

# Presentation Material for Consolidated Financial Results for 1Q-3Q24

(April 1, 2024 to December 31, 2024)



Internet Initiative Japan

**Internet Initiative Japan Inc. (IIJ)**  
**The Prime Market of the Tokyo Stock Exchange (Ticker symbol: 3774)**  
**February 7, 2025**

## Disclaimer

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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), others alike
- Abbreviation: NW for network, SI for systems integration, DC for data center, HD for holdings, PF for platform, ¥ (JPY) bn for JPY billion, SI O/M for systems operation and maintenance, MRR for Monthly Recurring Revenue

# I. 1Q-3Q24 Summary

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

## Capturing favorable demands by Service Integration model in enterprise networks' advancement

- Monthly recurring revenues are to accelerate after large-scale projects' constructions
- Secured the second project approx. ¥11.0 bn, 8 years of the new shared banking system platform for Japanese regional banks in 3Q  
(The first project approx. ¥6.0 bn, 8 years in 2Q)

## Continued high SI revenue growth 1Q-3Q profit returned to YoY growth along with progress in dealing with VMware's issues

Total Revenues			Operating Profit			Net profit		
1Q-3Q24: ¥229.3 bn, +14.0%			1Q-3Q24: ¥20.7 bn, +2.1%			1Q-3Q24: ¥13.8 bn, +6.2%		
	FY23	FY24		FY23	FY24		FY23	FY24
3Q	201.1	229.3	3Q	20.3	20.7	3Q	13.0	13.8
2Q	72.9	82.3	2Q	8.2	8.9	2Q	4.7	6.3
1Q	66.8	75.0	1Q	7.1	7.3	1Q	4.7	4.2
	61.4	72.0		5.0	4.5		3.6	3.3

1Q-3Q VMware license-related profit impact: approx. -¥1.6 bn

3Q24 Net profit was in line with FY24 targets

NW Service (excl. Mobile)	<ul style="list-style-type: none"> <li>◆ 1Q-3Q24 total revenue: ¥82.98 bn, +6.2% YoY</li> <li>Each service revenue continued to grow IP: +7.3% YoY, Outsourcing: +11.0% YoY, of which, security: +16.3% YoY</li> <li>Revised major NW services' prices upward (effective from Oct. 2024)</li> <li>In addition to the acquisition of large-scale Service Integration projects, focusing on the accumulation of monthly recurring revenues by cross-selling in 2H24</li> </ul>
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Mobile IoT	<ul style="list-style-type: none"> <li>◆ 1Q-3Q24 total revenue: ¥37.13 bn, +8.8% YoY, 3Q24-end total subscription: 5,515 thousand, +880 thousand YoY</li> <li>Business growth led by enterprise IoT with large increases in revenue &amp; subscription by +12.1% &amp; +751 thousand YoY respectively                             <ul style="list-style-type: none"> <li>✓ Network cameras &amp; devices for various business uses, data collection and analysis system in construction site, water management system for paddy fields, etc.</li> </ul> </li> <li>MVNE &amp; consumers: Both revenues &amp; subscriptions steadily grew                             <ul style="list-style-type: none"> <li>✓ In 3Q24, one-time cost reimbursement related to the mobile data interconnection charge was at a similar level to 3Q23</li> <li>✓ IJmio awarded No. 1 overall satisfaction in the Oricon Customer Satisfaction® Survey for low-cost SIM &amp; mobile device sets</li> </ul> </li> </ul>
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SI	<ul style="list-style-type: none"> <li>◆ 1Q-3Q24 total revenue: Construction ¥46.73 bn, +39.3% YoY, SI O/M ¥60.28 bn, +13.6% YoY</li> <li>Growth led by construction, recognized construction revenues for Chiba city approx. ¥3.0bn (excl. recorded revenues based on the percentage-of-completion method)</li> <li>◆ 1Q-3Q24 orders received: Construction ¥45.49 bn, +4.8% YoY, SI O/M ¥68.10 bn, +5.6% YoY</li> <li>3Q24-end orders backlog: Construction ¥22.52 bn, -4.8% YoY, SI O/M ¥92.96 bn, +15.7% YoY</li> </ul>
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Business Topics	<ul style="list-style-type: none"> <li>◆ MRR revenues addition from large-scale projects acquired after FY22                              1H23: approx. ¥1.4 bn, 2H23: approx. ¥1.7 bn, 1H24: approx. ¥2.3 bn, 3Q24 (3 month) : approx. ¥1.6 bn</li> <li>◆ Established a joint venture with Preferred Networks, Inc. (PFN) &amp; Mitsubishi Corporation for offering cloud service with high-performance AI oriented semiconductor from 2026</li> <li>◆ Launch multi-cloud related services sequentially with a new concept of "DX platform" which accelerates DX in office IT &amp; business domain</li> </ul>
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## II - 1. Consolidated Financial Results

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

	<small>% of revenue</small>	<small>% of revenue</small>	YoY	
	1Q-3Q24 Results	1Q-3Q23 Results		
	<small>Apr. 2024 - Dec. 2024</small>	<small>Apr. 2023 - Dec. 2023</small>		
Revenues	<b>229.31</b>	<b>201.10</b>	<b>+14.0%</b>	<b>+28.21</b>
Cost of Revenues	<small>78.7%</small> <b>180.38</b>	<small>77.1%</small> <b>155.15</b>	<b>+16.3%</b>	<b>+25.24</b>
Gross Profit	<small>21.3%</small> <b>48.93</b>	<small>22.9%</small> <b>45.95</b>	<b>+6.5%</b>	<b>+2.98</b>
SG&A etc.	<small>12.3%</small> <b>28.22</b>	<small>12.8%</small> <b>25.67</b>	<b>+9.9%</b>	<b>+2.55</b>
Operating Profit	<small>9.0%</small> <b>20.71</b>	<small>10.1%</small> <b>20.28</b>	<b>+2.1%</b>	<b>+0.43</b>
Profit before tax	<small>9.0%</small> <b>20.59</b>	<small>9.8%</small> <b>19.65</b>	<b>+4.8%</b>	<b>+0.94</b>
Net Profit <small>(Profit for the period attributable to owners of the parent)</small>	<small>6.0%</small> <b>13.79</b>	<small>6.5%</small> <b>12.98</b>	<b>+6.2%</b>	<b>+0.81</b>

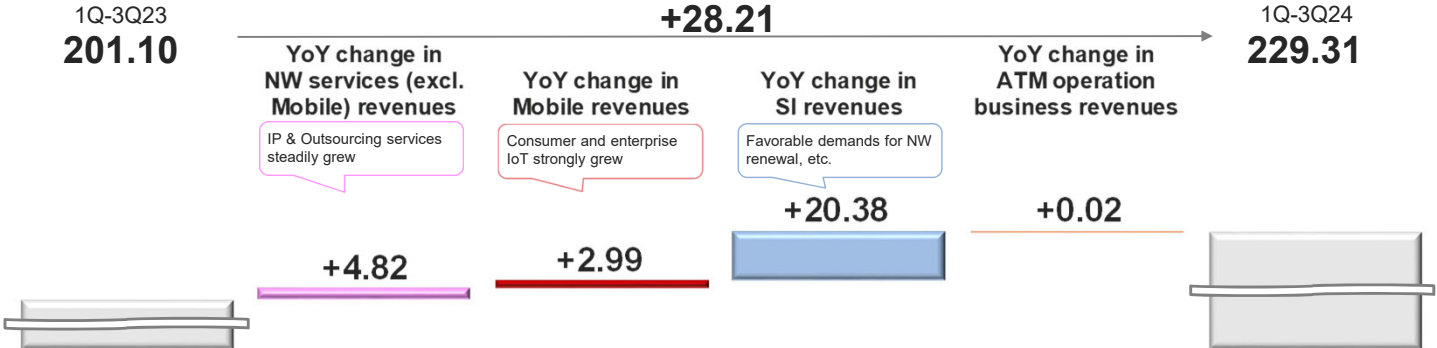
• SG&A etc. represents the sum of SG&A, which includes R&D expenses, and other income/expenses

<small>% of revenue</small>	YoY
FY24 Targets	
<small>(Announced in Aug. 2024) Apr. 2024 - Mar. 2025</small>	
<b>312.0</b>	<b>+13.0%</b>
<small>77.4%</small> <b>241.5</b>	<b>+13.8%</b>
<small>22.6%</small> <b>70.5</b>	<b>+10.4%</b>
<small>12.3%</small> <b>38.5</b>	<b>+10.5%</b>
<small>10.3%</small> <b>32.0</b>	<b>+10.2%</b>
<small>9.8%</small> <b>30.6</b>	<b>+5.8%</b>
<small>6.6%</small> <b>20.6</b>	<b>+3.9%</b>

\* FY24 targets include the VMware license-related negative impact for profits of approx. -¥1.1 bn (mainly impacted 1H24 results)

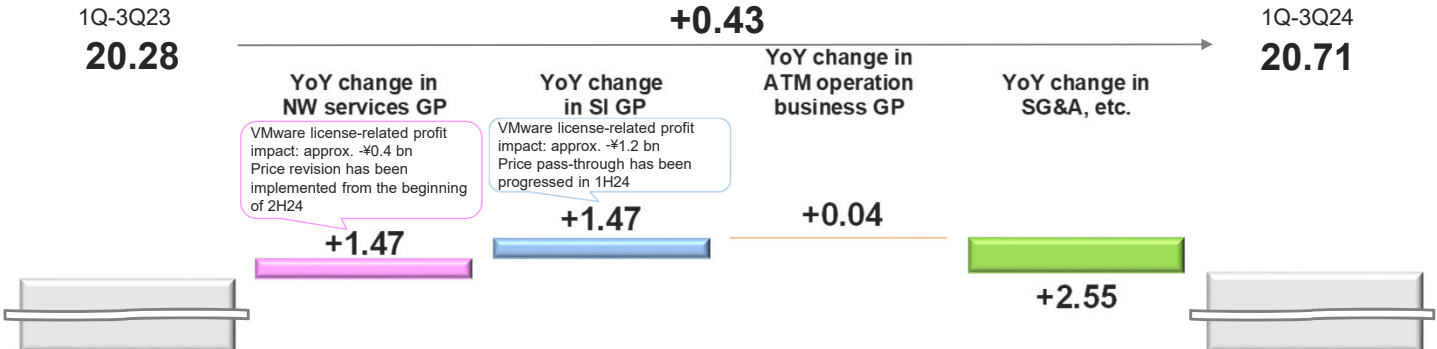
# II - 2. Year over Year Analysis

## 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)

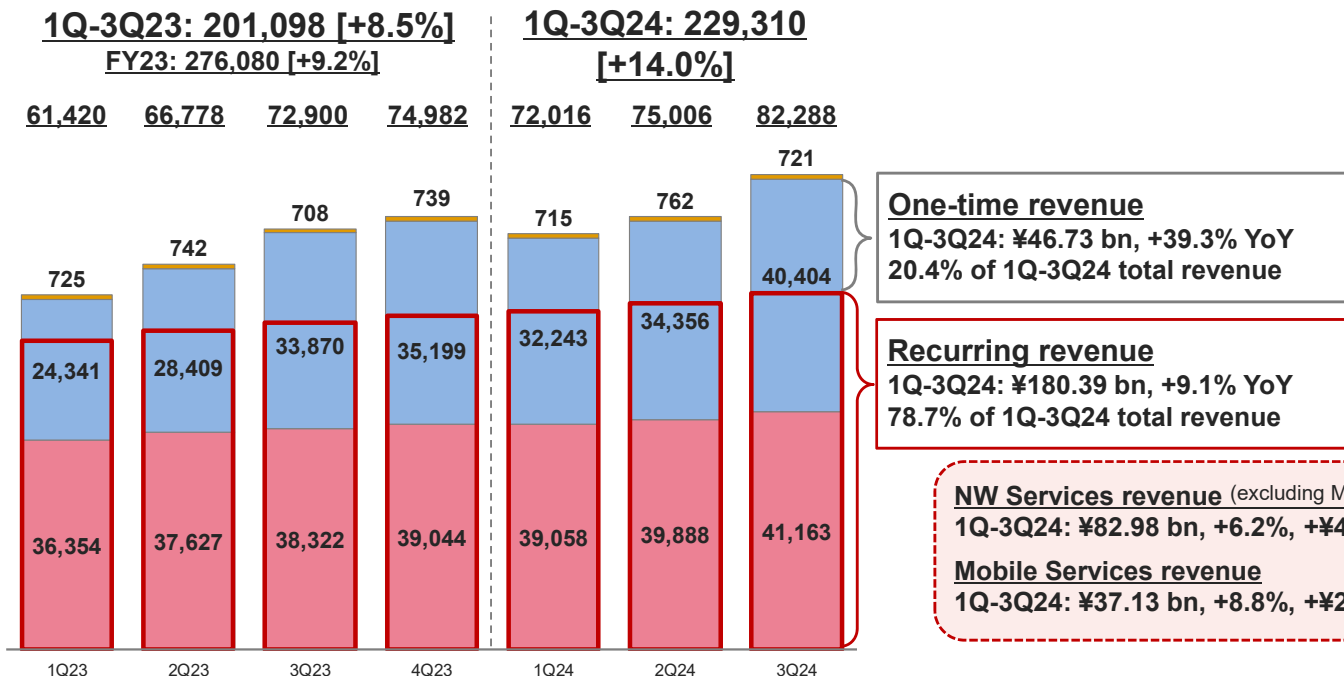
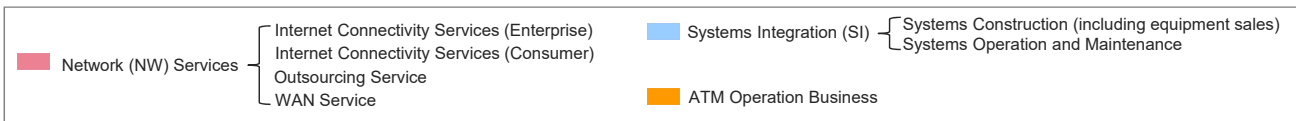
## Operating Profit



- 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 details of VMware issues, 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](https://www.ij.ad.jp/en/ir/library/financial/pdf/11J4Q23E_presentation.pdf))

# II - 3. Revenues

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

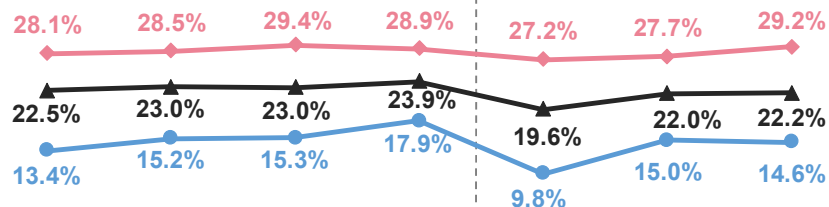


- One-time revenue, systems construction revenues which include equipment sales, is mainly recognized when systems and/or equipment are delivered and accepted by customers (Some revenues on a percentage-of-progress basis based on cost progression)
- Recurring revenue represents the following monthly recurring revenues: Internet Connectivity Services (Enterprise), Internet Connectivity Services (Consumer), Outsourcing Services, WAN Services, and Systems Operation and Maintenance
- Mobile services revenues include IIJ Mobile Services (including MVNE) and IIJmio (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

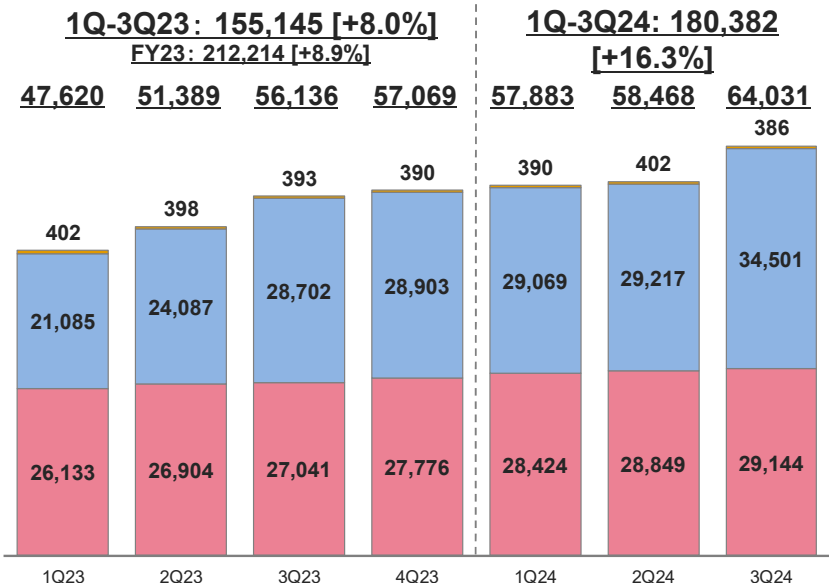
- 1Q-3Q24: ¥48.93 bn, +6.5%, +¥2.98 bn YoY
- VMware license-related profit impact has gradually been improving
  - ✓ From the beginning of Apr. 2024, license's unit price & costs in NW services & SI increased

## ◆ Gross profit for NW services

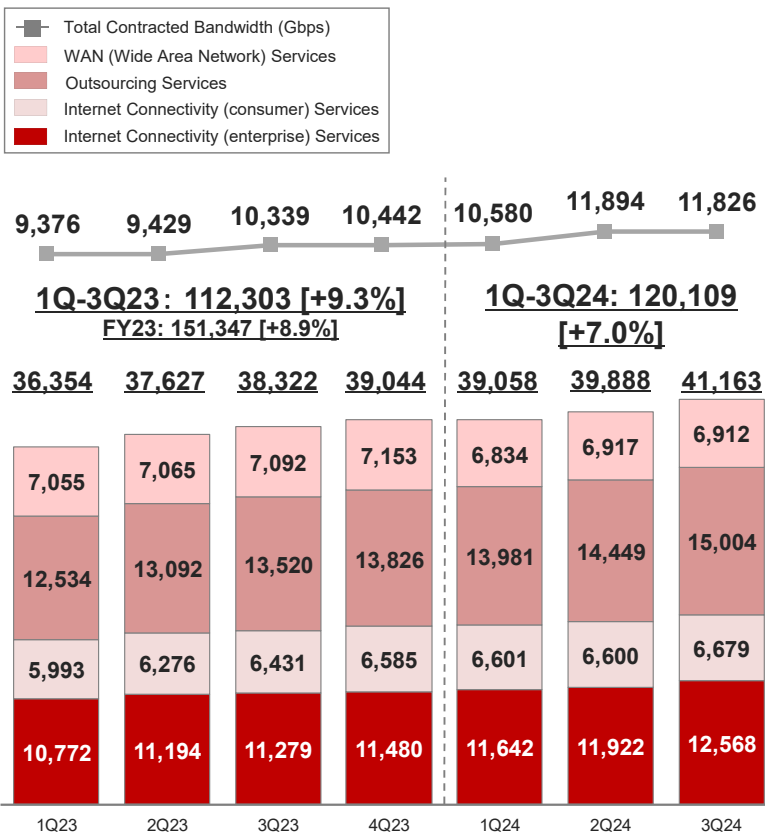
- 1Q-3Q24: ¥33.69 bn, +4.6%, +¥1.47 bn YoY
- In 3Q24, one-time cost reimbursement related to the mobile data interconnectivity charge was at a similar level to 3Q23
- VMware license-related profit impact : approx. -¥0.4 bn (1Q: approx. -¥0.3 bn, 2Q: approx. -¥0.3 bn, 3Q: approx. +¥0.2 bn)
  - ✓ Sequentially applied major NW service prices' upward revision from Oct. 2024
- Fixed type costs such as network operation, outsourcing and personnel-related costs are increasing

## ◆ Gross profit for SI

- 1Q-3Q24: ¥14.22 bn, +11.5%, +¥1.47 bn YoY
- In 3Q24, gross profit ratio for SI slightly decreased QoQ due to the high ratio of purchasing costs to SI construction revenues
- VMware license-related profit impact : approx. -¥1.2 bn (1Q: approx. -¥0.9 bn, 2Q: approx. -¥0.1 bn, 3Q: approx. -¥0.2 bn)
  - ✓ Price pass-through of cloud services has been progressed in 1H24



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



### ◆ Internet Connectivity (enterprise) Services

- 1Q-3Q24: ¥36.13 bn, +8.7% YoY
  - Internet traffic (details in P.49) continued to increase
  - Of which, IP: ¥12.81 bn, +7.3% YoY
    - ✓ Stable growth
  - Of which, Enterprise mobile (IoT usages, etc.): ¥11.26 bn, +12.1% YoY
    - ✓ Enhanced solutions through dual-carrier and eSIM, etc.
  - Of which, MVNE (service offer to other MVNOs): ¥8.50 bn, +7.9% YoY

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

- 1Q-3Q24: ¥19.88 bn, +6.3% YoY
  - Of which, consumer mobile (IIJmio): ¥17.38 bn, +7.1% YoY
    - ✓ Stable market environment. Active marketing with mobile device plan and eSIM, etc.
  - In 3Q24, there was approx. ¥0.18 bn of sales netting due to campaign expenses in 3Q23 for fiber optic internet service, which was confirmed after one-year usage

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

- 1Q-3Q24: ¥43.43 bn, +11.0% YoY
  - Of which, security: ¥26.44 bn, +16.3% YoY
    - ✓ Strong demand for SASE and SOC (Security Operation Center) due to NW renewal projects, etc.

### ◆ WAN Services (Closed network services)

- 1Q-3Q24: ¥20.66 bn, -2.6% YoY

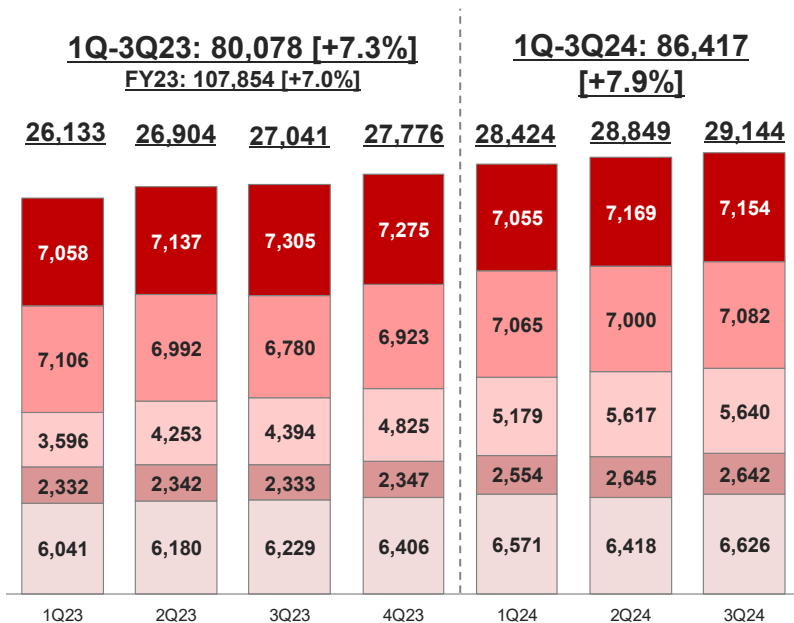
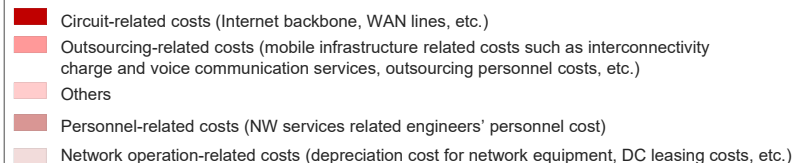
The effect of service price revision in 3Q24 was approx. +¥0.4 bn

- 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

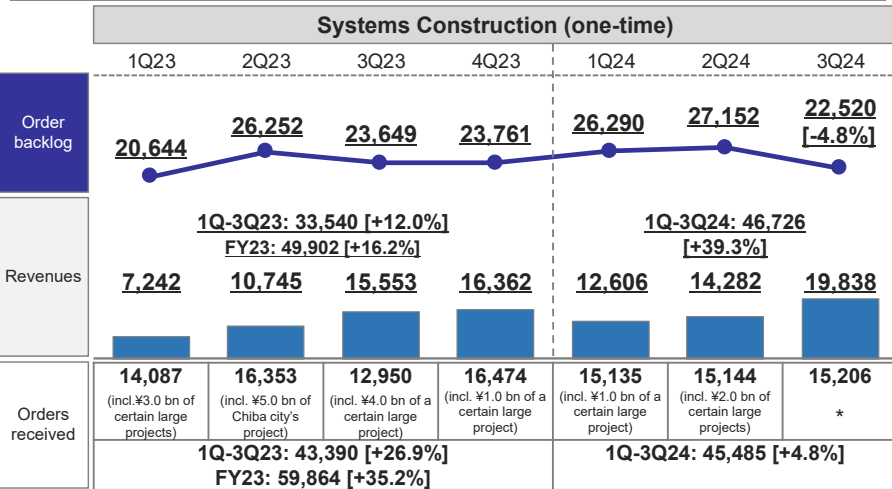
Unit: ¥ (JPY) million  
[ ], YoY = Year over year comparison



- 1Q-3Q24 Circuit-related costs remained stable
  - Internet backbone circuit cost remains stable as we can leverage scale merit by having one of the largest Internet backbone networks
- 1Q-3Q24 Outsourcing-related costs remained stable
  - Mobile data interconnectivity charge is on a continuous decreasing trend (Details in P.26)
  - FY23 mobile interconnectivity charge was fixed in 3Q24, one-time cost reimbursement was at a similar level to 3Q23 based on difference between future cost method figures and actual result
  - Outsourcing personnel cost is on a continuous increasing trend
- 1Q-3Q24 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 licenses was approx. +¥0.8 bn YoY
  - 1Q-3Q24 mobile device purchasing costs were at a similar level to 1Q-3Q23
- 1Q-3Q24 Personnel-related costs increased mainly due to annual salary and headcount increase at the beginning of fiscal year
- Network operation-related costs continued to increase along with facility expansions

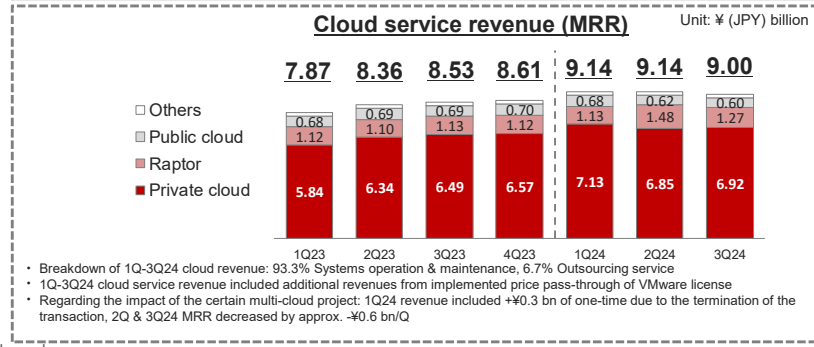
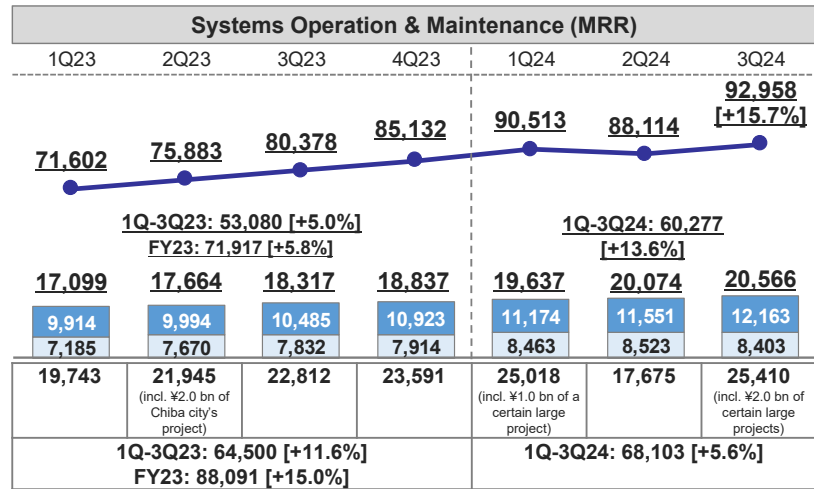
# II - 6. Systems Integration (SI) (1) Revenues

- 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



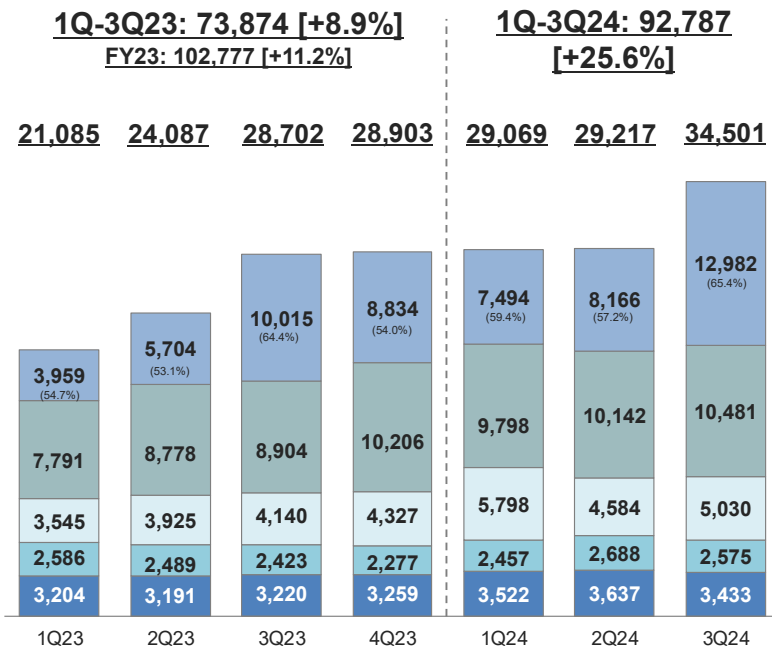
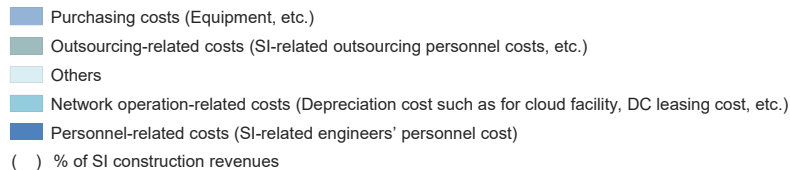
- Favorable demand from all industries continued
- SI construction revenue recognition of SI construction for Chiba city's educational information network: approx. 3.0 bn (excl. recorded revenues based on a percentage-of-completion method revenue) in 3Q24
- Consistently secured large-scale projects ranging from several bn to over 10 bn JPY in 3Q24
  - System infrastructure construction for a public institution (approx. ¥4.0 bn, 5 years)
  - Service system construction for a public institution (approx. ¥1.0 bn, 5 years)
  - The second project of the new shared banking system platform for Japanese regional banks (approx. ¥11.0 bn, 8 years, of which, approx. half are NW services)
- The impact of a percentage-of-completion method revenue in 1Q-3Q24: approx. +¥2.5 bn (1Q-3Q23: approx. +¥1.9 bn)
- Accumulating MRR, followed by gradual recognition of SI construction revenues from large-scale projects
- Formed an alliance with Serverworks Co., Ltd. to develop AWS related solutions

\* No SI construction orders received more than ¥1.0 bn in 3Q24



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

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



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

- Purchasing, outsourcing-related costs are linked to the size of project and revenue to a certain degree in principle
- Others include license purchasing costs and others
  - Revenue-linked multi-cloud license cost decreased as expected along with the termination of a large client's transaction at the end of 1Q24
  - 1Q-3Q24 cost impact related to VMware license was approx. +¥2.2 bn YoY (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	2Q24-end	3Q24-end
1,367	1,395	1,456	1,521	1,513	1,525	1,510

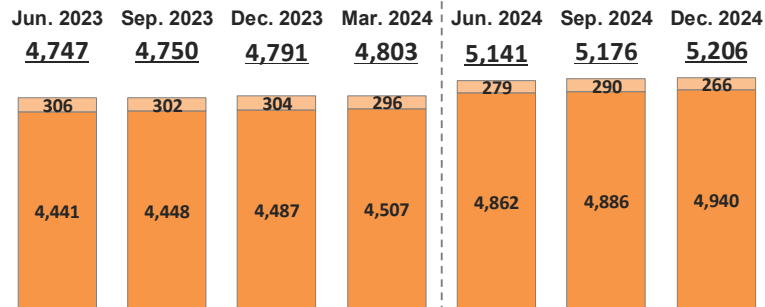
- The number of SI-related IJ's engineers & outsourcing personnel are increasing along with an increase in projects
- Due to many ongoing projects before order-received, the number of outsourcing personnel has been at a high level

# II - 7. Human Capital Disclosure

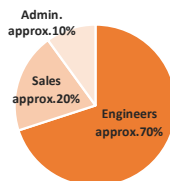
## Number of Employees (consolidated basis)

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

+416 YoY  
of which, 246 were  
new graduates



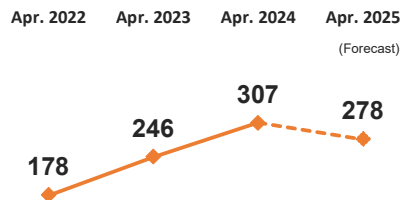
### Breakdown of Employees



+394 YoY  
of which, 307 were  
new graduates

## Number of new graduates

Unit: personnel (consolidated basis)



## Ratio of Female Managers (IIJ)

- Achieved FY24 target (6% or more) a year in advance
- Brought FY27 target forward by 1 year to FY26

Period	Apr. 2022	Apr. 2023	Apr. 2024	FY26 target
Ratio of Female Managers	5.7%	6.3%	7.5%	8% or more

## Personnel-related costs & expenses (consolidated basis)

Unit: ¥ (JPY) million

	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24
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%)	10,665 (+15.3%)	10,299 (+9.4%)
	1Q-3Q23: 28,019(+11.3%)				1Q-3Q24: 31,296(+11.7%)		
	FY23: 37,642(+11.8%)						
% of revenue	15.2%	13.9%	12.9%	12.8%	14.3%	14.2%	12.5%

### ➢ FY24

- Number of employees (consolidated basis) to increase by over 400 personnel (including 307 of new graduates), mid-career recruitment is also on track
- 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)

### ➢ FY25

- 278 new graduates are scheduled to join
- Average salary increase of approx. 6.0% including the revision of salary table is planned in Apr. 2025 (IIJ)

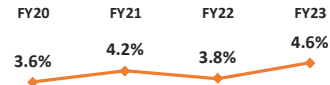
## Employee Survey (IIJ)



- FY24 employee survey indicates high overall satisfaction level: 3.9(out of 5)

\* The Employee Survey(IIJ) is an annual engagement survey (approx. 50 questions), and each item is rated on a five-point scale: 1 (disagree), 2 (somewhat disagree), 3 (neutral), 4 (somewhat agree), and 5 (agree). The "Overall Satisfaction" is the result of a question, "I am satisfied overall."

## Turnover rates (IIJ)

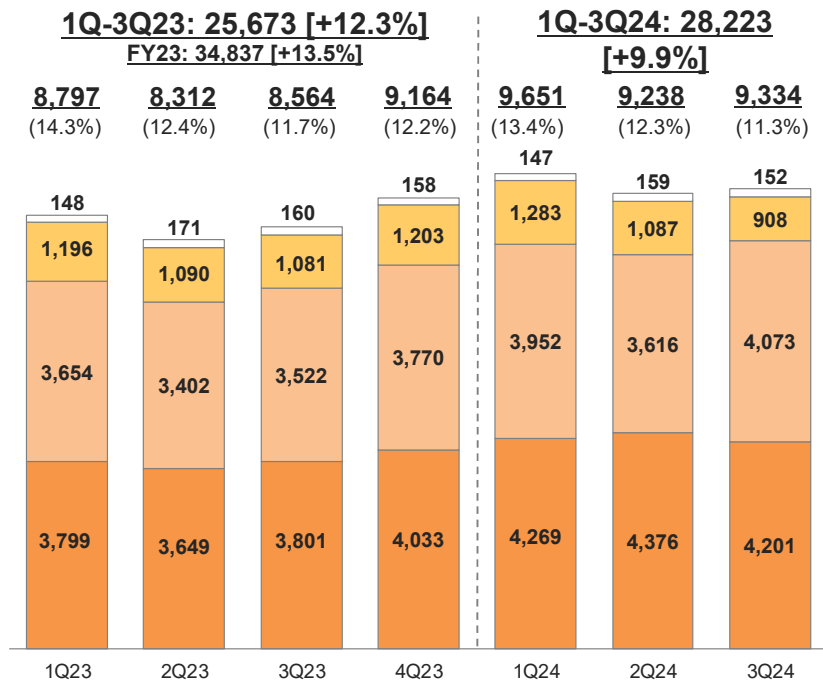
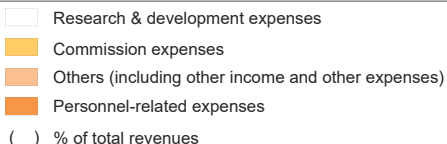


- Lower than the industry average turnover
  - FY24 also remains low turnover rate

\* 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



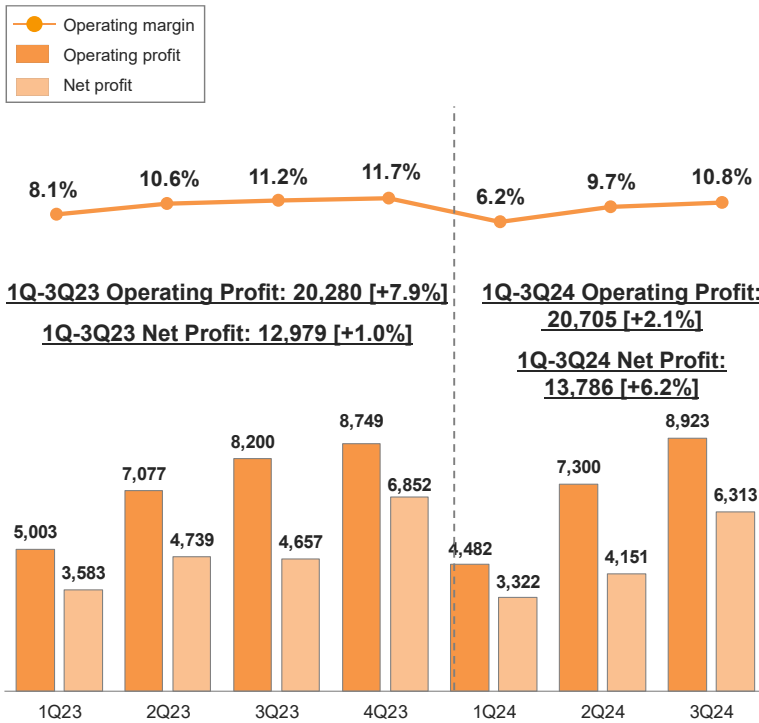
➤ SG&A, etc. is progressing as planned

- 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 advertisement and activity-related expenses such as 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 regular salary increase and new graduate hire

• 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

➢ 1Q-3Q24: ¥20.71 bn, +2.1% YoY

- Returned to YoY increase with absorbing approx. -¥1.6 bn of VMware license-related impact

## ◆ Profit before tax

➢ 1Q-3Q24: ¥20.59 bn, +4.8% YoY

- Interest expense: ¥738 million (1Q-3Q23: ¥456 million)
- Foreign exchange gain(loss): +¥144 million (1Q-3Q23: +¥268 million)
- Valuation gain(loss) on funds, etc.: +¥512 million (1Q-3Q23: -¥212 million)

1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	FY24 plan
+310	+13	(535)	+361	+585	(863)	+790	±0

✓ Foreign exchange impacts were also included as lots of assets are dominated in USD

- Exchange rate(per USD) at the end of 4Q23: ¥151.41, 1Q24: ¥161.07, 2Q24: ¥142.73, 3Q24: ¥158.18

- Share of gain(loss) of investments accounted for using equity method: -¥264 million (1Q-3Q23: -¥422 million) DeCurret-related gain(loss) (IIJ ownership from Sep. 2024: 34.8%)

1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	FY24 plan
(125)	(124)	(143)	(143)	(182)	+25	(177)	Approx. (800)

✓ 2Q24 included gain of ¥209 million on change in equity interest due to DeCurret HD's capital increase in Sep. 2024

✓ Started Japan's first digital currency business in Aug. 2024 (Details in P.28)

✓ Expect cost and expenses such as personnel cost to increase in FY24-25 due to the service launch. After the launch, Aim to become profitable on a monthly basis within the end of FY26 through the revenue accumulation

## ◆ Net profit

➢ 1Q-3Q24: ¥13.79 bn, +6.2% YoY

### <Progress of FY24 targets>

**Revenues: Aligned with our forecasts with systems integration revenues exceeding our expectations while network service revenue falling short of them.**

**Profits: Although operating profit fell short of our expectations, net profit aligned with our forecasts.**

1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	
632	114	(957)	581	719	(1,294)	722	Finance income (expense), net
(154)	(119)	(150)	(42)	(162)	71	(173)	Share of profit (loss) of investments accounted for using equity method
(1,824)	(2,320)	(2,365)	(2,449)	(1,654)	(1,915)	(3,092)	Income tax expense
74	13	71	(13)	63	11	67	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	Dec. 31, 2024	Changes		Mar. 31, 2024	Dec. 31, 2024	Changes
Cash & cash equivalents	45,474	34,814	(10,660)	Trade & other payables	25,435	30,530	+5,095
Trade receivables	45,683	47,080	+1,397	Borrowings (current & non-current)	30,180	33,635	+3,455
Inventories	3,227	6,505	+3,278	Contract liabilities & Deferred income (current & non-current)	21,530	26,041	+4,511
Prepaid expenses (current & non-current)	39,496	57,187	+17,691	Income taxes payable	5,328	2,598	(2,730)
Tangible assets	29,072	32,897	+3,825	Retirement benefit liabilities	4,991	5,335	+344
Right-of-use assets	41,242	42,940	+1,698	Other financial liabilities (current & non-current)	49,138	58,747	+9,609
Of which, operating leases (rent of office, data center etc.)	26,428	26,144	(284)	Of which, operating leases (rent of office, data center etc.)	26,982	26,846	(136)
Of which, finance leases (network equipment etc.)	14,814	16,796	+1,982	Of which, finance leases (network equipment etc.)	15,750	18,967	+3,217
Goodwill & intangible assets	28,685	30,854	+2,169	Others	10,079	12,859	+2,780
Investments accounted for using the equity method	5,169	6,780	+1,611	<b>Total liabilities:</b>	<b>146,681</b>	<b>169,745</b>	<b>+23,064</b>
Investment securities (Equity)	14,563	18,208	+3,645	Share capital	25,562	25,577	+15
Other investments	9,805	10,982	+1,177	Share premium	35,737	35,799	+62
Others	11,297	19,419	+8,122	Retained earnings	65,616	73,247	+7,631
				Other components of equity	10,863	13,835	+2,972
				Treasury shares	(12,027)	(11,910)	+117
				<b>Total equity attributable to owners of the parent:</b>	<b>125,751</b>	<b>136,548</b>	<b>+10,797</b>
				Non-controlling interests	1,281	1,373	+92
<b>Total assets:</b>	<b>273,713</b>	<b>307,666</b>	<b>+33,953</b>	<b>Total liabilities and equity:</b>	<b>273,713</b>	<b>307,666</b>	<b>+33,953</b>

- Prepaid expenses increased mainly due to an increase in projects for clients (in addition to constant increase, two large-scale projects' impact: approx. +¥3.4 bn), license fee (in addition to constant increase, VMware license fee: approx. +¥4.0 bn) and maintenance for facility (constant 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, 45.3% as of Sep. 30, 2024, 44.4% as of Dec. 31, 2024

# II - 11. Consolidated Cash Flows

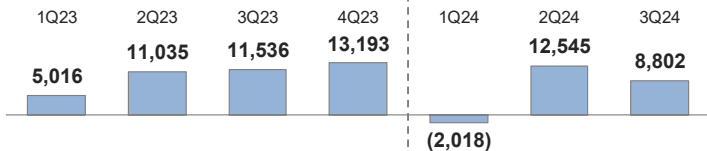
Unit: ¥ (JPY) million  
YoY = Year over year comparison

## Operating Activities

**1Q-3Q23: 27,587**

**FY23: 40,780**

**1Q-3Q24: 19,329**



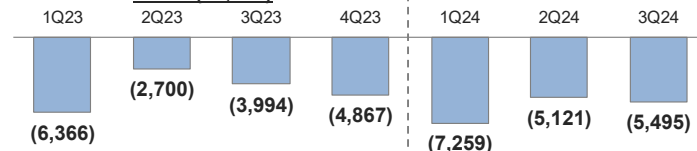
	1Q-3Q24 Major Breakdown	YoY Change
Profit before tax	20,588	+943
Depreciation and amortization	23,280	+1,351
Changes in operating assets & liabilities	(17,122)	(10,191)
Of which, decrease (increase) in prepaid expenses	(17,408)	(8,417)
Income taxes paid	(9,400)	(1,503)

## Investing Activities

**1Q-3Q23: (13,060)**

**FY23: (17,927)**

**1Q-3Q24: (17,875)**



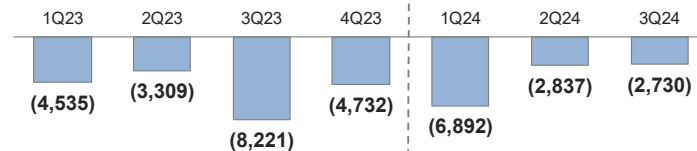
	1Q-3Q24 Major Breakdown	YoY Change
Purchase of tangible assets	(9,711)	(1,450)
Purchase of intangible assets such as software	(6,267)	(489)

## Financing Activities

**1Q-3Q23: (16,065)**

**FY23: (20,797)**

**1Q-3Q24: (12,459)**



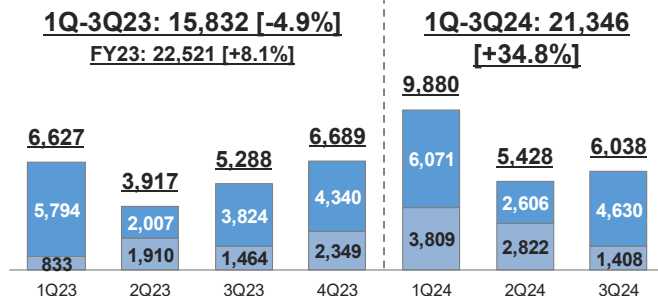
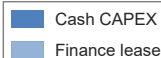
	1Q-3Q24 Major Breakdown	YoY Change
Payment of operating/finance leases and other financial liabilities	(17,502)	(2,449)
Dividends paid	(6,134)	(452)
Repayment of long-term borrowings	(3,548)	(1,503)
Short-term borrowings	7,000	(4,800)
Purchase of treasury shares	(0)	+11,405



## II - 12. Other Financial Data

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

### CAPEX

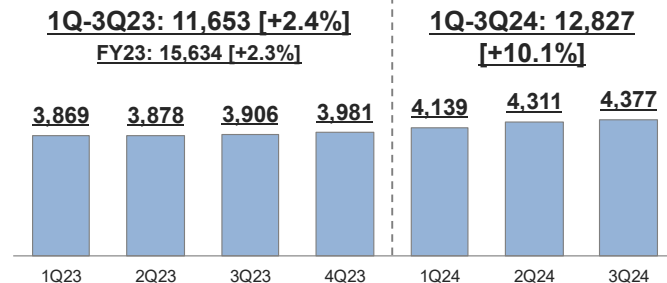


- Major breakdown of CAPEX  
(Unit: ¥ bn)

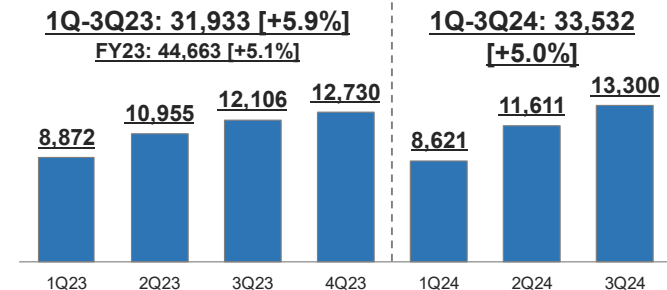
	1Q-3Q23	1Q-3Q24
Ordinal CAPEX (NW equipment & server, etc.)	8.4	9.3
Shiroy DC second site-related	3.8	0.7
Matsue DC-related	0.2	3.7
Customer-related	1.4	4.5
Renewal of Full-MVNO 5G infrastructure	1.1	2.3
Renewal of Raptor service facility	0.8	0.5

- 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
  - An increase in customer-related CAPEX along with the trend of acquiring of large-scale projects
  - 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



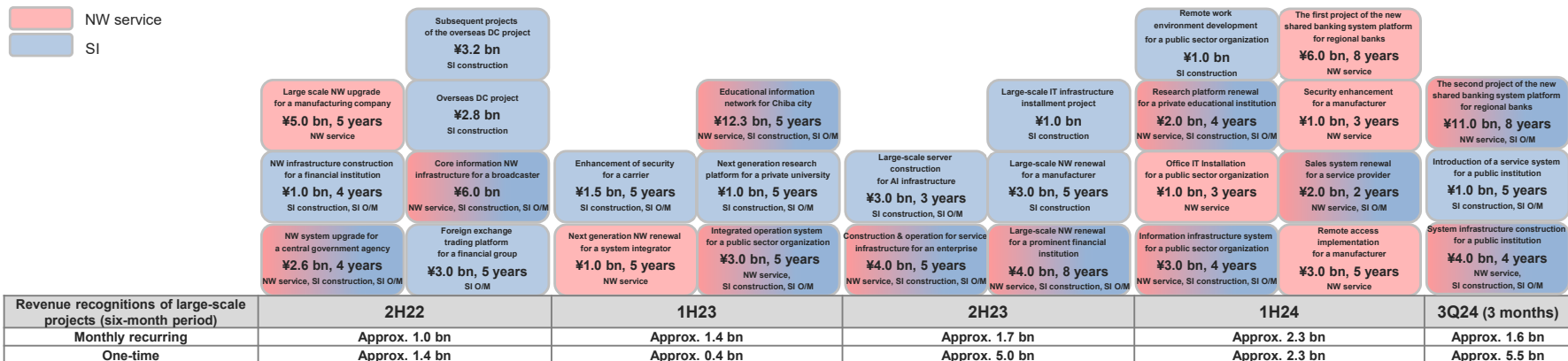
# III - 1. Acquisition of large-scale projects as a new norm by Service Integration model

## ◆ Large-scale projects acquired in FY24

As of Nov. 8, 2024, project size and timing of revenue recognition are subject to change due to progress of projects and other factors

Project overview	Project size (approx.)	Main revenue recognition	Acquisition periods	Timing of revenue recognition
Information infrastructure system for a public sector organization	¥3.0 bn, 4 years	NW service, SI construction, SI O/M	1Q24	Recognized from 3Q24
Office IT Installation for a public sector organization	¥1.0 bn, 3 years	NW service	1Q24	Recognized from 2Q24
Research platform renewal for a private educational institution	¥2.0 bn, 4 years	NW service, SI construction, SI O/M	1Q24	Recognized from 3Q24
Remote work environment development for a public sector organization	¥1.0 bn	SI construction	2Q24	Gradually recognized from 2Q24
Remote access implementation for a manufacturer	¥3.0 bn, 5 years	NW service	2Q24	Recognized from 3Q24
Sales system renewal for a service provider	¥2.0 bn, 2 years	NW service, SI O/M	2Q24	Recognized from 2Q24
Security enhancement for a manufacturer	¥1.0 bn, 3 years	NW service	2Q24	Recognized from 2Q24
The first project of the new shared banking system platform for regional banks	¥6.0 bn, 8 years	NW service	2Q24	Recognized from 3Q24
System infrastructure construction for a public institution	¥4.0 bn, 5 years	NW service, SI construction, SI O/M	3Q24	Recognized from 3Q24
Introduction of a service system for a public institution	¥1.0 bn, 5 years	SI construction, SI O/M	3Q24	To be recognized from 4Q24
The second project of the new shared banking system platform for regional banks	¥11.0 bn, 8 years	NW service, SI construction, SI O/M	3Q24	To be gradually recognized from 4Q24

## ◆ Along with acquisition of large-scale projects, MRR is gradually increasing

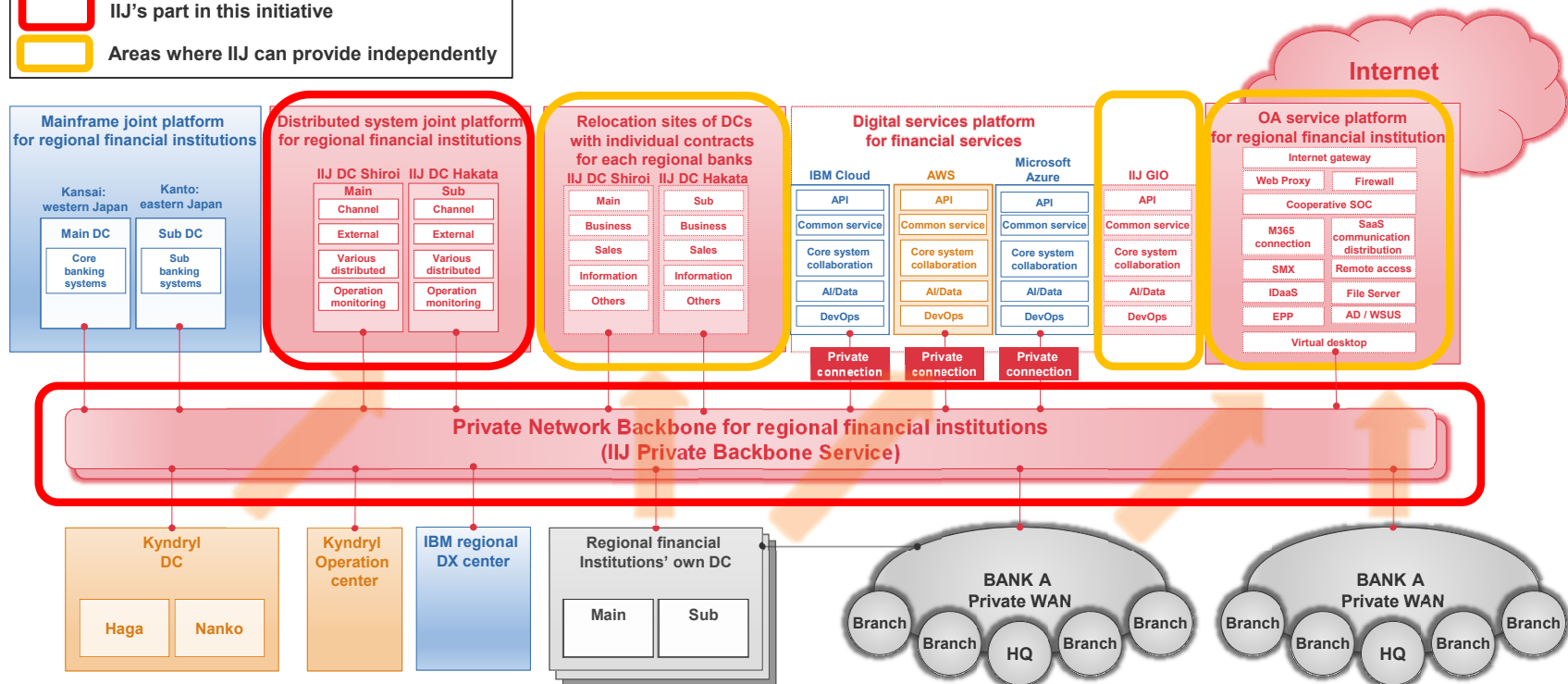
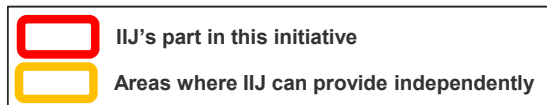


For details, please refer to "Timing of revenue recognition for large-scale complex flagship projects" in the past financial results presentation materials

- Joint banking system platform for regional banks
  - The first project: operating from 3Q24, focusing on other added services
  - The second project: To be operated from 4Q24

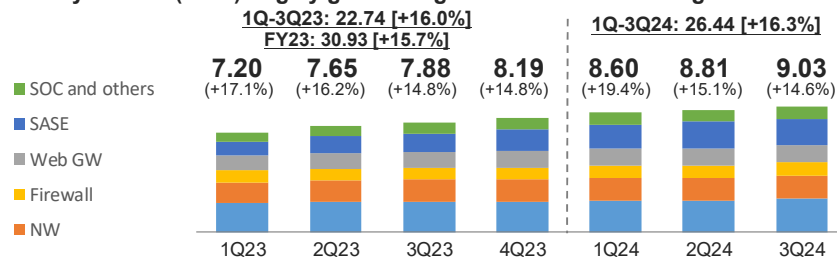
## III - 2. Launched a new shared banking system platform for Japanese regional banks with IBM Japan and MUFG Bank

- ◆ The regional banking system alliance groups “Judankai” & “Chance” have adopted the platform  
Promoting service cross-selling for them



# III - 3. Security Business

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



### Mail Security

- Number of e-mail services' accounts for enterprise exceeded 10 million in Jul. 2024
- IJ Secure MX Service (SMX)
  - Cloud-based integrated mail security service
  - One-stop mail security service which has countermeasures for receiving & sending e-mail including phishing and other e-mail threat, information leakage, and internal fraud

### Web GW

- IJ Secure Web GW Service (SWG)
  - Cloud-based web security service that integrates URL filtering, anti-virus, proxy, web isolation, and other web security functions required by enterprises

### SASE

- Operation of Prisma Access, Zscaler etc.
  - Top class SASE implementation & operation track record
- IJ Secure Access Service "ISA"
  - In-house developed SASE service
  - Differentiating by high compatibility with other IJ services, small start & low-price range

### SOC and others

- IJ C-SOC Service
  - One-stop SOC service to support from early detection to response to security incidents
  - IJ's unique intelligence visualizes invisible threats and provides not only notification but also initial response
- Endpoint Security, etc.

### NW Security

- IJ DDoS Protection Service
  - Comprehensive service to protect enterprise network system from DDoS attacks
- IPS/IDS, WAF, etc.

### FW (Firewall)

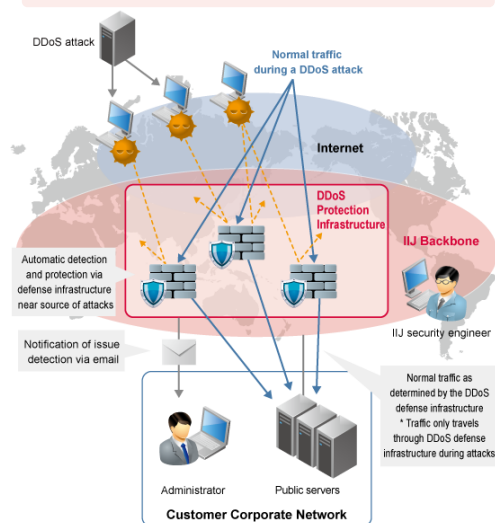
- IJ Managed Firewall Service
  - Operational outsourced firewall service with full support from professional security engineers

- 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

## ◆ DDoS attacks have increased, affecting a wide range of industries

- Attacks that send large amounts of data to web systems etc., and disrupting normal service provision
- IJ DDoS Protection Service
  - Launched in Oct. 2005
  - Differentiating by the strength of our global Internet backbone operations. Globally deployed DDoS protection infrastructure can defend against large-scale attacks
  - There are many financial institution customers such as megabanks, and we expect to expand into other industries

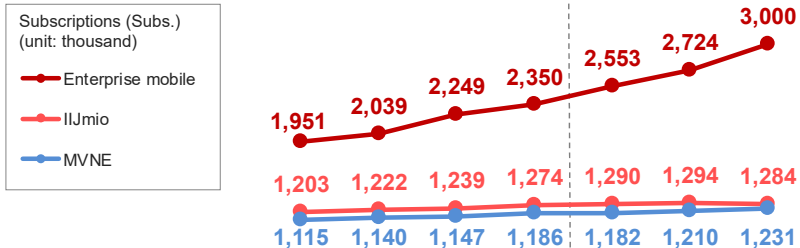
### IJ DDoS Protection Service



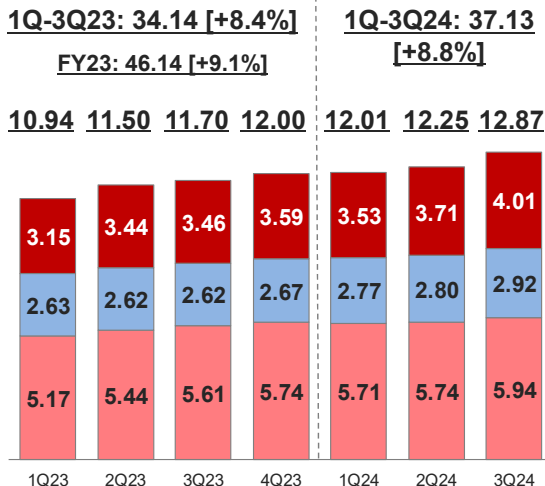
# III - 4. Mobile and IoT

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)

- 1Q-3Q24 revenue: ¥11.26 bn (+¥1.21 bn YoY)
- 3Q24-end subs.: 3,000 thousand (+276 thousand QoQ)
  - Existing transactions such as NW cameras, GPS devices, and on-board unit-related devices are becoming larger and continuously acquiring new orders
  - In the industrial IoT area: data collection and analysis system in construction site, etc.
  - In the agricultural IoT area: water management system for paddy fields, etc.

### ◆ MVNE (providing mobile services to other MVNOs)

- 1Q-3Q24 revenue: ¥8.50 bn (+¥0.62 bn YoY)
- 3Q24-end subs.: 1,231 thousand (+21 thousand QoQ)
- 3Q24-end MVNE clients: 200 clients (+11 clients YoY)
  - Of which, cable TV operators (96 operators), prominent retailer, etc.

### ◆ IIJmio (consumer)

- 1Q-3Q24 revenue: ¥17.38 bn (+¥1.15 bn YoY)
- 3Q24-end subs.: 1,284 thousand (-10 thousand QoQ)
  - Of which, the old plan's subs. were 184 thousand

GigaPlans (unit: thousand)	1Q23-end	2Q23-end	3Q23-end	4Q23-end	1Q24-end	2Q24-end	3Q24-end
Subs.	928	963	995	1,041	1,069	1,084	1,085

## III - 5. Profile of New President



I am dedicated to firmly inheriting the growth trajectory we have established, further honing and demonstrating our group's greatest strength of technological capabilities, and continuously strive to enhance corporate value over the medium to long term. To achieve further business growth, I will focus on strengthening our response to cybersecurity, which is essential for the future network society, enhancing our efforts in new business areas such as data utilization, and fostering human resources that drives innovation.

Name	Yasuhiko Taniwaki
New position	Representative Director, President, Executive Officer and Co-CEO & COO (scheduled for Apr. 1, 2025)
Birth of date	Sep. 11, 1960
Career	<p>Apr. 1984    Joined the Ministry of Posts and Telecommunications (now, the Ministry of Internal Affairs and Communications "MIC")</p> <p>Jun. 2013    Deputy Director-General for the National Center of Incident, Readiness and Strategy for Cybersecurity (NISC) and Councilor for the Cabinet Secretariat</p> <p>Jun. 2016    Director-General of the Global ICT Strategy Bureau, MIC</p> <p>Jul. 2017    Director-General for Information Security, MIC</p> <p>Jul. 2018    Director-General of the Telecommunications Bureau, MIC</p> <p>Dec. 2019    Vice-Minister for Policy Coordination of Posts and Telecommunications, MIC</p> <p>Mar. 2021    Resigned from MIC</p> <p>Jun. 2022    Executive Vice President and Director of IIJ</p> <p>Apr. 2024    Member of the Board, Executive Vice President and Executive Officer of IIJ (current position)</p> <p>Apr. 2025    Representative Director, President, Executive Officer and Co-CEO &amp; COO of IIJ (scheduled)</p>
Number of Shares Owned	5,912 as of the end of Sep. 2024

### ◆ Profile

- Joined the Ministry of Posts and Telecommunications in 1984. Involved in NTT's restructuring and led the telecommunications administration in the 2000s, including the formulation of a roadmap for Japan's information and telecommunications policy and a reform plan for the cellular phone industry.
- Appointed Vice-Minister for Policy Coordination of Posts and Telecommunications, MIC. Promoted policies such as lowering cell phone charges.
- After appointed Executive Vice President of IIJ, contributed to business expansion related to cybersecurity and digitalization of government & enterprises, etc.

### ◆ Publications

The Future of the Internet  
(Nikkei BP)



Cybersecurity  
(Iwanami Shoten)



Who Rules the Internet?  
(Nikkei BP)



# FY24 Financial Targets and Dividend Forecast (Excerpt from Aug. 2024 disclosure material)

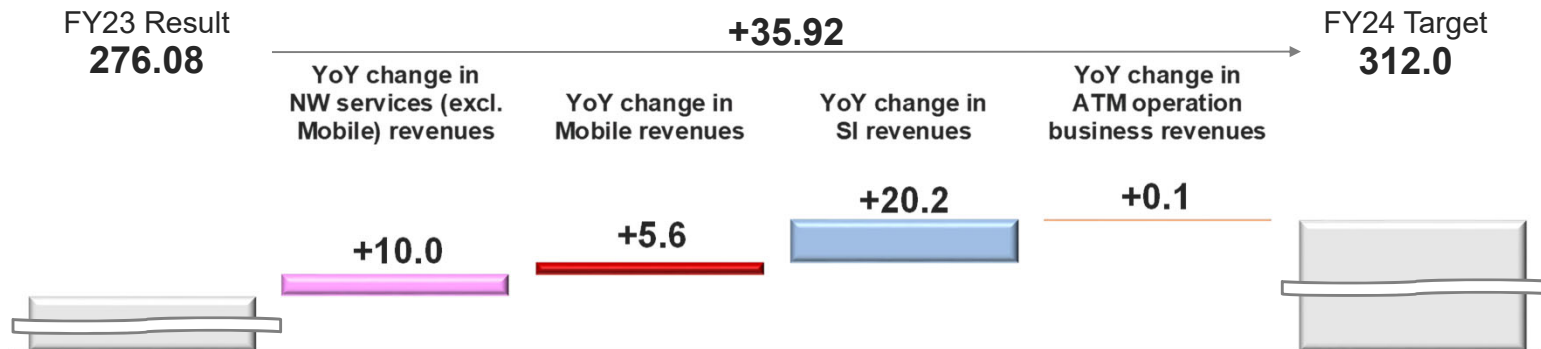
	FY24 New targets Revised in August, 2024				FY24 Previous targets Announced in May, 2024			
	% of total revenue		% of total revenue		% of total revenue		% of total revenue	
	1H24 Targets	YoY	FY24 Targets	YoY	1H24 Targets	FY24 Targets	1H24 Targets	FY24 Targets
Total Revenue	147.0	+14.7%	312.0	+13.0%	142.0 ~ 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 ~	¥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"> <li>Effective from Apr. 2024, a significant increase in license costs due to price structure changes in VMware licenses</li> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>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</li> <li>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)</li> </ul>

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"> <li>Revenue to grow by recurring revenue accumulation &amp; Service Integration particularly in 2H24</li> <li>Expect mobile services to achieve revenue &amp; profit growth without the onetime cost reduction of data connectivity (FY23: approx. +0.1 bn)</li> <li>VMware-related price revision to be added sequentially from the beginning of 3Q24</li> </ul>					
◆ SI:					
<ul style="list-style-type: none"> <li>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</li> <li>VMware-related price pass-through to be added sequentially from 1-2Q24</li> </ul>					
◆ 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)					

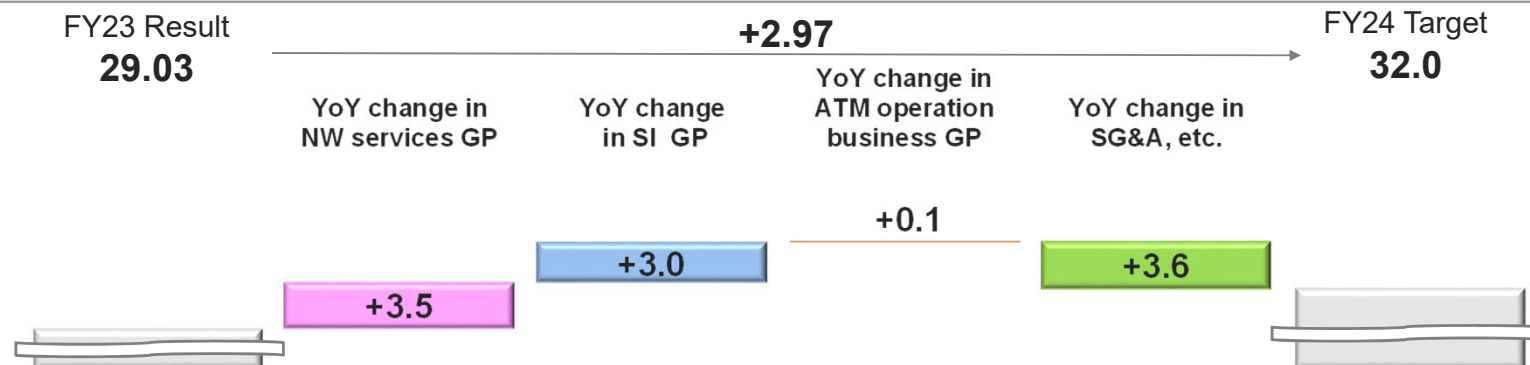
• SG&A etc. represents the sum of SG&A, which includes R&D expenses, and other income/expenses

## 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)

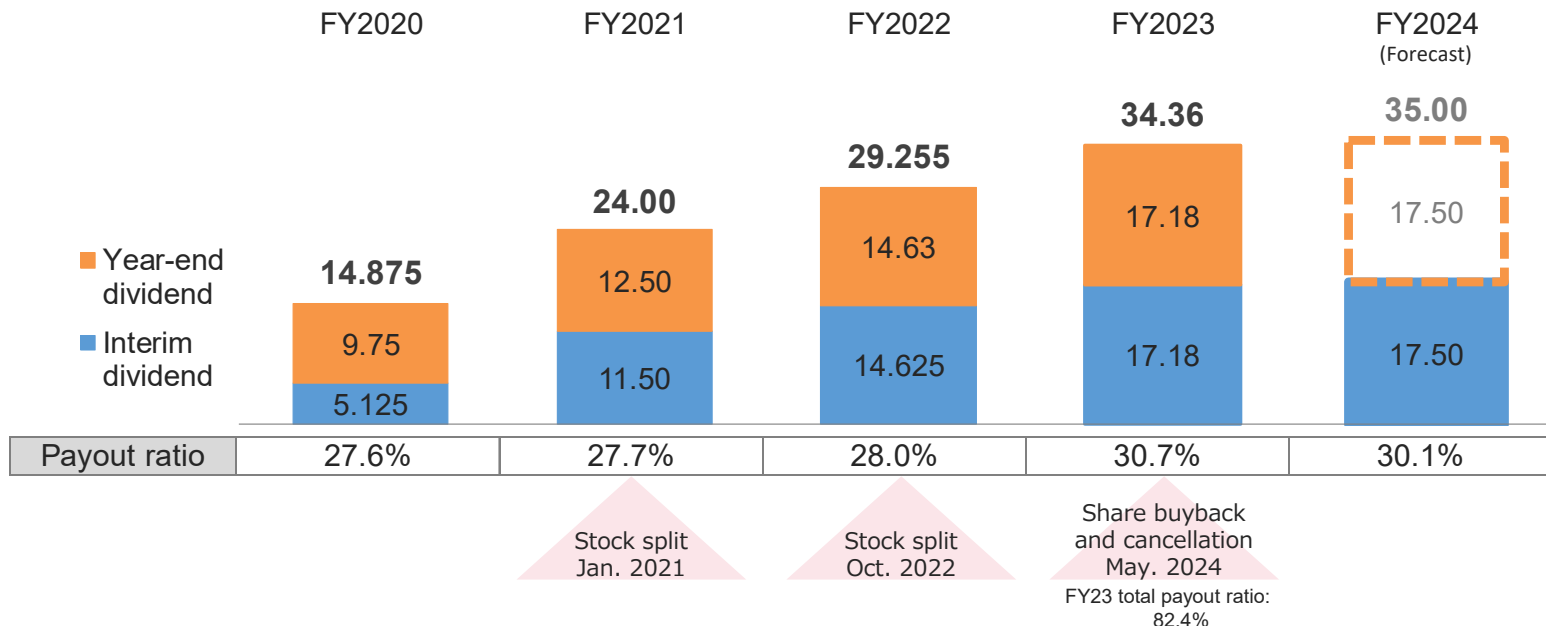
## Operating profit



- 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



- ◆ **Basic shareholders' return policy:**  
Continuous and stable dividend payment while considering the need to have retained earnings for the enhancement of financial position, mid-to-long term business expansion and future investment
- ◆ **Dividend per share:**

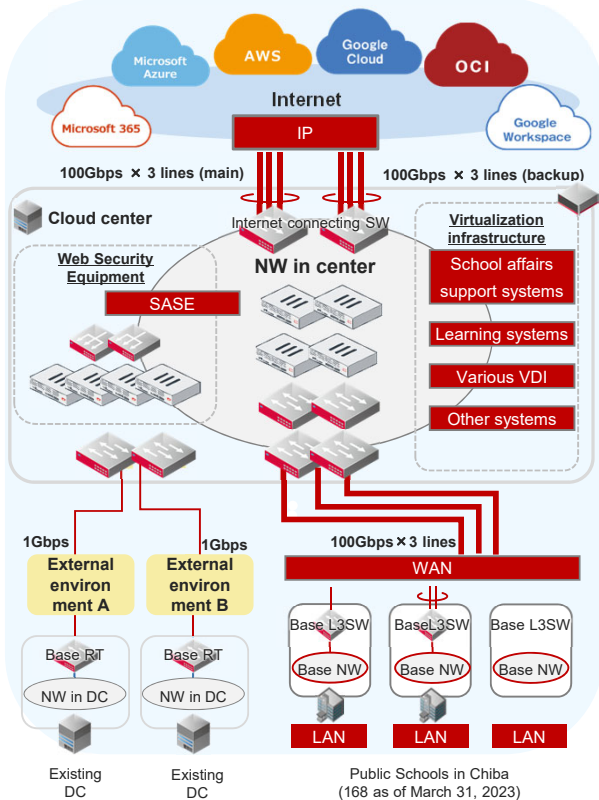


- Dividend per share is written on the post-stock-split basis
- FY21 payout ratio: adjusted payout ratio is around 30% which is calculated by deducting temporary and non-cash transaction such as valuation on funds and impairment loss
- FY22 payout ratio takes the retrospective application of IAS 12 "Income Taxes" into consideration
- FY23 payout ratio takes the share buyback with cancellation which took place in May 2023 into consideration

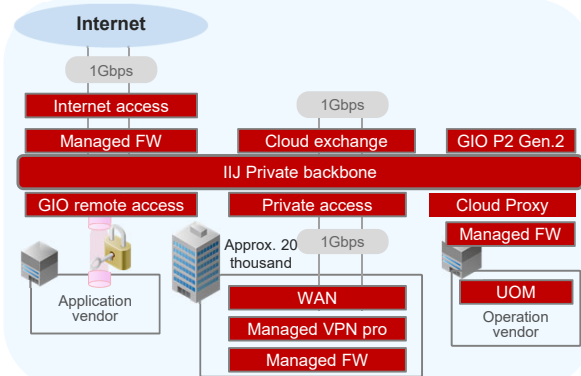
# Acquired large-scale Service Integration projects

Services provided by IJ  
SI provided by IJ

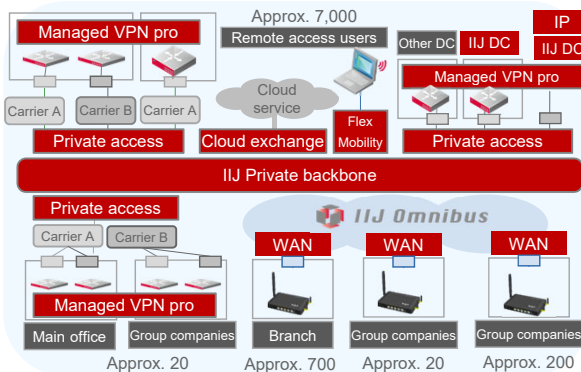
## Educational Information NW for Chiba city



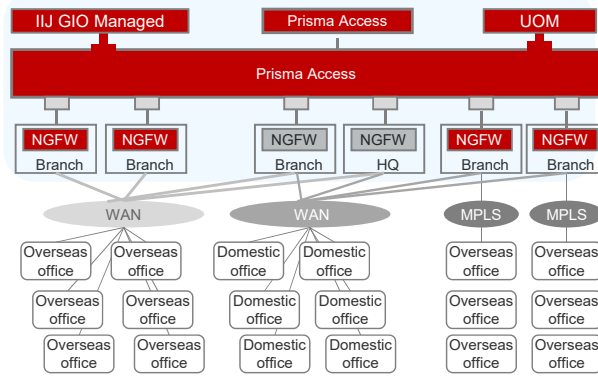
## Integrated information system for public safety org.



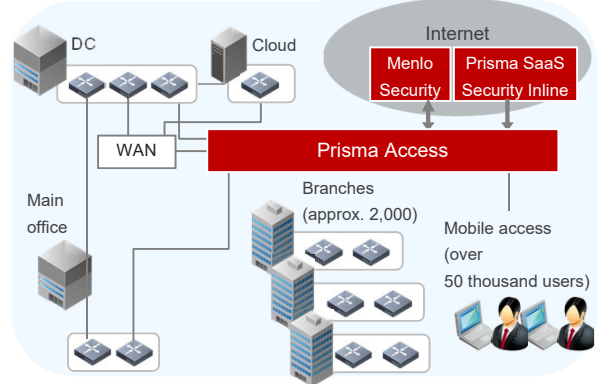
## Total NW project for a prominent company group



## Large-scale SASE project for a global company



## Large-scale NW renewal for a financial institution



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

# 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							<b>Announced in Mar. 2024</b> To be fixed around the end of Dec. 2025 ¥12,862 -14.5% 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	<u>¥19,979</u> -26.1% YoY	<b>Fixed in Dec. 2024</b> <u>¥15,042</u> -24.7% YoY	Slight decrease in the unit price	(*) Impacted by the revision of allocation criteria for voice & data transmission services	
Old							<b>Announced in Mar. 2023</b> ¥15,644 -21.7% YoY	¥13,084 -16.4% YoY	¥11,255 -14.0% YoY
							<b>Announced in Mar. 2022</b> ¥20,327 -24.8% YoY	¥15,697 -22.8% YoY	¥13,207 -15.9% YoY
							<b>Announced in Apr. 2021</b> ¥28,385 -23.9% YoY	¥22,190 -21.8% YoY	¥18,014 -18.8% YoY
							<b>Announced in Mar. 2020</b> ¥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

# Mobile service for consumers “IIJmio Giga Plan”

- ◆ IIJmio awarded No. 1 overall satisfaction in the Oricon Customer Satisfaction® Survey for low-cost SIM & mobile device sets

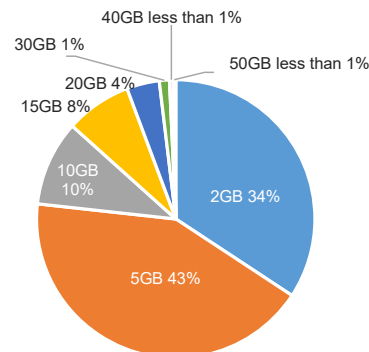
## IIJmio “Giga Plan”

\* Scheduled slight price revision in Mar. 2025

2GB	With voice	¥850
	Data-only	¥740
5GB	With voice	¥990 to ¥950
	Data-only	¥900 to ¥860
10GB	With voice	¥1,500 to ¥1,400
	Data-only	¥1,400 to ¥1,300
15GB	With voice	¥1,800
	Data-only	¥1,730
20GB to 25GB	With voice	¥2,000
	Data-only	¥1,950
30GB to 35GB	With voice	¥2,700 to ¥2,400
	Data-only	¥2,640 to ¥2,340
40GB to 45GB	With voice	¥3,300
	Data-only	¥3,240
50GB to 55GB	With voice	¥3,900
	Data-only	¥3,840

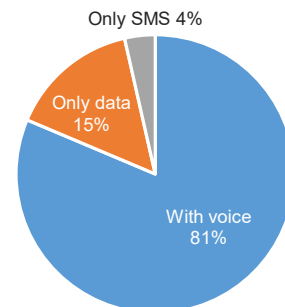
## GigaPlans: by data plans

As of Dec. 31, 2024



## GigaPlans: by plans

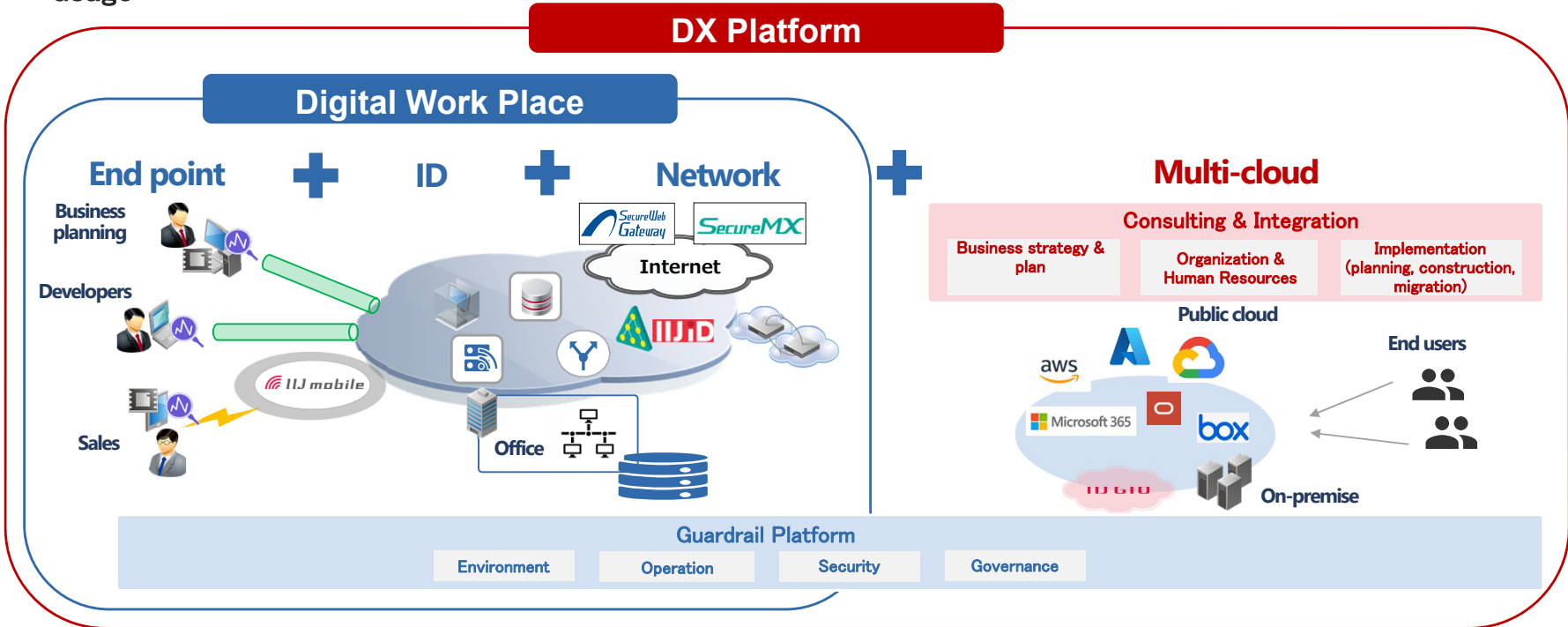
As of Dec. 31, 2024



\* Low-cost smartphones' ranking: The survey was conducted on users who purchased a SIM card and a SIM-free handset at the same time (including transfers from other companies) at official MVNO and carrier sub-brand websites or stores in 2023 or later, set up the handset, and are currently using the handset as their main phone. The survey asked the current main users about their satisfaction with nine evaluation items, including the subscription process, ease of initial setup, handset lineup, etc.

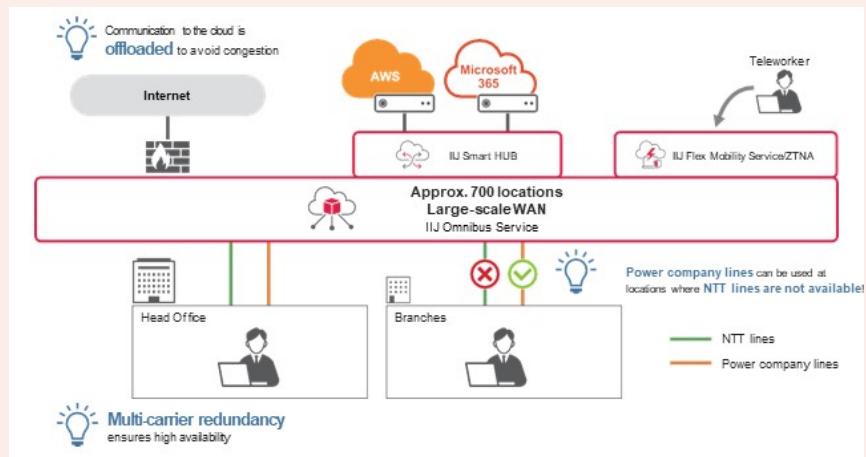
Appendix From “Digital Work Place” to “DX Platform”

- ◆ Promoting “DX Platform” as a new concept which expands from office IT DX “Digital Work Place” to broader business domain
- ◆ Launching new services sequentially that support planning, implementation, and operation of multi-cloud usage



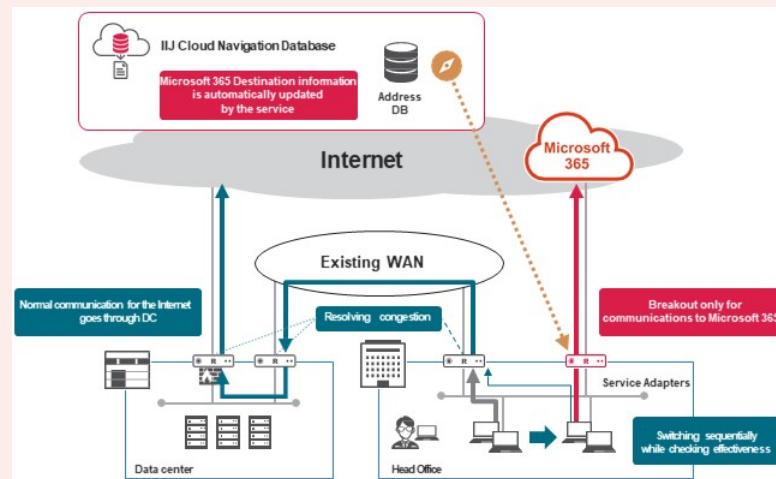
## Major railway company


- ◆ Transformed its group network to promote DX
- ◆ Enhanced network speed at approx. 700 locations and resolved congestion in SaaS communications
- Implemented services & solutions introduced
  - IJ Omnibus Service
  - IJ Smart HUB
  - IJ Flex Mobility Service/ZTNA



## IT subsidiary of a major retailer

- ◆ Local breakout resolved communication congestion caused by Microsoft 365
- ◆ Optimal approach resulting from discussions in effective workshop
- Implemented services & solutions introduced
  - IJ Sketch & Draw Workshop
  - IJ Cloud Navigation Database
  - IJ Omnibus Service
  - IJ FiberAccess/U Service





**【Reference】**  
**Presentation material for company overview**  
**P. 30 ~ P. 49**

## 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

5,206 (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 Dec. 31, 2024

• Large shareholders are as of Sep. 30 2024, except for Global Alpha whose holding is based on their Change of Major Shareholding Report filing as of Oct. 2024



# 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: 10,653,115 shares (6.0%)\*
- \*Suzuki's share includes his indirectly wholly owned private company portion
- Date of birth: September 1946

## Eiji Katsu

- President, Representative Director and co-CEO & COO
- Career: Vice Minister of Finance
- Holdings of IJ shares: 222,376 shares (0.1%)
- Date of birth: June 1950

## Satoshi Murabayashi

- Executive Vice President and Director
- 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: 8,914 shares (0.0%)
- Date of birth: November 1958

## Yasuhiko Taniwaki

- Executive Vice President and Director (Apr. 2025- Representative Director, President, Executive Officer and Co-CEO & COO)
- Career: Vice-Minister for Policy Coordination of Posts and Telecommunications at the Ministry of Internal Affairs and Communications (MIC)
- Holdings of IJ shares: 5,912 shares (0.0%)
- Date of birth: September 1960

\*Holdings of IJ shares are as of Sep.30, 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)

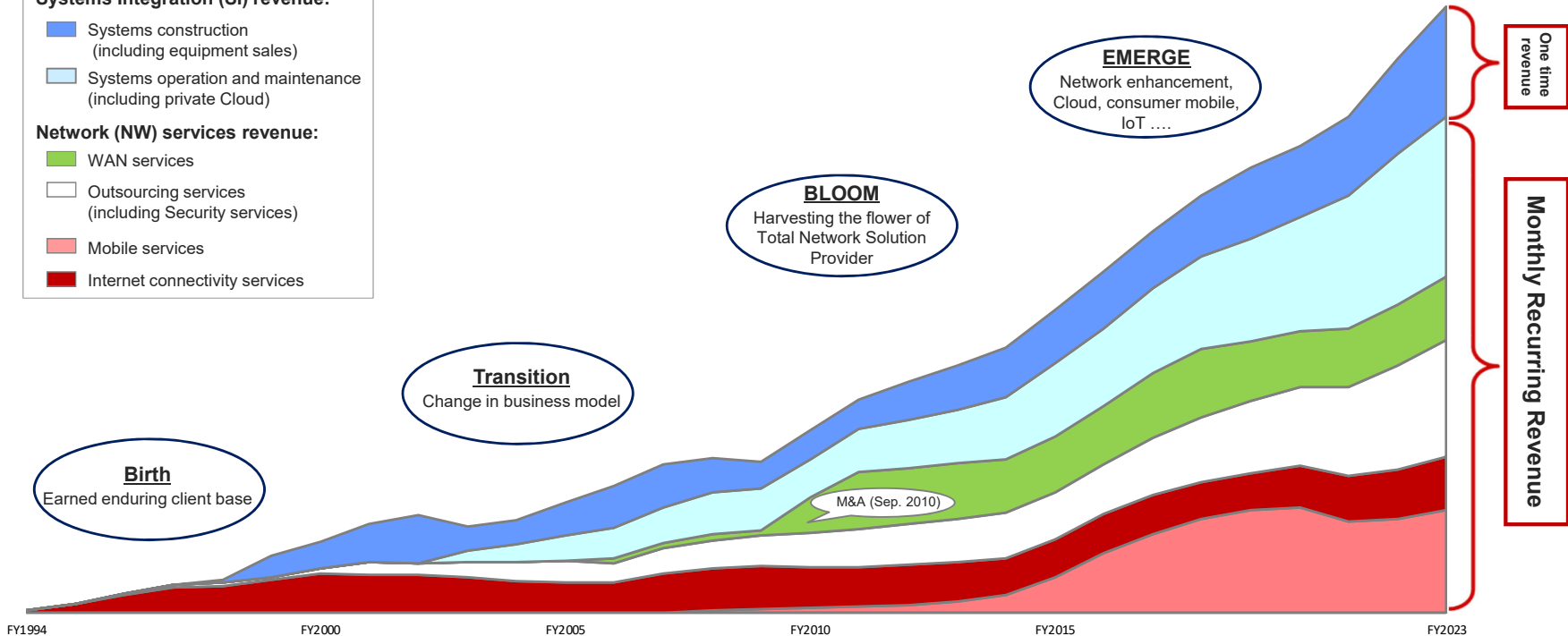
- M. Tobita
- M. Tanaka (Ms.)
- T. Michishita (Outside, attorney)
- K. Aso (Ms.) (Outside, CPA)

## ◆ 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.

# From ISP to Total Network Solution Provider

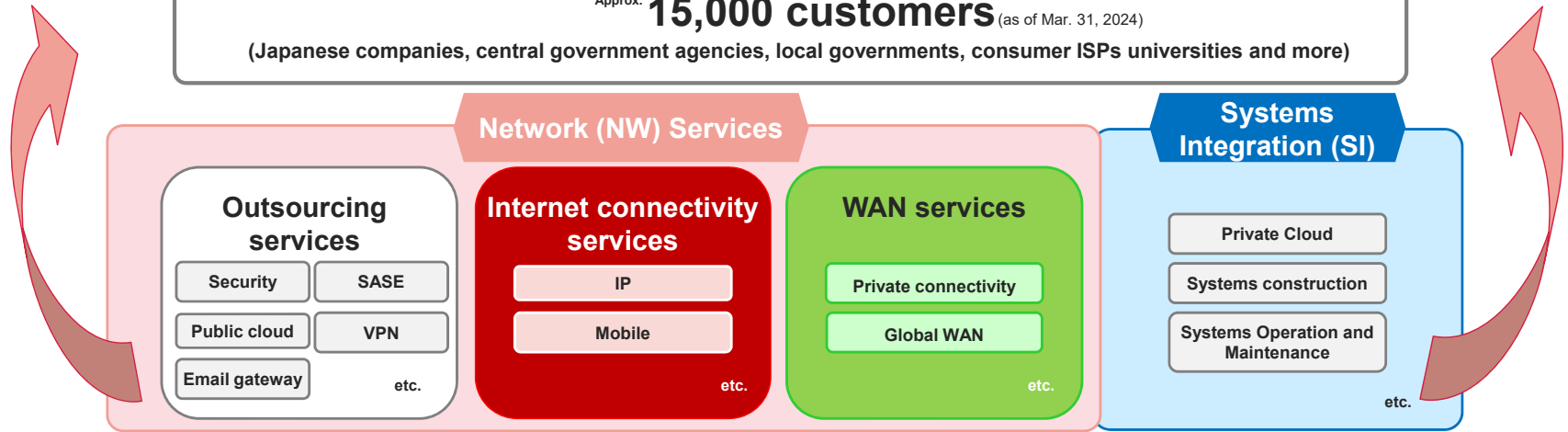
- Systems Integration (SI) revenue:**
- Systems construction (including equipment sales)
  - Systems operation and maintenance (including private Cloud)
- Network (NW) services revenue:**
- WAN services
  - Outsourcing services (including Security services)
  - Mobile services
  - Internet connectivity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



# IJ as a Total Network Solution Provider

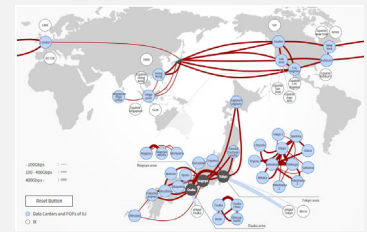
Offers various network services and systems integration together in many projects

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



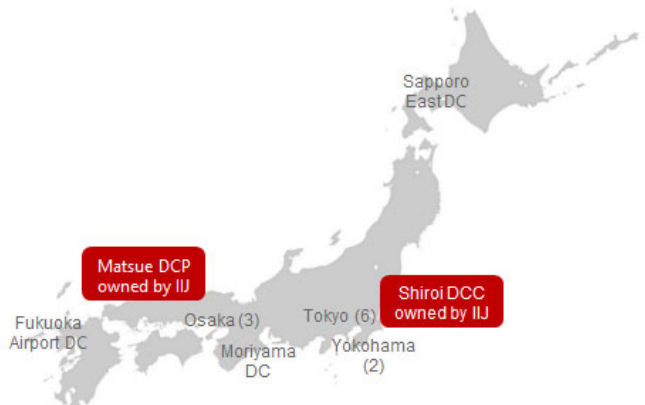
## Major cost components of Network services (mostly non-revenue linked cost)

- 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



# Data center (DC)

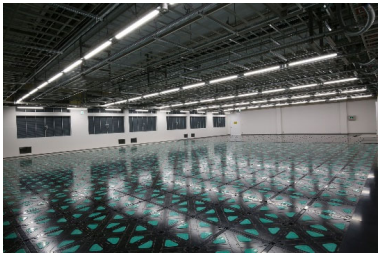
- ◆ Operate 16 DCs in Japan, 2 of which are owned by IIJ (as of Dec. 2024)
  - Expanding own DC capacity along with growing demands for IIJ services
  - Expect higher efficiency by gradually migrating leased DC spaces to own DCs



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

### ◆ 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

# 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"> <li>Core service providing from the foundation</li> <li>Highly reliable dedicated connectivity services for enterprise (multi-carrier, redundancy etc.)</li> <li>Contracts are based on bandwidth</li> <li>Enterprises use the service for their main Internet line</li> </ul> </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"> <li>Core service providing from the foundation</li> <li>Highly reliable dedicated connectivity services for enterprise (multi-carrier, redundancy etc.)</li> <li>Contracts are based on bandwidth</li> <li>Enterprises use the service for their main Internet line</li> </ul>	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"> <li>Matured market (hard to entry)</li> <li>Blue-chip client base</li> <li>Expect the revenue to continuously increase along with traffic volume and contracted bandwidth increase</li> </ul> </td> </tr> </table>	IP	<ul style="list-style-type: none"> <li>Matured market (hard to entry)</li> <li>Blue-chip client base</li> <li>Expect the revenue to continuously increase along with traffic volume and contracted bandwidth increase</li> </ul>
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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"> <li>Inexpensive SIM services (mainly data),</li> <li>Direct sale (via IJ web), Indirect sale (via sales partners such as retailers)</li> </ul> </td> </tr> </table> <p>(Others) Broadband Internet services and email services for households etc.</p>	Mobile	21.96	<ul style="list-style-type: none"> <li>Inexpensive SIM services (mainly data),</li> <li>Direct sale (via IJ web), Indirect sale (via sales partners such as retailers)</li> </ul>	<table border="1"> <tr> <td>Mobile</td> <td> <ul style="list-style-type: none"> <li>Expect infrastructure utilization &amp; profitability to improve by gathering various traffic such as IoT/enterprise/consumers</li> <li>Enterprise: Expect the demand to increase in the mid-to-long term</li> <li>Consumer: Maintain and increase market share subscription with GigaPlans in competitive market</li> </ul> </td> </tr> </table>	Mobile	<ul style="list-style-type: none"> <li>Expect infrastructure utilization &amp; profitability to improve by gathering various traffic such as IoT/enterprise/consumers</li> <li>Enterprise: Expect the demand to increase in the mid-to-long term</li> <li>Consumer: Maintain and increase market share subscription with GigaPlans in competitive market</li> </ul>								
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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"> <li>Have been developing services based on Zero Trust concept</li> <li>Acquire enterprise demand by cross-selling services.</li> <li>Continuous service development is important</li> <li>Demands for security and remote access to increase continuously</li> </ul>							
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"> <li>Expect great business opportunity in the mid-to-long term as internal IT systems migrate to Cloud</li> <li>Revenue to increase continuously along with accumulation of construction projects</li> </ul>						
	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"> <li>Increase in large-scale complex projects as enterprises' private NW and systems are renewed</li> <li>Through providing SI, offer greater value as IoT and Cloud usage penetrate</li> </ul>													

Monthly Recurring Revenue

81%

One time revenue

# Monthly Recurring Revenue Accumulation

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

About IJ

Business Model

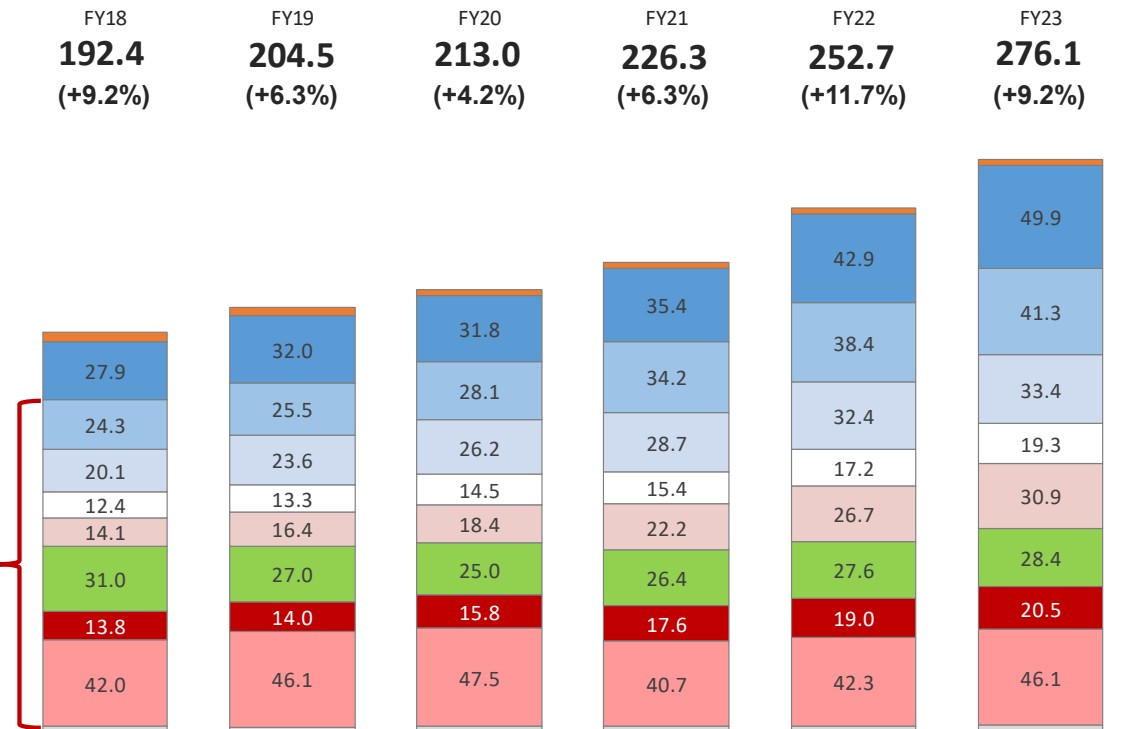
Strength

Growth 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



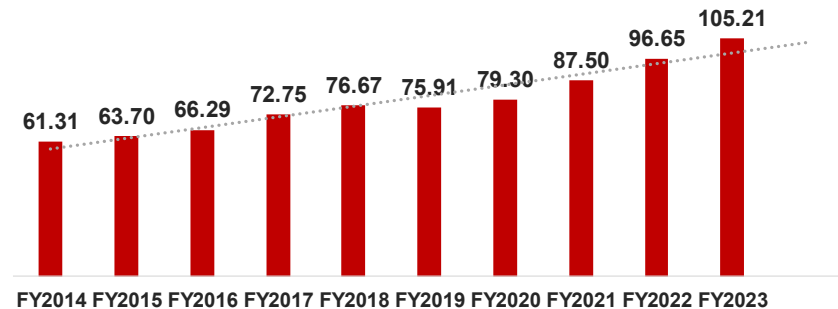
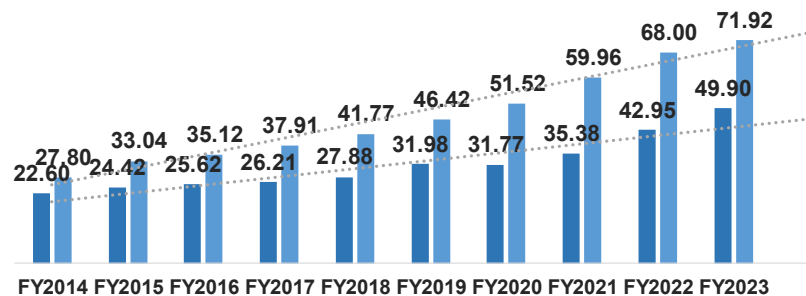
- Mobile revenue decreased year over year in FY21 due to ARPU decrease for consumers and change in unit charge for MVNE clients
- Systems construction and systems operation & maintenance revenue increase for FY21 includes PTC revenue which became IJ's consolidated subsidiary from Apr. 2021
- During FY20,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

# Expanding economies of scale by Service Integration

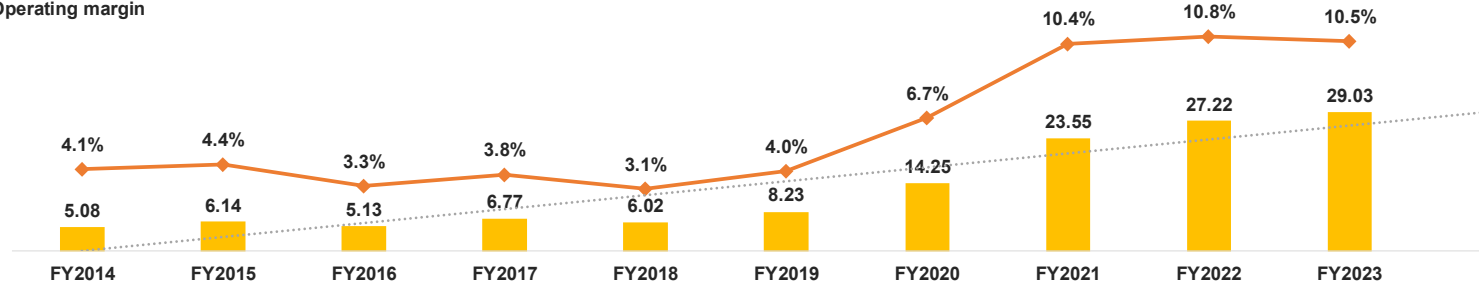
Unit: ¥ (JPY) billion  
 ..... approximate curve

- Systems construction revenues (including equipment sales)
- Systems operation & maintenance revenues

- NW service (excluding mobile) revenues



- Operating profit
- Operating margin



Consistent investment & service development

The acceleration of Japanese enterprise DX triggered by the COVID-19

Expanding economies of scale by leveraging current business assets

\* Until FY2016: US-GAAP, from FY2017: IFRS

# 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%								
NW service gross margin	16.6	5.1	19.5	6.8	17.4	6.0	19.9	8.2	27.2	14.2	35.6	23.5	38.1	27.2	43.5	29.0
Operating margin	16.5	20.7	15.1	15.2	15.2	16.1	20.8	22.5								
CAPEX	12.6	9.4	9.4	9.6	8.8	9.1	10.0	13.2								
NW services, etc.	3.6	7.9	1.9	2.6	2.8	2.3	2.0	1.5								
Cloud	-	1.2	2.1	2.0	1.5	1.5	5.4	5.5								
Shiroy DC	0.3	2.3	1.7	1.0	2.0	3.2	3.4	2.3								
SI, others	10.9	12.1	13.9	14.4	14.5	15.1	15.3	15.6								
CAPEX-related depreciation and amortization	3,104	3,203	3,353	3,583	3,805	4,147	4,451	4,803								
Number of employees																

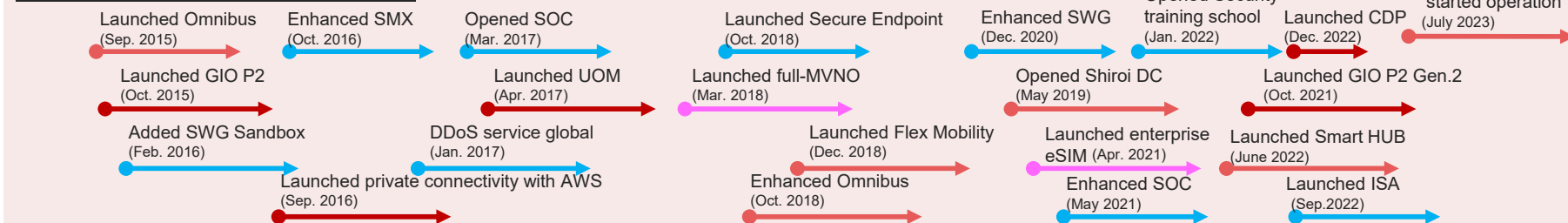
Stronger demands for enterprise network services

Large CAPEX increase due to aggressive business investment

CAPEX & its depreciation almost same volume (excl. DC)

Cost stabilizing

## Various Network Services Asset

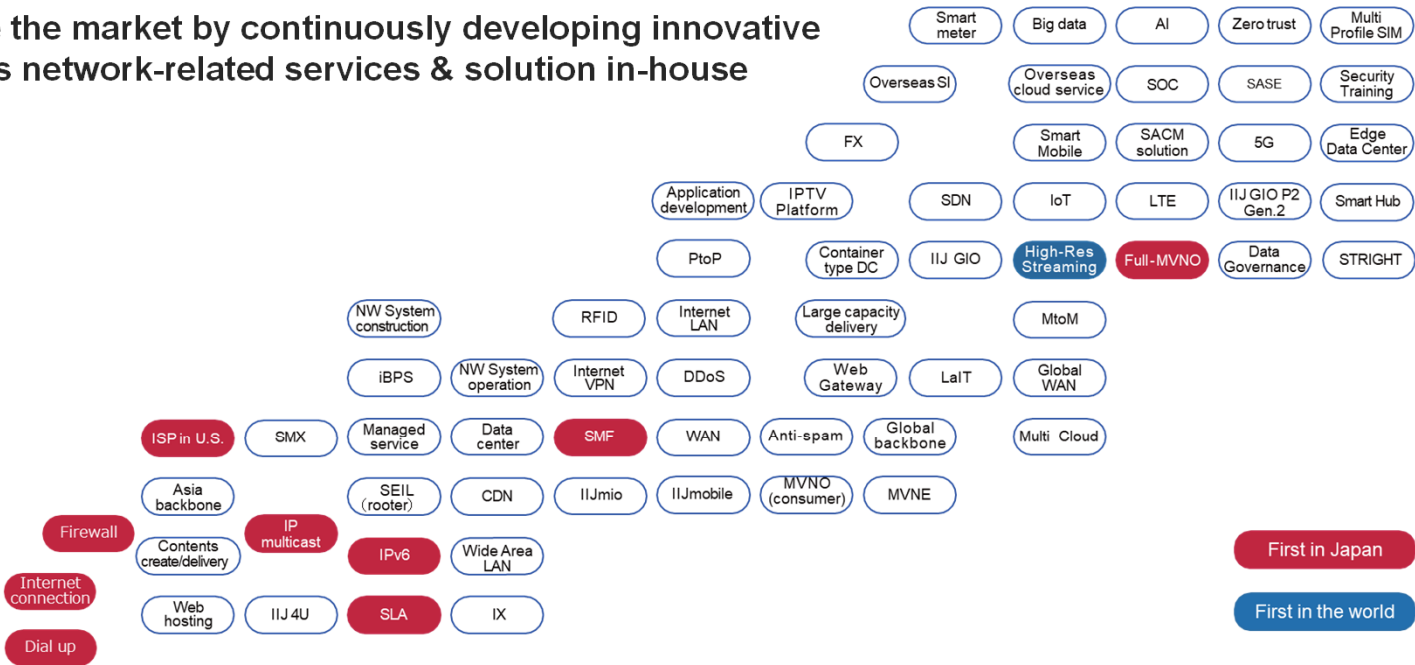


• FY16: US-GAAP, from FY17: IFRS  
 • CAPEX-related depreciation and amortization is calculated by excluding depreciation and amortization of assets that do not have the nature of capital investment, such as right-of-use assets related to operating leases, small-amount equipment and customer relationship  
 © Internet Initiative Japan Inc.



# Service & Solution Development Capability

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



1992



2000



2010



2024



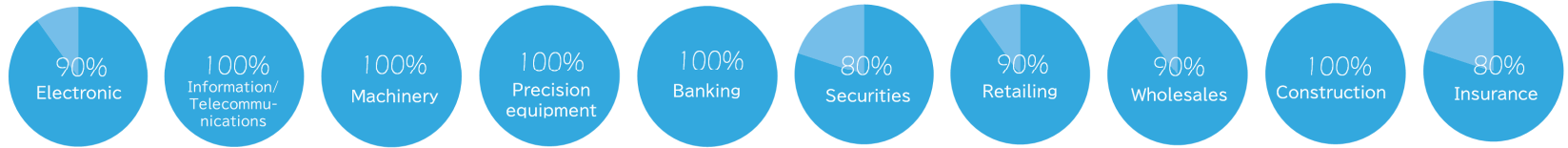
IIJ Group



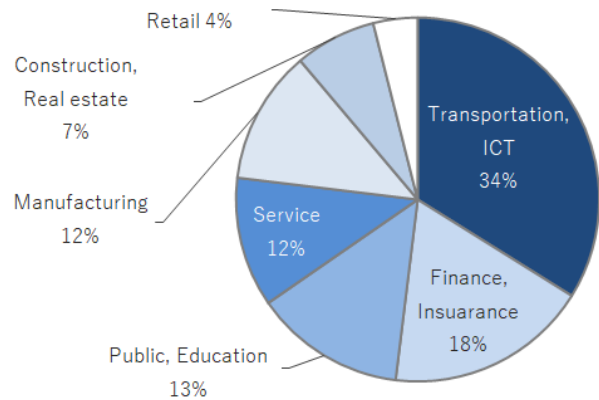
# Excellent Customer Base (Number of IJ Group's clients: approx. 15,000 as of March 31, 2024)

- ◆ 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

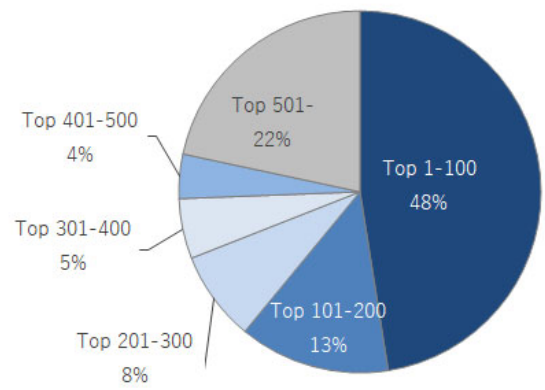
## Cover Most of Top Revenue Companies



## 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

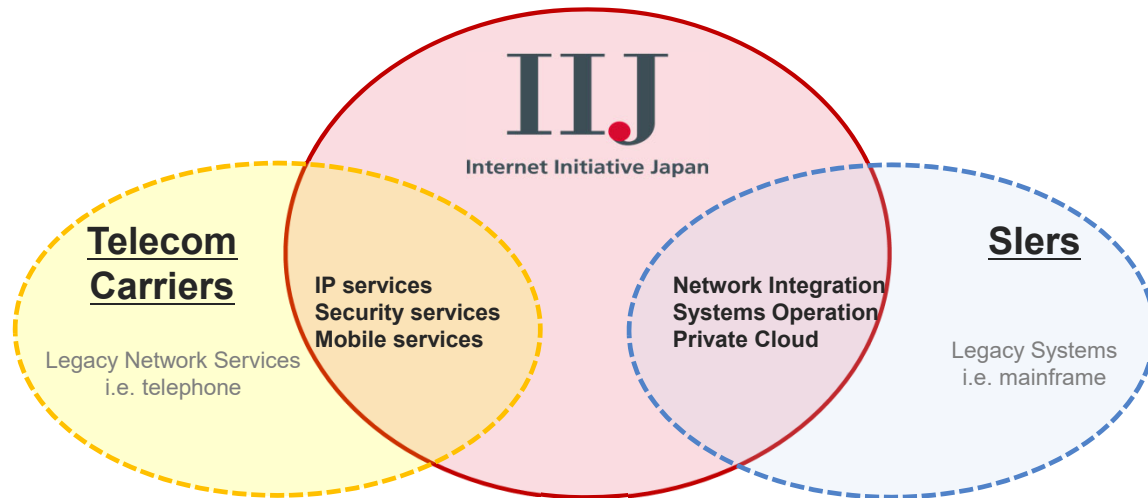
# Competitive Advantages

## 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

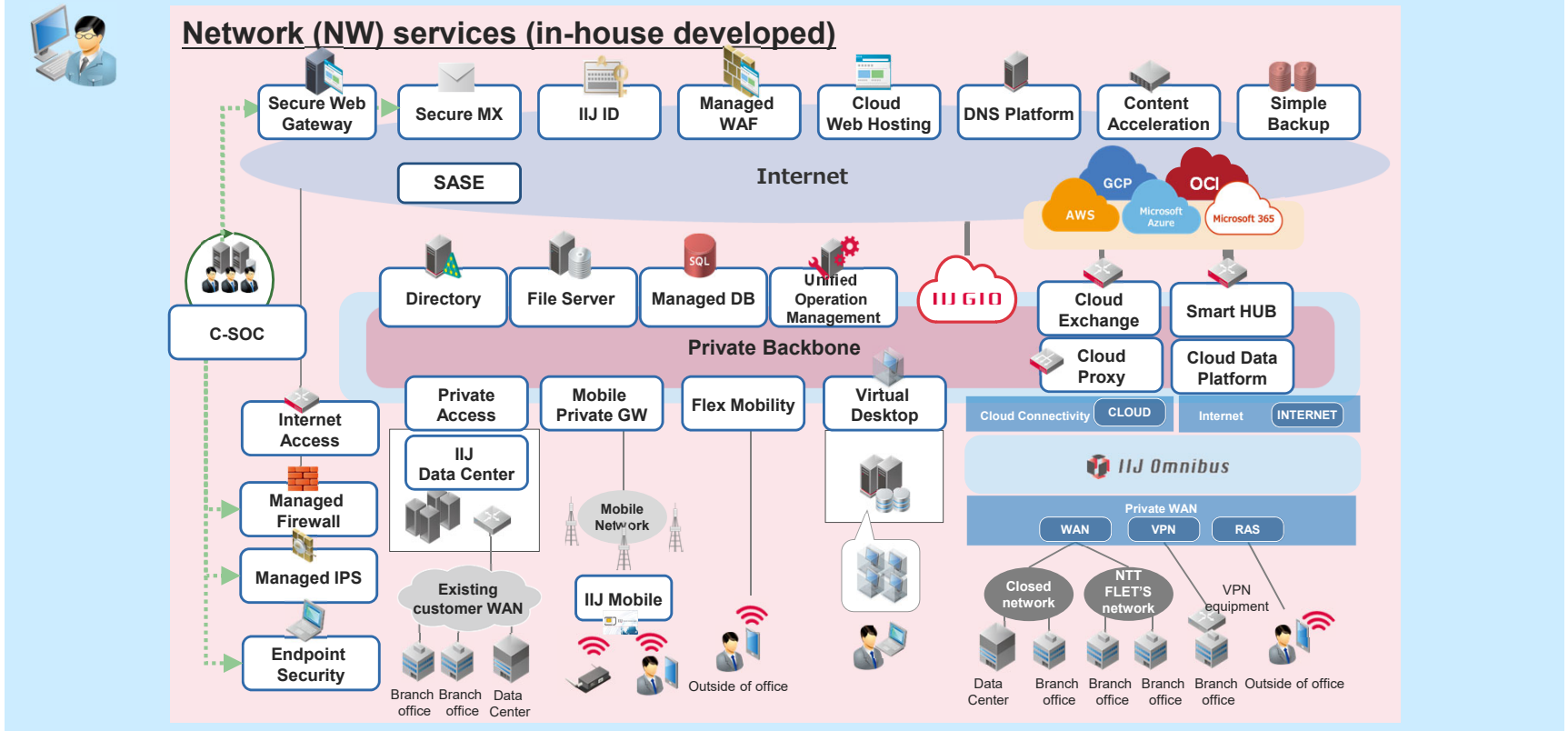
- Operates one of the largest Internet backbone (Slers do not)
- Has NW services asset and development capability (Slers do not)
- Focuses on Internet-related open type systems



**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



# 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
FY23 ¥276.1 bn → <b>1.4 times</b> FY26 <b>¥380.0 bn</b>	FY23 ¥29.0 bn → <b>1.6 times</b> FY26 <b>¥46.0 bn</b>	FY23 ¥19.8 bn → <b>1.5 times</b> over FY26 <b>¥30.0 bn</b>	FY23 16.3% → <b>+2.7 pt.</b> FY26 <b>19%</b>	FY23-end 4,803 → <b>1.3 times</b> FY26-end around <b>6,100</b>

## Further enhancement of the existing core business area

<h3>SI as Revenue driver</h3> <ul style="list-style-type: none"> <li>Accelerate revenue growth by rolling out NW construction/renewal projects to various industry, enhancing account sales &amp; PM, expanding human resource</li> <li>Enhance SI project management</li> </ul>	<h3>NW service as Profit driver</h3> <ul style="list-style-type: none"> <li>Accelerate NW service accumulation through Service Integration</li> <li>Demonstrate the strength of stable NW operation in the DX era</li> </ul>
<h3>Promotion of large transactions &amp; clients</h3> <ul style="list-style-type: none"> <li>Comprehensive outsourcing of client's NW and open systems</li> <li>Add large volume revenue to the multi-industry recurring revenue base</li> <li>Stable additional profit source for the future</li> </ul>	<h3>Further enhancement of service development &amp; operation</h3> <ul style="list-style-type: none"> <li>Focus on strengthening cyber-security service development</li> <li>Respond to DX progress with DWP lineup</li> <li>Develop services that would be PF for AI, data lake, etc.</li> </ul>
<h3>Enhancement of Service Control</h3> <ul style="list-style-type: none"> <li>Higher efficiency for service development &amp; operation by new technology such as AI</li> <li>Implement appropriate pricing in response to inflation &amp; cost increase</li> </ul>	<h3>Continuous expansion of NW infrastructure Pursuit of differentiation</h3> <ul style="list-style-type: none"> <li>Construct the third site of Shiroy DC for long-term growth</li> <li>Deploy full-MVNO 5G SA</li> </ul>

## 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

Establishment and Maturity of Data-driven society

Opportunities for new data utilization

Use of generated data for various purposes

Generation of data

Distribution of data

Utilization of data

Solve social issues

### 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

<h3>Thorough expansion of Human Capital</h3> <ul style="list-style-type: none"> <li>Continuous expansion of human resources</li> <li>Develop next-generation human resources for long term growth</li> <li>Maintain &amp; enhance top-tier engineering capabilities &amp; expand that to multiple layer</li> </ul>	<h3>Enhancement of cash control</h3> <ul style="list-style-type: none"> <li>Appropriate management of increasing SI-related working capital</li> <li>Investment allocation Shiroy DC &amp; growth areas</li> <li>Increase payout ratio when the Mid-to-long Term Vision is realized</li> </ul>
<h3>Maintain &amp; improve Sustainability /Governance</h3> <ul style="list-style-type: none"> <li>Strengthen governance in line with growth</li> <li>Contribute to the productivity of future society through continuous stable NW operation</li> <li>Introduce a new executive compensation scheme linked to the new Mid-term Plan</li> </ul>	<h3>Complement growth through M&amp;As</h3> <ul style="list-style-type: none"> <li>Pursuit M&amp;A opportunities as a supplemental means of expanding domestic resources &amp; technology</li> <li>Leverage residual borrowing capability (up to ¥70.0 bn is envisioned image)</li> </ul>

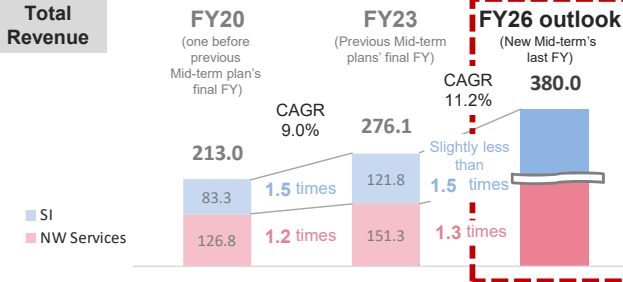
# New Mid-term Plan's Financial Outlook

Unit: ¥ (JPY) billion

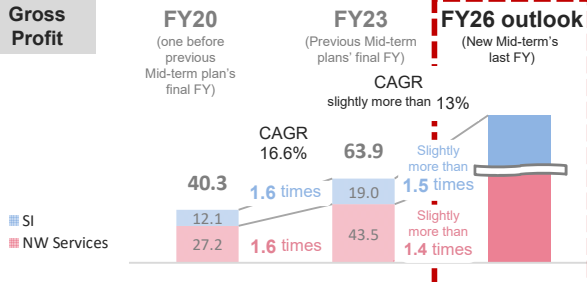
About IJ Business Model  
Strength Growth Strategy

## Breakdown image of financial outlook

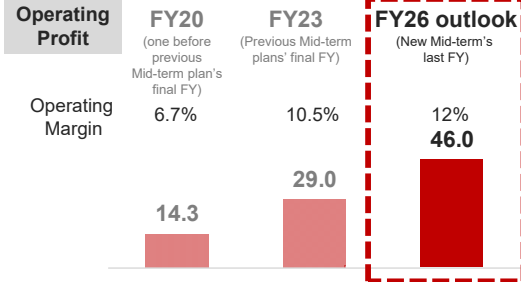
### Total Revenue



### Gross Profit



### Operating Profit



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

### Cash in

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

(\*) post-tax, pre-depreciation

### Debt

Up to approx. ¥65.0 bn

### Cash out

#### Investment: approx. ¥90.0 bn

**Ordinal NW infrastructure, etc.**  
approx. ¥51.0 bn

Stable with economies of scale

**Shiroi DC 3<sup>rd</sup> Site construction**  
approx. ¥30.0 bn

Mainly for own services

Strategic investment for new growth areas

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

### Overview

#### Shiroi DC 3<sup>rd</sup> 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

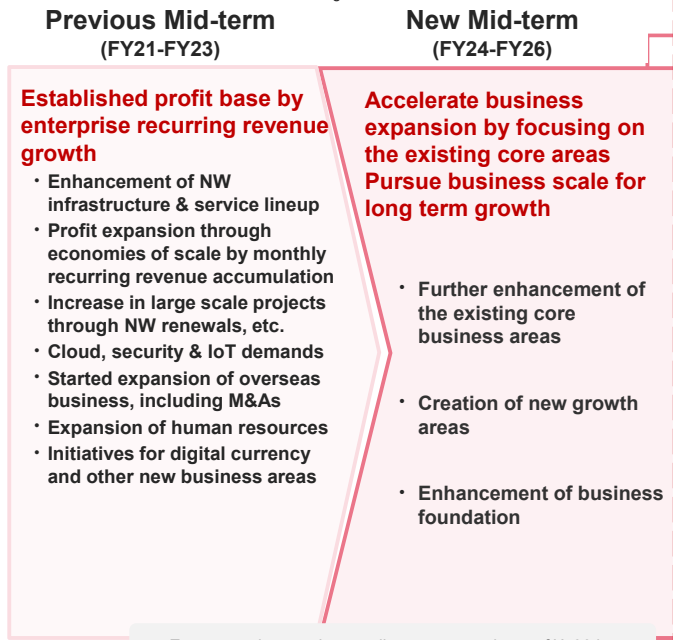
- ◆ Increase in work in process, prepayments, etc. due to an increase in large scale multi-year SI projects
  - The impact of increased working capital should gradually be reduced due to the constant revenue recognition of large scale projects

#### 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

# Mid-to-long Term Vision

The figures mentioned below are all assumed status and image



Execute actions early to realize revenue volume of ¥500 bn

<b>Targets</b> (consolidated)
Total Revenue
Operating Margin
Payout ratio

	FY23 result	FY26 target	
Total Revenue	¥276.1 bn	¥380.0 bn	¥500.0 bn
Operating Margin	10.5%	12%	12% ~ 15%
Payout ratio		30%	30% ~ 40%

## Beyond 5,000

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

**Deliver added value as an IT full outsourcer for infrastructure operation to support realization of NW society**

- Develop integrated PF to enable processing various types of data, together with security & high performance. IJ 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
- Leadership including M&As amidst a changing industry landscape
- Become leading IT service provider by leveraging domestic knowledge & SWOT in ASEAN

# Enterprise internal NW & systems in Japan becoming to change

30 years ago

IIJ covered external NW with Internet  
Carriers & Slers covered internal NW & systems

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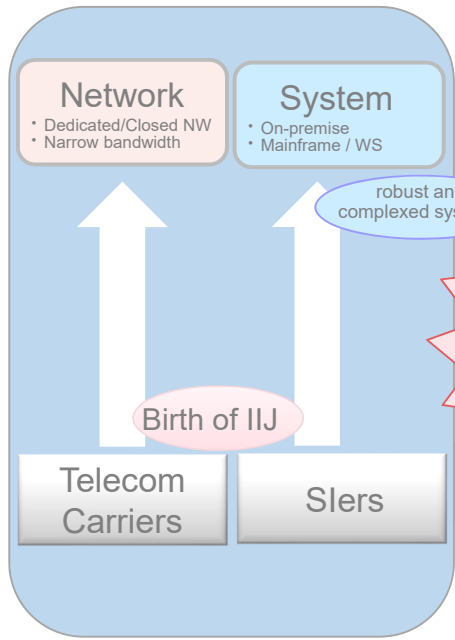
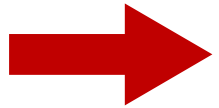
Stick to legacy NW systems

Nowadays

IIJ's opportunities rise to cover entire NW & system  
utilizing various NW functions

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Finally systems & NW began to change in Japan after the COVID-19



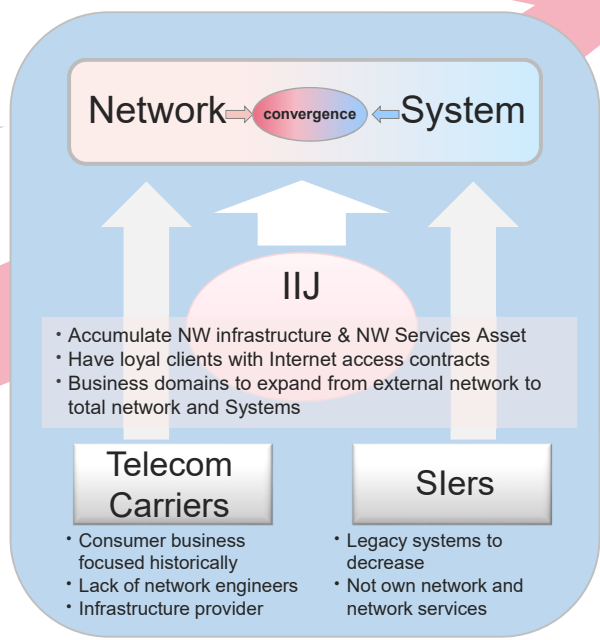
**Emergence of Internet**

robust and complexed systems

Birth of IIJ

Struggling switch to open systems

- High Speed/Capacity Network
- CPU/Storage Performance Improve
- Internet Usages Progressed
- Security for various incidents
- Gradual Cloud Shift
- Data Analysis and AI
- Preliminary IoT usages
- IT adoption at last forced by Pandemic**



- Labor shortage requires more IT
- Every CEO says DX (Digital Transformation)
- Legacy NW and Systems to be reformed
- Internet traffic continues to increase
- Cyber security demands
- Cloud systems penetration
- 5G SA adoption and advanced IoT projects
- Importance of stable operation of large-scale NW remains unchanged

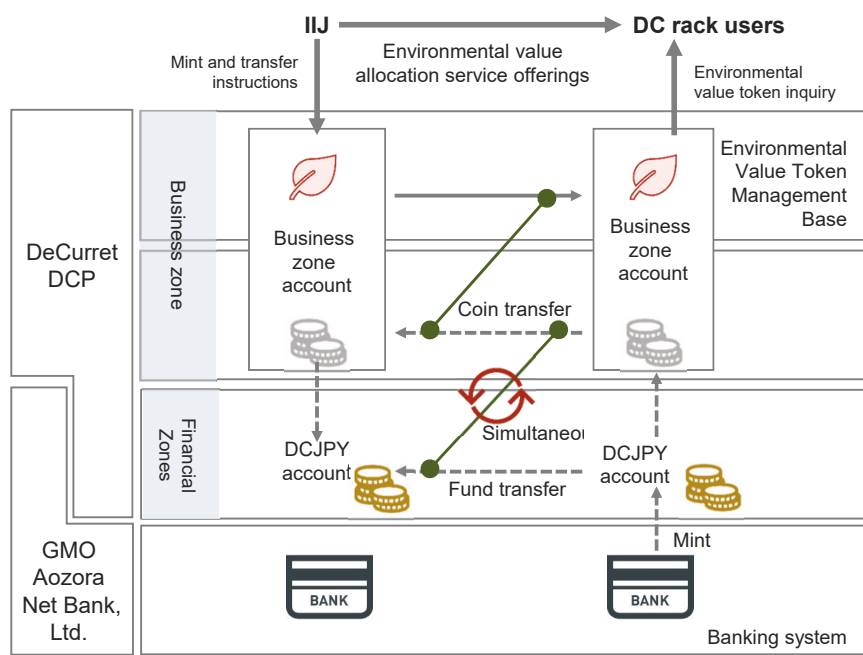


# The progress of Decurret's business

About DeCurret	
<b>DeCurret Holdings</b>	<ul style="list-style-type: none"> <li>Shareholder: 43 companies, IIJ ownership: 34.8% (an equity method investee)</li> <li>Business: Business planning and management of a digital currency business subsidiary</li> <li>Sep. 2024: Raised capital of approx. ¥6.35 bn through a third-party allotment (13 shareholders including 8 new shareholders: Hitachi, SHIZUOKA BANK, NSD, Fujitsu, Higo Bank, Kagoshima Bank, GMO Financial Holdings and ABeam Consulting)</li> </ul>
<b>DeCurret DCP</b>	<ul style="list-style-type: none"> <li>Shareholder: DeCurret Holdings 100%</li> <li>Business: Digital currency business</li> <li>Secretary for the "Digital Currency Forum"</li> <li>Focus on the core areas of digital currency issuance and management, etc., with a view to practical application, and study use cases using digital currencies</li> <li>As of Oct. 2024, there are 119 companies, organization, experts, as members and related regulatory agencies (FSA, MIC, MOF, METI, BOJ)</li> </ul>

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

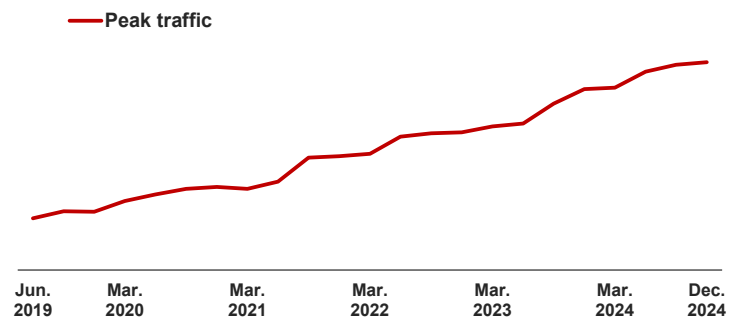
## Flow on DCJPY on the Two-tiered Digital Currency Platform



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

# Market Environment & Growth Forecast, etc.

## Historical traffic data of major domestic IX



Source: INTERNET MULTIFEED CO., IX = Internet Exchange

## SIM type MVNO market share in Japan

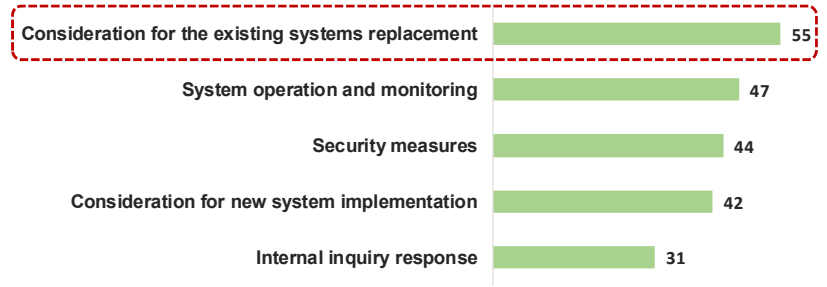
### ◆ Maintain top share in the domestic SIM-type MVNO market

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

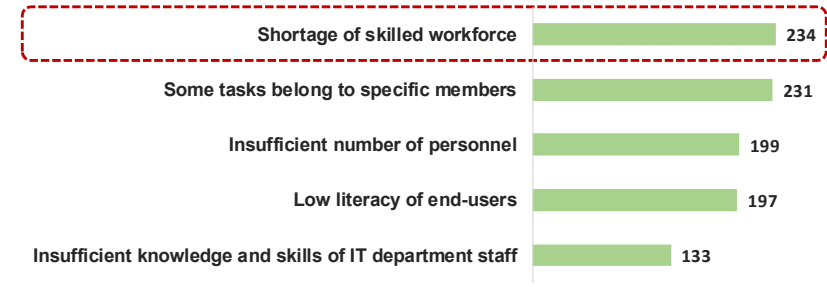
\* Source: the Ministry of Internal Affairs and Communications, NTT Docomo's figures as of Mar. 31, 2024 was formerly NTT Resonant's one

## Nationwide survey on IT department 2024

### ◆ Operation where IT department spends the most time



### ◆ Challenges for IT department



Source: Internet Initiative Japan "Nationwide survey on IT department 2024"

Questionnaire conducted by IJ since 2021 targeting information system divisions of companies, etc. Number of valid responses in 2024: 363



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.