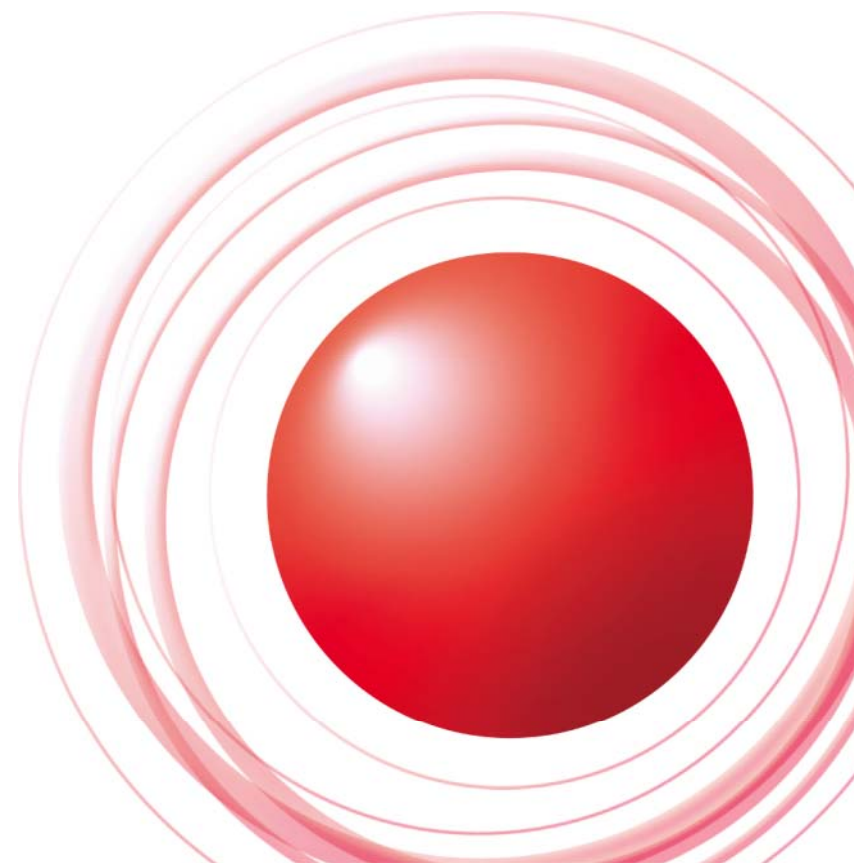


Consolidated Financial Results for 1Q FY2013 (First 3 months ended June 30, 2013)



Internet Initiative Japan Inc.
TSE1(3774), NASDAQ(IIJI)
August 6, 2013

Ongoing Innovation



Agenda

I . Summary of 1Q FY2013 Financial Results

II . Consolidated Financial Results for 1Q FY2013

III . Reference Materials

I . Summary of 1Q FY2013 Financial Results

< 1Q13 Financial Results >

• Revenues	JPY26,441 million	(up 6.4% YoY)
• Gross margin	JPY5,030 million	(up 4.4% YoY)
• Operating income	JPY1,305 million	(down 5.0% YoY)
• Income before income tax expense	JPY1,431 million	(up 4.2% YoY)
• Net income attributable to IIJ	JPY954 million	(up 6.4% YoY)

<< Solid Start of FY2013, Continuing Business Development >>

Systems Integration	Systems construction: order received up 36.2% YoY, order backlog up 22.9% YoY , including many large scale projects Systems operation and maintenance: revenue up 10.3% YoY with systems construction orders accumulated from FY2012
Corporate Connectivity	IP revenue up 9.9% YoY, expecting stronger demands for broader bandwidth
Home Connectivity	Net additions of LTE services' contracts increasing : 11,000 (4Q12) ->18,700 (1Q13) Total number of contracts as of June 30, 2013: 70,000
Outsourcing	Revenue up 9.0% YoY with the constant accumulation of orders
Cloud	Revenue: 4Q12 JPY2.0 billion -> 1Q13 JPY2.3 billion * Revenues of FX and IIJ GIO POS "Task-specific SaaS" added from FY13 Expecting expanded cloud usage by enterprises, acquiring migration projects of annual revenue over JPY0.1 billion
Overseas	Revenue: 1Q12 JPY1.0 billion -> 1Q13 JPY1.2 billion , launched UK cloud (Aug. 2013), Asian region business starting up
Human Resources	Proactive recruitment along with aggressive business expansion Up 153 personnel QoQ, added 136 newly graduates (Apr. 2013)

< Accelerating Growth for Future Business Expansion >

- Secured JPY17.3 billion with equity finance
- Enhanced management with Katsu COO

< Slight Decrease of Operating Income due to 1Q Seasonal Factors, Business Progressed as Planned >

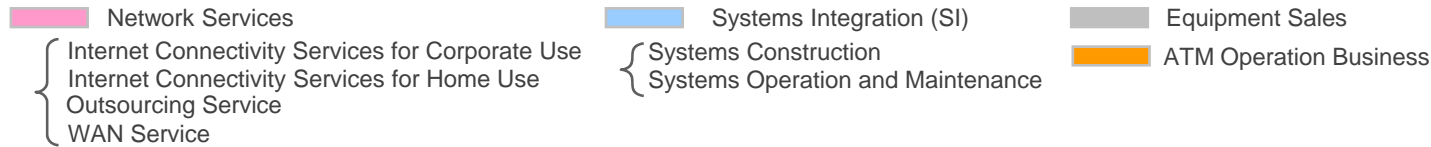
- Network services revenues slightly increased QoQ due to price down pressure, Systems construction scale is the smallest in every 1Q
- The level of fixed expenses such as personnel-related expenses increased as a new fiscal year begins

II - 1. Consolidated Financial Results for 1Q FY2013

Unit: JPY billion

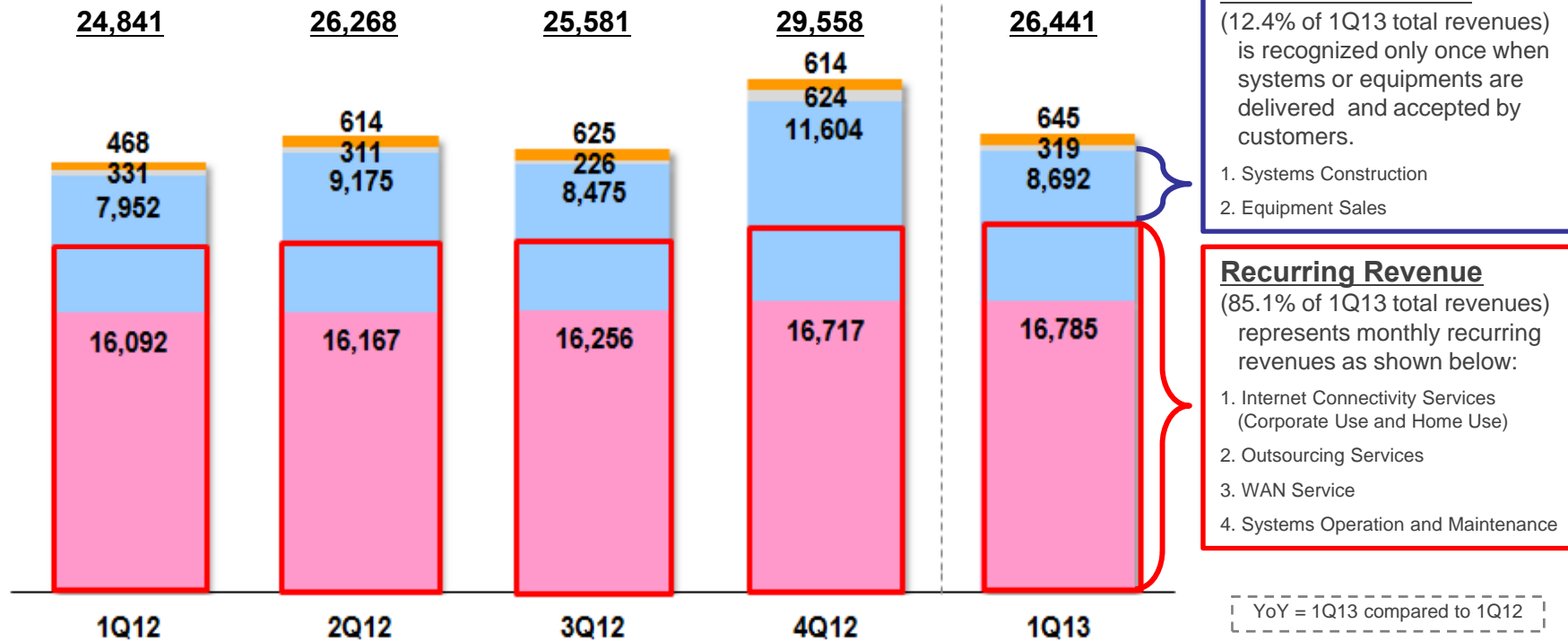
	% of Revenues		YoY Change in %	% of Revenues	
	1Q13 (Apr. 2013 -Jun. 2013)	1Q12 (Apr. 2012 -Jun. 2012)		1H13 Target (Apr. 2013 -Sep. 2013)	YoY (1H13 to 1H12)
Total Revenues	26.4	24.8	+6.4%	54.5	+6.6%
Total Cost of Revenues	81.0% 21.4	80.6% 20.0	+6.9%	—	—
Gross Margin	19.0% 5.0	19.4% 4.8	+4.4%	—	—
SG&A/R&D	14.1% 3.7	13.9% 3.4	+8.1%	—	—
Operating Income	4.9% 1.3	5.5% 1.4	(5.0%)	6.2% 3.4	+4.2%
Income before Income Tax Expense	5.4% 1.4	5.5% 1.4	+4.2%	5.9% 3.2	+0.8%
Net Income attributable to IJ	3.6% 1.0	3.6% 0.9	+6.4%	3.7% 2.0	(0.3%)

II - 2. Revenues



Unit: JPY million

FY12: 106,248



One-time Revenue
 (12.4% of 1Q13 total revenues) is recognized only once when systems or equipments are delivered and accepted by customers.

1. Systems Construction
2. Equipment Sales

Recurring Revenue
 (85.1% of 1Q13 total revenues) represents monthly recurring revenues as shown below:

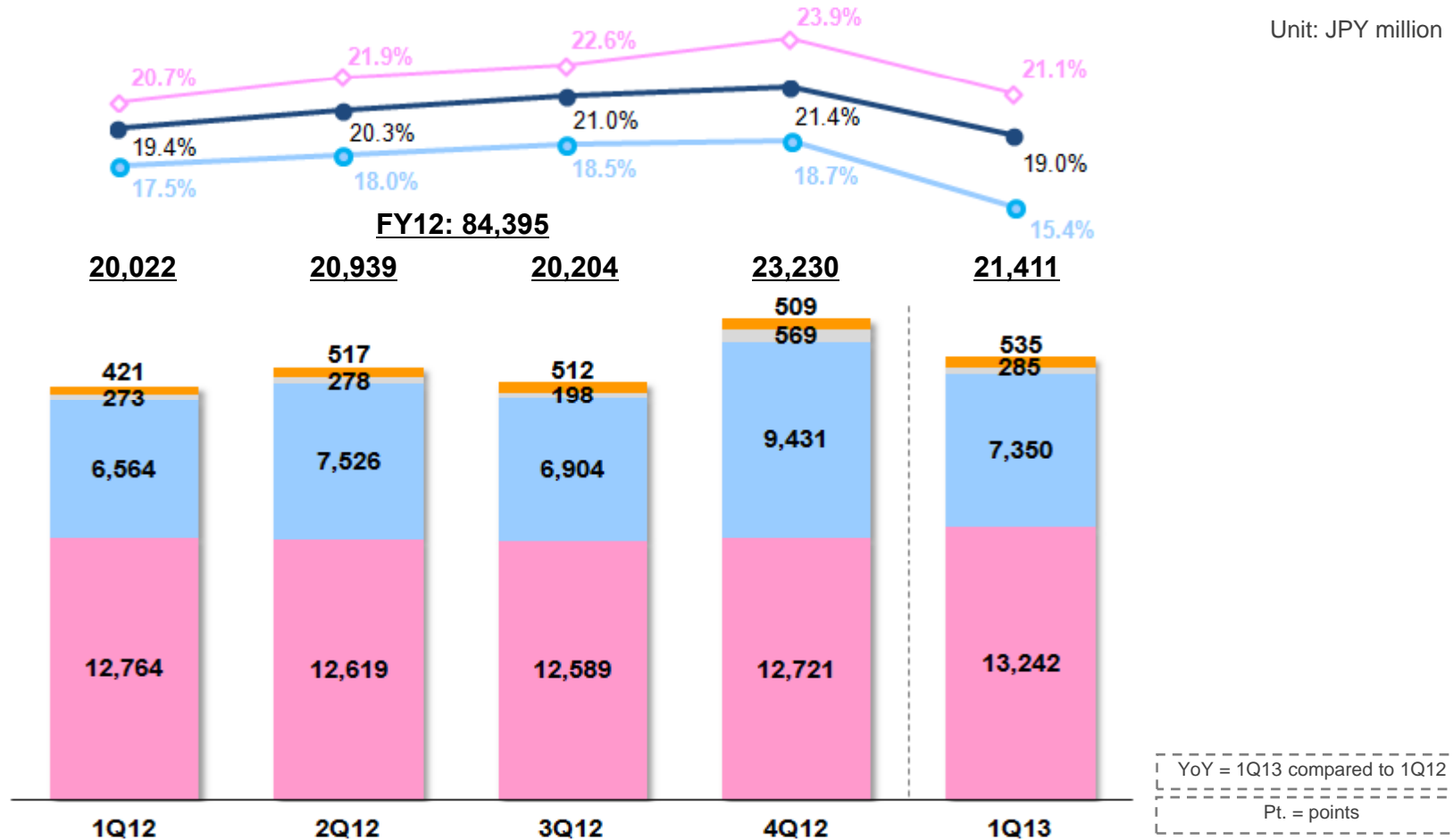
1. Internet Connectivity Services (Corporate Use and Home Use)
2. Outsourcing Services
3. WAN Service
4. Systems Operation and Maintenance

YoY = 1Q13 compared to 1Q12

- ◆ 1Q13 Network services revenue: JPY16,785 million (up 4.3% YoY)
- ◆ 1Q13 Systems integration revenue: JPY8,692 million (up 9.3% YoY)
- ◆ 1Q13 Equipment sales revenue: JPY319 million (down 3.6% YoY)
- ◆ 1Q13 ATM operation business revenue: JPY645 million (up JPY177 million YoY, up 37.9% YoY)
- ◆ 1Q13 Recurring revenue: JPY22,514 million (up 5.8% YoY)
- ◆ 1Q13 One-time revenue: JPY3,283 million (up 6.2% YoY)

II -3. Cost of Revenues and Gross Margin Ratio

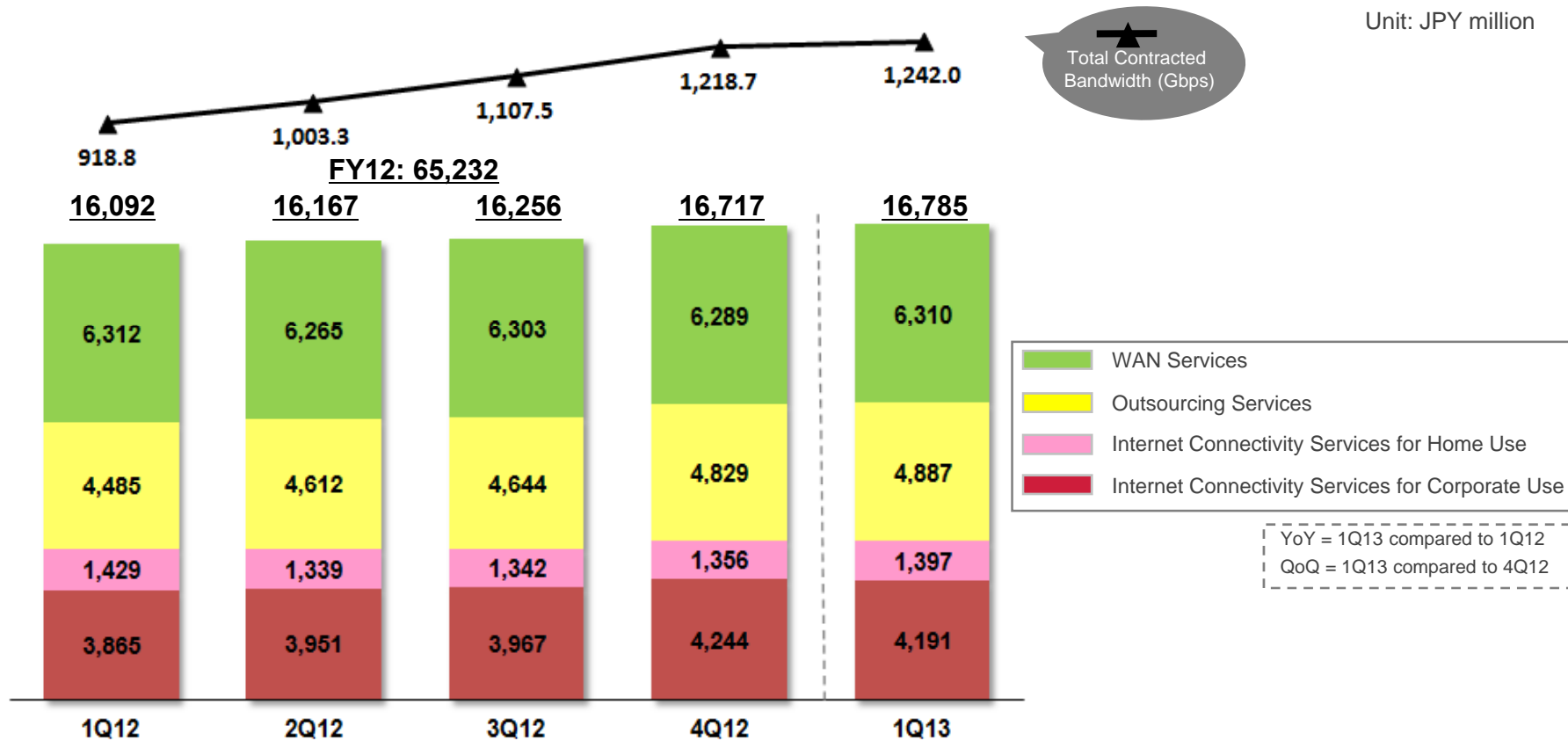
Cost of revenues : Network Services (Pink), Systems Integration (SI) (Light Blue), Equipment Sales (Grey), ATM Operation Business (Orange)
Gross margin ratio : Network Services (Pink Diamond), Systems Integration (SI) (Light Blue Circle), Total Revenues (Dark Blue Circle)



1Q13 Gross margin: JPY5,030 million (up JPY211 million YoY, up 4.4% YoY), Gross margin ratio: 19.0% (down 0.4 Pt. YoY)
 ◆1Q13 Network services gross margin: JPY3,544 million (up JPY216 million YoY, up 6.5% YoY), Gross margin ratio: 21.1% (up 0.4 Pt. YoY)
 ◆1Q13 SI gross margin: JPY1,343 million (down JPY45 million YoY, down 3.2% YoY), Gross margin ratio: 15.4% (down 2.1 Pt. YoY)
 ◆1Q13 ATM operation business gross margin: JPY110 million (up JPY63 million YoY)

II - 4. Network Services (1)Revenues

Unit: JPY million

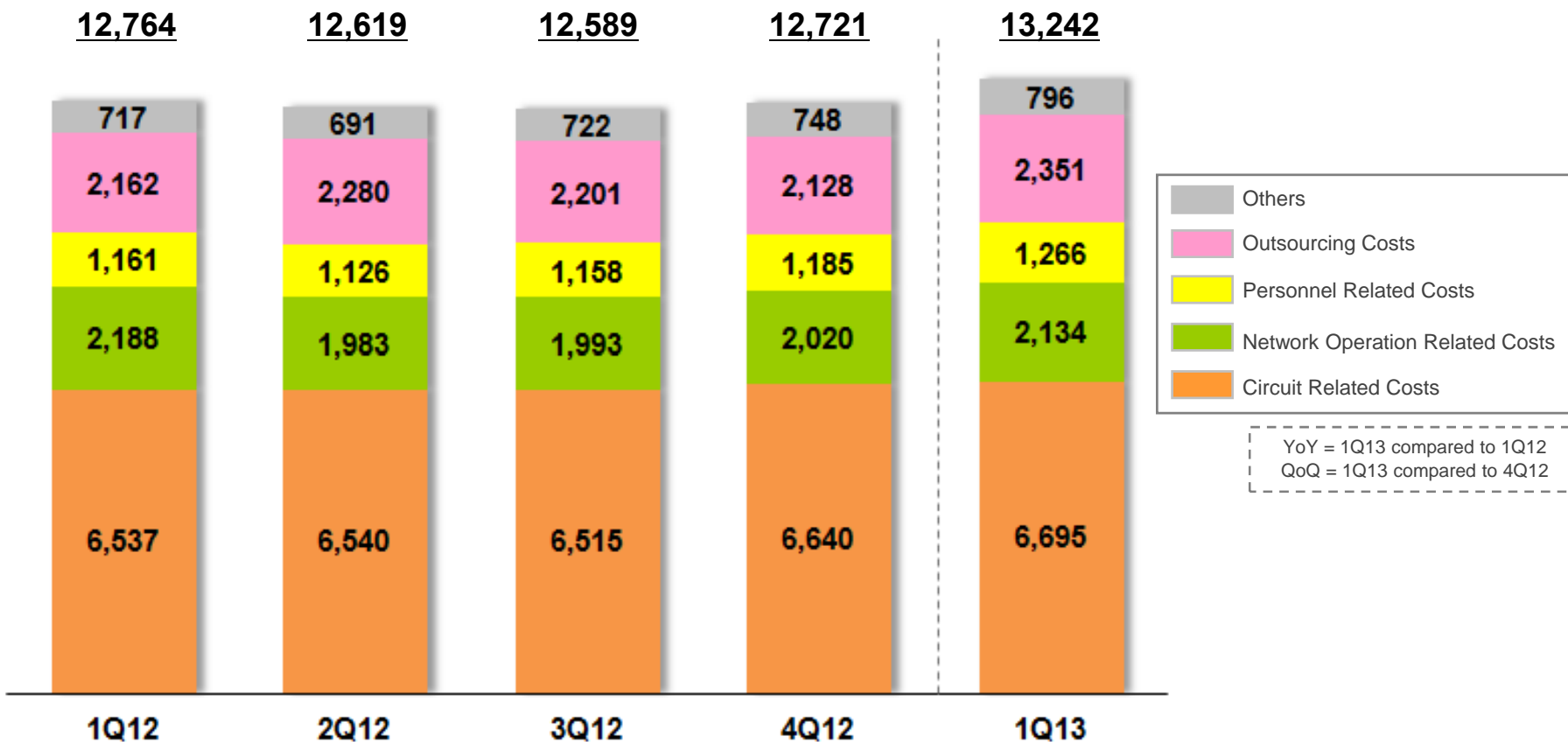


- ◆ **1Q13 Internet connectivity services for corporate: up JPY326 million YoY, up 8.4% YoY, down JPY53 million QoQ, down 1.3% QoQ**
 - Decreased QoQ due to the 1Q seasonal factor of price down pressure from certain large users, demand catching up from 2Q
Contracts for over 1Gbps as of June 30, 2013: 235 contracts (March 31, 2013: 207 contracts, June 30, 2012: 142 contracts)
- ◆ **1Q13 Internet connectivity services for home: down JPY32 million YoY, down 2.2% YoY, up JPY42 million QoQ, up 3.1% QoQ**
 - Stable QoQ revenue growth due to the accelerated order accumulation of LTE services via *Aeon* group and *BIC CAMERA* group, large retail companies, Net additions of contracts increasing: 11,000(4Q12) -> 18,700(1Q13), Total number of contracts as of June 30, 2013: 70,000
Minus effects caused by the net revenue recognition for FLET'S portion were absorbed
- ◆ **1Q13 Outsourcing services: up JPY402 million YoY, up 9.0% YoY, up JPY58 million QoQ, up 1.2% QoQ**
 - IIJ GIO Hosting Package Services and datacenter-related services revenues continued to grow
- ◆ **1Q13 WAN services: down JPY3 million YoY, down 0.0% YoY, up JPY21 million QoQ, up 0.3% QoQ**

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

Unit: JPY million

FY12: 50,692
(Gross margin ratio: 22.3%)

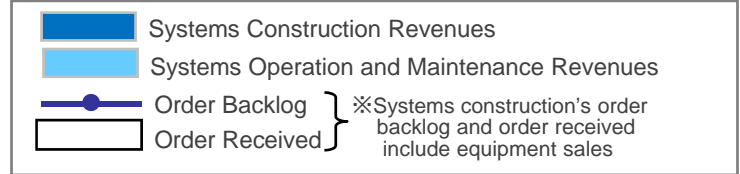
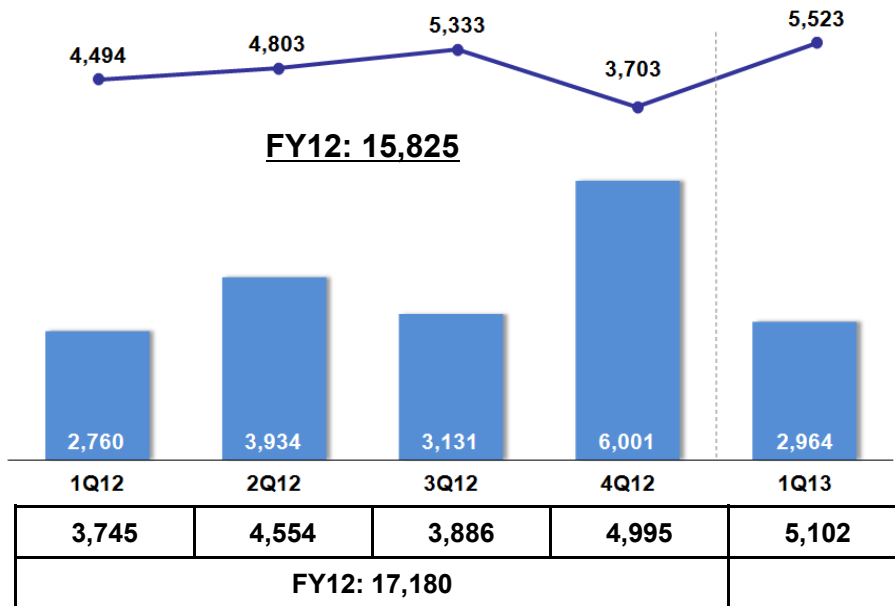


- ◆ 1Q13 Cost of network services: up JPY478 million YoY, up 3.7% YoY, up JPY521 million QoQ, up 4.1% QoQ
 - Outsourcing costs increased along with revenue growth, personnel-related costs increased along with the increased number of personnel
 - While expanding network continuously, the costs such as circuit-related costs are stable because of our scale-merited network efficiency

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

<Systems Construction>

Unit: JPY million

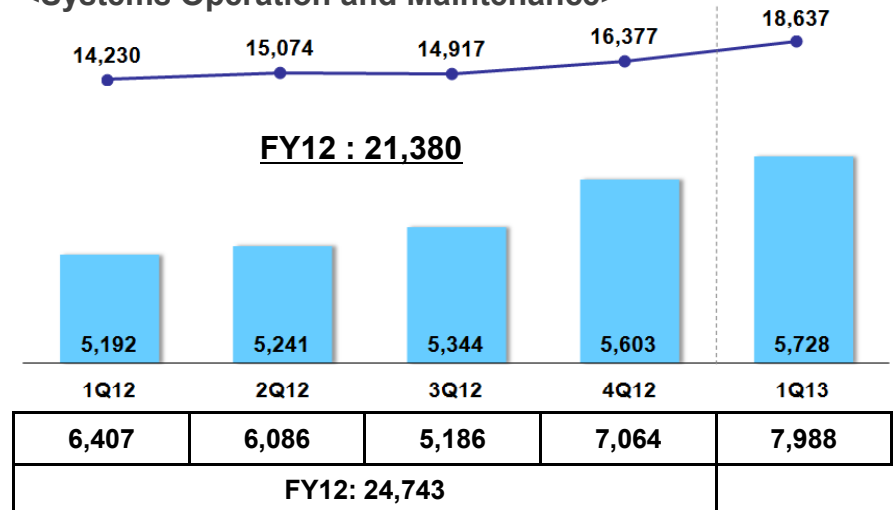


YoY = 1Q13 compared to 1Q12
QoQ = 1Q13 compared to 4Q12

Systems Construction

- ◆ 1Q13 Revenue: up JPY204 million YoY, up 7.4% YoY, down JPY3,037 million QoQ, down 50.6% QoQ
- ◆ 1Q13 Order received: up JPY1,357 million YoY, up 36.2% YoY, up JPY107 million QoQ, up 2.1% QoQ
- ◆ 1Q13 Order backlog: up JPY1,029 million YoY, up 22.9% YoY
 - Accumulating large scale projects of over JPY0.1 billion in addition to the usual small to middle size projects accordingly with the economic recovery (ex: core platform system renewal, large scale mail system construction for ISP, E-commerce system renewal, web system renewal, large scale network replacement etc)

<Systems Operation and Maintenance>



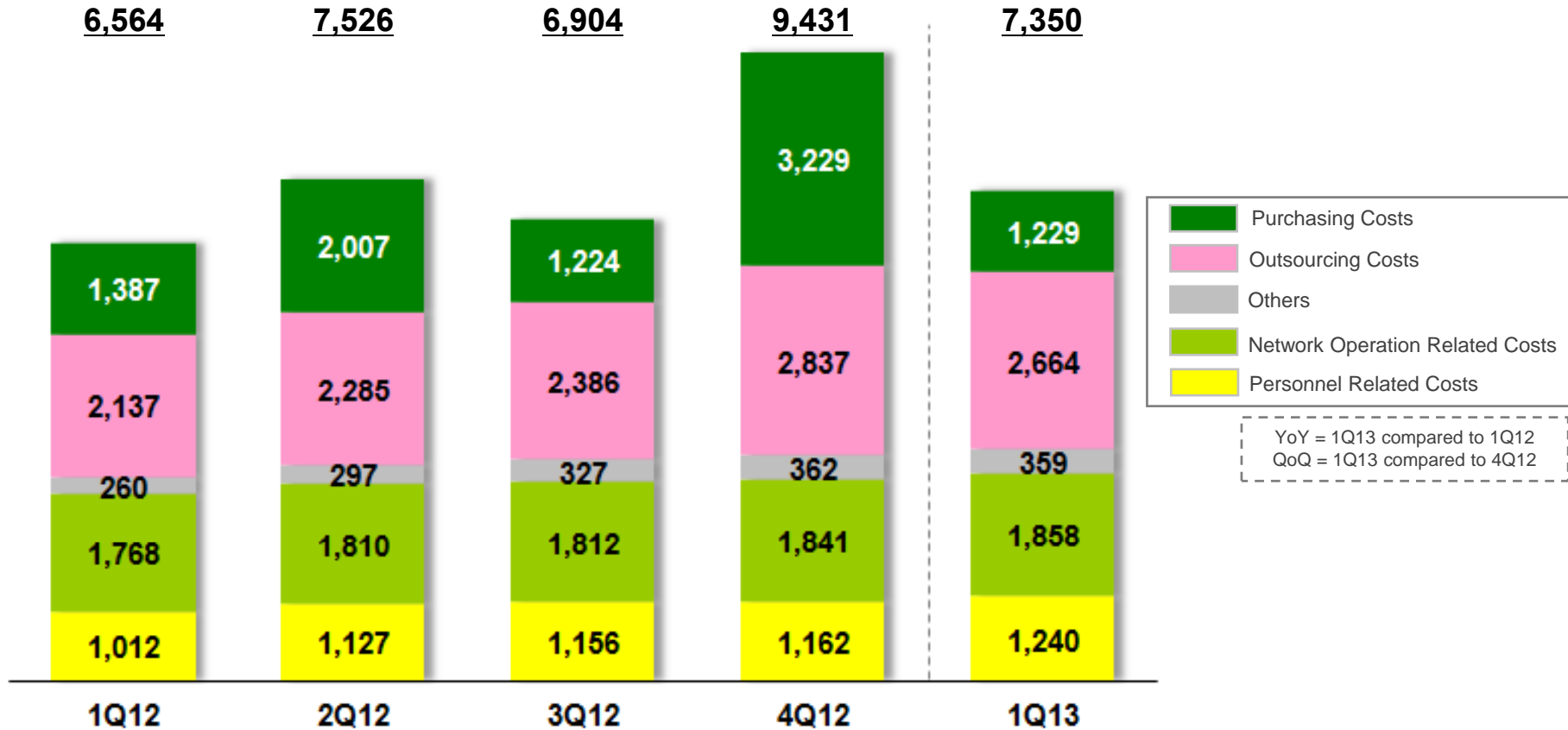
Systems Operation and Maintenance

- ◆ 1Q13 Revenue: up JPY537 million YoY, up 10.3% YoY, up JPY125 million QoQ, up 2.2% QoQ
- ◆ 1Q13 Order received: up JPY1,581 million YoY, up 24.7% YoY, up JPY924 million QoQ, up 13.1% QoQ
- ◆ 1Q13 Order backlog: up JPY4,407 million YoY, up 31.0% YoY,
 - Systems operation and maintenance revenues increasing due to the accumulated systems construction projects from FY12
 - 77% of 1Q13 cloud total revenues are recognized in systems operation and maintenance and the remaining 23% in outsourcing

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

FY12: 30,425
(Gross margin ratio: 18.2%)

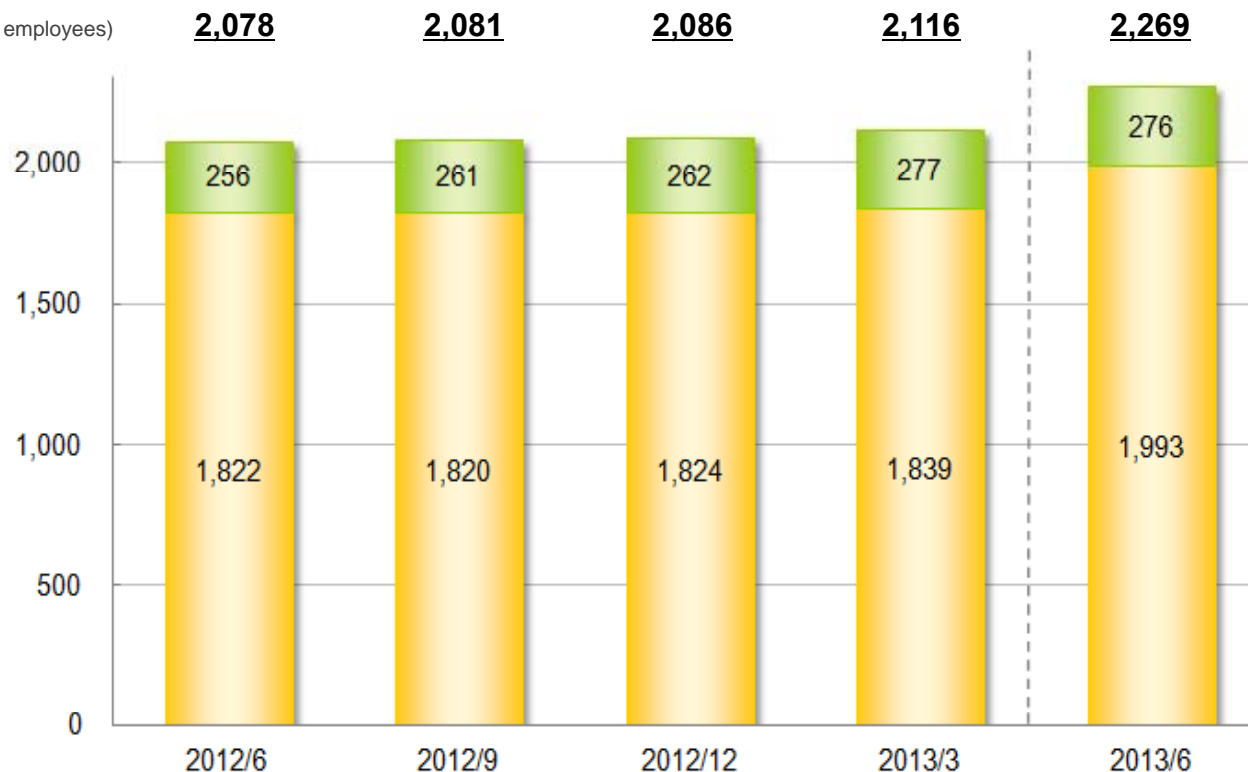
Unit: JPY million



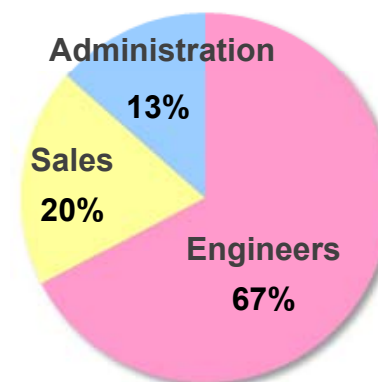
- ◆ 1Q13 Cost of SI: up JPY786 million YoY, up 12.0% YoY, down JPY2,082 million QoQ, down 22.1% QoQ
 - The number of full-time outsourcing personnel as of June 30, 2013: 683 (up 186 personnel YoY, up 32 personnel QoQ)
 - Outsourcing costs and personnel related costs increased QoQ due to the increased number of projects and personnel
 - Purchasing costs and outsourcing costs decreased YoY due to seasonal factor of decreased number of systems construction projects
 - SI gross margin decreases along with the increase in large scale projects

II - 6. Number of Employees

(No. of employees)



[Employee Distribution]



3,741 (15.1%)	3,858 (14.7%)	3,902 (15.3%)	3,979 (13.5%)	4,212 (15.9%)
FY12: 15,480 (14.6%)				

Personnel related costs and expenses (% of revenue)

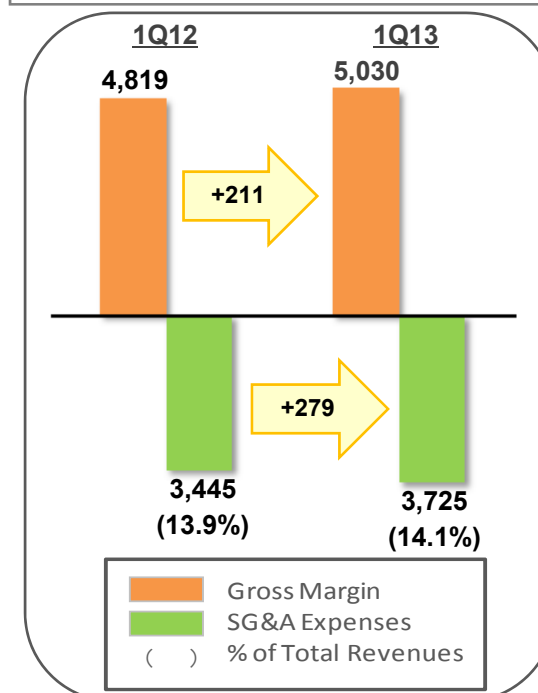
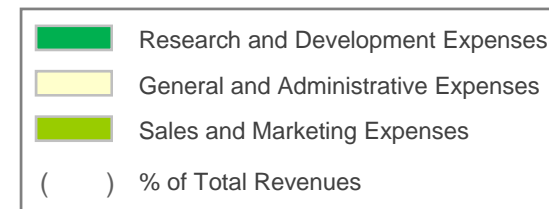
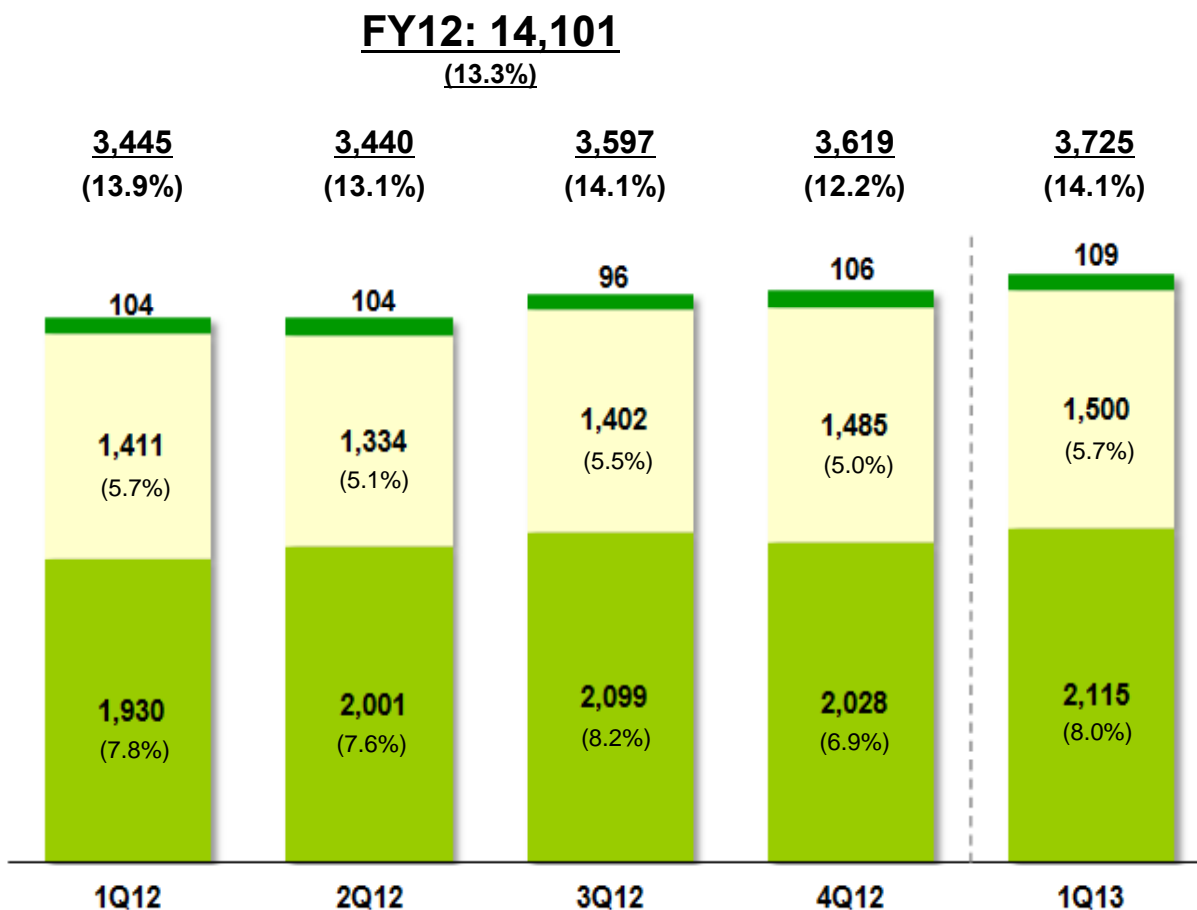
Unit: JPY million

- ◆ 1Q13 Personnel related costs and expenses: up JPY471 million YoY, up JPY233 million QoQ
 - Increased due to the annual revision of salary and the increased number of employees
- ◆ Hired 136 newly graduates in Apr. 2013 (Apr. 2012: 75 newly graduates)
- ◆ Addition of over 250 personnel is planned for FY13

YoY = 1Q13 compared to 1Q12
QoQ = 1Q13 compared to 4Q12

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

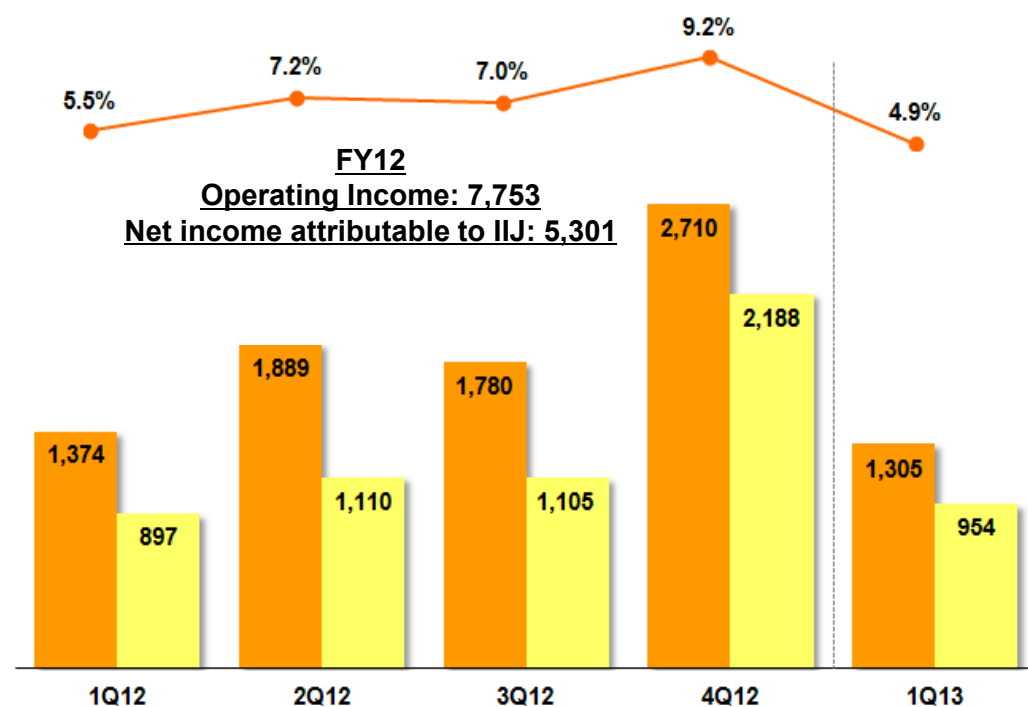
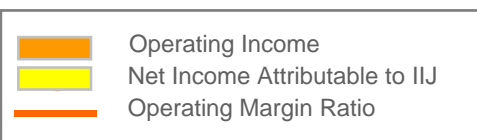
Unit: JPY million



- ◆ 1Q13 SG&A: up JPY279 million YoY, up JPY106 million QoQ, 14.1% of total revenue, up 0.2 points YoY
 - Personnel-related expenses increased YoY by JPY138 million, rent expenses increased YoY by JPY53 million, sales commission expenses increased YoY by JPY42 million

II - 8. Operating Income and Net Income

Unit: JPY million



◆ **1Q13 Operating income: JPY1,305 million**
 (down JPY69 million YoY, down 5.0% YoY)

➤ **ATM operation segment operating income:**

Unit: JPY million

1Q12	2Q12	3Q12	4Q12	FY12	1Q13
16	67	81	75	239	81

• 652 ATMs were placed as of Aug. 6, 2013

◆ **1Q13 Income before income tax expense: JPY1,431 million**
 (up JPY57 million YoY, up 4.2% YoY)

➤ Majority of non-operating expenses is interest expenses, recognized foreign exchange gains of JPY93 million in 1Q13

◆ **1Q13 Net income attributable to IIJ: JPY954 million**
 (up JPY57 million YoY, up 6.4% YoY)

➤ Equity in net income of Internet Revolution, Inc. and Internet Multifeed Co.

YoY = 1Q13 compared to 1Q12

	1Q12	2Q12	3Q12	4Q12	1Q13	
	363	764	675	1,333	269	Current income tax expense
	152	(27)	28	(679)	268	Deferred tax expense (benefit)
	33	50	49	36	65	Equity in net income (loss) of equity method investees
	5	(6)	(10)	(5)	(5)	Net loss (income) attributable to non-controlling interests

II - 9. Summary of Consolidated Balance Sheets

Unit: JPY million

	March 31, 2013	June 30, 2013	Changes
Cash and Cash Equivalents	12,259	10,276	(1,982)
Accounts Receivable	18,765	15,871	(2,894)
Inventories and Prepaid Expenses (Current and Noncurrent)	5,995	7,741	+1,746
Other Investments	3,771	3,749	(22)
Property and Equipment	23,026	23,484	+458
Goodwill and Other Intangible Assets	10,761	10,646	(115)
Total Assets	82,111	79,776	(2,335)
Accounts Payable	11,922	9,312	(2,610)
Income Taxes Payable	1,670	181	(1,489)
Borrowings (Short-term and Long-term)	11,390	11,390	-
Capital Lease Obligations (Current and Noncurrent)	8,876	9,070	+194
Total Liabilities	44,477	41,286	(3,191)
Accumulated Deficit	(6,399)	(5,851)	+548
Accumulated Other Comprehensive Income(Loss)	264	556	+293
Total IJ Shareholders' Equity	37,607	38,458	+851

➤ IJ shareholders' equity ratio: 45.8% (as of March 31, 2013), 48.2% (as of June 30, 2013)

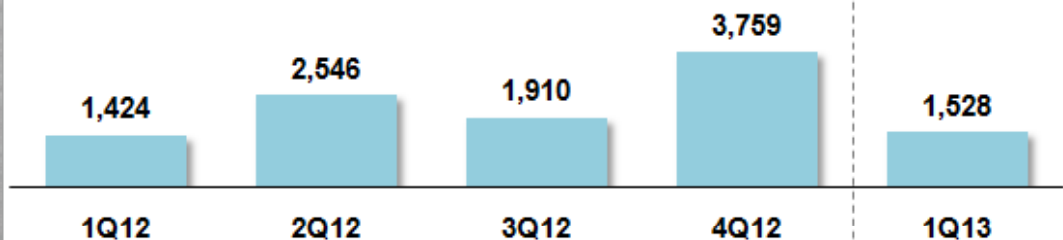
II - 10. Consolidated Cash Flows

Operating Activities:

Unit: JPY million

YoY = 1Q13 compared to 1Q12

FY12: 9,639



1Q13 Operating Activities:

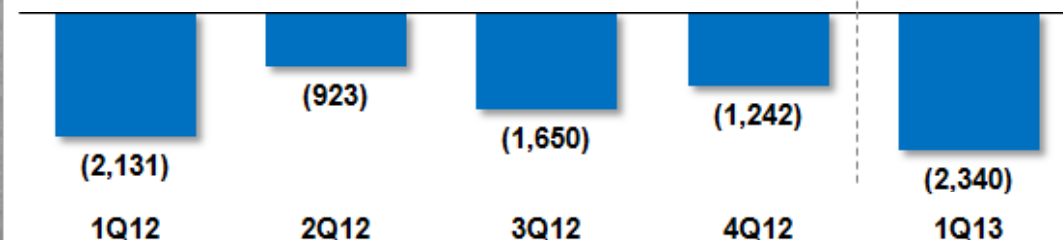
- Decrease in accounts receivable: JPY2,922 million
 - Depreciation and amortization: JPY2,071 million
 - Decrease in accounts payable: (JPY1,962 million)
 - Payments for income taxes: (JPY1,489 million)
- etc.

• Breakdown of YoY major difference:

- Decrease in accounts receivable: plus JPY1,503 million
- Decrease in accounts payable: minus JPY2,087 million
- Payments of income taxes: plus JPY556 million

Investing Activities:

FY12: (5,946)

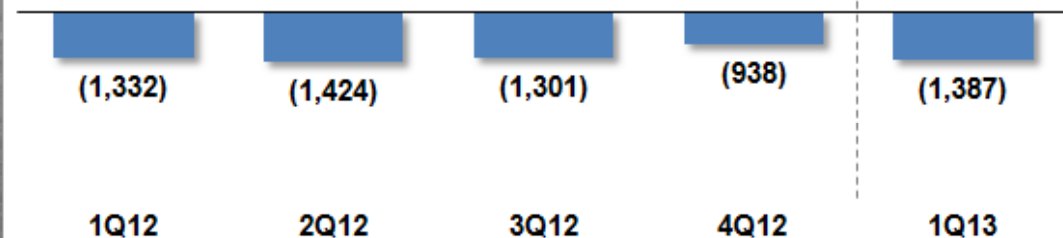


1Q13 Investing Activities:

- Payments for purchases of property and equipment: JPY1,719 million
 - Payments for guarantee deposits: JPY661 million
- etc.

Financing Activities:

FY12: (4,996)



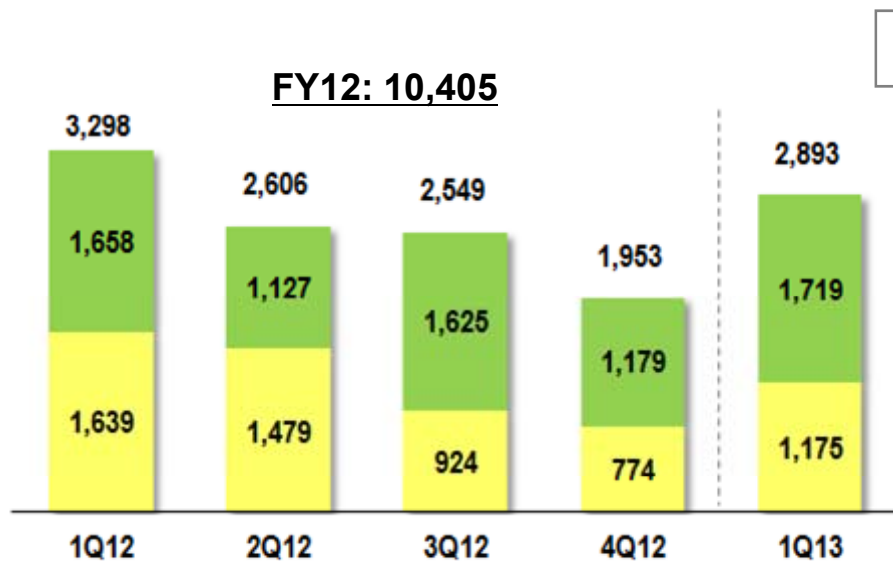
1Q13 Financing Activities:

- Principal payments under capital leases: JPY981 million
 - Dividends paid: JPY405 million
- etc.

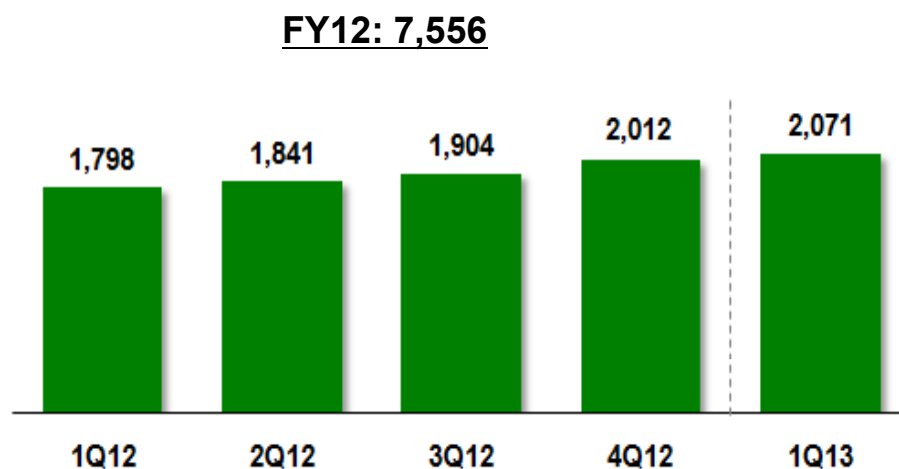
II - 11. Other Financial Data (CAPEX etc.)

Unit: JPY million

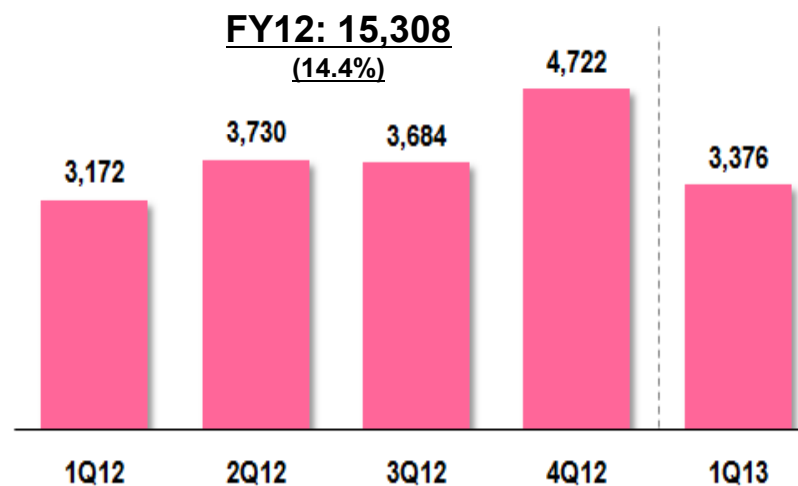
CAPEX (Include Capital Leases):



Depreciation and Amortization:



Adjusted EBITDA: * () % of total revenues



III-1. Developments of Cloud Business



Cloud Revenue

Unit: JPY billion	FY11	FY12	FY13
1Q (June revenue)	0.5 (0.18)	1.2 (0.42)	2.3 (0.76)
4Q (March revenue)	1.1 (0.37)	2.0 (0.66)	
Full Year	3.1	6.2	Target over 10

* FY11 and FY12 revenues consist of "GIO Component," "GIO Hosting," and "General-purpose SaaS"

* Revenue recognition: 77% in systems operation and maintenance, 23% in outsourcing

➤ Revenues from business enterprises increasing continuously

Acquiring and delivering projects whose MRC* expected to be over JPY10 million with VW series appeal, around 20 projects currently, leading revenue driver (ex. Platform systems for ERP/SFA/Accounting, internal communication systems, service platform, migration of internal business systems, etc)

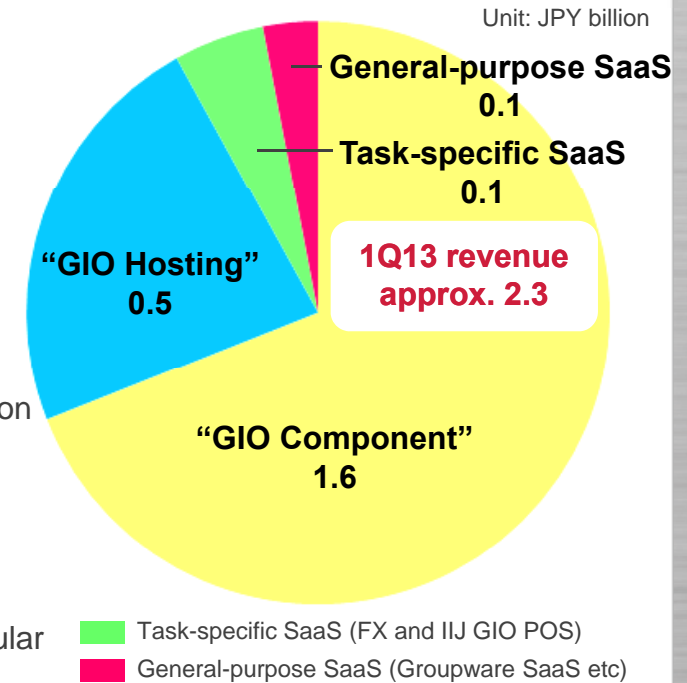
➤ Slowing-down of large SNS game clients usage

Large SNS game clients revenue ratio: 27%(1Q13), 32%(4Q12), 40%(4Q11)

Promoting competitive advantages such as brand recognition and Matsue modular DCP, over MRC JPY5 million clients reaching to 9 companies

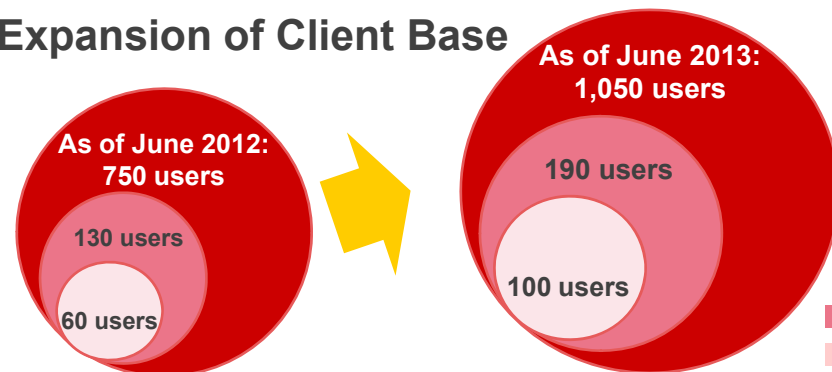
➤ Introducing cloud-related value-added solution and services

- *IIJ GIO BigData Labo*: cloud-based solution for effective big data usage
- *OmniSphere*: SDN-based service facilitates office network environment



New categories of "General-purpose SaaS" and "Task-specific SaaS" both of which are cloud based services from FY13

Expansion of Client Base



- Operating loss improved slightly from 4Q12
- Overall server utilization rate reaching over 60%
- All 24 modules installed at Matsue DCP as of July 2013
- 2H13 plan: expanding metropolitan area cloud facility (Mitaka), doubling the facility capacity of Matsue DCP

* MRC: Monthly Recurring Charge

* All figures in approx.

■ MRC over JPY0.5 million

■ MRC over JPY1 million

III - 2. FY2013 Financial Target (Remain unchanged from May 15, 2013)

- Seasonal factors of 1Q: price reduction pressure for network services, smallest systems construction scale, increased fixed expenses due for example the increased number of personnel
- 1Q financial results in line with our initial plan
- FY2013 financial target remain unchanged: systems construction orders accumulated at a good pace, monthly recurring revenue of network services and systems operation and maintenance expected to increase continuously

(Unit: JPY billion)

	FY13 Target (Apr. 2013 -Mar.2014)	FY12 Actual (Apr. 2012 -Mar.2013)	YoY (FY13 Target to FY12 Actual)	
Total Revenues	117.0	106.2	+10.8	+10.1%
Operating Income	9.4	7.8	+1.6	+21.2%
Income before Income Tax Expense	9.0	7.8	+1.2	+16.0%
Net Income attributable to IJ	6.0	5.3	+0.7	+13.2%
Net Income attributable to IJ per Share	JPY 135.42 ^{*1}	JPY 130.76 ^{*2}	+JPY 4.66	+3.6%
Cash Dividends per Share	JPY 22.00 (Annual)	JPY 18.75 ^{*2} (Annual)	+JPY 3.25	+17.3%

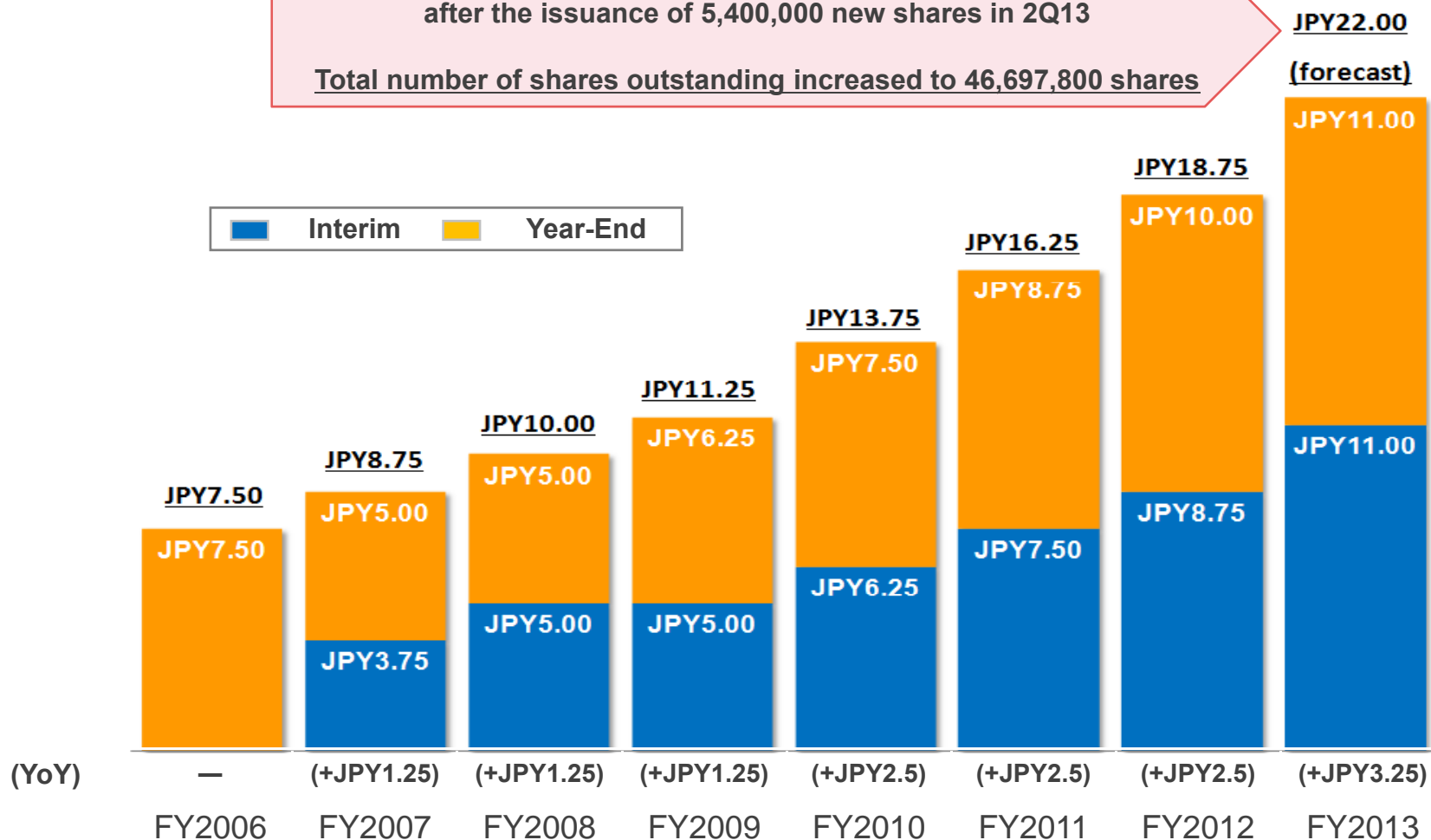
*1
Changed from JPY148.01 announced on May 15, 2013 due to the issuance of new shares of 5,400,000 shares of common stock in July and August 2013.

*2
IJJ conducted a 1:200 stock split on common stock with an effective date of October 1, 2012. Accordingly, net income attributable to IJ per share and cash dividends per share are adjusted based on the post stock split basis.

III- 3. FY2013 Dividend Forecast (Remain unchanged from May 15, 2013)

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.

Target cash dividends per share remains unchanged after the issuance of 5,400,000 new shares in 2Q13
 Total number of shares outstanding increased to 46,697,800 shares



※ Forward-looking Statements

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. These risks, uncertainties and other factors include but not limited to:

- a decrease of corporate spending or capital expenditure due to depression in the Japanese economy and/or corporate earnings decreased,
- an inability to achieve anticipated results and cause negative impact on profitability,
- a possibility that less of reliability for our services and loss of business chances due to interrupt or suspend of our services,
- an excess increase in network related cost and outsourcing cost, personnel cost etc,
- a possibility to lose business opportunity due to our inadequate resources in personnel and others,
- an 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.

Please refer to IIJ's filings on Form 20-F of its annual report and other filings with the United States Securities and Exchange Commission ("SEC") for other risks.

※ Contact Information

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