



# Internet Initiative Japan Inc.

**CLSA Japan Forum 2012**  
**February 28, 2012**

**Koichi Suzuki**  
**President and CEO**

<http://www.iij.ad.jp/en/IR>

TSE1:3774 NASDAQ:IIJI

Ongoing Innovation



# Key Investment Highlights

- ✓ **Top IP Engineering Company in Japan**
- ✓ **From ISP to Total Network Solution Provider**
- ✓ **Over 6,500 Excellent Customer Base & Plus another 1,300 Customer Base through M&A**
- ✓ **Target Blue-chip & Governmental Organizations**
- ✓ **Solid Growth Strategy**
- ✓ **Best Positioned in the Growing Outsourcing & Cloud Computing Market**

details to follow

# TOP IP Engineering Company in Japan

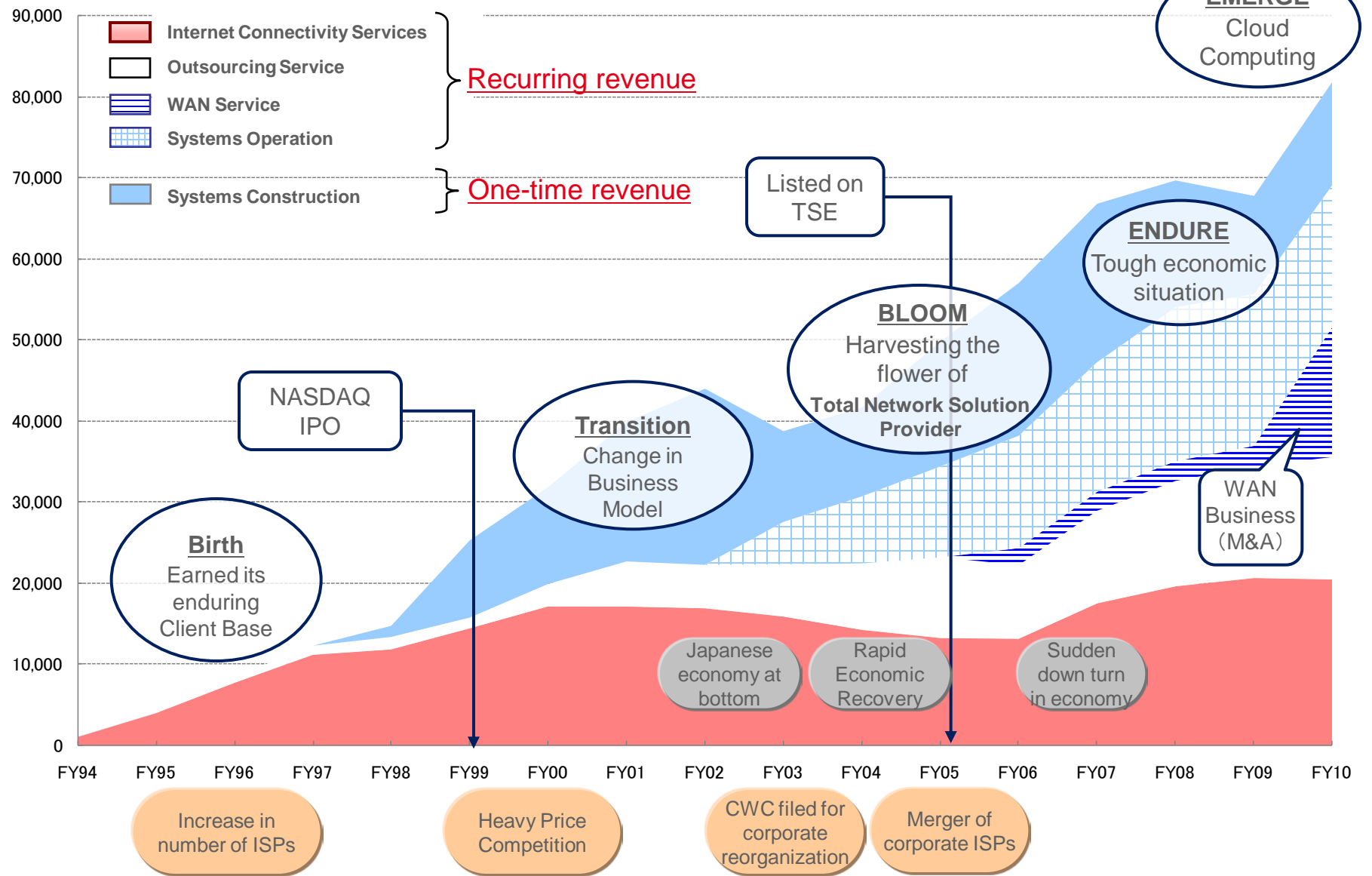
- ◆ The first established full-scale ISP in Japan
  - A group of highly motivated and skilled TOP Level IP Engineers
  - Pioneer of Network Technologies in Japan
- ◆ In-housed development
  - Operate one of the largest Internet Backbone in Japan
  - Self-develops its service and back office facilities
    - Internet Connectivity & Firewall Service, IP Multicast Delivery Service, IPv6 Service
- ◆ Established “IIJ” brand among the Japanese IT market
  - Known for its engineering skills & network support skills
  - High customer satisfaction / long term relationship
  - Approx 6,500 clients. Mainly governmental & large enterprise
- ◆ At the leading edge of IP R&D
  - Participation in world-wide research and organizations
    - Member of "FIRST", international organization handling security and incidents
    - Board member of Telecom-ISAC Japan

Company Profile (as of Dec. 2011)	
Established	December 1992
Number of Employees	Consolidated: 1,941 (approx 70% engineers)
Listed Markets	NASDAQ(IIJI), TSE1(3774)
Large Shareholders (as of Sep. 2011)	NTT (24.4%), Koichi Suzuki (6.3%), Itochu Corp. (5.1%), NTTCom (4.9%)

and more

# From "ISP" to "Total Network Solution Provider"

(Revenue, JPY million)

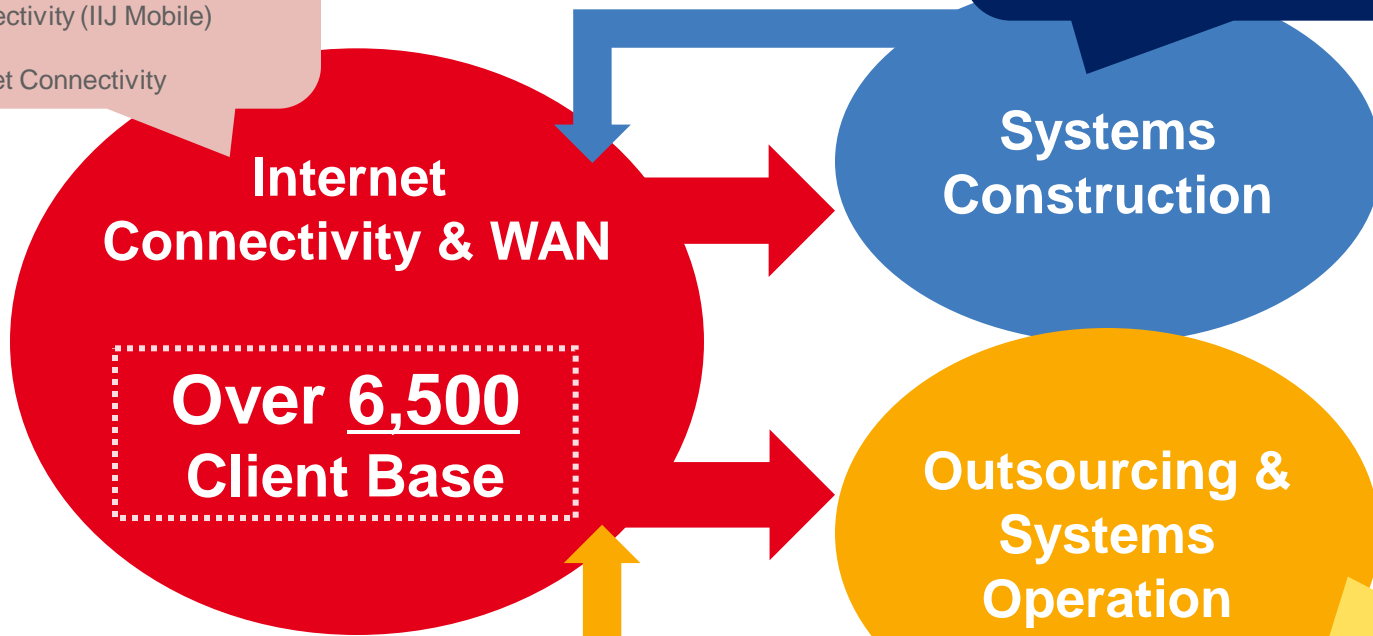


# Recurring Business Model

## Cross Selling of Network Solutions

- Dedicated Line Connectivity
  - IP Service (64kbps to over Gbps)
- Broadband Connectivity
  - Optical Fiber/ADSL
- Mobile Connectivity (IIJ Mobile)
  - LTE/3G
- WAN Ethernet Connectivity

- Mainly Network-related Integration
  - Site-to-Site VPN Network Construction (Convenient stores, Banks, Gas Stations, etc)
  - Email-system/Corporate Web Infrastructure
  - Ecommerce/Web-shopping
  - Desktop Virtualization
  - Disaster Recover
  - Private Cloud Computing Platform

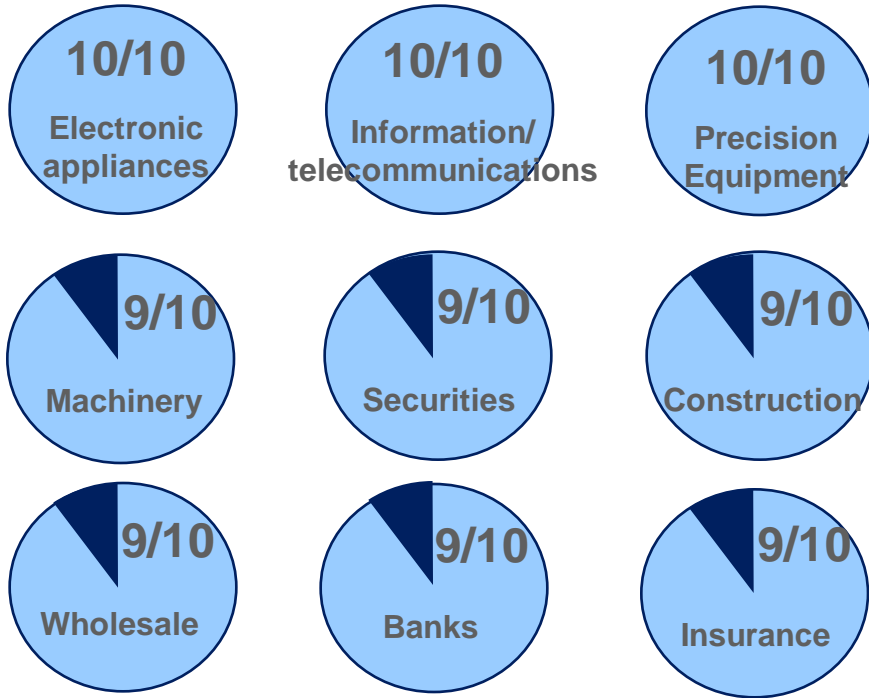


Examples of Services and Solutions

- Security Services
  - Firewall/DDoS/URL Filtering/Anti-spam
- Data Center Services
  - Facility Management/Operation
- Hosting/VPN/Email Services
- Cloud Computing Services
  - IIJ GIO Hosting Package & Component (SNS Game clients, NTT Dodocomo, TSE, etc)

# Excellent Blue-chip Client Base

## Top Tiers



## Enduring Relationship with leading companies



- The number of companies that we do business with among the TOP 10 companies in each industry.

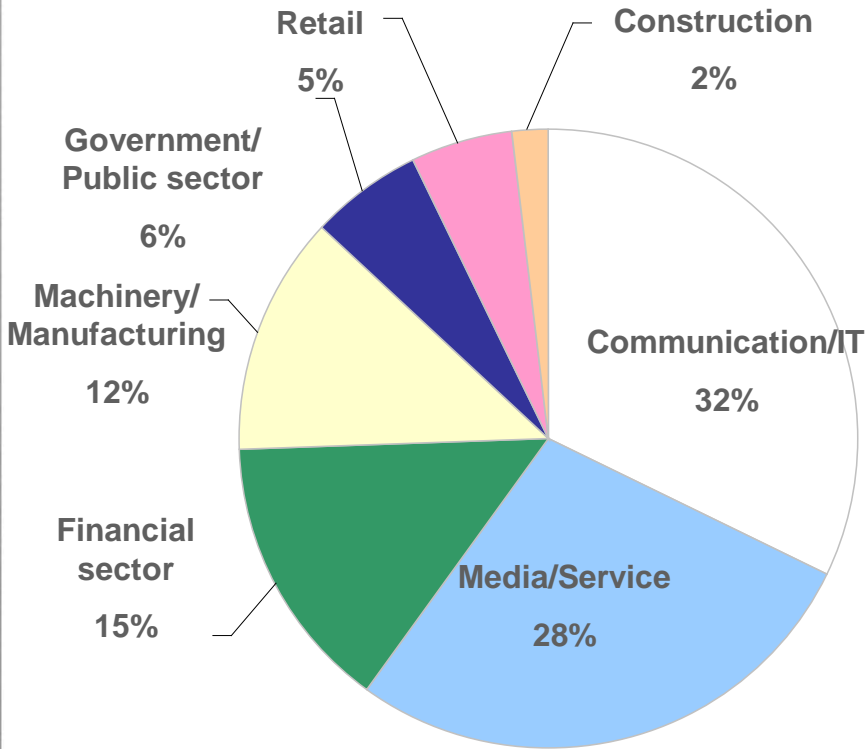
National Police Agency

Imperial Household Agency

Ministry of Justice  
and more...

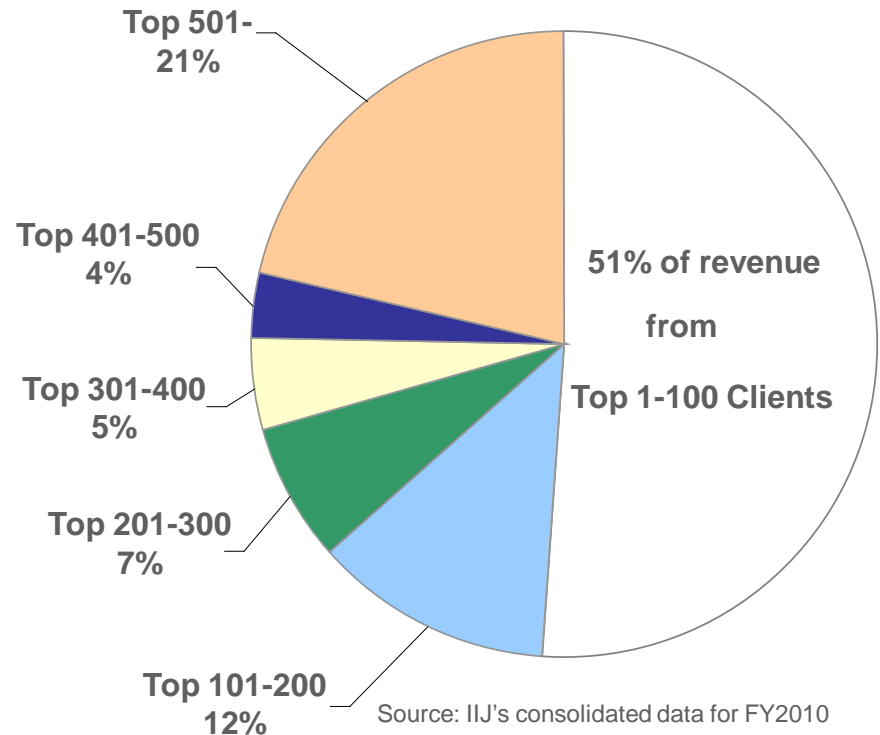
# Broad Client Base

Revenue Distribution by Industry



Source: IIJ's consolidated data for FY2010

Revenue Distribution by Clients



Source: IIJ's consolidated data for FY2010

- Not dependent on specific industry
- Financial sector increased with the M&A of IIJ Global

- Not dependent on specific company

# Customer Retention Strategy

Cross Selling of Services

Provide high quality/reliable total network solution

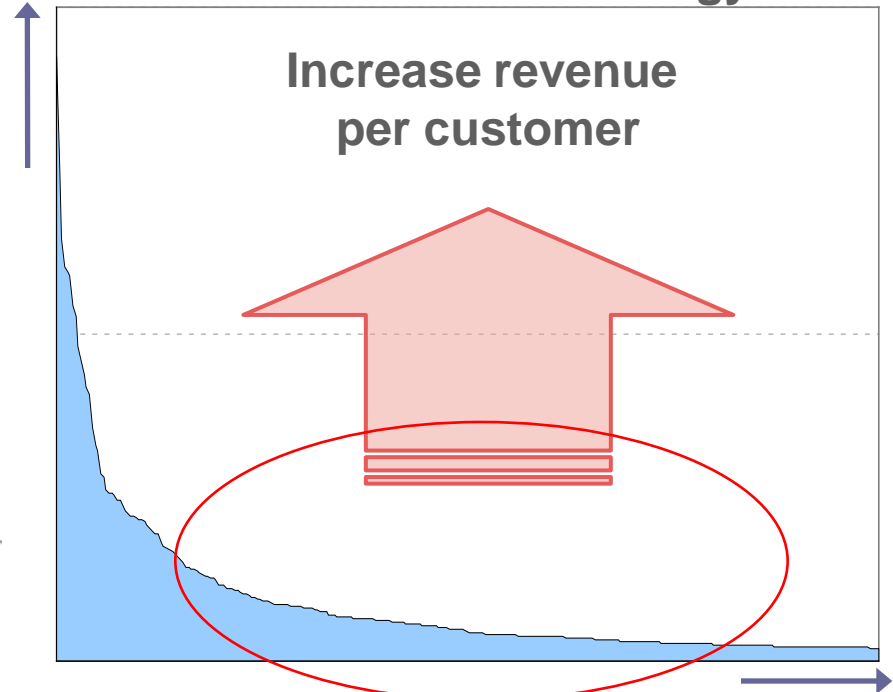
Introduce new services

Increase recurring revenues for Stable revenues and profit growth

Revenues by Customer  
(JPY million)

## Solid Growth Strategy

Increase revenue per customer



Number of Customers  
(~6,500)

- Rise in demands from Outsourcing/Cloud Computing
- IT spending is indispensable in the mid/long term



**Best Positioned in the Growing  
Outsourcing & Cloud Computing Market**

# Best Positioned in Cloud Computing Market



## ◆ From Owning to Renting/Outsourcing

- High potential in Japanese outsourcing market
- Cloud computing has just begun growing in Japan
  - IIJ expects total revenues of over JY3.0 billion in FY2011 (FY10 was 0.6 billion)



### Yes IIJ. Why IIJ?

- (1) Over 10 years of outsourcing operational skills
- (2) Operates one of the largest backbone network necessary to provide cloud computing service
- (3) Reputation in reliability
- (4) Known for its high customer satisfaction
- (5) Ability to introduce new features on a timely basis

### System Integrators???

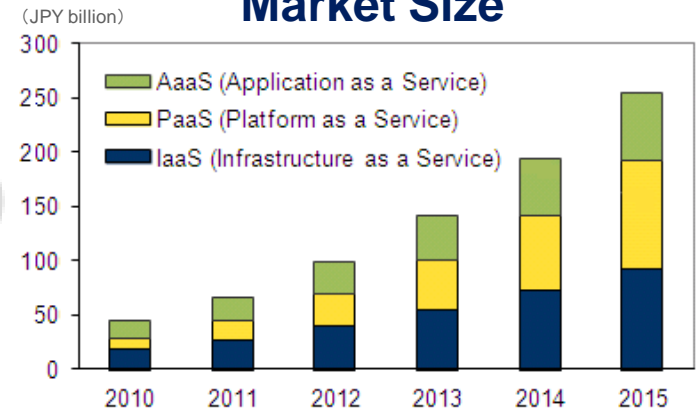
- (1) Highly skilled to construct a system exclusively for each client
- (2) Less experience in providing outsourcing services on a common platform
- (3) Has no backbone network of its own

**IIJ GIO chosen by many fastidious companies**



Leading Cloud Provider in Japan

## Growing Cloud Computing Market Size



(Source: IDC Japan, Nov. 2011)

# Global Business Strategy

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## ◆ Increasing customer demands for Global Network and Outsourcing Services

- Japanese customers are seeking for network services abroad
- Expect to use IJ Group's reliable services seamlessly
- Strong needs from SNS Game Provider and IJ-Global customers
- Global offering service line-ups
  - IJ GIO (Cloud computing Service)
  - Global-WAN service
  - Global Internet-VPN service

## ◆ Long operational experience in U.S.A

- Network operation & management
- Offering network service to US clients
- Began to offer cloud computing service to Japanese SNS game client

## ◆ Reach to Asian Regions

- Established IJ Global Solutions China Inc. in Shanghai In Jan. 2012 and opened Bangkok representative office in Sep. 2011
- Plan to open offices in Vietnam and other areas
- Preparing to offer IJ GIO in China in Summer 2012

# ATM Operation Business Developments

## ■ATM Operation Business Results

<FY2011/9 months>

- Revenue: JPY0.9 billion
  - Operating loss: JPY91 million
  - 389 ATMs (as of Feb. 8, 2012)
- Number of daily transactions are increasing
- Close to reaching break even point

<FY2010>

- Revenue: JPY0.5 billion
- Operating loss: JPY0.6 billion

### Quarterly Business Results

(JPY millions)	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)

## ■Business Model

- Receives commission for each withdrawal transaction
- ATM machines are leased

➡ Total number of ATMs placed & daily usage per ATM is the key to profit growth



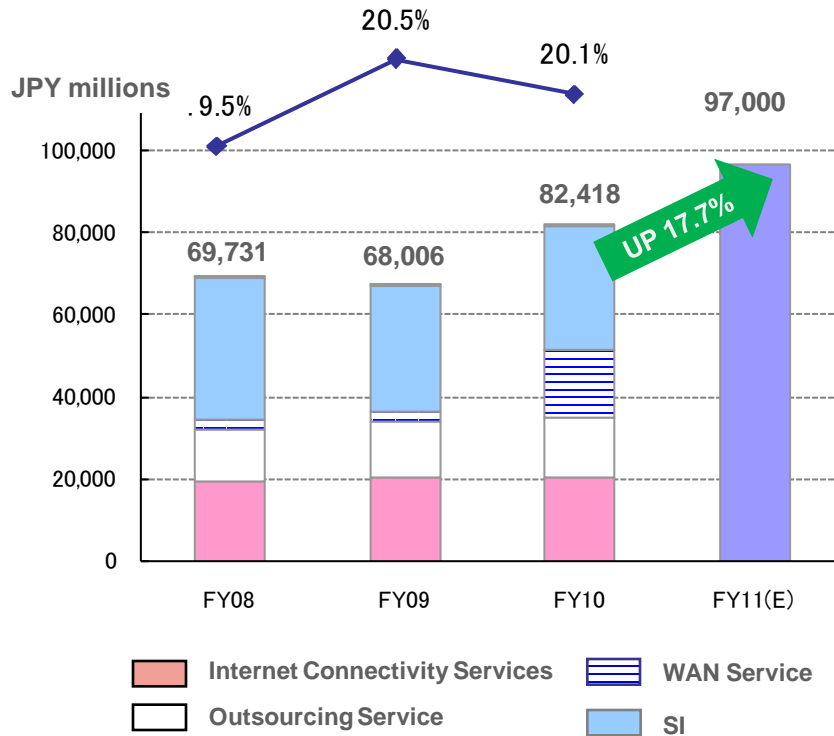
IMAGE PHOTO

## ■About Trust Networks

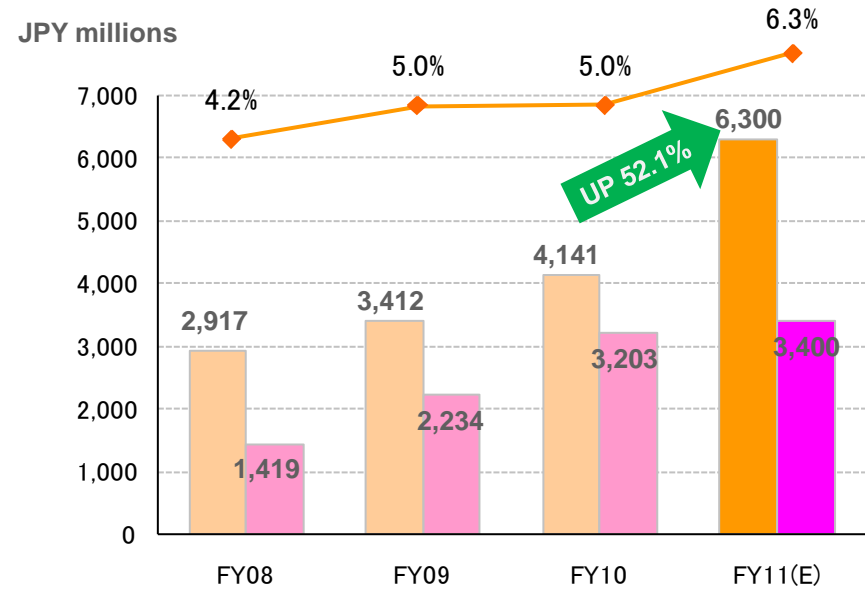
- Established July 2007 (77.8% ownership by IJ)

# Historical Revenue & Income and FY11 Target

## Revenue & Gross Margin



## Operating Income & Operating Income Ratio & Net Income



- Continuous growth of stock revenue
- SI fluctuated due to economic situation
- Solid income growth along with stock revenue accumulation

# Financial Results

**FY2011/1Q-3Q (cumulative)**

# 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

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

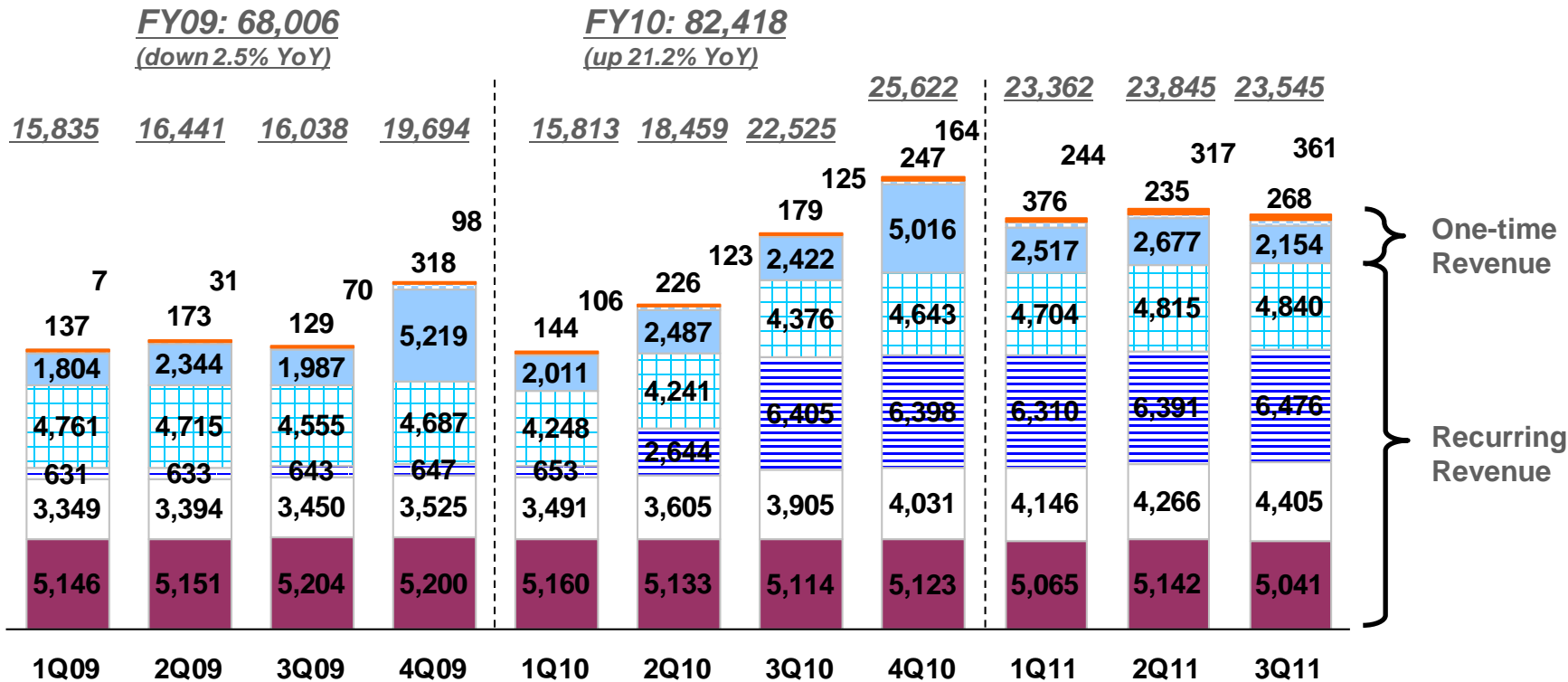
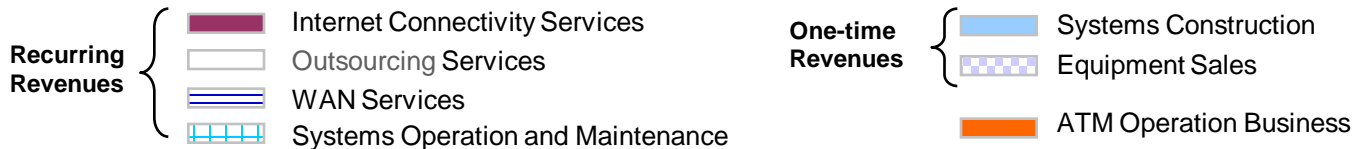
Unit: JPY billion

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



# Revenues

Unit: JPY million



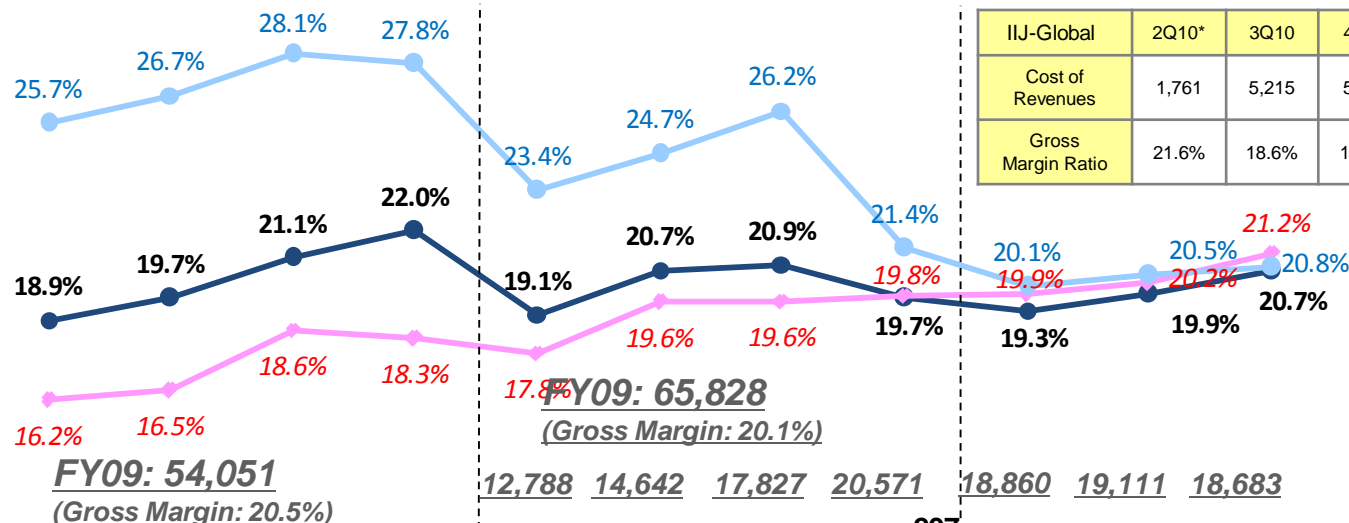
- ◆ 3Q11 Recurring revenues: JPY20,761 million (up 4.9% YoY, up 0.7% QoQ)
- ◆ 3Q11 One-time revenues: JPY2,422 million (down 6.9% YoY, down 16.8% QoQ)
- ◆ 3Q11 IJ-Global revenues: JPY6,444 million (mostly WAN service revenues, partly SI)  
(3Q10: JPY6,406 million, 4Q10: JPY6,442 million, 1Q11: JPY6,464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

# Cost of Revenues and Gross Margin Ratio

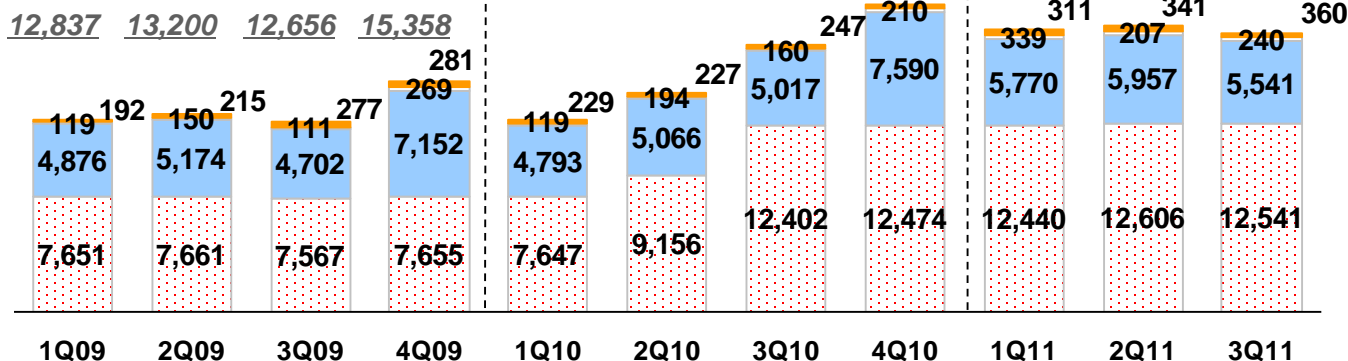
Unit: JPY million

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



IJJ-Global	2Q10*	3Q10	4Q10	1Q11	2Q11	3Q11
Cost of Revenues	1,761	5,215	5,160	5,173	5,265	5,187
Gross Margin Ratio	21.6%	18.6%	19.9%	20.0%	19.4%	19.5%

\* IJJ-Global consolidated on Sep. 1, 2010

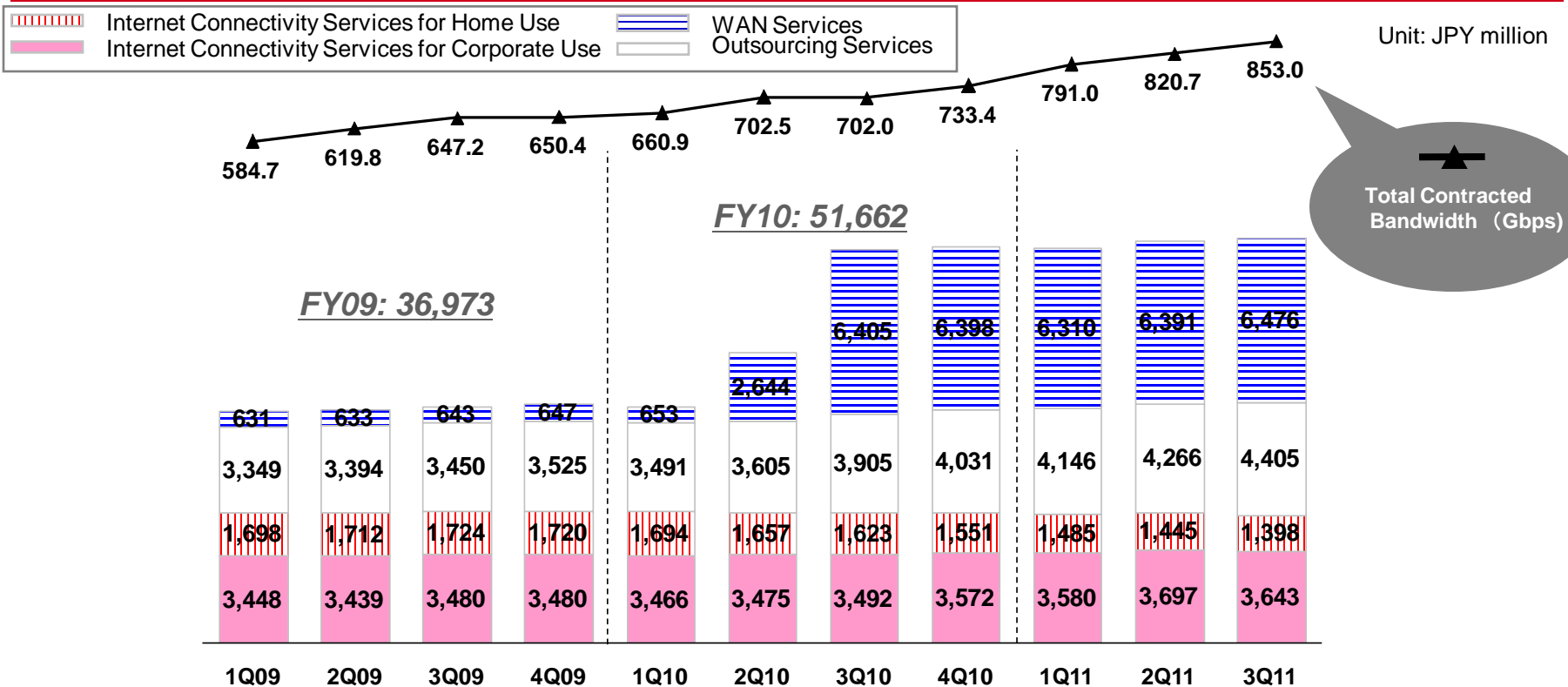


- ◆ 3Q11 Gross margin: JPY4,862 million (up JPY164 million YoY, up JPY128 million QoQ)
  - Network services gross margin: JPY3,380 million (up JPY358 million YoY, up JPY186 million QoQ)
  - SI gross margin: JPY1,453 million (down JPY327 million YoY, down JPY83 million QoQ)
  - ATM operation business: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

# Network Services

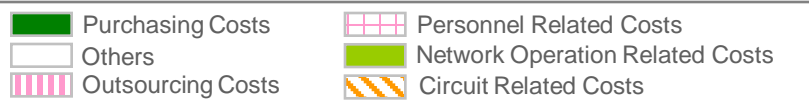
YoY = 3Q11 compared to 3Q10  
QoQ = 3Q11 compared to 2Q11



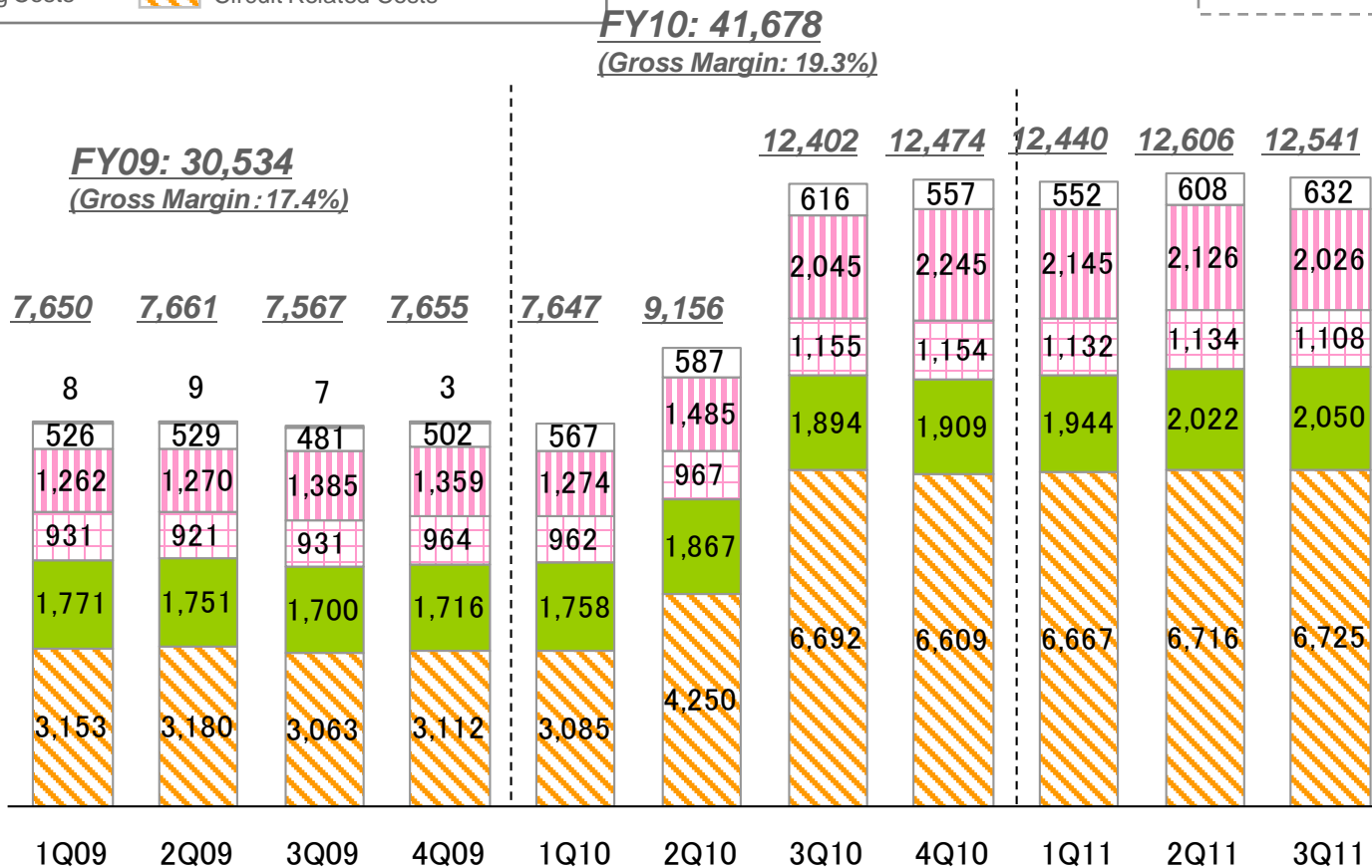
- ◆ 3Q11 Internet connectivity services for corporate use: up JPY151 million YoY, down JPY54 million QoQ
  - IP service contracts increased but revenues decreased by JPY86 million QoQ due to the decrease in volume charge revenues
  - Contracts of over 1Gbps as of Dec. 31, 2011 reached 132 contracts (as of Dec. 31, 2010: 127 contracts, as of Sep. 30, 2011: 129 contracts)
  - IIJ Mobile service revenues and contracts increased due to M2M projects (46,964 contracts as of Dec. 31, 2011, up 12,661 YoY). IIJ 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, IIJ GIO Hosting Package Service and Web security related services steadily increased
- ◆ 3Q11 WAN services: up JPY71 million YoY, up JPY84 million QoQ. IIJ's own WAN service increased

# Network Services (2) Cost of Revenues

Unit: JPY million



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



- ◆ 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)

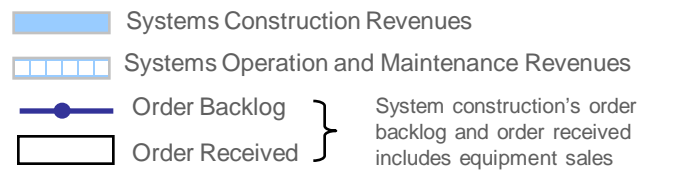
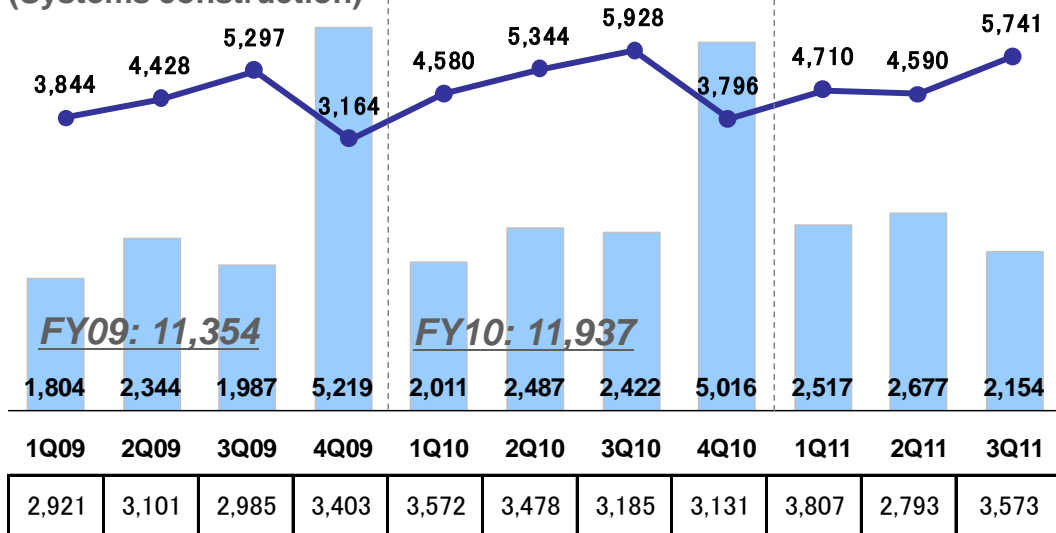
# Systems Integration

## (1) Revenues

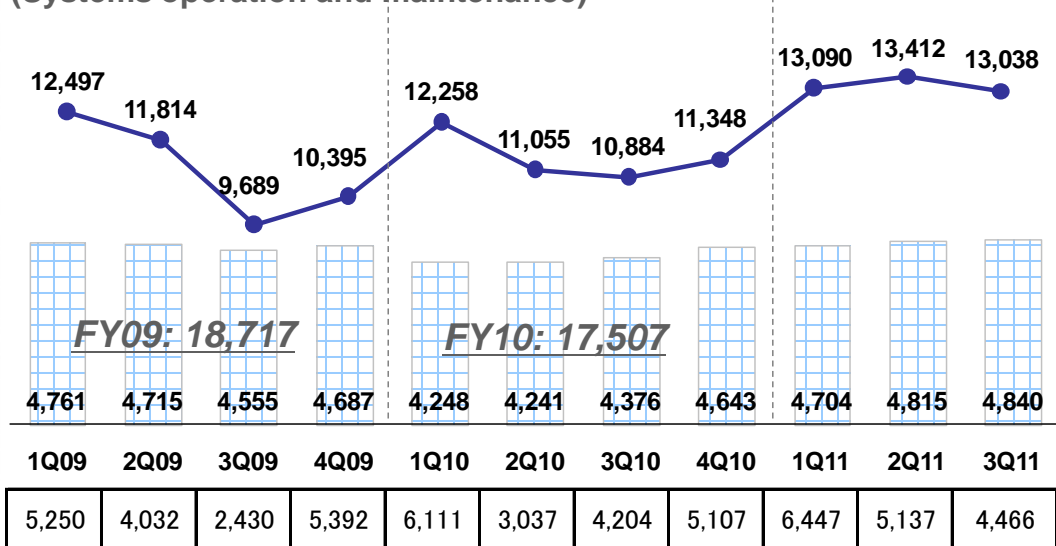
Unit: JPY million

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

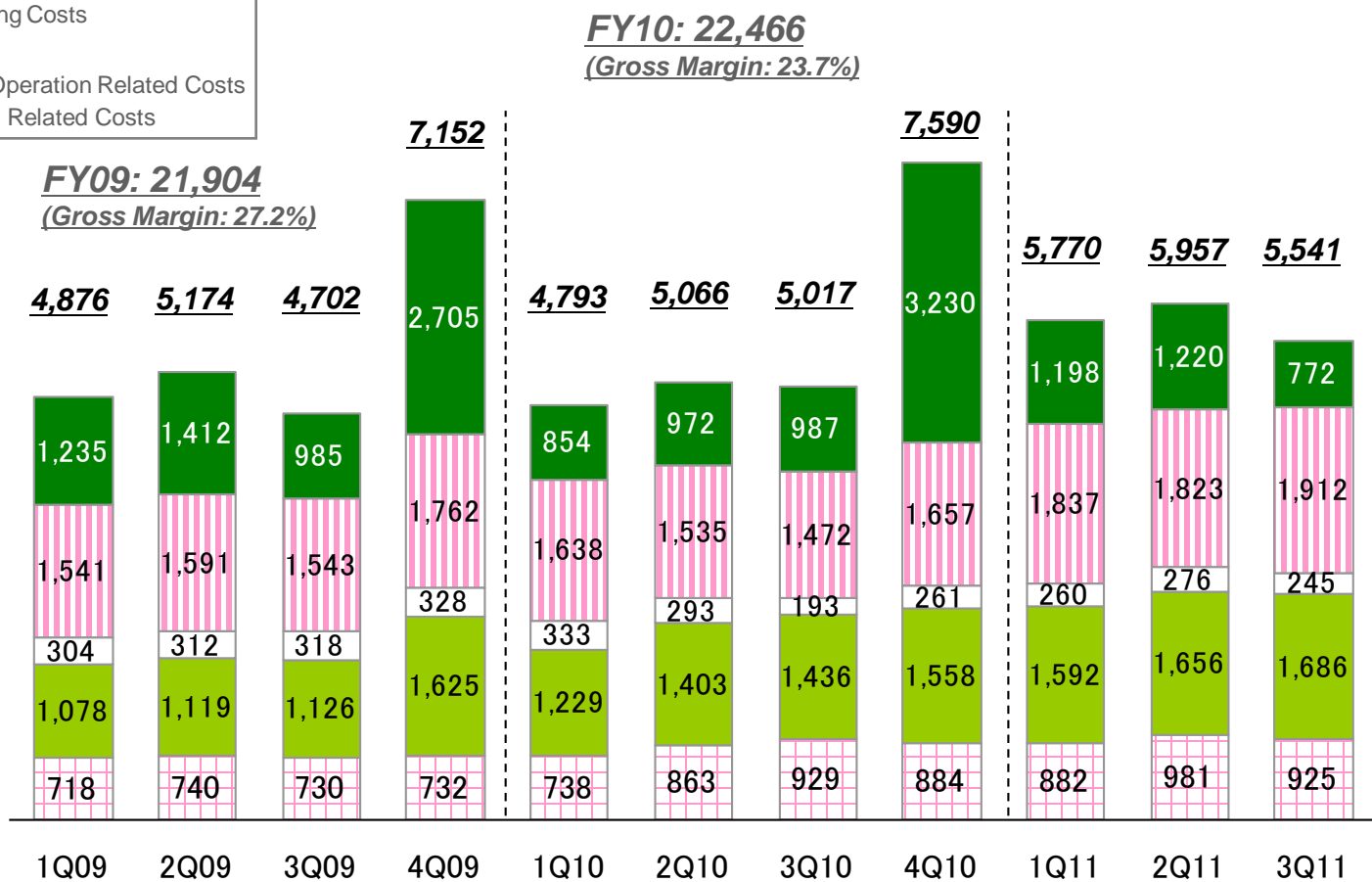
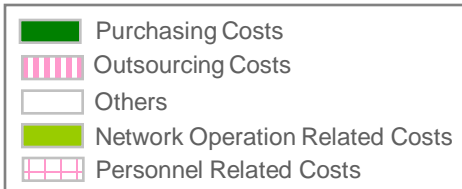
- ◆ 3Q11 Revenues: up 10.6% YoY, up 0.5% QoQ
  - Continuous increase due to the accumulation of IIJ GIO component services revenues
- ◆ 3Q11 Order received: up 6.2% YoY, down 13.1% QoQ
  - Order backlogs as of Dec. 31, 2011: up 19.8% YoY, down 2.8% QoQ

# Systems Integration

## (2) Cost of Revenues

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

Unit: JPY million

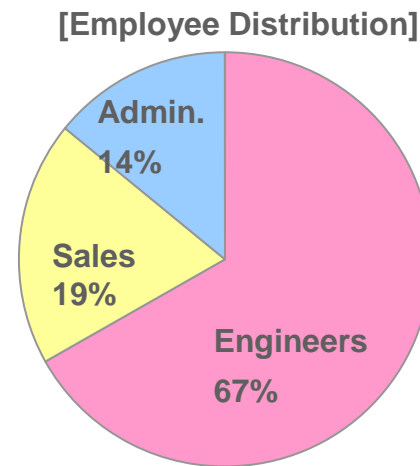
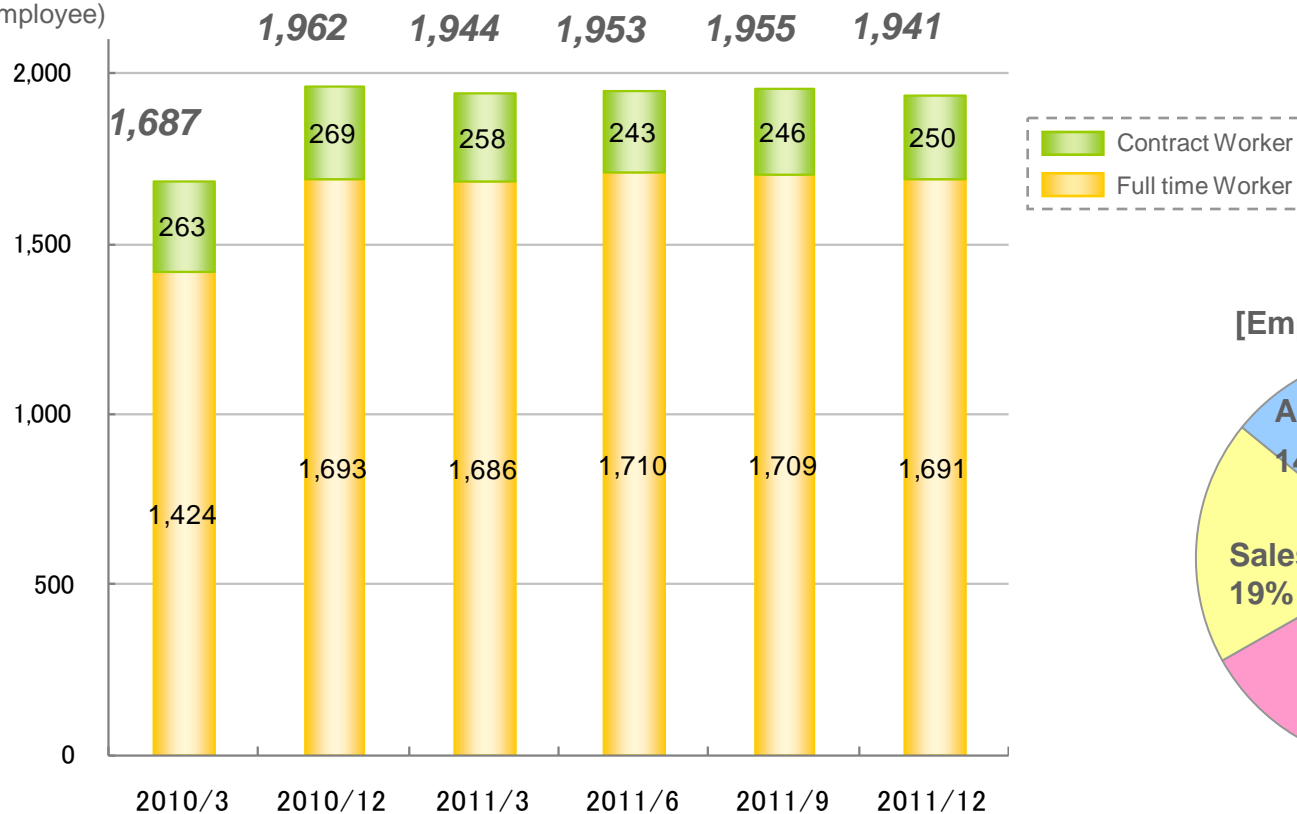


- ◆ 3Q11 Cost of SI: JPY5,541 million (up JPY524 million YoY, down JPY416 million QoQ)
  - The number of full-time outsourcing personnel as of Dec. 31, 2011 was 468 personnel (up 123 YoY, up 54 QoQ)
- ◆ FY11 9 months SI cost of revenues: JPY17,267 million (FY10 9months: JPY14,876 million)
  - Outsourcing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

# Number of Employees

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

(Number of Employee)



Personnel Related Costs and Expenses (% of Revenue)

<b>3,627</b> <b>(15.5%)</b>	<b>3,686</b> <b>(15.5%)</b>	<b>3,551</b> <b>(15.1%)</b>
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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)

# SG&A Expenses/R&D

Unit: JPY million

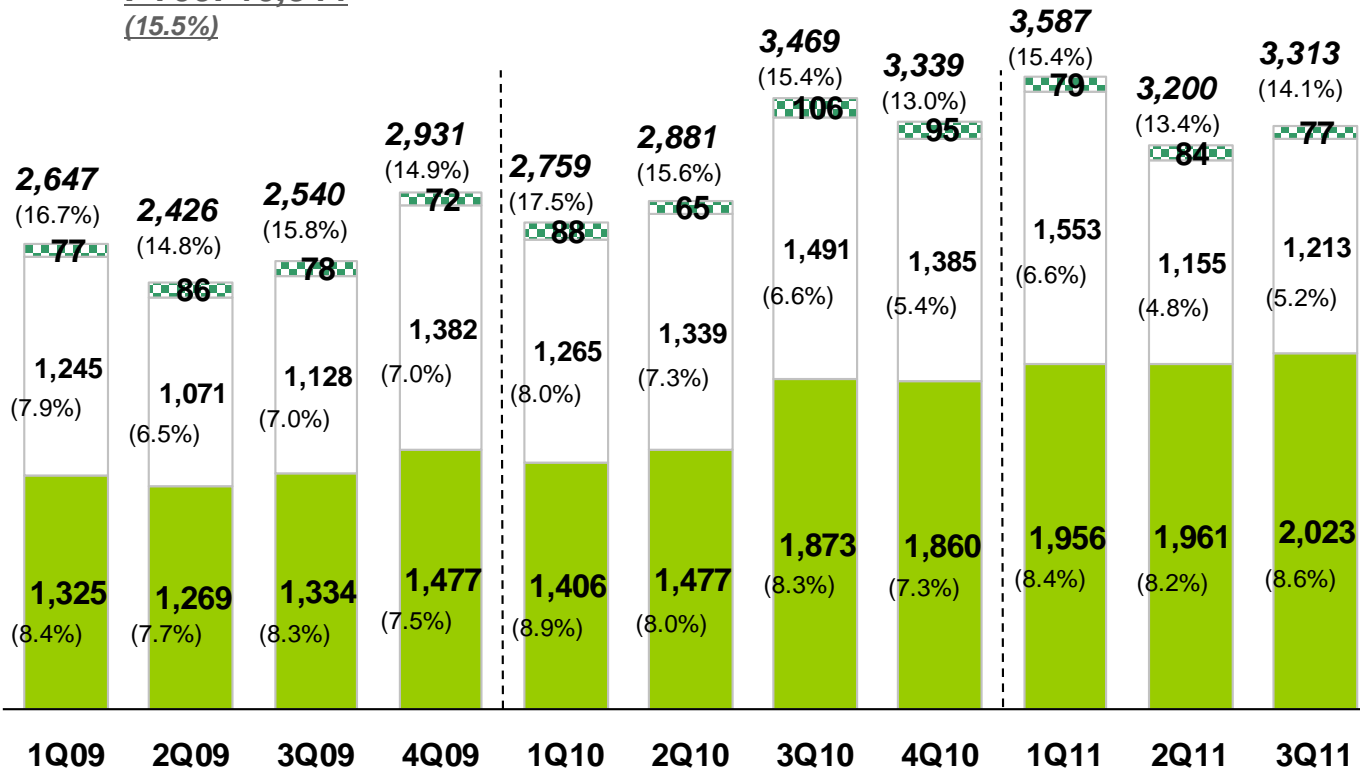
Sales and Marketing Expenses  
 Research and Development  
 General and Administrative Expenses ( ) % of Revenues

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

**FY09: 10,544**  
(15.5%)

**FY10: 12,449**  
(15.1%)

\* 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

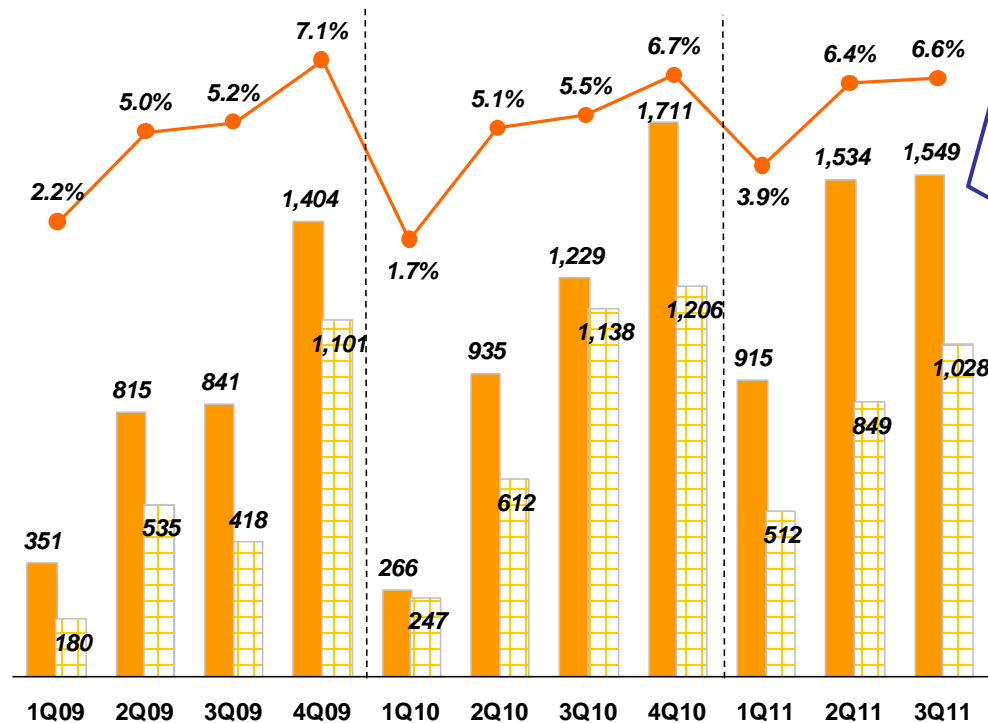


# Operating Income and Net Income

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

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

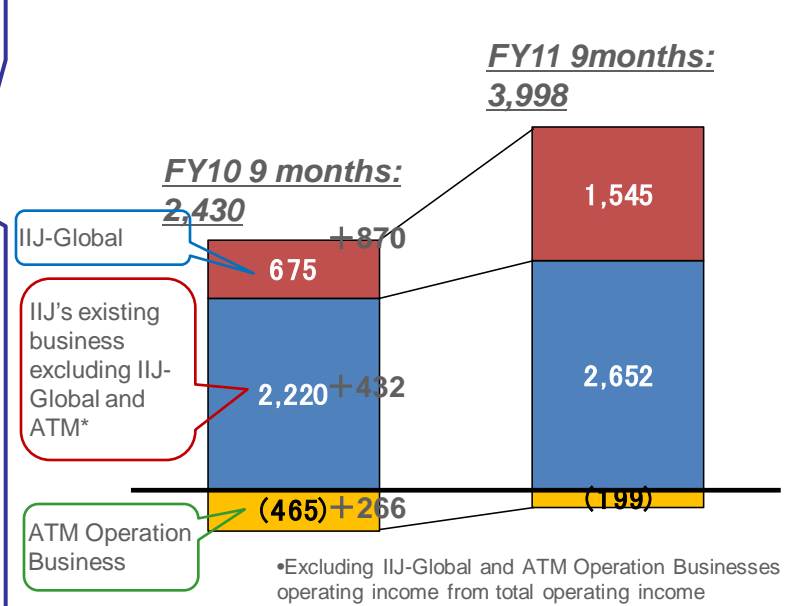
**FY2010**  
Operating income: 4,141  
Net income attributable to IJ: 3,203



Operating Income  
 Net Income Attributable to IJ  
 Operating Margin Ratio

Unit: JPY million

## ◆ 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)

# 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)

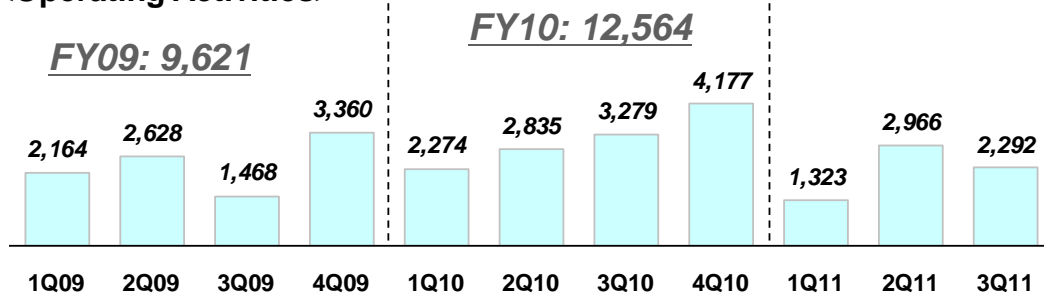
➤ Decreased mainly due to the payment for fixed assets

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

# Consolidated Cash Flows

Unit: JPY million

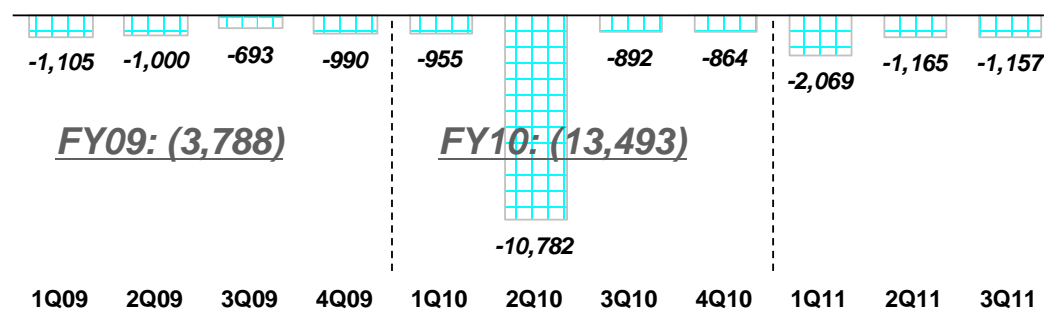
## <Operating Activities>



## <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

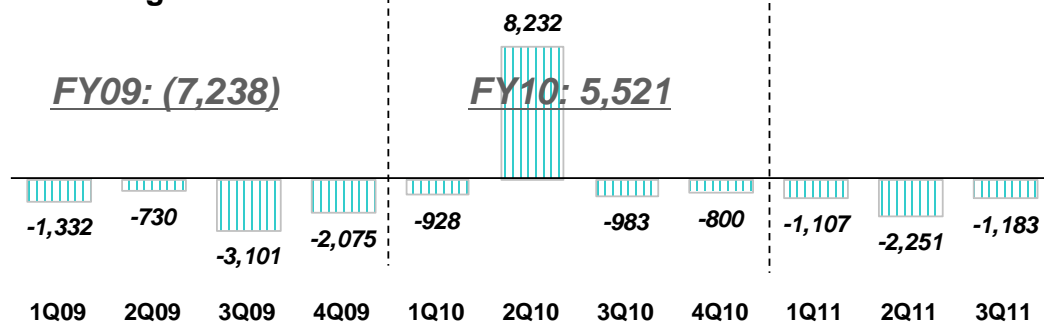
## <Investing Activities>



## <3Q11 Investing Activities>

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

## <Financing Activities>



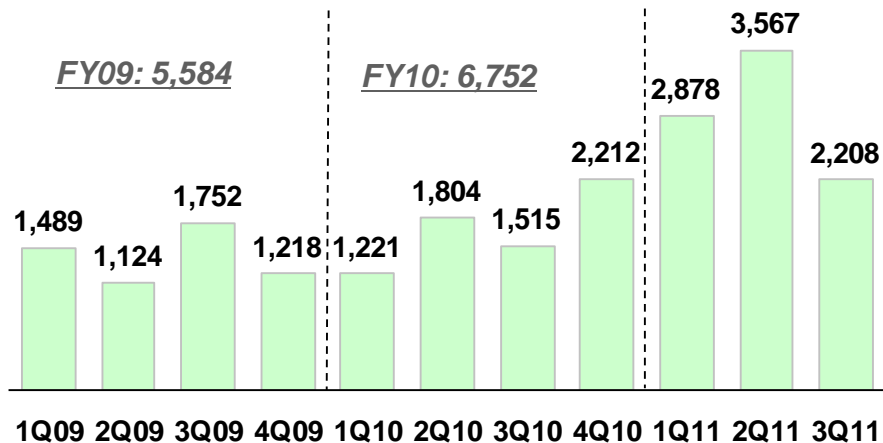
## <3Q11 Financing Activities>

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

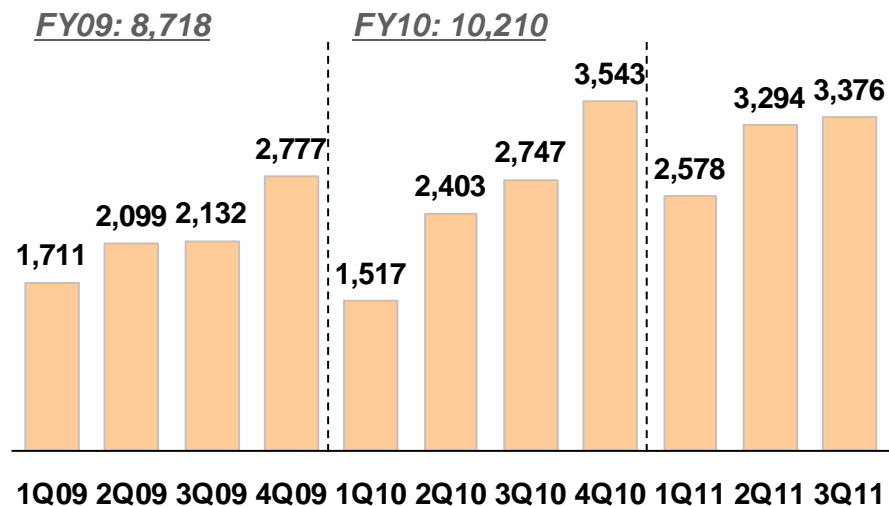
# Other Financial Data (CAPEX etc.)

Unit: JPY million

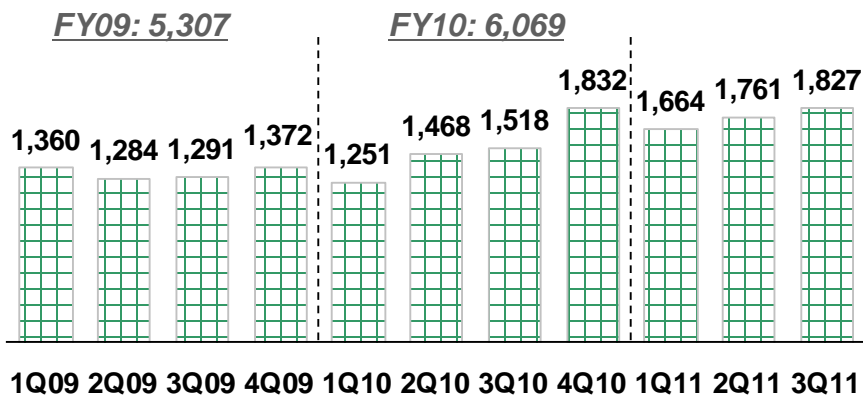
## CAPEX (Include Capital Lease)



## Adjusted EBITDA



## Depreciation and Amortization



# Reference: 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)

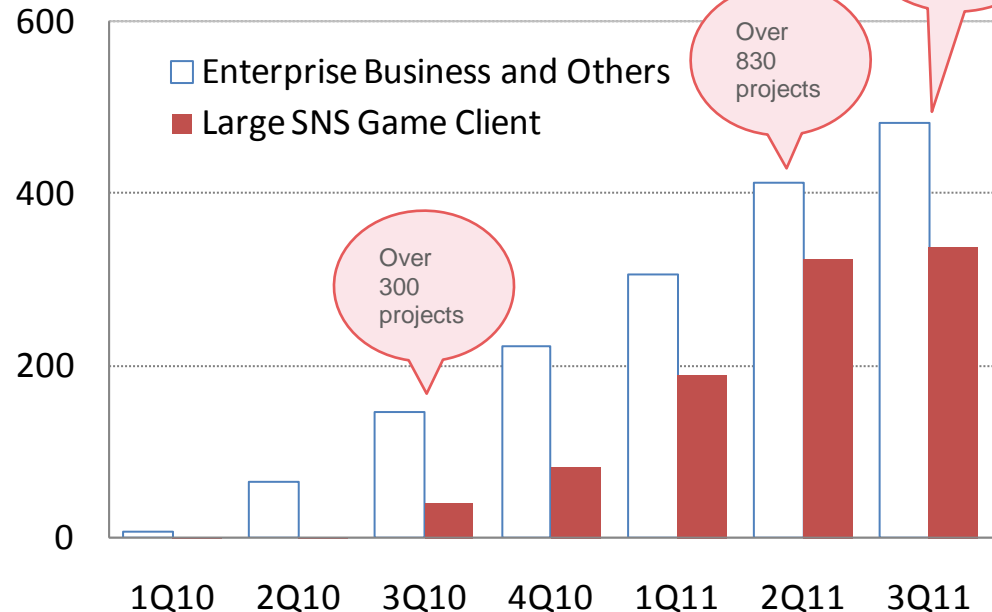
- NTT Docomo: Docomo Market (i-mode) infrastructure on IIJ GIO
- Tokyo Stock Exchange: Remote data backup system
- Shimuzu Construction: Renewal of email system on IIJ GIO
- Sumitomo Forestry: Group web system reconstruction on IIJ GIO
- Ricoh: Video meeting service on IIJ GIO

## ■ IIJ GIO Globalization

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

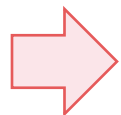
(JPY million)

## IIJ GIO Revenues



### <IIJ GIO Revenue recognition>

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



New services and functions are continuously implemented

# 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	<b>97.0</b>	<b>100.0</b>	<b>82.4</b>	<b>+14.6</b>	<b>17.7%</b>
Operating Income	<b>6.3</b>	<b>6.3</b>	<b>4.1</b>	<b>+2.2</b>	<b>52.1%</b>
Income before Income Tax Expense (Benefit)	<b>5.6</b>	<b>5.6</b>	<b>3.8</b>	<b>+1.8</b>	<b>46.1%</b>
Net Income attributable to IIJ	<b>3.4</b>	<b>3.4</b>	<b>3.2</b>	<b>+0.2</b>	<b>6.1%</b>
Net Income attributable to IIJ per Share	<b>JPY 16,775</b>	<b>JPY 16,775</b>	<b>JPY 15,761</b>	<b>JPY +1,014</b>	<b>6.4%</b>
Cash Dividend per Share	<b>JPY 3,000</b> (Annual)	<b>JPY 3,000</b> (Annual)	<b>JPY 2,750</b> (Annual)	<b>JPY +250</b>	<b>9.1%</b>

- 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.

# IIJ Group Companies

(as of February 2012)

	Company Name	Ownership	Main Business
Consolidated Subsidiaries	 Net Care, Inc.	100%	Provides a full range of network operation and management services, from customer support, end-user help desks, monitoring and troubleshooting to integrated management services.
	 Net Chart Japan Inc.		Provides network construction services, primarily for LANs, such as network installation wiring, installation and set-up of equipment, installation of applications, and operational support.
	 IIJ America Inc.		Provides quality Internet services in the U.S. with a focus on U.S.-based enterprises doing business in the Asia-Pacific region. Also IIJ-A constructs and operates on U.S. Internet backbone network.
	 hi-ho, Inc.		Supports customer's safe, secure and comfortable Internet life based on ISP business for personal users.
	 IIJ Innovation Institute Inc.		An incubation business for the next generation internet. (R&D)
	 IIJ Global Solutions Inc.		Provides domestic network outsourcing related services including WAN service and international network related services
	 Trust Networks Inc.		77.8%
Equity Method Investees	 Internet Multifeed Co.	33%	Provides mutual access with other major ISPs and content distribution services based on Multifeed technology. Also MFEED operates JPNAP, a distributed IX service.
	 Internet Revolution, Inc.	30%	Operates a comprehensive portal site that provides various contents, such as SNS, blogs, stunning games, videos, and music.
	 Trinity Inc.	45%	Provides operation of reward point management system

## ※ 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").

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**Internet Initiative Japan**