

Internet Initiative Japan Inc. Corporate Overview

Mizuho Investment Conference 2015 in Tokyo

September 7, 2015
TSE1:3774 NASDAQ:IIJI

Ongoing Innovation



Key Investment Highlights

- ◆ Pioneer and top IP engineering company in Japan
- ◆ Shifted from ISP to total network solution provider
- ◆ Target blue-chip & governmental organizations
- ◆ Over 8,500 excellent Japanese customers

Hot Topics

- ◆ Best positioned in the growing outsourcing & cloud computing market
- ◆ MVNO business rapidly growing by capturing both enterprise and consumer needs

details to follow

TOP IP Engineering Company in Japan

Established	December 1992
Number of Employees (as of June 2015)	Consolidated: 2,975 (approx. 70% engineers)
Listed Markets	NASDAQ (IIJI), TSE1 (3774)
Large Shareholders (as of Mar. 2015)	NTT (21.6%), Koichi Suzuki (5.6%*), NTT Communications(4.4%) *Jointly owned by Mr. Suzuki's wholly owned private company

◆ The first established full-scale ISP in Japan

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

◆ Established “IIJ” brand among the Japanese IT market

- Known for its engineering & network operation skills
- High customer satisfaction & long term relationship
- Over 8,500 clients: mainly large enterprises & governmental organizations

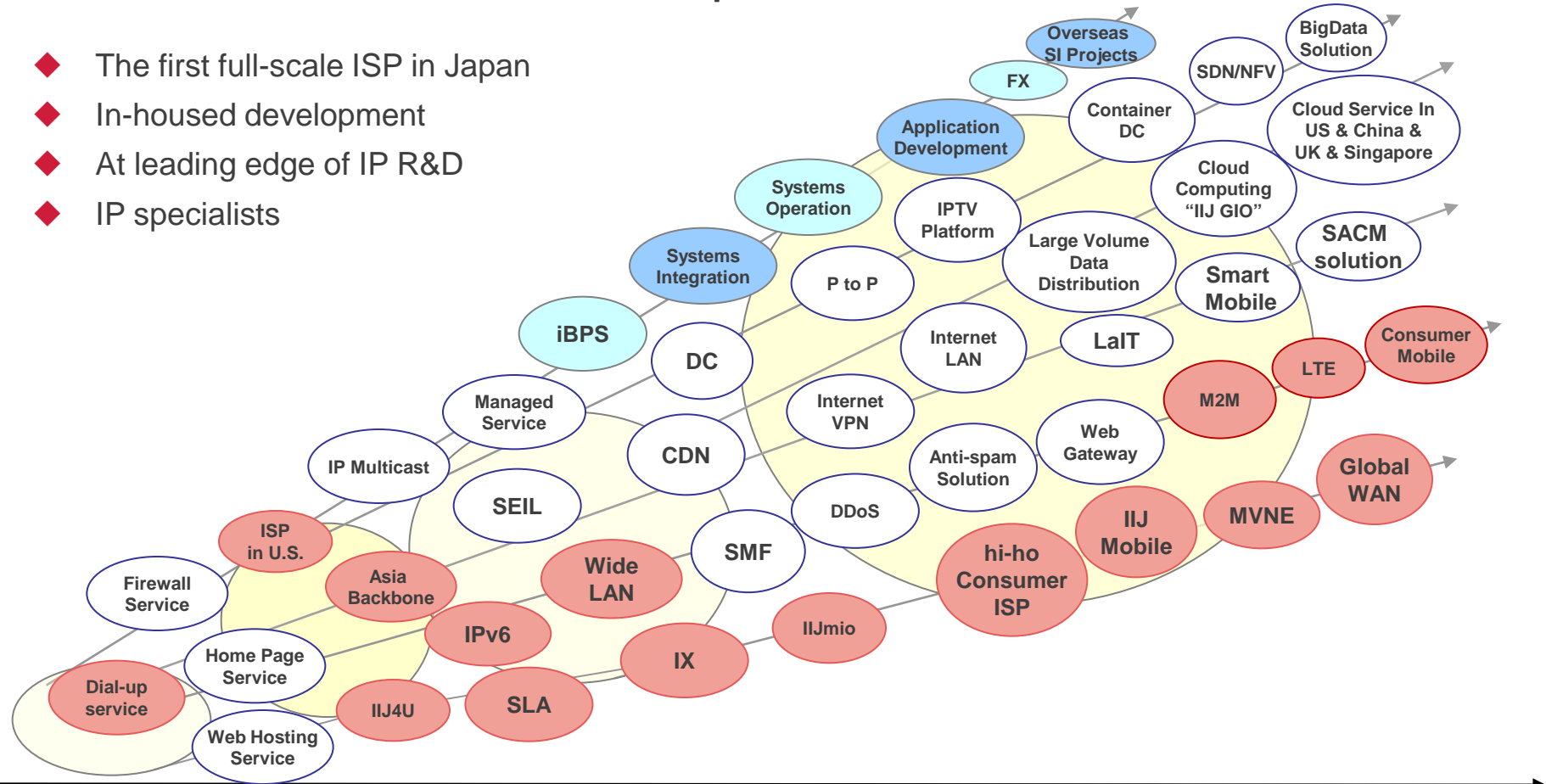
◆ At the leading edge of IP R&D

- Engaged in software development of SDN
- Founding member of JEAG
- Co-work with Ministry of Internal Affairs and Communications
- Participates in world-wide research and organizations ...and many more

Entrepreneur of Network Technologies

Business and Service Development to Initiate the Market

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

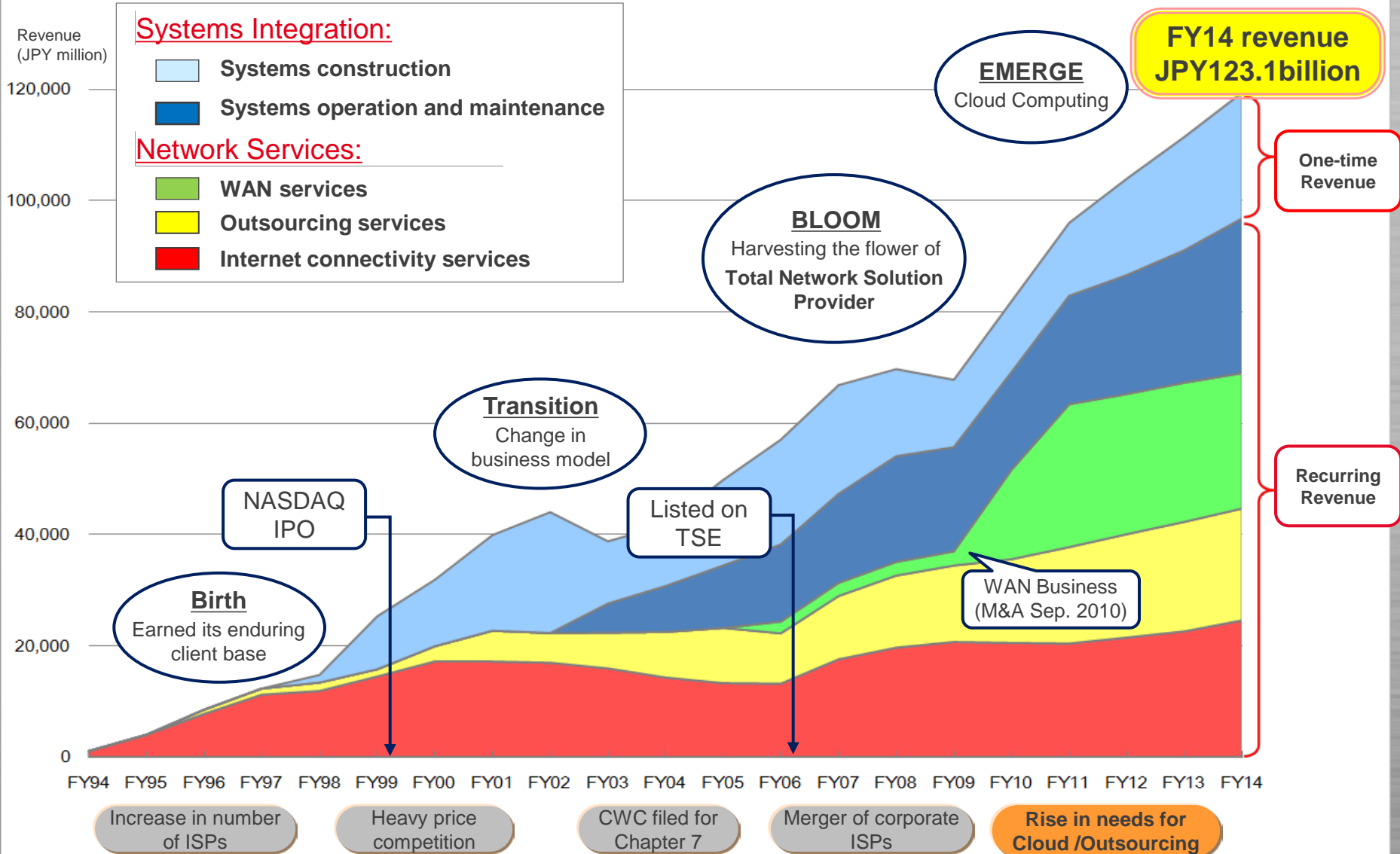


1992  Internet Initiative Japan	1996  IIJ America	1997 	2006  Net Chart Japan i-revo	2007  hi-ho	2008  INNOVATION INSTITUTE IIJ Global	2010  Loyalty Marketing Solutions TRINITY	2012  Trust Networks	2013  IIJ Europe	2014  API's appiaries
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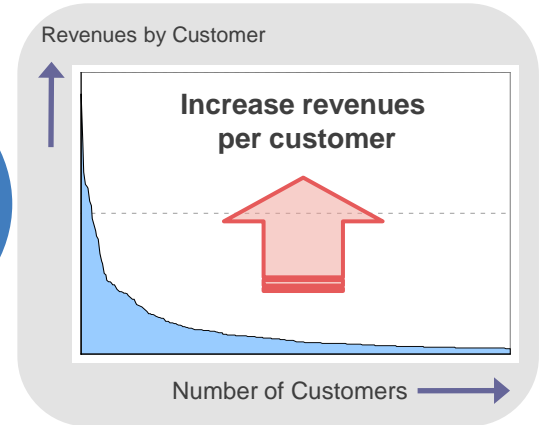
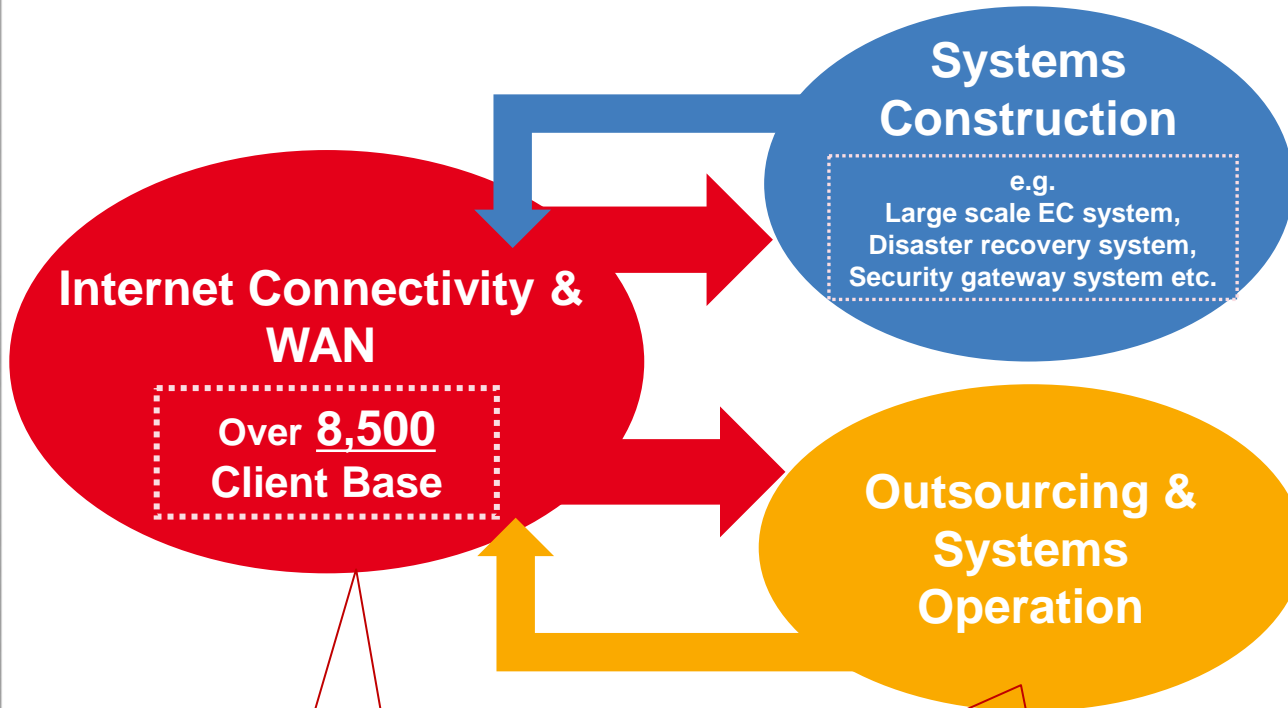
IIJ Group

Strategic Shift in Business Model

From "ISP" to "Total Network Solution Provider"



Business Model: Cross-selling of Network Solutions



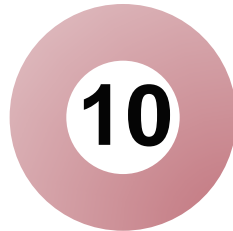
- **Dedicated line connectivity**
 - IP service (cover over Gbps)
 - IPv6 service
- **Broadband connectivity**
 - Optical Fiber/ADSL
- **Mobile connectivity (IIJ Mobile)**
 - LTE/3G
- **WAN services**
 - Wide area Ethernet/VPN
 - Global WAN

- Outsourcing services include:**
- **Security-related services** (managed-FW 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** (15% of 1Q15 Cloud-related revenues)
- Systems operation includes:**
- **Operation and maintenance** of a system constructed in Systems Construction
 - **IIJ GIO Component Services** (85% of 1Q15 Cloud-related revenues)

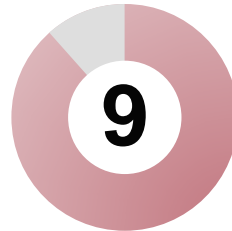
Excellent Blue-chip Client Base

High Market Penetration towards Top Tiers

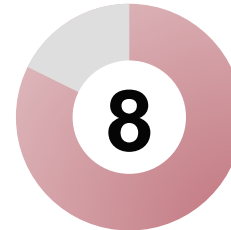
The number of clients among the top 10 companies in each industry.



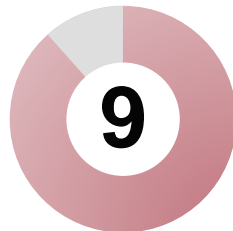
**Electronic
appliances**



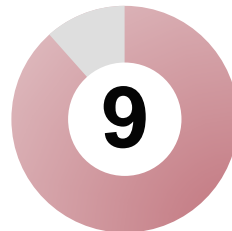
Information/Telco



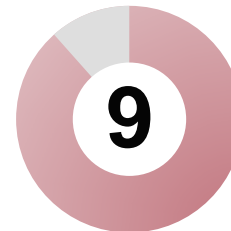
Machinery



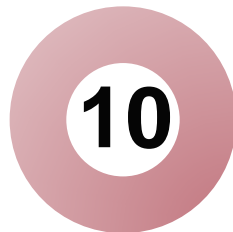
Securities



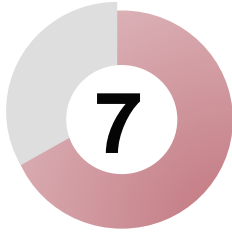
Retail



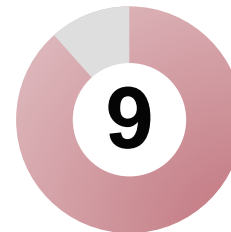
Wholesale



Construction



Insurance

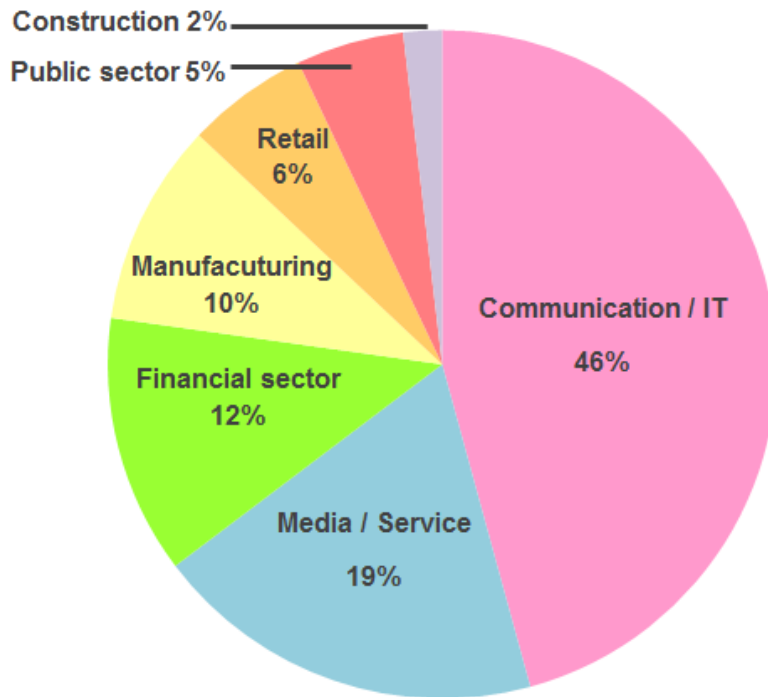


**Precision
equipment**

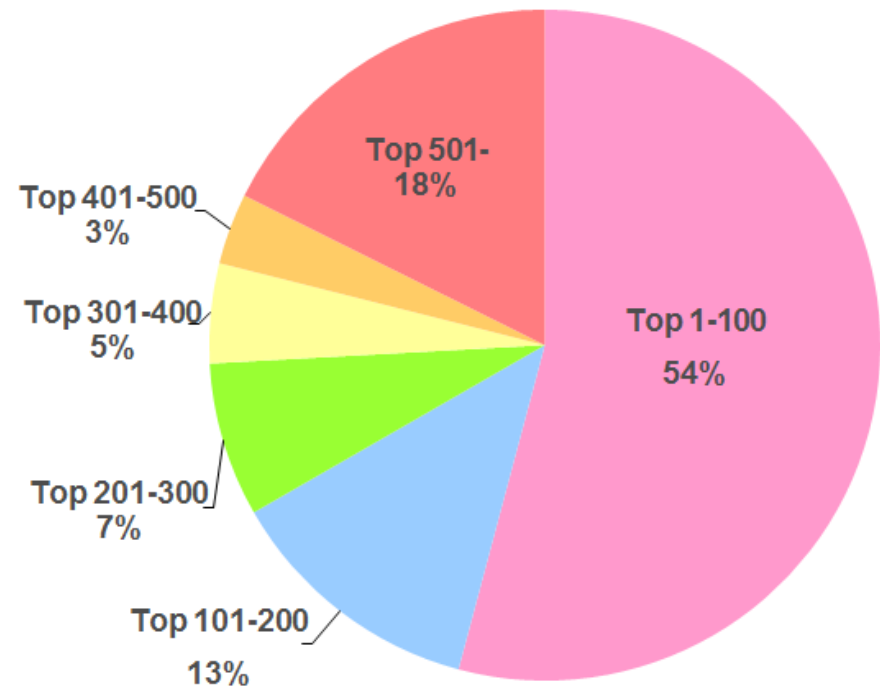
Revenue Composition by Clients

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

Revenue Distribution by Industry



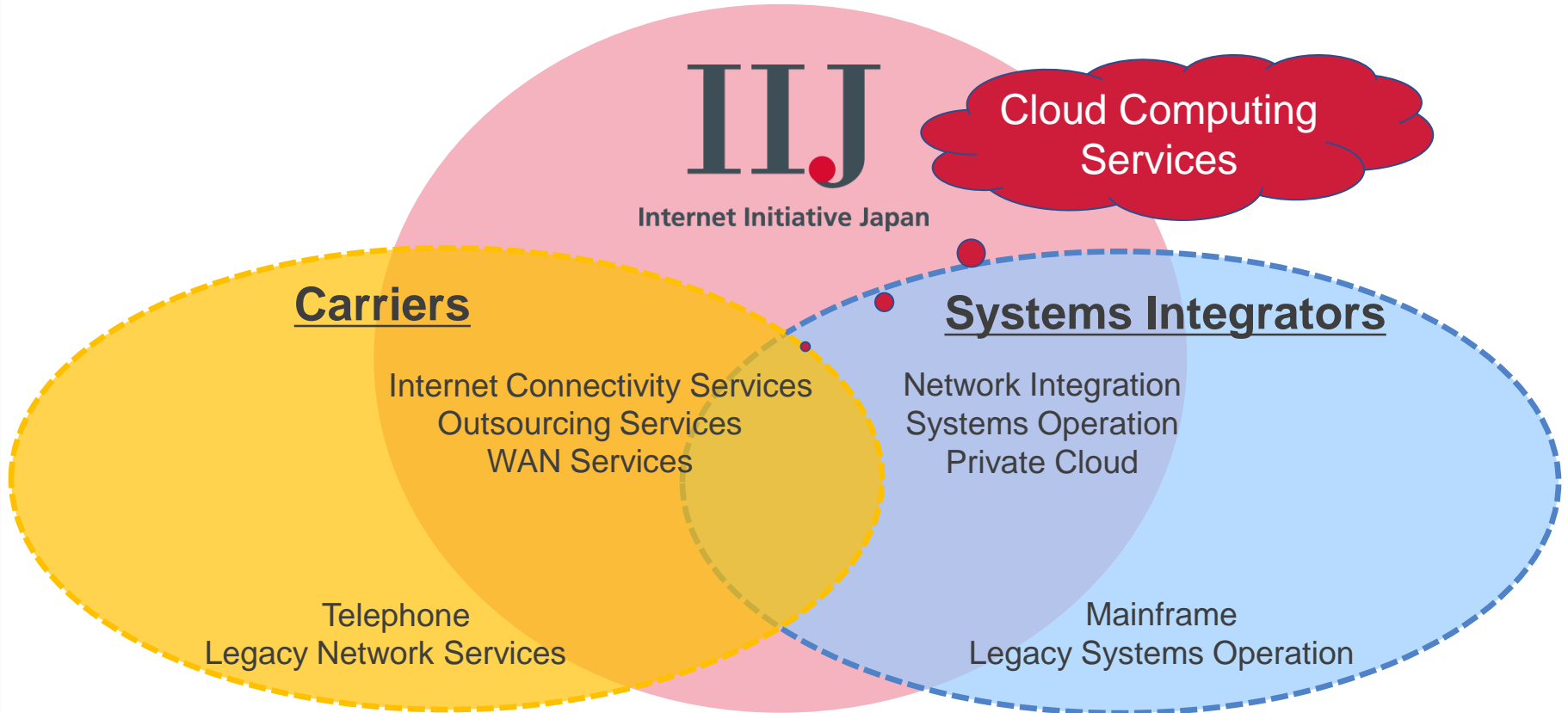
Revenue Distribution by Clients



Source: IJJ's FY2014 financial results

Competitive Advantages

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



IIJ...

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

IIJ...

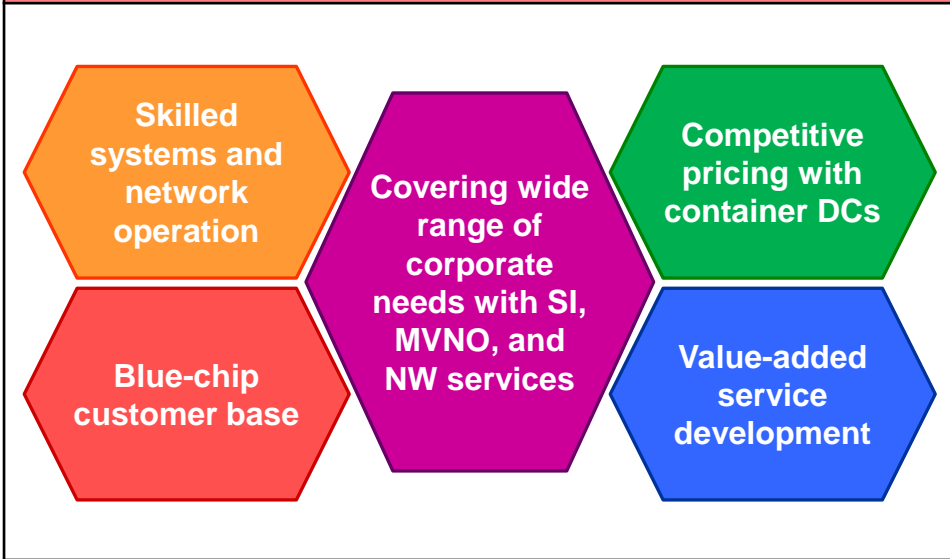
operates its **own backbone network**
develops network services in-housed
targets new IT market, not legacy SI
has long and rich experience in server operation
has moderate number of employees

Best Positioned in Cloud Market

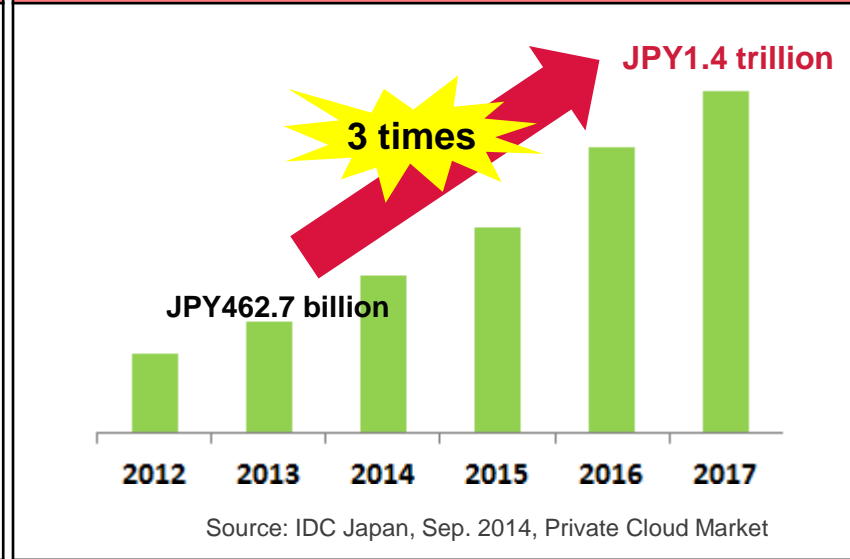
Target Private Cloud market with **Public** Cloud infrastructure

Service Features	<ul style="list-style-type: none"> ➤ One of the first Cloud providers (2009) ➤ Offer public Cloud infrastructure: forefront investment in servers, storages, datacenters etc. <ul style="list-style-type: none"> ✓ Cloud-related CAPEX: FY13 JPY3.7 billion ➤ Promote Cloud shift of blue-chips by continuously expanding service lineups <ul style="list-style-type: none"> ✓ Microsoft Azure, VMware Hypervisor, SAP Basic, IBM AS400, Oracle Database and many more ✓ Aggressively investing in new service and solution development (BigData, M2M etc.)
Growth Strategy	<ul style="list-style-type: none"> ➤ Target large business enterprises' internal IT systems, which are traditionally covered by Slers ➤ Leverage blue-chip customer base: IIJ GIO user: 1,320, IIJ group customer: 8,500 ➤ Chosen for reliable connectivity and skilled operation for network and system ➤ Meeting growing corporate needs of large-scale NW systems with SI, Cloud, MVNO and NW services ➤ Some advanced integrated cloud usages among primitive and simple system purposes

IIJ GIO's Competitive Advantages



Private Cloud Market Growth in Japan



Cloud Business Developments

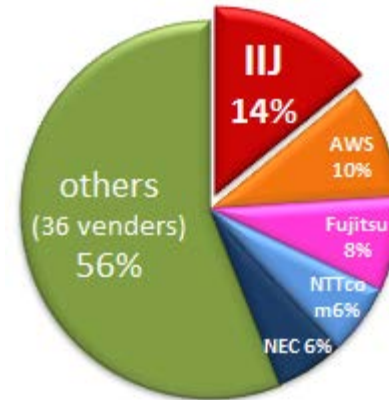
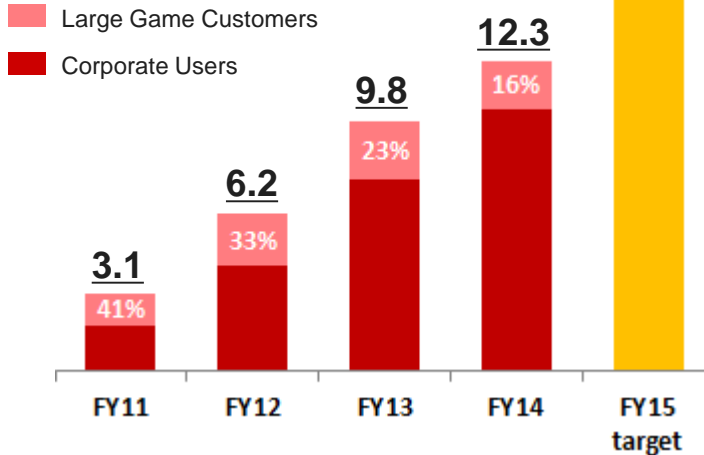
Cloud-related Revenue

(unit JPY billion)

Market Share

Fastidious Users

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



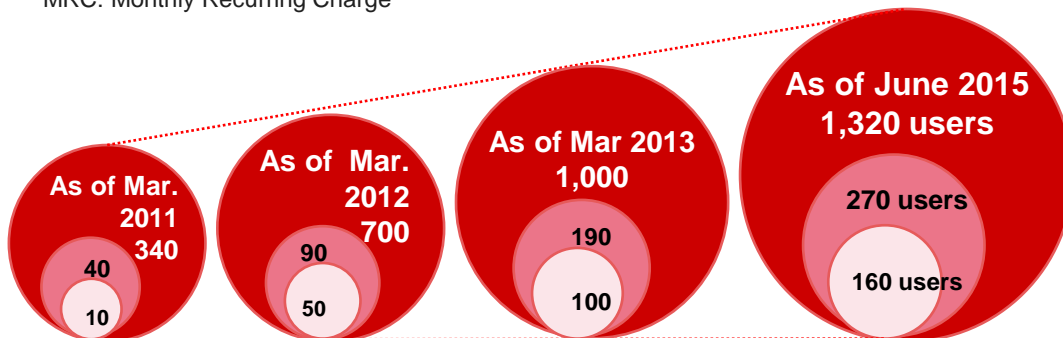
Japan's public cloud market by revenue
Source: Fuji Chimera Report (Aug. 2013)

SBI Holdings, Inc.	NTT DOCOMO, INC.
TOMY COMPANY,LTD	Nomura Securities Co., Ltd.
Nippon Life Insurance Company	DAIWA HOUSE INDUSTRY CO., LTD
Tokyo Stock Exchange, Inc.	Sompo Japan Insurance Inc.
Ricoh Company, Ltd.	SHIMIZU CORPORATION

and many more...

Expansion of Customer Base

- MRC over JPY0.5 million
 - MRC over JPY1.0 million
- *MRC: Monthly Recurring Charge



Container Type Datacenter

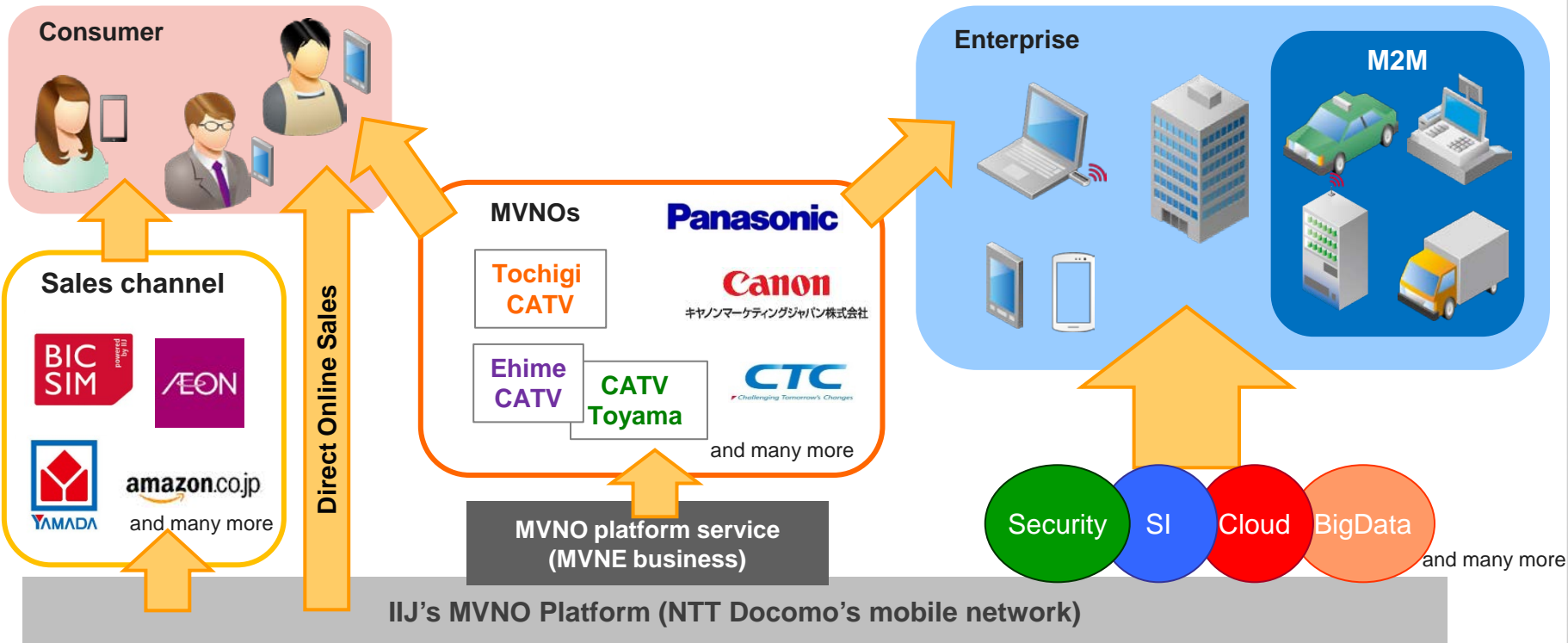
- First in Japan to commercialize (2011)
- PUE*1.2, applying outside air cooling system
- Located in western Japan, country side
- Doubled the capacity in Nov. 2013 (48 modules)



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

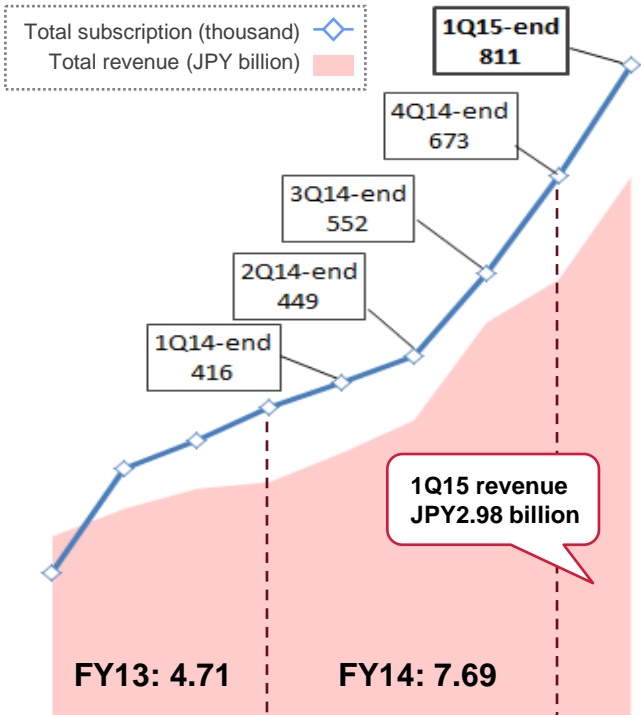
MVNO Business

Government Promotion	Business Strategy
<p>Ministry of Internal Affairs and Communications is making efforts to create competition in the mobile phone industry of Japan.</p> <ul style="list-style-type: none"> ➤ Mandated mobile carriers to remove SIM-lock on their cellphones so that consumers can have more options when choosing smart phones ➤ Backing up MVNOs through discussion with related parties 	<p>Improve MVNO infrastructure efficiency with enterprise & consumer traffic</p> <ul style="list-style-type: none"> • 1st MVNO to use NTT Docomo's network (2008) • 1st MVNO to offer LTE connectivity (2012) • Best positioned to meet corporate MVNO demands <ol style="list-style-type: none"> 1) large-scale MVNO infrastructure (constructed in 2008) 2) one of the largest internet backbone networks 3) various network services 4) offer MVNO, SI, and Cloud, NW all at once

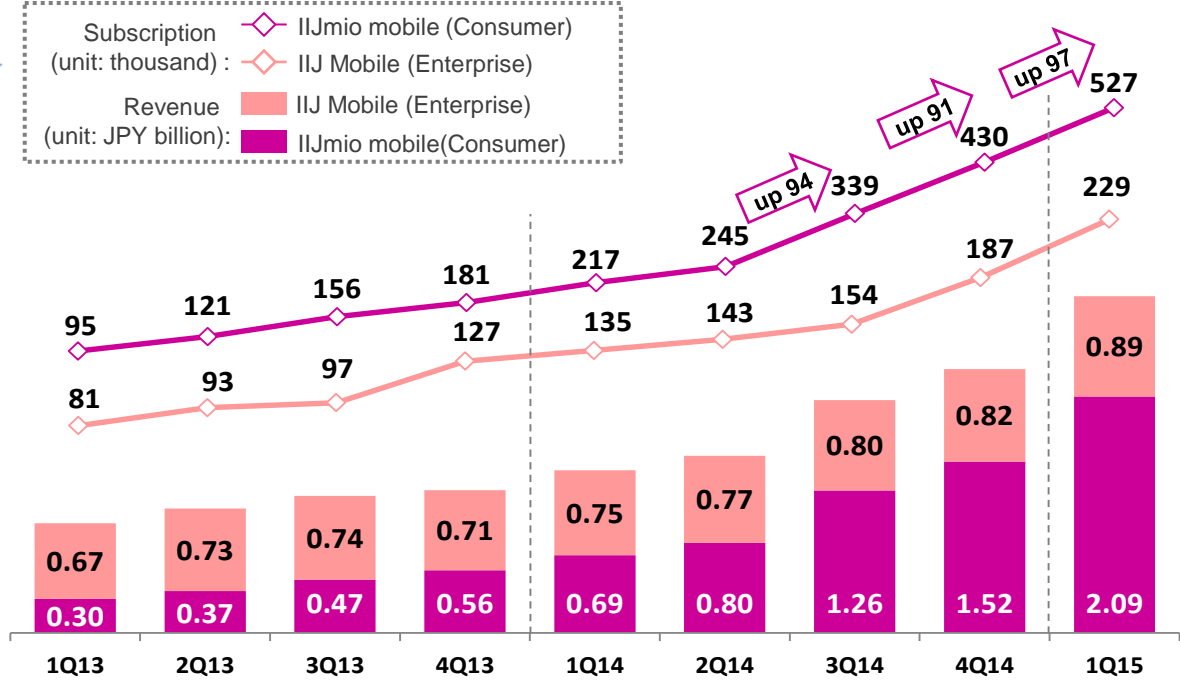


MVNO Business Developments

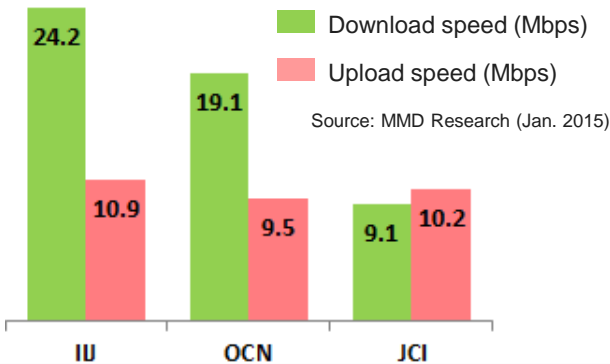
Total Subscription & Revenue



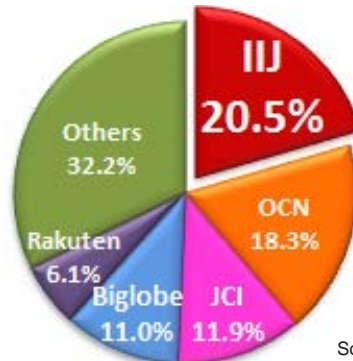
IIJmio & IIJ Mobile Subscription & Revenue



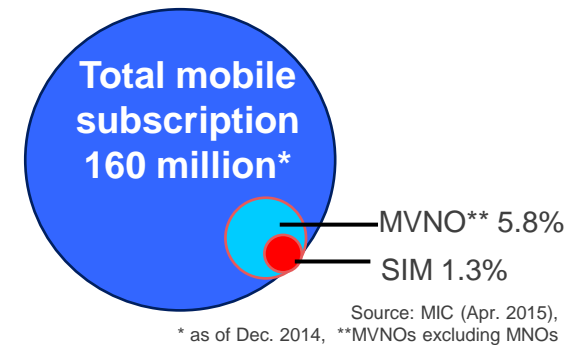
Network Speed Comparison



Consumer MVNO subscription



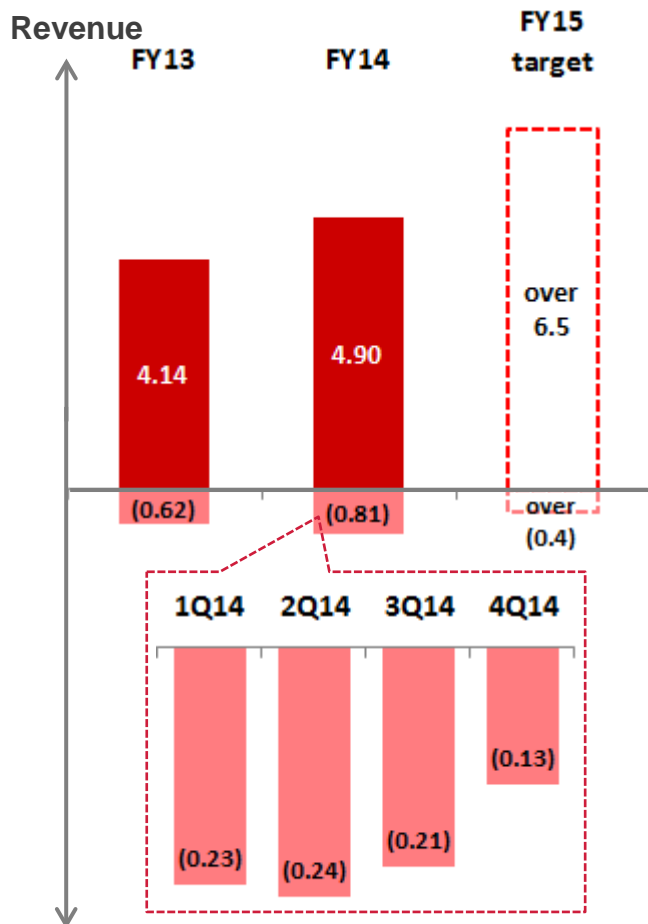
Mobile Market in Japan



Overseas Business Developments

Financial Results

(Unit: JPY billion)



Deficit

Game customers' revenue

FY13	FY14
JPY1.38 billion	JPY0.50 billion

Overseas offices

Main subsidiaries	Est.	Employees	Business
IIJ America Inc.	1996	39	Provide mainly ISP services , Cloud services and SI to the Japanese companies in the U.S.A.
IIJ Europe Limited	2012* ₁	54* ₂	Provide mainly SI and Cloud services to the Japanese companies in Europe
IIJ Global Solutions China Inc.	2012	18	Provide mainly SI and Cloud services in China
IIJ Global Solutions Singapore Pte. Ltd.	2012* ₁	18	Provide mainly SI and Cloud services to local and Japanese companies in Singapore
Pt. IIJ Global Solutions Indonesia	2015	-	Provide Cloud-related services operation in Indonesia

Business Developments

- **Requests to support build Cloud infrastructure from Asian countries**
 - Jointly provide Cloud services with a local carrier in Indonesia (Mar. 2015)
- **Export container DCs to Laos and Russia, Expect transactions to expand in the middle-to-long term**
 - Accumulating similar prospective orders from other emerging countries
- **Enhance network infrastructure including an expansion of Internet backbone**
- **Overseas Cloud business developments**
 - Enhanced Cloud service lineups for Europe, Providing VMware hypervisor services (Oct. 2014)
 - Launched Cloud services in Singapore (June 2014)



*1 Became our subsidiaries

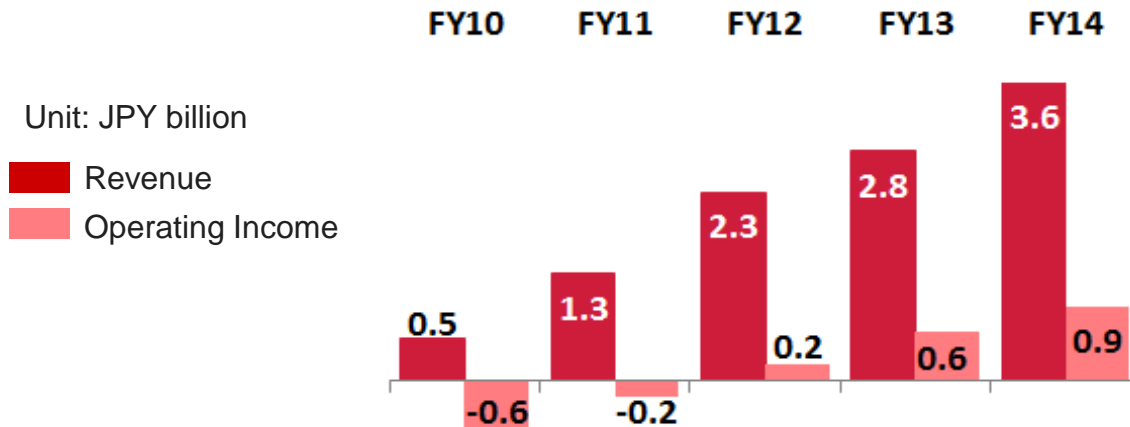
*2 Includes IJ Europe's subsidiary of IJJ Deutschland GmbH

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.11,900 Pachinko parlors in Japan as of Dec. 2013 (Metropolitan Police Dept.)

Financial Results



Number of placed ATMs*	280	440	625	855	1,059
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*Number of placed ATMs are as of May each year except for FY14 which is the number as of Mar. 2015

< Trust Networks Inc. >

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



IIJ Group – The Way Forward

Environment

Japanese enterprise systems at a turning point

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

IIJ Position

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

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

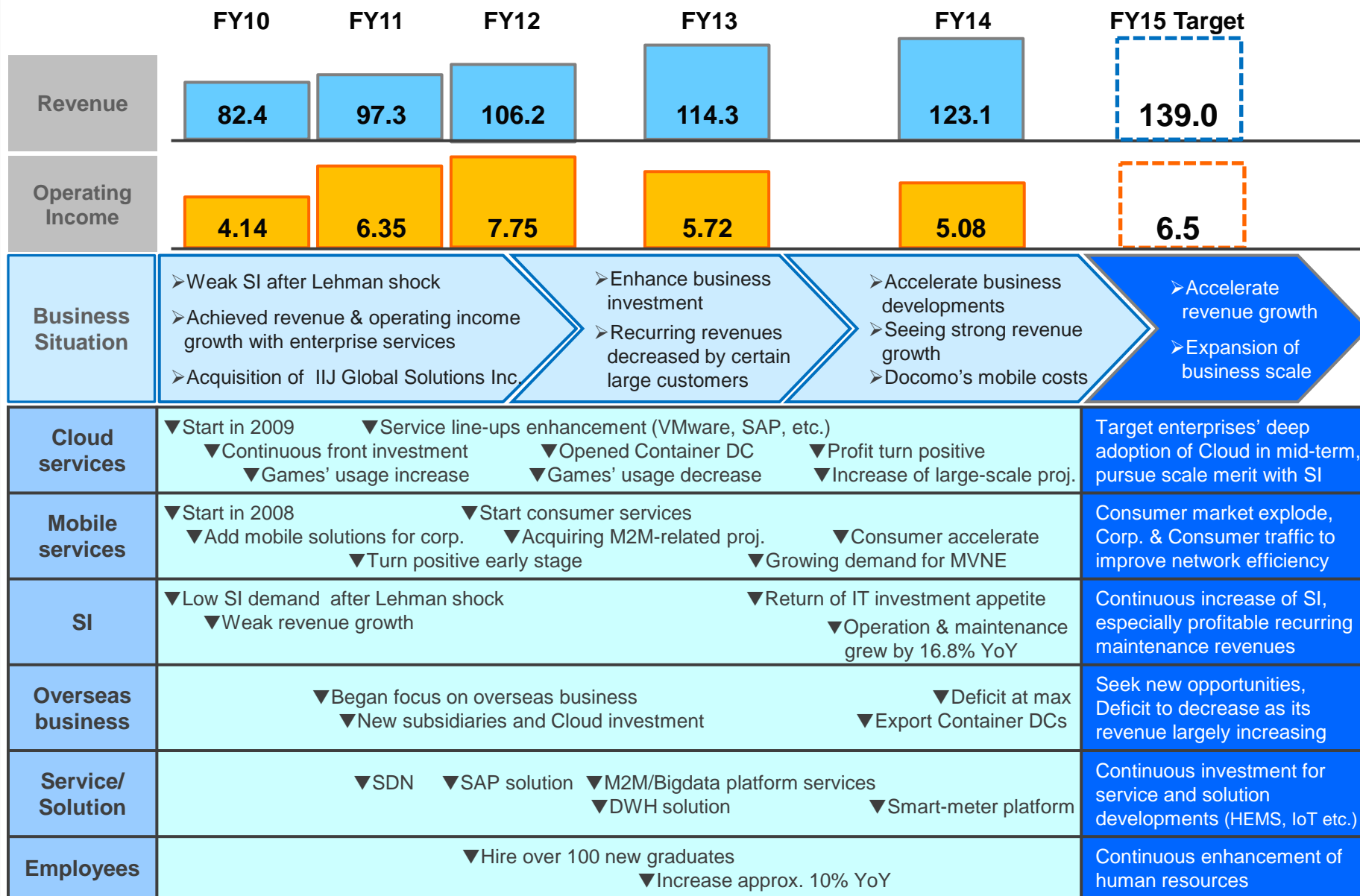
Action

Aggressive business investment leap into the next phase of growth

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

Business/Services Developments for Mid Term Growth

Unit: JPY billion



FY2015 Financial Target

YoY = FY15 target compared to FY14 results

Unit: JPY billion

	FY15 Target (Apr. 2015 -Mar.2016)	FY14 Actual (Apr. 2014 -Mar.2015)	YoY (FY15 Target to FY14 Actual)	
Total Revenues	139.0	123.1	+15.9	+13.0%
Gross Margin	25.1	22.1	+3.0	+13.7%
Operating Income	6.5	5.1	+1.4	+28.1%
Income before Income Tax Expense	6.4	5.1	+1.3	+24.5%
Net Income attributable to IJ	4.0	3.3	+0.7	+20.4%
Net Income attributable to IJ per Share	JPY 87.07	JPY 72.31	+ JPY 14.76	+20.4%
Cash Dividends per Share	JPY 22.00 (Annual)	JPY 22.00 (Annual)	-	-

● Mobile-related services

Target over 1 million subscription by Dec. 2015, Target revenue of approx. JPY13 billion for FY2015 (up JPY5.3 billion YoY). Expect a slight decrease in gross margin ratio due to an increase in unprofitable voice service revenues. Expect Docomo's mobile connectivity charge per bandwidth to decrease by 15% from the charge fixed in Mar. 2015.

● Cloud-related services

Target revenue of over JPY15 billion (up JPY2.7 billion YoY) by accumulating enterprise needs. Expect gross margin to increase by over JPY0.4 billion along with revenue growth.

● Overseas business

Target revenue of over JPY6.5 billion (up JPY1.6 billion YoY). Expect margin to increase by approx. JPY0.4 billion with revenue growth.

● Enterprise network services

Target revenue (excluding Cloud and mobile related) to increase by approx. JPY1.8 billion, considering an enhanced sales activity and expecting no large revenue decrease in WAN services.

● SI

Target revenue (excluding Cloud and overseas business related) to increase by approx. JPY3.8 billion with strong economy and accumulation of systems operation and maintenance revenue.

● SG&A and R&D expenses

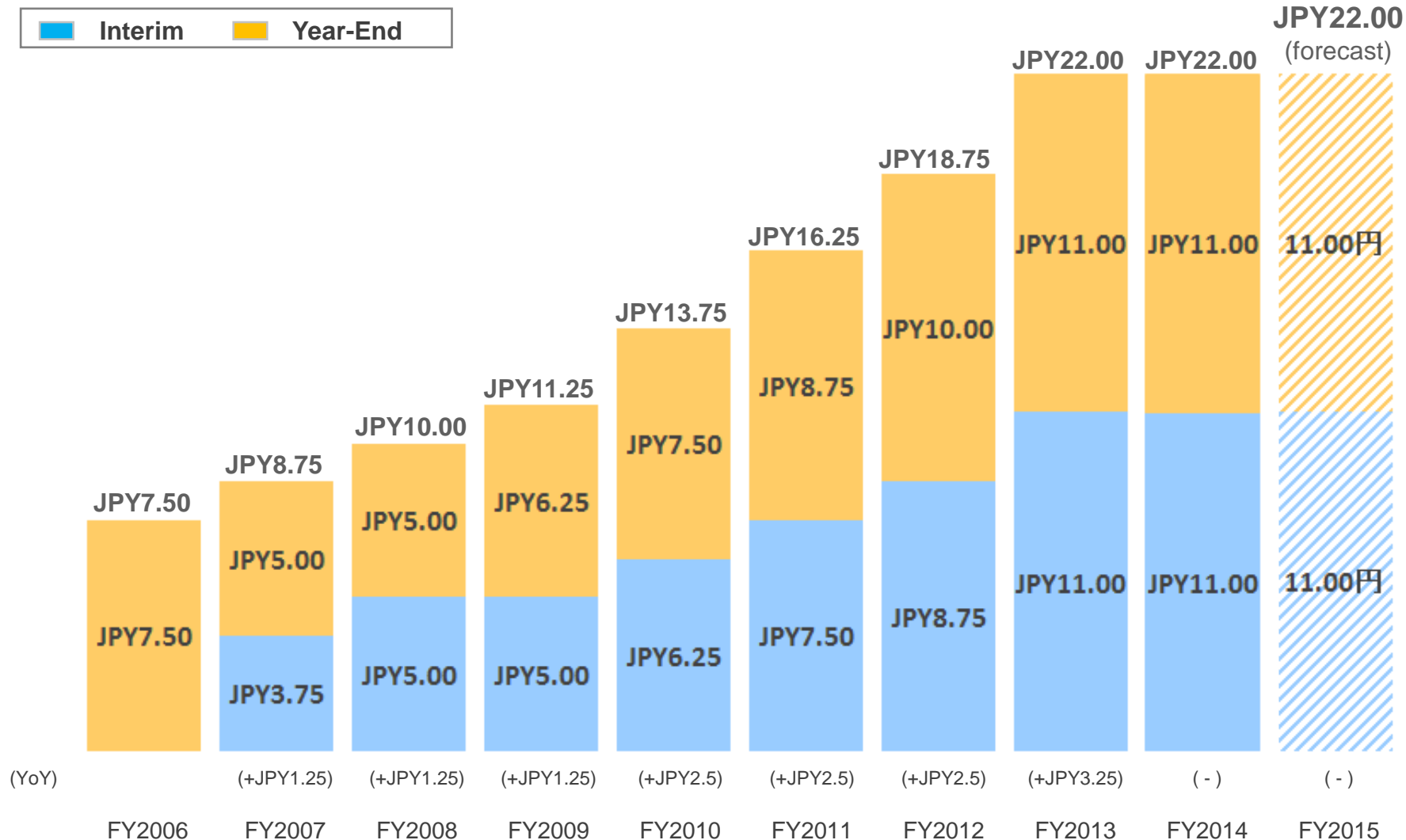
Expect to increase by approx. JPY1.6 billion which is almost the same amount increased in FY14, expecting the increase in personnel-related costs and sales commission fee etc.

● Human resources

Hired 155 new graduates. Plan to hire 160 second-career personnel (including approx. 140 personnel to replace outsourcing resource). Expect personnel-related cost to increase by approx. JPY3.0 billion.

FY2015 Dividend Forecast

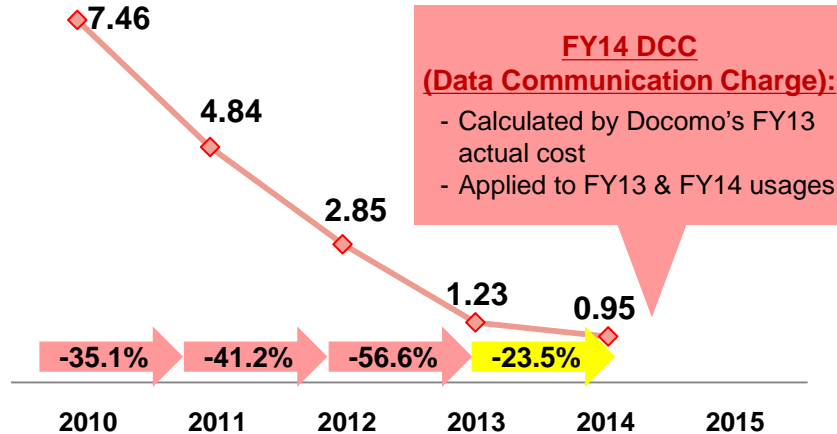
IIJ conducted a 1:200 stock split on common stock with an effective date of October 1, 2012. Dividend figures shown below are retroactively adjusted to reflect the stock split.



MVNO infrastructure cost & its impact for FY14 financial

NTT Docomo's Monthly DCC per 10Mbps

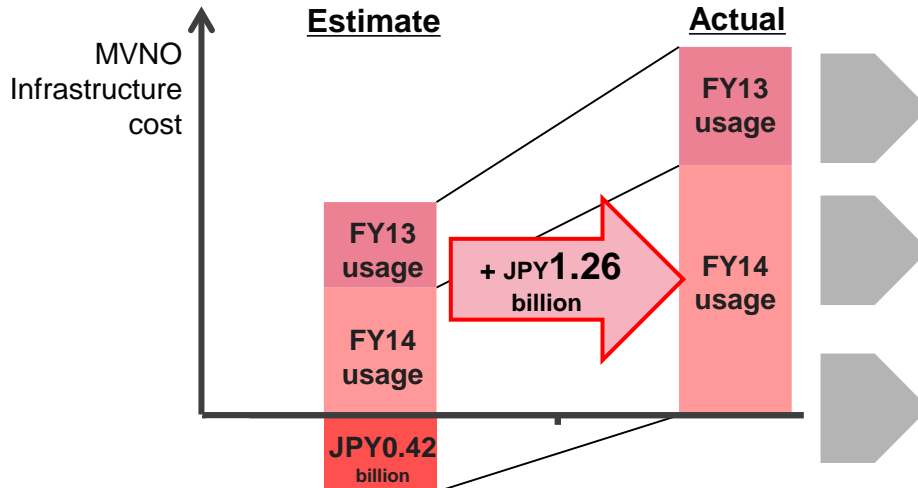
(JPY million)



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

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

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



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

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

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



1Q FY2015 Financial Results
Announced on August 7, 2015

I . Summary of 1Q FY2015 Financial Results

	< 1Q15 Results >		< FY15 Targets >		%: YoY change
Revenues	JPY31.46 billion	up 14.2%	JPY139.0 billion	up 13.0%	
Gross margin	JPY5.66 billion	up 13.2%	JPY25.1 billion	up 13.7%	
Operating income	JPY1.14 billion	up 48.5%	JPY6.5 billion	up 28.1%	
Net Income attributable to IJ	JPY0.72 billion	up 46.8%	JPY4.0 billion	up 20.4%	

Revenue accumulated at an accelerated pace:

3-month revenue grew by 14.2% YoY(1Q15), 11.7% YoY(4Q14), 8.2% YoY(3Q14)

YoY: comparison with previous year

◆ Enterprise and consumer mobile led the growth

- Subscription (unit: thousand): total 811 (up 138 QoQ), consumer 527 (up 97 QoQ), MVNE 104 (up 36 QoQ)
- Increasing number of sales partners including over 40 CATV operators, Aeon's 209 stores handling MNP transaction from July
- Temporary positive cost impact of approx. JPY0.27 billion in 1Q15, applying supposed annual charge decrease rate of 15% to our mobile infrastructure usage during FY14. (Recognized the same temporary positive impact of approx. JPY0.29 billion in 2Q14)

QoQ: 1Q15 compared to 4Q14

Subscription as of June 30, 2015

◆ Systems operation and maintenance revenues increased by 23.5% YoY

- Continuous contribution from systems construction projects migrated to operation and maintenance
- Construction order received grew by 44.1% YoY, had a large network integration project of approx. JPY2.1 billion in 1Q15

◆ Newly developed cloud and network services will be offered from fall

- New cloud services "IJ GIO Infrastructure P2" should promote hybrid cloud systems
- New network services "IJ Omnibus Services" incorporates SDN/NFV technologies for faster implementation of network elements

◆ Rapid increase in demands for Internet security services and solutions

- Providing multi-layered security solutions including DDoS protection service, widely used by mega banks & governmental organizations
- Newly launched "IJ Unified Security Solution" which quickly responds to cyber-attacks

◆ Continuous focus on overseas business, especially Asia

- 1Q15 revenue approx. JPY1.2 billion, deficit approx. JPY0.22 billion (1Q14 revenue approx. JPY1.2 billion, deficit approx. JPY0.23 billion)
- Creating more and more business opportunities in Asia including container DC export projects, cloud business in Indonesia

◆ Business investments to further expand business scale

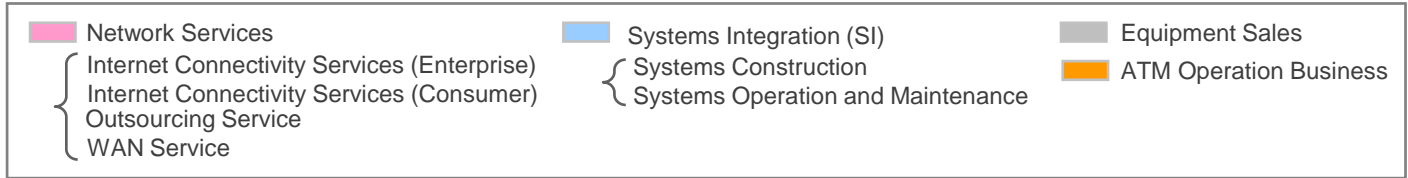
- Hired 155 new graduates in Apr. 2015 (129 in 2014, 136 in 2013), personnel-related expenses up 13.5% YoY
- Operating costs and expenses and up 13.2% YoY

II - 1. Consolidated Financial Results for 1Q FY2015

Unit: JPY billion

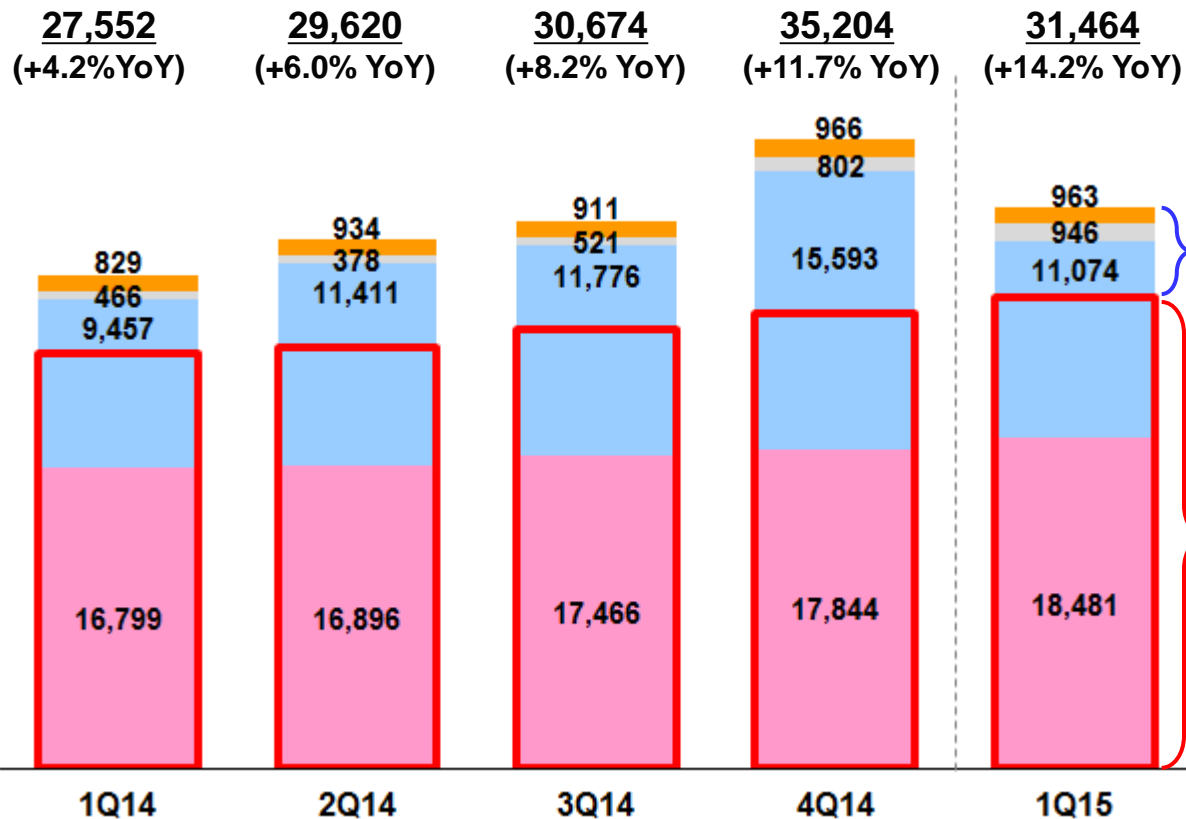
	% of Revenues	% of Revenues	YoY Change in %	% of Revenues	YoY Change in %
	1Q15 (Apr. 2015 -Jun. 2015)	1Q14 (Apr. 2014 -Jun. 2014)		FY15 Target (Apr. 2015 -Mar. 2016)	
Total Revenues	31.5	27.6	+14.2%	139.0	+13.0%
Total Cost of Revenues	82.0% 25.8	81.9% 22.6	+14.4%	81.9% 113.9	+12.8%
Gross Margin	18.0% 5.7	18.1% 5.0	+13.2%	18.1% 25.1	+13.7%
SG&A/R&D	14.4% 4.5	15.4% 4.2	+6.8%	13.4% 18.6	+9.4%
Operating Income	3.6% 1.1	2.8% 0.8	+48.5%	4.7% 6.5	+28.1%
Income before Income Tax Expense	4.1% 1.3	3.0% 0.8	+54.5%	4.6% 6.4	+24.5%
Net Income attributable to IIJ	2.3% 0.7	1.8% 0.5	+46.8%	2.9% 4.0	+20.4%

II - 2. Revenues



Unit: JPY million
 YoY = 1Q15 compared to 1Q14

FY14: 123,050



One-time Revenue *
 1Q15: JPY4,148 million (up 16.8% YoY)
 (13.2% of 1Q15 revenue)

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

1. Systems Construction
2. Equipment Sales

Recurring Revenue*
 1Q15: JPY26,352 million (up 13.7% YoY)
 (83.8% of 1Q15 revenue)

* Represents the following monthly recurring revenues

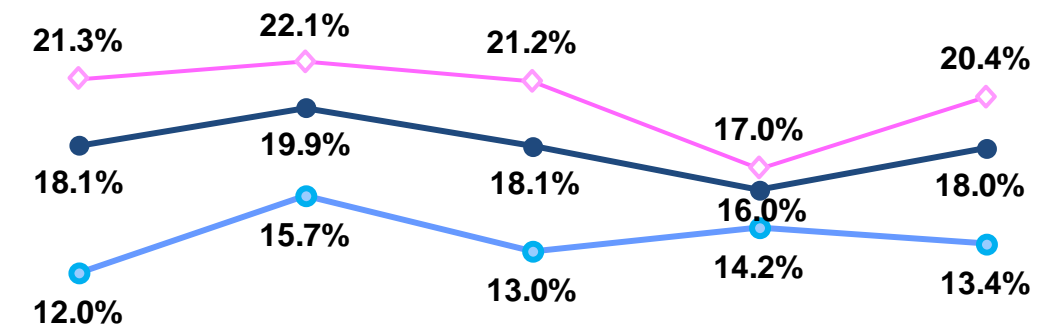
1. Internet Connectivity Services (Enterprise)
2. Internet Connectivity Services (Consumer)
3. Outsourcing Services
4. WAN Services
5. Systems Operation and Maintenance

II - 3. Cost of Revenues and Gross Margin Ratio

Cost of revenues : Network Services (Pink), Systems Integration (SI) (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)

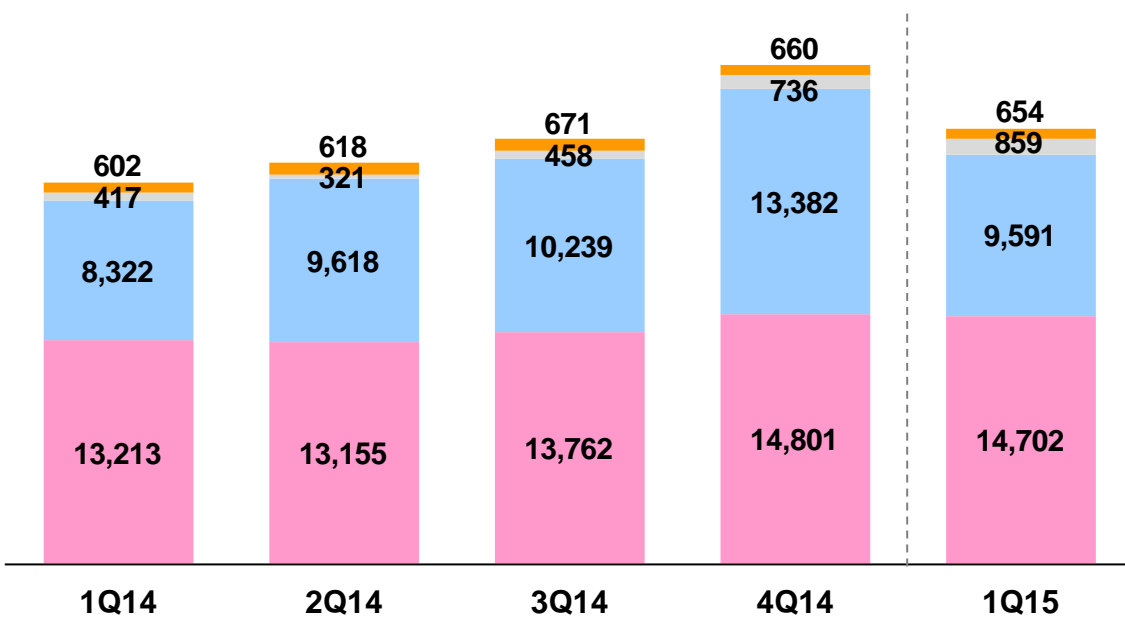
Unit: JPY million

YoY = 1Q15 compared to 1Q14



FY14: 100,978

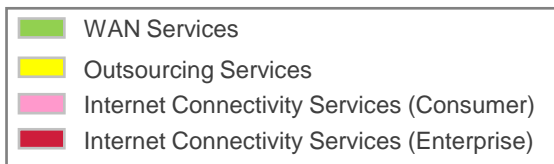
22,554 23,713 25,130 29,580 25,805



1Q15 Gross Margin

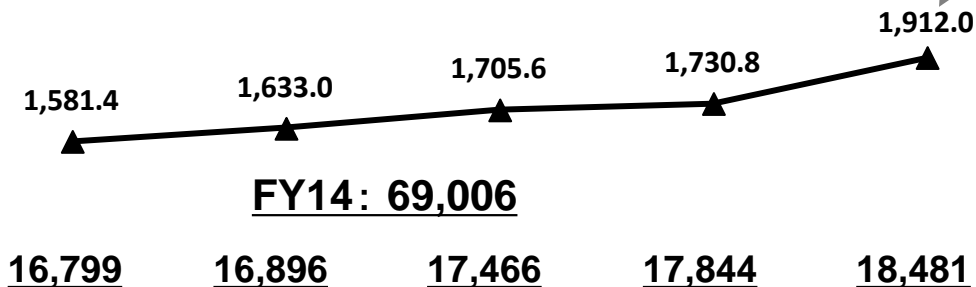
- ◆ **Total Gross Margin:**
 - JPY5,658 million (up JPY661 million, up 13.2% YoY)
 - Gross margin ratio: 18.0% (down 0.1 points YoY)
- ◆ **Network Service Gross Margin**
 - JPY3,779 million (up JPY193 million, up 5.4% YoY)
 - Gross margin ratio: 20.4% (down 0.9 points YoY)
- ◆ **SI Gross Margin:**
 - JPY1,483 million (up JPY347 million, up 30.6% YoY)
 - Gross margin ratio: 13.4% (up 1.4 points YoY)
- ◆ **ATM Operation Business Gross Margin:**
 - JPY310 million (up JPY83 million, up 36.4% YoY)
 - Gross margin ratio: 32.1% (up 4.8 points YoY)

II - 4. Network Services (1)Revenues

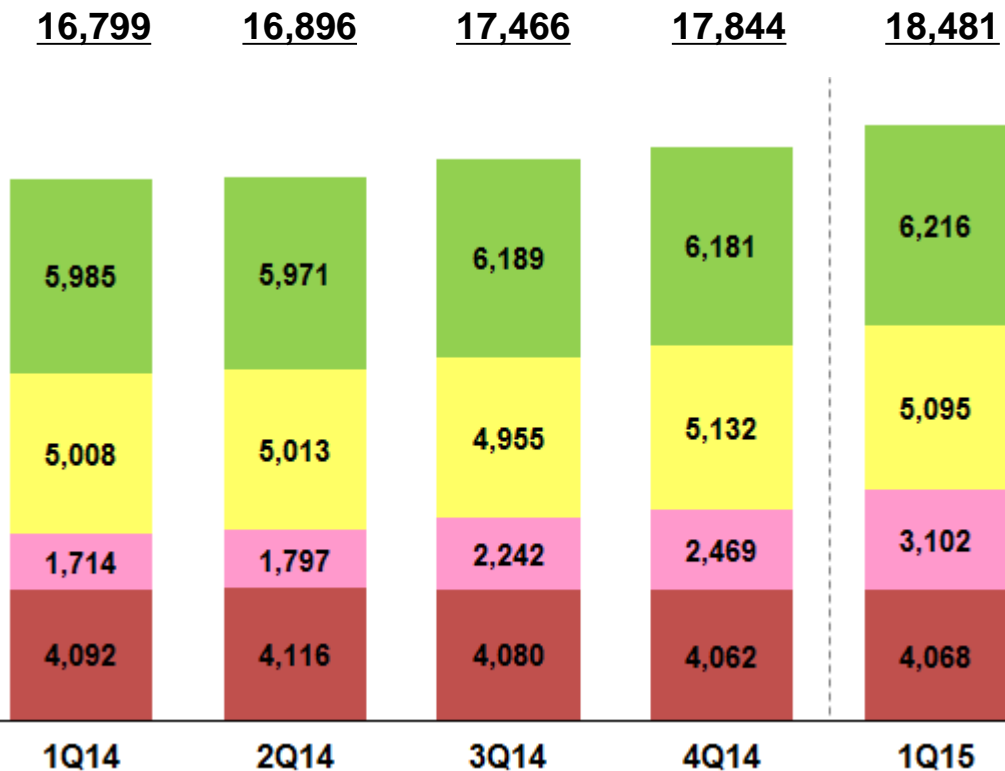


Unit: JPY million
 YoY = 1Q15 compared to 1Q14
 QoQ = 1Q15 compared to 4Q14

Total Contracted Bandwidth (Gbps)



FY14: 69,006



◆ Internet Connectivity (Enterprise)

- JPY4,068 million (down JPY25 million, down 0.6% YoY)
- Mobile service revenue continued to increase
- Over 1Gbps contracts:
 - ✓ As of 1Q15-end: 334 contracts
 - ✓ As of 1Q14-end: 284 contracts
 - ✓ As of 4Q14-end: 340 contracts

◆ Internet Connectivity (Consumer)

- JPY3,102 million (up JPY1,338 million, up 81.0% YoY)
- IIJmio mobile services continued to accumulate
 - ✓ 1Q15-end subscription: 527 thousand (up 310 thousand YoY, up 97 thousand QoQ)
 - ✓ 1Q15 revenue: JPY2.09 billion (up 1.40 billion YoY, up 0.58 billion QoQ)

◆ Outsourcing Services

- JPY5,095 million (up JPY87 million, up 1.7% YoY)
- Game customers' revenue decreased QoQ

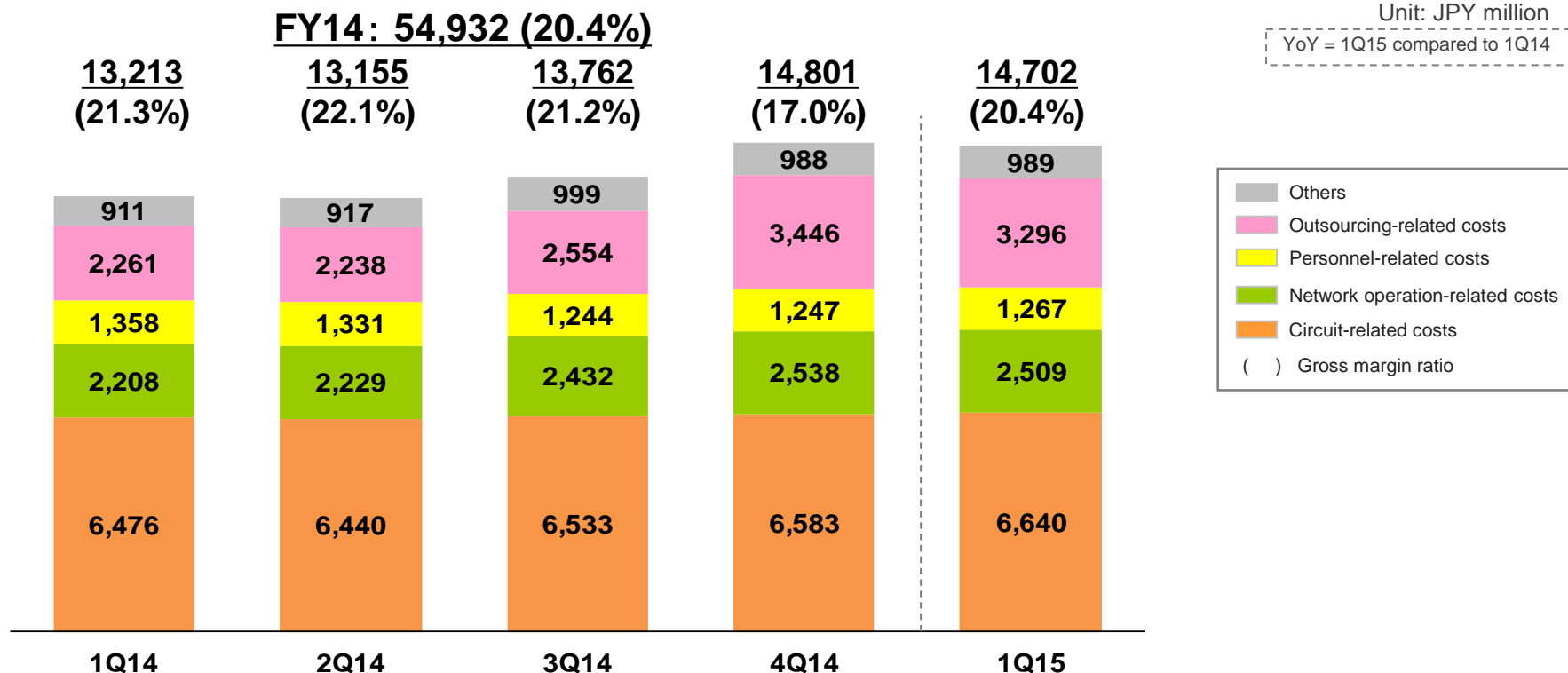
◆ WAN Services

- JPY6,216 million (up JPY231 million, up 3.9% YoY)
- No major revenue decrease from large customers

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

Unit: JPY million

YoY = 1Q15 compared to 1Q14

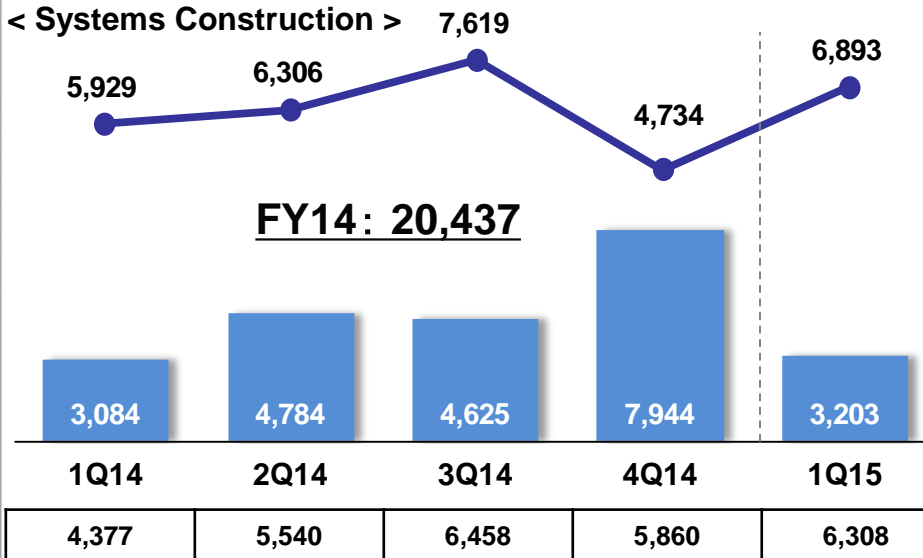


◆ 1Q15 Cost of Network Services: up JPY1,489 million, up 11.3% YoY

- Mobile-related cost (recognized in outsourcing-related costs) increased along with the increase in mobile services subscription and traffic volume
- Regarding NTT Docomo's ("Docomo") mobile interconnectivity cost recognition:
 - Docomo's interconnectivity telecommunications service charge which was calculated by Docomo's FY13 mobile-related cost was fixed in March 2015 and it decreased by 23.5% from a year ago.
 - The same charge based on Docomo's FY14 mobile-related cost should be fixed in Mar. 2016. In the meantime, Docomo's bill for FY15 mobile interconnectivity usage has been 25% off temporarily from Apr. 2015.
 - During FY2015, IIJ calculates its mobile interconnectivity cost by applying supposed annual decrease rate of 15%
 - 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 last year's 2Q for FY13 usage.
- Circuit-related costs increased by JPY0.16 billion YoY mainly due to an increase in WAN services revenue

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

< Systems Construction >

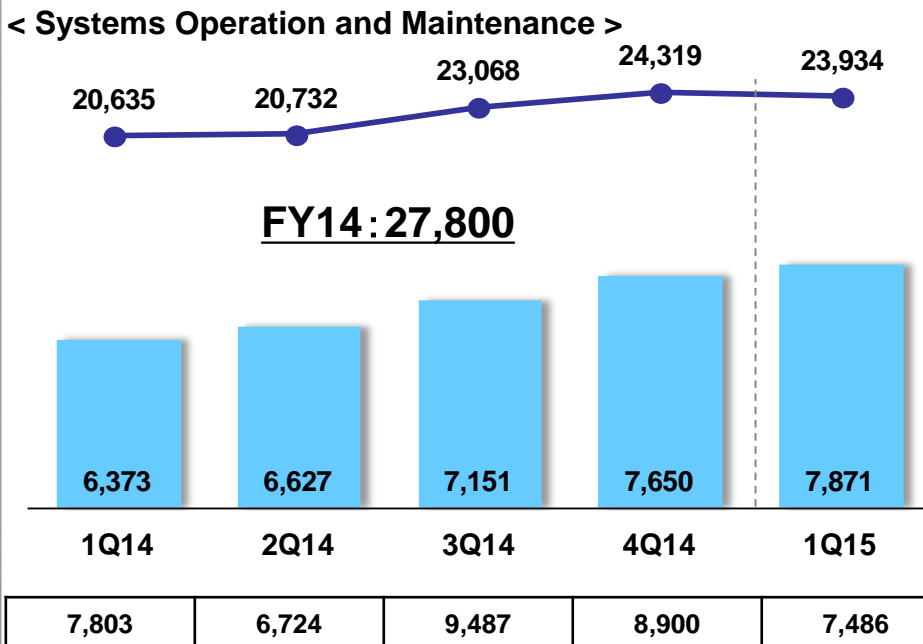


YoY = 1Q15 compared to 1Q14 Unit: JPY million

- Systems Construction Revenues
- Systems Operation and Maintenance Revenues
- Order backlog
- Order received

※Systems construction's order backlog and order received include equipment sales

< Systems Operation and Maintenance >



Systems construction revenues

- ◆ 1Q15 revenue: up JPY118 million, up 3.8% YoY
- ◆ 1Q15 order received: up JPY1,930 million, up 44.1% YoY
- ◆ Revenue increased due to an expansion in projects scale
 - Large-scale projects orders received in 1Q15:
 - Network integration project (approx. JPY2.1 billion)
 - MVNO service platform including billing, customer management systems for a company entering MVNO business
 - Renewal of Internet gateway for a major retail company
 - Construction of hybrid cloud systems for a prominent service company etc.

Systems operation and maintenance revenue

- ◆ 1Q15 revenue: up JPY1,498 million, up 23.5% YoY
 - Adding RYUKOSHA's revenue from 3Q14 (1Q15 JPY352 million)
 - 85% of 1Q15 cloud-related revenue is recognized in systems operation and maintenance revenues (15% in outsourcing)
 - Systems construction projects which migrated to operation and maintenance phase contributed to revenues

< Overseas business >

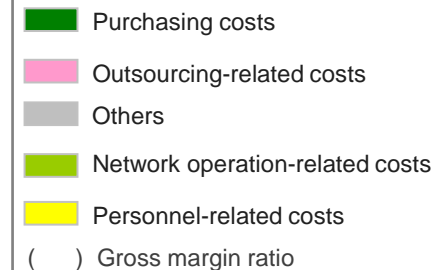
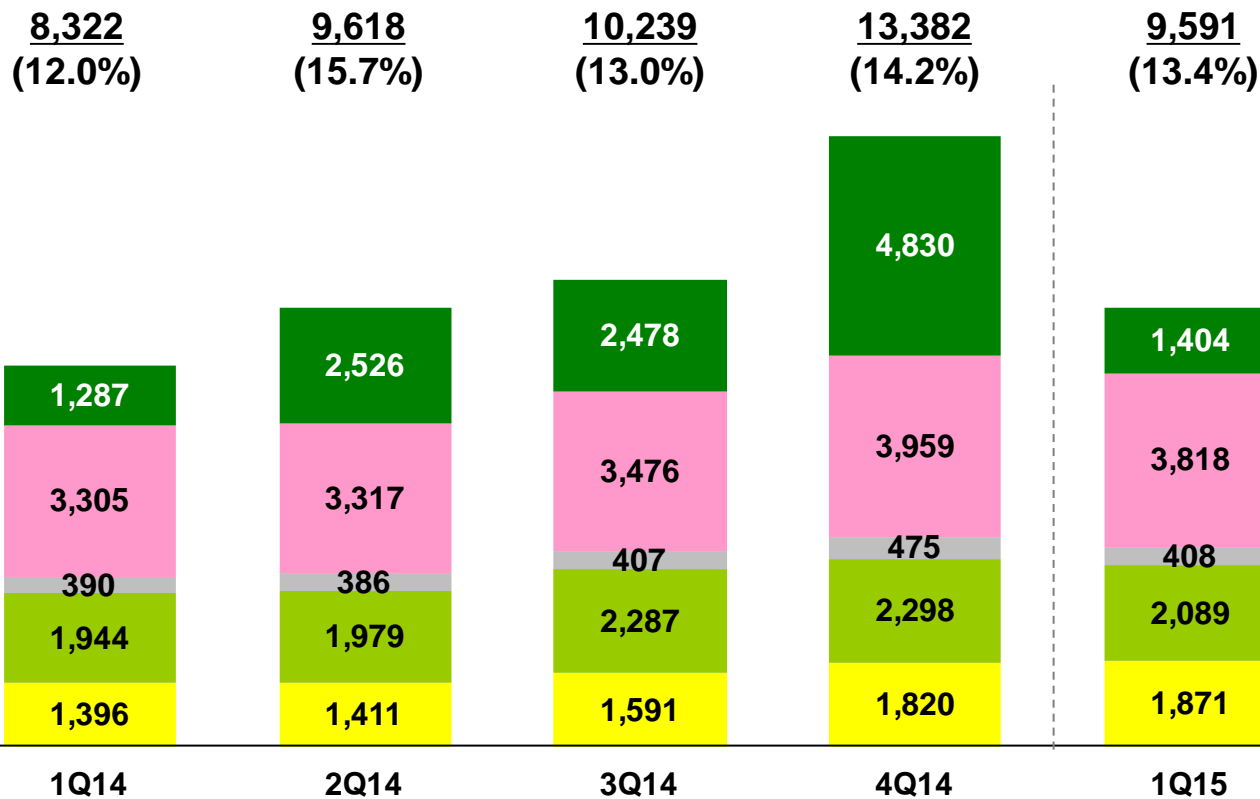
1Q15 revenue: approx. JPY 1.2 billion (almost same as 1Q14), business enterprise covered large game customers' decrease

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

Unit: JPY million

FY14: 41,562 (13.8%)

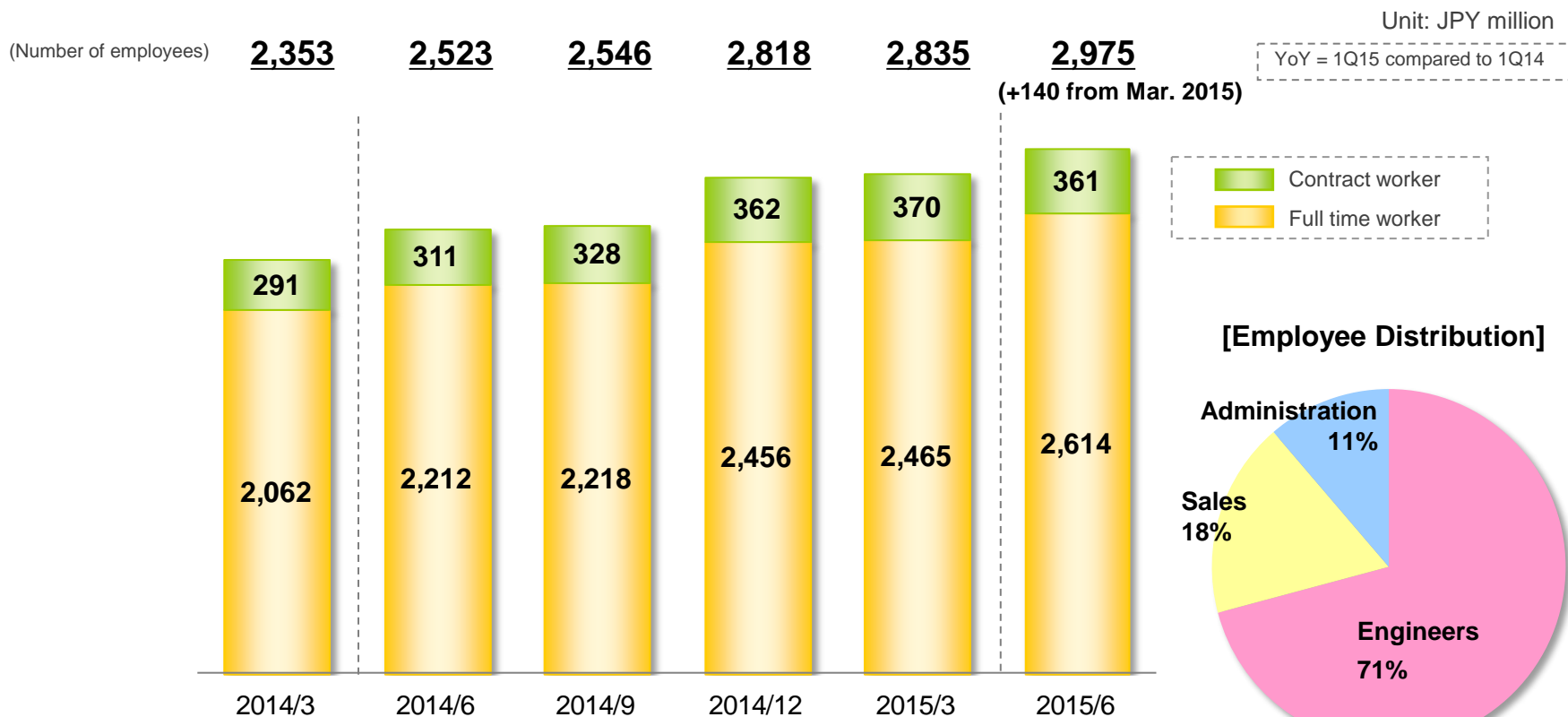
YoY = 1Q15 compared to 1Q14
QoQ = 1Q15 compared to 4Q14



◆ 1Q15 Cost of SI: up JPY1,269 million, up 15.3% YoY

- Number of outsourcing personnel as of June. 2015: 985 personnel (up 175 personnel YoY, up 16 personnel QoQ)
- Purchasing costs and outsourcing-related costs increased as number and scale of construction projects increased

II - 6. Number of Employees



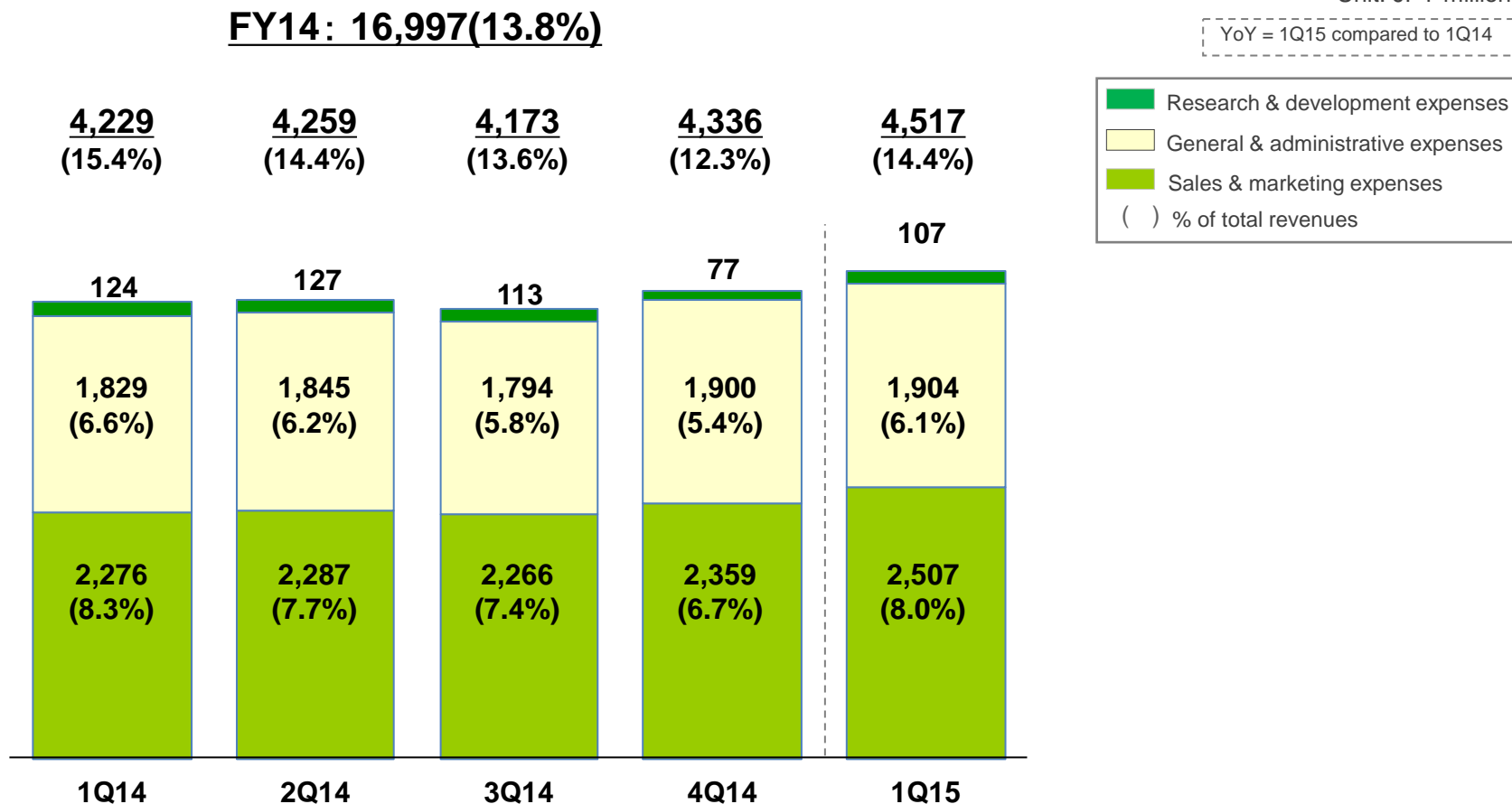
Personnel related costs & expenses (% of revenue)	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15
	4,408 (14.0%)	4,641 (16.8%)	4,643 (15.7%)	4,704 (15.3%)	5,114 (14.5%)	5,266 (16.7%)

- ◆ 1Q15 personnel-related costs and expenses: up JPY624 million, up 13.5% YoY
- ◆ Acquired RYUKOSHA in 3Q14, the number of employees increased by 264 personnel and personnel-related expenses increased
- ◆ Hired 155 new graduates in Apr. 2015 (129 in Apr. 2014, 136 in Apr. 2013, 75 in Apr. 2012)

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

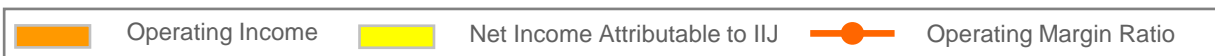
Unit: JPY million

YoY = 1Q15 compared to 1Q14



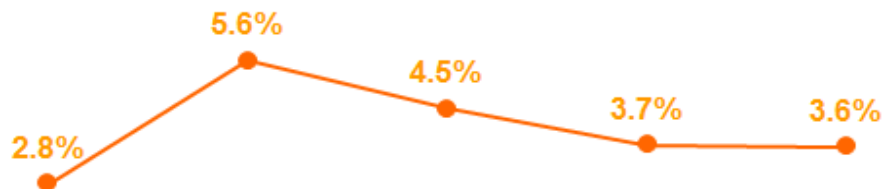
- ◆ 1Q15 SG&A Expenses/R&D: up JPY288 million, up 6.8% YoY
 - Personnel-related, outsourcing-related and mobile services' sales commission expenses increased
- ◆ SG&A related to ATM operation business:
 - 1Q15:JPY44.9 million, 4Q14:JPY73.4 million, 3Q14:JPY45.9 million, 2Q14:JPY45.4 million, 1Q14:JPY37.6 million
 - Placed 1,081 ATMs as of June. 30, 2015

II - 8 Operating Income and Net Income



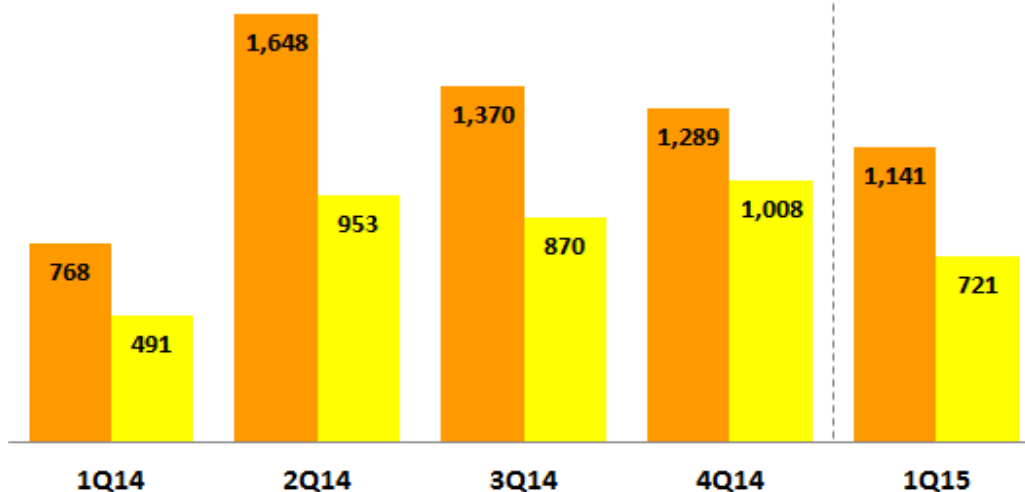
Unit: JPY million

YoY = 1Q15 compared to 1Q14



FY14 Operating income: 5,075

FY14 Net income attributable to IIJ: 3,322



◆ Income before income tax expenses:

- 1Q15: JPY1,278 million
(up JPY451 million, up 54.5% YoY)
 - Dividend income: JPY63 million
 - Foreign exchange gains: JPY27 million
 - Gains from fund investments: JPY96 million
 - Interest expense: JPY57 million

◆ Net income attributable to IIJ:

- 1Q15: JPY721 million
(up JPY230 million, up 46.8% YoY)
 - Mainly due to equity in net income of Internet Multifeed: JPY61 million
 - Net income attributable to noncontrolling interests including Trust Networks: JPY57 million

1Q14	2Q14	3Q14	4Q14	1Q15	
220	624	523	319	450	Current income tax expense
132	98	36	(55)	111	Deferred tax expense (benefit)
34	35	46	40	61	Equity in net income of equity method investees
(18)	(24)	(15)	(18)	(57)	Less: Net income attributable to noncontrolling interests

II - 9. Consolidated Balance Sheets (Summary)

Unit: JPY million

	March 31, 2015	June 30, 2015	Changes
Cash and Cash Equivalents	21,094	20,004	(1,089)
Accounts Receivable	22,252	19,181	(3,070)
Inventories and Prepaid Expenses (Current and Noncurrent)	7,835	10,083	+2,248
Investments in Equity Method Investees	2,561	2,590	+30
Other Investments	6,661	7,067	+406
Property and Equipment	29,370	29,745	+375
Goodwill and Other Intangible Assets	10,111	10,015	(96)
Guarantee Deposits (Current and Noncurrent)	2,800	2,797	(3)
Total Assets	108,705	107,292	(1,413)
Accounts Payable	13,626	11,854	(1,771)
Income Taxes Payable	499	205	(294)
Bank Borrowings (Short-term)	9,250	9,250	-
Capital Lease Obligations (Current and Noncurrent)	7,863	7,478	(384)
Total Liabilities	45,862	44,092	(1,770)
Common Stock	25,500	25,500	-
Additional Paid-in Capital	36,014	36,028	+14
Accumulated Deficit	(556)	(340)	+216
Accumulated Other Comprehensive Income	1,939	2,005	+66
Total IIJ Shareholders' Equity	62,504	62,800	+295

➤ Total IIJ Shareholders' Equity to Total Assets: 57.5% as of Mar. 31, 2015 and 58.5% as of June 30, 2015

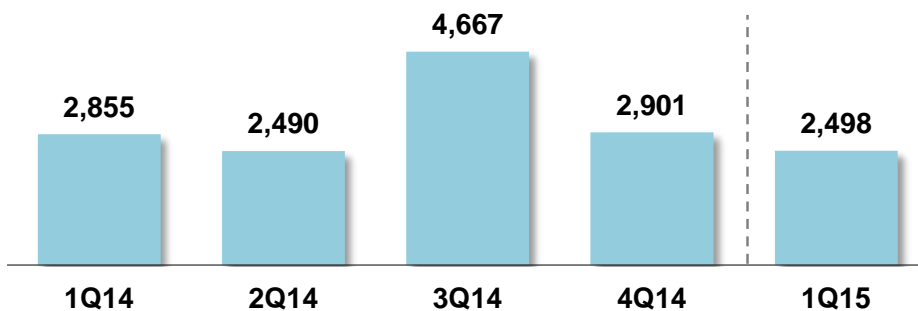
II - 10. Consolidated Cash Flows

< Operating Activities >

Unit: JPY million

YoY = 1Q15 compared to 1Q14

FY14: 12,912

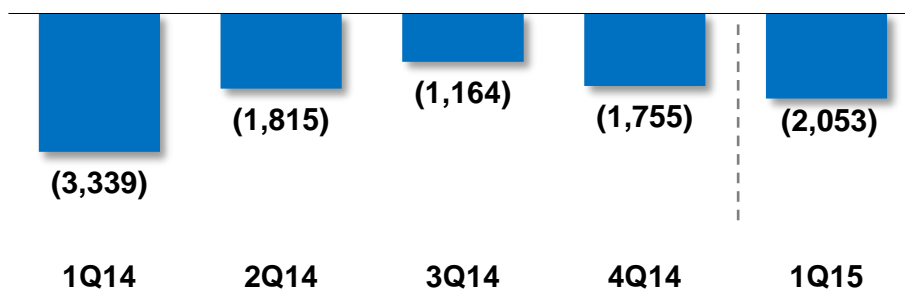


Operating Activities

	1Q15 Breakdown	YoY Change
Net income	778	+269
Prepaid expenses (software license fee, bonus etc.)	1,753	(345)

< Investing Activities >

FY14: (8,073)

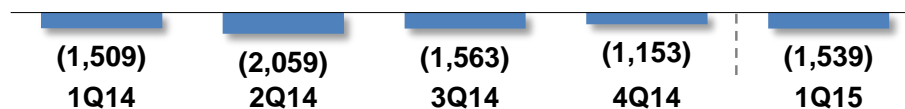


Investing Activities

	1Q15 Breakdown	YoY Change
Purchases of property and equipment	2,370	(434)

< Financing Activities >

FY14: (6,283)



Financing Activities

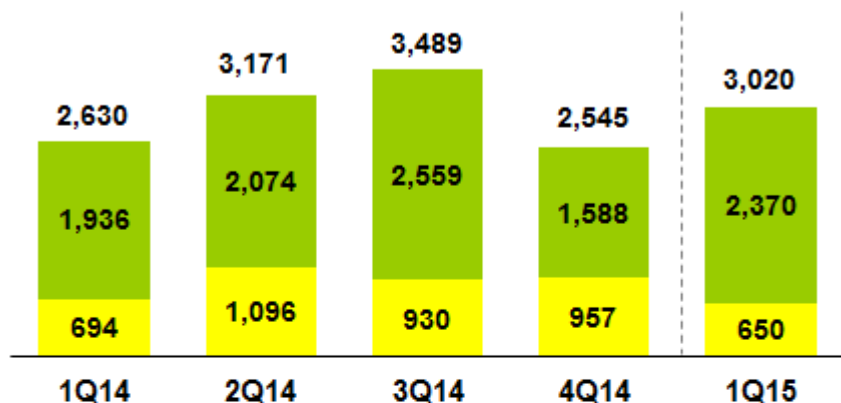
	1Q15 Breakdown	YoY Change
Principal payments under capital leases	1,034	(30)
Dividends paid	505	(0)

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

< CAPEX >



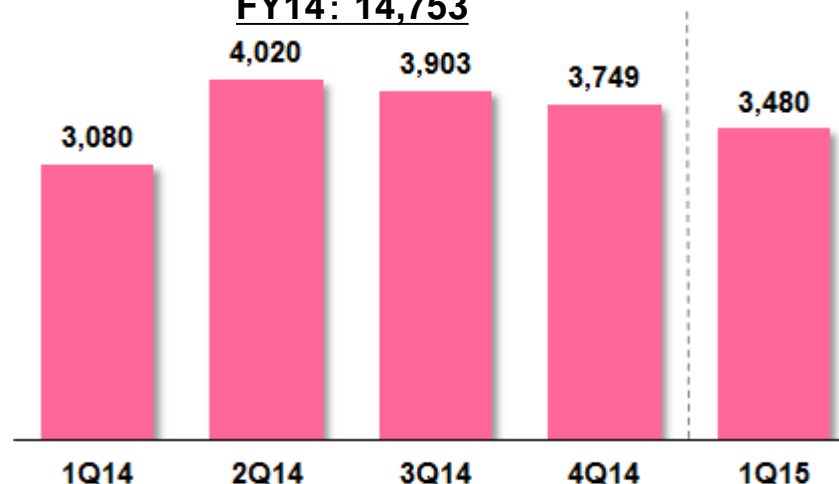
FY14: 11,835



< Adjusted EBITDA >

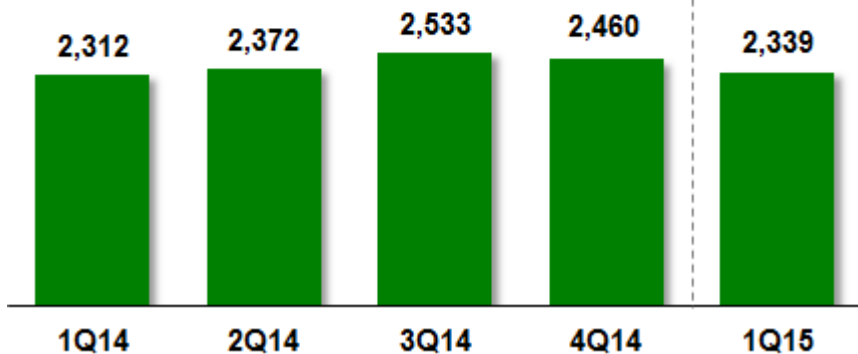
Unit: JPY million

FY14: 14,753



< Depreciation and Amortization >

FY14: 9,677



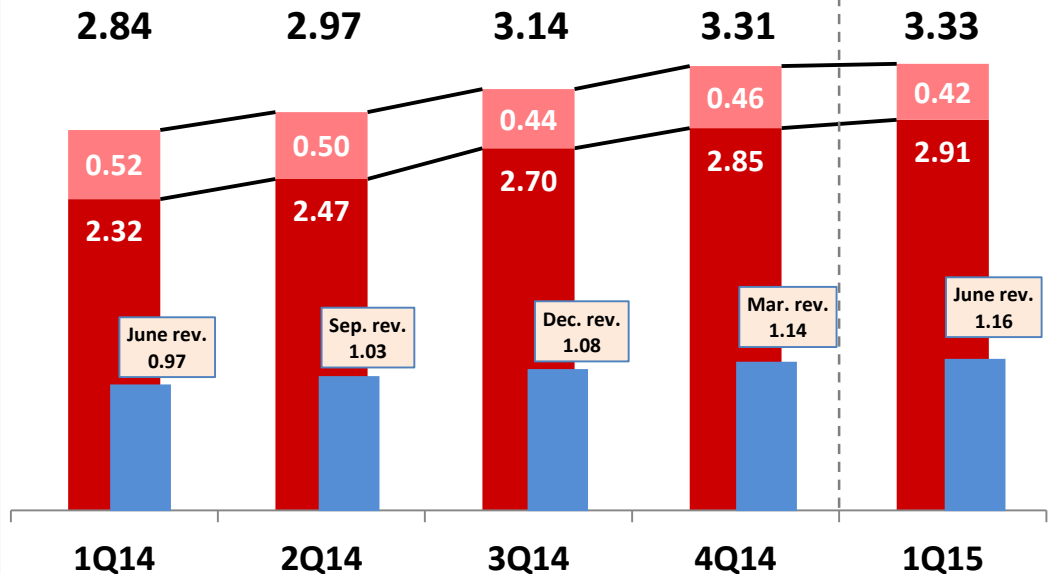
III-1. Cloud Business Developments

Cloud-related revenue (Unit: JPY billion)

Large game customers
 Business enterprise customers

1Q15 cloud-related revenue recognition:
 85% in systems operation and maintenance, 15% in outsourcing

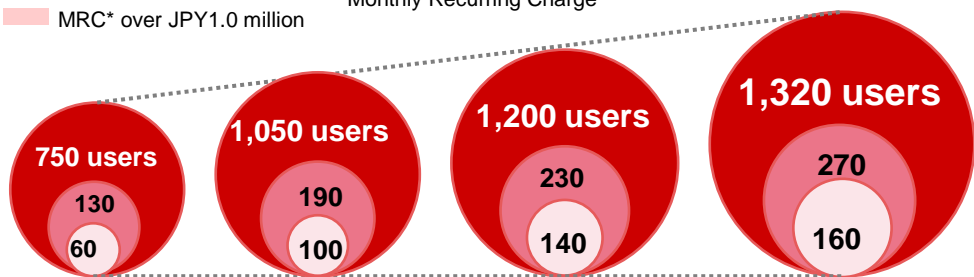
FY14: JPY12.26 billion



Cloud customer base

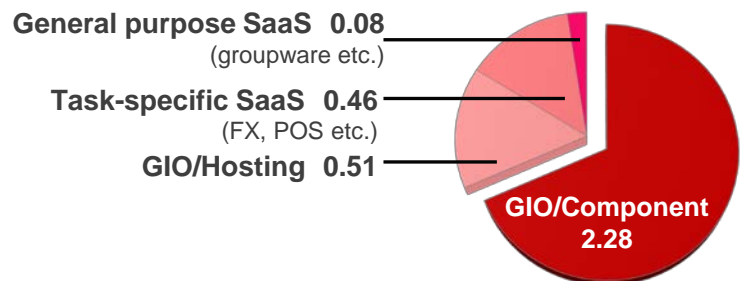
MRC* over JPY0.5 million
 MRC* over JPY1.0 million

*Monthly Recurring Charge



As of June 2012 As of June 2013 As of June 2014 As of June 2015

Breakdown of 1Q15 revenue (Unit: JPY billion)



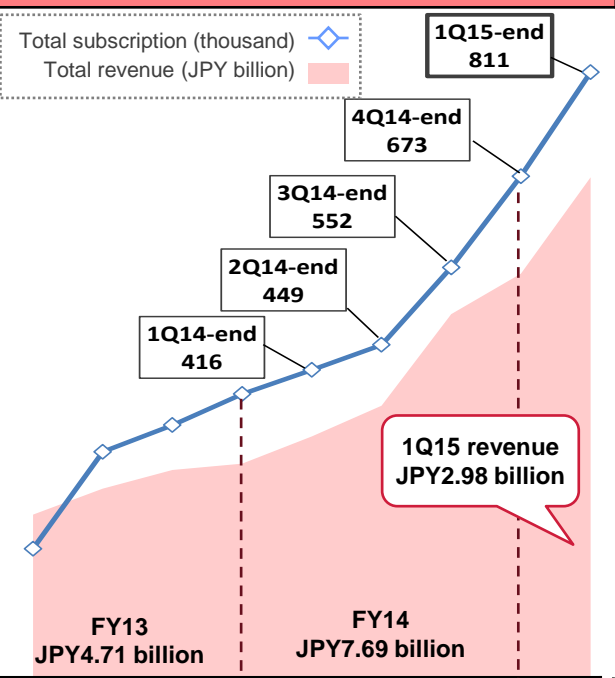
Business progress

- **1Q15 revenue:**
 - ✓ Large game customers' revenue decreased and 1Q seasonal factor
 - ✓ FX (Foreign Exchange) SaaS revenue increased along with transaction increase
- **New cloud service:**
 - Developed "IIJ GIO Infrastructure P2" which will be launched in 2015/10, enabling flexible system composition by in-house developed SDN products and cloud orchestrator(*)
- **BigData-related projects:**
 - Accumulating orders including operation data visualization for a prominent logistics company
- **SAP business:**
 - Continuously accumulating orders by leveraging sales partnership

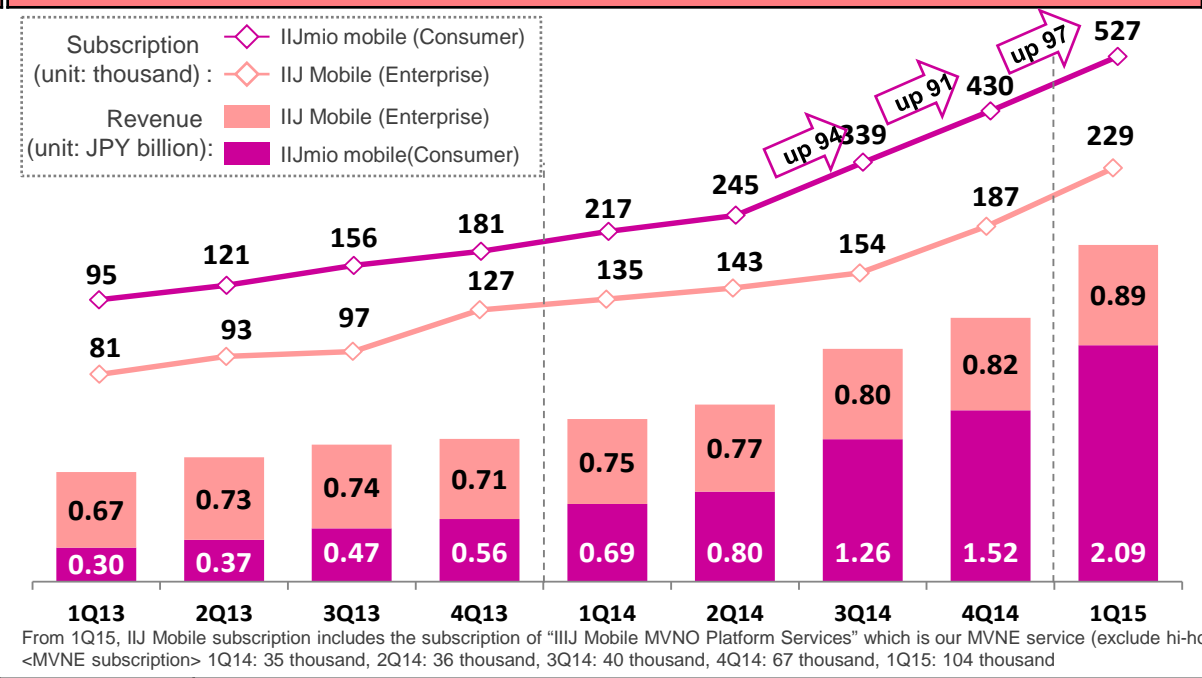
(*) Cloud orchestrator enables automatic implementation and management of complex computing systems including virtual servers.

III-2. Mobile Business Developments

Total subscription & revenue



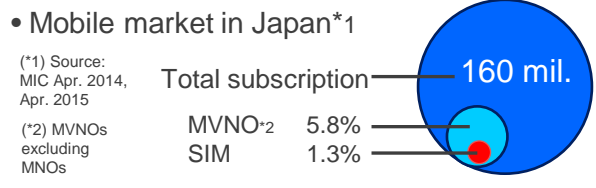
IIJmio mobile & IIJ Mobile subscription & revenue



From 1Q15, IIJ Mobile subscription includes the subscription of "IIJ Mobile MVNO Platform Services" which is our MVNE service (exclude hi-ho <MVNE subscription> 1Q14: 35 thousand, 2Q14: 36 thousand, 3Q14: 40 thousand, 4Q14: 67 thousand, 1Q15: 104 thousand

Market

- MVNO receiving market recognition*1
✓Dec. 2014 69.5% (up 20.1point YoY)
- In May, government mandated mobile phone carriers to remove lock from SIM cards after 6 months from purchase, Expect to see impact from Nov. 2015
- Mobile market in Japan*1



(*1) Source: MIC Apr. 2014, Apr. 2015
(*2) MVNOs excluding MNOs

Enterprise	<ul style="list-style-type: none"> ➢ Demands for MVNE continues to be strong: <ul style="list-style-type: none"> ✓1Q15 revenue: approx. JPY0.3 billion (up 248.7% YoY) ✓1Q15-end subscription: 104 thousand (up 69 thousand YoY) ✓Over 40 cable TV operators as sales partners, prominent contents distributor leading the growth. Awarded as the best MVNE for reliable connectivity & skilled network operation ➢ Continuously accumulating orders for M2M including security camera related projects: 1Q15 revenue: approx. 0.12 billion (up approx. 20% YoY) 	YoY = 1Q15 compared to 1Q14
Consumer	<ul style="list-style-type: none"> ➢ Strong subscription accumulation continued in 1Q15 mainly due to our competitive price plan, BIC CAMERA's 35 sales counters nationwide, and spring seasonality ➢ Maintained high user satisfaction with continuous infrastructure expansion ➢ Further business development from July <ul style="list-style-type: none"> ✓Aeon handing MNP transaction in their 209 stores nationwide ✓IIJ started offering SIM-lock free devices through our webpage ✓Enhanced lineups for pre-paid SIM card services for foreigners visiting Japan 	

※ Forward-looking Statements

Statements made in this presentation regarding IIJ's or managements' intentions, beliefs, expectations, or predictions for the future are forward-looking statements that are based on IIJ's and managements' current expectations, assumptions, estimates and projections about its business and the industry. These forward-looking statements, such as statements regarding revenues, operating and net profitability are subject to various risks, uncertainties and other factors that could cause IIJ's actual results to differ materially from those contained in any forward-looking statement. These risks, uncertainties and other factors include but not limited to:

- a decrease of corporate spending or capital expenditure due to depression in the Japanese economy and/or corporate earnings decreased,
- an inability to achieve anticipated results and cause negative impact on profitability,
- a possibility that less of reliability for our services and loss of business chances due to interrupt or suspend of our services,
- an excess increase and fluctuation in network related cost, mobile-related cost, and outsourcing cost, personnel cost etc,
- a possibility to lose business opportunity due to our inadequate resources in personnel and others,
- an increase in competition and strong pricing pressure,
- the recording of an impairment loss as a results of an impairment test on the non-amortized intangible assets such as goodwill,
- a decline in value and trending value of our holding securities.

Please refer to IIJ's filings on Form 20-F of its annual report and other filings with the United States Securities and Exchange Commission ("SEC") for other risks.

※ Contact Information IIJ Investor Relations

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