



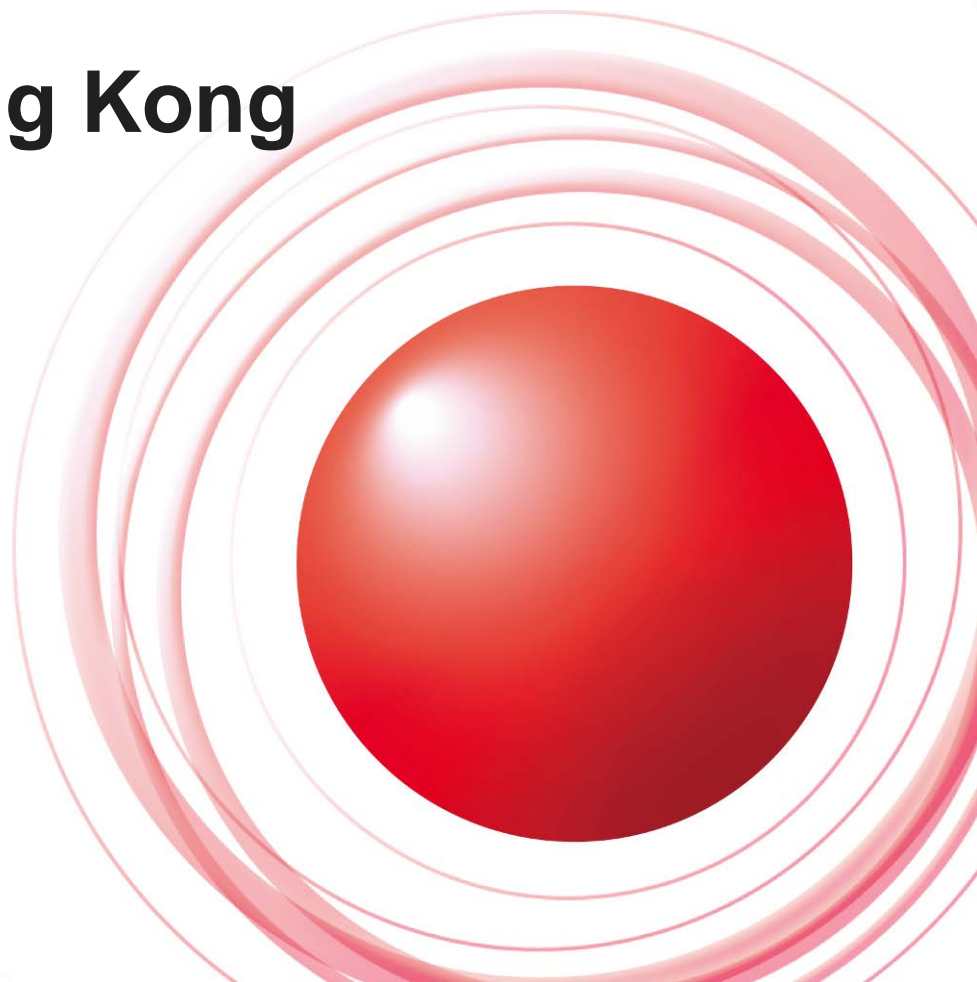
Internet Initiative Japan Inc. Corporate Overview

IR Roadshow in Hong Kong

June 2017

TSE1:3774 NASDAQ:IIJI

Ongoing Innovation



About IIJ

- Internet Technology Initiatives in Japan
- Technology and Service Developments
- ISP to Total Network Solution Provider

Competitive Advantages

- Over 8,500 Excellent Enterprise Customers in Japan
- Comprehensive Line-up of IT Services
- Target Blue-chip's IT Shift

Growth Strategy

- Leveraging Blue-chip Customer Base
- Cloud Business Developments
- Mobile Business Developments
- Implementation of Full-MVNO
- Current Business Situation
- Middle Term Plan
- Revenue and Operating Margin Growth

Financial Summary

Appendix

Financial Results

Internet Technology Initiatives in Japan

About IIJ

Established	December 1992
Number of Employees* (Consolidated)	3,104 (approx. 70% engineers)
Listed Markets	NASDAQ (IIJI), TSE1 (3774)
Large Shareholders*	NTT(21.6%), Dalton(6.3%) Koichi Suzuki(5.6%*), NTT Communications(4.4%) *Jointly owned by Mr. Suzuki's wholly owned private company

◆ The first established full-scale ISP in Japan

- Introduced many prototype Internet-related network services
- Highly skilled IP engineers
- Self-develop services and the related back office facilities

◆ “IIJ” brand towards blue-chips market

- Over 8,500 customers: mainly large enterprises & governmental organizations
- Differentiate by reliability and quality of network and systems operation
- Long-term client relationship with no serious systems troubles

◆ At the leading edge of IP R&D

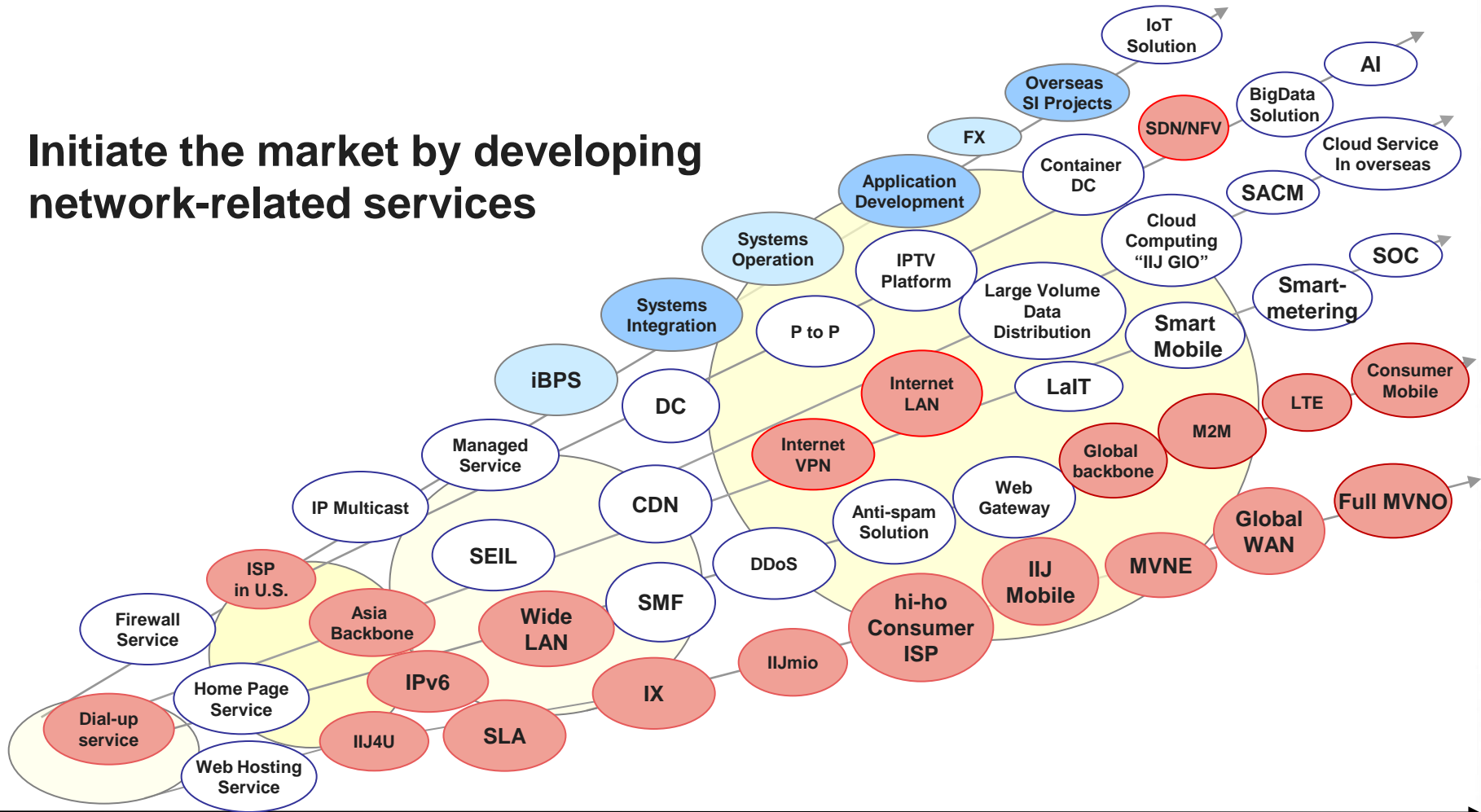
- Differentiate by continuous service developments and business investments
- Enhancing cloud, mobile, security, contents delivery and solutions related to bigdata and IoT
- Participates in world-wide research and organizations ...and many more

* as of March 31, 2017

Technology and Service Developments

About IIJ

Initiate the market by developing network-related services



1992  Internet Initiative Japan	1996  IIJ America	1997 	2006  Net Chart Japan i-revo	2007  hi-ho	2008  INNOVATION INSTITUTE	2010  IIJ Global	2012  Trust Networks	2013  IIJ Europe	2014  ATKUSAZA NETWORK
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IIJ Group

ISP to Total Network Solution Provider

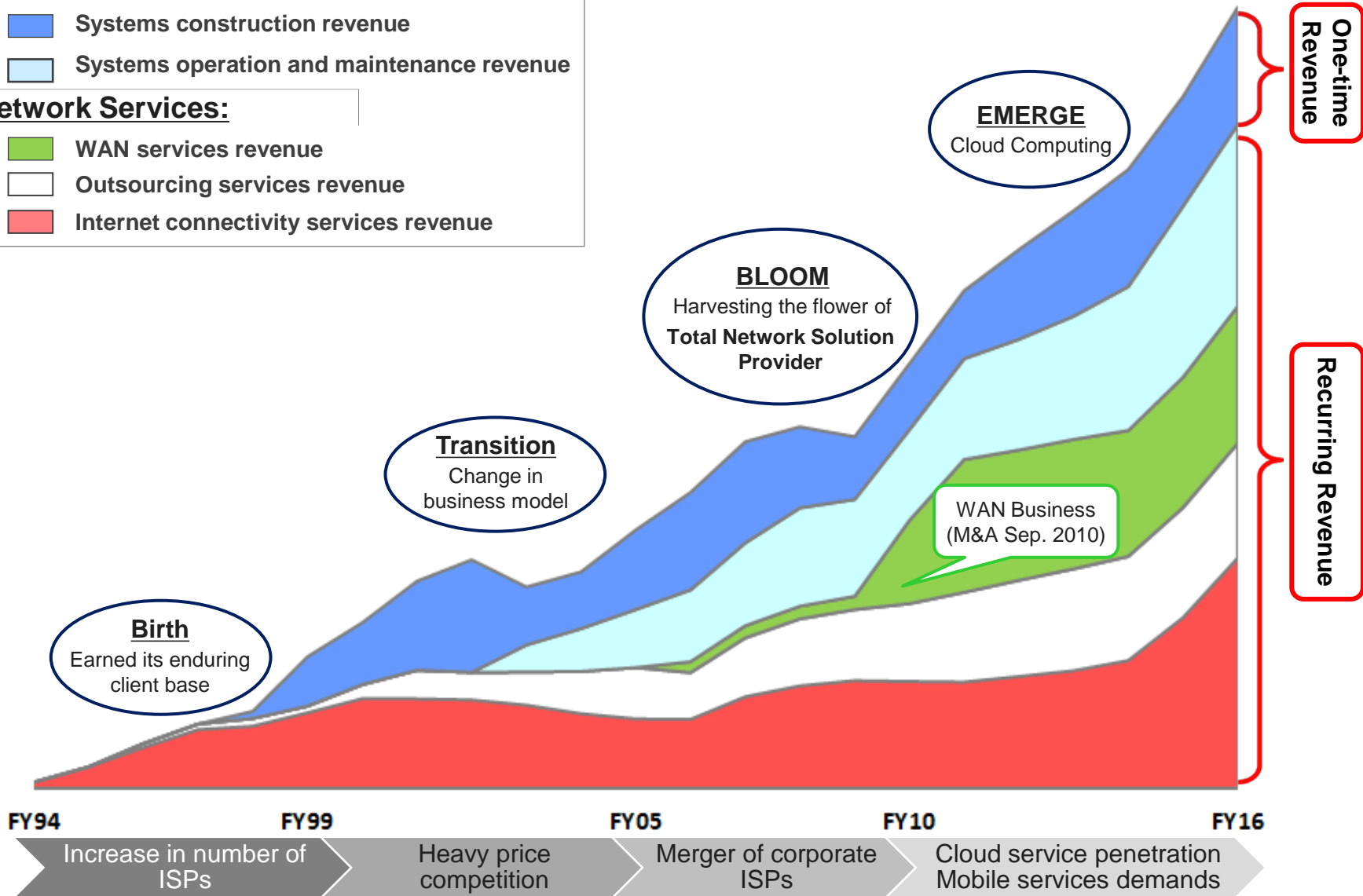
About IIJ

Systems Integration:

- Systems construction revenue
- Systems operation and maintenance revenue

Network Services:

- WAN services revenue
- Outsourcing services revenue
- Internet connectivity services revenue



Over 8,500 Excellent Enterprise Customers in Japan

Competitive Advantages

Cover Most of Top 10 Revenue Companies

The number of clients among the top 10 companies in each industry.



Electronic appliances



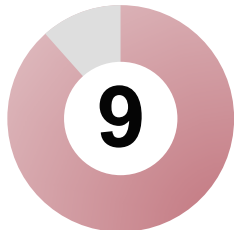
Construction



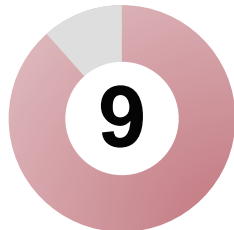
Securities



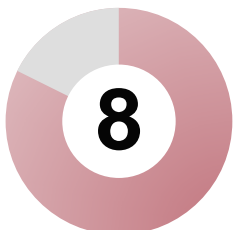
Information/Telco



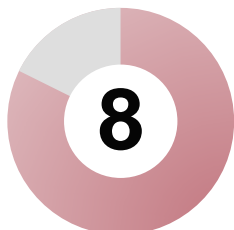
Retail



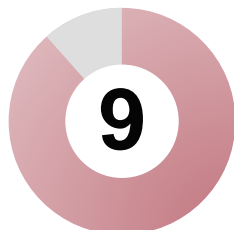
Wholesale



Banks

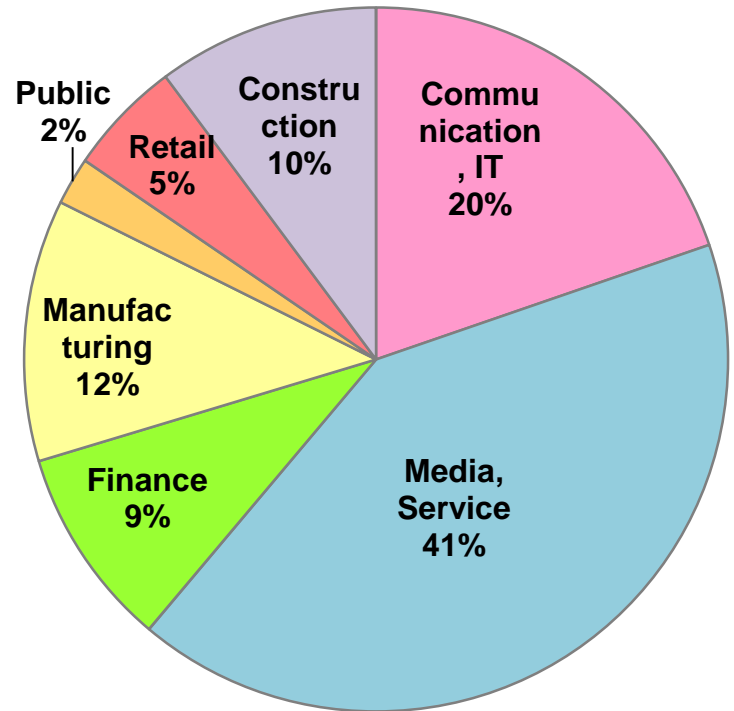


Insurance



Precision equipment

Revenue Distribution by Industry



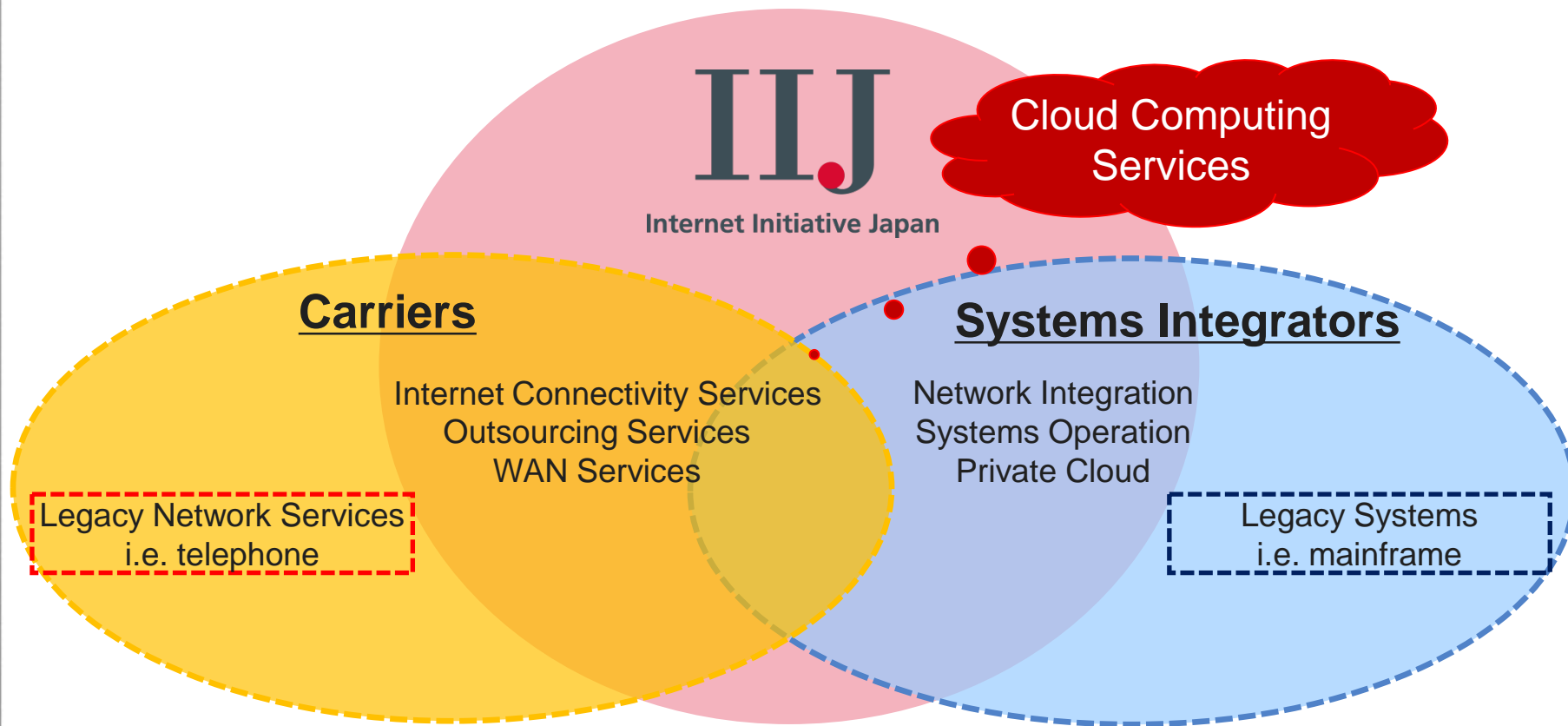
Source: IJ's FY2016 financial results

Comprehensive Line-ups of IT services

Revenues		Services	Business status
NW Services	Internet Connectivity (Enterprise)	<ul style="list-style-type: none"> • Primary connectivity for head offices • High-performance dedicated connectivity • Redundant connectivity for multi-site 	<ul style="list-style-type: none"> • Dominate the matured market • Revenue gradually increase with greater contracted bandwidth/traffic • Anticipate to grow with further cloud service penetration and CDN • Continuous network expansion
	Internet Connectivity (Consumer)	Mobile <ul style="list-style-type: none"> • Mobile solutions, M2M/IoT, MVNE for enterprises • Inexpensive SIM card services for consumers 	<ul style="list-style-type: none"> • Emerging market, consumer rapidly expanding • M2M/IoT for enterprises grow for mid-term • Business investment for full-MVNO
	WAN	<ul style="list-style-type: none"> • Closed NW for multi-site connection 	<ul style="list-style-type: none"> • Stable market for long term
	Outsourcing	<ul style="list-style-type: none"> • Security, data center, email outsource, NW/Server management service line-ups etc. • Over 60 in-house developed services 	<ul style="list-style-type: none"> • Cross-sell and accumulate various outsourcing services • Growing demands for security • Continuous service development
SI	Operation & Maintenance	Cloud <ul style="list-style-type: none"> • Full service line-ups for IaaS • SaaS/PaaS with partners • Hybrid/Multi cloud solutions • BigData, FX application etc. 	<ul style="list-style-type: none"> • Enormous opportunities with cloud shift of large enterprises' systems • Core area of the mid-long term growth • Continuous service enhancement including GIO P2
	Construction	<ul style="list-style-type: none"> • Internet-related SI, NW integration • Cloud-related, mobile-related SI • Operation & maintenance after construction 	<ul style="list-style-type: none"> • Value-added functions to promote cloud, mobile systems etc.
Equipment Sales			

Target Blue-chip's IT Shift

~ Cover Corporates' New IT Services Demands with reliable operation ~



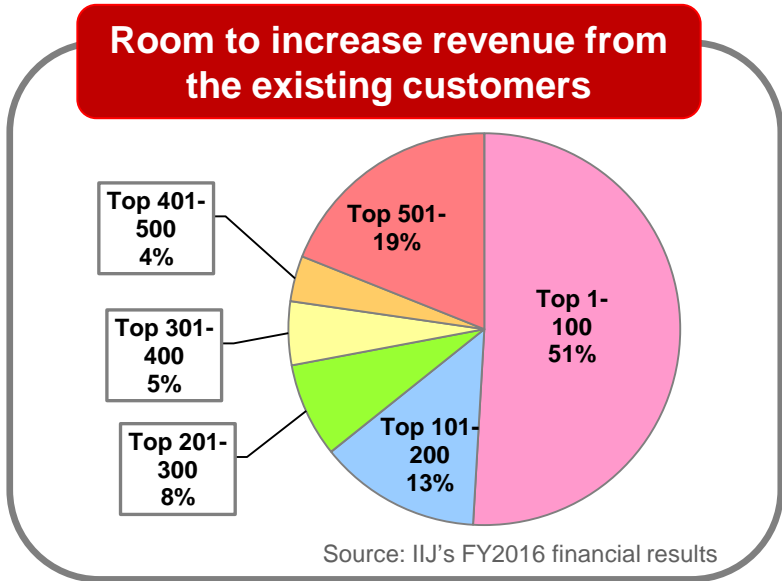
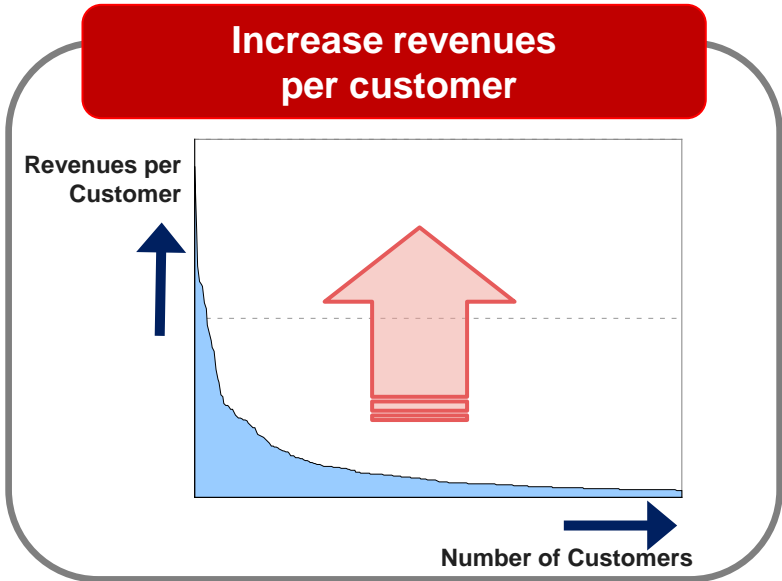
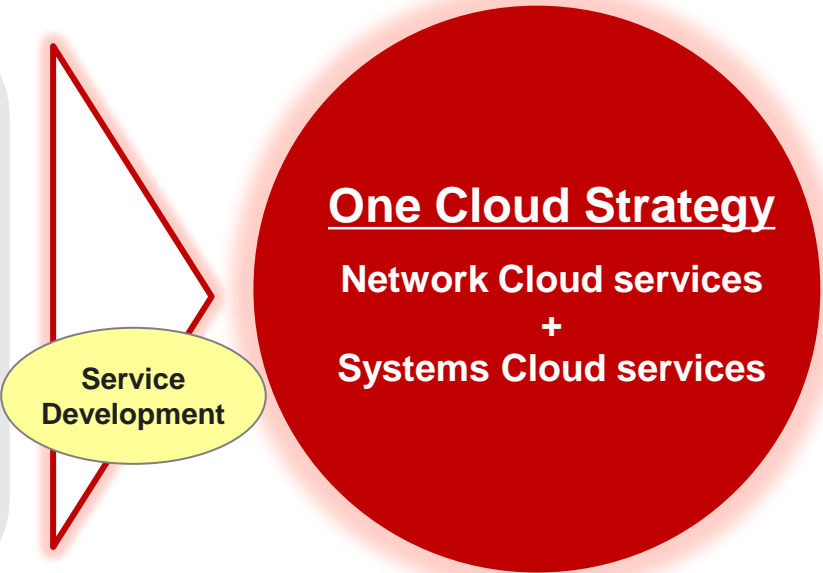
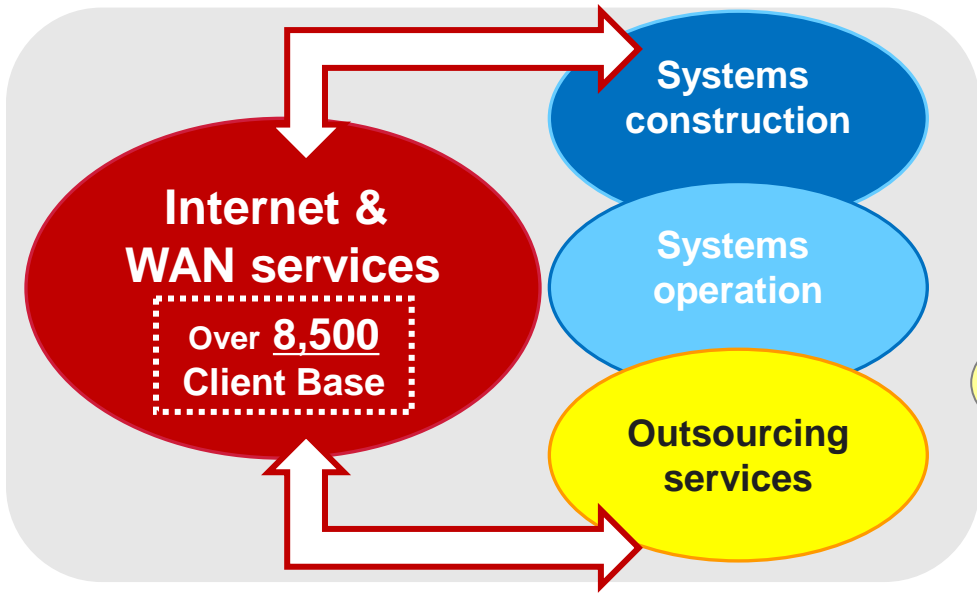
IIJ's differentiation points towards competitors

- Many highly skilled network engineers
- Corresponds to the Internet market rapidly
- Unbureaucratic organization structure

- Operates network facilities by ourselves
- Develops network services
- Moderate number of employees

Leveraging Blue-chip Customer Base

Growth Strategy



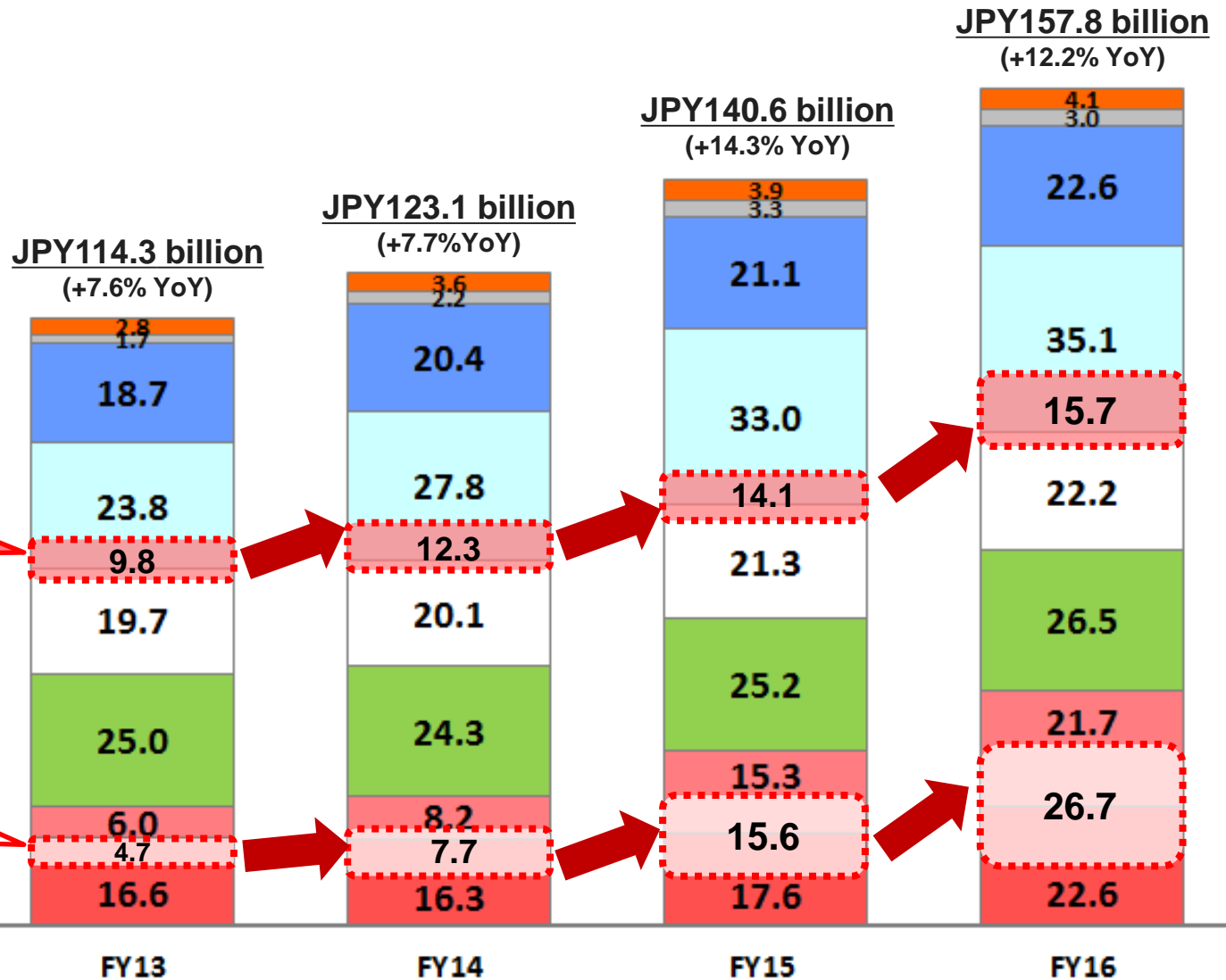
Leveraging Blue-chip Customer Base

Growth Strategy

Unit: JPY billion

~ Cross-selling multiple service products ~

- < Revenue Breakdown >**
- ATM Operation Business
 - Equipment Sales
 - Systems construction
 - Systems operation & maintenance
 - Outsourcing services
 - WAN services
 - Consumer Internet services
 - Enterprise Internet services



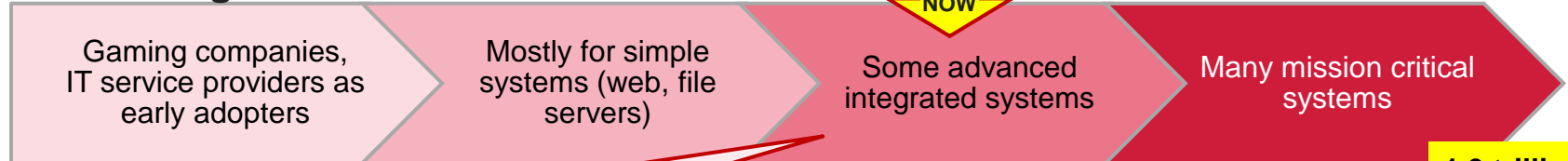
Cloud services

Mobile services

Cloud Business Developments

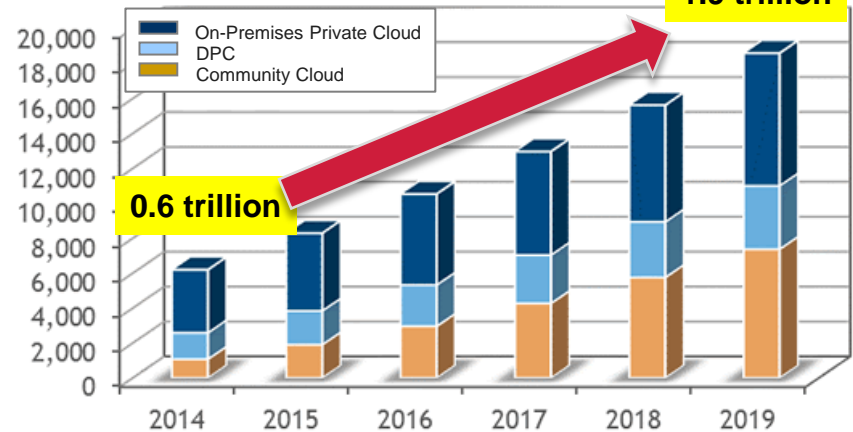
Cloud Market in Japan

~ Cloud Usage ~



Enterprises' cloud penetration : 44.5%*

- Average system life cycle: 5 years
- Cloud migration expected to further penetrate
- Systems don't migrate all at once, especially large internal systems
 - Customization (SI) is required when migrating to cloud
- Great business opportunity with IoT and BigData



*WHITE PAPER "Information and Communications in Japan (as of Dec. 2015)" published by MIC in July 2016

IDC Japan Domestic Private Cloud Market Estimation (2014-2019)

IIJ's Cloud Services

- One of the first cloud service providers in Japan (launched services in FY10)
- Offer private/public infrastructure (virtual servers, storage, etc.)
- Target large business enterprises' internal IT systems, traditionally covered by SIers
 - Current IIJ's SI is mostly Internet-related systems
- Approx. 600 partners (Microsoft, VMware, SAP, IBM, etc.)
- Promote cloud shift of blue-chips by continuously enhancing service line-ups including GIO P2
- Engage in solution development (BigData, M2M, etc.)

Cloud Business Developments

Growth Strategy

IIJ's Cloud

- ◆ Target large enterprises
- ◆ Experience and reputation
- ◆ Reliable operation
- ◆ Deep relationships with blue-chip customers
- ◆ One of the largest cloud providers
- ◆ Own-service developments

Competitors

AWS/Azure etc.

- ◆ Strong scale merit
- ◆ Not so strong about meeting individual system needs
 - Service specs
 - SI expertise
 - Customer support

Slers

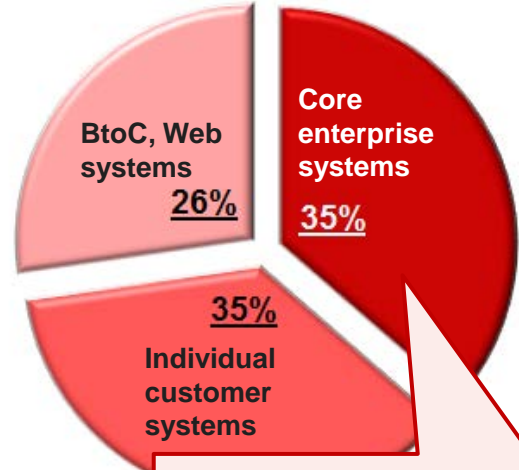
- ◆ Tailored toward individual private cloud, in principal
- ◆ Target current clients, in principal

GIO P2 ~ new service infra.~

- ◆ Hybrid (private & public)
- ◆ Multi-cloud
- ◆ User-oriented VMware usage
- ◆ Various options for CPUs/OSs/storage/network usage etc.



GIO P2 Systems Usage



Among monthly revenue charge over JPY1 million P2 prospective projects, 35% are core enterprise systems-related

IIJ's Cloud Competitive Advantages

- ◆ Combination with network, security services and SI
- ◆ Reliability and value-added service features for Japanese systems
- ◆ Differentiate by face-to-face consultation, service line-ups, and operation-customer support
- ◆ Monitors IIJ GIO, other vendors' cloud service and on-premise systems
- ◆ Leverage network service clients to cover large enterprises' internal systems' cloud shift
- ◆ Integrate Full-MVNO, security, SI into IoT/Big Data transactions

Ongoing Service Enhancement

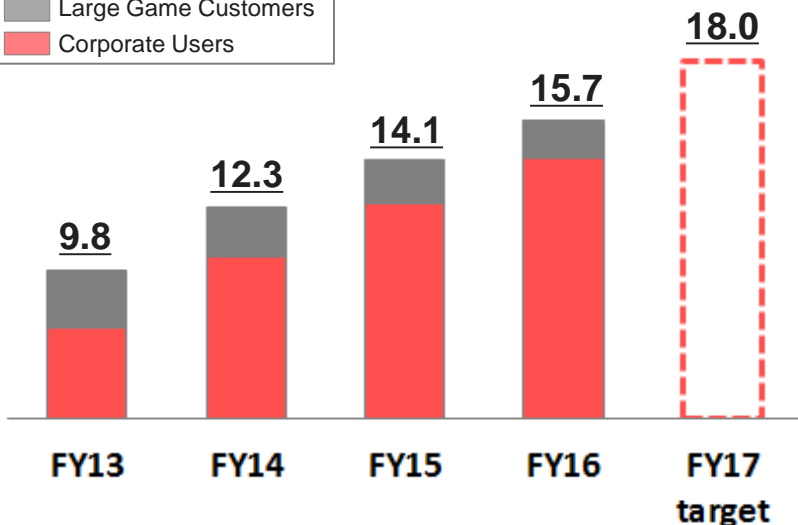
- Launched GIO P2 to provide public and private cloud resources seamlessly as most cloud systems require both
- Enhanced operation and maintenance service functions to oversee customers' systems from on-premise, other vendors' cloud and IIJ's, added some automation functions recently to provide genuine total support and many more

Cloud Business Developments

Revenue Growth

Unit: JPY billion

■ Large Game Customers
■ Corporate Users



Customer Base

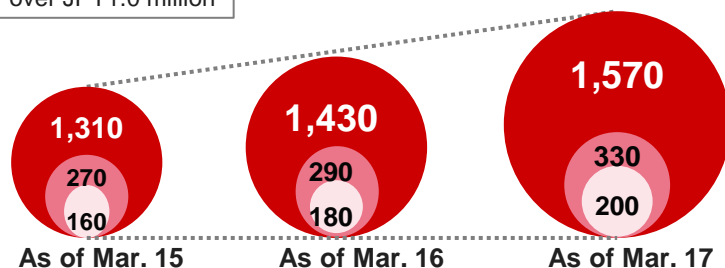
SBI Holdings
TOMY COMPANY
Nippon Life Insurance Company

NTT DOCOMO
Nomura Securities
SHIMIZU CORPORATION

Ricoh Company
Tokyo Stock Exchange
Toray Industries, Inc.
.... and many more

■ MRC* over JPY0.5 million
■ MRC* over JPY1.0 million

*Monthly Recurring Charge



Business Model

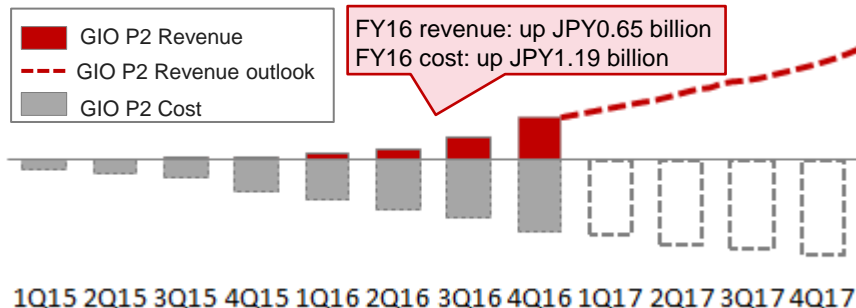
- Continuously invest in service facility and developments (servers, storage and datacenter)

Cloud-related CAPEX (unit: JPY billion)			
FY13	FY14	FY15	FY16
3.7	1.7	4.4 (of P2-related: 2.2)	3.6 (of P2-related: 2.0)

- Benefit from large-scale service facility by improving utilization
- GIO P2 launched (fall '15), profit burden currently

GIO P2 Services to growth

- Continuously accumulating prospective orders: approx. 800 as of FY16-end, up approx. 500 YoY
- GIO P2 revenue and cost:



Cloud Business Developments

~ Flagship GIO P2 transactions ~

Core Business System

Nippon Express, one of the largest global logistics companies, chose IJ's cloud service for its fully-outsourced internal systems (3,500 servers and 2PT storage)

JPY9 million
(from 4Q16)

Public Sector

Kanagawa, one of the largest prefectures, and other local governments chose IJ's cloud services for "Local Government Information Security Cloud" systems

JPY60 million
(from 1Q17)

Online service

One of the largest online ticketing companies chose IJ's cloud service for its main and prominent service platform

JPY14 million
(from 2H17)

Group Unified Platform

One of the largest global manufacturing companies chose IJ's cloud service for its group companies' unified operation systems

JPY3 million
(FY17)

Core Business System

One of the largest travel agencies chose IJ's cloud services for its core business operation systems

JPY12 million
(from 1Q17)

Financial Service

Major financial information service provider chose IJ's cloud service for its main and prominent service platform

Mobile Business Developments

Growth Strategy

MVNO Market in Japan

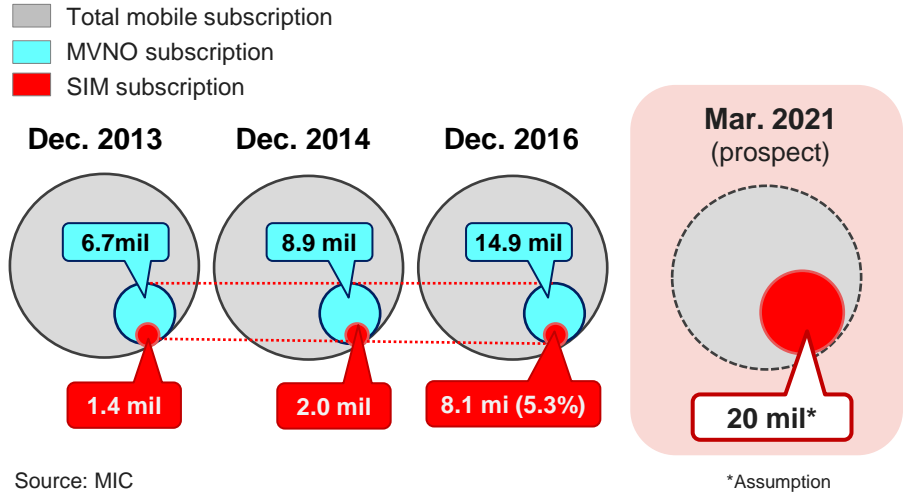
(YoY= year over year)

- **160 million** mobile subscription in total, 3 MNOs dominate
- MVNO in early stage, Consumer services began 2012
- MVNO penetration*
 - Germany 40%
 - Denmark 25%
 - Spain 25%
 - Japan 8%
- Government promotes MVNO strongly
 - SIM lock free, more variety of pricing, 2 years contract in dispute, opening of HLR/HSS, separation of headsets and communication services
- MVNO infra. cost by Docomo decreased each year
 - By 14% (FY16), 17% (FY15), 24% (FY14), 57% (FY13) YoY

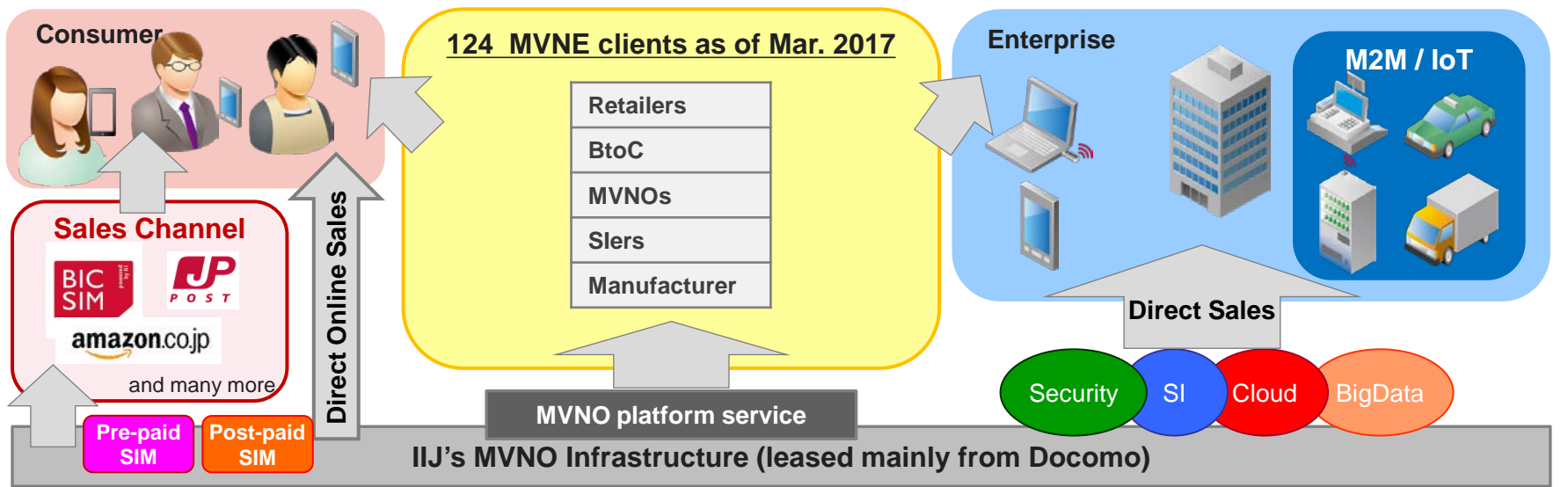
MNOs	¥6-7,000 per month full package service	MVNOs	¥1,600 per month upper limit of 3GB
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MVNO Penetration in Japan

(unit JPY billion)



IJ's MVNO Business Model



Mobile Business Developments

Growth Strategy

IIJmio (consumer)

- ◆ JPY1,600 per month with 3GB & basic fee for voice
- ◆ High customer satisfaction with service qualities (speed, support etc.)
- ◆ Strong sales channel:
 - ✓ Bic Camera, Japan Post etc

MVNOs

OCN, Rakuten, Mineo etc.

- Almost same service spec with IIJmio
- Difficulties with profitability

MVNE (consumer)

- ◆ Many prominent partners:
 - ✓ Aeon, U-NEXT, DMM, cable TV operators, and many more (124 clients as of 3Q16-end)
- ◆ Add business consultation and SI for MVNOs
- ◆ Not many competitors as MVNE (just OCN)
 - ✓ Differentiate with full-MVNO service (4Q17~)

MNO's sub-brands

Y!mobile, UQ mobile

- JPY2,980 per month with 1GB & voice + campaign
- Strong advertisement
- Still price gap with MVNO's service

Corporate Transactions

- ◆ Leverage blue-chip clients base
- ◆ M2M/IoT solutions with SI
- ◆ Becoming the first full-MVNO in Japan

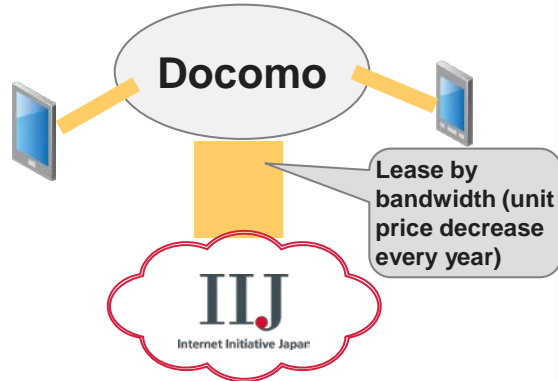
MNOs

- Strong service and infrastructure provider
- No SI expertise

IIJ's Competitiveness

- ◆ Maintain infra. quality and profitability with consumer and corporate revenues
 - ✓ Expect better network utilization
- ◆ Gather various consumer traffic (young, old, student, households, business persons etc.) with MVNE strategy
 - ✓ Increase infrastructure; room to absorb corporate traffic; margin to improve
- ◆ Leverage cloud, security, SI elements for enterprise usage (ie. IoT transaction)

IIJ's Profit Model



- ◆ Consumer usage to explode
 - Currently only 5% penetration
 - ✓ mostly business persons, creating traffic peak time at lunch and commute hours
- ◆ Corporate usage to continuously increase

M2M / IoT

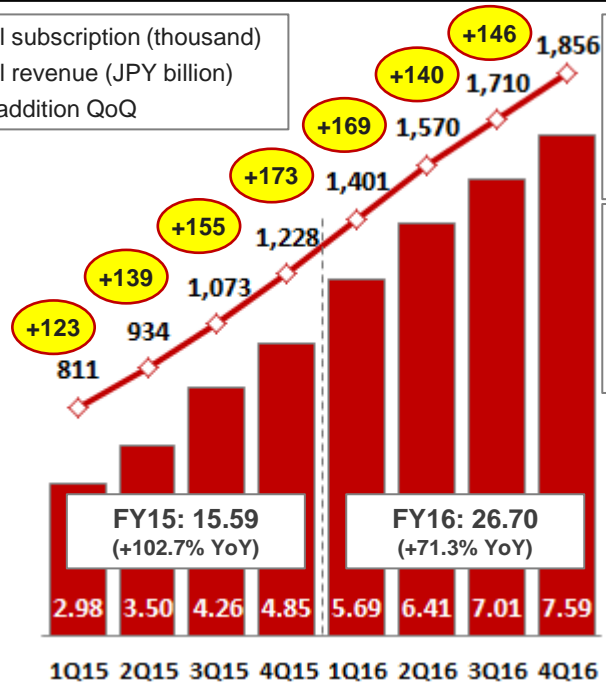
- ◆ IIJ MVNO gross margin: approx. 16% (4Q16 3month) *internal accounting
 - to improve with accumulation of corporate traffic

Mobile Business Developments

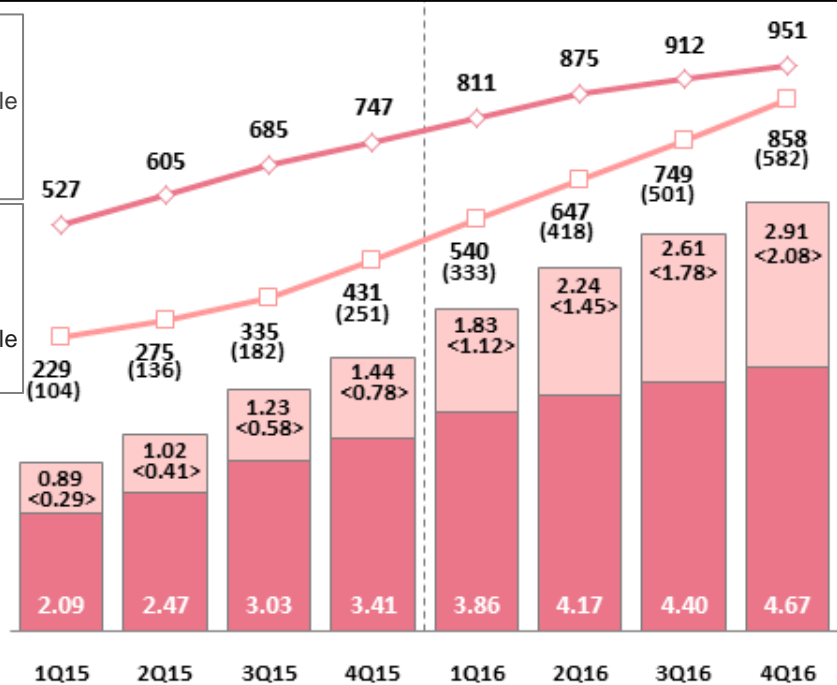
Growth Strategy

Subscription and Revenue

- ◇ Total subscription (thousand)
- Total revenue (JPY billion)
- Net addition QoQ

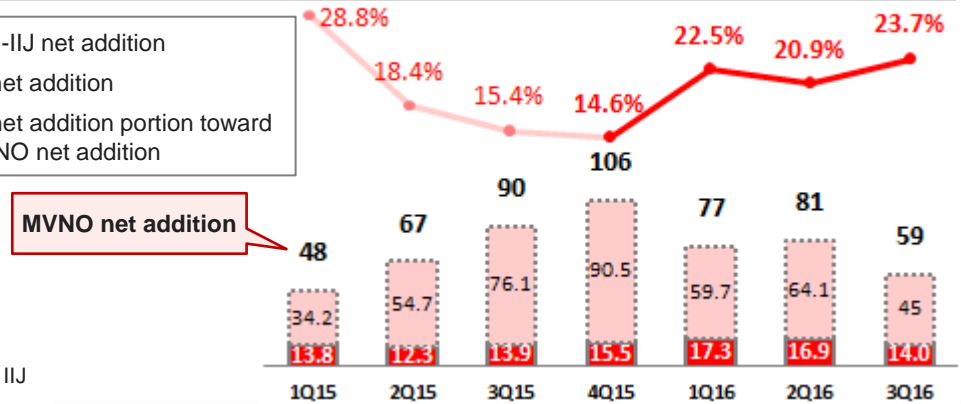


- Subscription (thousand):
 - ◇ IJmio Mobile
 - IJ Mobile
 - () MVNE
- Revenue (JPY billion):
 - IJ Mobile
 - IJmio Mobile
 - < > MVNE

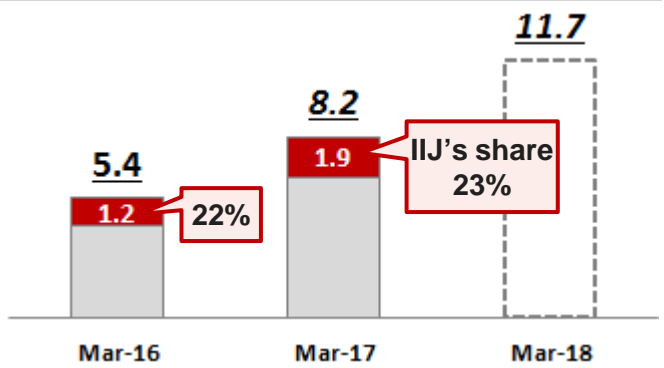


MVNO Net Addition Share* (unit: ten thousand)

- Non-IJ net addition
- IJ net addition
- IJ net addition portion toward MVNO net addition



Market Share* (unit: million subscription)



*MIC and IJ

*Market prediction report published by MMRI in June 2016

Implementation of Full-MVNO

Growth
Strategy

< Service launch >
4Q17

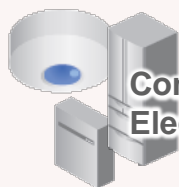
- Construct HLR/HSS systems
- Issue own data communications SIM cards
- To become the first full-MVNO in Japan

- ◆ Able to manage SIM card usages
 - ✓ Embedded SIM (“eSIM”), Re-Programmable SIM, Multi-Profile SIM
- ◆ Able to develop various type of mobile solutions for IoT (BtoB, BtoBtoB, BtoBtoC)

Targeting IoT Usages



Industrial
Internet



Consumer
Electronics



Inventory
Management



Construction
Equipment



Sensor
Monitoring



Smart
Home



Wearable



Intelligent
Transportation



Multi-
country
MVNO



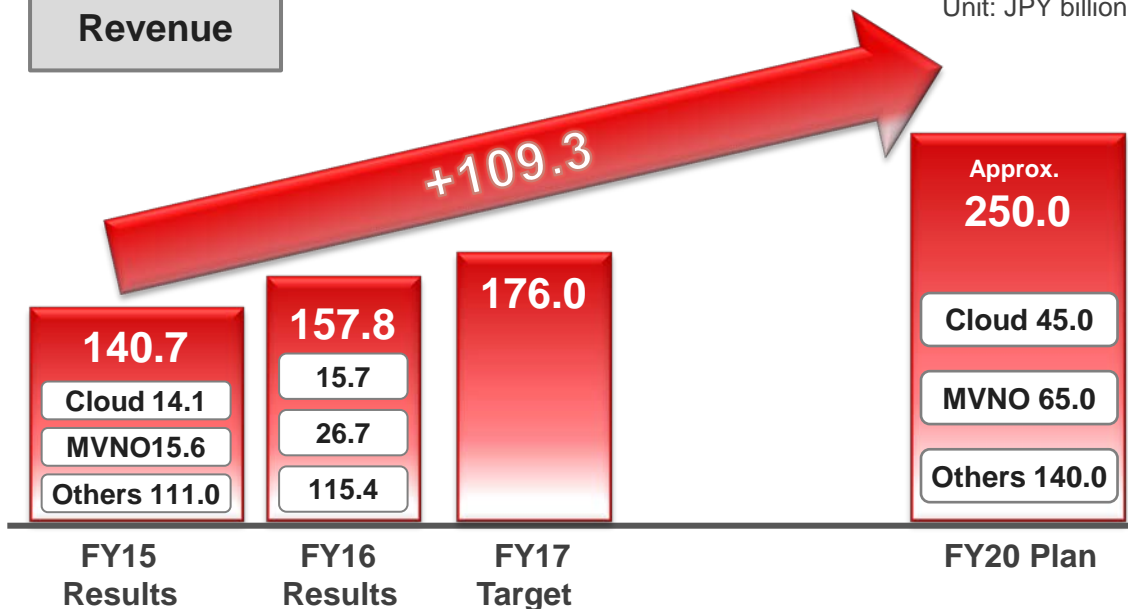
Drone

- Strong competitive advantage as MVNO and MVNE business provider with full-MVNO
- Aim to become top market share MVNO in Japan
 - FY2020 target subscription: 7 million, target revenue: JPY65.0 billion
- Expected investment for full-MVNO: approx. less than JPY4.5 billion
 - Construction of HLR/HSS systems
 - Accumulation of monthly payment to NTT Docomo for their network remodeling fee (not IJ CAPEX)
 - For FY2017, full-MVNO related costs is approx. JPY0.4 billion (from Dec. 2017) related CAPEX up JPY0.8 billion YoY

Middle Term Plan (Disclosed on May 13, 2016)

Revenue

Unit: JPY billion



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.

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

Revenue & Operating Margin Growth

Business Status

Investment

- Cost increase / Large AC Revenue down (Game etc.)
- Accumulate Business Assets

Revenue Growth

- MVNO to explode
- Cloud accumulation
- GP increase lead OP increase
- Continuous business investment (P2, Omnibus, Full-MVNO, CDN, AI etc)

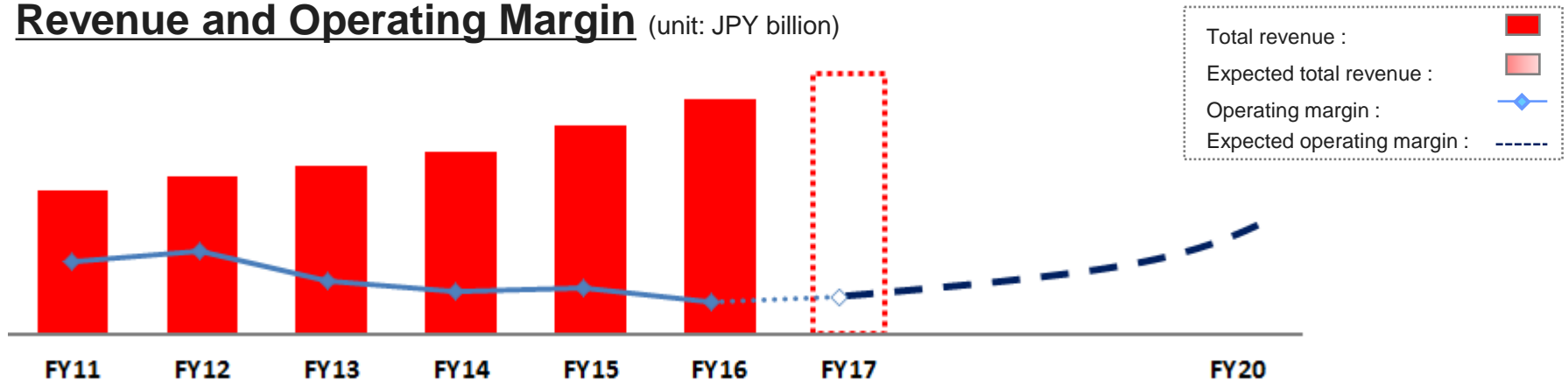
Scale Merit

- Cloud GPM up by scale
- MVNO GPM up by NW utilization
- Integrated Transactions

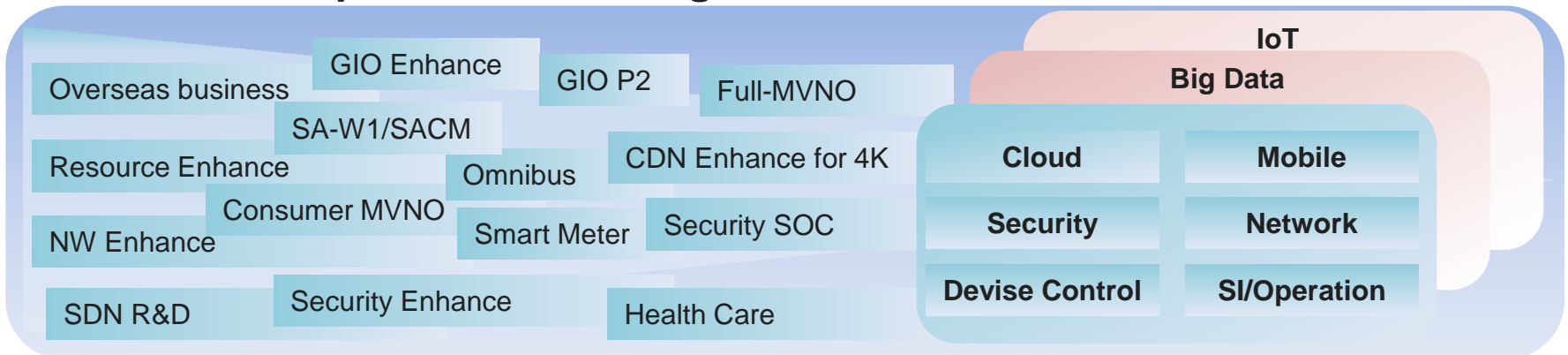
Next Stage

- Main platform provider for enterprises' next usage of IT (ie. Big Data/IoT)
- Operating margin growth as a service provider

Revenue and Operating Margin (unit: JPY billion)



Business Developments to be Integrated



Summary of FY2016 Financial Results

**Financial
Summary**

**Strong revenue growth continued with aggressive business investment
Income decreased due to heavy investment and SI deterioration**

Revenues	JPY157.8 billion	up 12.2%	EBITDA	JPY16.1 billion
Gross margin	JPY25.2 billion	up 2.4%	ROE	4.8%
Operating income	JPY5.1 billion	down 16.4%	Annual cash dividend per common share	JPY27.00
Net income*	JPY3.2 billion	down 21.6%	Payout ratio	38.9%

%, YoY=FY16 compared to FY15, *Net income attributable to IJ

Cloud

- Promoting GIO P2 services
 - FY16-end GIO P2 prospective orders: approx. 800 (up 500 YoY)
 - Acquired core business platform system, local governments' Information Security Cloud projects etc.
 - Continuously expanding functions: hybrid/multi-cloud, unified operation and maintenance services
- ➔ **FY16 cloud revenue: JPY15.7 billion (up 11.1% YoY)**

Security

- Continuously expanded services features: Sandbox function, DDoS protection services, virtual desktop services
 - Launched Security Operation Center service leveraging security incidents/threats information gathered from our renewed information analysis platform (Mar. 2017)
- ➔ **FY16 Security services revenue: up 10.9% YoY**

Mobile, IoT

- Enhanced MVNE and sales partners
 - FY16-end MVNE clients: 124 (up 18 companies YoY)
 - Nationwide Japan Post branches, University Co-ops
 - Implementation of Full-MVNO services
 - Target IoT solutions for enterprises, Preparing to launch in 4Q17
 - Launched "IJ IoT Services" (Nov. 2016)
 - Accumulating IoT prospective orders via PoC
 - Chosen by the Ministry of Agriculture, Forestry and Fisheries on paddy water control management system
- ➔ **FY16-end total subs.: 1,856 thousand (up 628 YoY)**
FY16 total revenue: JPY26.7 billion (up 71.3% YoY)

*Proof of Concept: process of testing a new concept for its real-world application

CDN

- Providing CDN to Berlin Phil., NHK Symphony and more
- ➔ **Established JV with 15 major Japanese broadcasting companies to provide CDN platform services**
- Towards the coming era of convergence of broadcasting and communications, Simulcast, 4K/Internet-based broadcasting
- *JOCOD Inc., IJJ ownership 20%

Overseas

- Existing overseas subsidiaries starting up, Cloud JV in Thailand and Vietnam with local partners (Feb. 2016 and Nov. 2016)
 - Exported container datacenter module to Laos
- ➔ **FY16 revenue: JPY6.4 billion (up 21.5% YoY)**
FY16 operating loss: JPY0.18 billion
(improved by JPY0.36 billion YoY)

Financials

- ◆ FY16 results in line with revised target (announced in Nov. 2016)
- ◆ 4Q16 resulted as planned with SI gross margin recovered, services revenues accumulated, portion of Information Security Cloud project's revenue recognized

Shareholders return

- ◆ Dividend: as initially planned, increased from FY15
- ◆ Share buyback: from Nov. 2016 to Jan. 2017, 892 thousand shares, 1.9% of the total number of shares issued, JPY1.5 billion

FY2017 Business Plan

**Financial
Summary**

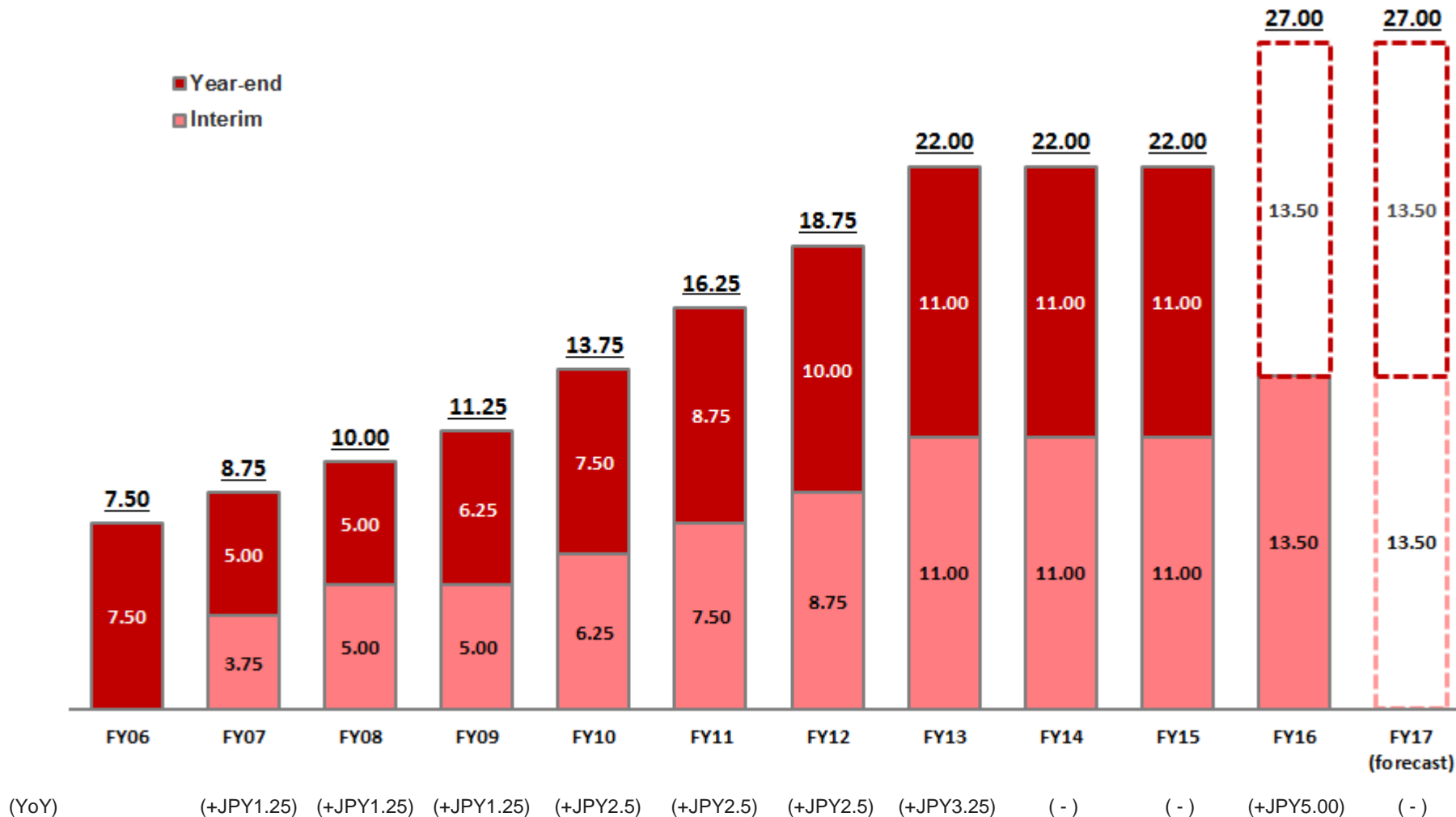
**Continuous strong revenue growth just as the the middle term plan's second year
Operating income to largely improve with strong revenue absorbing cost increase**

Unit: JPY billion, YoY=FY target compared with FY16 results, *Net income attributable to IJ

	% of Revenues		YoY Change	
	FY16 Results <small>(Apr. 2016 - Mar. 2017)</small>	FY17 Target <small>(Apr. 2017 - Mar. 2018)</small>		
Total Revenues	157.8	176.0	+18.2	+11.5%
Total Cost of Revenues	84.0% 132.5	84.0% 147.8	+15.3	+11.5%
Gross Margin	16.0% 25.2	16.0% 28.2	+3.0	+11.7%
SG&A/R&D	12.7% 20.1	12.3% 21.7	+1.6	+7.9%
Operating Income	3.3% 5.1	3.7% 6.5	+1.4	+26.6%
Income before Income Tax Expense	3.4% 5.4	3.7% 6.5	+1.1	+19.8%
Net Income*	2.0% 3.2	2.3% 4.0	+0.8	+26.3%
Cash Dividend per common share	JPY27.00	JPY27.00	-	-

Cloud	<ul style="list-style-type: none"> GIO P2 flagship projects to be recognized as revenue <ul style="list-style-type: none"> ➢ Unified business operation platform for a global manufacturing company's group, virtual desktop services etc. Continuously developing services and service facility investment <ul style="list-style-type: none"> ➔ FY17 target revenue : JPY18 billion (up 15% YoY)
Mobile, IoT	<ul style="list-style-type: none"> Continuously enhance service quality, strengthen sales promotion with sales partners for consumer Further acquire enterprise IoT/M2M solution orders Full-MVNO services from 4Q17, cost to be recorded from Dec. 2017 (included in the budget) <ul style="list-style-type: none"> ➔ FY17 target subs. net addition: stronger than FY16 (FY16 net addition: 628 thousand, FY15: 555 thousand)
Security	<ul style="list-style-type: none"> Stronger revenue accumulation with services developed in FY16 Information Security Cloud project's revenue to increase Continuously developing services and enhancing differentiation <ul style="list-style-type: none"> ➔ Security services revenue accumulation to accelerate
SI	<ul style="list-style-type: none"> Expect no significant YoY increase for SI construction revenue due to cloud trend Expect SI gross margin ratio to improve by 1 point YoY with SE productivity improvement and cloud revenue accumulation
Overseas	<ul style="list-style-type: none"> Target revenue of JPY7.0 billion and plan to turn positive with each overseas subsidiaries making more contribution
CDN	<ul style="list-style-type: none"> JOCDN Inc. to launch services <ul style="list-style-type: none"> ➢ Provide CDN services for Japanese broadcasting companies' contents

Dividend Forecast

**Financial
Summary**


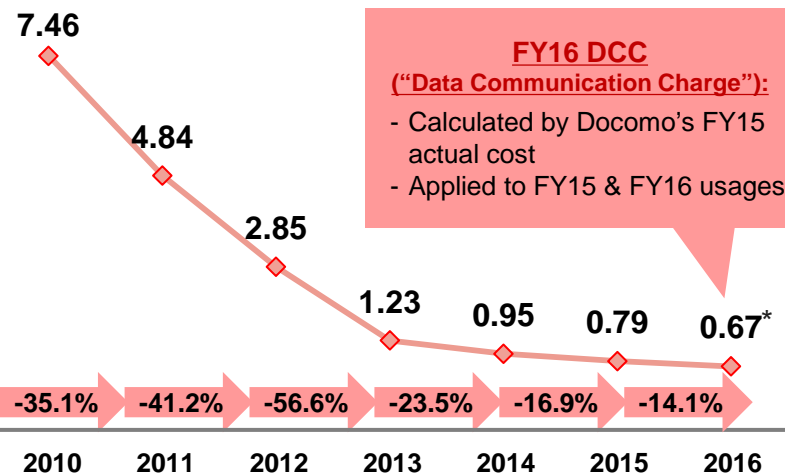
*IIJ conducted a 1:200 stock split on common stock with an effective date of October 1, 2012. Dividend figures shown below are retroactively adjusted to reflect the stock split.

Data Communication Charge for MVNO (NTT Docomo)

Appendix

NTT Docomo's Monthly DCC per 10Mbps

(JPY million)



2010 2011 2012 2013 2014 2015 2016

*From FY16, SIM issue fee has been excluded from the DCC calculation (MVNOs need to pay the fee separately to Docomo)

MVNO infrastructure cost for Docomo: Data Communication Charge ("DCC")

- Mobile infrastructure leasing fee from Docomo
- Fixed charge by bandwidth
- Regulated price by government (MIC & guideline)
- Same flat-rate for all MVNOs
- Renews every year based on Docomo's actual cost etc.
- Continuously decreasing
- Fixed 1 year after, applied to current and a previous year
- FY16 DCC payment has been deducted 15% from 1Q16 by Docomo's arrangement
- FY15 DCC was fixed in March 2017 and its decrease rate shall be applied to FY16 DCC

IIJ's Estimation against Actual decrease rate

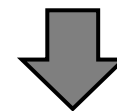
	(1) Docomo's payment arrangement	(2) IIJ's estimation	(3) Actual results
FY14	40%	40%	24%
FY15	25%	15%	17%
FY16**	15%	12%	14%*

(1) Fixed in April
(2) Fixed based on (1)
(3) Fixed next March

(*) Fixed on March 31, 2017
(**) IIJ's fiscal year ending March 31, 2017

Docomo Changed Depreciation Method

- Docomo historically used **declining-balance method** for calculating the depreciation of property, plant and equipment
 - From fiscal year ended March 31, 2017 Docomo uses **straight-line method**



Docomo's DCC based on their March 31, 2017 actual costs are to be noticed to their MVNOs in around March 2018

CDN (Contents Distribution Network) Business

Appendix

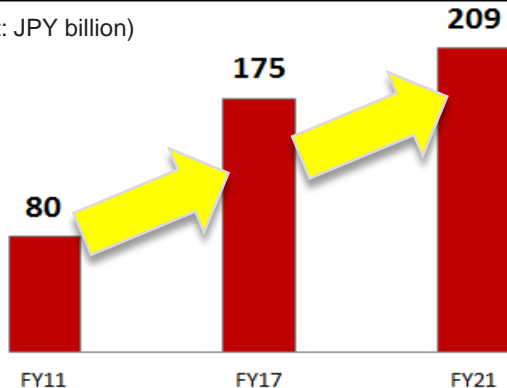
- Greater needs to distribute contents over Internet, especially in specific areas
- 4K/8K and high-definition contents to increase towards the Tokyo Olympics
- Nippon TV owns Hulu Japan, broadcasting companies operate "TVer"
- Akamai strong in Japan CDN market, no prominent Japanese provider currently
- IIJ has rich and long experience in CDN business
 - ✓ Olympics games, high school base ball games, and many more

➤ **Established JV as All Japan TVs' CDN platform provider**
 ➤ **IIJ will provide Internet transit to the JV**

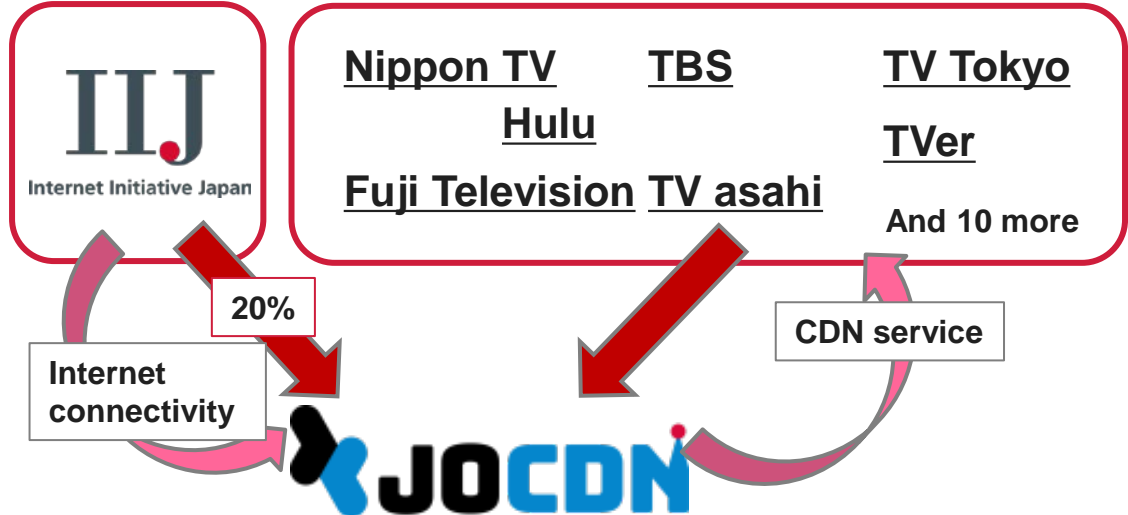
Company name	JOCDN Inc.
Shareholders	IIJ (20%), Nippon TV (14%), TV asahi (14%), TBS (14%), TV Tokyo (14%), Fuji TV (14%) and 10 more commercial broadcasting companies
Capital	JPY710 million
Management	Chairman: Koichi Suzuki (IIJ), President: Shunichi Shinozaki (Nippon TV)
Est.	December 1, 2016
Business	<ul style="list-style-type: none"> ➤ Provide a video content distribution platform service for use within Japan ➤ Construct and operate broadcasting systems

CDN market growth in Japan

(unit: JPY billion)



*Source: Nomura Research Institute
 "Outlook on ICT and media market and trend toward FY21"
 Published on November 25, 2015



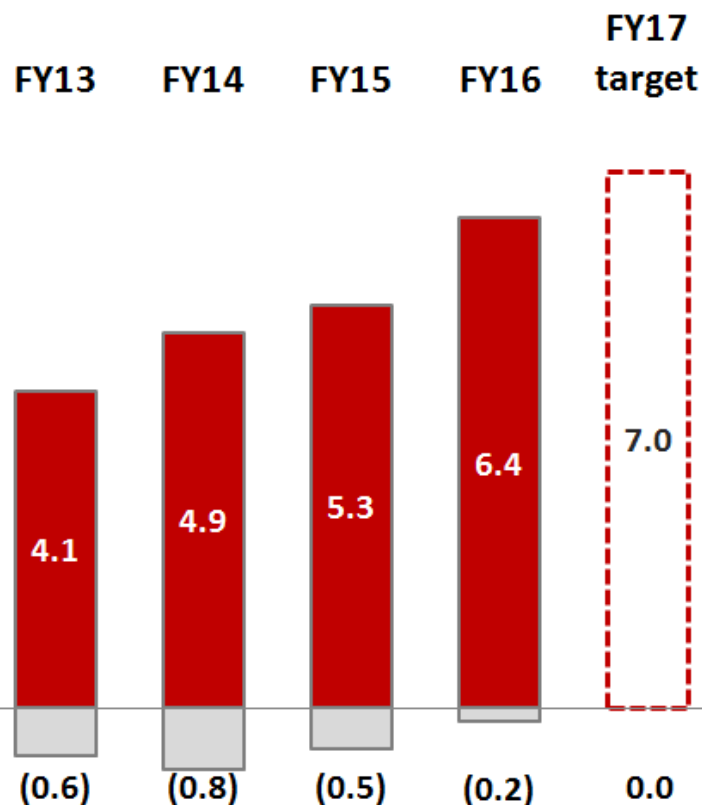
Overseas Business Developments

Appendix

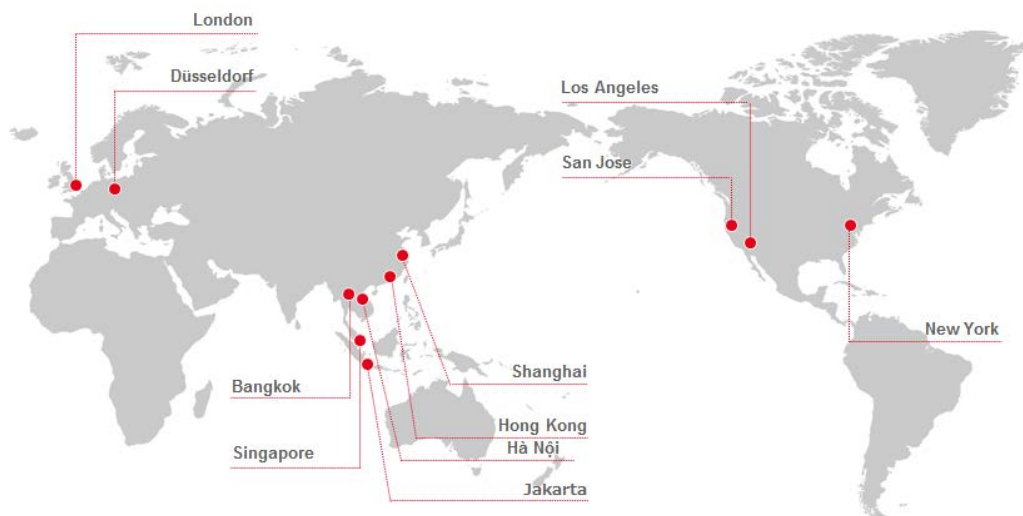
Financial Results

Unit: JPY billion

 Revenue

 Operating loss


Overseas offices



Business Developments

- **Provide cloud services in Indonesia, Thailand and Vietnam together with local prominent IT companies**
 - With Biznet Networks in Indonesia (from March 2015)
 - With T.C.C. Technology Co., Ltd, in Thailand (February 2016)
 - With FTP Telecom Partner in Vietnam (November 2016)
- **Export container datacenters, Expect transactions to expand in the middle-to-long term**
 - Exported to Russia (FY15)
 - Exported to Laos (3Q16) revenue of JPY1.2 billion
 - Accumulating similar prospective orders from other emerging countries

ATM Operation Business Developments

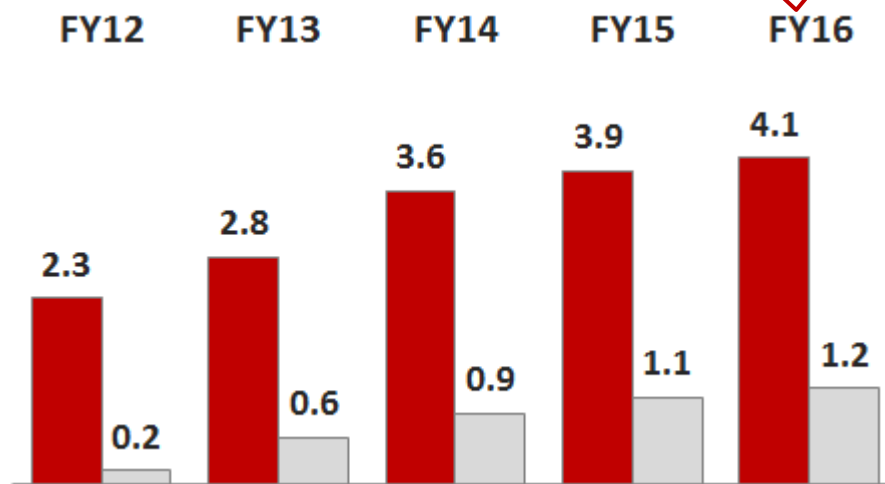
Business Model

- Similar to “Seven Bank” model, high profitability
 - Seven Bank: 23,368 ATMs, revenue JPY121.6 billion, profit ratio 30.2% as of March 31, 2017
- Placing ATMs in Pachinko parlors in Japan with dominant position
 - After long discussion, started to place in Kanto, Kansai, Kyushu and Tokai areas
 - 10,986 Pachinko parlors in Japan as of December 31, 2016 (Zennichi Yuren)
- Receive commission for each withdrawal transaction

Revenue and Operating Income

Unit: JPY billion

■ Revenue
■ Operating Income



Trust Networks

- 79.5% subsidiary
- Established in July 2007
- Pursue ATM operation business



*Number of placed ATMs are as of May each year except for FY14 and FY15 which are the number as of Mar. 2015

FY2016 Consolidated Financial results

Announced on May 15, 2017

Consolidated Financial Results for FY2016 (1)

**Financial
Results**

Unit: JPY billion

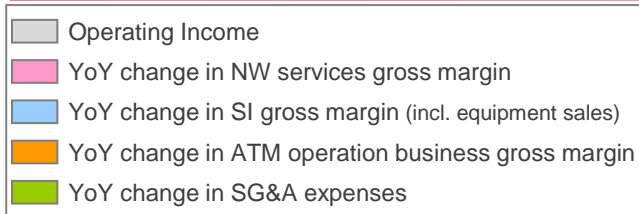
	<i>% of Revenues</i> FY16 Results <small>(Apr. 2016 - Mar. 2017)</small>	<i>% of Revenues</i> FY15 Results <small>(Apr. 2015 - Mar. 2016)</small>	YoY Change	<i>% of Revenues</i> FY16 Target <small>(revised in Nov. 2016)</small> <small>(Apr. 2016 - Mar. 2017)</small>
Total Revenues	157.8	140.6	+12.2%	158.0
Total Cost of Revenues	84.0% 132.5	82.5% 116.0	+14.3%	84.0% 132.7
Gross Margin	16.0% 25.2	17.5% 24.7	+2.4%	16.0% 25.3
SG&A/R&D	12.7% 20.1	13.2% 18.5	+8.6%	12.8% 20.3
Operating Income	3.3% 5.1	4.4% 6.1	(16.4%)	3.2% 5.0
Income before Income Tax Expense	3.4% 5.4	4.4% 6.2	(12.4%)	3.2% 5.1
Net Income*	2.0% 3.2	2.9% 4.0	(21.6%)	1.9% 3.0

*Net income attributable to IIJ

Consolidated Financial Results for FY2016 (2)

Financial Results

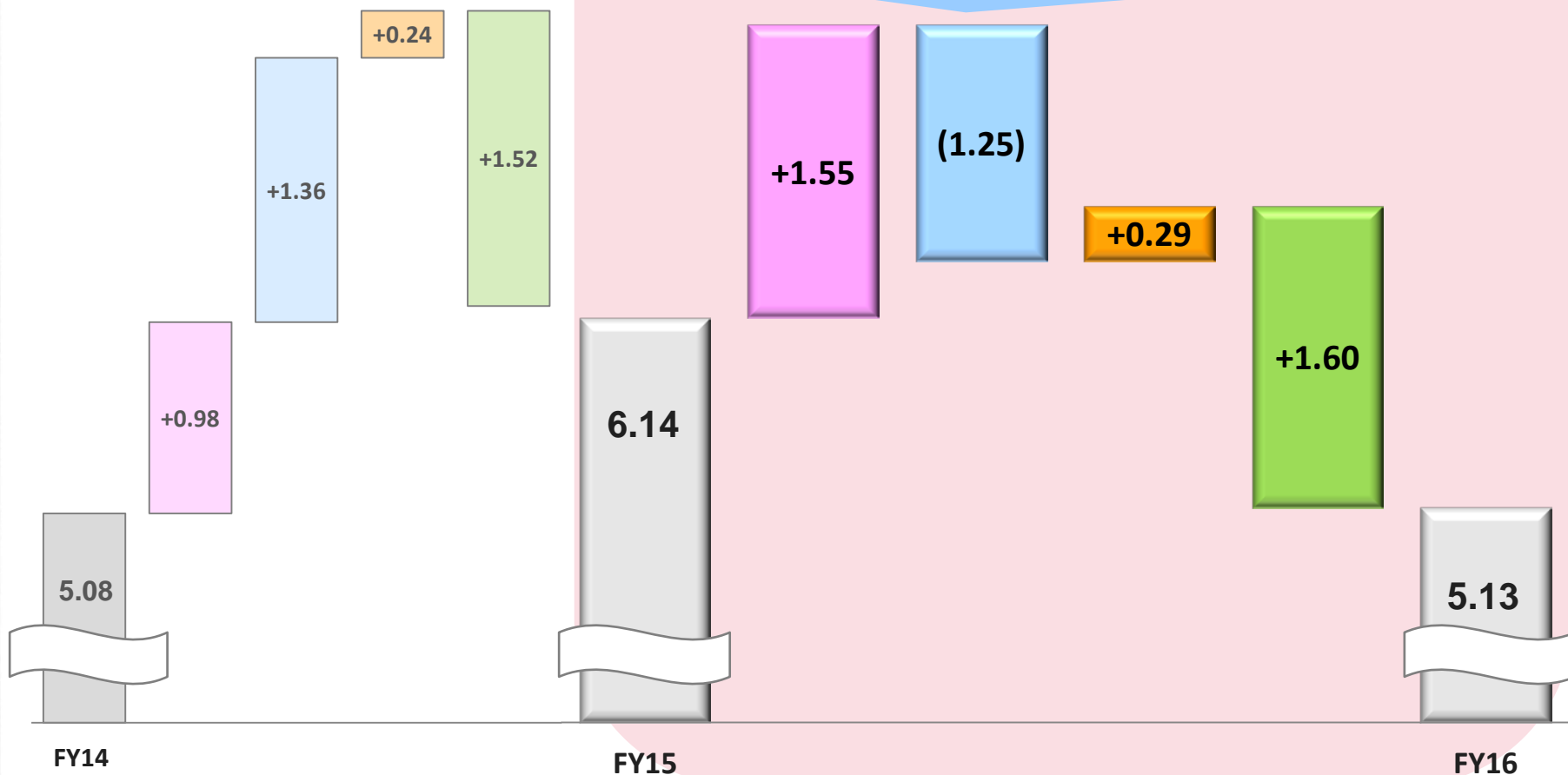
Unit: JPY billion



YoY = compared to the same period in a previous year

Factors affected SI gross margin YoY decrease

- Profitability decreased mainly because of low productivity of SEs, cancellation of large-scale operation and maintenance project, delay in offering some function of our foreign exchange ASP services
- Profit negatively impacted by increase in cost along with the launch of GIO P2 and others and slower than expected revenue accumulation



Revenues

Financial Results

Unit: JPY million

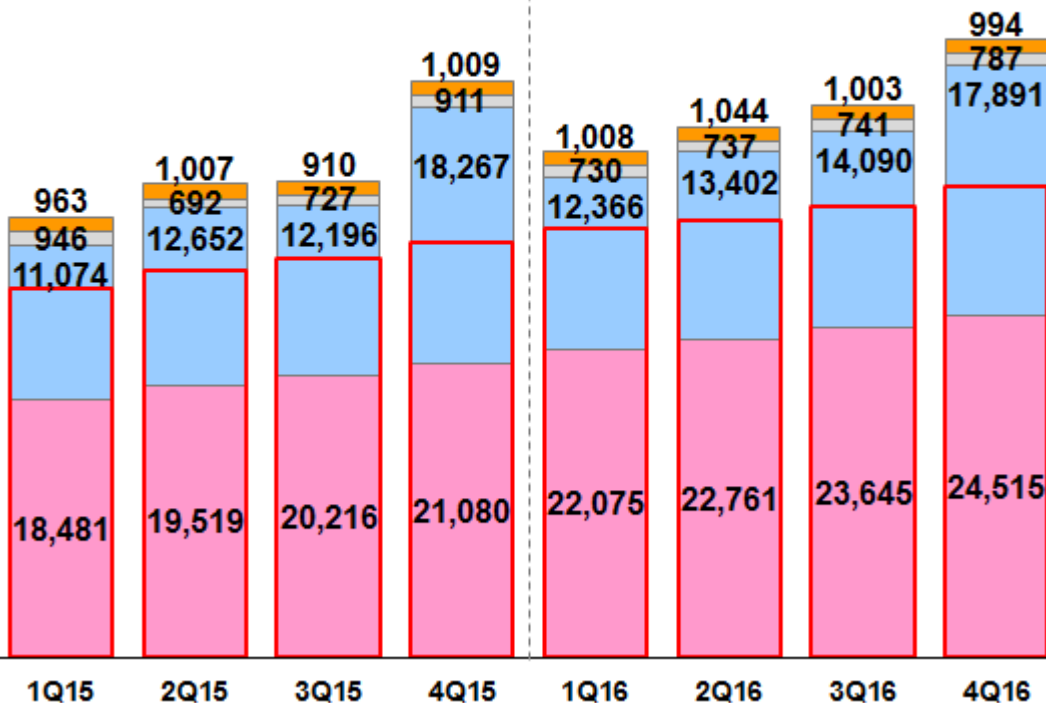
[], YoY = compared to the same period in a previous year



FY15: 140,648 [+14.3%]

FY16: 157,789 [+12.2%]

31,464	33,870	34,048	41,266	36,179	37,944	39,479	44,187
[+14.2%]	[+14.3%]	[+11.0%]	[+17.2%]	[+15.0%]	[+12.0%]	[+16.0%]	[+7.1%]



One-time Revenue *

**FY16: JPY25,620 million (up 4.9% YoY)
(16.2% of FY16 revenues)**

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

1. Systems Construction
2. Equipment Sales

Recurring Revenue*

**FY16: JPY128,119 million (up 14.0% YoY)
(81.2% of FY16 revenues)**

*Represents the following monthly recurring revenues

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

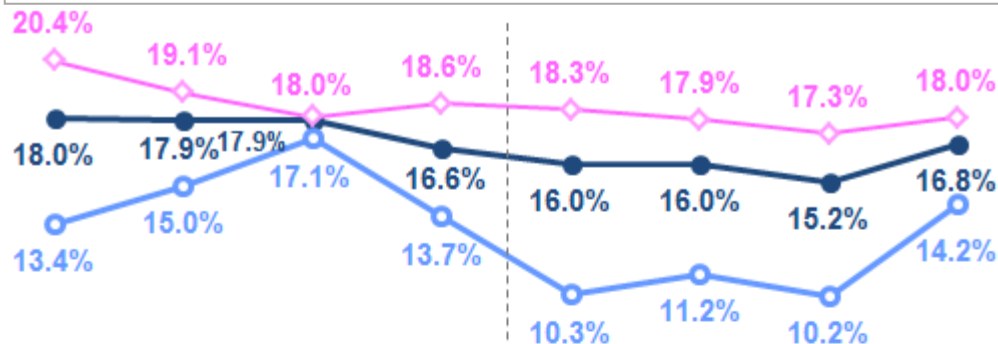
Cost of Revenues and Gross Margin Ratio

Financial Results

Cost of revenues: ■ NW Services ■ SI ■ Equipment Sales ■ ATM Operation Business
 Gross margin ratio: ◇ NW Services ○ SI ● Total Revenues

Unit: JPY million

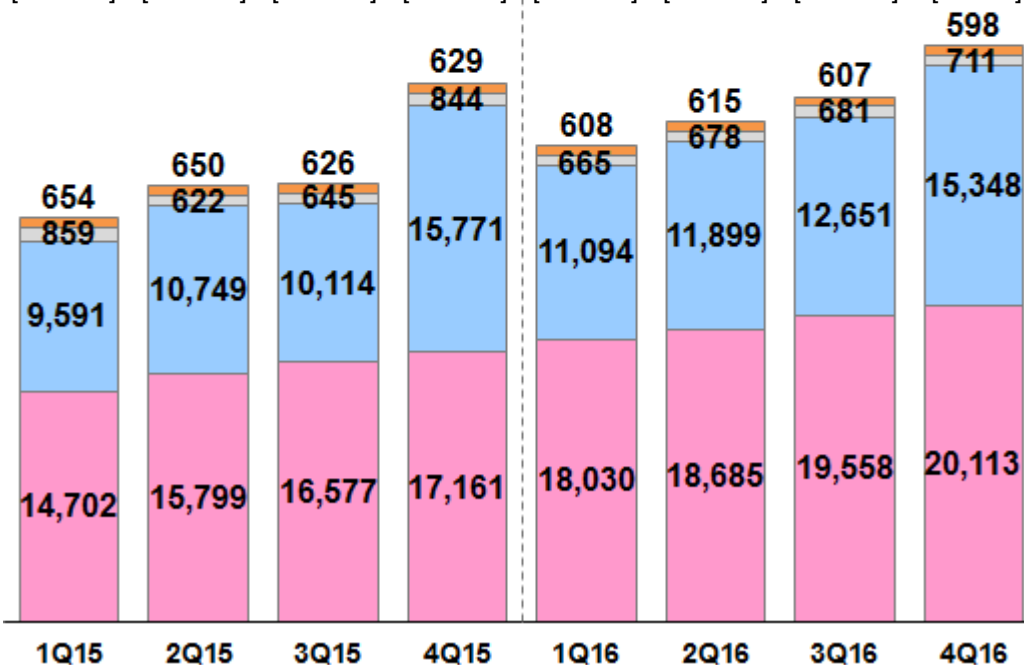
[] , YoY = compared to the same period in a previous year



FY15: 115,993 [+14.9%]

FY16: 132,542 [+14.3%]

Period	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16
Revenue	25,805	27,821	27,962	34,405	30,397	31,878	33,497	36,770
YoY Change	[+14.4%]	[+17.3%]	[+11.3%]	[+16.3%]	[+17.8%]	[+14.6%]	[+19.8%]	[+6.9%]



Gross Margin

◆ Total

- FY16: JPY25,247 million (up 2.4% YoY)
 - Gross margin ratio: 16.0% (down 1.5 points YoY)
 - 4Q16 Gross margin ratio increased YoY

◆ NW Services

- FY16: JPY16,609 million (up 10.3% YoY)
- FY15: JPY15,056 million (up 7.0% YoY)
 - FY16 Gross margin ratio: 17.9% (down 1.1 points YoY)
 - Gross margin ratio on a decreasing trend along with increase in mobile revenues
 - The revised DOCOMO's interconnectivity charge decreased by 14% YoY (unlike last revised charge, the calculation excluded the cost for lending SIM). Our estimate of 12% decrease for the charge ended up in line with our initial estimate together with the cost for borrowing SIM.
 - 4Q16 NW services gross margin ratio increased from 3Q16 with accumulation of enterprise services.

◆ SI

- FY16: JPY6,756 million (down 15.2% YoY)
- FY15: JPY7,963 million (up 19.3% YoY)
 - Gross margin ratio: 11.7% (down 3.0 points YoY)
 - Gross margin was weak due to increases of preceding costs related to GIO P2, unprofitable SI projects and low productivity of SEs
 - GIO P2 profitability negatively impacted the total SI gross margin by JPY 0.54 billion YoY
 - As the productivity of SEs improved in 4Q16, gross margin ratio increased from 4Q15

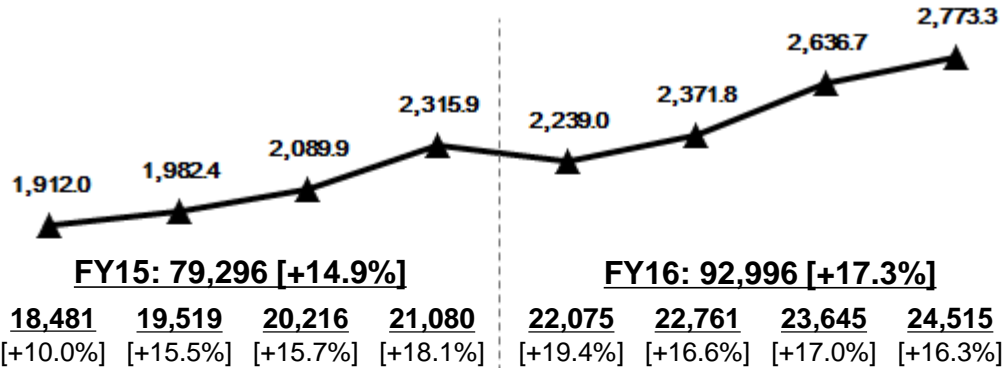
Network Services (1)Revenues

Financial Results

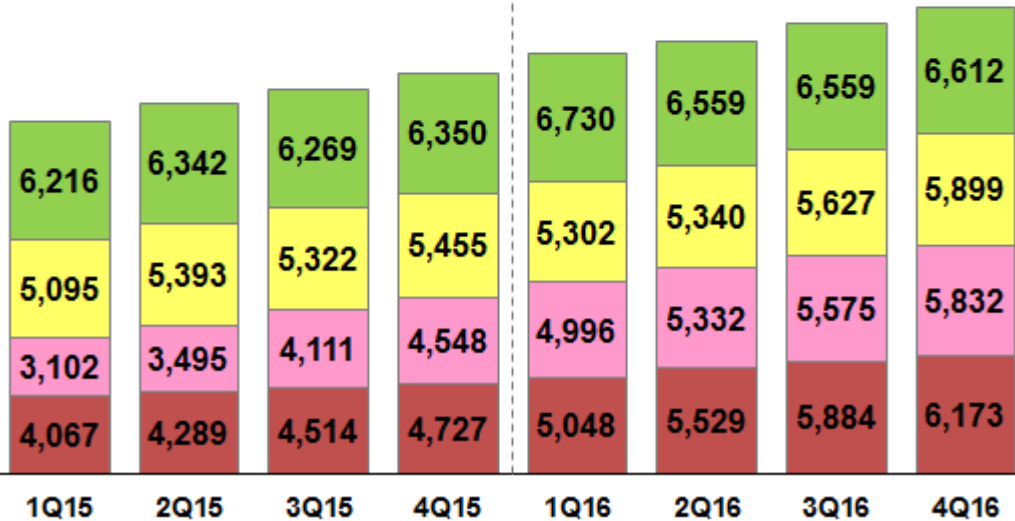
Unit: JPY million

[], YoY = compared to the same period in a previous year
QoQ = 4Q16 compared to 3Q16

- WAN Services
- Outsourcing Services
- Internet Connectivity Services (Consumer)
- Internet Connectivity Services (Enterprise)



FY15: 79,296 [+14.9%]				FY16: 92,996 [+17.3%]			
18,481	19,519	20,216	21,080	22,075	22,761	23,645	24,515
[+10.0%]	[+15.5%]	[+15.7%]	[+18.1%]	[+19.4%]	[+16.6%]	[+17.0%]	[+16.3%]



(*) Total contracted bandwidth is calculated by multiplying number of contracts by contracted bandwidths respectively for IP service, data center connectivity service and IJ FiberAccess/F and IJ DSL/F of Internet connectivity services (Enterprise).

◆ Internet Connectivity (Enterprise)

- FY16: up JPY5,036 million, up 28.6% YoY
- Strong subscription of MVNE contributed to continuous growth of mobile services
 - ✓ Subscription (unit: thousand):
4Q16-end: 582 (up 331 YoY, up 81 QoQ)
- “IIJ IoT Service” attracting PoC and prospective order, approx. 100 projects

◆ Internet Connectivity (Consumer)

- FY16: up JPY6,479 million, up 42.5% YoY
- “IIJmio Mobile Services” continued to increase
 - ✓ Subscription (unit: thousand):
4Q16-end: 951 (up 204 YoY, up 39 QoQ)

◆ Outsourcing Services

- FY16: up JPY902 million, up 4.2% YoY
- Demand for security services continuously increasing, FY16 security-related service revenue was approx. JPY9.6 billion
- FY16 “IIJ Omnibus” revenue: JPY0.12 billion
Projects related to office network connecting hundreds of branches increased.
- 4Q16: revenue growth accelerated
(up 8.1% YoY, up 4.8% QoQ)
 - Public cloud services up JPY76 million QoQ
 - Non-public cloud services up JPY196 million QoQ
- In Mar. 2017, recognized part of monthly recurring revenue of the large-scale Information Security Cloud project: JPY60 million (including security, other outsourcing, cloud, Internet connectivity, and systems operation and maintenance)

◆ WAN Services

- FY16: up JP1,283 million, up 5.1% YoY

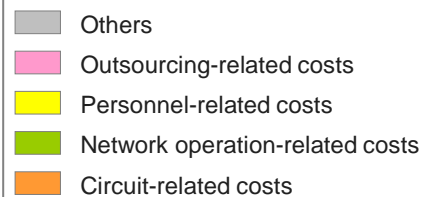
◆ Mobile services

- FY16: up JPY11,112 million, up 71.3% YoY

◆ Non-mobile services

- FY16: up JPY2,588 million, up 4.1% YoY

Network Services (2) Cost of Revenues

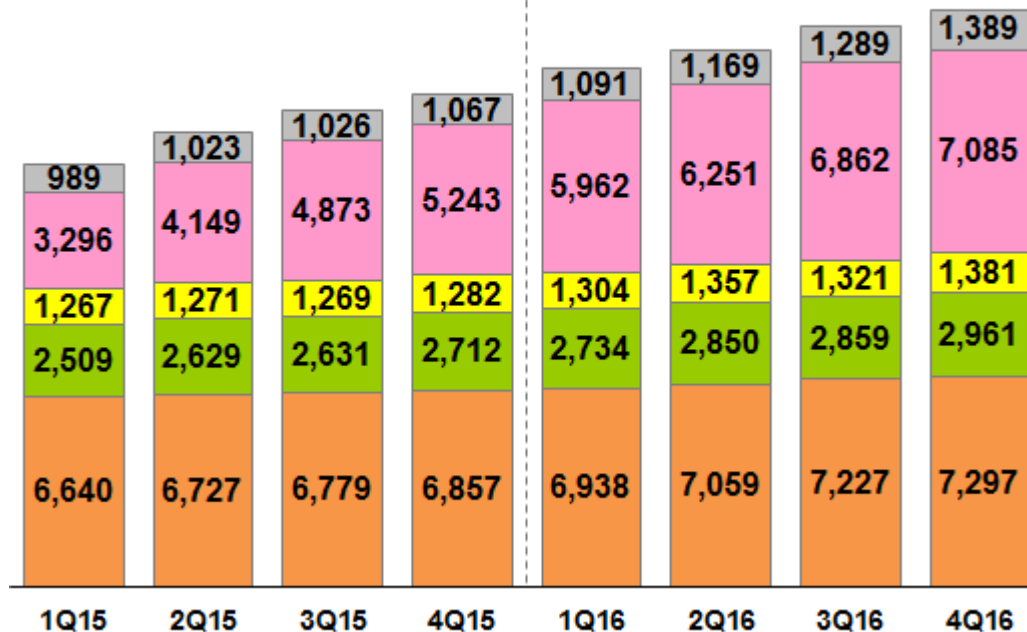
Financial Results


Unit: JPY million

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

FY15: 64,239 [+16.9%]
FY16: 76,387 [+18.9%]

1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16
14,702	15,799	16,577	17,161	18,030	18,685	19,558	20,113
[+11.3%]	[+20.1%]	[+20.5%]	[+15.9%]	[+22.6%]	[+18.3%]	[+18.0%]	[+17.2%]



◆ Cost of NW services

- FY16: up JPY12,147 million, up 18.9% YoY
- Along with the increase in mobile subscription and traffic, mobile-related costs (mainly in outsourcing-related costs) increased
- Outsourcing-related, personnel-related and network operation-related costs increased along with the enhancement of our network and continuous service functions enhancement for IIJ Omnibus and security services in particular
- Total amount that negatively impacted profit related to "IIJ Omnibus" was JPY0.35 billion in FY16

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

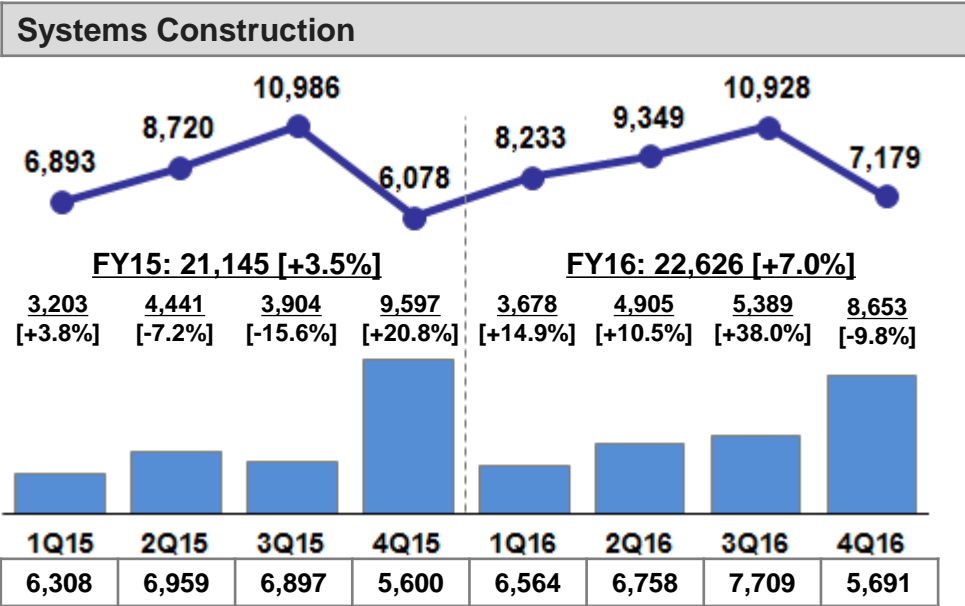
- Regarding our FY15 and FY16 usage charge, it was in line with our initial estimate. DOCOMO's interconnectivity charge, which was calculated by Docomo's FY15 mobile-related cost was fixed in Mar. 2017 and it decreased by 14% (excluding the cost for lending SIM) YoY.
- IIJ's estimate of 12% decrease led to approx. JPY0.6 billion cost decrease for its FY15 mobile interconnectivity usage. Its quadrant amount, approx. JPY0.15 billion, was recognized each quarter during FY16. Actual amount after applying the revised charge announced in Mar. 2017 was almost the same.
- Regarding our FY17 and FY16 usage, DOCOMO's interconnectivity telecommunications service charge, which is calculated by DOCOMO's FY16 mobile-related cost, is expected to be fixed in Mar. 2018. DOCOMO's payment arrangement is 15% off temporarily from Apr. 2017 which is same as FY16.

Systems Integration (SI) (1)Revenues

Financial Results

Unit: JPY million

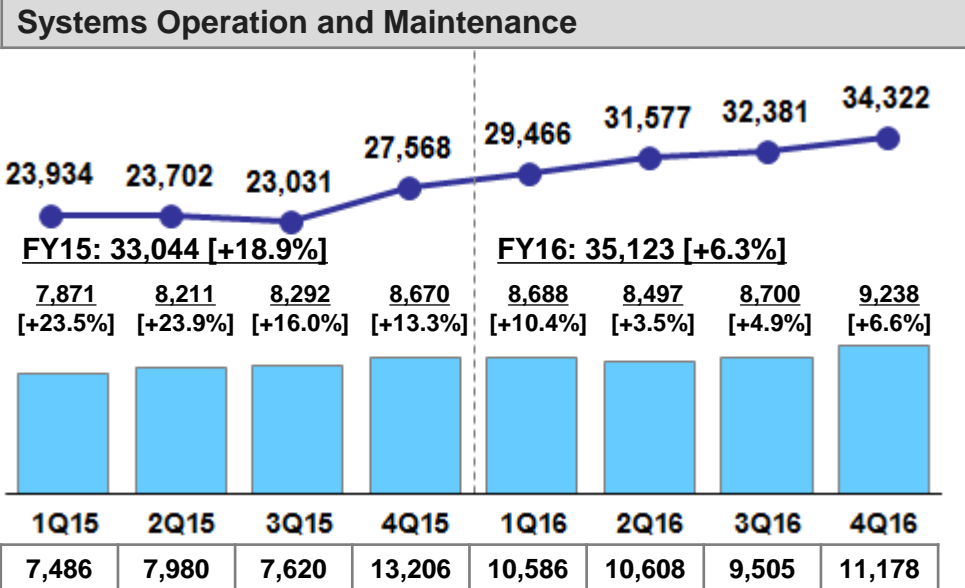
[], YoY = compared to the same period in a previous year
QoQ = 4Q16 compared to 3Q16



- Systems Construction Revenues
 - Systems Operation and Maintenance Revenues
 - Order backlog
 - Orders received
- *Systems construction's order backlog and order received include equipment sales

◆ Systems construction

- 4Q16 systems construction revenue decreased from 4Q15 due to large-scale NI project (approx. JPY2.1 billion) was recognized in 4Q15. 4Q16 order received increased from 4Q15.
- Revenue of the container DC export project was recognized in 3Q16 (approx. JPY1.2 billion)
- Large-scale construction projects orders received in 4Q16:
 - Number of orders (over JPY100 million in revenue) received in 4Q16: 10 orders
 - ✓Virtual desktop environment to a large BtoC company
 - ✓Campus network etc.



◆ Systems operation and maintenance

- Private cloud: revenue continuously increasing
 - 4Q16 revenue from private cloud:
 - up JPY307 million, up 9.6% YoY, up JPY35 million QoQ
- Non-private cloud systems operation and maintenance: although 1H16 was negatively impacted by cancellation of large-scale projects, revenue growth accelerated in 2H16
 - 4Q16 revenue from SI construction:
 - up JPY261 million, up 4.8% YoY, up JPY503 million QoQ
- 86.2% of 4Q16 cloud-related revenue is recognized in systems operation and maintenance revenues (13.8% in outsourcing)

◆ Overseas business

- FY16 results almost as planned
 - FY16 revenue: JPY6.4 billion
 - FY16 operating loss: JPY0.18 billion

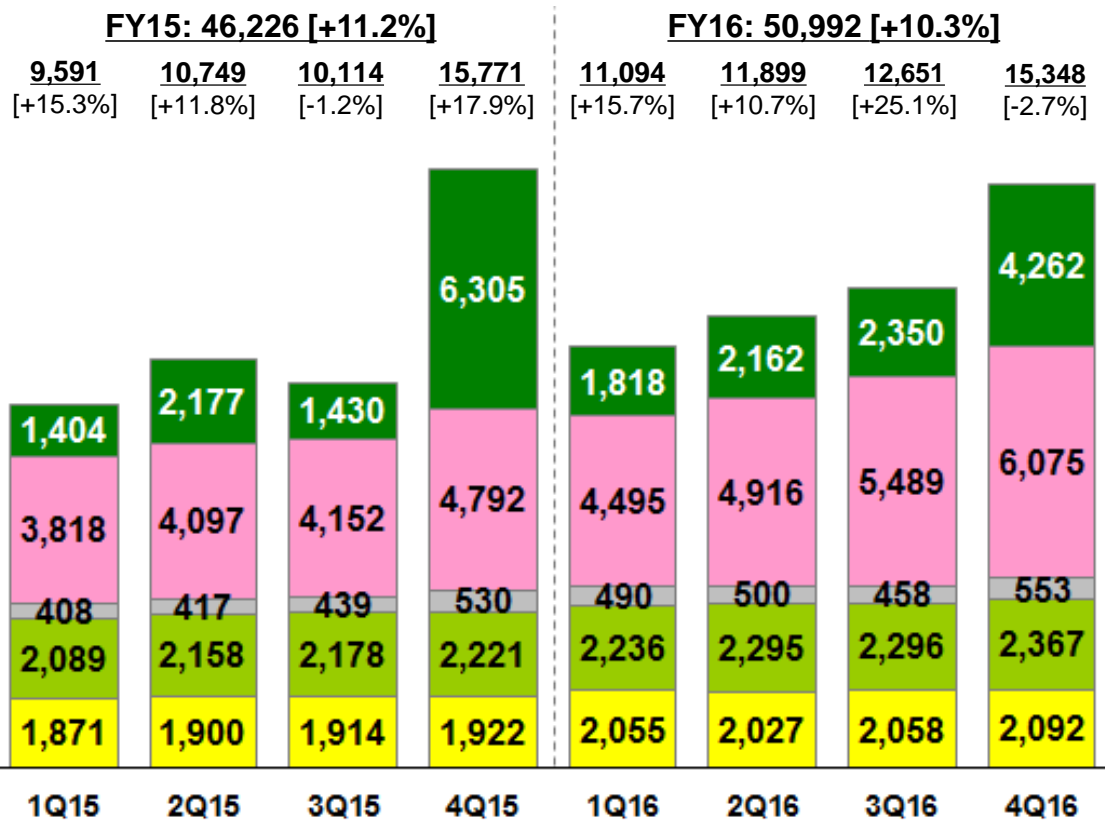
Systems Integration (SI) (2)Cost of Revenues

Financial Results

Unit: JPY million

[], YoY = compared the same period in a previous year
 QoQ: 4Q16 compared to 3Q16

- Purchasing costs
- Outsourcing-related costs
- Others
- Network operation-related costs
- Personnel-related costs
- () Gross margin ratio

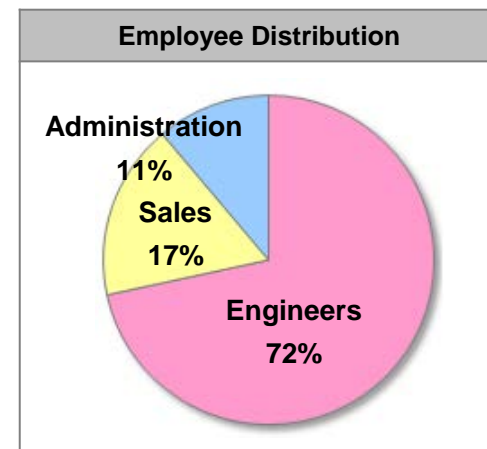
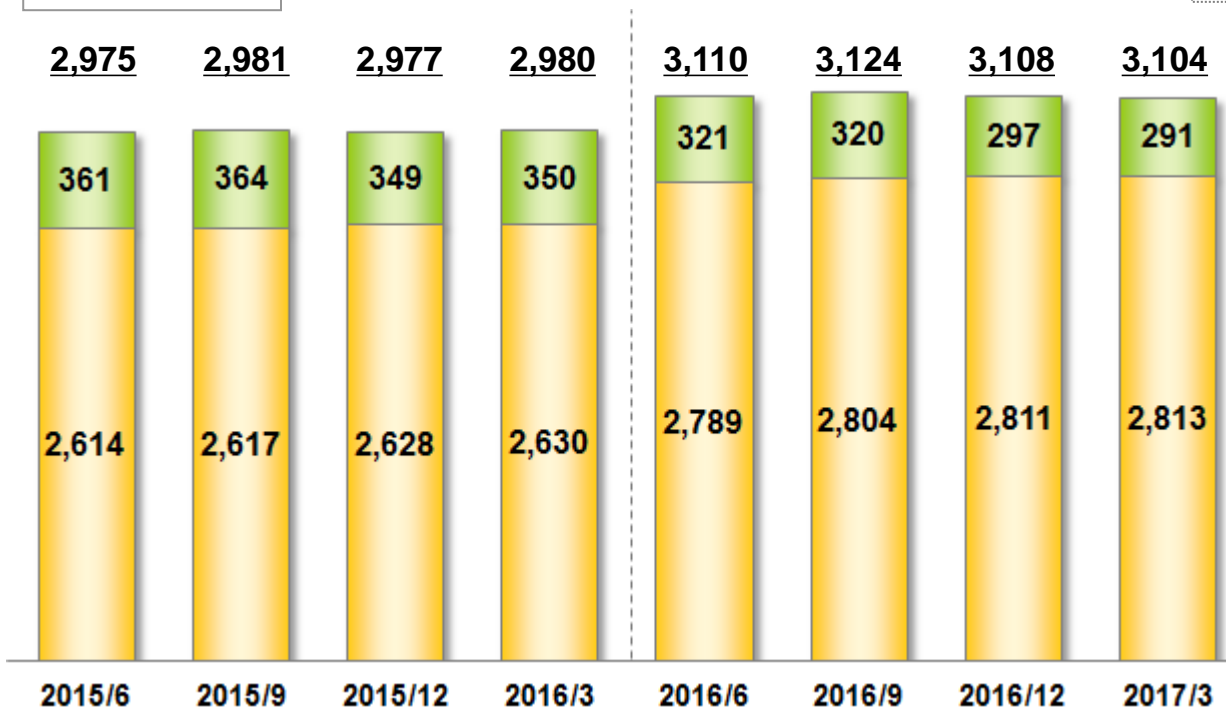
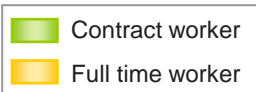


- ◆ Cost of SI**
- FY16: up JPY4,767 million, up 10.3% YoY
 - 4Q16: down JPY423 million, down 2.7% YoY
 - 4Q16-end number of outsourcing personnel: 1,423 personnel (up 354 YoY, up 97 QoQ)
 - Network operation-related, outsourcing-related and personnel-related costs increased mainly due to an increase in number of SI projects and service developments of GIO P2
 - 4Q16 gross margin recovered from 1H16. 1H16 gross margin was affected by unprofitable projects and low SE productivity
 - 3Q16: purchasing and outsourcing-related costs increased with the container DC export project

Number of Employee

Unit: JPY million

YoY = compared to the same period in a previous year



1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16
5,266 (16.7%)	5,297 (15.6%)	5,271 (15.5%)	5,321 (12.9%)	5,464 (15.1%)	5,446 (14.4%)	5,432 (13.8%)	5,635 (12.8%)
FY15: 21,155 (15.0%) up 2,052, up 10.7% YoY				FY16: 21,977 (13.9%) up 822, up 3.9% YoY			

Personnel related costs & expenses
(% of revenue)

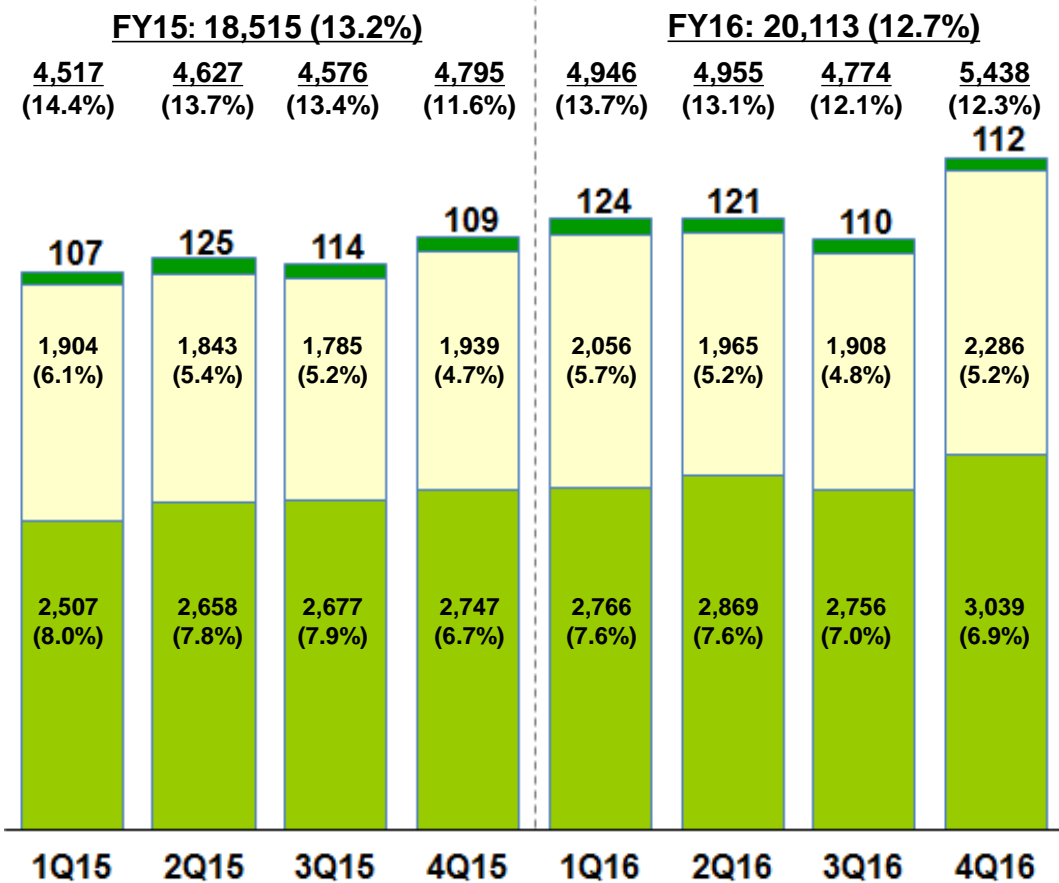
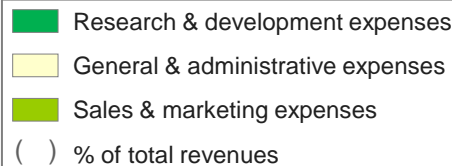
- ◆ Hired 148 new graduates in Apr. 2017 (137 in Apr. 2016, 155 in Apr. 2015, 129 in Apr. 2014)
- ◆ Estimate number of employees to increase by approx. 190 during FY17

SG&A Expenses/R&D

**Financial
Results**

Unit: JPY million

YoY = compared to the same period in a previous year



◆ Sales & marketing expenses

- FY16: up JPY843 million, up 8.0% YoY
 - Sales commission expenses and advertising expenses increased

◆ General & administrative expenses

- FY16: up JPY744 million, up 10.0% YoY
 - Office rent expenses, commission expenses and taxes and public dues increased
 - In 4Q16, disposal loss increased

◆ SG&A related to ATM operation business

Unit: JPY million

1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16
44.9	45.1	41.3	46.9	43.5	51.1	42.9	47.0

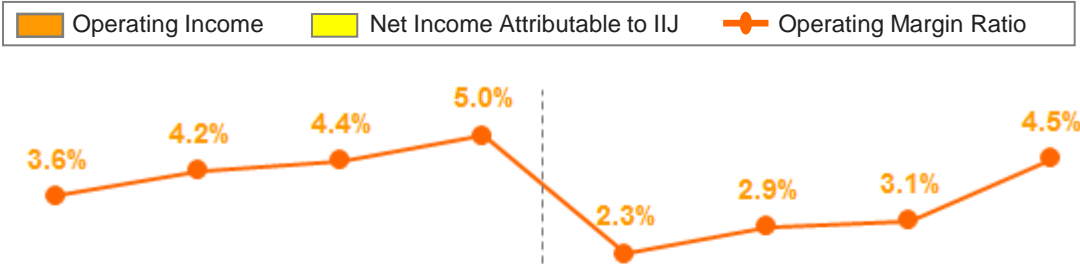
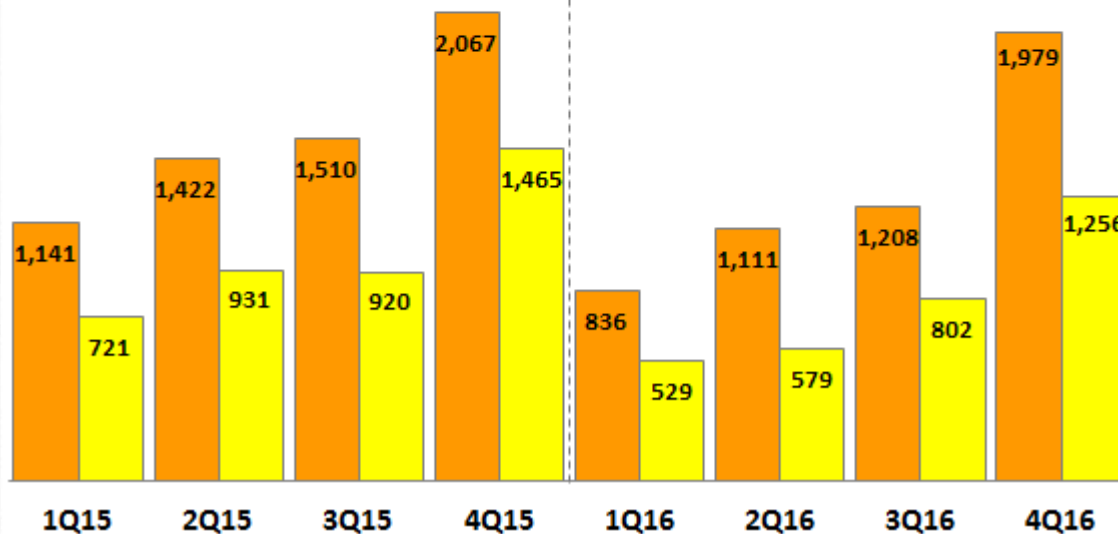
- Placed 1,066 ATMs as of March 31, 2017

Operating Income and Net Income

Financial Results

Unit: JPY million

YoY = FY16 compared to FY15


FY15 Operating income: 6,140
FY15 Net income attributable to IIJ: 4,038
FY16 Operating income: 5,134
FY16 Net income attributable to IIJ: 3,167

◆ Income before income tax expense:

- FY16: JPY5,427 million (down JPY766 million, down 12.4% YoY)
 - Gain on sales of securities: JPY205 million
 - Distribution from fund investments: JPY321 million
 - Dividend income: JPY118 million
 - Interest expense: JPY304 million
 - Foreign exchange loss: JPY45 million

◆ Net income attributable to IIJ:

- FY16: JPY3,167 million (down JPY872 million, down 21.6% YoY)
 - Equity in net income of equity method investees including Internet Multifeed: JPY130 million
 - Net income attributable to noncontrolling interests including Trust Networks: JPY165 million

1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	
450	472	466	546	139	531	446	1,203	Current income tax expense
111	6	191	(59)	301	(18)	67	(444)	Deferred tax expense (benefit)
61	76	69	(27)	17	25	28	61	Equity in net income (loss) of equity method investees
(57)	(35)	(23)	(37)	(42)	(43)	(41)	(39)	Less: Net income attributable to noncontrolling interests

Consolidated Balance Sheets (Summary)

**Financial
Results**

Unit: JPY million

	Mar. 31, 2016	Mar. 31, 2017	Changes
Cash and Cash Equivalents	19,569	21,959	+2,389
Accounts Receivable	23,747	27,384	+3,637
Inventories	2,004	2,798	+794
Prepaid Expenses (Current and Noncurrent)	9,757	14,218	+4,461
Investments in Equity Method Investees	2,980	3,150	+171
Other Investments	5,949	7,925	+1,976
Property and Equipment	34,324	39,775	+5,451
Goodwill and Other Intangible Assets	9,719	9,257	(462)
Guarantee Deposits	3,085	3,060	(24)
Total Assets:	117,835	137,395	+19,560
Accounts Payable	15,404	16,962	+1,557
Income Taxes Payable	1,078	1,076	(3)
Borrowings (Short-term and Long-term)	9,250	17,750	+8,500
Capital Lease Obligations (Current and Noncurrent)	11,734	15,203	+3,470
Total Liabilities:	52,491	70,015	+17,524
Common Stock	25,509	25,509	-
Additional Paid-in Capital	36,060	36,118	+58
Retained earnings	2,471	4,512	+2,041
Accumulated Other Comprehensive Income	1,197	2,500	+1,303
Treasury stock	△392	△1,897	(1,505)
Total IIJ Shareholders' Equity:	64,845	66,742	+1,897

➤ Total IIJ Shareholders' Equity to Total Assets: 55.0% as of Mar. 31, 2016, 48.6% as of Mar. 2017

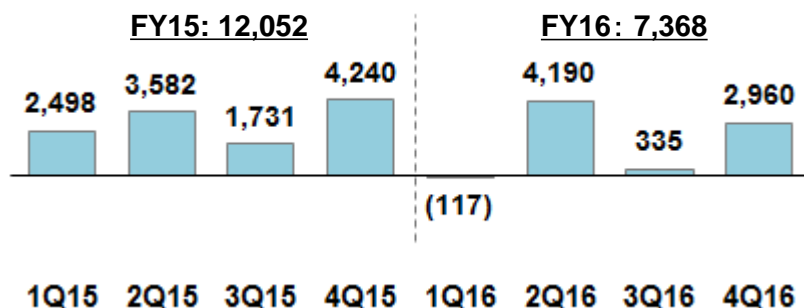
Consolidated Cash Flows

**Financial
Results**

Unit: JPY million

YoY = compared to the same period in a previous year

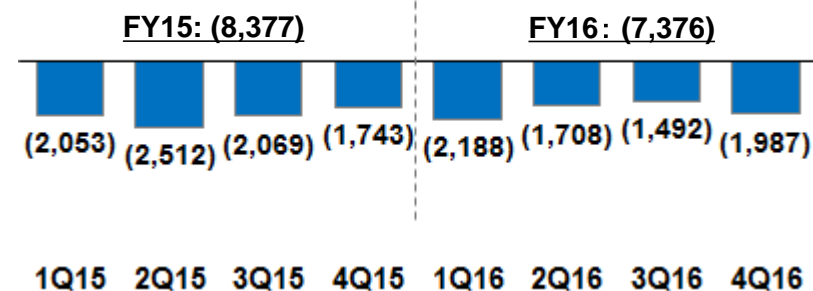
Operating Activities



◆ FY16 Operating Activities

	Major Breakdown	YoY Change
Net income	3,332	(858)
Depreciation and amortization	10,894	+972
Fluctuations of operating assets and liabilities	(7,026)	(4,626)
(an increase in accounts receivable mainly due to revenue growth, an increase in prepaid expenses (including prepaid expenses-noncurrent) and payments in relation to up front payment for software licenses and maintenance cost for service facilities)		

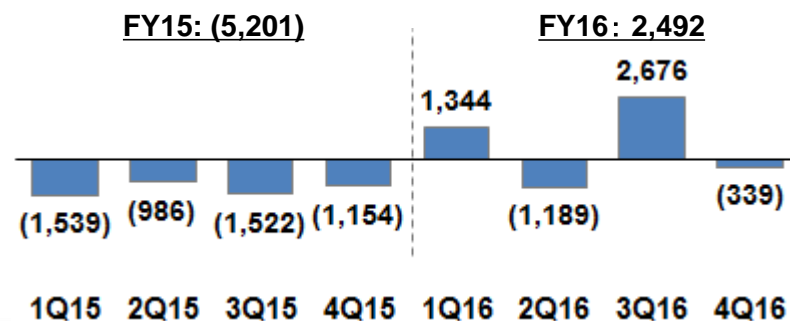
Investing Activities



◆ FY16 Investing Activities

	Major Breakdown	YoY Change
Purchase of property and equipment	(10,624)	+275
Proceeds from sales of property & equipment (lease-back transaction)	3,046	+472
Payments of guarantee deposits	(50)	+298

Financing Activities



◆ FY16 Financing Activities

	Major Breakdown	YoY Change
Proceeds from long-term borrowings (through transaction with major Japanese banks)	8,500	+8,500
Principal payments under capital leases	(4,820)	(625)
Payments for purchase of treasury stock	(1,505)	(1,505)
Dividends paid	(1,126)	(115)

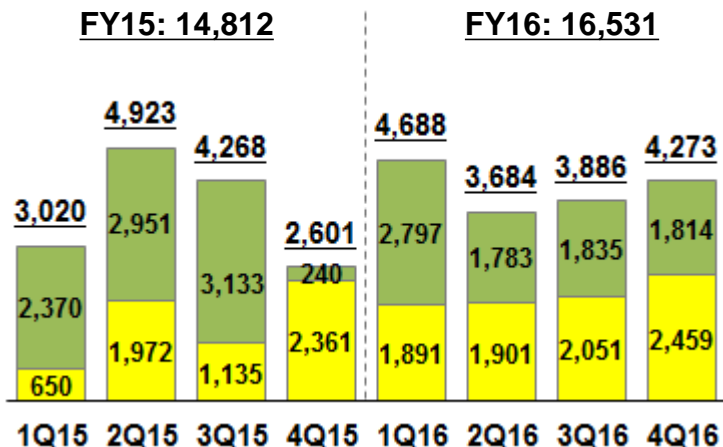
Other Financial Data (CAPEX etc.)

Financial Results

Unit: JPY million

CAPEX

■ Cash CAPEX
■ Capital Lease



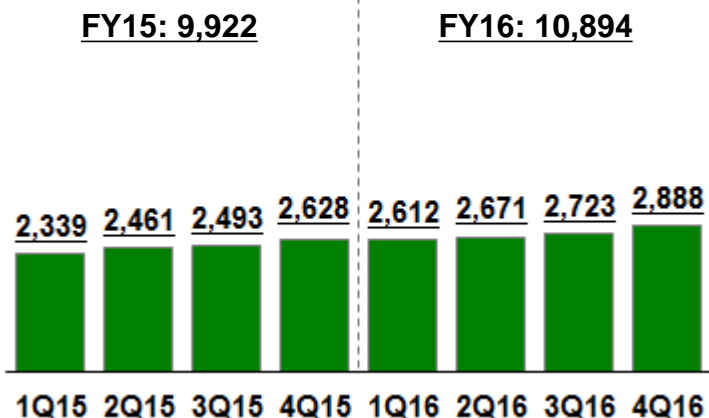
< Breakdown of CAPEX (unit: JPY billion) >

	FY15	FY16
Network update, back office investment and others	10.2	12.6
Cloud-related (of GIO P2-related)	4.4 (2.2)	3.6 (2.0)
ATM operation business	0.2	0.3

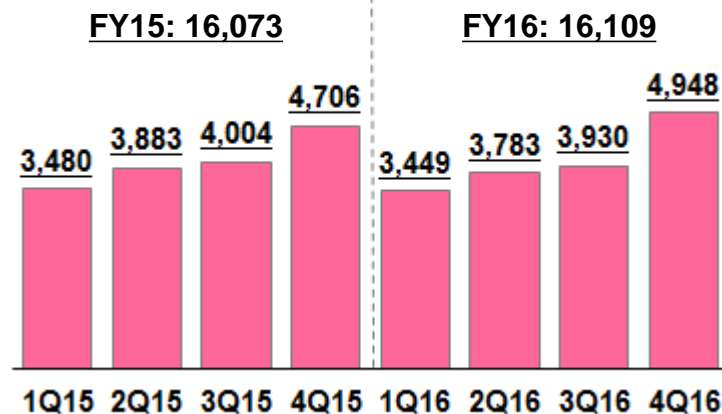
Major YoY change:

- Back office-related (up 0.7)
- Security-related (up 0.3)
- DDoS facility-related (up 0.3)
- Data center-related (up 0.3)
- Service facility-related (up 0.2)
- Mobile-related (up 0.2)

Depreciation and Amortization



Adjusted EBITDA



Cloud Business Developments

Financial Results

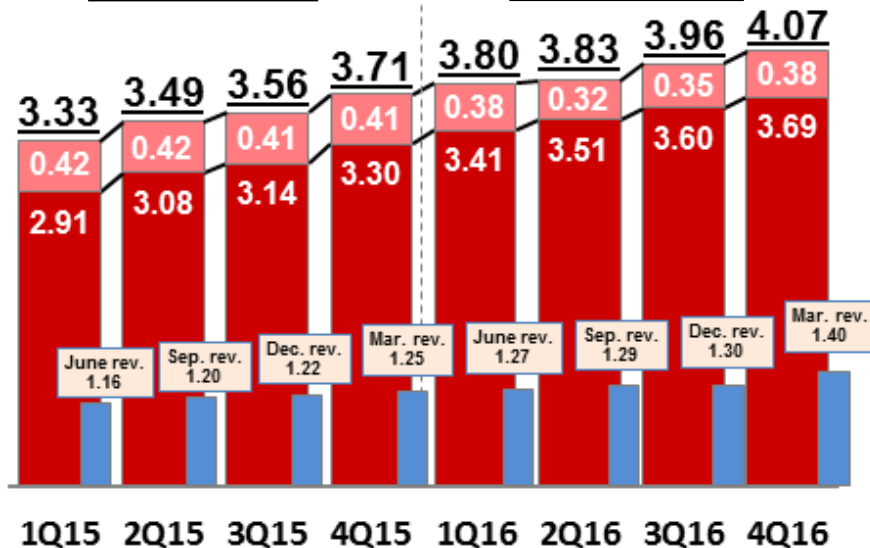
Cloud-related revenue

(Unit: JPY billion)

Large game customers
Business enterprise customers

FY15: 14.09

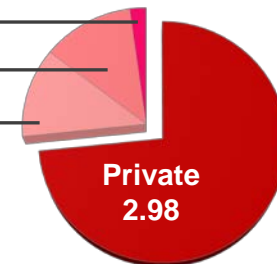
FY16: 15.66



4Q16 revenue

(Unit: JPY billion)

General purpose SaaS 0.09
(groupware etc.)
Task-specific SaaS 0.44
(FX, POS etc.)
Public 0.56

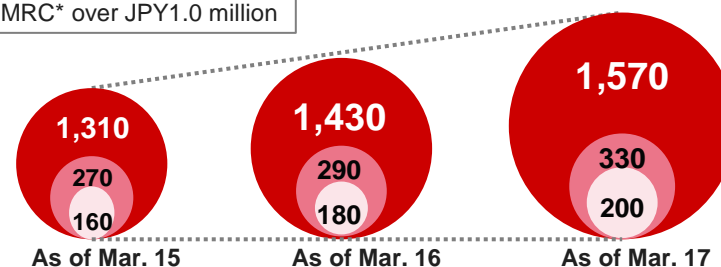


4Q16 cloud-related revenue recognition:
86.2% in systems operation and maintenance
13.8% in outsourcing

Cloud Customer Base

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

*Monthly Recurring Charge



Flagship GIO P2 Transactions

- Information security cloud systems for Kanagawa prefecture and other local governments
 - Providing cloud, NW, SI, security and others together
- Large-scale BtoC site for a famous BtoC service provider
 - MRC JPY14 million, from 2H17
- Unified platform for a global manufacturing company group
 - MRC JPY3 million, from 1Q17
- Virtual desktop services for financial institutions including prominent insurance company
 - MRC JPY10 million and more
- Core business operation systems for a travel agency
 - MRC JPY12 million, from 1Q17
- Service platform for a financial information provider

Business Developments

YoY = FY16 compared to FY15

- Continuously accumulating GIO P2 orders
 - FY16-end GIO P2 prospective orders: approx. 800 (up 500 YoY)
 - GIO P2 FY16 revenue up JPY0.65 billion YoY, cost up JPY1.19 billion YoY
- Cloud-type web browsing services now providing to both public sector (Nov. 2016) and private sector (Feb. 2017)

FY17 Plan

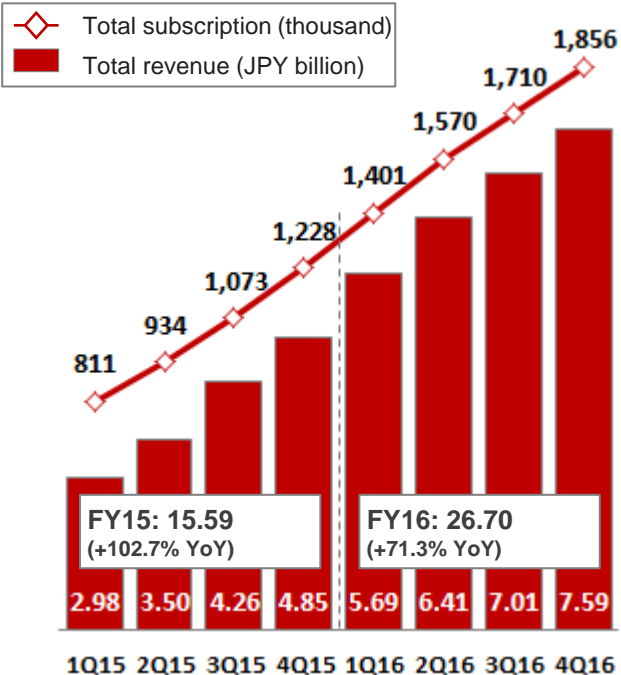
YoY = FY17 target compared to FY16 result

- FY17 revenue target: JPY18.0 billion (up 15% YoY)
 - Margin to improve around JPY0.4 billion to JPY0.6 billion
 - Revenue to continuously expand with GIO P2 flagship projects
 - Continuous service development and facility investment

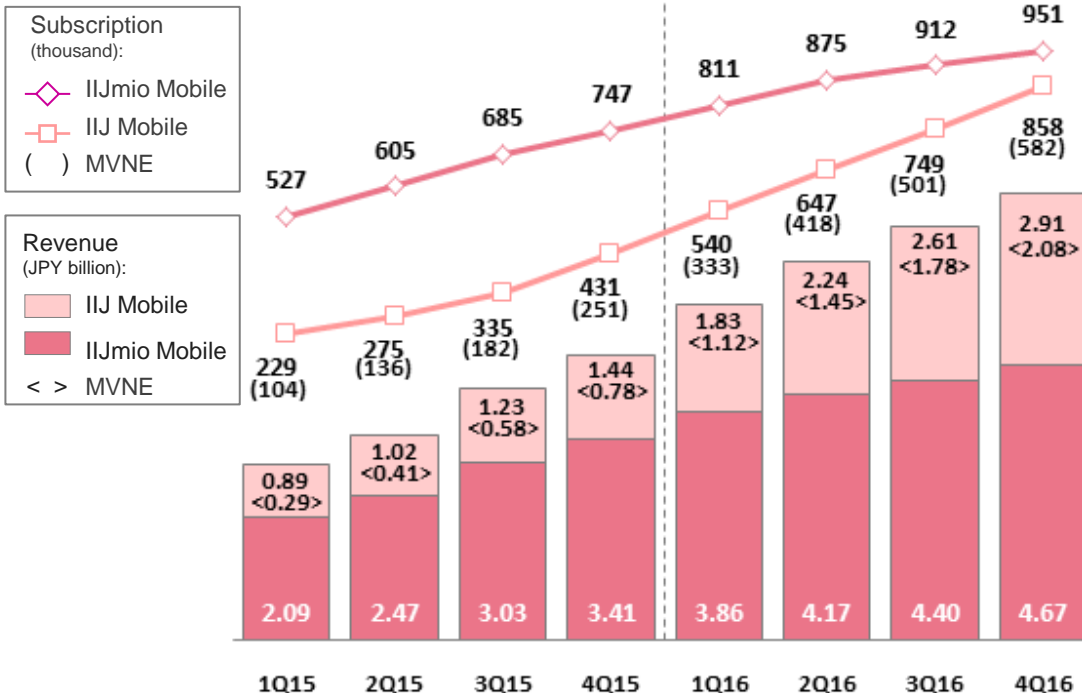
Mobile Business Developments

Financial Results

Total subscription & revenue



IIJmio Mobile (consumer) & IIJ Mobile (enterprise)



Business Developments

YoY = FY16-end compared to FY15-end
 QoQ = FY16-end compared to 3Q16

- ◆ MVNE business continued expanding
 - FY16-end subscription: 582 thousand (up 331 thousand YoY, 81 thousand QoQ)
 - FY16-end MVNE clients: 124 clients, including prominent contents holder, prominent retailer, U-NEXT, CATVs, Slers, etc.
- ◆ Mobile solution for enterprise continuously expanding:
 - Partnership with Panasonic Corporation, Uniadex Co., Ltd. and other prominent manufacturing
- ◆ FY16 IoT-type M2M revenue: approx. JPY0.73 billion (up more than 30% YoY)

FY17 Plan

- ◆ Along with market expansion, continue to focus on acquiring subscription and maintain market share
 - FY17 target subs. net addition: stronger than FY16 with IoT/M2M subs. (FY16 net addition: 628 thousand, FY15: 555 thousand)
- ◆ Further enhance connectivity quality and sales promotion for sales partners
- ◆ Focus on acquiring enterprise IoT and M2M projects
- ◆ Full-MVNO services to be launched in 4Q17
 - Related cost: approx. JPY0.4 billion (to be recorded from Dec. 2017)

FY2017 Financial Target (1)

**Financial
Results**

Unit: JPY billion

	% of Revenues	% of Revenues	% of Revenues	FY17 Target	
	FY16 Results (Apr. 2016 - Mar. 2017)	1H17 Target (Apr. 2017 - Sep. 2017)	FY17 Target (Apr. 2017 - Mar. 2018)	against FY16 Results	
Total Revenues	157.8	82.4	176.0	+18.2	+11.5%
Total Cost of Revenues	132.5	69.8	147.8	+15.3	+11.5%
Gross Margin	25.2	12.6	28.2	+3.0	+11.7%
SG&A/R&D	20.1	10.6	21.7	+1.6	+7.9%
Operating Income	5.1	2.0	6.5	+1.4	+26.6%
Income before Income Tax Expense	5.4	2.0	6.5	+1.1	+19.8%
Net Income*	3.2	1.1	4.0	+0.8	+26.3%
Cash Dividend per common share	JPY27.00	JPY13.50	JPY27.00	-	-

*Net income attributable to IIJ

NW service	<ul style="list-style-type: none"> ➢ Revenue growth to accelerate with large-scale Information Security Cloud project (MRC over JPY100 million), outsourcing and Internet connectivity services ➢ FY17 mobile net addition target to be greater than FY16 along with market expansion, enhancement of sales promotion for sales partners, and M2M/IoT subs. ➢ Full-MVNO related cost approx. JPY0.4 billion (to be recorded from Dec. 2017) ➢ Keep NW services gross margin ratio to be on 17% with service revenue accumulation and expansion of gross margin with outsourcing, Internet connectivity, while mobile service gross margin slightly decrease
	<ul style="list-style-type: none"> ➢ Systems construction revenue with same level as FY16 affected by further cloud service penetration ➢ Systems operation and maintenance revenue to continuously increase, target JPY18.0 billion for cloud revenue ➢ SI gross margin ratio to improve approx. 1 point from FY16, Cloud margin to improve by JPY0.4 billion to JPY0.6 billion
	<ul style="list-style-type: none"> ➢ Expect no significantly large number of additional ATM placement
	<ul style="list-style-type: none"> ◆ Sales commission fee, sales promotion, personnel-related, rent to increase continuously
HR	◆ Net addition of approx. 190 personnel
CAPEX	◆ Recent years' CAPEX volume + full-MVNO related investment (up JPY0.8 billion YoY)

FY2017 Financial Target (2)

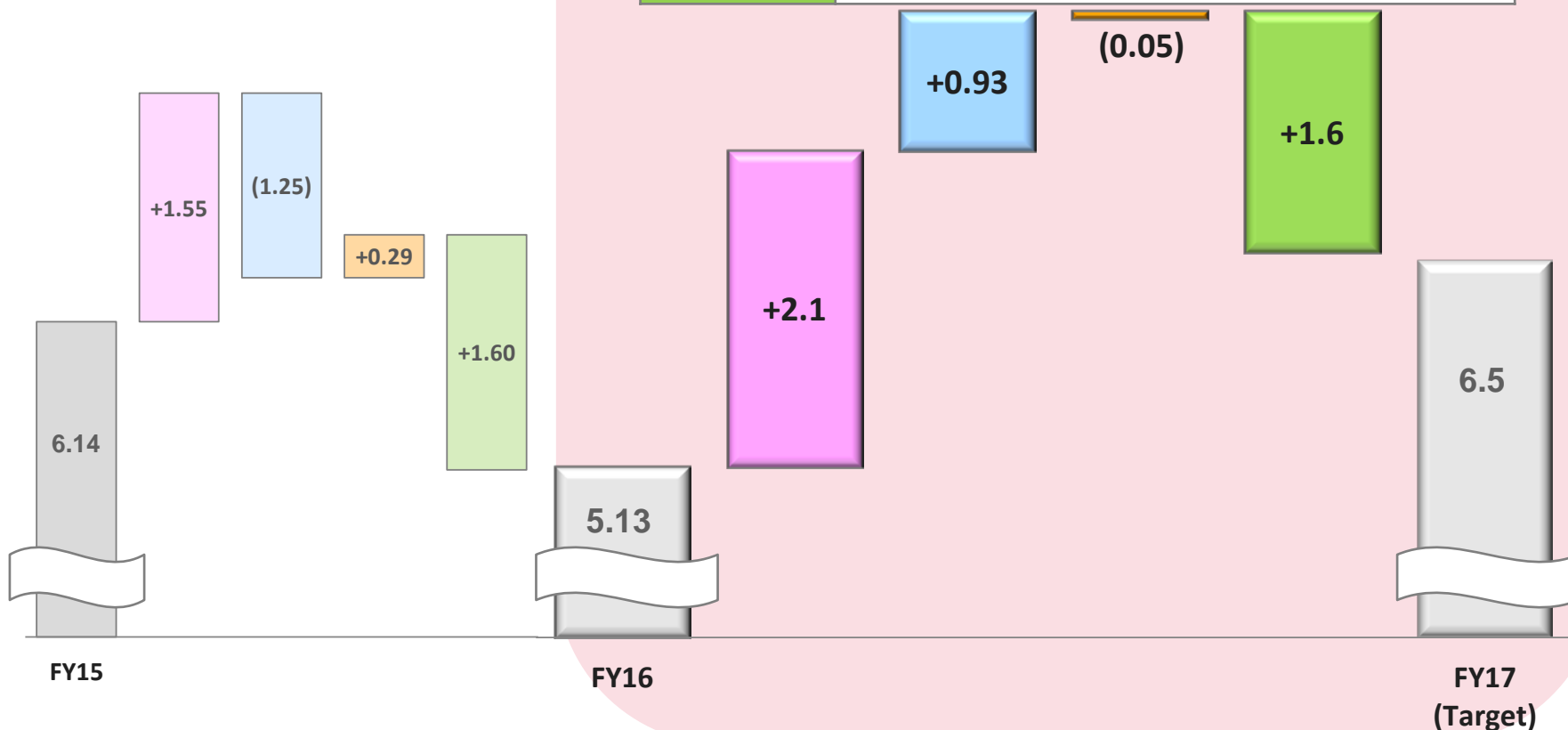
Financial Results

Unit: JPY billion

- Operating Income
- YoY change in NW services gross margin
- YoY change in SI gross margin (incl. equipment sales)
- YoY change in ATM operation business gross margin
- YoY change in SG&A expenses

YoY = compared to the same period in a previous year

NW service gross margin	Greater gross margin than FY16 with continuously acquiring mobile subscription, accumulation of enterprise network services
SI gross margin	Cloud profit to improve by JPY0.4 billion to JPY0.6 billion, SI profitability improvement
SG&A	Continuously increase with the same level, Gross margin expansion to absorb the increase of SG&A



※ 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 IIJ Investor Relations

Iidabashi Grand Bloom, 2-10-2 Fujimi, Chiyoda-ku, Tokyo, 102-0071, Japan

TEL: 81-3-5205-6500 URL: <http://www.ij.ad.jp/en/ir/> E-Mail: ir@ij.ad.jp

