



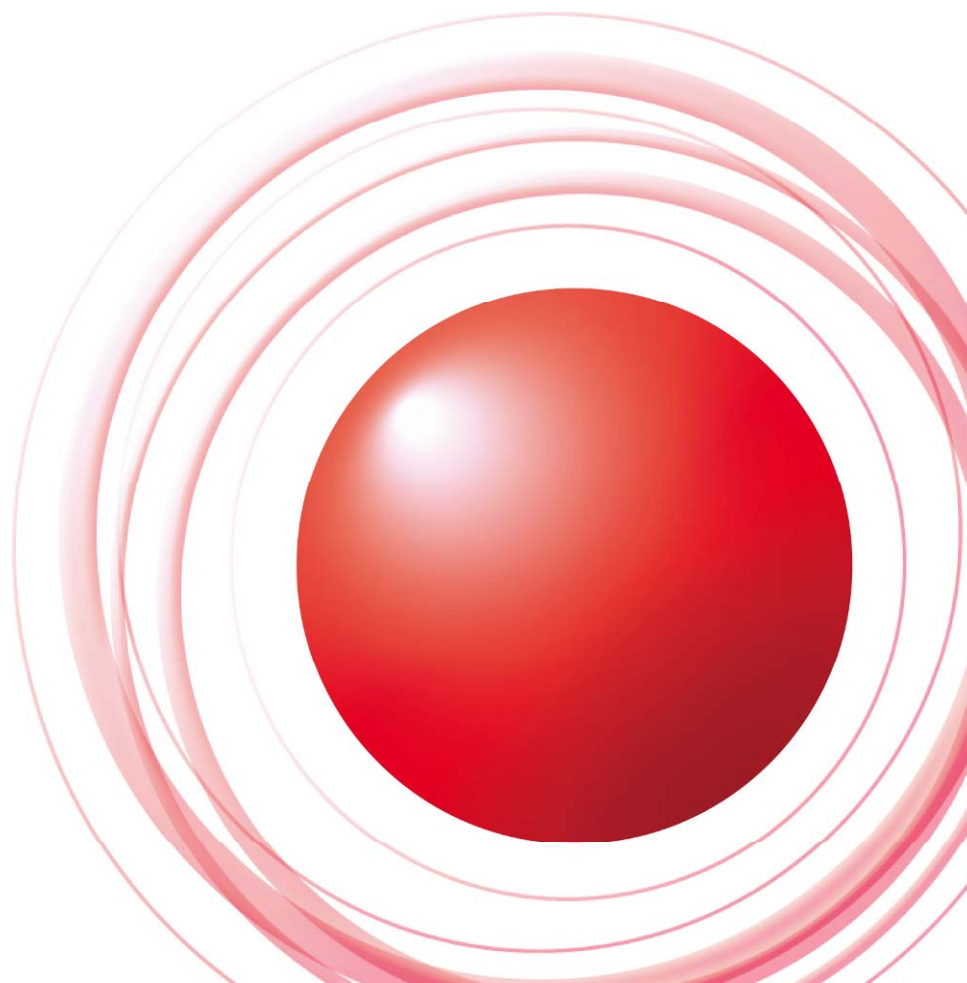
# Internet Initiative Japan Inc.

## IR Road Show July 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 & Firewall Service, IP Multicast Delivery Service, IPv6 Service
- ◆ 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 governmental & large enterprise

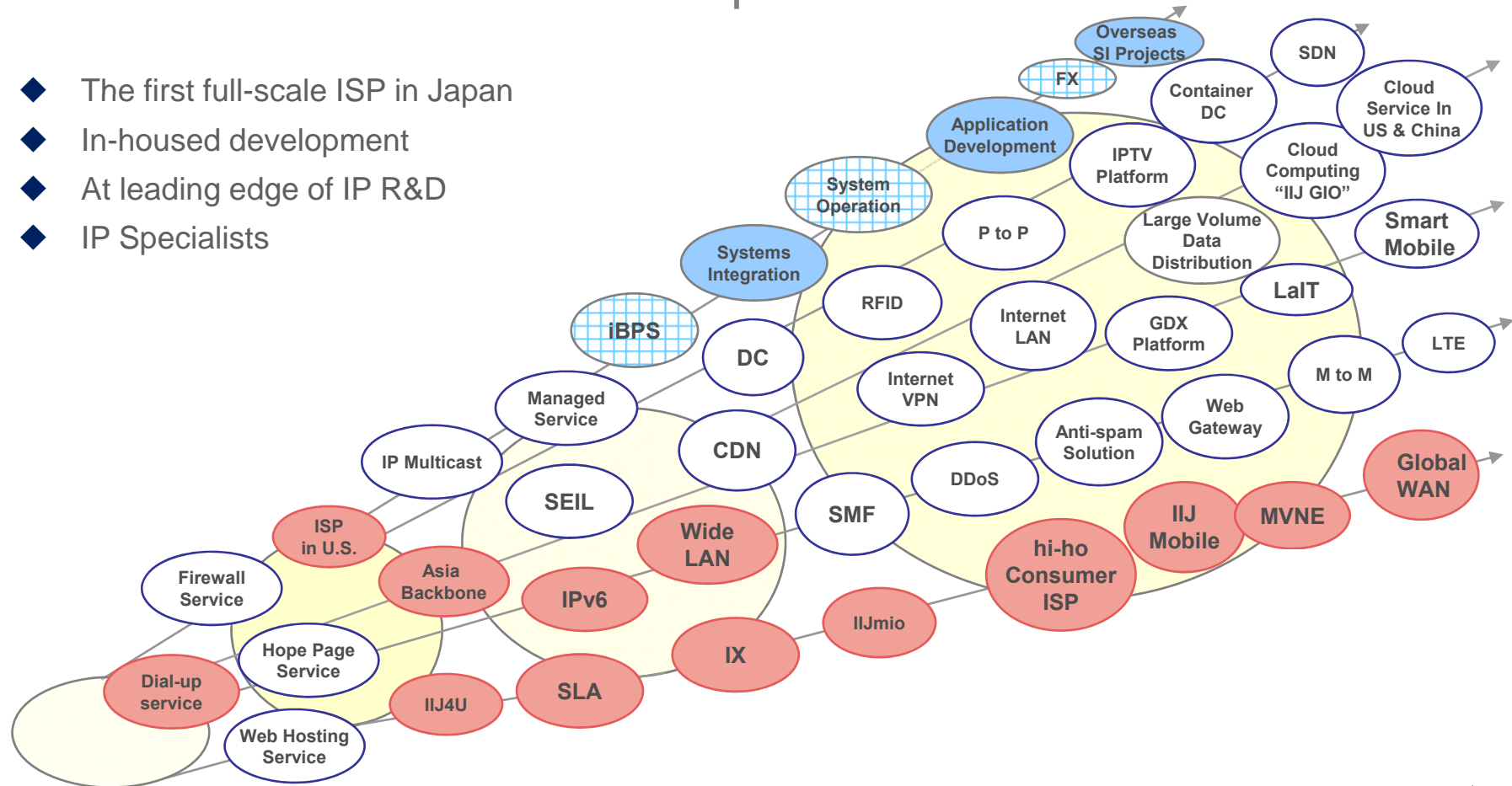
- ◆ At the leading edge of IP R&D
  - Participation in world-wide research and organizations
  - Member of "FIRST", international organization handling security & incidents
  - Board member of Telecom-ISAC Japan  
and more

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

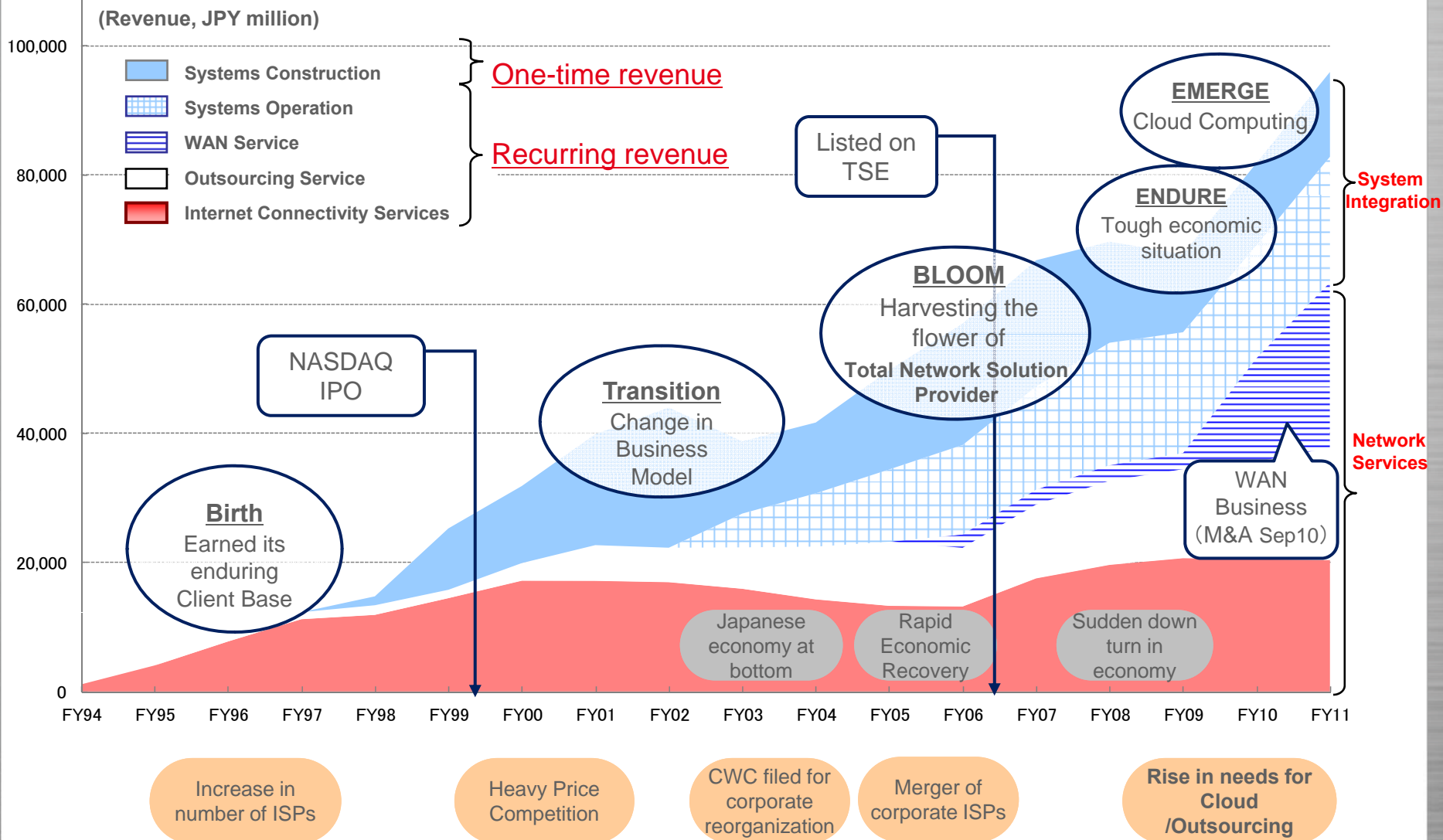
- ◆ The first full-scale ISP in Japan
- ◆ In-housed development
- ◆ At leading edge of IP R&D
- ◆ IP Specialists



Year	1992	1995	1996	1997	1998	2004	2006	2007	2008	2010	2012
Company	IIJ (Internet Initiative Japan)	II Media Communications, A-Bone	IIJ America, IIJ Technology	Internet m/f	Net Care	IIJ Financial Systems	IIJ Chuo Japan, i-revo	IIJ Asia, Trust Networks	IIJ INNOVATION INSTITUTE	IIJ Global	IIJ Explorer, Stratosphere

# Strategic Shift in Business Model

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

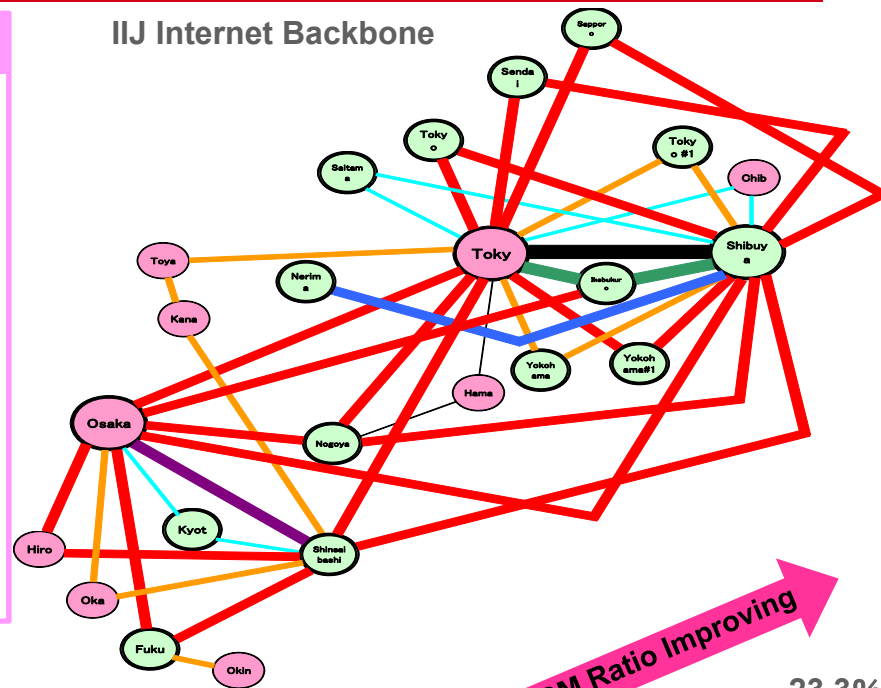


# Profit Structure of Network Services

## About the Revenues

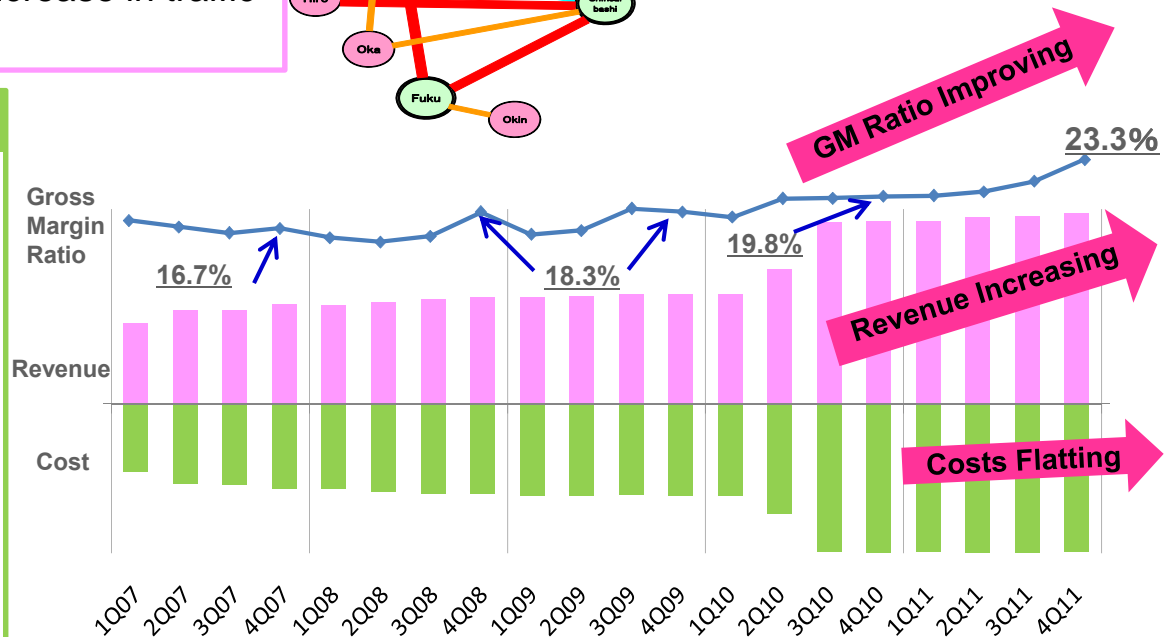
- Multiple revenue sources with network services of Internet connectivity services for corporate/home and outsourcing services on the Internet backbone
- Monthly recurring revenue
- Big clients are enterprise businesses and network operators such as CATVs and ISPs for consumer use
- Tough competition ended around FY2005 and only a few high-end ISPs are left
- Enjoying scale merit along with an increase in traffic

IJ Internet Backbone



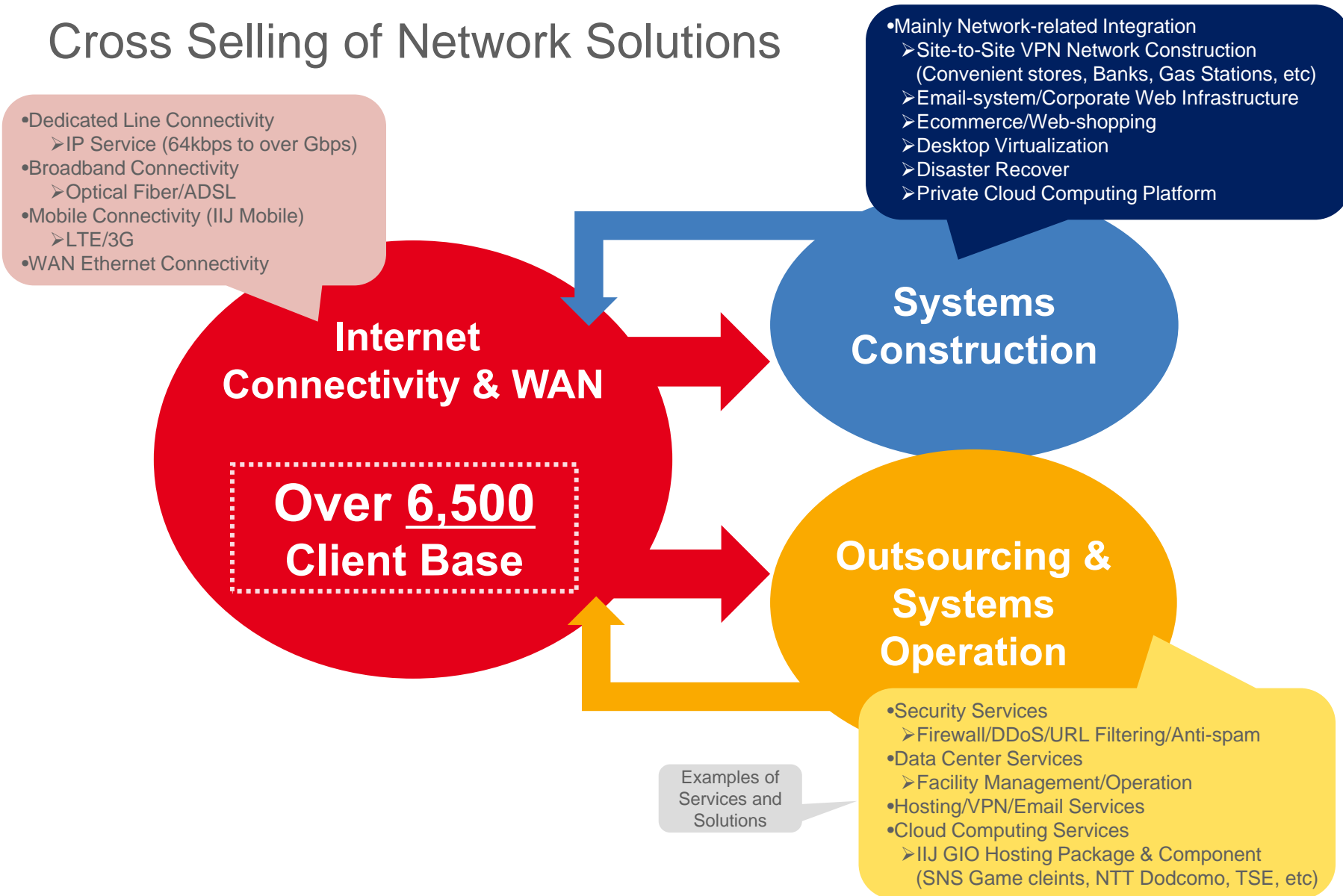
## About the Costs

- Constant expansion of Internet backbone
- Mainly related to circuit, network operation, datacenter, and outsourcing
- Not always related to the revenues increase
- While constantly expanding the backbone, the costs barely fluctuate



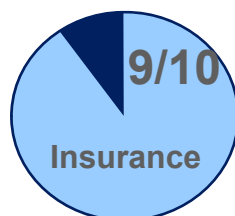
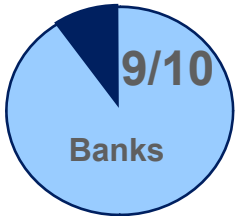
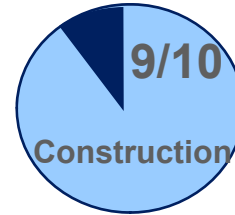
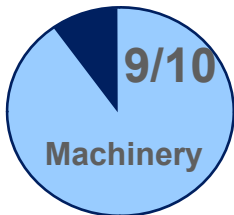
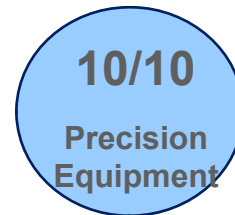
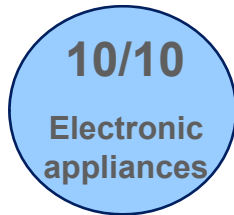
# Recurring Business Model

## Cross Selling of Network Solutions



# Excellent Blue-chip Client Base

## Top Tiers



- The number of companies that we do business with among the TOP 10 companies in each industry.



# Excellent Blue-chip Client Base

Enduring Relationship with leading companies



National Police Agency

Imperial Household Agency

Ministry of Justice

Ministry of Finance

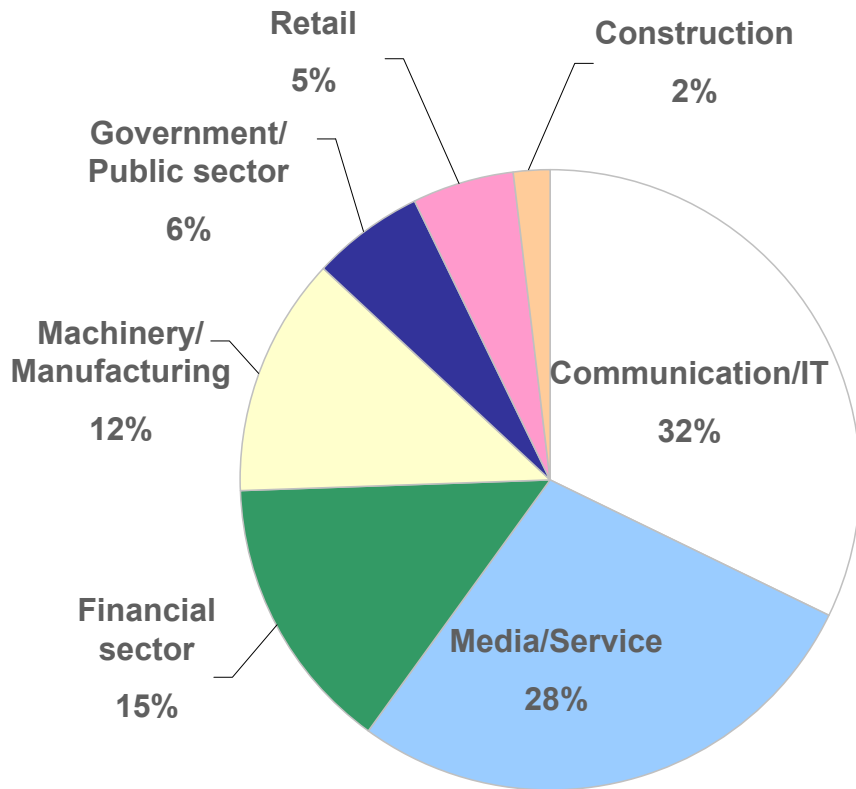
Ministry of the Environment

and many more...

# Broad Client Base

## Revenue Distribution by Industry

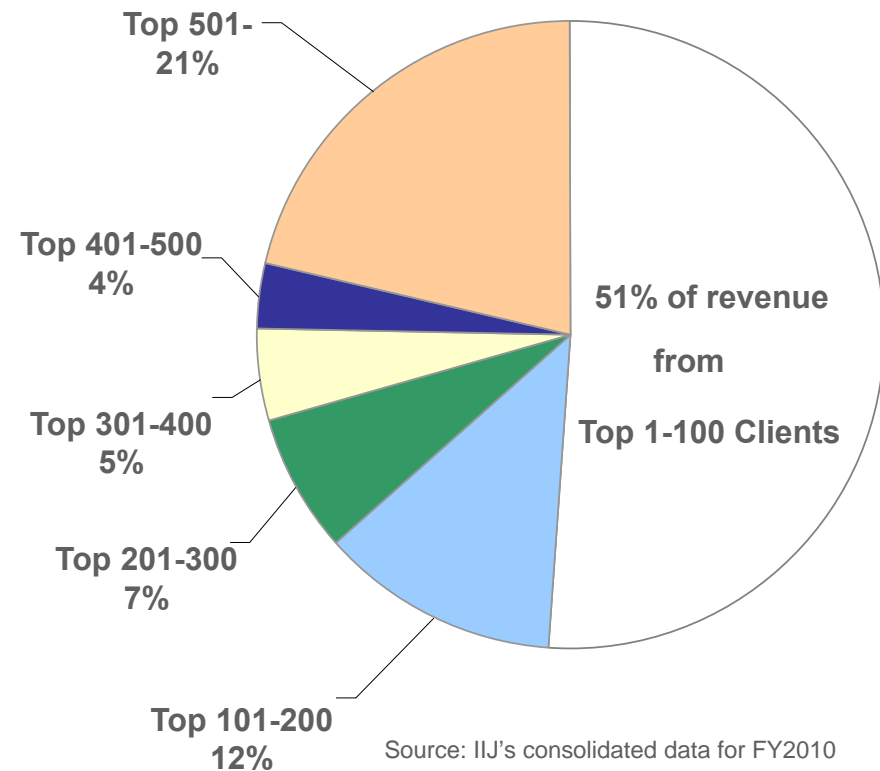
Not dependent on specific industry



Source: IJJ's consolidated data for FY2010

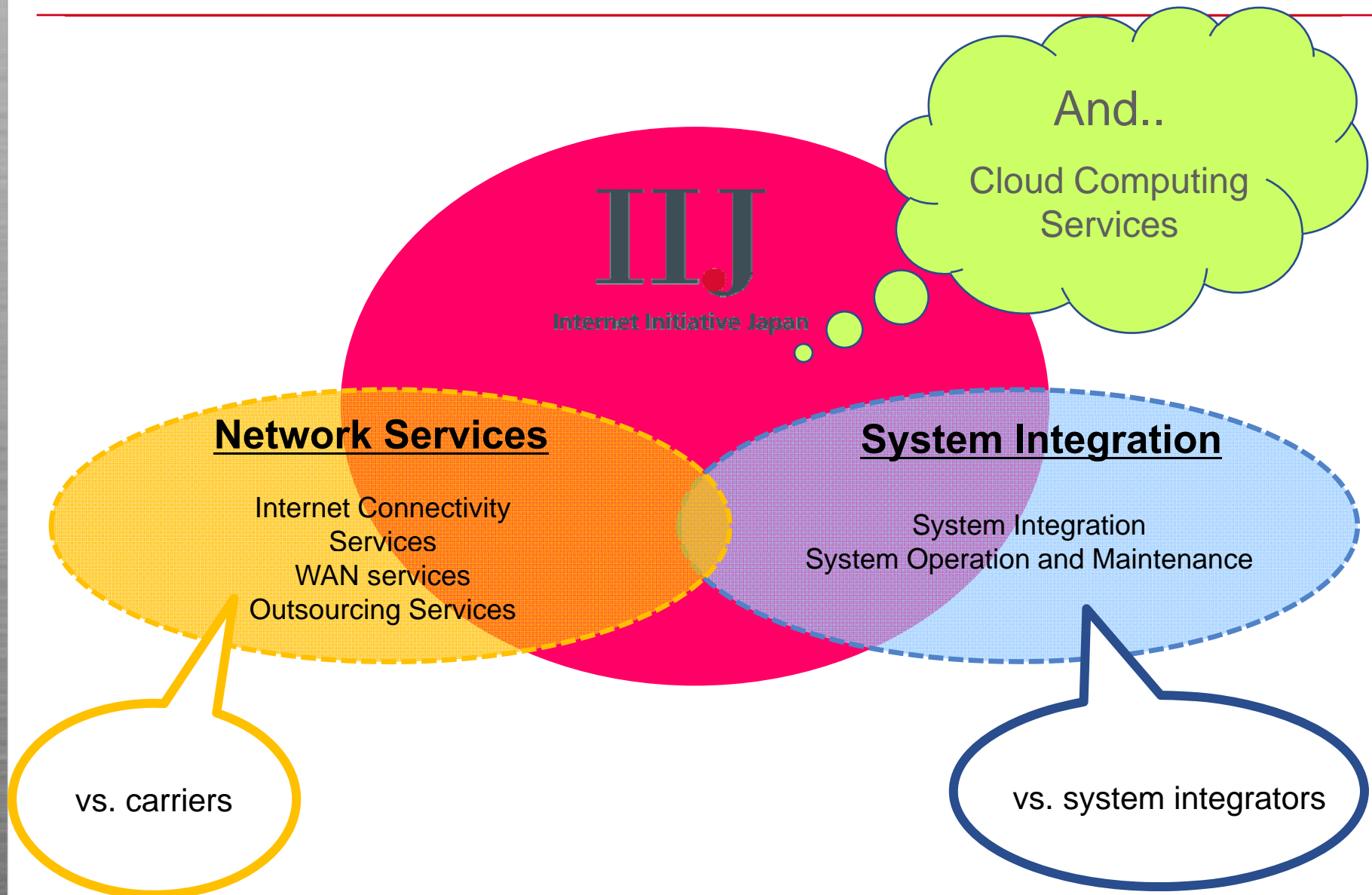
## Revenue Distribution by Clients

Not dependent on specific company



Source: IJJ's consolidated data for FY2010

# Areas of Business



# Customer Retention Strategy

## Cross Selling of Services

Provide high quality and reliable services

Develop and introduce new technologies and solution

Leverage and Strengthen Client Base

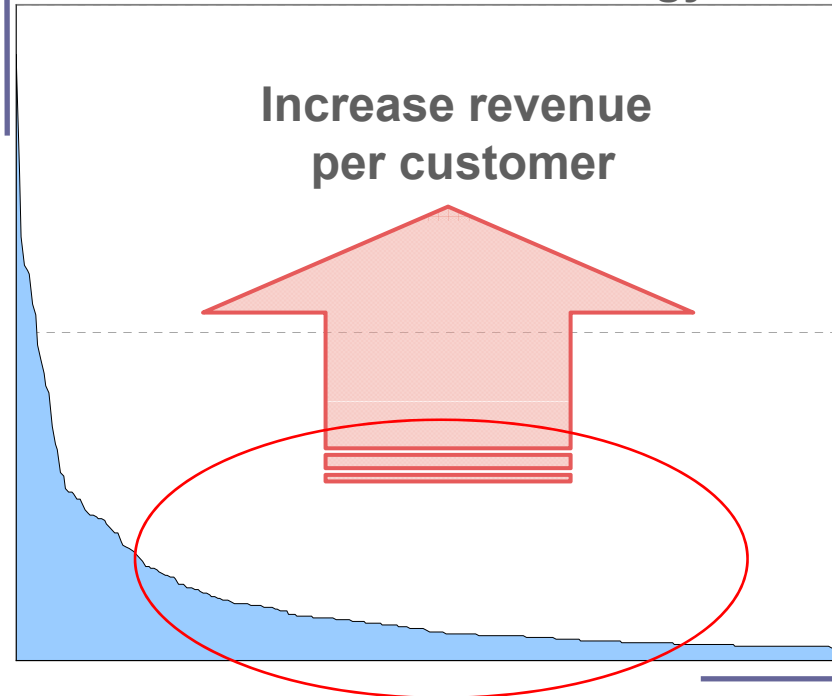
## Seizing business opportunities in the transitional phase of companies internal network system

Maximize IIJ's potential as a Network Service Provider

Focus on cloud computing services

Revenues by Customer (JPY million)

## Solid Growth Strategy



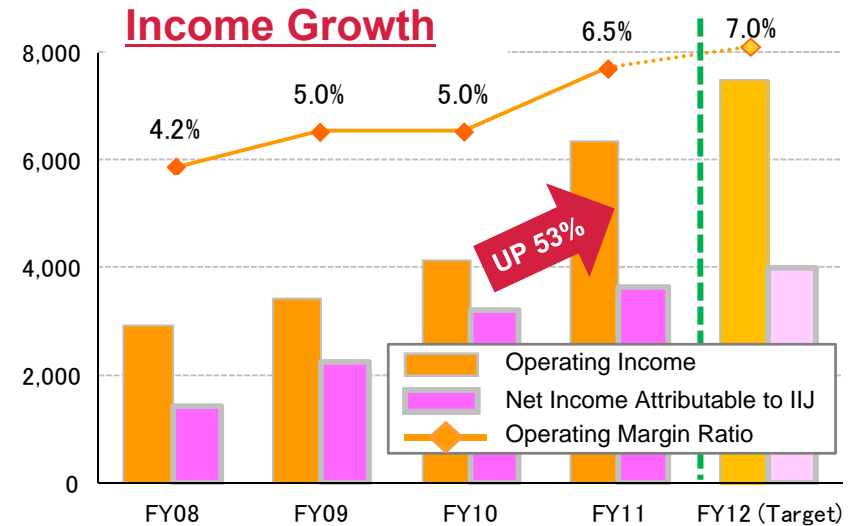
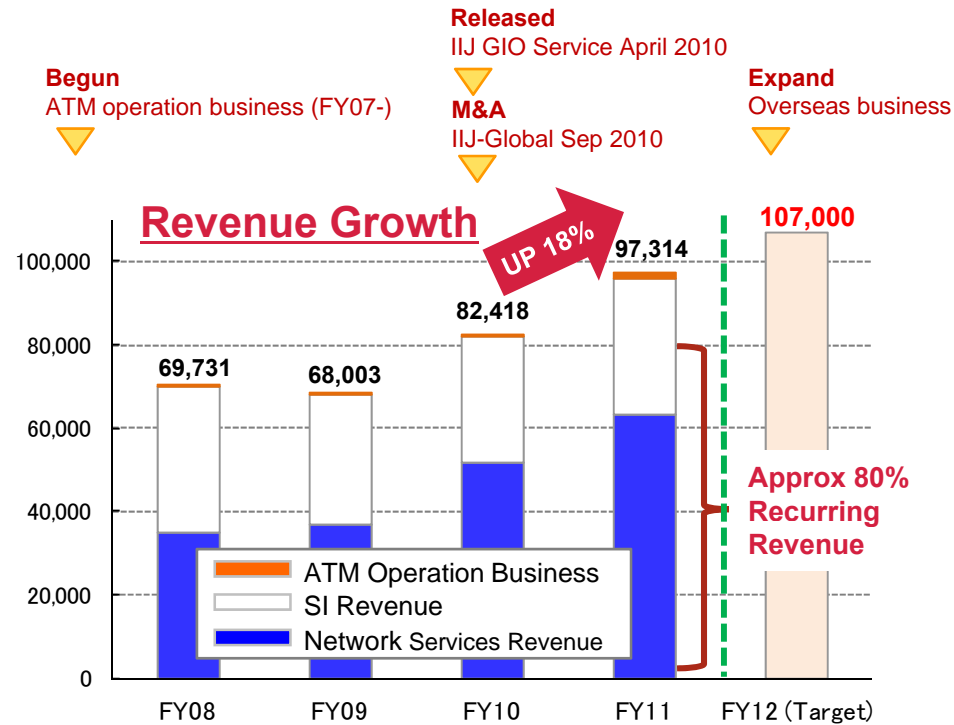
Increase revenue per customer

Number of Customers (~6,500)

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

**Greater Competitiveness and Creation of New Demands**

# Proven Solid Business Strategy



- ◆ Over 80% of total revenue: stock-type recurring revenue
- ◆ 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

## Connectivity services

- Survived tough competition. Few high-end corporate ISPs left
- Rapid traffic increase → bandwidth migration
- Enjoying scale merit
  - Internet connectivity services for corporate use revenue grew by 5% compared FY10

## Cloud computing services

- Cloud services at the beginning. Market growth rapidly
- Network outsourcing opportunities arise, shift from legacy SI
- Leading cloud service market gathering over 700 corporate clients
- Revenue: FY10 JPY0.6 billion → FY11 JPY3.1 billion → FY12 JPY7.0 billion (planned)

## Outsourcing/ WAN services

- Continuous needs for security, DC, related services in particular
- Steady organic growth awaits
  - Outsourcing services revenues grew by 15.2% compared FY10  
grew by 12.2% (excluding Cloud)

## Overseas business

- Headed overseas to support Japanese corporate customers
- Constructing large SNS platform
- Launched Cloud US & China

## ATM operation business

- Strong revenue and income driver in mid-term

# Best Positioned in Cloud Computing Market



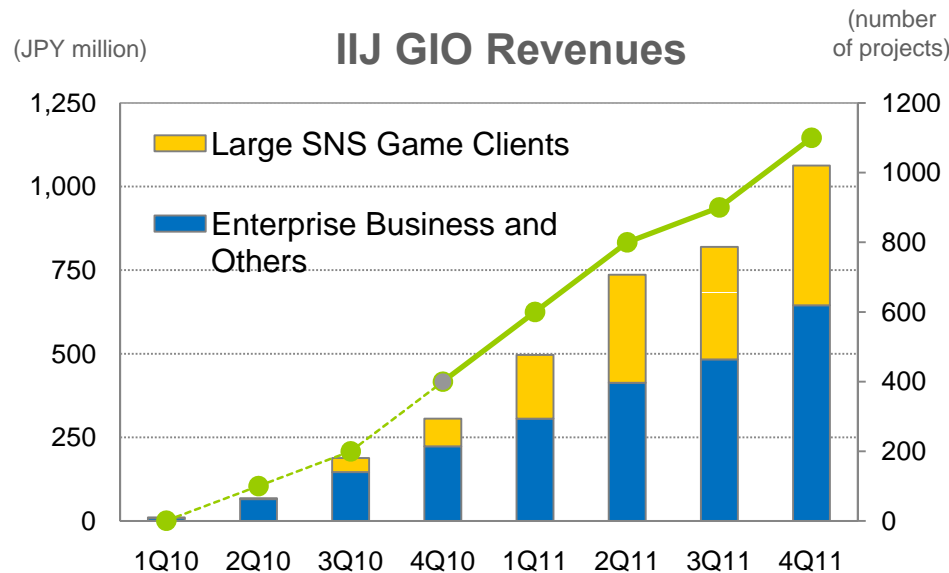
## Expansion of IIJ GIO Services

- Services released at 1Q10
- Focus on private cloud computing services
- Facility efficiency and price competitiveness are to improve with Matsue Container DC
- FY11 revenues: 3.1 billion (5 times of FY10 revenue)
- March 2012 revenues: JPY 0.4 billion (stock revenue)
- The number of projects was approx. 1,100, over 700 clients as of March 31, 2012
- Accumulating orders from current IIJ GIO users, increasing the number of projects with monthly fee of over JPY1 million per project
- FY12 Target: Revenues of over JPY 7.0 billion, operating income turning positive, investment level expected to be around the same as FY11

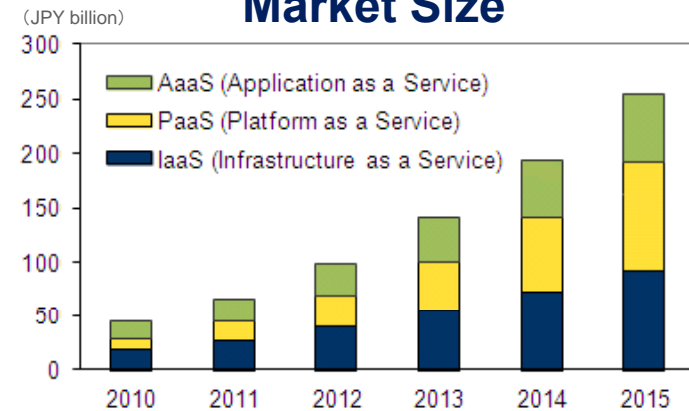
**IIJ GIO chosen by many fastidious companies**



**Leading Cloud Provider in Japan**



## Growing Cloud Computing Market Size



(Source: IDC Japan, Nov. 2011)

# Global Business Strategy

Increasing customer demands for global network services and outsourcing services

- Japanese customers seeking for network services abroad
- Expect to use IIJ Groups' reliable services seamlessly
- Strong demands from SNS Game provider and IIJ-Global customers

## ◆ Global service line-ups

- IIJ GIO US & IIJ GIO CHINA
- Global-WAN service
- Global Internet-VPN service
- Multilingual helpdesk(Japanese, English, Chinese)
- Acquired "IIJ Exlayer" system integrator with overseas IT and Si business experience (April 2012)
- Opened subsidiary in Shanghai (and representative office in Bangkok)
- Constructing private cloud computing system for Japan's one of the largest SNS game clients in the U.S.

<IIJ Group Overseas branches>



- Receiving orders of global WAN projects
- Providing cloud computing services in the U.S. and China along with our customers' needs
- Constructing and Operating a large scale SI projects for Japanese SNS game clients overseas



# ATM Operation Business Developments



## ◆ FY2011 ATM Operation Business Results

- Revenue: JPY1.3 billion
- Operating loss: JPY0.2 billion
- 440 ATMs (as of May 15, 2012)
- Near break even point

### Business Results

	1Q10	2Q10	3Q10	4Q10	FY10	1Q11	2Q11	3Q11	4Q11	FY11
Revenue	106	123	125	164	<b>517</b>	244	317	361	<b>402</b>	<b>1,324</b>
Cost	229	227	247	297	<b>1,000</b>	311	341	360	<b>369</b>	<b>1,382</b>
Expenses	37	36	42	44	<b>159</b>	43	35	30	<b>34</b>	<b>142</b>
Sum	266	263	289	341	<b>1,160</b>	354	376	390	<b>403</b>	<b>1,525</b>
Operating Loss	(161)	(140)	(165)	(177)	<b>(643)</b>	(111)	(58)	(29)	<b>(2)</b>	<b>(201)</b>

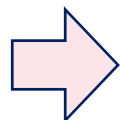
## ◆ Business Model

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



### <About Trust Networks>

- Established July 2007
- IJ ownership: 79.5%



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

# **FY2011 Financial Results**

# I . Summary of FY2011 Financial Results

	«FY2011 Results»	«FY2012 Target»
▪ Revenue	JPY97.3 billion (up 18.1% YoY)	JPY107 billion (up 10.0% YoY)
▪ Gross margin	JPY20.0 billion (up 20.5% YoY)	
▪ Operating Income	JPY6.4 billion (up 53.4% YoY)	JPY7.5 billion (up 18.0% YoY)
▪ Income before income tax	JPY6.0 billion (up 55.9% YoY)	JPY6.9 billion (up 15.5% YoY)
▪ Net income attributable to IIJ	JPY3.6 billion (up 13.7% YoY)	JPY4.0 billion (up 9.9% YoY)

## ● Achieved double-digit revenue and income growth, in line with target

- Broadband IP services, Cloud computing services, security related services, WAN services led the revenue growth
- Full year contribution from IIJ-Global and steady growth in gross margin and operating income of IIJ's existing business lead the double-digit income growth. Deficit of ATM operation business continuously decreased and is near break-even point
- FY2011 IIJ-Global results: revenue of JPY26.1 billion, cost of JPY20.9 billion, SG&A of JPY3.0 billion, operating income of JPY2.2 billion

## ● IIJ's Cloud Computing Service "IIJ GIO" is steadily growing

- FY2011 Revenue: JPY3.1 billion, number of projects reached over 1,100 at 4Q11 (over 900 at 3Q11, 400 at 1Q11)

## ● Expanded the foundation for mid-term growth

- Further accelerated IIJ group's global business development: Released "IIJ GIO US Service" (March 2012), announced strategic partnership with China Telecom to jointly provide Cloud services in China (March 2012), acquired IIJ Exlayer, system integrator with overseas IT and SI business experience (April 2012), opened offices in Shanghai and Bangkok
- Established Stratosphere Inc: Develops SDN platform and applies its technology to next generation Cloud computing

## ● Expect FY2012 to be another year of double-digit growth

- Expect IIJ's existing stock business to grow both in revenues and income, new business such as IIJ GIO and ATM operation business to turn positive, and additional revenues from oversea business to contribute

## ● Revised FY11 year-end dividend plan to JPY1,750 from JPY1,500 per share: year total of JPY3,250

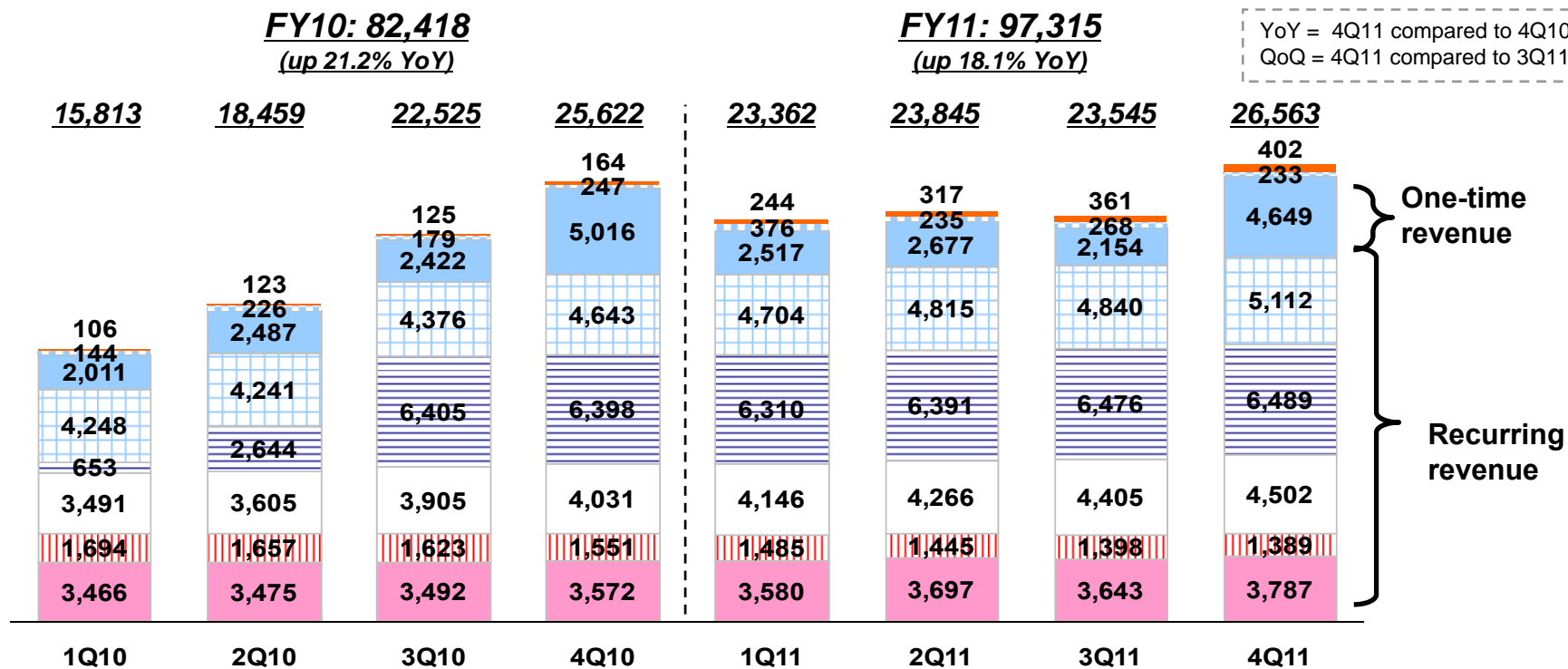
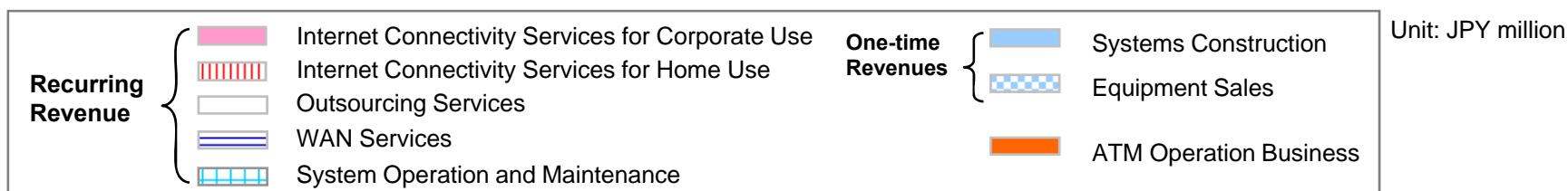
- Accomplished a 5 consecutive years of dividend increase
- Target FY2012 year total dividend of JPY3,500 (mid JPY1,750, year-end 1,750)

## II -1. Consolidated Results for FY2011

Unit: JPY billion

	<i>% of Revenues</i> <b>FY11</b> (11/4~12/3)	<i>% of Revenues</i> <b>FY10</b> (10/4~11/3)	<b>YoY</b>	<i>% of Revenues</i> <b>FY11 Revised Target</b> (11/4~12/3)
Total Revenues	<b>97.3</b>	<b>82.4</b>	<b>18.1%</b>	<b>97.0</b>
Total Costs	<i>79.5%</i> <b>77.3</b>	<i>79.9%</i> <b>65.8</b>	<b>17.5%</b>	—
Gross Margin	<i>20.5%</i> <b>20.0</b>	<i>20.1%</i> <b>16.6</b>	<b>20.5%</b>	—
SG&A/R&D	<i>14.0%</i> <b>13.6</b>	<i>15.1%</i> <b>12.4</b>	<b>9.5%</b>	—
Operating Income	<i>6.5%</i> <b>6.4</b>	<i>5.0%</i> <b>4.1</b>	<b>53.4%</b>	<i>6.5%</i> <b>6.3</b>
Income before Income Tax Expense	<i>6.1%</i> <b>6.0</b>	<i>4.7%</i> <b>3.8</b>	<b>55.9%</b>	<i>5.8%</i> <b>5.6</b>
Net Income Attributable to IIJ	<i>3.7%</i> <b>3.6</b>	<i>3.9%</i> <b>3.2</b>	<b>13.7%</b>	<i>3.5%</i> <b>3.4</b>

## II -2. Revenues



- ◆ 4Q11 Recurring revenue: JPY21,279 million (up 5.4% YoY, up 2.5% QoQ). FY11 Recurring revenue: JPY82,881 million (up 19.8% from FY10)
- ◆ 4Q11 One-time revenues: JPY4,882 million (down 7.2% YoY). FY11 One-time revenues: JPY13,109 million (up 3.0% from FY10)
- ◆ 4Q11 IIJ-Global operating Income: JPY6,676 million (mostly WAN services revenues, partly SI)  
(3Q10: JPY6,406 million, 4Q10: JPY6,442 million, 1Q11: JPY6,464 million, 2Q11: JPY6,534 million, 3Q11: JPY6,444 million)
- ◆ 4Q11 ATM operation business: JPY402 million (up JPY238 million YoY, up JPY40 million QoQ, March 2012 revenue was JPY140 million)

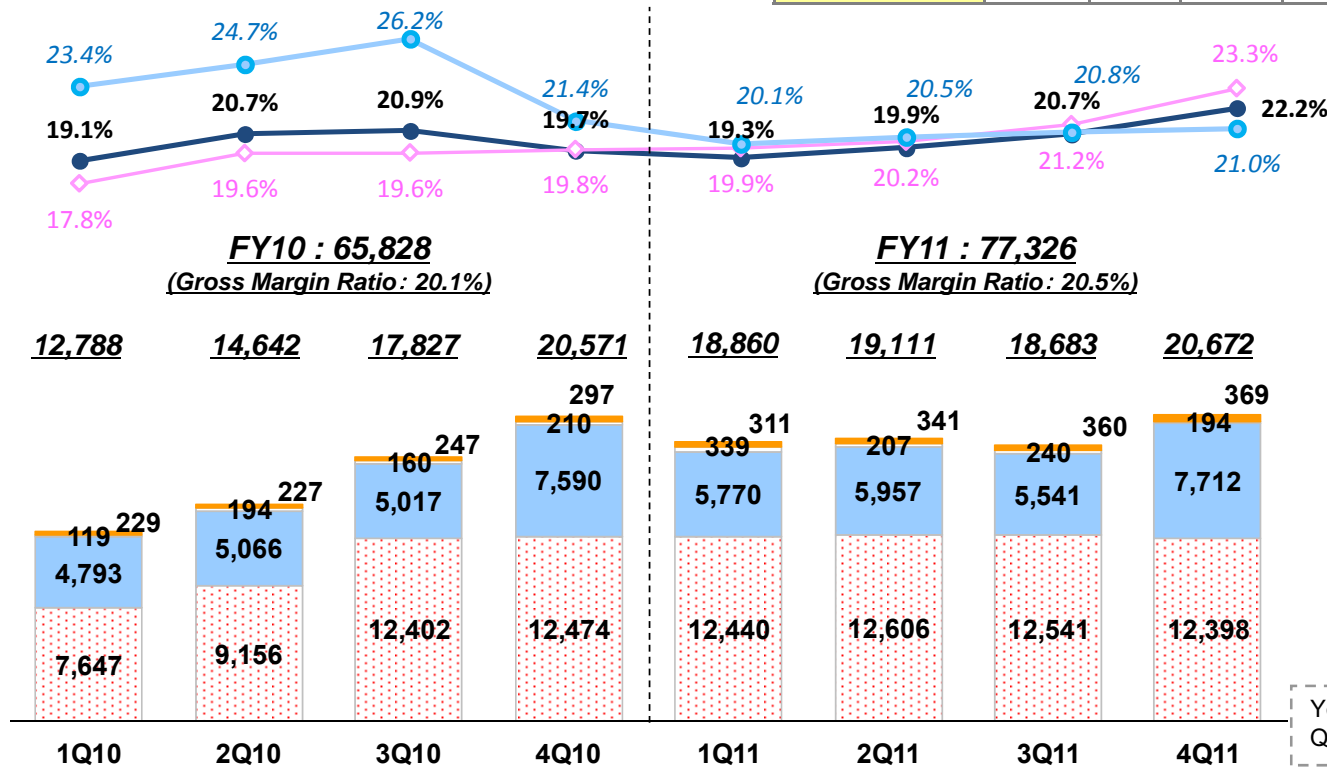
# II -3. Cost of Revenues and Gross Margin Ratio

Unit: JPY million



IJJ-Global	2Q10 *	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11
Revenues	1,761	5,215	5,160	5,173	5,265	5,187	5,269
Gross Margin Ratio	21.6%	18.6%	19.9%	20.0%	19.4%	19.5%	21.1%

\* IJJ-Global consolidated on Sep .1, 2010



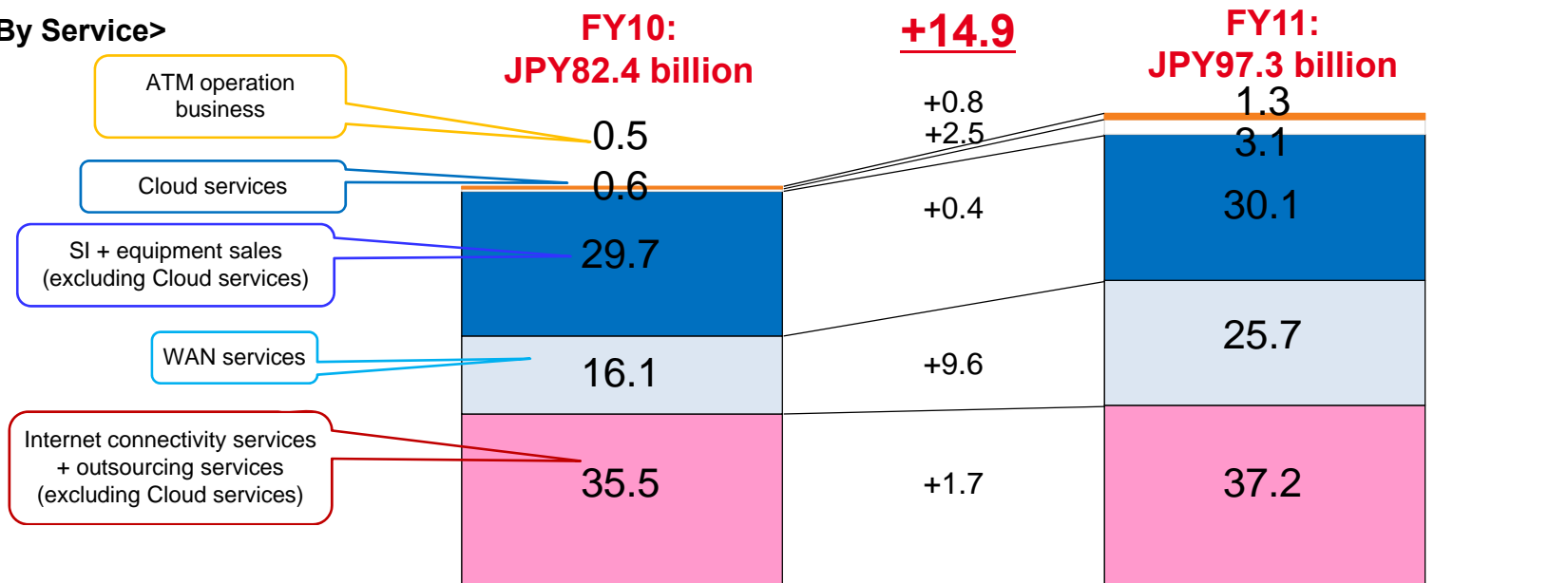
YoY = 4Q11 compared to 4Q10  
QoQ = 4Q11 compared to 3Q11

- ◆ 4Q11 Gross Margin: JPY5,891 million (up JPY841 million YoY, up JPY1,029 million QoQ)
  - Network services gross margin: JPY3,769 million (up JPY691 million YoY, up JPY389 million QoQ)
  - SI gross margin: JPY2,049 million (down JPY19 million YoY, up JPY596 million QoQ)
  - ATM operation business gross margin: JPY33 million (4Q10: gross loss of JPY133 million, 3Q11: JPY1 million)

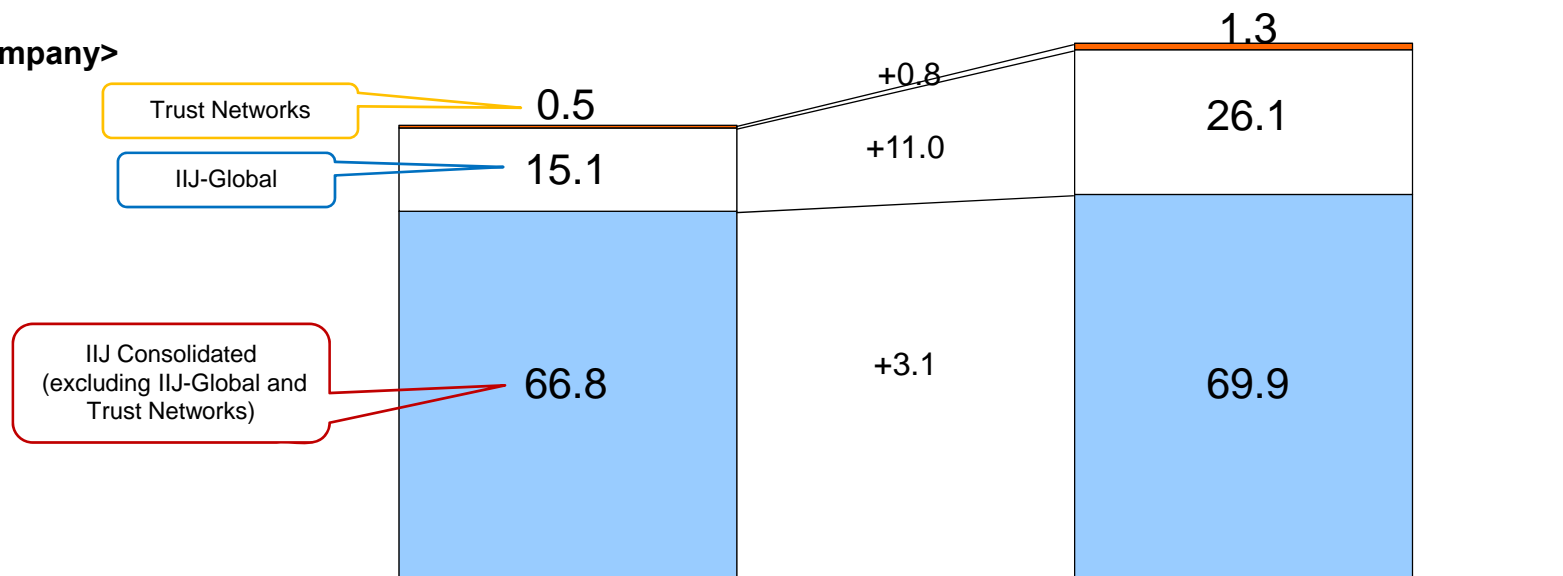
## II -4. Revenue YoY Change

Unit: JPY billion

### <By Service>



### <By Company>

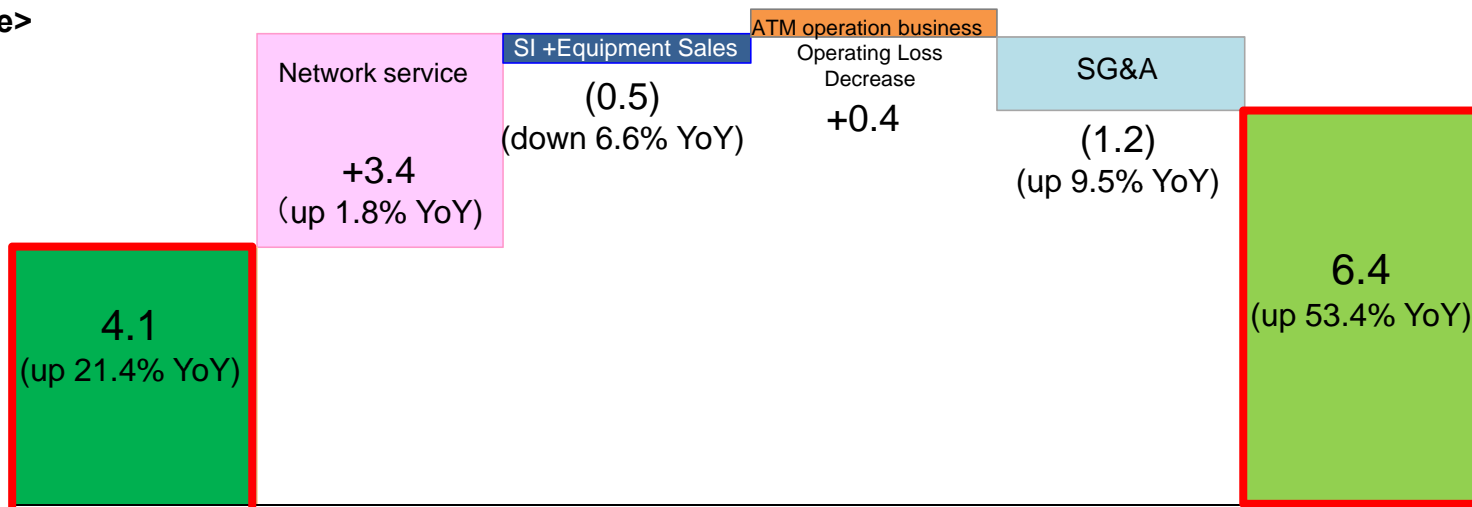


# II -5. Operating Income YoY Change

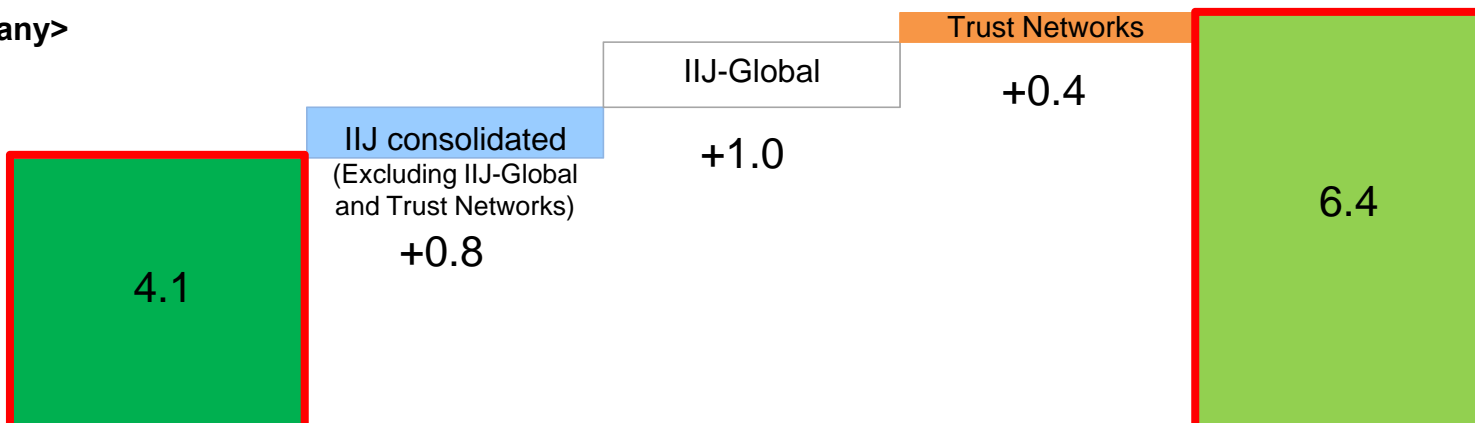
Unit: JPY billion

**FY10: JPY4.1 billion** **+2.2** **FY11: JPY6.4 billion**

<By Service>



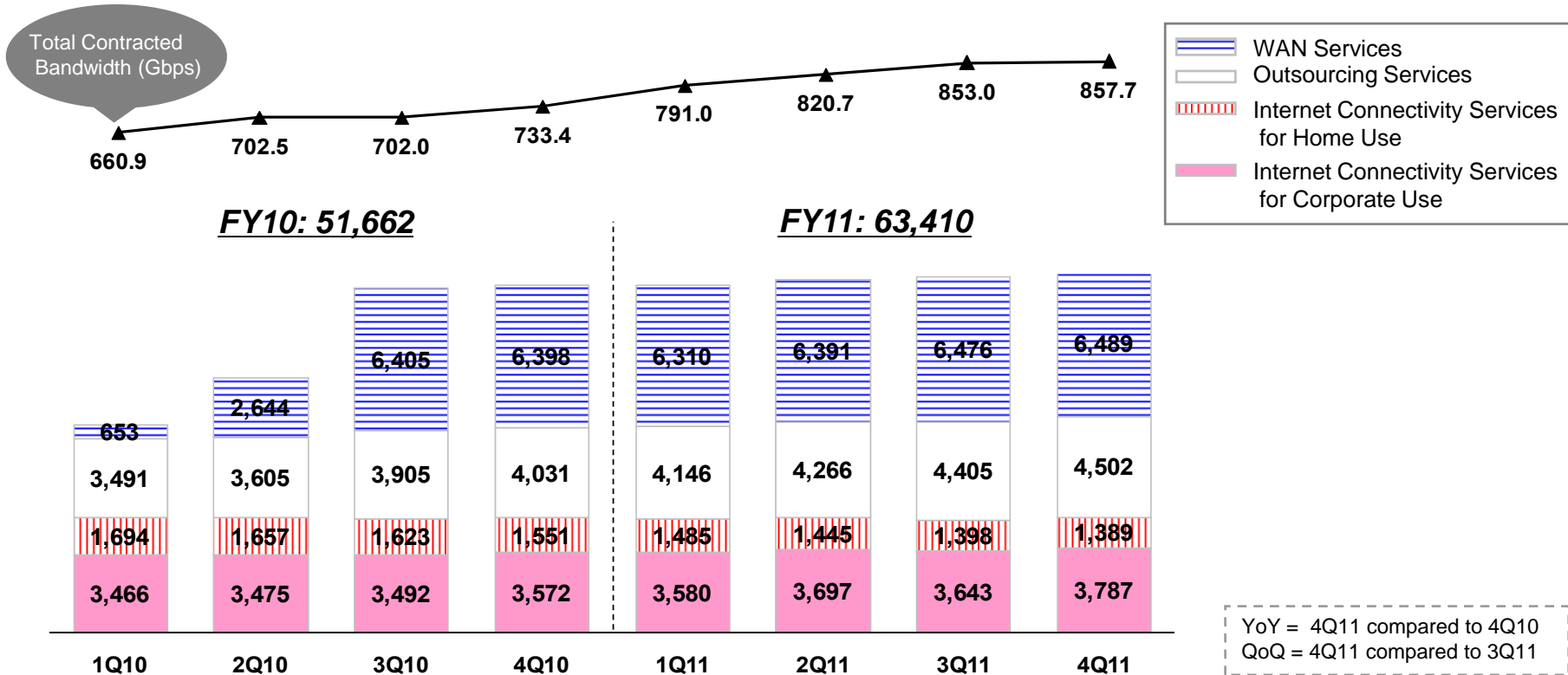
<By Company>





## II -6. Network Services (1) Revenues

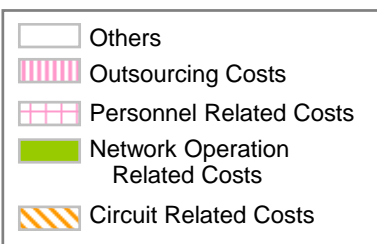
Unit: JPY million



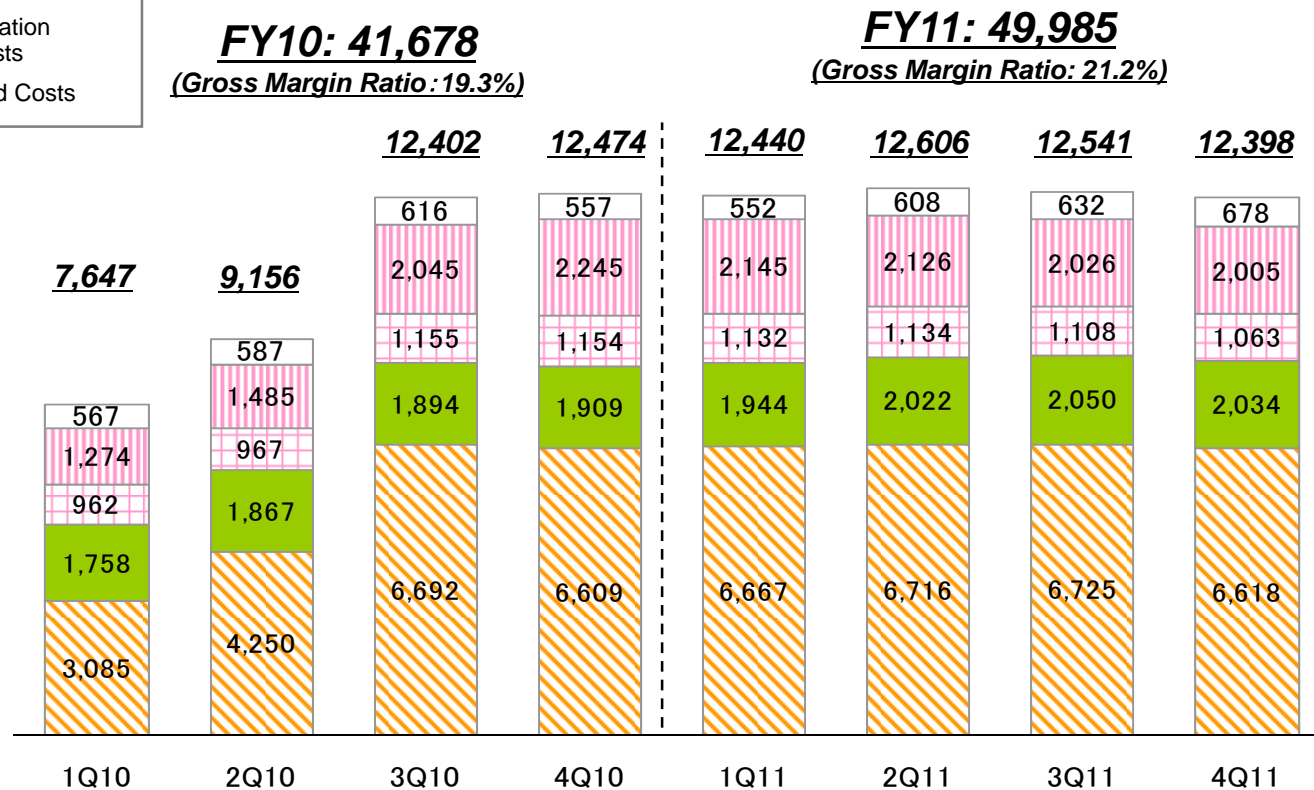
- ◆ 4Q11 Internet connectivity services for corporate use: up JPY215 million YoY, up JPY144 million QoQ
  - IP service revenues increased by JPY111 million QoQ, volume charge revenue increased
  - Contracts of over 1Gbps as of March 31, 2012 reached 132 contracts (as of March 31, 2011: 126 contracts, as of Dec. 31, 2011: 132 contracts)
  - IIJ Mobile revenues increased as there were M2M projects. 46,329 contracts as of March 31, 2012
- ◆ 4Q11 Internet connectivity services for home use: down JPY161 million YoY, down JPY8 million QoQ
  - IIJmio/LTE service made good start, released in Feb. 27, 2012. As of April 30, 2012 there were approximately 13,000 contracts
  - As of March 31, 2012 number of contracts reached 397,191 (As of March 31, 2011: 374,328 contracts, as of Dec. 2011: 383,745 contracts)
- ◆ 4Q11 Outsourcing services: up JPY470 million YoY, up JPY96 million QoQ
  - Services such as data center related services, IIJ GIO Hosting Package Service and security related services steadily increased
  - FY11 Outsourcing revenues excluding IIJ GIO revenues were up 12.2% compared to FY10
- ◆ 4Q11 WAN services: up JPY91 million YoY, up JPY14 million QoQ. Both IIJ and IIJ-Global revenues continue to grow

## II -6. Network Services (2) Cost of Revenues

Unit: JPY million



YoY = 4Q11 compared to 4Q10  
QoQ = 4Q11 compared to 3Q11



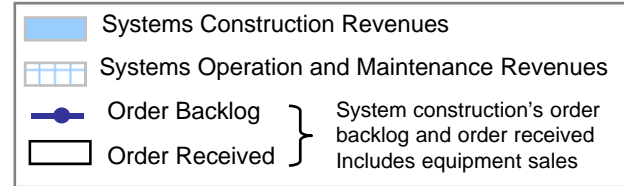
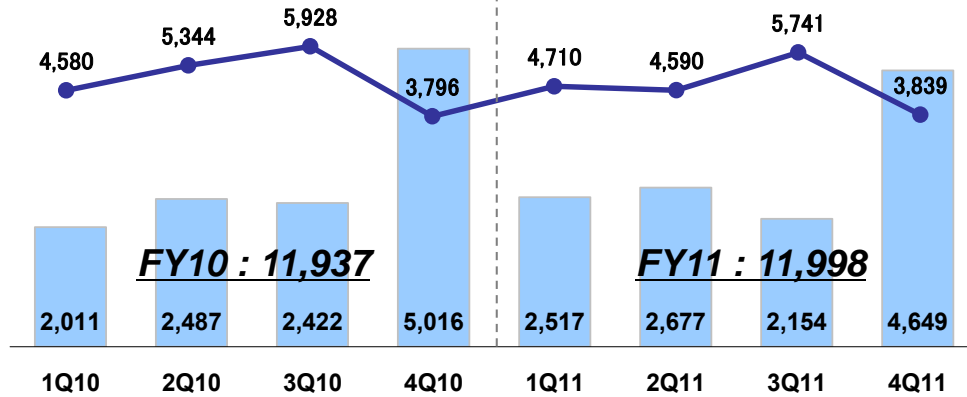
- ◆ 4Q11 Cost of network services: down JPY76 million YoY, down JPY143 million QoQ
  - Cost related to IIJ-Global decreased compared to both 4Q10 and 3Q11. Cost related to IIJ's existing business decreased compared to 3Q11
  - Mobile interconnection cost decreased by JPY126 million in 4Q11
- ◆ FY11 Total cost of network services: up JPY8,307 million from FY10
  - Due to additional costs related to IIJ-Global, the total cost increased. Cost related to IIJ's existing business slightly increased
  - Gross margin: JPY13,425 million (up JPY3,441 million from FY10)

## II -7. System Integration (1) Revenues

YoY = 4Q11 compared to 4Q10  
QoQ = 4Q11 compared to 3Q11

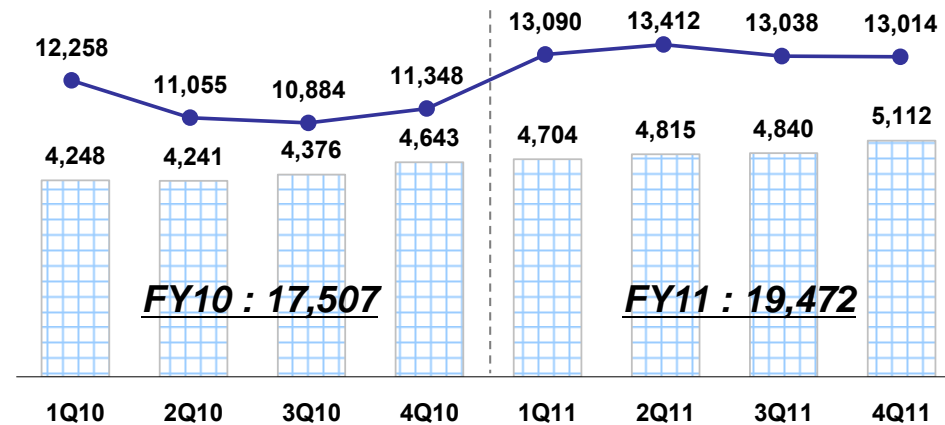
### <Systems Construction>

Unit: JPY million



3,572	3,478	3,185	3,131	3,807	2,793	3,573	2,980
FY10: 13,365				FY11: 13,153			

### <Systems operation and maintenance>



6,111	3,037	4,204	5,107	6,447	5,137	4,466	5,088
FY10: 18,460				FY11: 21,138			

### Systems Construction

- ◆ **4Q11 Revenues: down 7.3%YoY**
  - While there were mid-to small sized construction projects, the lack of large scale construction projects resulted in the decrease in total revenue.
- ◆ **4Q11 Order backlog: up 1.1% YoY**
- ◆ **FY11 Revenues: JPY11,998 million, same as FY10**
  - The number of mid-to small sized construction projects increased but the absence of large scale SI projects throughout FY11 resulted in the weak outcome

### < Examples of systems construction projects >

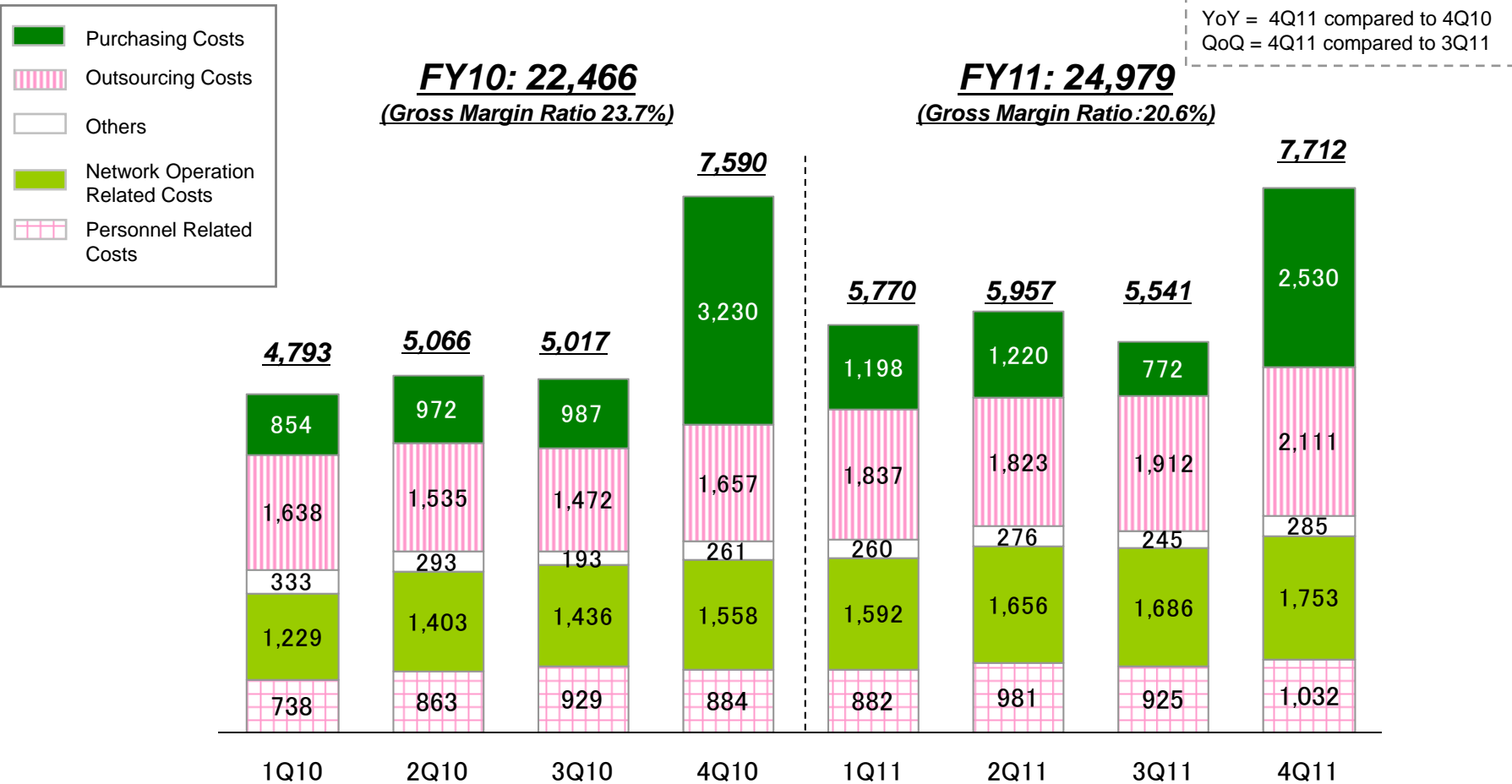
- Internet backbone network construction project
- Renewal of Internet gateway construction project
- Website construction for central government agencies
- FX trading system construction project      etc

### Systems operation and maintenance

- ◆ **4Q11 Revenues: up 10.1% YoY, up 5.6% QoQ**
  - Revenues increased due to steady increase of IJ GIO Component service and additional FX contracts
- ◆ **4Q11 Order backlog: up 14.7% YoY, down 0.2% QoQ**

## II -7. System Integration (2) Cost of Revenues

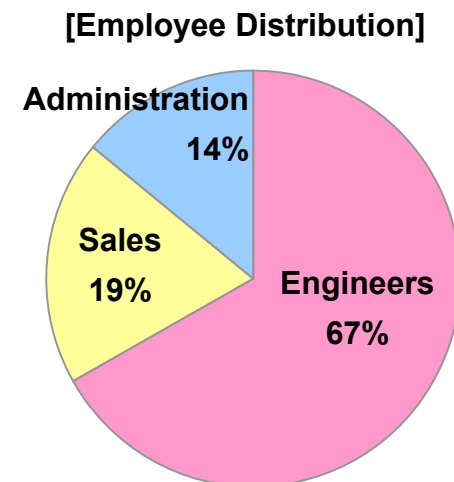
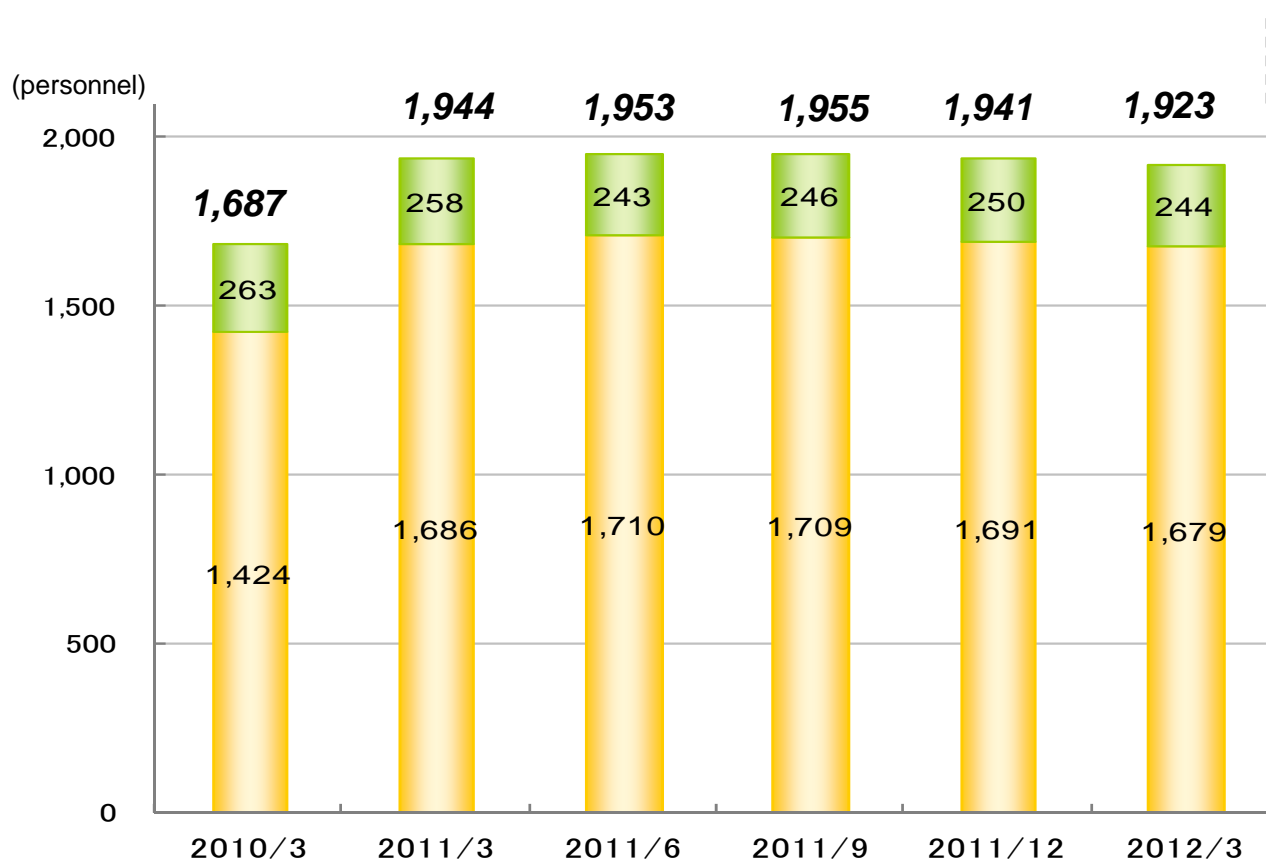
Unit: JPY million



- ◆ 4Q11 Cost of systems integration: up JPY121 million YoY, up JPY2,171 million QoQ
  - The number of full-time outsourcing personnel as of March 31, 2012 was 475 (up 100 personnel YoY, up 7 personnel QoQ)
  - SI gross margin: JPY2,049 million (down JPY19 million YoY, up JPY596 million QoQ)
- ◆ FY11 Total costs of systems integration: up JPY2,512 million from FY10
  - Outsourcing costs and network operation related costs both increased mostly for IIJ GIO. Purchasing costs decreased along with a decrease in systems construction revenues
  - Gross margin: JPY6,491 million (down JPY487 million from FY10)

## II -8. Number of Employees

YoY = 4Q11 compared to 4Q10  
QoQ = 4Q11 compared to 3Q11



Unit: JPY million

<b>2,887</b> (14.7%)	<b>3,554</b> (13.9%)	<b>3,627</b> (15.5%)	<b>3,686</b> (15.5%)	<b>3,551</b> (15.1%)	<b>3,613</b> (13.6%)
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**Personnel related costs and expenses (% of revenue)**

- ◆ Number of consolidated employees as of March 2012: 1,923 personnel (down 21 personnel YoY, down 18 personnel QoQ)
  - Hired 75 newly graduates in FY2012 (FY11: 44 newly graduates, FY10: 60 newly graduates)
  - Employees of 60 personnel of IIJ Exlayer (Consolidated on April 2, 2012)

## II -9. SG&A Expenses/R&D

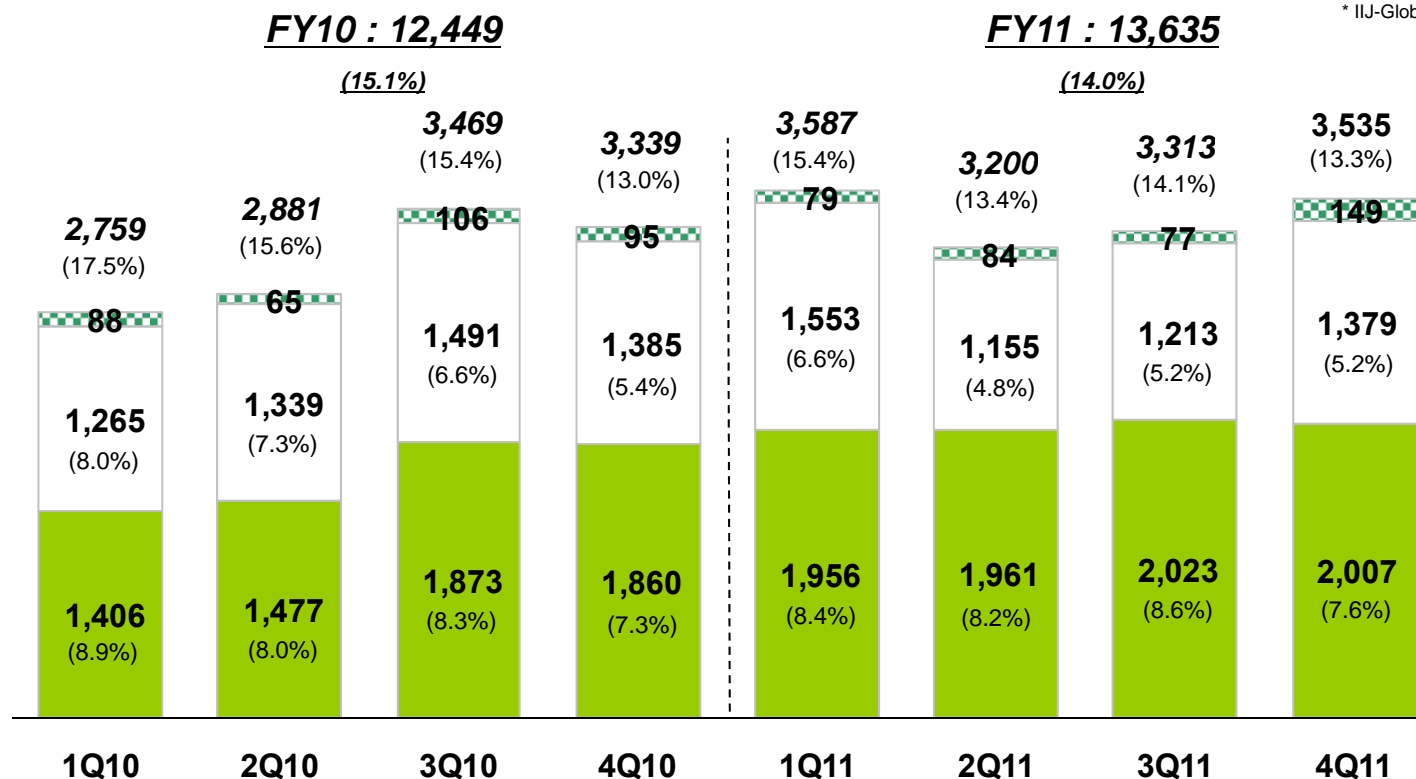
YoY = 4Q11 compared to 4Q10  
QoQ = 4Q11 compared to 3Q11

Sales and Marketing Expenses  
 General and Administrative Expenses  
 Research and Development  
 (    ) % of Revenues

Unit: JPY million

IJJ-Global	2Q10*	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11
SG&A	224	777	767	856	663	754	764
Amortization of customer relationships	20	109	125	106	106	106	106

\* IJJ-Global consolidated on Sep. 1, 2010



- ◆ 4Q11 SG&A: up JPY196 million YoY, up JPY222 million QoQ
  - Expenses related to IJJ and IJJ-Global both slightly increased compared to 3Q11
- ◆ FY11 Total SG&A: up JPY1,186 million from FY10. Expenses related to IJJ's existing business slightly decreased
  - Expenses such as personnel related expenses and advertising expenses increased compared to FY10
  - Percentage of revenues was 14.0%, down 1.1 points compared to FY10

# II -10. Operating Income and Net Income

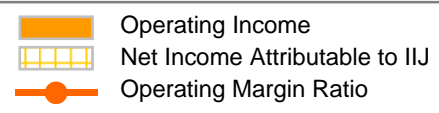
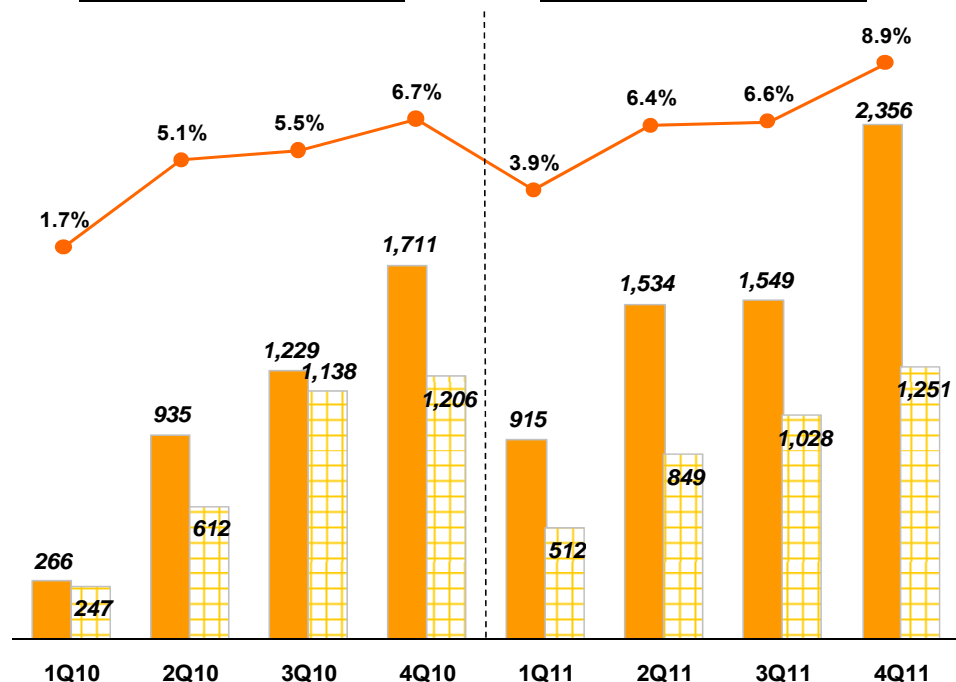
Unit: JPY million

**FY10 Operating Income : 4,141**

**FY10 Net income attributable to IIJ: 3,203**

**FY11 Operating Income : 6,353**

**FY11 Net income attributable to IIJ: 3,641**



YoY = 4Q11 compared to 4Q10  
QoQ = 4Q11 compared to 3Q11

**FY11 Operating Income :**

- JPY6,353 million (up JPY2,212 million from FY10)
- Full year contribution of IIJ-Global
- Increased in network services gross margin
- Decreased in operating loss decreased of ATM operation business

**FY11 : Income before income tax expense:**

- JPY5,976 million (up JPY2,142 million from FY10)

**FY11 Net income attributable to IIJ:**

- JPY3,641 million (up JPY438 million from FY10)
- Net loss attributable to noncontrolling interests is related to Trust Networks net loss

**ATM Operation and Business**

- Placed 440 ATMs as of May 15, 2012
- The total number of ATMs placed in FY11 was approximately 160 ATMs
- FY11 revenues: JPY1,324 million (up JPY808 million from FY10)
- FY11 operating loss: JPY201 million (down JPY442 million from FY10) (JPY million)

	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11
Income Tax Expenses	120	160	179	496	425	631	548	922
Equity in net income(loss) of equity method investees	34	(3)	98	(7)	40	37	77	(30)
Net loss attributable to noncontrolling interests	54	48	51	50	31	18	11	6

	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11
Revenue	106	123	125	164	244	317	361	402
Cost	229	227	247	297	311	341	360	369
SG&A	37	36	42	44	43	35	30	34
Sum,	266	263	289	341	354	376	390	403
Operating loss	(161)	(140)	(165)	(177)	(111)	(58)	(29)	(2)

## II -11. Consolidated Balance Sheets

Unit: JPY million

	March 31, 2011	March 31, 2012	Changes
Cash and Cash Equivalents	13,314	13,537	+223
Accounts Receivable	16,431	15,722	(709)
Inventories	601	752	+151
Prepaid Expenses	1,680	1,848	+168
Other Investments	2,794	2,938	+144
Property and Equipment	16,481	19,736	+3,255
Goodwill and Other Intangible Assets	11,843	11,185	(658)
Accounts payable	13,574	9,753	(3,821)
Borrowings (Short-term and Long-term)	13,430	12,000	(1,430)
Accumulated Deficit	(14,023)	(10,990)	+3,033
Accumulated Other Comprehensive Loss	(85)	(24)	+62
Total IJ Shareholders' Equity	29,652	32,688	+3,036
Total Assets	71,473	73,493	+2,020

- Nonmarketable equity securities  
JPY1,958 million
- Available-for-sale equity securities  
JPY 861 million
- Others  
JPY119 million

➤ Increased due to investments for IJ GIO

- Non-amortized intangible assets:  
JPY5,943 million
  - Goodwill JPY5,788 million  
(related to IJ-Global: JPY2,288 million)
  - Trademark JPY155 million
- Amortized intangible assets  
(customer relationships): JPY5,223 million  
(related to IJ-Global: JPY3,042 million)

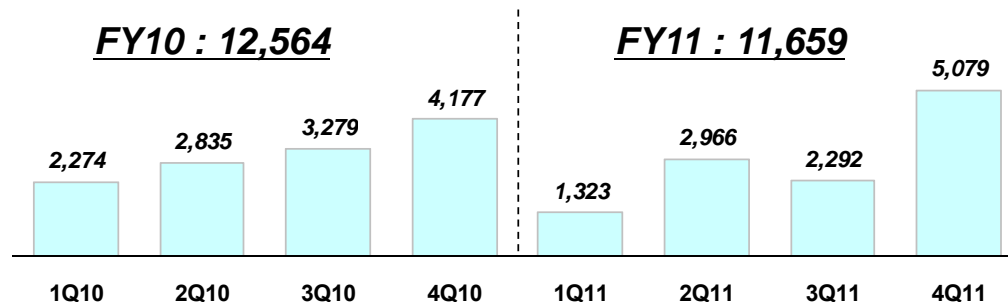
- IJ Shareholders' equity ratio
  - March 31, 2012: 44.5%
  - March 31, 2011: 41.5%



## II -12. Consolidated Cash Flows

Unit: JPY million

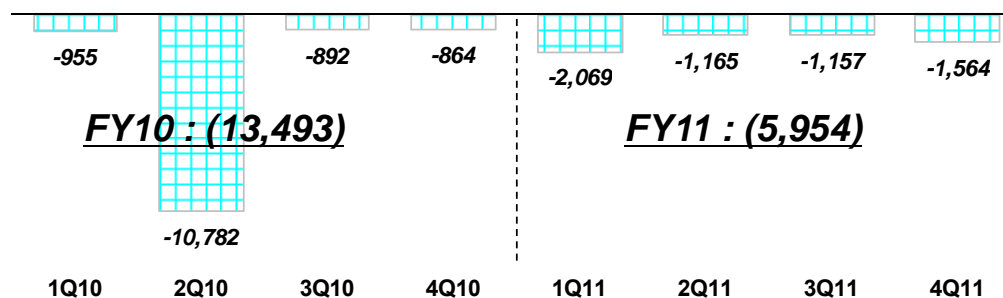
### Operating Activities



#### FY11 Operating Activities

- Increase in operating income
- Decrease in accounts payable: JPY2,929 million etc

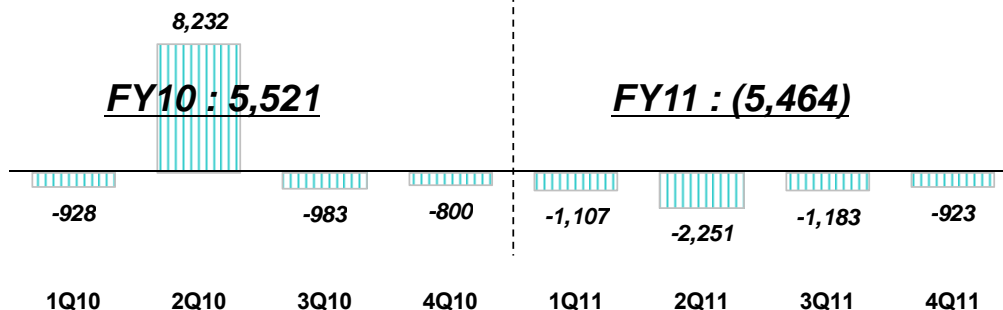
### Investing Activities



#### FY11 Investing Activities

- Purchases of property and equipments: JPY6,167 million etc

### Financing Activities

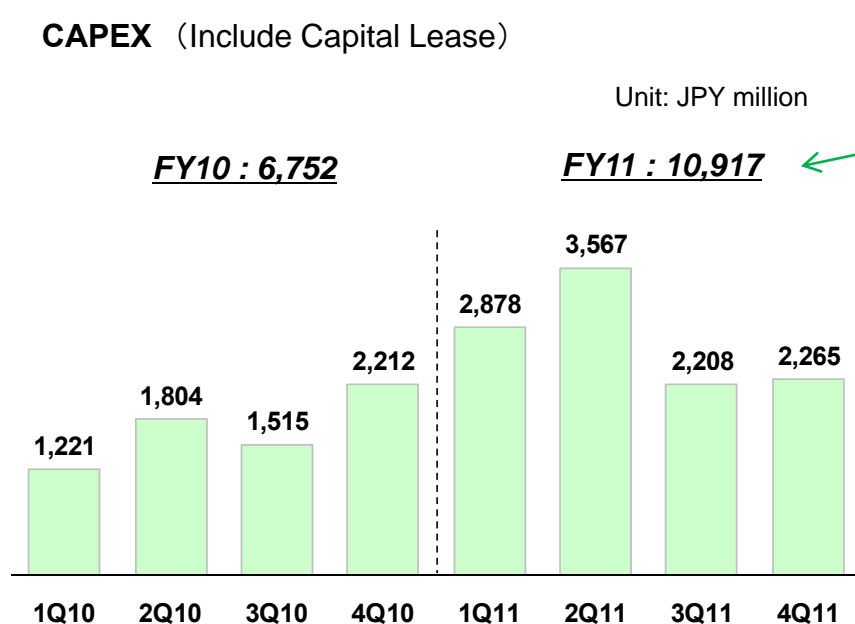


#### FY11 Investing Activities

- Bank borrowings: JPY1,430 million
- Principal payments under capital leases: JPY3,426 million etc

## II -13. Other Financial data (CAPEX etc.)

**CAPEX** (Include Capital Lease)

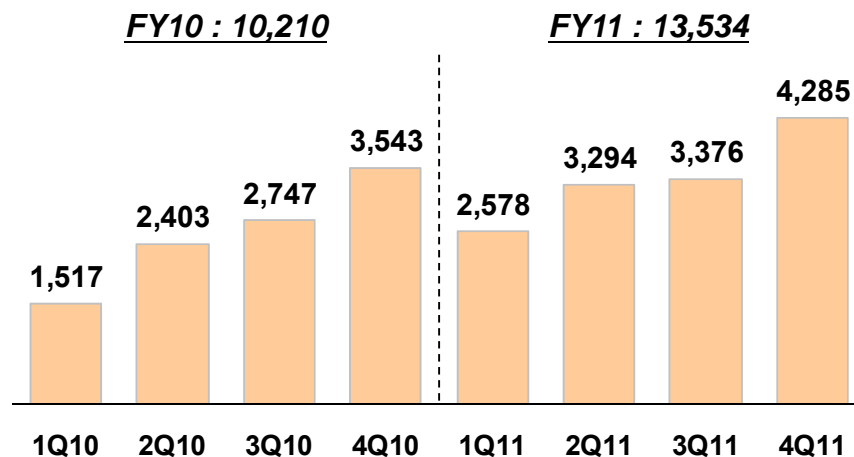


Unit: JPY billion

	FY10	FY11
Cloud related	1.6	4.3
ATM operation business	0.3	0.4
IIJ Global	0.1	0.4
Others	4.7	5.9

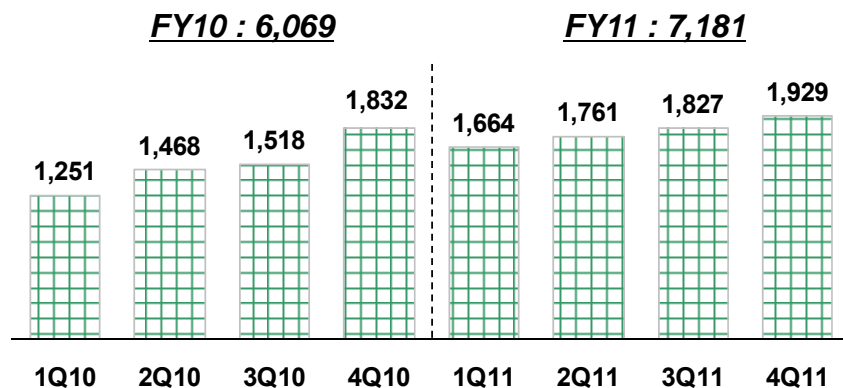
**Adjusted EBITDA**

Unit: JPY million



**Depreciation and Amortization**

Unit: JPY million



## III-1. Developments of IJ GIO

# IJ GIO

### ■ Business developments of IJ GIO

- FY11 Revenues: JPY3.1 billion  
(FY10: JPY0.6 billion)
- 4Q11 Revenues: JPY1.0 billion
  - 3Q11: JPY0.8 billion, 4Q10: JPY0.3 billion
  - March 2012 revenues : JPY0.4 billion
  - The number of projects was approx. 1,100 as of March 31, 2012
  - Accumulating orders from current IJ GIO users, increasing the number of projects with monthly fee of over JPY1 million per project

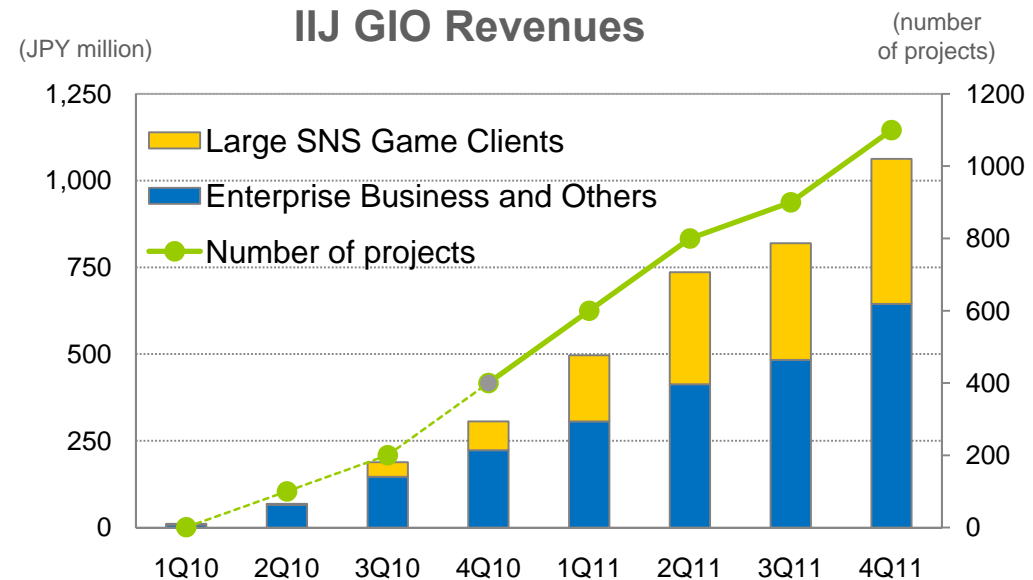
- FY12 Target: Revenues of over JPY7.0 billion, operating income turning positive, investment level expected to be around the same as FY11

### ■ IJ GIO Globalization

- Released “IJ GIO US Service” in March 2012
  - The facility is placed in the West Coast of the United States
  - Accumulating orders at good pace, servers already in placed are almost sold out, sooner than originally planned, plan to add more servers
- Announced strategic partnership with China Telecom in jointly providing Cloud services in China

### ■ IJ GIO topics

- Received 3 Best Services Awards “Fourth Cloud Ranking” of Nikkei BP Agency
  - Cloud platform services (IaaS/PaaS) , General Information SaaS, Specified Tasks SaaS
- IJ GIO is now certified for “SSAE16” Type 2, proving its internal control is in line with such standards



**\*\*Change in premise of “ number of projects”**

Previously disclosed number of projects included server addition orders as one contract whereas they were just additional orders for existing contracts. From 4Q11, we have eliminated those orders.

## III-2. Expansion of IIJ Group



### IIJ Exlayer Inc.

- Acquired on April 2, 2012
- Acquired the Japanese holding company and its five 100% owned overseas subsidiaries
- Formerly known as Exlayer Global has over 10 years of experience in overseas SI business mainly with Japanese firms
- Client base: Japanese *Shosha*, financial institutions, general constructors
- To jointly work as IIJ-Group in providing global Cloud services and server operation and maintenance for SNS clients

<IIJ Exlayer Overseas branches>



#### <About IIJ Exlayer>

- IIJ ownership : 99.9%
- Capital : JPY10 million
- Employees : 60 personnel as of April 2, 2012
- Total revenues for FY2011 : JPY800 million (Fiscal year end: December 31)
- Consolidation of revenue and income from 2Q



### Stratosphere Inc.

- Established on April 5 2012, a joint venture with ACCESS Co., Ltd.,
- Develops SDN platform
  - Software Defined Network (“SDN”) is a technology enabling network virtualization and automatic operation in a cloud environment
  - > With SDN, construction of a cloud computing environment is expected to eliminate various restrictions on physical networking and complexities in network configuration management
- Its business model: Developing and sales of software license
- Plans to apply the technology to next generation cloud computing platform

#### <About Stratosphere>

- IIJ ownership: 50.0%
- Capital: JPY100 million
- Employees: 11 personnel (seconded)

#### Planned Schedule

- 2Q12: Release of SDN IaaS software
- 4Q12: Release of Cloud OS software

## III -4. Reference: FY2012 Financial Target

Unit: JPY billion

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

### (Revenue Increase Factors)

- Continuous increase from network services
- IIJ GIO revenues to largely increase (from FY11: JPY3.1 billion to FY12: over JPY7.0 billion)
- Additional revenues from overseas business
- ATM operation business revenue to increase along with an increase in the number of newly placed ATMs (revenue to almost double)

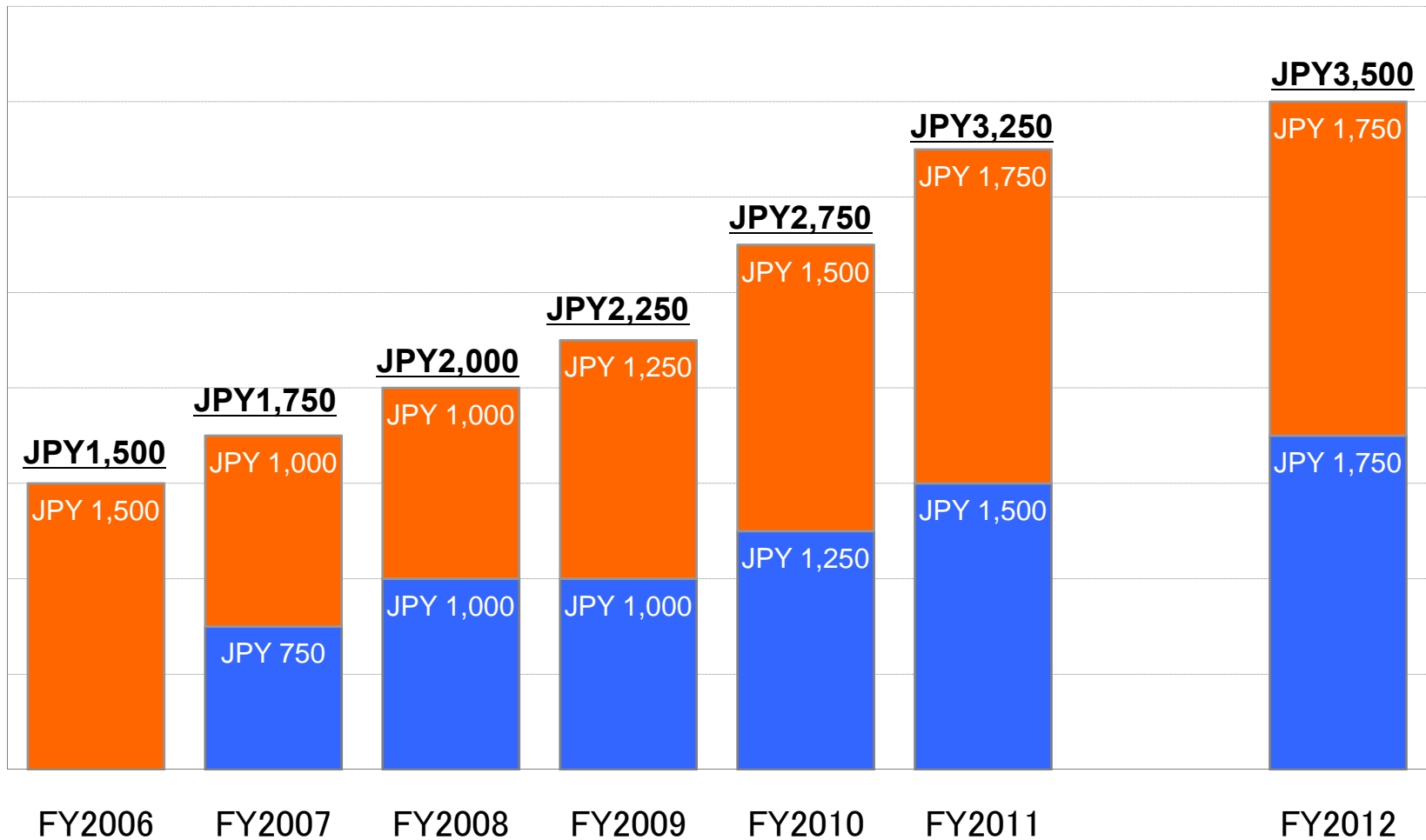
### (Operating Income Increase Factors)

- Continuous increase of stock revenues and gross margin
- IIJ GIO turning positive
- ATM operation business turning positive

### (Investment)













- The scale of investment for network services including Cloud services expected to be the same as FY11 or slightly more
- Along with the expansion of ATM operation business, ATM investments may grow

### III-5. FY2012 Dividend Forecast



## III-6. IIJ Group Companies

(As of May 15, 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").

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