

Consolidated Financial Results for 1Q22

(April 1, 2022 to June 30, 2022)

Internet Initiative Japan Inc. (IIJ)
The Prime Market of the Tokyo Stock Exchange (Ticker symbol: 3774)
August 5, 2022

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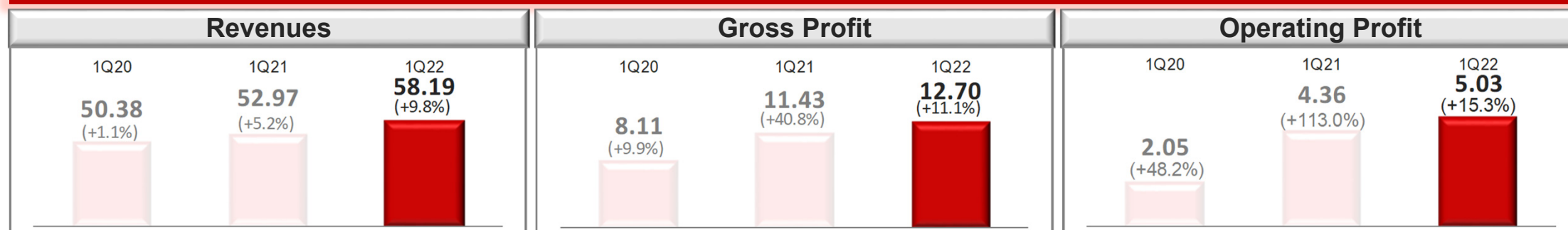
• FY22(FY2022) means a fiscal year ending March 31, 2023. Others alike

I . Summary of 1Q22

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

FY22 started as planned from 1Q Strong demands for NW Services continued
Revenues ¥58.19 bn +9.8% Operating Profit ¥5.03 bn +15.3%

Acquired and accumulated multi-year-fixed contracts NW replacement and other projects that are to make revenue contribution from 2Q. Stronger than expected SI construction order-received
 As enterprise network becoming advanced and complex, opportunities to propose and acquire such projects that require NW services & SI visibly increasing in the recent years



Network Service Following 4Q21 momentum, acquired multi-year-fixed contracts such as NW replacement Total contracted revenue: ¥3.5 bn (9 projects, 3-5 years)

- Acquired projects such as security-related projects for enterprises, construction of governmental information platform system, enhancement of Internet gateway for large financial institution and others
- Cloud connectivity service "IIJ Private Backbone Service/Smart HUB" launched in June 2022 to further enhance overall network service lineups
- 1Q22 IP and WAN service revenues slightly decreased QoQ as expected mainly because a certain large project's initial revenue concentrated in 4Q21

Mobile Consumer: Customer acquisition pace improved under changing competitive landscape. Stronger than expected start
 Enterprise: Revenue and subscription to grow by continuously accumulating IoT usages such as for network cameras

- 1Q22-end total mobile subs: 3,616 thousand (+118 thousand QoQ) of which, consumers +36 thousand QoQ (4Q21-end +17 thousand QoQ), of which enterprise mobile (excl. MVNE) +83 thousand QoQ
- Strategy to offer value-added solutions such as multi-carrier (mobile carriers redundancy) and eSIM for back-up has been successful and attracting users

SI Started with strong demand Construction: Order-received +23.1%, Order backlog +40.7%

Equity method investee
DeCurret Preparation for the service launch: Granted a patent for "Two-tiered Digital Currency Platform" and executing various PoCs

Stock Split Scheduled to conduct a stock split at a ratio of two-for-one with an effective date of October 1, 2022

II - 1. Consolidated Financial Results

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

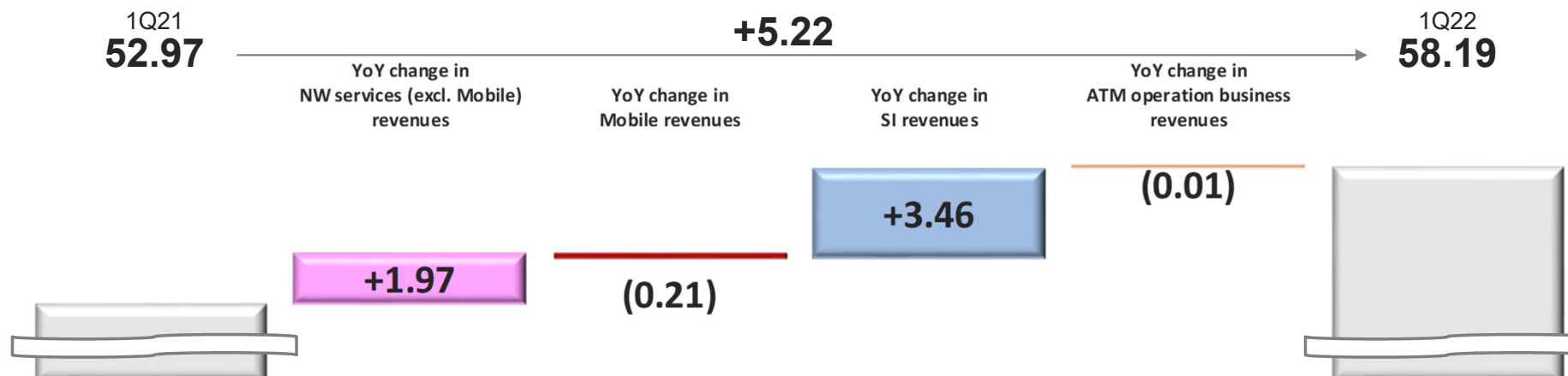
	<small>% of revenue</small>	<small>% of revenue</small>	YoY		<small>% of revenue</small>	YoY		<small>% of revenue</small>	YoY	
	1Q22 Results <small>Apr. 2022 - June 2022</small>	1Q21 Results <small>Apr. 2021 - June 2021</small>			FY2022 1H Targets <small>(Announced in May 2022) Apr. 2022 - Sep. 2022</small>			FY2022 Targets <small>(Announced in May 2022) Apr. 2022 - Mar. 2023</small>		
Revenues	58.19	52.97	+9.8%	+5.22	117.0	+7.3%	+7.95	250.0	+10.5%	+23.66
Cost of Revenues	<small>78.2%</small> 45.49	<small>78.4%</small> 41.55	+9.5%	+3.94	<small>77.7%</small> 90.9	+5.7%	+4.93	<small>76.9%</small> 192.2	+10.0%	+17.49
Gross Profit	<small>21.8%</small> 12.70	<small>21.6%</small> 11.43	+11.1%	+1.27	<small>22.3%</small> 26.1	+13.1%	+3.01	<small>23.1%</small> 57.8	+12.0%	+6.17
SG&A etc.	<small>13.2%</small> 7.67	<small>13.3%</small> 7.07	+8.6%	+0.61	<small>13.2%</small> 15.4	+11.7%	+1.62	<small>12.2%</small> 30.6	+9.0%	+2.52
Operating Profit	<small>8.6%</small> 5.03	<small>8.2%</small> 4.36	+15.3%	+0.67	<small>9.1%</small> 10.7	+15.0%	+1.40	<small>10.9%</small> 27.2	+15.5%	+3.65
Profit before tax	<small>11.4%</small> 6.62	<small>10.1%</small> 5.35	+23.8%	+1.27	<small>8.8%</small> 10.3	(1.3%)	(0.13)	<small>10.5%</small> 26.3	+8.8%	+2.14
Net Profit	<small>7.5%</small> 4.39	<small>6.6%</small> 3.51	+25.2%	+0.88	<small>5.8%</small> 6.8	(1.3%)	(0.09)	<small>7.0%</small> 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

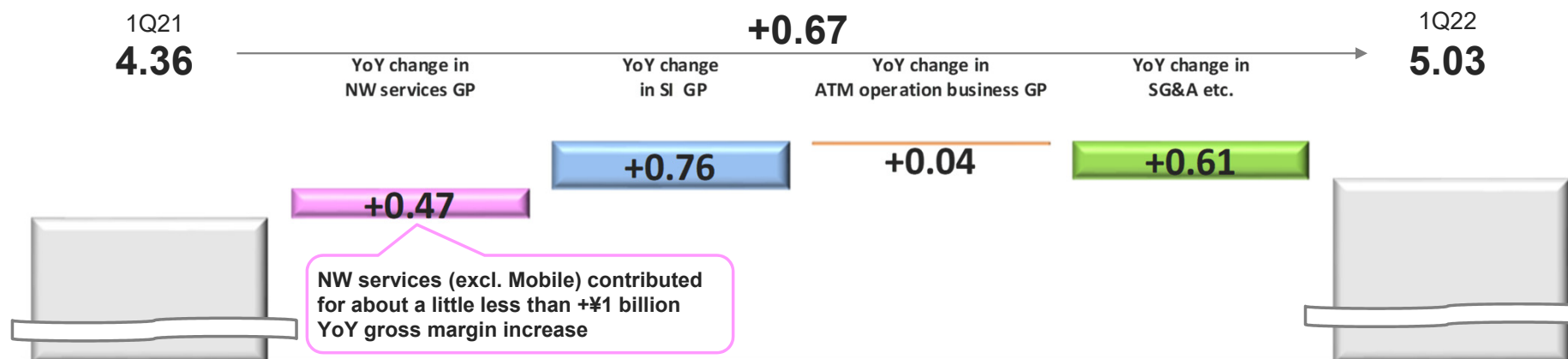
Unit: ¥ (JPY) billion (bn)
 GP = Gross Profit
 YoY = Year over year comparison

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)

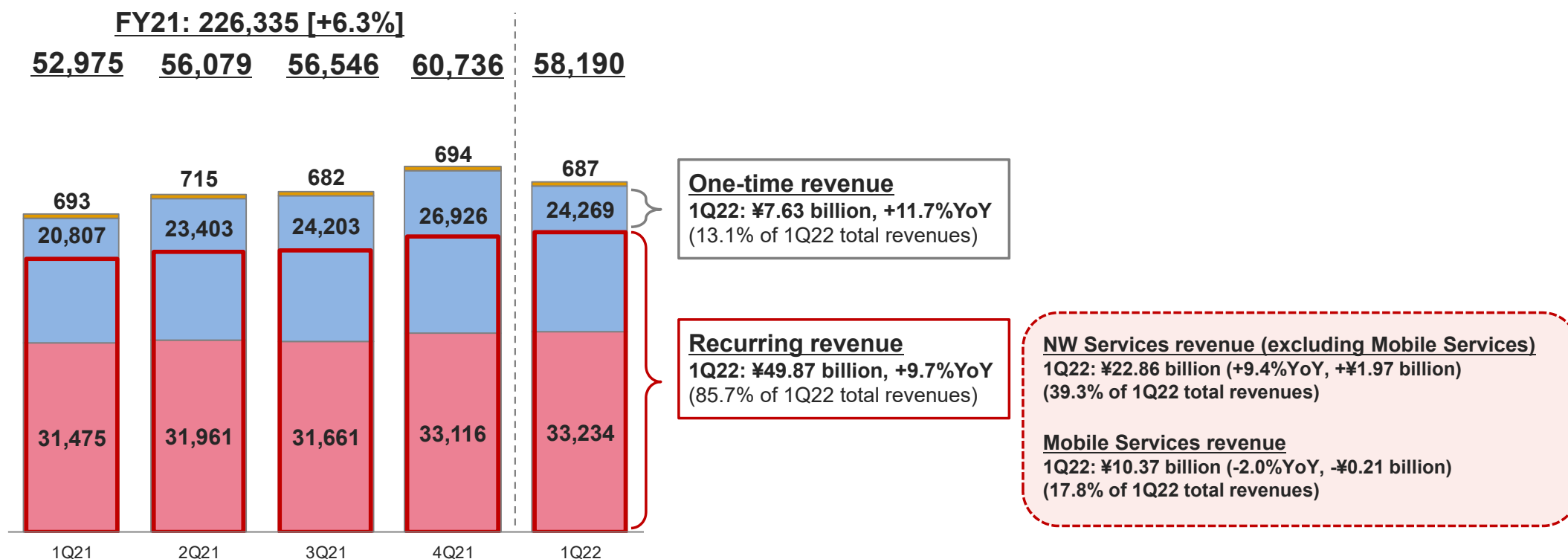
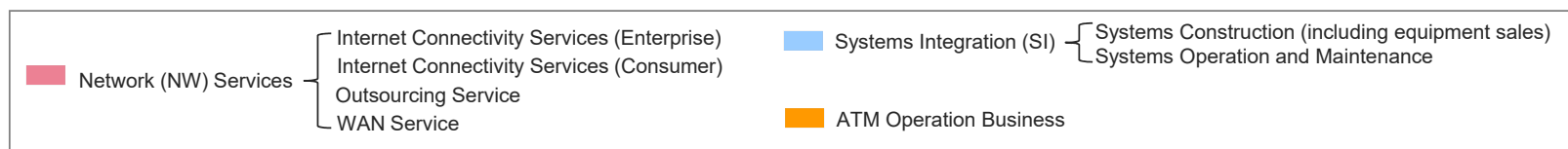
Operating Profit



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

II - 3. Revenues

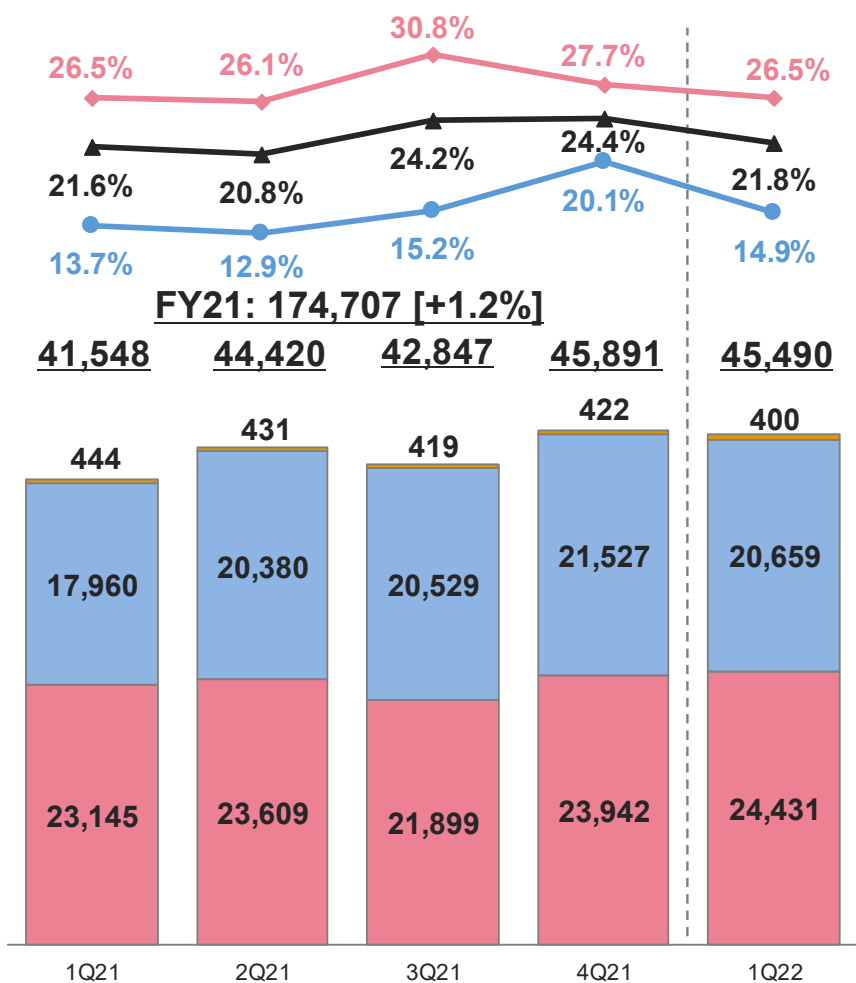
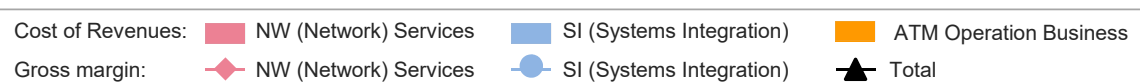
Unit: ¥ (JPY) million
[], YoY = Year over year comparison



- One-time revenue, systems construction revenues which include equipment sales, is mainly recognized when systems 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



◆ Total gross profit

- 1Q22: ¥12.70 billion (+11.1%, +¥1.27 billion YoY)

◆ Gross profit for NW services

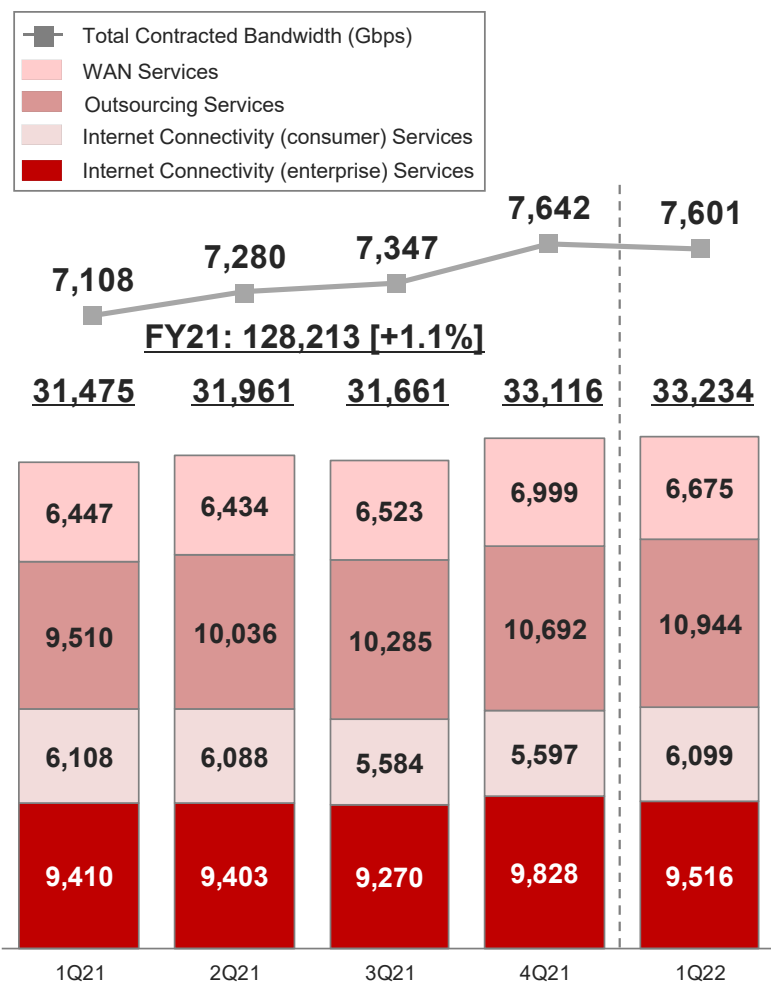
- 1Q22: ¥8.80 billion (+5.7%, +¥0.47 billion YoY)
 - 1Q22 gross margin slightly decreased from 4Q21 mainly due to increased cost at the beginning of a new fiscal year
 - 1Q22 gross margin reflects YoY decrease in the margin of mobile services. The margin of mobile services is to gradually decrease as the users of the old plan, which voice plan's margin is higher, are migrating to the new plan continuously
 - 3Q21 gross margin includes a onetime profit contribution of approximately ¥1.08 billion which was a result of FY20 Docomo's mobile interconnectivity (unit charge) revision

◆ Gross profit for SI

- 1Q22: ¥3.61 billion (+26.8%, +¥0.76 billion YoY)
 - Due to seasonality, 1Q22 gross margin is lower than 4Q21 due to the seasonality of lower quarter revenue
 - 4Q21 gross margin increased mainly due to a large systems construction revenue, which is a seasonal factor, and a small purchasing cost portion

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 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
- ARPU is an abbreviation for Average Revenue Per User

◆ Internet Connectivity (enterprise) Services

- 1Q22: ¥9.52 billion, +1.1% YoY
 - Of which, IP (dedicated Internet access service for enterprises): ¥3.45 billion, +5.2% YoY
 - Of which, Enterprise mobile (IoT usages etc.): ¥2.63 billion, +12.4% YoY
 - Of which, MVNE (IIJ Mobile MVNO Platform Service, service offer to other MVNOs): ¥2.43 billion, -14.7% YoY
 - ✓ Revenue decreased as we reflected the annual revision of mobile data interconnectivity charge in our selling price to MVNE clients. The magnitude of revenue decrease was as expected.

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

- 1Q22: ¥6.10 billion, -0.1% YoY, of which consumer mobile (IIJmio): ¥5.31 billion, -1.5% YoY
 - Revenue decreased along with ARPU decrease which is a result of the user migration from the old plan which is higher ARPU to the new plan "GigaPlans" which has been taking place since 1Q21. Expect such migration impact to take place throughout FY22
 - 1Q22-end IIJmio subscription: 1,126 thousand (+36 thousand QoQ, 4Q21-end +17 thousand QoQ) of which GigaPlans: 757 thousand (+90 thousand QoQ)
 - ✓ 1Q22 net addition more than doubled from 4Q21 under changing competitive landscape

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

- 1Q22: ¥10.94 billion, +15.1% YoY, of which Security: ¥6.15 billion, +22.2% YoY

◆ WAN Services

- 1Q22: ¥6.68 billion, +3.5% YoY

◆ Demands for network services continued to be strong

- Following 4Q21, continued to accumulate multi-year-fixed middle scale projects related to network replacement etc. which are to be recognized as revenues gradually from 2Q22
 - As for 4Q21, total contracted revenue: ¥10 billion or slightly more, 5 projects, as for 1Q22, total contracted revenue: about ¥3.5 billion, 9 projects

◆ Internet traffic continue to grow along with the advancement of IT usages

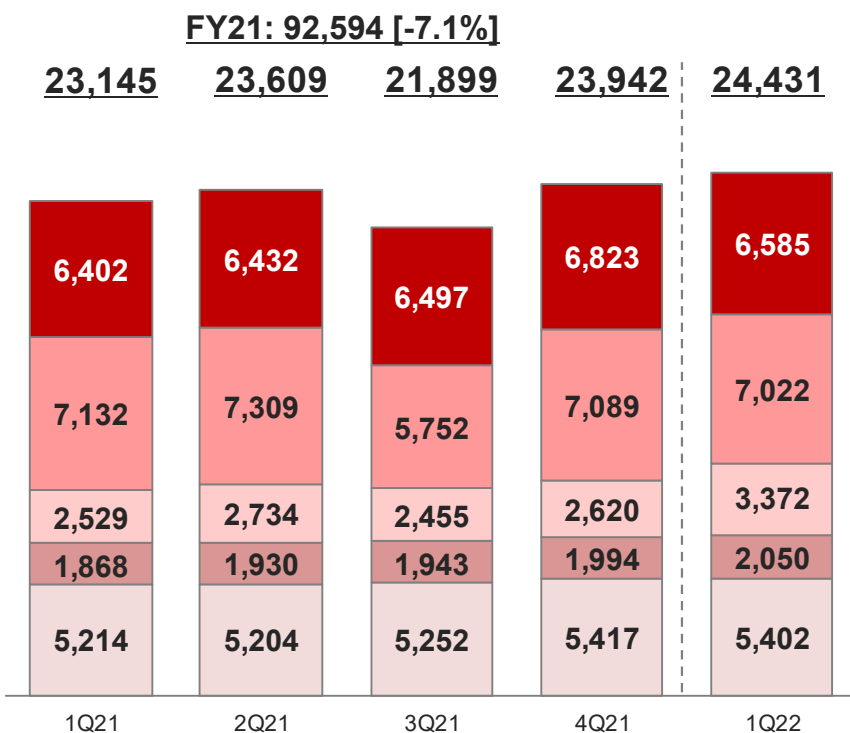
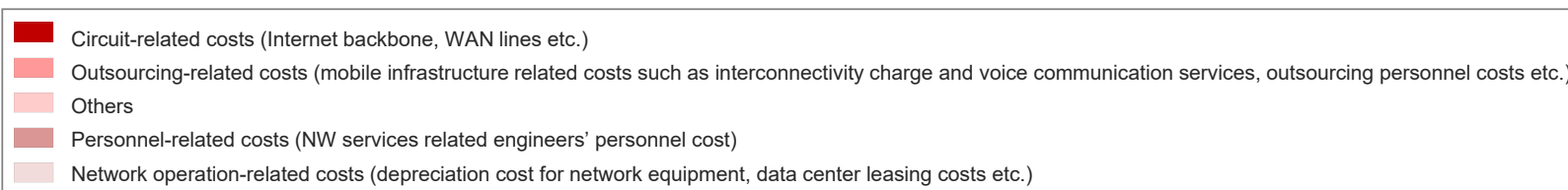
- Traffic volume comparison between June 2021 and June 2022:
 IIJ backbone 1.4 times (at peak), Major domestic IX: 1.3 times (total traffic)

◆ 1Q22 IP, enterprise mobile and WAN revenues decreased QoQ as planned mainly due to the following factors

- Due to a certain large scale network replacement project which initial revenue concentrated in 4Q21, revenue decreased by ¥0.29 billion from 4Q21 to 1Q22, due to a large mobile project which revenue recognized per phase, revenue decreased by ¥0.21 billion from 4Q21 to 1Q22

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

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



- 1Q22 Circuit-related costs increased by 2.9%, +¥0.18 billion YoY, along with WAN revenue increase
 - Internet backbone circuit cost remains stable as we can leverage scale merit by having one of the largest Internet backbone networks
- 1Q22 Outsourcing-related costs decreased by 1.5%, -¥0.11 billion YoY mainly because costs related to mobile data interconnectivity decreased
- 1Q22 Others increased by 33.3%, +¥0.84 billion YoY as the purchasing for mobile devices and licenses for SASE and others increased
 - YoY increase for purchasing cost of mobile device: 1Q21: up ¥0.52 billion, 2Q21: up ¥0.72 billion, 3Q21: up ¥0.48 billion, 4Q21: up ¥0.19 billion, 1Q22: up ¥0.44 billion
- Personnel-related costs increased at a constant level from year to year
- No significant increase in network operation-related costs on a quarterly basis

Regarding mobile data interconnectivity cost recognition:

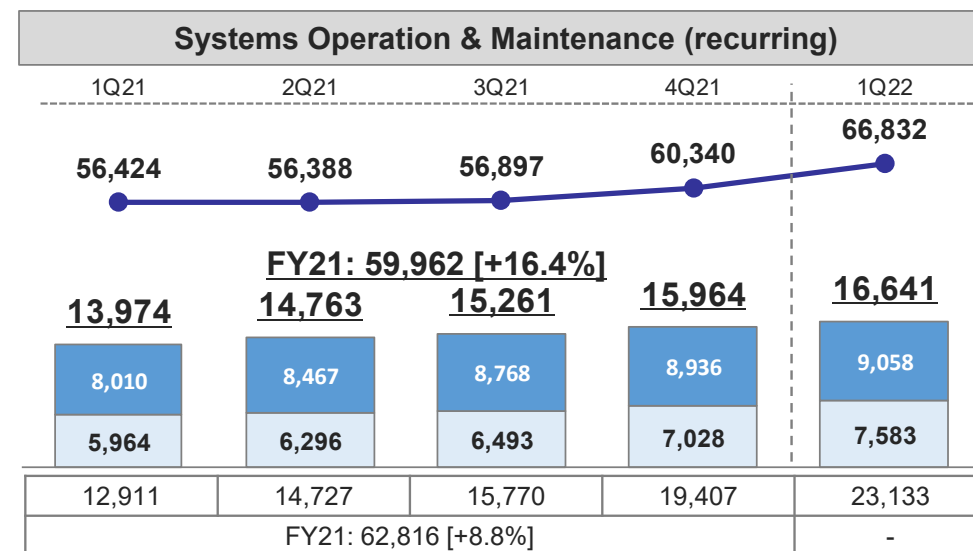
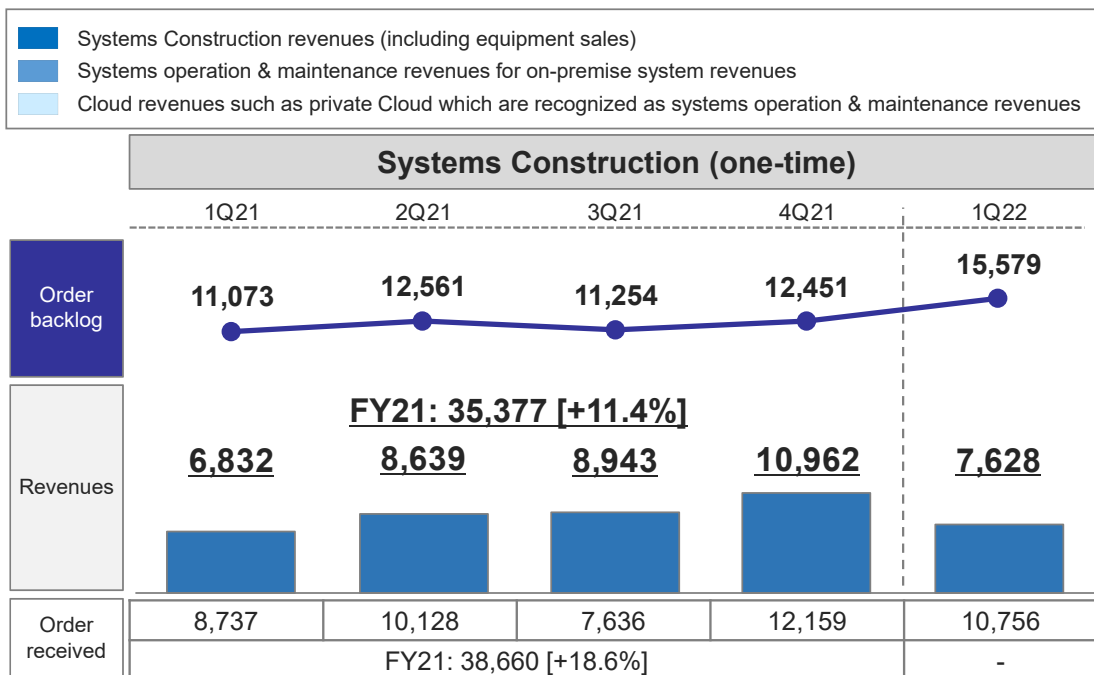
(Mobile Network Operator's mobile infrastructure cost)

- As for our FY22 usage charge, from 1Q22, we are applying ¥20,327 per Mbps as a unit charge which is a decrease of 28.4% from the previous year's unit charge and was disclosed by Docomo in Mar. 2022. The charge is lower than ¥22,190 which was disclosed by Docomo in Apr. 2021. Both charges were based on Docomo's future cost method.
- As for our FY21 usage charge, from 1Q21, we applied ¥28,385 per Mbps as a unit charge, decrease of 23.9% from the previous year's charge, which was disclosed by Docomo based on the future cost method in Apr. 2021. The charge is to be fixed in late Dec. 2022. No onetime cost reduction upon the charge finalization is taken into consideration for FY22 financial targets.
- As for our FY20 usage charge, from 1Q20, we applied ¥41,436 per Mbps as a unit charge which was disclosed by Docomo based on the future cost method. This unit charge was fixed in late Dec. 2021 to ¥37,280 which is a decrease of 12.7% from the previous year's charge. Onetime cost reduction of slightly more than ¥1.0 billion was recorded in 3Q21.

- 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 in Sep.)
 - ✓ 3Q21 Outsourcing-related costs reflect onetime cost reduction impact of Docomo's FY20 mobile interconnectivity cost (unit charge) revision

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

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



➤ Favorable order situation

- Systems construction: 1Q22 order-received +23.1%, 1Q22-end order backlog +40.7%
- PTC (Singaporean Sler, consolidated from 1Q21) started stronger than expected
1Q22 revenue ¥2.23 billion, operating profit ¥0.1 billion

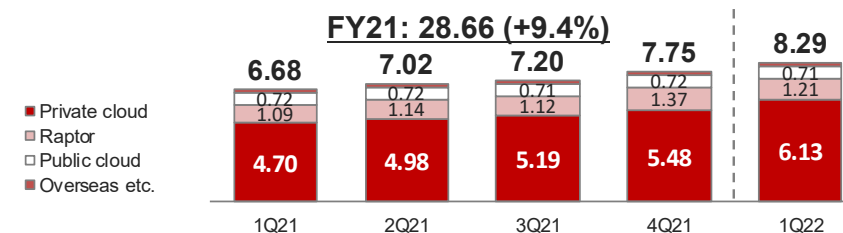
➤ Accumulating orders from all industries (large-scale projects acquired in 1Q22)

- Several campus network replacement projects
- Several Internet gateway enhancement projects
- Several Office IT projects such as introduction of Microsoft365
- Full-outsource of entire IT department operation in a major manufacturing company
- Replacement of enterprises core system for major construction company
- Construction of network infrastructure for a major financial institution etc.

• 1Q22 order-received includes multi-year-fixed large-scale projects

Cloud service revenue

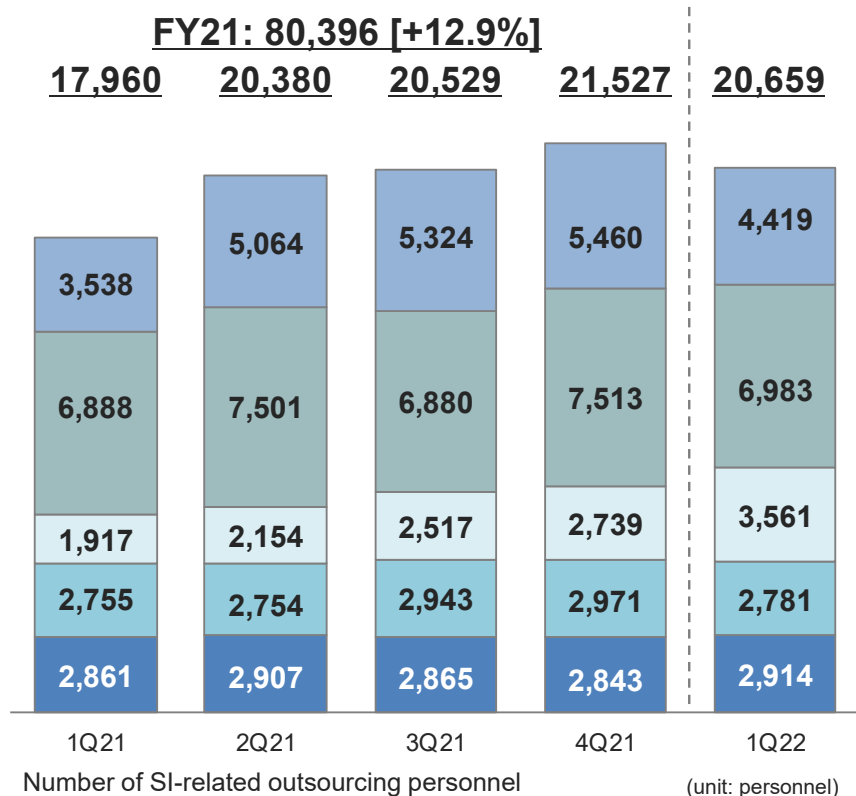
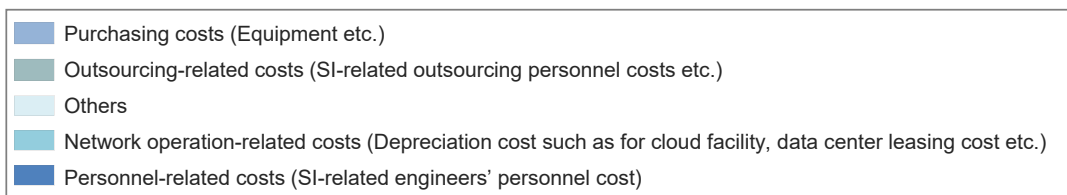
- Private cloud revenue continue to increase mainly by continuously accumulating multi-Cloud projects



- 1Q22 revenue recognition: 91.4% in Systems operation & maintenance, 8.6% in Outsourcing services

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

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



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

- Purchasing and outsourcing-related costs are linked to the size of project and revenue
- Others increased mainly due to an increase in license costs along with expansion of multi-Cloud demands
- No significant increase in network operation-related costs
- Personnel-related costs increased at a constant level from year to year

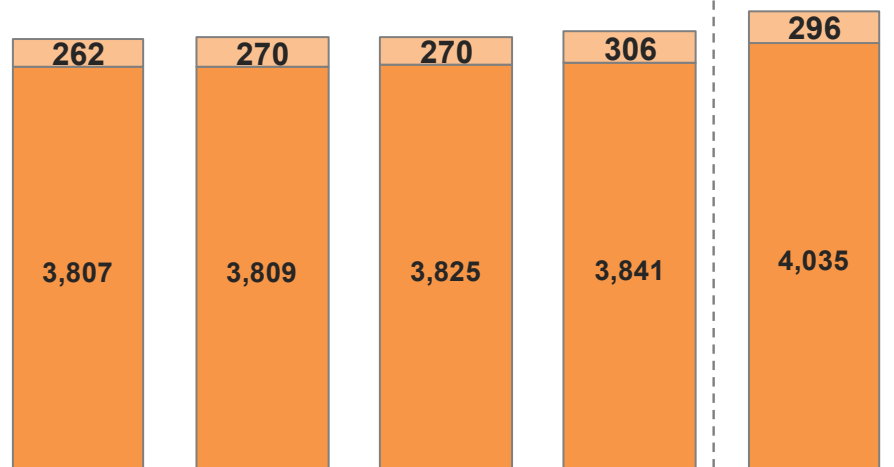
II - 7. Human Capital Disclosure

YoY = Year over year comparison

Number of Employees

■ Contract worker (personnel)
■ Full-time worker (personnel)

Jun. 2021	Sep. 2021	Dec. 2021	Mar. 2022	Jun. 2022
4,069	4,079	4,095	4,147	4,331 (+262 YoY)



➤ FY22 plan for net addition of employees (consolidated-base):

- Approximately 290 personnel (including 178 of newly graduates joined in Apr. 2022)
- ✓ IIJ (non-consolidated base) has set 50% higher recruitment targets for both newly graduates for Apr. 2023 and mid-hire careers for FY22 than usual years

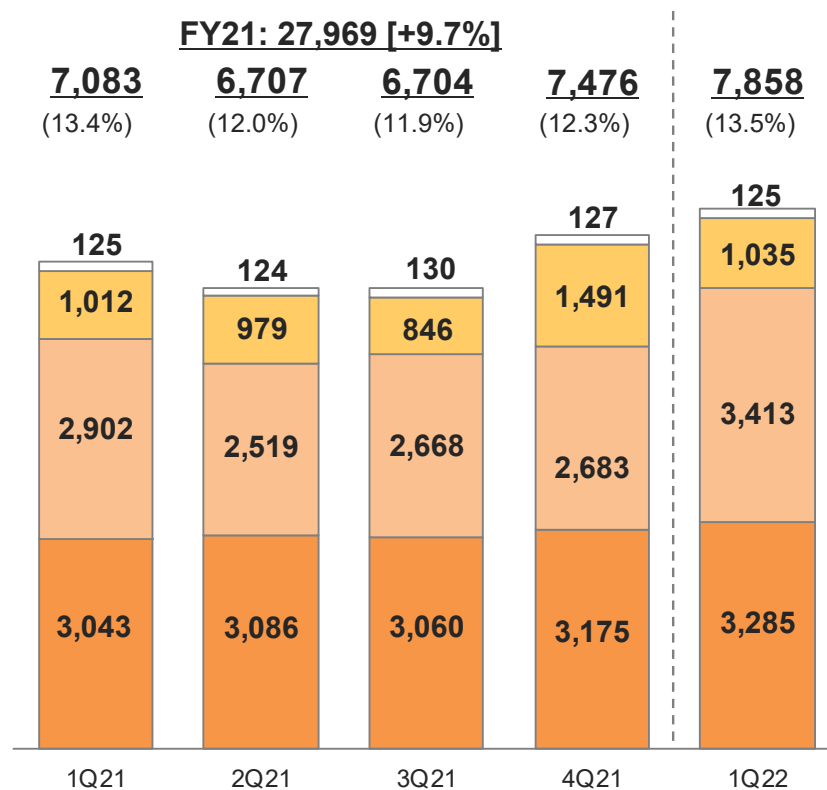
Personnel-related costs & expenses

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

1Q21	2Q21	3Q21	4Q21	1Q22
7,756 (14.6%)	7,892 (14.1%)	7,859 (13.9%)	7,985 (13.1%)	8,177 (14.1%)
FY21: 31,491 (13.9%) +10.3%YoY				-

II - 8. SG&A

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

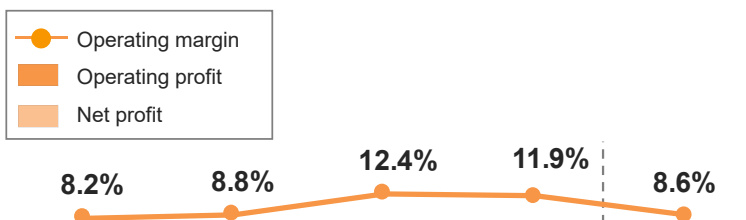


- Progressed as expected
- Others increased mainly due to advertisements for consumer business
- Personnel expenses increased at a constant level from year to year

- SG&A etc. 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

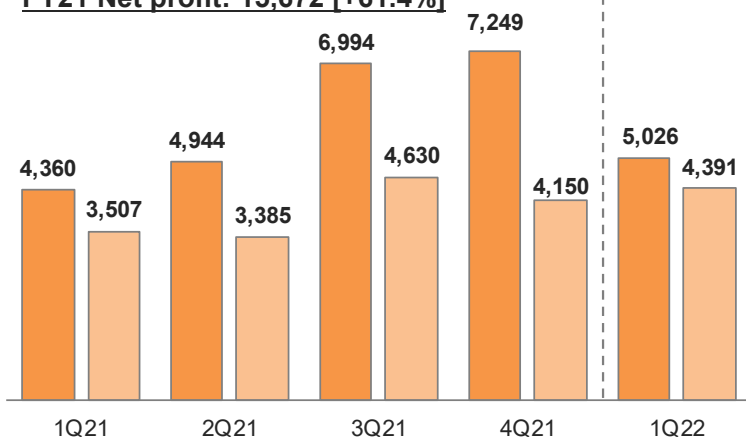
II - 9. Profit

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



FY21 Operating profit: 23,547 [+65.3%]

FY21 Net profit: 15,672 [+61.4%]



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

◆ 1Q22 Operating profit: ¥5.03 billion, +15.3% YoY

◆ 1Q22 Profit before tax: ¥6.62 billion, +23.8% YoY

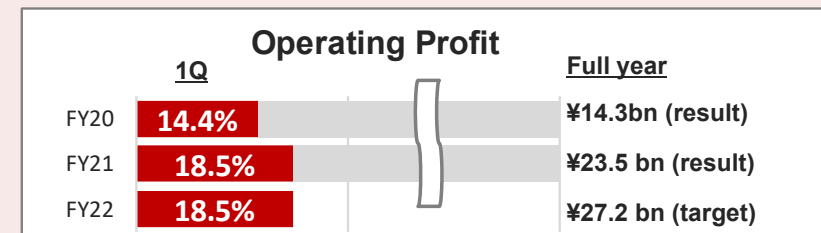
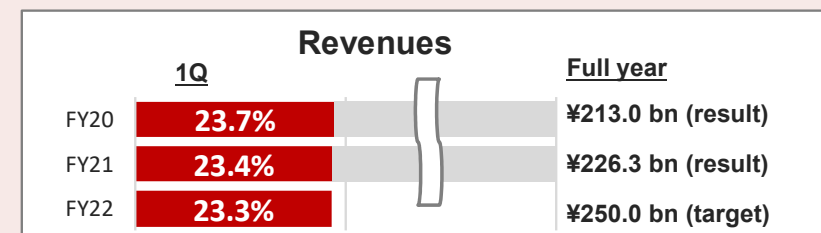
- Interest expense: ¥133 million
- Foreign exchange gain : ¥474 million
- Valuation gain on funds* etc. : ¥1,200 million (1Q21: ¥1,296 million)
- Dividend income: ¥63 million
- Share of loss of investments accounted for using equity method: ¥14 million
- DeCurret-related loss (IIJ ownership:38.2%):

1Q21	2Q21	3Q21	4Q21	1Q22
296	256	780	1,456	78

✓ DeCurret divested its crypto asset business on Feb. 1, 2022 to dedicate its business resources to digital currency business. 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)

◆ 1Q22 Net profit: ¥4.39 billion, +25.2% YoY

1Q progress against full year target



• 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.

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

Unit: ¥ (JPY) million

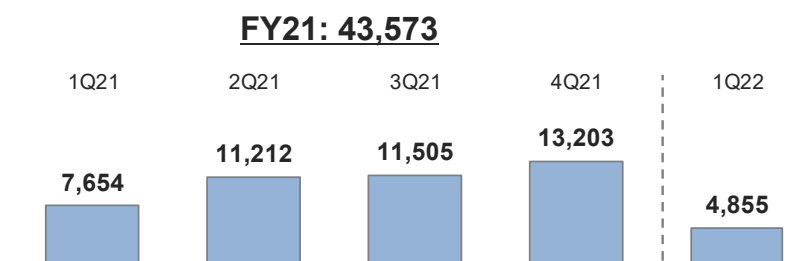
	Mar. 31, 2022	June 30, 2022	Changes
Cash & cash equivalents	47,391	42,557	(4,834)
Trade receivables	37,649	34,435	(3,214)
Inventories	2,608	3,304	+696
Prepaid expenses (current & non-current)	24,006	27,468	+3,462
Tangible assets	17,846	17,621	(225)
Right-of-use assets	44,874	42,425	(2,449)
Of which, operating leases (rent of office, data center etc.)	27,859	26,436	(1,423)
Of which, finance leases (network equipment etc.)	17,015	15,989	(1,026)
Goodwill & intangible assets	25,903	25,890	(13)
Investments accounted for using the equity method	5,830	5,717	(113)
Other investments	17,410	17,354	(56)
Others	8,289	8,959	+670
Total assets:	<u>231,805</u>	<u>225,730</u>	<u>(6,075)</u>
Trade & other payables	20,742	19,393	(1,349)
Borrowings (current & non-current)	21,870	21,120	(750)
Contract liabilities & Deferred income (current & non-current)	17,405	18,111	+706
Income taxes payable	5,795	1,853	(3,942)
Retirement benefit liabilities	4,395	4,371	(24)
Other financial liabilities (current & non-current)	47,181	45,846	(1,335)
Of which, operating leases (rent of office, data center etc.)	28,157	26,742	(1,415)
Of which, finance leases (network equipment etc.)	18,069	16,932	(1,137)
Others	9,796	8,416	(1,380)
Total liabilities:	<u>127,184</u>	<u>119,110</u>	<u>(8,074)</u>
Share capital	25,562	25,562	-
Share premium	36,518	36,552	+34
Retained earnings	37,024	39,157	+2,133
Other components of equity	6,275	6,040	(235)
Treasury shares	(1,851)	(1,831)	+20
Total equity attributable to owners of the parent:	<u>103,528</u>	<u>105,480</u>	<u>+1,952</u>

Ratio of total equity attributable to owners of the parent:
 ➤ 44.7% as of Mar. 31, 2022
 ➤ 46.7% as of June 30, 2022

II - 11. Consolidated Cash Flows

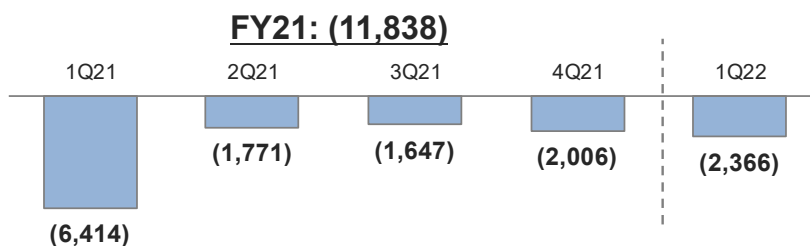
Unit: ¥ (JPY) million
YoY = Year over year comparison

Operating Activities



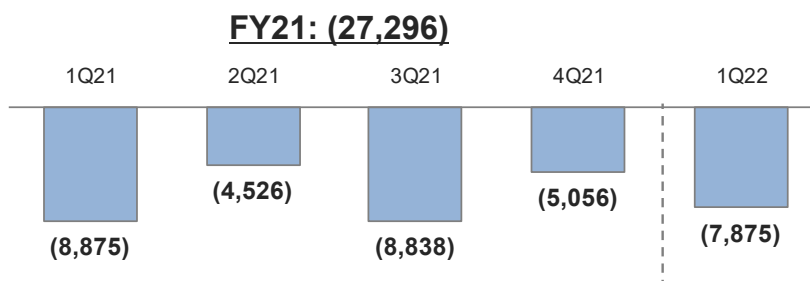
	1Q22 Major Breakdown	YoY Change
Profit before tax	6,623	+1,273
Depreciation and amortization	7,055	+449
Changes in operating assets & liabilities	(1,063)	(992)
Income taxes paid	(6,091)	(2,757)

Investing Activities



	1Q22 Major Breakdown	YoY Change
Purchase of tangible assets	(1,839)	+1,000
Purchase of intangible assets such as software	(1,149)	+176
Proceeds from sales of tangible assets (leaseback)	791	+207

Financing Activities

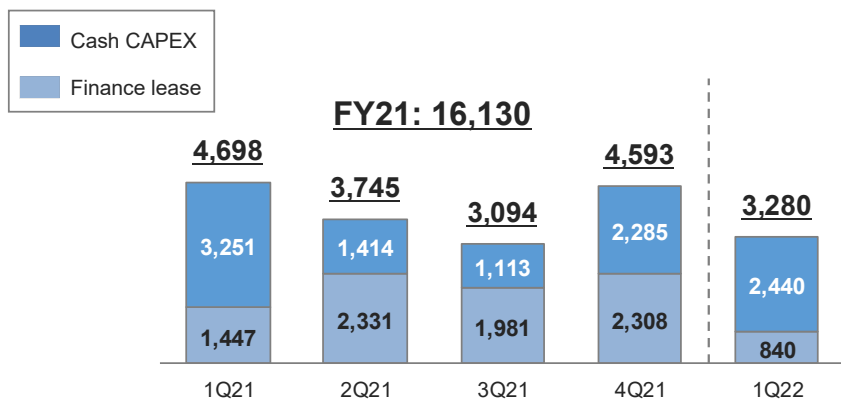


	1Q22 Major Breakdown	YoY Change
Payment of operating/finance leases and other financial liabilities	(4,819)	(356)
Dividends paid	(2,258)	(499)
Repayment of borrowings	(750)	+3,335

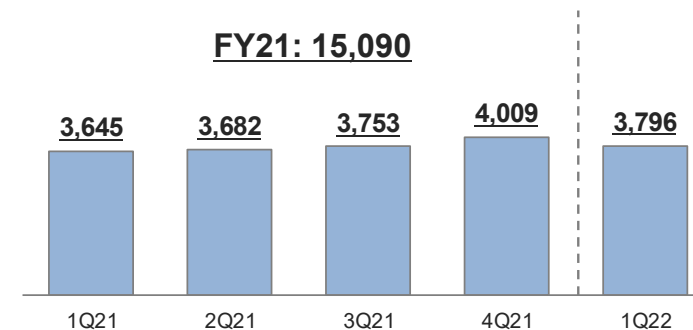
II - 12. Other Financial Data

Unit: ¥ (JPY) million

CAPEX



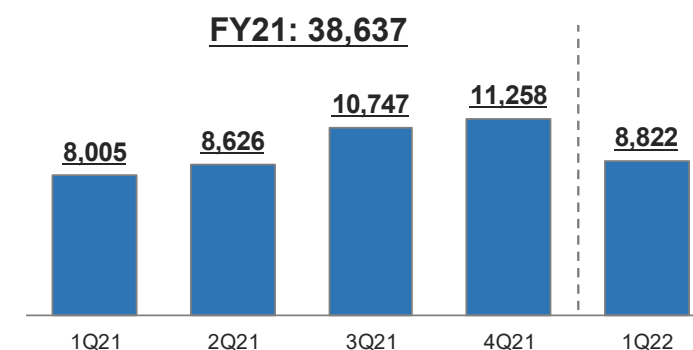
CAPEX-related depreciation and amortization



➤ Breakdown (Unit: JPY billion)

	1Q21	1Q22
NW Usual Capex	2.6	2.0
Cloud-related	1.1	0.3
Shiroi DC-related	0.6	0.7
Customer-related	0.3	0.3
ATM-related	0.0	0.0

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.

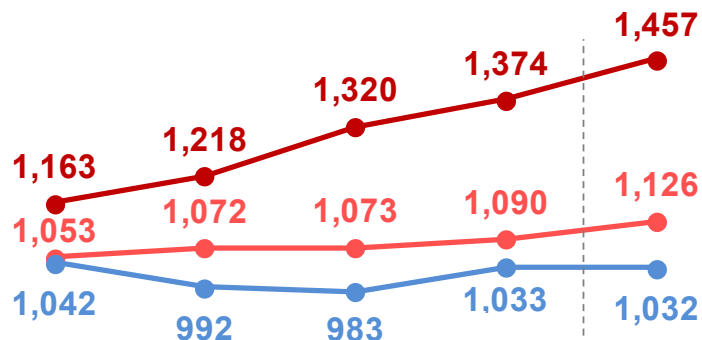
III- 1. Service & Business Developments: Mobile & IoT

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

Mobile Subscription (Subs.)

Subscriptions
(unit: thousand)

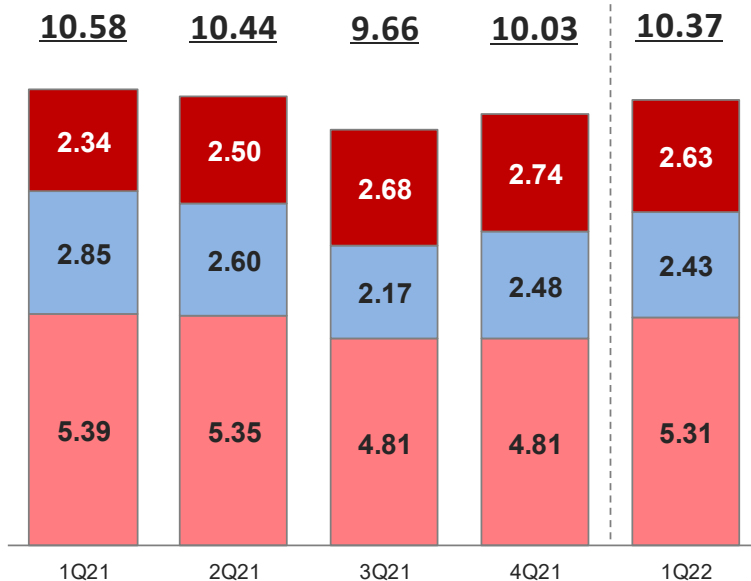
- Enterprise mobile
- IJmio
- MVNE



Mobile Revenue

Revenues
(unit: ¥ billion)

- Enterprise mobile
- MVNE
- IJmio



◆ Enterprise mobile (deducting MVNE from IJ Mobile)

- 1Q22 revenue: ¥2.63 bn (+¥0.29 bn YoY)
 - 1Q22 revenue reflects QoQ reactionary decrease due to a certain large mobile project's per phase revenue recognition
- 1Q22-end subs.: 1,457 thousand (+83 thousand QoQ)
 - Revenue and subscriptions grew by continuously accumulating IoT projects
 - By leveraging IJ's unique offerings such as mobile carrier redundancy and private connectivity, we acquired Digital Agency's project for their agriculture and fishers government solution service

◆ MVNE (providing mobile services to other MVNOs)

- 1Q22 revenue: ¥2.43 bn (-¥0.42 bn YoY)
 - Reflection of the annual revision of mobile interconnectivity charge onto MVNE clients was almost as planned
- 1Q22-end subs.: 1,032 thousand (-1 thousand QoQ)
 - Enterprises' subscriptions are increasing
- 1Q22-end MVNE clients: 171 clients (+12 clients YoY)
 - Cable TV operators (91 operators), prominent retailer etc.

◆ IJmio (consumer)

- 1Q22 revenue: ¥5.31 bn (-¥0.08 bn YoY)
- 1Q22-end subs.: 1,126 thousand (+36 thousand QoQ),
 - Triggered by back-up line needs, eSIM subs steadily increasing
 - 1Q22 net addition more than doubled compared to 4Q21

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

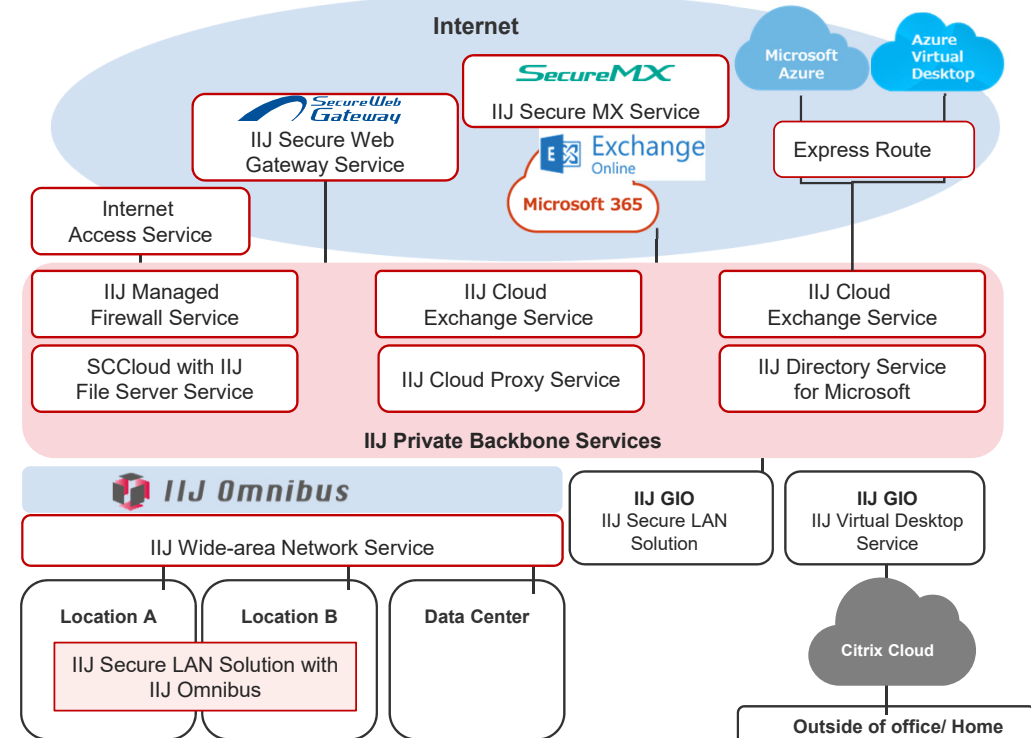
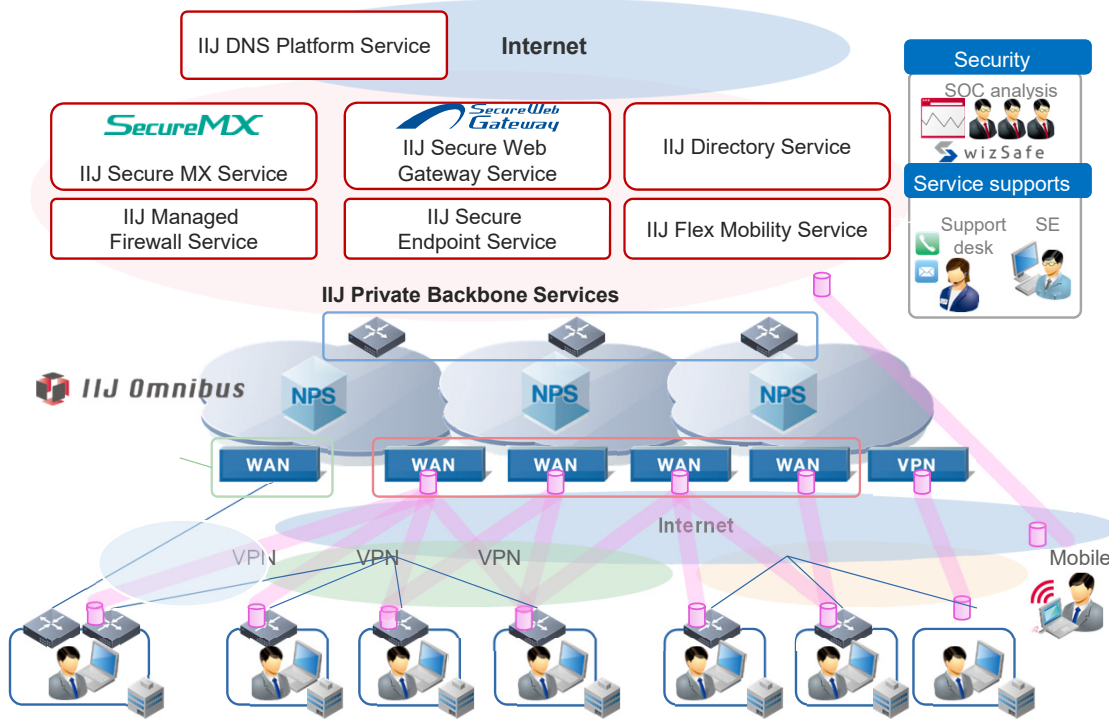
III - 2. Service & Business Developments:

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

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

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

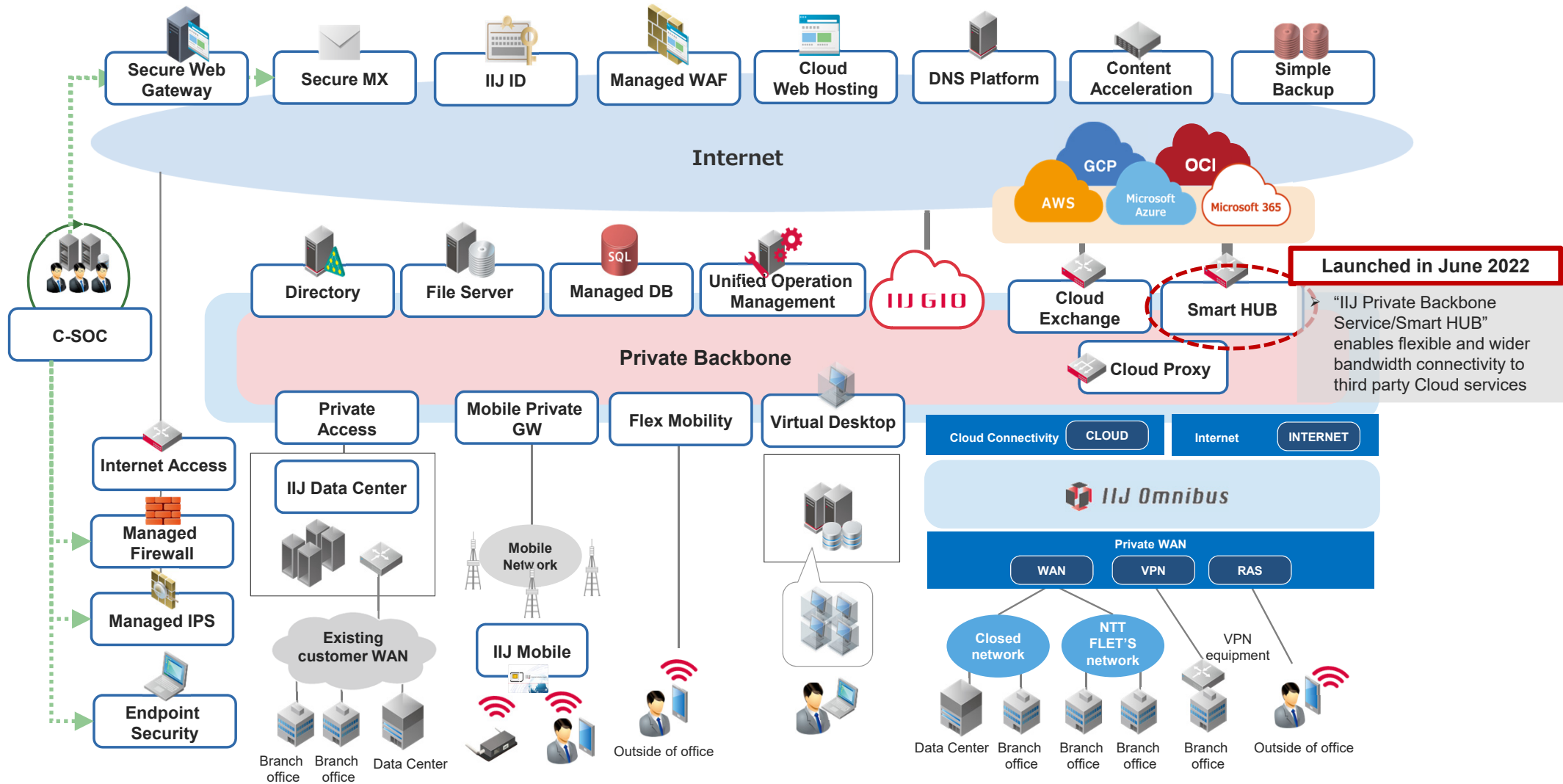
Combining in-house developed network services to meet enterprise IT needs that are increasingly becoming complex & diversified



• 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

III - 3. Various in-house developed network services

Continuously expanding service line-ups & enhancing function to differentiate from competitors



Financial Targets for FY22 (Unchanged from May 2022)

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

	% of Revenues		YoY	
	FY22 Targets (Apr. 2022 - Mar. 2023)	FY21 Results (Apr. 2021 - Mar. 2022)		
Revenues	250.0	226.3	+10.5%	+23.66
Cost of Sales	76.9% 192.2	77.2% 174.7	+10.0%	+17.49
Gross Profit	23.1% 57.8	22.8% 51.6	+12.0%	+6.17
SG&A etc.	12.2% 30.6	12.4% 28.1	+9.0%	+2.52
Operating Profit	10.9% 27.2	10.4% 23.5	+15.5%	+3.65
Shares of profit (loss) of investments accounted for using equity method investees	(0.4)	(2.3)	-	+1.93
Profit before tax	10.5% 26.3	10.7% 24.2	+8.8%	+2.14
Net Profit	7.0% 17.5	6.9% 15.7	+11.7%	+1.83

% of Revenues		YoY	
FY22 1H Target (Apr. 2022 - Sep. 2022)			
117.0		+7.3%	+7.95
77.7% 90.9		+5.7%	+4.93
22.3% 26.1		+13.1%	+3.01
13.2% 15.4		+11.7%	+1.62
9.1% 10.7		+15.0%	+1.40
(0.2)		-	+0.20
8.8% 10.3		(1.3%)	(0.13)
5.8% 6.8		(1.3%)	(0.09)

	Assumption for Revenue	Assumption for Gross Profit
NW services (excluding mobile)	Accelerate with large-scale NW replacement projects in addition to strong revenue accumulation trend following FY21	Structurally and continuously expand with revenue growth
Mobile	While enterprise mobile to largely grow, total mobile revenue to decrease by ¥0.5 bn or slightly more as migration to cheaper new plan (GigaPlans) continues etc.	Smaller than FY21 profit as no onetime impact upon the unit charge finalization is taken into consideration (in FY21, we had approx. ¥1.08 bn of profit contribution) & onetime profit related to voice-purchasing cost down impact would be smaller in FY22
SI	Increase with demands for NW integration & large-scale NW replacement projects requiring both NW services and SI etc.	Increase as SI revenue volume to expand and gross margin to slightly improve
ATM	Same level as FY21	Same level as FY21

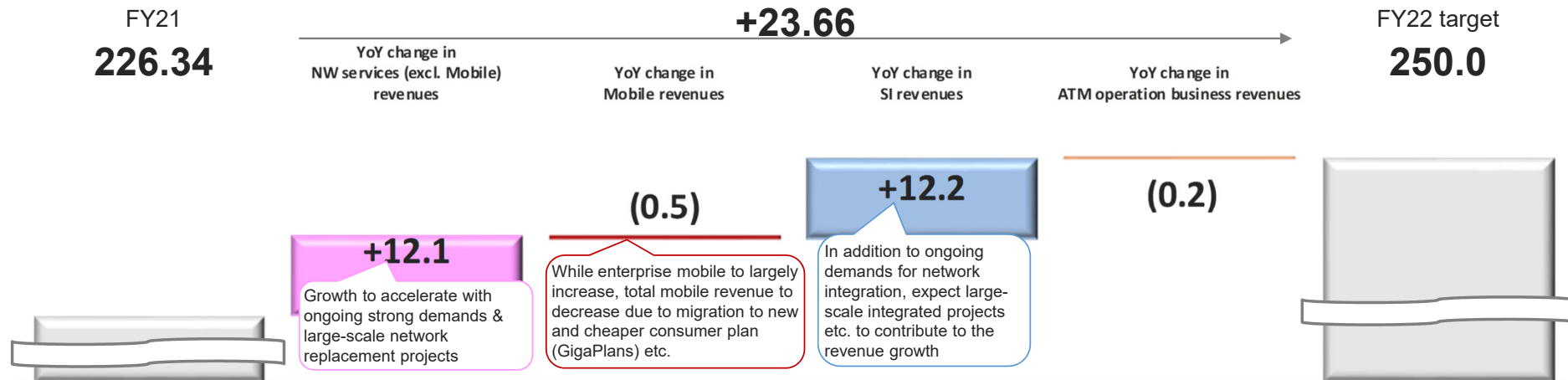
Other assumptions
<ul style="list-style-type: none"> SG&As: increase due to enhanced recruitment & promotion Share of loss of investments accounted for using equity method investees to be smaller as DeCurret related loss would be smaller (Plan: DeCurret's loss to be around ¥0.7 bn) Net addition of employees: approx. 290 including 178 newly graduates CAPEX: approx. ¥21.5 bn including approx. ¥5.0 bn for Shiroi DC 2nd site

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

Financial Targets for FY22 (Unchanged from May 2022)

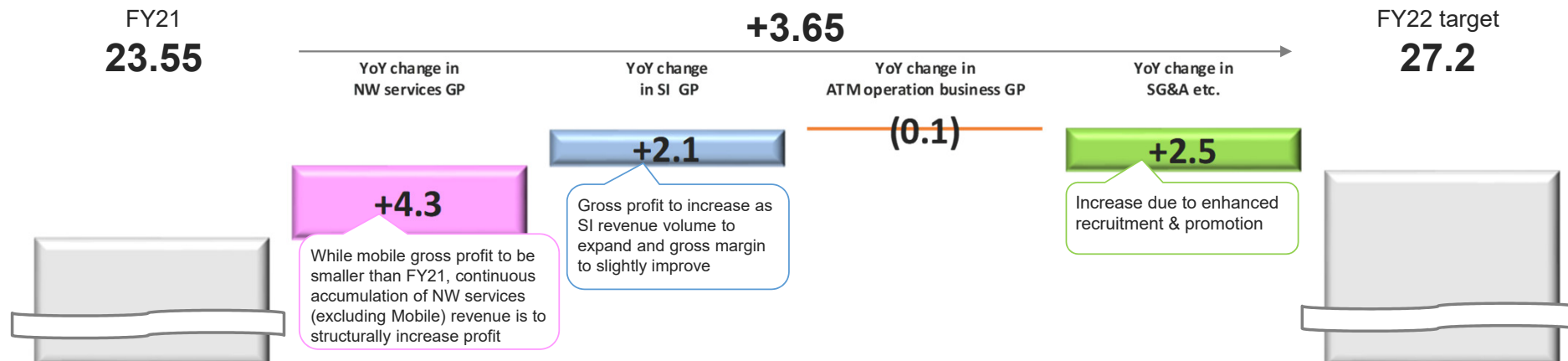
Unit: ¥ (JPY) billion (bn)
YoY = Year over year comp

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 IJJ Mobile Services (including MVNE) and IJJmio (consumer mobile)
- ARPU is an abbreviation for Average Revenue Per User

Operating Profit



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

Appendix FY22 Dividend Forecast and Stock Split

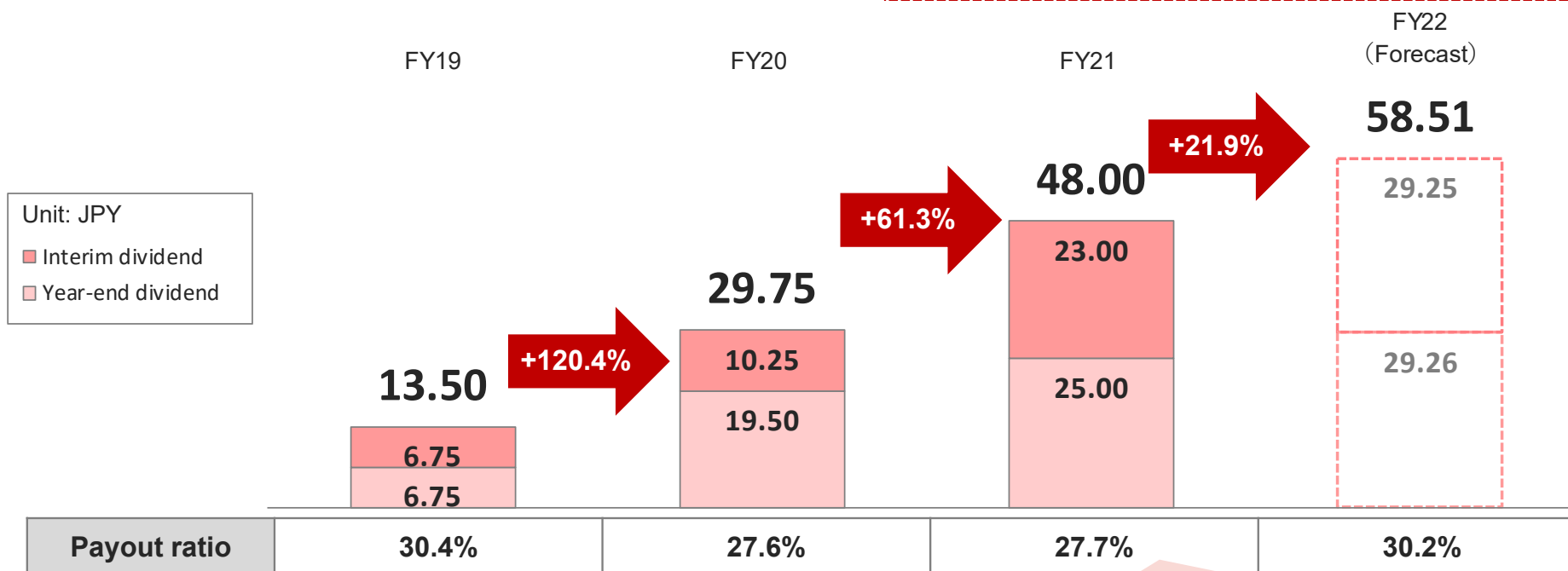
◆ Stock Split (Announced on August 5, 2022)

- Stock split: 2-for-1
- Effective date: October 1, 2022 (record date: September 30, 2022)

◆ Historical dividend per share:

Basic Dividend Policy

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

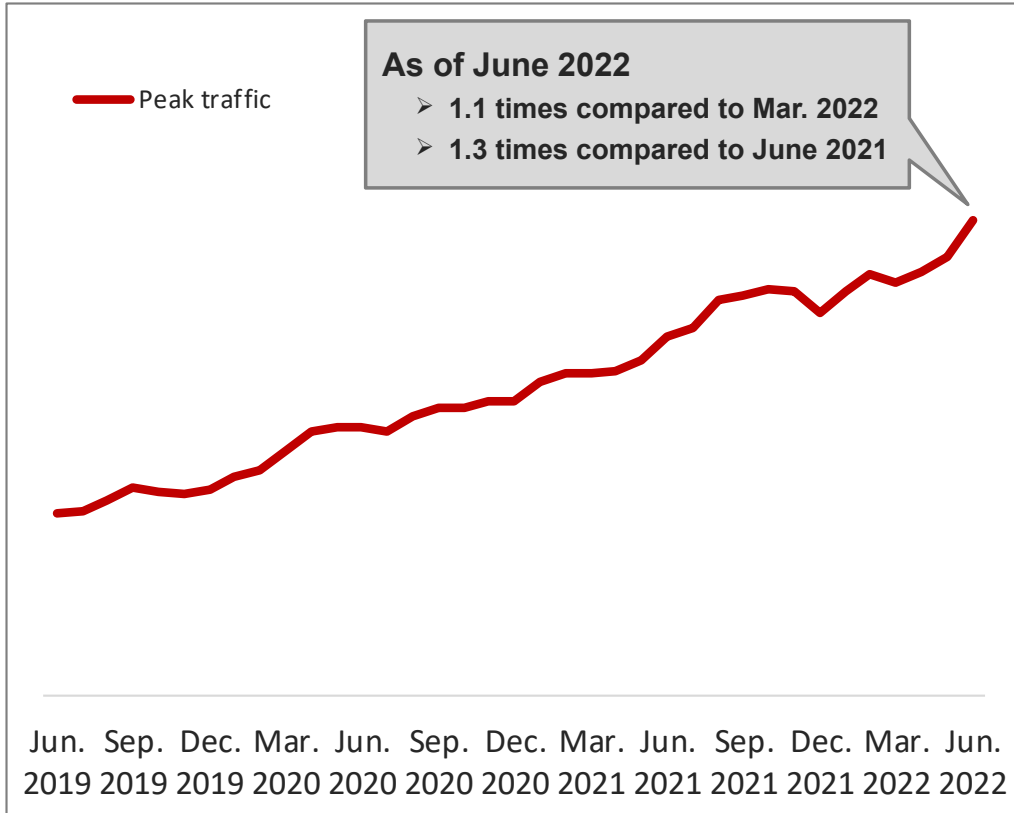


Adjusted payout ratio is around 30%, which is calculated by deducting temporary and non-cash transaction such as valuation gain on funds & impairment losses

- Along with the stock split, ADR ratio will be 2 common stocks = 1ADR
- As for year-end dividend for FY22, it is written on the pre-split basis. Its post-split basis is ¥14.63 per share

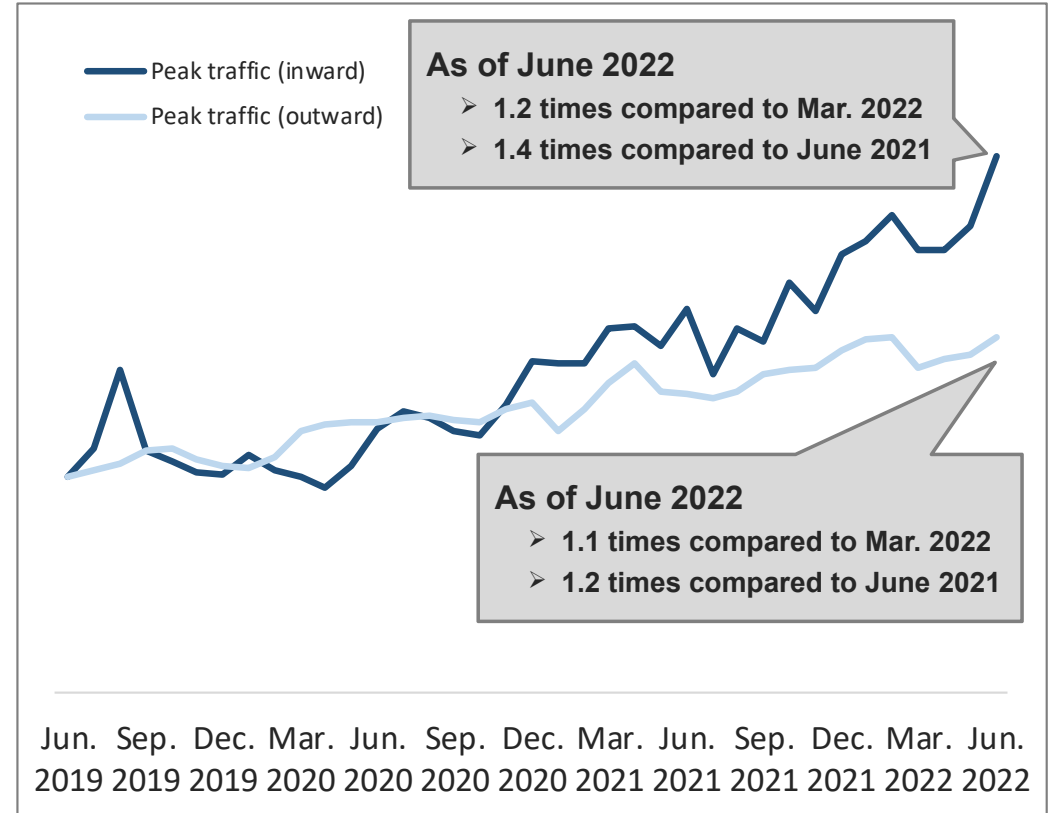
Appendix Internet traffic continues to grow along with the advancement of IT usages

Historical traffic data of Major domestic IX



• Source: INTERNET MULTIFEED CO.

Historical traffic data of IJ Backbone

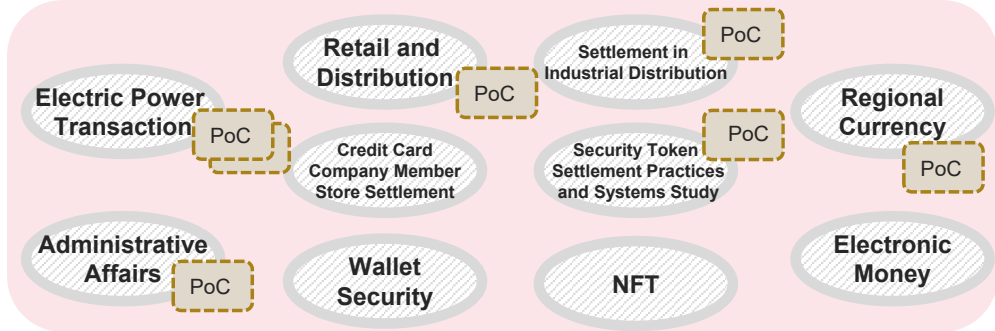


• Source: Internet Initiative Japan Inc.

Appendix DeCurret DCP (equity method investee) Digital Currency Business

For more details
<https://www.decurret-dcp.com/en/news.html>

Digital Currency Forum Subcommittees (83 participants: companies, local governments, etc.)

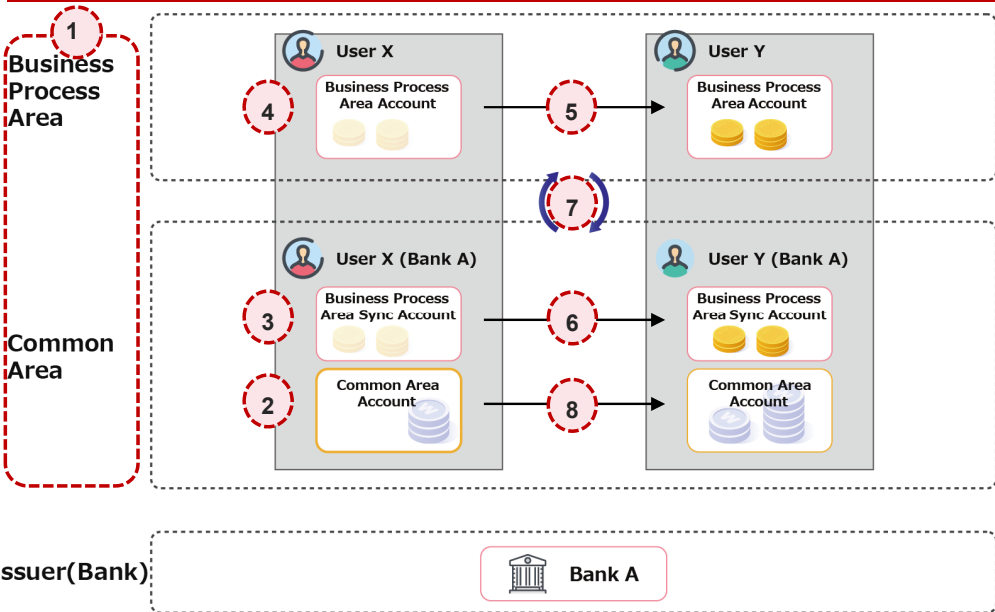


Promoting Proof of Concept (PoC) for DCJPY* (approx. 40 companies participating)

*DCJPY: tentative name of digital currency issued by banks that is able to be issued, transfer, and repay through the Two-tiered Digital Currency Platform

Subcommittees	Participators	Outline
Industrial distribution	Mitsubishi Corporation, NTT etc.	Feasibility studies to use DCJPY for Mitsubishi's trading transaction settlement with smart contracts
Electricity power transaction A	Kansai Electric Power Company etc.	Purchase of goods at convenience stores by using DCJPY which is obtained through electricity Peer to Peer (P2P) transactions
	ENERES etc.	Feasibility studies to launch new services by utilizing DCJPY and electric power transaction data
Regional currency	Mitsubishi UFJ Research & Consulting, TIS etc.	Digitalization of local governments' benefits for selective usages through DCJPY so that local governments' administrative process such as printing, mailing and others are improved
Administrative process		
Retail and Distribution	Seven Bank etc.	Feasibility studies to apply DCJPY transaction among retail, wholesale and banking through EDI (Electronic Data Interchange)
Security token	Nomura HD, Future Architect etc.	Feasibility studies to use security token and DCJPY for DVP (Delivery Versus Payment) settlement to learn about potential issues etc.

Two-tiered Digital Currency Platform



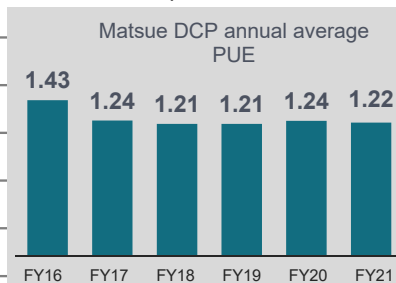
Patented "Two-tiered Digital Currency Platform"

Outline of the patent (Electronic Currency Management System)	
①	Two-tiered system consisting of Common Area and Business Process Area
②	Issuance of digital currency within Common Area
③④	Issuance of Business Process Area's token tied to Common Area's digital currency
⑤⑥	Transfer of token within Business Process Area, and transfer of digital currency, being tied to those transfer of token, within Common Area
⑦	Synchronous processing of Common Area and Business Process Area
⑧	Transfer of digital currency, not being tied to Business Process Area, within Common Area

Initiatives to realize Carbon Neutral Data Centers

About IJ's own data centers and their initiatives

	Matsue Data Center Park (Matsue DCP)	Shiroy Data Center Campus (Shiroy DCC)
Key highlights	Commercial container module type data center that was first in Japan to use outside air-cooling system	System module type data center based on the cultivated know-hows based on Matsue DCP
Location	Matsue city, Shimane prefecture	Shiroy city, Chiba prefecture
Site area	Approx. 16,000 square meter	Approx. 40,000 square meter
Server capacity	Approx. 500 racks	Approx. 6,000 (plan, 4 sites in total) 1 st site: approx. 700, 2 nd site: approx. 1,100 (plan)
Year in operation	1 st site: Apr. 2011, 2 nd site: Nov. 2013	1 st site: May 2019, 2 nd site: July 2023 (plan)
PUE	FY21 results: 1.22, FY22 outlook: maintain 1.2s	FY21 result: 1.42, FY22 outlook: 1.3s
Initiatives for carbon off-sets	<ul style="list-style-type: none"> Reducing energy consumption by using outside-air cooling Achieved renewable energy usage rate of 100% by using substantial renewable energy (Feb. 2022~) Plan to install solar panel facilities 	<ul style="list-style-type: none"> Reducing of energy consumption by using outside-air cooling Plan to use substantial renewable energy from FY23 Leveling energy demand through peak-cut by utilizing lithium-ion batteries power pack Plan to install solar panel facilities



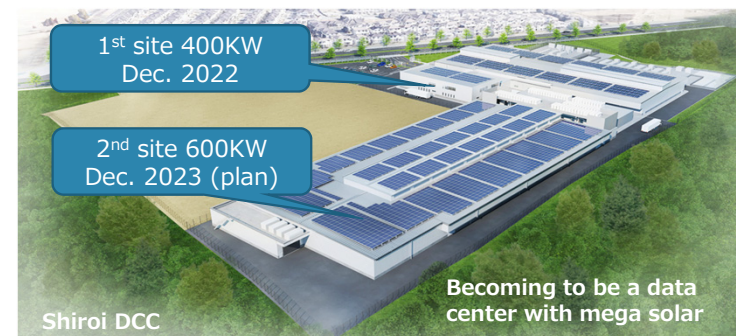
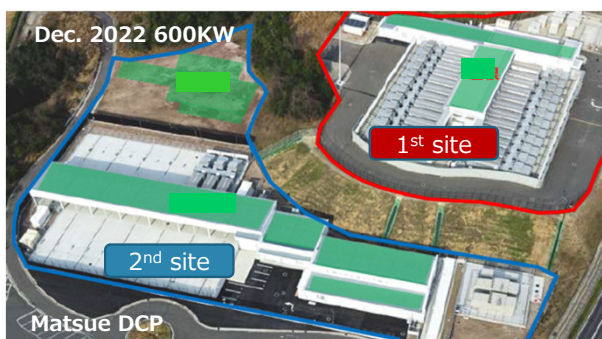
Information disclosure based on the TCFD Recommendations

- IJ aims to 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	The target is to increase the renewable energy usage rate of data centers (Scope 1 and 2) to 85% in FY2030.
Improvement of energy conservation	The target is to keep the PUE of the data center at or below the industry's highest level until FY2030 through continuous technological innovation.

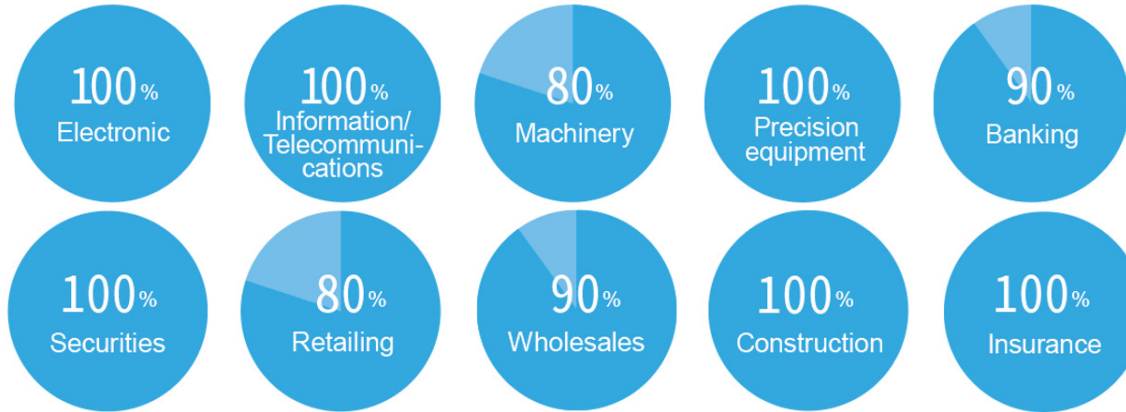
- TCFD: Task Force on Climate-related Financial Disclosures
- PUE (Power Usage Effectiveness): Total data center facility energy usage divided by IT equipment energy usage
- Scope 1 and 2 (Greenhouse gas emissions by a company): Direct emissions from the use of fuels and industrial processes at the company and indirect emissions from the use of electricity and heat purchased by the company (as defined by the GHG Protocol)
- Renewable energy: Including substantial renewable energy through the use of non-fossil fuel certificates

Status of onsite solar panel facilities installment

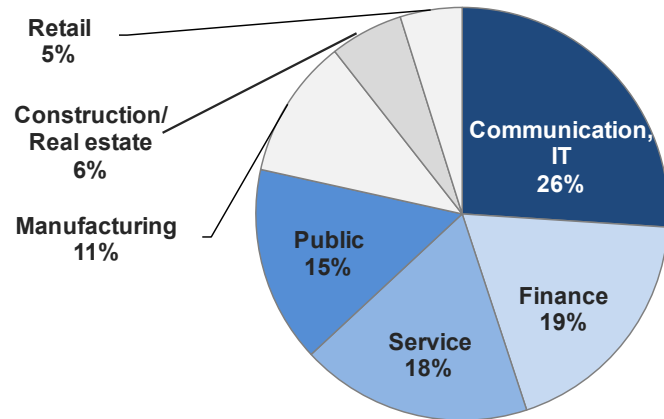


IIJ Group's Client base: approx. 13,000 enterprises

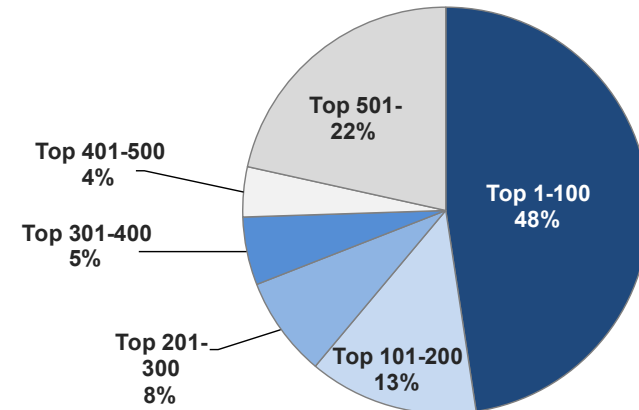
High penetration toward top 10 companies of each industry



Client distribution per industry



Client distribution per revenue volume



- Number of IIJ group's clients is as of March 31, 2022
- Top ten firms in each industry taken from annual revenues website (finance/sales/whole market/daily) and are based on IIJ's FY21 results and prepared by IIJ
- Client distribution is based on IIJ's FY21 results and prepared by IIJ

Appendix Revenue Recognition Category

Unit: ¥ (JPY) billion

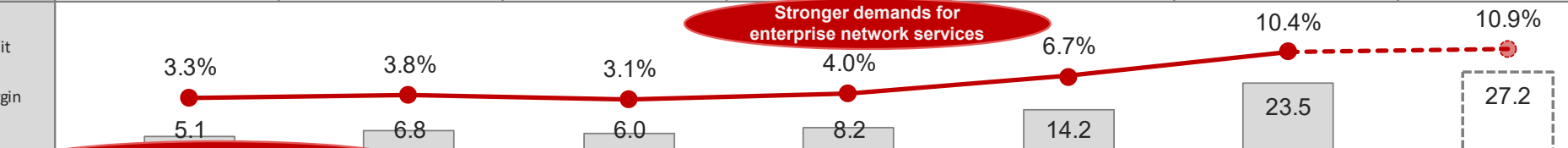
Revenue category		1Q22 revenue	About		Business Situation & Outlook													
Network services	Internet connectivity services for enterprise	9.52	<table border="1"> <tr> <td>IP</td> <td>3.45</td> <td> <ul style="list-style-type: none"> Core service providing from the foundation Highly reliable dedicated connectivity services for enterprise (multi-carrier, redundancy etc.) Charge based on contracted bandwidth. Enterprises use the service for their main Internet line </td> </tr> <tr> <td>Mobile</td> <td>5.06</td> <td> <table border="1"> <tr> <td>Enterprise mobile (IoT usages etc.)</td> <td>2.63</td> </tr> <tr> <td>MVNE (Providing to other MVNOs)</td> <td>2.43</td> </tr> </table> </td> </tr> </table>	IP	3.45	<ul style="list-style-type: none"> Core service providing from the foundation Highly reliable dedicated connectivity services for enterprise (multi-carrier, redundancy etc.) Charge based on contracted bandwidth. Enterprises use the service for their main Internet line 	Mobile	5.06	<table border="1"> <tr> <td>Enterprise mobile (IoT usages etc.)</td> <td>2.63</td> </tr> <tr> <td>MVNE (Providing to other MVNOs)</td> <td>2.43</td> </tr> </table>	Enterprise mobile (IoT usages etc.)	2.63	MVNE (Providing to other MVNOs)	2.43	<table border="1"> <tr> <td>IP</td> <td> <ul style="list-style-type: none"> Matured market (hard to entry) Blue-chip client base Expect the revenue to continuously increase along with traffic volume and contracted bandwidth increase from CDN </td> </tr> <tr> <td>Mobile</td> <td> <ul style="list-style-type: none"> Expect profitability and mobile infrastructure utilization to improve as we gather various traffic such as IoT, enterprise, consumers <ul style="list-style-type: none"> Enterprise: Expect demand to increase in the mid-to-long term Consumer: Net increase (subscription) with new consumer plan in competitive market </td> </tr> </table>	IP	<ul style="list-style-type: none"> Matured market (hard to entry) Blue-chip client base Expect the revenue to continuously increase along with traffic volume and contracted bandwidth increase from CDN 	Mobile	<ul style="list-style-type: none"> Expect profitability and mobile infrastructure utilization to improve as we gather various traffic such as IoT, enterprise, consumers <ul style="list-style-type: none"> Enterprise: Expect demand to increase in the mid-to-long term Consumer: Net increase (subscription) with new consumer plan in competitive market
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Internet connectivity services for consumers	6.10	<table border="1"> <tr> <td>Mobile</td> <td>5.31</td> <td> <ul style="list-style-type: none"> Inexpensive SIM services (mainly data), Direct sale (via IJ web), Indirect sale (via sales partners such as retailers) </td> </tr> </table>	Mobile	5.31	<ul style="list-style-type: none"> Inexpensive SIM services (mainly data), Direct sale (via IJ web), Indirect sale (via sales partners such as retailers) 													
Mobile	5.31	<ul style="list-style-type: none"> Inexpensive SIM services (mainly data), Direct sale (via IJ web), Indirect sale (via sales partners such as retailers) 																
WAN	6.68	Closed network used to connect multiple sites	Stable market for long-term															
SI	Outsourcing	10.94	<p>In-house developed Internet-related various service line-ups (Security, datacenter and remote access etc.)</p> <table border="1"> <tr> <td>Security</td> <td>6.15</td> <td>Public Cloud</td> <td>0.71</td> </tr> </table>	Security	6.15	Public Cloud	0.71	<ul style="list-style-type: none"> Have been developing services based on Zero Trust concept Acquire enterprise demand by cross-selling services. Continuous service development is important Demands for security and remote access to increase continuously 										
	Security	6.15	Public Cloud	0.71														
Operation and Maintenance	16.64	<table border="1"> <tr> <td>On-premise Systems</td> <td>9.06</td> <td> <ul style="list-style-type: none"> Operation and maintenance of constructed systems </td> </tr> <tr> <td>Private Cloud etc.</td> <td>7.58</td> <td> <ul style="list-style-type: none"> Promote Cloud shift with abundant, highly reliable, value-added private Cloud related service line-ups </td> </tr> </table>	On-premise Systems	9.06	<ul style="list-style-type: none"> Operation and maintenance of constructed systems 	Private Cloud etc.	7.58	<ul style="list-style-type: none"> Promote Cloud shift with abundant, highly reliable, value-added private Cloud related service line-ups 	<ul style="list-style-type: none"> Expect great business opportunity in the middle-to-long term as internal IT systems migrating to cloud Certain volume of systems to be converted to Cloud Revenue to increase continuously along with accumulation of construction projects 									
On-premise Systems	9.06	<ul style="list-style-type: none"> Operation and maintenance of constructed systems 																
Private Cloud etc.	7.58	<ul style="list-style-type: none"> Promote Cloud shift with abundant, highly reliable, value-added private Cloud related service line-ups 																
	Construction (including Equipment sales)	76.3	System construction related to office IT, security, Cloud, IoT. Internet-related construction such as Online banking & brokerage, backbone network for university, and E-commerce site	<ul style="list-style-type: none"> Through providing SI, offer greater value as IoT and cloud usage penetrate 														

Monthly Recurring Revenue 85.7%

One time revenue

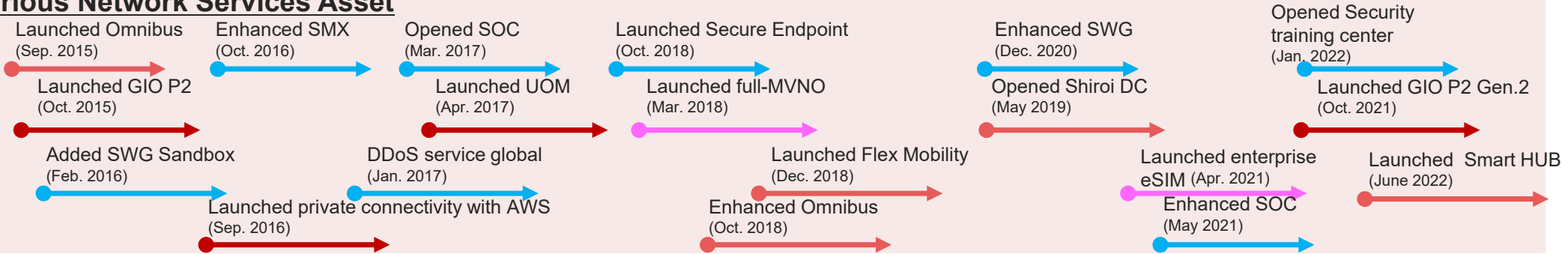
Appendix Capex and Business Developments

	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	-
Shiroi DC	-	1.2	2.1	2.0	1.5	1.5	-
SI, others	0.3	2.3	1.7	1.0	2.0	2.6	-
CAPEX-related depreciation and amortization (¥ bn)	10.9	12.1	13.9	14.4	14.5	15.1	-
Number of employees	3,104	3,203	3,353	3,583	3,805	4,147	-



Including 5.0 billion for Shiroi 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

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					Announced in Mar. 2022 ¥20,327 -28.4% 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 <small>To be fixed around late Dec. 2022 (scheduled)</small> <u>¥28,385</u> -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 <u>¥41,436</u> -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 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 is to be fixed at around 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

Old

New: GigaPlans (Apr. 2021~)

				New Price from April 1, 2022		
Basic Monthly Charge	Minimum Start Plan (3GB)	With voice	¥1,760	With voice	¥858	¥850
		Data-only	¥990	Data-only	¥748	¥740
	Light Start Plan (6GB)	With voice	¥2,442	With voice	¥1,078	¥990
		Data-only	¥1,672	Data-only	¥968	¥900
	Family Share Plan (12GB)	With voice	¥3,586	With voice	¥1,518	¥1,500
		Data-only	¥2,816	Data-only	¥1,408	¥1,400
	2Giga Plan (2GB)	With voice	¥1,760	With voice	¥1,848	¥1,800
		Data-only	¥990	Data-only	¥1,738	¥1,730
	4Giga Plan (4GB)	With voice	¥2,442	With voice	¥2,068	¥2,000
		Data-only	¥1,672	Data-only	¥1,958	¥1,950
	8Giga Plan (8GB)	With voice	¥3,586	With voice	¥2,068	¥2,000
		Data-only	¥2,816	Data-only	¥1,958	¥1,950
15Giga Plan (15 B)	With voice	¥3,586	With voice	¥2,068	¥2,000	
	Data-only	¥2,816	Data-only	¥1,958	¥1,950	
20Giga Plan (20GB)	With voice	¥3,586	With voice	¥2,068	¥2,000	
	Data-only	¥2,816	Data-only	¥1,958	¥1,950	
Pay as you go	Voice call charge as you go	¥22 per 30 seconds	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



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.