Corporate Overview of Internet Initiative Japan (IIJ)

Internet Initiative Japan Inc.
TSE1 (3774)
March 2022

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

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	High technological capabilities through development & operation of Internet infrastructure
2	Blue-chip customer base with low churn rate Very high market share among Internet connectivity for large entities
3	Digitalization in Japan to advance: IoT, Cloud, Security, etc.
4	Strong track record of monthly recurring revenue accumulation
5	Profit expansion in connection with CAPEX level & cycle
6	Sustainable mid-to-long term growth through above mentioned 1 - 5

Company Profile

IIJ taking initiatives in Internet field

Established	December 1992
Number of Employees	4,095 (approx. 70% engineers, 20% sales, 10% back office)
Listed Market	Tokyo Stock Exchange (TSE) First Section "Prime Market" under new TSE market segments from April 2022
Large Shareholders	NTT group (26.0%), Koichi Suzuki (5.6%), Global Alpha (5.0%) Koichi Suzuki is Founder, Chairman and Co-CEO of IIJ

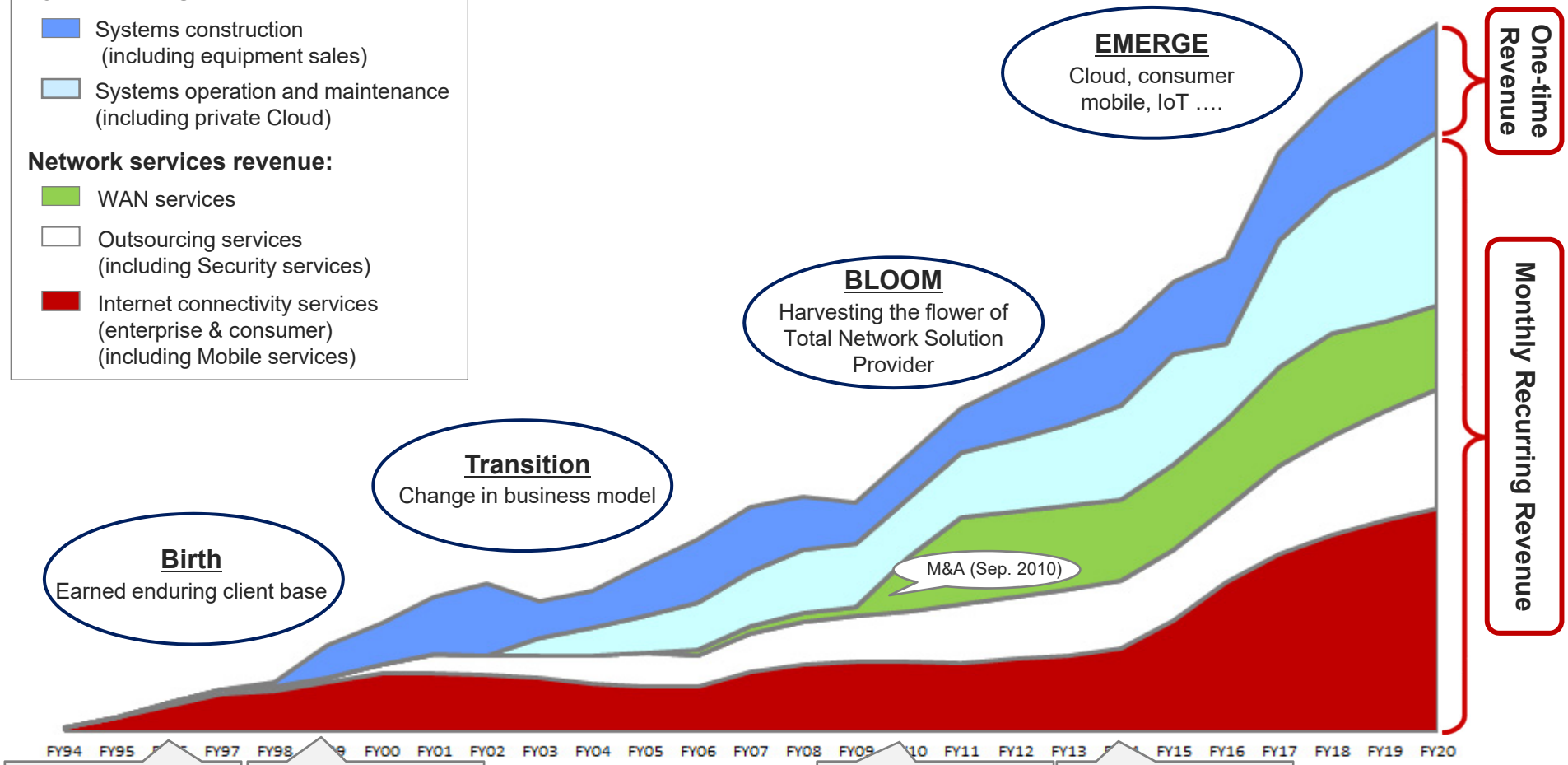
- **The first established full-scale ISP (Internet Service Provider) in Japan**
  - ✓ Introduced many prototype Internet-related network services
  - ✓ Highly skilled IP (Internet Protocol) engineers
  - ✓ In-house developed services and related back office facilities
- **Well recognized "IIJ" brand among Japanese blue-chip companies' IT division**
  - ✓ Differentiate by reliability and quality of network and systems operation
  - ✓ Long-term (almost 30 years) client relationship as there have been no critical systems troubles
- **At the leading edge of IP R&D**
  - ✓ Differentiate by continuous service developments and business investments
  - ✓ Enhancing Cloud, mobile, security and solutions related to bigdata and IoT
  - ✓ Participate in world-wide research and organizations …and many more

- Number of employees are consolidated base and as of December 31, 2021.
- We voluntary delisted from the U.S. NASDAQ Market in April 2019. Our ticker symbol at the OTC (Over The Counter) is IIJIY.
- Large shareholders are as of September 30, 2021 except for Global Alpha whose information is based on their filing as of March 2021. Suzuki's ownership includes his wholly owned private company portion.

From ISP to Total Network Solution Provider

Systems Integration (SI) revenue:
- Systems construction (including equipment sales)
- Systems operation and maintenance (including private Cloud)

Network services revenue:
- WAN services
- Outsourcing services (including Security services)
- Internet connectivity services (enterprise & consumer) (including Mobile services)



NTT launched Internet connectivity services “OCN” in 1996

The birth of online brokers: Rakuten (formerly known as DLJ Direct SFG) and Monex were founded in 1999

Japanese gaming companies such as GREE were rapidly growing

Y!mobile (Sub-brand of Softbank Mobile) was formed in 2014

Increase in number of ISPs in Japan

Price War: IIJ shifted its focus to large corporates

ISP market consolidation: IIJ survived the tough competition

IIJ became MVNO in 2008 and launched Cloud services in 2009

IIJ launched consumer mobile services in 2012

IIJ became full-MVNO in 2018

IIJ as a Total Network Solution Provider

Approx. **13,000 customers** As of Mar. 31, 2021

(Japanese companies, central government agencies, ISP, local governments, universities and more)

Network (NW) Services

Outsourcing services

- Security
- VPN
- Data center
- Public Cloud
- Email gateway

etc.

WAN services

- Private connectivity
- Global WAN

etc.

Internet connectivity services

- IP
- Mobile
- Multi site connectivity
- Data center connectivity

etc.

Systems Integration (SI)

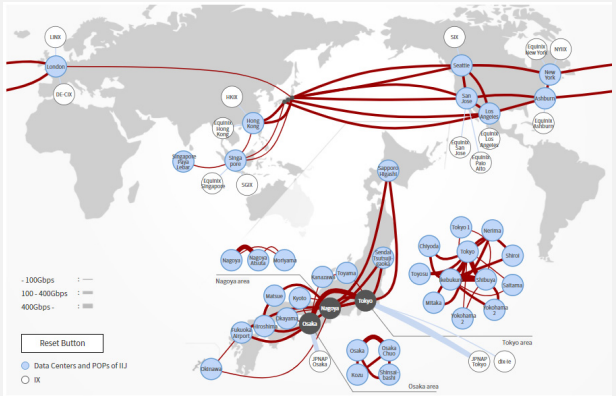
- Private Cloud
- Systems construction
- Systems Operation and Maintenance

etc.

Major components of Cost

- **Fiber leasing cost for Internet backbone**
- **Depreciation cost of network equipment**
- **Personnel cost for network service development and operation**
- **Mobile data interconnectivity and voice service purchasing cost for Mobile services**

IIJ's Backbone Network



SWOT of IIJ

Strength

High technological capabilities

- First full-scale ISP in Japan
- Highly skilled Internet-related engineers
- Network service development capabilities
- Reliable Internet backbone operation
- Excellent customer base
- Corporate culture of pioneering spirit

Weakness

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

Opportunity

Digitalization in Japan

- Internet traffic increasing
- Security demands expanding
- Cloud shift
- Emerging new IT usages such as IoT
- Growing IT demands from public sector

Threat

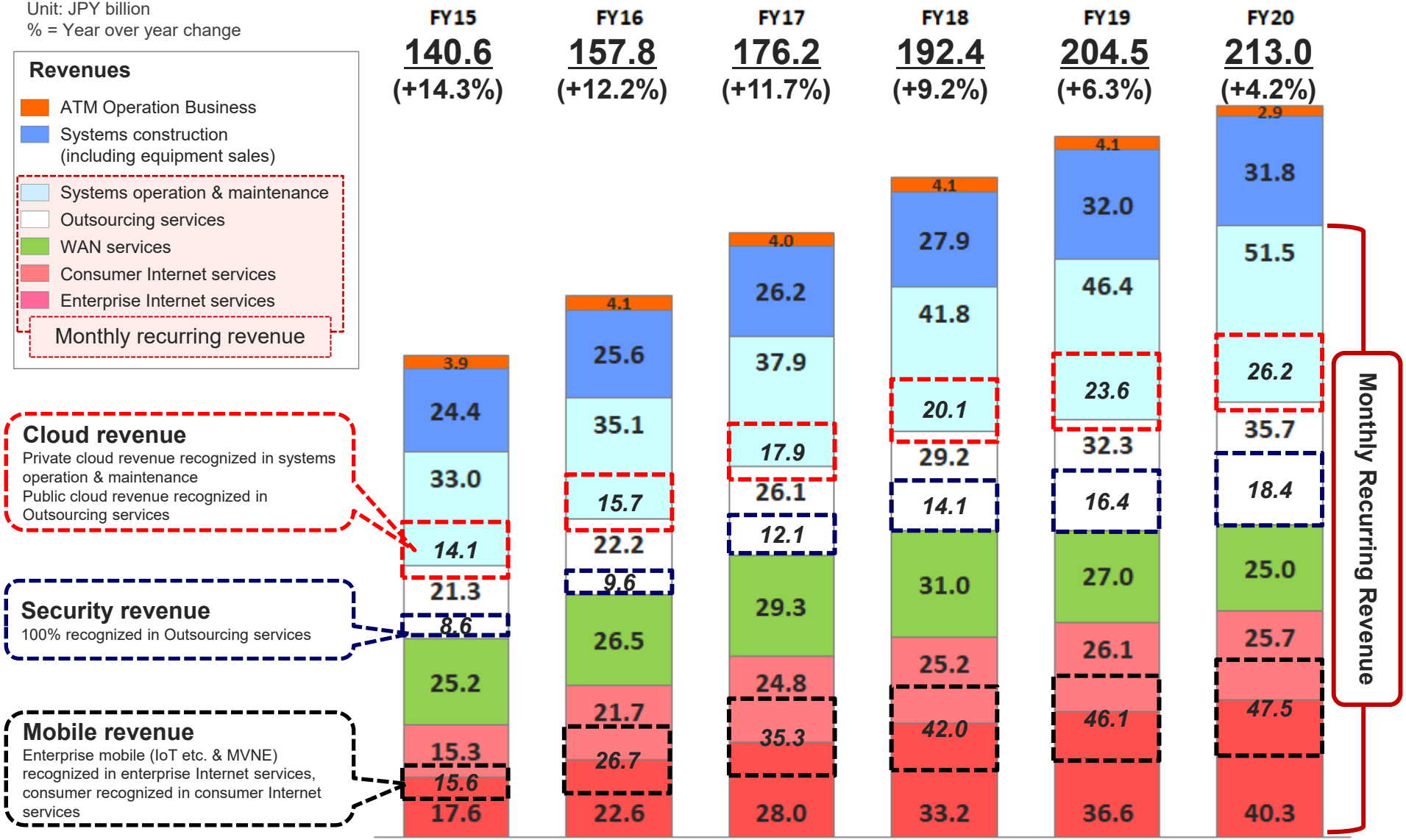
- Slow IT adoption in Japan
  - IIJ focuses on promoting digitalization of large Japanese companies with various network services and systems integration to fully meet their needs

Comprehensive Lineups of IT services

Revenue category		Revenue 1Q-3Q21 (¥ bn)	About	Business Situation & Outlook	
Network services	Internet connectivity services for enterprise	28.08	IP 10.07: ➢ Core service providing from the foundation ➢ Highly reliable dedicated connectivity services for enterprise (multi-carrier, redundancy etc.) ➢ Charge based on contracted bandwidth. Enterprises use the service for their main Internet line Mobile 15.13: IoT/M2M-related 7.52; MVNE (Providing services to other MVNOs) 7.62	➢ Matured market (hard to entry) ➢ Blue-chip client base ➢ Expect the revenue to continuously increase along with traffic volume and contracted bandwidth increase ➢ Expect profitability and mobile infrastructure utilization to improve as we gather various traffic such as IoT, enterprise, consumers ・Enterprise: Expect demand to increase in the mid-to-long term ・Consumer: Net increase (subscription) with new consumer plan in competitive market	Monthly Recurring Revenue 84.0 %
	Internet connectivity services for consumers	17.78	Mobile 15.56: ➢ Inexpensive SIM services (mainly data), ➢ Direct sale (via IIJ web), Indirect sale (via sales partners such as retailers)		
	WAN	19.40	Closed network used to connect multiple sites	Stable market for long-term	
	Outsourcing	29.83	In-house developed Internet-related various service line-ups (Security, datacenter and remote access etc.) Security 16.15; Public Cloud 2.15	➢ Have been developing services based on Zero Trust concept ➢ Acquire enterprise demand by cross-selling services. Continuous service development is important ➢ Demands for security and remote access to increase continuously	
SI	Operation and Maintenance	44.00	➢ Operation and maintenance of constructed systems ➢ Promote cloud shift with our abundant, highly reliable, value-added private Cloud related service line-ups On-premise Systems 25.24; Private Cloud etc. 18.75	➢ Expect business opportunity in the middle-to-long term as internal IT systems migrating to Cloud ➢ Certain volume of systems to be converted to Cloud ➢ Revenue to increase continuously along with accumulation of construction projects	
	Construction (including Equipment sales)	24.41	System construction related to office IT, security, Cloud, IoT. Internet-related construction such as Online banking & brokerage, backbone network for university, and E-commerce site	➢ Through providing SI, offer greater value as IoT and cloud usage penetrate	One time revenue

Monthly Recurring Revenue Accumulation

Unit: JPY billion
% = Year over year change



- 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)
- Year over year growth rate written for FY17 revenue is calculated by comparing FY16 revenue which is prepared with U.S. GAAP and FY17 revenue which is prepared with IFRS

Recent Business Performance

	FY16	FY17	FY18	FY19	FY20	FY21 Target
Revenues (JPY billion)	157.8	176.2	192.4	204.5	213.0	228.5
Operating Profit (JPY billion)	5.1	6.8	6.0	8.2	14.2	22.0
Operating Margin (%)	3.3%	3.8%	3.1%	4.0%	6.7%	9.6%
CAPEX (JPY billion)	**16.5**	**20.7**	**15.1**	**15.2**	**15.2**	**17.5**
NW services	*12.6*	*9.4*	*9.4*	*9.6*	*8.8*	-
Cloud	*3.6*	*7.9*	*1.9*	*2.6*	*2.8*	-
Shiroi DC	-	*1.2*	*2.1*	*2.0*	*1.5*	-
SI, others	*0.3*	*2.3*	*1.7*	*1.9*	*2.0*	-
CAPEX-related depreciation and amortization (JPY billion)	**10.9**	**12.1**	**13.9**	**14.4**	**14.5**	**-**
Number of employees	3,104	3,203	3,353	3,583	3,805	-

Stronger demands for enterprise Network services

Large CAPEX increase due to aggressive business investment

CAPEX & its depreciation almost same volume

Cost stabilizing

Various Network Service Asset

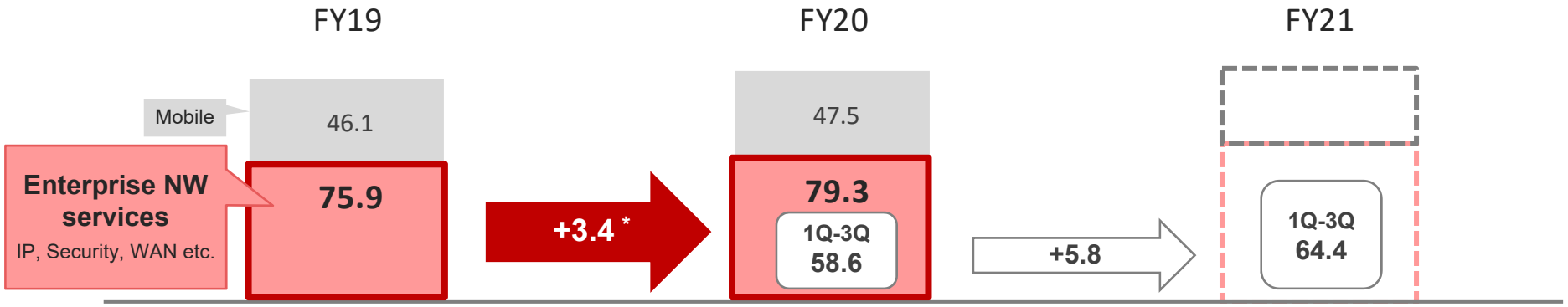
- Launched Omnibus (Sep. 15)
- Enhanced SMX (Oct.16)
- Opened SOC (Mar. 17)
- Launched Secure Endpoint (Oct. 18)
- Enhanced SWG (Dec. 20)
- Launched GIO P2 (Oct. 15)
- Launched UOM (Apr. 17)
- Launched full-MVNO (Mar. 18)
- Opened Shiroi DC (May 19)
- Added SWG Sandbox (Feb. 16)
- DDoS service global (Jan.17)
- Launched Flex Mobility (Dec. 18)
- Enhanced SOC (May 21)
- Launched private connectivity with AWS (Sep. 16)
- Enhanced Omnibus (Oct. 18)
- Launched enterprise eSIM (Apr. 21)

- 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

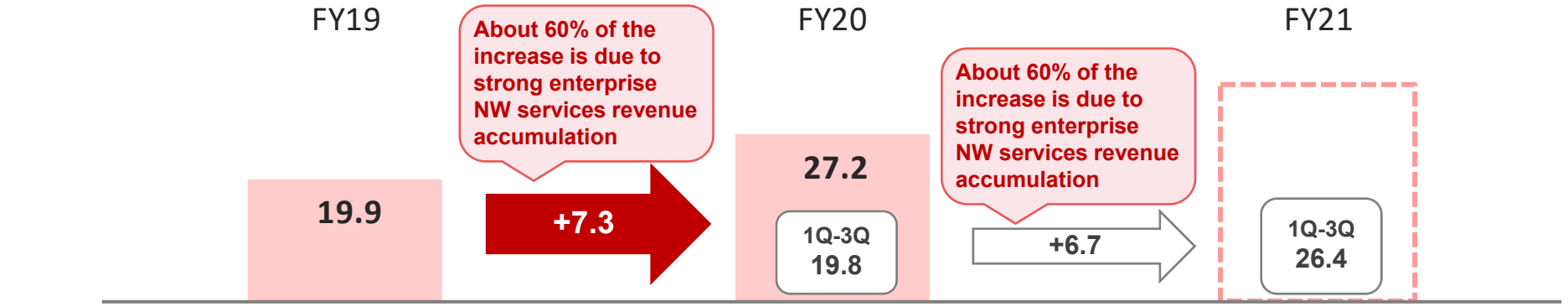
Profit Growth Driver: Enterprise NW Services

Unit: JPY billion (bn)

Revenues of Network Services



Gross Profit of Network Services



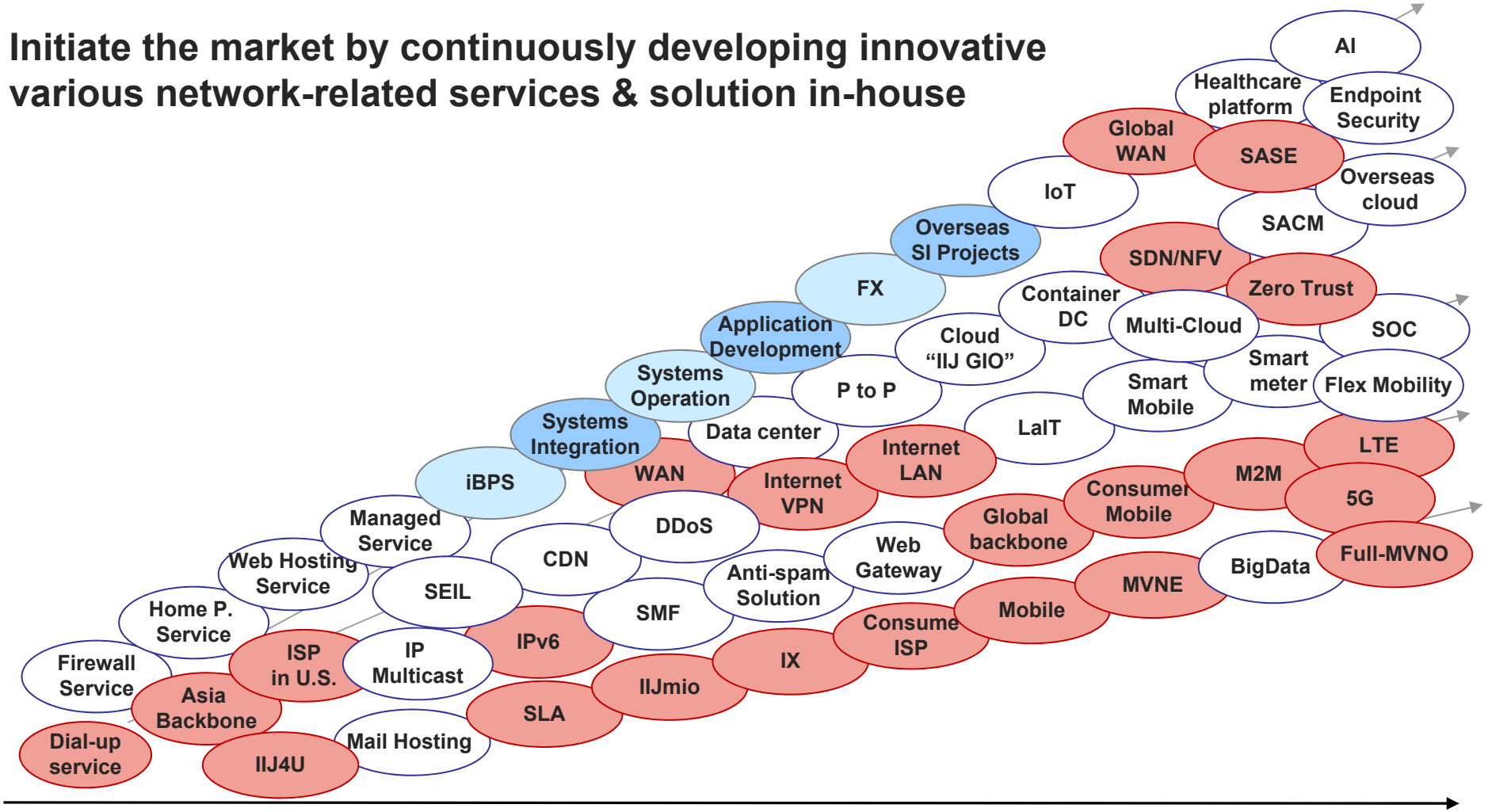
An economy of scale is realized in Enterprise NW Services because the major cost, written below, are not directly linked to the revenues

- Circuit leasing fees for Internet backbone
- Depreciation cost for network equipment
- Personnel cost for service development & operation
- Operation cost for data centers

*Year over year revenue increase of JPY3.4 bn for enterprise NW service includes year over year revenue decrease of JPY1.92 bn for WAN Services, which require circuit purchasing.

Service & Solution Development Capability

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



Excellent Customer Base (1)

- With the pioneer advantage, IIJ's current blue-chip clients base was mainly accomplished in the early 1990
- Long term relationship with low churn rate is mainly due to reliable operation and cross-selling strategy

Cover Most of Japanese Blue-Chip Companies

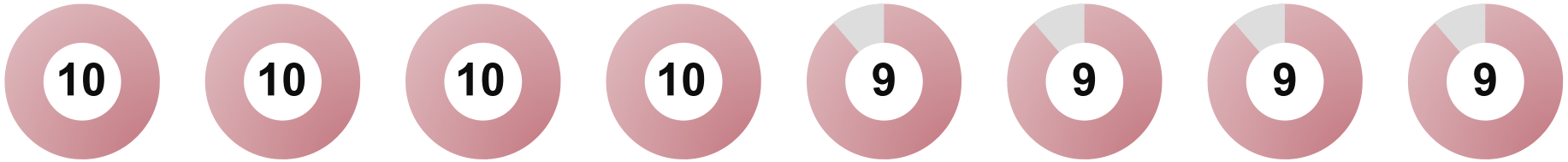
Approximately 13,000 clients as of March 31, 2021

Listed Companies | **Consumer ISPs** | **Local governments** | **Central government agencies**

And many more

Cover Most of Top Revenue Companies

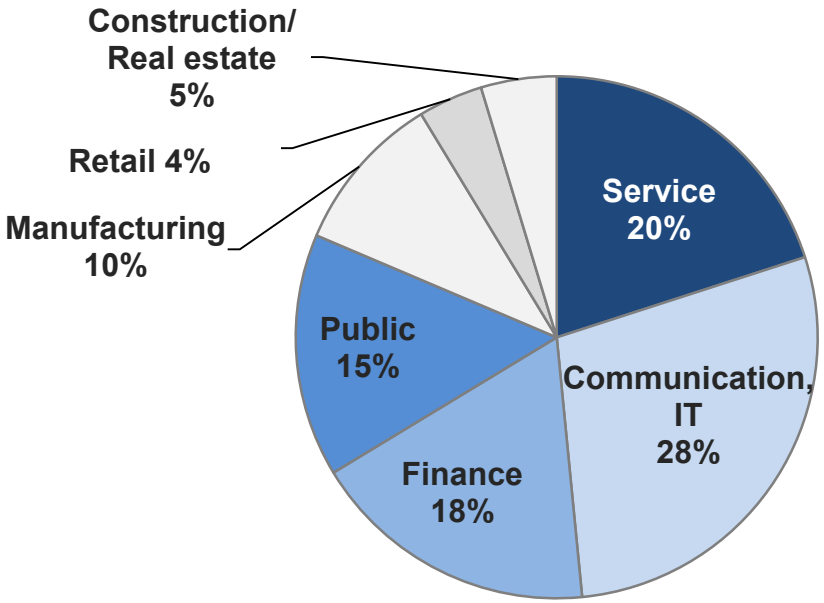
The number of IIJ clients among the top 10 companies in each industry (FY20 results)



Excellent Customer Base (2)

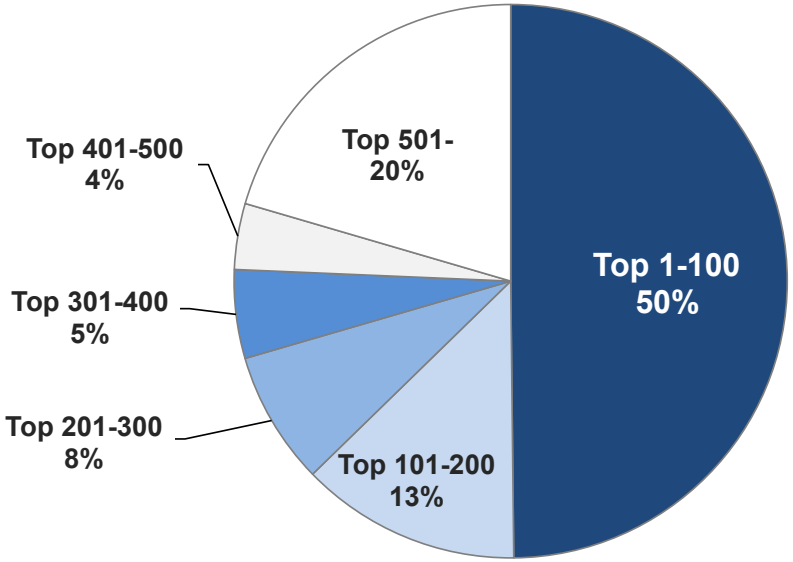
Based on IIJ's FY20 Financials

Revenue Distribution by Industry



- IIJ's client base is well diversified among industry sectors because what we offer, Internet connectivity and security for example, are needed by every industry

Revenue Distribution by Clients



- About 80% of the total revenue were generated from top 500 clients
  - Much room to grow revenue per customer from the current client base
  - Cross selling strategy is important
- Largest client revenue portion to the total revenue was less than 3%

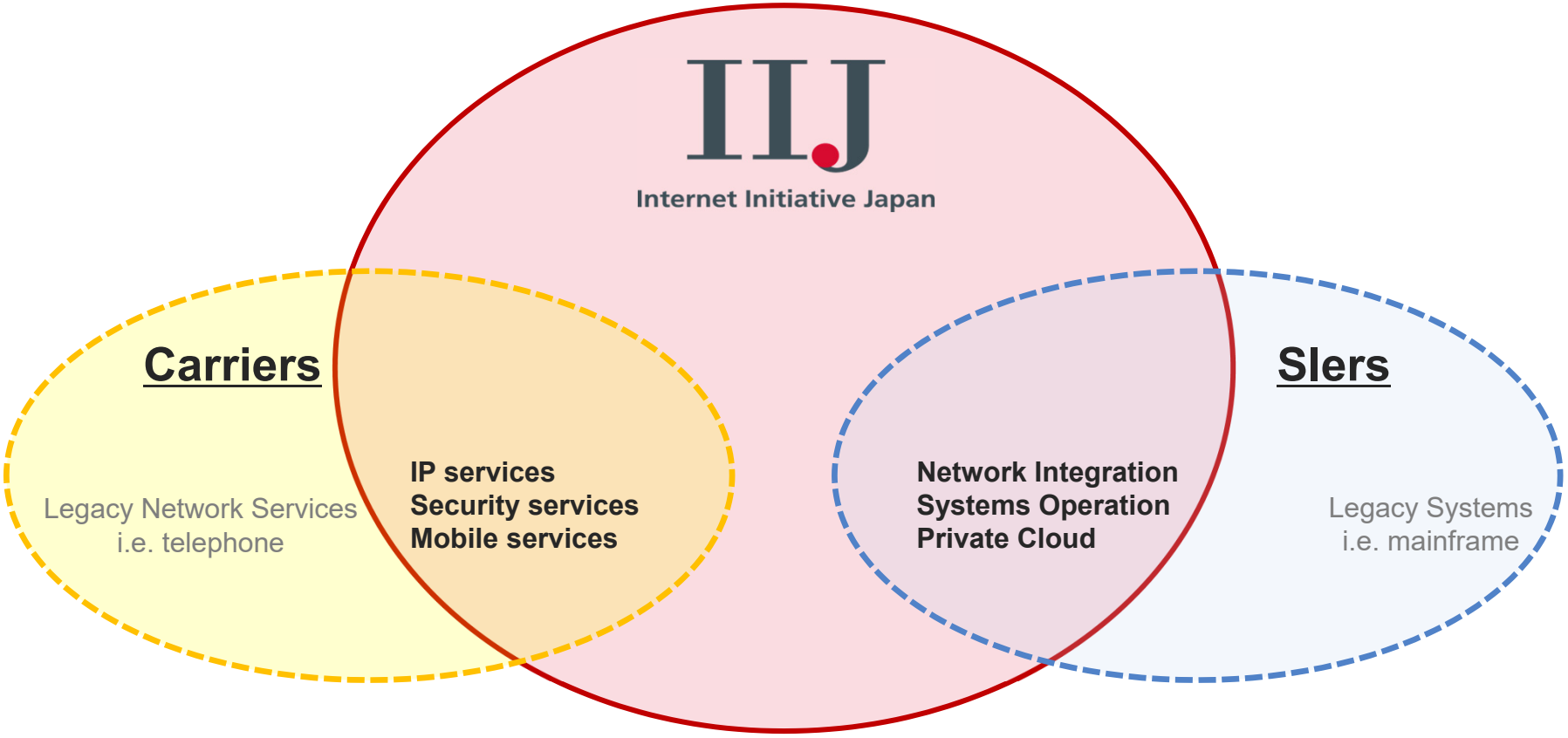
Competitive Advantages

Against Carriers:

- Highly skilled IP (Internet Protocol) engineers
- Faster to move than bureaucratic organizations
- Focuses on blue-chip companies' IT needs with SI

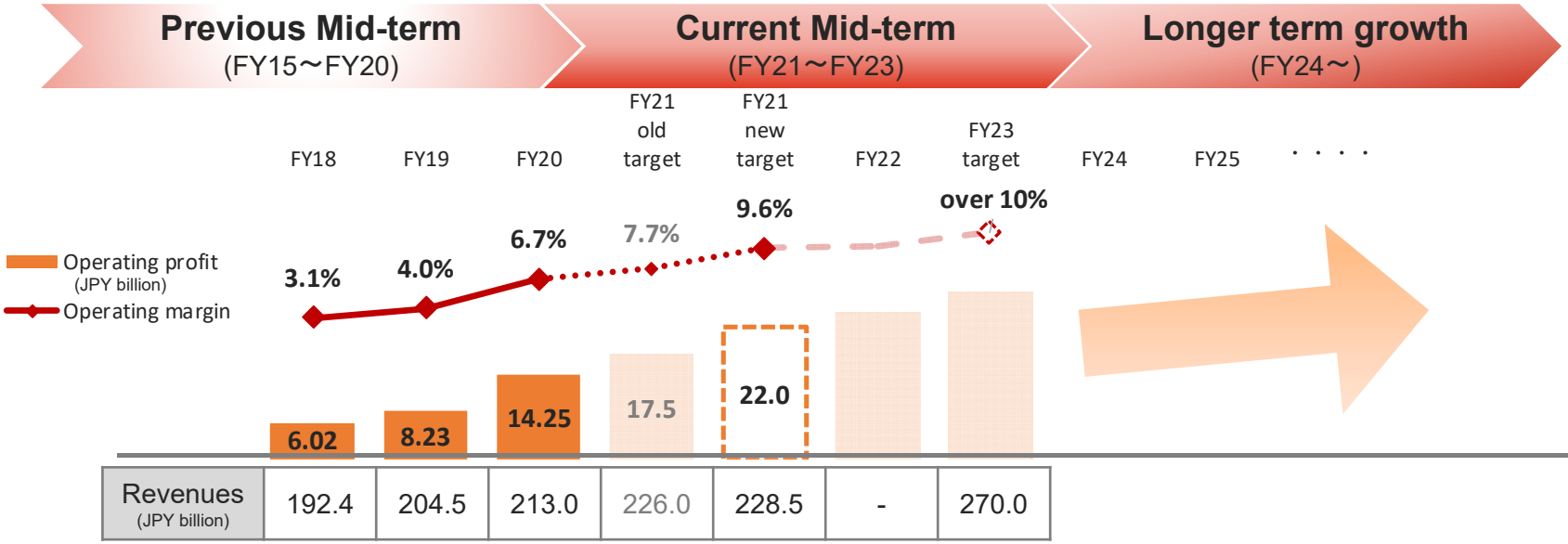
Against Systems Integrators (SIers):

- Operates one of the largest Internet backbone
- Network service development capability
- Focuses on Internet-related open type systems



Mid-term Plan (FY21-FY23)

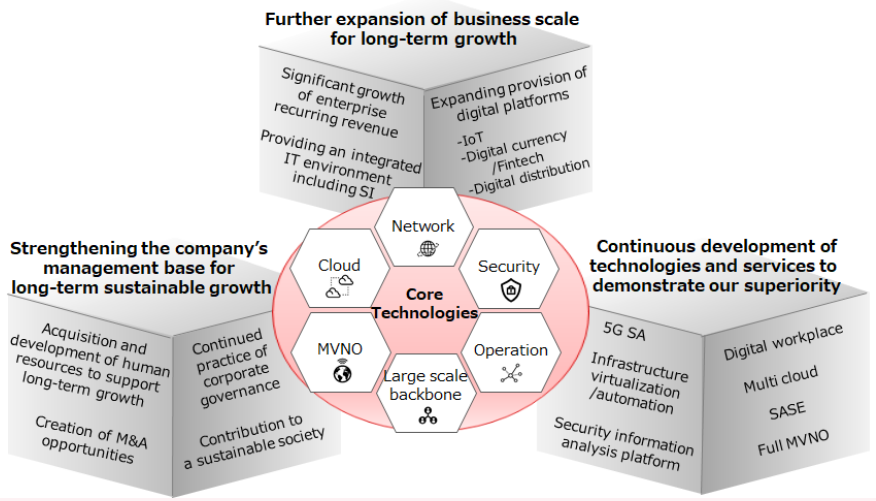
Mid-term Plan was announced in May 2021 and its operating margin target was updated in Nov. 2021



Revenues (JPY billion)	192.4	204.5	213.0	226.0	228.5	-	270.0

Key Points of the Mid-term Plan

- Develop services & solution continuously: enterprise Cloud, business Cloud, partner, industry specific Cloud
- Execute & strengthen the current strategy, target to achieve operating margin over 10%
  - Updated the operating margin target to “over 10%” from “over 9%” on Nov. 5, 2021
- Market capital to largely increase: further business expansion for long-term including M&A opportunities
- Contribute to sustainable Network society from technology innovation and NW operation perspective



Growth Strategy Going Forward

Growth Drivers: Various IT usages in Japan to increase

Office IT usage
Hybrid workstyle, Web meetings, SaaS etc.

Security
As Internet becomes a critical infrastructure

Management of IT system
As enterprise systems become more complicated

Business IT usage
Integrating Internet to BtoC/BtoB businesses etc.

Cloud shift & SI
As enterprise systems become more network-based

Advanced IoT
Growing interests in automation & higher productivity etc.

And more

Growth Strategies: Enhancement of the current growth strategies

Network	◆ Continuously enhance enterprise NW service offerings by developing new services & functions ◆ Continuously execute cross-selling strategy to increase blue-chip clients' loyalty and maintain low churn rate ◆ Capture growing needs to outsource enterprise IT department function with the comprehensive service lineups
Systems	◆ Greater opportunity to leverage the business model of having Network & SI with Cloud shift, advanced IoT etc. ◆ Target Cloud migration of large enterprise internal systems, currently on-premise and managed by legacy SIers ◆ Seek M&A opportunities to secure resources including engineers
Profitability Improvement	◆ Enterprise NW: accumulate enterprise NW services revenues which have an economy of scale ◆ Mobile: achieve higher mobile infrastructure utilization by mainly gathering more enterprise IoT traffic ◆ SI: accumulate more operation and maintenance revenue which is higher margin than construction
New Businesses	◆ Leveraging accumulated assets including close client relationship to engage in FinTech (DeCurret), Contents Delivery Network (JOCDN) and other markets that are expected to expand

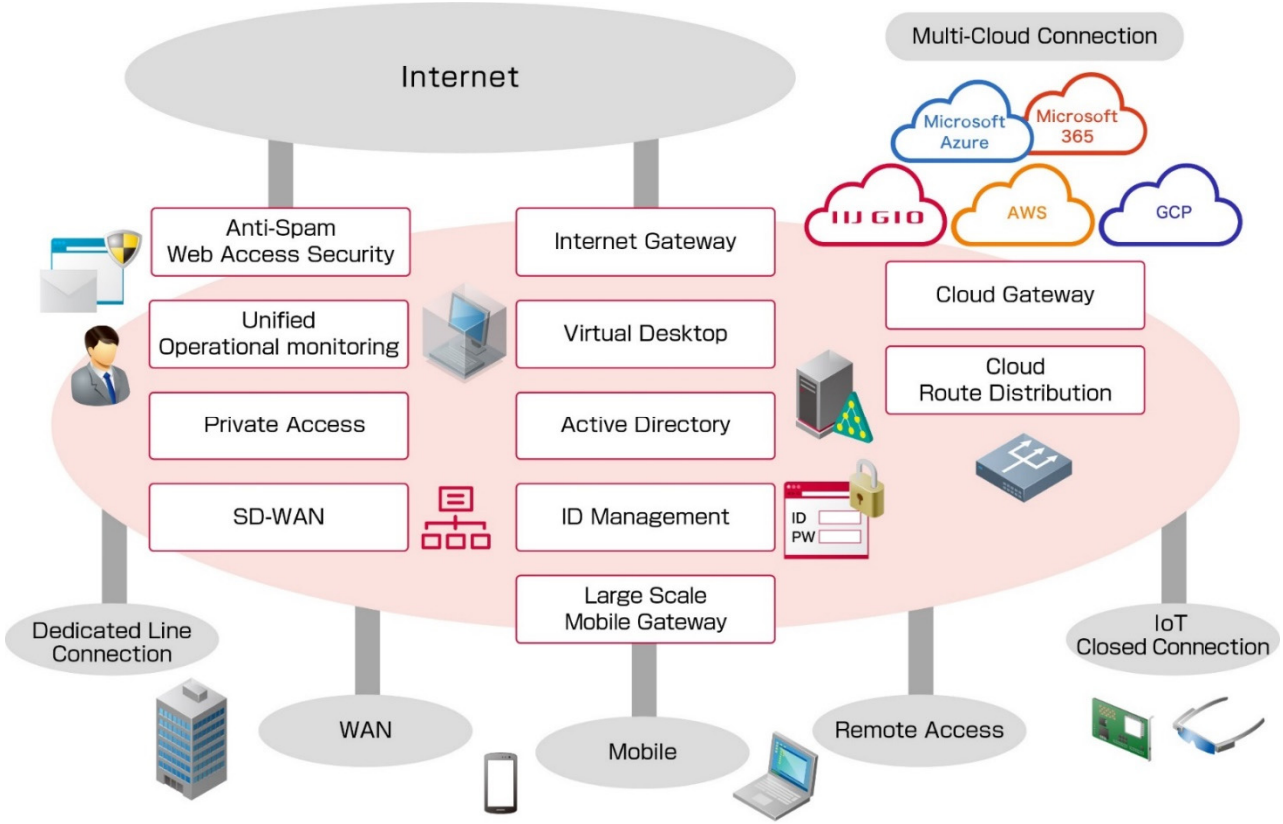
Business Details

Enterprise Network Services (1)

- **Continuously developing and operating various network services to promote further IT utilization and advancement by Japanese enterprises**
- **Cross-selling these various highly reliable and value-added monthly recurring revenue services to fully meet Japanese enterprises' needs**

IIJ's enterprise network services

Enterprise network services revenues are recognized in Internet connectivity services for enterprises, Outsourcing and WAN services



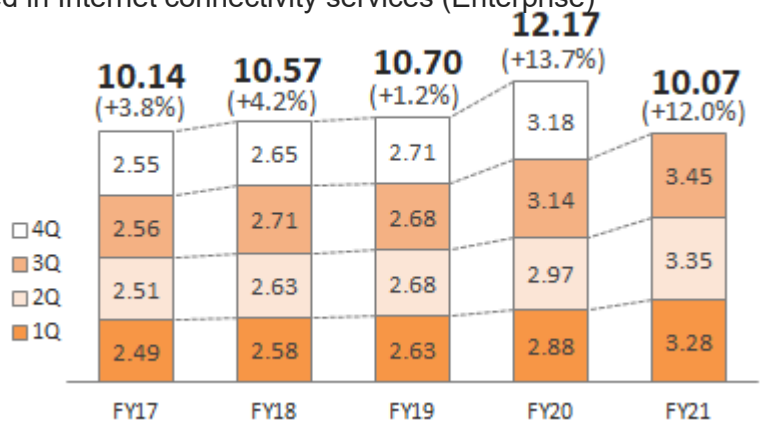
Enterprise Network Services (2)

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

◆Revenue

- IP services are contracted based on bandwidth base
  - IP 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
  - IP service revenue (below bar graph, unit: JPY billion) is 100% recognized in Internet connectivity services (Enterprise)

Unit: JPY million



- Very low churn rate. Minimum contract period is 1 year.
  - Contracts are renewed every year, generally speaking
- IIJ has very high and stable market share among Japanese blue-chip (IIJ survived the tough price competition)
  - Enterprise Internet connectivity market in Japan is already matured (every company is already using Internet).
    - ✓ Difficult to enter the market because one will need: 1) customer base and 2) know-hows to generate revenue
  - IIJ's internet connectivity services clients include general Japanese enterprise as well as network operators such as consumer ISPs, cable TV operators

◆Cost

- IIJ purchases physical fiber from carriers
  - As one of the largest independent ISPs, IIJ has strong buyer power when purchasing fiber. IIJ can pick the best deal when expanding Internet backbone.
  - IIJ expands its Internet backbone continuously; expanding capacity on a monthly basis.
  - Fiber purchasing cost is recognized as circuit-related cots
- IIJ 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

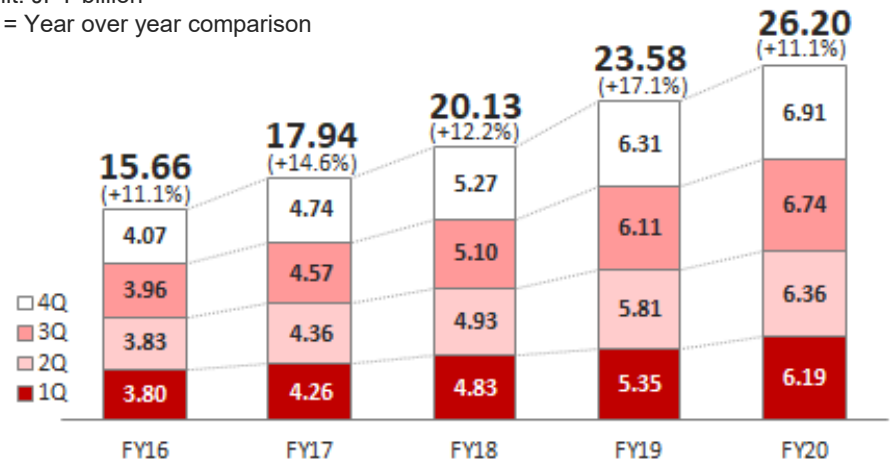
- Enterprise network service revenues especially IP services and Outsourcing services continue to increase while their costs remain relatively stable.
- By that, IIJ can enjoy economy of scale with strong revenue accumulation which leads to profit expansion.
- In other words, the costs for enterprise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

Cloud Business (1)

- **Cloud shift of Japanese enterprises' large internal core systems just began**
- **With Cloud services, IIJ can approach IT system areas that have traditionally been covered by legacy SIers**

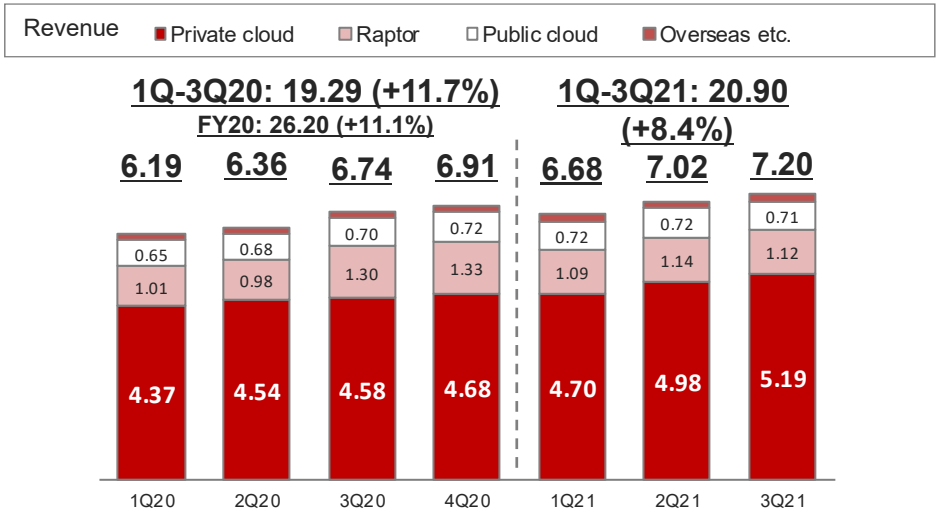
IIJ's Cloud Revenue (recurring)

Unit: JPY billion
% = Year over year comparison



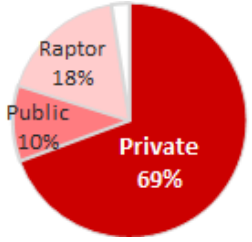
Cloud-related CAPEX	FY16	FY17	FY18	FY19	FY20
	3.6	7.9	2.2	2.6	2.8

- FY17 Cloud-related CAPEX includes 3.0 billion of Cloud-related CAPEX that was originally planned for in FY18



- 3Q21 revenue recognition
  90.2% Systems operation and maintenance (mainly private cloud which includes multi-cloud)
  9.8% Outsourcing service (mainly public cloud)

IIJ's Cloud Service Offerings: Mainly IaaS (Infrastructure as a Service)



- Based on FY20 IIJ's results

- Private Cloud services and other services that are similar to systems integration, meeting specific needs, are recognized in systems operation and maintenance
- Public Cloud services which are similar to conventional web hosting services or simple network services in nature are recognized in Outsourcing services
- Raptor (ASP foreign exchange system developed by IIJ) is currently used by 22 FX service providers including Hirose Tusyo, LINE Securities, au Kabucom, Nomura Securities and Sony Bank
- Others include overseas Cloud services

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

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

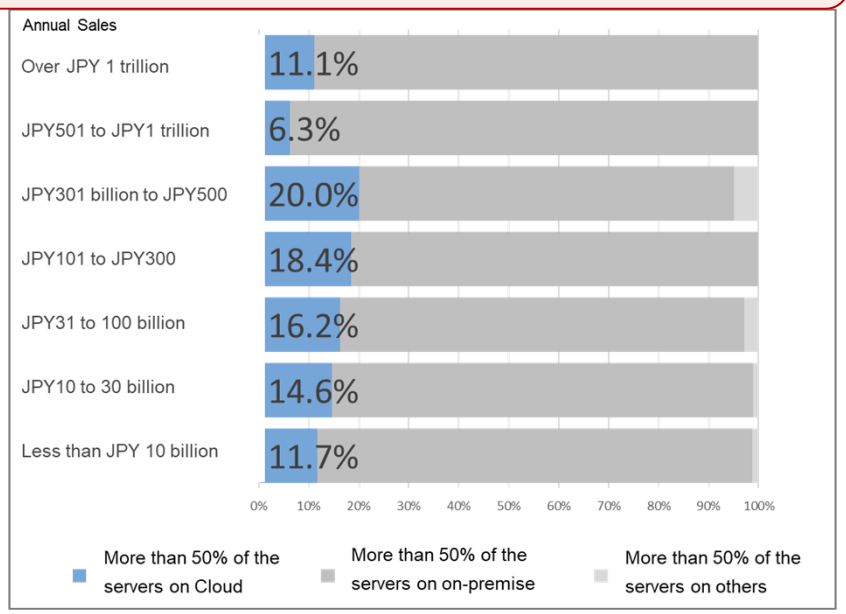
- **Revenue**
  - Revenue is to increase along with an increase in Cloud clients and each system volume
    - System volume depends on a number of cloud servers, volume of storage etc.
- **Cost**
  - Depreciation and amortization cost for servers and other network equipment, outsourcing cost and personnel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

Cloud Business (3)

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 IIJ Cloud (3,500 servers, 2PB storage) etc.

Still so many assets on Cloud:
Only 20% of the surveyed clients had shifted more than 50% of the servers to Cloud



Source: "Nationwide report on IT department 2021" published by IIJ in July 2021 (n=737)

Recent Cloud Business Trend

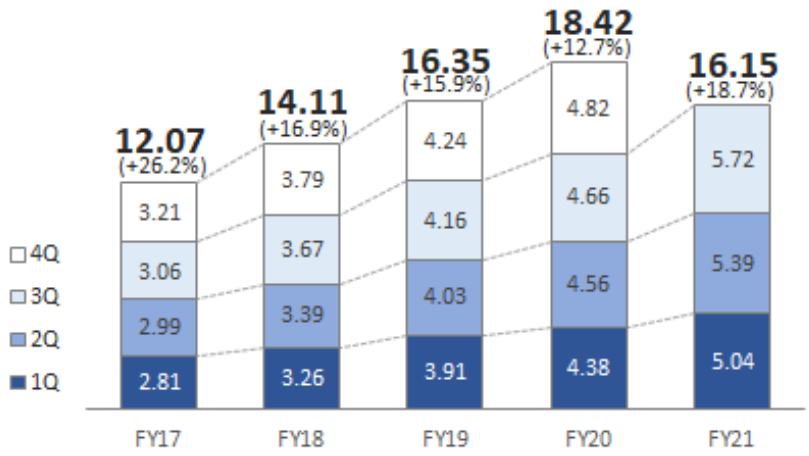
- **IIJ's private cloud revenue grew as demands for multi-cloud continued**
  - Multi-cloud demands are generating demands for "IIJ Cloud Exchange Services" (revenue recognized in Network Services) which provide private connectivity to third vendor Cloud services such as AWS (Amazon), Microsoft, and Google
  - "IIJ 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)

- **Continuously developing new services and expanding service functions**
- **Japanese enterprises used to see security measures as cost, but now they understand them as great necessity**

IIJ's security service revenue (recurring)

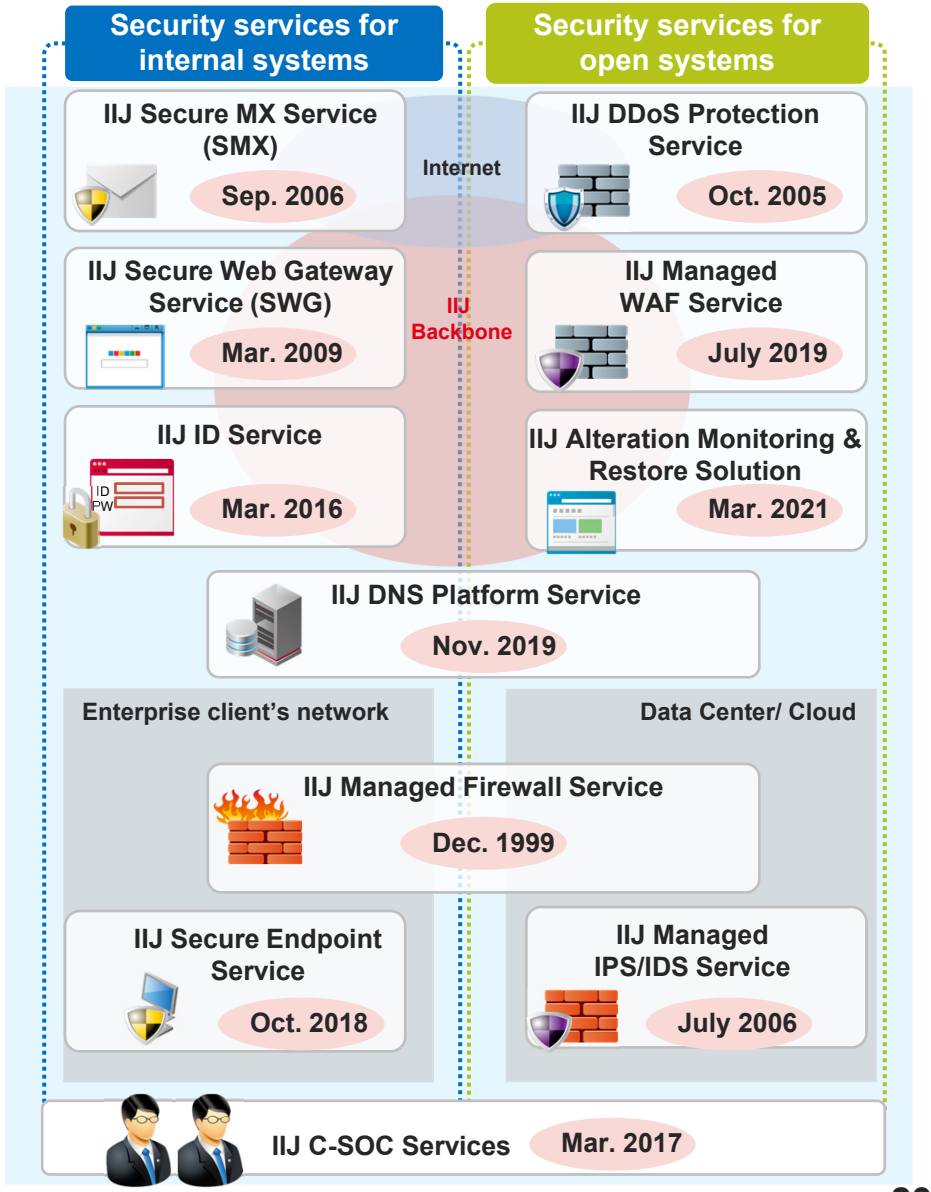
Unit: JPY billion
% = Year over year comparison



Total security revenue (services + SI)	FY17	FY18	FY19	FY20	1Q-3Q21
	14.62	16.77	19.18	21.47	11.91

- Security service revenue (recurring) is 100% recognized in Outsourcing services
- "Security services" is a general term for individual security service such as mail security, firewall, Web filtering, DDoS protection, SOC service, and Endpoint (EDR)

Various & Multi-layer service lineups developed in house



Security Business (2)

Strong & various demands continuing

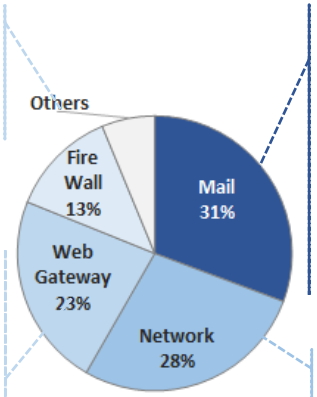
- Conventional Security services such as SMX and SWG continued to accumulate orders
- IIJ C-SOC Service is accumulating orders since the service launch and growing its revenue
  - Differentiating by leveraging comprehensiveness as ISP and intelligence unique to IIJ etc.
- SASE revenue growing by accumulating network projects with “Global SASE with IIJ Omnibus Prisma,” launched in Dec. 2020 & “Global Web Security Zscaler ZIA,” launched in Mar. 2019
- Opened “IIJ Security Training School” in Jan. 2022 as a new area of Security business
- Total security business volume (Service + SI)
  - 1Q-3Q21: ¥18.39 bn (+16.7%)
  - Meet security needs that are not offered by our services through SI

- 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.

Breakdown of IIJ’s security service revenue

Managed firewall services, detecting behavior etc.

Full-outsource of web security, URL filtering, anti-virus functions etc.



Full-outsource of mail system, prevention of wrongly sending mails, protection against targeted spam mails, sandbox etc.

DDoS protection, IPS/IDS, WAF etc.

- Based on IIJ’s FY20 results

IIJ’s Competitive advantage of having them all

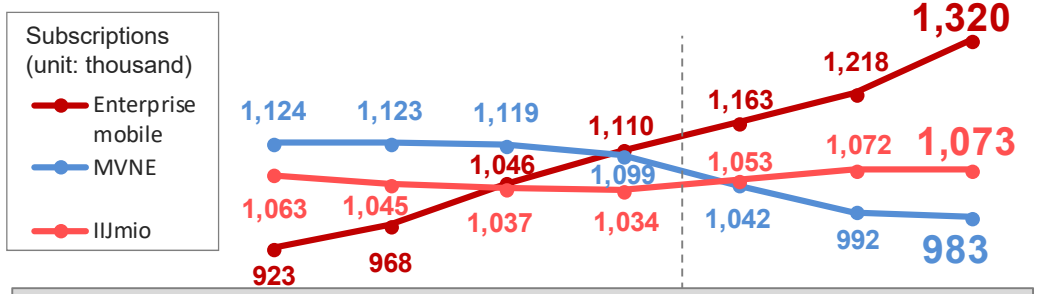
	IIJ	Security vendors	System integrators
Network	✓	none	none
Analysis platform	✓	somewhat	somewhat
Operation and monitoring facility	✓	✓	✓
System integration	✓	none	✓

Mobile Business (1)

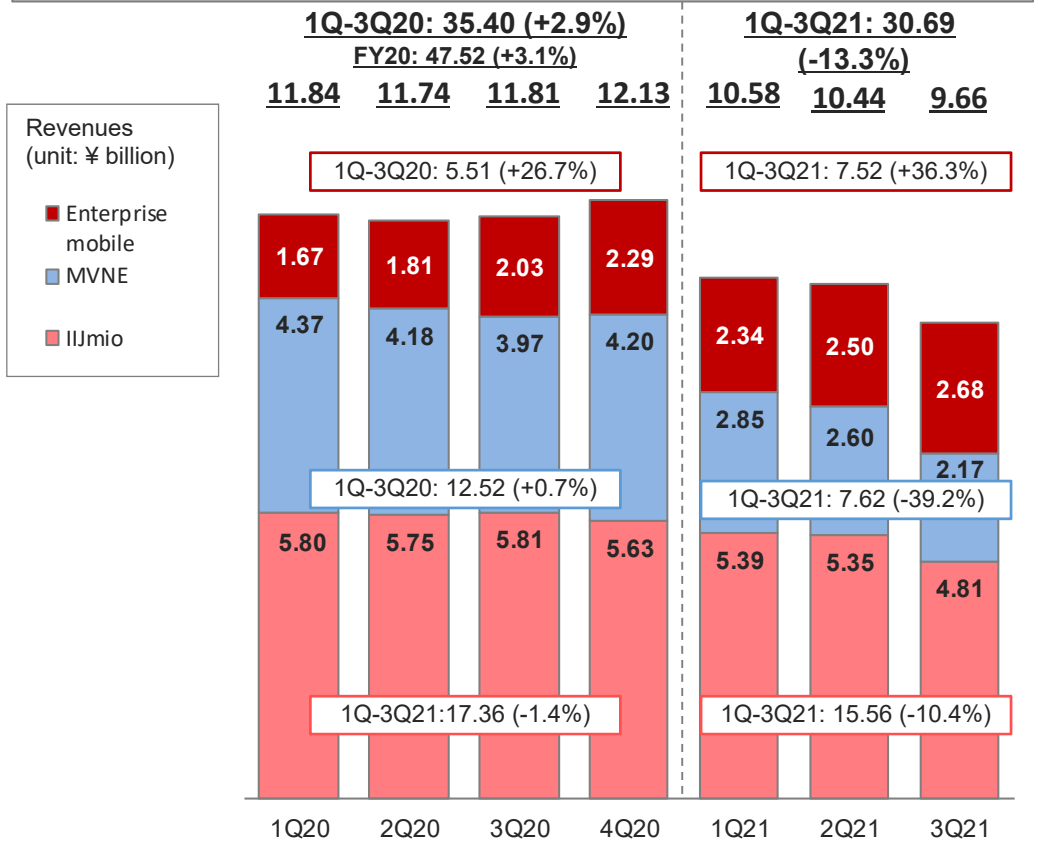
Unit: ¥ (JPY) billion (bn)
%, YoY = Year over year comparison
QoQ = Quarter over quarter comparison

Business Details

Subscription (Subs.)



Revenue



◆ Enterprise mobile

- 1Q-3Q21 revenue: ¥7.52 bn (+¥2.00 bn YoY)
- 3Q21-end subs:1,320 thousand (+102 thousand QoQ)
  - ✓ Our enterprise IoT business continues to expand with strong demands for surveillance camera, GPS tracker, dashboard camera connections as well as additional line orders from the existing projects.

◆ MVNE

- 1Q-3Q21 revenue: ¥7.62 bn (-¥4.91 bn YoY)
  - ✓ Impacted by the decrease in purchasing unit charge and a large MVNE client switching to another operator due to M&A
- 3Q21-end subs: 983 thousand (-9 thousand QoQ)
  - ✓ QoQ decrease is mainly due to a large MVNE client switching to another operator due to M&A
- 3Q21-end MVNE clients: 165 (+7 clients YoY)
  - ✓ Cable TV operators (88 operators), prominent retailer etc.

◆ IIJmio (consumer mobile)

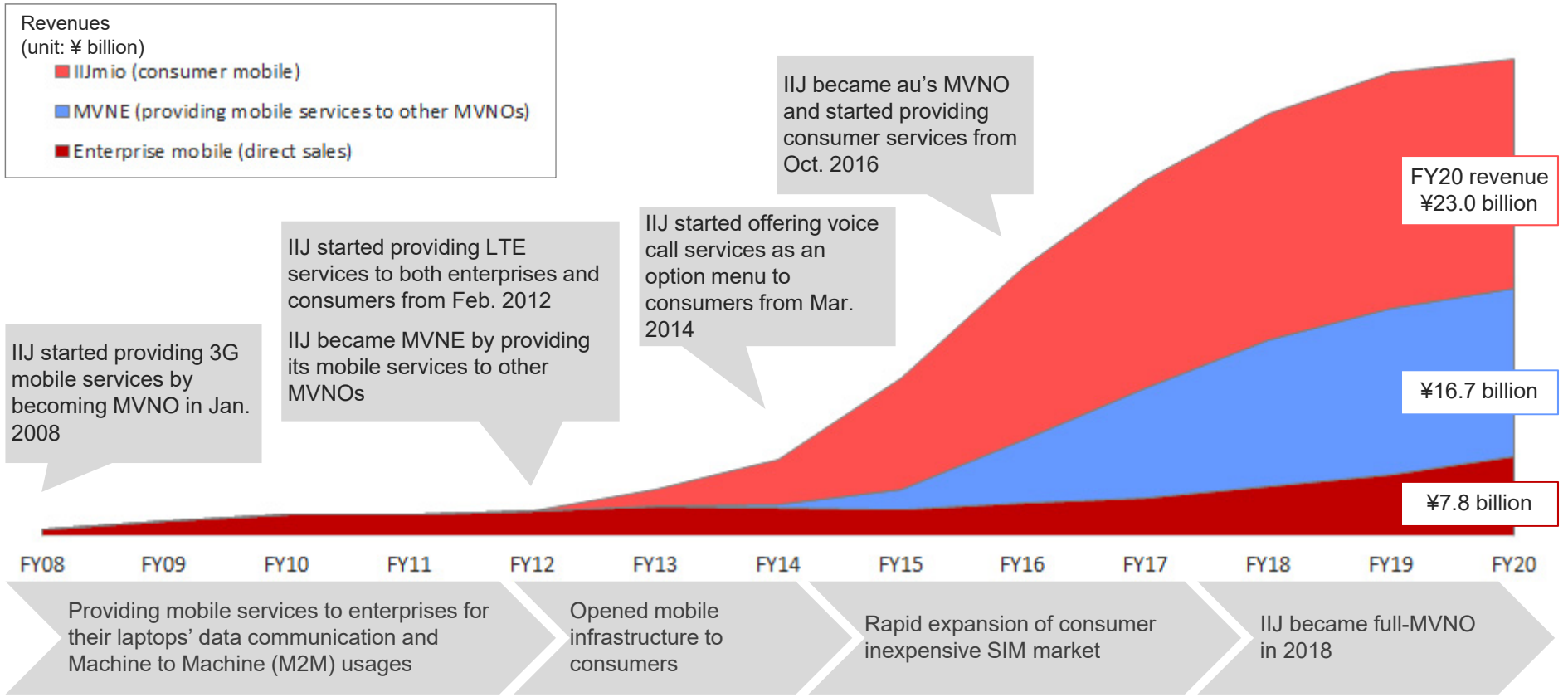
- 1Q-3Q21 revenue: ¥15.56bn (-¥1.81 bn YoY)
- 3Q21-end subs:1,073 thousand (1 thousand QoQ)
  - ✓ New plan “GigaPlans” launched on Apr. 1, 2021

GigaPlans’ subscription			
	1Q21-end	2Q21-end	3Q21-end
Subs. (unit: thousand)	462	556	607
Of which, new users	17%	30%	34%

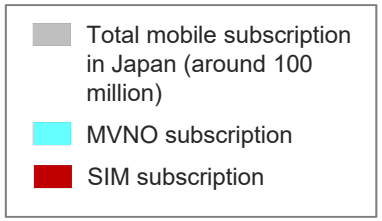
  - ✓ Top MVNO market share 18.2% (MM Research Institute’s survey as of the end of Sep. 2021). The share increased by GigaPlans

- MVNE (Mobile Virtual Network Enabler) aka “IIJ Mobile Platform Services”: Revenue are generated by providing mobile services to other MVNOs who want to provide mobile services to their consumer customer base.
- Enterprise mobile: Deducting MVNE from IIJ Mobile
- IIJmio: Brand name for IIJ’s consumer mobile services. IIJ provides the service through its website (direct sales) and sales partners
- 3Q21 full-MVNO revenue: ¥1.02 bn (89.1% Enterprise mobile, 10.9% IIJmio)
- ARPU is an abbreviation for Average Revenue Per User

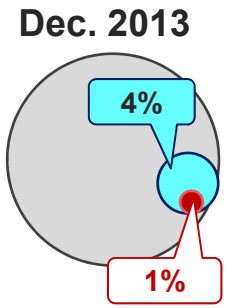
Mobile Business (2)

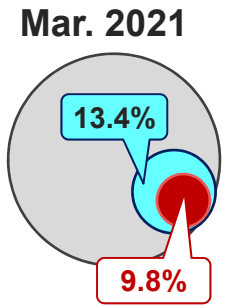


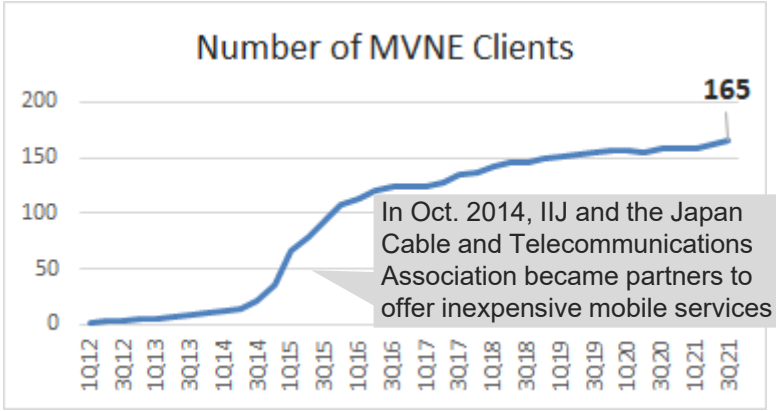
Rapid expansion of consumer inexpensive SIM market



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







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
    Details of the case can be found here: https://www.iij.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

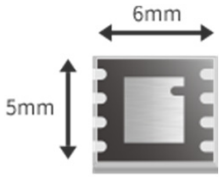
Transportation	Corporate Activities / Other	
Dashcams	Structural health monitoring terminals	Rice paddy water management
Taxi dispatching	Plant equipment management	Shrimp cultivation
Bus locational information	Natural disaster observational data collection	Mobile sales offices
Remote key locking and unlocking	Vending machines	Digital signage

Mobile Business (4)

Business Details

New forms of SIMs

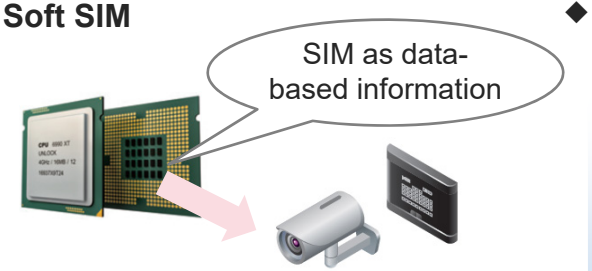
◆ **Chip SIM**



Chip SIM

- Embedded Chip-type SIM (M2M UICC)
- Can handle a wide range of temperature environments and it is resistant to vibrations and corrosion.

◆ **Soft SIM**



- A communication module given SIM functions where the information required for mobile communications is logically written in internal memory

◆ **eSIM (embedded SIM)**

- Maintaining our own subscriber management features allows us to provide an eSIM service

Recent enterprise mobile case studies

➢ Strong demands for remote monitoring using network cameras. Also seeing demands for remote management demand to realize automation and man power reduction

Various network camera connection projects

- ➢ Retail marketing
- ➢ Facility remote maintenance
- ➢ Motion detector
- ➢ Reception system
- ➢ River monitoring
- ➢ Trains & high ways monitoring
- ➢ Dashboard recorder

etc.

5G Business Initiatives

➢ Developed Japan's first 5G SA-compatible eSIM (Nov. 2020)
- 5G SA (standalone) is upcoming mainstream 5G mobile communications

➢ Launched 5G services (au) for enterprises (Oct. 2020)

➢ Local 5G business: established JV (Grape One) with SUMITOMO CORPORATION and some cable TV operators
- Local 5G networks: dedicated 5G networks operated by local governments and companies in keeping with diverse needs of their respective communities and industries
- Cable TV operators, serving as local media, can leverage their own large-capacity bidirectional infrastructure to play key role in local 5G-based community development

Mobile Business (5)

Launched new consumer mobile plan (Apr. 2021)

- New consumer mobile plan “GigaPlans” subscription
  (Old plan’s users migration stared from May 1)

	1Q21-end	2Q21-end	3Q21-end
GigaPlan’s subscription (approx., unit; thousand)	462	566	607
Of which new users (approx.)	17%	30%	34%

- Please refer to P. 56 of this presentation for more detail on the mobile unit charge
- Please refer to P. 57 of this presentation for a table comparing old and new consumer mobile plans

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 December 31, 2021, IIJ had 165 MVNE clients
     - ✓ Largest MVNE client is one of the largest Japanese retailers
     - ✓ 88 out of 165 MVNE clients are Japanese cable TV operators who already have direct relationship with consumers

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

MVNO Penetration in Japan

- Consumer MVNO share as of Sep. 2021 *1
  - IIJ 18.2%
  - NTT Communications (brand name: OCN mobile) 13.5%
  - OPTAGE (brand name: mineo) 9.6%
  - Biglobe 6.6%
  - Rakuten Mobile 6.4%

MVNO share in other countries *2

Germany	47.5%	Spain	16.8%
Canada	28.8%	The US	13.8%
France	26.9%	Italy	12.1%
The UK	18.6%	South Korea	12.1%

*1 Published by the MM Research
*2 “MVNO Market Maintains Upward Trajectory” by Pete Bell in Apr. 2019
https://blog.telegeography.com/mvno-market-maintains-upward-trajectory

Mobile Business (6)

- **Main strategy: accumulate enterprise IoT traffic by leveraging blue-chip client base, various network services & SI function – higher utilization of the mobile infrastructure**
- **Consumer subscription contributing to expand the infrastructure**

Business model of IIJ's Mobile Business

◆ Revenue

- IIJmio (consumer mobile) revenue is calculated by subscription times ARPU (Average Revenue Per User)
  - 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 capacity 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

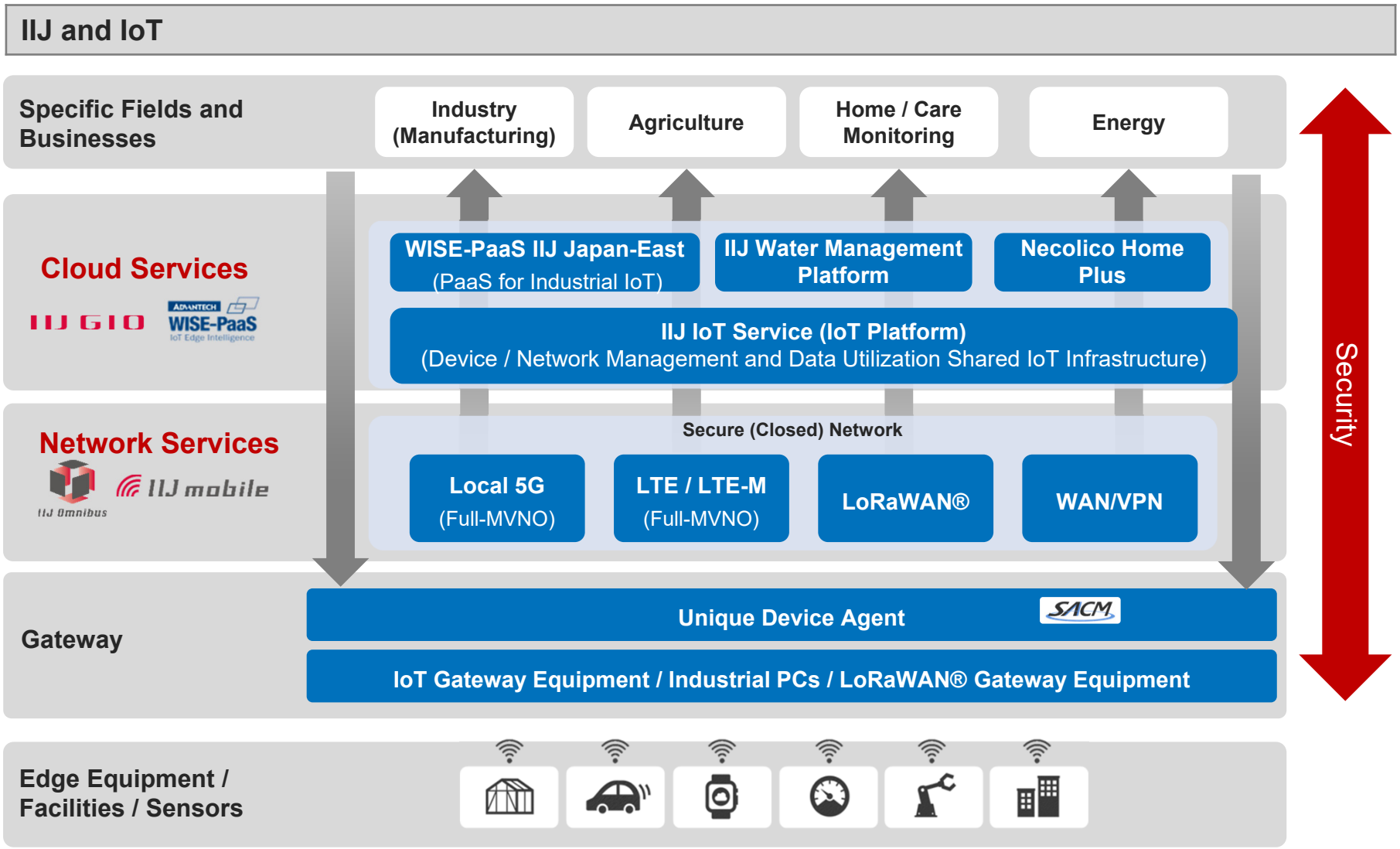
- Profitability to increase by improving infrastructure utilization through gathering various consumer & enterprise traffic
  - Traffic patterns of consumers and enterprises are different
    - ✓ Consumers' peak time is commuting hours and lunch break. Other than these hours, our consumers tend to access 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
  - Currently, purchasing mobile capacity to meet the peak time of consumers (commuting hours and lunch break)
    - ✓ Mobile infrastructure utilization is still quite low except for those peak time of consumers

◆ 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
  - Because traffic patterns of consumers and enterprise/IoT are different, by gathering

IoT Business (1)

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



IoT Business (2)

IoT projects

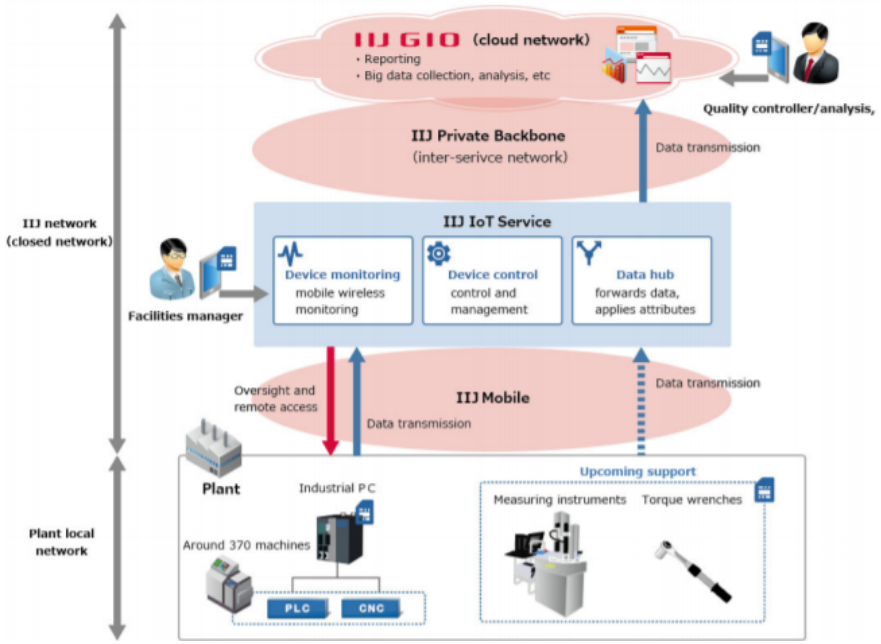
Industrial machinery manufacturers	Shift from reactive post-sales maintenance model to proactive field services (making predictions based on data)
Car accessory manufacturers	Expansion of service businesses by acquiring data through the networking of products and establishing software technology development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

Advanced 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



Consolidated Financial Results for 1Q-3Q21

(April 1, 2021 to December 31, 2021)

Announced on February 8, 2022

Summary of 1Q-3Q21

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

Financials

Revenue & Profit structurally growing with Enterprise Recurring Revenues Accumulation

Capturing growing demands for IT utilization by leveraging our network (NW) infrastructure and service assets, and development/operation capabilities accumulated over the mid- to long-term

Revenues	Operating Profit	Operating Margin	Net Profit
¥165.6 bn +6.1%	¥16.3 bn +60.9%	9.8% +3.3 Pt	¥11.5 bn +96.1%

Network Service (excluding Mobile)

- IP Services revenue ¥10.1 bn +12.0% Continuously increased with growing enterprise Internet traffic
- Outsourcing services revenue ¥29.8 bn +13.5% In addition to Security services, strong demands for VPN and NW management
  - Of which, Security services ¥16.2 bn +18.7% Led by conventional services (i.e. gateway security) & newer services (i.e. C-SOC & SASE)
- WAN services revenue ¥19.4 bn +4.3% Opportunities for providing WAN services increasing as a part of enterprises NW

Mobile (Enterprise & Consumer)

- Total mobile subscription (3Q-end) 3,375 thousand (+93 thousand QoQ)
- Enterprise (excluding MVNE) revenue: ¥7.5 bn +36.3%
  Accumulating IoT related orders by our advantages of full-MVNO, blue chip customer base, and network related solutions
- GigaPlans subscription (3Q-end) 607 thousand (of which 34% were new users,+51 thousand QoQ)
  - Top MVNO market share 18.2%, increasing the share with GigaPlans (MM Research Institute's survey, the end of Sep. 21)
- FY20 Docomo's mobile interconnectivity cost (unit charge) was fixed (Dec. 21) which decreased by 12.7% YoY, Onetime cost reimbursement in 3Q

Systems Integration (SI)

- SI Construction: Revenue ¥24.4 bn +12.6% Order-received ¥26.5 bn +10.7% Order backlog (3Q-end) ¥11.3 bn +15.3%
  - Continuous strong demands for network integration such as adopting Cloud services for Internet gateway, strengthening Internet security, and constructing DR environment
- Financial impacts from PTC consolidation (consolidated from Apr. 1, 2021)
  - Revenues ¥5.30 bn Operating profit ¥0.26 bn Slightly weaker than expected mainly due to behavior restrictions caused by the Pandemic

Topics

- ◆ Construct 2nd site of Shiroi DC to absorb growing demands for racks through FY2027 by gradually operating from Apr. 23
- ◆ Launched a new remote access service "IIJ Flex Mobility Service/ZTNA" enhancing Zero Trust concept (Jan. 22)
- ◆ "IIJ GIO Infrastructure P2" was registered on ISMAP, Japanese government's Cloud service list (Dec. 21)
- ◆ DeCurret HLD, an equity method investee, divested its crypto asset exchange business to focus on digital currency business. (Feb. 22)

- Net Profit is "Profit for the period attributable to owners of the parent"
- Please refer to page 18 of this document for the details about our Security services such as C-SOC and SASE
- ISMAP (Information System Security Management and Assessment Program) is Japanese government's program for assessing the safety of Cloud services

FY21 Financial Targets (upward revision in Nov. 2021)

Unit: ¥ (JPY) billion (bn)

	% of Revenues FY21 Targets (Revised in Nov. 2021)	% of Revenues 1Q-3Q21 Results (Apr. 2021 - Dec. 2021)	Progress	% of Revenues FY20 Results (Apr. 2020 - Mar. 2021)	YoY (Comparison b/w FY21Targets & FY20 Results)	
Revenues	228.5	165.6	72%	213.0	+7.3%	+15.50
Cost of Sales	78.2% 178.7	77.8% 128.8	72%	81.1% 172.7	+3.5%	+5.98
Gross Profit	21.8% 49.8	22.2% 36.8	74%	18.9% 40.3	+23.6%	+9.52
SG&A etc.	12.2% 27.8	12.4% 20.5	74%	12.2% 26.0	+6.8%	+1.77
Operating Profit	9.6% 22.0	9.8% 16.3	74%	6.7% 14.2	+54.4%	+7.75
Profit before tax	9.4% 21.5	10.6% 17.6	82%	6.6% 14.0	+53.2%	+7.47
Net Profit	6.0% 13.7	7.0% 11.5	84%	4.6% 9.7	+41.1%	+3.99

FY21 outlook as of 3Q21 earnings announcement day (Feb. 8, 2022)

◆ Revenues are to be slightly weaker than FY21 target mainly due to PTC revenues

◆ Operating Profit is to exceed FY21 target mainly due to accumulation of network services & cost reduction for Mobile services

◆ Profit before tax is to exceed FY21 target by absorbing the loss generated from the divestment of DeCurret's crypto asset business

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

Consolidated Financial Results

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

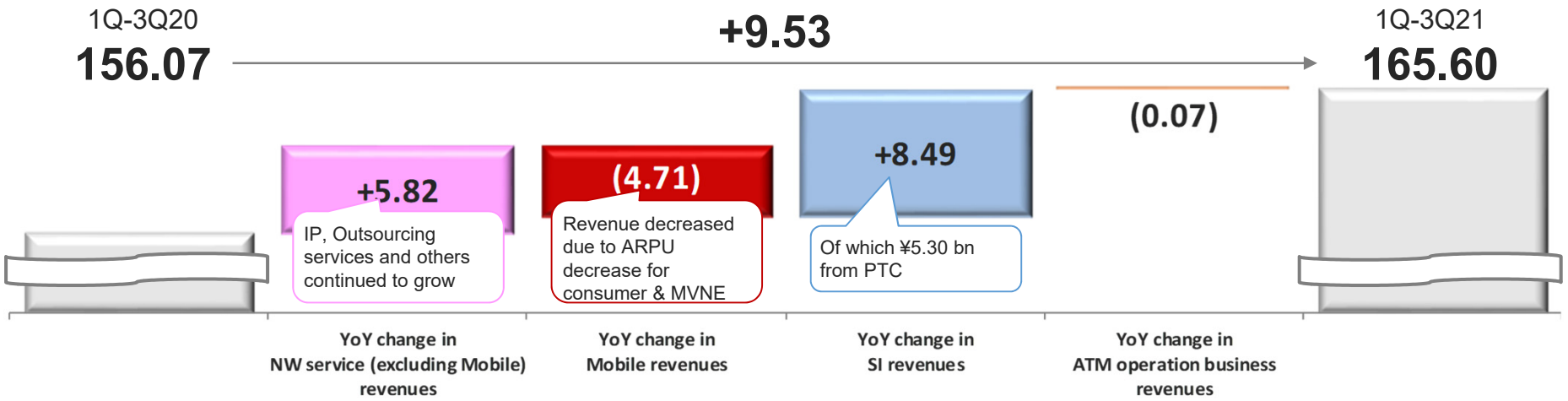
	% of revenue 1Q-3Q21 Results Apr. 2021 - Dec. 2021	% of revenue 1Q-3Q20 Results Apr. 2020 - Dec. 2020	YoY		% of revenue FY21 Targets (Revised in Nov. 2021) Apr. 2021 - Mar. 2022	YoY	
Revenues	165.60	156.07	+6.1%	+9.53	228.5	+7.3%	+15.50
Cost of Revenues	77.8% 128.82	81.5% 127.27	+1.2%	+1.54	78.2% 178.7	+3.5%	+5.98
Gross Profit	22.2% 36.78	18.5% 28.80	+27.7%	+7.99	21.8% 49.8	+23.6%	+9.52
SG&A etc.	12.4% 20.49	12.0% 18.67	+9.7%	+1.82	12.2% 27.8	+6.8%	+1.77
Operating Profit	9.8% 16.30	6.5% 10.13	+60.9%	+6.17	9.6% 22.0	+54.4%	+7.75
Profit before tax	10.6% 17.60	5.9% 9.23	+90.7%	+8.37	9.4% 21.5	+53.2%	+7.47
Net Profit	7.0% 11.52	3.8% 5.88	+96.1%	+5.64	6.0% 13.7	+41.1%	+3.99

- 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

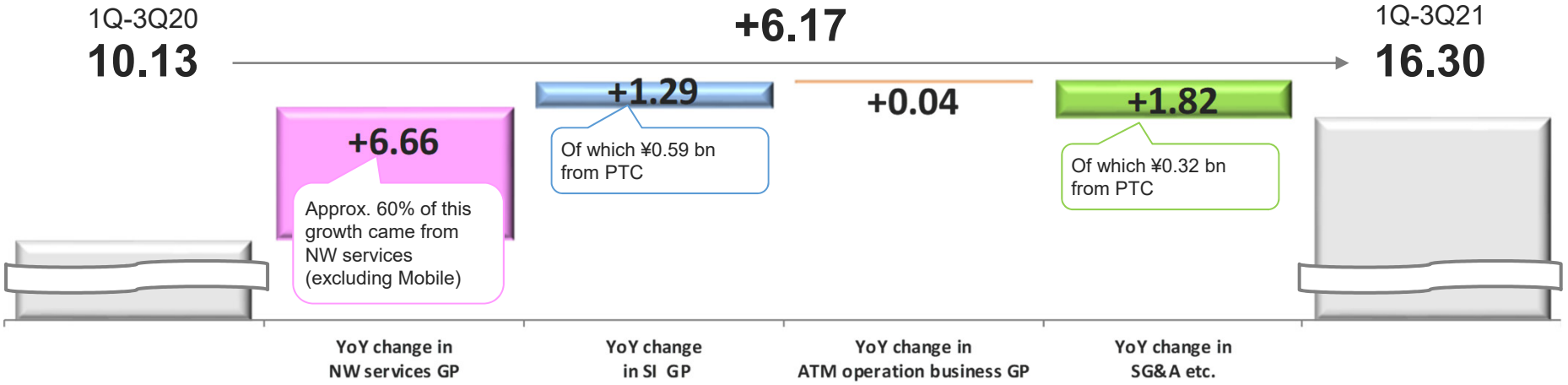
Unit: ¥ (JPY) billion (bn)
GP = Gross Profit
YoY = Year over year comparison

Revenues



- NW services (excluding Mobile) revenues is calculated by deducting the below mentioned Mobile services revenues from total NW services revenues. It includes non-mobile consumer revenue which is a small amount
- Mobile services include IIJ Mobile Services (including MVNE) and IIJmio (consumer mobile)
- ARPU is an abbreviation for Average Revenue Per User

Operating Profit

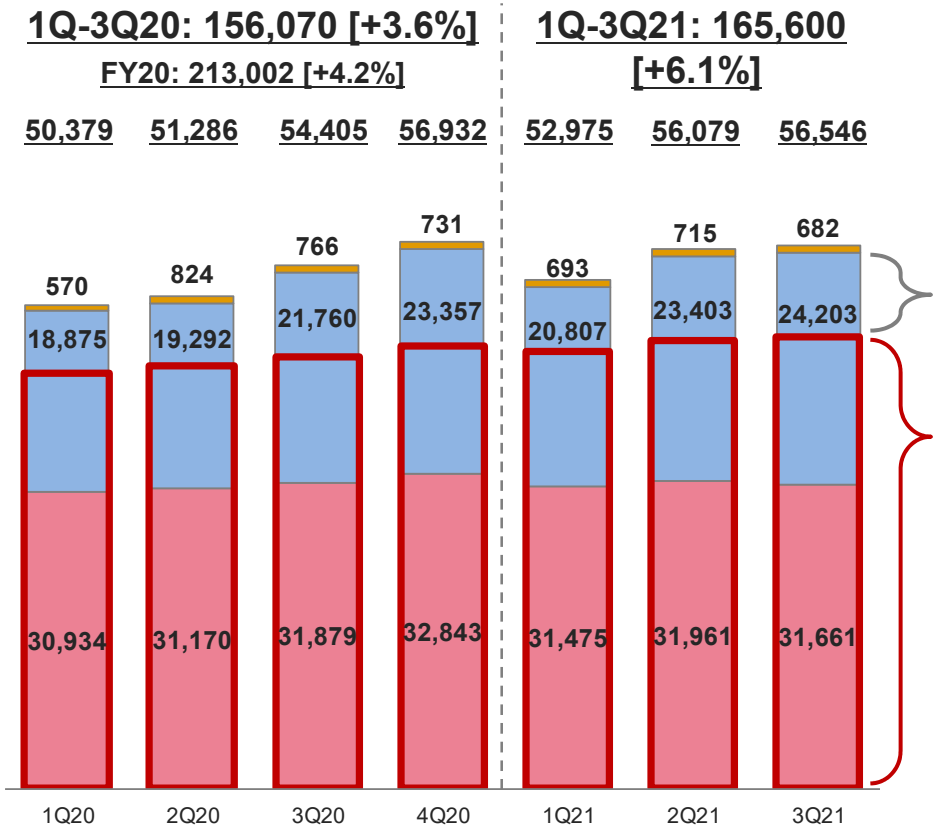


- SG&A etc. in this slide represents the sum of SG&A, which includes R&D expenses, and other income/expenses

Revenues

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

- Network (NW) Services
  - Internet Connectivity Services (Enterprise)
  - Internet Connectivity Services (Consumer)
  - Outsourcing Service
  - WAN Service
- Systems Integration (SI)
  - Systems Construction (including equipment sales)
  - Systems Operation and Maintenance
- ATM Operation Business



One-time revenue

1Q-3Q21: ¥24,415 million・+12.6%YoY,
of which ¥3,714 million from PTC
(14.7% of 1Q-3Q21 total revenues)

Recurring revenue

1Q-3Q21: ¥139,095 million・+5.2%YoY
(84.0% of 1Q-3Q21 total revenues)

NW Services revenue (excluding Mobile Services)

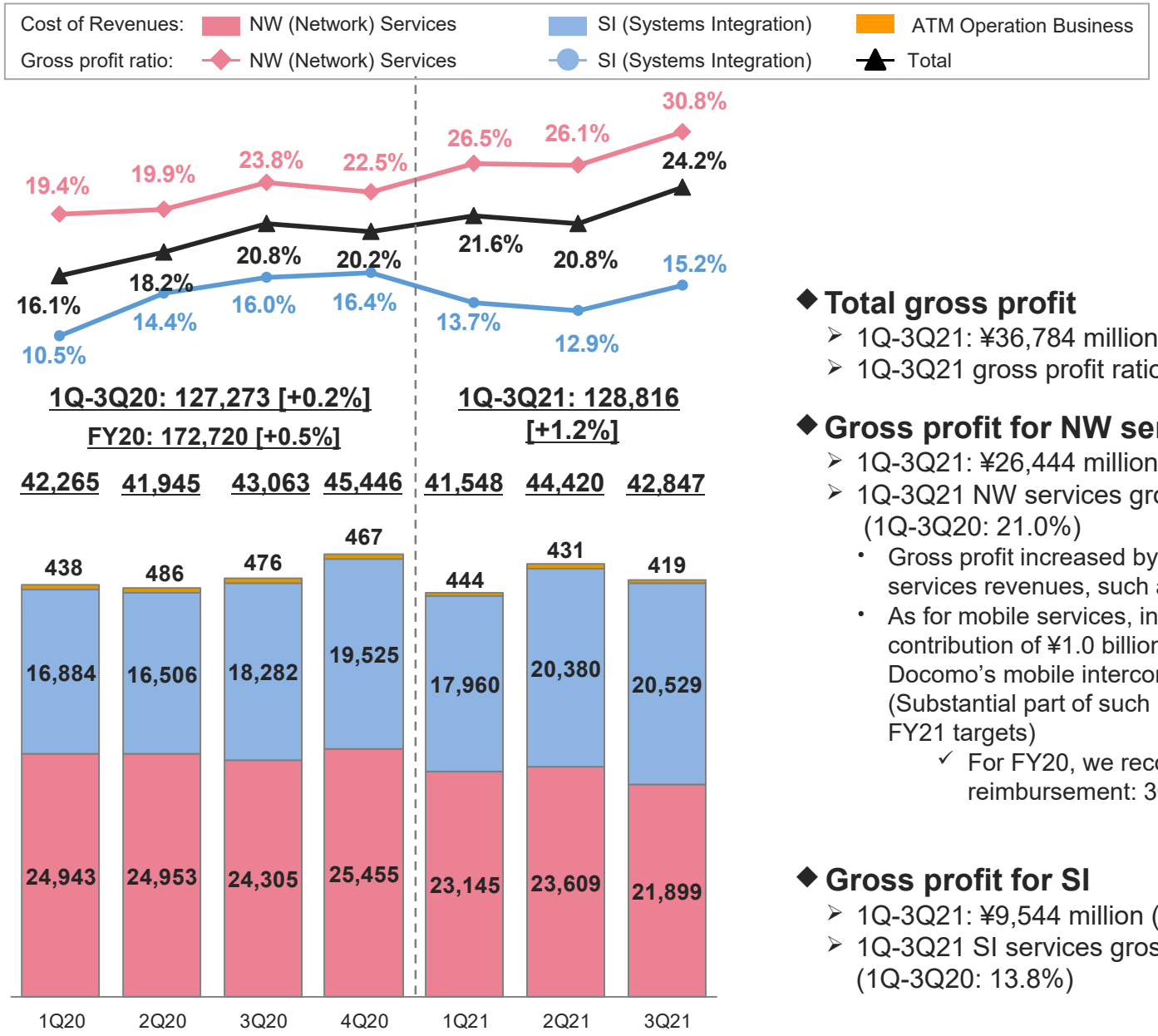
1Q-3Q21: ¥64,409 million (+9.9%YoY・+¥5,823 million)
(38.9% of 1Q-3Q21 total revenues)

Mobile Services revenue

1Q-3Q21: ¥30,688 million (-13.3%YoY・-¥4,710 million)
(18.5% of 1Q-3Q21 total revenues)

- One-time revenue, systems construction revenues which include equipment sales, is mainly recognized when systems 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 revenue represents the total of enterprise and consumer mobile revenue
- ARPU is an abbreviation for Average Revenue Per User

Cost of Revenues & Gross Profit Ratio



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

◆ Total gross profit

- 1Q-3Q21: ¥36,784 million (+27.7%, +¥7,987 million YoY)
- 1Q-3Q21 gross profit ratio: 22.2% (1Q-3Q20: 18.5%)

◆ Gross profit for NW services

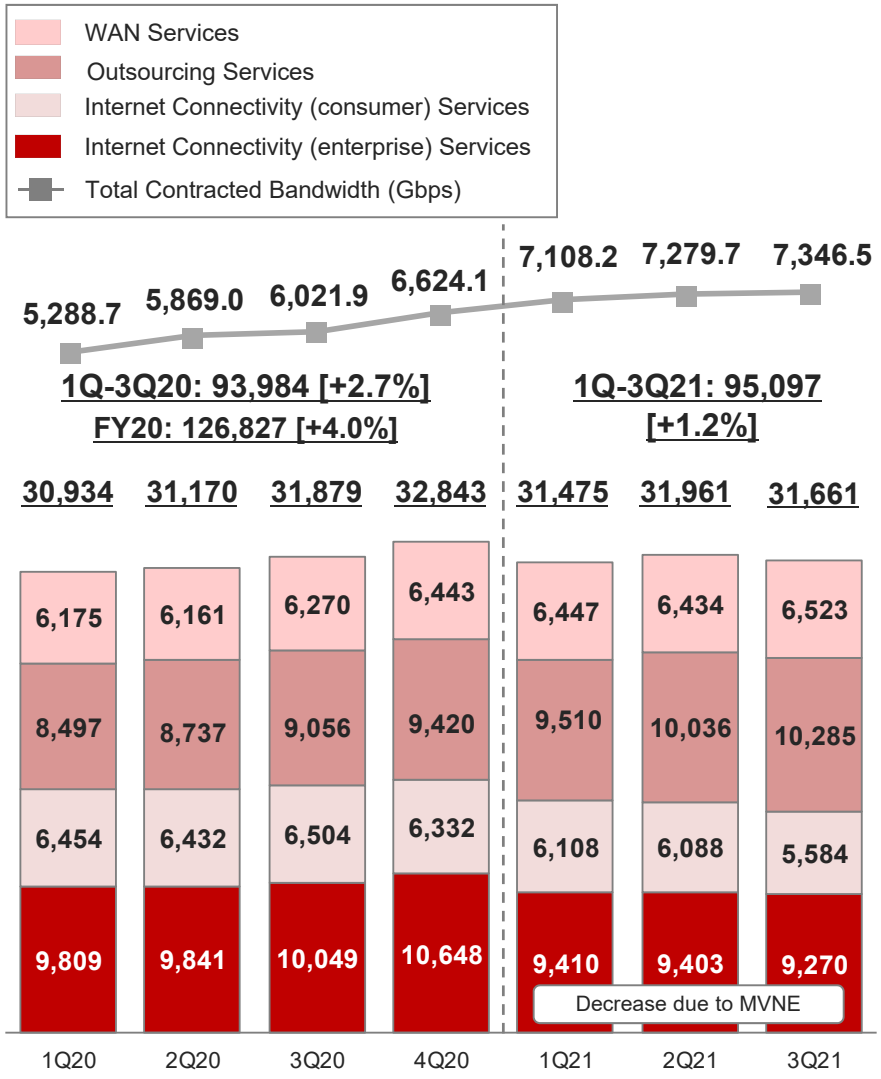
- 1Q-3Q21: ¥26,444 million (+33.7%, +¥6,662 million YoY)
- 1Q-3Q21 NW services gross profit ratio: 27.8% (1Q-3Q20: 21.0%)
  - Gross profit increased by the increase in enterprise network services revenues, such as IP and Security
  - As for mobile services, in 3Q21, we had onetime profit contribution of ¥1.0 billion or a little bit more as FY20 Docomo's mobile interconnectivity (unit charge) was fixed. (Substantial part of such impact was already considered in our FY21 targets)
    - ✓ For FY20, we recorded the following temporary cost reimbursement: 3Q ¥0.70 billion, 4Q: ¥0.39 billion

◆ Gross profit for SI

- 1Q-3Q21: ¥9,544 million (+15.6%, +¥1,289 million YoY)
- 1Q-3Q21 SI services gross profit ratio: 13.9% (1Q-3Q20: 13.8%)

Network Services (1) Revenues

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



- Total contracted bandwidth is calculated by multiplying number of contracts by contracted bandwidths respectively for IP service and broadband services 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
- ARPU is an abbreviation for Average Revenue Per User

◆Internet Connectivity (enterprise) Services

- 1Q-3Q21: ¥28,082 million, -5.4% YoY
  - Of which, IP services: ¥10,069 million

<Revenue growth>

	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21
YoY	+9.4%	+10.8%	+17.2%	+17.5%	+13.7%	+12.8%	+9.8%
QoQ	+6.4%	+3.0%	+5.7%	+1.4%	+2.9%	+2.2%	+3.0%

  - Of which, IIJ Mobile (enterprise): ¥15,132 million, -16.1% YoY
    - ✓ Of which, IoT-related enterprise mobile revenue ¥7,516 million

<Revenue growth>

	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21
YoY	+18.2%	+22.0%	+39.9%	+37.0%	+40.1%	+37.8%	+31.9%
QoQ	(0.1%)	+8.2%	+12.1%	+13.0%	+2.2%	+6.5%	+7.3%

    - ✓ Of which, MVNE revenue: ¥7,616 million, -39.2% YoY
      - Impacted by the year-beginning decrease of purchasing unit charge and a large MVNE client switching to another operator due to M&A

◆ Internet Connectivity (consumer) Services

- 1Q-3Q21: ¥17,780 million, -8.3% YoY
  - 3Q21-end consumer mobile subs.: 1,073 thousand (+1 thousand QoQ) . Of which, GigaPlans: 607 thousand (+51 thousand QoQ)
  - Impacted by ARPU decrease along with the launch of GigaPlans

◆ Outsourcing Services

- 1Q-3Q21: ¥29,831 million, +13.5% YoY
  - Of which, security services: ¥16,153 million

<Revenue growth>

	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21
YoY	+11.9%	+13.1%	+12.0%	+13.5%	+15.0%	+18.2%	+22.7%
QoQ	+3.2%	+4.2%	+2.3%	+3.3%	+4.5%	+7.0%	+6.2%

◆ WAN Services

- 1Q-3Q21: ¥19,404 million, +4.3% YoY

<Revenue growth>

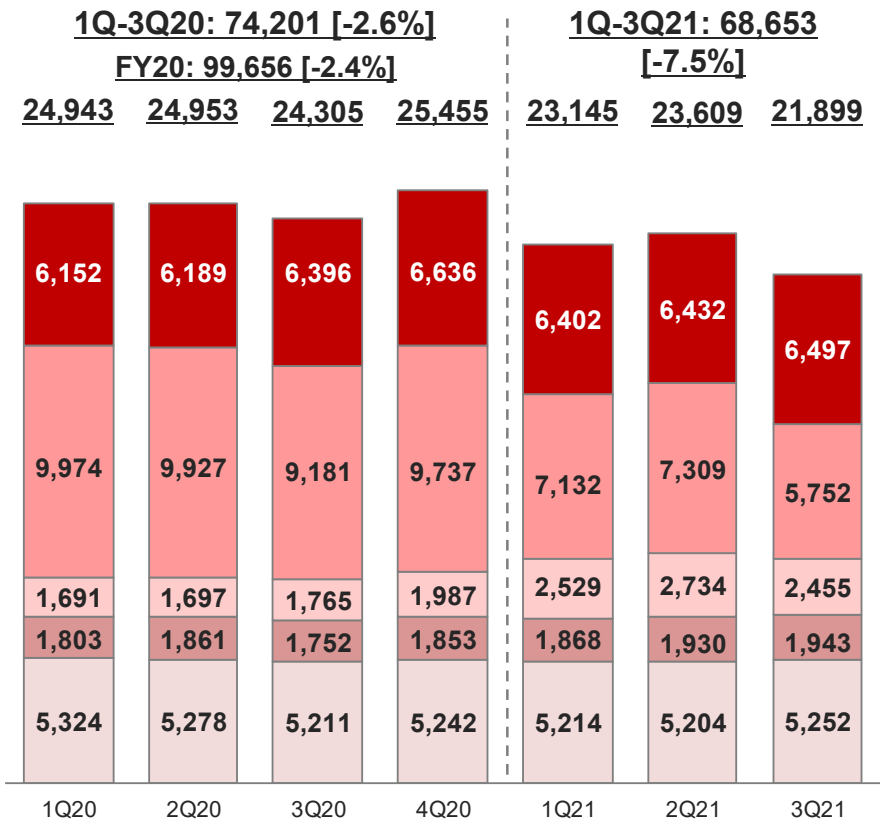
	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21
YoY	(16.8%)	(11.0%)	(2.8%)	+4.3%	+4.4%	+4.4%	+4.0%
QoQ	(0.0%)	(0.2%)	+1.8%	+2.8%	+0.1%	(0.2%)	+1.4%

  - FY20 revenue decreased due to certain large clients migration to mobile

Network Services (2) Cost of Revenues

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

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



- 1Q-3Q21 Circuit-related costs increased by 3.2%, +¥0.59 billion YoY, along with WAN revenue increase
  - Internet backbone circuit cost remains stable as we can leverage scale merit by having one of the largest Internet backbone networks
- 1Q-3Q21 Outsourcing-related costs decreased by 30.6%, -¥8.89 billion YoY mainly due to cost decreasing factors of voice purchasing and mobile data interconnectivity cost
  - Voice purchasing cost (unit charge) was revised lower at the beginning of FY21 and Sep. 2021 (switched to auto-prefix appending in Sep.)
  - 3Q21 Outsourcing-related costs includes onetime cost reduction impact of Docomo's FY20 mobile interconnectivity cost (unit charge) revision
- 1Q-3Q21 Others increased by +49.8%,+¥2.56 billion YoY as it included an increase in mobile device purchase
  - 1Q-3Q21purchasing of mobile device: up ¥1.72 billion YoY
    1Q: up ¥0.52 billion YoY, 2Q: up ¥0.72 billion YoY, 3Q: up ¥0.48 billion

Regarding mobile data interconnectivity cost recognition:

(Mobile Network Operator's mobile infrastructure cost)

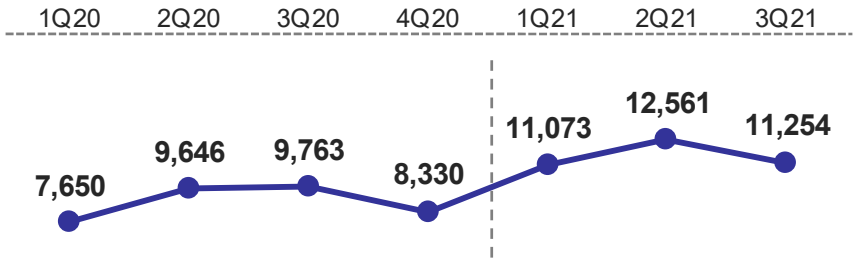
- As for our FY21 usage charge, from 1Q21, we are applying ¥28,385 per Mbps as a unit charge which was disclosed by Docomo based on the future cost method.
- As for our FY20 usage charge, from 1Q20, we applied ¥41,436 per Mbps as a unit charge which was disclosed by Docomo based on the future cost method. This unit charge was revised and fixed as ¥37,280 which is a decrease of 12.7% YoY in late Dec. 2021.
- As for our FY19 Docomo's usage charge, we used ¥42,702 per Mbps (decrease by 13.4% YoY) as a unit charge, which was fixed in Jan. 2021. Onetime cost reduction recorded due to the difference between the fixed unit charge and our estimate unit charge were as follows: 3Q20: ¥0.70 billion, 4Q20: ¥0.39 billion.

Systems Integration (SI) (1) Revenues

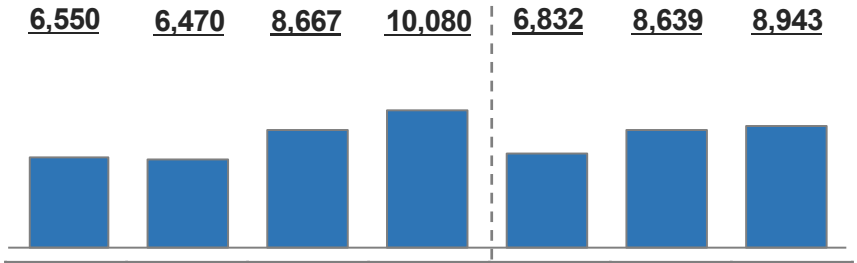
Unit: ¥ (JPY) million
[ ] , YoY = Year over year comparison

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

Systems Construction (one-time)



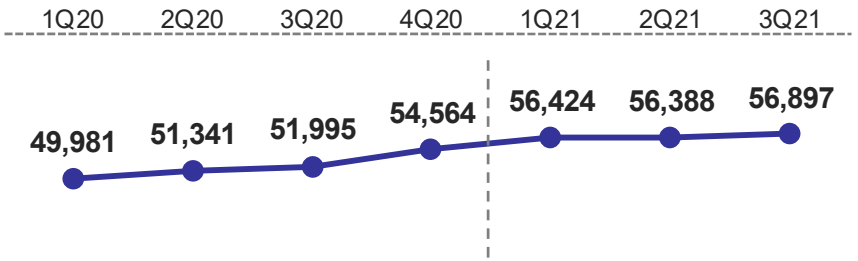
1Q-3Q20: 21,687 [-1.8%]
FY20: 31,767 [-0.7%]



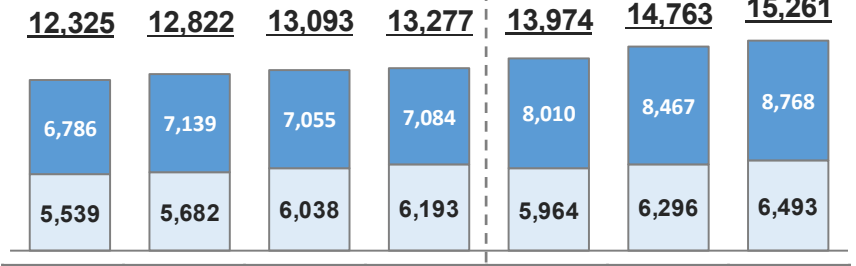
1Q-3Q21: 24,415 [+12.6%]

Order received	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21
	6,693	8,466	8,784	8,647	8,737	10,128	7,636
	1Q-3Q20: 23,943 [+2.7%] FY20: 32,590 [+3.0%]				1Q-3Q21: 26,501 [+10.7%]		

Systems Operation & Maintenance (recurring)



1Q-3Q20: 38,240 [+12.5%]
FY20: 51,517 [+11.0%]



1Q-3Q21: 43,998 [+15.1%]

Order received	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21
	13,949	14,182	13,747	15,846	12,911	14,727	15,770
	1Q-3Q20: 41,878 [+13.4%] FY20: 57,724 [+12.1%]				1Q-3Q21: 43,409 [+3.7%]		

- We continued to accumulate orders related to implementation of SaaS such as Microsoft 365 and enhancement of Internet gateway across all industries in 3Q21

- 1Q21 order received decrease because contracts for renewals were concentrated in 4Q20
- Systems operation & maintenance revenues continued to grow mainly because we continued to accumulate system construction project orders

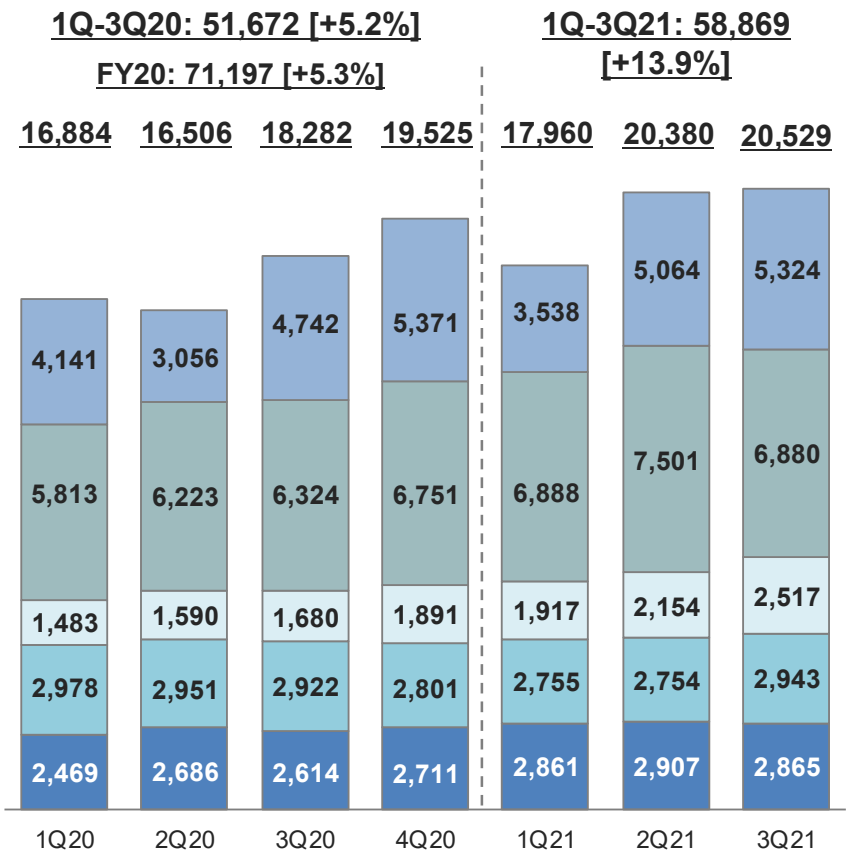
Overseas Business

- 1Q-3Q21 results: Revenues: ¥12.72 bn (mainly recognized as SI revenues), Operating profit: ¥0.88 bn
- Financial impact from PTC consolidation (consolidated from Apr. 1, 2021, all of PTC's revenue is recognized in SI)
  - FY21 outlook: Revenues approx. ¥8.5 bn, Gross profit approx. ¥0.8 bn, Operating profit approx. ¥0.4 bn
  - 1Q-3Q21 results: Revenues ¥5.30 bn (construction ¥3.71 bn, systems operation & maintenance ¥1.59 bn), Gross profit ¥0.59 bn (Gross profit ratio: 11.1%), Operating Profit ¥0.26 bn. Slightly weaker than expected mainly due to behavior restrictions caused by the Pandemic
  - Quarterly revenues: 1Q ¥1.31 bn, 2Q ¥2.33 bn, 3Q ¥1.66 bn

Systems Integration (SI) (2) Cost of Revenues

Purchasing costs (Equipment etc.)
Outsourcing-related costs (SI-related outsourcing personnel costs etc.)
Others
Network operation-related costs (Depreciation cost such as for cloud facility, data center leasing cost etc.)
Personnel-related costs (SI-related engineers' personnel cost)

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



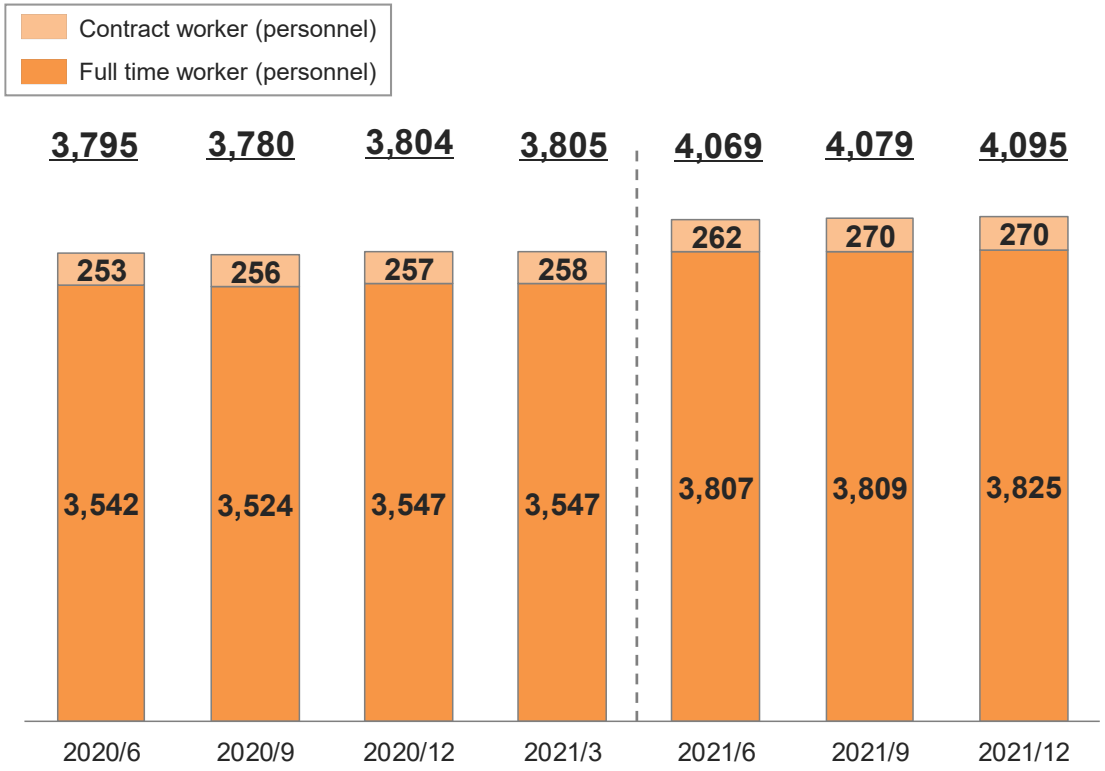
- Cost of revenues related to PTC (1Q: ¥1.16 billion, 2Q ¥2.16 billion, 3Q ¥1.39 billion) is mainly recognized in purchasing costs, outsourcing-related costs and personnel related costs
- Outsourcing-related costs are connected with projects size and revenue volume to some extent
- Others increased mainly due to an increase in license costs along with expansion of multi-cloud demands
- No significant increase for network operation-related costs

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

1Q20-end	2Q20-end	3Q20-end	4Q20-end	1Q21-end	2Q21-end	3Q21-end
1,094	1,181	1,236	1,270	1,244	1,300	1,302

Number of Employees

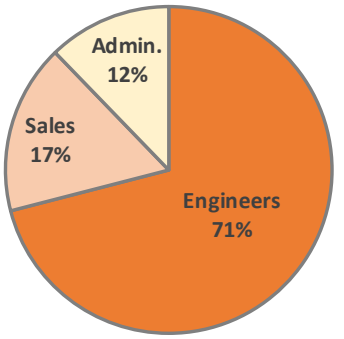
YoY = Year over year comparison



- June-end 2021 employees increased by 274 YoY mainly due to the followings: +190 of new graduates in Apr. 2021, +62 through PTC consolidation

➢ 179 new graduates are planned to join in Apr. 2022

Employee Distribution



Personnel-related costs & expenses

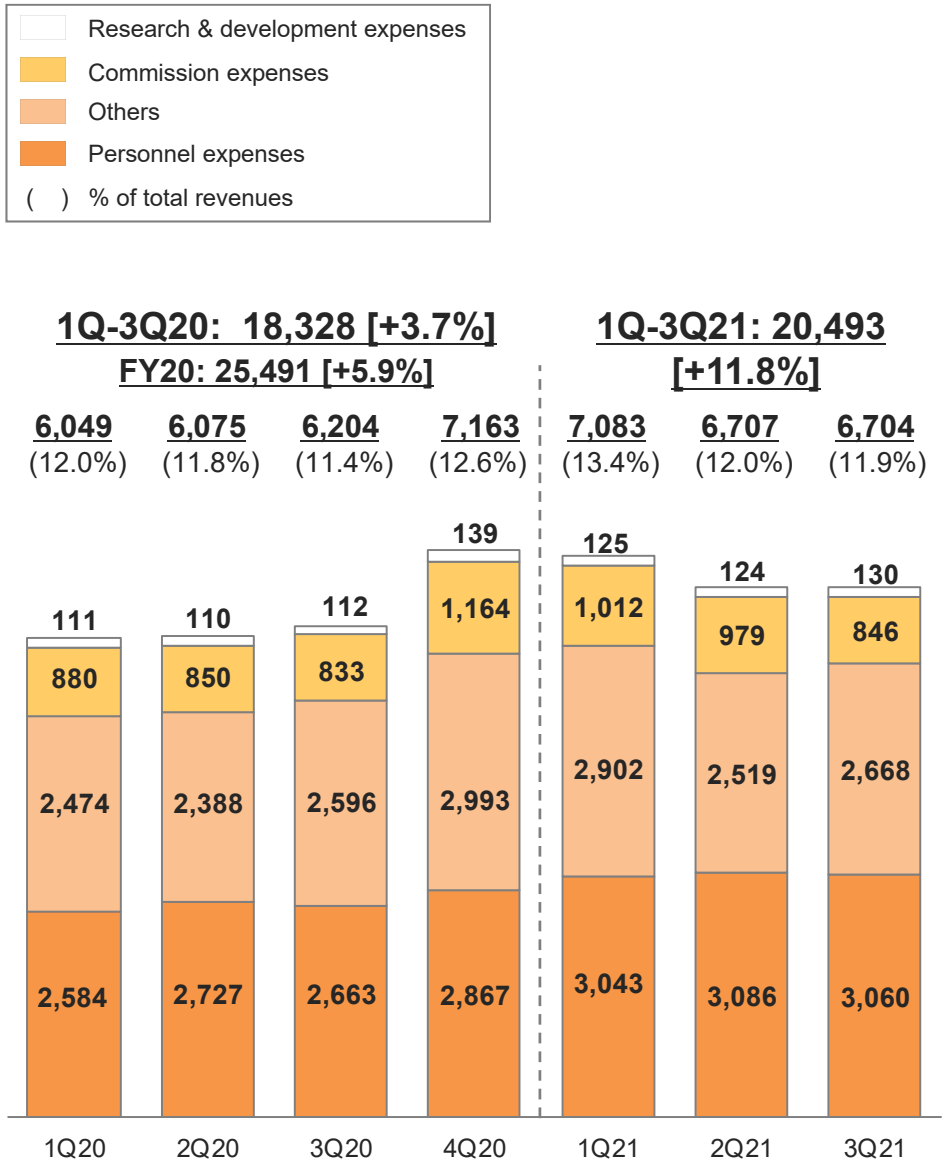
Unit: ¥ (JPY) million
( ) = % of revenue

1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21
6,835 (13.6%)	7,281 (14.2%)	7,032 (12.9%)	7,405 (13.0%)	7,756 (14.6%)	7,892 (14.1%)	7,859 (13.9%)
1Q-3Q20: 21,148 (13.6%) +8.9%YoY FY20: 28,553 (13.4%) +8.4%YoY				1Q-3Q21: 23,506 (14.2%) +11.2%YoY		

➢ 1Q-3Q21 personnel-related costs and expenses
- Through PTC consolidation, ¥0.4 billion was added (1Q: ¥0.13 billion, 2Q: ¥0.14 billion, 3Q ¥0.13 billion)

SG&A etc.

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

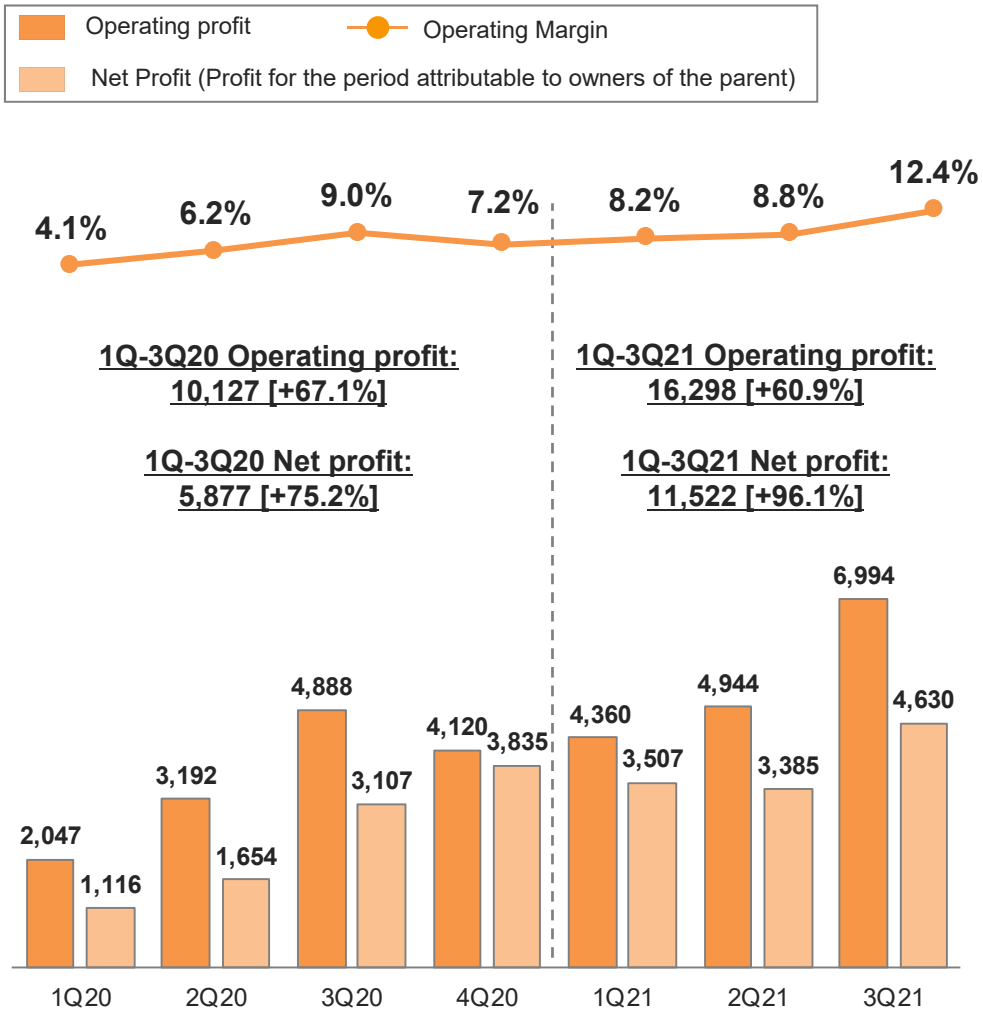


- SG&A is within our budget
  (1Q: slight increase mainly due to human resource training, 2Q & 3Q: ordinal course)
- Research & development expenses mainly consist of personnel expenses of IIJ Innovation Institute, a wholly owned subsidiary
  - IIJ is to absorb IIJ Innovation Institute on Apr. 1, 2022
- Commission expenses are mainly consumer sales commissions and recruitment expenses
- 1Q-3Q21 Others slightly increased mainly due to advertisements for consumer business
- PTC SG&A has been added from 1Q21
  1Q ¥0.09 billion, 2Q 0.11 billion, 3Q 0.12 billion

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

Profit

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



◆ **Operating profit**
- 1Q-3Q21: ¥16,298 million, +60.9% YoY

◆ **Profit before tax**
- 1Q-3Q21: ¥17,597 million, +90.7% YoY
  - Interest expense: -¥401 million
  - Foreign exchange gain : +¥98 million
  - Valuation gain on funds* etc.: +¥2,560 million
    (1Q +¥1,296 million, 2Q +¥396 million, 3Q +¥867 million)
  - Dividend income: +¥65 million
  - Interest income: +¥32 million
  - Share of loss of investments accounted for using equity method: -¥1,056 million

Equity in net loss of DeCurret:

1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21
306	273	207	193	296	256	780

- ✓ IIJ ownership: 4Q19 30.0%, from 1Q20 41.6%, from 1Q21 38.2% is used to recognize gain and loss
- ✓ DeCurret divested its crypto asset business on Feb. 1, 2022 to dedicate its business resources to digital currency business
- ✓ 3Q21 loss increased as it includes temporary loss of ¥484 million due to the above mentioned transaction in addition to ordinal loss. As for 4Q21, we expect to record about ¥1.2 billion loss as impairment on corresponding, amount of goodwill (No more loss related to the transaction)

◆ **Net profit**
- 1Q-3Q21: ¥11,522 million, +96.1% YoY
  - Income tax expense: -¥5,974 million

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

1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	
(74)	(286)	186	368	1,208	292	855	Finance income (expense), net
(279)	(135)	(313)	319	(217)	(155)	(684)	Share of profit (loss) of investments accounted for using equity method
(572)	(1,084)	(1,625)	(952)	(1,807)	(1,667)	(2,500)	Income tax expense
(6)	(34)	(29)	(21)	(36)	(30)	(35)	Less: Profit for the period attributable to non-controlling interests

(Summary)

Consolidated Statements of Financial Position

- Ratio of total equity attributable to owners of the parent: 40.7% as of March 31, 2021, 44.5% as of December 31, 2021

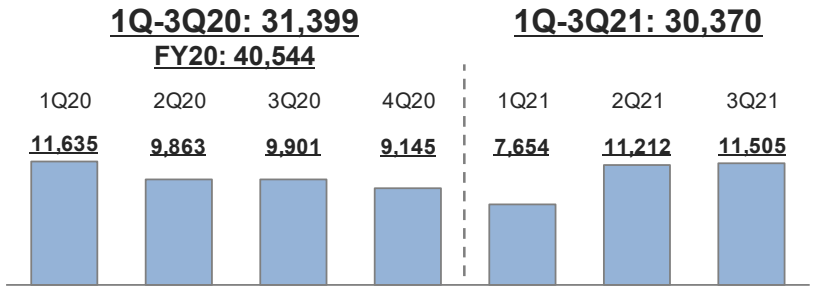
Unit: ¥ (JPY) million

	Mar. 31, 2021	Dec. 31, 2021	Changes
Cash and cash equivalents	42,467	40,960	(1,507)
Trade receivables	34,799	31,750	(3,049)
Inventories	2,171	2,381	+210
Prepaid expenses (current and non-current)	20,136	24,562	+4,426
Tangible assets	17,084	17,609	+525
Right-of-use assets	50,708	44,410	(6,298)
Goodwill and intangible assets	23,037	25,759	+2,722
Investments accounted for using the equity method	9,027	7,900	(1,127)
Other investments	12,912	18,608	+5,695
Others	8,436	10,659	+2,223
Total assets:	**220,777**	**224,599**	**+3,821**
Trade and other payables	19,244	19,467	+223
Borrowings (current and non-current)	25,560	21,870	(3,690)
Contract liabilities and Deferred income (current and non-current)	14,832	16,882	+2,050
Income taxes payable	3,012	3,474	+461
Retirement benefit liabilities	4,169	4,500	+332
Other financial liabilities (current and non-current)	53,527	47,536	(5,991)
Others	9,462	9,878	+416
Total liabilities:	**129,806**	**123,607**	**(6,199)**
Share capital	25,531	25,562	+31
Share premium	36,389	36,467	+78
Retained earnings	25,047	32,732	+7,685
Other components of equity	4,865	7,016	+2,151
Treasury shares	(1,875)	(1,851)	+24
Total equity attributable to owners of the parent:	**89,956**	**99,926**	**+9,970**

Consolidated Cash Flows

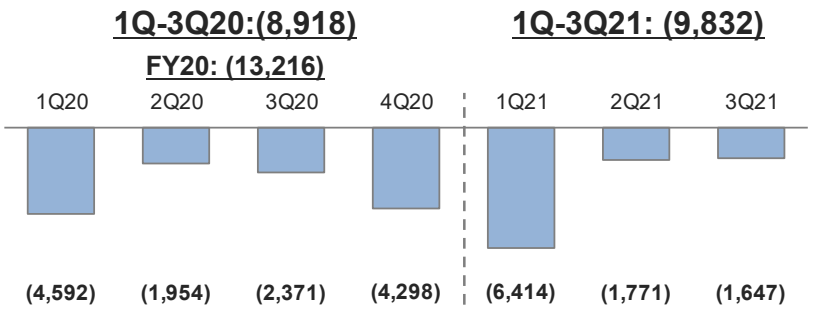
Unit: ¥ (JPY) million
YoY = Year over year comparison

Operating Activities



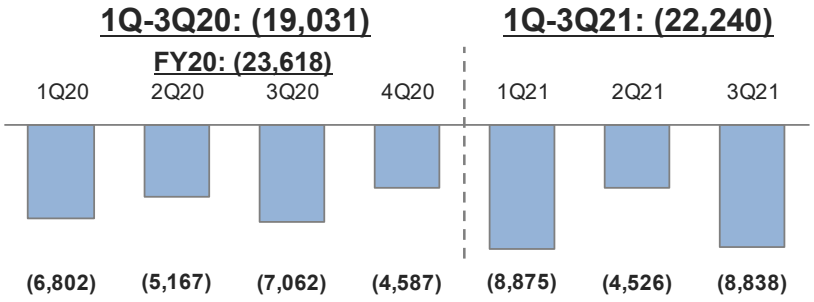
	Major Breakdown	YoY Change
Profit before tax	17,597	+8,370
Depreciation and amortization	21,088	(6)
Finance income	(2,776)	(2,493)
Changes in operating assets and liabilities	(1,298)	(4,824)
Income taxes paid	(5,680)	(1,752)

Investing Activities



	Major Breakdown	YoY Change
Purchase of tangible assets	(4,893)	(338)
Purchase of investments accounted for using equity method	—	+2,754
Purchases of a subsidiary	(2,612)	(2,612)
Purchase of intangible assets such as software	(3,627)	+95
Proceeds from sales of tangible assets	1,776	(83)

Financing Activities

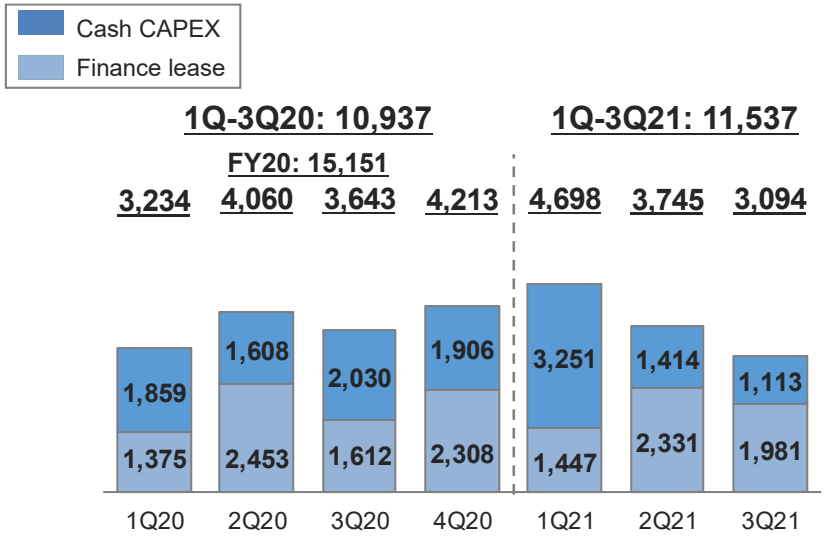


	Major Breakdown	YoY Change
Payment of operating/finance leases and other financial liabilities	(14,665)	+587
Repayment of long-term borrowings	(5,170)	(3,340)
Net increase in short-term borrowings	1,480	+1,840
Dividends paid	(3,836)	(2,303)

Other Financial Data

Unit: ¥ (JPY) million

CAPEX



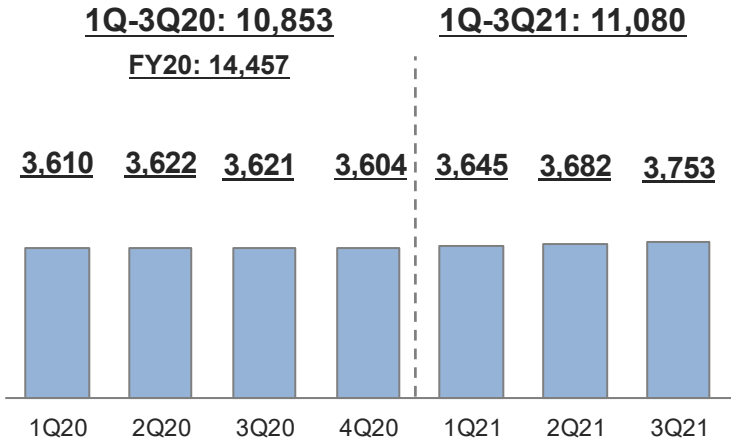
➢ Breakdown (Unit: JPY billion)

	1Q-3Q20	1Q-3Q21
NW Usual Capex	6.9	6.7
Cloud-related	1.6	1.9
Shiroi DC-related	1.5	0.6
Customer-related	0.8	2.3
ATM-related	0.2	0.0

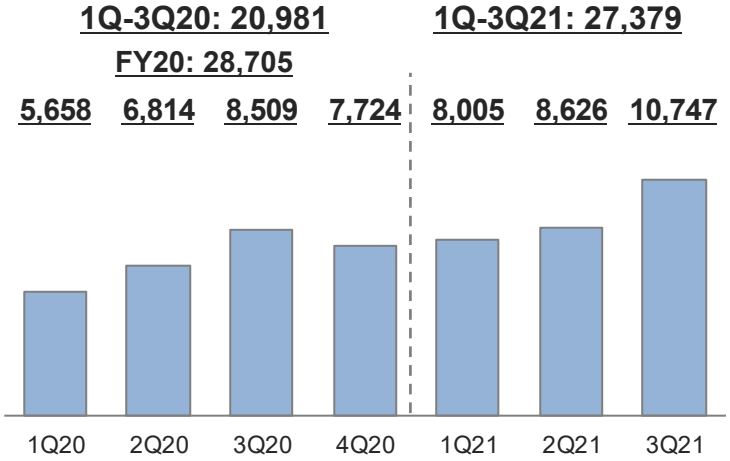
➢ FY21 outlook: approx. ¥17.5 billion (mostly in line with plan)

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

CAPEX-related depreciation and amortization



Adjusted EBITDA



Appendix

Dividend Forecast

◆ Basic dividend policy:

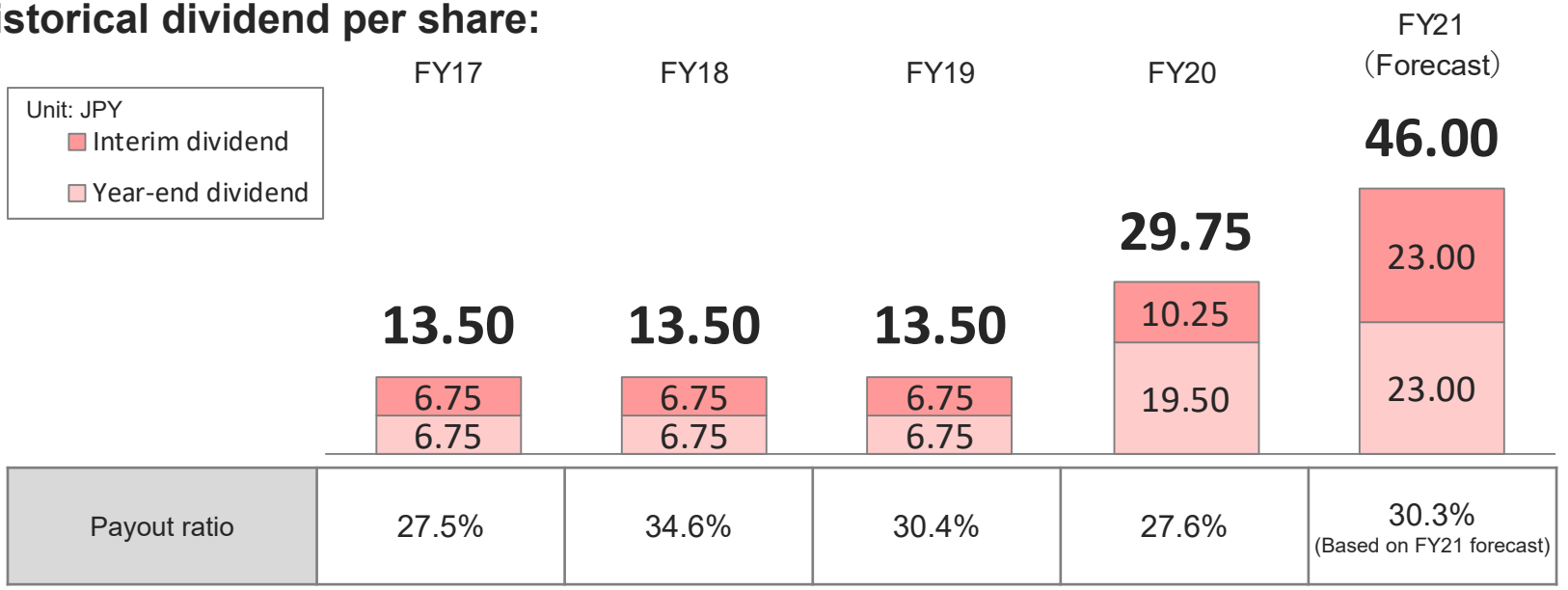
Basic dividend policy of IIJ is that IIJ pays dividends to its shareholders continuously and stably while considering the need to have retained earnings for the enhancement of financial position, med-to-long term business expansion and future business investment etc.

◆ Along with profit growth, dividend increased, exceeding its initial forecast

(both interim and year-end forecast)

Unit: JPY	FY20 results	FY21 initial forecast (announced in May 2021)	FY21 current forecast (Revised in Nov. 2021)	Year over year
Interim dividend	**10.25**	**19.50**	**23.00**	**+12.75**
Year-end dividend	**19.50**	**19.50**	**23.00**	**+3.50**
Annual dividend	**29.75**	**39.00**	**46.00**	**+16.25**

◆ Historical dividend per share:

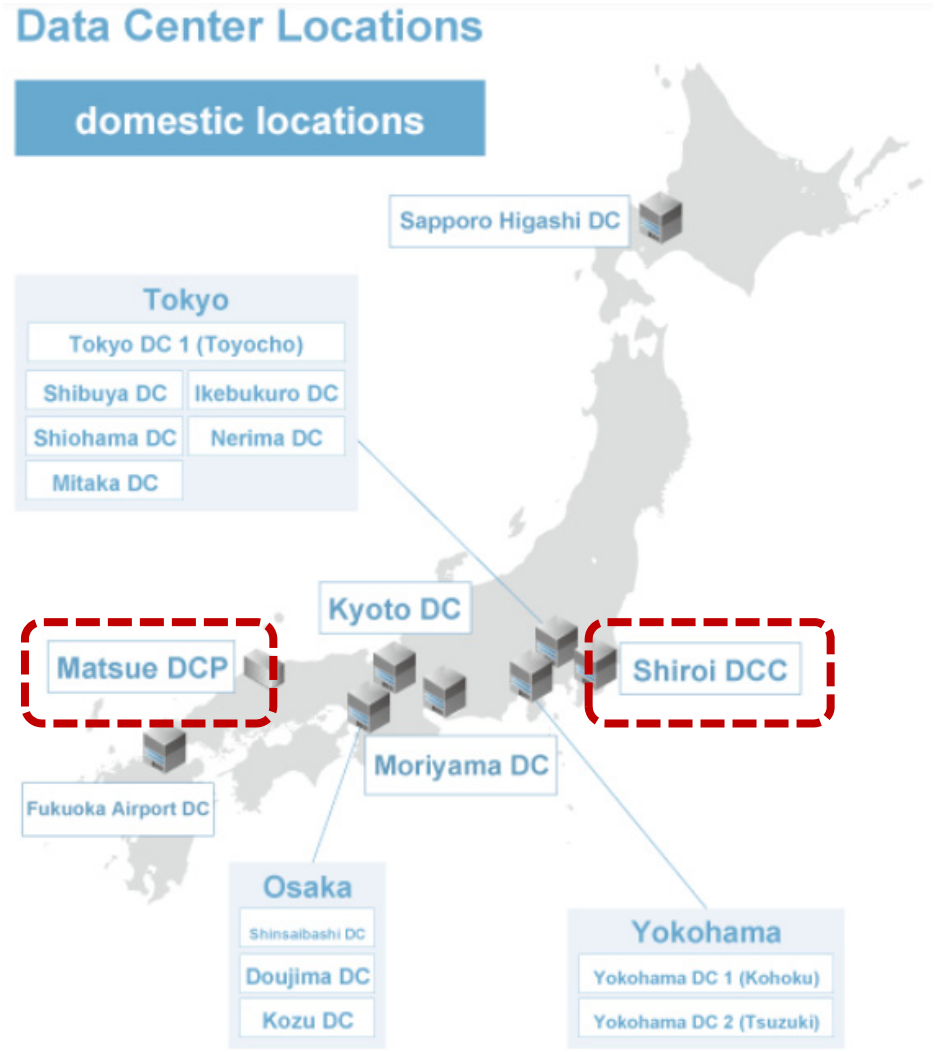


	FY17	FY18	FY19	FY20	FY21 (Forecast)
Payout ratio	27.5%	34.6%	30.4%	27.6%	30.3% (Based on FY21 forecast)

- We conducted 1:2 stock split on January 1, 2021. Dividends paid before the split are retroactively adjusted to reflect the spit

Data Centers (1)

- **Operating 16 data centers in Japan** (as of Dec. 2021)
  - Of which, 14 data centers are leased from data center owners per space
  - Of which Shiroi & Matsue are owned by IIJ and used for own service facility such as for network & Cloud as well as colocation services to store clients' IT assets.
    - ✓ Integrate racks currently spread out throughout Japan to improve operation productivity
- **In 2011, IIJ built Japan's first container-based modular data center using an outside air-cooling system, eco-friendly data center**
  - Modular approach allows flexible expansion and short-term construction with low cost
- **IIJ has exported container modular data center to overseas including the People's Republic of Laos in 2016 to help them set up IT infrastructure**



Data Centers (2)

Profiles of data centers owned by IIJ

	Matsue Data Center Park	Shiroi Data Center Campus
Location	Matsue city, Shimane prefecture	Shiroi city, Chiba prefecture
Land	Approx. 16,000㎡	Approx. 40,000㎡
Server capacity	Approx. 500	Can accommodate up to 6,000 1st facility: approx. 700 2nd facility: approx. 1,100 (plan)
Operation	Apr. 2011 2nd facility: Nov. 2013	May 2019 2nd facility: Gradually operate from Apr. 2023
Highlights of the facility	• First commercial modular DC in Japan to use outside-air cooling system (FY20 average PUE: approx. 1.2) • Have received Environment Management System etc. • Implementing carbon neutral initiatives by using substantial renewable energy from Feb. 2022	• System module • Applying AI to control overall facility and IT • Using robots to realize automated operation, fewer or non human operation • Deploying Tesla Powerpack

*1 Construction method systematizing the overall building production by standardizing the components used in the buildings' construction. This allows shorter construction times, cost saving, and flexible scalability while maintaining quality

*2 PUE (Power Usage Effectiveness) is a metric, calculated by dividing overall data center power consumption by IT equipment power consumption, indicates the efficiency of power use at data centers. The smaller the figure, the lower the percentage of power consumed by equipment other than IT devices.

Systems Integration

- **Offer SI as a cross selling element to fully meet Japanese enterprise' IT needs**
- **SI clients are companies already using our network services**
  - Do not depend on particular industry to generate revenue, just like the overall customer portfolio, because IIJ offers systems needed by any industry like Office IT.
- **Most of SI projects are Internet related such as Office IT, online service platforms, large-scale website, etc.**
  - Internal system and/or large-scale application development, main frame related projects are covered by legacy system integrators
  - Sometimes co-work with legacy SIer on large-scale projects in which they cover application development part and IIJ covers Internet related system construction

Business Model

◆ Revenue

- Construction (one-time): recorded upon constructed system is received by a client.
- Operation and Maintenance (recurring): systems constructed by IIJ will be operated and maintained by IIJ as well

◆ Cost

- Each SI project's cost differ. Make estimate for each project
  - ✓ Costs are consisted of purchasing, outsourcing personnel, personnel, and depreciation and amortization

◆ Profit

- SI profitability to improve as we accumulate the revenue of operation and maintenance, which profitability is higher than construction profitability
- Construction profitability is lower because of bidding process etc.

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 and 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 January 1, 2022, 41% to the total Japanese population has received their ID according to the MIC.**
  https://www.soumu.go.jp/kojinbango_card/

Docomo's Mobile data interconnectivity charge

Appendix

Fiscal Year		FY18	FY19	FY20	FY21	FY22	FY23	FY24
Method		Actual cost method		Future cost method				
Unit Charge (Mbps, monthly)	New					New unit charge are to be disclosed around Mar. and Apr. 2022 by Docomo		
	Current	¥49,311 -6.0%	¥42,702 -13.4%	¥37,280 (*) -12.7% Fixed at the end of Dec. 2021	¥28,385 - 23.9% To be fixed around at the end of Dec. 2022	¥22,190 - 21.8%	¥18,014 - 18.8%	
					-14.5%	-20.5%		
	Old	¥49,311 -6.0%	¥42,702 -13.4%	¥41,436 (*) -3.0%	¥33,211 -19.8%	¥27,924 -15.9%		

- The same calculation method is applied to actual cost method & future cost method: (Data communication cost + profit) /demand
- About future cost method: calculate MNOs' mobile unit charge prediction for next three years, which is based on MNO's future cost etc. It has been applied from FY20. Mobile unit charge is fixed based on MNO's actual cost etc. and the difference between prediction and result is adjusted. For FY20, FY21, and FY22, mobile unit charge prospects by future cost method (described as "Old" above) were announced March 2020. For FY21, FY22, and FY23, mobile unit charge prospects by future cost method (described as "Current" above) were announced April 2021.
- As for our FY20 usage charge(*), from 1Q20, we applied ¥41,436 per Mbps as a unit charge which was disclosed by 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.
- Mobile interconnectivity charge, which is underlined above, is fixed based on the results
- The decrease percentage in mobile interconnectivity charge described above is compared with the previous year
- The same unit charge is applied to all MVNOs purchasing from Docomo

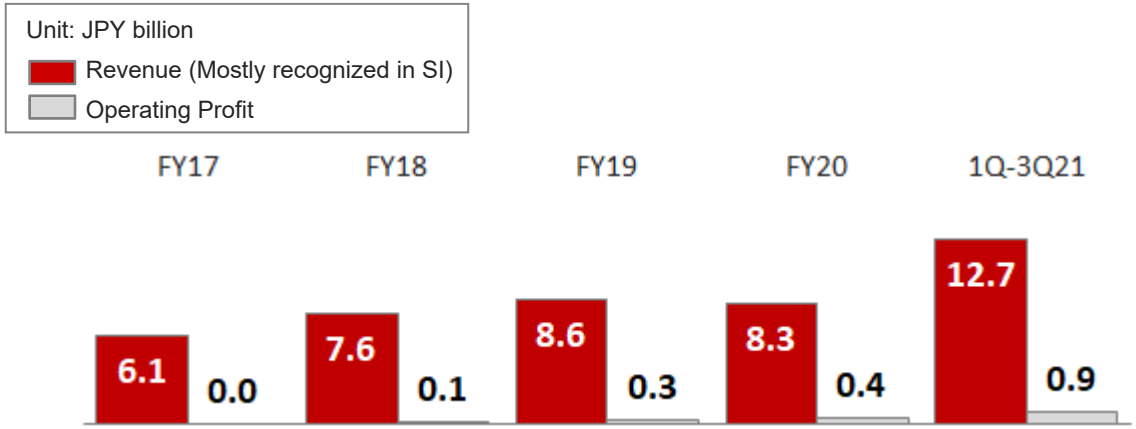
IIJ's Consumer Mobile Price List Old vs. New

	Old			New "GigaPlans" from Apr. 2021		
Basic Monthly Charge	Minimum Start Plan (3GB)	with Voice	¥1,600	2 GigaPlan (2GB)	with Voice	¥780
		Data-only	¥900		Data-only	¥680
	Light Start Plan (6GB)	with Voice	¥2,220	4 GigaPlan (4GB)	with Voice	¥980
		Data-only	¥1,520		Data-only	¥880
	Family Share Plan (12GB)	with Voice	¥3,260	8 GigaPlan (8GB)	with Voice	¥1,380
		Data-only	¥2,560		Data-only	¥1,280
				15 GigaPlan (15GB)	with Voice	¥1,680
					Data-only	¥1,580
				20 GigaPlan (20GB)	with Voice	¥1,880
					Data-only	¥1,780
Pay as you go	Voice call charge as you go	¥22 per 30 seconds		Voice call charge as you go	¥11 per 30 seconds	

- The above table briefly indicates service prices for major functions to show the differences between the old and new plans.
- Basic monthly charge excludes taxes while pay as you go includes taxes.
- Voice call charge is only for domestic calls. New voice call charge as you go was revised on September 11, 2021

Overseas Business

Revenue and Operating Profit



- FY20 results were impacted by the COVID-19 pandemic etc.
- FY21 results include a new consolidated subsidiary PTC which we acquired in Apr. 2021.

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, SI and etc. 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)

ATM Operation Business

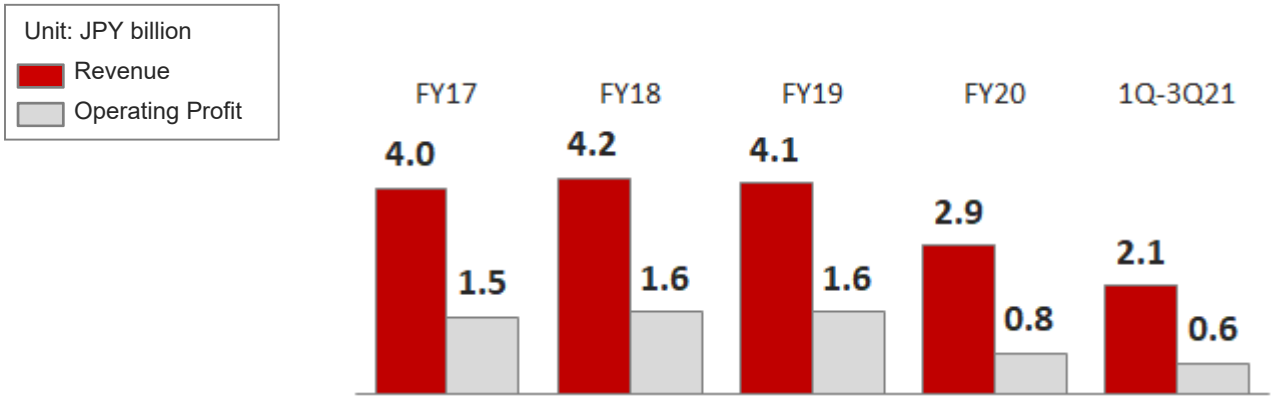
Business Model

- 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
  - 9,035 Pachinko parlors in Japan as of December 31, 2020 (Source: Zennichiyuren)
- 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



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

- ATM (Automated Teller Machine)

FinTech Business through DeCurret (1)

Company Profile

- **Name: DeCurret Holdings, Inc.**
- **Directors**
  - Chairman: Satoshi Murabayashi
    (IIJ VP since 2021, former CIO for Mitsubishi UFJ Financial Group)
  - President: Kazuhiro Tokita (from IIJ)
  - Part-time directors: IIJ President, IIJ CFO
  - Special advisor: Toshihide Endo
    (former head of Japan's Financial Services Agency, financial regulator)
- **Background**:
  - IIJ established DeCurret Inc. in Jan. 2018 as an equity method investee engaging in crypto asset business and digital currency business with prominent Japanese companies
    - ➢ IIJ provides systems to DeCurret such as altered IIJ Raptor which is a ASP based FX systems which have been used by prominent Japanese security companies

Equity in net loss of DeCurret

Unit: JPY million

1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21
306	273	207	193	296	256	780

- ➢ IIJ ownership: 4Q19 30.0%, from 1Q20 41.6%, from 1Q21 38.2% is used to recognize gain and loss
- ➢ DeCurret divested its crypto asset business on Feb. 1, 2022 to dedicate its business resources to digital currency business
- ➢ 3Q21 loss increased as it includes temporary loss of ¥484 million due to the above mentioned transaction in addition to ordinal loss. As for 4Q21, we expect to record about ¥1.2 billion loss as impairment on corresponding, amount of goodwill (No more loss related to the transaction)

Digital Currency Settlement Platform Business (mainly BtoB)

- **Active discussion with core players on how to set up digital currency platform infrastructure in Japan**
  - ➢ Digital Currency Study Group: From June to September 2020
    - Members: Mega banks, Seven Bank, JR East, KDDI, NTT Group, FSA, MIC, Bank of Japan, MOF, METI etc.
  - ➢ The Study Group developed into Digital Currency Forum
    - Members: more than 70 Japanese companies
    - Main discussion topics: examination of practicality of digital currencies in each use case, requirement definition, design, and development of common and additional areas, identification of issues and solutions for the actual operation of digital currencies, and creation of standards

Partners	PoCs
KDDI	Automated digital currency settlement
Kansai Electric Power	Automated settlement of P2P electricity trading
DAIDO LIFE INSURANCE	Use digital currency for BtoB transaction
TOYOTA SYSTEMS	Automated settlement for employee benefit programs
Several local governments	Digital coupon systems

FinTech Business through DeCurret (2)

Shareholders of DeCurret (35 companies)

Source: DeCurret Web Page

Internet Initiative Japan Inc. (Ownership 38.2% as of Sep. 30, 2021)
ITOCHU Corporation
QTnet, Inc.
OPTAGE Inc.
KDDI CORPORATION
KONAMI HOLDINGS CORPORTAION
SUMITOMO LIFE INSURANCE COMPANY
Sompo Holdings, Inc.
The Dai-ichi Life Insurance Company, Limited
DAIDO LIFE INSURANCE COMPANY
Daiwa Securities Group Inc.
Tokio Marine & Nichido Fire Insurance Co., Ltd.
Nippon Life Insurance Company
Nomura Holdings, Inc.
NTT Corporation
East Japan Railway Company
SBI Holdings, Inc.,
SECOM CO., LTD.
BIC CAMERA INC.
Mitsui Sumitomo Insurance Company, Limited
Sumitomo Mitsui Banking Corporation
Mitsui Fudosan Co., Ltd.
Mitsubishi Corporation
The MUFG Bank
Meiji Yasuda Insurance Company
YAMATO HOLDINGS CO., LTD.
ITOCHU Techno-Solutions Corporation
CHUBU Electric Power Co., LTD.
DENTSU INC.
Hankyu Hanshin Holdings, Inc.
MATSUI SECURITIES CO.,LTD.
Energia Communications, Inc.
SOHGO SECURITY SERVICES CO.,LTD. (ALSOK)
JAPAN POST BANK Co., Ltd.,
Toppan Printing Co., Ltd.

CDN Business through JOCDN

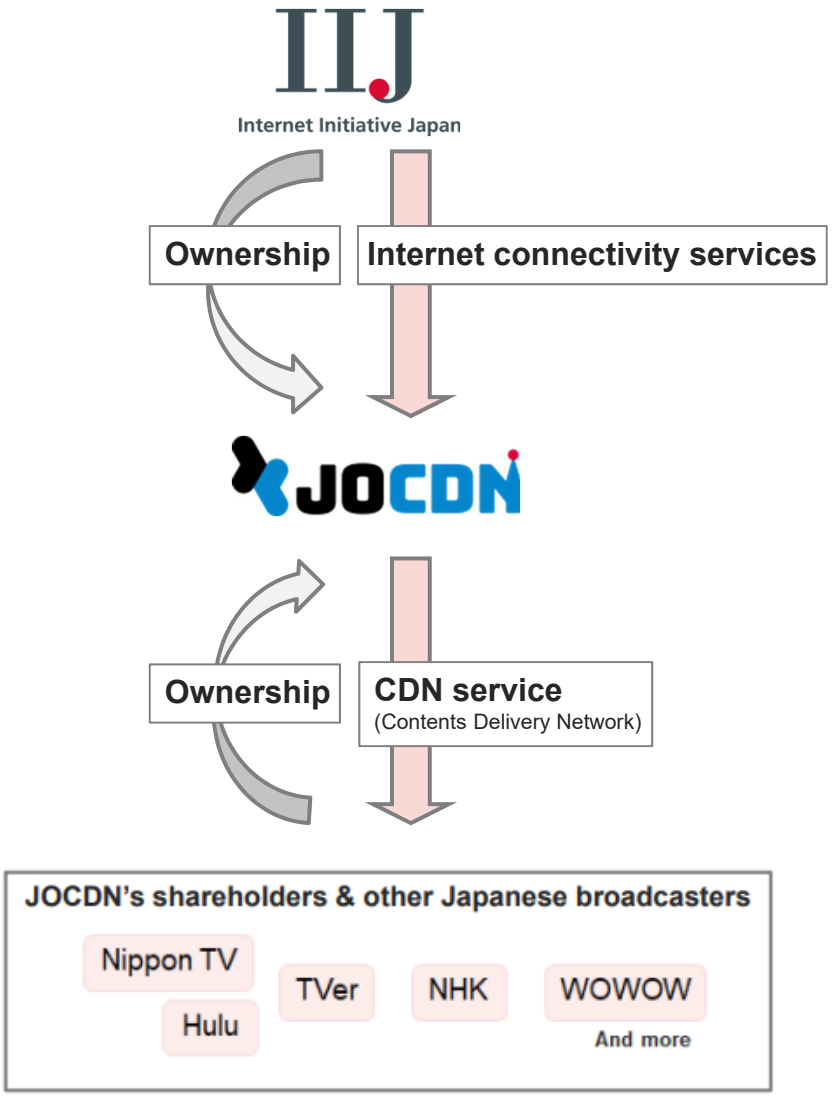
Company Profile

Name	JOCDN Inc.
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)

◆ **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" (web platform where viewers can watch certain TV programs for free)
- 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

Business Model



Sustainability and ESG

https://www.iij.ad.jp/en//ir/esg/
https://www.iij.ad.jp/en/sustainability/

Appendix

As the first full-scale ISP in Japan, we have consistently been the leader of Japan's Internet development. With our management philosophy of developing and supporting Japan's Internet infrastructure at our core, we recognize our responsibility as a provider of social infrastructure and continue supporting social and corporate system platforms, providing stable network services.

IIJ's material issues

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

- Bringing innovation: We shall continue to bring technological innovations to realize an even better network society and propose new values and usages.
- Solving social issues through our business: We shall provide Internet services that will help solve social issues
- Our response to climate change: We shall use our Internet services to drive our environmental contributions

Provide safe and robust Internet services that support social infrastructure

- Maintaining security and privacy: We aim for a world where privacy and security are protected for all users as the norm.
- Enhancing network resilience: As a platform for industries, education, and day-to-day living, we develop and operate robust backbone networks that will withstand natural disasters, accidents, and cyber-attacks.

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

- Promoting diversity and work-life balance: a workplace where all employees' values are respected and they can exercise their skills, regardless of gender, nationality, or disability.
- Developing human resources: maintain & develop a corporate culture that fully respects & supports employees' self-actualization and motivation to learn and contribute to society.
- Promoting occupational safety and health and respect for human rights: a workplace that protects employees' physical and mental health and enables them to work safely.

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 alway starts with the future.