



initiative

Third Quarter Results for the Year Ending March 31, 2006

Internet Initiative Japan Inc.

February 10, 2006

* Figures in the consolidated financial statements for FY2003 and FY2004 and historical quarterly figures from 1Q03 to 3Q04 have been restated to reflect the change in income tax expense (benefit) previously discussed by IIJ in its press release dated April 11, 2005.



Internet Initiative Japan

Forward-looking Statements

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 FY2005 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 system integration and value-added 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.

Consolidated Results for the Third Quarter of FY2005

**3 Months
Ended
December
2005
(2005/10-12)**

- Increased revenues and profits from 3Q04

- Increased sales of higher-margin services, including outsourced operations in Systems Integration ("SI"), value-added services ("VAS") and other services

- Revenues: JPY 11,870 million (+ 15.7% YoY)

- Increased revenues from outsourced operations to JPY 5,430 million (+21.9% YoY)

- Operating income: JPY 691 million (+ 68.4% YoY)

- Net income: JPY 1,189 million (+ 80.3% YoY)

**9 Months
Ended
December
2005
(2005/4-12)**

- Increased revenues and profits

- IIJ continued to steadily increase sales of operational outsourcing services to large corporations and public organizations in Japan

- Revenues : JPY 33,679 million (+14.4% YoY)

- Revenues from outsourced operations increased to JPY 15,550 million (+34.5% YoY)

- Operating income: JPY 1,445 million (+144.1% YoY)

- Net income: JPY 2,812 million (+332.2% YoY)

Consolidated Results for 3 Months Ended December 31, 2005

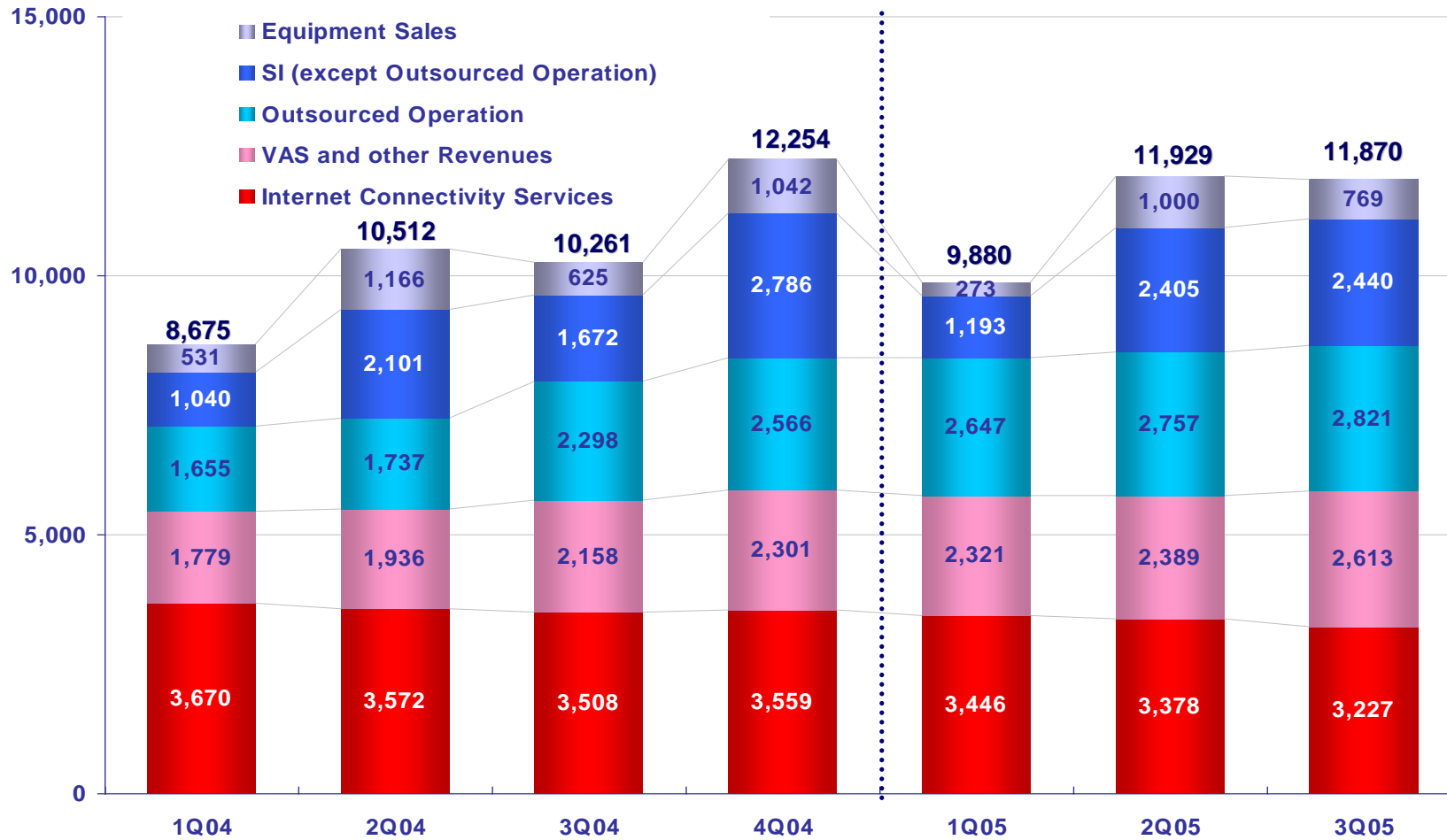
	3Q05 (2005/10-12)		3Q04 (2004/10-12)		YoY Change %
	JPY million	% of Total Revenues	JPY million	% of Total Revenues	
Revenues	11,870	100.0%	10,261	100.0%	115.7%
Total Cost	9,652	81.3%	8,486	82.7%	113.7%
Gross Margin	2,218	18.7%	1,775	17.3%	124.9%
SG&A	1,527	12.9%	1,365	13.3%	111.9%
Operating Income	691	5.8%	410	4.0%	168.4%
Net Income	1,189	10.0%	660	6.4%	180.3%

Consolidated Results for 9 Months Ended December 31, 2005

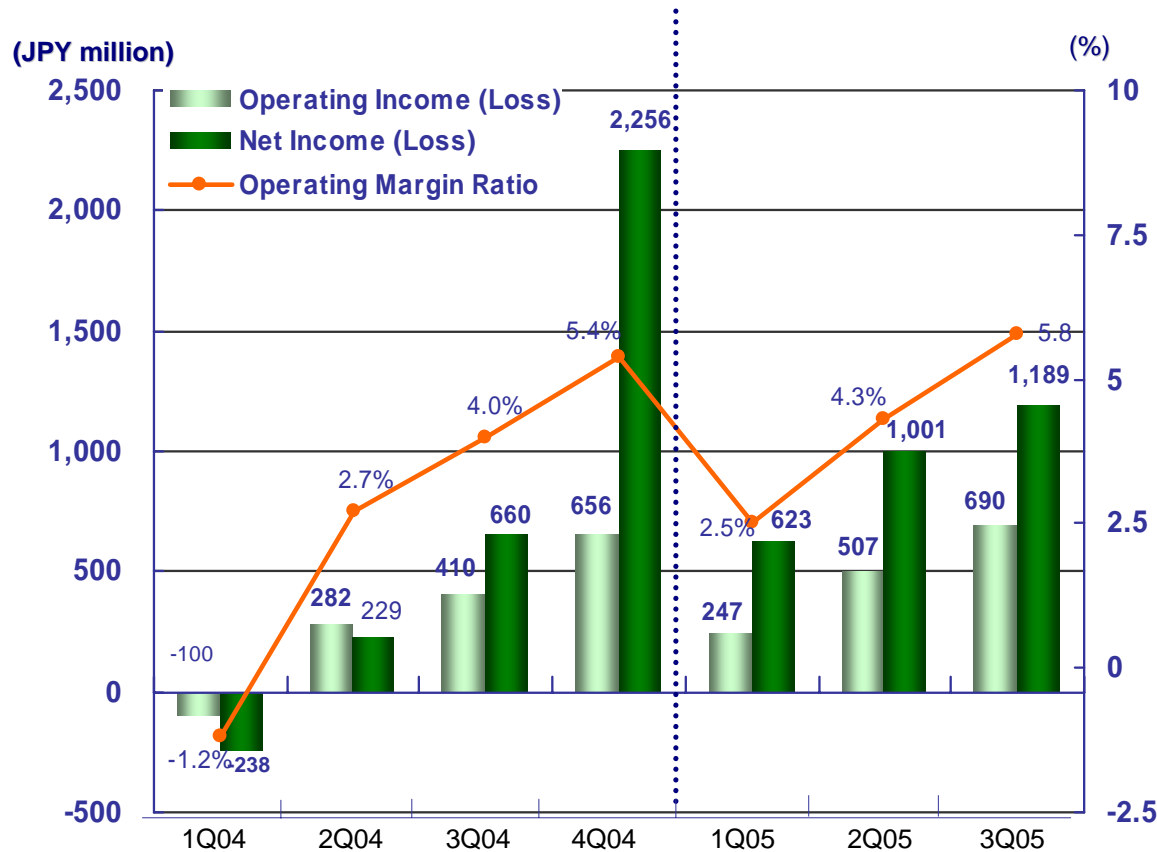
	1Q05-3Q05 (2005/4-12)		1Q04-3Q04 (2004/4-12)		YoY Change %
	JPY million	% of Total Revenues	JPY million	% of Total Revenues	
Revenues	33,679	100.0%	29,448	100.0%	114.4%
Total Cost	27,642	82.1%	24,782	84.2%	111.5%
Gross Margin	6,037	17.9%	4,666	15.8%	129.4%
SG&A	4,591	13.6%	4,073	13.8%	112.7%
Operating Income	1,444	4.3%	591	2.0%	244.1%
Net income	2,812	8.3%	650	2.2%	432.2%

Trend of Consolidated Quarterly Revenues

(JPY million)



Trend of Quarterly Operating and Net Income (Loss)



- Gain on sale of available-for-sale securities

Quarter	Gain on sale of available-for-sale securities (JPY million)
3Q04	550
4Q04	1,890
1Q05	511
2Q05	660
3Q05	743

The balance of available-for-sale securities at December 31, 2005 was approximately JPY 7.5 billion.

We expect continued income from the steady sale of our available-for-sale securities.

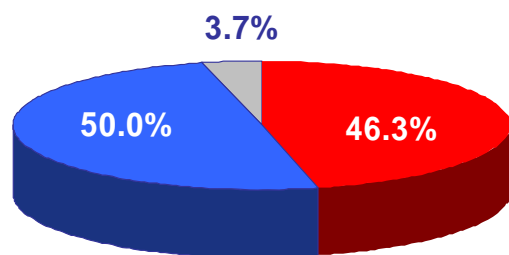
Income increased compared to both 3Q04 and 2Q05 due to increased revenues from higher-margin VAS and systems integration services, an improvement in the gross margin ratio and gains from sale of available-for-sale securities.

Operating income: + 68.4% YoY, + 36.2% QoQ

Net income : + 80.3% YoY, + 18.8% QoQ

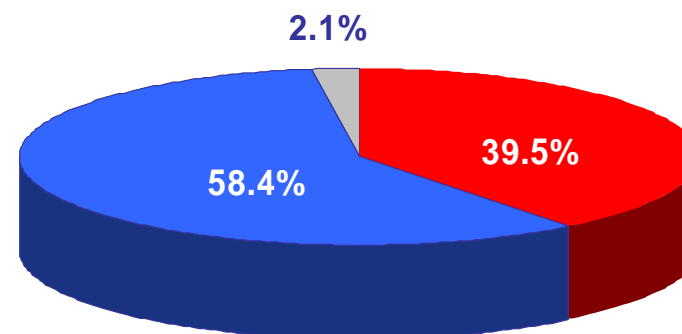
Trend of Consolidated Gross Margin

Nine months Ended December 2004



■ Internet Connectivity and VAS
■ Systems Integration
■ Equipment Sales

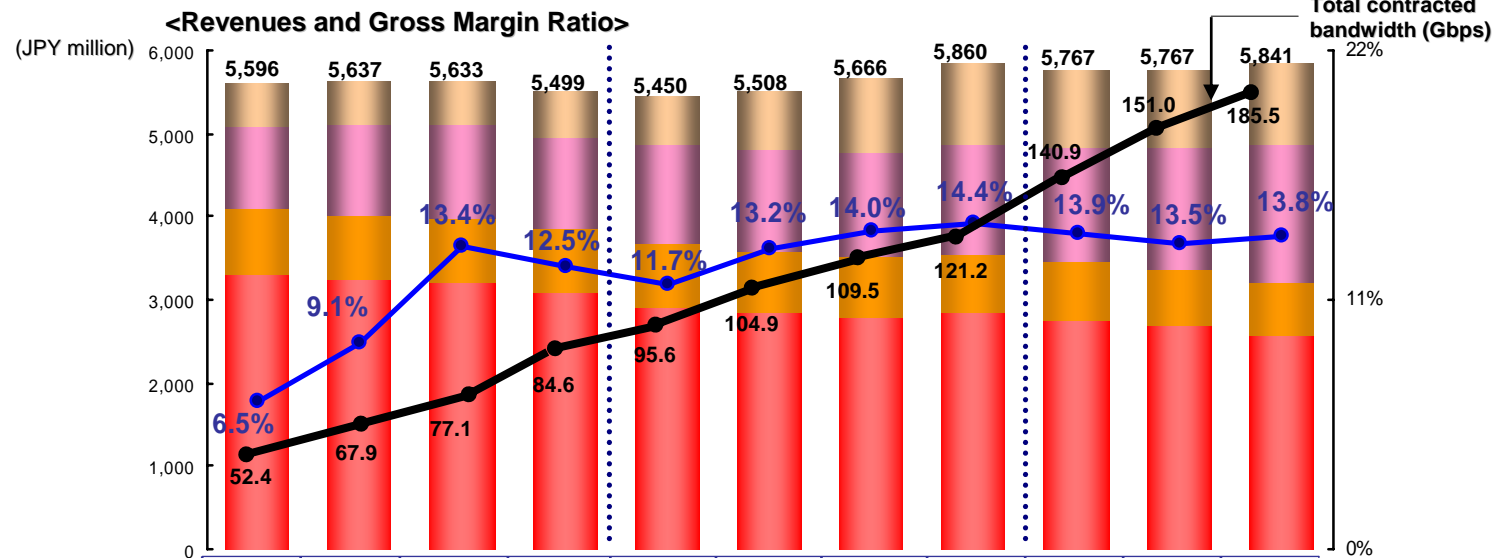
Nine months Ended December 2005



	9 months ended December 31, 2004	% of Total Revenues	9 months ended December 31, 2005	(JPY million) % of Total Revenues
Internet Connectivity and VAS	2,158	46.3%	2,387	39.5%
Systems Integration	2,332	50.0%	3,523	58.4%
Equipment Sales	175	3.7%	126	2.1%
Total	4,665	-	6,036	-

Results by Service

Internet Connectivity and VAS



Revenues (JPY million)	1Q03	2Q03	3Q03	4Q03	1Q04	2Q04	3Q04	4Q04	1Q05	2Q05	3Q05
Other	520	536	525	537	592	716	882	979	933	930	964
VAS	987	1,081	1,125	1,104	1,187	1,220	1,276	1,322	1,388	1,459	1,649
Dial-up Access	767	784	780	758	752	740	727	718	699	682	648
Dedicated Access	3,321	3,236	3,204	3,100	2,918	2,832	2,781	2,841	2,747	2,695	2,580
Gross Margin Ratio (%)	6.5	9.1	13.4	12.5	11.7	13.2	14.0	14.4	13.9	13.5	13.8

- Dedicated Access

Despite a shift to higher bandwidth and an increase in contracts of broadband services due to multi-site connectivity projects, revenues decreased because of IIJ's group reorganization (JPY 234 million). When this decrease excluded, revenues increased from 3Q04.

- Dial-up Access

Revenues from services for individuals such as IIJ4U showed a declining trend (-10.9% from 3Q04)

- Number of dedicated line contracts : 13,724

(+4,297 (+45.6%) from 3Q04, +1,022 (+8.0%) from 2Q05)

- VAS

Revenues increased due to data center services, security services, e-mail solutions such as anti-spam, and network outsourcing such as SEIL and SMF, along with multi-site connectivity projects. (+29.2% from 3Q04)

- Other

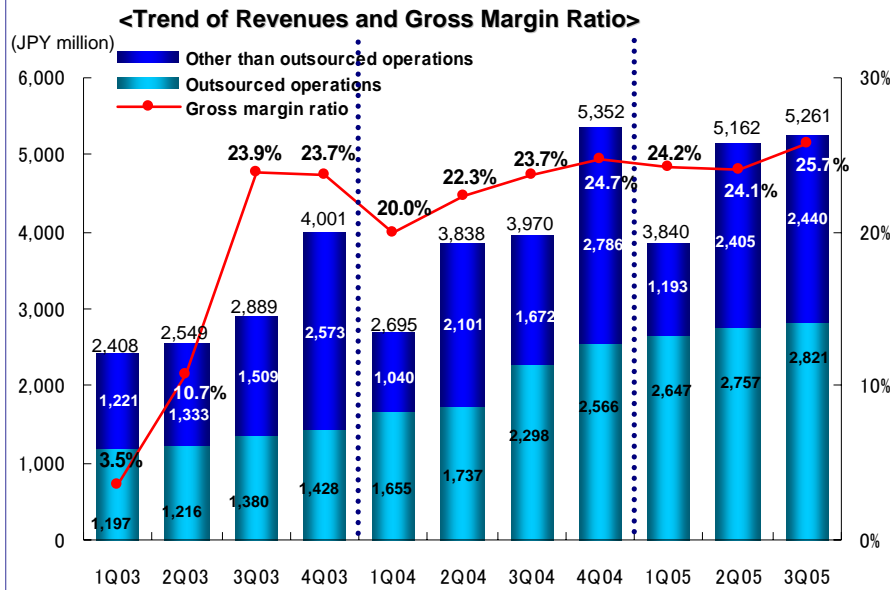
Revenues increased significantly as sales of wide-area Ethernet services continued to increase steadily. (+9.3% from 3Q04)

- Total contracted bandwidth : 185.5Gbps

(+76.0Gbps from 3Q04, +34.5Gbps from 2Q05)

Results by Service

SI

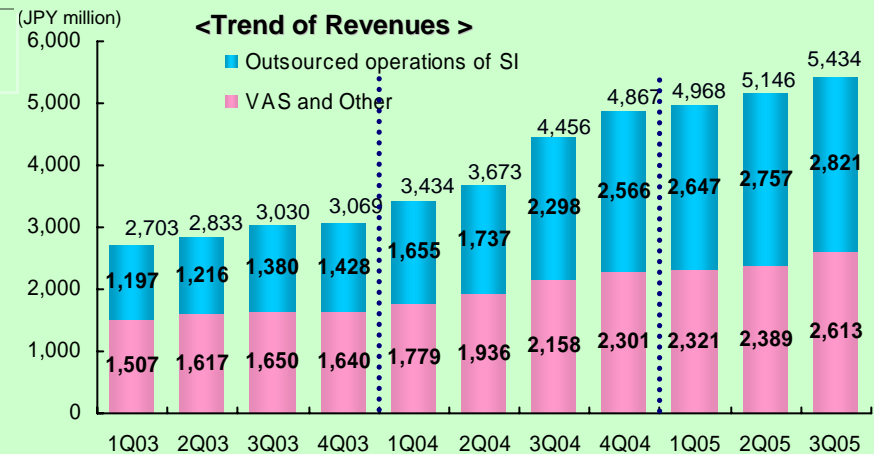


- Revenues from one-time SI projects such as systems design and implementation increased **(+46.0% YoY)**
- Revenues from higher-margin outsourced operations continued to increase **(+22.8% YoY)**
- Gross margin ratio increased 2.0 points to **25.7%** compared to 23.7% in 3Q04

OUTSOURCING

“Outsourced operations of SI” and “value-added services and others”

- Revenues from higher-margin outsourced operations, along with the associated recurring monthly revenues continued to increase
- Outsourcing revenues were **JPY 5,434 million, +21.9%** from 3Q04



Target for FY2005 Consolidated Results

- Revenues for FY2005 are expected to increase to JPY 48,000 million, a **3.6%** increase from the target we announced in the interim report due to a steady increase in outsourcing services and SI projects.
- Net income is expected to increase **18.9%** from the target we announced in the interim report. We expect an increase in the gains from sale of available-for-securities reflected by the recovering securities market.

	Target for FY2005 (2005/4~2006/3)			Results for FY2004 (2004/4~2005/3)	YoY Change %
	Announced in November 2005	Revised	Change %		
Revenues	46,330	48,000	3.6%	41,703	115.1%
Operating Income	2,320	2,320	—	1,248	185.9%
Income before Tax	3,990	4,800	20.3%	3,149	152.5%
Net Income	3,700	4,400	18.9%	2,906	151.4%

TOPIC

IIJ Quarantine Network Solution

On November 8, 2005, IIJ released the IIJ Quarantine Network Solution*, a service that creates a secure corporate LAN network by automatically detecting and isolating improperly secured PCs that are connected to a network.

<<Features>>

- * Non-complying PCs are removed from the company network to ensure a high level of security
- * A total solution is implemented for inspection, isolation, remediation, and removal through IIJ's industry-first automated security patch detection function
- * Quarantine functions can be introduced easily and without major changes to the existing network structure
- * Operation monitoring and policy database updates, 24 hours a day, 365 days a year

***Quarantine Network Solution:**

Automatically acquires and inspects security information from PCs that are connected to the corporate network to ensure that they are running an operating system ("OS") with all available security patches and the most up-to-date antivirus signature files for their antivirus software

TOPICS

IIJ DDoS Solution Service

In December, 2005, IIJ released the IIJ DDoS Solution Service for detecting and protecting corporate servers and networks from distributed denial of service (DDoS) attacks*.

<<Features>>

- * The DDoS defense system is installed on the backbone to provide network protection, including protection of Internet access lines
- * Anomaly detection through statistical information to detect and enhance tolerance to new types of attacks
- * In addition to HTTP protocol protection features, there are bandwidth and access restriction features for uncommon protocols, making it possible to protect resources other than Web servers
- * Used in tandem with traditional firewalls and IDS, the service creates a more secure network environment

*DDoS attack :

In a DDoS attack, multiple computers and servers that are distributed over a network are used to direct an overwhelming flow of connections at a specific server. These attacks overwhelm and paralyze the targeted server or network and usually shut down service to legitimate users.

TOPICS

IIJ provides SMF and IIJ SMF Service on an OEM Basis

IIJ released the SEIL technology to Oki Electric Industry (Oki) and IIJ SMF Service* to NTT Communications Corporation (NTT Com) on an OEM basis. Oki uses SMF as a function of BB MediaRouter, NTT Com applies the IIJ SMF Service for its OCN SMF Service, a new solution in the OCN Internet VPN service product line.

<<Features>>

- * Network equipment automatically configures itself when connected to the network (“zero configuration”)
- * Services and functions are added or removed over the network (push distribution)
- * Communications and equipment is operated and monitored constantly over the network (automated monitoring)
- * The above greatly reduces the costs associated with network administration.

*IIJ SMF Service :

It makes centralized management of network settings, operation, and administration, simple and easy. Customers need only to connect IIJ's proprietary SEIL routers to the Internet at each of their locations and power them up. The routers automatically complete all network configurations, including VPN and other settings. Customers can then manage the SEIL routers at all their locations through a special Web interface, which greatly reduces the work required to maintain equipment and add network functionality. This greatly reduces the costs associated with network administration.

TOPIC

IIJ Internet-LAN Service

On October 11, 2005, IIJ released the IIJ Internet-LAN Service*, a service that uses broadband access lines, such as NTT's FLET's, to create a low-cost and maintenance-free broadband Ethernet WAN.

<<Features>>

- * Easily creates a broadband Ethernet WAN just by connecting service adapters.
- * Uses low-cost broadband access lines (customers must acquire their own access lines)
- * L2TPv3, IPsec encrypted connection and IIJ's proprietary SMF technology ensure high security.
- * Traffic monitoring and e-mail failure notices are standard
- * Hardware replacement within two hours by Service Driver

***IIJ Internet-LAN Service :**

It provides a dedicated, virtual Ethernet space by using IIJ's Internet backbone to create a secure private network that connects offices nationwide like a traditional corporate LAN. Using common ADSL or FTTH access lines, customers can easily build a low-cost broadband Ethernet WAN.

TOPIC

**A Joint Venture Company with Konami,
to operate Comprehensive Portal Sites**

IIJ and Konami established "i-revo", to provide portal sites in Japan. The venture merges Konami's expertise in developing digital entertainment content and IIJ's highly cultivated and reliable technologies for developing system and network operations.

<Summary of a joint venture company>

Registered name : Internet Revolution Inc.

Date of incorporation : February 1, 2006

Head office location : 6-10-1, Roppongi, Minato-ku, Tokyo
(Roppongi Hills)

Capital : 1,250 million yen

Amount of investment : 2,500 million yen

Investment ratio : Konami 70% IIJ 30%

*Internet Revolution Inc. will become a consolidated subsidiary of
Konami and an equity method affiliate of IIJ

Main business : Operating the Internet portal sites

Directors :

Representative Director: Kazuya Takahashi
(President of Online Company, Konami)

Director: Hiroshi Nagaoka
(Senior Manager of Online Company, Konami)

Director: Takashi Taniguchi
(General Manager of System Engineering and Operation Division, IIJ)

Director (External): Akira Tamai
(Corporate Officer and Division Director of
Finance and Accounting, Konami)

Director (External): Hideshi Hojo
(Managing Director, General Manager of Sales Department, IIJ)

i-revo

<Summary of Services>

Name: i-revo

Commencement Date: Mid-March, 2006

- Content:
- New communication service
 - Internet connectivity service
 - Distribution of products related to music and video
 - Distribution of games
 - Search service
 - Information service
 - E-commerce

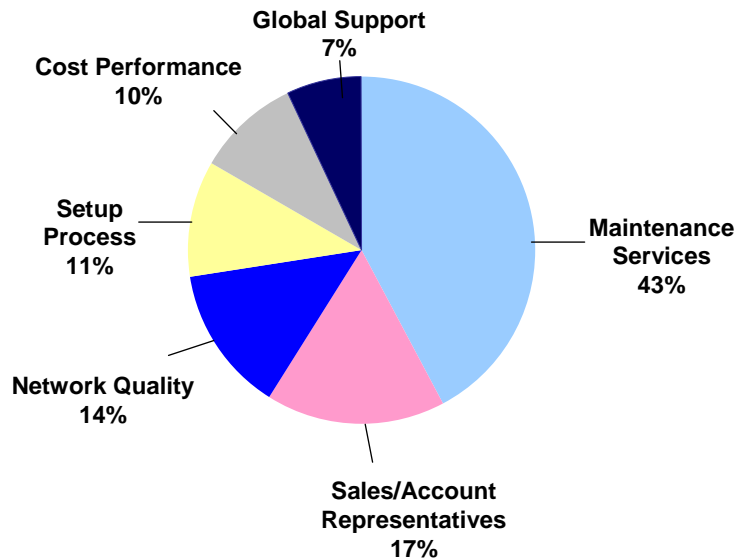
TOPIC

#1 Ranking in Customer Satisfaction for Network Services

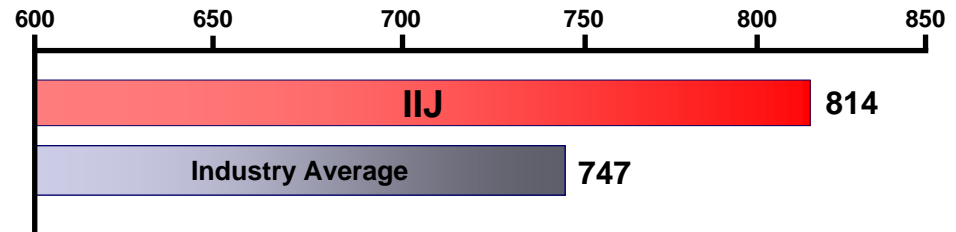


J.D. Power Asia Pacific 2005 Japan Network Service Provider Satisfaction StudySM **IIJ Ranks No.1 in Customer Satisfaction**

< Six Factors Influencing Total Customer Satisfaction and their Importance >



< Customer Satisfaction Score >



- IIJ scored 814 out of 1,000 points for total satisfaction. The industry average was 747 points.
- IIJ scored the highest for total satisfaction, being calculated based on 6 factors of “maintenance services”, “sales/account representatives”, “network quality”, “setup process”, “cost performance” and “global support”.

Source: J.D. Power Asia Pacific 2005 Japan Network Service Provider Satisfaction StudySM - based on a total of 5,309 responses from 2,992 companies (up to two responses from one company) with 100 or more employees for satisfaction of telecommunication carriers that provide corporate network services. www.jdpower.co.jp

TOPIC

Major Press Releases

Date	Subject
2006/1/30	IIJ to Provide IIJ SMF Service to NTT Com on OEM Basis - OCN to offer OCN-SMF Service using proprietary IIJ technology -
2006/1/19	Konami and IIJ will Establish a Joint Venture Company, to operate Comprehensive Portal Sites - Agreement on establishment of Internet Revolution Inc. (“i-revo”) -
2006/1/11	IIJ Successfully Completes Corporate Network Reconfiguration Project for Impress Holdings - Layer 2 network redundancy achieved at one-tenth the cost using L2TPv3 -
2005/12/2	IIJ listed on the Mothers market of the Tokyo Stock Exchange (code number:3774)
2005/11/21	IIJ-Tech, TIS and Hummingbird Launch the Audit Structure Service, an Infrastructure Solution for Information Management, Auditing, and Storage for Compliance with the Anticipated Japanese SOX Law - Japan's first internal control and compliance infrastructure that allows customers to semi-customize solutions -
2005/11/8	IIJ Launches the IIJ Quarantine Network Solution - The industry's first total quarantine solution, from detection to isolation, remediation, and removal -
2005/10/27	IIJ Releases the IIJ DDoS Solution Service - Management of DDoS detection and protection hardware protects corporate networks from large-scale attacks -
2005/10/24	IIJ Provides SMF Technology for Oki's Home Gateway Platform - SMF's zero-configuration feature enhances Oki's home-network services platform, BB MediaRouter -