

Corporate Overview of Internet Initiative Japan (IIJ)

Internet Initiative Japan Inc. (IIJ)

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

February and March 2025

Disclaimer

Statements made in this presentation regarding IIJ's or managements' intentions, beliefs, expectations, or predictions for the future are forward-looking statements that are based on IIJ's and managements' current expectations, assumptions, estimates and projections about its business and the industry. These forward-looking statements, such as statements regarding revenues, operating and net profitability are subject to various risks, uncertainties and other factors that could cause IIJ's actual results to differ materially from those contained in any forward-looking statement.

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- FY24 (FY2024) stands for a fiscal year ended March 31, 2025. Others alike
- 1Q24 stands for the first three months results for the fiscal year ending March 31, 2025
- Abbreviation: NW stands for network, SI stands for systems integration, DC stands for data center, HD stands for holdings, PF stands for platform, ¥ (JPY) bn stands for JPY billion, SI O/M stands for systems operation and maintenance, MRR stands for Monthly Recurring Revenue

We changed our accounting principles from the Generally Accepted Accounting Principles in the U.S. ("U.S. GAAP") to the International Financial Reporting Standards (IFRS) from the filing of FY2018 annual report "Yuka-shoken-houkokusho" which was filed on June 28, 2019. Because reporting period of foreign consolidated subsidiaries under IFRS is different from that of under U.S. GAAP, some figures disclosed in the past are different.

Executive Summary

◆Key updates

1

Expanding Business Areas with Japanese Enterprises' Network Progress

- Finally, legacy Japanese enterprises' closed internal network move to combined NW & system incorporating Internet technology
- Seeing strong NW re-construction demands which occur along with life-cycle of each network (every 4-5 years)
- Our business areas expand into internal NW construction and maintenance from external gateway

2

Capturing Large Scale Network Construction projects with MRR from them gradually increasing

- Recent strong track record of large-scale NW constructions
- Replacing transactions from legacy carriers and systems integrators
- Combine NW construction in front and our monthly recurring NW Services offering thereafter
- MRR 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

3

Expect Large Business Expansion during the New Mid-Term Plan and Thereafter

- Continue to pursue and enhance current business strategy
- The New Mid-Term plan started from FY24 with high revenues CAGR
- The New Mid-Term FY26 target ¥380bn of revenues : 1.4 times from FY23·12% CAGR approx., ¥46bn of OP : 1.6times from FY23
- SI to become strong revenues driver, NW services to contribute as profit driver

4

To Become Network & System Operation Full Outsourcer with Sticky and Large Clients Bases

- To cover IT demands expansion, population decline in Japan, cyber attacks preventions etc.
- Ability of stable/reliable NW and systems operations to become critical differentiation
- Required continuous human resources enhancement

1 Enterprise internal NW & systems in Japan becoming to change

30 years ago

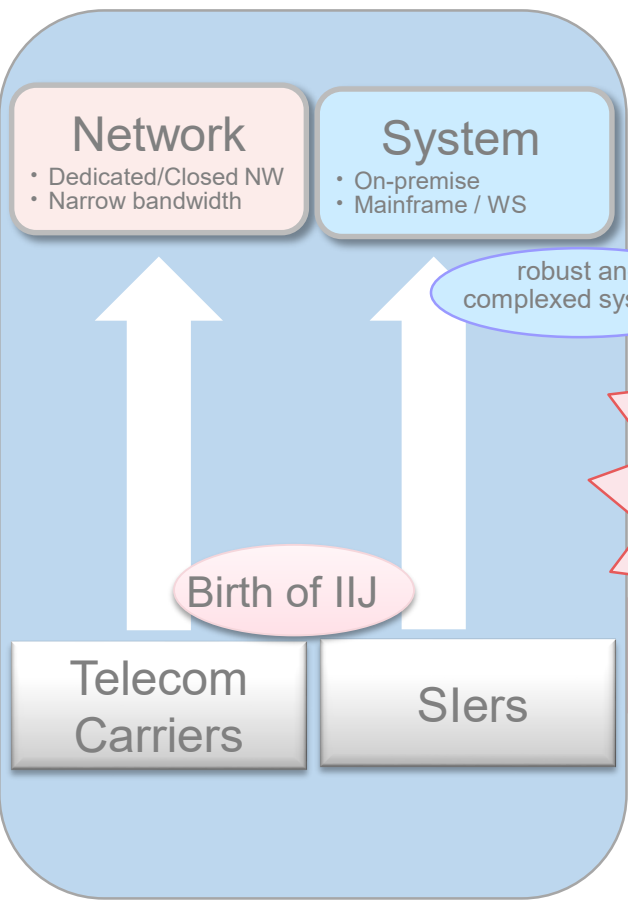
IJ covered external NW with Internet Carriers & Slers covered internal NW & systems

Stick to legacy NW systems

Nowadays

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

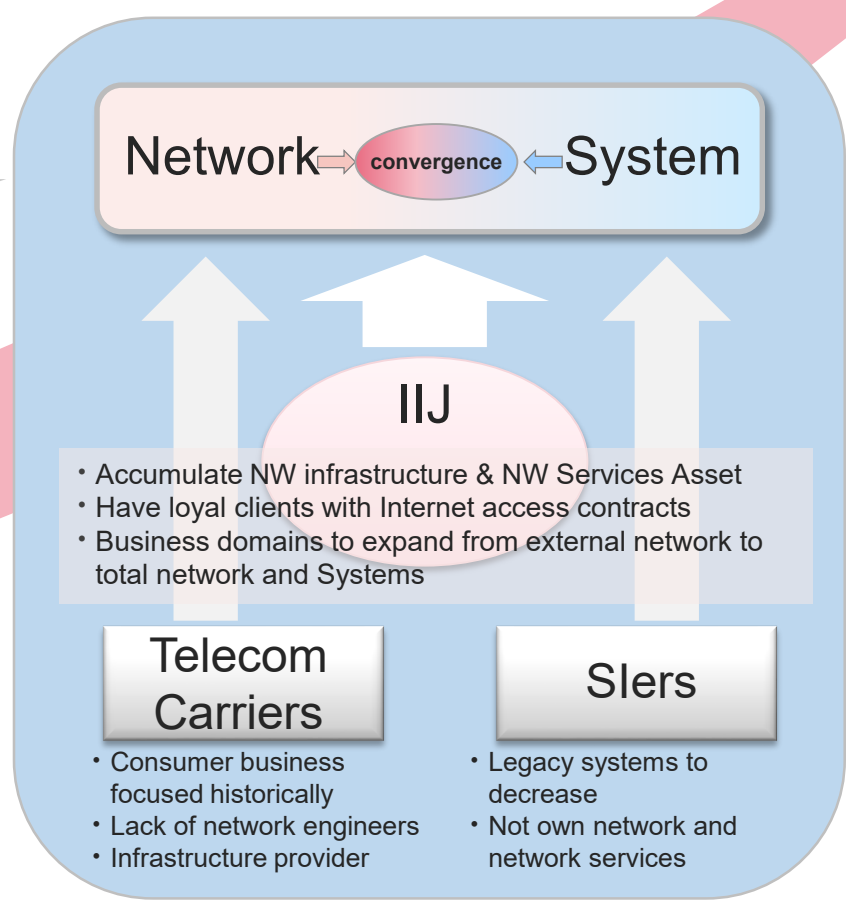
Finally systems & NW began to change in Japan after the COVID-19



Emergence of Internet

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

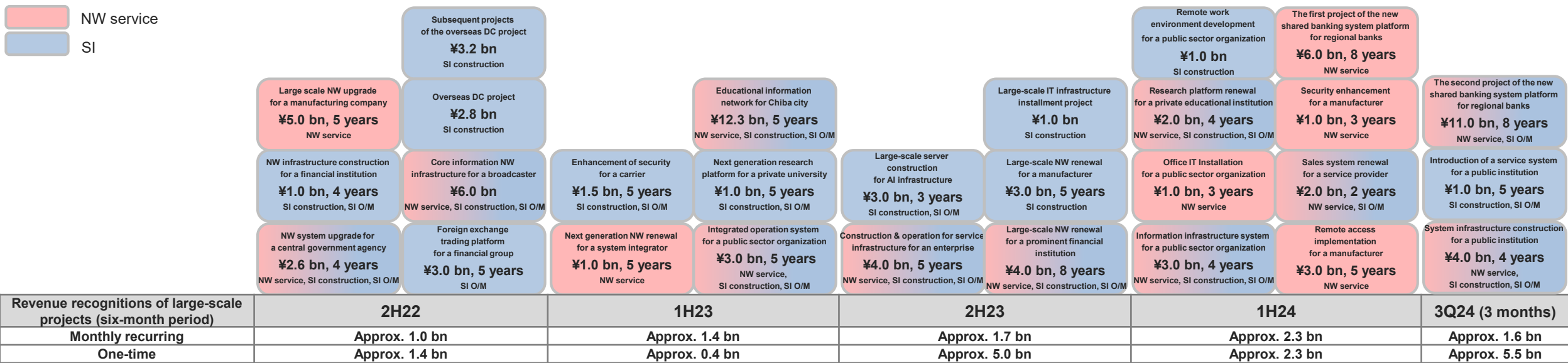
2 Acquisition of large-scale projects as a new norm by Service Integration model

◆ 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

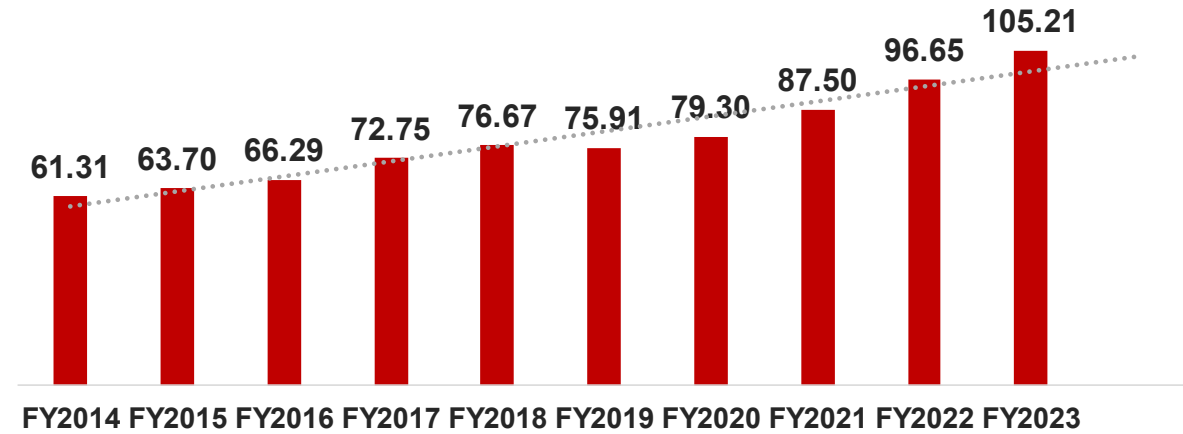
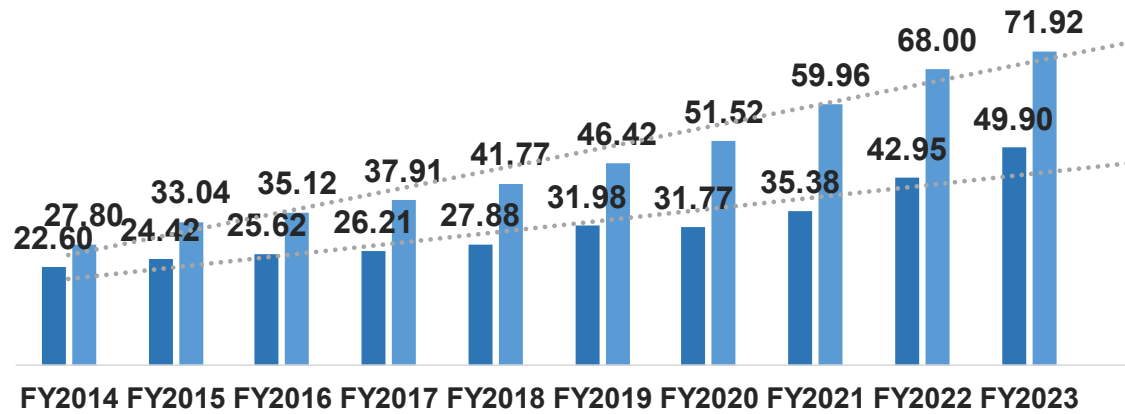
Joint banking system platform for regional banks
 > The first project: operating from 3Q24, focusing on other added services
 > The second project: To be operated from 4Q24

2 Expanding economies of scale by Service Integration

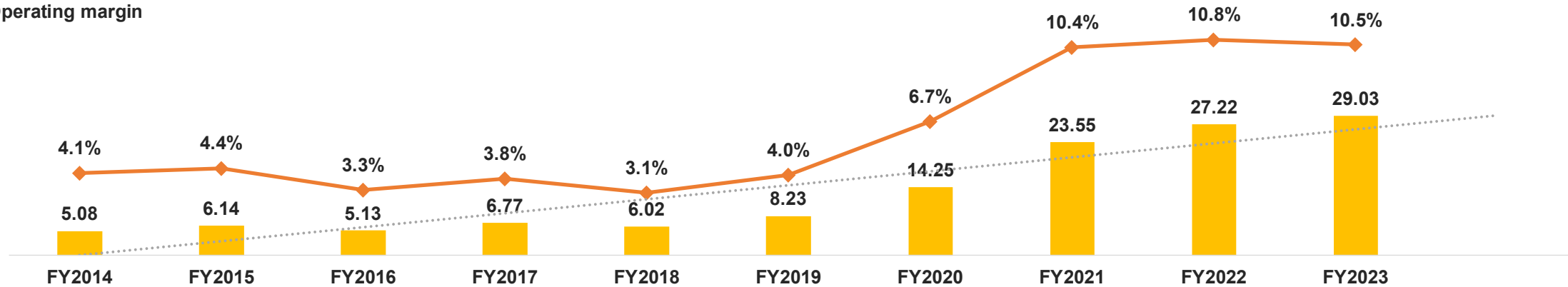
Unit: ¥ (JPY) billion
 approximate curve

■ 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

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

3Q24 Net profit was in line with FY24 targets

NW Service (excl. Mobile)

- ◆ **1Q-3Q24 total revenue: ¥82.98 bn, +6.2% YoY**
 - Each service revenue continued to grow IP: +7.3% YoY, Outsourcing: +11.0% YoY, of which, security: +16.3% YoY
 - Revised major NW services' prices upward (effective from Oct. 2024)
 - In addition to the acquisition of large-scale Service Integration projects, focusing on the accumulation of monthly recurring revenues by cross-selling in 2H24

Mobile IoT

- ◆ **1Q-3Q24 total revenue: ¥37.13 bn, +8.8% YoY, 3Q24-end total subscription: 5,515 thousand, +880 thousand YoY**
 - Business growth led by enterprise IoT with large increases in revenue & subscription by +12.1% & +751 thousand YoY respectively
 - Network cameras & devices for various business uses, data collection and analysis system in construction site, water management system for paddy fields, etc.
 - MVNE & consumers: Both revenues & subscriptions steadily grew
 - In 3Q24, one-time cost reimbursement related to the mobile data interconnection charge was at a similar level to 3Q23
 - IJmio awarded No. 1 overall satisfaction in the Oricon Customer Satisfaction® Survey for low-cost SIM & mobile device sets

SI

- ◆ **1Q-3Q24 total revenue: Construction ¥46.73 bn, +39.3% YoY, SI O/M ¥60.28 bn, +13.6% YoY**
 - Growth led by construction, recognized construction revenues for Chiba city approx. ¥3.0bn (excl. recorded revenues based on the percentage-of-completion method)
- ◆ **1Q-3Q24 orders received: Construction ¥45.49 bn, +4.8% YoY, SI O/M ¥68.10 bn, +5.6% YoY**
- ◆ **3Q24-end orders backlog: Construction ¥22.52 bn, -4.8% YoY, SI O/M ¥92.96 bn, +15.7% YoY**

Business Topics

- ◆ 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
- ◆ Established a joint venture with Preferred Networks, Inc. (PFN) & Mitsubishi Corporation for offering cloud service with high-performance AI oriented semiconductor from 2026
- ◆ Launch multi-cloud related services sequentially with a new concept of "DX platform" which accelerates DX in office IT & business domain

3 FY24 Financial Targets (Updated in Aug. 2024)

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

	FY24 New targets Revised in August, 2024				FY24 Previous targets Announced in May, 2024			
	% of total revenue 1H24 Targets	YoY	% of total revenue FY24 Targets	YoY	% of total revenue 1H24 Targets		% of total revenue 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% 29.2 ~ 30.2	21.1% 30.2	22.0% 68.5 ~ 71.5	22.7% 71.5
SG&A etc.	13.1% 19.2	+12.2%	12.3% 38.5	+10.5%	13.5% 19.2	13.4% 19.2	12.3% 38.5	12.2% 38.5
Operating Profit	7.9% 11.6	(4.0%)	10.3% 32.0	+10.2%	7.0% 10.0 ~ 11.0	7.7% 11.0	9.6% 30.0 ~ 33.0	10.5% 33.0
Shares of profit(loss) of investments accounted for using equity method investee	(0.4)	-	(0.7)	-	(0.3)	(0.3)	(0.7)	(0.7)
Profit before tax	7.5% 11.0	(12.4%)	9.8% 30.6	+5.8%	6.7% 9.5 ~ 10.5	7.4% 10.5	9.3% 29.0 ~ 32.0	10.2% 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% 6.3 ~ 7.0	4.9% 7.0	6.4% 19.9 ~ 21.9	7.0% 21.9
Dividend per share	¥17.50	+¥0.32	¥35.00 Payout ratio 30.1%	+¥0.64	¥17.18 ~ ¥18.58		¥34.36 ~ ¥37.16	

Background of FY24 Financial Targets revision

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

Premise and assumption of FY24 Target

Revenue

Category	1H24	FY24
SI	approx. 66.0	approx. 142.0
NW service	approx. 79.5	approx. 167.0
Total	145.5	309.0

Gross Profit

Category	1H24	FY24
SI	approx. 8.0	approx. 22.0
NW service	approx. 22.0	approx. 47.0
Total	30.0	69.0

Projected Gross Margin

around 15.5%

around 28.1%

- NW Service:**
 - Revenue to grow by recurring revenue accumulation & Service Integration particularly in 2H24
 - Expect mobile services to achieve revenue & profit growth without the onetime cost reduction of data connectivity (FY23: approx. +¥0.1 bn)
 - VMware-related price revision to be added sequentially from the beginning of 3Q24
- SI:**
 - SI construction revenue to largely increase by realizing FY23-end order backlog (approx. +¥10.0 bn YoY), and growing demand. An increase in percentage-of-completion revenues in 1Q24
 - VMware-related price pass-through to be added sequentially from 1-2Q24
- VMware license related impact for profit: approx. -¥1.1 bn in FY24
- SG&A, etc.: Increase along with business expansion and an increase in number of employees
- Shares of profit (loss) of investments accounted for using equity method investees: Expect DeCurret's related loss to be around ¥0.8 bn
- No consideration on valuation gain (loss) on funds & foreign exchange gain (loss)
- Others: Number of employees to increase slightly over 400 personnel (of which, 307 are new graduates), CAPEX: ¥23.0 bn (of which, approx. ¥5.7 bn is for own DCs expansion)

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

3 IIJ Group Mid-term Plan (FY2024-FY2026)

Consolidated base
 Net Profit is "Profit for the period attributable to owners of the parent"
 "times" are calculated by comparing FY26/FY26-end to FY23/FY23-end
 The figures below are all assumed targets

About IIJ	Business Model
Strength	Growth Strategy

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

Further enhancement of the existing core business area

SI as Revenue driver

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

NW service as Profit driver

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

Promotion of large transactions & clients

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

Further enhancement of service development & operation

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

Enhancement of Service Control

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

Continuous expansion of NW infrastructure Pursuit of differentiation

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

Creation of new growth area

Initiatives for Data-driven society

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

Establishment and Maturity of Data-driven society

Opportunities for new data utilization

Use of generated data for various purposes → Involvement of many stakeholders → New insights → Advancement of problem solving

Generation of data → Distribution of data → Utilization of data → Solve social issues

Achieve the spread of Digital Currency in Japan (Equity method investee: DeCurret)

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

(*) STO (Security Token Offering): securities issued using electronic means such as blockchain, replacing traditional mechanism of stocks and bonds
 (*) Invoice chain: concept of industry standard systems for corporate intercompany reimbursement
 (*) NFT(Non-Fungible Token): Token issued on the blockchain that can prove uniqueness and cannot be replaced

Enhancement of business foundation

Thorough expansion of Human Capital

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

Enhancement of cash control

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

Maintain & improve Sustainability /Governance

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

Complement growth through M&As

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

3 New Mid-term Plan's Financial Outlook

About IIJ

Business Model

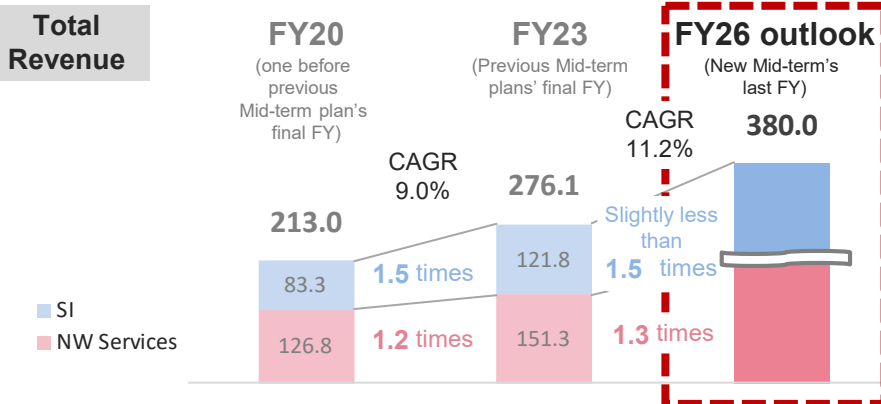
Unit: ¥ (JPY) billion

Strength

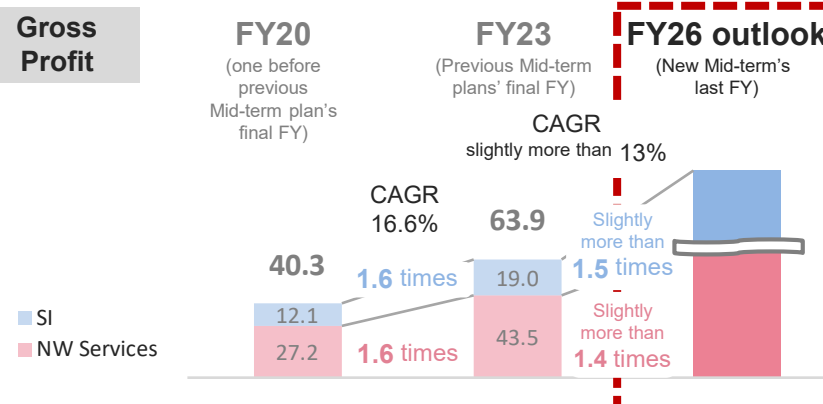
Growth Strategy

Breakdown image of financial outlook

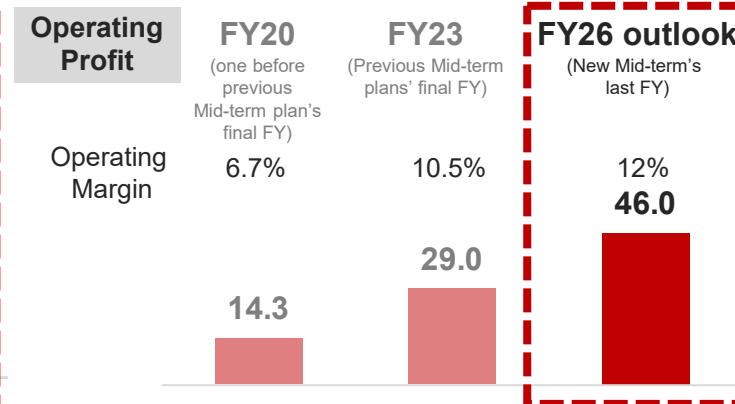
Total Revenue



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

Shiroy DC 3rd 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

Shiroy DC 3rd site construction

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

Strategic Investment

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

Increase in working capital & lease obligations

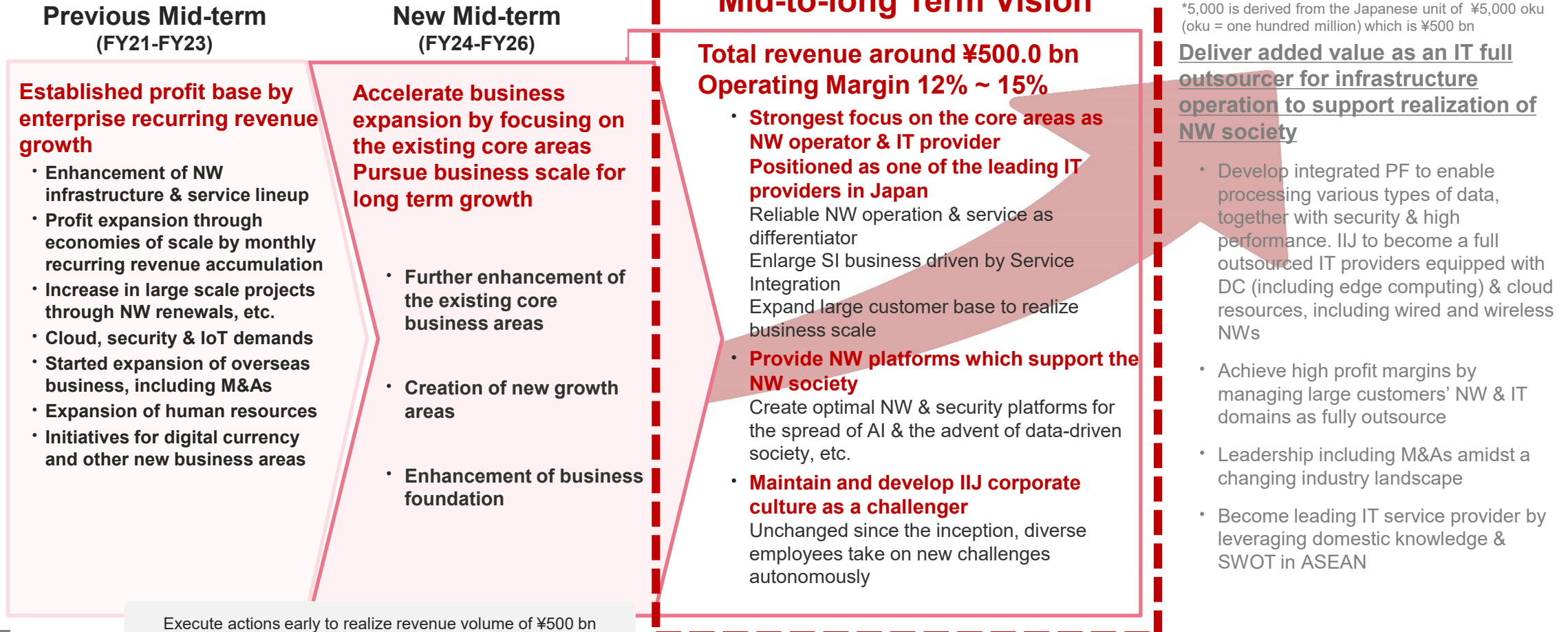
- ◆ Increase in work in process, prepayments, etc. due to an increase in large scale multi-year SI projects
 - The impact of increased working capital should gradually be reduced due to the constant revenue recognition of large scale projects

M&As

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

4 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

Targets (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%

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

Executive Summary

◆ Recent announcement

1

Announced change of representative director

- Yasuhiko Taniwaki, the current Vice President, is to be appointed as Representative Director, President, Executive Officer and Co-CEO & COO, succeeding current Mr. Katsu's role from April 1, 2025
- Eijiro Katsu is scheduled to resign from his position as the Member of the Board at the conclusion of the Ordinary General Meeting of Shareholders to be held on June 26, 2025
- There are no changes Suzuki's current position of Representative Director, Chairman, Executive Officer and Co-CEO

2

Launched a new shared banking system platform for Japanese regional banks with IBM Japan and MUFG Bank

- Secured the second project approx. ¥11.0 bn, 8 years of the new shared banking system platform for Japanese regional banks in 3Q24 (The first project approx. ¥6.0 bn, 8 years in 2Q24)

3

Established a joint venture with Preferred Networks, Inc. (PFN) & Mitsubishi Corporation

- To be offering cloud service with PFN's high-performance AI oriented semiconductor from 2026

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 & 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)

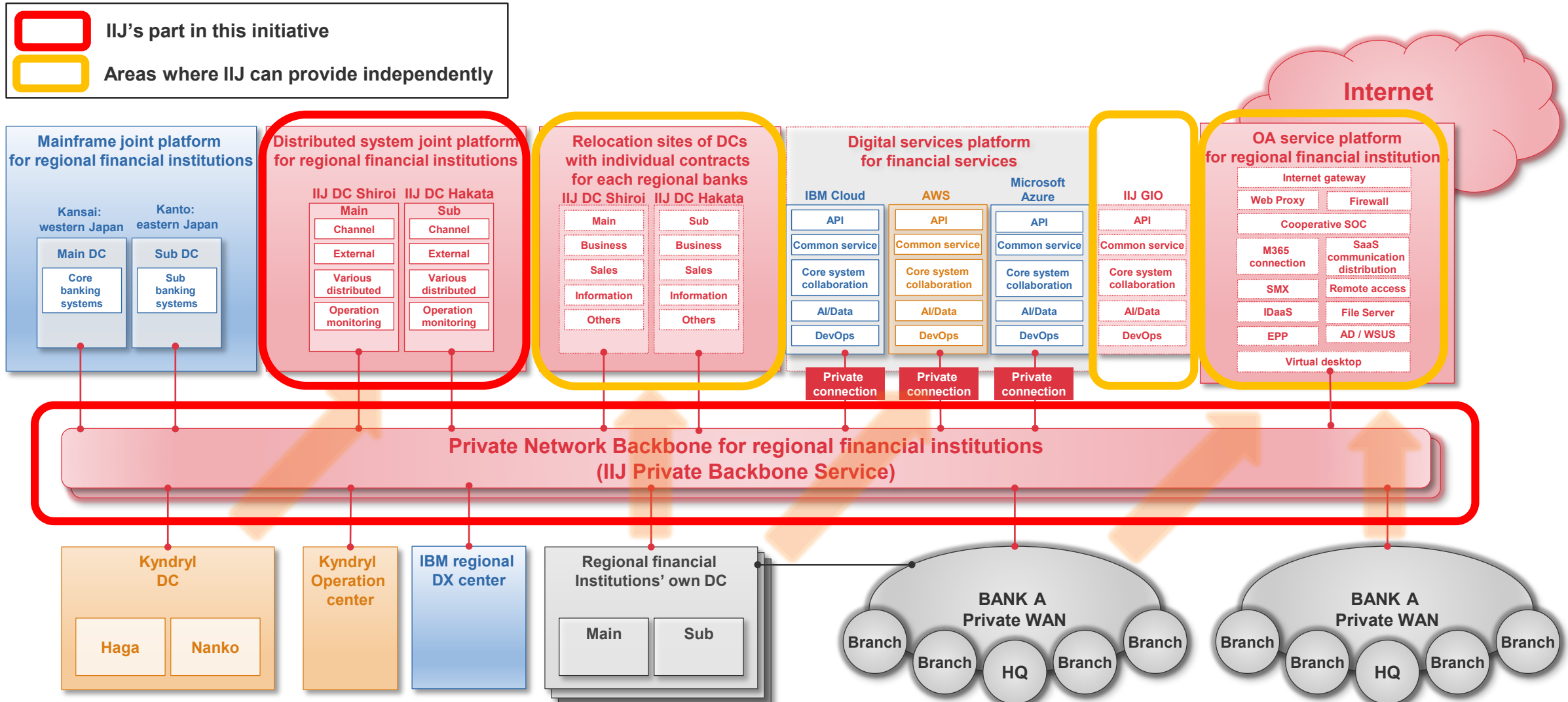


Who Rules the Internet?
(Nikkei BP)



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



*IJJ Private Backbone Service (PBB): A closed network for the interconnection of various IJJ network services and cloud services

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Growth Strategy

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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

*Foreign ownership is 26.4% as of Sep. 30, 2024

◆ 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

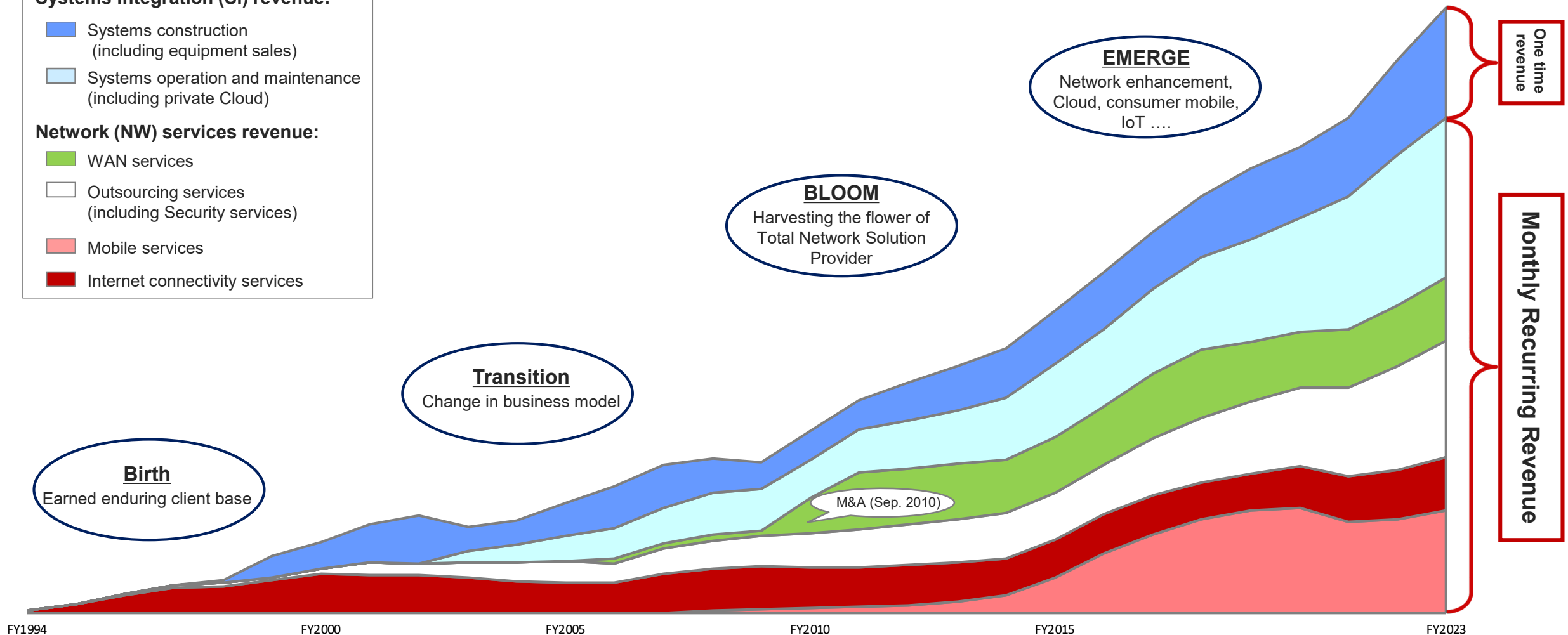
- ✓ Differentiate by continuous network service developments and business investments
- ✓ Focus on Cloud, mobile, security, solutions related to Big Data, IoT and data governance
- ✓ Always ahead of telecom carriers and systems integrators (Slers) with regards to services development and operation

• 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

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



Birth
Earned enduring client base

Transition
Change in business model

BLOOM
Harvesting the flower of Total Network Solution Provider

EMERGE
Network enhancement, Cloud, consumer mobile, IoT

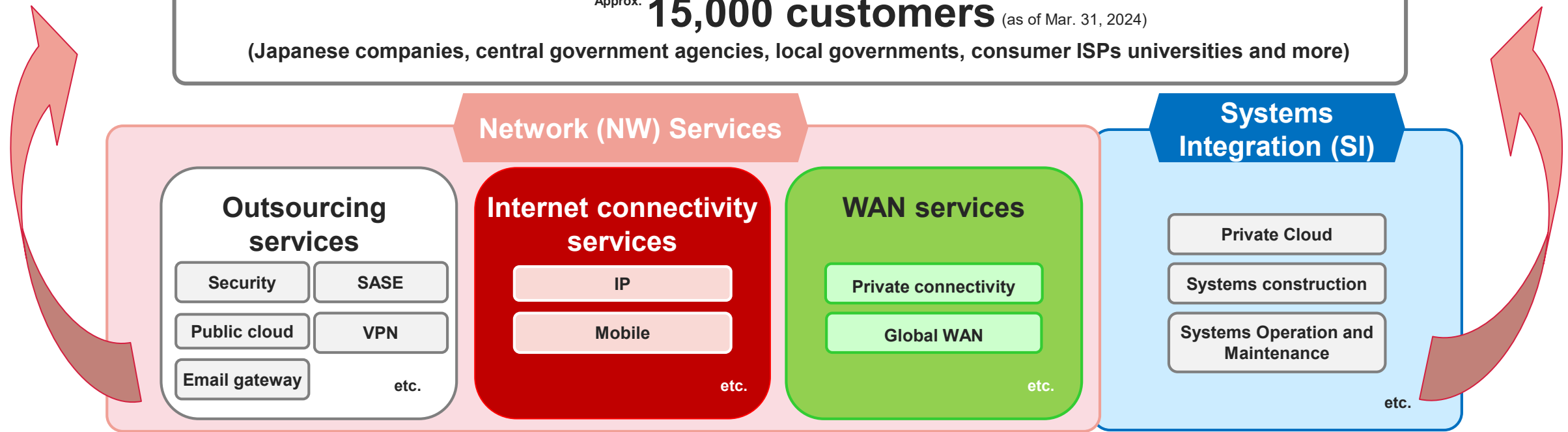
M&A (Sep. 2010)

<p>Increase in number of ISPs in Japan NTT launched Internet connectivity service in 1996</p>	<p>Price war and market consolidation for ISPs in Japan IIJ shifted its focus to large corporates, survived the tough competition, and established market position</p>	<p>Became MVNO in 2008 and launched Cloud services in 2009</p>	<p>Launched consumer mobile services in 2012</p>	<p>Became full-MVNO in 2018</p>	<p>DX triggered by the Pandemic</p>	<p>Advance ment of DX in post-pandemic era</p>
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IIJ as a Total Network Solution Provider

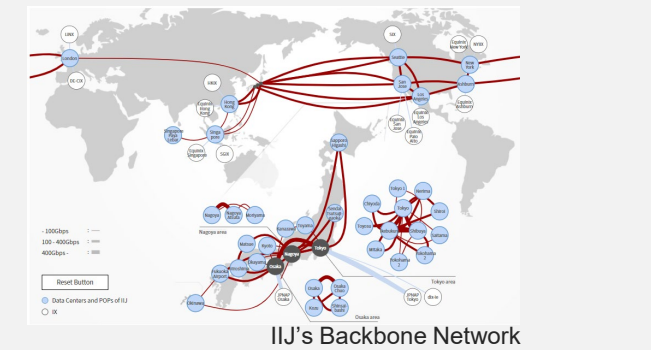
Offers various network services and systems integration together in many projects

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



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 IIJ
- Chairman, Representative Director and co-CEO
- Holdings of IIJ share: 10,653,115 shares (6.0%)*
- *Suzuki's share includes his indirectly wholly owned private company portion
- Date of birth: September 1946

Eijiro Katsu

- President, Representative Director and co-CEO & COO
- Career: Vice Minister of Finance
- Holdings of IIJ 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, IIJ's equity method investees (current position)
- Holdings of IIJ 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 IIJ shares: 5,912 shares (0.0%)
- Date of birth: September 1960

*Holdings of IIJ 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)

◆ IIJ's remuneration system for full-time directors

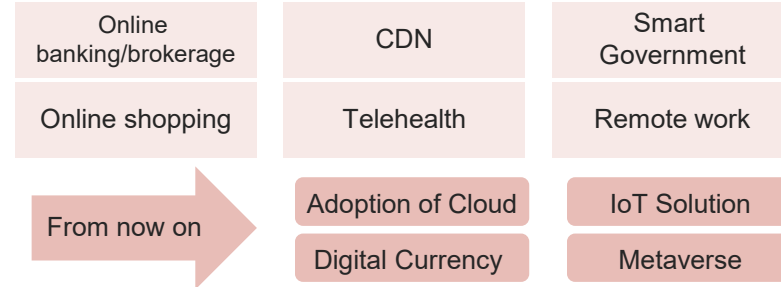
- In June 2024, the previous director remuneration system was renewed to establish a new director remuneration system consisting of the following three restricted stock remunerations
 1. Remuneration that is conditional on tenure is a system: It is not linked to performance and alternative to retirement 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.

IIJ's Material Issues



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

◆ Bringing innovation with IP



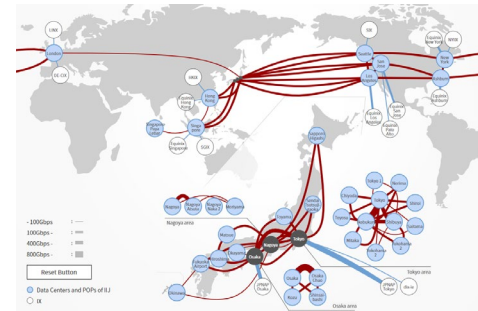
◆ Information disclosures based on the TCFD Recommendations

Measures	Targets	FY23 results
Usage of renewable energy	To increase the renewable energy usage rate of data centers (Scope 1 and 2) to 85% in FY2030	50%
Improvement of energy conservation	To keep the PUE of the data center at or below the industry's highest level (1.4) until FY2030 through continuous technological innovation	Matsue: 1.33 Shiroi: 1.36



Provide safe and robust Internet services that support social infrastructure

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



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



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

◆ Corporate culture of taking initiatives and challenging new things since the inception

◆ Human resources culture of sincerely striving to meet the demands of clients

◆ Lower than the industry average turnover

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

◆ Target for diversity: the ratio of female managers

Apr. 2023	Apr. 2024	FY24 target	FY26 target
6.3%	7.5%	6% or more	8% or more

(Achieved in Apr. 2023)

IIJ's ESG rating by MSCI has been updated to "AA" in Sep. 2024

More information on IIJ's corporate governance: <https://www.ijj.ad.jp/en/ir/integrated-report/governance/>

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

- PUE(Power Usage Effectiveness) is a metric that shows how efficiently electricity is used at a data center. The closer to 1.0 is considered to be good
- TCFD: Task Force on Climate-related Financial Disclosures
- Scope 1 and 2 (Greenhouse gas emissions by a company): Direct emissions from the use of fuels and industrial processes at the company and indirect emissions from the use of electricity and heat purchased by the company (as defined by the GHG Protocol)
- The turnover rate of IIJ (non-consolidated basis) 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

Extensive Service Lineup

Unit: ¥ (JPY) billion (bn)

Revenue category		FY23 revenue	YoY growth	Cost Structure	About	Business situation, growth drivers and outlook																
Network services	Internet connectivity services for enterprise	44.73	+11.1%	Mostly shared cost	<table border="1"> <tr> <td>IP (Internet Protocol)</td> <td>16.0</td> <td>+7.8%</td> <td> <ul style="list-style-type: none"> IIJ's core service since the establishment Highly reliable dedicated connectivity services (multi-carrier, redundancy, etc.) Contracts are based on data bandwidth (Revenue to increase as volume per client increases) </td> </tr> <tr> <td rowspan="2">Mobile</td> <td rowspan="2">24.2</td> <td>Enterprise mobile</td> <td>13.6</td> <td>+21.9%</td> <td>Provide data connectivity for mainly IoT usages</td> </tr> <tr> <td>MVNE</td> <td>10.5</td> <td>+4.7%</td> <td>Provide mobile services for other MVNOs</td> </tr> </table> <p>(Others) Broadband Internet services, etc.</p>	IP (Internet Protocol)	16.0	+7.8%	<ul style="list-style-type: none"> IIJ's core service since the establishment Highly reliable dedicated connectivity services (multi-carrier, redundancy, etc.) Contracts are based on data bandwidth (Revenue to increase as volume per client increases) 	Mobile	24.2	Enterprise mobile	13.6	+21.9%	Provide data connectivity for mainly IoT usages	MVNE	10.5	+4.7%	Provide mobile services for other MVNOs	<table border="1"> <tr> <td>IP</td> <td> <ul style="list-style-type: none"> Matured market (hard to entry) Very low churn rate, loyal clients for 30 years Expect Internet traffic volume to continuously increase along with cloud penetration, SaaS, DX, etc. </td> </tr> </table>	IP	<ul style="list-style-type: none"> Matured market (hard to entry) Very low churn rate, loyal clients for 30 years Expect Internet traffic volume to continuously increase along with cloud penetration, SaaS, DX, etc.
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Internet connectivity services for consumers	25.29	+4.3%	<table border="1"> <tr> <td>Mobile</td> <td>22.0</td> <td>+4.5%</td> <td> <ul style="list-style-type: none"> Provide SIM with monthly data limits (voice as option) </td> </tr> </table> <p>(Others) Broadband Internet services and email services for households, etc.</p>	Mobile	22.0	+4.5%	<ul style="list-style-type: none"> Provide SIM with monthly data limits (voice as option) 	<table border="1"> <tr> <td>Mobile</td> <td> <ul style="list-style-type: none"> Provide enterprise mobile, MVNE and consumer mobile from the same infrastructure. Expect such infrastructure utilization to improve by gathering various traffic such as IoT/enterprise/ consumers <ul style="list-style-type: none"> Currently procuring mobile infrastructure to meet the peak traffic of consumer whose traffic is concentrated at commuting and lunch time Largest market share in consumer MVNO market Expect advanced IoT usages to emerge </td> </tr> </table>	Mobile	<ul style="list-style-type: none"> Provide enterprise mobile, MVNE and consumer mobile from the same infrastructure. Expect such infrastructure utilization to improve by gathering various traffic such as IoT/enterprise/ consumers <ul style="list-style-type: none"> Currently procuring mobile infrastructure to meet the peak traffic of consumer whose traffic is concentrated at commuting and lunch time Largest market share in consumer MVNO market Expect advanced IoT usages to emerge 												
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WAN (Wide Area Network)	28.37	+2.7%	<ul style="list-style-type: none"> Legacy way of connecting multiple sites, intranet, closed NW Directly purchasing WAN line (direct cost) 	<ul style="list-style-type: none"> Stable market Cross-selling element to make up comprehensive lineup 																		
Outsourcing	52.97	+13.2%	<p>Various in-house developed Internet-related service line-ups</p> <table border="1"> <tr> <td>Security</td> <td>30.9</td> <td>+15.7%</td> <td> <ul style="list-style-type: none"> Managed security services, Security Operation Center services and so many more </td> </tr> </table> <p>(Others) NW monitoring, VPN services, public cloud services, and many more</p>	Security	30.9	+15.7%	<ul style="list-style-type: none"> Managed security services, Security Operation Center services and so many more 	<ul style="list-style-type: none"> Have been developing services based on Zero Trust concept Acquire enterprise demand by cross-selling services Continuous service development is important Expect security demand to be strong continuously 														
Security	30.9	+15.7%	<ul style="list-style-type: none"> Managed security services, Security Operation Center services and so many more 																			
SI	Operation and Maintenance	71.92	+5.8%	Cost plus	<table border="1"> <tr> <td>On-premise Systems</td> <td>41.3</td> <td>+7.6%</td> <td> <ul style="list-style-type: none"> Operation and maintenance of constructed systems </td> </tr> <tr> <td>Private Cloud, etc.</td> <td>30.6</td> <td>+3.4%</td> <td> <ul style="list-style-type: none"> Promote cloud shift with abundant, highly reliable, value-added functions </td> </tr> </table>	On-premise Systems	41.3	+7.6%	<ul style="list-style-type: none"> Operation and maintenance of constructed systems 	Private Cloud, etc.	30.6	+3.4%	<ul style="list-style-type: none"> Promote cloud shift with abundant, highly reliable, value-added functions 	<ul style="list-style-type: none"> Expect great business opportunity in the mid-to-long term as internal IT systems migrate to cloud Expect revenue to increase continuously along with accumulation of construction projects 								
	On-premise Systems	41.3	+7.6%		<ul style="list-style-type: none"> Operation and maintenance of constructed systems 																	
Private Cloud, etc.	30.6	+3.4%	<ul style="list-style-type: none"> Promote cloud shift with abundant, highly reliable, value-added functions 																			
Construction (including equipment sales)	49.90	+16.2%	<ul style="list-style-type: none"> Design of an entire NW (location of NW equipment, needed bandwidth, etc.) Mainly NW integration projects such as server construction 	<ul style="list-style-type: none"> Acquiring large-scale projects as Japanese enterprises' private NW/systems are becoming more NW-based and requiring various NW function (service integration model) 																		

Monthly recurring revenue 81%

One time revenue

Monthly Recurring Revenue Accumulation

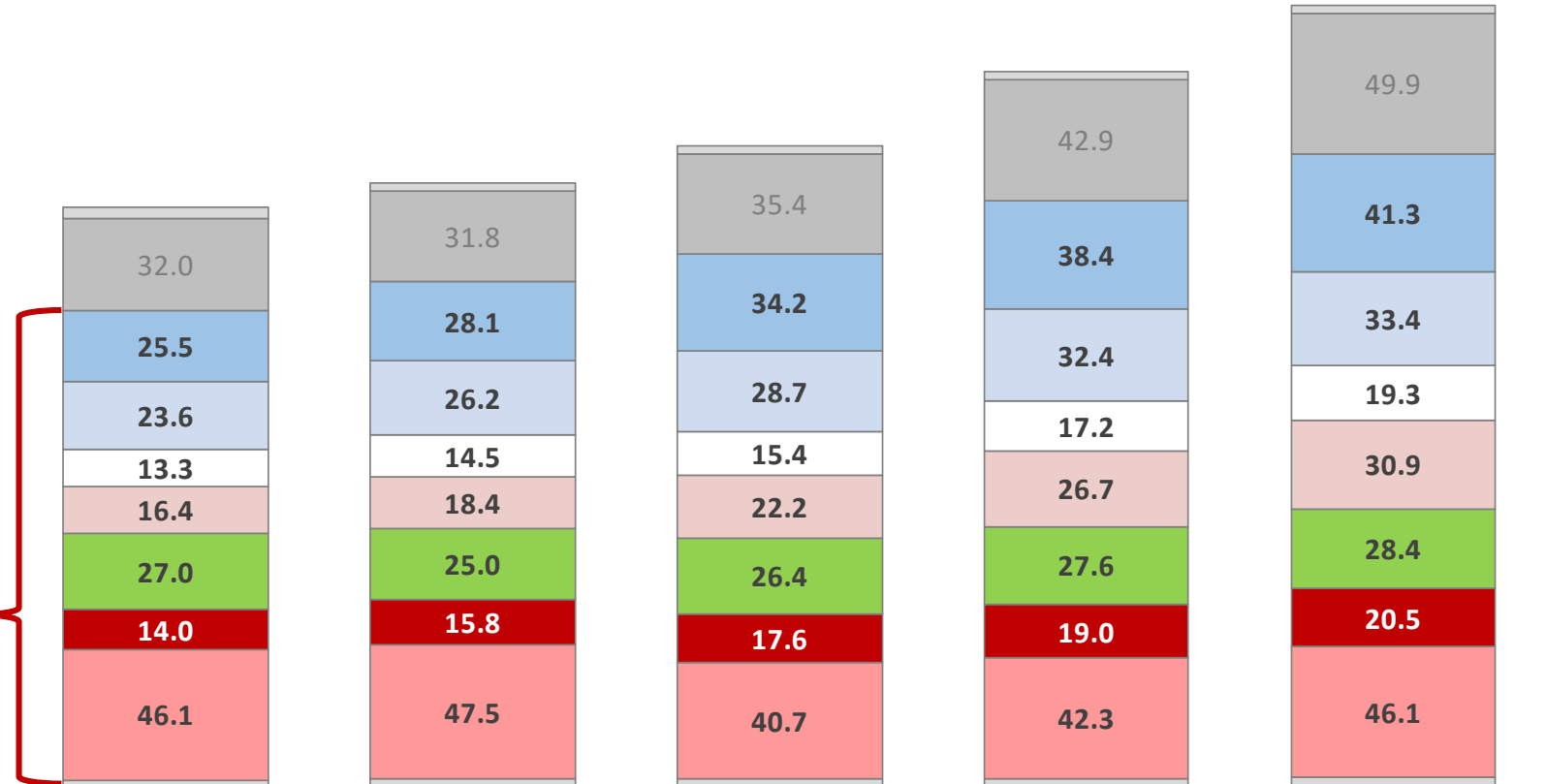
Unit: ¥ (JPY) billion (bn)
% = Year over year change

	FY19	FY20	FY21	FY22	FY23
Monthly Recurring Revenue:	168.4 (+5.0%)	178.3 (+5.9%)	188.2 (+5.5%)	206.9 (+10.0%)	223.3 (+7.9%)
% to the total revenue:	82.4%	83.7%	83.1%	81.9%	80.9%

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)

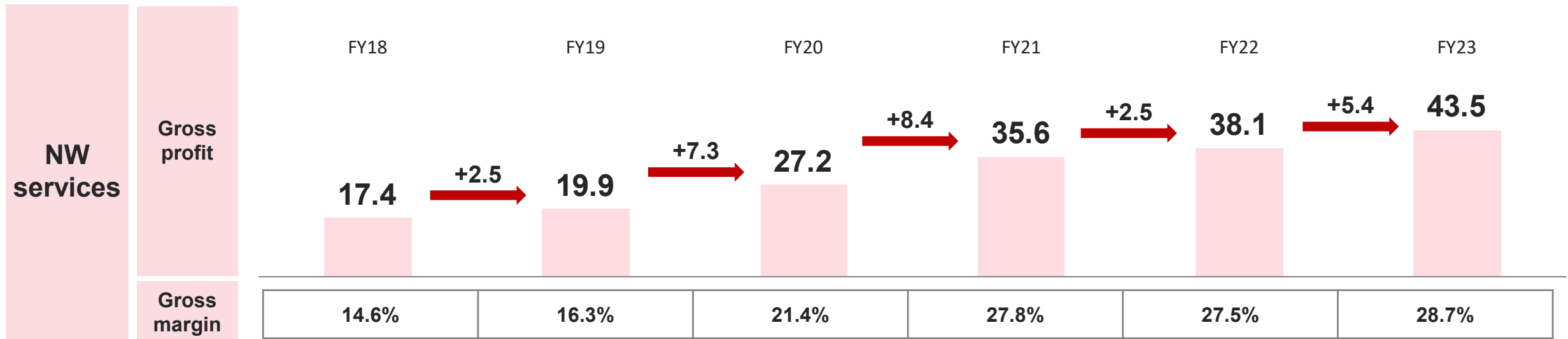
Monthly Recurring Revenue



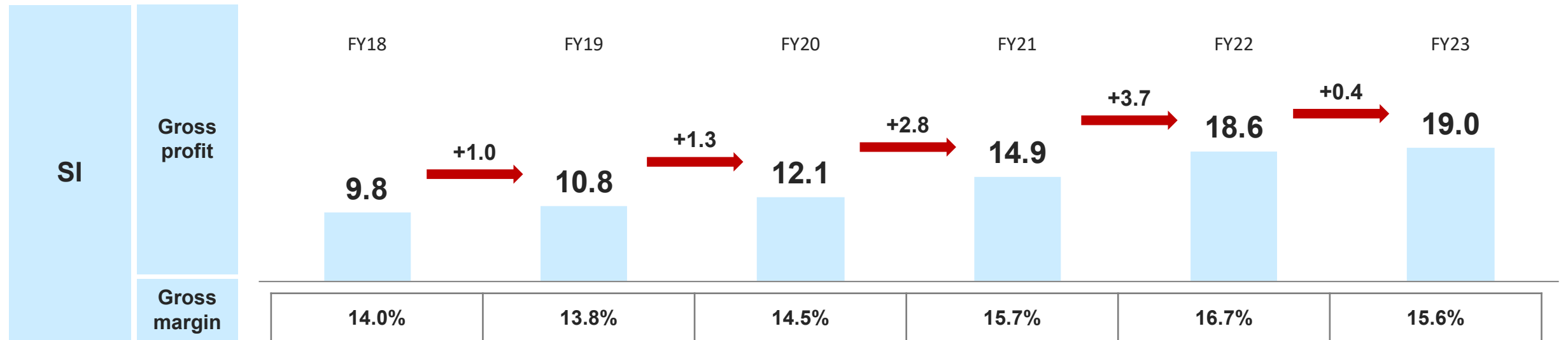
- Mobile revenue decreased year over year in FY21 due to ARPU decrease for consumers and change in unit charge for MVNE clients
- Systems construction and systems operation & maintenance revenue increase for FY21 includes PTC revenue which became IIJ's consolidated subsidiary from Apr. 2021
- During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

Gross Profit and Margin Growth

Unit: ¥ (JPY) billion (bn)



- NW services include Internet connectivity services for enterprises, Internet connectivity for consumers, Outsourcing, and WAN services. These are all monthly recurring revenue
- FY22 NW service gross margin slightly decreased due to the decrease in mobile business margin, which is part of NW services, mainly because of an increase in marketing cost such as low price hand-set offering



- SI includes systems construction which is one-time revenue and systems construction and maintenance which is monthly recurring revenue
- FY21 SI includes PTC revenue which became IIJ's consolidated subsidiary from Apr. 2021
- FY23 gross margin was weak mainly due to the small construction revenue, an allocation of resources such as engineers to prospective orders of large-scale projects, and a low systems operation and maintenance revenue growth (a scheduled termination of a particular project)

NW Services (monthly recurring revenue) as Profit Growth Driver - Economies of Scale -

Profit Model of NW Services

Revenue

Connectivity services

- IP (Internet Protocol) service Details in P.32
 - Contracted based on bandwidth
 - Contract period: 1 year, generally auto-renew
 - Low churn rate, loyal clients for 30 years
- WAN (Wide Area NW) service
- Mobile service Details in P.37 - 40

Security services

- DDoS protection, Firewall, SOC, etc.
 - Contracted based on number of accounts
 - Contract period: 1 year, generally auto-renew
 - Cross-selling to IP service clients
- Details in P.33 - 36

Various in-house developed services

- Remote access, DNS, monitoring, etc.
 - Contracted based on number of accounts
 - Contract period: 1 year, generally auto-renew
 - Cross-selling to IP clients
- Details in P.30 - 31

Cost

Mainly common and shared cost to operate NW

Leasing cost
for Internet backbone, WAN lines and leased DCs, etc.

Depreciation & Amortization
cost for NW equipment, etc.

Personnel cost
for engineers
(service development & operation, etc.)

Outsourcing cost
(mobile-related, outsourcing personnel, maintenance, etc.)

Historical track record of NW services gross margin					
FY18	FY19	FY20	FY21	FY22	FY23
14.6%	16.3%	21.4%	27.8%	27.5% *	28.7%

Intend to enhance NW services revenue accumulation by Service Integration strategy

• FY22 gross margin slightly decreased due to the decrease in mobile business margin, which is part of NW services, mainly because of an increase in marketing cost such as low price hand-set offering
 • Among NW service revenues, WAN, mobile and part of security services have variable cost which fluctuates depending on revenue

Capex and Business Developments

Unit: ¥ (JPY) billion (bn)

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

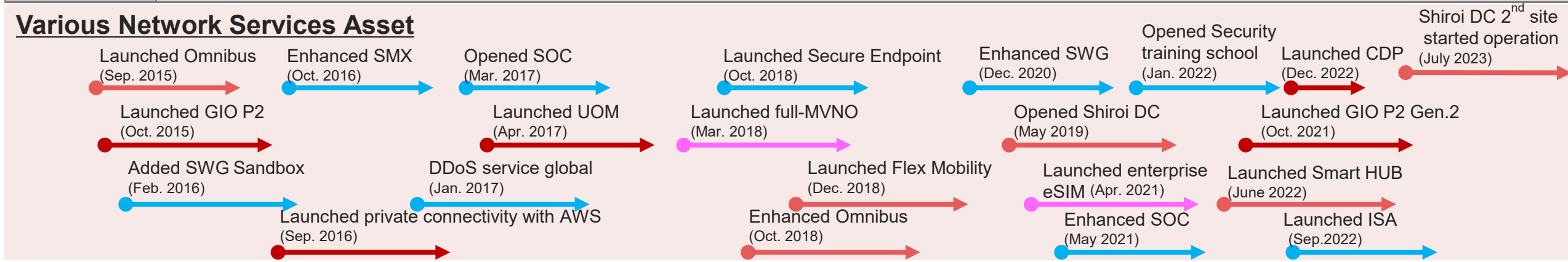
Stronger demands for enterprise network services

Large CAPEX increase due to aggressive business investment

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

Cost stabilizing

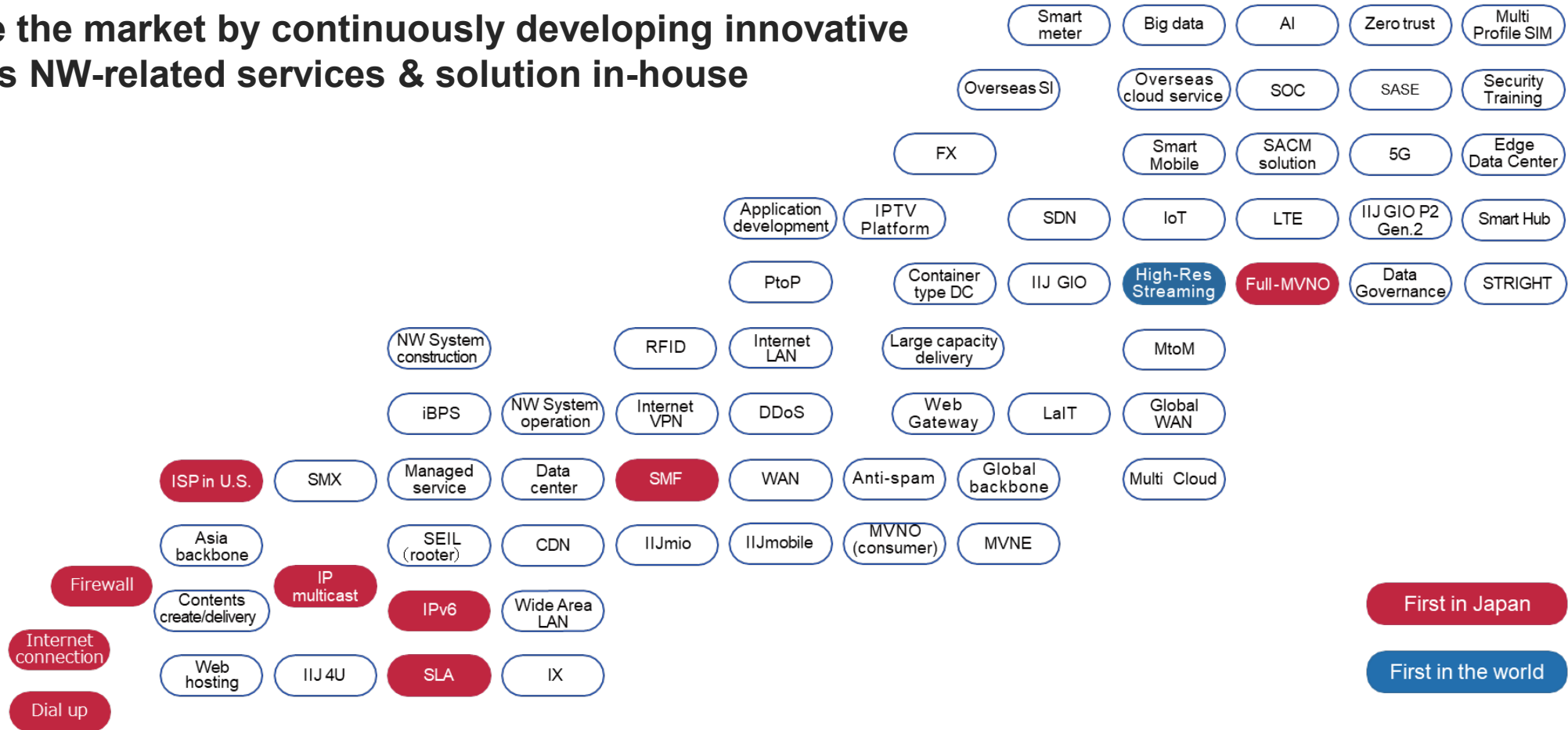
Various Network Services Asset



• 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 NW-related services & solution in-house



1992



IIJ Group

2000



2010



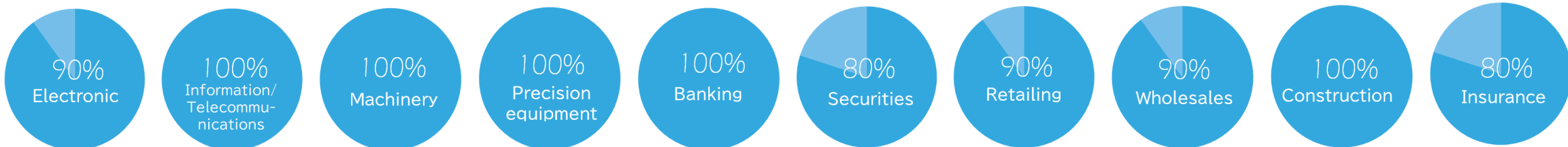
2024



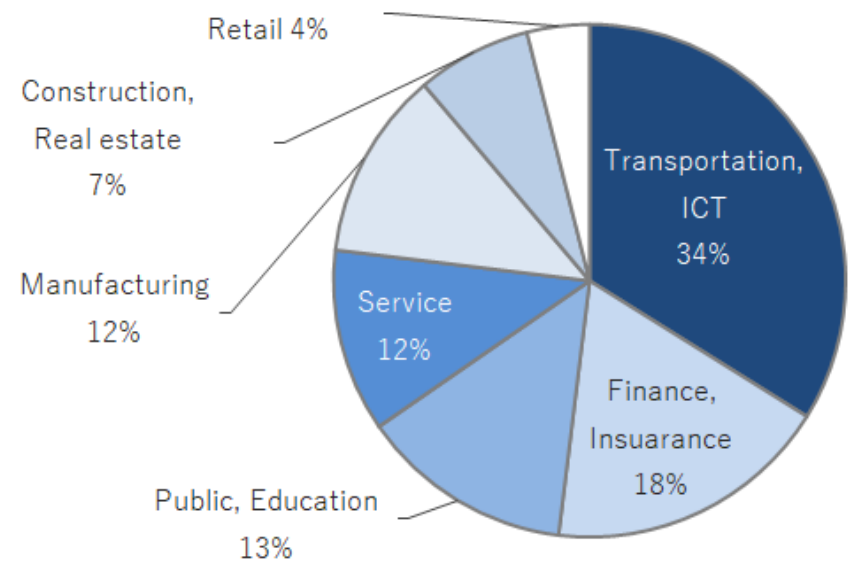
Excellent Customer Base (Number of IIJ Group's clients: approx. 15,000 as of March 31, 2024)

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

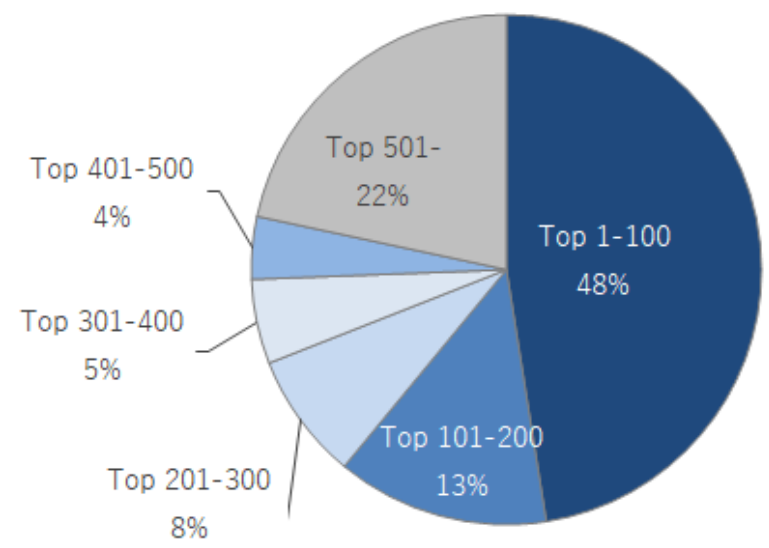
Cover Most of Top Revenue Companies



Client Distribution by Industry



Client Distribution by Revenue Volume



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

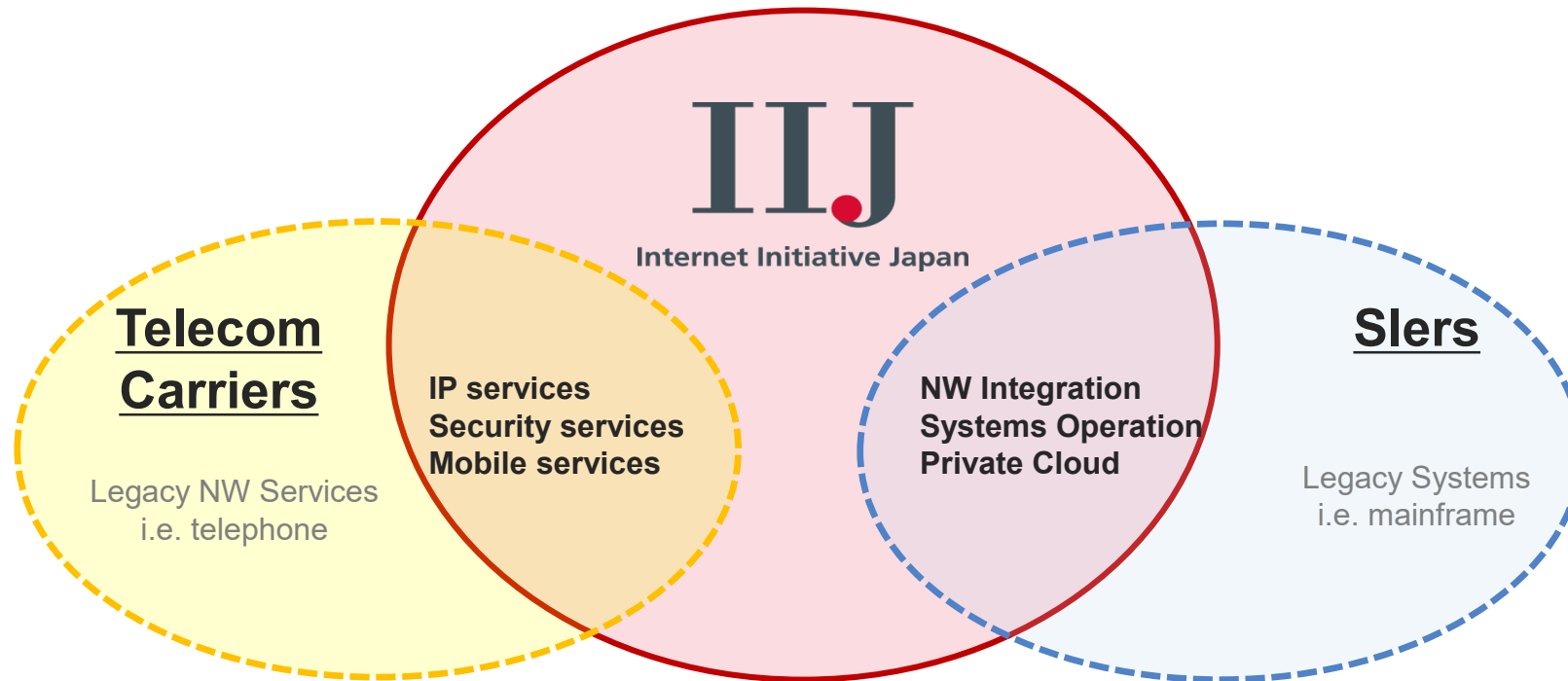
Competitive Advantages

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)**

Enhancement of Human Capital

◆ Basic policy: continuously hire and train new graduates

- New graduates who studied NW are attracted to IIJ who is the first full-scale ISP in Japan

◆ Increasing the size and improving the quality of recruitment and human capital development

- Programs to promote autonomous career development by having working experiences at other departments and/or working at overseas subsidiaries
- IIJ provides a wide range of experience which leads to high employee satisfaction. Corporate culture of adopting new technology, aggressively engaging in new service development, etc.

◆ Expect further business expansion by seeking M&A opportunities

Revenue Growth and Human Capital Enhancement

	FY19	FY20	FY21	FY22	FY23
Total revenue	¥204.5 bn	¥213.0 bn	¥226.3 bn	¥252.7 bn	¥276.1 bn
<i>Year over year</i>	+6.3%	+4.2%	+6.3%	+11.7%	+9.2%
	FY19-end	FY20-end	FY21-end	FY22-end	FY23-end
Total number of employees	3,583	3,805	4,147	4,451	4,803
<i>Year over year</i>	+6.9%	+6.2%	+9.0% *	+7.3%	+7.9%
Number of outsourcing personnel	1,123	1,270	1,319	1,385	1,521
	Apr. 2020	Apr. 2021	Apr. 2022	Apr. 2023	Apr. 2024
Number of new graduates	210	190	178	246	307

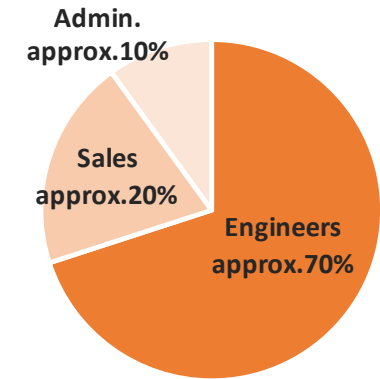
- Number of outsourcing personnel is for SI
- We added 62 personnel through PTC consolidation (Apr. 2021)

Turnover rate

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

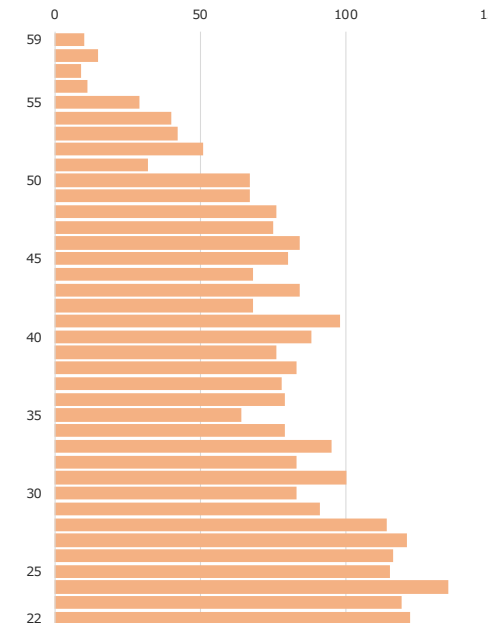
- The turnover rate of IIJ (non-consolidated basis) is calculated by dividing leavers for the fiscal year by the number of full-time employees at the beginning of that fiscal year.
- The industry average turnover rate of approx. 10% is announced by the Ministry of Health, Labor, and Welfare

Breakdown of Employees



Employee Age Composition

(As of Apr. 1, 2024, IIJ)



Female Manager Ratio

FY20	FY21	FY22	FY23	FY24
4.6%	5.5%	5.7%	6.3%	7.5%

- The female manager ratio is IIJ (non-consolidated basis)
- Brought FY27 target forward by 1 year as IIJ achieved target of over 6% a year earlier
- IIJ targets over 8% or more in FY26

For more information on human capital, please visit https://www.ijj.ad.jp/en/ir/integrated-report/human_capital/

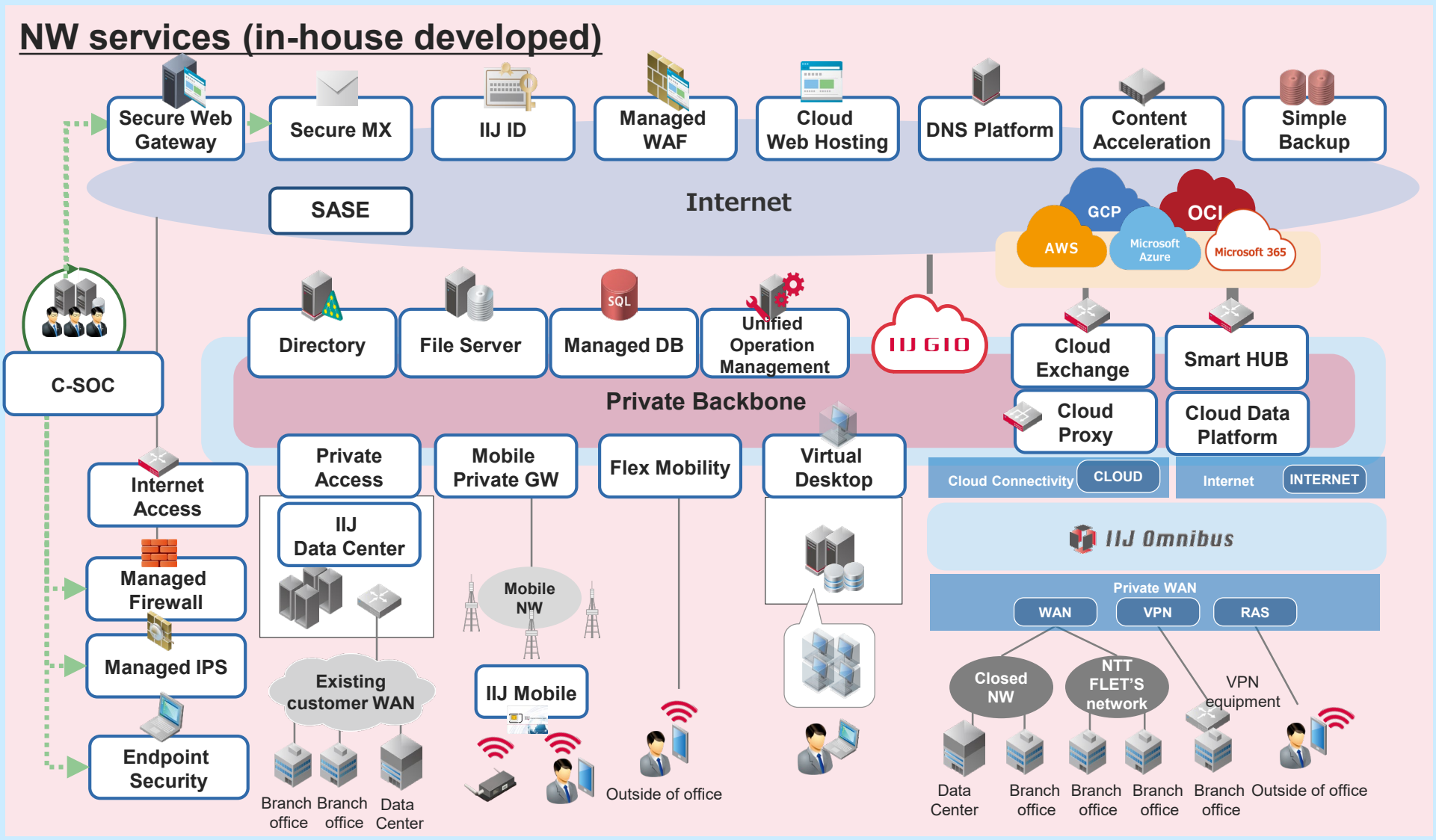
Service/Business Function

Comprehensive NW system solution with NW services & SI	P. 30 – 31
Enterprise NW Services	P. 32
Security Services	P. 33 – 36
Mobile Services	P. 37 – 40
IoT Services	P. 41 – 42
Systems Integration (SI)	P. 43
Cloud Services	P. 44 – 45
Data Centers (DC)	P. 46

Comprehensive NW system solution with NW services & SI

➤ By combining various in-house developed NW services with SI to provide comprehensive NW system solution

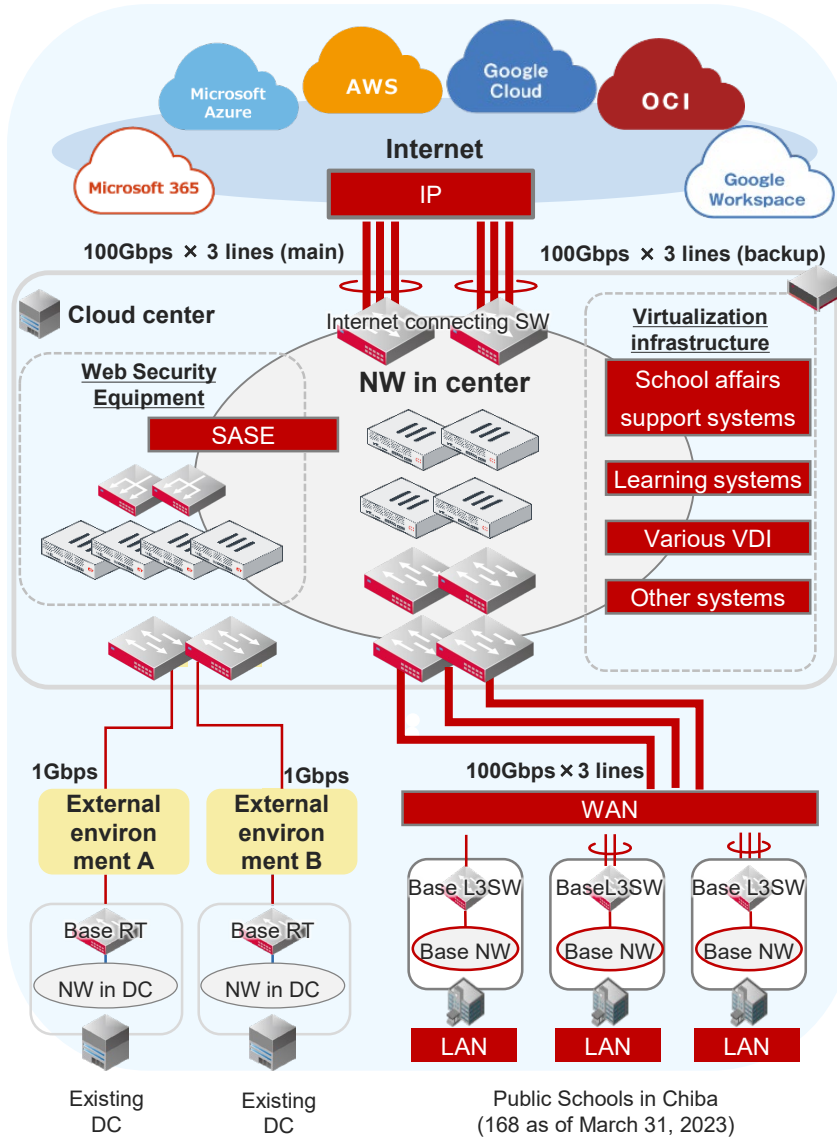
SI to meet specific requirements cannot be covered by NW services



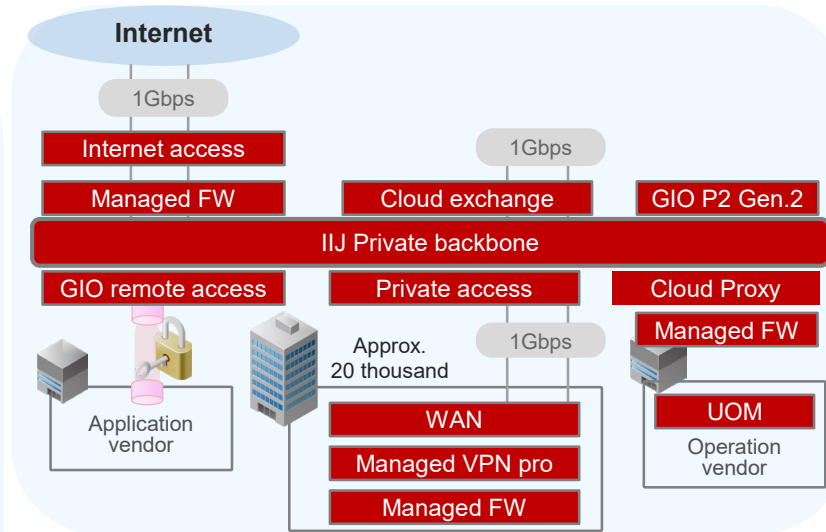
Large-scale Service Integration Transactions

■ Services provided by IJ
■ SI provided by IJ

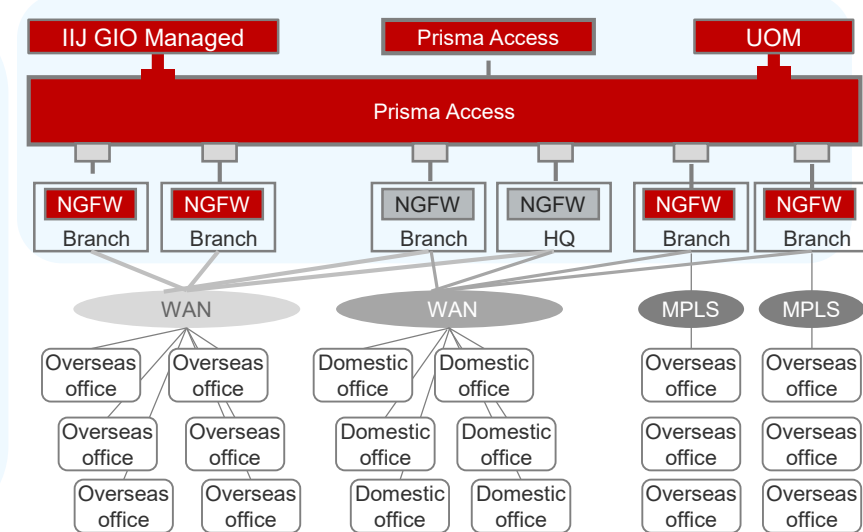
Educational Information NW for Chiba city



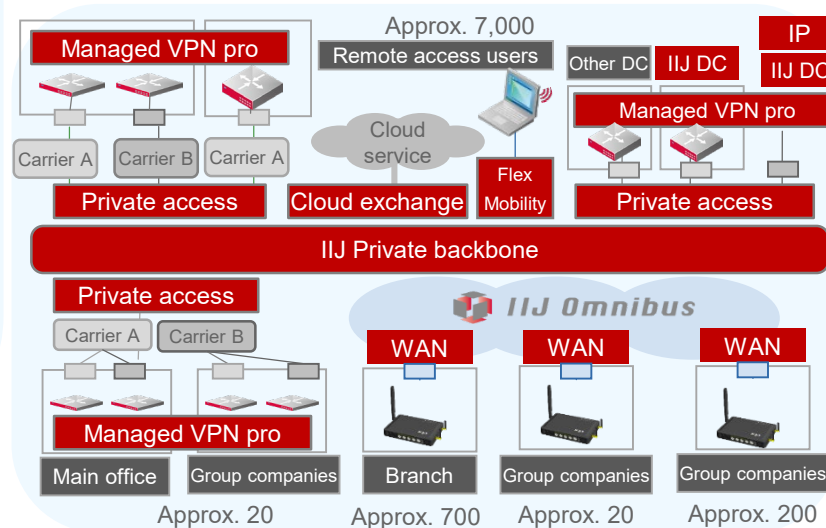
Integrated information system for public safety org.



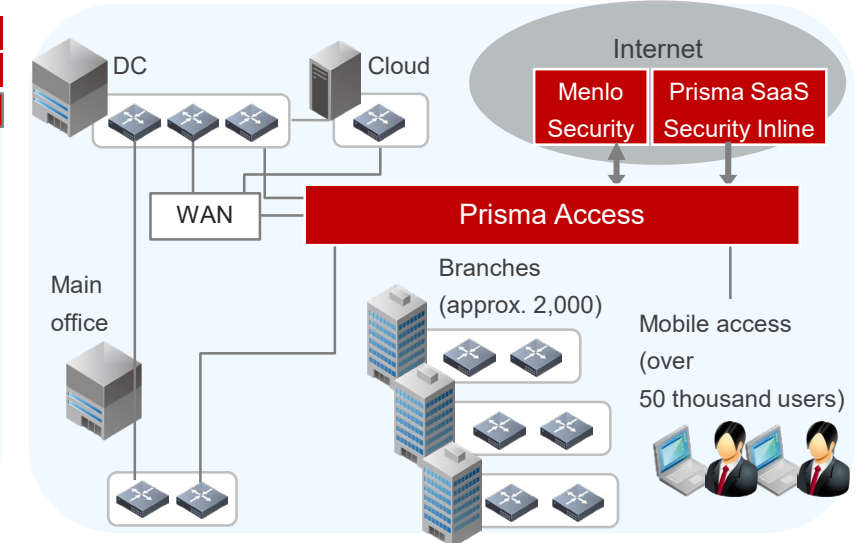
Large-scale SASE project for a global company



Total NW project for a prominent company group



Large-scale NW renewal for a financial institution



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

Enterprise NW Services

IIJ's enterprise NW services' business model: Cost doesn't have to increase at the same pace as the revenue: economies of scale

IP service (Internet Protocol)

- ◆ IP Service is a bandwidth guaranteed dedicated Internet connectivity service for enterprises
- ◆ Service contracts are based on bandwidth. Minimum contract period is 1 year
- ◆ The revenue is 100% recognized in Internet connectivity services (Enterprise)
- ◆ Very low churn rate. Contracts are renewed every year, generally speaking
- ◆ IIJ has very high and stable market share among Japanese blue-chip
 - Difficult to newly enter the market because one will need customer base and engineers to operate Internet
 - IIJ's IP services clients include general Japanese enterprise as well as NW operators such as consumer ISPs and cable TV operators

Business model

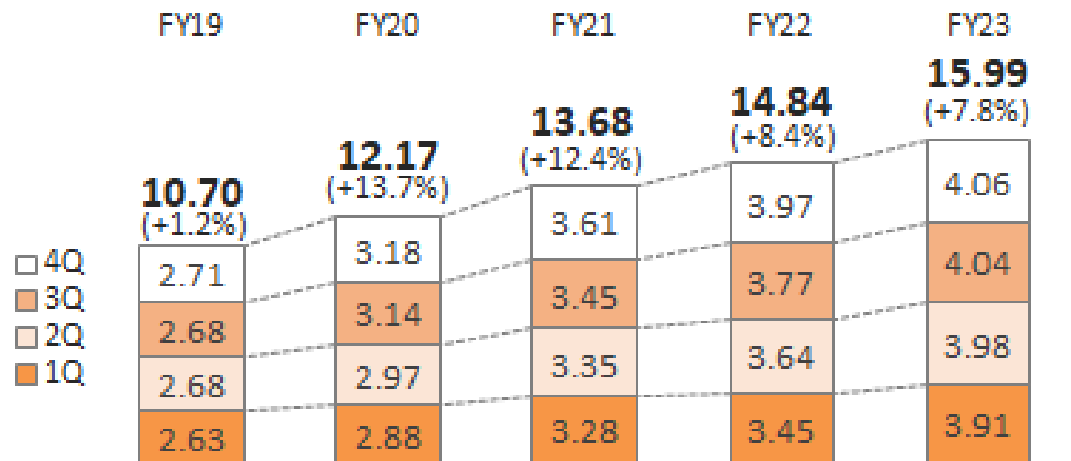
Cost

- ◆ IIJ purchases fiber from carriers
 - As one of the largest independent ISPs, IIJ has strong bargaining power
 - IIJ expands its Internet backbone continuously
- ◆ IIJ owns NW equipment that are needed for Internet backbone and NW service facility
 - NW operation cost which is many depreciation amortization costs for NW equipment is stable due to the technological innovation of servers and other NW equipment
 - In other words, ¥1 million server today is higher spec compared to the ¥1 million server a year ago

Revenue

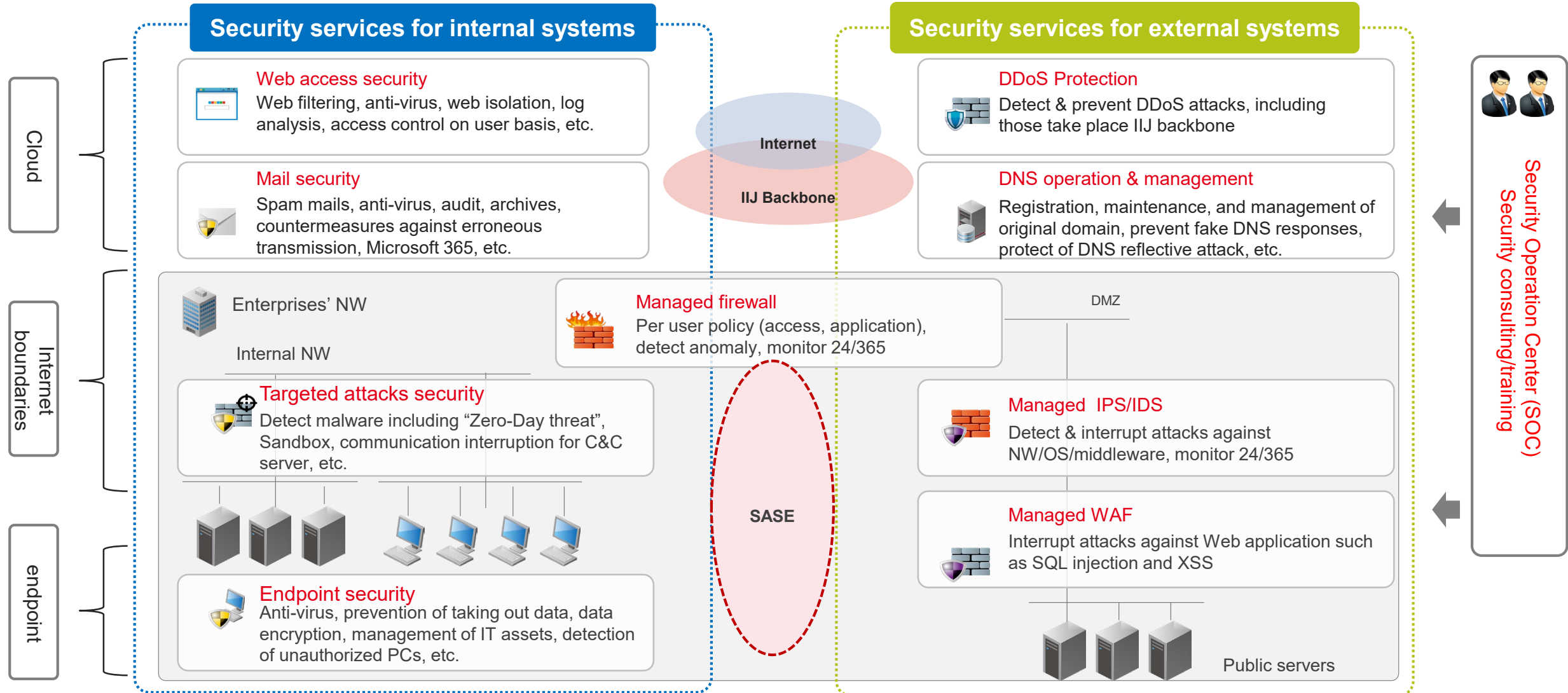
- ◆ Enterprise NW service revenues such as IP services and Outsourcing services are to continuously increase while their costs remain relatively stable
- ◆ By that, IIJ can enjoy an economy of scale with strong revenue accumulation which leads to gross profit expansion
- ◆ In other words, the costs for enterprise NW services do not have to increase at the same pace the revenue growth

IP Service Revenue (unit: ¥ billion)



Security Business (1)

- Provide a wide range of security services over network
- Information analysis platform utilizing information and expertise only available to ISPs



• SASE (Secure Access Service Edge) is a concept to shift controls of NW and security on the route to Cloud services to enable secure access from any points, instead of the conventional centralized management through headquarters or data centers.

Security Business (2)

➤ Many initiatives taken by IIJ for security

- 1994 Started providing firewall services (first in Japan)
- 1999 Started providing fully-managed firewall services (first in Japan)
- 2004 Started providing spam mail filtering (first in Japan)
- 2005 Added sender domain authorization technology/spam mail protection (first in Japan), Started providing IIJ DDoS Protection Services
- 2006 Started providing IIJ Managed IPS Service and **IIJ Secure MX Service (SMX)**
- 2009 **Started providing IIJ Secure Web Gateway Service (SWG)**
- 2015 Added sandbox option (function to detect behaviors as a countermeasure against targeted attacks)
- 2016 Constructed information analysis platform (constructed platform to analyze log data within our backbone to realize early detection and countermeasures against increasingly sophisticated threats)
- 2017 Started providing DDoS Protection Service (terabit-compatible), Opened new Security Operation Center (SOC) and started providing C-SOC Service**
- 2018 IIJ Security engineers provided trainings at an international security conference “Black Hat USA 2018” (first as Japanese)**
- 2018 Started providing IIJ Secure Endpoint Security Service
- 2019 Started providing IIJ Managed WAF Security Service (public web system vulnerability countermeasures)
- 2021 Started providing IIJ CSPM Solution (Cloud Security Posture Management which means cloud security management)
- 2021 Opened IIJ Security Training School (launched business for IT division personnel assigned for security to become specialists)**
- 2022 Started providing IIJ Secure Access Service (in-house developed SASE service)**
- 2023 IIJ Security Business division director was appointed as Kanto Regional Police Bureau’s cyber security advisor

Certification of multiple international standards

- Feb.2020 Mail, Web Security Services
- Apr. 2020 IIJ Managed IPS/IDS Services
- Mar. 2021 DDoS Protection Service, IIJ Managed WAF

Continued afterwards

Security Business (3)

IIJ Secure MX Service (SMX)

- ◆ Cloud-based integrated mail security service (launched in Sep. 2006)
- ◆ Differentiating by in-house developed filtering, providing support in Japanese, update, etc.
 - Minimize mail threats with multi filtering, able to store unlimited mail data in DCs located in Japan, prevent accidental transmission/information leak with the system
- ◆ Competitors withdrawing from the market



Share No.1
Cloud based mail security

Cloud based mail security market
Share No.1
<Source> ITR "ITR Market View: Cyber Security counter market 2023"

SMX contracted accounts (Mar. 2024)
2.9 million
E-mail services' accounts including OEM for enterprise exceeded 10 million in Jul. 2024

IIJ Secure Web Gateway Service (SWG)

- ◆ Cloud-based integrated web security service (launched in Mar. 2009)
- ◆ Differentiating by in-housed developed engines, etc. to block and isolate web functions, etc.
- ◆ SWG clients include Sumitomo Life Insurance, Fuji TV, Mitsubishi Chemical, Meiji Gakuin University, and Morinaga

10 consecutive years



SaaS Web gateway security

<Source> ITR "ITR Market View: Cyber Security counter market 2023"

SWG contracted accounts (Mar. 2024)
1.2 million

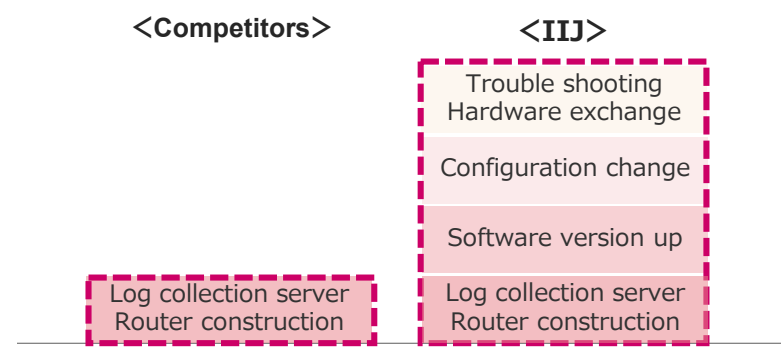
IIJ DDoS (Distributed Denial of Service) Protection Service

- ◆ Comprehensive service to protect enterprise NW system from DDoS attacks (launched in Oct. 2005)
- ◆ Service model requires NW backbone to offer
 - Realize reliable web services by avoiding overloaded NW and server triggered by huge traffic
 - 24/365 operation by security engineers who have expertise obtained through ISP business
 - Automatically detect and prevent DDoS attacks
 - Internet access line are also within service coverage
 - Global coverage to prevent terabit level large-scale attack (Jan. 2017)
- ◆ High penetration rate toward large financial institutions

IIJ C-SOC (Security Operation Center) Service

- ◆ Comprehensive security incident response service provided by IIJ security engineers
- ◆ Operational SOC service unique to ISPs: visualize invisible threats by applying IIJ's unique intelligence, execute initial response, etc.
- ◆ Individual service operation and monitoring including other managed services
- ◆ Relatively expensive service

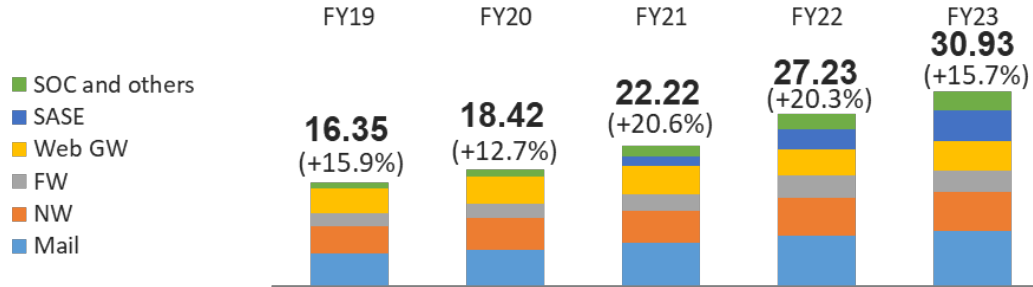
Coverage comparison



Security Business (4)

Security Service (monthly recurring revenue)

◆ Revenue strongly increasing along with continuous strong demands



◆ Total security business volume also growing

- Security projects outside the scope of IJ security services are handled through SI

Total security business volume (Service + SI)	FY19	FY20	FY21	FY22	FY23
	19.18	21.47	25.44	31.25	34.81

◆ Strong demand for “IJ C-SOC Service”

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

- IJ’s competitive advantages:
 - Collaborate with various in-house devolved managed type gateway security services
 - Wide monitoring scope including EDR & SASE
 - Apply abundant traffic log data to develop IJ’s unique intelligence as well as detect threats

◆ Collaborate with Uzbektelecom on security service development

- Uzbektelecom plans to launch its own NW security service in Uzbekistan and Central Asia, collaborating with “IJ Safous Service”

◆ Continued to enhance service line-ups and functions

- “IJ Safous Service” was awarded “Global InfoSec Awards” and “Cybersecurity Excellence Awards” at RSA Conference 2024 in May 2024 (7 awards in total)
- First in the Asia-Pacific to be certified as Palo Alto Networks Partner for SP Interconnect, providing Internet connection between Prisma Access and IJ Backbone (Apr. 2024)

- Security Service Revenue (recurring) is 100% recognized in Outsourcing
- SASE (Secure Access Service Edge) is a concept to shift controls of NW and security on the route to Cloud services to enable secure access from any points, instead of the conventional centralized management through headquarters or data centers. This concept is gaining popularity along with Cloud migration of enterprise operation systems, prevalence of flexible workstyle including teleworking.
- SOC (Security Operation Center): organization providing advices and actions regarding cyber attacks by constantly monitoring log data such as NW and device to detect and analyze cyber attacks

Mail Security

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

NW Security

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

FW (Firewall)

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

Web GW

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

SASE

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

SOC and others

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

Mobile Business (1)

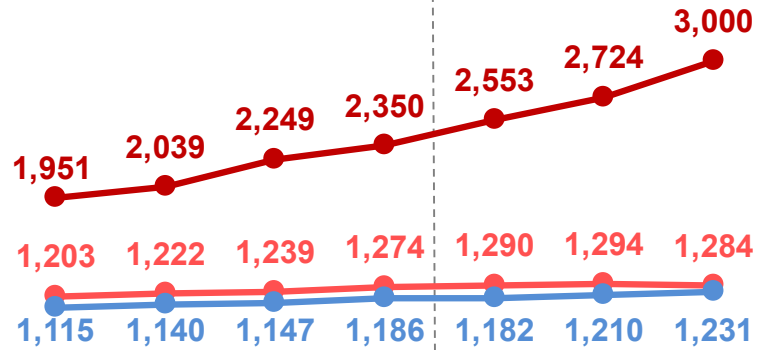
Unit: ¥ (JPY) billion (bn)
 %, YoY = Year over year comparison
 QoQ = Quarter over quarter comparison

Service/Business Function

Mobile Subscription (Subs.)

Subscriptions (Subs.)
 (unit: thousand)

Enterprise mobile
 IJmio
 MVNE



Mobile Revenue

1Q-3Q23: 34.14 [+8.4%]

FY23: 46.14 [+9.1%]

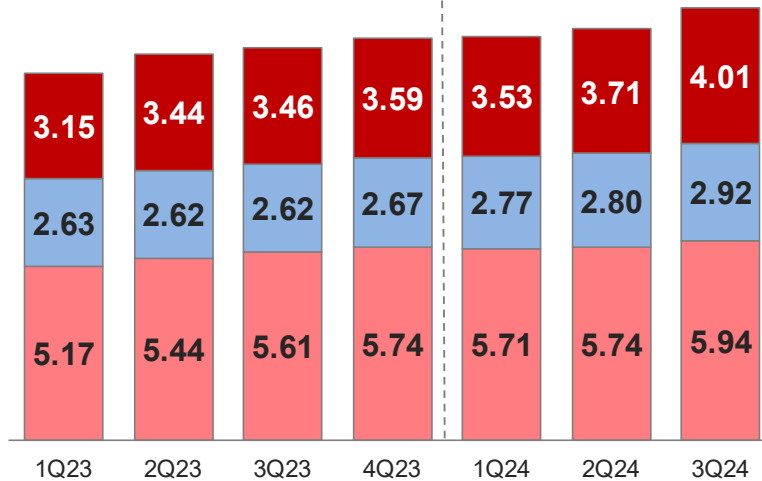
1Q-3Q24: 37.13

[+8.8%]

10.94 11.50 11.70 12.00 12.01 12.25 12.87

Revenues
 (unit: ¥ bn)

Enterprise mobile
 MVNE
 IJmio



- Accumulate enterprise IoT traffic by leveraging the blue-chip client base, various NW services & SI function - higher utilization of the mobile infrastructure
- Consumer subscription contributing to expand the infrastructure

◆ Enterprise mobile (deducting MVNE from IJ 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.

◆ IJmio (consumer)

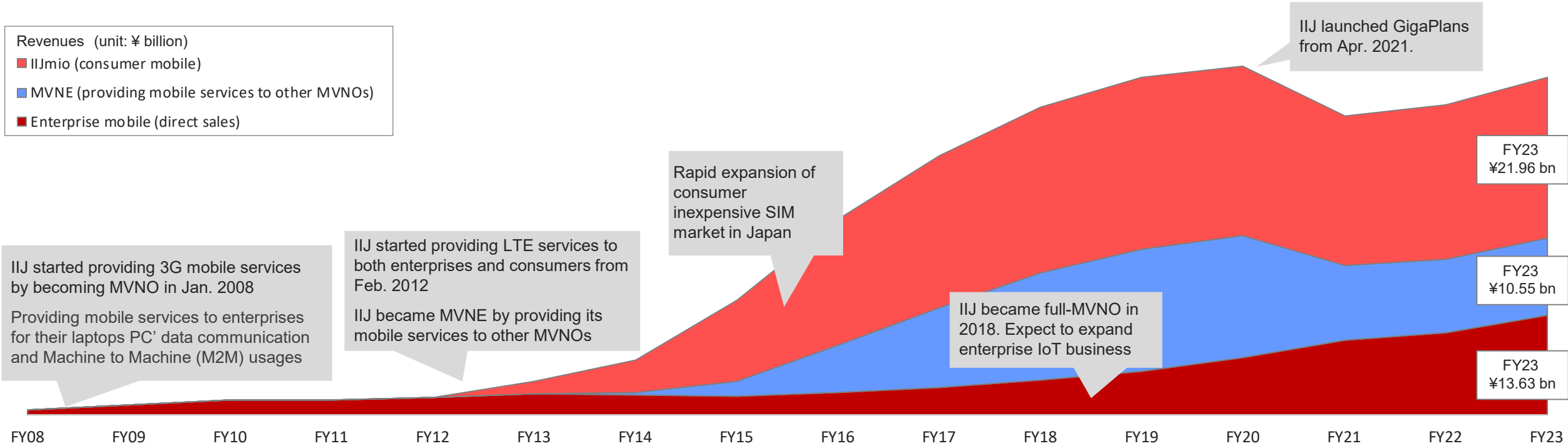
- 1Q-3Q24 revenue: ¥17.38 bn (+¥1.15 bn YoY)
- 3Q24-end subs.: 1,284 thousand (-10 thousand QoQ)
 - Of which, the old plan's subs. were 184 thousand

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

Mobile Business (2)

Service/Business Function

Revenues (unit: ¥ billion)
 ■ IJmio (consumer mobile)
 ■ MVNE (providing mobile services to other MVNOs)
 ■ Enterprise mobile (direct sales)



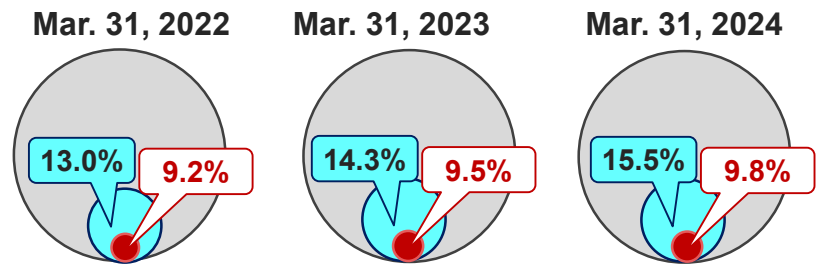
FY23
¥21.96 bn

FY23
¥10.55 bn

FY23
¥13.63 bn

Consumer inexpensive SIM market in Japan

■ Total mobile subscription
 ■ MVNO subscription
 ■ SIM subscription



Source: the Ministry of Internal Affairs and Communications (MIC)

SIM type MVNO market share in Japan

	Mar. 31, 2022	Mar. 31, 2023	Mar. 31, 2024		
1 st IJ	18.1%	19.8%	21.6%		
2 nd NTT Communications	14.0%	NTT Resonant	11.9%		
			NTT Docomo(*)	9.7%	
3 rd Optage	9.2%	Optage	9.0%	Optage	8.7%
4 th Rakuten mobile	6.2%	Fujitsu	5.6%	Fujitsu	5.6%
5 th BIGLOBE	5.8%	Aeon Retail	4.8%	Aeon Retail	4.7%

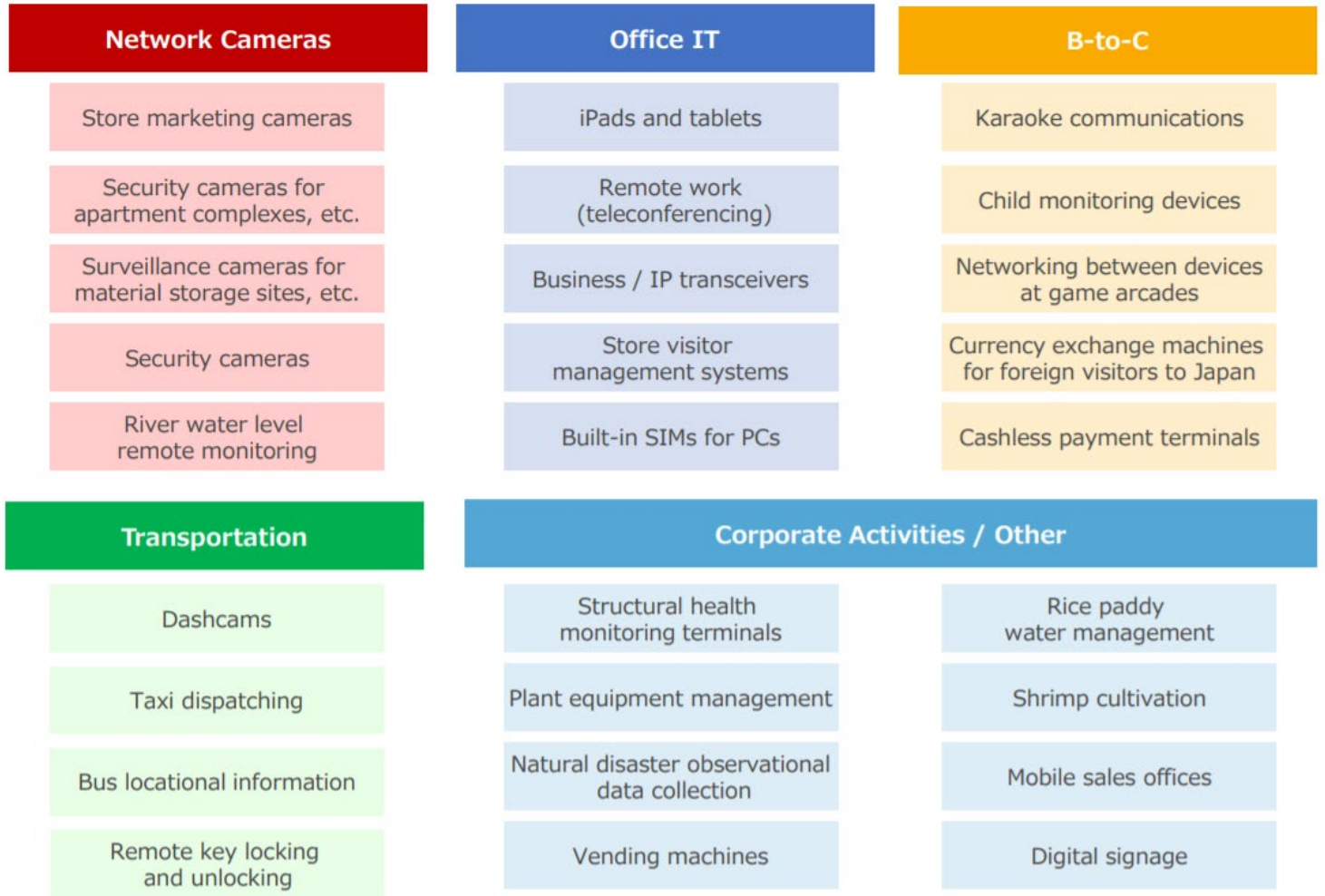
Source: the Ministry of Internal Affairs and Communications

(*) NTT Docomo's figures as of Dec. 31, 2023 was formerly NTT Resonant's and NTT Communications' ones

Mobile Business (3)

➤ Most of current enterprise mobile solution are simple usage such as connecting NW and surveillance cameras, etc.

Accumulating various enterprise mobile solutions



Mobile Business (4)

IJJ's mobile business model

◆ Revenue

- Consumer mobile revenue is calculated by multiplying subscription by ARPU
 - Headsets sales are also recognized as consumer revenue. IJJ is recognized as MVNO with good lineups of smartphone
- Enterprise mobile revenue is to grow with IoT/M2M traffic. Because we charge by how much data is needed and an IoT device does not require much data, generally speaking, per device revenue tends to be quite small

◆ Cost

- All of IJJ's mobile services are provided from the same mobile infrastructure
- Purchasing mobile infrastructure on bandwidth-base from mobile carriers (mainly from Docomo, some from KDDI). Such purchasing cost is recorded as "outsourcing" in NW services' costs
- In order to provide voice services, we purchase per usage base (no economy of scale merit for voice services)
- Sales commission expenses (SG&As) to sales partners such as BICCAMERA INC.

◆ Profit

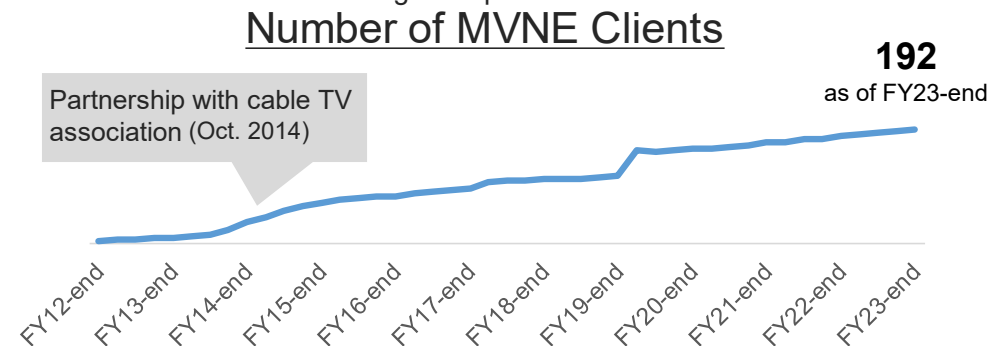
- Profitability to increase by improving infrastructure utilization through gathering various consumer & enterprise traffic
 - Traffic patterns of consumers and enterprises are different
 - ✓ Consumers' peak time is commuting hours and lunch break. Other than these hours, our consumers tend to access Internet through their home and/or office Wi-Fi. On the other hand, there is no clear peak time for enterprise. Traffic is generated through mobile dongle and/or IoT type usages which run 24/7

Growth Strategy

- ◆ **Aim to improve mobile infrastructure utilization by gathering IoT/M2M & various consumer traffic**
 - Currently buying mobile capacity to meet the peak hours which are concentrated on commuting hours and lunch time
- ◆ **Currently, IJJ is increasing mobile infrastructure to meet the peak of consumer traffic which is concentrated around commuting hours and lunch time. The overall mobile infrastructure utilization of other hours is relatively low**
- ◆ **By gathering various type of mobile traffics such as enterprise IoT traffic which is not concentrated at certain hours, we could aim for higher mobile infrastructure utilization**

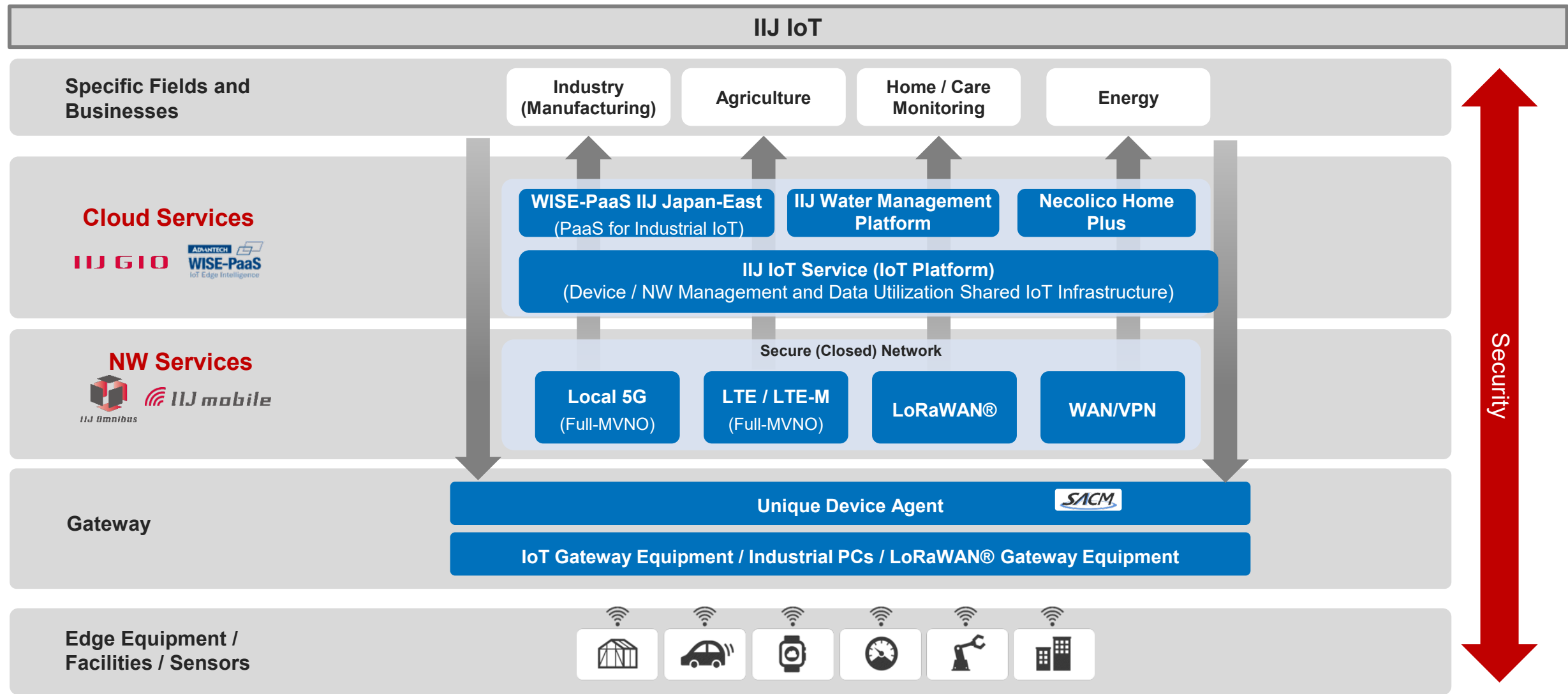
IJJ's sales channel for consumers

1. **Direct sales** through IJJ's website
2. **Sales partners** such as BICCAMERA INC. one of the largest retailers in Japan
 - IJJ pays sales commission expenses to sales partners
3. **MVNE "IJJ Mobile Platform Service"**
 - IJJ provides mobile services to other MVNOs
 - As of Mar. 31, 2024, IJJ had 192 MVNE clients
 - Among them, 94 MVNE clients are Japanese cable TV operators who already have direct relationship with consumers
 - Largest MVNE client is one of the largest Japanese retailers



IoT Business (1)

Combining IIJ's existing service lineups and SI to build IoT systems



IoT Business (2)

IIJ's IoT projects

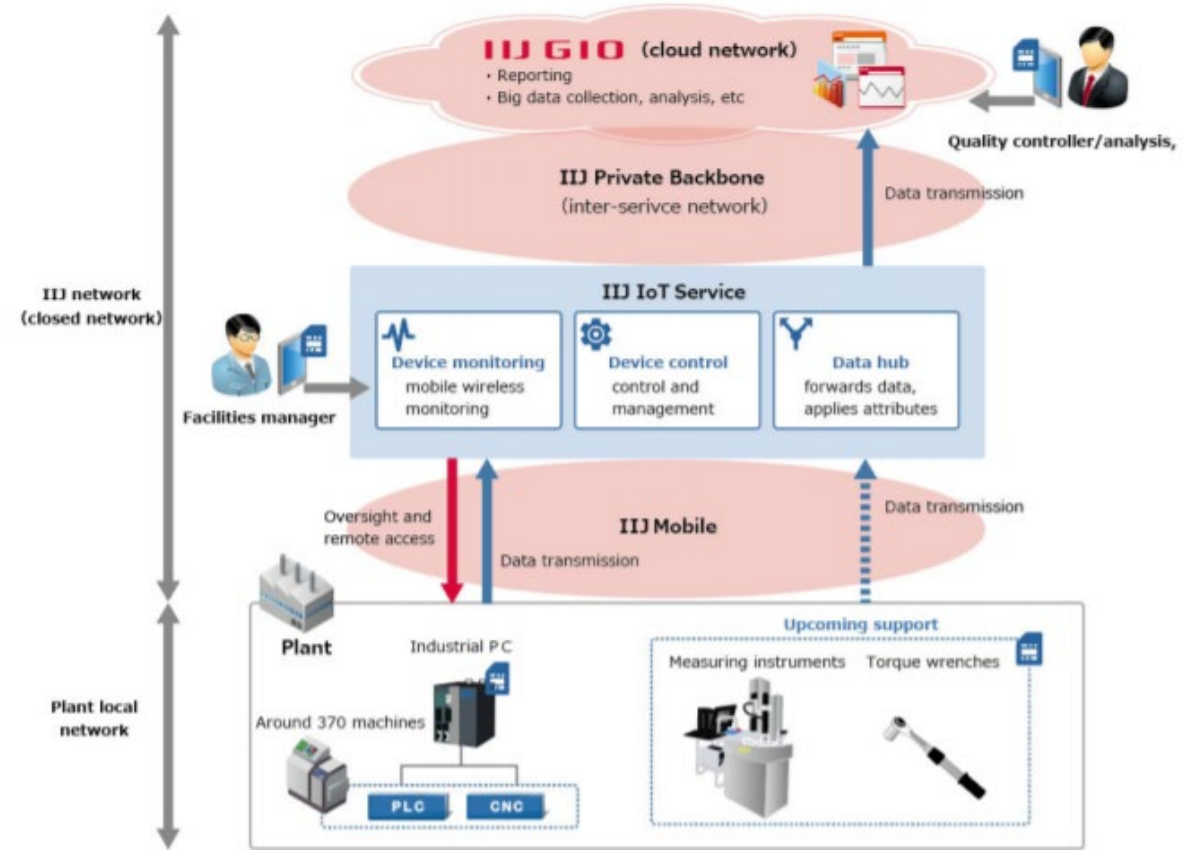
Industrial machinery manufacturers	Shift from reactive post-sales maintenance model to proactive field services (making predictions based on data)
Car accessory manufacturers	Expansion of service businesses by acquiring data through the networking of products and establishing software technology development organizations to develop services that use that data
Measuring instrument manufacturers	Expansion of services to streamline & improve the accuracy of recording tasks by going beyond just "measuring" things & providing linking data customers measure with their business systems
Automotive manufacturers	Improved efficiency of equipment management to cover personnel shortages, analyzing the expertise of skilled workers in maintaining operating capacity and implementing traceability to ensure quality
Trading companies (agriculture)	Shift from the sales of pesticides & chemical fertilizers to the provision of pesticide spraying technologies that reduce the amount used, & the development of cutting-edge agricultural technologies

Advanced IoT usage: factory IoT

◆ IIJ provides IoT system for Toyota Motor Hokkaido

- Providing a one-stop solution by offering mobile and Cloud services from data collection via closed mobile network to creation of a cloud platform for visualizing and analyzing the collected data.

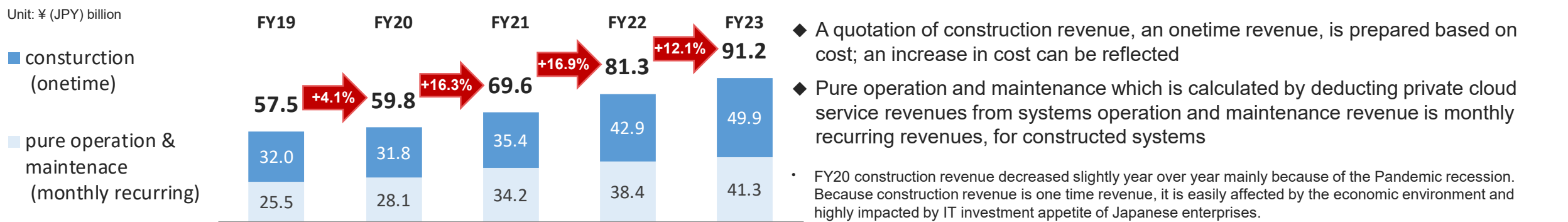
System image



Systems Integration (SI)

- ◆ Started offering SI to fully meet Japanese enterprises' IT demands which are quite specific & difficult to meet solely by NW services
- ◆ Seeing greater proposal opportunities to replace legacy private NW and systems which often require customization and Service Integration

SI revenue growth

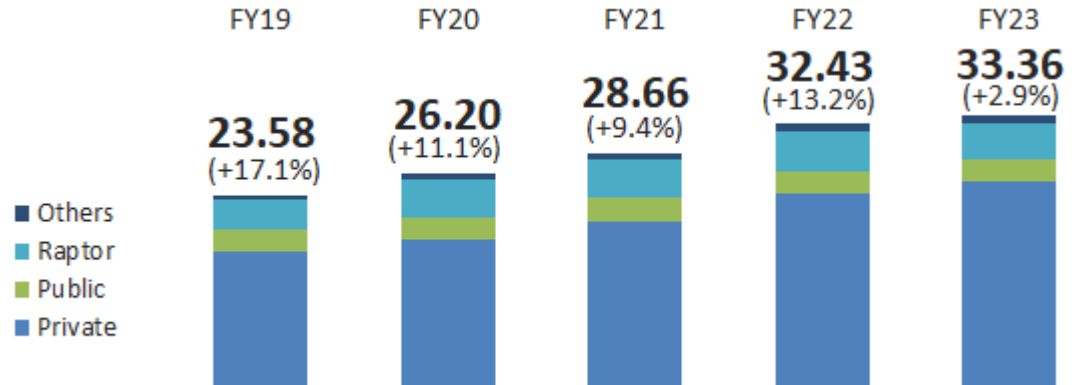


IJ's SI projects are becoming larger and more complex

	Conventional contracts	Current trend
Revenue Size	Few million to tens of millions (JPY)	Few hundreds of millions (JPY)
Type	NW integration, server enhancement and other Internet related systems construction projects	Complete replacement of current enterprise NW/system
Term	Construction revenue is usually booked after 3 to 6 months from order received	<ul style="list-style-type: none"> • Construction revenue is sometimes booked a year later from order received • Greater time to book order received as projects becoming more complex and larger
Cost structure	Mainly hardware	Larger number of system engineers and outsourcing personnel are needed

Cloud service revenue (monthly recurring)

◆ Revenue continued to accumulate along with the constant cloud shift



• FY23 Cloud Service revenue recognition: 91.7% in systems operation, 8.3% in Outsourcing

Private cloud

- IJ GIO Infrastructure P2 Gen.2
 - Next generation IaaS enabling easy Cloud migration from on-premise (launched in Oct. 2021)
 - Highly transitional VMware base hosted private Cloud
- IJ Unified Operation Management Service (UOM)
 - SaaS to improve efficiency of multi-cloud system operation work (launched in Apr. 2017)
 - Management and operation cover wide range from cloud to on-premise, Improve efficiency with automated incident management etc.
- Multi-cloud, etc.

Public cloud

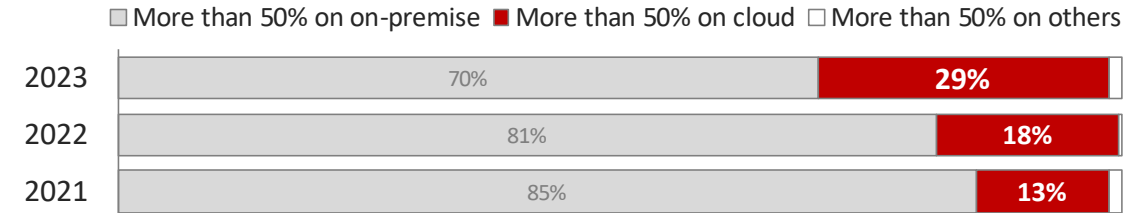
- Low-cost servers with pay-as-you-go pricing, etc.
- #### Raptor
- In-house developed SaaS base FX (Foreign Exchange) platform services for online brokers, launched in Nov. 2011
 - Providing services to Hirose Tsusho, Line Securities, au Kabucom Securities, Nomura Securities, Sony Bank, SMBC Nikko Securities, Matsui Securities etc.
 - New service platform (from Sep. 2023)
 - With cloud-native design, greater scalability, performance, and security features than the previous platform

Others

- Cloud services provided through overseas subsidiaries, etc.

Majority of enterprise systems are still operating on-premise

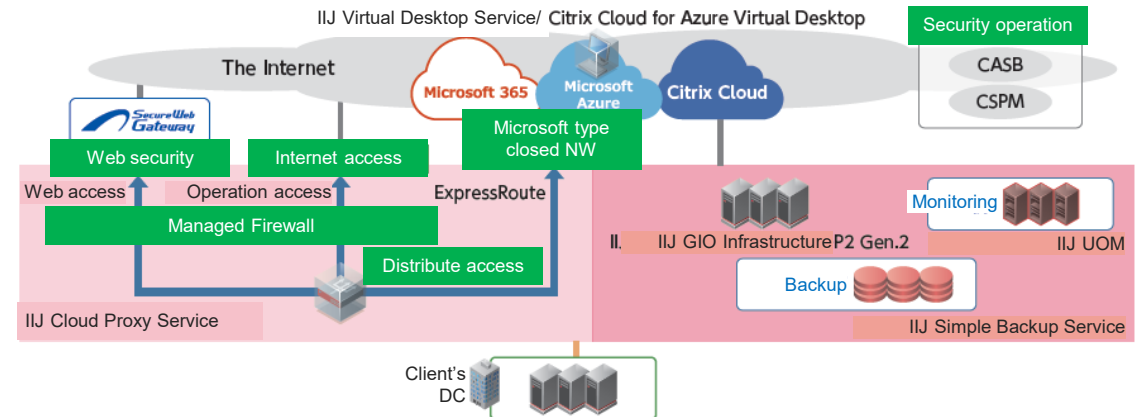
Location of servers working and/or deployed



Source: Internet Initiative Japan "Nationwide survey on IT department" 2021 N=737, 2022 N=598, 2023 N=214

◆ Continued to accumulate cloud migration projects

- Case 1: Upon DC contract renewal, a client started considering cloud migration of the current systems
 - ✓ IJ GIO Infrastructure P2.Gen2, Migration Solution, and UOM combined to achieve easy migration to cloud with almost no changes to the current configuration. IJ was in charge of test and production migration work, continued use of existing IP addresses, integrated cloud and NW maintenance, etc.
- Case 2: Upon the end of service of virtual desktop systems, a client started considering cloud migration
 - ✓ On-premise environment often causes long waits for login and other usability problems, but IJ provides multiple IJ services including IP and security to create



Cloud Business (2)

- Cloud services as one of the cross-selling elements
- Promoting cloud shift of the current blue-chip Japanese enterprises

IIJ's competitive advantages

- ◆ Blue-chip client base
- ◆ Cloud as new business opportunity
 - Because blue-chip companies' internal systems have been covered by legacy system integrators (Slers), it is a new business opportunity for IIJ once such systems migrate toward Cloud. IIJ has not dealt with legacy internal enterprise systems
- ◆ Various NW service line-ups, various ways to access cloud systems
- ◆ Competitors
 - AWS (Amazon) & Azure (Microsoft): Strong scale merit. Focus on public cloud. Not so strong about meeting individual systems needs
 - Because start-ups and SMEs do not have to worry about existing systems, they tend to use cloud services much more and much faster compared to large blue-chip companies who have large and complex existing systems
 - Legacy Slers

IIJ's cloud business model

- ◆ Revenue
 - Revenue is to increase along with an increase in the number of cloud service clients and each system volume (system volume depends on a number of cloud servers, volume of storage, etc.)
- ◆ Cost
 - Depreciation and amortization cost for servers and other NW equipment, outsourcing cost and personnel costs for service developments
- ◆ Profit
 - Currently very low profitability, need more revenue to have economy of scale

Cloud market in Japan

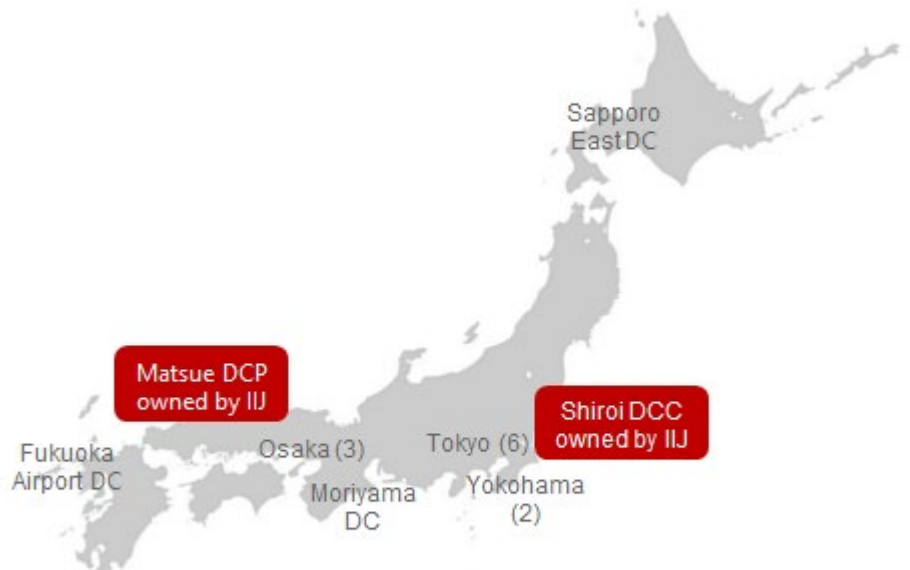
- ◆ Slow cloud shift in Japan
 - Japanese enterprises are slowly but surely using more cloud services, yet most of such usages are primitive ones: using cloud services for web and/file servers, etc.
 - Japanese blue-chip' internal systems are quite large and complicated - can't migrate all at once
 - Japanese enterprises consider whether to re-invest their on-premise systems or migrate to Cloud services when their existing systems approach to the end of life
 - Average cycle of IT system: 4-5 years
- ◆ Some advanced usages
 - Nippon Express (one of the largest logistics companies): replaced on-premise critical business operation system to IIJ Cloud (3,500 servers, 2PB storage), etc.

Multi-cloud strategy

- ◆ Japanese enterprises avoid relying on single cloud service vendor and prefer multi-cloud systems
 - Multi-cloud demands are generating demands for "IIJ Cloud Exchange Services" (revenue recognized in NW Services) which provide private connectivity to third vendor Cloud services such as AWS (Amazon), Microsoft, and Google
 - IIJ provides operation and management services to effectively monitor an entire IT systems through IIJ UOM Service which covers IIJ's cloud services, other cloud vendors' cloud services and on-premise systems
 - "IIJ GIO Infrastructure P2 Gen.2," which was launched in Oct. 2021 to promote full-scale cloud shift of enterprise systems, is accumulating orders

Data center (DC)

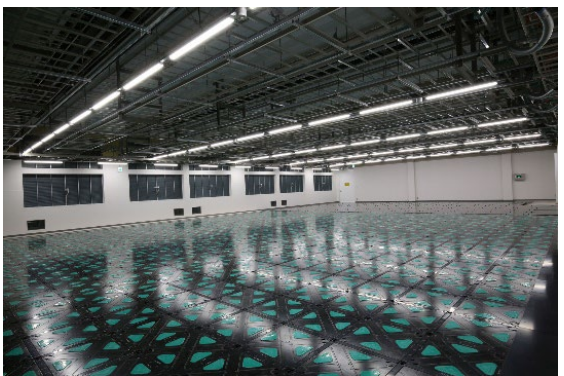
- ◆ Operate 16 DCs in Japan, 2 of which are owned by IIJ (as of Dec. 2024)
- ◆ DCs are mainly for IIJ's own service facility (IP, security, cloud, etc.)
 - Expanding own DC capacity along with growing demands for IIJ services
 - Expect higher efficiency by gradually migrating leased DC spaces to own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



Container DC at Matsue DCP



Server room at Shiroi DCC



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

• 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.

Financials

Financial Performance (FY19 ~ FY23 results)

P. 48

1Q-3Q24 Financial Results

P. 49 – 62

Financial Performance (FY19 ~ FY23 results)

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

Financials

Download link for Data book can be here: <https://www.ijj.ad.jp/en/ir/library/financial/>

		FY19	FY20	FY21	FY22	FY23
Total Revenue		204.5	213.0	226.3	252.7	276.1
	YoY	+6.3%	+4.2%	+6.3%	+11.7%	+9.2%
NW services		122.0	126.8	128.2	138.9	151.3
	YoY	+2.8%	+4.0%	+1.1%	+8.4%	+8.9%
Enterprise NW		75.9	79.3	87.5	96.6	105.2
	YoY	(-0.1%)	+4.5%	+10.3%	+10.5%	+8.9%
Mobile services		46.1	47.5	40.7	42.3	46.1
	YoY	+9.8%	+3.1%	(14.3%)	+3.8%	+9.1%
SI		78.4	83.3	95.3	110.9	121.8
	YoY	+12.5%	+6.2%	+14.5%	+16.4%	+9.8%
Operating Profit		8.2	14.2	23.5	27.2	29.0
	YoY	+36.6%	+73.2%	+65.3%	+15.6%	+6.6%
Operating Margin		4.0%	6.7%	10.4%	10.8%	10.5%
Net Profit		4.0	9.7	15.7	18.8	19.8
	YoY	+13.8%	+142.4%	+61.4%	+20.2%	+5.2%
ROE		5.2%	11.5%	16.2%	17.0%	16.3%
NW service gross margin		16.3%	21.4%	27.8%	27.5%	28.7%
SI gross margin		13.8%	14.5%	15.7%	16.7%	15.6%

- NW services (excluding Mobile service) revenue decreased YoY in FY19 mainly due to WAN services' certain large customers' migration to our mobile services
- Mobile service revenue decreased YoY in FY21 and expect to decrease in FY22 mainly due to subscriber migration to new cheaper plan
- Net profit is "Profit for the period/year attributable to owners of the parent"

Consolidated Financial Results

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

Financials

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

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

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

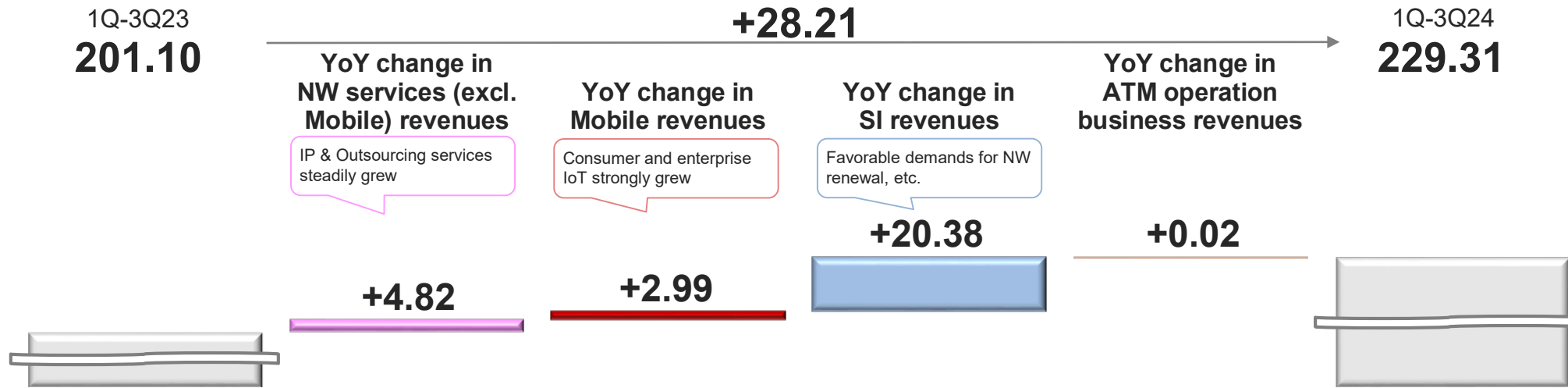
* FY24 targets include the VMware license-related negative impact for profits of approx. -¥1.1 bn (mainly impacted 1H24 results)

Year over Year Analysis

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

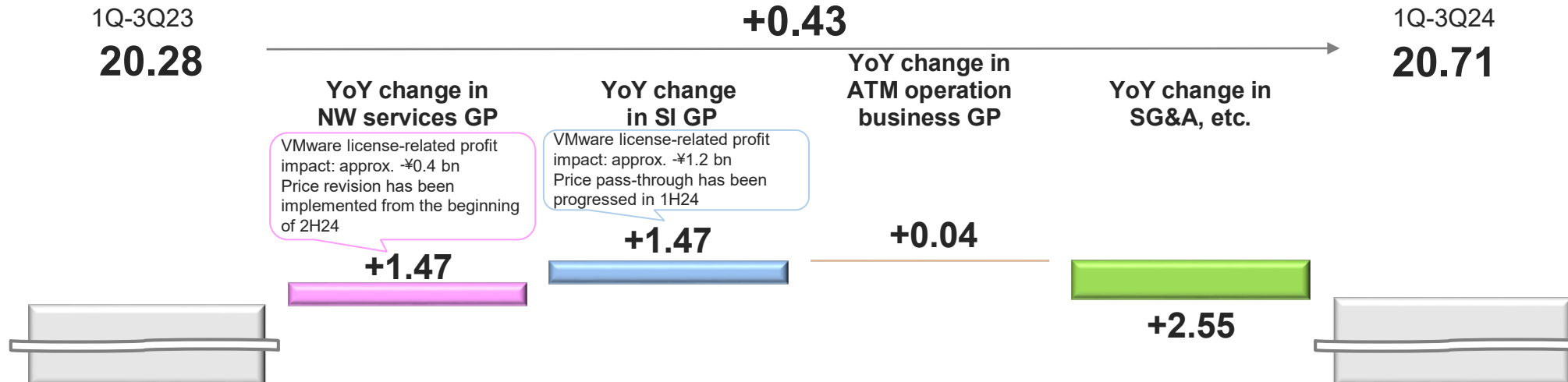
Financials

Revenues

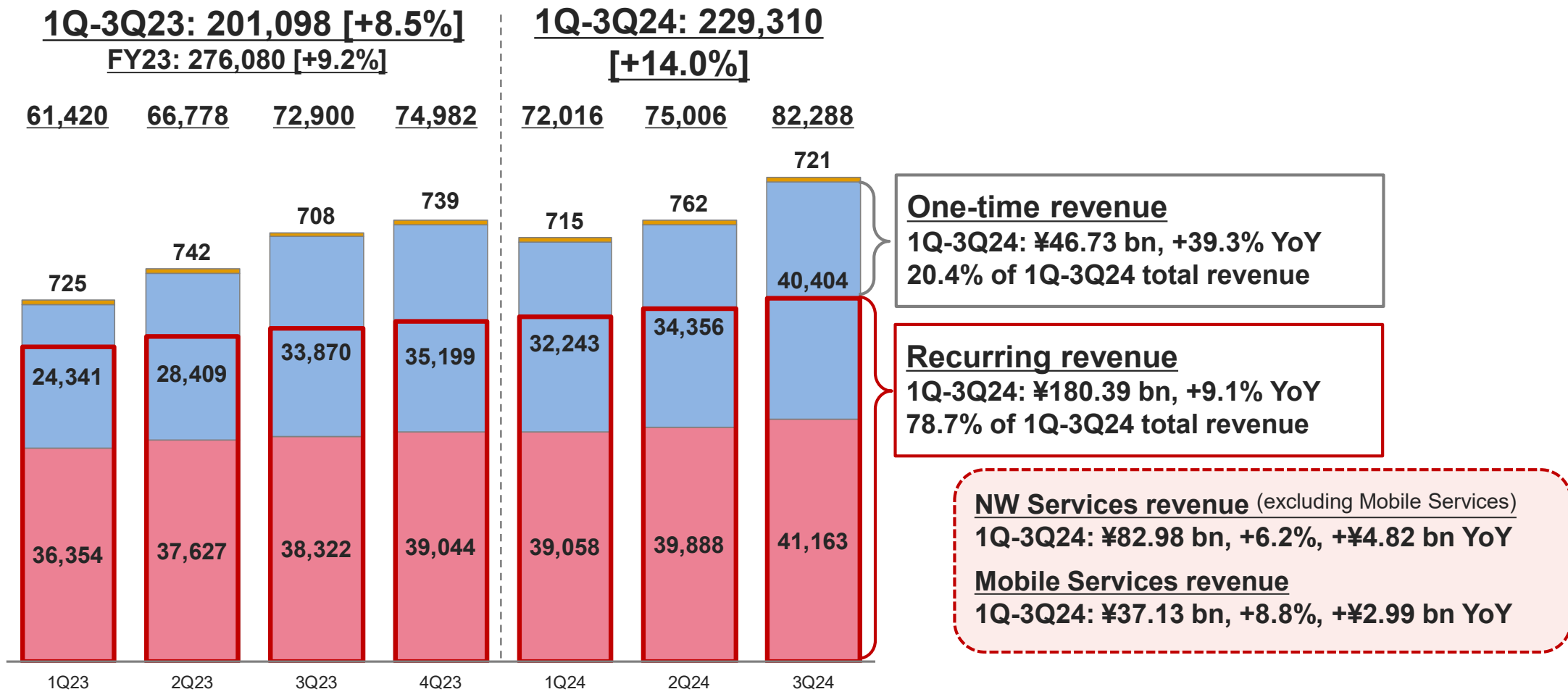
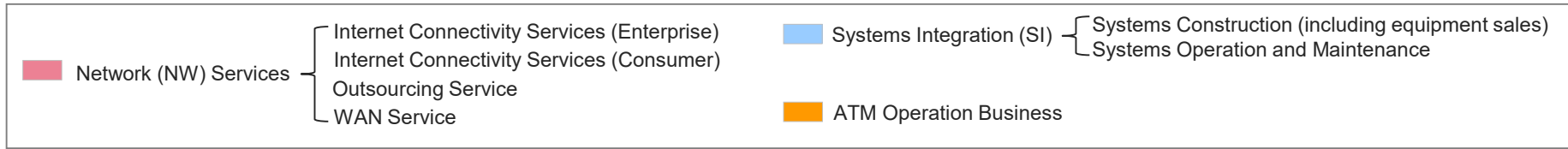


- NW services (excl. Mobile) revenues are calculated by deducting the below mentioned Mobile services revenues from total NW services revenues. The revenues include non-mobile consumer revenue which is a small amount
- Mobile services revenues include IJ Mobile Services (including MVNE) and IJmio (consumer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

Operating Profit



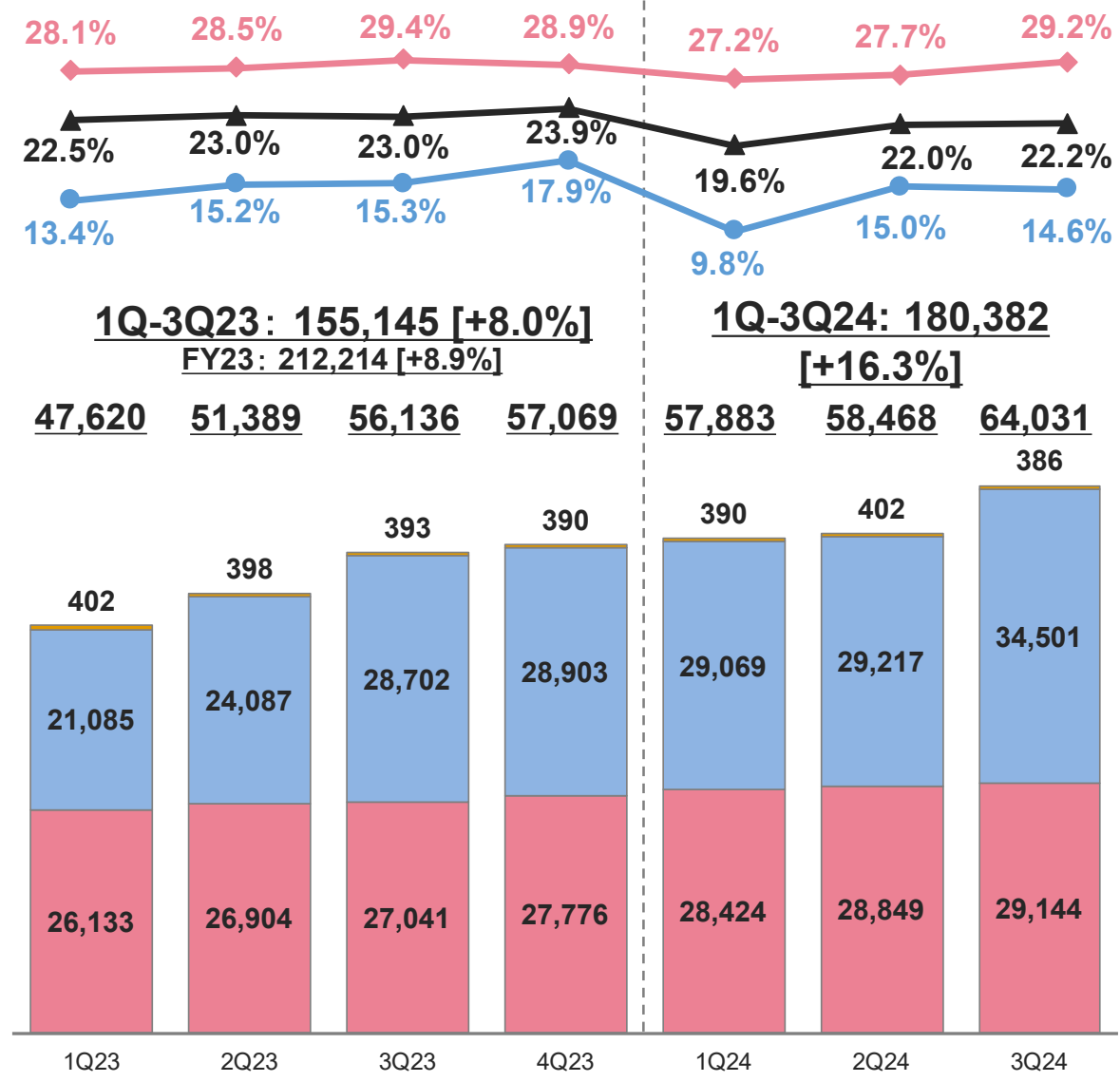
- NW services gross profit consists of gross profit related to NW revenues (excl. Mobile) and Mobile revenues (The two services have costs in common and cannot be broken down in accounting terms)
- SG&A, etc. in this slide represents the sum of SG&A, which includes R&D expenses, and other income/expenses
- 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/IIJ4Q23E_presentation.pdf)



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

Cost of Revenues & Gross Profit Ratio

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

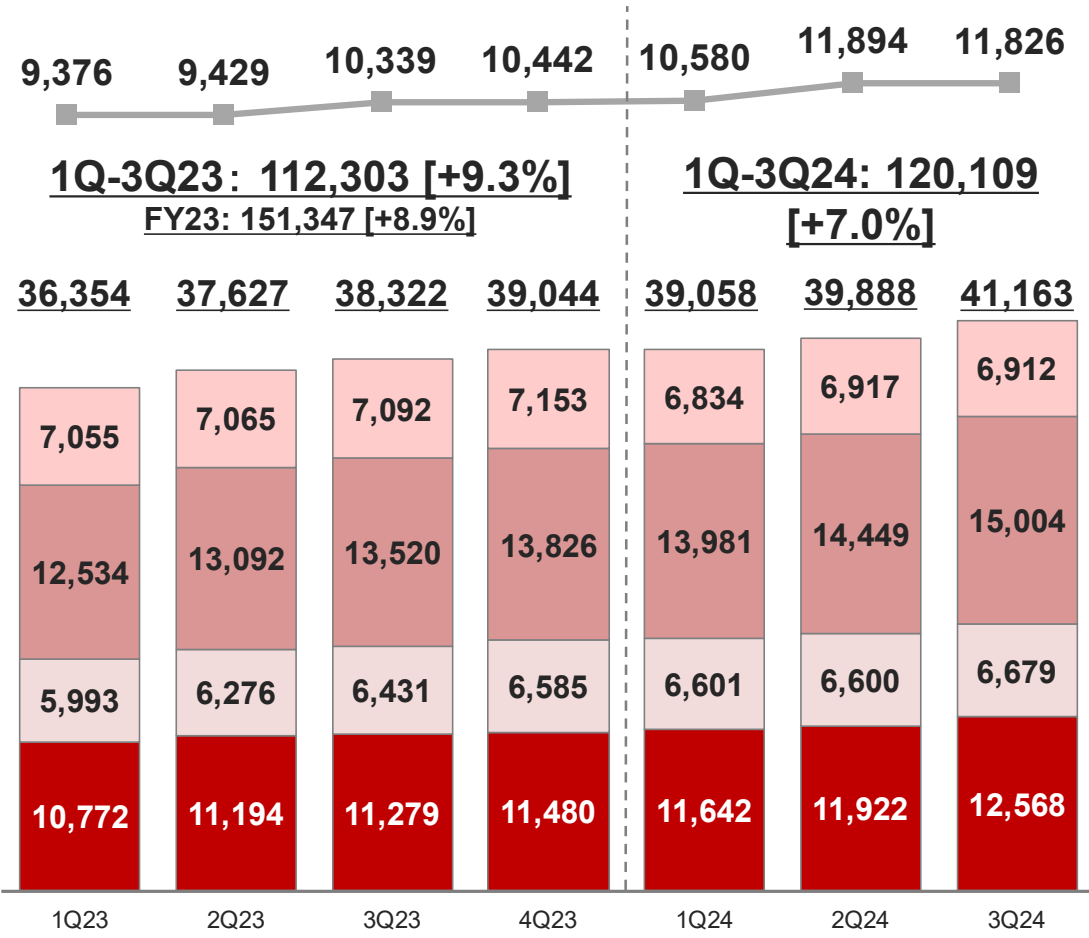
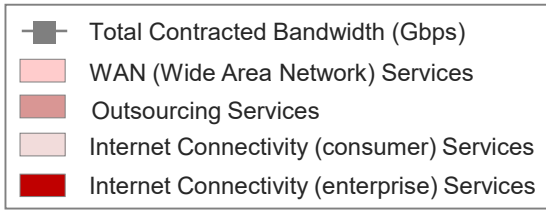
◆ Gross profit for NW services

- 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

Network (NW) Services (1) Revenues



◆ Internet Connectivity (enterprise) Services

- 1Q-3Q24: ¥36.13 bn, +8.7% YoY
 - Internet traffic (details in P.65) 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.

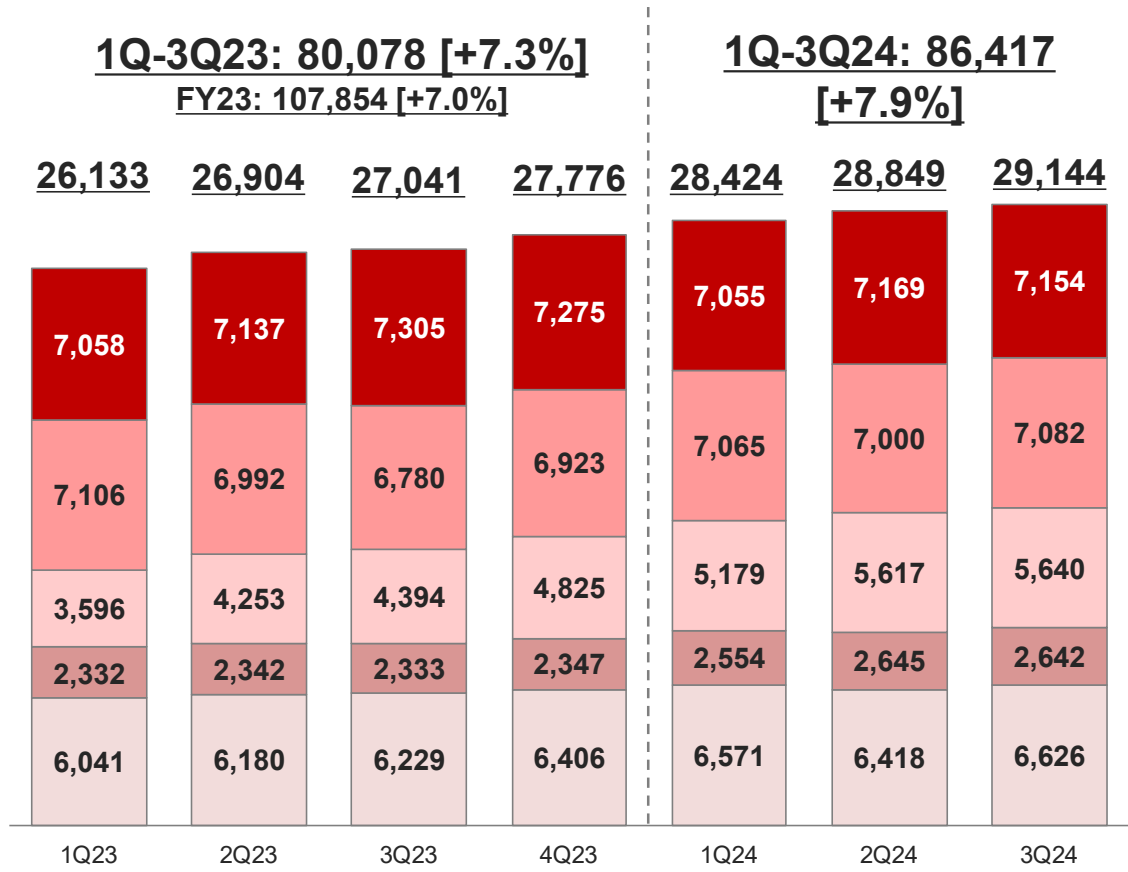
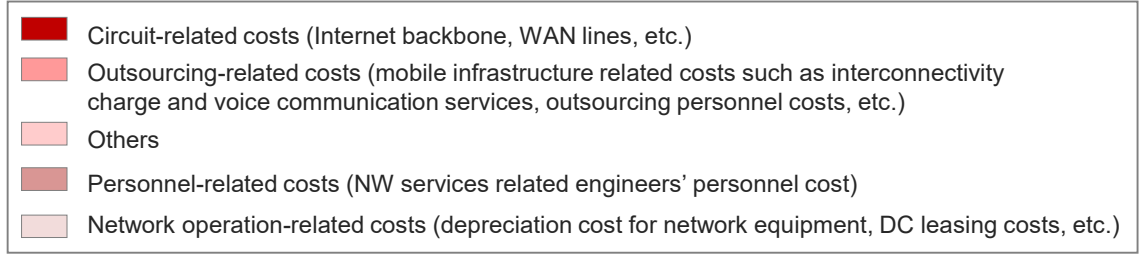
◆ WAN Services (Closed network services)

- 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

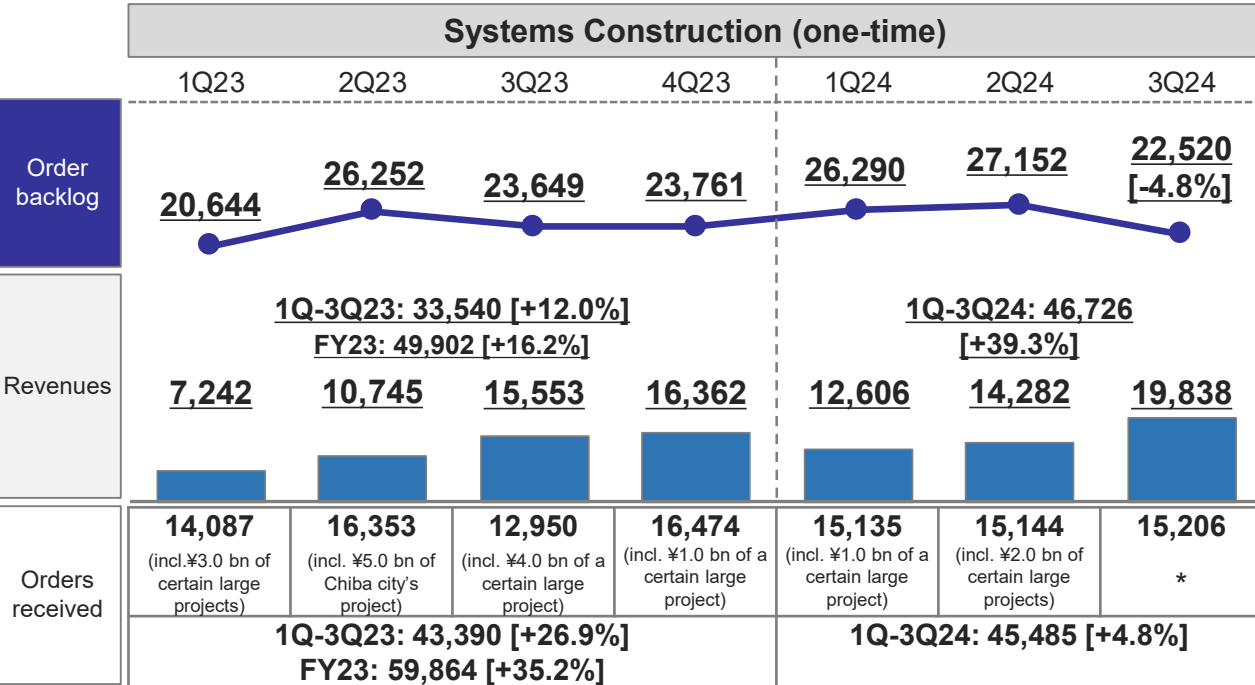
Network (NW) Services (2) Cost of Revenues



- 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.66)
 - 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

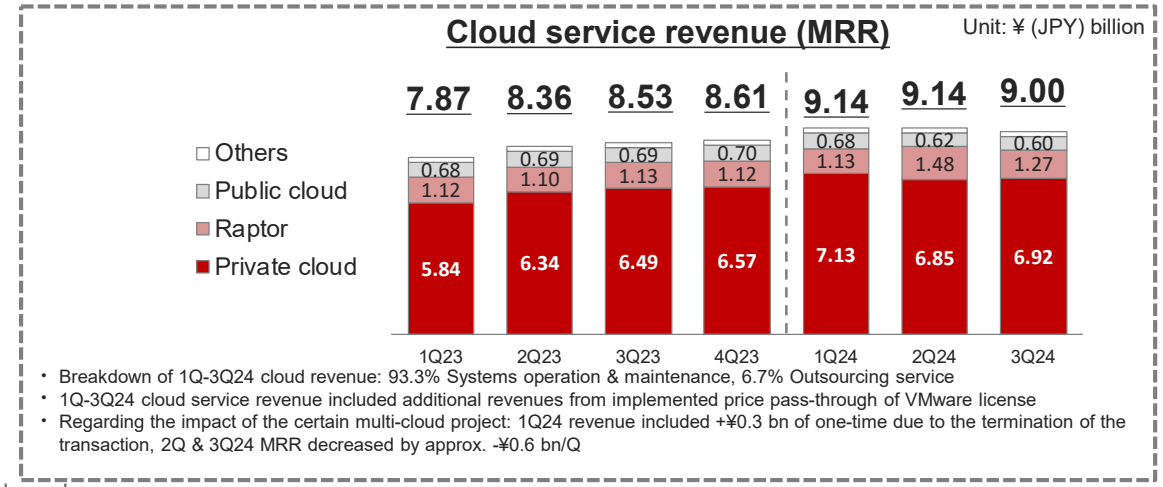
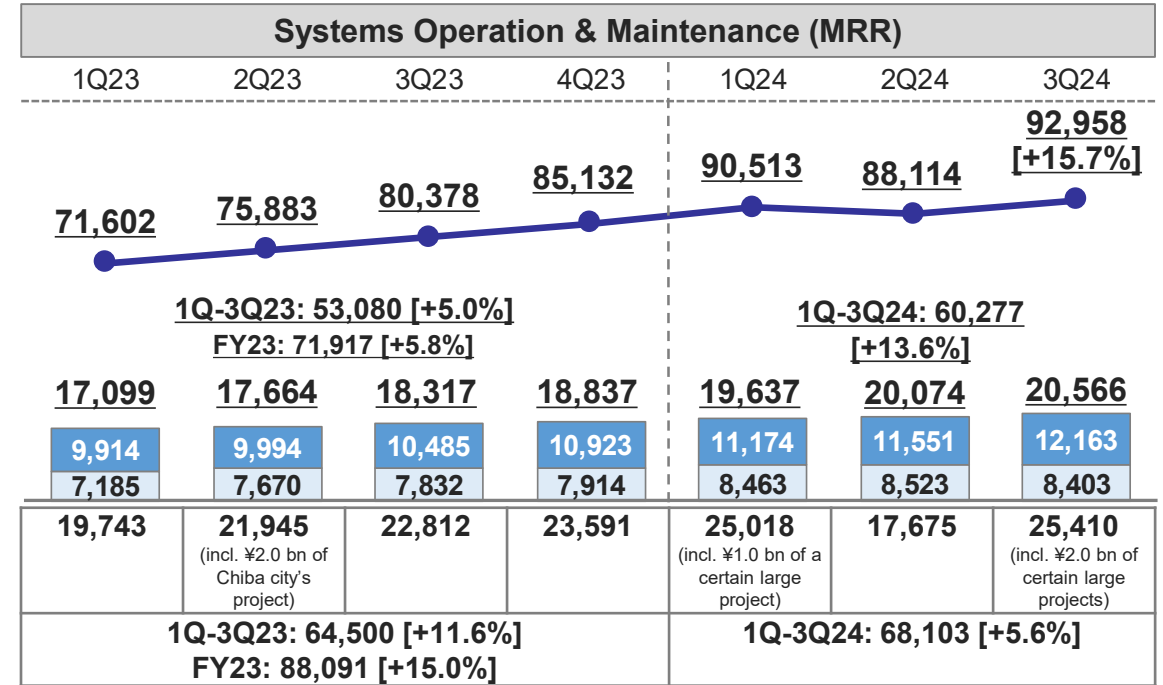
Systems Integration (SI) (1) Revenues

- 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



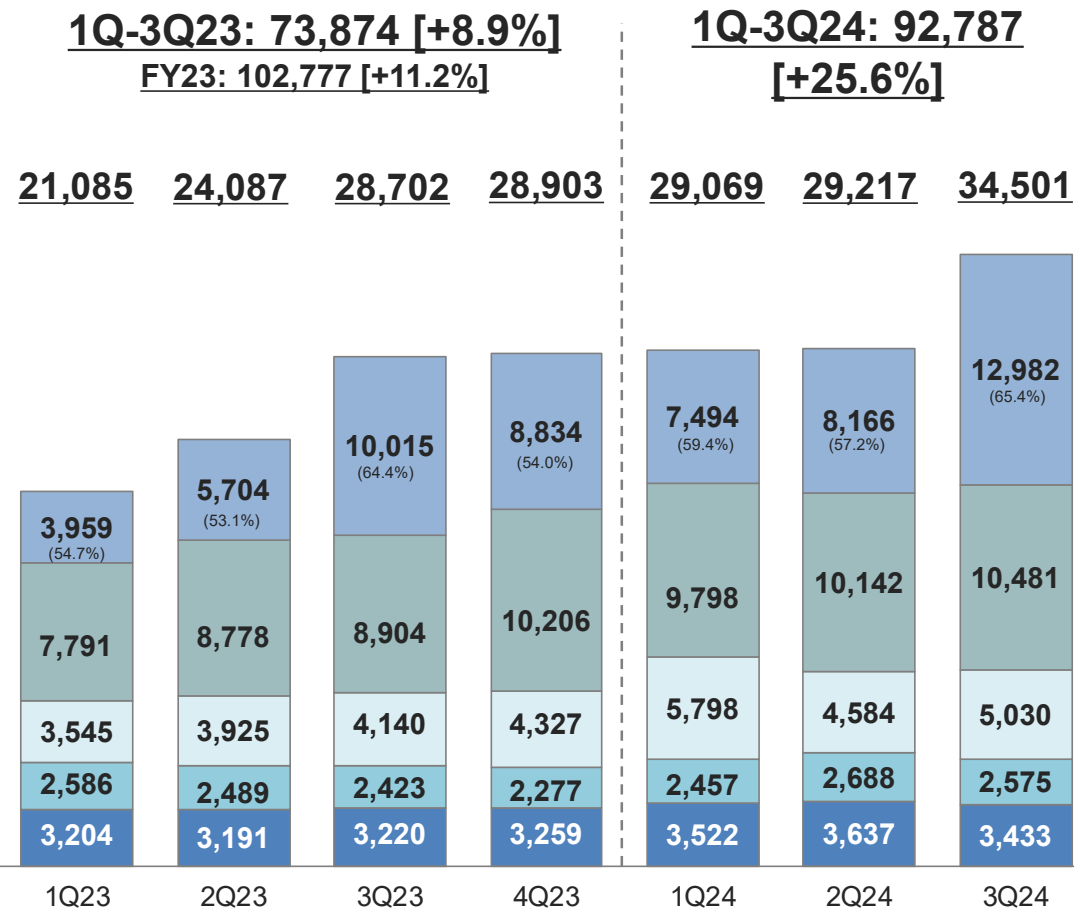
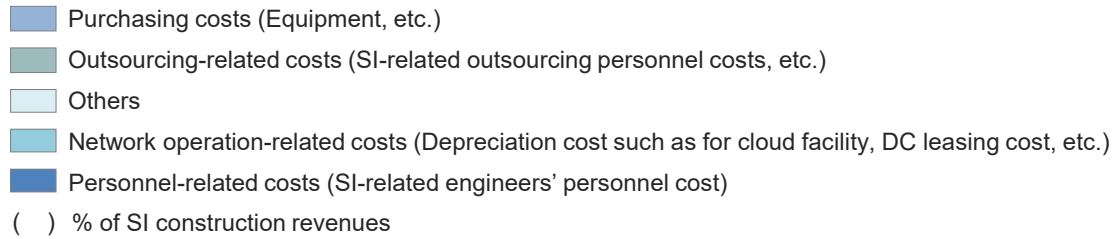
- Favorable demand from all industries continued
- SI construction revenue recognition of SI construction for Chiba city's educational information network: approx. 3.0 bn (excl. recorded revenues based on a percentage-of-completion method revenue) in 3Q24
- Consistently secured large-scale projects ranging 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



Systems Integration (SI) (2) Cost of Revenues

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

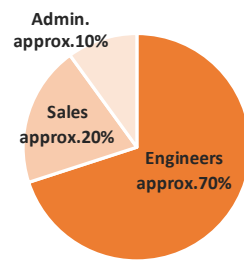
- The number of SI-related IJ's engineers & outsourcing personnel are increasing along with an increase in projects
- Due to many ongoing projects before order-received, the number of outsourcing personnel has been at a high level

Human Capital Disclosure

Number of Employees (consolidated basis)

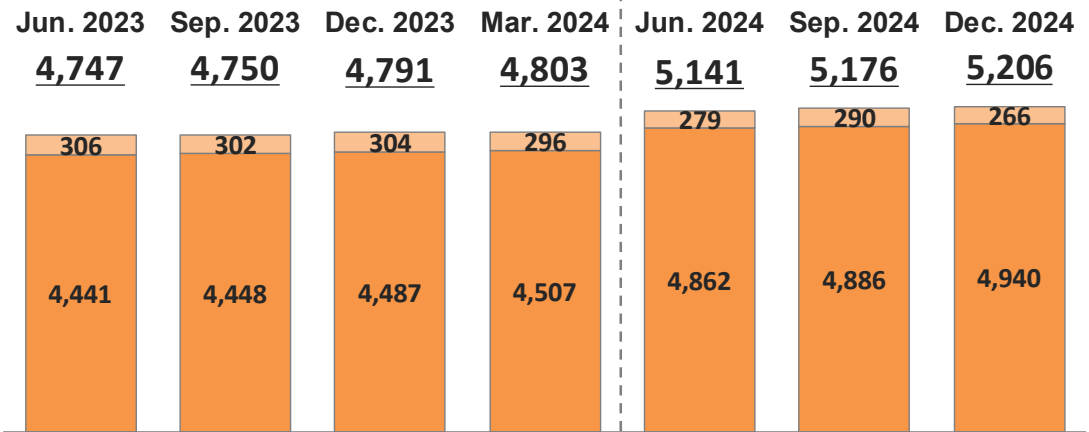
Contract worker (personnel)
Full-time worker (personnel)

Breakdown of Employees



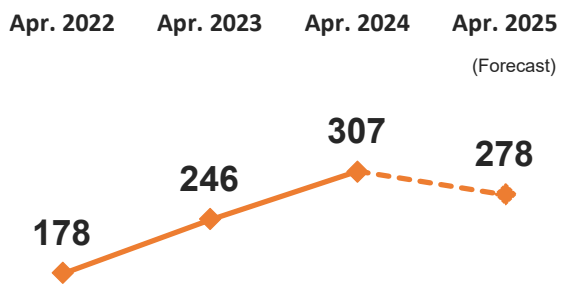
+416 YoY of which, 246 were new graduates

+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

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

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)

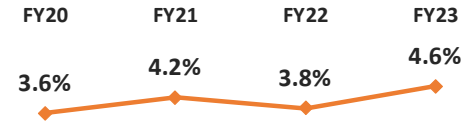
Employee Survey (IIJ)



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

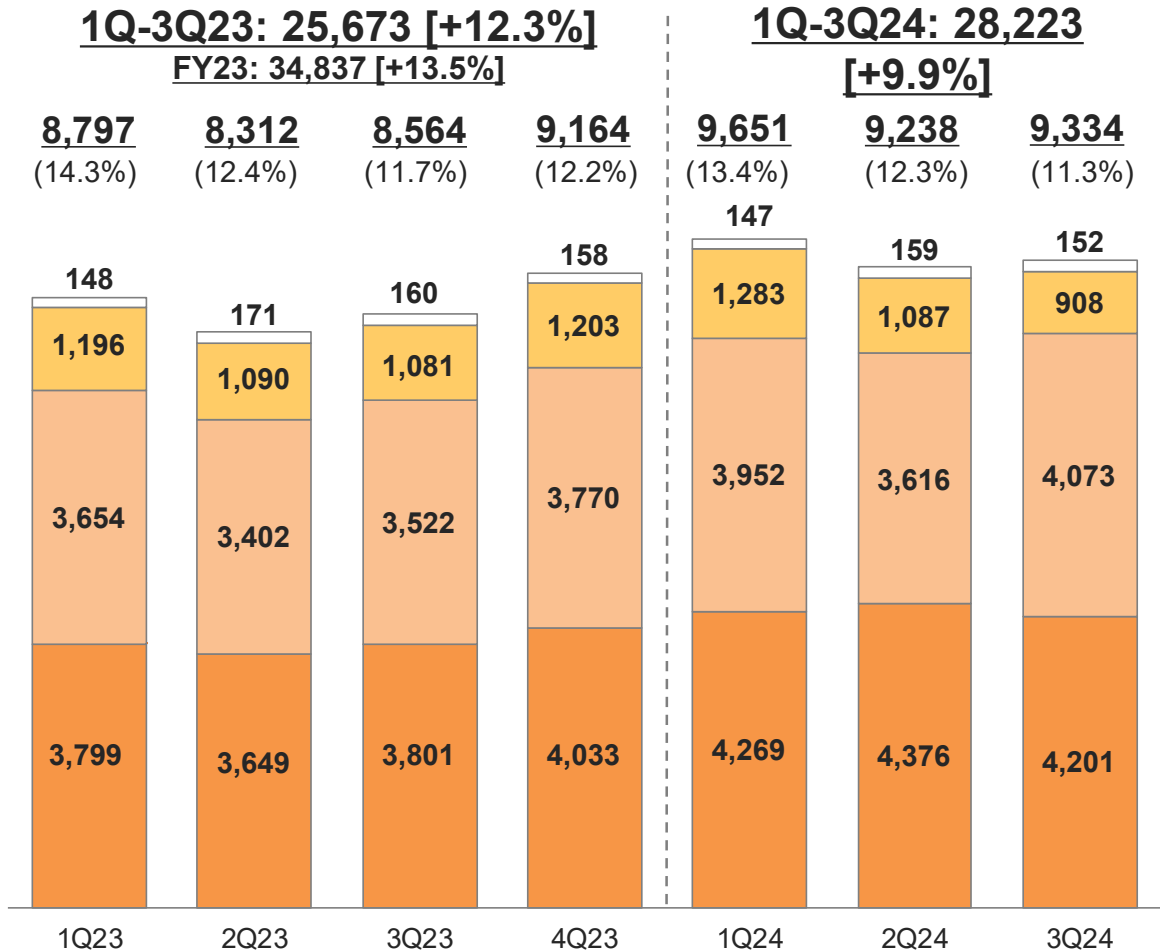
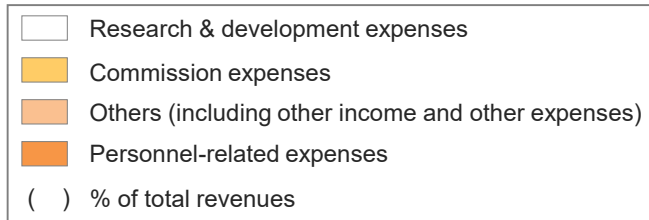
* The Employee Survey(IIJ) is an annual engagement survey (approx. 50 questions), and each item is rated on a five-point scale: 1 (disagree), 2 (somewhat disagree), 3 (neutral), 4 (somewhat agree), and 5 (agree). The "Overall Satisfaction" is the result of a question, "I am satisfied overall."

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

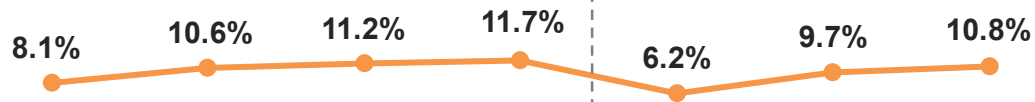
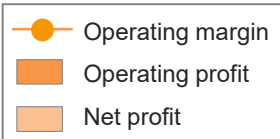


➤ SG&A, etc. is progressing as planned

- 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

Profit



1Q-3Q23 Operating Profit: 20,280 [+7.9%]

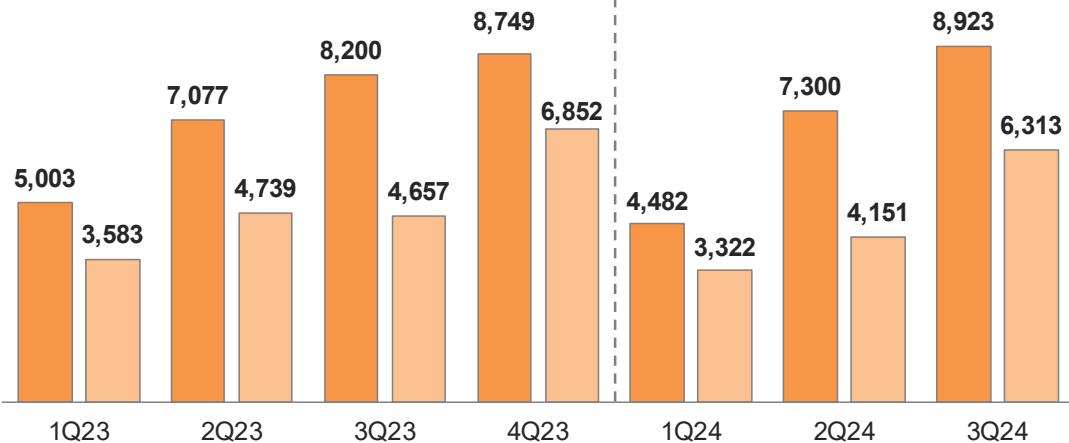
1Q-3Q23 Net Profit: 12,979 [+1.0%]

1Q-3Q24 Operating Profit: 20,705 [+2.1%]

20,705 [+2.1%]

1Q-3Q24 Net Profit: 13,786 [+6.2%]

13,786 [+6.2%]



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

◆ 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.70)

✓ 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.

Consolidated Statements of Financial Position (Summary)

Unit: ¥ (JPY) million

Financials

	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	Total liabilities:	146,681	169,745	+23,064
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
				Total equity attributable to owners of the parent:	125,751	136,548	+10,797
				Non-controlling interests	1,281	1,373	+92
Total assets:	273,713	307,666	+33,953	Total liabilities and equity:	273,713	307,666	+33,953

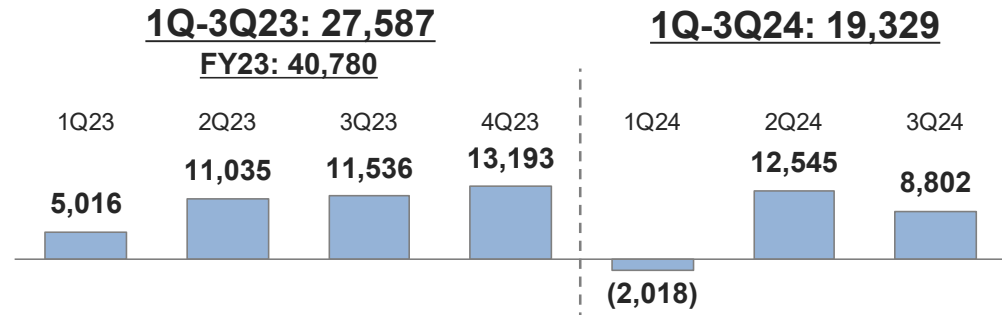
- Prepaid expenses increased mainly due to an increases in projects for clients (in addition to constant increase, two large-scale projects' impact: approx. +¥3.4 bn), license fee (in addition to constant increase, VMware license fee: approx. +¥4.0 bn) and maintenance for facility (constant increase), 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

Consolidated Cash Flows

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

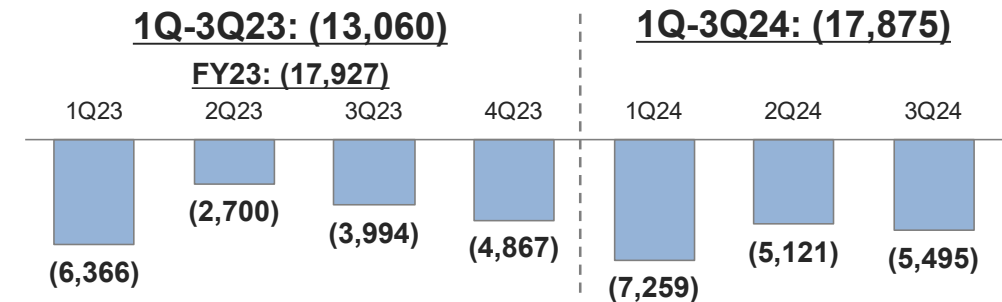
Financials

Operating Activities



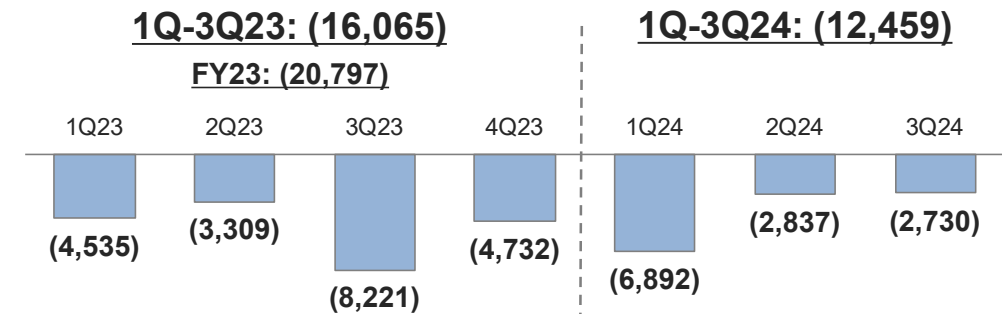
	1Q-3Q24 Major Breakdown	YoY Change
Profit before tax	20,588	+943
Depreciation and amortization	23,280	+1,351
Changes in operating assets & liabilities	(17,122)	(10,191)
Of which, decrease (increase) in prepaid expenses	(17,408)	(8,417)
Income taxes paid	(9,400)	(1,503)

Investing Activities



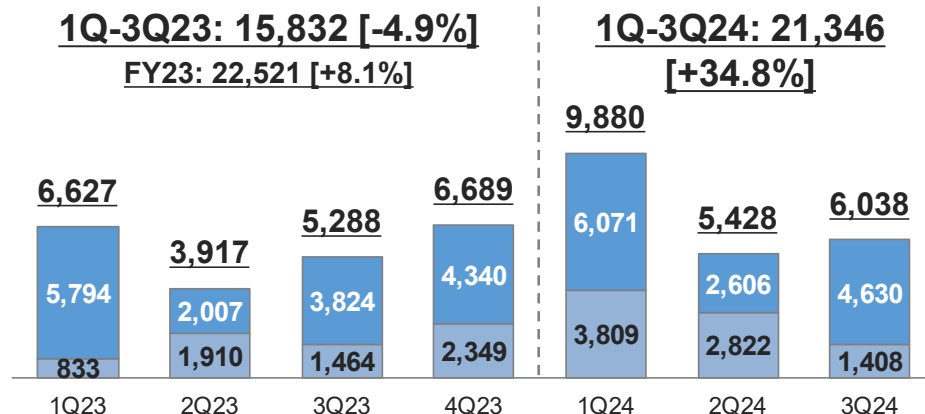
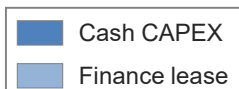
	1Q-3Q24 Major Breakdown	YoY Change
Purchase of tangible assets	(9,711)	(1,450)
Purchase of intangible assets such as software	(6,267)	(489)

Financing Activities



	1Q-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

CAPEX



➤ Major breakdown of CAPEX
(Unit: ¥ bn)

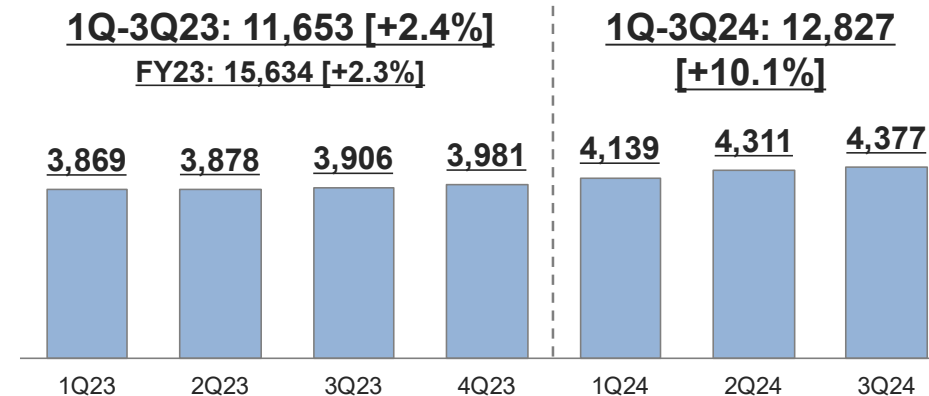
	1Q-3Q23	1Q-3Q24
Ordinal CAPEX (NW equipment & server, etc.)	8.4	9.3
Shiroi DC second site-related	3.8	0.7
Matsue DC-related	0.2	3.7
Customer-related	1.4	4.5
Renewal of Full-MVNO 5G infrastructure	1.1	2.3
Renewal of Raptor service facility	0.8	0.5

➤ FY24 CAPEX plan: approx. ¥23.0 bn

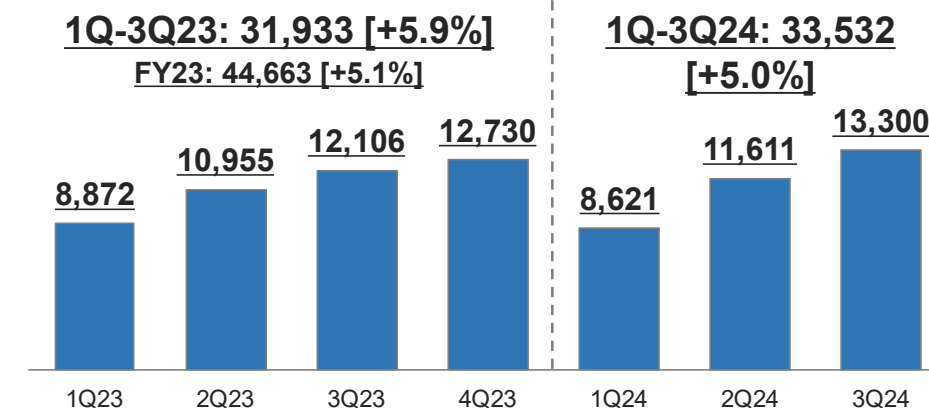
- Of which, approx. ¥3.7 bn is for Matsue DC's construction of additional modules
- Of which, approx. ¥2.0 bn is for Shiroi DC's expansion investment
- An increase in customer-related CAPEX along with the trend of acquiring of large-scale projects

- 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

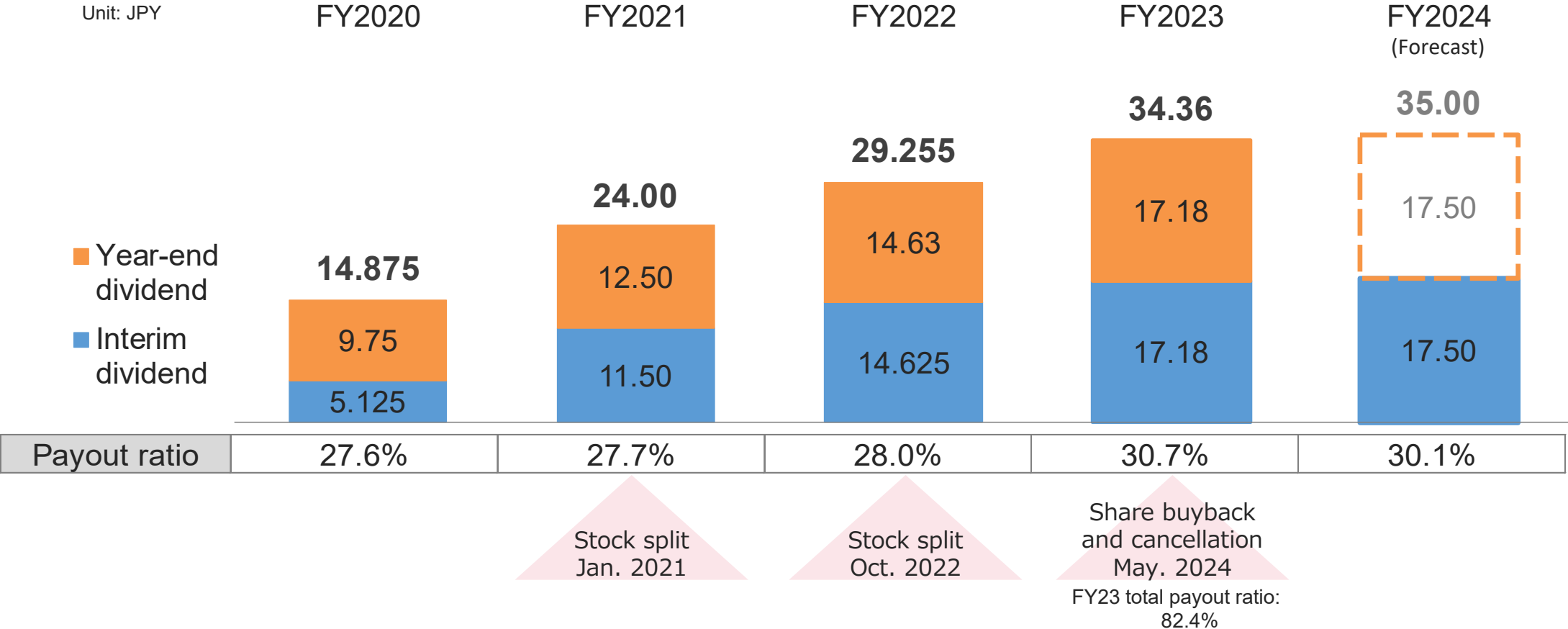


Appendix

Shareholders' Return	P. 64
Market Environment & Growth Forecast, etc.	P. 65
NTT Docomo's Mobile data interconnectivity charge	P. 66
Consumer Mobile Price list	P. 67
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FinTech Business: DeCurret	P. 70 – P. 72
CDN Business: JOCDN	P. 73

Shareholders' Return

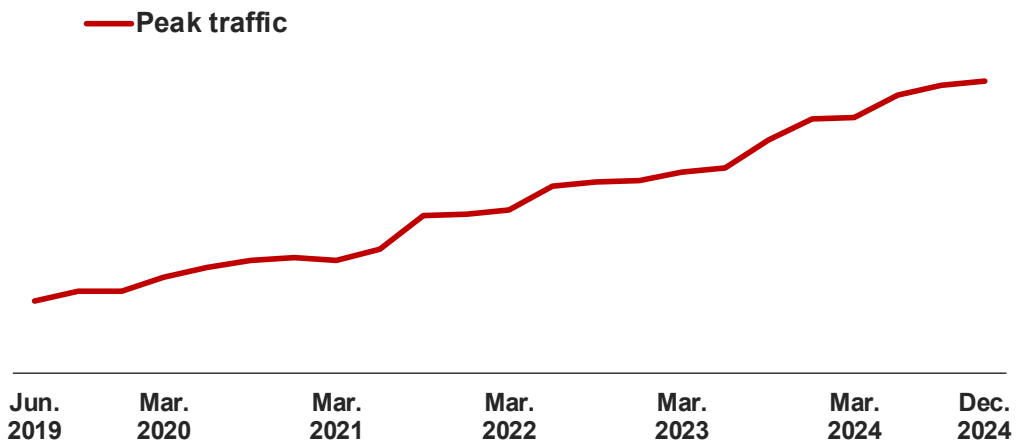
- ◆ **Basic shareholders' return policy:**
Continuous and stable dividend payment while considering the need to have retained earnings for the enhancement of financial position, mid-to-long term business expansion and future investment
- ◆ **Dividend per share:**
Continued to increase dividend in line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



- 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

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

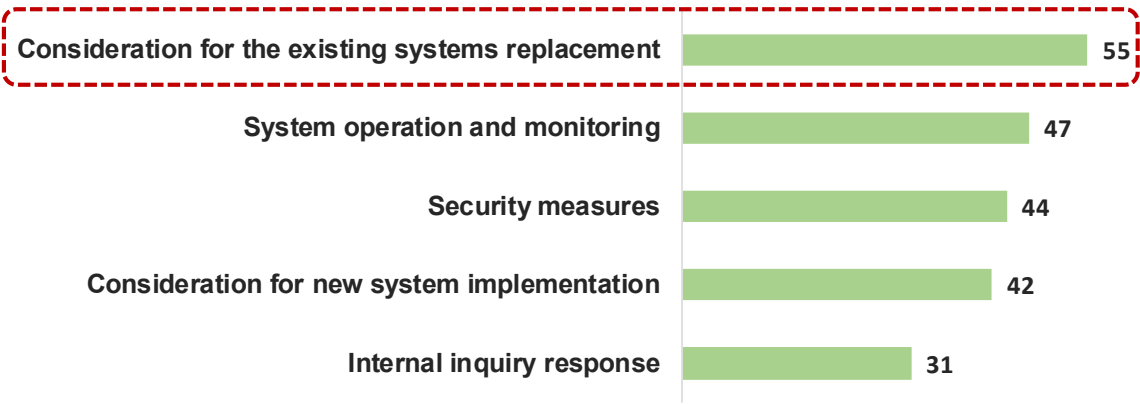
◆ Maintain top share in the domestic SIM-type MVNO market

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

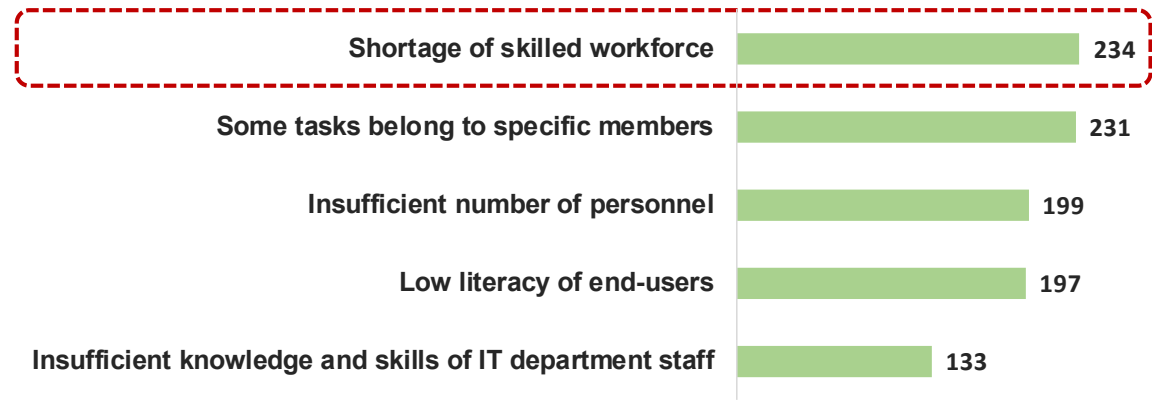
- Source: the Ministry of Internal Affairs and Communications,
- NTT Docomo's figures as of Mar. 31, 2024 was formerly NTT Resonant's one

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 IIJ since 2021 targeting information system divisions of companies, etc. Number of valid responses in 2024: 363

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

Appendix

Fiscal Year	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Method	Actual cost method		Future cost method: MNOs are to disclose the charges for next three years based on their prediction about cost etc.						
New							Announced in Mar. 2024 To be fixed around the end of Dec. 2025 ¥12,862 -14.5% YoY	¥10,874 -15.5% YoY	¥10,708 -1.5% YoY(*)
Fixed	¥49,311 -6.0% YoY	¥42,702 -13.4% YoY	¥37,280 -12.7% YoY	¥27,024 -27.5% YoY	¥19,979 -26.1% YoY	Fixed in Dec. 2024 ¥15,042 -24.7% YoY	Slight decrease in the unit price	(*) Impacted by the revision of allocation criteria for voice & data transmission services	
Old					Announced in Mar. 2023 ¥15,644 -21.7% YoY		¥13,084 -16.4% YoY	¥11,255 -14.0% YoY	
					Announced in Mar. 2022 ¥20,327 -24.8% YoY		¥15,697 -22.8% YoY	¥13,207 -15.9% YoY	
			Announced in Apr. 2021 ¥28,385 -23.9% YoY		¥22,190 -21.8% YoY	¥18,014 -18.8% YoY			
			Announced in Mar. 2020 ¥41,436 -3.0% YoY		¥33,211 -19.8% YoY	¥27,924 -15.9% YoY			

- The same calculation method is applied to both the actual cost method and the future cost method: (Data communication cost + profit) / demand
- The charge disclosed based on the future cost method is to be finalized based on MNOs actual cost results etc.
- The YoY (Year over Year) decrease percentage written under each charge is compared with the previous year charge
- The charge is public information disclosed in NTT Docomo's service terms and conditions document uploaded on NTT Docomo's website (only available in Japanese)
<https://www.docomo.ne.jp/binary/pdf/corporate/disclosure/mvno/business/oroshi.pdf>
- The impact of the revision of allocation standards for voice & data transmission services refers to the fact that, from 2023, with regard to the calculation of data communication cost (MNO investment) as the numerator of the MIC formula, a part of the costs that were previously recognized as voice related costs are to be recognized as data communication related costs

Mobile service for consumers “IIJmio Giga Plan”

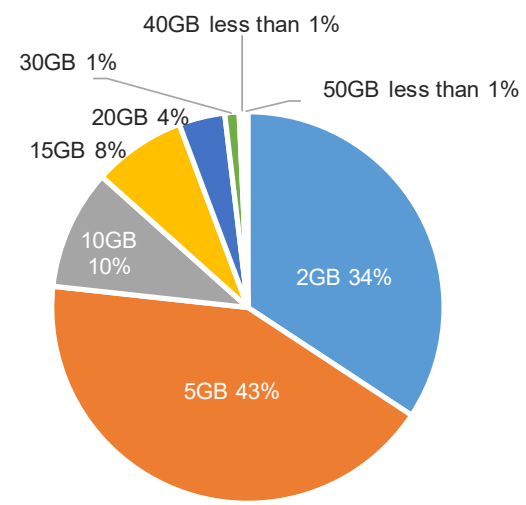
◆ IIJmio awarded No. 1 overall satisfaction in the Oricon Customer Satisfaction® Survey for low-cost SIM & mobile device sets

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

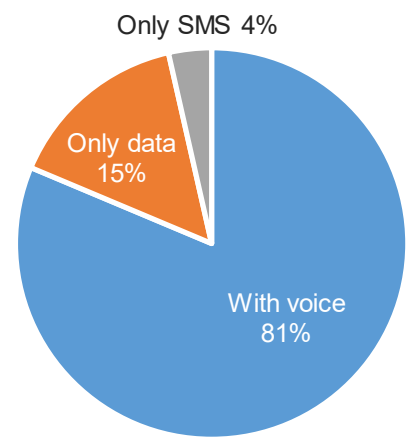
GigaPlans: by data plans

As of Dec. 31, 2024



GigaPlans: by plans

As of Dec. 31, 2024

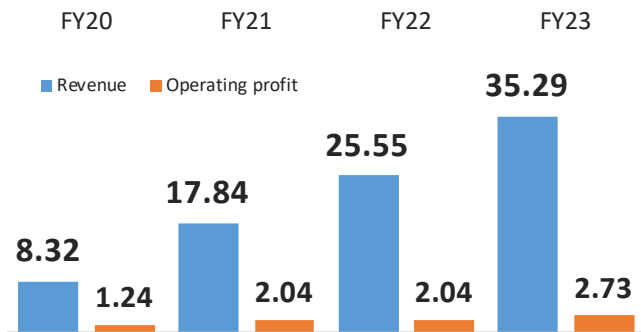


* Low-cost smartphones' ranking: The survey was conducted on users who purchased a SIM card and a SIM-free handset at the same time (including transfers from other companies) at official MVNO and carrier sub-brand websites or stores in 2023 or later, set up the handset, and are currently using the handset 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.

Overseas Business

Revenue and Operating Profit (included in SI and NW)

Unit: JPY bn



• PTC financial results (included in the above results) : FY21 revenue ¥6.89 bn, operating profit ¥0.31 bn, FY22 revenue ¥10.68 bn, operating profit: ¥0.47 bn

- FY23: Significant revenue growth for overseas business
 - Completed the overseas DC construction project (¥2.8 bn), executing its subsequent projects (¥3.2 bn in total, multi-year)
 - Increased momentum for PTC (Singaporean Sler): NVIDIA’s “ASEAN Top Value Partners of the Year” (sole recipient in ASEAN). Received large-scale AI infrastructure construction project, ASEAN business growing with M&A of PTC Malaysia, etc.
- Expect in FY24 to also achieve revenue & profit growth through global SASE and ASEAN business expansion, compared to FY23 results including the overseas DC construction project

Overseas offices

• IIJ Group has offices in 14 cities in nine countries around the world



(As of Sep. 2024)

Business Developments

- **Started focusing on overseas business around FY11.** It was when Japanese companies started to expand their business overseas and requested us to provide the same service quality we offer in Japan
- **While IT markets in the U.S. and Europe are relatively matured, the markets in Asia are just beginning to build up**
 - Increasing demand for network services and SI in China and Thailand
 - Vietnam: Cybersecurity Law (Jan. 2019), Opened another facility in Hanoi in addition to Ho Chi Min
 - In Apr. 2021, we bought a Singaporean system integrator, PTC – expect to strengthen ASEAN business
 - From Dec. 1, 2023, a small business operator “PTC Malaysia” became a new consolidated subsidiary (no significant financial impact), expect higher productivity of a support center in Malaysia
- **Providing cloud services in Indonesia, Thailand and Vietnam. Working with local prominent IT companies**
 - With Biznet Networks in Indonesia (from Mar. 2015)
 - With T.C.C. Technology Co., Ltd, in Thailand (Feb. 2016)
 - With FTP Telecom Partner in Vietnam (Nov. 2016)

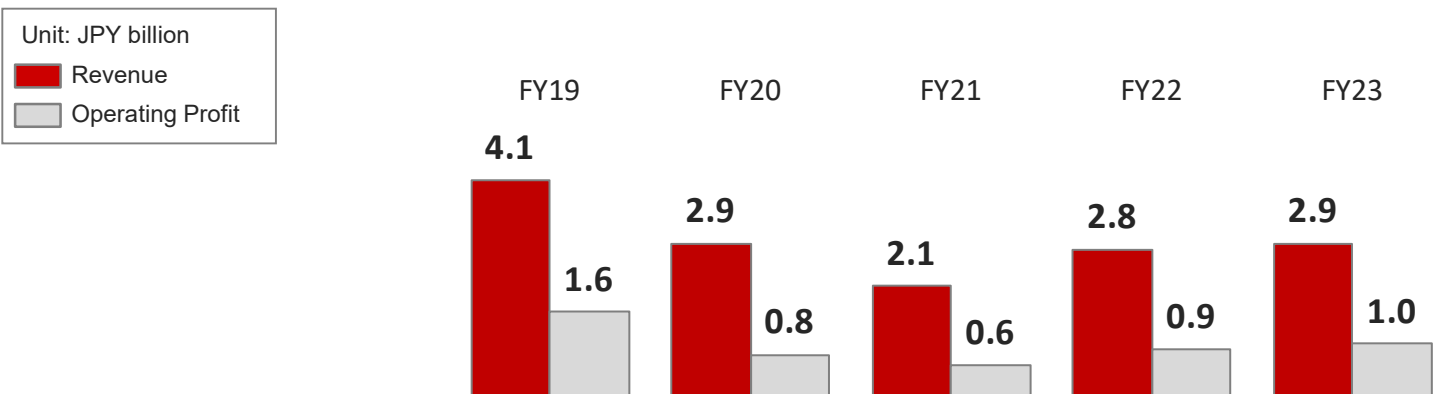
Business Model

- Similar to “Seven Bank” model
- Placing ATMs in pachinko parlors in Japan
 - After long discussion, started to place in Kanto, Kansai, Kyushu and Tokai areas
 - 7,665 pachinko parlors in Japan as of Dec. 31, 2022 (Source: National Police Agency)
- Receive commission for each withdrawal transaction

Trust Networks Inc.

- In charge of ATM operation business
- IIJ’s ownership: 80.6%
- Established in 2007
- Number of employees: about 10 personnel

Revenue and Operating Profit



• ATM (Automated Teller Machine)

• FY20 revenue significantly decreased from FY19 as the stores we had placed ATMs were closed temporarily and fewer customers visited due to the COVID-19 pandemic and stay-at-home-order/request

Launched “DCJPY Network” as the first digital currency platform service in Japan (Jul. 2024)

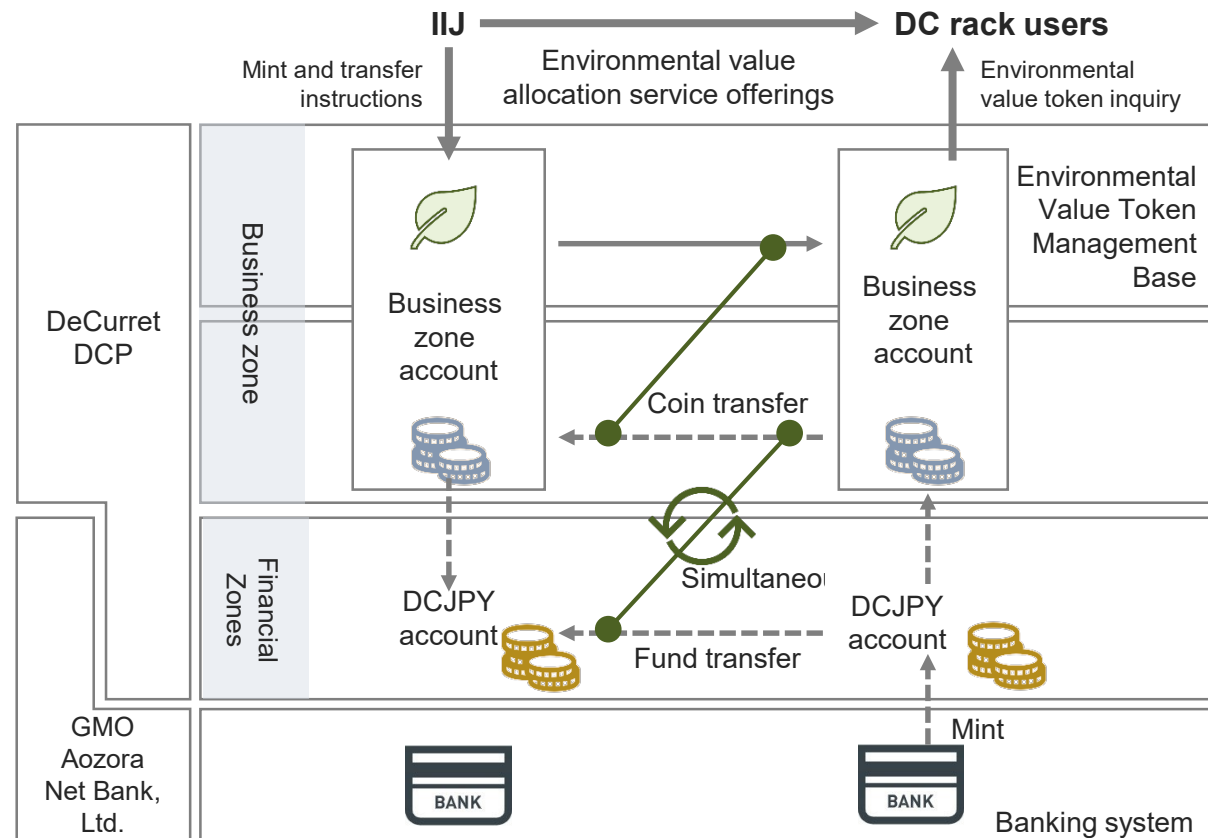
About DeCurret HD & DCP

DeCurret Holdings	<ul style="list-style-type: none"> Shareholder: 43 companies including IIJ IIJ's equity method investee (IIJ ownership: 34.8%) Management: Representative Director and President: Murabayashi (Mr.) (IIJ Vice President, former CIO at MUFG Financial Group, Inc.) Part-time directors: IIJ, SBI Holdings, MUFG bank, JAPAN POST BANK, NTT, KDDI
DeCurret DCP	<ul style="list-style-type: none"> Shareholder: DeCurret HD 100% Business: <ul style="list-style-type: none"> Digital currency business Secretary for the “Digital Currency Forum” <ul style="list-style-type: none"> As of Mar. 31, 2024, there are 104 companies, organization, experts, as members and related regulatory agencies (FSA, MIC, MOF, METI, BOJ)

The first Case of Digital Currency DCJPY Settlement Transactions

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

Flow on DCJPY on the Two-tiered Digital Currency Platform (Aug. 2024)



◆ Background

- In Jan. 2018, IIJ established DeCurret Inc. as an equity method investee engaging in crypto asset business and digital currency business with prominent Japanese companies
 - IIJ has been providing IIJ Raptor Service, an ASP based FX systems, which have been used by prominent Japanese security companies
- In Dec. 2021, DeCurret Inc. established DeCurret Holdings through a share transfer
- In Feb. 2022, DeCurret Holdings divested its crypto asset business to dedicate its business resources to digital currency business

◆ Business

- Digital Current Platform Business (mainly BtoB)
- Have been executing various proof of concepts with various business partners
- Released “DCJPY Network” as the first digital currency business in Japan in Jul. 2024

Raised capital of approx. JPY6.35 billion through a third-party allotment from 13 companies, including 8 new shareholders for further business expansion (Sep. 2024)

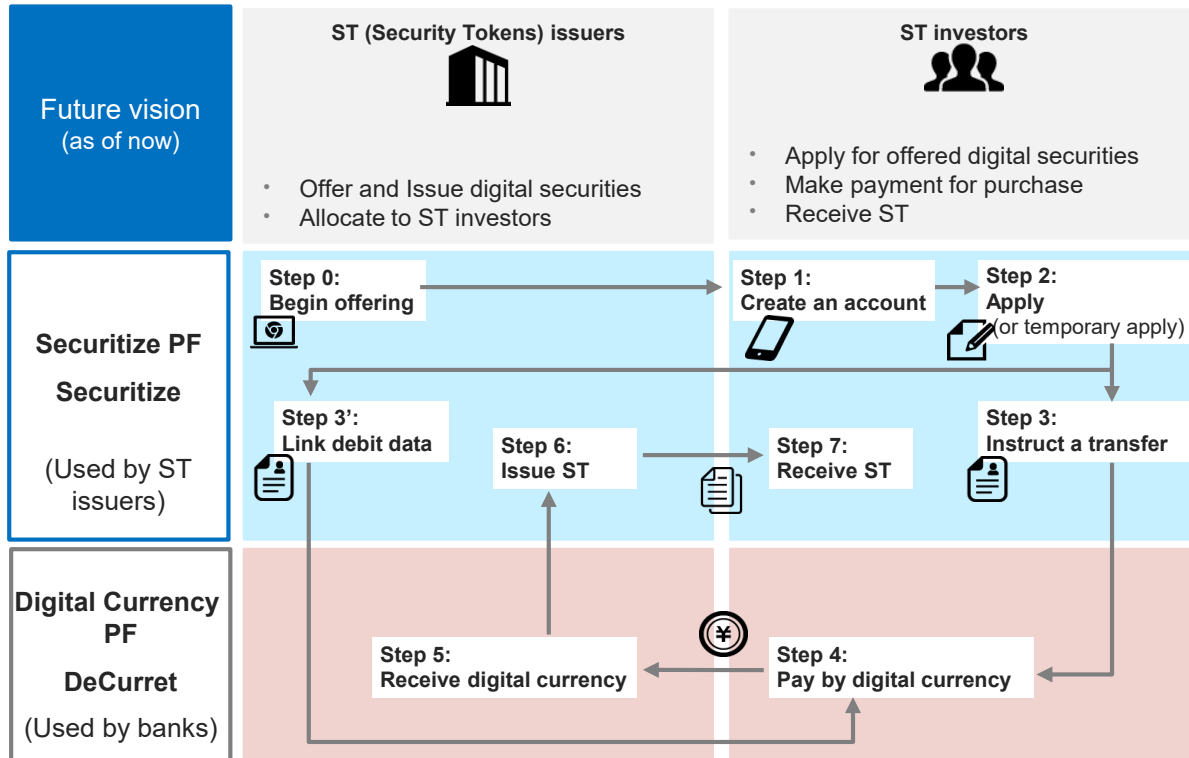
- Internet Initiative Japan Inc., SBI Holdings, Inc., Hitachi, Ltd., SHIZUOKA BANK, LTD., TIS Inc., NSD Co., Ltd., FUJITSU LIMITED, KDDI CORPORATION, MUFG Bank, Ltd., Higo Bank, Ltd., Kagoshima Bank, Ltd., GMO Financial Holdings, Inc. and ABeam Consulting Ltd.

Shareholders of DeCurret Holdings, Inc. (43 companies, as of Sep.2024)

Internet Initiative Japan Inc.	SBI Holdings, Inc.	Hitachi, Ltd. *
KDDI CORPORATION	MUFG Bank, Ltd.	TIS Inc.
THE SHIZUOKA BANK,LTD. *	NSD Co., Ltd. *	NTT Corporation
Fujitsu Limited *	Sumitomo Mitsui Banking Corporation	JAPAN POST BANK Co., Ltd.
The Higo Bank, Ltd. *	ITOCHU Corporation	OPTAGE Inc.
QTnet, Inc.	Sumitomo Life Insurance Company	SOHGO SECURITY SERVICES CO., LTD.
SOMPO Light Vortex Inc.	The Dai-ichi Life Insurance Co., Limited	Daido Life Insurance Company
Daiwa Securities Group Inc.	Tokio Marine & Nichido Fire Insurance Co., Ltd.	Nippon Life Insurance Company
Nomura Holdings, Inc.	East Japan Railway Company	BICCAMERA INC.
Mitsui Sumitomo Insurance Company, Limited	Mitsui Fudosan Co., Ltd.	Mitsubishi Corporation
Meiji Yasuda Life Insurance Company	Yamato Holdings Co., Ltd.	The Kagoshima Bank, Ltd. *
GMO Financial Holdings, Inc. *	ABeam Consulting Ltd. *	ITOCHU Techno-Solutions Corporation
Chubu Electric Power Co., Inc.	Dentsu Group Inc.	Hankyu Hanshin Holdings Inc.
Matsui Securities Co., Ltd.	Enecom,Inc.	SECOM CO., LTD.
TOPPAN HOLDINGS INC.		

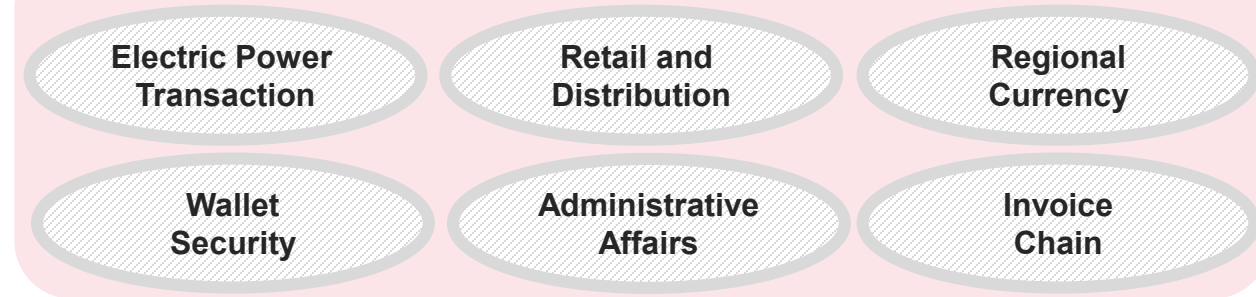
DeCurret DCP Partnership with Securitize

- ◆ **Aim to adopt digital currency for digital securities' settlement**
 - Securitize, Inc., a parent company of Securitize Japan K.K., was established in 2017 and provides platform to issue and manage digital securities
 - The scope of partnership includes the followings:
 - Explanation and discussion with prospective issuers and other related companies
 - Specifics of the scheme and workflow
 - Legal research and preparation of contract templates
 - Development of system integration
- ◆ **Image of transaction/flow (idea)**



Digital Currency Forum Subcommittees

(as of Sep. 2024)



- The participants include companies, local governments and others

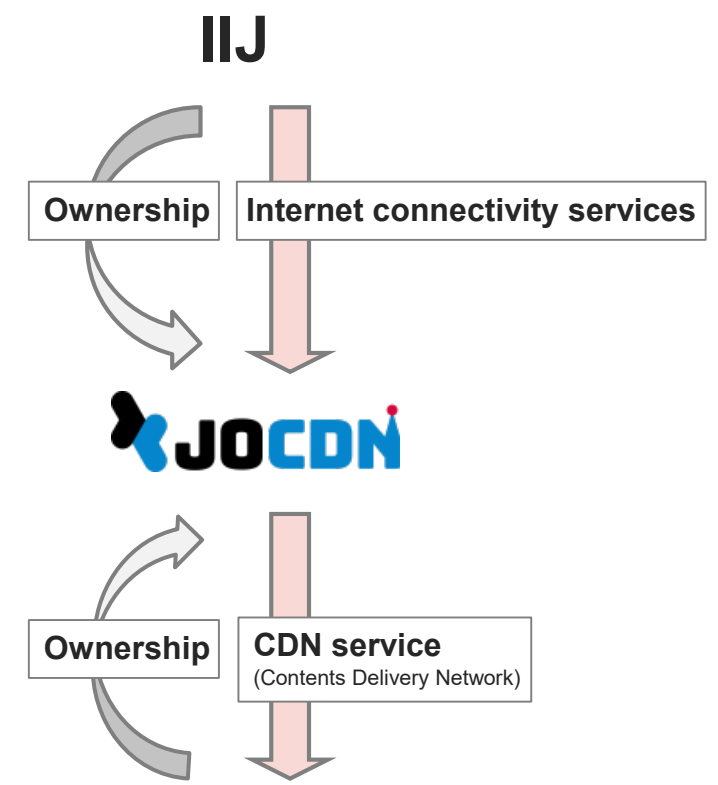
Difference between “DCJPY” and Trust Bank’s Stablecoins

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

Company Profile

Name	JOCDN Inc. (IIJ's equity method investee)
IIJ Ownership	16.8%
Capital	JPY845 million (including capital reserve)
Established	December 1, 2016
Shareholders	IIJ, Nippon TV, TV Asahi, TBS, TV Tokyo, Fuji TV, WOWOW (Prominent satellite broadcaster in Japan), NHK (Japan's only public broadcaster) and non-Tokyo local broadcasters
Directors	Chairman: Koichi Suzuki (IIJ CEO) President: Shunichi Shinozaki (Nippon TV)

Business Model



- JOCDN's shareholders & other Japanese broadcasters**
- TVer
 - TBS
 - Fuji TV
 - Nippon TV
 - TV Tokyo
 - TV Asahi
 - and more

◆ All Japan CDN company JOCDN

- Akamai Technologies (global leader in CDN services, US company) has been dominating CDN market in Japan.
- Growing needs to distribute contents over Internet
- Broadcasting companies distributing contents via Internet
 - Nippon TV bought Hulu Japan in 2014
 - Japanese broadcasting companies operate "TVer"
- IIJ has rich and well-renowned expertise in CDN business
 - Olympics games, high school base ball games, university sport and many other popular sports events

• TVer is a web platform where viewers can watch certain TV programs for free. Its system was developed jointly by major commercial television networks in Japan to broadcast TV programs over Internet



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.