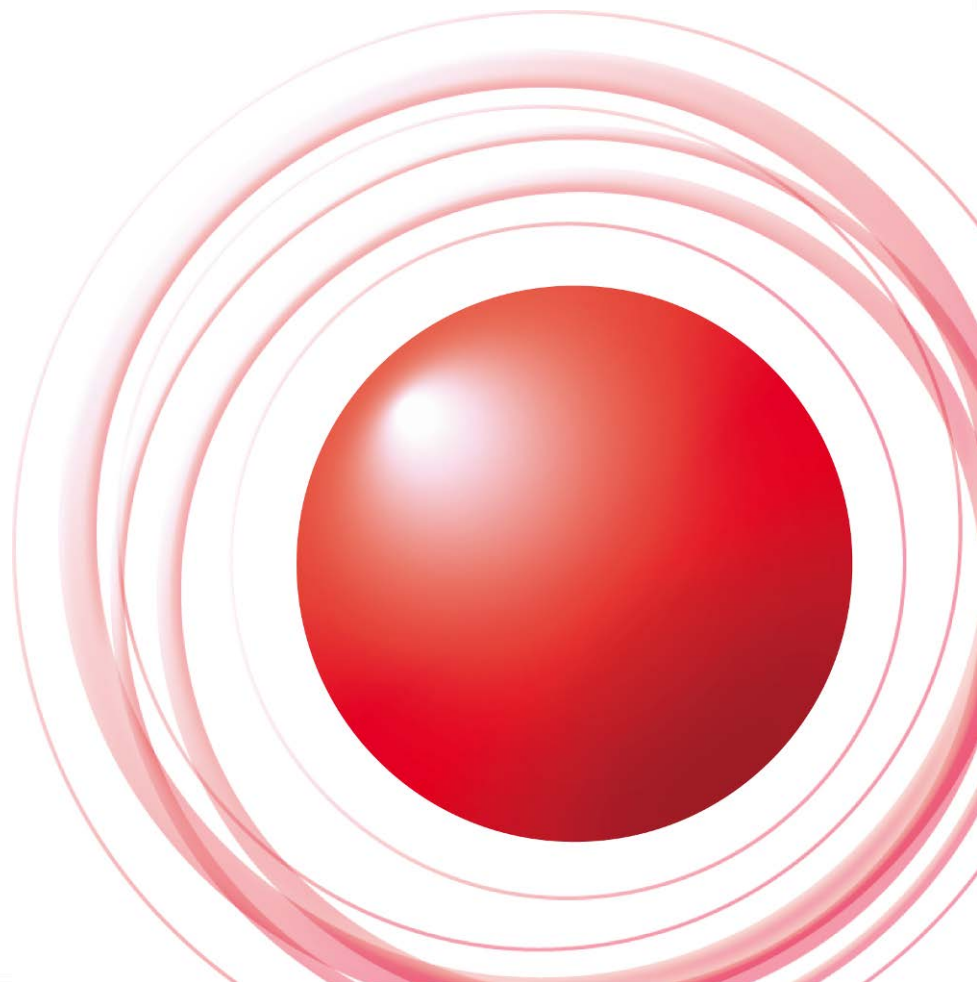


IIJ Internet Initiative Japan

Internet Initiative Japan Inc. Corporate Overview

June 2016
TSE1:3774 NASDAQ:IIJI

Ongoing Innovation



About IIJ

- Internet Technology Initiatives in Japan
- Technology and Service Developments
- ISP to Total Network Solution Provider

Competitive Advantages

- Over 8,500 Excellent Enterprise Customers in Japan
- Comprehensive Line-up of IT Services
- Target Blue-chip's IT Shift

Growth Strategy

- Leveraging Blue-chip Customer Base
- Cloud Business Developments
- Mobile Business Developments
- Enhancing Business Investments
- Line-ups to be Integrated for New IT Demands

Financials Summary

Appendix

Financial Results

Internet Technology Initiatives in Japan

About IIJ

Established	December 1992
Number of Employees* (Consolidated)	2,980 (approx. 70% engineers)
Listed Markets	NASDAQ (IIJI), TSE1 (3774)
Large Shareholders*	NTT (21.6%), Koichi Suzuki (5.6%*), NTT Communications (4.4%) <small>*Jointly owned by Mr. Suzuki's wholly owned private company</small>

◆ The first established full-scale ISP in Japan

- Introduced many prototype Internet-related network services
- Highly skilled IP engineers
- Self-develop services and the related back office facilities

◆ “IIJ” brand towards blue-chips market

- Over 8,500 customers: mainly large enterprises & governmental organizations
- Differentiate by reliability and quality of network and systems operation
- Long term relationship with blue-chips based on no serious systems troubles

◆ At the leading edge of IP R&D

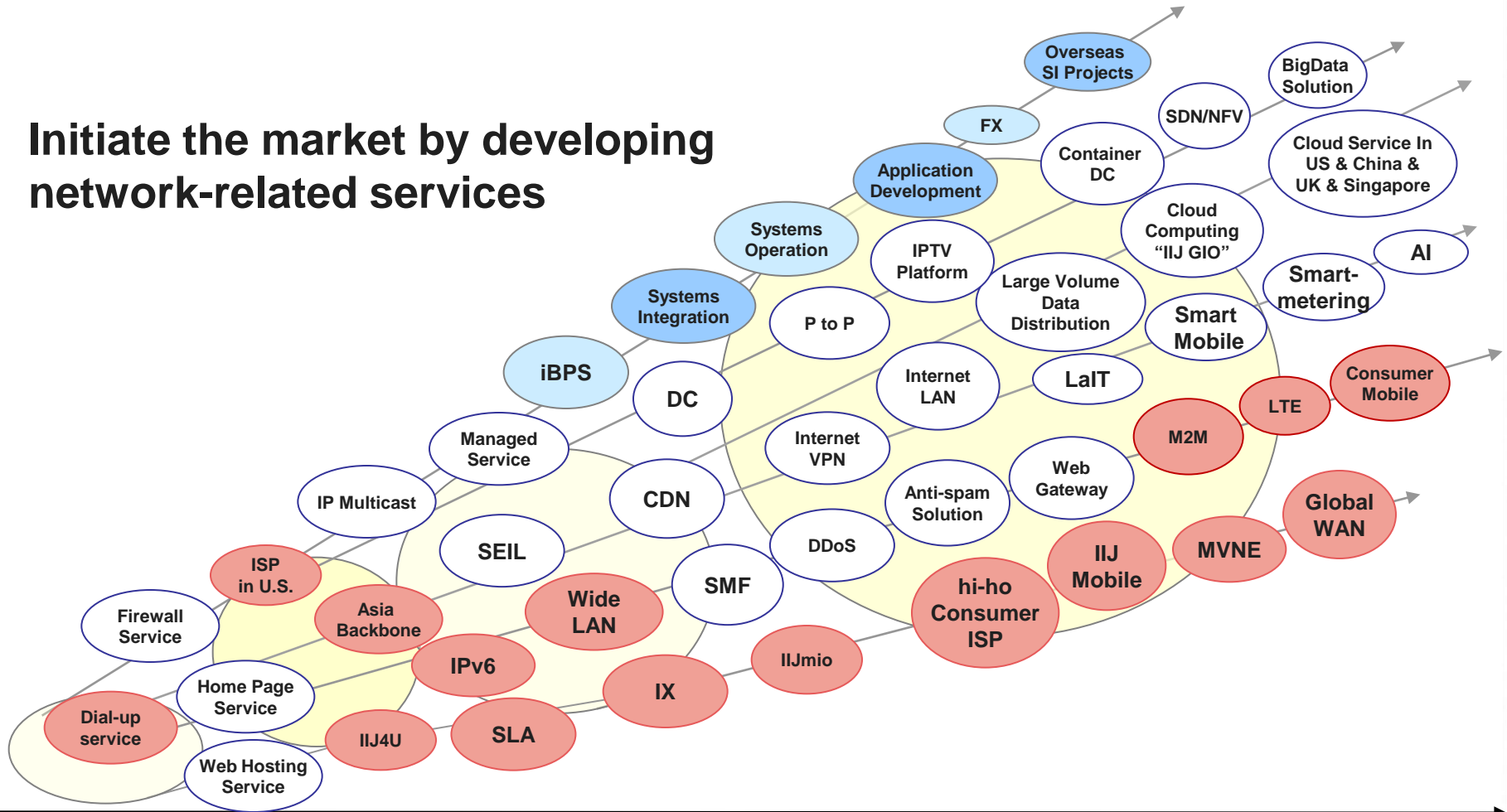
- Engaged in software development of SDN
- Founding member of JEAG
- Participates in world-wide research and organizations ...and many more

*as of March 31, 2016

Technology and Service Developments

About IIJ

Initiate the market by developing network-related services



1992  Internet Initiative Japan	1996  IIJ America	1997 	2006  Net Chart Japan 	2007  hi-ho	2008  INNOVATION INSTITUTE	2010  IIJ Global	2012  Trust Networks	2013  IIJ Europe	2014  LOYALTY MARKETING SOLUTIONS
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IIJ Group

ISP to Total Network Solution Provider

About IIJ

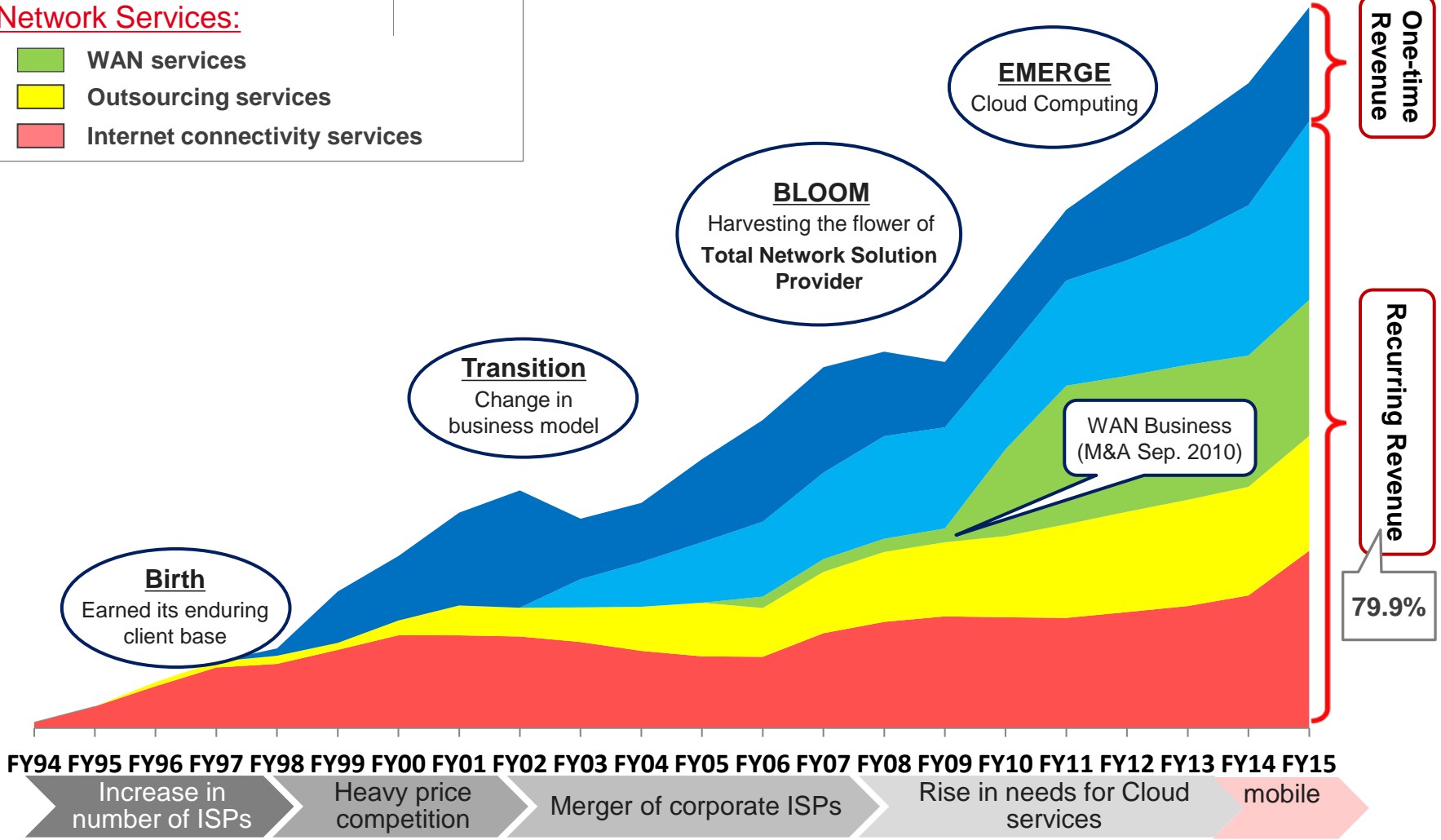
FY16 Revenue Target
JPY159.0 billion
 (+13.1% YoY)

Systems Integration:

- Systems construction
- Systems operation and maintenance

Network Services:

- WAN services
- Outsourcing services
- Internet connectivity services

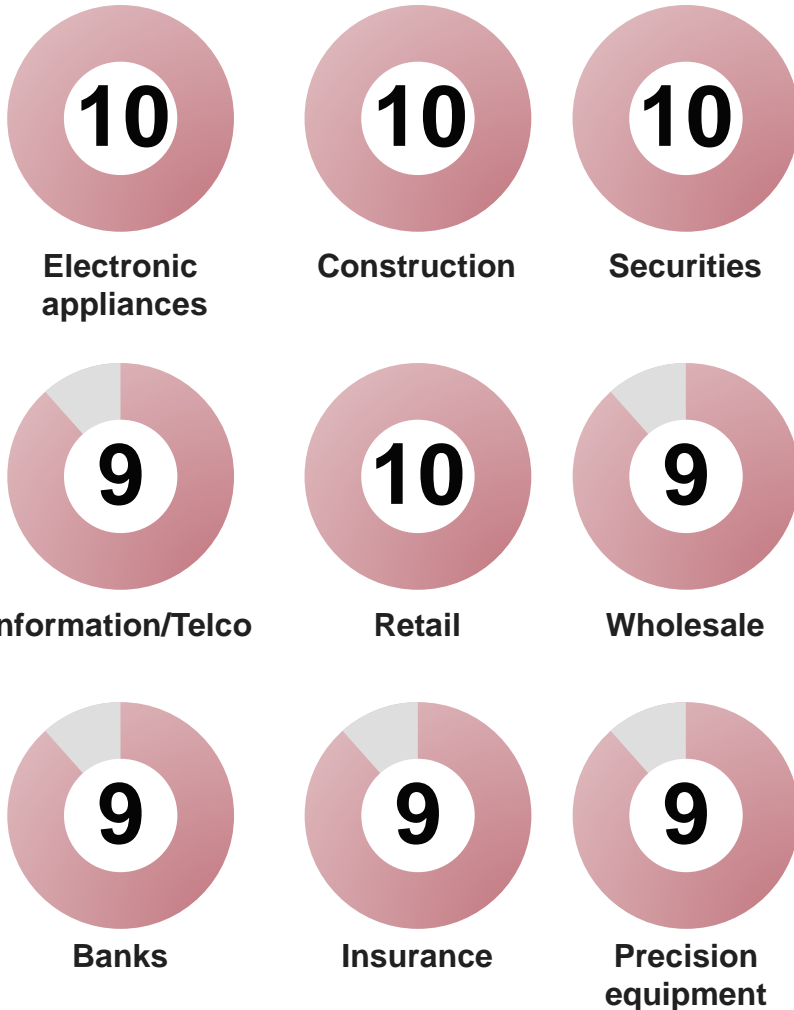


Over 8,500 Excellent Enterprise Customers in Japan

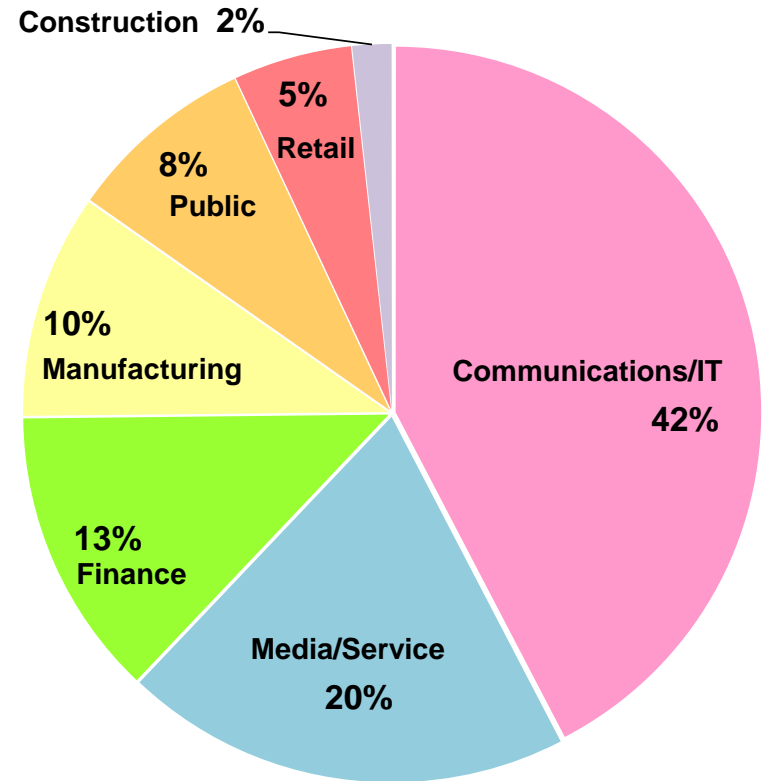
Competitive Advantages

Cover Most of Top 10 Revenue Companies

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



Revenue Distribution by Industry



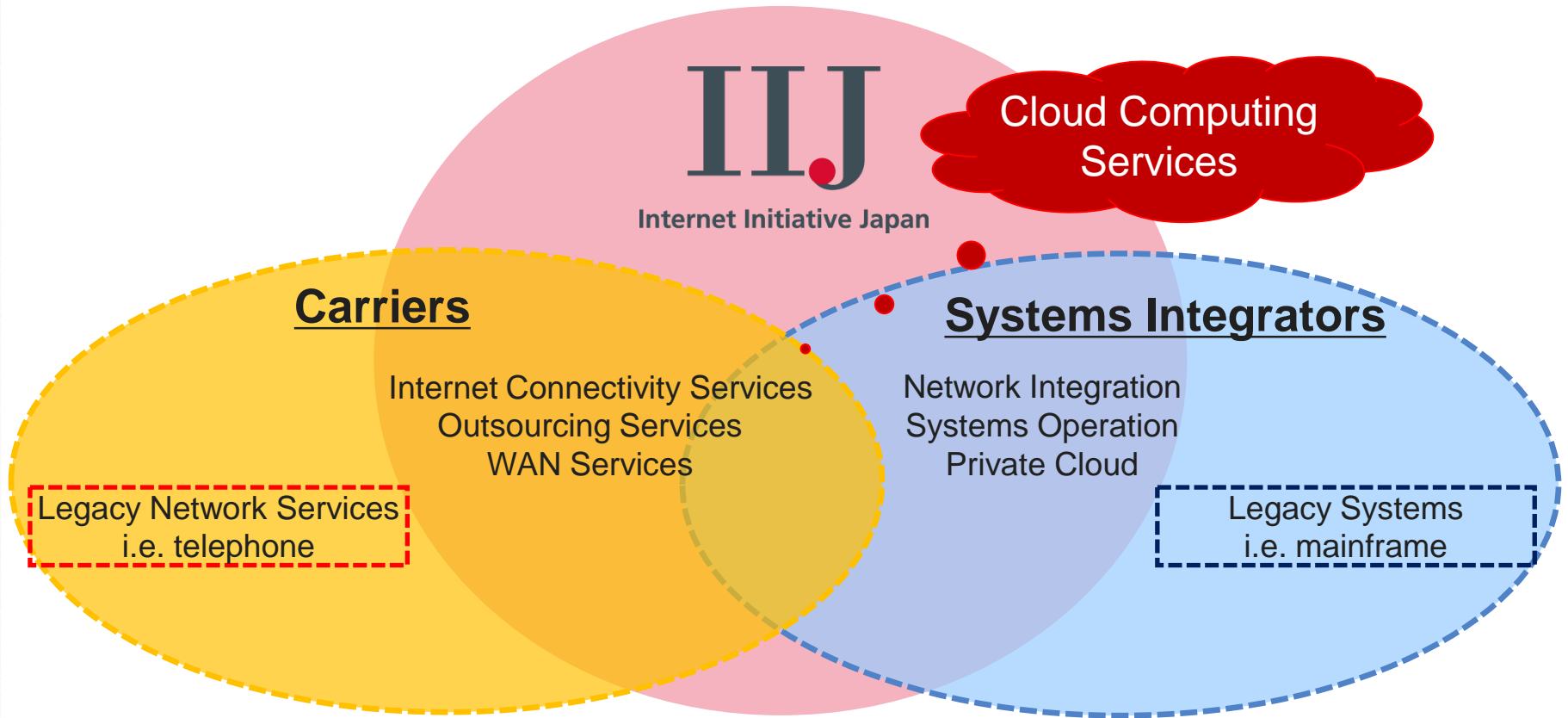
Source: IIJ's FY2015 financial results

Comprehensive Line-ups of IT services

Revenues		Services	Business status
NW Services	Internet Connectivity (Enterprise)	<ul style="list-style-type: none"> • Primary connectivity for HQ • High-performance dedicated connectivity • Redundant connectivity for multi-site 	<ul style="list-style-type: none"> • Enjoy/dominate matured market • Gradual revenue increase by increasing contracted bandwidth/traffic • Anticipate to grow with further cloud service penetration and CDN
	Internet Connectivity (Consumer)	Mobile <ul style="list-style-type: none"> • Mobile solutions, M2M/IoT, MVNE for enterprises • Inexpensive SIM card services for consumers 	<ul style="list-style-type: none"> • Emerging market, consumer rapidly expanding • M2M/IoT for enterprises grow for mid-term
	WAN	<ul style="list-style-type: none"> • Closed NW for multi-site connection 	<ul style="list-style-type: none"> • Stable market for long term
	Outsourcing	<ul style="list-style-type: none"> • Security, Data center, email outsource, NW/Server management service line-ups etc. • Approx. 60 own-developed services 	<ul style="list-style-type: none"> • Cross-sell and accumulate various outsourcing services • Growing demands for security
SI	Operation & Maintenance	Cloud <ul style="list-style-type: none"> • Full service line-ups for IaaS • SaaS/PaaS with partners • Hybrid/Multi cloud solutions • BigData, FX application etc. 	<ul style="list-style-type: none"> • Enormous opportunities with cloud shift of large enterprises' systems • Core area of the mid-long term growth
	Construction	<ul style="list-style-type: none"> • Internet-related SI, NW integration • Cloud-related, mobile-related SI • Operation & maintenance after construction 	<ul style="list-style-type: none"> • Value-added function to promote cloud, mobile systems etc.
Equipment Sales			

Target Blue-chip's IT Shift

Competitive Advantages

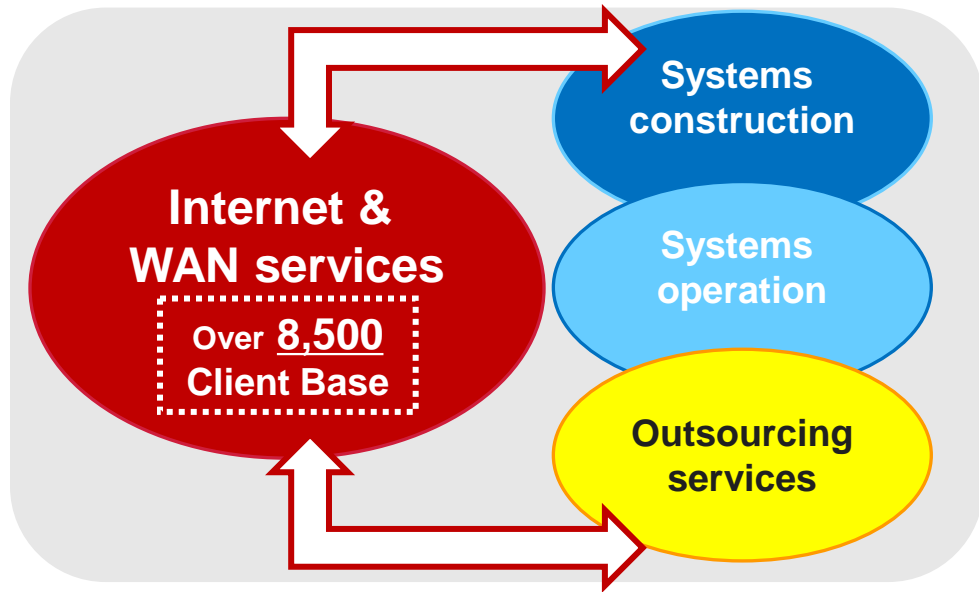


IIJ's differentiation points towards competitors

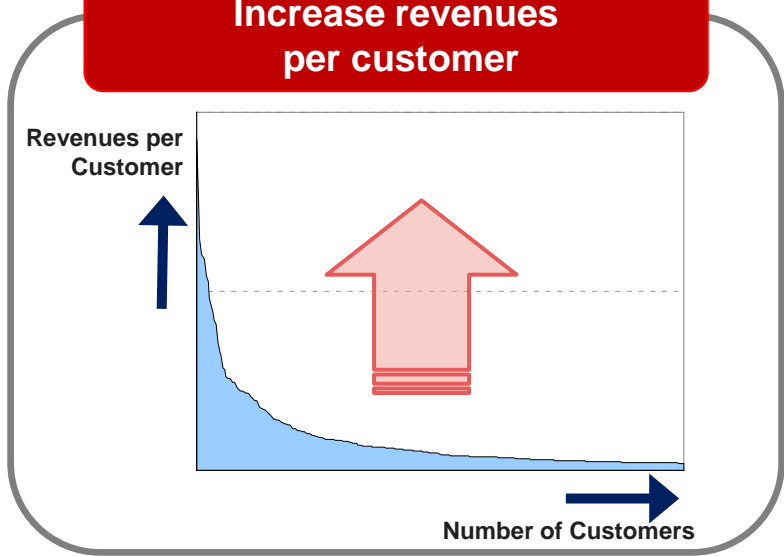
- | | |
|--|--|
| <ul style="list-style-type: none"> • Many highly skilled network engineers • Corresponds to the Internet market rapidly • Flat organization structure | <ul style="list-style-type: none"> • Operates backbone network • Develops network services • Moderate number of employees |
|--|--|

Leveraging Blue-chip Customer Base

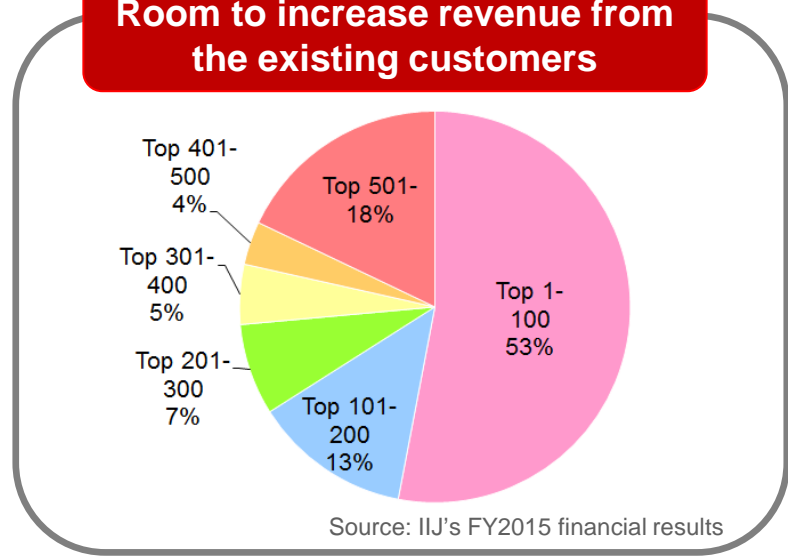
Growth Strategy



Increase revenues per customer



Room to increase revenue from the existing customers



Leveraging Blue-chip Customer Base

Growth Strategy

Unit: JPY billion

~ Cross-selling multiple service products ~

- ATM Operation Business
- Equipment Sales
- Systems construction
- Systems operation & maintenance
- Outsourcing services
- WAN services
- Consumer Internet services
- Enterprise Internet services

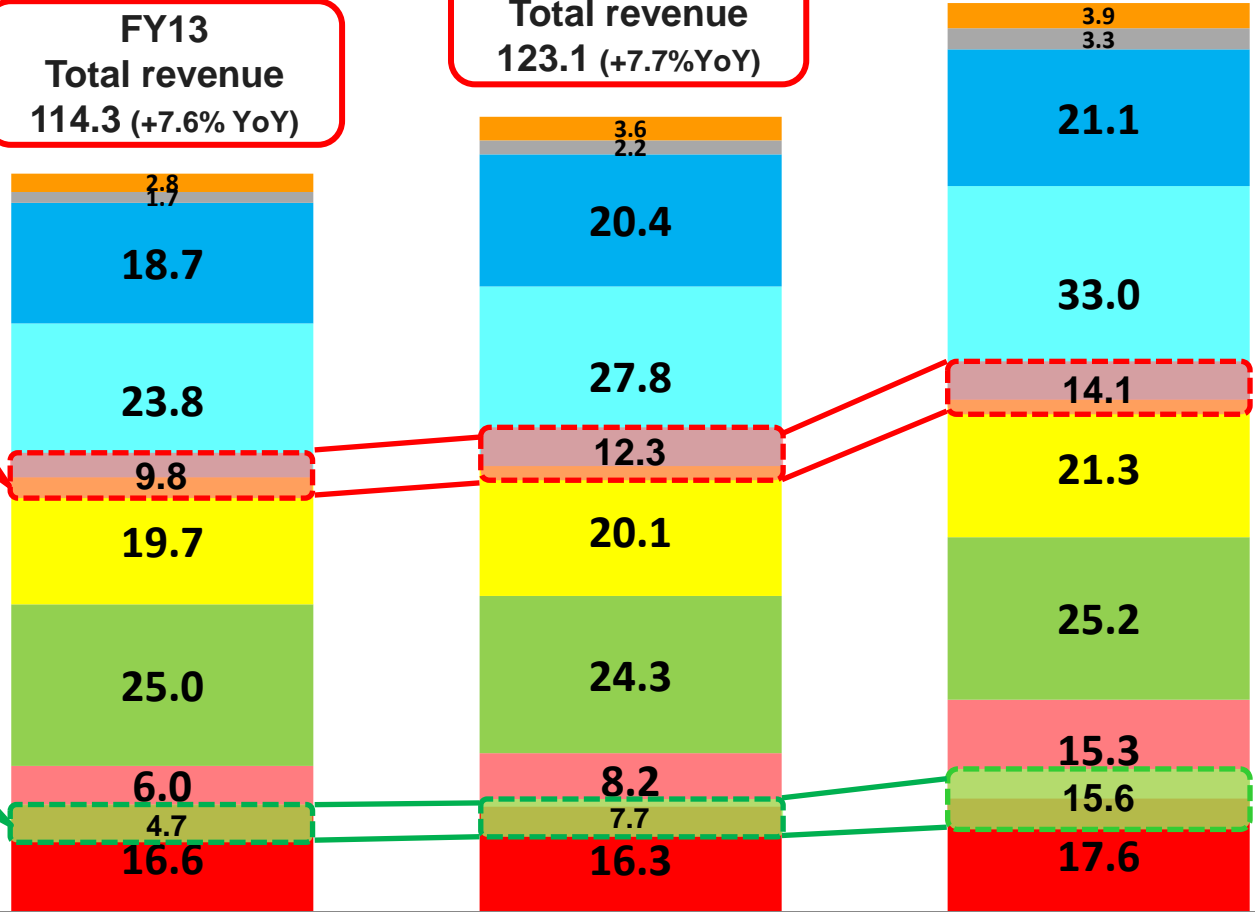
Cloud services

Mobile services

FY13
Total revenue
114.3 (+7.6% YoY)

FY14
Total revenue
123.1 (+7.7% YoY)

FY15
Total revenue
140.6 (+14.3% YoY)



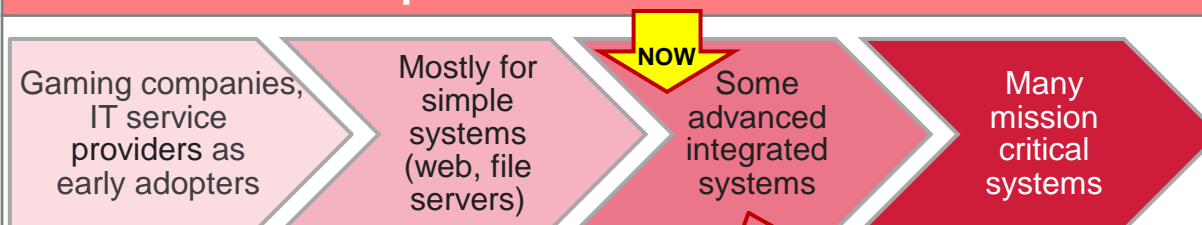
FY13

FY14

FY15

Cloud Business Developments

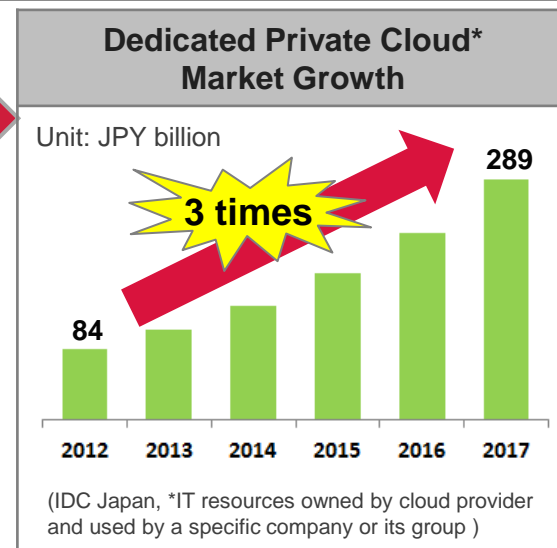
Cloud Market in Japan



Cloud penetration by enterprises: approx. 40%

- Average system life cycle: 5 years
- Cloud migration expected to further penetrate
- Systems don't migrate all at once, especially large internal systems
 - ✓ Customization (SI feature) is required when migrating to cloud
- Great business opportunity with IoT and BigData

WHITE PAPER Information and Communications in Japan as of Dec. 2014



IIJ's Cloud Services

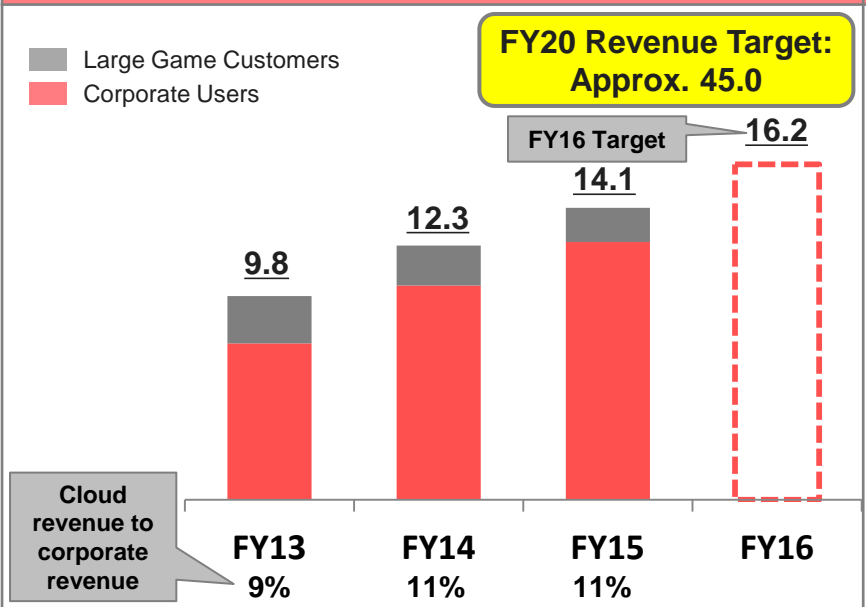
- Public cloud infrastructure (virtual servers, storage, etc.)
- Target large business enterprises' internal IT systems, traditionally covered by SIers
- Promote cloud shift of blue-chips by continuously enhancing service line-ups
- Approx. 600 partners (Microsoft, VMware, SAP, IBM , etc.)
- Engage in new service and solution development (BigData, M2M, etc.)

IIJ's Competitive Advantage

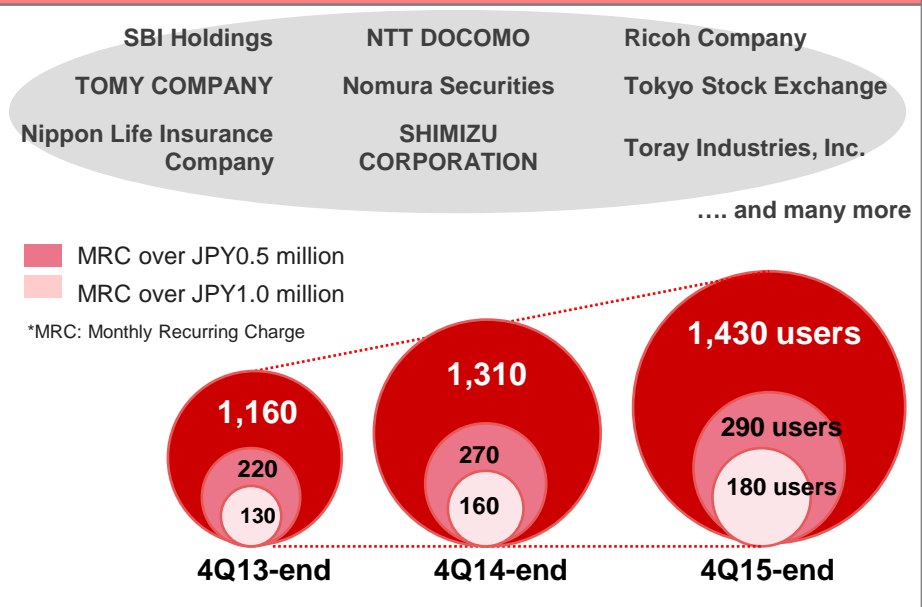
Experience, Reputation	One of Largest Providers	Reliable Operation	Own-Services Development
Deep Relationships with Blue-chip Customers	Genuine Public Cloud as Private	SI + MVNO + NW	Container Datacenters

Cloud Business Developments

Revenue Growth (unit JPY billion)



Customer Base



Business Model

Prominent User Cases

- Continuously invest in service facility such as servers, storage and datacenter

Cloud-related CAPEX (unit: JPY billion)		
FY13	FY14	FY15
3.7	1.7	4.4

- Benefit from large-scale service facility by improving utilization
- Turned positive in 4Q13, Cloud business gross margin : approx. JPY0.6 billion (FY15)

Nippon Express

Migrating all of its internal business operation systems to IJ's cloud services

ISID

Replacing its marketing solution platform by IJ's hybrid cloud solution

Sompo Japan Nipponkoa

Replacing its group communication platform to IJ's cloud services

Daiwa House

"Cloud first"
Fully outsource their internal servers, multi-cloud arrange

and many more

Mobile Business Developments

Growth Strategy

MVNO Market in Japan (YoY= year over year)

- **160 million** mobile subscription in total
- 3 MNOs dominate
- MVNO in early stage, Consumer services began 2012
- MVNO penetration
 - USA 10%
 - Germany 15%
 - Australia 14%
 - Japan 7%
- Government promotes MVNO strongly
 - SIM lock free, PM's comment, more variety of pricing, 2 years contract in dispute, HLR/HSS discussion
- MVNO infra. cost by Docomo decreased each year
 - By 16.9% (FY15), 23.5% (FY14), 56.6% (FY13), 41.2% (FY12)

MNOs	¥6-7,000 per month full package service	MVNOs	¥1,600 per month upper limit of 3GB
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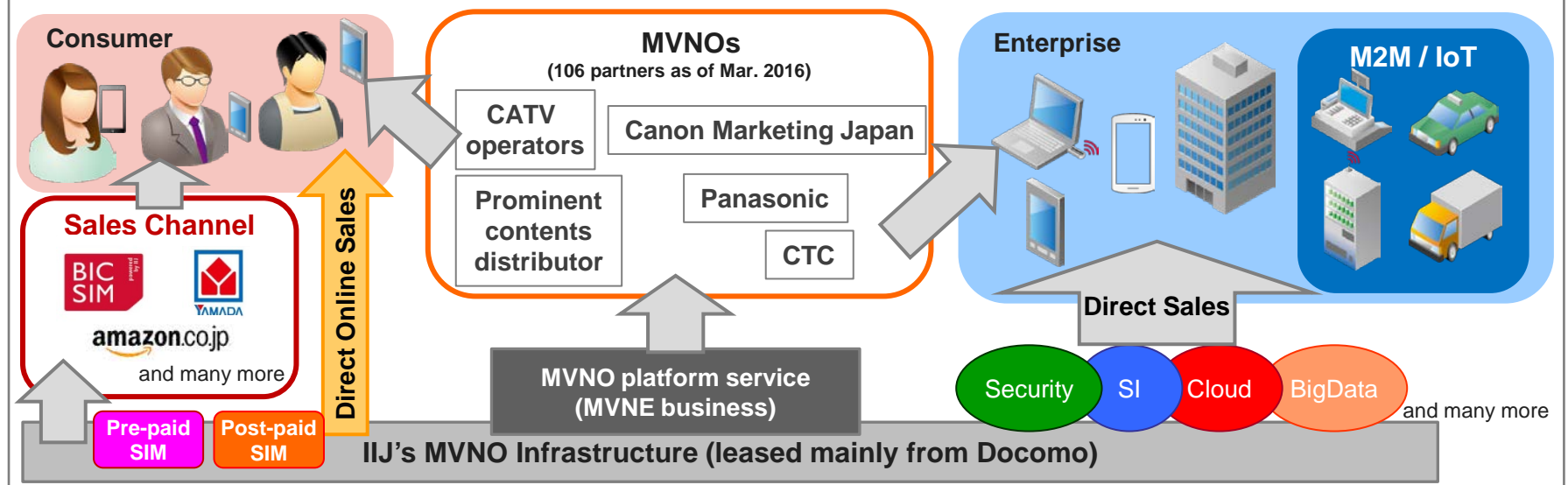
MVNO Penetration in Japan (unit JPY billion)

Legend: Total mobile subscription (grey), MVNO subscription (blue), SIM subscription (red)

Year	Total mobile subscription	MVNO subscription	SIM subscription
Dec. 2013	6.7 mil	1.4 mil	1.4 mil
Dec. 2014	8.9 mil	2.0 mil	2.0 mil
Dec. 2015	11.6 mil	3 - 4 mil*	3 - 4 mil*
Mar. 2021 (prospect)	-	-	20 mil*

Source: Ministry of Internal Affairs and Communications
* Assumption

IJ's MVNO Business Model



Mobile Business Developments

Growth Strategy

IIJ's Competitive Advantage

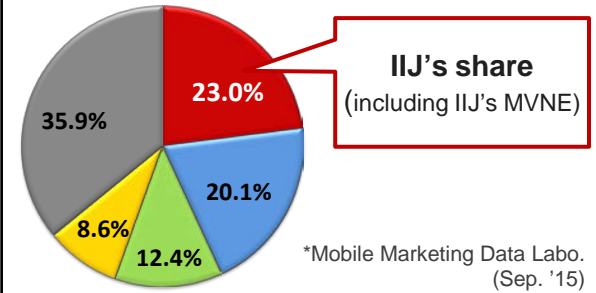
➤ For corporate

Blue-Chip Client Base	SI + Cloud for M2M/IoT	Large Scale NW Infra.
Reliable, Redundant	Security, GW Solution	Services Development

➤ For consumers

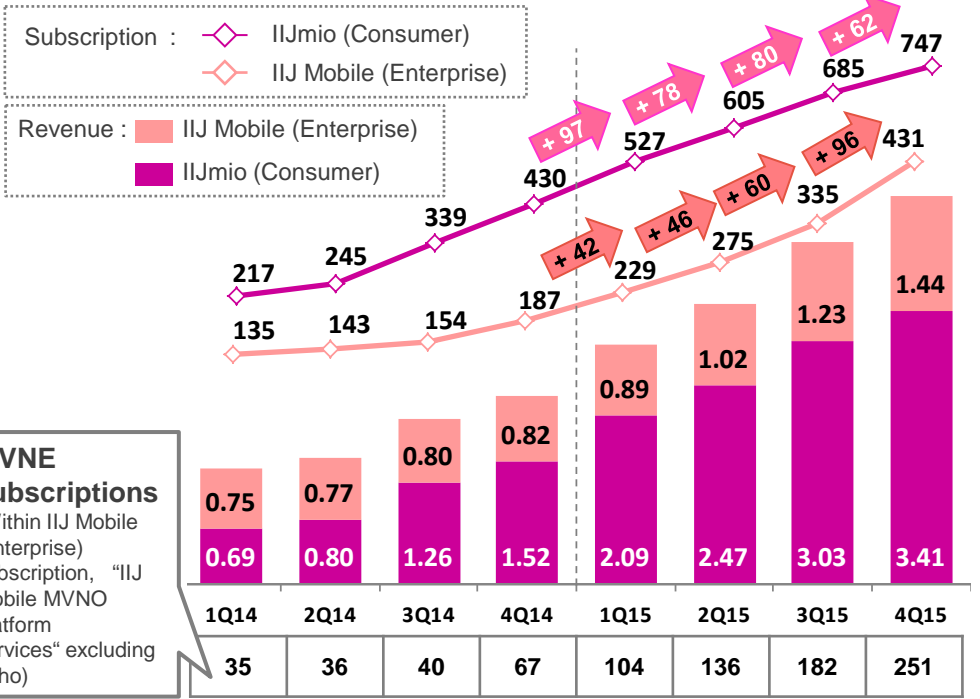
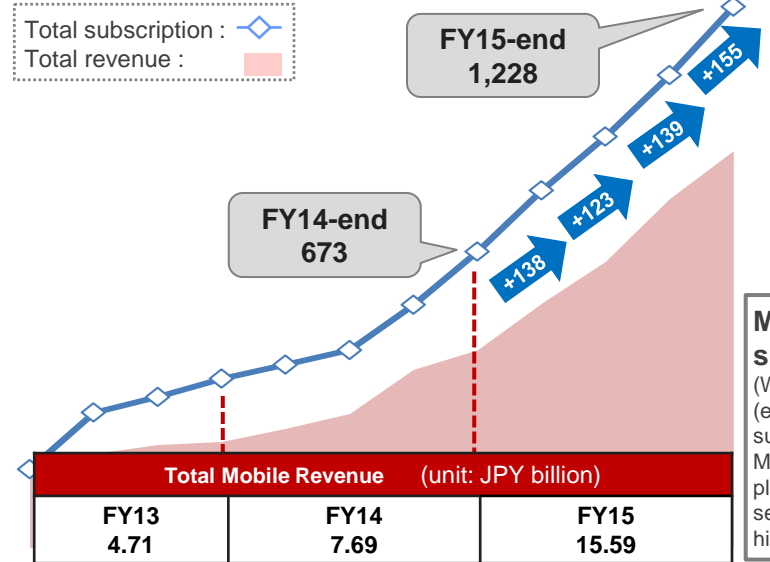
High Satisfaction	MVNE Strategy	Sales Partnerships
Fast, Reputation	NW Utilization	Improving Services

Consumer Market Share*



Subscription (unit: thousand) and Revenue (unit: JPY billion)

Targets for FY16 and FY20
Revenue: 25.5 billion (FY16) → 65.0 billion (FY20)
Subscription: 2 million (FY16-end) → 7 million (FY20-end)



MVNE subscriptions
 (Within IIJ Mobile (enterprise) subscription, "IIJ Mobile MVNO platform services" excluding hi-ho)

1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15
35	36	40	67	104	136	182	251

➔ **Target to improve margin with network infra. utilization by gathering various traffic**

Enhancing Business Investments

Growth Strategy

Unit: JPY billion

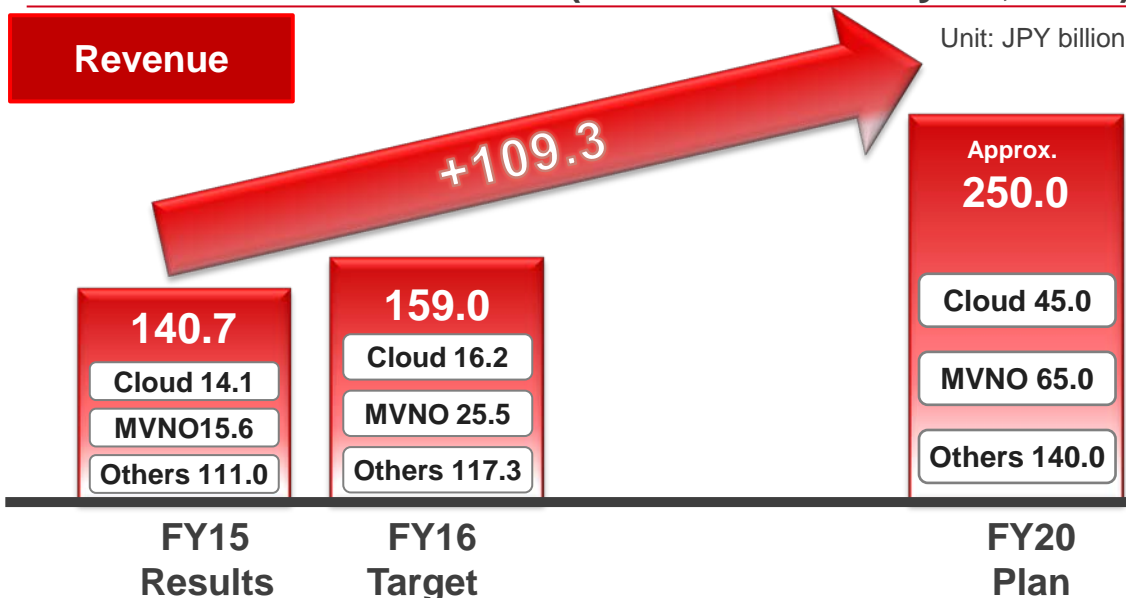


Financials Status	Year	Summary
	FY13	<p>Operating income decreased</p> <ul style="list-style-type: none"> • Cost increased/proactive business investment • Certain large customers (game and carriers) recurring revenue decreased
	FY14	<p>Operating income decreased</p> <ul style="list-style-type: none"> • Cost increased/proactive business investment, especially for mobile • Smaller than expected mobile infra. charge decrease
	FY15	<p>Strong revenue growth, turned to income growth</p> <ul style="list-style-type: none"> • Revenue growth absorbed cost increase

Middle Term Plan (Disclosed on May 13, 2016)

Revenue

Unit: JPY billion



Business Strategies

- Provide comprehensive solutions meeting enterprise systems demand with “Network cloud services” and “System cloud services” with SI functions
- Enhance advantageous businesses such as MVNO and security
- Pursue new business opportunities related to contents distribution, M2M/IoT, health care, further developments in overseas, etc.

Target Revenues

◆ Maintain annual revenue growth rate of more than 10%

- FY20 Cloud business revenue: approx. JPY45 billion (up JPY30.9 billion from FY15)
- FY20 MVNO business revenue : approx. JPY65 billion (up JPY49.4 billion from FY15)
- FY20 Network, SI and others: approx. JPY140 billion (up JPY29.0 billion from FY15)

Business Scale

◆ Aim to be top market share player in the following markets in Japan

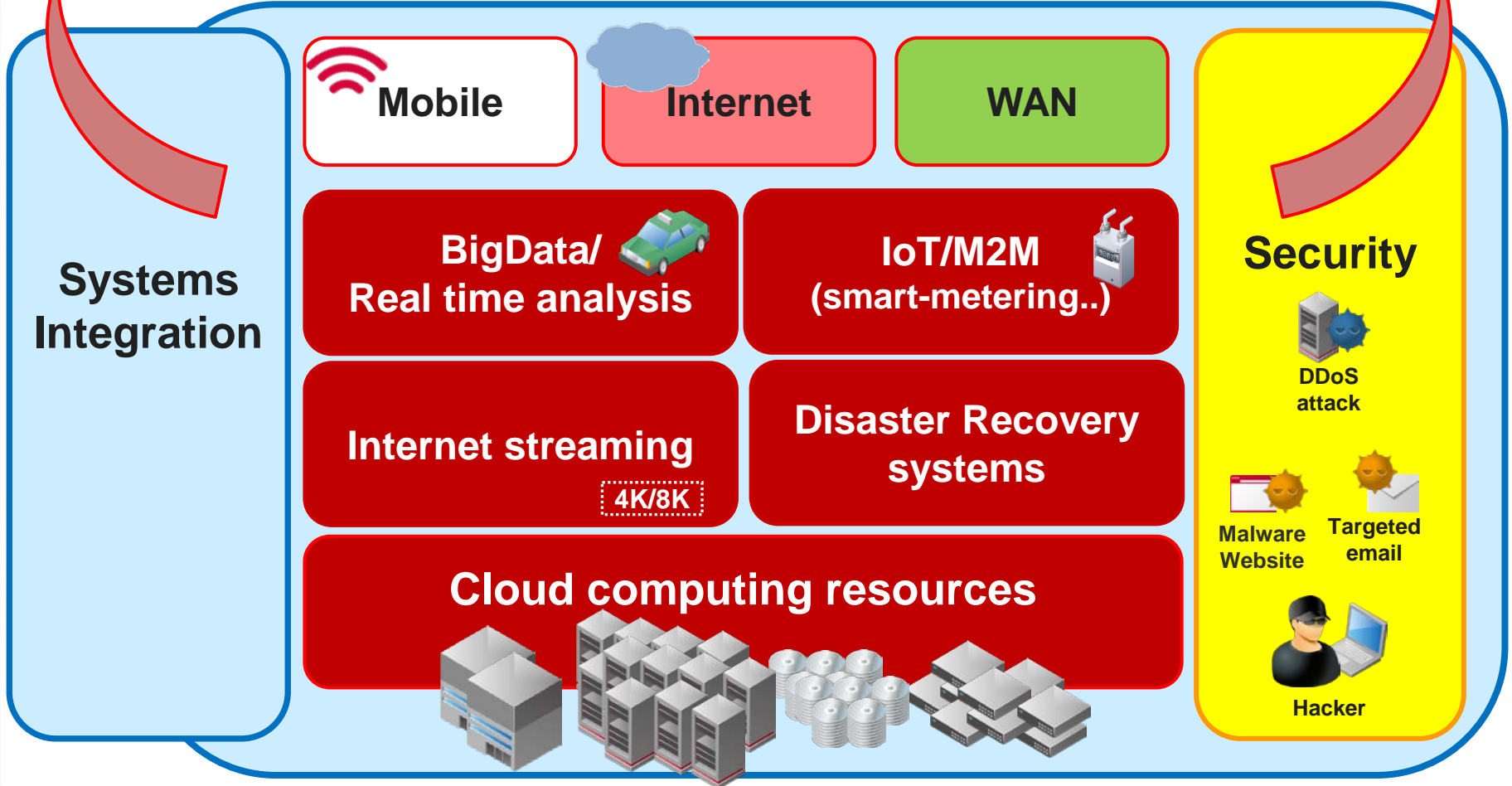
- Enterprise Cloud (IaaS domain)
- MVNO (Target 7 million subscriptions by the end of FY20)
- Enterprise Internet-related security

Operating Income

- ◆ Maintain double-digit annual operating income growth rate by expanding gross margin along with revenue growth
- ◆ Exceed JPY10 billion early in the plan

Line-ups to be Integrated for New IT Demands

Growth Strategy



Summary of FY2015 Financial Results

**Financial
Summary**

< FY15 Results >

YoY = year over year

Revenues	JPY140.65 billion (up 14.3% YoY)	Annual dividend per common share	JPY22.00
Gross margin	JPY24.66 billion (up 11.7% YoY)	Payout ratio	25.0%
Operating income	JPY6.14 billion (up 21.0% YoY)	ROE	6.3%
Net income attributable to IIJ	JPY4.04 billion (up 21.6% YoY)		

Strong revenue growth absorbed costs increased, Margin expansion led to income growth
Recent years' investments contributed to recurring revenue accumulation (up 16.0% YoY)

Mobile

Market continued expanding, Enhanced sales channel, Maintained high customer satisfaction etc.

➤ Successful MVNE strategy (106 clients, up more than 70 clients YoY)

Subscription: 1.228 million (up 555 thousand YoY)
Revenue: JPY15.59 billion (up JPY7.90 billion YoY)

Cloud

Strengthened to capture enterprises' demand to shift core business systems to cloud

➤ New service platform "IIJ GIO P2," Accumulating large-scale projects, Incorporating SI function

Revenue: JPY14.09 billion
(up JPY1.83 billion YoY)

Network Services

- Enterprise network services & WAN services showed steady growth
- Increasing demands for targeted and DDoS attacks protection security services
- Strengthening contents distribution business, Enhancing existing services such as Video on Demand platform, launched the World's first live high-resolution streaming services

NW service revenue: JPY61.66 billion
(up 4.4% YoY)
excluding mobile & cloud (portion recognized in outsourcing)

SI

- IT investment appetite continued
- Systems operation and maintenance as a growth driver, Executing large-scale construction projects

Revenue: JPY42.14 billion (up 10.3% YoY)
excluding cloud (portion recognized in SI operation & maintenance)

Overseas Business

- Business expanding as making business developments overseas, Cloud JV in Indonesia and Thailand, Exporting container DCs to Laos

Revenue: JPY5.26 billion (up 7.5% YoY)
Operating loss: JPY0.54 billion (improved by JPY0.27 billion YoY)

FY2016 Financial Target

**Financial
Summary**

Unit: JPY billion

	% of Revenues		% of Revenues		% of Revenues	
	1H16 Target	FY16 Target	FY15 Results	FY16 Target to FY15 Results		
Total Revenues	73.8	159.0	140.7	+18.4	+13.1%	
Gross Margin	17.3% 12.8	17.4% 27.6	17.5% 24.7	+2.9	+11.9%	
Operating Income	3.8% 2.8	4.6% 7.3	4.4% 6.1	+1.2	+18.9%	
Income before Income Tax Expense	3.8% 2.8	4.6% 7.3	4.4% 6.2	+1.1	+17.9%	
Net Income*	2.6% 1.9	3.1% 5.0	2.9% 4.0	+1.0	+23.8%	
Cash Dividends per common share	JPY13.50	JPY27.00	JPY22.00	+ JPY5.00	+22.7%	

* Net income attributable to IIJ
YoY = FY16 targets compared to FY15 results

Revenue Targets

- **Cloud: approx. JPY16.2 billion (up approx. JPY2.11 billion YoY)**
- **Mobile: approx. JPY25.5 billion (up approx. JPY9.91 billion YoY)**
 - 2 million subscriptions at FY16-end (up approx. 772 thousand YoY)
- **Other network services and SI: continuous growth**
- **Overseas business: approx. JPY7.0 billion (up approx. JPY1.74 billion YoY)**
 - Operating loss: approx. JPY0.2 billion (improve by approx. JPY0.3 billion YoY)

- **FY16 CAPEX: about the same as FY15 results**
- **Plan to increase dividend along with income growth**

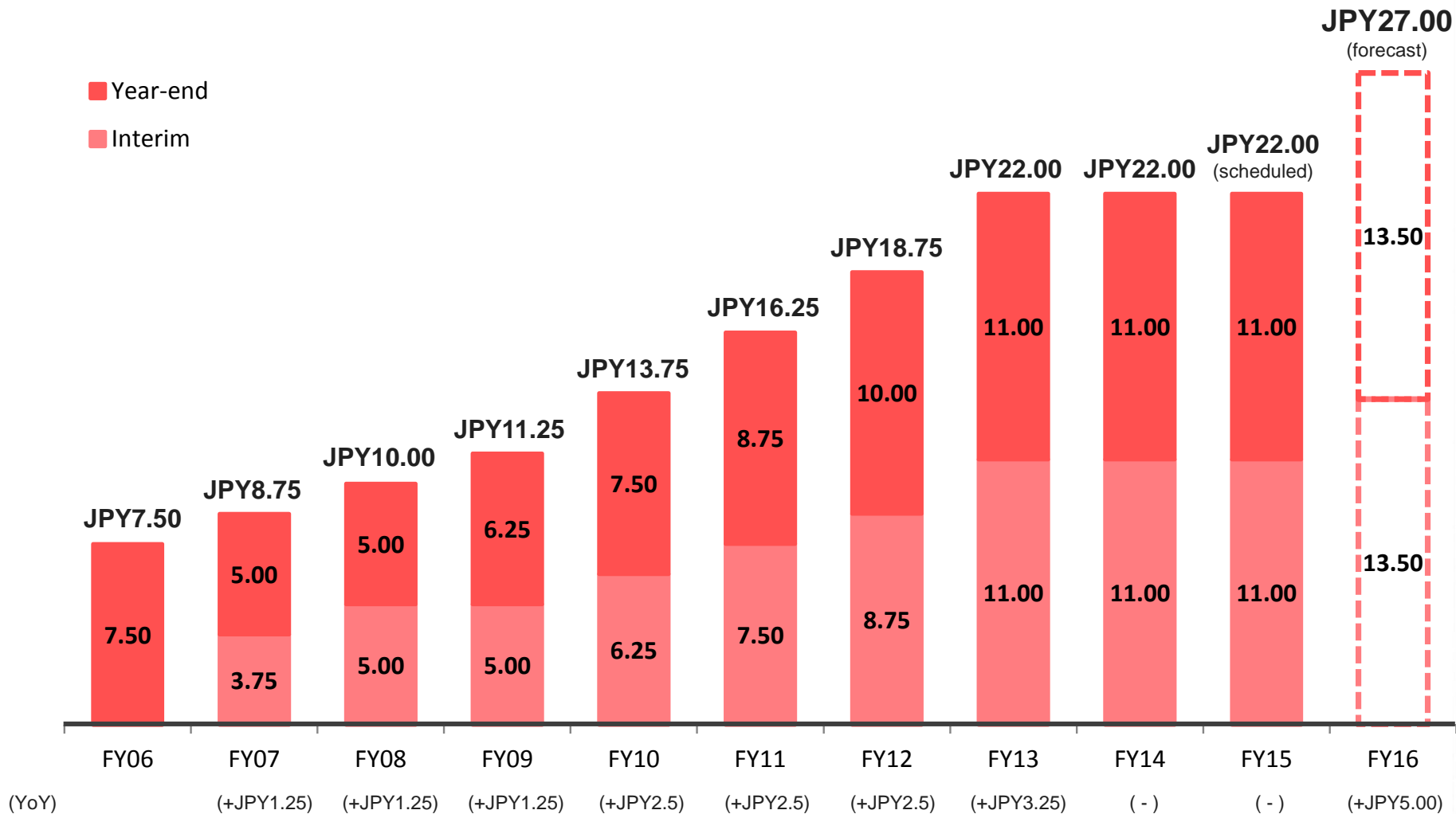
Cost Estimation

- **Docomo's wholesale telecommunications service charge:** IIJ estimates 12% decrease YoY (Docomo's payment arrangement: 15% off)
 - We estimate approx. JPY0.6 billion temporary positive cost impact for FY15 mobile interconnectivity usage as the actual decrease rate was larger than our expectation. We plan to recognize its quadrant amount in each FY16 quarter. Because of this specific accounting procedure, 1Q16 income will be negatively impacted by approx. JPY0.12 billion because we had recognized approx. JPY0.27 billion of onetime positive impact regarding FY14 mobile interconnectivity usage in 1Q15.
- **Add approx. 180 personnel (including 137 new graduates)**
- **SG&A to increase by approx. JPY1.8 billion YoY**

Dividend Forecast

Financial Summary

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.

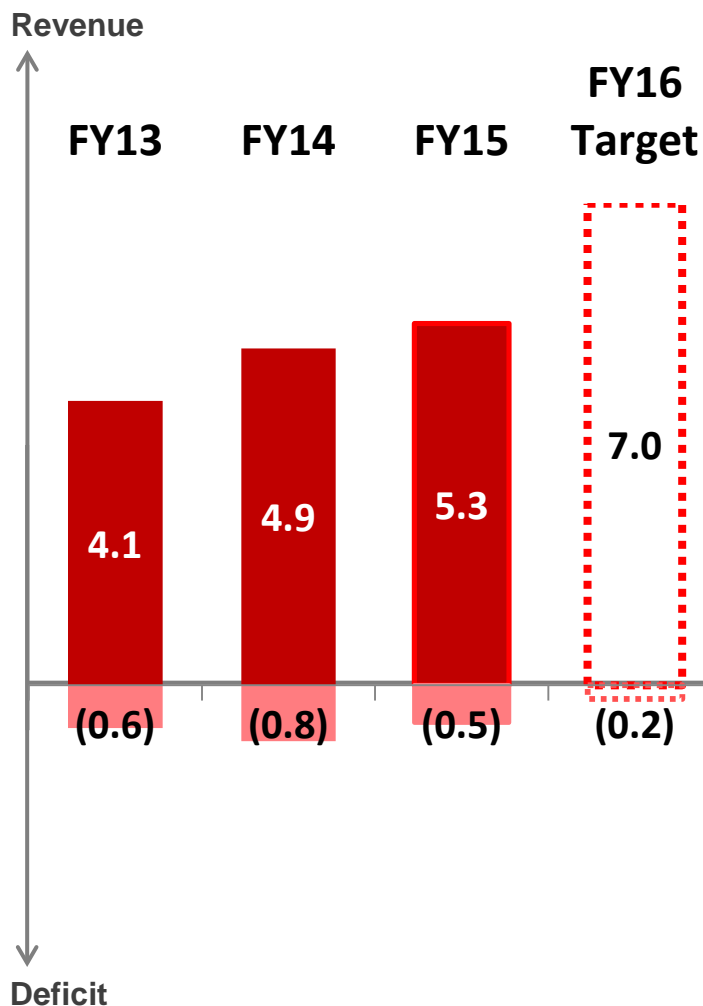


Appendix

Overseas Business Developments

Financial Results

(Unit: JPY billion)



Overseas offices

Main subsidiaries	Est.	Employees ¹	Business
IIJ America Inc.	1996	32	Mainly ISP services, Cloud services and SI to the Japanese companies in the U.S.A.
IIJ Europe Limited	2012 ²	52 ³	Mainly SI and Cloud services to the Japanese companies in Europe
IIJ Global Solutions China Inc.	2012	18	Mainly SI and Cloud services in China
IIJ Global Solutions Singapore Pte. Ltd.	2012 ¹	16	Mainly SI and Cloud services to local and Japanese companies in Singapore
Pt. IIJ Global Solutions Indonesia	2015	2	Cloud-related services operation in Indonesia

*1 as of March 31, 2016

*2 Became our subsidiaries

*3 Includes IIJ Europe's subsidiary of IIJ Deutschland GmbH

Business Developments

- **Requests to support build Cloud infrastructure from Asian countries**
 - Jointly provide Cloud services with a local carrier in Indonesia (March 2015) and Thailand (February 2016)
- **Export container datacenters, Expect transactions to expand in the middle-to-long term**
 - Exported to Russia (FY15)
 - Exporting to Laos; revenue to be recognized in latter half of FY16
 - Accumulating similar prospective orders from other emerging countries



ATM Operation Business Developments

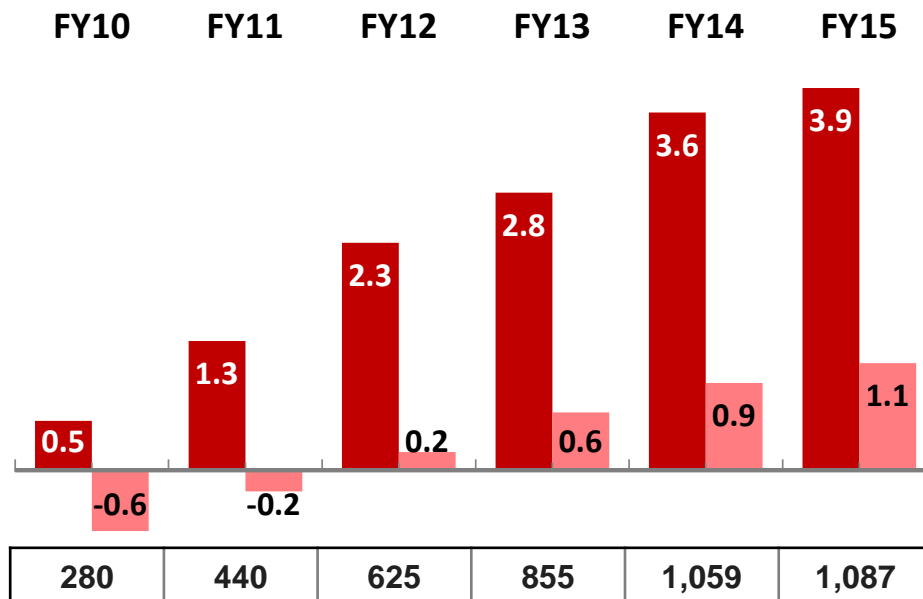
Business Model

- Similar to “Seven Bank” model, high profitability
 - Seven Bank: 21,056 ATMs, revenue JPY106.0 billion, profit ratio 32.5% as of March 31, 2015
- 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.11,310 Pachinko parlors in Japan 2015 (Nichiyukyo)

Financial Results

Unit: JPY billion

■ Revenue
■ Operating Income



Number of Placed ATMs

< Trust Networks Inc. >

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

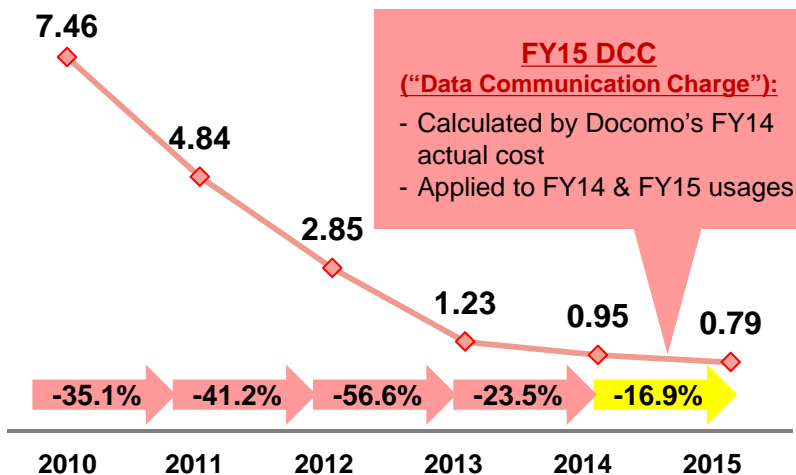


*Number of placed ATMs are as of May each year except for FY14 and FY15 which are the number as of Mar. 2015

Data Communication Charge by NTT Docomo for Mobile

NTT Docomo's Monthly DCC per 10Mbps

(JPY million)



MVNO infrastructure cost for 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 etc.
- Decreased dramatically in recent years
- Fixed 1 year after, applied to current and a previous year
- FY16 DCC payment has been deducted 15% from 1Q16 by Docomo's arrangement
- Around March 2017, FY15 DCC is to be fixed and its decrease rate shall be applied to FY16 DCC

IIJ's Estimation against Actual decrease rate

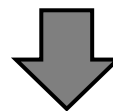
	(1) Docomo's payment arrangement	(2) IIJ's estimation	(3) Actual results
FY14	40%	40%	23.5%
FY15	25%	15%	16.9%
FY16**	15%	12%	n/a*

(1) Fixed in April
 (2) Fixed based on (1)
 (3) Fixed next March

(*) to be fixed around March 2017
 (**) IIJ's fiscal year ending March 31, 2017

Docomo Plans to Change Depreciation Method

- Docomo historically used **declining-balance method** for calculating the depreciation of property, plant and equipment
 - From fiscal year ending March 31, 2017 Docomo plans to use **straight-line method**



Docomo's DCC based on their FY16 actual costs are to be noticed to their MVNOs in around March 2018

Consolidated Financial Results for FY2015

Announced on May 13, 2016

FY2016 Business Strategies

Expect operating income to grow with strong revenue growth

◆ Capture enterprise IT needs more

- Introduce new functions of our new service platform for network and cloud “IIJ Omnibus” and “IIJ GIO Infrastructure P2” respectively to promote the concept of “One Cloud”

◆ Further expand MVNO business

- Enhancement of MVNE strategy
- Focus on IoT related projects through M2M, HEMS with smart-metering

◆ Further enhance security business

- Formed security department as independent organization
- Enhancing functions of the existing services such as DDoS Protection services and more
- Will launch SOC (Security Operation Center) for further expansion of security business
- Develop new solution incorporating AI technology

◆ Overseas business

- Revenue target: approx. JPY7.0 billion
- Operating loss target: approx. JPY0.2 billion
- Expect business to expand along with each overseas business starting up fine and executing container DCs export projects to Laos and more

- ◆ **Focus on new areas** such as businesses related to contents distribution, M2M/IoT, health care and further development of overseas business

Financial Targets

Unit: JPY billion

	FY15 Results	FY16 Targets	YoY
Revenue	140.7	159.0	+13.1%
Operating Income	6.1	7.3	+18.9%

YoY = FY16 targets compared to FY15 results

➤ Mobile:

- Revenue target: approx. JPY25.5 billion
(up JPY9.91 billion YoY)
- Subscription target: approx. 2 million
(up 772 thousand YoY)

➤ Cloud:

- Revenue target: approx. JPY16.2 billion
(up JPY2.11 billion YoY)

➤ Other businesses: grow continuously

- **SG&A:** increase by about JPY1.8 billion YoY
- **CAPEX:** be about the same as FY15 results

Increase dividend along with income growth

Annual dividend per common share:
JPY27.00 (+JPY5.00 YoY)

Consolidated Financial Results for FY2015

Unit: JPY billion

	% of Revenues		YoY Change in %	% of Revenues	
	FY15 Results (Apr. 2015 - Mar. 2016)	FY14 Results (Apr. 2014 - Mar. 2015)		FY16 Target (Apr. 2016 - Mar. 2017)	YoY Change in %
Total Revenues	140.7	123.1	+14.3%	159.0	+13.1%
Total Cost of Revenues	82.4% 116.0	82.1% 101.0	+14.9%	82.6% 131.4	+13.3%
Gross Margin	17.5% 24.7	17.9% 22.1	+11.7%	17.4% 27.6	+11.9%
SG&A/R&D	13.2% 18.5	13.8% 17.0	+8.9%	12.8% 20.3	+9.6%
Operating Income	4.4% 6.1	4.1% 5.1	+21.0%	4.6% 7.3	+18.9%
Income before Income Tax Expense	4.4% 6.2	4.2% 5.1	+20.5%	4.6% 7.3	+17.9%
Net Income*	2.9% 4.0	2.7% 3.3	+21.6%	3.1% 5.0	+23.8%

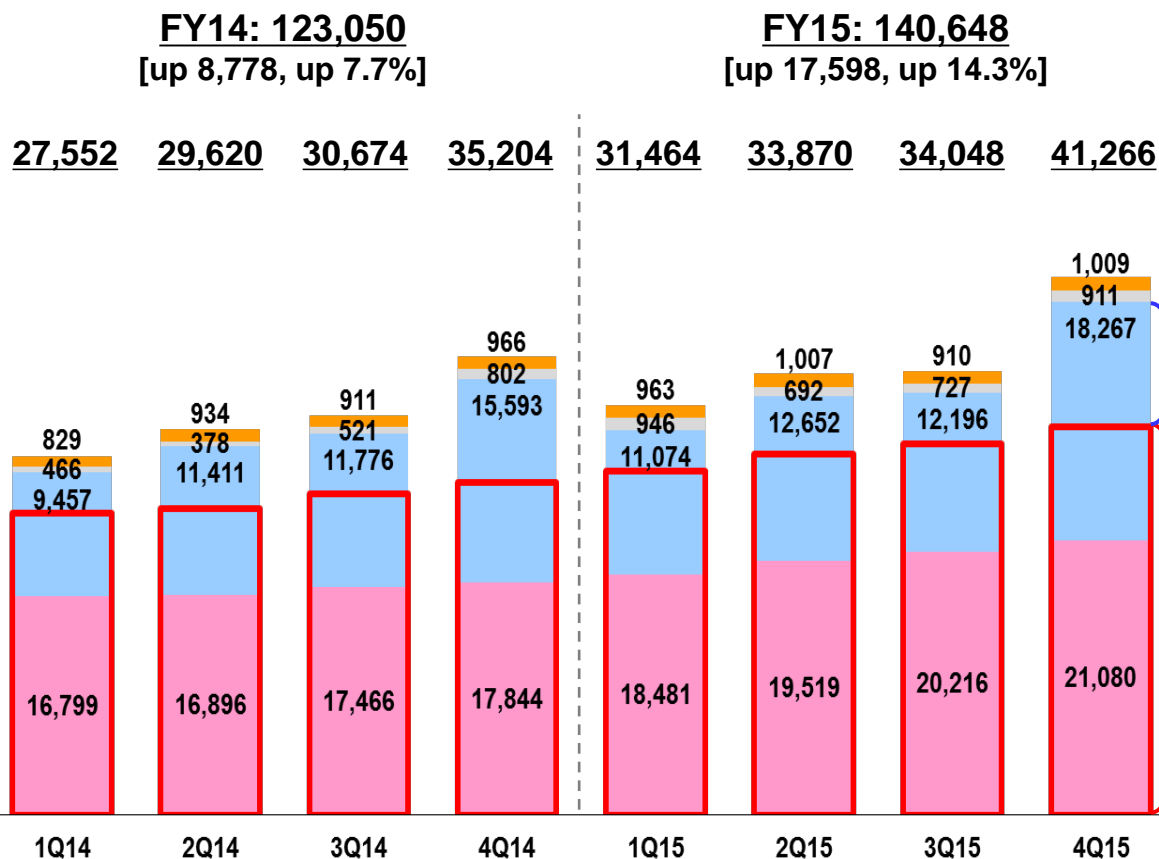
* Net income attributable to IJJ

IV- 2. Revenues



Unit: JPY million

[], YoY = compared to the same period in a previous year



One-time Revenue *
 FY15: JPY24,420 million (up 8.0% YoY)
 FY14: JPY22,604 million (up 11.0% YoY)
 (17.4% of FY15 revenue)

* Revenue which is recognized when systems or equipment are delivered and accepted by customers

1. Systems Construction
2. Equipment Sales

Recurring Revenue*
 FY15: JPY112,339 million (up 16.0% YoY)
 FY14: JPY 96,806 million (up 6.3% YoY)
 (79.9% of FY15 revenue)

*Represents the following monthly recurring revenues

1. Internet Connectivity Services(Enterprise/Consumer)
2. Outsourcing Services
3. WAN Services
4. Systems Operation and Maintenance

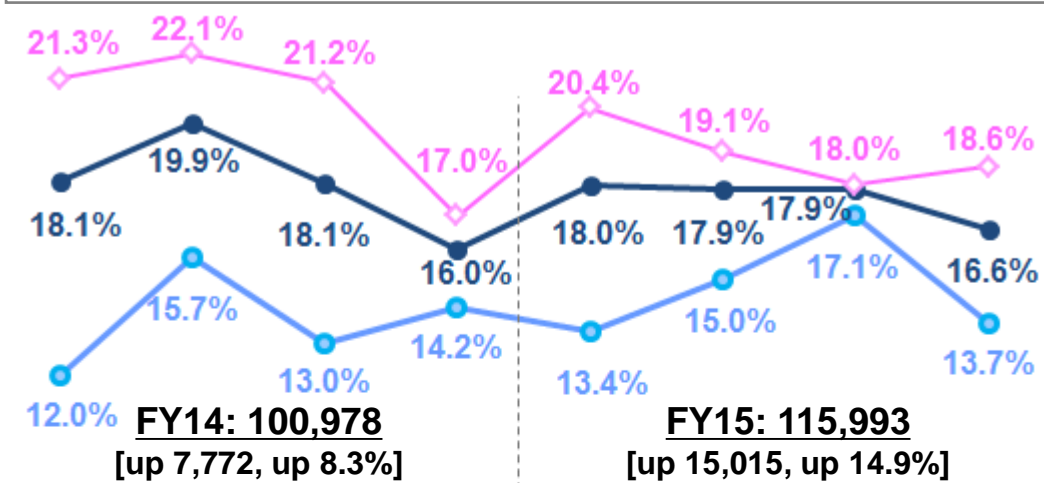
IV- 3. Cost of Revenues and Gross Margin Ratio

Cost of revenues: ■ Network Services ■ Systems Integration(SI) ■ Equipment Sales ■ ATM Operation Business

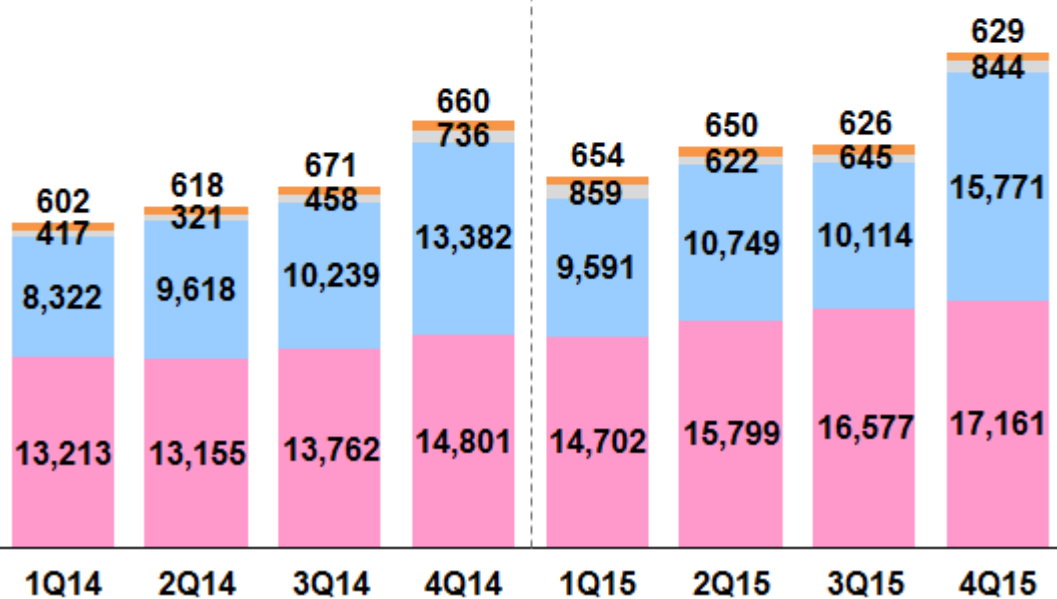
Gross margin ratio: ◇ Network Services ○ Systems Integration(SI) ● Total Revenues

Unit: JPY million

[], YoY = compared to the same period in a previous year



FY14: 100,978 [up 7,772, up 8.3%] **FY15: 115,993** [up 15,015, up 14.9%]



FY15 Gross Margin:

- ◆ **Total:**
 - JPY24,655 million (up JPY2,583 million, up 11.7% YoY)
 - Gross margin ratio: 17.5% (down 0.4 points YoY)
- ◆ **Network Services:**
 - JPY15,056 million (up JPY983 million, up 7.0% YoY)
 - Gross margin ratio: 19.0% (down 1.4 points YoY)
 - Gross margin ratio on a decreasing trend along with increase in mobile revenues, especially voice call revenue
 - Mobile interconnectivity costs resulted from retroactive cost adjustments in 4Q of each fiscal year :
 - 4Q15: decrease by JPY0.1 billion (estimated 15%, actual 16.9%)
 - 4Q14: increase by JPY0.36 billion (estimated 40%, actual 23.5%)
 - The below table shows the actual network service gross margin ratio which is calculated by excluding temporary positive impact(*) and recalculating mobile interconnectivity cost by applying the final wholesale data communication charges which decreased by 16.9% from a year before in FY15 and by 23.5% from a year before in FY14:

1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	Unit: %
20.7	20.3	20.6	19.0	19.0	19.1	18.2	18.3	

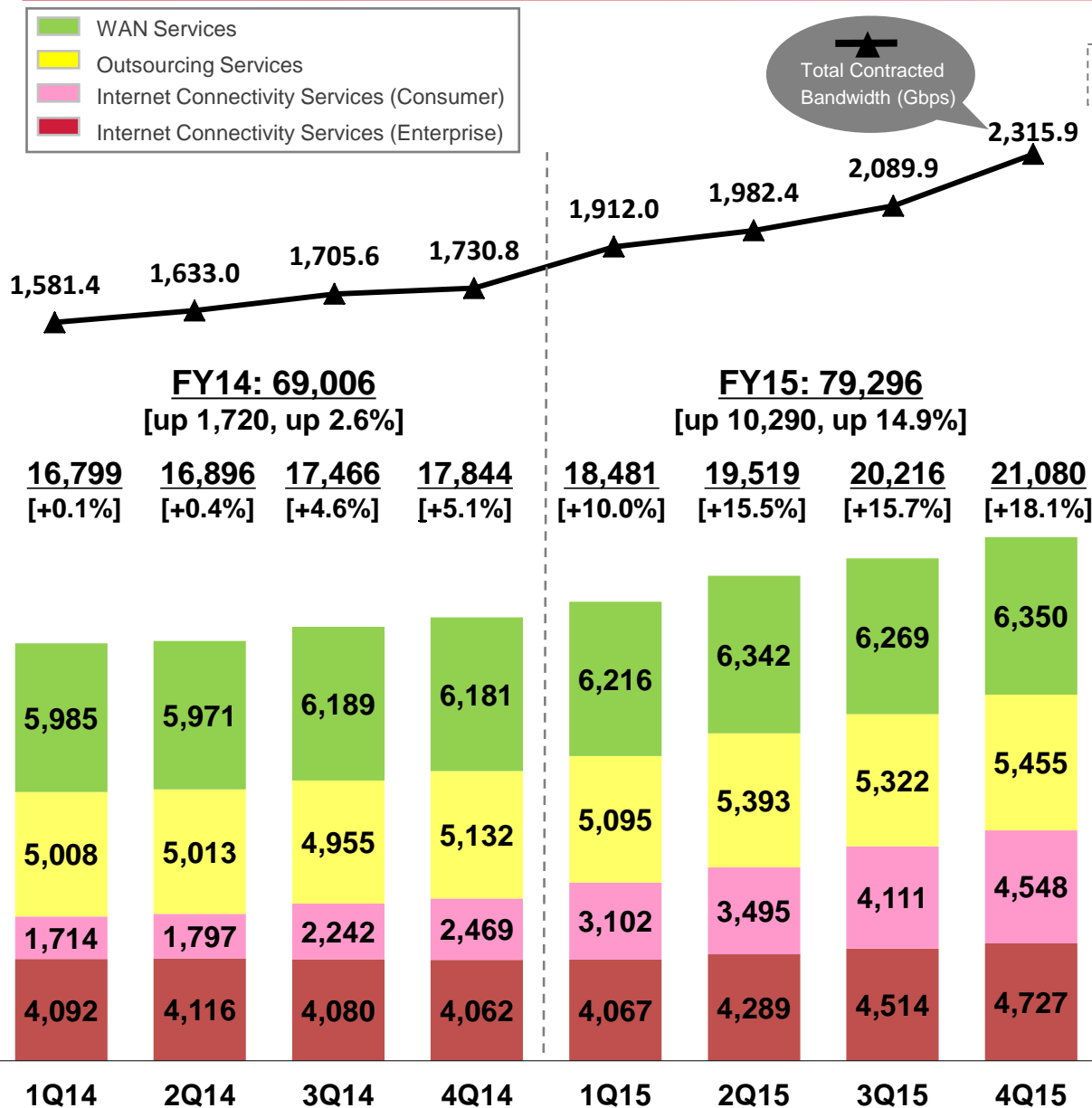
(*) IJ recognized a temporary positive cost impact of approx. JPY0.27 billion in 1Q15 for FY14 mobile interconnectivity usage. The same positive impact of approx. JPY0.29 billion was recognized in 2Q14 for FY13 usage.

- ◆ **SI:**
 - JPY7,963 million (up JPY1,287 million, up 19.3% YoY)
 - Gross margin ratio: 14.7% (up 0.9 points YoY)
 - Gross margin ratio increased mainly because of the accumulation of systems operation and maintenance, which includes private cloud revenues
 - Gross margin ratio decreased in 4Q15 mainly because construction portion toward SI revenue and due to recognizing a revenue of a large scale network integration project (approx. JPY2.1 billion)

IV- 5. Network Services (1)Revenues

Unit: JPY million

[], YoY = compared to the same period in a previous year
QoQ = 4Q15 compared to 3Q15

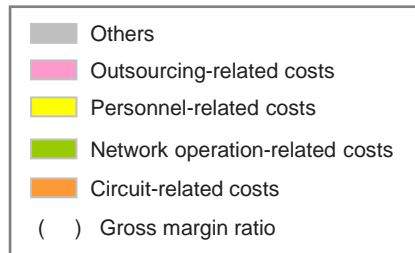


- ◆ **Internet Connectivity (Enterprise)**
 - FY15: up JPY1,248 million, up 7.6% YoY
 - 4Q15: up JPY665 million, up 16.4% YoY
 - Strong MVNE contributed to continuous growth of mobile services
 - ✓ Subscription (unit: thousand):
4Q15-end: 251 (up 183 YoY, up 69 QoQ)
- ◆ **Internet Connectivity (Consumer)**
 - FY15: up JPY7,034 million, up 85.5% YoY
 - 4Q15: up JPY2,079 million, up 84.2% YoY
 - ILJmio mobile services continued to increase
 - ✓ Subscription (unit: thousand):
4Q15-end: 747 (up 317 YoY, up 62 QoQ)
- ◆ **Outsourcing Services**
 - FY15: up JPY1,158 million, up 5.8% YoY
 - 4Q15: up JPY323 million, up 6.3% YoY
 - Revenues for security-related services and overseas hosting services continuously increased.
- ◆ **WAN Services**
 - FY15: up JPY851 million, up 3.5% YoY
 - 4Q15: up JPY170 million, up 2.7% YoY
 - Revenue increased because of the accumulation of projects.

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

Unit: JPY million

[], YoY = compared to the same period in a previous year



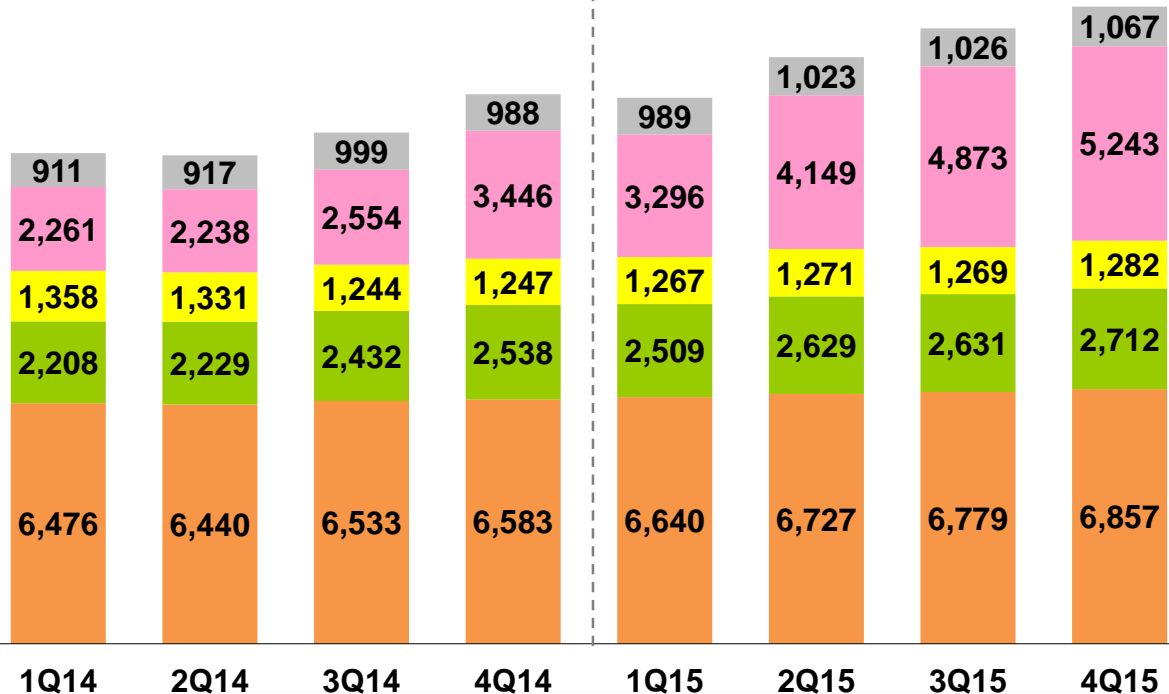
FY14: 54,932 (20.4%)

[up 1,886, up 3.6%]

FY15: 64,239 (19.0%)

[up 9,307, up 16.9%]

13,213 (21.3%)	13,155 (22.1%)	13,762 (21.2%)	14,801 (17.0%)	14,702 (20.4%)	15,799 (19.1%)	16,577 (18.0%)	17,161 (18.6%)
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◆ FY15 Cost of network services:

- Mobile-related costs (recognized in outsourcing-related costs) increased along with the increase in mobile subscription and traffic
- Network operation-related costs increased by JPY1.07 billion YoY mainly to due to network enhancement and depreciation and amortization related to new services.
- Circuit-related costs increased by JPY0.97 billion YoY mainly due to an increase in WAN services revenue

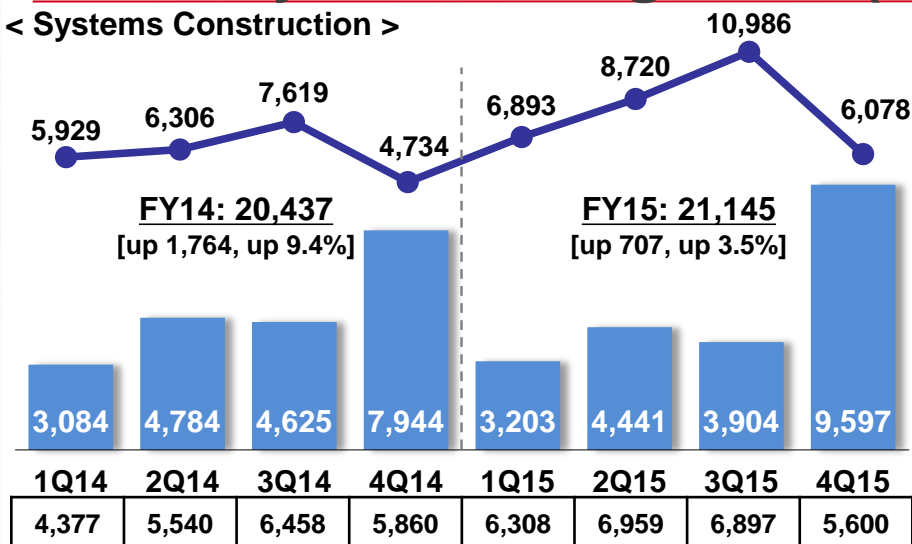
◆ Regarding NTT Docomo's ("Docomo") mobile interconnectivity cost recognition:

- Docomo's interconnectivity telecommunications service charge, which was calculated by Docomo's FY14 mobile-related cost, was fixed in Mar. 2016 and it decreased by 16.9% from a year ago. The positive impact of approx. JPY0.1 billion was temporarily recognized in 4Q15, because IIJ calculated its mobile interconnectivity cost by applying a supposed annual decrease rate of 15%.
- Docomo's interconnectivity telecommunications service charge, which was calculated by Docomo's FY13 mobile-related cost, was fixed in Mar. 2015 and it decreased by 23.5% from a year ago.
- In 1Q15, IIJ recognized a temporary positive cost impact of approx. JPY0.27 billion for FY14 mobile interconnectivity usage by applying supposed annual decrease rate of 15%. The same positive impact of approx. JPY0.29 billion was recognized in 2Q14. In FY16, IIJ estimates the same positive impact of approx. JPY0.6 billion (its quadrant amount will be recognized quarterly), as IIJ calculates its mobile interconnectivity cost by applying a supposed annual decrease rate of 12% from a year ago

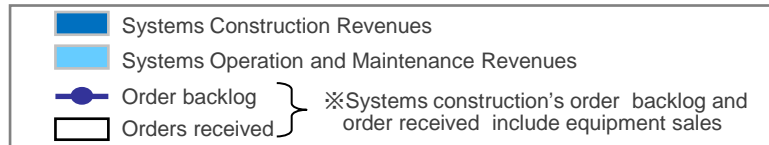
IV- 6. Systems Integration (SI) (1)Revenues

< Systems Construction >

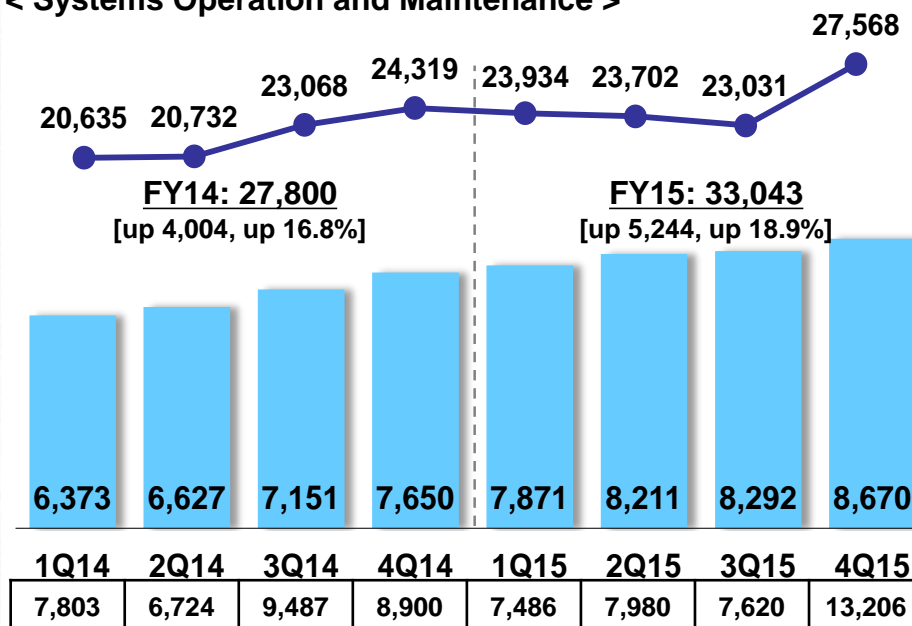
Unit: JPY million



[], YoY = compared to the same period in a previous year



< Systems Operation and Maintenance >



Systems construction revenues

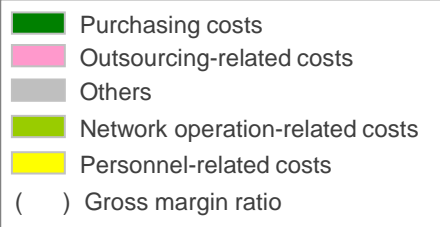
- ◆ FY15 order received: up JPY3,528 million, up 15.9% YoY
 - Enterprises' motivation for ITC investment increased steadily
 - Large-scale network integration project received in 1Q15 was recognized in 4Q15 (approx. JPY2.1 billion)
 - Exporting container type data centers received in 3Q15 is to be recognized in the latter half of FY16. (approx. JPY1.3 billion)
 - Large-scale construction projects orders received in 4Q15:
 - Constructing DMZ* for a major manufacturer
 - Developing integrated open system platform for financial institutions' networks
 - Constructing web security environments for government office
 - Providing FireEye solutions for a major broadcast station and life insurance company
- *DMZ: Abbreviation for DeMilitarized Zone. Network separated from other networks by firewalls for security-purposes etc.

Systems operation and maintenance revenues

- ◆ Revenues continued to increase mainly due to the accumulation of Systems construction projects which migrated to systems operation and maintenance phase and continuous increase in private cloud revenues
 - Private cloud revenues continued to increase: up JPY2,017 million, up 20.1% YoY
 - Systems construction projects which migrated to systems operation and maintenance phase also continued to increase strongly: up JPY3,226 million, up 18.2% YoY
- ◆ 4Q15 revenue: up JPY1,020 million, up 13.3% YoY
 - 86.3% of 4Q15 cloud-related revenue is recognized in systems operation and maintenance revenues (13.7% in outsourcing)

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

Unit: JPY million



[], YoY = compared to the same period in a previous year
QoQ = 4Q15 compared to 3Q15

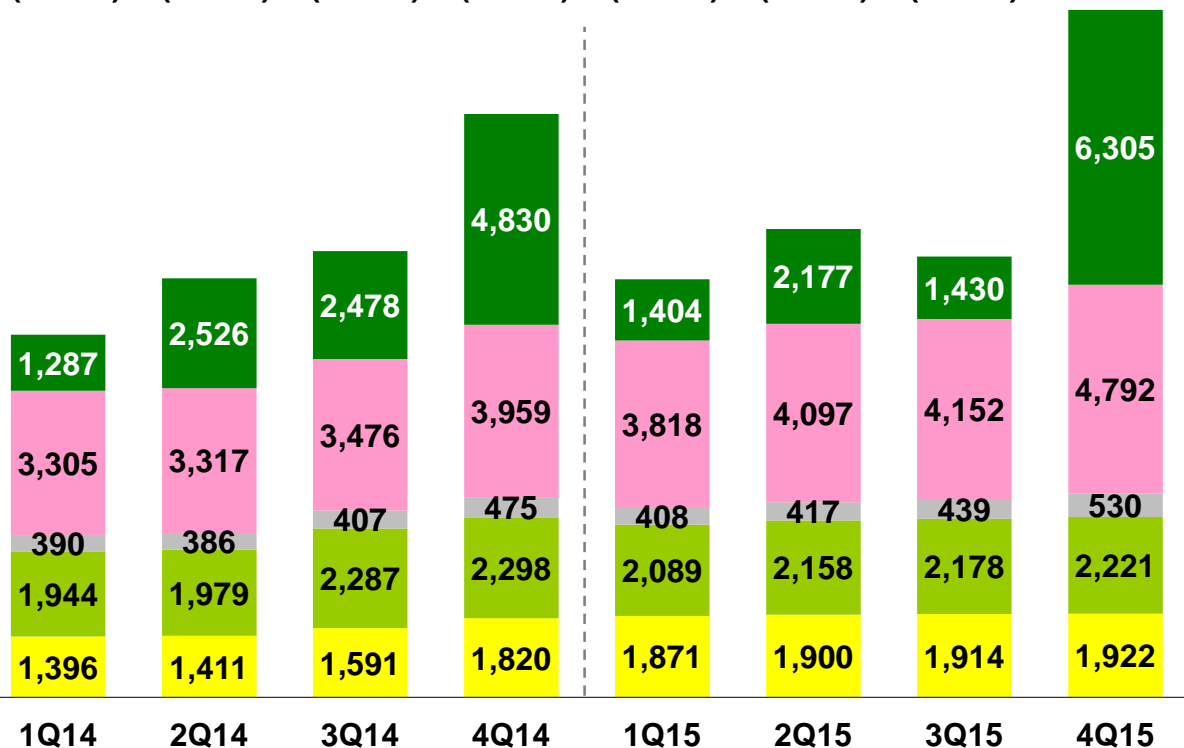
FY14: 41,562 (13.8%)

[up 5,051, up 13.8%]

FY15: 46,226 (14.7%)

[up 4,664, up 11.2%]

<u>8,322</u> (12.0%)	<u>9,618</u> (15.7%)	<u>10,239</u> (13.0%)	<u>13,382</u> (14.2%)	<u>9,591</u> (13.4%)	<u>10,749</u> (15.0%)	<u>10,114</u> (17.1%)	<u>15,771</u> (13.7%)
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◆ Cost of SI

- 4Q15: up JPY2,389 million, up 17.9% YoY
- Number of outsourcing personnel as of 4Q15-end: 1,069 personnel (up 100 personnel YoY, up 49 personnel QoQ)
- Outsourcing-related costs increased along with the accumulation of operation and maintenance projects
- Outsourcing-related and personnel-related costs increased due to new services and solutions developments
- Gross margin ratio decreased in 4Q15 mainly due to an increase in purchasing costs and outsourcing-related costs, and a revenue recognition of a large-scale network integration project (approx. JPY2.1 billion)

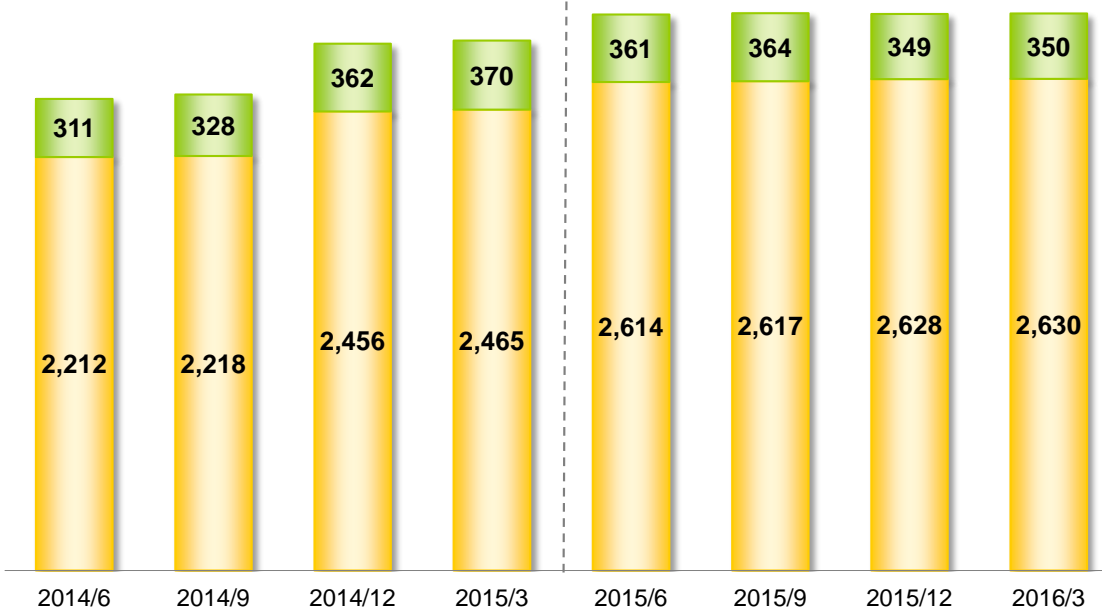
IV- 7. Number of Employees

Unit: JPY million

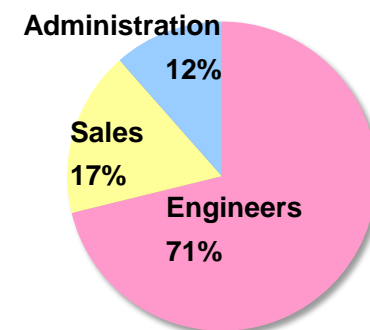
[], YoY = compared to the same period in a previous year

(Number of employees) **2,523** **2,546** **2,818** **2,835** **2,975** **2,981** **2,977** **2,980**

Contract worker
Full time worker



[Employee Distribution]

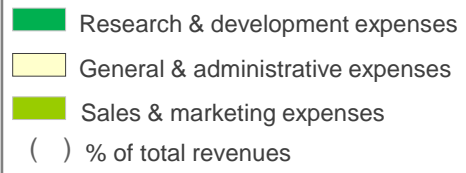


Personnel related costs & expenses (% of revenue)

1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15
4,641 (16.8%)	4,643 (15.7%)	4,704 (15.3%)	5,114 (14.5%)	5,266 (16.7%)	5,297 (15.6%)	5,271 (15.5%)	5,321 (12.9%)
FY14: 19,103 (15.5%) [up 1,913, up 11.1%]				FY15: 21,155 (15.0%) [up 2,052, up 10.7%]			

- ◆ FY15 personnel-related costs and expenses: up JPY2,052 million, up 10.7% YoY
- ◆ Hired 137 new graduates in Apr. 2016 (155 in Apr. 2015, 129 in Apr. 2014, 136 in Apr. 2013)
- ◆ Estimate number of employees to increase by approx. 180 employees during FY16
- ◆ Number of employees increased by 264 personnel with acquisition of RYUKOSHA in 3Q14 (Dec. 2014), personnel-related expenses increased

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



Unit: JPY million

[], YoY = compared to the same period in a previous year

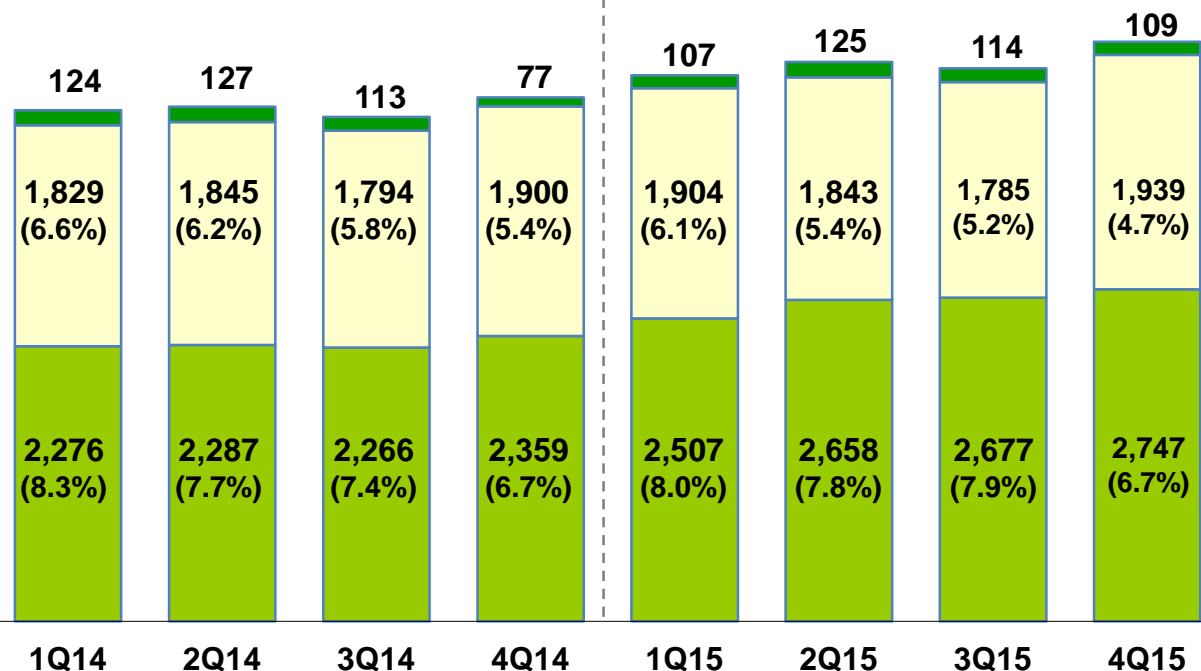
FY14: 16,977 (13.8%)

[up 1,654, up 10.8%]

FY15: 18,515 (13.2%)

[up 1,517, up 8.9%]

4,229 (15.4%)	4,259 (14.4%)	4,173 (13.6%)	4,336 (12.3%)	4,517 (14.4%)	4,627 (13.7%)	4,576 (13.4%)	4,795 (11.6%)
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◆ **FY15 SG&A Expenses/R&D:**

- Mobile services' sales commission and personnel-related expenses increased
- Ratio of SG&A towards the total revenues gradually decreased

◆ **SG&A related to ATM operation business:**

Unit: JPY million

1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15
37.6	45.4	45.9	73.4	44.9	45.1	41.3	46.9

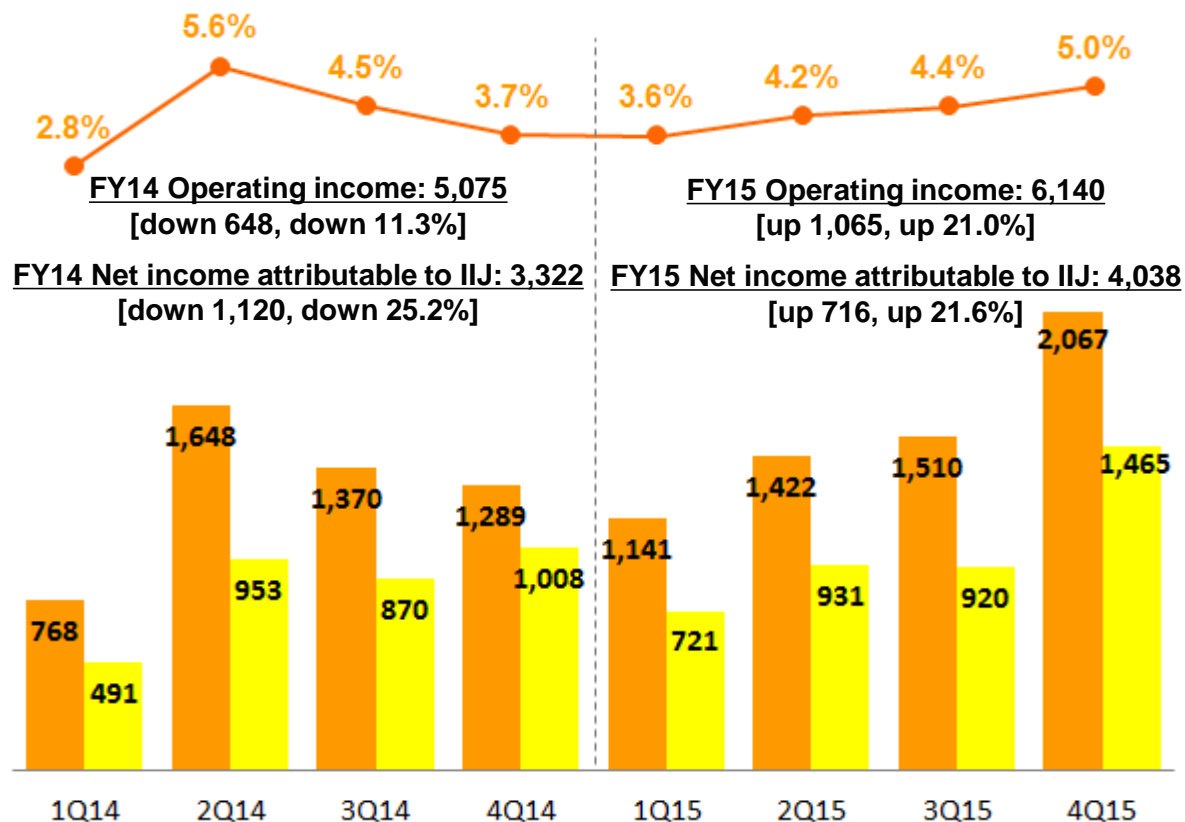
- Placed 1,087 ATMs as of Mar. 31, 2016 (up 28 ATMs YoY)
- Plan to increase gradually as same as FY15

IV- 9. Operating Income and Net Income

Operating Income Net Income Attributable to IIJ Operating Margin Ratio

Unit: JPY million

[], YoY = compared to the same period in a previous year



◆ Income before income tax expenses:

- FY15: JPY6,193 million
(up JPY1,054 million, up 20.5% YoY)
- Distribution from fund investments: JPY209 million
- Dividend income: JPY93 million
- Interest expense: JPY241 million
- Foreign exchange losses : JPY71 million

◆ Net income attributable to IIJ:

- FY15: JPY4,038 million
(up JPY716 million, up 21.6% YoY)
- Mainly due to equity in net income of Internet Multifeed: JPY180 million
- Net income attributable to noncontrolling interests including Trust Networks: JPY152 million

220	624	523	319	450	472	466	546	Current income tax expense
132	98	36	(55)	111	6	191	(59)	Deferred tax expense (benefit)
34	35	46	40	61	76	69	(27)	Equity in net income of equity method investees
(18)	(24)	(15)	(18)	(57)	(35)	(23)	(37)	Less: Net income attributable to noncontrolling interests

IV- 10. Consolidated Balance Sheets (Summary)

Unit: JPY million

	Mar. 31, 2015	Mar. 31, 2016	Changes
Cash and Cash Equivalents	21,094	19,569	(1,525)
Accounts Receivable	22,252	23,747	+1,495
Inventories and Prepaid Expenses (Current and Noncurrent)	7,835	11,761	+3,925
Investments in Equity Method Investees	2,561	2,980	+419
Other Investments	6,661	5,949	(712)
Property and Equipment	29,370	34,324	+4,954
Goodwill and Other Intangible Assets	10,111	9,719	(392)
Guarantee Deposits	2,800	3,085	+284
Total Assets	108,705	117,835	+9,130
Accounts Payable	13,626	15,404	+1,779
Income Taxes Payable	499	1,078	+579
Short-term Borrowings	9,250	9,250	-
Capital Lease Obligations (Current and Noncurrent)	7,863	11,734	+3,871
Total Liabilities	45,862	52,491	+6,629
Common Stock	25,500	25,509	+10
Additional Paid-in Capital	36,014	36,060	+46
Retained earnings (Accumulated deficit)	(556)	2,471	+3,027
Accumulated Other Comprehensive Income	1,939	1,197	(742)
Total IJ Shareholders' Equity	62,504	64,845	+2,341

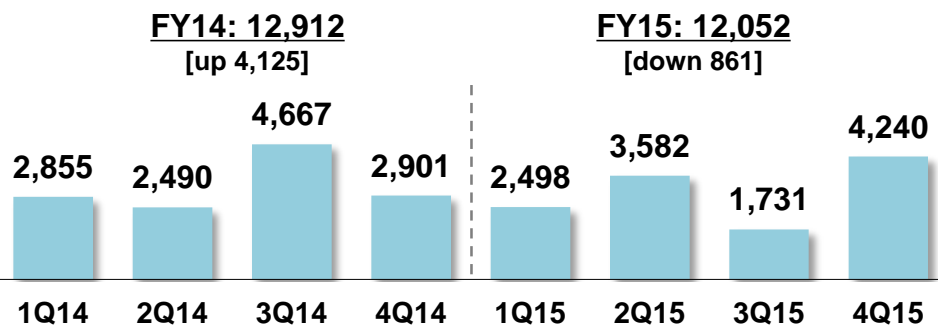
➤ Total IJ Shareholders' Equity to Total Assets: 57.5% as of Mar. 31, 2015, 55.0% as of Mar. 31, 2016

IV- 11. Consolidated Cash Flows

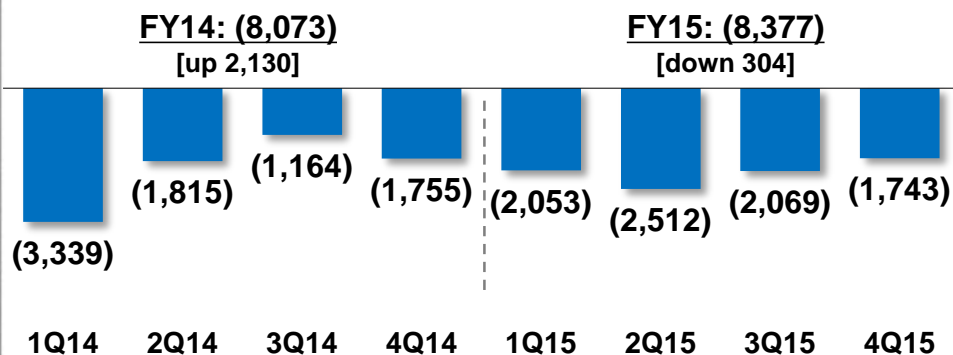
< Operating Activities >

Unit: JPY million

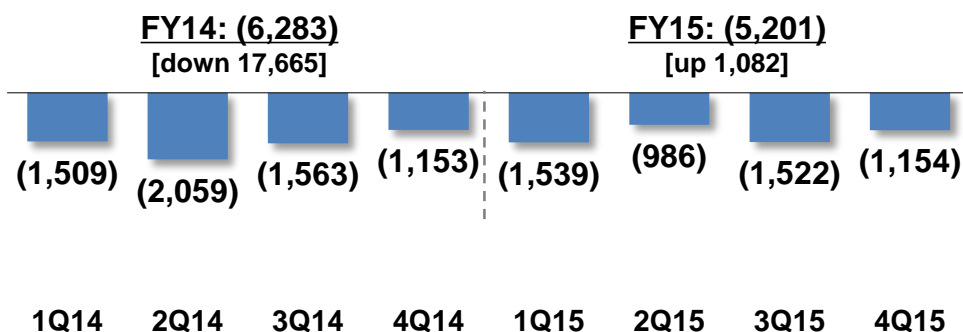
[], YoY = compared to the same period in a previous year



< Investing Activities >



< Financing Activities >



FY15 Operating Activities

	Major Breakdown	YoY Change
Net income	4,190	+793
Depreciation and amortization	9,922	+244
Fluctuation of operating assets and liabilities*	(2,400)	(1,810)

(*FY14 result was mitigated because of free-rent with headquarter relocation)

FY15 Investing Activities

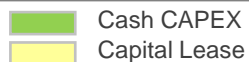
	Major Breakdown	YoY Change
Purchase of property and equipment	(10,899)	(2,741)
Proceeds from sales of property and equipment	2,574	+1,802

FY15 Financing Activities

	Major Breakdown	YoY Change
Principal payments under capital leases	(4,194)	(1)
Dividends paid	(1,011)	(0)

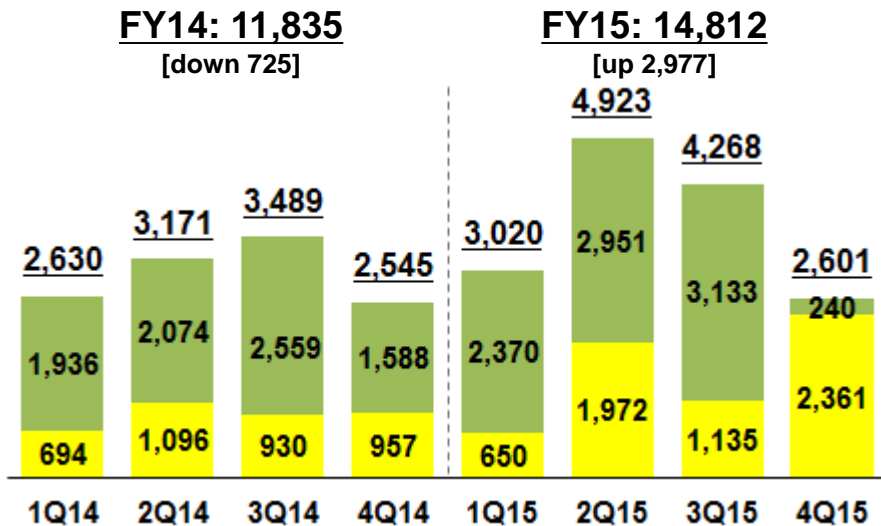
IV- 12. Other Financial Data (CAPEX etc.)

< CAPEX >



Unit: JPY million

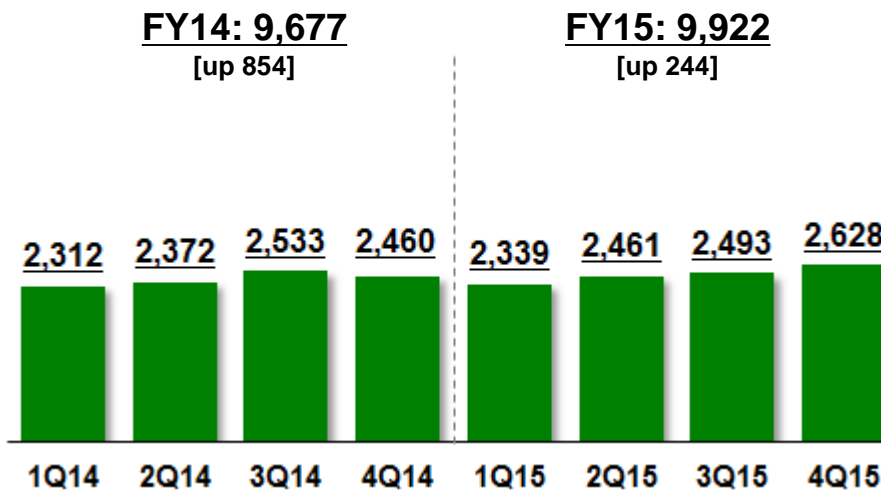
[] = compared to the same period in a previous year



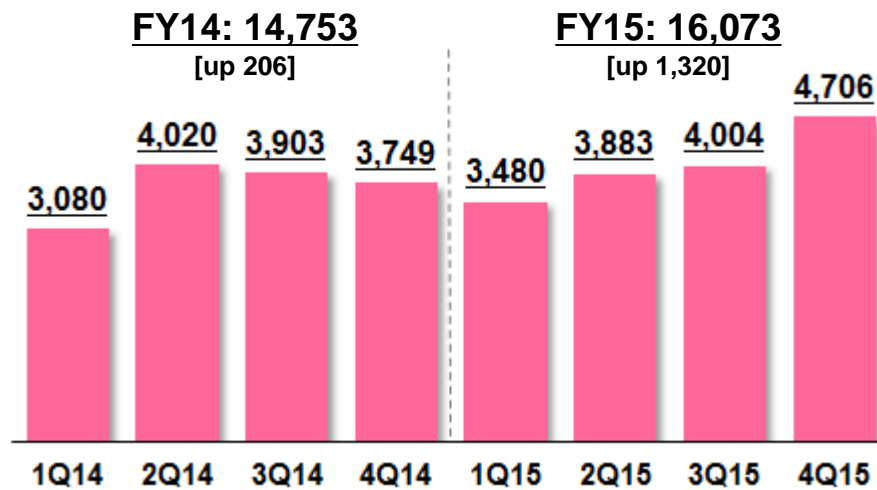
< Breakdown of CAPEX (unit: JPY billion) >

	FY13	FY14	FY15
TOTAL CAPEX	12.6	11.8	14.8
Network update, back office investment and others	8.0	8.9	10.2
Cloud-related	3.7	1.7	4.4
Headquarter relocation	0.4	0.6	-
ATM operation business	0.5	0.6	0.2

< Depreciation and Amortization >



< Adjusted EBITDA >



V- 1. Cloud Business Developments

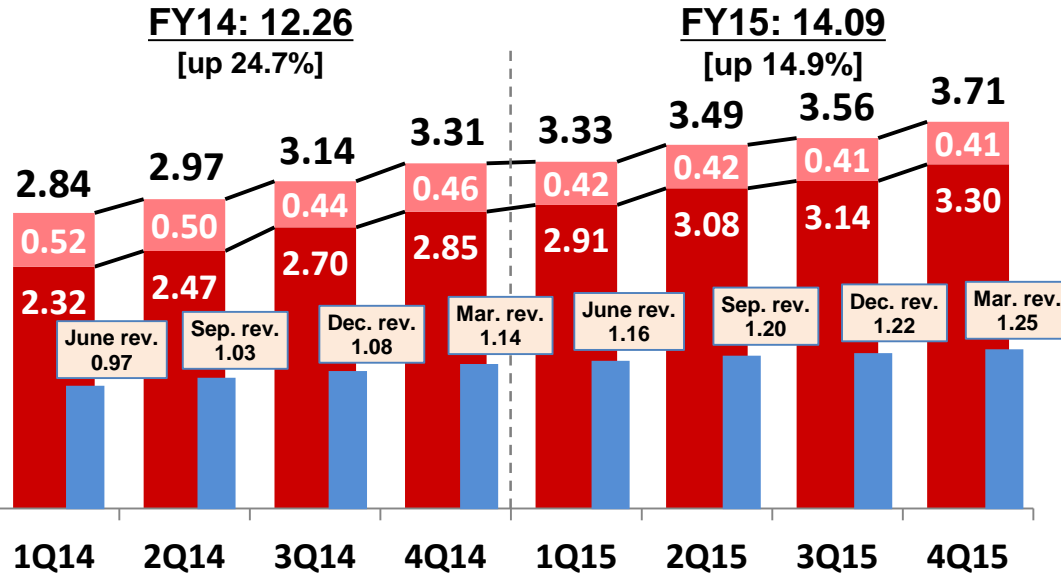
Cloud-related revenue

(Unit: JPY billion)

- Large game customers
- Business enterprise customers

4Q15 cloud-related revenue recognition:
86.3% in systems operation and maintenance, 13.7% in outsourcing

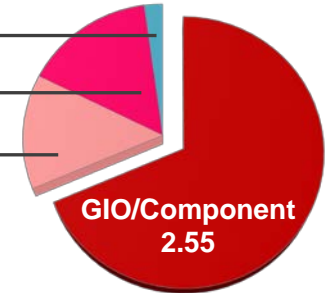
[] = year over year growth



4Q15 revenue

(Unit: JPY billion)

- General purpose SaaS 0.08 (groupware etc.)
- Task-specific SaaS 0.57 (FX, POS etc.)
- GIO/Hosting 0.51



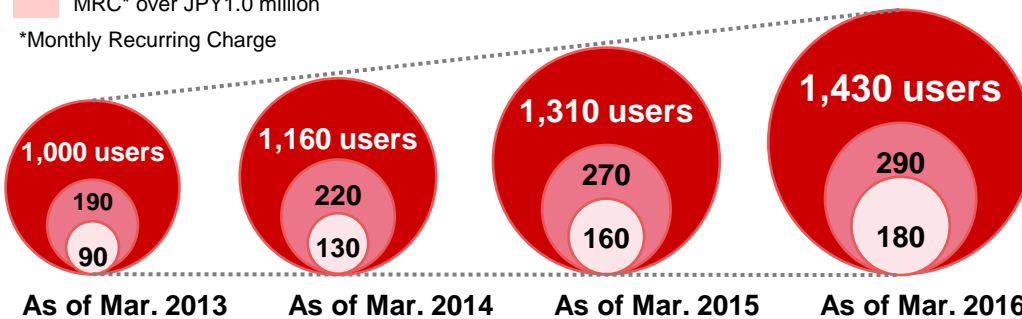
FY15 Business Development

- New generation cloud services “IIJ GIO Infrastructure P2” continued to accumulate prospective orders
 - Number of orders: 4Q15-end over 300
3Q15-end approx. 200
- Virtualization platform service using VMware continued to be a revenue driver
- Still weak demand from large game customers
 - FY15 large game customers’ revenue decreased by 14.0% YoY

Cloud Customer Base

- MRC* over JPY0.5 million
- MRC* over JPY1.0 million

*Monthly Recurring Charge

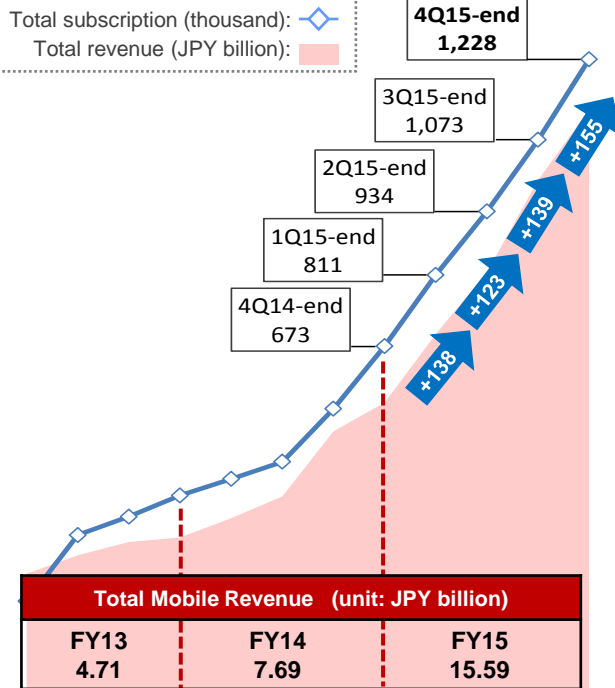


FY16 Plan

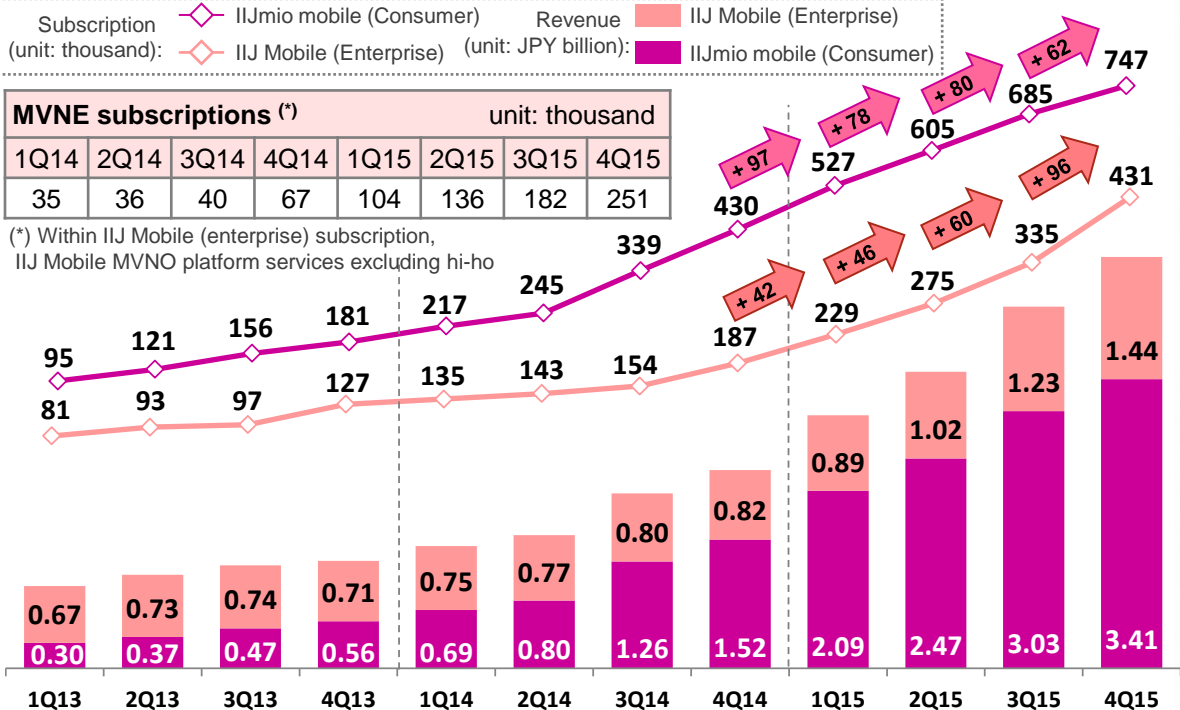
- Target revenue of approx. JPY16.2 billion
 - Expect “IIJ GIO P2” to make contribution for the middle to long term by acquiring large-scale projects
 - Continue to focus on enhancing business with partners, accumulate projects related to BigData and SAP

V- 2. Mobile Business Developments

Total subscription & revenue



IIJmio mobile & IIJ Mobile subscription & revenue



FY15 Business Developments

- ◆ **Consumer subscriptions continuously increased along with market expansion:**
 - Net addition subscription: approx. 317 thousand (FY15), approx. 249 thousand (FY14)
- ◆ **FY15 MVNE-related revenue: approx. JPY2.2 billion (up JPY1.7 billion YoY)**
 - A large sales partner became our MVNE client in 4Q15
 - 106 MVNE clients including major retailers, CATV operators, prominent contents distributor
- ◆ **FY15 M2M-related revenue: JPY0.54 billion (up JPY0.12 billion YoY)**
 - Accumulating orders continuously, projects related to uploading contents data such as from security cameras and transportation management systems for buses

YoY = year over year growth

Expect gross margin ratio to improve in the middle to long term with different types of traffic which should led to better mobile infra. utilization

FY16 Plan

Revenue target: JPY25.5 billion, Subscription target: 2 million

- Enhancement of MVNE strategy
- Docomo's MVNO interconnectivity charge: Estimate 12% decrease YoY (Docomo's payment arrangement 15% off)
- Continue to consider FULL-MVNO business

※ 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 interruption or suspension of our services,
- an excess increase and fluctuation in network related cost, mobile-related cost, 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 result of an impairment test on the non-amortized intangible assets such as goodwill,
- a decline in value and trading 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.

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