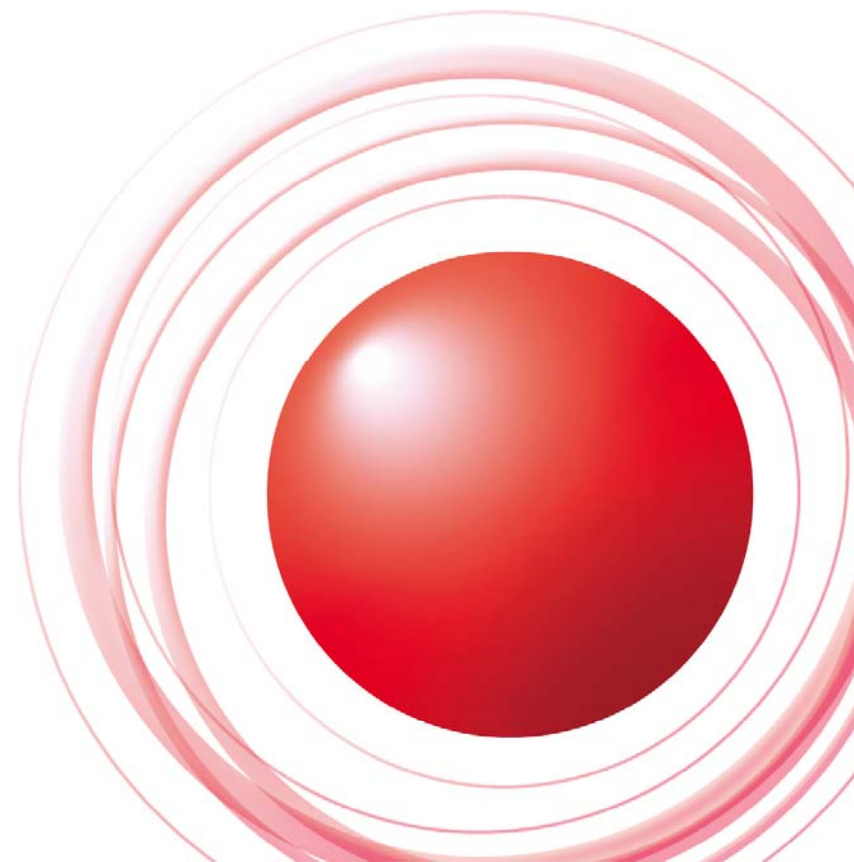


1st Quarter FY2011 Consolidated Financial Results



Internet Initiative Japan Inc.
2011.8.12

Ongoing Innovation



Agenda

I . Summary of 1Q FY2011 Financial Results

II . Consolidated Financial Results for 1Q FY2011

III . Reference Materials

I. Summary of 1Q FY2011 Financial Results

<1st Quarter Financial Results>

•Total revenues	JPY23,362 million	(up 47.7% YoY)
•Gross margin	JPY4,502 million	(up 48.8% YoY)
•Operating income	JPY915 million	(up 244.2% YoY)
•Income before income tax expense	JPY865 million	(up 210.0% YoY)
•Net income attributable to IJ	JPY512 million	(up 107.4% YoY)

●Recorded the highest revenue and operating income for first quarter results

- A good start for the first quarter with financial results in line with target
- Financial results related to IJ-Global, a newly acquired subsidiary from Sep. 1, 2010 : Revenues of JPY6.5 billion, costs of JPY5.2 billion, SG&A expenses of JPY0.9 billion and operating income of JPY0.4 billion

●Network service and SI both increased YoY

- Network service revenues were up 66.8% YoY, SI revenues were up 15.4% YoY
- Outsourcing service continued to increase with the development in data center-related, web security-related services
- Cloud service “IJ GIO” revenues are increasing and the number of projects reached 600 as of June 2011 (up 170 YoY)
- SI projects are small- to mid-sized. There were no large-scale down of a project during 1Q11 compared to 1Q10

●Business developments: addition to solution line-ups and DC & facility investments

- Strengthened its service line-ups and features of our cloud computing service “IJ GIO”
 - “IJ GIO Storage Service FV/S with REST API”
 - The reconstruction of its Cloud Service Operations structure in Preparation for Receipt of SSAE16 Type 2
- Opened the “Matsue DC”, the first container type data center using outside air cooling in Japan
- Opened a lease based “Kozu DC” in the Kansai area for the increasing demands for BCP and disaster recovery
- Developed a system to monitor electricity use using the platform of IJ’s proprietary management service “SACM”
- Internet Multifeed to provide “transix”, a IPv6 Internet connectivity service for ISPs

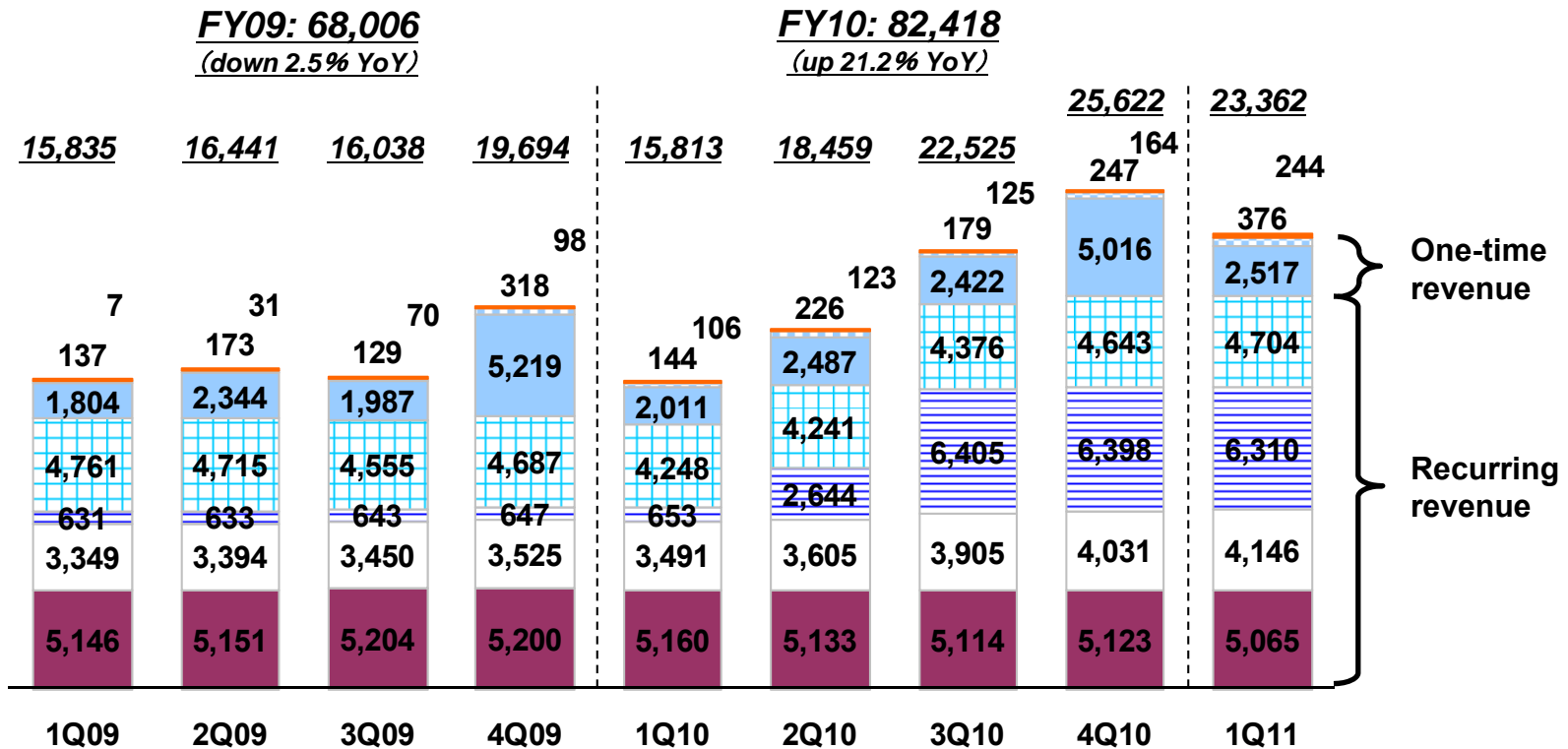
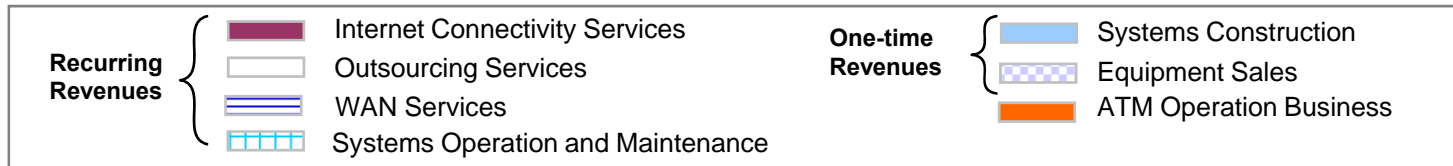
II-1. Consolidated Results for 1Q FY2011

Unit: JPY billion

	<i>% of Revenues</i> 1Q11 (11/4~11/6)	<i>% of Revenues</i> 1Q10 (10/4~10/6)	YoY	<i>% of Revenues</i> FY10 Target (11/4~12/3)
Total Revenues	23.4	15.8	47.7%	100.0
Total Costs	<i>80.7%</i> 18.9	<i>80.9%</i> 12.8	47.5%	—
Gross Margin	<i>19.3%</i> 4.5	<i>19.1%</i> 3.0	48.8%	—
SG&A/R&D	<i>15.4%</i> 3.6	<i>17.5%</i> 2.8	30.0%	—
Operating Income	<i>3.9%</i> 0.9	<i>1.7%</i> 0.3	244.2%	<i>6.3%</i> 6.3
Income before Income Tax Expense	<i>3.7%</i> 0.9	<i>1.8%</i> 0.3	210.0%	<i>5.6%</i> 5.6
Net Income Attributable to IIJ	<i>2.2%</i> 0.5	<i>1.6%</i> 0.2	107.4%	<i>3.4%</i> 3.4

II-2. Revenues

Unit: JPY million



◆ Recurring revenues: JPY20,226 million (up 49.2% YoY, up 0.2% QoQ)

◆ One-time revenues: JPY2,893 million (up 34.2% YoY)

◆ IIJ-Global operating income: JPY6,464 million

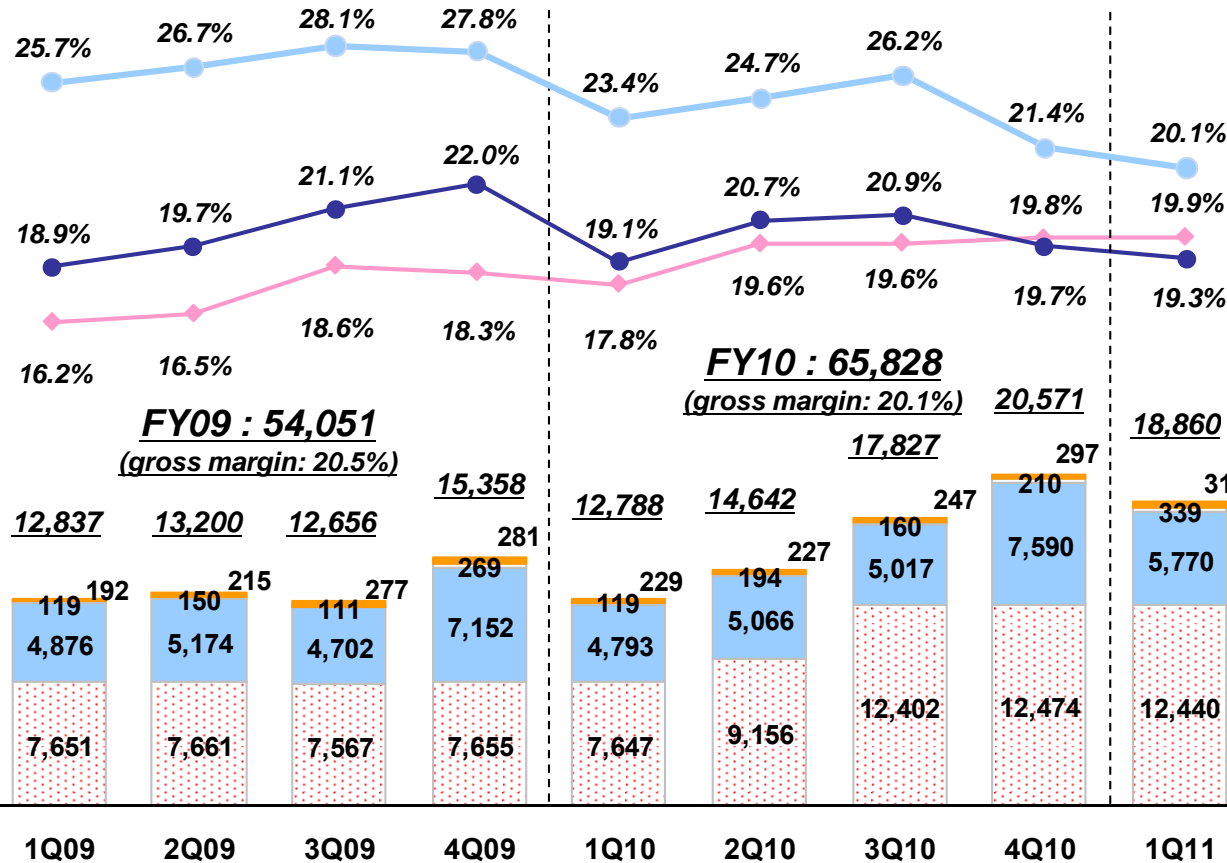
(2Q10: JPY2,246 million, 3Q10: JPY6,406 million, 4Q10: JPY6,442 million) (mainly WAN service revenues, partly SI)

◆ ATM operation business: JPY244 million (up JPY138 million YoY, up JPY80 million QoQ)

YoY = 1Q11 compared to 1Q10
QoQ = 1Q11 compared to 4Q10

II-3. Cost of Revenues and Gross Margin Ratio

Unit: JPY million



IJJ-Global	2Q10 (1month)	3Q10	4Q10	1Q11
Cost of Revenue	1,761	5,215	5,160	5,173
Gross Margin Ratio	21.6%	18.6%	19.9%	20.0%

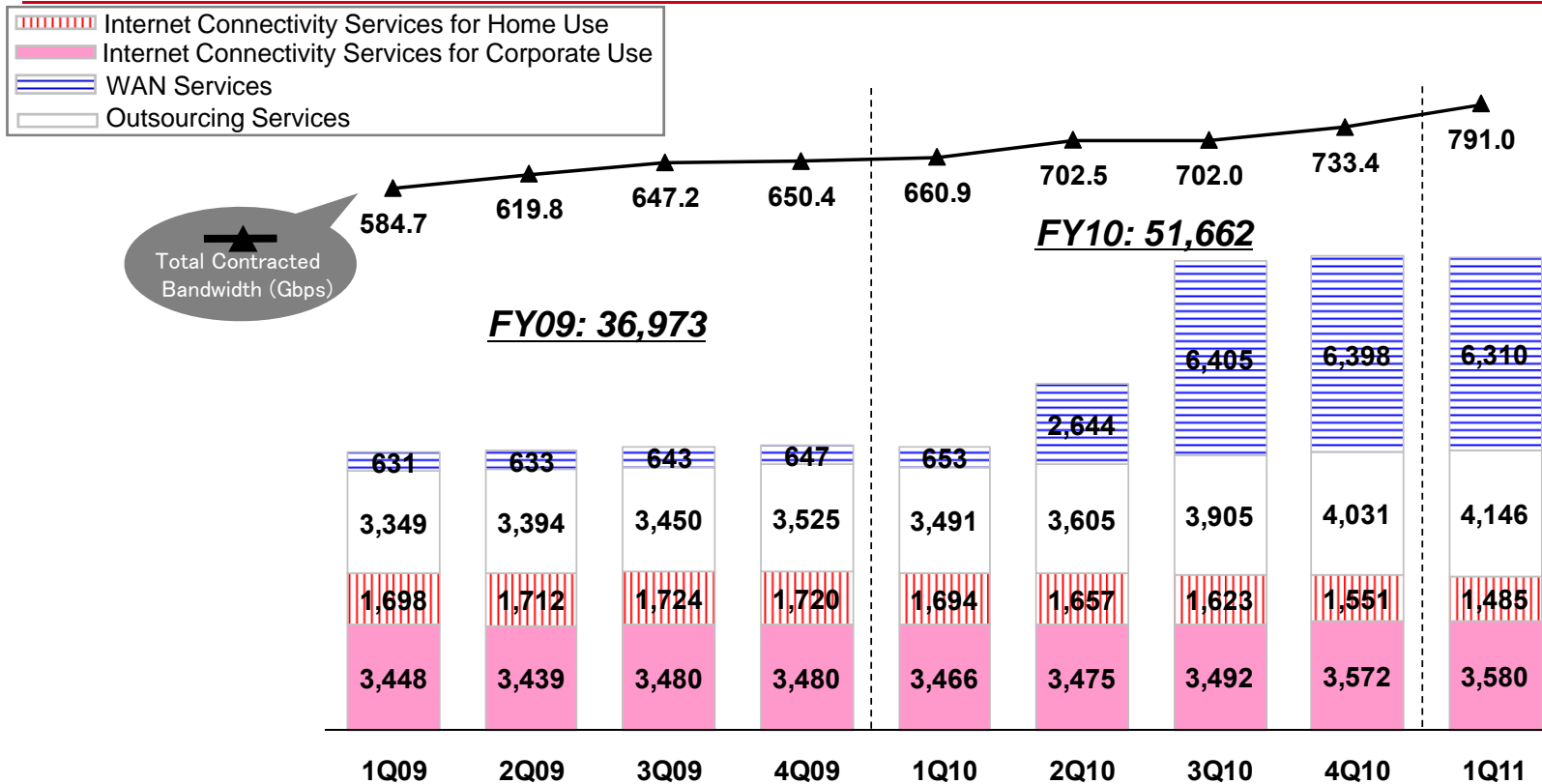
- ◆ Gross margin: JPY4,502 million (up JPY1,476 million YoY, down JPY549 million QoQ)
 - Network service gross margin: up JPY1,424 million YoY due to the additional gross margin related to IJJ-Global and the continuous increase in revenues of Internet connectivity and outsourcing service
 - SI gross margin: down JPY14 million YoY due to initial costs burden of IJJ GIO and several SI projects, which a large portion consisted of purchased goods such as equipments
 - ATM operation business gross loss: JPY68 million (1Q10: JPY123 million, 4Q10: JPY133 million)

YoY = 1Q11 compared to 1Q10
QoQ = 1Q11 compared to 4Q10

II-4. Network Services

(1) Revenues

Unit: JPY million

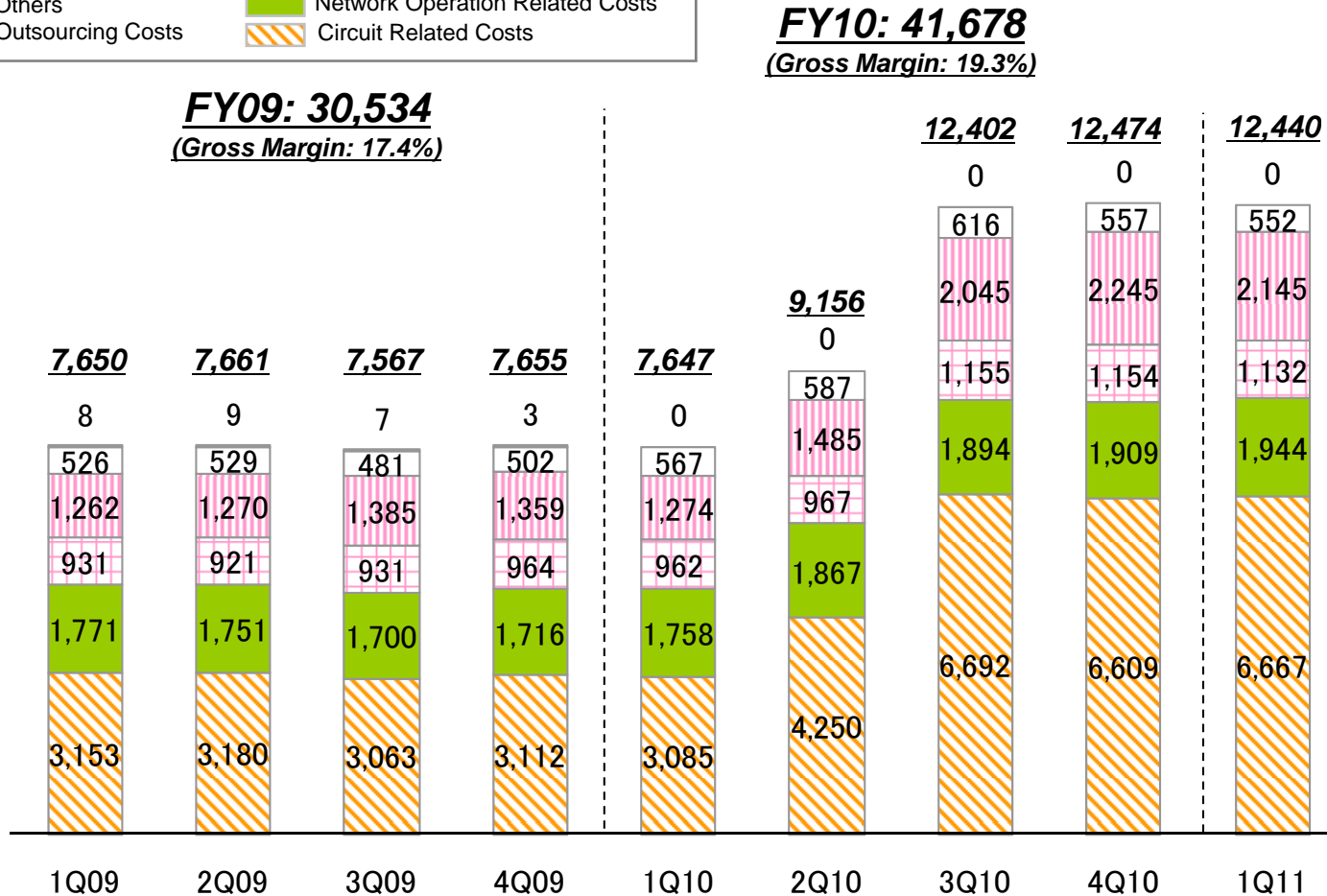
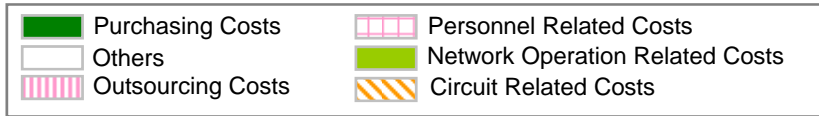


- ◆ Internet connectivity service for corporate use: JPY3,580 million (up 3.3% YoY, up 0.2% QoQ)
 - IP service revenues increased by 0.6% QoQ due to the accumulation of new contracts despite the price down pressure which are common at the beginning of the fiscal year. Contracts of over 1Gbps as of June 2011: 131 contracts (up 8 contracts YoY, up 5 contracts QoQ)
 - IIJ mobile increased its number of contracts with the sales of iPad solution (Mobile service contracts reached over 52,000 contracts as of June 2011)
 - Broadband connectivity service contracts as of June 2011 was 42,266 contracts (up 13,575 contracts YoY, down 585 contracts QoQ)
- ◆ Internet connectivity service for home use was JPY1,485 million (down 12.4% YoY, down 4.2% QoQ), due to continuous cancellation of old network services and the exemption of service fees related to the March 11 earthquake of approx JPY25 million for April 2011
- ◆ Outsourcing services: JPY4,146 million (up 18.8% YoY, up 2.8% QoQ)
 - Services such as Data center (“DC”) related, web security related and IIJ GIO Hosting package steadily increased. IIJ GIO monthly revenue for June 2011 (including revenue recognized in Systems operation and maintenance) has reached over JPY180 million from JPY 120 million for March 2011.

II-4. Network Services

(2) Cost of Revenues

Unit: JPY million

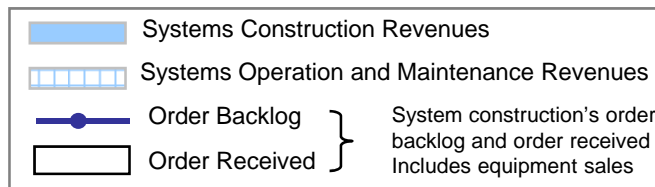
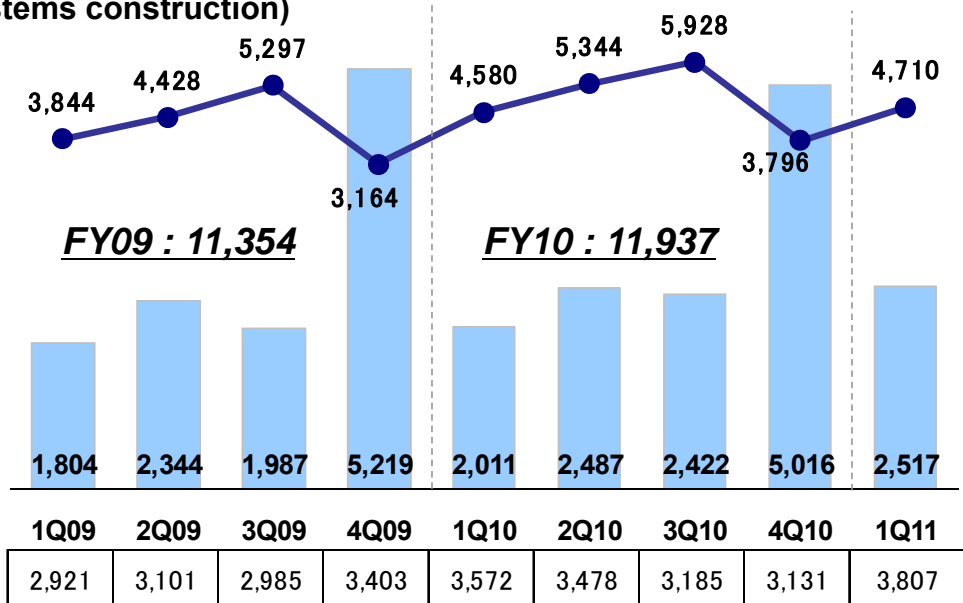


- ◆ Total cost of network service
 - Up 62.7% YoY due to additional costs from IIJ-Global
 - Total costs excluding costs of IIJ-Global decreased QoQ
- YoY = 1Q11 compared to 1Q10
 QoQ = 1Q11 compared to 4Q10

II-5. Systems Integration (1) Revenues

Unit: JPY million

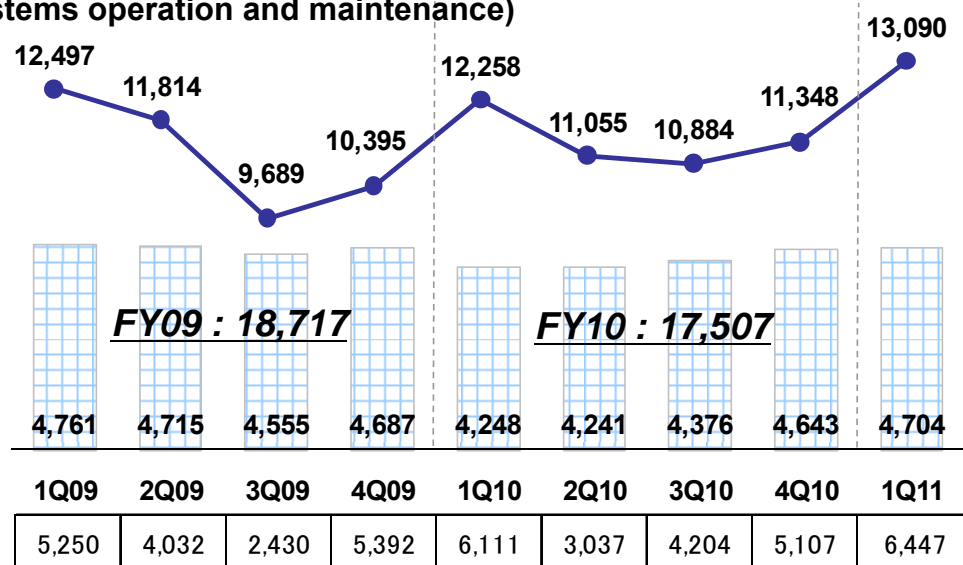
(Systems construction)



Systems construction

- ◆ **Revenues: up 25.1% YoY**
 - No large scale-down from a certain client like the one we had in 1Q10
 - Continuous accumulation of small- to mid-sized projects and additional revenue from IIJ-Global
- ◆ **Order backlog: up 2.8% YoY, up 24.1% QoQ**
 - Order received: up 6.6% YoY

(Systems operation and maintenance)



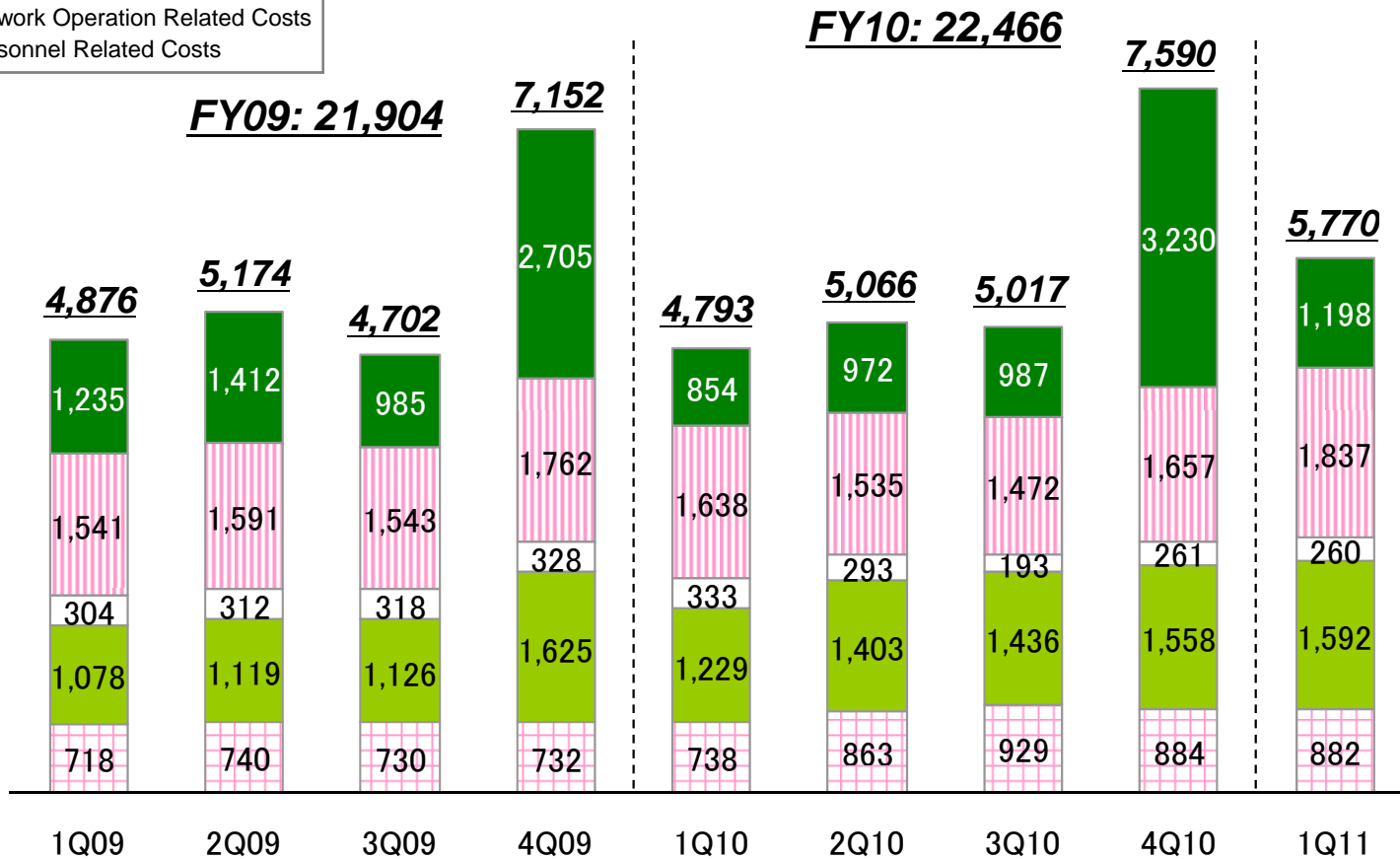
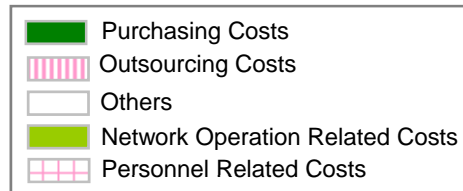
Systems operation and maintenance

- ◆ **Revenues: up 10.8% YoY, up 1.3% QoQ**
 - Continuous increase due to the accumulation of contracts. No large scale-down from a certain client like the one we had in 1Q10
 - IIJ GIO component revenue on track
 - FX system: increasing the number of contracts to 7
- ◆ **Order backlog: up 6.8% YoY, up 15.4% QoQ**
 - Order received: up 5.5% YoY

YoY = 1Q11 compared to 1Q10
QoQ = 1Q11 compared to 4Q10

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

Unit: JPY million

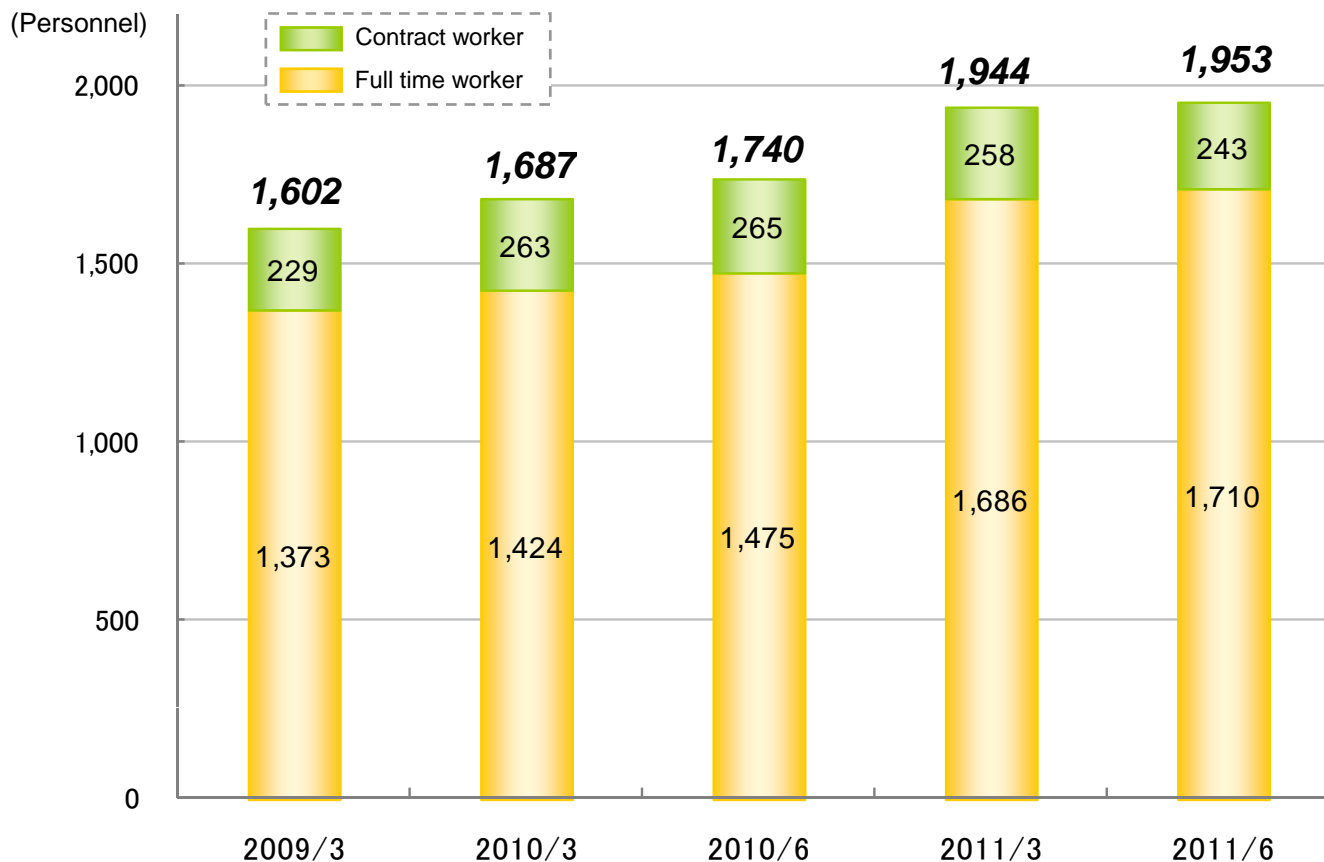


◆ Total cost of SI: up 20.4% YoY, down 24.0% QoQ

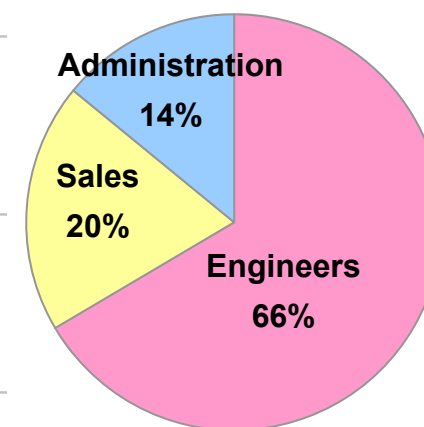
- The number of full-time outsourcing personnel was 397 personnel (up 56 YoY, up 22 QoQ)
- Outsourcing and network operation related costs increased in relation to the business development of IIJ GIO

YoY = 1Q11 compared to 1Q10
QoQ = 1Q11 compared to 4Q10

II-6. Number of Employees



[Employee Distribution]



Personnel related costs and expenses(% of revenue)

2,925 (18.5%)	3,554 (13.9%)	3,627 (15.5%)
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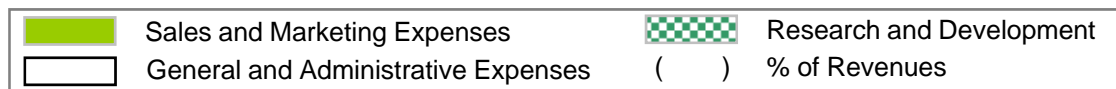
Unit: JPY million

- ◆ Number of employees as of June 2011: 1,953 personnel (up 213 YoY, up 9 QoQ)
 - Hired 44 newly graduates in April 2011 (60 newly graduates in FY2010, 77 in FY2009)
- ◆ Personnel related costs and expenses increased from 4Q10 due to the increase in number of newly graduates and the raise in annual payment

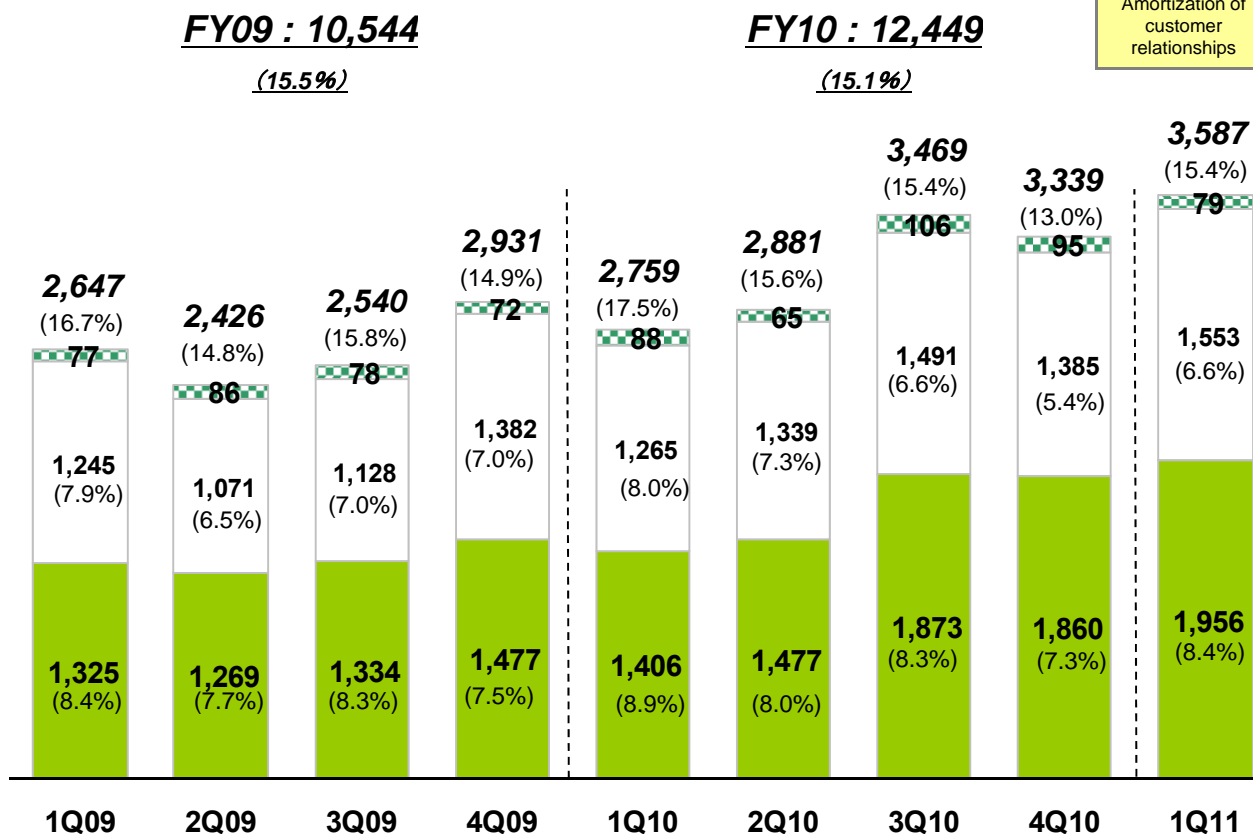
YoY = 1Q11 compared to 1Q10
QoQ = 1Q11 compared to 4Q10

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

Unit: JPY million



IJJ-Global	2Q10 (1month)	3Q10	4Q10	1Q11
SG&A	224	777	767	856
Amortization of customer relationships	20	109	125	106



◆ SG&A expenses: up 30.0% YoY, up 7.4% QoQ

- Excluding expenses related to IJJ-Global: JPY2,731 million, a decrease YoY
- Relocation, restoration and disposal expenses (a one-time expense) was JPY70 million (IJJ-Global and some departments of IJJ moved its offices into the same building as IJJ)
- Total yearly rent expense are expected to decrease by approx. JPY100 million YoY

YoY = 1Q11 compared to 1Q10
QoQ = 1Q11 compared to 4Q10

II-8. Operating Income and Net Income

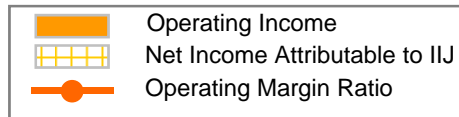
Unit: JPY million

Operating income : 3,412

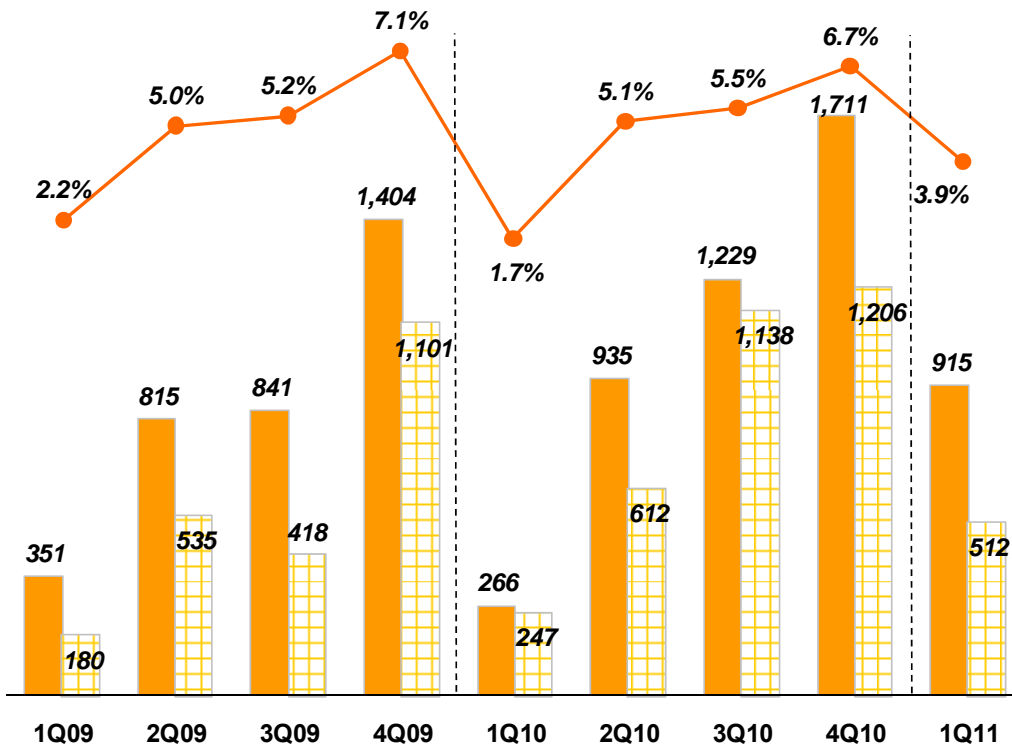
Net income attributable to IIJ : 2,234

Operating income : 4,141

Net income attributable to IIJ : 3,203



YoY = 1Q11 compared to 1Q10
QoQ = 1Q11 compared to 4Q10



	1Q10	2Q10	3Q10	4Q10	1Q11
Income Tax Expenses	120	160	179	496	425
Deferred tax expense	88	75	78	365	306
Equity in net income(loss) of equity method investees	34	(3)	98	(7)	40
Net loss attributable to noncontrolling interests	54	48	51	50	31

◆ Operating Income: JPY915 million

- Operating income related to IIJ-Global: JPY436 million (2Q10 JPY261 million, 3Q10: JPY414 million, 4Q10: JPY515 million)
- Network service gross margin increased
- Operating loss related to ATM operation business decreased

◆ Income before income tax expense: JPY865 million

◆ Net income attributable to IIJ: JPY512 million

- Net loss attributable to noncontrolling interests related to Trust Networks
- Equity in net income of equity method investees related to i-revo and Internet Multifeed

◆ ATM operation business

- Placed 320 ATMs as of August 12, 2011
- The placement speed of ATMs were down during May and June affected by the March 11 earthquake
- Operating loss decreased due to the continuous increase in number of transactions and number of ATMs

(JPY millions)

	1Q10	2Q10	3Q10	4Q10	1Q11
Revenue	106	123	125	164	244
Cost	229	227	247	297	311
Expenses	37	36	42	44	43
Sum	266	263	289	341	354
Operating Loss	(161)	(140)	(165)	(177)	(111)

II-9. Consolidated Balance Sheets

Unit: JPY million

	March 31, 2011	June 30, 2011	Changes
Cash and Cash Equivalents	13,314	11,435	(1,879)
Accounts Receivable	16,431	14,063	(2,368)
Inventories	601	809	+208
Prepaid Expenses	1,680	3,288	+1,608
Other Investments	2,794	2,894	+100
Property and Equipment	16,481	16,732	+252
Goodwill and Other Intangible Assets	11,843	11,689	(154)
Accounts payable	13,574	10,020	(3,554)
Borrowings (Short-term)	13,430	13,430	+0
Accumulated Deficit	(14,023)	(13,815)	+208
Accumulated Other Comprehensive Income	(85)	(82)	+3
Total IJJ Shareholders' Equity	29,652	29,864	+211
Total Assets	71,473	69,147	(2,326)

➤ Increased due to bonus payments and payments for operation and maintenance fee for SI projects

➤ Nonmarketable equity securities: JPY1,943 million
 ➤ Available for sale equity securities: JPY796 million
 ➤ Others: JPY155million

➤ Non-amortized intangible assets: JPY5,980 million
 • Goodwill; JPY5,788 million (IJJ-Global: JPY2,288 million)
 • Trademark: JPY192 million
 ➤ Amortized intangible assets (Customer relationships): JPY5,690 million (IJJ-Global: JPY3,360 million)

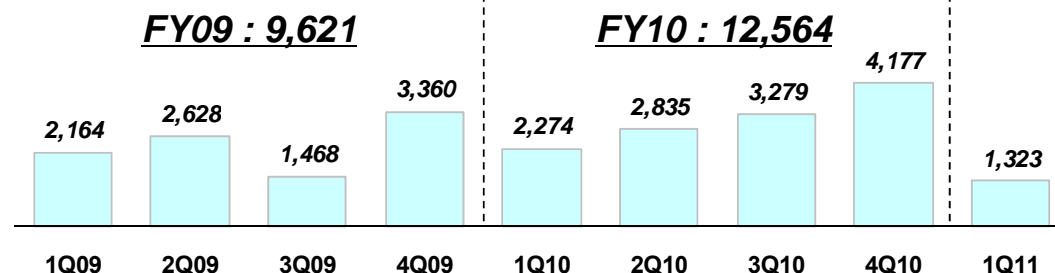
➤ Decreased in relation to the payment of accounts payable of property and equipment (Matsue DC and others)

➤ IJJ Shareholder's equity ratio:
 • June 30, 2011: 43.2%
 • March 31, 2011: 41.5%

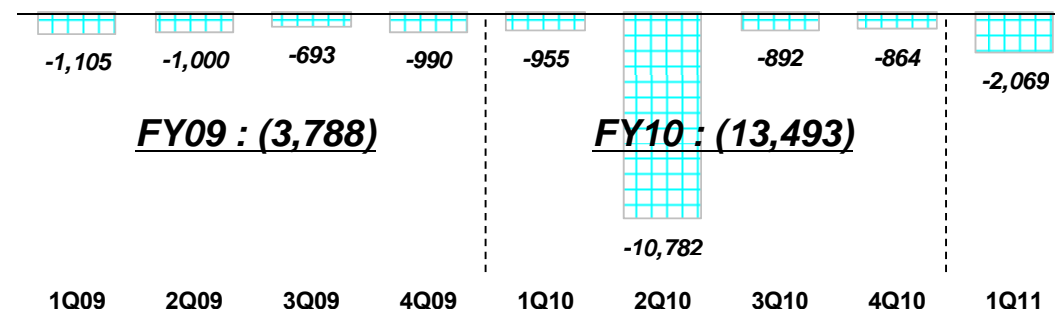
II-10. Consolidated Cash Flows

Unit: JPY million

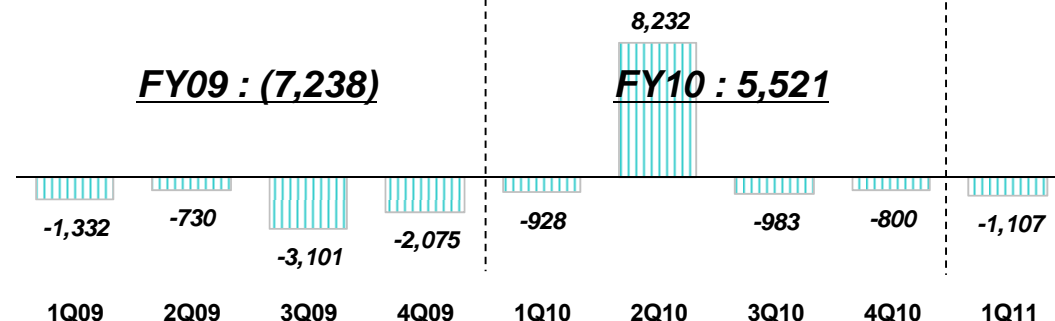
<Operating Activities>



<Investing Activities>



<Financing Activities>



<Operating Activities>

- Increased operating income
- Decrease in accounts receivable: JPY2,346 million
- Decrease in accounts payable: JPY2,551 million
- Increase in inventories, prepaid expenses and other current and noncurrent assets: JPY1,999 million

◆ While operating income increased YoY, there were payments for operation and maintenance services and purchased equipments for systems integration projects. etc

<Investing Activities>

- Purchase of property and equipments: JPY2,078 million etc

<Financing Activities>

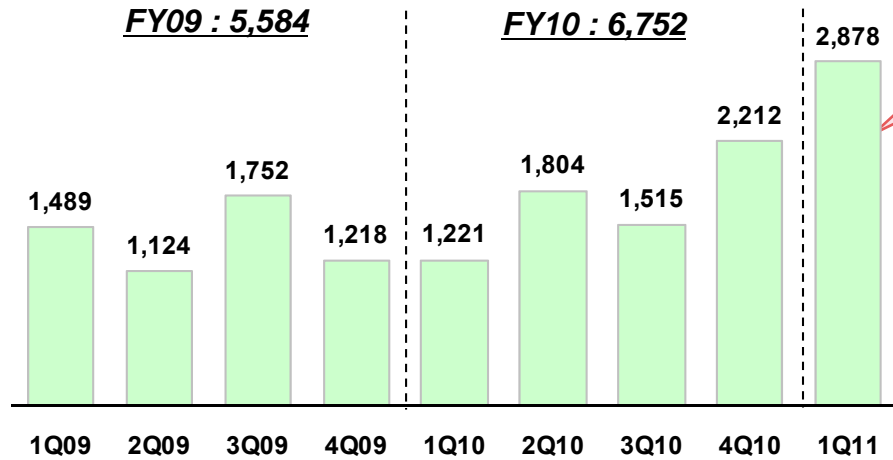
- Principle payments under capital leases: JPY803 million
- Payment of dividends: JPY304 million etc

◆ Bank borrowings of JPY9.0 billion for the acquisition of IIJ-Global will end in August 2011 and will be refinanced with long-term and short-term bank borrowings

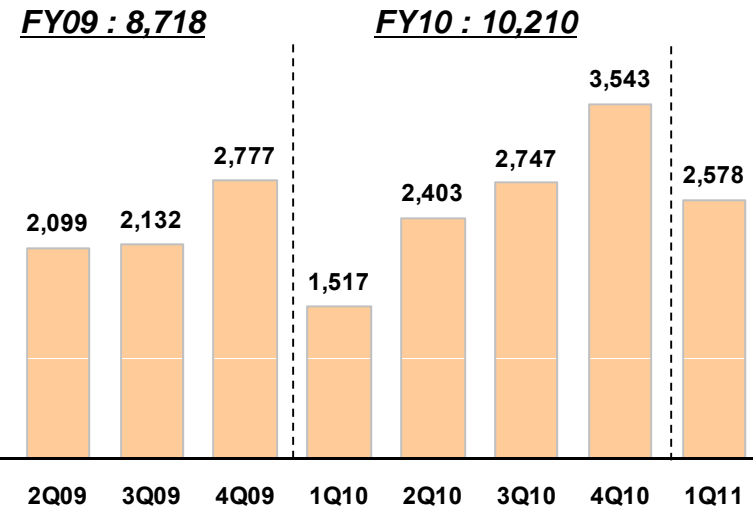
II-11. Other Financial Data (CAPEX etc.)

Unit: JPY million

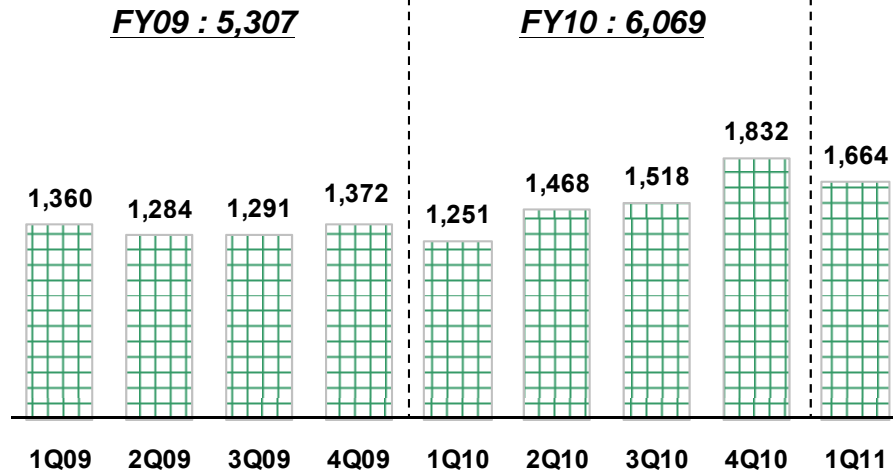
CAPEX (Include Capital Lease)



Adjusted EBITDA



Depreciation and Amortization



III-1. Cloud Computing Services Developments **IJ GIO**

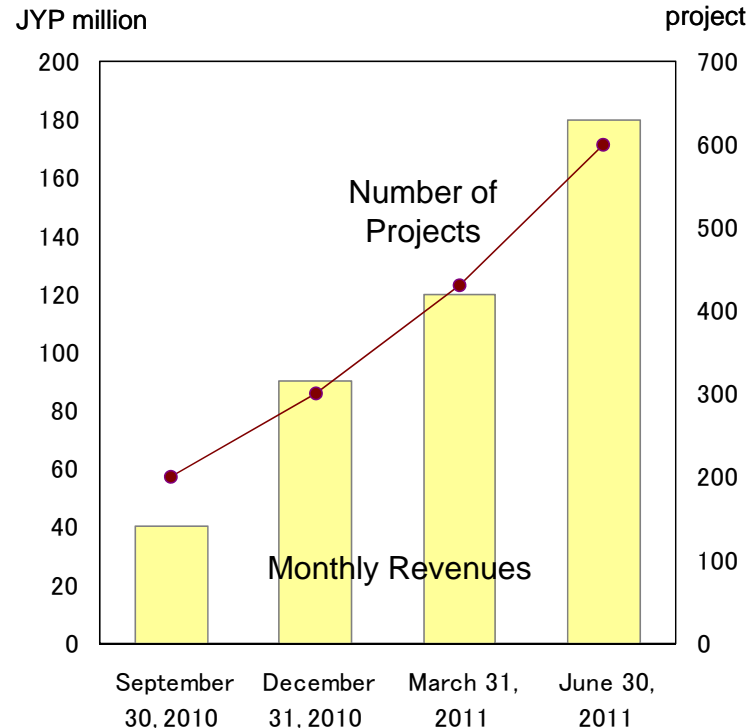
<Business developments of IJ GIO>

- ◆ IJ GIO monthly revenue for June 2011: over JPY180 million
 - Components (customized cloud. Revenue recognized in SI operation and maintenance), Hosting package (packaged cloud. Revenue recognized in outsourcing services)
- ◆ Number of projects as of June 2011: approx 600 projects
 - Introduced to all different industries. In addition to the use for Web-based systems, IJ GIO is now introduced to internal information systems and operational systems.
 - Several large usages by Social Application Providers (SAP)

<Target of IJ GIO>

- ◆ Revenue target for FY2011: over JPY3.0 billion
- ◆ To increase investments for such as additional servers depending on demands

Monthly revenues and project numbers of IJ GIO



<Service developments, investments and partners>

- ◆ Opened “Matsue DC”, the first container type data center using outside air cooling in Japan
 - It can expand its facilities in a shorter period of time with less investments compared to building type DC
- ◆ DC for IJ GIO to open in Tokyo
- ◆ Launched IJ GIO Storage Service FV/S with REST API
- ◆ Reconstructed its Cloud Service Operations and maintenance structure in Preparation for Receipt of SSAE16 Type 2 Report
- ◆ The number of IJ GIO Solution partners such as application providers and systems integrators are vastly increasing.











III-2. Reference: FY2011 Financial Target (Remain unchanged)

Unit: JPY billion
(except for Net Income and
Cash Dividend per Share)

	1H11 Target (11/4~11/9)	FY11 Target (11/4~12/3)	FY10 Actual (10/4~11/3)	YoY (Revised FY10 to FY09 Actual)	
Total Revenues	47.5	100.0	82.4	+17.6	21.3%
Operating Income	2.0	6.3	4.1	+2.2	52.1%
Income before Income Tax Expense (Benefit)	1.7	5.6	3.8	+1.8	46.1%
Net Income attributable to IIJ	1.0	3.4	3.2	+0.2	6.1%
Net Income attributable to IIJ per Share	JPY 4,934	JPY 16,775	JPY 15,761	JPY +1,014	6.4%
Cash Dividend per Share	JPY 1,500 (Interim)	JPY 3,000 (Annual)	JPY 2,750 (Annual)	JPY +250	9.1%

III-3. Reference: IIJ Group Companies

(As of July 31, 2011)

	Company Name	Ownership	Main Business
Consolidated Subsidiaries	 Net Care, Inc.	100%	Provides a full range of network operation and management services, from customer support, end-user help desks, monitoring and troubleshooting to integrated management services.
	 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 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.
	 hi-ho, Inc.		Supports customer's safe, secure and comfortable Internet life based on ISP business for personal users.
	 IIJ Innovation Institute Inc.		An incubation business for the next generation internet. (R&D)
	 IIJ Global Solutions Inc.		Provides domestic network outsourcing related services including WAN service and international network related services
		 Trust Networks Inc.	77.8%
Equity Method Investees	 Internet Muf Co.	32%	Provides mutual access with other major ISPs and content distribution services based on Mufeed technology. Also MFEED operates JPNAP, a distributed IX service.
	 Internet Revolution, Inc.	30%	Operates a comprehensive portal site that provides various contents, such as SNS, blogs, stunning games, videos, and music.
	 Trinity Inc.	45%	Provides operation of reward point management system

III-4. Reference: IIJ Press Releases

Date		Press Releases
FY11	1Q	04/05 IIJ to Release IIJ Wide Area Load Balancing Service
		04/07 IIJ Partners with Ooyala to Re-sell its Video Services in Japan
		04/12 IIJ to Introduce iPad to 1,000 PARIS MIKI Stores Countrywide with Remote Management via IIJ Smart Mobile Manager
		04/13 IIJ Launches SACM as an OEM Platform to Provide SMFv2 Management Features
		04/26 IIJ to Open Matsue Data Center Park and Introduce IIJ GIO Private HaaS
		04/27 IIJ and Microsoft Japan Cooperate on Cloud Service to Improve Business Continuity
		5/13 IIJ Announces Full Year and 4th Quarter Results for the Fiscal Year Ended March 31, 2011
		5/18 IIJ to Launch IIJ Smart Mobile Manager Service ,Cloud-based Centralized Management Service for iPad
		5/26 IIJ Announces the Distribution of Retained Earnings
		5/26 Notice regarding Abolition of the Retirement Allowance Plan for Directors and Introduction of Stock Compensation-Type Stock Options
		5/26 IIJ Corporate and Individual Services to Support NTT East and West FLET'S IPv6 Services
		6/1 IIJ to Launch IIJ GIO Storage Service FV/S with REST API
		6/1 Success of Industry's First High Speed 100 Gigabit Ethernet Joint Interoperability Test at IX (Internet Exchange Point)
		6/2 IIJ to Improve IPv6 Connectivity Function for Individual Users
	6/6 Providing High Speed 100 Gigabit Ethernet IX connection to "INTEROP Tokyo 2011 ShowNet"	
	6/21 IIJ Develops Auto-configured Power Monitoring System and Support Customers to Reduce Electricity	
	6/28 Notice regarding Issuance of Stock-Compensation-Type Stock Options (Stock Acquisition Rights)	
	6/29 IIJ to Build Authentication System for SBIH's MoneyLook Premium Service using IIJ GIO Cloud Service	
	6/30 IIJ Group Opens the Kozu Data Center	
	2Q	7/1 Personnel Change Announcement
		7/14 IIJ to Launch DRM Service to Manage Copyrights of Digital Content on Smartphones
		7/14 Notice Regarding the Terms and Conditions Concerning the Issuance of Stock-Compensation-Type Stock Options (Stock Acquisition Rights)
		7/19 IIJ to Launch New Service Compatible with NTT East and West's new IPv6 Connection
		7/21 IIJ to Revamp Cloud Service Operations in Preparation for Receipt of SSAE16 Type 2 Report
		7/28 IIJ Builds Distribution Infrastructure for Cloud-based "Ricoh UCS Service Platform"

※ Forward-looking Statements

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