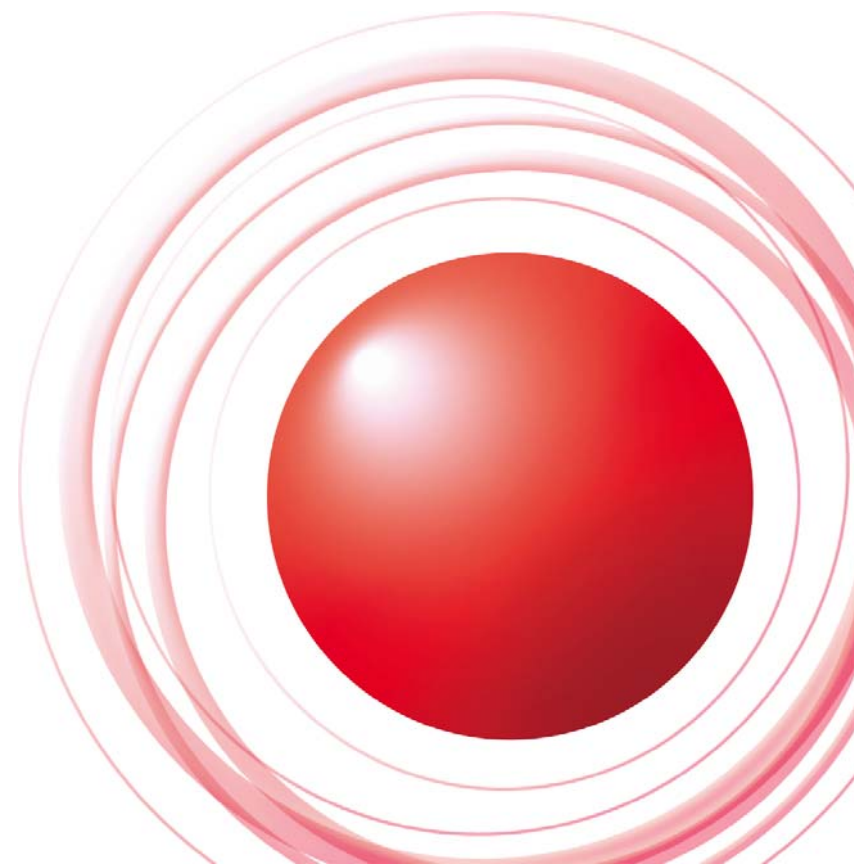


FY2010/1Q-3Q (cumulative) Consolidated Financial Results



Internet Initiative Japan Inc.
2011.2.10

Ongoing Innovation



Agenda

**I . Summary of FY2010/1Q-3Q (cumulative)
Financial Results**

**II . Consolidated Financial Results for
FY2010/1Q-3Q (cumulative)**

III . Reference Materials

I. Summary of FY2010/1Q-3Q (cumulative) Financial Results

《FY2010/1Q-3Q (cumulative) Financial Results》

➤ Revenue	JPY56,797 million (up17.6% YoY)
➤ Gross margin	JPY11,540 million (up 20.0% YoY)
➤ Operating Income	JPY2,430 million (up 21.1% YoY)
➤ Income before Income Tax Expense	JPY2,175 million (up 22.0% YoY)
➤ Net Income Attributable to IIJ	JPY1,997 million (up 76.2% YoY)

● Network services revenues increased 30.8%, SI revenues decreased 1.9% YoY

- Outsourcing service steady grew as services such as email, web security, CDN and data center related services increased continuously
- IIJ's cloud computing service "IIJ GIO" is doing very well, reaching over 300 contracts during this 9 months
- WAN services are increasing as revenues from IIJ Global Solutions Inc. ("IIJ-GS") which we acquired on Sep 1, 2010 contributed for 4 months
 - Revenue and operating income related to IIJ-GS (4 month):
Revenue: JPY8.7 billion, Cost of revenues: JPY7.0 billion, SG&A: JPY1.0 billion Operating income: JPY 0.7 billion
- SI revenues has almost absorbed the decrease affect from the scale down of a large contract from a certain SI client

● FY2010 Year-end Dividend Forecast revised upward from JPY1,250 to JPY1,500 per share

- FY2010 interim dividend: JPY1,250 year-end dividend: JPY1,500 (planned) Full-year dividend: JPY2,750 (planned)
- FY2009 interim dividend: JPY1,000 year-end dividend: JPY1,250 Full-year dividend: JPY2,250
- FY2008 interim dividend: JPY1,000 year-end dividend: JPY1,000 Full-year dividend: JPY2,000

● Continuously providing new outsourcing service & solution.

- Enhancing service and solutions for cloud computing service "IIJ GIO" with solutions such as "IIJ GIO smart mobile solution" and "SaaS platform communication solution". We are also expanding the facilities for cloud services.
- Promote the use of IPv6 address to deal with the coming run-out of IPv4 address. IIJ backbone/facilities are IPv6 ready
- Adopted to DNSSEC expansion method to improve security on DNS service. DNSSEC is considered the most effective means of defeating security threats that abuse the DNS system.

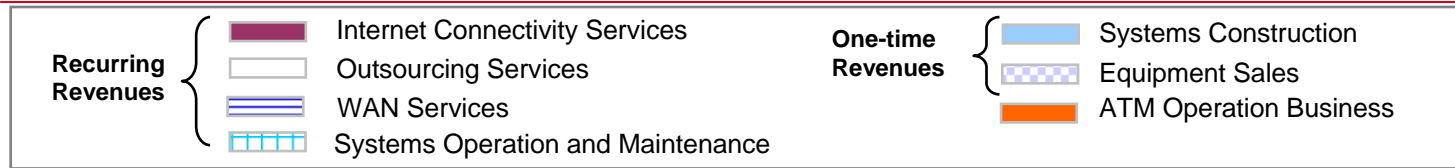
II-1. Consolidated Results for FY2010/1Q-3Q (cumulative)

Unit: JPY billion

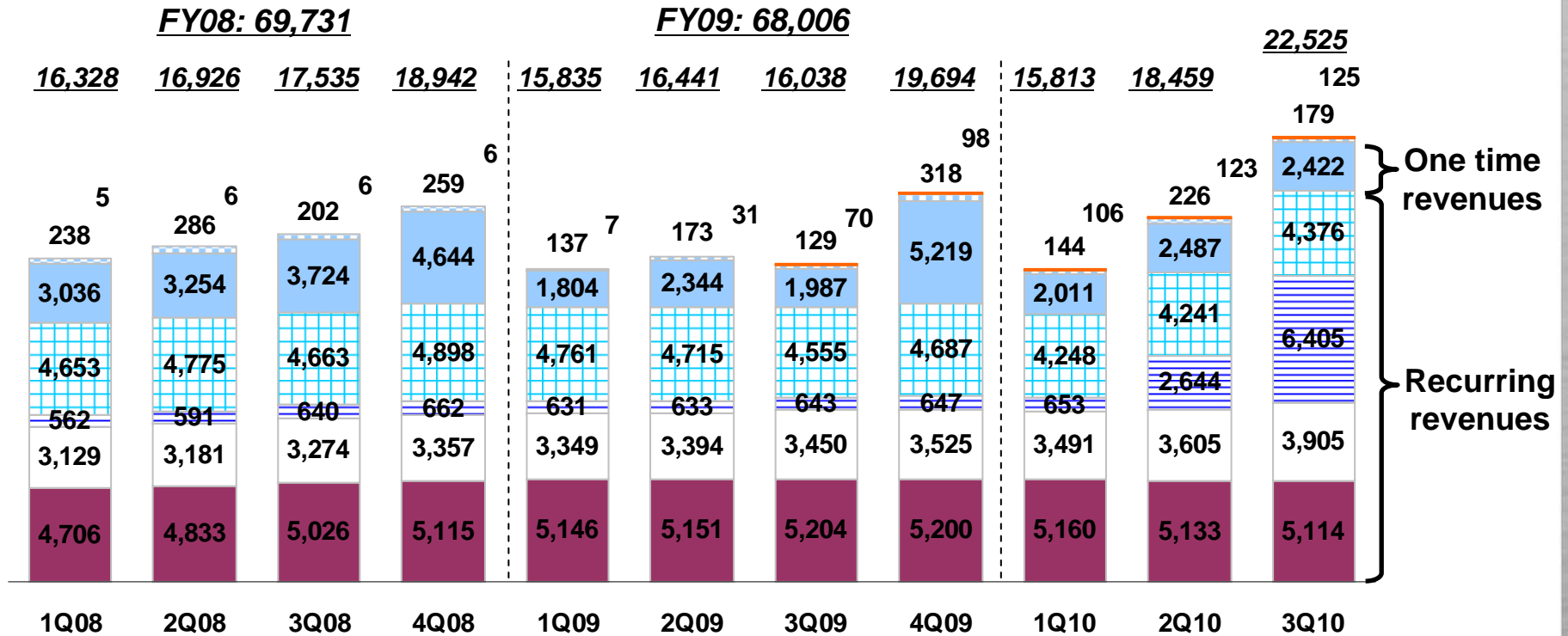
	% of Revenues 3Q10 (10/4~10/12)	% of Revenues 3Q09 (09/4~09/12)	YoY
Total Revenues	56.8	48.3	17.6%
Total Costs	79.7% 45.3	80.1% 38.7	17.0%
Gross Margin	20.3% 11.5	19.9% 9.6	20.0%
SG&A/R&D	16.0% 9.1	15.8% 7.6	19.7%
Operating Income	4.3% 2.4	4.2% 2.0	21.1%
Income before Income Tax Expense	3.8% 2.2	3.7% 1.8	22.0%
Net Income Attributable to IIJ	3.5% 2.0	2.3% 1.1	76.2%

II-2. Revenues

YoY = 3Q10 compared to 3Q09
QoQ = 3Q10 compared to 2Q10



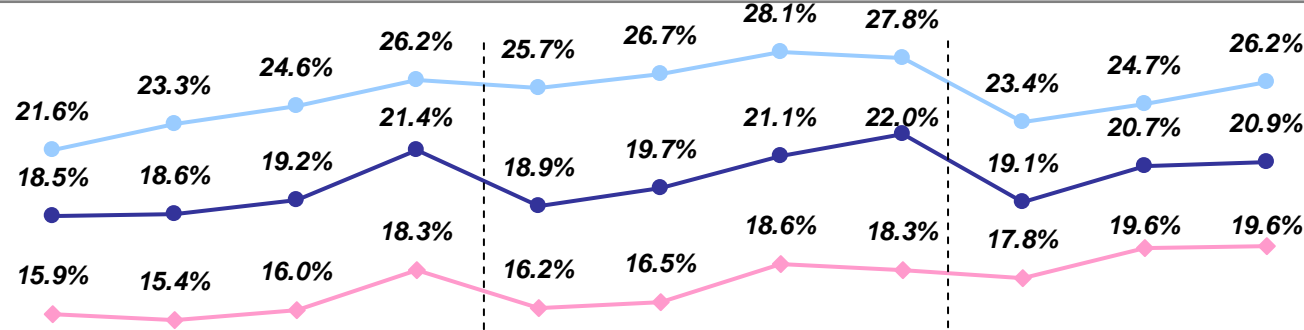
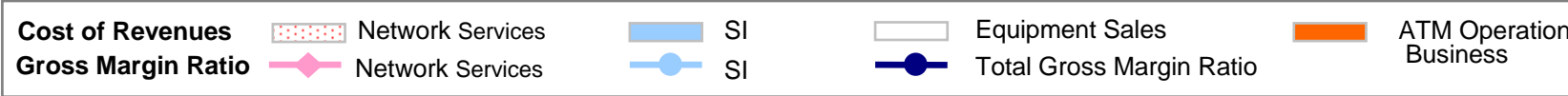
Unit: JPY million



- ◆ **3Q10 Revenues: JPY22,525 million (up 40.4% YoY, up 22.0% QoQ)**
 - Recurring revenues: JPY19,799 million (up 42.9% YoY, up 26.7% QoQ)
 - One-time revenues: JPY2,601 million (up 22.9% YoY, down 4.2% QoQ)
 - ATM operation business: JPY125 million (up JPY54 million YoY, up JPY2 million QoQ)
- ◆ **Additional revenue related to IIJ-GS: 3Q10: JPY6,406 million, 2Q10: JPY2,246 million (mostly WAN services, some systems construction)**

II-3. Cost of Revenues and Gross Margin Ratio

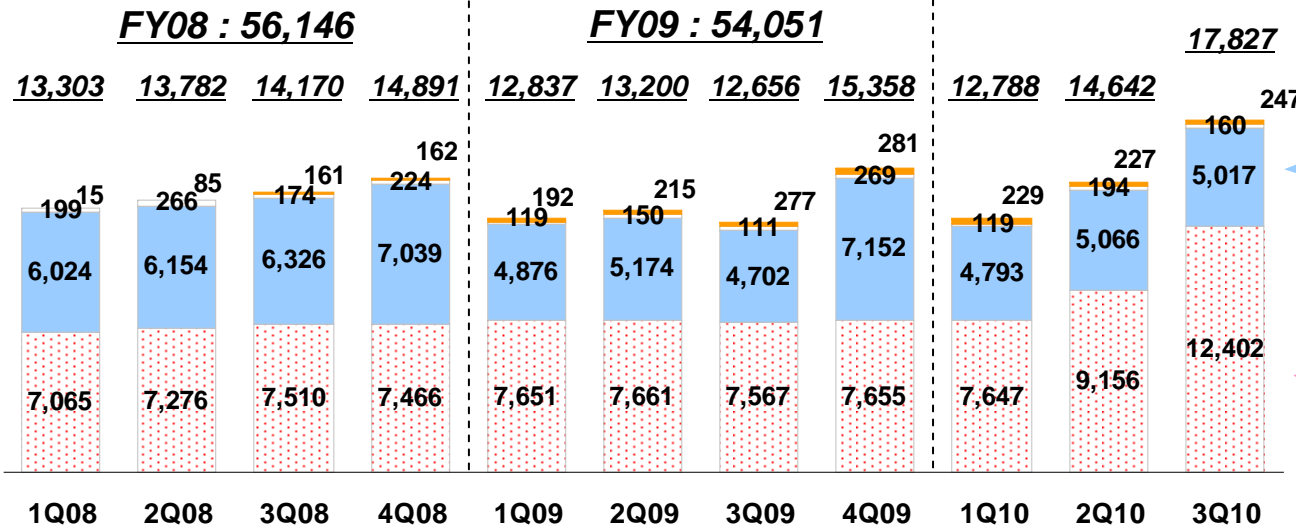
YoY = 3Q10 compared to 3Q09
QoQ = 3Q10 compared to 2Q10



Unit: JPY million

(JPY million)

IJJ-GS	2Q10	3Q10
Cost of Revenues	1,761	5,215
Gross Margin Ratio	21.6%	18.6%



SI
Personnel related costs, outsourcing costs and purchase etc.

Network Services
Backbone costs, network equipment costs, network operation related costs, outsourcing related cost and personnel related costs

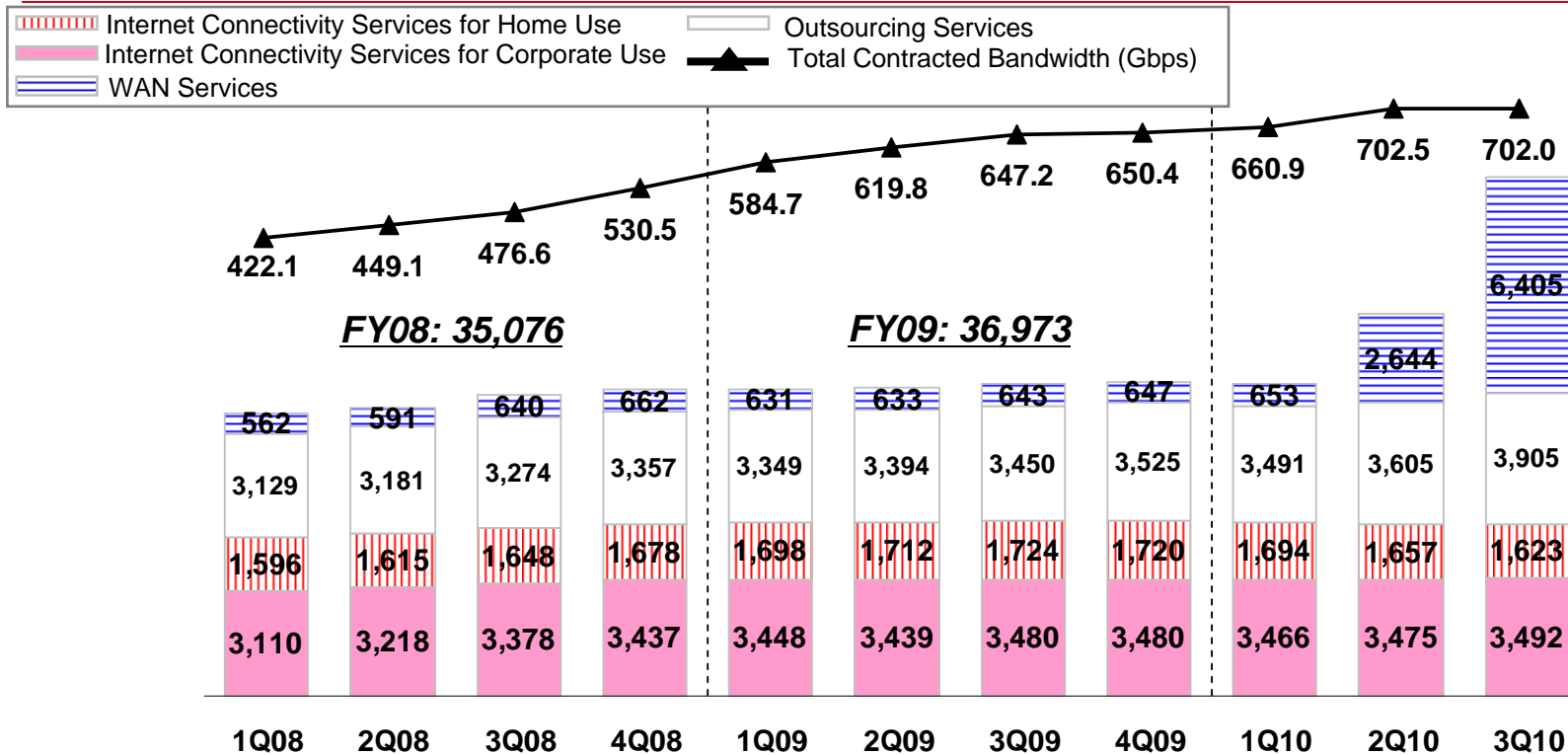
◆ **3Q10 Total Gross Margin: JPY4,698 million (up JPY1,317 million YoY, up JPY882 million QoQ)**

- Gross margin of network services: JPY3,022 million (up JPY1,292 million YoY, up JPY796 million QoQ)
- Gross margin of SI: JPY1,780 million (down JPY60 million YoY, up JPY118 million QoQ)
- Gross loss of ATM Operation Business: JPY123 million (3Q09: JPY207 million, 2Q10: JPY104 million)

◆ **Cost of Network Services Revenues excluding costs of IJJ-GS decreased compared to 1Q10 and 2Q10**

II-4. Network Services (1) Revenues

YoY = 3Q10 compared to 3Q09
QoQ = 3Q10 compared to 2Q10



- ◆ 3Q10 Internet connectivity services for corporate use: up 0.3% YoY, up 0.5% QoQ
 - IIJ Mobile contracts continued to increase as there were iPad Solution projects of over 1,000 contracts and M2M projects. Mobile service contracts reached over 45,000 lines.
 - Broadband connectivity increased along with the increase from sales partners (number of broadband contracts as of Dec 2010: 38,034 contracts, up 10,229 contracts YoY).
 - Over 1Gbps contracts was 127 contracts as of Dec 2010 (3Q09: 121 contracts, 2Q10: 128 contracts)
- ◆ 3Q10 Internet connectivity services for home use: down 5.9% YoY, down 2.1% QoQ
- ◆ 3Q10 Outsourcing service: up 13.2% YoY, up 8.3% QoQ
 - Services such as data center related, Web security service, cloud computing service, anti-spam email related services and CDN services increased, respectively.
 - IIJ GIO revenue (including revenue recognized in Systems operation and maintenance) has reached over JPY90 million per month.

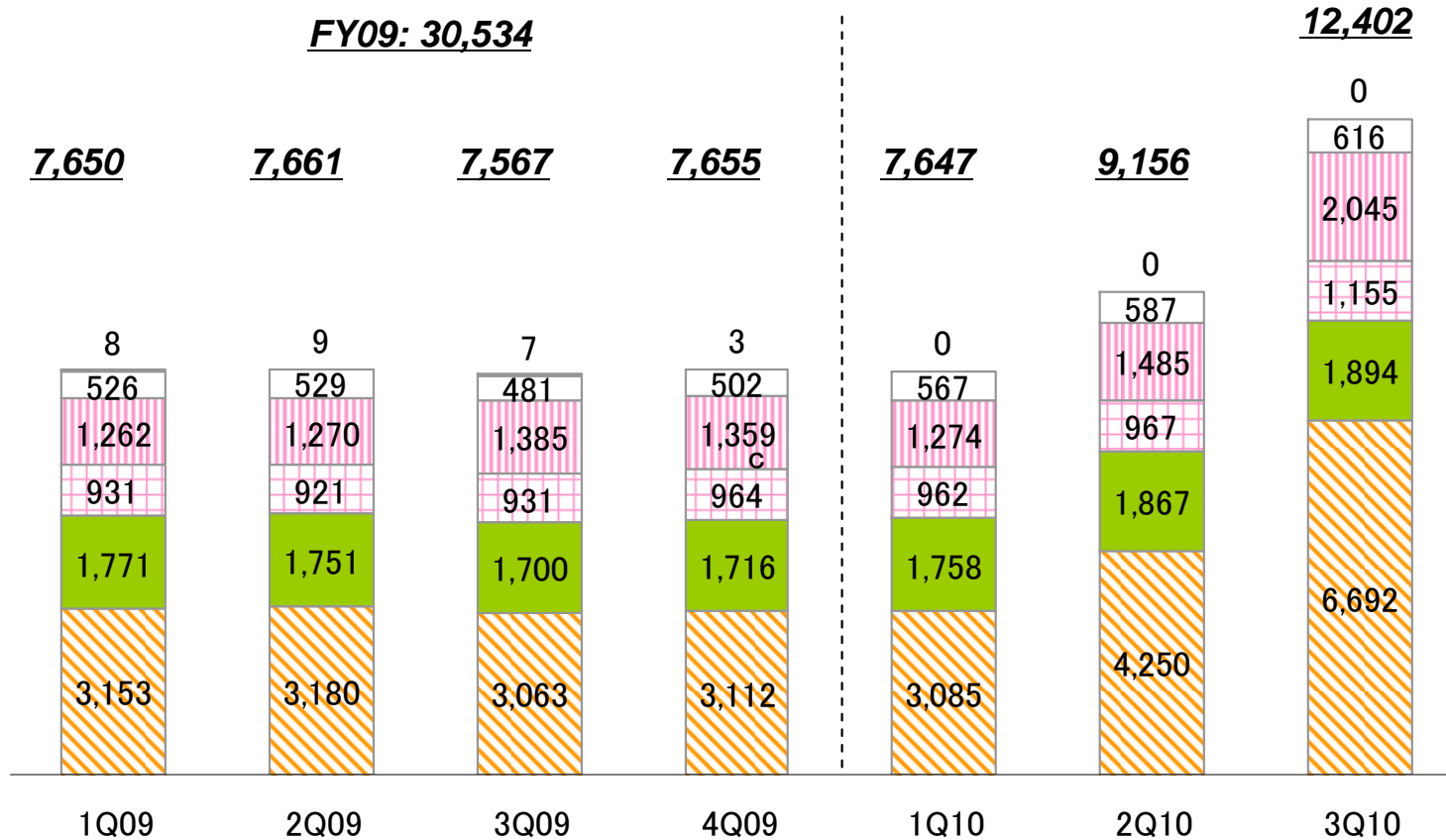
II-4. Network Services

(2) Cost of Revenues

YoY = 3Q10 compared to 3Q09
QoQ = 3Q10 compared to 2Q10



Unit: JPY million

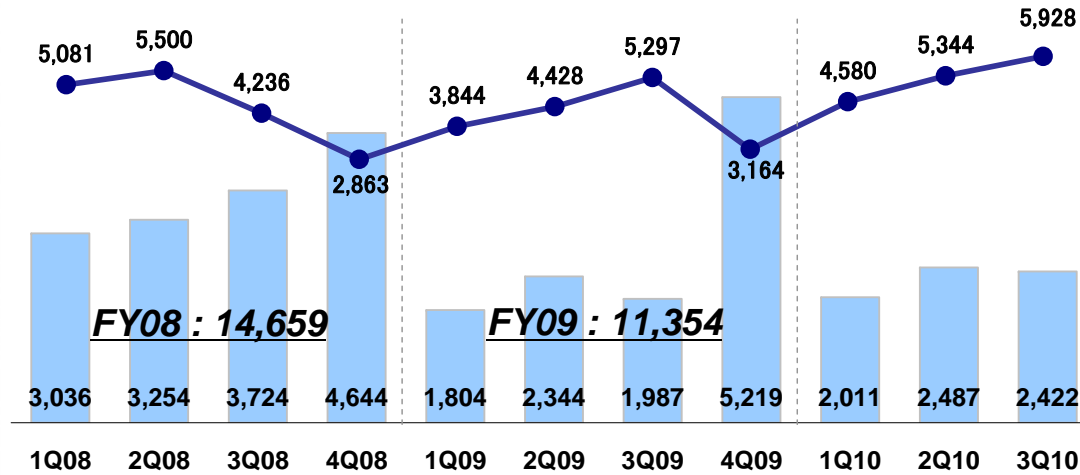


◆ **3Q10 Total cost of Network service: up 63.9% YoY, up 35.5% QoQ**

- Additional costs related to IIJ-GS of 3 months
- Excluding costs of IIJ-GS: Costs decreased compared to 1Q10 and 2Q10

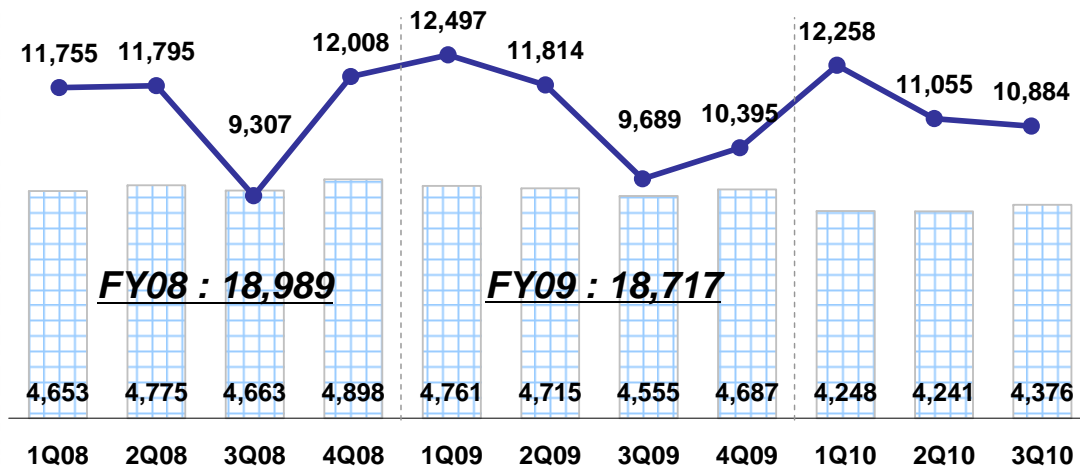
II-5. Systems Integration (1) Revenues

(Systems construction)



3,592	3,960	2,662	3,530	2,921	3,101	2,985	3,403	3,572	3,478	3,185
-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------

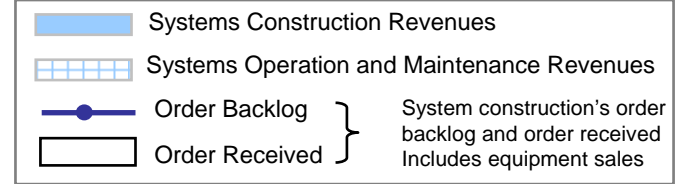
(Systems operation and maintenance)



5,262	4,815	2,175	7,598	5,250	4,032	2,430	5,392	6,111	3,037	4,204
-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------

Unit: JPY million

YoY = 3Q10 compared to 3Q09
QoQ = 3Q10 compared to 2Q10



Systems Construction

- ◆ 3Q10 Revenues: up 21.9% YoY, down 2.6% QoQ
- ◆ 3Q10 Order Backlog: up 11.9% YoY up 10.9% QoQ

- Revenues increased YoY due to mid- small sized projects, despite the scale-down from a certain large client in 1Q10 (9 months revenue related to this client decreased by JPY1.5 billion YoY)
- Mainly email system replacement, video streaming, portal system
- Mid- to small sized projects are increasing in relation to cloud computing. Cloud is playing the role as door-opener to new clients
- Orders received: increased by 6.7% YoY

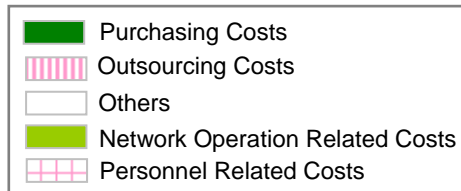
Systems operation and maintenance

- ◆ 3Q10 Revenues: down 3.9% YoY, up 3.2% QoQ
- ◆ 3Q10 Order Backlog: up 12.3% YoY down 1.5% QoQ

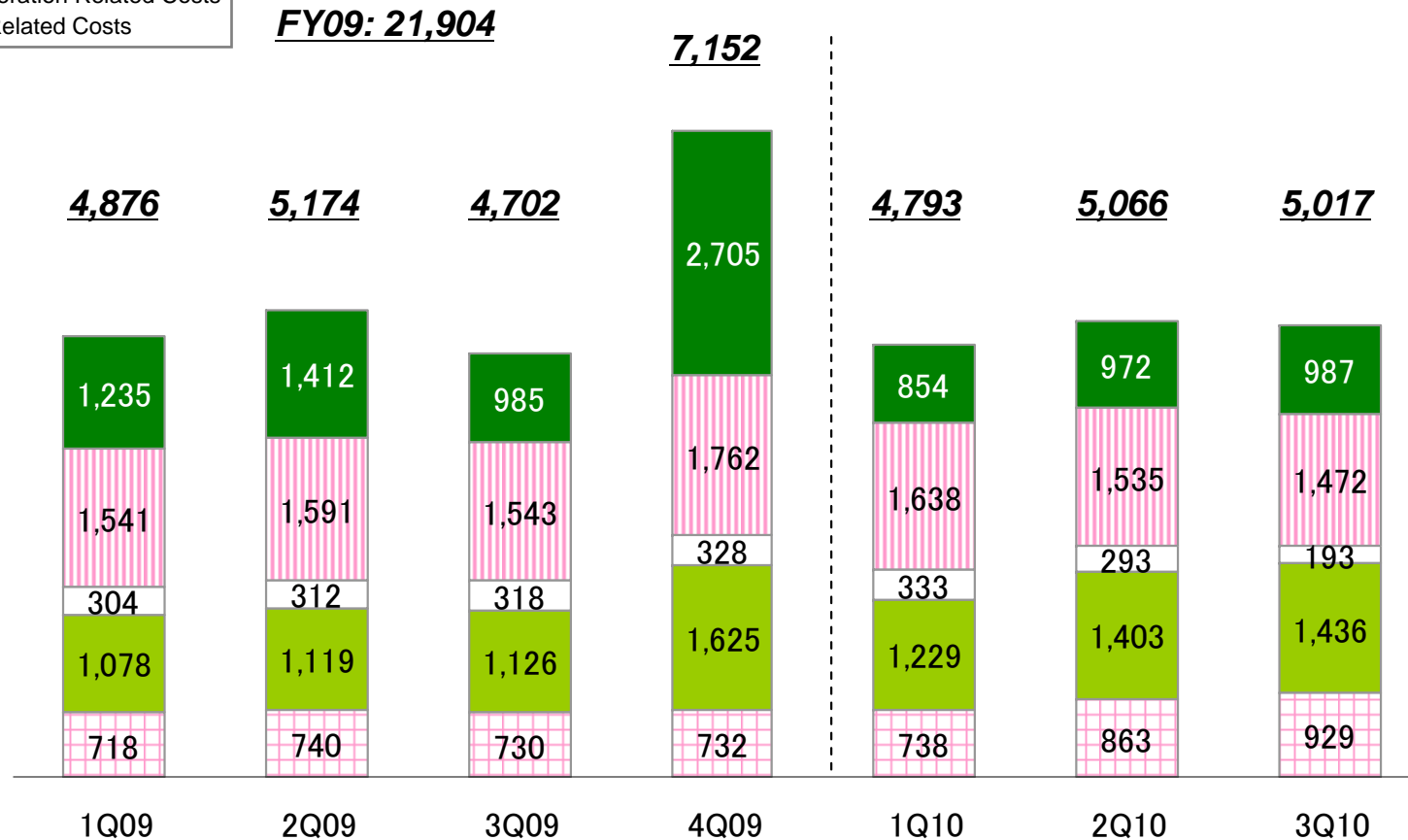
- Revenues decreased YoY affected by the scale-down from the above certain large client (9 months revenue related to this client decreased by JPY1.7 billion YoY), however revenues are back on increase trend with new operating and maintenance contracts coming in during 3Q10. Revenue increased by 3.2% QoQ
- Revenues related to cloud computing increased by JPY0.1 billion QoQ
- Orders Received: increased by 73.0% YoY

II-5. Systems Integration (2) Cost of Revenues

YoY = 3Q10 compared to 3Q09
QoQ = 3Q10 compared to 2Q10



Unit: JPY million



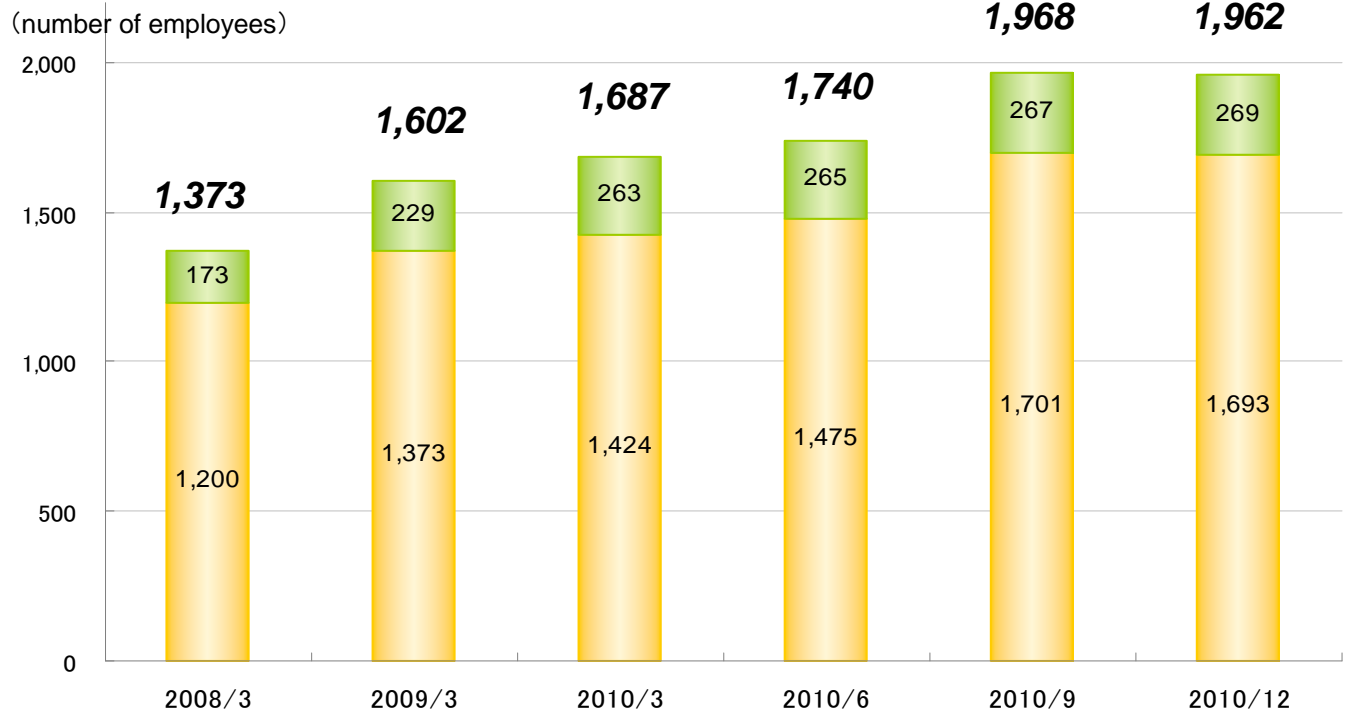
◆ 3Q10 Total cost of systems integration: up 6.7% YoY, down 1.0% QoQ
 ➤ The number of full-time outsourcing personnel was 345 personnel as of Dec.2010 (YoY: up 109 personnel, QoQ: up 4 personnel)

II-6. Number of Employees

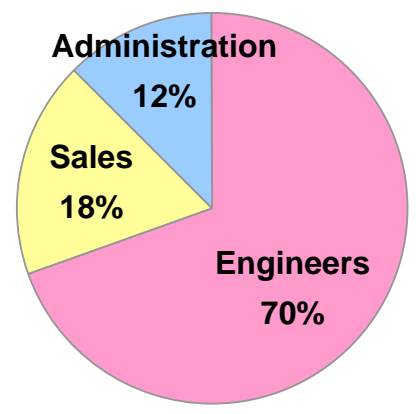
YoY = 3Q10 compared to 3Q09
QoQ = 3Q10 compared to 2Q10

Contract worker
Full time worker

With the acquisition of IIJ-GS +245 employees



[Employee Distribution]



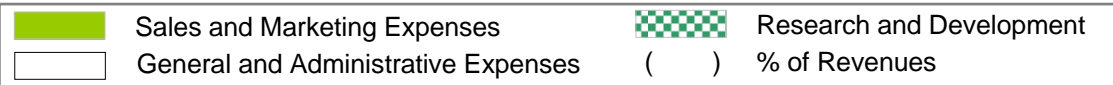
Personnel related costs and expenses(% of revenue)	2,925 (18.5%)	3,112 (16.9%)	3,642 (16.2%)

Unit: JPY million

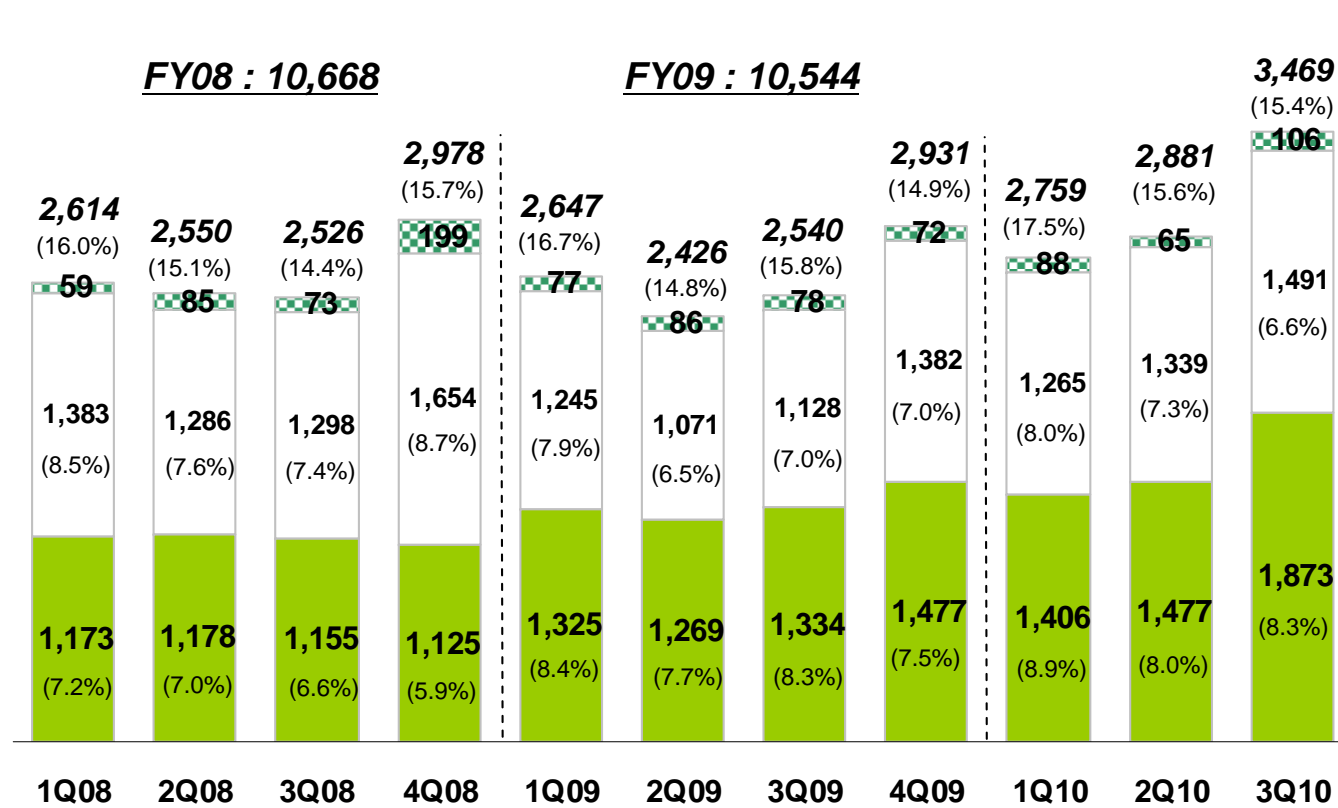
◆ Number of consolidated employees as of Dec.2010: up 263 personnel YoY, down 6 personnel QoQ
 ➤ Hired 60 newly graduates in FY2010 (FY2009: 77 newly graduates, FY2008: 92 newly graduates) and plan to hire 45 newly graduates in FY2011

II-7. SG&A Expenses/R&D

YoY = 3Q10 compared to 3Q09
QoQ = 3Q10 compared to 2Q10



Unit: JPY million



(unit: JPY million)

IJJ-GS	2Q10	3Q10
SG&A	224	777

- ◆ 3Q10 SG&A Expenses/R&D: up 36.6% YoY, up 20.4% QoQ
 - Excluding expenses of IJJ-GS: SG&A expenses decreased compared to 1Q10 and was nearly the same level compared to 2Q10
 - Amortization of customer relationship related to IJJ-GS: JPY109 million
 - Restoration expenses, to return the rented office to its original state, related to next fiscal year's new office plan: JPY48 million
- ◆ 3Q10 SG&A related to the ATM operation business: JPY42 million (3Q09:JPY56 million, 2Q10: JPY36million).
Reduced outsourcing related costs while focusing on business start-up.

II-7. Operating Income and Net Income

YoY = 3Q10 compared to 3Q09
QoQ = 3Q10 compared to 2Q10

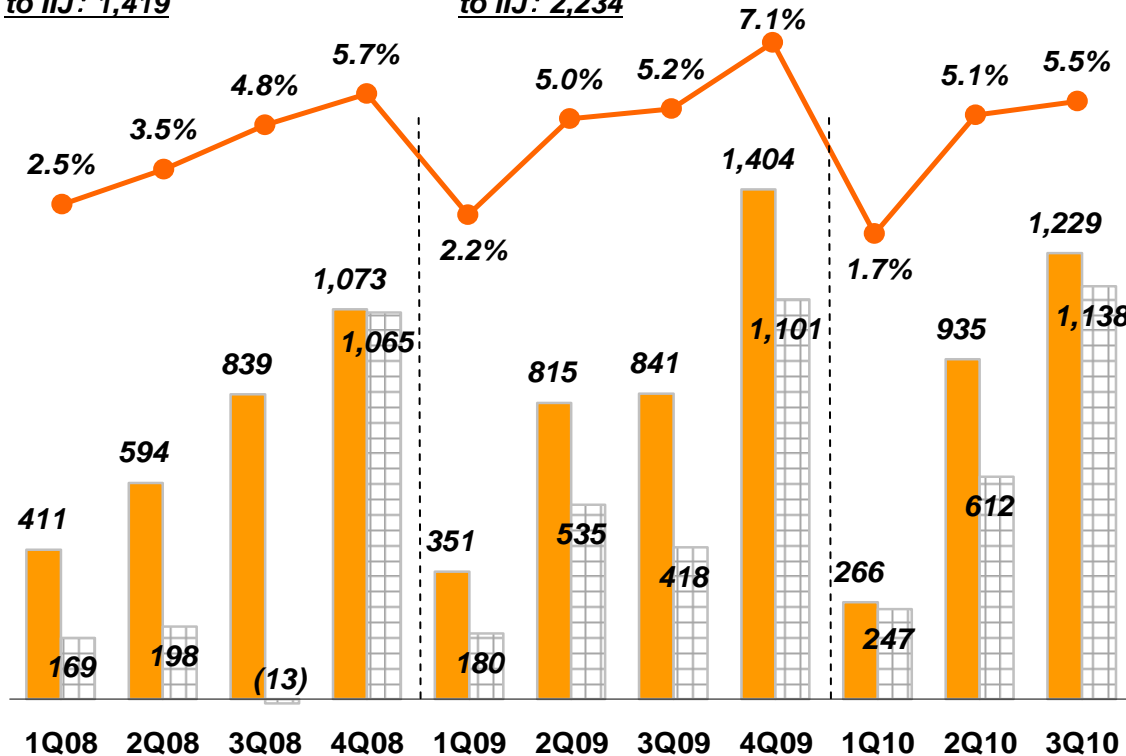
Operating Income Net Income Operating Margin Ratio

Operating income : 2,917

Operating income : 3,412

Net income attributable to IIJ: 1,419

Net income attributable to IIJ: 2,234



	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10
Income Tax Expenses	244	284	514	90	120	160	179
Deferred tax expense	186	187	418	Δ34	88	75	78
Equity in net income(loss) of equity method investees	32	11	85	32	34	Δ3	98
Net loss attributable to noncontrolling interests	93	82	90	83	54	48	51

◆ 3Q10 Operating Income:

- ▶ JPY1,229 million(3Q09:JPY841 million, 2Q10:JPY935 million)
- ▶ Increase in gross margin for network services
- ▶ Operating income related to IIJ-GS (3 month)
- ▶ Decrease in operating loss related to ATM operation business
- ▶ Absorbed the decrease affect from the scale down of a large contract from a certain SI client

◆ 3Q10 Income before income tax expense:

- ▶ JPY1,169 million (3Q09: JPY758 million, 2Q10: JPY727 million)
- ▶ Other expenses: JPY60 million (3Q09: JPY84 million, 2Q10: JPY209 million). There were interest payments.

◆ 3Q10 Net income attributable to IIJ:

- ▶ YoY: Operating income increased and deferred tax expenses decreased YoY
- ▶ QoQ: Operating income increased
- ▶ Net loss attributable to noncontrolling interests related to Trust Networks and GDx Japan Inc.

◆ ATM Operation Business:

(unit: JPY million)

	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10
Revenue	7	31	70	98	106	123	125
Cost	192	215	277	281	229	227	247
Expenses	49	50	56	88	37	36	42
Sum	240	265	333	369	266	263	289
Operating Loss	(233)	(234)	(263)	(270)	(161)	(140)	(165)

- ▶ Placed 200 ATMs as of Feb. 10, 2011
- ▶ ATMs are currently being placed continuously
- ▶ FY2010 operating loss related to ATM operation business is expected to be around JPY0.6 billion

II-9. Consolidated Balance Sheets

Unit: JPY million

	December 31, 2010	March 31, 2010	Changes
Cash and Cash Equivalents	10,800	8,764	+2,035
Accounts Receivable	16,132	11,397	+4,735
Inventories	903	808	+95
Prepaid Expenses	2,472	1,593	+879
Deferred tax assets (current)	970	1,571	(601)
Other Investments	2,934	2,582	+353
Property and Equipment	14,535	12,970	+1,564
Goodwill and Other Intangible Assets	11,548	6,440	+5,108
Deferred tax assets (non-current)	1,085	685	+399
Borrowings (Short-term)	13,450	4,450	+9,000
Accounts payable	10,466	6,968	+3,499
Accumulated Deficit	(15,230)	(16,720)	+1,491
Accumulated Other Comprehensive Income	118	169	(51)
Total IIJ Shareholders' Equity	28,696	27,320	+1,376
Total Assets	67,145	52,096	+15,048

➤ Increased mainly due to IIJ-GS

➤ Nonmarketable equity securities: JPY1,843 million
 ➤ Available for sale equity securities: JPY892 million
 ➤ Others: JPY199 million

➤ Non-amortized intangible assets: JPY4,306 million
 - Goodwill: JPY4,114 million (IIJ-GS JPY594million)
 - Trademark: JPY192million
 ➤ Amortized intangible assets: JPY7,228 million
 - Customer relationships: JPY 7,191 million (IIJ-GS: JPY4,766 million)
 - License: JPY37 million

➤ IIJ-GS share acquisition

➤ Increased mainly due to IIJ-GS

➤ IIJ Shareholder's equity ratio:
 • end of Dec 2010: 42.7%
 • end of March 2010: 52.4%

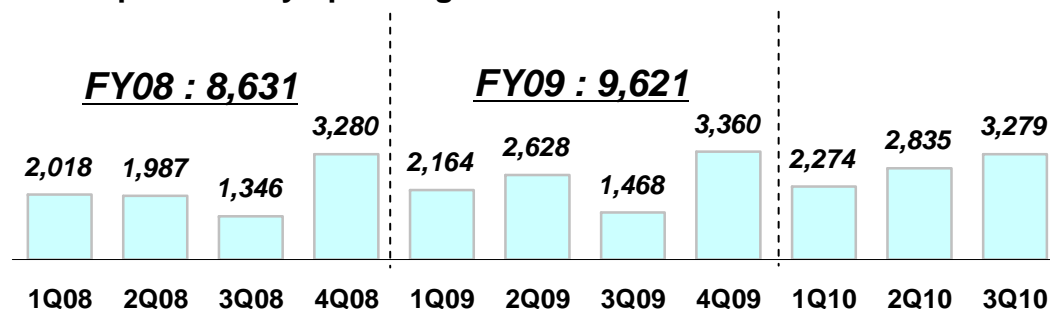
➤ Increased mainly due to IIJ-GS

(※) The measurement of the assets acquired and liabilities assumed related to the acquisition of IIJ-GS is to be completed within a year from the acquisition date. The measurement has not yet been completed as of the end of December 2010, and therefore, the preliminary estimates are subject to revisions.

II-10. Consolidated Cash Flows

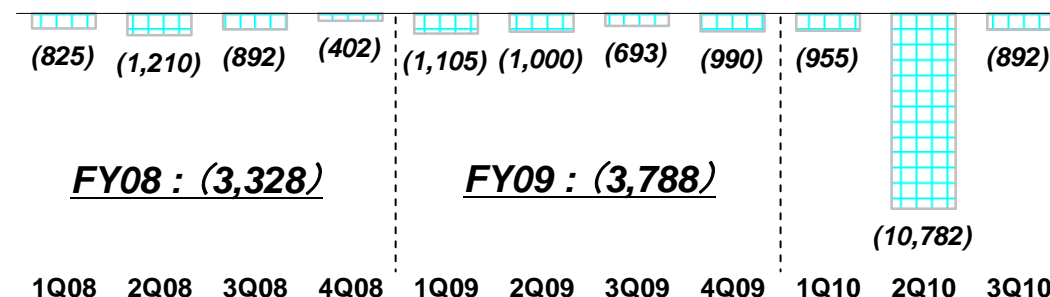
Unit: JPY million

Net cash provided by operating activities



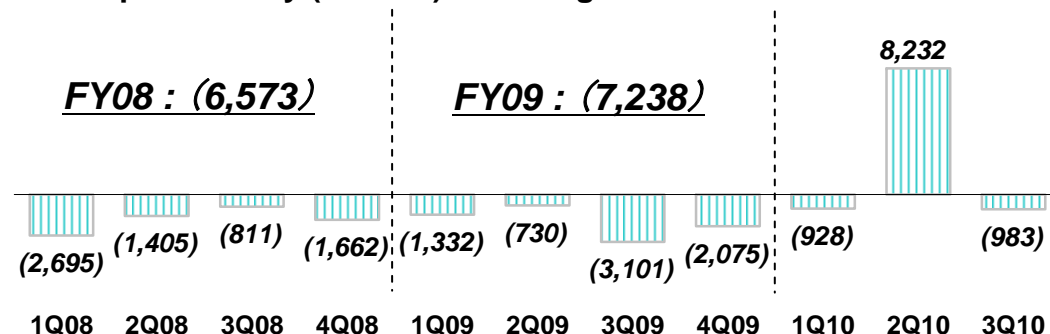
- <3Q10>
- Increase in operating income
 - Increase in accounts payable: JPY4,127 million
 - Decrease in accrued expenses, other current and noncurrent liabilities: JPY4,290 million
 - Decrease in accounts receivable: JPY1,496 million
- etc

Net cash used in investing activities



- <3Q10>
- Purchase of property and equipment: JPY873 million
- etc

Net cash provided by (used in) financing activities



- <3Q10>
- Principle payments under capital leases: JPY730 million
 - Payment of dividends: JPY253 million

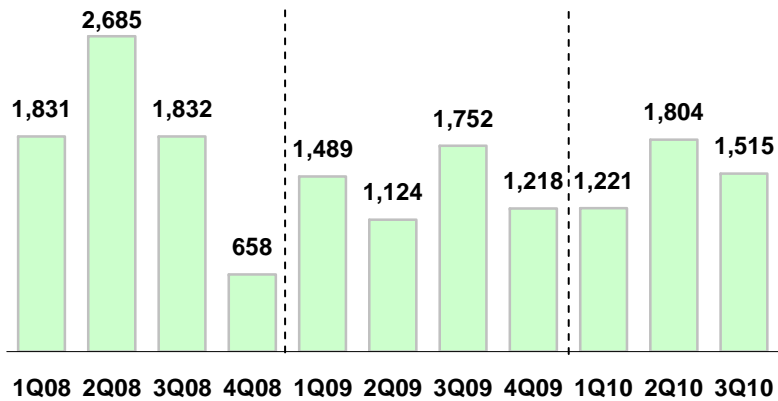
II-11. Other Financial Data (CAPEX etc.)

Unit: JPY million

CAPEX (Include Capital Lease)

FY08 : 7,006

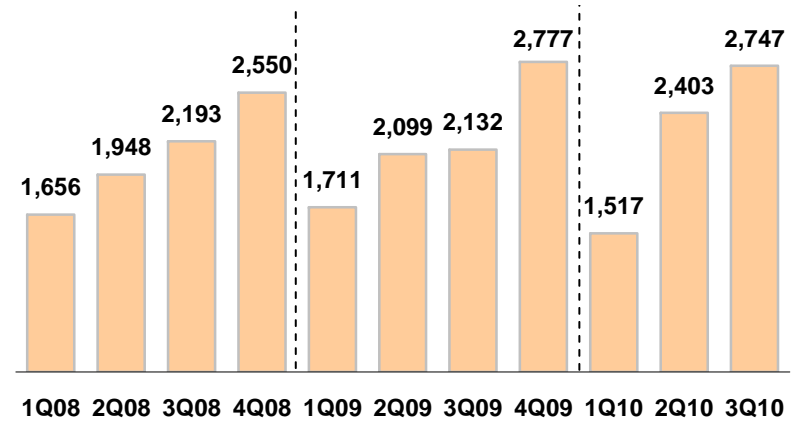
FY09 : 5,584



Adjusted EBITDA

FY08 : 8,348

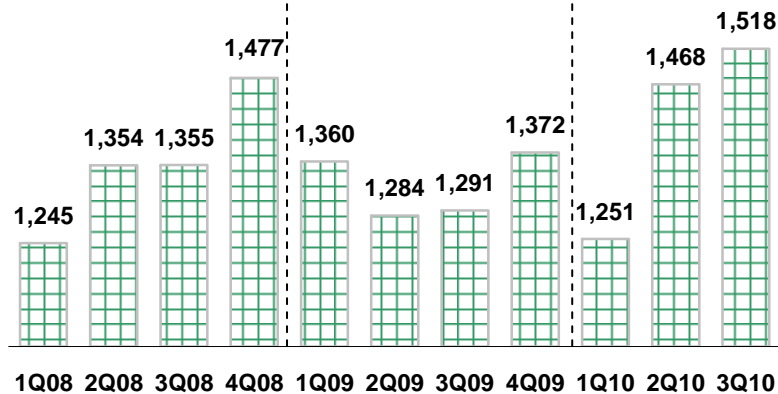
FY09 : 8,718



Depreciation and Amortization

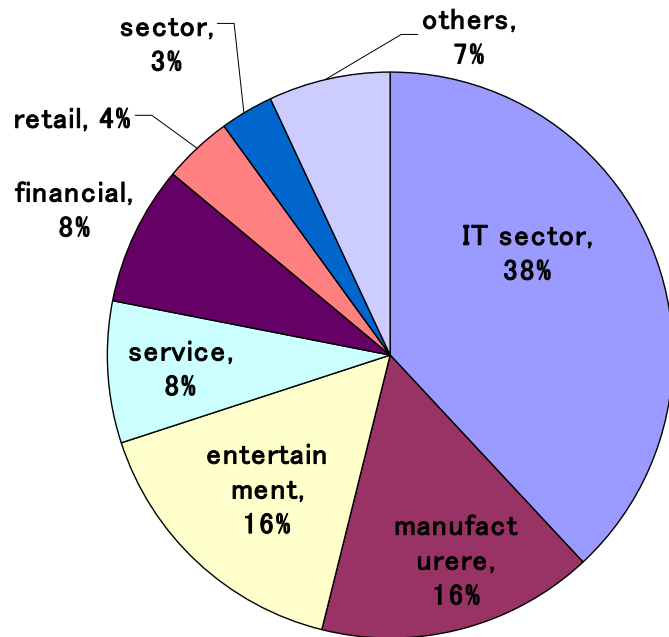
FY08 : 5,431

FY09 : 5,307



III-1. Emergence of Cloud Computing Services

- Introduced to over 300 projects during 9 months FY2010
- IIJ GIO component (custom-made) and IIJ GIO hosting package (ready-made) are both selling equally well. The two services are well marketed to coverage various market needs for cloud services
- IIJ GIO is introduced to all different industries. Social Application Provider (SAP) are increasing their usage.
- In addition to the use of IIJ GIO for Web Service Platform and corporate web site systems, IIJ GIO is beginning to be introduced and used for platform for corporate internal information systems
- IIJ GIO working as a door opener to new clients. Number of inquiries are increasing.
 - > we are receiving orders for cloud services from corporate which we had none or little business
- IIJ GIO revenue as of Dec 2010 (including systems operation) : over JPY90 million per month

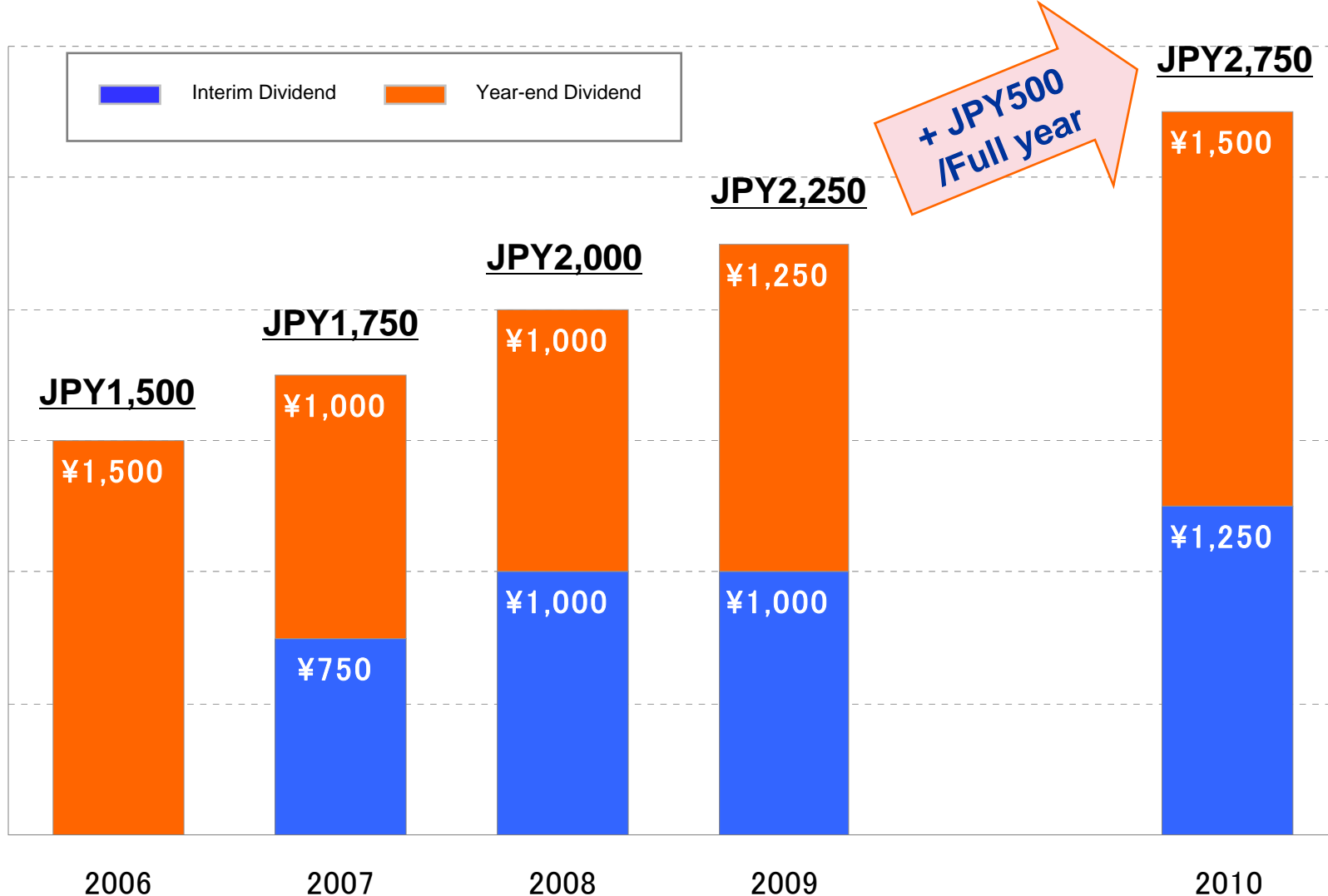


industry classified usage situation

<Cloud Computing Service Development >	2010 3Q	2010 4Q	2011 1Q
•Storage Add-on	★		
•Hosting Package (on-line sales)	★		
•GIO Storage	★		
•Smart mobile manager (smart mobile solution)	★		
•IGNITE		★	
•server facility expansion		★	
•API			★
•container DC			★

III-2. Revised FY2010 Year-end Dividends

In regard with our nine months ended FY2010 income level, we revised our year-end dividend forecast from JPY1,250 to JPY1,500 per share of common stock



III-3. Reference: FY2010 Financial Target (Remain Unchanged)












Unit: JPY billion
(except for Net Income and
Cash Dividend per Share)

	FY10 Initial Target (10/4~11/3)	Revised FY10 Target (10/4~11/3)	FY09 Actual (09/4~10/3)	YoY (Revised FY10 to FY09 Actual)	
Total Revenues	71.0	84.5	68.0	+16.5	24.3%
Operating Income	4.3	4.8	3.4	+1.4	40.7%
Income before Income Tax Expense (Benefit)	3.7	4.1	2.9	+1.2	43.4%
Net Income attributable to IIJ	2.6	3.0	2.2	+0.8	34.3%
Net Income attributable to IIJ per Share	JPY12,837	JPY 14,801	JPY 11,030	JPY +3,771	34.2%
Cash Dividend per Share	JPY2,500 (Annual)	JPY 2,750 (Annual)	JPY 2,250 (Annual)	JPY +500	22.2%

- On June 1 2010, IIJ's full FY2010 consolidated financial targets were revised accordingly to reflect the effect from the acquisition of mainly the domestic network outsourcing service business such as the WAN services from AT&T Japan.

III-4. Reference: IIJ Group Companies

(As of Jan. 31, 2011)

	Company Name	Ownership	Main Business
Consolidated Subsidiaries	 Net Care, Inc.	100%	Provides a full range of network operation and management services, from customer support, end-user help desks, monitoring and troubleshooting to integrated management services.
	 Net Chart Japan Inc.		Provides network construction services, primarily for LANs, such as network installation wiring, installation and set-up of equipment, installation of applications, and operational support.
	 IIJ America Inc.		Provides quality Internet services in the U.S. with a focus on U.S.-based enterprises doing business in the Asia-Pacific region. Also IIJ-A constructs and operates on U.S. Internet backbone network.
	 hi-ho, Inc.		Supports customer's safe, secure and comfortable Internet life based on ISP business for personal users.
	 IIJ Innovation Institute Inc.		An incubation business for the next generation internet. (R&D)
	 IIJ Global Solutions Inc.		Provides domestic network outsourcing related services including WAN service and international network related services
	 Trust Networks Inc.		76.4%
	 GDX Japan Inc.	62.3%	Building safe, reliable corporate messaging networks and providing message exchange services.
Equity Method Investees	 Internet MFEED Co.	32%	Provides mutual access with other major ISPs and content distribution services based on MFEED technology. Also MFEED operates JPNAP, a distributed IX service.
	 Internet Revolution, Inc.	30%	Operates a comprehensive portal site that provides various contents, such as SNS, blogs, stunning games, videos, and music.
	 TAIHEI COMPUTER Taihei Computer Co., Ltd.	45%	Provides operation of reward point management system

III-4. Reference: IIJ Press Releases

Date		Press Releases
FY10	3Q	10/14 IIJ and IRRIC Begin Cloud-based BCP Consulting Services
		11/01 IIJ Launches ASP FX system, IIJ Raptor Service
		10/10 IIJ to Launch "IIJ Mobile Biz+ Service"
		11/11 IIJ to Provide IIJ Raptor Service to Mizuho Securities
		11/12 IIJ to Strengthen MVNO Support as an MVNE
		11/15 IIJ Announces 2nd Quarter Results for FY2010
		11/25 IIJ Releases IIJ Smart Mobile Manager Trial Service for remote management of the iPad and other advanced mobile devices
		12/01 IIJ Launches URL Filter Report Function under the IIJ SMF sx Service/Ultra Firewall Option
	4Q	01/13 IIJ and Digital Garage Form Partnership for Corporate Services and to Build Information-Sharing Infrastructure in the Cloud
		01/17 IIJ to Adopt DNSSEC Expansion Method to Improve Security on DNS Services

※ Forward-looking Statements

Statements made in this presentation regarding IIJ's or management's intentions, beliefs, expectations, or predictions for the future are forward-looking statements that are based on IIJ's and managements' current expectations, assumptions, estimates and projections about its business and the industry. These forward-looking statements, such as statements regarding revenues and operating and net profitability, are subject to various risks, uncertainties and other factors that could cause IIJ's actual results to differ materially from those contained in any forward-looking statement. These risks, uncertainties and other factors include: the possibility a decrease of corporate spending or capital expenditure due to depression in Japanese economy and/or corporate earnings decreased; the possibility that less of reliability for our services and loss of business chances due to interrupt or suspend of our services; the possibility an increase over estimate in network related cost and outsourcing cost, personnel cost etc. ;increase in competition and strong pricing pressure; the recording of an impairment loss as a results of an impairment test on the non-amortized intangible assets such as goodwill; a decline in value and trending value of our holding securities; the amount and timing of the recognition of deferred tax benefits or expenses; and other risks referred to from time to time in IIJ's filings on Form 20-F of its annual report and other filings with the United States Securities and Exchange Commission ("SEC").

※ Contact Information

Internet Initiative Japan Inc. (Finance Department)

Jinbocho Mitsui Bldg., 1-105 Kanda Jinbo-cho, Chiyoda-ku, Tokyo, 101-0051, Japan

TEL: 03-5259-6500 FAX: 03-5259-6311 URL: <http://www.ij.ad.jp/IR> E-Mail: ir@ij.ad.jp

