



Internet Initiative Japan

For Immediate Release

Internet Initiative Japan Inc.

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**IIJ Announces First Quarter Results
for the Fiscal Year Ending March 31, 2009**

Tokyo, August 12, 2008 - Internet Initiative Japan Inc. (Nasdaq: IJJI, Tokyo Stock Exchange First Section: 3774) ("IIJ") announced its first quarter financial results for the fiscal year ending March 31, 2009 ("FY2008").¹

Highlights of First Quarter FY2008 Results

- Revenues totaled JPY16,328 million (\$154.3 million), an increase of 19.2% from 1Q07. Connectivity grew by 24.5%, Outsourcing² by 19.4% and SI by 21.4% from 1Q07 respectively.
- Operating income was JPY411 million (\$3.9 million), a decrease of 40.5% from 1Q07. There were unrealized income related to personnel cost from SI deferred and loss from newly established consolidated subsidiaries.
- Net income was JPY169 million (\$1.6 million), a decrease of 70.4% from 1Q07. Decreased operating income and absence of capital gains from the sale of equity securities which were recorded in 1Q07 had adverse effect.

Overview of 1st Quarter FY2008 Financial Results and Business Outlook²

"In 1Q07, we've seen continuous demands for IT related outsourcing. Our recurring revenues from connectivity and outsourcing services, systems operation and maintenance accumulated and showed steady growth year-over-year. Systems construction was not strong as it tends to be weak in the first quarter of every fiscal year due to seasonal factor." said Koichi Suzuki, President and CEO of IIJ.

"As for the recurring revenues, they have increased by 23.5% year-over-year led by continuous needs for e-mail security and data center related outsourcing services. Also, demands for anti-DDoS service are gradually arising and the increase in system operation and maintenance followed by the completion of SI project in the previous quarters are accumulating. Further more, our new service launched in January 2008 called IIJ Mobile Service, a mobile data communication service for corporate use that are provided together with outsourcing services is expanding. The growth is in line with our anticipation with approximately 10,000 contracts in 1Q08 which make additional accumulation of our connectivity revenue hereafter. As for the systems construction, in a quarter where systems construction revenues are seasonally low, the increase in work in process related to personnel cost of SI affected the gross margin for SI. These work in process are expected to realize with the completion of SI projects in the coming quarters. From the above and from the increase in SG&A expenses along with business expansion and loss related to newly established consolidated subsidiaries affected the decrease in operating income year-over-year."

"In the coming years, even if Japanese economic situation may worsen, network utilizations and IT related outsourcings by corporate will become indispensable to them. In such environment, we will make effort in maintaining our position to take in outsourcing demands with our IP related technological skills and excellent client base. Also, other than the growth from existing services driven by demands for network related outsourcing services, we anticipate additional growth from new business developments to contribute to revenue and income in the upcoming years."

¹ Unless otherwise stated, all financial figures discussed in this announcement are prepared in accordance with U.S. GAAP. All financial figures are unaudited and consolidated. The translations of Japanese yen into U.S. dollars are solely for the convenience of readers outside of Japan. The rate used for the translation was JPY106.17 per US\$1.00, which was the noon buying rate on June 30, 2008.

² From 1Q08, "Value-added Service Revenues ("VAS")" and "Other Revenues" of "Connectivity and VAS revenues" have been reclassified to "Outsourcing Services". Related to this reclassification, "Connectivity and VAS revenues" has been renamed to "Connectivity and Outsourcing Services revenues".

1st Quarter FY2008 Financial Results

Results of Operations

Operating Results Summary

(JPY in millions)

	1Q08	1Q07	YoY % change
Total Revenues	16,328	13,696	19.2%
Total Costs	13,303	10,942	21.6%
SG&A Expenses and R&D	2,614	2,062	26.8%
Operating Income	411	692	(40.5%)
Income before Income Tax Expense	310	757	(59.1%)
Net Income	169	571	(70.4%)

Revenues

Revenues in 1Q08 totaled JPY16,328 million, an increase of 19.2% from JPY 13,696 million in 1Q07.

Revenues

(JPY in millions)

	1Q08	1Q07	YoY % change
Total Revenues:	16,328	13,696	19.2%
Connectivity and Outsourcing Services	8,396	6,871	22.2%
SI	7,689	6,334	21.4%
Equipment Sales	238	491	(51.4%)
ATM Operation Business³	5	-	-

Connectivity and Outsourcing Services revenue were JPY8,396 million in 1Q08, an increase of 22.2% compared to 1Q07 mostly led by the followings; 1) Continuous increase in outsourcing services revenues especially from email and data center related services reflecting needs for outsourcing and networking from corporate and 2) the increase in connectivity service for home use (up 98.0% YoY) due to the full contribution from hi-ho, which we acquired in June 2007, of JPY1,203 million (3 months) compared to JPY339 million in 1Q07 (1 months).

SI revenues increased by 21.4% to JPY 7,689 million in 1Q08 compared to 1Q07. Systems construction was not strong (up 14.7% year-over-year) in the first quarter of every fiscal year due to seasonal factor in corporate spending in Japan⁴. Systems operation and maintenance on the contrary increased (up 25.9% year-over-year) with the steady accumulation from the previous quarters.

Equipment sales revenues were JPY 238million in 1Q08, a decrease of 51.4% compared to 1Q07.

ATM Operation Business revenues were JPY5 million in 1Q08. These revenues are from Trust Networks Inc. which was established to provide and operates ATM network systems placed in designated facilities. This new business is currently under planning and preparation for business launch.

Cost and expense

Cost of revenues was JPY13,303 million in 1Q08, an increase of 21.6% compared to 1Q07.

Cost of Revenues

(JPY in millions)

	1Q08	1Q07	YoY % change
Cost of Revenues:	13,303	10,942	21.6%
Connectivity and Outsourcing Services	7,065	5,670	24.6%
SI	6,024	4,849	24.2%
Equipment Sales	199	423	(53.1%)
ATM Operation Business	15	-	-

³ From 1Q08, we have disclosed revenues and costs related to ATM Operation Business. ATM Operation Business revenue consists of commission received for each withdrawal transaction from a bank account and ATM operation service. The commission for each withdrawal are billed and recognized monthly. ATM operation service lends ATM machines for a contract term of one year and receives monthly fees. This service are billed and recognized monthly on a straight-line basis. Initial set up fees received in connection with ATMs operation service are deferred and recognized over the contract period.

⁴ Corporate spending in Japan has the tendency to become the largest in the fourth quarter and the lowest in the first quarter as many Japanese companies have fiscal years ending in March 31.

Cost of Connectivity and Outsourcing Services revenue were JPY7,065 million in 1Q08, an increase of 24.6% compared to 1Q07 mainly due to the increase in network operation and data center related costs resulting from increase in revenue growth and the cost incurred by hi-ho of JPY1,133 million (3 months).

The gross margin for Internet connectivity and outsourcing services in 1Q08 was JPY1,331 million, an increase of 10.8% compared to 1Q07. The gross margin ratio in 1Q08 was 15.9%, compared to 17.5% in 1Q07, affected by the relatively low gross margin of hi-ho and the initial costs for new business development.

Cost of SI revenues was JPY6,024 million in 1Q08, an increase of 24.2% compared to 1Q07 mainly due to the increase in outsourcing and personnel related costs resulting from increase in revenue growth.

The gross margin for SI in 1Q08 was JPY1,665 million, an increase of 12.0% compared to 1Q07. The gross margin ratio was 21.6% compared to 23.5% in 1Q07.

Cost of Equipment Sales revenues was JPY199 million in 1Q08, a decrease of 53.1% compared to 1Q07.

The gross margin ratio for equipment sales in 1Q08 was 16.4%, compared to 13.6% in 1Q07.

Cost of ATMs Operation Business revenues was JPY15 million in 1Q08. Gross margin was a loss of JPY10 million.

Sales and marketing expenses were JPY1,173 million in 1Q08, an increase of 24.9% compared to 1Q07. The increase was mainly due to the increase in personnel and advertising expenses resulting from business expansion, as well as expenses related to hi-ho of 3 months.

General and administrative expenses were JPY1,383 million in 1Q08, an increase of 29.6% compared to 1Q07. The increase was mainly due to the increase in personnel related and outsourcing expenses and rent expenses resulting from business expansion. There were also expenses related to new business from On-Demand Solutions Inc., Trust Networks Inc., GDX Japan, K.K. and IJ Innovation Institute Inc.

Research and development expenses were JPY59 million in 1Q08, an increase of 4.4% compared to 1Q07.

Operating income

Operating income was JPY411 million in 1Q08, a decrease of 40.5% compared to 1Q07 of JPY692 million. The increase in personnel related costs from business expansion and loss from new business developments of JPY166 million offset the increase in gross margin (up 9.9% YoY).

Other income (expenses) and others

Other income (expenses) in 1Q08 were a net other expense of JPY102 million mainly due to interest payments of JPY106 million and as there were net loss of JPY7 million (zero gains and impairment loss of JPY7 million) from available-for-sale securities. On the contrary, 1Q07 was net other income of JPY 65 million as there were net gains of JPY142 million (gains of JPY214 million and impairment loss of JPY72 million) from available-for-sale securities.

Income tax expense in 1Q08 was JPY213 million mainly due to deferred tax expense of JPY127 million and the increase in income tax expenses. 1Q07 was an expense of JPY 175 million.

Minority interests in losses of subsidiaries in 1Q08 were JPY55 million related to GDX Japan Inc. and Trust Networks Inc., compared to minority interests in losses of subsidiaries of JPY 9 million in 1Q07.

Equity in net income of equity method investees in 1Q08 was JPY18 million, compared to equity in net loss of equity method investees of JPY 20 million in 1Q07.

Net income was JPY169 million in 1Q08, a decrease of 70.4% compared to 1Q07.

Financial Condition

Balance Sheets

As of June 30, 2008, total assets decreased by JPY3,786 million from the prior year end to JPY51,934 million.

For current assets, prepaid expenses increased by JPY931 million, mainly for bonus payments to our employees and maintenance expenses related to SI projects; account receivables decreased by JPY3,458 million, each from the respective amount as of March 31, 2008. The fair value of available-for-sale securities as of June 30, 2008 increased by JPY90 million to JPY934 million compared to March 31, 2008. For current liabilities, short-term borrowings decreased by JPY1,650 million due to repayments; and accounts payable decreased by JPY1,965 million, each from the respective amount as of March 31, 2008.

Total shareholders' equity as of June 30, 2008 was JPY24,991 million and shareholder's equity ratio (shareholder's equity/total assets) as of June 30, 2008 was 48.1%.

Cash Flows

Cash and cash equivalents as of June 30, 2008 decreased by JPY1,528 million to JPY9,943 million, compared to JPY 13,555 million as of March 31, 2008.

Net cash provided by operating activities in 1Q08 was JPY2,108 million, compared to net cash used in operating activities of JPY 1,328 million in 1Q07, mainly due to the increase in operating income, decrease in accounts payable of JPY3,441 million, decrease in prepaid expenses related to on-going SI projects of JPY945 million, decrease in accounts payable of JPY1,881 million mainly related to SI projects and payment of JPY512 million for income taxes.

Net cash used in investing activities in 1Q08 was JPY825 million, compared to net cash used in investing activities of JPY 3,520 million in 1Q07, mainly due to payment of JPY768 million for the purchase of property and equipment.

Net cash used in financing activities in 1Q08 was JPY2,695 million, compared to net cash provided by financing activities of JPY 3,898 million in 1Q07, mainly due to repayments of short-term borrowing with initial maturities over three months of JPY250 million (net), principal payments under capital leases of JPY839 million and a net decrease of JPY1,400 million in short-term borrowings with initial maturities less than three month.

4th Quarter FY2008 Business Review

Analysis by Service

Connectivity and Outsourcing Services

Connectivity services revenues for corporate use increased by 4.6% compared to 1Q07 as the contracted bandwidth from IP Service increased together with the steady increase in contracts of broadband services. As for IJ Mobile service which was launched in January 2008 was in line with our anticipation with approximately 10,000 contracts. The total contracted bandwidth increased by 91.8Gpbs to 422.1Gbps compared to 1Q07.

For connectivity services for home use, there were full contribution to revenues from hi-ho of JPY1,203 million (3 months) compared to JPY339 million (1 months).

Outsourcing services revenues increased by 19.4% compared to 1Q07 as strong demands from email related services, data center services and internet-VPN had continued.

Number of Contracts for Connectivity Services

	1Q08	1Q07	YoY Change
Connectivity Services (Corporate Use)	32,939	21,210	11,729
IP Service (-99Mbps)	854	773	81
IP Service (100Mbps-999Mbps)	203	168	35
IP Service (1Gbps-)	72	58	14
IIJ Data Center Connectivity Service	286	278	8
IIJ FiberAccess/F and IIJ DSL/F	24,466	18,252	6,214
Others	7,058	1,681	5,377
Connectivity Services (Home Use)	467,453	555,946	(88,493)
Under IIJ Brand	49,279	54,192	(4,913)
hi-ho	188,575	186,677	1,898
OEM ⁵	229,599	315,077	(85,478)
Total Contracted Bandwidth	422.1Gbps	330.3Gbps	91.8Gbps

Connectivity and Outsourcing Services Revenues Breakdown and Cost⁴ (JPY in millions)

	1Q08	1Q07	YoY % Change
Connectivity Service (Corporate Use)	3,110	2,973	4.6%
IP Service ⁶	2,270	2,218	2.4%
IIJ FiberAccess/F and IIJ DSL/F	713	615	15.8%
Others	127	140	(9.2%)
Connectivity Service (Home Use)	1,633	806	102.5%
Under IIJ Brand	258	282	(8.8%)
hi-ho	1,239	339	265.5
OEM	136	185	(26.5%)
Outsourcing Services	3,690	3,092	19.4%
Total Connectivity and Outsourcing Services	8,268	6,871	20.3%
Cost of Connectivity and Outsourcing Services	7,065	5,670	24.6%
Backbone Cost (included in the cost of Connectivity and Outsourcing Service)	895	819	9.3%
Connectivity and Outsourcing Services Gross Margin Ratio	15.9%	17.5%	

SI

One-time revenues from systems construction in 1Q08 increased by 21.4% compared to 1Q07. Recurring revenues from systems operation and maintenance in 1Q08 increased by 14.7% compared to 1Q07.

The order backlog for SI and equipment sales as of June 30, 2008 was JPY16,836 million, a decrease of 2.0% from the amount as of June 30, 2007. In 1Q07, we received order of a large-scaled SI project of JPY1,833 million which completed in 3Q07. The order backlog for systems construction including equipment sales decreased by 34.2% to JPY5,081 million and systems operation and maintenance increased by 24.3% to JPY11,755 million compared to 1Q07 respectively.

SI Revenue Breakdown and Cost

(JPY in millions)

	1Q08	1Q07	YoY % Change
SI Revenues⁷	7,688	6,334	21.4%
Systems Construction	4,760	3,782	25.9%
Systems Operation and Maintenance	2,929	2,552	14.7%
Cost of SI	6,024	4,849	24.2%
SI Gross Margin Ratio	21.6%	23.5%	
SI and Equipment Sales Order Backlog	16,836	17,174	(2.0%)

⁵ OEM services provided to other service providers.

⁶ IP Service revenues include revenues from the Data Center Connectivity Service.

⁷ From 1Q08, we have disclosed Systems integration revenue breakdown in our consolidated statements of income.

Equipment Sales

Equipment Sales Revenue and Cost

(JPY in millions)

	1Q08	1Q07	YoY % Change
Equipment Sales Revenues	238	491	(51.4%)
Cost of Equipment Sales	199	423	(53.1%)
Equipment Sales Gross Margin Ratio	16.4%	13.6%	

ATM Operation Business

ATM Operation Business Revenue and Cost

(JPY in millions)

	1Q08	1Q07	YoY % Change
ATM Operation Business Revenues	5	-	-
Cost of ATM Operation Business	15	-	-
ATM Operation Business Gross Margin	(10)	-	-

Other Financial Statistics

Other Financial Statistics

(JPY in millions)

	1Q08	1Q07	YoY % Change
Adjusted EBITDA ⁸	1,656	1,740	%
CAPEX, including capital leases ⁹	1,831	2,232	%
Depreciation and amortization	1,245	1,048	%

Reconciliation of Non-GAAP Financial Measures

The following table summarizes the reconciliation of adjusted EBITDA to net income in our consolidated statements of income that are prepared in accordance with U.S. GAAP and presented in Appendix 2:

Adjusted EBITDA

(JPY in millions)

	1Q08	1Q07
Adjusted EBITDA	1,656	1,740
Depreciation and Amortization	1,245	1,048
Operating Income	412	692
Other Income (Expense)	(102)	65
Income Tax Expense	259	175
Minority Interests in Losses of Subsidiaries	55	9
Equity in Net Income (Loss) of Equity Method Investees	18	(20)
Net Income	125	571

The following table summarizes the reconciliation of capital expenditures to the purchase of property and equipment in our consolidated statements of cash flows that are prepared and presented in accordance with U.S. GAAP in Appendix 3:

CAPEX

(JPY in millions)

	1Q08	1Q07
CAPEX, including capital leases	1,831	2,232
Acquisition of Assets by Entering into Capital Leases	1,063	1,662
Purchase of Property and Equipment	768	570

Presentation

Presentation Materials will be posted on our web site (<http://www.ij.ad.jp/en/IR/>) on August 12, 2008.

⁸ Please refer to the Reconciliation of Non-GAAP Financial Measures below.

⁹ Please refer to the Reconciliation of Non-GAAP Financial Measures below.

About Internet Initiative Japan Inc.

Founded in 1992, Internet Initiative Japan Inc. (IIJ, NASDAQ: IJJI, Tokyo Stock Exchange First Section: 3774) is one of Japan's leading Internet-access and comprehensive network solutions providers. The company has built one of the largest Internet backbone networks in Japan, and between Japan and the United States. IIJ and its group of companies provide total network solutions that mainly cater to high-end corporate customers. The company's services include high-quality systems integration and security services, Internet access, hosting/housing, and content design.

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Statements made in this press release 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 FY2008 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: IIJ's ability to maintain and increase revenues from higher-margin services such as systems integration and outsourcing services; the possibility that revenues from connectivity services may decline substantially as a result of competition and other factors; the ability to compete in a rapidly evolving and competitive marketplace; the impact on IIJ's profits of fluctuations in costs such as backbone costs and subcontractor costs; the impact on IIJ's profits of fluctuations in the price of available-for-sale securities; the impact of technological changes in its industry; IIJ's ability to raise additional capital to cover its indebtedness; the possibility that NTT, IIJ's largest shareholder, may decide to exercise substantial influence over IIJ; 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.

Tables to follow

Internet Initiative Japan Inc.
Quarterly Consolidated Balance Sheets (Unaudited)
(As of June 30, 2008 and March 31, 2008)

	As of June 30, 2008			As of March 31, 2008	
	Thousands of U.S. Dollars	Thousands of JPY	%	Thousands of JPY	%
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	93,654	9,943,205		11,470,980	
Short-term investments	-	-		12,181	
Accounts receivable, net of allowance for doubtful accounts of JPY 18,591 thousand and JPY 24,677 thousand at June 30, 2008 and March 31, 2008, respectively	82,861	8,797,364		12,255,163	
Inventories	11,164	1,185,250		1,184,160	
Prepaid expenses	27,659	2,936,607		2,005,274	
Other current assets, net of allowance for doubtful accounts of JPY xxx thousand and JPY 7,470 thousand at June 30, 2008 and March 31, 2008, respectively	14,980	1,590,377		1,557,869	
Total current assets	230,317	24,452,803	47.1	28,485,627	51.1
INVESTMENTS IN AND ADVANCES TO EQUITY METHOD INVESTEEES, net of loan loss valuation allowance of JPY 16,701 thousand at June 30, 2008 and March 31, 2008	9,162	972,744	1.9	991,237	1.8
OTHER INVESTMENTS	23,060	2,448,326	4.7	2,363,770	4.2
PROPERTY AND EQUIPMENT, net of accumulated depreciation and amortization of JPY 14,316,358 thousand and JPY 14,029,785 thousand at June 30, 2008 and March 31, 2008	113,148	12,012,871	23.1	11,740,210	21.1
GOODWILL	23,616	2,507,258	4.8	2,507,258	4.5
OTHER INTANGIBLE ASSETS —Net	31,843	3,380,745	6.5	3,400,117	6.1
GUARANTEE DEPOSITS	19,599	2,080,875	4.0	2,037,165	3.7
OTHER ASSETS, net of allowance for doubtful accounts of JPY 67,251 thousand, JPY 64,796 thousand at June 30, 2008 and March 31, 2008, respectively	38,414	4,078,542	7.9	4,177,162	7.5
TOTAL	489,160	51,934,164	100.0	55,702,546	100.0

	As of June 30, 2008			As of March 31, 2008	
	Thousands of U.S. Dollars	Thousands of JPY	%	Thousands of JPY	%
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES:					
Short-term borrowings	70,641	7,500,000		9,150,000	
Capital lease obligations —current portion	31,950	3,392,140		3,455,948	
Accounts payable	55,853	5,929,863		7,895,238	
Accrued expenses	9,580	1,017,076		994,138	
Accrued retirement and pension costs —current	108	11,436		11,436	
Deferred income	14,663	1,556,795		1,552,896	
Other current liabilities	5,626	597,366		864,366	
Total current liabilities	188,421	20,004,676	38.5	23,924,022	42.9
CAPITAL LEASE OBLIGATIONS —Noncurrent	45,783	4,860,731	9.4	4,738,359	8.5
ACCRUED RETIREMENT AND PENSION COSTS —Noncurrent	11,060	1,174,207	2.3	1,101,951	2.0
OTHER NONCURRENT LIABILITIES	6,255	664,196	1.3	663,399	1.2
Total Liabilities	251,519	26,703,810	51.4	30,427,731	54.6
MINORITY INTEREST	2,252	239,075	0.5	294,102	0.6
COMMITMENTS AND CONTINGENCIES					
SHAREHOLDERS' EQUITY:					
Common-stock—authorized, 377,600 shares; issued and outstanding, 206,478 shares at June 30, 2008 and at March 31, 2008	158,556	16,833,847	32.4	16,833,847	30.2
Additional paid-in capital	260,071	27,611,737	53.2	27,611,737	49.6
Accumulated deficit	(184,543)	(19,592,890)	(37.7)	(19,555,489)	(35.1)
Accumulated other comprehensive income	1,305	138,585	0.2	90,618	0.1
Total shareholders' equity	235,389	24,991,279	48.1	24,980,713	44.8
TOTAL	489,160	51,934,164	100.0	55,702,546	100.0

(Note 1) The U.S. dollar amounts represent translations of yen amounts at the rate of JPY 106.17 which was the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York prevailing as of June 30, 2008.

(Note 2) Certain reclassifications have been made to the periods to conform to the last fiscal year (the fiscal year ended March 31, 2008) presentation.

Internet Initiative Japan Inc.
Quarterly Consolidated Statements of Income (Unaudited)
(For the three months ended June 30, 2008 and June 30, 2007)

	Three Months Ended June 30, 2008			Three Months Ended June 30, 2007	
	Thousands of U.S. Dollars	Thousands of JPY	% of total revenues	Thousands of JPY	% of total revenues
REVENUES:					
Connectivity and outsourcing services:					
Connectivity (corporate use)	29,290	3,109,754		2,972,772	
Connectivity (home use)	15,035	1,596,203		806,326	
Outsourcing services	34,760	3,690,496		3,091,978	
Total	79,085	8,396,453		6,871,076	
Systems integration:					
Systems Construction	27,587	2,928,948		2,552,602	
Systems Operation and Maintenance	44,833	4,759,876		3,781,862	
Total	72,420	7,688,824		6,334,464	
Equipment sales	2,242	238,021		490,211	
ATM operation business	45	4,835			
Total revenues	153,792	16,328,133	100.0	13,695,751	100.0
COST AND EXPENSES:					
Cost of connectivity and outsourcing services	66,545	7,065,072		5,669,522	
Cost of systems integration	56,741	6,024,237		4,848,884	
Cost of equipment sales	1,874	198,926		423,783	
Cost of ATM operation business	138	14,681			
Total cost	125,298	13,302,916	81.5	10,942,189	79.9
Sales and marketing	11,046	1,172,726	7.2	939,130	6.9
General and administrative	13,024	1,382,708	8.5	1,066,843	7.8
Research and development	550	58,521	0.3	56,051	0.4
Total cost and expenses	149,918	15,916,871	97.5	13,004,213	95.0
OPERATING INCOME	3,874	411,262	2.5	691,538	5.0
OTHER INCOME (EXPENSE):					
Interest income	75	7,956		11,212	
Interest expense	(1,000)	(106,203)		(96,908)	
Foreign exchange gains	(23)	(2,403)		(926)	
Net gain on sales of other investments	-	-		213,530	
Losses on write-down of other investments	(70)	(7,391)		(71,929)	
Other—net	60	6,350		10,233	
Other income— net	(958)	(101,691)	(0.6)	65,212	0.5
INCOME FROM OPERATIONS BEFORE INCOME TAX EXPENSE, MINORITY INTERESTS AND EQUITY IN NET INCOME (LOSS) OF EQUITY METHOD INVESTEES	2,916	309,571	1.9	756,750	5.5
INCOME TAX EXPENSE	2,008	213,215	1.3	175,366	1.3
MINORITY INTERESTS IN EARNINGS OF SUBSIDIARIES	518	55,027	0.3	9,224	0.1
EQUITY IN NET LOSS OF EQUITY METHOD INVESTEES	167	17,694	0.1	(19,852)	(0.1)
NET INCOME	1,593	169,077	1.0	570,756	4.2

	Three Months Ended June 30, 2008		Three Months Ended June 30, 2007
NET INCOME PER SHARE			
BASIC WEIGHTED-AVERAGE NUMBER OF SHARES (shares)		206,478	205,521
DILUTED WEIGHTED-AVERAGE NUMBER OF SHARES (shares)		206,598	205,850
BASIC WEIGHTED-AVERAGE NUMBER OF ADS EQUIVALENTS (ADSs)		82,591,200	82,208,255
DILUTED WEIGHTED-AVERAGE NUMBER OF ADS EQUIVALENTS (ADSs)		82,639,332	82,340,017
BASIC NET INCOME PER SHARE (U.S. Dollars / JPY / JPY)	7.71	819	2,777
DILUTED NET INCOME PER SHARE (U.S. Dollars / JPY / JPY)	7.70	818	2,773
BASIC NET INCOME PER ADS EQUIVALENT (U.S. Dollars / JPY / JPY)	0.02	2.05	6.94
DILUTED NET INCOME PER ADS EQUIVALENT (U.S. Dollars / JPY / JPY)	0.02	2.05	6.93

(Note 1) The U.S. dollar amounts represent translations of yen amounts at the rate of JPY 106.17 which was the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York prevailing as of June 30, 2008.

(Note 2) Certain reclassifications have been made to the periods to conform to the current quarter (the quarter ended June 30, 2008) presentation.

Internet Initiative Japan Inc.
Quarterly Condensed Consolidated Statements of Cash Flows (Unaudited)
(For the three months ended June 30, 2008 and June 30, 2007)

	Three Months Ended June 30, 2008		Three Months Ended June 30, 2007
	Thousands of U.S. Dollars	Thousands of JPY	Thousands of JPY
OPERATING ACTIVITIES:			
Net income	1,593	169,077	570,756
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	11,726	1,244,913	1,047,580
Provision for (reversal of) doubtful accounts and advances	7	692	(4,183)
Net gains on sales of other investments -net			(213,530)
Losses on write-down of other investments	70	7,391	71,929
Foreign exchange losses	65	6,921	2,686
Equity in net loss of equity method investees (net of dividend)	119	12,686	19,852
Minority interests in (loss) earnings of subsidiaries	(518)	(55,027)	(9,224)
Deferred income tax expense (benefit)	1,193	126,712	144,247
Others	960	101,944	53,676
Changes in operating assets and liabilities net of effects from acquisition of business and a company			
Decrease in accounts receivable	32,405	3,440,513	1,739,821
Increase in inventories, prepaid expenses and other current and noncurrent assets	(8,897)	(944,612)	(2,557,479)
Decrease in accounts payable	(17,060)	(1,811,304)	(2,307,593)
Increase in accrued expenses, other current and noncurrent liabilities	(2,657)	(282,072)	113,864
Net cash provided by (used in) operating activities	19,006	2,017,834	(1,327,598)
INVESTING ACTIVITIES:			
Purchase of property and equipment	(7,234)	(768,077)	(569,590)
Purchase of available-for-sale securities			(287,609)
Proceeds from sale of short-term and other investments	50	5,281	(31,670)
Purchase of subsidiary stock from minority shareholders			(1,975,123)
Proceeds from sales of available-for-sale securities			538,112
Proceeds from sales and redemption of other investments			3,310
Acquisition of a newly controlled company, net of cash acquired			(912,450)
Payment of guarantee deposits—net	(461)	(48,946)	(266,766)
Other	(123)	(12,990)	(17,772)
Net cash used in investing activities	(7,768)	(824,732)	(3,519,558)

	Three Months Ended June 30, 2008		Three Months Ended June 30, 2007
	Thousands of U.S. Dollars	Thousands of JPY	Thousands of JPY
FINANCING ACTIVITIES:			
Proceeds from issuance of short-term borrowings with initial maturities over three months	48,036	5,100,000	10,300,000
Repayments of short-term borrowings with initial maturities over three months and long-term borrowings	(50,391)	(5,350,000)	(4,571,000)
Principal payments under capital leases	(7,902)	(838,935)	(774,817)
Net decrease in short-term borrowings with initial maturities less than three months	(13,186)	(1,400,000)	(750,000)
Payment of dividends	(1,945)	(206,478)	(306,450)
Net cash provided by (used in) financing activities	(25,388)	(2,695,413)	3,897,733
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(239)	(25,464)	(7,173)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(14,389)	(1,527,775)	(956,596)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	108,043	11,470,980	13,554,544
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	93,654	9,943,205	12,597,948
ADDITIONAL CASH FLOW INFORMATION:			
Interest paid	988	104,913	95,500
Income taxes paid	4,822	511,927	725,557
NONCASH INVESTING AND FINANCING ACTIVITIES:			
Acquisition of assets by entering into capital leases	10,014	1,063,149	1,662,475
Purchase of minority interests of consolidated subsidiaries through share exchanges	—	—	1,012,520
Acquisition of business and a company:			
Assets acquired	—	—	1,570,720
Cash paid	—	—	(1,230,450)
Liabilities assumed	—	—	340,270

(Note 1) The U.S. dollar amounts represent translations of yen amounts at the rate of JPY 106.17 which was the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York prevailing as of June 30, 2008.

(Note 2) Certain reclassifications have been made to the periods to conform to the current quarter (the quarter ended June 30, 2008) presentation.

Note: The following information is provided to disclose IIJ's financial results (unaudited) for the three months ended June 30, 2008 in the form defined by the Tokyo Stock Exchange.

**Consolidated Financial Results for the Three Months Ended June 30, 2008 ("1Q08")
[Under accounting principles generally accepted in the United States ("U.S. GAAP")]**

August 12, 2008

Company name: Internet Initiative Japan Inc. Exchange listed: Tokyo Stock Exchange First Section

Stock code number: 3774

URL: <http://www.ij.ad.jp/>

Representative: Koichi Suzuki, President and Representative Director

Contact: Akihisa Watai, Director and CFO TEL: (03) 5259-6500

Filing of quarterly report (*Shihanki-hokokusho*) to the regulatory organization in Japan: August 14, 2008 (Scheduled)

(Amounts of less than JPY one million are rounded)

**1. Consolidated Financial Results for the Three Months Ended June 30, 2008
(April 1, 2008 to June 30, 2008)**

(1) Consolidated Results of Operations

(% shown is YoY change)

	Total Revenues		Operating Income		Income before Income Tax Expense (Benefit)		Net Income	
	JPY millions	%	JPY millions	%	JPY millions	%	JPY millions	%
Three months ended June 30, 2008	16,328	-	411	-	310	-	169	-
Three months ended June 30, 2007	13,696	10.1	692	23.7	757	(24.3)	571	(22.2)

	Basic Net Income per Share	Diluted Net Income per Share
	JPY	JPY
Three months ended June 30, 2008	818.86	818.39
Three months ended June 30, 2007	2,777.12	2,772.68

(Note) In this document, income before income tax expense (benefit) represents income from operations before income tax expense (benefit), minority interests and equity in net loss of equity method investees in IIJ's consolidated financial statements for the three months ended June 30, 2008.

(2) Consolidated Financial Position

	Total Assets	Shareholders' Equity	Shareholders' Equity as a percentage of Total Assets	Shareholders' Equity per share
	JPY millions	JPY millions	%	JPY
Three months ended June 30, 2008	51,934	24,991	48.1	121,036.03
Fiscal Year Ended March 31, 2008	55,703	24,981	44.8	120,985.87

(Note) Shareholders' equity, shareholders' equity as a percentage of total assets and shareholders' equity per share are calculated and presented in accordance with U.S. GAAP.

2. Dividends

	Dividend per Share				
	End of the first quarter	End of the second quarter	End of the third quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal Year Ended March 31, 2008	-	750.00	-	1,000.00	1,750.00
Fiscal Year Ending March 31, 2009	-				2,000.00
Fiscal Year Ending March 31, 2009 (Target)		1,000.00	-	1,000.00	

(Note) Scheduled revision to dividends during the three months ended June 30, 2008: None

3. Target of Consolidated Financial Results for the Fiscal Year Ending March 31, 2009

(April 1, 2008 through March 31, 2009)

(% shown is YoY change)

	Total Revenues		Operating Income		Income before Income Tax Expense (Benefit)		Net Income		Basic Net Income per share
	JPY millions	%	JPY millions	%	JPY millions	%	JPY millions	%	JPY
Interim Period Ending September 30, 2009	34,500	15.0	1,850	1.9	1,650	(2.8)	800	(77.0)	3,875.50
Fiscal year ending March 31, 2009	78,500	17.5	5,200	9.3	4,700	7.8	5,200	0.5	25,184.28

(Note) Changes in target of interim and year-end consolidated financial results for the fiscal year ending March 31, 2008: None

4. Others

(1) Change of Condition in Consolidated Subsidiaries during the Three Months Ended June 30, 2008

(Change of Condition in Specific Consolidated Subsidiaries with a Change of Scope of Consolidation): None

(2) Application of Simplified Accounting Method or Specific Accounting Principles for the preparation of *Shihanki-hokokusho* : None

(3) Changes in Significant Accounting and Reporting Policies for Consolidated Financial Statements

1) Changes caused by revision of accounting standards: Yes

2) Others: Yes

(note) From 1Q08, "Value-added Service Revenues ("VAS")" and "Other Revenues" of "Connectivity and VAS revenues" have been renamed to "Outsourcing Services". Related to this change, "Connectivity and VAS revenues" has been renamed to "Connectivity and Outsourcing Services revenues".

(4) Number of Shares Outstanding (Shares of Common Stock)

1) The number of shares outstanding:

For the Three Months Ended June 30, 2008 206,478 shares
For the Fiscal Year Ended March 31, 2008 206,478 shares

2) The number of treasury stock:

For the Three Months Ended June 30, 2008 0 shares
For the Fiscal Year Ended March 31, 2008 0 shares

3) The weighted average number of shares outstanding:

For the Three Months Ended June 30, 2008 206,478 shares
For the Fiscal Year Ended March 31, 2008 206,240 shares