



Internet Initiative Japan Inc. Corporate Overview

IR Roadshow in New York, Boston, and San Francisco

April 2015
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**
- ◆ **Over 8,500 Excellent Japanese Customers**
- ◆ **Growth Strategy with Recurring Revenues & Income Growth**

Hot Topics

- ◆ **Best Positioned in the Growing Outsourcing & Cloud Computing Market**
- ◆ **MVNO Business Rapidly Growing by Capturing both Corporate and Consumer needs**

details to follow

TOP IP Engineering Company in Japan

Established	December 1992
Number of Employees (as of Dec. 2014)	Consolidated: 2,818 (approx. 70% engineers)
Listed Markets	NASDAQ (IIJI), TSE1 (3774)
Large Shareholders (as of Sep. 2014)	NTT (21.6%), Koichi Suzuki (5.6%*), NTT Communications(4.4%) *Jointly owned by Mr. Suzuki's wholly owned private company

◆ The first established full-scale ISP in Japan

- Introduced many prototype internet-related network services
- Highly skilled top level IP engineers
- Pioneer of network technologies in Japan
- Operates one of the largest Internet backbone networks in Japan
- Self-develop services and the related 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

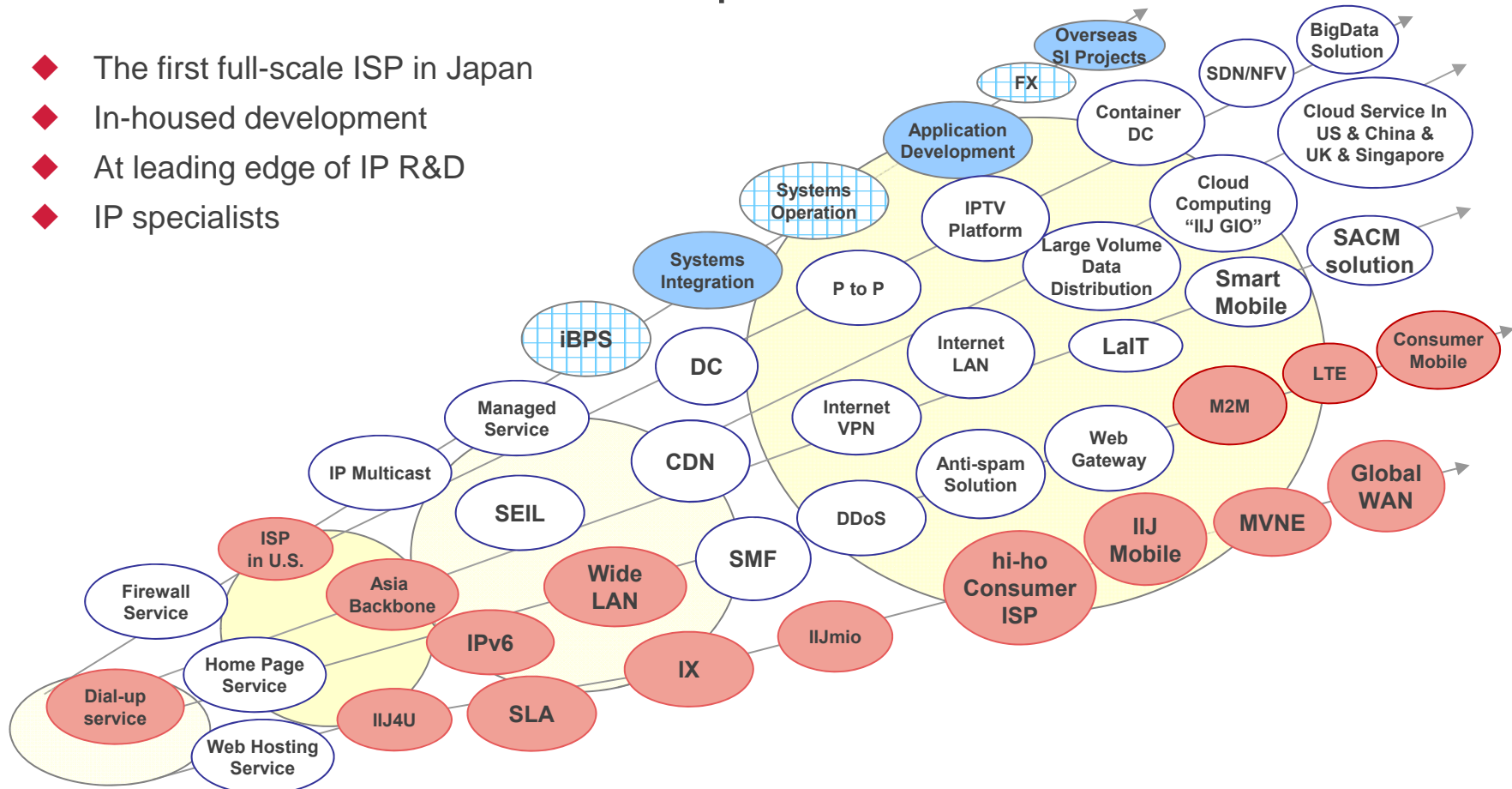
◆ At the leading edge of IP R&D

- Engaged in software development of SDN
- Founding member of JEAG
- Co-working with MIC* *MIC: Ministry of Internal Affairs and Communications
- Participation in world-wide research and organizations ...and many more

Entrepreneur of Network Technologies

Business and Service Development to Initiate the Market

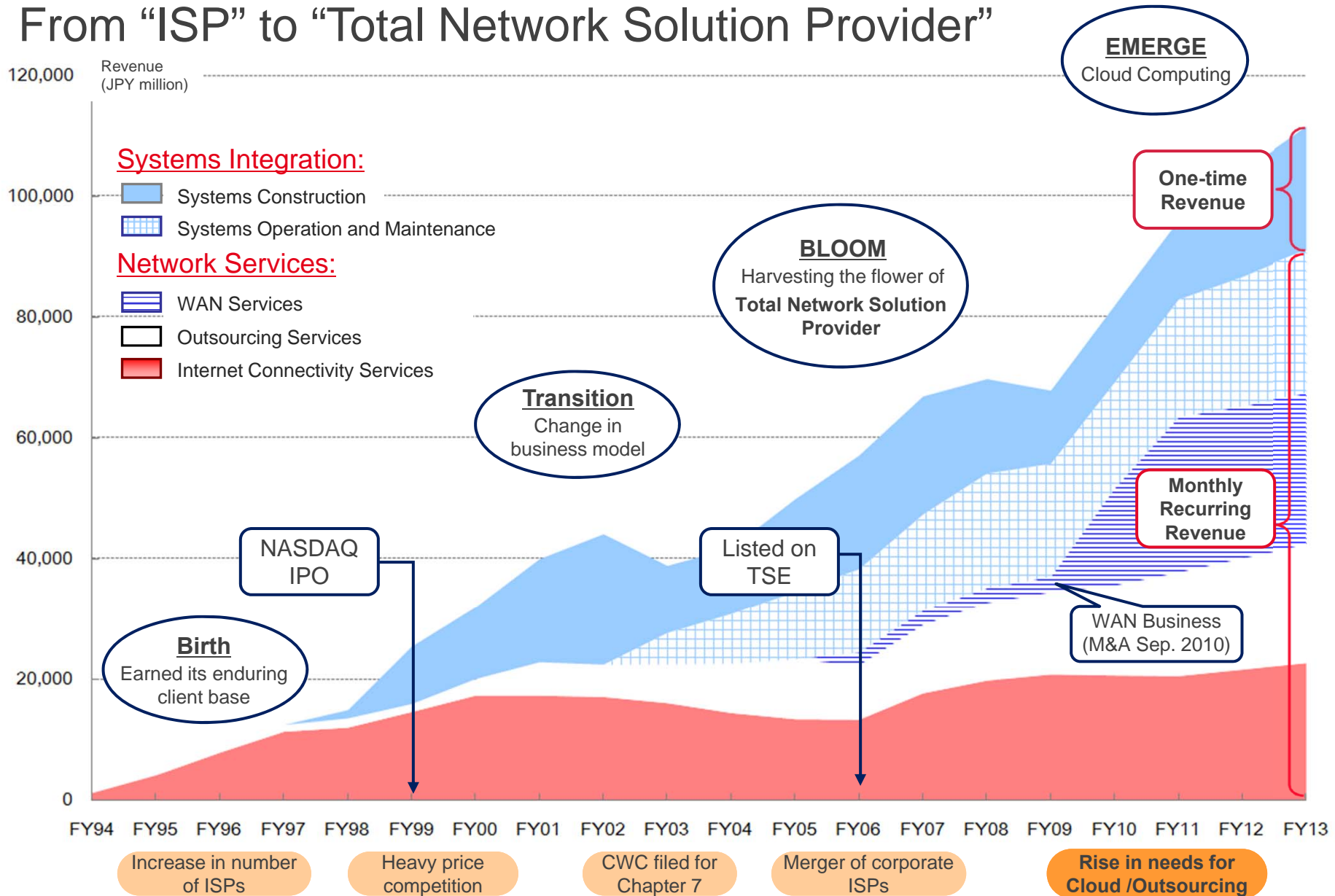
- ◆ The first full-scale ISP in Japan
- ◆ In-housed development
- ◆ At leading edge of IP R&D
- ◆ IP specialists



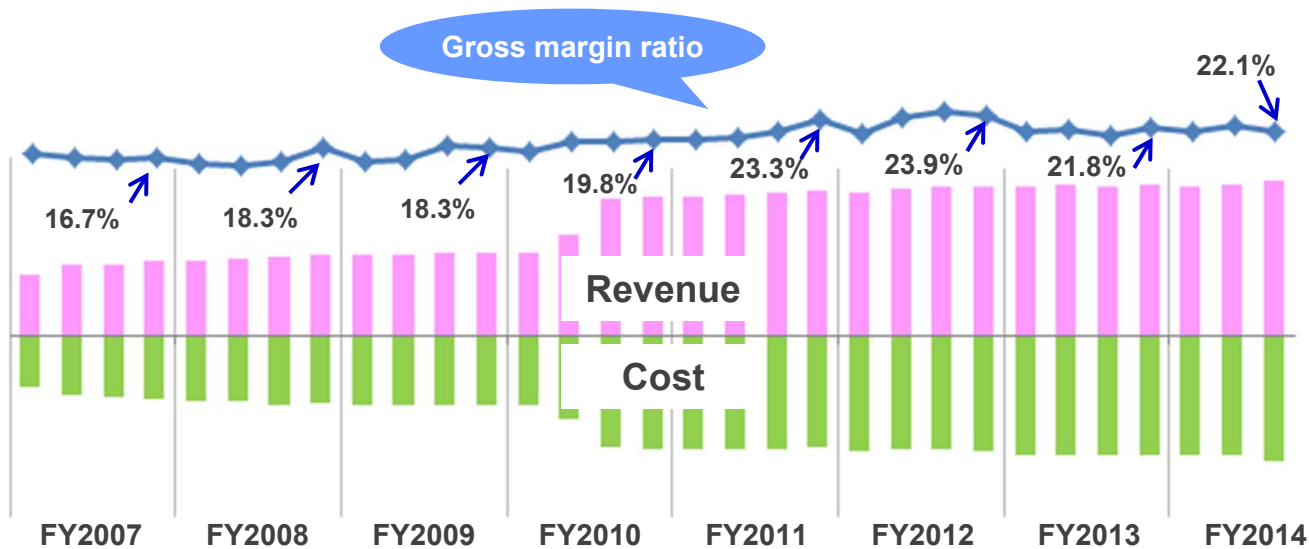
1992	1996	1997	1998	2006	2007	2008	2010	2012	2013	2014
IIJ Group				i-revo						

Strategic Shift in Business Model

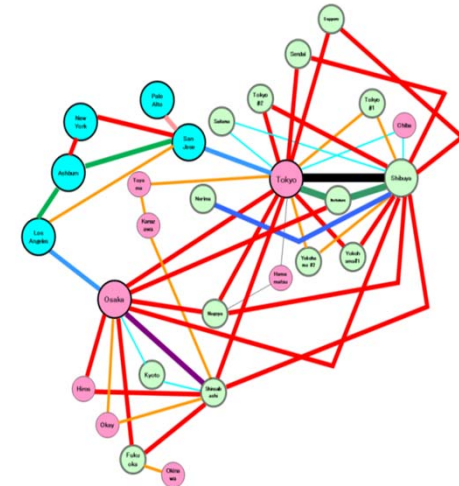
From “ISP” to “Total Network Solution Provider”



Business Structure of Network Services



IIJ Internet Backbone

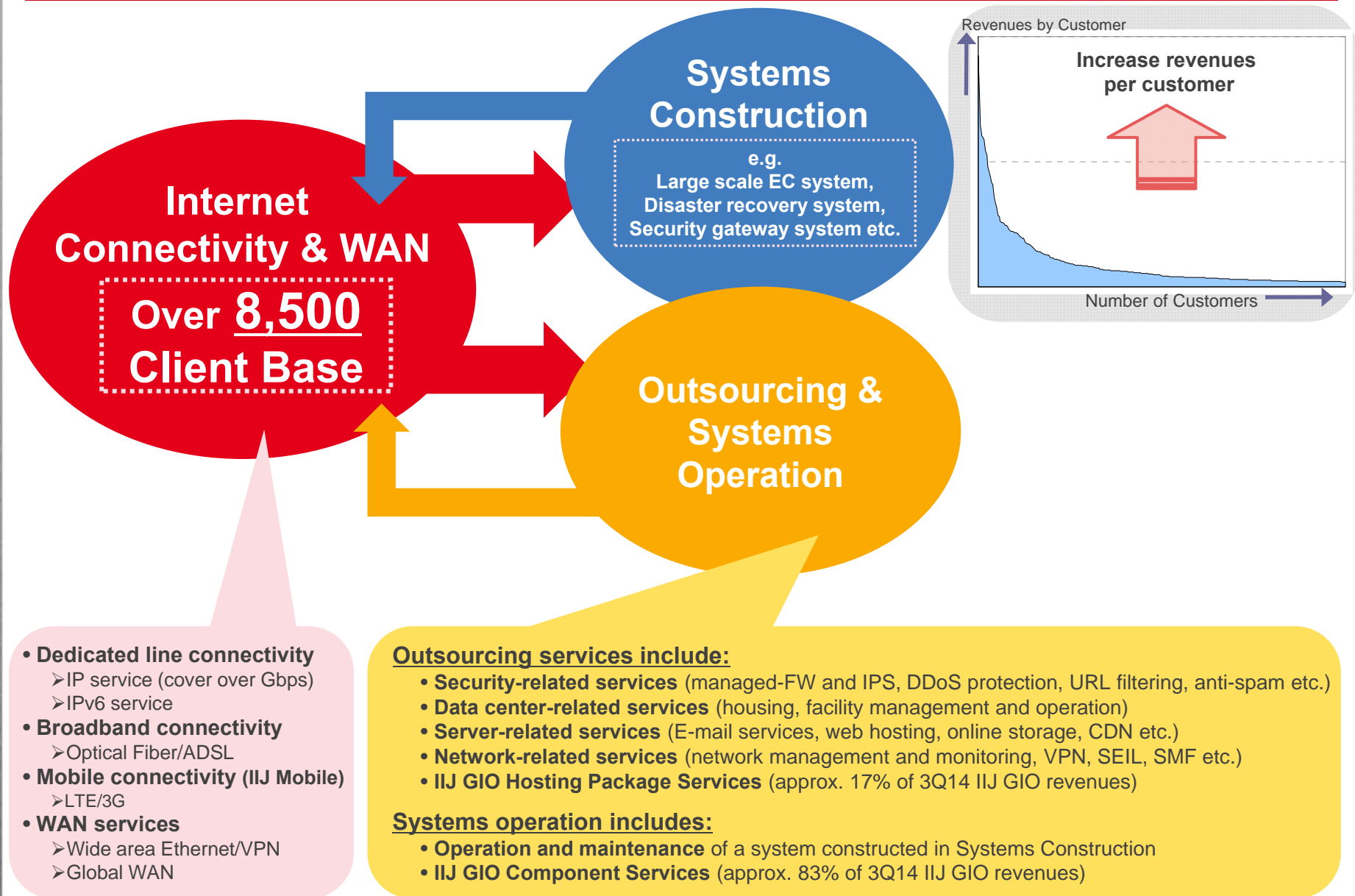


Network services costs don't increase along with network services revenues

- If revenues are accumulated continuously, gross margin should continuously improve

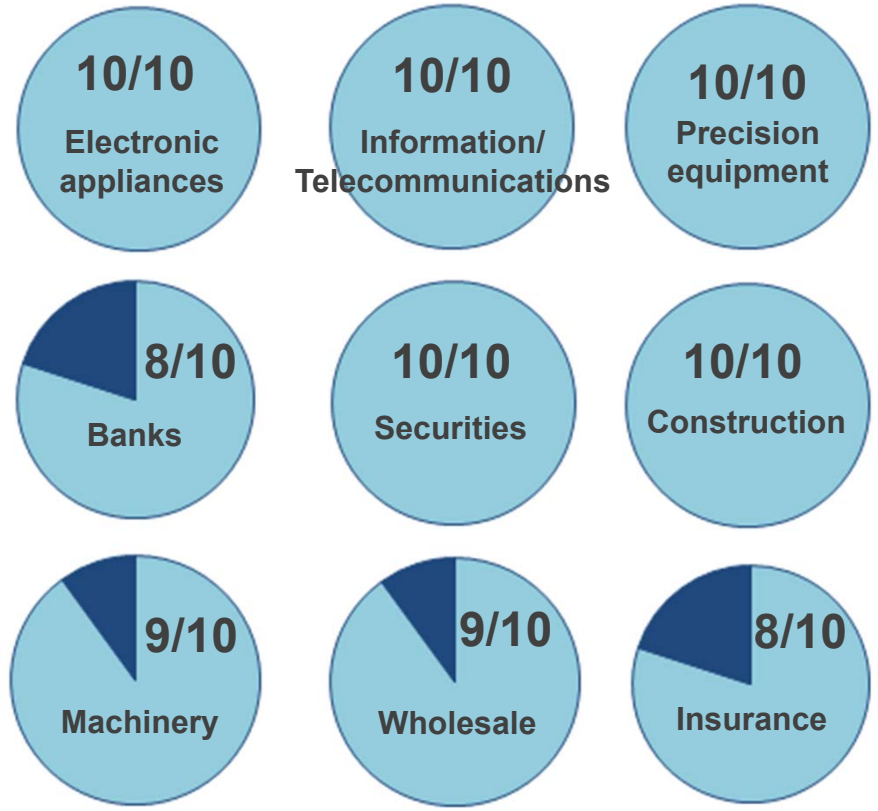
Revenues	<ul style="list-style-type: none"> • Multiple cross-selling revenue sources* provided from the Internet backbone • Monthly recurring revenue, contract periods are usually 1 year (contracts per network bandwidth) • Blue-chip clients with mission-critical business, network operator clients (Carriers, ISPs, CATVs, etc) • Tough competition ended, only a few high-end ISPs survived • Revenues increase along with bandwidth migration and accumulation of service orders • Enjoying scale merit along with increasing traffic
Costs	<ul style="list-style-type: none"> • Strong bargaining power as one of the largest independent ISPs leasing fibers • Mainly related to circuit-borrowing, network equipment, DC-borrowing, operations, personnel & outsourcing • While constantly expanding the network, costs barely increase

Business Model: Cross-selling of Network Solutions



Excellent Blue-chip Client Base

High Market Penetration
towards Top Tiers

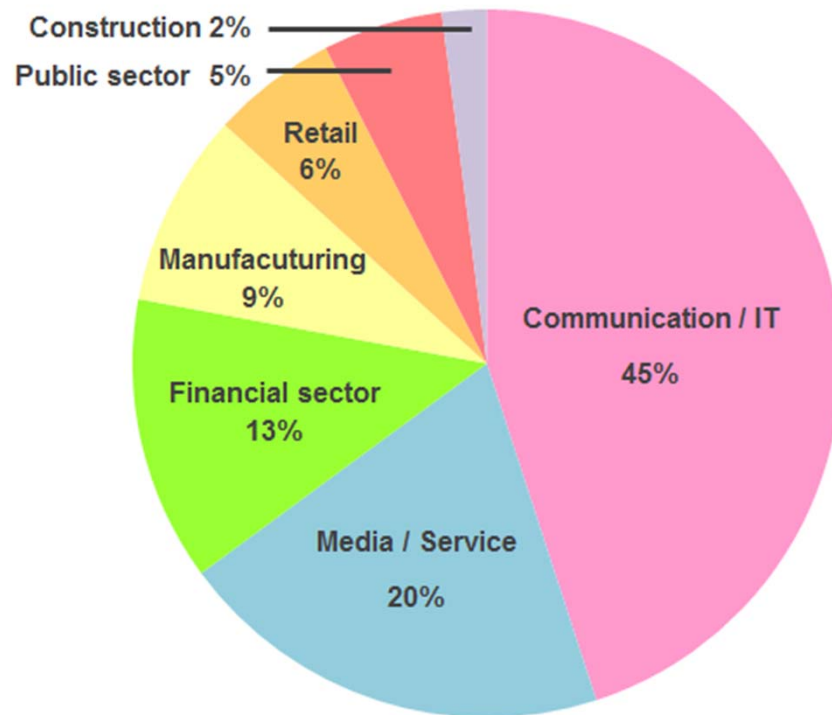


The number of clients among the top 10 companies in each industry.

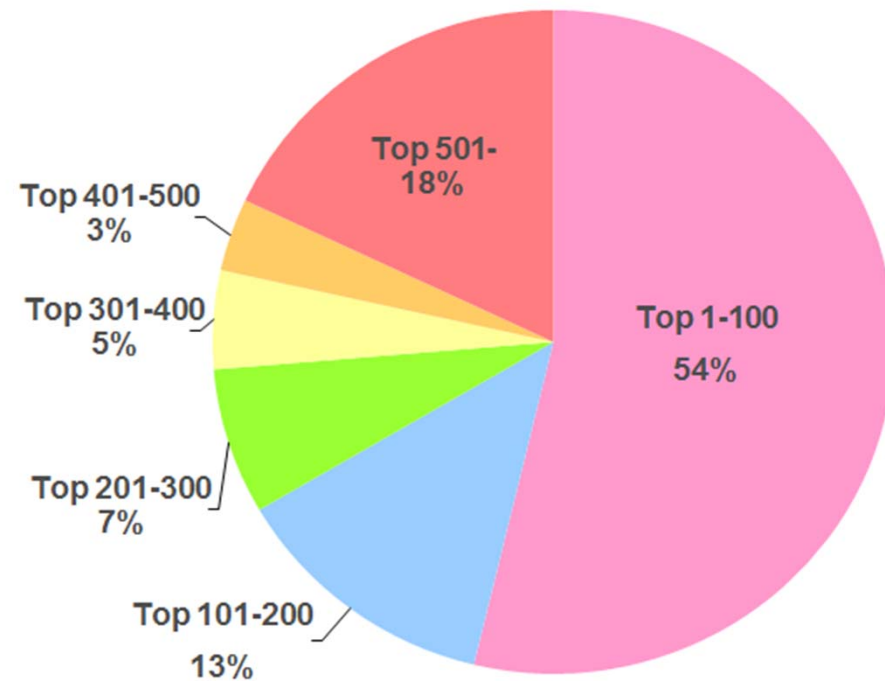
Revenue Composition by Clients

- Largest customer's revenue is less than 3% of the total revenue
- Much room to increase revenue per customer

Revenue Distribution by Industry



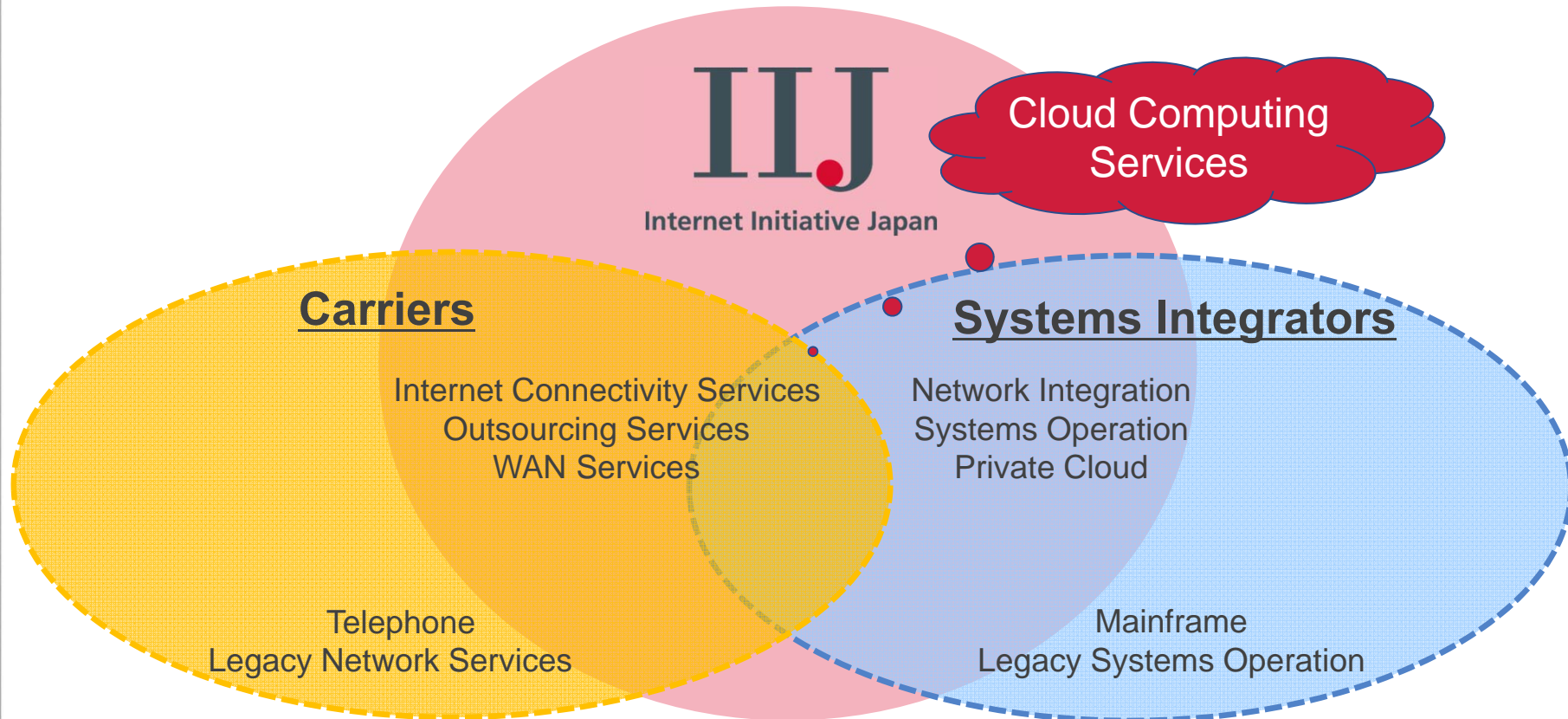
Revenue Distribution by Clients



Source: IIJ's FY2013 financial results

Competitive Advantages

IIJ can offer NW, Cloud, SI, and MVNO all at once



IIJ...

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

IIJ...

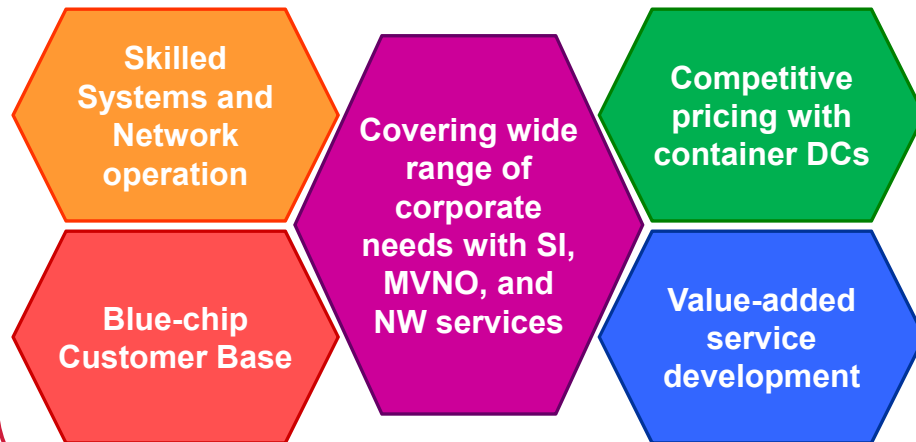
operates its **own backbone network**
develops network services in-housed
targets new IT market, not legacy SI
has long and rich experience in server operation
has moderate number of employees

Best Positioned in Cloud Market

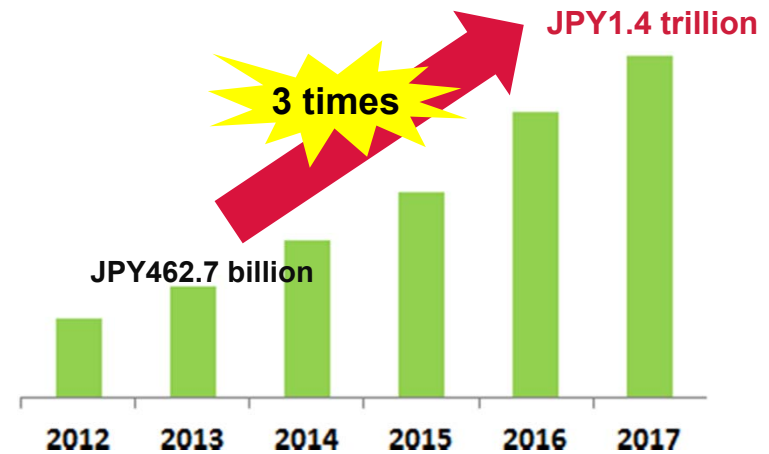
Target Private Cloud market with **Public** Cloud infrastructure

Service Features	<ul style="list-style-type: none"> ➤ One of the first Cloud providers (2009) ➤ Offer public Cloud infrastructure: forefront investment in servers, storages, datacenters etc. <ul style="list-style-type: none"> ✓ Cloud-related CAPEX: FY13 JPY3.7 billion ➤ Promote Cloud shift of blue-chips by continuously expanding service lineups <ul style="list-style-type: none"> ✓ Microsoft Azure, VMware Hypervisor, SAP Basic, IBM AS400, Oracle Database and many more ✓ Aggressively investing in new service and solution development (BigData, M2M etc.)
Growth Strategy	<ul style="list-style-type: none"> ➤ Target large business enterprises' internal IT systems, which are traditionally covered by Slers ➤ Leverage blue-chip customer base: IIJ GIO user: 1,260, IIJ group customer: 8,500 ➤ Chosen for reliable connectivity and skilled operation for network and system ➤ Meeting growing corporate needs of large-scale NW systems with SI, Cloud, MVNO and NW services ➤ Some advanced integrated cloud usages among primitive and simple system purposes

IIJ GIO's Competitive Advantages



Private Cloud Market Growth in Japan



Source: IDC Japan, Sep. 2014, Private Cloud Market

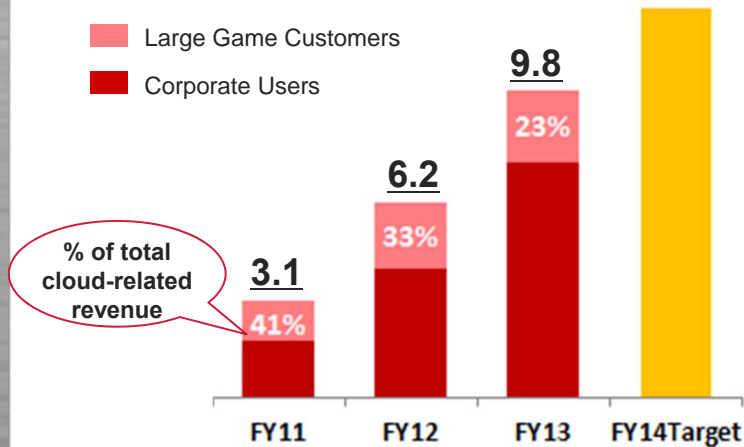
Cloud Business Developments



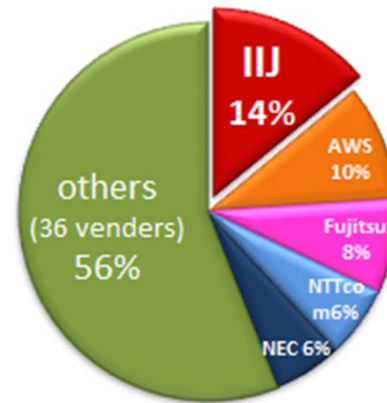
Cloud-related Revenue

Reached break-even in 4Q13,
Entered a profit making phase

- Large Game Customers
- Corporate Users



Market Share



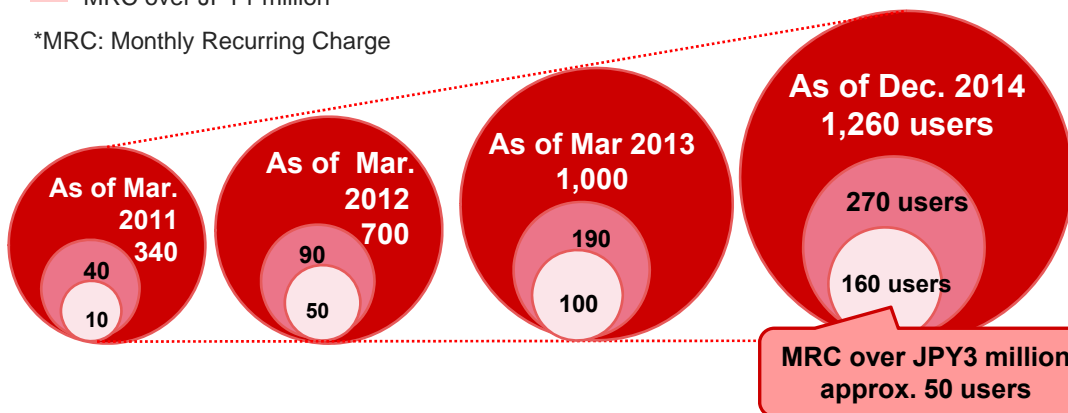
Japan's public cloud market by revenue
Source: Fuji Chimera Report (Aug. 2013)

Fastidious Users

- SBI Holdings
- TOMY COMPANY
- Nippon Life Insurance Company
- Tokyo Stock Exchange
- Ricoh Company
- NTT DOCOMO
- Nomura Securities
- Sompo Japan Nipponkoa
- DAIWA HOUSE
- SHIMIZU CORPORATION
- and many more

Expansion of Customer Base

- MRC over JPY0.5 million
 - MRC over JPY1 million
- *MRC: Monthly Recurring Charge



Container Type Datacenter

- First in Japan to commercialize (2011)
- PUE*1.2, applying outside air cooling system
- Located in western Japan, country side
- Doubled the capacity in Nov. 2013 (48 modules)



PUE: Power Usage Effectiveness
a terminology created by Green Grid as a metric used to determine the energy efficiency for a datacenter

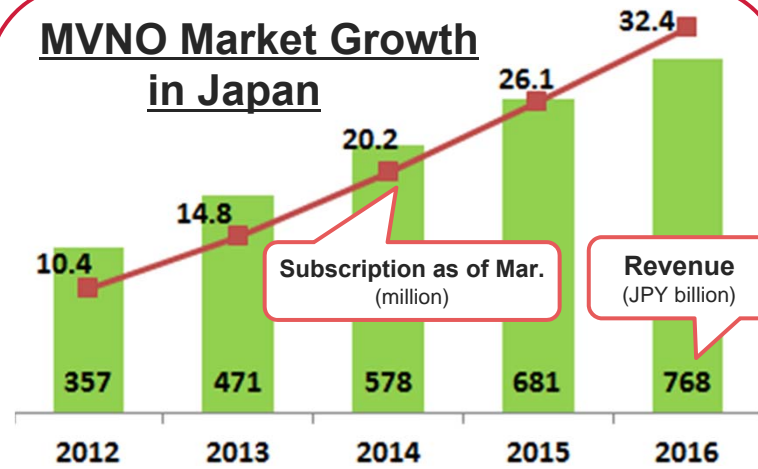
MVNO Business

Business Strategy

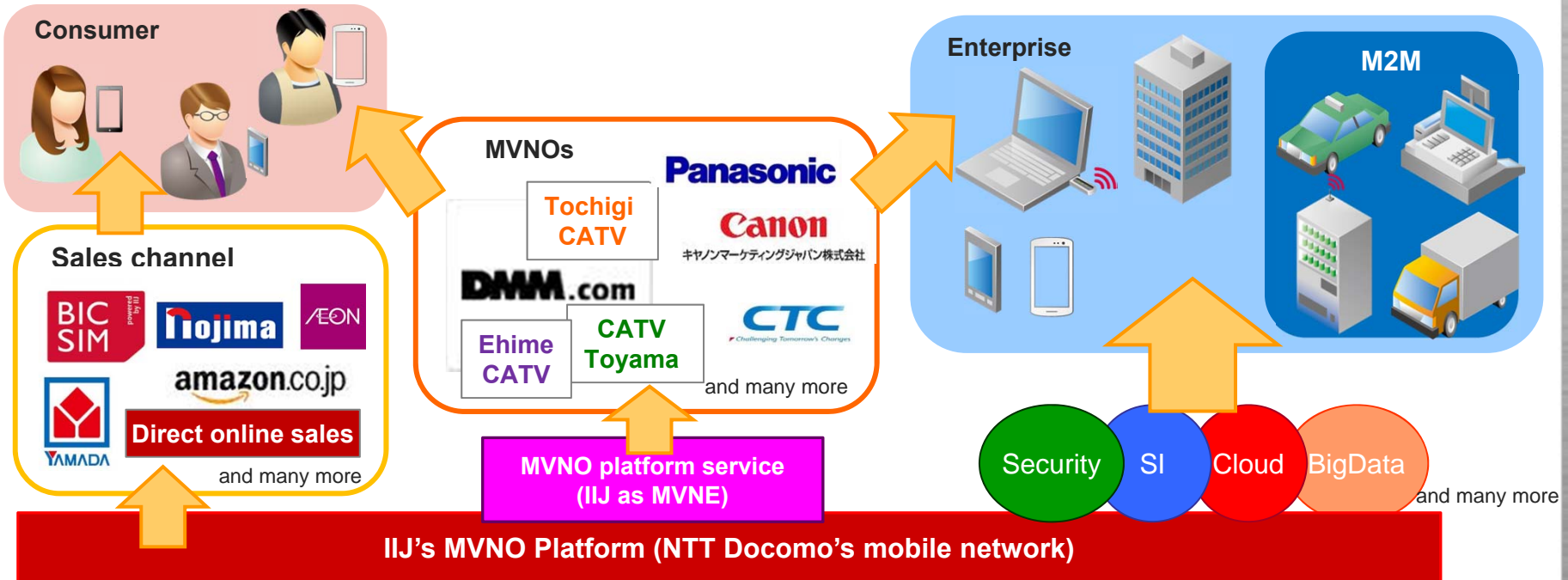
Improve MVNO infrastructure efficiency with enterprise & consumer traffic

- 1st MVNO to use NTT Docomo's network (2008)
- 1st MVNO to offer LTE connectivity (2012)
- **Best positioned to meet corporate MVNO demands**
 - 1) large-scale MVNO infrastructure (constructed in 2008)
 - 2) one of the largest internet backbone networks
 - 3) various network services
 - 4) offer MVNO, SI, and Cloud, NW all at once

MVNO Market Growth in Japan

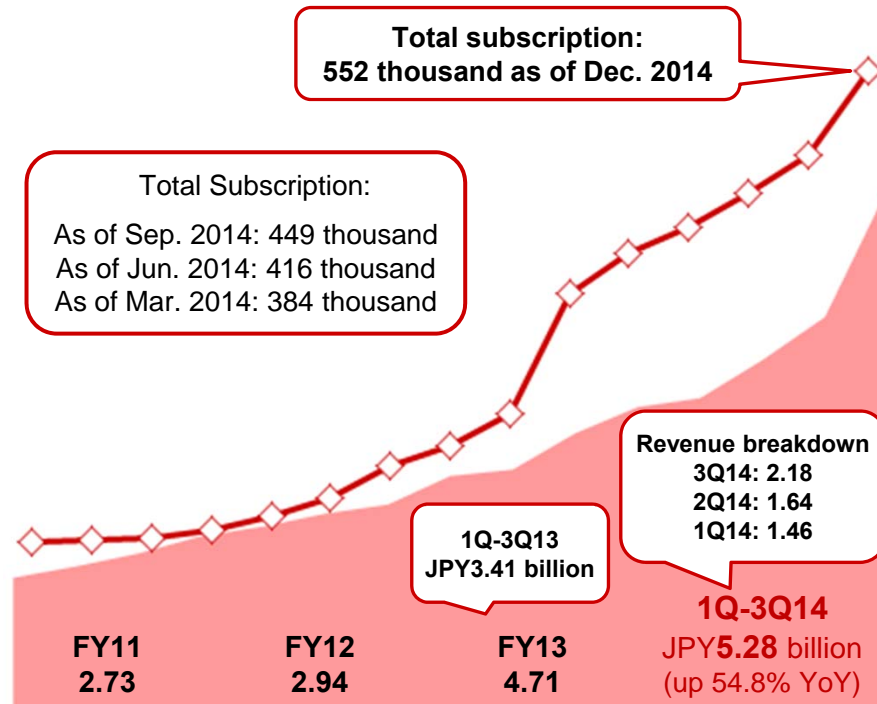


Source : MM Research (June 2014)
Total of mobile phone (3G/LTE), BWA (WiMAX/AXGP) and PHS

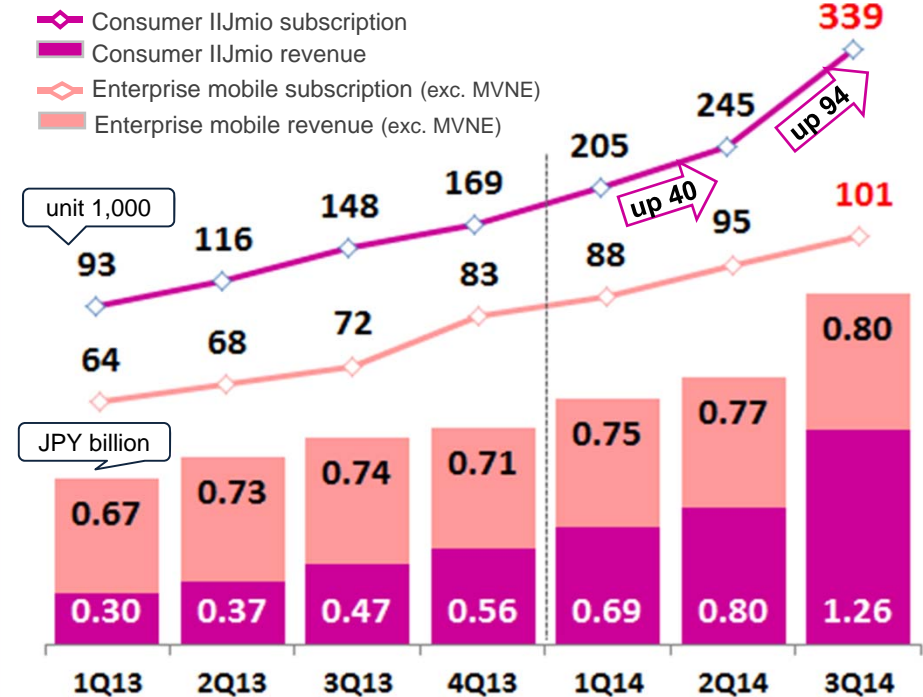


MVNO Business Developments

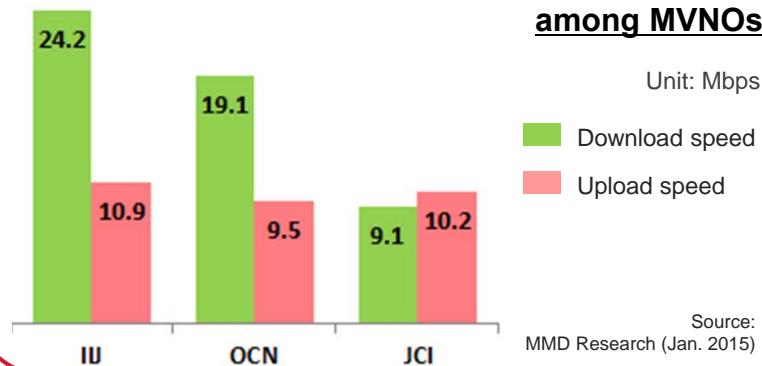
Total Subscription & Revenue



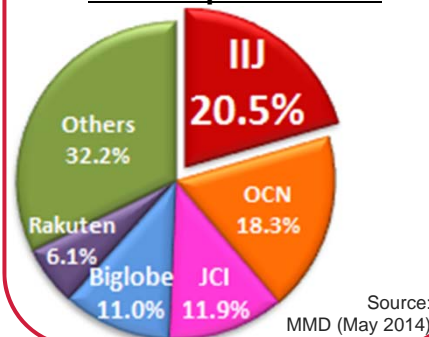
IIJmio & IIJmobile Subscription & Revenue



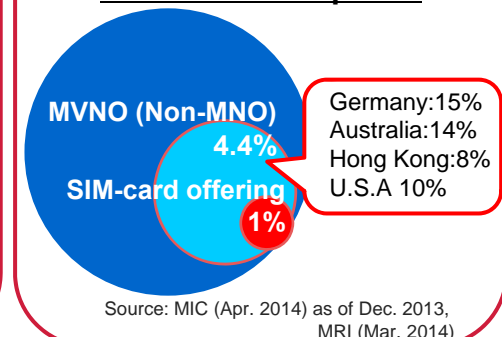
Network Speed Comparison among MVNOs



Consumer MVNO Subscription Share



Japan's Mobile Market 160 mil subscription*



Overseas Business Developments

- ◆ Building stronger relationship with Japanese customers by cross-selling network, Cloud and SI to meet various IT needs of Japanese customers globally
- ◆ Seeking growth opportunity both inside and outside of Japan

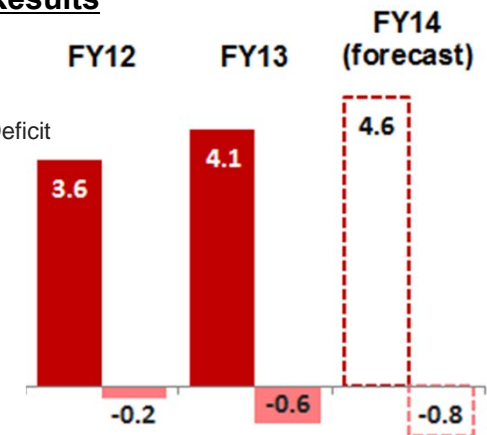
FY12	<ul style="list-style-type: none"> ➢ Launched Cloud services in the U.S. and China (partnership with China Telecom) ➢ Opened an office in Thailand, started focusing on Asian region ➢ Japanese large SNS game customers aggressively expanded overseas market
FY13	<ul style="list-style-type: none"> ➢ Launched Cloud services in the U.K. ➢ Opened a datacenter in London, Extended Internet backbone to cover worldwide ➢ Enhanced service lineups for Cloud services in the U.S. ➢ Revenue accumulation from general customers while game customers' demand slowed down
FY14	<ul style="list-style-type: none"> ➢ Export container type datacenters to Russia, Laos and more ➢ Launched Cloud services in Singapore ➢ Cloud business in Indonesia with a local carrier ➢ Received order from a large contents delivery company



Financial Results

Unit: JPY billion

■ Revenue
■ Operating Deficit



ATM Operation Business Developments

Total number of ATMs & daily transaction per ATM

are the keys to the profit growth

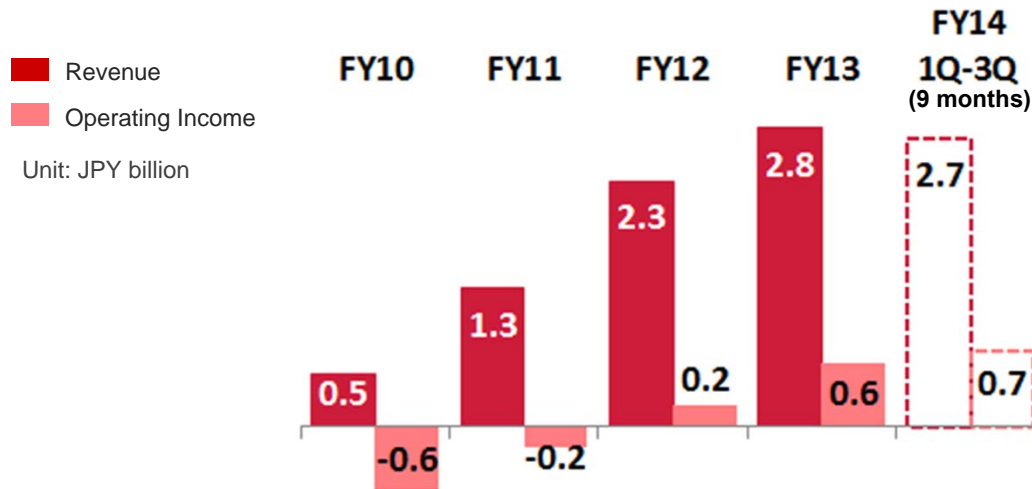
◆ Business Model

- Similar to “Seven Bank” model, high profitability
 - Seven Bank: 18,142 ATMs, revenue JPY106.0 billion, profit ratio 34.0% as of March 31, 2014
- Placing ATMs in Pachinko parlors in Japan **with dominant position**
 - After long discussion, started to place in Kanto, Kansai, Kyushu and Tokai areas
- Receive commission for each withdrawal transaction
- Strong revenue & income driver in mid-term
 - Approx.11,900 Pachinko parlors in Japan as of Dec. 2013 (Metropolitan Police Dept.)

< Trust Networks Inc. >

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

◆ Revenue and Income growth



Number of placed ATMs*	FY10	FY11	FY12	FY13	FY14
	280	440	625	855	1,048

*Number of placed ATMs are as of May each year except for FY14 which is the number as of Feb. 2015

IIJ Group – The Way Forward



Japanese enterprise systems at a turning point

- Mainstream adoption of cloud services, outsourcing of corporate IT systems, M2M and IoT usages, collapse of legacy SI business model etc.
- Systems becoming larger and requiring Cloud, MVNO, and network services all at once
- Data traffic explosion: 4K, 8K contents distribution, pervasive usage of smart phones, portable devices etc.



Best positioned to capture the growing demand with the combination of NW services, SI expertise, MVNO infrastructure

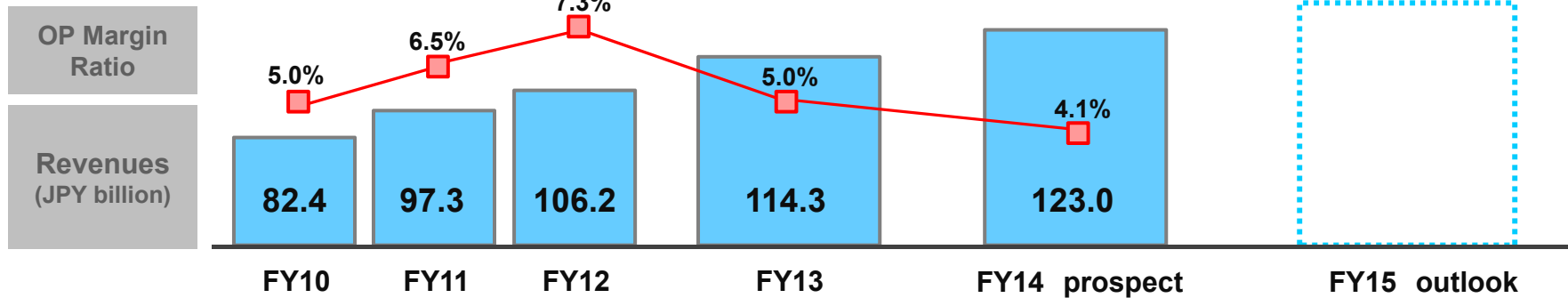
- Expertise in operating large Internet backbone network
- Blue-chip customer base of over 8,500 entities
- Long history of developing various network services
- A number of highly skilled engineers
- Continuously taking initiatives in network technology field



Aggressive business investment leap into the next phase of growth

- Stronger management structure: CEO Suzuki & COO Katsu
- Enhancement of human resources: number of employees increased by approx. 10%
- Further focus on service & solution development (Cloud, mobile, BigData etc.)
- Overseas business expansion:
 - Building stronger relationship with Japanese customers
 - Seeking growth opportunities outside of Japan
- Continuous service facility investment (Doubled container type DC capacity)

Business/Services Developments for Mid Term Growth



Business Situation

- Weak SI after Lehman shock
- Accumulate recurring services, apx. 1 point OP Margin improve YoY
- Steady business growth
- M&A implementation

- Accelerate business investment
- Recurring revenues down by large Games, against fixed-type NW costs

- Further business developments
- Seeing strong revenue growth
- Unexpected Docomo's mobile costs

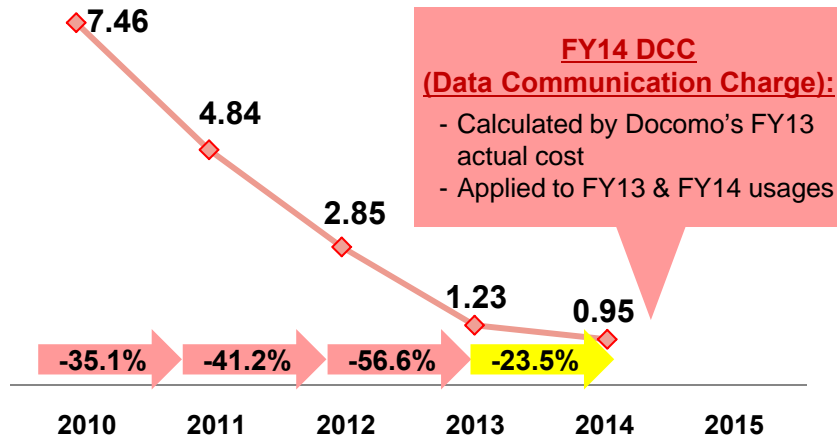
- Accelerate revenues growth, absorb costs increase
- Accumulate new service revenues
- Continued invests for growth
- Return to harvest phase
- Seek business to scale out

Cloud Services	<ul style="list-style-type: none"> ▼ Start in 2009 ▼ Line-ups enhancement (VMware, SAP...) ▼ Continuous front investment ▼ Opened Container DC ▼ Games' usage increase ▼ Profit turn positive ▼ Large-scale usage increase 	Target enterprises' deep adoption of Cloud in mid-term, Pursue scale merit with SI
Mobile Services	<ul style="list-style-type: none"> ▼ Start in 2008 ▼ Start consumer services ▼ Add mobile solutions for corp. ▼ Turn positive early stage ▼ Consumer accelerate ▼ Continuous demands for M2M, MVNE 	Consumer market explode, corp. & consumer traffic to improve network efficiency
System Integration	<ul style="list-style-type: none"> ▼ SI demand suffer Lehman Shock ▼ Recovery of system investment ▼ Weak revenues growth ▼ Operation & Maintenance growth 	Continuous increase of SI, especially profitable recurring maintenance revenues
Overseas Business	<ul style="list-style-type: none"> ▼ Began focus on overseas business ▼ New subsidiaries and cloud investment ▼ OP deficit at max ▼ Container DCs export 	Seek new opportunities, OP deficit decrease with revenues rise
Services/Solutions	<ul style="list-style-type: none"> ▼ SDN ▼ SAP solution ▼ M2M/Bigdata platform services ▼ DWH solution ▼ Smart-meter platform 	Continuous invest for services & solutions with corporates' IT system change, HEMS, IoT etc.
Employees	<ul style="list-style-type: none"> ▼ Accelerate hiring ▼ Invite over 100 graduates ▼ Increase apx. 10% YoY 	Continuous enhancement of human resources

MVNO infrastructure cost & its impact for FY14 financial

NTT Docomo's Monthly DCC per 10Mbps

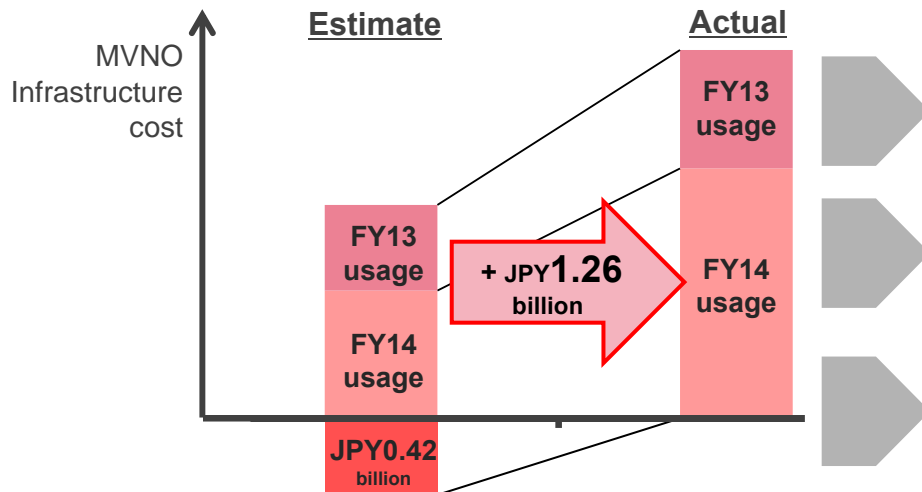
(JPY million)



MVNO infrastructure cost for NTT Docomo: Data Communication Charge ("DCC")

- Mobile infrastructure leasing fee from Docomo
- Fixed charge by bandwidth
- Regulated price by government (MIC & guideline)
- Same flat-rate for all MVNOs
- Renews every year based on Docomo's actual cost
- Decreased dramatically in recent years
- Fixed 1 year after, applied to current and a previous year
- DCC payment for FY14 has been deducted 40% from 1Q14 by Docomo's arrangement
- FY14 DCC fixed in March 2015

- FY14 DCC decrease is not so large, against our expectation
- FY14 DCC gap between estimate & actual impacted FY14 profit by JPY1.26 billion



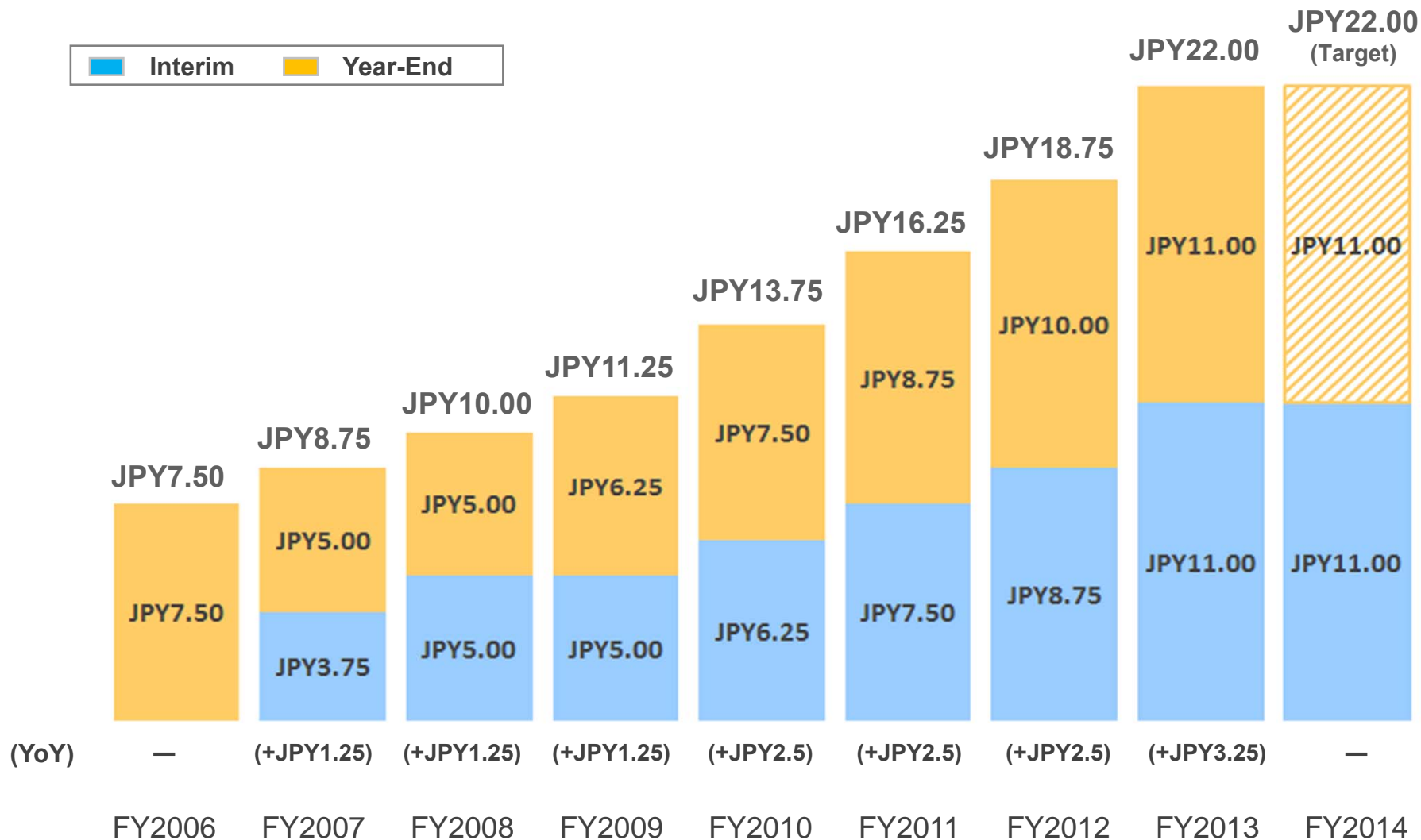
GAP : + JPY 0.20 billion
 FY14 DCC applied to FY13 usage, reflected in FY14 financial results (Should have in FY13)

GAP : + JPY 0.64 billion
 FY14 DCC applied to FY14 usage, reflected in FY14 financial results

GAP : + JPY 0.42 billion
 FY14 DCC will down in FY15. But, not to record its impact in FY14 financial results (due to accounting reason)

FY2014 Dividend Forecast

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.



Consolidated Financial Results for 1Q-3Q FY2014

Unit: JPY billion

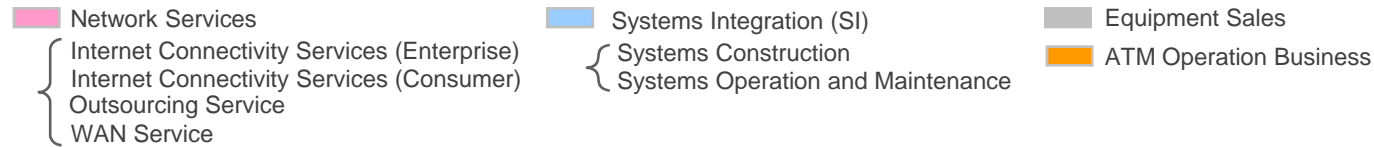
	<i>% of Revenues</i> 1Q-3Q14 (Apr. 2014 -Dec. 2014)	<i>% of Revenues</i> 1Q-3Q13 (Apr. 2013 -Dec. 2013)	YoY Change in %	<i>% of Revenues</i> FY14 New Target (Apr. 2014 -Mar. 2015)
Total Revenues	87.8	82.7	+6.2%	123.0
Total Cost of Revenues	<i>81.3%</i> 71.4	<i>81.2%</i> 67.2	+6.2%	—
Gross Margin	<i>18.7%</i> 16.4	<i>18.8%</i> 15.5	+6.0%	—
SG&A/R&D	<i>14.4%</i> 12.7	<i>13.7%</i> 11.3	+12.0%	—
Operating Income	<i>4.3%</i> 3.8	<i>5.1%</i> 4.2	(10.1%)	<i>4.1%</i> 5.1
Income before Income Tax Expense	<i>4.4%</i> 3.9	<i>5.6%</i> 4.6	(15.9%)	<i>4.2%</i> 5.2
Net Income attributable to IIJ	<i>2.6%</i> 2.3	<i>3.5%</i> 2.9	(20.9%)	<i>2.5%</i> 3.1

**Consolidated Financial Results for 1Q-3Q FY2014
Announced on February 10, 2015**



Internet Initiative Japan

II - 2. Revenues



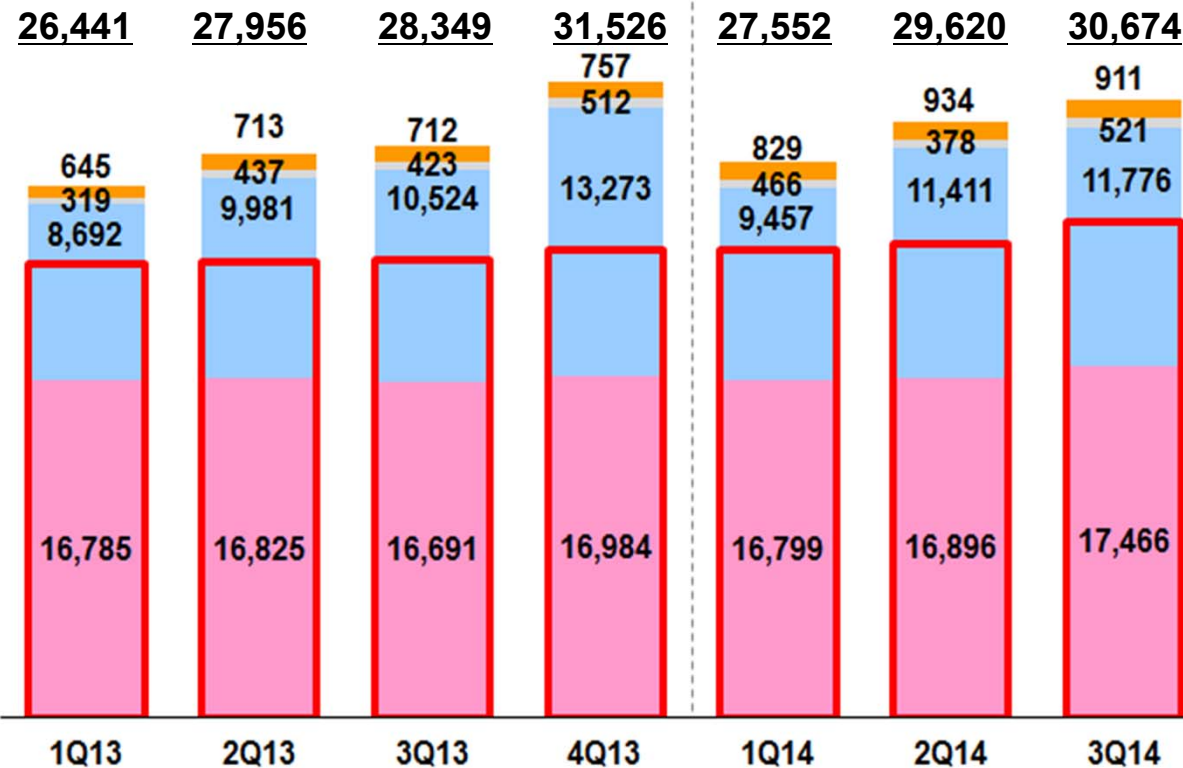
Unit: JPY million

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*

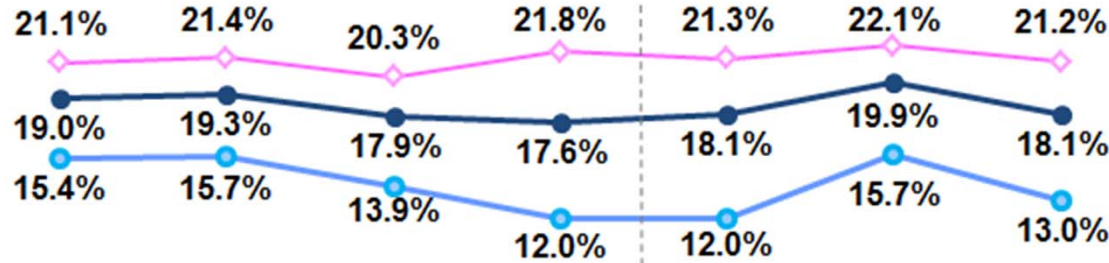
(81.2% of 1Q-3Q14 revenue)

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)



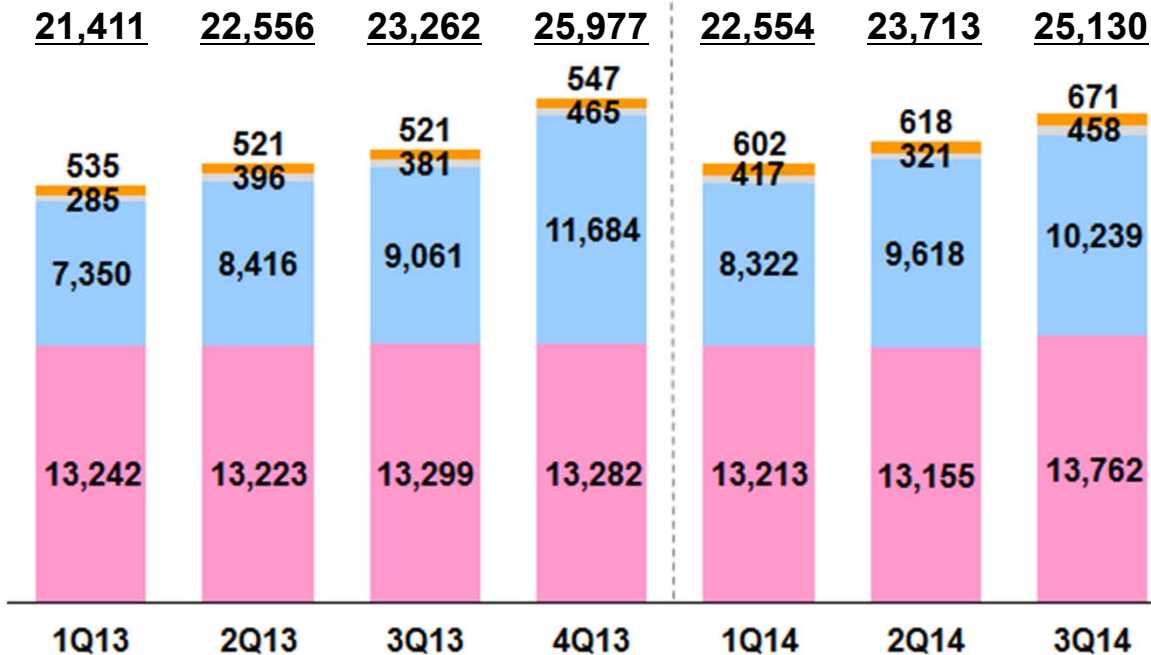
Unit: JPY million

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)

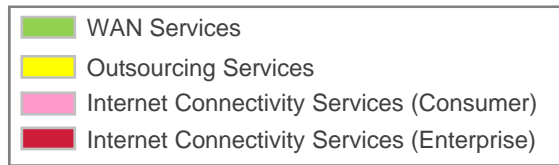
◆ Network Service Gross Margin

- 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)

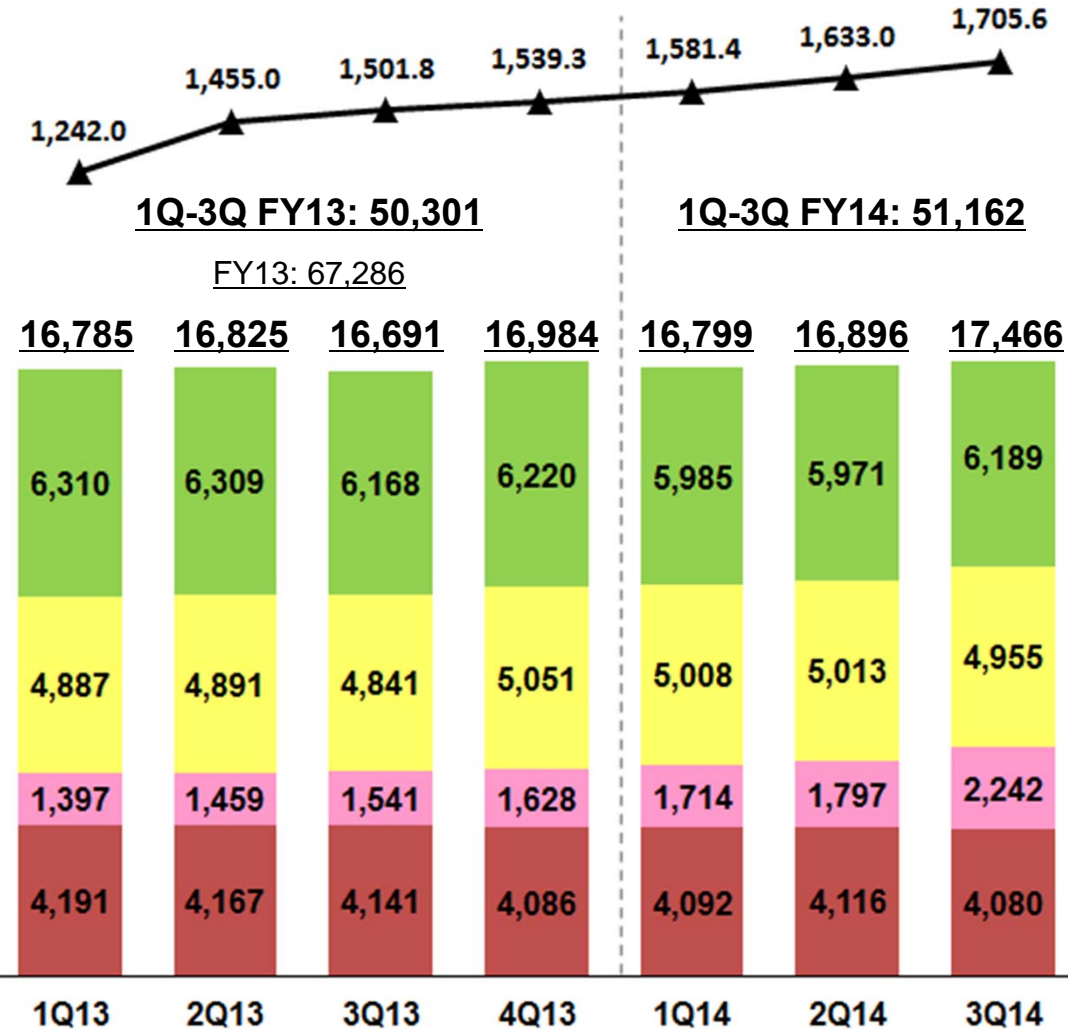
II - 4. Network Services (1)Revenues



Total Contracted Bandwidth (Gbps)

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%)

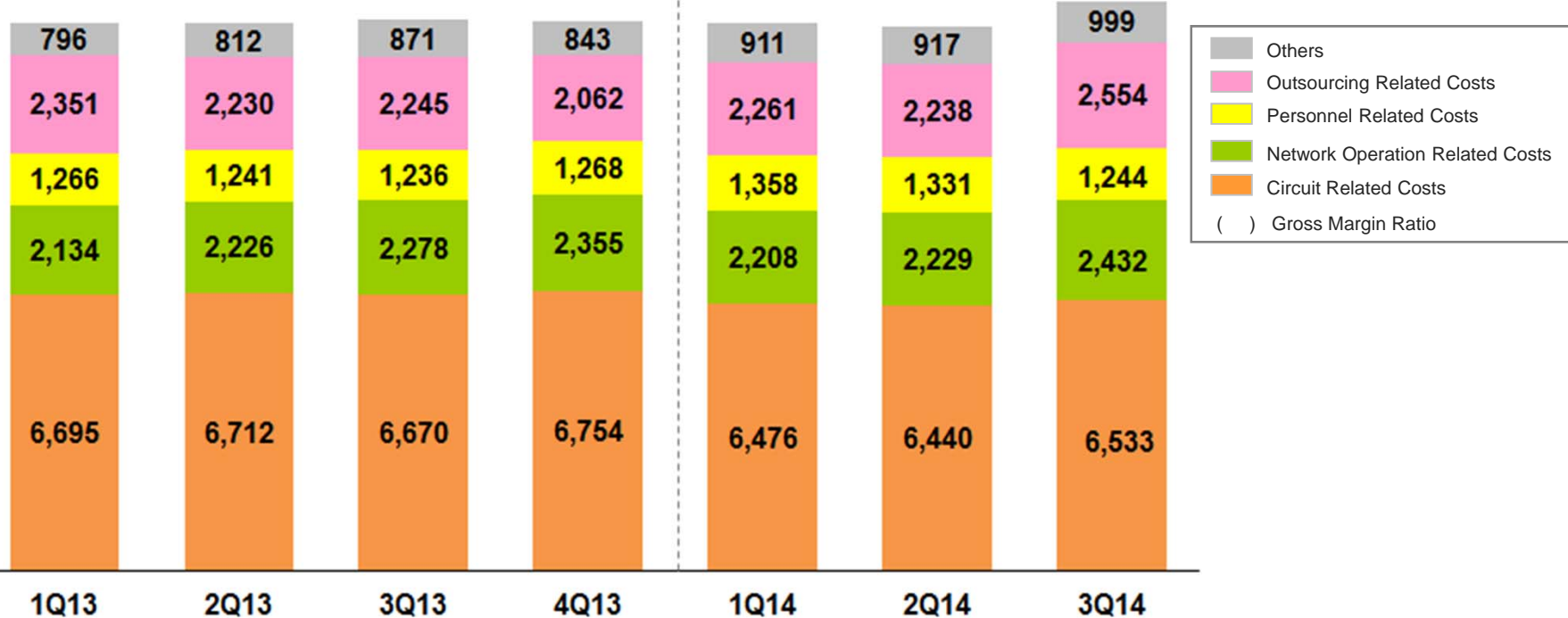
13,299
(20.3%)

13,282
(21.8%)

13,213
(21.3%)

13,155
(22.1%)

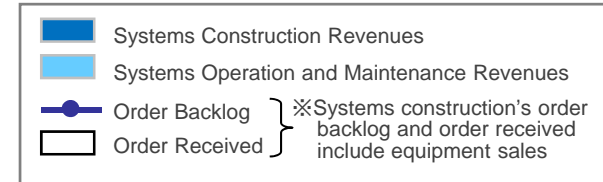
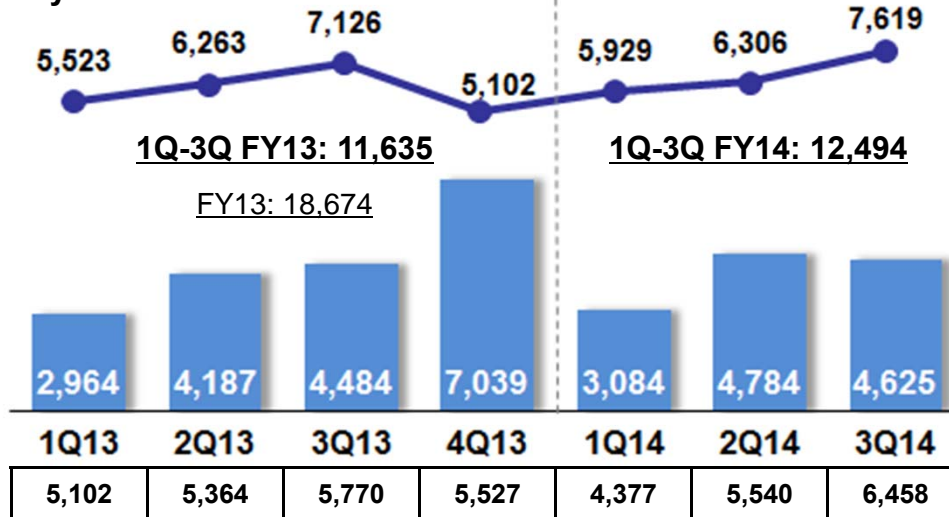
13,762
(21.2%)



- ◆ 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

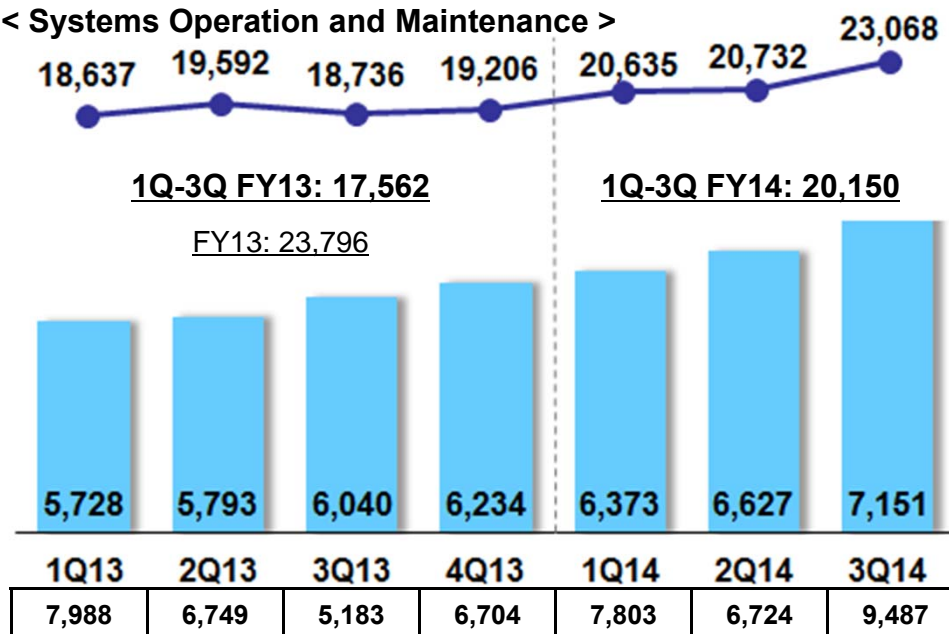
< Systems Construction >



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

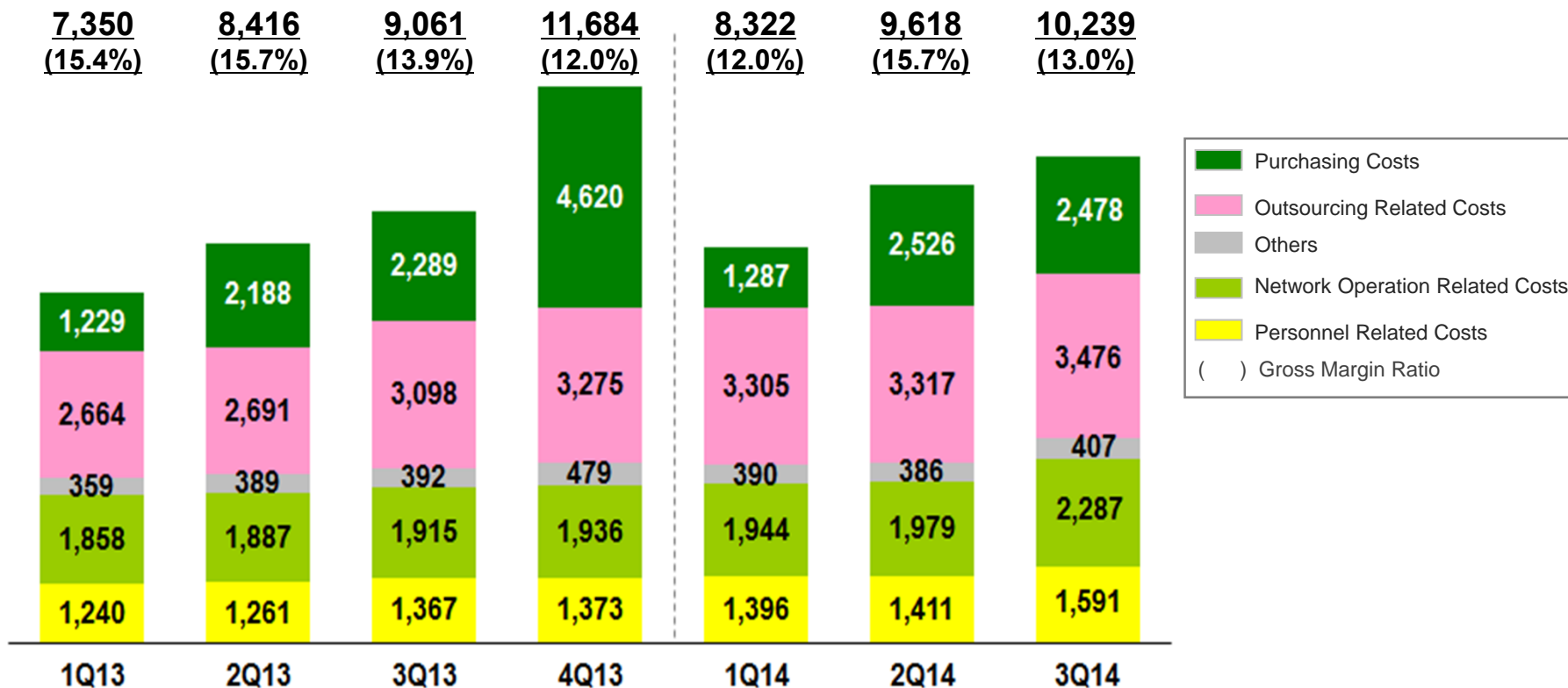
1Q-3Q FY13: 24,826 (15.0%)

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

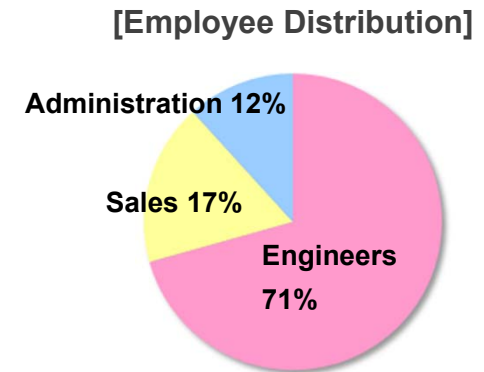
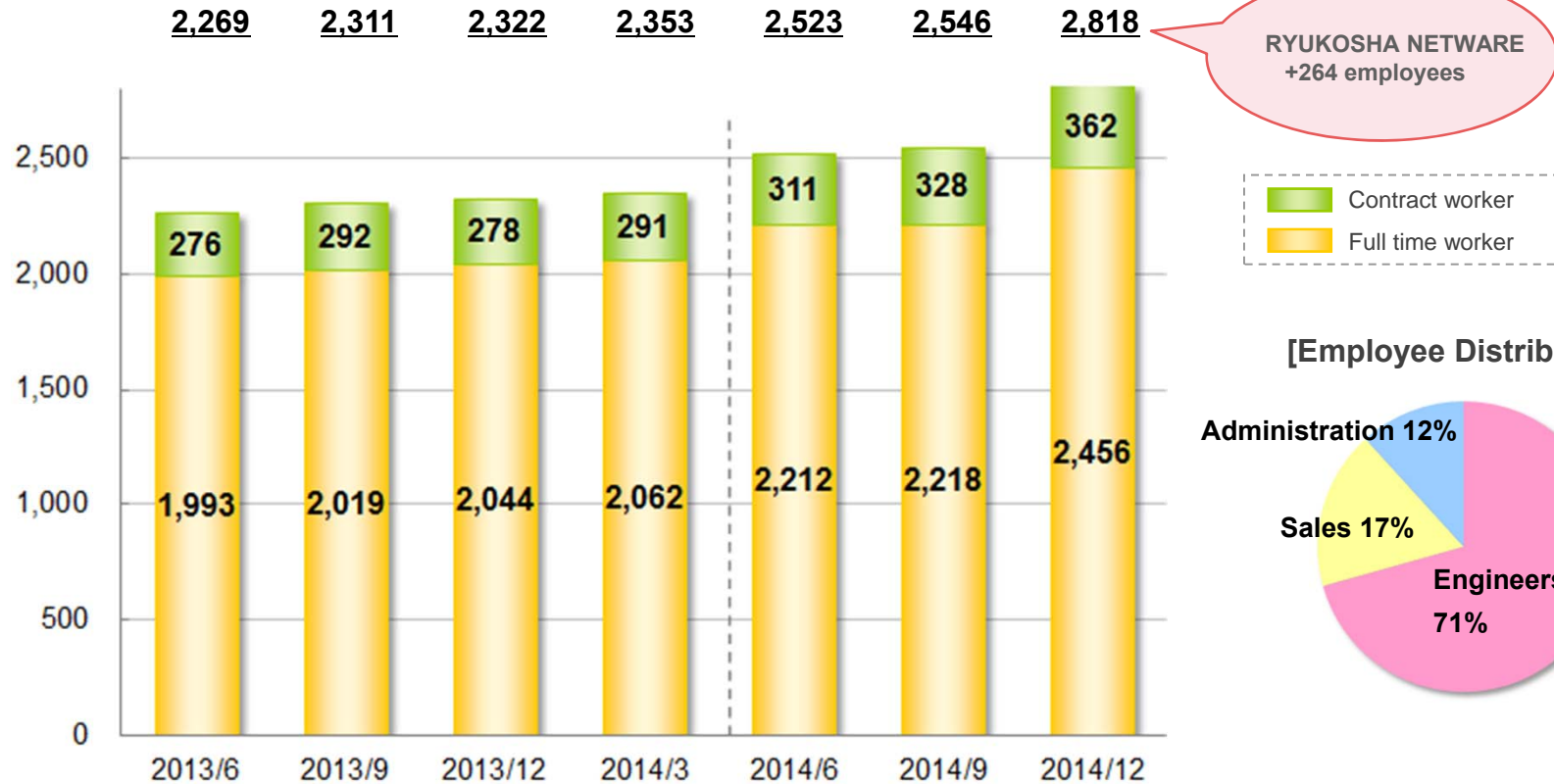


- ◆ 1Q-3Q14 Cost of SI: up JPY3,353 million, up 13.5% YoY
- Number of outsourcing personnel as of Dec. 2014: 948 personnel (up 132 personnel YoY, up 41 personnel QoQ)
- SI gross margin decreased in 3Q14 due to a temporary increase of network operation related costs with the disposal of facility for overseas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

M&A on Dec. 1, 2014: RYUKOSHA NETWORKARE 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 (15.9%)	4,254 (15.2%)	4,317 (15.2%)	4,408 (14.0%)	4,641 (16.8%)	4,643 (15.7%)	4,704 (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 NETWORKARE 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

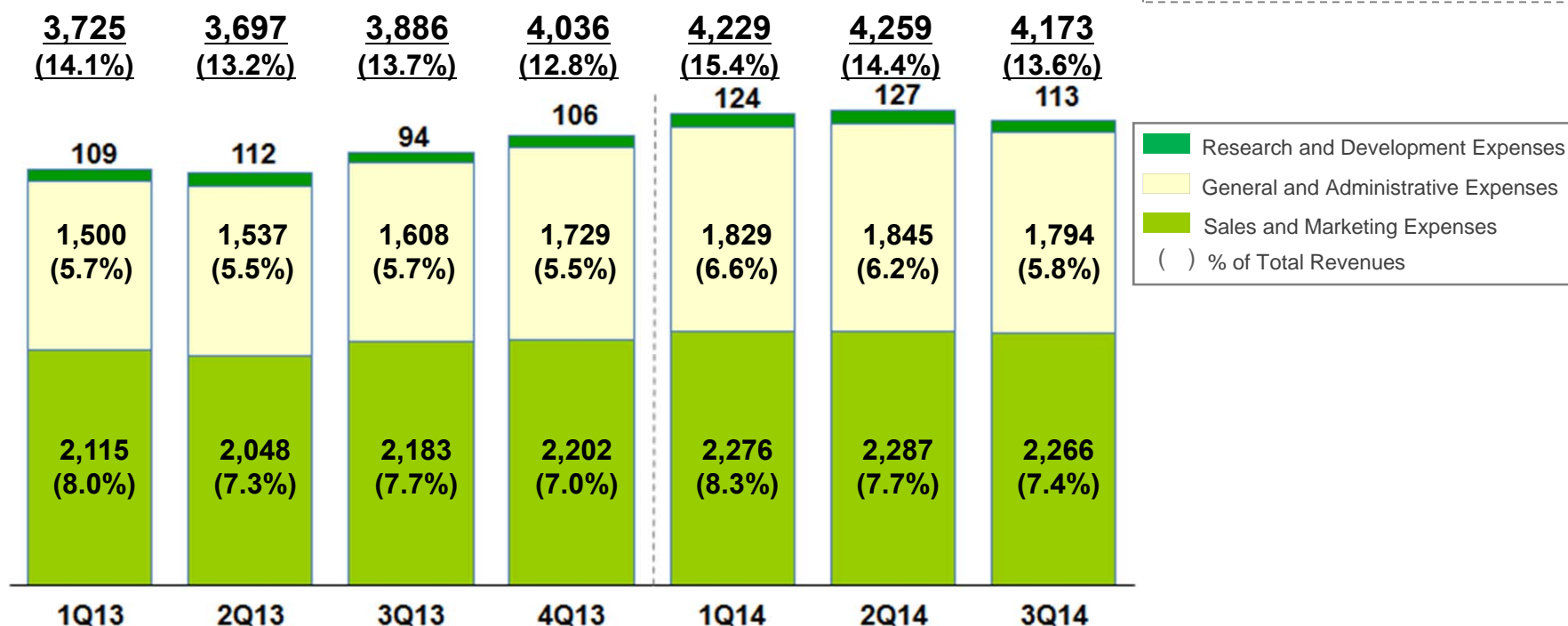
1Q-3Q FY13: 11,307 (13.7%)

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

Unit: JPY million

FY13: 15,343 (13.4%)

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



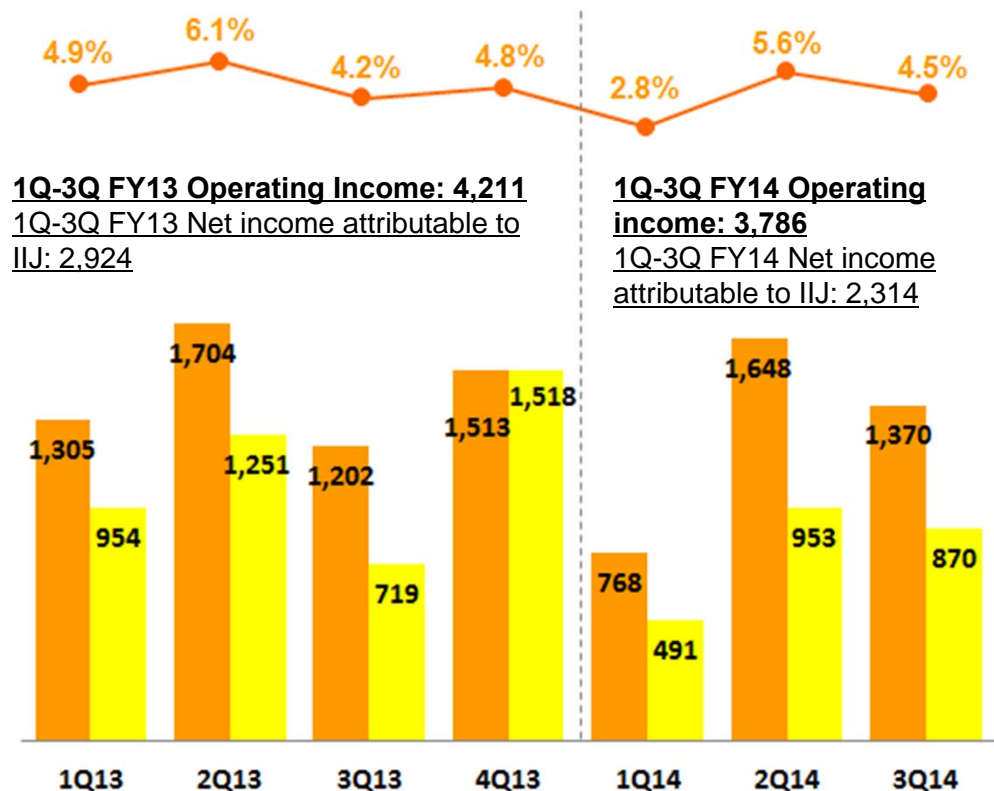
- ◆ 1Q-3Q14 SG&A Expenses/R&D: up JPY1,355 million YoY, up 12.0% YoY
 - Increase in personnel-related, outsourcing-related, rent/relocation expenses, commission payments (recruiting agent fee etc.), and sales commission expenses (MVNO related)
- ◆ Costs and expenses related to 1H14 headquarter relocation*: 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



1Q-3Q FY13 Operating Income: 4,211
 1Q-3Q FY13 Net income attributable to IIJ: 2,924

1Q-3Q FY14 Operating income: 3,786
 1Q-3Q FY14 Net income attributable to IIJ: 2,314

◆ 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)

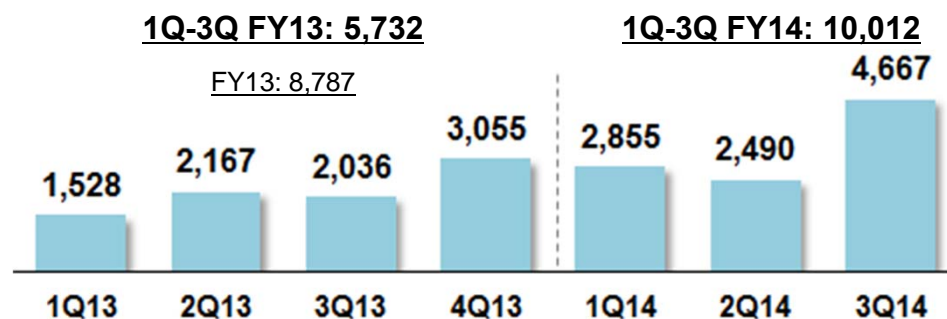
Unit: JPY million

	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

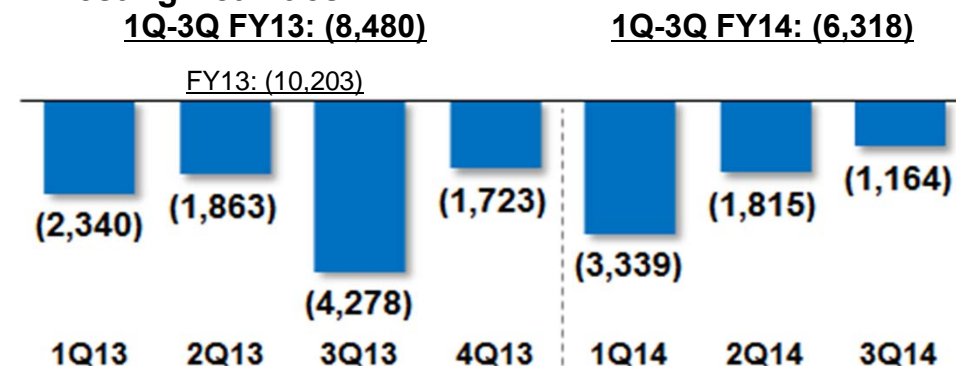
II - 10. Consolidated Cash Flows

< Operating Activities >



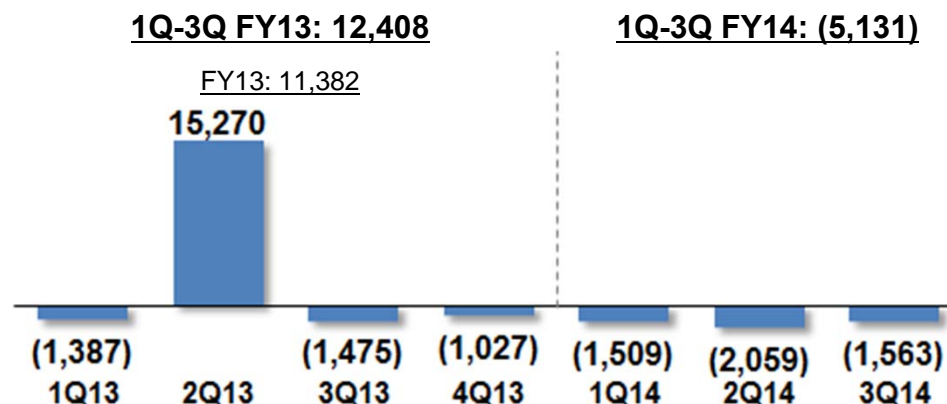
Operating Activities	1Q-3Q14 Breakdown	YoY Change
Net income	2,371	(604)
Depreciation and amortization	7,217	+713
Net gain on other non-cash transactions	388	+432
Fluctuation of operating assets and liabilities	35	+3,738

< Investing Activities >



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 >

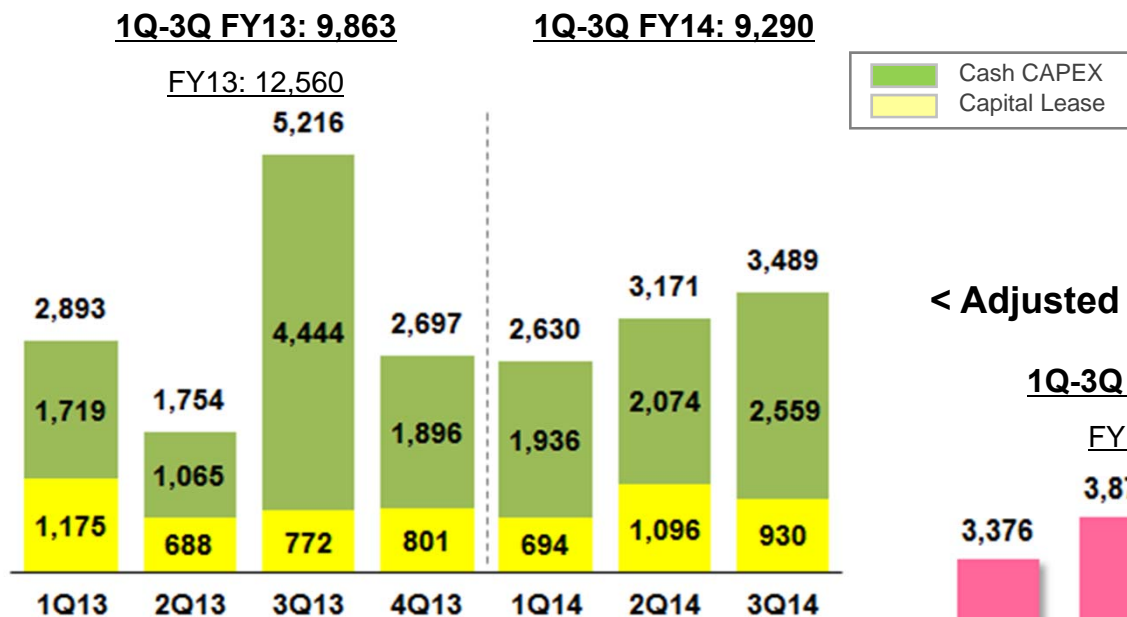


Financing Activities	1Q-3Q14 Breakdown	YoY Change
Principal payments under capital leases	(3,140)	(198)
Repayments of borrowings (short and long-term)	(980)	+30
Dividends paid	(1,011)	(100)

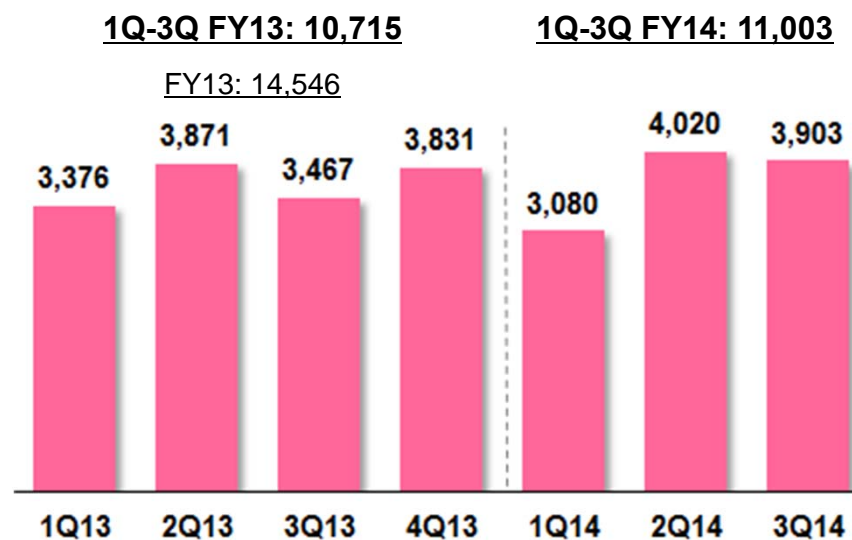
II - 11. Other Financial Data (CAPEX etc.)

< CAPEX (Include Capital Leases) >

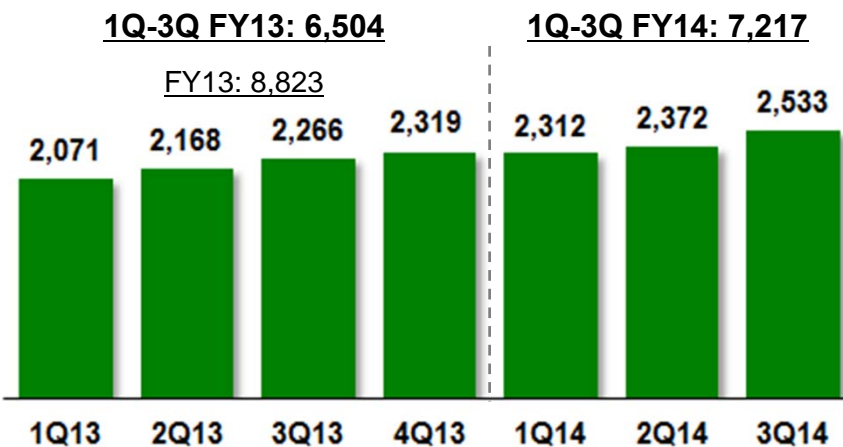
Unit: JPY million



< Adjusted EBITDA >



< Depreciation and Amortization >

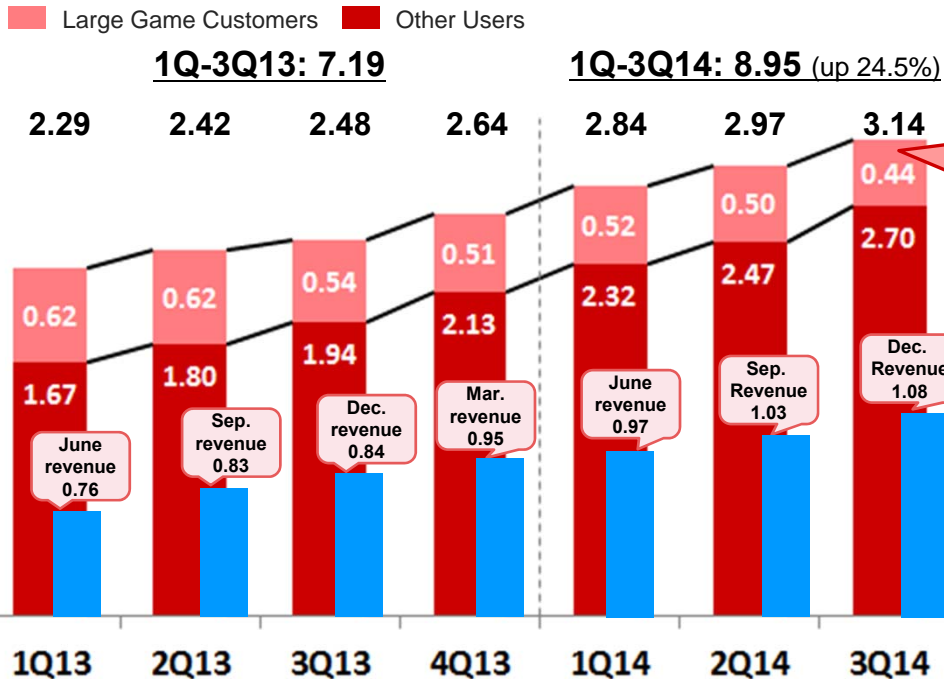


III-1. Cloud Business Developments



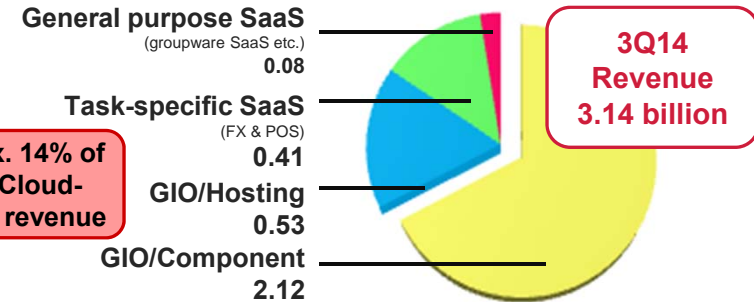
Cloud-related revenue

(Unit: JPY billion)



Breakdown of 3Q14 revenue

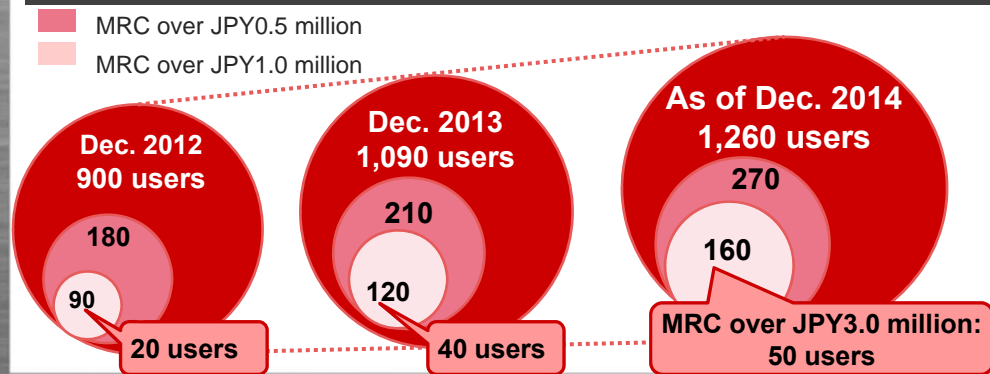
(Unit: JPY billion)



Business Progress

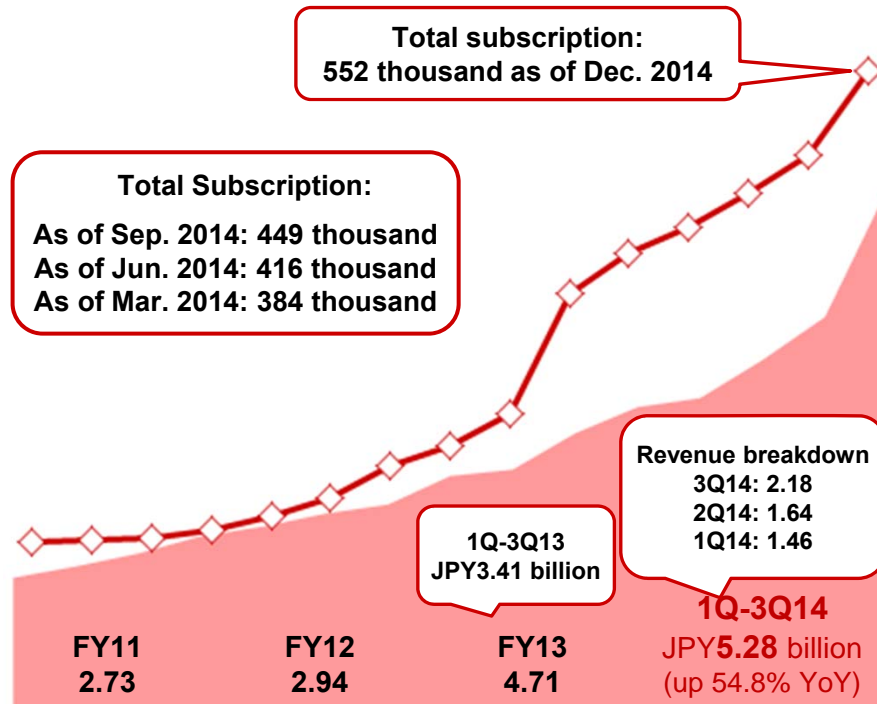
- ◆ Continuously growing and accumulating enterprises' demand while large game customers' demand slowing down
- ◆ Enhance competitive advantage in service qualities to acquire core business systems, accumulating orders of full-scale Cloud migration projects
 - Average revenue per customer (excluding 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.

Expansion of Customer Base and Usage

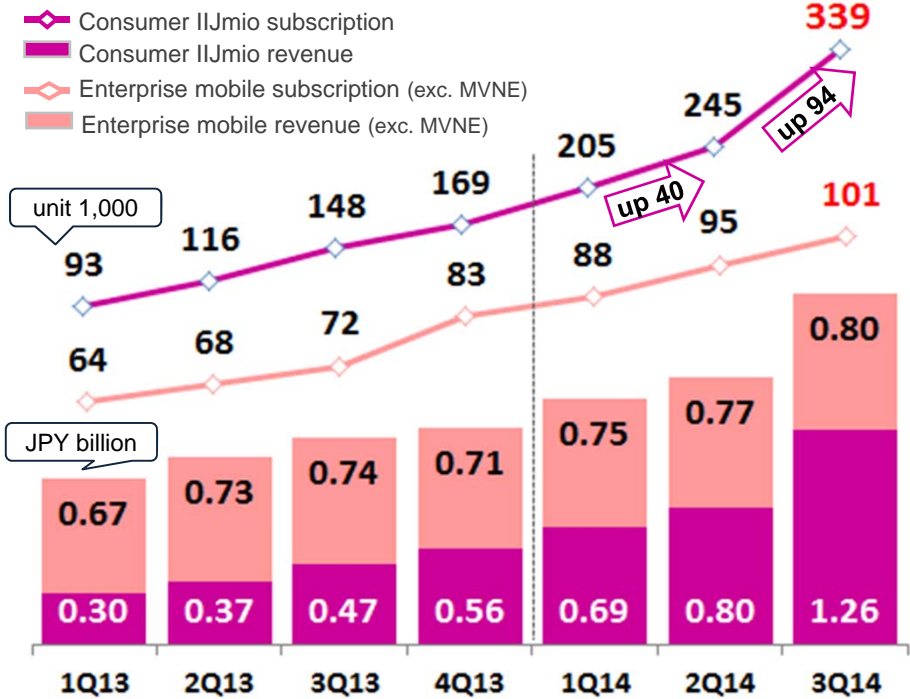


III-2. MVNO Business Developments

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.

*1Q-3Q FY14 revenue YoY: 1Q-3Q FY14 compared to 1Q-3Q FY13

*MVNE-related subscription is included in OEM under Consumer Internet Connectivity Services

※ 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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