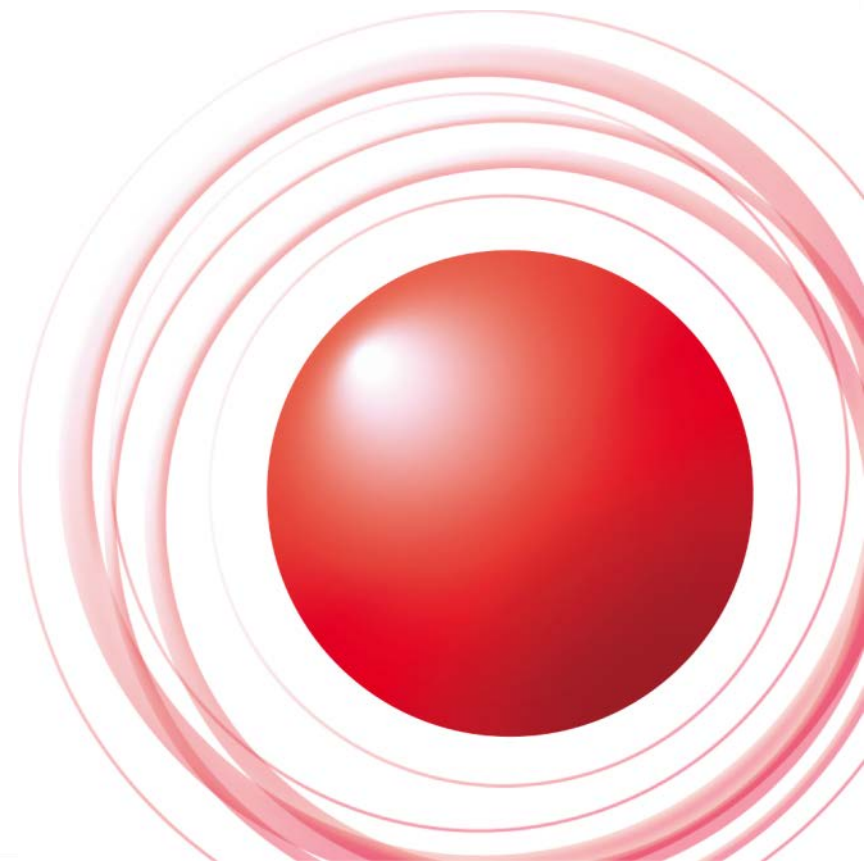


# FY2015 Consolidated Financial Results



Internet Initiative Japan Inc.  
TSE1(3774), NASDAQ(IIJI)  
May 13, 2016

Ongoing Innovation



# Agenda

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**I . Summary of FY2015 Financial Results**

**II . FY2016 Business Strategies**

**III . Middle Term Plan**

**IV . Consolidated Financial Results for FY2015**

**V . Reference Materials**

# I . Summary of FY2015 Financial Results

## < FY15 Results >

YoY = year over year

Revenues	JPY140.65 billion (up 14.3% YoY)	Annual dividend per common share	JPY22.00
Gross margin	JPY24.66 billion (up 11.7% YoY)	Payout ratio	25.0%
Operating income	JPY6.14 billion (up 21.0% YoY)	ROE	6.3%
Net income attributable to IIJ	JPY4.04 billion (up 21.6% YoY)		

**Strong revenue growth absorbed costs increased, Margin expansion led to income growth**  
Recent years' investments contributed to recurring revenue accumulation (up 16.0% YoY)

### Mobile

Market continued expanding, Enhanced sales channel, Maintained high customer satisfaction etc.

➤ Successful MVNE strategy (106 clients, up more than 70 clients YoY)

**Subscription: 1.228 million (up 555 thousand YoY)**  
**Revenue: JPY15.59 billion (up JPY7.90 billion YoY)**

### Cloud

Strengthened to capture enterprises' demand to shift core business systems to cloud

➤ New service platform "IIJ GIO P2," Accumulating large-scale projects, Incorporating SI function

**Revenue: JPY14.09 billion (up JPY1.83 billion YoY)**

### Network Services

➤ Enterprise network services & WAN services showed steady growth  
➤ Increasing demands for targeted and DDoS attacks protection security services  
➤ Strengthening contents distribution business, Enhancing existing services such as Video on Demand platform, launched the World's first live high-resolution streaming services

**NW service revenue: JPY61.66 billion (up 4.4% YoY)**  
excluding mobile & cloud (portion recognized in outsourcing)

### SI

➤ IT investment appetite continued  
➤ Systems operation and maintenance as a growth driver, Executing large-scale construction projects

**Revenue: JPY42.14 billion (up 10.3% YoY)**  
excluding cloud (portion recognized in SI operation & maintenance)

### Overseas Business

➤ Business expanding as making business developments overseas, Cloud JV in Indonesia and Thailand, Exporting container DCs to Laos

**Revenue: JPY5.26 billion (up 7.5% YoY)**  
**Operating loss: JPY0.54 billion (improved by JPY0.27 billion YoY)**

## II . FY2016 Business Strategies

Expect operating income to grow with strong revenue growth

### ◆ Capture enterprise IT needs more

- Introduce new functions of our new service platform for network and cloud “IIJ Omnibus” and “IIJ GIO Infrastructure P2” respectively to promote the concept of “One Cloud”

### ◆ Further expand MVNO business

- Enhancement of MVNE strategy
- Focus on IoT related projects through M2M, HEMS with smart-metering

### ◆ Further enhance security business

- Formed security department as independent organization
- Enhancing functions of the existing services such as DDoS Protection services and more
- Will launch SOC (Security Operation Center) for further expansion of security business
- Develop new solution incorporating AI technology

### ◆ Overseas business

- Revenue target: approx. JPY7.0 billion
- Operating loss target: approx. JPY0.2 billion
- Expect business to expand along with each overseas business starting up fine and executing container DCs export projects to Laos and more

- ◆ **Focus on new areas** such as businesses related to contents distribution, M2M/IoT, health care and further development of overseas business

## Financial Targets

Unit: JPY billion

	FY15 Results	FY16 Targets	YoY
Revenue	140.7	159.0	+13.1%
Operating Income	6.1	7.3	+18.9%

YoY = FY16 targets compared to FY15 results

### ➤ Mobile:

- Revenue target: approx. JPY25.5 billion  
(up JPY9.91 billion YoY)
- Subscription target: approx. 2 million  
(up 772 thousand YoY)

### ➤ Cloud:

- Revenue target: approx. JPY16.2 billion  
(up JPY2.11 billion YoY)

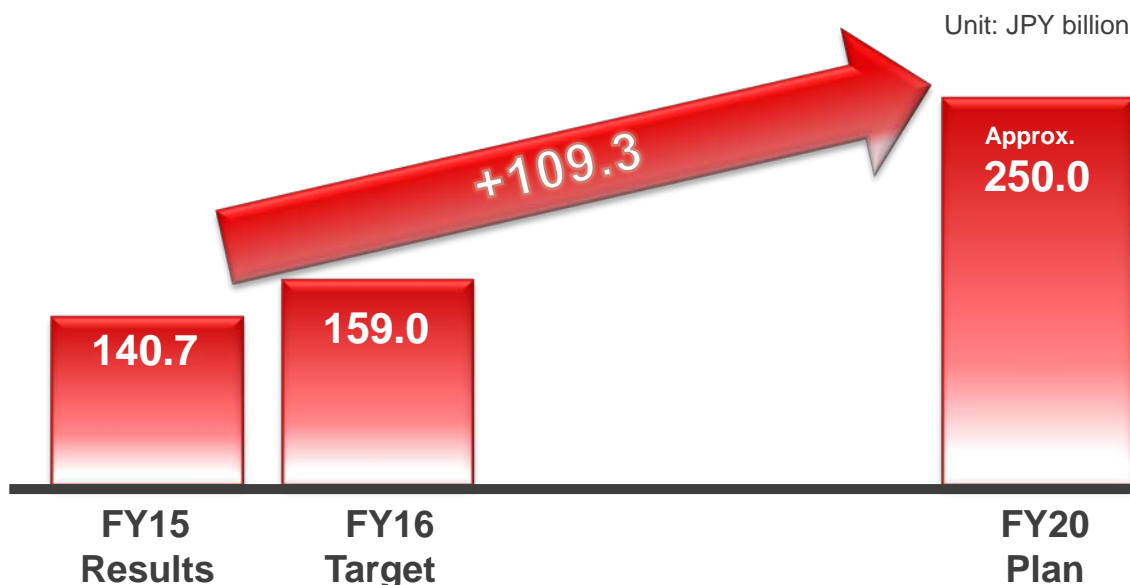
### ➤ Other businesses: grow continuously

- **SG&A:** increase by about JPY1.8 billion YoY
- **CAPEX:** be about the same as FY15 results

**Increase dividend along with income growth**

Annual dividend per common share:  
JPY27.00 (+JPY5.00 YoY)

### III. Middle Term Plan



#### Business Strategies

- Provide comprehensive solutions meeting enterprise systems demand with “Network cloud services” and “System cloud services” with SI functions
- Enhance advantageous businesses such as MVNO and security
- Pursue new business opportunities related to contents distribution, M2M/IoT, health care, further developments in overseas, etc.

<b>Target Revenues</b>	<p>◆ <b>Maintain annual revenue growth rate of more than 10%</b></p> <ul style="list-style-type: none"> <li>➤ FY20 Cloud business revenue: approx. JPY45 billion (up JPY30.9 billion from FY15)</li> <li>➤ FY20 MVNO business revenue : approx. JPY65 billion (up JPY49.4 billion from FY15)</li> <li>➤ FY20 Network, SI and others: approx. JPY140 billion (up JPY29.0 billion from FY15)</li> </ul>
<b>Business Scale</b>	<p>◆ <b>Aim to be top market share player in the following markets in Japan</b></p> <ul style="list-style-type: none"> <li>➤ Enterprise Cloud (IaaS domain)</li> <li>➤ MVNO (Target 7 million subscriptions by the end of FY20)</li> <li>➤ Enterprise Internet-related security</li> </ul>
<b>Operating Income</b>	<ul style="list-style-type: none"> <li>◆ <b>Exceed JPY10 billion during the plan</b></li> <li>◆ <b>Maintain double-digit annual operating income growth rate by expanding gross margin along with revenue growth</b></li> </ul>

# IV- 1. Consolidated Financial Results for FY2015

Unit: JPY billion

	% of Revenues		YoY Change in %	% of Revenues	
	FY15 Results (Apr. 2015 - Mar. 2016)	FY14 Results (Apr. 2014 - Mar. 2015)		FY16 Target (Apr. 2016 - Mar. 2017)	YoY Change in %
Total Revenues	140.7	123.1	+14.3%	159.0	+13.1%
Total Cost of Revenues	82.4% 116.0	82.1% 101.0	+14.9%	82.6% 131.4	+13.3%
Gross Margin	17.5% 24.7	17.9% 22.1	+11.7%	17.4% 27.6	+11.9%
SG&A/R&D	13.2% 18.5	13.8% 17.0	+8.9%	12.8% 20.3	+9.6%
Operating Income	4.4% 6.1	4.1% 5.1	+21.0%	4.6% 7.3	+18.9%
Income before Income Tax Expense	4.4% 6.2	4.2% 5.1	+20.5%	4.6% 7.3	+17.9%
Net Income*	2.9% 4.0	2.7% 3.3	+21.6%	3.1% 5.0	+23.8%

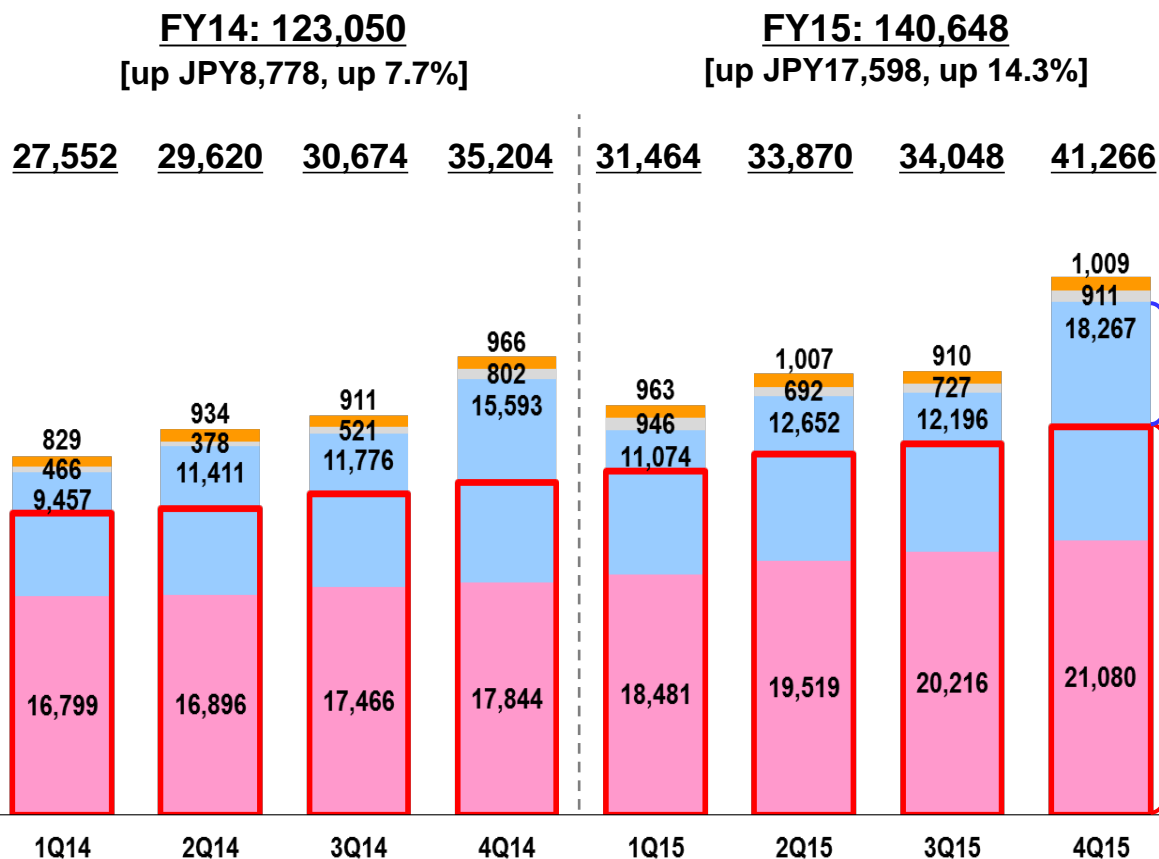
\* Net income attributable to IIJ

# IV- 2. Revenues



Unit: JPY million

[ ], YoY = compared to the same period in a previous year



**One-time Revenue \***  
 FY15: JPY24,420 million (up 8.0% YoY)  
 FY14: JPY22,604 million (up 11.0% YoY)  
 (17.4% of FY15 revenue)

\* Revenue which is recognized when systems or equipment are delivered and accepted by customers

1. Systems Construction
2. Equipment Sales

**Recurring Revenue\***  
 FY15: JPY112,339 million (up 16.0% YoY)  
 FY14: JPY 96,806 million (up 6.3% YoY)  
 (79.9% of FY15 revenue)

\*Represents the following monthly recurring revenues

1. Internet Connectivity Services(Enterprise/Consumer)
2. Outsourcing Services
3. WAN Services
4. Systems Operation and Maintenance

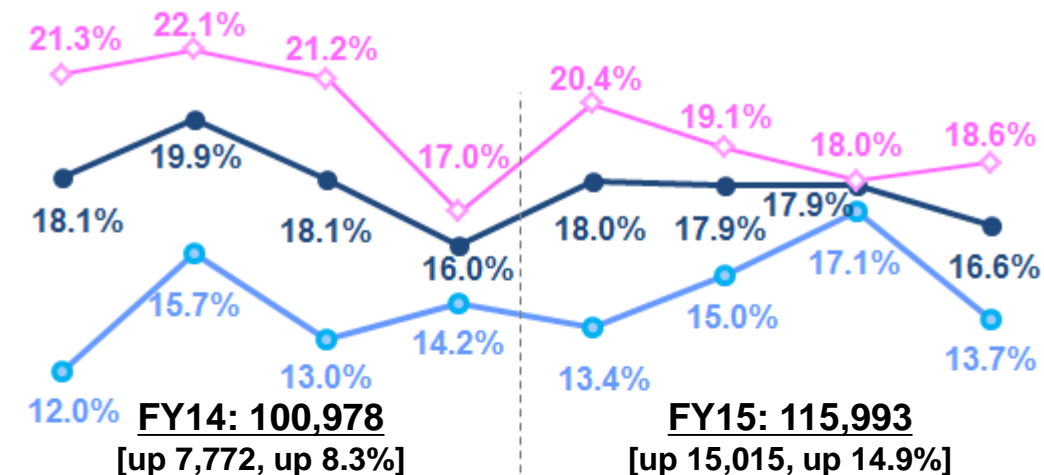
# IV- 3. Cost of Revenues and Gross Margin Ratio

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

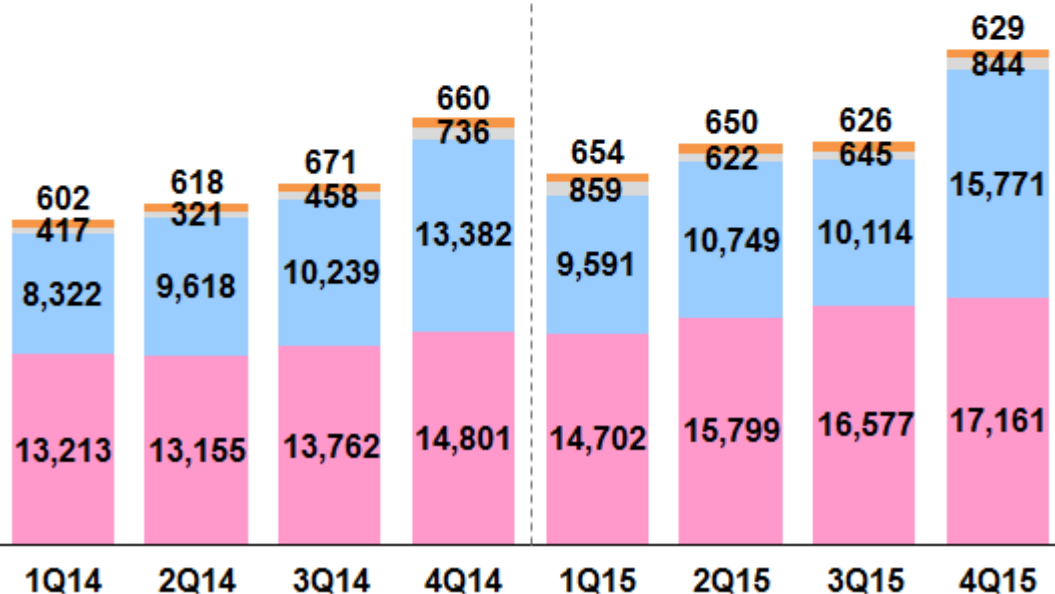
Gross margin ratio: ◇ Network Services ○ Systems Integration(SI) ● Total Revenues

Unit: JPY million

[ ], YoY = compared to the same period in a previous year



**FY14: 100,978** (up 7,772, up 8.3%)      **FY15: 115,993** (up 15,015, up 14.9%)



## FY15 Gross Margin:

### ◆ Total:

- JPY24,655 million (up JPY2,583 million, up 11.7% YoY)
- Gross margin ratio: 17.5% (down 0.4 points YoY)

### ◆ Network Services:

- JPY15,056 million (up JPY983 million, up 7.0% YoY)
- Gross margin ratio: 19.0% (down 1.4 points YoY)
- Gross margin ratio on a decreasing trend along with increase in mobile revenues, especially voice call revenue
- Mobile interconnectivity costs resulted from retroactive cost adjustments in 4Q of each fiscal year :
  - 4Q15: decrease by JPY0.1 billion (estimated 15%, actual 16.9%)
  - 4Q14: increase by JPY0.36 billion (estimated 40%, actual 23.5%)
- The below table shows the actual network service gross margin ratio which is calculated by excluding temporary positive impact<sup>(\*)</sup> and recalculating mobile interconnectivity cost by applying the final wholesale data communication charges which decreased by 16.9% from a year before in FY15 and by 23.5% from a year before in FY14:

1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	Unit: %
20.7	20.3	20.6	19.0	19.0	19.1	18.2	18.3	

(\*) IJ recognized a temporary positive cost impact of approx. JPY0.27 billion in 1Q15 for FY14 mobile interconnectivity usage. The same positive impact of approx. JPY0.29 billion was recognized in 2Q14 for FY13 usage.

### ◆ SI:

- JPY7,963 million (up JPY1,287 million, up 19.3% YoY)
- Gross margin ratio: 14.7% (up 0.9 points YoY)
- Gross margin ratio increased mainly because of the accumulation of systems operation and maintenance, which includes private cloud revenues
- Gross margin ratio decreased in 4Q15 mainly because construction portion toward SI revenue and due to recognizing a revenue of a large scale network integration project (approx. JPY2.1 billion)



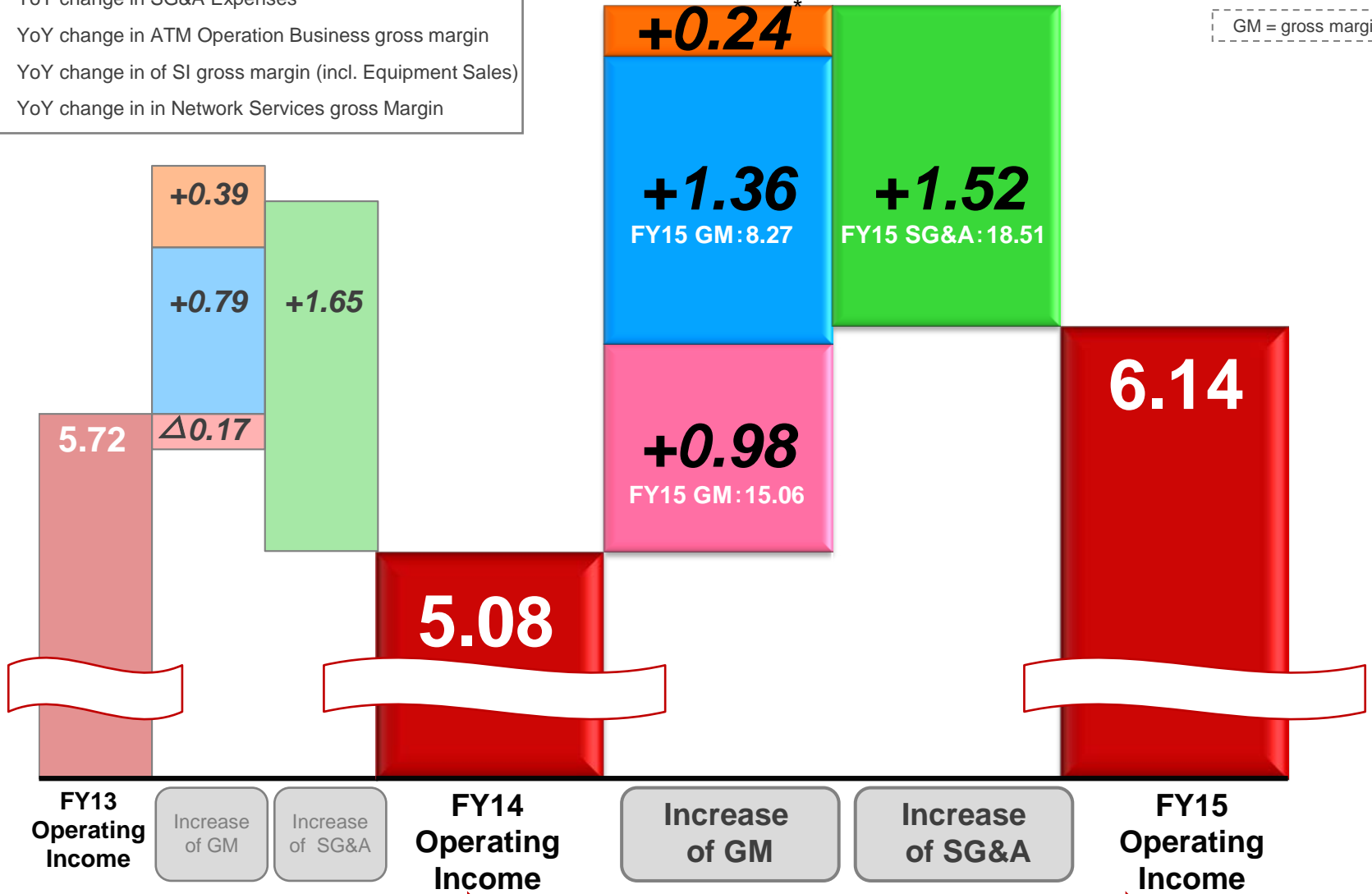
# IV- 4. Gross Margin and Operating Income

- Operating Income
- YoY change in SG&A Expenses
- YoY change in ATM Operation Business gross margin
- YoY change in of SI gross margin (incl. Equipment Sales)
- YoY change in in Network Services gross Margin

Unit: JPY billion

YoY = compared to the same period in a previous year

GM = gross margin



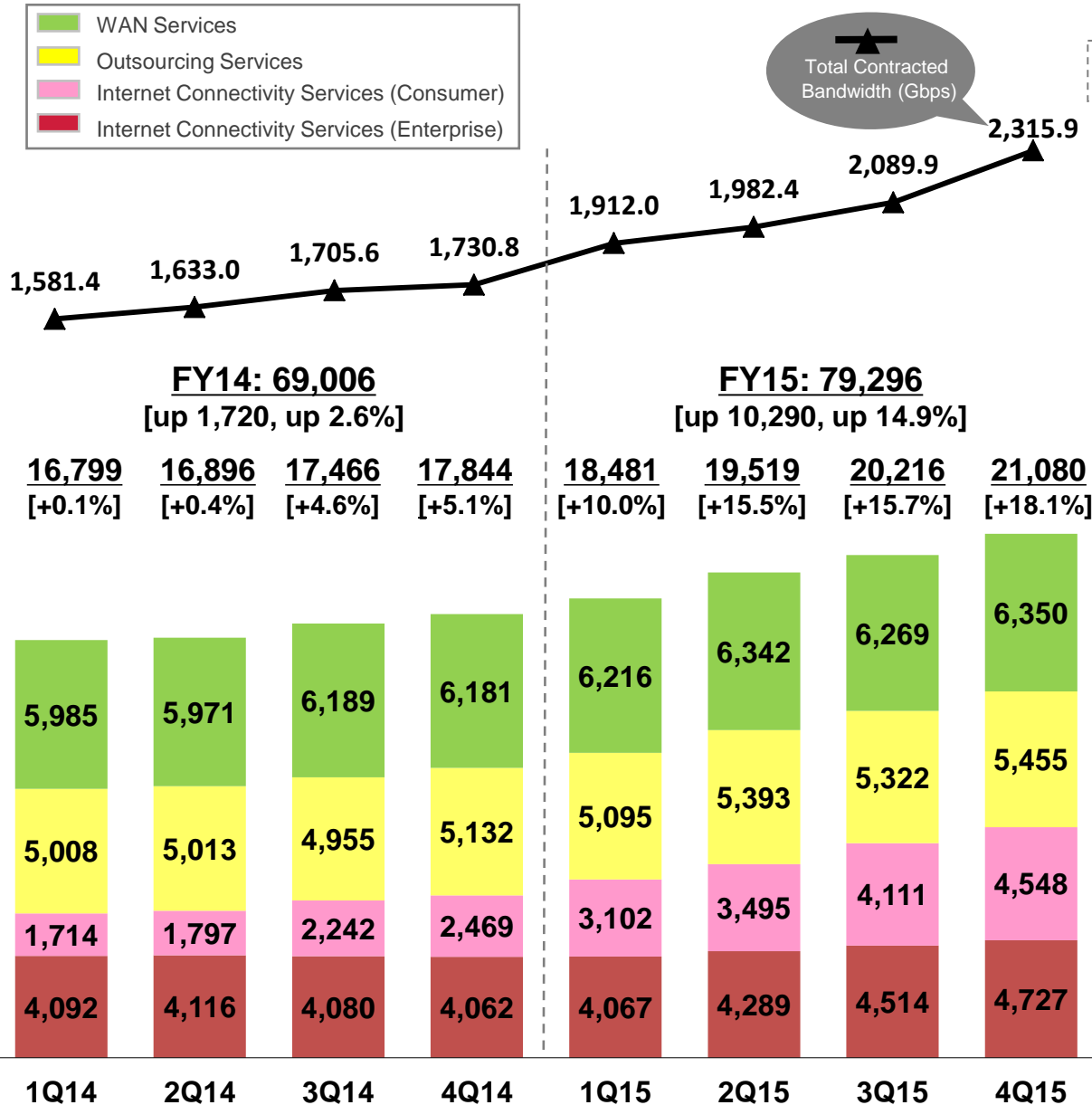
FY13 Operating Income
Increase of GM
Increase of SG&A
FY14 Operating Income
Increase of GM
Increase of SG&A
FY15 Operating Income

\*FY15 ATM GM: JPY1.33 billion

# IV- 5. Network Services (1)Revenues

Unit: JPY million

[ ], YoY = compared to the same period in a previous year  
QoQ = 4Q15 compared to 3Q15

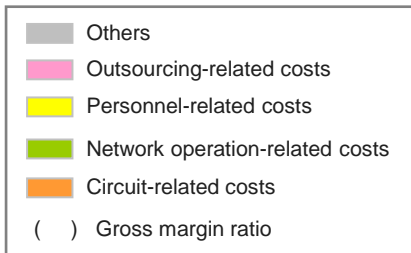


- ◆ **Internet Connectivity (Enterprise)**
  - FY15: up JPY1,248 million, up 7.6% YoY
  - 4Q15: up JPY665 million, up 16.4% YoY
    - Strong MVNE contributed to continuous growth of mobile services
    - ✓ Subscription (unit: thousand): 4Q15-end: 251 (up 183 YoY, up 69 QoQ)
- ◆ **Internet Connectivity (Consumer)**
  - FY15: up JPY7,034 million, up 85.5% YoY
  - 4Q15: up JPY2,079 million, up 84.2% YoY
  - IJmio mobile services continued to increase
    - ✓ Subscription (unit: thousand): 4Q15-end: 747 (up 317 YoY, up 62 QoQ)
- ◆ **Outsourcing Services**
  - FY15: up JPY1,158 million, up 5.8% YoY
  - 4Q15: up JPY323 million, up 6.3% YoY
    - Revenues for security-related services and overseas hosting services continuously increased.
- ◆ **WAN Services**
  - FY15: up JPY851 million, up 3.5% YoY
  - 4Q15: up JPY170 million, up 2.7% YoY
    - Revenue increased because of the accumulation of projects.

# IV- 5. Network Services (2)Cost of Revenues

Unit: JPY million

[ ], YoY = compared to the same period in a previous year



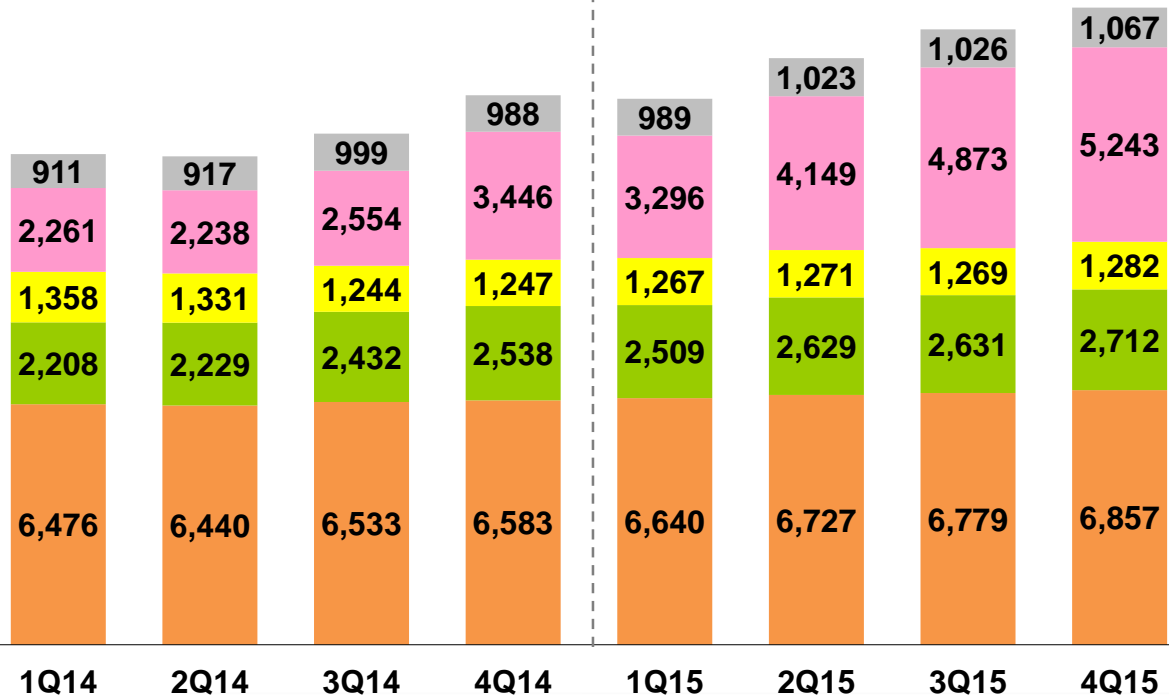
**FY14: 54,932 (20.4%)**

[up 1,886, up 3.6%]

**FY15: 64,239 (19.0%)**

[up 9,307, up 16.9%]

13,213 (21.3%)	13,155 (22.1%)	13,762 (21.2%)	14,801 (17.0%)	14,702 (20.4%)	15,799 (19.1%)	16,577 (18.0%)	17,161 (18.6%)
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◆ **FY15 Cost of network services:**

- Mobile-related costs (recognized in outsourcing-related costs) increased along with the increase in mobile subscription and traffic
- Network operation-related costs increased by JPY1.07 billion YoY mainly to due to network enhancement and depreciation and amortization related to new services.
- Circuit-related costs increased by JPY0.97 billion YoY mainly due to an increase in WAN services revenue

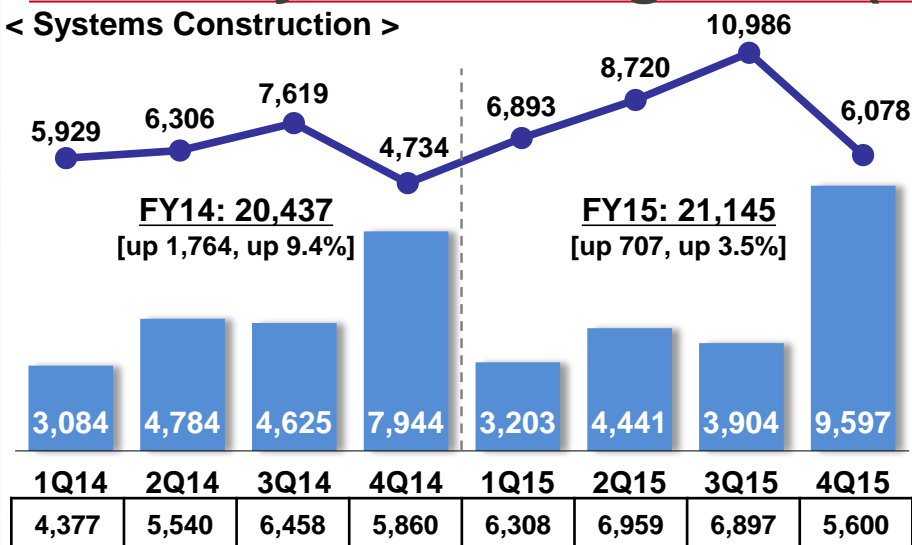
◆ **Regarding NTT Docomo's ("Docomo") mobile interconnectivity cost recognition:**

- Docomo's interconnectivity telecommunications service charge, which was calculated by Docomo's FY14 mobile-related cost, was fixed in Mar. 2016 and it decreased by 16.9% from a year ago. The positive impact of approx. JPY0.1 billion was temporarily recognized in 4Q15, because IIJ calculated its mobile interconnectivity cost by applying a supposed annual decrease rate of 15%.
- Docomo's interconnectivity telecommunications service charge, which was calculated by Docomo's FY13 mobile-related cost, was fixed in Mar. 2015 and it decreased by 23.5% from a year ago.
- In 1Q15, IIJ recognized a temporary positive cost impact of approx. JPY0.27 billion for FY14 mobile interconnectivity usage by applying supposed annual decrease rate of 15%. The same positive impact of approx. JPY0.29 billion was recognized in 2Q14. In FY16, IIJ estimates the same positive impact of approx. JPY0.6 billion (its quadrant amount will be recognized quarterly), as IIJ calculates its mobile interconnectivity cost by applying a supposed annual decrease rate of 12% from a year ago

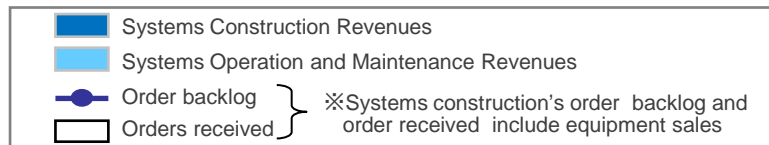
# IV- 6. Systems Integration (SI) (1)Revenues

## < Systems Construction >

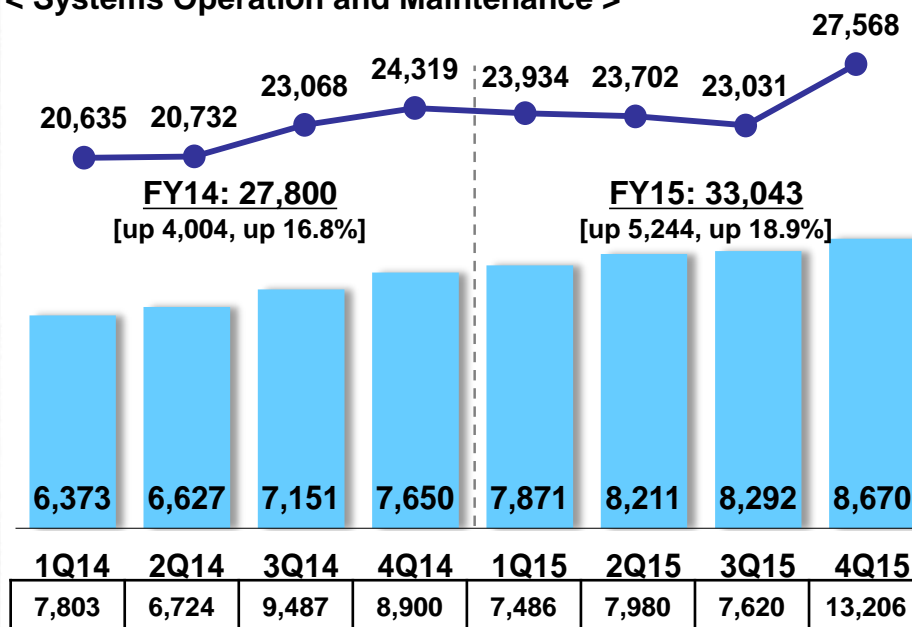
Unit: JPY million



[ ], YoY = compared to the same period in a previous year



## < Systems Operation and Maintenance >



### Systems construction revenues

- ◆ FY15 order received: up JPY3,528 million, up 15.9% YoY
    - Enterprises' motivation for ITC investment increased steadily
    - Large-scale network integration project received in 1Q15 was recognized in 4Q15 (approx. JPY2.1 billion)
    - Exporting container type data centers received in 3Q15 is to be recognized in the latter half of FY16. (approx. JPY1.3 billion)
    - Large-scale construction projects orders received in 4Q15:
      - Constructing DMZ\* for a major manufacturer
      - Developing integrated open system platform for financial institutions' networks
      - Constructing web security environments for government office
      - Providing FireEye solutions for a major broadcast station and life insurance company
- \*DMZ: Abbreviation for DeMilitarized Zone. Network separated from other networks by firewalls for security-purposes

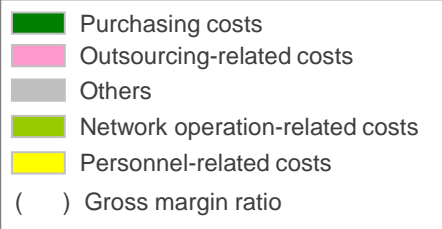
etc.

### Systems operation and maintenance revenues

- ◆ Revenues continued to increase mainly due to the accumulation of Systems construction projects which migrated to systems operation and maintenance phase and continuous increase in private cloud revenues
  - Private cloud revenues continued to increase: up JPY2,017 million, up 20.1% YoY
  - Systems construction projects which migrated to systems operation and maintenance phase also continued to increase strongly: up JPY3,226 million, up 18.2% YoY
- ◆ 4Q15 revenue: up JPY1,020 million, up 13.3% YoY
  - 86.3% of 4Q15 cloud-related revenue is recognized in systems operation and maintenance revenues (13.7% in outsourcing)

# IV- 6. Systems Integration (SI) (2)Cost of Revenues

Unit: JPY million



[ ], YoY = compared to the same period in a previous year  
QoQ = 4Q15 compared to 3Q15

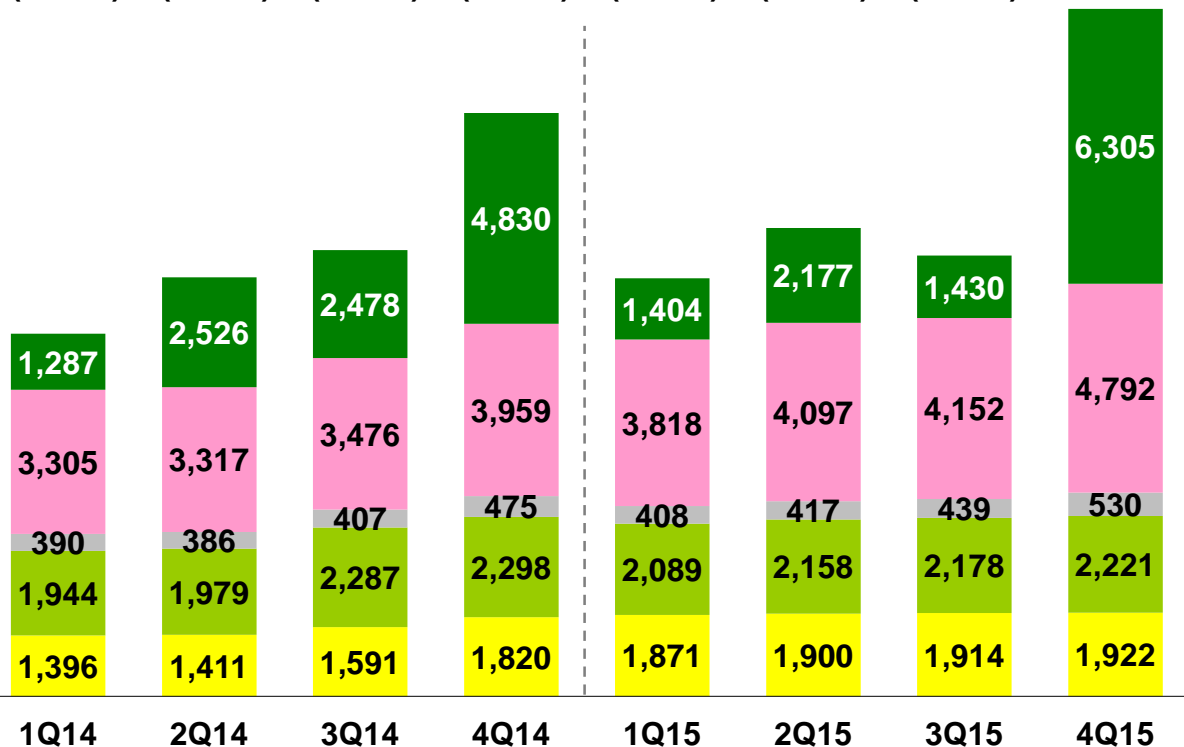
**FY14: 41,562 (13.8%)**

[up 5,051, up 13.8%]

**FY15: 46,226 (14.7%)**

[up 4,664, up 11.2%]

<u>8,322</u> (12.0%)	<u>9,618</u> (15.7%)	<u>10,239</u> (13.0%)	<u>13,382</u> (14.2%)	<u>9,591</u> (13.4%)	<u>10,749</u> (15.0%)	<u>10,114</u> (17.1%)	<u>15,771</u> (13.7%)
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- ◆ **Cost of SI**
- 4Q15: up JPY2,389 million, up 17.9% YoY
  - Number of outsourcing personnel as of 4Q15-end: 1,069 personnel (up 100 personnel YoY, up 49 personnel QoQ)
  - Outsourcing-related costs increased along with the accumulation of operation and maintenance projects
  - Outsourcing-related and personnel-related costs increased due to new services and solutions developments
  - Gross margin ratio decreased in 4Q15 mainly due to an increase in purchasing costs and outsourcing-related costs, and a revenue recognition of a large-scale network integration project (approx. JPY2.1 billion)

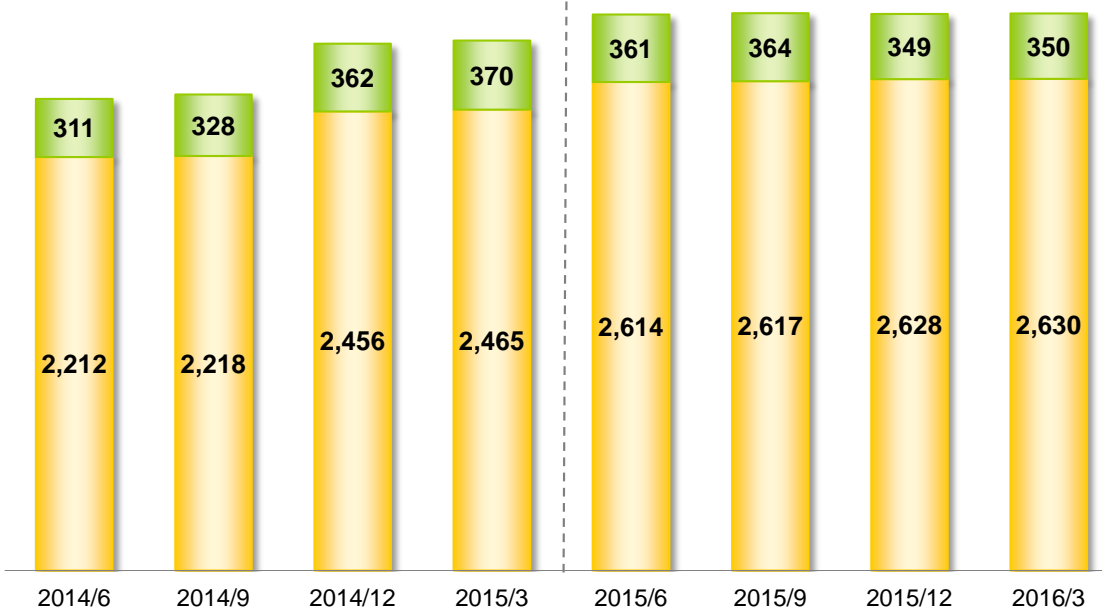
# IV- 7. Number of Employees

Unit: JPY million

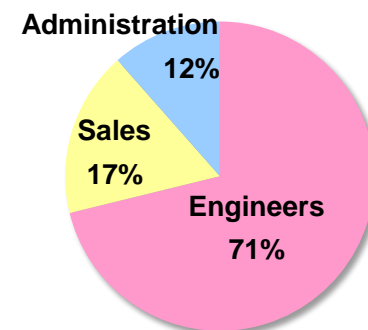
[ ], YoY = compared to the same period in a previous year

(Number of employees) **2,523** **2,546** **2,818** **2,835** **2,975** **2,981** **2,977** **2,980**

Contract worker  
Full time worker



## [Employee Distribution]

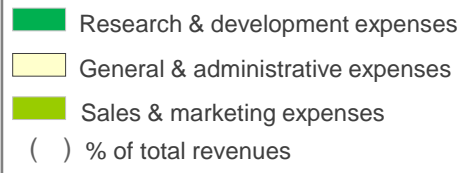


Personnel related costs & expenses (% of revenue)

1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15
<b>4,641</b> (16.8%)	<b>4,643</b> (15.7%)	<b>4,704</b> (15.3%)	<b>5,114</b> (14.5%)	<b>5,266</b> (16.7%)	<b>5,297</b> (15.6%)	<b>5,271</b> (15.5%)	<b>5,321</b> (12.9%)
<b>FY14: 19,103 (15.5%)</b> [up 1,913, up 11.1%]				<b>FY15: 21,155 (15.0%)</b> [up 2,052, up 10.7%]			

- ◆ FY15 personnel-related costs and expenses: up JPY2,052 million, up 10.7% YoY
- ◆ Hired 137 new graduates in Apr. 2016 (155 in Apr. 2015, 129 in Apr. 2014, 136 in Apr. 2013)
- ◆ Estimate number of employees to increase by approx. 180 employees during FY16
- ◆ Number of employees increased by 264 personnel with acquisition of RYUKOSHA in 3Q14 (Dec. 2014), personnel-related expenses increased

# IV- 8. SG&A Expenses/R&D



Unit: JPY million

[ ], YoY = compared to the same period in a previous year

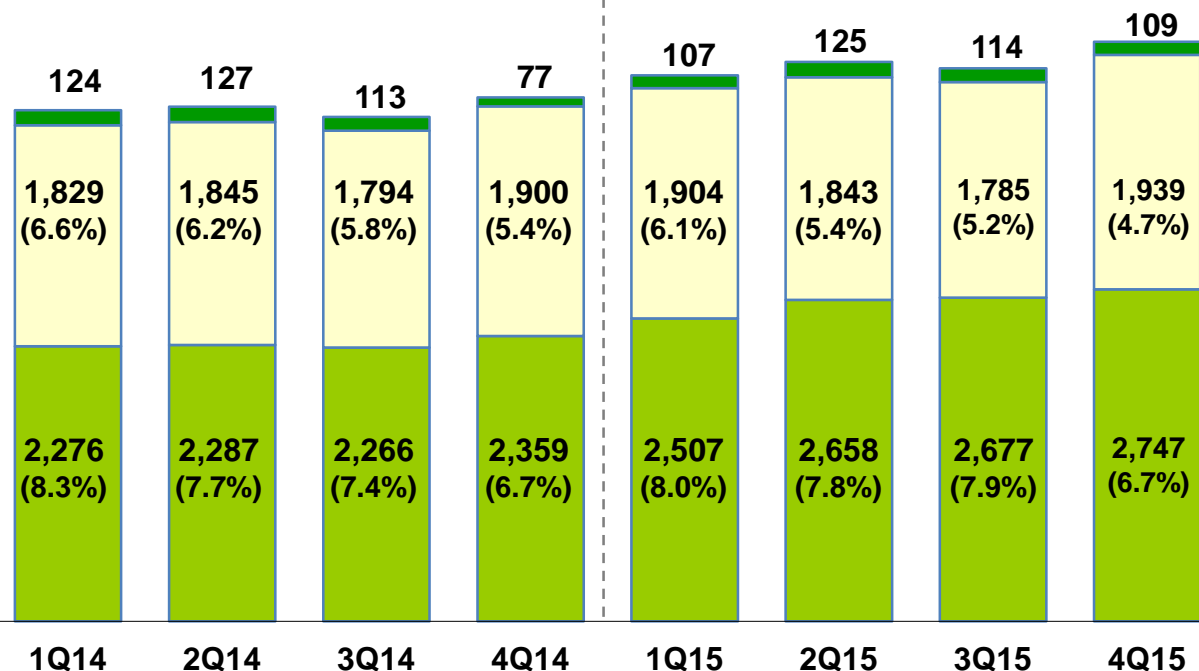
**FY14: 16,977 (13.8%)**

[up 1,654, up 10.8%]

**FY15: 18,515 (13.2%)**

[up 1,517, up 8.9%]

<b>4,229</b> (15.4%)	<b>4,259</b> (14.4%)	<b>4,173</b> (13.6%)	<b>4,336</b> (12.3%)	<b>4,517</b> (14.4%)	<b>4,627</b> (13.7%)	<b>4,576</b> (13.4%)	<b>4,795</b> (11.6%)
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◆ **FY15 SG&A Expenses/R&D:**

- Mobile services' sales commission and personnel-related expenses increased
- Ratio of SG&A towards the total revenues gradually decreased

◆ **SG&A related to ATM operation business:**

Unit: JPY million

1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15
37.6	45.4	45.9	73.4	44.9	45.1	41.3	46.9

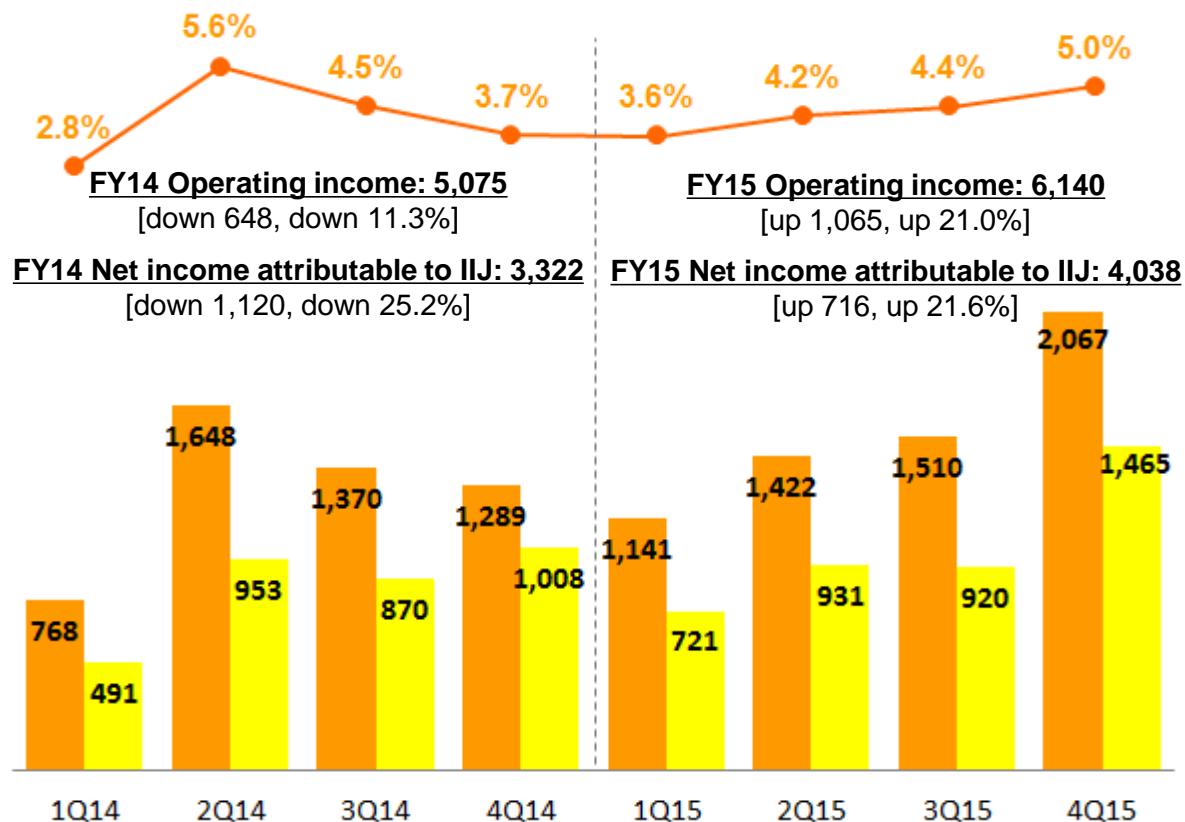
- Placed 1,087 ATMs as of Mar. 31, 2016 (up 28 ATMs YoY)
- Plan to increase gradually as same as FY15

# IV- 9. Operating Income and Net Income

Operating Income   Net Income Attributable to IIJ   Operating Margin Ratio

Unit: JPY million

[ ], YoY = compared to the same period in a previous year



## ◆ Income before income tax expenses:

- FY15: JPY6,193 million  
(up JPY1,054 million, up 20.5% YoY)
  - Distribution from fund investments: JPY209 million
  - Dividend income: JPY93 million
  - Interest expense: JPY241 million
  - Foreign exchange losses : JPY71 million

## ◆ Net income attributable to IIJ:

- FY15: JPY4,038 million  
(up JPY716 million, up 21.6% YoY)
  - Mainly due to equity in net income of Internet Multifeed: JPY180 million
  - Net income attributable to noncontrolling interests including Trust Networks: JPY152 million

	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	
	220	624	523	319	450	472	466	546	Current income tax expense
	132	98	36	(55)	111	6	191	(59)	Deferred tax expense (benefit)
	34	35	46	40	61	76	69	(27)	Equity in net income of equity method investees
	(18)	(24)	(15)	(18)	(57)	(35)	(23)	(37)	Less: Net income attributable to noncontrolling interests



## IV- 10. Consolidated Balance Sheets (Summary)

Unit: JPY million

	Mar. 31, 2015	Mar. 31, 2016	Changes
Cash and Cash Equivalents	21,094	19,569	(1,525)
Accounts Receivable	22,252	23,747	+1,495
Inventories and Prepaid Expenses (Current and Noncurrent)	7,835	11,761	+3,925
Investments in Equity Method Investees	2,561	2,980	+419
Other Investments	6,661	5,949	(712)
Property and Equipment	29,370	34,324	+4,954
Goodwill and Other Intangible Assets	10,111	9,719	(392)
Guarantee Deposits	2,800	3,085	+284
<b>Total Assets</b>	<b>108,705</b>	<b>117,835</b>	<b>+9,130</b>
Accounts Payable	13,626	15,404	+1,779
Income Taxes Payable	499	1,078	+579
Short-term Borrowings	9,250	9,250	-
Capital Lease Obligations (Current and Noncurrent)	7,863	11,734	+3,871
<b>Total Liabilities</b>	<b>45,862</b>	<b>52,491</b>	<b>+6,629</b>
Common Stock	25,500	25,509	+10
Additional Paid-in Capital	36,014	36,060	+46
Retained earnings (Accumulated deficit)	(556)	2,471	+3,027
Accumulated Other Comprehensive Income	1,939	1,197	(742)
<b>Total IJ Shareholders' Equity</b>	<b>62,504</b>	<b>64,845</b>	<b>+2,341</b>

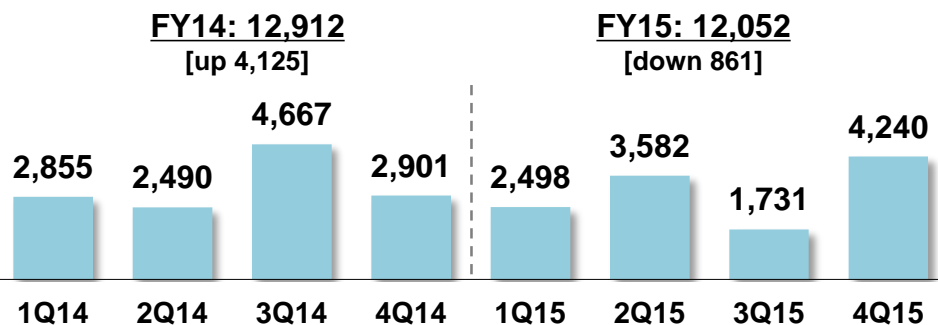
▶ Total IJ Shareholders' Equity to Total Assets: 57.5% as of Mar. 31, 2015, 55.0% as of Mar. 31, 2016

# IV- 11. Consolidated Cash Flows

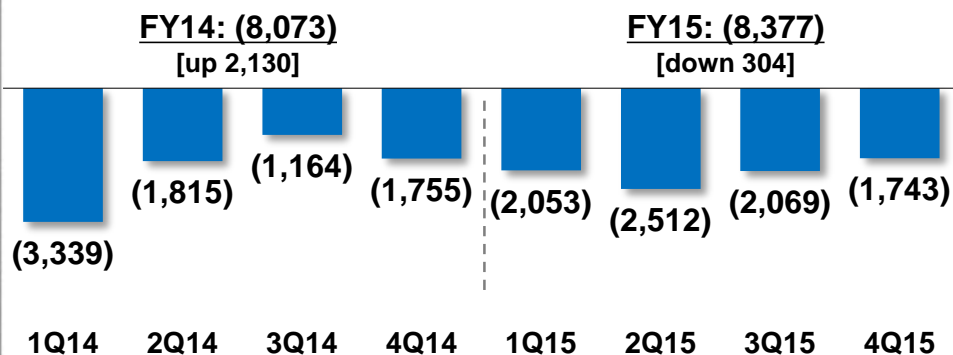
## < Operating Activities >

Unit: JPY million

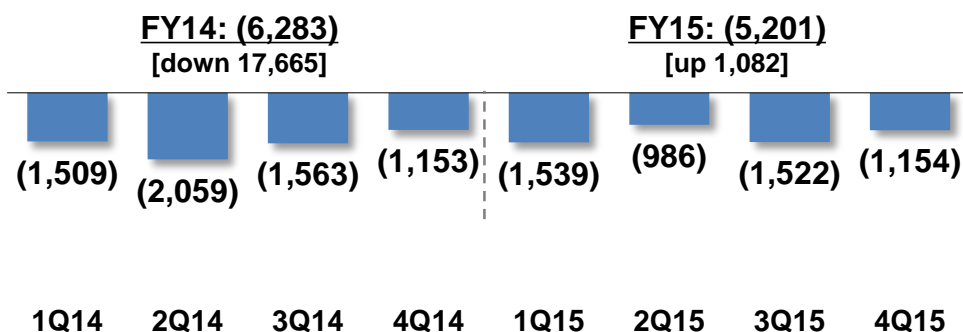
[ ], YoY = compared to the same period in a previous year



## < Investing Activities >



## < Financing Activities >



### FY15 Operating Activities

	<u>Major Breakdown</u>	<u>YoY Change</u>
Net income	4,190	+793
Depreciation and amortization	9,922	+244
Fluctuation of operating assets and liabilities*	(2,400)	(1,810)

(\*FY14 result was mitigated because of free-rent with headquarter relocation)

### FY15 Investing Activities

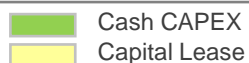
	<u>Major Breakdown</u>	<u>YoY Change</u>
Purchase of property and equipment	(10,899)	(2,741)
Proceeds from sales of property and equipment	2,574	+1,802

### FY15 Financing Activities

	<u>Major Breakdown</u>	<u>YoY Change</u>
Principal payments under capital leases	(4,194)	(1)
Dividends paid	(1,011)	(0)

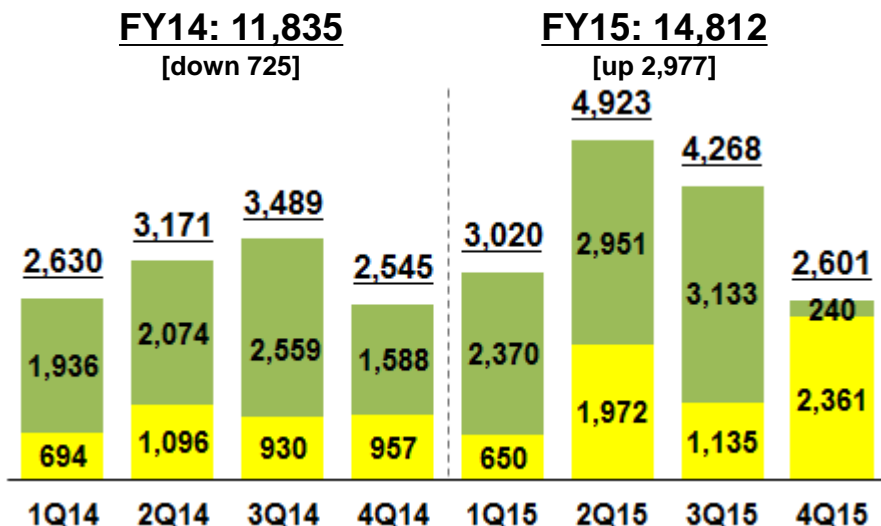
# IV- 12. Other Financial Data (CAPEX etc.)

## < CAPEX >



Unit: JPY million

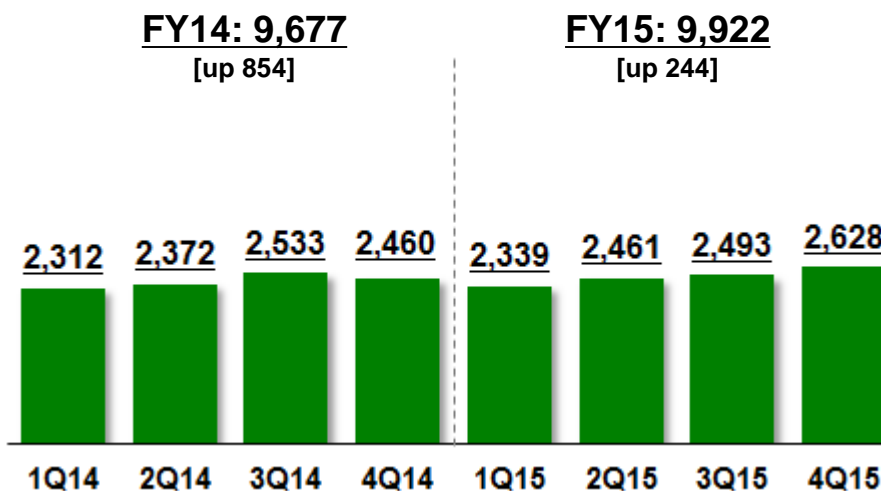
[ ] = compared to the same period in a previous year



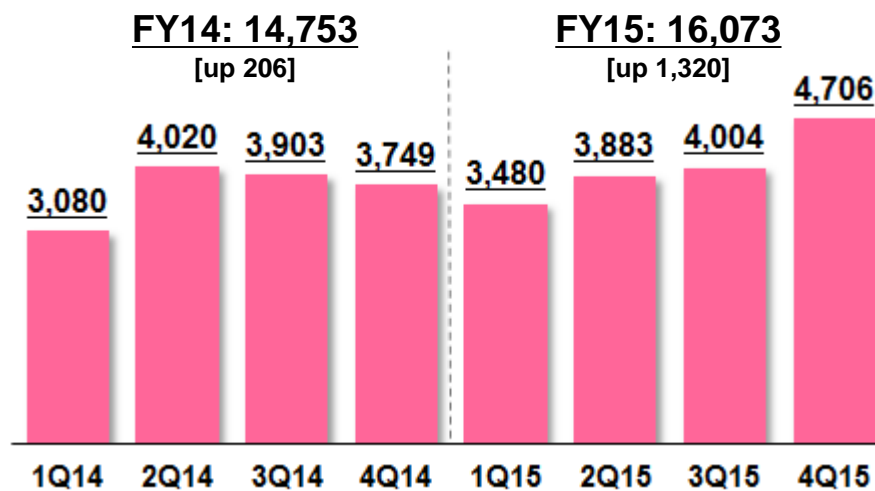
## < Breakdown of CAPEX (unit: JPY billion) >

	FY13	FY14	FY15
<b>TOTAL CAPEX</b>	<b>12.6</b>	<b>11.8</b>	<b>14.8</b>
Network update, back office investment and others	8.0	8.9	10.2
Cloud-related	3.7	1.7	4.4
Headquarter relocation	0.4	0.6	-
ATM operation business	0.5	0.6	0.2

## < Depreciation and Amortization >



## < Adjusted EBITDA >



# V - 1. Cloud Business Developments

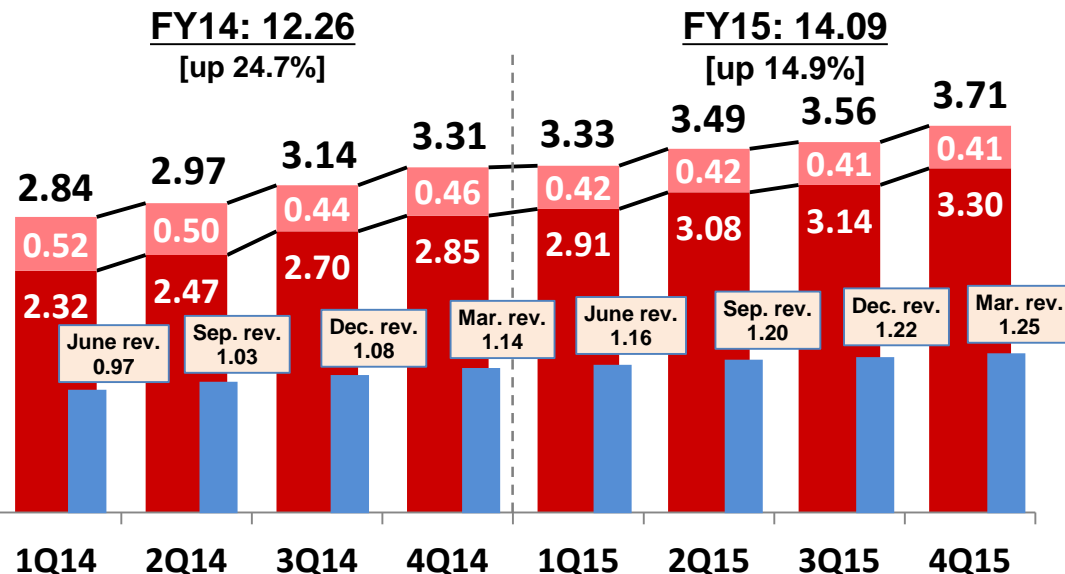
## Cloud-related revenue

(Unit: JPY billion)

- Large game customers
- Business enterprise customers

4Q15 cloud-related revenue recognition:  
86.3% in systems operation and maintenance, 13.7% in outsourcing

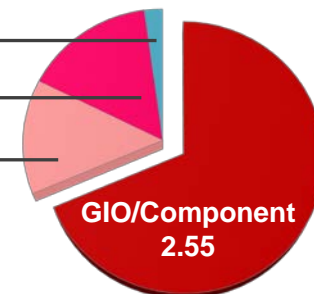
[ ] = year over year growth



## 4Q15 revenue

(Unit: JPY billion)

- General purpose SaaS 0.08 (groupware etc.)
- Task-specific SaaS 0.57 (FX, POS etc.)
- GIO/Hosting 0.51



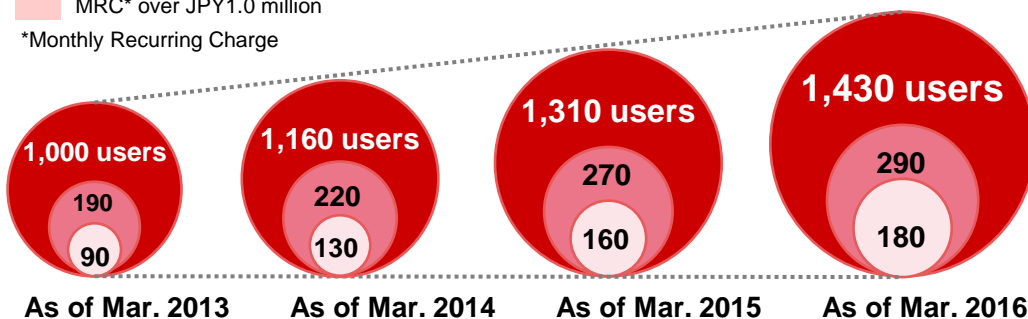
## FY15 Business Development

- New generation cloud services "IIJ GIO Infrastructure P2" continued to accumulate prospective orders
  - Number of orders: 4Q15-end over 300  
3Q15-end approx. 200
- Virtualization platform service using VMware continued to be a revenue driver
- Still weak demand from large game customers
  - FY15 large game customers' revenue decreased by 14.0% YoY

## Cloud Customer Base

- MRC\* over JPY0.5 million
- MRC\* over JPY1.0 million

\*Monthly Recurring Charge

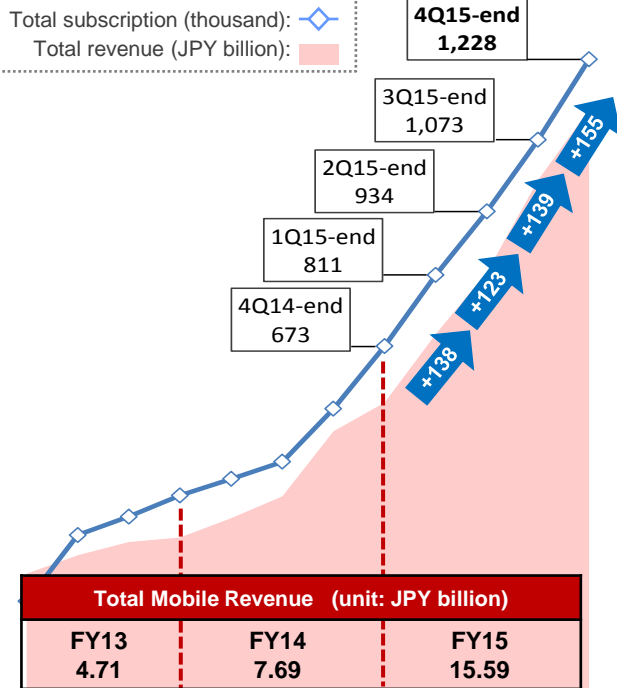


## FY16 Plan

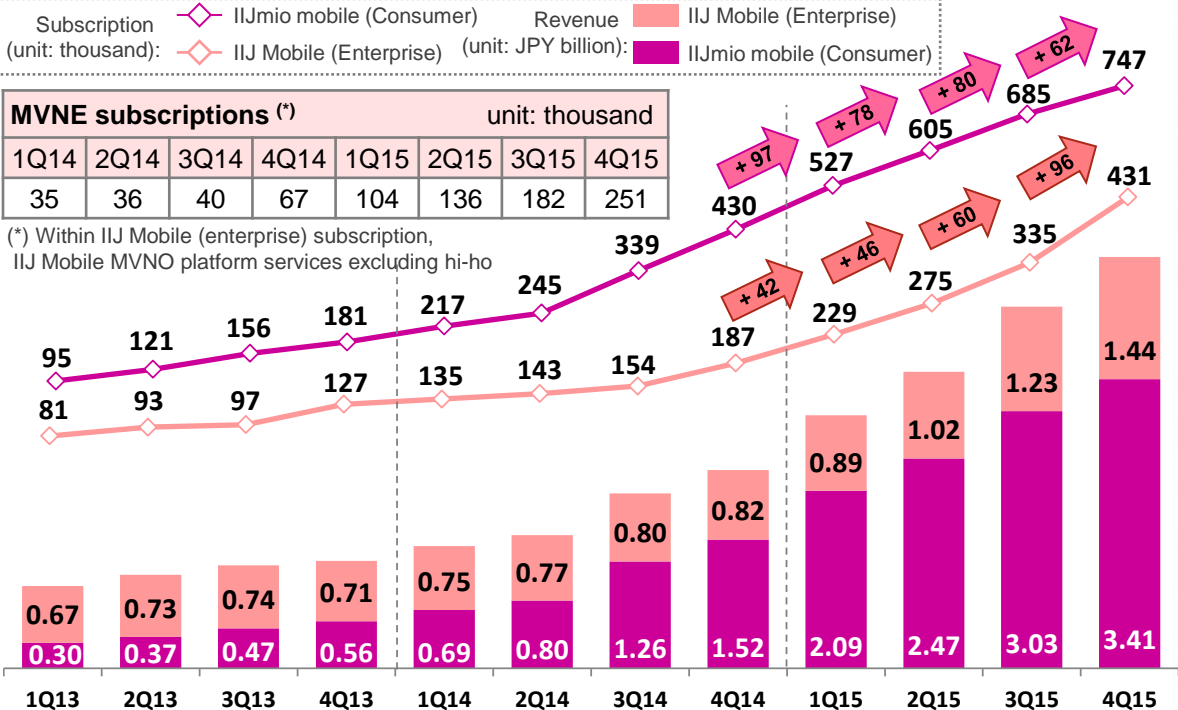
- Target revenue of approx. JPY16.2 billion
  - Expect "IIJ GIO P2" to make contribution for the middle to long term by acquiring large-scale projects
  - Continue to focus on enhancing business with partners, accumulate projects related to BigData and SAP

# V- 2. Mobile Business Developments

## Total subscription & revenue



## IIJmio mobile & IIJ Mobile subscription & revenue



## FY15 Business Developments

- ◆ **Consumer subscriptions continuously increased along with market expansion:**
    - Net addition subscription: approx. 317 thousand (FY15), approx. 249 thousand (FY14)
  - ◆ **FY15 MVNE-related revenue: approx. JPY2.2 billion (up JPY1.7 billion YoY)**
    - A large sales partner became our MVNE client in 4Q15
    - 106 MVNE clients including major retailers, CATV operators, prominent contents distributor
  - ◆ **FY15 M2M-related revenue: JPY0.54 billion (up JPY0.12 billion YoY)**
    - Accumulating orders continuously, projects related to uploading contents data such as from security cameras and transportation management systems for buses
- Expect gross margin ratio to improve in the middle to long term with different types of traffic which should led to better mobile infra. utilization

## FY16 Plan

- ◆ **Revenue target: JPY25.5 billion, Subscription target: 2 million**
  - Enhancement of MVNE strategy
  - Docomo's MVNO interconnectivity charge: Estimate 12% decrease YoY (Docomo's payment arrangement 15% off)
  - Continue to consider FULL-MVNO business

# V - 3. FY2016 Financial Target

Unit: JPY billion

	% of Revenues		% of Revenues		% of Revenues	
	1H16 Target	FY16 Target	FY15 Results	FY16 Target to FY15 Results		
Total Revenues	73.8	159.0	140.7	+18.4	+13.1%	
Gross Margin	17.3% 12.8	17.4% 27.6	17.5% 24.7	+2.9	+11.9%	
Operating Income	3.8% 2.8	4.6% 7.3	4.4% 6.1	+1.2	+18.9%	
Income before Income Tax Expense	3.8% 2.8	4.6% 7.3	4.4% 6.2	+1.1	+17.9%	
Net Income*	2.6% 1.9	3.1% 5.0	2.9% 4.0	+1.0	+23.8%	
Cash Dividends per common share	JPY13.50	JPY27.00	JPY22.00	+ JPY5.00	+22.7%	

\* Net income attributable to IIJ  
YoY = FY16 targets compared to FY15 results

## Revenue Targets

- **Cloud: approx. JPY16.2 billion (up approx. JPY2.11 billion YoY)**
- **Mobile: approx. JPY25.5 billion (up approx. JPY9.91 billion YoY)**
  - 2 million subscriptions at FY16-end (up approx. 772 thousand YoY)
- **Other network services and SI: continuous growth**
- **Overseas business: approx. JPY7.0 billion (up approx. JPY1.74 billion YoY)**
  - Operating loss: approx. JPY0.2 billion (improve by approx. JPY0.3 billion YoY)

- **FY16 CAPEX: about the same as FY15 results**
- **Plan to increase dividend along with income growth**

## Cost Estimation

- **Docomo's wholesale telecommunications service charge:** IIJ estimates 12% decrease YoY (Docomo's payment arrangement: 15% off)
  - We estimate approx. JPY0.6 billion temporary positive cost impact for FY15 mobile interconnectivity usage as the actual decrease rate was larger than our expectation. We plan to recognize its quadrant amount in each FY16 quarter. Because of this specific accounting procedure, 1Q16 income will be negatively impacted by approx. JPY0.12 billion because we had recognized approx. JPY0.27 billion of onetime positive impact regarding FY14 mobile interconnectivity usage in 1Q15.
- **Add approx. 180 personnel (including 137 new graduates)**
- **SG&A to increase by approx. JPY1.8 billion YoY**

## ※ 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 interruption or suspension of our services,
- an excess increase and fluctuation in network-related cost, mobile-related cost, 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 result of an impairment test on the non-amortized intangible assets such as goodwill,
- a decline in value and trading 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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