



Internet Initiative Japan Inc. Corporate Overview

Nomura Investment Forum Asia

June 2014
TSE1:3774 NASDAQ:IIJI

Ongoing Innovation



Key Investment Highlights

- ◆ Pioneer and Top IP Engineering Company in Japan
- ◆ Shifted from ISP to Total Network Solution Provider
- ◆ Target Blue-chip & Governmental Organizations
- ◆ Approx. 8,500 Excellent Japanese Customers
- ◆ Growth Strategy with Recurring 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

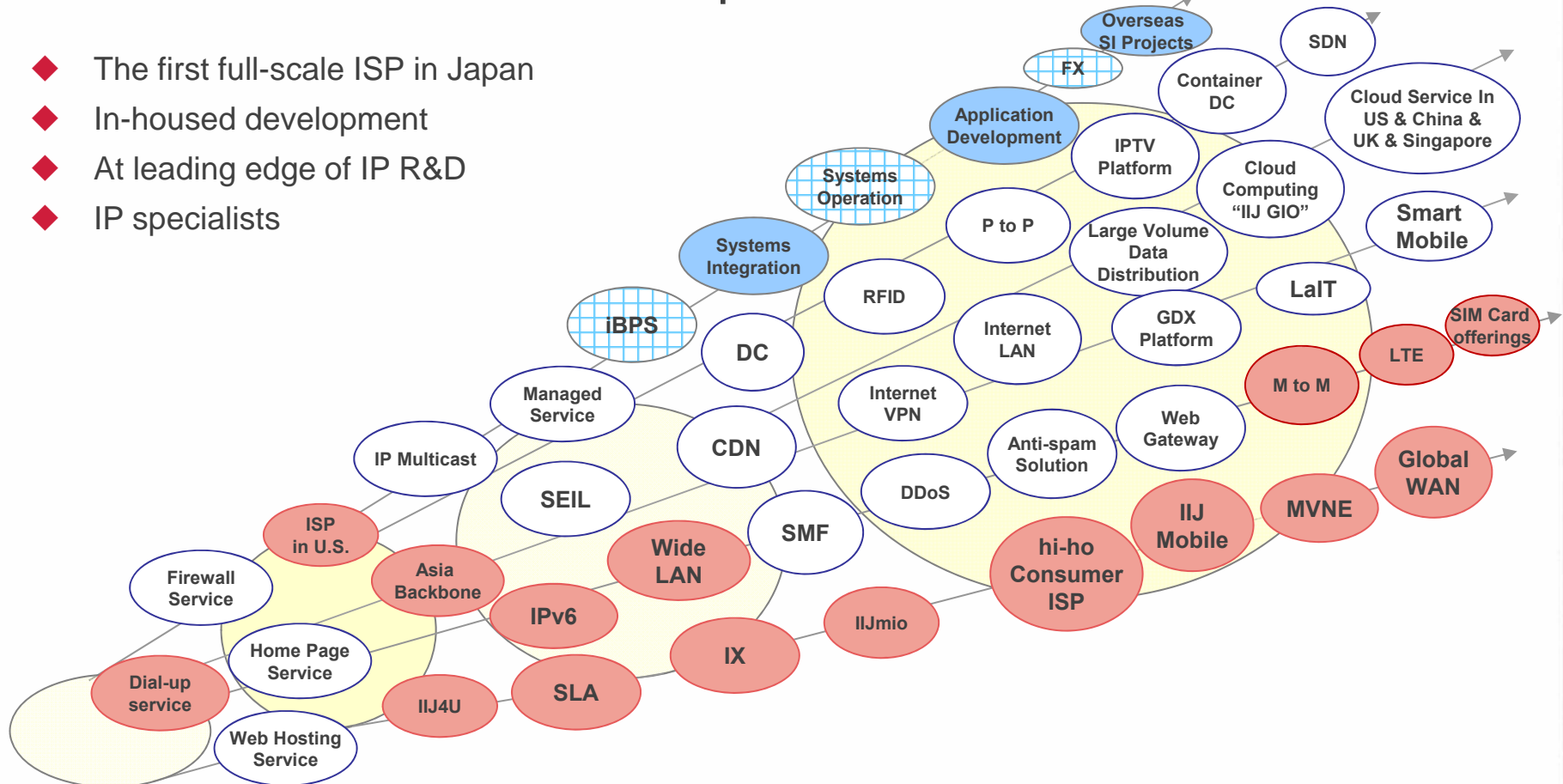
Company Profile	
Established	December 1992
Number of Employees (as of Mar. 2014)	Consolidated: 2,353 (approx. 70% engineers)
Listed Markets	NASDAQ (IIJ), TSE1 (3774)
Large Shareholders (as of Mar. 2014)	NTT (21.6%), Koichi Suzuki (5.8%*), NTTCom(4.4%)

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

Entrepreneur of Network Technologies

Business and Service Development to Initiate the Market

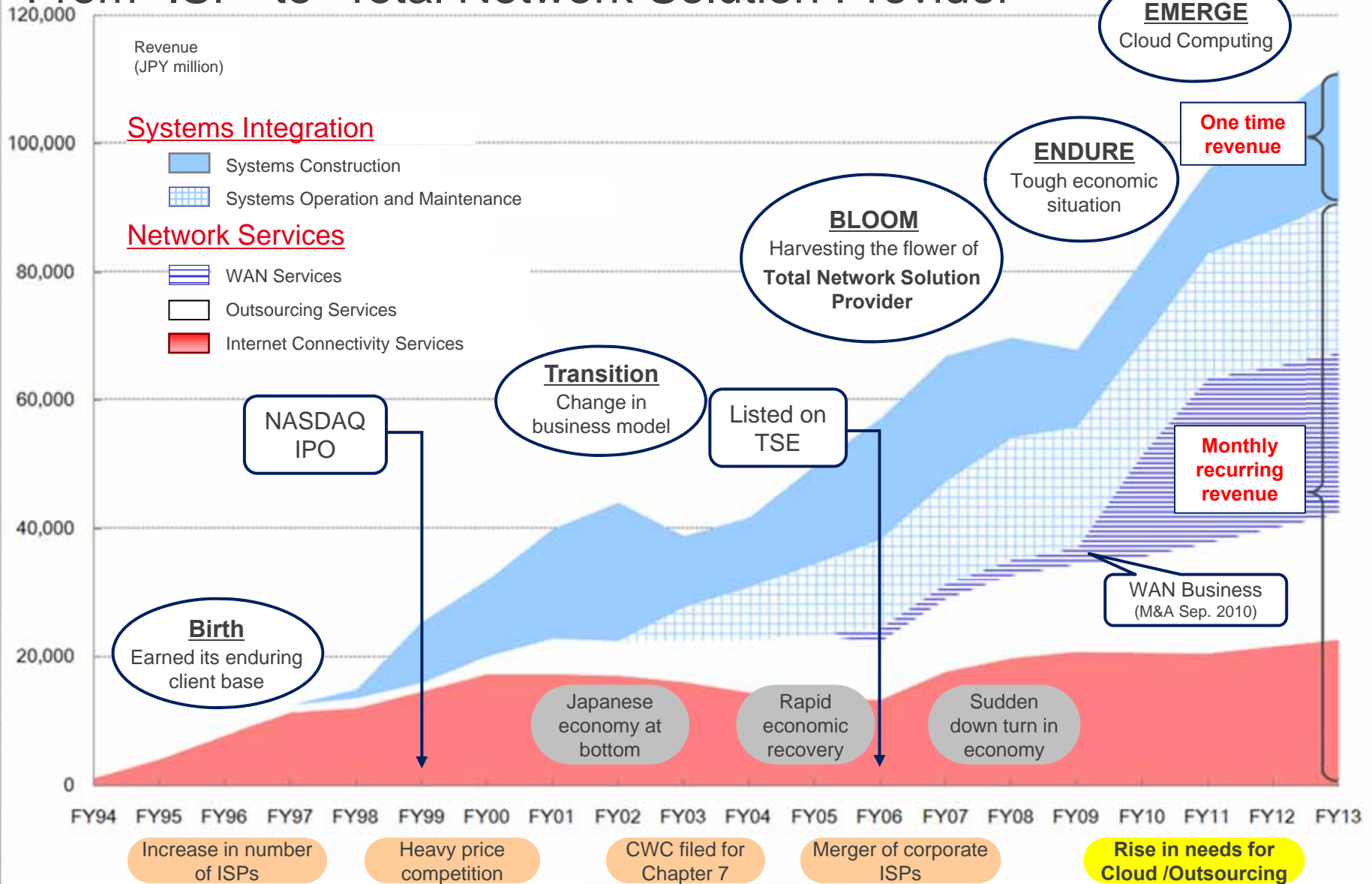
- ◆ The first full-scale ISP in Japan
- ◆ In-housed development
- ◆ At leading edge of IP R&D
- ◆ IP specialists



IJ Group

Strategic Shift in Business Model

From "ISP" to "Total Network Solution Provider"

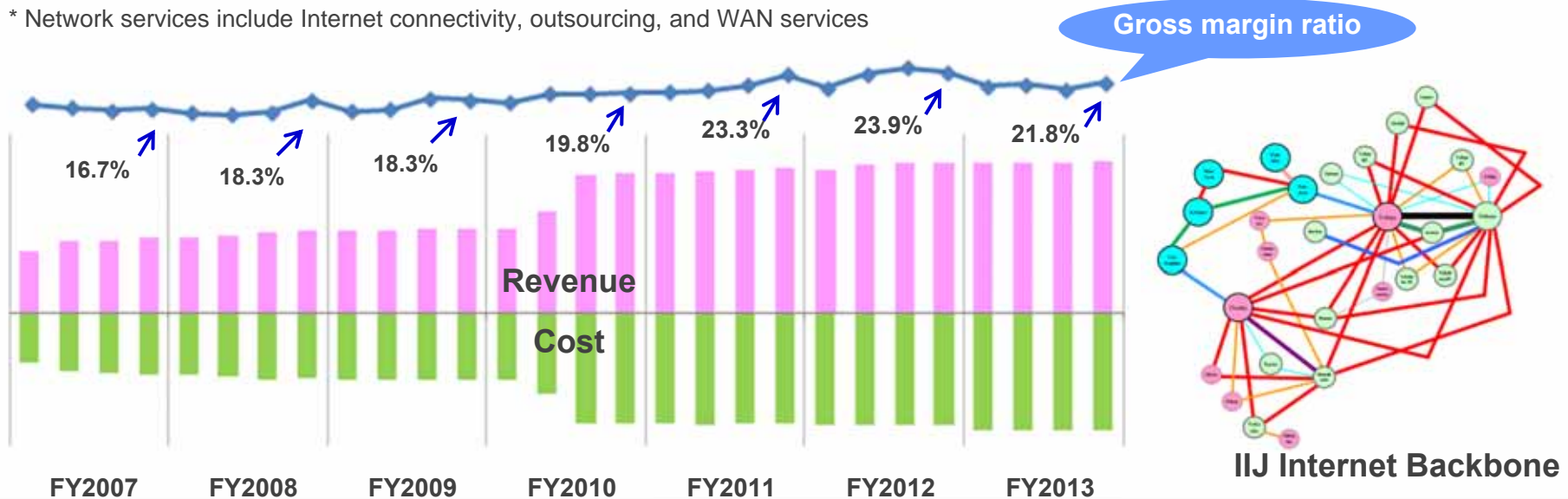


Business Structure of Network Services

- Revenues and Costs are not in linear relation
 - Costs do not increase along with revenue growth
 - If revenues are accumulated continuously, the gross margin should continuously improve

Revenues	<ul style="list-style-type: none"> • Multiple cross-selling revenue sources with Internet connectivity for corporate/home and outsourcing services on the Internet backbone • Contracts are per bandwidth, Monthly recurring revenue • Blue-chip clients with mission-critical business, network operator clients (Carriers, ISPs, CATVs, etc) • Tough competition ended, only few high-end ISPs survived • Revenues increase along with bandwidth migration & 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 and outsourcing costs • While constantly expanding the network, costs barely increase

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



Business Model: Cross-selling of Network Solutions

- **Dedicated line connectivity**

- IP service (cover over Gbps)
- IPv6 service

- **Broadband connectivity**

- Optical Fiber/ADSL

- **Mobile connectivity (IIJ Mobile)**

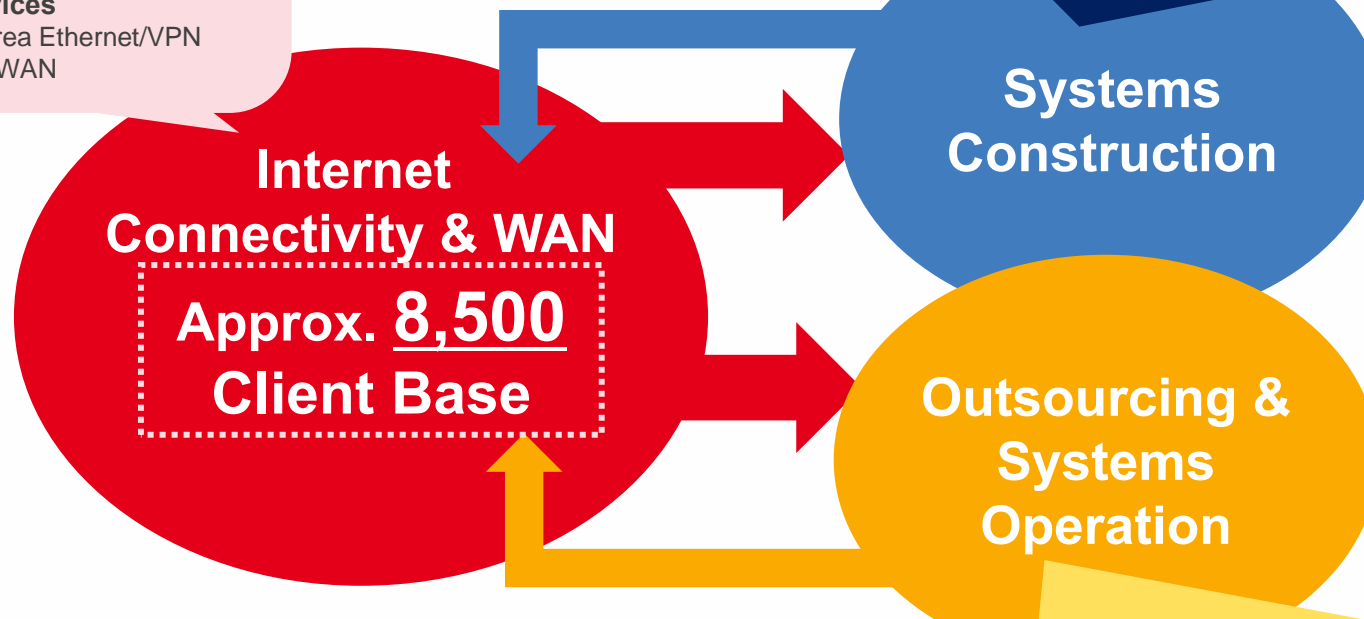
- LTE/3G

- **WAN services**

- Wide area Ethernet/VPN
- Global WAN

- **Mainly network-related integration**

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



Outsourcing services include:

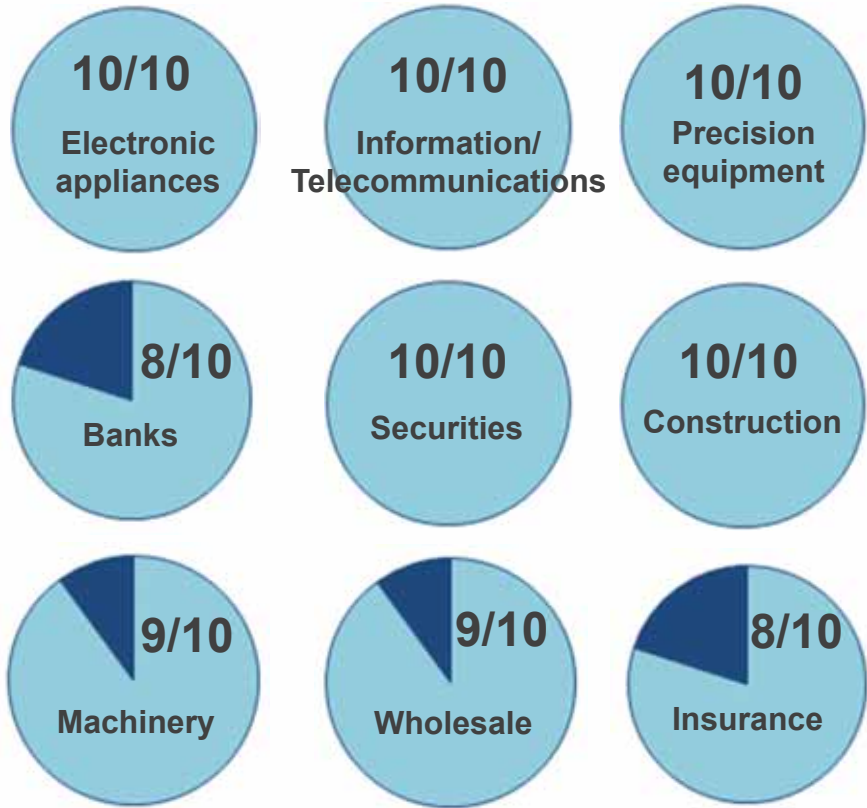
- **Security-related services** (managed-firewall and IPS, DDoS protection, URL filtering, anti-spam etc.)
- **Data center-related services** (housing, facility management and operation)
- **Server-related services** (E-mail services, web hosting, online storage, CDN etc.)
- **Network-related services** (network management and monitoring, VPN, SEIL, SMF etc.)
- **IIJ GIO Hosting Package Services** (approx. 21% of 4Q13 IIJ GIO revenues)

Systems Operation includes:

- **Operation and maintenance** of a system constructed in Systems Construction
- **IIJ GIO Component Services** (approx. 79% of 4Q13 IIJ GIO revenues)

Excellent Blue-chip Client Base

High Market Penetration
towards Top Tiers

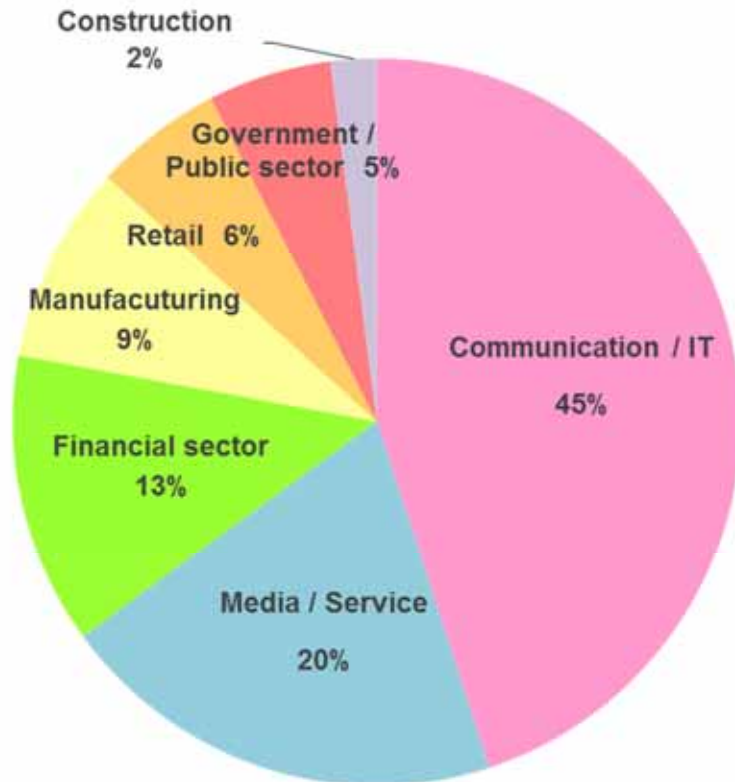


The number of clients among the top 10 companies in each industry.

Revenue Composition by Clients

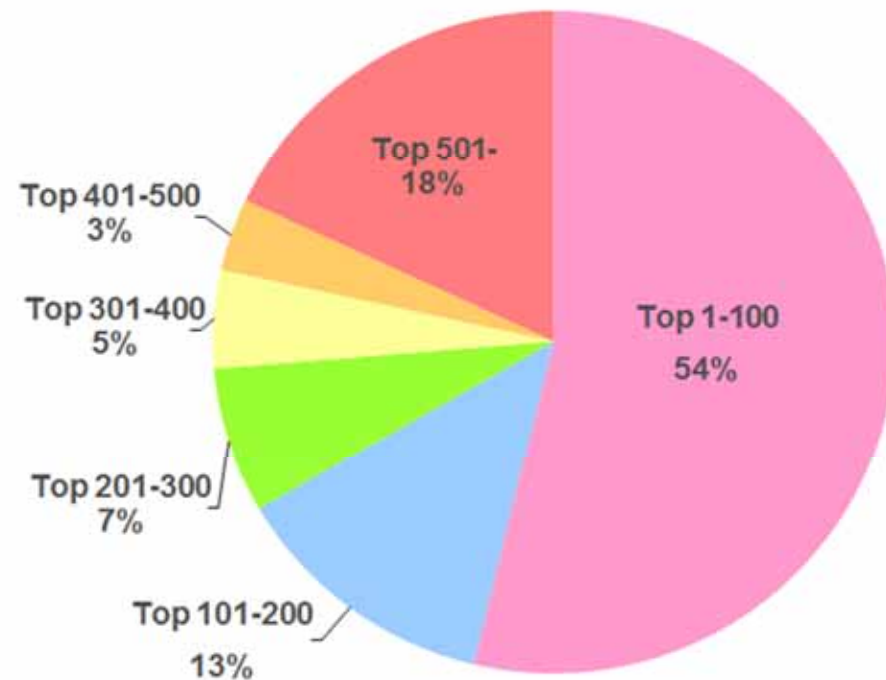
Source: IIJ's FY2013 financial results

Revenue Distribution by Industry



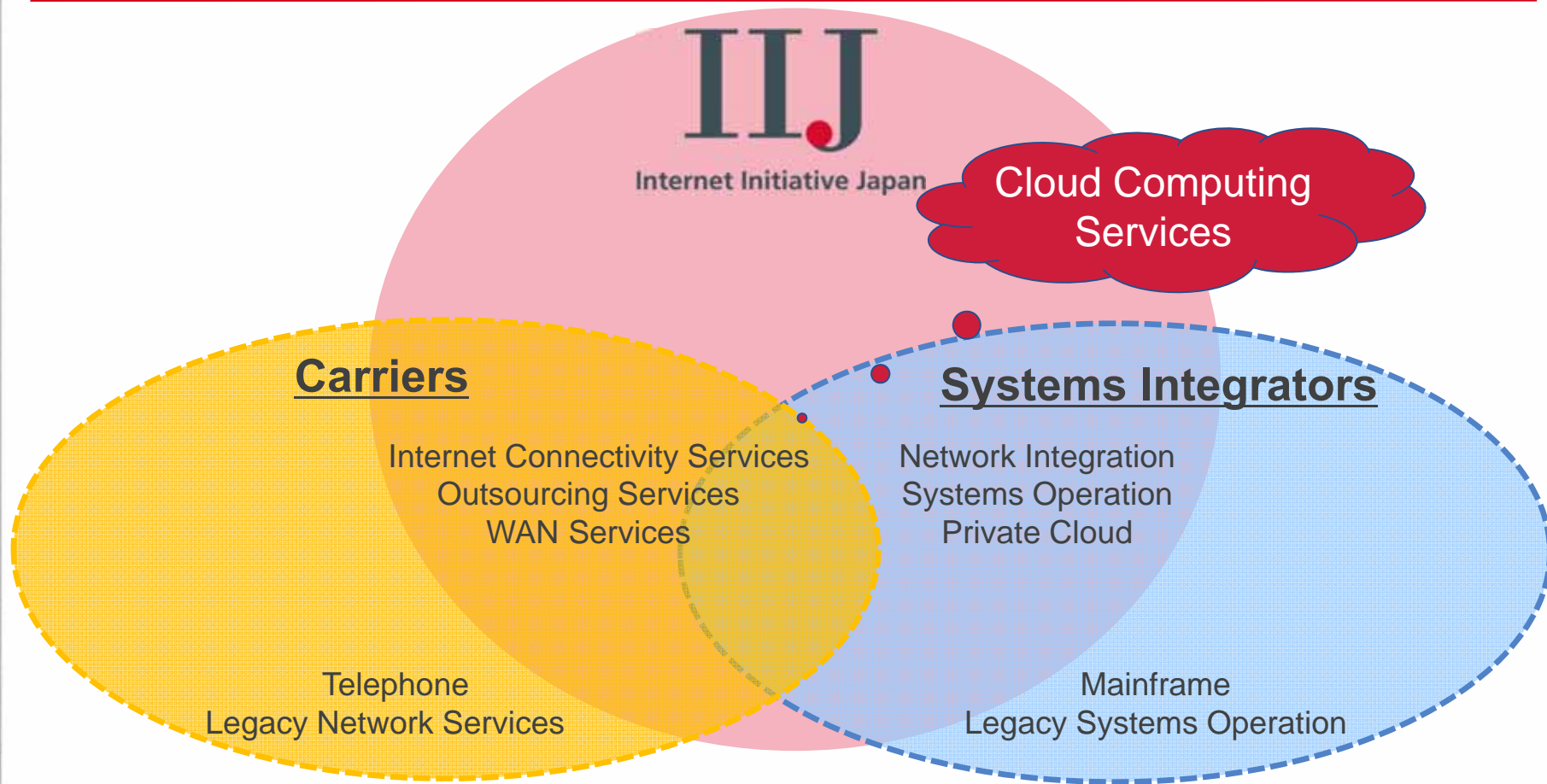
Revenue Distribution by Clients

Largest customer's revenue is less than 3% of the total



- Certain customers' revenue growing faster than the others along with their increasing needs for more network usage
- While the growth in recent years was primarily led by those large accounts, their slowing down impacted in FY13
- Our growth strategy is to increase large customers by growing general customers' network usage

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

Strategy to Increase Large Customers

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

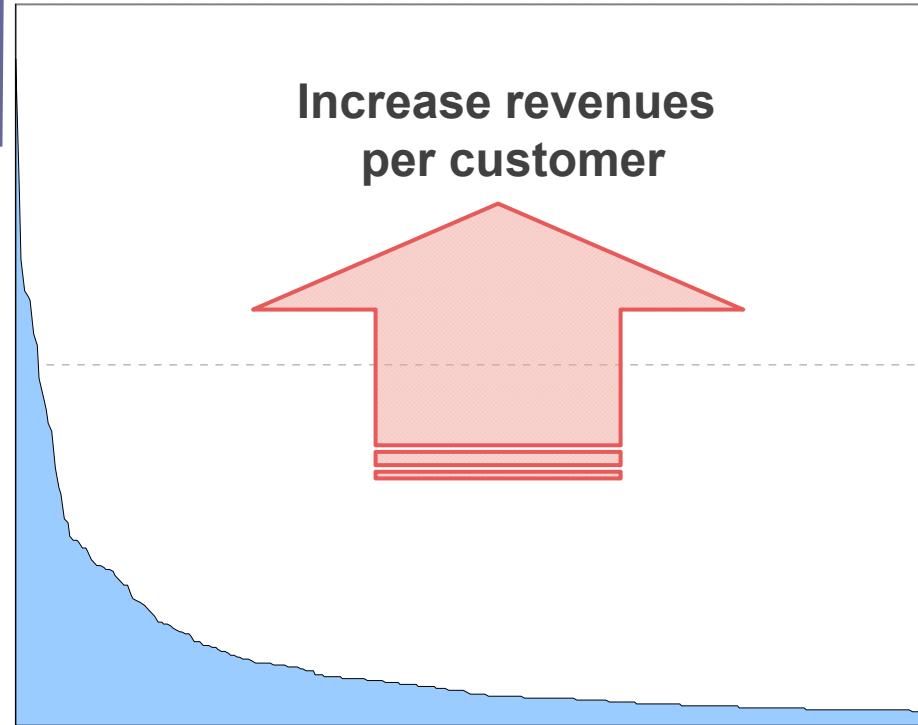
Maximize IIJ's potential as a total network service provider

Focus on cloud computing services

Revenues by Customer

Solid Growth Strategy

Increase revenues per customer



Number of Customers

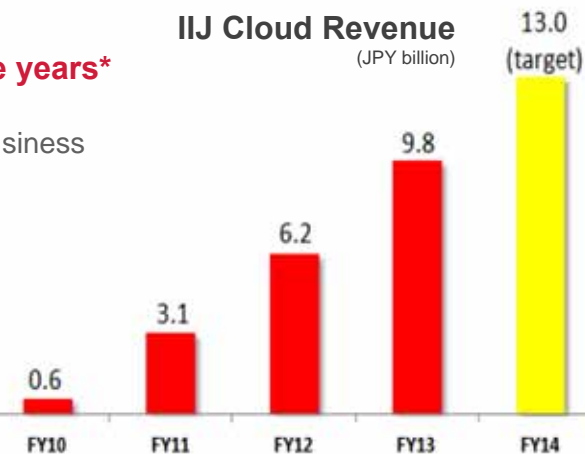
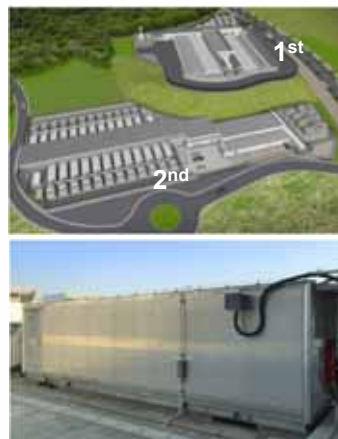
- Increased demands of outsourcing and cloud computing
- Indispensable IT investment in the mid-to-long-term

Growth Strategy Hereafter

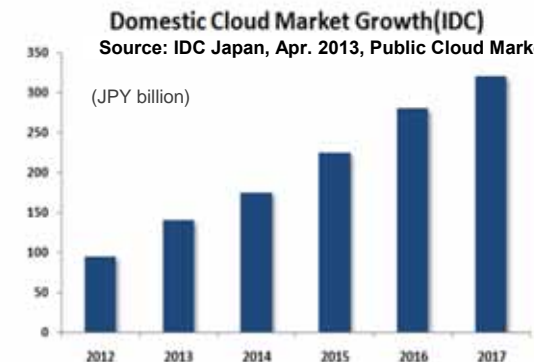
Connectivity Services	<ul style="list-style-type: none"> • Survived tough competition. Few high-end corporate ISPs remain • Rapid traffic increase → Bandwidth migration → Further revenue growth • Enjoying greater network efficiency by having multiple revenue sources on the Internet backbone • Providing services to blue-chip customers who require reliable connectivity • Home connectivity: consumer LTE SIM card offerings (Feb. 2012) leading the growth
Cloud Computing Services	<ul style="list-style-type: none"> • Launched in Dec. 2009, gathered approx. 1,160 corporate users (as of Mar. 2014) • Network outsourcing opportunities arise, shift from legacy system integrators • Leading cloud service market, top share in Japanese public cloud market for 2 consecutive years • Revenue: FY11 JPY3.1 billion → FY12 JPY6.2 billion → FY13 JPY9.8 billion, FY14 target JPY13.0 billion • By leveraging our competitive advantages such as blue-chip customer base and large cloud infrastructure, the business should grow significantly for middle to long term
Outsourcing Services	<ul style="list-style-type: none"> • Constantly developing new services to deal with evolving Internet threats such as DDoS attacks • Continuous needs for security and datacenter related services etc.
Systems Integration	<ul style="list-style-type: none"> • The return in the appetite of Japanese corporate IT investments • The number of orders and project volume increasing • Acquiring several flagship large-scale projects incorporating SI, Cloud and MVNO • Construction Revenue: FY11 JPY12.0 billion → FY12 JPY15.8 billion → FY13 JPY18.7 billion
Overseas Business	<ul style="list-style-type: none"> • Headed overseas to support Japanese corporate customers • Providing cloud services: the U.S. (Apr. 2012), China (Jan. 2013), the UK (Apr. 2013), Singapore (Mar. 2014) • Forefront investment along with cloud services in multiple locations and enhancement of employees • Operating Loss: FY12 JPY0.2 billion, FY13 JPY0.6 billion • Revenue: FY12 JPY3.6 billion, FY13 JPY4.1 billion • Middle to long term goal: aim for JPY10.0 billion in revenue
ATM Operation	<ul style="list-style-type: none"> • Business model like “Seven Bank” with high profitability • Strong revenue and income driver in mid-term • Monopolistic position in pachinko parlors
R&D	<p>Key theme: Software Defined Network (SDN), has been developing SDN platform software since Sep. 2012, Products have been used by major network operators in Japan for evaluation purpose</p>

Best Positioned in Cloud Market

- ◆ Chosen for **service reliability and exceptional network operation skills**
- ◆ Ranked as **the top share in Japanese public cloud market for 2 consecutive years***
- ◆ Continuously adding service line-ups to **target business enterprise needs**
 - VMware hypervisor, Oracle Database, IBM i (AS400), SAP BASIC and many other business familiar software to target blue-chip companies' internal IT systems
- ◆ Strategic partnerships with SAP and IBM
- ◆ Invest in servers, storages and DC etc. and offer them as services
- ◆ IJ GIO Partners now exceed 500 (as of Mar. 2014)
- ◆ **Sompo Japan**, one of the largest Japanese insurance groups, has adopted IJ cloud services for their in-house common infrastructure
- ◆ Large SNS game providers revenue is now less than 20% of our total cloud revenue, general users usage becoming more advanced and leading the growth
 - Migration of a core business operation system, large scale web systems, virtualization of internal back office systems



* Cloud-based "task-specific SaaS" has been added from FY13



Modules Type Datacenter

- First in Japan to commercialize
- Very low PUE* 1.2, applying outside air cooling system

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

Fastidious Users

SBI Holdings, Inc.

NTT DOCOMO, INC.

Saitama Prefecture

Nippon Life Insurance Company

Nomura Securities Co., Ltd.

Sompo Japan Insurance Inc.

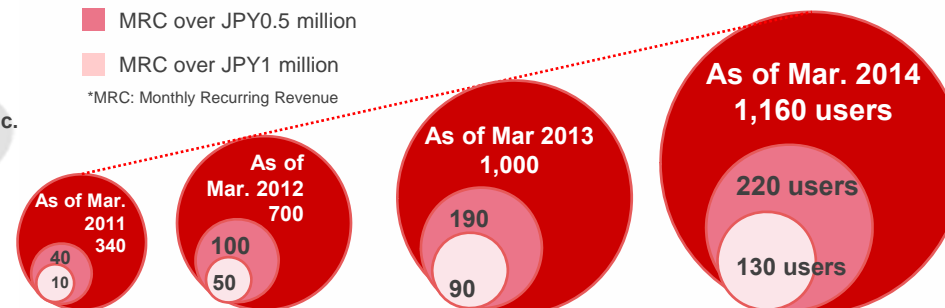
Tokyo Stock Exchange, Inc

Ricoh Company, Ltd.

TOMY COMPANY, LTD.

.... and many more

Expansion of Customer base

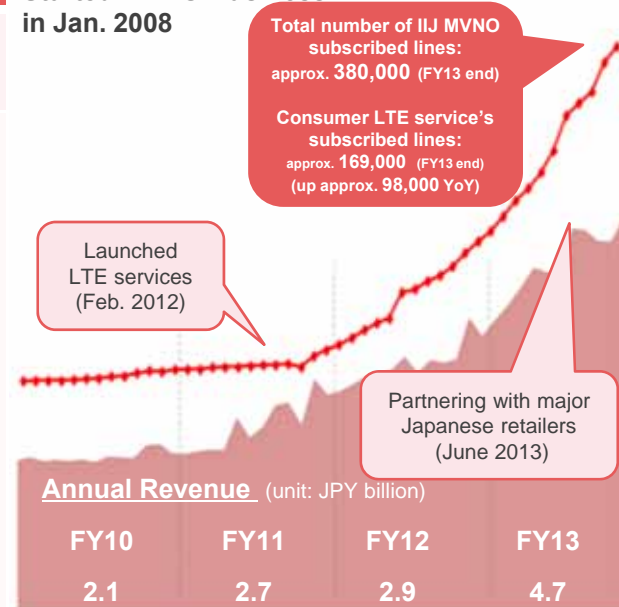


MVNO Business

For Enterprises	For Consumers
<p>Providing enterprise solution, B2C service platform</p> <ul style="list-style-type: none"> • First MVNO in Japan to use NTT Docomo's network <ul style="list-style-type: none"> ➢ Layer2 connection with NTT Docomo's 3G&LTE network, greater functionality to offer valued added services • M2M related projects increasing especially from security and merchandising industries, smart metering, networked vehicles etc • Increasing MVNE requirements integrating SI to construct B2C service platform for enterprise customers 	<p>LTE SIM card offerings growing Revenue increased by JPY1.1 billion YoY</p> <ul style="list-style-type: none"> • Highly reliable connectivity, resulting in high customer satisfaction^(*) leveraging renowned operation expertise from corporate services • Continuously updating service lineups by answering customer feedback SMS & MNP compatibility, package of 3 SIM cards, speed control coupon, voice function etc. • Greater customer reach Partnering with major electronic retailers such as BicCamera and Aeon to increase sales channel, in addition to direct sales

IIJ MVNO Revenue & Subscribed Lines:

Started MVNO Business in Jan. 2008

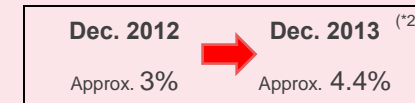


Driving Further Growth

Increase MVNO infrastructure utilization by gathering traffic, Improve network services gross margin

- Accumulation of M2M related projects along with the recent trend "Internet of Things"
- Meeting MVNE demands from major manufacturing, Slers, and other existing blue-chip customers
- "Low-cost SIM · Smartphone" market rapidly growing

Japanese MVNO market size : Ratio of MVNO contracts to number of MNO service subscribers



➢ Europe, USA, Australia 10%-14%^(*)

Japanese M2M market size :



(*) Ranked at top in a inexpensive SIM card user survey by MMD Research Feb. 2014
 (**) Ministry of IAC "Publication on MVNO service usage (as of Dec. 2013)" Apr. 2014
 (***) MRI "MVNO trend and issues" Mar. 2014

(*) NRI "Issues and societal system approach towards next generation M2M market" Nov. 2013



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

SDN Market Growth



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

Stratosphere Inc.

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

Stratosphere SDN Platform 1.0

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

OmniSphere

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



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

ATM Operation Business Developments

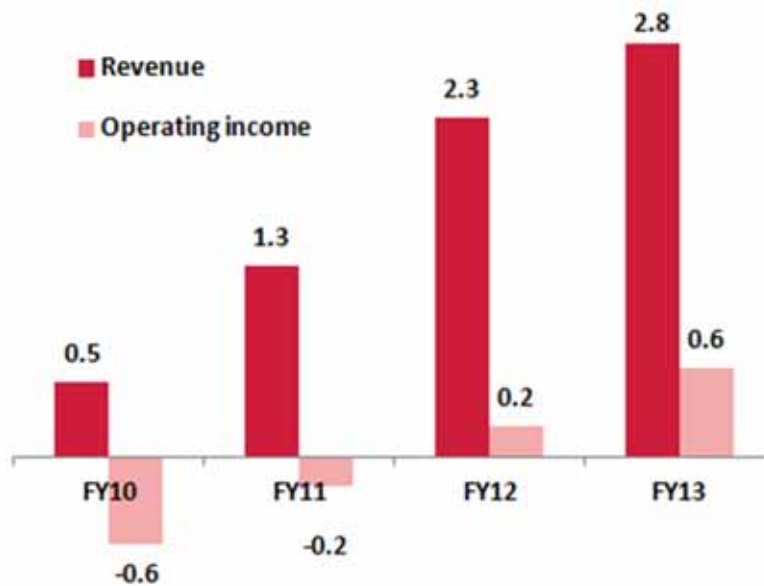


◆ Business Model

- 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, and Kyushu areas
- Receive commission for each withdrawal transaction
- Strong revenue & income driver in mid-term
 - Approx. 12,000 Pachinko parlors in Japan as of 2011 (Metropolitan Police Dept.)



◆ Financial Results (JPY billion)



Number of Placed ATMs	
May 13, 2011	280
May 15, 2012	440
May 15, 2013	625
May 15, 2014	855

< Trust Networks Inc. >

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

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

Summary of FY2013 Financial Results

< FY2013 Financial Results >

• Revenues	JPY114.3 billion	(up 7.6% YoY)	JPY123.0 billion	(up 7.6% YoY)
• Gross margin	JPY21.1 billion	(down 3.6% YoY)		
• Operating income	JPY5.7 billion	(down 26.2% YoY)	JPY7.2 billion	(up 25.8% YoY)
• Income before income tax expense	JPY6.3 billion	(down 19.1% YoY)	JPY7.0 billion	(up 11.6% YoY)
• Net income attributable to IIJ	JPY4.4 billion	(down 16.2% YoY)	JPY4.5 billion	(up 1.3% YoY)

< FY2014 Financial Targets >

FY2013 Business Developments

- ◆ Acquired several flagship large-scale projects incorporating cloud, SI & MVNO. Anticipatory mid- to long-term recurring transactions
- ◆ More advanced enterprise cloud usage
 - Major players in financial sector and more
 - Average revenue per general corporate customers increased by over 20% YoY
- ◆ Consumer LTE SIM card offerings rapidly growing
 - Revenue increased by JPY1.1 billion YoY, Contracts increased by 90,000 YoY
- ◆ Overseas Business: FY13 revenue: JPY4.1 billion, Operating loss: JPY0.6 billion
 - Increased employees, launched cloud services in Europe & Singapore, extended Internet backbone to London and Singapore, planning the sales of container DC
- ◆ Number of employees: increased over 10% YoY
- ◆ Service infrastructure expansion Doubling of container datacenter capacity etc.

FY2013 Financial Results

- Revenue increased,
Operating income decreased**
- Operating costs and expenses increased along with proactive business expansion (up JPY10.1 billion YoY)
 - Recurring revenues from certain large customers failed initial expectations by approx. JPY2.0 billion and impacted profit
 - SI gross margin decreased affected by large SI projects with lower margin

FY2014 Planned Actions

Various Developments to Strengthen Business

- ◆ Demonstrate competitive advantage toward blue-chips companies with new service development while maintaining service quality
- ◆ Acquire more personnel (same or more level as FY13)
- ◆ Further develop overseas business to increase cross-selling with Japanese customers
- ◆ Relocate headquarter and enhance group business synergies
- ◆ Continuously seek strategic M&A opportunities

FY2014 26% YoY OP Income Growth

- ◆ Increase network services and SI gross margin by improving network utilization and accumulating systems operation projects
- ◆ Profit contribution from cloud service (target JPY13.0 billion in revenues) and ATM operation business by placing more ATMs
- ◆ Strict cost and resource control

Consolidated Results for FY2013 and FY2014 Target

(Announced on May 15, 2014)

Unit: JPY billion

	<i>% of Revenues</i> FY13 (Apr. 2013 -Mar. 2014)	<i>% of Revenues</i> FY12 (Apr. 2012 -Mar. 2013)	YoY Change in %	<i>% of Revenues</i> FY14 Target (Apr. 2014 -Mar.2015)	YoY Change in %
Total Revenues	114.3	106.2	+7.6%	123.0	+7.6%
Total Cost of Revenues	81.6% 93.2	79.4% 84.4	+10.4%	-	-
Gross Margin	18.4% 21.1	20.6% 21.9	(3.6%)	-	-
SG&A/R&D	13.4% 15.3	13.3% 14.1	+8.8%	-	-
Operating Income	5.0% 5.7	7.3% 7.8	(26.2%)	5.9% 7.2	+25.8%
Income before Income Tax Expense	5.5% 6.3	7.3% 7.8	(19.1%)	5.7% 7.0	+11.6%
Net Income attributable to IIJ	3.9% 4.4	5.0% 5.3	(16.2%)	3.7% 4.5	+1.3%

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
- ◆ Large-scale flagship projects incorporating cloud, SI and MVNO

Stronger Management

- ◆ **Katsu COO** to reinforce customer 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

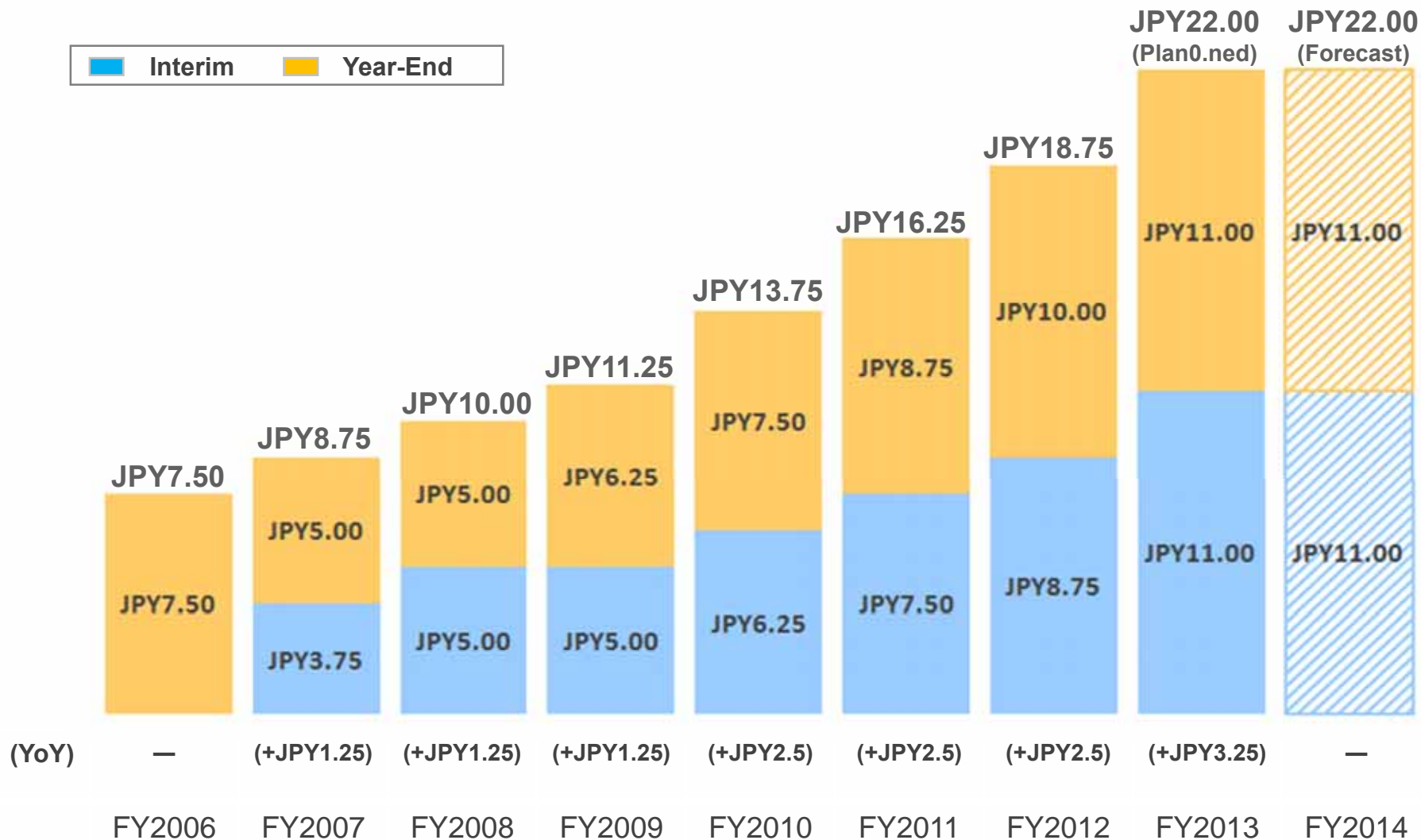
- ◆ Secured **JPY17.3 billion** with equity finance in 2Q FY13
 - **Strengthen cloud** related facilities
 - Continuously seeking **M&A opportunities**

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.

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 FY2013
Announced on May 15, 2014**

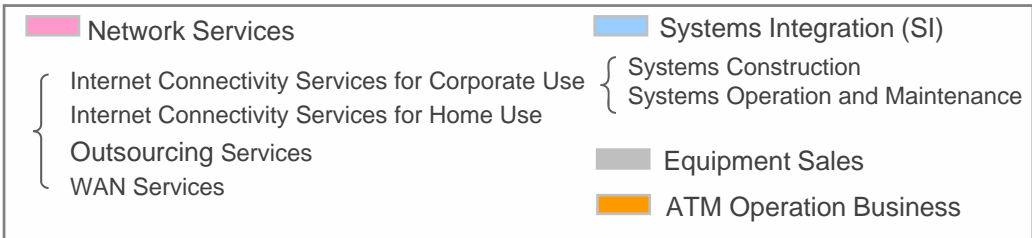


-1. Consolidated Results for FY2013

Unit: JPY billion

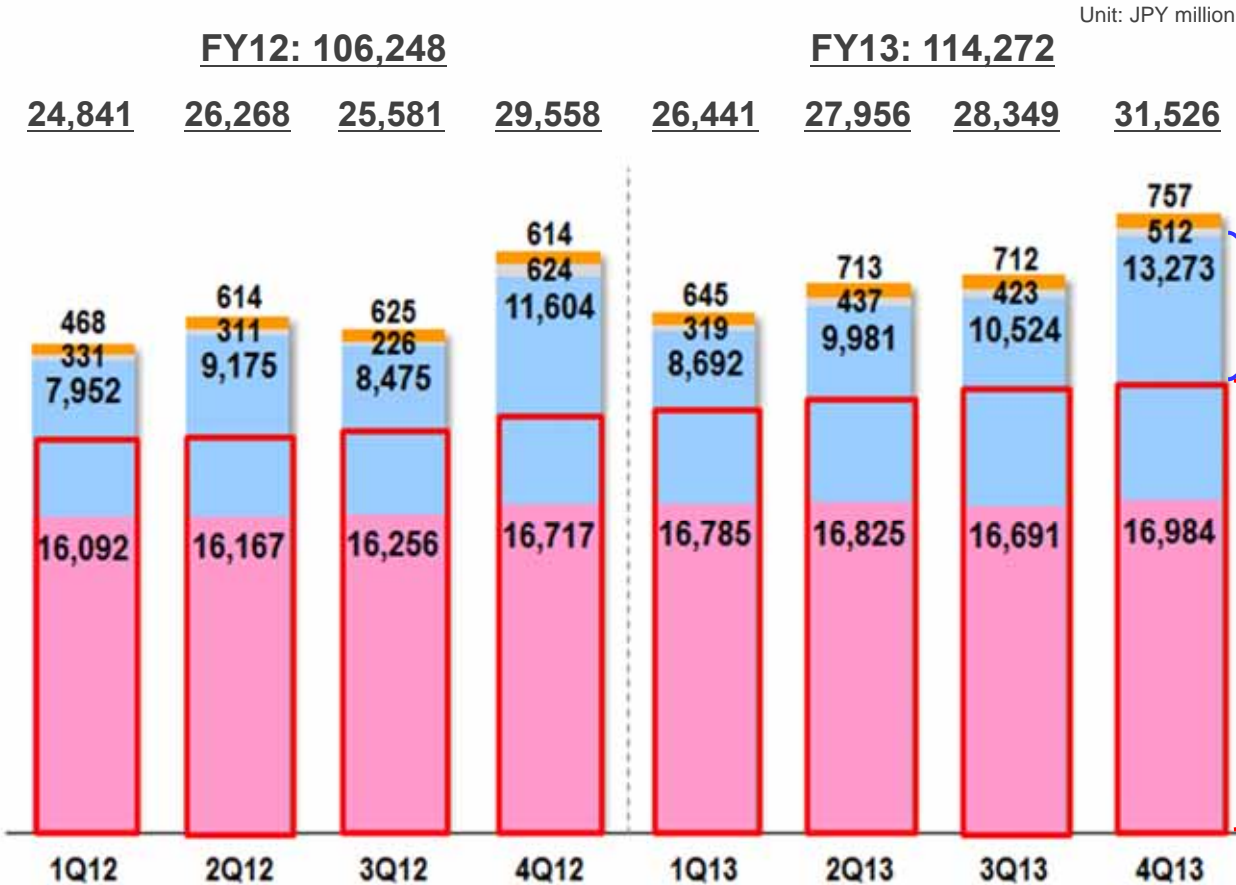
	<i>% of Revenues</i> FY13 (Apr. 2013 -Mar. 2014)	<i>% of Revenues</i> FY12 (Apr. 2012 -Mar. 2013)	YoY Change in %	<i>% of Revenues</i> FY14 Target (Apr. 2014 -Mar.2015)	YoY Change in %
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SG&A/R&D	13.4% 15.3	13.3% 14.1	+8.8%	-	-
Operating Income	5.0% 5.7	7.3% 7.8	(26.2%)	5.9% 7.2	+25.8%
Income before Income Tax Expense	5.5% 6.3	7.3% 7.8	(19.1%)	5.7% 7.0	+11.6%
Net Income attributable to IIJ	3.9% 4.4	5.0% 5.3	(16.2%)	3.7% 4.5	+1.3%

-2. Revenues



- ◆ FY13 Network Services: JPY67,286 million (up 3.1% YoY)
- ◆ FY13 Systems Integration: JPY42,470 million (up 14.1% YoY)
- ◆ FY13 Equipment sales: JPY1,690 million (up 13.4% YoY)
- ◆ FY13 ATM Operation Business: JPY2,827 million (up 21.8% YoY)

YoY = FY13 compared to FY12



One-time Revenue

FY13 up 17.6% YoY
 (17.8% of FY13 total revenues)
 is recognized only once when systems or equipments are delivered and accepted by customers.
 1. Systems Construction, 2. Equipment Sales

Recurring Revenue

FY13 up 5.2% YoY
 (79.7% of FY13 total revenues)
 represents monthly recurring revenues as shown below:

- Internet Connectivity Services (Corporate Use and Home Use)
- Outsourcing Services
- WAN Services
- Systems Operation & Maintenance

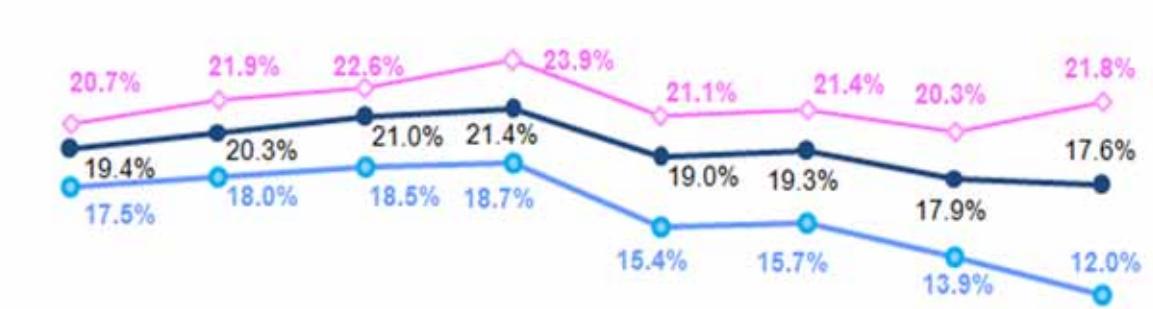
> Revenues from certain large customers (1 network carrier, 2 game providers and 3 customers in WAN Services) were:

- FY11: JPY12.8 billion
- FY12: JPY14.7 billion
- FY13: JPY14.3 billion

 > Compared to initial expectation, revenue from above mentioned certain large customers fell short by approx. JPY2.0 billion

-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)



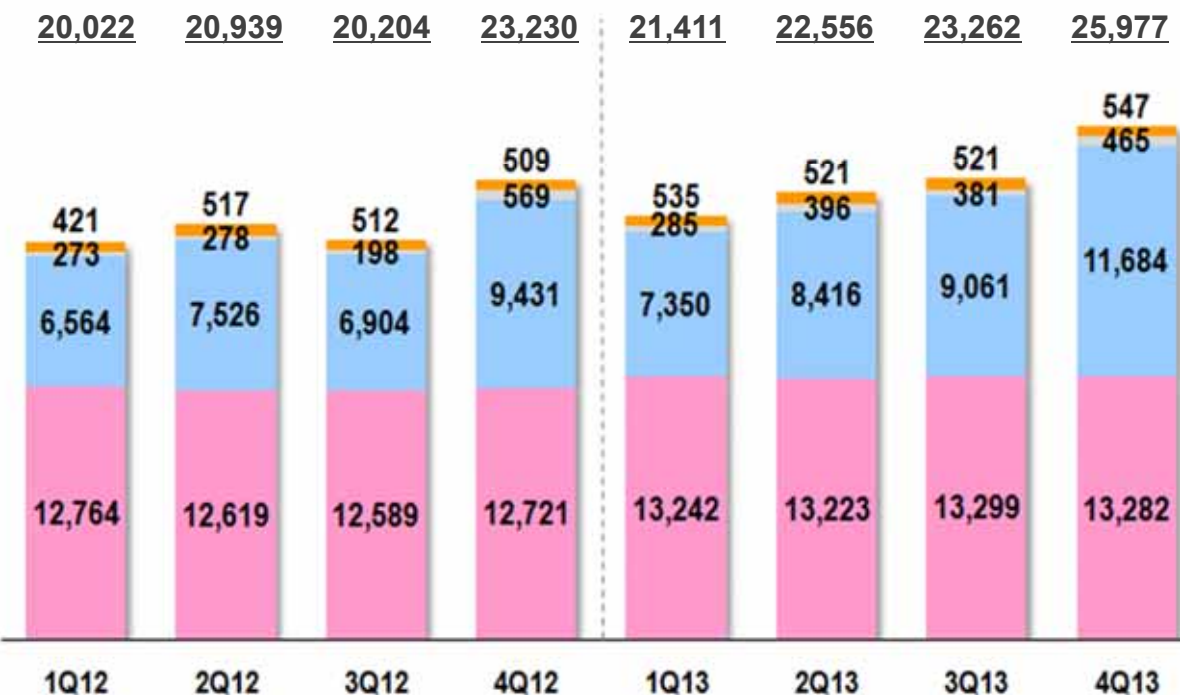
Unit: JPY million

YoY = FY13 compared to FY12

pt. = points

FY12: 84,395

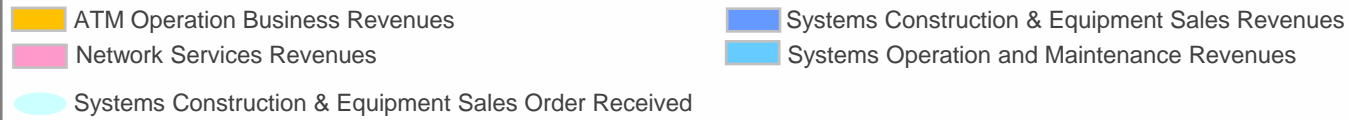
FY13: 93,206



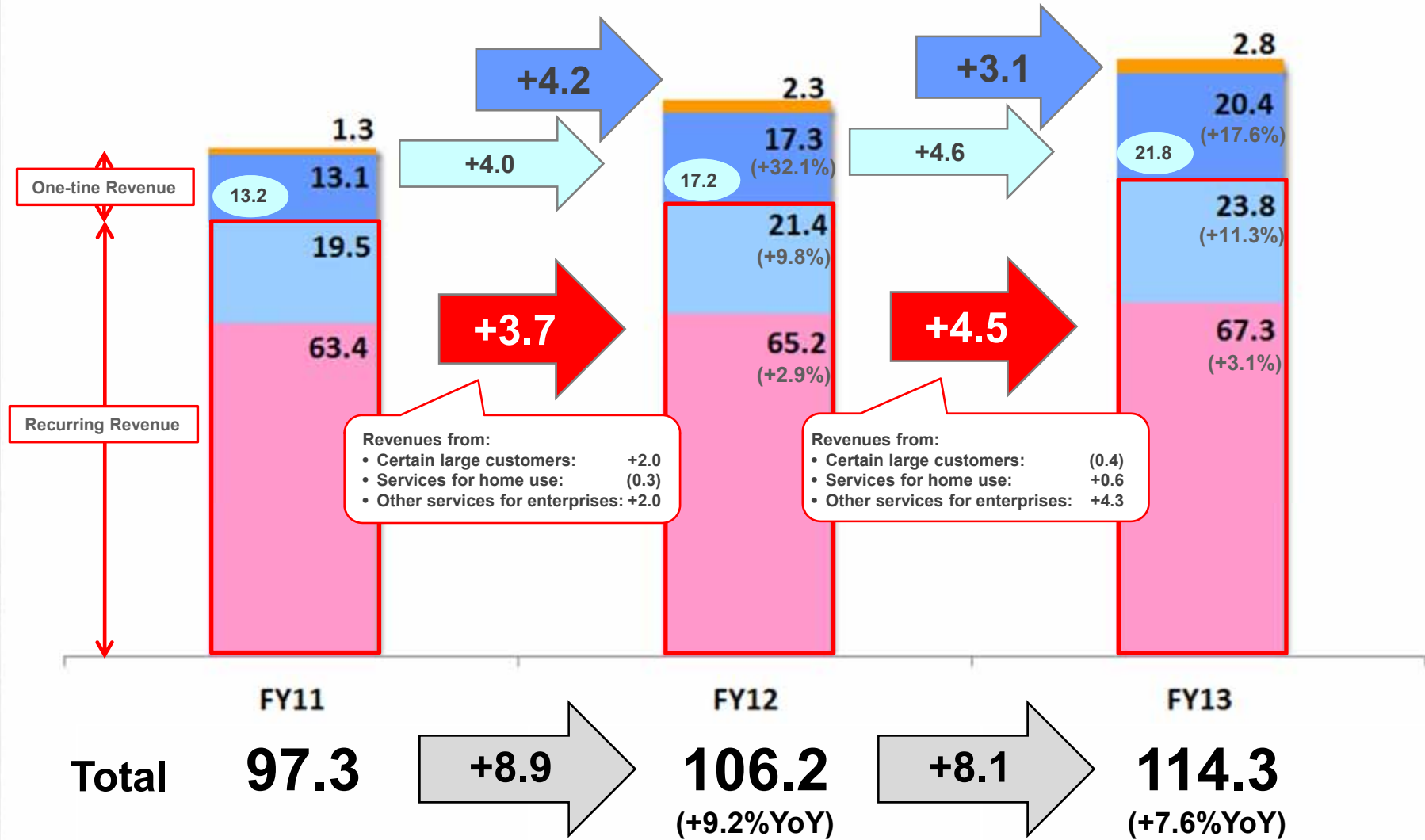
FY13 Gross Margin

- ◆ Total Gross Margin:
 - JPY21,066 million (down JPY787 million YoY, down 3.6% YoY)
 - Gross margin ratio: 18.4% (down 2.2 pt. YoY)
- ◆ Network Service Gross Margin:
 - JPY14,240 million (down JPY300 million YoY, down 2.1% YoY)
 - Gross margin ratio: 21.2% (down 1.1 pt. YoY)
- ◆ SI Gross Margin:
 - JPY5,959 million (down JPY821 million YoY, down 12.1% YoY)
 - Gross margin ratio: 14.0% (down 4.2 pt. YoY)
 - Gross margin decreased affected by large SI projects with lower margin
- ◆ ATM Operation Business Gross Margin:
 - JPY704 million (up JPY343 million YoY, up 95.2% YoY)
 - Gross margin ratio: 24.9% (up 9.4 pt. YoY)

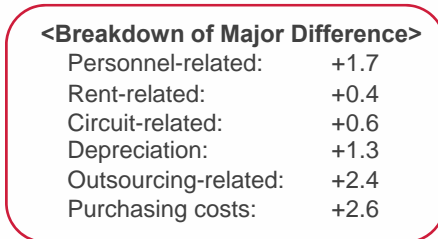
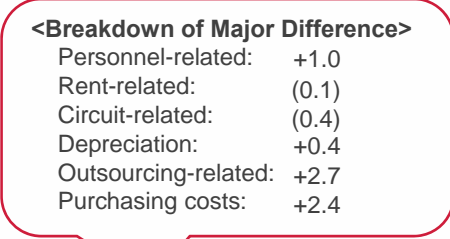
-4. Revenues YoY Change



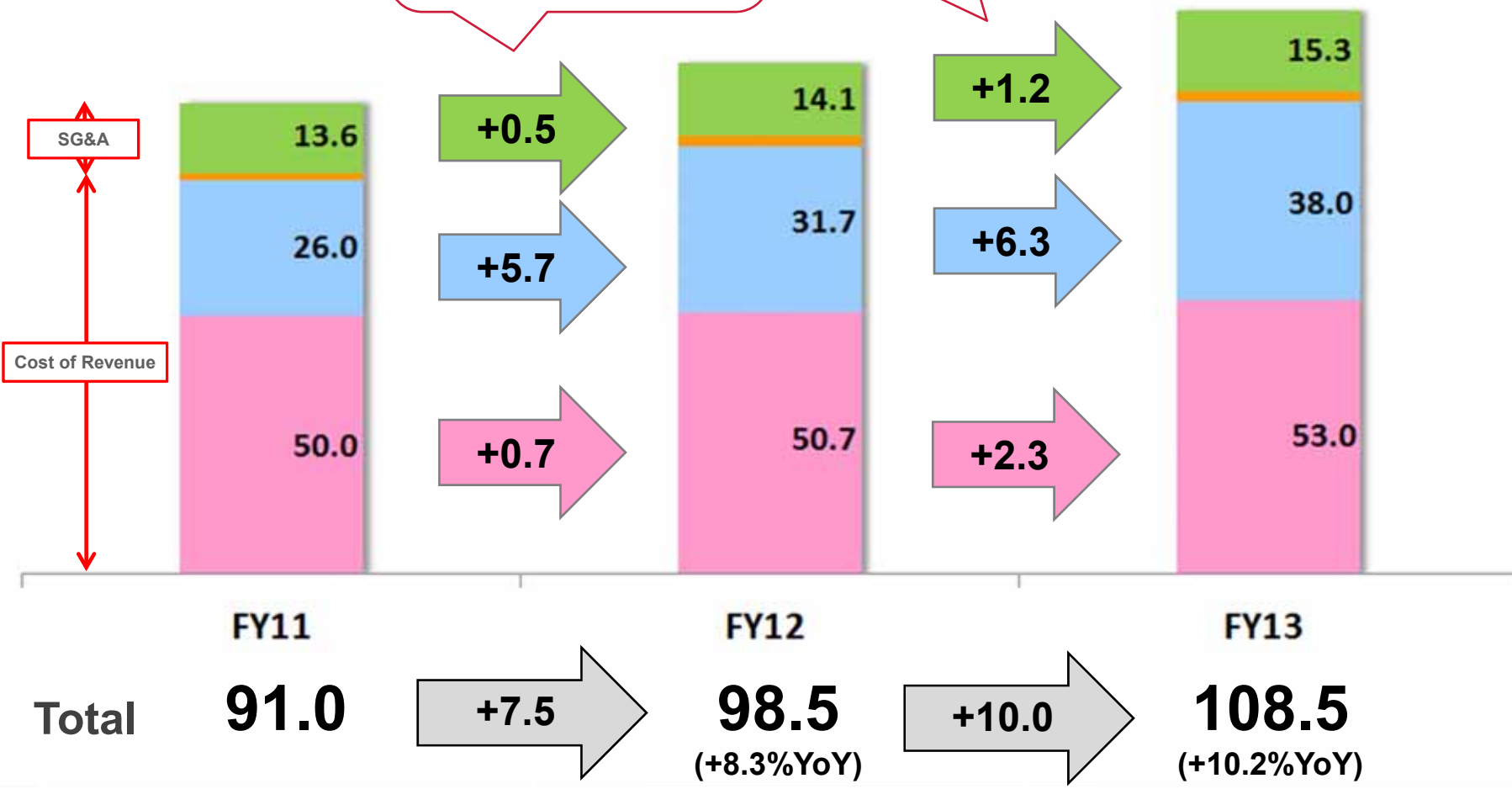
Unit: JPY billion
 YoY = FY13 compared to FY12



-5. Operating Costs / SG&A YoY Change



Unit: JPY billion
YoY = FY13 compared to FY12

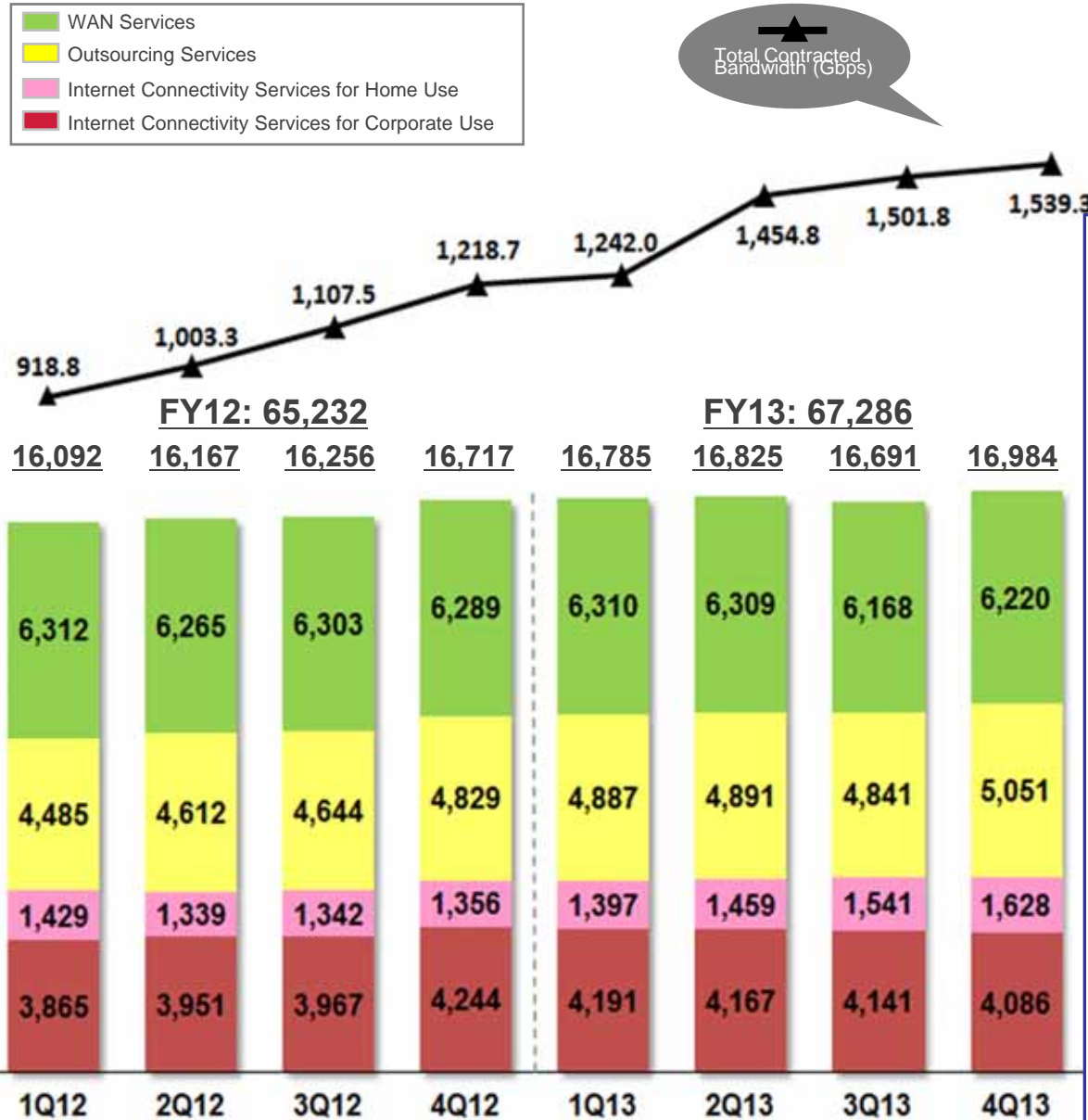


-6. Network Services (1) Revenues



Unit: JPY million

YoY= FY13 compared to FY12



◆ FY13 Corporate Connectivity

- up JPY558 million YoY, up 3.5% YoY
 - Weaker than expected growth mainly due to price down at the beginning of FY13 and the weaker than expected traffic increase from our certain large customer (carrier)
 - Over 1Gbps contracts:
 - ✓ As of Mar. 31, 2014: 271 contracts
 - ✓ As of Dec. 31, 2013: 263 contracts
 - ✓ As of Mar. 31, 2013: 207 contracts

◆ FY13 Home Connectivity

- up JPY558 million YoY, up 10.2% YoY
 - LTE services accumulation absorbs NTT Flets change in revenue recognition from gross to net
 - IIJ mio/LTE Services:
 - ✓ FY13 end contracts: approx. 139,000 (up approx. 90,000 contracts YoY)
 - ✓ FY13 revenue: approx. JPY1.7 billion (up JPY1.1 billion YoY)

◆ FY13 Outsourcing Services

- up JPY1,099 million YoY, up 5.9% YoY
 - Weaker than expected growth mainly due to large game providers' revenue down in cloud and data center services

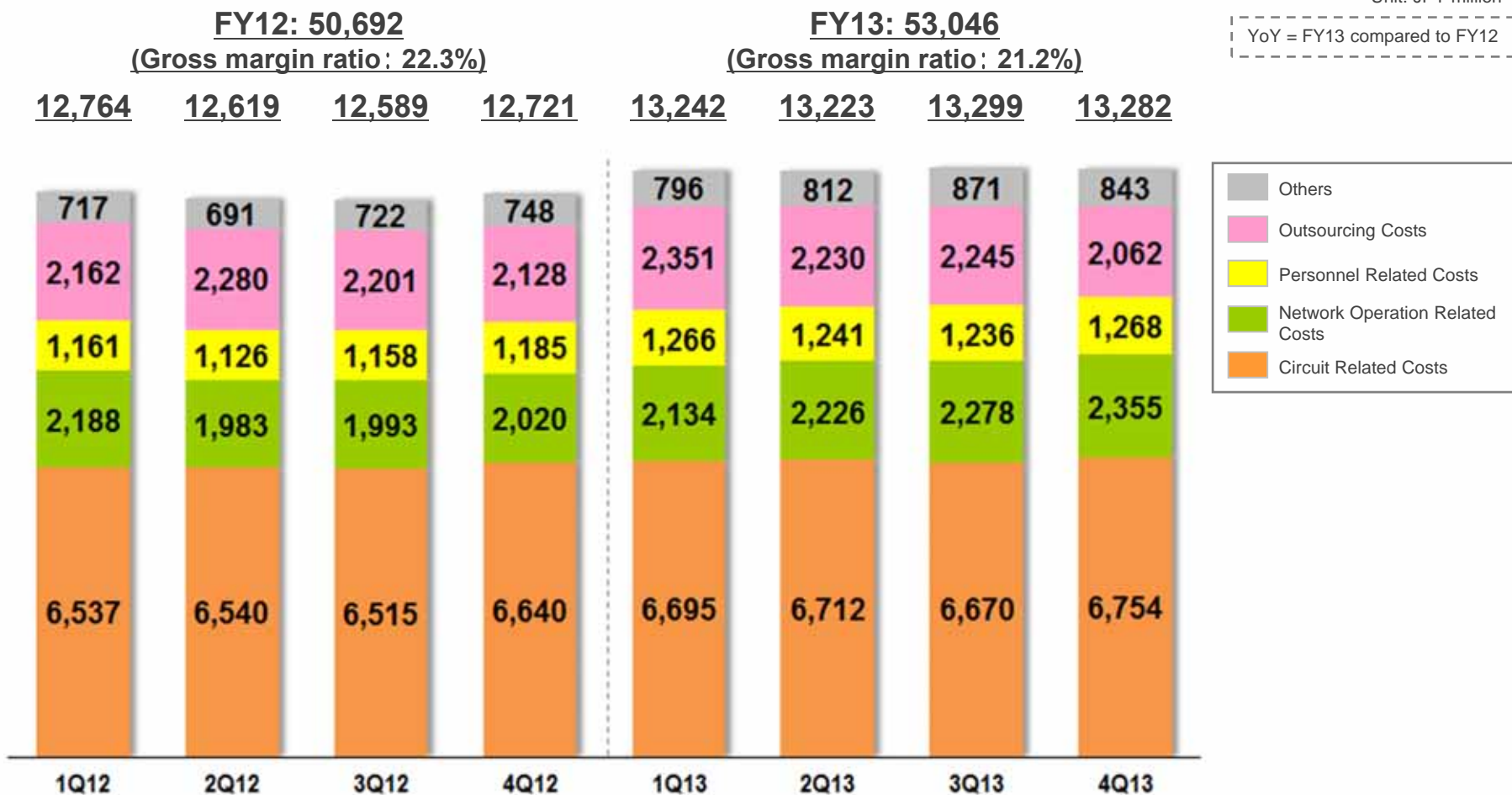
◆ FY13 WAN Services

- down JPY163 million YoY, down 0.6% YoY
 - Negative impact on the profit due to certain large customers' price revision in FY13

-6. Network Services (2) Cost of Revenues

Unit: JPY million

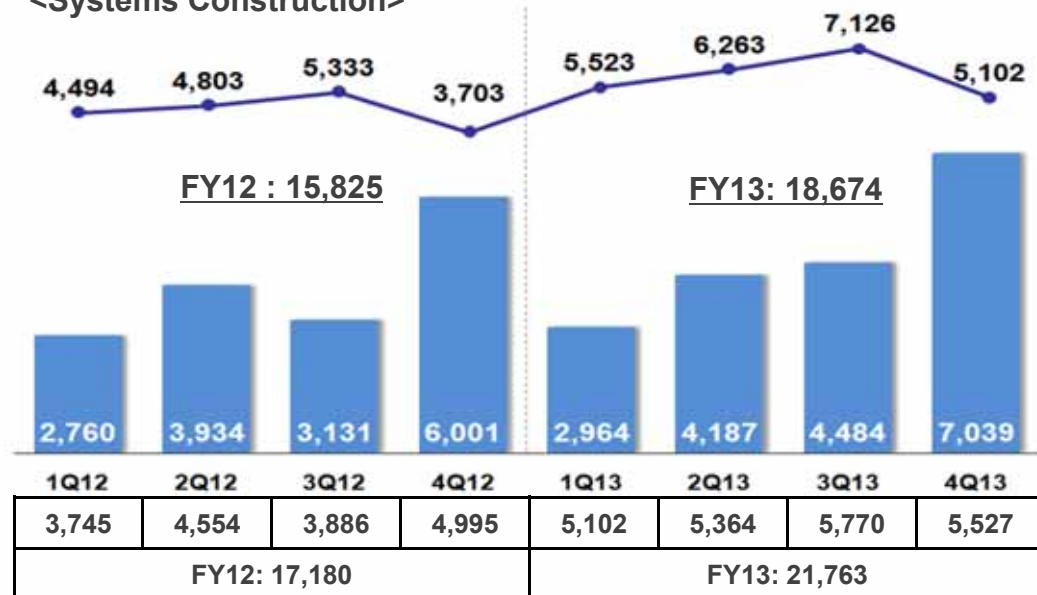
YoY = FY13 compared to FY12



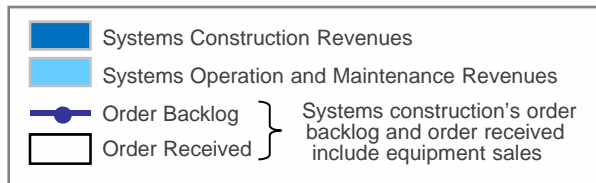
- ◆ FY13 Cost of network services: up JPY2,354 million YoY, up 4.6% YoY
 - Recurring costs such as personnel related, network operation related costs increased in the beginning of FY13
 - Gross margin ratio decreased YoY mainly as revenues from certain large customers were weak while recurring costs increased
 - 4Q13 outsourcing costs decreased due to the yearly revision of MVNO interconnectivity costs

-7. Systems Integration (1) Revenues

<Systems Construction>



YoY = FY13 compared to FY12



Systems Construction

- ◆ FY13 Revenue: up JPY2,849 million YoY, up 18.0% YoY
- ◆ FY13 Order received: up JPY4,582million YoY, up 26.7% YoY
- ◆ FY13 Order backlog: up JPY1,399 million YoY, up 37.8% YoY

➢ The number of orders and project volume increasing along with the return in appetite of corporate IT investments

➢ Projects such as:

- National Diet Library network replacement
- B to C Email system and network replacement
- Cabinet Secretariats' Web system
- Financial sectors' back office system replacement
- Local government thin client system construction

➢ Acquired a flagship transaction in 4Q13 with an unprofitable initial year contract. Recognized certain loss in 4Q13 in accordance with U.S. GAAP. Expect to have profit in the following years from additional construction projects and multiple year systems operation

<Systems Operation and Maintenance>



Systems Operation and Maintenance

- ◆ FY13 Revenue: up JPY2,416 million, up 11.3% YoY
- ◆ FY13 Order received: up JPY1,882 million, up 7.6% YoY
- ◆ FY13 Order backlog: up JPY2,829 million, up 17.3% YoY

➢ 79% of 4Q13 cloud total revenues is recognized in systems operation and maintenance revenue (remaining 21% in outsourcing)

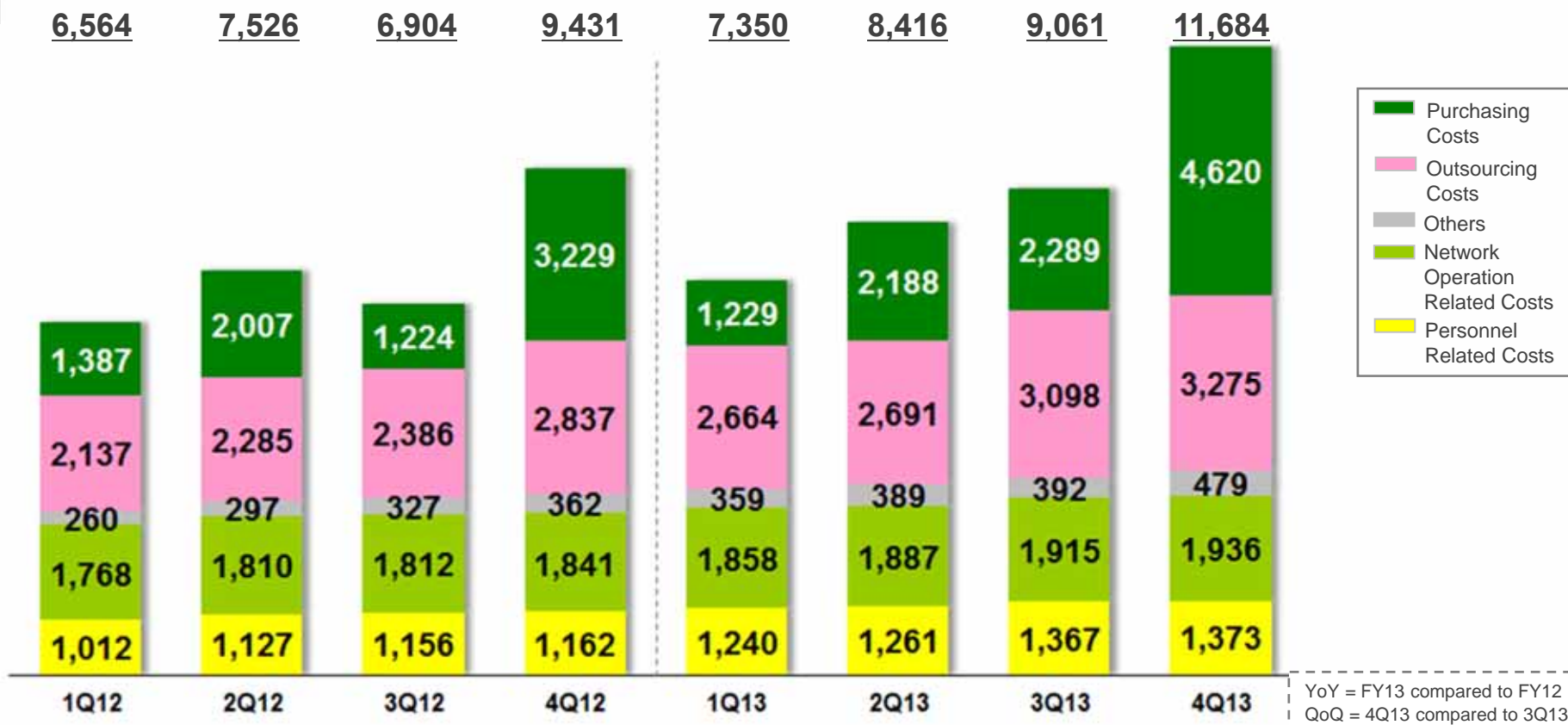
➢ Weaker than expected growth mainly due to large game providers' revenue down in cloud and data center services

-7. Systems Integration (2) Cost of Revenues

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

FY13: 36,510
(Gross margin ratio: 14.0%)

Unit: JPY million

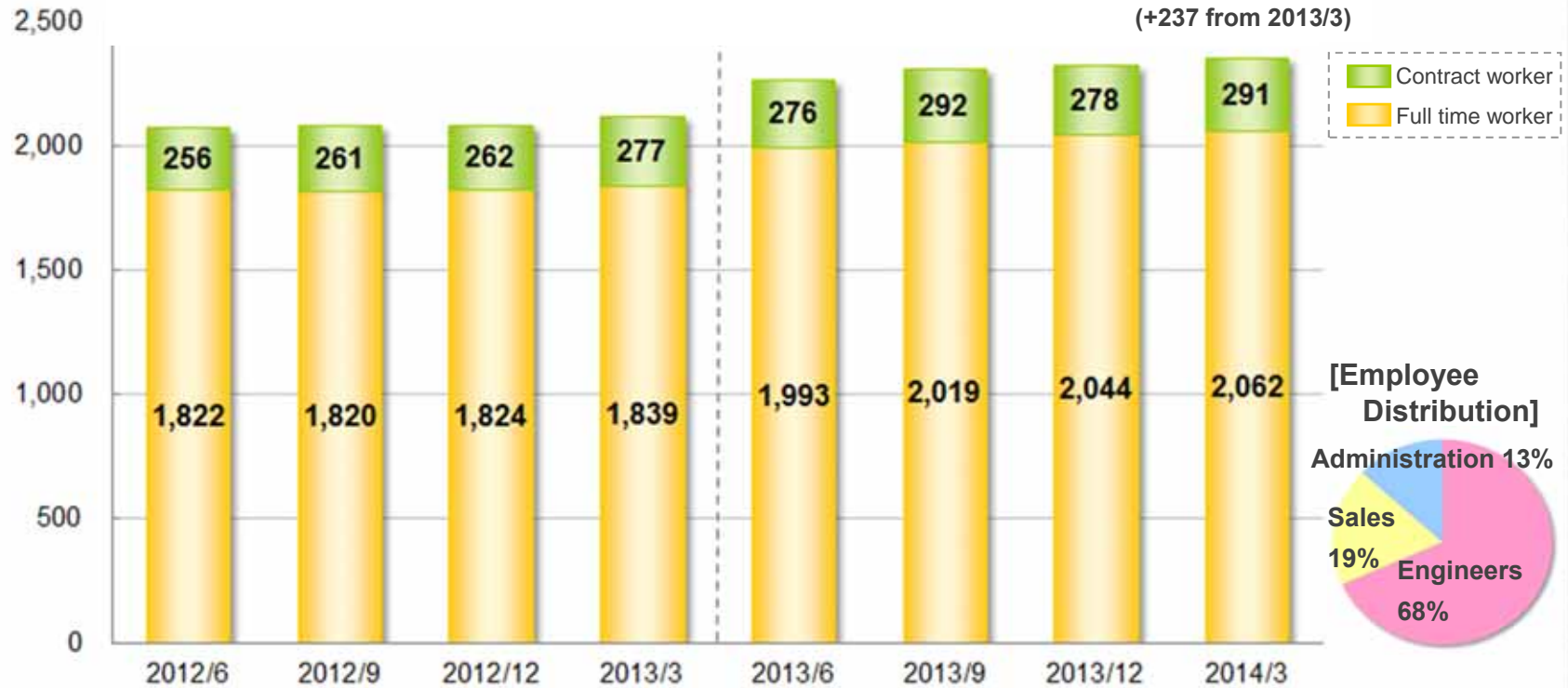


YoY = FY13 compared to FY12
QoQ = 4Q13 compared to 3Q13

- ◆ FY13 Cost of SI: up JPY6,086 million YoY, up 20.0% YoY
 - The number of outsourcing personnel as of Mar. 31, 2014: 783 personnel (up 132 personnel YoY, down 33 personnel QoQ)
 - Purchasing costs and outsourcing costs increased along with the increase in the number and volume of projects
 - Personnel related costs increased along with the increase in the number of employees
 - Large SI construction projects with lower gross margin affected SI construction profit by approx.JPY0.6 billion and there were also unprofitable construction projects in 4Q13 compared to initial expectation

-8. Number of Employees

(Number of employees) **2,078** **2,081** **2,086** **2,116** **2,269** **2,311** **2,322** **2,353**
 (+237 from 2013/3)



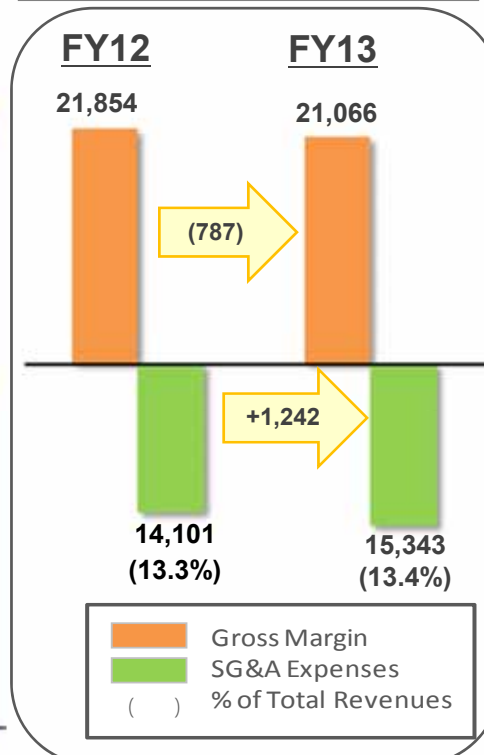
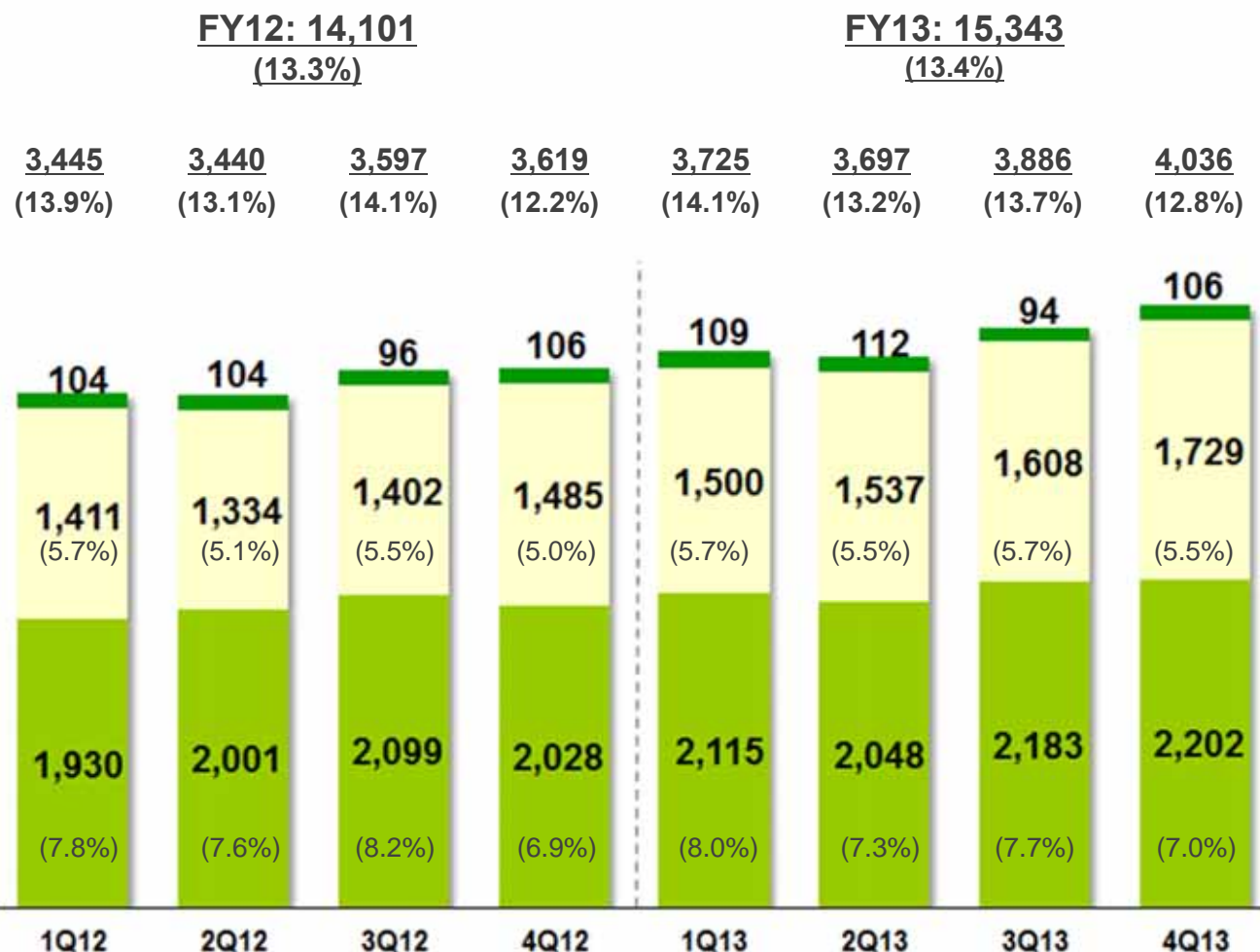
Personnel related costs & expenses (% of revenue)	3,741	3,858	3,902	3,979	4,212	4,254	4,317	4,408
	(15.1%)	(14.7%)	(15.3%)	(13.5%)	(15.9%)	(15.2%)	(15.2%)	(14.0%)
Unit: JPY million	FY12: 15,480 (14.6%)				FY13: 17,190 (15.0%)			

- ◆ FY13 Personnel-related costs and expenses : up JPY1.7 billion YoY
- ◆ Hired 129 newly graduates in Apr. 2014 (136 in Apr. 2013, 75 in Apr. 2012)
- ◆ FY14 hiring plans: to increase in the same level as or slightly more compared to FY13

YoY = FY13 compared to FY12

-9. SG&A Expenses/R&D

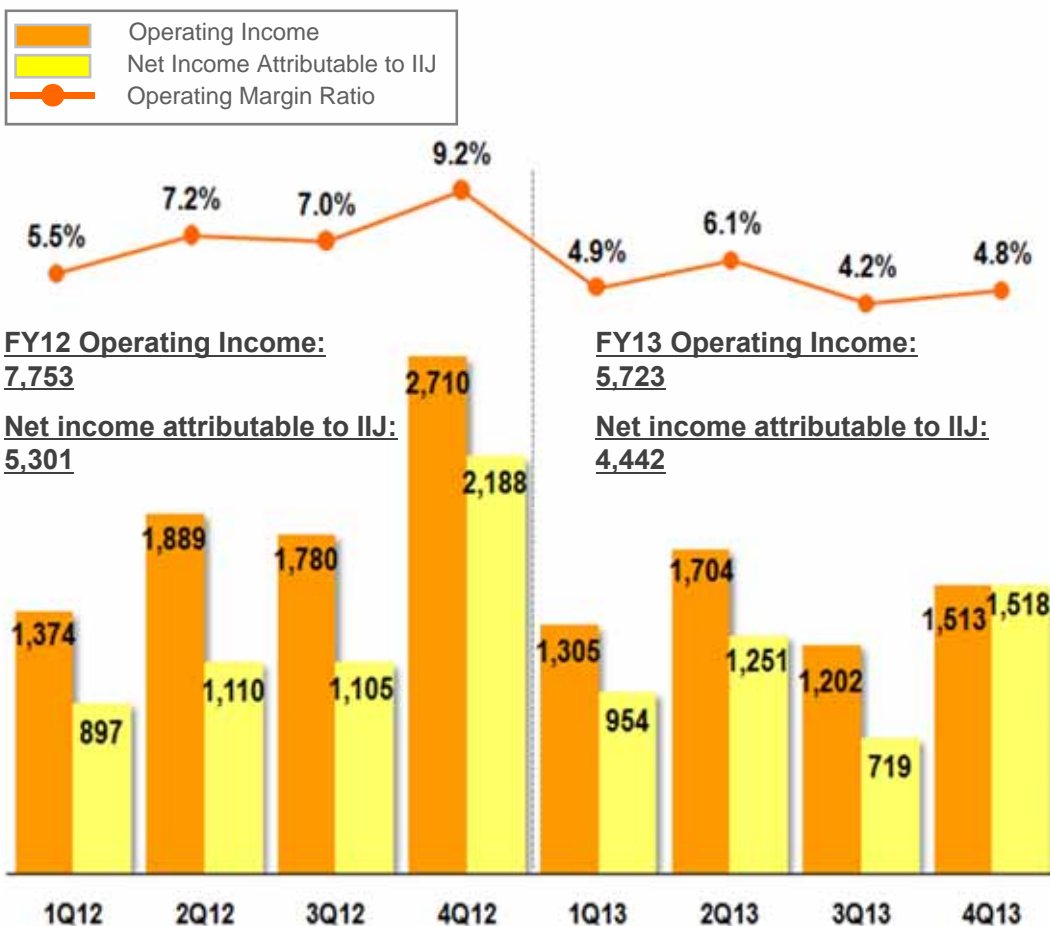
Unit: JPY million



- ◆ FY13: up JPY1.2 billion YoY
Personnel-related expenses increased by JPY0.4 billion, Rent expenses increased by JPY0.2 billion, Sales commission expenses increased by JPY0.2 billion
- ◆ 4Q13: up JPY0.2 billion QoQ
Personnel-related expenses increased by JPY0.1 billion, disposal of assets (temporary) increased by JPY0.1 billion
- ◆ Expect additional JPY0.4 billion to JPY0.5 billion of costs of revenues and SG&A (total) in relation to headquarter relocation in 1H14

YoY = FY13 compared to FY12
QoQ = 4Q13 compared to 3Q13

-10. Operating Income and Net Income



FY12 Operating Income:
7,753

Net income attributable to IIJ:
5,301

FY13 Operating Income:
5,723

Net income attributable to IIJ:
4,442

YoY = FY13 compared to FY12

Unit: JPY million

◆ ATM operation segment operating income:

Unit: JPY million					
FY12	1Q13	2Q13	3Q13	4Q13	FY13
239	81	160	159	178	578

- 855 ATMs were placed as of May 15, 2014 (625 ATMs as of May 15, 2013)
- Plan to place approx.300 or more additional ATMs in FY14

◆ FY13 Income before income tax expense: JPY6,275 million (down JPY1,482million YoY, down 19.1% YoY)

- Recognized net gain on other investments of JPY313 million, Foreign exchange gains of JPY219 million, Interest expense of JPY256 million etc.

◆ FY13 Net income attributable to IIJ: JPY4,442 million (down JPY 858 million YoY, down 16.2% YoY)

- Recognized defferd tax benefit related to Trust Networks Inc. of JPY822 million
- Recognized equity in net income of Internet Revolution, Inc. and Internet Multifeed Co. of JPY204 million
- Recognized net income attributable to non-controlling interests related to Trust Networks Inc. of JPY254 million

363	764	675	1,333	269	804	378	1,044	Current income tax expense
152	(27)	28	(679)	268	(99)	221	(1,090)	Deferred tax expense (benefit)
33	50	49	36	65	61	64	13	Equity in net income of equity method investees
5	(6)	(10)	(5)	(5)	(22)	(24)	(191)	Net loss (income) attributable to non-controlling interests

-11. Summary of Consolidated Balance Sheets

Unit: JPY million

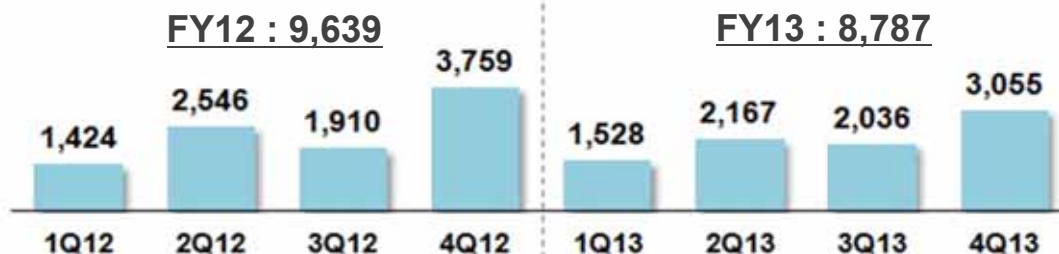
	March 31, 2013	March 31, 2014	Changes
Cash and Cash Equivalents	12,259	22,421	+10,162
Accounts Receivable	18,765	19,214	+450
Inventories and Prepaid Expenses (Current and Noncurrent)	5,995	8,672	+2,677
Investments in Equity Method Investees	1,682	2,086	+404
Other Investments	3,771	6,356	+2,585
Property and Equipment	23,026	26,971	+3,946
Goodwill and Other Intangible Assets	10,761	10,309	(452)
Guarantee Deposits (Current and Noncurrent)	2,051	1,265	(787)
Total Assets	82,111	103,867	+21,755
Accounts Payable	11,922	12,542	+620
Income Taxes Payable	1,670	1,079	(590)
Bank Borrowings (Short-term and Long-term)	11,390	10,380	(1,010)
Capital Lease Obligations (Current and Noncurrent)	8,876	8,356	(520)
Total Liabilities	44,477	43,686	(791)
Common Stock	16,834	25,497	+8,663
Additional Paid-in Capital	27,300	35,962	+8,662
Accumulated Deficit	(6,399)	(2,868)	+3,532
Accumulated Other Comprehensive Income	264	1,713	+1,449
Total IJ Shareholders' Equity	37,607	59,912	+22,305

-12. Consolidated Cash Flows

◆ Operating Activities:

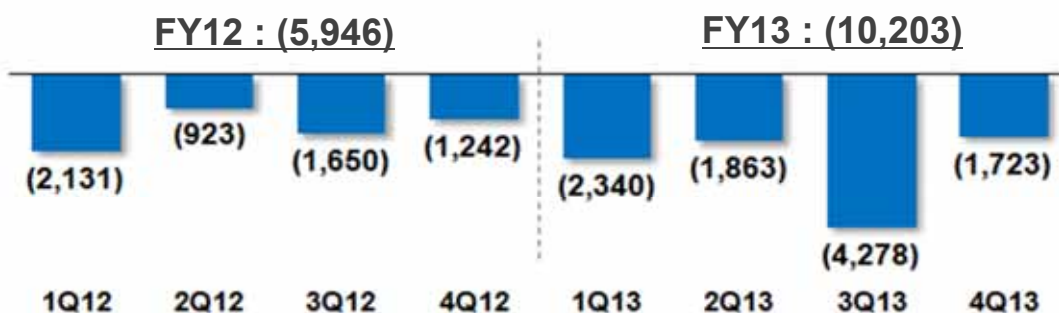
Unit: JPY million

YoY = FY13 compared to FY12



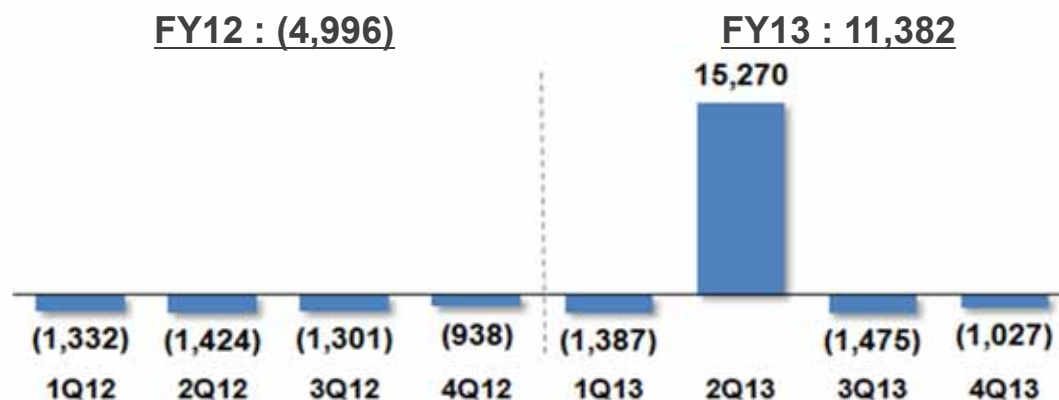
Operating Activities	FY13 major Breakdown	YoY Change
Net income	4,684	(634)
Depreciation and amortization	8,823	+1,267
Net gain on other non-cash transactions	(1,120)	(632)
Fluctuation of operating assets and liabilities	(3,600)	(853)

◆ Investing Activities:



Investing Activities	FY13 major Breakdown	YoY Change
Purchases of property and equipment	(9,124)	(3,535)
Purchases of other investments	(1,186)	(718)
Payments of guarantee deposits	(689)	(524)

◆ Financing Activities:



Financing Activities	FY13 major Breakdown	YoY Change
Proceeds from issuance of common stock (net of issuance cost)	17,271	+17,271
Principal payments under capital leases	(3,969)	(290)
Repayment for borrowings (net)	(1,010)	(400)
Dividends paid	(911)	(201)

-13. Other Financial data (CAPEX etc.)

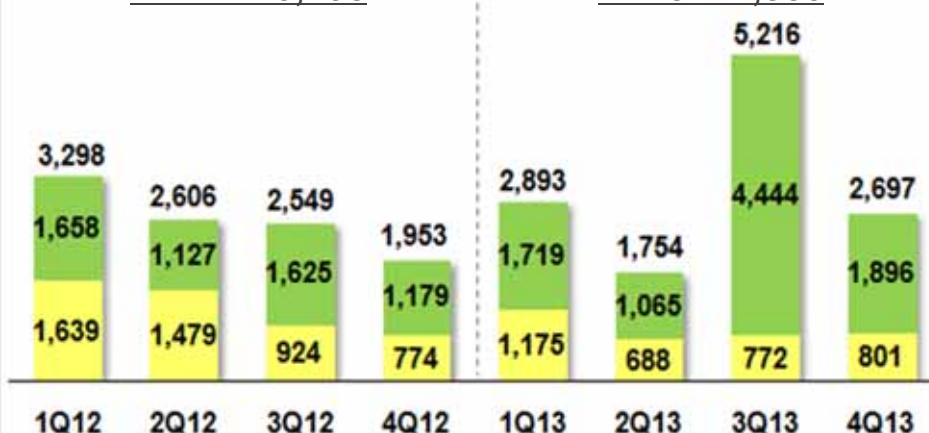
CAPEX (Include Capital Leases):

Unit: JPY million



FY12 : 10,405

FY13 : 12,560

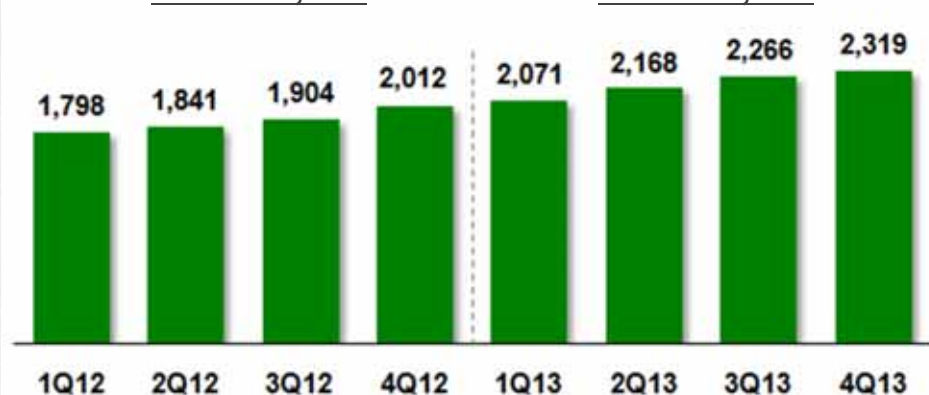


Depreciation and Amortization:

Unit: JPY million

FY12 : 7,556

FY13 : 8,823



<CAPEX BREAKDOWN>

	FY12 (JPY billion)	FY13 (JPY billion)
Cloud related (include Matsue DCP)	2.3	3.7
Headquarter relocation	-	0.4
ATM operation business	0.6	0.5
Others*	7.5	8.0

*Others include network upgrade, SI related, back office investments

FY14 CAPEX is expected to be around JPY13.0 billion, including headquarter relocation related CAPEX

Adjusted EBITDA:

Unit: JPY million

*() % of total revenues

FY12 : 15,308

(14.4%)

FY13 : 14,546

(12.7%)

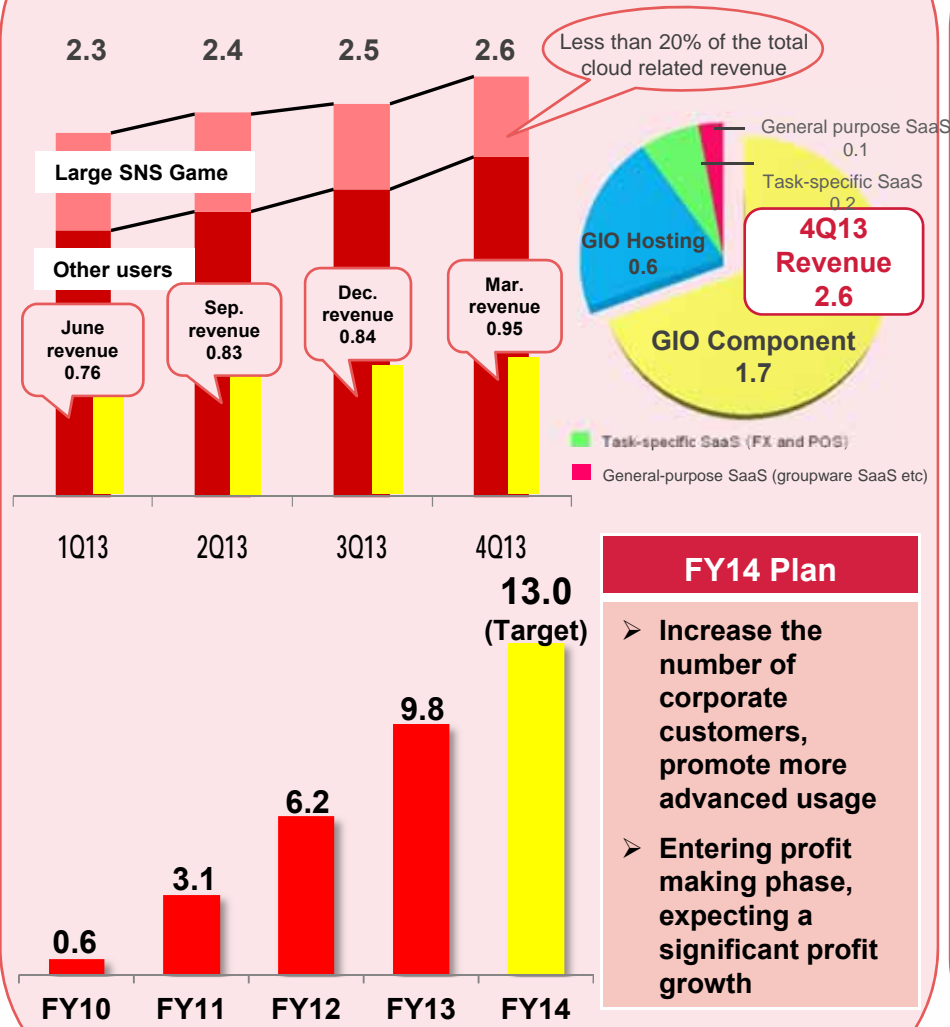


-1. IJ Cloud Business

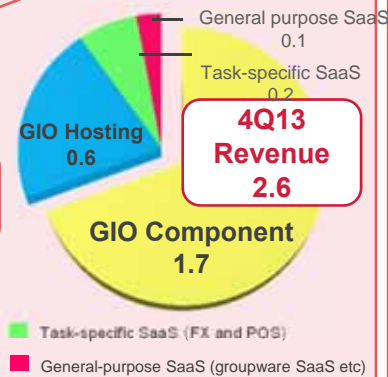


Cloud-related Revenue

Unit: JPY billion



Less than 20% of the total cloud related revenue



FY14 Plan

- Increase the number of corporate customers, promote more advanced usage
- Entering profit making phase, expecting a significant profit growth

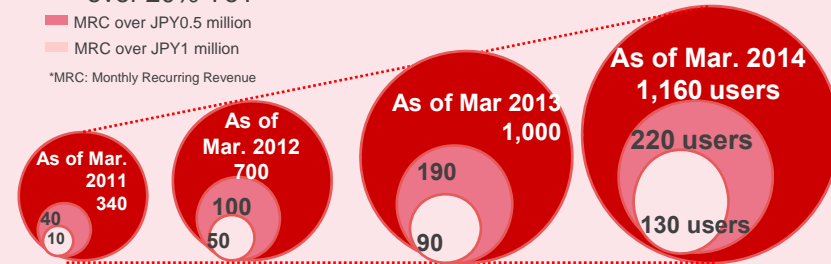
*Includes task-specific SaaS from FY2013

FY13 Business Development

Expansion of Customer Base and Usage

- Average revenue per general corporate customers increased by over 20% YoY

■ MRC over JPY0.5 million
 ■ MRC over JPY1 million
 *MRC: Monthly Recurring Revenue



Main stream cloud adoption to continue

- Sompo Japan, one of the largest Japanese insurance companies, adopting IJ GIO for their group unified platform system, jointly building cloud-based insurance-related services
- Migration of a core business operation system, large scale web systems for blue-chips, virtualization of internal back office systems, and more active usages
- Certain large game customers' revenue decrease almost hitting the bottom month by month

Enhancement of Competitiveness

- Expansion of service lineups continuously
- Accumulating BigData related projects triggered by "IJ GIO BigData Lab" (launched in 2013/6), particular interests from merchandising, service, manufacturing and finance industries
- Strategic partnership with SAP Japan, and more than 500 GIO Partners (as of Mar. 31, 2014)
- Entered BaaS market, Established a Joint Venture *Appiaries*

Overseas Cloud Services

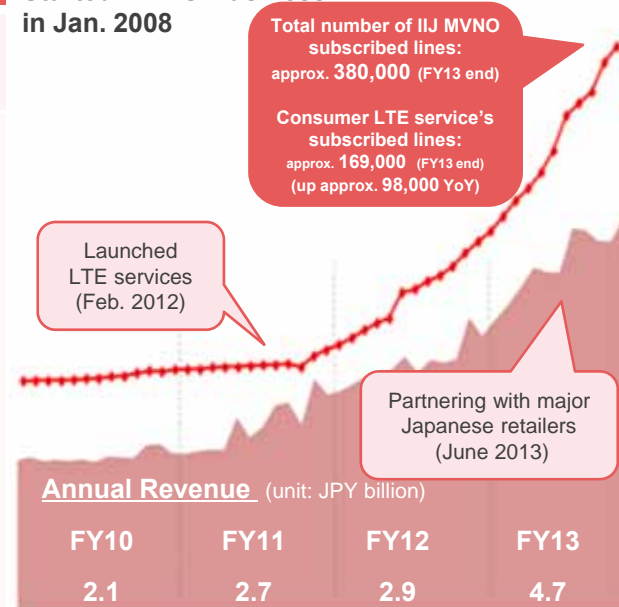
- Launched cloud services in Europe and Singapore

-2. MVNO Business

For Enterprises	For Consumers
<p>Providing enterprise solution, B2C service platform</p> <ul style="list-style-type: none"> • First MVNO in Japan to use NTT Docomo's network <ul style="list-style-type: none"> ➢ Layer2 connection with NTT Docomo's 3G&LTE network, greater functionality to offer valued added services • M2M related projects increasing especially from security and merchandising industries, smart metering, networked vehicles etc • Increasing MVNE requirements integrating SI to construct B2C service platform for enterprise customers 	<p>LTE SIM card offerings growing Revenue increased by JPY1.1 billion YoY</p> <ul style="list-style-type: none"> • Highly reliable connectivity, resulting in high customer satisfaction^(*) leveraging renowned operation expertise from corporate services • Continuously updating service lineups by answering customer feedback SMS & MNP compatibility, package of 3 SIM cards, speed control coupon, voice function etc. • Greater customer reach Partnering with major electronic retailers such as BicCamera and Aeon to increase sales channel, in addition to direct sales

IIJ MVNO Revenue & Subscribed Lines:

Started MVNO Business in Jan. 2008

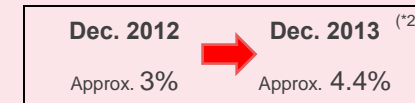


Driving Further Growth

Increase MVNO infrastructure utilization by gathering traffic, Improve network services gross margin

- Accumulation of M2M related projects along with the recent trend "Internet of Things"
- Meeting MVNE demands from major manufacturing, Slers, and other existing blue-chip customers
- "Low-cost SIM · Smartphone" market rapidly growing

Japanese MVNO market size : Ratio of MVNO contracts to number of MNO service subscribers



➢ Europe, USA, Australia 10%-14%^(*)

Japanese M2M market size :



(*) Ranked at top in a inexpensive SIM card user survey by MMD Research Feb. 2014
 (**) Ministry of IAC "Publication on MVNO service usage (as of Dec. 2013)" Apr. 2014
 (**) MRI "MVNO trend and issues" Mar. 2014

(*) NRI "Issues and societal system approach towards next generation M2M market" Nov. 2013

-3. Reference: FY2014 Financial Target

Full Year FY14 Target

Unit: JPY billion

	FY14 Target (Apr. 2014 -Mar.2015)	FY13 Actual (Apr. 2013 -Mar.2014)	YoY (FY14 Target to FY13 Actual)	
Total Revenues	123.0	114.3	+8.7	+7.6%
Operating Income	7.2	5.7	+1.5	+25.8%
Income before Income Tax Expense	7.0	6.3	+0.7	+11.6%
Net Income attributable to IIJ	4.5	4.4	+0.1	+1.3%
Net Income attributable to IIJ per Share	JPY 97.96	JPY 100.26	JPY(2.3)	(2.3%)
Cash Dividends per Share	JPY 22.00 (Annual)	JPY 22.00 (Annual)	-	-

1H FY14 Target

	1H14 Target (Apr. 2014 -Sep.2014)	1H13 Actual (Apr. 2013 -Sep. 2013)	YoY (1H14 Target to 1H13 Actual)	
Total Revenues	57.5	54.4	+3.1	+5.7%
Operating Income	2.8	3.0	(0.2)	(6.9%)
Income before Income Tax Expense	2.7	3.3	(0.6)	(19.3%)
Net Income attributable to IIJ	1.8	2.2	(0.5)	(20.6%)

Revenue :

Pursue recurring revenue increase and cloud related revenue to reach approx. JPY13.0 billion (+JPY3.2 billion YoY)

Unit: JPY billion

Increase breakdown	FY14 YoY Target	FY13 YoY Actual
Network Services	Slightly less than +3.0	+2.1
SI/Equipment sales	Slightly less than +4.5	+5.5
ATM Operation	+1.3 - 1.5	+0.5
TOTAL	approx. +8.7	+8.0

Gross Margin:

Increase by improving network utilization, accumulating systems operation projects and profit contribution from cloud services

	FY14 Target	FY13 Actual (gross margin ratio)
Network Services	Improve gross margin ratio by approx. 1.0 pt.	JPY14.2 billion (21.2%)
SI/Equipment sales	Improve gross margin ratio by approx. 0.4 pt.	JPY6.1 billion (13.9%)
ATM Operation	Improve gross margin by approx. JPY0.6 billion	JPY0.7 billion

Sales and marketing expenses:

Expect same level of increase as FY13 (FY13 Actual: +JPY1.2 billion YoY) including headquarter relocation costs & expenses of approx. JPY0.4 billion to JPY0.5 billion in 1H14

Non operating gains (losses):

Considering interest expenses and others

Net Income attributable to IIJ:

Considering taxes calculated by a normal statutory rate and income of equity method investees and non-controlling interests

◆ 1H FY14 Operating Income: down YoY

Headquarter relocation costs and expenses in June and July

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 lack of service reliability 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.

IIJ Investor Relations

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