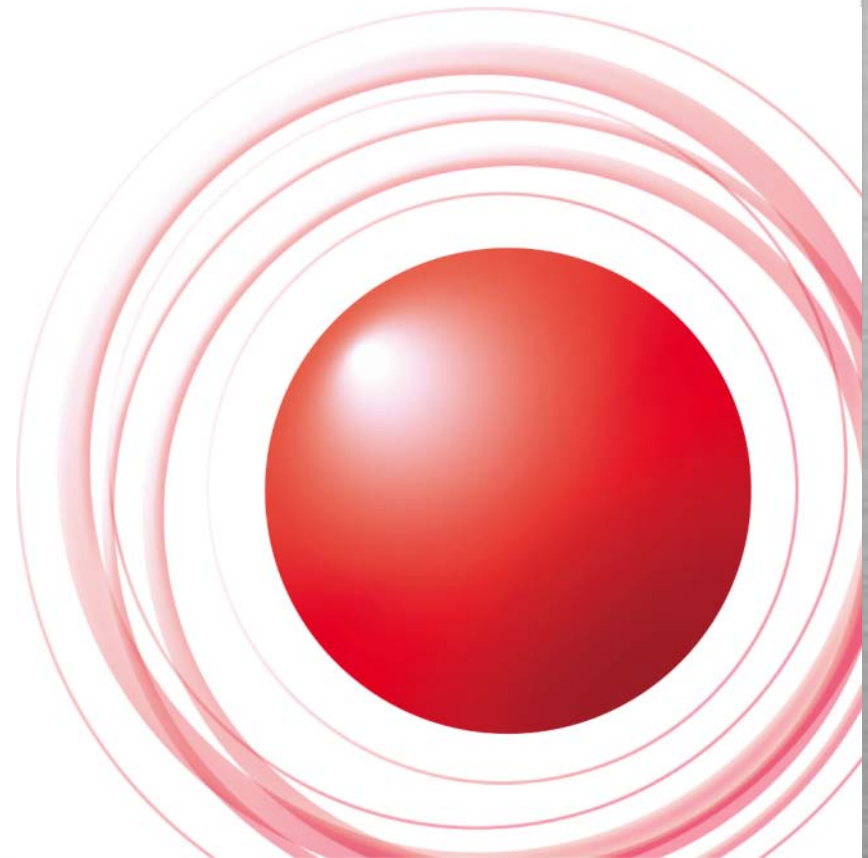


FY2011/1Q-3Q (cumulative) Consolidated Financial Results



Internet Initiative Japan Inc.
2012.2.8

Ongoing Innovation

Agenda

**I . Summary of FY2011/1Q-3Q (cumulative)
Financial Results**

**II . Consolidated Financial Results for
FY2011/1Q-3Q (cumulative)**

III . Reference Materials

I. Summary of FY2011/1Q-3Q (cumulative) Financial Results

< FY2011/1Q-3Q (cumulative) Financial Results >

•Revenues	JPY70,752 million	(up 24.6% YoY)
•Gross Margin	JPY14,098 million	(up 22.2% YoY)
•Operating Income	JPY3,998 million	(up 64.5% YoY)
•Income before Income Tax Expense	JPY3,780 million	(up 73.8% YoY)
•Net Income Attributable to IIJ	JPY2,390 million	(up 19.7% YoY)

● Outsourcing business continued to grow. Recurring revenues were up 25.8% YoY

- Cloud computing services (IIJ GIO), data center services and security services contributed to growth. Outsourcing services, WAN services and systems operation and maintenance revenues continued its steady increase
- IIJ-Global is showing good progress with profit level above target
 - IIJ-Global results (9 months): Revenues of JPY19.4 billion, cost of JPY15.6 billion, SG&A of JPY2.3 billion, operating income of JPY1.5 billion
- Gross margin and operating income of IIJ's existing business (excluding IIJ-Global business) are steadily growing despite the initial investments for IIJ GIO. The acquisition of IIJ-Global has largely contributed to profit growth

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

- As of Dec. 31, 2011, the number of projects reached over 1,000 (over 830 projects as of Sep. 30, 2011 and 430 projects as of Mar. 31, 2011)
- IIJ GIO's 9 months revenue: JPY2.0 billion, up 656.2% YoY

● New services and projects requiring initial investments are showing good progress. Foundation for future profit growth has been laid

- IIJ GIO is enhancing its facilities and its revenues are accumulating. ATM operation business is near break even point and FX service is accumulating new customers

● IIJ to release LTE mobile service as a MVNO

- In Feb. 2012, IIJ will introduce IIJ Mobile/LTE service for corporate use as well as home use LTE mobile service under IIJ mio and hi-ho brands
- Plan to strengthen its MVNE business for LTE by preparing a mobile platform for sales partners

● Expanding IIJ Group's global business

- Constructing a private cloud computing system for IIJ's largest Japanese social game client in the United States
- IIJ-Global established a subsidiary in Shanghai, China in Jan. 2012

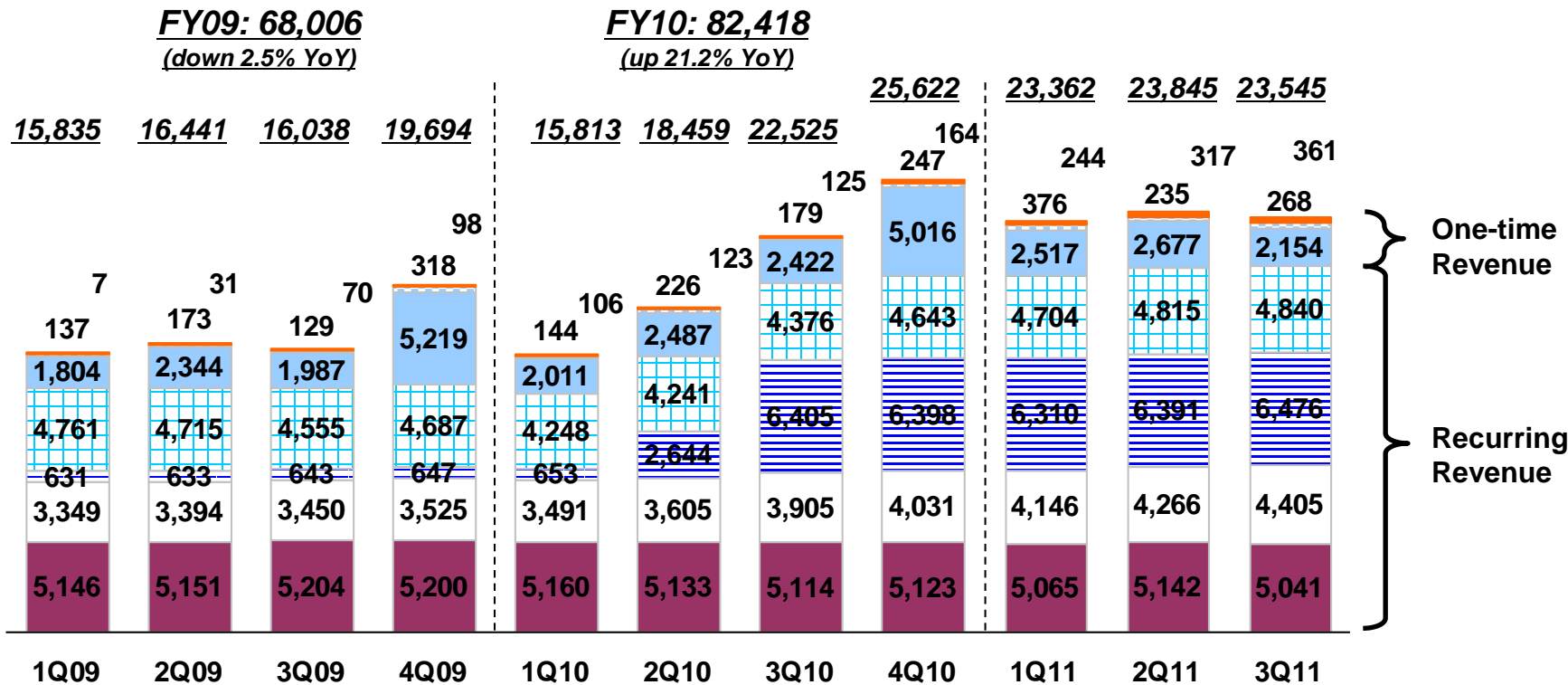
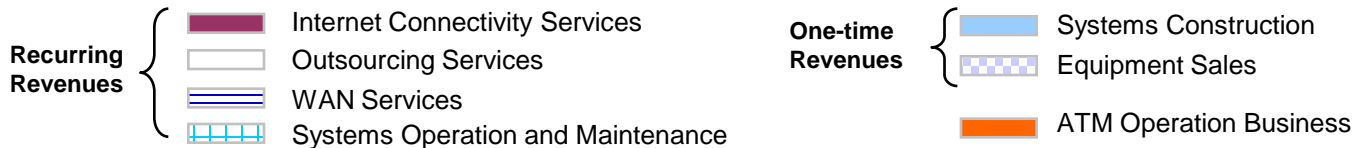
II-1. Consolidated Results for FY2011/1Q-3Q (cumulative)

Unit: JPY billion

	<i>% of Revenues</i> 3Q11 (11/4~11/12)	<i>% of Revenues</i> 3Q10 (10/4~10/12)	YoY
Total Revenues	70.8	56.8	24.6%
Total Costs	<i>80.1%</i> 56.7	<i>79.7%</i> 45.3	25.2%
Gross Margin	<i>19.9%</i> 14.1	<i>20.3%</i> 11.5	22.2%
SG&A/R&D	<i>14.3%</i> 10.1	<i>16.0%</i> 9.1	10.9%
Operating Income	<i>5.7%</i> 4.0	<i>4.3%</i> 2.4	64.5%
Income before Income Tax Expense	<i>5.3%</i> 3.8	<i>3.8%</i> 2.2	73.8%
Net Income Attributable to IIJ	<i>3.4%</i> 2.4	<i>3.5%</i> 2.0	19.7%

II-2. Revenues

Unit: JPY million



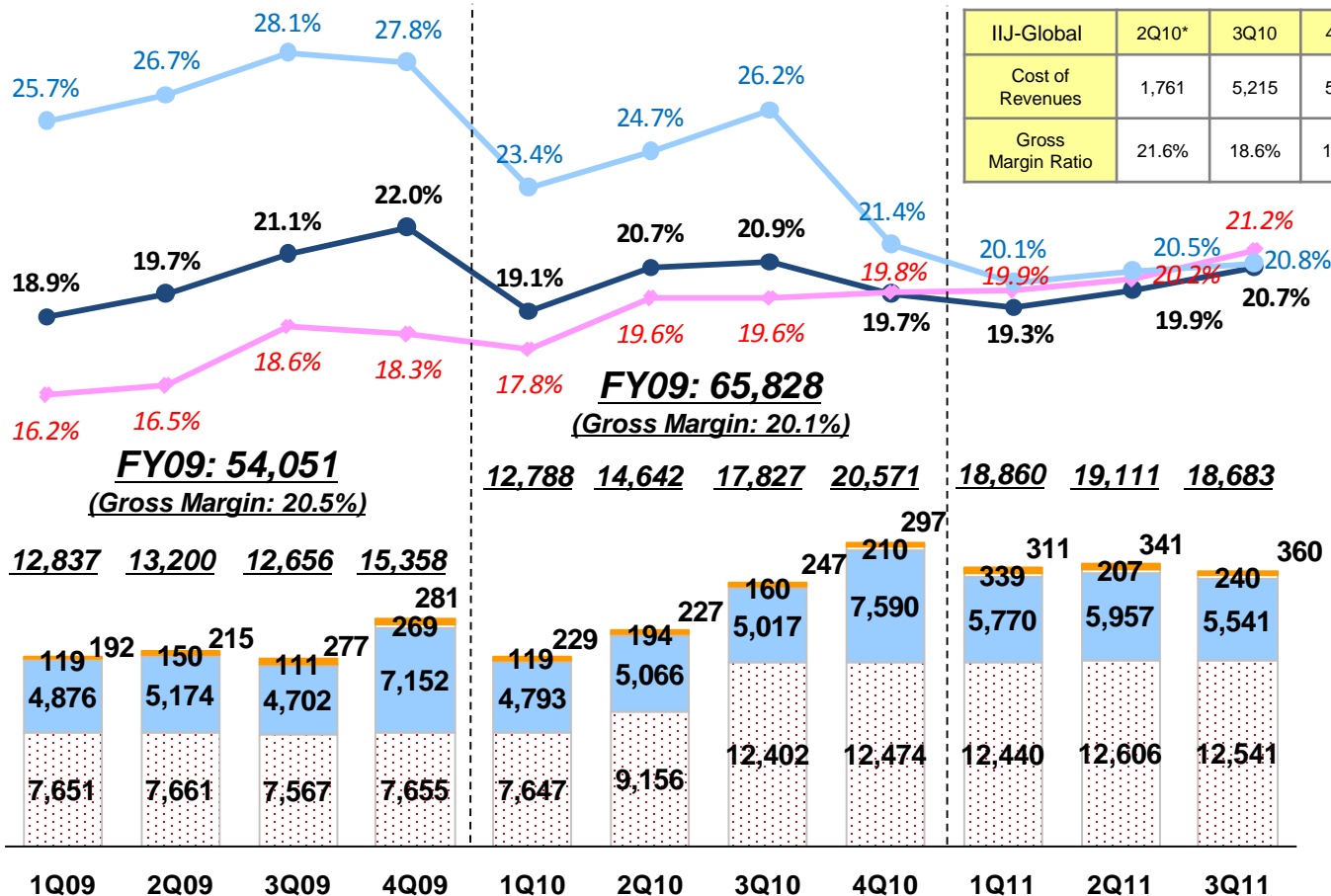
- ◆ 3Q11 Recurring revenues: JPY20,761 million (up 4.9% YoY, up 0.7% QoQ)
- ◆ 3Q11 One-time revenues: JPY2,422 million (down 6.9% YoY, down 16.8% QoQ)
- ◆ 3Q11 IIJ-Global revenues: JPY6,444 million (mostly WAN service revenues, partly SI)
(3Q10: JPY6,406 million, 4Q10: JPY6,442 million, 1Q11: JPY6,464 million, 2Q11: JPY6,534 million)
- ◆ 3Q11 ATM operation business revenues: JPY361 million (up JPY237 million YoY, up JPY44 million QoQ)

YoY = 3Q11 compared to 3Q10
QoQ = 3Q11 compared to 2Q11

II-3. Cost of Revenues and Gross Margin Ratio

Unit: JPY million

Cost of Revenues Network Services SI Equipment Sales ATM Operation Business
Gross Margin Ratio Network Services SI Total Gross Margin Ratio

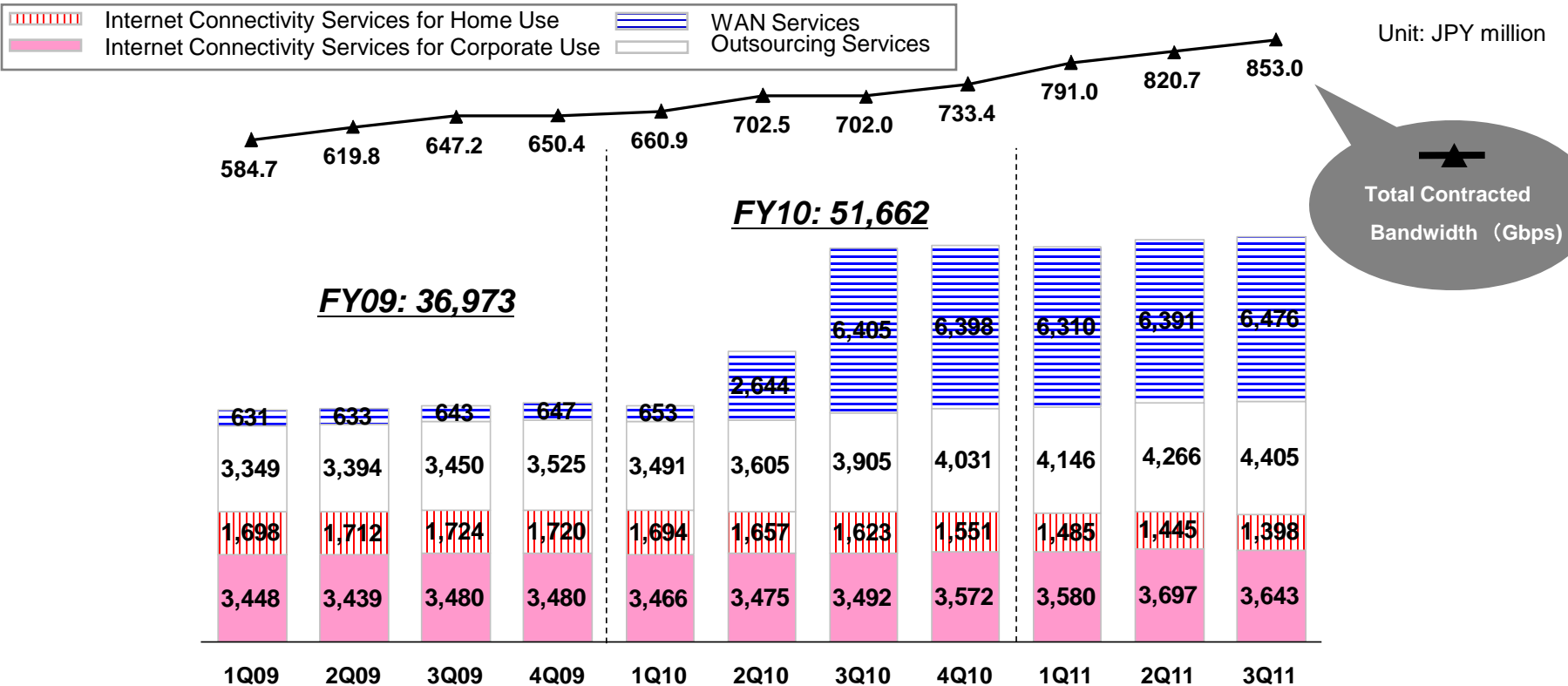


- ◆ 3Q11 Gross margin: JPY4,862 million (up JPY164 million YoY, up JPY128 million QoQ)
 - Network services gross margin: JPY3,380 million (up JPY358 million YoY, up JPY186 million QoQ)
 - SI gross margin: JPY1,453 million (down JPY327 million YoY, down JPY83 million QoQ)
 - ATM operation business: gross margin of JPY1 million (3Q10: gross loss of JPY123 million, 2Q11: gross loss of JPY24 million)

YoY = 3Q11 compared to 3Q10
QoQ = 3Q11 compared to 2Q11

II-4. Network Services

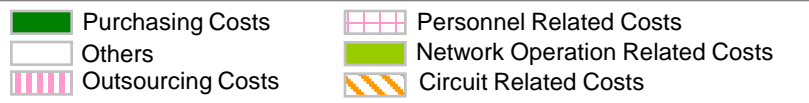
YoY = 3Q11 compared to 3Q10
QoQ = 3Q11 compared to 2Q11



- ◆ 3Q11 Internet connectivity services for corporate use: up JPY151 million YoY, down JPY54 million QoQ
 - IP service contracts increased but revenues decreased by JPY86 million QoQ due to the decrease in volume charge revenues
 - Contracts of over 1Gbps as of Dec. 31, 2011 reached 132 contracts (as of Dec. 31, 2010: 127 contracts, as of Sep. 30, 2011: 129 contracts)
 - IJ Mobile service revenues and contracts increased due to M2M projects (46,964 contracts as of Dec. 31, 2011, up 12,661 YoY). IJ will introduce LTE service in Feb. 2012.
- ◆ 3Q11 Internet connectivity services for home use: down JPY225 million YoY, down JPY47 million QoQ
 - Revenues decreased due to continuous cancellation of old network services. Contracts as of Dec. 31, 2011 were 383,745 contracts (up 4,760 contracts compared to December 31, 2010 and up 7,607 contracts compared to September 30, 2011) due to sales partner strategy
- ◆ 3Q11 outsourcing services: up JPY501 million YoY, up JPY139 million QoQ
 - Services such as data center related services, IJ GIO Hosting Package Service and Web security related services steadily increased
- ◆ 3Q11 WAN services: up JPY71 million YoY, up JPY84 million QoQ. IJ's own WAN service increased

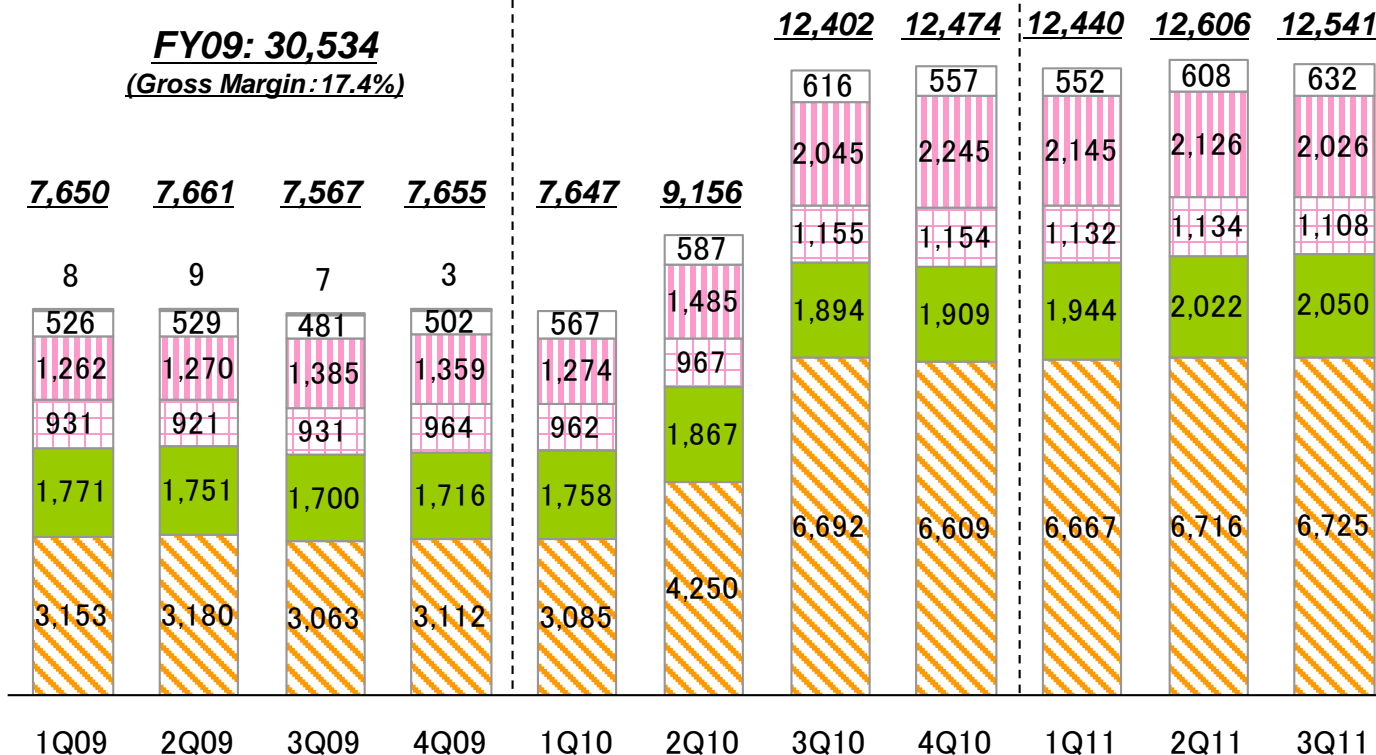
II-4. Network Services (2) Cost of Revenues

Unit: JPY million



YoY = 3Q11 compared to 3Q10
QoQ = 3Q11 compared to 2Q11

FY10: 41,678
(Gross Margin: 19.3%)



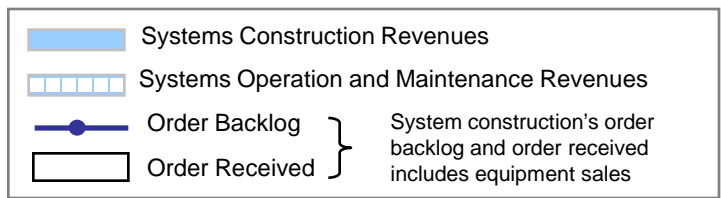
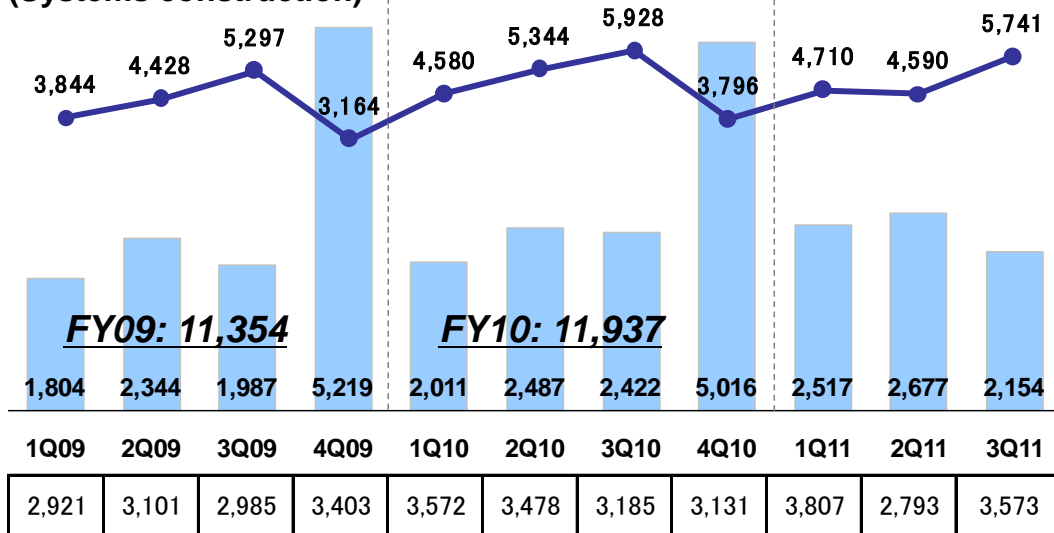
- ◆ 3Q11 Cost of network services: JPY12,541 million (up JPY140 million YoY, down JPY64 million QoQ)
 - Costs related to IIJ-Global slightly decreased YoY and QoQ, respectively. Costs related to IIJ's existing business (excluding IIJ-Global cost) slightly decreased QoQ
- ◆ FY11 9 months Cost of network services: JPY37,587 million (FY10 9months: JPY29,204 million)
 - There were additional costs related to IIJ-Global. Costs related to IIJ's existing business slightly increased compared to FY10 9 months
 - Gross margin: JPY9,655 million (up JPY2,750 million compared to FY10 9months)

II-5. Systems Integration (1) Revenues

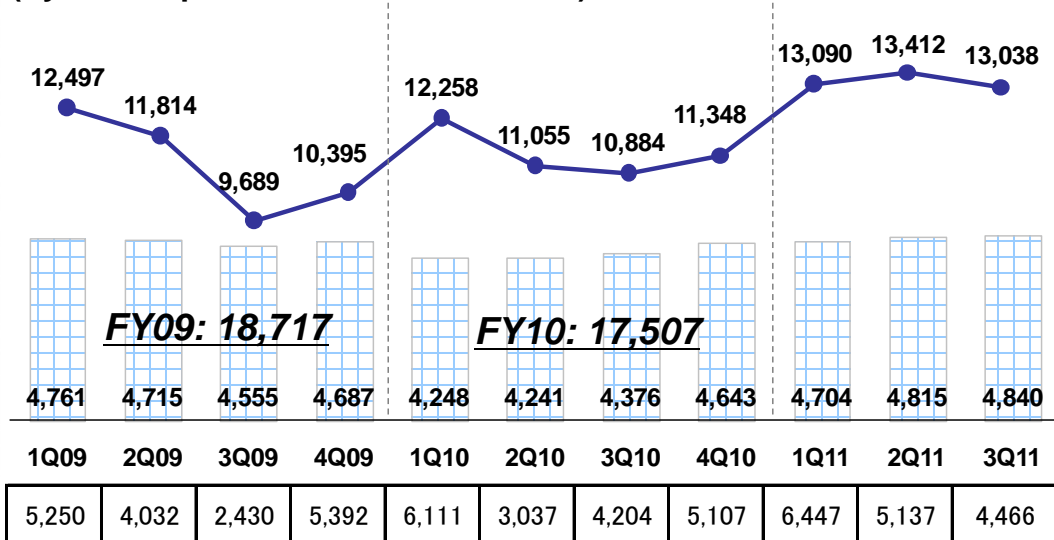
Unit: JPY million

YoY = 3Q11 compared to 3Q10
QoQ = 3Q11 compared to 2Q11

(Systems construction)



(Systems operation and maintenance)



Systems construction

- 3Q11 Revenues: down 11.0% YoY, down 19.5% QoQ
 - Accumulated mid-to small sized projects but were affected by the absence of large SI projects
- 3Q11 order received: up 12.2% YoY, up 27.9% QoQ
 - Order backlog as of Dec. 31, 2011: down 3.1% YoY, up 25.1% QoQ
- 3Q11 Equipment sales revenues: JPY268 million (up 49.9% YoY, up 14.2% QoQ)
 - Increasing trend with sales of iPad

< Examples of systems construction projects >

- Constructed private cloud computing platform for *Company G* in both Japan and United States
- Web infrastructure platform revision and construction for B to C clients
- Desktop virtualization project and more

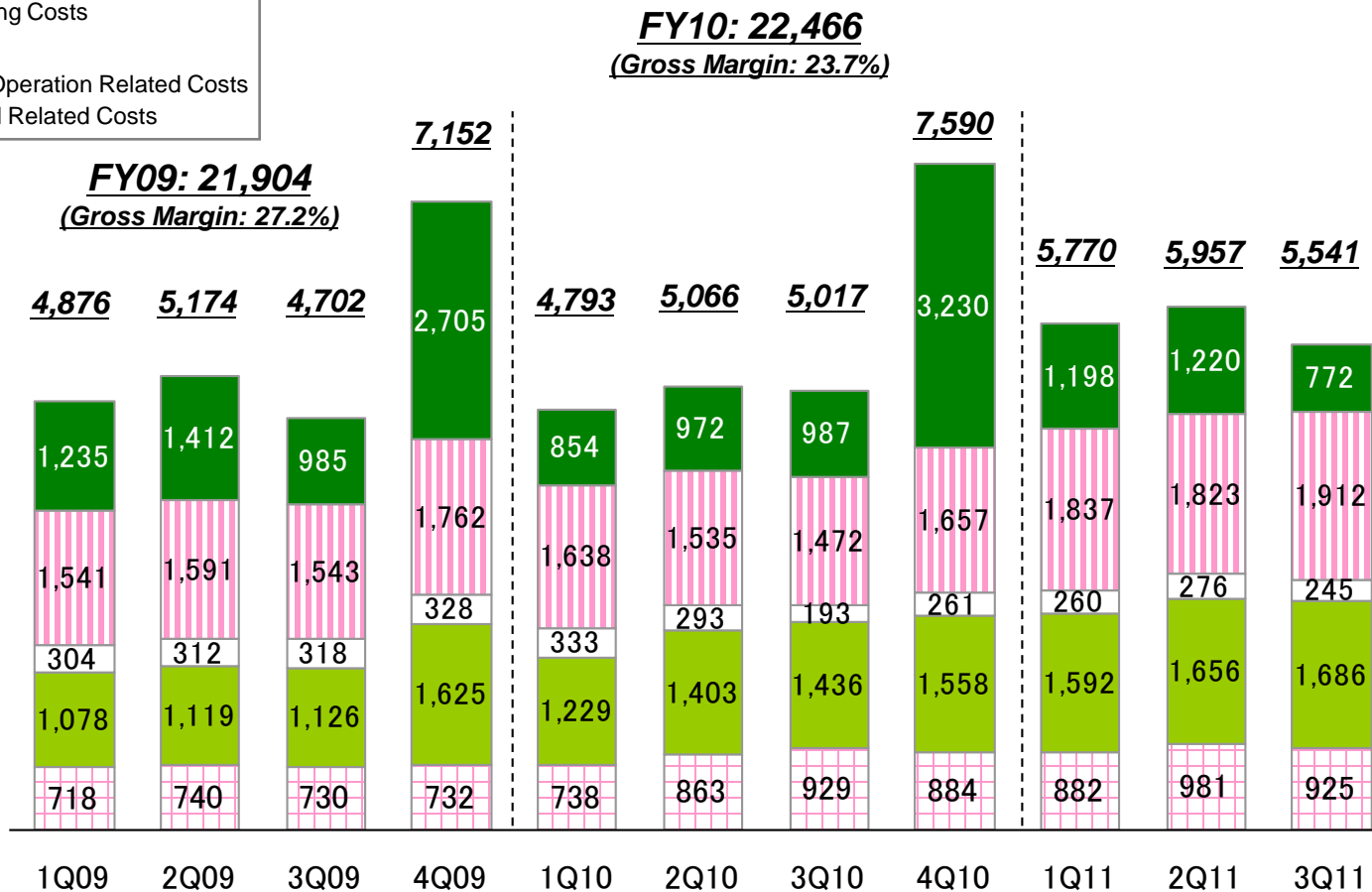
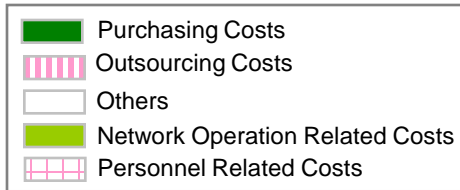
Systems operation and maintenance

- 3Q11 Revenues: up 10.6% YoY, up 0.5% QoQ
 - Continuous increase due to the accumulation of IJ GIO component services revenues
- 3Q11 Order received: up 6.2% YoY, down 13.1% QoQ
 - Order backlogs as of Dec. 31, 2011: up 19.8% YoY, down 2.8% QoQ

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

YoY = 3Q11 compared to 3Q10
QoQ = 3Q11 compared to 2Q11

Unit: JPY million

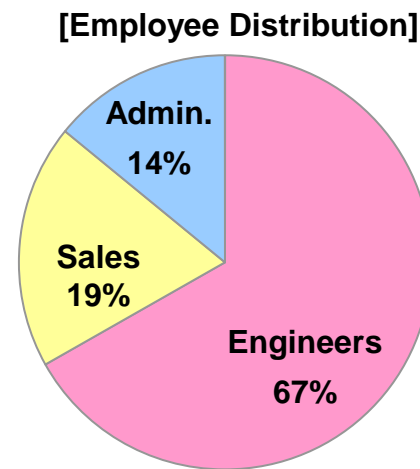
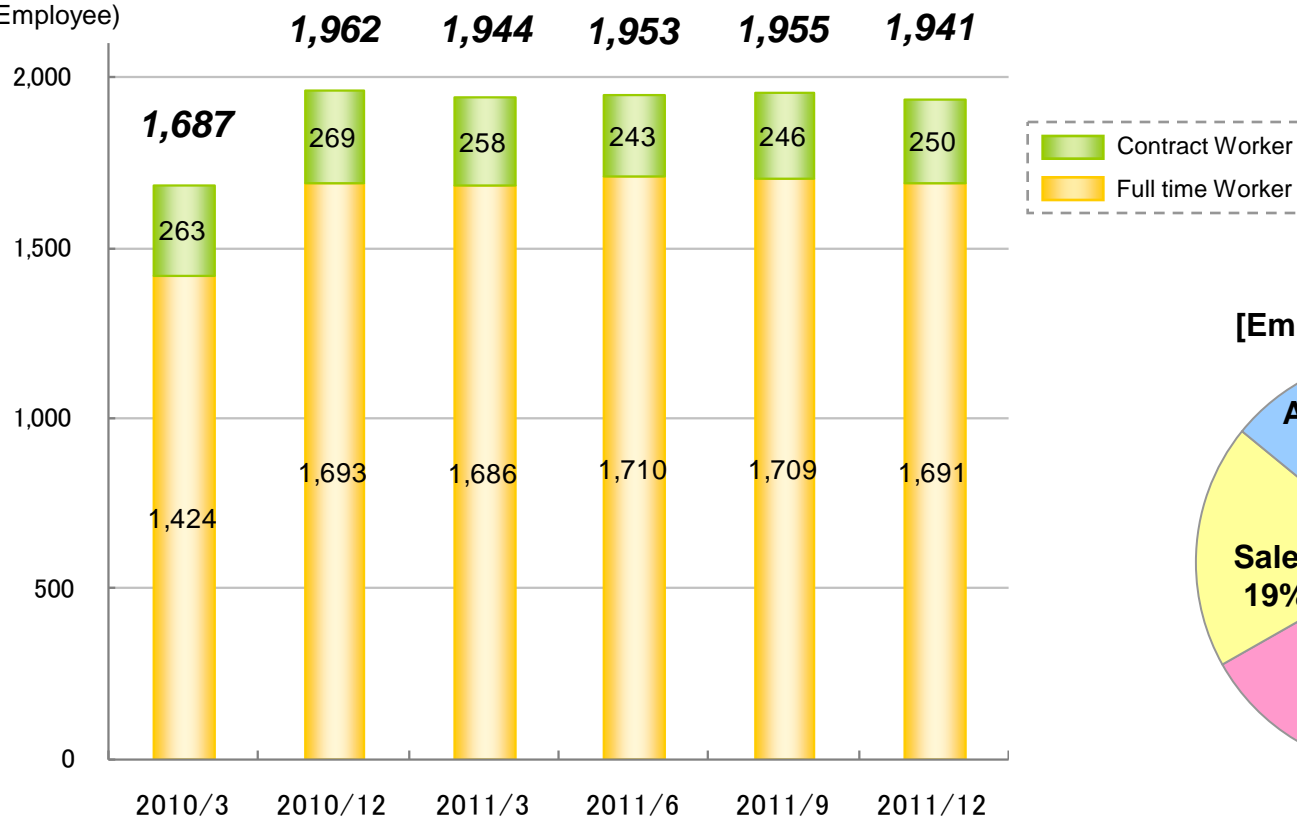


- ◆ 3Q11 Cost of SI: JPY5,541 million (up JPY524 million YoY, down JPY416 million QoQ)
 - The number of full-time outsourcing personnel as of Dec. 31, 2011 was 468 personnel (up 123 YoY, up 54 QoQ)
- ◆ FY11 9 months SI cost of revenues: JPY17,267 million (FY10 9months: JPY14,876 million)
 - Outsourcing costs and network operation related costs increased related to IIJ GIO
 - Gross margin: JPY4,441 million (down JPY467 million compared to FY10 9 months)

II-6. Number of Employees

YoY = 3Q11 compared to 3Q10
QoQ = 3Q11 compared to 2Q11

(Number of Employee)



Personnel Related Costs and Expenses (% of Revenue)

3,627 (15.5%)	3,686 (15.5%)	3,551 (15.1%)
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Unit: JPY million

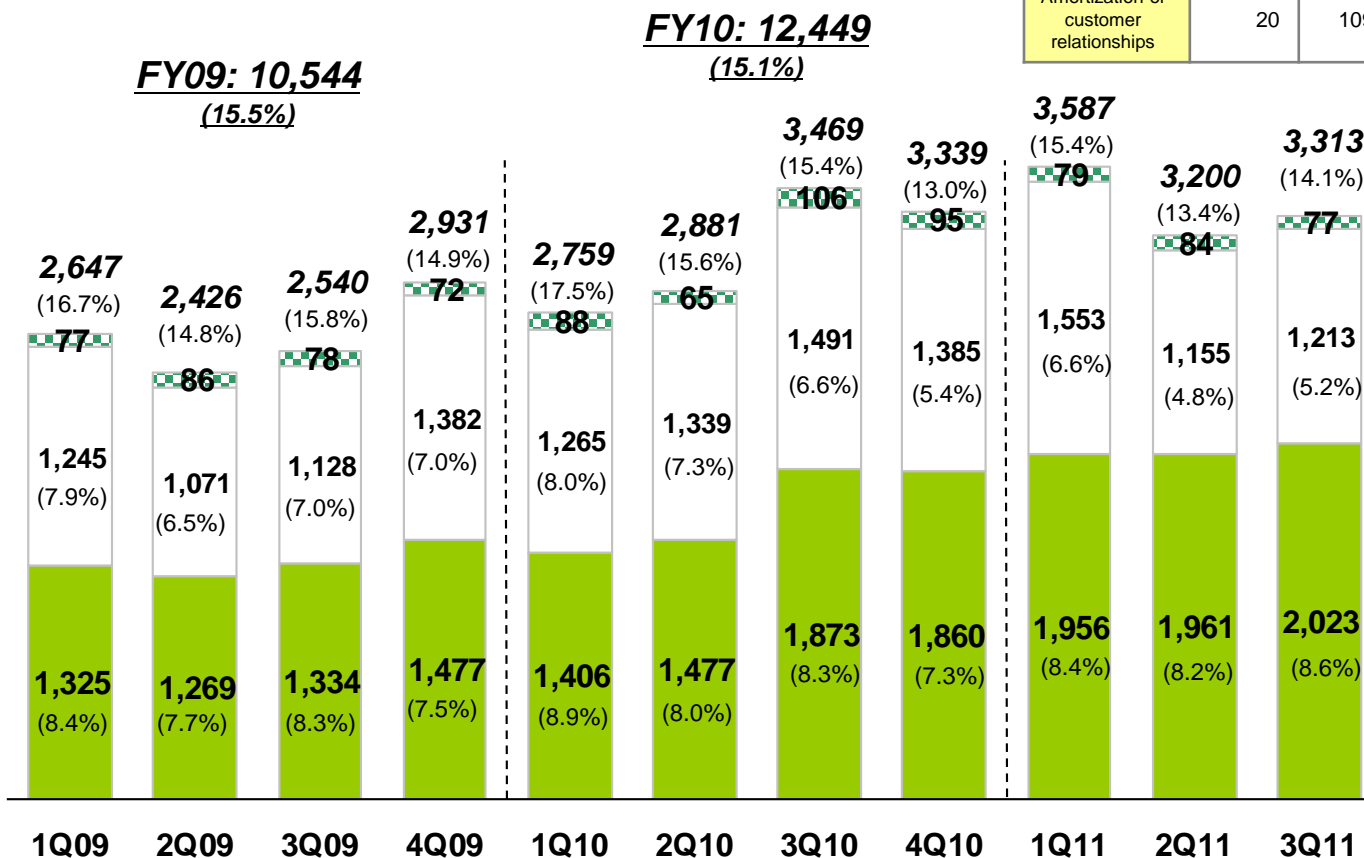
- ◆ Number of consolidated employees as of Dec. 31, 2011: 1,941 personnel (down 21 YoY, down 14 QoQ)
 - Planning to hire 75 newly graduates in FY2012 (Hired 44 newly graduates in FY2011, 60 in FY2010 and 77 in FY2009)

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

Unit: JPY million

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

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



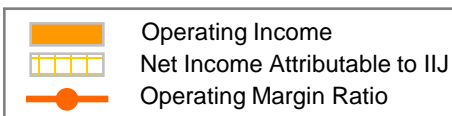
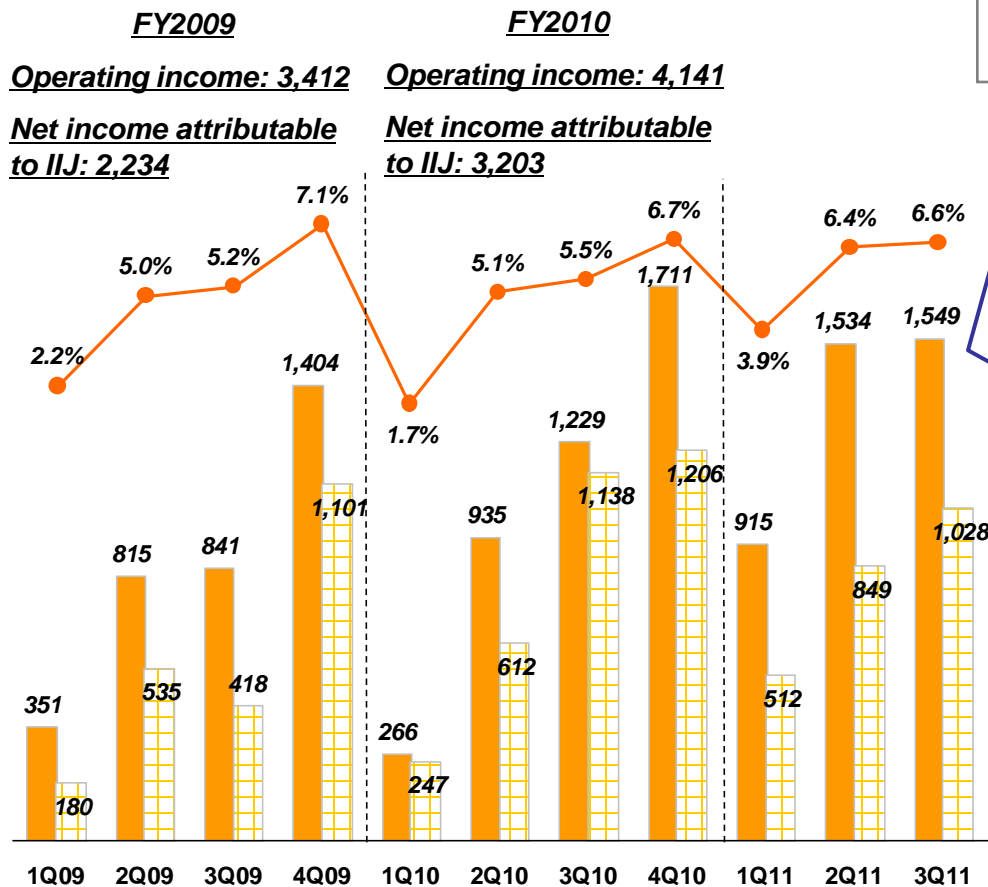
* IIJ-Global consolidated on Sep .1, 2010

- ◆ 3Q11 SG&A expenses: down JPY156 million YoY, up JPY112 million QoQ
 - Expenses related to IIJ's existing business as well as expenses related to IIJ-Global slightly decreased
 - Advertising expenses and commission paid increased compared to 2Q11
- ◆ FY11 9 months SG&A expenses: JPY10,100 million (up JPY991 million compared to FY10 9 months)
 - Expenses related to IIJ's existing business decreased compared to FY10 9 months
 - Percentage of revenues: 14.3%, down 1.7 points compared to FY10 9 months

YoY = 3Q11 compared to 3Q10
QoQ = 3Q11 compared to 2Q11

II-8. Operating Income and Net Income

YoY = 3Q11 compared to 3Q10
 QoQ = 3Q11 compared to 2Q11

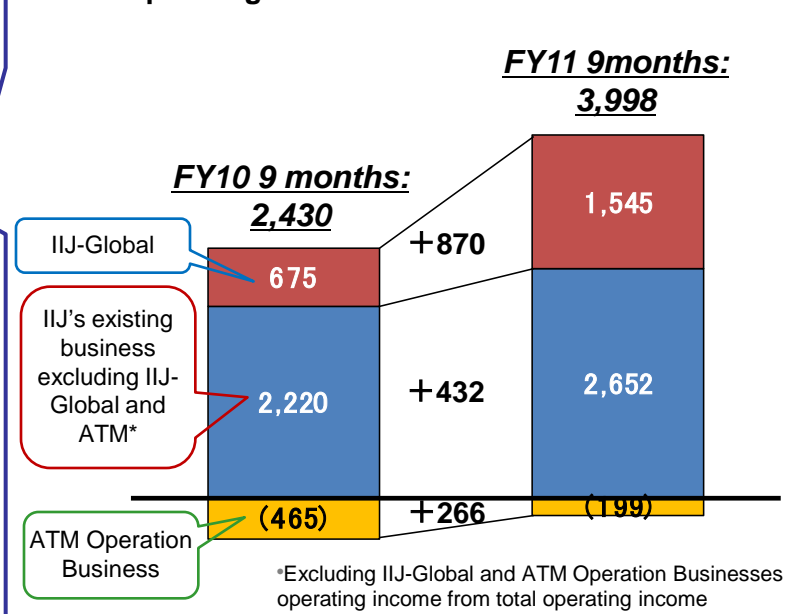


Unit: JPY million

FY2009
 Operating income: 3,412
 Net income attributable to IIJ: 2,234

FY2010
 Operating income: 4,141
 Net income attributable to IIJ: 3,203

◆ 3Q11 Operating Income (JPY million)



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

◆ ATM Operation Business (JPY million)

➢ Placed 389 ATMs as of Feb. 8, 2012

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

II-9. Consolidated Balance Sheets

Unit: JPY million

	March 31, 2011	December 31, 2011	Changes
Cash and Cash Equivalents	13,314	10,928	(2,386)
Accounts Receivable	16,431	15,456	(976)
Inventories	601	1,026	+425
Prepaid Expenses	1,680	2,697	+1,017
Other Investments	2,794	2,897	+103
Property and Equipment	16,481	18,974	+2,493
Goodwill and Other Intangible Assets	11,843	11,382	(461)
Accounts payable	13,574	8,534	(5,040)
Borrowings (Short-term and Long-term)	13,430	12,000	(1,430)
Accumulated Deficit	(14,023)	(12,242)	+1,782
Accumulated Other Comprehensive Loss	(85)	(94)	(9)
Total IIJ Shareholders' Equity	29,652	31,423	+1,771
Total Assets	71,473	71,004	(469)

- Nonmarketable equity securities: JPY1,949 million
- Available-for-sale equity securities: JPY794 million
- Others: JPY154million

- Non-amortized Intangible Assets: JPY5,980 million
 - Goodwill: JPY5,788 million (related to IIJ-Global: JPY2,288 million)
 - Trademark: JPY192 million
- Amortized Intangible Assets (Customer relationships): JPY5,383 million (related to IIJ-Global: JPY3,148 million)

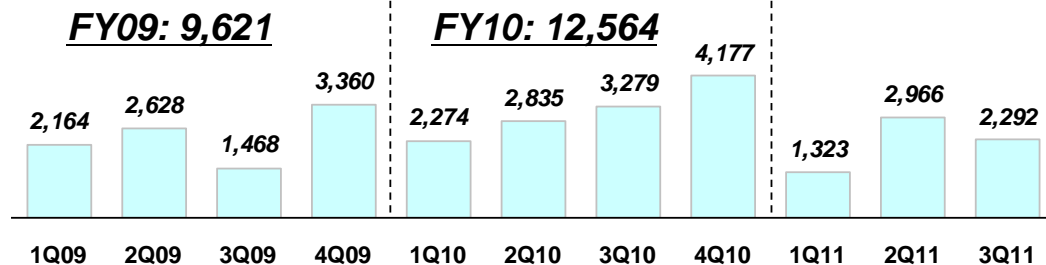
- Decreased mainly due to the payment for fixed assets

- IIJ Shareholder's equity ratio:
 - End of Dec. 2011: 44.3%
 - End of Mar. 2011: 41.5%

II-10. Consolidated Cash Flows

Unit: JPY million

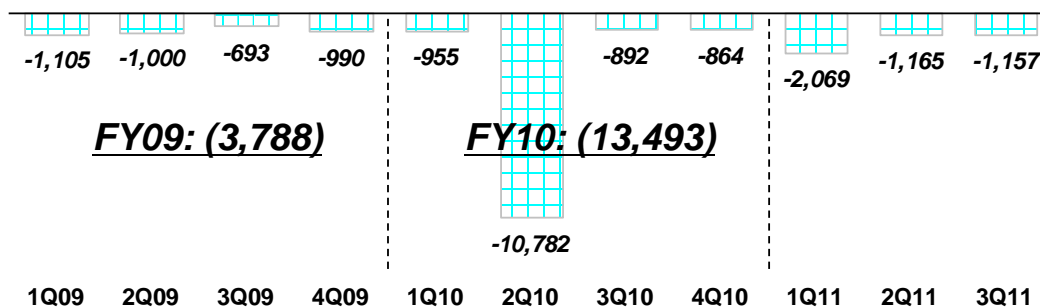
<Operating Activities>



<3Q11 Operating Activities>

- Operating Income increased
- Accounts Receivable increased: JPY1,004 million
- Accounts payable and other current liabilities increased: JPY924 million
- Inventories, prepaid expenses and other assets increased: JPY848 million etc

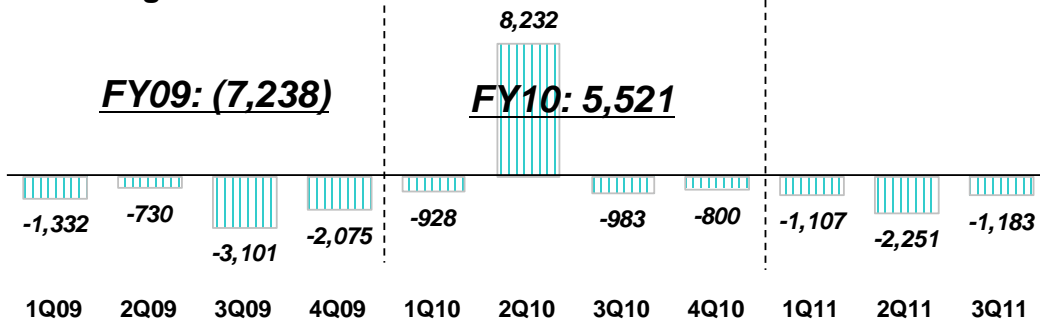
<Investing Activities>



<3Q11 Investing Activities>

- Purchase of property and equipments: JPY1,153 million etc

<Financing Activities>



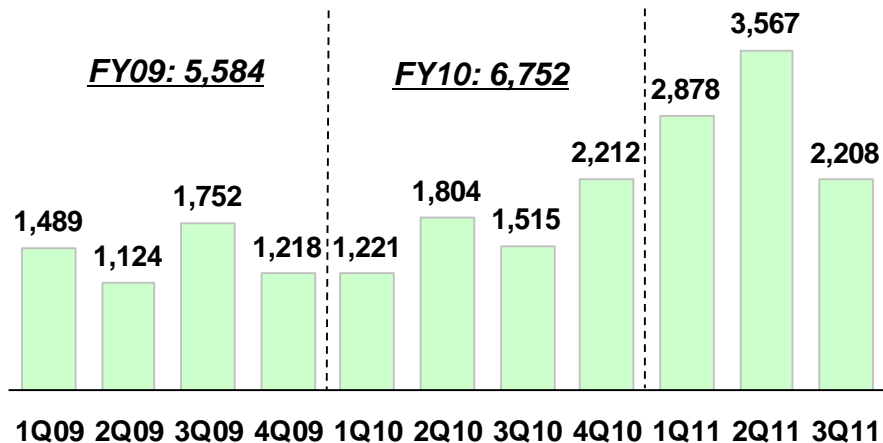
<3Q11 Financing Activities>

- Principle payments under capital leases: JPY909 million
- Payment of interim dividends: JPY304 million etc

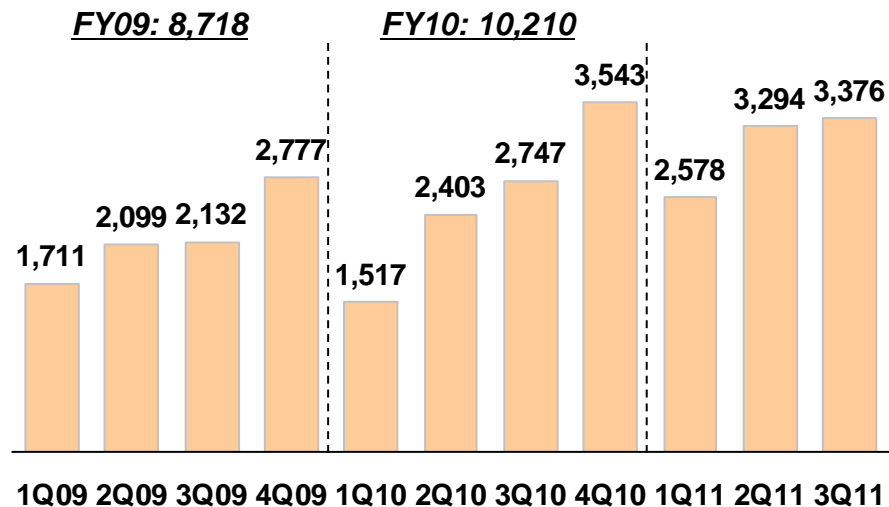
II-11. Other Financial Data (CAPEX etc.)

Unit: JPY million

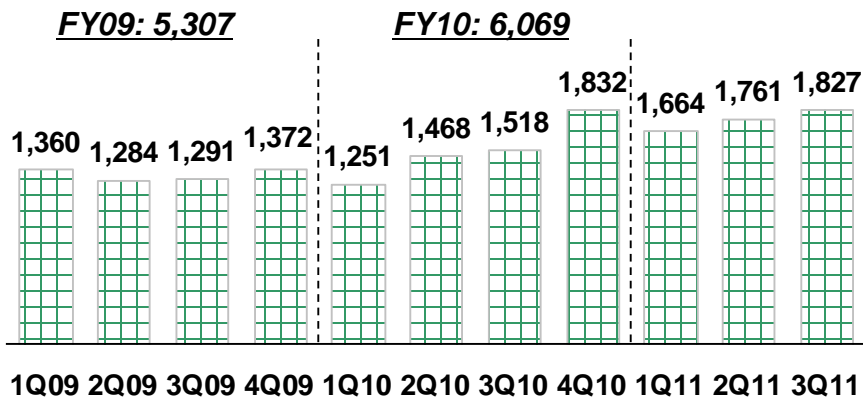
CAPEX (Include Capital Lease)



Adjusted EBITDA



Depreciation and Amortization



III-1. Developments of IIJ GIO

IIJ GIO

■ Business developments of IIJ GIO

•3Q11 Revenues: JPY817 million

(2Q11:JPY736 million)

- Growth in 3Q11 came from the increase in enterprise business and other clients
- Repeat orders from existing clients increased
- Large SNS game clients are preparing to expand their business overseas

•3Q11 accumulated number of projects:
over 1,000 projects (excerpt of cases below)

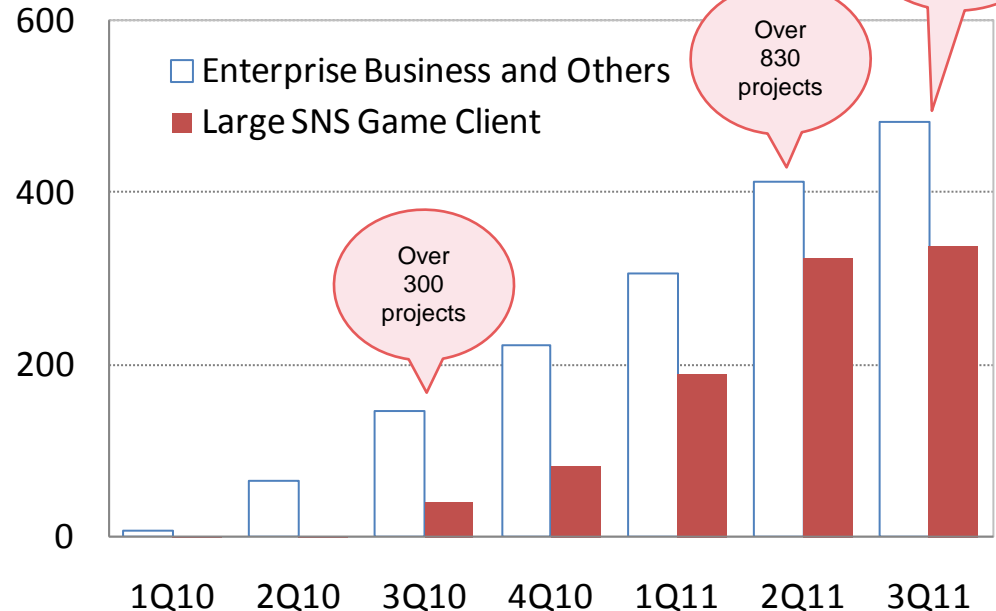
- NTT Docomo: Docomo Market (i-mode) infrastructure on IIJ GIO
- Tokyo Stock Exchange: Remote data backup system
- Shimizu Construction: Renewal of email system on IIJ GIO
- Sumitomo Forestry: Group web system reconstruction on IIJ GIO
- Ricoh: Video meeting service on IIJ GIO

■ IIJ GIO Globalization

- US: To launch IIJ GIO in March 2012
- China: Preparing for the release of IIJ GIO in summer 2012

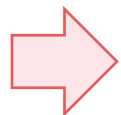
(JPY million)

IIJ GIO Revenues



<IIJ GIO Revenue recognition>

- **GIO Component Service:** Customized cloud, revenue recognized in SI operation and maintenance revenues
- **GIO Hosting Package Service:** Packaged cloud. Revenue recognized in outsourcing service revenues



New services and functions are continuously implemented

III-3. Reference: FY2011 Financial Target (revised on Feb. 8, 2012)

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

	FY11 Revised Target (11/4~12/3)	FY11 Initial Target (11/4~12/3)	FY10 Actual (10/4~11/3)	YoY (Revised FY11 to FY10 Actual)	
Total Revenues	97.0	100.0	82.4	+14.6	17.7%
Operating Income	6.3	6.3	4.1	+2.2	52.1%
Income before Income Tax Expense (Benefit)	5.6	5.6	3.8	+1.8	46.1%
Net Income attributable to IIJ	3.4	3.4	3.2	+0.2	6.1%
Net Income attributable to IIJ per Share	JPY 16,775	JPY 16,775	JPY 15,761	JPY +1,014	6.4%
Cash Dividend per Share	JPY 3,000 (Annual)	JPY 3,000 (Annual)	JPY 2,750 (Annual)	JPY +250	9.1%

- Revised FY2011 revenue target from JPY100 billion to JPY97 billion. The revision is mainly due to FY11 9 months revenues outcome and the level of order backlog for systems construction and equipment sales
- Targets for operating income, income before income tax expense and net income attributable to IIJ remain unchanged.

※ Forward-looking Statements

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

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