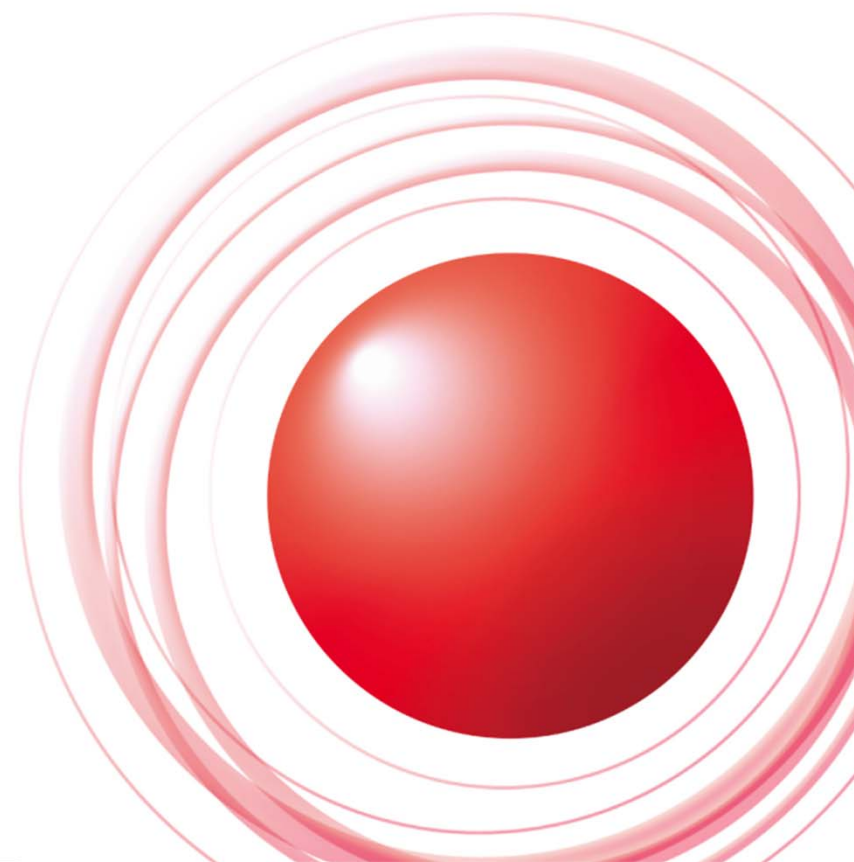


Consolidated Financial Results for 1Q-3Q FY2013 (9 months ended December 31, 2013)



Internet Initiative Japan Inc.
TSE1(3774), NASDAQ(IIJI)
February 7, 2014

Ongoing Innovation



Agenda

I . Summary of 1Q-3Q FY2013 Financial Results

II . Consolidated Financial Results for 1Q-3Q FY2013

III . Reference Materials

I . Summary of 1Q-3Q FY2013 Financial Results

< 1Q-3Q FY2013 Financial Results >

• Revenues	JPY82,746 million (up 7.9% YoY)	JPY117-> 114 billion (up 7.3% YoY)
• Gross margin	JPY15,518 million (down 0.0 % YoY)	
• Operating income	JPY4,211 million (down 16.5 % YoY)	JPY9.4-> 6.0 billion (down 22.6% YoY)
• Income before income tax expense	JPY4,625 million (down 6.5 % YoY)	JPY9.0-> 6.5 billion (down 16.2% YoY)
• Net income attributable to IIJ	JPY2,924 million (down 6.0 % YoY)	JPY6.0->4.7 billion (down 11.3% YoY)

< Full Year Target >

Market
Recognition

**Growing Market Opportunities for the Middle Term:
Further Mainstream Adoption of Cloud Services and the Returned SI Demand**

FY2013
Action

Enhanced Procurement of Employees, Continued Investment in Cloud and Network Infrastructure, and Strengthening Overseas Business Expansion

Downward Revision on Full Year Target, Dividend Forecast Remain Unchanged

Revenues

- ◆ Certain large customers' recurring revenue is to be approx. JPY2.0 billion short of the full year plan(1 carrier, 2 game providers, 3 in WAN services)
- ◆ Steady accumulation of connectivity services for home and other general corporate customers
- ◆ Strong systems construction

Operating
Income

- ◆ Operating cost and expenses increasing along with proactive business expansion
- ◆ Strong price pressure on connectivity & WAN services and reduced server usage from the above mentioned certain large customers affecting the operating income directly
- ◆ SI gross margin decreasing due to the increased number of large scale projects
- ◆ Estimate approx. JPY0.6 billion of loss in overseas business along with enhanced expansion

Hereafter

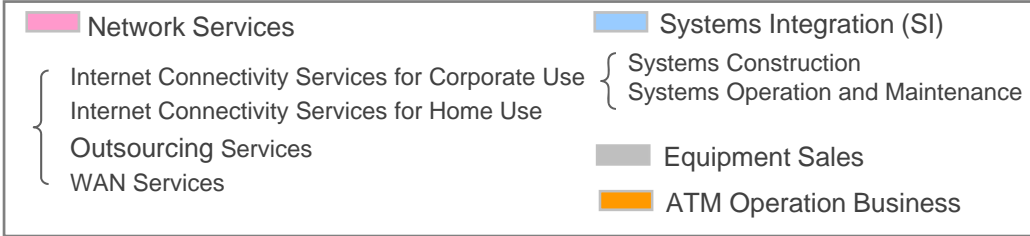
**Strong IT Outsourcing Demand from Public and Private Sectors
To Achieve Significant Operating Income Increase in FY2014, Focus on Recurring Revenues Accumulation, Enhance Competitiveness with Continuous Service Development, Implement Stricter Control on Large Accounts, and Acquire Profit Contribution from Invested Businesses**

II - 1. Consolidated Financial Results for 1Q-3Q FY2013

Unit: JPY billion

	% of Revenues		YoY Change in %	% of Revenues		YoY Change in %
	1Q-3Q FY13 (Apr. 2013 -Dec. 2013)	1Q-3Q FY12 (Apr. 2012 -Dec. 2012)		FY13 Original Target (Apr. 2013 -Mar.2014)	FY13 Revised Target (Apr. 2013 -Mar.2014)	
Total Revenues	82.7	76.7	+7.9%	117.0	114.0	+7.3%
Total Cost of Revenues	81.2% 67.2	79.8% 61.2	+9.9%	-	-	-
Gross Margin	18.8% 15.5	20.2% 15.5	(0.0%)	-	-	-
SG&A/R&D	13.7% 11.3	13.7% 10.5	+7.9%	-	-	-
Operating Income	5.1% 4.2	6.6% 5.0	(16.5%)	8.0% 9.4	5.3% 6.0	(22.6%)
Income before Income Tax Expense	5.6% 4.6	6.4% 4.9	(6.5%)	7.7% 9.0	5.7% 6.5	(16.2%)
Net Income attributable to IJ	3.5% 2.9	4.1% 3.1	(6.0%)	5.1% 6.0	4.1% 4.7	(11.3%)

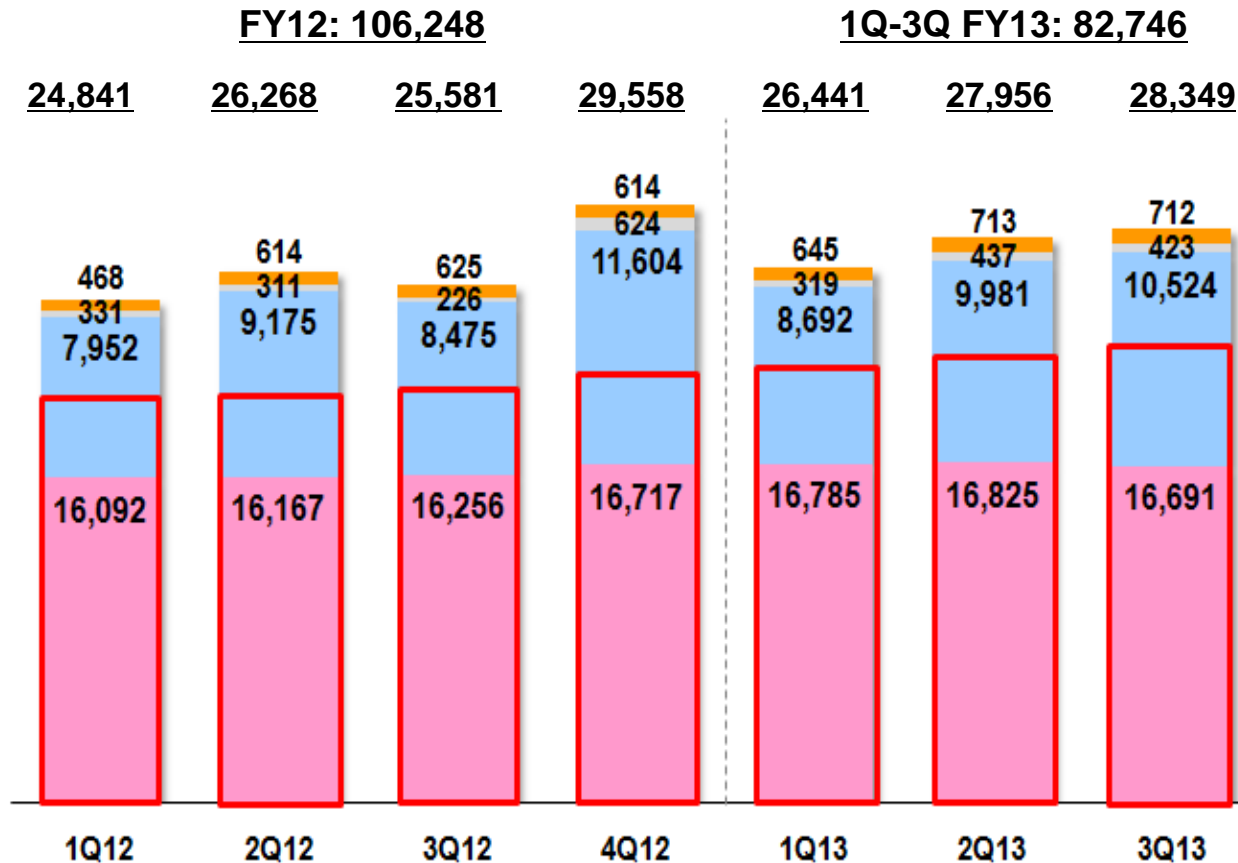
II - 2. Revenues



- ◆ 1Q-3Q FY13 Network services: JPY50,301 million (up 3.7% YoY)
- ◆ 1Q-3Q FY13 Systems integration: JPY29,197 million (up 14.0% YoY)
- ◆ 1Q-3Q FY13 Equipment sales: JPY1,178 million (up 35.8% YoY)
- ◆ 1Q-3Q FY13 ATM operation business: JPY2,070 million (up 21.3% YoY)

Unit: JPY million

YoY = 1Q-3Q FY13 compared to 1Q-3Q FY12



One-time Revenue

1Q-3Q FY13 up 19.8% YoY
(15.5% of 1Q-3Q FY13 total revenues)

is recognized only once when systems or equipments are delivered and accepted by customers.

1. Systems Construction
2. Equipment Sales

Recurring Revenue

1Q-3Q FY up 5.6% YoY
(82.0% of 1Q-3Q FY13 total revenues)

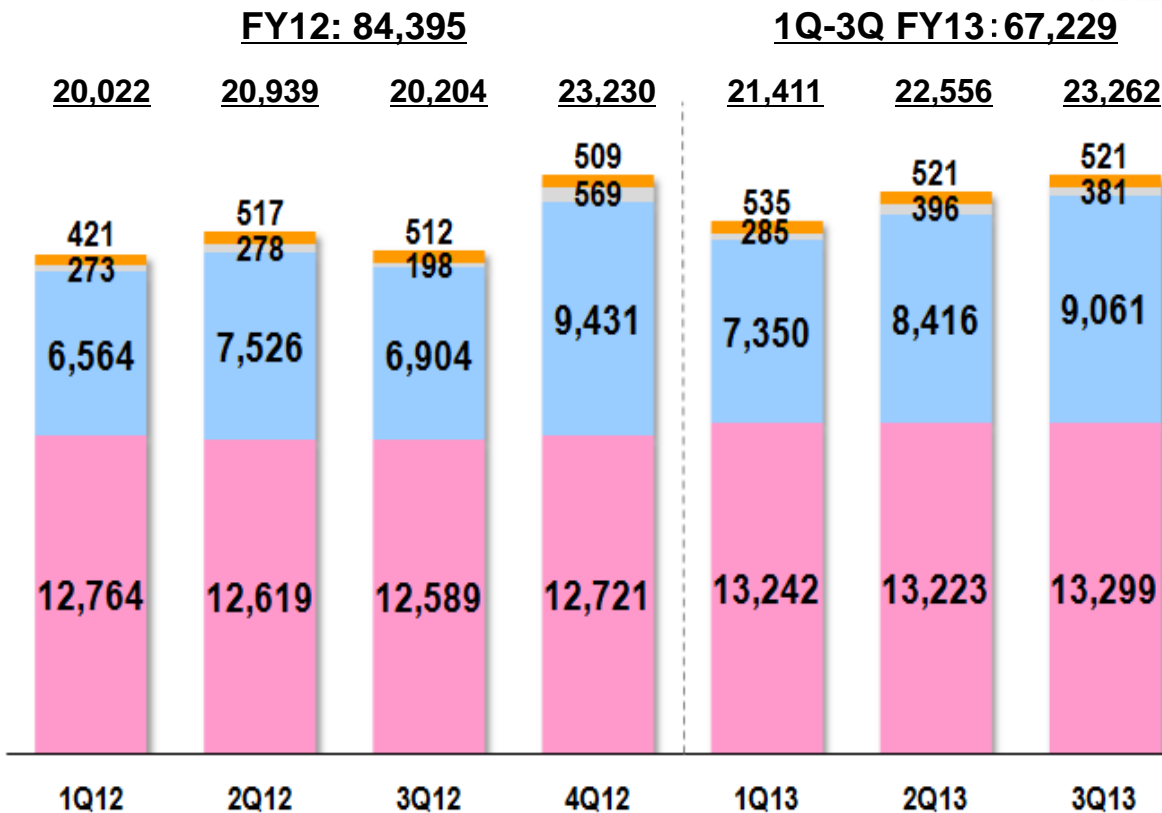
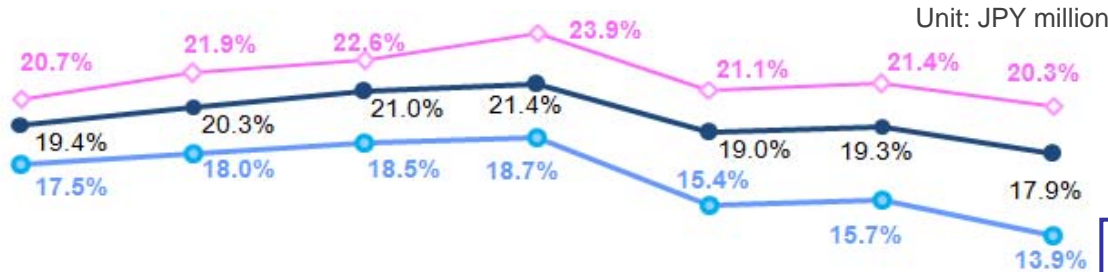
represents monthly recurring revenues as shown below:

1. Internet Connectivity Services (Corporate Use and Home Use)
2. Outsourcing Services
3. WAN Services
4. Systems Operation & Maintenance

II - 3. Cost of Revenues and Gross Margin Ratio

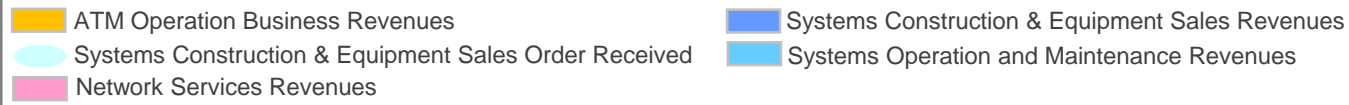
Cost of revenues : ■ Network Services ■ Systems Integration (SI) ■ Equipment Sales ■ ATM Operation Business

Gross margin ratio : ◇ Network Services ○ Systems Integration (SI) ● Total Revenues



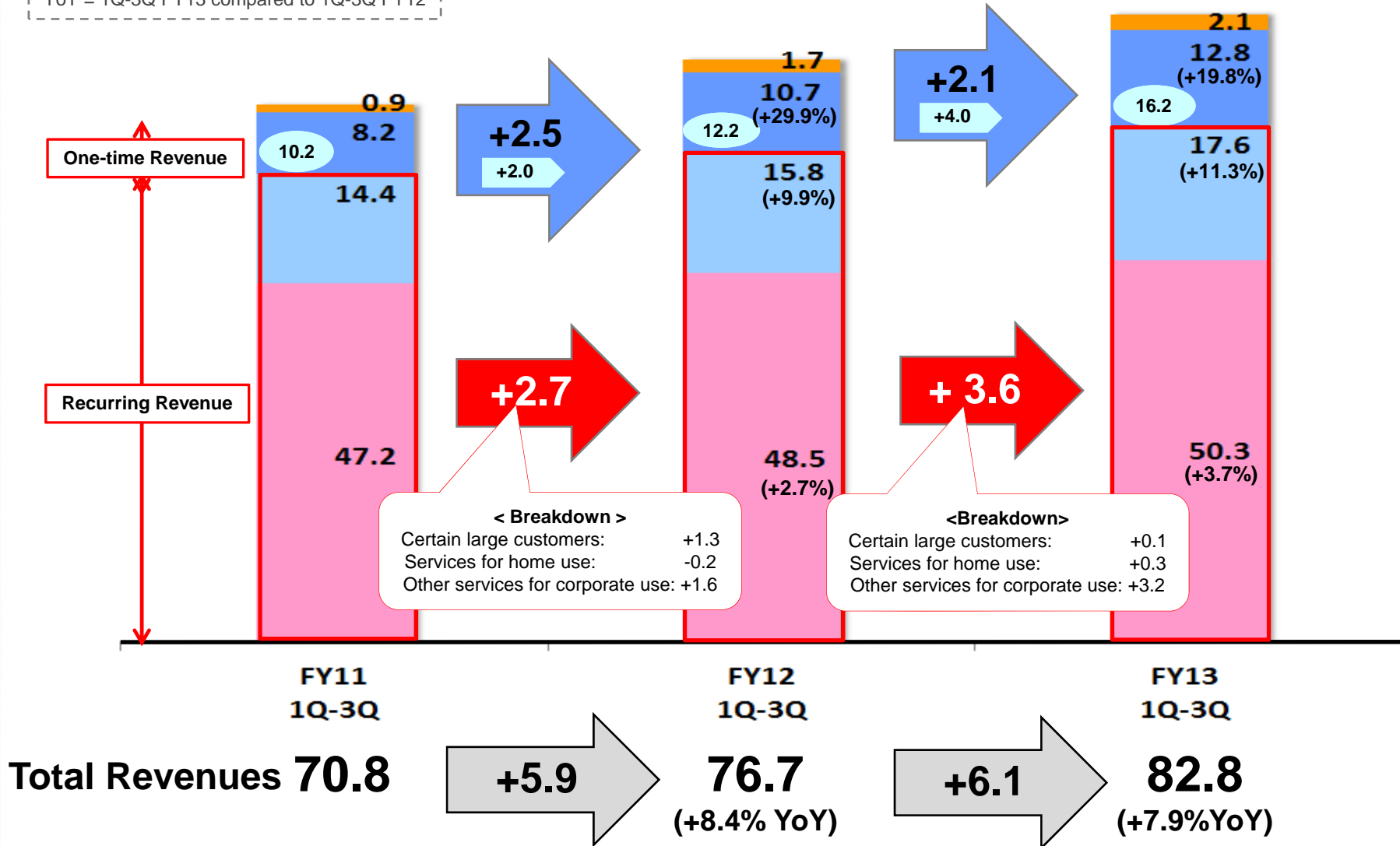
- ◆ 1Q-3Q FY13 gross margin: JPY15,518 million
(down JPY7 million YoY, down 0.0% YoY)
Gross margin ratio: 18.8%
(down 1.5 pt. YoY)
- ◆ 1Q-3Q FY13 NW gross margin:
JPY10,538 million
(down JPY6 million YoY, down 0.1% YoY)
Gross margin ratio: 20.9%
(down 0.8 pt. YoY)
- ◆ 1Q-3Q FY13 SI gross margin:
JPY4,371 million
(down JPY237 million YoY, down 5.1% YoY)
Gross margin ratio: 15.0%
(down 3.0 pt. YoY)
- ◆ 1Q-3Q FY13 ATM gross margin:
JPY494 million
(up JPY238 million YoY, up 92.7% YoY)
Gross margin ratio: 23.8%
(up 8.8 pt. YoY)

II - 4. 1Q-3Q Revenue YoY Change

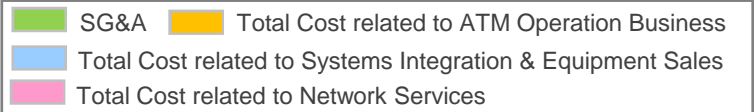


Unit: JPY billion

YoY = 1Q-3Q FY13 compared to 1Q-3Q FY12

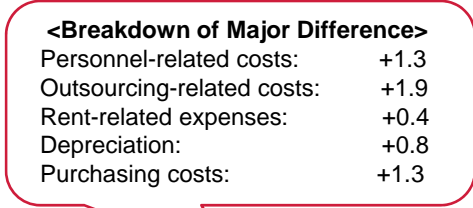
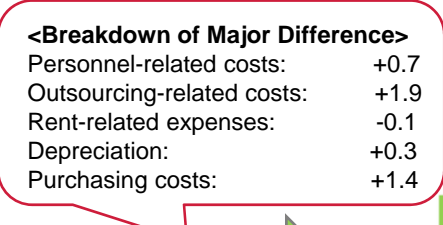


II - 5. 1Q-3Q Operating Cost YoY Change

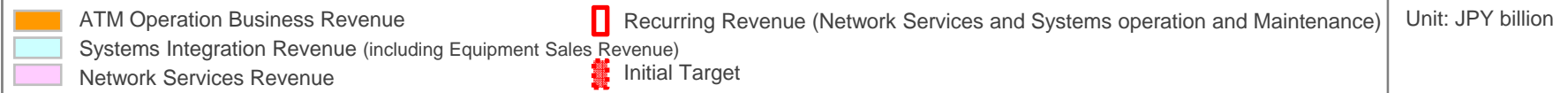


Unit: JPY billion

YoY = 1Q-3Q FY13 compared to 1Q-3Q FY12



II - 6. Revenue (Compared with the Initial Target)



YoY= Compared to the same time period in the previous year

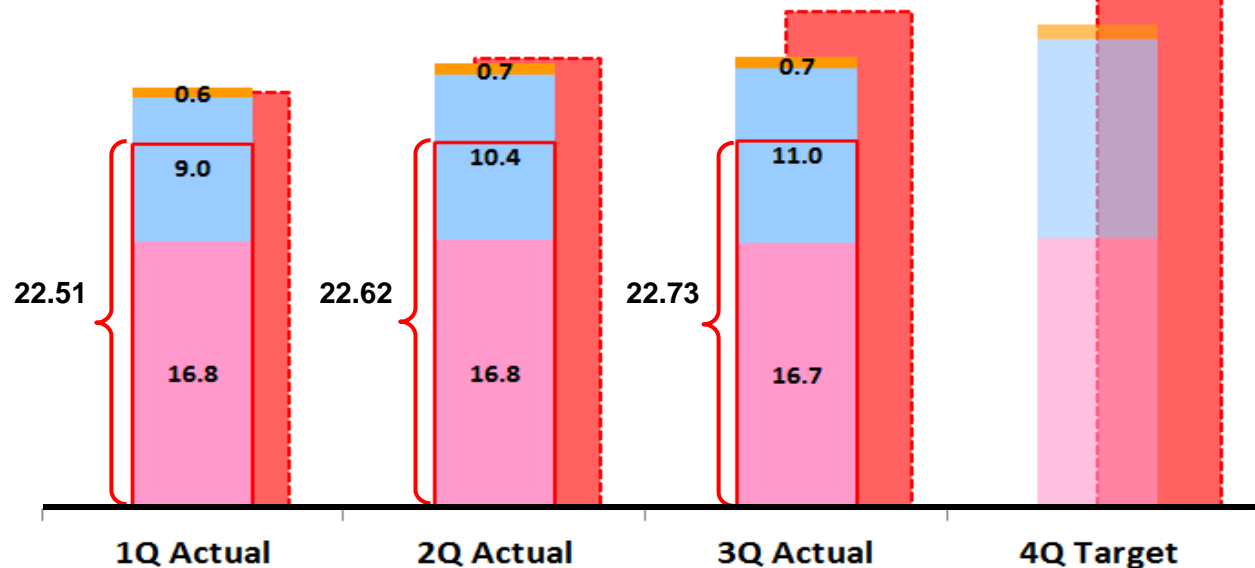
Revenue 26.4
(YoY) (+6.4%)

28.0
(+6.4%)

28.4
(+10.8%)

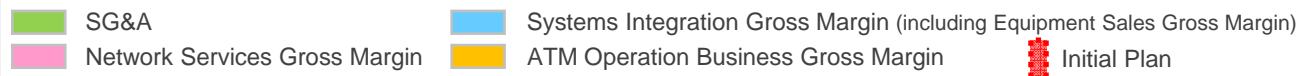
31.3
(+5.7%)

3.0
Difference between the full year revised target and the initial target



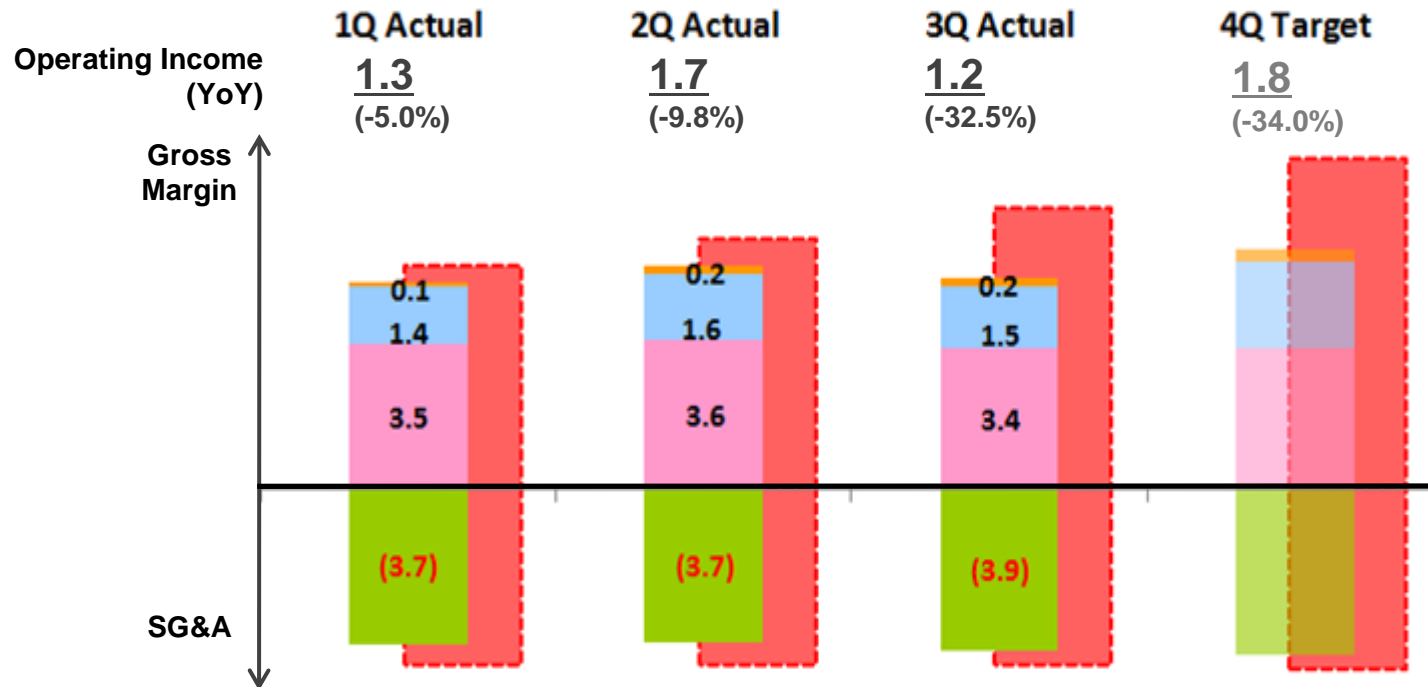
- **Strong systems construction** 1Q-3Q FY13 revenue +19.8% YoY, 1Q-3Q FY13 Order received +33.2% YoY
- **Gap in the recurring revenue has been increasing quarter by quarter**
 - **The certain large customers' recurring revenues to be approx. JPY2.0 billion short of the full year plan**
 - 1 carrier, 2 game providers, 3 in WAN services: Their total revenue FY11: 12.8 billion, FY12: JPY14.7 billion, FY13: estimate JPY14.3 billion
 - The revenues for Internet connectivity services for home constantly increasing, led by the LTE services
 - While the recurring revenue from general corporate customers grew YoY, the accumulation didn't meet the initial plan due to factors such as the postponement of service launches and extensive SI demand
- **ATM Operation Business: to be approx. JPY0.3 billion short of the full year plan.** While both the number of ATMs placed and the revenue increased steadily, the placement of ATMs has been slightly behind the plan

II - 7. Operating Income (Compared with the Initial Target)



Unit: JPY billion

YoY= Compared to the same time period in the previous year



3.4

Difference between the full year revised target and the initial target

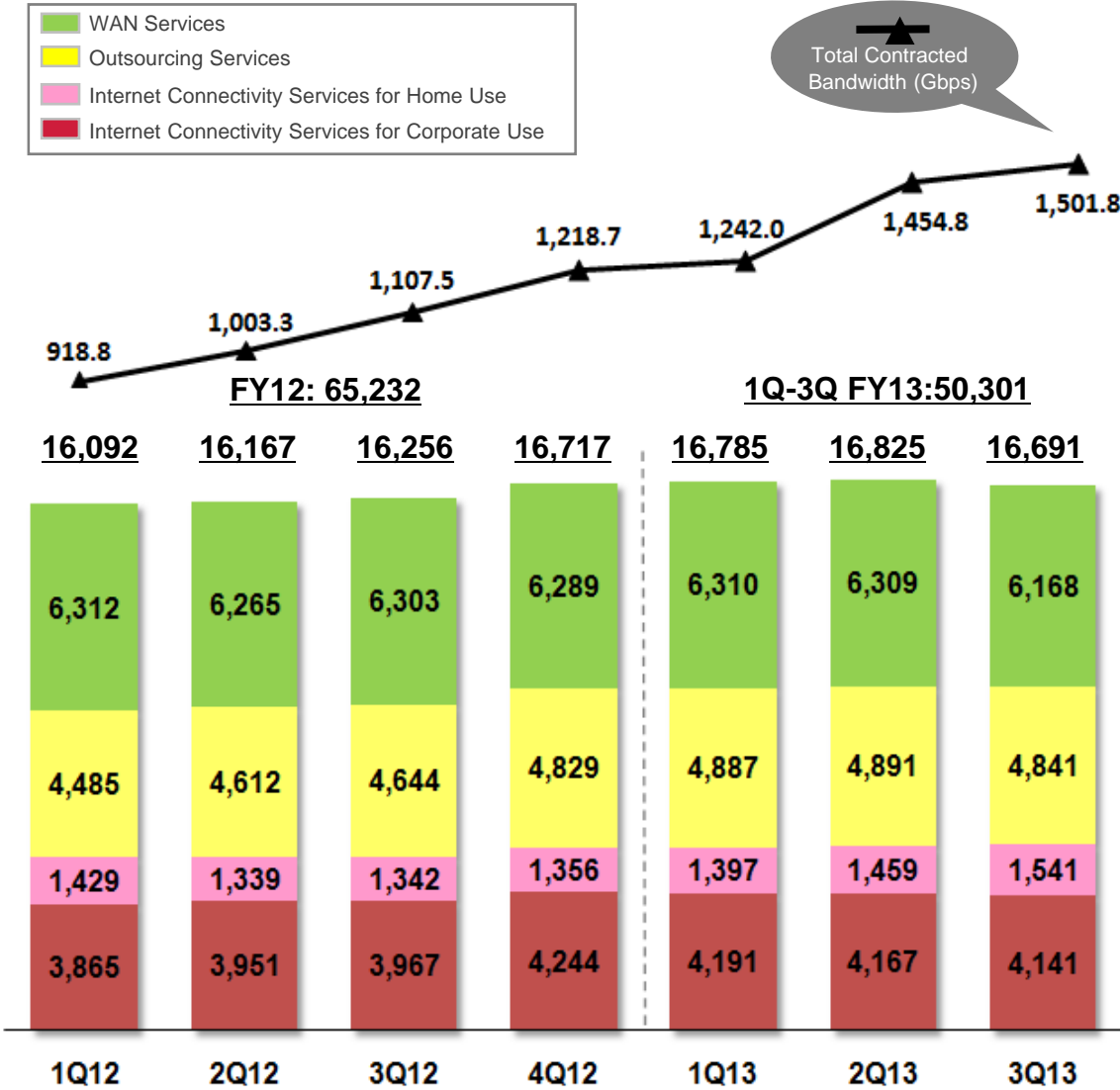
- **The increasing gap in the recurring revenue affecting the operating income**
 - **Operating income was impacted by the revenue gap:** the price down in connectivity services and the decreased server usage in outsourcing & systems operation
 - **WAN services:** price down when renewing certain large customers' multiple-year contracts, Revenue not so decrease with the increase in usage yet significant negative impact on profit
- **Systems construction: to be approx. JPY0.5 billion short of the full year plan** due to projects becoming larger in volume and thus tend to be less profitable
- **ATM operation business: to be approx. JPY0.1 billion short of the full year plan.** Continuously accumulating profit yet the placement of ATMs has been slightly behind the plan

II - 8. Network Services (1)Revenues



Unit: JPY million

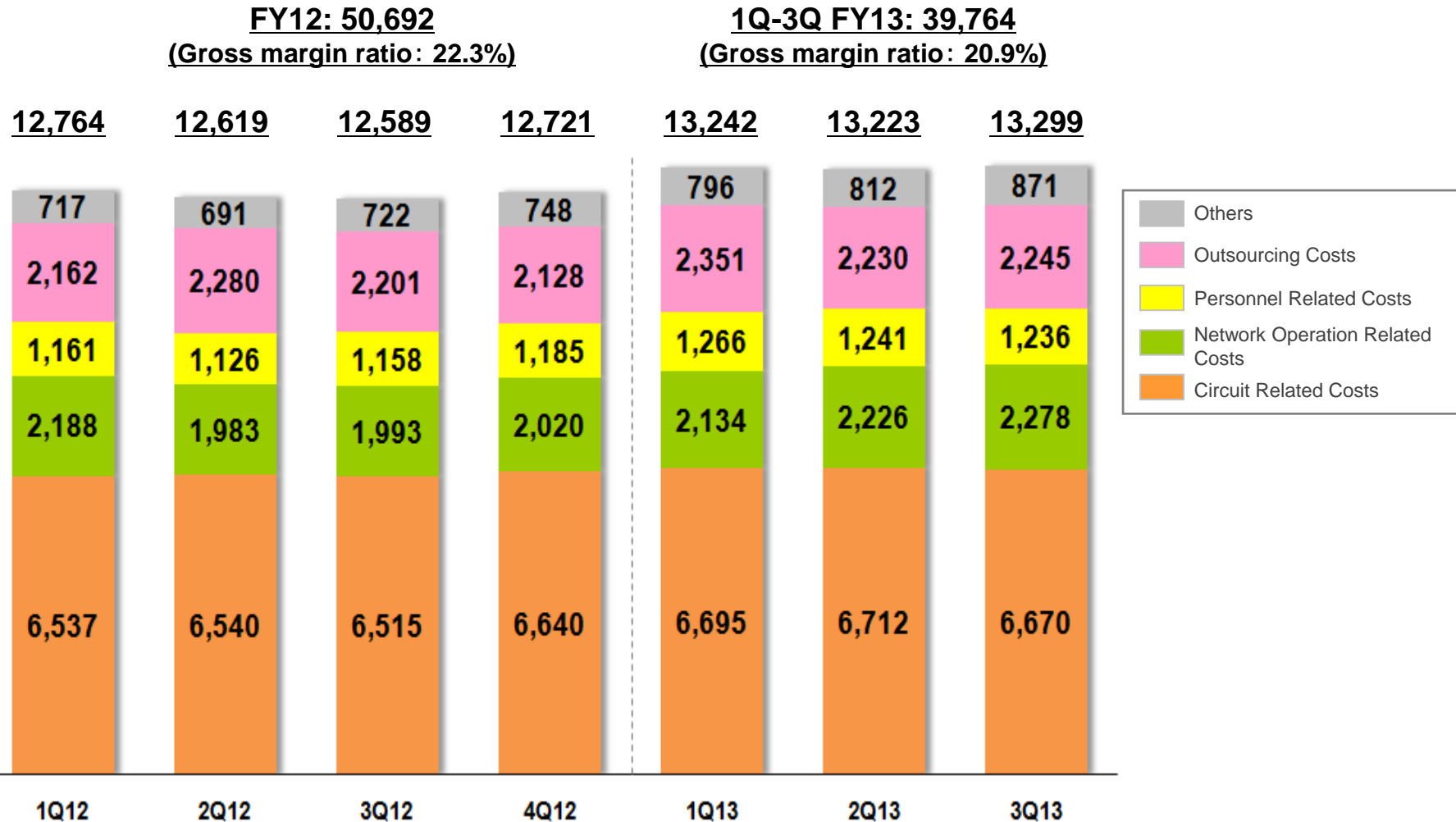
YoY= 3Q13 compared to 3Q12
QoQ=3Q13 compared to 2Q13



- ◆ **3Q13 Corporate Connectivity:**
 - up JPY174 million YoY, up 4.4% YoY
 - down JPY26 million QoQ, down 0.6% QoQ
 - Had price down from certain large customers, the traffic increase weaker than the estimate
 - Over 1Gbps contracts as of Dec. 31, 2013: 263 (Sep. 30, 2013: 255, Dec. 31, 2012: 186)
- ◆ **3Q13 Home Connectivity:**
 - up JPY199 million YoY, up 14.8% YoY
 - up JPY82 million QoQ, up 5.7% QoQ
 - Net additions of LTE services contracts: 28,000(3Q13), 22,000(2Q13), 18,700(1Q13)
 - Approx. 119,000 contracts as of Dec. 31, 2013
- ◆ **3Q13 Outsourcing services:**
 - up JPY197 million YoY, up 4.2% YoY
 - down JPY50 million QoQ, down 1.0% QoQ
 - Affected by the revenue down from certain large customers
- ◆ **3Q13 WAN services:**
 - down JPY135 million YoY, down 2.1% YoY
 - down JPY141 million QoQ, down 2.2% QoQ
 - Affected by price down from certain large customers this fiscal year

II - 8. Network Services (2) Cost of Revenues

Unit: JPY million

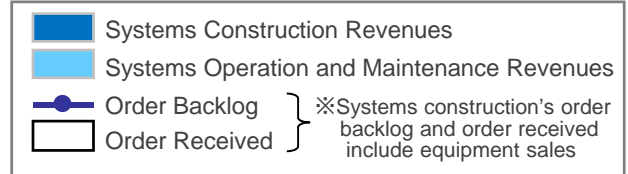
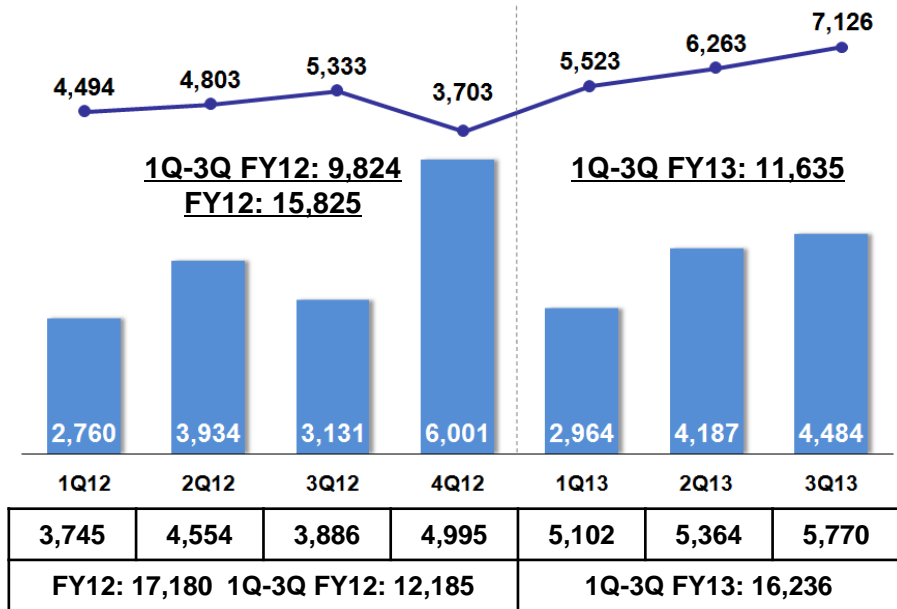


◆ 3Q13 Cost of network services: up JPY710 million YoY, up 5.6% YoY, up JPY77 million QoQ, up 0.6% QoQ
 ▶ Network operation and maintenance costs such as personnel and network operational related costs increased from the beginning of this fiscal year

YoY = 3Q13 compared to 3Q12
 QoQ = 3Q13 compared to 2Q13

II - 9. Systems Integration (SI) (1)Revenues

<Systems Construction>



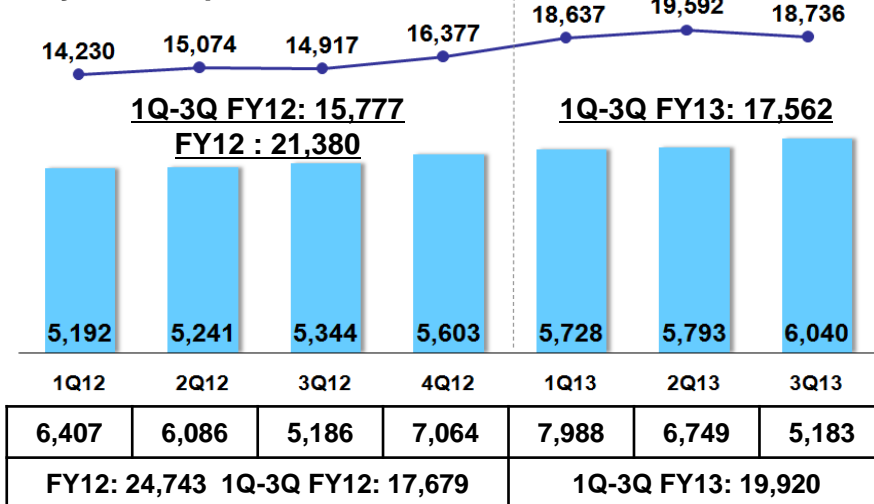
YoY = 3Q13 compared to 3Q12

Systems Construction

- ◆ 3Q13 Revenue: up JPY1,353 million YoY, up 43.2% YoY
- ◆ 3Q13 Order received: up JPY1,884 million YoY, up 48.5% YoY
- ◆ 3Q13 Order backlog: up JPY1,793 million YoY, up 33.6% YoY

- The number of orders and project volume increasing along with the return of corporate IT investment appetite
- Large-scale E-mail system for consumer, network integration among headquarter and branch offices, global TV conference system, education and research related system for university, replacement of university campus network etc

<Systems Operation and Maintenance>

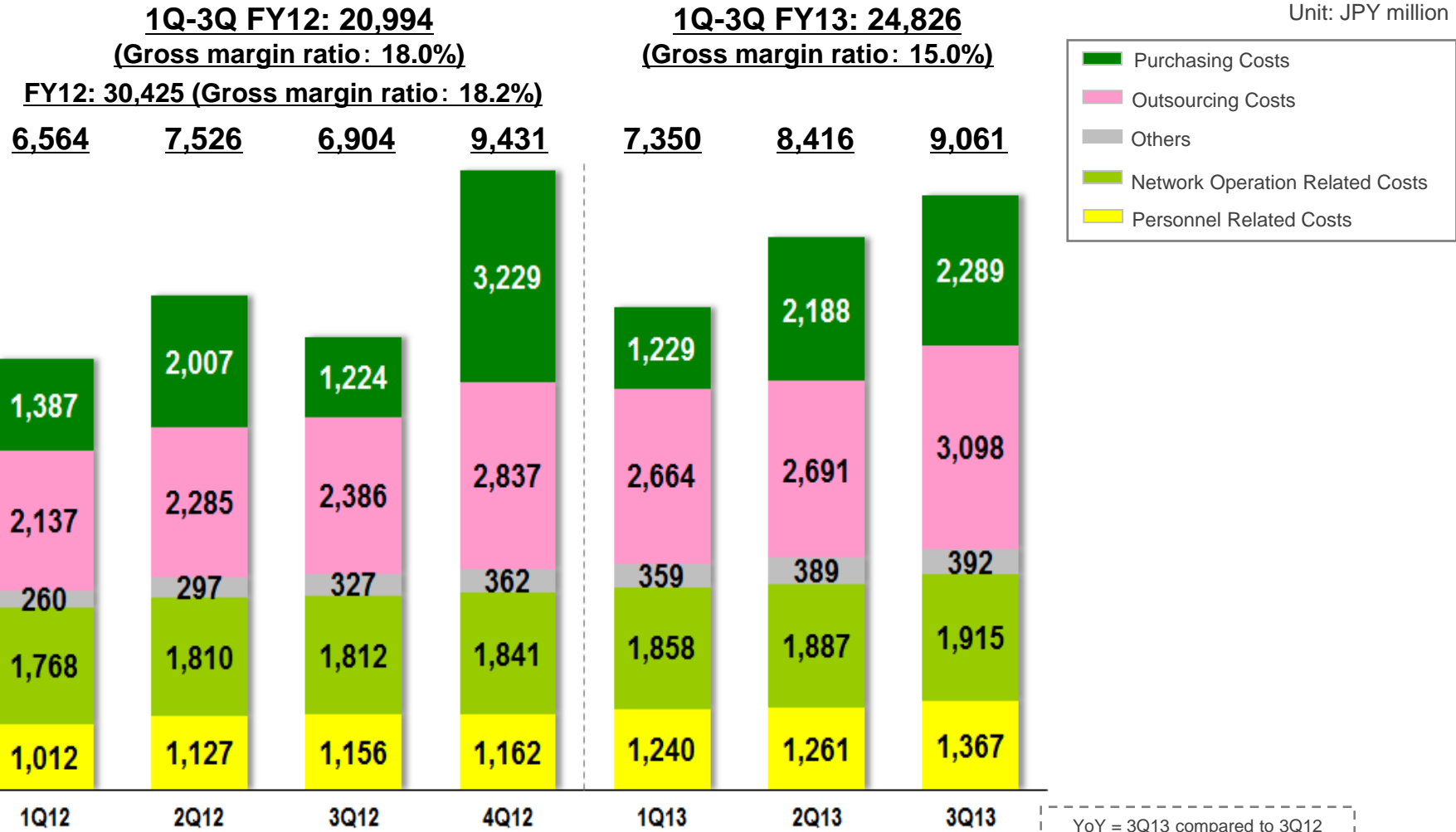


Systems Operation and Maintenance

- ◆ 3Q13 Revenue: up JPY696 million YoY, up 13.0% YoY
- ◆ 3Q13 Order received: down JPY3 million YoY, down 0.1% YoY
- ◆ 3Q13 Order backlog: up JPY3,819 million YoY, up 25.6% YoY

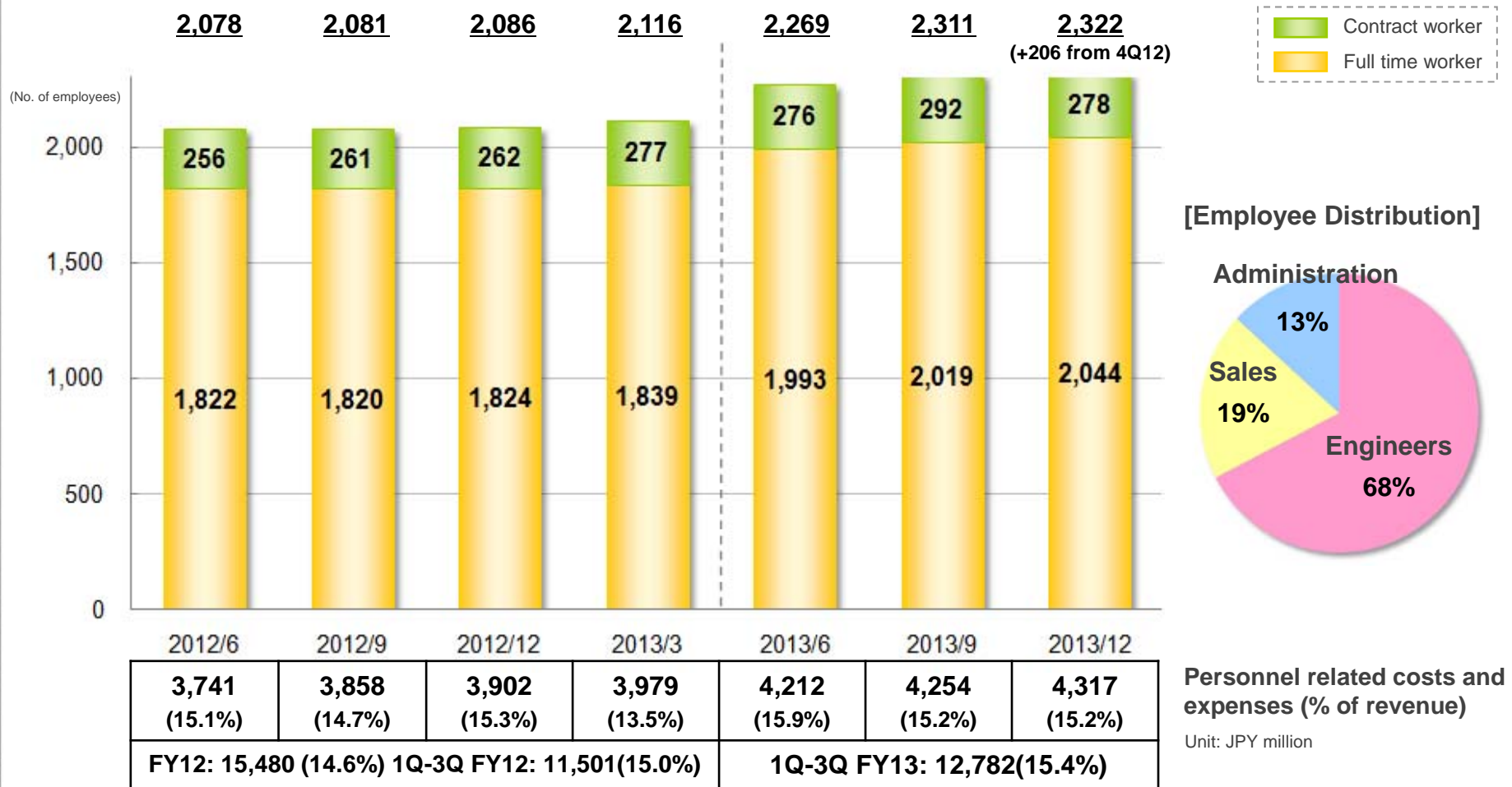
- 79% of 3Q13 cloud total revenues are recognized in systems operation and maintenance (the remaining 21% in outsourcing)
- Affected by the revenue down from certain large customers

II - 9. Systems Integration (SI) (2)Cost of Revenues



- ◆ 3Q13 Cost of SI: up JPY2,157 million YoY, up 31.2% YoY
 - The number of outsourcing personnel as of Dec. 31, 2013: 816 (up 192 personnel YoY, up 72 personnel QoQ)
 - Outsourcing and personnel related costs increased due to increases in the number of projects and employees respectively
 - The gross margin ratio decreasing due to the trend of large scale projects

II - 10. Number of Employees



- ◆ 3Q13 Personnel-related costs and expenses: up JPY415 million YoY, up JPY63 million QoQ
- ◆ Hired 136 newly graduates in Apr. 2013 (Apr. 2012: 75 newly graduates)
 - Planning to hire 130 newly graduates in Apr. 2014

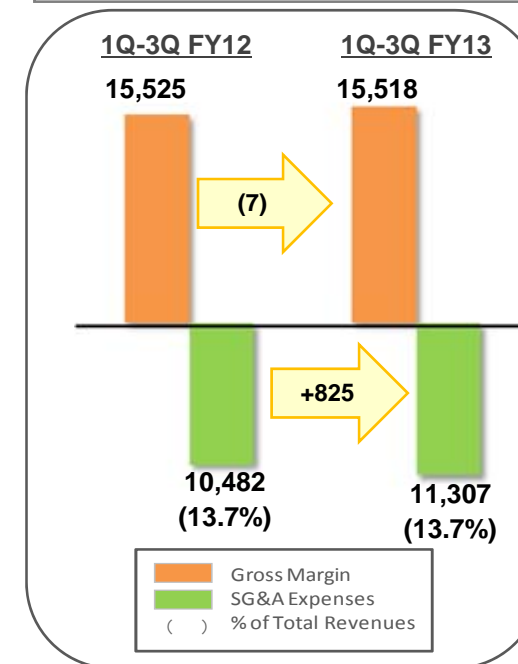
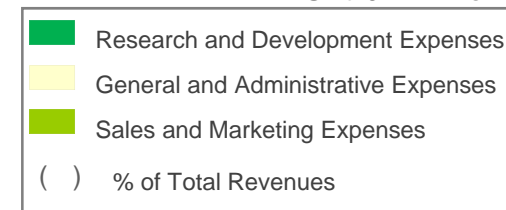
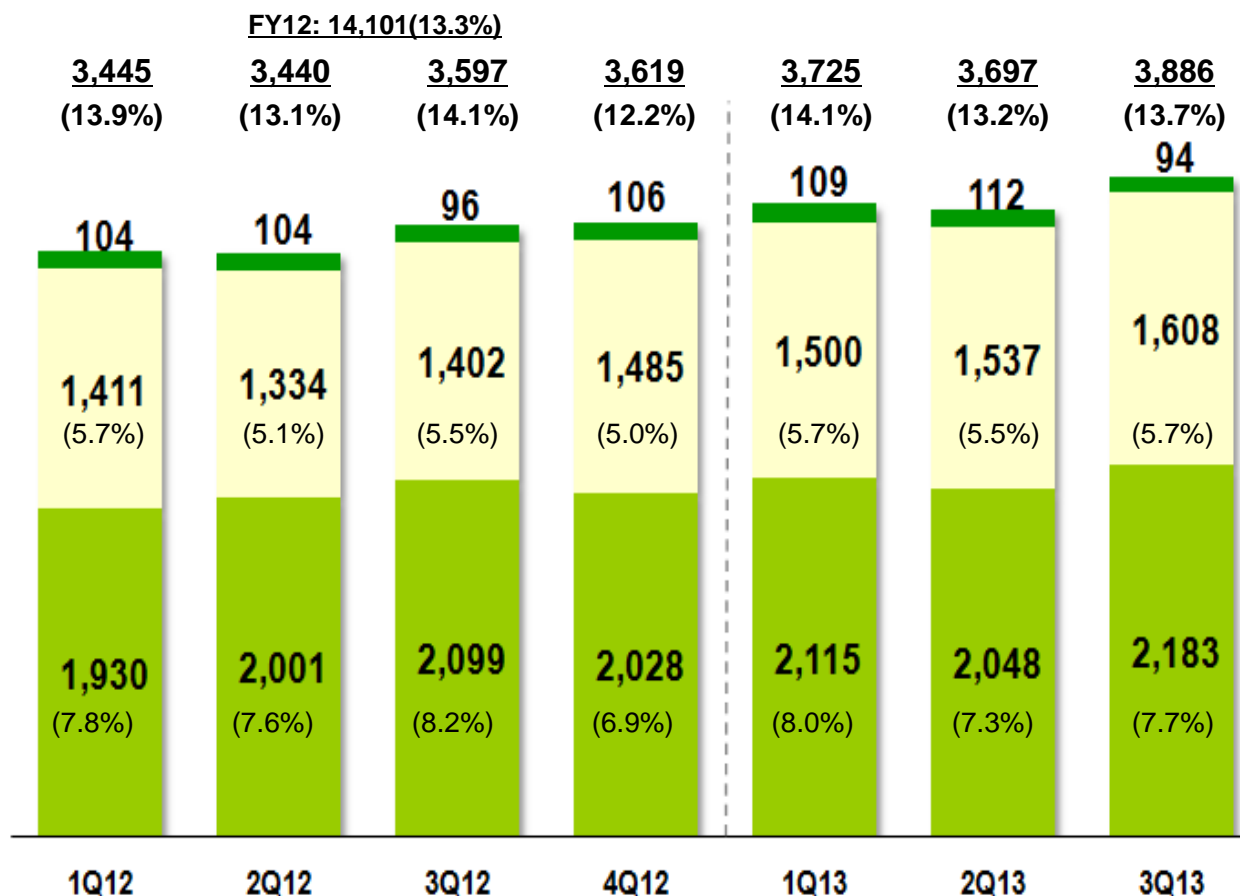
YoY= 3Q13 compared to 3Q12
QoQ=3Q13 compared to 2Q13

II - 11. SG&A Expenses/R&D

1Q-3Q FY12: 10,482
(13.7%)

1Q-3Q FY13: 11,307
(13.7%)

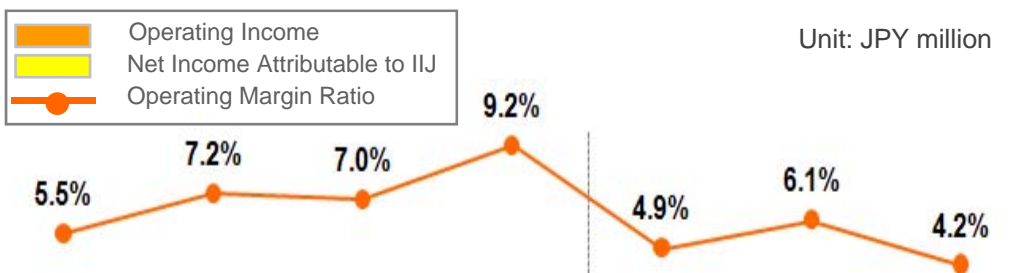
Unit: JPY million



YoY = 3Q13 compared to 3Q12
QoQ = 3Q13 compared to 2Q13

- ◆ **1Q-3Q FY13: up JPY0.82 billion YoY**
Personnel-related expenses increased by JPY0.42 billion, Rent expenses increased by JPY0.18 billion, Sales commission expenses increased by JPY0.12 billion
- ◆ **3Q13: up JPY0.19 billion QoQ**
Advertising expenses increased by JPY0.08 billion, Allowance for doubtful accounts increased by JPY0.04 billion

II - 12. Operating Income and Net Income

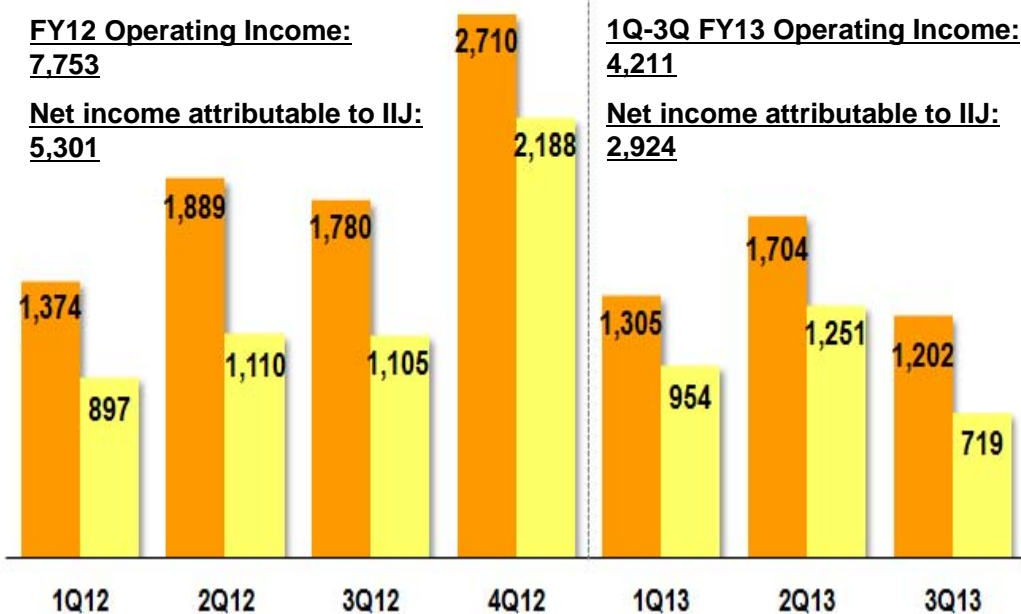


FY12 Operating Income:
7,753

Net income attributable to IIJ:
5,301

1Q-3Q FY13 Operating Income:
4,211

Net income attributable to IIJ:
2,924



1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	
363	764	675	1,333	269	804	378	Current income tax expense
152	(27)	28	(679)	268	(99)	221	Deferred tax expense (benefit)
33	50	49	36	65	61	64	Equity in net income (loss) of equity method investees
5	(6)	(10)	(5)	(5)	(22)	(24)	Net loss (income) attributable to non-controlling interests

◆ ATM operation segment operating income:

Unit: JPY million

1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13
16	67	81	75	81	160	159
FY12: 239				1Q-3Q FY13: 400		

➤ 785 ATMs were placed as of Feb. 7, 2014
(698 ATMs as of Nov. 8, 2013)

◆ 3Q13 Income before income tax expense:

JPY1,278 million
(down JPY492 million YoY, down 27.8% YoY)

➤ Recognized Foreign exchange gains of JPY63 million,
Interest expense of JPY62 million etc

◆ 3Q13 Net income attributable to IIJ: JPY719 million

(down JPY386 million YoY, down 34.9% YoY)

➤ Equity in net income of Internet Revolution, Inc. and
Internet Multifeed Co.

YoY = 3Q13 compared to 3Q12

II - 13. Summary of Consolidated Balance Sheets

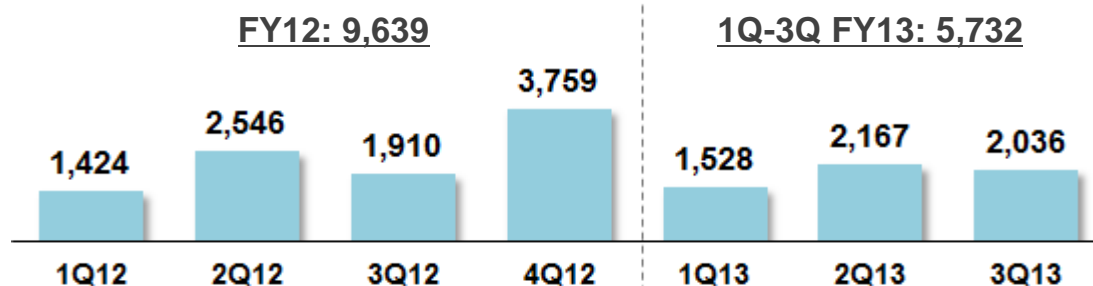
(Unit: JPY million)

	March 31, 2013	December 31, 2013	Changes
Cash and Cash Equivalents	12,259	22,102	+9,843
Accounts Receivable	18,765	16,767	(1,998)
Inventories and Prepaid Expenses (Current and Noncurrent)	5,995	8,906	+2,911
Other Investments	3,771	7,427	+3,656
Property and Equipment	23,026	26,557	+3,531
Goodwill and Other Intangible Assets	10,761	10,425	(336)
Total Assets	82,111	100,596	+18,485
Accounts Payable	11,922	10,620	(1,303)
Income Taxes Payable	1,670	177	(1,493)
Bank Borrowings (Short-term and Long-term)	11,390	10,380	(1,010)
Capital Lease Obligations (Current and Noncurrent)	8,876	8,571	(305)
Total Liabilities	44,477	41,679	(2,798)
Common Stock	16,834	25,497	+8,663
Additional paid-in capital	27,300	35,948	+8,648
Accumulated Deficit	(6,399)	(4,386)	+2,013
Accumulated Other Comprehensive Income	264	2,171	+1,908
Total IJ Shareholders' Equity	37,607	58,838	+21,231

II - 14. Consolidated Cash Flows

◆ Operating Activities:

Unit: JPY million



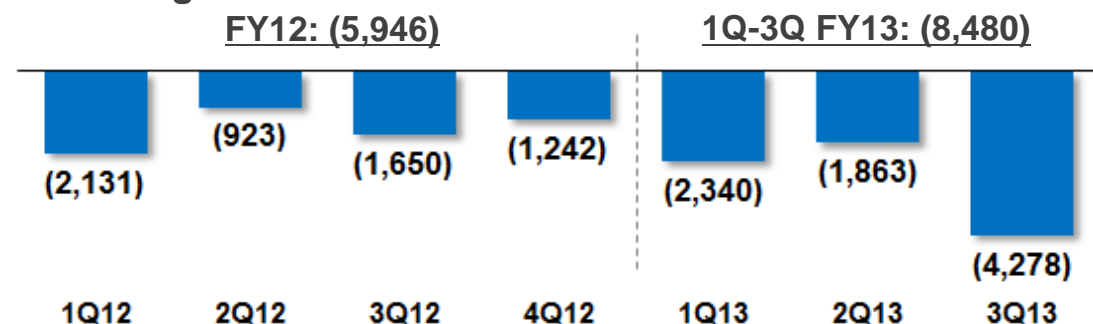
◆ 1Q-3Q FY13 Operating Activities:

- Depreciation and amortization: JPY6,504 million
- Decrease in accounts receivable: JPY2,078 million
- Decrease in income taxes payable: (JPY1,493 million)
- Increase in prepaid expenses: (JPY1,462 million)

• Breakdown of YoY major difference:

- Increase in depreciation and amortization: plus JPY961 million
- Decrease in accounts receivable: plus JPY1,642 million
- Fluctuation of accounts payable: minus JPY1,047 million
- Fluctuation of deferred income-noncurrent: minus JPY785 million

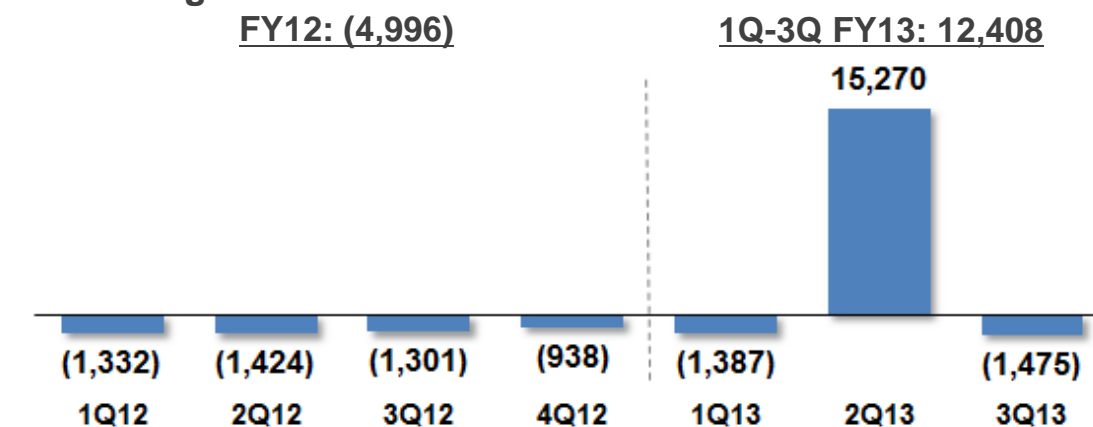
◆ Investing Activities:



◆ 1Q-3Q FY13 Investing Activities:

- Payment for purchase of property and equipment: JPY 7,228 million
- Payment for purchase of other investments: JPY1,128 million etc.

◆ Financing Activities:

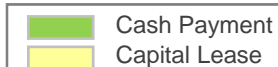


◆ 1Q-3Q FY13 Financing Activities:

- Proceeds from issuance of common stock, net of issuance cost: JPY17,271 million
- Principal payments under capital leases: JPY2,942 million
- Repayment for borrowings (net): JPY1,010 million etc.

II - 15. Other Financial Data (CAPEX etc.)

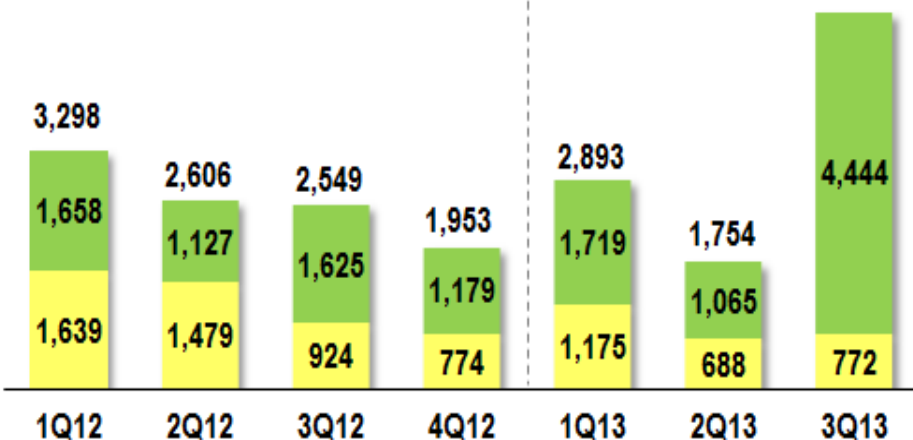
CAPEX (Include Capital Leases):



Unit: JPY million

1Q-3Q FY12: 8,452
FY12: 10,405

1Q-3Q FY13: 9,863



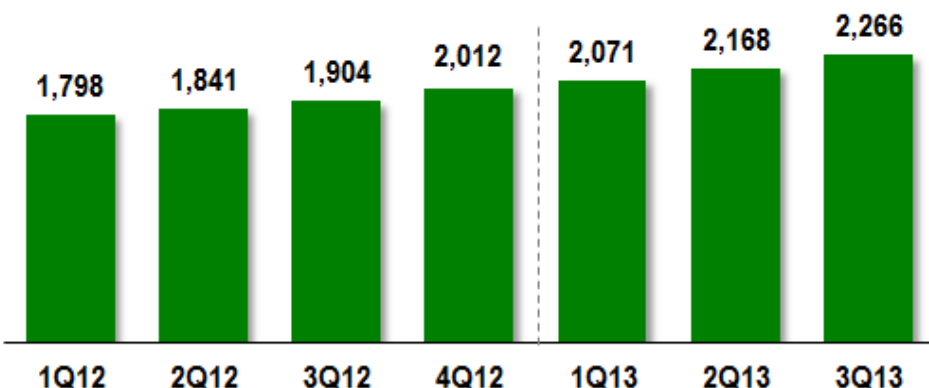
Major Breakdown of 3Q13 CAPEX	
Cloud related (Matsue Container DC)	JPY2.0 billion (JPY1.2 billion)
Service development-related	JPY0.7 billion
HQ relocation-related	JPY0.4 billion
Customer-related	JPY0.3 billion

* All figures in approx. terms

Depreciation and Amortization:

1Q-3Q FY12: 5,544
FY12: 7,556

1Q-3Q FY13: 6,504

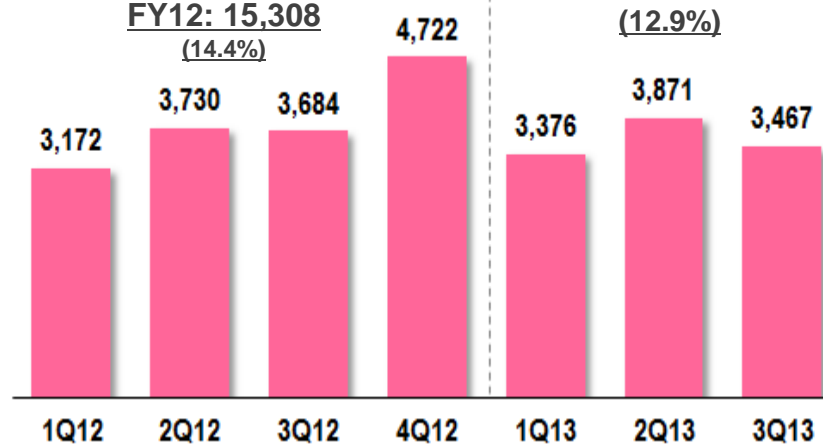


Adjusted EBITDA:

* () % of total revenues

1Q-3Q FY12: 10,586
FY12: 15,308
(14.4%)

1Q-3Q FY13: 10,715
(12.9%)



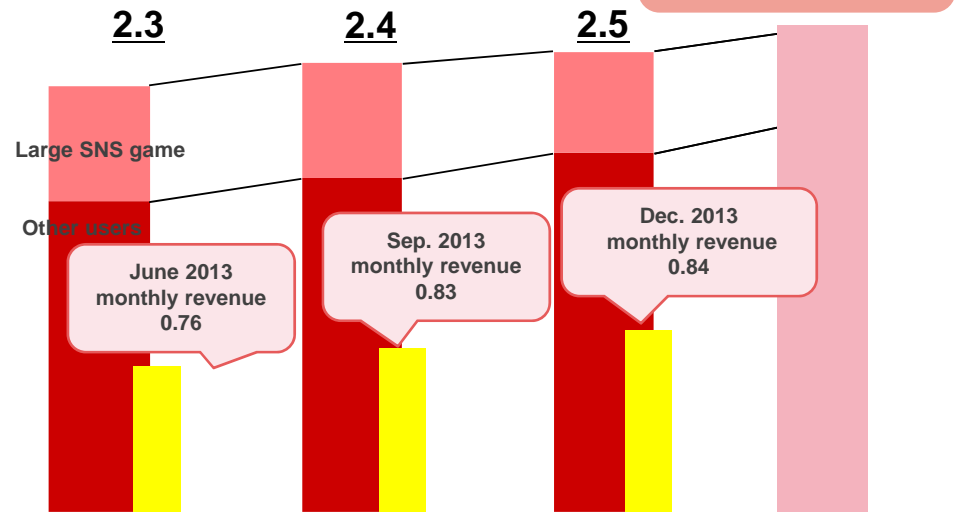
III- 1. Developments of Cloud Business

Cloud Revenue

Unit: JPY billion

FY12 full yr
JPY6.2 billion

Slightly behind FY13
full yr plan of over
JPY10 billion

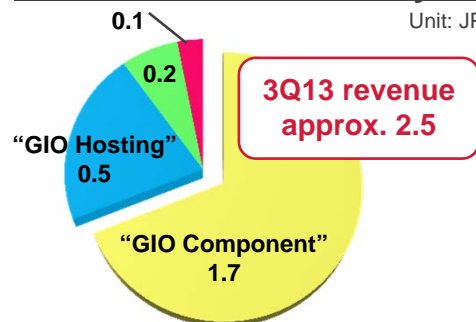


1Q13 Actual 2Q13 Actual 3Q13 Actual 4Q13 Target

* Includes task-specific SaaS from FY2013
* 79% of 3Q13 cloud revenue is recognized in systems operation and maintenance, 21% in outsourcing

Revenue Breakdown by Service

Unit: JPY billion



Task-specific SaaS (FX & IIJ GIO POS)
General-purpose SaaS (Groupware SaaS etc)

% of the total cloud revenue from large SNS game customers

Quarter	3Q11	3Q12	3Q13
Percentage	41.2%	33.5%	21.9%

Business Development

- ◆ Further adoption of cloud by business enterprises, System volume increasing and seeing some monthly recurring revenue over JPY10 million projects
- ◆ Offering wide variety of services: ranging from IaaS to SaaS and VDS (Virtual Desktop Services)
- ◆ Partnering with SAP Japan and others for further promotion
- ◆ Doubling the container datacenter facility with the second site to meet the prospectus demands in FY14
- ◆ Continuously expanding service line-ups: high-spec servers and storage, publicizing API etc
- ◆ Cloud business loss decreasing QoQ, Expect 4Q13 to be profitable

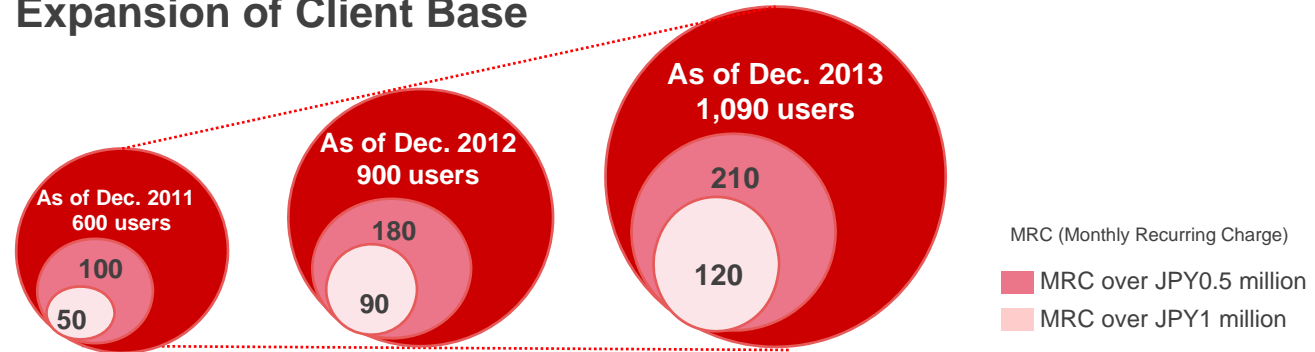
Competitive Landscape

- ◆ Slers: upgrade existing systems with private cloud
AWS-like players: inexpensive public cloud, tie-ups with sales partners
- ◆ IIJ cloud competitive advantages:
Offering services to meet blue-chips' needs, Recognized for reliability, Combining SI features to offer hybrid cloud, cost-effective container DC
- ◆ No.1 market share in Japanese public cloud for 2 consecutive years,* Container DC awarded by IT Frontier prize

* Fuji Chimera Research Institute" Business Technology" Aug. 2013 and Jul. 2012

III- 2. Main Stream Adoption of Cloud Services

Expansion of Client Base



Common Operation Platform

- ◆ Shared accounting system for partner company
- ◆ Common operation infrastructure for insurance group companies
- ◆ Hybrid cloud connecting large on-premise private cloud
- ◆ Human resources system

Core Business System

- ◆ Remote backup system for stock trade market
- ◆ Migration all the internal IT systems such as workflow management system, back office into cloud
- ◆ SAP System
- ◆ Global manufacturing management system

Office IT·Back office System

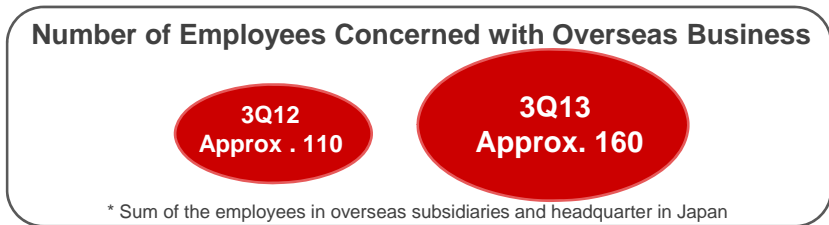
- ◆ Groupware SaaS for bank
- ◆ Virtual Desktop Service and Communication platform for local government
- ◆ Communication platform for worldwide employees

Web System

- ◆ Internet Broadcasting System
- ◆ Backup site system for local government's website
- ◆ Game Platform
- ◆ Consolidated system of 900+ individual websites for a prominent pharmaceutical group company

III- 3. Overseas Business Development

USA	<ul style="list-style-type: none"> ◆ Merged 2 subsidiaries to enhance the total IT solution combining network services & systems integration ◆ Opened NY facility for US Cloud and expanded its service line-ups, Game customers slowing down
Europe	<ul style="list-style-type: none"> ◆ IJ Europe increasing employees, strengthening the sales activity such as for cloud services ◆ Extended the Internet backbone to London ◆ Launched Europe Cloud, Promoting the sales for systems integration and ERP packages ◆ Providing systems integration for game customers
Asia	<ul style="list-style-type: none"> ◆ China Cloud: accumulating orders and prospects from prominent Japanese manufacturing and finance companies as well as local companies, good reviews on gateway solution for North-South connectivity problem ◆ Singapore Cloud to be launched in March 2014 ◆ Extended the internet backbone to Singapore and Hong Kong
Japan HQ	<ul style="list-style-type: none"> ◆ Increasing employees, Sending Japanese employees to the overseas subsidiaries to be trained ◆ Corporation with domestic customers' overseas expansion business plans ◆ Converting Japan-made IJ services for overseas use, offering multilingual help desk ◆ Discussing possible sales plan for container datacenter with a major overseas player



	FY12	FY13 forecast
Revenues	JPY3.6 billion	JPY4.0 billion
Operating Loss	JPY0.2 billion	JPY0.6 billion

Forefront investment along with cloud services in multiple regions and enhancement of employees

- ◆ Providing network, cloud and SI to meet the various IT needs of Japanese customers both inside & outside of Japan
- ◆ Focusing on Asia: business partnership with China Telecom and other prominent local players
- ◆ Aiming for revenue volume of JPY10.0 billion for the middle to long term

Forward Looking Statements

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

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

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

※ IIJ Investor Relations

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