

Consolidated Financial Results for 1H22

(April 1, 2022 to September 30, 2022)

Internet Initiative Japan Inc. (IIJ)

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

November 7, 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.

Outline

I . Summary of 1H22	P. 2
II . Consolidated Financial Results for 1H22	P. 3 – 16
III . Service & Business Developments etc.	P. 17
Appendix	P. 18 – 20
 【Reference】	
Presentation material for company overview	P. 22 – 36

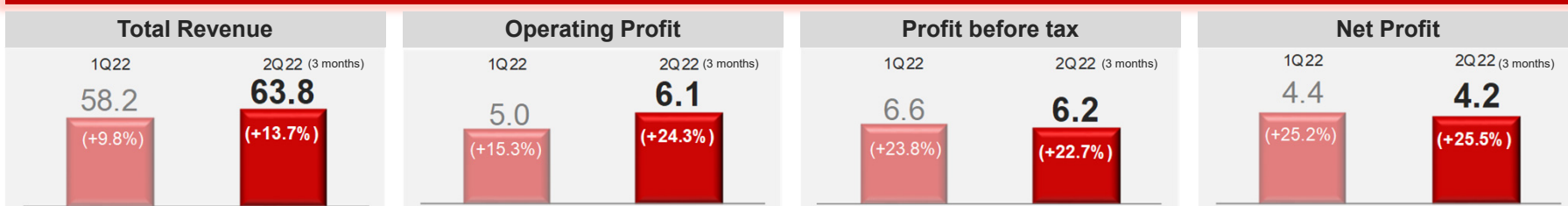
I. Summary of 1H22

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

Amid the easing of the Pandemic, revenue growth increased 1Q +9.8% 2Q +13.7%
(1Q21 +5.2% 2Q21 +9.3%)

Exceeded 1H22 targets with strong demand for NW services integration & strong SI trend

1H22 Total Revenue ¥122.0 bn +11.8% Operating Profit ¥11.2 bn +20.1% Net Profit ¥8.6 bn +25.3%



Differentiating by integrating various NW services to accumulate increasing number of NW and system converged projects

- ◆ **NW services**
 - IP: 2Q +8.9% YoY, +5.8% QoQ, Outsourcing: 2Q +14.8% YoY, +5.3% QoQ, WAN: 2Q +6.3% YoY, +2.5% QoQ Growth rate recovered from 1Q
 - Launched in-house developed new SASE service (Sep. 2022), Launched security operation service for overseas branches (Oct. 2022)
 - Outlook for monthly recurring revenue recognition of the acquired multi-year fixed projects in 4Q21 & 1Q22: approx. ¥0.5 bn/3Q, approx. ¥0.7 bn/4Q
- ◆ **SI**
 - Due to strong demands for NW construction, stronger than expected revenue & order-received from 1Q22, 1H22 revenue: construction +26.4%, operation & maintenance +15.9%, 2Q22-end orders received: construction: +14.9%, operation & maintenance +42.3%
 - Partnership with Murata Manufacturing for IoT (plan to launch service next summer), CBPR approved for APEC's personal data protection policies (Sep. 2022)
- ◆ **Mobile services**
 - The acquisition of consumer subscription paced up 2Q22 +53 thousand QoQ (1Q22 +36 thousand, 4Q21 +17 thousand QoQ), Expect stronger demands for enterprise IoT usages with multi-profile SIM developed in-house and others

Expansion of human resources: 245 new graduates to join in Apr. 2023 (consolidated basis, 178 new graduates for Apr. 2022) **Actively hiring mid-career personnel as we had set 50% higher recruitment target than ordinary years (non-consolidated)**

- Abbreviation: NW for network services, and SI for systems integration
- CBPR approved means IJJ is recognized as an organization that effectively protects personal data, enabling its customer making use of our services to transfer personal data with in the APEC region seamlessly while complying with the privacy laws in each country

II - 1. Consolidated Financial Results

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

	% of revenue	% of revenue	YoY		% of revenue	YoY		% of revenue	YoY	
	1H22 Results Apr. 2022 - Sep. 2022	1H21 Results Apr. 2021 - Sep. 2021			1H22 Targets (Announced in May 2022) Apr. 2022 - Sep. 2022			FY2022 Targets (Announced in May 2022) Apr. 2022 - Mar. 2023		
Revenues	121.96	109.05	+11.8%	+12.91	117.0	+7.3%	+7.95	250.0	+10.5%	+23.66
Cost of Revenues	78.3% 95.47	78.8% 85.97	+11.1%	+9.50	77.7% 90.9	+5.7%	+4.93	76.9% 192.2	+10.0%	+17.49
Gross Profit	21.7% 26.49	21.2% 23.09	+14.8%	+3.41	22.3% 26.1	+13.1%	+3.01	23.1% 57.8	+12.0%	+6.17
SG&A etc.	12.6% 15.32	12.6% 13.78	+11.2%	+1.54	13.2% 15.4	+11.7%	+1.62	12.2% 30.6	+9.0%	+2.52
Operating Profit	9.2% 11.17	8.5% 9.30	+20.1%	+1.87	9.1% 10.7	+15.0%	+1.40	10.9% 27.2	+15.5%	+3.65
Profit before tax	10.5% 12.86	9.6% 10.43	+23.3%	+2.43	8.8% 10.3	(1.3%) (0.13)		10.5% 26.3	+8.8%	+2.14
Net Profit	7.1% 8.64	6.3% 6.89	+25.3%	+1.75	5.8% 6.8	(1.3%) (0.09)		7.0% 17.5	+11.7%	+1.83

FY22 targets remain unchanged

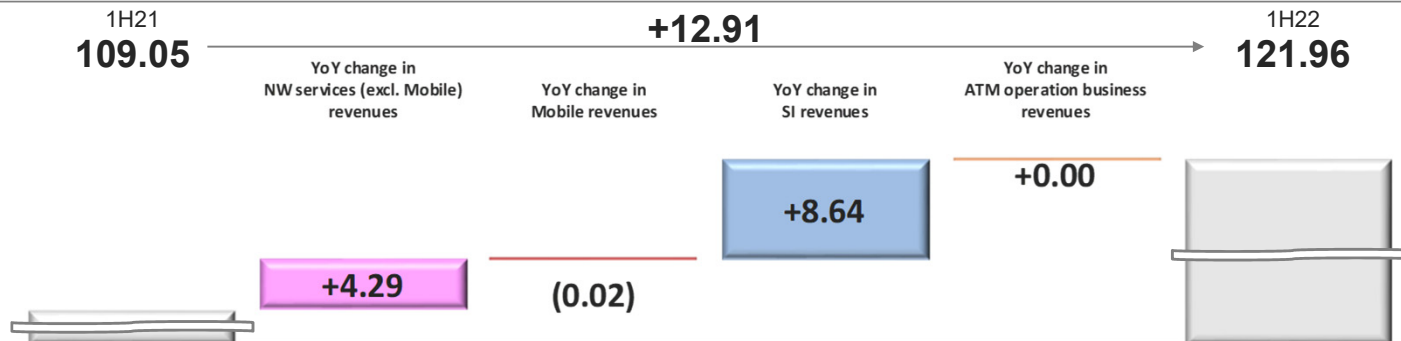
- 1H results (compared to the year-beginning outlook): Stronger than expected SI revenue & profit and consumer mobile revenue, NW services (excluding Mobile) revenue accumulation started slow in 1Q
- Full year targets remain unchanged because, as of now, 4Q revenue and profit (especially SI portion), which contribute significantly to the full year earnings, are being accumulated and the impact of mobile data interconnectivity (unit charge) revision has not been fixed

- 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

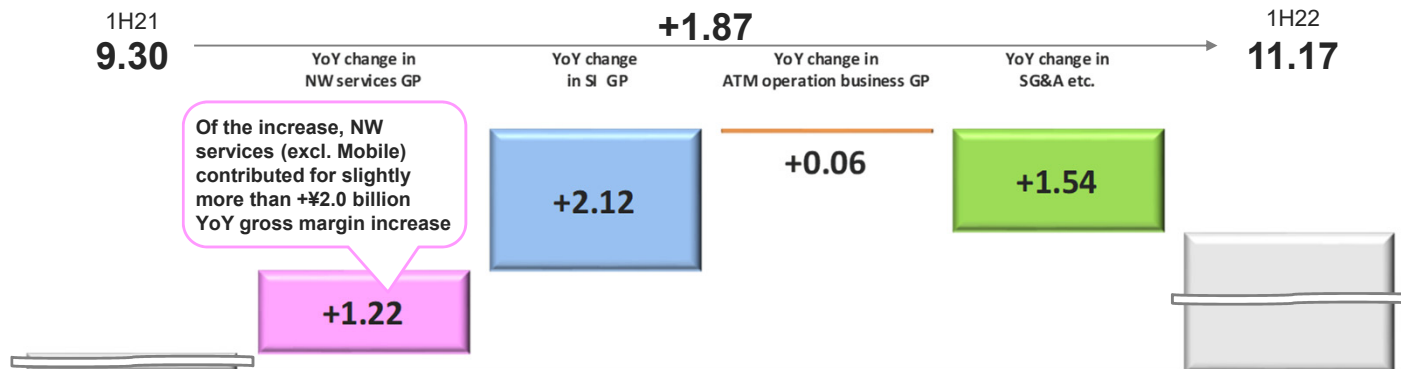
Unit: ¥ (JPY) billion (bn)
GP = Gross Profit
YoY = Year over year comparison

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)

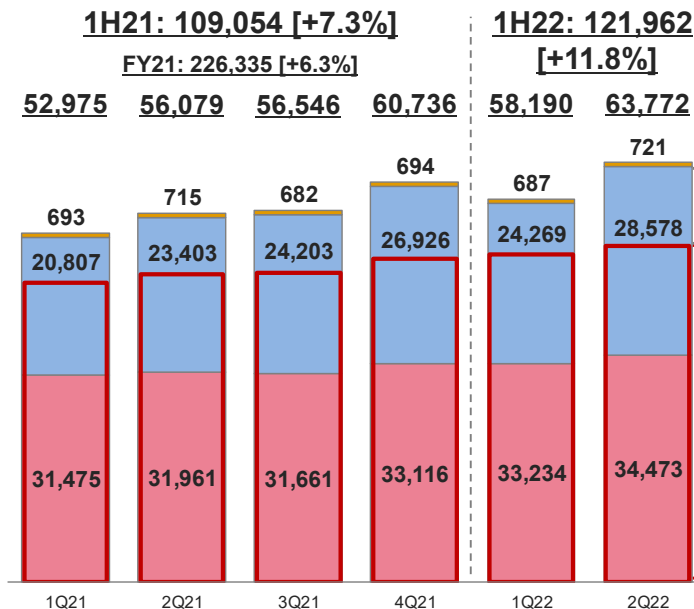
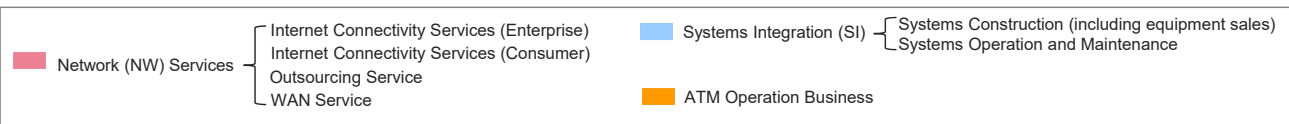
Operating Profit



- 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

1H22: ¥19.55 billion, +26.4%YoY
(16.0% of 1H22 total revenue)

Recurring revenue

1H22: ¥101.00 billion, +9.6%YoY
(82.8% of 1H22 total revenue)

NW Services revenue (excluding Mobile Services)

1H22: ¥46.70 billion (+10.1%YoY, +¥4.29 billion)
(38.3% of 1H22 total revenue)

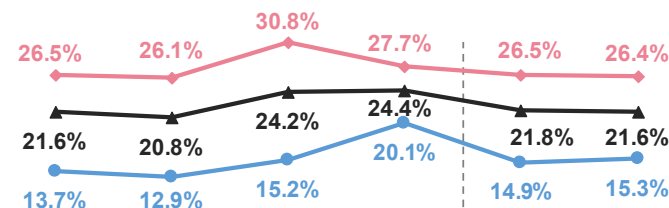
Mobile Services revenue

1H22: ¥21.00 billion (-0.1%YoY, -¥0.02 billion)
(17.2% of 1H22 total revenue)

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

II - 4. Cost of Revenues & Gross Profit Ratio

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



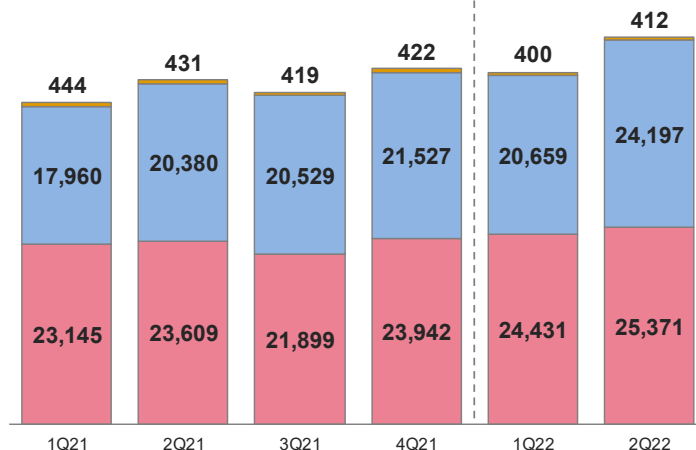
1H21: 85,969 [+2.1%]

FY21: 174,707 [+1.2%]

1H22: 95,471

[+11.1%]

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



◆ Total gross profit

- 1H22: ¥26.49 billion (+14.8% YoY)

◆ Gross profit for NW services

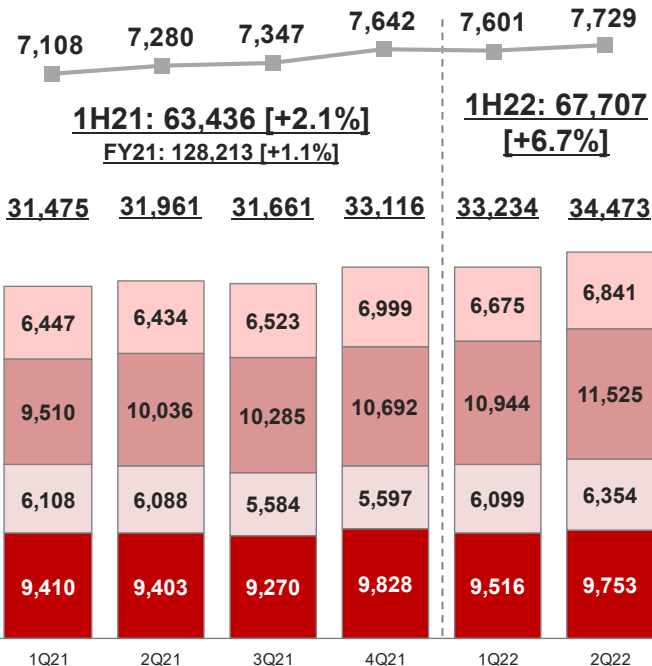
- 1H22: ¥17.91 billion (+7.3% YoY)
- 1Q and 2Q22 gross margins reflect a YoY decrease in the margin of mobile services. The margin of mobile services gradually decreased as the users of the old plan, whose voice plan's margin is higher, are migrating to the new plan continuously and we enhanced procurement of mobile devices for marketing purposes
- 2Q22 gross margin slightly decreased from 1Q22 because the margin of mobile services decreased QoQ as a result of an increase in mobile device procurement which is to enhance consumer mobile acquisition
- 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

- 1H22: ¥7.99 billion (+36.1% YoY)
- In general, gross margin for the first half is lower than that for the latter half because of the volume of revenue due to seasonality (4Q SI revenue tends to be the largest)
- 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



◆ Internet Connectivity (enterprise) Services

- 1H22: ¥19.27 billion, +2.4% YoY
 - Of which, IP: ¥7.09 billion, +7.1% YoY, stronger growth than +5.2% YoY in 1Q22
 - Of which, Enterprise mobile (IoT usages etc.): ¥5.30 billion, +9.6% YoY
 - Of which, MVNE (IIJ Mobile MVNO Platform Service, service offer to other MVNOs): ¥4.84 billion, -11.2% YoY
 - ✓ Degree of revenue decrease in response to decrease in procurement cost at the beginning of FY22 was as expected

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

- 1H22: ¥12.45 billion, +2.1% YoY, of which consumer mobile (IIJmio): ¥10.87 billion, +1.2% YoY

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

- 1H22: ¥22.47 billion, +15.0% YoY, of which, Security: ¥12.74 billion, +22.2% YoY

◆ WAN Services (Closed network services)

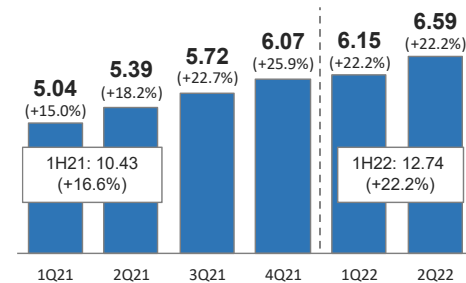
- 1H22: ¥13.52 billion, +4.9% YoY, stronger growth than +3.5% YoY in 1Q22

Revenue contribution from multi-year fixed projects

- Outlook for monthly recurring revenue recognition of the below mentioned projects: 3Q22 approx. ¥0.5 bn, 4Q22 approx. ¥0.7 bn (each for 3-month period)
 - ✓ Projects received around 4Q21: total contracted revenue over ¥10 bn (of which, approx. 70% is NW services), 5 projects, contract period: 3 to 4 years
 - ✓ Projects received around 1Q22: total contracted revenue ¥3.5 bn (mostly NW services), 9 projects, contract period: 3 to 5 years
- In 2Q22, continued to acquire large scale NW projects such as Cloud-based information platform renewal for a central government agency, NW system platform renewal for a prominent company, and several SASE with multi-year fixed contracts

Security related Service Revenue

Unit: ¥ (JPY) billion

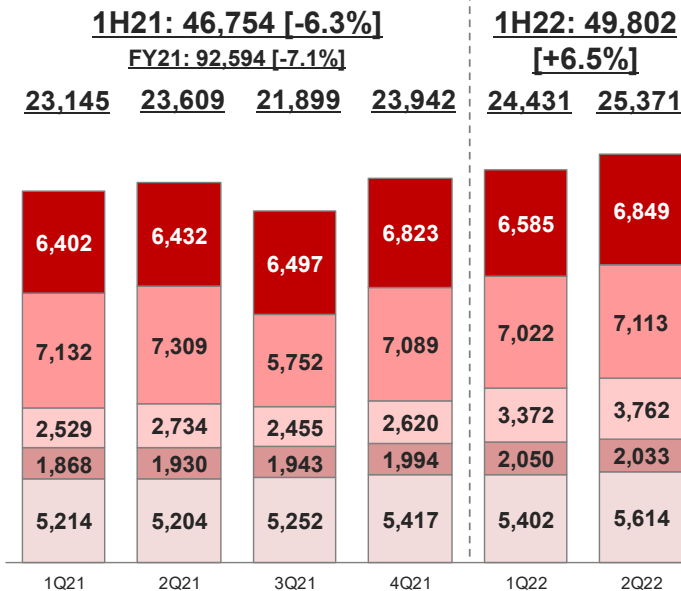
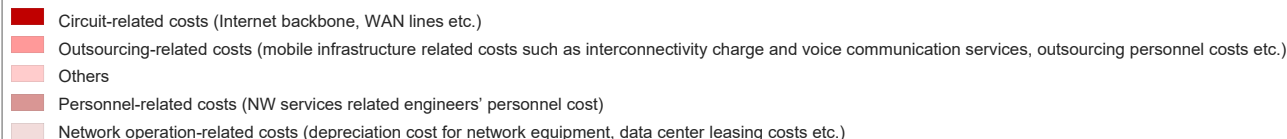


- All of security related service revenue is recognized in outsourcing services

- Total contracted bandwidth is calculated by multiplying number of contracts by contracted bandwidths for IP service and broadband services respectively which are both under Internet connectivity services for enterprise
- IP (Internet Protocol) Service is bandwidth guaranteed dedicated Internet connectivity services for enterprises. Contracts are based on bandwidth and enterprises use the service for their core and main Internet connectivity
- 1Q22 IP, enterprise mobile and WAN revenues decreased QoQ as planned mainly due to a certain large scale network replacement project whose initial revenue concentrated in 4Q21, which led 1Q22 revenue to decrease by ¥0.29 billion from 4Q21, and a large mobile project whose revenue recognized per phase, which led 1Q22 revenue to decrease by ¥0.21 billion from 4Q21

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

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



- Regarding Outsourcing-related costs:
 - Voice purchasing cost (unit charge) was revised lower at the beginning of FY21 and Sep. 2021 (switched to auto-prefix appending)
 - 3Q21 Outsourcing-related costs reflect onetime cost reduction impact of Docomo's FY20 mobile interconnectivity cost (unit charge) revision

- 1H22 Circuit-related costs increased by 4.7%, +¥0.60 billion YoY, along with an increase in WAN revenue
 - Internet backbone circuit cost remains stable as we can leverage scale merit by having one of the largest Internet backbone networks
- 1H22 Outsourcing-related costs decreased by 2.1%, -¥0.31 billion YoY mainly because costs related to mobile data interconnectivity decreased
- 1H22 Others increased by 35.6%, +¥1.87 billion YoY as the purchasing mobile devices and licenses for SASE and others increased
 - YoY increase for purchasing cost of mobile devices: 1Q21: +¥0.52 billion, 2Q21: +¥0.72 billion, 3Q21: +¥0.48 billion, 4Q21: +¥0.19 billion, 1Q22: +¥0.44 billion, 2Q22: +¥0.52 billion
- No significant changes in network operation-related costs on a quarterly basis

Regarding mobile data interconnectivity cost recognition:

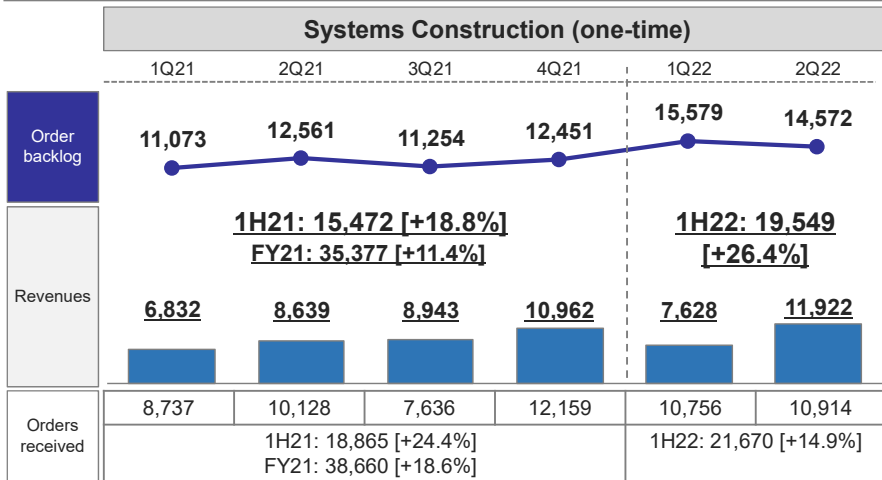
(Mobile Network Operator's mobile infrastructure cost)

- 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, which is a 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.

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

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

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

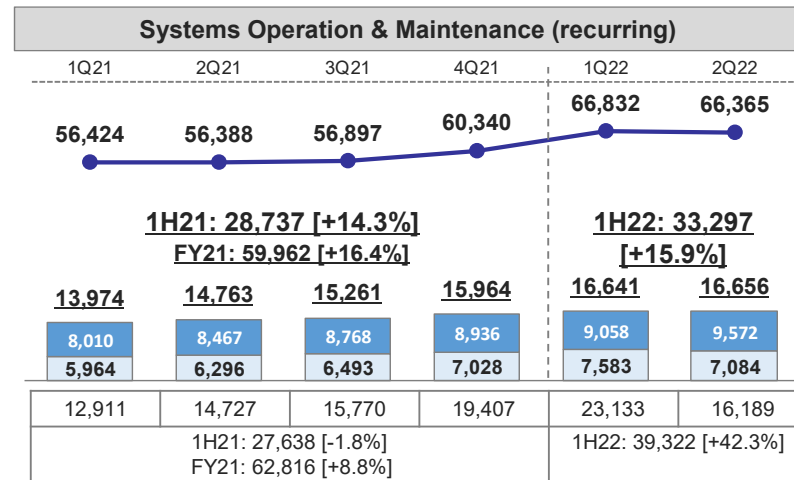


➤ Favorable order situation

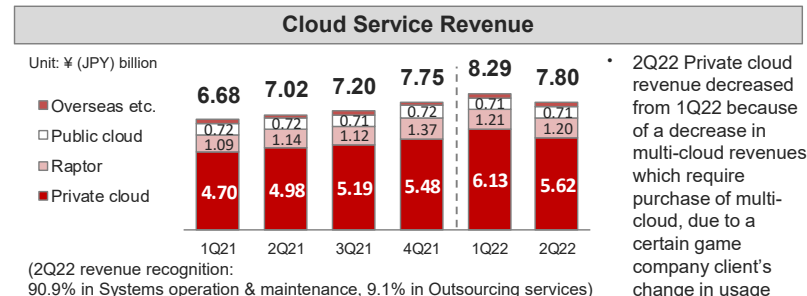
- PTC (Singaporean Sler, consolidated from 1Q21) started stronger than expected. 1H22 revenue ¥5.68 billion, operating profit ¥0.23 billion

➤ Accumulating orders from all industries

- Several campus network replacement projects
- Several Office IT projects such as introduction of Microsoft365
- Several Internet gateway enhancement projects

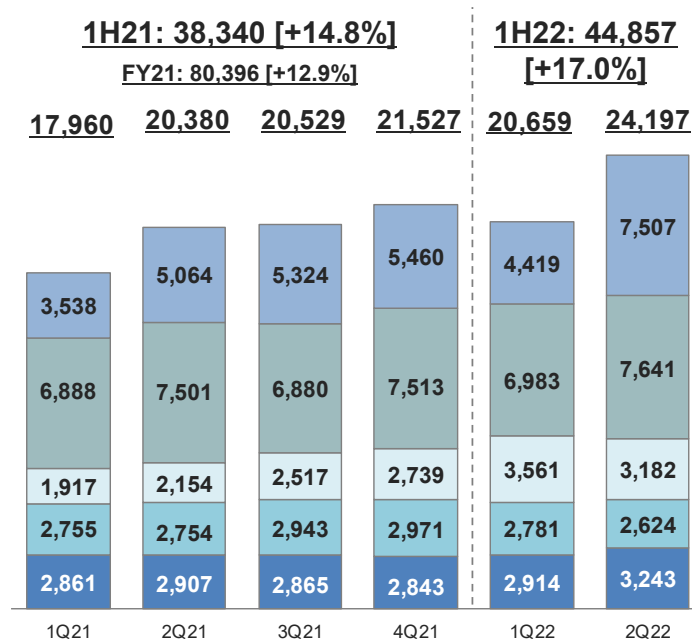
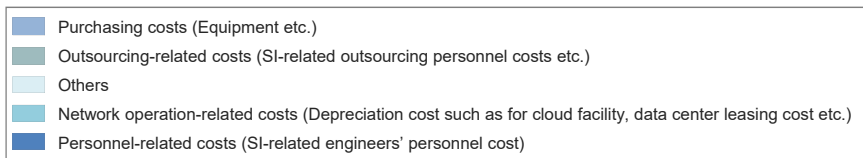


* 1Q22 order-received includes multi-year-fixed large-scale projects



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

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



- 2Q22 gross profit margin improved mainly due an increase in revenues and the mixture of projects' cost structure
- Purchasing and outsourcing-related costs are linked to the size of project and revenue to certain degree
- Others, which include license purchasing for multi-cloud, fluctuate along with multi-cloud demand
- No significant change in network operation-related costs on a quarterly basis

Number of SI-related outsourcing personnel

(unit: personnel)

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

II - 7. Human Capital Disclosure

YoY = Year over year comparison

Number of Employees (consolidated basis)



Personnel-related costs & expenses

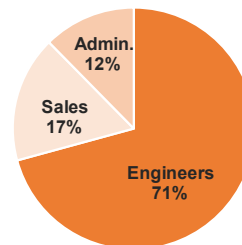
Unit: ¥ (JPY) million, () = % of revenue

1Q21	2Q21	3Q21	4Q21	1Q22	2Q22
7,756 (14.6%)	7,892 (14.1%)	7,859 (13.9%)	7,985 (13.1%)	8,177 (14.1%)	8,655 (13.6%)
1H21: 15,648 (14.3%) +10.9%YoY FY21: 31,491 (13.9%) +10.3%YoY				1H22: 16,831 (13.8%) +7.6%YoY	

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

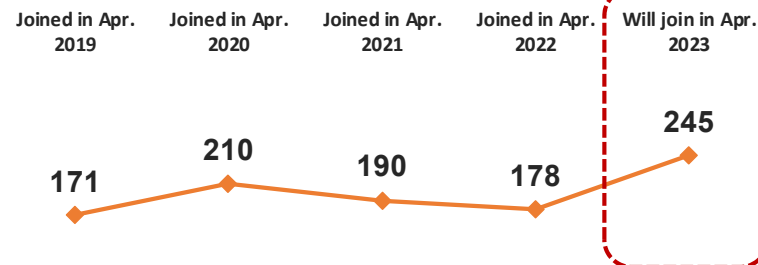
- Approximately 290 personnel (including 178 new graduates joined in Apr. 2022)
- ✓ IIJ (non-consolidated basis) has set 50% higher recruitment targets for both new graduates to join in Apr. 2023 and mid-hire careers for FY22 than ordinary years

Breakdown of Employees (As of Sep. 2022)



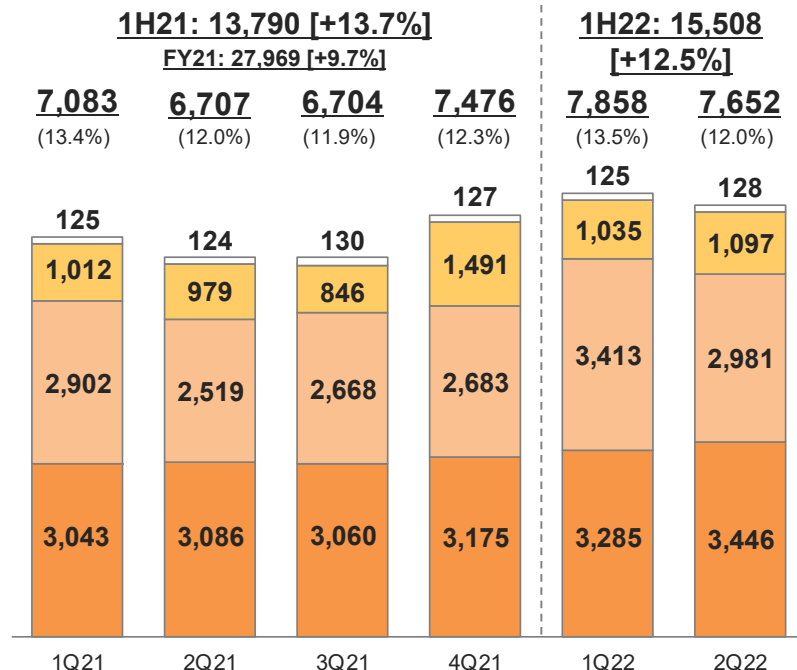
➤ Breakdown of new graduates is almost identical

Number of new graduates (consolidated basis)



II - 8. SG&A

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

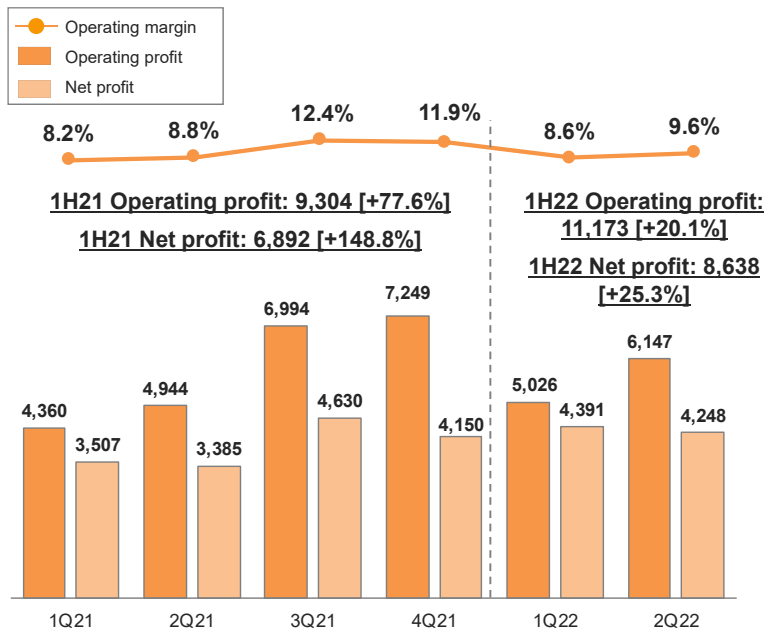


- Progressed within the expectation
- 1Q22 Others increased temporarily mainly due to advertisements for consumer business

- 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



◆ 1H22 Operating profit: ¥11.17 billion, +20.1% YoY

◆ 1H22 Profit before tax: ¥12.86 billion, +23.3% YoY

- Interest expense: -¥266 million (1H21 -¥272 million, 1Q22 -¥133 million)
- Foreign exchange gain: +¥761 million (1H21 +¥3 million, 1Q22 +¥474 million)
- Valuation gain on funds* etc.: +¥1,196 million (1H21: +¥1,692 million, 1Q22 +¥1,200 million)
- Share of loss of investments accounted for using equity method: ¥78 million (1H21 ¥373 million, 1Q22 ¥14 million)
DeCurret-related loss (IIJ ownership:38.2%):

1Q21	2Q21	3Q21	4Q21	1Q22	2Q22
296	256	780	1,456	78	102

- ✓ DeCurret divested its crypto asset business on Feb. 1, 2022 to dedicate its business resources to digital currency business for full-scale service launch (planned in 4Q23). 3Q21 loss increased as it included temporary loss of ¥484 million due to the divestiture in addition to ordinal loss. 4Q21 loss includes ¥1.18 billion of loss as impairment on corresponding amount of goodwill (No more loss related to the divestiture)

◆ 1H22 Net profit: ¥8.64 billion, +25.3% YoY

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

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

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

Unit: ¥ (JPY) million

	Mar. 31, 2022	Sep. 30, 2022	Changes
Cash & cash equivalents	47,391	42,068	(5,323)
Trade receivables	37,649	37,546	(103)
Inventories	2,608	3,887	+1,279
Prepaid expenses (current & non-current)	24,006	27,614	+3,608
Tangible assets	17,846	20,684	+2,838
Right-of-use assets	44,874	44,660	(214)
Of which, operating leases (rent of office, data center etc.)	27,859	28,000	+141
Of which, finance leases (network equipment etc.)	17,015	16,660	(355)
Goodwill & intangible assets	25,903	25,555	(348)
Investments accounted for using the equity method	5,830	5,672	(158)
Other investments	17,410	17,780	+370
Others	8,289	9,694	+1,405
Total assets:	231,805	235,160	+3,355
Trade & other payables	20,742	21,773	+1,031
Borrowings (current & non-current)	21,870	21,120	(750)
Contract liabilities & Deferred income (current & non-current)	17,405	16,902	(503)
Income taxes payable	5,795	3,888	(1,907)
Retirement benefit liabilities	4,395	4,478	+83
Other financial liabilities (current & non-current)	47,181	46,787	(394)
Of which, operating leases (rent of office, data center etc.)	28,157	28,321	+164
Of which, finance leases (network equipment etc.)	18,069	17,650	(419)
Others	9,796	8,707	(1,089)
Total liabilities:	127,184	123,655	(3,529)
Share capital	25,562	25,562	-
Share premium	36,518	36,615	+97
Retained earnings	37,024	43,404	+6,380
Other components of equity	6,275	6,609	+334
Treasury shares	(1,851)	(1,831)	+20
Total equity attributable to owners of the parent:	103,528	110,359	+6,831

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

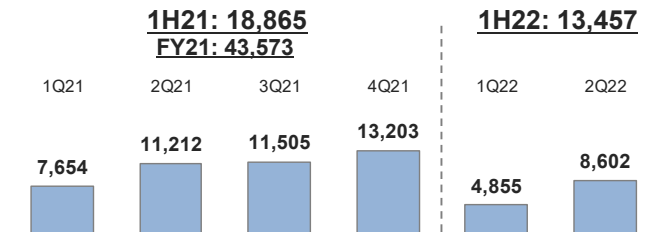
Ratio of total equity attributable to owners of the parent:

- 44.7% as of Mar. 31, 2022
- 46.9% as of Sep. 30, 2022

II - 11. Consolidated Cash Flows

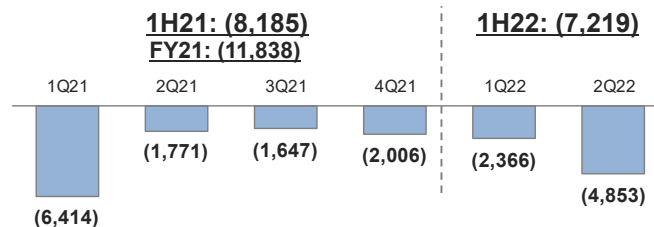
Unit: ¥ (JPY) million
YoY = Year over year comparison

Operating Activities



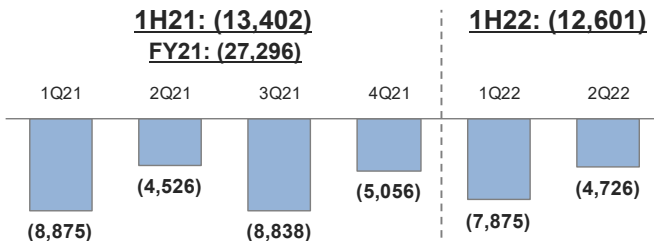
	1H22 Major Breakdown	YoY Change
Profit before tax	12,858	+2,426
Depreciation and amortization	14,145	+879
Changes in operating assets & liabilities	(5,992)	(5,593)
Income taxes paid	(6,035)	(2,683)

Investing Activities



	1H22 Major Breakdown	YoY Change
Purchase of tangible assets	(5,704)	(1,540)
Purchase of intangible assets such as software	(2,137)	+30
Proceeds from sales of tangible assets (leaseback)	947	(64)

Financing Activities

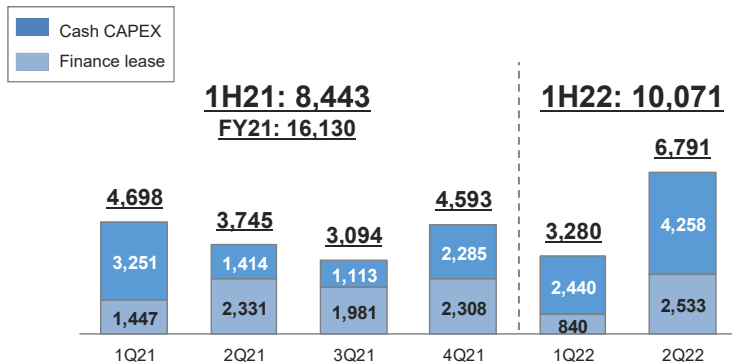


	1H22 Major Breakdown	YoY Change
Payment of operating/finance leases and other financial liabilities	(9,544)	(555)
Dividends paid	(2,258)	(499)
Repayment of borrowings	(750)	+3,335

II - 12. Other Financial Data

Unit: ¥ (JPY) million

CAPEX



➤ Breakdown (Unit: JPY billion)

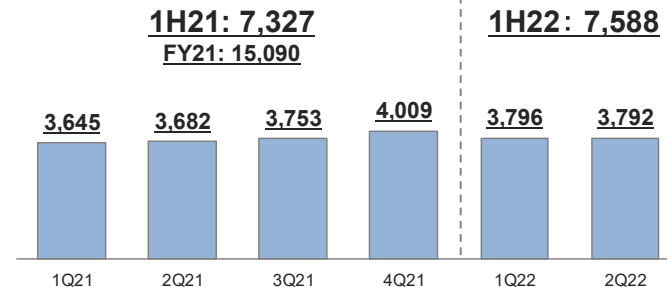
	1H21	1H22
NW Usual Capex	4.4	4.6
Cloud-related	1.5	0.7
Shiroi DC-related	0.6	3.1
Customer-related	1.8	1.7
ATM-related	0.0	0.0

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

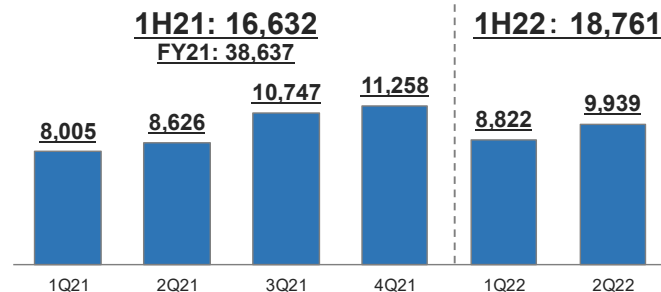
- Unchanged from the year-beginning outlook

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

CAPEX-related depreciation and amortization



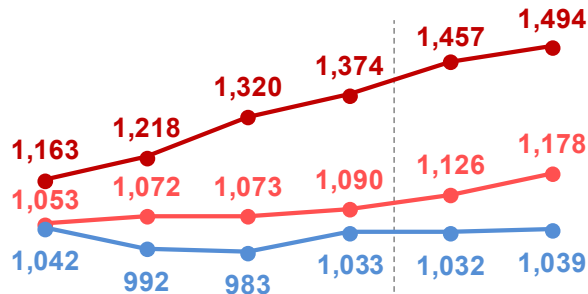
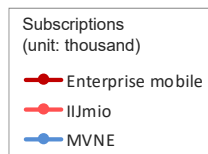
Adjusted EBITDA



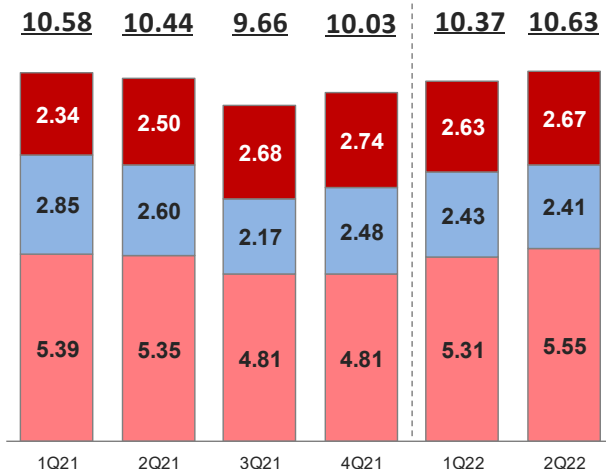
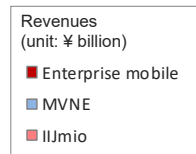
III - 1. Service & Business Developments: Mobile & IoT

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

Mobile Subscription (Subs.)



Mobile Revenue



Enterprise mobile (deducting MVNE from IIJ Mobile)

- 1H22 revenue: ¥5.30 bn (+¥0.46 bn YoY)
- 2Q22-end subs.: 1,494 thousand (+36 thousand QoQ)
 - Expanding IoT business with NW camera connection, LoRaWAN® solution, industry/agriculture related usages (i.e. environmental monitoring, facility monitoring, human motion detector etc.)
 - With multi-profile SIM developed in-house and others, expect to further acquire enterprise IoT projects

MVNE (providing mobile services to other MVNOs)

- 1H22 revenue: ¥4.84 bn (-¥0.61 bn YoY)
 - Degree of revenue decrease in response to decrease in procurement cost at the beginning of FY22 was as expected
- 2Q22-end subs.: 1,039 thousand (+7 thousand QoQ)
 - Enterprises' subscriptions are increasing
- 2Q22-end MVNE clients: 177 clients (+15 clients YoY)
 - Cable TV operators (91 operators), prominent retailer etc.

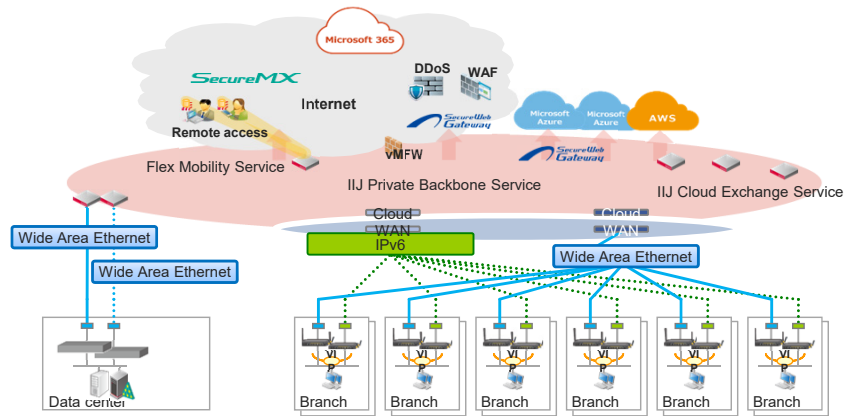
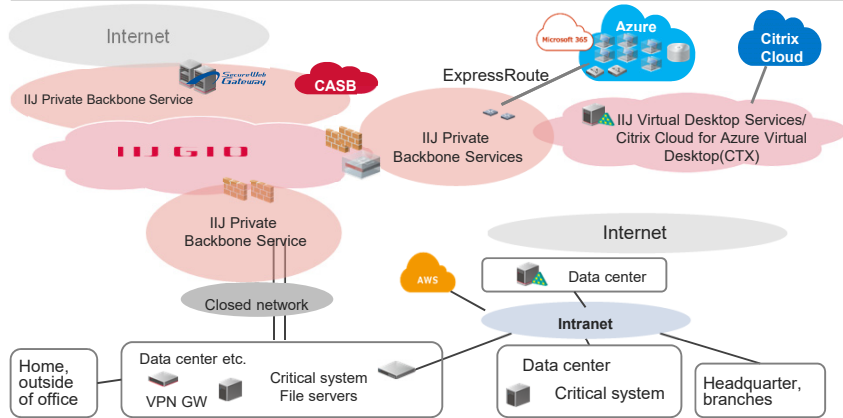
IIJmio (consumer)

- 1H22 revenue: ¥10.87 bn (+¥0.12 bn YoY)
- 2Q22-end subs.: 1,178 thousand (+53 thousand QoQ)
 - As competitive landscape eased, customer acquisition is getting stronger 4Q21 +17 thousand QoQ, 1Q22 +36 thousand QoQ
 - Awarded for best customer satisfaction for 2 consecutive years (J.D. Power Japan and JCSI)
 - Increasing popularity for eSIM function. Launched eSIM with voice function (au line, Oct. 2022)

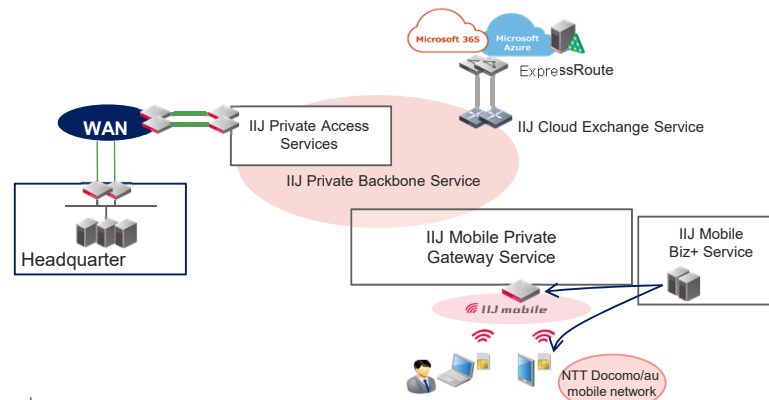
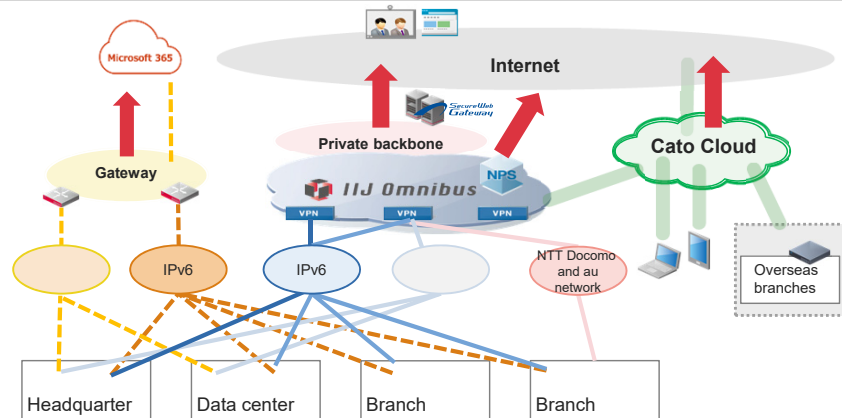
GigaPlans	1Q21-end	2Q21-end	3Q21-end	4Q21-end	1Q22-end	2Q22-end
Subs. (unit: thousand)	462	556	607	667	757	837
Of which, new users	17%	30%	34%	38%	43%	48%

Examples of multi-cloud and multi-carrier projects

Multi-Cloud projects



Multi-carrier projects



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

Fiscal Year	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Method	Actual cost method		Future cost method MNOs are to disclose the charges for next three years based on their prediction about cost etc.				
New					Announced in Mar. 2022 ¥20,327 -28.4% YoY ¥15,697 -22.8% YoY ¥13,207 -15.9% YoY -8.4% compared to the previously announced charge -12.9% compared to the previously announced charge		
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 ¥41,436 -3.0% YoY ¥33,211 -19.8% YoY ¥27,924 -15.9% YoY				

- The same calculation method is applied to both the actual cost method and the future cost method: (Data communication cost + profit) / demand
- As for our FY20 usage charge, from 1Q20, we applied ¥41,436 per Mbps as a unit charge which was disclosed by NTT Docomo based on the future cost method. This unit charge was revised and fixed at the end of Dec. 2021 as ¥37,280 which is a decrease of 12.7% from the previous year's charge. We recorded all impact generated from this revision in our 3Q21 financial results.
- The charge disclosed based on the future cost method is to be finalized based on MNOs actual cost results etc. FY21 charge of ¥28,385 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

Including tax

Old

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

New: GigaPlans (Apr. 2021~)

			New Price from April 1, 2022
2Giga Plan (2GB)	With voice	¥858	¥850
	Data-only	¥748	¥740
4Giga Plan (4GB)	With voice	¥1,078	¥990
	Data-only	¥968	¥900
8Giga Plan (8GB)	With voice	¥1,518	¥1,500
	Data-only	¥1,408	¥1,400
15Giga Plan (15 B)	With voice	¥1,848	¥1,800
	Data-only	¥1,738	¥1,730
20Giga Plan (20GB)	With voice	¥2,068	¥2,000
	Data-only	¥1,958	¥1,950
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

【Reference】
Presentation material for company overview
P. 22 ~ 36

IIJ has been taking initiatives in Internet Infrastructure field in Japan

Established	December 1992 (The first established full-scale ISP in Japan)
Number of Employees	4,355 (approx. 70% engineers)
Large Shareholders	NTT group (26.9%), Koichi Suzuki (5.9%)

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

- ✓ Introduce many in-house developed Internet-related network services
- ✓ Highly skilled IP (Internet Protocol) engineers from the inception

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

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

◆ Development of innovative Internet-related services

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

...and many more

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

From ISP to Total Network Solution Provider

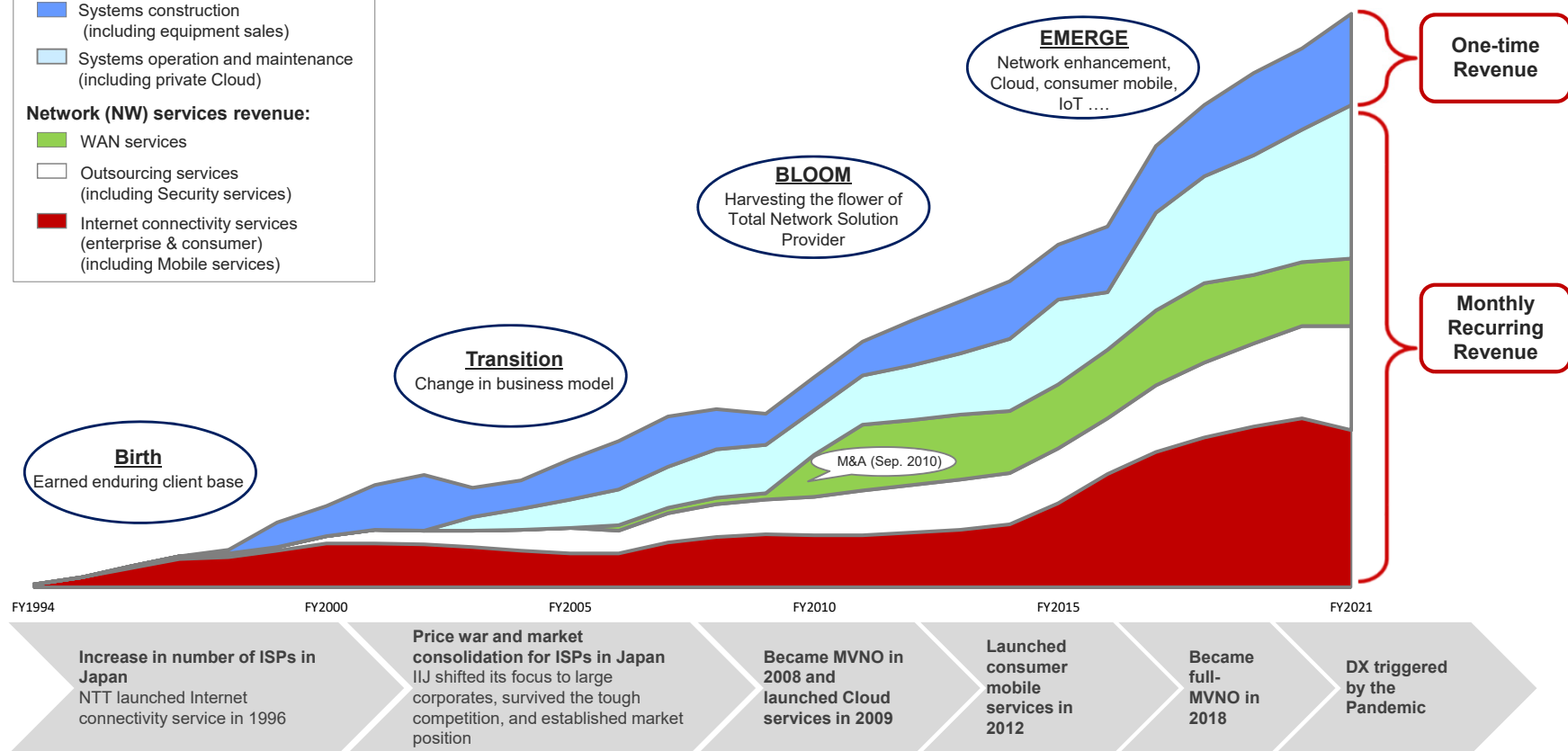
About IIJ	Business Model
Strength	Growth Strategy

Systems Integration (SI) revenue:

- Systems construction (including equipment sales)
- Systems operation and maintenance (including private Cloud)

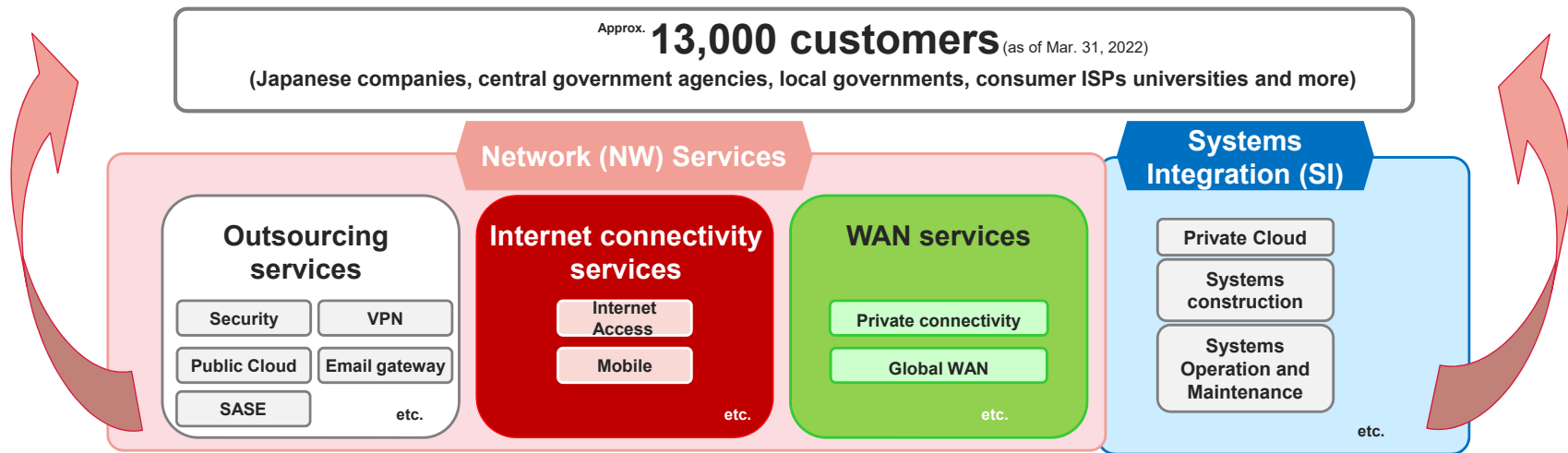
Network (NW) services revenue:

- WAN services
- Outsourcing services (including Security services)
- Internet connectivity services (enterprise & consumer) (including Mobile services)



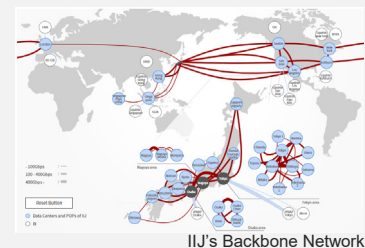
IIJ as a Total Network Solution Provider

Offers various network services and systems integration together in many projects



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

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



Management Structure

<https://www.ijj.ad.jp/en/ir/integrated-report/directors/>
Holdings of IIJ shares are as of September 30, 2022 (Stock-split not reflected)
Suzuki's share includes his wholly owned private company portion

About IIJ

Business
Model
Growth
Strategy

Strength



Koichi Suzuki

- Founder of IIJ
- Chairman, Representative Director and co-CEO
- Holdings of IIJ share: 5,316,361 shares (5.9%)
- Date of birth: September 1946



Eiji Katsu

- President, Representative Director and co-CEO & COO
- Prior to joining IIJ in 2012, Vice Minister of Finance
- Holdings of IIJ shares: 99,350 shares (0.1%)
- Date of birth: June 1950



Satoshi Murabayashi

- Executive Vice President and Director
- Prior to joining IIJ in 2021, CIO at MUFG Financial Group, Inc.
- President and Representative Director of DeCurret Holdings, IIJ's affiliated company, as a concurrent position
- Holdings of IIJ shares: 1,901 shares (0.0%)
- Date of birth: November 1958



Yasuhiko Taniwaki

- Executive Vice President and Director
- Prior to joining IIJ in 2022, vice-Minister for Policy Coordination of Posts and Telecommunications at the Ministry of Internal Affairs and Communications (MIC)
- Holdings of IIJ shares: none
- Date of birth: September 1960

Full-time Directors

Senior Managing Directors

- K. Kitamura
- A. Watai (CFO)

Managing Directors

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

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

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

Company Auditors (of which, 3 outside, 1 female)

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

Reward for full-time directors

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

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

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

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

IIJ's Material Issues



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

◆ Bringing innovation with IP

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

◆ Own highly energy effective data centers

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

◆ Information disclosures based on the TCFD Recommendations

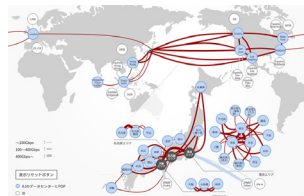
- Reduce greenhouse gas emissions at its own data centers which account for more than 70% of greenhouse gas emissions (Scope 1 and 2) through "usage of renewable energy" and "improvement of energy conservation"

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



Provide safe and robust Internet services that support social infrastructure

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



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



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

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

FY19	FY20	FY21
4.6%	3.6%	4.2%

◆ Target for diversity: the ratio of female managers

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

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

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

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

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

SWOT of IIJ

Strength

High technological capabilities

- ◆ First full-scale ISP in Japan
- ◆ Highly skilled Internet-related engineers
- ◆ NW service development & operation capabilities
- ◆ Reliable Internet backbone operation
- ◆ Excellent customer base
- ◆ Corporate culture of pioneering spirit

Weakness

- ◆ Business domain mostly in Japan
 - IIJ's overseas business is mainly global network operation and is to increase Japanese clients' loyalty
- ◆ Smaller in size compared to competitors
 - IIJ continuously develops innovative network services and solutions to be ahead of the market needs

Opportunity

Digitalization (DX) in Japan

- ◆ Internet traffic increasing
- ◆ Security demands expanding
- ◆ Cloud shift
- ◆ Japan, slow IT adopter, including public sector is changing triggered by the Pandemic

Threat

- ◆ Slow IT adoption in Japan
 - IIJ focuses on promoting digitalization of large Japanese companies with various network services and systems integration to fully meet their needs

Extensive Service Lineup

Unit: ¥ (JPY) billion

About IIJ	Business Model
Strength	Growth Strategy

Revenue category		FY21 revenue	About		Business Situation & Outlook	
Network services	Internet connectivity services for enterprise	37.9	IP 13.68 - Core service providing from the foundation - Highly reliable dedicated connectivity services for enterprise (multi-carrier, redundancy etc.) - Contracts are based on bandwidth - Enterprises use the service for their main Internet line		IP - Matured market (hard to entry) - Blue-chip client base - Major cost is fiber leasing, network equipment depreciation, and personnel cost - Expect the revenue to continuously increase along with traffic volume and contracted bandwidth increase	Monthly Recurring Revenue 83.1%
	Internet connectivity services for consumers	23.4	Mobile 20.35 - Enterprise mobile (IoT usages etc.) 10.26 - MVNE (Proving to other MVNOs) 10.09		Mobile - Expect infrastructure utilization & profitability to improve by gathering various traffic such as IoT/enterprise/consumers - Enterprise: Expect the demand to increase mid-to-long term - Consumer: maintain and increase market share subscription) with new consumer plan in competitive market	
	WAN (Wide Area Network)	26.4	Closed network used to connect multiple sites		Stable market for long-term	
	Outsourcing	40.5	In-house developed Internet-related various service line-ups Security 22.22 - Managed security services, Security Operation Center services and so many more Public Cloud 2.87 - Offered as a part of Cloud service line-ups		- Have been developing services based on Zero Trust concept - Acquire enterprise demand by cross-selling services. - Continuous service development is important - Demands for security and remote access to increase continuously	
SI	Operation and Maintenance	60.0	On-premise Systems 34.18 - Operation and maintenance of constructed systems Private Cloud etc. 25.78 - Promote Cloud shift with abundant, highly reliable, value-added private Cloud related service line-ups		- Expect great business opportunity in the middle-to-long term as internal IT systems migrate to Cloud - Revenue to increase continuously along with accumulation of construction projects	One time revenue
	Construction (including Equipment sales)	35.4	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 Accumulation

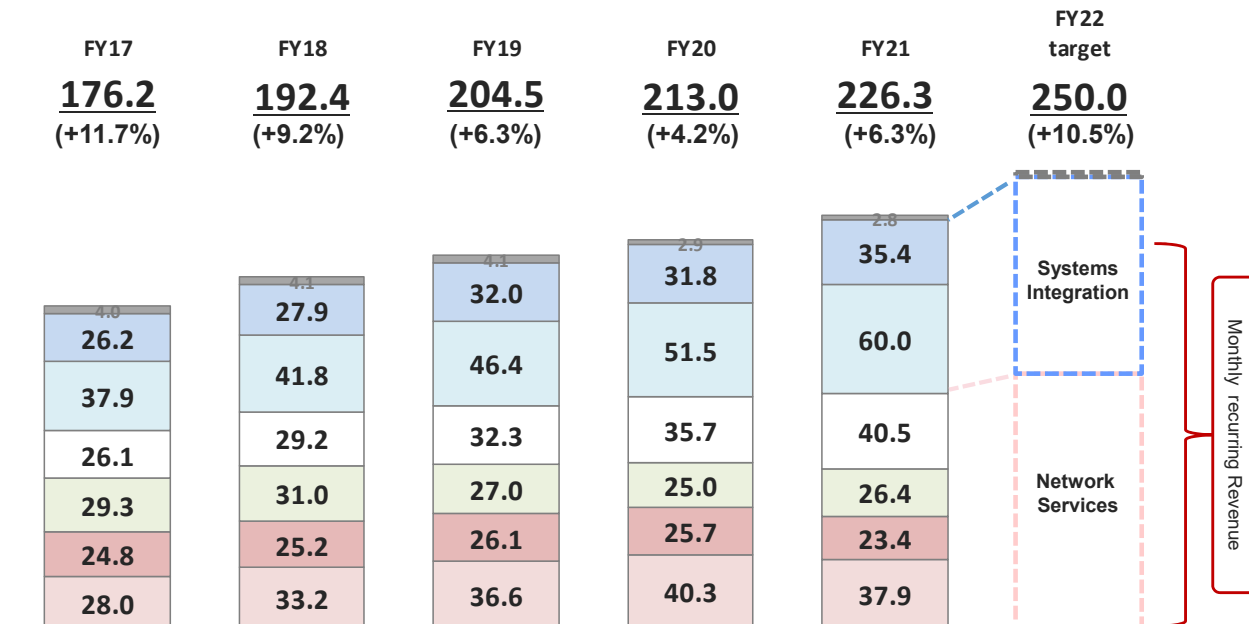
Unit: JPY billion
% = Year over year change

Business Model
Growth Strategy
Strength

Revenues

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

Monthly recurring revenues



Monthly recurring Revenue

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

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

Capex and Business Developments

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

Large CAPEX increase due to aggressive business investment

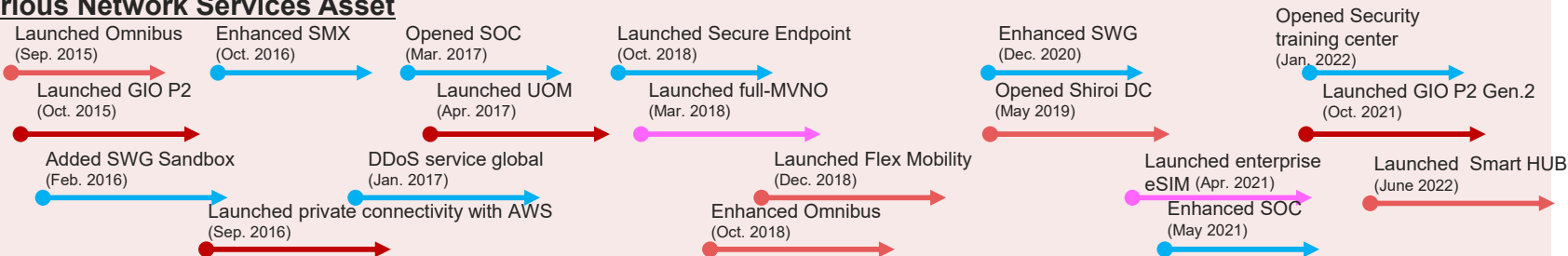
Stronger demands for enterprise network services

CAPEX & its depreciation almost same volume

Cost stabilizing

Including 5.0 billion for Shiroy DC 2nd site

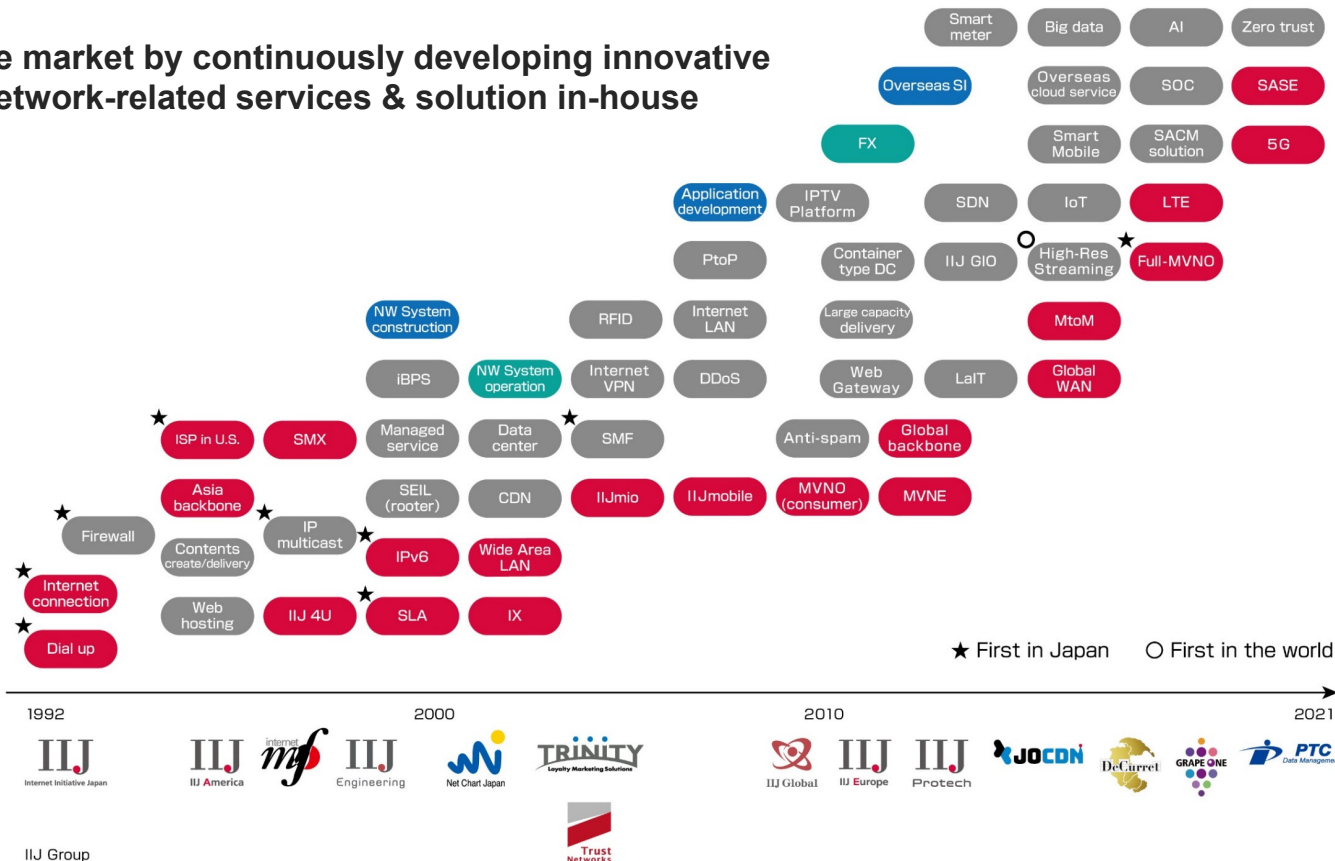
Various Network Services Asset



• FY16: US-GAAP, from FY17: IFRS

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

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



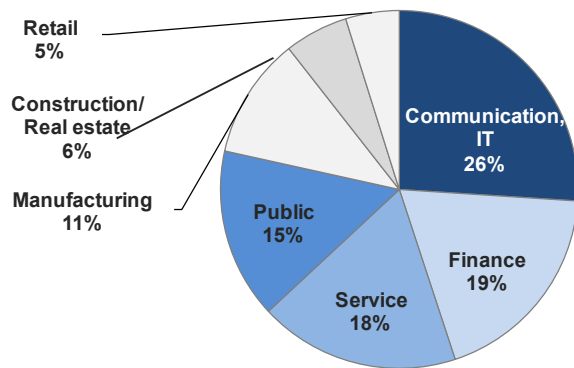
Excellent Customer Base

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

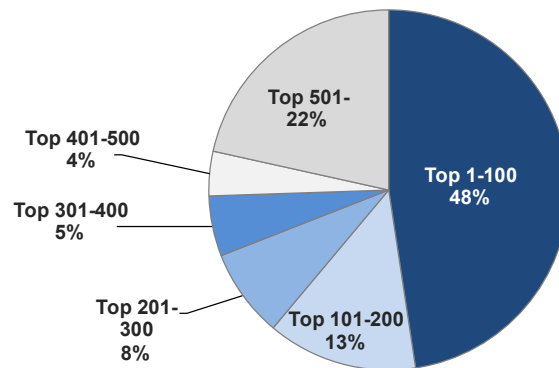
Cover Most of Top Revenue Companies



Revenue Distribution by Industry



Revenue Distribution by Clients



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

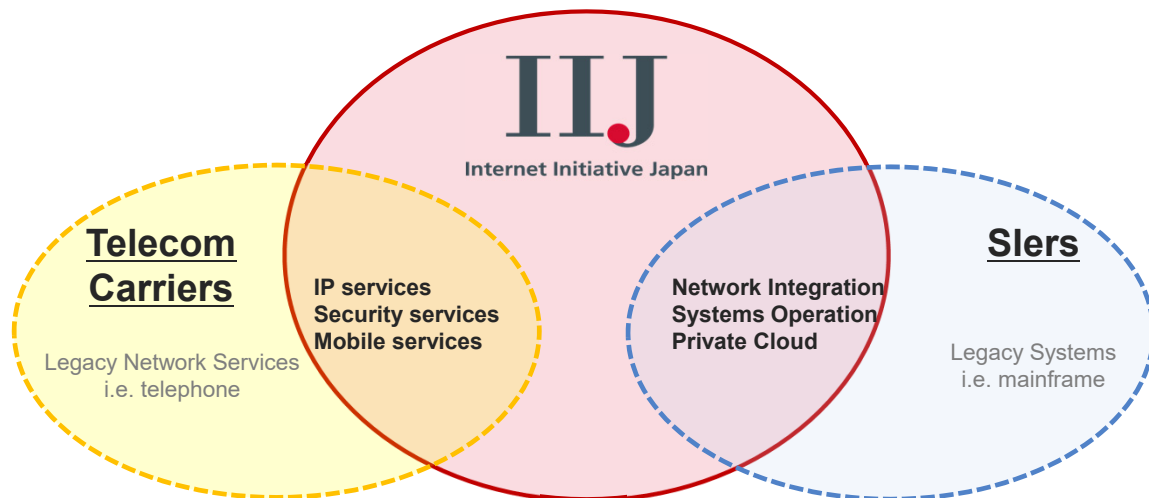
Competitive Advantages

Against telecom carriers, IIJ

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

Against systems integrators (Slers), IIJ

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

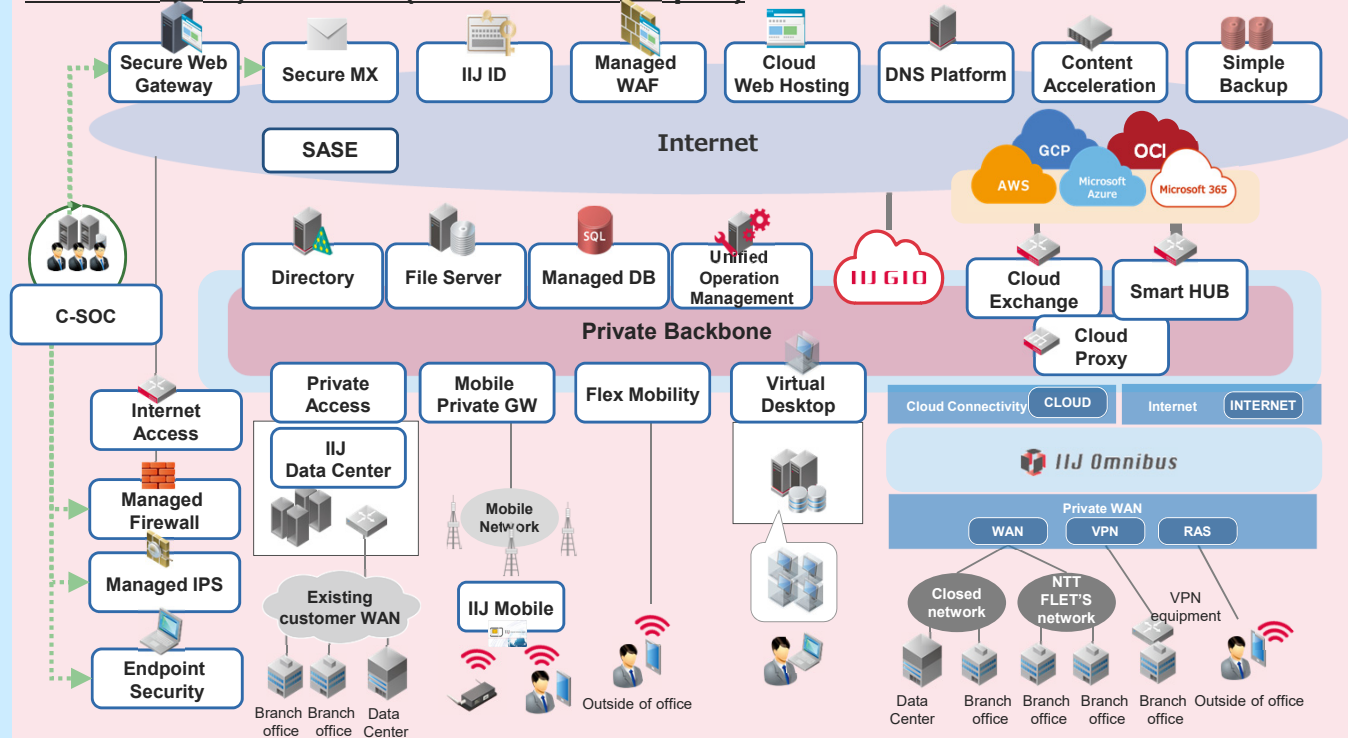


**IIJ deals with newer systems and growing IT market
(Not involved in heavy and legacy systems)**

NW Services and SI provided together as a Total Solution

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

Network (NW) services (in-house developed)



Mid-term Plan (FY21-FY23)

Unit: JPY billion

About IJ

Business Model

Strength

Growth Strategy

Previous Mid-term

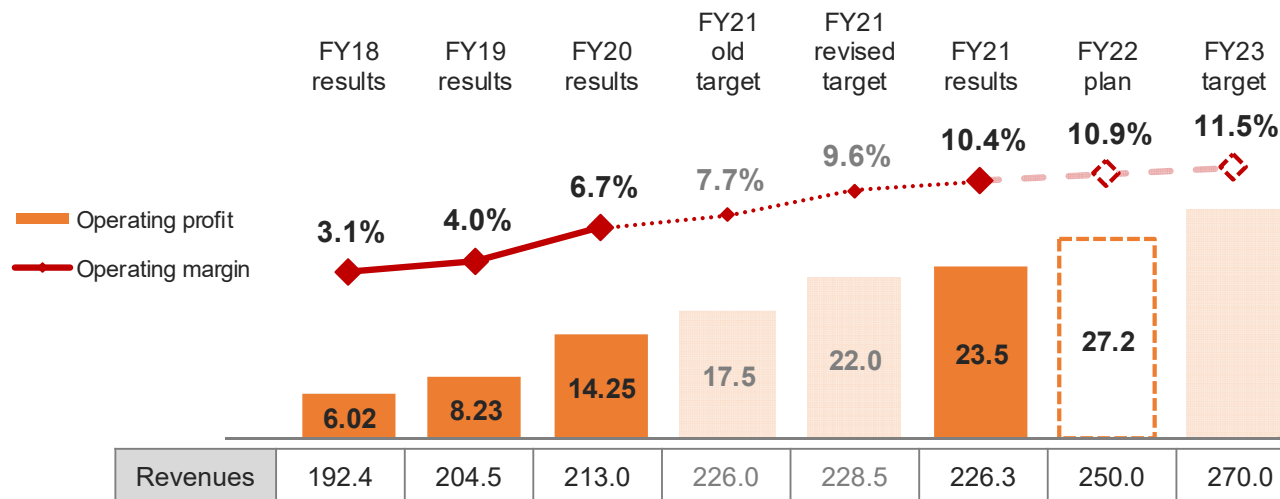
(FY15~FY20)

Current Mid-term

(FY21~FY23)

Longer term growth

(FY24~)



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

Key Points of the Mid-term Plan

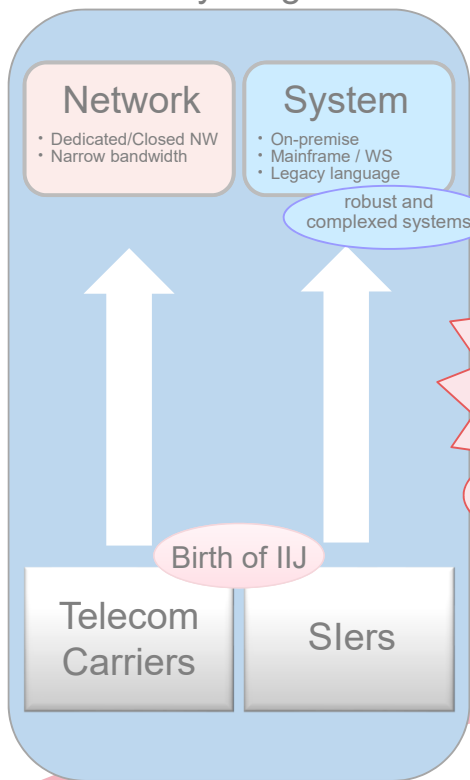
- ◆ Continuously develop services & solution
- ◆ **Execute & strengthen the current strategy, target to improve operating margin**
- ◆ Market capital to largely increase including M&A opportunities etc.
- ◆ Contribute to sustainable networked society through technology innovation and NW operation perspective

FY23 Operating Margin Target



Drastically Changing Enterprises Circumstance

30yrs Ago



Emergence of Internet

Based on software technology

Struggling switch to open systems

High Speed/Capacity Network

CPU/Storage Performance Improve

Internet Usages Progressed

Security for various incidents

Zero Trust Concept

Gradual Cloud Shift

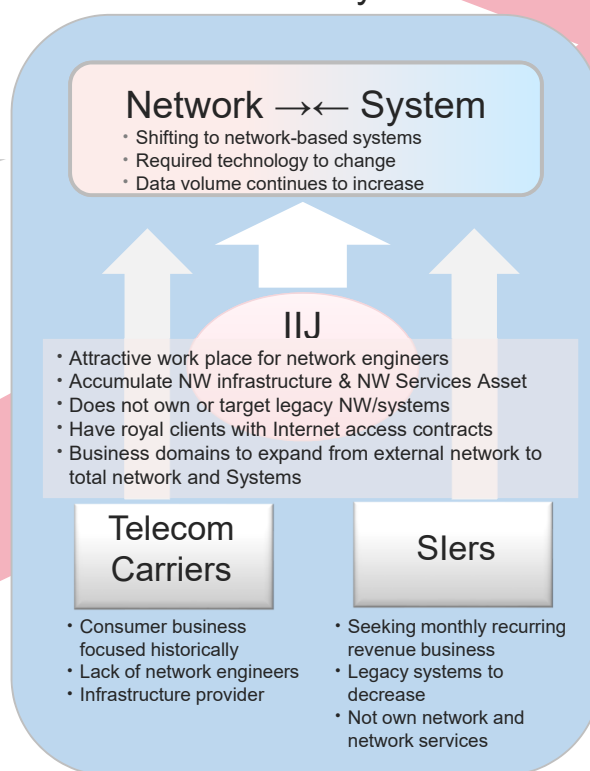
Data Analysis and AI

Preliminary IoT usages

Still slow move in conservative Japan

IT adoption at last forced by Pandemic

Nowadays



Labor shortage require more IT

Japan needs more competitiveness by IT

Every CEO says DX
(Digital Transformation)

Legacy NW and Systems to be reformed

Internet Traffic Continue to Increase

Cyber Security Demands

Importance for Data governance

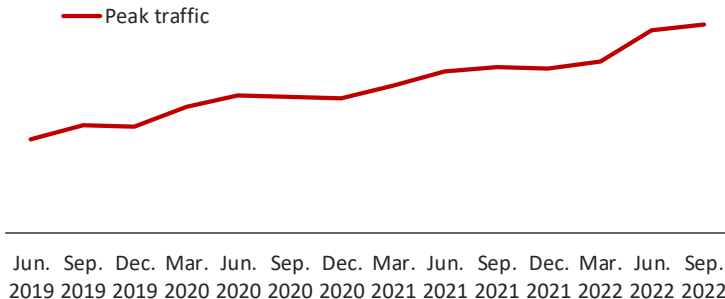
Cloud Systems Penetration

5G SA adoption and advanced IoT projects

Structural Changes

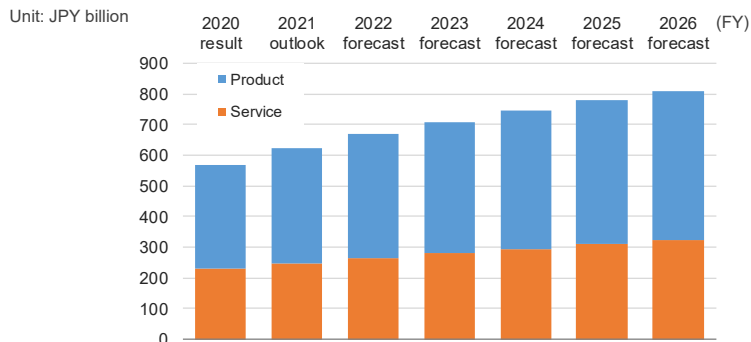
Market Growth Forecast etc.

Historical traffic data of major domestic IX



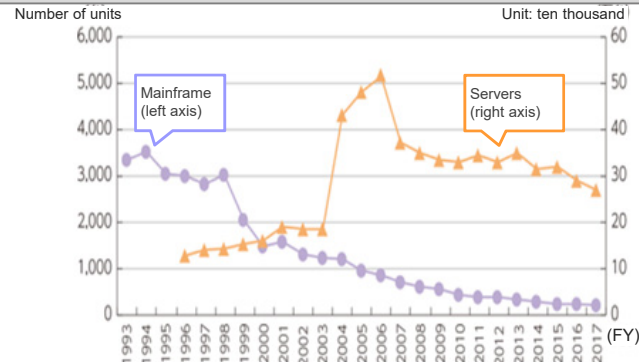
Source: INTERNET MULTIFEED CO.

Network security business market forecast



Source: Fuji Chimera Research Institute "2021 Network Security Business Survey" <https://www.fcr.co.jp/pr/21117.htm>

Domestic shipments of mainframe and servers



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

Digital competitiveness ranking (2022)

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

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



The internet started in Japan in 1992, along with IIJ. Since that time, the IIJ Group has been building the infrastructure for a networked society, and with our technical expertise, we have continued to support its development. We have also continued to evolve our vision for the future and innovate to make it a reality. As an internet pioneer, IIJ has blazed the trail so that others could realize the full potential of a networked society, and that will never change. The middle "I" in "IIJ" stands for "initiative," and IIJ always starts with the future.