

Consolidated Financial Results for FY2019 (April 1, 2019 to March 31, 2020)



Internet Initiative Japan Inc.
TSE1 (3774)
May 14, 2020

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.

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I . Summary of FY2019 Results & FY2020 Outlook

Unit: JPY billion (bn)
 %= Year over year
 Sub. = Subscription, Rev = Revenue
 GP = Gross Profit

FY2019 Results

Strong Enterprise Recurring Revenue^(*) Accumulation & SI demands

Recorded highest OP with each gross profit expansion

Revenue	JPY204.5 bn	+6.3%
Operating Profit (OP)	JPY8.2 bn	+36.6%
Net Profit ^(*)	JPY4.0 bn	+13.8%
ROE	5.2%	
Dividend Payout ratio	JPY27.00	30.4%

NW service Rev. JPY122 bn +2.8% GP JPY19.9 bn +14.6%

Enterprise NW services^(*)

- ◆ **Cross-selling various NW services**
 - Enterprise NW services Rev. JPY52.4 bn (+9.5%)
 - Of which, security JPY16.4 bn (+15.9%)

Mobile-IoT

- ◆ **Differentiated with full-MVNO functions & Accumulated IoT demands**
 - Total mobile subs. 3.029 million (+10.4%)
 - Total mobile rev. JPY46.1 billion (+9.8%)
 - Of which, full-MVNO JPY1.4 bn (+113.6%)
 - Of which, enterprise mobile^(*) JPY6.0 bn (+23.8%)

SI Rev. JPY78.4 bn +12.5% GP 10.8 bn +10.5%

SI

- ◆ **Strong demands for network integration, remote access, security-related SI from all industries**
 - Order-received JPY83.1 billion (+11.9%)

Cloud

- ◆ **Differentiated with value-added cloud solution & multi-cloud strategy**
 - Cloud revenue JPY23.6 billion (+17.1%)

(*) Enterprise Recurring Revenue: sum of Internet connectivity services for enterprise (excluding MVNE), Outsourcing, and Systems operation and maintenance. It doesn't include WAN revenue (**) Profit for the year attributable to owners of the parent (***) Enterprise NW services: sum of Internet connectivity services for enterprise (excluding MVNE), and outsourcing. It doesn't include WAN revenue. (**) Enterprise mobile is calculated by deducing MVNE from IIJ Mobile.

FY2020 Outlook

Plan for revenue & profit increase with enterprise recurring revenue^(*) continuous expansion
 In uncertain times, expect COVID-19 impact on ATM business, SI (one-time) etc.

Revenue	JPY210.0 bn	+2.7%
Operating Profit (OP)	JPY8.7 bn	+5.8%
Net Profit ^(*)	JPY5.0bn	+24.8%
ROE	6.2%	
Dividend Payout ratio	JPY34.00 (+JPY7.0)	30.7%

Enterprise NW services^(*)

- ◆ **Continuously provide reliable value-added one-stop services**
 - Continuous demands for Internet-related services such as broader Internet bandwidth, reliable VPN connectivity, etc.
- ◆ **Expand service lineups and sales of security solution**
- ◆ **Meeting growing demands for remote access & Internet traffic**

Mobile-IoT

- ◆ **Accelerate enterprise mobile by executing remote & IoT projects**
 - Full-MVNO revenue target: JPY2.3 billion
 - Mobile solution for remote access projects
 - Penetrate further on industry IoT etc.

SI-Cloud

- ◆ **Revenue & GP to slightly grow mainly by controlling outsourcing resources in uncertain times**
- ◆ **Continuously execute multi-cloud strategy**

Potential COVID-19 impact on our business

- ATM operation business revenue decrease: stores closure
- SI construction (one-time rev.): decrease in enterprises investment appetite
- Acquisition of consumer mobile subscribers: largest shopping malls closure etc.

1H20 OP to decrease YoY mainly due to ATM business

II . Message to our Stakeholders

I offer you my deepest and most heartfelt condolences to those who have been affected by COVID-19.

Our community and business have dramatically been impacted by global pandemic of COVID-19. Under such circumstance, together with all of our employees, our largest mission remains to be continuously providing reliable Internet and its related systems, which have become very important infrastructure of our everyday life. We believe that is how we, who have created and developed Japanese Internet, contribute to sustainable society.

During FY2019, we were able to expand our business as both recurring businesses such as mobile/IoT, Cloud, and security, which all leverage Internet, and systems integration grew. Regarding FY2020 outlook, we expect the followings would particularly be impacted by COVID-19: ATM revenue due to stores' temporary closure; systems construction due to decrease in enterprises' investment appetite; and consumer mobile subscriber acquisition due to large shopping malls' temporary closure. On the other hand, we expect our recurring revenue, 82% of FY2019 revenue, could achieve sustainable growth even under economic downturn. For the middle term, we can expect even further expansion of Internet traffic, changes in enterprises' network systems along with further adoption of Cloud and telecommuting, greater demands for network security and more as Japanese enterprises, who are often said to be behind Western countries in adopting IT, become more willing to utilize such technologies.

IIJ Group's business philosophy has been as follows since our inception:

- (1) We commit ourselves to take initiatives continuously in the field of Internet technology to open up network society's unlimited possibilities.
- (2) We contribute to network society by developing and introducing highly reliable and value-added IT services that support social infrastructure.
- (3) We aim to offer a working environment where our staffs aggressively challenge with a self-directed attitude towards technology innovation and social contribution with pride and the feeling of reward.

By co-working with our shareholders, clients, partners, employees and their family, government and economic society, we hope to become even more essential player when the world is drastically changing. We sincerely appreciate your continued support.

Warmest regards,

Eijiro Katsu, COO and President of IIJ

III- 1. Consolidated Financial Results for FY2019 (1)

Unit: JPY billion
YoY = Year over year

	% of revenue		YoY	
	FY2019 Results	FY2018 Results		
	Apr. 2019 - Mar. 2020	Apr. 2018 - Mar. 2019		
Revenue	204.5	192.4	+6.3%	+12.0
Cost of Revenue	84.1% 171.9	84.9% 163.5	+5.2%	+8.4
Gross Profit	15.9% 32.6	15.1% 29.0	+12.5%	+3.6
SG&A etc. ^(*)	11.9% 24.4	11.9% 23.0	+6.2%	+1.4
Operating Profit	4.0% 8.2	3.1% 6.0	+36.6%	+2.2
<i>Shares of profit (loss) of investments accounted for using equity method investees</i>	(0.8)	(0.3)	-	-
Profit before tax	3.5% 7.2	3.0% 5.8	+22.5%	+1.3
Net Profit ^(*)	2.0% 4.0	1.8% 3.5	+13.8%	+0.5

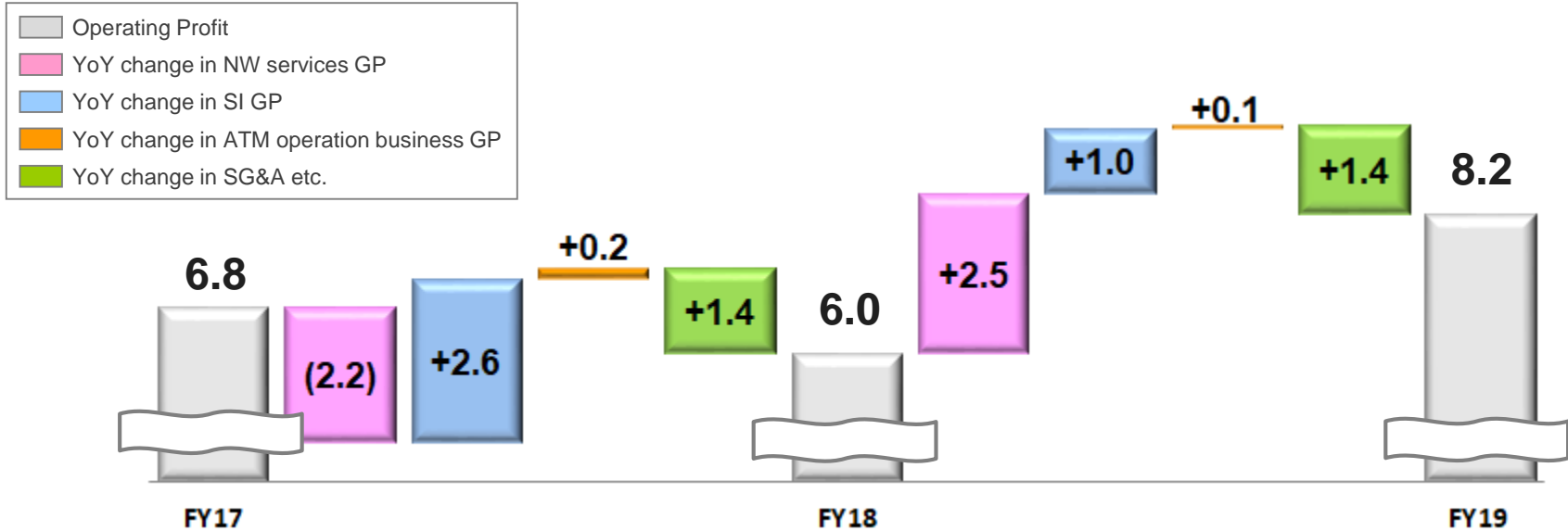
	% of revenue		YoY	
	FY2019 Targets (1H19 Upward revision)			
	Apr. 2019 - Mar. 2020			
	204.0		+6.0%	+11.6
	84.3% 172.0		+5.2%	+8.5
	15.7% 32.0		+10.4%	+3.0
	12.0% 24.4		+6.3%	+1.4
	3.7% 7.6		+26.2%	+1.6
	(0.5)		-	-
	3.3% 6.8		+16.4%	+1.0
	1.9% 3.8		+7.9%	+0.3

(*1) SG&A etc. shows the sum of SG&A, which includes R&D expenses, and other income/expenses.

(*2) Net profit is "Profit for the period/year attributable to owners of the parent."

III- 1. Consolidated Financial Results for FY2019 (2)

Unit: JPY billion (bn)
 YoY = Year over year
 GP = Gross Profit
 rev. = revenue



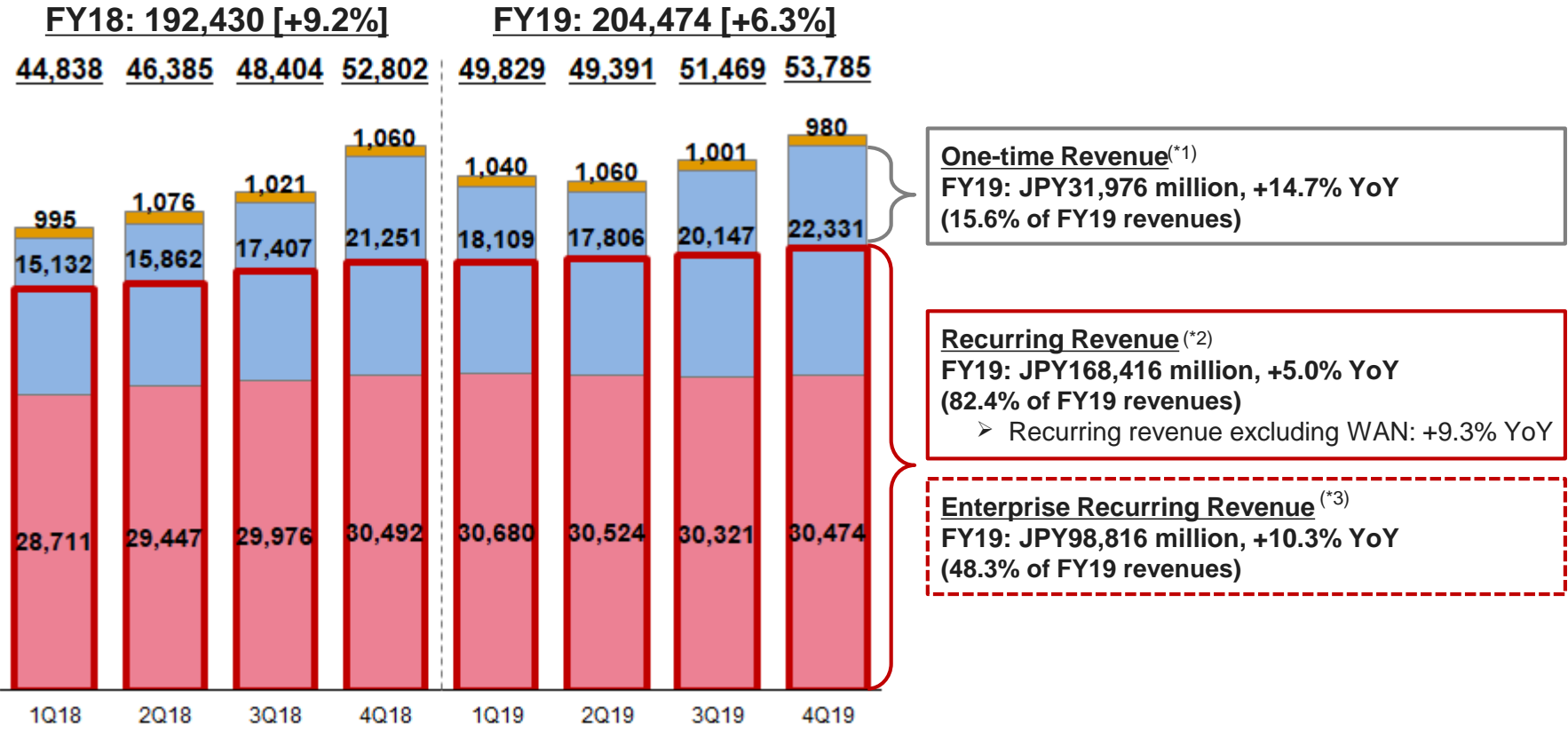
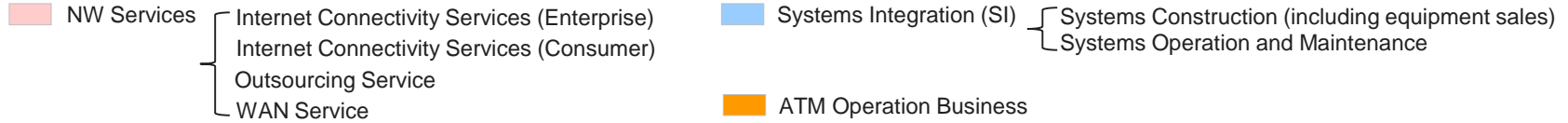
NW	<ul style="list-style-type: none"> ◆ Mobile GP decreased mainly because of additional cost recognition of JPY2.05 bn due to smaller than expected decrease of NTT Docomo's (Docomo) mobile interconnectivity unit charge and increase of full-MVNO related fixed cost of JPY1.3 bn along with the service launch ◆ GP of non-mobile NW services increased 	<ul style="list-style-type: none"> ◆ Mobile GP increased by slightly less than JPY0.9 bn YoY: <ul style="list-style-type: none"> ➢ Full-MVNO rev. growth (FY18 rev.: JPY 0.66 bn, FY19 rev.: JPY 1.41 bn) absorbed its fixed cost ➢ JPY0.35 bn of additional cost recognition in 4Q19 due to mobile interconnectivity annual revision ◆ Non-mobile NW services GP increased by slightly more than JPY1.6 bn YoY: While WAN revenue decreased, other NW services revenue growth contributed to the GP expansion
SI	<ul style="list-style-type: none"> ◆ SI gross profit largely increased due to the revenue growth and gross profit ratio improvement via quality control ◆ Cloud net increase of profit was almost flat due to western Japan service facility was added 	<ul style="list-style-type: none"> ◆ SI GP increased along with SI revenue growth ◆ SI system engineers' utilization rate kept high and no unprofitable projects ◆ Cloud GP barely increased due to its service facility migration from old to new
SG & A	<ul style="list-style-type: none"> ◆ Usual operational expenses such as personnel and sales commission increased along with business expansion 	<ul style="list-style-type: none"> ◆ Disposal loss of JPY0.36 bn in 4Q19 (4Q18: JPY0.19 bn) ◆ Personnel expenses increased largely due to change compensation rule

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

III- 2. Revenues

Unit: JPY million

[], YoY = Year over year comparison



(*1) One-time revenue, systems construction revenues which includes equipment sales, is mainly recognized when systems or equipment are delivered and accepted by customers

(*2) Recurring revenue represent the following monthly recurring revenues: Internet Connectivity Services for Enterprise, Internet Connectivity Services for Consumer, Outsourcing Services, WAN Services, and Systems Operation and Maintenance

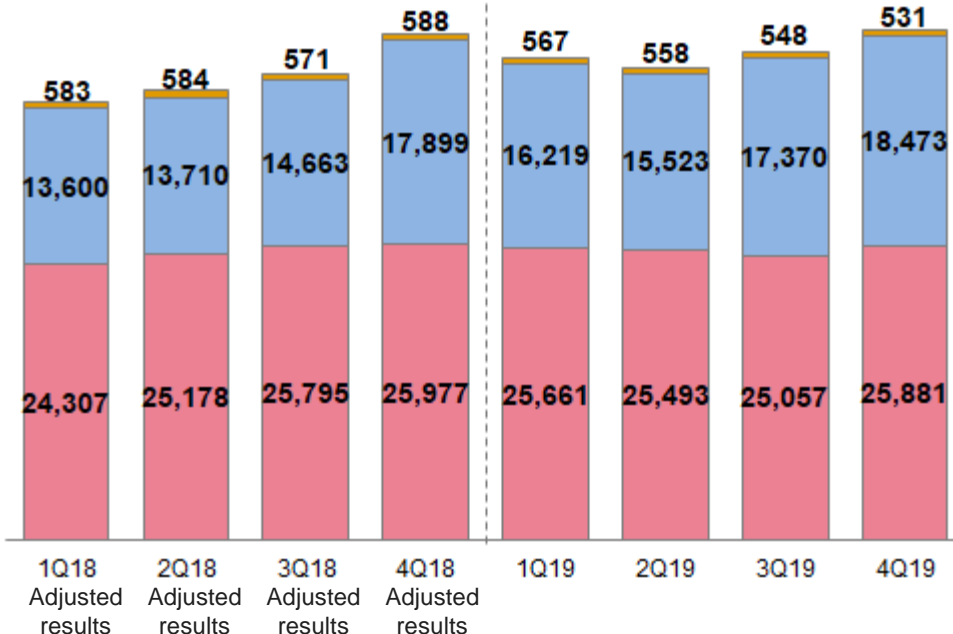
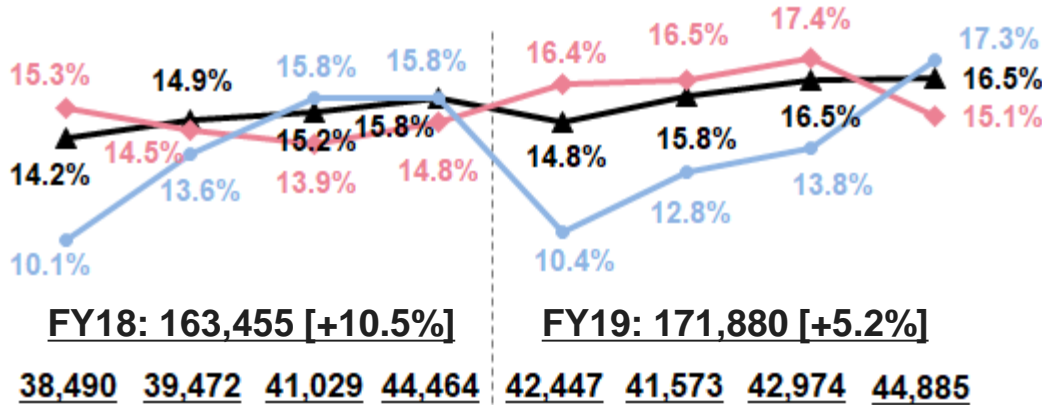
(*3) Enterprise recurring revenue: Internet Connectivity Services (Enterprise) excluding MVNE, Outsourcing Service and Systems Operation and Maintenance, which excludes WAN Services due to the impact of specific factor.

III- 3. Cost of Sales & Gross Profit Ratio

Unit: JPY million

[], YoY = Year over year comparison

Cost of Sales: ■ NW Services ■ SI ■ ATM Operation Business
 Gross profit ratio: ◆ NW Services ● SI ▲ Total

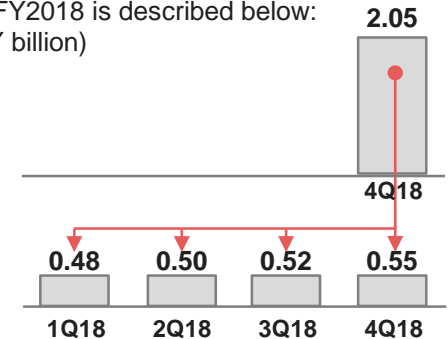


Adjusted results are calculated by allocating JPY2.05 billion of additional NW service cost recorded in 4Q18 as a result of NTT Docomo's mobile interconnectivity unit charge revision to attributable each quarter of FY2018. FY2018 figures disclosed in this presentation material from this page reflect such adjustment

SI includes equipment sales

Gross Profit

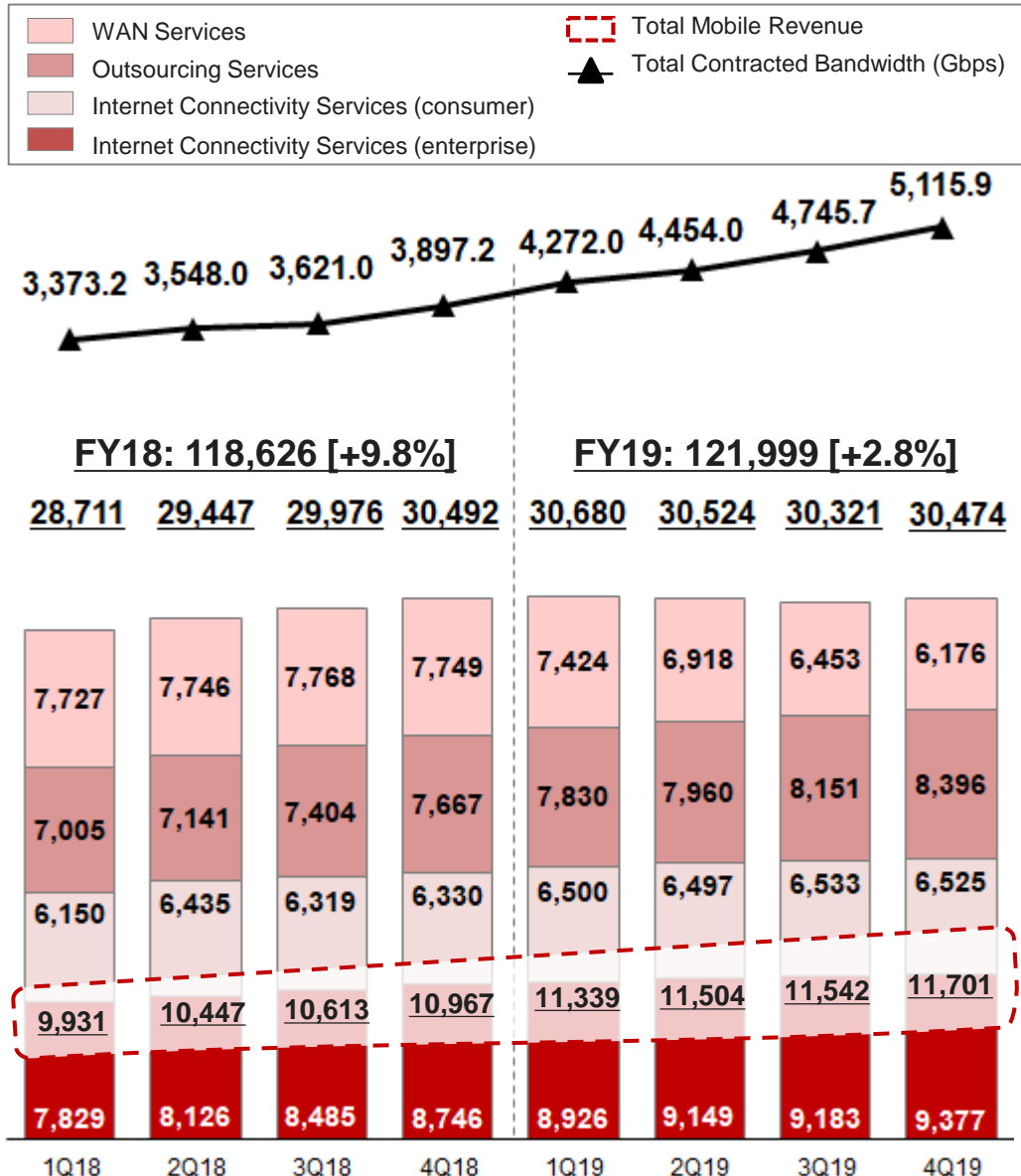
- ◆ **Total**
 - FY19: JPY32,594 million (+12.5% YoY)
Gross profit ratio: 15.9% (+0.8 point YoY)
 - NW & SI gross profit expanded
- ◆ **NW Services**
 - FY19: JPY19,907 million (+14.6% YoY)
Gross profit ratio: 16.3% (+1.7 point YoY)
 - Mobile & other NW services gross profit expanded
 - ✓ Net increase of full-MVNO revenues (FY18:JPY0.66 billion→FY19:JPY1.41 billion) absorbed anticipatory fixed cost (Full-MVNO related fixed cost increased by over JPY0.3 billion per quarter, from Mar. 2018)
 - ✓ Docomo's mobile interconnectivity charge (unit price) was revised and fixed in Mar. 2020 and it decreased by 6.0% YoY. We recorded JPY0.35 billion(*) of additional cost in 4Q19 as a difference between our estimate (8% decrease) and actual (6.0% decrease)
 - (*) Includes difference between our estimate and actual mobile interconnectivity and other charge of Docomo and KDDI
 - ✓ Due to the reason written above, 4Q19 NW services gross profit ratio temporarily decreased
 - Allocation of JPY2.05 billion, additional NW service cost recorded in 4Q18 as a result of Docomo's mobile interconnectivity unit charge revision, to attributable each quarter of FY2018 is described below:
(unit: JPY billion)



- ◆ **SI**
 - FY19: JPY10,810 million (+10.5% YoY)
Gross profit ratio: 13.8% (-0.3 point YoY)
 - Gross profit continued to expand as SE utilization rate kept high and no unprofitable projects due to stricter management

III- 4. Network Services (1) Revenues

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



Internet traffic surged due to the impact of COVID-19 infection

- IX^(*) traffic: Peak traffic in mid-April 2020 was approx. 1.6 times more than usual

(Source: Our affiliated company INTERNET MULTIFEED CO.)

◆ Internet Connectivity (Enterprise)

- FY19: JPY36.63 billion, +10.4% YoY
- Enterprise mobile revenue continued to increase
 - FY19 IJ Mobile revenue: JPY22.60 billion, +16.4% YoY
 - ✓ Of which, IoT-related (non-MVNE) revenue : JPY6.02 billion, +23.8% YoY
 - ✓ Of which, MVNE revenue: JPY16.57 billion, +13.9% YoY

◆ Internet Connectivity (Consumer)

- FY19: JPY26.05 billion, +3.3% YoY

◆ Outsourcing Services

- FY19: JPY32.34 billion, +10.7% YoY
- Strong demands for security
 - FY19 security services revenue: JPY16.35 billion, +15.9% YoY

◆ WAN Services

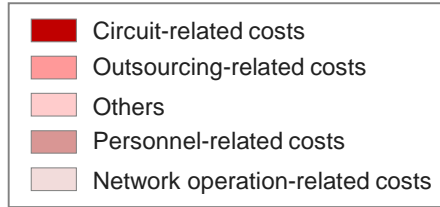
- FY19: JPY26.97 billion, -13.0% YoY
 - Revenue decreased by JPY4.02 billion YoY, due to existing large clients' multiple location WAN migrating to mobile (initial plan: revenue decrease by JPY4.0 billion YoY)
 - ✓ The existing large clients' WAN revenues decreased by JPY4.44 billion YoY. Migration was mostly completed by 3Q19.

*Total contracted bandwidth is calculated by multiplying number of contracts by contracted bandwidths respectively for IP service (including data center connectivity service) and IJ FiberAccess/F and IJ DSL/F of Internet connectivity services (Enterprise).

(*) Internet eXchange (IX) is a point for Internet service providers to exchange each other's Internet traffic.

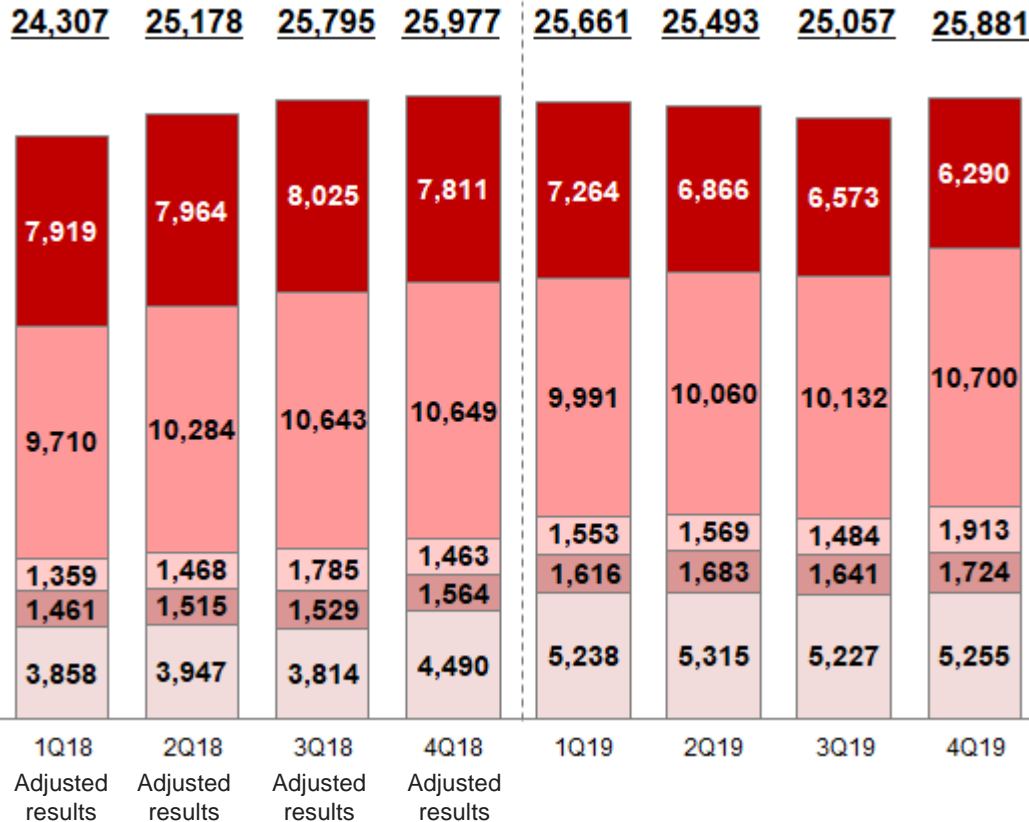
III- 4. Network Services (2) Cost of Sales

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



FY18: 101,257 [+14.3%]

FY19: 102,092 [+0.8%]



- “Circuit-related” costs decreased along with WAN revenue decrease
- In 4Q19, we recognized additional cost of JPY0.35 billion in “Outsourcing-related costs” related to mobile interconnectivity (Details written below)
- 4Q19 “Others” increased due to an increase of supplies expenses such as mobile devices
- Along with changes in accounting for operating lease from 1Q19, data center rent costs were reclassified from outsourcing-related costs to network operation-related costs (depreciation of assets)

◆ **Regarding Docomo mobile interconnectivity cost recognition:**

- Regarding our FY19 & FY18 usage charge, Docomo’s mobile interconnectivity telecommunications charge was fixed in Mar. 2020 and it decreased by 6.0% YoY
As for FY19, we recorded JPY0.35 billion(*) of additional cost in 4Q19 as a difference between our estimate (8% decrease) and actual (6.0% decrease)
- Regarding our FY18 & FY17 usage charge, Docomo’s mobile interconnectivity telecommunications charge was fixed in Mar. 2019 and it decreased by 5.0% YoY
As for FY18, we recorded JPY2.05 billion of additional cost in 4Q18 as a difference between our estimate (14% decrease) and actual (5.0% decrease)
- Regarding our FY17 & FY16 usage charge, Docomo’s mobile interconnectivity telecommunications charge was fixed in Mar. 2018 and it decreased by 18.2% YoY
As for FY17, we recorded JPY0.89 billion of positive cost reduction impact in 4Q17 as a difference between our estimate (14% decrease) and actual (18.2% decrease)
- Future cost method adopted from Apr. 2020. Regarding our FY20 & FY19 usage charge, in Mar. 2020 we received notice that Docomo’s mobile interconnectivity telecommunications charge is 16.0% decrease, which was calculated by dividing FY20 cost by FY18 cost. We use this rate to recognize our costs quarterly from FY20

(*) Includes difference between our estimate and actual mobile interconnectivity and other charge of Docomo and KDDI

• Outsourcing-related costs include interconnectivity charge for mobile infrastructure and customer support center operation costs etc.

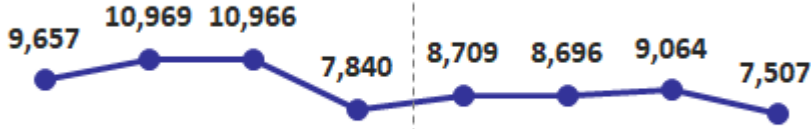
III- 5. Systems Integration (SI) (1) Revenues

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

Systems Construction (one-time)

1Q18 2Q18 3Q18 4Q18 1Q19 2Q19 3Q19 4Q19

Order backlog



FY18: 27,882 [+6.4%]

FY19: 31,976 [+14.7%]

Revenues

4,959 5,831 6,811 10,281 7,249 6,504 8,328 9,895

7,578 7,115 6,915 7,346 8,118 6,492 8,696 8,338

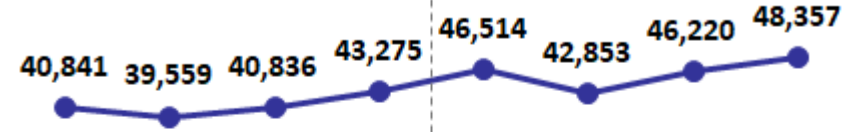
FY18: 28,954 [+12.2%]

FY19: 31,643 [+9.3%]

- Systems construction's order backlog, revenue and order received include that of equipment sales.
- Favorable demands environment continued: revenue +14.7% YoY, order received: +9.3% YoY
 - Demands for network enhancement, server replacement, office IT/security etc. from a wide range of industry
 - FY19 revenue includes revenue recognition of JPY0.58 billion based on percentage of completion (FY18 had no revenue based on percentage of completion)
 - Based on 4Q19 order-received (+13.5% YoY), 1Q20 construction revenue is almost secured along with its budget

Systems Operation & Maintenance (recurring)

1Q18 2Q18 3Q18 4Q18 1Q19 2Q19 3Q19 4Q19



FY18: 41,770 [+10.2%]

FY19: 46,418 [+11.1%]

10,173 10,031 10,596 10,970 10,860 11,302 11,819 12,436

11,457 8,777 11,765 13,348 14,099 7,642 15,185 14,574

FY18: 45,347 [+5.0%]

FY19: 51,500 [+13.6%]

- Revenue written within systems operation and maintenance revenue is cloud revenue that is recognized in systems operation and maintenance revenue.
- FY19 systems operation & maintenance revenue breakdown:
 - revenue from private cloud: JPY20.92 billion, +20.0% YoY
 - revenue from SI construction: JPY25.5 billion, +4.8% YoY
- 4Q19 cloud revenue breakdown:
 - 89.6% in systems operation & maintenance
 - 10.4% in outsourcing

Overseas Business

bn = billion

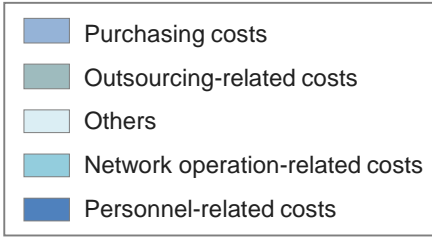
- FY2019 Results
 - Revenue: JPY8.55 bn [+10.7%], Operating Profit: JPY0.25 bn [+177.5%] (initial plan: revenue: JPY8.7 bn, operating profit: JPY0.2 bn)
 - Europe & the US steadily expanded, Asia continued to enhance businesses

- FY2020 Target
 - Revenue: JPY10 bn [+17%] Operating Profit: approx. JPY0.3 bn [+20%]
 - Aim to enhance added value of our services by offering security solutions globally etc.

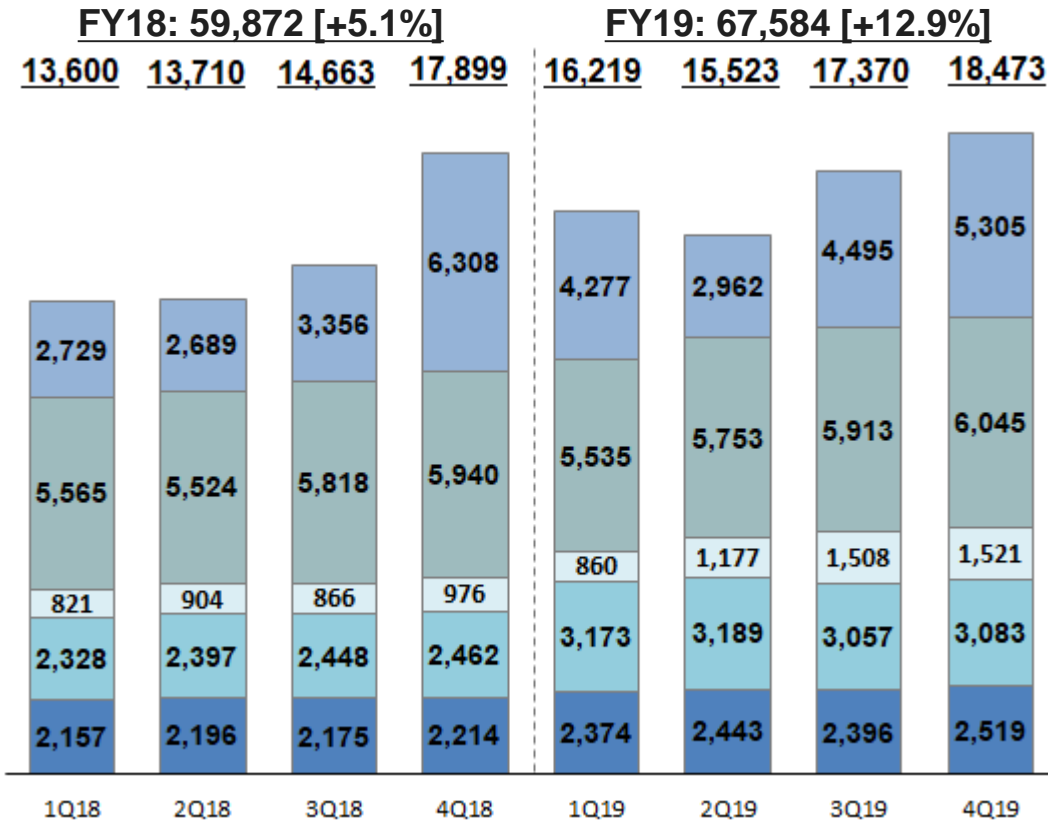
III- 5. Systems Integration (SI) (2) Cost of Sales

Unit: JPY million

[], YoY = Year over year comparison
QoQ = 4Q19 compared to 3Q19



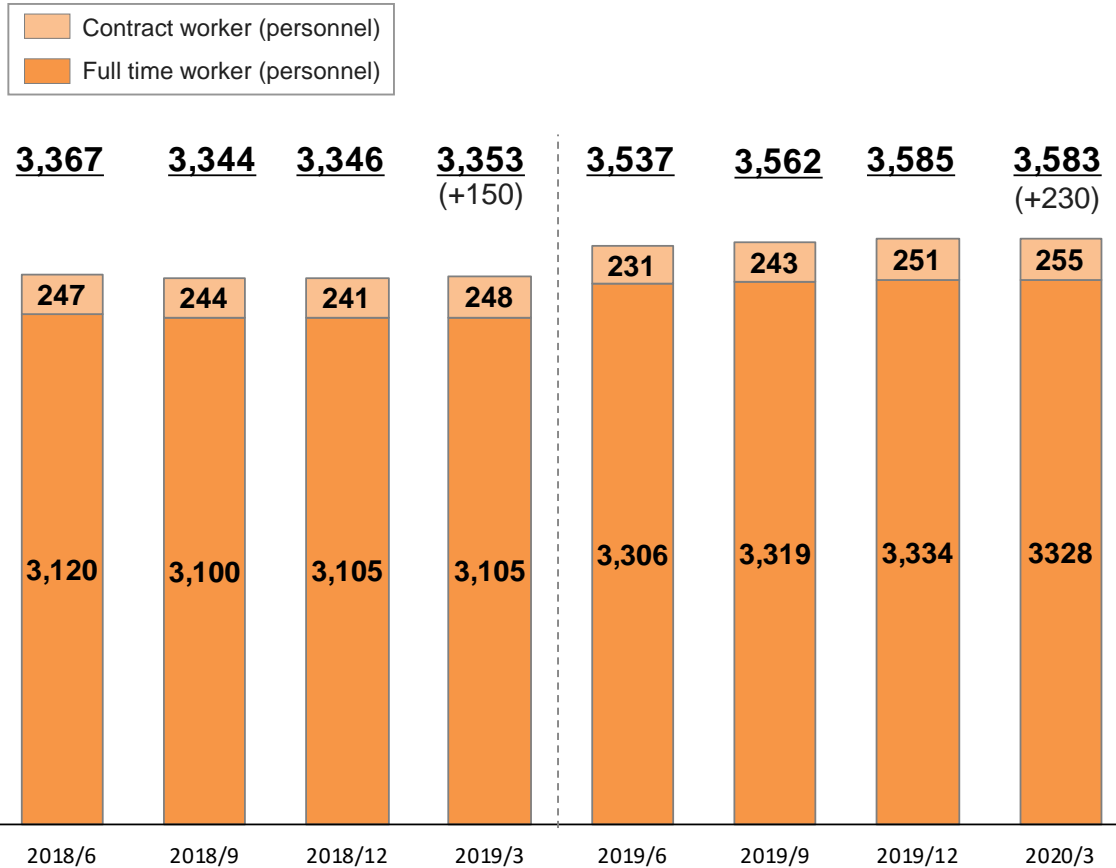
• Outsourcing-related costs include SI project-related outsourcing personnel costs



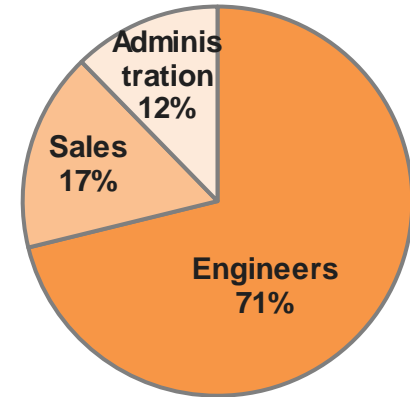
- 4Q19-end number of SI-related outsourcing personnel: 1,123 personnel (+21 personnel YoY, +58 personnel QoQ)
- 4Q19 gross profit ratio improved from 4Q18 with smaller purchasing cost ratio to the total cost (4Q19: 28.7%, 4Q18: 35.2%)
- “Others” increased due to an increase of cloud license expenses along with expansion of multi-cloud demands
- Fixed costs increased by JPY0.48 billion (per year) because Shiroi DC started to operate
- Along with changes in accounting for operating lease from 1Q19, a portion of systems operation and maintenance costs such as outsourcing were reclassified from outsourcing-related costs to network operation-related costs (depreciation of assets)

III- 6. Number of Employees

YoY = Year over year comparison



Employee Distribution



- FY19 personnel-related costs and expenses largely increased by 10.0% YoY, due to revision of personnel remuneration structure
- Hired 210 new graduates in Apr. 2020 (171 in Apr. 2019, 175 in Apr. 2018)
- FY20 net addition of employees is planned to be approx. 290 (FY19 result: 230)
- FY20 personnel-related costs and expenses are expected to increase at a pace that is the same level as in FY2018 and/or the year before

Personnel-related costs & expenses

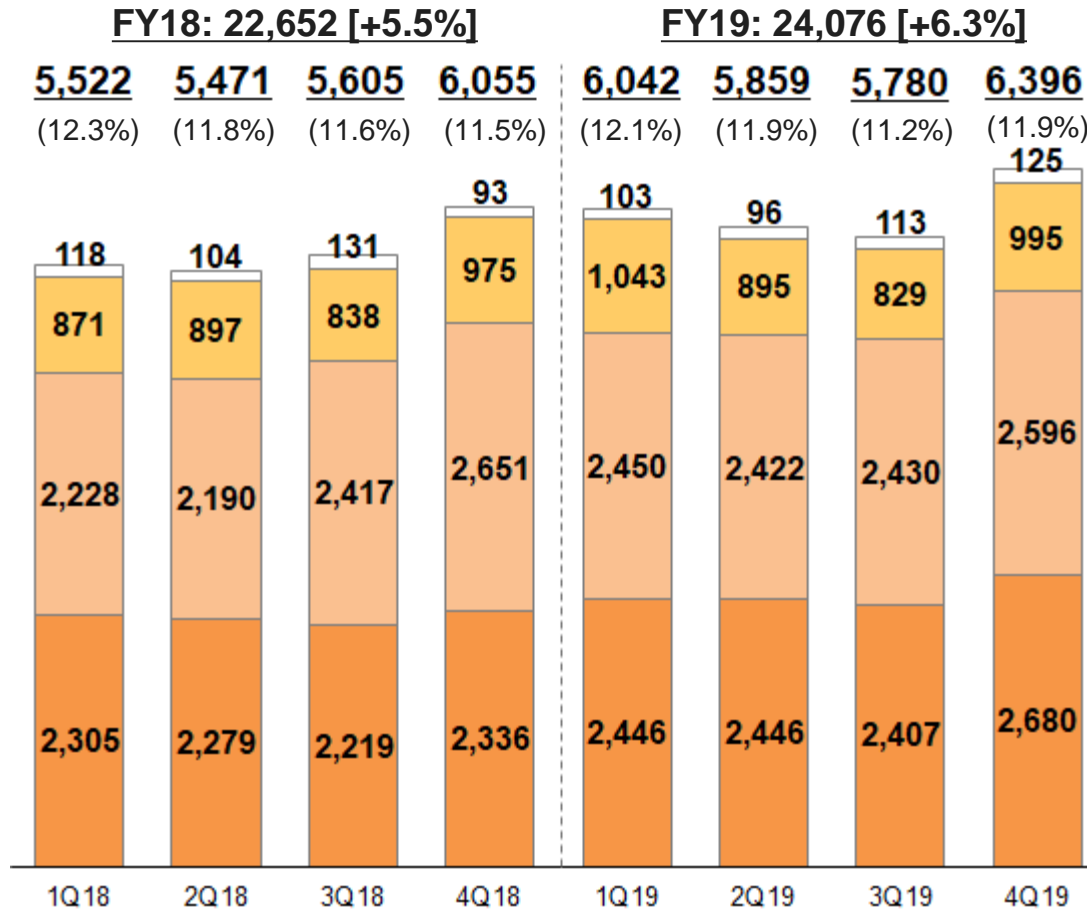
Unit: JPY million
() = % of revenue

1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19
5,920 (13.2%)	6,003 (12.9%)	5,920 (12.2%)	6,100 (11.6%)	6,402 (12.8%)	6,573 (13.3%)	6,443 (12.5%)	6,911 (12.8%)
FY18: 23,942 (12.4%) +3.0%YoY				FY19: 26,329 (12.9%) +10.0%YoY			

• FY18 (IFRS) year over year comparison % is calculated by comparing with FY17 (U.S. GAAP)

III- 7. SG&A etc.

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



- Other than the left, we have JPY0.29 billion of expenses, as other income/expenses (net)
 - FY19 other expenses of JPY0.52 billion mainly due to disposal (FY18 JPY0.35 billion)
- SG&As etc. and other income/expenses accordingly within the plan
 - Total JPY24.37 billion, +6.2% YoY, initial plan JPY24.4 billion

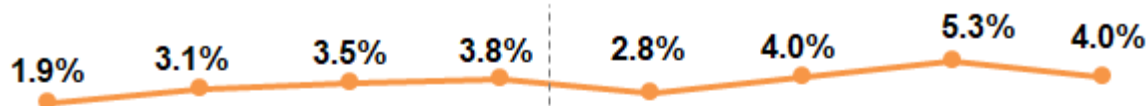
• SG&As etc. in this slide shows the sum of SG&A which includes R&D expenses (not including other income/expenses)

III- 8. Profit

Unit: JPY million

[], YoY =Year over year comparison

Operating profit Net Profit (Profit for the period attributable to owners of the parent) Operating profit ratio

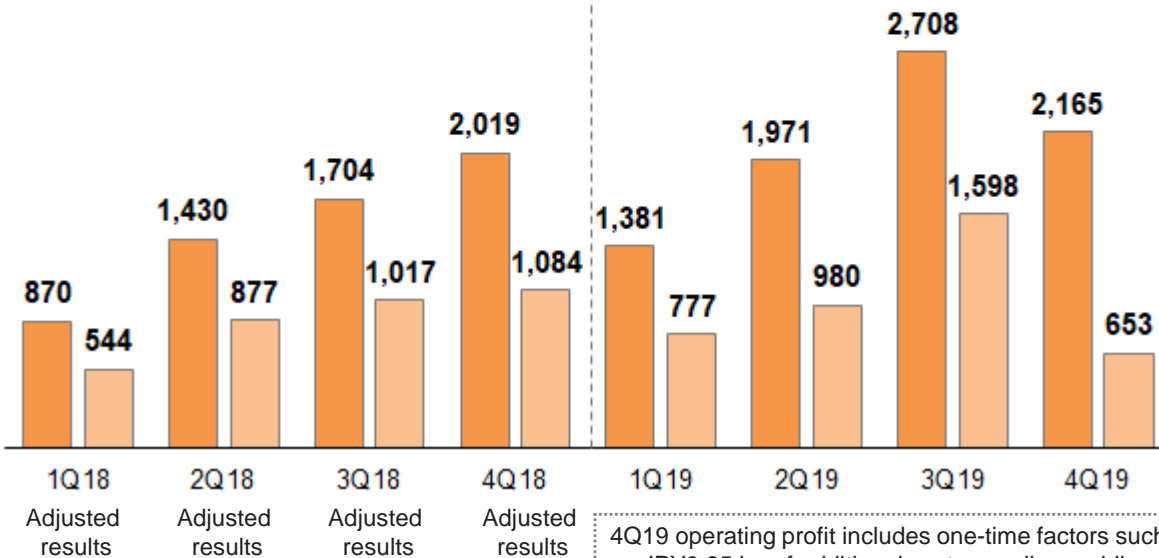


FY18: Operating profit: 6,023 [-11.0%]

FY19: Operating profit: 8,225 [+36.6%]

FY18: Net profit: 3,521 [-20.4%]

FY19: Net profit: 4,007 [+13.8%]



4Q19 operating profit includes one-time factors such as JPY0.35 bn of additional cost regarding mobile interconnectivity, JPY0.36 bn of disposal loss, and JPY0.25 bn of additional allocation of bonus

◆ Profit before tax

- FY19: JPY7,159 million (+22.5% YoY)
 - Changes in value of financial asset: JPY128 million
 - Dividend income: JPY95 million
 - Interest income: JPY54 million
 - Interest expense: JPY583 million

◆ Net profit

- Profit for the period attributable to non-controlling interests: JPY187 million

Situation of affiliated companies

(as of May 14, 2020)

● JOCDN (established in Dec. 2016)

- Capital (including capital reserve): JPY0.84 billion
- Ratio of IIJ's voting rights: 17%
- Number of shareholders: 18 companies (including IIJ)
- Shares of profit (loss) of investments accounted for using equity method investees:
 - ✓ FY19: loss of JPY17 million
 - ✓ FY20: plan to turn positive

● DeCurret (established in Jan. 2018)

- Capital (including capital reserve): JPY11.38 billion
- Ratio of IIJ's voting rights: 30%
- Number of shareholders: 30 companies (including IIJ)
 - ✓ 12 companies joined as new shareholders in FY19
- Shares of profit (loss) of investments accounted for using equity method investees:
 - ✓ FY19: loss of JPY1,005 million
 - ✓ FY20: plan loss of JPY0.8 billion
 - ✓ FY21: expect to turn positive

103	65	(46)	16	(124)	(51)	92	(177)	Finance income (expense), net
(30)	6	(43)	(252)	112	(245)	(234)	(439)	Share of profit (loss) of investments accounted for using equity method
(359)	(580)	(553)	(653)	(543)	(642)	(922)	(858)	Income tax expense (Adjusted results)
(40)	(45)	(45)	(47)	(49)	(53)	(46)	(39)	Less: Profit for the period attributable to non-controlling interests

III- 9. Consolidated Statements of Financial Position (Summary)

Unit: JPY million

	Mar. 31, 2019	Mar. 31, 2020	Changes
Cash and cash equivalents	31,958	38,672	+6,714
Trade receivables	33,376	32,982	-393
Inventories	3,403	2,476	-927
Prepaid expenses (current and non-current)	16,560	17,475	+915
Tangible assets	33,136	17,400	- 15,736
Right-of-use assets	-	50,560	+50,560
Goodwill and intangible assets	24,901	24,363	-538
Investments accounted for using the equity method	4,838	4,827	-11
Other investments	11,402	9,187	-2,216
Others	7,715	8,582	+867
Total assets:	<u>167,289</u>	<u>206,524</u>	<u>+39,235</u>
Trade and other payables	21,962	18,288	-3,675
Borrowings (current and non-current)	26,750	27,750	+1,000
Contract liabilities and Deferred income (current and non-current)	10,980	12,457	+1,477
Income taxes payable	1,139	2,284	+1,144
Retirement benefit liabilities	3,489	3,985	+496
Other financial liabilities (current and non-current)	19,183	54,151	+34,968
Others	6,666	7,553	+887
Total liabilities:	<u>90,170</u>	<u>126,467</u>	<u>+36,298</u>
Share capital	25,519	25,531	+12
Share premium	36,226	36,271	+46
Retained earnings	12,335	16,501	+4,166
Other components of equity	4,089	2,670	-1,419
Treasury shares	(1,897)	(1,897)	-
Total equity attributable to owners of the parent:	<u>76,271</u>	<u>79,076</u>	<u>+2,804</u>

Note 1

Note 2

Note 3

Note 1: Of which, JPY34,477 million for operating leases (office rent contracts etc.), JPY16,084 million for finance lease (most of which were transferred from tangible and intangible assets)

Note 2: Details of other financial liabilities as of March 31, 2020: JPY34,592 million for operating lease (office rent contracts etc.)

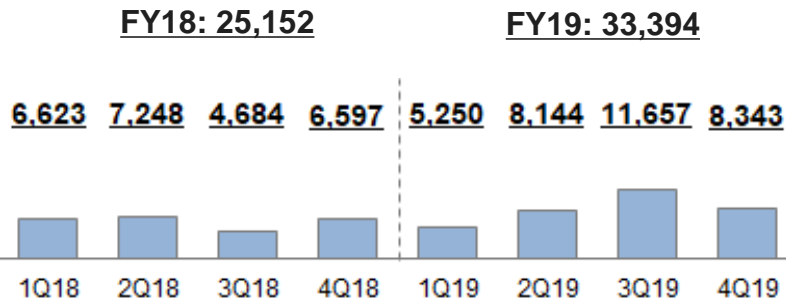
Note 3: Ratio of total equity attributable to owners of the parent: 45.6% as of March 31, 2019, 38.3% as of March 31, 2020

• Along with the adoption of IFRS 16, certain operating lease related assets and liabilities are recognized on Statements of Financial Position

III- 10. Consolidated Cash Flows

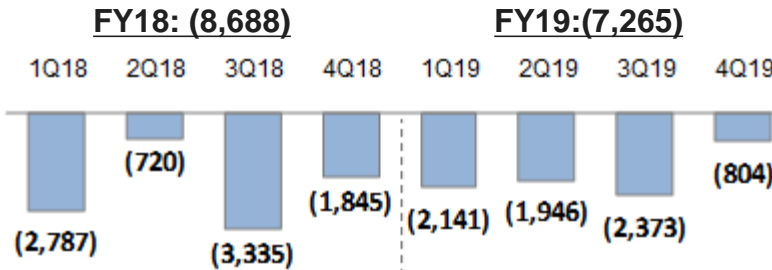
Unit: JPY million
YoY = Year over year comparison

Operating Activities



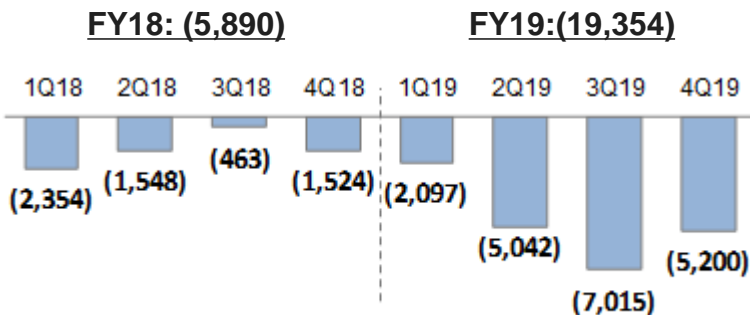
	Major Breakdown	YoY Change
Profit before tax	7,159	+1,316
Depreciation and amortization	28,520	+12,892
	<i>(related to right-of use assets under operating lease contracts)</i>	<i>12,207 +12,207</i>
Changes in operating assets and liabilities	(909)	-7,752
Income taxes paid	(2,611)	+810

Investing Activities



	Major Breakdown	YoY Change
Purchase of tangible assets	(7,197)	-117
Purchase of intangible assets such as software	(4,642)	+758
Proceeds from sales of equity securities	2,750	+2,185

Financing Activities

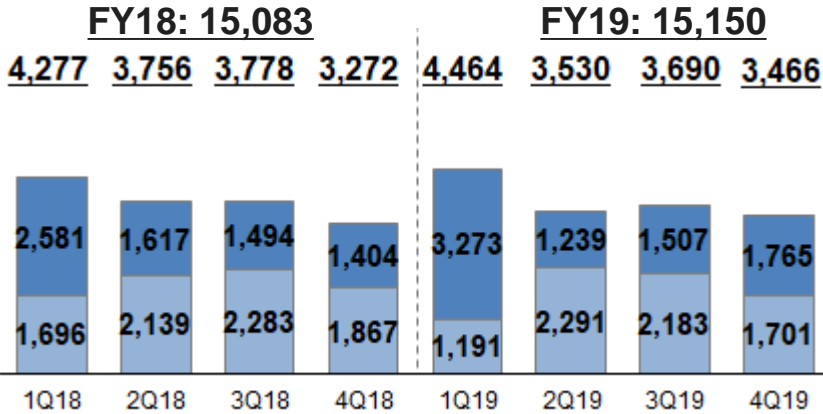
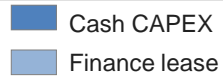


	Major Breakdown	YoY Change
Payments of other financial liabilities	(20,556)	-13,234
	<i>(related to operating lease)</i>	<i>(12,141) -12,141</i>
	<i>(related to finance lease)</i>	<i>(7,371) -856</i>
Repayment of long-term borrowings	(1,500)	-1,500
Net increase in short-term borrowings	2,500	+500

III- 11. Other Financial Data

Unit: JPY million

CAPEX



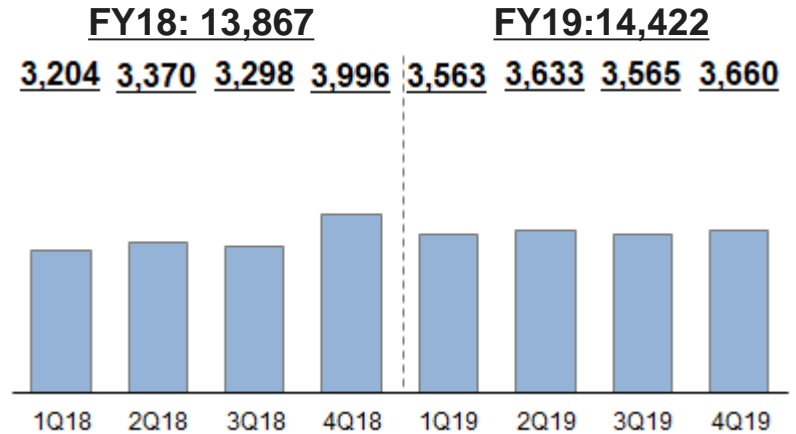
➤ CAPEX breakdown: (Unit: JPY billion)

	FY18	FY19
NW Usual Capex (*)	9.4	9.6
Cloud-related	1.9	2.6
Shiroi DC-related	2.1	2.0
SI customer-related	1.4	0.7
ATM-related	0.3	0.3

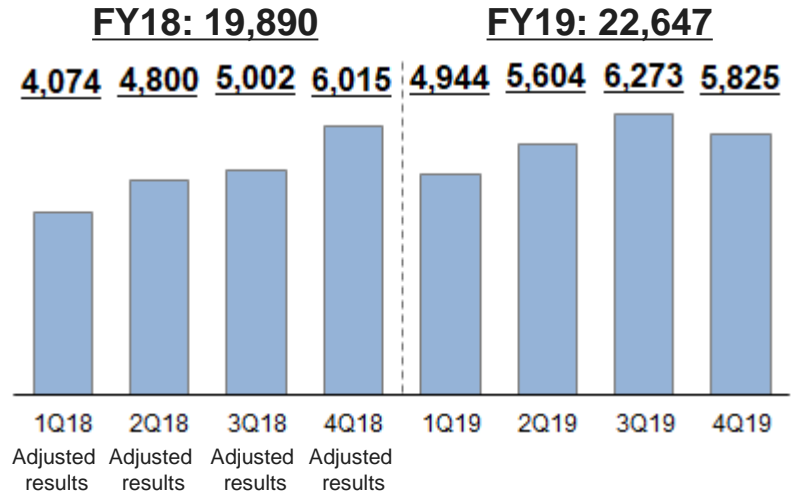
➤ FY20 CAPEX is expected to be around JPY16 billion including JPY3 billion of Shiroi-DC related additional placement of modules

- Total amount of capital expenditure are 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. (For FY18, added operating profit is Adjusted operating profit)

CAPEX-related depreciation and amortization



Adjusted EBITDA



IV- 1. FY2019 Major Accomplishments

YoY = Year over year comparison
 prj. = project
 JPY billion (bn)

Initial Targets

NW service GP +JPY1.4 bn YoY

Structural profit improvement through continuous revenue expansion

Expand Security business foundation & Establish stronger position in market

Cultivate demands with various & highly valuable services

Full-MVNO revenue JPY1.7 bn

Contribute in improving NW service gp by absorbing full-MVNO related fixed cost

Enterprise mobile & IoT

Execute flagship projects & roll out for mid-term growth

SI GP +JPY1.0 bn YoY

Comprehensive solution with Cloud and IoT etc. Maintain high SE utilization & eliminate unprofitable prj.

Cloud revenue JPY22.5 bn

Continuously differentiate by highly reliable & comprehensive service lineup

DeCurret: Business start-up phase

Upgrade exchange services, launch settlement services
 Equity method loss on DeCurret: JPY0.7 billion

JOCDN: Business start-up phase

Acquire CDN demands by leveraging partnership
 Equity method profit/loss on JOCDN: turn positive

Accomplishments

NW service Gross Profit (GP) +JPY2.5 billion YoY

Enterprise mobile, security services in particular led the profit improvement
 Remote access related services expanded along with strong demands for remote access needs

Total security revenue (sum of service and SI) JPY19.2 bn (+14.3% YoY)

Of which security service revenue: JPY16.35 bn (+15.9% YoY), strong demands continued

Enterprise revenue largely increased Full-MVNO rev. JPY1.4 bn

Contributed in expanding NW service gross profit
 Due to COVID-19, pre-paid SIMs for foreigners visiting Japan and IMSI sales were weak

Full-MVNO functions expanded, Piling up local 5G business talks

Started to provide SoftSIM, chipSIM, eSIM etc. for IoT demands
 Local 5G: established JV with SUMITOMO CORPORATION and Cable TV operators

SI Gross Profit (GP) +JPY1.0 billion YoY

Differentiating by offering NW services and SI together, Favorable SE utilization, no unprofitable projects

Cloud Revenue JPY23.6 billion (+17.1% YoY)

Promoting multi-cloud, Differentiating with Unified Operation Management Services, private connectivity etc.
 Exceeded target revenue as FX ASP (raptor) transaction expanded

Co-working with shareholders & partners on settlement business, Executing joint projects and/or PoCs

Behind the business plan due to quiet cryptocurrency trading market, equity method loss of JPY1.0 billion
 Increased capital by JPY6.2 billion (sum of July 2019 and Apr. 2020)

Market expansion, Enlarged infrastructure for growing CDN demand

Slightly behind but almost finished migrating a prominent contents provider's contents, equity method loss of JPY0.02 bn. NHK, Japan's only public broadcaster, and WOWOW, satellite broadcaster, became shareholders

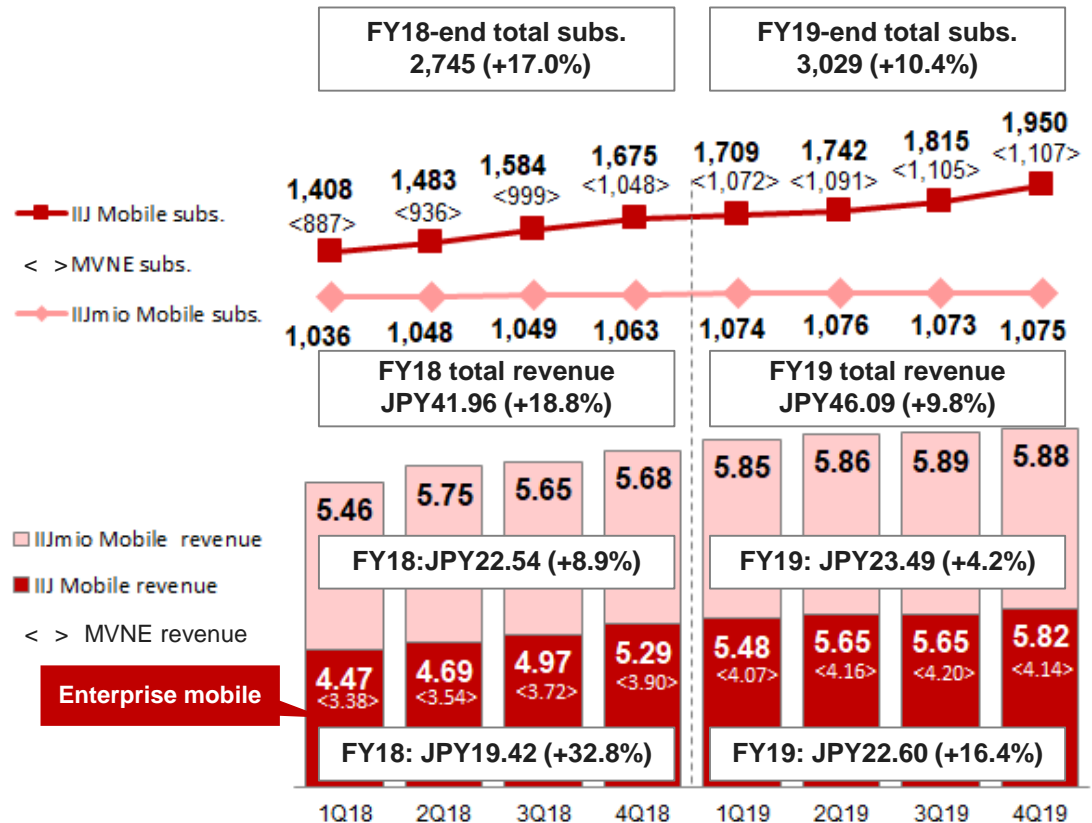
IV- 2. Mobile and IoT Business (1)

Subs: subscription (unit: thousand), Revenue unit: JPY billion
bn = billion, % = Year over year comparison

◆ Continuously expand with enterprise business leading while consumers face tough competition

- IIJ Mobile (Enterprise) continued to increase
 - FY19 MVNE revenue JPY16.57 bn (+13.9%)
 - ✓ 4Q19-end MVNE clients: 156 (+7)
 - FY20 MVNE outlook
 - ✓ Expect to be impacted by a large MVNE client cancellation, switching to another MVNO due to M&A (this cancellation impact is expected to be decrease of approx. JPY1.4 billion YoY)

- IIJmio Mobile (Consumer) subs. slightly increased
 - Sales through sales partners was weak due to COVID-19 etc., approx. 60% of 4Q19 revenue was through web, favorable demand for buying SIM and mobile phone together
 - Launched official eSIM services in Mar. 2020, Needless to insert SIM, JPY150 per month, JPY300 for the first 1GB etc. Targeting users already subscribed to MNOs for their backup usage etc.
 - FY20 IIJmio Mobile (Consumer) outlook:
 - ✓ 2H19 pace to continue



YoY decrease rate outlook for mobile unit charge by future cost method (Applied from FY20)

➢ Mobile unit charge YoY change

Applied FY	FY17	FY18	FY19	FY20	FY21	FY22
Method	Actual Cost Method			Future Cost method		
Docomo	-18.2%	-5.0%	-6.0%	-16.0% ^(*)	-19.8%	-15.9%
KDDI	-10.8%	-20.2%	-13.3%	-38.0% ^(*)	-15.4%	-8.6%

(*)FY20 decrease rate: FY20 unit charge (based on FY20 actual cost) divided by FY19 unit charge (based on FY2018 actual cost)

➢ About future cost method:

- Revised from the previous method, calculate unit charge by using cost results, to method using predicted figures such as future cost

➢ Reduce uncertainty about financial outlook

- Recognize cost based on unit charge presented and calculated by MNOs prediction from 1Q. If actual differs from predicted, such difference will be recognized in a following FY

➢ Calculation method and factors remain unchanged

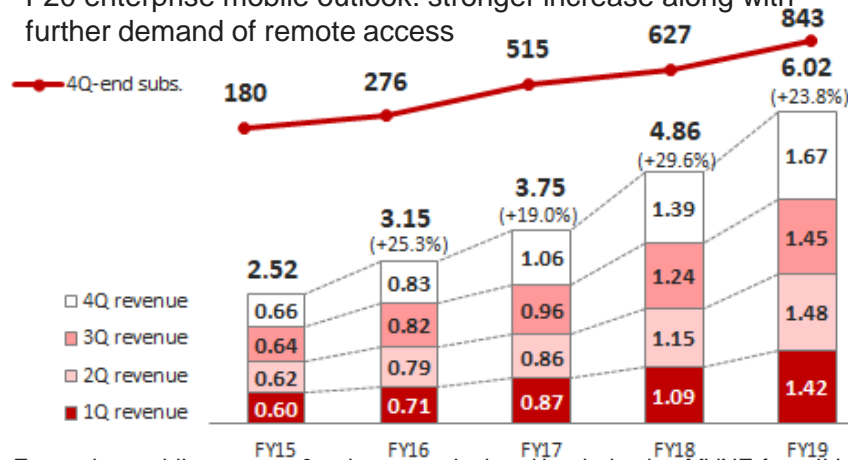
(data communication cost + profit) divided by demand

IV- 2. Mobile and IoT Business (2)

Subs: subscription (unit: thousand), Revenue unit: JPY billion
bn = billion, % = Year over year comparison

◆ Enterprise mobile continuously increasing

- Enterprise mobile revenue continuously increasing with network cameras, remote work demands
 - Prominent projects in FY19: payment system for taxi cabs, child safety monitoring etc.
- FY19 revenue growth includes a certain large client's cancellation due to their business matter (Their subs.: approx. 110 thousand subs. as of 4Q18, Almost 0 as of 4Q19)
- F20 enterprise mobile outlook: stronger increase along with further demand of remote access



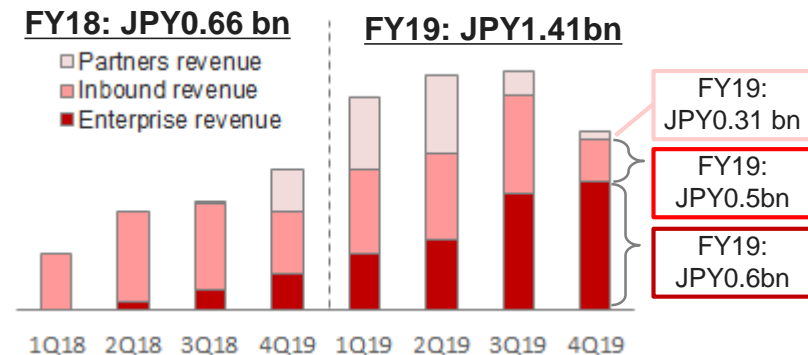
- Enterprise mobile revenue & subs. are calculated by deducting MVNE from IIJ Mobile
- Enterprise mobile revenue is recognized in internet connectivity services for enterprises

◆ Enterprise mobile & IoT Business

Current use cases		
Connecting vending machine	Car dashboard camera	Surveillance cameras
Connecting game devices	Wireless alternative for taxi	Monitoring cameras
Digital signage	Connecting karaoke communication devices	Payment settlement device for taxi
SIM-embedded PCs	Commercial transceiver	Camera for store marketing
Bus location	Remote monitoring river water level	Devices to look after kids

◆ Full-MVNO revenue growth led by enterprise revenue

- Enterprise revenue (IoT usage such as various network cameras) steadily increased and largely contributed to the revenue growth
- IMSI revenue (described below as partners revenue) for overseas enterprises, such as travel agency, largely increased in 1H19, but decreased along with inbound decrease
- Pre-paid SIM revenue for foreign visitors also decreased along with inbound decrease
- FY20 full-MVNO outlook: target revenue approx. JPY2.3 bn as enterprise revenue growth to accelerate regardless of weak IMSI & pre-paid SIM sales
- Full-MVNO revenue trend

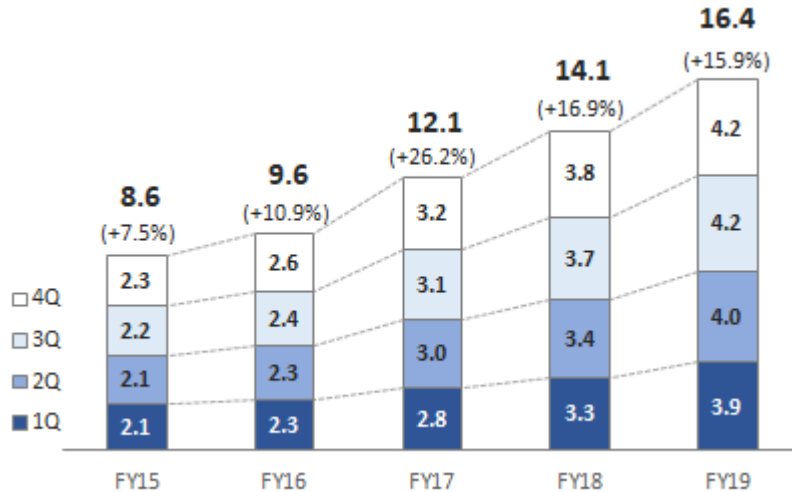


From now on	
Industrial IoT	<ul style="list-style-type: none"> • Remote monitoring and operating factory • Inspection work and food traceability etc.
Home IoT	<ul style="list-style-type: none"> • Smart meter (electricity) such as B route • Monitoring service etc.
Agricultural IoT	<ul style="list-style-type: none"> • Roll out cases such as “paddy water management platform” etc.

IV- 3. Security and Telecommuting Business

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

◆ Security services (recurring) revenue

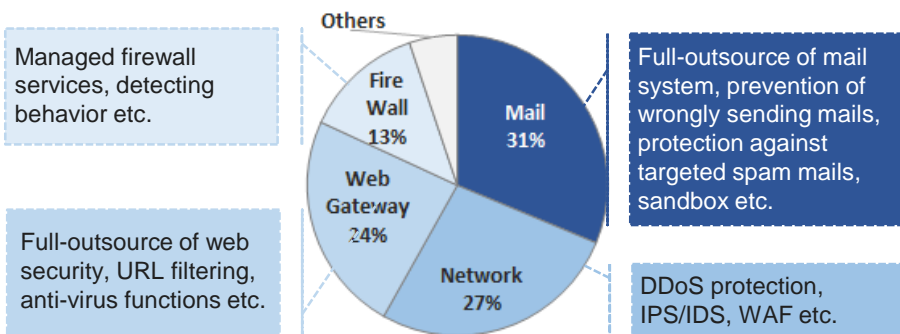


- Security services revenue (recurring) is recognized in outsourcing

- Enterprise demands and continuous service developments contributing to constant and strong revenue growth
- In addition to the above mentioned service (recurring) revenue, we recognize security-related SI revenues in SI

- Total security business:
FY17 JPY14.62 bn, FY18 JPY16.77 bn, FY19 JPY19.18 bn

- FY19 Security services revenue breakdown

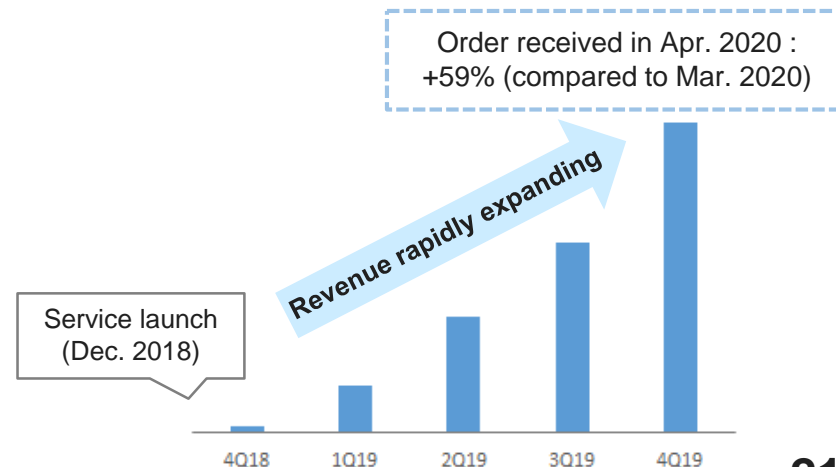


◆ High demands for remote access services along with an increase in telecommuting

- Services expected to increase demands along with an increase in telecommuting

	Background of growing demand	Revenue Segment
IP services	Increasing demand for broader Internet bandwidth along with an increase of Web meeting etc.	Internet connectivity services (enterprise)
Enterprise mobile	Increasing demand to deliver the tool for employee's telecommuting	IIJ Mobile services
Security	Essential for remote work (measures against information leakage etc.)	Outsourcing services
Remote access related-services	Increasing demand for comfortable・secure VPN services	Outsourcing services

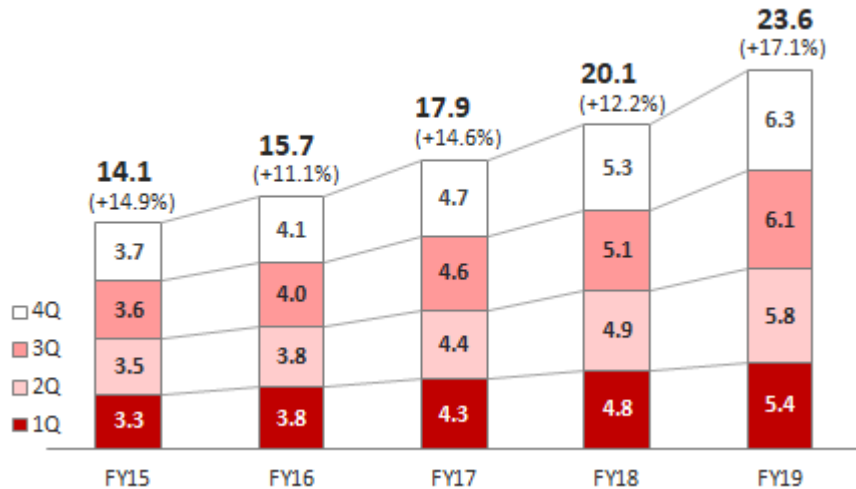
- Strong revenue growth of secured and reliable VPN connectivity services "IIJ Flex Mobility Service"



IV- 4. Cloud and Data Centers

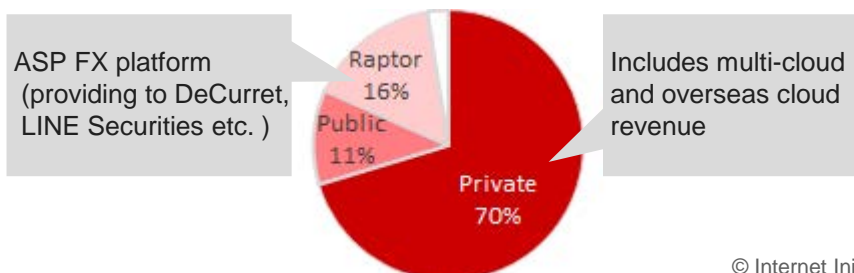
% = Year over year comparison
Unit: JPY billion)

◆ Cloud Services (Recurring revenue)



• 88.7% of FY19 cloud revenue was recognized in systems operation and maintenance, 11.3% was recognized in outsourcing services

- Revenue increased along with enterprise systems continuous migration to cloud and continuous demands for multi cloud
- Strong demand of private connectivity to Microsoft Azure, AWS (Amazon Web Service), GCP (Google Cloud Platform) etc., UOM (Unified Operation Management) services continued to grow
- 4Q19-end cloud clients: 1,740
- FY19 Cloud services revenue breakdown



◆ Shiroi Data Center Campus (Chiba)

- Second system modular facility, owned by IIJ, for increasing rack demand along with further penetration of cloud & IoT etc.
 - Max capacity: 6,000 racks, Land: approx. 40,000m², Max receiving electricity 50MW, PUE (Power Usage Effectiveness) 1.2
- May 2019: 1st phase (the building accommodating approx. 1,000 racks) finished
 - Of which 300 racks implemented •gradually expanding
- Improvement of investment efficiency by adding units according to demand, enhancement of operation productivity by with outside-air cooling technology & AI control & automated operations etc.
 - Future cost should be approx. 20% lower than continuously expanding leasing space and with improved operation productivity



Image when future plan is completed

◆ Matsue Data Center Park (Shimane)

- Japan's first container-type data center, owned by IIJ, using outside-air cooling system (Opened in Apr. 2011)
- Max 500 racks (almost in operation), Land: approx. 16,000m², Max receiving electricity 4MW, PUE 1.2

V- 1. FY2020 Financial Targets

Unit: JPY billion
YoY = Year over year comparison

	% of Revenues		YoY	
	FY20 Target Apr. 2020 - Mar. 2021	FY19 Results Apr. 2019 - Mar. 2020		
Revenues	210.0	204.5	+2.7%	+5.5
Cost of Sales	176.1 83.9%	171.9 84.1%	+2.5%	+4.2
Gross Profit	33.9 16.1%	32.6 15.9%	+4.0%	+1.3
SG&A etc. ^(*)	25.2 12.0%	24.4 11.9%	+3.4%	+0.8
Operating Profit	8.7 4.1%	8.2 4.0%	+5.8%	+0.5
Shares of profit (loss) of investments accounted for using equity method investees	(0.6)	(0.8)	-	-
Profit before tax	8.0 3.8%	7.2 3.5%	+11.7%	+0.8
Net Profit ^(*)	5.0 2.4%	4.0 2.0%	+24.8%	+1.0

(*) 1H20 profit to decrease YoY mainly due to ATM operation business

(*1) SG&A etc. shows the sum of SG&A, which includes R&D expenses, and other income/expenses.

(*2) Net Profit is "Profit for the year (period) attributable to owners of the parent."

Assumption for Revenue outlook

- ◆ **NW services (recurring): increase by approx. JPY3.0 billion YoY**
 - Enterprise NW services:
 - Enterprise Internet, Outsourcing such as security to continuously increase along with remote access demands
 - Enterprise mobile: expect IoT transaction to further increase yet a large MVNE client cancellation impact (transaction impact: decrease approx. JPY1.4 billion YoY)
 - WAN to decrease by approx. JPY1.7 billion YoY due to the certain large clients' migration to mobile which ended 3Q19
 - Consumer to slightly increase YoY following 2H19 pace
- ◆ **SI: increase by approx. JPY4.0 billion YoY**
 - Construction (one time) is expected very slightly increase due to enterprises investment appetite decrease
 - Operation and maintenance (recurring) is expected to continuously increase
 - Cloud (recurring): Target revenue JPY24.5 billion includes the impact of service facility migration from old to new
- ◆ **ATM: decrease by approx. JPY1.3 billion YoY**
 - Mainly due to store closure due to COVID-19 and planned action of certain parlors removing placed ATMs

Assumption for equity method

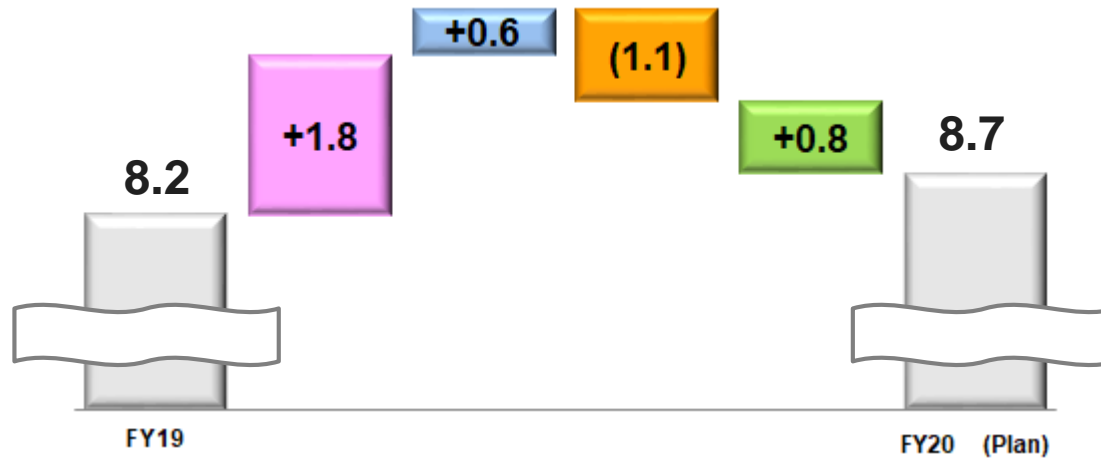
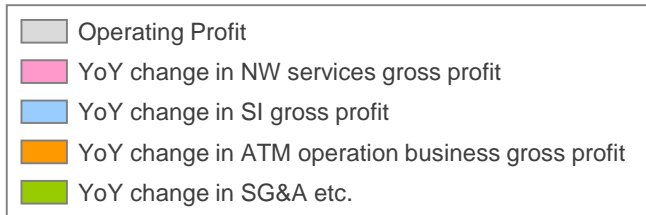
- ◆ DeCurret-related loss to be round JPY0.8 billion
- ◆ JOCDN-related profit/loss to turn positive
- ◆ Others: same level as FY19

Dividend

- ◆ **JPY34.00 per share of common stock (up JPY7.00)**
 - Interim: JPY17.00, a year-end: JPY17.00
 - Payout ratio: 30.7%

V- 2. Operating Profit Comparison: FY19 vs. FY20 Target

Unit: JPY billion
YoY = Year over Year



- ◆ **NW service gross profit** to increase by approx. JPY1.8 billion YoY mainly due to Network services revenue growth and mobile interconnectivity YoY decrease rate
- ◆ **SI gross profit** to increase by approx. JPY0.6 billion YoY by having revenue growth with the same level of gross profit ratio as FY19
- ◆ **ATM operation business gross profit** to decrease by approx. JPY1.1 billion as revenue decrease shall almost directly impact the profit
- ◆ **SG&As etc.** to increase by normal volume by approx. JPY0.8 billion YoY (FY19 SG&As increase included temporary large increase of personnel-related expenses)

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



Internet Initiative Japan

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.

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.