

Internet Initiative Japan Inc.

3rd Quarter of FY2007 Consolidated Financial Results

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Forward-looking Statements

Statements made in this presentation regarding IIJ's or management's intentions, beliefs, expectations, or predictions for the future are forward-looking statements that are based on IIJ's and managements' current expectations, assumptions, estimates and projections about its business and the industry. These forward-looking statements, such as statements regarding FY2007 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 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 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 ("SEC").

● Revenues and operating income continuously increased

<3Q07 (2007/10-12)>

- Total Revenues	18.4 billion	(35.1 % YoY)
- Operating Income	1.1 billion	(15.2 % YoY)
- Operating Margin Ratio	6.2 %	(-1.1 points YoY)

- Recurring revenues from connectivity and value-added services (VAS) and systems operation and maintenance continuously increased, and cross-selling of services have been successful.
- A remarkable large-scale SI project was completed in 3Q and systems operation expanded.

● Enhancement of solutions for corporate users, through service development

- “IIJ Mobile”, a mobile data communications service as MVNO, with NTT DoCoMo and EMOBILE.
- “IIJ SMF Ultra Firewall Option”, a firewall service managed with SMF.

● Engagement in new business development for the future growth

- A business incubation center for technology development and commercialization for the next generation of the Internet.
- Content distribution platform to “acTVila”, TV portals for digital televisions.
- Highly reliable e-mail messaging infrastructure through GDX Japan Inc. (GDX).
- ATM network operations through Trust Networks Inc. (TN).

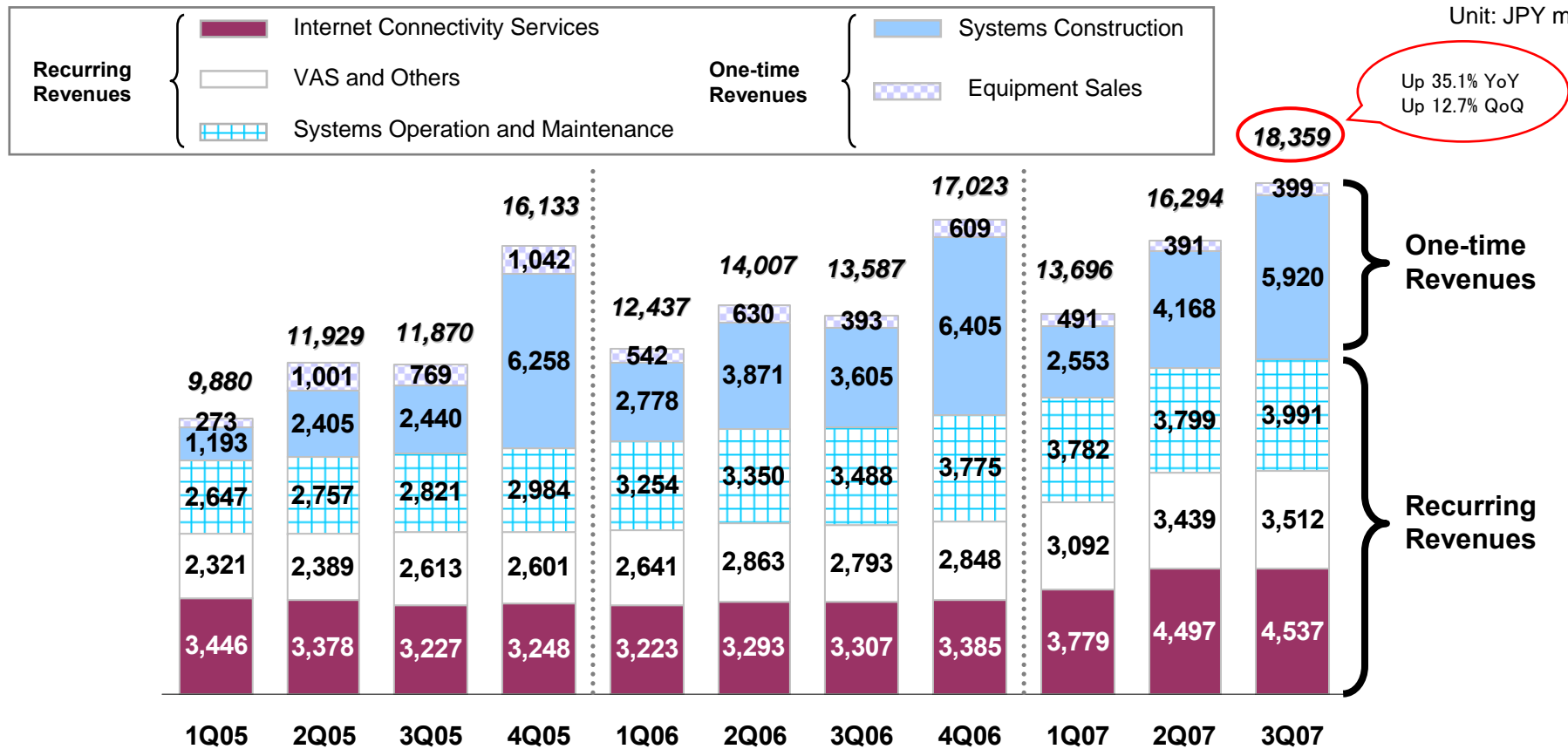
Consolidated Financial Results for 3Q07 (3 months)

Unit: JPY billion

	% of Revenues 3Q07 (2007/10-12)	% of Revenues 3Q06 (2006/10-12)	YoY
Total Revenues	18.4	13.6	35.1%
Total Costs	14.9	10.7	38.4%
Gross Margin	3.5	2.9	22.7%
SG&A/R&D	2.4	1.9	26.6%
Operating Income	1.1	1.0	15.2%
Income before Income Tax Expense	1.0	1.6	(36.5%)
Net Income	0.6	1.4	(56.5%)

Revenues

Unit: JPY million



Up 35.1% YoY
Up 12.7% QoQ

One-time Revenues

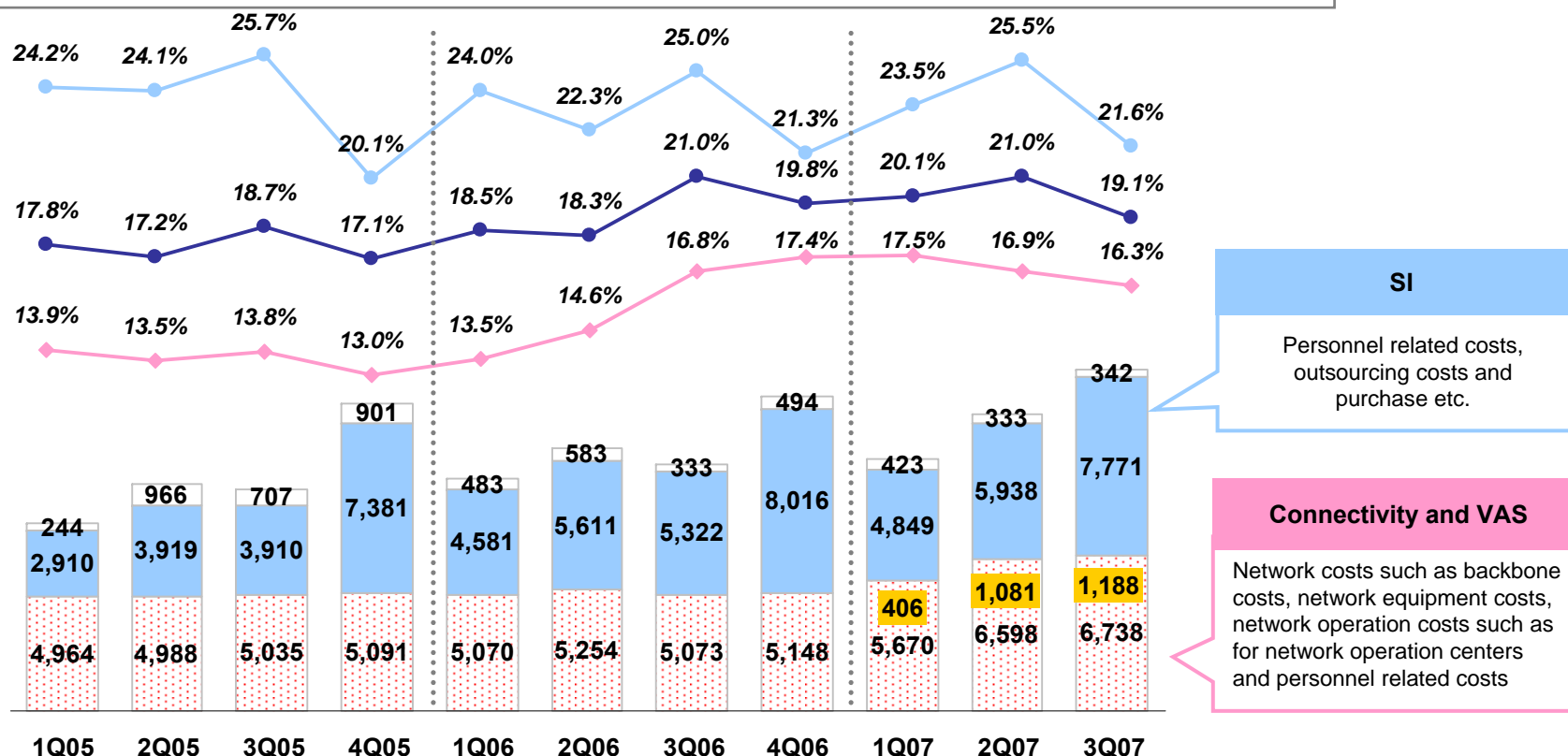
Recurring Revenues

- ◆ Highest revenues for 3Q in the history: revenues were JPY 48,349 million in 3Q07, up 20.8% YoY (9 months)
- ◆ Recurring revenues continued to increase: JPY 34,428 million in 3Q07, up 22.0% YoY (9 months)
 - Internet connectivity services: up 30.4% YoY, a contribution of 7.5% to the 20.8% growth YoY (9 months). Up 0.9% QoQ, 37.2% YoY (3 months).
 - VAS and others: up 21.0% YoY, a contribution of 4.3% to the 20.8% growth YoY (9 months). Up 2.1% QoQ, 25.8% YoY (3 months).
 - Systems operation and maintenance: up 14.7% YoY, a contribution to 3.7% of the 20.8% growth YoY (9 months). Up 5.0% QoQ, 14.4% YoY (3 months).
- ◆ Strong growth in systems construction revenues: JPY 12,641 million in 3Q07, up 23.3% YoY (9 months), as a remarkable large-scale systems construction project was completed.
 - Up 23.3% YoY, a contribution of 6.0% to the 20.8% growth (9 months). Up 42.0% QoQ, up 64.2% YoY (3 months).

Cost of Revenues and Gross Margin Ratio



Unit: JPY million



◆ **Cost of Connectivity and VAS revenues: JPY 19,005 million in 3Q07, up 23.4% YoY (9 months).**

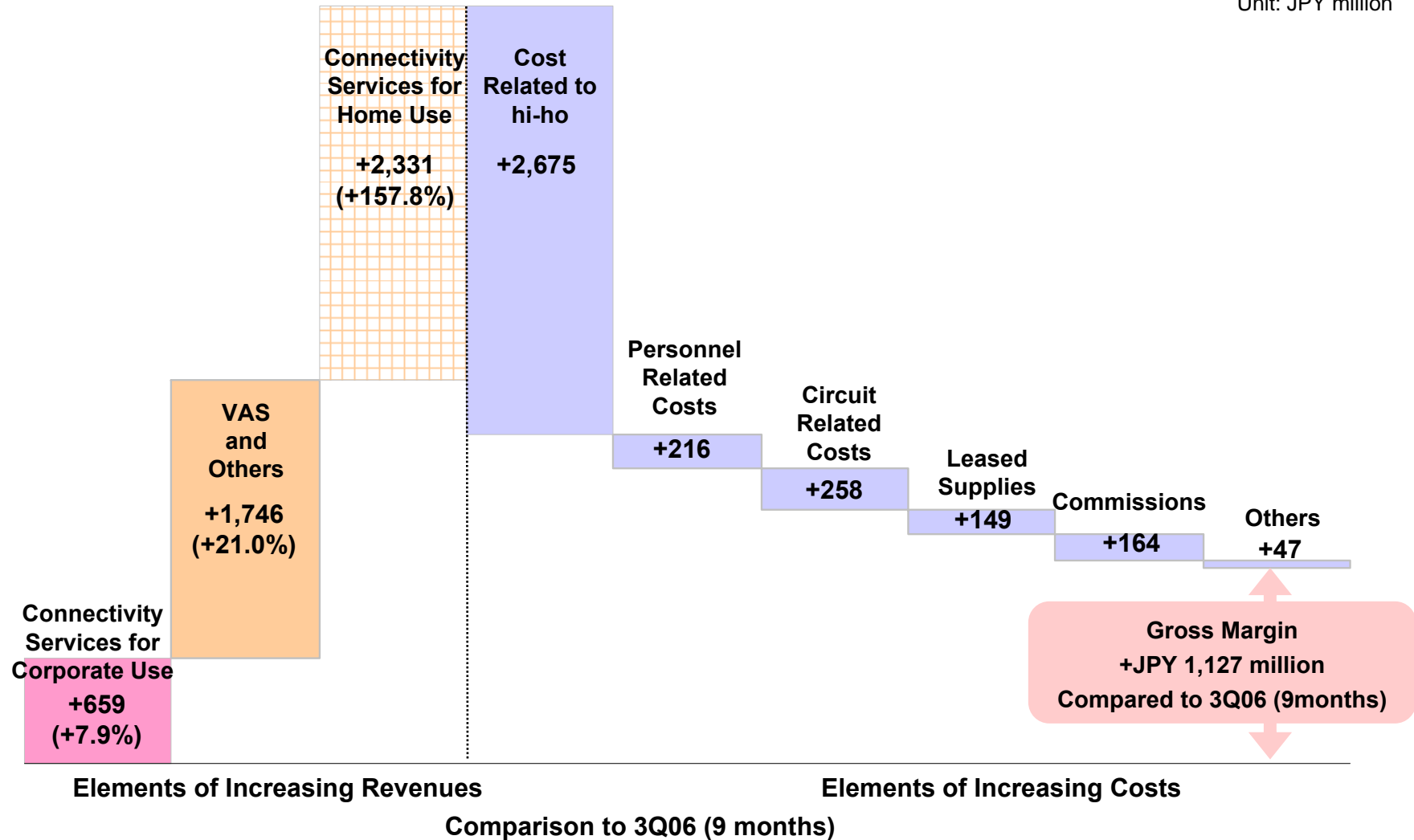
- hi-ho related cost of JPY 2,675 million (7 months), initial cost for new business development of JPY 62 million, an increase in circuit related cost of JPY 258 million YoY (9 months) and an increase in personnel related cost of JPY 216 million YoY (9 months).
- Gross margin ratio for hi-ho for 3Q07 (3months) was 12.0%, down from 17.7% in 2Q07 due to initial costs for hi-ho's sales campaign.

◆ **Cost of SI revenues: JPY 18,558 million in 3Q07, up 19.6% YoY (9 months).**

- SI gross margin ratio for 3Q07 (3months) was 21.6% affected by the increase in revenues from systems construction.

Elements of Gross Margin Increase-Connectivity and VAS

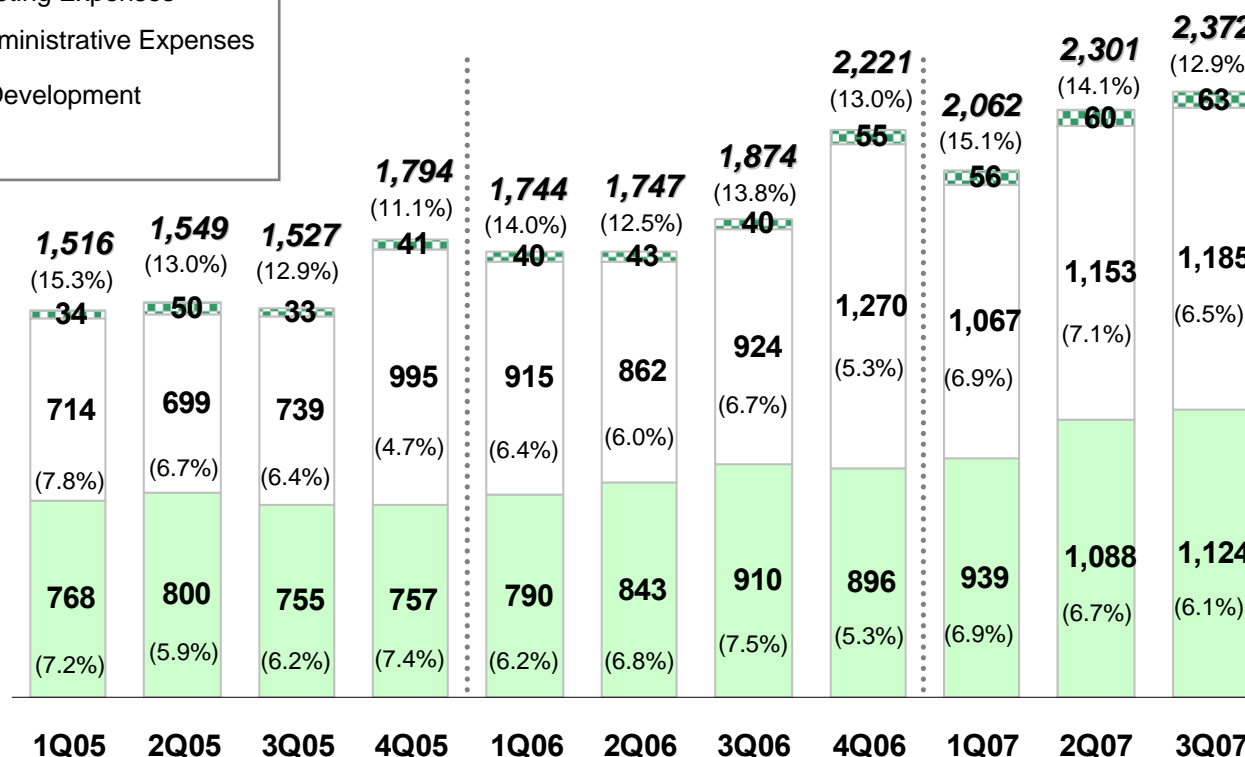
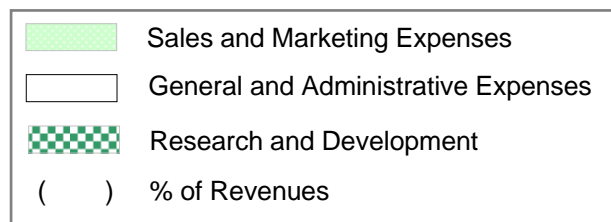
Unit: JPY million



<Connectivity and VAS>

- ◆ **Gross margin:** JPY 3,850 million (3Q07) compared to JPY 2,723 million (3Q06) (+JPY 1,127 million, up 41.4%) (9 months)
- ◆ **Gross margin ratio:** 16.8% (3Q07) compared to 15.0% (3Q06) (+1.8 points) (9 months)

SG&A Expenses/R&D

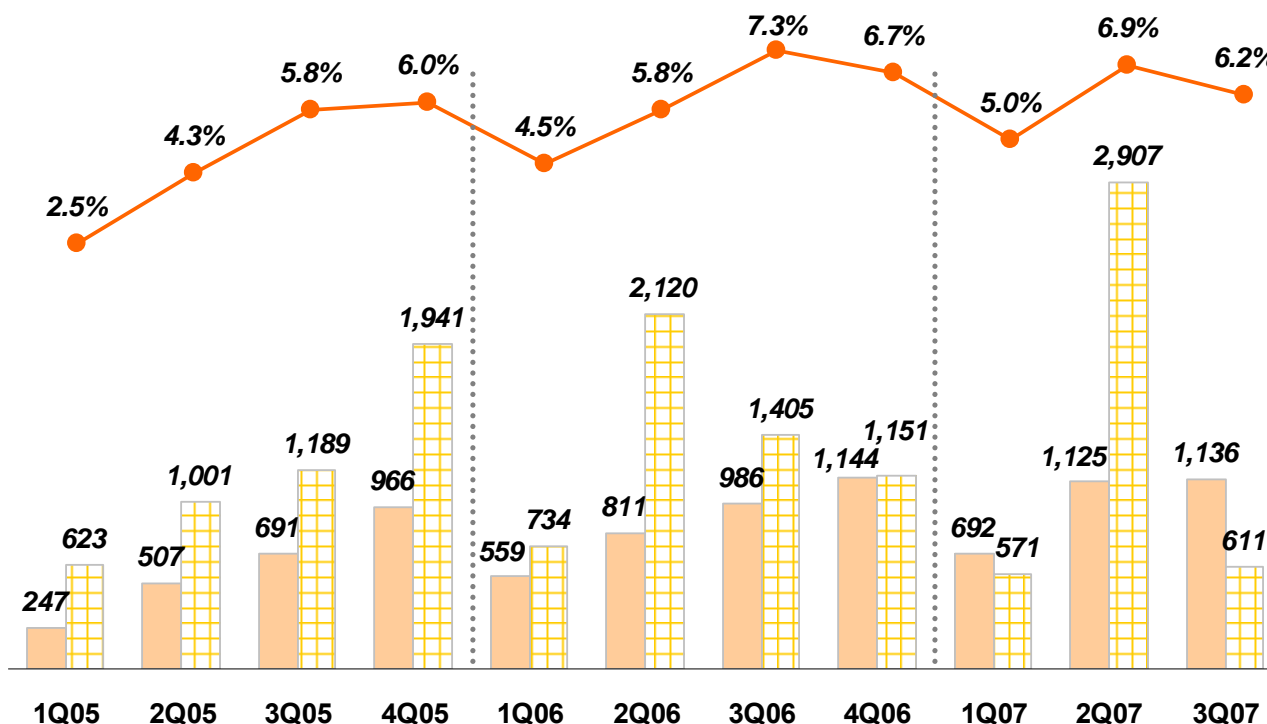


- ◆ **Sales and marketing expenses: % of revenues in 3Q07 was 6.1%, down 0.6% QoQ, down 1.4% YoY (3 months).**
 - JPY 3,152 million in 3Q07, up 23.9% YoY (9 months) mainly due to hi-ho related commission payments of JPY 288 million (7 months) and an increase in personnel related and advertising expenses.
- ◆ **General and administrative expenses: % of revenues for 3Q07 was 6.5%, down 0.6% QoQ, down 0.2% YoY (3 months).**
 - JPY 3,405 million in 3Q07, up 26.1% YoY (9 months) mainly due to an increase in personnel related expenses and rent expenses caused by expansion of offices along with the business growth, and initial expenses for new business development of JPY 109 million.
- ◆ **Research and development expenses:**
 - Mostly expenses for personnel engaged in researches. Development expenses are recorded in cost of revenues.
- ◆ **SG&A expenses: % of revenues in 3Q07 was 12.9%, down 1.2% QoQ, down 0.9% YoY (3 months).**
 - JPY 6,736 million in 3Q07 (9 months), up 25.5% YoY.

Operating and Net Income



Unit: JPY million



	1Q07	2Q07	3Q07	3Q07 (9 months)
Gains from the sale of available-for-sale securities	214	0	4	218
Income tax expense (benefit)	175	(1,980)	392	(1,413)
Minority interests	9	15	27	52
Equity in net loss of equity method investees	(20)	(29)	(42)	(92)

◆ **Operating income: JPY 2,952 million in 3Q07, up 25.3% YoY (9 months)**

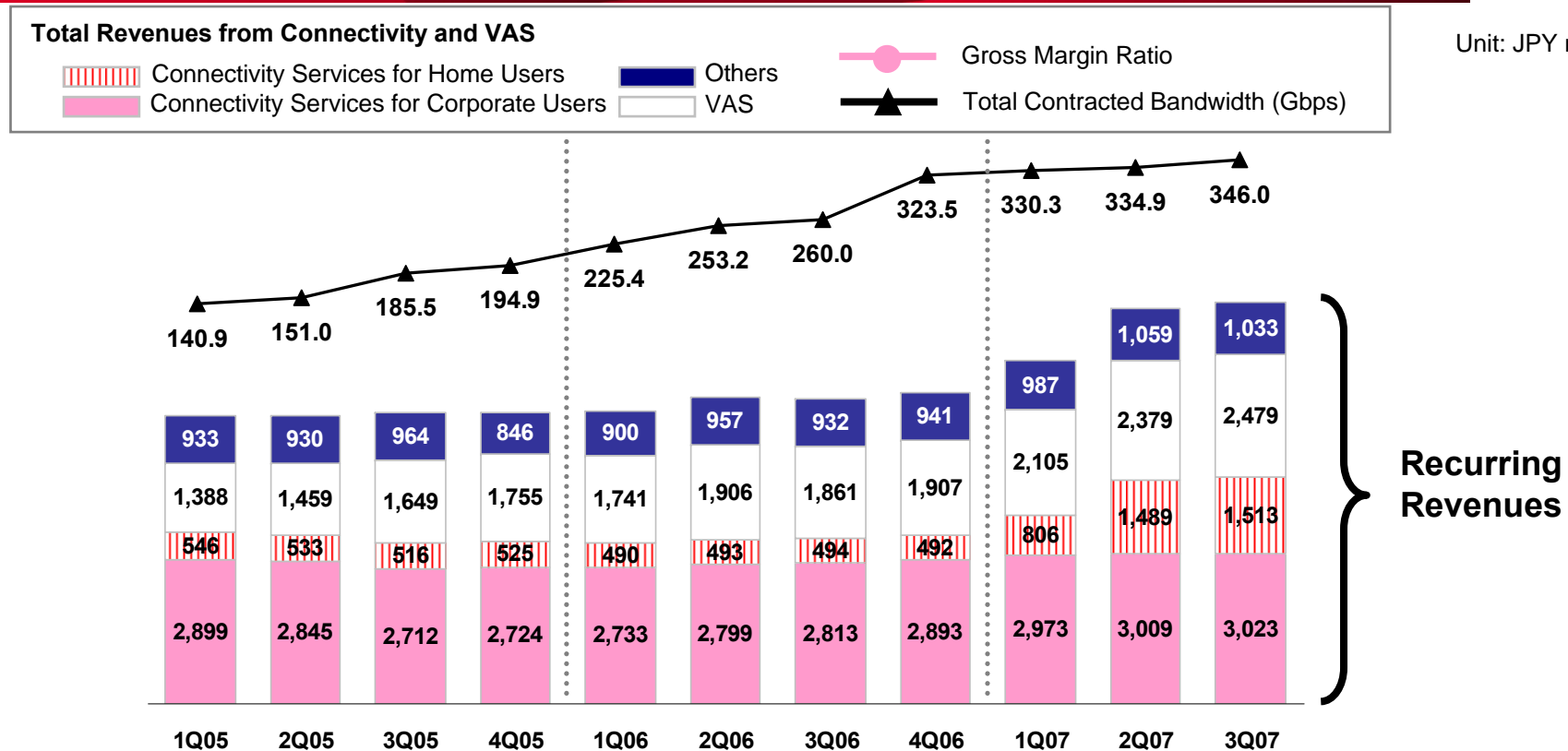
- Operating income in 3Q07 increased by JPY 11 million QoQ (3 months) as gross margin increased.
- Operating margin ratio in 3Q07 was 6.2%, down 0.7% QoQ (3 months) due to a decrease in gross margin ratio.

◆ **Net Income: JPY 4,088 million in 3Q07, down 4.0% YoY (9 months).**

- Other expenses in 3Q07 were JPY 237 million due to a decrease in gains from the sale of available-for-sale securities. The gain was JPY 218 million in 3Q07 (JPY 1,680 million in 3Q06) (9 months).
- Income tax benefit of JPY 1,413 million due to deferred tax benefit of JPY 1,791 million in 3Q07.
- Minority interests in losses of subsidiaries was JPY 52 million in 3Q07, related to GDx, etc.
- Equity in net loss of equity method investees was JPY 92 million in 3Q07, mainly affected by Internet Revolution Inc.

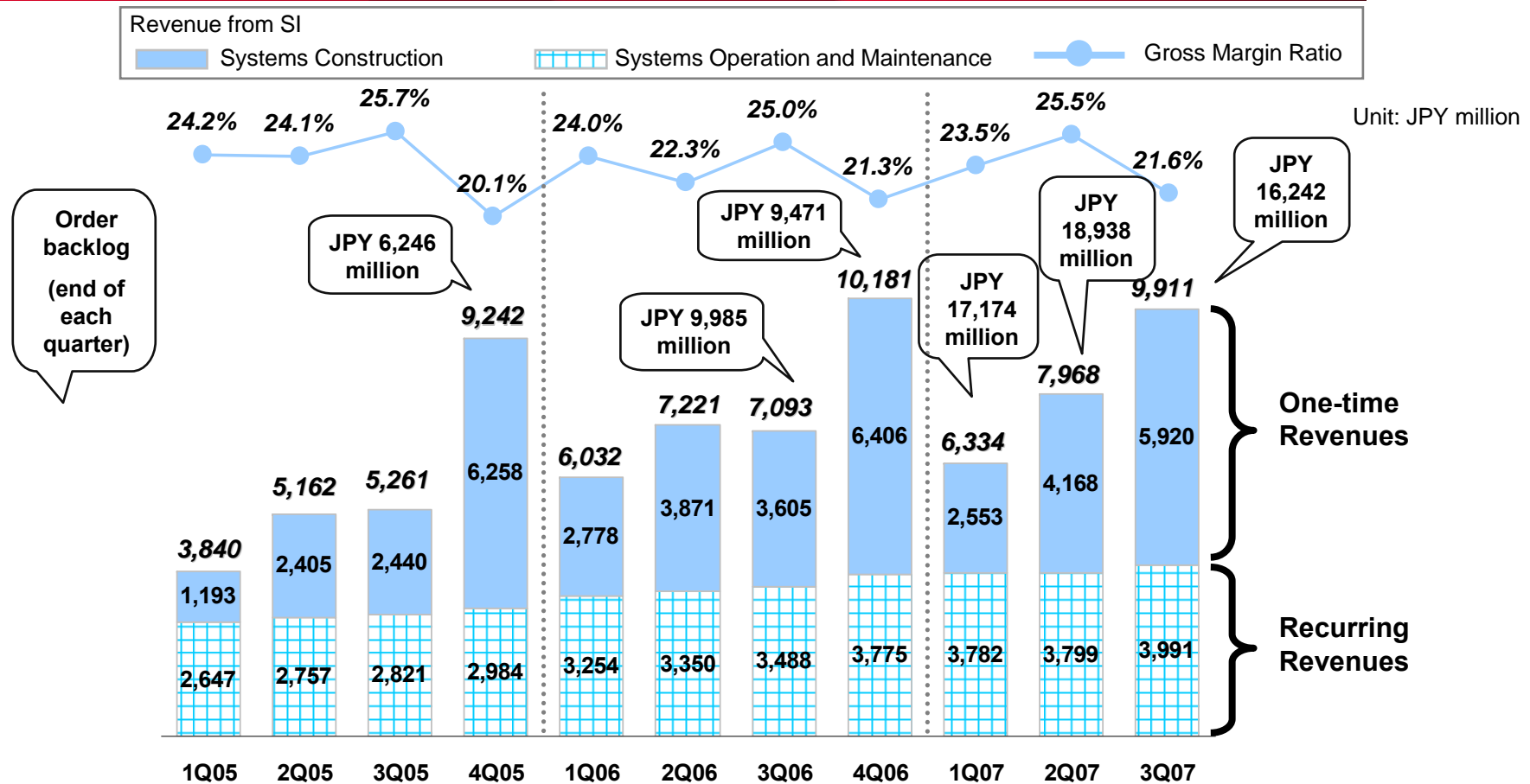
Results by Service – Connectivity and VAS

Unit: JPY million



- ◆ **Connectivity services for corporate users: JPY 9,005 million in 3Q07, up 7.9% YoY (9 months), mainly due to an increase in contracted bandwidth and the number of contracts**
 - IP Service: JPY 6,682 million in 3Q07, up 6.9% YoY, a contribution of 5.1% to the 7.9% growth YoY (9 months). The number of contracts at end of 3Q07 was 1,350 contracts, up 119 contracts YoY.
 - Broadband Services: JPY 1,959 million in 3Q07, up 22.8% YoY, a contribution of 4.4% to the 7.9% growth YoY (9 months). The number of contracts at end of 3Q07 was 21,573 contracts, up 6,194 contracts YoY.
 - Others: JPY 363 million in 3Q07, down 26.9% YoY, a negative contribution of 1.6% to the 7.9% growth YoY (9 months).
- ◆ **Connectivity services for home users: JPY 3,808 million in 3Q07, up 157.8% YoY (9 months).**
 - Lead by revenues from hi-ho of JPY 2,537 million (7 months, 190,808 contracts at the end of 3Q07).
- ◆ **VAS: JPY 6,964 million in 3Q07, up 26.4% YoY (9 months).**
 - Lead by the continuing growth in anti-spam services, Internet VPN and data centers.

Results by Service - SI



- ◆ **Systems construction: JPY 12,641 million in 3Q07, up 23.3% YoY (9 months).**
 - Completion of a remarkable large-scale network and application development project in 3Q07 (3 months).
 - Order backlog at the end of 3Q07 was JPY 7.4 billion, up 42.8% compared to 3Q06.
- ◆ **Systems operation and maintenance: JPY 11,572 million in 3Q07, up 14.7% YoY (9 months).**
 - Order backlog at the end of 3Q07 was JPY 8.8 billion yen, up 84.1% compared to 3Q06.
- ◆ **Gross margin in 3Q07(3months): 21.6% (down 3.9% QoQ, down 3.4% YoY)**
 - Gross margin ratio was relatively low due to the completion of remarkable large-scale project in 3Q07.
 - Contribution to an increase of revenues from systems operation and maintenance is expected.

Development for Mid/Long-term Growth

IIJ Mobile

IIJ Business

- High-speed Mobile Internet Connectivity Service
- Provides Mobile Network with IIJ's high standard network solution for corporate
- Expects profit in the short-term

See page 12 for details



IIJ Business

- Provide Content Delivery Platform for acTVila
- IIJ's high technology in contents delivery and networking operation realized high definition content delivery over the broadband network
- Prospects mid/long-term development with the sales of acTVila TV

IIJ
Innovation
Institute

Establish a
Consolidated
Subsidiary
(scheduled)

- An incubation business for technology development and commercialization from Japan to the world
- Recruit engineers with ideas for innovative technology
- IIJ will develop and lead the future networking environment in the mid/long-term

Feb. End of recruitment period
Apr. Contract



51% Consolidated Subsidiary

- Established in April 2007
- Provision of "GDX Trusted Platform", a messaging platform for corporate users
- Provision of e-mail tracing and receipt confirmation features that are not supported by existing e-mail systems

Trust Networks

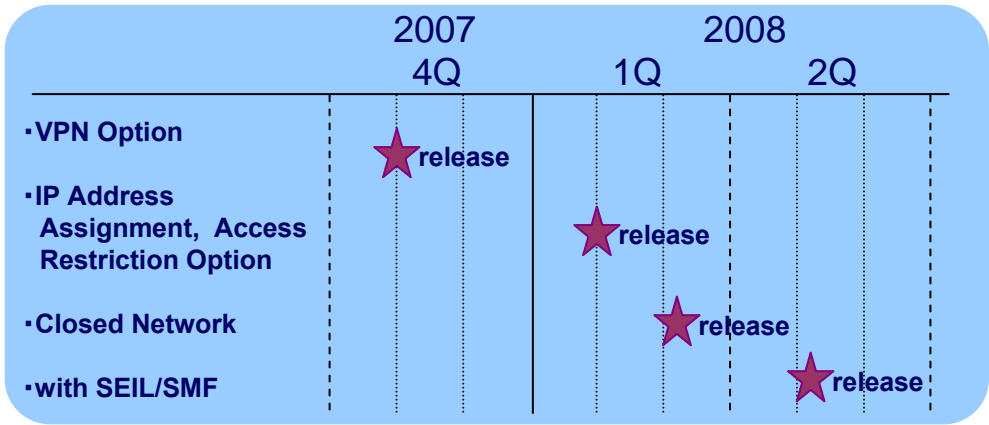
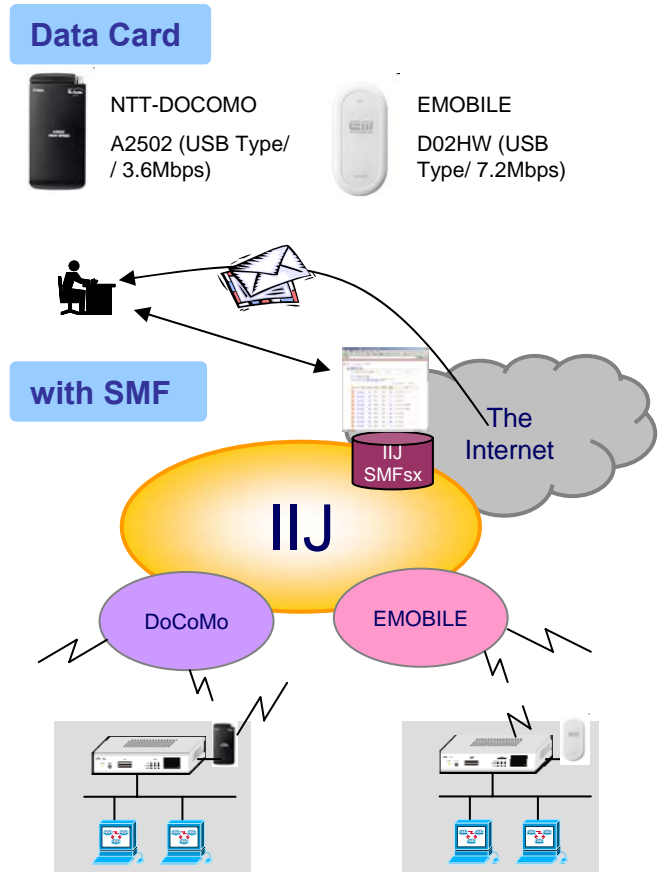
60.2% Consolidated Subsidiary

- Established July 2007
- ATM Network Business
- Under planning and preparation for business launch

Initial Business Cost in 3Q07 (9 months): JPY 171 million

Mobile Internet Connectivity for Corporate with MVNO Promote Cross-selling by Total Network Solutions

- MVNO under NTT DoCoMo/EMOBILE
- Provide mobile network connectivity for IIJ's existing 6,500 customer base
- High-speed connectivity for corporate customers (3G/HSDPA)
- Provide Total Network Solutions with other IIJ Solutions
 - Options provided for high-security: IP Address Assignment Option, Access Restriction Option, Remote Access VPN Option
 - Closed Network within IIJ's Backbone.
- Many Service Fee Plans/Dual Carrier
- Protocol Free (ftp, VoIP, etc)
- Available Data Card: A2502 HIGH-SPEED (NTT DoCoMo), D02NE, D02HW, D01NX (EMOBILE)
- 100,000 user targets in few years



**The Ultimate Full Management
Connects without Connecting**

Consolidated Balance Sheets



Internet Initiative Japan

Unit: JPY million

	December 31, 2007	March 31, 2007	Changes
Cash	9,214	13,555	(4,340)
Accounts Receivable	11,801	9,676	+2,125
Inventories	1,028	1,111	(84)
Prepaid Expenses	2,234	1,053	+1,181
Available-for-sale Securities	967	1,310	(342)
Property and Equipment	11,111	9,832	+1,279
Intangible Assets	5,925	2,877	+3,048
Other Assets	3,999	3,260	+739
Borrowings (Short-term)	9,650	6,340	+3,310
Accumulated Deficit	(20,644)	(24,271)	+3,627
Accumulated Other Comprehensive Income	339	950	(611)
Total Shareholders' Equity	24,140	20,112	+4,028
Total Assets	52,997	47,693	+5,304

Account receivable of JPY 3,045 million related to the remarkably large-scale SI project

Employee bonus payment and SI project maintenance expenses

Network related assets and assets from the acquisition of hi-ho

Acquisition of subsidiary shares and of hi-ho

Short-term borrowings for the acquisition of subsidiary shares

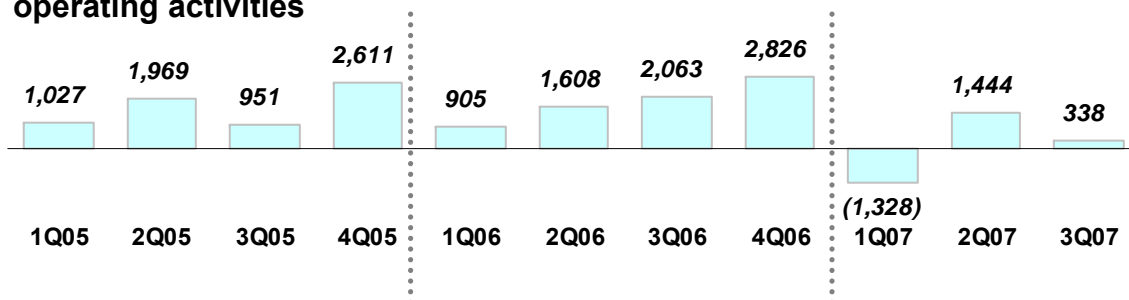
Consolidated Cash Flows



Internet Initiative Japan

Unit: JPY million

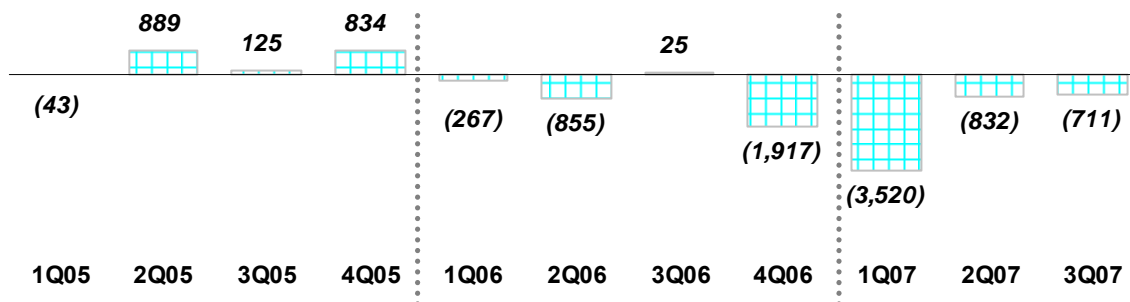
Net cash provided by (used in) operating activities



Net cash provided by operating activities:
JPY 455 million in 3Q07 (9months)

- Increase in operating income
- Increase in accounts receivable related to SI project completed in 3Q07
- Payments for pre-paid expenses
- Payments for accounts payable

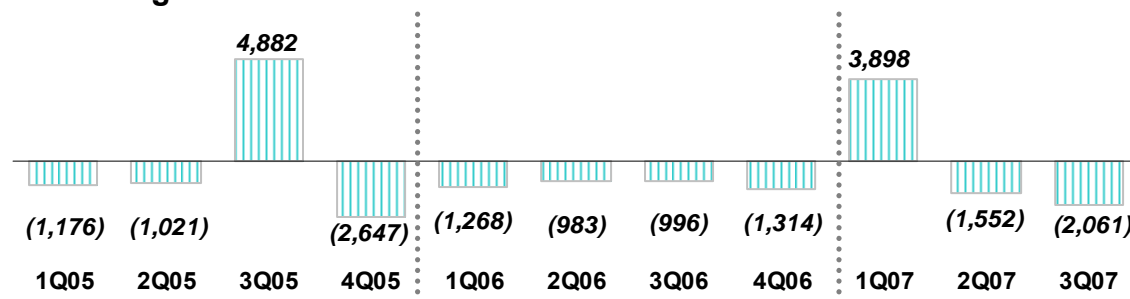
Net cash provided by (used in) investing activities



Net Cash used in investing activities:
JPY 5,063 million in 3Q07 (9months)

- Payments in acquisition of subsidiary shares (JPY 1,975 million)
- Payments for the purchase of property and equipment (JPY 1,615 million)
- Payments for the acquisition of hi-ho (JPY 912 million)
- Acquisition of cash from newly consolidated subsidiary, TN (JPY 124 million)

Net cash provided by (used in) financing activities



Net cash provided by financing activities:
JPY 285 million in 3Q07 (9months)

- Borrowing of short-term borrowing for the acquisition of the two consolidated subsidiaries
- Repayments of short-term borrowings
- Principle payments under capital lease obligations (JPY 2,564 million)
- Payments of dividend (JPY 461 million)

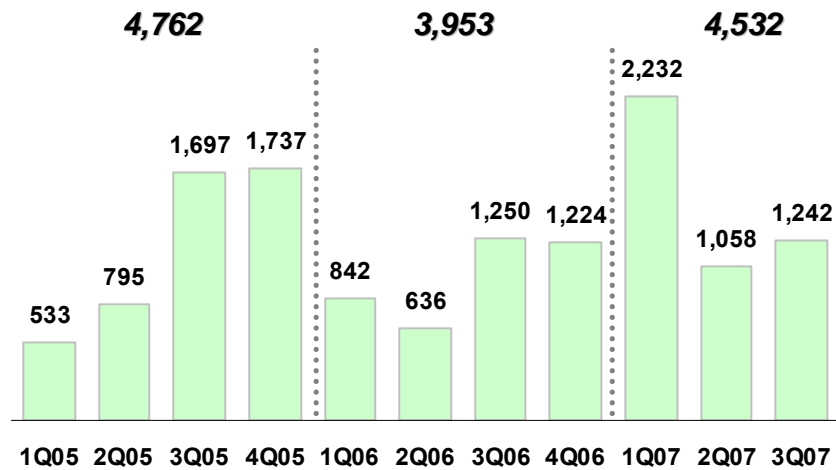
Other Financial Data (CAPEX etc.)



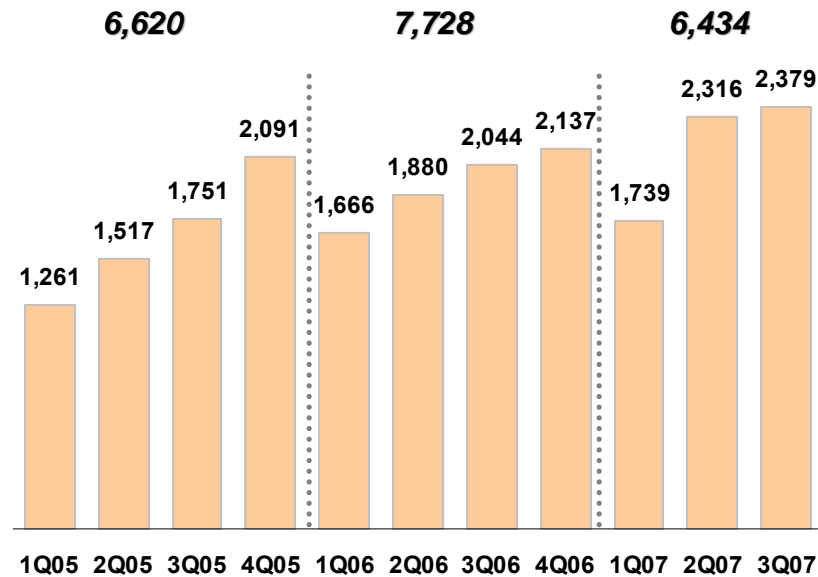
Internet Initiative Japan

Unit: JPY million

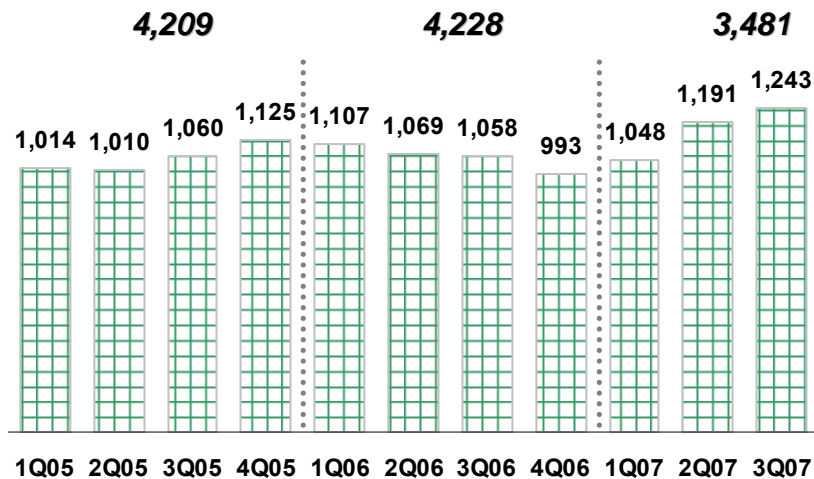
CAPEX



Adjusted EBITDA



Depreciation and Amortization

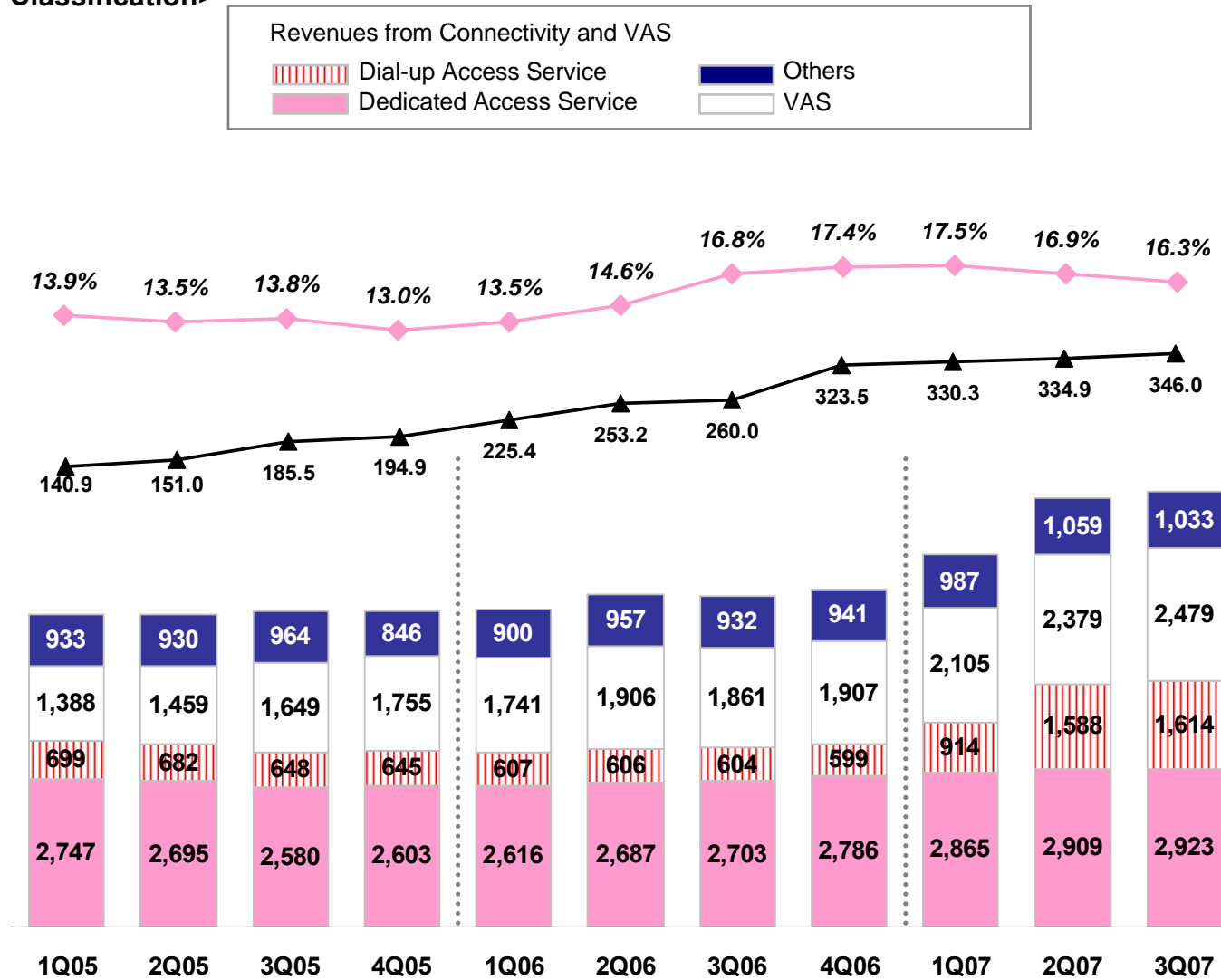


Recent Press Releases

Date	Press Release
10/1	IIJ to Develop New SEIL/X Series
10/2	MF Launches "Multifeed JPNAP Tokyoll Service"
10/10	IIJ Announces New Customer Campaign for IIJ URL Filtering Service
10/29	IIJ Acquires Exclusive License to Patented Information Security Technology
10/31	IIJ Acquires Patent for SMF-LAN
11/29	IIJ Group Opens New Shinsaibashi Data Center
12/3	IIJ Introduces the IIJ Innovation Institute
12/10	Net Care Launches Earthquake Early Warning Support Package
12/17	IIJ to Use DoCoMo 3G Network to Provide Corporate Data Communications Services as MVNO
12/20	Implementation of "Information Security Enhancement Declaration 2008" Educational Movement for Raising Information Security Awareness
12/26	IIJ Adds Ultra Firewall Option to IIJ SMF sx Service
1/21	IIJ Launches IIJ Mobile for Corporate Customers as an MVNO
2/6	IIJ and EMOBILE Agree to Start MVNO Service

(Reference) -Revenues from Connectivity and VAS-

<Old Classification>



(Reference) Consolidated Financial Results for 3Q07 (9 months)

Unit: JPY billion

	% of Revenues		YoY	Target for FY2008
	1Q07-3Q07 (2007/4-12)	1Q06-3Q06 (2006/4-12)		Year-end
Total Revenues	48.3	40.0	20.8%	690
Total Costs	38.7	32.3	19.7%	—
Gross Margin	9.7	7.7	25.5%	—
SG&A/R&D	6.7	5.4	25.5%	—
Operating Income	3.0	2.4	25.3%	46
Income before Income Tax Benefit	2.7	3.7	(27.6%)	51
Net Income	4.1	4.3	(4.0%)	56

No changes has been made for the Target for the Full FY2007 announced on May 15, 2007.