

# Corporate Overview of Internet Initiative Japan (IIJ)

**Internet Initiative Japan Inc. (IIJ)**

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

**June 2023**

**Disclaimer**

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

# Outline

- |                                                                                  |                   |
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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.

# Key Investment Highlights

1 **Technology capabilities** through development & operation of Internet Infra/Services

2 **Blue-chip customer base with low churn rate**  
Very high market share among Internet connectivity for large entities in Japan

3 Strong track record of **monthly recurring revenue accumulation**

4 Structural changes  
From **legacy network/systems to network-based** ones with Internet

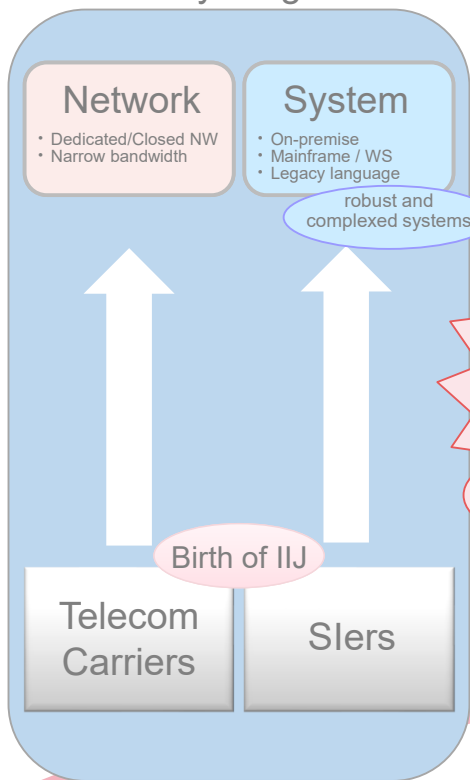
5 Digitalization in Japan **finally took off**  
Best positioned to capture large opportunities

6 Continued profit increase  
**Network services' economy of scale** together with SI

# Drastically Changing Enterprises Circumstance

Key Investment Highlights	
About IJ	Business Model
Strength	Growth Strategy

30yrs Ago



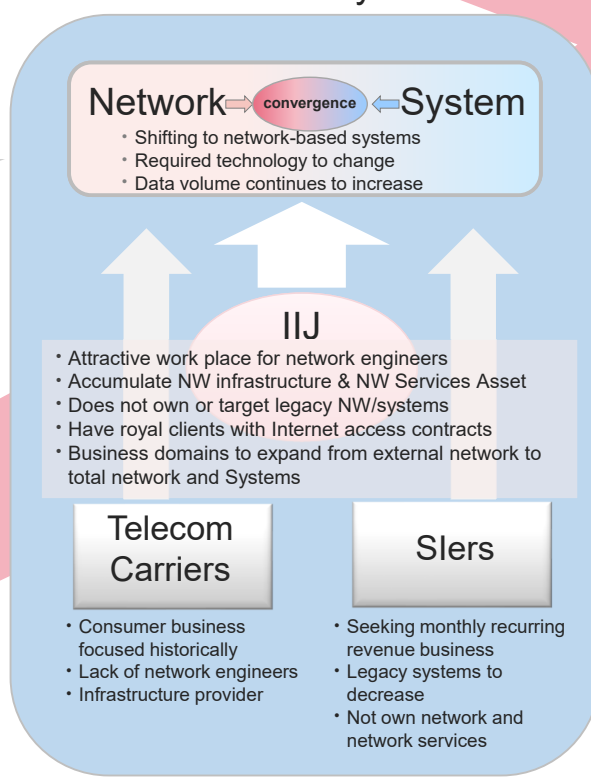
Emergence of Internet

Based on software technology

Struggling switch to open systems

- High Speed/Capacity Network
- CPU/Storage Performance Improve
- Internet Usages Progressed
- Security for various incidents
- Zero Trust Concept
- Gradual Cloud Shift
- Data Analysis and AI
- Preliminary IoT usages
- Still slow move in conservative Japan
- IT adoption at last forced by Pandemic

Nowadays



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

## Structural Changes

## IIJ has been taking initiatives in Internet Infrastructure field in Japan

### Established

December 1992 (The first established full-scale ISP in Japan)

### Number of Employees

4,451 (approx. 70% engineers)

### ◆ 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

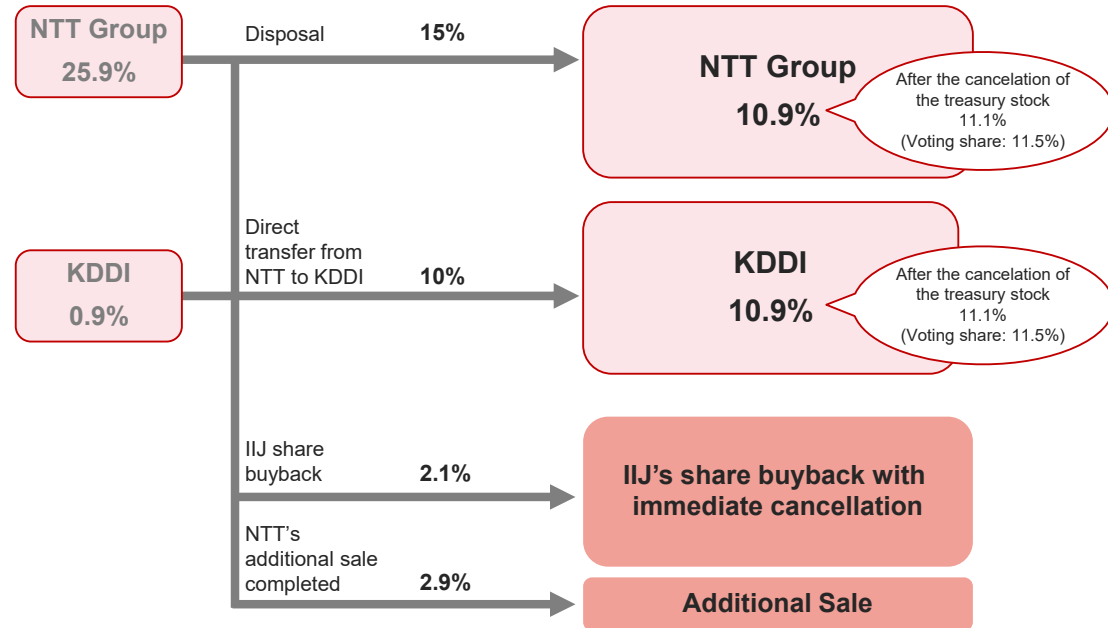
...and many more

• Number of employees is consolidated basis and as of Mar. 31, 2023.  
• Large shareholders are as of Mar. 31, 2023 and their shareholding ratios (%) are calculated by deducting number of treasury stock from the total number of shares issued. The ownership of Koichi Suzuki, IIJ's Chairman, includes his wholly owned private company portion.

# New Shareholder Structure

After the capital transaction between NTT and KDDI etc., the two Japanese carriers have become our largest shareholders

% of total issued shares as of Mar. 31, 2023



## Outlook

- NTT to hold remaining shares as one of top shareholders
- 180 days of lock-up period after the additional sale
- Business relationship between IIJ and NTT to continue

- KDDI to hold IIJ's share as strategic holding
- IIJ and KDDI to promote business alliance in service development collaboration, mutual collaboration on solution sales, personnel exchanges, and in circuit line procurement etc.

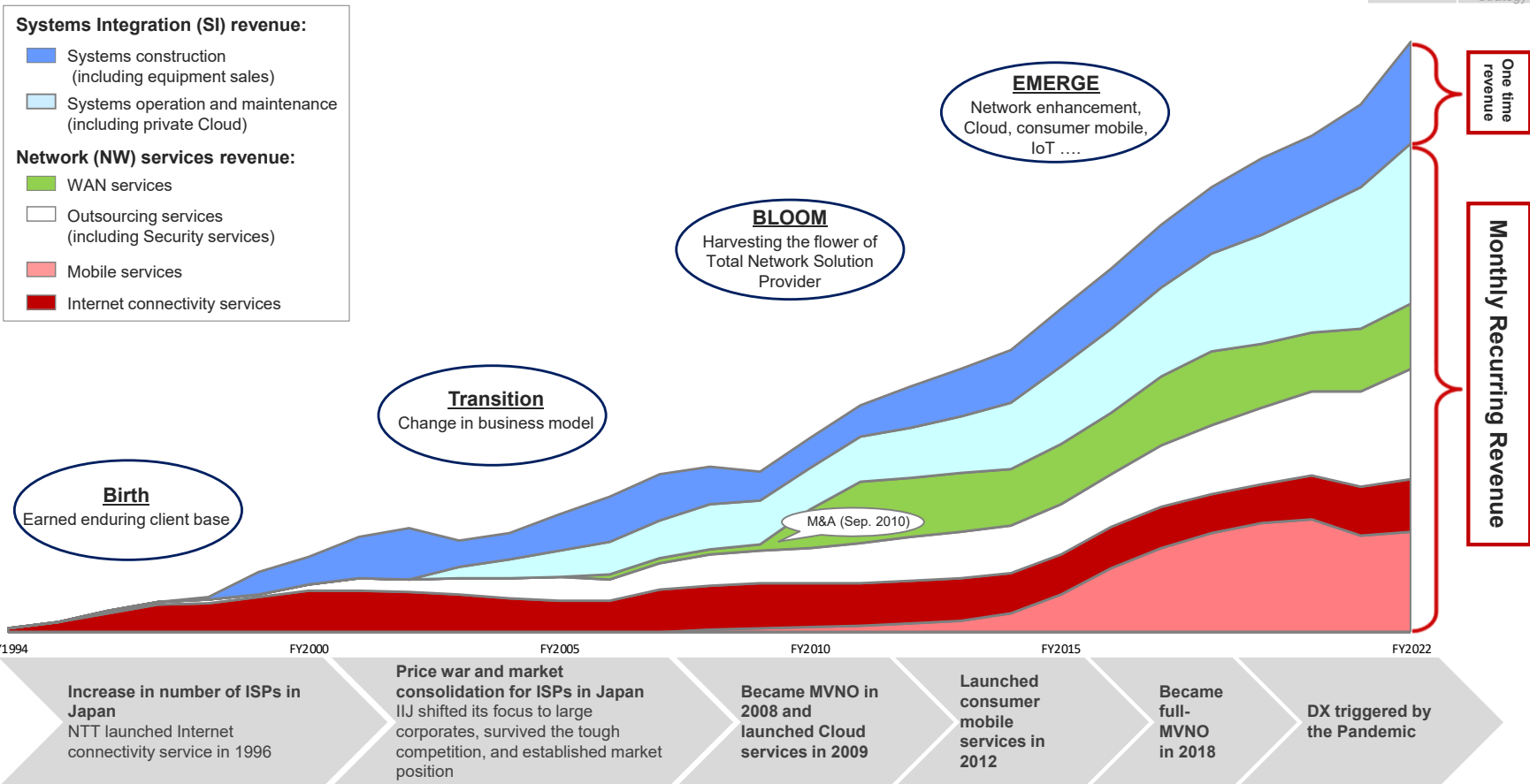
## Details

- Purchased at the market price
  - ✓ Total of ¥11.4 billion (2.1% to the total issued shares)
  - ✓ Immediately cancelled the treasury share for stronger shareholder return
  - ✓ FY23 total payout ratio is expected to be 84.3%

- NTT Group includes NTT and NTT Communications
- “% of total issued shares” are calculated by the total number of shares outstanding as of Mar. 31, 2023
- NTT Group became the largest shareholder in 2003 through a third-party allocation. It was when IIJ decided to fully write-off its investment to IIJ's affiliated company, Crosswave Communications

# From ISP to Total Network Solution Provider

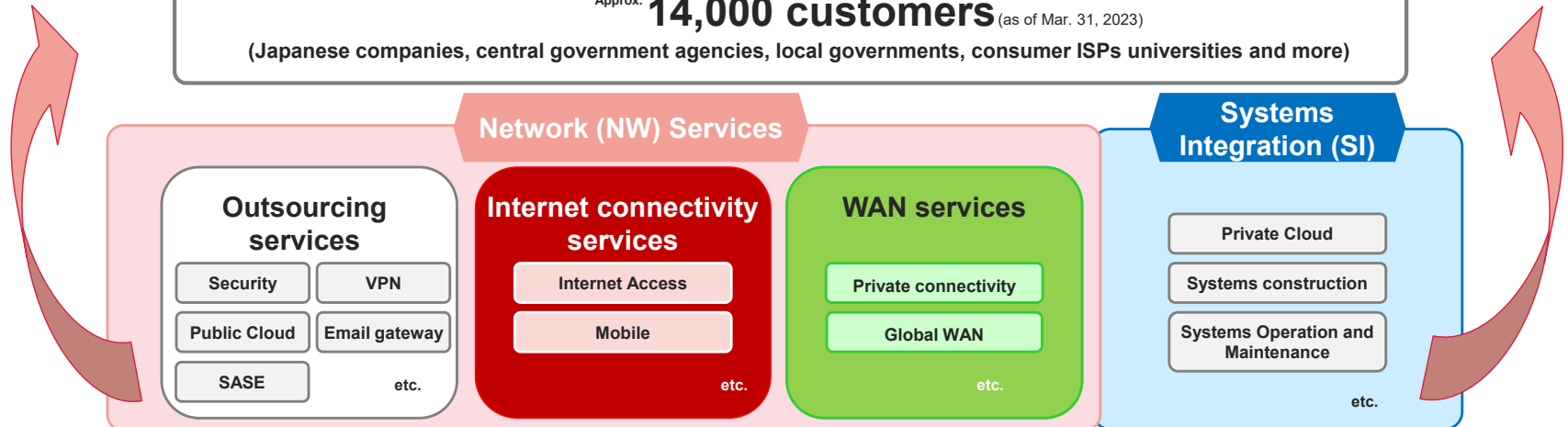
Key Investment Highlights	
About IJ	Business Model
Strength	Growth Strategy



# IJ as a Total Network Solution Provider

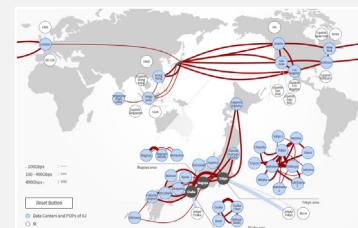
Offers various network services and systems integration together in many projects

Approx. **14,000 customers** (as of Mar. 31, 2023)  
 (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



IJ's Backbone Network



## IIJ's Material Issues



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

### ◆ Bringing innovation with IP

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

### ◆ Own highly energy effective data centers

- Industry top level PUE (FY22): Matsue 1.2s, Shiroi 1.3s

### ◆ Information disclosures based on the TCFD Recommendations

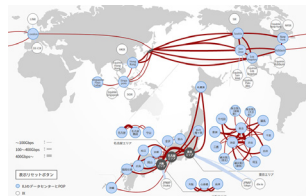
- Reduce greenhouse gas emissions at its own data centers which account for more than 70% of greenhouse gas emissions (Scope 1 and 2) through "usage of renewable energy" and "improvement of energy conservation"

Measures	Targets
Usage of renewable energy	To increase the renewable energy usage rate of data centers (Scope 1 and 2) to 85% in FY2030.
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.



Provide safe and robust Internet services that support social infrastructure

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



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



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

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

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

### ◆ Target for diversity: the ratio of female managers

Apr. 2022	Apr. 2023	FY24 target	FY27 target
5.7%	6.3%	6% or more	8% or more

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

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

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

- PUE(Power Usage Effectiveness) is a metric that shows how efficiently electricity is used at a data center. The closer to 1.0 is considered to be good.
- TCFD: Task Force on Climate-related Financial Disclosures
- Scope 1 and 2 (Greenhouse gas emissions by a company): Direct emissions from the use of fuels and industrial processes at the company and indirect emissions from the use of electricity and heat purchased by the company (as defined by the GHG Protocol)
- The turnover rate of IIJ (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 approximately 10% is announced by the Ministry of Health, Labor, and Welfare

# Management Structure

<https://www.ijj.ad.jp/en/ir/integrated-report/directors/>  
 Holdings of IIJ shares are as of Mar. 31, 2023  
 Suzuki's share includes his wholly owned private company portion

Key Investment Highlights	
About IIJ	Business Model
Strength	Growth Strategy



## Koichi Suzuki

- Founder of IIJ
- Chairman, Representative Director and co-CEO
- Holdings of IIJ share: 10,635,222 shares (5.9%)
- Date of birth: September 1946



## Satoshi Murabayashi

- Executive Vice President and Director (since June 2021)
- Career: CIO at MUFG Financial Group, Inc.
- President and Representative Director of DeCurret Holdings, IIJ's affiliated company, as a concurrent position
- Holdings of IIJ shares: 3,802 shares (0.0%)
- Date of birth: November 1958



## Eiji Katsu

- President, Representative Director and co-CEO & COO
- Career: Vice Minister of Finance
- Holdings of IIJ shares: 201,200 shares (0.1%)
- Date of birth: June 1950



## Yasuhiko Taniwaki

- Executive Vice President and Director (since June 2022)
- Career: Vice-Minister for Policy Coordination of Posts and Telecommunications at the Ministry of Internal Affairs and Communications (MIC)
- Holdings of IIJ shares: 200 shares (0.0%)
- Date of birth: September 1960

## Full-time Directors

### Senior Managing Directors

- K. Kitamura
- A. Watai (CFO)

### Managing Directors

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

## Outside Independent Directors: (of which, 1 female. Outside independent director is 35.7% to the total directors)

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

## Company Auditors

(of which, 3 outside, 1 female)

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

## Remuneration for full-time directors

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

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

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

- [https://www.ijj.ad.jp/en/ir/integrated-report/outside\\_director/](https://www.ijj.ad.jp/en/ir/integrated-report/outside_director/)

## Strength

### High technological capabilities

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

## Weakness

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

## Opportunity

### Digitalization (DX) in Japan

- ◆ Network, CPU and storage are becoming faster and larger, Domains of network and systems are converging
- ◆ Internet traffic increasing
- ◆ Security demands expanding: zero trust and cyber security
- ◆ Cloud shift
- ◆ Japan, slow IT adopter, including public sector is changing triggered by the Pandemic• Digitalization to advance

## Threat

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

# Extensive Service Lineup

Unit: ¥ (JPY) billion (bn)

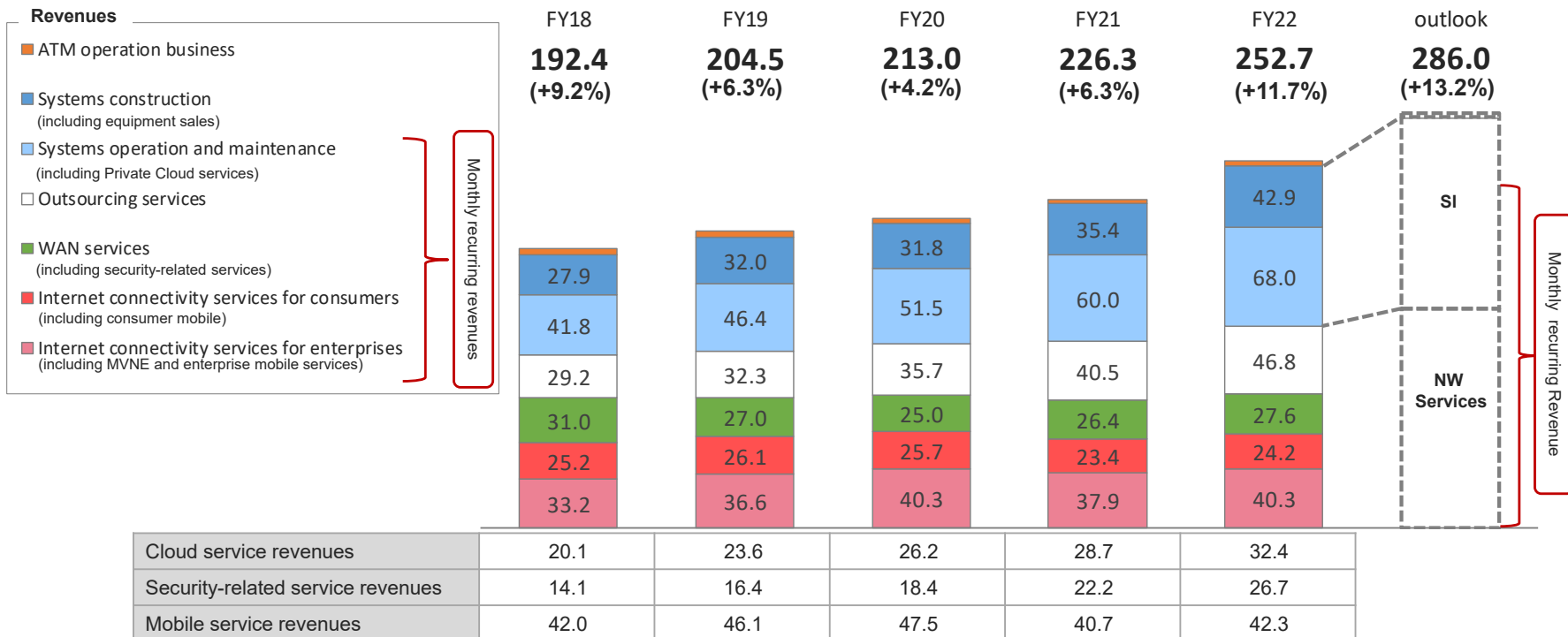
Key Investment Highlights	
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Revenue category		FY22 revenue	About		Business Situation & Outlook											
Network services	Internet connectivity services for enterprise	40.25	<table border="1"> <tr> <td>IP</td> <td>14.84</td> <td> <ul style="list-style-type: none"> <li>Core service providing from the foundation</li> <li>Highly reliable dedicated connectivity services for enterprise (multi-carrier, redundancy etc.)</li> <li>Contracts are based on bandwidth</li> <li>Enterprises use the service for their main Internet line</li> </ul> </td> </tr> <tr> <td>Mobile</td> <td>21.25</td> <td> <table border="1"> <tr> <td>Enterprise mobile (IoT usages etc.)</td> <td>11.18</td> </tr> <tr> <td>MVNE (Proving to other MVNOs)</td> <td>10.07</td> </tr> </table> </td> </tr> </table> <p>(Others) Broadband Internet services etc.</p>	IP	14.84	<ul style="list-style-type: none"> <li>Core service providing from the foundation</li> <li>Highly reliable dedicated connectivity services for enterprise (multi-carrier, redundancy etc.)</li> <li>Contracts are based on bandwidth</li> <li>Enterprises use the service for their main Internet line</li> </ul>	Mobile	21.25	<table border="1"> <tr> <td>Enterprise mobile (IoT usages etc.)</td> <td>11.18</td> </tr> <tr> <td>MVNE (Proving to other MVNOs)</td> <td>10.07</td> </tr> </table>	Enterprise mobile (IoT usages etc.)	11.18	MVNE (Proving to other MVNOs)	10.07	<table border="1"> <tr> <td>IP</td> <td> <ul style="list-style-type: none"> <li>Matured market (hard to entry)</li> <li>Blue-chip client base</li> <li>Expect the revenue to continuously increase along with traffic volume and contracted bandwidth increase</li> </ul> </td> </tr> </table>	IP	<ul style="list-style-type: none"> <li>Matured market (hard to entry)</li> <li>Blue-chip client base</li> <li>Expect the revenue to continuously increase along with traffic volume and contracted bandwidth increase</li> </ul>
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Internet connectivity services for consumers	24.24	<table border="1"> <tr> <td>Mobile</td> <td>21.03</td> <td> <ul style="list-style-type: none"> <li>Inexpensive SIM services (mainly data),</li> <li>Direct sale (via IJ web), Indirect sale (via sales partners such as retailers)</li> </ul> </td> </tr> </table> <p>(Others) Broadband Internet services and email services for households etc.</p>	Mobile	21.03	<ul style="list-style-type: none"> <li>Inexpensive SIM services (mainly data),</li> <li>Direct sale (via IJ web), Indirect sale (via sales partners such as retailers)</li> </ul>	<table border="1"> <tr> <td>Mobile</td> <td> <ul style="list-style-type: none"> <li>Expect infrastructure utilization &amp; profitability to improve by gathering various traffic such as IoT/enterprise/consumers</li> <li>Enterprise: Expect the demand to increase in the mid-to-long term</li> <li>Consumer: Maintain and increase market share subscription with GigaPlans in competitive market</li> </ul> </td> </tr> </table>	Mobile	<ul style="list-style-type: none"> <li>Expect infrastructure utilization &amp; profitability to improve by gathering various traffic such as IoT/enterprise/consumers</li> <li>Enterprise: Expect the demand to increase in the mid-to-long term</li> <li>Consumer: Maintain and increase market share subscription with GigaPlans in competitive market</li> </ul>								
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WAN (Wide Area Network)	27.63	Closed network used to connect multiple sites		Stable market in the long-term												
Outsourcing	46.81	<p>Various in-house developed Internet-related service line-ups</p> <table border="1"> <tr> <td>Security</td> <td>26.74</td> <td> <ul style="list-style-type: none"> <li>Managed security services, Security Operation Center services and so many more</li> </ul> </td> </tr> <tr> <td>Public Cloud</td> <td>2.82</td> <td> <ul style="list-style-type: none"> <li>Offered as a part of Cloud service line-ups</li> </ul> </td> </tr> </table>		Security	26.74	<ul style="list-style-type: none"> <li>Managed security services, Security Operation Center services and so many more</li> </ul>	Public Cloud	2.82	<ul style="list-style-type: none"> <li>Offered as a part of Cloud service line-ups</li> </ul>	<ul style="list-style-type: none"> <li>Have been developing services based on Zero Trust concept</li> <li>Acquire enterprise demand by cross-selling services.</li> <li>Continuous service development is important</li> <li>Demands for security and remote access to increase continuously</li> </ul>						
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SI	Operation and Maintenance	68.00	<table border="1"> <tr> <td>On-premise Systems</td> <td>38.39</td> <td> <ul style="list-style-type: none"> <li>Operation and maintenance of constructed systems</li> </ul> </td> </tr> <tr> <td>Private Cloud etc.</td> <td>29.61</td> <td> <ul style="list-style-type: none"> <li>Promote Cloud shift with abundant, highly reliable, value-added private Cloud related service line-ups</li> </ul> </td> </tr> </table>	On-premise Systems	38.39	<ul style="list-style-type: none"> <li>Operation and maintenance of constructed systems</li> </ul>	Private Cloud etc.	29.61	<ul style="list-style-type: none"> <li>Promote Cloud shift with abundant, highly reliable, value-added private Cloud related service line-ups</li> </ul>	<ul style="list-style-type: none"> <li>Expect great business opportunity in the mid-to-long term as internal IT systems migrate to Cloud</li> <li>Revenue to increase continuously along with accumulation of construction projects</li> </ul>						
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	Construction (including equipment sales)	42.95	System construction related to office IT, security, Cloud, IoT, Internet-related construction such as online banking & brokerage, network for university, and E-commerce site		<ul style="list-style-type: none"> <li>Through providing SI, offer greater value as IoT and Cloud usage penetrate</li> </ul>											

Monthly Recurring Revenue 82%

One time revenue

# Monthly Recurring Revenue Accumulation

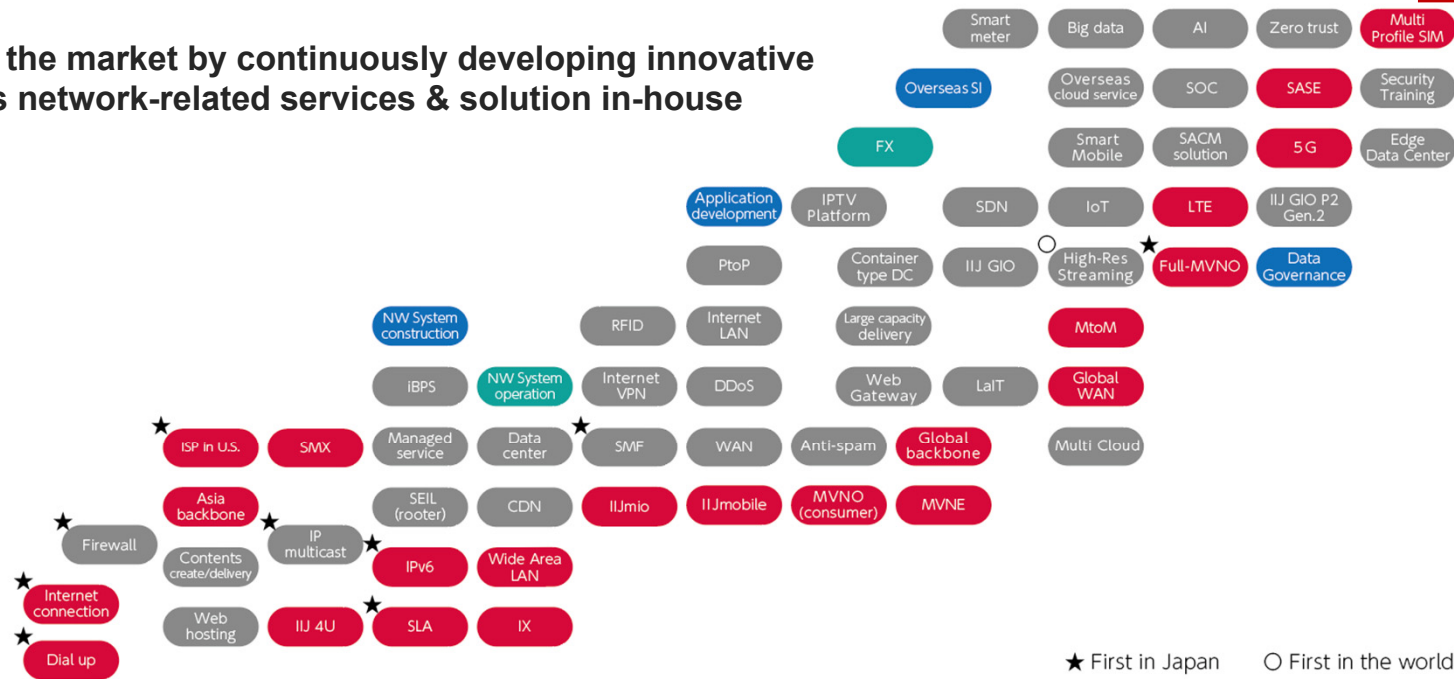


- Mobile revenue decreased year over year in FY21 due to ARPU decrease for consumers and change in unit charge for MVNE clients
- Systems construction and systems operation & maintenance revenue increase for FY21 includes PTC revenue which became IJ's consolidated subsidiary from Apr. 2021
- During FY20,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

# Service & Solution Development Capability

Key Investment Highlights	
About IJ	Business Model
Strength	Growth Strategy

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



1992



2000



2010



2022



IIJ Group



# Excellent Customer Base (Number of IIJ Group's clients: approximately 14,000 as of March 31, 2023)

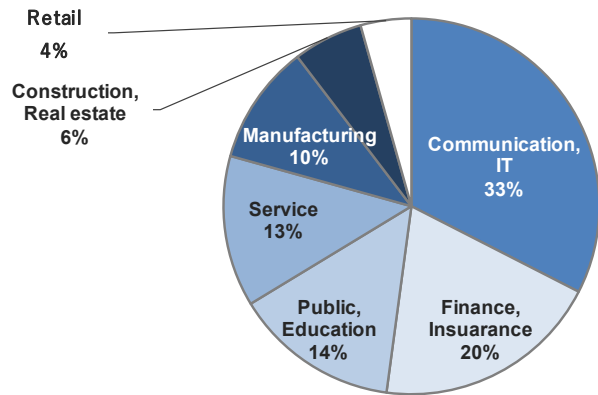
Key Investment Highlights	
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- ◆ Through reliable operation, continuous use of Internet connectivity services since the inception of IIJ
- ◆ Our reliable infrastructure operation and cross-sell strategy have led to low churn rate

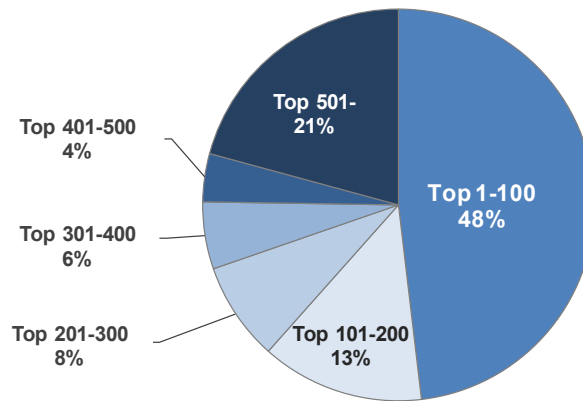
## Cover Most of Top Revenue Companies



## 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 FY22

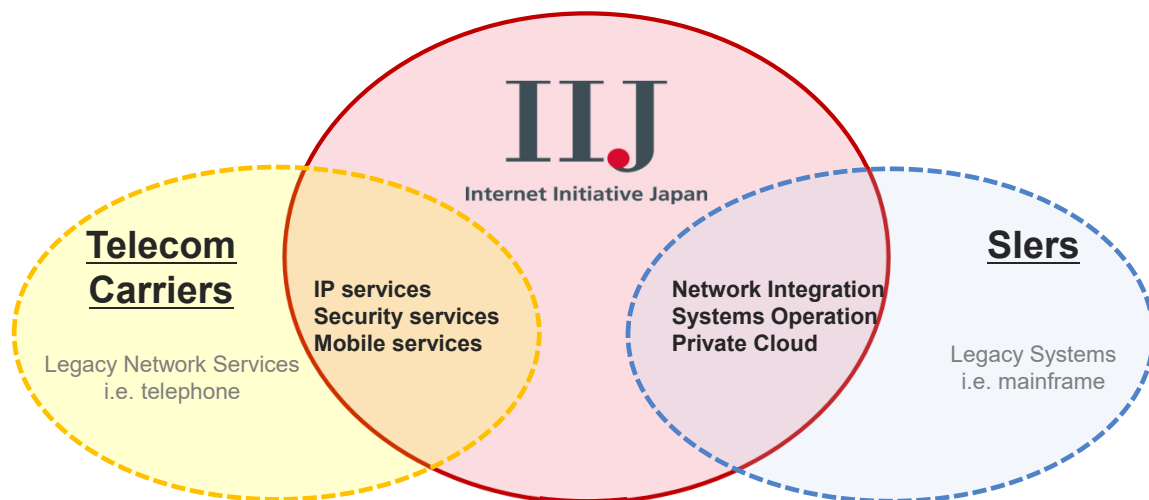
# Competitive Advantages

## 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)**



# Mid-term Plan (FY21-FY23)

Unit: ¥ (JPY) bn

Key Investment Highlights

About IJ

Business Model

Strength

Growth Strategy

Previous Mid-term (FY15 - FY20)

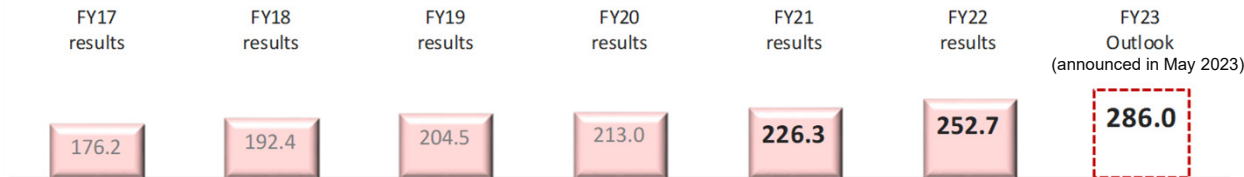
Current Mid-term (FY21 - FY23)

Longer term growth (FY24 - )

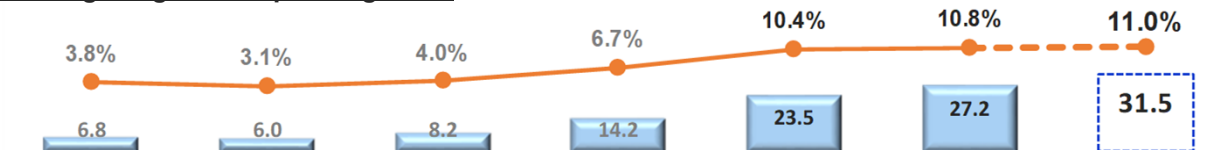
Initial mid-term plan target (announced in May 2021)

Revenue: ¥270 bn, Operating margin: over 9%  
(updated to 11.5% in May 2022)

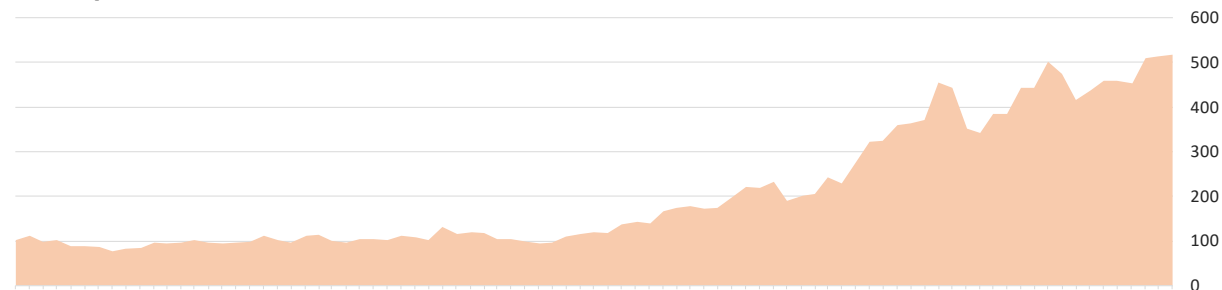
## Revenue



## Operating Margin and Operating Profit



## Market capitalization



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

# Capex and Business Developments

	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23 targets
Revenues (¥ bn)	157.8	176.2	192.4	204.5	213.0	226.3	252.7	286.0
Operating margin	3.3%	3.8%	3.1%	4.0%	6.7%	10.4%	10.8%	11.0%
Operating profit (¥ bn)	5.1	6.8	6.0	8.2	14.2	23.5	27.2	31.5
CAPEX (¥ bn)	16.5	20.7	15.1	15.2	15.2	16.1	20.8	22.5
NW services	12.6	9.4	9.4	9.6	8.8	9.1	10.0	-
Cloud	3.6	7.9	1.9	2.6	2.8	2.3	2.0	-
Shiroi DC	-	1.2	2.1	2.0	1.5	1.5	5.4	-
SI, others	0.3	2.3	1.7	1.0	2.0	3.2	3.4	-
CAPEX-related depreciation and amortization (¥ bn)	10.9	12.1	13.9	14.4	14.5	15.1	15.3	-
Number of employees	3,104	3,203	3,353	3,583	3,805	4,147	4,451	-

Large CAPEX increase due to aggressive business investment

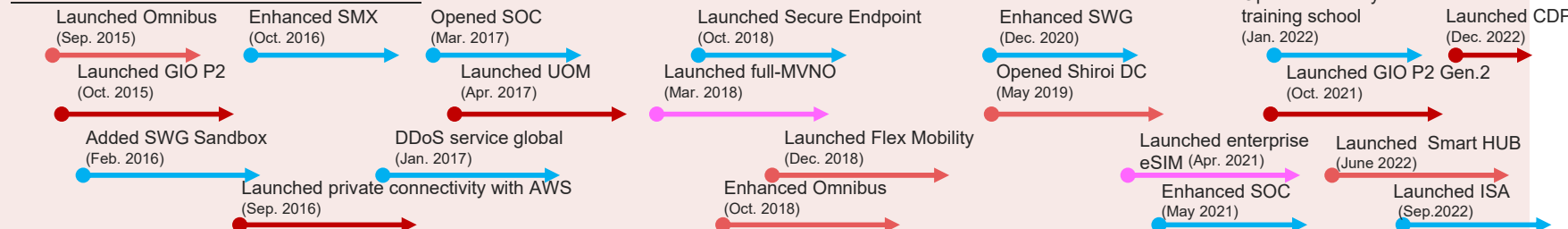
Stronger demands for enterprise network services

CAPEX & its depreciation almost same volume

Cost stabilizing

Including ¥7.0 bn for Shiroi DC 2<sup>nd</sup> site

## Various Network Services Asset



• FY16: US-GAAP, from FY17: IFRS

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

# Enhancement of Human Capital

## ◆ Lower than the industry average turnover rate

- IJ (non-consolidated base): FY19: 4.6%, FY20: 3.6%, FY21: 4.2%, FY22: 3.8%
- IJ can provide a wide range of experience which leads to high employee satisfaction
  - ✓ IJ provides a wide range of products: network, security, Cloud, Mobile, IoT, system integration etc.
  - ✓ Corporate culture of adopting new technology, aggressively engaging in new service development etc.

## ◆ Basic policy of human resources is to continuously hire and train new graduates

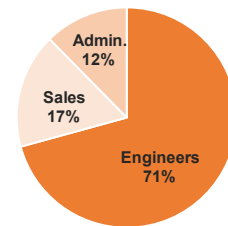
- New graduates who studied network are attracted to IJ who is the first full-scale ISP in Japan

## ◆ Increase the size and 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.

## ◆ Expect further business expansion by seeking M&A opportunities, accelerate growth by acquiring human resources

### Breakdown of Employees



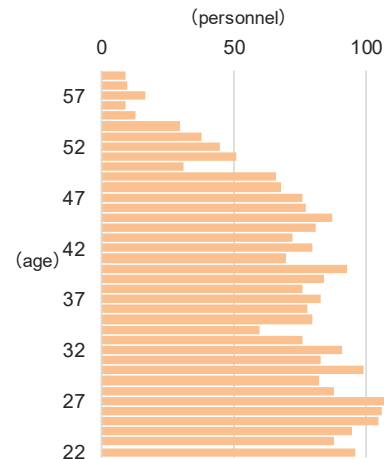
(As of Mar. 2023)

### Revenue growth supported by the enhancement of human resources

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

\* We added 62 personnel through PTC consolidation (Apr. 2021)

### Age composition of IJ's full-time workers



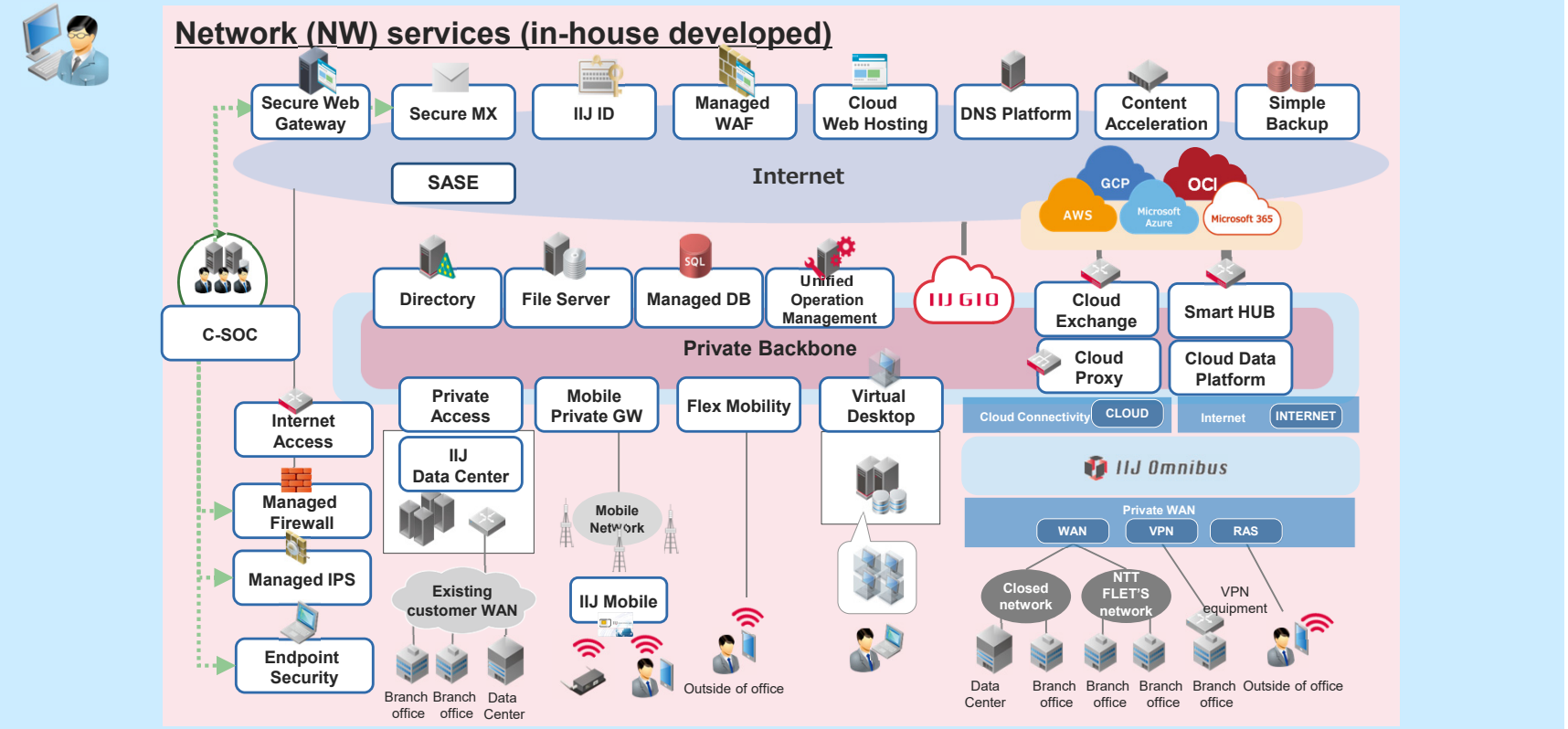
# Service/Business Function

Comprehensive NW system solution with NW services and SI	P. 20 – 22
Enterprise Network Services	P. 23
Cloud Services	P. 24 – 26
Security Services	P. 27 – 29
Mobile Services	P. 30 – 33
IoT Services	P. 34 – 35
Data Centers	P. 36

# Comprehensive NW system solution with NW services & SI

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

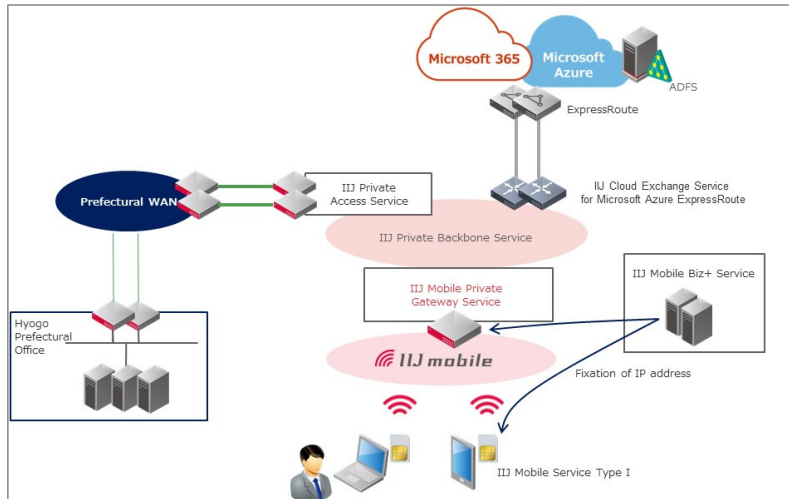
## Systems Integration (SI) to meet specific requirements cannot be covered by NW services



# Case studies of combining multiple NW services (1)

## Hyogo prefecture (Jan. 2022)

Work from home infrastructure capable of connecting up to 90 thousand people simultaneously

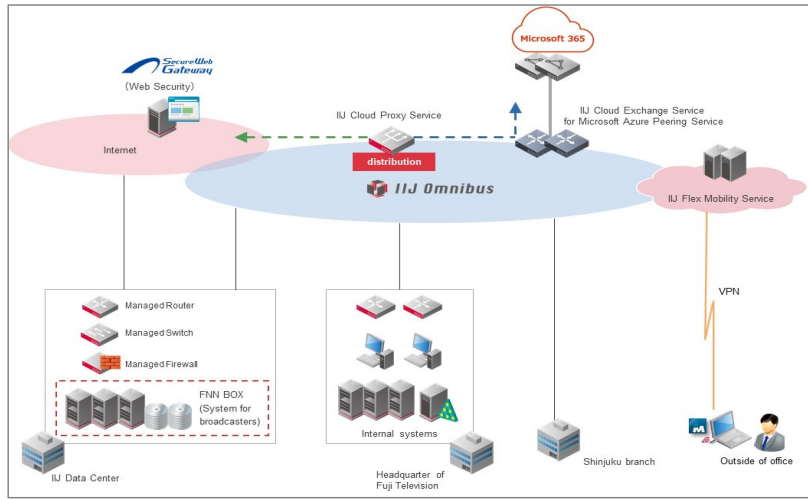


### Services provided

- IJ Mobile Private Gateway Service
- IJ Mobile Biz+ Service
- IJ Mobile Access Service Type I
- IJ Cloud Exchange Service for Microsoft Azure ExpressRoute
- IJ Private Access Service

## Fuji Television Network, Inc. (Apr. 2021)

Stable connectivity and reduction of operation load with cloud-based Internet gateway



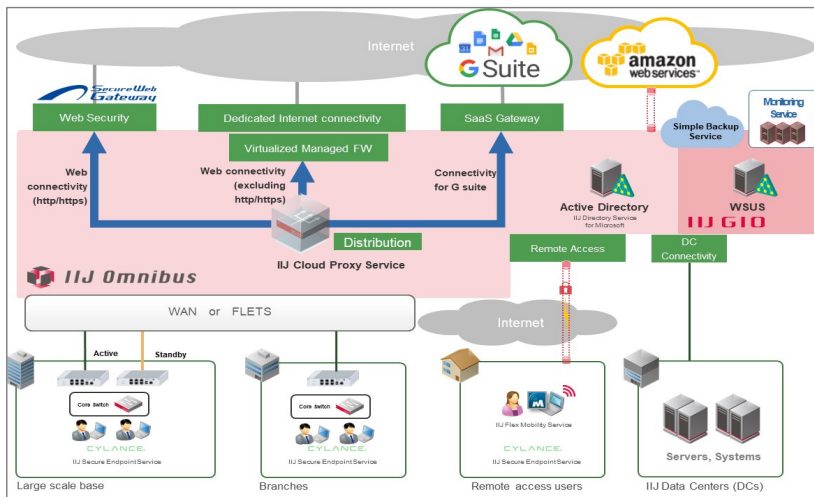
### Services provided

- IJ Omnibus Service
- IJ Cloud Exchange Service for Microsoft Azure Peering Service
- IJ Cloud Proxy Service
- Internet Connectivity Service
- IJ Managed Firewall Service
- IJ Private Access Service
- IJ Secure Web Gateway Service
- IJ Flex Mobility Service
- Managed Router Service

# Case studies of combining multiple NW services (2)

## Kokusai Kogyo (May 2022)

Update NW of 50 branches nationwide with IJ Services  
Stabilization of connectivity and improvement of reliability

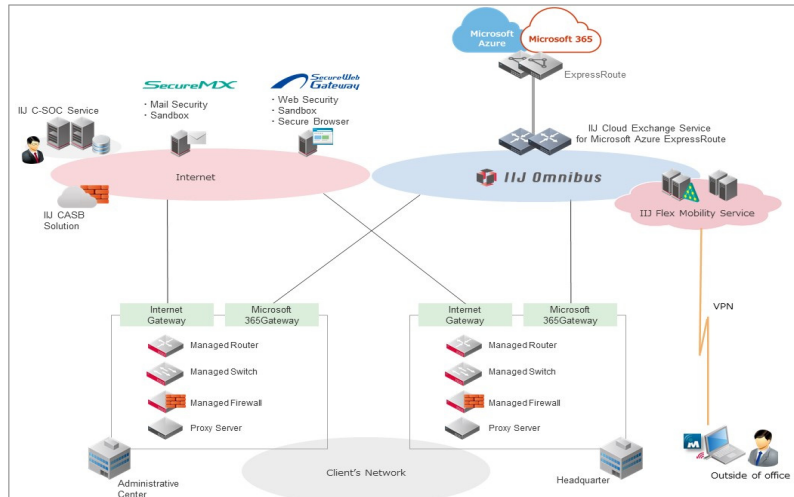


### Services provided

- IJ Omnibus Service
- IJ Cloud Proxy Service
- IJ Private Backbone Service
- IJ Secure Web Gateway Service
- IJ Managed Firewall Service
- IJ Secure Endpoint Service
- IJ Flex Mobility Service
- IJ Directory Service for Microsoft

## Bank of Yokohama (Jan. 2021)

Stable connectivity and reduction of operation load with cloud-based Internet gateway



### Services provided

- IJ Cloud Exchange Service for Microsoft Azure ExpressRoute
- IJ Secure Web Gateway Service
- IJ CASB Solution
- IJ Flex Mobility Service
- IJ GIO Infrastructure P2
- IJ Secure MX Service
- IJ C-SOC Service
- IJ Managed Firewall Service
- IJ Omnibus Service
- IJ Unified Operation Management Service (UOM)

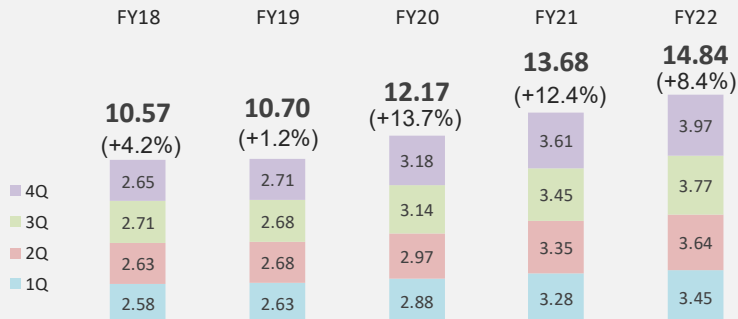
# Enterprise Network Services

## IJJ's enterprise network services' business model: Cost doesn't have to increase at the same pace as the revenue – economy of scale business

### ◆ IP (Internet Protocol) Service Revenue

- IP Service is a bandwidth guaranteed dedicated Internet connectivity service for enterprises who use the services for their core Internet access services
- 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
- IJJ 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
    - ✓ IJJ's IP services clients include general Japanese enterprise as well as network operators such as consumer ISPs, cable TV operators

IP Service Revenue (unit: ¥ billion)



### ◆ Cost

- IJJ purchases physical fiber from carriers
  - As one of the largest independent ISPs, IJJ has strong buyer power when purchasing fiber
  - IJJ expands its Internet backbone continuously
  - Fiber purchasing cost is recognized as circuit-related costs
- IJJ owns network equipment that are needed for Internet backbone and network service facility
  - Network operation cost which is many depreciation amortization costs for network equipment is stable due to the technological innovation of servers and other network equipment
    - ✓ In other words, ¥1 million server today is more high spec compared to the ¥1 million server a year ago.

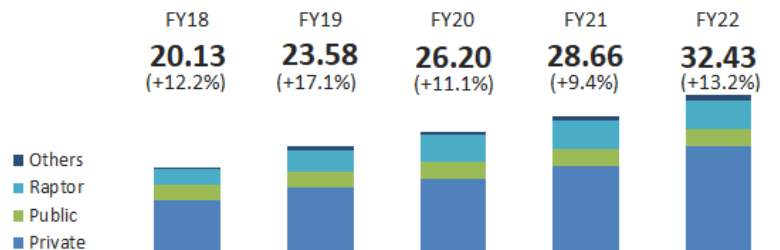
### ◆ Profit

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



# Cloud Business (1)

## ◆ Cloud service revenue (recurring) continued to accumulate along with constant Cloud migration

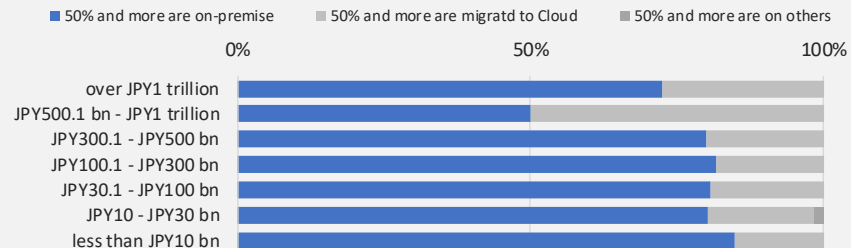


• FY22 Cloud Service revenue recognition: 91.3% in systems operation, 8.7% in Outsourcing

## ◆ Majority of enterprise systems are operating on-premise

• IIJ offers various services to promote Cloud migration

### Status of Cloud migration by Clients' annual revenue size



Source: Internet Initiative Japan "Nationwide survey on IT department 2022" published in Nov. 2022, N=598

Unit: ¥ (JPY) billion

Private cloud	Public cloud
<ul style="list-style-type: none"> <li>➢ IIJ GIO Infrastructure P2 Gen.2                             <ul style="list-style-type: none"> <li>• Next generation IaaS enabling easy Cloud migration from on-premise</li> <li>• Highly transitional VMware base hosted private Cloud</li> </ul> </li> <li>➢ IIJ Unified Operation Management Service (UOM)                             <ul style="list-style-type: none"> <li>• SaaS to improve efficiency of multi-cloud system operation work</li> <li>• Management and operation cover wide range from cloud to on-premise, Improve efficiency with automated incident management etc.</li> </ul> </li> <li>➢ Multi-cloud etc.</li> </ul>	<ul style="list-style-type: none"> <li>➢ Low-cost servers with pay-as-you-go pricing etc.</li> </ul>
	Raptor
	<ul style="list-style-type: none"> <li>➢ In-house developed SaaS base FX (Foreign Exchange) platform services for online brokers</li> <li>➢ Providing services to Hirose Tsusho, Line Securities, au Kabucom Securities, Nomura Securities, Sony Bank, SMBC Nikko Securities, Matsui Securities etc.</li> </ul>
	Others
	<ul style="list-style-type: none"> <li>➢ Cloud services provided through overseas subsidiaries etc.</li> </ul>

## ◆ Extensive service line-up promoting multi-cloud usages

- Multi-cloud usages increasing as companies prefer to avoid "vendor lock-in" which is a dependence on a specific cloud vendor, flexible system design by combining multiple cloud services, and BCP measures such as redundancy and risk diversification
- "IIJ Unified Operation Management Service (UOM)" reducing IT department's operational burden by fully outsourcing the operation and management of multi-cloud that is becoming more complexed
- "IIJ Cloud Exchange Services" enabling private connectivity to third party cloud services: offers connectivity to Amazon AWS, Microsoft Azure, Microsoft 365, GCP (Google Cloud Platform), OCI (Oracle Cloud Infrastructure) etc.
- "IIJ Cloud Data Platform Service (CDP)" enabling secure data collaboration on multi-cloud

- Multi-Cloud: Cloud that is comprise of combining multiple cloud services
- "IIJ Cloud Exchange Services" revenue are recognized in NW Service Revenue

# Cloud Business (2)

- **Cloud services as one of the cross-selling element**
- **Promoting Cloud Shift of the current blue-chip Japanese enterprises**

## IIJ's Competitive Advantages

- ◆ **Blue-chip client base:** Hands-on/close relationship with clients (Cloud as a cross-selling element)
- ◆ **New business opportunity:** Because blue-chip companies' internal systems have been covered by legacy system integrators, it is a new business opportunity for IIJ once such systems migrate toward Cloud. IIJ has not dealt with legacy internal enterprise systems
- ◆ **Various network service line-ups such as security and various ways to access cloud systems (mobile, WAN, etc.)**
- ◆ **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 so much 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 system integrators who constructed and currently looking over blue chips' large internal systems

## Multi-Cloud Strategy

- ◆ **Japanese enterprises avoid relying on single cloud service vendor: increasing demands for multi-cloud**
  - IIJ provides private connectivity with Microsoft Azure/365, AWS (Amazon Web Service), GCP (Google Cloud Platform)
  - IIJ provides operation and management services to effectively monitor an entire IT systems (IIJ UOM Service), covering IIJ's cloud services, other cloud vendors' cloud services and on-premise systems.

## IIJ's Cloud Business Model

- ◆ **Revenue**
  - Revenue is to increase along with an increase in Cloud 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 network 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

### ➤ Cloud penetration among Japanese enterprises

- 64.7% as of 2019-end, 33.0% as of 2013-end (source: MIC)
- Japanese enterprises are slowly but surely using more Cloud services, yet most of such usages are primitive ones such as using cloud services for web and/file servers etc.

### ➤ Cloud shift in Japan tends to take place one by one as:

- Japanese blue-chip' internal systems are quite large and complicated - can't migrate all at once
- Position of CIO is not high or respected as much as other C class executives
- 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

### ➤ Seeing some advanced usages

- Nippon Express (one of the largest logistics companies): replaced on-premise critical business operation system to IJ Cloud (3,500 servers, 2PB storage) etc.

## Recent Cloud Business Trend

### ➤ IJ's private cloud revenue grew as demands for multi-cloud continued

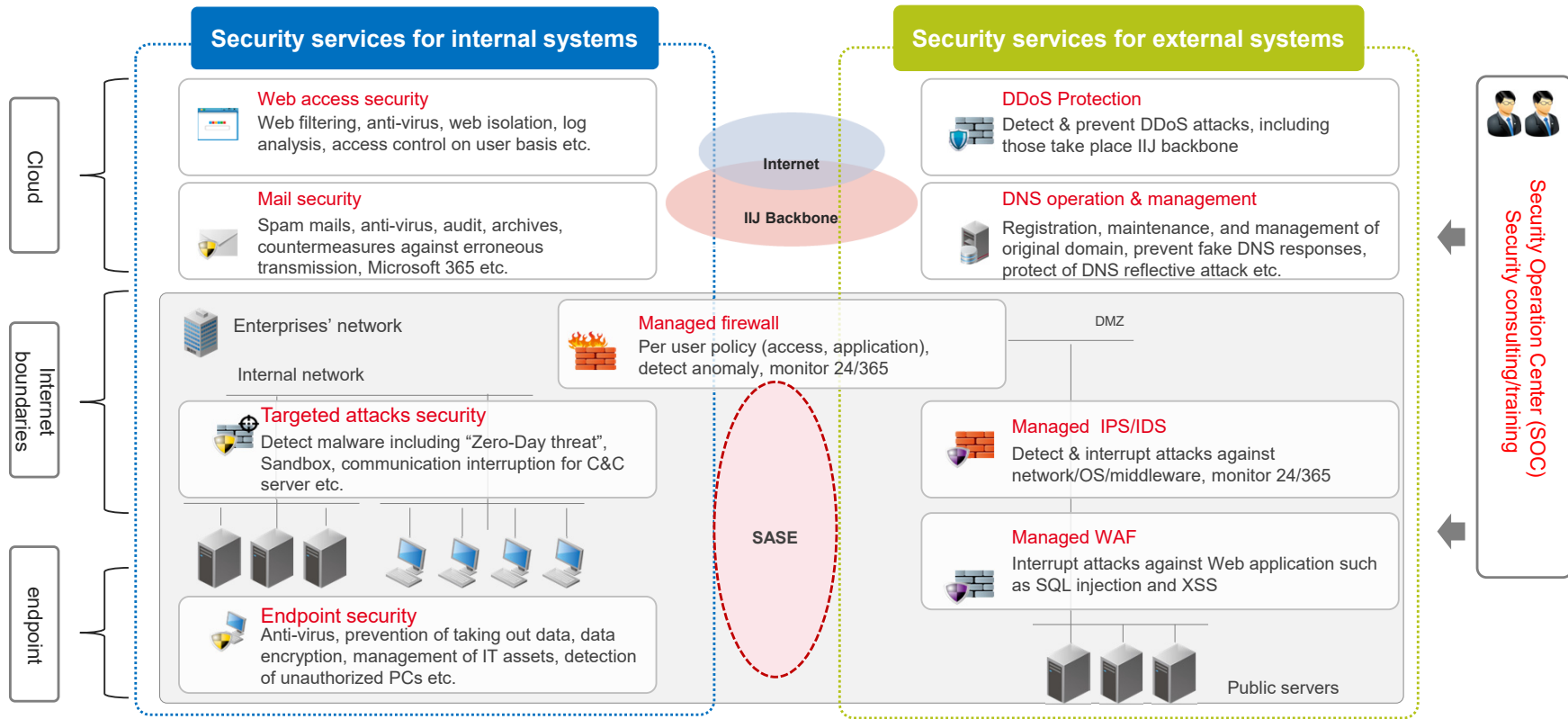
- Multi-cloud demands are generating demands for "IJ Cloud Exchange Services" (revenue recognized in Network Services) which provide private connectivity to third vendor Cloud services such as AWS (Amazon), Microsoft, and Google
- "IJ GIO Infrastructure P2 Gen.2," which was launched in Oct. 2021 to promote full-scale cloud shift of enterprise systems, is accumulating orders

### ➤ Raptor, SaaS type Foreign Exchange (FX) trading platform launched in Oct. 2008, revenue fluctuates depending on trading volume of FX

- Added CFD (Contract for Difference) to its service line-up from Jan. 2022

# Security Business (1)

## Information Analysis Platform utilizing information and expertise only available to ISPs



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

# Security Business (2)

## IIJ Secure MX Service (SMX)

- ◆ Cloud-based integrated mail security service (16 yrs in operation)
- ◆ 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

### SMX contracted accounts

Sep. 2022	2.83 million
Sep. 2021	2.65 million
Sep. 2020	2.41 million



Cloud based mail security market  
Share No.1  
(Resource: Fuji Chimera Research Institute) monthly BT Sep. 2019 "Cloud based mail security service market survey" based on FY18 figure base

## IIJ Secure Web Gateway Service (SWG)

- ◆ Cloud-based integrated web security service (13 yrs in operation)
- ◆ Differentiating by in-housed developed engines etc. to block and isolate web functions etc.



<Resource> ITR "ITR Market View: Cyber Security counter market 2021"

### SWG contracted accounts

Sep. 2022	1.23 million
Sep. 2021	1.19 million
Sep. 2020	1.12 million

## IIJ DDoS Protection Service

- ◆ Comprehensive service to protect enterprise network system from DDoS attacks (17 yrs in operation)
- ◆ Service model unable for Slers & vendors who do not have NW backbone to offer
  - Realize reliable web services by avoiding overloaded network 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 and capability of preventing terabit level large-scale attack (Jan. 2017)
- ◆ High penetration rate toward large financial institutions

## IIJ C-SOC 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 as well as notification etc.
- ◆ Service policy: individual operation and monitoring including other managed services
- ◆ Relatively expensive monthly transaction

### Coverage comparison

<Competitors>

<IIJ>

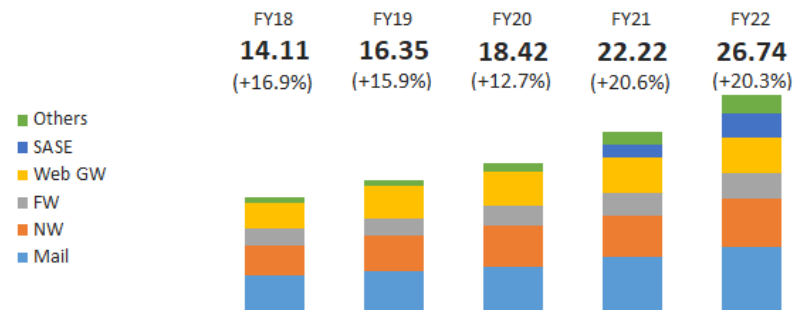
Log collection server Router construction	Trouble shooting Hardware exchange Configuration change
	Software version up
	Log collection server Router construction

### Information resource of IIJ

Security equipment log	170 billion lines per month
Mail access log	3.8 billion lines per month
Web access log	90 billion lines per month
Monitoring node	48 thousand
Number research sites by web crawler	Over 400 thousand per day

# Security Business (3)

- ◆ Security service (recurring revenue) largely grew 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)	FY18	FY19	FY20	FY21	FY22
	16.77	19.18	21.47	25.44	31.25

- ◆ IJ Security Business division director has been appointed as Kanto Regional Police Bureau's cyber security advisor (Feb. 2023)

- Invited and trained police officers of Hyogo, Shimane and Hokkaido prefectures to IJ SOC for a certain period

- ◆ Opened "IJ Security Training School" (Dec. 2021) to educate security specialist. Added beginners' course in Apr. 2023

- Security Service Revenue (recurring) is 100% recognized in Outsourcing
- SASE (Secure Access Service Edge) is a concept to shift controls of network and security 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.
- IJ Secure MX Service (SMX)
  - Cloud-based integrated mail security service (17 years in operation)
  - 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 (18 years in operation)
  - 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 (Jan. 17)
- IPS/IDS, WAF etc.

## FW (Firewall)

- Outsource of firewall operation, detection system for anomaly etc. (17 years in operation)

## Web GW

- Full outsource of web Security, URL filtering etc.
- IJ Secure Web GW Service (SWG)
  - Cloud-based integrated web security service (13 years in operation)
  - Differentiating by in-house developed engines etc. to block and isolate web functions etc.

## SASE

- Operation of Prisma Access, Zscaler etc.
- IJ Secure Access Service "ISA"
  - Launched in Sep. 2022
  - In-house developed SASE service
  - Differentiating by operating in Japan, high compatibility with other IJ security services such as C-SOC, small start and low-price range

## 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.

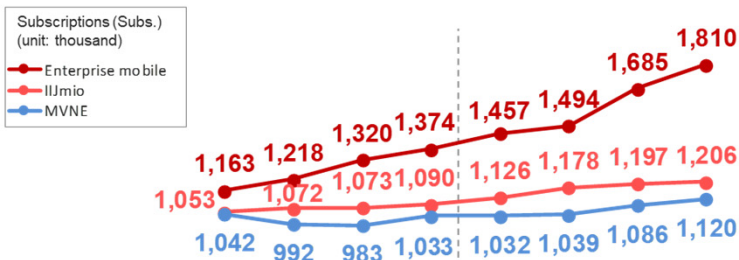
# Mobile Business (1)

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

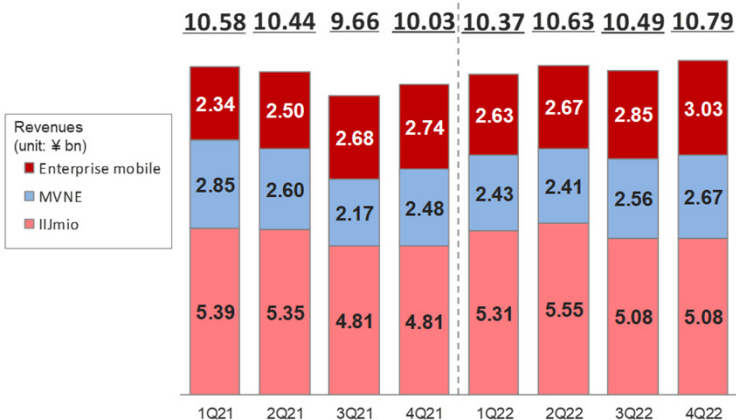
Service/Business  
Function

- 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

## Mobile Subscription (Subs.)



## Mobile Revenue



### ◆ Enterprise mobile (deducting MVNE from IJ Mobile)

- FY22 revenue: ¥11.18 bn (+¥0.92 bn YoY)
  - Same as 4Q21, 4Q22 included approx. ¥0.1 bn of lump-up revenue related to a large mobile project which consists of several phases (in 4Q21, ¥0.21 bn)
- 4Q22-end subs.: 1,810 thousand (+124 thousand QoQ)
  - In 4Q22, the subs. consistently increased by 124 thousand QoQ mainly due to additional line orders from the existing project for a taxi payment devices and increased demands from foreigners visiting Japan. In 3Q22, the subs. increased by 192 thousand QoQ as the existing project for a GPS tracker for children security largely increased by approx. 60 thousand

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

- FY22 revenue: ¥10.07 bn (-¥0.02 bn YoY)
  - Degree of revenue decrease in response to a decrease in procurement cost at the beginning of FY22 was as expected
- 4Q22-end subs.: 1,120 thousand (+34 thousand QoQ)
  - General enterprises' subscriptions are increasing. The subscribers related to one particular client being bought by an MNO are decreasing
- 4Q22-end MVNE clients: 181 clients (+11 clients YoY)
  - Cable TV operators (91 operators), prominent retailer etc.

### ◆ IJmio (consumer)

- FY22 revenue: ¥21.03 bn (+¥0.66 bn YoY)
  - Updated a part of the price list as of Apr. 1, 2023. Increased the bundled data volume while unchanging monthly charges for 4GB plan (now 5GB) and 8GB plan (now 10GB). Subscribers for 5GB plan are increasing
- 4Q22-end subs.: 1,206 thousand (+10 thousand QoQ)
  - Of which, the old plan's subs. were 286 thousand

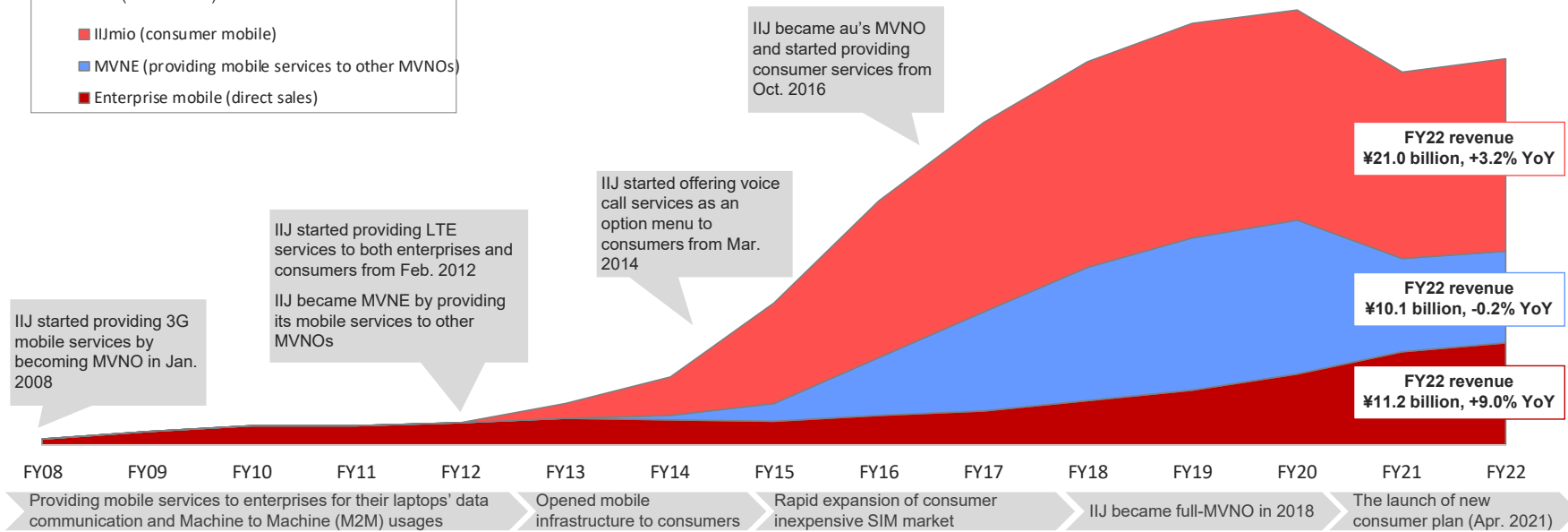
GigaPlans (unit: thousand)	1Q21- end	2Q21- end	3Q21- end	4Q21- end	1Q22- end	2Q22- end	3Q22- end	4Q22- end
Subs.	462	556	607	667	757	837	878	908

# Mobile Business (2)

Service/Business Function

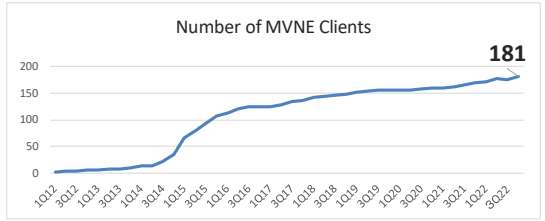
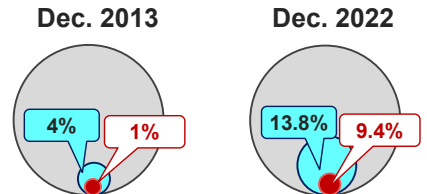
Revenues (unit: ¥ billion)

- IJmio (consumer mobile)
- MVNE (providing mobile services to other MVNOs)
- Enterprise mobile (direct sales)



## Consumer inexpensive SIM market

- Total mobile subscription in Japan (around 100 million)
- MVNO subscription
- SIM subscription



Data is based on the reports by the Ministry of Internal Affairs and Communications who publishes mobile subscription quarterly

\* IJJ & the Japan Cable and Telecommunications Association became partners to offer inexpensive mobile services (Oct. 2014)



# Mobile Business (3)

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

- Seeing some advanced usage such as Factory IoT for Toyota Motor Hokkaido <https://www.ij.ad.jp/en/news/pressrelease/2020/0803.html>

## Accumulating various enterprise mobile solutions

Network Cameras	Office IT	B-to-C
Store marketing cameras	iPads and tablets	Karaoke communications
Security cameras for apartment complexes, etc.	Remote work (teleconferencing)	Child monitoring devices
Surveillance cameras for material storage sites, etc.	Business / IP transceivers	Networking between devices at game arcades
Security cameras	Store visitor management systems	Currency exchange machines for foreign visitors to Japan
River water level remote monitoring	Built-in SIMs for PCs	Cashless payment terminals
Transportation	Corporate Activities / Other	
Dashcams	Structural health monitoring terminals	Rice paddy water management
Taxi dispatching	Plant equipment management	Shrimp cultivation
Bus locational information	Natural disaster observational data collection	Mobile sales offices
Remote key locking and unlocking	Vending machines	Digital signage

## Business model of IIJ's Mobile Business

### ◆ Revenue

- Consumer mobile revenue is calculated by multiplying subscription by ARPU
  - Headsets sales are also recognized as consumer revenue. IIJ 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 IIJ'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 network 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

### ◆ 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

## Mobile infrastructure utilization

- Currently, IIJ is increasing mobile infrastructure to meet the peak of consumer traffic which is concentrated around commuting hours and lunch time. Mobile infrastructure utilization of other hours is 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

## IIJ's Sale Channel for Consumers

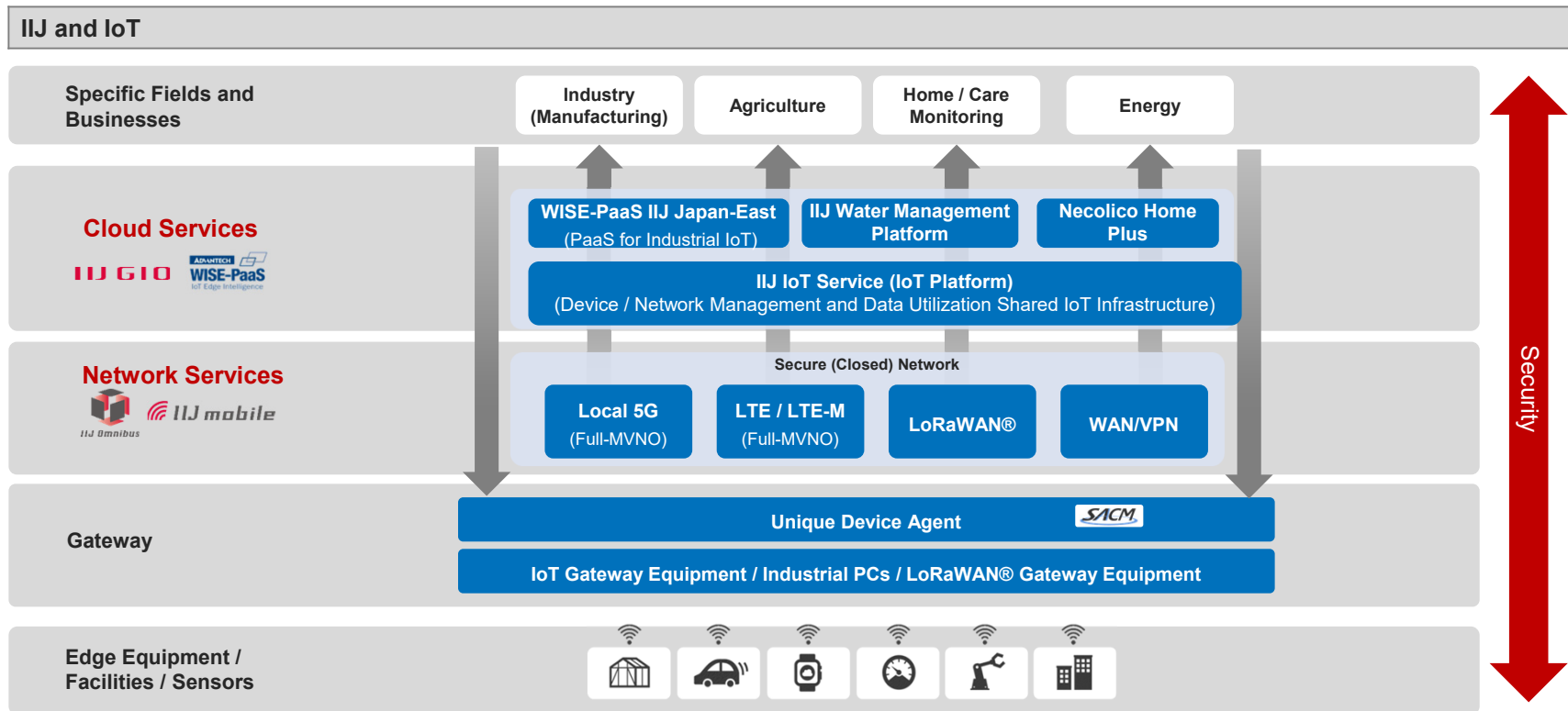
1. **Direct sales** through IIJ's website
2. **Sales partners** such as BicCamera
  - IIJ pays sales commission expenses to sales partners
3. **MVNE** "IIJ Mobile Platform Service"
  - IIJ provides mobile services to other MVNOs
  - As of Mar. 31, 2023, IIJ had 181 MVNE clients
    - ✓ Largest MVNE client is one of the largest Japanese retailers
    - ✓ 91 out of 171 MVNE clients are Japanese cable TV operators who already have direct relationship with consumers

## MVNO Penetration in Japan

- Consumer MVNO share as of Dec. 31, 2022 (Source: MIC)
  - IIJ 19.7%
  - NTT Resonant 11.1%
  - OPTAGE (brand name: mineo) 9.1%
  - Fujitsu 5.6%
  - BIGLOBE 4.9%

# IoT Business (1)

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



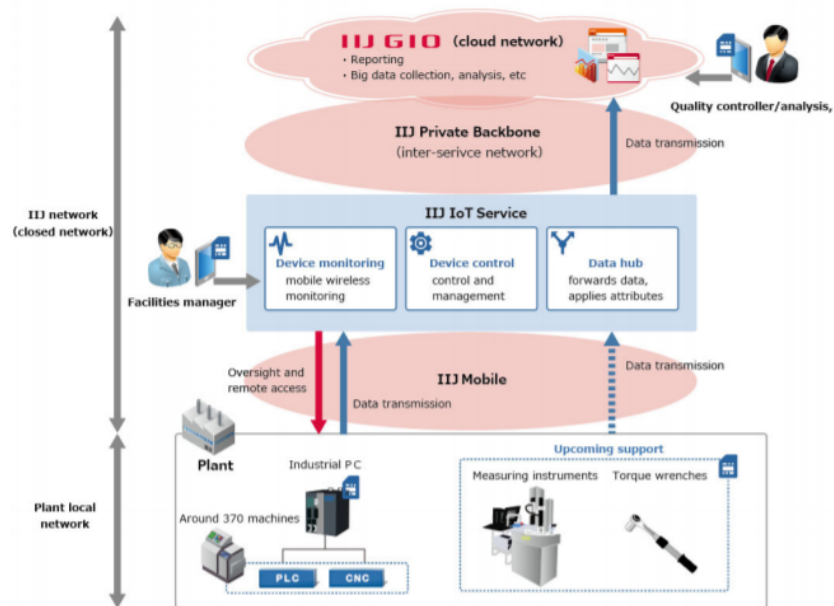
IoT projects	
<b>Industrial machinery manufacturers</b>	Shift from reactive post-sales maintenance model to proactive field services (making predictions based on data)
<b>Car accessory manufacturers</b>	Expansion of service businesses by acquiring data through the networking of products and establishing software technology development organizations to develop services that use that data
<b>Measuring instrument manufacturers</b>	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
<b>Automotive manufacturers</b>	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
<b>Trading companies (agriculture)</b>	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 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



# Data Centers

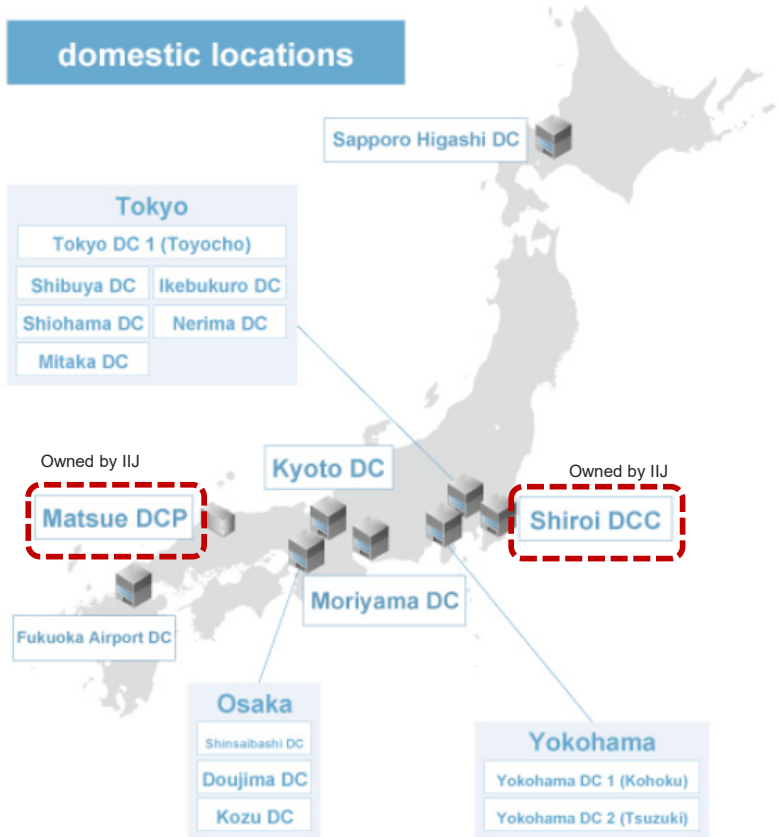
◆ Operate 16 DCs in Japan, 2 of which are owned by IIJ (as of Mar. 2023)

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

	Matsue DCP (opened in Apr. 2011)	Shiroy DCC (Opened in May 2019)
Objective	Own service facility	
Features	<ul style="list-style-type: none"> <li>• First in Japan to use outside-air cooling container units</li> <li>• Able to increase capacity responding to demand per container</li> <li>• Utilize on-site solar power panels</li> </ul>	<ul style="list-style-type: none"> <li>• Adopt latest energy-saving method including outside-air cooling method</li> <li>• More flexible and cheaper capacity expansion through system module method</li> <li>• Utilize on-site solar power panels</li> </ul>
Land	Approx. 16 thousand square meters	Approx. 40 thousand square meters
Number of in placed racks	Approx. 500 racks	Approx. 700 racks
FY22 PUE	1.2s	1.4s
FY23 plan	<ul style="list-style-type: none"> <li>• Constructing new system module                             <ul style="list-style-type: none"> <li>✓ Schedule: begin construction in Feb. 2024, operation in May 2025</li> <li>✓ Approx. 2 thousand square meters</li> <li>✓ Approx. 300 racks</li> <li>✓ FY23 capex ¥5.0 bn (to be partially covered with subsidy)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• 2<sup>nd</sup> site to start operation in July 2023 (Expandable up to 4<sup>th</sup> site)                             <ul style="list-style-type: none"> <li>✓ Approx. 8 thousand square meters</li> <li>✓ Approx. 1,100 racks (1<sup>st</sup> site: approx. 700)</li> <li>✓ FY23 CAPEX (plan): approx. ¥7.0 bn (FY22: ¥5.4 bn)</li> </ul> </li> <li>• Begin direct procurement of Non-Fossil Fuel Certificates toward supply of green electricity (summer 2023)</li> </ul>

## Data Center Locations

### domestic locations



# Financials

Financial Performance (FY19 ~ FY22 results)

P. 38

FY22 Results and FY23 Outlook

P. 40 – 54

FY23 Financial Targets

P. 55 – 56

# Financial Performance (FY19 ~ FY22 results)

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

Financials

	FY19	FY20	FY21	FY22
<b>Total revenue</b>	<b>204.5</b>	<b>213.0</b>	<b>226.3</b>	<b>252.7</b>
YoY	+6.3%	+4.2%	+6.3%	+11.7%
<b>NW services</b>	<b>122.0</b>	<b>126.8</b>	<b>128.2</b>	<b>138.9</b>
YoY	+2.8%	+4.0%	+1.1%	+8.4%
<b>of, enterprise NW</b>	<b>75.9</b>	<b>79.3</b>	<b>87.5</b>	<b>96.6</b>
YoY	(0.1%)	+4.5%	+10.3%	+10.5%
<b>of, mobile</b>	<b>46.1</b>	<b>47.5</b>	<b>40.7</b>	<b>42.3</b>
YoY	+9.8%	+3.1%	(14.3%)	+3.8%
<b>SI</b>	<b>78.4</b>	<b>83.3</b>	<b>95.3</b>	<b>110.9</b>
YoY	+12.5%	+6.2%	+14.5%	+16.4%
<b>Operating profit</b>	<b>8.2</b>	<b>14.2</b>	<b>23.5</b>	<b>27.2</b>
YoY	+36.6%	+73.2%	+65.3%	+15.6%
<b>Operating margin</b>	<b>4.0%</b>	<b>6.7%</b>	<b>10.4%</b>	<b>10.8%</b>
<b>Net Profit</b>	<b>4.0</b>	<b>9.7</b>	<b>15.7</b>	<b>18.8</b>
YoY	+13.8%	+142.4%	+61.4%	+20.2%
<b>ROE</b>	<b>5.2%</b>	<b>11.5%</b>	<b>16.2%</b>	<b>17.0%</b>
<b>NW service gross margin</b>	<b>16.3%</b>	<b>21.4%</b>	<b>27.8%</b>	<b>27.5%</b>
<b>SI gross margin</b>	<b>13.8%</b>	<b>14.5%</b>	<b>15.7%</b>	<b>16.7%</b>

For our financial strategy, please visit [https://www.iiij.ad.jp/en/ir/integrated-report/financial\\_strategy/](https://www.iiij.ad.jp/en/ir/integrated-report/financial_strategy/)

- 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"

# FY22 Summary and FY23 Outlook

+%, YoY = Year over year comparison  
 Net Profit is \*Profit for the period attributable to owners of the parent\*  
 Mobile total subscription (subs) and total number of employees are as of Mar.31. 2023 (FY21 YoY personnel is excluding PTC)

Financials

## FY22 Summary

Revenue growth rate accelerated as strong demands continued even after the Pandemic eased FY20: +4.2%, FY21: +6.3%, FY22: +11.7%

Opportunities to make proposals and acquire large complex projects increased by leveraging IIJ's collective strength

Moving toward a new growth stage

Revenues	Operating Profit	Operating Margin	Net Profit	ROE
¥252.71 bn	¥27.22 bn	10.8%	¥18.84 bn	17.0%
+11.7%	+15.6%	+0.4 points	+20.2%	+0.8 points

### NW service (excluding mobile)

- Each service revenue steadily grew as the IT usages continued to advance IP: +8.4%, WAN: +4.6%
- Strong demands for cyber security counter measures etc.: security +20.3%
- Service line-up continued to expand by developing new services
  - In-house developed SASE service, Multi-cloud data collaboration etc.

### SI

- Strong demand continued, Revenue exceeded initial expectation Large complex NW/SI projects also contributed
- SI order-received: ¥120.91 bn (+19.2%), Revenue: ¥110.94 bn (+16.4%)
  - Of construction, order-received: ¥44.29 bn (+14.6%), revenue: ¥42.95 bn (+21.4%)
  - Of operation, order-received: ¥76.62 bn (+22.0%), revenue: ¥68.00 bn (+13.4%)

### Mobile

- Total subs.: 4,136 thousand (+639 thousand), total revenue: ¥42.27 bn (+¥1.56 bn)
  - Stronger-than-expected consumer acquisition due to changes in competitive landscape, Enterprise mobile (IoT usage) subs. largely increased (FY21: +264 thousand, FY22: +436 thousand), SIMs for foreigners visiting Japan picking up

### HR and others

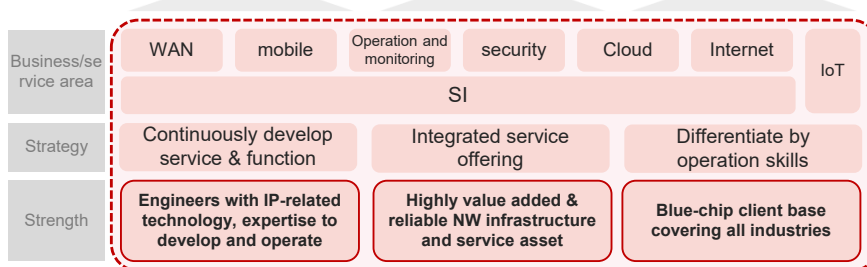
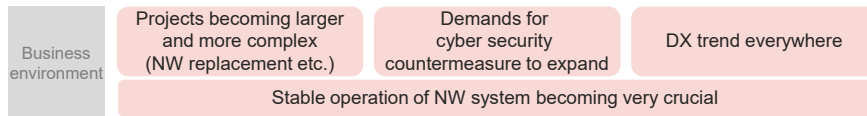
- Enhanced recruitment and training: total number of employees (consolidated) 4,451 personnel, +304 personnel (FY21-end: 4,147 personnel, +286 personnel)
  - IIJ turnover rate 3.8% (FY21: 4.2%)
  - New graduates joined in Apr. 2023: 246 personnel (up approx. 1.4 times YoY, Apr. 2022: 178 personnel)
- Opened "IIJ Academy" to educate NW engineers (First session began in May 2023)

## FY23 Outlook

Revenue to largely grow and profit to expand along with it by steadily executing growth strategy

Accomplish the current mid-term plan and aim to achieve further growth through the next plan (FY24~) with the competitive advantage of being a service integrator

Revenue	Operating Profit	Operating Margin	Net Profit
¥286.0 bn	¥31.5 bn	11.0%	¥20.72 bn
+13.2%	+15.7%	+0.2 point	+10.0%



Dividend per share	Interim		Year-end	Annual	Payout ratio
	FY22	FY23	FY22	FY23	FY23
	¥14.625	¥17.18	¥14.63	¥29.255 +21.9%	28.1%
			¥17.18	¥34.36 +17.5%	30.0%



# Consolidated Financial Results

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

Financials

	% of revenue		YoY		% of revenue		YoY	
	FY2022 Results <small>Apr. 2022 - Mar. 2023</small>	FY2021 Results <small>Apr. 2021 - Mar. 2022</small>			FY2022 Targets <small>(Announced in May 2022) Apr. 2022 - Mar. 2023</small>			
Revenues	<b>252.71</b>	<b>226.34</b>	+11.7%	+26.37	<b>250.0</b>	+10.5%	+23.66	
Cost of Revenues	<small>77.1%</small> <b>194.80</b>	<small>77.2%</small> <b>174.71</b>	+11.5%	+20.09	<small>76.9%</small> <b>192.2</b>	+10.0%	+17.49	
Gross Profit	<small>22.9%</small> <b>57.91</b>	<small>22.8%</small> <b>51.63</b>	+12.2%	+6.28	<small>23.1%</small> <b>57.8</b>	+12.0%	+6.17	
SG&A etc.	<small>12.1%</small> <b>30.69</b>	<small>12.4%</small> <b>28.08</b>	+9.3%	+2.61	<small>12.2%</small> <b>30.6</b>	+9.0%	+2.52	
Operating Profit	<small>10.8%</small> <b>27.22</b>	<small>10.4%</small> <b>23.55</b>	+15.6%	+3.67	<small>10.9%</small> <b>27.2</b>	+15.5%	+3.65	
Profit before tax	<small>10.8%</small> <b>27.31</b>	<small>10.7%</small> <b>24.16</b>	+13.0%	+3.15	<small>10.5%</small> <b>26.3</b>	+8.8%	+2.14	
Net Profit	<small>7.5%</small> <b>18.84</b>	<small>6.9%</small> <b>15.67</b>	+20.2%	+3.17	<small>7.0%</small> <b>17.5</b>	+11.7%	+1.83	
ROE	<b>17.0%</b>	<b>16.2%</b>	<b>+0.8 points</b>		-	-	-	-

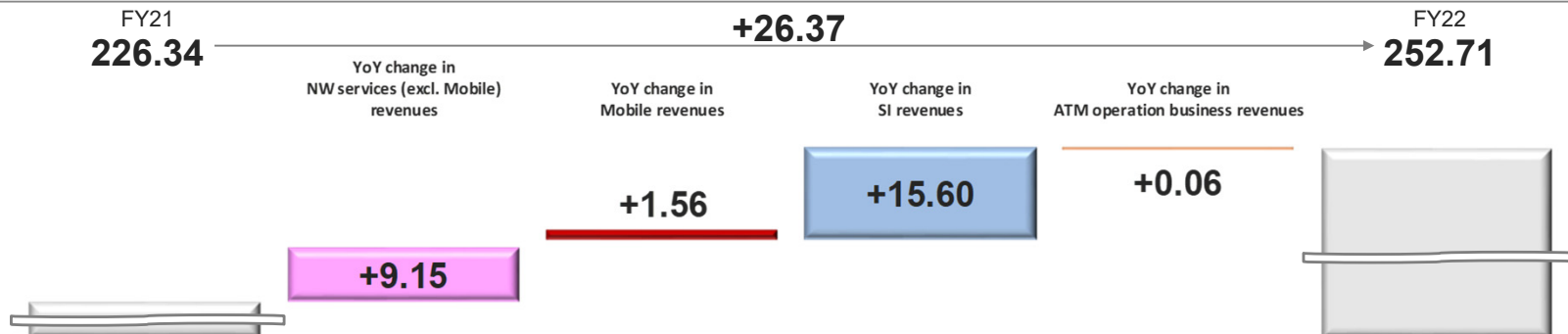
- SG&A etc. represents the sum of SG&A, which includes R&D expenses, and other income/expenses
- Net profit is "Profit for the period/year attributable to owners of the parent"

# Year over Year Analysis

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

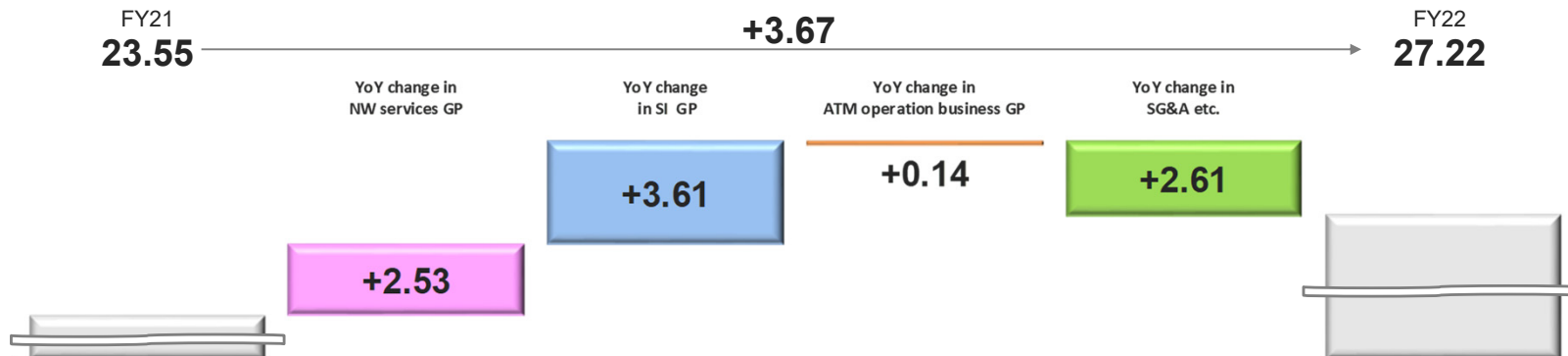
Financials

## 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



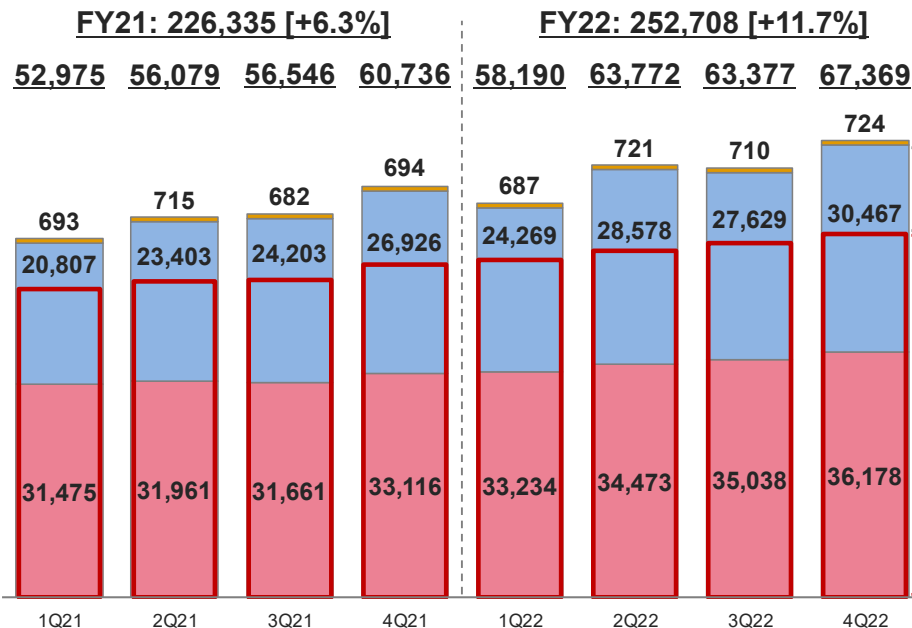
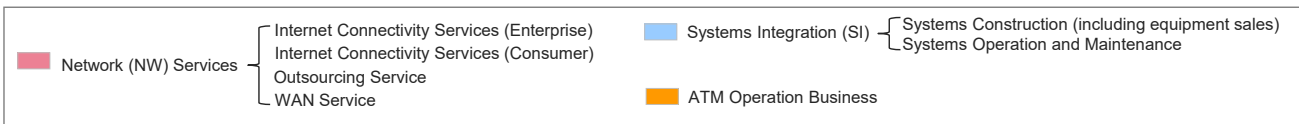
- NW services gross profit consists of gross profit related to NW revenues (excl. Mobile) and Mobile revenues (These two are not decomposable because some costs are common among them)
- SG&A etc. in this slide represents the sum of SG&A, which includes R&D expenses, and other income/expenses

# Revenues

Unit: ¥ (JPY) million

Financials

[ ], YoY = Year over year comparison



**One-time revenue**  
 FY22: ¥42.95 bn, +21.4% YoY  
 (17.0% of FY22 total revenue)

**Recurring revenue**  
 FY22: ¥206.92 bn, +10.0% YoY  
 FY21: +5.5% YoY  
 (81.9% of FY22 total revenue)

**NW Services revenue** (excluding Mobile Services)  
 FY22: ¥96.65 bn (+10.5%, +¥9.15 bn YoY)  
 FY21: +10.3% YoY +¥8.19 bn YoY

**Mobile Services revenue**  
 FY22: ¥42.27 bn (+3.8%, +¥1.56 bn YoY)  
 FY21: -14.3% YoY, -¥6.81 bn YoY

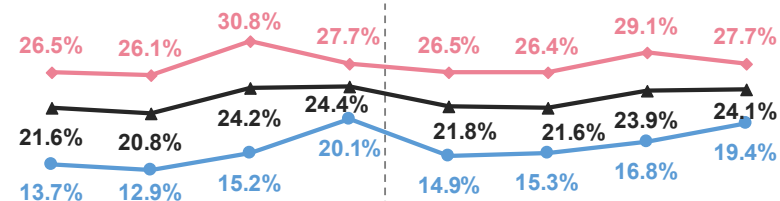
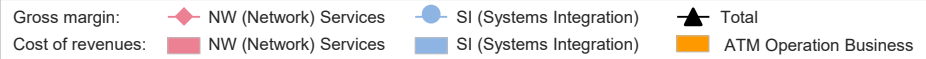
- One-time revenue, systems construction revenues which include equipment sales, is mainly recognized when systems and/or equipment are delivered and accepted by customers
- Recurring revenue represents the following monthly recurring revenues: Internet Connectivity Services (Enterprise), Internet Connectivity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

# Cost of Revenues & Gross Profit Ratio

Unit: ¥ (JPY) million

[ ], YoY = Year over year comparison

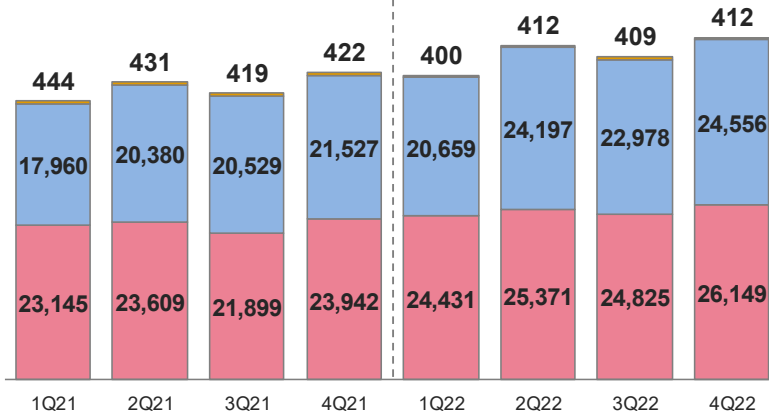
Financials



**FY21: 174,707 [+1.2%]**

**FY22: 194,800 [+11.5%]**

**41,548 44,420 42,847 45,891 45,490 49,980 48,212 51,117**



## ◆ Total gross profit

➢ FY22: ¥57.91 bn (+12.2% YoY)

## ◆ Gross profit for NW services

➢ FY22: ¥38.15 bn (+7.1% YoY)

- FY22 gross margin 27.5% (FY21: 27.8%) decreased by 0.3 points YoY as Mobile services' profitability decreased temporarily due to smaller onetime profit contribution related to the mobile interconnectivity (unit charge) revision, the user migration from the old plan, whose voice plan's margin is higher, to the new plan and the enhanced procurement of mobile devices for marketing purposes with low margin
- FY22 gross profit increased by +¥2.53 bn YoY
  - ✓ Of which, NW service (excluding Mobile services) gross profit YoY increase was approx. +¥3.6 bn YoY
- 4Q22 gross margin slightly decreased from 3Q22 because 3Q22 gross margin included a onetime profit contribution of over ¥0.5 bn which was the result of FY21 Docomo's mobile data interconnectivity (unit charge) revision. In 3Q21, such onetime profit contribution was ¥1.08 bn

## ◆ Gross profit for SI

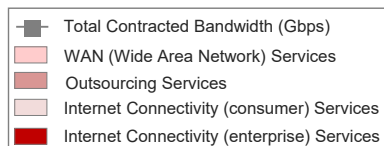
➢ FY22: ¥18.55 bn (+24.2% YoY)

- FY22 gross margin 16.7% (FY21: 15.7%) increased by 1.0 points YoY mainly due to an increase in SI revenue volume

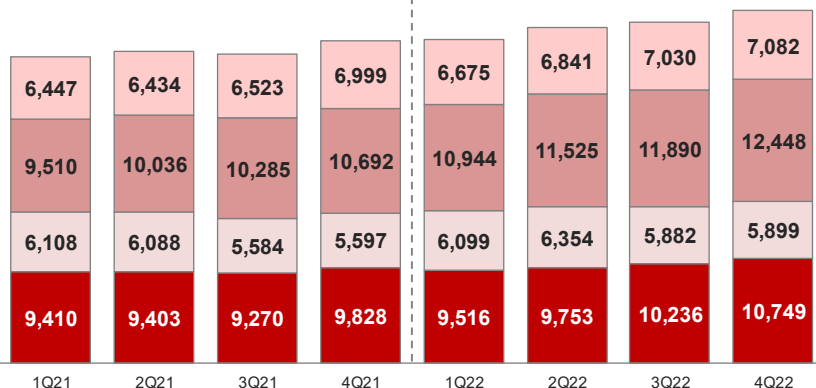
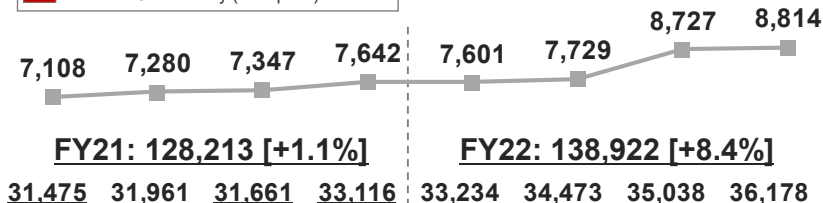
# Network (NW) Services (1) Revenues

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

Financials



Revenue recognition of the order-received large scale monthly recurring revenue projects(\*) started as planned (WAN, security, SI operation and IP)



## ◆ Internet Connectivity (enterprise) Services

- FY22: ¥40.25 bn, +6.2% YoY
  - Internet traffic (please refer to page 45) and contracted bandwidth continue to expand
  - Of which, IP: ¥14.84 bn, +8.4% YoY
    - ✓ 3 months YoY revenue growth rate: 4Q22 +9.9%, 3Q22 +9.4%, 2Q22 +8.9%, 1Q22 +5.2%
    - ✓ Number of contracts & contracted bandwidth increased in 3Q22 due to Tokyo public high school project by approx. 500 and approx. 500 Gbps, respectively
  - Of which, Enterprise mobile (IoT usages etc.): ¥11.18 bn, +9.0% YoY
    - ✓ Same as 4Q21, 4Q22 included slightly over ¥0.1 bn of lump-sum revenue related to a large mobile project which consists of several phases (in 4Q21, ¥0.21 bn)
  - Of which, MVNE (service offer to other MVNOs): ¥10.07 bn, -0.2% YoY
    - ✓ Degree of revenue decrease in response to a decrease in procurement cost at the beginning of FY22 was as expected

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

- FY22: ¥24.24 bn, +3.7% YoY
  - Of which, consumer mobile (IIJmio): ¥21.03 bn, +3.2% YoY
  - Fixed line connectivity "IIJmio Hikari" also increased mainly due to packed offering with mobile services

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

- FY22: ¥46.81 bn, +15.5% YoY
  - 3 months YoY revenue growth rate: 4Q22 +16.4%, 3Q22 +15.6%, 2Q22 +14.8%, 1Q22 +15.1%
  - Of which, security: ¥26.74 bn, +20.3% YoY
    - ✓ Growth accelerating as SASE's growing demand added to conventional services growth

## ◆ WAN Services (Closed network services)

- FY22: ¥27.63 bn, +4.6% YoY
  - 3 months YoY revenue growth rate: 4Q22 +1.2%, 3Q22 +7.8%, 2Q22 +6.3%, 1Q22 +3.5%

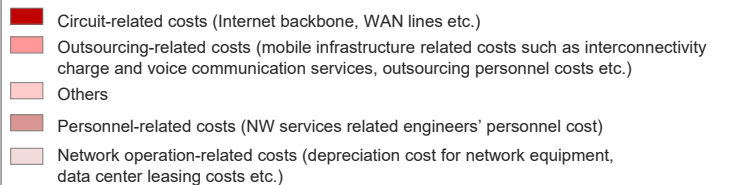
• Total contracted bandwidth is calculated by multiplying number of contracts by contracted bandwidths for IP service and broadband services respectively which are both under Internet connectivity services for enterprise  
 • IP (Internet Protocol) Service is bandwidth guaranteed dedicated Internet connectivity 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  
 • 1Q22 IP, enterprise mobile & WAN revenues decreased QoQ mainly due to a certain large scale NW replacement project whose initial revenue concentrated in 4Q21, which led 1Q22 revenue to decrease by ¥0.29 bn from 4Q21. A large mobile project whose revenue recognized per phase, which led 1Q22 revenue to decrease by ¥0.21 bn from 4Q21

(\*) Details of the order-received large scale monthly recurring revenue projects: around 4Q21-end: Total contracted revenue: over ¥10.0 bn (approximately 70% of the revenues in NW services), 5 projects, contract period: 3 to 4 years. In 1Q22: Total contracted revenue: approximately ¥3.5 bn (most of the revenues in NW services), 9 projects, contract period: 3 to 5 years. Outlook for these monthly recurring revenue recognition: 3Q22 approximately ¥0.5 bn, 4Q22 approximately ¥0.7 billion

# Network (NW) Services (2) Cost of Revenues

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

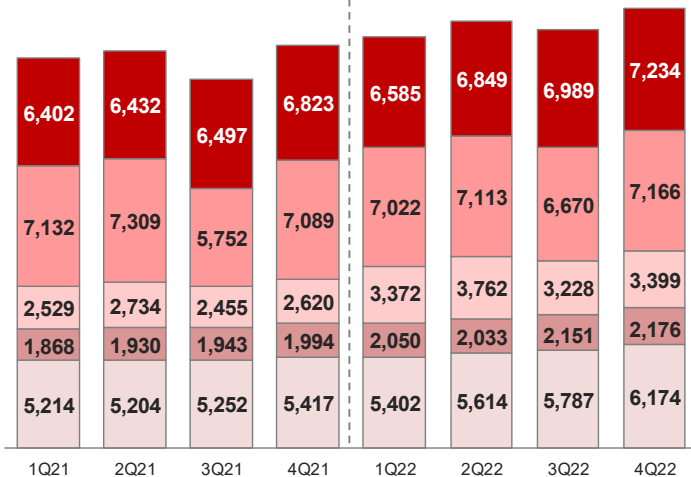
Financials



**FY21: 92,594 [-7.1%]**

**FY22: 100,776 [+8.8%]**

23,145 23,609 21,899 23,942 24,431 25,371 24,825 26,149



Regarding Outsourcing-related costs:  
 ✓ Voice purchasing cost (unit charge) was revised lower at the beginning of FY21 and Sep. 2021 (switched to auto-prefix appending)

- FY22 Circuit-related costs increased by 5.7%, +¥1.50 bn YoY, along with an increase in WAN revenue which increased by +¥1.22 bn YoY
  - Internet backbone circuit cost remains stable as we can leverage scale merit by having one of the largest Internet backbone networks
- FY22 Outsourcing-related costs increased by 2.5%, +¥0.69 bn YoY
  - In 3Q22, recorded over ¥0.5 bn of a onetime profit contribution which was a result of FY21 Docomo's mobile interconnectivity (unit charge) revision (3Q21 ¥1.08 bn plus impact)
- FY22 Others increased by 33.1%, +¥3.42 bn YoY mainly due to the increase in the purchasing mobile devices, license fees such as SASE, supplies expenses and others in line with increased revenues
  - YoY increase for purchasing cost of mobile devices:  
1Q22: +¥0.44 bn, 2Q22: +¥0.52 bn, 3Q22: +¥0.16 bn, 4Q22: +¥0.29 bn (FY22: +¥1.42 bn)
- Network operation-related costs slightly increase on a quarterly basis

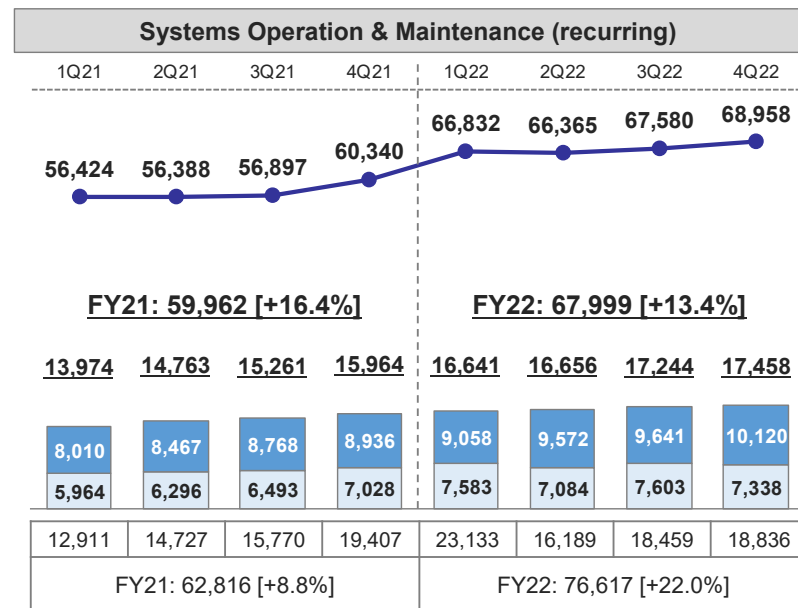
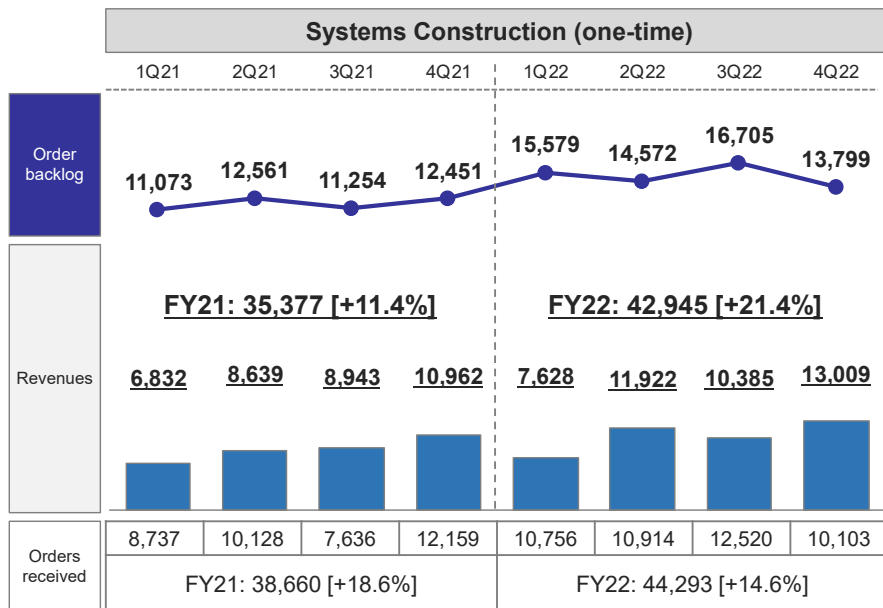
NTT Docomo's mobile data interconnectivity charge (unit charge)		
	Unit charge based on future cost method	Fixed unit charge
FY23	¥15,644 • Announced in Mar. 2023 • Have been using this unit charge from 1Q23 • Previously announced unit charge in Mar.2022: ¥15,697	• To be fixed around at the end of Dec. 2024
FY22	¥20,327 • Announced in Mar. 2022 • Used this unit charge in FY22 • Decreased 24.8% from the FY21 fixed unit charge	• To be fixed around at the end of Dec. 2023
FY21	¥28,385 • Announced in Apr. 2021 • Used this unit charge in FY21 • Decreased 23.9% from the FY20 fixed unit charge	¥27,024 • Fixed at the end of Dec. 2022 • Onetime profit contribution of over ¥0.5 bn in 3Q22 • Decreased by 27.5% from the FY20 fixed unit charge
FY20	¥41,436 • Announced in Mar. 2020 • Used this unit charge in FY20 • Decreased 3.0% from the FY19 fixed unit charge	¥37,280 • Fixed at the end of Dec. 2021 • Onetime profit contribution of ¥1.08 bn in 3Q21 • Decreased 12.7% from the FY19 fixed unit charge

# Systems Integration (SI) (1) Revenues

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

Financials

- 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



\* 1Q22 order-received includes multi-year-fixed large-scale projects (approximately ¥3.0 bn)  
(Generally speaking, orders received is for 1 year and automatically renewed)

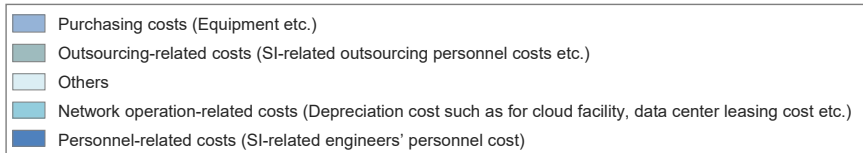
- Favorable order situation, continued to accumulate NW integration projects and others from all industries
- PTC (Singaporean Sler, consolidated from 1Q21) steadily progressing FY22 revenue ¥10.68 bn, operating profit ¥0.47 bn
- Continued to acquire large scale flagship complex projects combining NW services whose revenue volume are over a few ¥ bn (please refer to page 21)

# Systems Integration (SI) (2) Cost of Revenues

Unit: ¥ (JPY) million

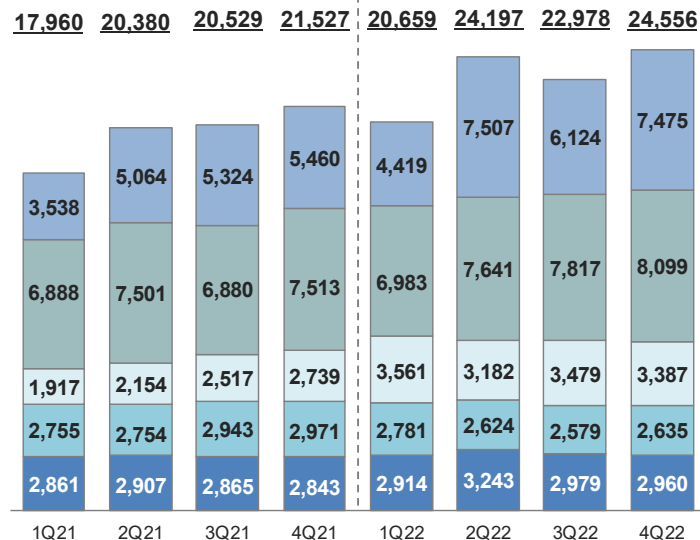
[ ], YoY = Year over year comparison

Financials



**FY21: 80,396 [+12.9%]**

**FY22: 92,391 [+14.9%]**



- Purchasing, outsourcing-related, and others are linked to the size of project and revenue to certain degree
- Portion of purchasing cost to SI construction revenue:  
In general, when purchasing (equipment) portion is high, gross margin tends to be low
  - FY22: 59%, 4Q22: 57% (Gross margin: FY22: 16.7%, 4Q22: 19.4%)
  - FY21: 55%, 4Q21: 50% (Gross margin: FY22: 15.7%, 4Q21: 20.1%)
- Others, which include license purchasing for multi-cloud, fluctuate along with multi-cloud demand and overall activity
- No significant change in network operation-related costs on a quarterly basis

Number of SI-related outsourcing personnel

(unit: personnel)

1Q21-end	2Q21-end	3Q21-end	4Q21-end	1Q22-end	2Q22-end	3Q22-end	4Q22-end
1,244	1,300	1,302	1,319	1,327	1,390	1,393	1,385

- Number of SI-related outsourcing personnel can be increased in comparison with the number of IJ's SI engineers

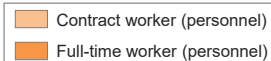


# Human Capital Disclosure

YoY = Year over year comparison

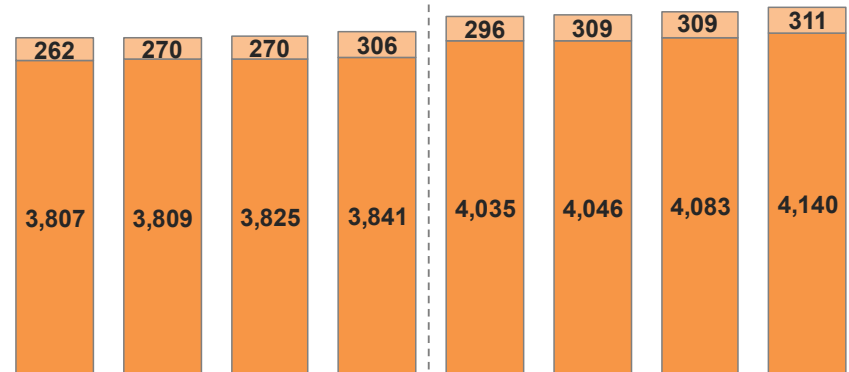
Financials

## Number of Employees (consolidated basis)



Jun. 2021 Sep. 2021 Dec. 2021 Mar. 2022 Jun. 2022 Sep. 2022 Dec. 2022 Mar. 2023

**4,069** **4,079** **4,095** **4,147** **4,331** **4,355** **4,392** **4,451**

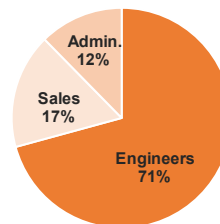


## Personnel-related costs & expenses

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

1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22
7,756 (14.6%)	7,892 (14.1%)	7,859 (13.9%)	7,985 (13.1%)	8,177 (14.1%)	8,655 (13.6%)	8,341 (13.2%)	8,506 (12.6%)
FY21: 31,491 (13.9%) +10.3% YoY				FY22: 33,678 (13.3%) +6.9% YoY			

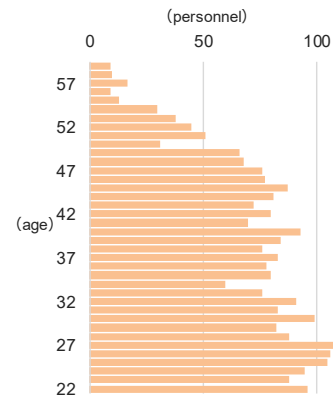
## Breakdown of Employees



(As of Mar. 2023)

➤ Breakdown of new graduates is almost identical

## Age Composition (as of Apr. 2023, IIJ)



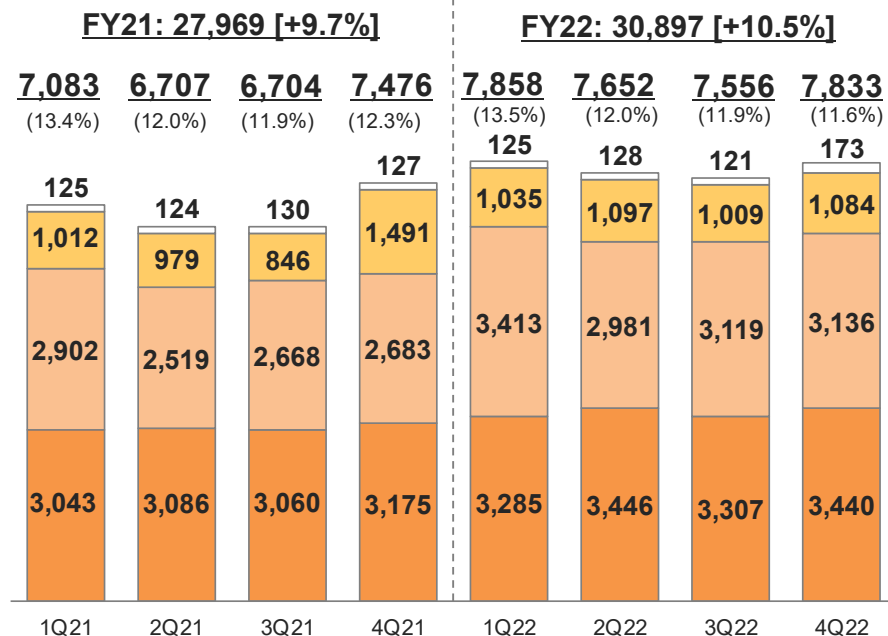
## Number of new graduates (consolidated basis)

Joined in Apr. 2019    Joined in Apr. 2020    Joined in Apr. 2021    Joined in Apr. 2022    **Joined in Apr. 2023**



➤ The monthly salary table for new graduates was modified in Apr. 2023 (the previous modification was in Apr. 2019)

- Graduates with bachelor's degree: ¥256,667 per month, up 4.8%
- Salary ranges for the existing employees were revised along with it



### ◆ Other income/expenses (not included in the left graph)

- FY22: ¥0.21 bn of income
  - ¥0.17 bn of gain on sales of tangible assets etc.
- FY21: ¥0.11 bn of expense
  - Loss on disposals of tangible assets etc.

### ◆ SG&A (sum of SG&A and other income/expenses)

- FY22: ¥30.69 bn, +9.3% YoY
  - 12.1% of FY22 total revenues
- FY21: ¥28.08 bn, +7.9% YoY
  - 12.4% of FY21 total revenues

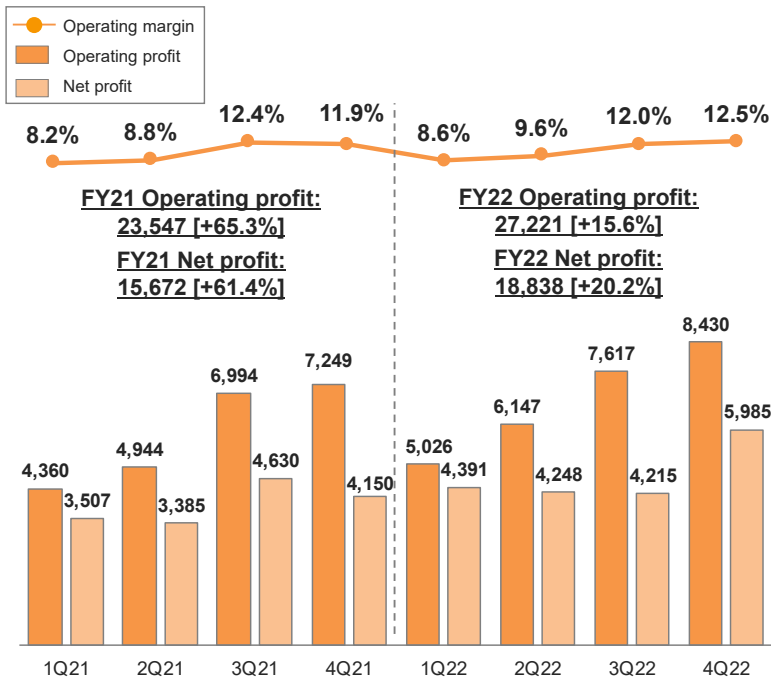
• The above graph of SG&A includes R&D expenses (not including other income/expenses)  
 • In 4Q21, mobile marketing expenses increased due to a seasonal factor

# Profit

Unit: ¥ (JPY) million

[ ], YoY = Year over year comparison

Financials



◆ FY22 Operating profit: ¥27.22 bn, +15.6% YoY

◆ FY22 Profit before tax: ¥27.31 bn, +13.0% YoY

- Foreign exchange gain: +¥365 million (FY21: +¥327 million)
- Valuation gain on funds etc.: +¥303 million (FY21: +¥3,055 million)
  - 1Q22: +¥1,200 million, 2Q22: -¥5 million, 3Q22: -¥820 million (includes approx. ¥0.6 bn of foreign exchange loss), 4Q22: -¥73 million
- Share of loss of investments accounted for using equity method: ¥204 million (FY21: ¥2,335 million)

DeCurret-related loss (IIJ ownership:38.2%):

1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22
296	256	780	1,456	78	102	94	109
FY21: 2,788				FY22: 382			

- DeCurret divested its crypto asset business on Feb. 1, 2022 to dedicate its business resources to digital currency business for full-scale service launch (planned in 4Q23). 3Q21 loss increased as it included temporary loss of ¥0.48 bn due to the divestiture in addition to ordinal loss. 4Q21 loss includes ¥1.18 bn of loss as impairment on corresponding amount of goodwill (No more loss related to the divestiture). Tax effects were not recognized to these

◆ FY22 Net profit: ¥18.84 bn, +20.2% YoY

- Tax deduction effect from tax incentives to promote wage increase: +406 million (none in FY21, scheduled to be applied throughout FY23)

1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	
1,208	292	855	595	1,611	152	(1,374)	(97)	Finance income (expense), net
(217)	(155)	(684)	(1,278)	(14)	(64)	(83)	(43)	Share of profit (loss) of investments accounted for using equity method
(1,807)	(1,667)	(2,500)	(2,388)	(2,136)	(1,982)	(1,931)	(2,281)	Income tax expense
36	30	35	27	96	5	14	26	Profit for the period attributable to non-controlling interests

• Net profit shows "Profit for the period attributable to owners of the parent"

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

# Consolidated Statements of Financial Position (Summary)

Unit: ¥ (JPY) million

**Financials**

	Mar. 31, 2022	Mar. 31, 2023	Changes		Mar. 31, 2022	Mar. 31, 2023	Changes
Cash & cash equivalents	47,391	42,472	(4,919)	Trade & other payables	20,742	22,313	+1,571
Trade receivables	37,649	41,340	+3,691	Borrowings (current & non-current)	21,870	20,430	(1,440)
Inventories	2,608	3,188	+580	Contract liabilities & Deferred income (current & non-current)	17,405	17,978	+573
Prepaid expenses (current & non-current)	24,005	27,920	+3,915	Income taxes payable	5,795	4,034	(1,761)
Tangible assets	17,846	23,321	+5,475	Retirement benefit liabilities	4,395	4,513	+118
Right-of-use assets	44,874	46,675	+1,801	Other financial liabilities (current & non-current)	47,181	48,800	+1,619
Of which, operating leases (rent of office, data center etc.)	27,859	31,233	+3,374	Of which, operating leases (rent of office, data center etc.)	28,157	31,610	+3,453
Of which, finance leases (network equipment etc.)	17,015	15,442	(1,573)	Of which, finance leases (network equipment etc.)	18,069	16,447	(1,622)
Goodwill & intangible assets	25,903	26,475	+572	Others	9,796	8,823	(973)
Investments accounted for using the equity method	5,830	5,785	(45)	<b>Total liabilities:</b>	<b>127,184</b>	<b>126,891</b>	<b>(293)</b>
Other investments	17,410	19,150	+1,740	Share capital	25,562	25,562	-
Others	8,289	9,867	+1,578	Share premium	36,518	36,738	+220
				Retained earnings	37,024	51,077	+14,053
				Other components of equity	6,275	6,571	+296
				Treasury shares	(1,851)	(1,831)	+20
				<b>Total equity attributable to owners of the parent:</b>	<b>103,528</b>	<b>118,117</b>	<b>+14,589</b>
				Non-controlling interests	1,093	1,185	+92
<b>Total assets:</b>	<b>231,805</b>	<b>246,193</b>	<b>+14,388</b>	<b>Total liabilities and equity:</b>	<b>231,805</b>	<b>246,193</b>	<b>+14,388</b>

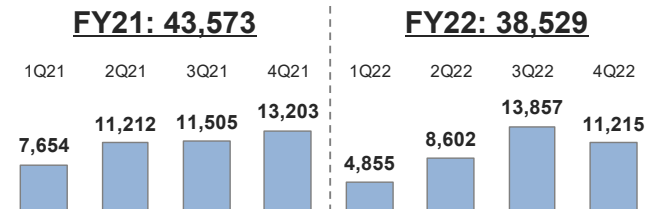
- Cash & cash equivalents as of Mar. 31, 2023 decreased mainly due to Shiroy DC construction-related, increase in inventories and prepaid expenses along with business expansion, increase in tangible assets, and repayment of borrowings
- Ratio of total equity attributable to owners of the parent: 44.7% as of Mar. 31, 2022, 48.0% as of Mar. 31, 2023

# Consolidated Cash Flows

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

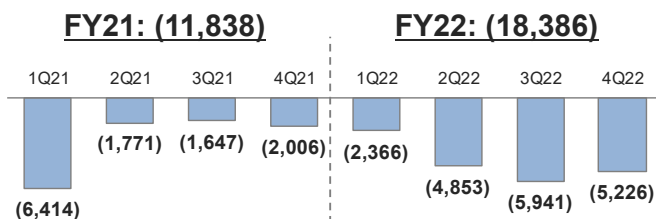
Financials

## Operating Activities



	FY22 Major Breakdown	YoY Change
Profit before tax	27,309	+3,147
Depreciation and amortization	28,801	+357
Changes in operating assets & liabilities	(7,712)	(4,820)
Income taxes paid	(9,958)	(4,258)

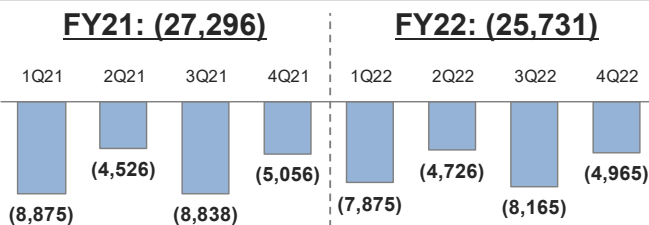
## Investing Activities



	FY22 Major Breakdown	YoY Change
Purchase of tangible assets	(11,787)	(5,004)
Purchase of intangible assets such as software	(5,471)	(737)
Purchase of other investment (bonds of DeCurret DCP Inc.* etc.)	(2,511)	(1,794)
Proceeds from sales of tangible assets (leaseback)	1,546	(604)

\*Unsecured straight bonds of ¥2.0 bn with maturity of 10 years

## Financing Activities



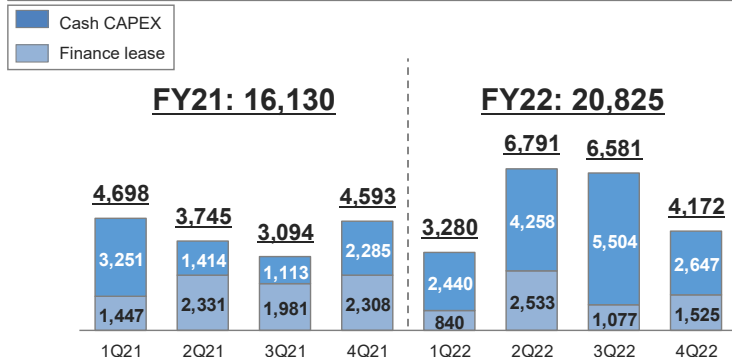
	FY22 Major Breakdown	YoY Change
Payment of operating/finance leases and other financial liabilities	(19,344)	+639
Dividends paid	(4,901)	(1,065)
Repayment of long-term borrowings	(1,515)	+3,655

# Other Financial Data

Unit: ¥ (JPY) million

Financials

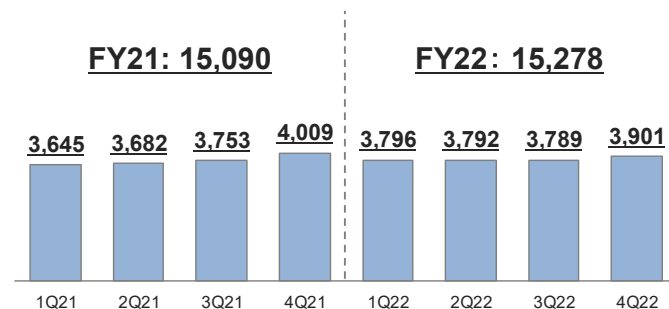
## CAPEX



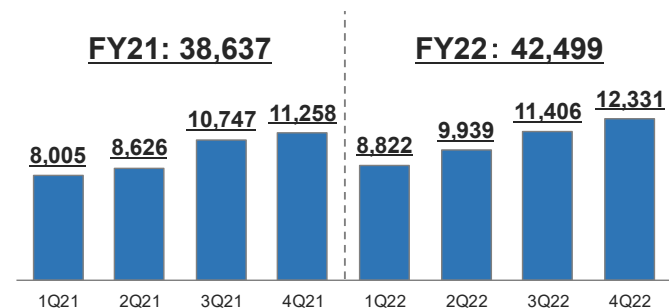
➤ Breakdown of CAPEX (Unit: ¥ bn)

	FY21	FY22
NW usual Capex	9.1	10.0
Cloud-related	2.3	2.0
Shiroi DC-related	1.5	5.4
Customer-related	2.6	2.9
ATM-related	0.6	0.5

## CAPEX-related depreciation and amortization



## Adjusted EBITDA



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

# FY23 Financial Targets (1)

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

	<small>% of Revenues</small> FY23 Targets <small>(Apr. 2023 - Mar. 2024)</small>	<small>% of Revenues</small> FY22 Results <small>(Apr. 2022 - Mar. 2023)</small>	YoY	
Revenues	286.0	252.7	+13.2%	+33.29
Cost of Sales	<small>77.1%</small> 220.5	<small>77.1%</small> 194.8	+13.2%	+25.70
Gross Profit	<small>22.9%</small> 65.5	<small>22.9%</small> 57.9	+13.1%	+7.59
SG&A etc.	<small>11.9%</small> 34.0	<small>12.1%</small> 30.7	+10.8%	+3.31
Operating Profit	<small>11.0%</small> 31.5	<small>10.8%</small> 27.2	+15.7%	+4.28
<i>Shares of profit (loss) of investments accounted for using equity method investees</i>	(0.6)	(0.2)	-	(0.4)
Profit before tax	<small>10.6%</small> 30.4	<small>10.8%</small> 27.3	+11.1%	+3.04
Net Profit	<small>7.2%</small> 20.7	<small>7.5%</small> 18.8	+10.0%	+1.88

<small>% of Revenues</small> FY23 1H Target <small>(Apr. 2023 - Sep. 2023)</small>	YoY	
138.0	+13.1%	+16.04
<small>78.2%</small> 107.9	+13.0%	+12.38
<small>21.8%</small> 30.2	+13.8%	+3.66
<small>12.1%</small> 16.8	+9.3%	+1.43
<small>9.7%</small> 13.4	+19.9%	+2.23
(0.2)	-	(0.1)
<small>9.4%</small> 13.0	+1.1%	+0.14
<small>6.4%</small> 8.9	+2.5%	+0.21

	Assumptions for Revenue Targets	Assumptions for Gross Profit Targets	Other Assumptions
<b>NW service</b> <small>(excluding Mobile)</small>	<ul style="list-style-type: none"> <li>Each service to grow along with continuous IT advancement</li> <li>Stronger growth than FY22 as the revenue contribution of the large complex projects starts</li> </ul>	<ul style="list-style-type: none"> <li>Structural profit increase along with revenue growth</li> <li>Gross margin to slightly improve</li> </ul>	<ul style="list-style-type: none"> <li>SG&amp;A etc. to increase due to business expansion, including personnel expenses</li> <li>Shares of profit (loss) of investments accounted for using equity method investees: Expect DeCurret's related loss to be around ¥0.8 bn</li> <li>No consideration on any valuation gain (loss) on funds &amp; foreign exchange gain (loss)</li> <li>Number of employees (consolidated base) to increase by approx. 400 personnel (of which 246 new graduates)</li> <li>CAPEX: ¥22.5 bn (including ¥7.0 bn for Shiroi DC 2<sup>nd</sup> site)</li> </ul>
<b>Mobile</b>	<ul style="list-style-type: none"> <li>Return to high revenue growth in enterprise mobile (IoT usages) as better semiconductor procurement situation and the post-Pandemic</li> <li>Consumer revenue to be flat growth due to a decrease in mobile devices sales, MVNE revenue to decrease mainly due to reflecting a decrease in procurement cost at the beginning of FY23</li> </ul>	<ul style="list-style-type: none"> <li>Increase as a rebound from FY22 (decrease in device procurement cost &amp; smaller YoY negative profit impact than FY22 due to the migration to the new plan whose voice service margin is lower than the old plan. No gain from the unit charge revision)</li> </ul>	
<b>SI</b>	<ul style="list-style-type: none"> <li>Strong demands as favorable business environment continues</li> <li>Largely increase backed by trend and outlook for large projects</li> <li>Expect to recognize approx. ¥3.0 bn of overseas DC construction in 1H23</li> </ul>	<ul style="list-style-type: none"> <li>Increase as the revenue volume to expand</li> <li>Gross margin to be almost the same level as FY22</li> </ul>	

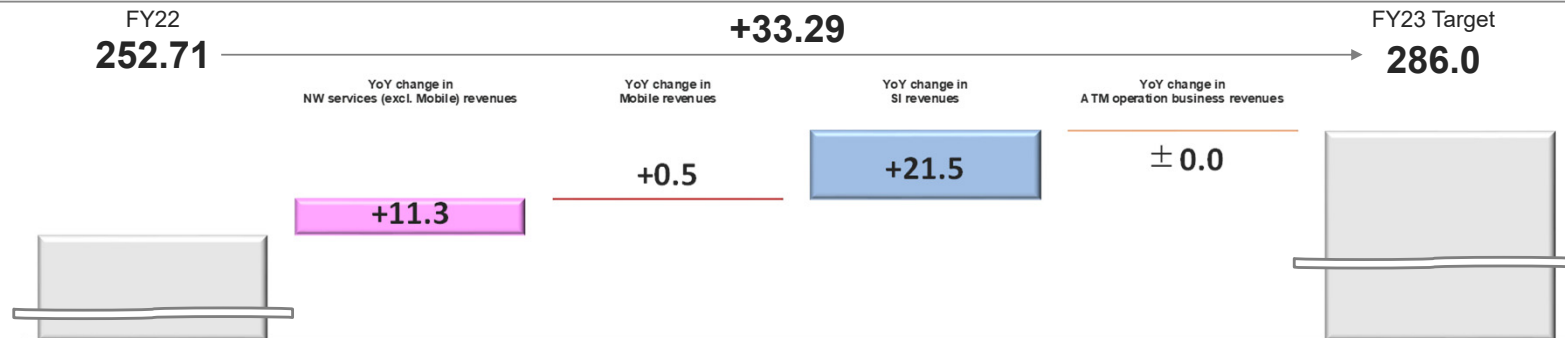
# FY23 Financial Targets (2)

Unit: ¥ (JPY) billion (bn)

GP = Gross Profit

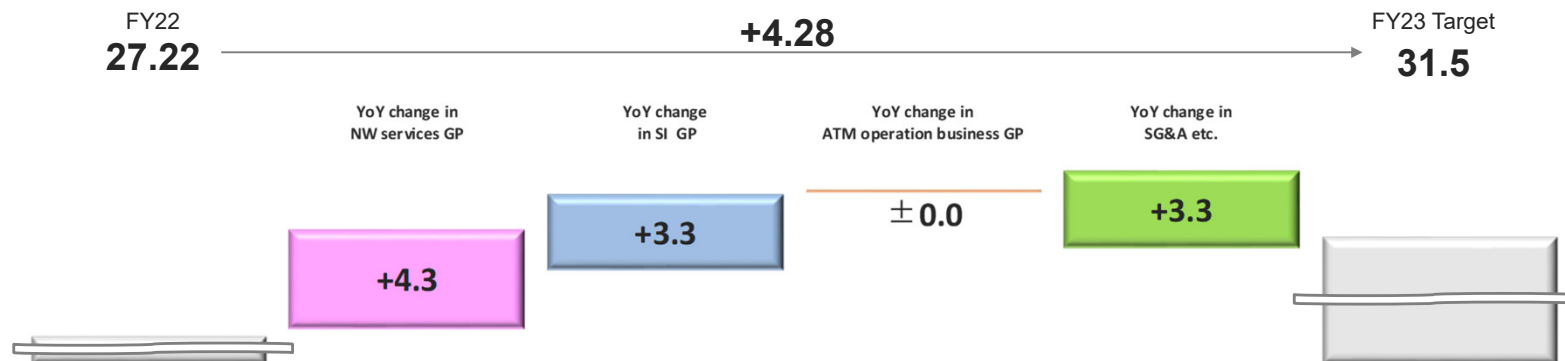
YoY = Year over year comparison

## Revenues



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

## Operating Profit



- NW services gross profit consists of gross profit related to NW revenues (excl. Mobile) and Mobile revenues (These two are not decomposable because some costs are common among them)
- SG&A etc. in this slide represents the sum of SG&A, which includes R&D expenses, and other income/expenses

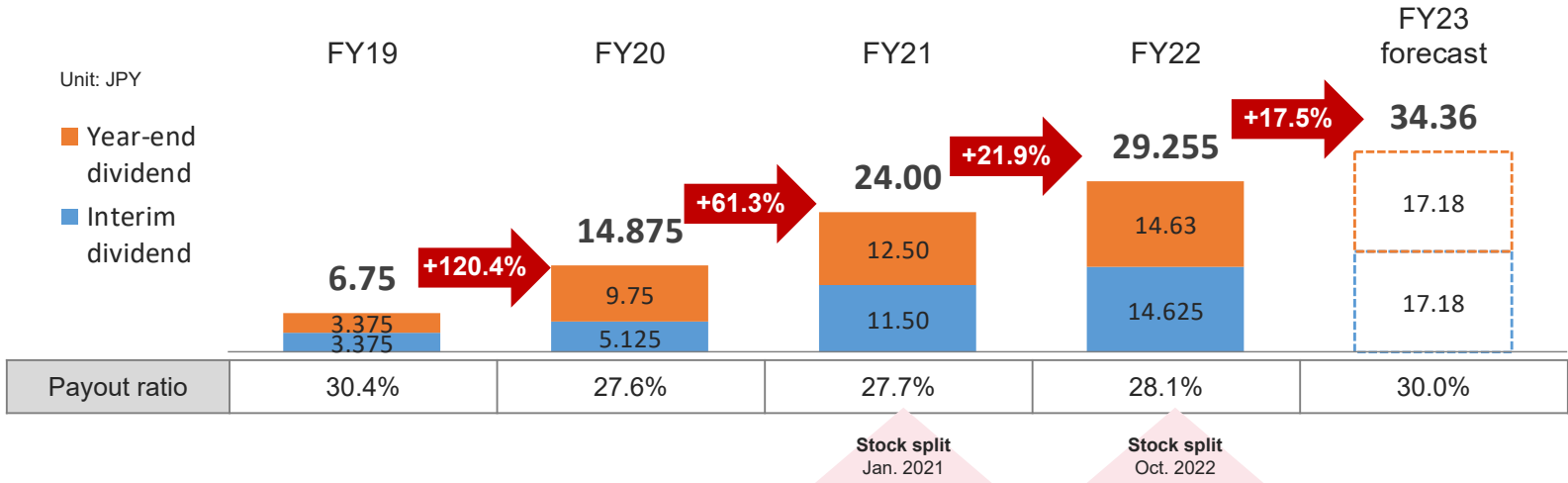


# Appendix

Shareholders' Return	P. 57
Market Growth Forecast	P. 58
Large-scale Complex Flagship projects incorporating NW services	P. 59
Sales activity for Public Sector	P. 60
Docomo's Mobile data interconnectivity charge	P. 61
Consumer Mobile Price list	P. 62
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ATM Operation Business	P. 64
Fintech Business: DeCurret (1) - (3)	P. 65 – 67
CDN Business: JOCDN	P. 68

# 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, 5 times in 4 years

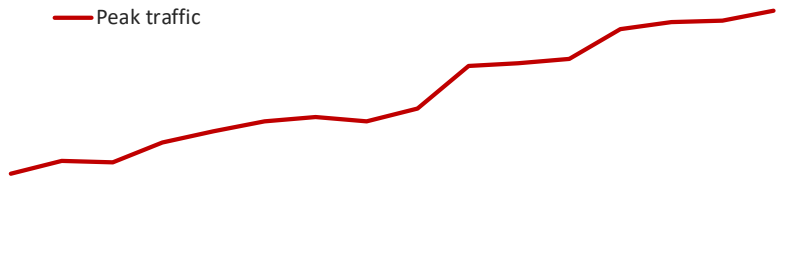


- ◆ **Share buyback:**  
IIJ implemented share buyback on May 18, 2023 within the scheme of changing large shareholders.  
FY23 total payout ratio is expected to be 84.3%

- 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
- Dividend per share is written on the post-stock-split basis

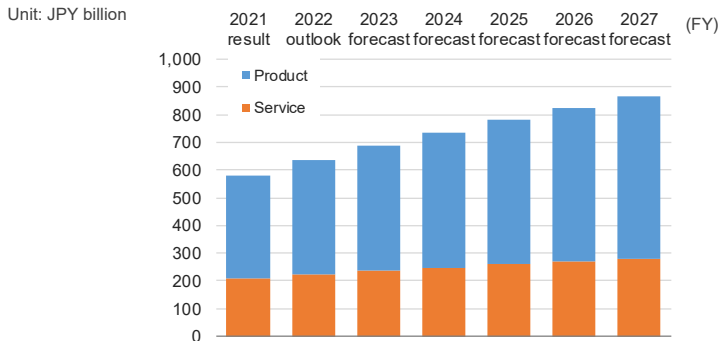
# Market Growth Forecast etc.

## Historical traffic data of major domestic IX



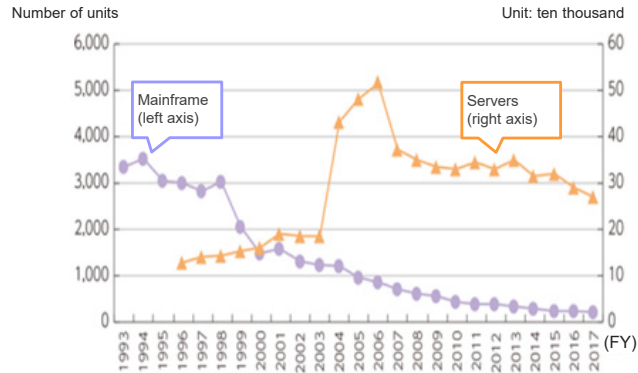
Jun. 2019 Sep. 2019 Dec. 2019 Mar. 2020 Jun. 2020 Sep. 2020 Dec. 2020 Mar. 2021 Jun. 2021 Sep. 2021 Dec. 2021 Mar. 2022 Jun. 2022 Sep. 2022 Dec. 2022 Mar. 2023  
 Source: INTERNET MULTIFEED CO.

## Network security business market forecast



Source: Fuji Chimera Research Institute "2022 Network Security Business Survey" <https://www.fcr.co.jp/pr/21117.htm>

## Domestic shipments of mainframe and servers



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

## Digital competitiveness ranking (2022)

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

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

# Large-scale Complex Flagship projects incorporating NW services

Acquired	About the project	Project size (approx. )	Main revenue recognition
4Q20	Nationwide NW replacement for a prominent financial institution	¥5 bn, 5 years	NW service・SI operation
1H22	Nationwide WAN connection for all tax offices in Japan	¥2 bn, 4 years	NW service
	Internet connection environment for all Tokyo metropolitan public high schools	¥2 bn, 3 years	NW service
	Core information system for governmental-administrative operation	¥5 bn, 4 years	NW service・SI
	NW infrastructure construction for a central government agency	¥0.8 bn, 4 years	NW service
	Mobile connection environment for a central government agency	¥0.7 bn, 4 years	NW service
	Core IT system construction for a central government agency	¥0.5 bn, 3 years	NW service
	NW infrastructure construction for a prominent financial institution	¥0.5 bn, 5 years	NW service
	★NW system upgrade for a central government agency	¥2.6 bn, 4 years	NW service・SI
	Large scale SASE for enterprises (6 projects)	¥0.2 - 0.8 bn, 3 - 5 years	NW service
2H22	Core NW system upgrade for a prominent enterprise	¥0.4 bn, 4 years	NW service
	★NW infrastructure construction for a prominent financial institution	¥1 bn, 4 years	SI
	★Main DC migration for a prominent mail-order company	¥0.6 bn, 2 years	SI
	★NW integration for a prominent real estate group	¥0.9 bn, 2 years	NW service・SI
	Large scale NW upgrade for a prominent manufacturing company	¥5 bn, 5 years	NW service
	Foreign exchange trading platform for a prominent financial group	¥3 bn, 5 years	SI operation
	Core information NW infrastructure for a broadcaster	¥6 bn, from FY24	NW service・SI
	Overseas DC construction	¥3 bn, to be launched in FY23	SI construction

• Newly disclosed projects are highlighted with ★mark

# Sales Activity for Public Sector

## ◆ Long and enduring relationship

- We have been providing reliable Internet connectivity services to central government agencies and local governments from the early 1990s
- They are also using our security services such as firewall services, DDoS Protection services and other network services such as WAN. We also receive network related integration projects from them as well.

## ◆ Not only private sector, but also public sector is changing their attitude toward IT and network

## ◆ Growing demands for network related projects

- Enhance remote access for central government agencies
- Promote telework environment for local governments
- Support educational institution to become online-capable
  - Hybrid of face-to-face & online classes, remote access, environment for faculty and staff etc.
- Projects to replace “Security Cloud” for local governments

## ◆ Social Security and Tax Number System which is often called “my number” was first introduced in October 2015. As of February 12, 2023, 68.8% to the total Japanese population has received their ID according to the Ministry of Internal affairs and Communications

[https://www.soumu.go.jp/kojinbango\\_card/](https://www.soumu.go.jp/kojinbango_card/)

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

Fiscal Year	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Method	Actual cost method		Future cost method MNOs are to disclose the charges for next three years based on their prediction about cost etc.				
New				Fixed at the end of Dec. 2022 <b>¥27,024</b> -27.5% YoY -4.8% compared to the previously announced charge	Announced in Mar. 2022 ¥20,327 -24.8% YoY -8.4% compared to the previously announced charge	¥15,697 -22.8% YoY -12.9% compared to the previously announced charge	¥13,207 -15.9% YoY
Current	<u>¥49,311</u> -6.0% YoY	<u>¥42,702</u> -13.4% YoY	<u>¥37,280</u> -12.7% YoY	Announced in Apr. 2021 ¥28,385 -23.9% YoY -14.5% compared to the previously announced charge	¥22,190 -21.8% YoY -20.5% compared to the previously announced charge	¥18,014 -18.8% YoY	
Old	<u>¥49,311</u> -6.0% YoY	<u>¥42,702</u> -13.4% YoY	Announced in Mar. 2020 ¥41,436 -3.0% YoY	¥33,211 -19.8% YoY	¥27,924 -15.9% YoY		

- The same calculation method is applied to both the actual cost method and the future cost method: (Data communication cost + profit) /demand
- As for our FY20 usage charge, from 1Q20, we applied ¥41,436 per Mbps as a unit charge which was disclosed by NTT Docomo based on the future cost method. This unit charge was revised and fixed at the end of Dec. 2021 as ¥37,280 which is a decrease of 12.7% from the previous year's charge. We recorded all impact generated from this revision in our 3Q21 financial results.
- The charge disclosed based on the future cost method is to be finalized based on MNOs actual cost results etc. FY21 charge of ¥28,385 was fixed at the end of Dec. 2022. MNO is an abbreviation for Mobile Network Operator such as NTT Docomo.
- Mobile interconnectivity charges, which are underlined above, had been fixed based on the results
- The YoY (Year over Year) decrease percentage written under each charge is compared with the previous year charge
- The charge is public information disclosed in NTT Docomo's service terms and conditions document uploaded on NTT Docomo's website (only available in Japanese)  
<https://www.docomo.ne.jp/binary/pdf/corporate/disclosure/mvno/business/oroshi.pdf>

# Comparison between the old & new plans of consumer mobile

## Old

## New: GigaPlans (Apr. 2021~)

New Price  
from April 1, 2022

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

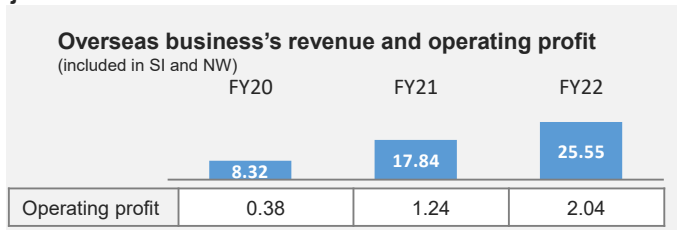
2Giga Plan (2GB)	With voice	¥858	¥850
	Data-only	¥748	¥740
4Giga Plan (4GB)	With voice	¥1,078	¥990
	Data-only	¥968	¥900
8Giga Plan (8GB)	With voice	¥1,518	¥1,500
	Data-only	¥1,408	¥1,400
15Giga Plan (15 B)	With voice	¥1,848	¥1,800
	Data-only	¥1,738	¥1,730
20Giga Plan (20GB)	With voice	¥2,068	¥2,000
	Data-only	¥1,958	¥1,950
Voice call charge as you go	¥11 per 30 second (from Sep. 2021)		

- The above table briefly indicates service prices for major functions to show the differences between the old and new plans
- Voice call charge is only for domestic calls. New voice call charge as you go was revised on September 11, 2021 and is applied to old plan's users
- eSIM service for consumers: "IJmio eSIM Service Data Plan Zero" launched in Mar. 2020, Data communication service using NTT Docomo's LTE and 3G network  
Pricing: monthly charge (bundled data volume ; 0 GB), ¥165 per month. Additional data volume; First 1GB ¥330 per GB, 2GB to 10GB: ¥495 per GB

## Revenue and Operating Profit

- ◆ FY22: Stronger than expected revenue growth
- ◆ FY23 outlook: Revenue and profit to continue to increase due to an overseas DC project, global SASE projects etc.

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

## Overseas offices



## 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
- **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)



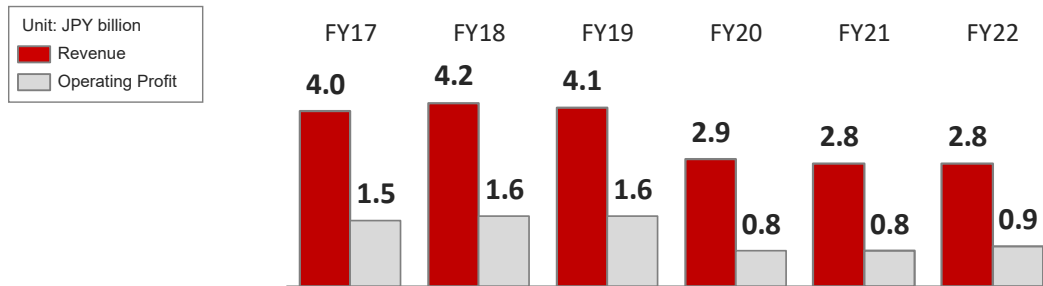
## Business Model

- 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
  - 8,458 pachinko parlors in Japan as of December 31, 2021 (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

## About DeCurret Holdings (IIJ's equity method investee)

### ◆ Management (from Apr. 2022)

- DeCurret Holdings (Shareholders: 35 companies including IIJ)
  - Representative Director and President: Murabayashi (Mr.) (IIJ Vice President, former CIO at MUFG Financial Group, Inc.)
  - Part-time directors: IIJ, MUFG bank, KDDI, NTT, JAPAN POST bank

### ◆ 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 Raptor which is a 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

## Digital Currency Settlement Platform Business (mainly BtoB)

### ◆ Plan to launch digital currency platform services in 4Q23

### ◆ Executing PoCs with various companies

- Apply Smart Contract to calculate fees & execute payment for trade transaction (Mitsubishi Corporation, NTT),
- Test electricity trading through virtualized data (ENERES)
- Execute store settlement at LAWSON, convenience store chain (Kansai Electric Power)
- Issue digital coupon in anticipation of temporary special benefit for child-rearing households (Kesenuma & Aizuwakamatsu cities) etc.

### ◆ DeCurret-related income (loss)

unit: JPY million										
1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22
(306)	(273)	(207)	156	(296)	(256)	(780)	(1,456)	(78)	(102)	(94)

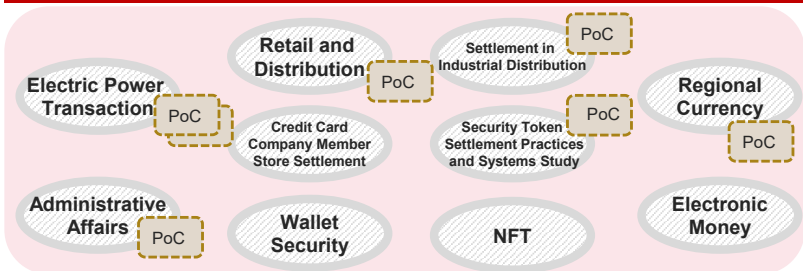
- IIJ ownership: 4Q19 30.0%, from 1Q20 41.6%, from 1Q21 38.2% are used to recognize gain and loss
- 3Q21 loss increased as it included temporary loss of ¥484 million due to the divestiture in addition to ordinal loss. 4Q21 loss includes ¥1.18 billion of loss as impairment on corresponding amount of goodwill (No more loss related to the divestiture)
- 4Q20 income includes a gain on changes in equity of ¥349 million arisen from the issuance of common stock
- FY22 DeCurret related loss is to be around ¥0.7 billion

### ◆ About Digital Currency Forum (DeCurret as a facilitator)

- Number of members: 83 as of Apr. 2022
  - Not only companies but also local government such as Tokyo is a member
- Observers: FSA, METI, BOJ and other regulators
- Several working groups:
  - Electricity trading
  - Digital coupons and others for local government services
  - Logistics

# FinTech Business through DeCurret (2)

## Digital Currency Forum Subcommittees (83 participants: companies, local governments, etc.)

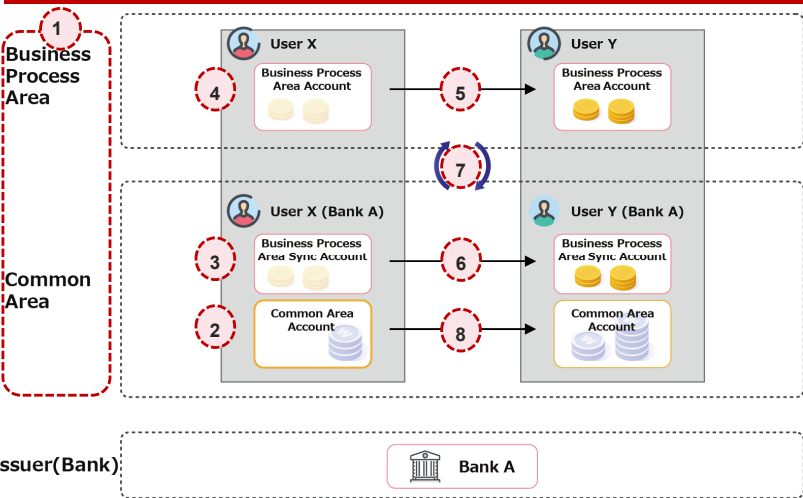


## Promoting Proof of Concept (PoC) for DCJPY\* (approx. 40 companies participating)

\*DCJPY: tentative name of digital currency issued by banks that is able to be issued, transfer, and repay through the Two-tiered Digital Currency Platform

Subcommittees	Participators	Outline
Industrial distribution	Mitsubishi Corporation, NTT etc.	Feasibility studies to use DCJPY for Mitsubishi's trading transaction settlement with smart contracts
Electricity power transaction A	Kansai Electric Power Company etc.	Purchase of goods at convenience stores by using DCJPY which is obtained through electricity Peer to Peer (P2P) transactions
	ENERES etc.	Feasibility studies to launch new services by utilizing DCJPY and electric power transaction data
Regional currency	Mitsubishi UFJ Research & Consulting, TIS etc.	Digitalization of local governments' benefits for selective usages through DCJPY so that local governments' administrative process such as printing, mailing and others are improved
Administrative process		
Retail and Distribution	Seven Bank etc.	Feasibility studies to apply DCJPY transaction among retail, wholesale and banking through EDI (Electronic Data Interchange)
Security token	Nomura HD, Future Architect etc.	Feasibility studies to use security token and DCJPY for DVP (Delivery Versus Payment) settlement to learn about potential issues etc.

## Two-tiered Digital Currency Platform



## Patented "Two-tiered Digital Currency Platform"

Outline of the patent (Electronic Currency Management System)	
①	Two-tiered system consisting of Common Area and Business Process Area
②	Issuance of digital currency within Common Area
③④	Issuance of Business Process Area's token tied to Common Area's digital currency
⑤⑥	Transfer of token within Business Process Area, and transfer of digital currency, being tied to those transfer of token, within Common Area
⑦	Synchronous processing of Common Area and Business Process Area
⑧	Transfer of digital currency, not being tied to Business Process Area, within Common Area

## Shareholders of DeCurret (35 companies)

Source: DeCurret Web Page

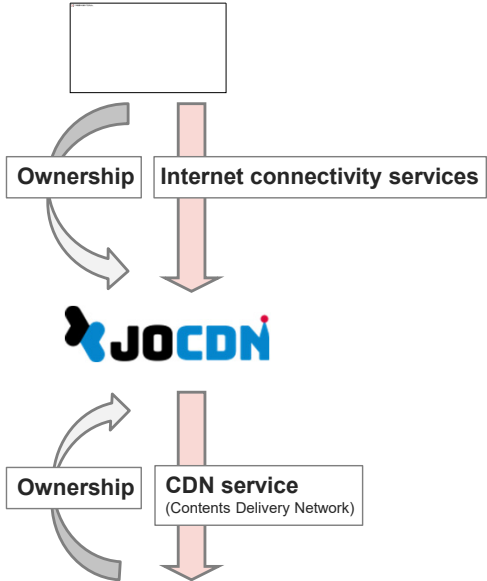
- Internet Initiative Japan Inc. (Ownership: 38.2% as of Mar. 31, 2022)
- KDDI CORPORATION
- NTT Corporation
- Sumitomo Mitsui Banking Corporation
- MUFG Bank, Ltd.
- JAPAN POST BANK Co., Ltd.
- ITOCHU Corporation
- OPTAGE Inc.
- QTnet, Inc.
- Sumitomo Life Insurance Company
- SOHGO SECURITY SERVICES CO., LTD.
- SOMPO Light Vortex Inc.
- The Dai-ichi Life Insurance Co., Limited
- Daido Life Insurance Company
- Daiwa Securities Group Inc.
- TIS 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.
- ITOCHU Techno-Solutions Corporation
- Chubu Electric Power Co. Inc.

# CDN Business through JOCDN

## Company Profile

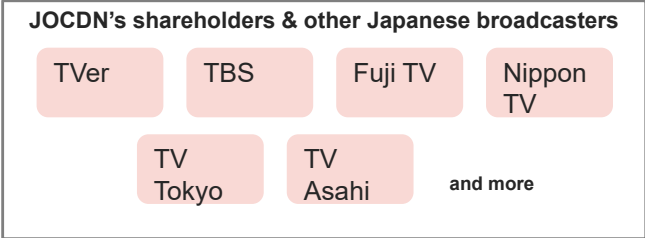
Name	JOCDN Inc. (IIJ's equity method investee)
IIJ Ownership	16.8%
Capital	JPY845 million (including capital reserve)
Established	December 1, 2016
Shareholders	IIJ, Nippon TV, TV Asahi, TBS, TV Tokyo, Fuji TV, WOWOW (Prominent satellite broadcaster in Japan), NHK (Japan's only public broadcaster) and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

## Business Model



### ◆ Conditions led to create 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.