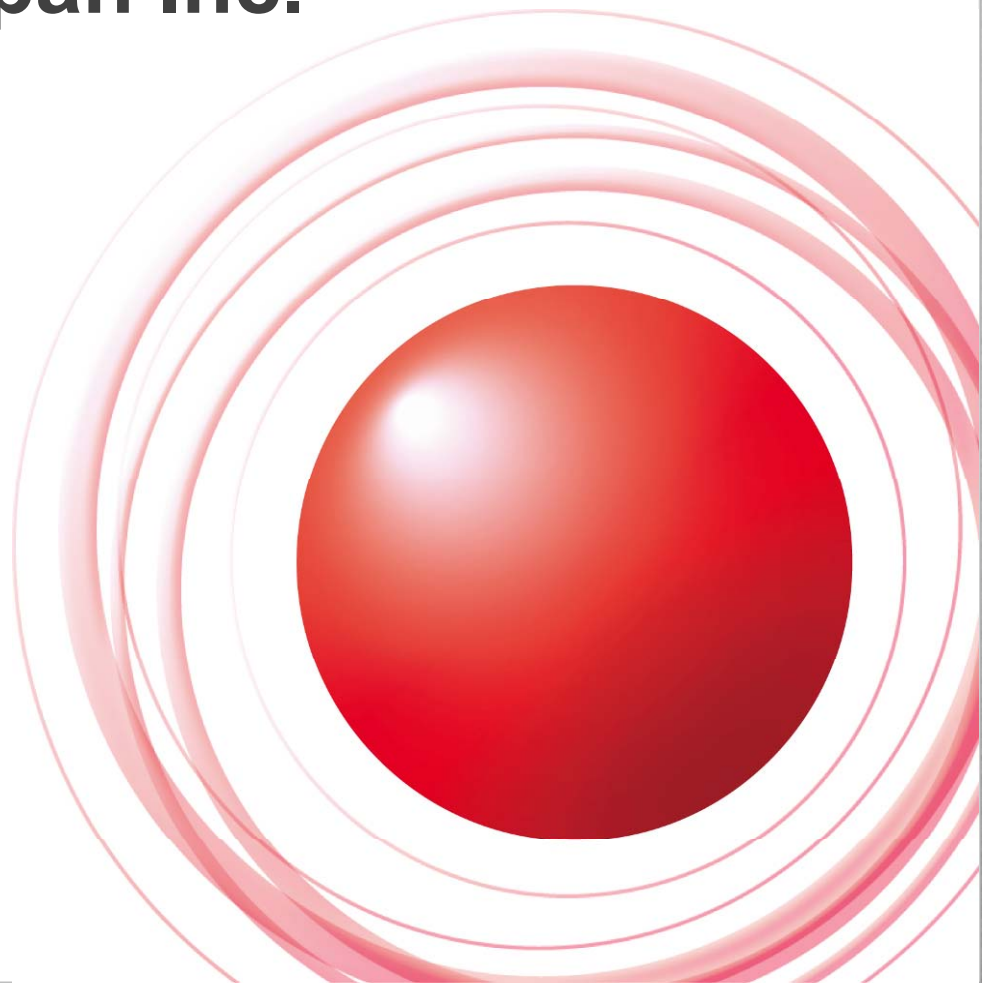




Internet Initiative Japan Inc. Sep. and Oct. 2013

TSE1:3774 NASDAQ:IIJI

Ongoing Innovation



Key Investment Highlights

- ◆ **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

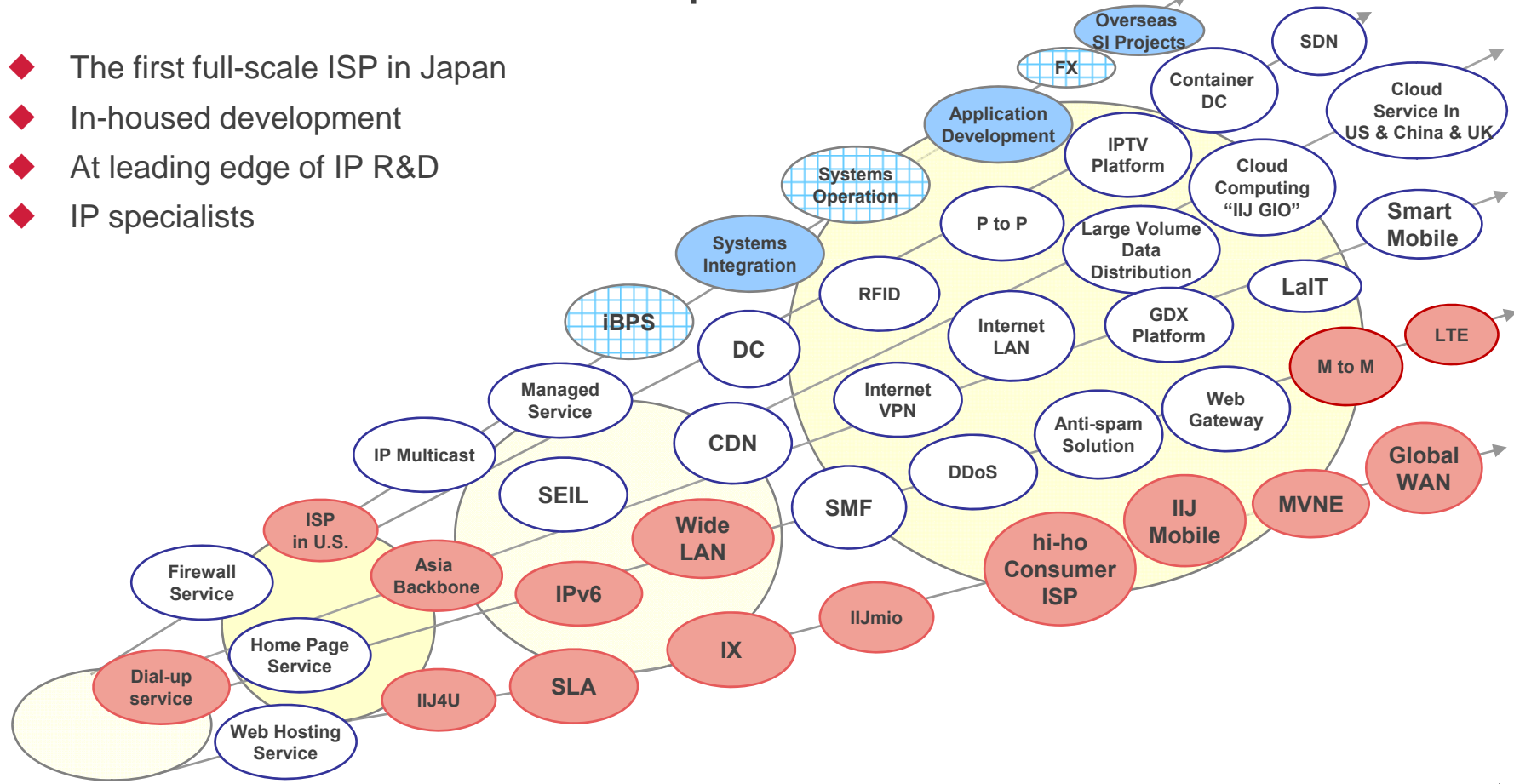
Company Profile	
Established	December 1992
Number of Employees (as of June 2013)	Consolidated: 2,269 (approx. 70% engineers)
Listed Markets	NASDAQ (IIJ), TSE1 (3774)
Large Shareholders (as of Mar. 2013)	NTT (24.5%), Koichi Suzuki (6.3%*), Itochu Corp. (5.1%), NTTCom(4.9%)

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

Entrepreneur of Network Technologies

Business and Service Development to Initiate the Market

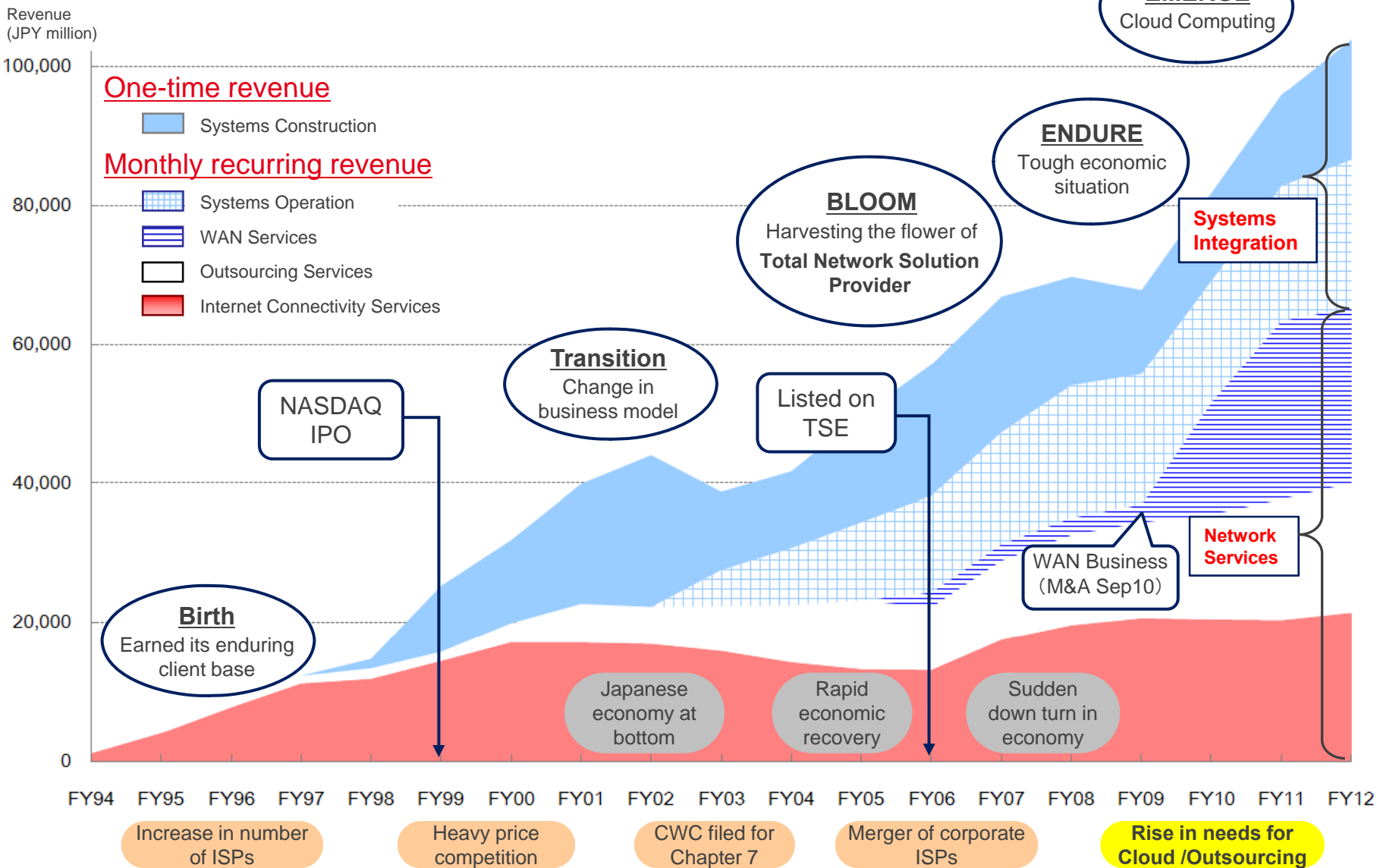
- ◆ The first full-scale ISP in Japan
- ◆ In-housed development
- ◆ At leading edge of IP R&D
- ◆ IP specialists



1992	1996	1997	1998	2006	2007	2008	2010	2012	2013
IIJ Group									

Strategic Shift in Business Model

From "ISP" to "Total Network Solution Provider"



Business Structure of Network Services

Revenues

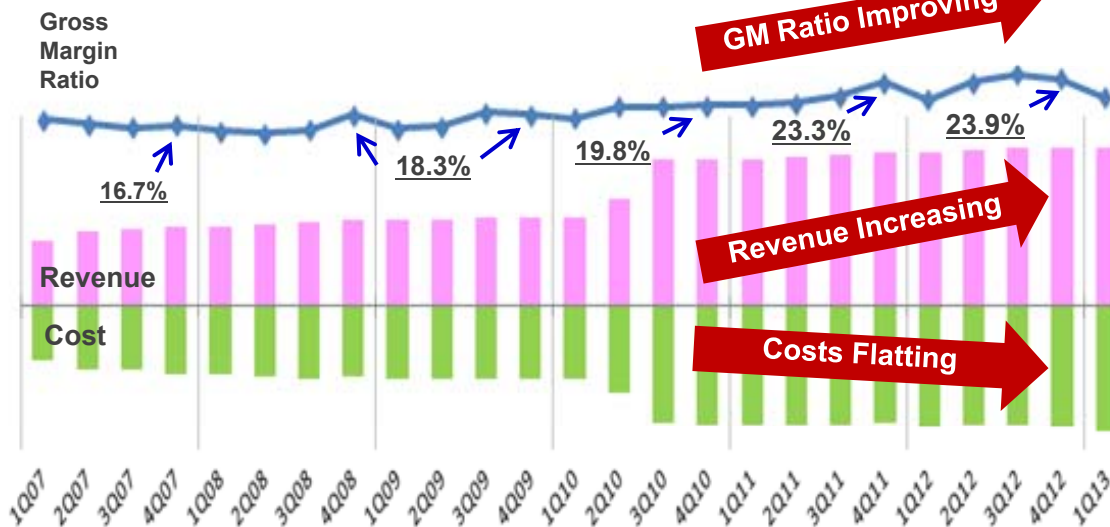
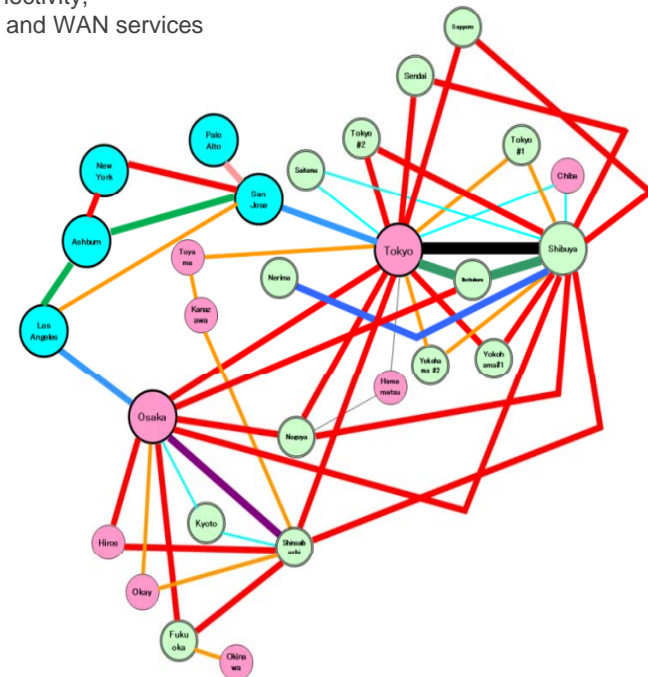
- Multiple cross-selling revenue sources with Internet connectivity for corporate/home and outsourcing services on the Internet backbone
- Internet connectivity contract is per bandwidth
- Monthly recurring-type revenue
- Blue-chip clients with mission-critical business and network operators clients (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

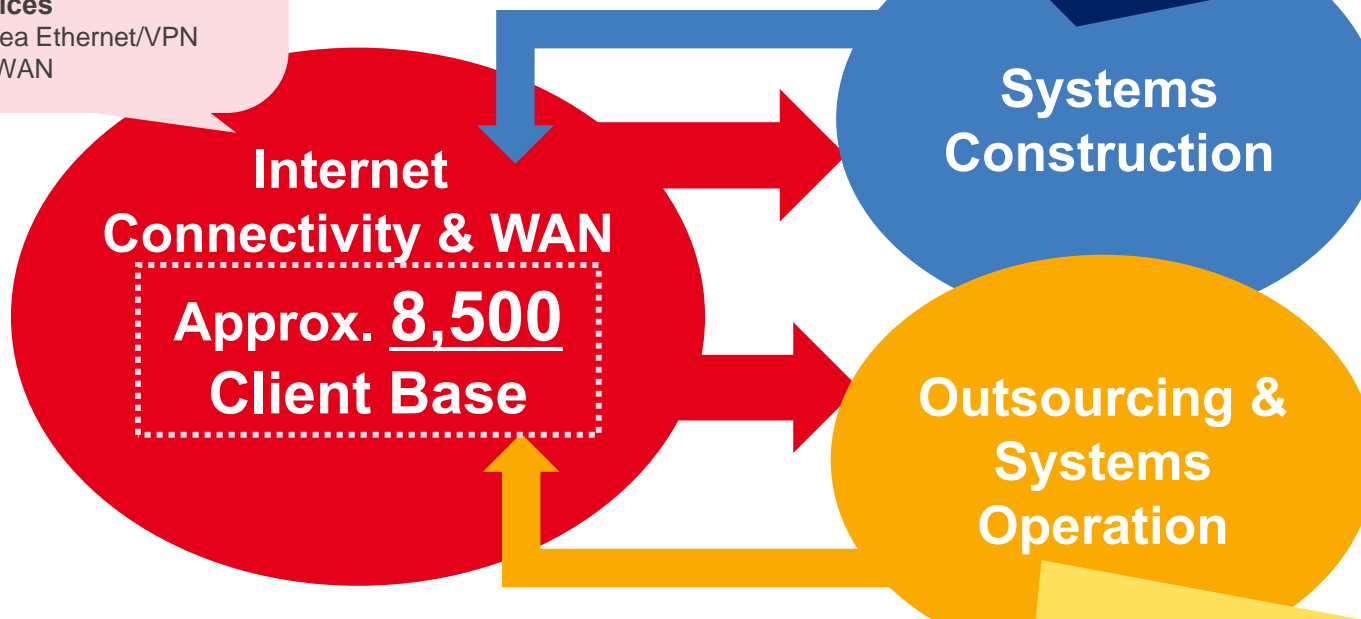


Business Model: Cross-selling of Network Solutions

- **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
- Private Cloud Computing Platform
- and many more



Outsourcing services include:

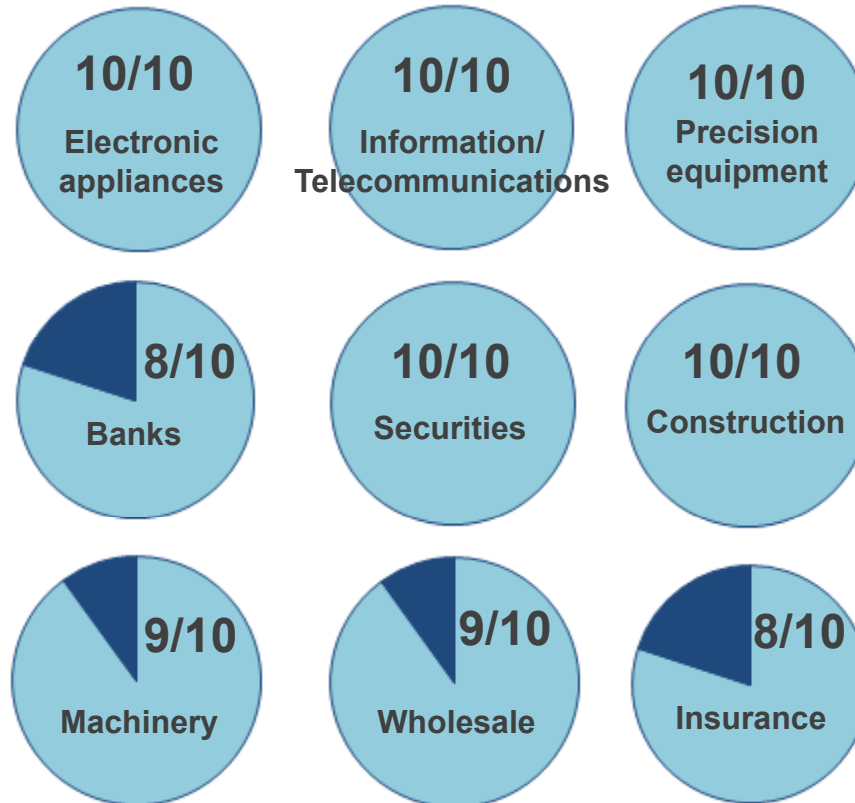
- **Security-related services** (managed-firewall and IPS, DDoS protection, URL filtering, anti-spam etc.)
- **Data center-related services** (housing, facility management and operation)
- **Server-related services** (E-mail services, web hosting, online storage, CDN etc.)
- **Network-related services** (network management and monitoring, VPN, SEIL, SMF etc.)
- **IIJ GIO Hosting Package Services** (approx. 23% of 1Q13 IIJ GIO revenues)

Systems Operation includes:

- **Operation and maintenance** of a system constructed in Systems Construction
- **IIJ GIO Component Services** (approx. 77% of 1Q13 IIJ GIO revenues)

Excellent Blue-chip Client Base

Top Tiers

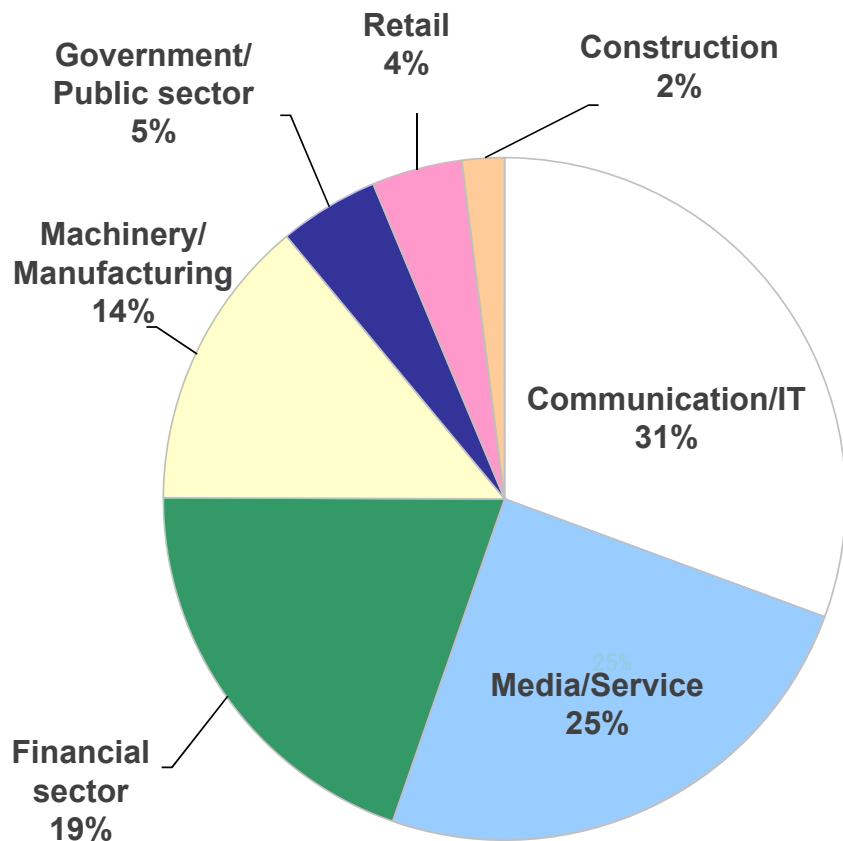


- The number of clients among the top 10 companies in each industry.

Revenue Composition by Clients

Revenue Distribution by Industry

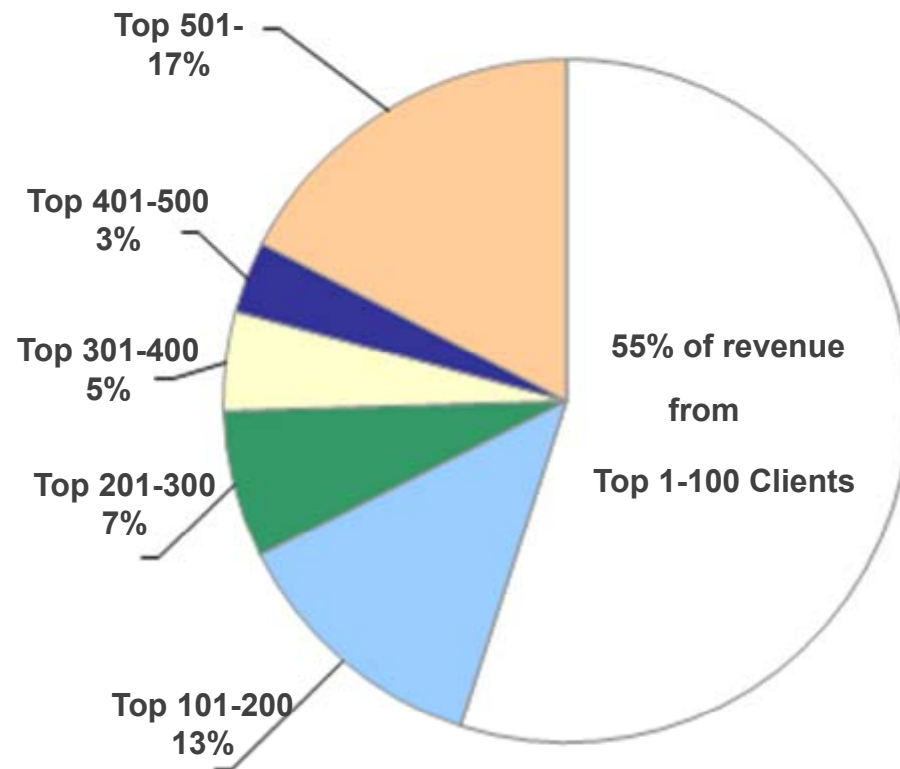
Not dependent on specific industry



Revenue Distribution by Clients

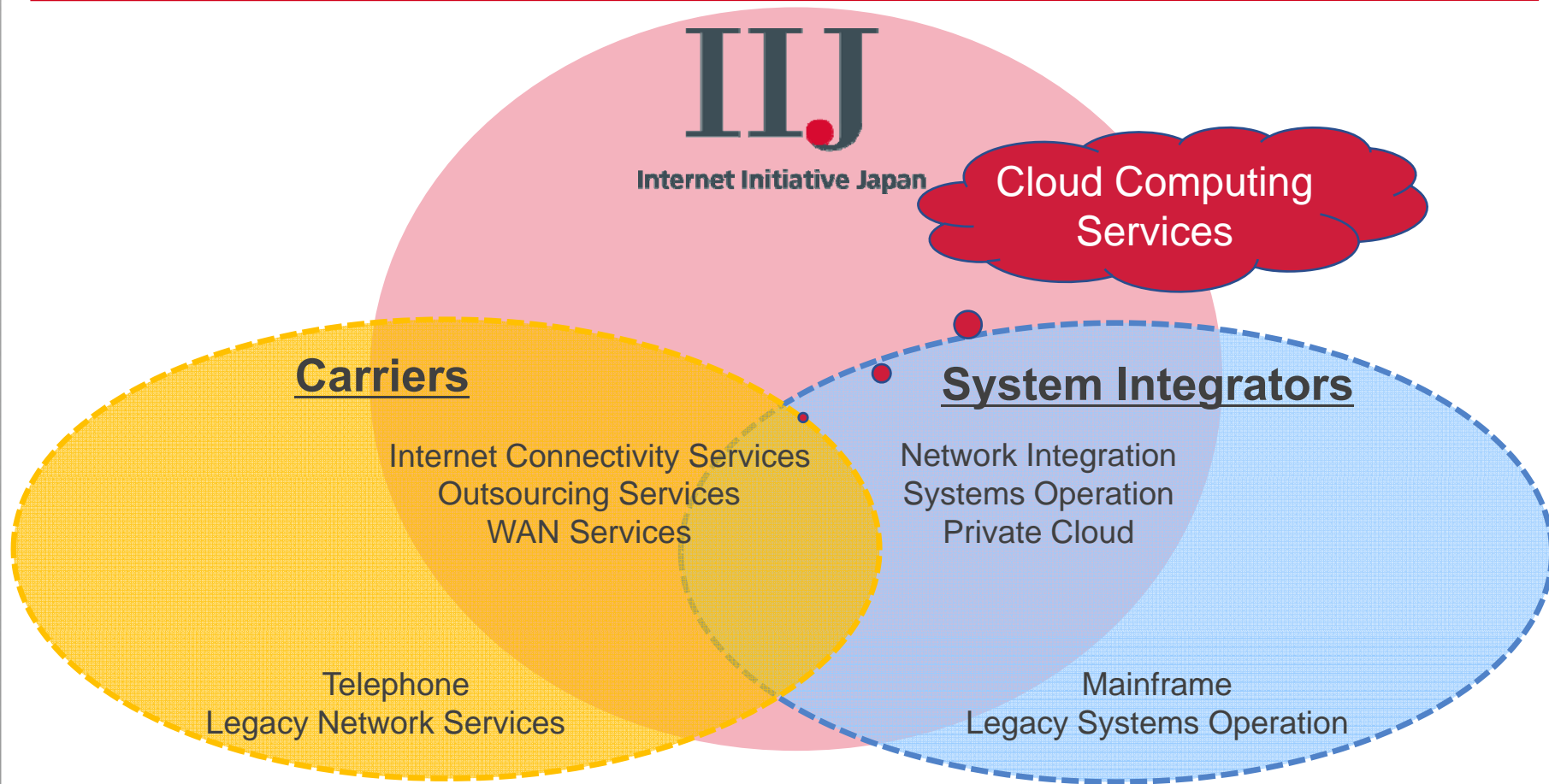
Not dependent on specific company

* 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

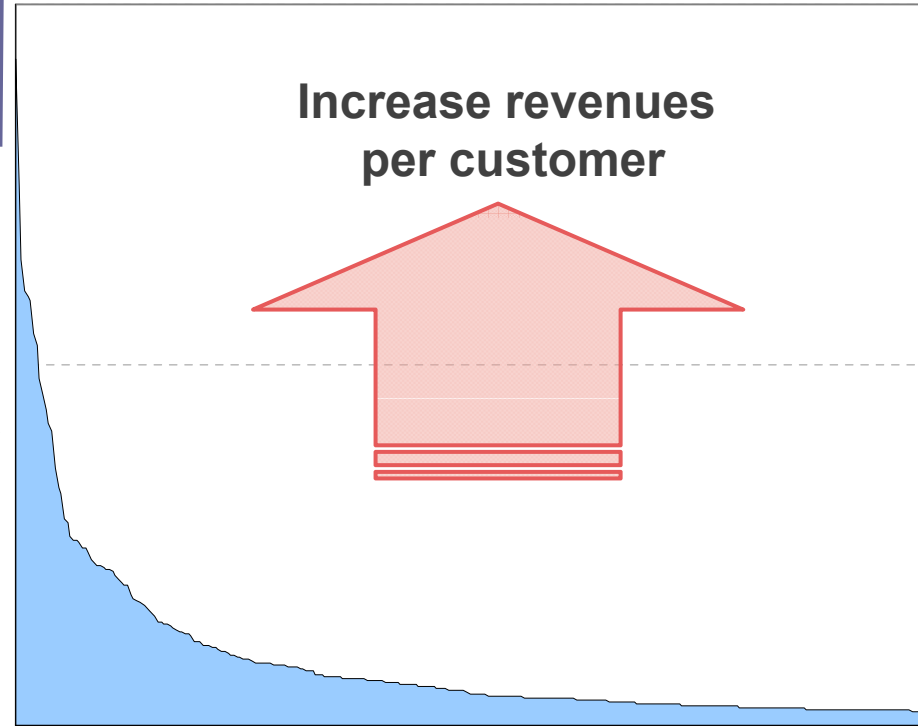
Maximize IIJ's potential as a total network service provider

Focus on cloud computing services

Revenues by Customer

Solid Growth Strategy

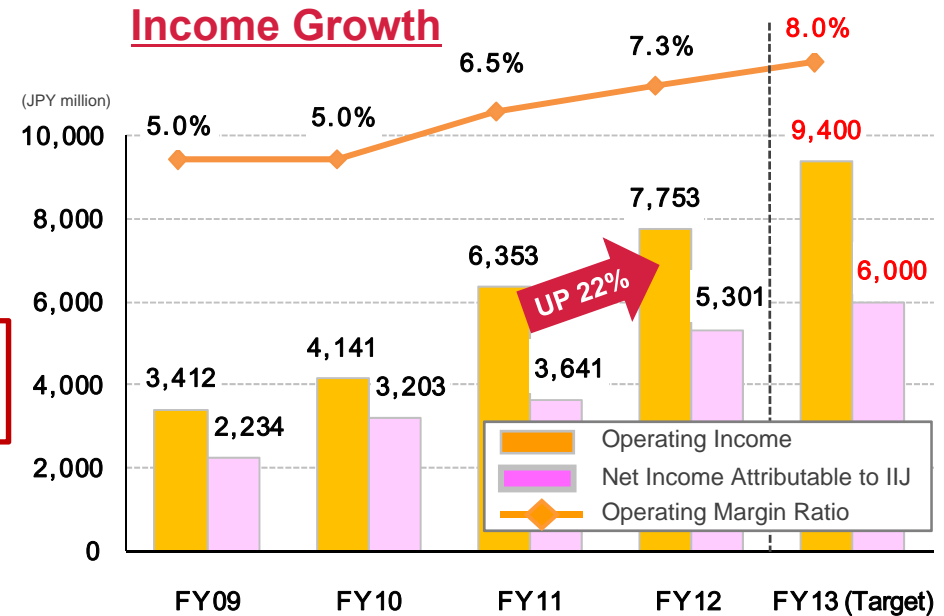
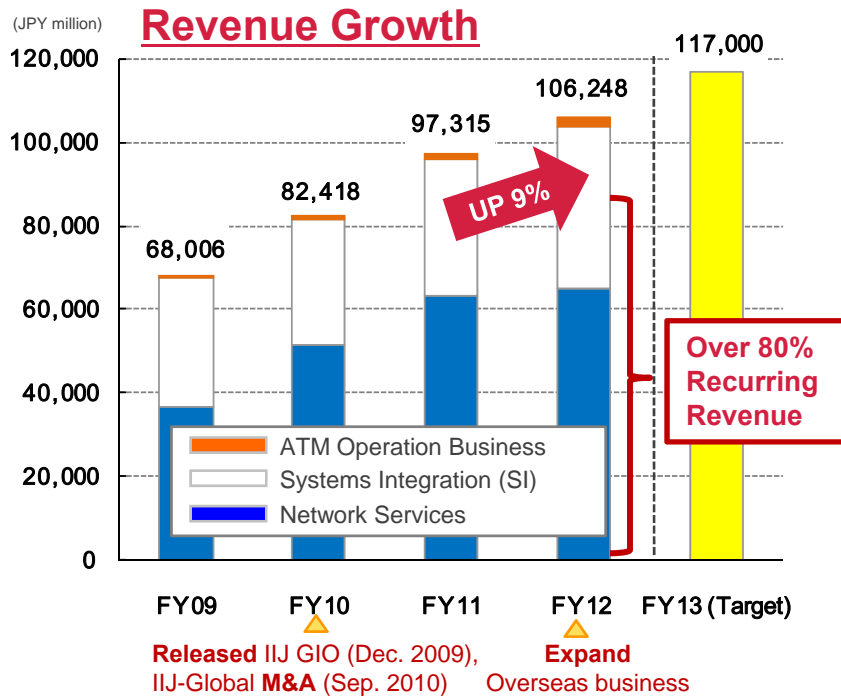
Increase revenues per customer



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 tends to shrink transiently with price down pressure by certain large network services clients, smallest systems construction volume, and increased fixed expenses
- ◆ Systems construction orders accumulating at a good pace as well as the recurring type revenues of network services and systems operation and maintenance expected to increase continuously

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 Corporate connectivity revenue: FY11 up 5% from FY10, FY12 up 9% from FY11, 1Q13 up 8.4% from 1Q12 Home connectivity: 4Q12 revenue increased from 3Q12 as the minus effects caused by the net revenue recognition for FLET's portion were absorbed by the accumulation of LTE services
<p>Cloud Computing Services</p>	<ul style="list-style-type: none"> Cloud services at the beginning, rapid market growth Network outsourcing opportunities arise, shift from legacy system integrators Leading cloud service market, gathering over 1,000 corporate users in 2 years Revenue: FY10 JPY0.6 billion → FY11 JPY3.1 billion → FY12 JPY6.2 billion, FY13 JPY10.0 billion (plan) <p style="text-align: right;">I I J G I O</p>
<p>Outsourcing Services</p>	<ul style="list-style-type: none"> Continuous needs for security and datacenter related services etc. Need to deal with constantly evolving Internet threats such as DDoS attacks Steady organic growth awaits, 1Q13 revenue up 9.0% from 1Q12
<p>Overseas Business</p>	<ul style="list-style-type: none"> Headed overseas to support Japanese corporate customers Constructing server platform in US for a prominent Japanese SNS client 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"> Keep focusing on R&D toward mid-to long term growth Key theme: Software Defined Network (SDN), released SDN products in FY12 – being used by DC operators, continue expanding product line-ups

Best Positioned in Cloud Computing Market



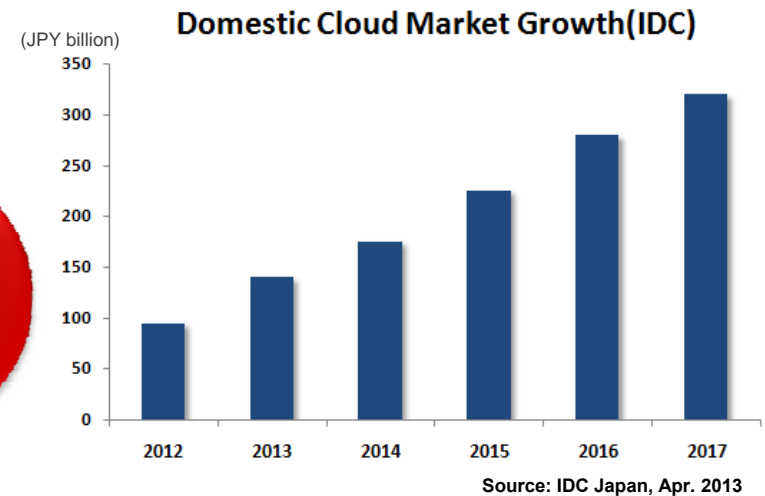
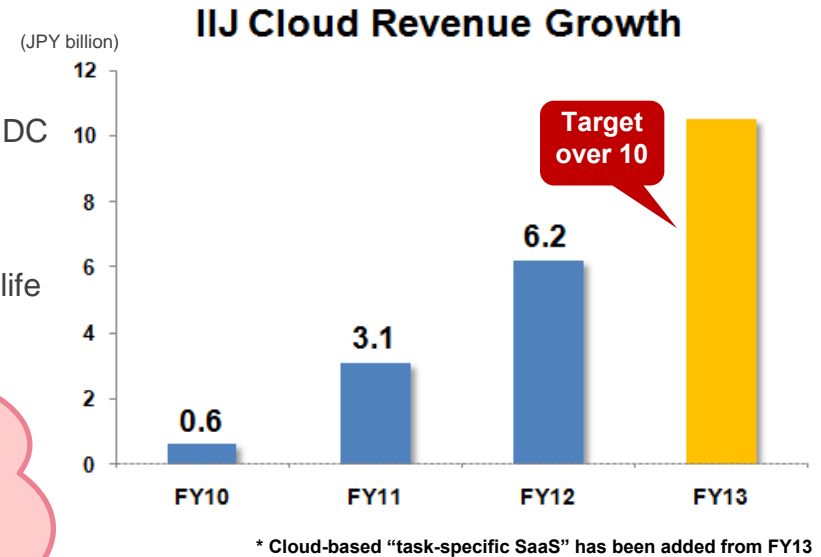
- Launched services in Dec. 2012, chosen for service reliability and exceptional network operation skills
- Ranked as the top provider in Japanese public cloud market for 2 consecutive years (Fuji Chimera Research Inst., July 2012 and Aug 2013)
- Continuously adding service line-ups to meet enterprises' needs
 - Providing VMware hypervisor functions - targeting hybrid cloud usage
 - Offering Oracle Database on a monthly basis, first in Japan
- Invest in servers, storages and DC etc. and offer them as service
- Improving facility efficiency and price competitiveness with Container DC second one to be completed in 2H13
- 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

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

Expansion of User Base



Expanding Overseas Business

Supporting Japanese clients globally

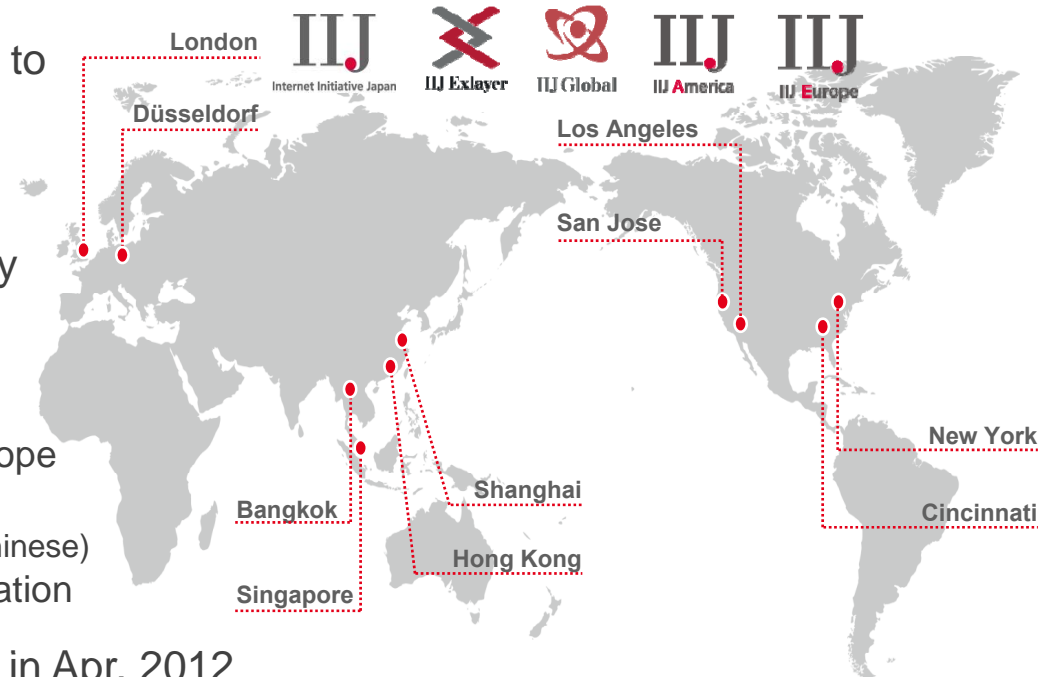
- Demands from SNS game providers to support their global expansion
- Japanese clients seeking network services abroad, especially in Asia
- Offering network services seamlessly

◆ Overseas services include:

- Cloud services in the US, China, and Europe
- Global-WAN and Internet-VPN services
- Multilingual helpdesk (Japanese, English, Chinese)
- SI such as servers construction and operation

◆ Co-working with IIJ Exlayer, acquired in Apr. 2012

- Targets SI projects for Japanese enterprise in the US, UK, Germany and Singapore
- Rapid business development through this M&A



- FY12 total revenue: approx. JPY3.6 billion
- Constructing large server platform in overseas
- Further expansion of overseas cloud services along with clients' demands

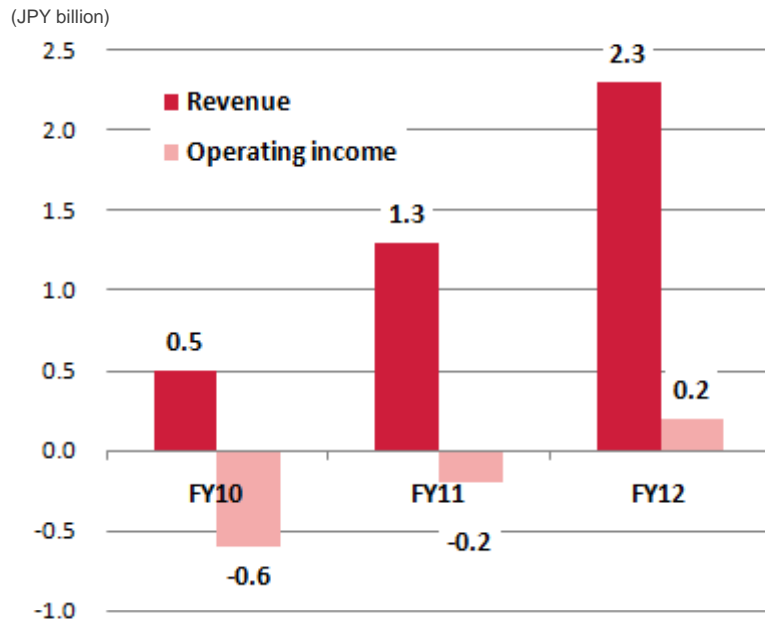
ATM Operation Business Developments



◆ 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



< Trust Networks Inc. >

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



Total number of ATMs & daily usage per ATM is key to profit growth

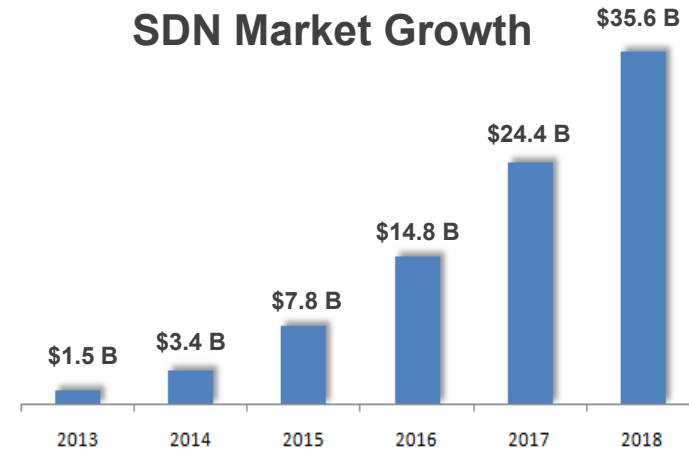


Developing SDN Platform – Focused R&D Theme

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 \$35.6 B



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.)

1Q Results Summary and Full FY2013 Financial Target

Unit: JPY billion

	<i>% of Revenues</i> FY12 (Apr. 2012 -Mar. 2013)	<i>% of Revenues</i> FY11 (Apr. 2011 -Mar. 2012)	YoY Change in %	<i>% of Revenues</i> 1Q13 (Apr. 2013 -Jun. 2013)	YoY Change in %
Total Revenues	106.2	97.3	+9.2%	26.4	+6.4%
Total Cost of Revenues	79.4% 84.4	79.5% 77.3	+9.1%	81.0% 21.4	+6.9%
Gross Margin	20.6% 21.9	20.5% 20.0	+9.3%	19.0% 5.0	+4.4%
SG&A/R&D	13.3% 14.1	14.0% 13.6	+3.4%	14.1% 3.7	+8.1%
Operating Income	7.3% 7.8	6.5% 6.4	+22.0%	4.9% 1.3	(5.0%)
Income before Income Tax Expense	7.3% 7.8	6.1% 6.0	+29.8%	5.4% 1.4	+4.2%
Net Income attributable to IIJ	5.0% 5.3	3.7% 3.6	+45.6%	3.6% 1.0	+6.4%

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

- Seasonal factors of 1Q: price reduction pressure for network services, smallest systems construction scale, increased fixed expenses due for example the increased number of personnel
- 1Q financial results in line with our initial plan
- FY2013 financial target remain unchanged: systems construction orders accumulated at a good pace, monthly recurring revenue of network services and systems operation and maintenance expected to increase continuously

(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 ^{*2} (Annual)	+JPY 3.25	+17.3%

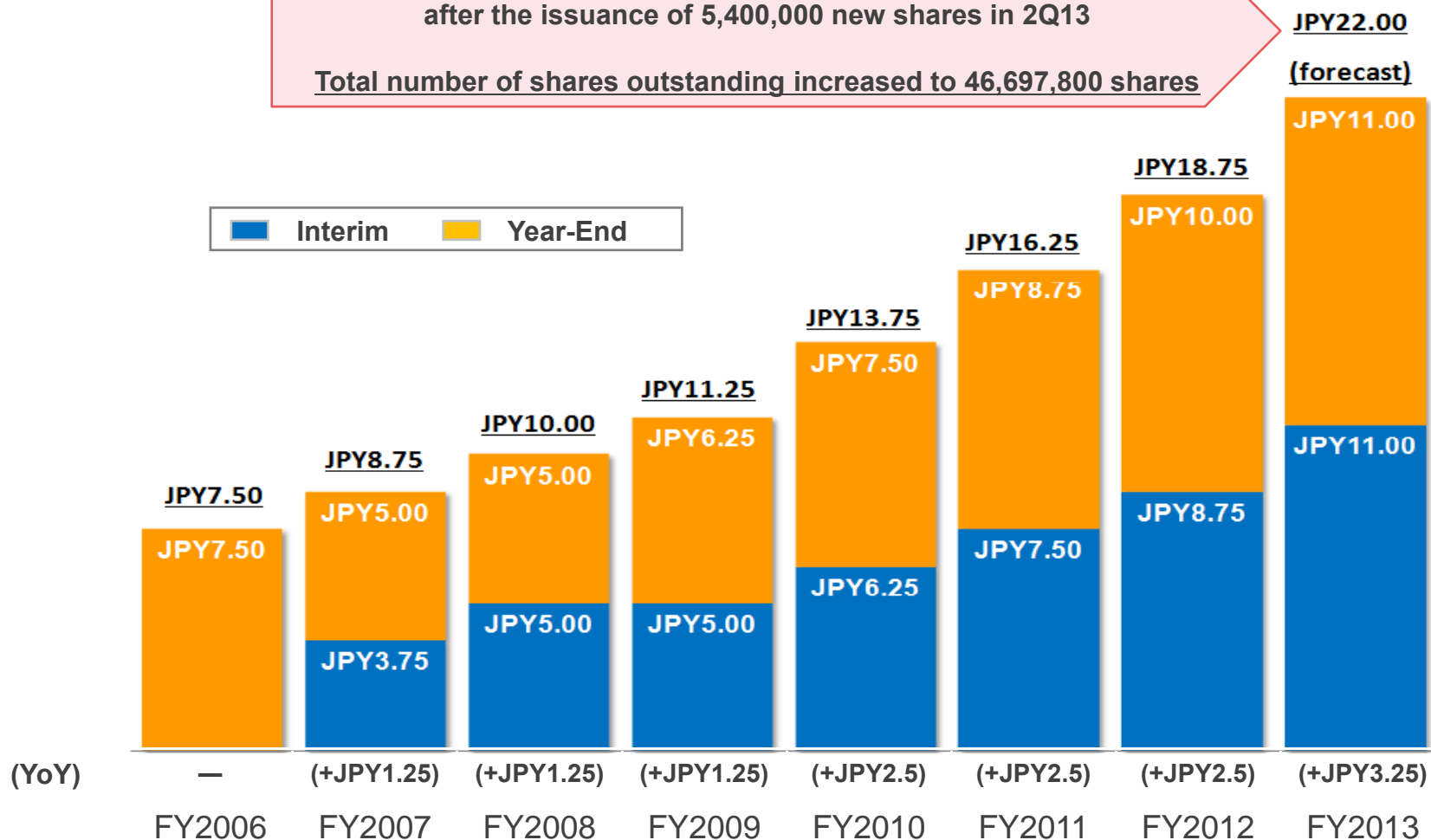
*1
Changed from JPY148.01 announced on May 15, 2013 due to the issuance of new shares of 5,400,000 shares of common stock in July and August 2013.

*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 1Q FY2013
Announced on August 6, 2013**



Internet Initiative Japan

I . Summary of 1Q FY2013 Financial Results

< 1Q13 Financial Results >

• Revenues	JPY26,441 million	(up 6.4% YoY)
• Gross margin	JPY5,030 million	(up 4.4% YoY)
• Operating income	JPY1,305 million	(down 5.0% YoY)
• Income before income tax expense	JPY1,431 million	(up 4.2% YoY)
• Net income attributable to IJ	JPY954 million	(up 6.4% YoY)

<< Solid Start of FY2013, Continuing Business Development >>

Systems Integration	Systems construction: order received up 36.2% YoY, order backlog up 22.9% YoY , including many large scale projects Systems operation and maintenance: revenue up 10.3% YoY with systems construction orders accumulated from FY2012
Corporate Connectivity	IP revenue up 9.9% YoY, expecting stronger demands for broader bandwidth
Home Connectivity	Net additions of LTE services' contracts increasing : 11,000 (4Q12) ->18,700 (1Q13) Total number of contracts as of June 30, 2013: 70,000
Outsourcing	Revenue up 9.0% YoY with the constant accumulation of orders
Cloud	Revenue: 4Q12 JPY2.0 billion -> 1Q13 JPY2.3 billion * Revenues of FX and IJ GIO POS "Task-specific SaaS" added from FY13 Expecting expanded cloud usage by enterprises, acquiring migration projects of annual revenue over JPY0.1 billion
Overseas	Revenue: 1Q12 JPY1.0 billion -> 1Q13 JPY1.2 billion , launched UK cloud (Aug. 2013), Asian region business starting up
Human Resources	Proactive recruitment along with aggressive business expansion Up 153 personnel QoQ, added 136 newly graduates (Apr. 2013)

< Accelerating Growth for Future Business Expansion >

- Secured JPY17.3 billion with equity finance
- Enhanced management with Katsu COO

< Slight Decrease of Operating Income due to 1Q Seasonal Factors, Business Progressed as Planned >

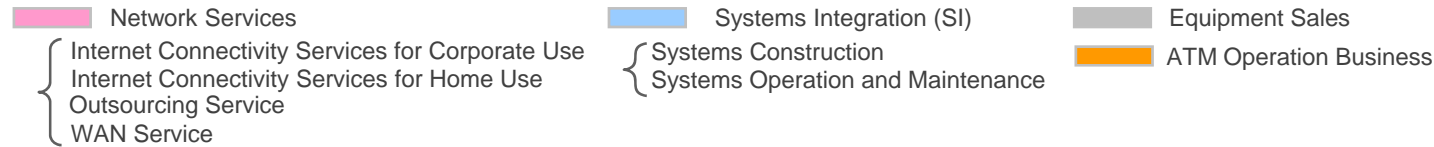
- Network services revenues slightly increased QoQ due to price down pressure, Systems construction scale is the smallest in every 1Q
- The level of fixed expenses such as personnel-related expenses increased as a new fiscal year begins

II - 1. Consolidated Financial Results for 1Q FY2013

Unit: JPY billion

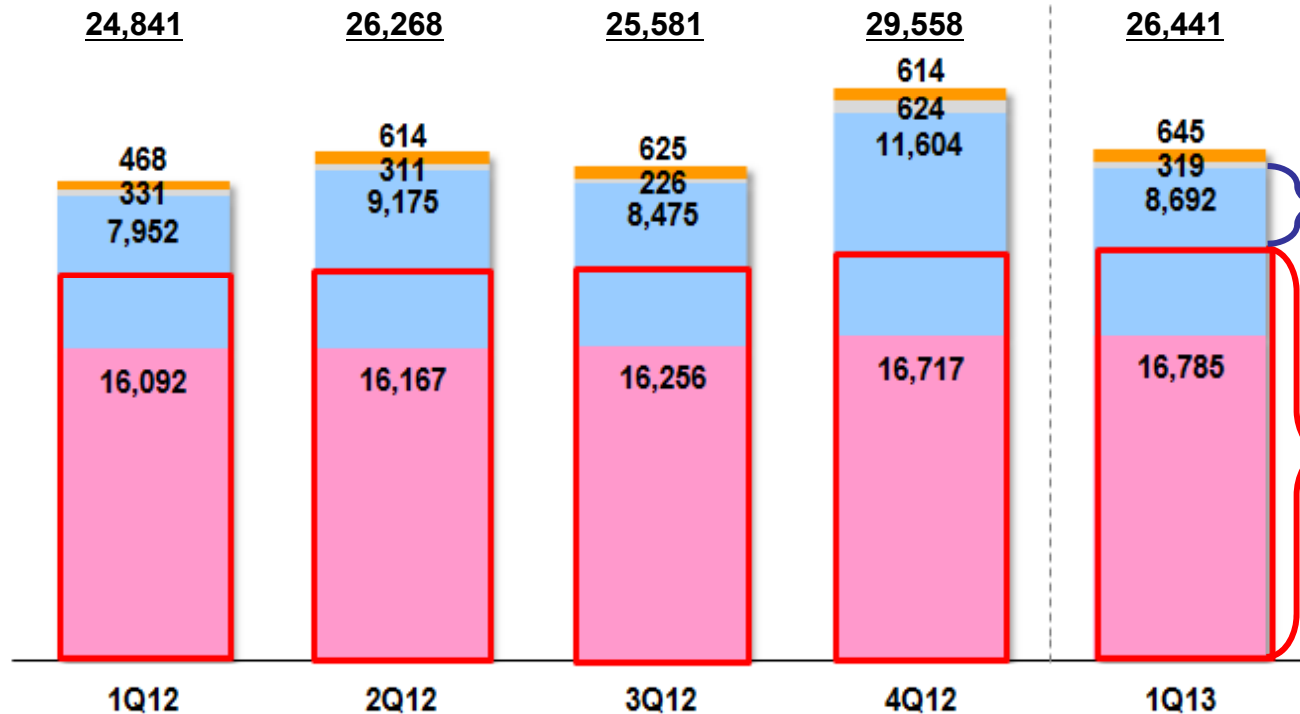
	% of Revenues		YoY Change in %	% of Revenues	
	1Q13 (Apr. 2013 ~Jun. 2013)	1Q12 (Apr. 2012 ~Jun. 2012)		1H13 Target (Apr. 2013 ~Sep. 2013)	YoY (1H13 to 1H12)
Total Revenues	26.4	24.8	+6.4%	54.5	+6.6%
Total Cost of Revenues	81.0% 21.4	80.6% 20.0	+6.9%	—	—
Gross Margin	19.0% 5.0	19.4% 4.8	+4.4%	—	—
SG&A/R&D	14.1% 3.7	13.9% 3.4	+8.1%	—	—
Operating Income	4.9% 1.3	5.5% 1.4	(5.0%)	6.2% 3.4	+4.2%
Income before Income Tax Expense	5.4% 1.4	5.5% 1.4	+4.2%	5.9% 3.2	+0.8%
Net Income attributable to IJ	3.6% 1.0	3.6% 0.9	+6.4%	3.7% 2.0	(0.3%)

II - 2. Revenues



Unit: JPY million

FY12: 106,248



One-time Revenue

(12.4% of 1Q13 total revenues) is recognized only once when systems or equipments are delivered and accepted by customers.

1. Systems Construction
2. Equipment Sales

Recurring Revenue

(85.1% of 1Q13 total revenues) represents monthly recurring revenues as shown below:

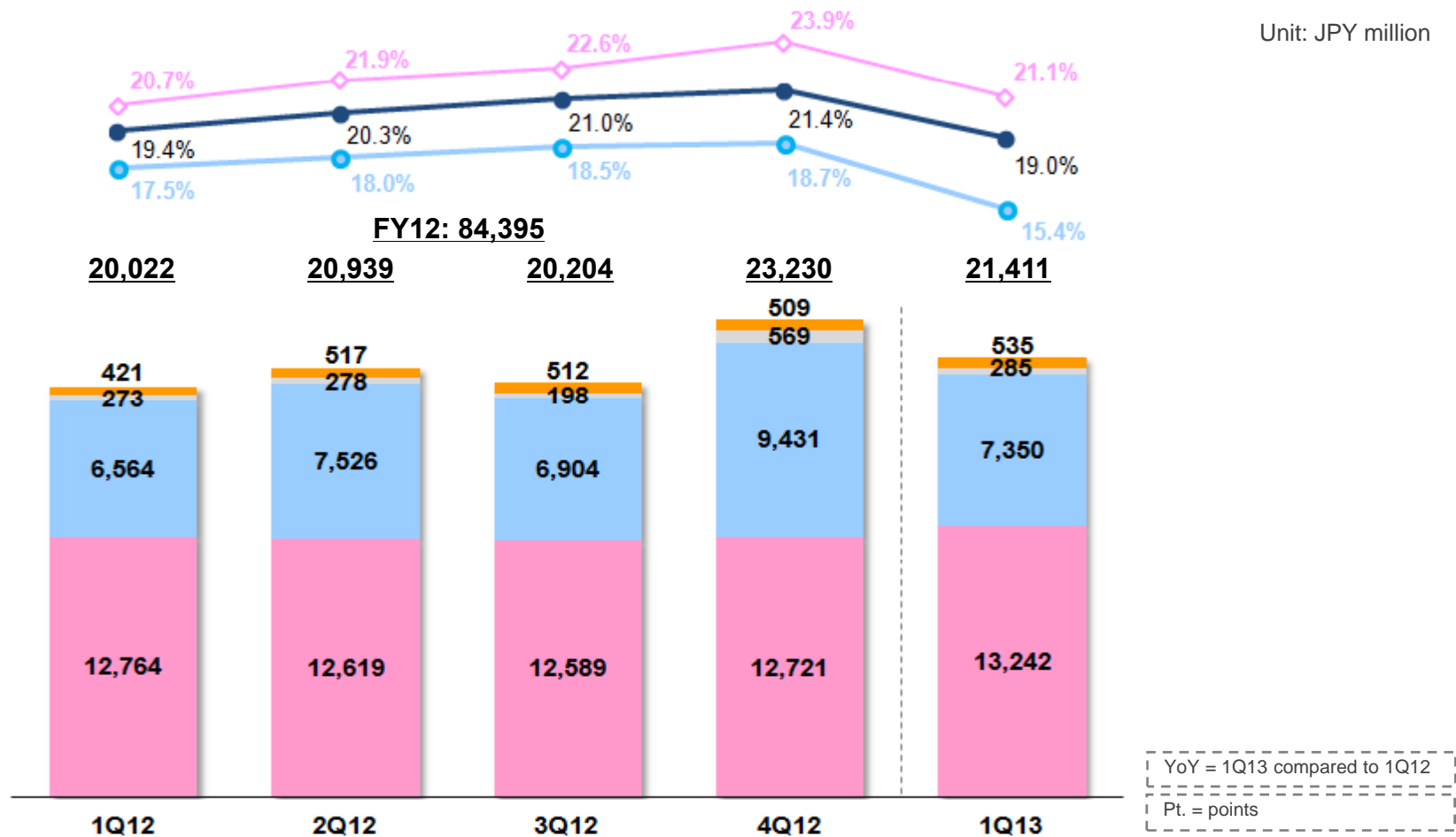
1. Internet Connectivity Services (Corporate Use and Home Use)
2. Outsourcing Services
3. WAN Service
4. Systems Operation and Maintenance

YoY = 1Q13 compared to 1Q12

- ◆ 1Q13 Network services revenue: JPY16,785 million (up 4.3% YoY)
- ◆ 1Q13 Systems integration revenue: JPY8,692 million (up 9.3% YoY)
- ◆ 1Q13 Equipment sales revenue: JPY319 million (down 3.6% YoY)
- ◆ 1Q13 ATM operation business revenue: JPY645 million (up JPY177 million YoY, up 37.9% YoY)
- ◆ 1Q13 Recurring revenue: JPY22,514 million (up 5.8% YoY)
- ◆ 1Q13 One-time revenue: JPY3,283 million (up 6.2% 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)



1Q13 Gross margin: JPY5,030 million (up JPY211 million YoY, up 4.4% YoY), Gross margin ratio: 19.0% (down 0.4 Pt. YoY)

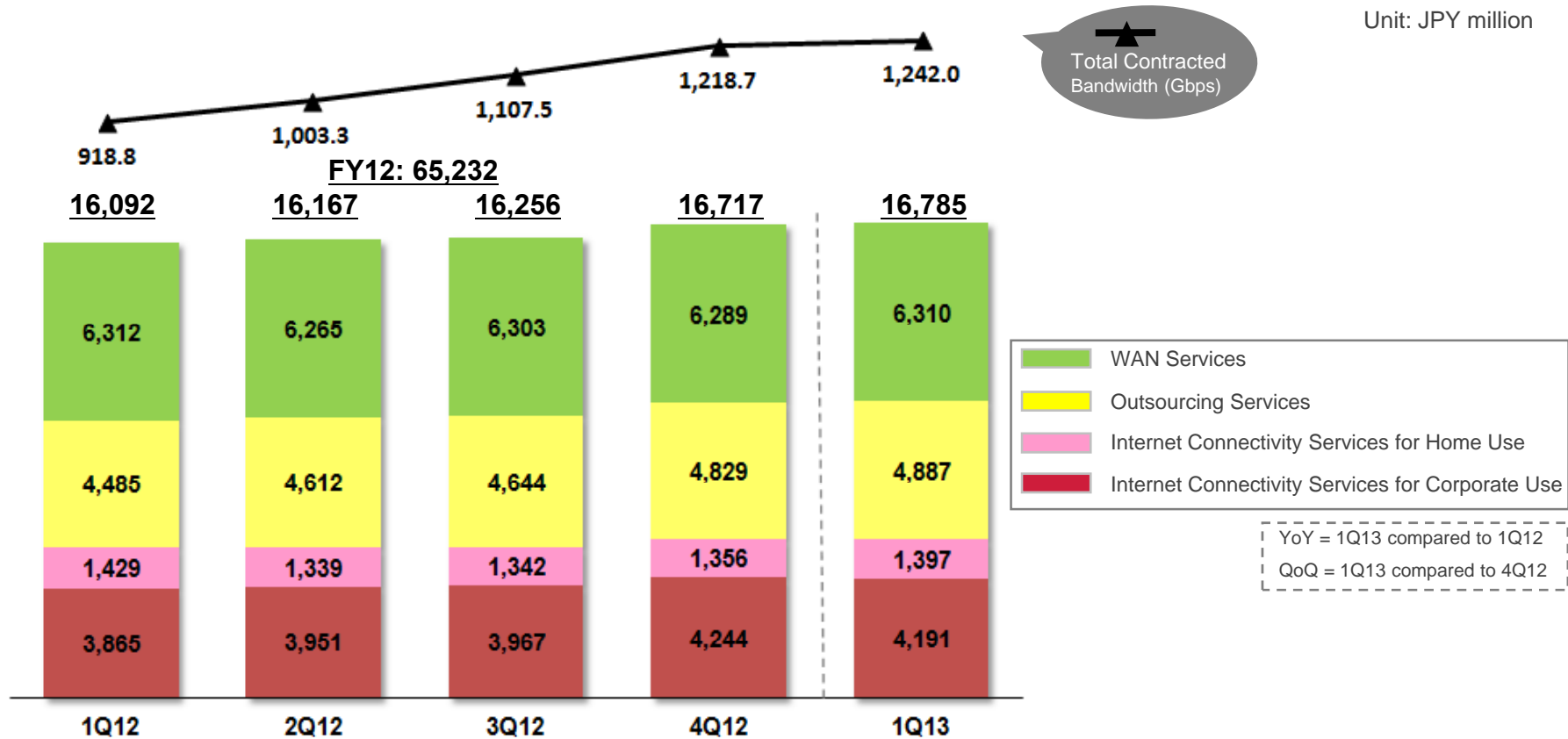
◆ 1Q13 Network services gross margin: JPY3,544 million (up JPY216 million YoY, up 6.5% YoY), Gross margin ratio: 21.1% (up 0.4 Pt. YoY)

◆ 1Q13 SI gross margin: JPY1,343 million (down JPY45 million YoY, down 3.2% YoY), Gross margin ratio: 15.4% (down 2.1 Pt. YoY)

◆ 1Q13 ATM operation business gross margin: JPY110 million (up JPY63 million YoY)

II - 4. Network Services (1)Revenues

Unit: JPY million

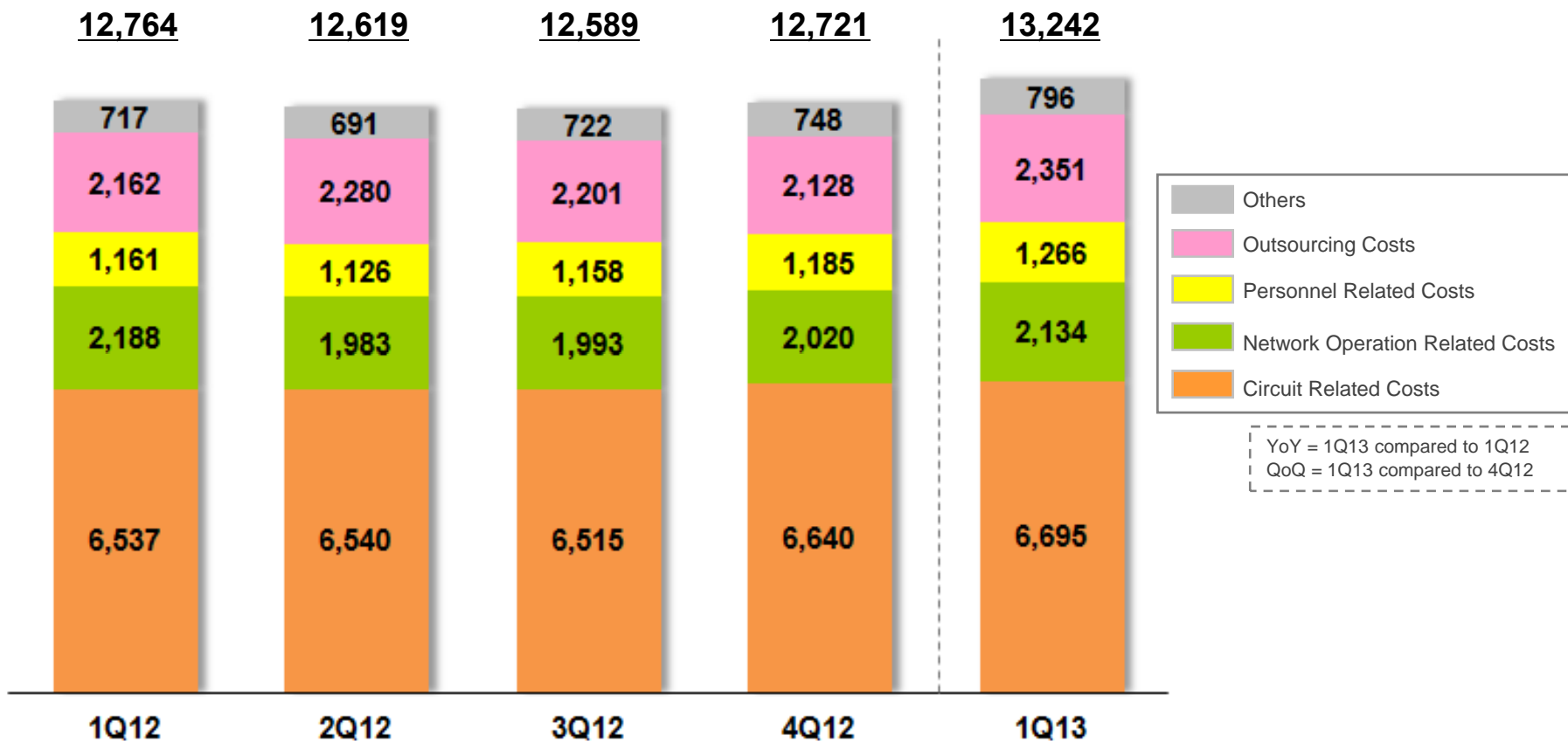


- ◆ **1Q13 Internet connectivity services for corporate: up JPY326 million YoY, up 8.4% YoY, down JPY53 million QoQ, down 1.3% QoQ**
 - Decreased QoQ due to the 1Q seasonal factor of price down pressure from certain large users, demand catching up from 2Q
 - Contracts for over 1Gbps as of June 30, 2013: 235 contracts (March 31, 2013: 207 contracts, June 30, 2012: 142 contracts)
- ◆ **1Q13 Internet connectivity services for home: down JPY32 million YoY, down 2.2% YoY, up JPY42 million QoQ, up 3.1% QoQ**
 - Stable QoQ revenue growth due to the accelerated order accumulation of LTE services via *Aeon* group and *BIC CAMERA* group, large retail companies, Net additions of contracts increasing: 11,000(4Q12) -> 18,700(1Q13), Total number of contracts as of June 30, 2013: 70,000
 - Minus effects caused by the net revenue recognition for FLET'S portion were absorbed
- ◆ **1Q13 Outsourcing services: up JPY402 million YoY, up 9.0% YoY, up JPY58 million QoQ, up 1.2% QoQ**
 - IJ GIO Hosting Package Services and datacenter-related services revenues continued to grow
- ◆ **1Q13 WAN services: down JPY3 million YoY, down 0.0% YoY, up JPY21 million QoQ, up 0.3% QoQ**

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

Unit: JPY million

FY12: 50,692
(Gross margin ratio: 22.3%)

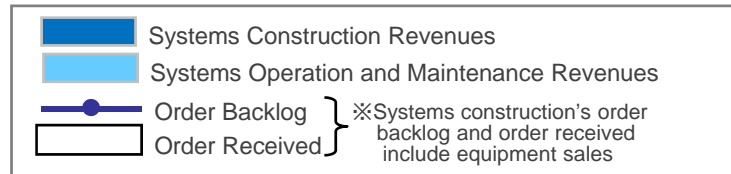
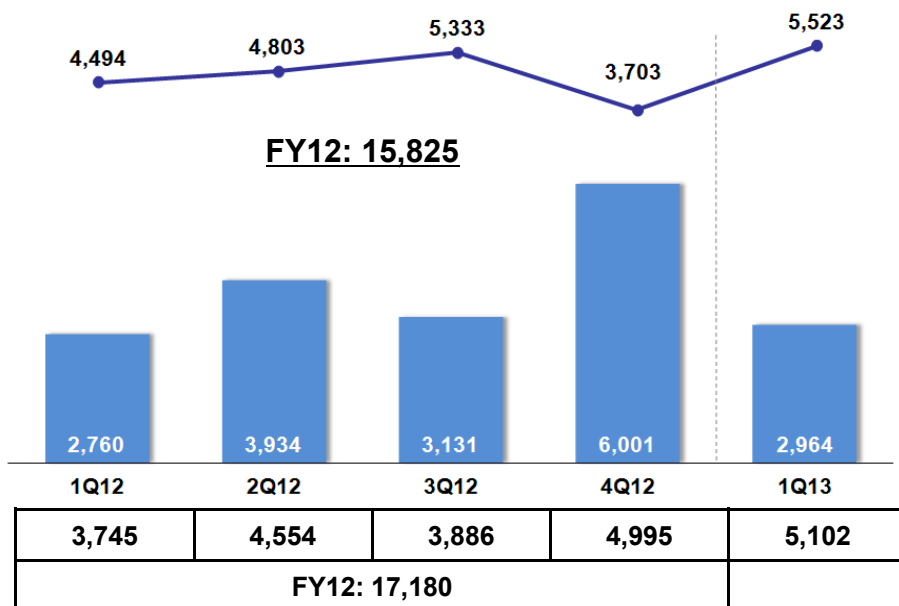


- ◆ 1Q13 Cost of network services: up JPY478 million YoY, up 3.7% YoY, up JPY521 million QoQ, up 4.1% QoQ
 - Outsourcing costs increased along with revenue growth, personnel-related costs increased along with the increased number of personnel
 - While expanding network continuously, the costs such as circuit-related costs are stable because of our scale-merited network efficiency

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

<Systems Construction>

Unit: JPY million

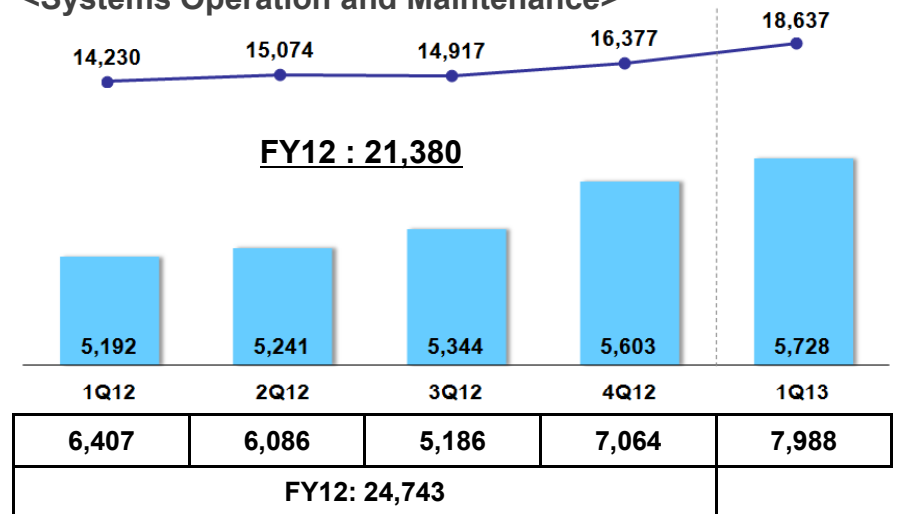


YoY = 1Q13 compared to 1Q12
QoQ = 1Q13 compared to 4Q12

Systems Construction

- ◆ 1Q13 Revenue: up JPY204 million YoY, up 7.4% YoY, down JPY3,037 million QoQ, down 50.6% QoQ
- ◆ 1Q13 Order received: up JPY1,357 million YoY, up 36.2% YoY, up JPY107 million QoQ, up 2.1% QoQ
- ◆ 1Q13 Order backlog: up JPY1,029 million YoY, up 22.9% YoY
 - Accumulating large scale projects of over JPY0.1 billion in addition to the usual small to middle size projects accordingly with the economic recovery (ex: core platform system renewal, large scale mail system construction for ISP, E-commerce system renewal, web system renewal, large scale network replacement etc)

<Systems Operation and Maintenance>



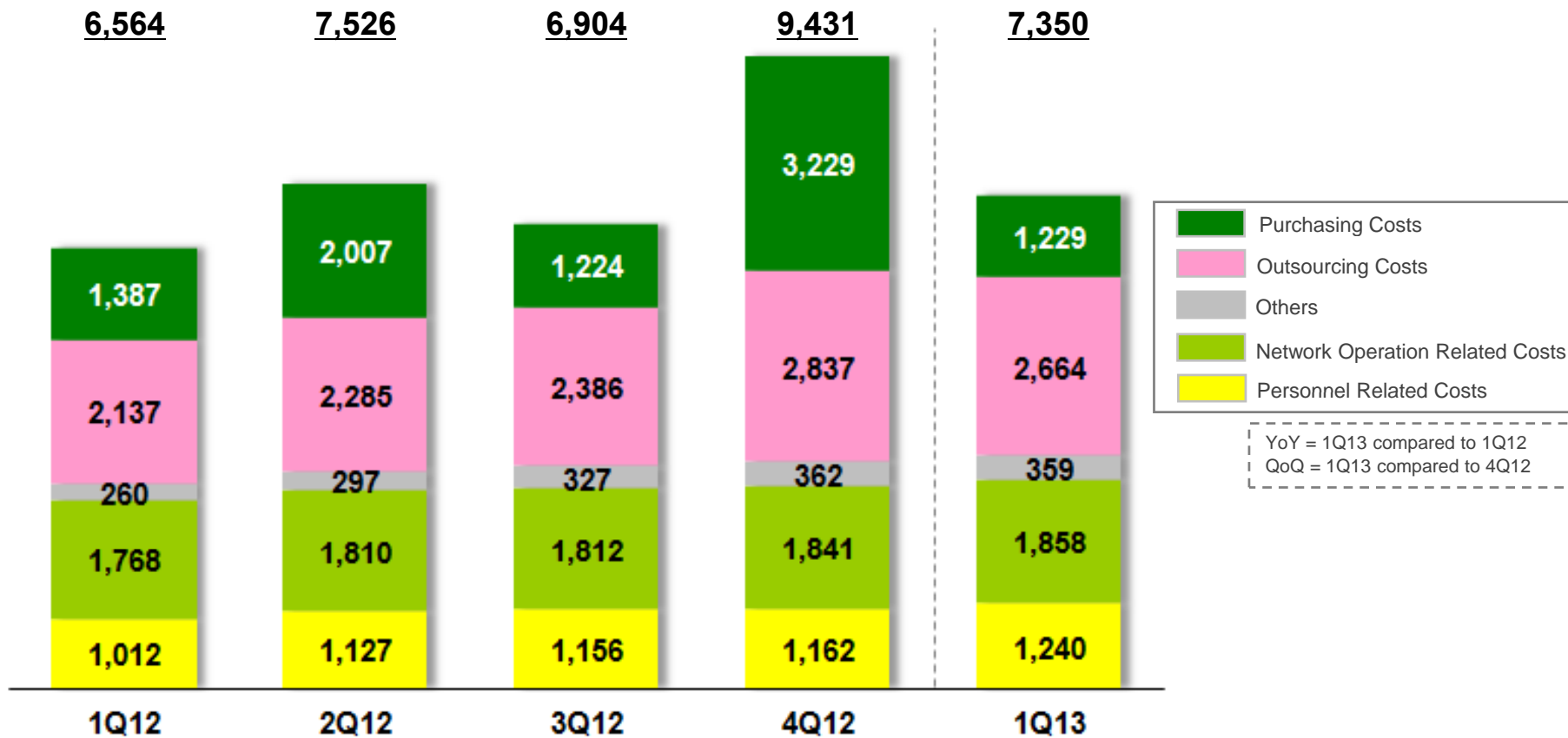
Systems Operation and Maintenance

- ◆ 1Q13 Revenue: up JPY537 million YoY, up 10.3% YoY, up JPY125 million QoQ, up 2.2% QoQ
- ◆ 1Q13 Order received: up JPY1,581 million YoY, up 24.7% YoY, up JPY924 million QoQ, up 13.1% QoQ
- ◆ 1Q13 Order backlog: up JPY4,407 million YoY, up 31.0% YoY,
 - Systems operation and maintenance revenues increasing due to the accumulated systems construction projects from FY12
 - 77% of 1Q13 cloud total revenues are recognized in systems operation and maintenance and the remaining 23% in outsourcing

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

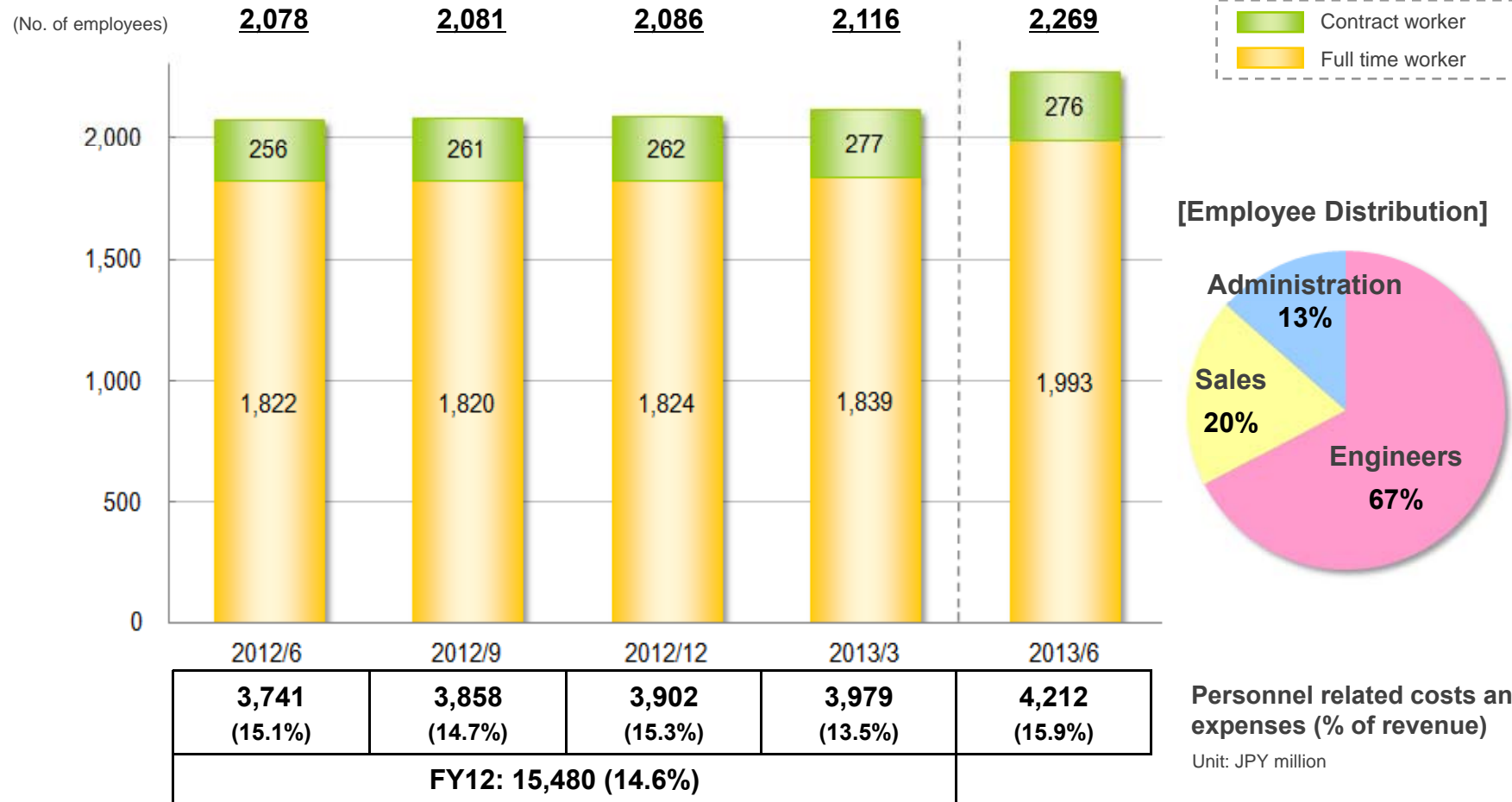
FY12: 30,425
(Gross margin ratio: 18.2%)

Unit: JPY million



- ◆ 1Q13 Cost of SI: up JPY786 million YoY, up 12.0% YoY, down JPY2,082 million QoQ, down 22.1% QoQ
 - The number of full-time outsourcing personnel as of June 30, 2013: 683 (up 186 personnel YoY, up 32 personnel QoQ)
 - Outsourcing costs and personnel related costs increased QoQ due to the increased number of projects and personnel
 - Purchasing costs and outsourcing costs decreased YoY due to seasonal factor of decreased number of systems construction projects
 - SI gross margin decreases along with the increase in large scale projects

II - 6. Number of Employees



- ◆ 1Q13 Personnel related costs and expenses: up JPY471 million YoY, up JPY233 million QoQ
 - Increased due to the annual revision of salary and the increased number of employees
- ◆ Hired 136 newly graduates in Apr. 2013 (Apr. 2012: 75 newly graduates)
- ◆ Addition of over 250 personnel is planned for FY13

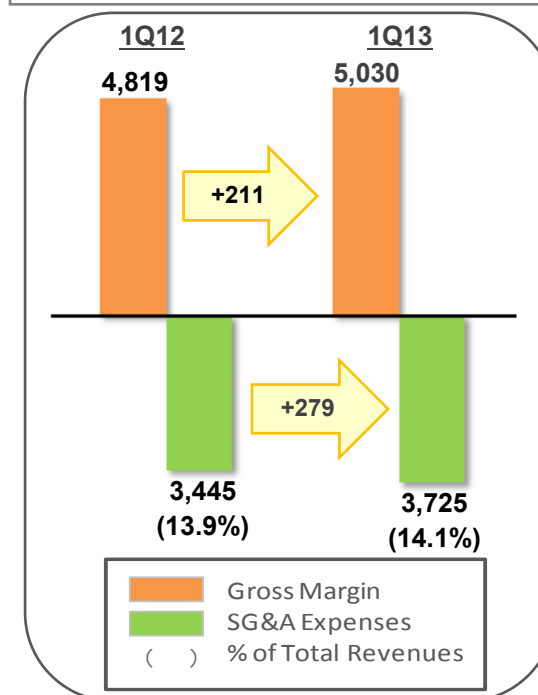
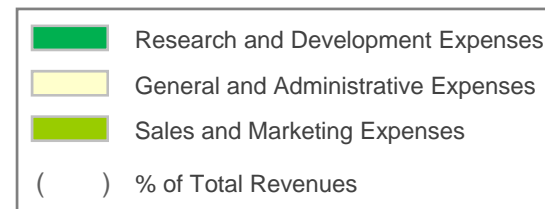
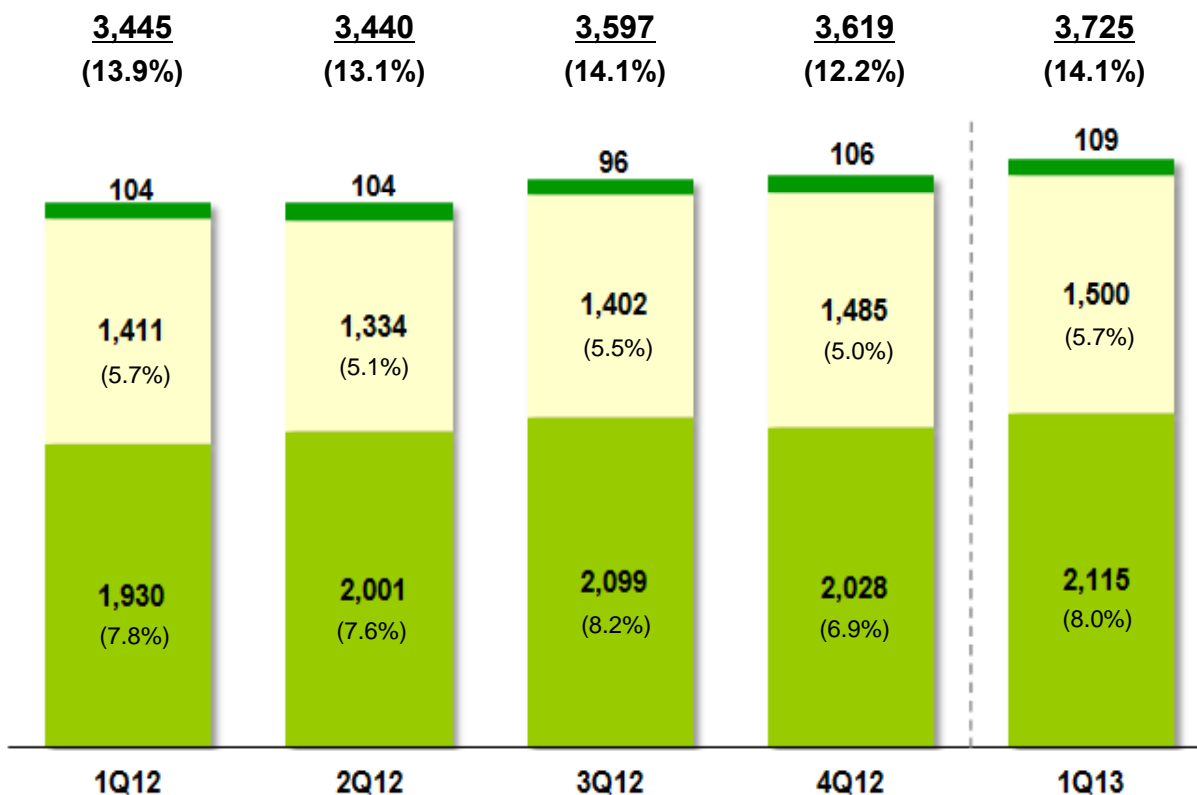
YoY = 1Q13 compared to 1Q12
QoQ = 1Q13 compared to 4Q12

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

Unit: JPY million

FY12: 14,101

(13.3%)

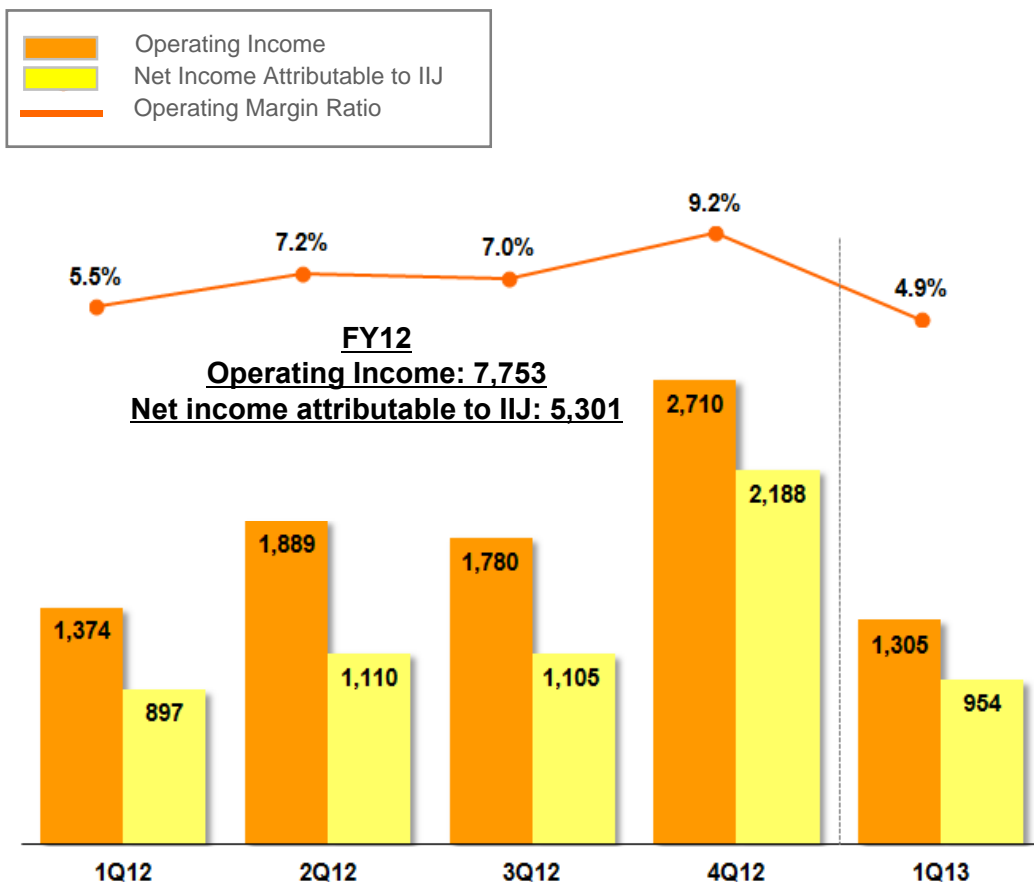


YoY = 1Q13 compared to 1Q12
QoQ = 1Q13 compared to 4Q12

- ◆ 1Q13 SG&A: up JPY279 million YoY, up JPY106 million QoQ, 14.1% of total revenue, up 0.2 points YoY
 - Personnel-related expenses increased YoY by JPY138 million, rent expenses increased YoY by JPY53 million, sales commission expenses increased YoY by JPY42 million

II - 8. Operating Income and Net Income

Unit: JPY million



◆ **1Q13 Operating income: JPY1,305 million**
 (down JPY69 million YoY, down 5.0% YoY)

➤ **ATM operation segment operating income:**

1Q12	2Q12	3Q12	4Q12	FY12	1Q13
16	67	81	75	239	81

• 652 ATMs were placed as of Aug. 6, 2013

◆ **1Q13 Income before income tax expense: JPY1,431 million**
 (up JPY57 million YoY, up 4.2% YoY)

➤ Majority of non-operating expenses is interest expenses, recognized foreign exchange gains of JPY93 million in 1Q13

◆ **1Q13 Net income attributable to IIJ: JPY954 million**
 (up JPY57 million YoY, up 6.4% YoY)

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

YoY = 1Q13 compared to 1Q12

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

II - 9. Summary of Consolidated Balance Sheets

Unit: JPY million

	March 31, 2013	June 30, 2013	Changes
Cash and Cash Equivalents	12,259	10,276	(1,982)
Accounts Receivable	18,765	15,871	(2,894)
Inventories and Prepaid Expenses (Current and Noncurrent)	5,995	7,741	+1,746
Other Investments	3,771	3,749	(22)
Property and Equipment	23,026	23,484	+458
Goodwill and Other Intangible Assets	10,761	10,646	(115)
Total Assets	82,111	79,776	(2,335)
Accounts Payable	11,922	9,312	(2,610)
Income Taxes Payable	1,670	181	(1,489)
Borrowings (Short-term and Long-term)	11,390	11,390	-
Capital Lease Obligations (Current and Noncurrent)	8,876	9,070	+194
Total Liabilities	44,477	41,286	(3,191)
Accumulated Deficit	(6,399)	(5,851)	+548
Accumulated Other Comprehensive Income(Loss)	264	556	+293
Total IJ Shareholders' Equity	37,607	38,458	+851

➤ IJ shareholders' equity ratio: 45.8% (as of March 31, 2013), 48.2% (as of June 30, 2013)

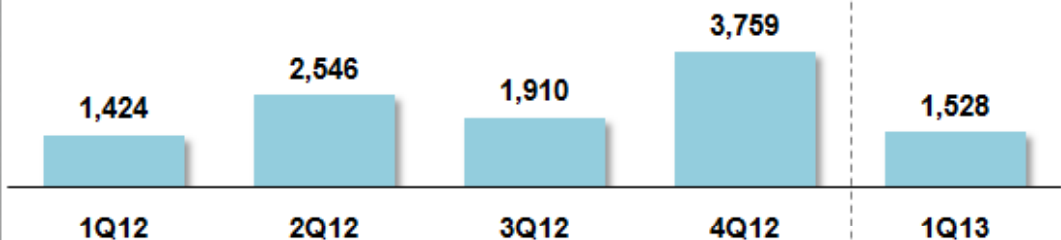
II - 10. Consolidated Cash Flows

Operating Activities:

Unit: JPY million

YoY = 1Q13 compared to 1Q12

FY12: 9,639



1Q13 Operating Activities:

- Decrease in accounts receivable: JPY2,922 million
- Depreciation and amortization: JPY2,071 million
- Decrease in accounts payable: (JPY1,962 million)
- Payments for income taxes: (JPY1,489 million)

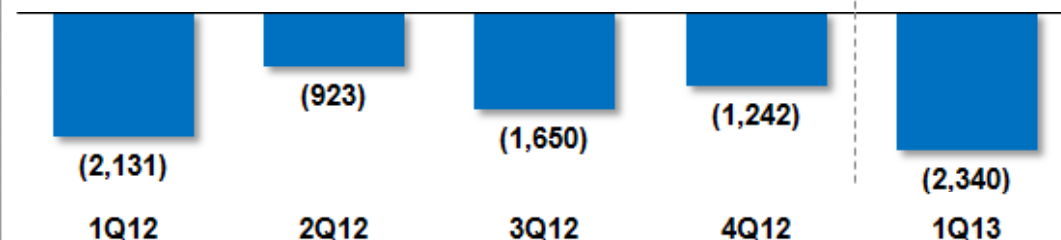
etc.

● Breakdown of YoY major difference:

- Decrease in accounts receivable: plus JPY1,503 million
- Decrease in accounts payable: minus JPY2,087 million
- Payments of income taxes: plus JPY556 million

Investing Activities:

FY12: (5,946)

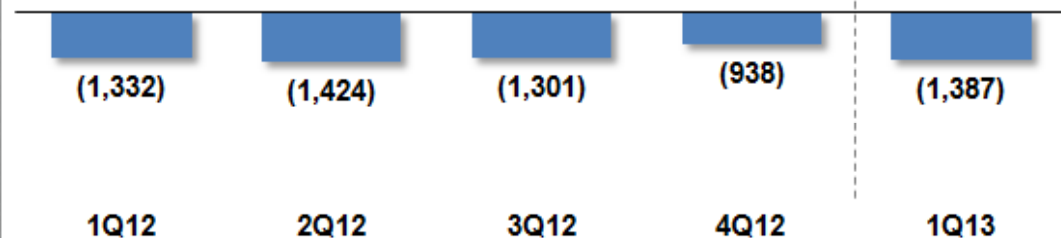


1Q13 Investing Activities:

- Payments for purchases of property and equipment: JPY1,719 million
 - Payments for guarantee deposits: JPY661 million
- etc.

Financing Activities:

FY12: (4,996)



1Q13 Financing Activities:

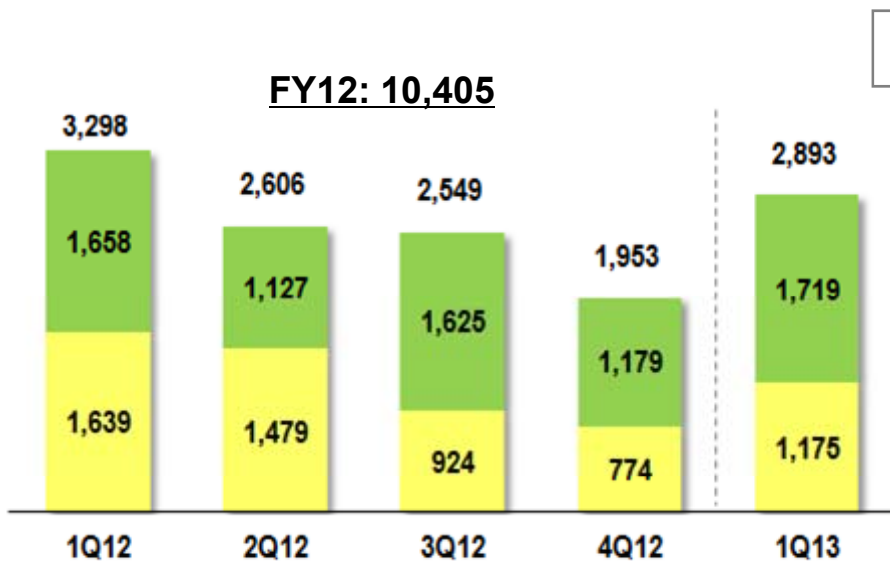
- Principal payments under capital leases: JPY981 million
- Dividends paid: JPY405 million

etc.

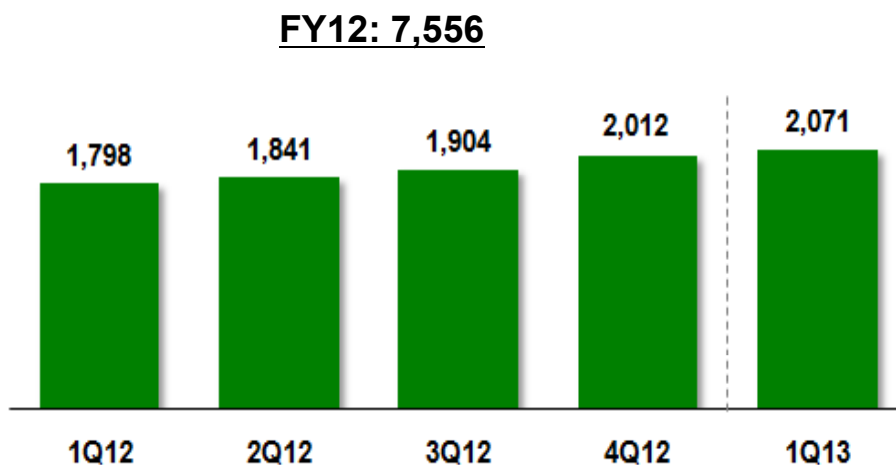
II - 11. Other Financial Data (CAPEX etc.)

Unit: JPY million

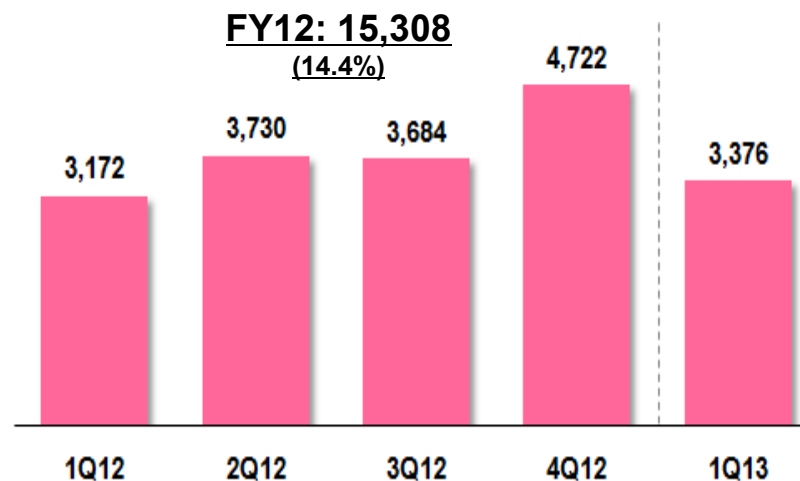
CAPEX (Include Capital Leases):



Depreciation and Amortization:



Adjusted EBITDA: * () % of total revenues



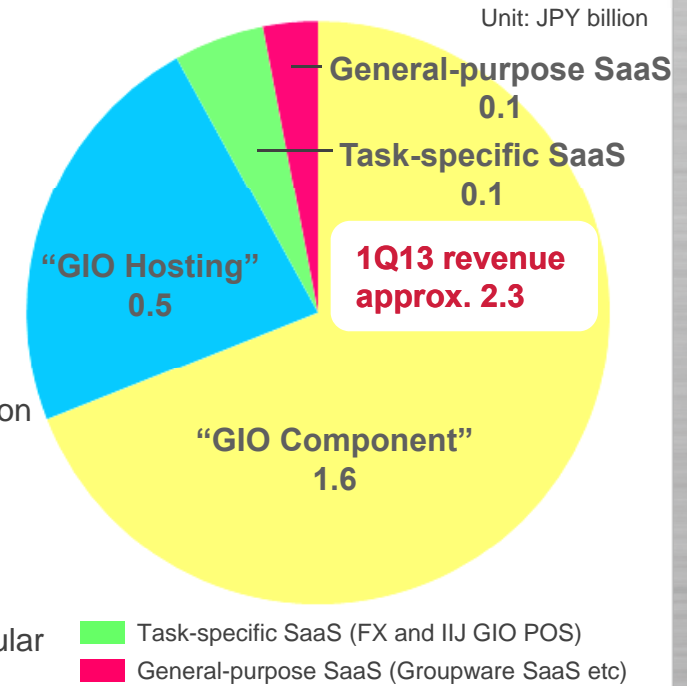
III-1. Developments of Cloud Business



Cloud Revenue

Unit: JPY billion	FY11	FY12	FY13
1Q (June revenue)	0.5 (0.18)	1.2 (0.42)	2.3 (0.76)
4Q (March revenue)	1.1 (0.37)	2.0 (0.66)	
Full Year	3.1	6.2	Target over 10

* FY11 and FY12 revenues consist of "GIO Component," "GIO Hosting," and "General-purpose SaaS"
 * Revenue recognition: 77% in systems operation and maintenance, 23% in outsourcing



➤ Revenues from business enterprises increasing continuously

Acquiring and delivering projects whose MRC* expected to be over JPY10 million with VW series appeal, around 20 projects currently, leading revenue driver (ex. Platform systems for ERP/SFA/Accounting, internal communication systems, service platform, migration of internal business systems, etc)

➤ Slowing-down of large SNS game clients usage

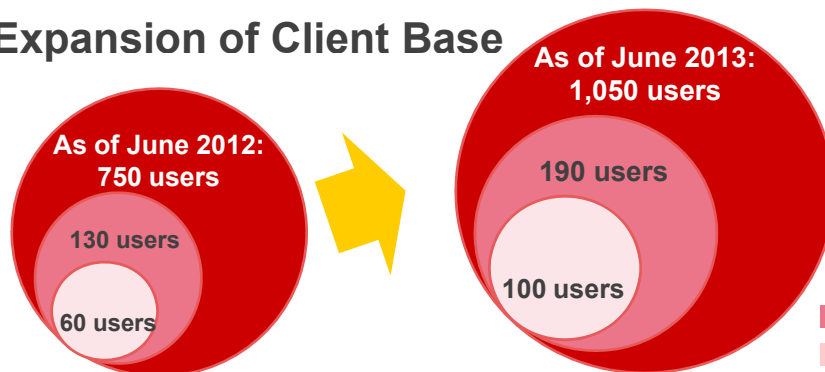
Large SNS game clients revenue ratio: 27%(1Q13), 32%(4Q12), 40%(4Q11)
 Promoting competitive advantages such as brand recognition and Matsue modular DCP, over MRC JPY5 million clients reaching to 9 companies

➤ Introducing cloud-related value-added solution and services

- *IIJ GIO BigData Labo*: cloud-based solution for effective big data usage
- *OmniSphere*: SDN-based service facilitates office network environment

New categories of "General-purpose SaaS" and "Task-specific SaaS" both of which are cloud based services from FY13

Expansion of Client Base



- Operating loss improved slightly from 4Q12
- Overall server utilization rate reaching over 60%
- All 24 modules installed at Matsue DCP as of July 2013
- 2H13 plan: expanding metropolitan area cloud facility (Mitaka), doubling the facility capacity of Matsue DCP

* MRC: Monthly Recurring Charge
 * All figures in approx.
 - Dark Red: MRC over JPY0.5 million
 - Light Red: MRC over JPY1 million

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

- Seasonal factors of 1Q: price reduction pressure for network services, smallest systems construction scale, increased fixed expenses due for example the increased number of personnel
- 1Q financial results in line with our initial plan
- FY2013 financial target remain unchanged: systems construction orders accumulated at a good pace, monthly recurring revenue of network services and systems operation and maintenance expected to increase continuously

(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 ^{*2} (Annual)	+JPY 3.25	+17.3%

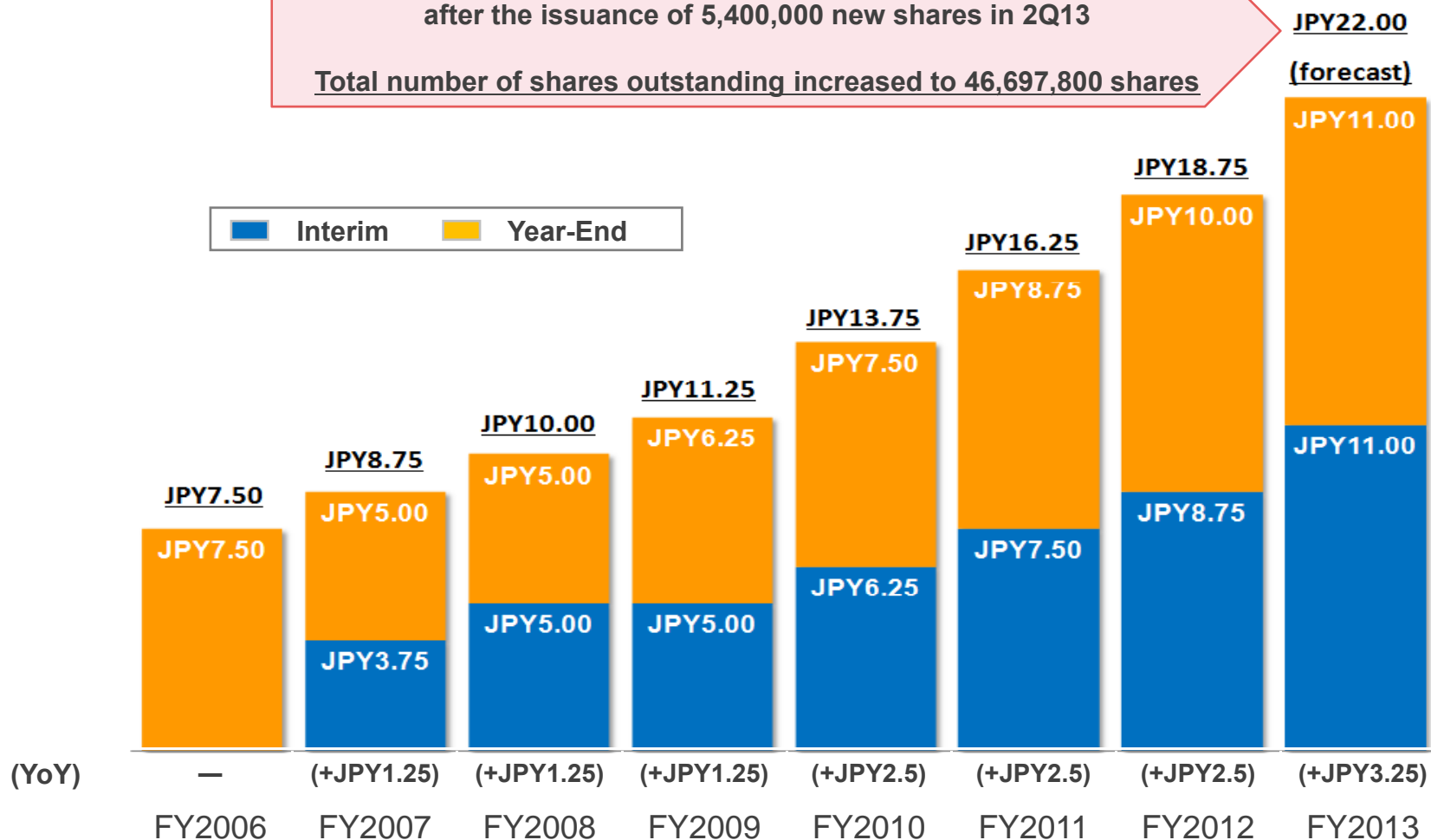
*1
Changed from JPY148.01 announced on May 15, 2013 due to the issuance of new shares of 5,400,000 shares of common stock in July and August 2013.

*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.

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.

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