

Presentation Material for Consolidated Financial Results for 1Q24 (April 1, 2024 to June 30, 2024)

Internet Initiative Japan Inc. (IIJ)
The Prime Market of the Tokyo Stock Exchange (Ticker symbol: 3774)
August 7, 2024

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- FY24 stands for a fiscal year from Apr. 1, 2024 to Mar. 31, 2025
- 1H24 stands for 1st half of FY24 (Apr. 1, 2024 to Sep. 30, 2024)
- 1Q24 stands for 1st quarter of FY24 (Apr. 1, 2024 to Jun. 30, 2024)
- Abbreviation: NW for network, SI for systems integration, DC for data center, PF for platform, ¥ (JPY) bn for JPY billion, SI O/M for systems operation and maintenance, MRR for Monthly Recurring Revenue

I . 1Q24 Summary

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

Started 1Q with strong revenue growth of both NW Services & SI

Business & market situation structurally changing. Continued to acquire large-scale projects

Strong demand for enterprises' NW renewal & Service Integration. Favorable mid-to-long term business trend

Updated FY24 targets from range - VMware related price pass-through & revisions progress without noticeable delays

1Q24 Total Revenue: ¥72.02 bn, +17.3% YoY Operating Profit: ¥4.48 bn, -10.4% YoY

FY24 New Targets	1H24 Apr. 2024 - Sep. 2024		FY24 Apr. 2024 - Mar. 2025		Dividend per Share (¥)		
	Total Revenue	Operating Profit	Total Revenue	Operating Profit	FY22	FY23	FY24 (Forecast)
	¥147.0 bn	¥11.6 bn	¥312.0 bn	¥32.0 bn	29.255	34.36	35.00
	+14.7% YoY	-4.0% YoY	+13.0% YoY	+10.2% YoY	14.63	17.18	17.50
	¥7.3 bn	¥7.3 bn	¥20.6 bn	¥20.6 bn	14.625	17.18	17.50
	-12.9% YoY	-12.9% YoY	+3.9% YoY	+3.9% YoY			

NW Service (excl. Mobile)	<ul style="list-style-type: none"> ◆ 1Q24 total revenue: ¥27.05 bn, +6.4% YoY <ul style="list-style-type: none"> • Each service revenue continued to grow. IP: +6.7% YoY, Outsourcing: +11.5% YoY (of which, security: +19.4% YoY)
Mobile IoT	<ul style="list-style-type: none"> ◆ 1Q24 total revenue: ¥12.01 bn, +9.7%, 1Q24-end total subscription: 5,025 thousand, +755 thousand YoY <ul style="list-style-type: none"> • Business growth led by enterprise IoT with large increases in revenue and subscription by +12.3% and 602 thousand YoY respectively • MVNE & consumers: Both revenues and subscriptions steadily grew
SI	<ul style="list-style-type: none"> ◆ 1Q24 total revenue: Construction ¥12.61 bn, +74.1% YoY, Operation & maintenance ¥19.64 bn, +14.8% YoY, Strong increase in SI construction revenue from the beginning of 1Q24 due to 4Q23-end high order backlog ◆ 1Q24 order-received: Construction ¥15.14 bn, +7.4% YoY, Operation & maintenance ¥25.02 bn, +26.7% YoY 1Q24-end order backlog: Construction ¥26.29 bn, +27.3% YoY, Operation & maintenance ¥90.51 bn, +26.4% YoY
Business Topics	<ul style="list-style-type: none"> ◆ Continued to acquire large-scale Service Integration projects such as an information infrastructure system project for a public sector organization (¥3.0 bn, 4 years) and a research platform renewal for a private educational institution (¥2.0 bn, 4 years), etc. ◆ Expansion of human resources to further enhance business growth, Number of new graduates: 307 personnel in April 2024 (246 personnel in April 2023), FY24 outlook: Number of employees to increase by over 400 personnel ◆ DeCurret DCP Inc. (affiliated company): Launched Japan's first digital currency platform service "DCJPY Network" in July 2024

(*1) Service Integration: Provide in-house developed NW services with SI, Greater opportunities and proposal areas along with internal large-scale NW renewals, etc.

(*2) As for the background of the VMware-related impact, please refer to P.26 of "Presentation Material for Consolidated Financial Results for FY23 and New Mid-term Plan (FY24-FY26)" (https://www.ij.ad.jp/en/ir/library/financial/pdf/11J4Q23E_presentation.pdf)
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II - 1. Consolidated Financial Results

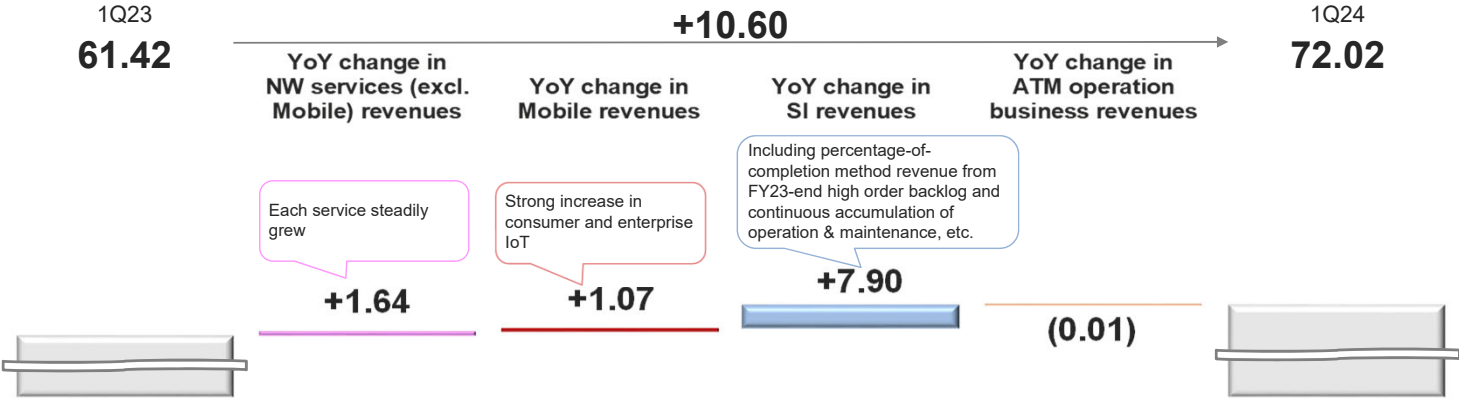
Unit: ¥ (JPY) billion
YoY = Year over year comparison

	% of revenue	% of revenue	YoY		(Previous target)	% of revenue	YoY	(Previous target)	% of revenue	YoY
	1Q24 Results Apr. 2024 - Jun. 2024	1Q23 Results Apr. 2023 - Jun. 2023			1H24 New targets Apr. 2024 - Sep. 2024	FY24 New targets Apr. 2024 - Mar. 2025				
Revenues	72.02	61.42	+17.3%	+10.60	(142.0 ~ 143.0)	147.0	+14.7%	(312.0 ~ 315.0)	312.0	+13.0%
Cost of Revenues	80.4%	77.5%	+21.6%	+10.26	(112.8)	79.0%	+17.4%	(243.5)	77.4%	+13.8%
Gross Profit	19.6%	22.5%	+2.4%	+0.33	(29.2 ~ 30.2)	21.0%	+5.5%	(68.5 ~ 71.5)	22.6%	+10.4%
SG&A etc.	13.4%	14.3%	+9.7%	+0.85	(19.2)	13.1%	+12.2%	(38.5)	12.3%	+10.5%
Operating Profit	6.2%	8.1%	(10.4%)	(0.52)	(10.0 ~ 11.0)	7.9%	(4.0%)	(30.0 ~ 33.0)	10.3%	+10.2%
Profit before tax	7.0%	8.9%	(8.1%)	(0.44)	(9.5 ~ 10.5)	7.5%	(12.4%)	(29.0 ~ 32.0)	9.8%	+5.8%
Net Profit (Profit for the period attributable to owners of the parent)	4.6%	5.8%	(7.3%)	(0.26)	(6.3 ~ 7.0)	4.9%	(12.9%)	(19.9 ~ 21.9)	6.6%	+3.9%

• SG&A etc. represents the sum of SG&A, which includes R&D expenses, and other income/expenses

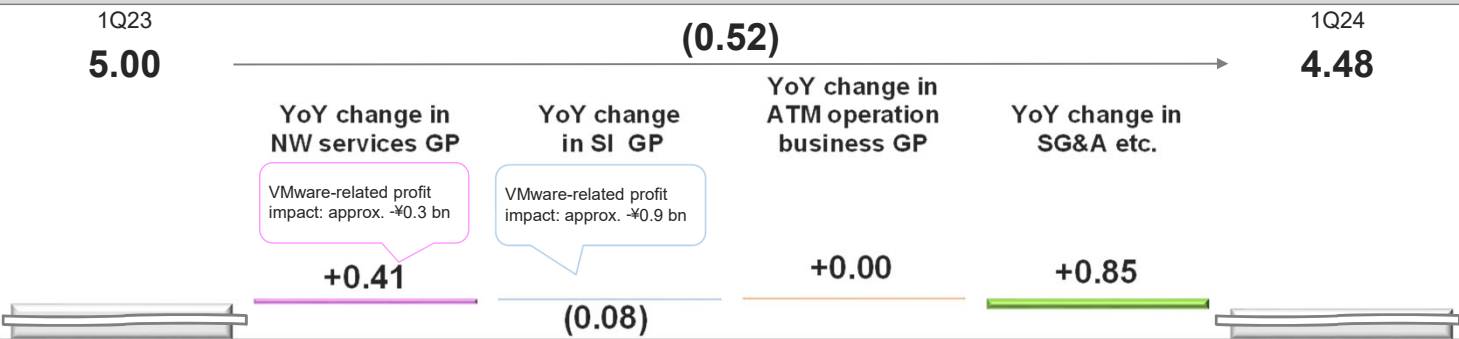
II - 2. Year over Year Analysis

Revenues



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

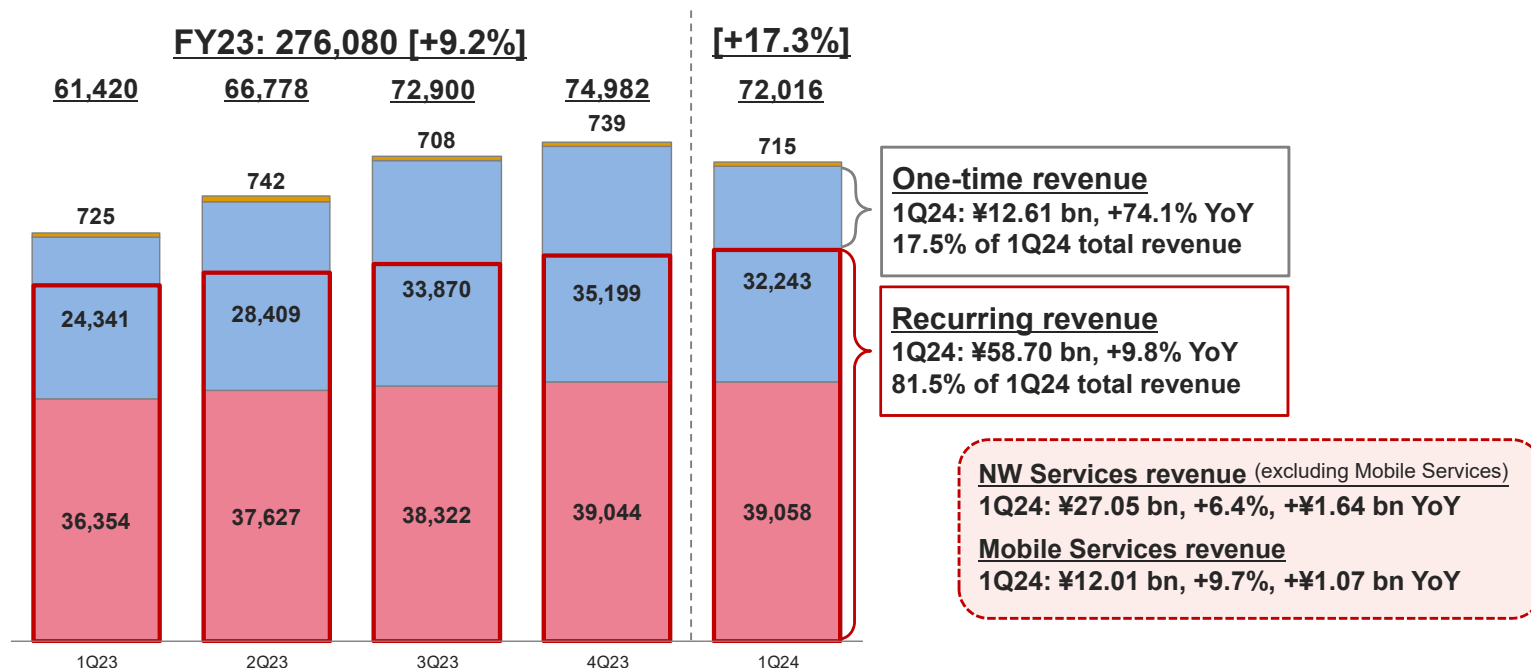
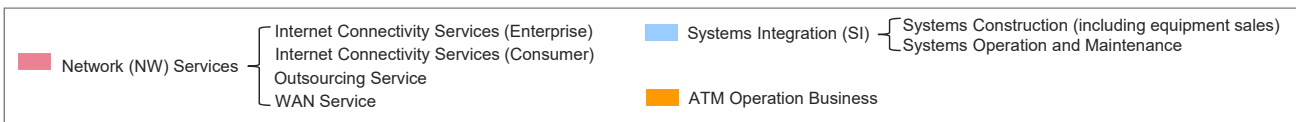
Operating Profit



- NW services gross profit consists of gross profit related to NW revenues (excl. Mobile) and Mobile revenues (The two services have costs in common and cannot be broken down in accounting terms)
- SG&A etc. in this slide represents the sum of SG&A, which includes R&D expenses, and other income/expenses
- As for the background of FY24 target revision, please refer to P.26 of "Presentation Material for Consolidated Financial Results for FY23 and New Mid-term Plan (FY24~FY26)" (https://www.ijj.ad.jp/en/ir/library/financial/pdf/11J4Q23E_presentation.pdf)

II - 3. Revenues

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

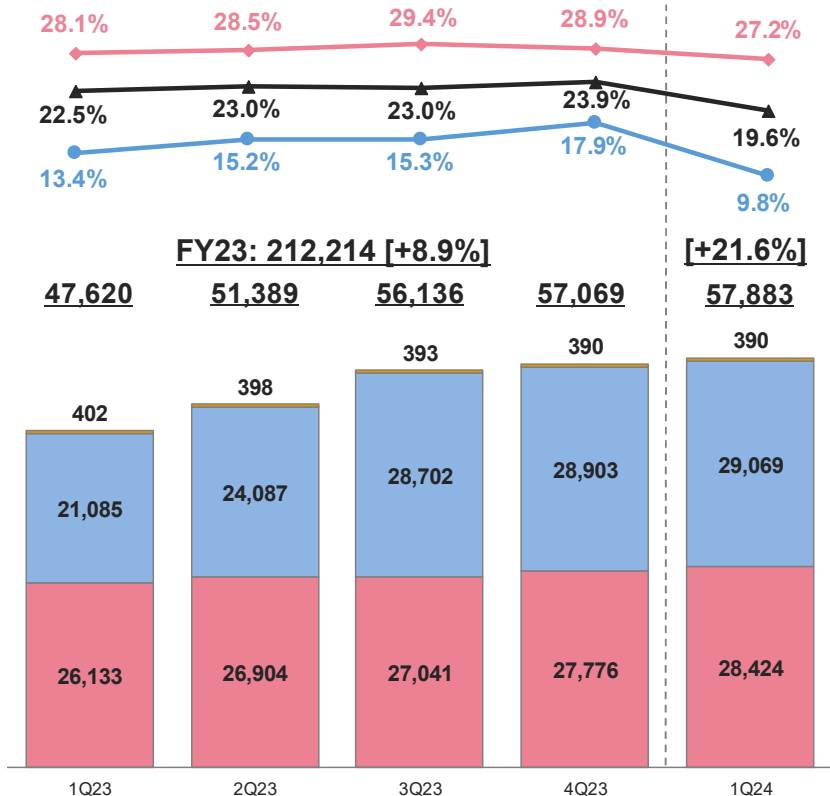


- One-time revenue, systems construction revenues which include equipment sales, is mainly recognized when systems and/or equipment are delivered and accepted by customers (Some revenues on a percentage-of-progress basis based on cost progression)
- Recurring revenue represents the following monthly 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

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



◆ Total gross profit

➢ 1Q24: ¥14.13 bn, +2.4% YoY

- VMware license-related profit impact : approx. -¥1.2 bn, the negative impact on profit was significant in 1Q, would diminish quarter by quarter
- From the beginning of Apr. 2024, VMware license's unit price increased. Our price pass-through and revisions have been making progress without noticeable delays

◆ Gross profit for NW services

➢ 1Q24: ¥10.63 bn, +4.0%, +¥0.41 bn YoY

- VMware license-related profit impact : approx. -¥0.3 bn. If we exclude this impact, gross margin would have been at the same level as 1Q23
- Plan to revise some NW services' prices from the beginning of 3Q24

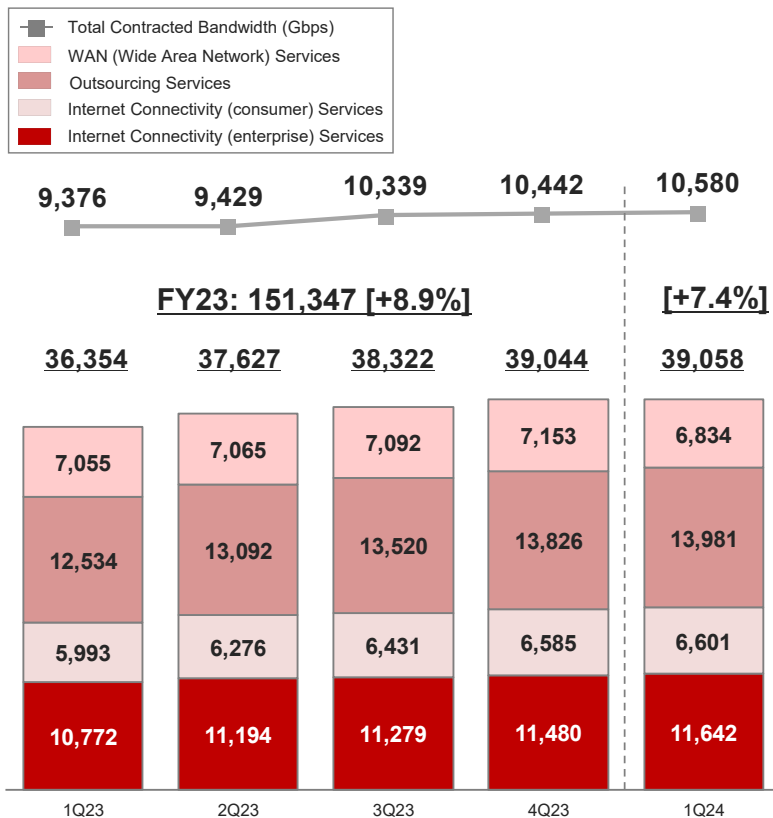
◆ Gross profit for SI

➢ 1Q24: ¥3.17 bn, -2.5%, -¥0.08 bn YoY

- VMware license-related impact : approx. -¥0.9 bn. If we exclude this impact, gross margin would have been slightly less than 13%
- Our price pass-through was sequentially progressing
- SI construction revenues under the percentage-of-completion method were relatively large in 1Q24, approx. ¥1.8 bn (1Q23: almost none)

• NW service gross margin: 3Q23 gross margin included a onetime profit contribution of over ¥0.1 bn which was the result of FY22 Docomo's mobile data interconnectivity (unit charge) revision

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



◆ Internet Connectivity (enterprise) Services

- 1Q24: ¥11.64 bn, +8.1% YoY
 - Internet traffic (please refer to P.44) and contracted bandwidth continued to expand
 - Of which, IP: ¥4.17 bn, +6.7% YoY
 - ✓ Stable growth and steady demand for bandwidth enhancement
 - Of which, Enterprise mobile (IoT usages, etc.): ¥3.53 bn, +12.3% YoY
 - ✓ Enhanced solutions through dual-carrier and eSIM, etc.
 - Of which, MVNE (service offer to other MVNOs): ¥2.77 bn, +5.5% YoY

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

- 1Q24: ¥6.60 bn, +10.1% YoY
 - Of which, consumer mobile (IIJmio): ¥5.71 bn, +10.3% YoY
 - ✓ Stable market environment. Active marketing with mobile device plan and eSIM, etc.

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

- 1Q24: ¥13.98 bn, +11.5% YoY
 - Of which, security: ¥8.60 bn, +19.4% YoY
 - ✓ Strong demand for SASE and SOC (Security Operation Center) due to NW renewal projects, etc.

◆ WAN Services (Closed network services)

- 1Q24: ¥6.83 bn, -3.1% YoY
 - Expect to increase due to NW renewal projects, etc.

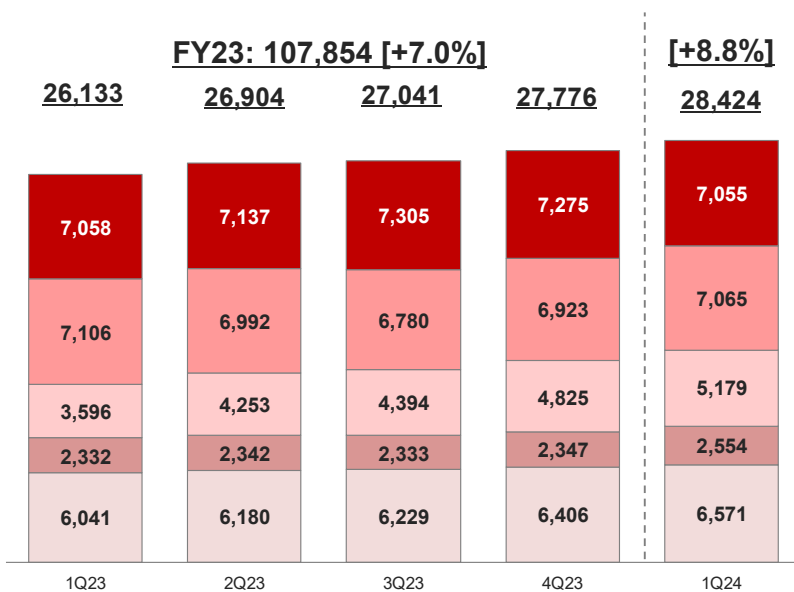
- Total contracted bandwidth is calculated by multiplying number of contracts by contracted bandwidths for IP service and broadband services respectively which are both under Internet connectivity services for enterprise
- IP (Internet Protocol) Service is bandwidth guaranteed dedicated Internet connectivity services for enterprises. Contracts are based on bandwidth and enterprises use the service for their core and main Internet connectivity
- MVNE is IIJ Mobile MVNO Platform Service

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

Unit: ¥ (JPY) million

[] . YoY = Year over year comparison, QoQ = Quarter over quarter comparison

- Circuit-related costs (Internet backbone, WAN lines etc.)
- Outsourcing-related costs (mobile infrastructure related costs such as interconnectivity charge and voice communication services, outsourcing personnel costs etc.)
- Others
- Personnel-related costs (NW services related engineers' personnel cost)
- Network operation-related costs (depreciation cost for network equipment, DC leasing costs etc.)



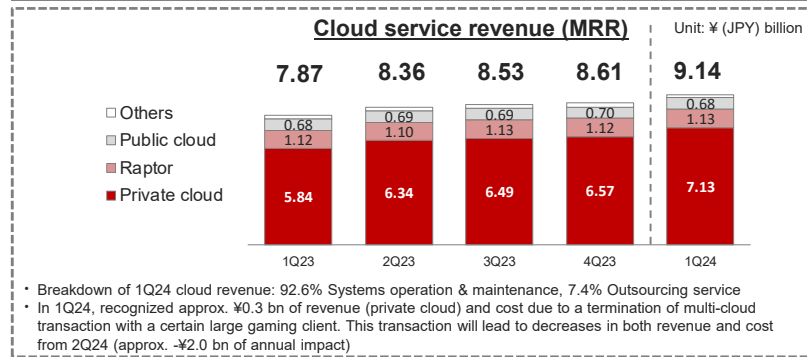
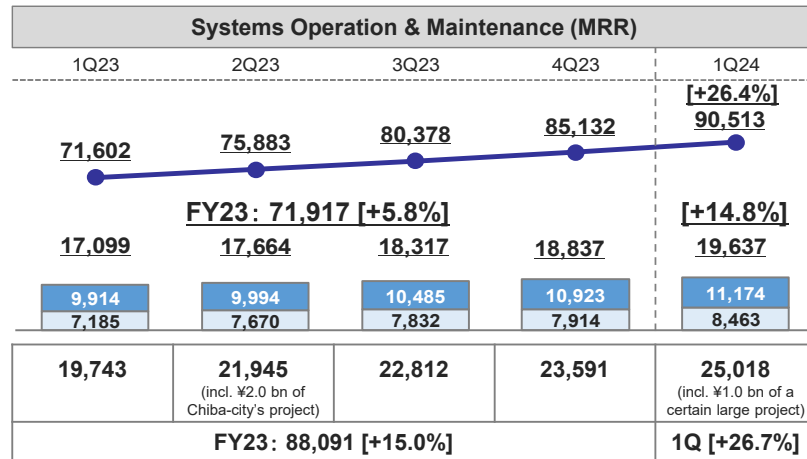
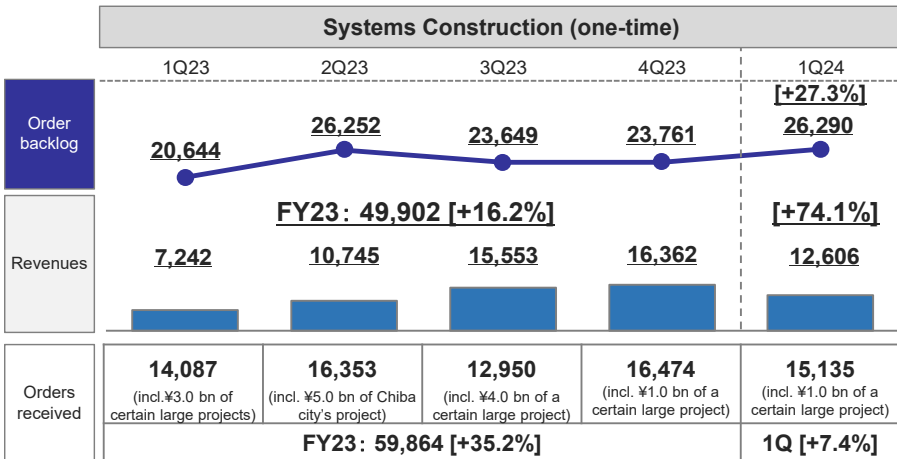
• 3Q23 outsourcing-related costs included a onetime profit contribution of over ¥0.1 bn which was the result of FY22 Docomo's mobile data interconnectivity (unit charge) revision

- 1Q24 Circuit-related costs increased stably
 - Internet backbone circuit cost remains stable as we can leverage scale merit by having one of the largest Internet backbone networks
 - Slightly decreased QoQ along with a decrease in WAN service revenue
- 1Q24 Outsourcing-related costs increased stably
 - Mobile data interconnectivity charge is on a continuous decreasing trend (please refer to P.24)
 - Outsourcing personnel cost is on a continuous increasing trend
- 1Q24 Others were on a continuous increasing trend
 - License fees such as SASE increased along with its increased revenue (in security)
 - The cost impact related to VMware was approx. +¥0.3 bn both YoY and QoQ
 - 1Q24 purchasing mobile devices increased by approx. ¥0.3 bn YoY
- 1Q24 Personnel-related costs increased due to regular salary increase, etc. at the beginning of fiscal year
- Network operation-related costs continued to increase along with facility expansions

NTT Docomo's mobile data interconnectivity charge (unit charge)		
	Unit charge based on future cost method	Fixed unit charge
FY24	¥12,862, -17.8% YoY • Announced in Mar. 2024 • Have been using this unit charge from 1Q24 • Slightly lower than the previously announced unit charge in Mar. 2023 which was ¥13,084	• To be fixed around at the end of Dec. 2025
FY23	¥15,644, -21.7% YoY • Announced in Mar. 2023 • Used this unit charge in FY23	• To be fixed around at the end of Dec. 2024
FY22	¥20,327, -24.8% YoY • Announced in Mar. 2022 • Used this unit charge in FY22	¥19,979, -26.1% YoY • Fixed at the end of Dec. 2023 • Onetime profit contribution of over ¥0.1 bn in 3Q23

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

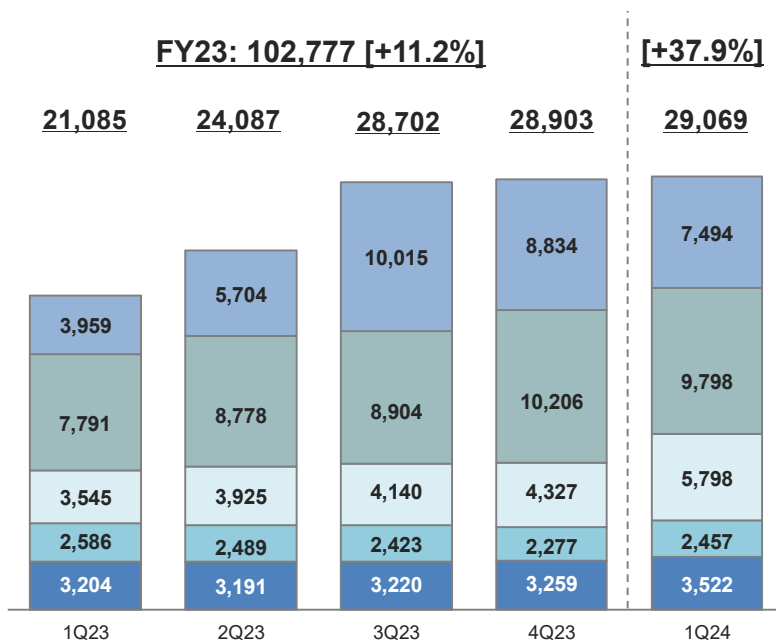
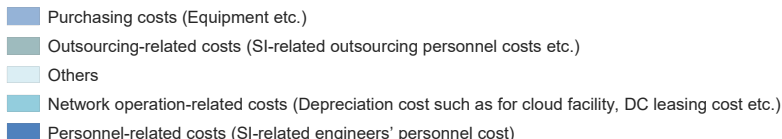
- Systems Construction revenues (including equipment sales)
- Systems operation & maintenance revenues for on-premise system
- Cloud revenues such as private cloud which are recognized as systems operation & maintenance revenues



- Favorable demand from all industries continued
- Below projects were acquired in 1Q24
 - Information infrastructure system for a public sector organization, ¥3.0 bn, 4 years
 - Research platform renewal for a private educational institution, ¥2.0 bn, 4 years
- 1Q24 revenue included approx. ¥1.8 bn of a percentage-of-completion method revenue which was due to the progress of large-scale projects (1Q23: almost none)

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

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



- Purchasing, outsourcing-related costs, etc. are linked to the size of project and revenue to a certain degree. Decreased QoQ from 4Q23 due to seasonality
 - Portion of purchasing costs to SI construction revenue was relatively high in 1Q24: approx. 59%, which did not result in so high gross margin
- Others include license purchasing costs and others
 - Multi-cloud license costs fluctuate along with its revenue
 - The cost impact related to VMware was approx. +¥1.2 bn both YoY and QoQ (of which, approx. ¥0.7 bn was one-time cost due to provisions in 1Q24)
- No significant change in network operation-related costs on a quarterly basis

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

1Q23-end	2Q23-end	3Q23-end	4Q23-end	1Q24-end
1,367	1,395	1,456	1,521	1,513

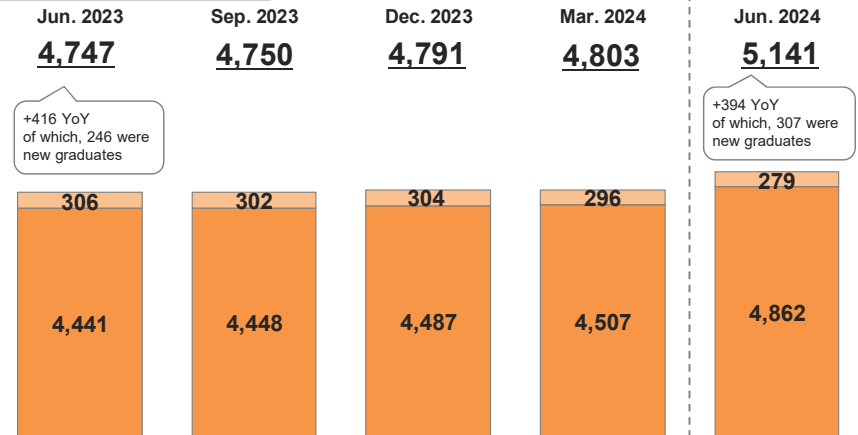
- The number of SI-related outsourcing personnel can be increased in comparison with the number of IJ's SI engineers
- Due to many ongoing projects before order-received, the number of 1Q24 outsourcing personnel has been at a high level

• 3Q23 purchasing costs included most of the costs related to the overseas DC construction project (revenue approx. ¥2.8 bn)

II - 7. Human Capital Disclosure

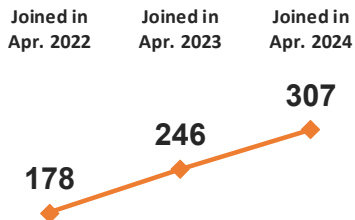
Number of Employees (consolidated basis)

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



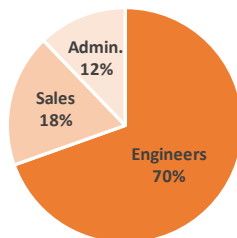
Number of new graduates

Unit: personnel



Breakdown of Employees

(As of Jun. 30, 2024)



Personnel-related costs & expenses (consolidated basis)

Unit: ¥ (JPY) million

	1Q23	2Q23	3Q23	4Q23	1Q24
Consolidated personnel-related costs & expenses (YoY)	9,358 (+14.4%)	9,252 (+6.9%)	9,410 (+12.8%)	9,622 (+13.1%)	10,333 (+10.4%)
	FY23: 37,642 (+11.8%)				-
% of revenue	15.2%	13.9%	12.9%	12.8%	14.3%

> FY24 outlook

- Number of employees (consolidated basis) to increase by over 400 personnel (including 307 of new graduates)
- Average salary increase of approx. 3.6% at the beginning of FY24 (IIJ)
 - ✓ Increased the new graduates salary table in Apr. 2023 (previous revision in Apr. 2019). New graduates with bachelor's degree: ¥256,667 per month, up 4.8%

Ratio of Female Managers

- Achieved FY24 target (6% or more) a year in advance
- Brought FY27 target forward by 1 year (IIJ)

Apr. 2022	Apr. 2023	Apr. 2024	FY26 target
5.7%	6.3%	7.5%	8% or more

Turnover rates

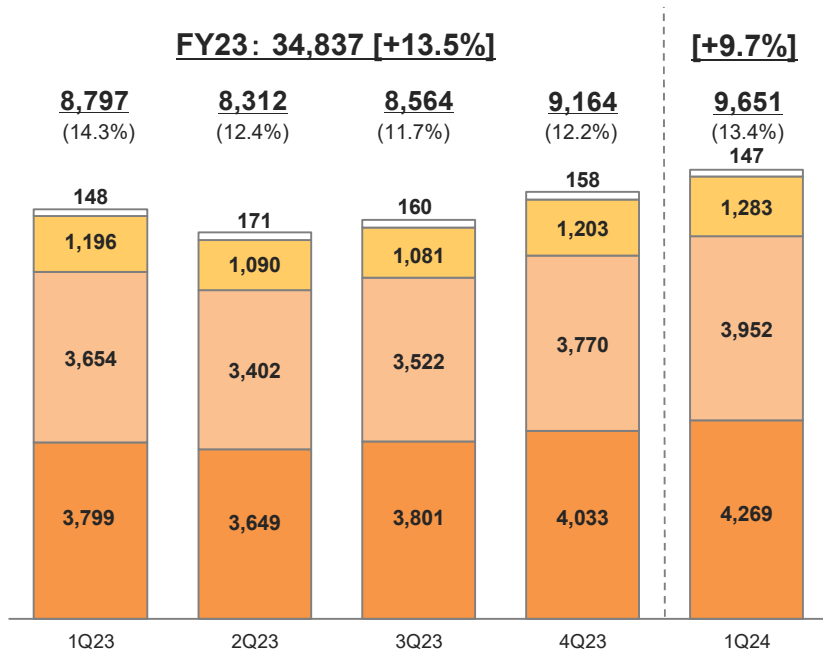
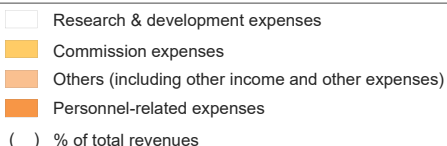
- Lower than the industry average turnover

FY19	FY20	FY21	FY22	FY23
4.6%	3.6%	4.2%	3.8%	4.6%

- The turnover rate of IIJ is calculated by dividing leavers for the fiscal year by the number of full-time employees at the beginning of that fiscal year. The industry average turnover rate of approx. 10% is announced by the Ministry of Health, Labor, and Welfare

II - 8. SG&A, etc.

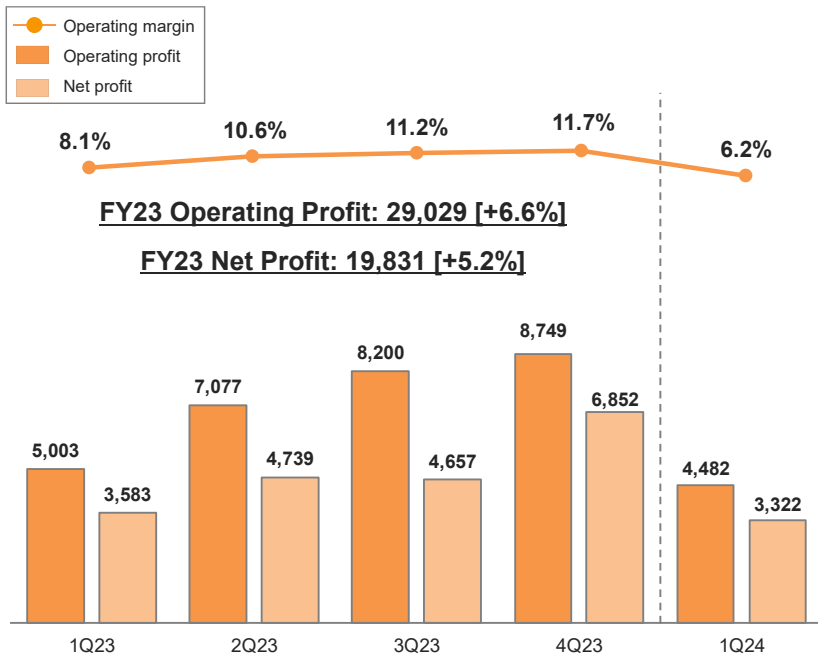
Unit: ¥ (JPY) million
 [] , YoY = Year over year comparison
 QoQ = Quarter over quarter comparison



- Research & development expenses are mainly personnel expenses of research institute division. No major changes
- Commission expenses are mainly recruitment expenses and credit card fees for consumers
- Others are increasing mainly because of an increase in activity-related expenses such as advertisement and travel expenses. 1Q training expenses also increased temporarily due to new graduate hire
- Personnel-related expenses (salary, employee benefits, etc.) increased as expected due to new graduate hire and regular salary increase

- Above figures are SG&A expenses plus other income and other expenses
- 1Q personnel-related and others expenses increase mainly due to an increase in training and human capital development expenses along with the entry of new graduates. Such expenses decrease in 2Q QoQ as expenses for new graduate engineers are recorded as cost of revenues from 2Q

II - 9. Profit



◆ Operating profit

➢ 1Q24: ¥4.48 bn, -10.4% YoY

- Profit decreased by approx. ¥1.2 bn due to the VMware impact. The profit level was slightly stronger than initially expected

◆ Profit before tax

➢ 1Q24: ¥5.04 bn, -8.1% YoY

- Foreign exchange gain: +¥196 million (1Q23: +¥401 million)
- Valuation gain(loss) on funds, etc.: +¥585 million (1Q23: +¥310 million)

1Q23	2Q23	3Q23	4Q23	1Q24	FY24 plan
+310	+13	(535)	+361	+585	±0

- Foreign exchange impacts were also included as lots of assets are dominated in USD, Exchange rate at the end of FY23: ¥151.41 for 1 USD

- Share of loss of investments accounted for using equity method: ¥162 million (1Q23: ¥154 million)

DeCurret-related loss (IIJ ownership: 38.2%)

1Q23	2Q23	3Q23	4Q23	1Q24	FY24 plan
125	124	143	143	182	Approx. 800

- Launched Japan's first digital currency platform service "DCJPY Network" in Jul. 2024 (For detail, please refer to P.23)
- Expect cost and expenses such as personnel are to increase in FY24 toward the service launch. After the launch, anticipate to become profitable on a monthly basis within FY26 by the revenue accumulation

◆ Net profit

➢ 1Q24: ¥3.32 bn, -7.3% YoY

1Q23	2Q23	3Q23	4Q23	1Q24	
632	114	(957)	581	719	Finance income (expense), net
(154)	(119)	(150)	(42)	(162)	Share of profit (loss) of investments accounted for using equity method
(1,824)	(2,320)	(2,365)	(2,449)	(1,654)	Income tax expense
74	13	71	(13)	63	Profit (loss) 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

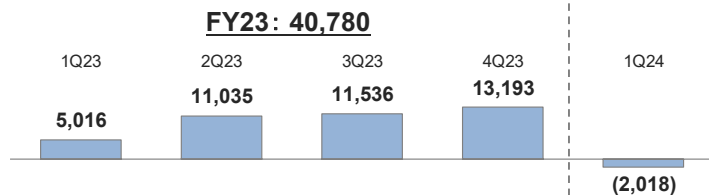
	Mar. 31, 2024	June 30, 2024	Changes		Mar. 31, 2024	June 30, 2024	Changes
Cash & cash equivalents	45,474	29,784	(15,690)	Trade & other payables	25,435	26,020	+585
Trade receivables	45,683	42,692	(2,991)	Borrowings (current & non-current)	30,180	28,419	(1,761)
Inventories	3,227	5,031	+1,804	Contract liabilities & Deferred income (current & non-current)	21,530	24,146	+2,616
Prepaid expenses (current & non-current)	39,496	55,007	+15,511	Income taxes payable	5,328	1,710	(3,618)
Tangible assets	29,072	31,854	+2,782	Retirement benefit liabilities	4,991	5,127	+136
Right-of-use assets	41,242	42,038	+796	Other financial liabilities (current & non-current)	49,138	53,578	+4,440
Of which, operating leases (rent of office, data center etc.)	26,428	25,250	(1,178)	Of which, operating leases (rent of office, data center etc.)	26,982	25,817	(1,165)
Of which, finance leases (network equipment etc.)	14,814	16,788	+1,974	Of which, finance leases (network equipment etc.)	15,750	17,717	+1,967
Goodwill & intangible assets	28,685	29,488	+803	Others	10,079	11,444	+1,365
Investments accounted for using the equity method	5,169	4,960	(209)	Total liabilities:	146,681	150,444	+3,763
Investment securities (Equity)	14,563	15,261	+698	Share capital	25,562	25,577	+15
Other investments	9,805	10,838	+1,033	Share premium	35,737	35,708	(29)
Others	11,297	11,988	+691	Retained earnings	65,616	65,900	+284
				Other components of equity	10,863	11,987	+1,124
				Treasury shares	(12,027)	(11,970)	+57
				Total equity attributable to owners of the parent:	125,751	127,202	+1,451
				Non-controlling interests	1,281	1,295	+14
Total assets:	273,713	278,941	+5,228	Total liabilities and equity:	273,713	278,941	+5,228

- Prepaid expenses increased mainly due to an increase in projects for clients (in addition to constant increase, two large-scale projects' impact: approx. +¥2.0 bn), license fee (in addition to constant increase, VMware license fee: approx. +¥4.2 bn), maintenance for facility (constant increase) and prepaid expenses for bonus (personnel increase), etc.
- Tangible assets increased mainly due to investment in Matsue DC
- Ratio of total equity attributable to owners of the parent: 45.9% as of Mar. 31, 2024, 45.6% as of Jun. 30, 2024

II - 11. Consolidated Cash Flows

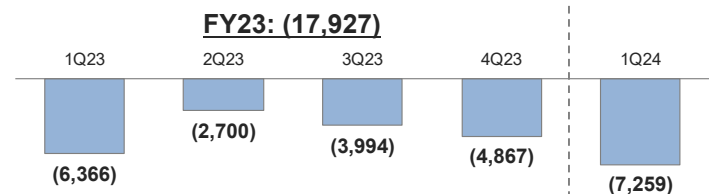
Unit: ¥ (JPY) million
YoY = Year over year comparison

Operating Activities



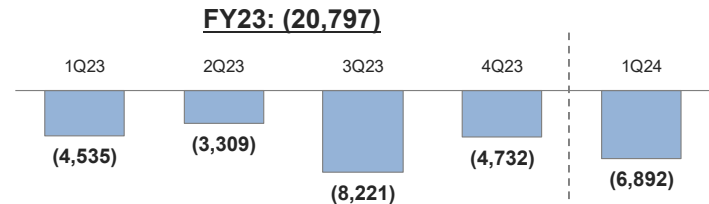
	1Q24 Major Breakdown	YoY Change
Profit before tax	5,039	(442)
Depreciation and amortization	7,599	+314
Changes in operating assets & liabilities	(9,052)	(5,939)
Of which, decrease (increase) in prepaid expenses	(15,185)	(6,697)
Income taxes paid	(5,286)	(987)

Investing Activities



	1Q24 Major Breakdown	YoY Change
Purchase of tangible assets	(4,220)	(550)
Purchase of intangible assets such as software	(2,513)	+176

Financing Activities



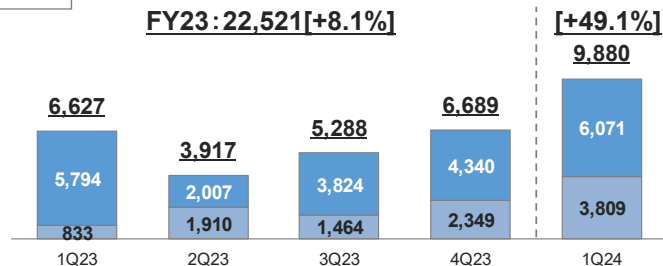
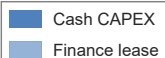
	1Q24 Major Breakdown	YoY Change
Payment of operating/finance leases and other financial liabilities	(5,281)	(271)
Dividends paid	(3,038)	(394)
Repayment of long-term borrowings	(1,766)	(751)
Short-term borrowings (Borrowings for acquisition of treasury shares, etc.)	-	(12,000)
Purchase of treasury shares	-	(11,405)

II - 12. Other Financial Data

Unit: ¥ (JPY) million

[], YoY = Year over year comparison

CAPEX



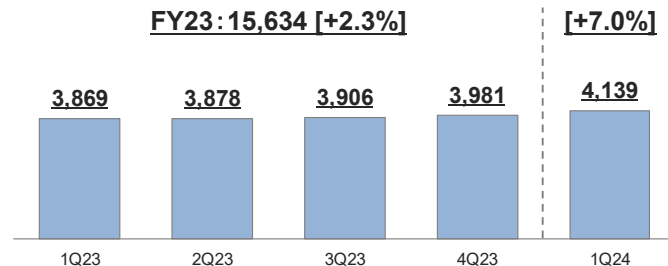
- Major breakdown of CAPEX (Unit: ¥ bn)

	1Q23	1Q24
Ordinal CAPEX (NW equipment & server, etc.)	2.7	3.3
Shiroy DC second site -related	2.4	0.1
Matsue DC -related	0	1.9
Customer-related	1.1	3.4
Renewal of Full-MVNO 5G infrastructure	0.2	1.0
Renewal of Raptor service facility	0.2	0.2

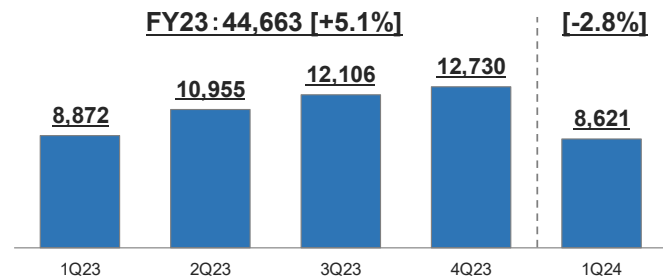
- FY24 CAPEX plan: approx. ¥23.0 bn
- Of which, approx. ¥3.7 bn is for Matsue DC's construction of additional modules
 - Of which, approx. ¥2.0 bn is for Shiroy DC's expansion investment

- 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. Revision of FY24 Financial Targets and Dividend Forecast

Unit (excluding dividend per share): ¥ (JPY) billion (bn)
YoY = Year over year comparison

	FY24 New targets Revised in August, 2024				FY24 Previous targets Announced in May, 2024			
	% of total revenue		% of total revenue		% of total revenue		% of total revenue	
	1H24 Targets	YoY	FY24 Targets	YoY	1H24 Targets	FY24 Targets	YoY	YoY
Total Revenue	147.0	+14.7%	312.0	+13.0%	142.0 ~ 143.0	312.0 ~ 315.0		
Gross Profit	21.0% 30.8	+5.5%	22.6% 70.5	+10.4%	20.6% 21.1% 29.2 ~ 30.2	22.0% 22.7% 68.5 ~ 71.5		
SG&A etc.	13.1% 19.2	+12.2%	12.3% 38.5	+10.5%	13.5% 13.4% 19.2	12.3% 12.2% 38.5		
Operating Profit	7.9% 11.6	(4.0%)	10.3% 32.0	+10.2%	7.0% 7.7% 10.0 ~ 11.0	9.6% 10.5% 30.0 ~ 33.0		
Shares of profit(loss) of investments accounted for using equity method investee	(0.4)	-	(0.7)	-	(0.3)	(0.7)		
Profit before tax	7.5% 11.0	(12.4%)	9.8% 30.6	+5.8%	6.7% 7.4% 9.5 ~ 10.5	9.3% 10.2% 29.0 ~ 32.0		
Net Profit (Profit for the period attributable to owners of the parent)	4.9% 7.3	(12.9%)	6.6% 20.6	+3.9%	4.4% 4.9% 6.3 ~ 7.0	6.4% 7.0% 19.9 ~ 21.9		
Dividend per share	¥17.50	+¥0.32	Payout ratio 30.1% ¥35.00	+¥0.64	¥17.18 ~ ¥18.58	¥34.36 ~ ¥37.16		

Background of FY24 Financial Targets revision	
Previously (Announced in May 2024)	New (Revised in August 2024)
<ul style="list-style-type: none"> Effective from Apr. 2024, a significant increase in license costs due to price structure changes in VMware licenses IJ has been taking actions including the revision of our service price; however, because the pricing and applicable conditions were shared in such a last minute, FY24 financial targets were disclosed as ranges of ¥3.0 bn 	<ul style="list-style-type: none"> Price pass-through of Cloud (SI) from 1Q24 and price revision of certain NW services from the beginning of 3Q24, are making progress without noticeable delays Included a decrease in multi-cloud revenue due to the termination of transaction with a certain large gaming client at the end of 1Q24 (annual revenue impact: approx. -¥2.0 bn, profit impact: quite small)

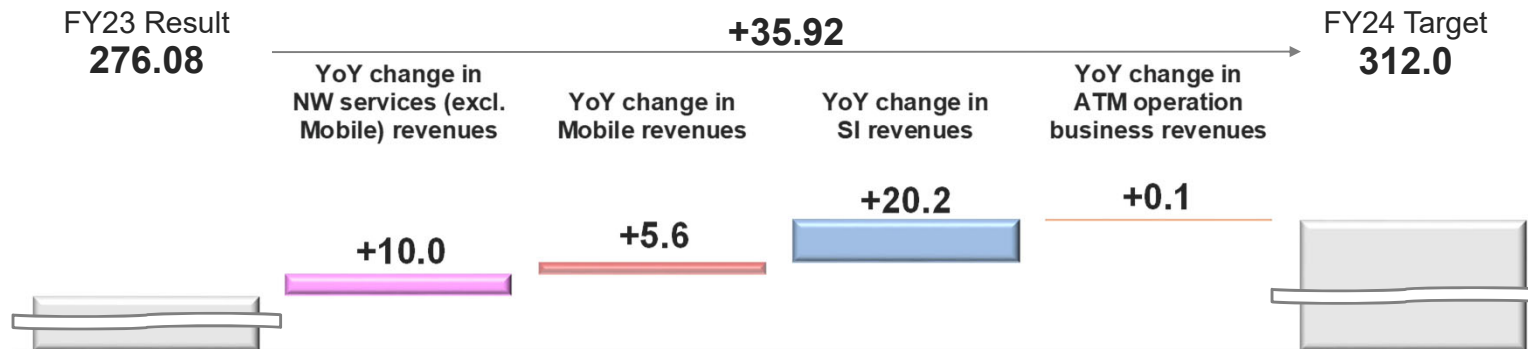
Premise and assumption of FY24 Target					
	Revenue		Gross Profit		Projected Gross Margin
	1H24	FY24	1H24	FY24	
	SI	approx. 66.0	approx. 142.0	approx. 8.0	around 15.5%
	NW service	approx. 79.5	approx. 167.0	approx. 22.0	around 28.1%
◆ NW Service:					
<ul style="list-style-type: none"> Revenue to grow by recurring revenue accumulation & Service Integration particularly in 2H24 Expect mobile services to achieve revenue & profit growth without the onetime cost reduction of data connectivity (FY23: approx. +0.1 bn) VMware-related price revision to be added sequentially from the beginning of 3Q24 					
◆ SI:					
<ul style="list-style-type: none"> SI construction revenue to largely increase by realizing FY23-end order backlog (approx. +¥10.0 bn YoY), and growing demand. An increase in percentage-of-completion revenues in 1Q24 VMware-related price pass-through to be added sequentially from 1-2Q24 					
◆ VMware license related impact for profit: approx. -¥1.1 bn in FY24					
◆ SG&A, etc.: Increase along with business expansion and an increase in number of employees					
◆ Shares of profit (loss) of investments accounted for using equity method investees: Expect DeCurret's related loss to be around ¥0.8 bn					
◆ No consideration on valuation gain (loss) on funds & foreign exchange gain (loss)					
◆ Others: Number of employees to increase slightly over 400 personnel (of which, 307 are new graduates), CAPEX: ¥23.0 bn (of which, approx. ¥5.7 bn is for own DCs expansion)					

• SG&A etc. represents the sum of SG&A, which includes R&D expenses, and other income/expenses

III - 2. FY24 Financial Targets, Year over Year Analysis

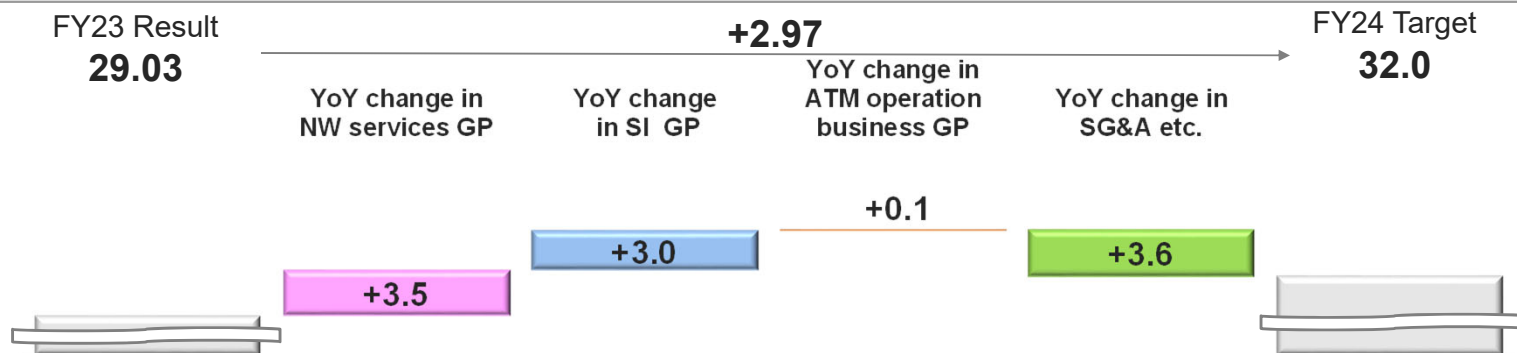
Unit: ¥ (JPY) billion

Revenues



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

Operating profit

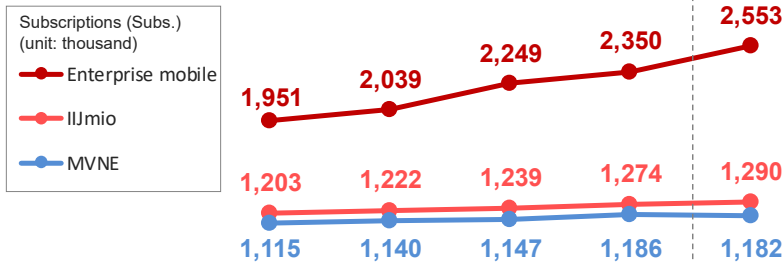


- NW services gross profit consists of gross profit related to NW revenues (excl. Mobile) and Mobile revenues (The two have costs in common and cannot be broken down in accounting terms)
- SG&A etc. in this slide represents the sum of SG&A, which includes R&D expenses, and other income/expenses

IV- 1. Mobile and IoT

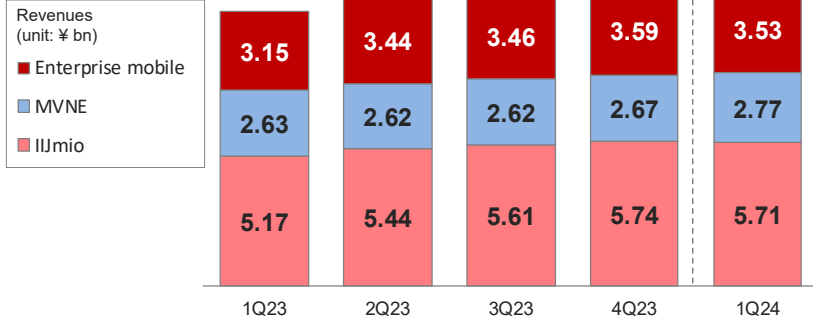
Unit: ¥ (JPY) billion (bn)
%, YoY = Year over year comparison
QoQ = Quarter over quarter comparison

Mobile Subscription (Subs.)



Mobile Revenue

FY23: 46.14 [+9.1%] [+9.7%]
 10.94 11.50 11.70 12.00 12.01



◆ Enterprise mobile (deducting MVNE from IJ Mobile)

- 1Q24 revenue: ¥3.53 bn, (+¥0.39 bn YoY)
- 1Q24-end subs.: 2,553 thousand (+203 thousand QoQ)
 - Existing transaction such as connecting NW cameras, GPS devices, and on-board unit-related devices are becoming larger and continuously acquiring new orders

◆ MVNE (providing mobile services to other MVNOs)

- 1Q24 revenue: ¥2.77 bn (+¥0.14 bn YoY)
- 1Q24-end subs.: 1,182 thousand (-4 thousand QoQ)
- 1Q24-end MVNE clients: 195 clients (+11 clients YoY), Of which, cable TV operators (95 operators), prominent retailer, etc.

◆ IJmio (consumer)

- 1Q24 revenue: ¥5.71 bn (+¥0.54 bn YoY)
- 1Q24-end subs.: 1,290 thousand (+16 thousand QoQ)
 - Of which, the old plan's subs. were 205 thousand

GigaPlans (unit: thousand)	1Q23-end	2Q23-end	3Q23-end	4Q23-end	1Q24-end
Subs.	928	963	995	1,041	1,069

SIM type MVNO market share in Japan

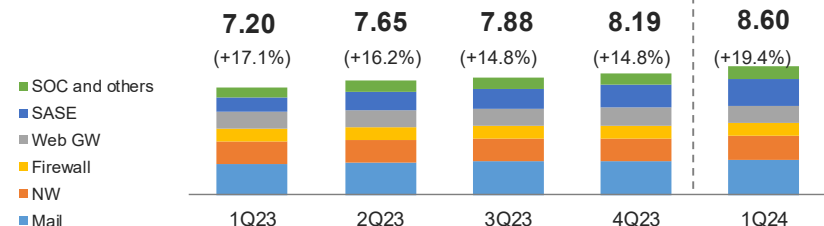
	Mar. 31, 2023		Mar. 31, 2024	
1 st	IJ	19.8%	IJ	21.6%
2 nd	NTT Resonant	11.9%	NTT Docomo(*)	9.7%
3 rd	Optage	9.0%	Optage	8.7%
4 th	Fujitsu	5.6%	Fujitsu	5.6%
5 th	Aeon Retail	4.8%	Aeon Retail	4.7%

Source: the Ministry of Internal Affairs and Communications,
 (*) NTT Docomo's figures as of Mar. 31, 2024 was formerly NTT Resonant's one

IV - 2. Security Business

Security service (MRR) largely grew along with continuous strong demands

FY23: 30.93 (+15.7%)



Each service continued to accumulate

Strong demand for "IJJ C-SOC Service"

Greater opportunity to integrate it as part of large NW renewal project

IJJ's competitive advantages:

- Collaborate with various in-house devolved managed type gateway security services
- Wide monitoring scope including EDR & SASE
- Apply abundant traffic log data to develop IJJ's unique intelligence as well as detect threat

Continued to enhance service line-ups and functions

- "IJJ Safous Service" was awarded "Global InfoSec Awards" and "Cybersecurity Excellence Awards" at RSA Conference 2024 in May 2024 (7 awards in total)
- First in the Asia-Pacific to be certified as Palo Alto Networks Partner for SP Interconnect, providing Internet connection between Prisma Access and IJJ Backbone (Apr. 2024)
- Expanded functions of "IJJ Managed WAF Service" by adding DDoS protection function in Oct. 2023
- Launched "IJJ Leaked Account Detection Solution" in Nov. 2023
- Launched "IJJ Attack Surface Assessment Solution" in Nov. 2023

- Security Service Revenue (recurring) is 100% recognized in outsourcing
- SASE (Secure Access Service Edge) is a concept to shift controls of network and security to the route to Cloud services to enable secure access from any points, instead of the conventional centralized management through headquarters or data centers. This concept is gaining popularity along with Cloud migration of enterprise operation systems, prevalence of flexible workstyle including teleworking
- SOC (Security Operation Center) is an organization providing advices and actions regarding cyber attacks by constantly monitoring log data such as NW and device to detect and analyze cyber attacks
- EDR (Endpoint Detection and Response) is a product that realizes faster analysis on endpoint, such as laptop pc, by automatically gather behavior and associate such with cyber attack patters, etc.

Mail Security

- Full outsource of mail system, countermeasures for spam mail, etc.
 - Number of e-mail services' accounts for enterprise exceeded 10 million in Jul. 2024
- IJJ Secure MX Service (SMX)
 - Cloud-based integrated mail security service (launched in Sep. 2006)
 - Differentiating by in-house developed multi-filtering, providing support in Japanese and upgrades
 - Minimize mail threats with multi-filtering, able to store unlimited mail date in DCs located in Japan, prevent accidental transmission/information leak with the system

NW Security

- IJJ DDoS Protection Service
 - Comprehensive service to protect enterprise network system from DDoS attacks (launched in Oct. 2005)
 - Service model unique to NW operators
 - Realize reliable web services by avoiding overloaded network and server triggered by huge traffic, global coverage to prevent terabit level large-scale attack (launched in Jan. 2017)
- IPS/IDS, WAF, etc.

FW (Firewall)

- Outsource of firewall operation, detection system for anomaly, etc. (launched in Oct. 2006)

Web GW

- Full outsource of web security, URL filtering,
- IJJ Secure Web GW Service (SWG)
 - Cloud-based integrated web security service (launched in Mar. 2009)
 - Differentiating by in-housed developed engines etc. to block and isolate web functions, etc.

SASE

- Operation of Prisma Access, Zscaler etc.
 - Highly regarded as a top-class SASE implementation & operation vendor
 - From a vendor neutral position, provide all-in-one support ranging from solution selection, design, construction, implementation to operation
- IJJ Secure Access Service "ISA"
 - In-house developed SASE service (launched in Sep. 2022)
 - Differentiating by high compatibility with other IJJ security services, small start & low-price range
 - Continue to enhance the service, in the middle of setting up

SOC and others

- IJJ C-SOC Service
 - Launched in Oct. 2018
 - Operational SOC service unique to ISPs: visualize invisible threats by applying IJJ's unique intelligence, execute initial response as well as notification etc.
 - Continuously expanding functions including recently launched "Premium" in May 2021 which offers primary responses against attacks
- Endpoint Security, etc.

IV- 3. Timing of revenue recognition for large-scale complex flagship projects

Project overview	Project size (approx.)	Main revenue recognition	Acquisition periods	Timing of revenue recognition
Foreign exchange trading platform for a prominent financial group	¥3.0 bn, 5 years	SI O/M	Dec. 2022	To be recognized from 3Q24
Core information NW infrastructure for a broadcaster	¥6.0 bn, from FY24	NW service, SI construction, SI O/M	Dec. 2022 & Jan. 2023	To be recognized from 4Q24
Overseas DC project	¥2.8 bn in 3Q23	SI construction	Nov. 2022	Dec. 2023
Subsequent projects of the overseas DC project	¥1.2 bn in FY24 ¥2.0 bn in or after FY25	SI construction	2H22	To be recognized in 1Q24 In or after FY25
Next generation NW renewal for a major system integrator	¥1.0 bn, 5 years	NW service	Apr. 2023	From Nov. 2023
Enhancement of security for a prominent carrier	¥1.5 bn, 5 years	SI construction, SI O/M	Apr. 2023	From Aug. 2023
Integrated operation system for a public sector organization	¥3.0 bn, 5 years	NW service, SI construction, SI O/M	Apr. 2023	From 4Q23
Next generation research platform for a private university	¥1.0 bn, 5 years	SI construction, SI O/M	May. 2023	From 4Q23
Educational information network for Chiba City	¥12.3 bn, 5 years (¥5.0 bn in SI construction, ¥2.0 bn in SI O/M, the rest in NY Service)	NW service, SI construction, SI O/M	Sep. 2023	To be recognized from 4Q24 (approx. ¥5.0 bn in FY24)
Construction & operation for service infrastructure for an enterprise	¥4.0 bn, 5 years	NW service, SI construction, SI O/M	Dec. 2023	To be recognized from 2Q24
Large-scale server construction for AI infrastructure (Acquired by PTC, Singaporean Sler subsidiary)	¥3.0 bn, 3 years	SI construction, SI O/M	Dec. 2023	From 4Q23
Large-scale NW renewal for a prominent financial institution	¥4.0 bn, 8 years	NW service, SI construction, SI O/M	Mar. 2024	To be recognized from 1Q25
Large-scale NW renewal for a prominent manufacturer	¥3.0 bn, 5 years	SI construction	Mar. 2024	To be recognized from 1Q24
Large-scale IT infrastructure installment project	¥1.0 bn	SI construction	Mar. 2024	To be recognized mainly in 1Q25
Information infrastructure system for a public sector organization	¥3.0 bn, 4 years	NW service, SI construction, SI O/M	Apr. 2024	To be recognized from 3Q24
Office IT Installation for a public sector organization	¥1.0 bn, 3 years	NW service	May. 2024	To be recognized from 2Q24
Research platform renewal for a private educational institution	¥2.0 bn, 4 years	NW service, SI construction, SI O/M	Jun. 2024	To be recognized from 3Q24

* As of Aug. 7, 2024, project size and timing of revenue recognition are subject to change due to progress of projects and other factors.

* SI O/M = systems operation and maintenance

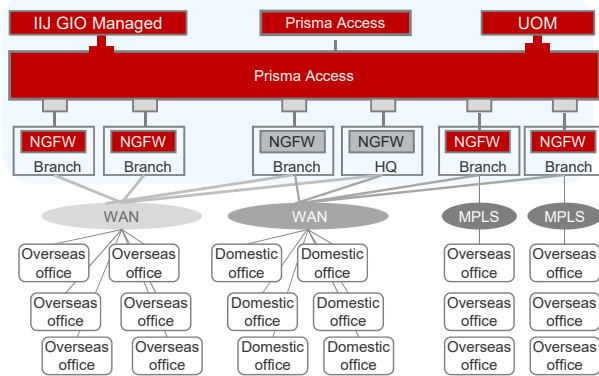
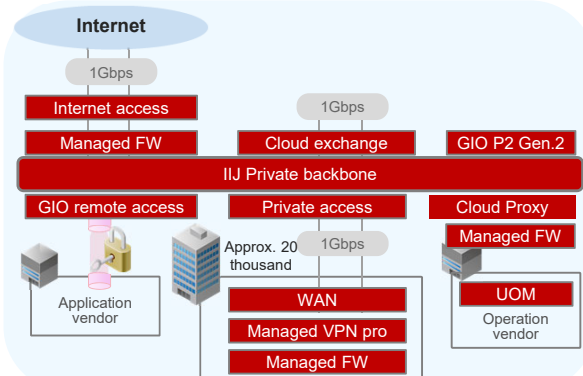
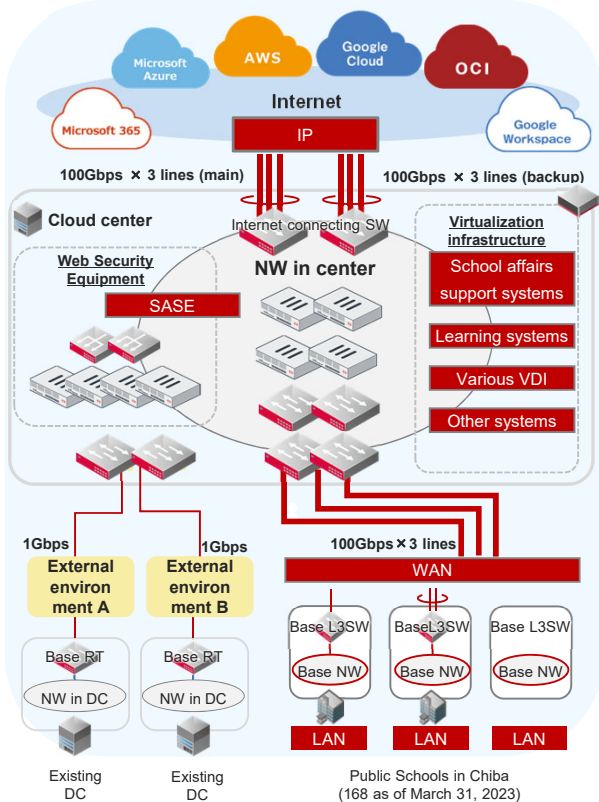
Acquired large-scale Service Integration projects

Services provided by IJ
SI provided by IJ

Educational Information NW for Chiba city

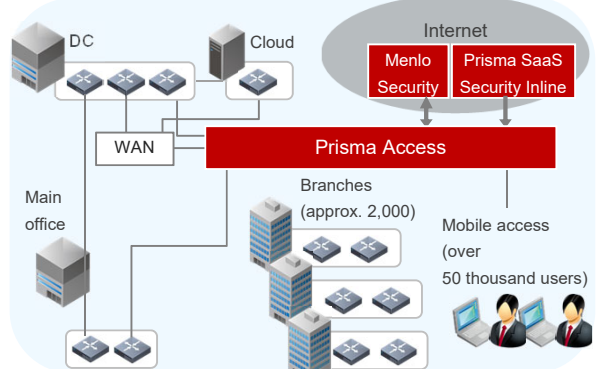
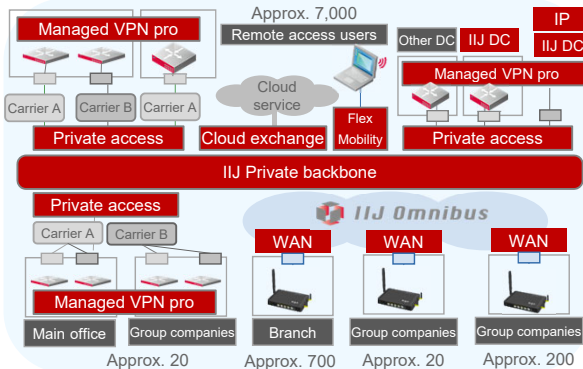
Integrated information system for public safety org.

Large-scale SASE project for a global company



Total NW project for a prominent company group

Large-scale NW renewal for a financial institution



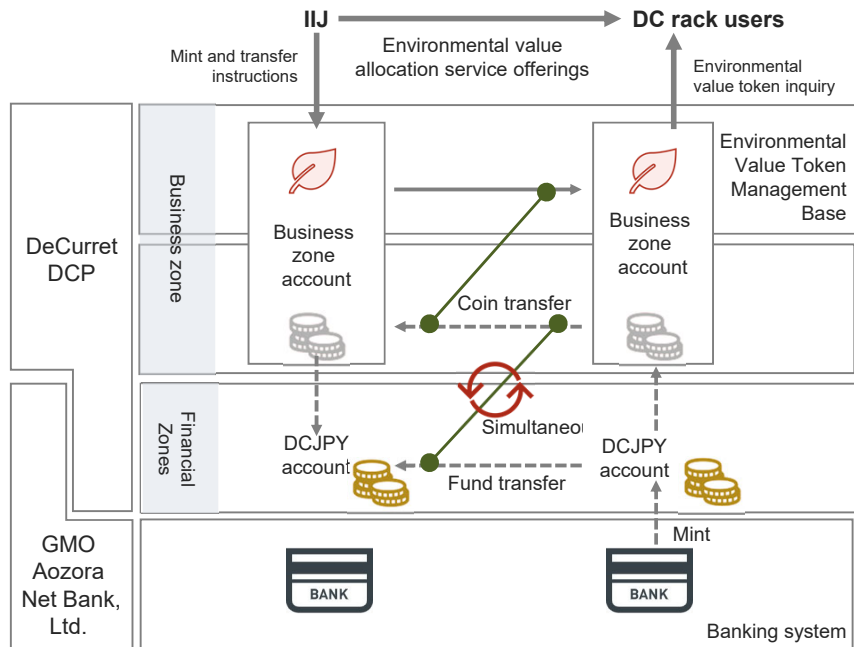
• UOM: Unified Operation Management, NGFW: Next Generation Firewall, MPLS: MultiProtocol Label Switching

Released “DCJPY Network” in July 2024

About the Case

Issuer of digital currency	GMO Aozora Net Bank, Ltd.
Usages of digital currency	<ul style="list-style-type: none"> Digitalization of environmental value transaction (non-fossil certificates, etc.) Transactions and settlement in the digital currency DCJPY

Flow on DCJPY on the Two-tiered Digital Currency Platform




About DeCurret

DeCurret HLD	Shareholder: 35 companies including IIJ
DeCurret DCP	Shareholder: DeCurret HLD 100% Business: <ul style="list-style-type: none"> Digital currency business Secretary for the “Digital Currency Forum” <ul style="list-style-type: none"> As of Mar. 31, 2024, there are 104 companies, organization, experts, as members and related regulatory agencies (FSA, MIC, MOF, METI, BOJ)

Difference between “DCJPY” and Trust Bank’s Stablecoins

	DeCurret’s digital currency “DCJPY”	Trust Bank’s stablecoins
Corresponding act	The Banking Act	The revised Payment Services Act (enforced in June 2023)
Form	Bank deposits	Stablecoins
Scheme of issuance	<ul style="list-style-type: none"> Withdraw from user’s bank deposit DCJPY will be issued after booking the same amount of such withdrawal to DCJPY account on the digital currency platform 	<ul style="list-style-type: none"> User needs to deposit money and set up a trust asset each time Then, stablecoins can be issued by a trust bank
Features	<ul style="list-style-type: none"> Highly compatible with the current settlement system Issuers are reliable and trustworthy banks Banks support DCJPY can use the Digital Currency services 	<ul style="list-style-type: none"> User needs to open an account with the Trust bank and deposit money each time User needs to arrange a trust asset each time transferring funds other than the two companies, a trust bank and a beneficiary

NTT Docomo's Mobile data interconnectivity charge (Mbps Unit charge, monthly)

Fiscal Year	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
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. 2024 To be fixed around the end of Dec. 2025 ¥12,862 -17.8% YoY	¥10,874 -15.5% YoY	¥10,708 -1.5% YoY(*)
Fixed	<u>¥49,311</u> -6.0% YoY	<u>¥42,702</u> -13.4% YoY	<u>¥37,280</u> -12.7% YoY	<u>¥27,024</u> -27.5% YoY	Fixed in Dec. 2023 <u>¥19,979</u> -26.1% YoY		Slight decrease in the unit price 		(*) Impacted by the revision of allocation standards for voice & data transmission services
Old						Announced in Mar. 2023 To be fixed around the end of Dec. 2024 ¥15,644 -21.7% YoY	¥13,084 -16.4% YoY	¥11,255 -14.0% YoY	
					Announced in Mar. 2022 ¥20,327 -24.8% YoY	¥15,697 -22.8% YoY	¥13,207 -15.9% YoY		
				Announced in Apr. 2021 ¥28,385 -23.9% YoY	¥22,190 -21.8% YoY	¥18,014 -18.8% 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
- The charge disclosed based on the future cost method is to be finalized based on MNOs actual cost results etc.
- 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>
- The impact of the revision of allocation standards for voice & data transmission services refers to the fact that, from 2023, with regard to the calculation of data communication cost (MNO investment) as the numerator of the MIC formula, a part of the costs that were previously recognized as voice related costs are to be recognized as data communication related costs

Comparison between the old & new plans of consumer mobile

Old

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

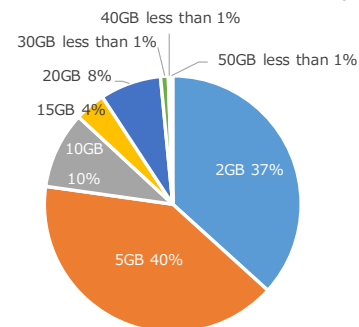
New: GigaPlans (Apr. 2021~)

2Giga Plan (2GB)	With voice	¥850
	Data-only	¥740
5Giga Plan (5GB)	With voice	¥990
	Data-only	¥900
10Giga Plan (10GB)	With voice	¥1,500
	Data-only	¥1,400
15Giga Plan (15GB)	With voice	¥1,800
	Data-only	¥1,730
20Giga Plan (20GB)	With voice	¥2,000
	Data-only	¥1,950
30Giga Plan (30GB)	With voice	¥2,700
	Data-only	¥2,640
40Giga Plan (40GB)	With voice	¥3,300
	Data-only	¥3,240
50Giga Plan (50GB)	With voice	¥3,900
	Data-only	¥3,840

Launched large data volume plan
(Mar. 1, 2024)

GigaPlans: by data plans

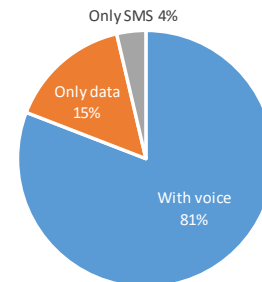
As of Jun. 30, 2024



- Current users' migration as well as the start of the large data volume was from Apr. 1, 2024

GigaPlans: by plans

As of Jun. 30, 2024



- The above table briefly indicates service prices for major functions to show the differences between the old and new plans
- GigaPlans pricings are as of Mar. 2024. eSIM with voice function services are offered at the same price.
- Voice call charge is only for domestic calls. Old plan: ¥22 for 30 seconds, new plan: ¥11 for 30 seconds

Data center (DC)

◆ Operate 16 DCs in Japan, 2 of which are owned by IIJ (as of Jun. 2024)

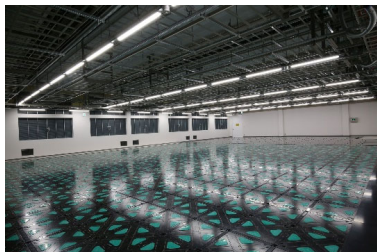
- Expanding own DC capacity along with growing demands for IIJ services
- Expect higher efficiency by gradually migrating leased DC spaces to own DCs



Container DC at Matsue DCP



Server room at Shiroy DCC



- 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. Industry max at 1.4 or lower.

	Matsue DCP (opened in Apr. 2011)	Shiroy DCC (opened in May 2019)
Objective	Own service facility	
Features	<ul style="list-style-type: none"> • First in Japan to use outside-air cooling container units • Able to increase capacity responding to demand per container • Utilize on-site solar power panels 	<ul style="list-style-type: none"> • Adopt latest energy-saving method including outside-air cooling method • More flexible and cheaper capacity expansion through system module method • Shifting peak of air conditioning power by utilizing lithium-ion storage batteries • Utilize on-site solar power panels • Direct procurement of non-fossil fuel certificates toward the supply of electricity with environmental values
Land	Approx. 16 thousand square meters	Approx. 40 thousand square meters
Number of in placed racks	Approx. 500 racks	Approx. 1,800 racks
Plan	<ul style="list-style-type: none"> • Construction of new system module <ul style="list-style-type: none"> ✓ Construction from Jun. 2024, Scheduled operation from May 2025 ✓ Approx. 2 thousand square meters ✓ Approx. 300 racks ✓ Capex (plan): over ¥5.0 bn (to be partially covered with subsidy) 	<ul style="list-style-type: none"> • 2nd site is to be fully occupied around FY26 by own service facility and collocation • 3rd site construction is under discussion (From FY25)

◆ Sustainability targets

Major KPIs	Targets	FY2023 results
Usage of renewable energy	FY30: 85%	50% (Matsue 100%)
PUE of own DCs	Throughout FY30: Continue to be lower than 1.4	Matsue: 1.33 Shiroy: 1.36

【Reference】
Presentation material for company overview
P. 27 ~ 44

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	5,141 (approx. 70% engineers)
Large Shareholders	NTT Group, KDDI, ITOCHU Techno-Solutions (CTC), Koichi Suzuki, Global Alpha Capital Management

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

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

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

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

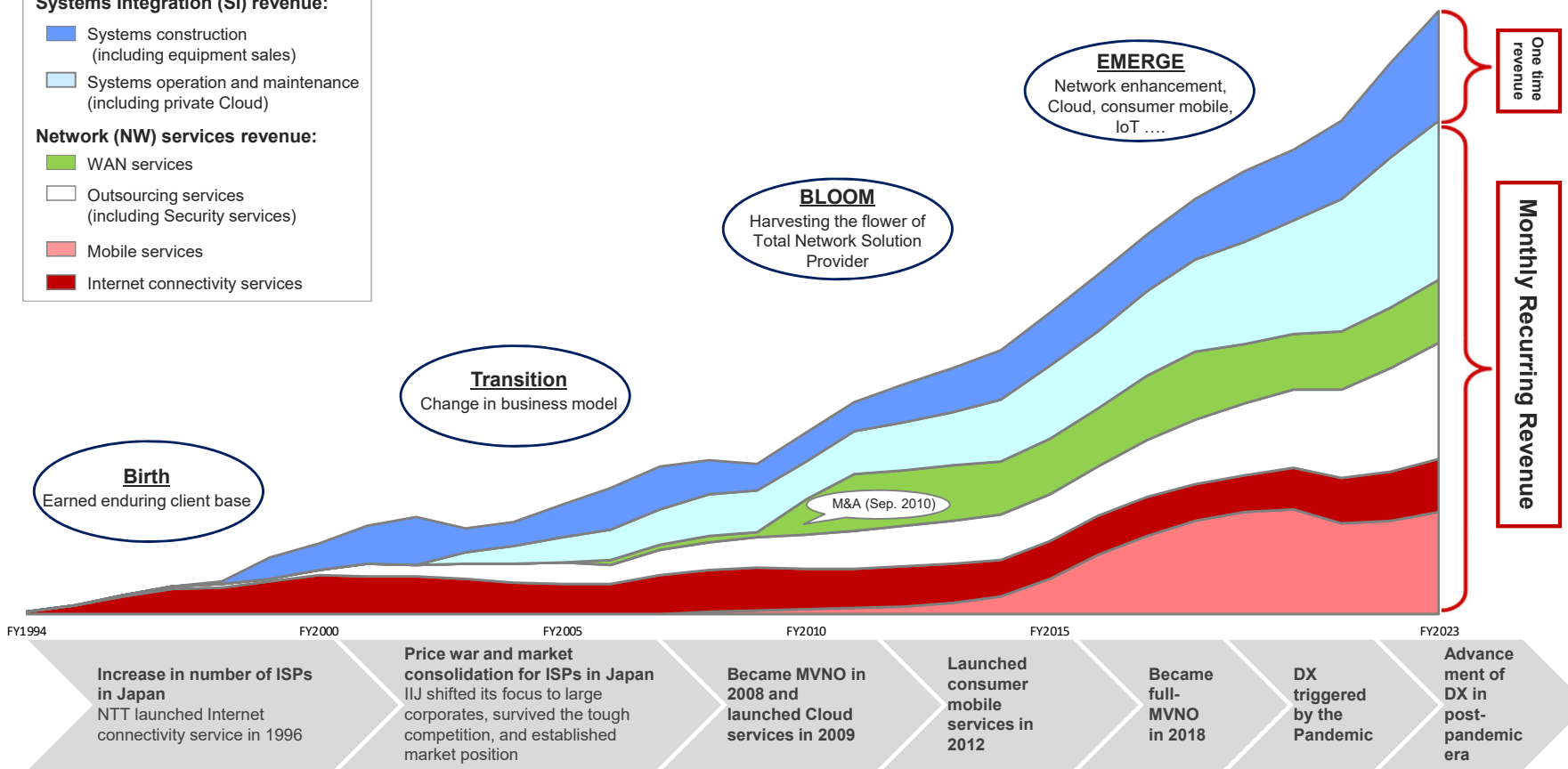
◆ **Development of innovative Internet-related services**

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

• Number of employees is on the consolidated basis and as of Jun. 30, 2024
• Large shareholders are as of Mar. 31, 2024, except for Global Alpha whose holding is based on their Large Volume Holding Report filing as of Oct. 2023

From ISP to Total Network Solution Provider

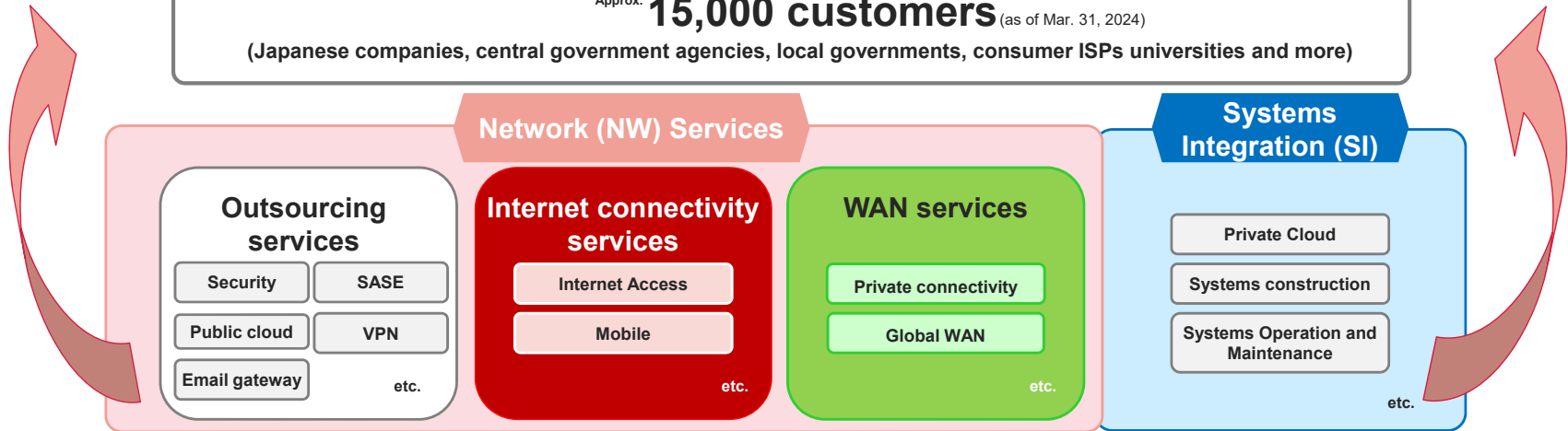
- Systems Integration (SI) revenue:**
- Systems construction (including equipment sales)
 - Systems operation and maintenance (including private Cloud)
- Network (NW) services revenue:**
- WAN services
 - Outsourcing services (including Security services)
 - Mobile services
 - Internet connectivity services



IJ as a Total Network Solution Provider

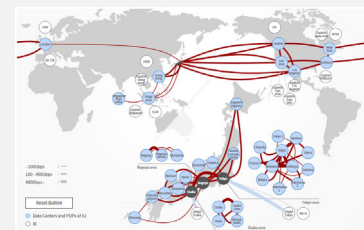
Offers various network services and systems integration together in many projects

Approx. **15,000 customers** (as of Mar. 31, 2024)
 (Japanese companies, central government agencies, local governments, consumer ISPs universities and more)



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

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



Extensive Service Lineups

Unit: ¥ (JPY) billion (bn)

Business Model	About IJ
Growth Strategy	Strength

Revenue category		FY23 revenue	About		Business Situation & Outlook											
Network services	Internet connectivity services for enterprise	44.73	<table border="1"> <tr> <td>IP</td> <td>15.99</td> <td> <ul style="list-style-type: none"> Core service providing from the foundation Highly reliable dedicated connectivity services for enterprise (multi-carrier, redundancy etc.) Contracts are based on bandwidth Enterprises use the service for their main Internet line </td> </tr> <tr> <td>Mobile</td> <td>24.18</td> <td> <table border="1"> <tr> <td>Enterprise mobile (IoT usages etc.)</td> <td>13.63</td> </tr> <tr> <td>MVNE (Proving to other MVNOs)</td> <td>10.55</td> </tr> </table> </td> </tr> </table> <p>(Others) Broadband Internet services etc.</p>	IP	15.99	<ul style="list-style-type: none"> Core service providing from the foundation Highly reliable dedicated connectivity services for enterprise (multi-carrier, redundancy etc.) Contracts are based on bandwidth Enterprises use the service for their main Internet line 	Mobile	24.18	<table border="1"> <tr> <td>Enterprise mobile (IoT usages etc.)</td> <td>13.63</td> </tr> <tr> <td>MVNE (Proving to other MVNOs)</td> <td>10.55</td> </tr> </table>	Enterprise mobile (IoT usages etc.)	13.63	MVNE (Proving to other MVNOs)	10.55	<table border="1"> <tr> <td>IP</td> <td> <ul style="list-style-type: none"> Matured market (hard to entry) Blue-chip client base Expect the revenue to continuously increase along with traffic volume and contracted bandwidth increase </td> </tr> </table>	IP	<ul style="list-style-type: none"> Matured market (hard to entry) Blue-chip client base Expect the revenue to continuously increase along with traffic volume and contracted bandwidth increase
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Internet connectivity services for consumers	25.29	<table border="1"> <tr> <td>Mobile</td> <td>21.96</td> <td> <ul style="list-style-type: none"> Inexpensive SIM services (mainly data), Direct sale (via IJ web), Indirect sale (via sales partners such as retailers) </td> </tr> </table> <p>(Others) Broadband Internet services and email services for households etc.</p>	Mobile	21.96	<ul style="list-style-type: none"> Inexpensive SIM services (mainly data), Direct sale (via IJ web), Indirect sale (via sales partners such as retailers) 	<table border="1"> <tr> <td>Mobile</td> <td> <ul style="list-style-type: none"> Expect infrastructure utilization & profitability to improve by gathering various traffic such as IoT/enterprise/consumers Enterprise: Expect the demand to increase in the mid-to-long term Consumer: Maintain and increase market share subscription with GigaPlans in competitive market </td> </tr> </table>	Mobile	<ul style="list-style-type: none"> Expect infrastructure utilization & profitability to improve by gathering various traffic such as IoT/enterprise/consumers Enterprise: Expect the demand to increase in the mid-to-long term Consumer: Maintain and increase market share subscription with GigaPlans in competitive market 								
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WAN (Wide Area Network)	28.37	Closed network used to connect multiple sites		Stable market in the long-term												
Outsourcing	52.97	<p>Various in-house developed Internet-related service line-ups</p> <table border="1"> <tr> <td>Security</td> <td>30.93</td> <td>Managed security services, Security Operation Center services and so many more</td> </tr> <tr> <td>Public Cloud</td> <td>2.76</td> <td>Offered as a part of Cloud service line-ups</td> </tr> </table>		Security	30.93	Managed security services, Security Operation Center services and so many more	Public Cloud	2.76	Offered as a part of Cloud service line-ups	<ul style="list-style-type: none"> Have been developing services based on Zero Trust concept Acquire enterprise demand by cross-selling services. Continuous service development is important Demands for security and remote access to increase continuously 						
Security	30.93	Managed security services, Security Operation Center services and so many more														
Public Cloud	2.76	Offered as a part of Cloud service line-ups														
SI	Operation and Maintenance	71.92	<table border="1"> <tr> <td>On-premise Systems</td> <td>41.32</td> <td>Operation and maintenance of constructed systems</td> </tr> <tr> <td>Private Cloud etc.</td> <td>30.60</td> <td>Promote Cloud shift with abundant, highly reliable, value-added private Cloud related service line-ups</td> </tr> </table>	On-premise Systems	41.32	Operation and maintenance of constructed systems	Private Cloud etc.	30.60	Promote Cloud shift with abundant, highly reliable, value-added private Cloud related service line-ups	<ul style="list-style-type: none"> Expect great business opportunity in the mid-to-long term as internal IT systems migrate to Cloud Revenue to increase continuously along with accumulation of construction projects 						
	On-premise Systems	41.32	Operation and maintenance of constructed systems													
Private Cloud etc.	30.60	Promote Cloud shift with abundant, highly reliable, value-added private Cloud related service line-ups														
Construction (including equipment sales)	49.90	System construction related to office IT, security, Cloud, IoT, Internet-related construction such as online banking & brokerage, network for university, and E-commerce site		<ul style="list-style-type: none"> Increase in large-scale complex projects as enterprises' private NW and systems are renewed Through providing SI, offer greater value as IoT and Cloud usage penetrate 												

Monthly Recurring Revenue

81%

One time revenue

Result of the Previous Mid-term Plan (FY21~FY23)

ICT usage & its advancement by Japanese enterprises finally kicked off, triggered by the Pandemic
Realized economies of scale in NW service model due to continued increase in traffic & security demand, etc.
Established profit base along with continuing to expand NW infrastructure & service lineup

Total Revenue	Operating Profit	Human Capital (unit: personnel)	Dividend Per Share (annual)	Market Capitalization
1.3 times FY20 ¥213.0 bn → FY23 ¥276.1 bn	Doubled FY20 ¥14.3 bn → FY23 ¥29.0 bn	+1.3 times FY20-end 3,805 → FY23-end 4,803	2.3 times FY20 ¥14.875 → FY23 ¥34.36	2.2 times FY20-end ¥240 bn → FY23-end ¥520 bn
Enterprise MRR 1.4 times Sum of SI M/O & NW Service (excl. consumer & MVNE)	Operating Margin: FY20 6.7% FY23 10.5% ROE: FY20 11.5% FY23 16.3%	Stable turnover rate (IJ) the level of 3% to 4%		

Remarkable increase in large scale projects & Service Integration orders

Revenue: SI 1.5 times, NW services 1.2 times

- FY-end SI construction order-backlog: 2.9 times (FY23-end ¥23.8 bn)
- Visible increase in large-scale complex projects by Service Integration model
- Public & finance sectors transaction expanded
 - Public: GIGA school, construction of large NW system infrastructure, etc.
 - Finance: Renewal of large NW, construction of FX trading infrastructure, etc.

Overseas business: ASEAN expansion

- Revenue: 4.2 times, ¥8.3 bn → ¥35.3bn
 Business Profit: 7.2 times, ¥0.4 bn → ¥2.7 bn
 (overlapping with enterprise MRR)
- Expanded ASEAN local business through PTC M&As (Singapore & Malaysia)
 - Completed large-scale overseas DC construction, executing its subsequent projects
 - Operating several global SASE projects (Top partner of Palo Alto & Zscaler in Japan)

Expanded service & solution development

- DWP(*)-related services such as Flex Mobility grew along with enterprises' DX advancement even after the pandemic
- Continued developing services to promote cloud migration
 - "GIO P2 Gen. 2" to realize easy cloud migration
 - "Smart Hub" to connect on-premise & third party cloud
 - "CDP" to integrate data, etc.
- (*) Digital Work Place: Office IT environment for client company & its employees

Continued expanding NW service infra.

- Contracted bandwidth(*): 1.6 times
- Mobile bandwidth(*): doubled
- No. of operating racks at Shiroy DC: 3 times
 - Continued to expand our owned DCs of Shiroy & Matsue
 - Promoted carbon neutral initiatives through on-site solar power generation & non-fossil certificate direct procurement, etc.
 - Developed & launched micro DC solution, the core infrastructure for edge computing
- (*) Calculated by multiplying number of contracts by contracted bandwidths for IP & broadband services respectively
- (*) Sum of our purchase of mobile data bandwidth from NTT Docomo & KDDI

Significant growth in Security Service

- Revenue 1.7 times ¥18.4 bn → ¥30.9 bn
 Within enterprise MRR (excl. security related SI)
- Cross-selling opportunity increased such as SOC(Security Operation Center) along with an increase in large scale NW renewal projects
 - Increased the overwhelming market share of long-standing mail & web securities
 - Expanded value-added function through continuous development of new service & function

Continued enhancing Governance & Sustainability

- Enhanced management structure by inviting two VPs from outside, etc.
- Maintained A rating on MSCI ESG through proactive communication & disclosure enlargement
 - Opened Integrated Report Portal (web)
 - Disclosure on TCFD & human capital, etc.
- Contributed to NW society of Japan and education of NW engineers by opening "IJJ Academy"

Demonstrated competitive advantages of full-MVNO

- Mobile subs. 1.5 times 3.24 m → 4.81 m
- Enterprise IoT subs. 2.1 times (FY23-end 2.35 m)
 - Developed & launched "IJJ Public Safety Mobile Services" to public agencies for secure reliable connectivity in case of disasters
 - Gained & maintained No.1 market share for the consumer SIM (MVNO) with Giga Plans and others (MM Research Institute)

Start-up Digital Currency Business

(Equity method investee: DeCurret)

- No. of participants in Digital Currency Forum 2.7 times 38 → 104
- Issue & settle using DCJPY (digital currency) for non-fossil certificate transaction as a first service (first in Japan, from Jul. 2024)
 - PoCs through various study groups
 - Invoice chain, electricity trading, retail & distribution, regional currency, wallet security, e-money, security token payment practices & systems study, merchant settlement, NFT(Non-fungible Token), and administrative affairs

New Mid-term Plan (FY24 ~ FY26)

Accelerate business scale expansion toward the Mid-to-long Term Vision by advancing the business structure transformation in FY23
Revenue growth led by integration and profit growth through economies of scale as a NW service operator

Total Revenue	Operating Profit	Net Profit	ROE	Human Capital
1.4 times FY23 FY26 ¥276.1 bn → ¥380.0 bn	1.6 times FY23 FY26 ¥29.0 bn → ¥46.0 bn	1.5 times FY23 FY26 ¥19.8 bn → over ¥30.0 bn	+2.7 pt. FY23 FY26 16.3% → 19%	1.3 times FY23-end FY26-end 4,803 → around 6,100

Further enhancement of the existing core business area

SI as Revenue driver

- Accelerate revenue growth by rolling out NW construction/renewal projects to various industry, enhancing account sales & PM, expanding human resource
- Enhance SI project management

NW service as Profit driver

- Accelerate NW service accumulation through Service Integration
- Demonstrate the strength of stable NW operation in the DX era

Promotion of large transactions & clients

- Comprehensive outsourcing of client's NW and open systems
- Add large volume revenue to the multi-industry recurring revenue base
- Stable additional profit source for the future

Further enhancement of service development & operation

- Focus on strengthening cyber-security service development
- Respond to DX progress with DWP lineup
- Develop services that would be PF for AI, data lake, etc.

Enhancement of Service Control

- Higher efficiency for service development & operation by new technology such as AI
- Implement appropriate pricing in response to inflation & cost increase

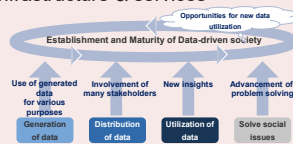
Continuous expansion of NW infrastructure Pursuit of differentiation

- Construct the third site of Shiroy DC for long-term growth
- Deploy full-MVNO 5G SA

Creation of new growth area

Initiatives for Data-driven society

- Operate data utilization business, generate meaningful data, data distribution mechanisms & operations, etc.
 → Study & create business models in conjunction with the existing infrastructure & services



Achieve the spread of Digital Currency in Japan

(Equity method investee: DeCurrent)

- First in Japan to issue commercial digital currency as a practical case (scheduled in Jul. 2024)
 - ✓ Digitalized token of environmental value transaction
- Within FY26, anticipate loss to shrink & become profitable on a monthly basis
- Executing STO(*) of digital currency, invoice chain(*), web3/NFT(*) & other practical projects

(*) STO (Security Token Offering): securities issued using electronic means such as blockchain, replacing traditional mechanism of stocks and bonds

(*) Invoice chain: concept of industry standard systems for corporate intercompany reimbursement

(*) NFT (Non-Fungible Token): Token issued on the blockchain that can prove uniqueness and cannot be replaced

Enhancement of business foundation

Thorough expansion of Human Capital

- Continuous expansion of human resources
- Develop next-generation human resources for long term growth
- Maintain & enhance top-tier engineering capabilities & expand that to multiple layer

Enhancement of cash control

- Appropriate management of increasing SI-related working capital
- Investment allocation Shiroy DC & growth areas
- Increase payout ratio when the Mid-to-long Term Vision is realized

Maintain & improve Sustainability /Governance

- Strengthen governance in line with growth
- Contribute to the productivity of future society through continuous stable NW operation
- Introduce a new executive compensation scheme linked to the new Mid-term Plan

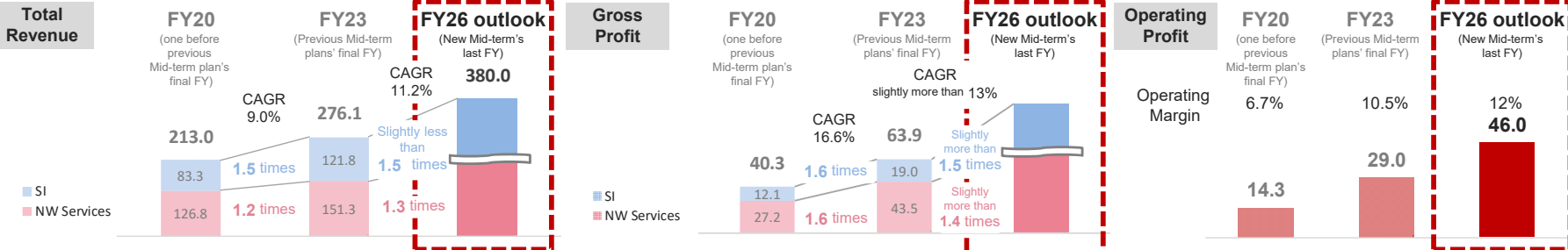
Complement growth through M&As

- Pursuit M&A opportunities as a supplemental means of expanding domestic resources & technology
- Leverage residual borrowing capability (up to ¥70.0 bn is envisioned image)

New Mid-term Plan's Financial Outlook

Unit: ¥ (JPY) billion

Breakdown image of financial outlook



Capital allocation (FY24-FY26, 3 years in total)

Cash in

Cash out

Overview

Cash generated from business approx. ¥134.0 bn(*)

(*) post-tax, pre-depreciation

Debt Up to approx. ¥65.0 bn

Investment: approx. ¥90.0 bn

Ordinal NW infrastructure, etc. approx. ¥51.0 bn

Stable with economies of scale

Shiroi DC 3rd Site construction approx. ¥30.0 bn

Mainly for own services

Strategic investment for new growth areas

Shiroi DC 3rd site construction

- ◆ Start the construction within the new Mid-term plan period, but the schedule is undetermined
 - First site: CAPEX approx. ¥8.3 bn, No. of racks: approx. 700, started operating from May 2019
 - Second site: CAPEX approx. ¥12.8 bn (plan), No. of racks: approx. 1,100, started operating from Jul. 2023

Strategic Investment

- ◆ Specific investment details have not fixed and will be discussed going forward

Increase in working capital & lease obligations

- ◆ Increase in work in process, prepayments, etc. due to an increase in large scale multi-year SI projects
 - The impact of increased working capital should gradually be reduced due to the constant revenue recognition of large scale projects

M&As

- ◆ M&As to be conducted in sequence with borrowing capacity
 - Maintain debt/equity ratio & financial discipline, Up to ¥70.0 bn of additional debt could be implemented for M&As

Along with an increase in large complex project
Increase in working capital and lease obligation Approx. **¥13.0 bn**

Payout ratio 30%
Dividend Approx. **¥24.0 bn**

Scheduled repayment of long term borrowing Approx. **¥1.5 bn**

M&As up to **¥70.0 bn**

Mid-to-long Term Vision

The figures mentioned below are all assumed status and image

Previous Mid-term (FY21-FY23)

Established profit base by enterprise recurring revenue growth

- Enhancement of NW infrastructure & service lineup
- Demonstration of profit expansion through economies of scale by monthly recurring revenue accumulation
- Increase in large scale projects through NW renewals, etc.
- Large increase in security and DWP related services
- Demonstration of full-MVNO competitive advantages, Accumulation of IoT projects
- Significant expansion of overseas business, including M&As
- Expansion of human resources
- Initiatives for digital currency and other new business areas

New Mid-term (FY24-FY26)

Accelerate business expansion by focusing on the existing core areas Pursue business scale for long term growth

- Further enhancement of the existing core business areas
- Creation of new growth areas
- Enhancement of business foundation

Execute actions early to realize revenue volume of ¥500 bn

Mid-to-long Term Vision

Total revenue around ¥500.0 bn Operating Margin 12% ~ 15%

- **Strongest focus on the core areas as NW operator & IT provider**
Positioned as one of the leading IT providers in Japan
Thoroughly continue to differentiate through NW operation & service offering model
Enlarge SI business driven by Service Integration
Realize business scale by expanding large customer base
- **Provide NW platforms that support the NW society**
Strive to develop technologies
Create optimal NW & security platforms for the spread of AI & the advent of data-driven society, etc.
- **Succession & development of IJJ corporate culture as a challenger**
Unchanged since the inception, diverse employees take on new challenges autonomously

Beyond 5,000

*5,000 is derived from the Japanese unit of ¥5,000 oku (oku = one hundred million) which is ¥500 bn

Demonstrate competitive advantage of fully-outsourcing infrastructure operation to support realization of NW society

- Develop integrated PF to enable processing various types of data, together with security & high performance. IJJ to become a full outsourced IT providers equipped with DC (including edge computing) & cloud resources, including wired and wireless NWS
- Achieve high profit margins by managing large customers' NW & IT domains as fully outsource
- Business domain expansion and diversification
- Demonstrate leadership including M&As amidst a changing industry landscape
- Become Asia's leading IT service provider by leveraging domestic knowledge & SWOT in ASEAN region

Targets (consolidated)

Total Revenue	¥276.1 bn	¥380.0 bn	¥500.0 bn
Operating Margin	10.5%	12%	12% ~ 15%
Payout ratio		30%	30% ~ 40%
Market Cap.		1 trillion	

FY23 result

¥276.1 bn

10.5%

FY26 target

¥380.0 bn

12%

30%

1 trillion

¥500.0 bn

12% ~ 15%

30% ~ 40%

Payout ratio to gradually increase along with an increase in business scale

Management Structure (from June 2024)

- ◆ Outside independent directors: 5 directors, 42% of the total directors (12 directors)
- ◆ Female officers: 3 officers, 19% of the entire Board (12 directors, 4 Company Auditors)

Koichi Suzuki

- Founder of IJ
- Chairman, Representative Director and co-CEO
- Holdings of IJ share: 10,643,589 shares (6.0%)*
*Suzuki's share includes his indirectly wholly owned private company portion
- Date of birth: September 1946

Eijiro Katsu

- President, Representative Director and co-CEO & COO
- Career: Vice Minister of Finance
- Holdings of IJ shares: 210,795 shares (0.1%)
- Date of birth: June 1950

Satoshi Murabayashi

- Executive Vice President and Director (since June 2021)
- Career: CIO at MUFG Financial Group, Inc.
- President and Representative Director of DeCurret Holdings, IJ's equity method investees (current position)
- Holdings of IJ shares: 5,819 shares (0.0%)
- Date of birth: November 1958

Yasuhiko Taniwaki

- Executive Vice President and Director (since June 2022)
- Career: Vice-Minister for Policy Coordination of Posts and Telecommunications at the Ministry of Internal Affairs and Communications (MIC)
- Holdings of IJ shares: 2,617 shares (0.0%)
- Date of birth: September 1960

*Holdings of IJ shares are as of Mar. 31, 2024

Full-time Directors

Senior Managing Directors

- K. Kitamura
- A. Watai (CFO)
- J. Shimagami (CTO)

Outside Independent Directors

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

Company Auditors

(of which, 2 outside, 2 female)

- M. Tobita
- M. Tanaka (Ms.)
- T. Michishita (Outside, attorney)
- K. Aso (Ms.) (Outside, CPA)

◆ IJ's remuneration system for full-time directors

- In June 2024, the previous director remuneration system was renewed to establish a new director remuneration system consisting of the following three restricted stock remunerations
 1. Remuneration that is conditional on tenure is a system: It is not linked to performance and alternative to retirement allowance for directors.
 2. Performance-linked remuneration for a single fiscal year: It is a performance-based restricted stock remuneration system after the end of a certain period of time (in principle, one (1) fiscal year) in accordance with the degree of achievement of performance targets and improvement in performance over such period.
 3. Performance-linked remuneration for the medium- to long-term: It is a performance-based restricted stock remuneration system in accordance with the degree of achievement of performance targets and improvement in performance in each fiscal year during the relevant period, the length of such period being the same as that of the Mid-term Plan. Including acquisition for nil consideration (clawback) and additional grants based on status of achievement of targets.

Monthly Recurring Revenue Accumulation

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

About IJ

Business Model

Growth Strategy

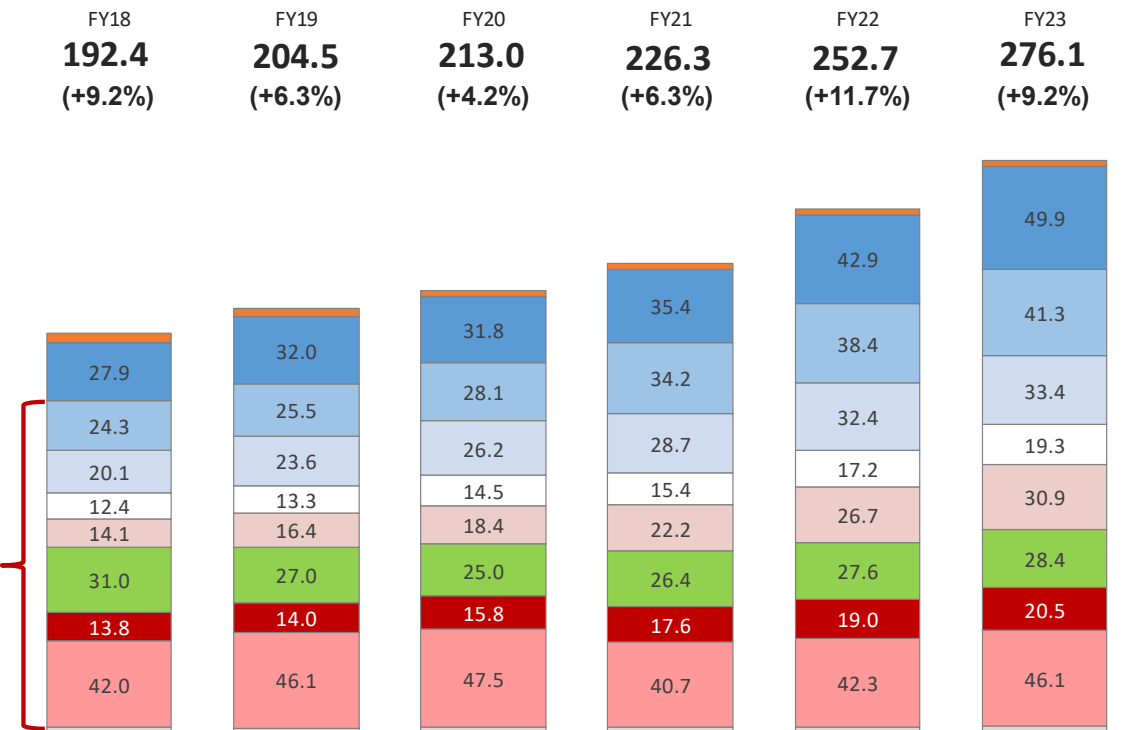
Strength

Strategy

Revenues

- ATM operation business
- Systems construction
- Systems operation and maintenance (excluding cloud)
- Cloud services
- Outsourcing services (excluding security and cloud)
- Security services
- WAN services
- Internet connectivity services for enterprises (excluding mobile)
- Mobile
- Internet connectivity services for consumers (excluding mobile)

Monthly Recurring Revenue



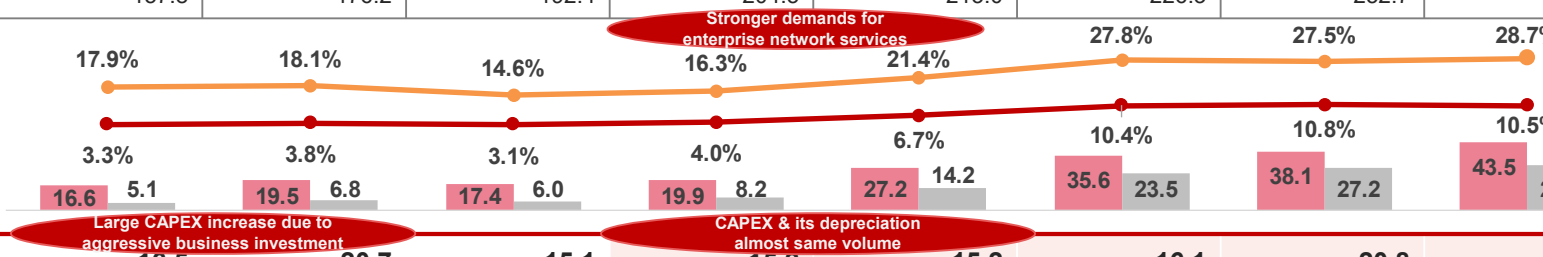
- Mobile revenue decreased year over year in FY21 due to ARPU decrease for consumers and change in unit charge for MVNE clients
- Systems construction and systems operation & maintenance revenue increase for FY21 includes PTC revenue which became IJ's consolidated subsidiary from Apr. 2021
- During FY20, 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)

Capex and Business Developments

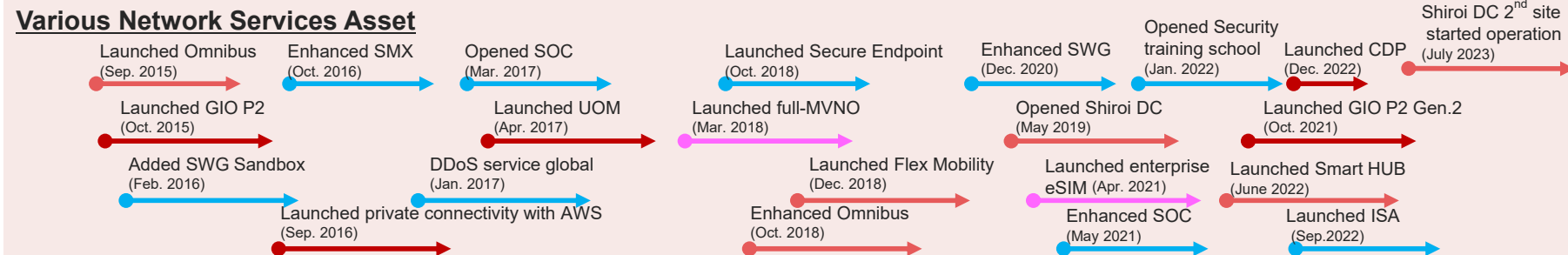
Unit: ¥ (JPY) billion (bn)

About IJ Business Model
Strength Growth Strategy

	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Revenues	157.8	176.2	192.4	204.5	213.0	226.3	252.7	276.1
NW service gross profit	17.9%	18.1%	14.6%	16.3%	21.4%	27.8%	27.5%	28.7%
Operating profit	3.3%	3.8%	3.1%	4.0%	6.7%	10.4%	10.8%	10.5%
CAPEX	16.5	20.7	15.1	15.2	15.2	16.1	20.8	22.5
NW services, etc.	12.6	9.4	9.4	9.6	8.8	9.1	10.0	13.2
Cloud	3.6	7.9	1.9	2.6	2.8	2.3	2.0	1.5
Shiroy DC	-	1.2	2.1	2.0	1.5	1.5	5.4	5.5
SI, others	0.3	2.3	1.7	1.0	2.0	3.2	3.4	2.3
CAPEX-related depreciation and amortization	10.9	12.1	13.9	14.4	14.5	15.1	15.3	15.6
Number of employees	3,104	3,203	3,353	3,583	3,805	4,147	4,451	4,803



Various Network Services Asset

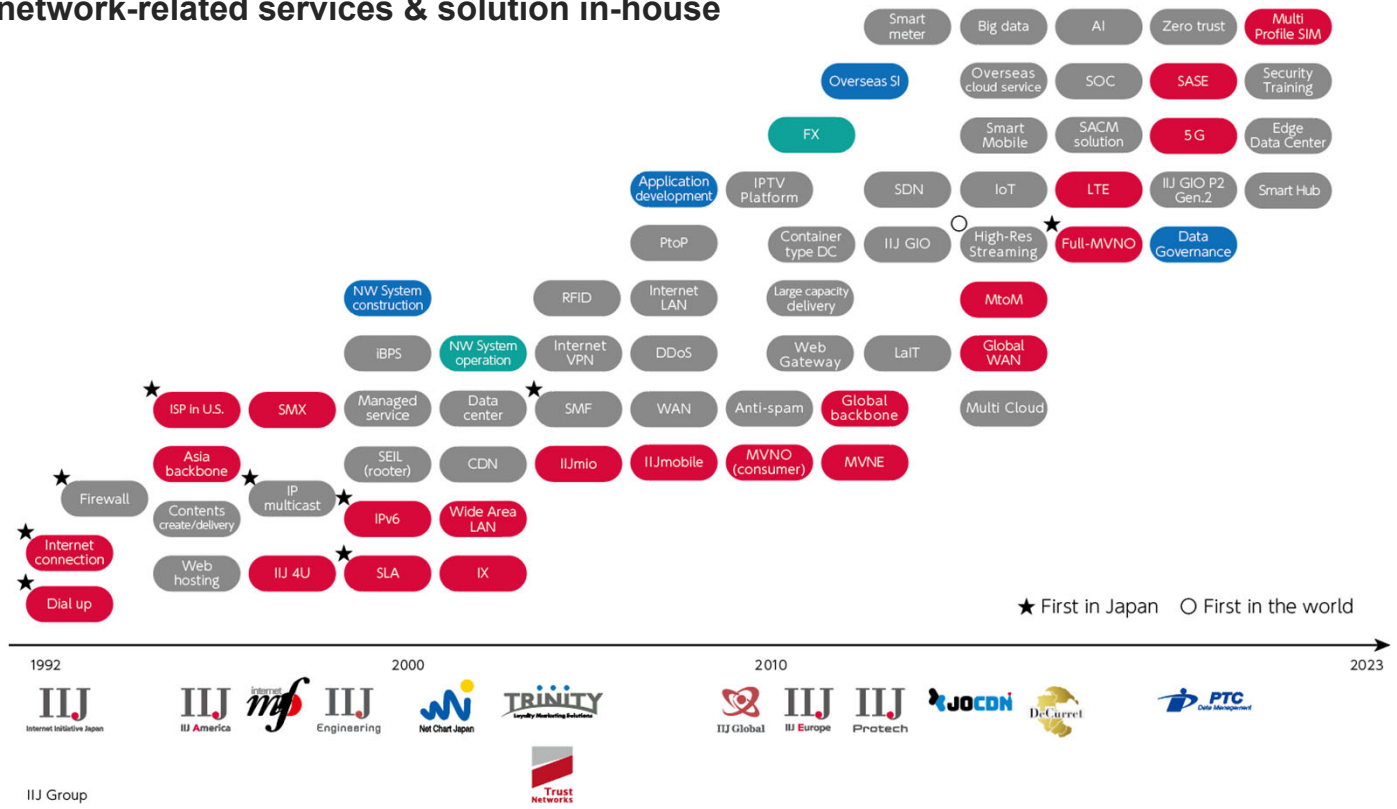


• FY16: US-GAAP, from FY17: IFRS

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

Service & Solution Development Capability

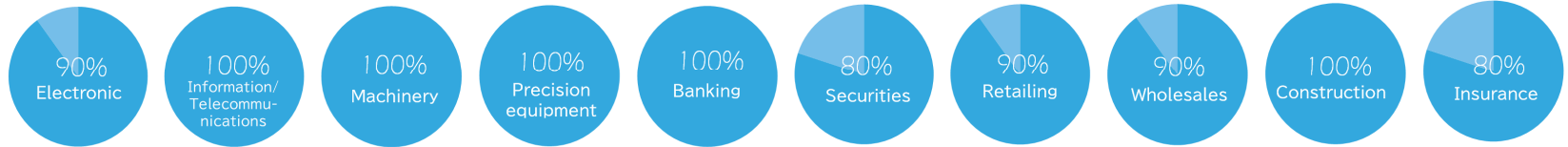
Initiate the market by continuously developing innovative various network-related services & solution in-house



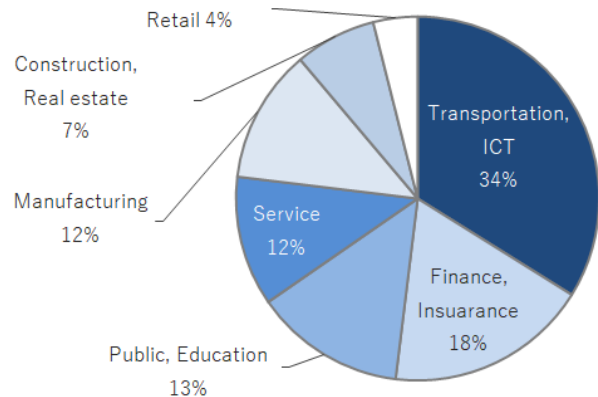
Excellent Customer Base (Number of IJ Group's clients: approx. 15,000 as of March 31, 2024)

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

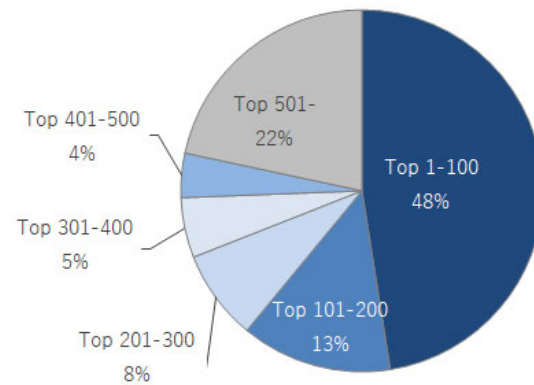
Cover Most of Top Revenue Companies



Client Distribution by Industry



Client Distribution by Revenue Volume



- Top ten firms in each industry taken from annual revenues are selected by IJ based on the Yahoo! Japan Finance website (finance/sales/whole market/daily)
- The service penetration and the revenue distributions are based on IJ's FY23

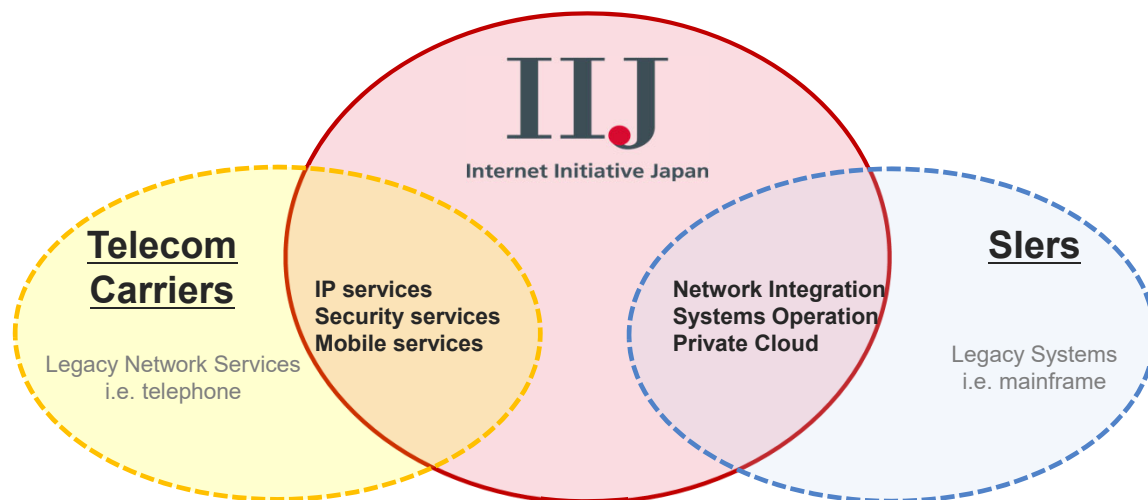
Competitive Advantages

Against telecom carriers, IIJ

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

Against systems integrators (Slers), IIJ

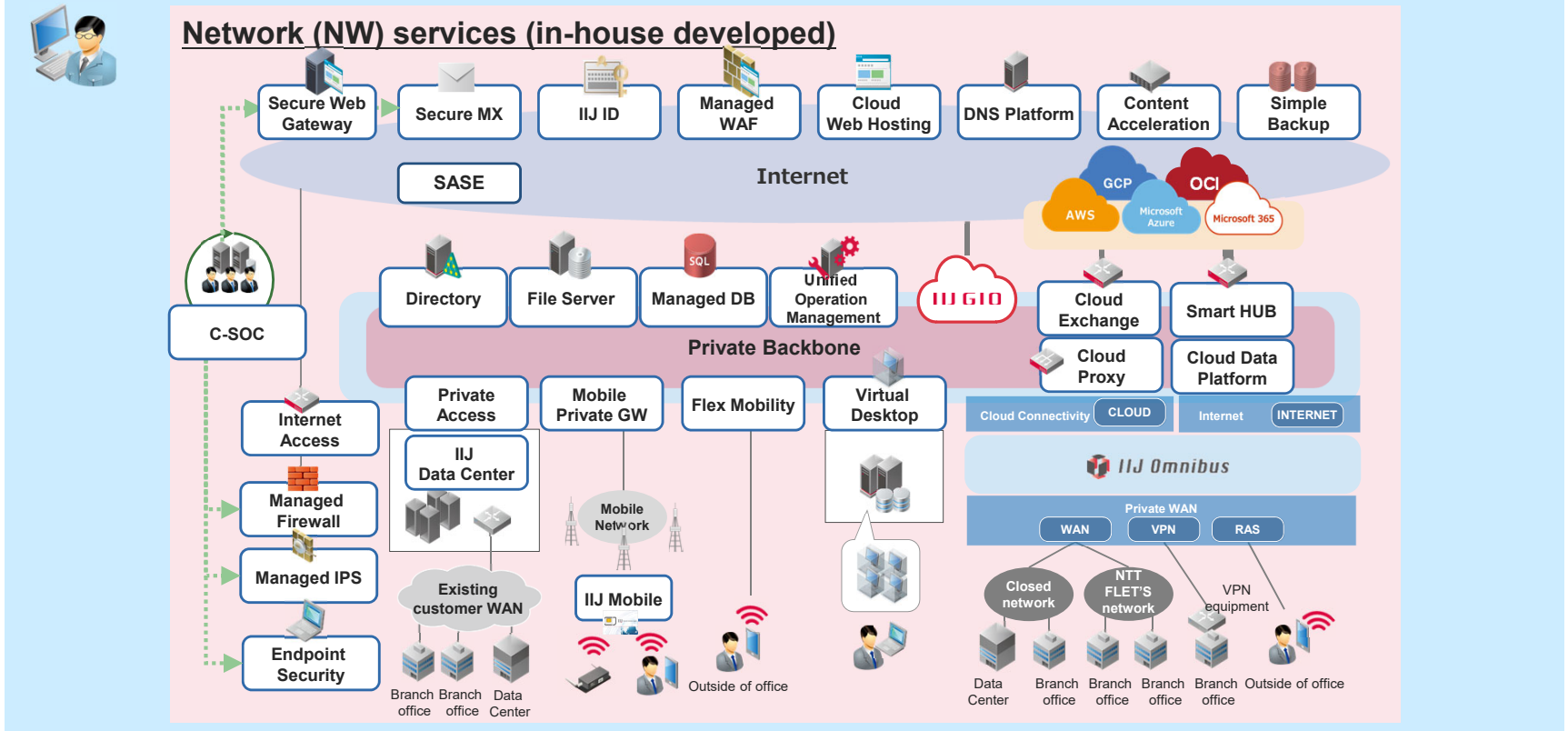
- Operates one of the largest Internet backbone (Slers do not)
- Has NW services asset and development capability (Slers do not)
- Focuses on Internet-related open type systems



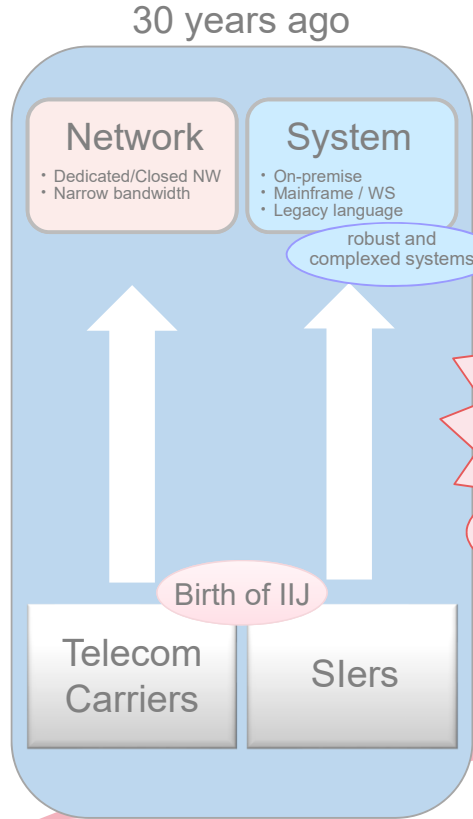
**IIJ deals with newer systems and growing IT market
(Not involved in heavy and legacy systems)**

NW Services and SI provided together as a Total Solution

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



Drastically Changing Enterprises Circumstance

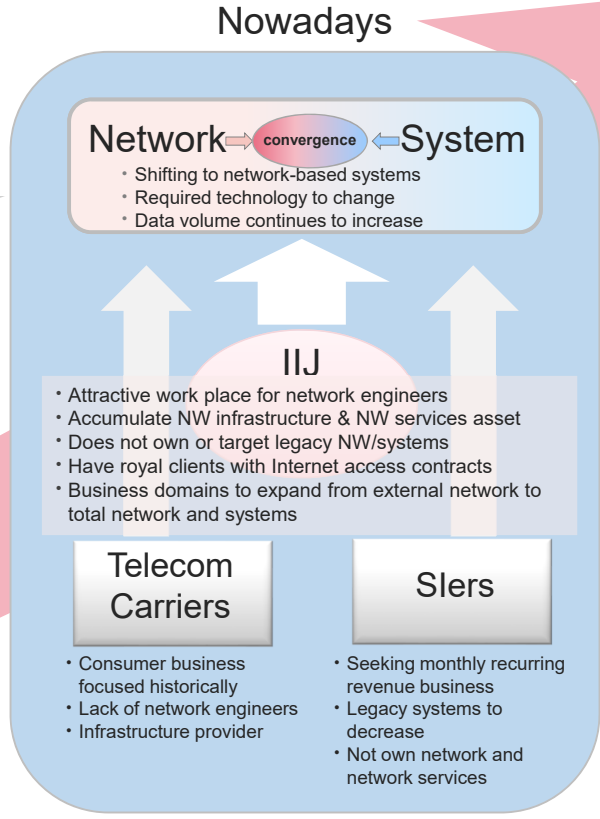


Emergence of Internet

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

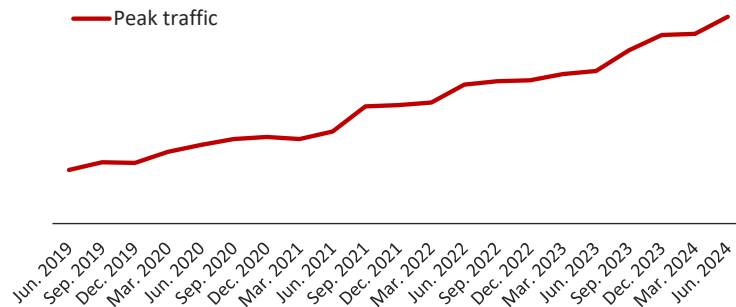


- Labor shortage require more IT
- Japan needs more competitiveness by IT
- Every CEO says DX (Digital Transformation)
- Legacy NW and Systems to be reformed
- Internet Traffic Continue to Increase
- Cyber Security Demands
- Importance for Data governance
- Cloud Systems Penetration
- 5G SA adoption and advanced IoT projects
- Importance of stable operation of large-scale NW remains unchanged

Structural Changes

Market Growth Forecast, etc.

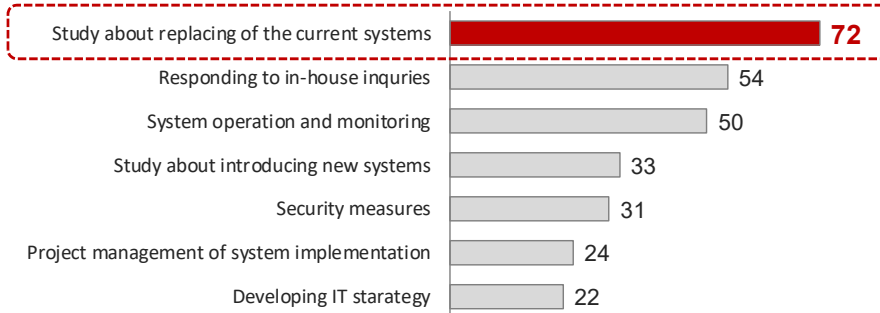
Historical traffic data of major domestic IX



Source: INTERNET MULTIFEED CO., IX = Internet Exchange

Operation where IT department spends the most time

Top 7 items are shown below

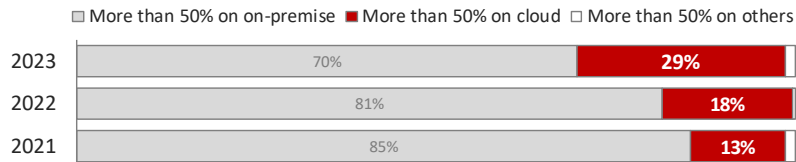


Source: Internet Initiative Japan "Nationwide survey on IT department 2023" Dec. 2023, N=359

Status of Cloud migration by clients' annual revenue size

◆ Majority of enterprise systems are still operating on-premise

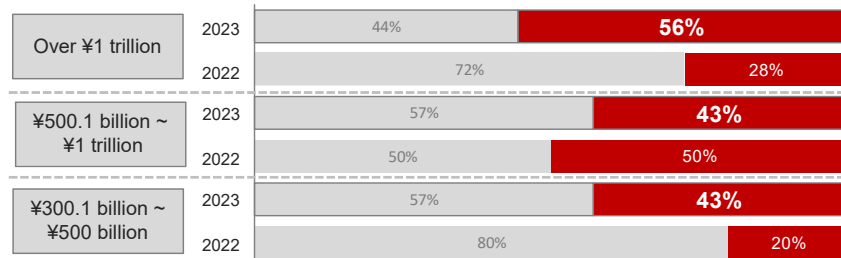
Location of servers working and/or deployed



2021 N=737, 2022 N=598, 2023 N=214

Source: Internet Initiative Japan "Nationwide survey on IT department 2023"

More than 50% on on-premise
 More than 50% on cloud



2022 N = 598, 2023 N = 359



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.