

Consolidated Financial Results for FY21

(April 1, 2021 to March 31, 2022)

Internet Initiative Japan Inc. (IIJ)

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

May 13, 2022

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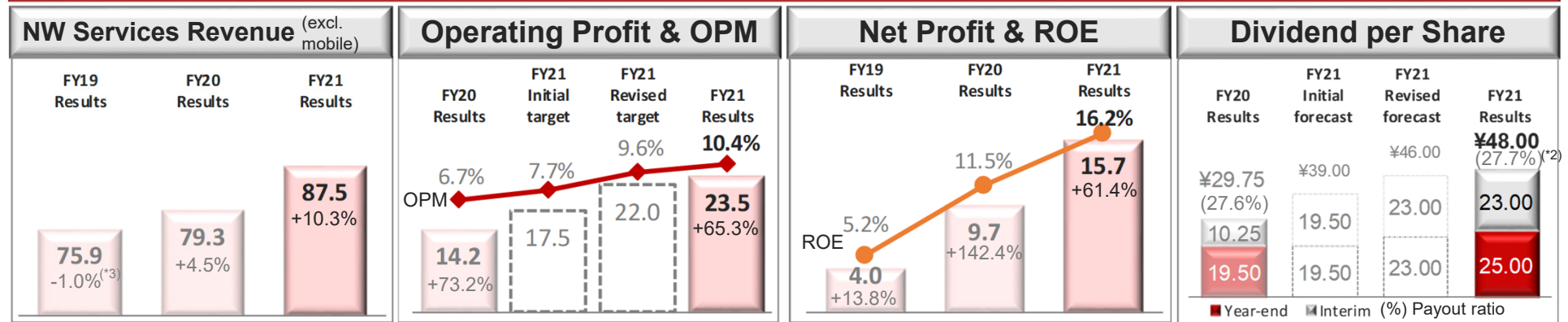
• FY21(FY2021) means a fiscal year ending March 31, 2022. Others alike

I . Summary of FY21

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

Revenues ¥226.3 bn, +6.3% Operating Profit ¥23.5 bn, +65.3% Net Profit ¥15.7 bn, +61.4%

Started the Mid-term Plan with the first year's profit largely exceeding the initial target
Structural profit expansion continued with our scale-merited enterprise recurring revenue^(*) growth
Increased dividend along with the profit growth (FY21 adjusted payout ratio: around 30%^(*))



Network Services (excl. Mobile)

- In-house developed highly value-added enterprise network (NW) services continued to grow by increasing digitalization demands
 - IP: ¥13.68 bn, +12.4%, Outsourcing: ¥40.52 bn, +13.5%, WAN: ¥26.40 bn, +5.4%, Security (part of Outsourcing) ¥22.22 bn, +20.6%

Mobile

- Total Mobile subscription as of Mar. 31, 2022: 3,508 thousand (of which, GigaPlans: 667 thousand)
 - Enterprise (excluding MVNE) largely grew by accumulating various NW camera projects etc.
Revenue: ¥10.26 bn, +31.4%, Subscription: 1,374 thousand, +23.7%
 - Consumer & MVNE revenues decreased as planned due to ARPU decrease for consumers & change in unit charge for MVNE clients at the beginning of FY21 (Total mobile revenue decrease: Plan: ¥7.0 bn, Result: ¥6.81bn)

SI

- Received orders of several large scale integrated NW replacement projects. Favorable demands for NW integration such as Office IT
- Financial impacts from PTC (consolidated from Apr. 1, 2021): Revenues ¥6.89 bn (Plan: ¥8.5 bn) Operating profit ¥0.31 bn (Plan: ¥0.4 bn)

Topics

- ◆ "IIJ GIO Infrastructure P2 Gen.2" was launched in Oct. 2021 to promote full-scale Cloud shift of enterprise systems
- ◆ "IIJ GIO Infrastructure P2" was registered on ISMAP, Japanese government's Cloud service list (Dec. 2021)
- ◆ Construct 2nd site of Shiroy DC to absorb growing facility demands through FY2027 by gradually operating from July 2023
- ◆ DeCurret HLD, an equity method investee, divested its crypto asset exchange business to focus on digital currency business. (Feb. 2022), enhanced management

(*)1 Enterprise recurring revenue: Sum of Network services (excluding Mobile) and Systems operation and maintenance revenues

(*)2 FY21 adjusted payout ratio is around 30%, which is calculated by deducting temporary and non-cash transaction such as valuation gain on funds & impairment losses

(*)3 FY19 NW Services Revenue (excluding mobile) includes certain large clients' WAN revenue which decreased by ¥4.4 bn YoY

II . FY22 Targets & Status of the Mid-term Plan

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

FY22 Targets

Revenue & profit to increase by executing & enhancing growth strategy

Revenues	¥250.0 bn	+10.5%	Profit before tax	¥26.3 bn	+8.8%
Operating Profit	¥27.2 bn	+15.5%	Net Profit	¥17.5 bn	+11.7%

DPS to increase with profit growth (%) payout ratio

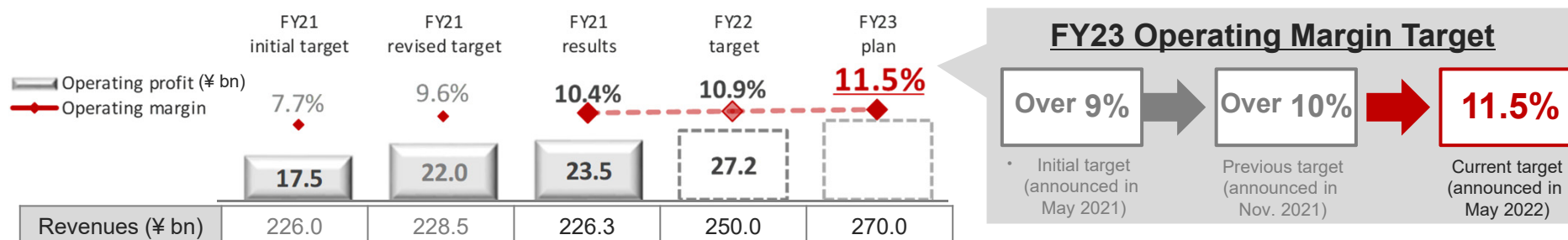
FY21 results	FY22 forecast
¥48.00 (27.7%)	¥58.50 (30.2%)
+¥10.50	

FY21 adjusted payout ratio is around 30%, which is calculated by deducting temporary and non-cash transaction

Network Services (excl. mobile)	Mobile	SI
- Accelerate growth with large-scale NW replacement projects in addition to ongoing & continuous revenue accumulation - Further strengthen competitive advantage of integrating various services such as Internet connectivity, Security, & WAN	- Generate advanced IoT flagship projects - Develop technology for 5G SA - Expand market share by timely upgrading consumer plans - Amount of expected revenue decrease to be smaller than FY21	- Differentiate with comprehensiveness by providing services & SI - Promote enterprise Cloud migration with GIO P2 Gen.2 - Construction revenue to largely increase with large-scale & development projects in addition to NW integration demands following FY21 trend
Enhancement of Company Foundation	CAPEX	DeCurret HLD, an equity method investee
- Enhance senior management to accelerate long term growth - Level-up volume & quality of recruitment & human capital development - Expect further business expansion by seeking M&A opportunities etc.	- Construct Shiroy data center's 2nd site all at once - Others such as network expansion related CAPEX to be usual volume	Execute service & business development for digital currency platform to be launched in the latter half of FY23

Status of the Mid-term Plan (FY21-23)

Stronger-than-expected profit growth led to FY23 operating margin upward revision



• 5G SA (Stand Alone) is a way of communications in which core network, data communication, control functions and others are all comprised by 5G technology

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III- 1. Consolidated Financial Results

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

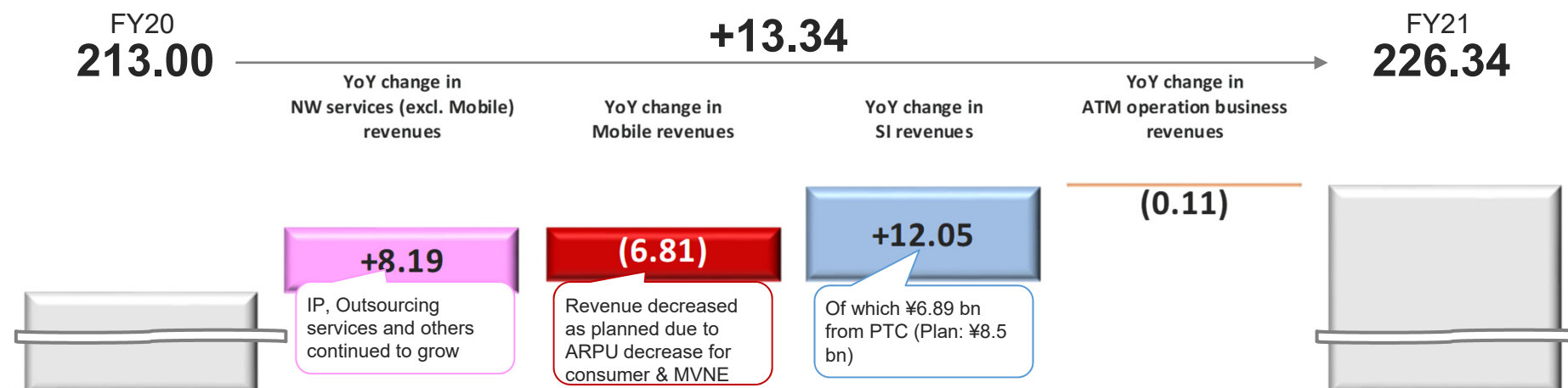
	% of revenue FY2021 Results Apr. 2021 - Mar. 2022	% of revenue FY2020 Results Apr. 2020 - Mar. 2021	YoY		% of revenue FY2021 Targets (Revised in Nov. 2021) Apr. 2021 - Mar. 2022	YoY	
Revenues	226.34	213.00	+6.3%	+13.33	228.5	+7.3%	+15.50
Cost of Revenues	77.2% 174.71	81.1% 172.72	+1.2%	+1.99	78.2% 178.7	+3.5%	+5.98
Gross Profit	22.8% 51.63	18.9% 40.28	+28.2%	+11.35	21.8% 49.8	+23.6%	+9.52
SG&A etc.	12.4% 28.08	12.2% 26.03	+7.9%	+2.05	12.2% 27.8	+6.8%	+1.77
Operating Profit	10.4% 23.55	6.7% 14.25	+65.3%	+9.30	9.6% 22.0	+54.4%	+7.75
Profit before tax	10.7% 24.16	6.6% 14.03	+72.2%	+10.13	9.4% 21.5	+53.2%	+7.47
Net Profit	6.9% 15.67	4.6% 9.71	+61.4%	+5.96	6.0% 13.7	+41.1%	+3.99

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

Ⅲ- 2. Year over Year Analysis

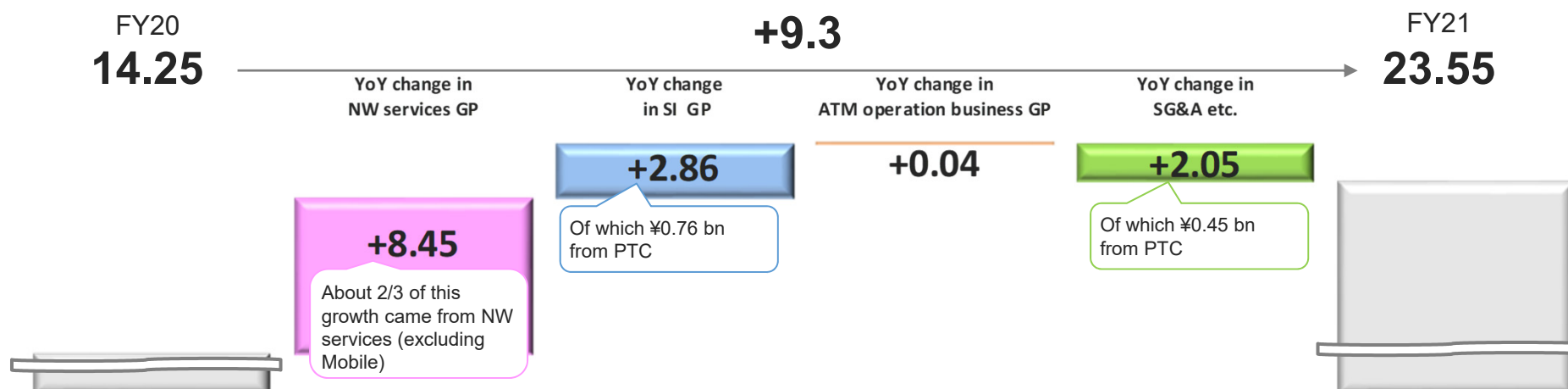
Unit: ¥ (JPY) billion (bn)
GP = Gross Profit
YoY = Year over year comparison

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

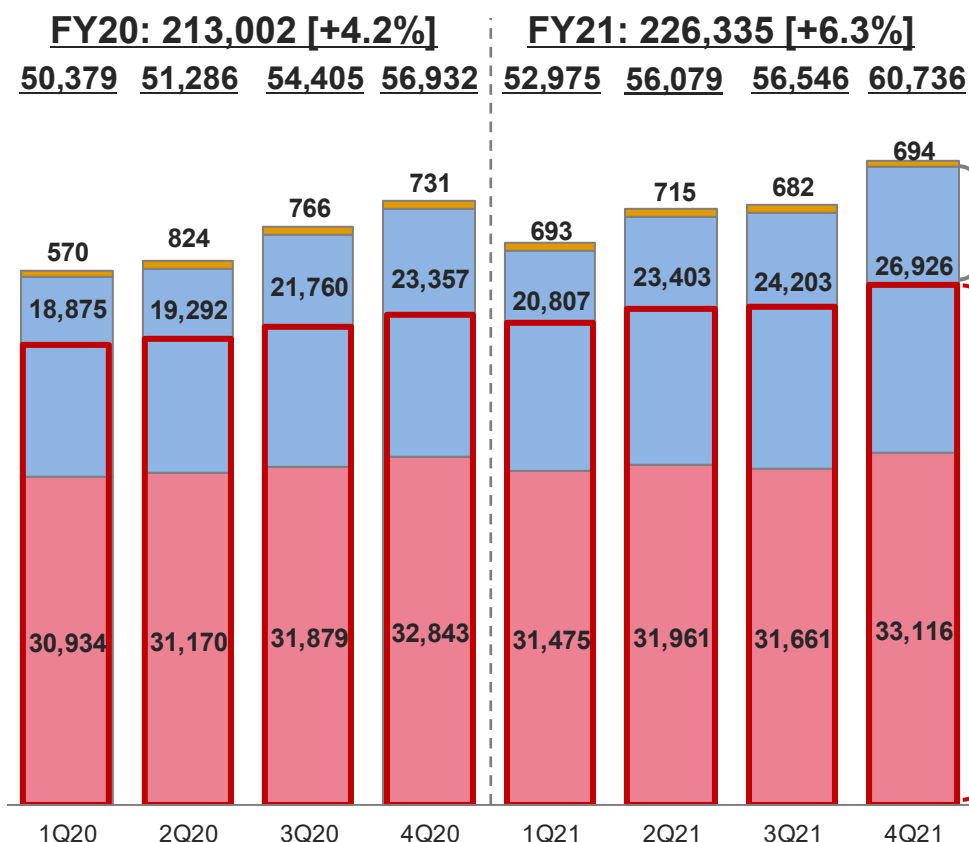
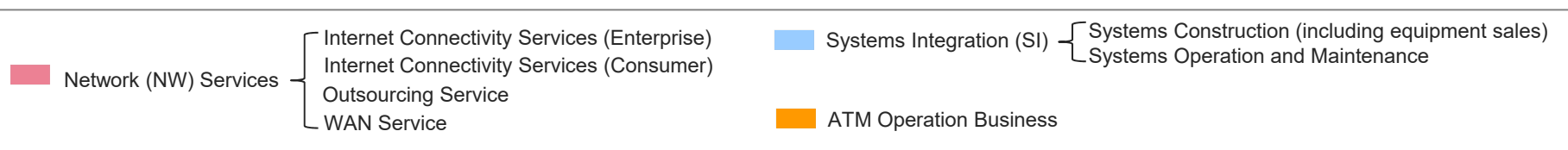
Operating Profit



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

III- 3. Revenues

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



One-time revenue

FY21: ¥35.38 billion, +11.4%YoY
of which ¥4.73 billion from PTC
(15.6% of FY21 total revenues)

Recurring revenue

FY21: ¥188.17 billion, +5.5%YoY
of which ¥2.16 billion from PTC
(83.1% of FY21 total revenues)

NW Services revenue (excluding Mobile)

FY21: ¥87.50 billion (+10.3%YoY, +¥8.19 billion)
(38.7% of FY21 total revenues)

Mobile Services revenue

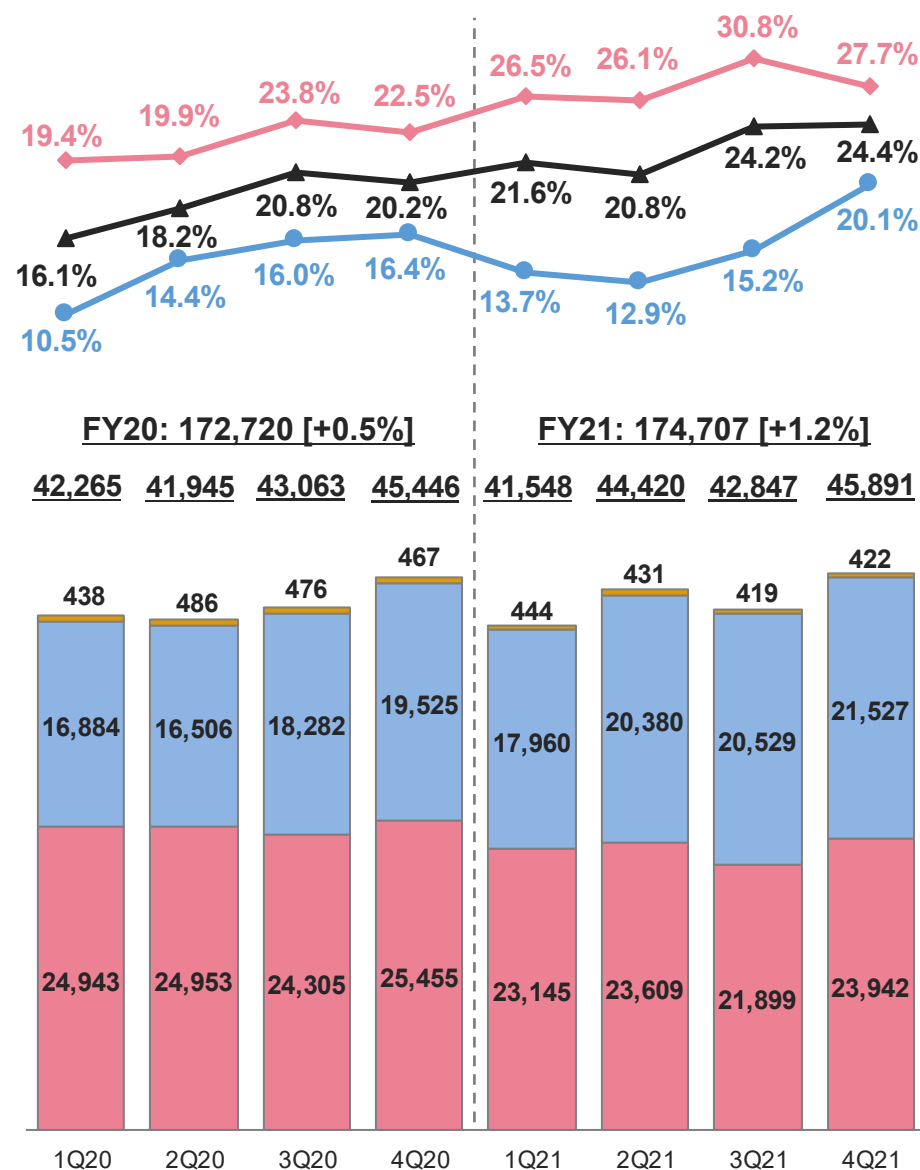
FY21: ¥40.72 billion (-14.3%YoY, -¥6.81 billion)
(18.0% of FY21 total revenues)

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

III- 4. Cost of Revenues & Gross Profit Ratio

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

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



◆ Total gross profit

- FY21: ¥51.63 billion (+28.2%, +¥11.35 billion YoY)
- FY21 gross profit ratio: 22.8% (FY20: 18.9%)

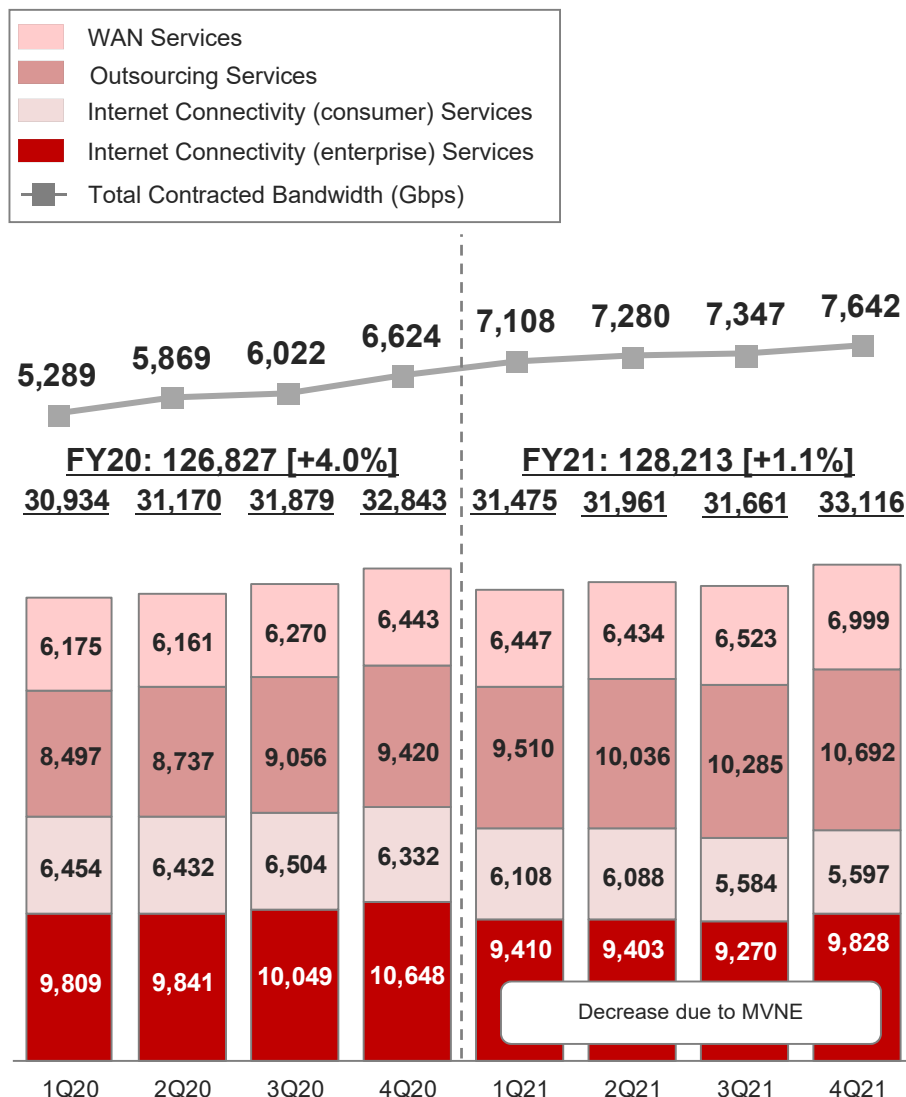
◆ Gross profit for NW services

- FY21: ¥35.62 billion (+31.1%, +¥8.45 billion YoY)
- FY21 gross profit ratio: 27.8% (FY20: 21.4%)
 - Gross profit increased by the increase in enterprise network services revenues, such as IP and Security
 - In 3Q21, we had onetime profit contribution of approximately ¥1.08 billion as FY20 Docomo's mobile interconnectivity (unit charge) was fixed
 - ✓ For FY20, we recorded the following temporary cost reimbursement: 3Q ¥0.70 billion, 4Q: ¥0.39 billion

◆ Gross profit for SI

- FY21: ¥14.94 billion (+23.6%, +¥2.86 billion YoY)
- FY21 gross profit ratio: 15.7% (FY20: 14.5%)
 - 4Q21 gross profit ratio increased mainly due to a large systems construction revenue, which is a seasonal factor, and a small purchasing cost portion

III- 5. Network Services (1) Revenues



- 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

➢ FY21: ¥37.91 billion, -6.0% YoY

Of which, IP (Dedicated connectivity for enterprises) FY21 revenue: ¥13.68 billion								
	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
YoY	+9.4%	+10.8%	+17.2%	+17.5%	+13.7%	+12.8%	+9.8%	+13.5%
QoQ	+6.4%	+3.0%	+5.7%	+1.4%	+2.9%	+2.2%	+3.0%	+4.8%

• Of which, IJJ Mobile (enterprise): ¥20.35 billion, -17.0% YoY

Of which, enterprise mobile (IoT usages) FY21 revenue: ¥10.26 billion								
	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
YoY	+18.2%	+22.0%	+39.9%	+37.0%	+40.1%	+37.8%	+31.9%	+19.5%
QoQ	(0.1%)	+8.2%	+12.1%	+13.0%	+2.2%	+6.5%	+7.3%	+2.3%

✓ Of which, MVNE revenue: FY21 ¥10.09 billion, -39.6% YoY

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

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

➢ FY21: ¥23.38 billion, -9.1% YoY

- Impacted by ARPU decrease along with the launch of GigaPlans

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

➢ FY21: ¥40.52 billion, +13.5% YoY

Of which, security FY21 revenue: ¥22.22 billion								
	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
YoY	+11.9%	+13.1%	+12.0%	+13.5%	+15.0%	+18.2%	+22.7%	+25.9%
QoQ	+3.2%	+4.2%	+2.3%	+3.3%	+4.5%	+7.0%	+6.2%	+6.0%

◆ WAN Services (Wide Area Network, Closed network)

➢ FY21: ¥26.40 billion, +5.4% YoY

	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
YoY	(16.8%)	(11.0%)	(2.8%)	+4.3%	+4.4%	+4.4%	+4.0%	+8.6%
QoQ	(0.0%)	(0.2%)	+1.8%	+2.8%	+0.1%	(0.2%)	+1.4%	+7.3%

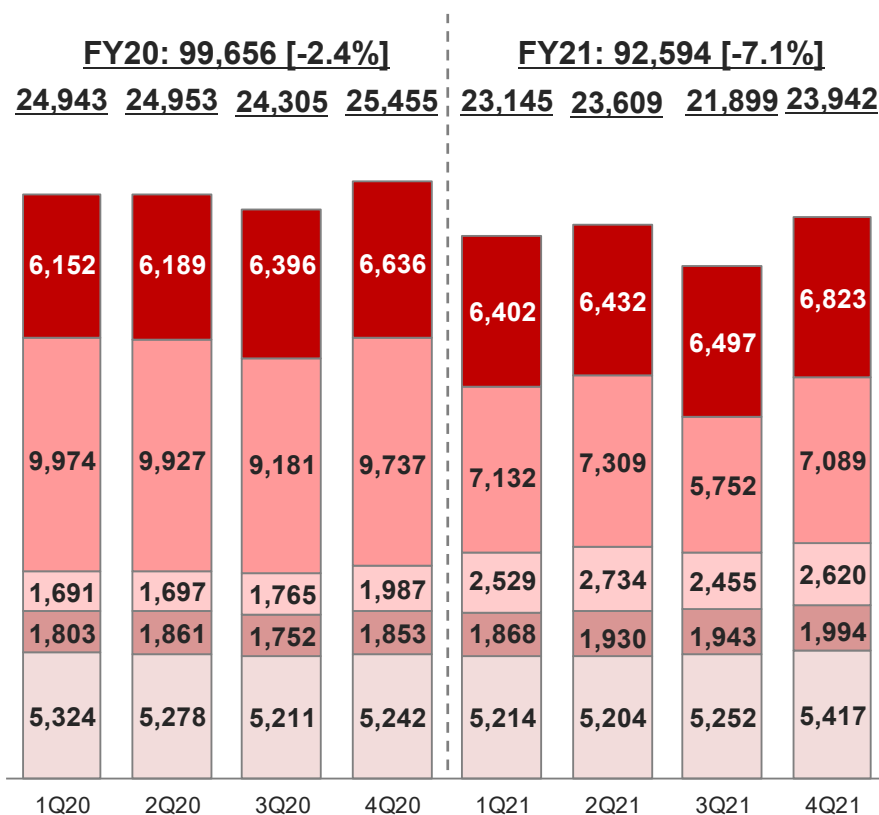
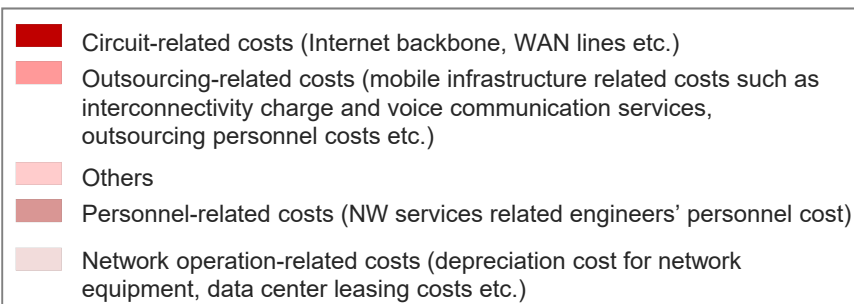
- FY20 revenue decreased due to certain large clients migration to mobile

FY22 Outlook

- There is no major change with enterprise monthly recurring transactions (excluding MVNE) from 1Q22 (no large impact from annual renewal pricing pressure)
- Large-scale NW replacement projects' revenues would be gradually added to the continuous revenue accumulation

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

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



- FY21 Circuit-related costs increased by 3.1%, +¥0.78 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
- FY21 Outsourcing-related costs decreased by 29.7%, -¥11.54 billion YoY mainly because costs related to voice purchasing and mobile data interconnectivity decreased
 - 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
- FY21 Others increased by 44.8%, +¥3.20 billion YoY as it included an increase in mobile device purchase
 - FY21 purchasing cost of mobile device increased by ¥1.91 billion YoY
Breakdown: 1Q: up ¥0.52 billion, 2Q: up ¥0.72 billion, 3Q: up ¥0.48 billion, 4Q: up ¥0.19 billion

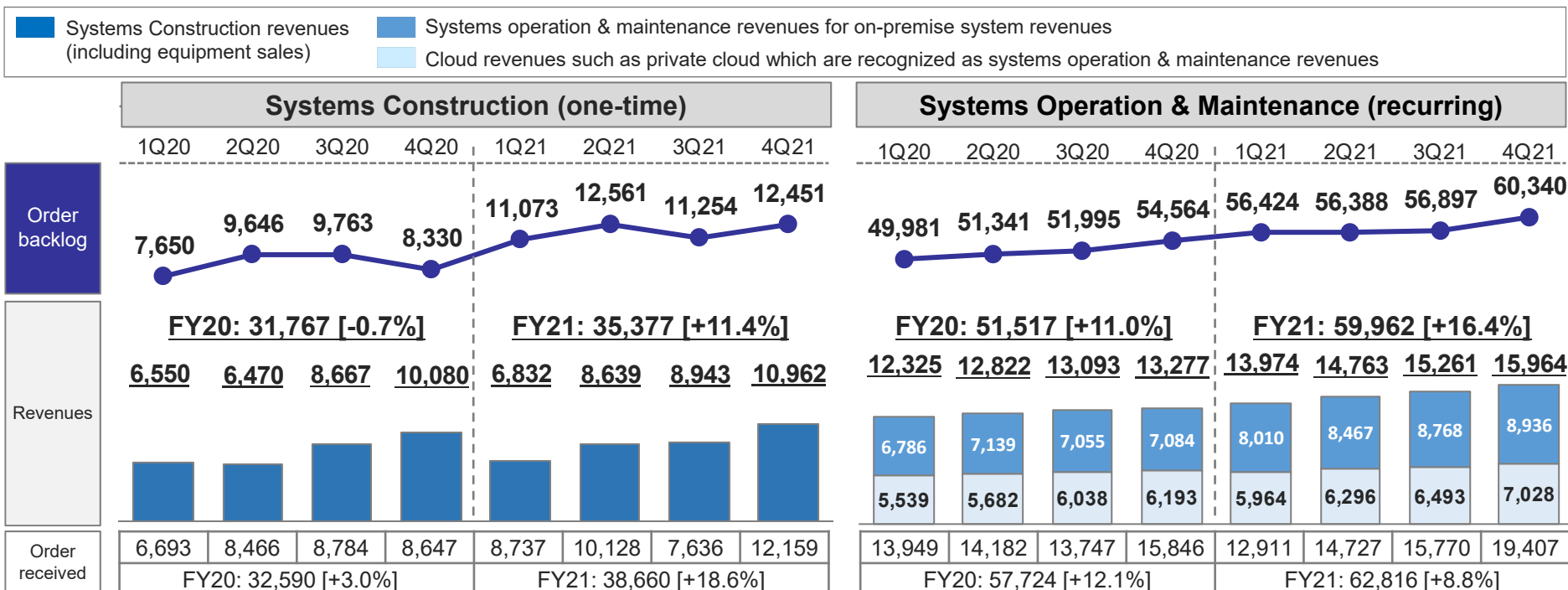
Regarding mobile data interconnectivity cost recognition:

(Mobile Network Operator's mobile infrastructure cost)

- As for our FY22 usage charge, from 1Q22, we plan to apply ¥20,327 per Mbps as a unit charge which 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.
- As for our FY19 usage charge, we used ¥42,702 per Mbps (decrease of 13.4% from the previous year's charge) as a unit charge, which was fixed in Jan. 2021. We recorded onetime cost reduction due to the difference between the fixed unit charge and our estimated unit charge were as follows: 3Q20: ¥0.70 billion, 4Q20: ¥0.39 billion.

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

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



- Accumulated orders across all industries (Large-scale construction orders received in 4Q21)
 - Several large-scale NW renewal projects for public sector
 - Several groupware implementation projects such as Microsoft 365
 - Several campus network renewal projects

FY22 Outlook

- In addition to NW integration demands, we expect SI construction revenues to largely increase with large-scale & development projects
- We acquired several large-scale integrated NW replacement projects, which require both NW services & SI
 - Acquired 5 projects ranging from a little less than ¥1 bn to over ¥5 bn in revenue. In total, revenue volume of over 10 bn for the total contracted period
 - 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 (The projects' revenues would be largely recognized as NW services)

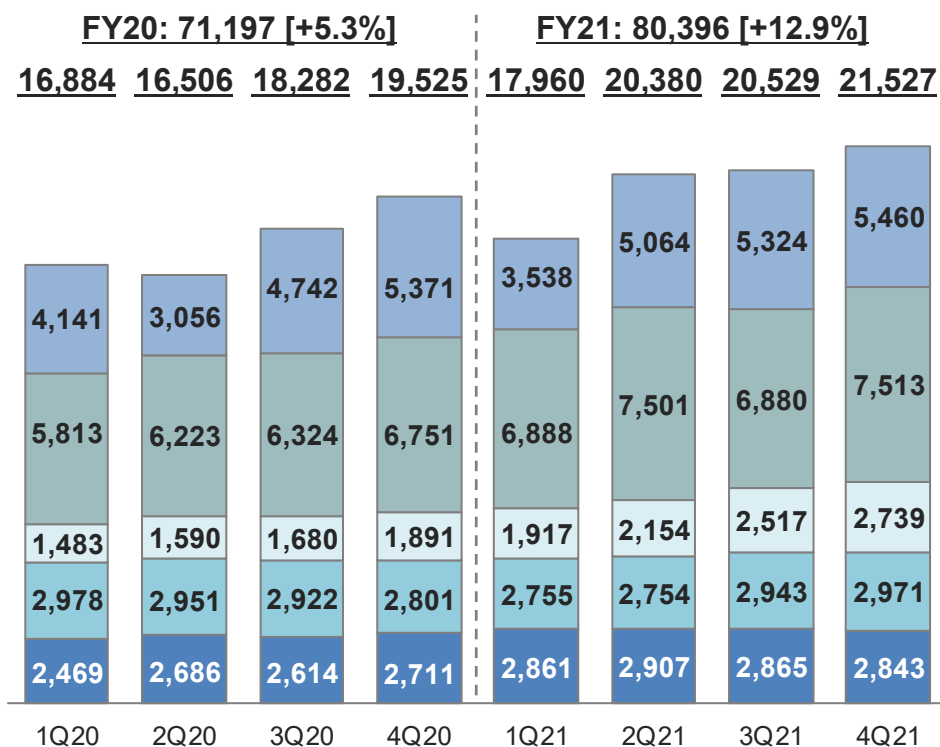
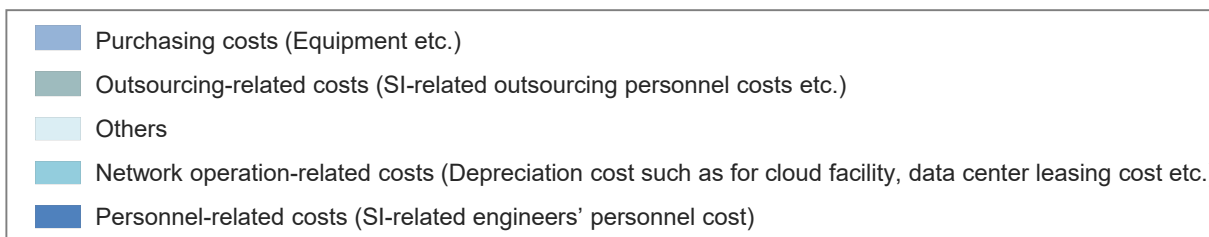
- 1Q21 order received decreased because contracts for renewals were concentrated in 4Q20
- Systems operation & maintenance revenues stably increased mainly because we continued to accumulate system construction project orders

PTC (Singaporean Sler, consolidated subsidiary from Apr. 2021)

- While FY21 revenue was weaker than expected which was mainly due to fluctuation in orders from large customers & the Pandemic, we expect to accumulate demands from both the current large clients & new clients for FY22

Impact on consolidated financial results (All of PTC revenues is recognized as SI)			
Unit: ¥ bn	FY21 plan	FY21 results	FY22 target
Revenues	Approx. 8.5	6.89	Approx. 10.2
Operating Profit	Approx. 0.4	0.31	Approx. 0.4

Ⅲ- 6. Systems Integration (SI) (2) Cost of Revenues Unit: ¥ (JPY) million [], YoY = Year over year comparison



- Cost of revenues related to PTC is mainly recognized in purchasing costs, outsourcing-related costs and personnel related costs
 - 1Q: ¥1.16 billion, 2Q: ¥2.16 billion, 3Q: ¥1.39 billion, 4Q: ¥1.41 billion (FY21: ¥6.12 billion)
- 4Q21 gross profit ratio increased mainly because the ratio of purchasing cost to the systems construction revenue was small
- 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

Number of SI-related outsourcing personnel

(unit: personnel)

1Q20-end	2Q20-end	3Q20-end	4Q20-end	1Q21-end	2Q21-end	3Q21-end	4Q21-end
1,094	1,181	1,236	1,270	1,244	1,300	1,302	1,319

III- 7. Human Capital Disclosure

YoY = Year over year comparison

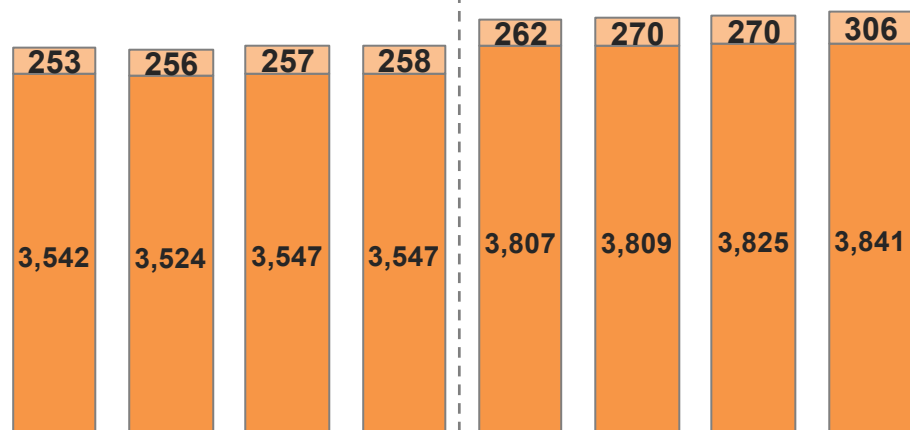
Number of Employees

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

FY22 Outlook

- FY22 net increase of employees is planned to be approx. 290 (including 178 new graduates joined in Apr. 2022)

Jun. 2020	Sep. 2020	Dec. 2020	Mar. 2021	Jun. 2021	Sep. 2021	Dec. 2021	Mar. 2022
3,795	3,780	3,804	3,805 (+222)	4,069	4,079	4,095	4,147 (+342, of which +56 from PTC)



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

Personnel-related costs & expenses

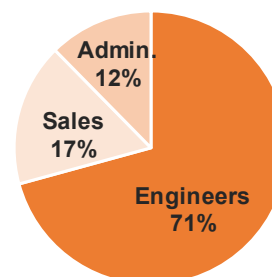
Unit: ¥ (JPY) million, () = % of revenue

1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
6,835 (13.6%)	7,281 (14.2%)	7,032 (12.9%)	7,405 (13.0%)	7,756 (14.6%)	7,892 (14.1%)	7,859 (13.9%)	7,985 (13.1%)
FY20: 28,553 (13.4%) +8.4%YoY				FY21: 31,491 (13.9%) +10.3%YoY			

- ¥0.55 bn was added through PTC consolidation (Apr. 2021)

Distribution

(as of Mar. 31, 2022)



Turnover Rate

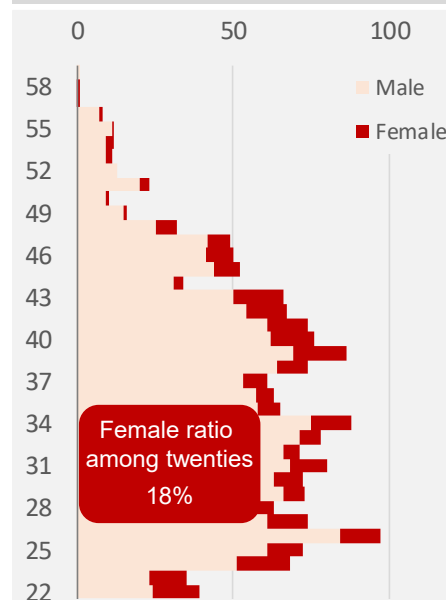
FY19	FY20	FY21
4.6%	3.6%	4.2%

- Turnover rate is calculated by dividing the number of leavers who joined before that FY by the number of full-time employees at the beginning of that FY
- IJJ's turnover rate is lower than its industry average turnover rate for telecommunication of about 10%, which is announced by the Ministry of Health, Labor and Welfare every year

Age composition of IJJ's full-time workers

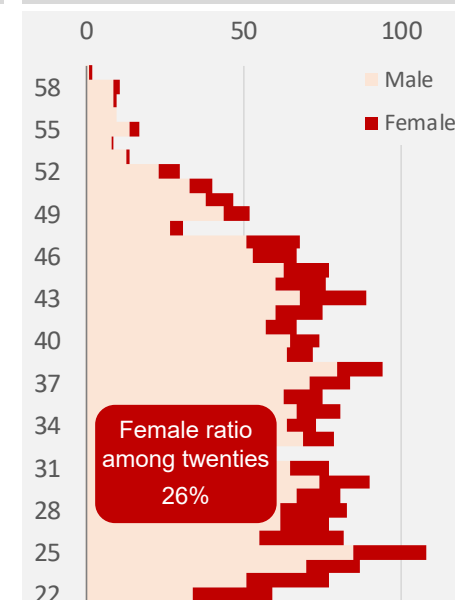
As of Mar. 31, 2018

Number of IJJ's full time workers: 1,868
(female to total: 16%)



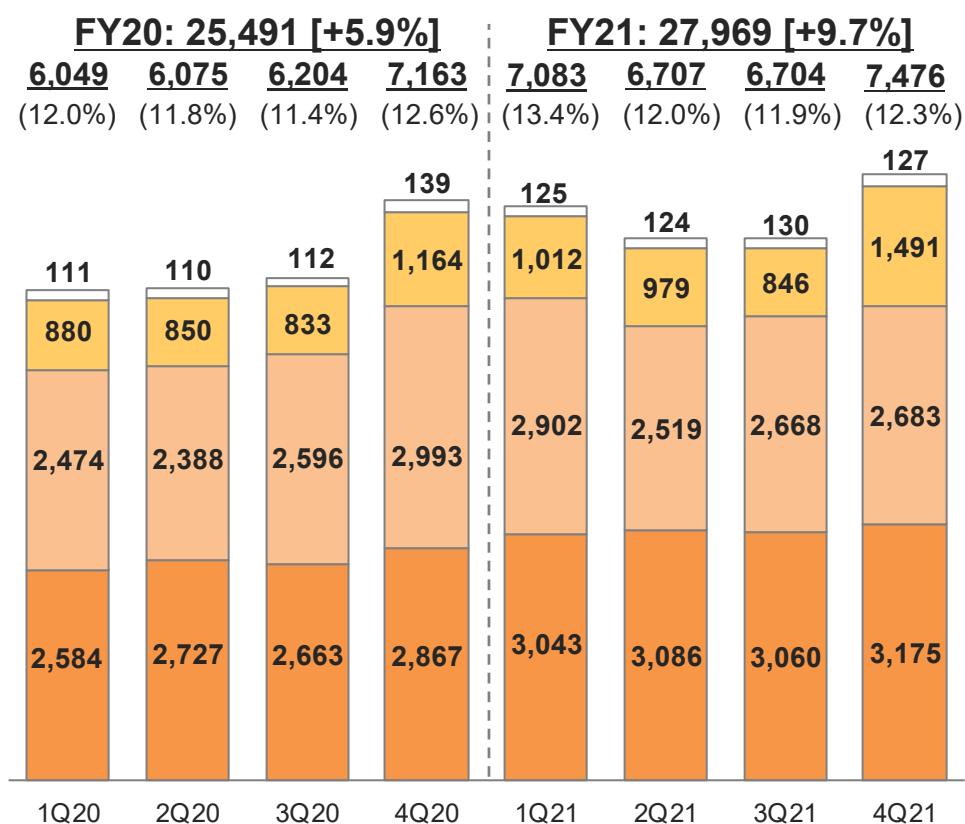
As of Mar. 31, 2022

Number of IJJ's full-time workers: 2,301
(female to total: 19%)



III- 8. SG&A

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



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

Other than as provided to the left, we had ¥0.11 billion of expenses, as other income/expenses (net) in FY21 (FY20: ¥0.54 billion of expenses)

- Of which, FY21 disposal loss on fixed assets was ¥0.22 billion (FY20: ¥0.64 billion)

- Research & development expenses mainly consist of personnel expenses of IIJ Innovation Institute, a wholly owned subsidiary
 - IIJ absorbed IIJ Innovation Institute on Apr. 1, 2022
- Commission expenses are mainly consumer sales commission and recruitment expenses. In 4Q21, mobile marketing expenses increased due to a seasonal factor
- FY21 Others slightly increased mainly due to advertisements for consumer business
- PTC's SG&A etc. has been added from 1Q21
 - 1Q: ¥0.09 billion, 2Q: ¥0.11 billion, 3Q: ¥0.12 billion, 4Q: ¥0.13 billion (FY21: ¥0.45 billion)

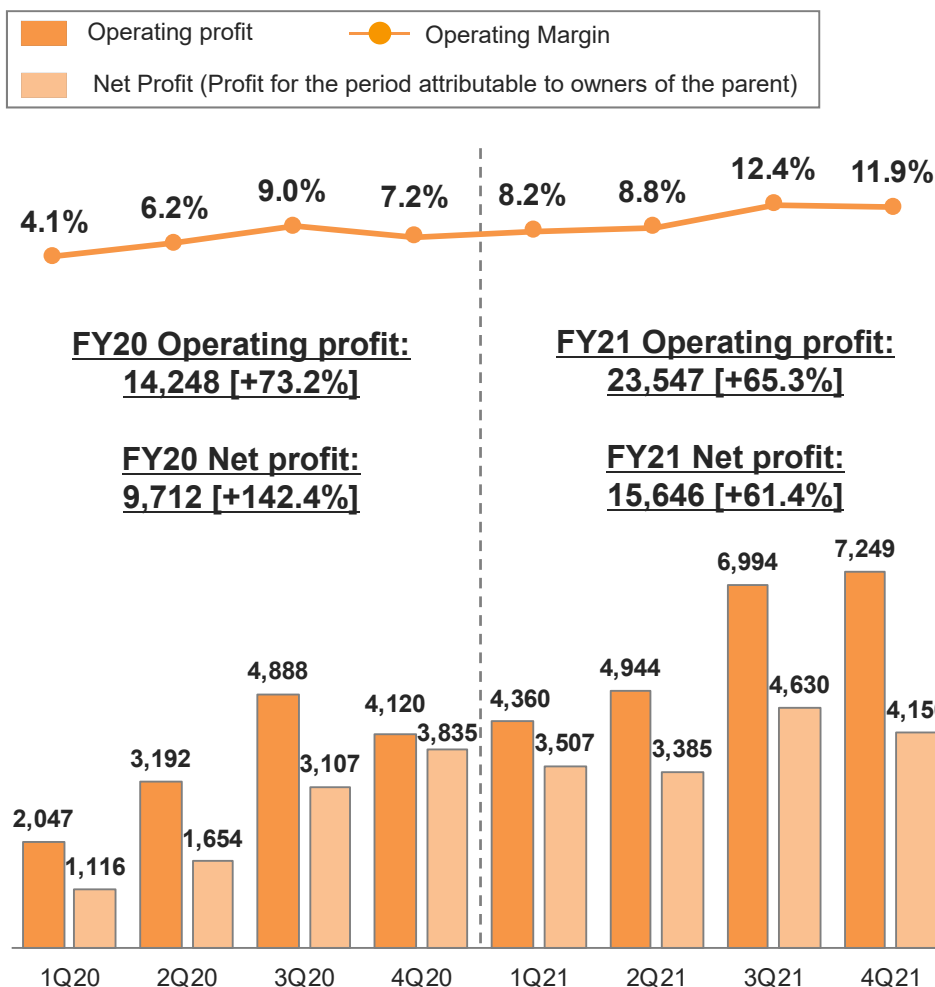
FY22 Outlook

- Expect the YoY increase to become large mainly due to enhanced recruitment and promotion

III- 9. Profit

Unit: ¥ (JPY) million

[], YoY =Year over year comparison



◆ Operating profit

➢ FY21: ¥23.55 billion, +65.3% YoY

◆ Profit before tax

➢ FY21: ¥24.16 billion, +72.2% YoY

- Interest expense: ¥538 million
 - Foreign exchange gain : ¥327 million
 - Gain on funds* : ¥3,055 million (of which, ¥585 million is fixed and realized amount)
(1Q: ¥1,296 million, 2Q: ¥396 million, 3Q: ¥867 million, 4Q: ¥495 million)
 - Dividend income: ¥82 million
 - Interest income: ¥42 million
 - Share of loss of investments accounted for using equity method: ¥2,335 million
- DeCurret-related income (loss):

1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
(306)	(273)	(207)	156	(296)	(256)	(780)	(1,456)

- ✓ IJ ownership: 4Q19 30.0%, from 1Q20 41.6%, from 1Q21 38.2% is used to recognize gain and loss
- ✓ DeCurret divested its crypto asset business on Feb. 1, 2022 to dedicate its business resources to digital currency business
- ✓ 3Q21 loss increased as it 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)
- ✓ 4Q20 income includes a gain on changes in equity of ¥349 million arisen from the issuance of common stock

◆ Net profit

➢ FY21: ¥15.67 billion, +61.4% YoY

- Income tax expense: ¥8,362 million, +97.5% YoY
- ✓ Tax benefit on loss related to DeCurret investments was not recognized

1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	
(74)	(286)	186	368	1,208	292	855	595	Finance income (expense), net
(279)	(135)	(313)	319	(217)	(155)	(684)	(1,278)	Share of profit (loss) of investments accounted for using equity method
(572)	(1,084)	(1,625)	(952)	(1,807)	(1,667)	(2,500)	(2,388)	Income tax expense
(6)	(34)	(29)	(21)	(36)	(30)	(35)	(27)	Less: Profit for the period attributable to non-controlling interests

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

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

- Ratio of total equity attributable to owners of the parent: 40.7% as of Mar. 31, 2021, 44.7% as of Mar. 31, 2022

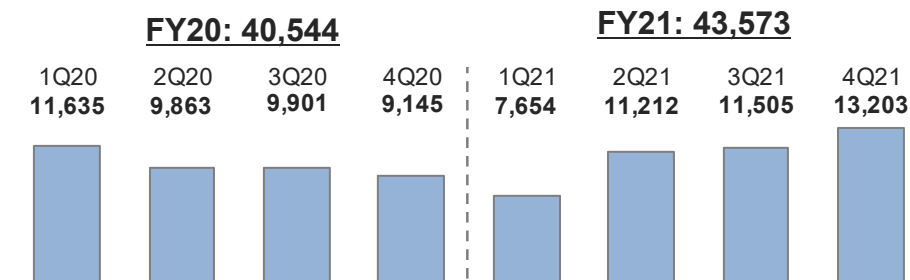
Unit: ¥ (JPY) million

	Mar. 31, 2021	Mar. 31, 2022	Changes
Cash & cash equivalents	42,467	47,391	+4,924
Trade receivables	34,799	37,649	+2,850
Inventories	2,171	2,608	+437
Prepaid expenses (current & non-current)	20,136	24,006	+3,870
Tangible assets	17,084	17,846	+761
Right-of-use assets	50,708	44,874	(5,834)
Of which, operating leases (rent of office, data center etc.)	34,222	27,859	(6,363)
Of which, finance leases (network equipment etc.)	16,486	17,015	+529
Goodwill & intangible assets	23,037	25,903	+2,866
Investments accounted for using the equity method	9,027	5,830	(3,197)
Other investments	12,912	17,410	+4,497
Others	8,436	8,289	(147)
Total assets:	<u>220,777</u>	<u>231,805</u>	<u>+11,028</u>
Trade & other payables	19,244	20,742	+1,498
Borrowings (current & non-current)	25,560	21,870	(3,690)
Contract liabilities & Deferred income (current & non-current)	14,832	17,405	+2,574
Income taxes payable	3,012	5,795	+2,783
Retirement benefit liabilities	4,169	4,395	+226
Other financial liabilities (current & non-current)	53,527	47,181	(6,346)
Of which, operating leases (rent of office, data center etc.)	34,432	28,157	(6,274)
Of which, finance leases (network equipment etc.)	18,229	18,069	(160)
Others	9,462	9,796	+334
Total liabilities:	<u>129,806</u>	<u>127,184</u>	<u>(2,621)</u>
Share capital	25,531	25,562	+31
Share premium	36,389	36,518	+129
Retained earnings	25,047	37,024	+11,977
Other components of equity	4,865	6,275	+1,410
Treasury shares	(1,875)	(1,851)	+24
Total equity attributable to owners of the parent:	<u>89,956</u>	<u>103,528</u>	<u>+13,572</u>

III- 11. Consolidated Cash Flows

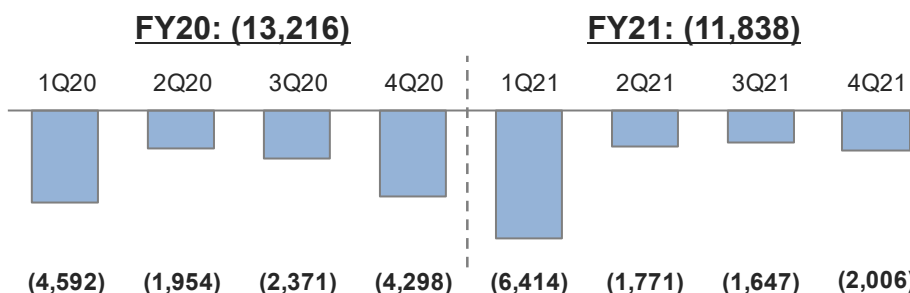
Unit: ¥ (JPY) million
YoY = Year over year comparison

Operating Activities



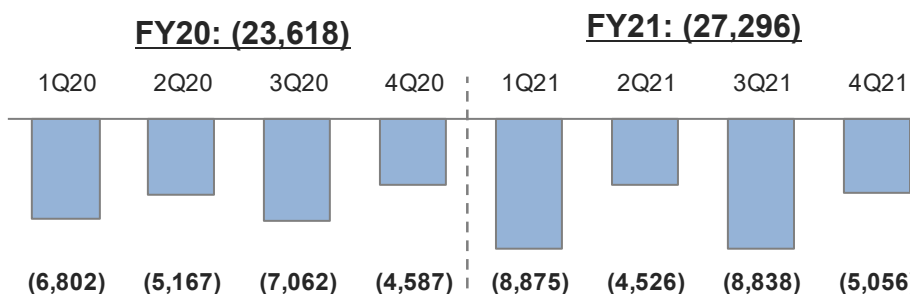
	Major Breakdown	YoY Change
Profit before tax	24,162	+10,127
Depreciation and amortization	28,444	+471
Changes in operating assets & liabilities	(2,892)	(4,406)
Income taxes paid	(5,700)	(1,788)

Investing Activities



	Major Breakdown	YoY Change
Purchase of tangible assets	(6,783)	(393)
Purchase of investments accounted for using equity method	—	+4,754
Purchases of a subsidiary	(2,612)	(2,612)
Purchase of intangible assets such as software	(4,734)	(118)
Proceeds from sales of tangible assets (leaseback)	2,150	(349)

Financing Activities

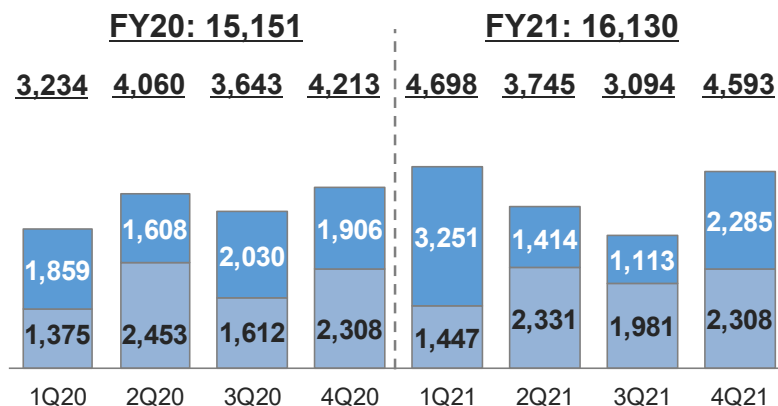
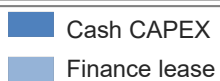


	Major Breakdown	YoY Change
Payment of operating/finance leases and other financial liabilities	(19,983)	+186
Repayment of borrowings	(3,690)	(1,500)
Dividends paid	(3,836)	(2,303)

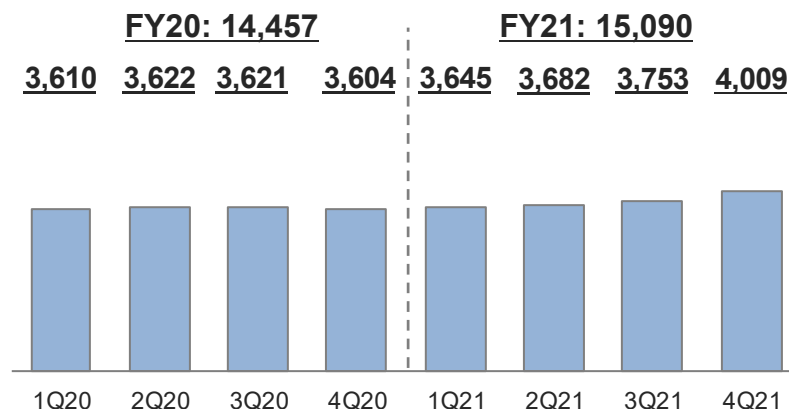
III- 12. Other Financial Data

Unit: ¥ (JPY) million

CAPEX



CAPEX-related depreciation and amortization



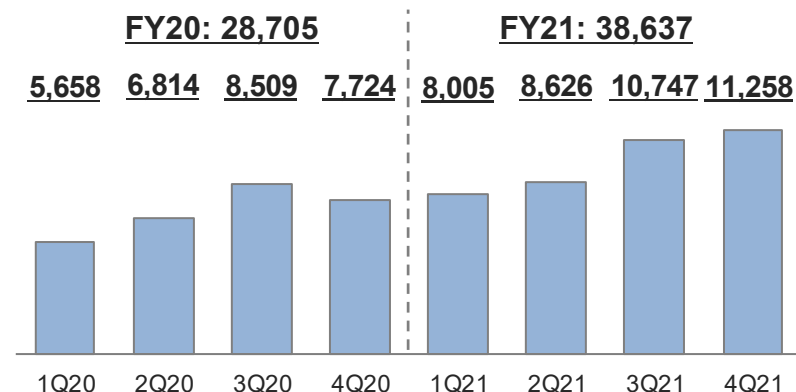
➤ Breakdown (Unit: JPY billion)

	FY20	FY21
NW Usual Capex	8.8	9.7
Cloud-related	2.8	2.3
Shiroi DC-related	1.5	1.5
Customer-related	1.7	2.6
ATM-related	0.3	0.0

FY22 Outlook: around ¥21.5 billion

- CAPEX for Shiroi data center's 2nd site construction to be approx. ¥5.0 billion for FY22 portion. Network (NW) usual CAPEX & others to be normal level

Adjusted EBITDA

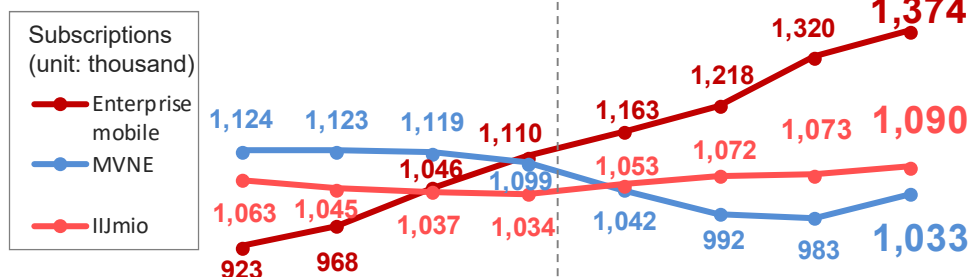


- Total amount of capital expenditure is the amounts of acquisition of tangible and intangible assets by cash and entering into finance leases for the fiscal year, excluding duplication due to sale and leaseback transactions and acquisition of assets that do not have the nature of investment, such as 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.

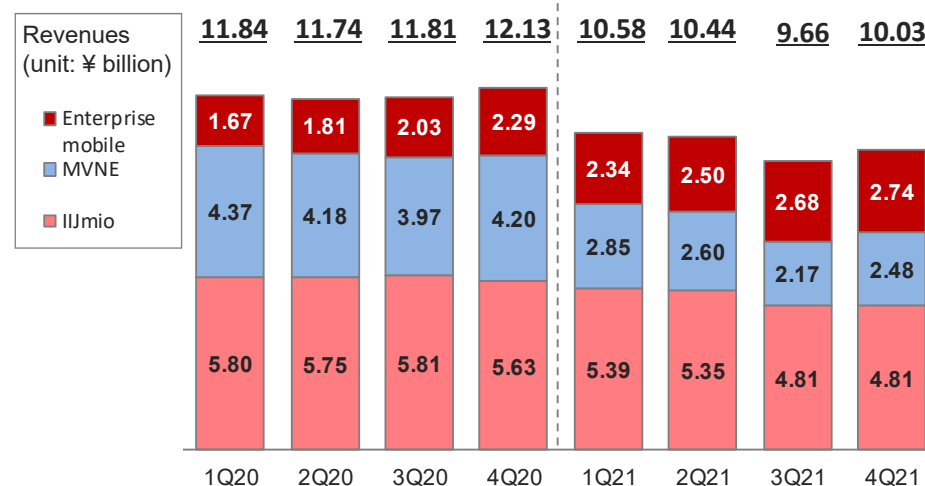
IV- 1. Service & Business Developments: Mobile & IoT

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

Subscription (Subs.)



Revenue



	FY20	FY21
Enterprise	7.81 (+29.6%)	10.26 (+31.4%)
MVNE	16.72 (+0.9%)	10.09 (-39.6%)
IIJmio	23.00 (-2.1%)	20.37 (-11.4%)
Total	47.52 (+3.1%)	40.72 (-14.3%)

• FY21 full-MVNO revenue: ¥3.81 bn
(revenue recognition: 90% Enterprise mobile, 10% IIJmio)

◆ Enterprise mobile (deducting MVNE from IIJ Mobile)

- FY21 revenue: ¥10.26 bn (+¥2.45 bn YoY)
- 4Q21-end subs.: 1,374 thousand (+54 thousand QoQ)
 - Growing by additional orders from the existing projects & continuously receiving new projects
 - Differentiate with Multi carriers, SoftSIM and other various forms of SIM
 - Various usage: payment (vending machines etc.), marketing cameras, surveillance cameras (attached to helmets etc.), dashboard cameras, backup for WAN, GPS trackers (for kids safety etc.), remote control (close/open door keys etc.) remote work and many more

◆ MVNE (providing mobile services to other MVNOs)

- FY21 revenue: ¥10.09 bn (-¥6.62 bn YoY)
 - Impacted by the decrease in purchasing unit charge and a large MVNE client switching to another operator due to M&A
- 4Q21-end subs.: 1,033 thousand (+50 thousand QoQ)
- 4Q21-end MVNE clients: 170 clients (+11 clients YoY)
 - Cable TV operators (91 operators), prominent retailer etc.

◆ IIJmio (consumer)

- FY21 revenue: ¥20.37 bn (-¥2.63 bn YoY)
- 4Q21-end subs.: 1,090 thousand (+17 thousand QoQ)

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

FY22 Outlook: total mobile revenue to decrease by ¥0.5 bn

- ◆ Enterprise: revenue & subs. to continuously & largely increase along with continuous accumulation of IoT projects
- ◆ MVNE: Revenue per unit to decrease along with decrease in purchasing costs. The certain client's migration impact to continue
- ◆ IIJmio: Aim for larger than FY21 net addition subs. (56 thousand)

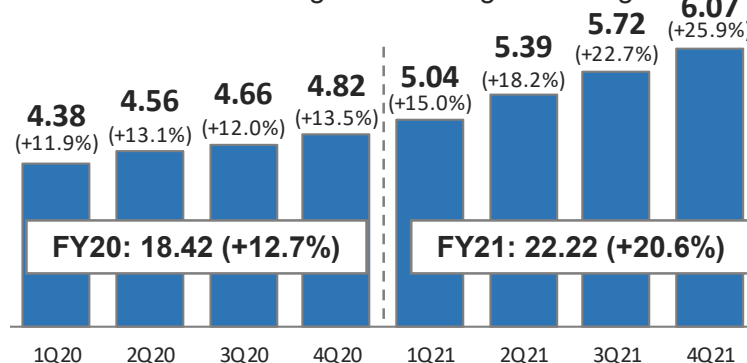
IV- 2. Service & Business Developments

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

Security largely growing with ongoing strong demands

◆ Security Services (recurring) revenue

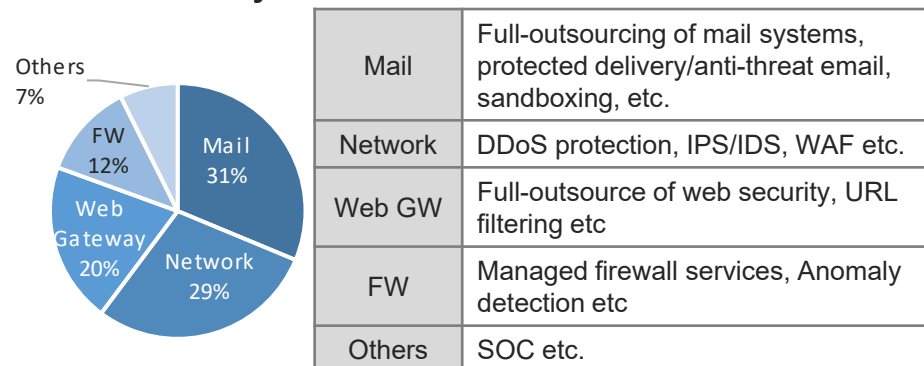
- In addition to conventional services such as Mail and Web security services which we have been providing since the 2000s, SOC (Security Operation Center) and SASE services are also contributing to the strong revenue growth



Total Security Business (Services + SI)	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
	5.01	5.30	5.44	5.72	5.73	6.19	6.48	7.05
	FY20: 21.47 (+12.0%)				FY21: 25.44 (+18.5%)			

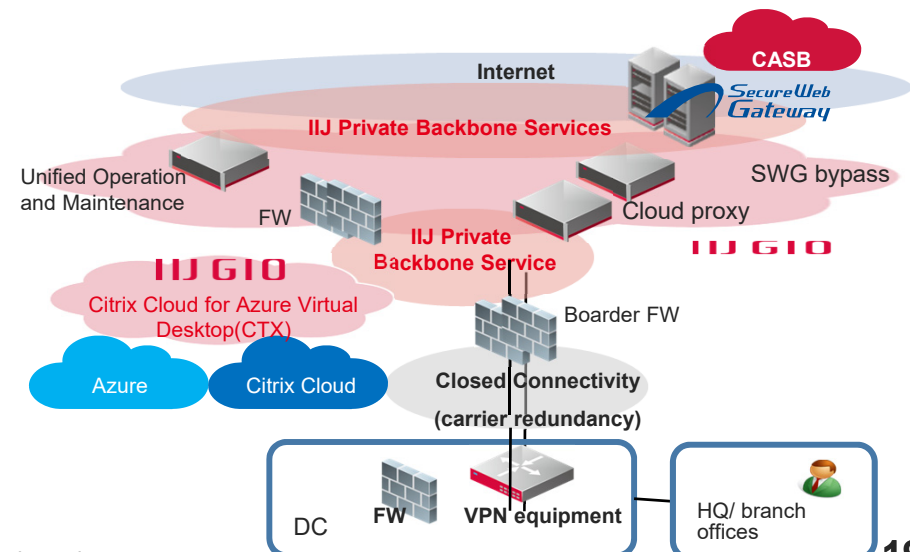
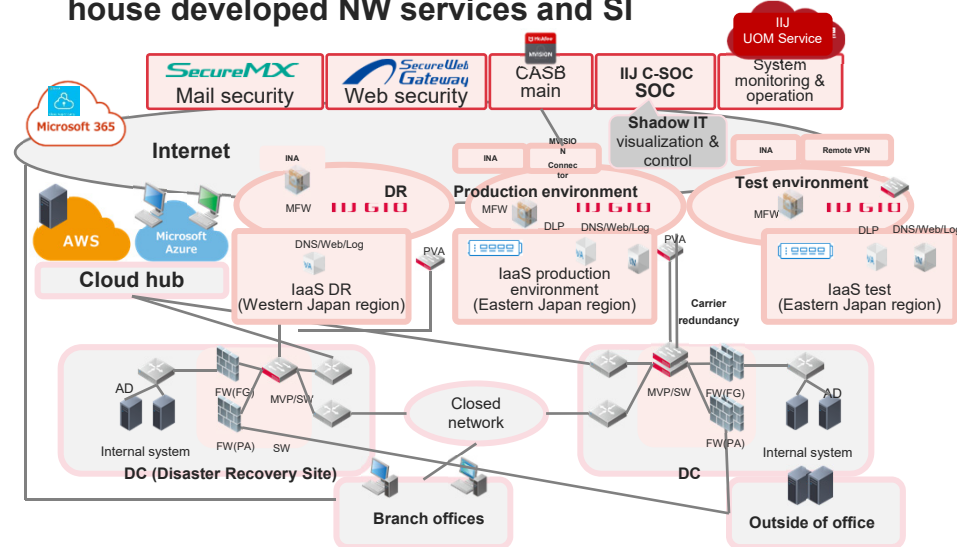
- Security service revenue (recurring) is 100% recognized in Outsourcing services
- Security services is a general term for individual security service such as mail security, firewall, Web filtering, DDoS protection, SOC service, Endpoint (EDR) and SASE
- SASE (Secure Access Service Edge) is a concept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

◆ FY21 Security Service Revenue Breakdown



Acquired several large projects requiring both NW & SI

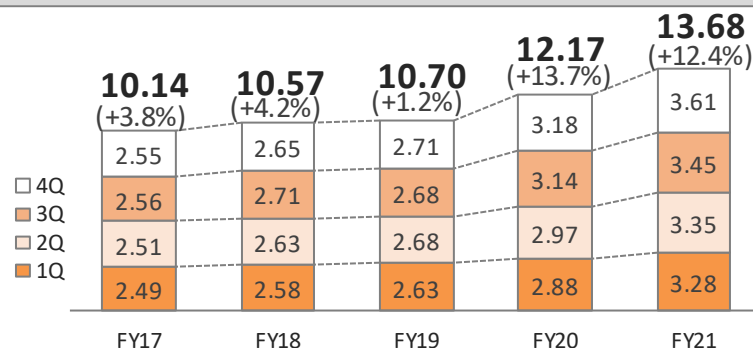
- ◆ Meeting demands for enterprise NW systems that are becoming more complex and diversified with in-house developed NW services and SI



IV- 3. Service & Business Developments

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

IP Service



• IP Service (monthly recurring) is 100% recognized in Internet connectivity services for enterprise. IP service is bandwidth guaranteed & dedicated Internet connectivity services. Charge based on contracted bandwidth

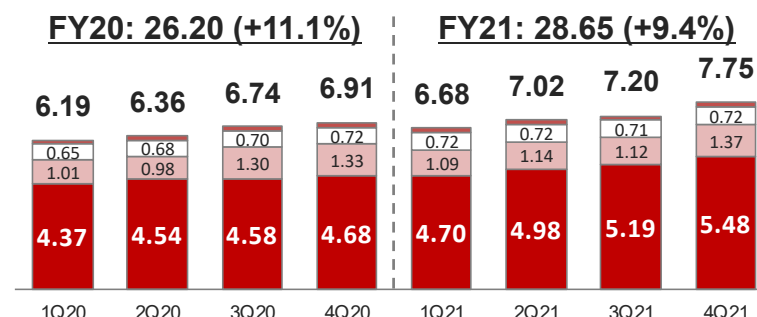
- ◆ **Internet traffic & bandwidth are increasing along with advancement of enterprises' IT usage.** In addition to Office IT demands such as Web meetings, expect Business IT demands such as online business to increase
- ◆ **As Japan's first full-scale ISP, we have established close relationships with blue-chips companies & retained them through our stable operation.** Enjoying an economy of scale by operating one of the largest Internet backbone in Japan

Overseas Business

- ◆ While FY21 revenue was weaker than expected mainly due to PTC, newly consolidated Singaporean Sler, for FY22 we aim for revenue and operating profit increase with each country's advancement, PTC recovery, certain projects, change in foreign exchanges etc.
- ◆ **FY21 results**
 - Revenue: ¥17.84 bn (Plan: approx. ¥18.0 bn)
 - Operating profit: ¥1.24 bn (Plan: approx. ¥0.9 bn)

Cloud Services

Revenue Private cloud Raptor Public cloud Overseas etc.



- 4Q21 revenue recognition
90% Systems operation and maintenance (mainly private cloud which includes multi-cloud)
10% Outsourcing service (mainly public cloud)
- ◆ **Private Cloud grew as demands for Multi-Cloud continued**
- ◆ **"IIJ GIO Infrastructure P2 Gen.2" was launched in Oct. 2021 to promote full-scale cloud shift of enterprise systems**
- ◆ **"IIJ GIO Infrastructure P2" was registered on ISMAP, Japanese government's Cloud service list (Dec. 21)**

DeCurret HLD, an equity method investee

- ◆ **Divested crypto asset business in Feb. 2022 to focus on digital currency business**
- ◆ **New Management from Apr. 2022**
 - DeCurret Holdings (Shareholders: 35 companies including IIJ)
 - Representative Director and President: Murabayashi (Mr.) (IIJ Vice President, former CIO for Mitsubishi Tokyo UFJ Bank)
 - Part-time directors: IIJ, MUFG bank, KDDI, NTT, JAPAN POST bank
- ◆ **Plan to launch digital currency platform services in the latter half of FY23. Executing PoCs with various companies**
 - Apply Smart Contract to calculate fees & execute payment for trade transaction (Mitsubishi Corporation, NTT), Test electricity trading through virtualized data (ENERES), Execute store settlement at LAWSON, convenience store chain (Kansai Electric Power), Issue digital coupon in anticipation of temporary special benefit for child-rearing households (Kesenuma & Aizuwakamatsu cities) etc.

V. Financial Targets for FY22 (1)

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

	% of Revenues FY22 Targets (Apr. 2022 - Mar. 2023)	% of Revenues FY21 Results (Apr. 2021 - Mar. 2022)	YoY	
Revenues	250.0	226.3	+10.5%	+23.7
Gross Profit	23.1% 57.8	22.8% 51.6	+12.0%	+6.2
SG&A etc.	12.2% 30.6	12.4% 28.1	+9.0%	+2.5
Operating Profit	10.9% 27.2	10.4% 23.5	+15.5%	+3.7
Shares of profit (loss) of investments accounted for using equity method investees	(0.4)	(2.3)	-	+19.3
Profit before tax	10.5% 26.3	10.7% 24.2	+8.8%	+2.1
Net Profit	7.0% 17.5	6.9% 15.7	+11.7%	+1.8

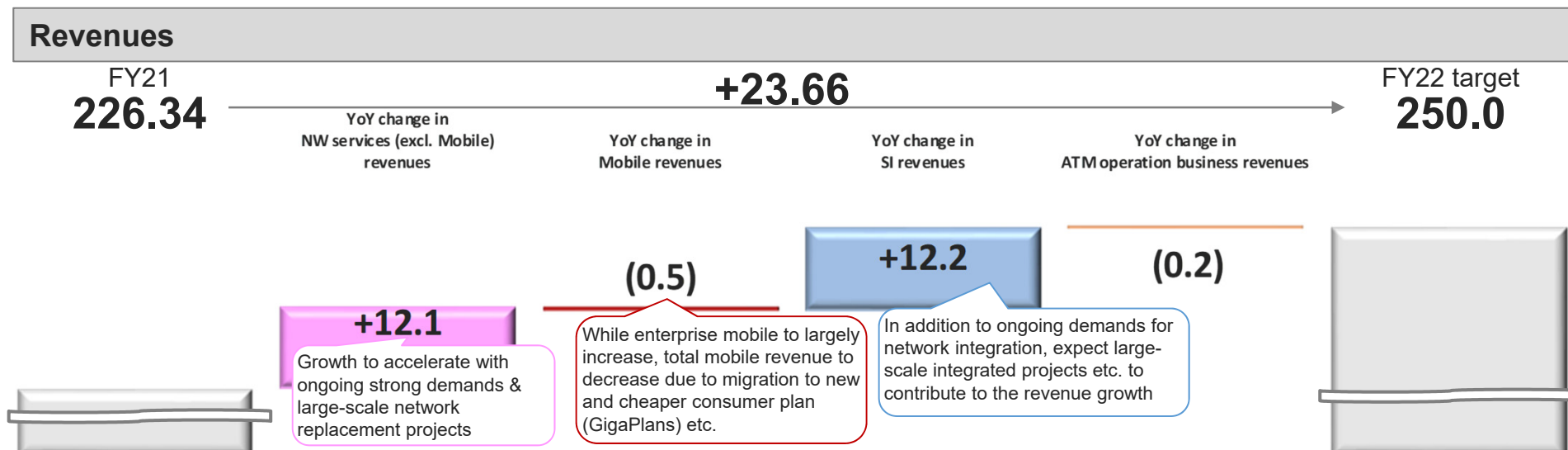
% of Revenues FY22 1H Target (Apr. 2022 - Sep. 2022)	YoY	
117.0	+7.3%	+7.9
22.3% 26.1	+13.1%	+3.0
13.2% 15.4	+11.7%	+1.6
9.1% 10.7	+15.0%	+1.4
(0.2)	-	+2.0
8.8% 10.3	(1.3%)	-0.1
5.8% 6.8	(1.3%)	-0.1

	Assumption for Revenue	Assumption for Gross Profit	Other assumptions
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	- 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 Shiroy DC 2nd site
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	

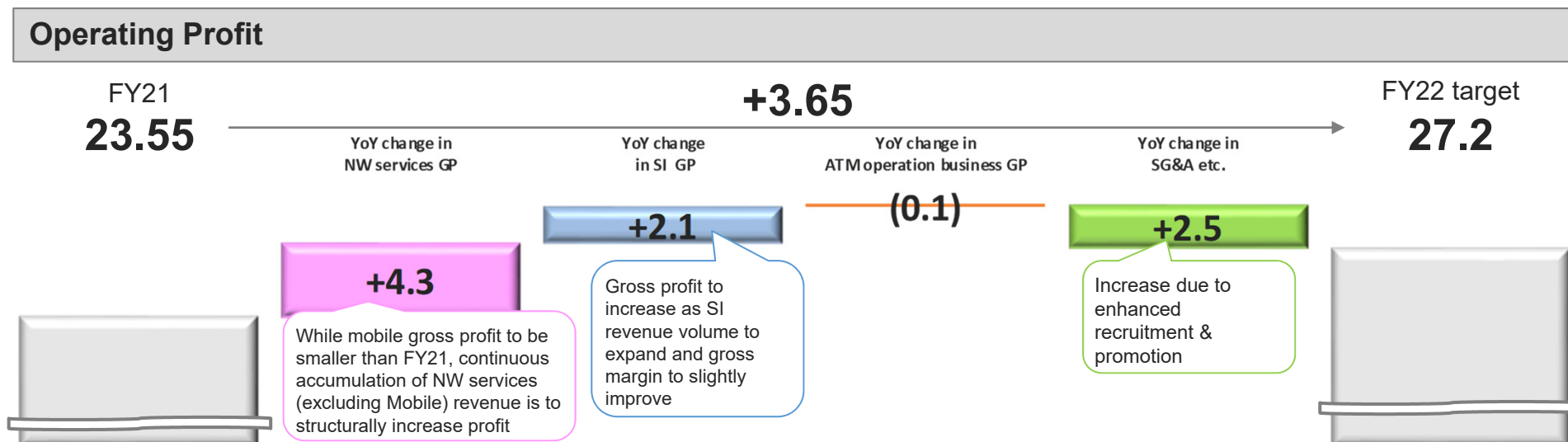
- SG&A etc. shows the sum of SG&A, which includes R&D expenses, and other income/expenses
- Net profit is "Profit for the year attributable to owners of the parent" © Internet Initiative Japan Inc.

V. Financial Targets for FY22 (2)

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



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



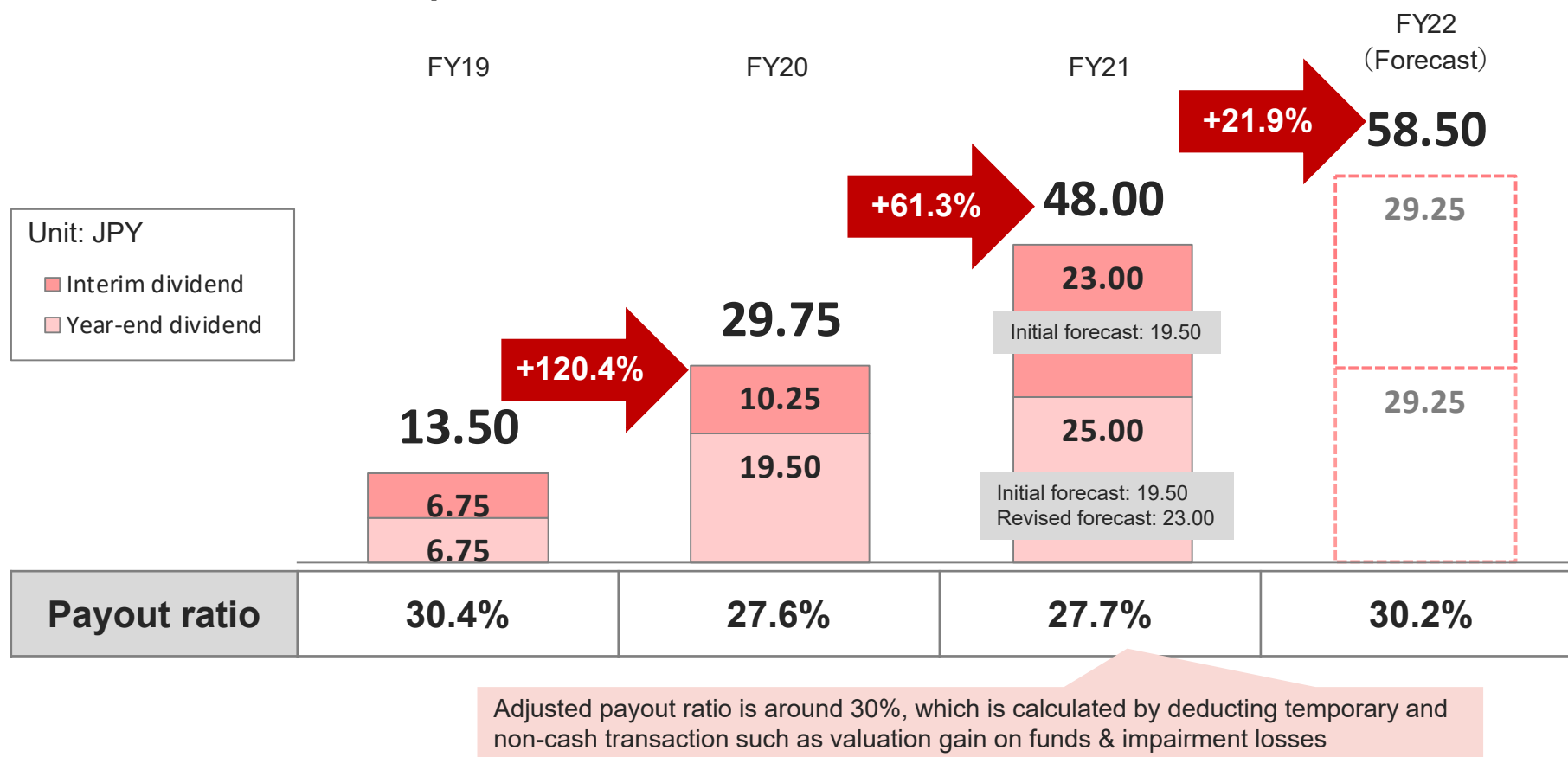
- SG&A etc. in this slide represents the sum of SG&A, which includes R&D expenses, and other income/expenses

VI. FY22 Dividend Forecast

◆ Basic dividend policy:

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

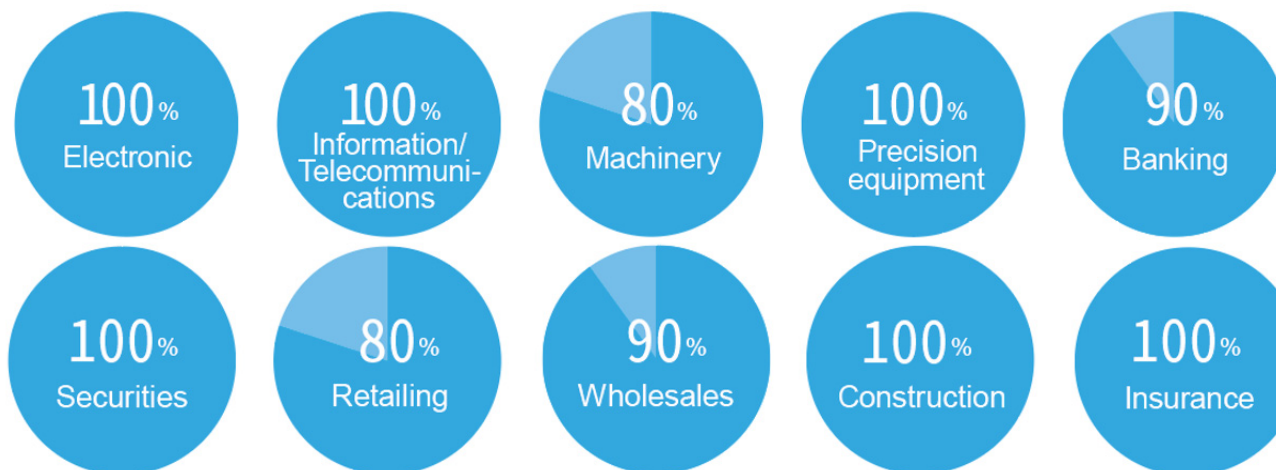
◆ Historical dividend per share:



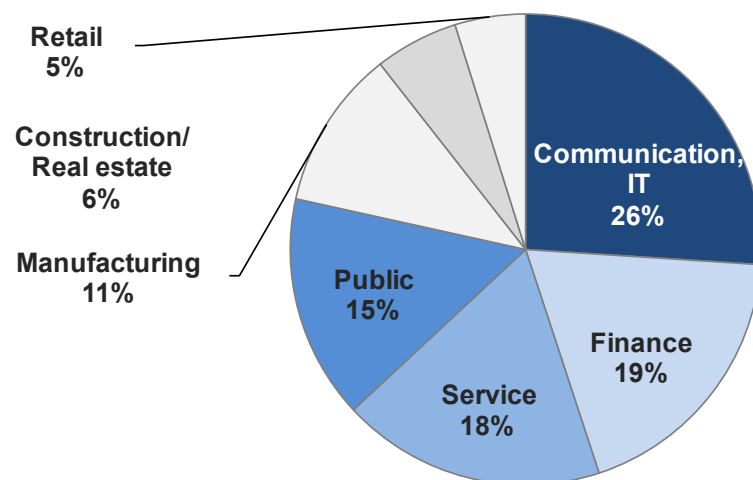
• We conducted 1:2 stock split on January 1, 2021. Dividends paid before the split are retroactively adjusted to reflect the spit

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

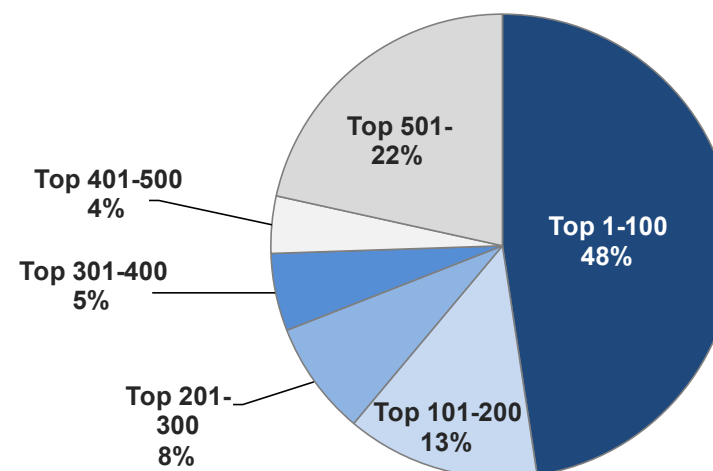
High penetration toward top 10 companies of each industry



Client distribution per industry



Client distribution per revenue volume



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

Revenue Recognition Category

Unit: ¥ (JPY) billion

Revenue category		FY21 revenue	About				Business Situation & Outlook	
Network services	Internet connectivity services for enterprise	37.91	IP	13.68	➢ 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		➢ 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	20.35	Enterprise mobile (IoT usages etc.)	10.26	➢ Expect profitability and mobile infrastructure utilization to improve as we gather various traffic such as IoT, enterprise, consumers • Enterprise: Expect demand to increase in the mid-to-long term • Consumer: Net increase (subscription) with new consumer plan in competitive market	
				MVNE (Proving to other MVNOs)	10.09			
	Internet connectivity services for consumers	23.38	Mobile	20.37	➢ Inexpensive SIM services (mainly data), ➢ Direct sale (via IIJ web), Indirect sale (via sales partners such as retailers)			
	WAN	26.40	Closed network used to connect multiple sites				Stable market for long-term	
	Outsourcing	40.52	In-house developed Internet-related various service line-ups (Security, datacenter and remote access etc.)				➢ 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	22.22	Public Cloud	2.87			
SI	Operation and Maintenance	59.96	➢ Operation and maintenance of constructed systems ➢ Promote cloud shift with our abundant, highly reliable, value-added private Cloud related service line-ups				➢ 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	34.18	Private Cloud etc.	25.78		
	Construction (including Equipment sales)	35.38	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				➢ Through providing SI, offer greater value as IoT and cloud usage penetrate	
							Monthly Recurring Revenue	83.1%
							One time revenue	

Monthly Recurring Revenue

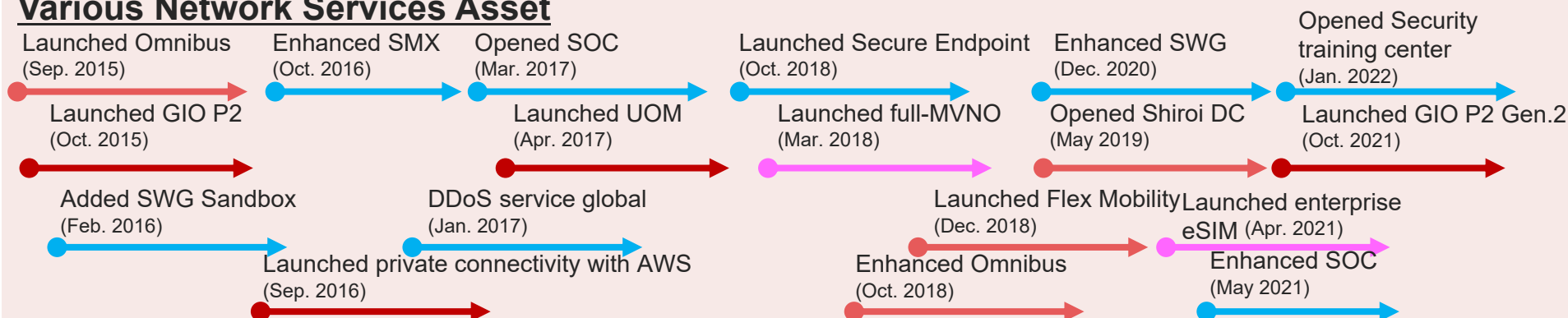
83.1%

One time revenue

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	-

Various Network Services Asset



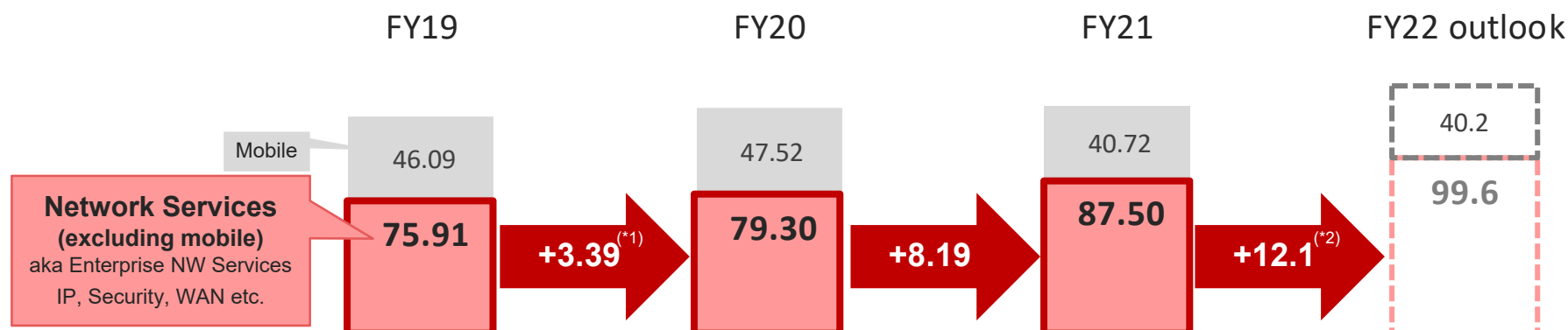
• FY16: US-GAAP, from FY17: IFRS

• 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

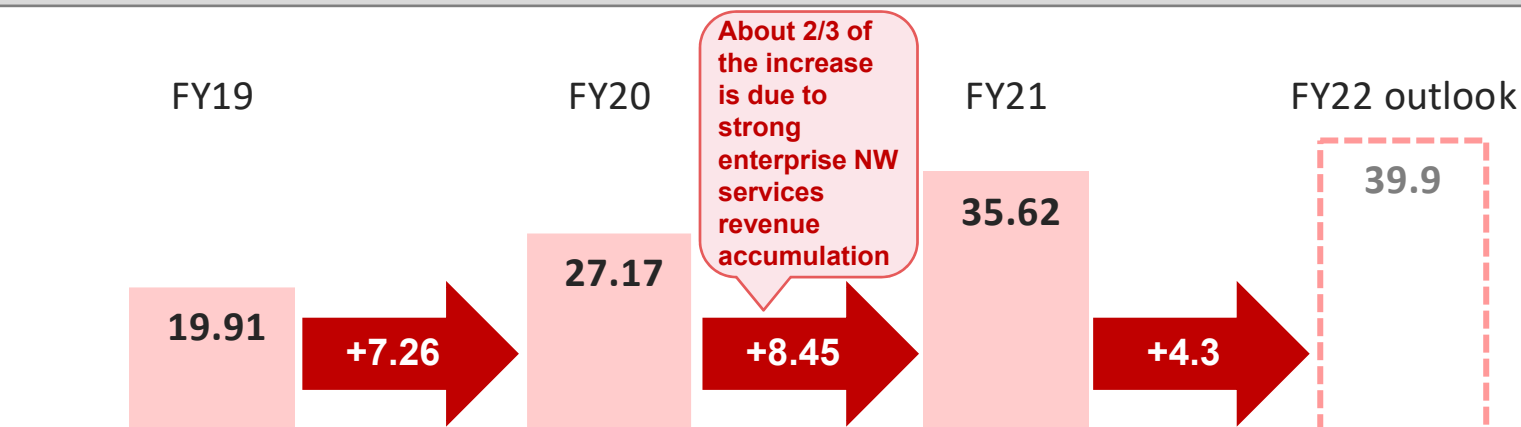
Structural Profit Growth with Enterprise NW Services Revenue Accumulation

Unit: ¥ (JPY) billion

Revenues of Network Services



Gross Profit of Network Services



The main cost for Network services (excluding Mobile), written below, are not directly linked to the revenues fluctuation

- Circuit leasing fees for Internet backbone
- Depreciation cost for network equipment
- Personnel cost for service development & operation
- Operation cost for data centers

(*) Year over year revenue increase of ¥3.39 bn includes year over year revenue decrease of ¥1.92 bn for WAN Services, which require circuit purchasing

(*) Planned year over year revenue increase of ¥12.1 bn largely includes a revenue increase of WAN Services, which require circuit purchasing

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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 To be fixed around late Dec. 2022 (scheduled) <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 around 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>

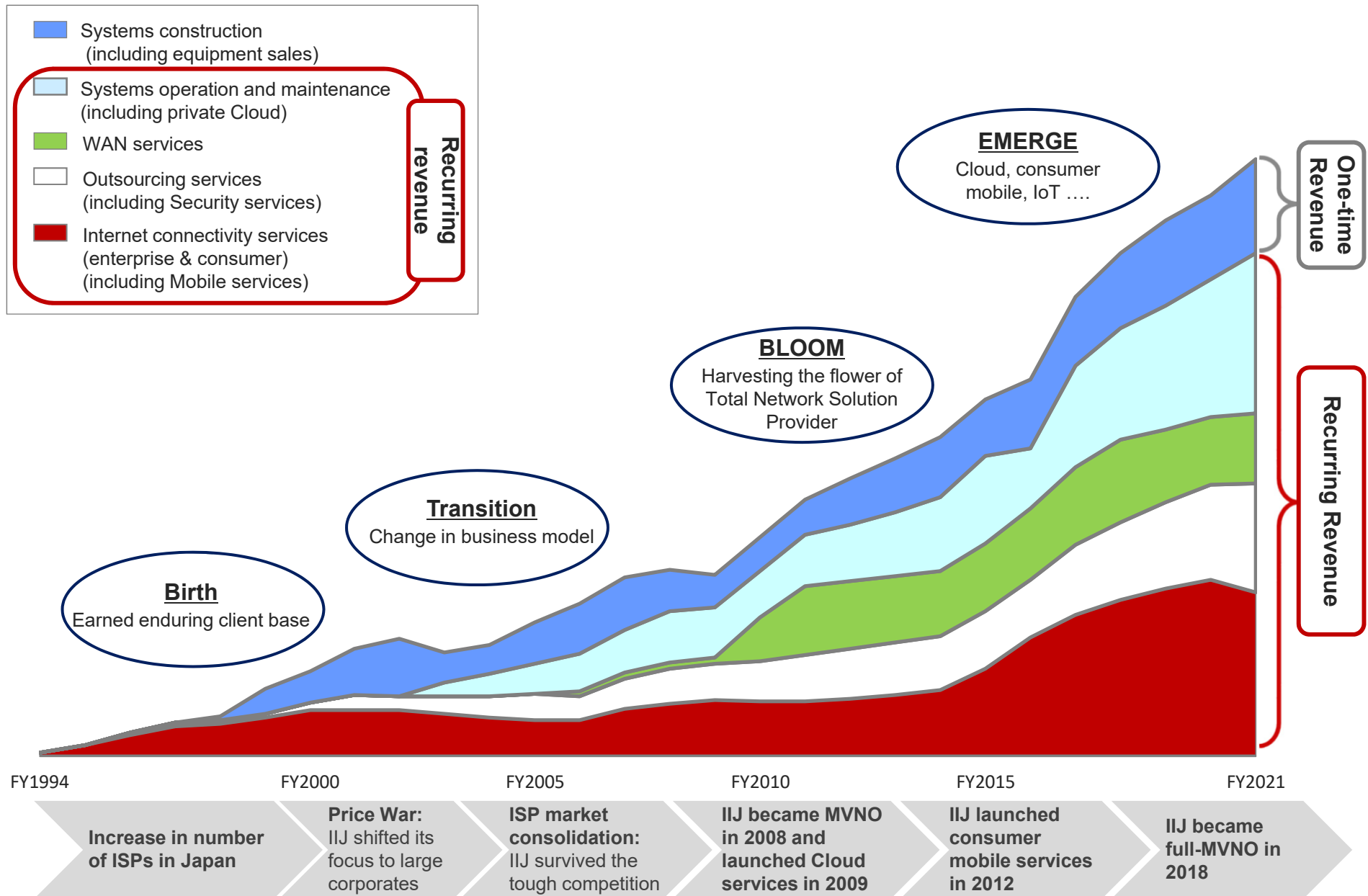
Comparison between the old & new plans of consumer mobile

Including tax

Old				New: GigaPlans (Apr. 2021~)			
Basic Monthly Charge	Minimum Start Plan (3 GB)	With voice	¥1,760	2Giga Plan (2 GB)	With voice	¥858	¥850
		Data-only	¥990		Data-only	¥748	¥740
	Light Start Plan (6 GB)	With voice	¥2,442	4Giga Plan (4 GB)	With voice	¥1,078	¥990
		Data-only	¥1,672		Data-only	¥968	¥900
	Family Share Plan (12 GB)	With voice	¥3,586	8Giga Plan (8 GB)	With voice	¥1,518	¥1,500
		Data-only	¥2,816		Data-only	¥1,408	¥1,400
		With voice		15Giga Plan (15 GB)	With voice	¥1,848	¥1,800
		Data-only			Data-only	¥1,738	¥1,730
		With voice		20Giga Plan (20 GB)	With voice	¥2,068	¥2,000
		Data-only			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

From ISP to Total Network Solution Provider





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.