



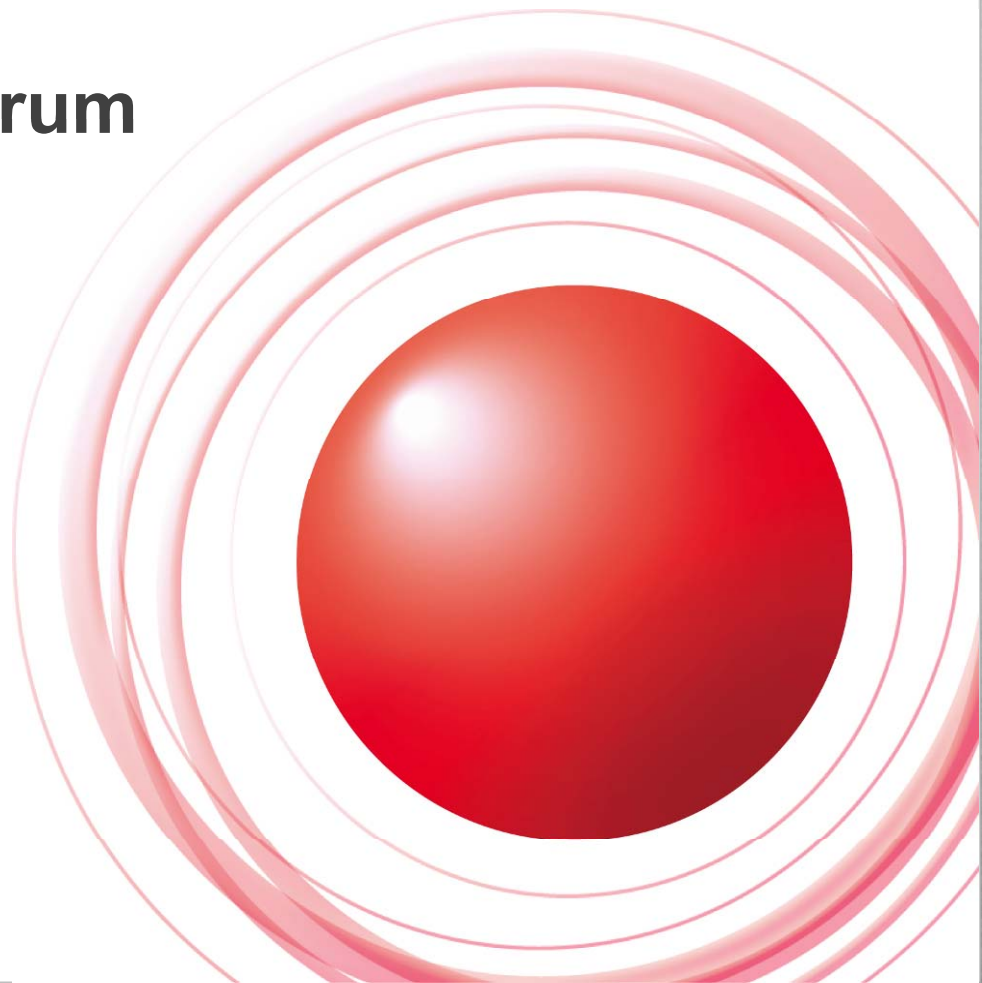
Internet Initiative Japan Inc.

Nomura Investment Forum

December 2013

TSE1:3774 NASDAQ:IIJI

Ongoing Innovation



Key Investment Highlights

- ◆ **Pioneer and Top IP Engineering Company in Japan**
- ◆ **Shifted from ISP to Total Network Solution Provider**
- ◆ **Target Blue-chip & Governmental Organizations**
- ◆ **Approx. 8,500 Excellent Japanese Customers**
- ◆ **Solid Growth Strategy with Proved Revenues & Income Growth**
- ◆ **Best Positioned in the Growing Outsourcing & Cloud Computing Market**

details to follow

TOP IP Engineering Company in Japan

- ◆ The first established full-scale ISP in Japan
 - Introduced many prototype internet-related network services and led the market
 - A group of highly motivated and skilled top level IP engineers
 - Pioneer of network technologies in Japan

- ◆ Service initiative with in-house development
 - Operate one of the largest Internet backbone networks in Japan
 - Self-develop services and back office facilities

- ◆ Established “IIJ” brand among the Japanese IT market
 - Known for its engineering & network operation skills
 - High customer satisfaction & long term relationship
 - Approx. 8,500 clients: mainly large enterprises & governmental organizations

- ◆ At the leading edge of IP R&D
 - Engaged in software development of SDN
 - Founding member of JEAG
 - Co-work with Ministry of Internal Affairs and Communications
 - Participation in world-wide research and organizations
...and many more

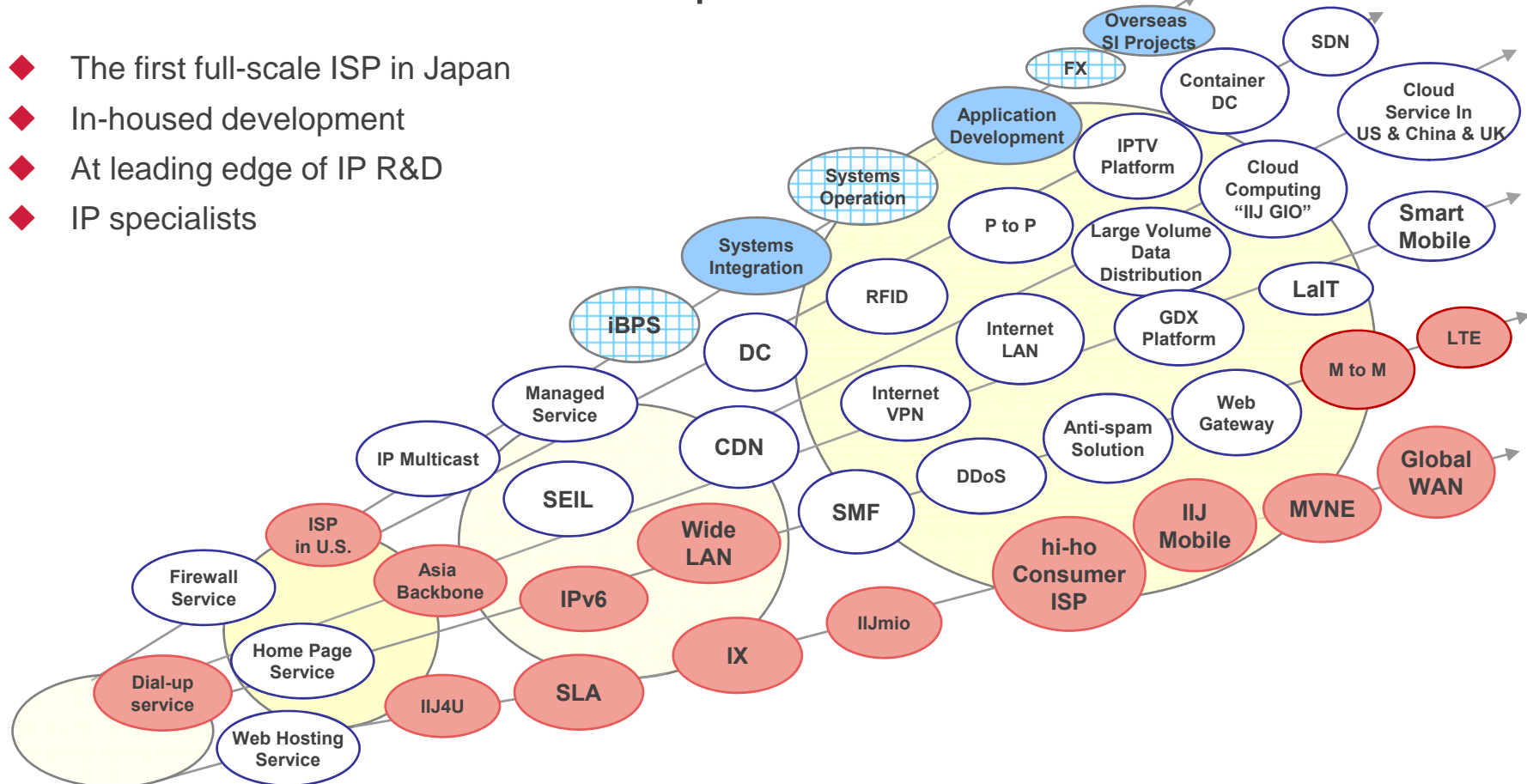
Company Profile	
Established	December 1992
Number of Employees (as of Sep. 2013)	Consolidated: 2,311 (approx. 70% engineers)
Listed Markets	NASDAQ (IIJI), TSE1 (3774)
Large Shareholders (as of Sep. 2013)	NTT (21.6%), Koichi Suzuki (5.8%*), Itochu Corp. (4.5%), NTTCom(4.4%)

*Jointly owned by Mr. Suzuki's wholly owned private company

Entrepreneur of Network Technologies

Business and Service Development to Initiate the Market

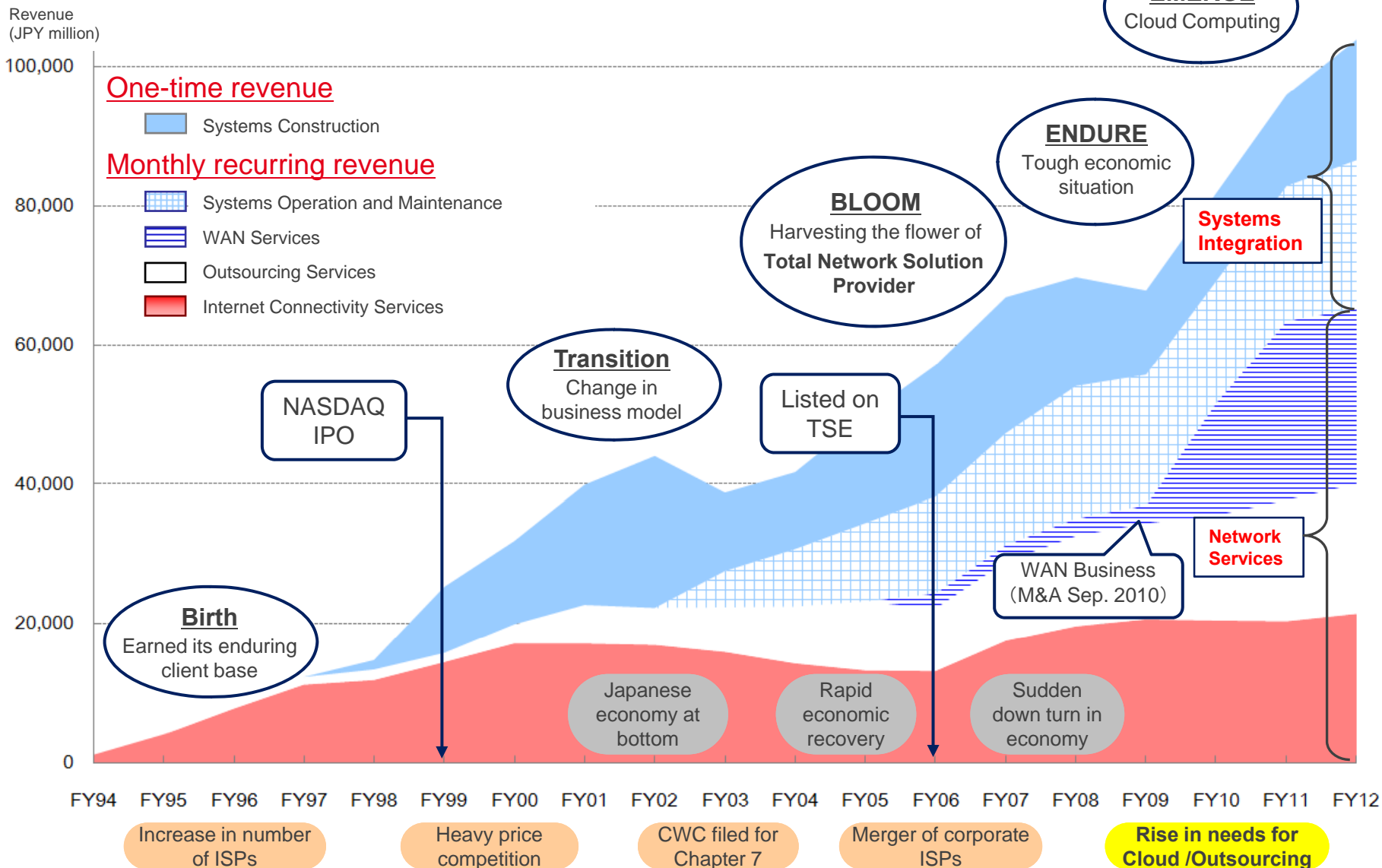
- ◆ The first full-scale ISP in Japan
- ◆ In-housed development
- ◆ At leading edge of IP R&D
- ◆ IP specialists



IIJ Group

Strategic Shift in Business Model

From "ISP" to "Total Network Solution Provider"



Business Structure of Network Services

Revenues

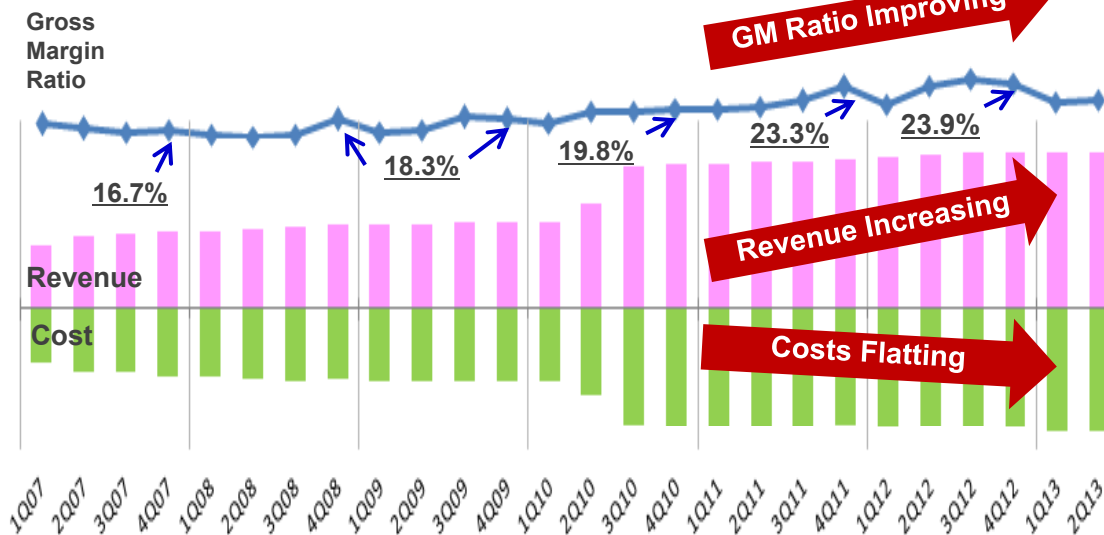
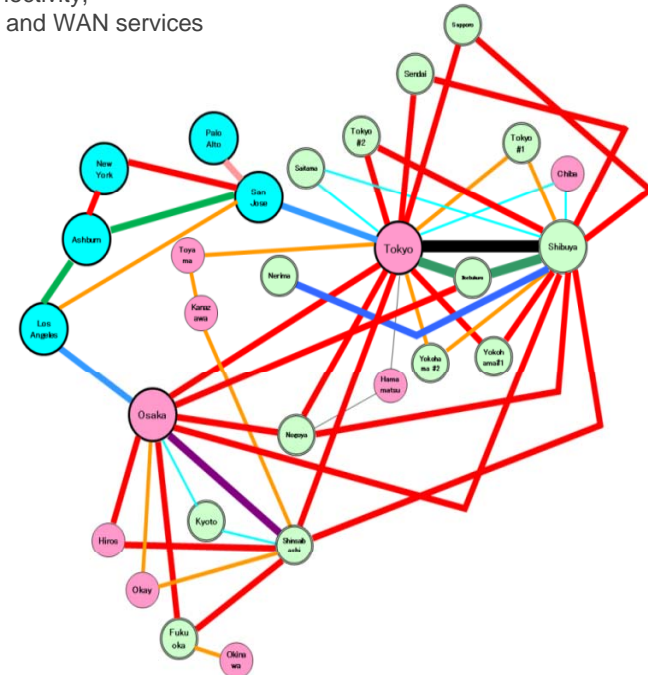
- **Multiple cross-selling revenue sources** with Internet connectivity for corporate/home and outsourcing services on the Internet backbone
- **Contracts are per bandwidth**
- **Monthly recurring-type revenue**
- **Blue-chip clients** with mission-critical business and network operators clients (Carriers, ISPs, CATVs, etc)
- Tough competition ended, only few high-end ISPs survived
- Revenues increase along with migration of bandwidth and accumulation of outsourcing service orders
- Enjoying scale merit along with increasing traffic
- 1Q tends to decrease QoQ due to seasonal factor of price down pressure from certain large users

Costs

- Constant expansion of Internet backbone
- **Strong bargaining power** as one of the largest independent ISPs
- Mainly related to circuit-borrowing, network equipment, DC-borrowing, operations, personnel and outsourcing costs
- Not always directly related to the revenue growth
- While constantly expanding the network, costs barely increase

* Network services include Internet connectivity, outsourcing, and WAN services

IJJ Internet Backbone

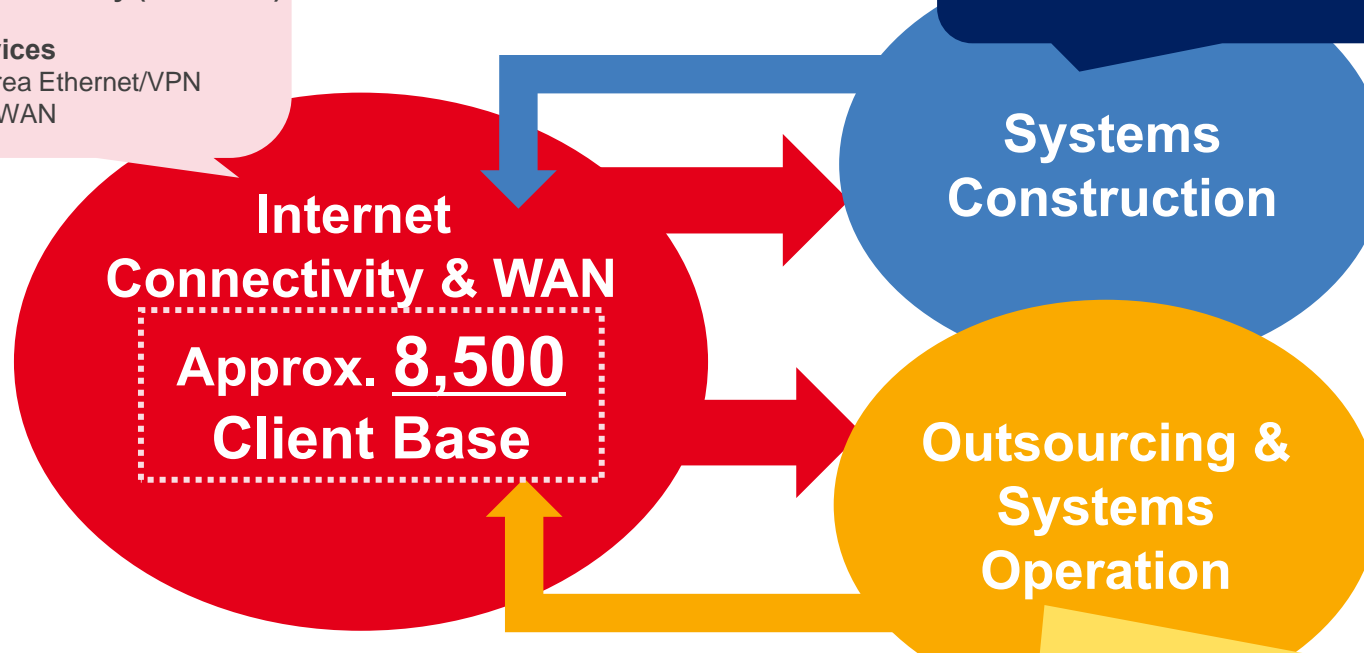


Business Model: Cross-selling of Network Solutions

- **Dedicated line connectivity**
 - IP service (cover over Gbps)
 - IPv6 service
- **Broadband connectivity**
 - Optical Fiber/ADSL
- **Mobile connectivity (IIJ Mobile)**
 - LTE/3G
- **WAN services**
 - Wide area Ethernet/VPN
 - Global WAN

Mainly network-related integration

- E-commerce/Web-shopping System
 - Disaster Recovery System
 - Private Cloud Computing Platform
- and many more



Outsourcing services include:

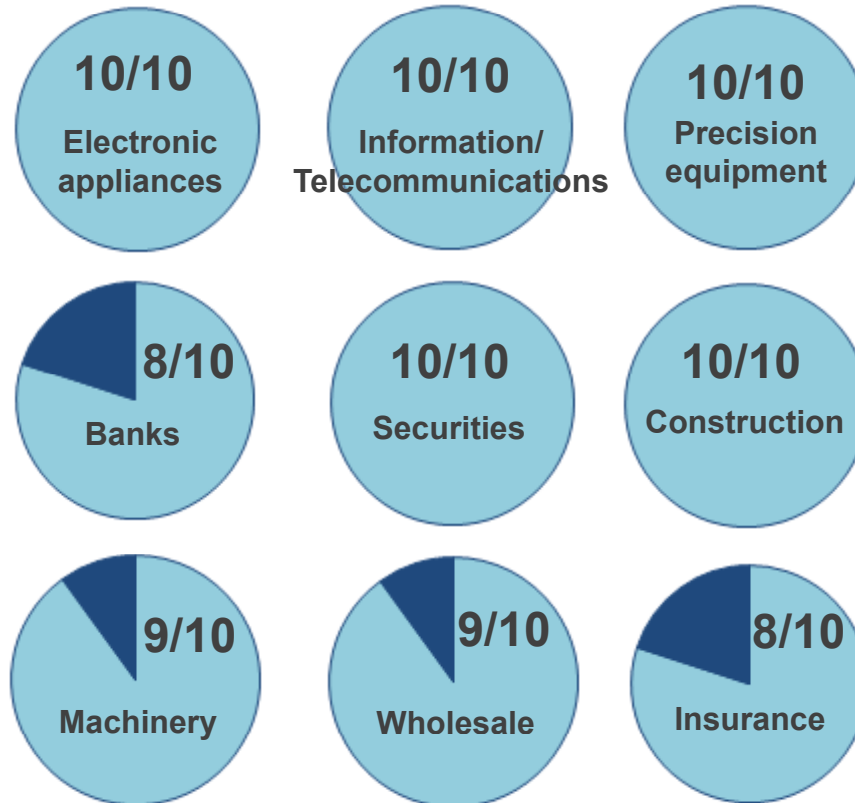
- **Security-related services** (managed-firewall and IPS, DDoS protection, URL filtering, anti-spam etc.)
- **Data center-related services** (housing, facility management and operation)
- **Server-related services** (E-mail services, web hosting, online storage, CDN etc.)
- **Network-related services** (network management and monitoring, VPN, SEIL, SMF etc.)
- **IIJ GIO Hosting Package Services** (approx. 23% of 2Q13 IIJ GIO revenues)

Systems Operation includes:

- **Operation and maintenance** of a system constructed in Systems Construction
- **IIJ GIO Component Services** (approx. 77% of 2Q13 IIJ GIO revenues)

Excellent Blue-chip Client Base

High Market Penetration
towards Top Tiers

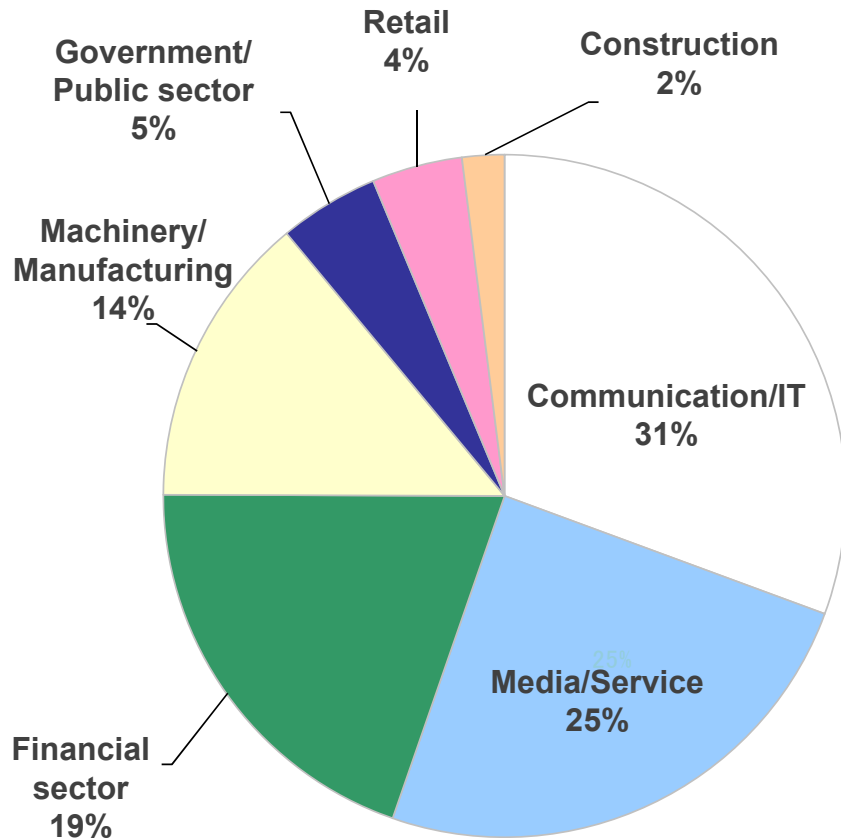


The number of clients among the top 10 companies in each industry.

Revenue Composition by Clients

Revenue Distribution by Industry

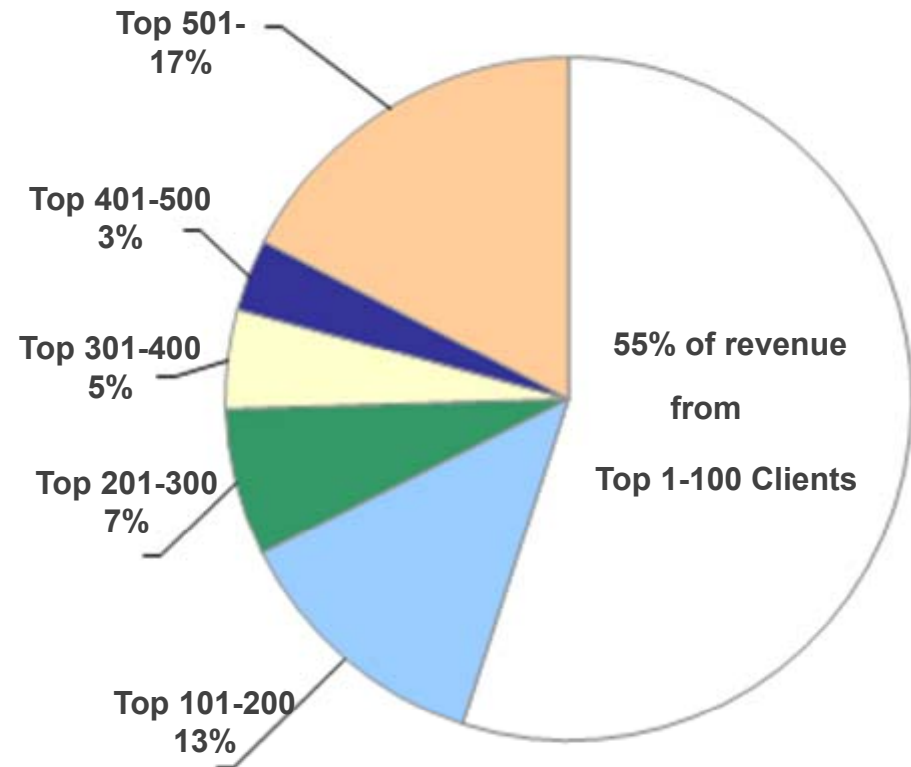
Not dependent on any specific industry



Revenue Distribution by Clients

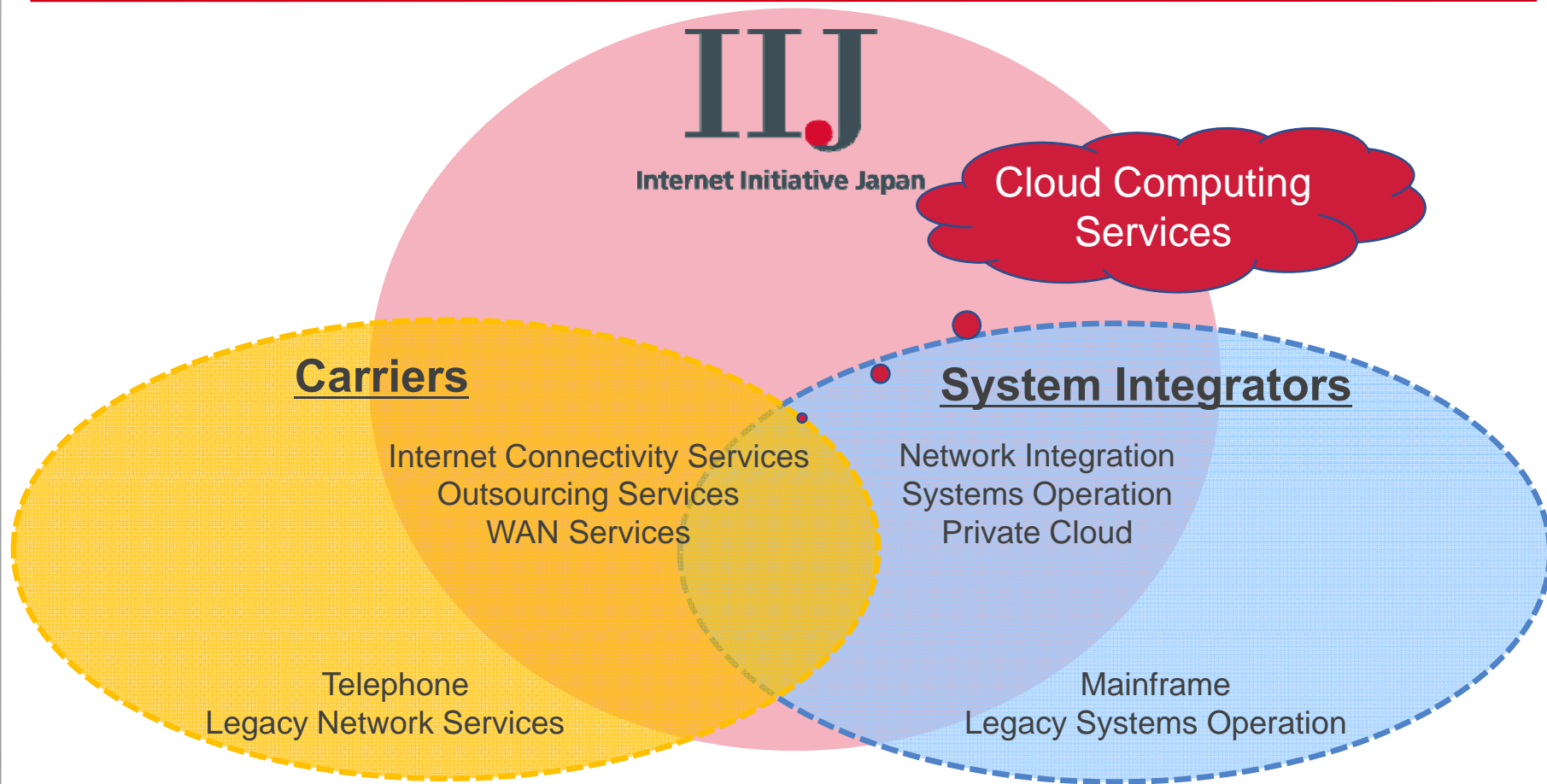
Not dependent on any specific company

* largest client revenue is less than 5% of the total



Source: IIJ's FY2012 consolidated financial results

Competitive Advantages



IIJ...
has many **highly skilled network engineers**
rapidly corresponds to the Internet market
focuses on enterprises
has **an established brand** among blue-chips
has flat organization structure

IIJ...
operates its **own backbone network**
develops network services in-housed
targets new IT market, not legacy SI
has long and rich experience in server operation
has moderate number of employees

Customer Retention Strategy

Cross-selling of Services

Provide high quality and reliable services

Develop and introduce new technologies and solution continuously

Leverage and strengthen client base

Seizing business opportunities in the transitional phase of companies internal network system

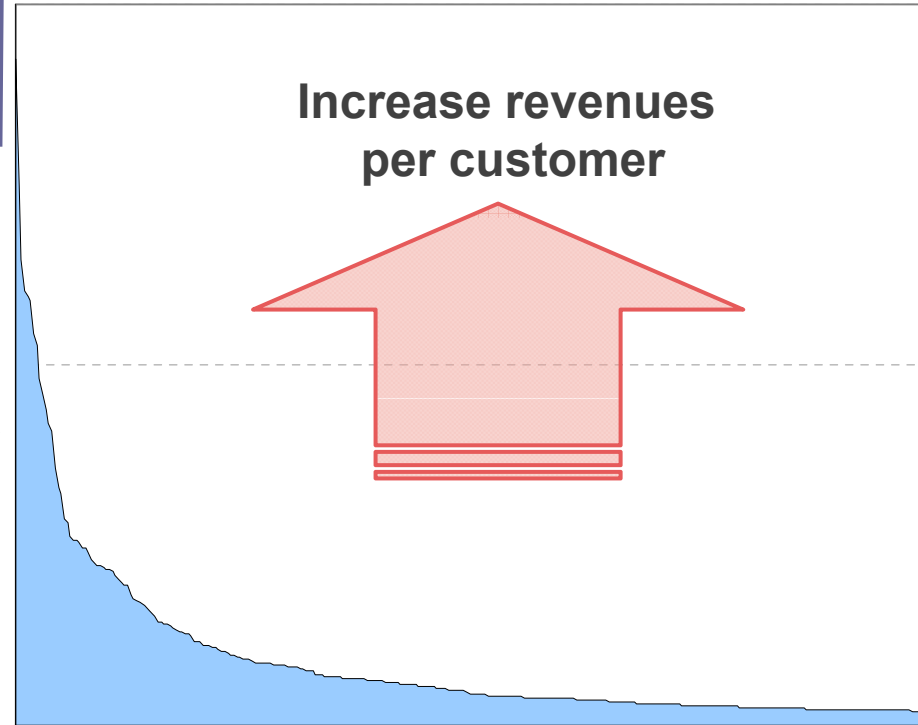
Maximize IIJ's potential as a total network service provider

Focus on cloud computing services

Revenues by Customer

Solid Growth Strategy

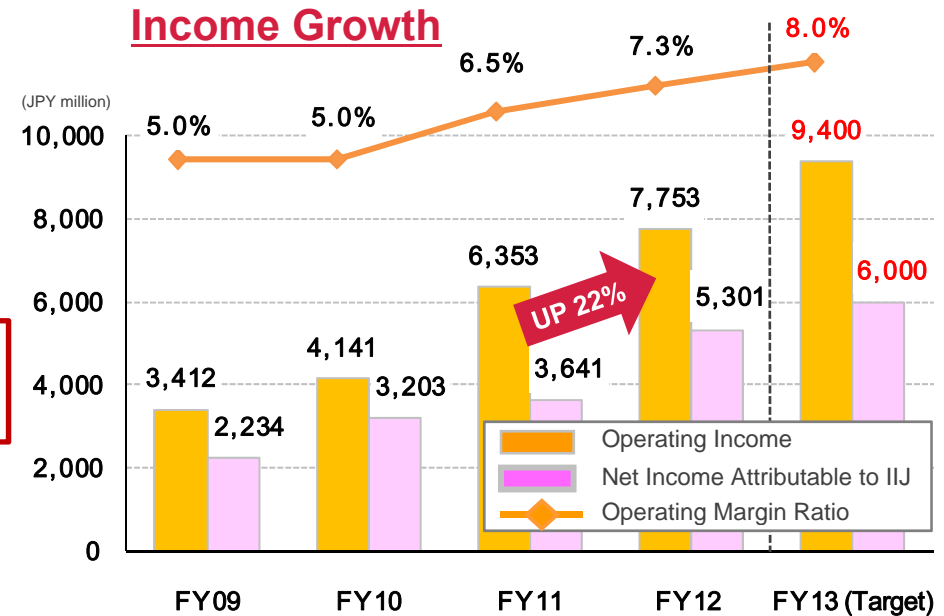
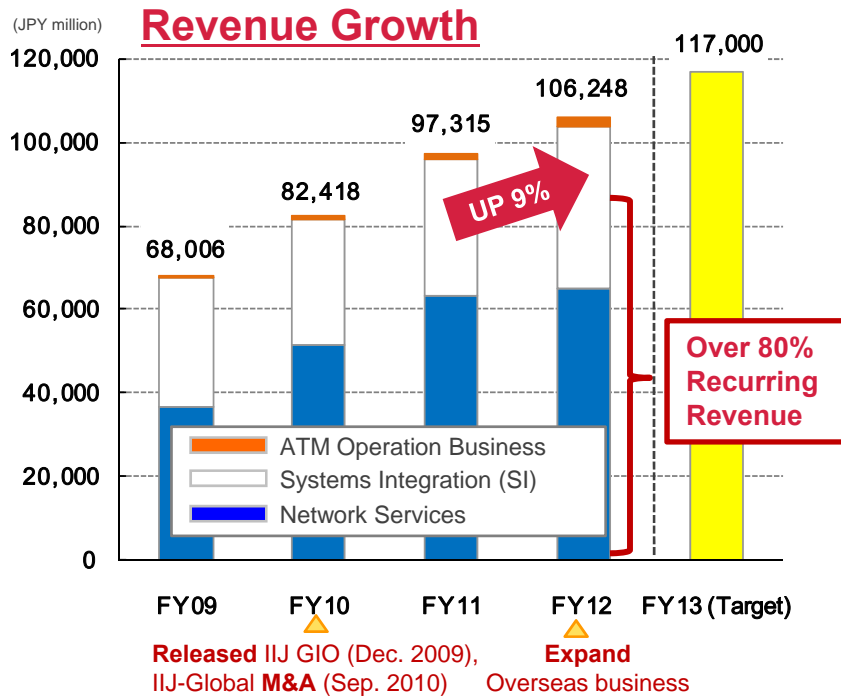
Increase revenues per customer



Number of Customers

- Increased demands of outsourcing and cloud computing
- Indispensable IT investment in the mid-to-long-term

Proven Solid Business Strategy and FY13 Target



- ◆ Stable growth with **over 80% of recurring type revenues**
- ◆ **SI revenue to expand further** with the return of IT investment
- ◆ **ATM operation business to continuously grow in both revenue and income** by increasing the number of placed ATMs and daily transaction
- ◆ Seasonal factors: 1Q revenue tends to shrink with price down pressure by certain large network services clients, Relatively small systems construction volume, and increased fixed expenses

Growth Strategy Hereafter

<p>Connectivity Services</p>	<ul style="list-style-type: none"> • Survived tough competition. Few high-end corporate ISPs remain • Rapid traffic increase → Bandwidth migration → Further revenue growth • Enjoying greater network efficiency by having multiple revenue sources on the Internet backbone • Providing services to blue-chip clients web contents providers and other who require reliable connectivity at a large amount • Home connectivity: LTE services (launched in Feb. 2012) leading the growth
<p>Cloud Computing Services</p>	<ul style="list-style-type: none"> • Launched in Dec. 2009, gathered over 1,000 corporate users • Network outsourcing opportunities arise, shift from legacy system integrators • Leading cloud service market, top share in Japanese public cloud market for 2 consecutive years • Revenue: FY10 JPY0.6 billion → FY11 JPY3.1 billion → FY12 JPY6.2 billion, FY13 JPY10.0 billion (plan) <p style="text-align: right;">IJG10</p>
<p>Outsourcing Services</p>	<ul style="list-style-type: none"> • Constantly developing new services to deal with evolving Internet threats such as DDoS attacks • Continuous needs for security and datacenter related services etc.
<p>Overseas Business</p>	<ul style="list-style-type: none"> • Headed overseas to support Japanese corporate customers • Providing cloud services in the U.S. (Apr. 2012), China (Jan. 2013), and the UK (Apr. 2013) • Planning further expansion of overseas cloud in accordance with clients' needs • FY12 overseas revenue: approx. JPY3.6 billion
<p>ATM Operation Business</p>	<ul style="list-style-type: none"> • Strong revenue and income driver in mid-term
<p>R&D</p>	<ul style="list-style-type: none"> • Key theme: Software Defined Network (SDN), has been developing SDN platform software since Sep. 2012, Products have been used by major network operators in Japan for evaluation purpose

Best Positioned in Cloud Market



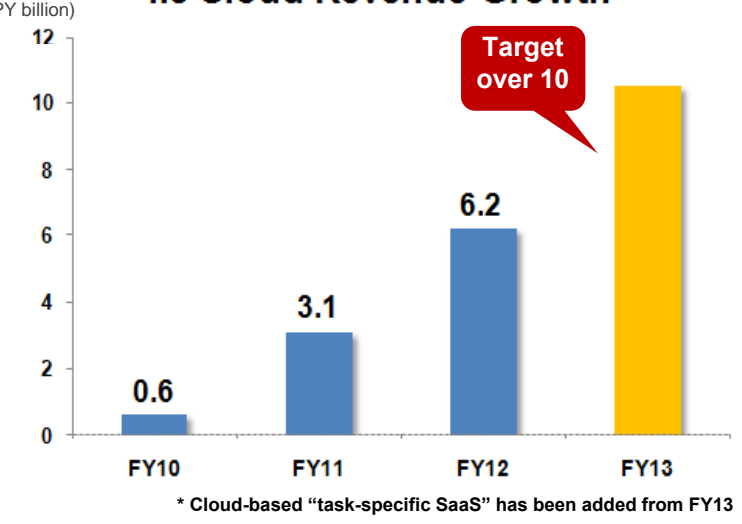
- Launched services in Dec. 2009, chosen for service reliability and exceptional network operation skills
- Ranked as **the top share** in Japanese public cloud market for **2 consecutive years** (Fuji Chimera Research Inst., July 2012 and Aug 2013)
- Continuously adding service line-ups to meet enterprises' needs
 - Providing **VMware hypervisor functions** - targeting **hybrid cloud** usage
 - Offering **Oracle Database** on a monthly basis, first in Japan
 - Providing **IBM i (AS400), SAP BASIC** and many other business familiar SW
- Invest in servers, storages and DC etc. and offer them as service
- Number of IIJ GIO partners exceeds over 400 (as of June 2013)
- **Target blue-chip companies' internal IT systems**
- Cloud business to grow significantly in about next 5 years by leveraging our rich blue-chip client base along the side of IT systems life cycle

Fastidious Users

SBI Holdings, Inc.	NTT DOCOMO, INC.	Saitama Prefecture
Ministry of Education, Culture, Sports, Science and Technology	Nomura Securities Co., Ltd.	SUMITOMO FORESTRY INFORMATION SYSTEMS CO.,LTD
Nippon Life Insurance Company	DAIWA HOUSE INDUSTRY CO., LTD	TOMY COMPANY,LTD.
Tokyo Stock Exchange, Inc.	Sompo Japan Insurance Inc.	SHIMIZU CORPORATION
Ricoh Company, Ltd.	Nihon University	Japan Mint

.... and many more

IIJ Cloud Revenue Growth

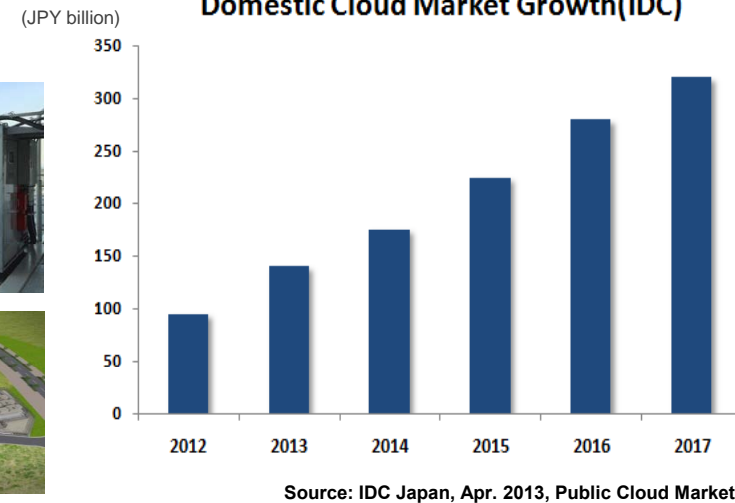


Modules Type Datacenter

- Low cost and energy-efficient container unit DC
- First in Japan to commercialize such DC
- Opened the 2nd site in Nov. 2013 (1st in Apr. 2011)
- Awarded patent for "Co-Izmo" alignment
- PUE* 1.2 by applying outside air cooling system
 - Average PUE 1.9 (Source: Green IT Promotion Council, Feb. 2011)
 - *PUE(Power Usage Effectiveness)



Domestic Cloud Market Growth(IDC)



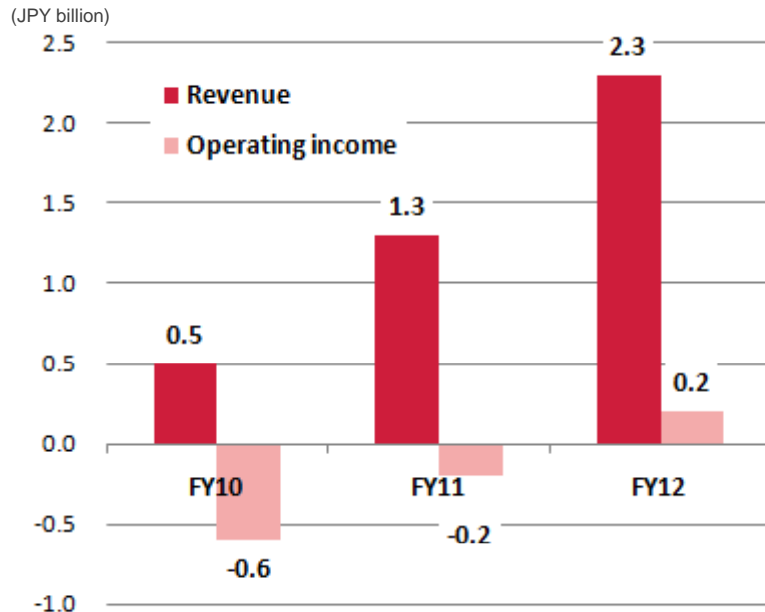
ATM Operation Business Developments



◆ Business Model

- Receive commission for each withdrawal transaction
- Now in a start-up phase
- Strong revenue & income driver in mid-term

◆ Financial Results



Number of Placed ATMs	
May 13, 2011	280
May 15, 2012	440
May 15, 2013	625
Aug. 6, 2013	652
Nov. 8, 2013	698



< Trust Networks Inc. >

- 79.5% subsidiary
- Established in July 2007
- Pursue ATM operation business



Total number of ATMs & daily usage per ATM are the keys to profit growth

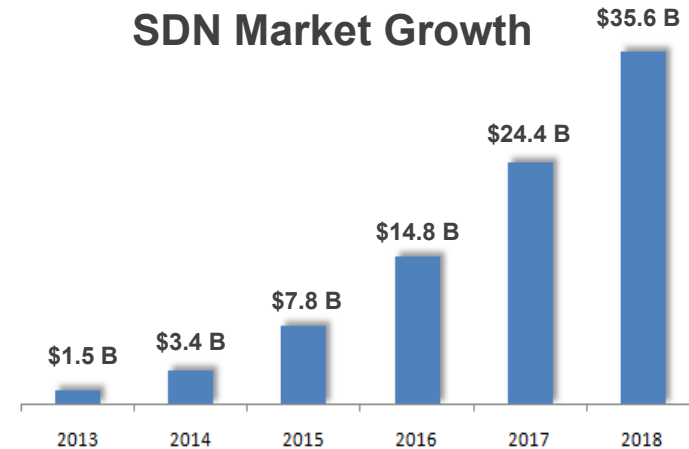


Developing SDN Platform – Focused R&D Theme

SDN(Software Defined Network): future networking technology, network is virtualized and controlled by software, independent from physical boundaries

- Aim to be the leader in SDN market
 - Develop services internally
 - Apply the technology to IJ’s large backbone network for even better efficiency in the future
- Covers broad networking reach of Cloud/WAN/Enterprise LAN on a single platform
- Partnership with *Hitachi Cable* in developing SDN-WAN

SDN Market Growth



Source: Infographic by SDNCentral, Plexxi, and Lightspeed Venture Partners <http://www.sdncentral.com/infographic-sdn-market-to-reach-35b-by-2018/>

Stratosphere Inc.

- Stakeholder composition: 50% IJ, 50% ACCESS
- Established: April 2012
- Business: R&D of NaaS (Network as a Service)

Stratosphere SDN Platform 1.0

- Released: October 2012
- Controller of virtualized network platform
- Applicable to OpenFlow, Overlay Protocols, MPLS, IPsec etc
- Users: data center operators, large EC operators, cloud service operators, and service providers

OmniSphere

- Released: August 2013
- Controller enabling automatic and flexible network configuration
- Ubiquitous networking environment
- Compatible switch made by *Allied Telesis*



“the unique combination of a big ISP/Cloud operator (IJ) and a routing/networking engine software provider (ACCESS) is the best match for developing the next-generation networking platform” Toshiya Asaba (CEO/President of Stratosphere Inc.)

FY2013 Financial Target (Remain unchanged from May 15, 2013)

- Due to seasonal factors, revenue volume is larger in 2nd half than 1st half while fixed type expenses such as personnel-related expenses tend to increase from the beginning of a fiscal year
- 1H13 operating income decreased YoY mainly due to:
 - 1) increase in fixed type expenses such as personnel and office-related expenses, reflecting the increased number of new employees accordingly with our business expansion strategy,
 - 2) relatively small systems construction revenue recognition while we accumulated a large number of order backlog,
 - 3) decrease in recurring revenue from certain large telecommunication and SNS game clients for pricing revision at the beginning FY2013 and reduction in their server usage
- FY2013 financial target remain unchanged: systems construction orders accumulated at a good pace, monthly recurring revenue of network services and systems operation and maintenance should continue to grow

(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 (Annual)	+JPY 3.25	+17.3%

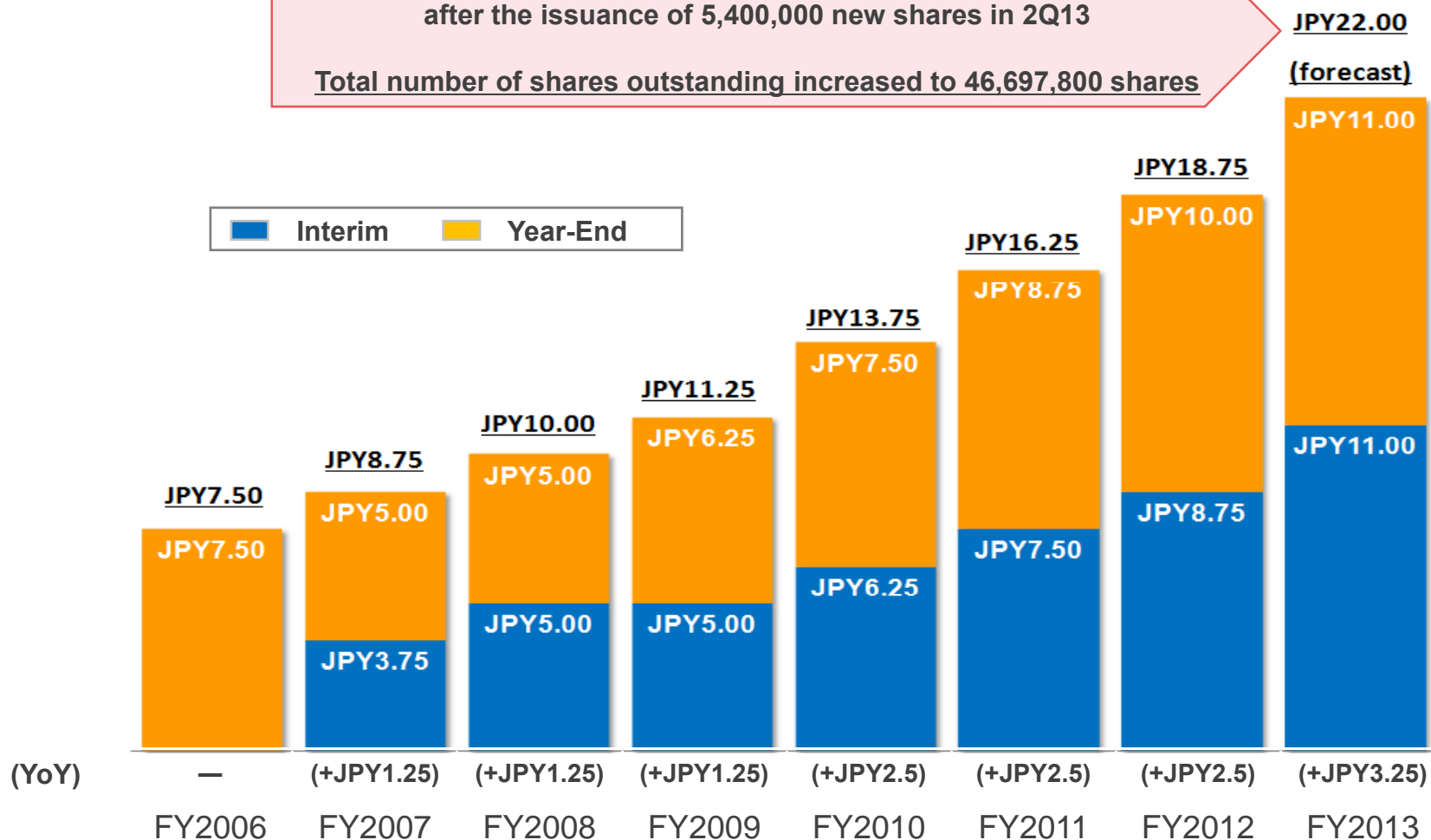
*1
Changed from JPY148.01 announced on May 15, 2013 due to the issuance of new shares of 5,400,000 shares of common stock in July and August 2013.

*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.

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



IIJ Group – The Way Forward

Market Opportunity

- ◆ Increased usage of network based systems
- ◆ Widespread use of cloud computing services
- ◆ **Explosion of data traffic** due to the growing popularity of smart devices
- ◆ **Return of IT investments** supported by the recent Japanese economy recovery

Stronger Management

- ◆ **Katsu COO** to reinforce client relations both domestically and internationally
- ◆ **Suzuki CEO** to focus on technology R&D and new service innovation
- ◆ **Proactive recruitment** to acquire business resources and develop business faster

Stronger Capital Base

- ◆ Secured **JPY17.3 billion** with equity finance in 2Q FY13
 - **Strengthen cloud** related facilities
 - Continuously seeking **M&A opportunities**

Sustainable Growth & Scaling-up

To take IIJ Group to the next level of growth and achieve a wider scope of business, we are to accelerate our core business development and execute a possible M&A that shall produce high synergy with the rich resources IIJ Group has.

**Consolidated Financial Results for 1H FY2013
Announced on November 8, 2013**



Internet Initiative Japan

I . Summary of 1H FY2013 Financial Results

< 1H FY2013 Financial Results >

• Revenues	JPY54,397 million	(up 6.4% YoY)
• Gross margin	JPY10,430 million	(up 2.8% YoY)
• Operating income	JPY3,009 million	(down 7.8% YoY)
• Income before income tax expense	JPY3,348 million	(up 5.4% YoY)
• Net income attributable to IIJ	JPY2,205 million	(up 9.9% YoY)

◆ Strong IT investment demand, Solid market situation

- SI revenue: **up JPY1.55 billion, up 9.0% YoY**
 - Construction & equipment sales order backlog: **up JPY1.46 billion, up 30.4% YoY**
 - Aggressive IT investment along with *Abenomics*, expecting large SI revenue recognition in 2H13
- Network services revenue: **up JPY1.35 billion, up 4.2% YoY**
 - Corporate: Number of over Gbps contracts continue to increase, 1Q seasonal factor of price pressure from certain large users lasted longer but revenue growth should recover in 2H13
 - Consumer: YoY revenue growth due to LTE service growing popularity
- Cloud revenue: **JPY4.7 billion**, continue expanding enterprise service lineups

◆ Strengthening human resources for the next level of growth

- Added 195 personnel from Mar. 2013, FY13 plan includes addition of 250 personnel
- Expenses related to personnel & office each increased by JPY870 million & JPY300 million YoY

◆ Expenses increased with proactive business expansion while concentrated revenue recognition in 2H13, operating income decreased by JPY250 million YoY

- Certain large SNS game & telecommunications users decreased usage in recurring revenue, should absorb the negative impact in 2H13
- Overseas business in start-up, downward effect of JPY150 million YoY

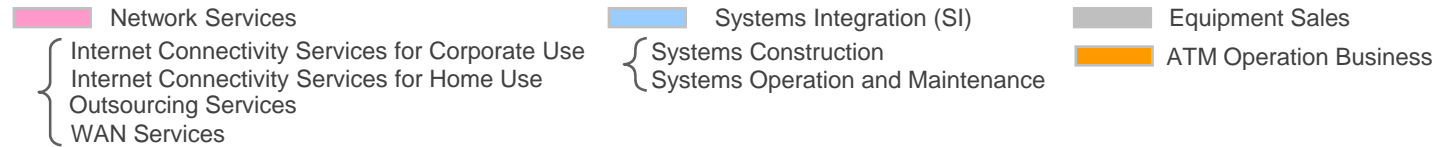
◆ FY2013 targets remain unchanged as our business expansion continues hereafter

II - 1. Consolidated Financial Results for 1H FY2013

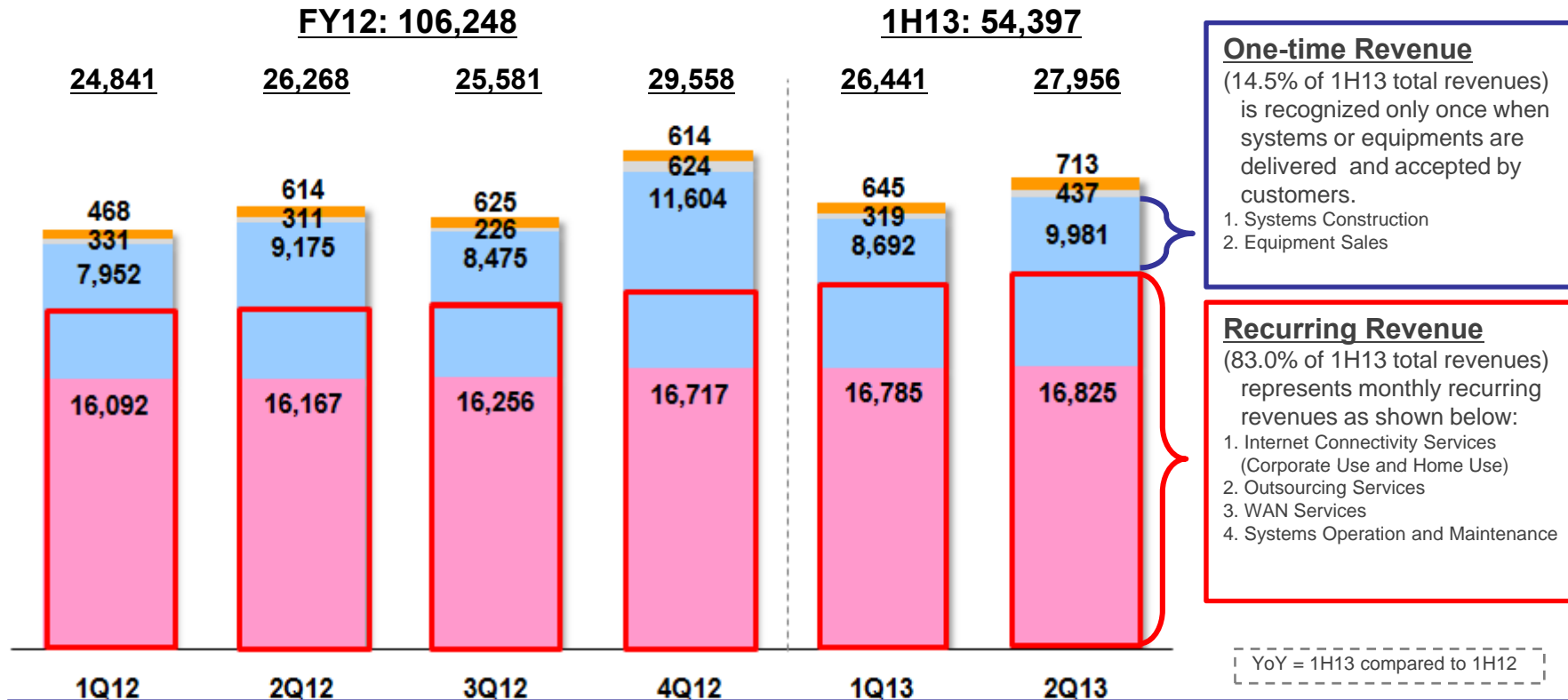
(Unit: JPY billion)

	% of Revenues 1H13 (13/4~13/9)	% of Revenues 1H12 (12/4~12/9)	YoY (Change in %)	% of Revenues 1H13 Target (13/4~13/9)	Actual against Target in %
Total Revenues	54.4	51.1	+6.4%	54.5	(0.2%)
Total Cost of Revenues	80.8% 44.0	80.1% 41.0	+7.3%	—	—
Gross Margin	19.2% 10.4	19.9% 10.1	+2.8%	—	—
SG&A/R&D	13.6% 7.4	13.5% 6.9	+7.8%	—	—
Operating Income	5.5% 3.0	6.4% 3.3	(7.8%)	6.2% 3.4	(11.5%)
Income before Income Tax Expense	6.2% 3.3	6.2% 3.2	+5.4%	5.9% 3.2	+4.6%
Net Income attributable to IIJ	4.1% 2.2	3.9% 2.0	+9.9%	3.7% 2.0	+10.2%

II - 2. Revenues



Unit: JPY million



One-time Revenue
 (14.5% of 1H13 total revenues) is recognized only once when systems or equipments are delivered and accepted by customers.
 1. Systems Construction
 2. Equipment Sales

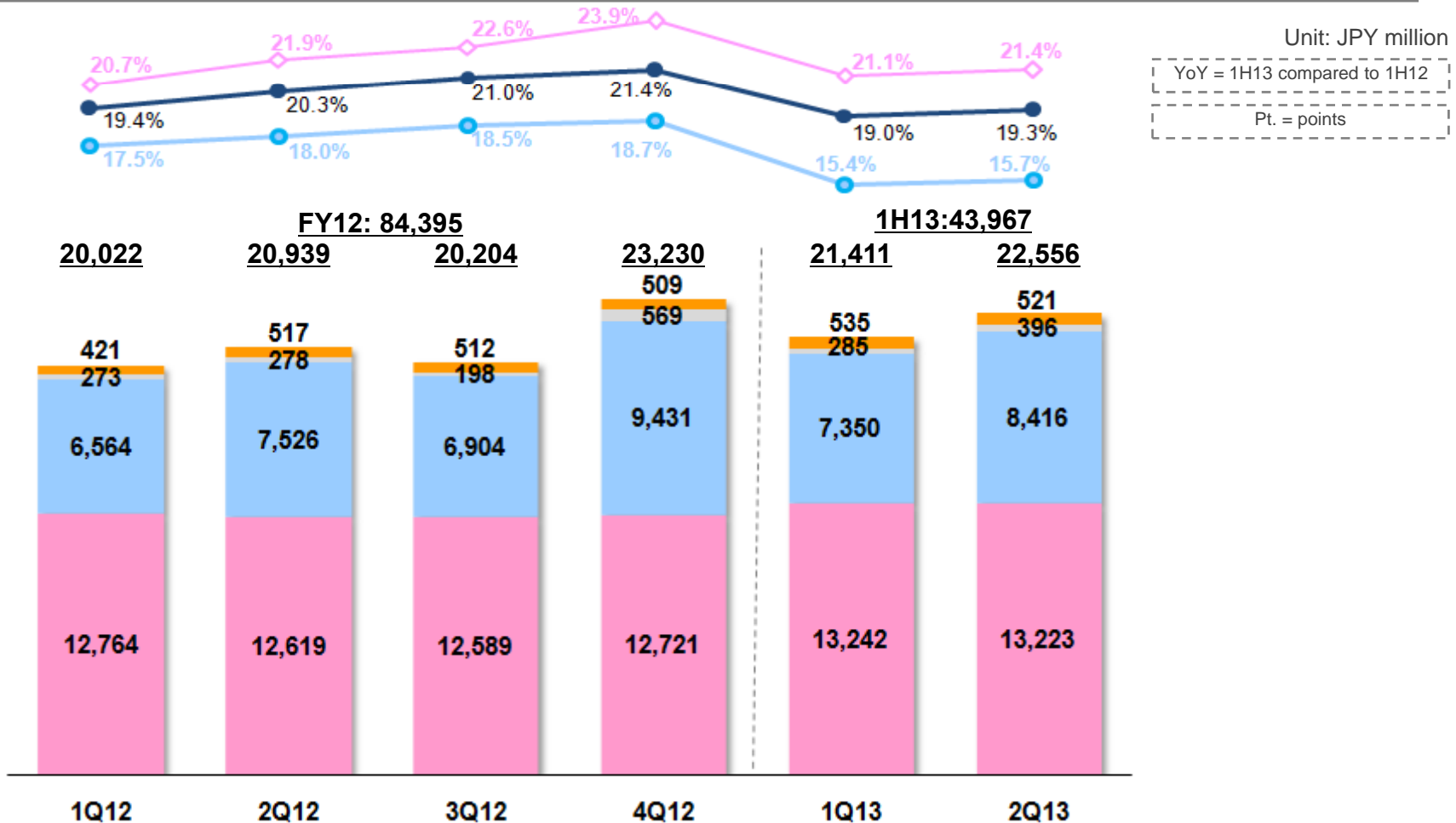
Recurring Revenue
 (83.0% of 1H13 total revenues) represents monthly recurring revenues as shown below:
 1. Internet Connectivity Services (Corporate Use and Home Use)
 2. Outsourcing Services
 3. WAN Services
 4. Systems Operation and Maintenance

YoY = 1H13 compared to 1H12

- ◆ 1H13 Network services revenue: JPY33,611 million (up 4.2% YoY)
- ◆ 1H13 Systems integration revenue: JPY18,673 million (up 9.0% YoY)
- ◆ 1H13 Equipment sales revenue: JPY755 million (up 17.7% YoY)
- ◆ 1H13 ATM operation business revenue: JPY1,358 million (up JPY million YoY, up 25.5% YoY)
- ◆ 1H13 Recurring revenue: JPY45,132 million (up 5.7% YoY)
- ◆ 1H13 One-time revenue: JPY7,907 million (up 7.8% YoY)

II - 3. Cost of Revenues and Gross Margin Ratio

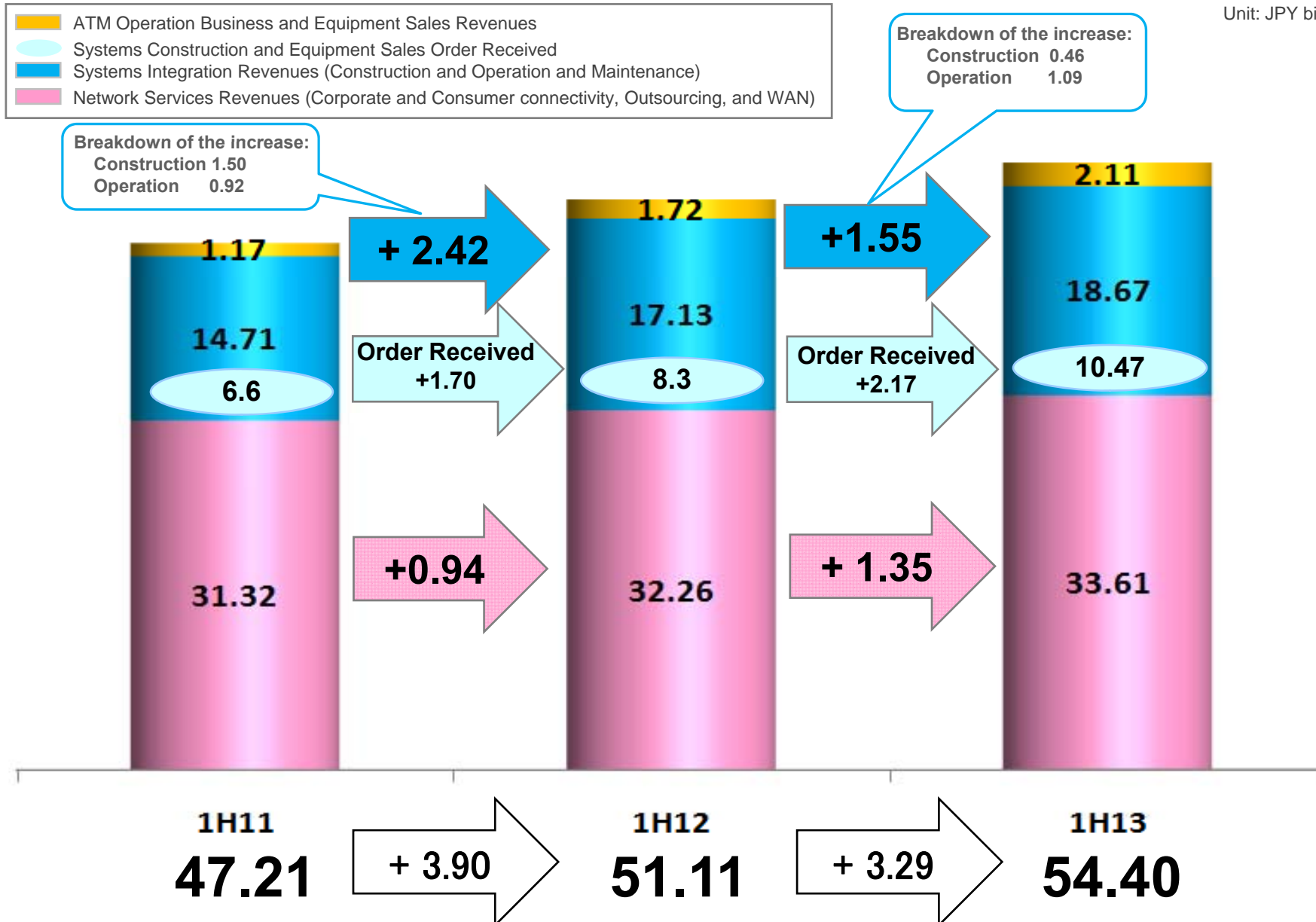
Cost of revenues : Network Services (pink), Systems Integration (SI) (light blue), Equipment Sales (grey), ATM Operation Business (orange)
 Gross margin ratio : Network Services (pink diamond), Systems Integration (SI) (light blue circle), Total Revenues (dark blue circle)



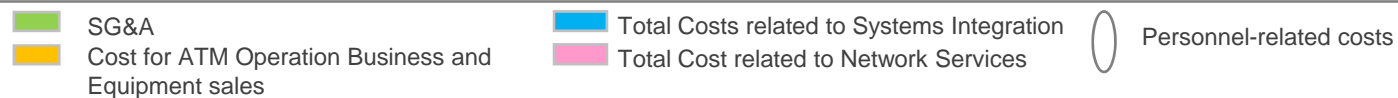
1H13 Gross margin: JPY10,430 million (up JPY283 million YoY, up 2.8% YoY), Gross margin ratio: 19.2% (down 0.7 Pt. YoY)
 ◆ 1H13 Network services gross margin: JPY7,146 million (up JPY270 million YoY, up 3.9% YoY), Gross margin ratio: 21.3% (down 0.1 Pt. YoY)
 ◆ 1H13 SI gross margin: JPY2,908 million (down JPY129 million YoY, down 4.3% YoY), Gross margin ratio: 15.6% (down 2.2 Pt. YoY)
 ◆ 1H13 ATM operation business gross margin: JPY302 million (up JPY158 million YoY)

II - 4. 1H Revenue YoY Change

Unit: JPY billion

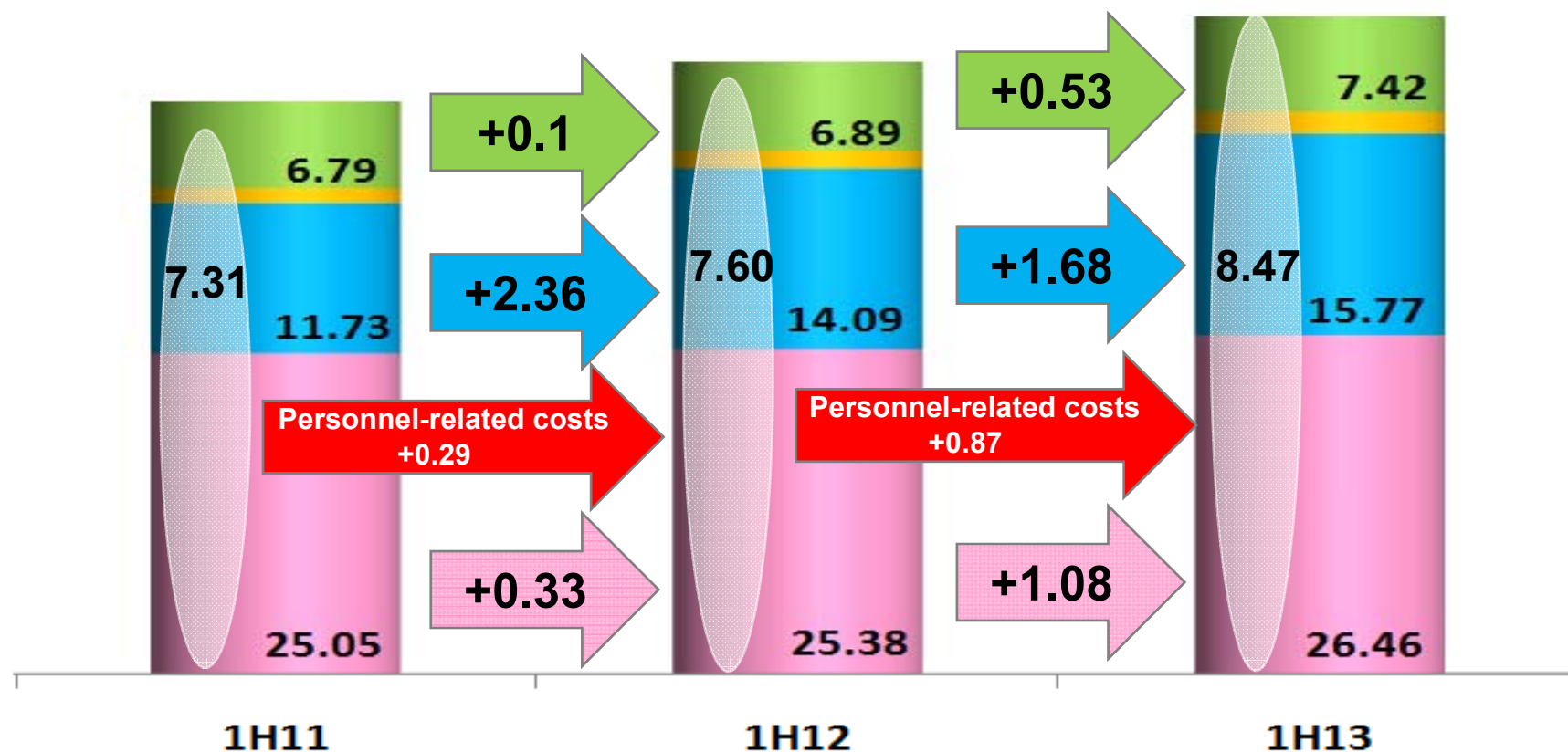


II - 4. Operating Cost and Income YoY Change



Unit: JPY billion

Operating Cost



Operating Income

2.45

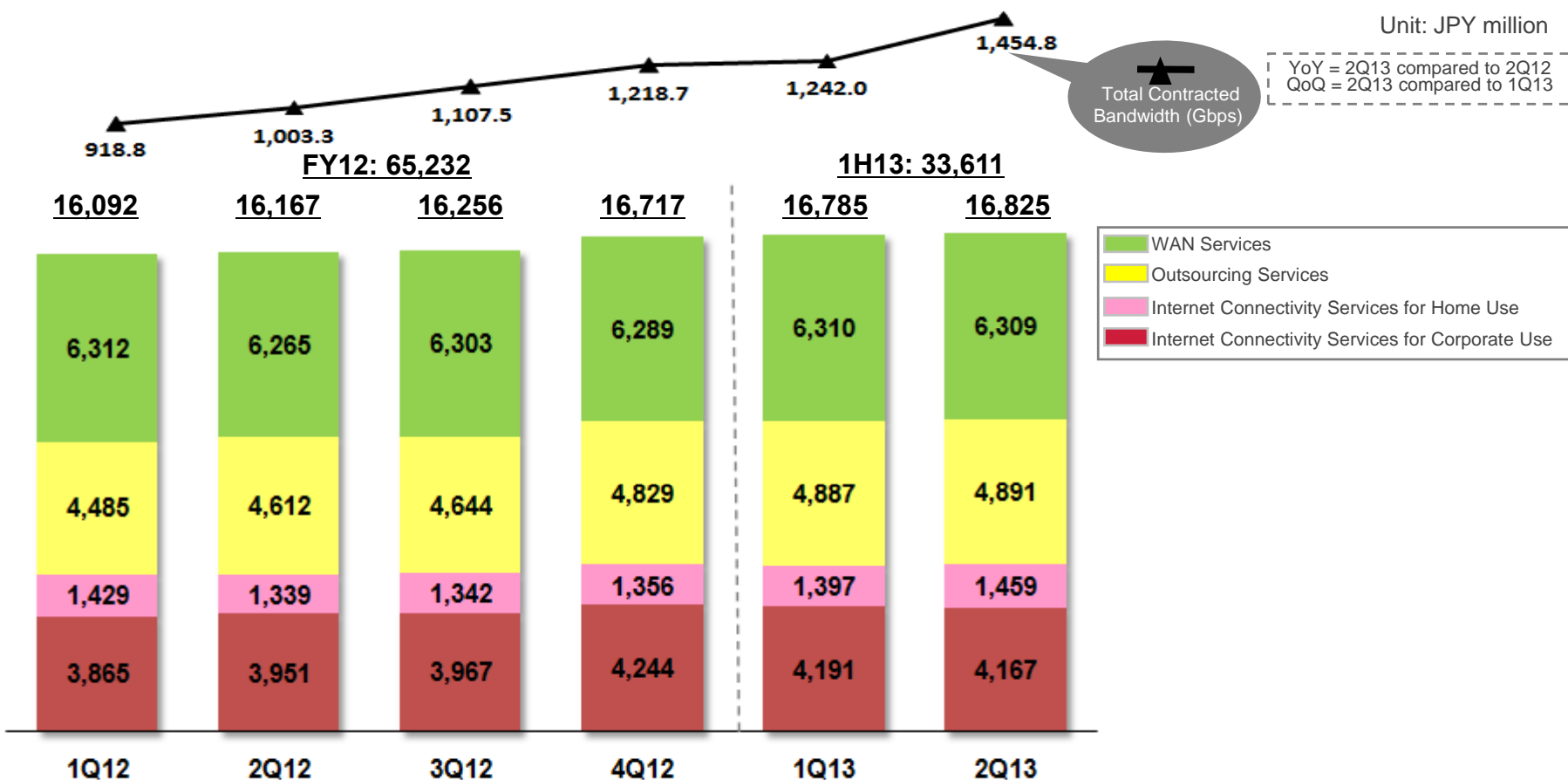
+0.81

3.26

(0.25)

3.01

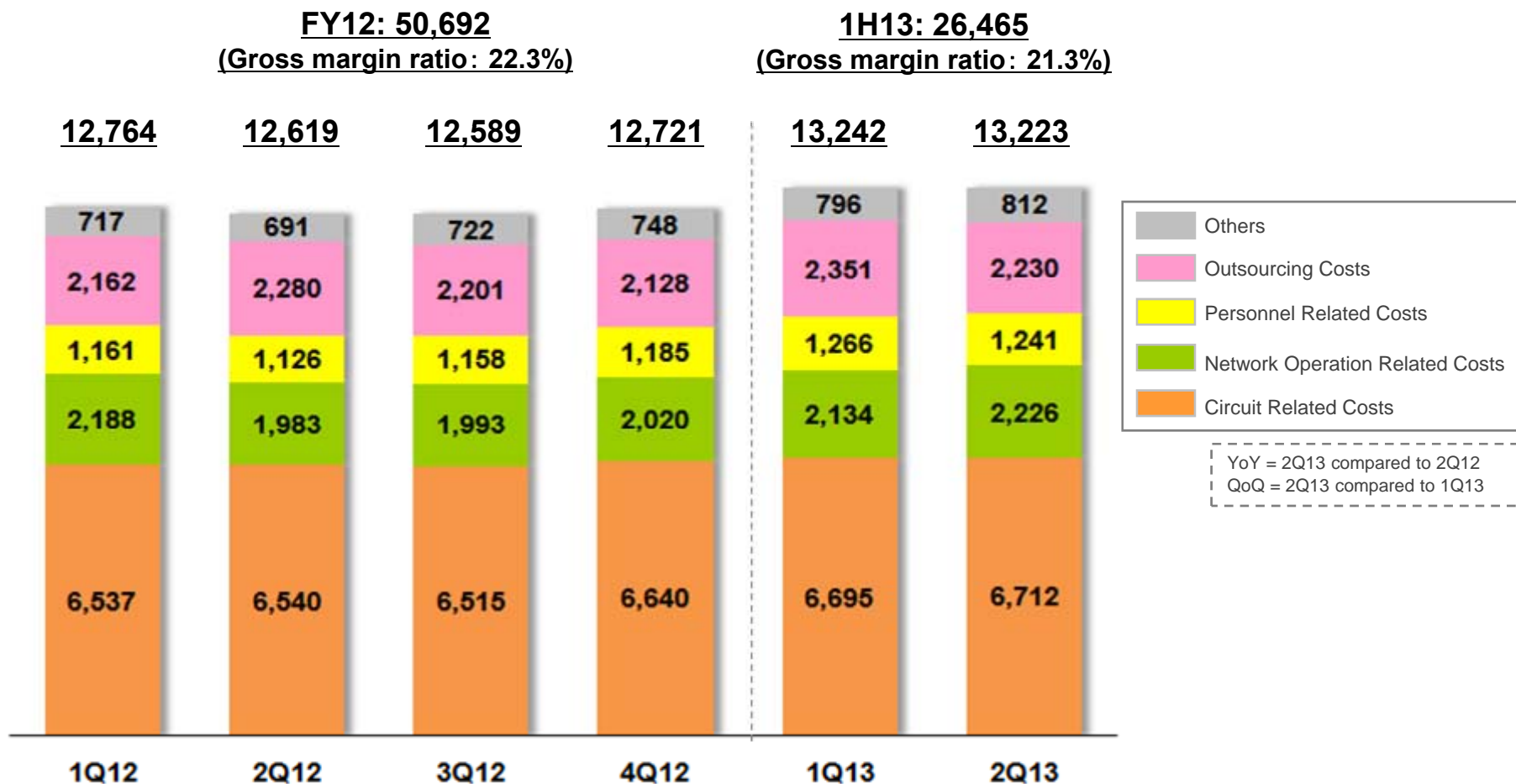
II - 5. Network Services (1)Revenues



- ◆ **2Q13 Corporate Connectivity:** up JPY216 million YoY, up 5.5% YoY, down JPY24 million QoQ, down 0.6% QoQ
 - Slightly decreased QoQ mainly due to the 1Q seasonal factor of price pressure from certain large users and mergers at clients side
 - Contracts for over 1Gbps as of Sep. 30, 2013: 255 (June 30, 2013: 235, Sep. 30, 2012: 164)
- ◆ **2Q13 Home Connectivity:** up JPY120 million YoY, up 8.9% YoY, up JPY61 million QoQ, up 4.4% QoQ
 - LTE services led the growth, net additions of contracts increasing: 22,000(2Q13) -> 18,700(1Q13)
- ◆ **2Q13 Outsourcing services:** up JPY279 million YoY, up 6.0% YoY, up JPY4 million QoQ, up 0.1% QoQ
 - IJ GIO Hosting Package Services and datacenter-related services revenues continued to grow
 - Had revenue down from certain large SNS game clients by reduction in server usage
 - Email and web security gateway services were ranked as top share in the security services market in Japan (ITR "ITR market View: Security Market 2013")
- ◆ **2Q13 WAN services:** up JPY44 million YoY, up 0.7% YoY, down JPY1 million QoQ, down 0.0% QoQ

II - 5. Network Services (2)Cost of Revenues

Unit: JPY million

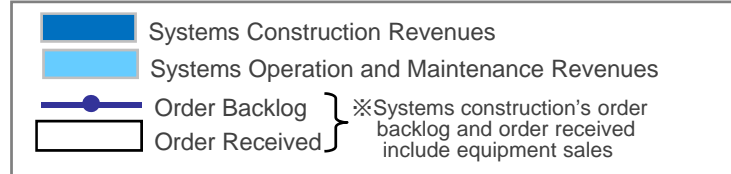
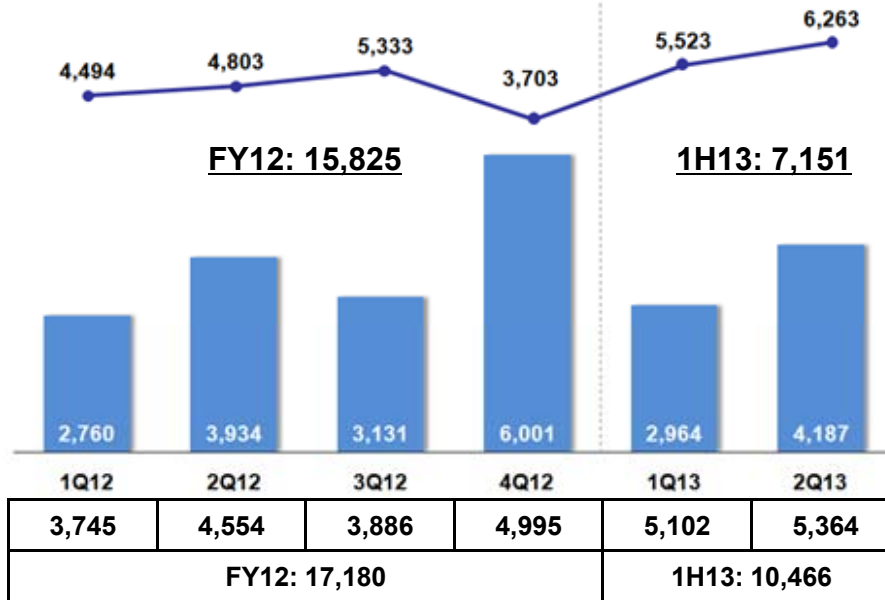


- ◆ 2Q13 Cost of network services: up JPY604 million YoY, up 4.8% YoY, down JPY19 million QoQ, down 0.1% QoQ
 - While expanding network continuously, the costs such as circuit-related costs are stable because of our scale-merited network efficiency

II - 6. Systems Integration (SI) (1)Revenues

<Systems Construction>

Unit: JPY million

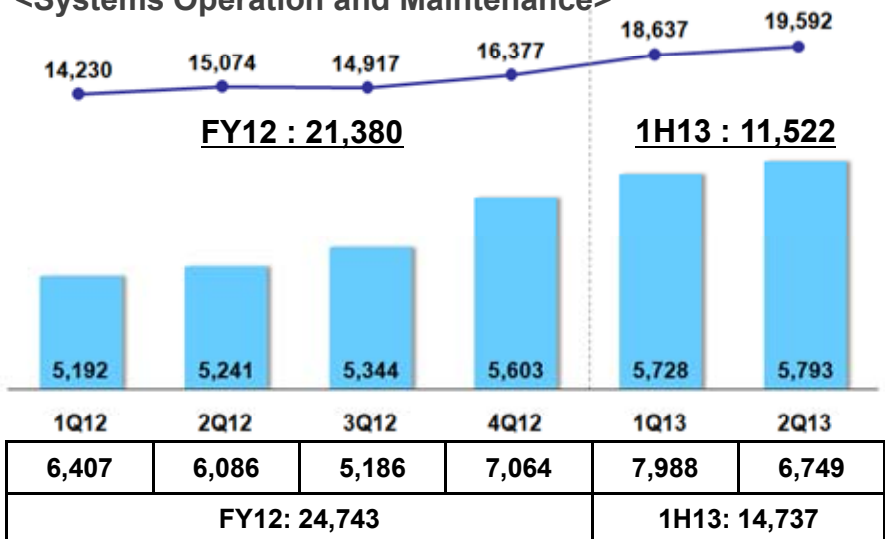


YoY = 2Q13 compared to 2Q12
QoQ = 2Q13 compared to 1Q13

Systems Construction

- ◆ 2Q13 Revenue: up JPY254 million YoY, up 6.4% YoY, up JPY1,223 million QoQ, up 41.3% QoQ
- ◆ 2Q13 Order received: up JPY810 million YoY, up 17.8% YoY, up JPY262 million QoQ, up 5.1% QoQ
- ◆ 2Q13 Order backlog: up JPY1,460 million YoY, up 30.4% YoY
 - Accumulating orders as corporate IT investment appetite returns
 - In addition to small to middle size network integration projects, acquiring large scale projects of over JPY0.1 billion such as university campus network replacement, BtoB system expansion, accordingly with the economic recovery

<Systems Operation and Maintenance>

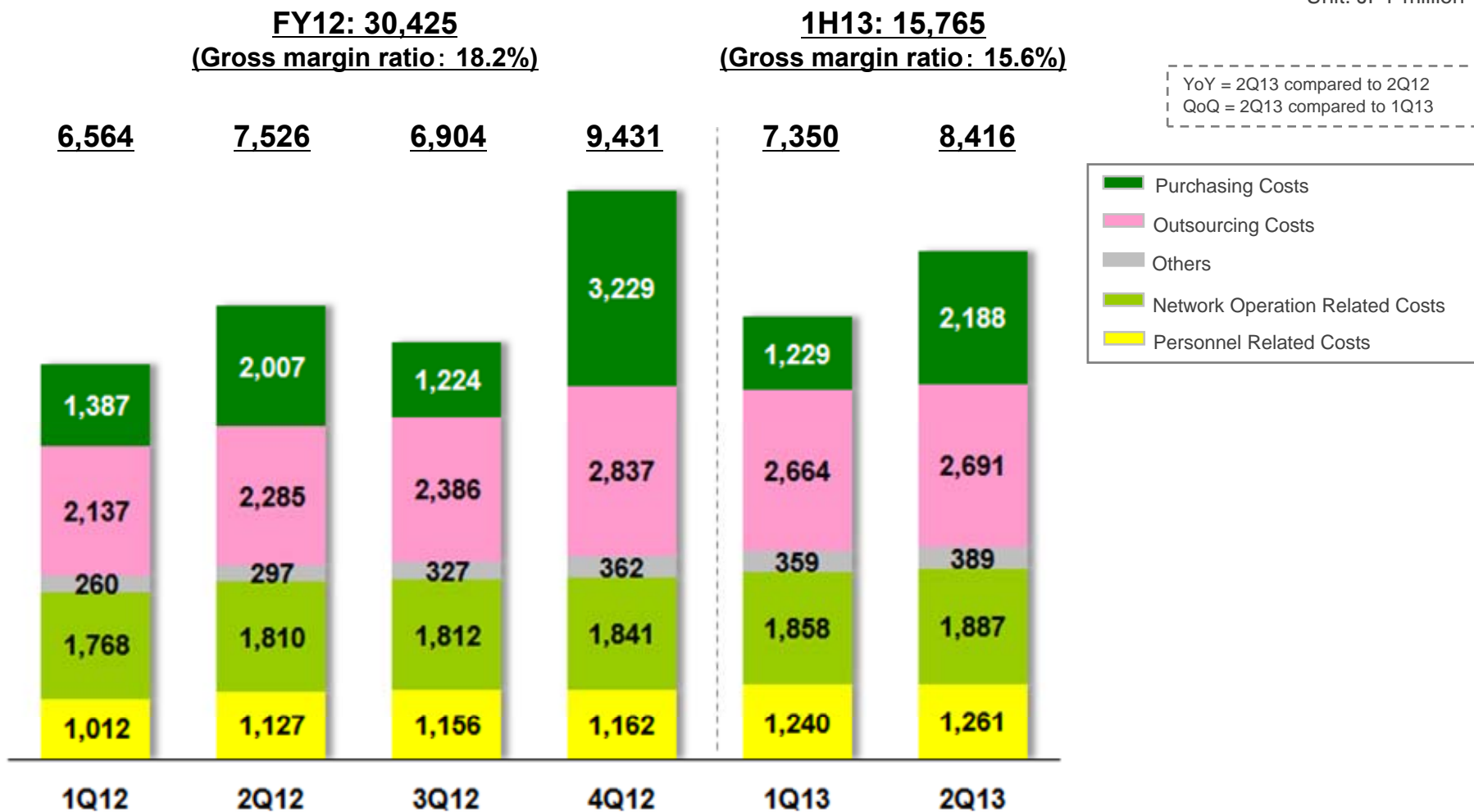


Systems Operation and Maintenance

- ◆ 2Q13 Revenue: up JPY552 million YoY, up 10.5% YoY, up JPY65 million QoQ, up 1.1% QoQ
- ◆ 2Q13 Order received: up JPY663 million YoY, up 10.9% YoY, down JPY1,239 million QoQ, down 15.5% QoQ
- ◆ 2Q13 Order backlog: up JPY4,518 million YoY, up 30.0% YoY,
 - 77% of 2Q13 cloud total revenues are recognized in systems operation and maintenance (the remaining 23% in outsourcing)
 - Had revenue down from certain large SNS game clients by reduction in server usage

II - 6. Systems Integration (SI) (2)Cost of Revenues

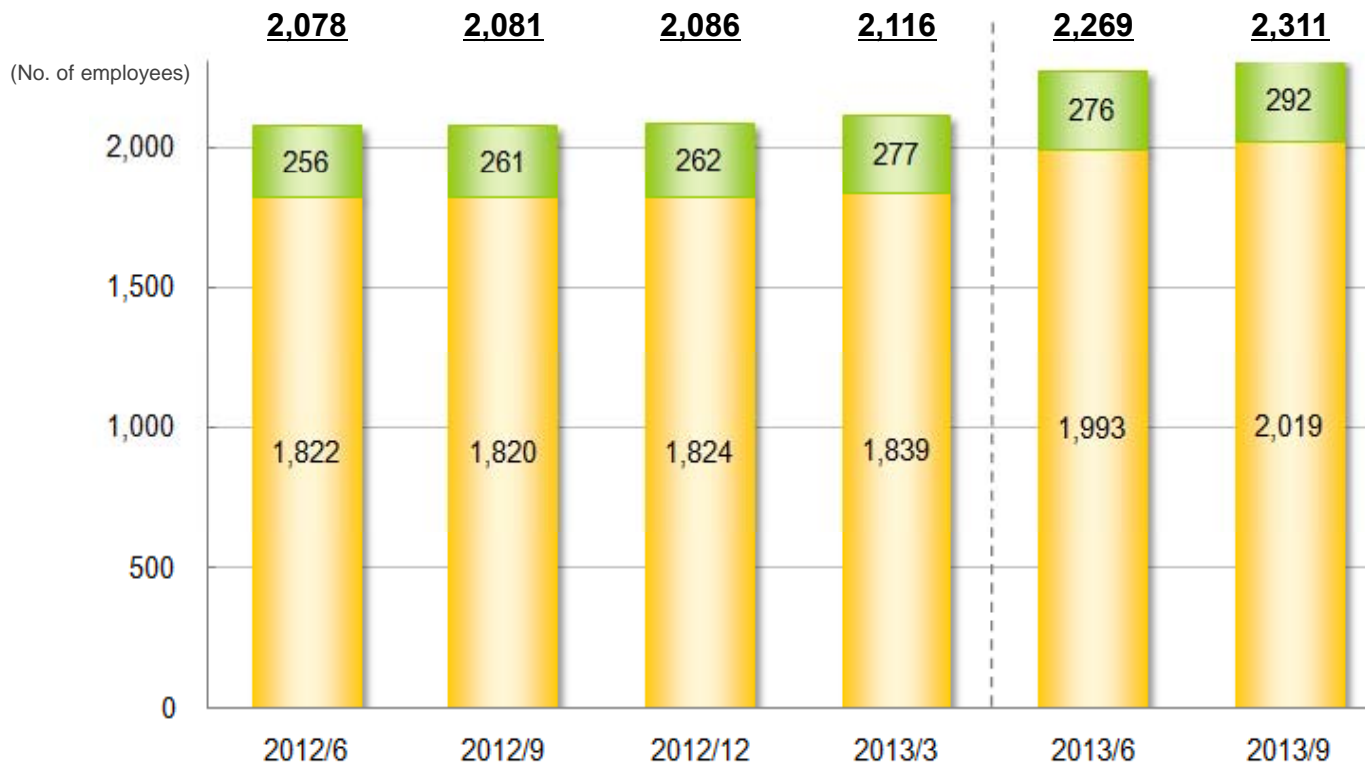
Unit: JPY million



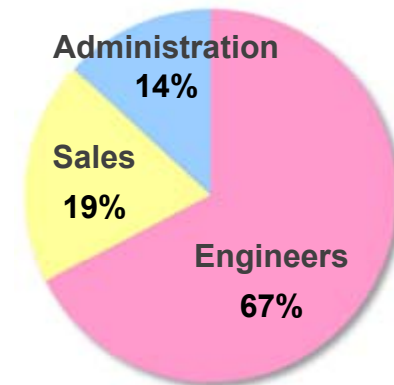
YoY = 2Q13 compared to 2Q12
QoQ = 2Q13 compared to 1Q13

◆ 2Q13 Cost of SI: up JPY890 million YoY, up 11.8% YoY, up JPY1,066 million QoQ, up 14.5% QoQ
 ➤ The number of full-time outsourcing personnel as of September 30, 2013: 744 (up 158 personnel YoY, up 61 personnel QoQ)
 ➤ Outsourcing costs and personnel related costs increased QoQ due to the increased number of projects

II - 7. Number of Employees



[Employee Distribution]



3,741 (15.1%)	3,858 (14.7%)	3,902 (15.3%)	3,979 (13.5%)	4,212 (15.9%)	4,254 (15.2%)
FY12: 15,480 (14.6%)				1H13: 8,465 (15.6%)	

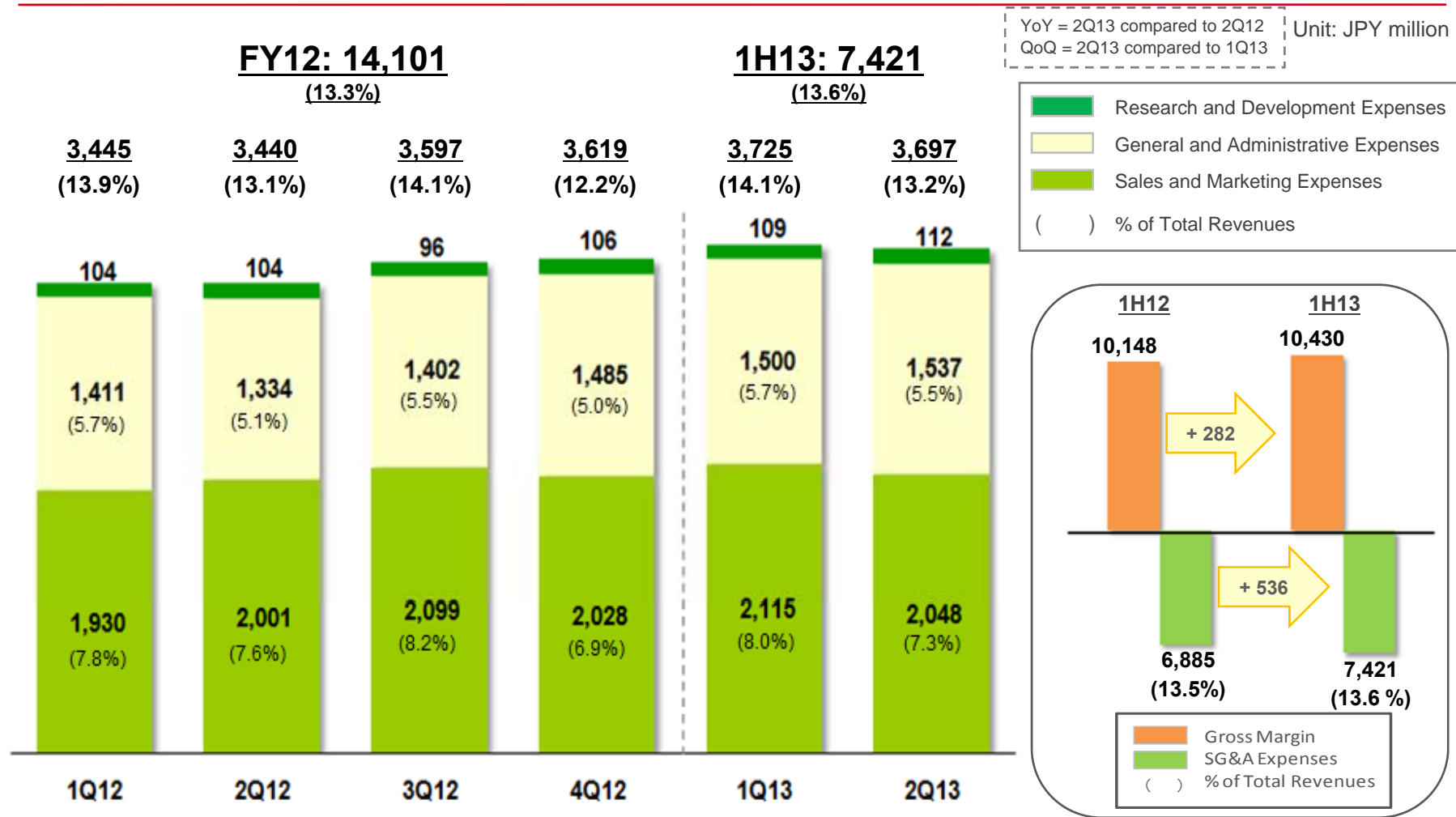
Personnel related costs and expenses (% of revenue)

Unit: JPY million

- ◆ 2Q13 Personnel-related costs and expenses: up JPY395 million YoY, up JPY42 million QoQ
- ◆ Hired 136 newly graduates in Apr. 2013 (Apr. 2012: 75 newly graduates)
 - Planning to hire about the same number of new graduates in Apr. 2014
- ◆ FY13 plan includes addition of 250 personnel

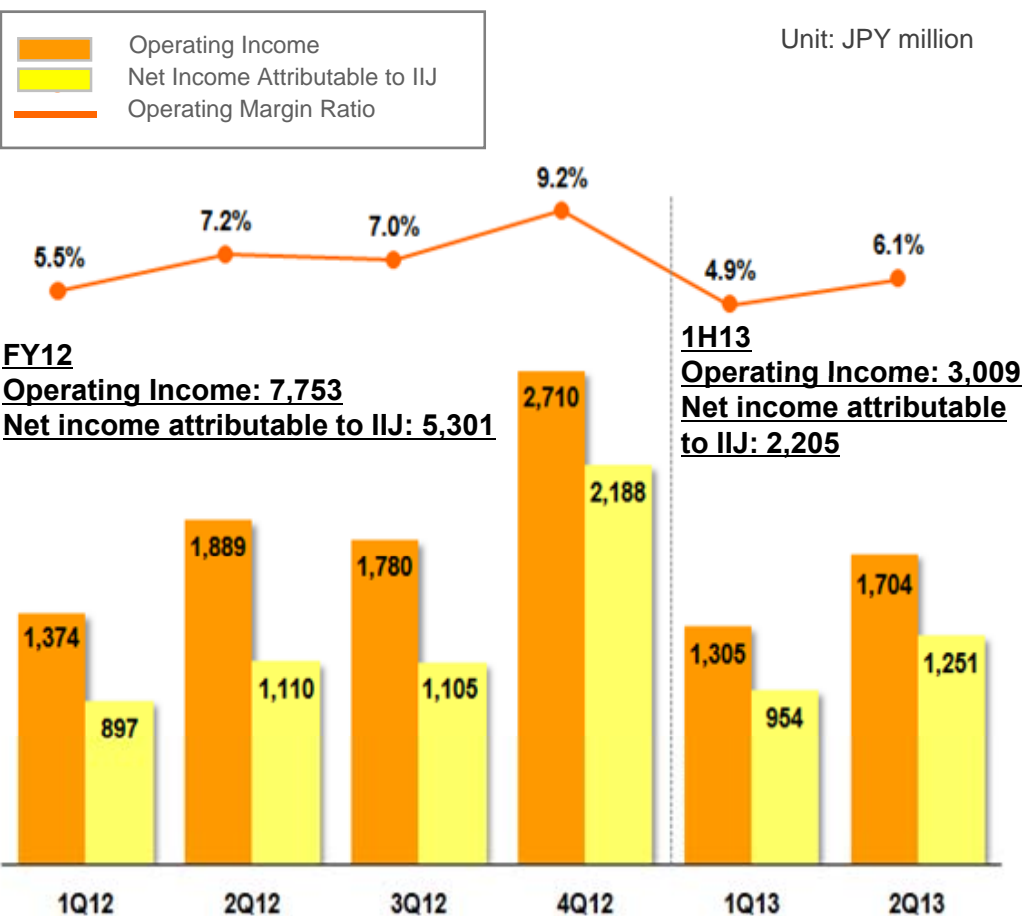
YoY = 2Q13 compared to 2Q12
QoQ = 2Q13 compared to 1Q12

II - 8. SG&A Expenses/R&D



- ◆ 2Q13 SG&A: up JPY257 million YoY, down JPY28 million QoQ, 13.2% of total revenue, down 0.1 points YoY
 - Personnel-related expenses increased YoY by JPY100 million, sales commission expenses increased YoY by JPY46 million, rent expenses increased YoY by JPY30 million

II - 9. Operating Income and Net Income



◆ ATM operation segment operating income:

Unit: JPY million

1Q12	2Q12	3Q12	4Q12	1Q13	2Q13
16	67	81	75	81	160
FY12: 239				1H13:241	

- 698 ATMs were placed as of Nov. 8, 2013

◆ 2Q13 Income before income tax expense:

JPY1,917 million

(up JPY114 million YoY, up 6.3% YoY)

- Majority of non-operating expenses is interest expenses
- Recognized gain on other investments of JPY172 million and foreign exchange gains of JPY47 million

◆ 2Q13 Net income attributable to IIJ: JPY1,251 million

(up JPY141 million YoY, up 12.7% YoY)

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

YoY = 2Q13 compared to 2Q12

	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	
	363	764	675	1,333	269	804	Current income tax expense
	152	(27)	28	(679)	268	(99)	Deferred tax expense (benefit)
	33	50	49	36	65	61	Equity in net income (loss) of equity method investees
	5	(6)	(10)	(5)	(5)	(22)	Net loss (income) attributable to non-controlling interests

II - 10. Summary of Consolidated Balance Sheets

(Unit: JPY million)

	March 31, 2013	September 30, 2013	Changes
Cash and Cash Equivalents	12,259	25,782	+13,523
Accounts Receivable	18,765	16,707	(2,058)
Inventories and Prepaid Expenses (Current and Noncurrent)	5,995	7,757	+1,762
Other Investments	3,771	5,180	+1,408
Property and Equipment	23,026	23,784	+758
Goodwill and Other Intangible Assets	10,761	10,537	(224)
Total Assets	82,111	97,842	+15,731
Accounts Payable	11,922	10,368	(1,554)
Income Taxes Payable	1,670	876	(793)
Bank Borrowings (Short-term and Long-term)	11,390	10,380	(1,010)
Capital Lease Obligations (Current and Noncurrent)	8,876	8,769	(106)
Total Liabilities	44,477	40,634	(3,843)
Common Stock	16,834	25,497	+8,663
Additional paid-in capital	27,300	35,933	+8,633
Accumulated Deficit	(6,399)	(4,600)	+1,800
Accumulated Other Comprehensive Income	264	715	+451
Total IJ Shareholders' Equity	37,607	57,153	+19,547

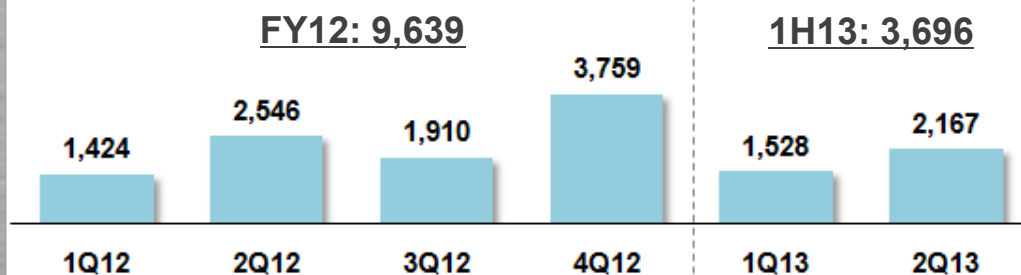
IJ shareholders' equity ratio:
45.8% (as of Mar. 31, 2013)
58.4% (as of Sep. 30, 2013)

II - 11. Consolidated Cash Flows

Operating Activities:

Unit: JPY million

YoY = 2Q13 compared to 2Q12



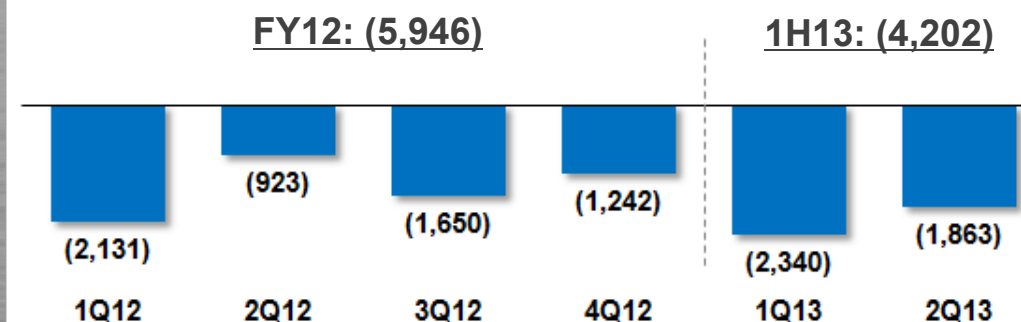
1H13 Operating Activities:

- Decrease in accounts receivable: JPY2,136 million
- Depreciation and amortization: JPY4,238 million
- Decrease in accounts payable: (JPY1,513 million)
- Increase in prepaid expenses: (JPY933 million) etc.

◆ Breakdown of YoY major difference:

- Decrease in accounts receivable: plus JPY1,959 million
- Decrease in accounts payable: minus JPY1,814 million
- Decrease in accrued expenses and other current and noncurrent liabilities: minus JPY764 million

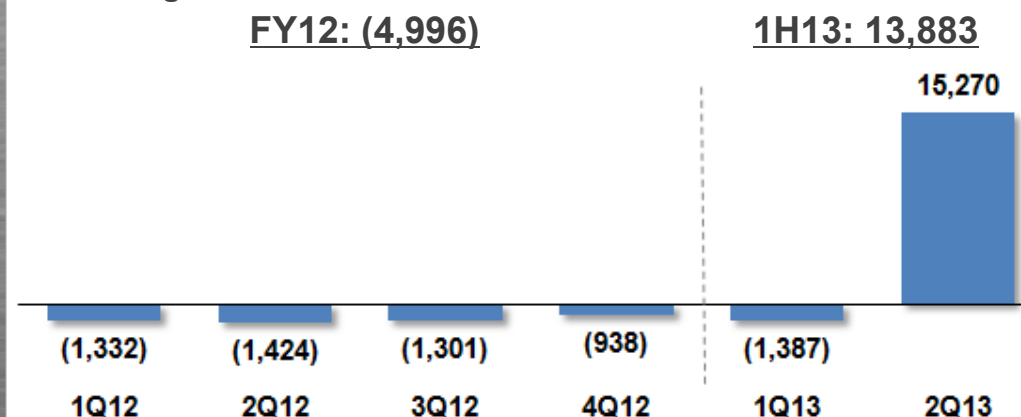
Investing Activities:



1H13 Investing Activities:

- Payments for purchases of property and equipment: JPY2,784 million
- Payments for other investments: JPY1,083 million etc.

Financing Activities:



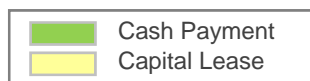
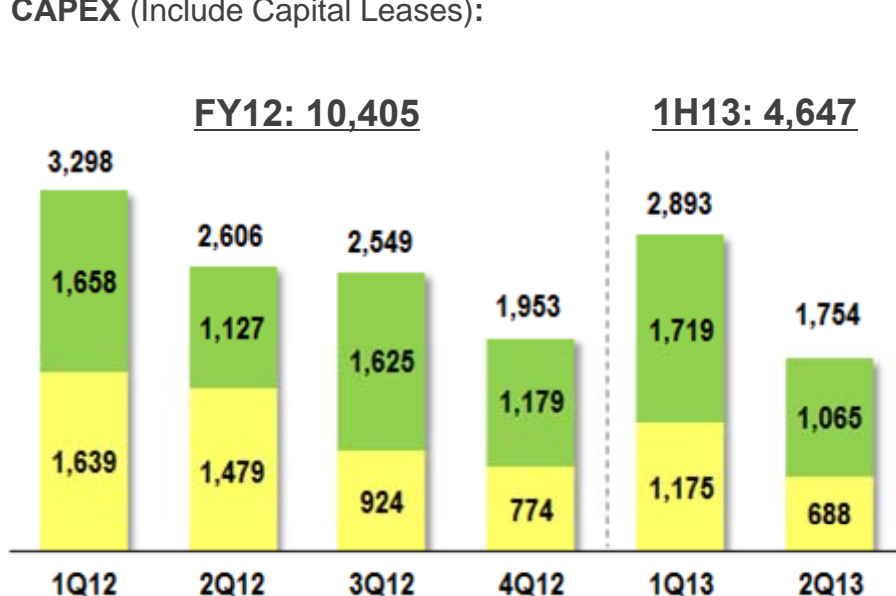
1H13 Financing Activities:

- Proceeds from issuance of common stock, net of issuance cost: JPY17,271 million
- Principal payments under capital leases: JPY1,972 million
- Repayment for borrowings (net): JPY1,010 million etc.

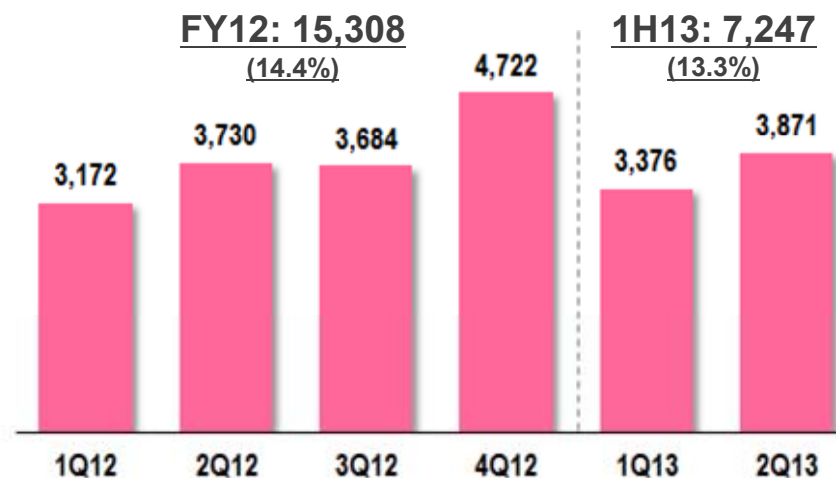
II - 12. Other Financial Data (CAPEX etc.)

CAPEX (Include Capital Leases):

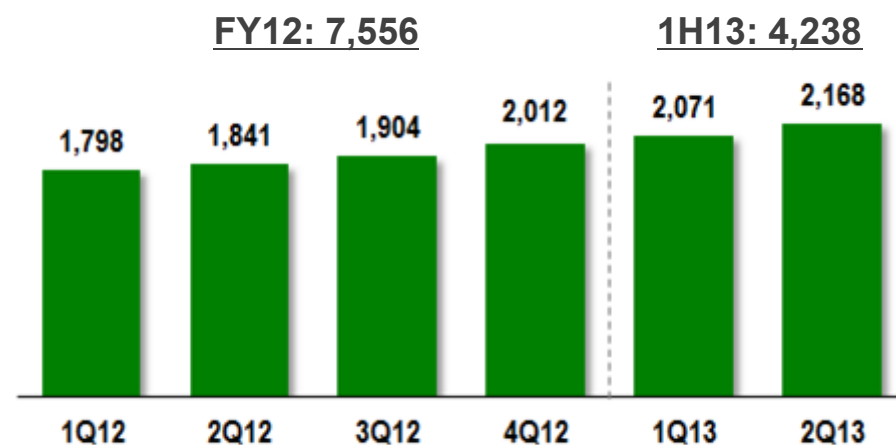
Unit: JPY million



Adjusted EBITDA: *() % of total revenues



Depreciation and Amortization:



III- 1. Developments of Cloud Business

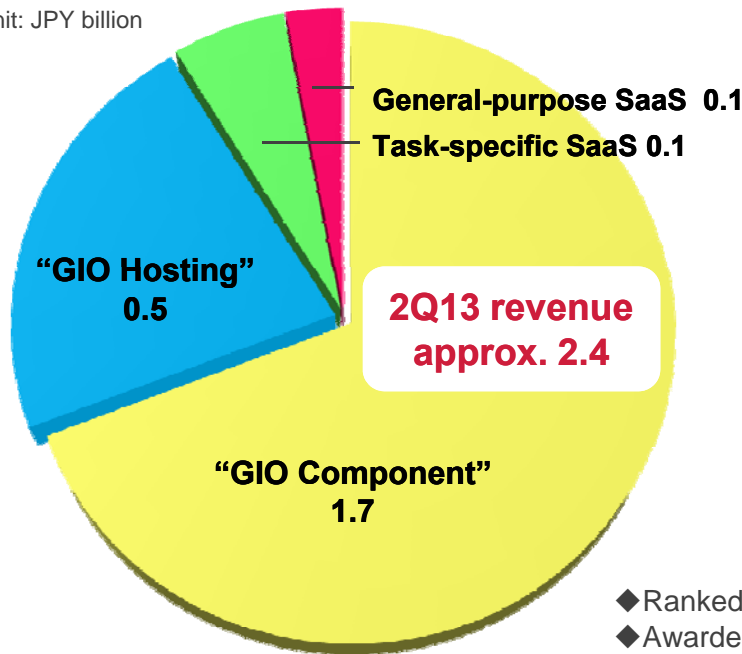


Cloud Revenue

Unit: JPY billion	FY11	FY12	FY13
1st Half (Sep.)	1.2 (0.25)	2.6 (0.49)	4.7 (0.83)
2nd Half (Mar.)	1.9 (0.37)	3.6 (0.66)	
Full Year	3.1	6.2	Target over 10

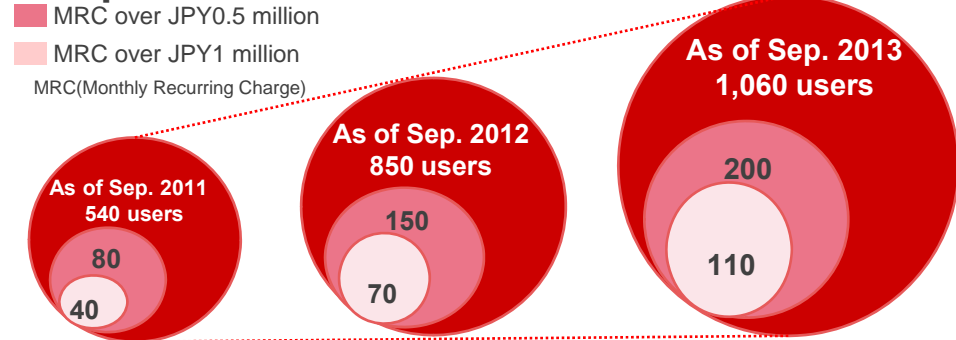
*FY11 and FY12 revenues do not include task-specific SaaS revenue
 *77% of 2Q13 cloud revenue is recognized in systems operation and maintenance, 23% in outsourcing
 *Figures in (parentheses) are Sep. and Mar. month revenue, respectively

Unit: JPY billion



Task-specific SaaS (FX and IIJ GIO POS)
 General-purpose SaaS (Groupware SaaS etc)

Expansion of Client Base



Expanding enterprise cloud service lineups

- Seeing adoption of cloud services for internal systems on the rise
- Encouraging the transition from owning IT assets to using cloud services by offering VMware (Aug. 2012), SAP BASIS (Jul. 2013), IBM i (AS400) (Sep. 2013) and other as cloud services
- Large SNS game clients revenue ratio slowly decreasing: 25%(2Q13), 27%(1Q13), 32%(4Q12), 40%(4Q11)

Increasing number of VW Series case studies

- *Sompo Japan*, one of the largest insurance companies in Japan, adopted VW series for group companies communication platform, first in the insurance industry to adopt cloud for such system
- *PEUGEOT CITROËN JAPON*, automobile manufacture, adopted VW series for shared accounting system with automobile dealers
- *Anritsu*, TSE listed electronic test equipment provider, enjoying SAP system on virtualized secure cloud platform etc

- ◆ Ranked as the top share in the Japanese public cloud market for 2 consecutive years*
- ◆ Awarded for "Best Cloud Brand" and "Best Cloud Services" **
- ◆ More than 400 entities have become IIJ GIO partners to co-promote IIJ GIO

*Fuji Chimera Research Institute" Business Technology Aug. 2013"
 **Nikkei BP Agency 7th "Cloud Ranking"

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

- Due to seasonal factors, revenue volume is larger in 2nd half than 1st half while fixed type expenses such as personnel-related expenses tend to increase from the beginning of a fiscal year
- 1H13 operating income decreased YoY mainly due to:
 - 1) increase in fixed type expenses such as personnel and office-related expenses, reflecting the increased number of new employees accordingly with our business expansion strategy,
 - 2) relatively small systems construction revenue recognition while we accumulated a large number of order backlog,
 - 3) decrease in recurring revenue from certain large telecommunication and SNS game clients for pricing revision at the beginning FY2013 and reduction in their server usage
- FY2013 financial target remain unchanged: systems construction orders accumulated at a good pace, monthly recurring revenue of network services and systems operation and maintenance should continue to grow

(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	JPY 130.76	+JPY 4.66	+3.6%
Cash Dividends per Share	JPY 22.00 (Annual)	JPY 18.75 (Annual)	+JPY 3.25	+17.3%

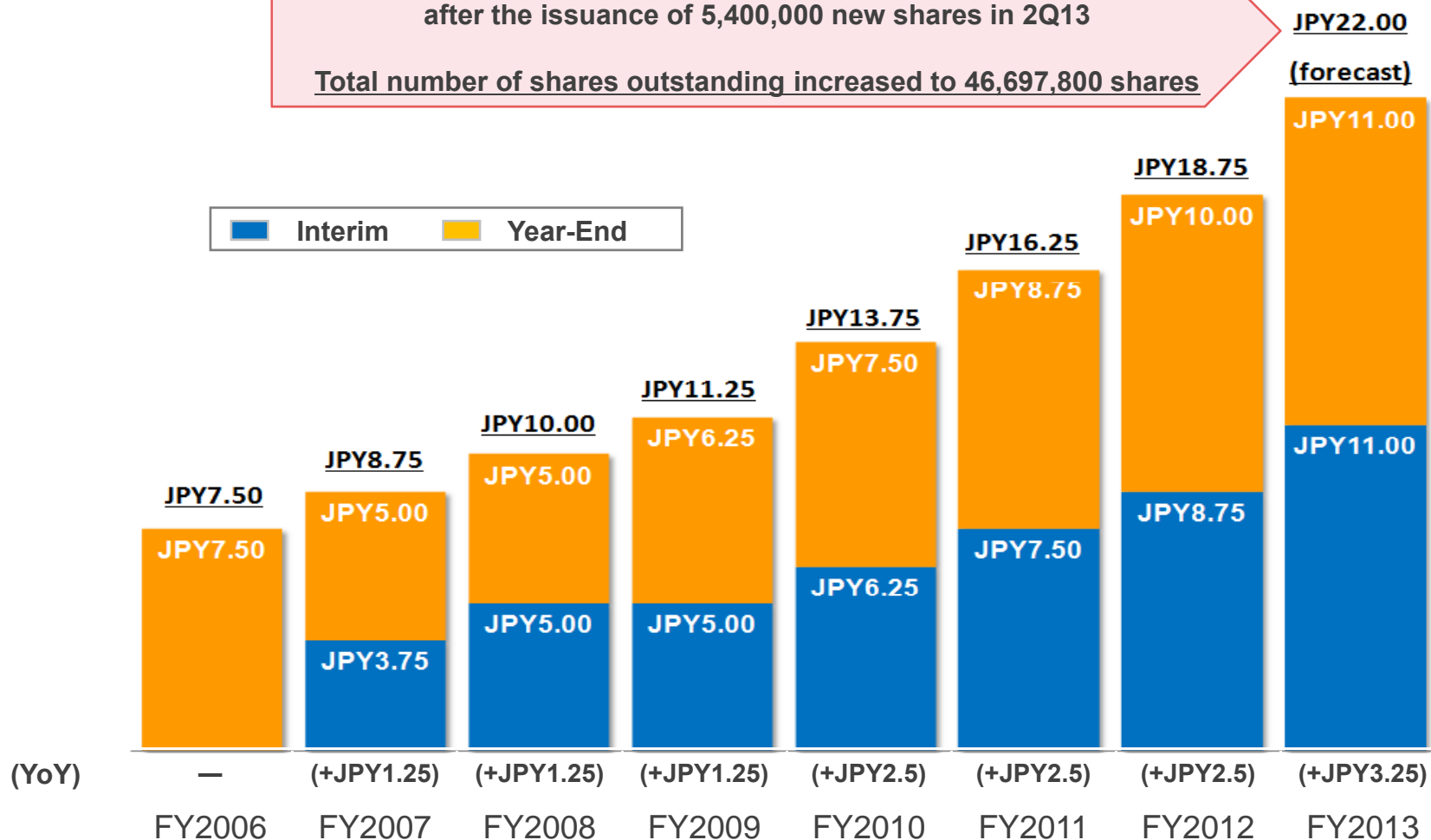
*1 Changed from JPY148.01 announced on May 15, 2013 due to the issuance of new shares of 5,400,000 shares of common stock in July and August 2013.

*2 IJ 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 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 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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