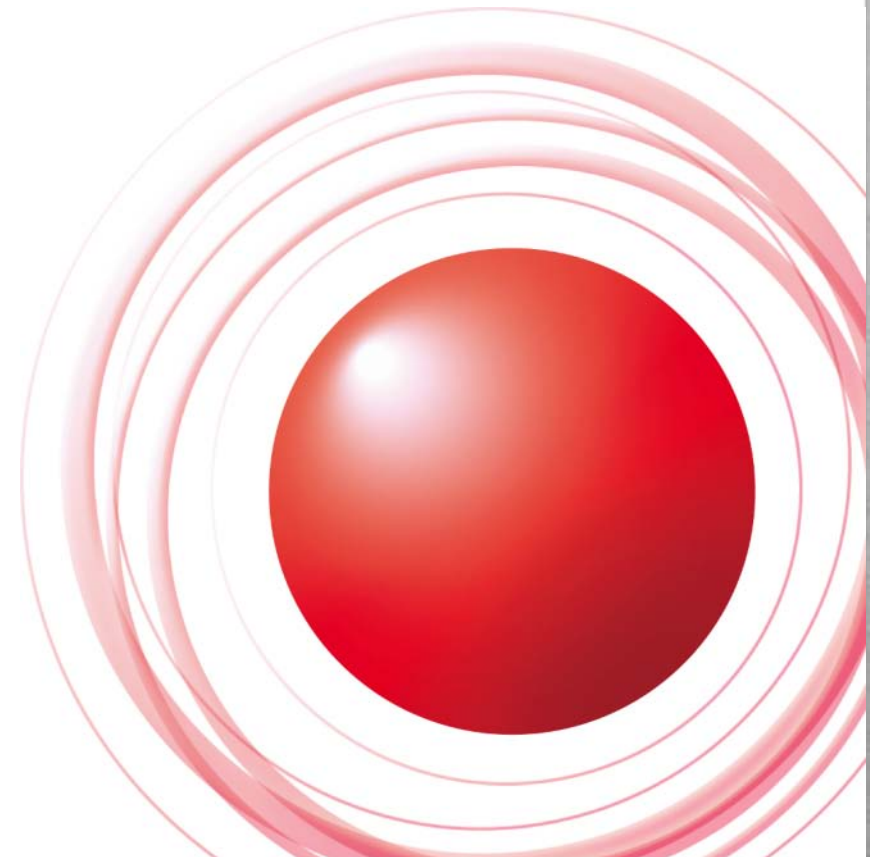


1st Half FY2012 Consolidated Financial Results



Internet Initiative Japan Inc.
2012.11.8

Ongoing Innovation

Agenda

I . Summary of 1H FY2012 Financial Results

II . Consolidated Financial Results for 1H FY2012

III . Reference Materials

I . Summary of 1H FY2012 Financial Results

< 1H FY2012 Financial Results >

▪ Revenues	JPY51,109 million (up 8.3% YoY)
▪ Gross margin	JPY10,148 million (up 9.9% YoY)
▪ Operating income	JPY 3,263 million (up 33.3% YoY)
▪ Income before tax income expense	JPY 3,176 million (up 38.7% YoY)
▪ Net income attributable to IJ	JPY 2,007 million (up 47.4% YoY)

● Revenues and incomes exceeded the interim targets

- Corporate internet connectivity revenue grew strongly along with the increasing demands for broader bandwidth, steadily growing recurring revenues contributing to the income growth, network services gross margin increased by 9.6% YoY
- Systems construction recovering, acquiring orders of mid-to-large sized projects, revenue increased by 28.9% YoY
- Cloud services in the U.S. and overseas SI, our focus since FY11, beginning to contribute to the revenue growth
- ATM operation business, which turned positive in 1Q12, gradually expanding its revenue and profit quarter by quarter

● Cloud services, overseas business and R&D each expanded its business

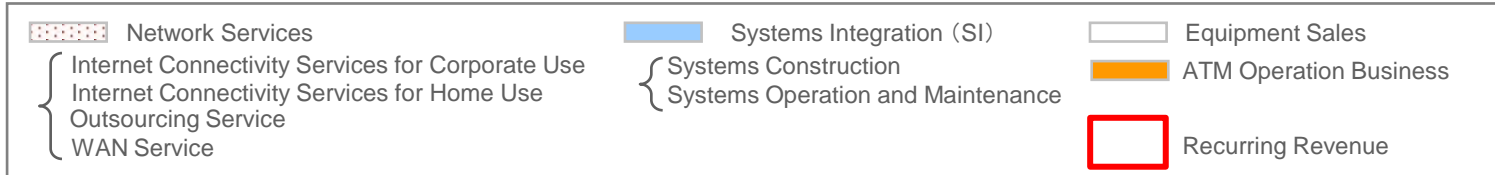
- 1H12 total cloud revenue: JPY2.6 billion, number of projects approx.1,500 at 2Q12, doubling its business size
Leading the enterprise cloud market in Japan, new service line-ups of VW series and unified operation management services in targeting hybrid cloud have been gathering prospective orders, ranked as the top share in the Japanese public cloud (HaaS/IaaS) market (Fuji Chimera Institute, Jul. 2012), evaluated as one of “Best Brands” and received 3 awards for “Best Services”(Nikkei BP Agency, Oct. 2012)
- 1H12 total overseas revenues: JPY2.1 billion, providing services such as cloud services, overseas SI, and global-WAN
Cloud services in the U.S. expanding and its revenues recognized in 2Q12, preparing the release of cloud services for China (plan in Jan. 2013), continue to operate large sized SI projects in the U.S. and Europe, co-working with IJ-Exlayer (acquired in Apr. 2012, P/L consolidated from 2Q12) on projects such as server construction and global-WAN
- Focused R&D theme SDN: released the first commercial SDN platform in Oct. 2012

Ⅱ -1. Consolidated Financial Results for 1H FY2012

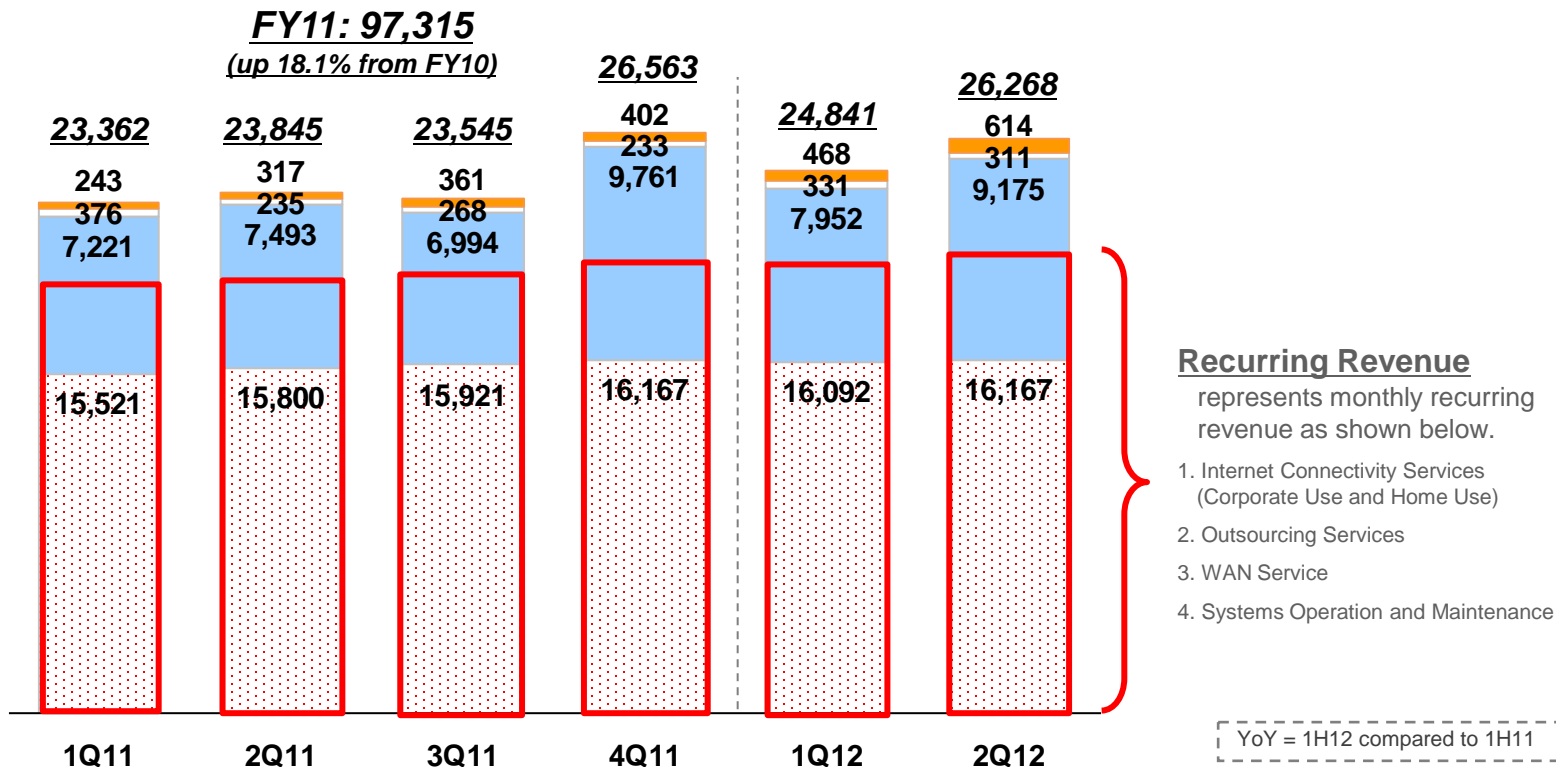
Unit: JPY billion

	% of Revenues	% of Revenues	YoY (Change in %)	% of Revenues	Actual against Target in %
	1H12 (12/4~12/9)	1H11 (11/4~11/9)		1H12 Target (12/4~12/9)	
Total Revenues	51.1	47.2	8.3%	50.5	101.2%
Total Costs	80.1% 41.0	80.4% 38.0	7.9%	—	—
Gross Margin	19.9% 10.1	19.6% 9.2	9.9%	—	—
SG&A/R&D	13.5% 6.9	14.4% 6.8	1.4%	—	—
Operating Income	6.4% 3.3	5.2% 2.4	33.3%	5.3% 2.7	120.8%
Income before Income Tax Expense	6.2% 3.2	4.9% 2.3	38.7%	5.0% 2.5	127.1%
Net Income Attributable to IIJ	3.9% 2.0	2.9% 1.4	47.4%	2.8% 1.4	143.4%

II -2. Revenues



Unit: JPY million

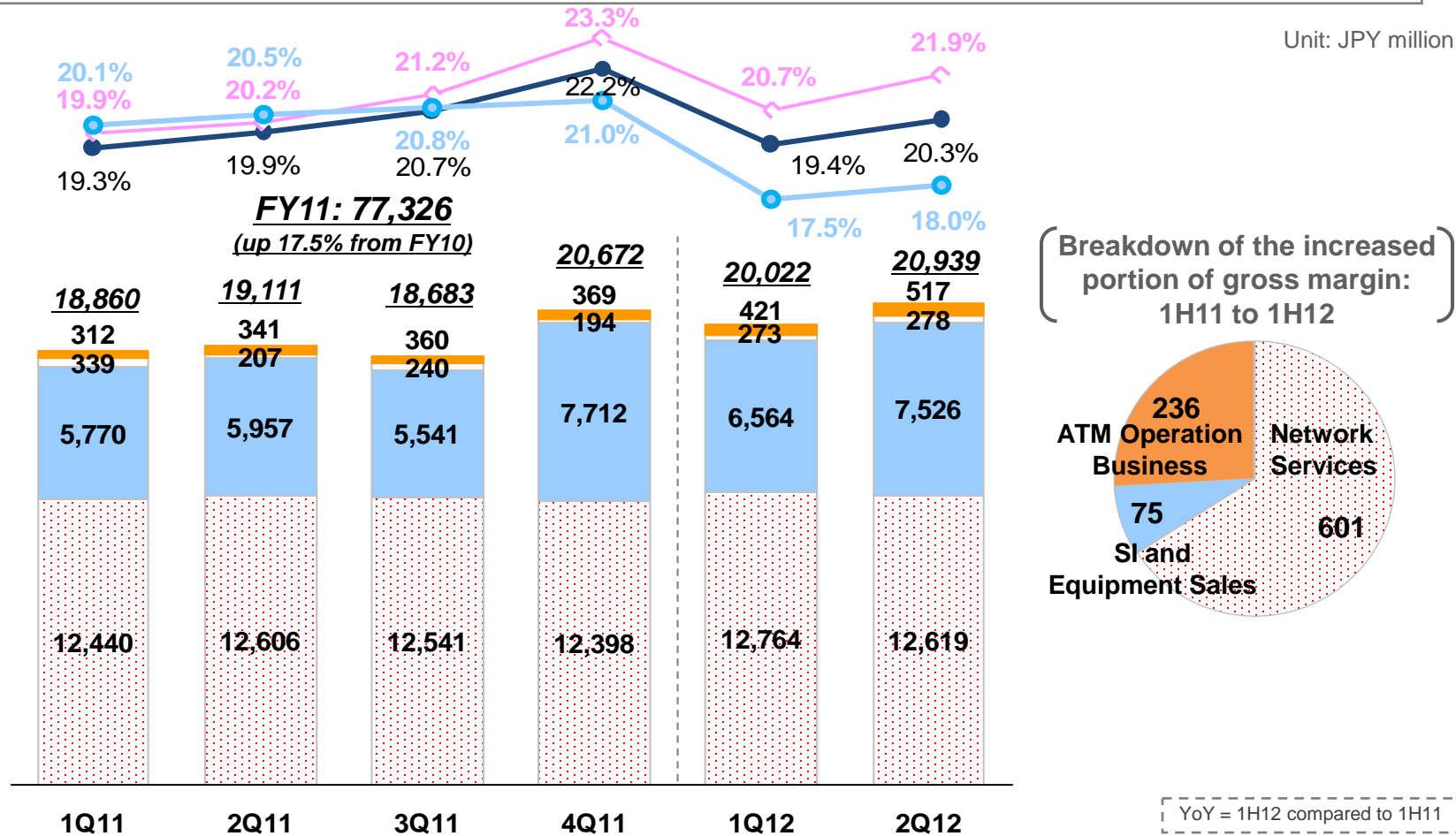


- ◆ 1H12 Network services revenue: JPY32,259 million (up 3.0% YoY)
- ◆ 1H12 Systems integration revenue: JPY17,127 million (up 16.4% YoY)
- ◆ 1H12 Equipment sales revenue: JPY642 million (up 5.1% YoY)
- ◆ 1H12 ATM operation business revenue: JPY1,082 million (up JPY521 million YoY, up 92.9% YoY)

- ◆ 1H12 Recurring revenue: JPY42,692 million (up 4.5% YoY)
 - 83.5% of 1H12 total revenues
- ◆ 1H12 One-time revenue (sum of systems construction and equipment sales revenue): JPY7,335 million (up 26.4% 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

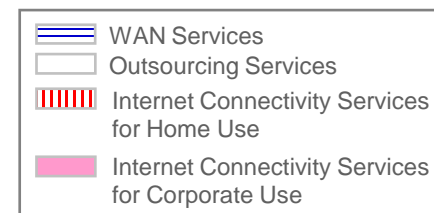
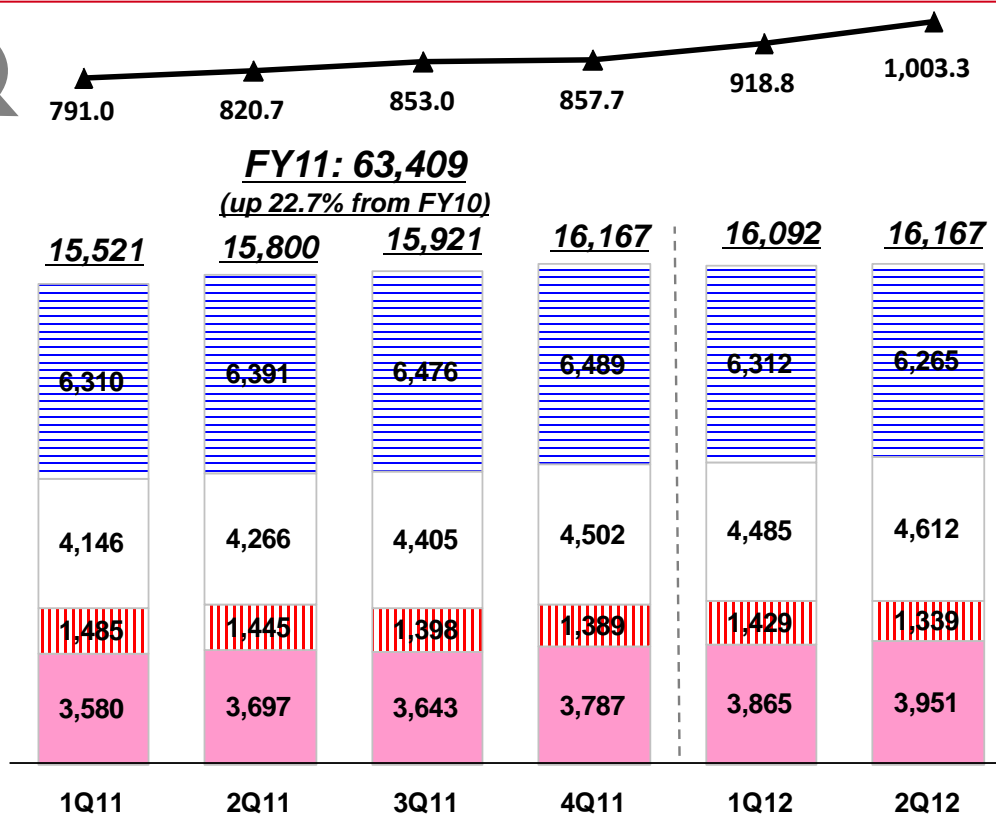


- ◆ 1H12 Gross margin: JPY10,148 million (up JPY912 million YoY, up 9.9% YoY)
 - Network services gross margin: JPY6,876 million (up JPY601 million YoY, up 9.6% YoY)
 - SI gross margin: JPY3,037 million (up JPY49 million YoY, up 1.6% YoY)
 - ATM operation business gross margin: JPY144 million (gross loss of JPY92 million in 1H11)

II -4. Network Services (1)Revenues

Unit: JPY million

Total Contracted Bandwidth (Gbps)



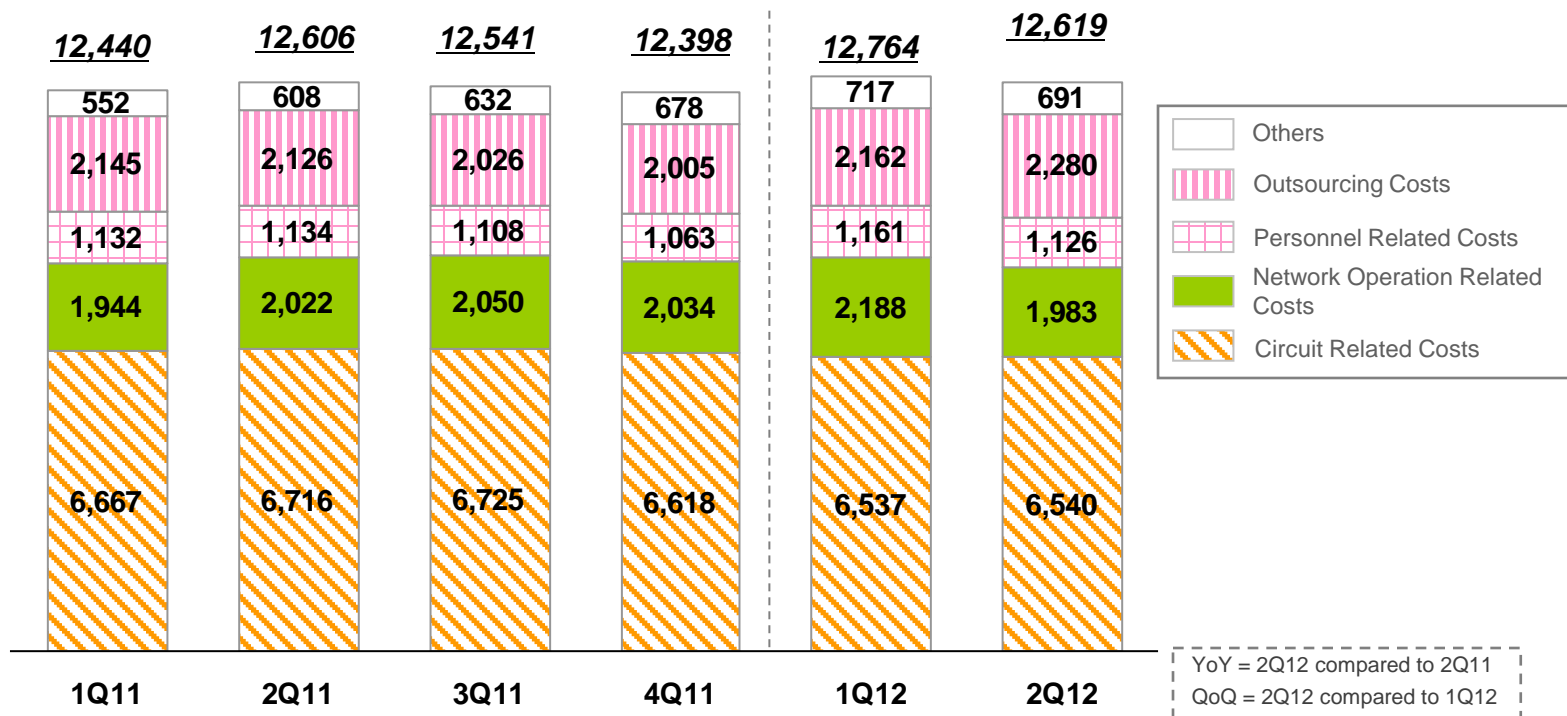
YoY = 2Q12 compared to 2Q11
QoQ = 2Q12 compared to 1Q12

- ◆ 2Q12 Internet connectivity services for corporate use revenue: up 6.9% YoY, up 2.2% QoQ
 - IP services continued to grow due to the increasing demands by over 1Gbps users
 - Number of contracts for over 1Gbps as of Sep. 30, 2012: 164 contracts (129 contracts as of Sep. 30, 2011)
- ◆ 2Q12 Internet connectivity services for home use revenue: down 7.3 % YoY, down 6.3% QoQ
 - LTE services' contracts constantly increasing by 4Q11: approx. 6,500, 1Q12: approx. 13,800, 2Q12: approx. 11,200, revenue recognition on initial set up fees for LTE services' has been adjusted, resulted in the decrease of approx. JPY40 million in revenue
 - Continued minus effects by the changes in net revenue recognition for FLET'S portion
- ◆ 2Q12 Outsourcing services revenue: up 8.1% YoY, up 2.8% QoQ
- ◆ 2Q12 WAN service revenue: down 2.0% YoY, down 0.8% QoQ
 - Decrease was mainly due to price adjustment requests and cancellation by a couple of large clients in 1Q11, global-WAN services accumulating prospective orders particularly from manufacturing industry

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

Unit: JPY million

FY11: 49,985
 (Gross margin ratio: 21.2%)

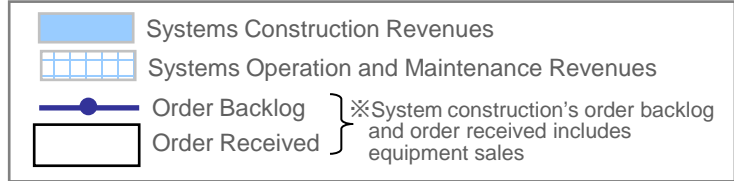


◆ 2Q12 Cost of network services: up 0.1% YoY, down 1.1% QoQ
 > Network operation related costs decreased mainly due to the decrease in depreciation and amortization costs

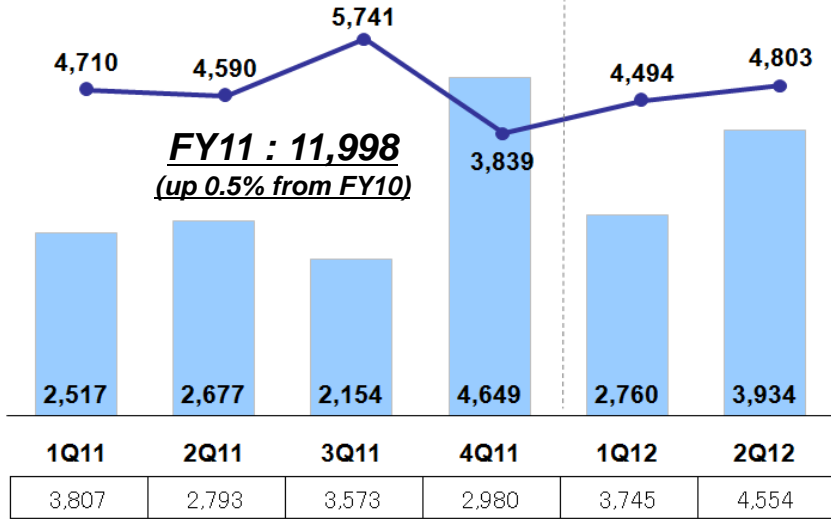
II -5. Systems Integration (1)Revenues

<Systems construction>

Unit: JPY million



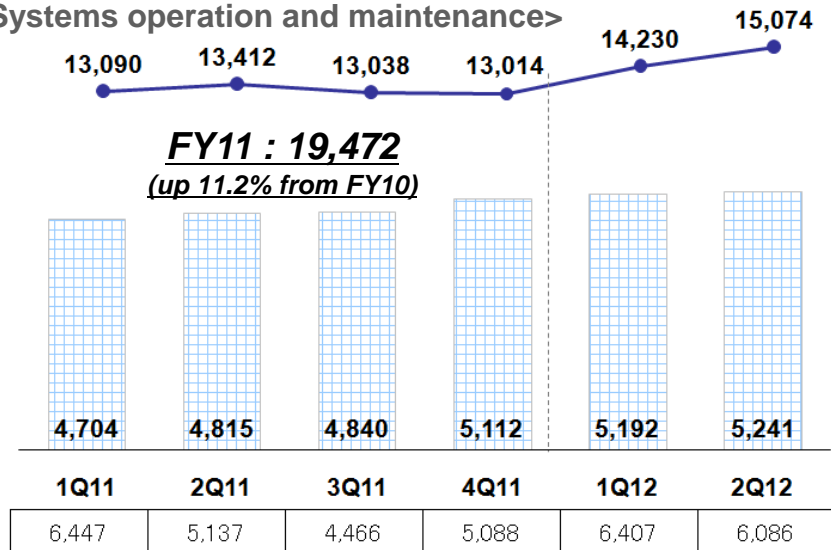
YoY = 2Q12 compared to 2Q11



Systems Construction

- ◆ 2Q12 revenue: up JPY1,256 million YoY, up 46.9% YoY
 - Accumulating mid- to large-sized projects such as network systems for educational institutions, network renewal of business platform systems and FX systems
 - Continued to acquire server construction and maintenance projects for a prominent Japanese SNS provider in the U.S. and Europe.
 - Consolidated P/L of IJ Exlayer (acquired in Apr. 2012) and its overseas subsidiaries from 2Q12 (2Q12 revenues:JPY171 million)
- ◆ 2Q12 order backlog: up 4.6% YoY
 - 2Q12 order received: up 63.1% YoY

<Systems operation and maintenance>

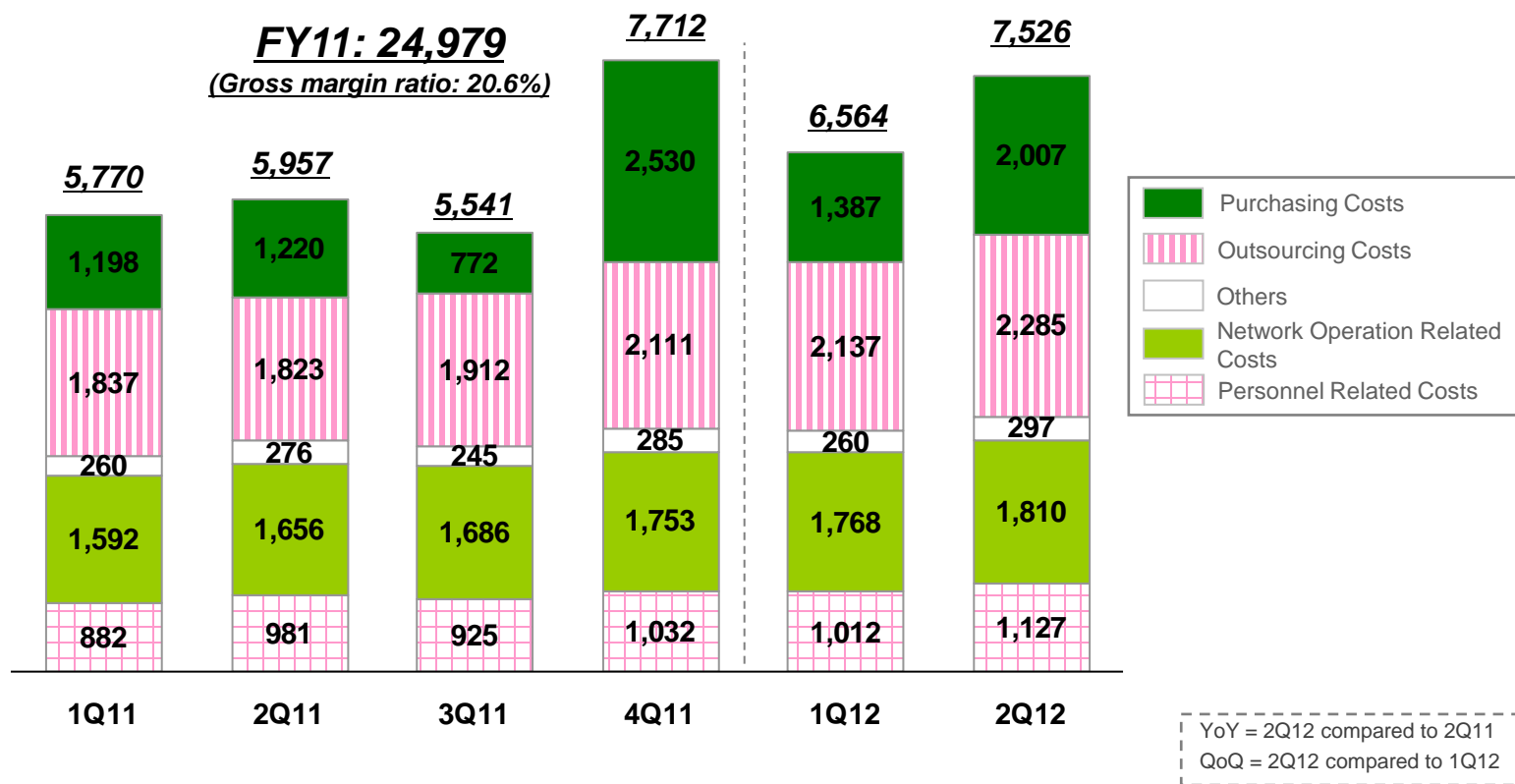


Systems operation and maintenance

- ◆ 2Q12 revenue: up JPY426 million YoY, up 8.8% YoY
 - IJ GIO Component Services consistently accumulating prospective orders
 - Approx. 80% of IJ GIO total revenues are recognized in systems operation and maintenance revenue and the rest is recognized in outsourcing services revenue
- ◆ 2Q12 order backlog: up 12.4% YoY
 - 2Q12 order received: up 18.5% YoY

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

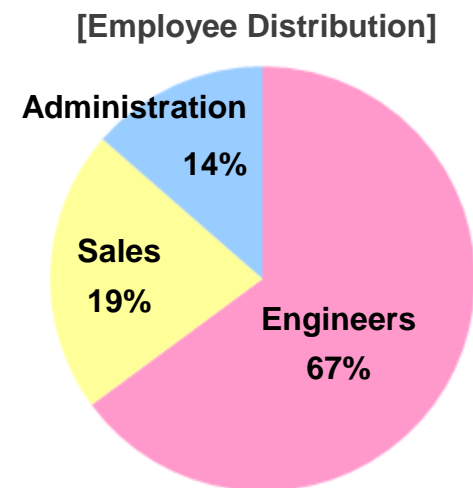
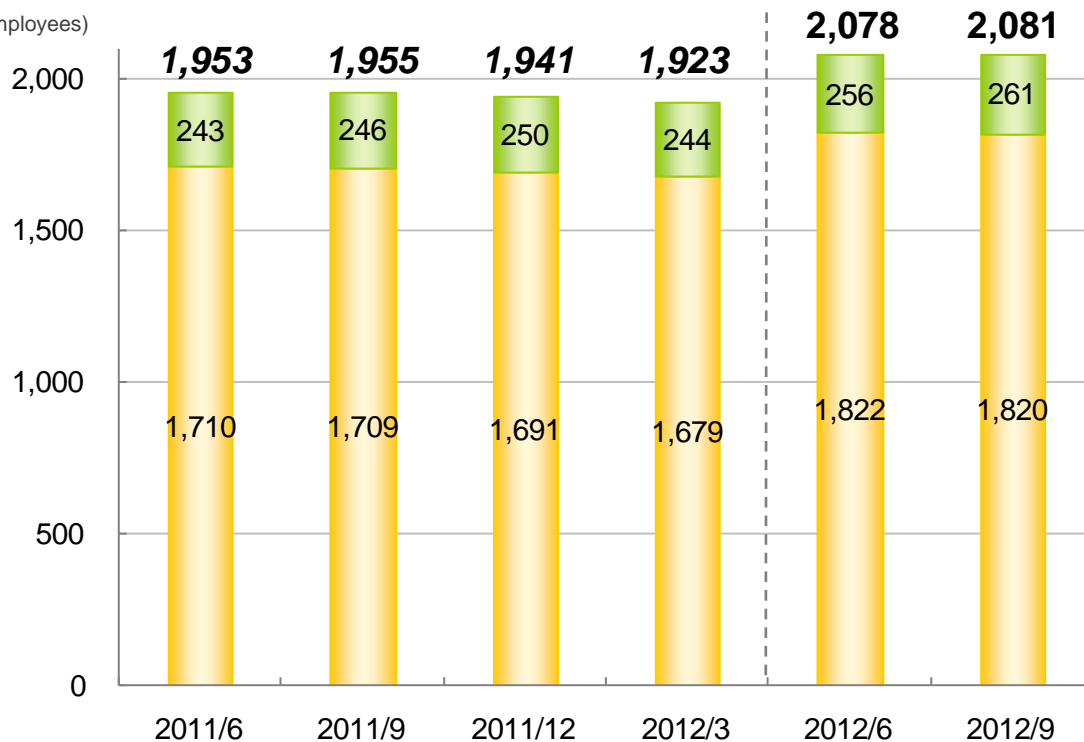
Unit: JPY million



- ◆ 2Q12 Cost of SI: up JPY1,569 million YoY, up 26.3% YoY
 - The number of full-time outsourcing personnel as of Sep. 30, 2012 was 586 (up 172 personnel YoY, up 89 personnel QoQ)
 - 2Q12 SI gross margin: JPY1,649 million, up JPY113 million YoY, up 7.4% YoY
 - Overall SI costs increased along with the increase in SI revenues

II -6. Number of Employees

(No. of employees)



Unit: JPY million

3,627 (15.5%)	3,686 (15.5%)	3,551 (15.1%)	3,613 (13.6%)	3,741 (15.1%)	3,858 (14.7%)
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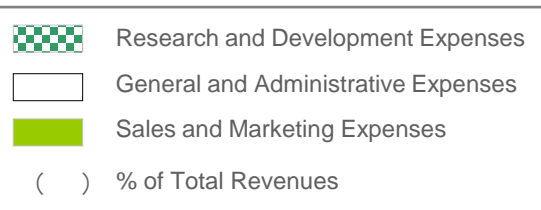
Personnel related costs and expenses (% of revenue)

- ◆ Number of consolidated employees as of Sep. 30, 2012: 2,081 personnel
 - Hired 75 newly graduates in Apr. 2012 (Apr. 2011: 44 newly graduates)
 - Planning to hire over 100 newly graduates in Apr. 2013
 - 2Q12 personnel related costs and expenses: up JPY172 million YoY

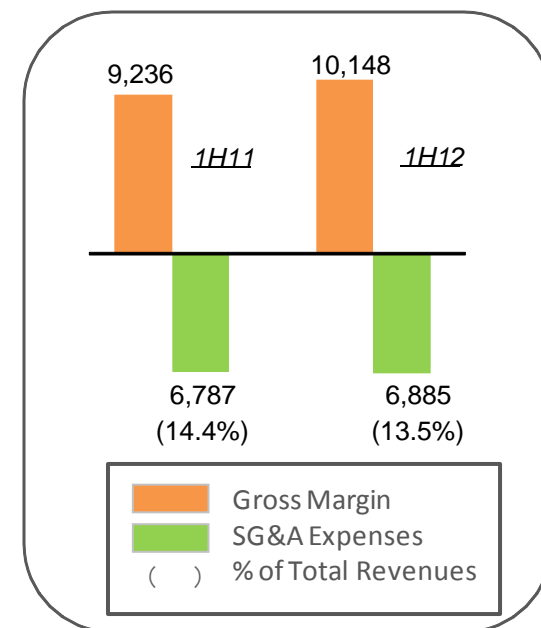
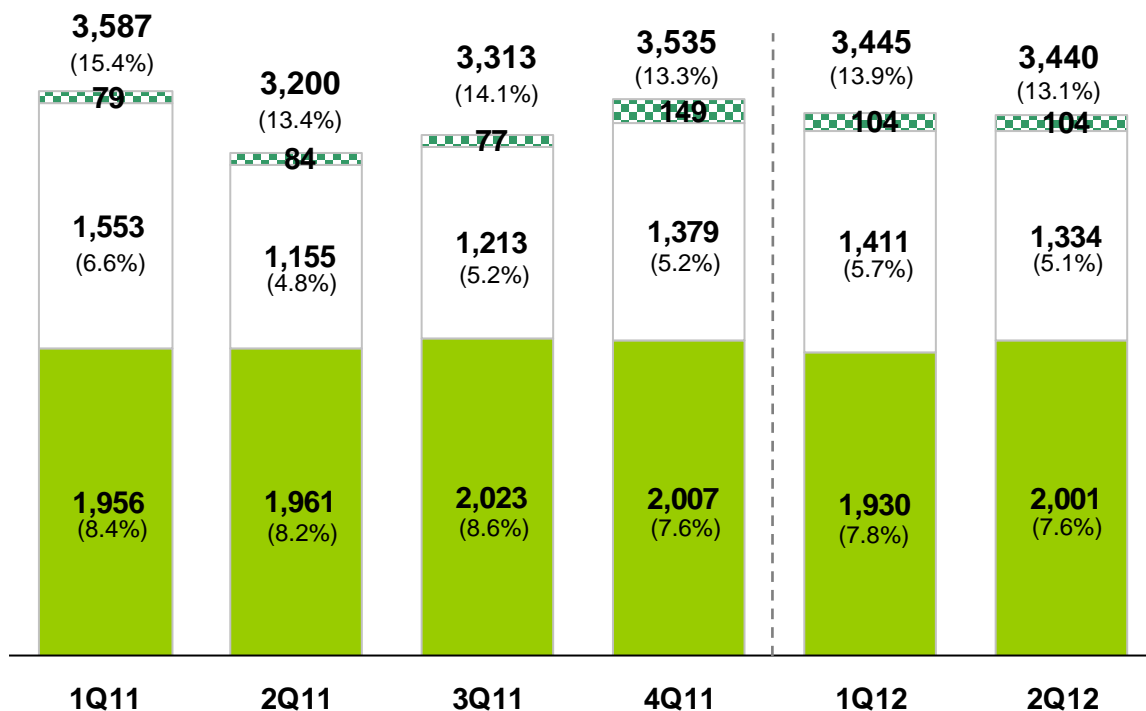
YoY = 2Q12 compared to 2Q11

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

Unit: JPY million



FY11: 13,635
(14.0%)

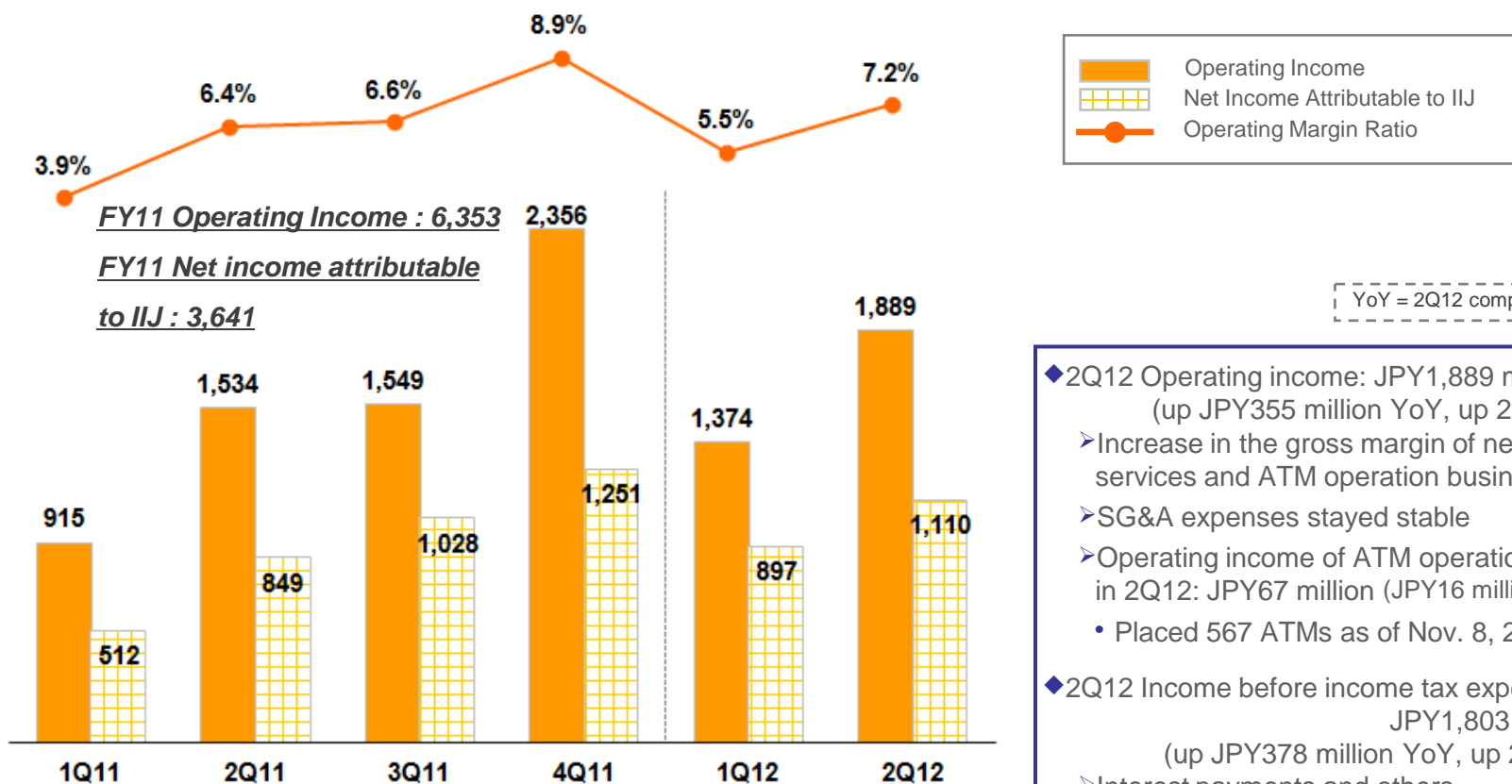


YoY = 2Q12 compared to 2Q11
QoQ = 2Q12 compared to 1Q12

- ◆ 2Q12 SG&A: up JPY239 million YoY, down JPY5 million QoQ
 - SG&A is stable and does not directly increase along with revenue growth
 - Compared to 2Q12, SG&A slightly increased due to the increase in number of personnel
 - Compared to 1Q12, SG&A slightly decreased due to seasonal factor such as newly graduates related costs

II -8. Operating Income and Net Income

Unit: JPY million



YoY = 2Q12 compared to 2Q11

- ◆ 2Q12 Operating income: JPY1,889 million (up JPY355 million YoY, up 23.2% YoY)
 - Increase in the gross margin of network services and ATM operation business
 - SG&A expenses stayed stable
 - Operating income of ATM operation business in 2Q12: JPY67 million (JPY16 million in 1Q12)
 - Placed 567 ATMs as of Nov. 8, 2012
- ◆ 2Q12 Income before income tax expense: JPY1,803 million (up JPY378 million YoY, up 26.5% YoY)
 - Interest payments and others
- ◆ 2Q12 Net income attributable to IIJ: JPY1,110 million (up JPY261 million YoY, up 30.8% YoY)
 - Equity in net income of Internet Revolution, Inc. and Internet Multifeed Co.
 - Apply a normal rate of effective tax

	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12
Income Tax Expenses	425	631	548	922	515	736
Equity in net income (loss) of equity method investees	40	37	77	(30)	33	50
Net loss (income) attributable to non-controlling interests	31	18	11	6	5	(6)

II -9. Summary of Consolidated Balance Sheets

Unit: JPY million

	March 31, 2012	September 30, 2012	Changes
Cash and Cash Equivalents	13,537	11,670	(1,866)
Accounts Receivable	15,722	15,648	(74)
Inventories	752	1,591	+839
Prepaid Expenses	1,848	2,784	+935
Other Investments	2,938	3,251	+313
Property and Equipment	19,736	21,911	+2,175
Goodwill and Other Intangible Assets	11,185	11,087	(98)
Accounts payable	9,753	10,233	+480
Income taxes payable	2,211	895	(1,316)
Borrowings (Short-term and Long-term)	12,000	11,411	(589)
Capital Lease Obligations (Current and Noncurrent)	7,739	9,044	+1,305
Accumulated Deficit	(10,990)	(9,338)	+1,652
Accumulated Other Comprehensive Loss	(24)	(33)	(10)
Total IJ Shareholders' Equity	32,688	34,350	+1,662
Total Assets	73,493	75,723	+2,230

◆ Balance Sheet

- Cash and cash equivalents:
 - Decreased mainly due to the payment of income taxes and repayments for the borrowings
- Accounts receivable and Accounts payable:
 - No major changes
- Property and Equipment:
 - Increased mainly due to the increase in investment for cloud computing related investment
- Capital lease obligations:
 - Increased mainly due to the increase in investment for cloud computing related investment

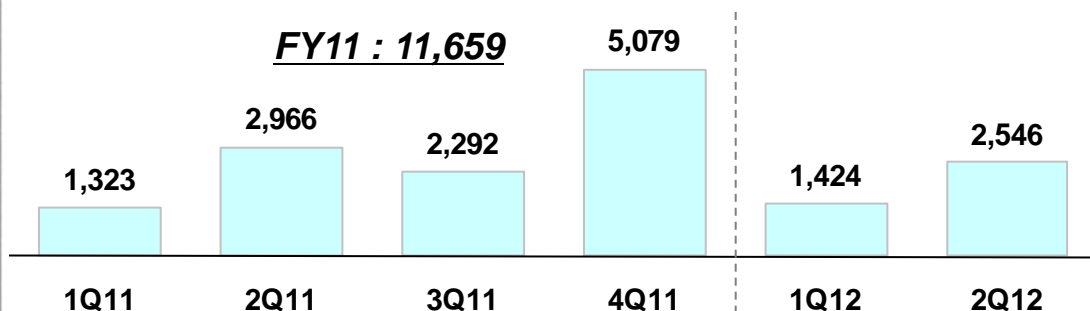
◆ IJ Shareholders' equity ratio

- End of Sep. 2012: 45.4%
- End of Jun. 2012: 45.2%
- End of Mar. 2012: 44.5%

II -10. Consolidated Cash Flows

Operating Activities:

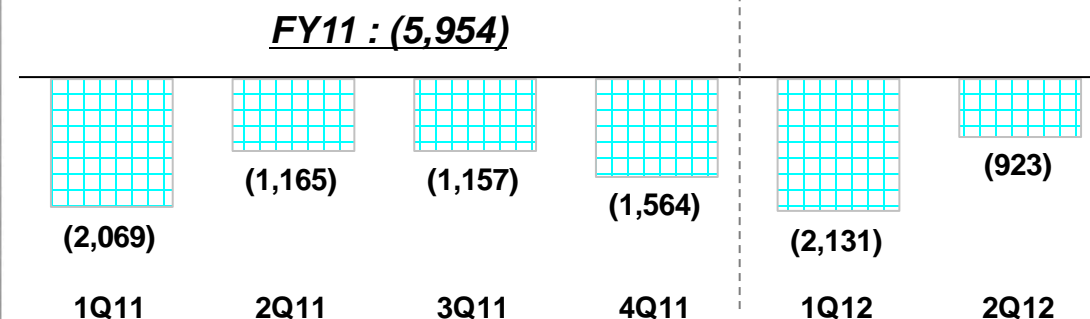
Unit: JPY million



1H12 Operating Activities:

- Depreciation and amortization JPY3,639 million
- Payments for income taxes: JPY1,321 million etc.

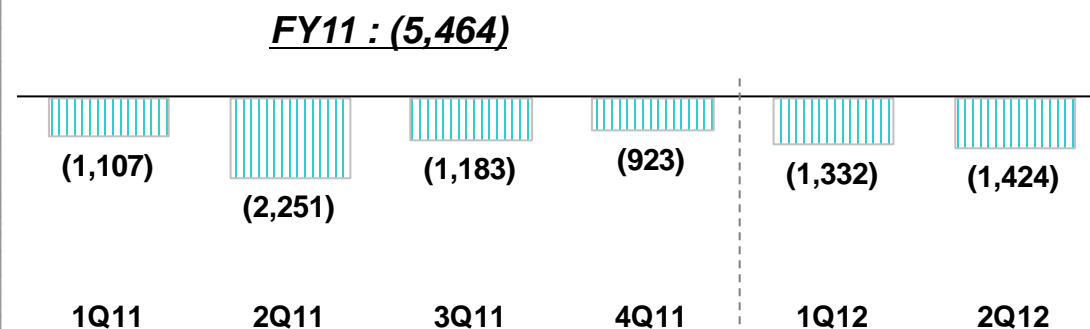
Investing Activities:



1H12 Investing Activities:

- Payment for purchases of property and equipment: JPY2,785 million etc.

Financing Activities:



1H12 Financing Activities:

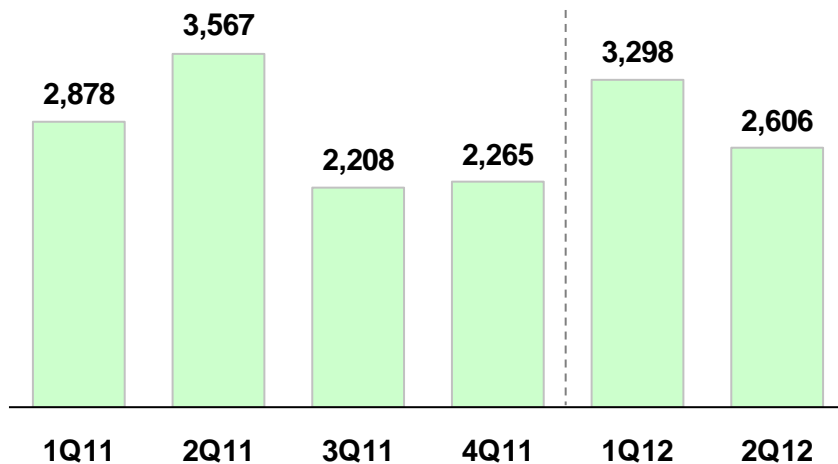
- Repayment for bank borrowings (net): JPY589 million
- Principal payments under capital leases: JPY1,813 million
- Payments for FY2011 year-end dividends: JPY355 million etc.

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

CAPEX (Include Capital Leases):

Unit: JPY million

FY11 : 10,917

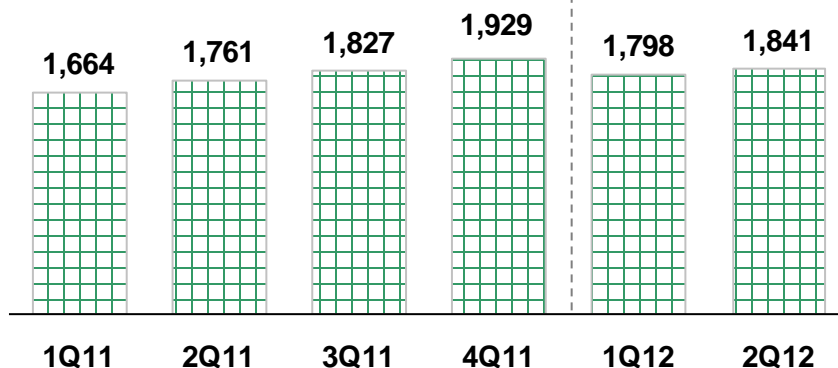


Domestic IIJ GIO related CAPEX	
1H11	JPY2.6 billion (of JPY0.9 billion related to Matsue DC)
1H12	JPY1.6 billion

Depreciation and Amortization:

Unit: JPY million

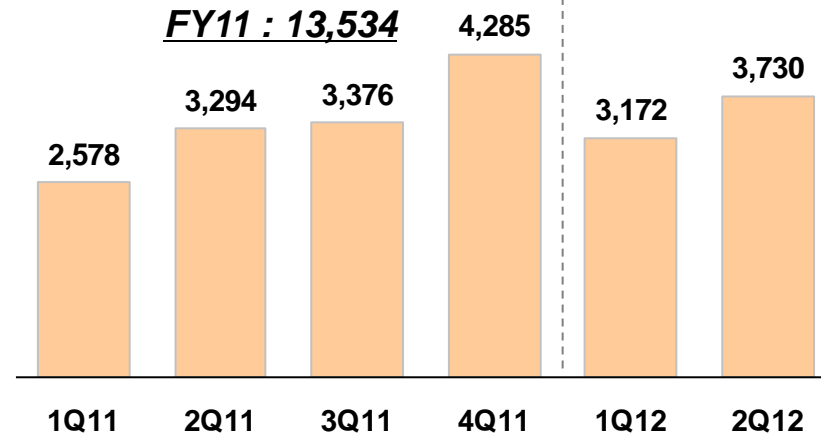
FY11 : 7,181



Adjusted EBITDA:

Unit: JPY million

FY11 : 13,534



III-1. Developments of “IJ GIO”

IJ GIO

Business developments of IJ GIO

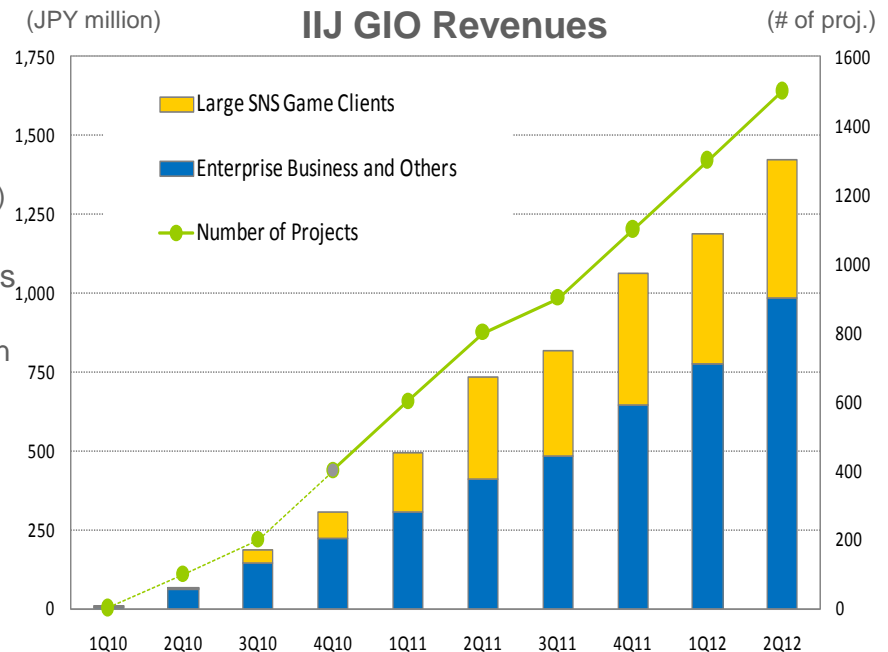
- **2Q12 revenue: JPY1.4 billion** (1Q12: JPY 1.2 billion)
 - Mainly, HaaS and IaaS revenues
 - Sep. 2012 monthly revenue: JPY0.5 billion
 - # of projects: approx. 1,500 as of 2Q12 (approx. 830 as of 2Q11)
 - # of clients: approx. 850 as of 2Q12 (approx. 540 as of 2Q11)
- Adding to the above, IJ GIO-based SaaS for specific business (ex. FX, SmartPos) would grow hereafter
 - **2Q12 specific SaaS revenue: JPY0.4 billion** (not included in the above mentioned 2Q12 revenue of JPY1.4 billion)
- **Increasing adoption of cloud by enterprise business**
 - Approx. 150 clients with monthly revenue of approx. JPY0.5 million as of Sep. 2012 (up 20 clients from 1Q12)
 - VWseries revenue recognized from 2Q12, # of order received approx. 20 projects, prospective orders over 100 projects
 - Increased IJ GIO usage by blue chip companies
- **Evaluated as “Best Brand” and received 3 “Best Service Awards” of Nikkei BP Agency (Oct. 2012)**
 - Cloud Platform Service(IaaS/PaaS), General Information SaaS, Specified Tasks SaaS

Overseas IJ GIO developments

- **IJ GIO US Services:** expanding the facilities to meet the growing demands of clients, revenue recognized from 2Q, approx. JPY20 million, expect FY12 revenue to be around JPY0.2 billion
- **IJ GIO China Services:** began providing some functions to the first user from Oct. 2012

<IJ GIO Revenue Recognition>

- IJ GIO Component (private cloud) -> Systems operation and maintenance
- IJ GIO Hosting Package (public cloud) -> Outsourcing services



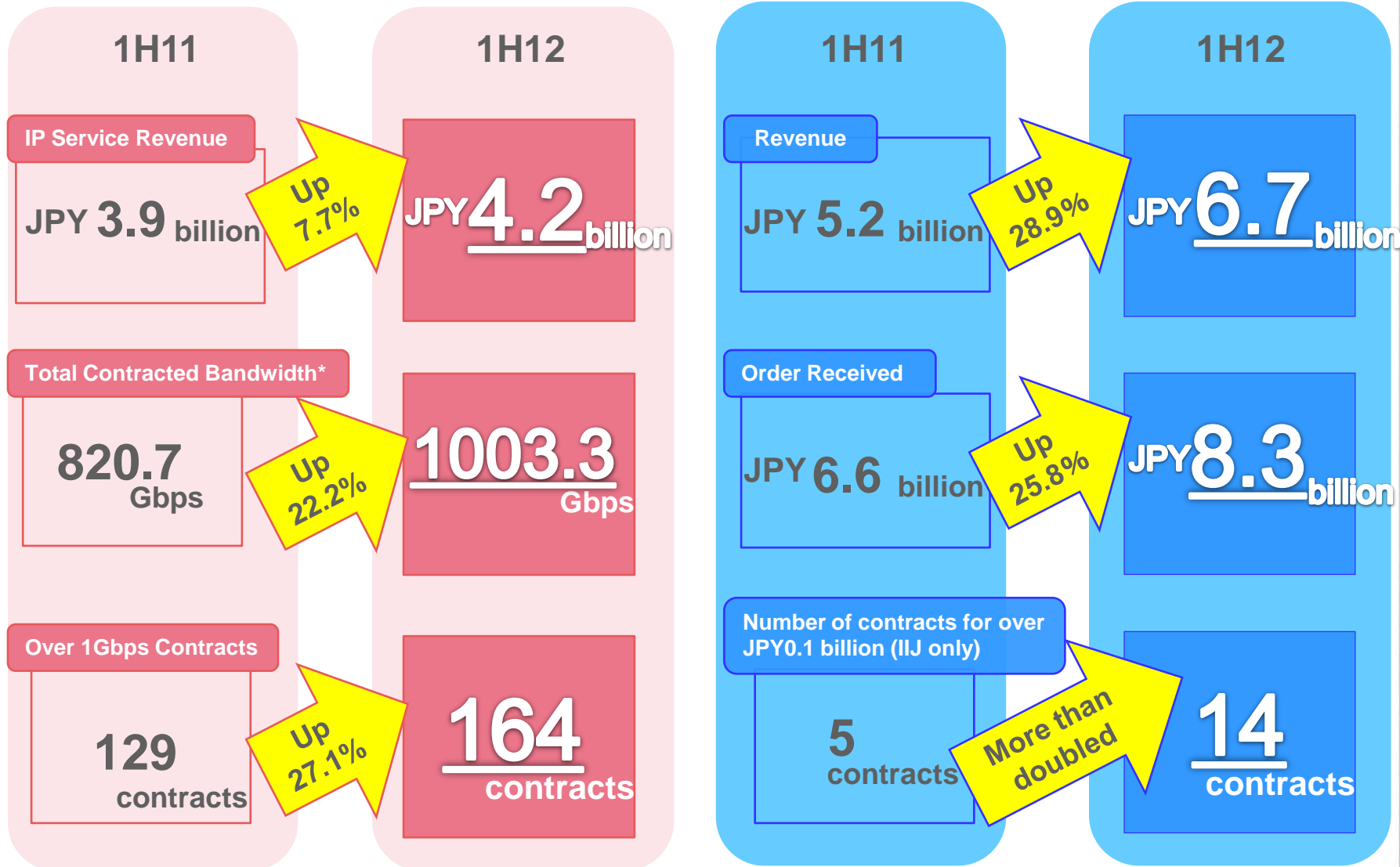
Expansion of IJ GIO service line-ups

- **IJ GIO Virtualization Platform “VWseries”**
 - Released in Aug., provides VMware hypervisor, targeting hybrid cloud market, longer preparation period as to complicated systems, accumulating orders and order received,
- **“IJ GIO Social App Support Solution”**
 - Providing high-capacity servers incorporating Fusion-I/O model and others to meet the various needs
- **“IJ GIO Unified Operation Management Service”**
 - Released in Oct., systems monitoring and operation for hybrid cloud, SaaS-based
- **“IJ GIO Hadoop Solution”**
 - Cloud-based solution for operating high-speed data procession systems for big data

III-2. Continuous Growth of our Core Businesses

Internet Connectivity for Corporate

Systems Construction



* Total contracted bandwidth is calculated by multiplying the number of contracts and the contracted bandwidth for all of the followings: IP Services, Internet Data Center Connectivity Services, and IIJ FiberAccess/F and IIJ DSL/F

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 IIJ	4.0	3.6	+0.4	9.9%
Net Income attributable to IIJ per Share*	JPY 98.68	JPY 89.82	+JPY 8.86	9.9%
Cash Dividend per Share*	JPY 17.50 (Annual)	JPY 16.25 (Annual)	+JPY 1.25	7.7%

* IIJ conducted a 1:200 stock split on common stock with an effective date of October 1, 2012. Accordingly, net income attributable to IIJ per share and cash dividend per share (IIJ common share) in the above are adjusted based on post stock split basis.

※ 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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