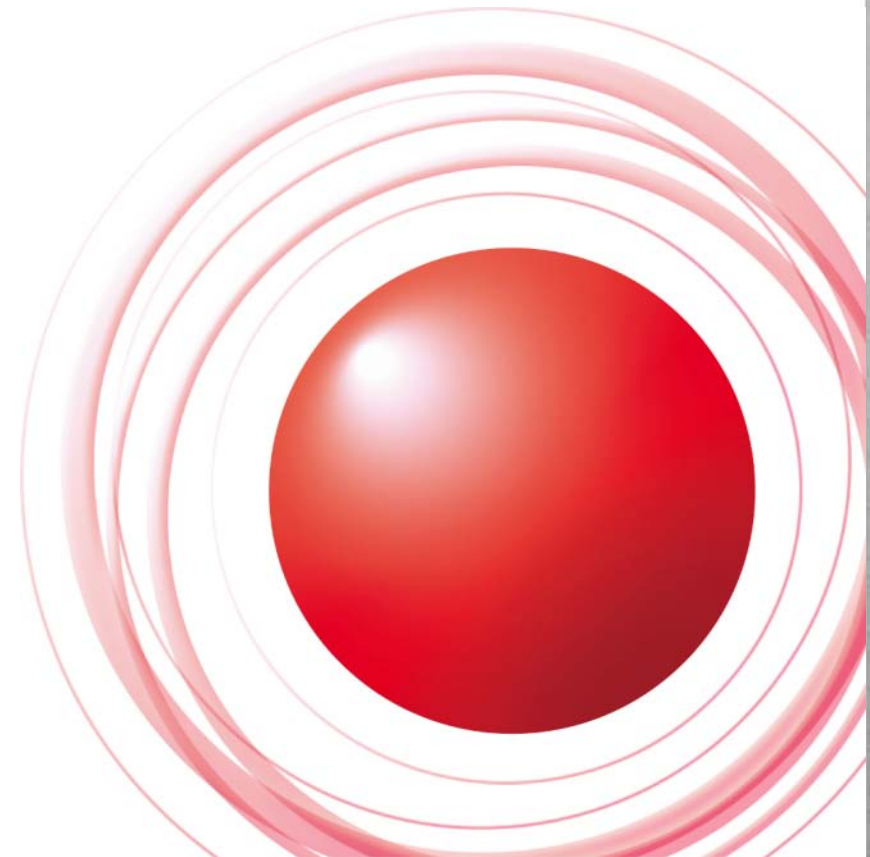


FY2012 Consolidated Financial Results



Internet Initiative Japan Inc.
TSE1(3774), NASDAQ(IIJI)
May 15, 2013

Ongoing Innovation



Agenda

I . Summary of FY2012 Financial Results

II . Consolidated Financial Results for FY2012

III . Reference Materials

I . Summary of FY2012 Financial Results

	< FY2012 Results >	< FY2013 Target >
• Revenues	JPY106.2 billion (up 9.2% YoY)	JPY117.0 billion (up 10.1% YoY)
• Gross margin	JPY21.9 billion (up 9.3% YoY)	
• Operating income	JPY7.8 billion (up 22.0% YoY)	JPY9.4 billion (up 21.2% YoY)
• Income before income tax expense	JPY7.8 billion (up 29.8% YoY)	JPY9.0 billion (up 16.0% YoY)
• Net income attributable to IJ	JPY5.3 billion (up 45.6% YoY)	JPY6.0 billion (up 13.2% YoY)

◆ Each service grew, achieved stable revenue and income growth for FY2012

Revenue exceeding JPY100 billion, first time in the company's history

Network	Continued demand for broader bandwidth, Enjoying competitive advantage with high network efficiency	Internet connectivity for corporate: revenue up 9.0% YoY
Cloud	Business growing with the continuous acquisition of new users and the extended usage by the current users	FY2011 revenue: JPY3.1 billion FY2012 revenue: JPY6.2 billion
SI	IT investment appetite coming back, Acquiring over JPY0.1 billion large scale projects as well as the usual small-to- medium scale projects	Systems construction: revenue up 31.9% YoY
Overseas	Providing large SI projects & Global-WAN services, Launched U.S. & China cloud services	FY2012 revenue: JPY3.6 billion
ATM	Continuously expanding as a stock-type revenue business, Number of placed ATMs & transaction increasing	Stable profit contributor Profit ratio 10.3%

◆ Target double-digit growth for FY2013

- Stock revenue growing, Cloud revenue over JPY10 billion & turn positive, Overseas revenue increasing, SI recovering, ATM continuous expansion
- Dividend increase in 7 consecutive fiscal years along with the income growth, Larger dividend increase for FY2013 forecast

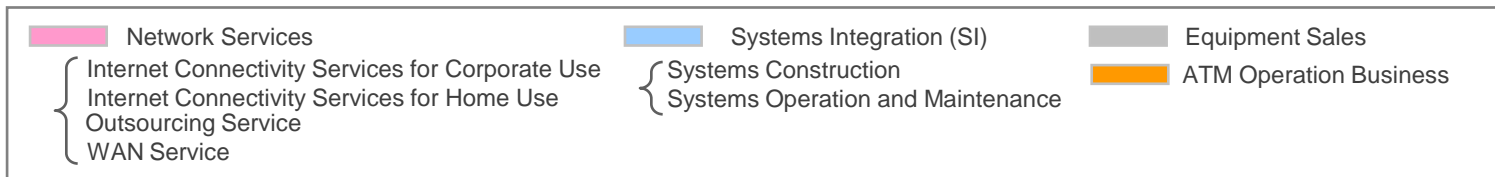
Annual Cash Dividend per Share			(amount of YoY increase)
FY2011 (paid)	FY2012 (scheduled)	FY2013 (forecast)	
JPY16.25 (+ JPY2.50)	JPY18.25 (+JPY2.50) Announced 3Q12	JPY22.00 (+JPY3.25) Announced 4Q12	

II -1. Consolidated Financial Results for FY2012

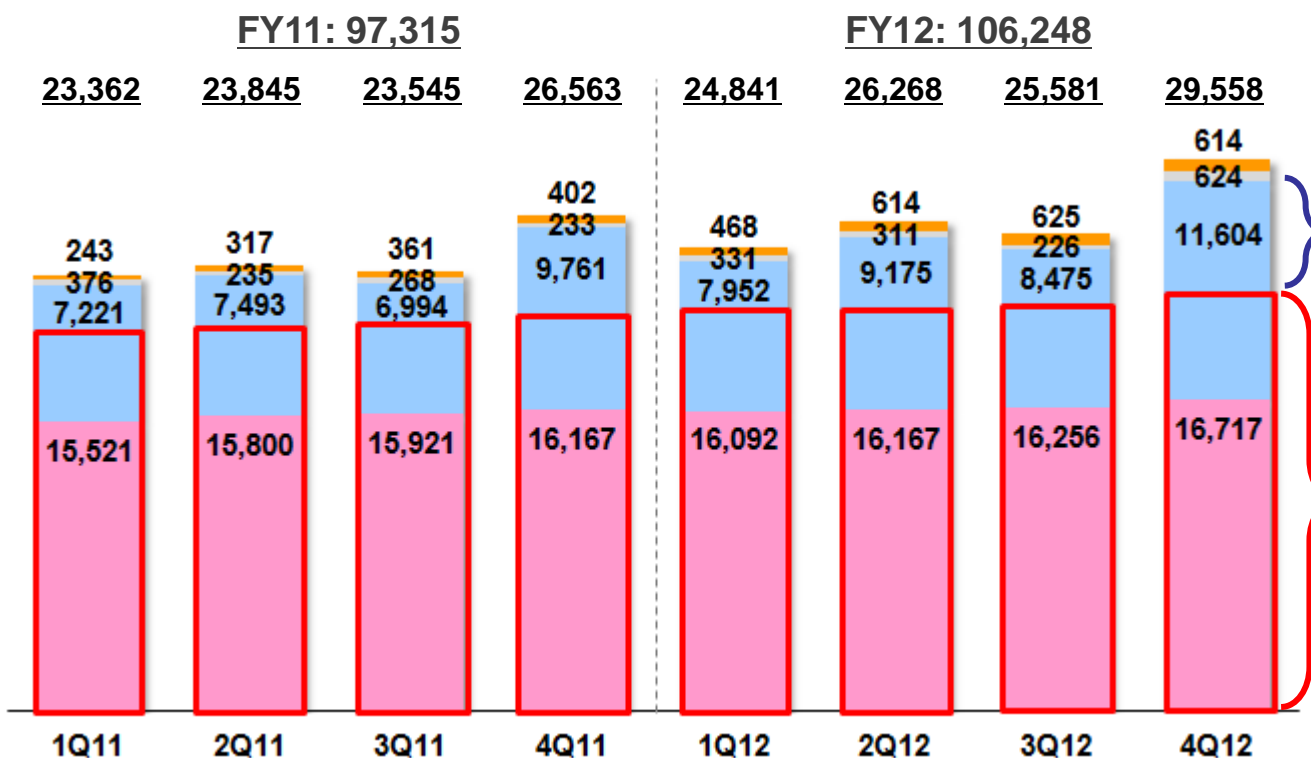
Unit: JPY billion

	<i>% of Revenues</i>	<i>% of Revenues</i>	YoY Change in %	<i>% of Revenues</i>	YoY Change in %
	FY12 (Apr. 2012 -Mar. 2013)	FY11 (Apr. 2011 -Mar. 2012)		FY13 Target (Apr. 2013 -Mar. 2014)	
Total Revenues	106.2	97.3	+9.2%	117.0	+10.1%
Total Costs	79.4% 84.4	79.5% 77.3	+9.1%	-	-
Gross Margin	20.6% 21.9	20.5% 20.0	+9.3%	-	-
SG&A/R&D	13.3% 14.1	14.0% 13.6	+3.4%	-	-
Operating Income	7.3% 7.8	6.5% 6.4	+22.0%	8.0% 9.4	+21.2%
Income before Income Tax Expense	7.3% 7.8	6.1% 6.0	+29.8%	7.7% 9.0	+16.0%
Net Income Attributable to IIJ	5.0% 5.3	3.7% 3.6	+45.6%	5.1% 6.0	+13.2%

II-2. Revenues



Unit: JPY million



One-time Revenue
 (16.3% of FY12 total revenues)
 is recognized only once when systems or equipments are delivered and accepted by customers.

1. Systems Construction
2. Equipment Sales

Recurring Revenue
 (81.5% of FY12 total revenues)
 represents monthly recurring revenues as shown below:

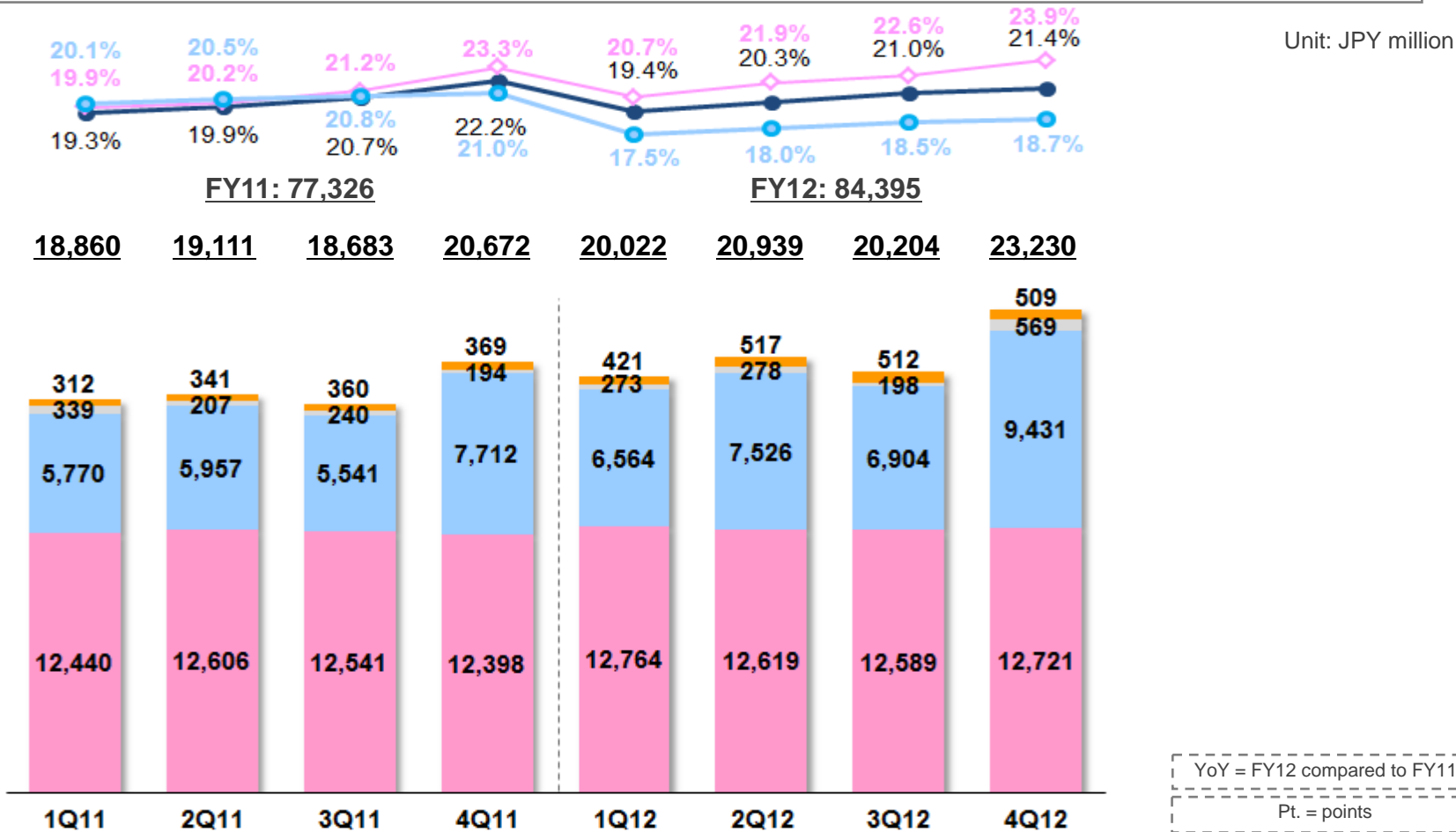
1. Internet Connectivity Services (Corporate Use and Home Use)
2. Outsourcing Services
3. WAN Service
4. Systems Operation and Maintenance

YoY = FY12 compared to FY11

- ◆ FY12 Network services revenue: JPY65,232 million (up 2.9% YoY)
- ◆ FY12 Systems integration revenue: JPY37,205 million (up 18.2% YoY)
- ◆ FY12 Equipment sales revenue: JPY1,491 million (up 34.1% YoY)
- ◆ FY12 ATM operation business revenue: JPY2,320 million (up JPY996 million YoY, up 75.2% YoY)
- ◆ FY12 Recurring revenue: JPY86,613 million (up 4.5% YoY)
- ◆ FY12 One-time revenue: JPY17,316 million (up 32.1% YoY)

II -3. Cost of Revenues and Gross Margin Ratio

Cost of revenues : Network Services (Pink), Systems Integration (SI) (Light Blue), Equipment Sales (Grey), ATM Operation Business (Orange)
 Gross margin ratio : Network Services (Pink Diamond), Systems Integration (SI) (Light Blue Circle), Total Revenue (Dark Blue Circle)



FY12 Gross margin: JPY21,854 million (up JPY1,865 million YoY, up 9.3% YoY), Gross margin ratio: 20.6% (up 0.1 Pt. YoY)

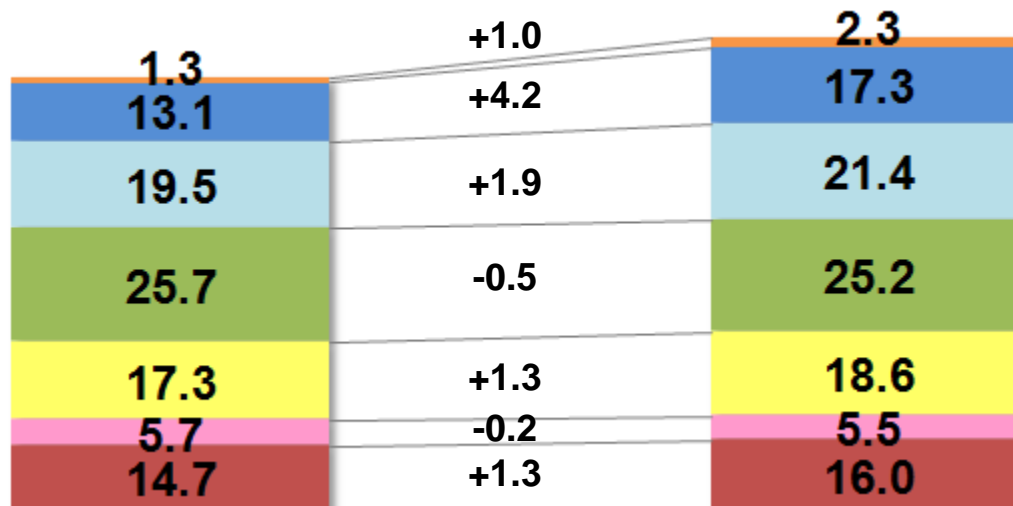
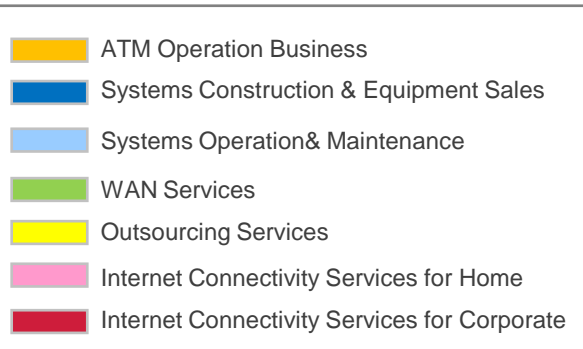
- ◆ Network services gross margin: JPY14,540 million (up JPY1,116 million YoY, up 8.3% YoY), Gross margin ratio: 22.3% (up 1.1 Pt. YoY)
- ◆ SI gross margin: JPY6,780 million (up JPY290 million YoY, up 4.5% YoY), Gross margin ratio: 18.2% (down 2.4 Pt. YoY)
- ◆ ATM operation business gross margin: JPY360 million (gross loss of JPY58 million in FY11)

II -4. Revenue YoY Change

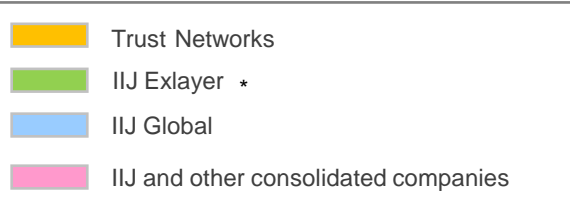
Unit: JPY billion

<By Service>

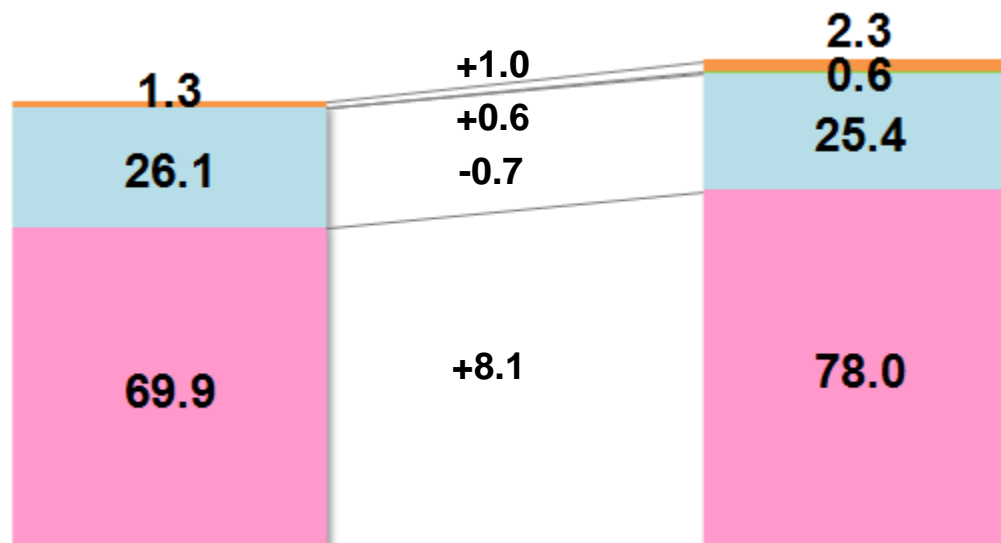
FY11: 97.3 **+8.9** **FY12: 106.2**



<By Company>



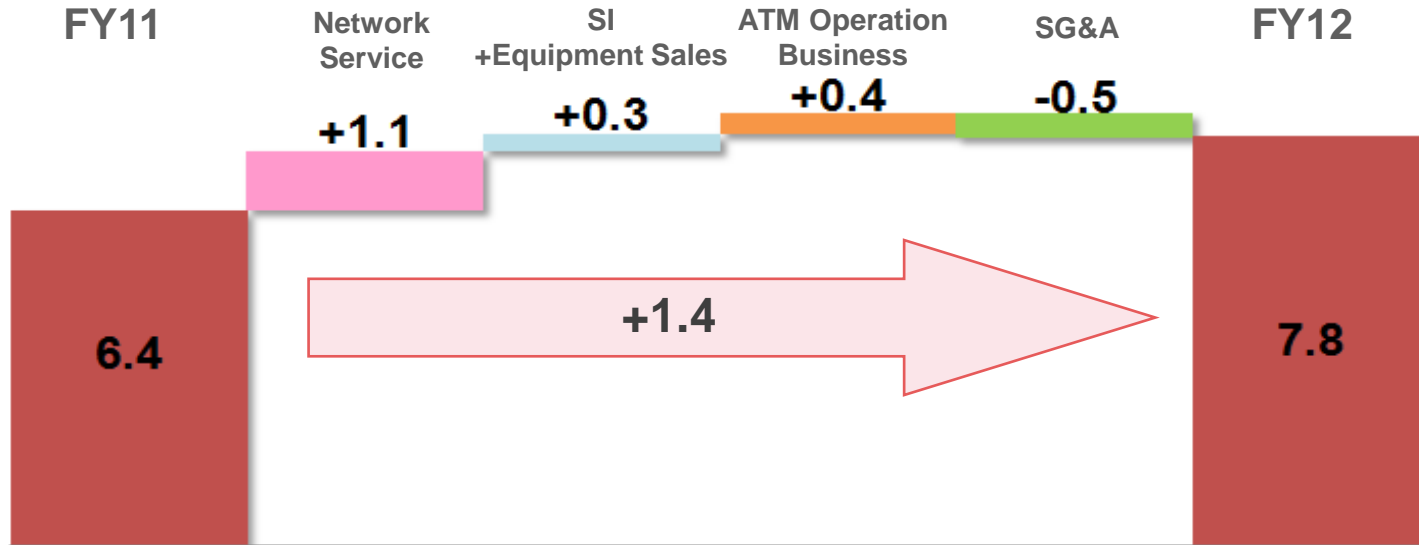
* Consolidated in 2Q12



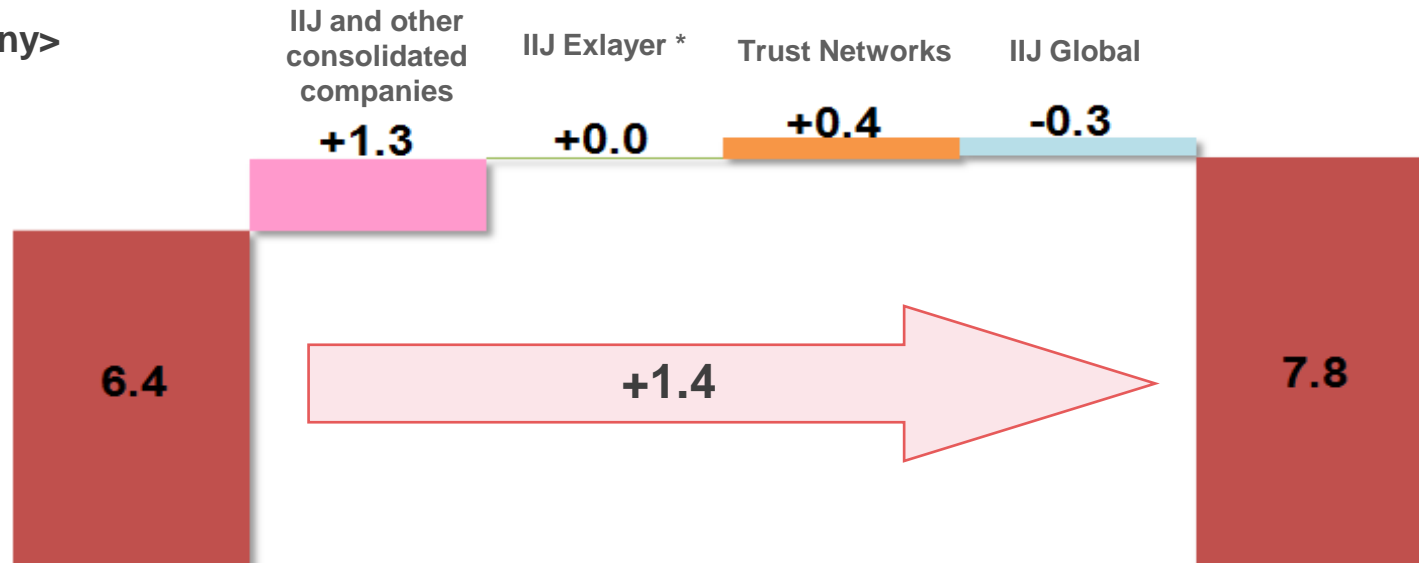
II -5. Operating Income YoY Change

Unit: JPY billion

<By Service>



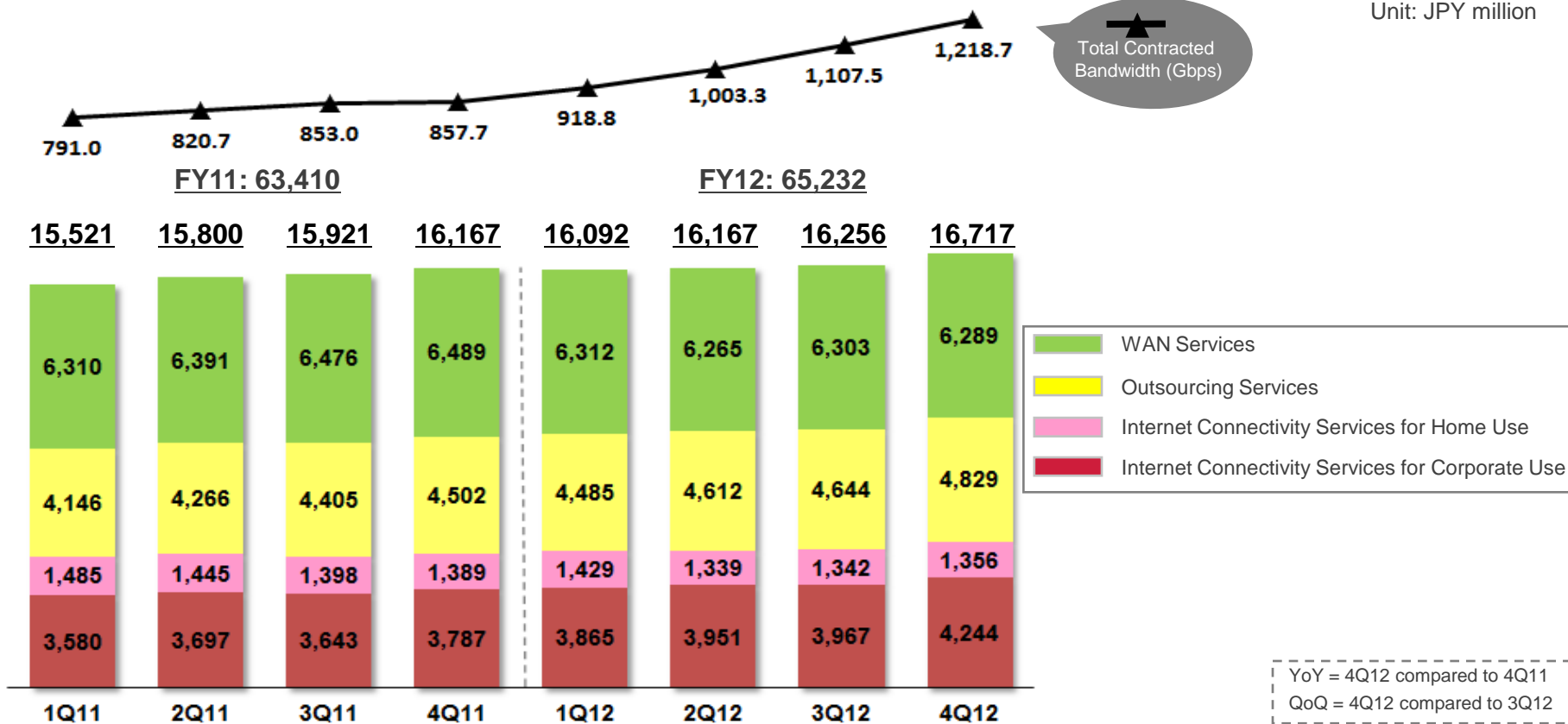
<By Company>



* Consolidated in 2Q12

II -6. Network Services (1)Revenues

Unit: JPY million

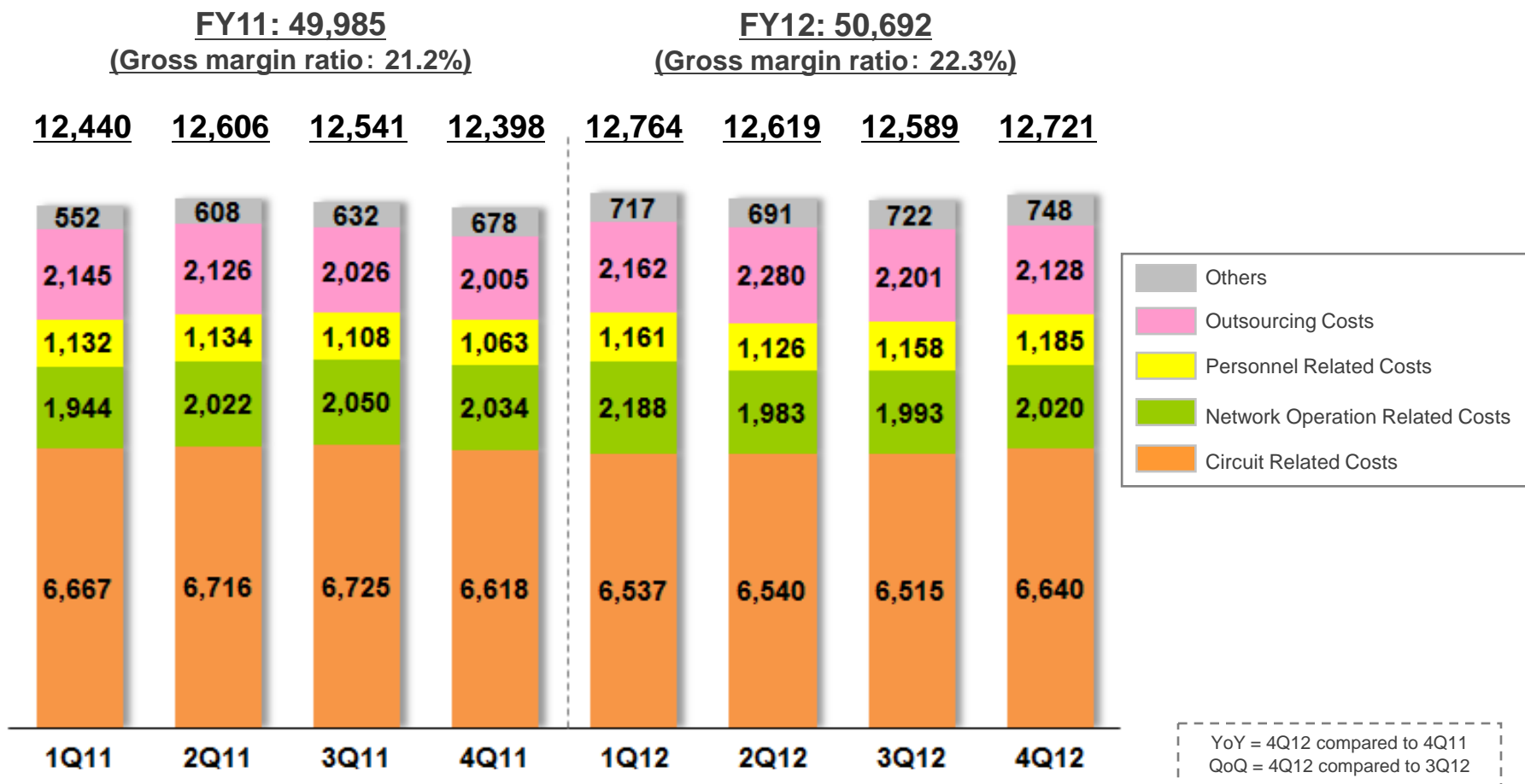


- ◆ **Internet connectivity services for corporate: 4Q12 up 12.1% YoY, up 7.0% QoQ, FY12 up 9.0% from FY11**
 - IP services continued to grow along with the increasing demands for broader bandwidth by over 1Gbps users
 - Contracts for over 1Gbps as of Mar. 31, 2013: 207 contracts (186 contracts as of Dec. 31, 2012, 132 contracts as of Mar. 31, 2012)
- ◆ **Internet connectivity services for home: 4Q12 down 2.4% YoY, up 1.0% QoQ, FY12 down 4.4% from FY11**
 - LTE services FY12 revenue: approx. JPY 0.6 billion, contracts increasing by: 1Q12: 13,800, 2Q12: 11,200, 3Q12: 8,700, 4Q12: 11,000 (all figures in approx.) Accumulating orders via Aeon Group, one of the largest Japanese retail companies, at a good pace, Minus effects caused by the net revenue recognition for FLET'S portion were absorbed and revenue increased QoQ
- ◆ **Outsourcing services: 4Q12 up 7.3% YoY, up 4.0% QoQ, FY12 up 7.2% from FY11**
 - IJ GIO Hosting Package Services and datacenter-related services revenues continued to grow
- ◆ **WAN services: 4Q12 down 3.1% YoY, down 0.2% QoQ, FY12 down 1.9% from FY11, Global-WAN revenue grew to JPY0.4 billion for FY12**

YoY = 4Q12 compared to 4Q11
QoQ = 4Q12 compared to 3Q12

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

Unit: JPY million



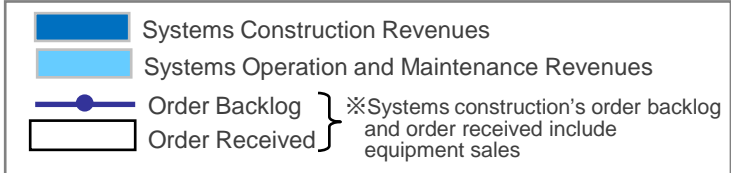
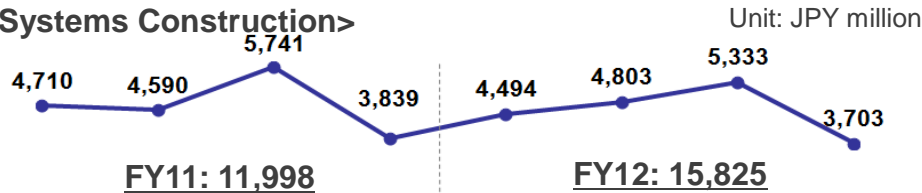
◆ Cost of network services: 4Q12 up 2.6% YoY, up 1.0% QoQ, FY12 up 1.4% from FY11

➢ No large changes compared to 4Q11, 3Q12 and FY11

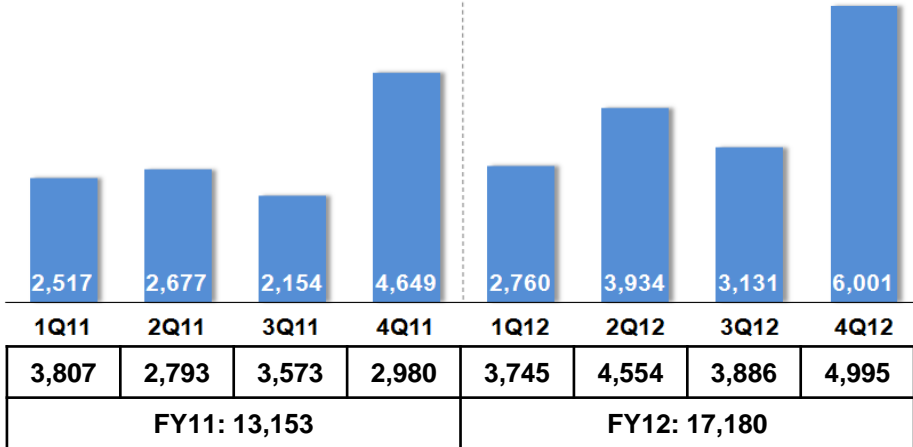
➢ While the total contracted bandwidth grows which has been leading to the expansion of circuit and network infrastructure, the total network services cost stays flattish because of our scale-merited network efficiency

II-7. Systems Integration (1)Revenues

<Systems Construction>



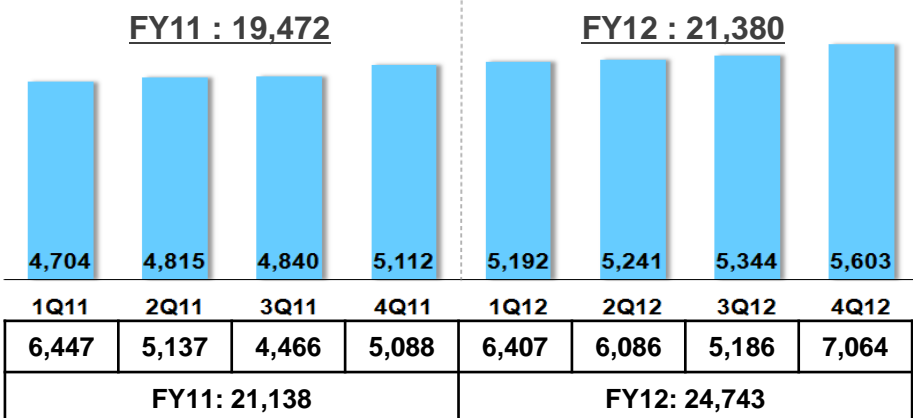
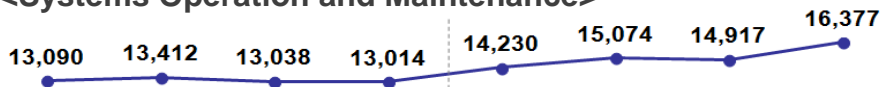
YoY = 4Q12 compared to 4Q11



Systems Construction

- ◆ Revenue: 4Q12 up JPY1,352 million YoY, up 29.1% YoY
FY12 up JPY3,827 million from FY11, up 31.9% from FY11
- ◆ Order received: 4Q12 up JPY2,015 million YoY, up 67.6% YoY
FY12 up JPY4,027 million from FY11, up 30.6% from FY11
- ◆ Order backlog: 4Q12 down JPY136 million YoY, down 3.5% YoY
 - In addition to the usual orders of middle to small size network integration projects, received large scale project orders of over JPY0.1 billion (ex: large scale DR system, large scale mail system renewal, unified IT platform, campus IT system migration etc)
 - Adding to the above domestic projects, accumulated orders of large scale overseas server construction and operation, which accounted to over half of FY12 overseas revenue of JPY3.6 billion

<Systems Operation and Maintenance>

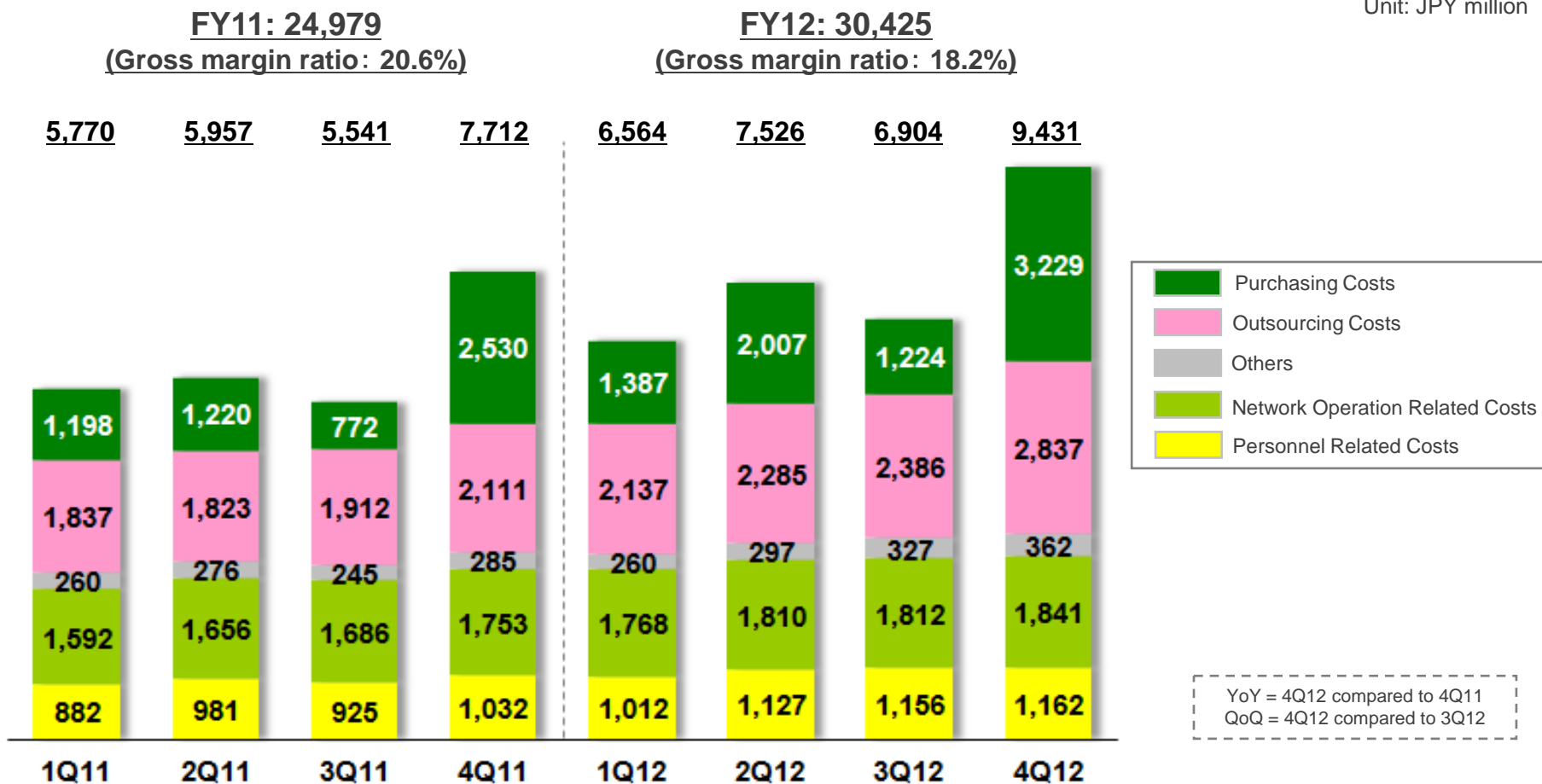


Systems Operation and Maintenance

- ◆ Revenue: 4Q12 up JPY491 million YoY, up 9.6% YoY
FY12 up JPY1,908 million from FY11, up 9.8% from FY11
- ◆ Order received: 4Q12 up JPY1,976 million YoY, up 38.8% YoY
FY12 up JPY3,605 million from FY11, up 17.1% from FY11
- ◆ Order backlog: 4Q12 up JPY3,363 million YoY, up 25.8% YoY
 - Continuous accumulation of IIJ GIO Component Services revenue, the existing systems operation and maintenance revenue to be increasing along with the increase in construction revenue
 - Less than 80% of IIJ GIO total revenues are recognized in systems operation and maintenance revenues, and the rest in outsourcing

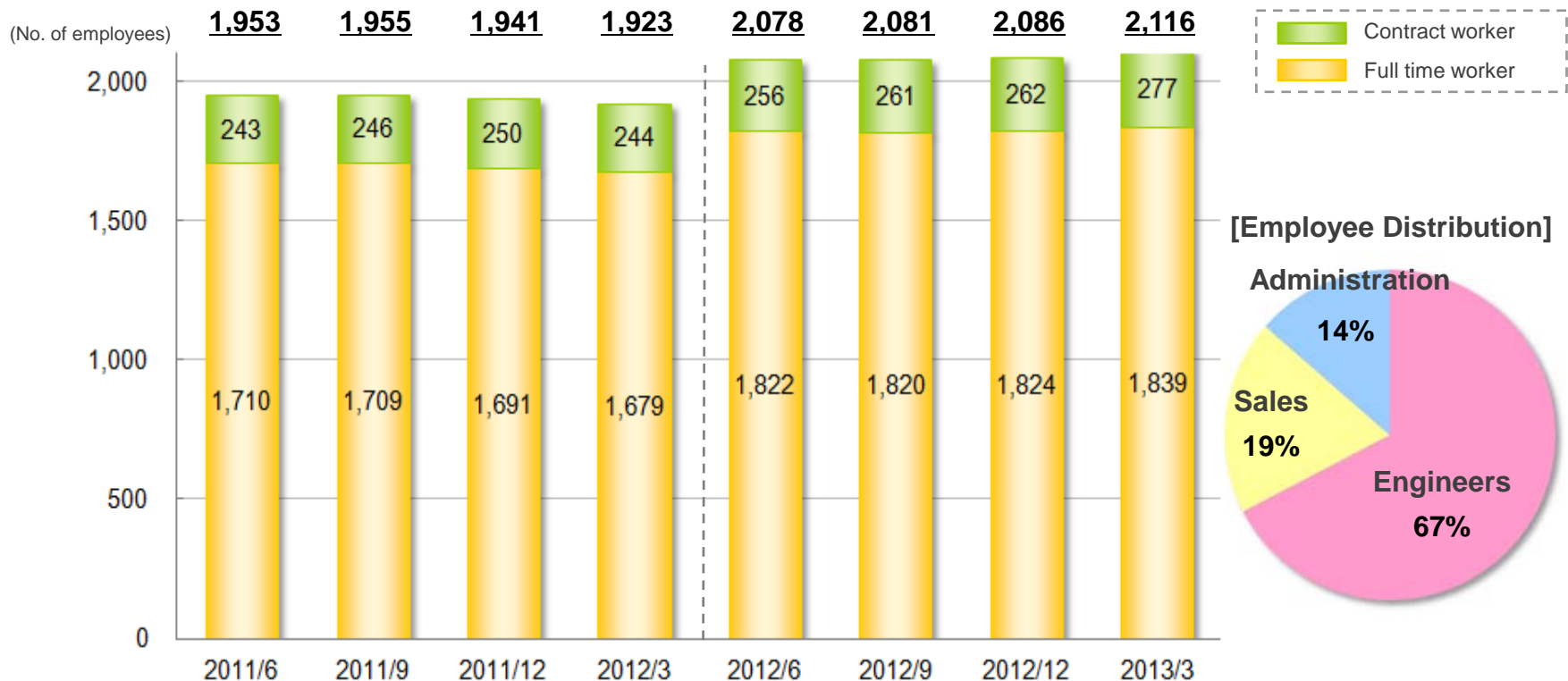
Ⅱ -7. Systems Integration (2) Cost of Revenues

Unit: JPY million

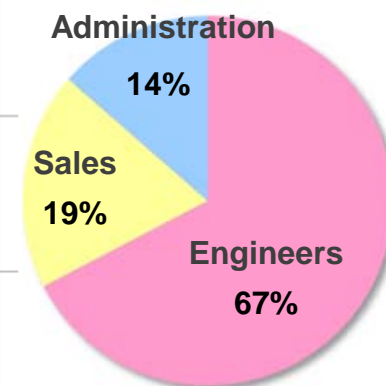


- ◆ Cost of SI: 4Q12 up JPY1,719 million YoY, up 22.3% YoY, FY12 up JPY5,446 million from FY11, up 21.8% from FY11
 - The number of full-time outsourcing personnel as of Mar. 31, 2013: 651 (up 176 personnel YoY, up 27 personnel QoQ)
 - Outsourcing and network operation related costs increased due to cloud business expansion
 - 4Q12 purchasing costs increased accordingly with the construction revenue growth, 53.8% of 4Q12 SI construction revenue (4Q11 54.4%)
 - SI gross margin decreases along with the increase of large scale projects

II -8. Number of Employees



[Employee Distribution]



3,627 (15.5%)	3,686 (15.5%)	3,551 (15.1%)	3,613 (13.6%)	3,741 (15.1%)	3,858 (14.7%)	3,902 (15.3%)	3,979 (13.5%)
FY11: 14,477 (14.9%)				FY12: 15,480 (14.6%)			

Personnel related costs and expenses (% of revenue)

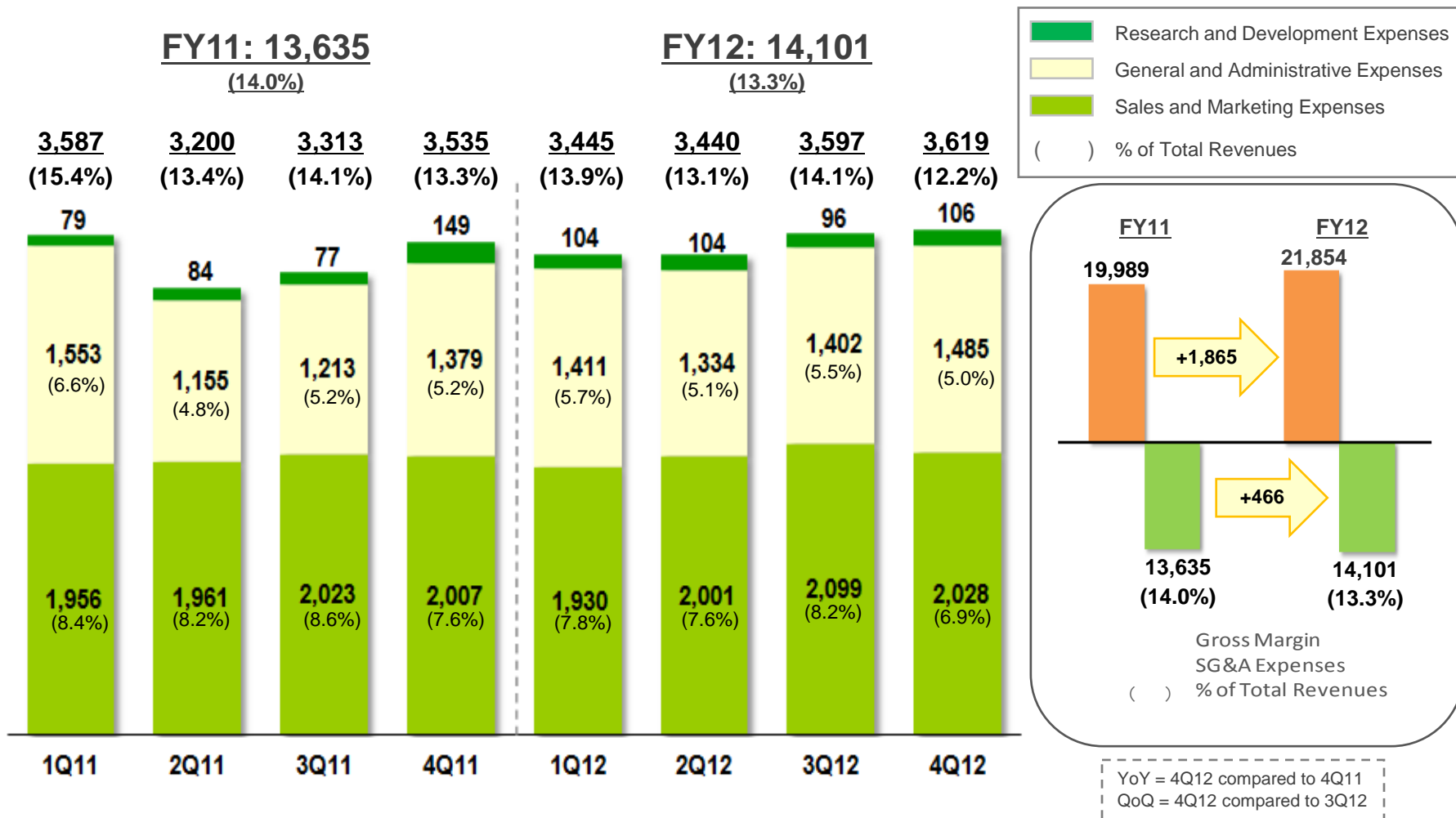
Unit: JPY million

- ◆ Personnel related costs and expenses:
4Q12 up JPY366 million YoY, FY12 up JPY1,003 million from FY11
- ◆ Hired 136 newly graduates in Apr. 2013 (Apr. 2012: 75 newly graduates)
Planning to hire over 100 newly graduates in Apr. 2014
- ◆ Addition of over 250 personnel is planned for FY13

YoY = 4Q12 compared to 4Q11

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

Unit: JPY million

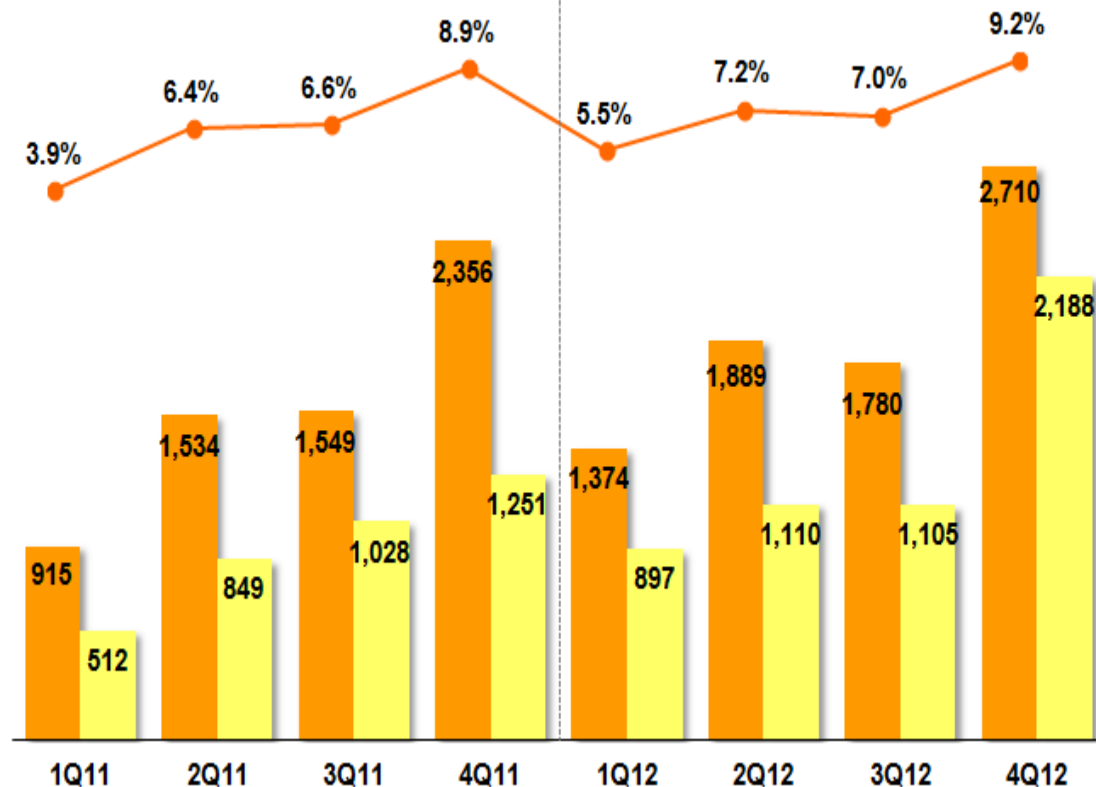


- ◆ SG&A: 4Q12 up JPY84 million YoY, up JPY22 million QoQ, FY12 up JPY466 million from FY11, 13.3% of the total revenue, down 0.7 points from FY11
- ◆ Headquarter office relocation planned in 1H14 to prepare for the personnel increase, expect not so large cost impact on profitability

II -10. Operating Income and Net Income

FY11
Operating Income: 6,353
Net income attributable to IIJ: 3,641

FY12
Operating Income: 7,753
Net income attributable to IIJ: 5,301



Unit: JPY million

Operating Income
 Net Income Attributable to IIJ
 Operating Margin Ratio

◆ **4Q12 Operating income: JPY2,710 million**
 (up JPY354 million YoY, up 15.0% YoY)

➢ **ATM operation segment operating income (loss):**

Unit: JPY million

FY11	1Q12	2Q12	3Q12	4Q12	FY12
(194)	16	67	81	75	239

- 625 ATMs in placed as of May 15, 2013, added 215 in FY12
- 4Q12 ATM operating days were approx. 5% less than 3Q12, resulting in slight decrease in revenue and profit QoQ

◆ **4Q12 Income before income tax expense: JPY2,811 million**
 (up JPY615 million YoY, up 28.0% YoY)

➢ Majority of non-operating expenses is interest payment, recognized a small foreign exchange gain

◆ **4Q12 Net income attributable to IIJ: JPY2,188 million**
 (up JPY937 million YoY, up 74.9% YoY)

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

➢ Recognized deferred tax benefit of JPY527 million related to deductive temporary difference in 4Q12

YoY = 4Q12 compared to 4Q11

1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	
119	771	606	994	363	764	675	1,333	Current income tax expense
306	(140)	(58)	(72)	152	(27)	28	(679)	Deferred tax expense (benefit)
40	37	77	(30)	33	50	49	36	Equity in net income (loss) of equity method investees
31	18	11	6	5	(6)	(10)	(5)	Net loss (income) attributable to non-controlling interests

II -11. Summary of Consolidated Balance Sheets

Unit: JPY million

	March 31, 2012	March 31, 2012	Changes
Cash and Cash Equivalents	13,537	12,259	(1,278)
Accounts Receivable	15,722	18,765	+3,043
Inventories and Prepaid Expenses (Current and Noncurrent)	4,137	5,995	+1,858
Other Investments	2,938	3,771	+833
Property and Equipment	19,736	23,026	+3,290
Goodwill and Other Intangible Assets	11,185	10,761	(423)
Total Assets	73,493	82,111	+8,618
Accounts payable	9,753	11,922	+2,169
Income taxes payable	2,211	1,670	(541)
Borrowings (Short-term and Long-term)	12,000	11,390	(610)
Capital Lease Obligations (Current and Noncurrent)	7,739	8,876	+1,137
Total Liabilities	40,797	44,477	+3,680
Accumulated Deficit	(10,990)	(6,399)	+4,591
Accumulated Other Comprehensive Income(Loss)	(24)	264	+287
Total IJ Shareholders' Equity	32,688	37,607	+4,919

Decreased mainly due to:

- purchase of property and equipment,
- increase in operating assets along with business expansion,
- payment of income taxes
- repayments for the borrowings

Increased as the business scale expands

Increased mainly due to investment for network and software development

◆ IJ Shareholders' equity ratio

- As of Mar. 31, 2013: 45.8%

◆ Return on Equity (ROE)

- As of Mar. 2013: 15.1%

- As of Mar. 2012: 11.7%

II -12. Consolidated Cash Flows

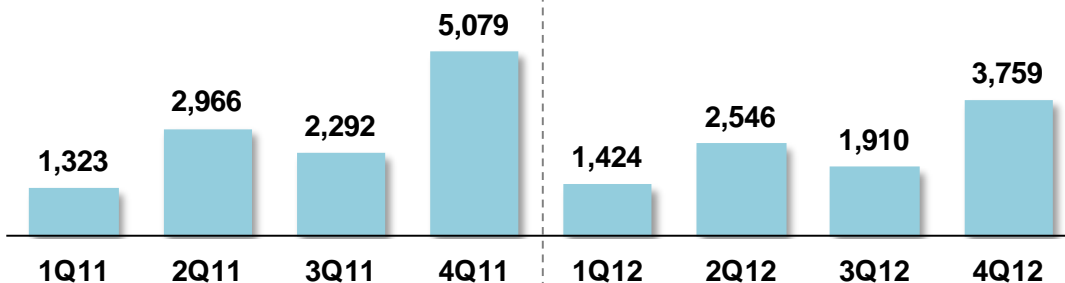
Operating Activities:

Unit: JPY million

YoY = FY2012 compared to FY2011

FY11: 11,659

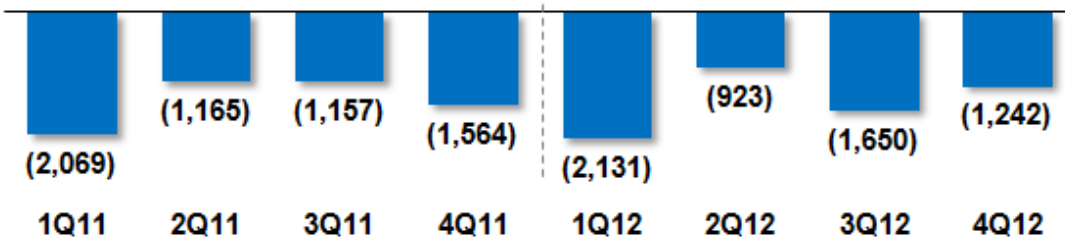
FY12: 9,639



Investing Activities:

FY11: (5,954)

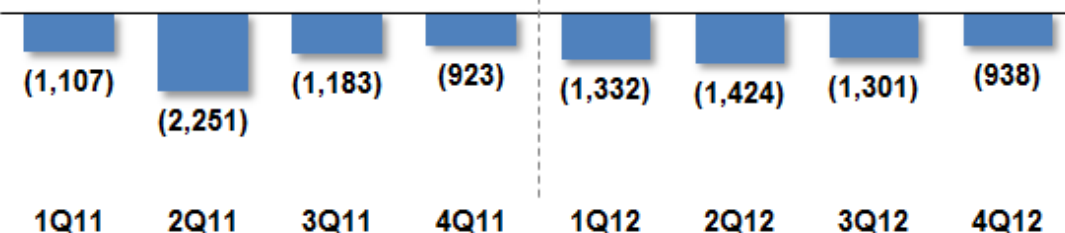
FY12: (5,946)



Financing Activities:

FY11: (5,464)

FY12: (4,996)



FY12 Operating Activities:

- Depreciation and amortization: JPY7,556 million
- Increase in accounts receivable: JPY2,906 million
- Increase in inventories, prepaid expenses, and other operating assets: JPY2,422 million etc.

◆ Breakdown of YoY difference:

- Increase in accounts receivable (minus JPY3,533 million)
- Increase in inventories, prepaid expenses and other operating assets (minus JPY2,261 million)
- Increase in accounts payable (plus JPY4,810 million)
- Payment of income taxes (minus JPY2,388 million)

FY12 Investing Activities:

- Payment for purchases of property and equipment: JPY5,589 million etc.

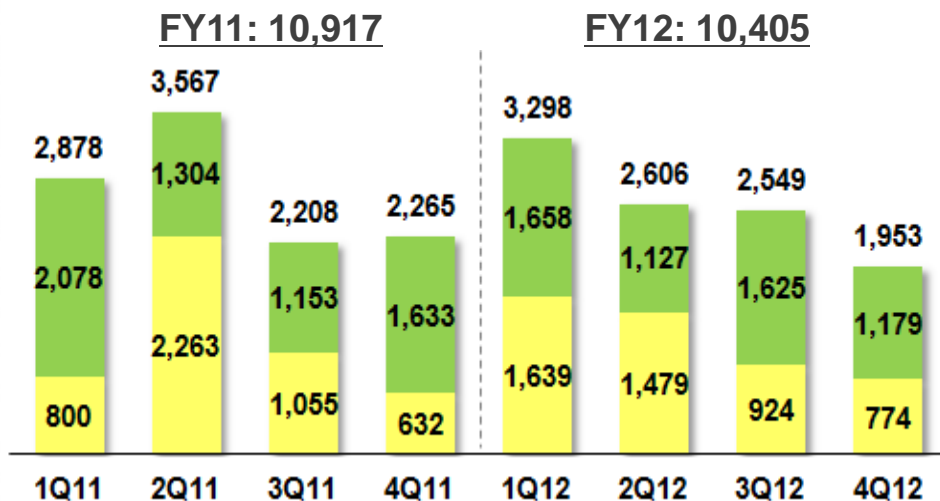
FY12 Financing Activities:

- Repayment for borrowings (net): JPY610 million
- Principal payments under capital leases: JPY3,679 million
- Dividends paid: JPY709 million etc.

II -13. Other Financial Data (CAPEX etc.)

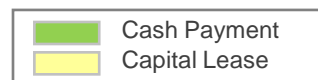
CAPEX (Include Capital Leases):

Unit: JPY million

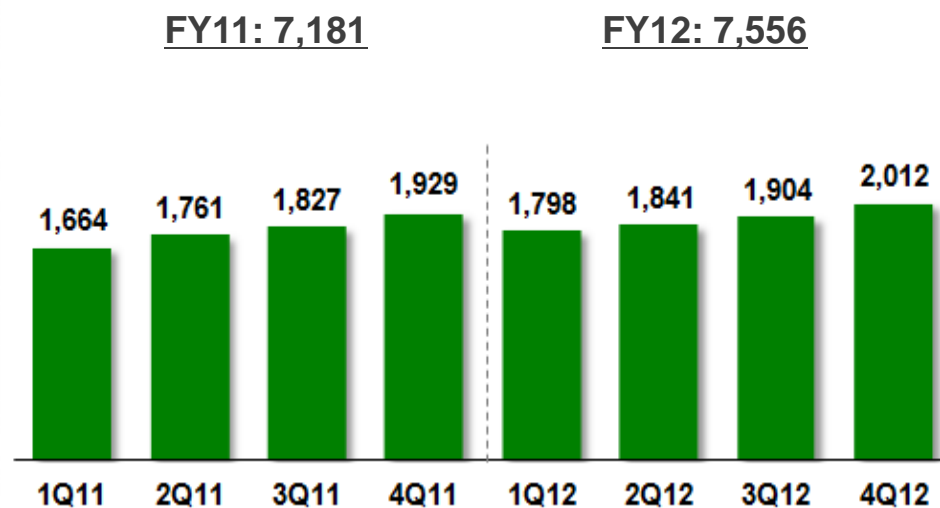


	FY11	FY12
CAPEX related to domestic cloud	JPY4.3 billion*	JPY2.3 billion
ATM	JPY0.4 billion	JPY0.6 billion
Network equipment and others	JPY6.3 billion	JPY7.4 billion

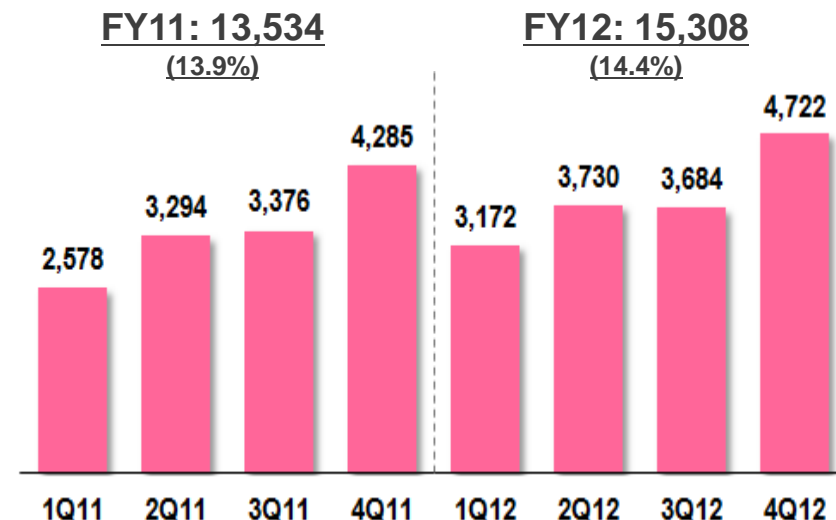
*of JPY1.3 billion related to 1st Matsue DC's core facilities



Depreciation and Amortization:



Adjusted EBITDA: *() % of total revenue



III-1. Developments of "IJ GIO"



➤ FY12 Total Revenue: JPY6.2 billion

(revenue recognition: less than 80% in SI operation and maintenance, the rest in outsourcing)
 4Q12 number of projects: approx. 1,800 (4Q11: approx. 1,100)
 IJ GIO-based SaaS FY12 revenue: JPY0.8 billion
 (not included in the above total figure, mainly FX and SmartPOS)

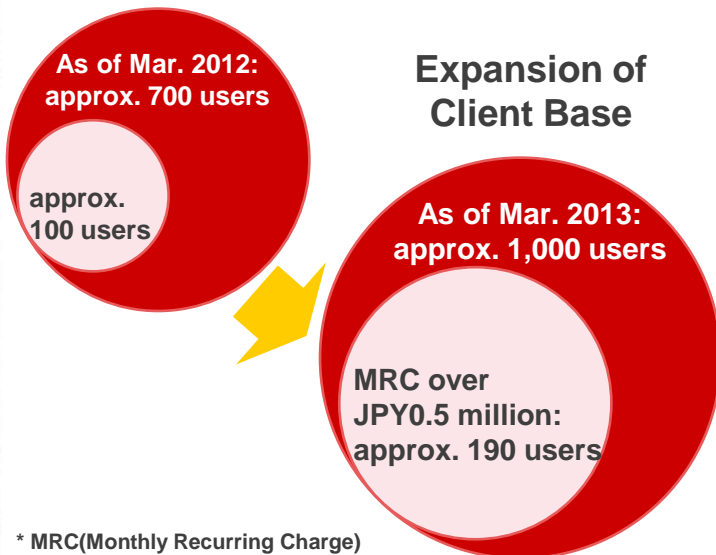
➤ FY13 Target

Cloud related revenue over JPY10 billion,
 Opening of 2nd container type DC in Matsue

	Mar. 2011	Mar. 2012	Mar. 2013
Monthly Revenue	0.1	0.4	0.7

Unit: JPY billion

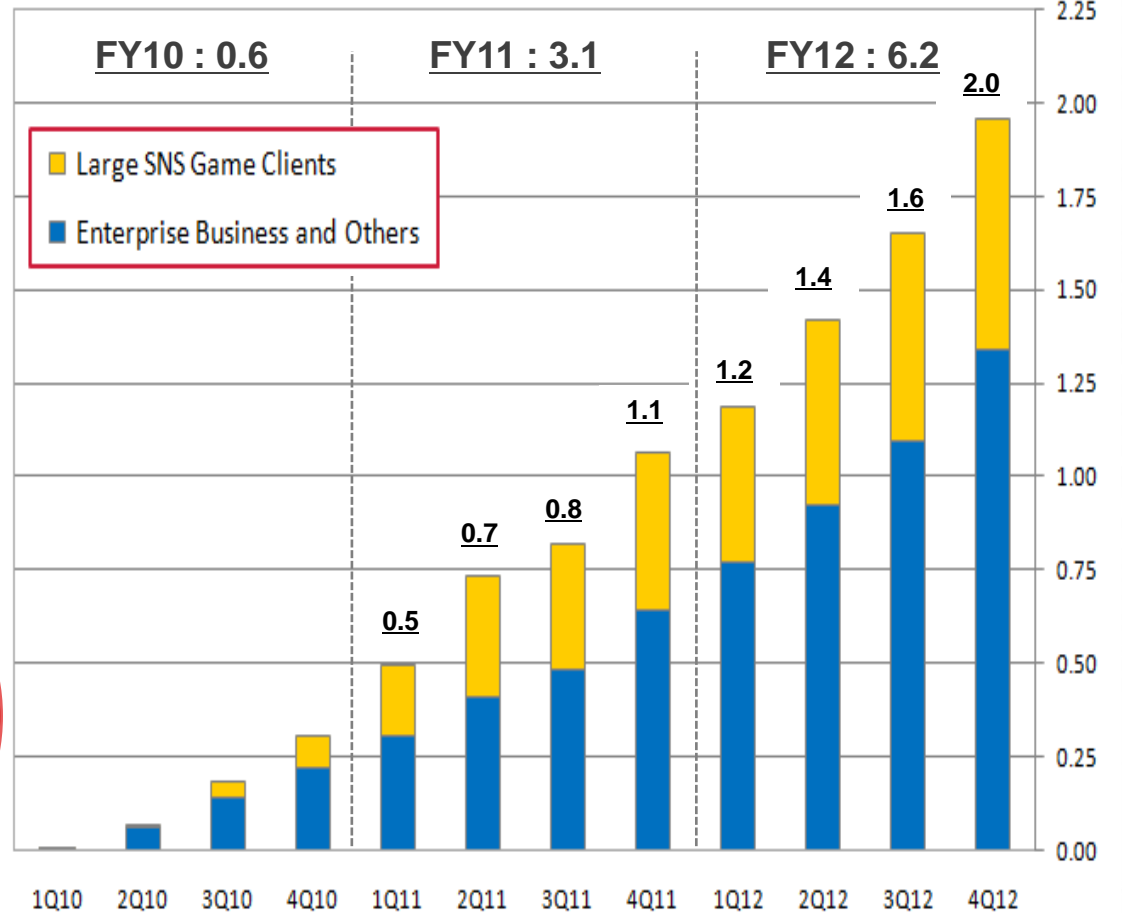
- Acquired several large scale business systems incorporating VW series (service targeting hybrid systems), project revenue over JPY0.1 billion and planned to be used for over 5 years
- Expanding and accumulating MRC over JPY5 million SNS game client



* MRC(Monthly Recurring Charge)

IJ GIO Domestic Revenue

Unit: JPY billion



III-2. FY2013 Financial Target

(Unit: JPY billion)

	FY13 Target (Apr. 2013 -Mar.2014)	FY12 Actual (Apr. 2012 -Mar.2013)	YoY (FY13 Target to FY12 Actual)	
Total Revenues	117.0	106.2	+10.8	+10.1%
Operating Income	9.4	7.8	+1.6	+21.2%
Income before Income Tax Expense	9.0	7.8	+1.2	+16.0%
Net Income attributable to IIJ	6.0	5.3	+0.7	+13.2%
Net Income attributable to IIJ per Share	JPY 148.01	JPY 130.76*	+JPY 17.25	+13.2%
Cash Dividend per Share	JPY 22.00 (Annual)	JPY 18.75 (Annual)*	+JPY 3.25	+17.3%

* IIJ conducted a 1:200 stock split on common stock with an effective date of October 1, 2012. Accordingly, net income attributable to IIJ per share and cash dividend per share (IIJ common share) in the above are adjusted based on post stock split basis.

< Assumption for Target >

◆ Revenue

➢ Network Services

Corporate use grow continuously, Home use revenue increase, Outsourcing grow along with Cloud revenue over JPY10 billion

➢ Systems Integration

Operation and Maintenance grow along with the cloud growth, the absolute figure of SI construction to increase

➢ ATM Operation Business

Continuous growth by placing more ATMs than FY12 results (FY12 added 215 ATMs)

◆ Operating Income

➢ Gross margin and GM ratio of each NW, SI, ATM to increase

➢ SG&A to total revenue at mid-13% due to some increase in personnel-related, advertisement, sales & marketing related expenses while the total SG&A does not increase as much as gross margin

◆ Income before income tax expense, Net income attributable to IIJ

➢ Consider mainly interest expense

➢ Income taxes benefit of approx. JPY0.7 billion related to ATM operation business

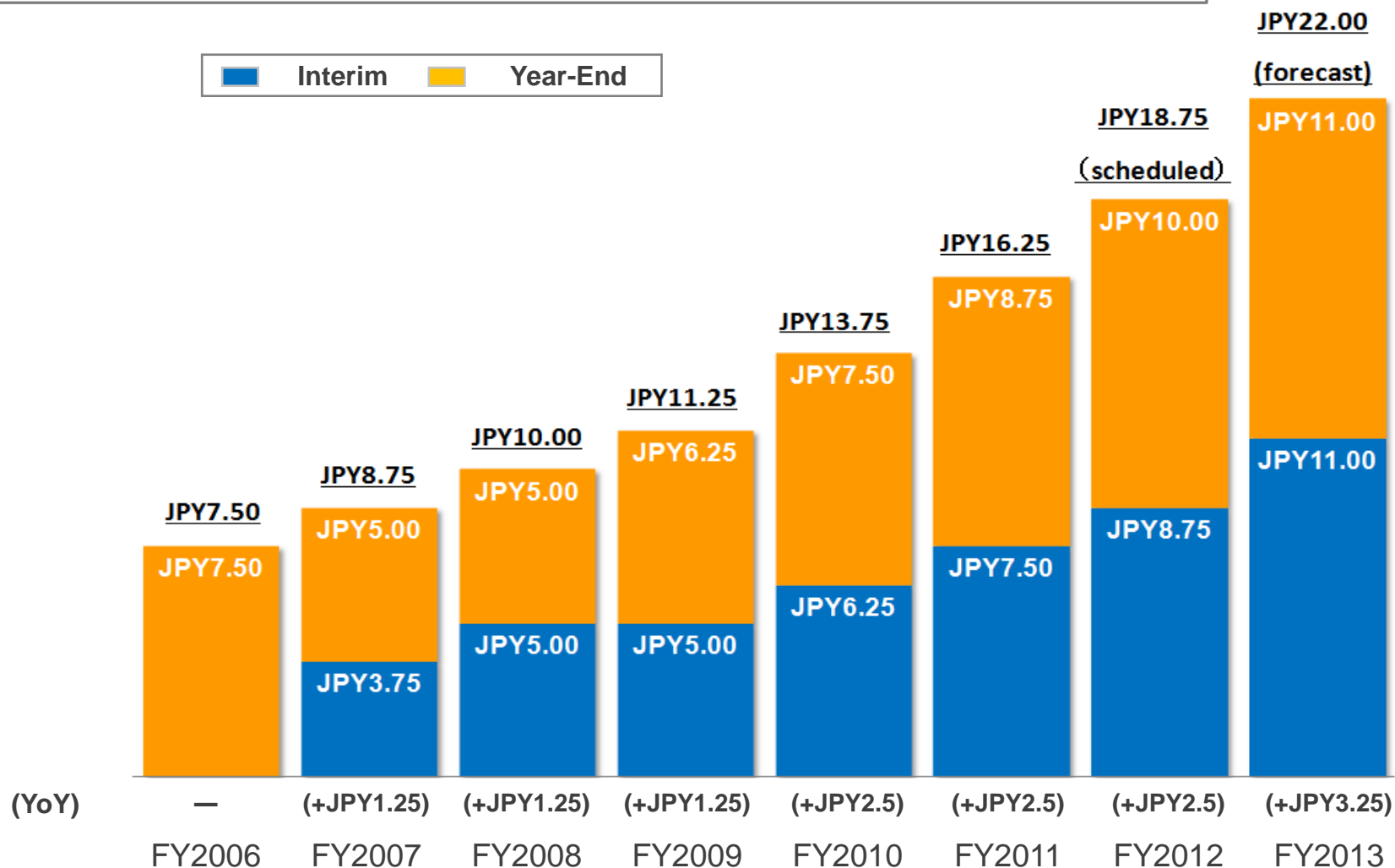
➢ Normal tax rate

◆ CAPEX

➢ Increase compared to FY11 mainly due to FY12 deferred portion and construction for 2nd container type DC in Matsue

III-3. FY2013 Year-End Dividend Forecast

IIJ conducted a 1:200 stock split on common stock with an effective date of October 1, 2012. Dividend figures shown below are retroactively adjusted to reflect the stock split.



※ 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 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 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.

※ Contact Information

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