆ Provides functions that promote data utilization through cloud-based platform
- ◆ More than 90 types of adapters for cloud to integrate data faster (AWS, Microsoft, Google, Salesforce, Oracle, SNS and others)

Features of the service

- Users can utilize data very flexibly with no-coding tools and various cloud interfaces
- Classified data is protected with data masking. Data is handled safely.
- As a managed cloud service, small start is possible



- DWH (Data Ware House), BI (Business Intelligence), MA (Marketing Automation)

NTT 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 MNOs are to disclose the charges for next three years based on their prediction about cost etc.				
New				Fixed at the end of Dec. 2022 ¥27,024 -27.5% YoY -4.8% compared to the previously announced charge	Announced in Mar. 2022 ¥20,327 -24.8% YoY -8.4% compared to the previously announced charge	¥15,697 -22.8% YoY -12.9% compared to the previously announced charge	¥13,207 -15.9% YoY
Current	<u>¥49,311</u> -6.0% YoY	<u>¥42,702</u> -13.4% YoY	<u>¥37,280</u> -12.7% YoY	Announced in Apr. 2021 ¥28,385 -23.9% YoY -14.5% compared to the previously announced charge	¥22,190 -21.8% YoY -20.5% compared to the previously announced charge	¥18,014 -18.8% YoY	
Old	<u>¥49,311</u> -6.0% YoY	<u>¥42,702</u> -13.4% YoY	Announced in Mar. 2020 ¥41,436 -3.0% YoY	¥33,211 -19.8% YoY	¥27,924 -15.9% YoY		

- The same calculation method is applied to both the actual cost method and the future cost method: (Data communication cost + profit) / demand
- As for our FY20 usage charge, from 1Q20, we applied ¥41,436 per Mbps as a unit charge which was disclosed by NTT 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.
- The charge disclosed based on the future cost method is to be finalized based on MNOs actual cost results etc. FY21 charge of ¥28,385 was fixed at the end of Dec. 2022. MNO is an abbreviation for Mobile Network Operator such as NTT Docomo.
- Mobile interconnectivity charges, which are underlined above, had been fixed based on the results
- The YoY (Year over Year) decrease percentage written under each charge is compared with the previous year charge
- The charge is public information disclosed in NTT Docomo's service terms and conditions document uploaded on NTT Docomo's website (only available in Japanese)

<https://www.docomo.ne.jp/binary/pdf/corporate/disclosure/mvno/business/oroshi.pdf>

Comparison between the old & new plans of consumer mobile

Including tax

Old

Basic Monthly Charge	Minimum Start Plan (3GB)	With voice	¥1,760
		Data-only	¥990
	Light Start Plan (6GB)	With voice	¥2,442
		Data-only	¥1,672
	Family Share Plan (12GB)	With voice	¥3,586
		Data-only	¥2,816
	Pay as you go		
	Voice call charge as you go	¥22 per 30 seconds	

New: GigaPlans (Apr. 2021~)

			New Price from April 1, 2022
2Giga Plan (2GB)	With voice	¥858	¥850
	Data-only	¥748	¥740
4Giga Plan (4GB)	With voice	¥1,078	¥990
	Data-only	¥968	¥900
8Giga Plan (8GB)	With voice	¥1,518	¥1,500
	Data-only	¥1,408	¥1,400
15Giga Plan (15 B)	With voice	¥1,848	¥1,800
	Data-only	¥1,738	¥1,730
20Giga Plan (20GB)	With voice	¥2,068	¥2,000
	Data-only	¥1,958	¥1,950
Pay as you go			
Voice call charge as you go	¥11 per 30 second (from Sep. 2021)		

- The above table briefly indicates service prices for major functions to show the differences between the old and new plans
 - Voice call charge is only for domestic calls. New voice call charge as you go was revised on September 11, 2021 and is applied to old plan's users
 - eSIM service for consumers: "IIJmio eSIM Service Data Plan Zero" launched in Mar. 2020, Data communication service using NTT Docomo's LTE and 3G network
- Pricing: monthly charge (bundled data volume: 0 GB), ¥165 per month. Additional data volume: First 1GB ¥330 per GB, 2GB to 10GB: ¥495 per GB

Creation of Guiding Principles for Employees “Backbone of IIJ”

- ◆ “Backbone of IIJ” was created by volunteer members across departments as a guideline for realizing IIJ's business philosophy and accelerating future growth on the occasion of IIJ's 30th anniversary.
- ◆ The name “Backbone of IIJ” was chosen in the hope that it would become a "spiritual pillar" that IIJ employees would carry on as well as making a reference to "backbone network" which is the foundation of IIJ

1. Challenge: Every action is for achievement

We make action and get others involved toward realizing not only big ambition but also small improvement.

With flexible mindset and active discussion, we deepen our ideas not only for innovation but also for improvement.

If somebody has an exciting idea and is seeking to make it happen, we shall join such initiatives.

We will continue to have discussions and take challenges which has been our tradition since the company's inception.

2. Curiosity: Don't stop at “Just being interested”

Every curiosity counts because it could lead to something extraordinary. This is why we sincerely value ours as well as others' curiosity.

Curiosity is one of our driving force which has led to “IIJ as first in the world/Japan” and high customer satisfaction.

The curiosity of employees is our important asset which can neither be visualized nor quantified.

We believe that such asset is opening up the possibility of Internet and making network society even better.

3. Passion: Pursuing “My Interests” is the path to becoming a professional

We work with commitment and passion when we see something interesting in front of us.

Such approach allows us to make more decisions on our own, enlarge what we can do, and make work more enjoyable.

We continue to strive with passion to be professionals and leading experts.

4. Responsibility: Never compromise. Not accepting “this should be good enough”

We contribute to society by providing “Internet infrastructure.”

We have a commitment to society that we shall provide uninterrupted and protected Internet connectivity, continue to improve Internet and show new possibility of Internet.

Going forward, we shall continue to be sincere for those beyond each job and never compromise.

5. Respect: Listen, especially when you are not sure

We aim for an organization in which people with diverse background and values can exercise one's strength and have discussion from various view points.

Even it seems difficult, we are committed to mutual respect and honest communication.

Sincere communication means never cheat on the spot, speaking honestly and avoiding misunderstandings.

This is how we have been creating a working environment where diversified talents can demonstrate their abilities and achieve great satisfaction.

【Reference】
Presentation material for company overview
P. 22 – 38

IIJ has been taking initiatives in Internet Infrastructure field in Japan

Established	December 1992 (The first established full-scale ISP in Japan)
Number of Employees	4,392 (approx. 70% engineers)
Large Shareholders	NTT group (26.9%), Koichi Suzuki (5.9%)

◆ The first established full-scale ISP (Internet Service Provider) in Japan

- ✓ Introduce many in-house developed Internet-related network services
- ✓ Highly skilled IP (Internet Protocol) engineers from the inception
- ✓ Operate one of the largest Internet backbone networks in Japan

◆ Well recognized “IIJ” brand among Japanese blue-chip companies’ IT division

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

◆ Development of innovative Internet-related services

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

...and many more

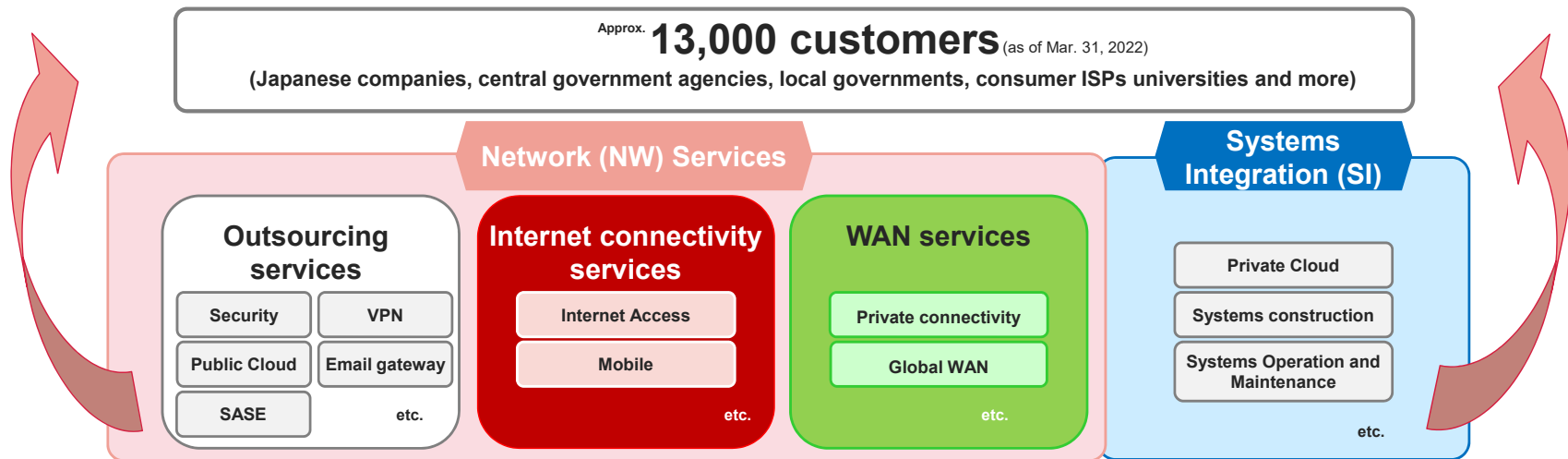
- Number of employees is consolidated basis and as of Dec 31, 2022.
- Large shareholders are as of Sep. 30, 2022 and their shareholding ratios (%) are calculated by deducting number of treasury stock from the total number of shares issued. The ownership of Koichi Suzuki, IIJ's Chairman, includes his wholly owned private company portion.

About IJJ	Business Model
Strength	Growth Strategy



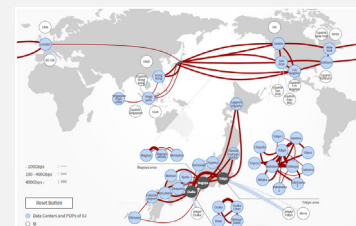
IIJ as a Total Network Solution Provider

Offers various network services and systems integration together in many projects



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

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



IIJ's Backbone Network

Management Structure

<https://www.ijj.ad.jp/en/ir/integrated-report/directors/>
Holdings of IIJ shares are as of September 30, 2022 (Stock-split reflected)
Suzuki's share includes his wholly owned private company portion

About IIJ

Business
Model
Growth
Strategy

Strength



Koichi Suzuki

- Founder of IIJ
- Chairman, Representative Director and co-CEO
- Holdings of IIJ share: 10,632,722 shares (5.9%)
- Date of birth: September 1946



Eiji Katsu

- President, Representative Director and co-CEO & COO
- Career: Vice Minister of Finance
- Holdings of IIJ shares: 198,700 shares (0.1%)
- Date of birth: June 1950



Satoshi Murabayashi

- Executive Vice President and Director (since June 2021)
- Career: CIO at MUFG Financial Group, Inc.
- President and Representative Director of DeCurret Holdings, IIJ's affiliated company, as a concurrent position
- Holdings of IIJ shares: 3,802 shares (0.0%)
- Date of birth: November 1958



Yasuhiko Taniwaki

- Executive Vice President and Director (since June 2022)
- Career: Vice-Minister for Policy Coordination of Posts and Telecommunications at the Ministry of Internal Affairs and Communications (MIC)
- Holdings of IIJ shares: none
- Date of birth: September 1960

Full-time Directors

Senior Managing Directors

- K. Kitamura
- A. Watai (CFO)

Managing Directors

- T. Kawashima
- J. Shimagami (CTO)
- N. Yoneyama (CIO)

Outside Independent Directors: (of which, 1 female. Outside independent director is 35.7% to the total directors)

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

Company Auditors

(of which, 3 outside, 1 female)

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

Reward for full-time directors

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

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

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

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

IIJ's Material Issues



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

◆ Bringing innovation with IP

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

◆ Own highly energy effective data centers

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

◆ Information disclosures based on the TCFD Recommendations

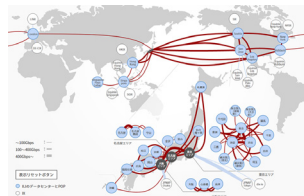
- Reduce greenhouse gas emissions at its own data centers which account for more than 70% of greenhouse gas emissions (Scope 1 and 2) through "usage of renewable energy" and "improvement of energy conservation"

Measures	Targets
Usage of renewable energy	To increase the renewable energy usage rate of data centers (Scope 1 and 2) to 85% in FY2030.
Improvement of energy conservation	To keep the PUE of the data center at or below the industry's highest level (1.4) until FY2030 through continuous technological innovation.



Provide safe and robust Internet services that support social infrastructure

◆ Provide stable and safe Internet connectivity services, construct and operate Internet backbone that cover the world



◆ Support privacy protection regulations. Had acquired EU BCR and APEC CBPR



Provide an arena for people with diverse talents & values, where they can exercise their skills & actively and boldly take on challenges

- ◆ Corporate culture of taking initiatives and challenging new things since the inception
- ◆ Human resources culture of sincerely striving to meet the demands of clients
- ◆ Lower than the industry average turnover

FY19	FY20	FY21
4.6%	3.6%	4.2%

◆ Target for diversity: the ratio of female managers

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

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

➤ <https://www.iiij.ad.jp/en/ir/integrated-report/governance/>

Overview of corporate governance	Operation of the Board of Directors	Operation of the Board of Company Auditors
Operation of the Nomination and Remuneration Committee	Design of Remuneration for Directors	Business Operation
Operation of Internal Audit	Initiatives for Information Security	Related Party Transactions

- PUE(Power Usage Effectiveness) is a metric that shows how efficiently electricity is used at a data center. The closer to 1.0 is considered to be good.
- TCFD: Task Force on Climate-related Financial Disclosures
- Scope 1 and 2 (Greenhouse gas emissions by a company): Direct emissions from the use of fuels and industrial processes at the company and indirect emissions from the use of electricity and heat purchased by the company (as defined by the GHG Protocol)
- The turnover rate of IIJ (non-consolidated basis) is calculated by dividing leavers for the fiscal year by the number of full-time employees at the beginning of that fiscal year. The industry average turnover rate of approximately 10% is announced by the Ministry of Health, Labor, and Welfare

Strength	Weakness
High technological capabilities ◆ First full-scale ISP in Japan ◆ Highly skilled Internet-related engineers ◆ NW service development & operation capabilities ◆ One of the largest Internet backbone networks in Japan ◆ Reliable Internet backbone operation ◆ Excellent customer base ◆ Corporate culture of pioneering spirit	◆ Business domain mostly in Japan ➢ IIJ's overseas business is mainly global network operation and is to increase Japanese clients' loyalty ◆ Smaller in size compared to competitors ➢ IIJ continuously develops innovative network services and solutions to be ahead of the market needs
Opportunity	Threat
Digitalization (DX) in Japan ◆ Network, CPU and storage are becoming faster and larger, Domains of network and systems are converging ◆ Internet traffic increasing ◆ Security demands expanding: zero trust and cyber security ◆ Cloud shift ◆ Japan, slow IT adopter, including public sector is changing triggered by the Pandemic•Digitalization to advance	◆ Slow IT adoption in Japan ➢ IIJ focuses on promoting digitalization of large Japanese companies with various network services and systems integration to fully meet their needs

Extensive Service Lineup

Unit: ¥ (JPY) billion

About IJ	Business Model
Strength	Growth Strategy

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

Monthly Recurring Revenue83%

One time revenue

Monthly Recurring Revenue 83%

One time revenue

Monthly Recurring Revenue Accumulation

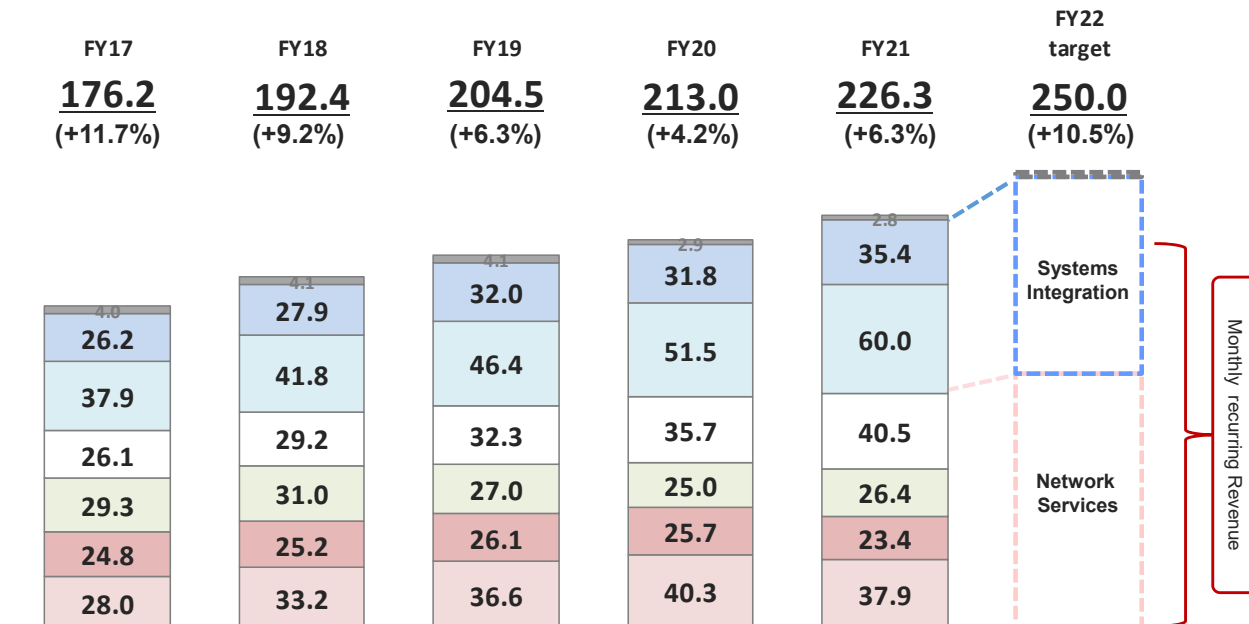
Unit: JPY billion
% = Year over year change

Business Model
Growth Strategy
Strength

Revenues

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

Monthly recurring revenues



Monthly recurring Revenue

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

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

Capex and Business Developments

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

Large CAPEX increase due to aggressive business investment

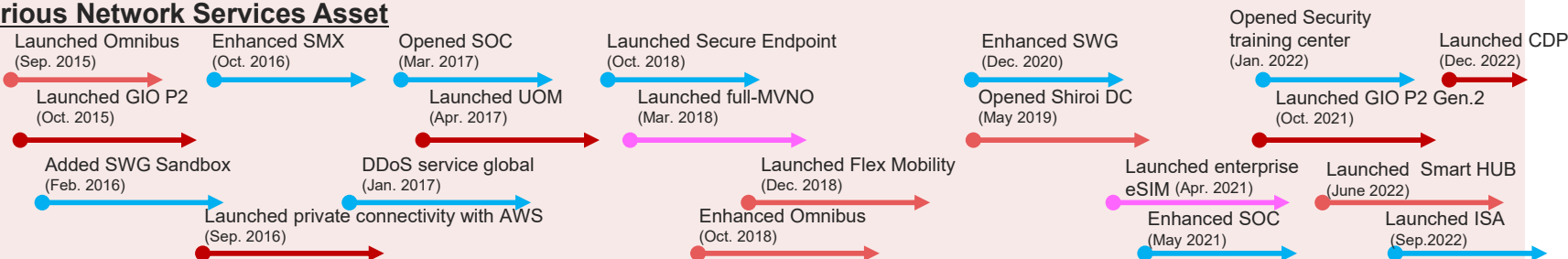
Stronger demands for enterprise network services

CAPEX & its depreciation almost same volume

Cost stabilizing

Including 5.0 billion for Shiroy DC 2nd site

Various Network Services Asset



• FY16: US-GAAP, from FY17: IFRS

• CAPEX-related depreciation and amortization is calculated by excluding depreciation and amortization of assets that do not have the nature of capital investment, such as right-of-use assets related to operating leases, small-amount equipment and customer relationship

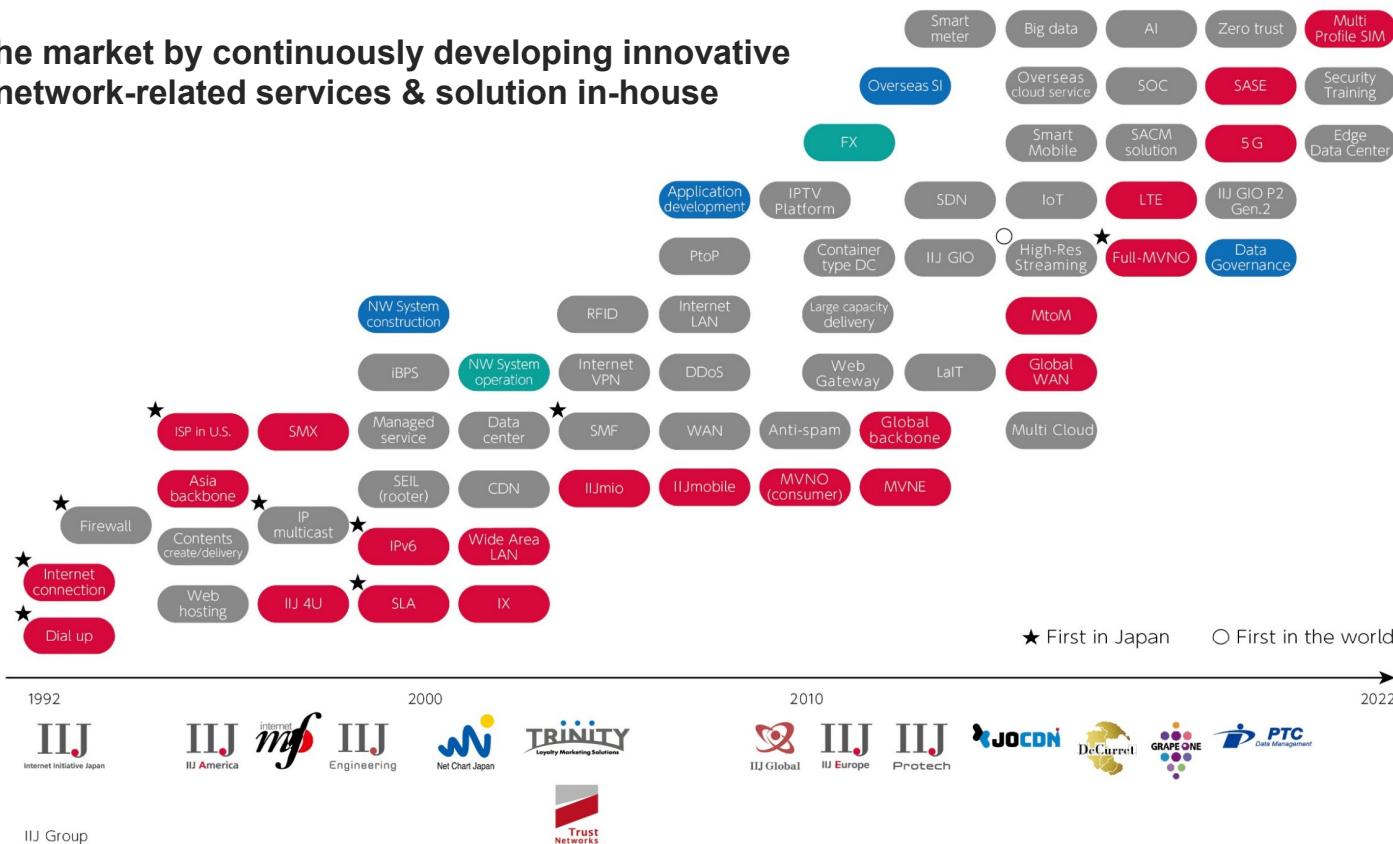
Service & Solution Development Capability

About IIJ

Business Model
Growth Strategy

Strength

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



Excellent Customer Base

(Number of IIJ Group's clients: approximately 13,000 as of March 31, 2022)

About IIJ

Business
Model
Growth
Strategy

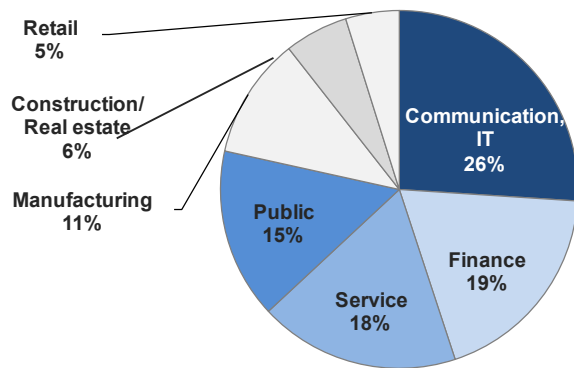
Strength

- ◆ Through reliable operation, continuous use of Internet connectivity services since the inception of IIJ
- ◆ Our reliable infrastructure operation and cross-sell strategy have led to low churn rate

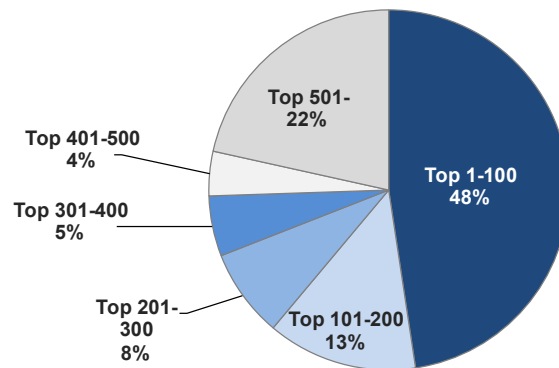
Cover Most of Top Revenue Companies



Revenue Distribution by Industry



Revenue Distribution by Clients



- * Top ten firms in each industry taken from annual revenues are selected by IIJ based on the Yahoo! Japan Finance website (finance/sales/whole market/daily).
- * The service penetration and the revenue distributions are based on IIJ's FY21

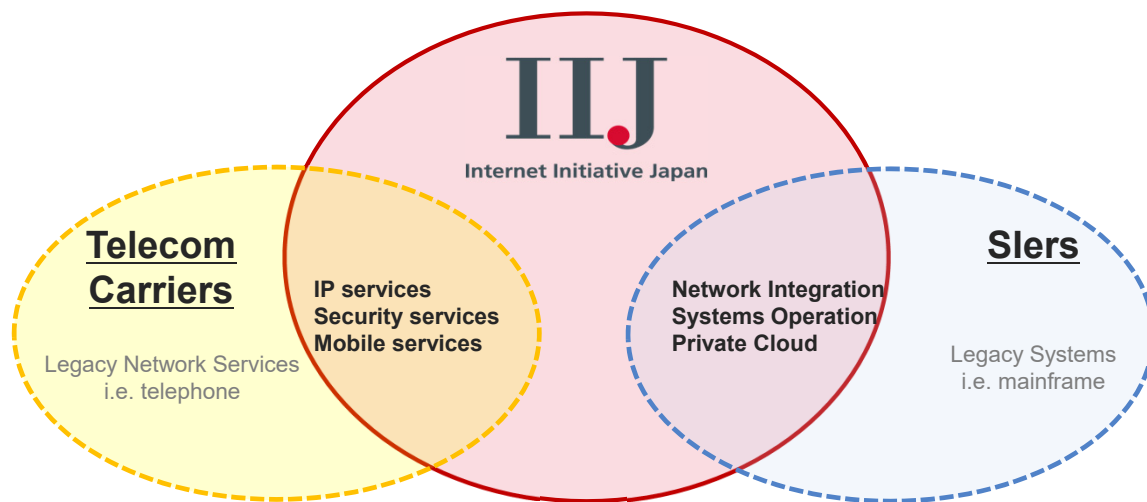
Competitive Advantages

Against telecom carriers, IIJ

- Has highly skilled IP (Internet Protocol) engineers
- Is faster to move than bureaucratic organizations
- Focuses on blue-chip companies' IT needs with SI

Against systems integrators (Slers), IIJ

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

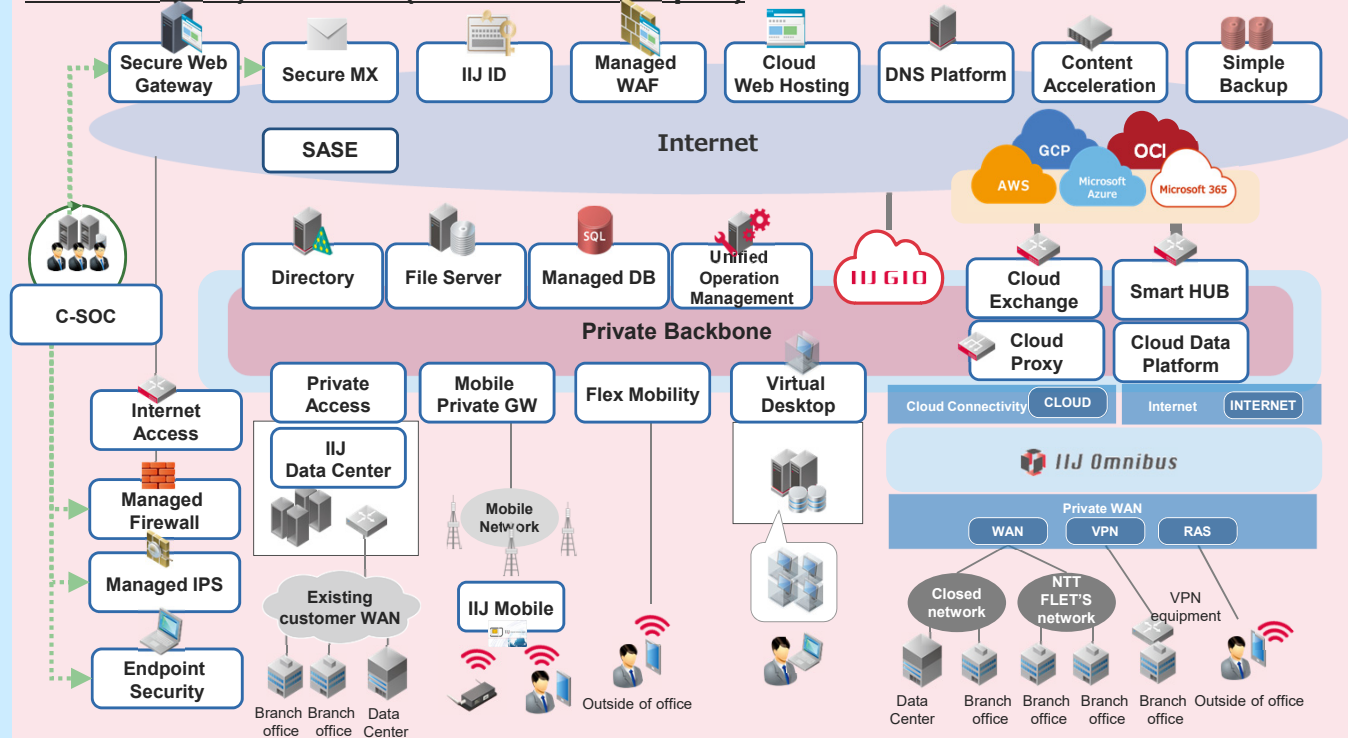


**IIJ deals with newer systems and growing IT market
(Not involved in heavy and legacy systems)**

NW Services and SI provided together as a Total Solution

Systems Integration (SI) to meet specific requirements cannot be covered by NW services

Network (NW) services (in-house developed)



Mid-term Plan (FY21-FY23)

Unit: JPY billion

About IJ

Business Model

Strength

Growth Strategy

Previous Mid-term

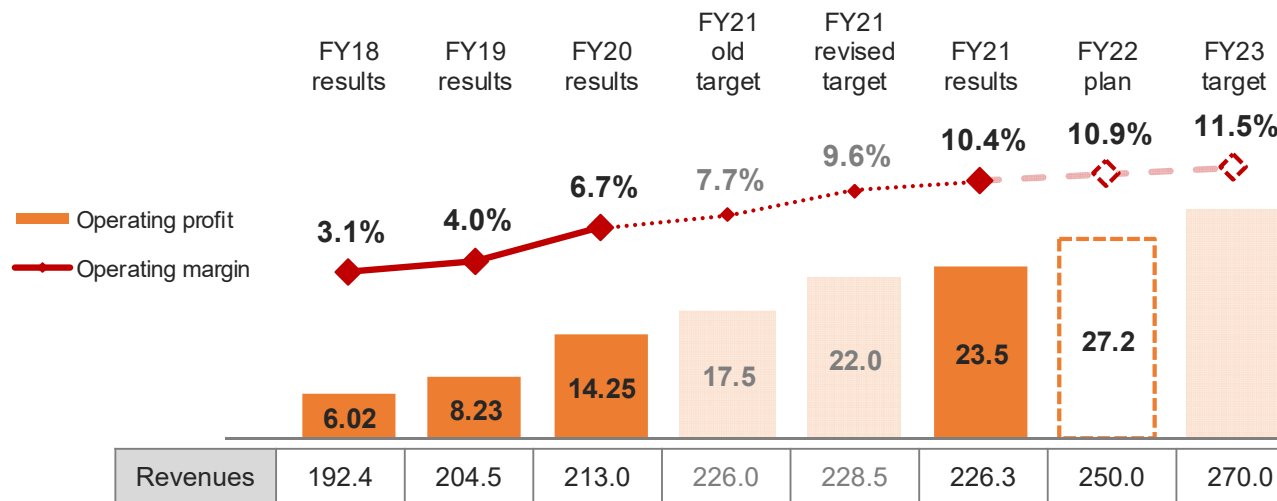
(FY15~FY20)

Current Mid-term

(FY21~FY23)

Longer term growth

(FY24~)



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

Key Points of the Mid-term Plan

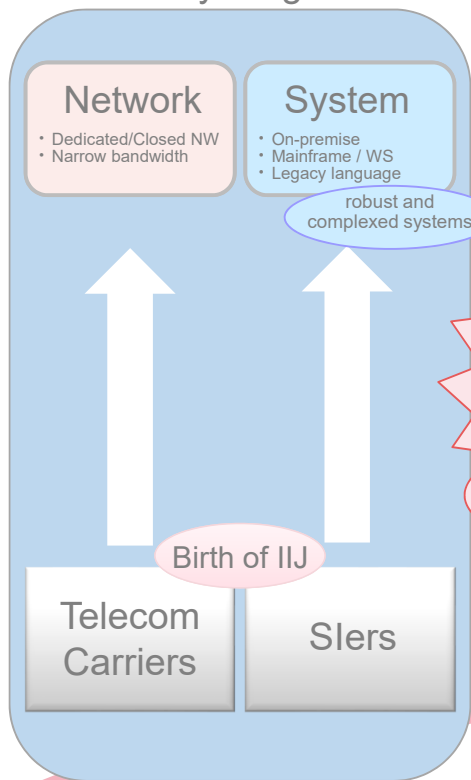
- ◆ Continuously develop services & solution
- ◆ **Execute & strengthen the current strategy, target to improve operating margin**
- ◆ Market capitalization to largely increase including M&A opportunities etc.
- ◆ Contribute to sustainable networked society through technology innovation and NW operation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

FY23 Operating Margin Target



Drastically Changing Enterprises Circumstance

30yrs Ago



Emergence of Internet

Based on software technology

Struggling switch to open systems

High Speed/Capacity Network

CPU/Storage Performance Improve

Internet Usages Progressed

Security for various incidents

Zero Trust Concept

Gradual Cloud Shift

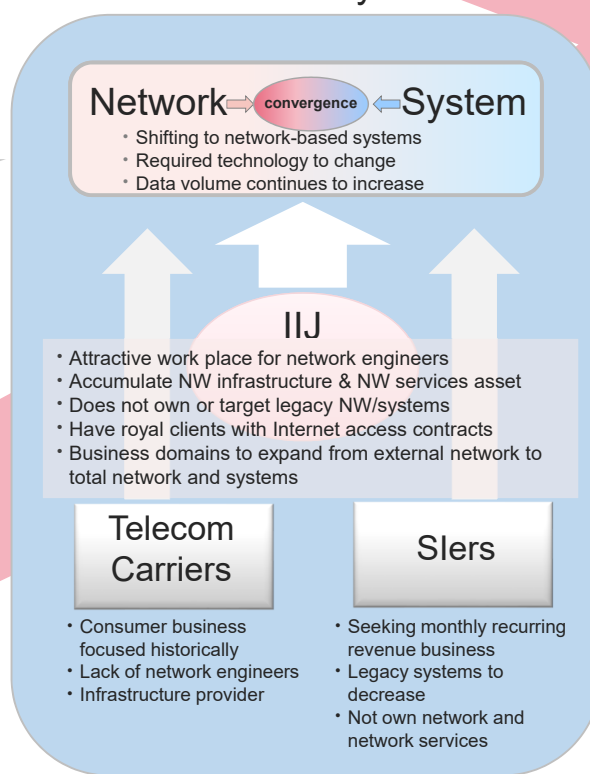
Data Analysis and AI

Preliminary IoT usages

Still slow move in conservative Japan

IT adoption at last forced by Pandemic

Nowadays



Labor shortage require more IT

Japan needs more competitiveness by IT

Every CEO says DX
(Digital Transformation)

Legacy NW and Systems to be reformed

Internet Traffic Continue to Increase

Cyber Security Demands

Importance for Data governance

Cloud Systems Penetration

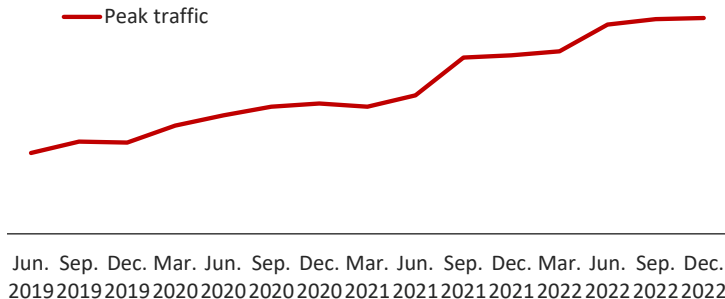
5G SA adoption and advanced IoT projects

Importance of stable operation of large-scale NW remains unchanged

Structural Changes

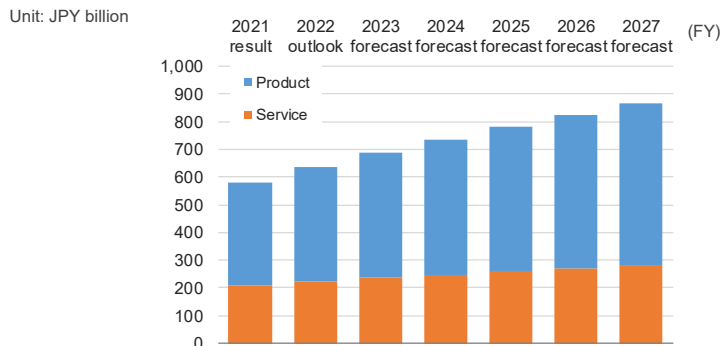
Market Growth Forecast etc.

Historical traffic data of major domestic IX



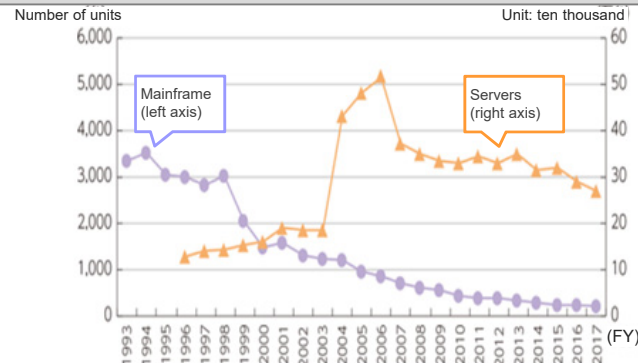
Source: INTERNET MULTIFEED CO.

Network security business market forecast



Source: Fuji Chimera Research Institute "2022 Network Security Business Survey" <https://www.fcr.co.jp/pr/21117.htm>

Domestic shipments of mainframe and servers



Source: JEITA (Japan Electronics and Information Technology Association)
<https://www.soumu.go.jp/johotsusintokei/whitepaper/ja/r01/html/nd111140.html>

Digital competitiveness ranking (2022)

1	Denmark
2	U.S.A.
3	Sweden
4	Singapore
5	Switzerland
(omission)	
28	Spain
29	Japan

Source: IMD WORLD DIGITAL COMPETITIVENESS RANKING 2022
<https://www.imd.org/centers/world-competitiveness-center/rankings/world-digital-competitiveness/>



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.