

Internet Initiative Japan Inc.

Corporate Overview

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.

August and September 2019

Outline

- ◆ **Strengths and competitive advantages**
 - Business accumulation P. 3 – 5
 - Business model P. 6
 - Blue-chip customer base P. 7
 - Comprehensive service line-up P. 8
 - Total Solution Provider P. 9
 - Positioning P. 10
 - Recent growth P. 11

- ◆ **Growth strategy**
 - Cloud P. 12 – 14
 - Mobile P. 15 – 17
 - Security P. 18
 - IoT P. 19
 - FinTech P. 20 – 21
 - CDN P. 22
 - Middle-to-long term business growth P. 23 – 24

- ◆ **Financials**
 - 1Q FY2019 results summary P. 25
 - FY19 business goals P. 26
 - 1Q FY2019 results in details P. 32 – 49
 - Dividend P. 27

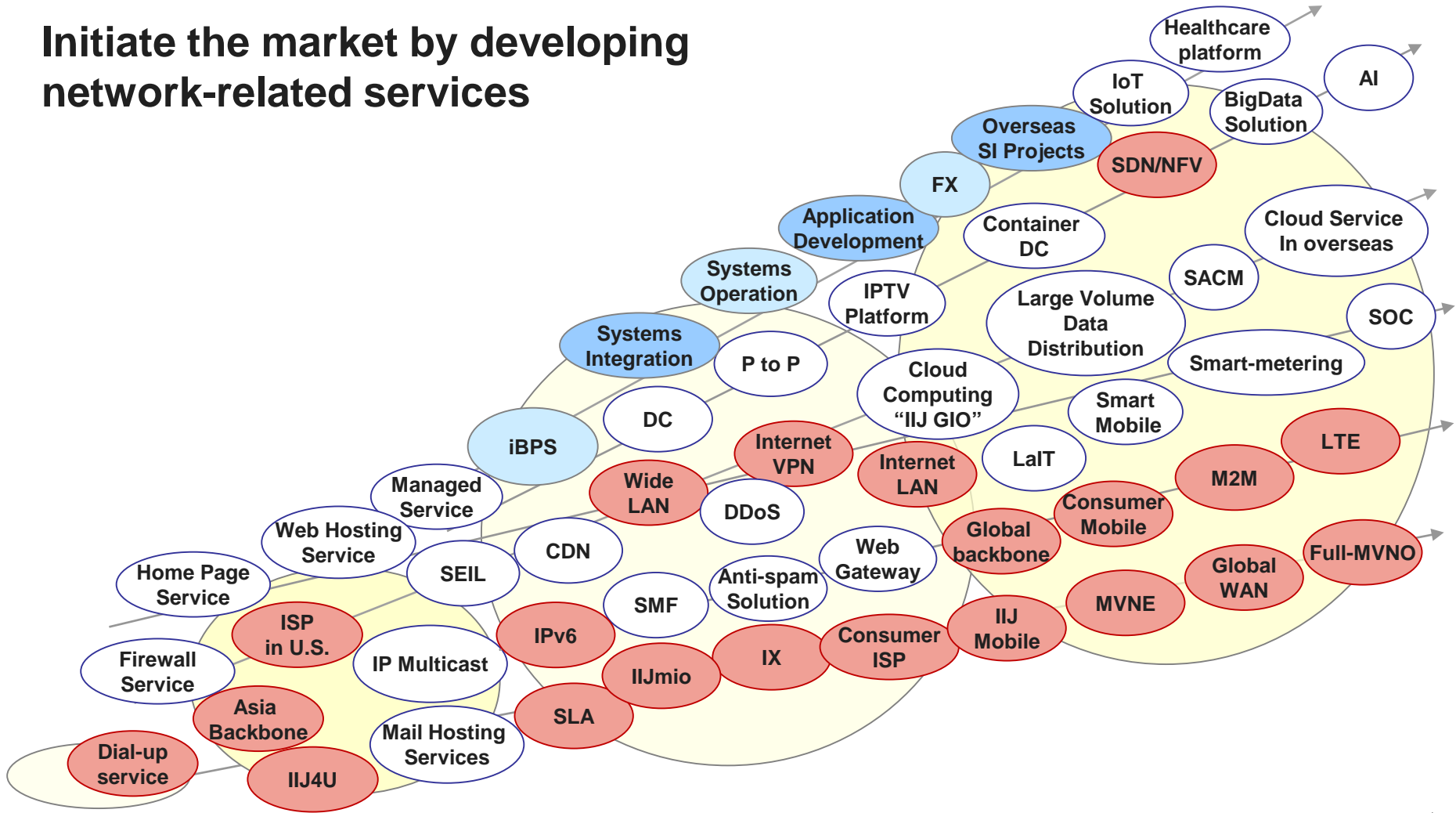
- ◆ **Appendix** P. 28 – 31

Established	December 1992
Number of Employees	3,537 (approx. 70% engineers) Consolidated. As of June 30 2019
Listed Markets	Tokyo Stock Exchange 1st Section (code: 3774) We voluntary delisted from the U.S. NASDAQ Market in Apr. 2019. Our ticker symbol at OTC is IIJIY
Large Shareholders	NTT group (26.0%), Dalton (6.3%), Global Alpha (6.1%), CEO Suzuki (5.6%*) <small>*Jointly owned by CEO. Suzuki's wholly owned private company</small>

- ◆ **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 service development and related back office facilities
 - ◆ **“IIJ” brand towards blue-chips**
 - Mainly among large enterprises and governmental organizations
 - Differentiate by reliability and quality of network and systems operation
 - Long-term client relationship with no serious systems troubles
 - ◆ **At the leading edge of IP R&D**
 - Differentiate by continuous service developments and business investments
 - Enhancing cloud, mobile, security, CDN (Contents Distribution Network) and solutions related to bigdata and IoT
 - Participate in world-wide research and organizations
- ...and many more

Technology and Service Developments

Initiate the market by developing network-related services



1992 IIJ Internet Initiative Japan

1996 IIJ America

1997 internet *my*

1998 IIJ Engineering

2006 Net Chart Japan

2007 TRINITY Loyalty Marketing Solutions

2008 IIJ INNOVATION INSTITUTE

2010 IIJ Global

2013 IIJ Europe

2014 株式会社 ネットウエブ KIVAKUSA NETWORK

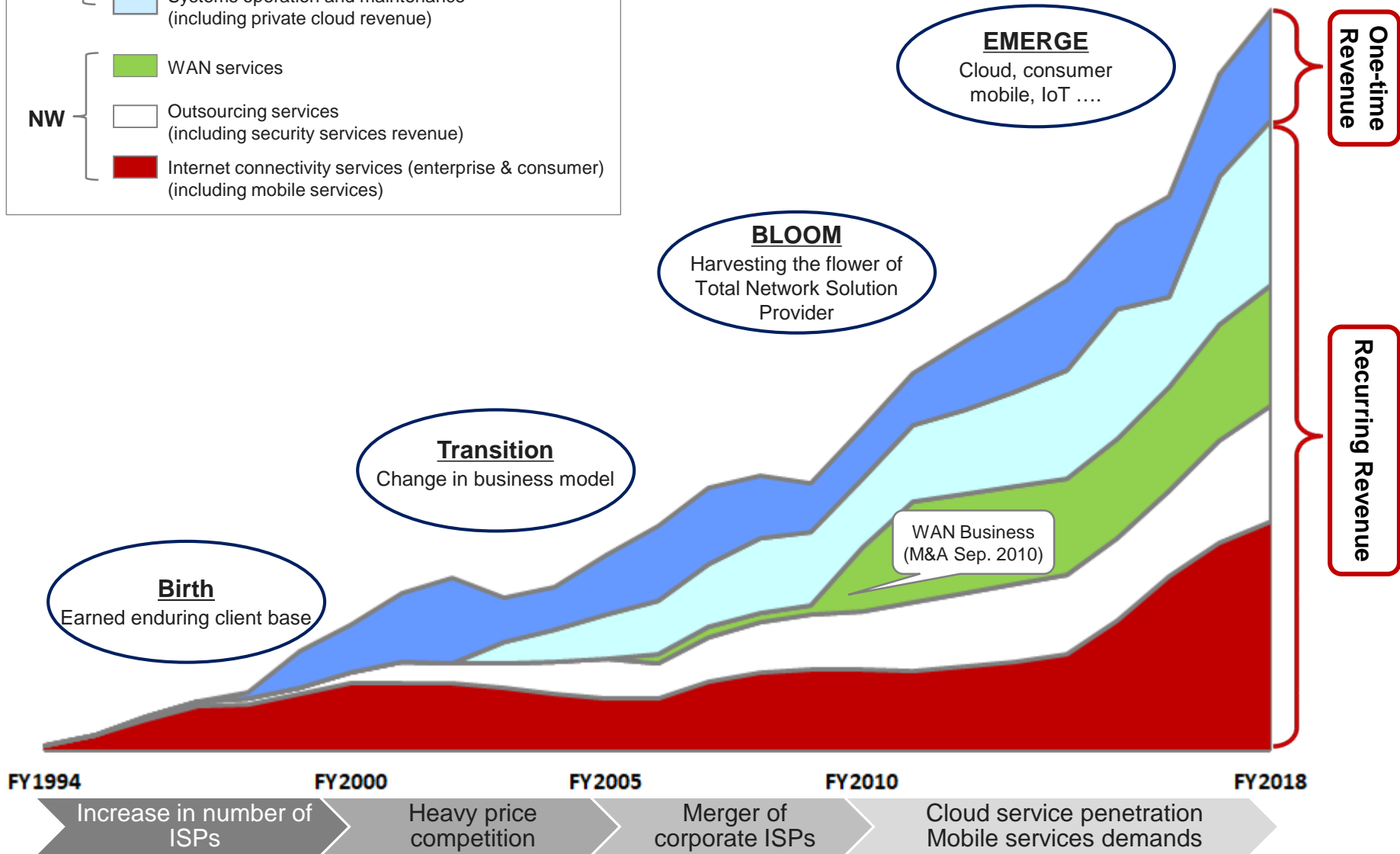
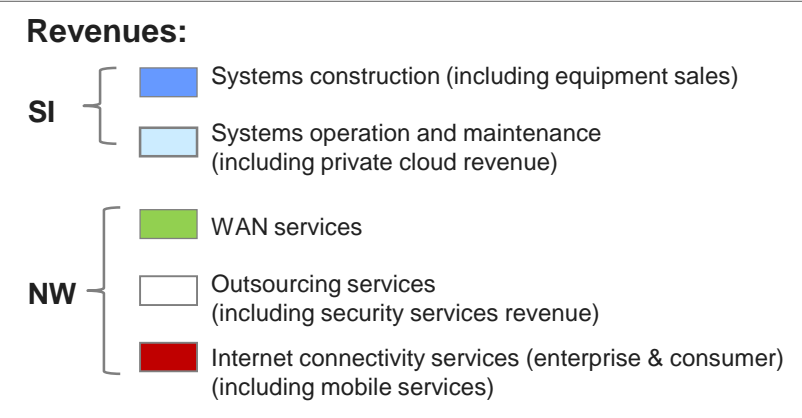
2016 JOCODN

2018 DeCurret

IIJ Group

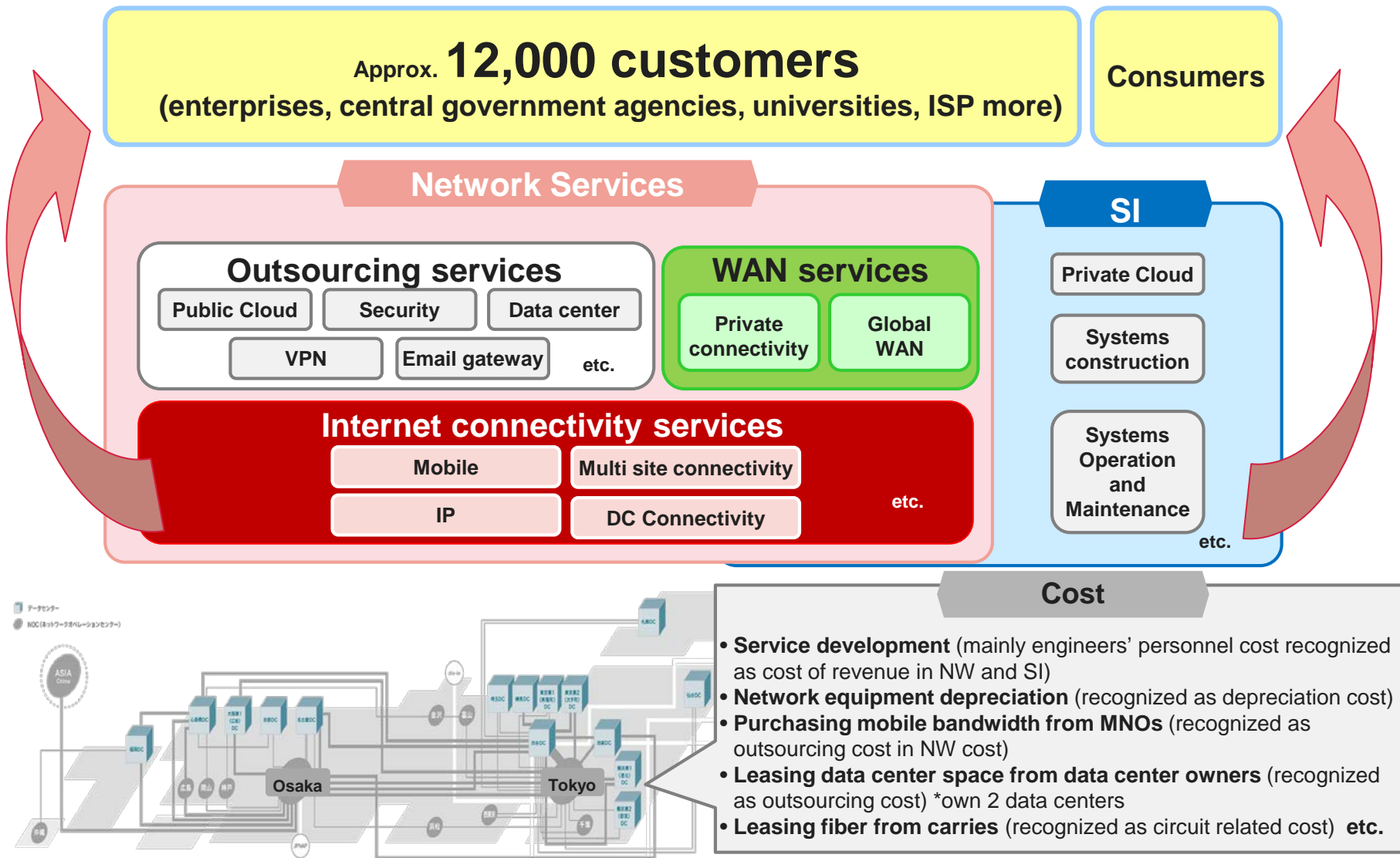
i-revo Trust Networks

ISP to Total Network Solution Provider



Leveraging Internet-related technology

Total network solution provider with services and SI

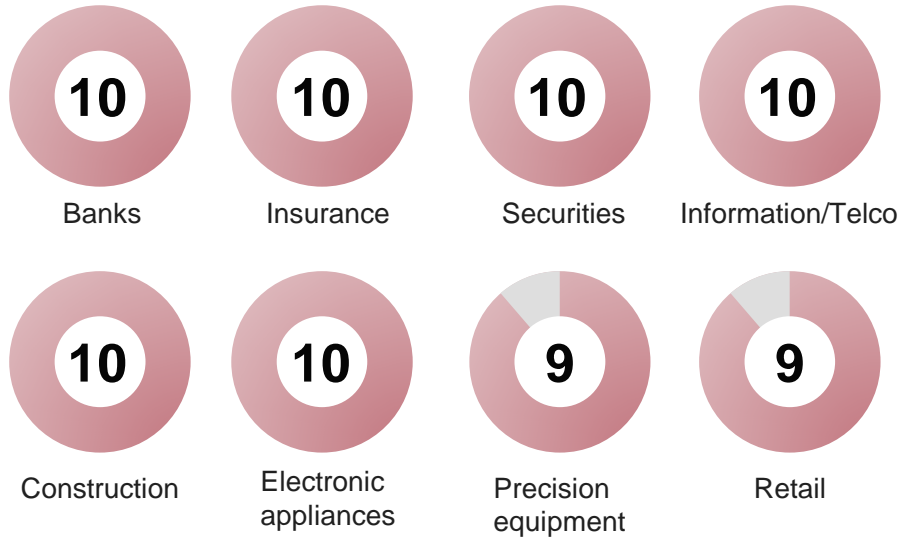


Excellent Customer Base with Many Blue-Chips

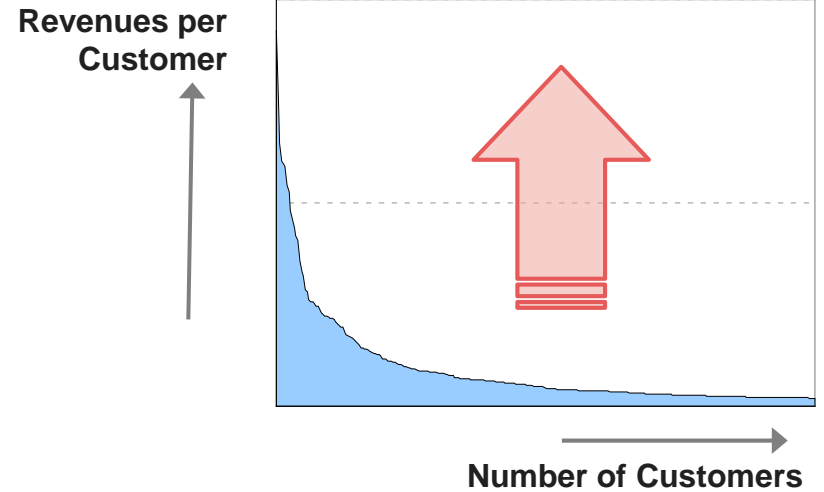
Competitive Advantages

Cover Most of Top Revenue Companies

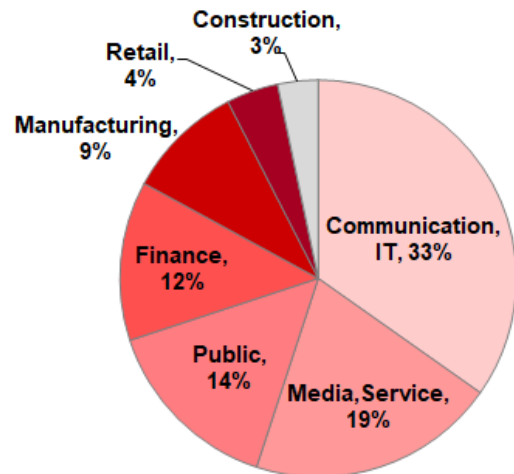
The number of clients among the top 10 companies in each industry.



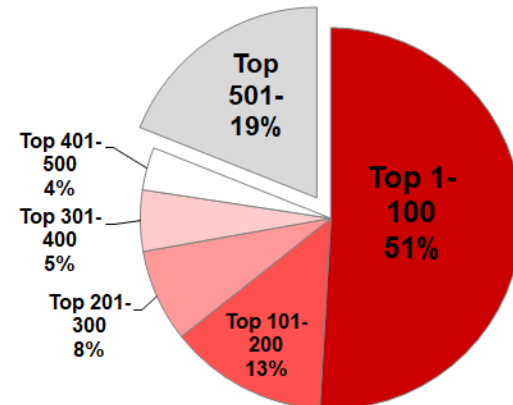
Increase Revenue per Customer



Revenue Distribution by Industry



Revenue Distribution by Clients



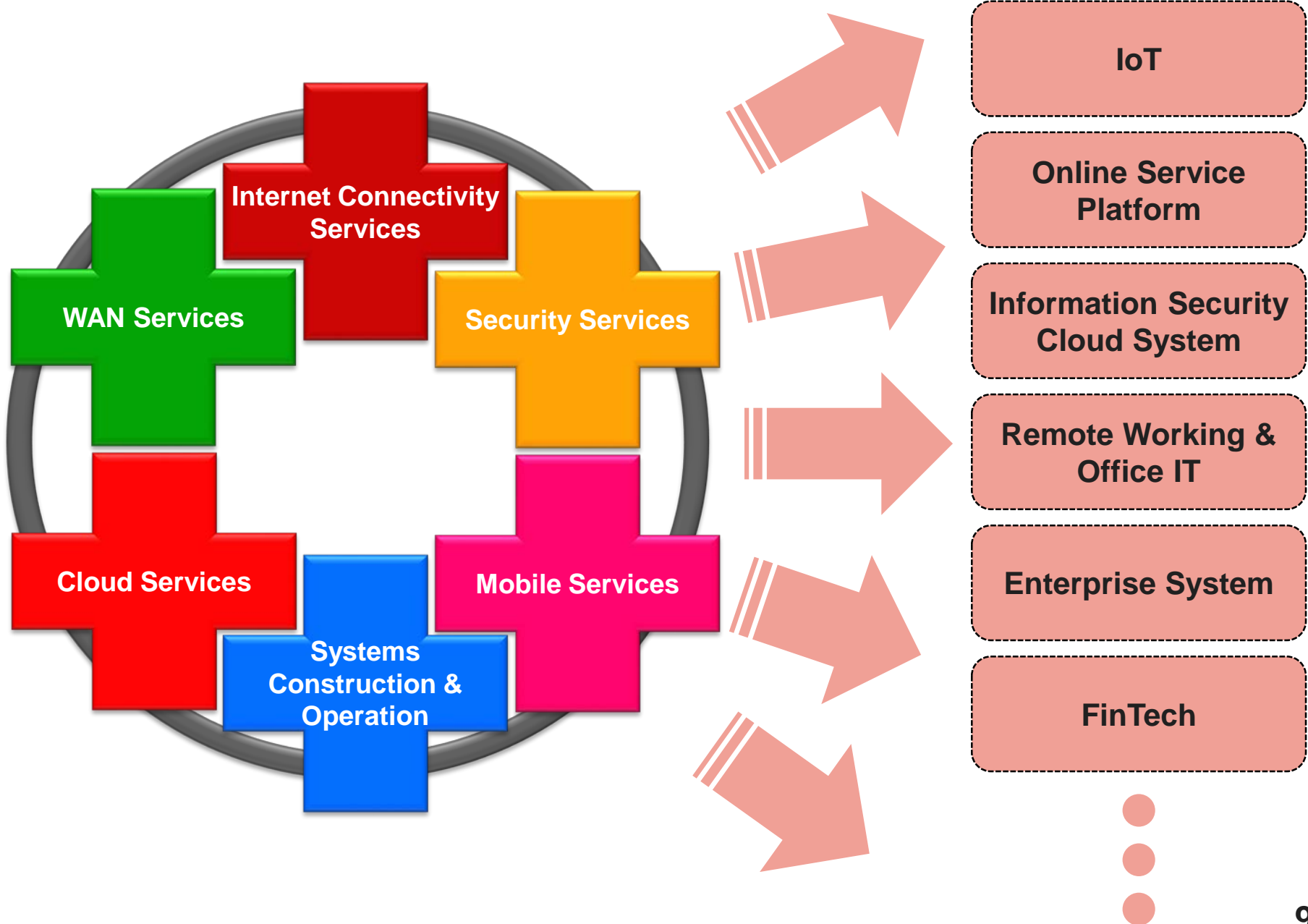
Source: IJ's FY2018 Financials

Comprehensive Line-ups of IT services

Revenues		Services	Business status
NW Services	Internet Connectivity (Enterprise)	<ul style="list-style-type: none"> • Primary connectivity for head offices • High-performance dedicated connectivity • Redundant connectivity for multi-site 	<ul style="list-style-type: none"> • Dominate the matured market • Revenue gradually increase with greater contracted bandwidth/traffic • Anticipate to grow with CDN traffic & further cloud service penetration • Continuous network expansion
	Internet Connectivity (Consumer)	Mobile <ul style="list-style-type: none"> • Mobile solutions, M2M/IoT, MVNE for enterprises • Inexpensive SIM card services for consumers 	<ul style="list-style-type: none"> • Accumulate subscription with MVNE and IoT • Further capture IoT demand with full-MVNO supporting data services
	WAN	<ul style="list-style-type: none"> • Closed NW for multi-site connection 	<ul style="list-style-type: none"> • Legacy technology, shrinking market
	Outsourcing	<ul style="list-style-type: none"> • Security, data center, email outsource, NW/Server management service line-ups etc. • Many in-house developed services 	<ul style="list-style-type: none"> • Cross-sell and accumulate various outsourcing services • Growing demands for security • Continuous service development
SI	Operation & Maintenance	Cloud <ul style="list-style-type: none"> • Full service line-ups for IaaS • SaaS/PaaS with partners • Hybrid/Multi cloud solutions • BigData, IJ Raptor (FX application) etc. 	<ul style="list-style-type: none"> • Competitive advantage of SI with multi/private cloud • Continuous service enhancement including GIO P2
	Construction	<ul style="list-style-type: none"> • Internet-related SI, NW integration • Cloud-related, mobile-related SI • Operation & maintenance after construction 	<ul style="list-style-type: none"> • Value-added functions to promote cloud, mobile systems etc.

Example of Total Solution

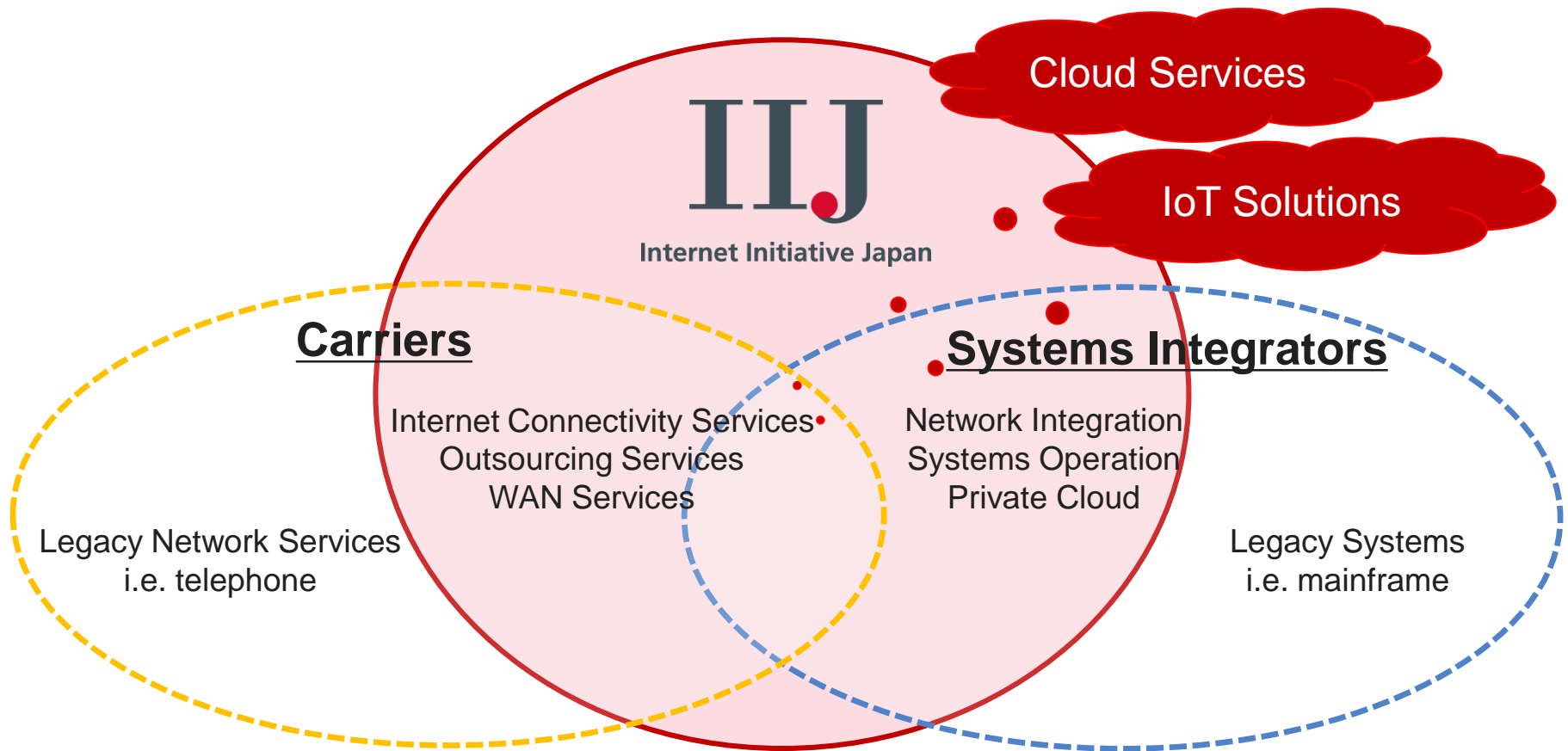
Competitive Advantages



Target Blue-chip's IT Shift

Competitive Advantages

Cover Corporates' New IT Services Demands with reliable operation



IIJ's differentiation points towards competitors

- Many highly skilled network engineers
- Corresponds to the Internet market rapidly
- Unbureaucratic organization structure

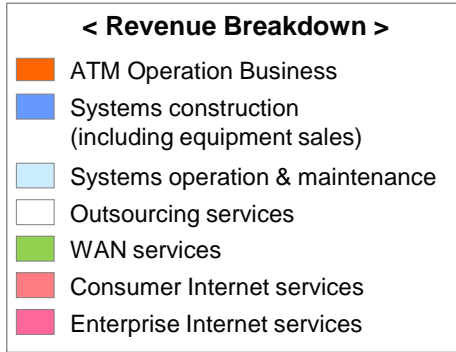
- Operates network facilities by ourselves
- Develops network services
- Moderate number of employees

Leveraging Blue-chip Customer Base

Unit: JPY billion
% = year over year change

Growth Strategy

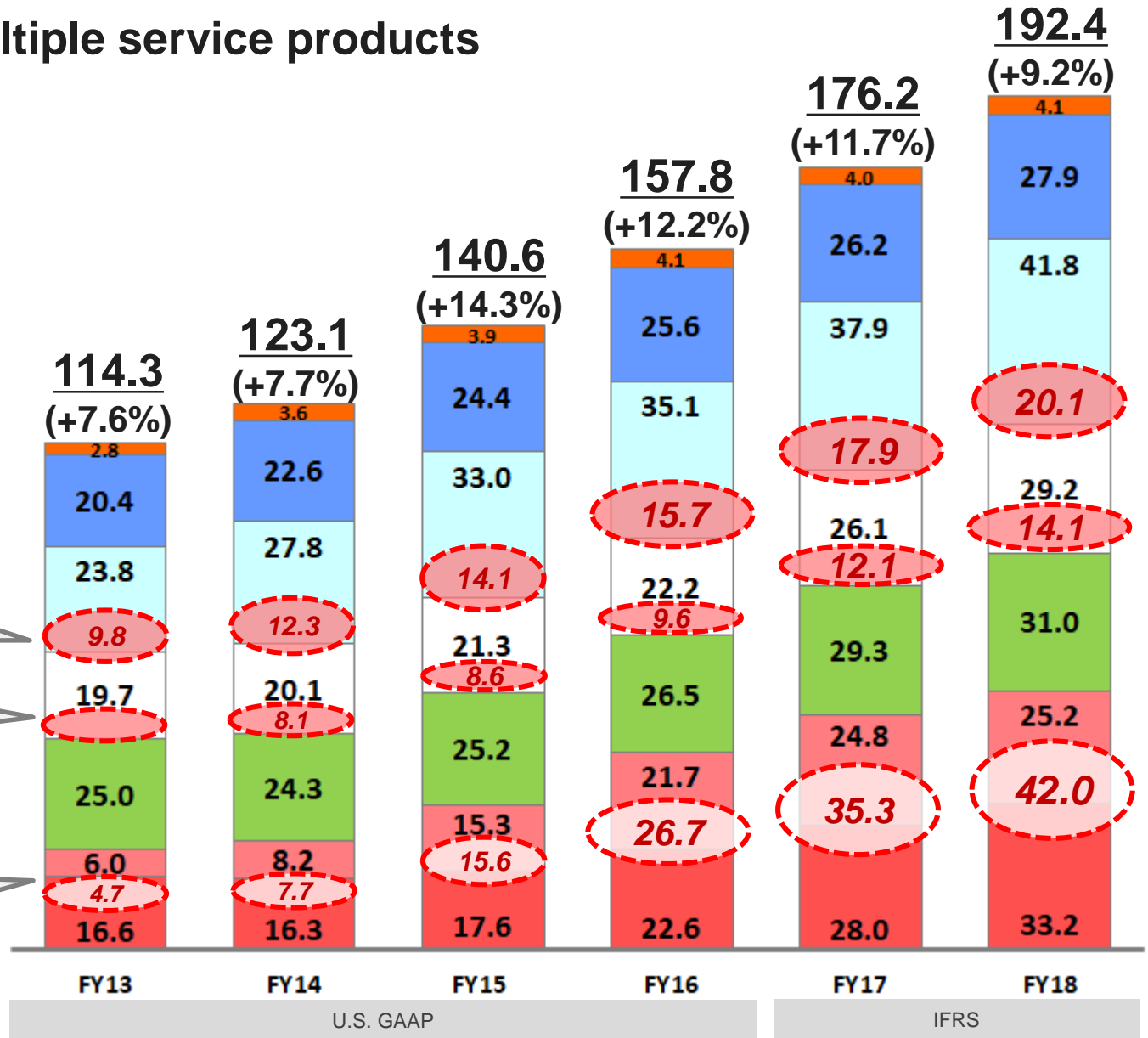
Cross-selling multiple service products



Cloud services

Security services

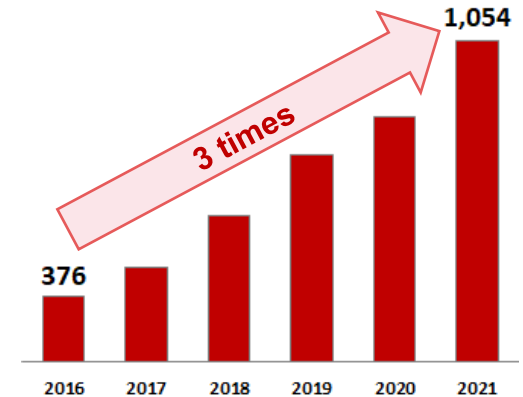
Mobile services



*YoY growth rate written for FY17 revenue is comparing FY16 revenue which is prepared with U.S. GAAP and FY17 revenue which is prepared with IFRS

Cloud Market in Japan

- Cloud penetration among Japanese enterprises
 - 58.7% as of 2018-end, 33.0% as of 2013-end (MIC)
- Some advanced and mission critical enterprise systems on cloud services, but mostly web server and such light usage
- Average system life cycle: 5 years
 - Enterprises consider re-investing in their on premise systems or migrate to cloud service when their existing systems approach to the end of life
- Systems don't migrate at once, especially large internal systems
 - Customization (SI) is required when migrating to cloud
- Japanese companies require needs specific functions, IIJ continuously upgrade, enhance and expand service line-ups
- Great business opportunity with IoT and BigData



Published in Mar. 2017 by IDC Japan "Domestic Public Cloud Market Estimation revenue-base (2016-2021)", Unit: JPY billion

IIJ's Competitive Advantages

IIJ

- ◆ **Target blue-chip's large internal IT systems** which are traditionally covered by Slers
- ◆ **Integrate full-MVNO (data services), security, SI and other IIJ services**
- ◆ **Execute Multi-cloud strategy** by connecting MS, AWS, Google cloud platforms through private connectivity, UOM (Unified Operation Management) Service etc.
- ◆ **First in Japan to join MS Azure Networking Managed Services Provider Program** (July 2019)
- ◆ **Experience, reputation, reliable operation**
 - One of the first cloud service providers in Japan (since FY2010)
- ◆ **Deep relationships with blue-chip customers**, Leverage network service clients customer base
- ◆ **Various options for CPUs/OSs/storage/network usage etc.**

Competitors

AWS/Azure

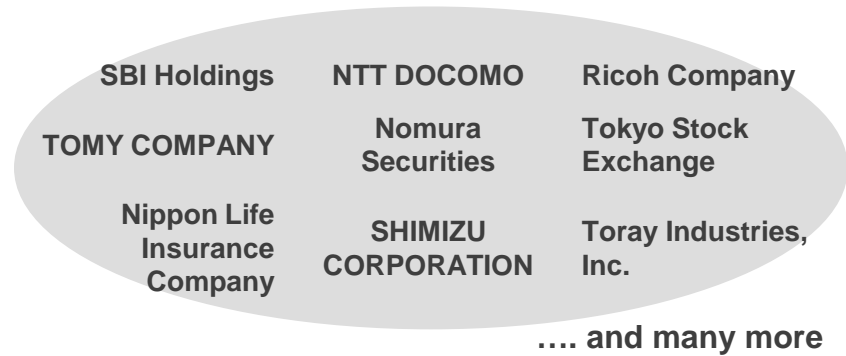
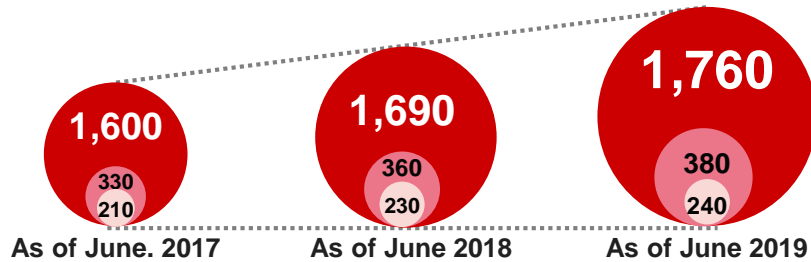
- ◆ Strong scale merit
- ◆ Not so strong about meeting individual system needs
 - Service specs
 - SI expertise
 - Customer support

Slers

- ◆ Tailored toward individual private cloud, in principal
- ◆ Target current clients, in principal

IIJ's Cloud Customer Base

■ Total number of customer MRR over JPY1.0 million
■ MRR over JPY0.5 million MRR=Monthly Recurring Revenue



Flagship IIJ GIO P2 Projects

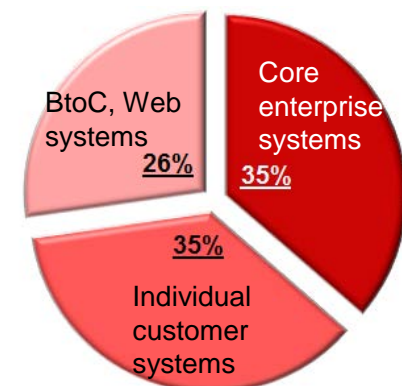
➤ One of the largest global logistics companies, chose IIJ's cloud service for its fully-outsourced internal systems (3,500 servers and 2PT storage) → MRC JPY9 million

➤ One of the largest prefectures, chose IIJ's cloud services for "Local Government Information Security Cloud" systems → MRC JPY60 million

➤ One of the largest online ticketing companies chose IIJ's cloud service for its main and prominent service platform → MRC JPY14 million

➤ One of the largest travel agencies chose IIJ's cloud services for its core business operation systems → MRC JPY12 million

IIJ GIO P2 System Usage

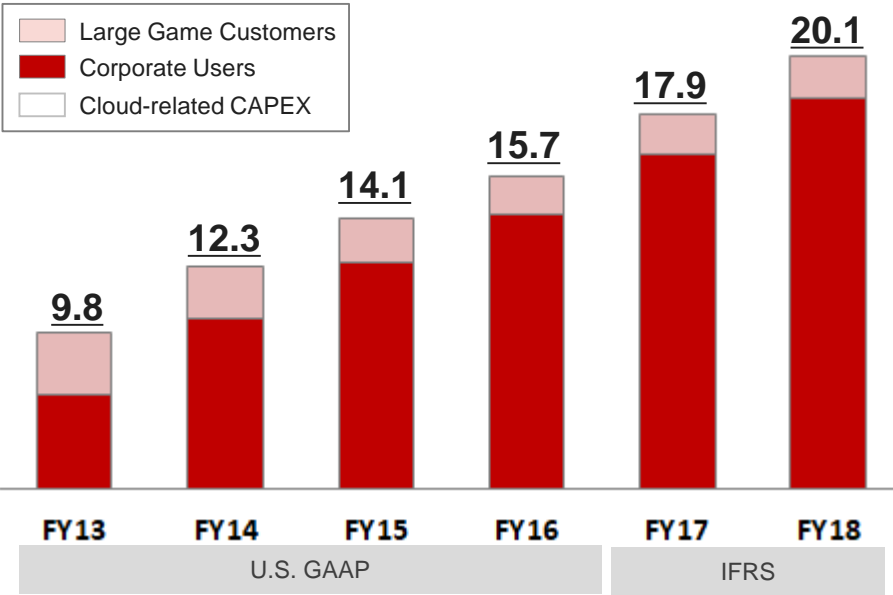


Cloud Business (3)

Unit: JPY billion

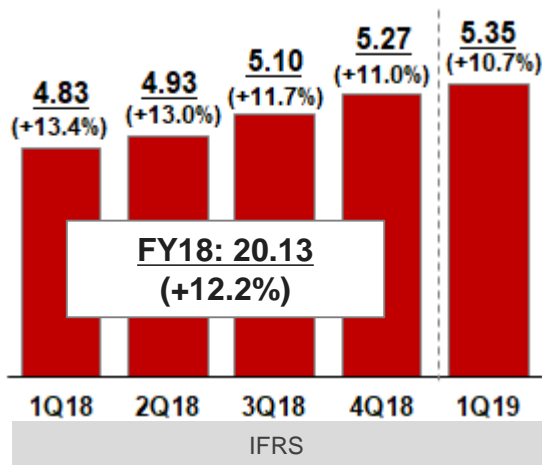
Growth Strategy

IIJ's Cloud Revenue Growth



3.7	1.7	4.4	3.6	7.9*	2.2
-----	-----	-----	-----	------	-----

*Included GIO P2 facility in Western Japan of JPY3 billion which is for FY18 usage



Business model

◆Revenue

- Enterprise systems life cycle: 4 to 5 years on average
- Along with Japanese enterprises' internal IT systems migration to cloud, types of systems IIJ can deal should expand
- Revenue depends on system volume (i.e. number of cloud servers)
- Revenue to expand along with increase in customers and system volume

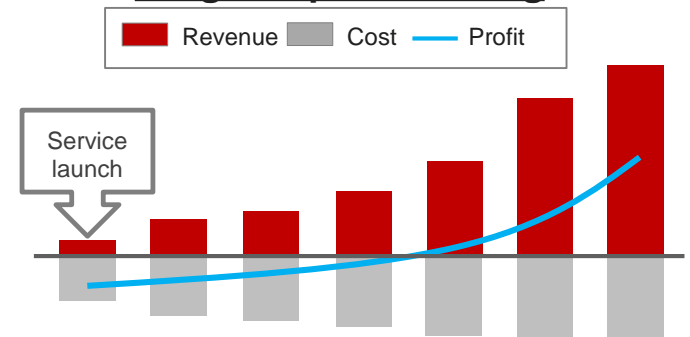
◆Cost

- Leasing fee for data center space, depreciation and amortization cost for services and other network equipment, outsourcing cost and personnel costs

◆Profit

- Currently very low profitability as still in investment phase (need to expand service facility and develop services)
- Should be able to enjoy economy of scale once large volume of cloud services are used by customers

Image on profit making

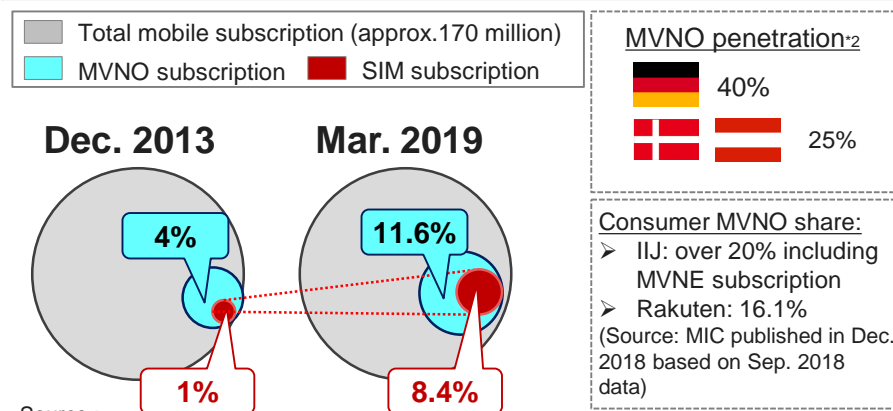


Mobile Business (1)

Unit for revenue: JPY billion
Unit for subscription: thousand
IFRS

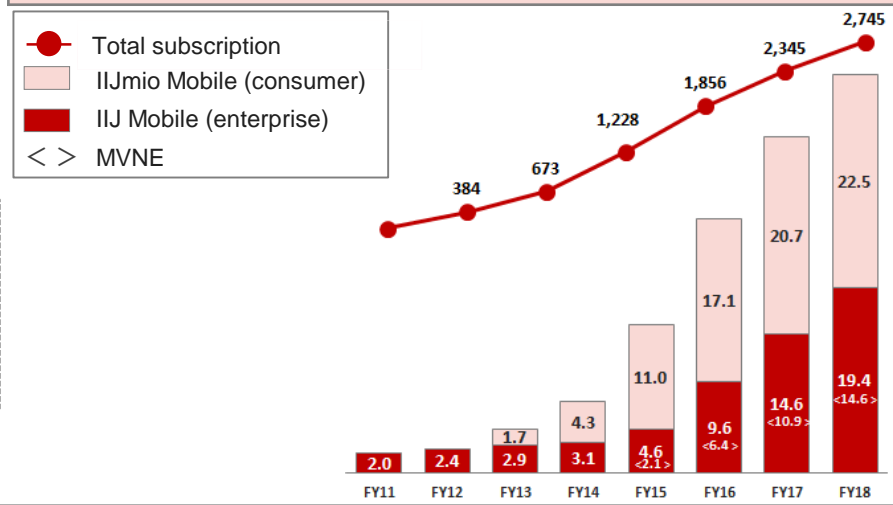
Growth Strategy

MVNO Penetration in Japan*1

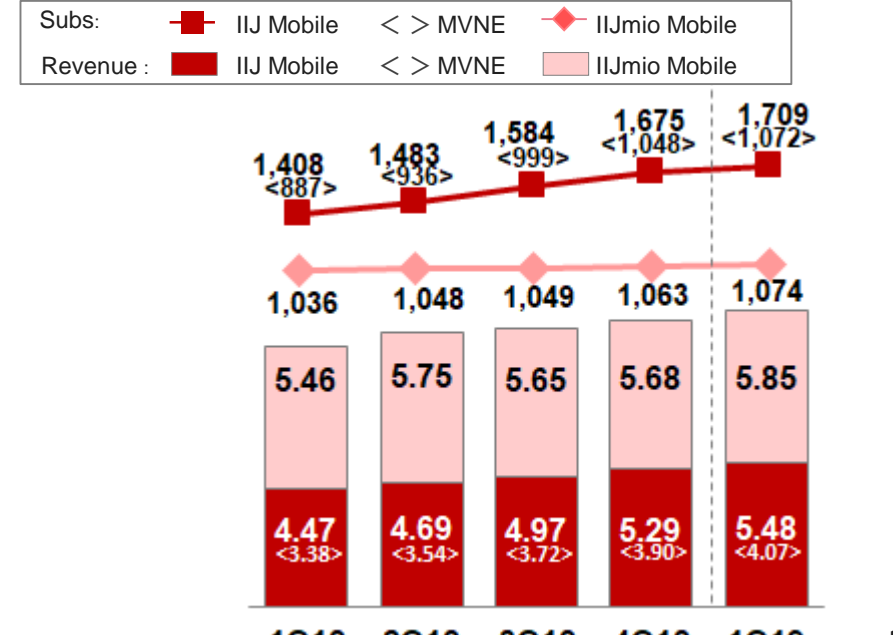
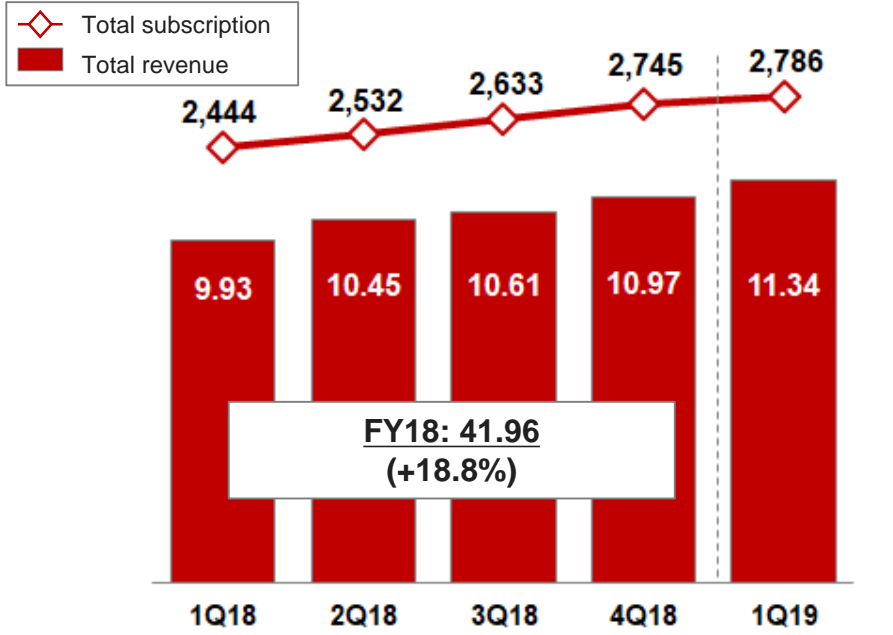


Source :
 *1 Ministry of Internal Affairs and Communications
 *2 "Promoting a vibrant mobile market in New Zealand" by Trustpower Limited in Nov, 2015

IIJ's Subscription & Revenue Growth



IIJ's Subscription & Revenue Quarterly Growth



Business model & Growth Strategy

◆ Revenue

- Consumer mobile revenue = Subscription multiplied by ARPU
- Enterprise mobile revenue to grow with IoT/M2M traffic (Charge IoT projects by how much data traffic is needed)

◆ Cost

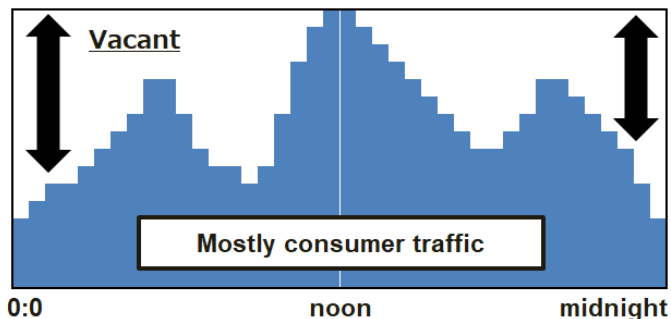
- Consumer & enterprise mobile services are provided from the same mobile infrastructure
- Mainly buying mobile capacity on bandwidth-base from Docomo (some from KDDI)
- In order to provide voice services, we purchase per usage base (no economy of scale merit for voice services)
- Sales commission to sales partners such as Bic Camera

◆ Profit

- Profitability to increase by improving infrastructure utilization through gathering various consumer (young, old, student, households, office works) & enterprise traffic (IoT)

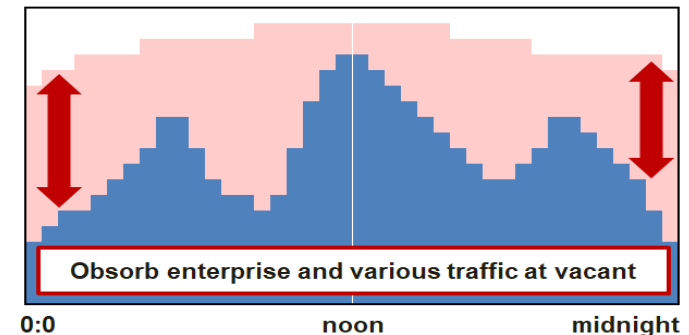
Image of IIJ's Mobile Infrastructure Utilization

Current



With more IoT and enterprise traffic....

Middle to Long term



➢ Improve mobile infrastructure utilization by gathering IoT/M2M & various consumer traffic*

- Launched full-MVNO services (supporting data services) targeting further IoT traffic (private global network, inventory control with flexible billing management for IoT usage, direct overseas roaming, chip SIM etc.)
- 1Q19-end MVNE clients: 152 (retailers, CATV, EC vendors, Slers, manufacturers etc.)

*young, old, student, households, business persons etc.

First in Japan to launch full-MVNO services supporting data services

➤ Full-MVNO service offerings

- **“eSIM” services** for consumers (from July 2019), preparing to launch eSIM services to enterprises
- **“SoftSIM”** (May 2019), entirely software-based communication module
- **“SIM Life Cycle Management”** (from Mar. 2018); able to remotely check and change status of SIMs, suited for IoT usages such as inventory management
- Small data volume-bundle services targeting IoT usages (from Aug. 2018) attracting orders
- Started trial of **eSIM platform** on Microsoft Surface and others, official service to be launched in FY19
- **“Japan Travel SIM”** (from Apr.); prepaid SIMs for foreigners visiting Japan, partnering with local partners in overseas to provide SIMs before tourists leave their home counties
- International roaming services for enterprise customers (from Jul.)

➤ Full-MVNO revenue:

- 1Q19: JPY0.34 billion, FY18: JPY0.66 billion (initial target JPY0.5 billion), FY19 target: JPY1.7 billion

➤ Fixed cost: approx. JPY0.1 billion per month (from Mar. 2018)

➤ Expected total investment: approx. JPY4.5 billion (HSS/HLR systems depreciation & Docomo’s NW remodeling fee)

Accumulating Enterprise Mobile Solutions

➤ Started providing enterprise mobile solutions from 2008 by becoming the 1st MVNO in Japan to connect Docomo’s mobile network

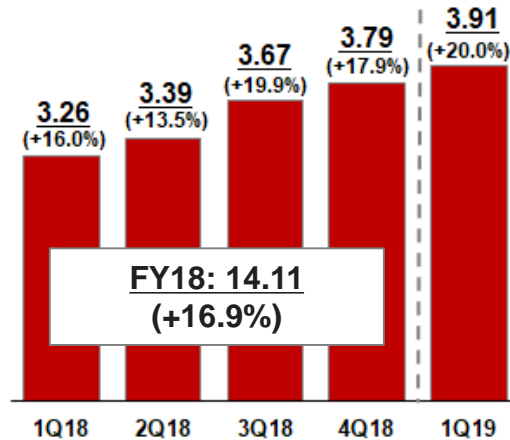
- Wireless solution to enterprise customers
- Leveraging blue-chip customer base
- Provide with SI, if necessary

➤ Accumulating IoT-type M2M projects continuously

- Surveillance & dashboard cameras, digital signage, sensors, ticket vending machine etc.
- 1Q19-end non-MVNE mobile subscription: 637 thousand (+22.3% from 1Q18-end)

IIJ's Security Services Revenue Growth

Unit: JPY billion
IFRS



<About security service revenue>

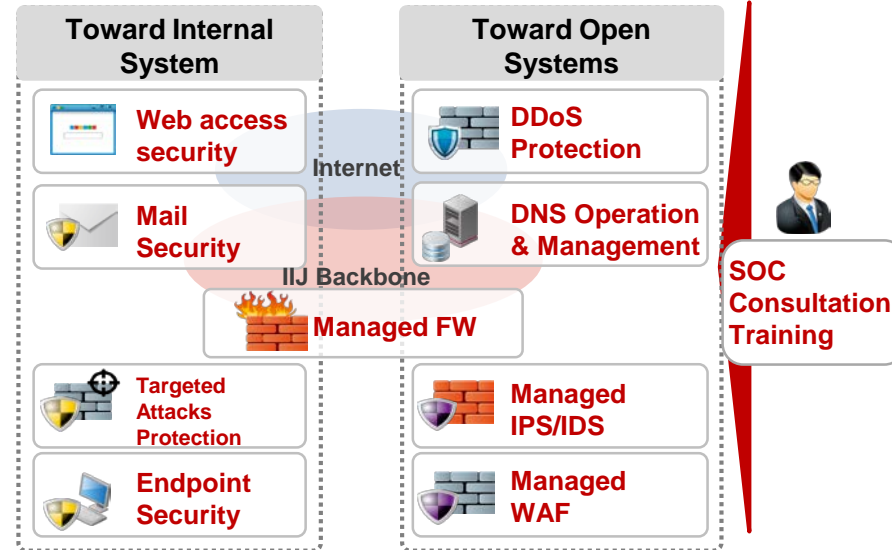
- Recognized in Outsourcing Services
- Total security revenue (sum of security services & security-related SI) FY17 JPY14.62 billion, FY18 JPY16.77 billion

IIJ's Competitive Advantages

- ◆ **DDoS protection services** which are able to handle terabit cyber attacks, widely used among central government agencies and major financial institutions
- ◆ **Security Operation Center services** with approx. 6 billion daily log records of network etc. (others: approx. 0.8 billion records a day), able to detect Internet threats and execute countermeasures in early stage
 - Providing to local government. Leveraging security log obtained as an ISP to protect against latest cyber threats
 - Assist enterprise security systems with establishment of CERT, SOC service & wide-range of security services
- ◆ **Advising regional police departments about cyber security** such as unauthorized access and Internet network

IIJ's Security Service line-ups

◆ Provide together with NW and SI as comprehensive



Business Developments

- ◆ **DDoS protection service strongly growing**
 - Growing penetration toward BtoC service providers
 - Expanded facility globally, able to protect from over terabit scale attacks
- ◆ **Email & Web gateway service continuously expanding**

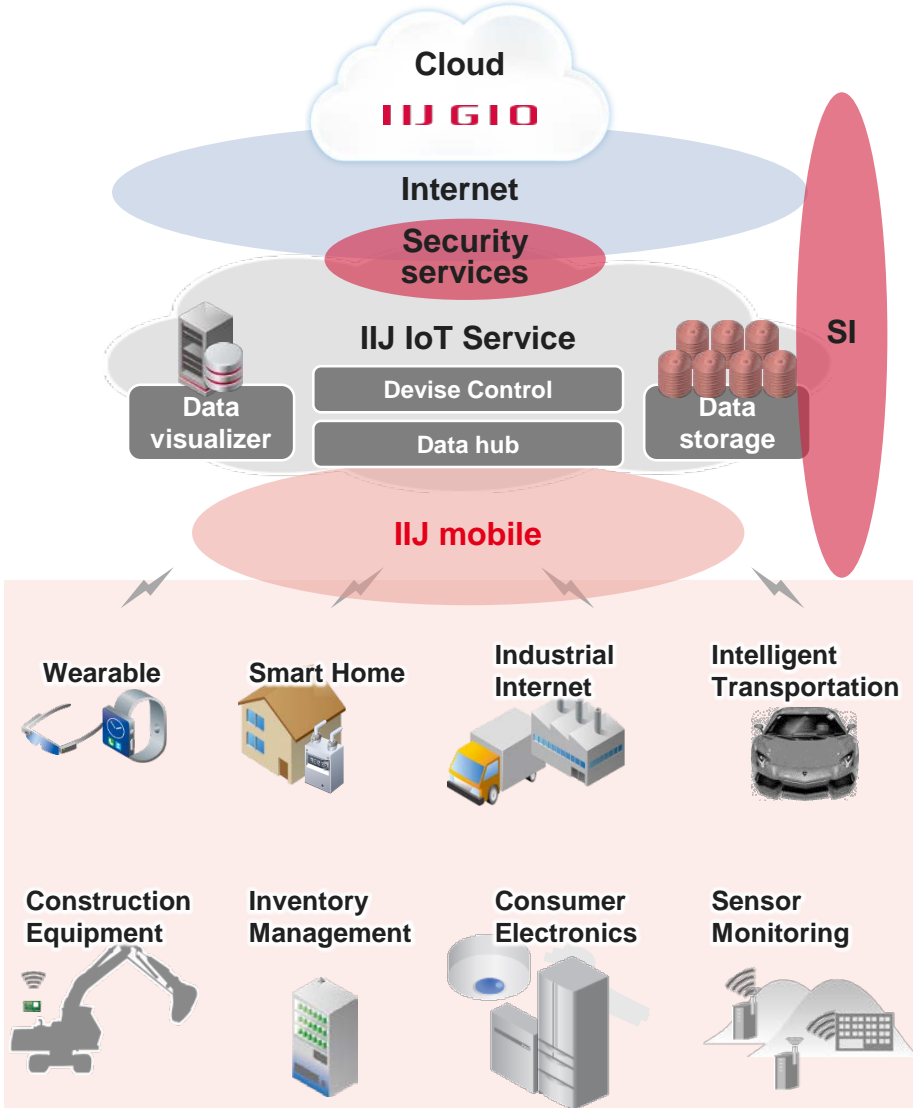
Mail service: approx. 2.1 million accounts

Web gateway service: approx. 1.2 million accounts

- Protecting **several hundreds of thousands email accounts** with our services for such as global manufacturing companies, local governments and more from external threats and information leaks
- Fully-manage over several hundred thousand a/c for global manufacturing company's mail gateway and more
- 10yrs+ of service operation, filter logics in-house developed

IJJ as IoT platform

IJJ provides necessary elements for IoT comprehensively



Further Accumulation of IoT Projects

- ◆ IoT-related discussion & PoC prj. with our blue-chip customers as they seek business opportunities with IoT
- ◆ Prospective orders increasing after the announcement of to engage in full-MVNO supporting data services

Sector	Examples of usage
Factory	<ul style="list-style-type: none"> • Remote mgmt. and control of factory facility • Predict machine failures, reduction in maintenance cost
Agri.	<ul style="list-style-type: none"> • Paddy mgmt. (control of water level & temp.)
Log.	<ul style="list-style-type: none"> • Mgmt. of vehicle location & delivery status • Connected Cars, data monitoring of racing cars
Retail	<ul style="list-style-type: none"> • Analysis on consumers' movement from in-store cameras to create marketing data • Monitoring waiting customers
Housing	<ul style="list-style-type: none"> • Mgmt. of electricity with info from smart-meter • IoT to consumer electronics and nursing care
Others	<ul style="list-style-type: none"> • Mgmt. for solar panels & windmills • Tracing products

< Glossary >

PoC	Proof of Concept	Agri.	Agriculture
Prj.	Projects	Log.	Logistics
Mgmt.	Management	Inst.	Institution
Temp.	Temperature	Govt.	Government
		a/c	account

Company Profile

Name	DeCurret Inc. (IIJ ownership 30%)
Est.	January 2018
Capital	JPY8.6 billion
Directors	President: Kazuhiro Tokita (from IIJ) Part-time directors: IIJ CEO, IIJ COO, IIJ CFO

- 1st & new licensed service provider after the FSA enacted registration process
- Launched exchange services in Apr. 2019. Plan to upgrade the services and add settlement platform services
- Raised capital (July 2019): enterprise shareholders increased to 30 (including IIJ)

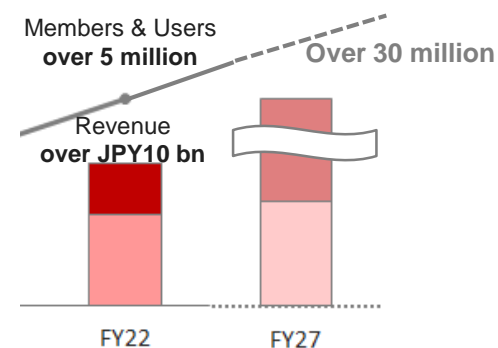
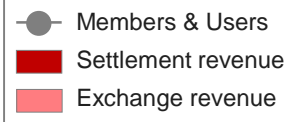
Business

- **Exchange service (Apr. 2019)**
 - 24 hours 365 days exchange platform to exchange various cryptocurrencies, mainly for consumers
 - ✓ BTC, BCH, LTC, XRP, ETH
 - ✓ Highly reliable system, low bid-ask spread, and meeting security requirement such as AML/KYC
- **Settlement platform services**
 - Exchange cryptocurrency to electronic money, points etc. (1st phase, from 1H19)
 - Plan to handle stablecoins such as MUFG coin
 - Plan to tie-up with JR Suica to adopt electronic money
 - Plan to handle multi-currency settlement platform such as stablecoins, electronic money, cryptocurrency and others by utilizing exchange platform etc.
 - Plan to widen usage for intergroup settlement

Competitive Advantages

- **Trading system leveraging the existing IIJ Raptor**
 - Top share ASP FX (Foreign Exchange) system in Japan, proving to more than 10 major Japanese financial institutions
 - ✓ Core-engine, dealing system, connecting multiple FX exchanges, investor service platform, operator management function etc.
 - ✓ Approx. 70% of DeCurret service system is leveraged from the existing IIJ Raptor system
- **Executing business with prominent capital partners**
 - Expect to include electronic money, bank coins and more
 - ✓ Aim to be a common platform for partners' cryptocurrency distribution
 - Future potential: connecting payment data and accounting, smart contract, BtoB settlement and more by leveraging blockchain technology

Business Target



Impact on IIJ's consolidated financial results etc.

<PL> Impacted by equity in net income/loss of equity method investees Equity in net loss of DeCurret:

- FY18 result: JPY502 million, FY19 plan: JPY0.7 billion, FY20 target: equity in net gain

<Business> Raptor & cloud to grow, IIJ owns 30% of DeCurret's value

Shareholders of DeCurret

Internet Initiative Japan Inc.

ITOCHU Corporation

QTnet, Inc.

OPTAGE Inc.

KDDI CORPORATION

KONAMI HOLDINGS CORPORAION

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.

East Japan Railway Company

BIC CAMERA INC.

Mitsui Sumitomo Insurance Company, Limited

Sumitomo Mitsui Banking Corporation

Mitsui Fudosan Co., Ltd.

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)

Toppan Printing Co., Ltd.

CDN (Contents Distribution Network) Business

Growth Strategy

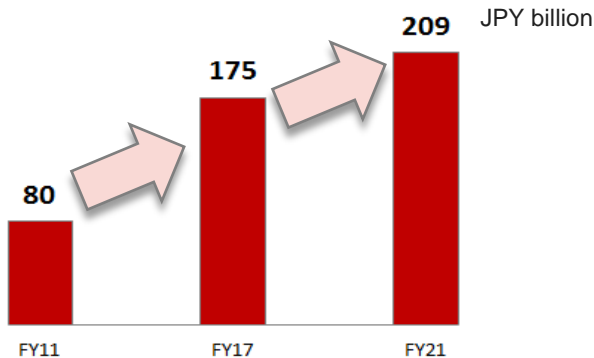
CDN Market in Japan

- **Growing needs to distribute contents over Internet**
 - 4K/8K and high-definition contents to increase towards the Tokyo Olympics
- **Broadcasting companies distributing contents via Internet**
 - Nippon TV owns Hulu Japan,
 - Broadcasting companies operate “TVer”
- **Akamai is strong in Japan CDN market, no prominent Japanese provider currently**
- **IJ has rich and long experience in CDN business**
 - ✓ Olympics games, high school base ball games, and many more

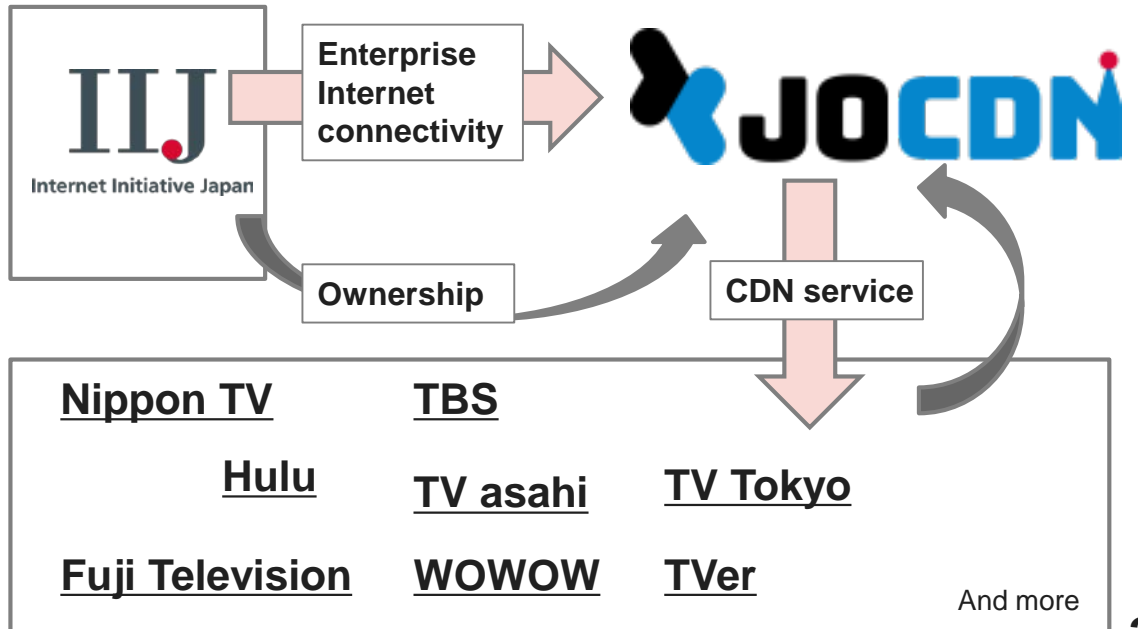
JV with Japanese Major Broadcasting Companies

Company name	JOCDN Inc. (IIJ Ownership 19%)
Capital	JPY710 million
Establishment	December 1, 2016
Shareholders	IIJ, Nippon TV, TV asahi, TBS, TV Tokyo, Fuji TV, WOWOW (prominent satellite broadcaster) and 10 more
Management	Chairman: Koichi Suzuki (IIJ) President: Shunichi Shinozaki (Nippon TV)
Business	<ul style="list-style-type: none"> ➤ Provide a video content distribution platform service for use within Japan ➤ Construct and operate broadcasting systems

CDN Market Growth in Japan



Source: Nomura Research Institute “ICT and Media Market Growth Outlook and Trend through FY2021”, published in Nov. 2015



Mid-to-Long term Business Growth

Unit: JPY billion

Growth Strategy

Business foundation enhancement with aggressive investment → **Further business developments**

Revenue growth accelerating → **Scale-merit** → **Profit improvement**

- Total revenue
- Total revenue annual growth
- Adjusted EBITDA
- Operating profit

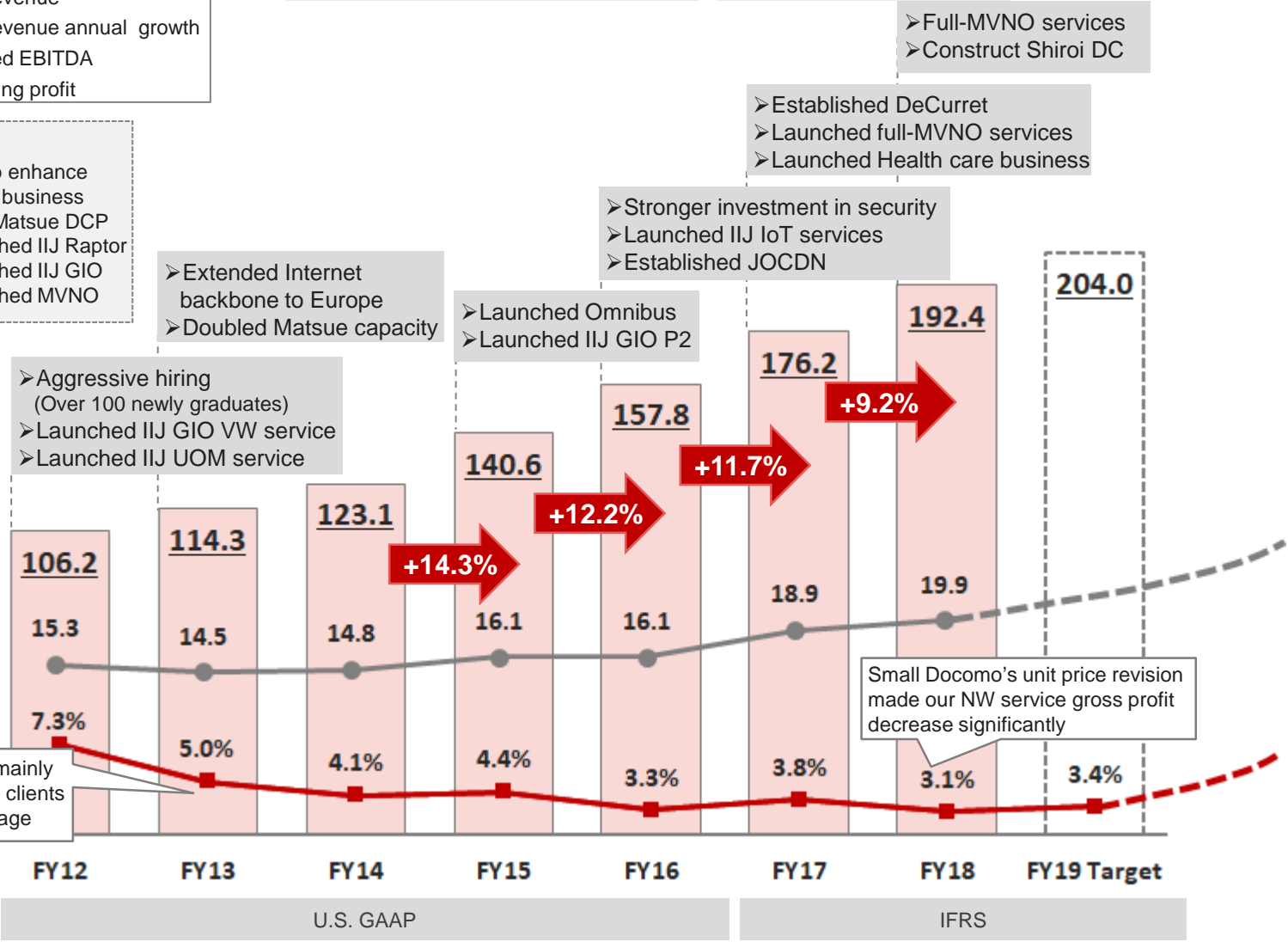
FY11:

- Started to enhance overseas business
- Opened Matsue DCP

FY10: Launched IJ Raptor

FY09: Launched IJ GIO

FY08: Launched MVNO

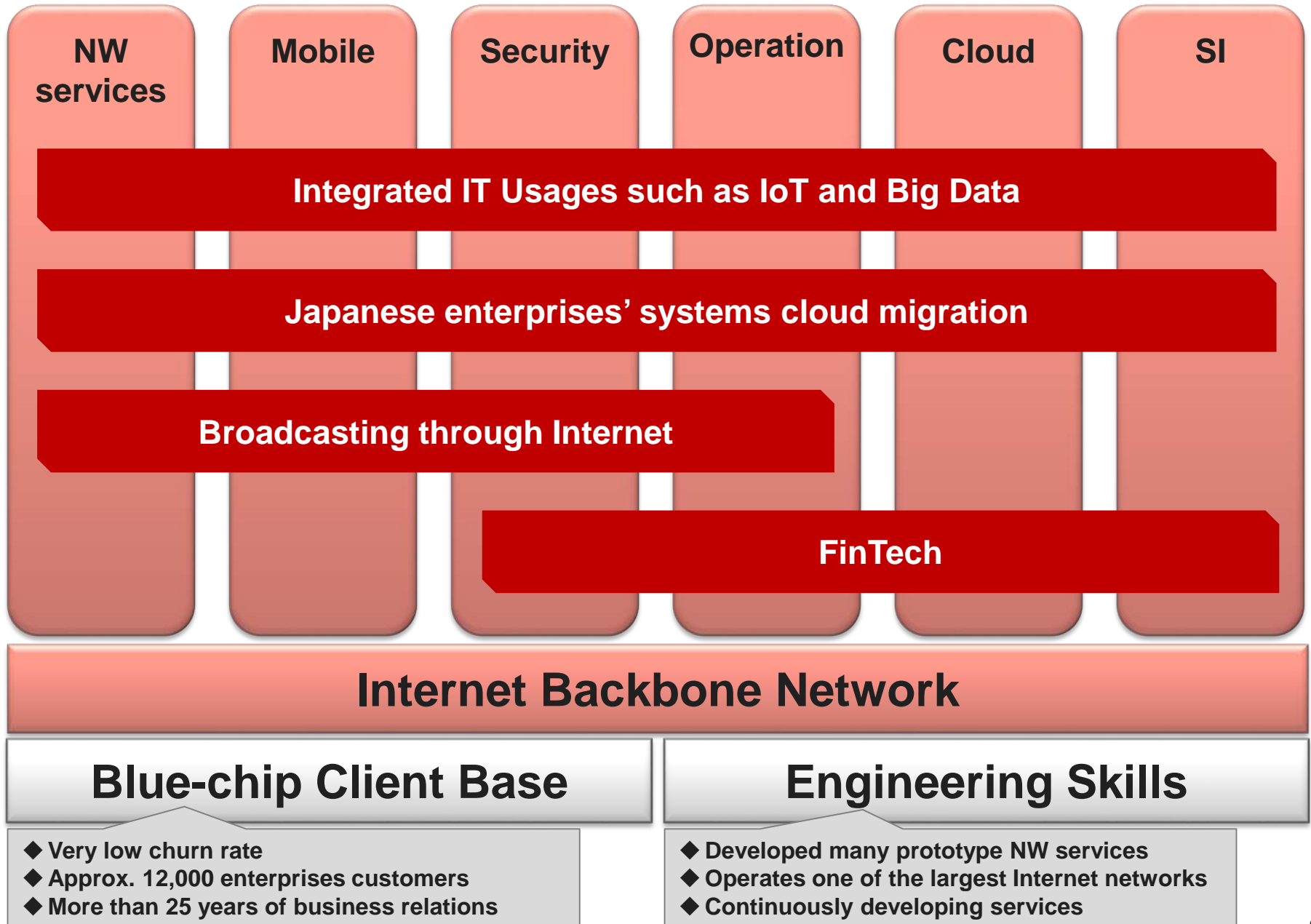


Income decreased mainly due to large gaming clients decreased cloud usage

Small Docomo's unit price revision made our NW service gross profit decrease significantly

* Adjusted EBTIDA for FY17 and FY18 are calculated by adding operating profit and CAPEX-related depreciation and amortization, which is calculated by excluding depreciation and amortization of assets that do not have the nature of capital investment. YoY growth rate for FY17 revenue (IFRS) is calculated with FY16 revenue (US GAAP)

Established Business Elements Ready for Coming IT Future



Solid business developments & strong earnings along with favorable demand

Total Revenues	JPY49.8 billion	+11.1%
Operating Profit	JPY1.4 billion	+58.8% ^(*)

(*) The growth rate shows the comparison for the normalized 1Q18 operating profit which is 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

◆ Enhancement of enterprise NW service development

Enterprise recurring revenue* (excluding WAN) continued to grow: +8.9%

*Enterprise recurring revenue is calculated by subtracting revenues of WAN, MVNE and consumers from recurring revenue

➤ Expansion of Full-MVNO & IoT service lineups

- First in Japan to launch eSIM services (July), Developing and preparing to launch eSIM services for enterprises
- SoftSIM (May), Services to visualize and monitor IoT data (July) etc.

➤ Execution of Multi cloud strategy: Cloud revenue +10.7%

- Adding connecting points for multi cloud: AWS, MS, Google
- IJ Omnibus Service's function expansion: optimizing route control when accessing SaaS such as MS Office365

➤ Strong demands continue for Security: Revenue +20.0% Each service grew such as SOC, DDoS Protection

➤ CDN: Providing Internet live platform for "Virtual High School Baseball Championship" 5 years in a row

➤ JOCDN: Data migration of a large contents holder is approximately 80% completed

◆ Gross profit for both NW & SI started with improving trend

➤ NW gross profit +14.0%, +JPY0.6 billion YoY^(*) with recurring revenue accumulation & rebound effect of Full-MVNO profitability improvement by increasing its revenue against its fixed cost

➤ SI gross profit +23.3%, +JPY0.4 billion YoY with continuing effect of FY18 profitability improvement strategies

◆ DeCurret, new company for digital currency trading and settlement business, raised capital by private placement

➤ Expect even stronger synergy with enterprise shareholders

➤ 11 new shareholders: KDDI, Konami, Sumitomo Life, Daido Life, Meiji Yasuda Life, Chubu Electric Power, Hankyu Hanshin Holdings, Matsui Securities, Energia Communications, ALSOK, Toppan Printing

➤ IJ ownership 30%, Total enterprise shareholders 30 (including IJ), Capital raised to JPY8.63 billion (including capital reserve)

Revenue: JPY204 billion +6.0%YoY Operating Income: JPY7 billion +16.2%YoY

**Enterprise
NW
Services**

Continue executing FY18 strategy to make them stable revenue & income growth drivers

- Offer “digital workplace” with NW/Mobile/Virtual desktop/Cloud/Omnibus/Endpoint etc.
- Toward FY20, further cultivate security demands with highly reliable and various security services
 - WAN revenue to decrease due to certain clients' change in NW

IoT

Execute flagship projects. Accumulate and deploy projects knowledge for the mid-term

- Established a division dedicated to IoT by gathering in-house sales and engineers resources
- Execute solutions for agriculture, factory, energy, transportation etc.

Mobile

Improve profitability by focusing on full-MVNO & enterprise mobile strategies

- Full-MVNO revenue target JPY1.7 billion. Mobile gross profit to improve by JPY0.5 billion
 - Rebound effect in FY19 related to full-MVNO fixed cost as full-MVNO was launched in Mar. 2018
- In addition to FY18 projects, execute BtoBtoX transaction utilizing chip SIM & eSIM
- Aim to improve mobile infrastructure utilization by acquiring enterprise traffic

Cloud

Continue executing strategy of offering highly value added & comprehensive solution for enterprises

- Revenue target JPY22.5 billion. Continuously accumulate revenue through Multi cloud & UOM services etc.
- Prepare and implement to integrate service facilities to Shiroy DC

SI

Further emphasize competitive advantage of having SI function for Cloud & IoT projects, Increase profit continuously

- SI gross profit to increase by expanding SI business scale and having continuing effect from FY18 strategies
- Overseas business targets: revenue JPY8.7 bn, operating income JPY0.2 bn Aim to achieve JPY10 bn revenue soon

New

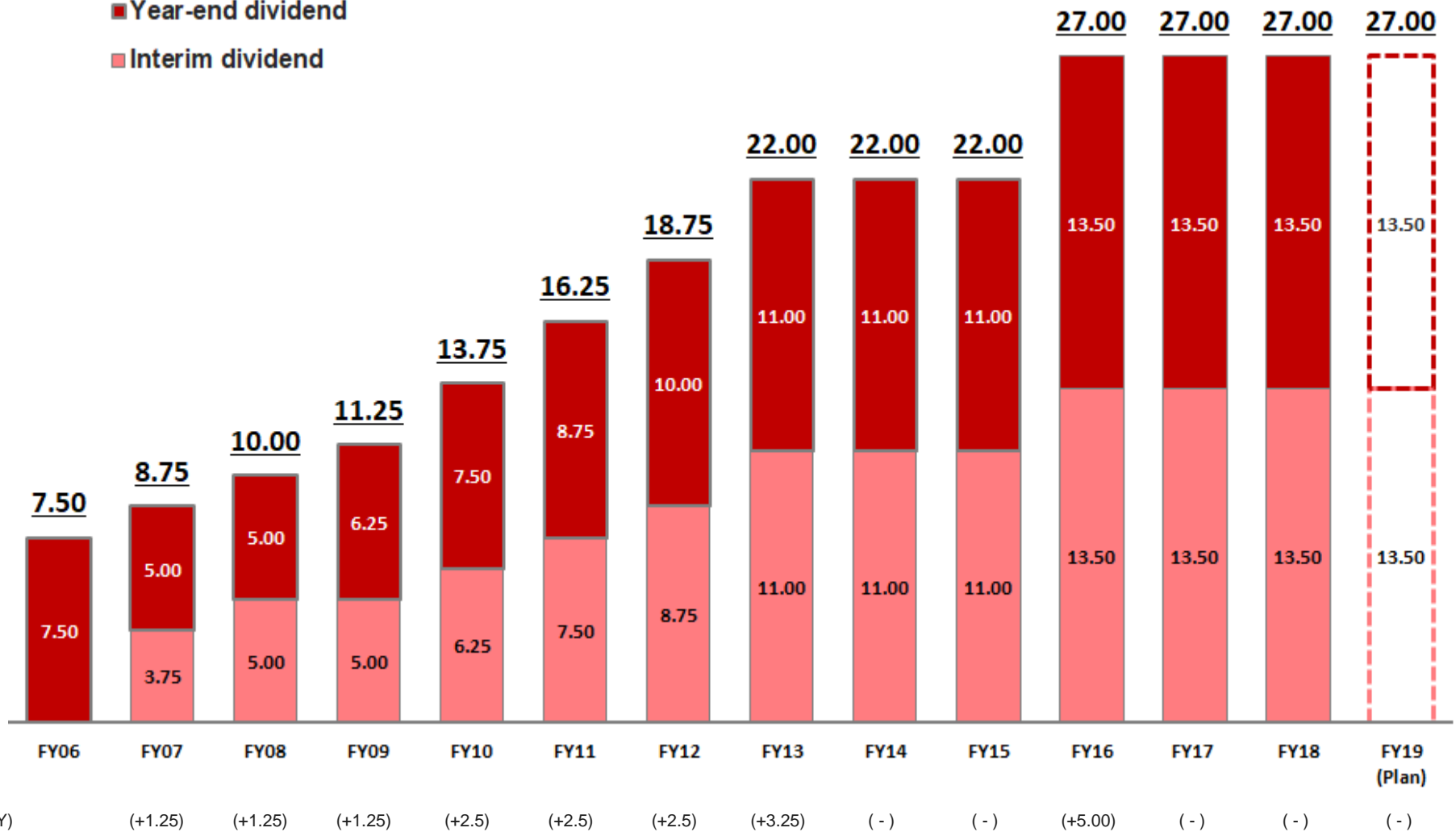
- ◆ **DeCurret** Upgrade exchange service and launch settlement service (1H19)
- ◆ **JOCDN** Complete data migration of the large contents distributor
Acquire more contents distribution demands by strengthening partnerships

* Strategy to make good use of employees and business operation through work place that is fully utilizing digital technology

Dividend Forecast

Unit: JPY

- Year-end dividend
- Interim dividend

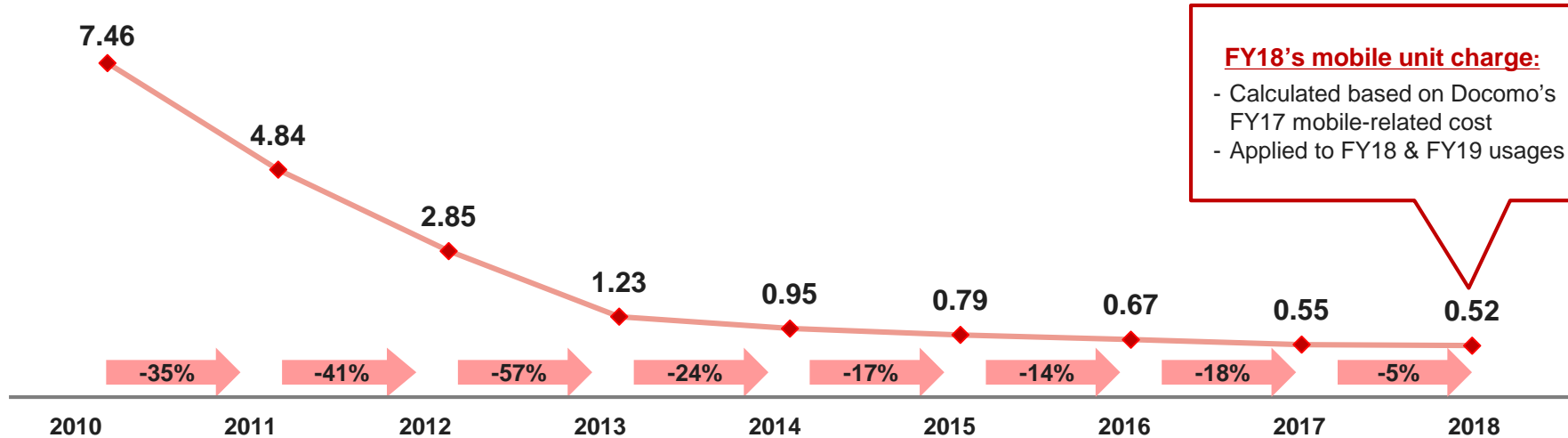


*IIJ conducted a 1:200 stock split on common stock with an effective date of October 1, 2012. Dividend figures shown below are retroactively adjusted to reflect the stock split.

Mobile Unit Charge for MVNO (NTT Docomo)

NTT Docomo's monthly DCC per 10Mbps

Unit: JPY million



FY18's mobile unit charge:
 - Calculated based on Docomo's FY17 mobile-related cost
 - Applied to FY18 & FY19 usages

IJ's estimate vs. actual decrease rate

	(1) Docomo's payment arrangement	(2) IJ's estimate	(3) Actual results
FY14	40%	40%	24%
FY15	25%	15%	17%
FY16	15%	12%	14%
FY17	15%	14%	18.2%
FY18**	15%	14%	5%*

(1) Fixed in April, (2) Based on comprehensive consideration including (1), (2) and others, (3) Fixed next March

(*) Fixed in March 2019, (**) IJ's fiscal year ended March 31, 2019

MVNO infrastructure cost for Docomo

- Mobile unit charge is a unit charge used when MVNOs such as IJ purchase mobile infrastructure from MNOs such as NTT Docomo.
- The charge is
 - calculated and revised every year by MNOs accordingly with the rules of the Ministry of Internal Affairs and Communications.
 - same flat-rate for all MVNOs leasing from the same MNO
 - is fixed 1 year after and applied to current and a previous year

$$\text{Mobile Unit Charge (Mbps)} = \frac{\text{Data Communication Cost} + \text{Profit}}{\text{Demand for Mobile Traffic}^{*1}}$$

- Adoption of "future cost method" has been discussed

IIJ Data Centers

- **Operating 21 data centers in Japan** (as of Dec. 2017)
 - 20 data centers are leased from data center owners per space
 - ✓ Continuously expanding the facility to meet demands
 - Own 1 data center: Matsue Data Center Park (Shimane prefecture)
 - ✓ Japan's first container-type data center using outside-air cooling system
 - ✓ Opened in Apr. 2011, accommodate approx. 500 racks

Purposes

- **Integrate racks, currently spread out in the eastern Japan area's data centers**
 - Future cost should be approx. 20% lower than continuously expanding leasing space and with improved operation productivity
- **Absorb increasing rack demand along with further penetration of cloud & IoT**
- **Competitive advantages with latest technologies**
 - Improved facility with outside-air cooling technology & AI for cooling & energy control, and automated operations with robotics technology etc.

New Data Center Profile

Name	Shiroi Data Center Campus
Address	Shiroi city, Chiba prefecture
Land	Approx. 40,000m ² (already acquired)
Racks	Can accommodate up to 6,000 racks <ul style="list-style-type: none"> • Phase 1: approx. 1,000 racks with approx. JPY8.0 bn CAPEX
Accommodation	Service facility, data center housing services etc. <ul style="list-style-type: none"> • Mainly to meet the middle-to-long term eastern Japan data center demand
Investment	FY18 approx. JPY3.0 bn (power receiving facility, common facility racks etc.)
Plan	Gradually place system module-based*1 facility accordingly with demand
Schedule	Completed in April 2019, opened in May 2019
Estimated PUE*2	Less than Matsue DCP's 1.2

*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 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.

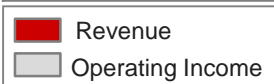
New Data Center Image



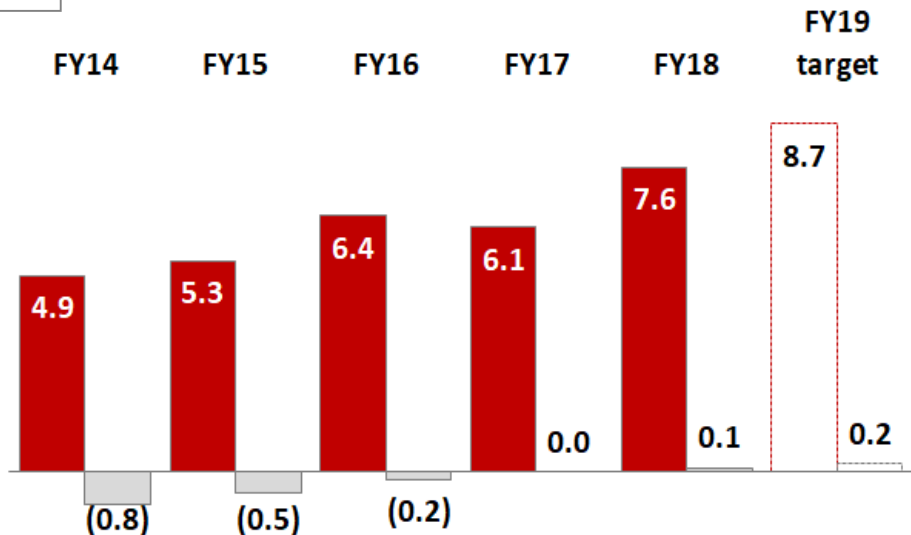
Impact on IIJ's consolidated financial results

- While CAPEX and cash flow will be impacted, this is without new investment return risk because it's an integration of our current service facilities
- Suppress incremental cost and ensure business expansion scalability for the future

Revenue and operating income growth



Unit: JPY billion
U.S. GAAP base



Overseas offices



Business Developments

- **Started focusing on overseas business around FY2011** when Japanese companies who were started expand their business overseas and requested us to provide the same service quality we offer in Japan
- **Business in Asia: gradually growing**
 - Increasing demand for NW, SI and etc. in China and Thailand, related to Japanese customers
 - Indonesia: Large public infrastructure SI project, cloud business gradually growing
 - Vietnam: Cybersecurity Law (Jan. '19), Opened another facility in Hanoi in addition to existing Ho Chi Min
- **Provide cloud services in Indonesia, Thailand and Vietnam together with local prominent IT companies**
 - With Biznet Networks in Indonesia (from March 2015)
 - With T.C.C. Technology Co., Ltd, in Thailand (February 2016)
 - With FTP Telecom Partner in Vietnam (November 2016)

Fully Comply with the J-SOX

- Implemented outside directors since 2004
- Operate based on J-SOX (Japan's Financial Instruments and Exchange Law), Japanese version of Sarbanes-Oxley
- Evaluate the effectiveness of internal control over financial reporting based on Japanese standard overseen by the Financial Service Agency (FSA) of Japan

Directors with Abundant Experience

5 outside directors among 13 BOD members, 7 independent directors among 17 directors & auditors

➤ Outside directors

T. Tsukamoto	Former Chairman of Mizuho Bank
Y. Tanahashi	Former Chairman of NSSOL
S. Oda	Former President of HP Japan
T. Okamura	Former Chairman of Toshiba
S. Umino	Former President of NTT Comware

➤ Board of Auditors

- Consisted of CPA, Attorney, female auditors

➤ Director compensation

- Based mainly on base salary, stock option: 8-14%
- Annual compensation within JPY100 million range

Business Operation Covering the entire Group

- 16 subsidiaries, 8 equity method investees
- Implement group-wide Code of Ethics
- Pursue comprehensive business operation by assigning IJJ directors as group companies outside directors
- Consolidated-based internal audit

ESG in the nature of IJJ business

Have been contributing greatly to establish and expand Internet in Japan as the first comprehensive commercial ISP in Japan

➤ Environment

- Contribute significantly by operating stable and reliable Internet
- Have developed container-based data center which emits much lesser Carbon dioxide compared to traditional building type datacenters.

➤ Social

- Focus on providing a working environment that lets employees to pursue their interested subjects related to network in addition to protecting human rights, health and safety, work-life balance, anti-discrimination.
- First in Japan to introduce Service Level Agreement on categories of availability, latency, packet loss, and outage notification

➤ Governance

- Board of Auditors is liaison of Whistle-blower system
- Established code of ethics, regulations to prevent insider-trading, protection of personal information

**1Q FY2019
Consolidated Financials Results
(IFRS)**

Announced on August 7, 2019

Consolidated Financial Results for 1Q19

Financials

Unit: JPY billion

	<small>% of Revenues</small>	<small>% of Adjusted Revenues</small>	<small>% of Revenues</small>	Compared to 1Q18 Adjusted Results [Compared to 1Q18 Results]	<small>% of Revenues</small>	<small>% of Revenues</small>
	1Q19 Results Apr. 2019 - Jun. 2019	1Q18 Adjusted Results [1Q18 Results] Apr. 2018 - Jun. 2018	^(*1)		1H19 Targets Apr. 2019 - Sep. 2019	FY19 Targets Apr. 2019 - Mar. 2020
Revenues	49.8	44.8		+11.1%	97.7	204.0
Cost of Sales	85.2% 42.4	85.8% 38.5	[84.8%] [38.0]	+10.3% [+11.7%]	85.5% 83.5	84.6% 172.6
Gross Profit	14.8% 7.4	14.2% 6.3	[15.2%] [6.8]	+16.3% [+8.1%]	14.5% 14.2	15.4% 31.4
SG&A etc. ^(*2)	12.0% 6.0	12.2% 5.5		+9.5%	12.3% 12.0	12.0% 24.4
Operating Profit	2.8% 1.4	1.9% 0.9	[3.0%] [1.4]	+58.8% [+2.2%]	2.3% 2.2	3.4% 7.0
Profit before tax	2.7% 1.4	2.1% 0.9	[3.2%] [1.4]	+45.2% [-3.9%]	1.5% 1.5	3.1% 6.3
Net Profit ^(*3)	1.6% 0.8	1.2% 0.5	[1.9%] [0.9]	+42.9% [-11.1%]	0.6% 0.6	1.7% 3.5

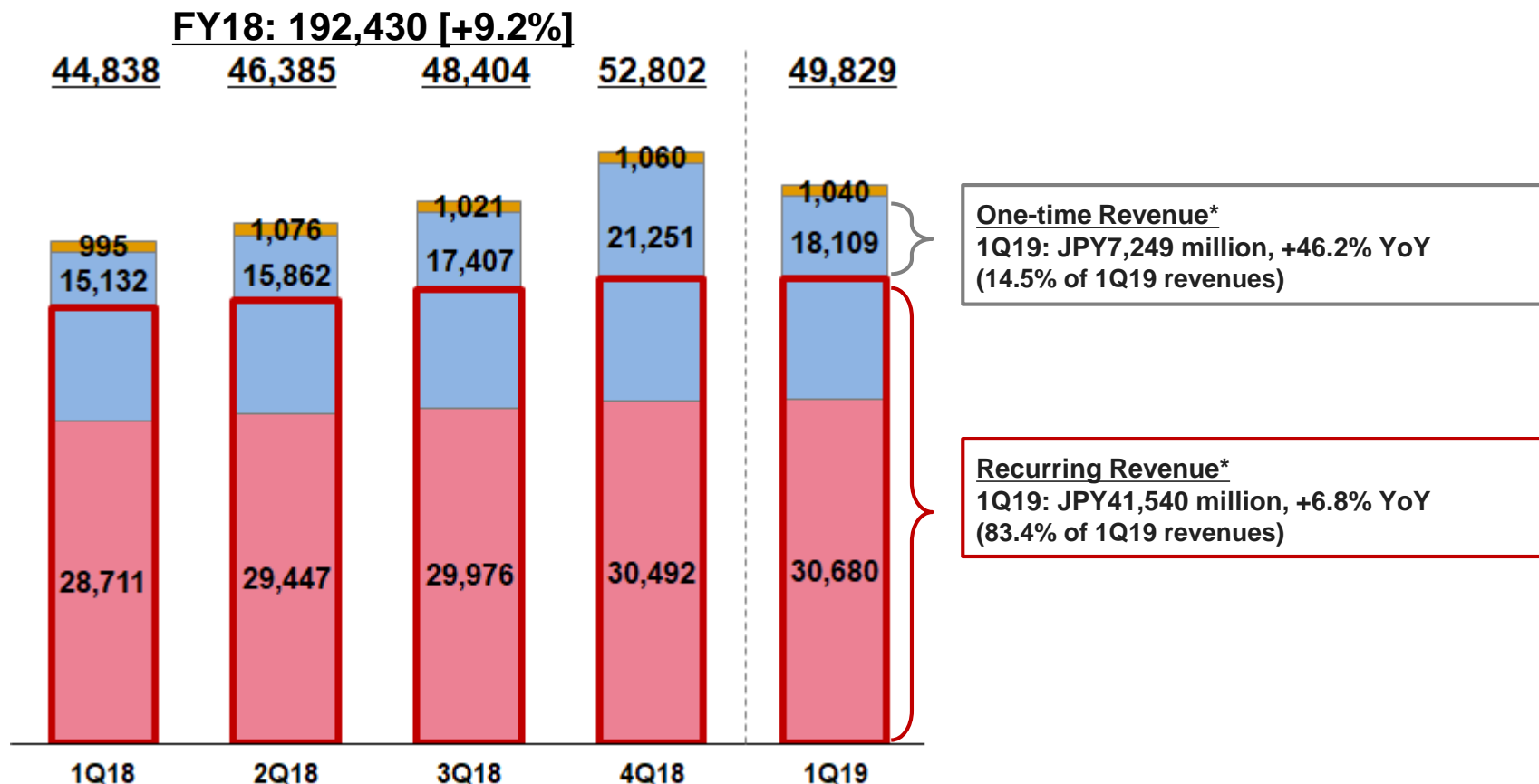
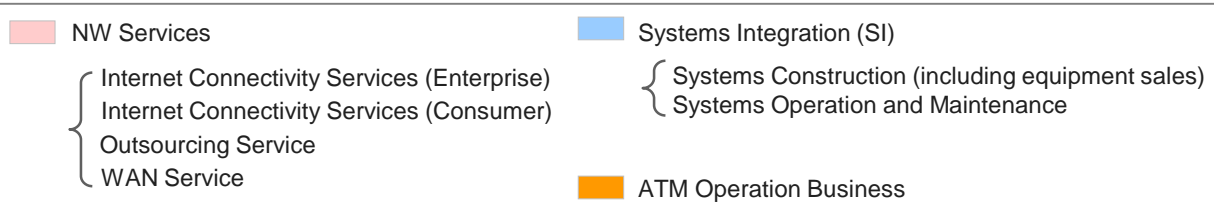
(*1) Adjusted results is calculated by allocating JPY2.05 billion of additional NW service cost recorded in 4Q18 as a result of NTT Docomo's mobile interconnectivity unit charge revision (March 2019) to attributable each quarter of 1Q19. For details, please refer to page 5 of this presentation material.

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

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

Unit: JPY million

[], YoY = Year over year comparison



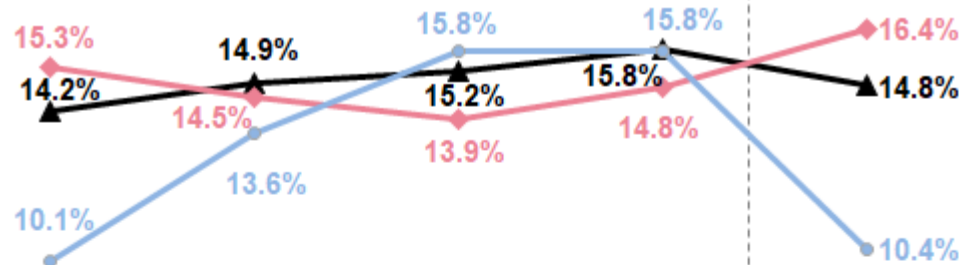
* One-time revenue, systems construction revenues which includes equipment sales, is mainly recognized when systems or equipment are delivered and accepted by customers

* 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

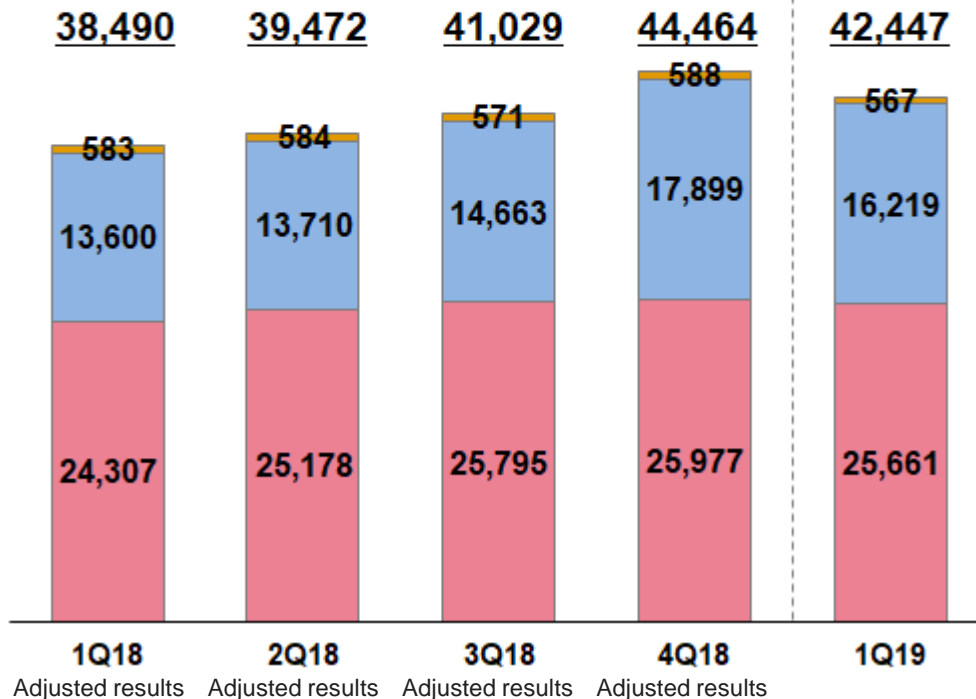
Cost of Sales & Gross Profit Ratio

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

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



FY18: 163,455 [+10.5%]



Gross profit

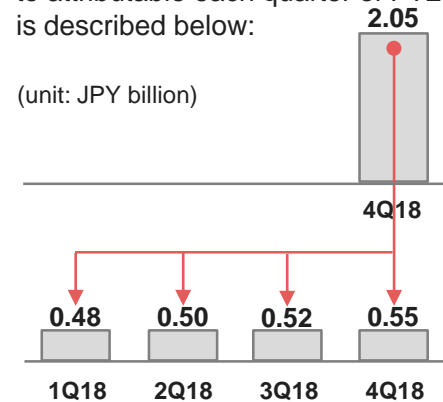
◆ Total

- 1Q19: JPY7,382 million
 +16.3% YoY from 1Q18 adjusted results

◆ NW Services

- 1Q19: JPY5,019 million
 +14.0% YoY from 1Q18 adjusted results
- Allocation of JPY2.05 billion, 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 is described below:

(unit: JPY billion)



- Full-MVNO related fixed cost increased by over JPY0.3 billion per quarter (from Mar. 2018)

◆ SI

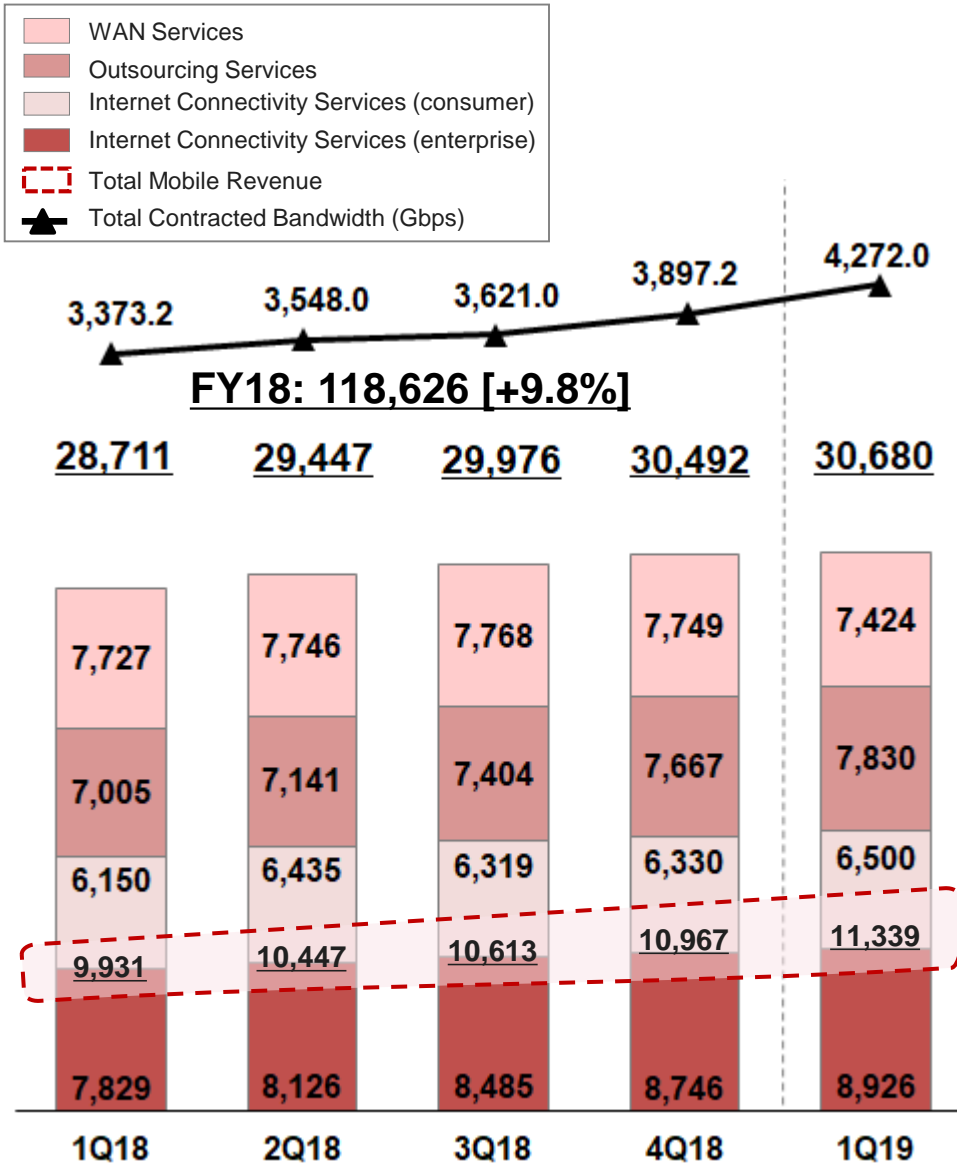
- 1Q19: JPY1,890 million, +23.3% YoY

- 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

Network Services (1)Revenues

Unit: JPY million

[], YoY =Year over year comparison
QoQ = 1Q19 compared to 4Q18



NW Services Revenues

◆ Internet Connectivity (Enterprise)

- 1Q19: +14.0% YoY, +2.1% QoQ
- Mobile revenue continued to increase
- ✓ 1Q19-end total subscriptions: 2,786 thousand (up 342 thousand YoY)
- ✓ 1Q19-end MVNE clients: 152 (+9 clients YoY)
- ✓ IP services and others achieved YoY growth with no significant pricing pressure from clients: IP services +2.2% YoY

◆ Internet Connectivity (Consumer)

- 1Q19: +5.7% YoY, +2.7% QoQ

◆ Outsourcing Services

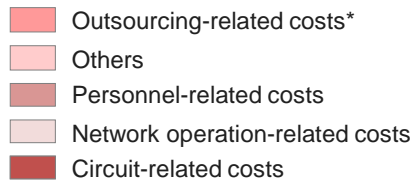
- 1Q19: +11.8% YoY, +2.1% QoQ
- Strong demands for Security and Omnibus
- ✓ 1Q19 Security revenue: +20.0% YoY
- ✓ 1Q19 Omnibus revenue: +51.4% YoY

◆ WAN Services

- 1Q19: -3.9% YoY, -4.2% QoQ
- FY19 revenue is expected to decrease by approx. JPY4.0 billion YoY, due to existing large clients migrating to mobile.

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

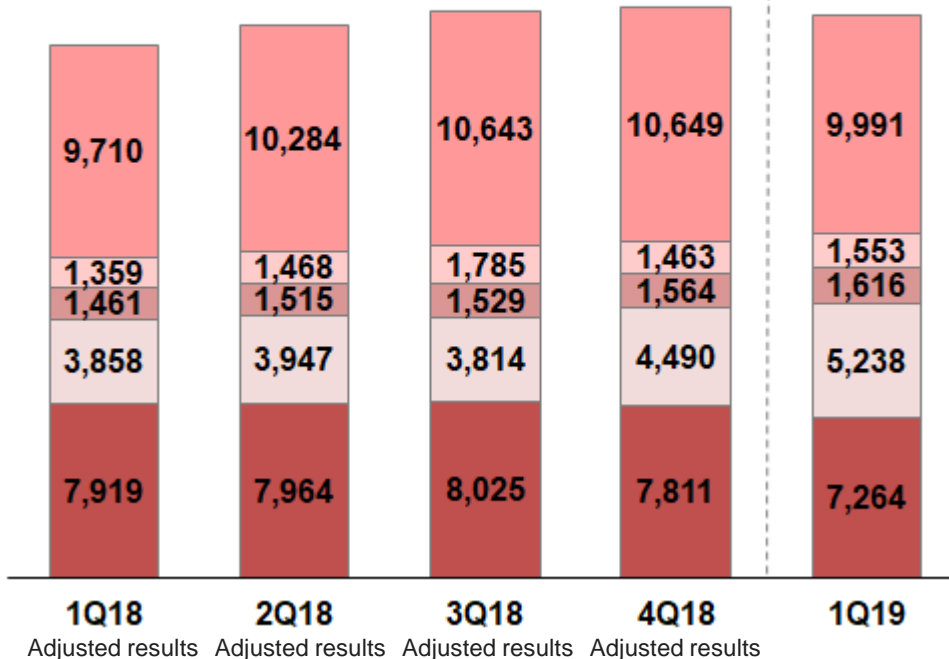
Network Services (2) Cost of Sales



Unit: JPY million
 [], YoY =Year over year comparison
 QoQ = 1Q19 compared to 4Q18

FY18: 101,256 [+14.3%]

24,307 25,178 25,795 25,977 25,661



Cost of NW Services

- 1Q19: +5.6% YoY, -1.2% QoQ from 1Q18 adjusted results, respectively
- 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 NTT DOCOMO's ("Docomo") mobile interconnectivity cost recognition:**

- 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 network services cost 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 as a difference between our estimate (14% decrease) and actual (18.2% decrease)
- Regarding our FY19 & FY18 usage charge, Docomo's unit charge is expected to be revised in Mar. 2020. Docomo's payment arrangement is 5% off temporarily from Apr. 2019
- In FY19, we estimate a certain decrease for the unit charge by considering decrease rate fixed in Mar. 2019 and FY18 Docomo cost trends, and apply our own decrease rate to recognize costs quarterly

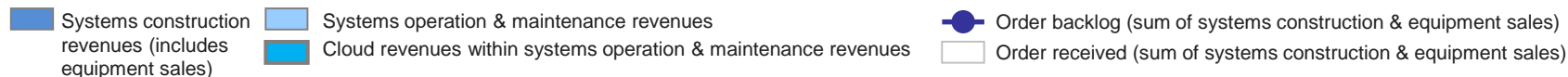
* Outsourcing-related costs include interconnectivity charge for mobile infrastructure and customer support center operation costs etc.

Systems Integration (SI) (1) Revenues

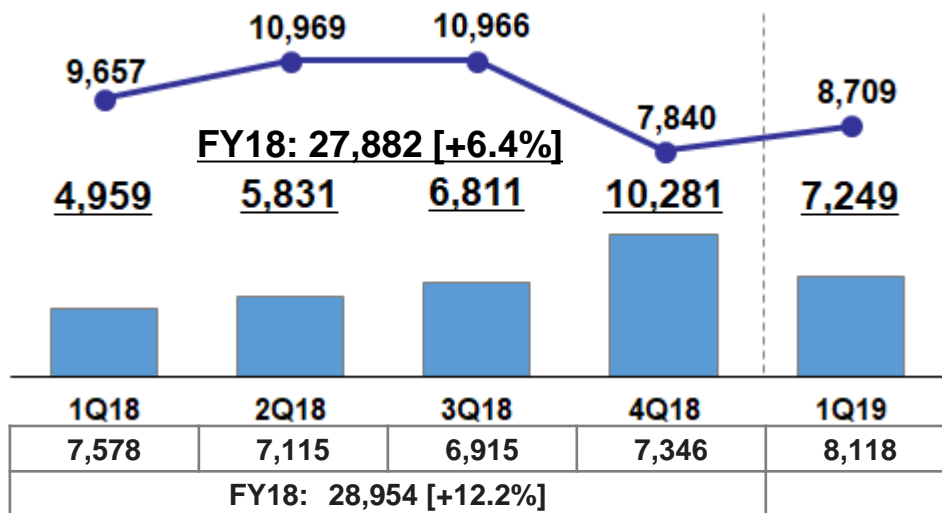
Unit: JPY million

[], YoY = Year over year comparison
QoQ = 1Q19 compared to 4Q18

Financials

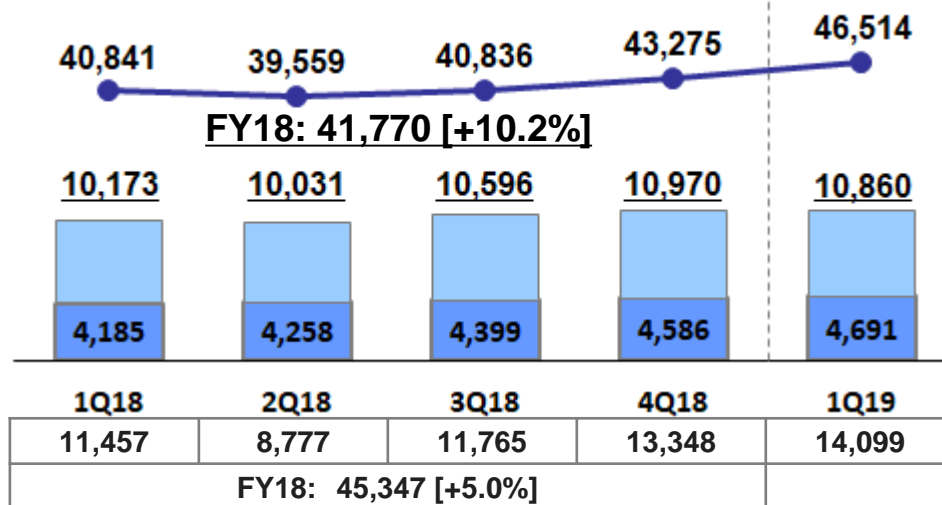


Systems Construction (one-time revenue)



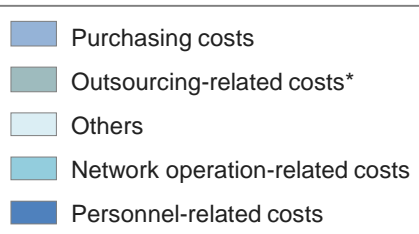
- 1Q19 revenue: +46.2% YoY
 - Revenue growth includes JPY1.34 billion of revenue recognition due to percentage-of-completion method
- 1Q19 order received: +7.1% YoY
 - Favorable systems construction order environment continued
- Large-scale construction orders received in 1Q19:
 - Home page renewal for a central government agency
 - Security monitoring for a major telecommunications service provider
 - Office work IT environment for a prominent real estate agency
 - Virtual desktop environment for a prominent amusement park operator etc.

Systems Operation & Maintenance (recurring revenue)



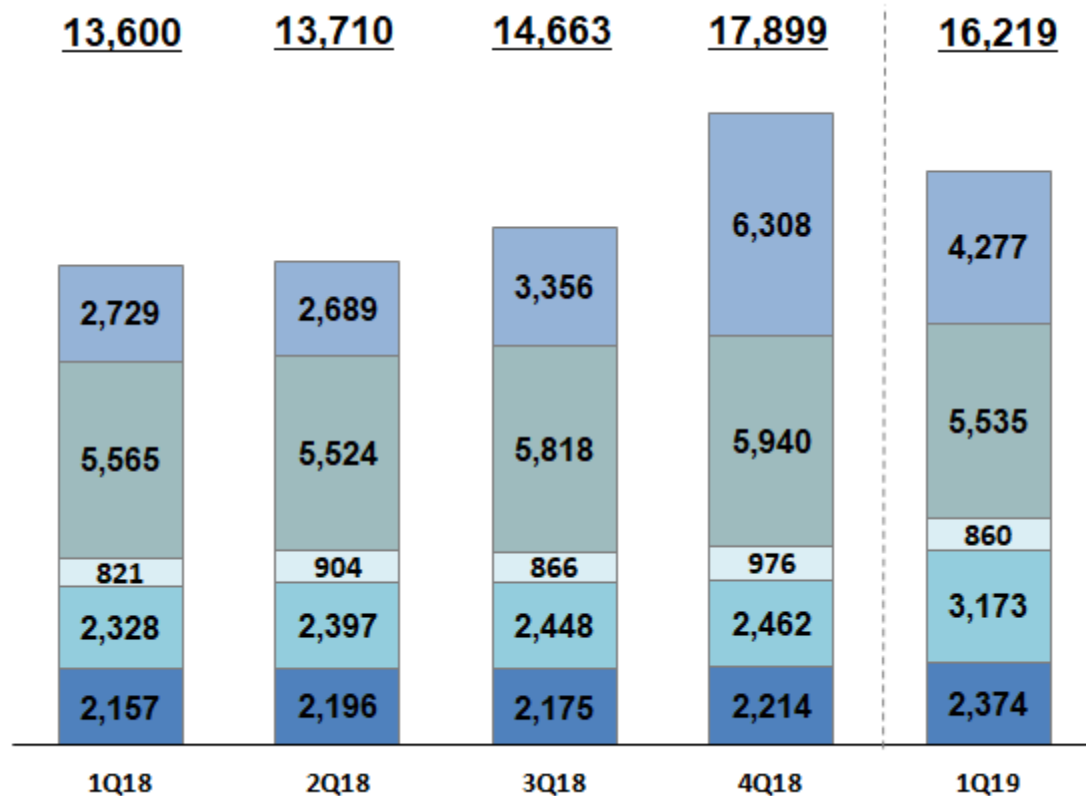
- 1Q19 revenue: +6.8% YoY
- Continuous revenue growth mainly due to the accumulation of systems construction which are migrated to systems operation & maintenance phase as well as continuous increase in private cloud revenue
 - 1Q19 revenue from private cloud: +12.1% YoY
 - 1Q19 revenue from SI construction: +3.0% YoY

Systems Integration (SI) (2) Cost of Sales



Unit: JPY million
 [], YoY = Year over year comparison
 QoQ = 1Q19 compared to 4Q18

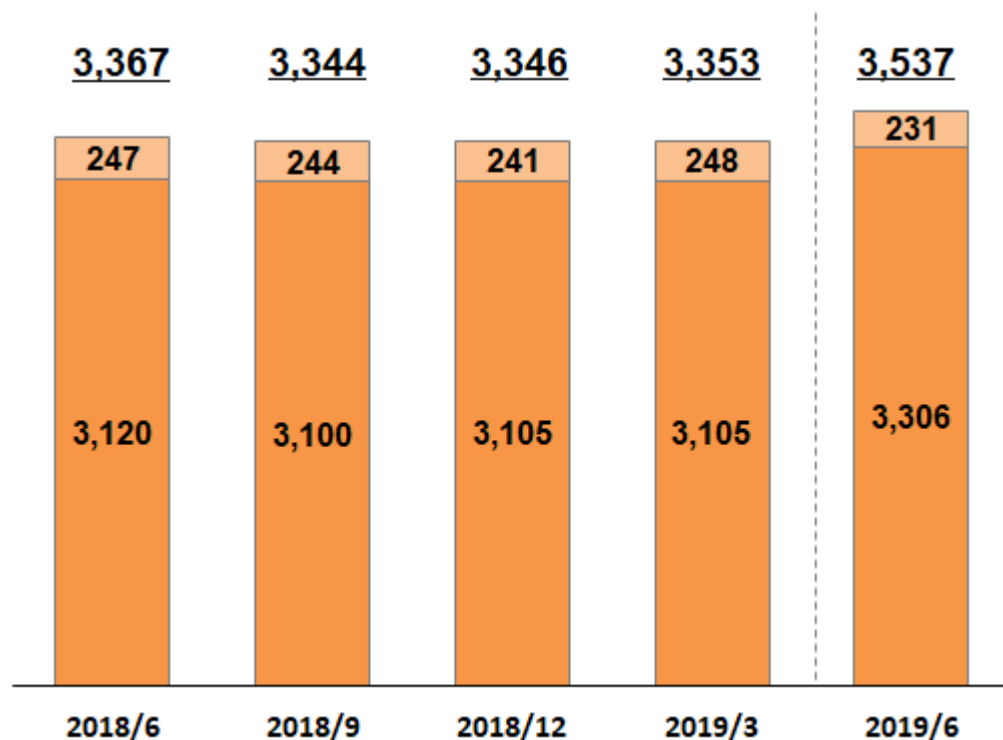
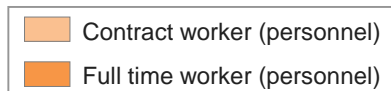
FY18: 59,872 [+5.1%]



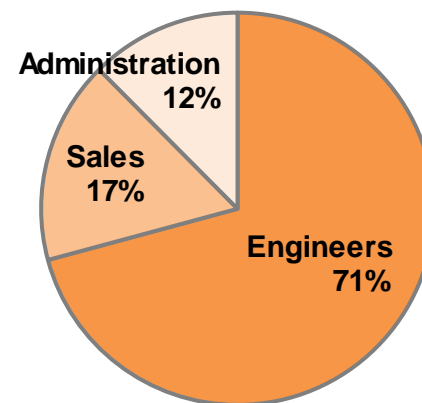
Cost of SI

- 1Q19: +19.3% YoY
 - 1Q19-end number of SI-related outsourcing personnel: 1,075 personnel (increased by 36 personnel YoY, decreased by 27 personnel QoQ)
 - SI-related outsourcing personnel and costs decreased QoQ. Outsourcing-related and personnel-related costs tend to increase along with increase in projects
- System engineers productivity rate continue to be stable, following the trend of gross profit improvement in FY18
- 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)

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



Employee Distribution

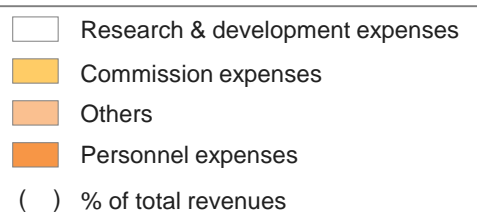


- ◆ Hired 171 new graduates in Apr. 2019 (175 in Apr. 2018, 148 in Apr. 2017)
- ◆ FY19 net addition of employees is planned to be approx. 230.
- ◆ Incremental volume of FY19 annual personnel-related costs and expenses is expected to be larger than usual level due to revision of personnel remuneration structure, etc.

Personnel-related costs & expenses

Unit: JPY million
() = % of revenue

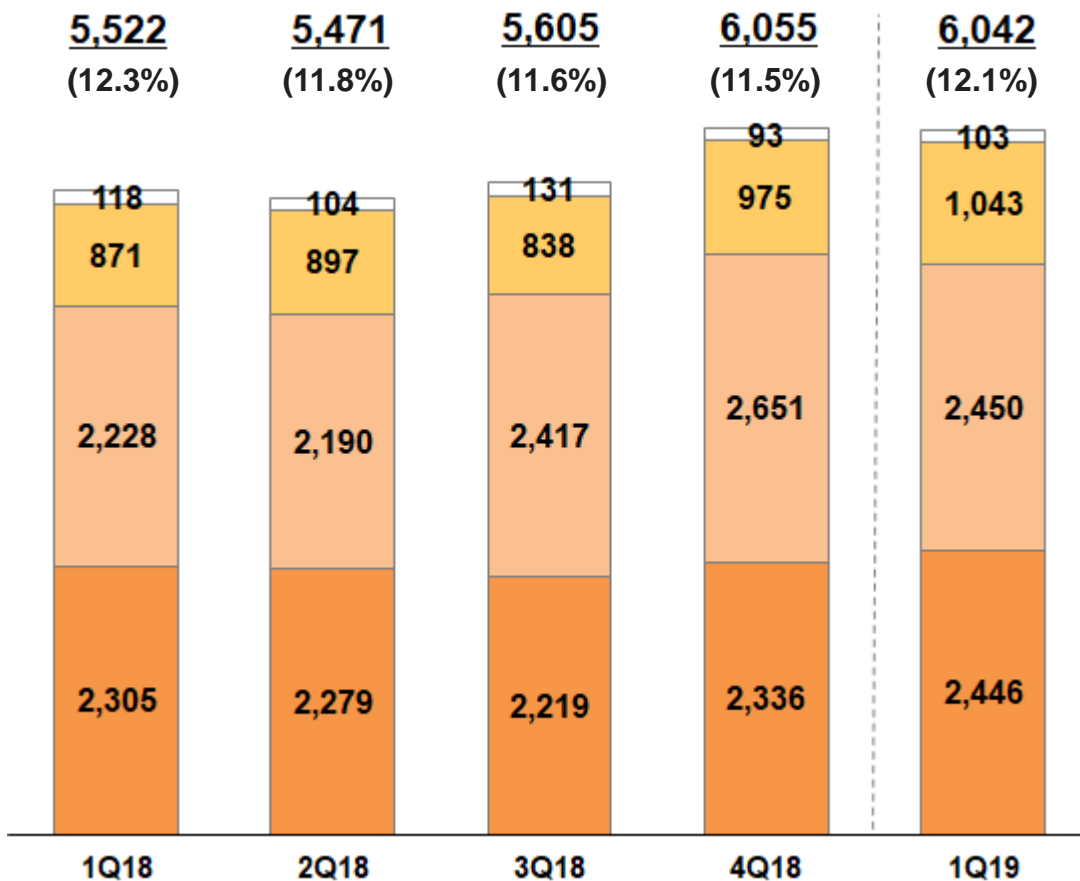
1Q18	2Q18	3Q18	4Q18	1Q19
5,920 (13.2%)	6,003 (12.9%)	5,920 (12.2%)	6,100 (11.6%)	6,402 (12.8%)
FY18: 23,942 (12.4%)				



Unit: JPY million

[], YoY = Year over year comparison

FY18: 22,652 [+5.5%]

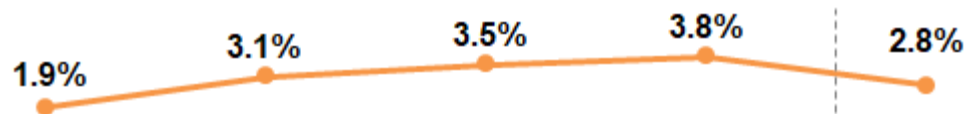


SG&A etc.

- ◆ 1Q19 commission expenses +JPY172 million YoY
 - Commission expenses such as for mobile services increased
- ◆ 1Q19 others +JPY222 million YoY
 - Advertising expenses increased +72 million YoY
- ◆ 1Q19 personnel expenses +JPY142 million YoY

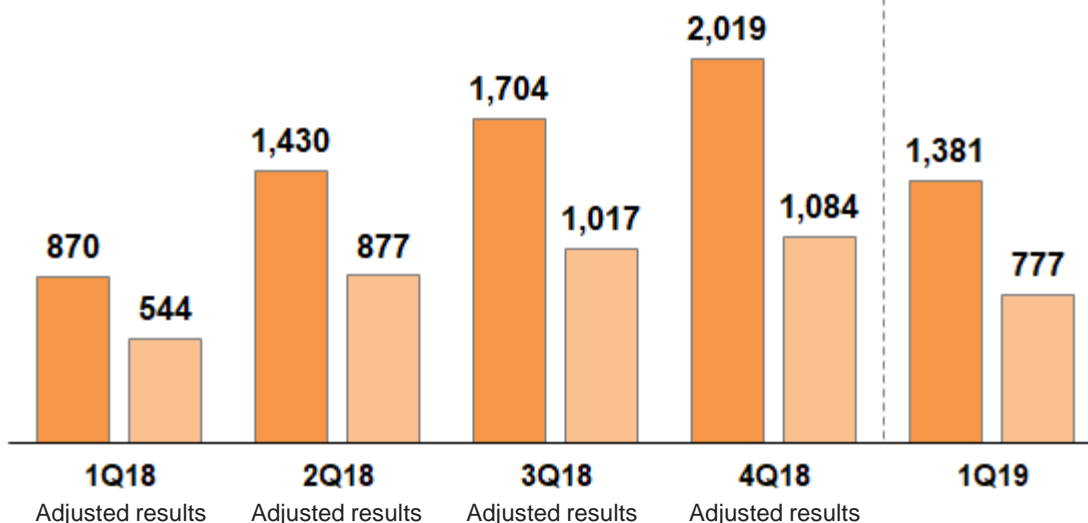
■ Operating profit
 ■ Profit for the period attributable to owners of the parent
 ● Operating profit ratio

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



FY18 Operating profit: 6,023

FY18 Profit for the year attributable to owners of the parent: 3,521



Profit

◆ Profit before tax

- 1Q19: JPY1,369 million (+45.2% from 1Q18 adjusted results)
 - Dividend income: JPY61 million
 - Interest expense: JPY126 million
 - Share of loss of investments on DeCurret accounted for using equity method: JPY337 million
 - ✓ DeCurret's plan: FY19: loss of JPY0.7 billion, FY20: equity in net gain will be expected
 - Gains on changes in equity of JPY374 million arisen from the issuance of common stock of DeCurret

◆ Profit for the period attributable to owners of the parent

- 1Q19: +42.9% from 1Q18 adjusted results
 - Profit for the period attributable to non-controlling interests: JPY49 million

103	65	(46)	16	(124)	Finance income (expense), net
(30)	6	(43)	(252)	112	Share of profit (loss) of investments accounted for using equity method
(511)	(738)	(716)	(179)	(543)	Income tax expense
(40)	(45)	(45)	(47)	(49)	Less: Profit for the period attributable to non-controlling interests

Consolidated Statements of Financial Position (Summary)

Financials

Unit: JPY million

	Mar. 31, 2019	June 30, 2019	Changes
Cash and cash equivalents	31,958	32,893	+935
Trade receivables	33,376	31,264	(2,112)
Inventories	3,403	1,836	(1,568)
Prepaid expenses (current and non-current)	16,560	20,230	+3,670
Tangible assets	33,136	18,855	(14,281)
Right-of-use assets	-	51,880	+51,880
Goodwill and intangible assets	24,901	24,027	(875)
Investments accounted for using the equity method	4,838	5,331	+494
Other investments	11,402	9,691	(1,711)
Others	7,715	8,384	+669
Total assets:	<u>167,289</u>	<u>204,390</u>	<u>+37,101</u>
Trade and other payables	21,962	17,531	(4,431)
Borrowings (current and non-current)	26,750	29,000	+2,250
Deferred income (current and non-current)	10,980	11,716	+735
Income taxes payable	1,139	1,130	(10)
Retirement benefit liabilities	3,489	3,532	+44
Other financial liabilities (current and non-current)	19,183	57,332	+38,149
Others	6,666	6,327	(339)
Total liabilities:	<u>90,170</u>	<u>126,567</u>	<u>+36,398</u>
Share capital	25,519	25,519	-
Share premium	36,226	36,240	+14
Retained earnings	12,335	14,075	+1,740
Other components of equity	4,089	3,043	(1,046)
Treasury shares	(1,897)	(1,897)	-
Total equity attributable to owners of the parent:	<u>76,271</u>	<u>76,979</u>	<u>+708</u>

Note 1

Note 2

Note 3

Note1: Breakdown of right-of-use assets as of June 30, 2019: JPY36,589 million for operating leases (office rent contracts etc.), JPY15,291 million for finance lease (transferred from tangible and intangible assets)

Note 2: Details of other financial liabilities as of June 30, 2019: JPY36,623 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 37.7% as of June 30, 2019

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

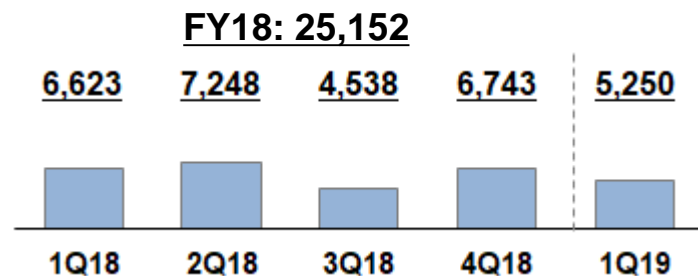
Consolidated Cash Flows

Financials

Unit: JPY million

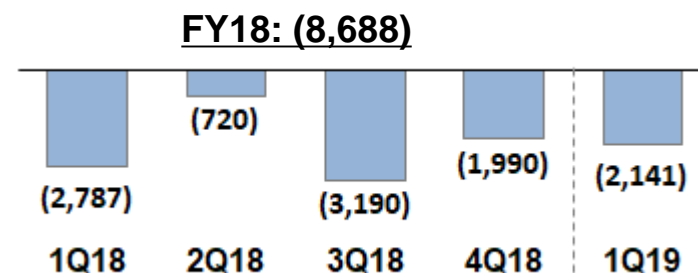
YoY = Year over year comparison

Operating Activities



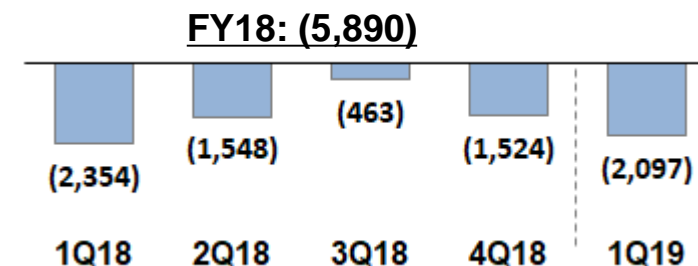
	Major Breakdown	YoY Change
Profit before tax	1,369	-56
Depreciation and amortization	7,164	+3,555
<i>(related to right-of use assets under operating lease contracts)</i>	3,127	+3,127
Changes in operating assets and liabilities	-2,057	-5,646

Investing Activities



	Major Breakdown	YoY Change
Purchase of tangible assets	-2,947	-1,376
Purchase of intangible assets such as software	-1,650	-87
Proceeds from sales of equity securities	2,650	+2,650

Financing Activities

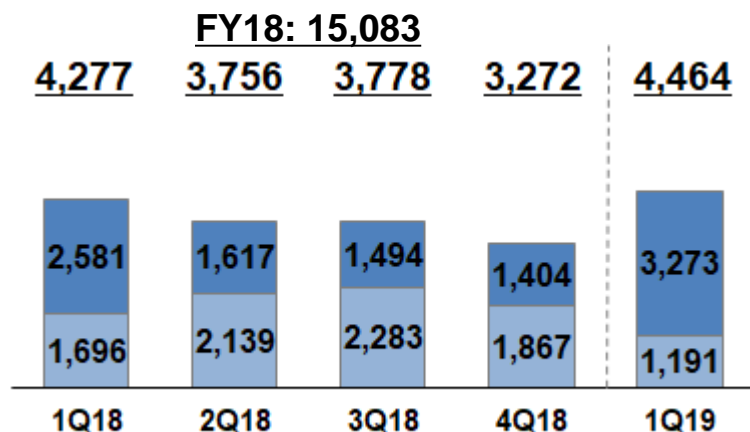
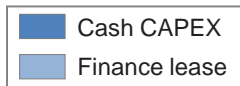


	Major Breakdown	YoY Change
Payments of other financial liabilities	-5,158	-3,461
<i>(related to operating lease)</i>	-3,142	-3,142
<i>(related to finance lease)</i>	-1,766	-246
Proceeds from short-term borrowings	3,000	+3,000

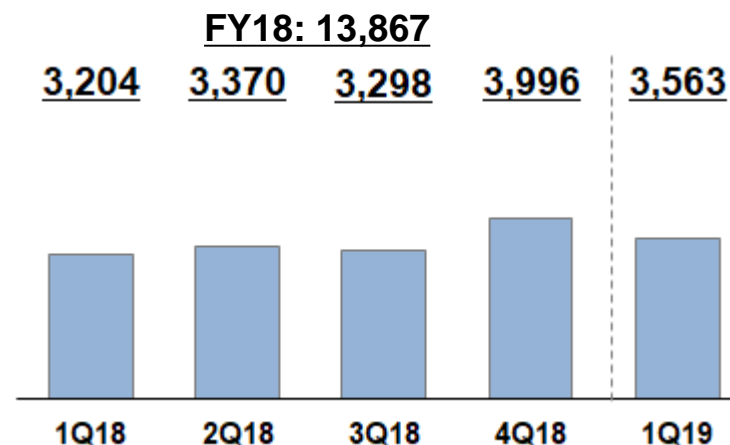
Other Financial Data

Unit: JPY million
[] = Year over year comparison

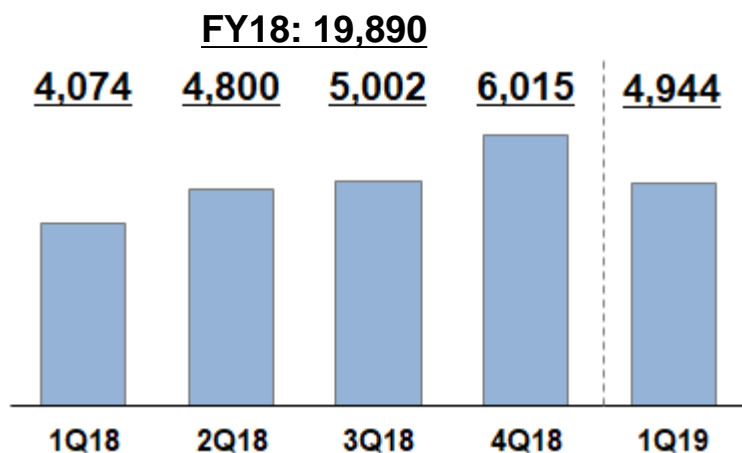
CAPEX



CAPEX-related depreciation and amortization*



Adjusted EBITDA*



* 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 adjusted operating profit and CAPEX-related depreciation and amortization.

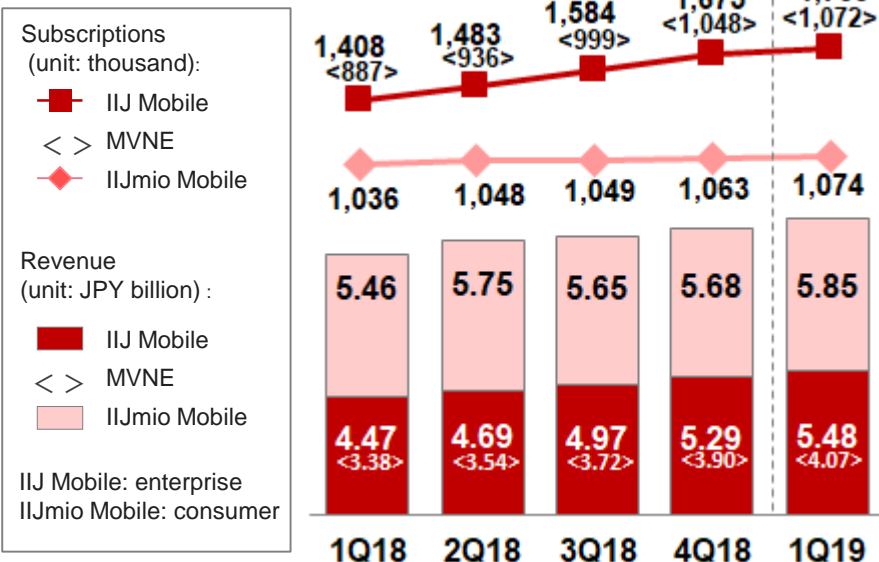
KPIs of Services

Unit: JPY billion
% = Year over year comparison

Financials

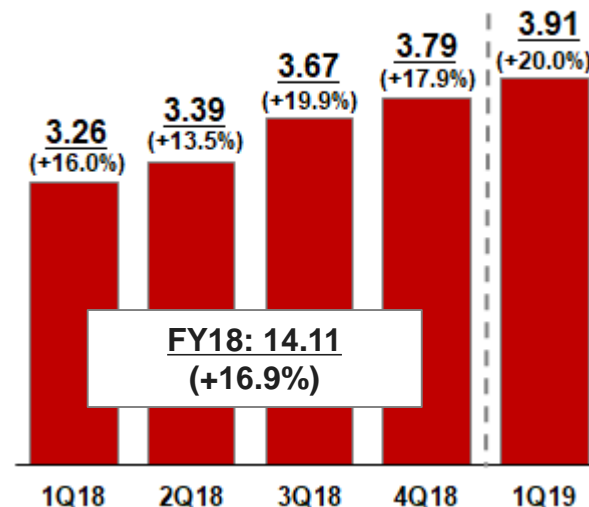
Mobile revenue & subscription

- ◆ 1Q19-end total subscriptions: 2,786 thousand (+14.0%)
- ◆ 1Q19 total revenue: JPY11.34 billion (+14.2%)
 - Full-MVNO: JPY0.34 billion (+49.9% from 4Q18)



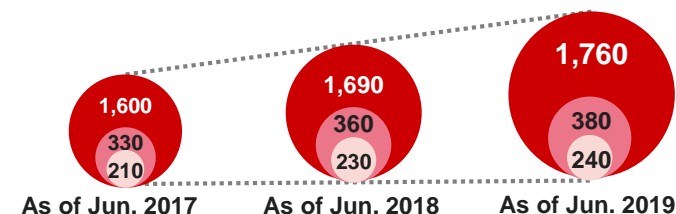
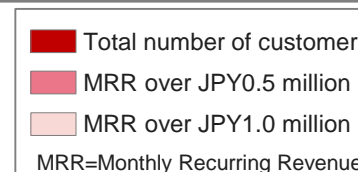
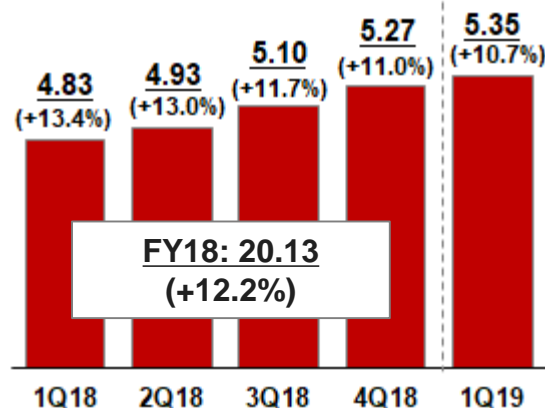
Security-related revenue

- ◆ Each services such as SOC, DDoS Protection, Cloud-based Web security, and Cloud-based ID management grew
- ◆ Security services revenues are recognized in outsourcing services revenue



Cloud-related revenue & Customer Base

- ◆ 1Q19 IIJ Raptor revenue: IIJ Raptor JPY0.78 billion (+JPY0.12 billion from 4Q18)
- ◆ 1Q19 revenue recognition:
 - 87.6% SI operation & maintenance,
 - 12.4% outsourcing
- ◆ FY2019 revenue target: JPY22.5 billion



Recent Business Developments

July

DeCurret

Raised Capital: Enterprise Shareholders Increased to 30

Full-MVNO/IoT

First in Japan to launch eSIM services

Full-MVNO/IoT

Full-MVNO Services adopted by Motorola Solutions

June

Full-MVNO/IoT

Started PoC of Public LTE & Private LTE integrated

May

Cloud

Added Google Cloud Platform™ as a new multi cloud connecting point

Full-MVNO/IoT

Launched SoftSIM, adopted by WABCO Japan

Apr.

JOCDN

WOWOW became a shareholder

Data Center

Completed the construction of Shiroi Data Center Campus

NW Services

“IIJ Flex Mobility Service” adopted by Dai Nippon Printing

FY19 Financial Targets (remain unchanged)

Financials

Unit: JPY billion
YoY = Year over year comparison

	% of Revenues		% of Revenues		% of Revenues	
	1Q19 Results Apr. 2019 - Jun. 2019		1H19 Targets Apr. 2019 - Sep. 2019	Compared to 1H18 Adjusted Results [Compared to 1H18 Results]	FY19 Targets Apr. 2019 - Mar. 2020	YoY
Total Revenues	49.8		97.7	+7.1%	204.0	+6.0%
Cost of Sales	42.4	85.2%	83.5	+7.1% [+8.5%]	172.6	+5.6%
Gross Profit	7.4	14.8%	14.2	+7.1% [-0.3%]	31.4	+8.4%
SG&A etc. ^(*1)	6.0	12.0%	12.0	+9.5%	24.4	+6.3%
Operating Profit	1.4	2.8%	2.2	-4.3% [-33.0%]	7.0	+16.2%
Shares of profit (loss) of investments accounted for using equity method	0.1		(0.7)	-	(0.6)	-
Profit before tax	1.4	2.7%	1.5	-38.6% [-56.3%]	6.3	+7.8%
Net Profit ^(*2)	0.8	1.6%	0.6	-57.8% [-71.4%]	3.5	-0.6%

(*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."



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.