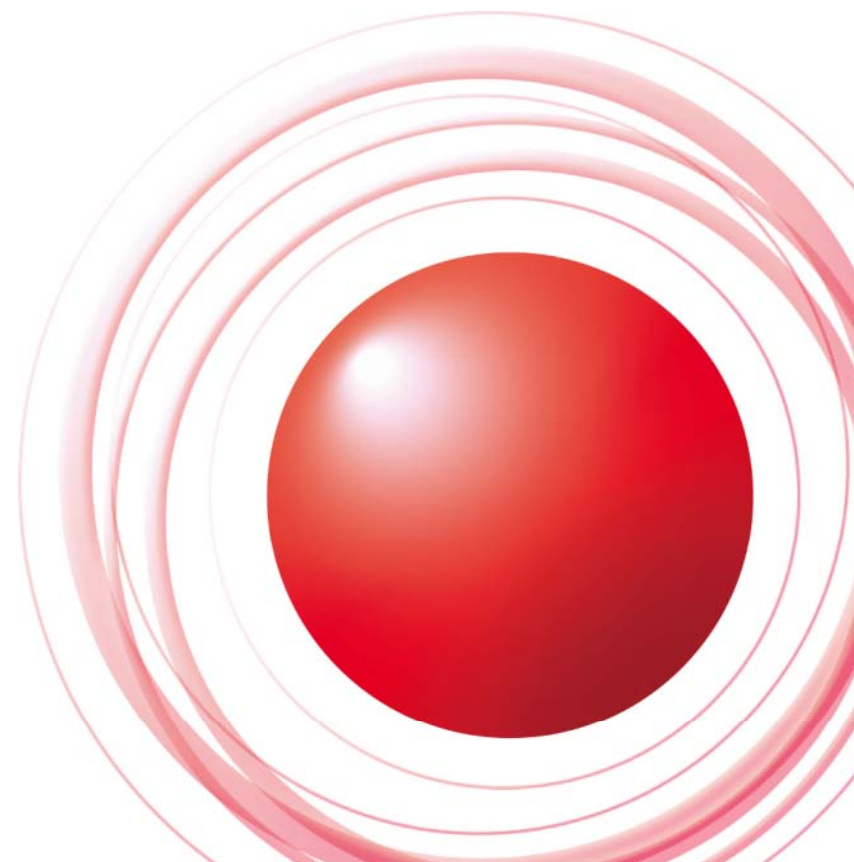


1st Quarter FY2012 Consolidated Financial Results



Internet Initiative Japan Inc.
2012.8.7

Ongoing Innovation



Agenda

I . Summary of 1Q FY2012 Financial Results

II . Consolidated Financial Results for 1Q FY2012

III . Reference Materials

I . Summary of 1Q FY2012 Financial Results

< 1st Quarter Financial Results >

▪ Revenues	JPY24,841 million (up 6.3% YoY)
▪ Gross margin	JPY4,819 million (up 7.1% YoY)
▪ Operating income	JPY1,374 million (up 50.2% YoY)
▪ Income before tax income expense	JPY1,373 million (up 58.7% YoY)
▪ Net income attributable to IIJ	JPY897 million (up 75.0% YoY)

● Business developments as planned & Satisfying results

- Corporate Internet connectivity accelerated with more demand for broader bandwidth. Number of contracts for LTE services for consumers (released in Feb. 2012) accumulating. Home use connectivity revenues increased compared to the previous quarter
- Continued to expand IIJ GIO service line-ups & client base. Differentiating IIJ GIO from other cloud services by reliability
- Overseas business starting up better than anticipated. Driven by SI projects and IIJ GIO US Service. Expanding IIJ GIO US server facilities to meet growing and fast-paced demands
- ATM operation business's operating income turned positive. Business to expand along with placements of additional ATMs
- Developing software for SDN platform for mid-term growth. Plan to release software in 2H12
- Continuous increase in profit with improving gross margin and scale-merited SG&A

● IIJ's cloud computing service "IIJ GIO" steadily growing

- 1Q12 revenue: JPY1.2 billion, up JPY0.7 billion YoY. Number of projects reached approx.1,300 at 1Q12 (1,100 at 4Q11)
- Matsue Data Center expands operation for service use. Awarded for "Green IT" and "Contribution to the Community"
- IIJ GIO Virtualization Platform "VWseries" targeting hybrid cloud market, accumulating prospective orders (release in Aug.)
- Ranked as the top cloud provider in Japanese public cloud market (reported by Fuji Chimera Research Inst., Jul. 2012)

● Overseas business starting up great

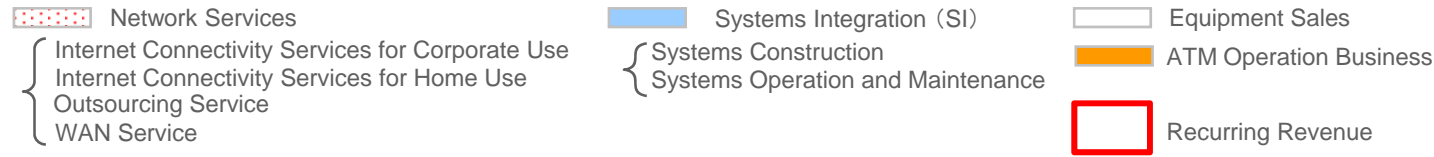
- 1Q12 revenue: approx. JPY1.0 billion, constructing large server facilities for a prominent SNS game client. Provides cloud service, "IIJ GIO US Service," in the U.S. and are expanding its business
- Co-working with IIJ Exlayer (acquired in Apr. 2012) on server construction projects. Revenue and income consolidation from 2Q12

II -1. Consolidated Financial Results for 1Q FY2012

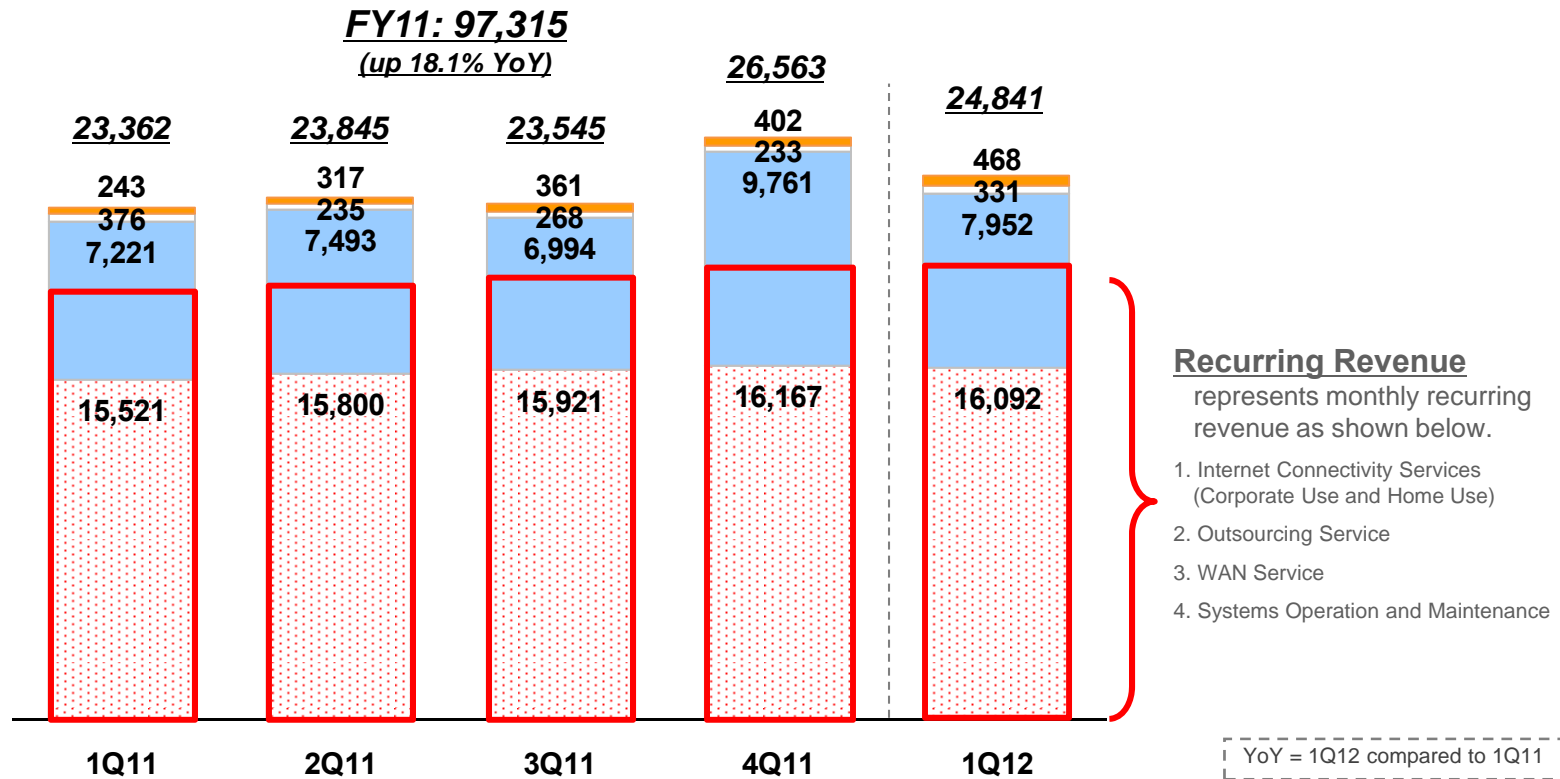
Unit: JPY billion

	<i>% of Revenues</i>	<i>% of Revenues</i>	YoY	<i>% of Revenues</i>	YoY
	1Q12 (12/4~12/6)	1Q11 (11/4~11/6)		1H12 Target (12/4~12/9)	
Total Revenues	24.8	23.4	6.3%	50.5	7.0%
Total Costs	80.6% 20.0	80.7% 18.9	6.2%	—	—
Gross Margin	19.4% 4.8	19.3% 4.5	7.1%	—	—
SG&A/R&D	13.9% 3.4	15.4% 3.6	(4.0%)	—	—
Operating Income	5.5% 1.4	3.9% 0.9	50.2%	5.3% 2.7	10.3%
Income before Income Tax Expense	5.5% 1.4	3.7% 0.9	58.7%	5.0% 2.5	9.1%
Net Income Attributable to IIJ	3.6% 0.9	2.2% 0.5	75.0%	2.8% 1.4	2.8%

II -2. Revenues










Unit: JPY million

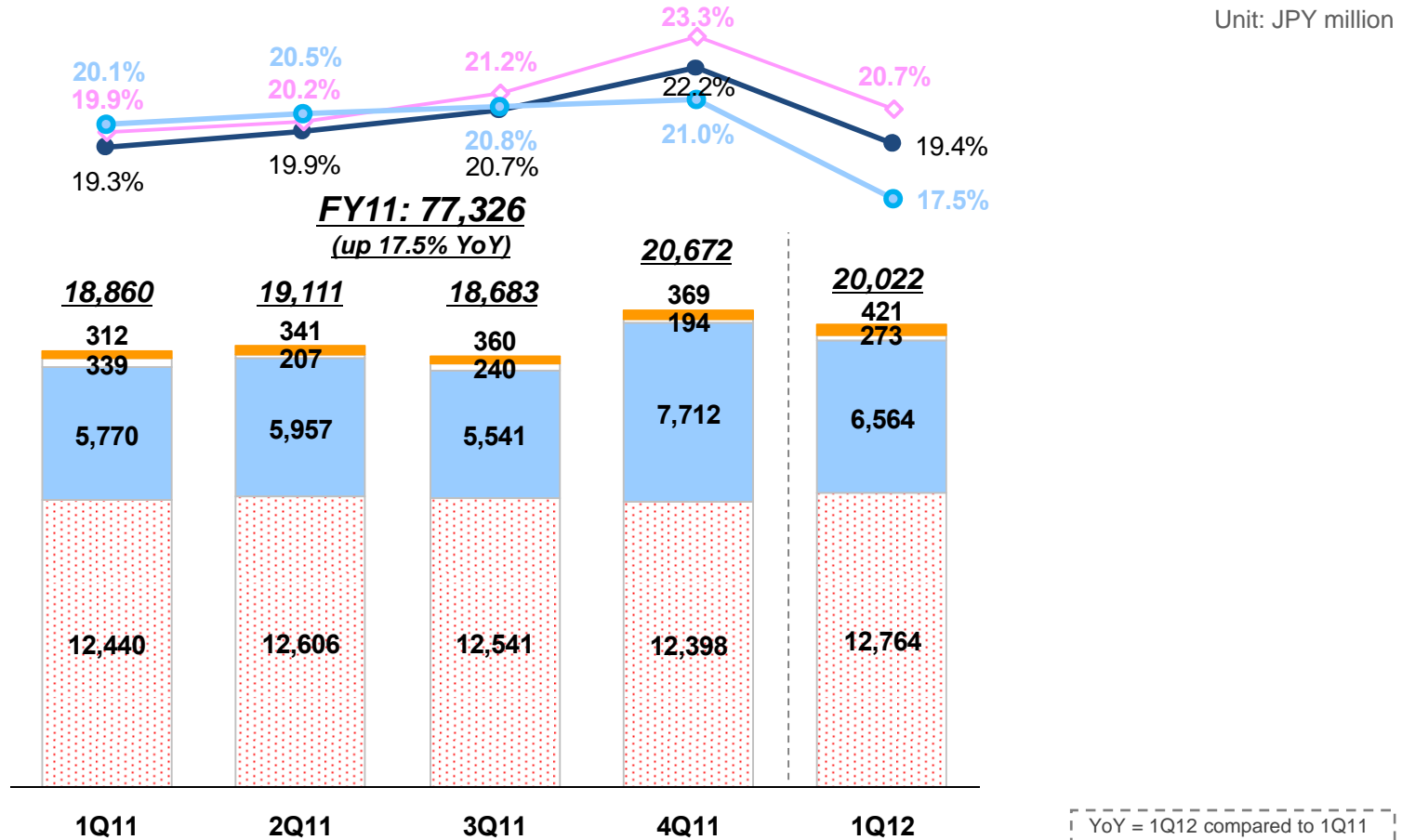


- ◆ 1Q12 Network services revenue: JPY16,092 million (up 3.7% YoY)
- ◆ 1Q12 Systems integration revenue: JPY7,952 million (up 10.1% YoY)
- ◆ 1Q12 Equipment sales revenue: JPY331 million (down 12.0% YoY)
- ◆ 1Q12 ATM operation business revenue: JPY468 million
(up JPY224 million YoY, up 92.1% YoY)

- ◆ 1Q12 Recurring revenue: JPY21,283 million (up 5.2% YoY)
 - 85.7% of 1Q12 total revenues
- ◆ 1Q12 One-time revenue (sum of systems construction and equipment sales revenue): JPY3,091 million (up 6.8% YoY)

II -3. Cost of Revenues and Gross Margin Ratio

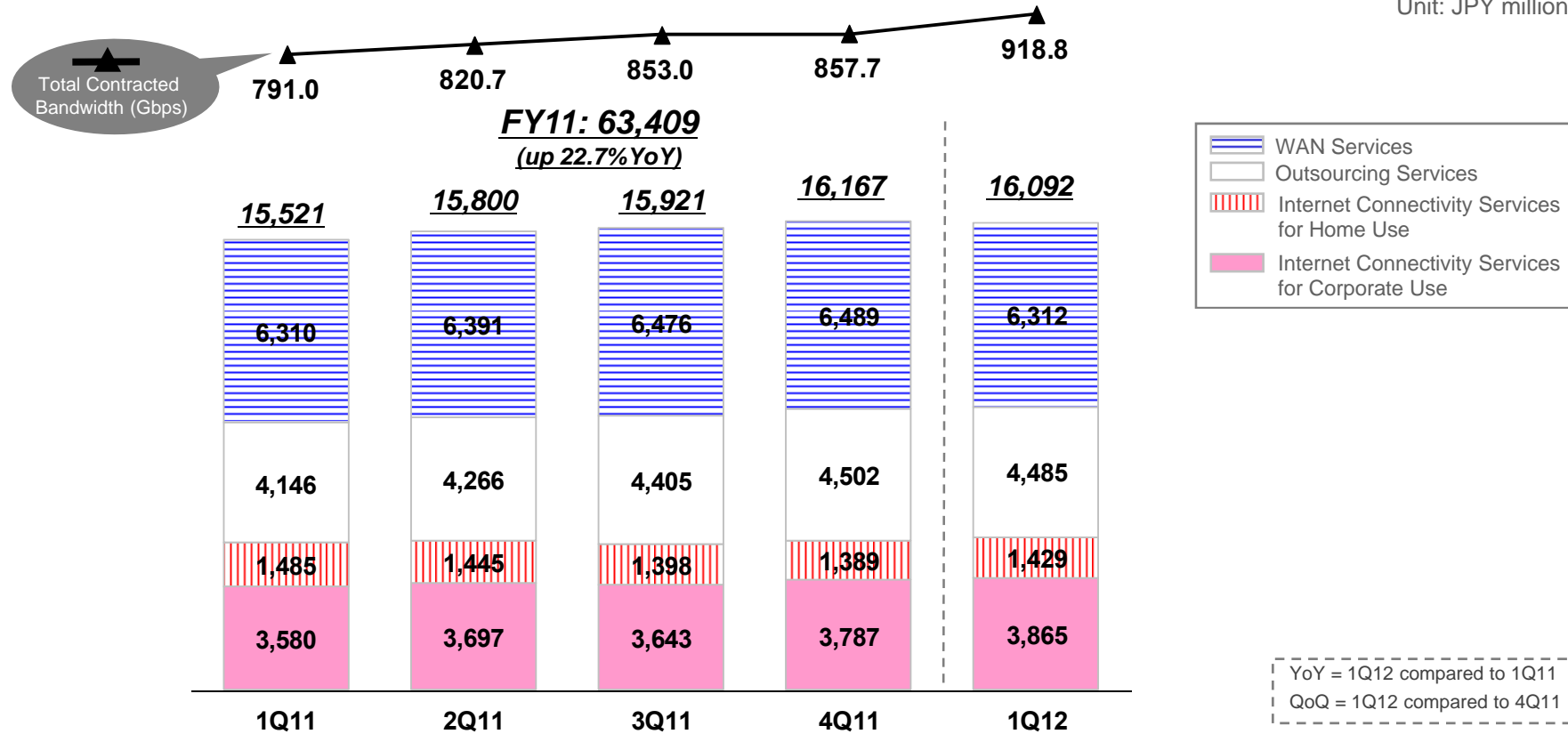
Cost of revenues :  Network Services  Systems Integration (SI)  Equipment Sales  ATM Operation Business
Gross margin ratio :  Network Services  Systems Integration (SI)  Total revenue



- ◆ 1Q12 Gross margin: JPY4,819 million (up JPY318 million YoY, up 7.1% YoY)
 - Network services gross margin: JPY3,328 million (up JPY246 million YoY, up 8.0% YoY)
 - SI gross margin: JPY1,388 million (down JPY64 million YoY)
 - ATM operation business gross margin: JPY46 million (gross loss of JPY68 million in 1Q11, gross margin of JPY33 million in 4Q11)

II -4. Network Services (1)Revenues

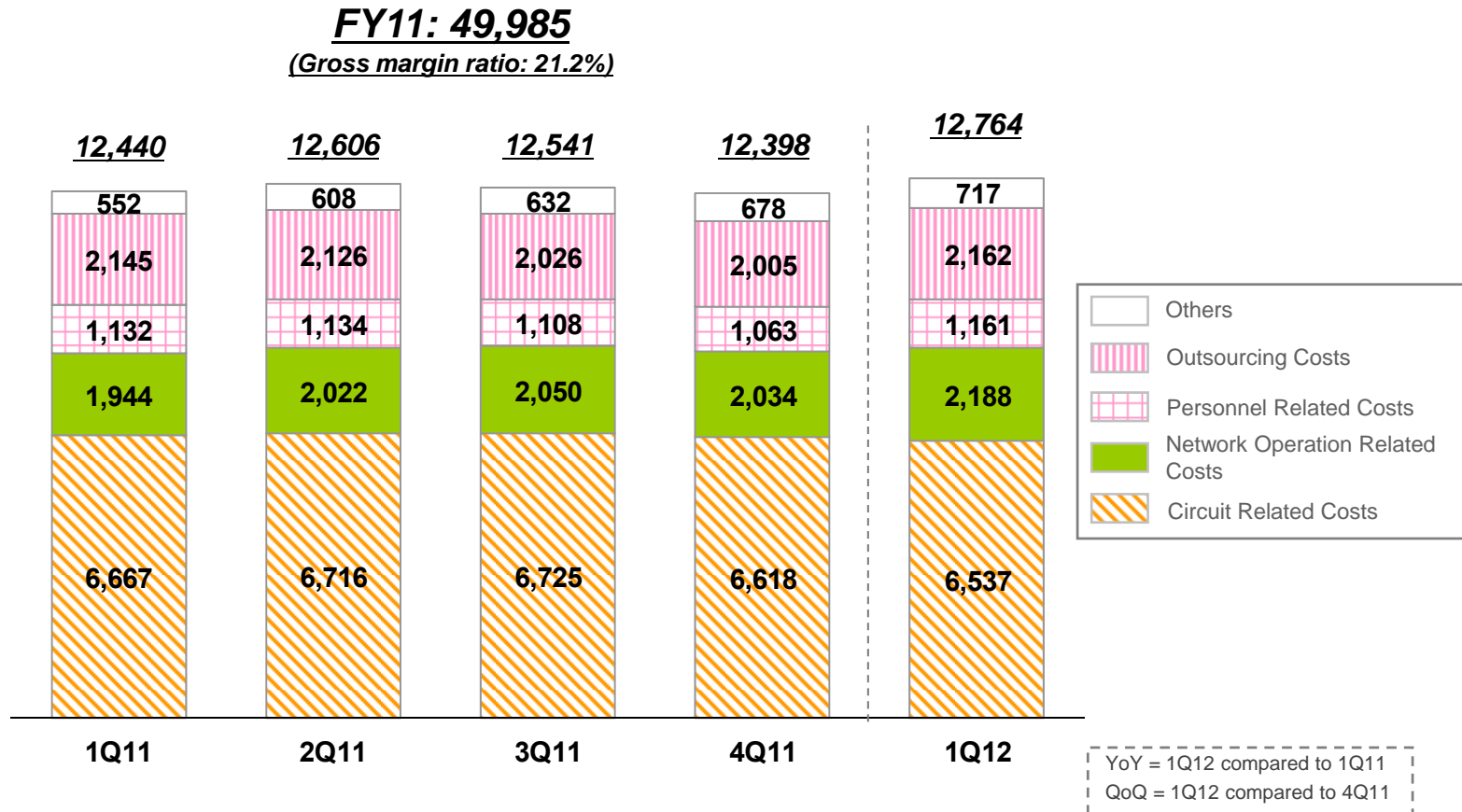
Unit: JPY million



- ◆ 1Q12 Internet connectivity services for corporate use revenue: up 7.9% YoY, up 2.1% QoQ
 - IP services grew mainly due to growing demands for broader bandwidth
 - Number of contracts for over 1Gbps as of Jun. 30, 2012: 142 contracts (131 contracts as of Jun. 30, 2011)
 - IIJ mobile accumulating orders: 47,442 contracts as of Jun. 30, 2012 (up 4,108 contracts YoY, up 1,113 contracts QoQ)
- ◆ 1Q12 Internet connectivity services for home use revenue: down JPY56 million YoY, up 2.9% QoQ
 - Number of contracts for new LTE service as of Jul. 31, 2012 was approx. 25,000 (approx. 13,000 contracts as of Apr. 30, 2012)
1Q12 LTE service revenue reached around JPY100 million
- ◆ 1Q12 Outsourcing services revenue: up 8.2% YoY, down JPY16 million QoQ
- ◆ 1Q12 WAN service revenue: up JPY2 million YoY, down JPY177 million QoQ
 - QoQ decrease in both outsourcing and WAN services was due to customers' request for re-pricing that is common in 1Q

II -4. Network Services (2) Cost of Revenues

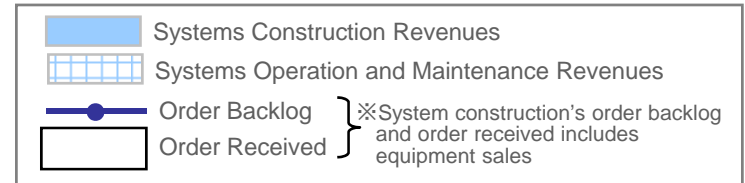
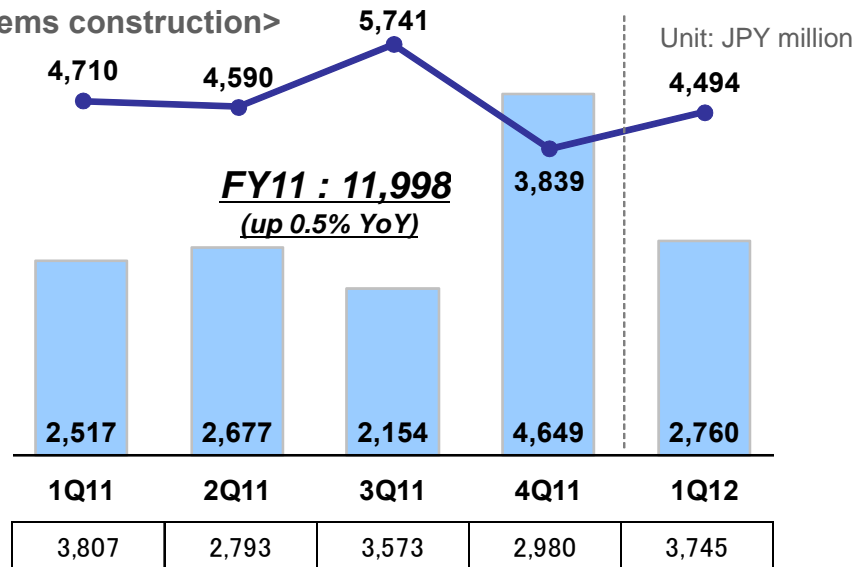
Unit: JPY million



- ◆ 1Q12 Cost of network services: up 2.6% YoY, up 3.0% QoQ
 - Circuit related costs continued to decrease
 - Overall 1Q12 cost of network services increased compared to 4Q11: personnel related costs and mobile interconnection cost increased compared to 4Q11

II -5. Systems Integration (1)Revenues

<Systems construction>

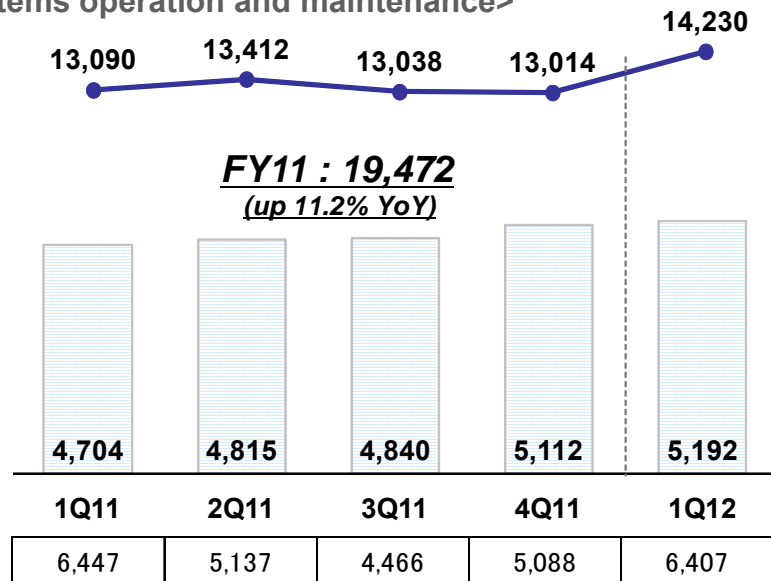


YoY = 1Q12 compared to 1Q11

Systems Construction

- ◆ **1Q12 revenue: up 9.7% YoY, up JPY243 million YoY**
 - Continued to receive mid-to small sized projects
 - Overseas SI revenue added, constructing large servers projects for a prominent SNS game client
 - Revenue and income of IIJ Exlayer to be consolidated from 2Q12
 - SI environment seems slightly better than 1Q11
- ◆ **1Q12 order backlog: down JPY216 million YoY**
 - 1Q12 Order received: around the same level as 1Q11 (down JPY62 million YoY)

<Systems operation and maintenance>

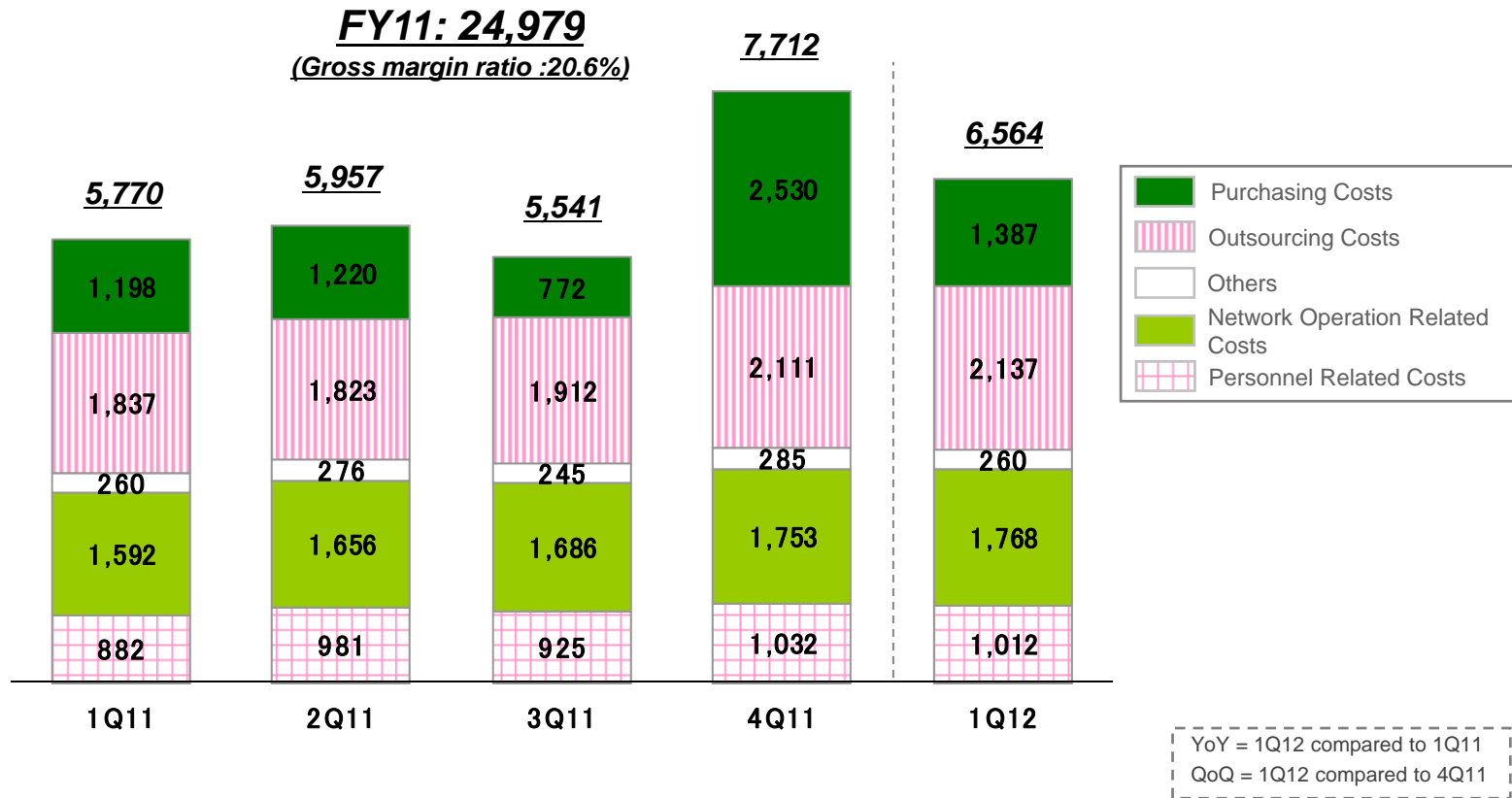


Systems operation and maintenance

- ◆ **1Q12 revenue: up 10.4% YoY, up JPY487 million YoY**
 - IIJ GIO Component Service continued to grow
 - Approx. 80% of IIJ GIO total revenues are recognized in systems operation and maintenance revenues
- ◆ **1Q12 order backlog: up JPY1,140 million YoY**
 - 1Q12 Order received: around the same level of 1Q11 (down JPY40 million YoY)

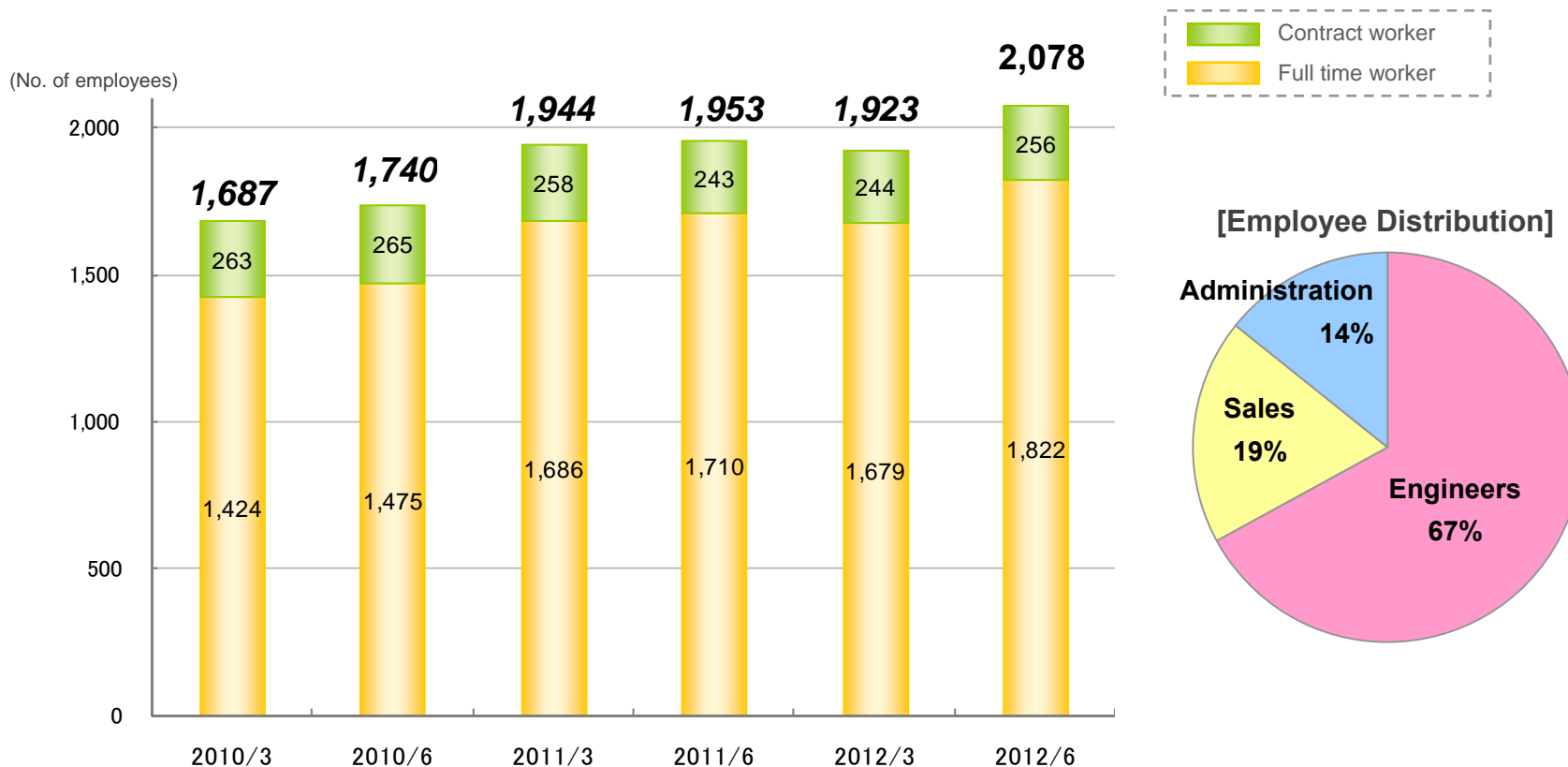
II -5. Systems Integration (2)Cost of Revenues

Unit: JPY million



- ◆ 1Q12 Cost of SI: up JPY794 million YoY, up 13.8% YoY
 - The number of full-time outsourcing personnel for SI was 497 personnel as of Jun. 30, 2012 (up 100 personnel YoY, up 22 personnel QoQ)
 - 1Q12 SI gross margin: JPY1,388 million (down JPY64 million YoY)
 - 1Q12 SI gross margin decreased as there were many projects with higher percentage of purchasing costs

II -6. Number of Employees



Unit: JPY million

2,887 (14.7%)	2,925 (18.5%)	3,554 (13.9%)	3,627 (15.5%)	3,613 (13.6%)	3,741 (15.1%)
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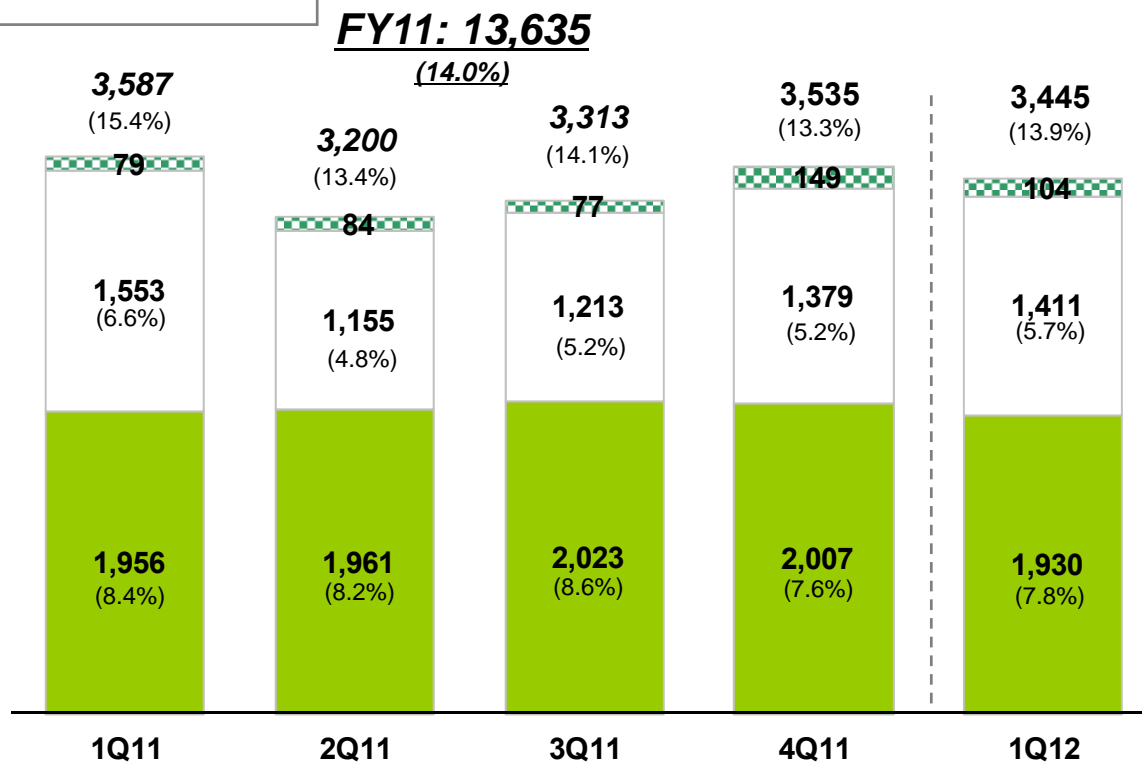
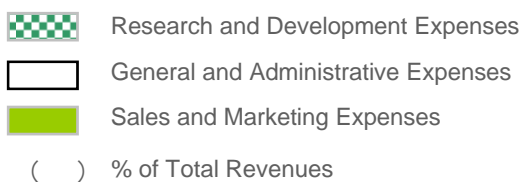
Personnel related costs and expenses (% of revenue)

- ◆ Number of consolidated employees as of Jun. 30, 2012: 2,078 personnel (up 125 personnel YoY, up 155 personnel QoQ)
 - Hired 75 newly graduates in Apr. 2012 (Apr. 2011: 44 newly graduates)
 - Number of IIJ Exlayer (acquired in Apr. 2012) employees: 57 personnel
 - 1Q12 personnel related costs and expenses: up JPY114 million YoY

YoY = 1Q12 compared to 1Q11
QoQ = 1Q12 compared to 4Q11

II -7. SG&A Expenses/R&D

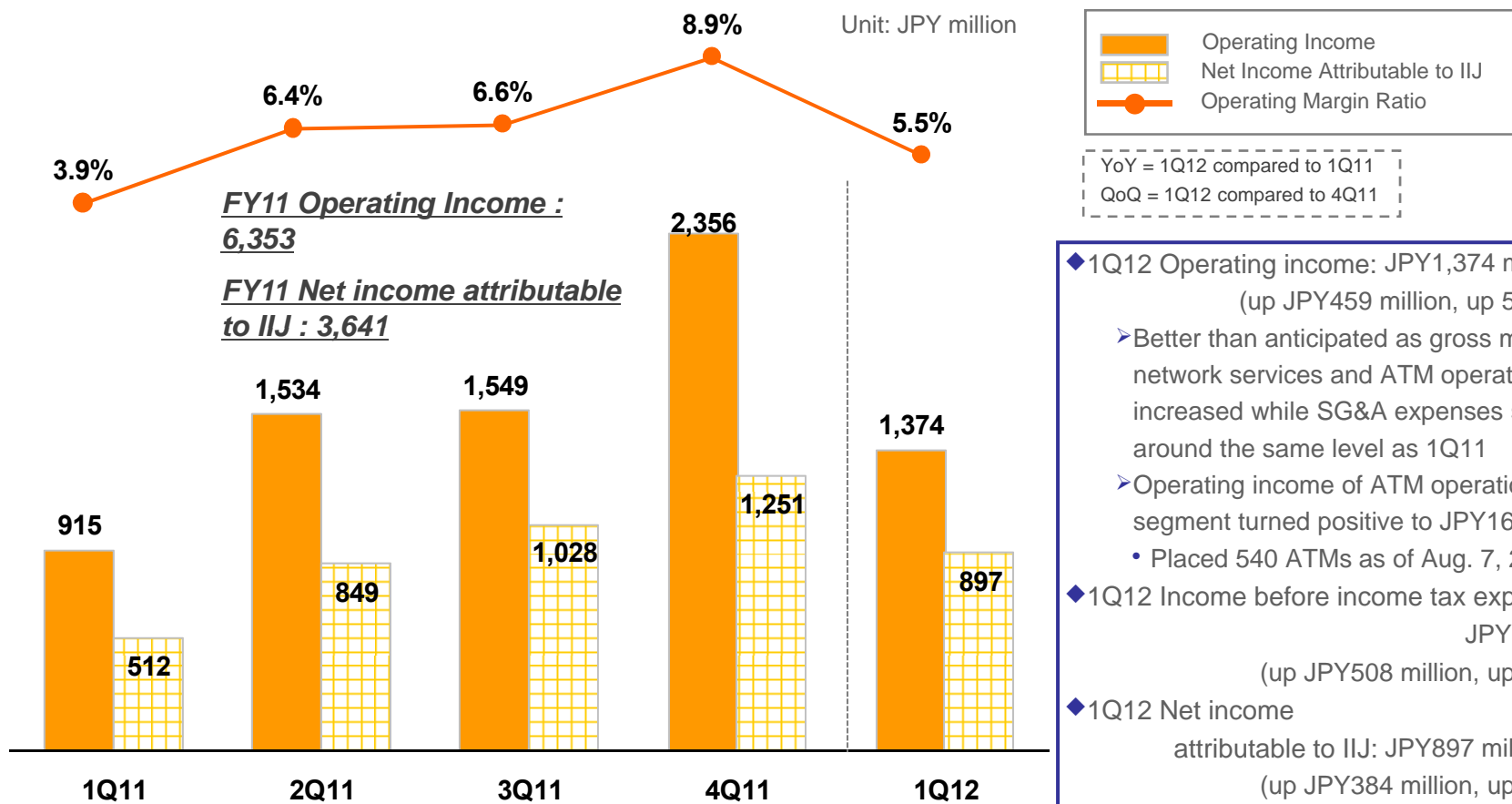
Unit: JPY million



YoY = 1Q12 compared to 1Q11
 QoQ = 1Q12 compared to 4Q11

- ◆ 1Q12 SG&A: down JPY142 million YoY, down JPY90 million QoQ
 - 1Q12 SG&A decreased YoY while personnel related expenses increased, advertisement expenses decreased, and there was a one-time increase in expenses related to the relocation of group companies in 1Q11
 - SG&A is stable and does not directly increase along with revenue growth

II -8. Operating Income and Net Income



- ◆ 1Q12 Operating income: JPY1,374 million (up JPY459 million, up 50.2% YoY)
 - Better than anticipated as gross margin of network services and ATM operation business increased while SG&A expenses stayed around the same level as 1Q11
 - Operating income of ATM operation business segment turned positive to JPY16 million
 - Placed 540 ATMs as of Aug. 7, 2012
- ◆ 1Q12 Income before income tax expense: JPY1,373 million (up JPY508 million, up 58.7% YoY)
- ◆ 1Q12 Net income attributable to IIJ: JPY897 million (up JPY384 million, up 75.0% YoY)
 - Equity in net income of Internet Revolution, Inc. and Internet Multifeed Co.

	1Q11	2Q11	3Q11	4Q11	1Q12
Income Tax Expenses	425	631	548	922	515
Equity in net income(loss) of equity method investees	40	37	77	(30)	33
Net loss attributable to non-controlling interests	31	18	11	6	6

II -9. Summary of Consolidated Balance Sheets

Unit: JPY million

	March 31, 2012	June 30, 2012	Changes
Cash and Cash Equivalents	13,537	11,470	(2,067)
Accounts Receivable	15,722	14,404	(1,318)
Inventories	752	888	+136
Prepaid Expenses	1,848	3,419	+1,571
Other Investments	2,938	3,235	+296
Property and Equipment	19,736	20,828	+1,093
Goodwill and Other Intangible Assets	11,185	11,230	+46
Accounts payable	9,753	9,530	(223)
Income taxes payable	2,211	171	(2,040)
Borrowings (Short-term and Long-term)	12,000	11,900	(100)
Accumulated Deficit	(10,990)	(10,448)	+542
Accumulated Other Comprehensive Loss	(24)	(16)	+8
Total IJ Shareholders' Equity	32,688	33,247	+559
Total Assets	73,493	73,507	+14

➤ Decreased mainly due to the payment of income taxes

➤ Nonmarketable equity securities: JPY 2,053 million
 ➤ Available-for-sale equity securities: JPY 828 million
 ➤ Others: JPY 353 million

➤ Increased mainly due to investment for IJ GIO

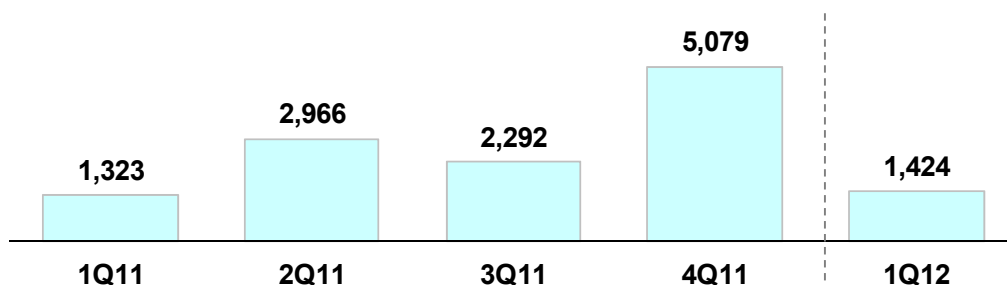
➤ IJ Shareholders' equity ratio
 • End of Jun. 2012: 45.2%
 • End of Mar. 2012: 44.5%

II -10. Consolidated Cash Flows

Operating Activities

Unit: JPY million

FY11 : 11,659

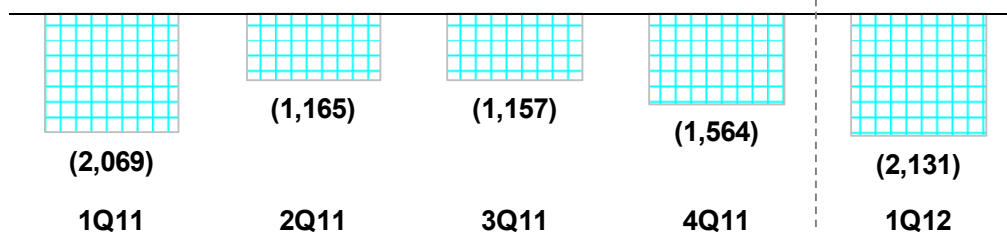


1Q12 Operating Activities:

- Increase in operating income
 - Payments for income taxes: JPY2,045 million
 - Increase in prepaid expenses and other current assets: JPY1,943 million
- etc.

Investing Activities

FY11 : (5,954)

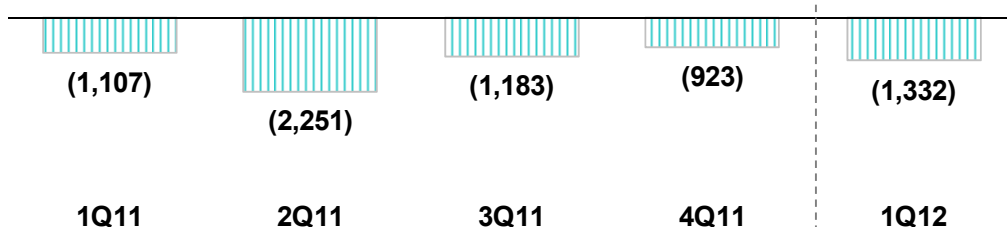


1Q12 Investing Activities:

- Purchases of property and equipments: JPY1,658 million
- etc.

Financing Activities

FY11 : (5,464)

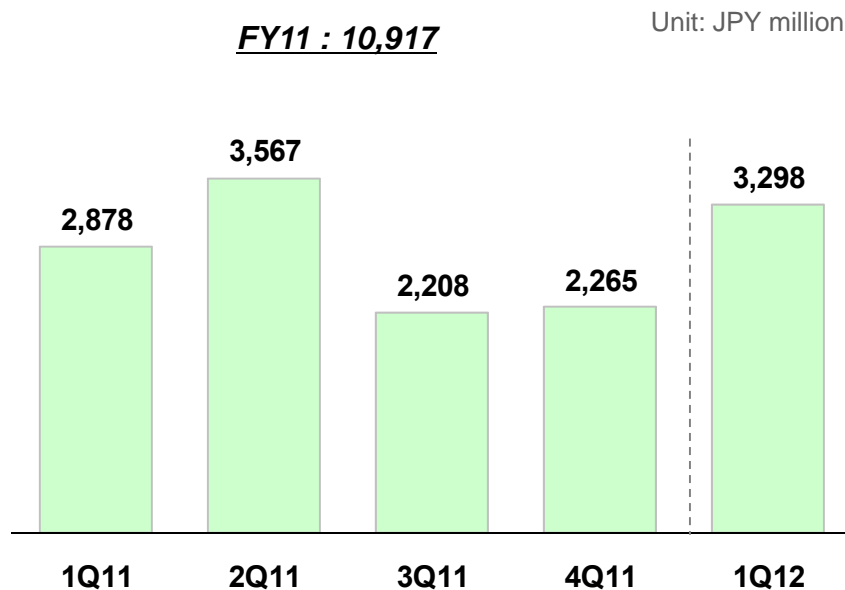


1Q12 Financing Activities:

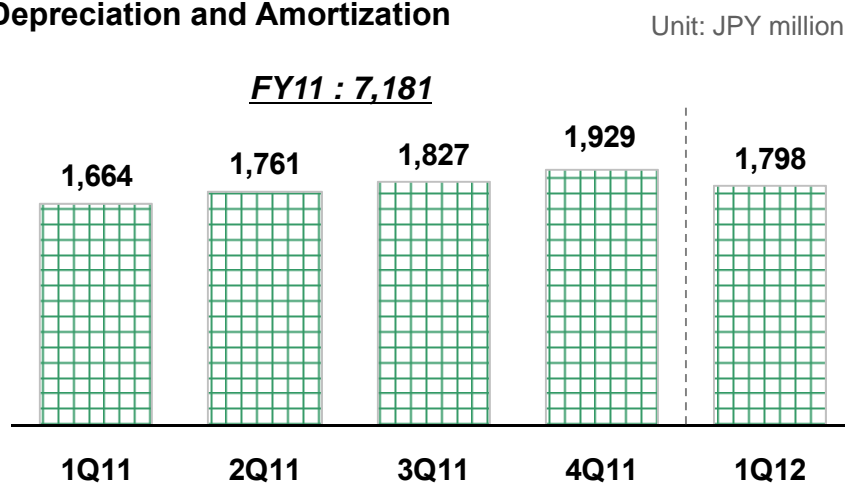
- Principal payments under capital leases: JPY877 million
 - Payments for FY2011 year-end dividends: JPY355 million
- etc.

II -11. Other Financial Data (CAPEX etc.)

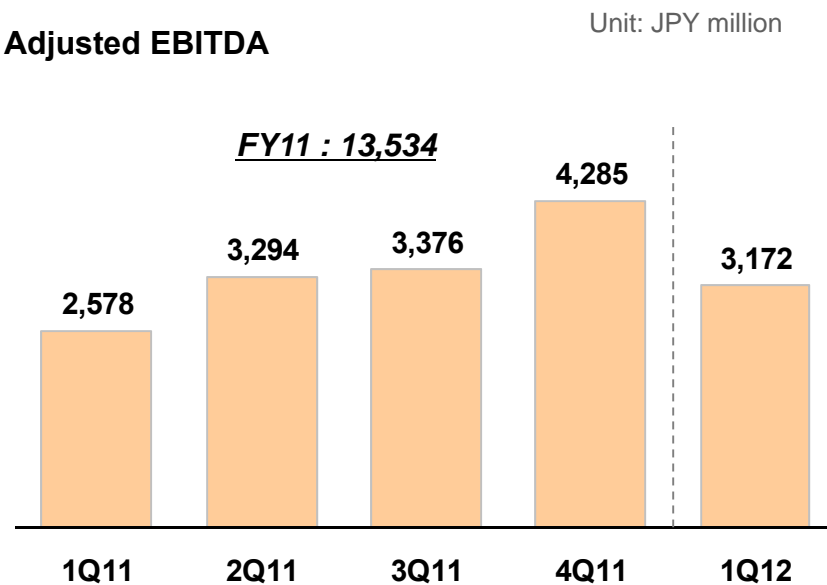
CAPEX (Include Capital Leases)



Depreciation and Amortization



Adjusted EBITDA

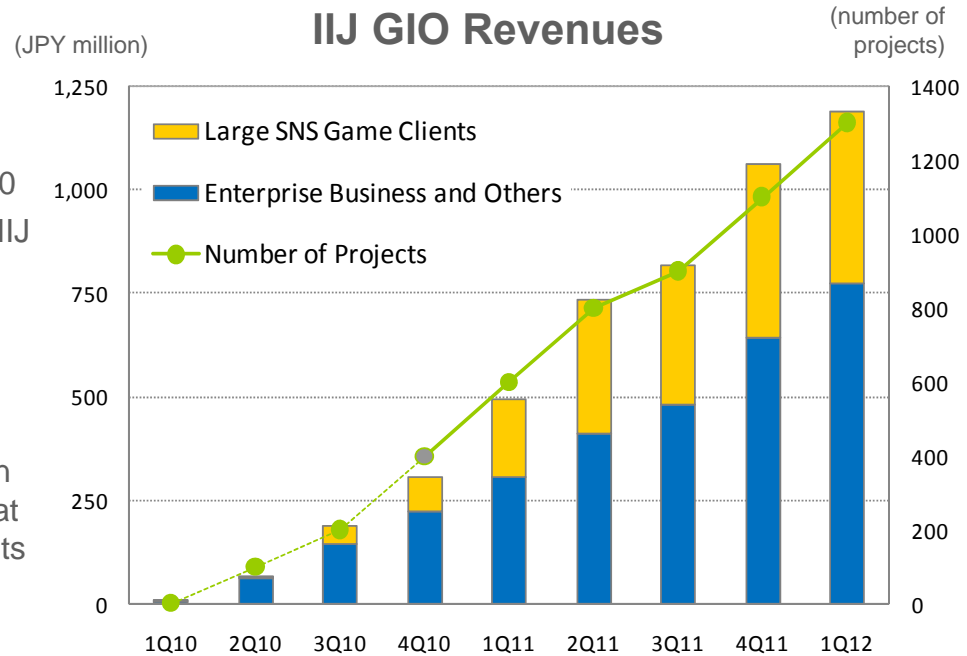


III-1. Developments of “IJJ GIO”



Business developments of IJJ GIO

- 1Q12 revenue: approx. JPY1.2 billion
(4Q11: JPY1.0 billion, 1Q11: JPY0.5 billion)
 - June 2012 revenue: JPY0.4 billion
 - Number of projects reached approx. 1,300 as of June 30
- In addition to the above IaaS and PaaS cloud revenues, IJJ GIO-based SaaS for specific business (example: FX, SmartPOS) will be released as new service line-ups
 - 1Q12 SaaS revenue: JPY0.2 billion (not included in the above mentioned 1Q12 revenue of JPY1.2 billion)
- Adopting companies' internal IT systems such as Sales Force Automation (SFA) and human resource systems on cloud service is gradually happening. Accumulating repeat orders from existing IJJ GIO users who want to increase its cloud usage
- FY12 Target: Revenue of over JPY7.0 billion, operating income to turn positive, investment expected to be around the same level as FY11



Expansion of IJJ GIO service line-ups

- IJJ GIO Virtualization Platform “VWseries”
 - Provides VMware hypervisor functions
 - Targeting hybrid cloud market
 - To be released in August, accumulating prospective orders
- “IJJ GIO Social App Support Solution”
 - High-capacity servers incorporating Fusion-IO model
- IJJ GIO Component Service “Database Add-on”
 - First in Japan to provide Oracle DB on a monthly fee



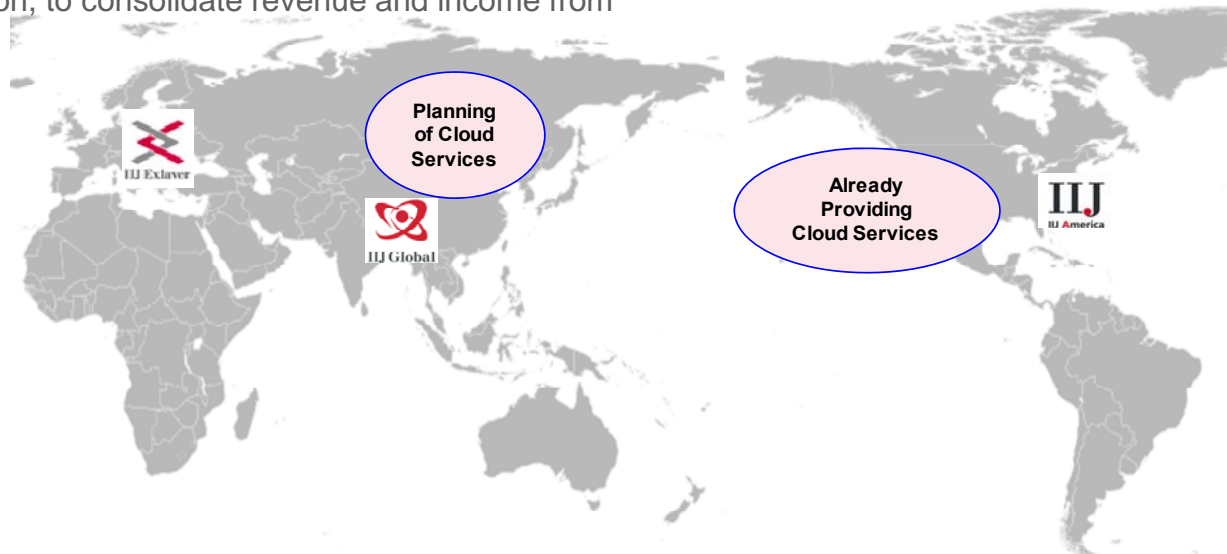
III-2. Developments of Overseas Business

■ 1Q12 Overseas business developments

- 1Q12 revenue: approx. JPY1.0 billion. Business starting up better than anticipated
- Constructing and operating large servers projects in the U.S. for a prominent SNS game client
- IIJ GIO US Service starting up well, accumulating orders especially from SNS game providers
 - Service released in March 2012
 - Expanding server facilities to meet growing demands
- Number of projects for Global-WAN services are now around 200 and increasing
- Co-working with IIJ Exlayer (acquired in Apr.) on large overseas servers construction projects
 - Employees of 57 personnel, annual revenue of approx. JPY0.8 billion, to consolidate revenue and income from 2Q12

■ Future overseas business expansion

- Continue to acquire orders of large servers construction projects
- Planning further expansion of overseas cloud computing services in accordance with client demands
- Become prominent in the Asian market
 - To establish a subsidiary in Bangkok in August, 2012 (currently a representative office)



Ⅲ-3. FY2012 Financial Target (Remain unchanged)

Unit: JPY billion

	FY12 Target (12/4 ~ 13/3)	FY11 Actual (11/4 ~ 12/3)	YoY (FY12 to FY11 Actual)	
Total Revenues	107.0	97.3	+9.7	10.0%
Operating Income	7.5	6.4	+1.1	18.0%
Income before Income Tax Expense	6.9	6.0	+0.9	15.5%
Net Income attributable to IJ	4.0	3.6	+0.4	9.9%
Net Income attributable to IJ per Share	JPY 19,735	JPY 17,964	JPY +1,771	9.9%
Cash Dividend per Share	JPY 3,500 (Annual)	JPY 3,250 (Annual)	JPY +250	7.7%

※ Forward-looking Statements

Statements made in this presentation regarding IIJ's or management's 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 and 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. These risks, uncertainties and other factors include: the possibility a decrease of corporate spending or capital expenditure due to depression in Japanese economy and/or corporate earnings decreased; the possibility that less of reliability for our services and loss of business chances due to interrupt or suspend of our services; the possibility an increase over estimate in network related cost and outsourcing cost, personnel cost etc. ;increase in competition and strong pricing pressure; the recording of an impairment loss as a results of an impairment test on the non-amortized intangible assets such as goodwill; a decline in value and trending value of our holding securities; and other risks referred to from time to time in IIJ's filings on Form 20-F of its annual report and other filings with the United States Securities and Exchange Commission ("SEC").

※ Contact Information

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