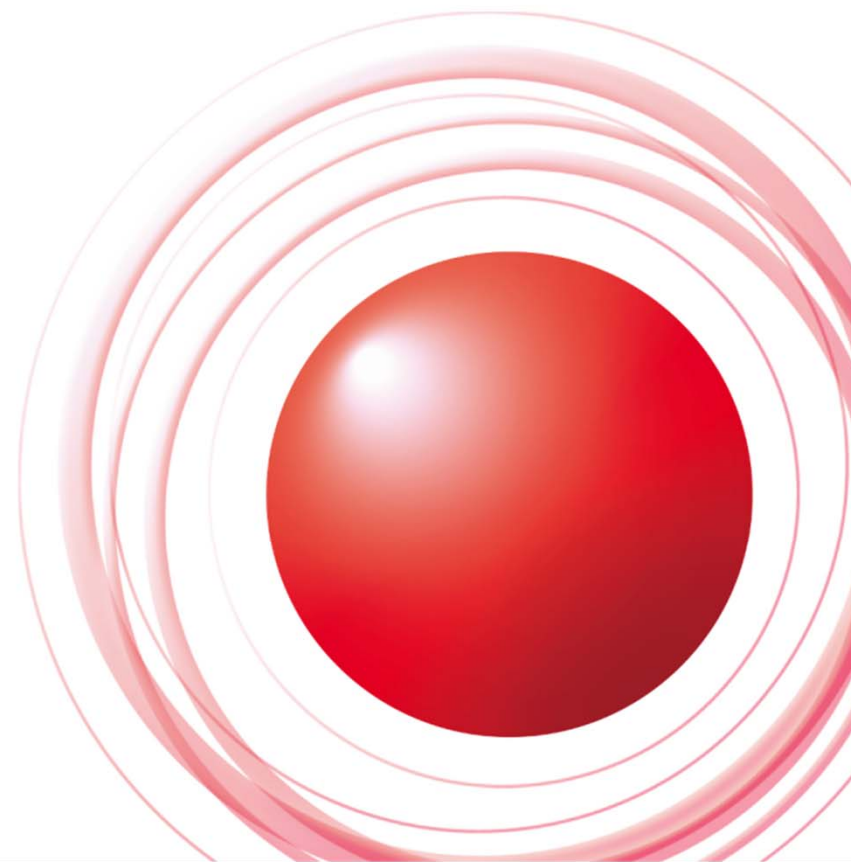


Consolidated Financial Results for 1Q-3Q FY2014 (9 months ended December 31, 2014)



Internet Initiative Japan Inc.
TSE1(3774), NASDAQ(IIJI)
February 10, 2015

Ongoing Innovation



Agenda

I . Summary of 1Q-3Q FY2014 Financial Results

II . Consolidated Financial Results for 1Q-3Q FY2014

III . Reference Materials

I . Summary of 1Q-3Q FY2014 Financial Results

	< 3Q FY2014 >		< 1Q-3Q FY2014 >		YoY change
Revenues	JPY30.67 billion	up 8.2%	JPY87.85 billion	up 6.2%	
Gross margin	JPY5.54 billion	up 9.0%	JPY16.45 billion	up 6.0%	
Operating income	JPY1.37 billion	up 14.0%	JPY3.79 billion	down 10.1%	
Net Income attributable to IJ	JPY0.87 billion	up 20.9%	JPY2.31 billion	down 20.9%	

Achieved Operating Income Increase in 3Q as Planned

Continuous business investments contributed to strong earnings,
Expect further earnings improvement and business expansion

- ◆ **Absorbed annual cost increase with recurring revenue accumulation**
 - 3Q recurring revenue up 8.3% with MVNO, Cloud, and SI operation revenue increase
 - Acquired “RYUKOSHA NETWARE Inc.” engage in human resources outsourcing (Dec. 2014)

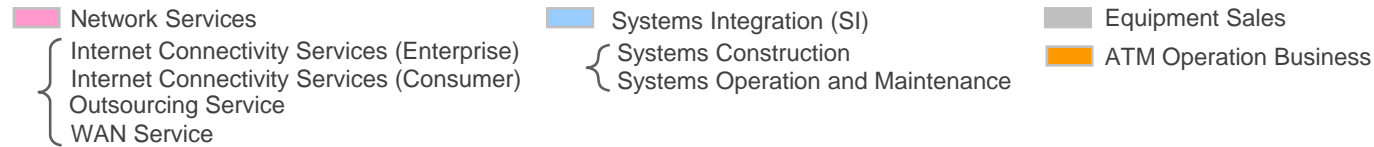
MVNO	<p>Subscription and revenue increase rapidly with consumer market growth</p> <ul style="list-style-type: none"> ➢ Consumer subscription: 2Q net addition 40,000 ➡ 94,000 in 3Q, sales counter, iPhone6, ZenFone5 etc. ➢ Growing MVNE projects including Panasonic, providing MVNO infrastructure and related systems, Gathering consumer and enterprise traffic to maximize MVNO infrastructure efficiency
Cloud	<p>Cloud is penetrating surely and gradually among large enterprises</p> <ul style="list-style-type: none"> ➢ Average revenue per customer (excluding large gaming customers) increased by over 20% YoY ➢ Expanding M2M, SAP, Big data-related solutions & steadily increasing SAP systems orders
Overseas Business	<p>Business opportunities continue to arise while deficit increases with upfront investment</p> <ul style="list-style-type: none"> ➢ Revenue: FY13 JPY4.1 billion ➡ FY14 (forecast) JPY4.6 billion ➢ Deficit: JPY0.6 billion ➡ FY14 (forecast) bit over JPY0.8 billion ➢ Non-gaming customers covering gaming customers' revenue decrease ➢ Export container data centers to Russia, Laos etc., & provide Cloud service in Indonesia with a local carrier

II - 1. Consolidated Financial Results for 1Q-3Q FY2014

Unit: JPY billion

	% of Revenues		YoY Change in %	% of Revenues	
	1Q-3Q14 (Apr. 2014 -Dec. 2014)	1Q-3Q13 (Apr. 2013 -Dec. 2013)		FY14 Target (Apr. 2014 -Mar. 2015)	
Total Revenues	87.8	82.7	+6.2%	122.0	
Total Cost of Revenues	81.3% 71.4	81.2% 67.2	+6.2%	—	
Gross Margin	18.7% 16.4	18.8% 15.5	+6.0%	—	
SG&A/R&D	14.4% 12.7	13.7% 11.3	+12.0%	—	
Operating Income	4.3% 3.8	5.1% 4.2	(10.1%)	5.3% 6.5	
Income before Income Tax Expense	4.4% 3.9	5.6% 4.6	(15.9%)	5.3% 6.5	
Net Income attributable to IJ	2.6% 2.3	3.5% 2.9	(20.9%)	3.3% 4.0	

II - 2. Revenues



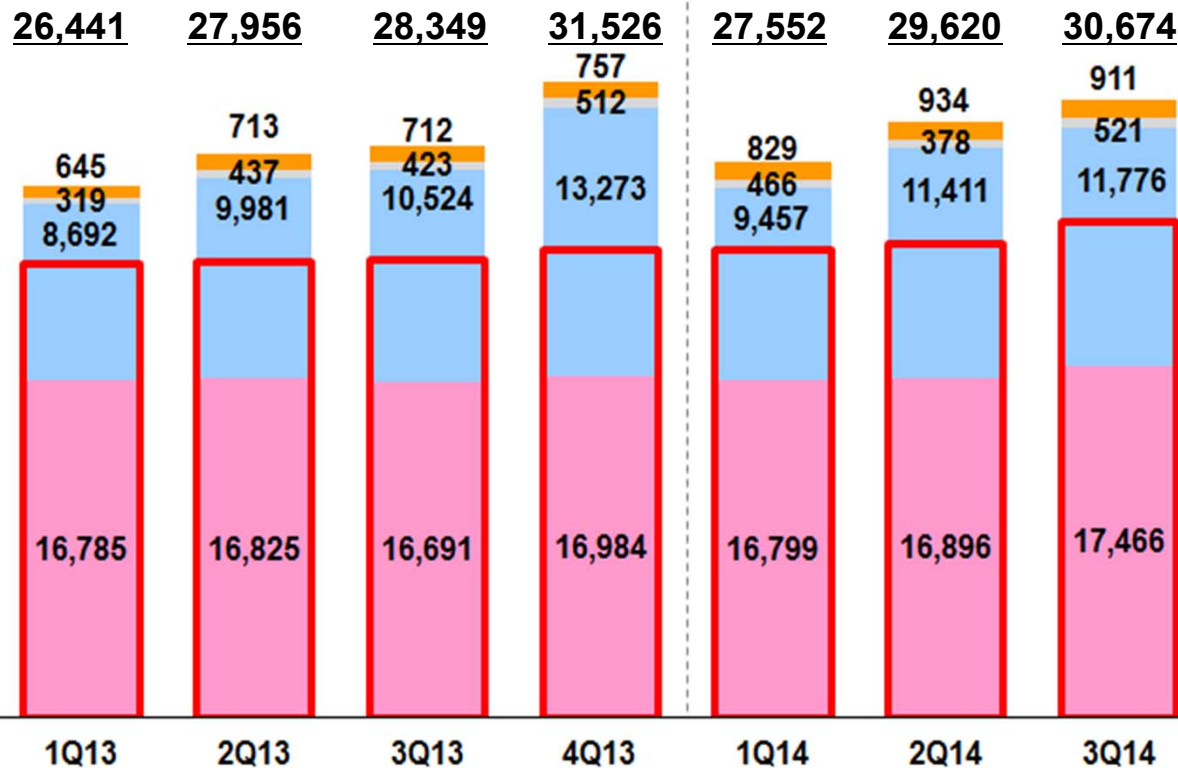
Unit: JPY million

YoY = 1Q-3Q FY14 compared to 1Q-3Q FY13

1Q-3Q FY13: 82,746

1Q-3Q FY14: 87,846

FY13: 114,272



One-time Revenue *

(15.8% of 1Q-3Q14 revenue)

1Q-3Q14: JPY13,859 million (up 8.2% YoY)

3Q14: JPY5,146 million (up 4.9% YoY)

- * Revenue which is recognized when systems or equipment are delivered and accepted by customers
1. Systems Construction
 2. Equipment Sales

Recurring Revenue*

(81.2% of 1Q-3Q14 revenue)

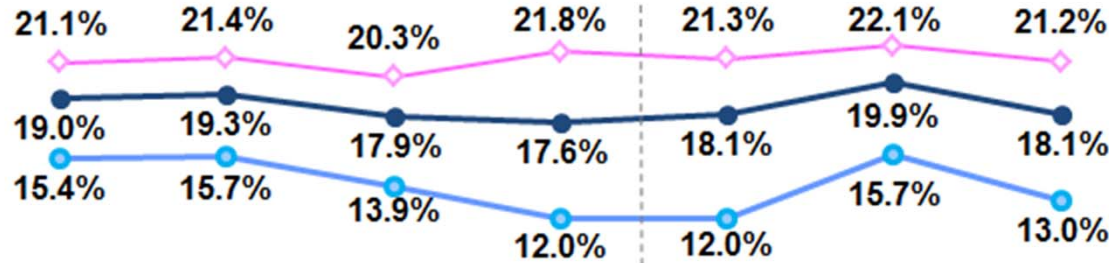
1Q-3Q14: JPY71,312 million (up 5.1% YoY)

3Q14: JPY24,617 million (up 8.3% YoY)

- * Represents the following monthly recurring revenues
1. Internet Connectivity Services (Enterprise)
 2. Internet Connectivity Services (Consumer)
 3. Outsourcing Services
 4. WAN Services
 5. Systems Operation and Maintenance

II - 3. Cost of Revenues and Gross Margin Ratio

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



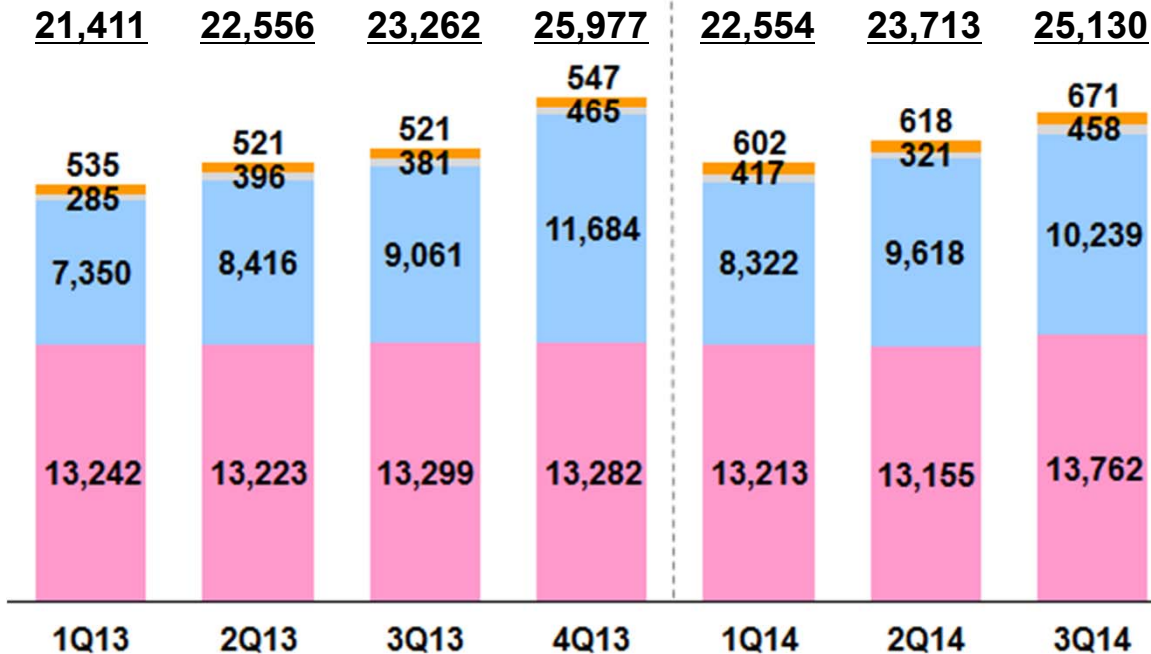
Unit: JPY million

YoY = 1Q-3Q FY14 compared to 1Q-3Q FY13

1Q-3Q FY13: 67,229

1Q-3Q FY14: 71,398

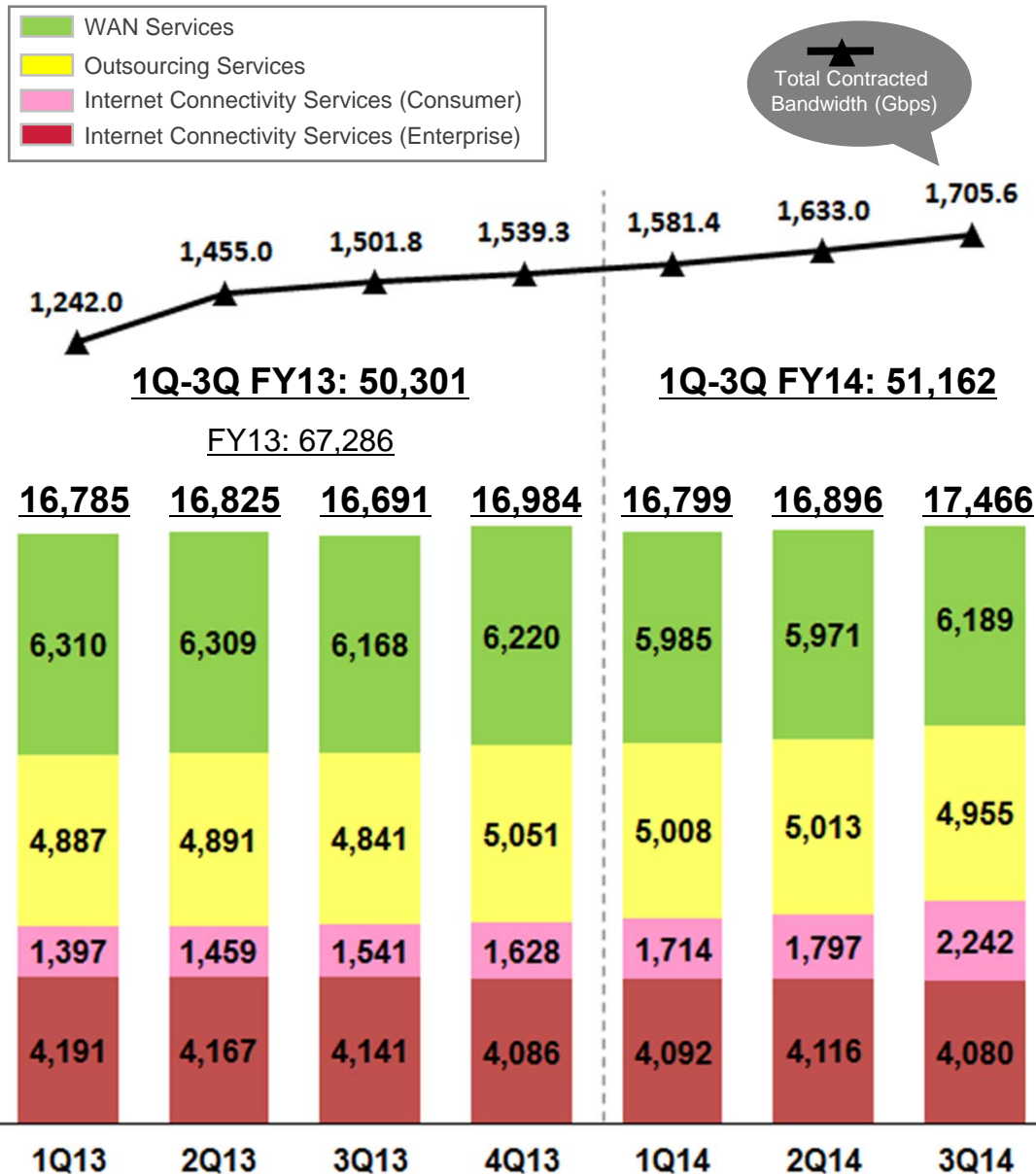
FY13: 93,206



1Q-3Q14 Gross Margin

- ◆ **Total Gross Margin:**
 - JPY16,448 million (up JPY930 million, up 6.0% YoY)
 - Gross margin ratio: 18.7% (down 0.1 points YoY)
- ◆ **Network Service Gross Margin**
 - JPY11,031 million (up JPY493 million, up 4.7% YoY)
 - Gross margin ratio: 21.6% (up 0.6 points YoY)
- ◆ **SI Gross Margin:**
 - JPY4,465 million (up JPY94 million, up 2.2% YoY)
 - Gross margin ratio: 13.7% (down 1.3 points YoY)

II - 4. Network Services (1)Revenues



Unit: JPY million

YoY = 1Q-3Q FY14 compared to 1Q-3Q FY13
 QoQ = 3Q14 compared to 2Q14

◆ Internet Connectivity (Enterprise)

- 1Q-3Q14: down JPY211 million, down 1.7% YoY
- 3Q14: down JPY61 million, down 1.5% YoY
 - Mobile service revenue continued to increase
 - Over 1Gbps contracts:
 - ✓ As of 3Q14-end: 330 contracts
 - ✓ As of 3Q13-end: 263 contracts

◆ Internet Connectivity (Consumer)

- 1Q-3Q14: up JPY1,356 million, up 30.8% YoY
- 3Q14: up JPY701 million, up 45.5% YoY
 - IJmio mobile service continued to accumulate
 - ✓ Subscription (approx.):
 - 3Q14-end: 339 thousand, up 94 thousand QoQ
 - 2Q14-end: 245 thousand, up 40 thousand QoQ
 - ✓ Revenue (approx.):
 - 1Q-3Q14: JPY2.75 billion, up 1.6 billion YoY
 - 3Q14: JPY1.26 billion, up 0.46 billion YoY

◆ Outsourcing Services

- 1Q-3Q14: up JPY356 million, up 2.4% YoY
- 3Q14: up JPY114 million, up 2.3% YoY
 - IJ/GIO Hosting Service is growing but slower YoY due to decline in demand from game customer
 - Revenue decreased from 2Q14 due to termination of large-scale overseas datacenter contract

◆ WAN Services

- 1Q-3Q14: down JPY641 million, down 3.4% YoY
- 3Q14: up JPY21 million, up 0.3% YoY

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

Unit: JPY million

YoY = 1Q-3Q FY14 compared to 1Q-3Q FY13

1Q-3Q FY13: 39,764 (20.9%)

1Q-3Q FY14: 40,131 (21.6%)

FY13: 53,046 (21.2%)

13,242
(21.1%)

13,223
(21.4%)

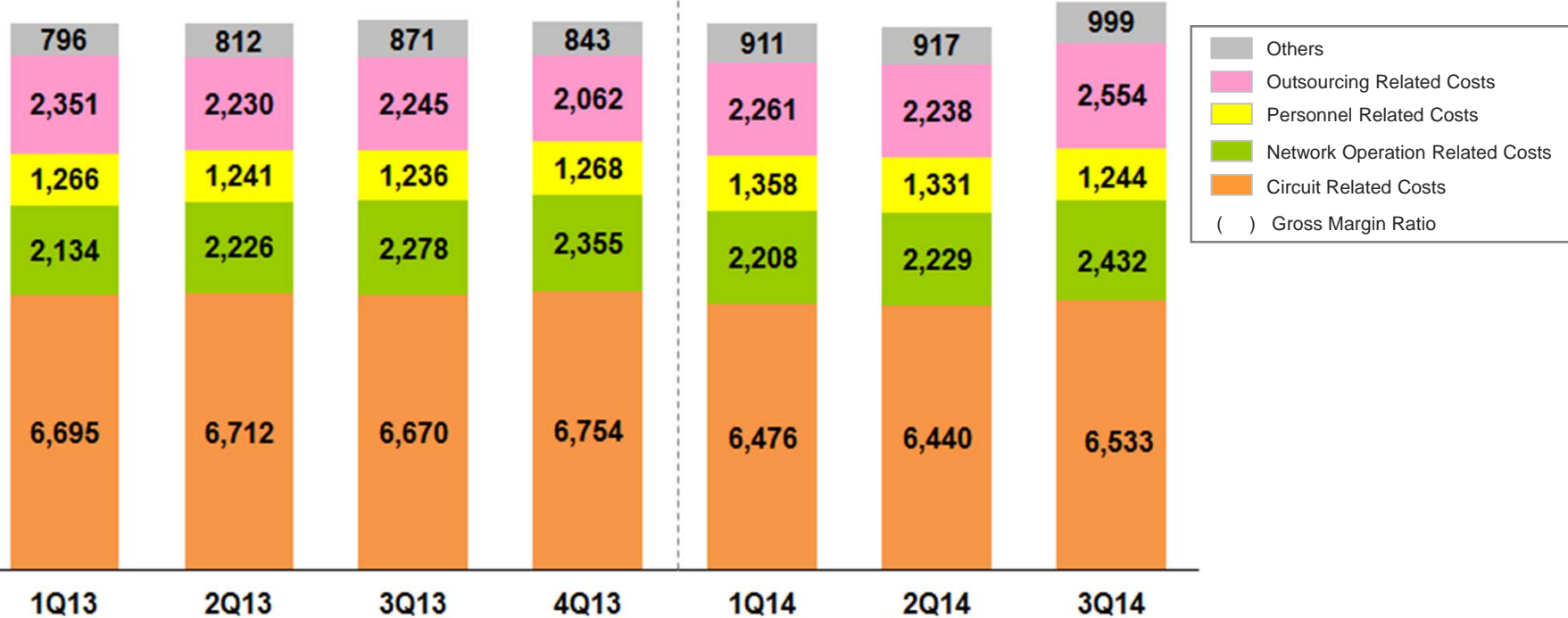
13,299
(20.3%)

13,282
(21.8%)

13,213
(21.3%)

13,155
(22.1%)

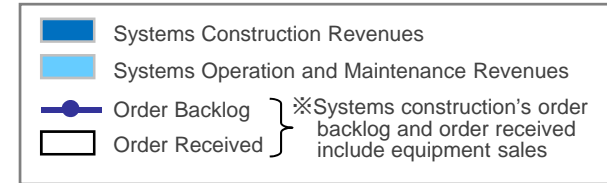
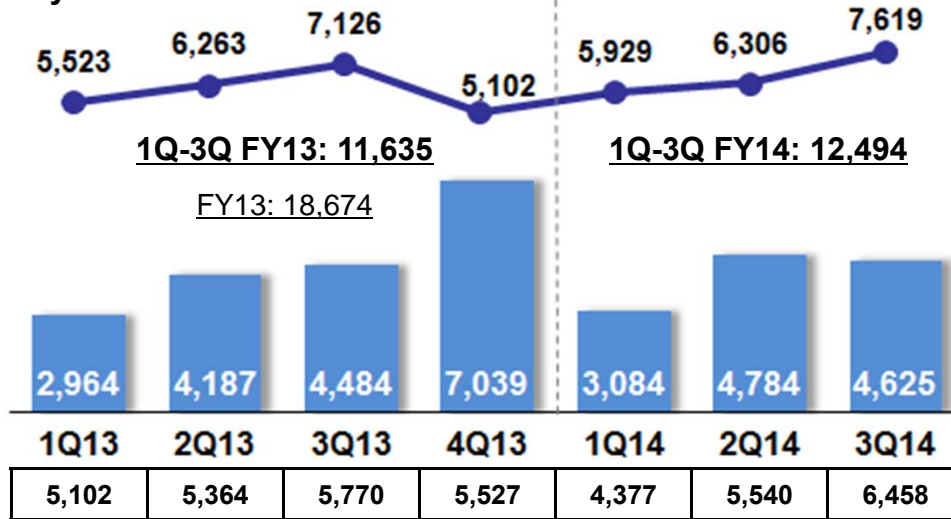
13,762
(21.2%)



- ◆ 1Q-3Q14 Cost of Network Services: up JPY367 million, up 0.9% YoY
 - 3Q14 outsourcing costs increased from 2Q14 along with the increase in mobile subscription and traffic volume (MVNO interconnectivity cost is recognized in outsourcing related costs)

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

< Systems Construction >

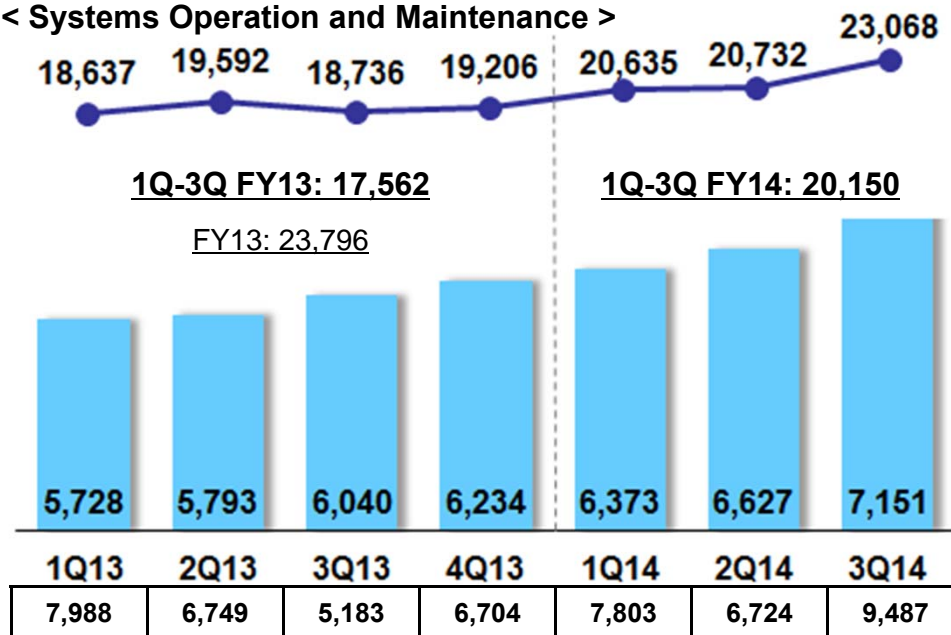


Systems construction revenues

- ◆ 1Q-3Q14 revenue: up JPY859 million, up 7.4% YoY
- ◆ 3Q14 revenue: up JPY141 million, up 3.1% YoY
- ◆ 3Q14-end order backlog: up 6.9% YoY

- Continue to accumulate projects with over JPY10 million
- Examples of large-scale projects received in 3Q14:
 - Upgrading network security systems for a media company
 - Constructing large-scale ticketing system
 - Renewing a large-scale web system for an online retailer etc.

< Systems Operation and Maintenance >



Systems operation and maintenance revenue

- ◆ 1Q-3Q14 revenue: up JPY2,589 million, up 14.7% YoY
- ◆ 3Q14 revenue: up JPY1,111 million, up 18.4% YoY

- Added RYUKOSHA's one-month revenue (JPY113 million)
- 83% of 3Q14 total cloud revenue is recognized in systems operation and maintenance revenues (17% in outsourcing)
- Cloud revenue continuously increasing. Revenues from system construction projects which migrated to operation and maintenance phase strongly increased

- ◆ 3Q14-end order backlog: up 23.1%

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

1Q-3Q FY13: 24,826 (15.0%)

1Q-3Q FY14: 28,179 (13.7%)

Unit: JPY million

FY13: 36,510 (14.0%)

YoY = 1Q-3Q FY14 compared to 1Q-3Q FY13
QoQ = 3Q14 compared to 2Q14

7,350
(15.4%)

8,416
(15.7%)

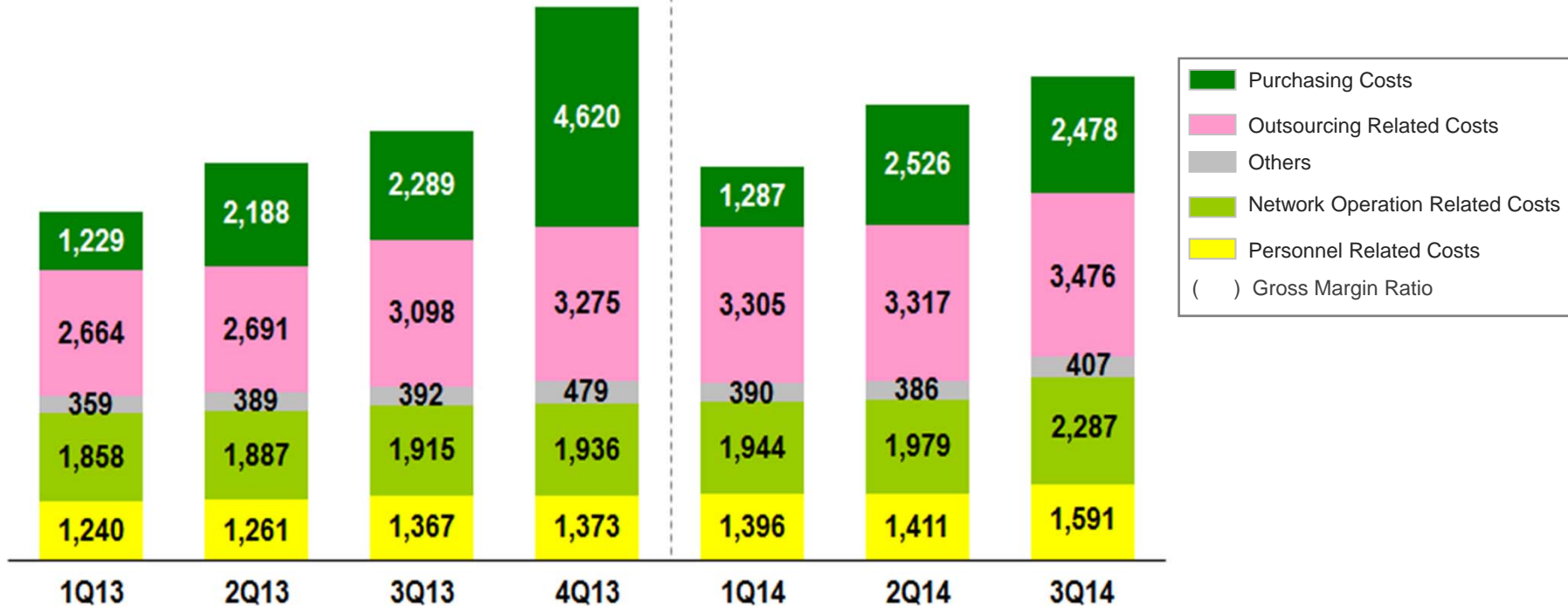
9,061
(13.9%)

11,684
(12.0%)

8,322
(12.0%)

9,618
(15.7%)

10,239
(13.0%)

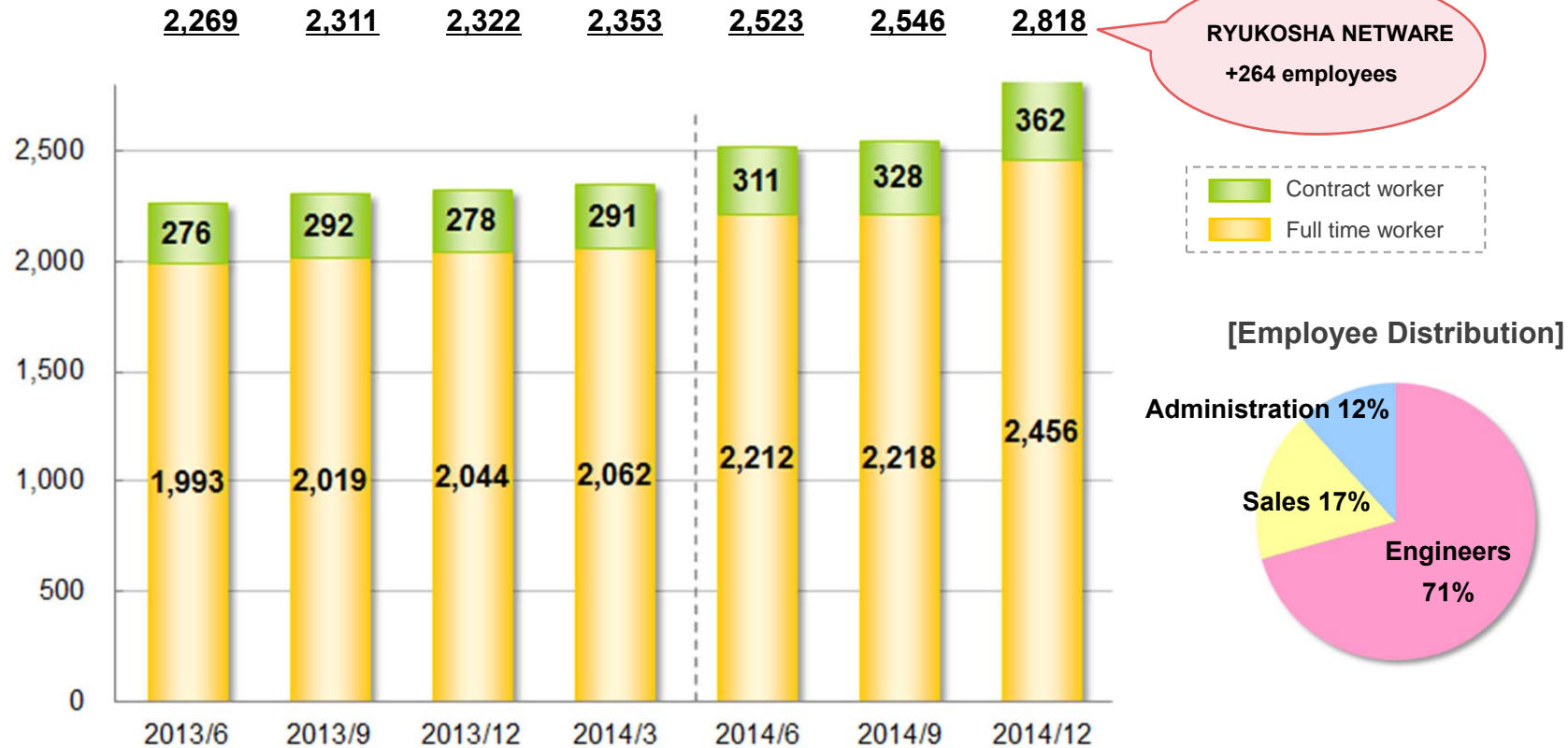


- ◆ 1Q-3Q14 Cost of SI: up JPY3,353 million, up 13.5% YoY
- Number of outsourcing personnel as of Dec. 2014: 948 personnel (up 132 personnel YoY, up 41 personnel QoQ)
- SI gross margin decreased in 3Q14 due to a temporary increase of network operation related costs with the disposal of facility for overseas project (JPY174 million) and the disposal of software for domestic project (JPY46 million)

M&A on Dec. 1, 2014: RYUKOSHA NETWORK Inc.

- Engage in human resources outsourcing business
- Capital: JPY10 million, Annual revenue: over JPY1 billion
- Aim to strengthen our engineering resources to meet growing demands for system outsourcing projects and to increase cost efficiency by in-housing outsourcing personnel
- Costs and expenses are mostly personnel-related, which are mostly recognized in cost of SI

II - 6. Number of Employees



Personnel related costs & expenses (% of revenue)

	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14
	4,212	4,254	4,317	4,408	4,641	4,643	4,704
	(15.9%)	(15.2%)	(15.2%)	(14.0%)	(16.8%)	(15.7%)	(15.3%)

Unit: JPY million

YoY = 1Q-3Q FY14 compared to 1Q-3Q FY13

- ◆ 1Q-3Q14 personnel-related costs and expenses: JPY14.0 billion, up JPY1.2 billion YoY
- ◆ Number of employees and personnel-related expenses increased due to M&A of RYUKOSHA NETWORK Inc.(Dec. 1, 2014)
- ◆ Planning to hire 156 newly graduates in Apr. 2015, which includes 17 for RYUKOSHA and 13 for replacing outsourcing resources (129 in Apr. 2014, 136 in Apr. 2013, 75 in Apr. 2012)

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

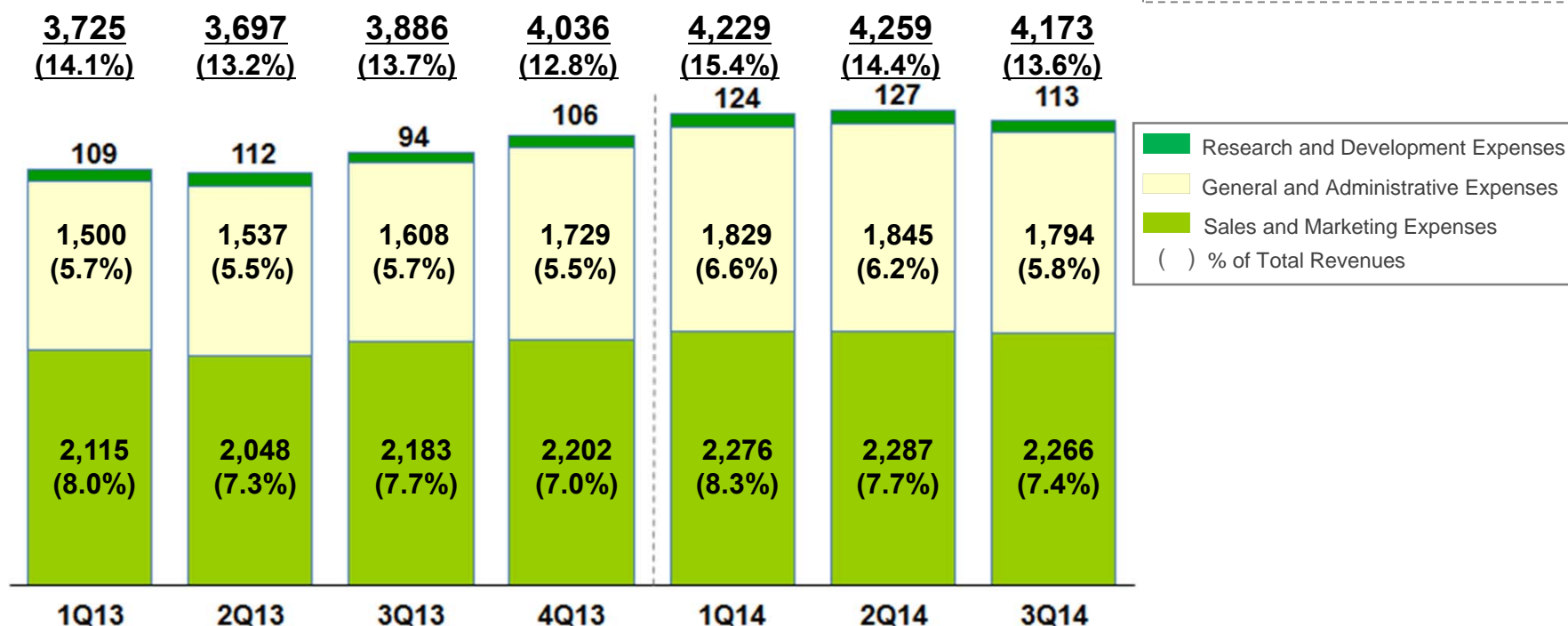
1Q-3Q FY13: 11,307 (13.7%)

1Q-3Q FY14: 12,662 (14.4%)

Unit: JPY million

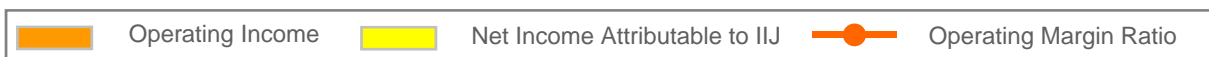
FY13: 15,343 (13.4%)

YoY = 1Q-3Q FY14 compared to 1Q-3Q FY13



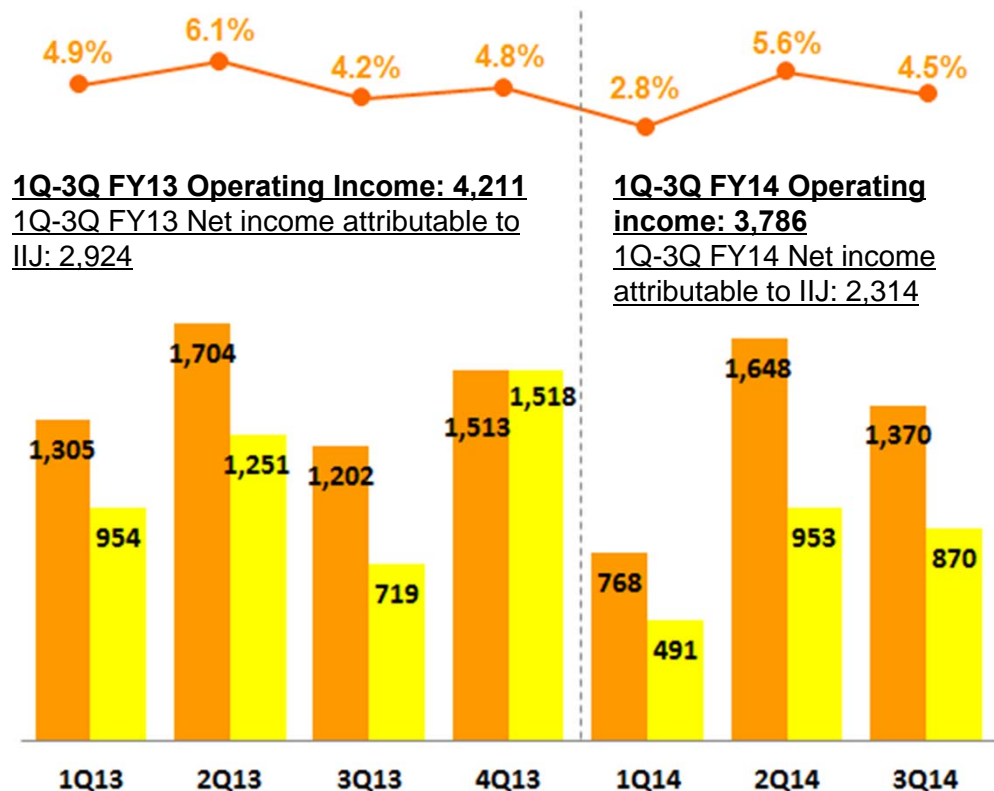
- ◆ 1Q-3Q14 SG&A Expenses/R&D: up JPY1,355 million YoY, up 12.0% YoY
 - Increase in personnel-related, outsourcing-related, rent/relocation expenses, commission payments (recruiting agent fee etc.), and sales commission expenses (MVNO related)
- ◆ Costs and expenses related to 1H14 headquarter relocation*: approx. JPY0.5 billion (1Q14:JPY0.2 billion, 2Q14: JPY0.3 billion)
 - *rent, relocation fee, depreciation and disposal of assets
- ◆ 3Q14 SG&A decreased from 2Q14. While advertising and sales commission expenses increased, headquarter relocation related costs and expenses decreased
- ◆ SG&A related to ATM Operation Business:
 - 3Q14:JPY45.9 million, 2Q14:JPY45.4 million, 1Q14:JPY37.6 million, 4Q13:JPY31.2 million, 3Q13:JPY32.4 million
 - 1,048 ATMs in operation as of Feb. 10, 2015

II - 8 Operating Income and Net Income



Unit: JPY million

YoY = 1Q-3Q FY14 compared to 1Q-3Q FY13



◆ Income before income tax expenses:

- 1Q-3Q14: JPY3,889 million (down JPY737 million, down 15.9% YoY)
 - Interest expense: JPY180 million
 - Dividend income: JPY59 million
 - Gains from fund investments: JPY142 million
- 3Q14: JPY1,397 million (up JPY119 million, up 9.3% YoY)

◆ Net income attributable to IIJ:

- 1Q-3Q14: JPY2,314 million (down JPY610 million, down 20.9% YoY)
 - Equity in net income of Internet Multifeed and Internet Revolution: JPY115 million
 - Net income attributable to noncontrolling interests related to Trust Networks: JPY57 million
- 3Q14: JPY870 million (up JPY150 million, up 20.9% YoY)

269	804	378	1,044	220	624	523	Current income tax expense
268	(99)	221	(1,090)	132	98	36	Deferred tax expense (benefit)
65	61	64	13	34	35	46	Equity in net income of equity method investees
(5)	(22)	(24)	(191)	(18)	(24)	(15)	Less: Net income attributable to noncontrolling interests

II - 9. Consolidated Balance Sheets (Summary)

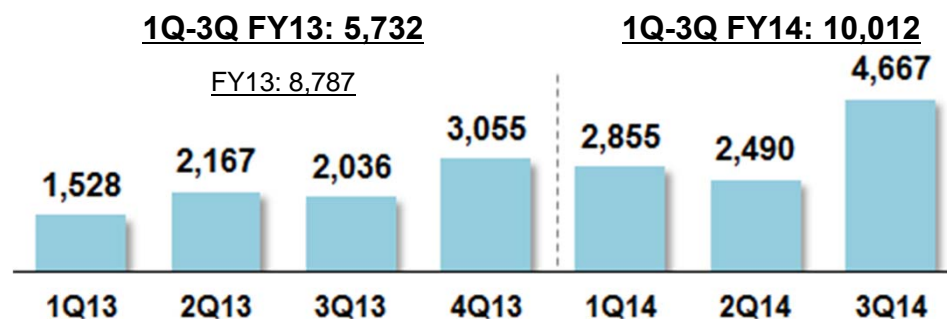
Unit: JPY million

	March 31, 2014	December 31, 2014	Changes
Cash and Cash Equivalents	22,421	21,047	(1,374)
Accounts Receivable	19,214	17,705	(1,509)
Inventories and Prepaid Expenses (Current and Noncurrent)	7,432	9,834	+2,402
Investments in Equity Method Investees	2,086	2,227	+142
Other Investments	6,356	6,543	+187
Property and Equipment	26,971	28,458	+1,487
Goodwill and Other Intangible Assets	10,309	10,210	(99)
Guarantee Deposits (Current and Noncurrent)	2,727	2,784	+57
Total Assets	103,867	105,829	+1,962
Accounts Payable	12,542	11,779	(763)
Income Taxes Payable	1,079	336	(743)
Bank Borrowings (Short-term and Long-term)	10,380	9,400	(980)
Capital Lease Obligations (Current and Noncurrent)	8,356	7,943	(413)
Total Liabilities	43,686	44,240	+554
Common Stock	25,497	25,500	+3
Additional Paid-in Capital	35,962	36,001	+39
Accumulated Deficit	(2,868)	(1,564)	+1,303
Accumulated Other Comprehensive Income	1,713	1,720	+8
Total IJ Shareholders' Equity	59,912	61,264	+1,352

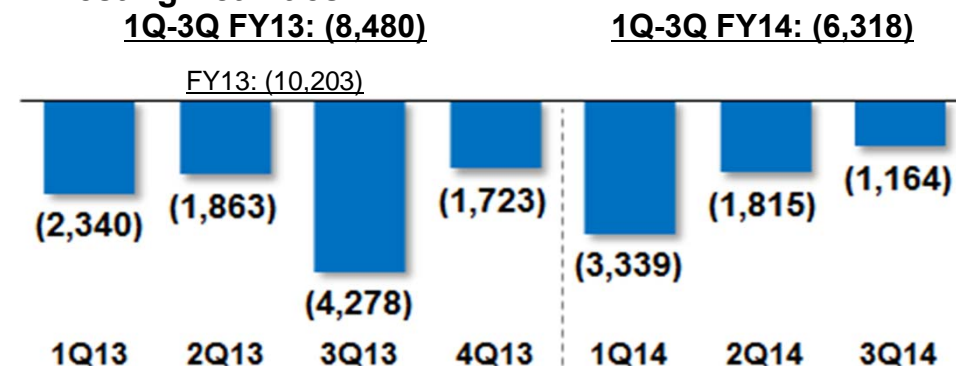
➤ Total IJ Shareholders' Equity to Total Assets: 57.7% as of March 2014 and 57.9% as of December 2014

II - 10. Consolidated Cash Flows

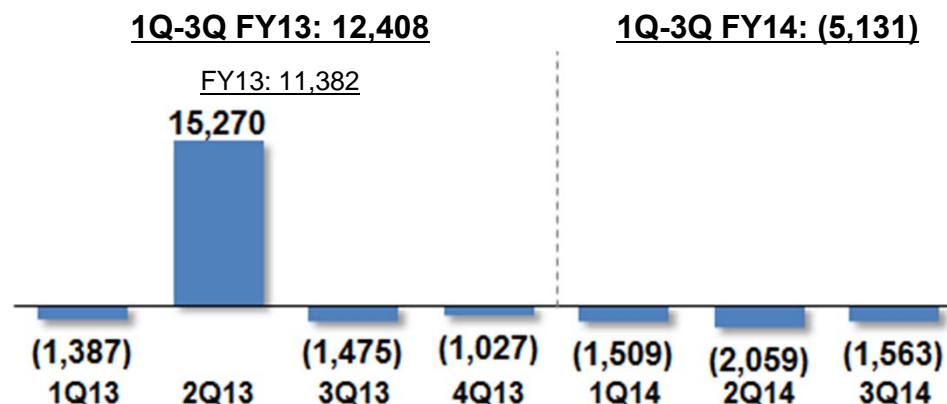
< Operating Activities >



< Investing Activities >



< Financing Activities >



Operating Activities	1Q-3Q14 Breakdown	YoY Change
Net income	2,371	(604)
Depreciation and amortization	7,217	+713
Net gain on other non-cash transactions	388	+432
Fluctuation of operating assets and liabilities	35	+3,738

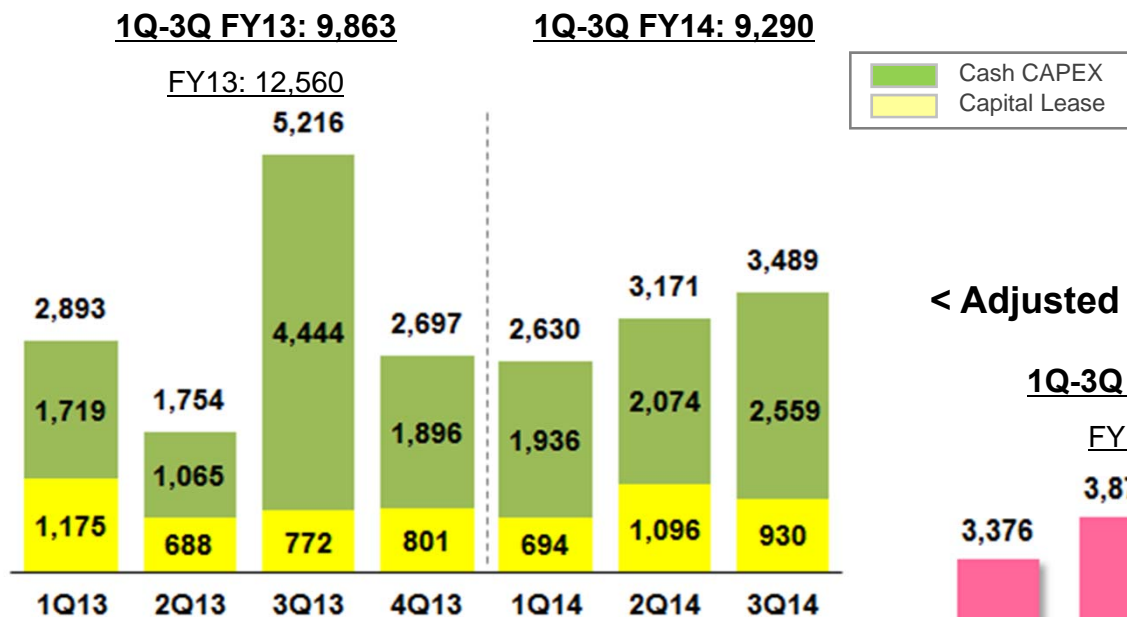
Investing Activities	1Q-3Q14 Breakdown	YoY Change
Purchases of property and equipment	(6,569)	+659
Payments of guarantee deposits	(1,611)	(930)
Refund of guarantee deposits	1,559	+1,552

Financing Activities	1Q-3Q14 Breakdown	YoY Change
Principal payments under capital leases	(3,140)	(198)
Repayments of borrowings (short and long-term)	(980)	+30
Dividends paid	(1,011)	(100)

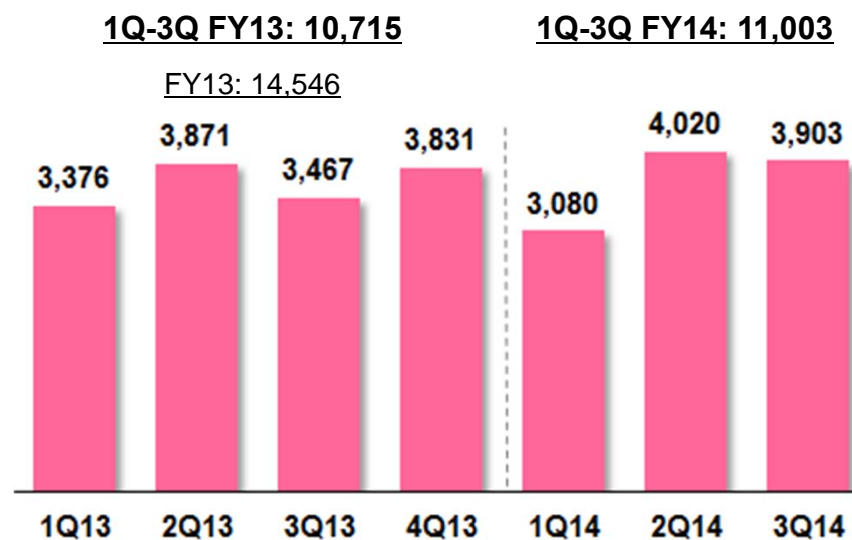
II - 11. Other Financial Data (CAPEX etc.)

< CAPEX (Include Capital Leases) >

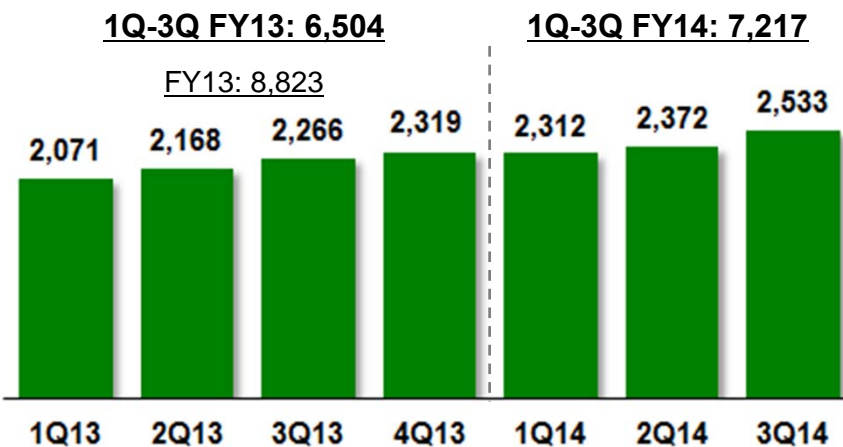
Unit: JPY million



< Adjusted EBITDA >



< Depreciation and Amortization >

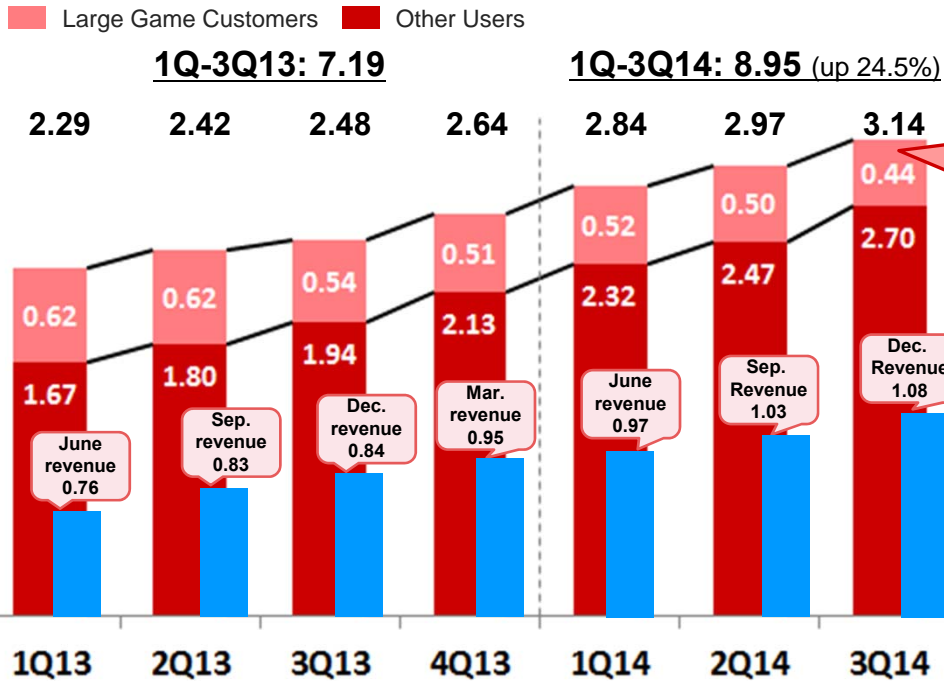


III-1. Cloud Business Developments



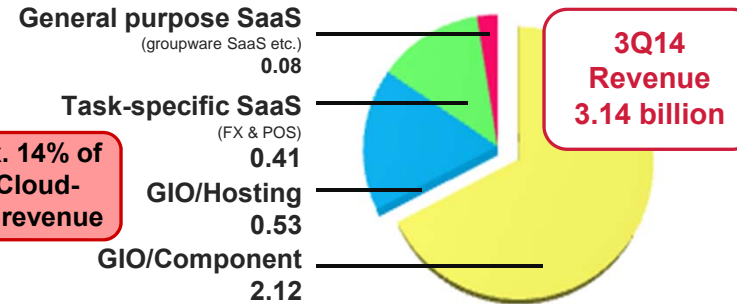
Cloud-related revenue

(Unit: JPY billion)



Breakdown of 3Q14 revenue

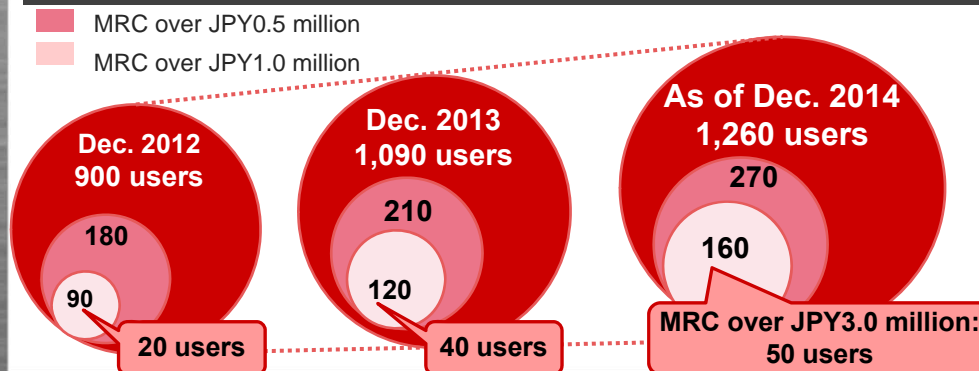
(Unit: JPY billion)



Approx. 14% of total Cloud-related revenue

3Q14 Cloud revenue recognition: 83% in systems operation and maintenance, 17% in outsourcing

Expansion of Customer Base and Usage

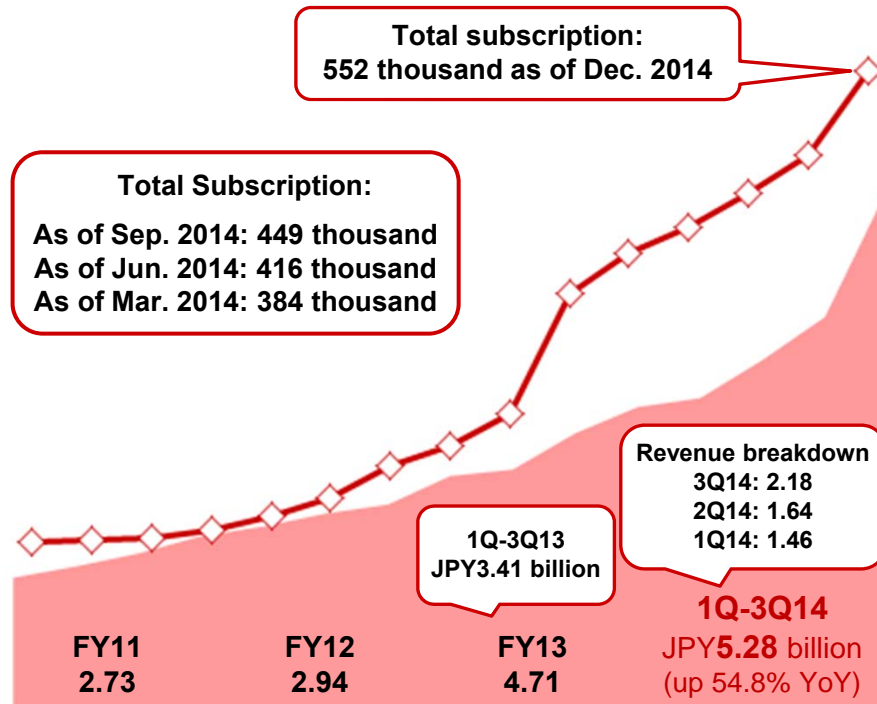


Business Progress

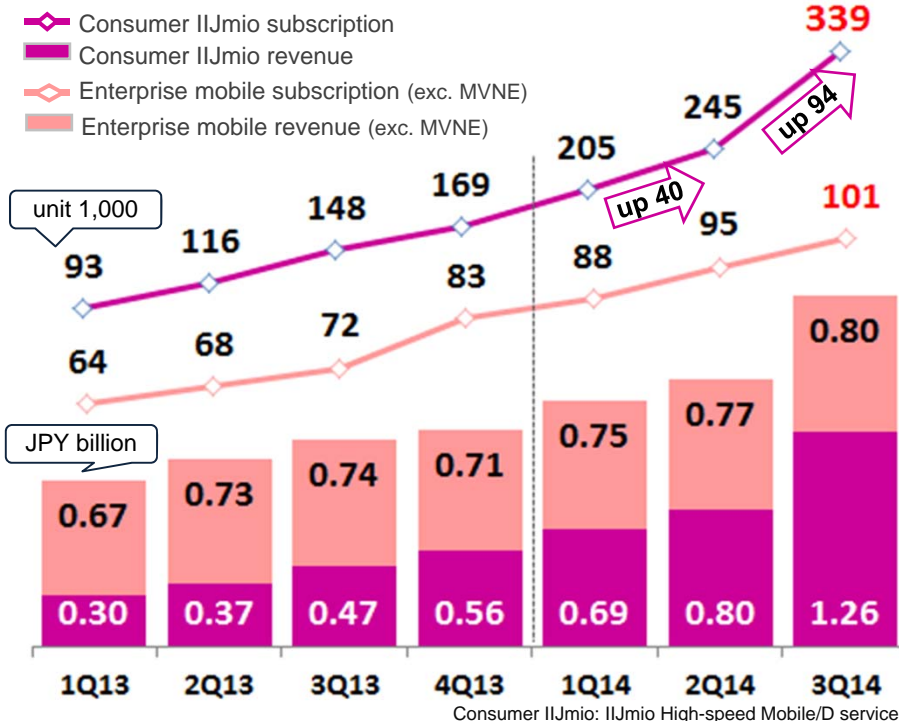
- ◆ Continuously growing and accumulating enterprises' demand while large game customers' demand slowing down
- ◆ Enhance competitive advantage in service qualities to acquire core business systems, accumulating orders of full-scale Cloud migration projects
 - Average revenue per customer (excluding large gaming customers) increased by more than 20% from 3Q13
- ◆ SAP business continues to grow, prospective orders for middle-to large scale projects increasing
- ◆ FX (Foreign Exchange) transactions increased, contributed to its continuous revenue growth
- ◆ Continuously developing and introducing new solutions
 - Solution to prevent unauthorized online banking remittance for a major Japanese bank, plan to introduce to other financial organizations
 - Solution for analyzing and applying Big Data with SAS and ZEAL
 - Insurance agency system with Sompo Japan Nipponkoa Insurance Inc.

III-2. MVNO Business Developments

Total Subscription and Revenue



IIJmio & IIJmobile Subscription & Revenue



Consumer

- **Subscription accelerated with:**
 - ✓ Expansion of **sales counters** (10 counters as of Jan. 2015)
In addition to urban areas, opened a new store in suburb area
 - ✓ **Release of SIM lock-free** devices such as iPhone6, ZenFone5
 - ✓ Competitive **new price list** from Oct. 2014
 - ✓ High customer satisfaction (MMD Labo. etc.)
- **MNP-compatible subscription increasing**
 - ✓ Approx. 50% of 3Q14 net addition were with voice call
 - ✓ Over 80% of 3Q14 net addition were via sales partners, others via direct online sales

Enterprise

- **MVNE-related revenue*:** JPY0.3 billion (up approx. 20% YoY)
 - ✓ MVNO platform business for Panasonic, Canon Marketing Japan etc.
 - ✓ Partnership with CATV association going well, Ehime CATV (Dec. 2014), under negotiation with tens of CATV operators
- **M2M-related revenue*:** JPY0.3 billion (up approx. 40% YoY)
 - ✓ Continuously accumulating orders such as temperature measurement etc.
 - ✓ M2M projects tend to take longer to revenue recognition because of device development, testing, etc.

※ 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 IIJ Investor Relations

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