



# Internet Initiative Japan Inc.

**Mizuho Investment Conference Asia 2012**  
**August 27, 2012**

<http://www.ij.ad.jp/en/IR>

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**
  - **Over 6,500 Japanese Excellent Corporate Customers & Added 1,300 Customer Base through M&A**
- **Solid Growth Strategy with Proved Revenues and Income Growth**
  - **Best Positioned in the Growing Outsourcing & Cloud Computing Market**

details to follow

## TOP IP Engineering Company in Japan

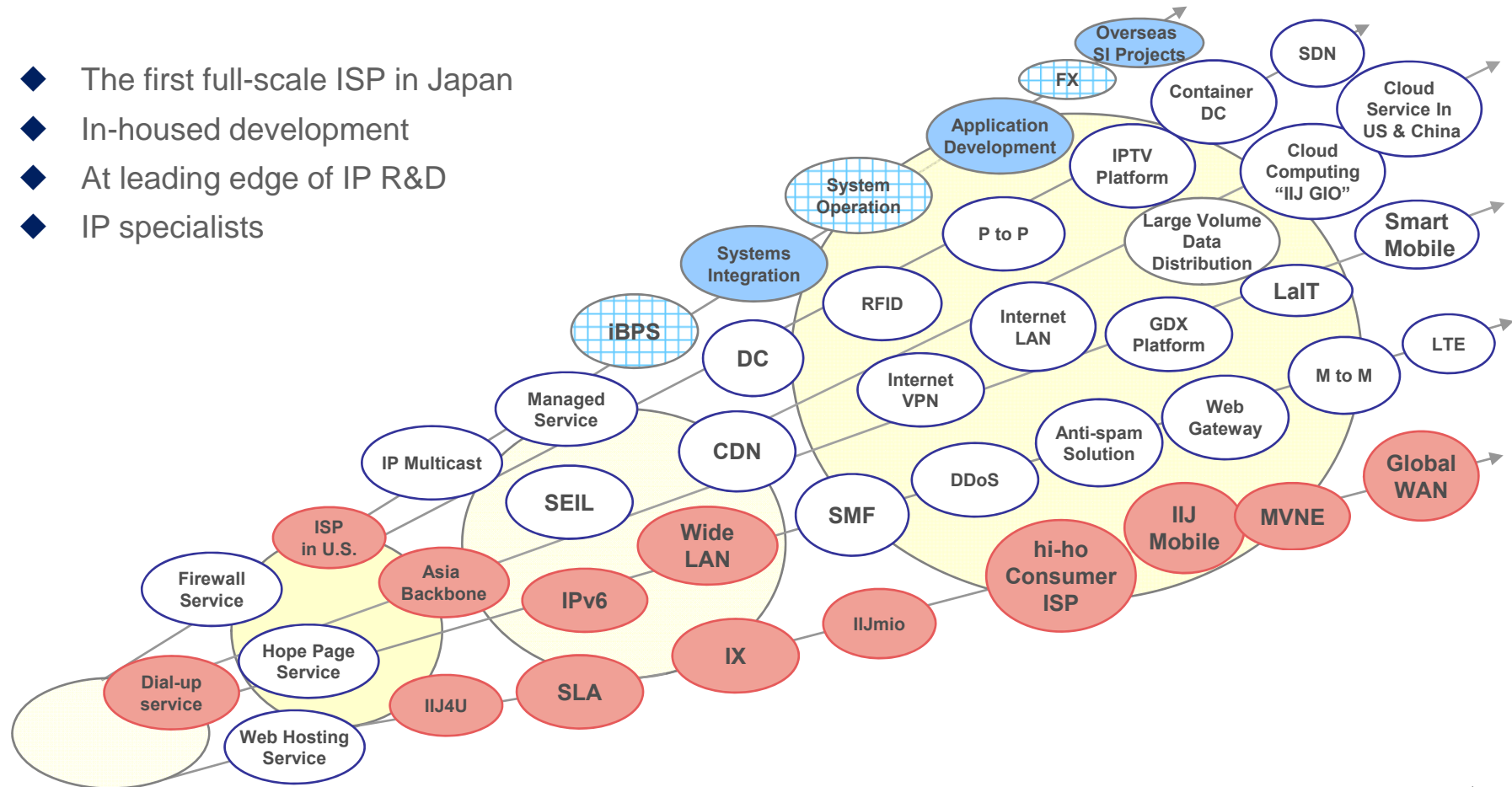
- ◆ The first established full-scale ISP in Japan
  - A group of highly motivated and skilled TOP level IP engineers
  - Pioneer of Network technologies in Japan historically
  
- ◆ Service initiative with in-house development
  - Operate one of the largest Internet backbone in Japan
  - Self-develop its service and back office facilities
    - Internet Connectivity & Security Services, IPv6 Services, Cloud IaaS Services, develop own routers etc.
  
- ◆ Established “IIJ” brand among the Japanese IT market
  - Known for its engineering skills & network support skills
  - High customer satisfaction / long term relationship
  - Approx. 6,500 clients. Mainly large enterprises & governmental organizations
  
- ◆ At the leading edge of IP R&D
  - Participation in world-wide research and organizations
    - Member of "FIRST", international organization handling security & incidents
    - Board member of Telecom-ISAC Japan and more
  - Engaged in software development of SDN

Company Profile (as of March 2012)	
Established	December 1992
Number of Employees	Consolidated: 1,923 (approx. 70% engineers)
Listed Markets	NASDAQ (IIJI), TSE1 (3774)
Large Shareholders	NTT (24.4%), Koichi Suzuki (6.3%), Itochu Corp. (5.1%), NTTCom (4.9%)

# Entrepreneur of Network Technologies

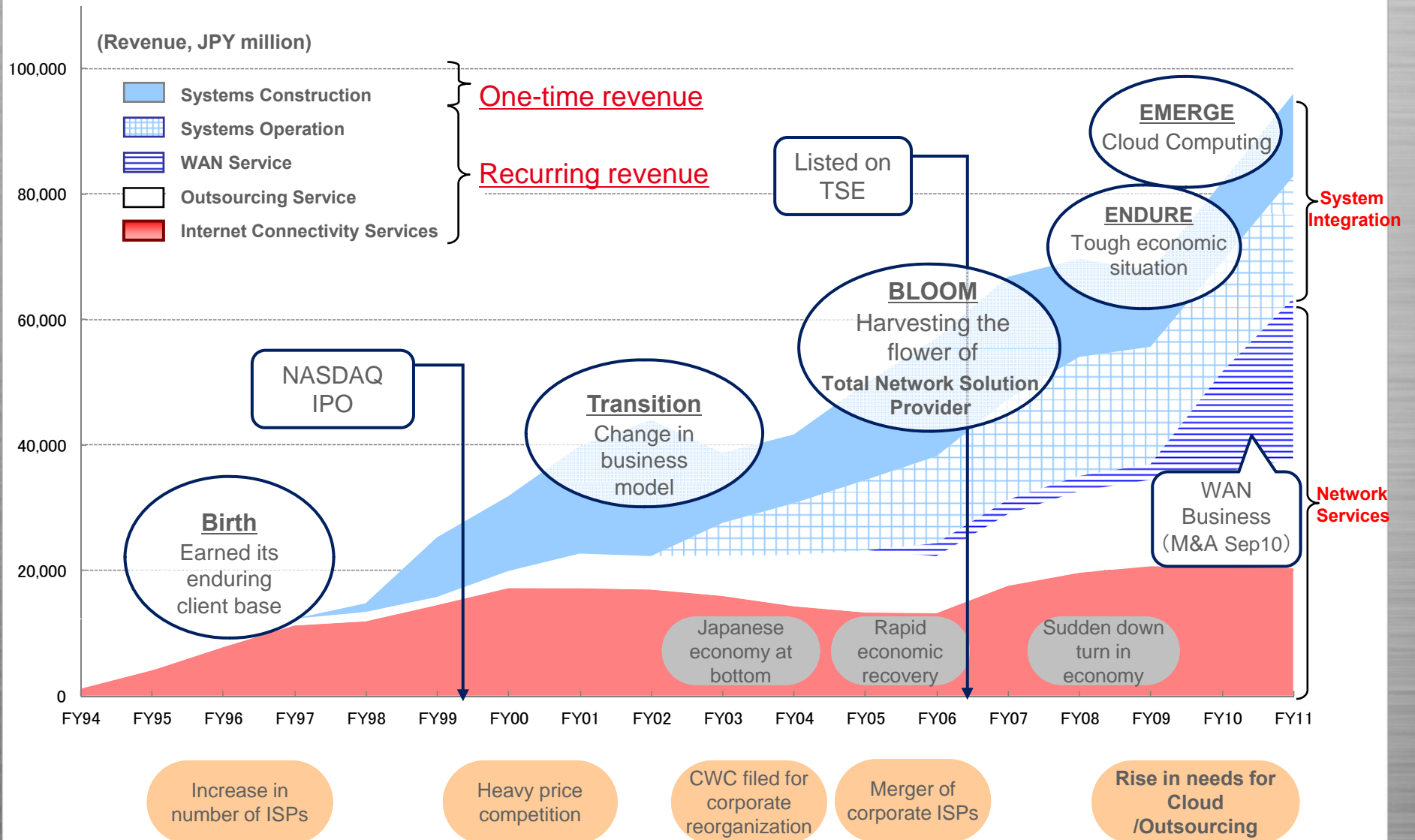
## Business and Service Development to Initiate the Market

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



# Strategic Shift in Business Model

## From "ISP" to "Total Network Solution Provider"

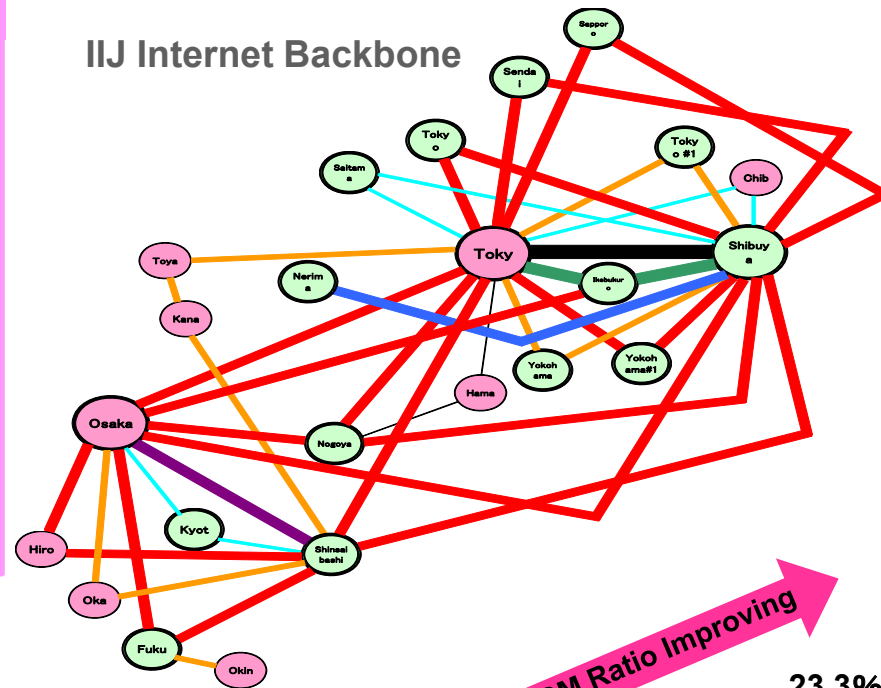


# Business Structure of Network Services

## Revenues

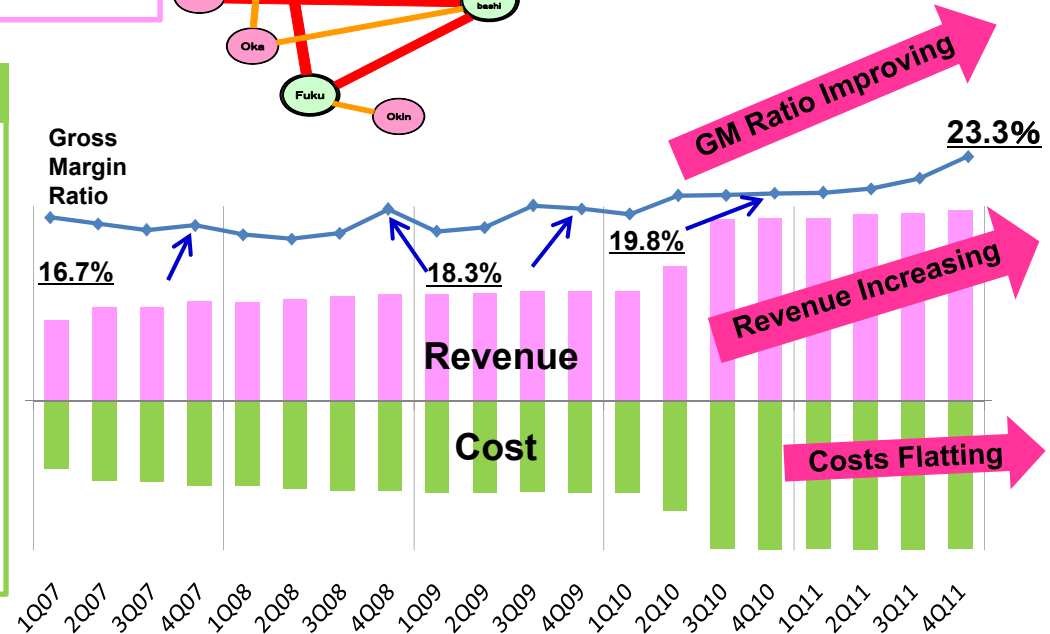
- Multiple cross-selling revenue sources with Internet connectivity for corporate/home and outsourcing services on the Internet backbone
- Internet connectivity contract is per bandwidth
- A monthly recurring-type revenue
- Blue-chip with mission-critical business & network operators clients (Carriers, ISPs, CATVs, etc)
- Tough competition ended, only few high-end ISPs left
- Revenues increase along with migration of bandwidth and accumulation of outsourcing services orders
- Enjoying scale merit along with increasing traffic

IIJ Internet Backbone



## Costs

- Constant expansion of Internet backbone
- Strong bargaining power as one of the largest independent ISPs
- Mainly related to circuit-borrowing, network equipments, DC- borrowing, operations, personnel and outsourcing costs
- Not always directly related to the revenues growth
- While constantly expanding the network, costs barely increase

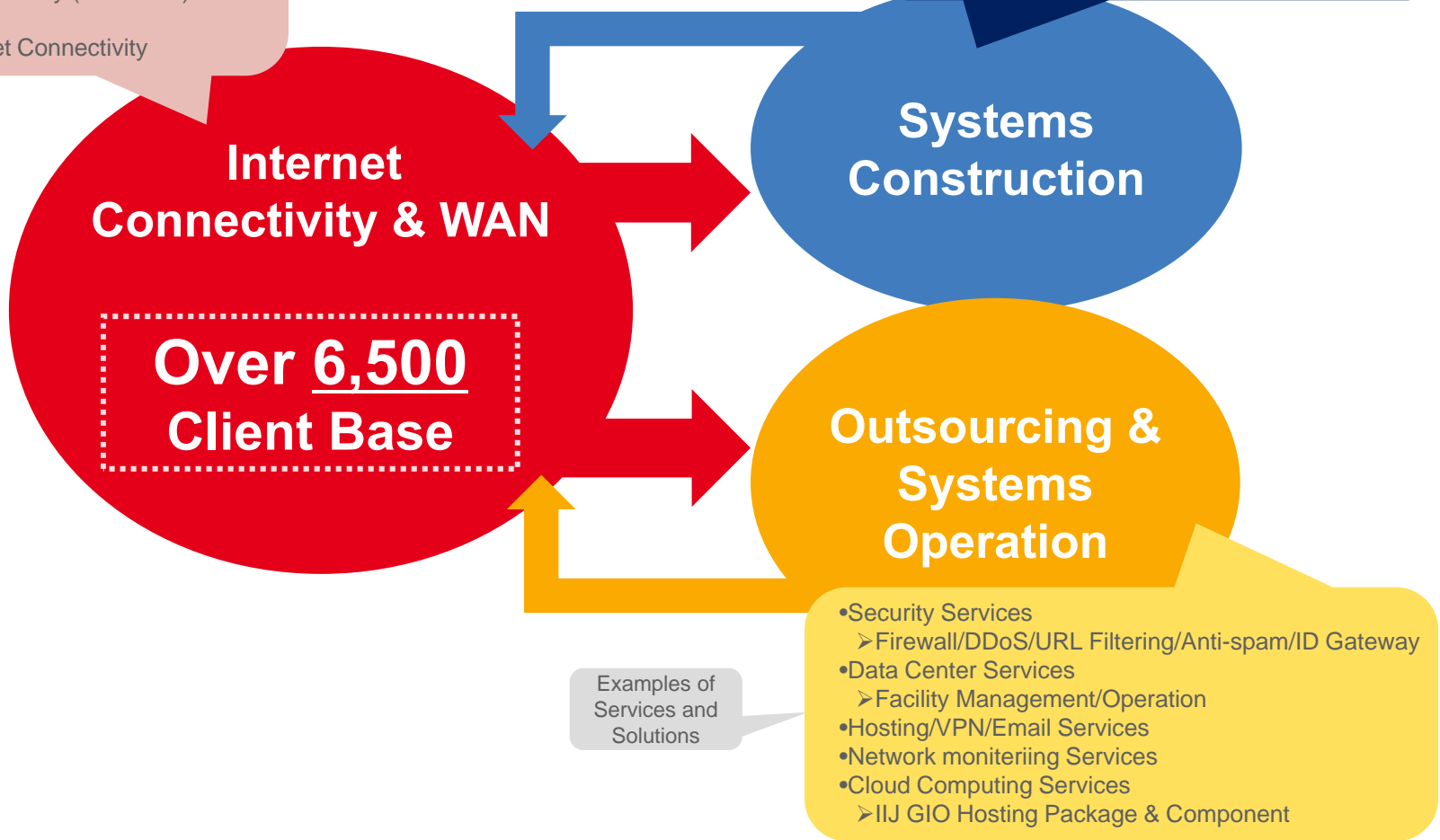


# Recurring Business Model

## Cross-selling of Network Solutions

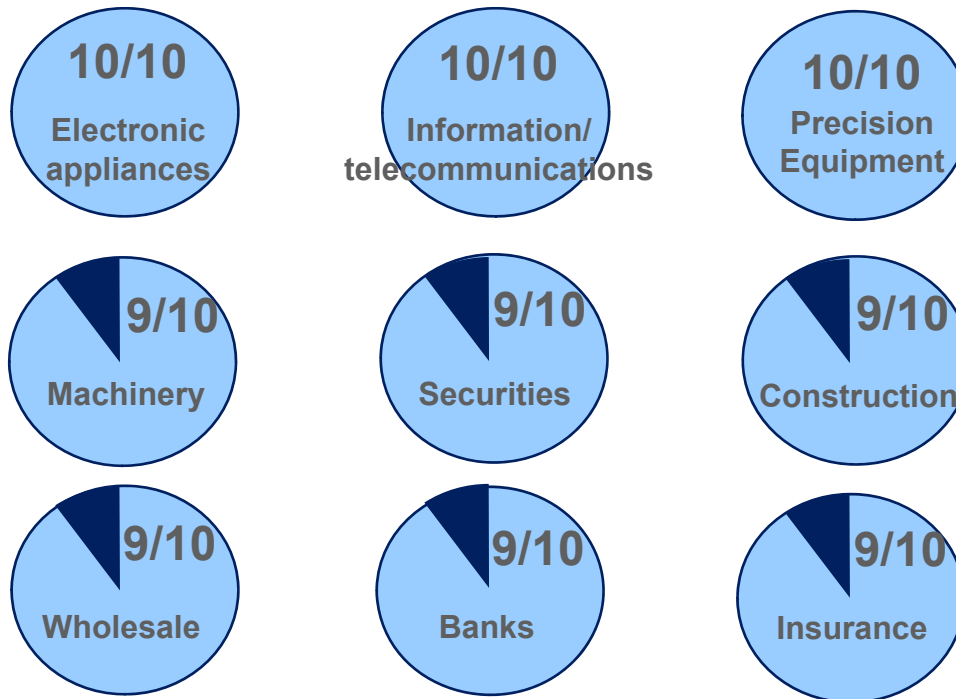
- Dedicated Line Connectivity
  - IP Service (cover over Gbps)
  - IPv6 Service
- Broadband Connectivity
  - Optical Fiber/ADSL
- Mobile Connectivity (IIJ Mobile)
  - LTE/3G
- WAN Ethernet Connectivity

- Mainly Network-related Integration
  - Site-to-Site VPN Network Construction (Convenient stores, Banks, Gas Stations, etc)
  - Email-system/Corporate Web Infrastructure
  - Ecommerce/Web-shopping
  - Desktop Virtualization
  - Disaster Recovery
  - Private Cloud Computing Platform



# Excellent Blue-chip Client Base

## Top Tiers



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



# Excellent Blue-chip Client Base

Enduring Relationship with leading companies

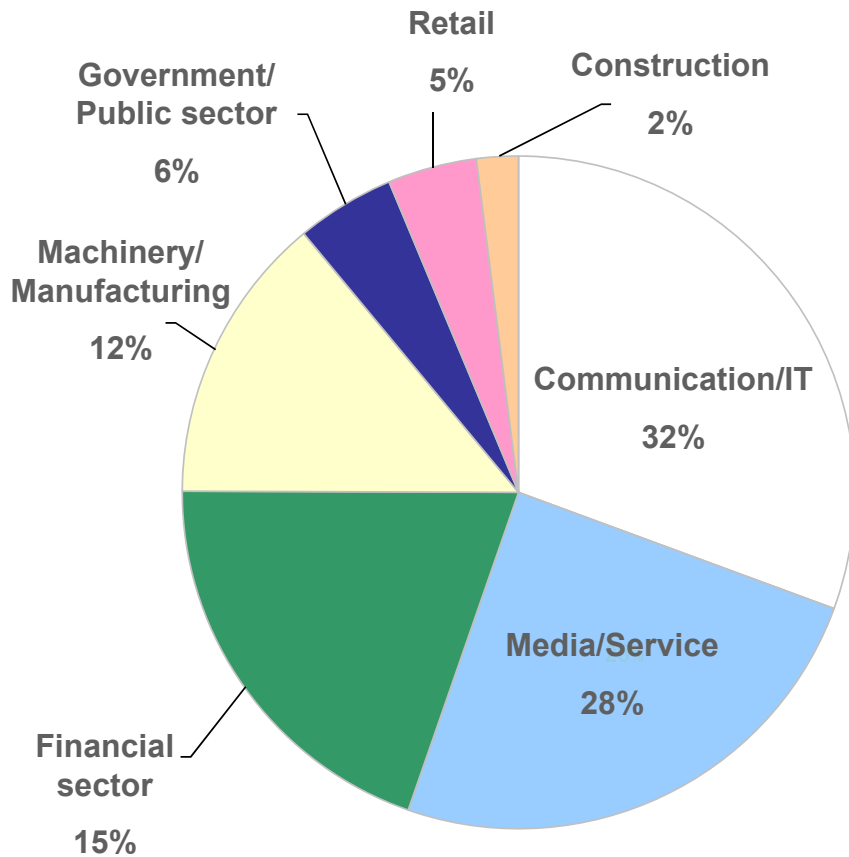


and many more...

# Revenue Composition by Clients

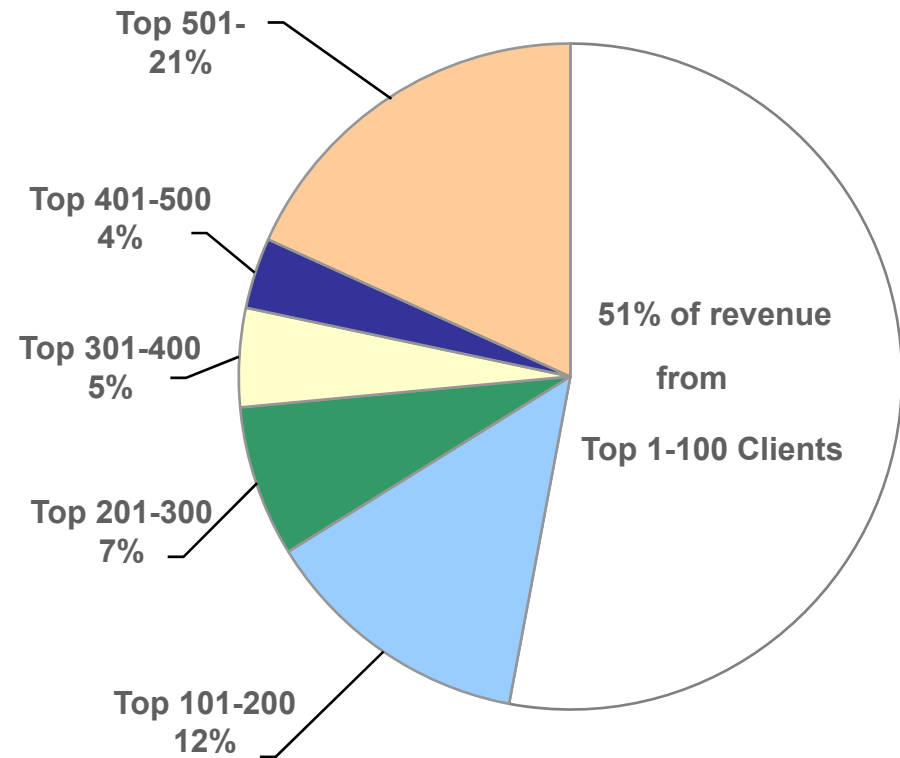
## Revenue Distribution by Industry

Not dependent on specific industry



## Revenue Distribution by Clients

Not dependent on specific company

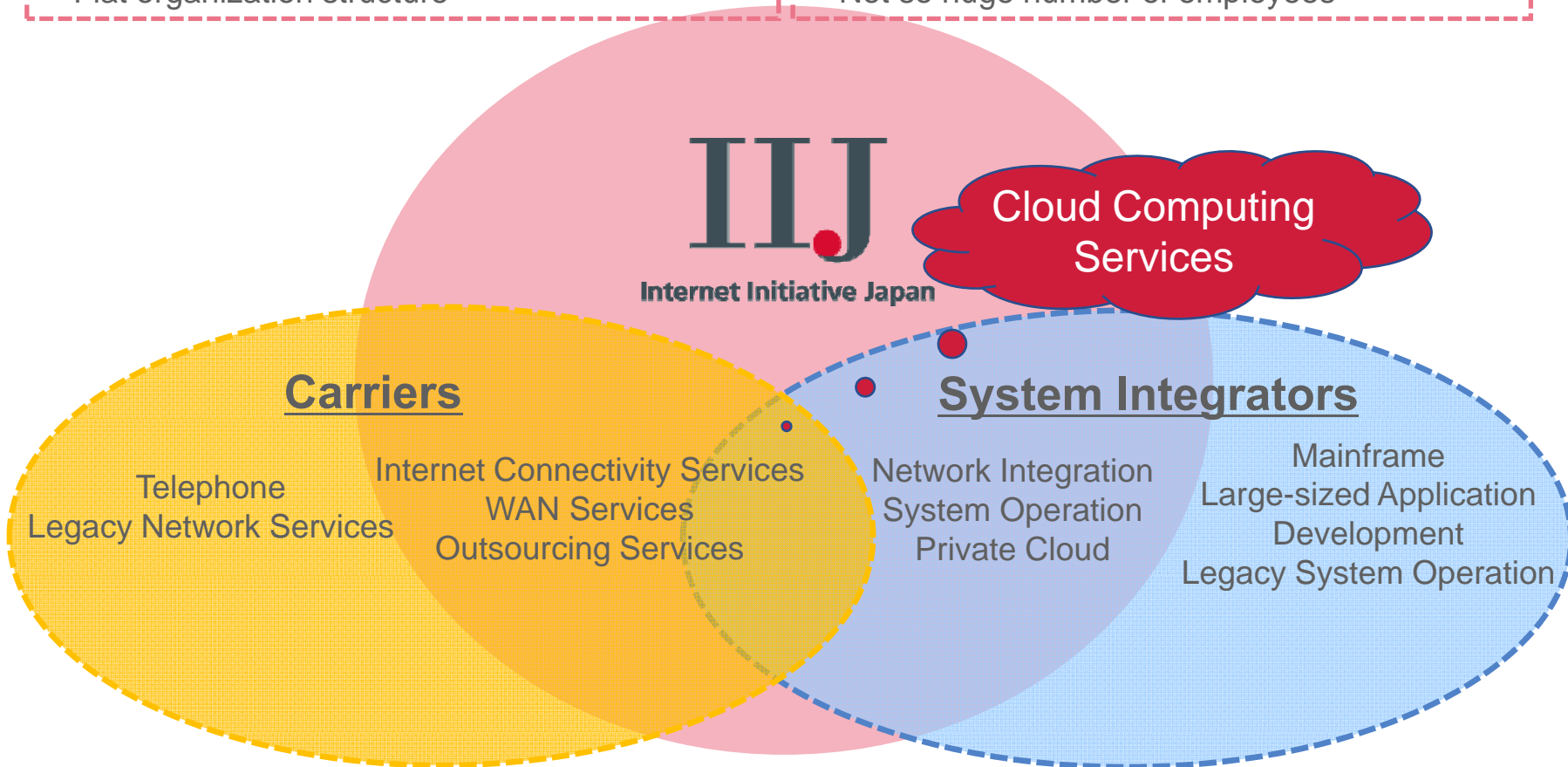


Source: IIJ's consolidated data for FY2011

# Competitive Advantages

- Many highly skilled network engineers
- Rapidly correspond to the Internet market
- Focus on enterprises
- Established brand among blue-chips
- Flat organization structure

- Operate own backbone network
- In-house developed network services
- Target new IT market, not legacy SI
- Long and rich experience in server operation
- Not so huge 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

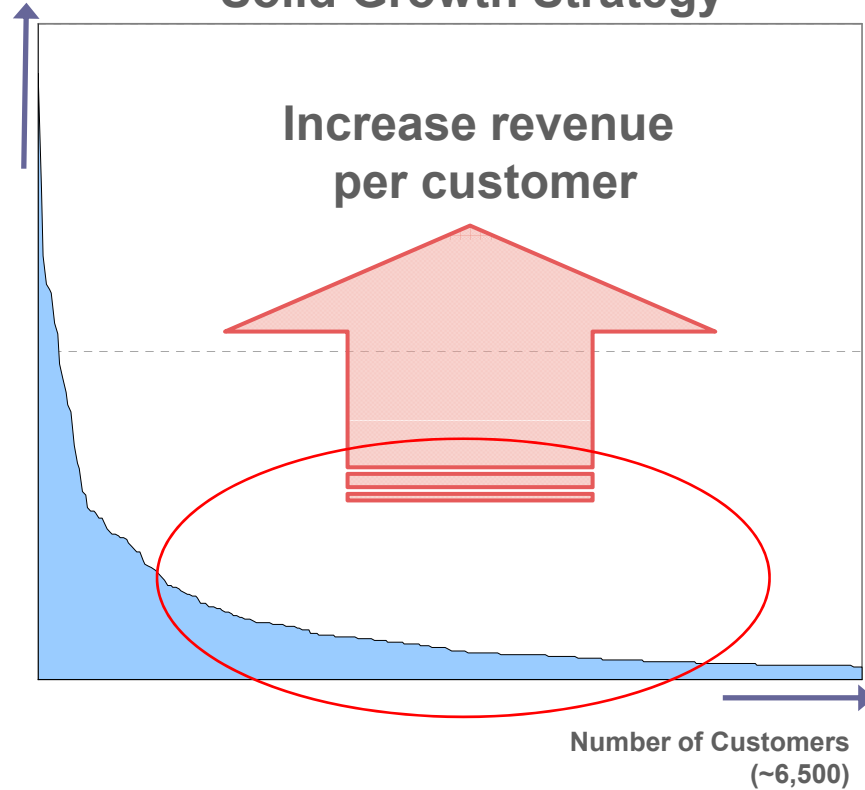
## Seizing business opportunities in the transitional phase of companies internal network system

Maximize IJ's potential as a Network Service Provider

Focus on cloud computing services

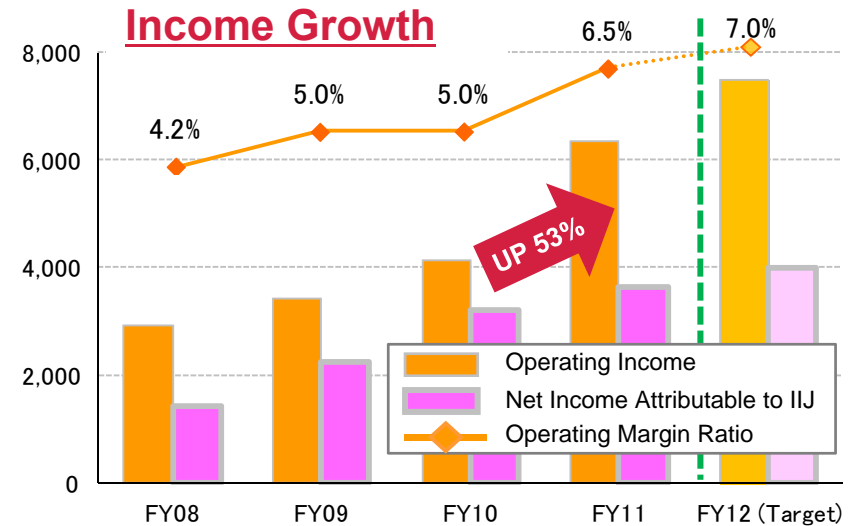
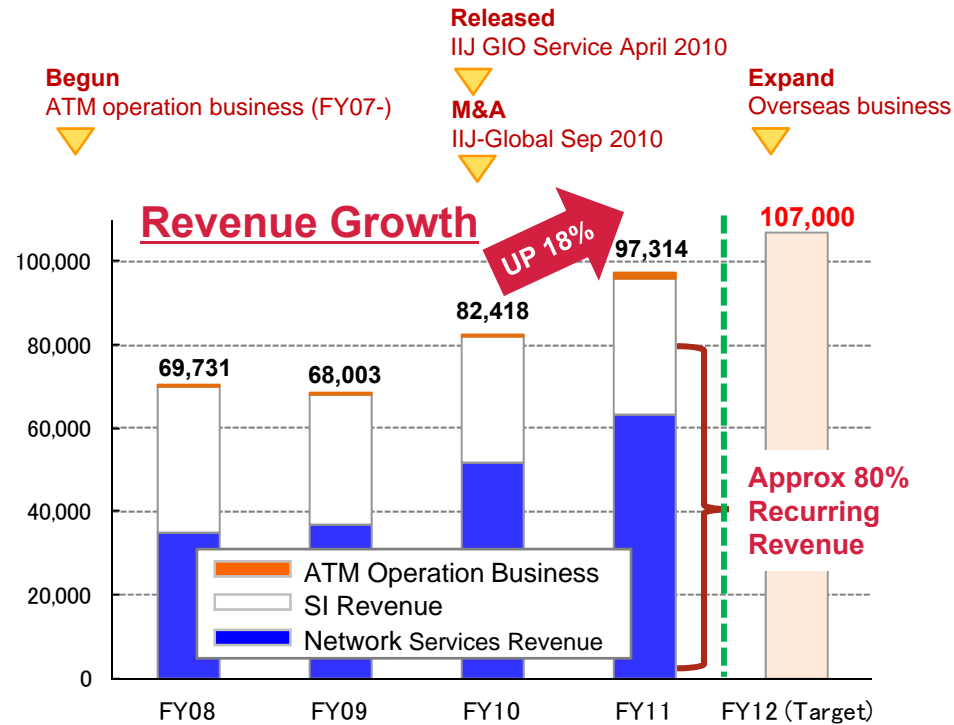
Revenues by Customer  
(JPY million)

## Solid Growth Strategy



- Increased demands of Outsourcing and Cloud Computing
- Indispensable IT investment in the mid-to-long-term

# Proven Solid Business Strategy



- ◆ Over 80% of total revenue are stock-type recurring revenues
- ◆ Stable growth with stock-type recurring revenues
  - Up 19.8% YoY in FY2011
  - Accumulating additional contracts, not so many cancellations
- ◆ Income grew along with stock revenue growth

# Growth Strategy Hereafter

<p><b>Connectivity services</b></p>	<ul style="list-style-type: none"> <li>• Survived tough competition. Few high-end corporate ISPs remain</li> <li>• Rapid traffic increase → bandwidth migration</li> <li>• Enjoying scale merit</li> <li>• Internet connectivity services for corporate use revenue: 5% growth YoY in FY11, 7.9% growth YoY in 1Q12</li> </ul>
<p><b>Cloud computing services</b></p>	<ul style="list-style-type: none"> <li>• Cloud services at the beginning. Rapid market growth</li> <li>• Network outsourcing opportunities arise, shift from legacy system integrators</li> <li>• Leading cloud service market, gathering over 800 corporate clients</li> <li>• Revenue: FY10 JPY0.6 billion → FY11 JPY3.1 billion → FY12 (planned) JPY7.0 billion</li> </ul>
<p><b>Outsourcing/ WAN services</b></p>	<ul style="list-style-type: none"> <li>• Continuous needs for security and datacenter related services etc.</li> <li>• Need to deal with constantly evolving Internet threats</li> <li>• Steady organic growth awaits</li> </ul>
<p><b>Overseas business</b></p>	<ul style="list-style-type: none"> <li>• Headed overseas to support Japanese corporate customers</li> <li>• Constructing servers platform in US for a prominent Japanese SNS game provider</li> <li>• IJ GIO US starting up well, accumulating orders</li> <li>• Planning further expansion of overseas cloud in accordance with clients needs</li> <li>• 1Q12 overseas revenue: approx. JPY1.0 billion</li> </ul>
<p><b>ATM operation business</b></p>	<ul style="list-style-type: none"> <li>• Strong revenue and income driver in mid-term</li> </ul>
<p><b>R&amp;D</b></p>	<ul style="list-style-type: none"> <li>• Keep focusing on R&amp;D toward mid-to long term growth</li> <li>• Software development of SDN platform, Network virtualization is our key R&amp;D theme, plan to release software products within this fiscal year</li> </ul>

# Best Positioned in Cloud Computing Market



## Features of IIJ GIO - IIJ's cloud computing services -

- Services released in 1Q10
- Mainly IaaS/PaaS services, focus on private cloud
- Invest in servers, storages and DC etc. and offer as services
- Targets blue-chip companies' internal IT systems
- Improve facility efficiency and price competitiveness with Matsue Container Data Center
- Differentiate by service reliability and network operation
- Adding service line-ups to meet enterprises' needs
  - Providing VMware hypervisor functions, targeting hybrid cloud usage
  - Offering Oracle Database on a monthly fee, first in Japan
- Ranked as the top cloud provider in Japanese public cloud market (reported by Fuji Chimera Research Inst., July 2012)

## Figures of IIJ GIO

- Monthly recurring revenue
  - About 80% of GIO revenues are in systems operation and maintenance, the rest in outsourcing services
- FY11 revenue: approx. JPY3.1 billion (5 times of FY10 revenue)
- 1Q12 revenue: approx. JPY1.2 billion (4Q11 JPY1.0 billion)
- Monthly revenue: JPY0.4 billion as of June, 2012
- Numbers of projects approx. 1300, number of clients: approx. 800 as of June 30, 2012
- FY12 Target: revenues over JPY7.0 billion, operating income turn positive, CAPEX almost same as FY11 (approx. JPY4.3 billion)

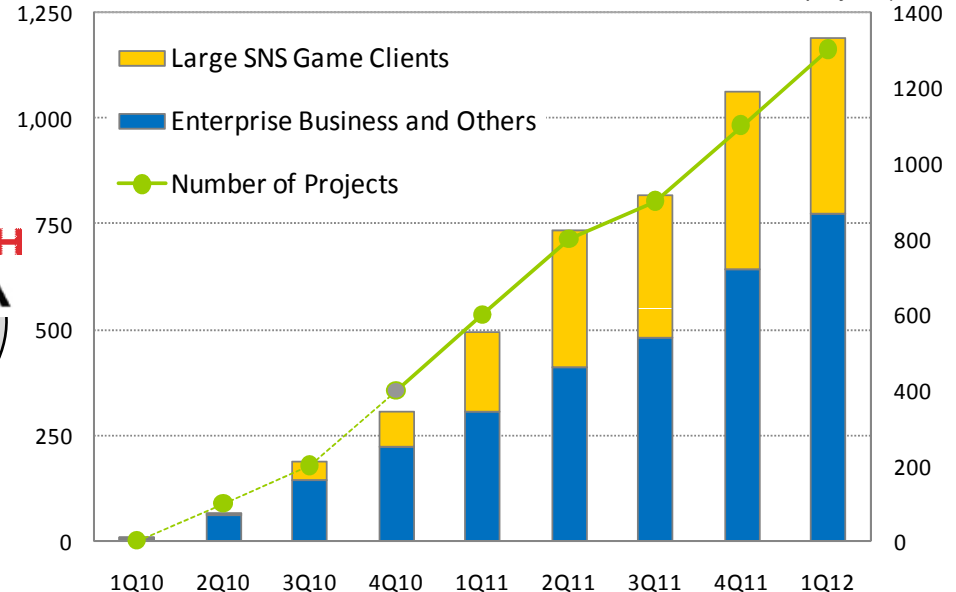
## IIJ GIO chosen by many fastidious companies



(JPY million)

## IIJ GIO Revenues

(number of projects)



# Overseas Business in Progress

Increasing customer demands for global network services and server operation

- Strong demands from SNS game providers to operate global business
- Japanese customers seeking for network services abroad, especially in Asia
- To offer network services seamlessly

◆ Services to offer

- Cloud services in the U.S. and China
- Global-WAN, Internet-VPN services
  - around 200 pre-sales discussion
- Multilingual helpdesk (Japanese, English, Chinese)
- SI such as servers construction and operation

◆ Constructing large servers in US for a prominent Japanese SNS game client

◆ IIJ GIO US starting up well, require additional servers

◆ Co-working with IIJ Exlayer, acquired in April 2012

- Targets SI projects for Japanese enterprise in US, UK, Germany, Singapore, Annual revenue of approx. JPY0.8 billion, 57 employees
- Rapid business development through this M&A

◆ Establish subsidiary in Shanghai and Bangkok

< IIJ Group Overseas branches >



- 1Q12 revenue: approx. JPY1.0 billion, exceeded expectation
- Expecting repeat orders for large servers construction
- Expansion of IIJ GIO US with strong demands by Japanese enterprises
- Further expansion of overseas cloud services along with clients' demands
- Receiving orders of Global-WAN transactions



# ATM Operation Business Developments



## ◆ Business Model

- Receive commission for each withdrawal transaction
- Strong revenue & income driver in mid-term

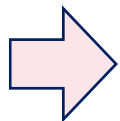
## ◆ 1Q12 Financial Results

- FY11: Annual revenues of JPY1.3 billion  
Operating deficit of JPY0.2 billion
- 1Q12 (3 month): revenue of JPY486 million  
(4Q11 JPY402 million)  
Operating income of JPY16 million, turned positive
- 540 ATMs placed as of mid-August, 2012  
(440 ATMs in mid-May)



### < Trust Networks >

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



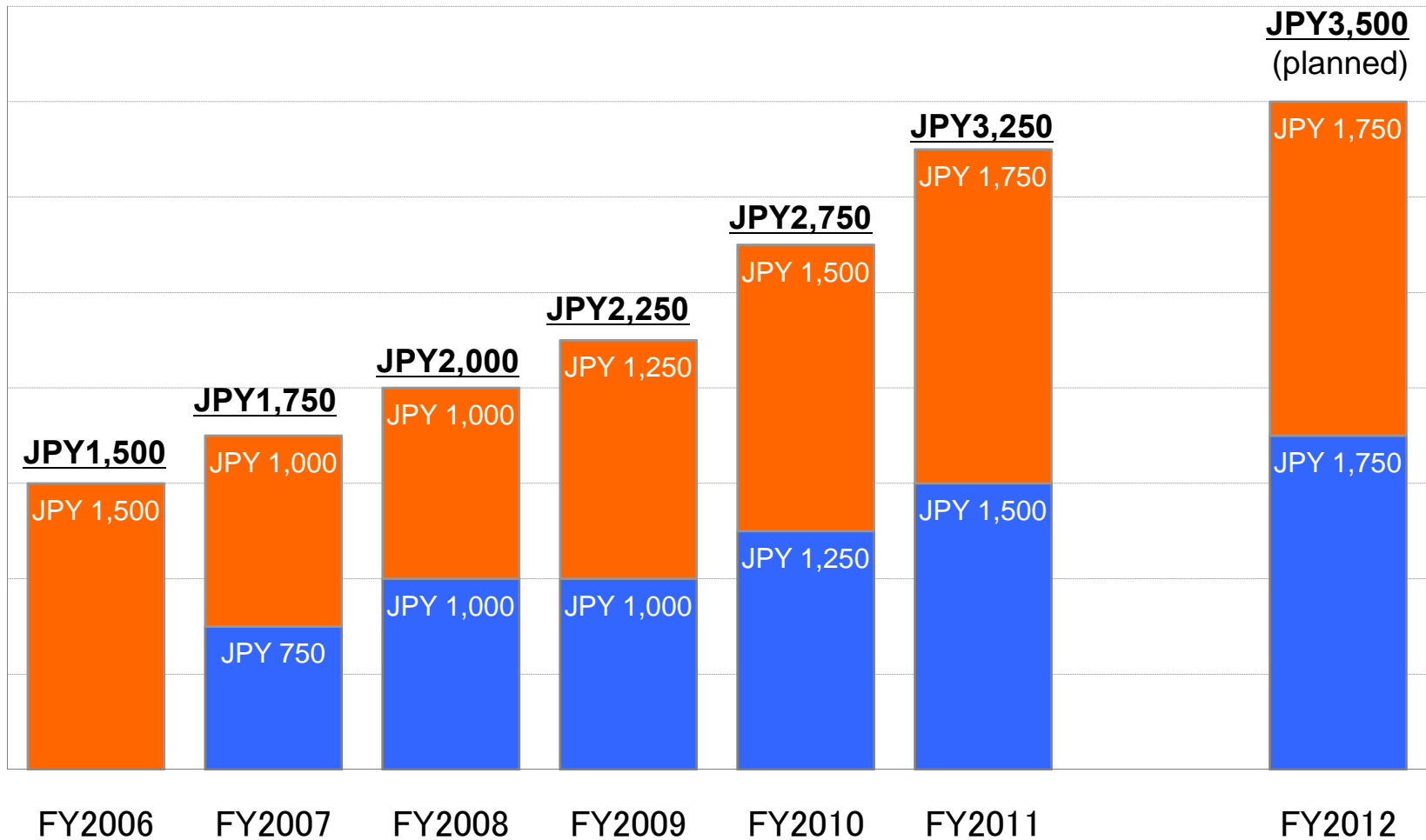
**Total number of ATMs & daily usage per ATM is key to profit growth**

# FY2012 Financial Target

Unit: JPY billion

	<b>FY12 Target ( 12/4 ~ 13/3 )</b>	<b>FY11 Actual ( 11/4 ~ 12/3 )</b>	<b>YoY (FY12 to FY11 Actual)</b>	
<b>Total Revenues</b>	<b>107.0</b>	<b>97.3</b>	<b>+9.7</b>	<b>10.0%</b>
<b>Operating Income</b>	<b>7.5</b>	<b>6.4</b>	<b>+1.1</b>	<b>18.0%</b>
<b>Income before Income Tax Expense</b>	<b>6.9</b>	<b>6.0</b>	<b>+0.9</b>	<b>15.5%</b>
<b>Net Income attributable to IJ</b>	<b>4.0</b>	<b>3.6</b>	<b>+0.4</b>	<b>9.9%</b>
<b>Net Income attributable to IJ per Share</b>	<b>JPY 19,735</b>	<b>JPY 17,964</b>	<b>JPY +1,771</b>	<b>9.9%</b>
<b>Cash Dividend per Share</b>	<b>JPY 3,500 (Annual)</b>	<b>JPY 3,250 (Annual)</b>	<b>JPY +250</b>	<b>7.7%</b>

# FY2012 Dividend Forecast



# **1<sup>st</sup> Quarter FY2012 Consolidated Financial Results**

# I . Summary of 1Q FY2012 Financial Results

## < 1st Quarter Financial Results >

• Revenues	JPY24,841 million (up 6.3% YoY)
• Gross margin	JPY4,819 million (up 7.1% YoY)
• Operating income	JPY1,374 million (up 50.2% YoY)
• Income before tax income expense	JPY1,373 million (up 58.7% YoY)
• Net income attributable to IIJ	JPY897 million (up 75.0% YoY)

### ● Business developments as planned & Satisfying results

- Corporate Internet connectivity accelerated with more demand for broader bandwidth. Number of contracts for LTE services for consumers (released in Feb. 2012) accumulating. Home use connectivity revenues increased compared to the previous quarter
- Continued to expand IIJ GIO service line-ups & client base. Differentiating IIJ GIO from other cloud services by reliability
- 1 ➢ Overseas business starting up better than anticipated. Driven by SI projects and IIJ GIO US Service. Expanding IIJ GIO US server facilities to meet growing and fast-paced demands
- ATM operation business's operating income turned positive. Business to expand along with placements of additional ATMs
- Developing software for SDN platform for mid-term growth. Plan to release software in 2H12
- Continuous increase in profit with improving gross margin and scale-merited SG&A

### ● IIJ's cloud computing service "IIJ GIO" steadily growing

- 1Q12 revenue: JPY1.2 billion, up JPY0.7 billion YoY. Number of projects reached approx.1,300 at 1Q12 (1,100 at 4Q11)
- Matsue Data Center expands operation for service use. Awarded for "Green IT" and "Contribution to the Community"
- IIJ GIO Virtualization Platform "VWseries" targeting hybrid cloud market, accumulating prospective orders (release in Aug.)
- Ranked as the top cloud provider in Japanese public cloud market (reported by Fuji Chimera Research Inst., Jul. 2012)

### ● Overseas business starting up great

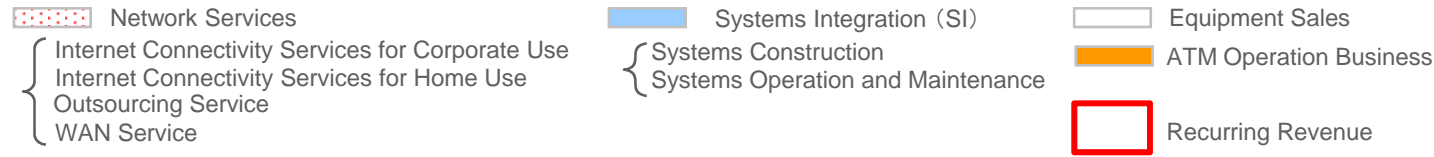
- 1Q12 revenue: approx. JPY1.0 billion, constructing large server facilities for a prominent SNS game client. Provides cloud service, "IIJ GIO US Service," in the U.S. and are expanding its business
- Co-working with IIJ Exlayer (acquired in Apr. 2012) on server construction projects. Revenue and income consolidation from 2Q12

## II -1. Consolidated Financial Results for 1Q FY2012

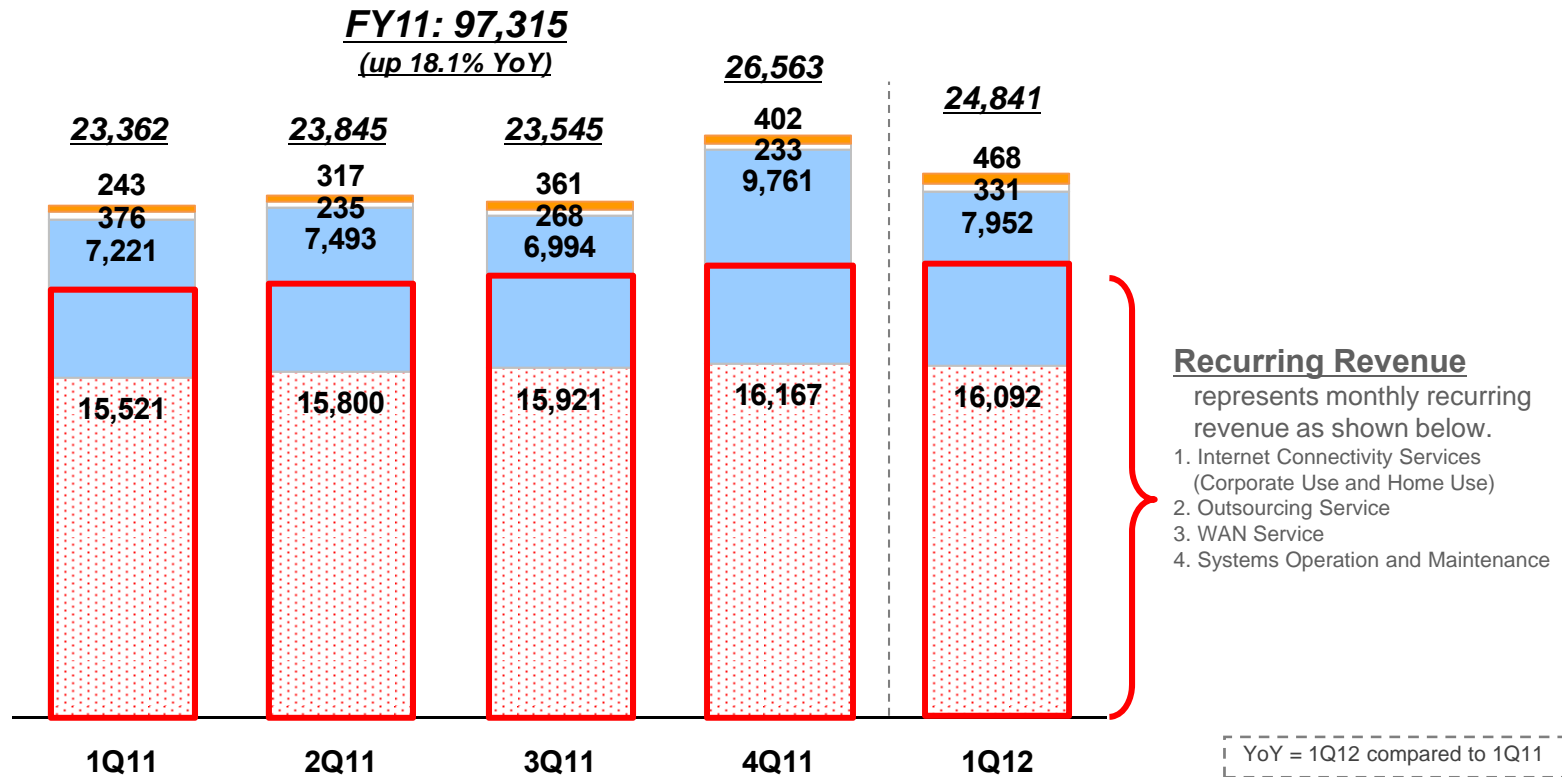
Unit: JPY billion

	<i>% of Revenues</i>	<i>% of Revenues</i>	YoY	<i>% of Revenues</i>	YoY
	1Q12 (12/4~12/6)	1Q11 (11/4~11/6)		1H12 Target (12/4~12/9)	
Total Revenues	24.8	23.4	6.3%	50.5	7.0%
Total Costs	80.6% 20.0	80.7% 18.9	6.2%	—	—
Gross Margin	19.4% 4.8	19.3% 4.5	7.1%	—	—
SG&A/R&D	13.9% 3.4	15.4% 3.6	(4.0%)	—	—
Operating Income	5.5% 1.4	3.9% 0.9	50.2%	5.3% 2.7	10.3%
Income before Income Tax Expense	5.5% 1.4	3.7% 0.9	58.7%	5.0% 2.5	9.1%
Net Income Attributable to IIJ	3.6% 0.9	2.2% 0.5	75.0%	2.8% 1.4	2.8%

## II -2. Revenues



Unit: JPY million

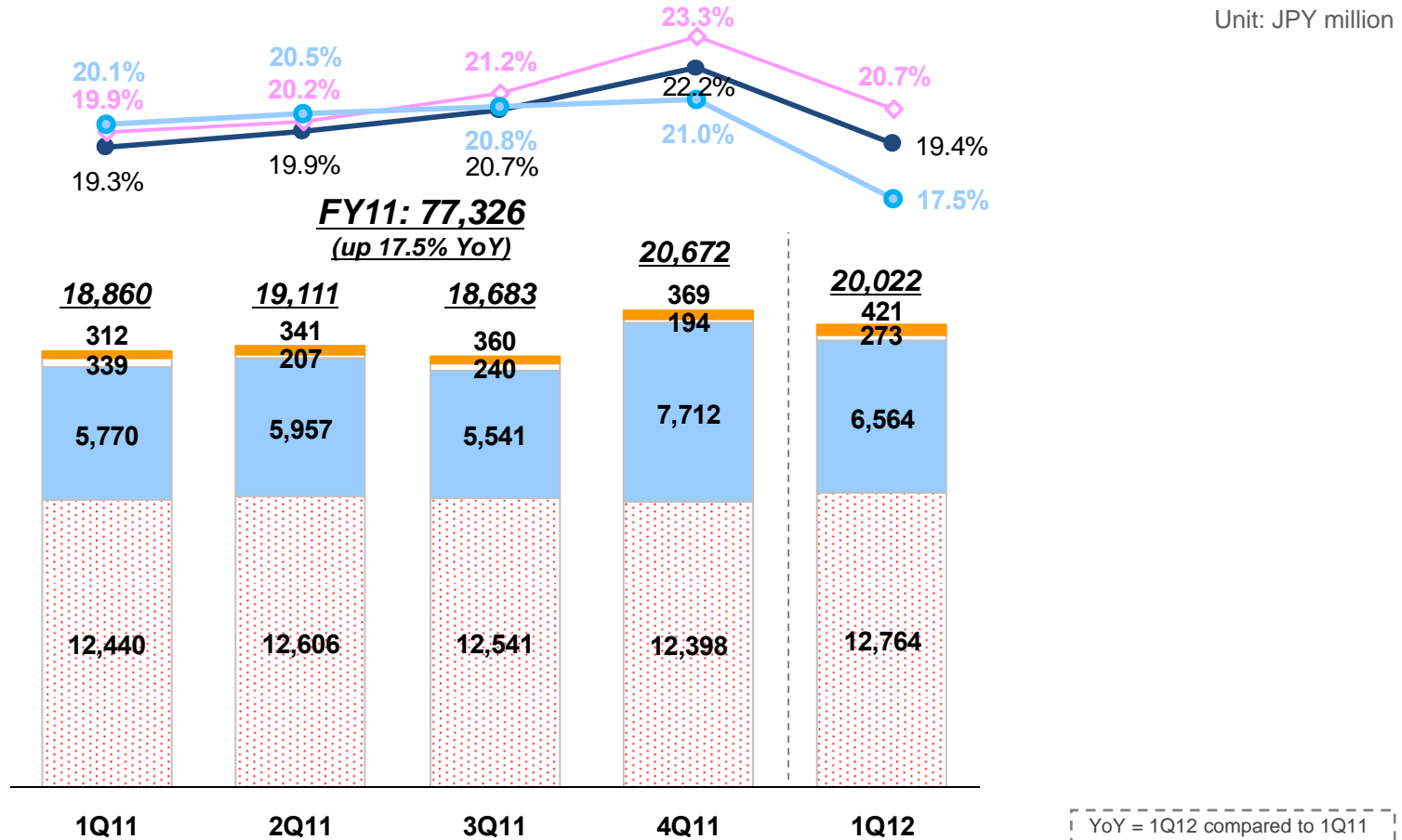


- ◆ 1Q12 Network services revenue: JPY16,092 million (up 3.7% YoY)
- ◆ 1Q12 Systems integration revenue: JPY7,952 million (up 10.1% YoY)
- ◆ 1Q12 Equipment sales revenue: JPY331 million (down 12.0% YoY)
- ◆ 1Q12 ATM operation business revenue: JPY468 million  
(up JPY224 million YoY, up 92.1% YoY)

- ◆ 1Q12 Recurring revenue: JPY21,283 million (up 5.2% YoY)
  - 85.7% of 1Q12 total revenues
- ◆ 1Q12 One-time revenue (sum of systems construction and equipment sales revenue): JPY3,091 million (up 6.8% YoY)

## II -3. Cost of Revenues and Gross Margin Ratio

**Cost of revenues :** ▨ Network Services ▨ Systems Integration (SI) ▨ Equipment Sales ▨ ATM Operation Business  
**Gross margin ratio :** ◆ Network Services ● Systems Integration (SI) ● Total revenue

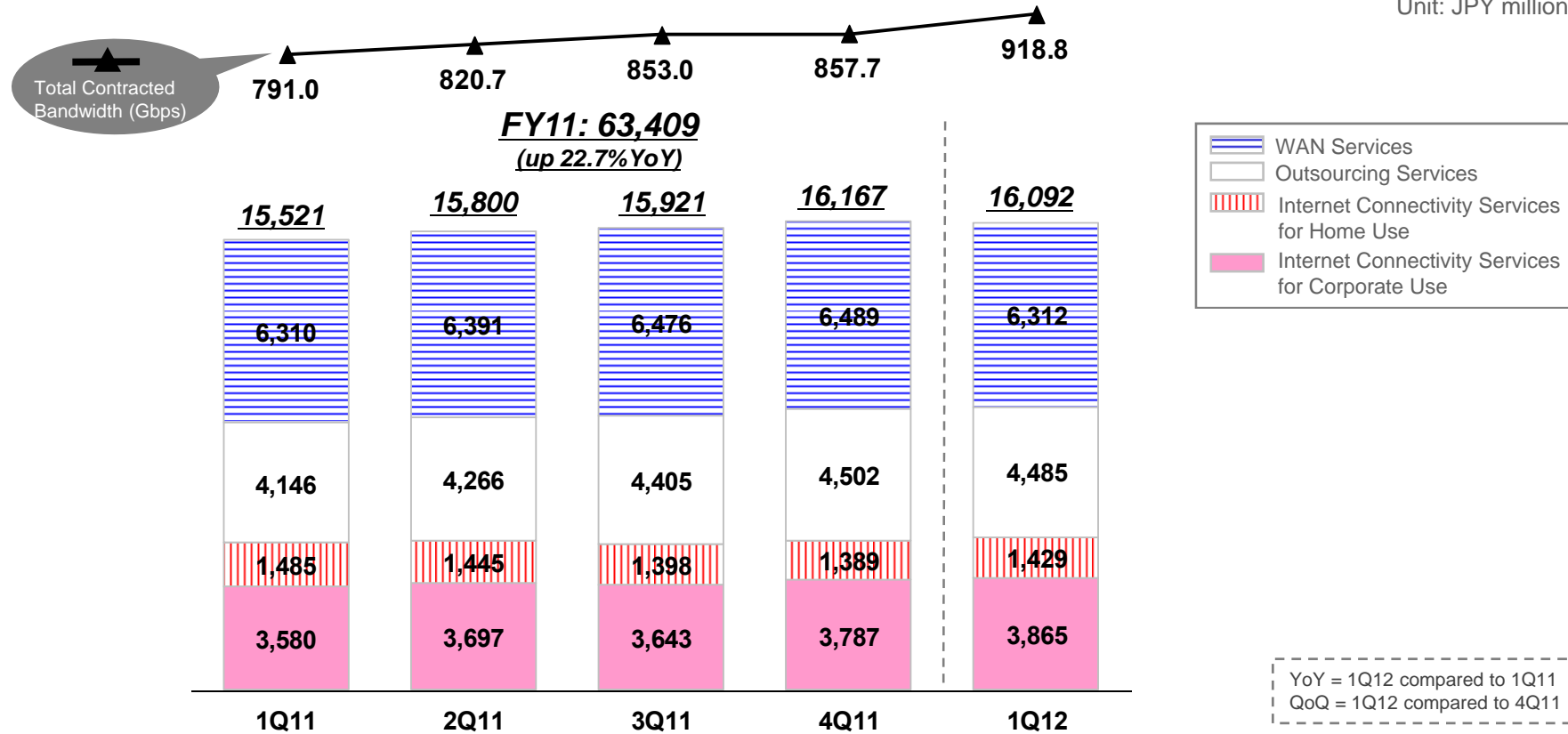


- ◆ 1Q12 Gross margin: JPY4,819 million (up JPY318 million YoY, up 7.1% YoY)
  - Network services gross margin: JPY3,328 million (up JPY246 million YoY, up 8.0% YoY)
  - SI gross margin: JPY1,388 million (down JPY64 million YoY)
  - ATM operation business gross margin: JPY46 million (gross loss of JPY68 million in 1Q11, gross margin of JPY33 million in 4Q11)



## II -4. Network Services (1)Revenues

Unit: JPY million

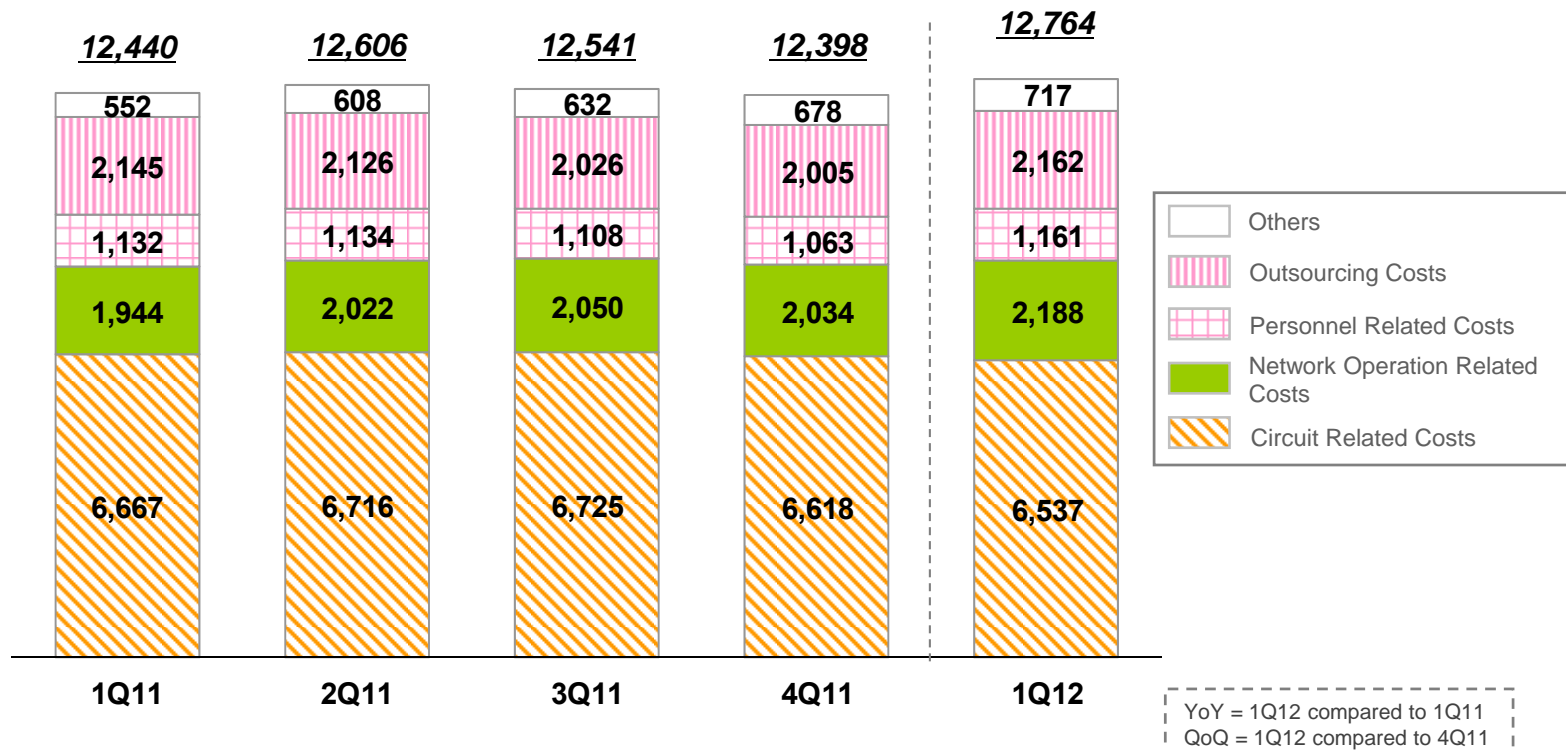


- ◆ 1Q12 Internet connectivity services for corporate use revenue: up 7.9% YoY, up 2.1% QoQ
  - IP services grew mainly due to growing demands for broader bandwidth
  - Number of contracts for over 1Gbps as of Jun. 30, 2012: 142 contracts (131 contracts as of Jun. 30, 2011)
  - IIJ mobile accumulating orders: 47,442 contracts as of Jun. 30, 2012 (up 4,108 contracts YoY, up 1,113 contracts QoQ)
- ◆ 1Q12 Internet connectivity services for home use revenue: down JPY56 million YoY, up 2.9% QoQ
  - Number of contracts for new LTE service as of Jul. 31, 2012 was approx. 25,000 (approx. 13,000 contracts as of Apr. 30, 2012)
  - 1Q12 LTE service revenue reached around JPY100 million
- ◆ 1Q12 Outsourcing services revenue: up 8.2% YoY, down JPY16 million QoQ
- ◆ 1Q12 WAN service revenue: up JPY2 million YoY, down JPY177 million QoQ
  - QoQ decrease in both outsourcing and WAN services was due to customers' request for re-pricing that is common in 1Q

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

Unit: JPY million

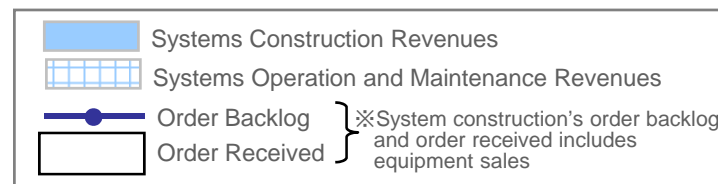
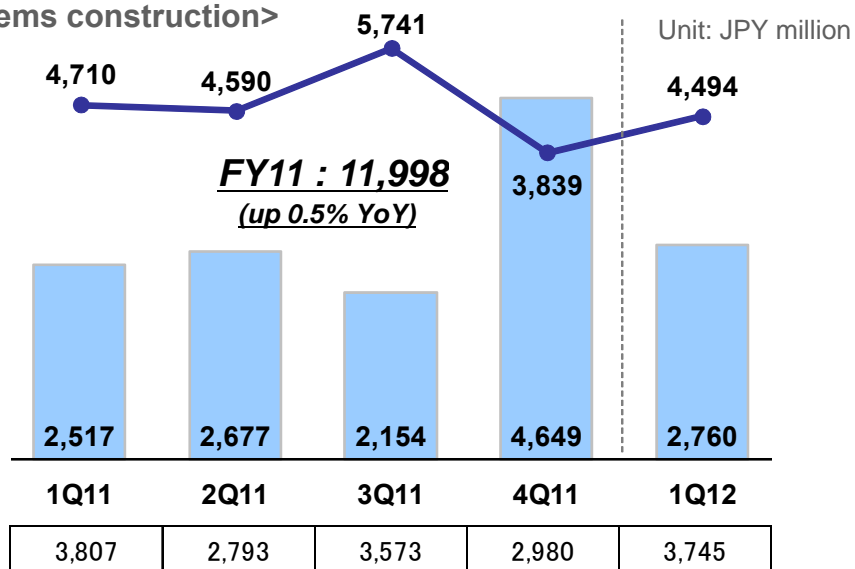
***FY11: 49,985***  
*(Gross margin ratio: 21.2%)*



- ◆ 1Q12 Cost of network services: up 2.6% YoY, up 3.0% QoQ
  - Circuit related costs continued to decrease
  - Overall 1Q12 cost of network services increased compared to 4Q11: personnel related costs and mobile interconnection cost increased compared to 4Q11

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

### <Systems construction>

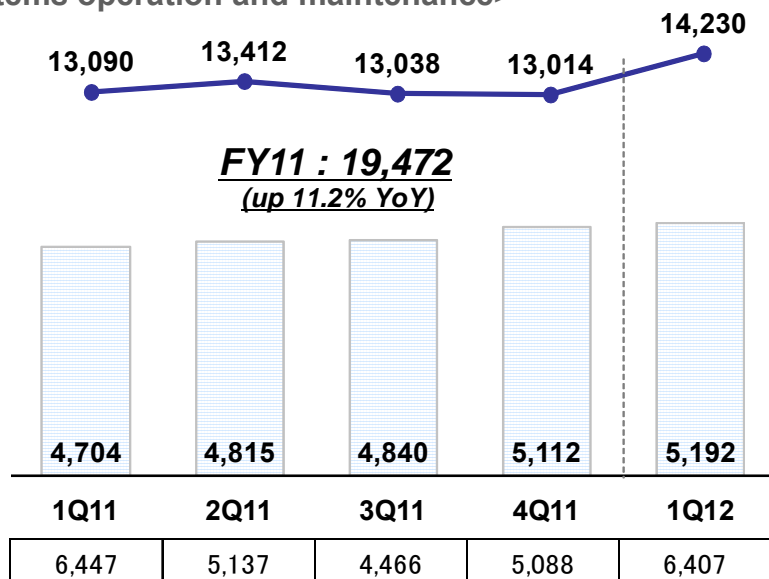


YoY = 1Q12 compared to 1Q11

### Systems Construction

- ◆ **1Q12 revenue: up 9.7% YoY, up JPY243 million YoY**
  - Continued to receive mid-to small sized projects
  - Overseas SI revenue added, constructing large servers projects for a prominent SNS game client
  - Revenue and income of IIJ Exlayer to be consolidated from 2Q12
  - SI environment seems slightly better than 1Q11
- ◆ **1Q12 order backlog: down JPY216 million YoY**
  - 1Q12 Order received: around the same level as 1Q11 (down JPY62 million YoY)

### <Systems operation and maintenance>

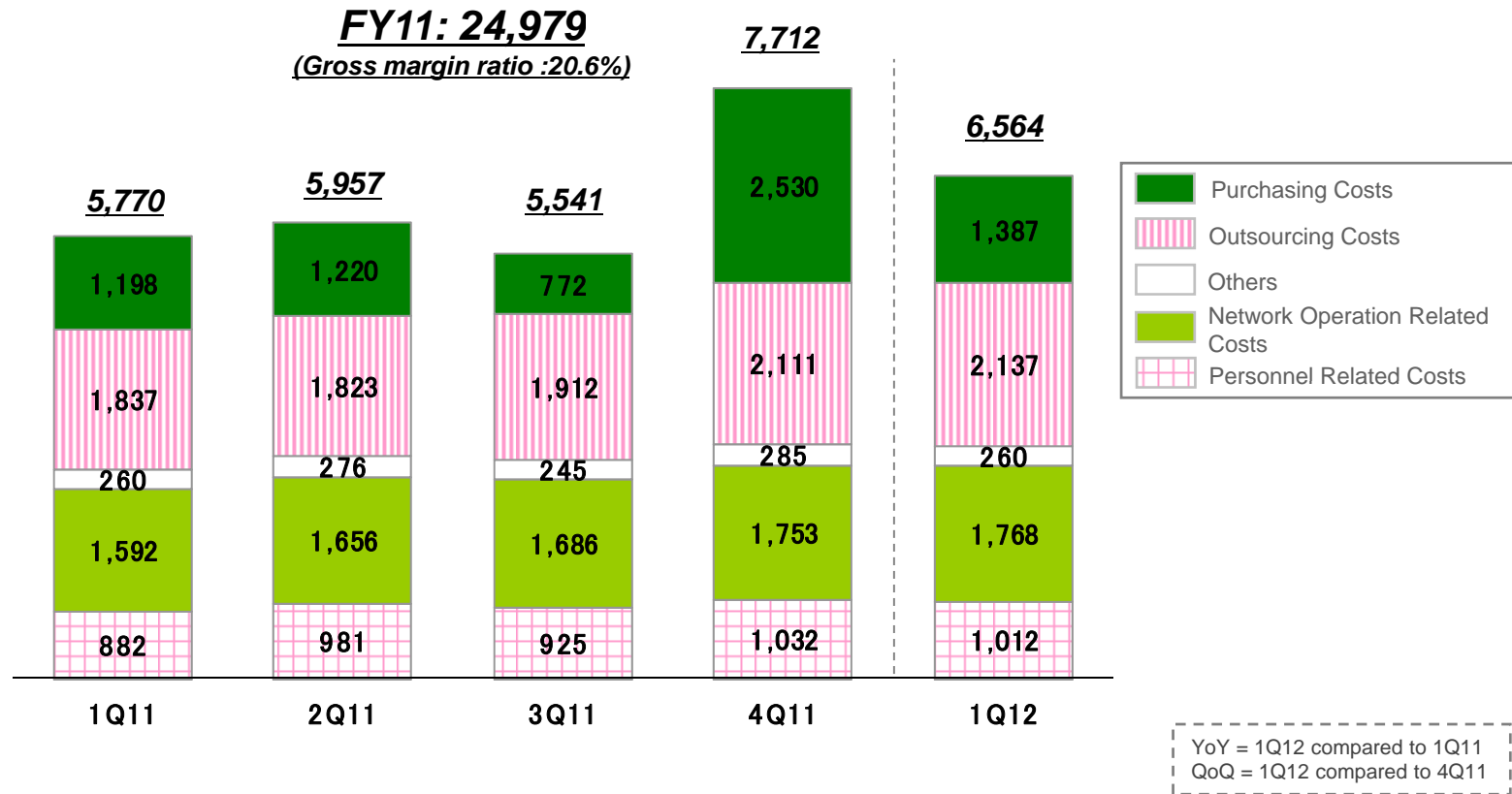


### Systems operation and maintenance

- ◆ **1Q12 revenue: up 10.4% YoY, up JPY487 million YoY**
  - IIJ GIO Component Service continued to grow
  - Approx. 80% of IIJ GIO total revenues are recognized in systems operation and maintenance revenues
- ◆ **1Q12 order backlog: up JPY1,140 million YoY**
  - 1Q12 Order received: around the same level of 1Q11 (down JPY40 million YoY)

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

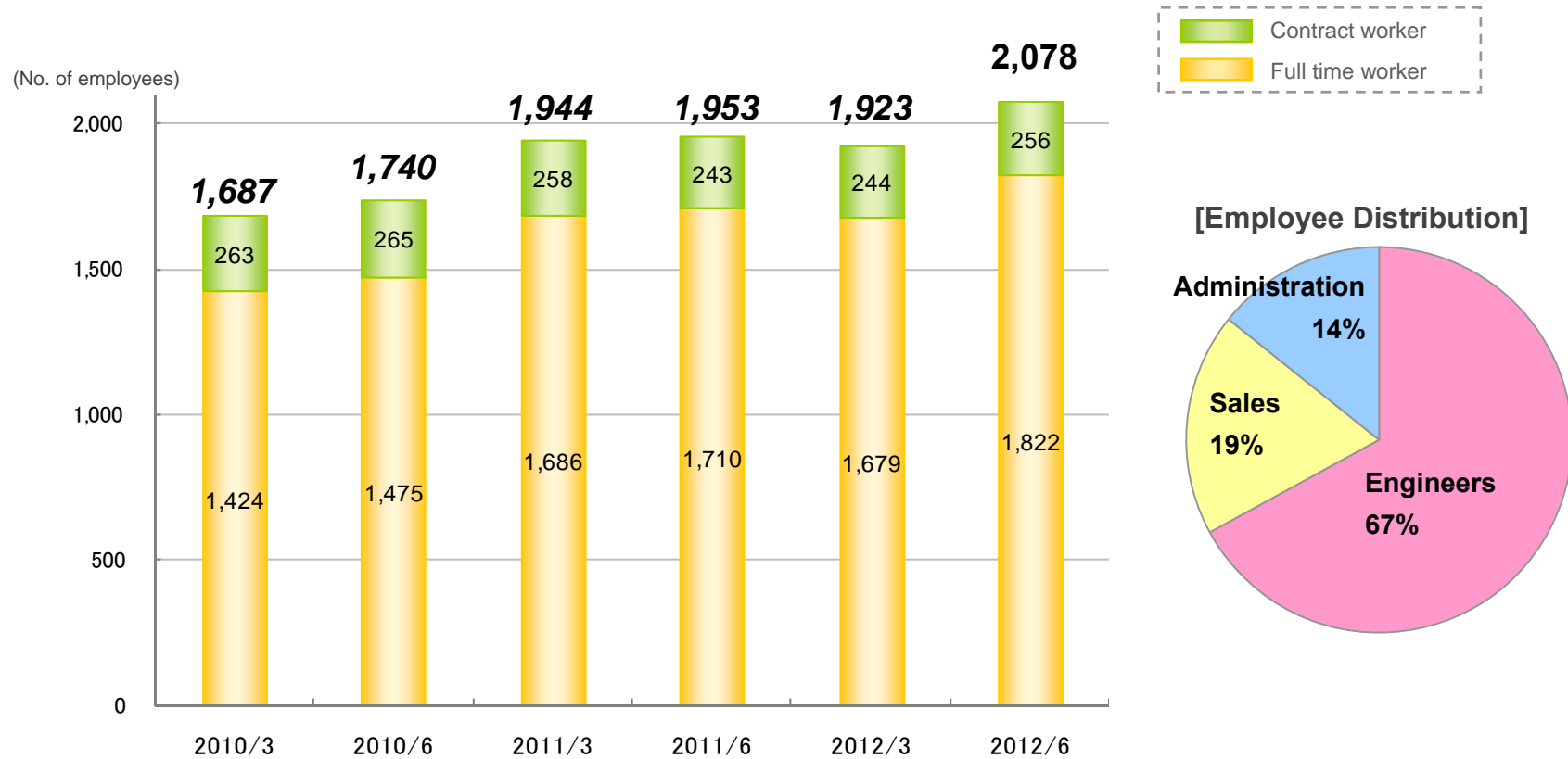
Unit: JPY million



◆ 1Q12 Cost of SI: up JPY794 million YoY, up 13.8% YoY

- The number of full-time outsourcing personnel for SI was 497 personnel as of Jun. 30, 2012 (up 100 personnel YoY, up 22 personnel QoQ)
- 1Q12 SI gross margin: JPY1,388 million (down JPY64 million YoY)
- 1Q12 SI gross margin decreased as there were many projects with higher percentage of purchasing costs

## II -6. Number of Employees



Unit: JPY million

<b>2,887</b>	<b>2,925</b>	<b>3,554</b>	<b>3,627</b>	<b>3,613</b>	<b>3,741</b>
(14.7%)	(18.5%)	(13.9%)	(15.5%)	(13.6%)	(15.1%)

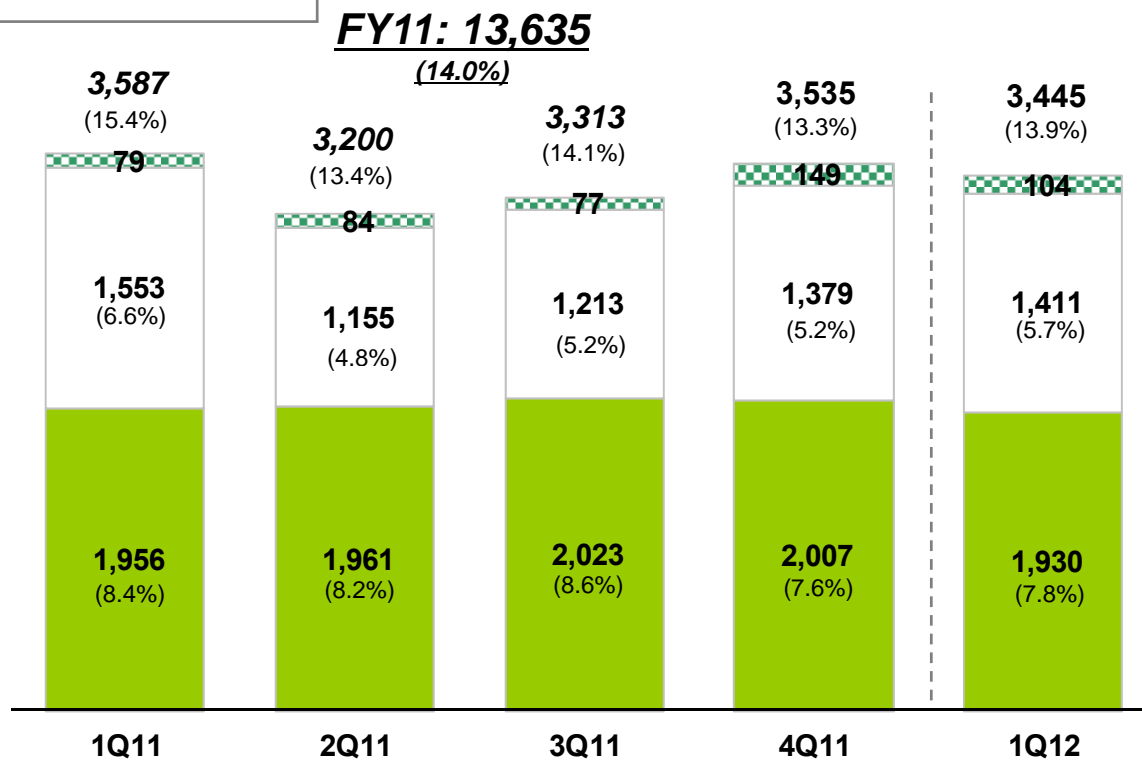
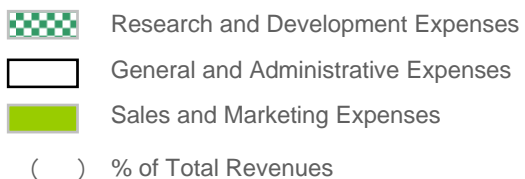
Personnel related costs and expenses (% of revenue)

- ◆ Number of consolidated employees as of Jun. 30, 2012: 2,078 personnel (up 125 personnel YoY, up 155 personnel QoQ)
  - Hired 75 newly graduates in Apr. 2012 (Apr. 2011: 44 newly graduates)
  - Number of IIJ Exlayer (acquired in Apr. 2012) employees: 57 personnel
  - 1Q12 personnel related costs and expenses: up JPY114 million YoY

YoY = 1Q12 compared to 1Q11  
QoQ = 1Q12 compared to 4Q11

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

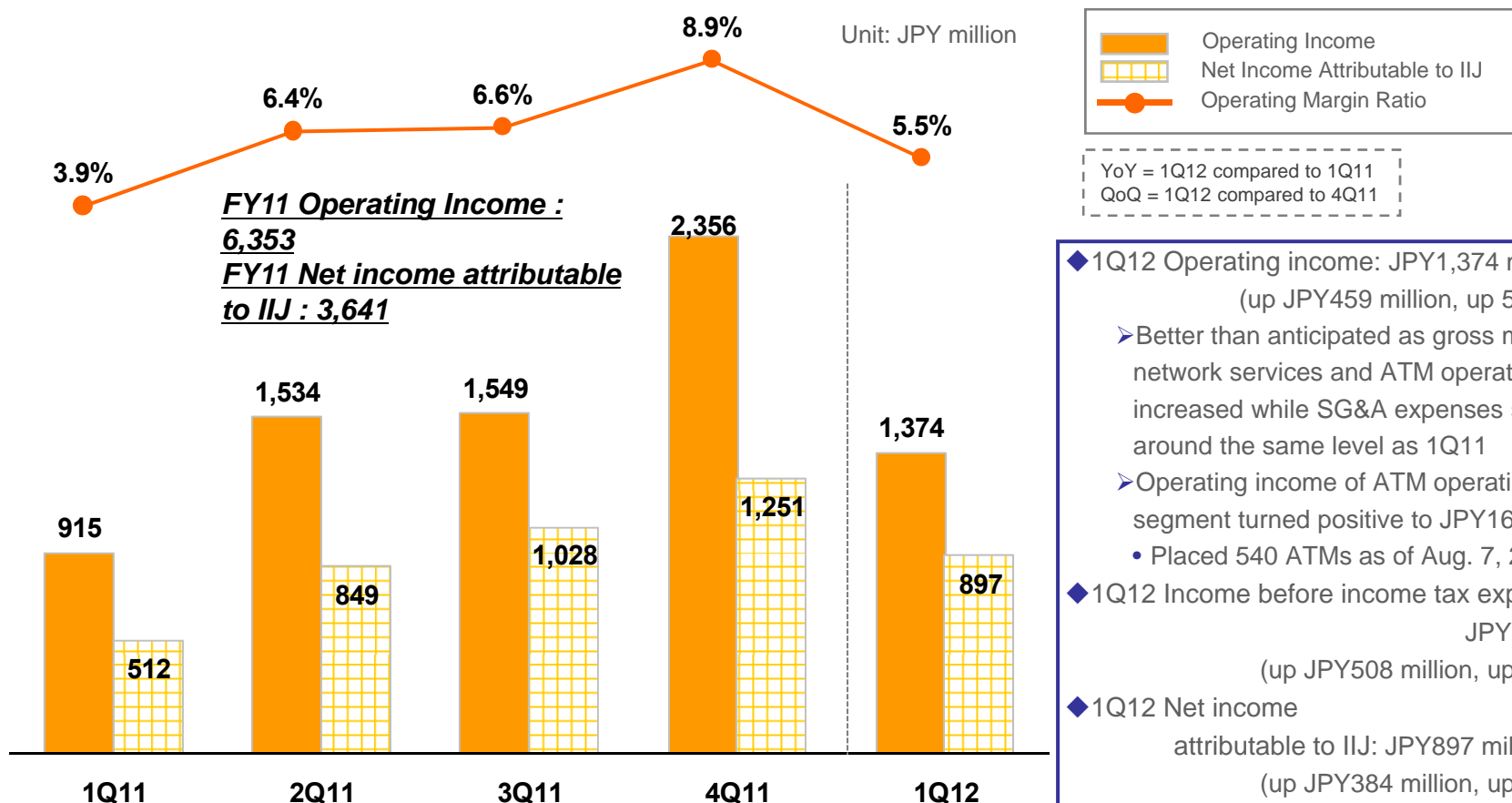
Unit: JPY million



YoY = 1Q12 compared to 1Q11  
 QoQ = 1Q12 compared to 4Q11

- ◆ 1Q12 SG&A: down JPY142 million YoY, down JPY90 million QoQ
  - 1Q12 SG&A decreased YoY while personnel related expenses increased, advertisement expenses decreased, and there was a one-time increase in expenses related to the relocation of group companies in 1Q11
  - SG&A is stable and does not directly increase along with revenue growth

## II -8. Operating Income and Net Income



- ◆ 1Q12 Operating income: JPY1,374 million  
(up JPY459 million, up 50.2% YoY)
  - Better than anticipated as gross margin of network services and ATM operation business increased while SG&A expenses stayed around the same level as 1Q11
  - Operating income of ATM operation business segment turned positive to JPY16 million
    - Placed 540 ATMs as of Aug. 7, 2012
- ◆ 1Q12 Income before income tax expense: JPY1,373 million  
(up JPY508 million, up 58.7% YoY)
- ◆ 1Q12 Net income attributable to IIJ: JPY897 million  
(up JPY384 million, up 75.0% YoY)
  - Equity in net income of Internet Revolution, Inc. and Internet Multifeed Co.

	1Q11	2Q11	3Q11	4Q11	1Q12
Income Tax Expenses	425	631	548	922	515
Equity in net income(loss) of equity method investees	40	37	77	(30)	33
Net loss attributable to non-controlling interests	31	18	11	6	6

## II -9. Summary of Consolidated Balance Sheets

Unit: JPY million

	March 31, 2012	June 30, 2012	Changes
Cash and Cash Equivalents	13,537	11,470	(2,067)
Accounts Receivable	15,722	14,404	(1,318)
Inventories	752	888	+136
Prepaid Expenses	1,848	3,419	+1,571
Other Investments	2,938	3,235	+296
Property and Equipment	19,736	20,828	+1,093
Goodwill and Other Intangible Assets	11,185	11,230	+46
Accounts payable	9,753	9,530	(223)
Income taxes payable	2,211	171	(2,040)
Borrowings (Short-term and Long-term)	12,000	11,900	(100)
Accumulated Deficit	(10,990)	(10,448)	+542
Accumulated Other Comprehensive Loss	(24)	(16)	+8
<b>Total IIJ Shareholders' Equity</b>	<b>32,688</b>	<b>33,247</b>	<b>+559</b>
<b>Total Assets</b>	<b>73,493</b>	<b>73,507</b>	<b>+14</b>

Decreased mainly due to the payment of income taxes

> Nonmarketable equity securities: JPY 2,053 million  
 > Available-for-sale equity securities: JPY 828 million  
 > Others: JPY 353 million

Increased mainly due to investment for IIJ GIO

> IIJ Shareholders' equity ratio  
 • End of Jun. 2012: 45.2%  
 • End of Mar. 2012: 44.5%

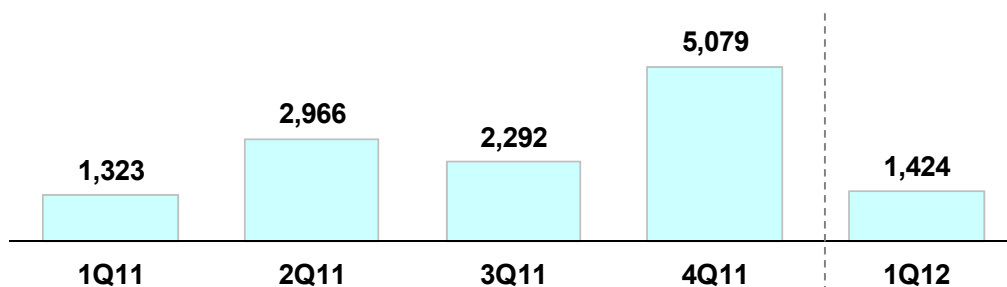


## II -10. Consolidated Cash Flows

### Operating Activities

Unit: JPY million

**FY11 : 11,659**

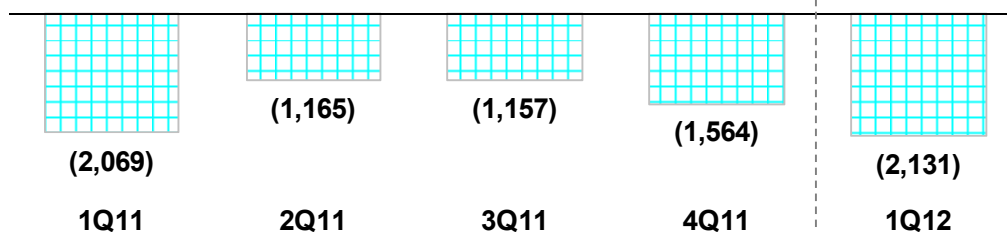


1Q12 Operating Activities:

- Increase in operating income
  - Payments for income taxes: JPY2,045 million
  - Increase in prepaid expenses and other current assets: JPY1,943 million
- etc.

### Investing Activities

**FY11 : (5,954)**

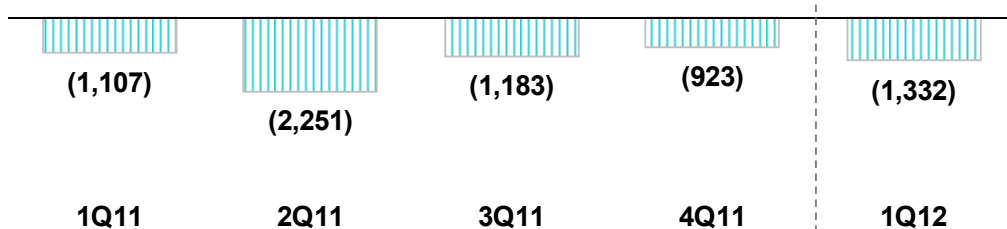


1Q12 Investing Activities:

- Purchases of property and equipments: JPY1,658 million
- etc.

### Financing Activities

**FY11 : (5,464)**

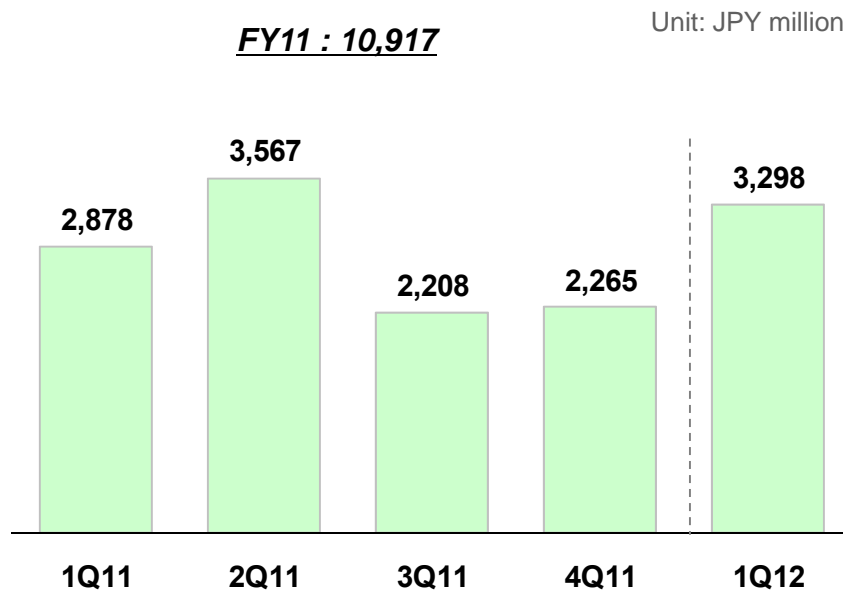


1Q12 Financing Activities:

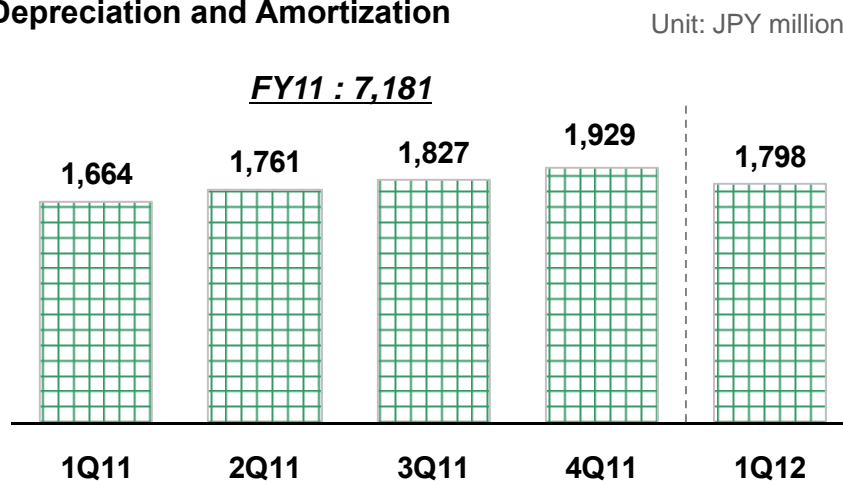
- Principal payments under capital leases: JPY877 million
  - Payments for FY2011 year-end dividends: JPY355 million
- etc.

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

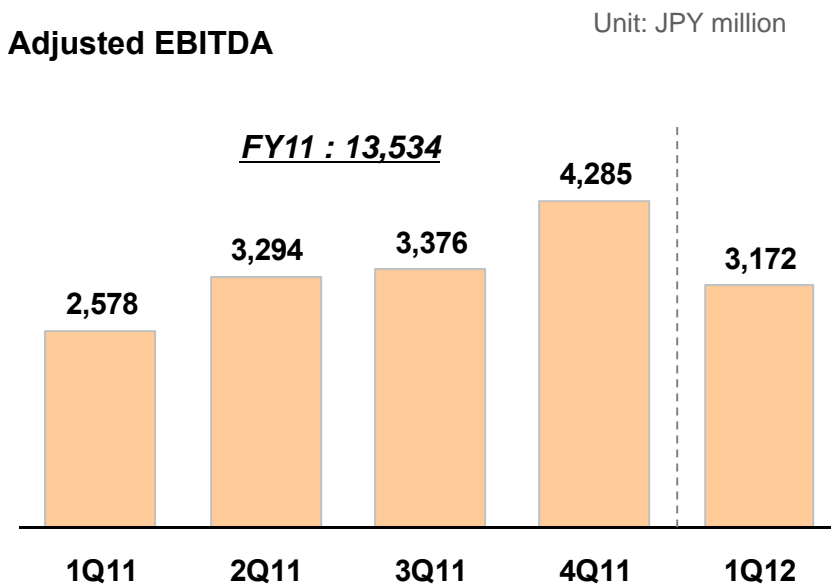
### CAPEX (Include Capital Leases)



### Depreciation and Amortization



### Adjusted EBITDA

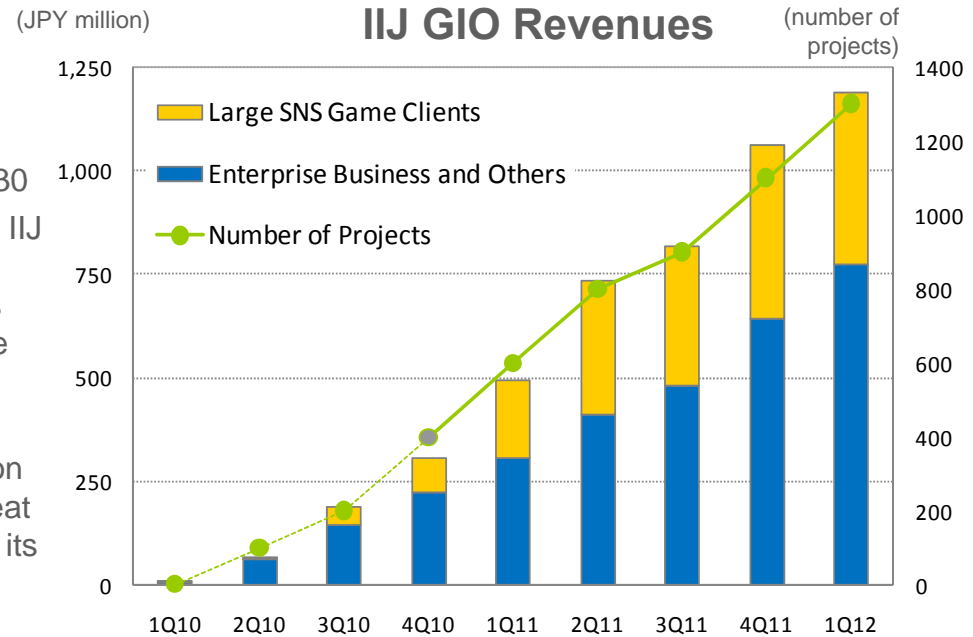


# III-1. Developments of "IJ GIO"



## Business developments of IJ GIO

- 1Q12 revenue: approx. JPY1.2 billion (4Q11: JPY1.0 billion, 1Q11: JPY0.5 billion)
  - June 2012 revenue: JPY0.4 billion
  - Number of projects reached approx. 1,300 as of June 30
- In addition to the above IaaS and PaaS cloud revenues, IJ GIO-based SaaS for specific business (example: FX, SmartPOS) will be released as new service line-ups
  - 1Q12 SaaS revenue: JPY0.2 billion (not included in the above mentioned 1Q12 revenue of JPY1.2 billion)
- Adopting companies' internal IT systems such as Sales Force Automation (SFA) and human resource systems on cloud service is gradually happening. Accumulating repeat orders from existing IJ GIO users who want to increase its cloud usage
- FY12 Target: Revenue of over JPY7.0 billion, operating income to turn positive, investment expected to be around the same level as FY11



## IJ GIO Users



## Expansion of IJ GIO service line-ups

- IJ GIO Virtualization Platform "VWseries"
  - Provides VMware hypervisor functions
  - Targeting hybrid cloud market
  - To be released in August, accumulating prospective orders
- "IJ GIO Social App Support Solution"
  - High-capacity servers incorporating Fusion-IO model
- IJ GIO Component Service "Database Add-on"
  - First in Japan to provide Oracle DB on a monthly fee

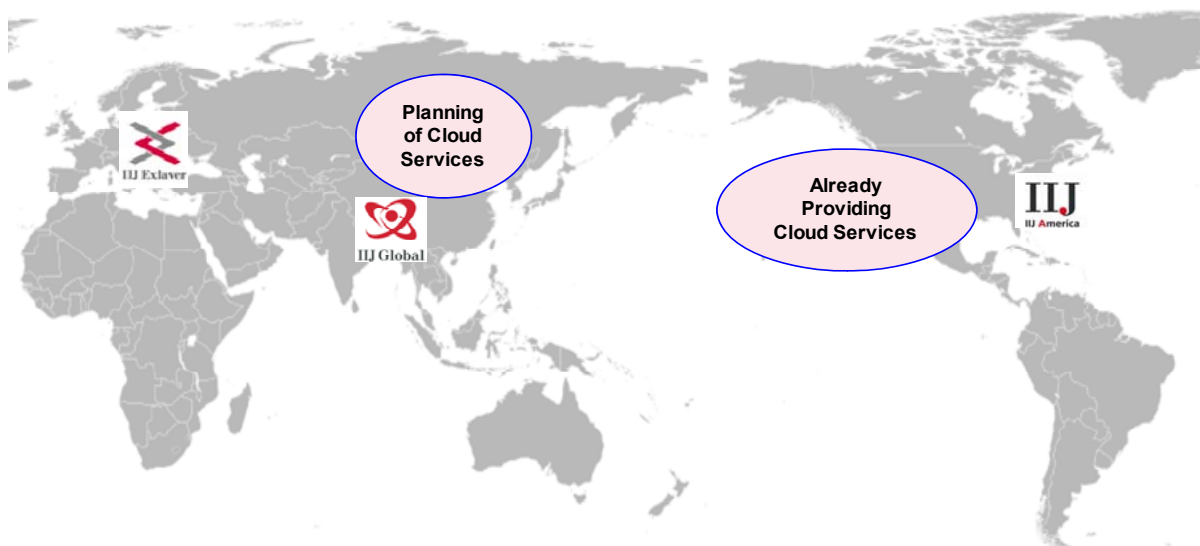
## III-2. Developments of Overseas Business

### ■ 1Q12 Overseas business developments

- 1Q12 revenue: approx. JPY1.0 billion. Business starting up better than anticipated
- Constructing and operating large servers projects in the U.S. for a prominent SNS game client
- IIJ GIO US Service starting up well, accumulating orders especially from SNS game providers
  - Service released in March 2012
  - Expanding server facilities to meet growing demands
- Number of projects for Global-WAN services are now around 200 and increasing
- Co-working with IIJ Exlayer (acquired in Apr.) on large overseas servers construction projects
  - Employees or 57 personnel, annual revenue of approx. JPY0.8 billion, to consolidate revenue and income from 2Q12













### ■ Future overseas business expansion

- Continue to acquire orders of large servers construction projects
- Planning further expansion of overseas cloud computing services in accordance with client demands
- Become prominent in the Asian market
  - To establish a subsidiary in Bangkok in August, 2012 (currently a representative office)



### III-3. IIJ Group Companies

(As of August 2012)

	Company Name	Ownership	Main Business
Consolidated Subsidiaries	 IIJ Global Solutions Inc.	100%	Provides domestic network outsourcing related services including WAN service and international network related services
	 Net Care, Inc.		Provides a full range of network operation and management services, from customer support, end user help desks, monitoring and trouble shooting to integrated management services.
	 hi-ho, Inc		Supports customers' safe, secure and comfortable internet life based on ISP business for personal users.
	 IIJ America Inc.		Provides quality Internet services in the U.S. with a focus on U.S.-based enterprises doing business in the Asia-Pacific region. Also IIJ-A constructs and operates on U.S. Internet backbone network.
	 IIJ Innovation Institute Inc.		Develops internet related technologies (R&D)
	 Net Chart Japan Inc.		Provides network construction services, primarily for LANs, such as network installation wiring, installation and set-up of equipment, installation of applications, and operational support.
	 IIJ Exlayer Inc.	99.9%	Provides overseas system integration (SI) to mainly Japanese-owned local corporations. Japanese holding company and 100% owned subsidiaries in UK, Germany, U.S., Singapore and Hong Kong.
	 Trust Networks Inc.	79.5%	Operates ATM network systems placed in designated facilities. Receives commission for each withdrawal transaction from a bank account.
Equity Method Investees	 Stratosphere Inc.	50%	Develops SDN (Software Defined Network) platform
	 Internet Mfeed Co.	33%	Provides mutual access with other major ISPs. Also MFEED operates JPNAP, a distributed IX service.
	 Internet Revolution, Inc.	30%	Joint company with KONAMI CORPORATION. Operates internet portal web sites.
	 Trinity Inc.	33.7%	Provides operation of reward point management system

## Forward Looking Statement

Statements made in this presentation regarding IIJ's or management's 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: the possibility a decrease of corporate spending or capital expenditure due to depression in Japanese economy and/or corporate earnings decreased; the possibility that less of reliability for our services and loss of business chances due to interrupt or suspend of our services; the possibility an increase over estimate in network related cost and outsourcing cost, personnel cost etc. ;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; the amount and timing of the recognition of deferred tax benefits or expenses; and other risks referred to from time to time in IIJ's filings on Form 20-F of its annual report and other filings with the United States Securities and Exchange Commission ("SEC").

## Contact Information

Internet Initiative Japan Inc. (Corporate Planning Department)

Jinbocho Mitsui Bldg., 1-105 Kanda Jinbo-cho, Chiyoda-ku, Tokyo, 101-0051, Japan

TEL: 03-5259-6500 FAX: 03-5259-6311

URL: <http://www.ij.ad.jp/ir> E-Mail: [ir@ij.ad.jp](mailto:ir@ij.ad.jp)

