



Internet Initiative Japan

For Immediate Release

Internet Initiative Japan Inc.

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**IIJ Announces Full Year and Fourth Quarter Results
for the Fiscal Year Ended March 31, 2008**

Tokyo, May 15, 2008 - Internet Initiative Japan Inc. (Nasdaq: IJJI, Tokyo Stock Exchange First Section: 3774) ("IIJ"), one of Japan's leading Internet-access and comprehensive network solutions providers, today announced its full year and fourth quarter financial results for the fiscal year ended March 31, 2008 ("FY2007").¹

Highlights of Full FY2007 Results

- Revenues totaled JPY66,835 million (\$669.4 million), an increase of 17.1% from FY2006. The continuous growth in recurring revenues (connectivity and value-added services ("VAS") and systems operation) has led the strong growth in total revenues. Connectivity grew year-over-year by 33.1%, VAS by 28.7% and systems operation by 15.3%.
- Operating income was JPY4,759 million (\$47.7 million), an increase of 36.0% from FY2006 led by the increase in gross margin of both connectivity and VAS and SI. Operating income ratio was 7.1%, an increase of 1.0% from FY2006.
- Net income was JPY5,177 million (\$51.8 million), a decrease of 4.3% from FY2006, mainly due to the absence of large capital gains from the sale of equity securities which were recorded in FY2006.
- FY2007 year-end dividend forecast was revised from JPY750 to JPY1,000 per share of common stock (FY2007 total dividend of JPY1,750, up from JPY1,500 as previously planned).

Highlights of Fourth Quarter FY2007 Results

- Revenues totaled JPY18,486 million (\$185.1 million), an increase of 8.6% from 4Q06.
- Operating income was JPY1,807 million (\$18.1 million), an increase of 58.0% from 4Q06.
- Net income was JPY1,089 million (\$10.9 million), a decrease of 5.4% from 4Q06.

Financial Targets for FY2008²

- IIJ targets revenues of JPY78.5 billion, operating income of JPY5.2 billion, income before income tax expense (benefit)³ of JPY4.7 billion and net income of JPY5.2 billion for the fiscal year ending March 31, 2009 ("FY2008").
- IIJ targets the cash dividend of JPY2,000 per share of common stock for FY2008.
- For mid-term milestone, IIJ would like to achieve over JPY100 billion in revenues and JPY10 billion in operating income around FY2010.

Overview of FULL FY2007 and 4th Quarter Financial Results and Business Outlook²

"For the past several years, we have been focusing on increasing monthly recurring revenues from connectivity and VAS, and systems operation and maintenance, to strengthen the bases for our stable

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. For full FY2007 and 4Q07 results, translations of Japanese yen amounts into U.S. dollars are solely for the convenience of readers outside of Japan and have been made at the rate of JPY 99.85 = US\$1.00.

² This Overview and Business Outlook contains forward-looking statements and projections such as statements regarding FY2008 revenues, operating income, income before income tax expense (benefit) and net income that are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by these statements. These risks and uncertainties include, but are not limited to, the factors noted at the end of this release and to the risk factors and other information included in our annual report on Form 20-F, filed with the SEC on July 6, 2007, as well as other filings and documents furnished to the Securities and Exchange Commission. We plan to keep this press release publicly available on our Web site (www.ij.ad.jp), but may discontinue this practice at any time. IIJ intends to publish its next Overview and Business Outlook in its 1Q08 earnings release, presently scheduled for release in August 2008.

³ In this document, income before income tax expense represents income from operations before income tax expense (benefit), minority interests and equity in net loss of equity method investees in our consolidated financial statements.

mid-term growth of revenue and operating income. Our results announced today were satisfying to us showing that this strategy has been going very well and the operating income continuously increased by 36.0% year-over-year to JPY4.8 billion while covering the operating loss of JPY0.3 billion from new business development," said Koichi Suzuki, President and CEO of IJ. "For FY2007, these recurring revenues showed significant growth of 23.7% from FY2006 as demands from corporate customers for higher bandwidth connectivity and outsourcing services such as email security and data centers remains strong. The number of internet connectivity contracts of over 1Gbps reached 70 contracts, a significant increase compared to the 63 contracts in 4Q06. As for the systems construction of one-time revenue, demands from our clients for network systems construction have been strong and we have had a remarkable large-scaled application development project in 3Q07. However, our systems construction revenue in 4Q07 was slightly weak compared to our expectations due to a lack of engineering resources affected by the unanticipated extra support required for the project that was completed in 3Q07."

"For FY2008, we believe demands for higher bandwidth connectivity and outsourcing services for corporate customers along with the increasing needs for network securities to protect their mission critical systems will continue as it is indispensable for them to reduce their costs by utilizing information technology and outsourcing efficiently, although we should pay attention to the downward trend of the Japanese economy."

"For our mid- to long- term growth, we will continue to focus on increasing monthly recurring revenues and take on new SI projects to strengthen the base for continuous business expansion. We will also focus on enhancing the new businesses that we have seeded in FY2007, although they will have negative impact of approximately JPY0.9 billion against our operating income in FY2008. Adding these new business lines to current business expansion, we would like to achieve revenues of over JPY100 billion and operating income of JPY10 billion around FY2010."

4th Quarter FY2007 Financial Results

Results of Operations

Operating Results Summary

(JPY in millions)

	4Q07	4Q06	YoY % change
Total Revenues	18,486	17,023	8.6%
Total Costs	14,221	13,658	4.1%
SG&A Expenses and R&D	2,458	2,221	10.6%
Operating Income	1,807	1,144	58.0%
Income before Income Tax Expense	1,647	1,301	26.6%
Net Income	1,089	1,151	(5.4%)

Revenues

Revenues in 4Q07 totaled JPY18,486 million, an increase of 8.6% from JPY17,023 million in 4Q06.

Revenues

(JPY in millions)

	4Q07	4Q06	YoY % change
Total Revenues:	18,486	17,023	8.6%
Connectivity and Value-added Services	8,447	6,233	35.5%
SI	9,805	10,181	(3.7%)
Equipment Sales	234	609	(61.6%)

Connectivity and Value-added Services ("VAS") revenues were JPY8,447 million in 4Q07, an increase of 35.5% compared to 4Q06.

Revenues from connectivity services for corporate users were JPY3,144 million, an increase of 8.7% compared to 4Q06. IP services, a dedicated access line service mainly used for corporate headquarters and data centers, increased by 7.5% compared to 4Q06 as the shift in corporate users to higher bandwidth continued. Broadband services have also increased significantly by 23.1% compared to 4Q06 as utilization of broadband in corporate internal networks continued.

Revenues from connectivity services for home users were JPY1,622 million in 4Q07, an increase of

229.7% compared to 4Q06. Additional revenues from hi-ho Inc. (“hi-ho”), which we acquired in June 2007, covered the decrease in IJ4U and OEM.

VAS revenues were JPY2,583 million in 4Q07, an increase of 35.4% compared to 4Q06. Email related services driven by such needs for anti-spam protection and data center for outsourcing have contributed to the increase in revenues. The numbers of contracted email accounts for email security services at the end of 4Q07 exceeded 700,000 accounts compared to the approximately 200,000 accounts of 4Q06.

Other revenues were JPY1,099 million in 4Q07, an increase of 16.8% compared to 4Q06.

SI revenues decreased by 3.7% to JPY9,805 million in 4Q07 compared to 4Q06 as systems construction decreased by 16.0% compared to 4Q06 because many of our engineering resources had been engaged in the large SI project during the 3rd quarter. However, systems operation and maintenance increased by 17.1% compared to 4Q06 since systems construction projects are followed by systems operation and maintenance which accumulates as recurring revenues.

Equipment sales revenues were JPY234 million in 4Q07, a decrease of 61.6% compared to 4Q06.

Cost and expense

Cost of revenues was JPY14,221 million in 4Q07, an increase of 4.1% compared to 4Q06.

Cost of Revenues

(JPY in millions)

	4Q07	4Q06	YoY % change
Cost of Revenues:	14,221	13,658	4.1%
Connectivity and Value-added Services	7,034	5,149	36.6%
SI	6,985	8,016	(12.9%)
Equipment Sales	202	494	(59.2%)

Cost of Connectivity and VAS revenues was JPY7,034 million in 4Q07, an increase of 36.6% compared to 4Q06 mainly due to the cost incurred by newly acquired hi-ho which amounted to JPY1,250 million and the increase in network related costs, data centers related costs, personnel related costs and the initial costs for new business development.

The gross margin for Internet connectivity and value-added services in 4Q07 was JPY1,413 million, an increase of 30.2% compared to 4Q06. The gross margin ratio in 4Q07 was 16.7%, compared to 17.4% in 4Q06. This decrease in gross margin ratio was mainly due to the relatively low gross margin of hi-ho and the initial costs for new business development.

Cost of SI revenues was JPY6,985 million in 4Q07, a decrease of 12.9% compared to 4Q06. The decrease was mainly due to the decrease in the purchase of equipment which fluctuates along with the decrease in revenues from systems construction projects.

The gross margin for SI in 4Q07 was JPY2,820 million and the gross margin ratio was 28.8% compared to 21.3 % in 4Q06. This increase in gross margin ratio was led by the increase in systems operation and maintenance revenues which has a relatively higher gross margin compared to systems construction.

Cost of Equipment Sales revenues was JPY202 million in 4Q07, a decrease of 59.2 % compared to 4Q06.

The gross margin ratio for equipment sales in 4Q07 was 14.0 %, compared to 18.9 % in 4Q06.

Sales and marketing expenses were JPY1,177 million in 4Q07, an increase of 31.4 % compared to 4Q06. The increase was mainly due to an increase in advertising expenses, as well as the additional expenses related to hi-ho of JPY136 million.

General and administrative expenses were JPY1,220 million in 4Q07, a decrease of 4.0% in spite of an increase in personnel expenses, outsourcing expenses and initial expenses for new business development. There was a one-time charge for the allowance of retirement benefits for directors of JPY200 million in 4Q06.

Research and development expenses were JPY61 million in 4Q07, an increase of 10.2 % compared to 4Q06.

Operating income

Operating income was JPY1,807 million in 4Q07, an increase of 58.0% compared to 4Q06. The increase was mainly due to an increase in gross margin of JPY654 million for SI and JPY328 million for connectivity and VAS which was partially offset by an increase in sales and marketing expenses and the cost of JPY133 million related to new business development.

Other income (expenses) and others

Other income (expenses) in 4Q07 were a net other expense of JPY160 million mainly due to interest payments of JPY109 million and an impairment loss on equity securities of JPY104 million. In 4Q06 other income (expenses) was a net other income of JPY157 million. This was mainly due to impairment loss on equity securities and net gains from the sale of available-for-sale securities. Impairment loss on equity securities in 4Q07 was JPY104 million compared to JPY1,362 million in 4Q06. Net gains from the sale of available-for-sale securities for 4Q07 was zero compared to JPY1,549 million in 4Q06.

Income tax expense in 4Q07 was JPY552 million, including deferred income tax expenses of JPY137 million. Income tax expense in 4Q06 was JPY63 million.

Minority interests in losses of subsidiaries in 4Q07 were JPY45 million, compared to minority interests in earnings of subsidiaries of JPY38 million in 4Q06. Minority interests in earnings of subsidiaries were mainly related to GDX Japan Inc. and Trust Networks Inc.

Equity in net loss of equity method investees in 4Q07 was JPY52 million, mainly represented by equity in the net loss of Internet Revolution Inc.

Net income was JPY1,089 million in 4Q07, a decrease of 5.4% compared to 4Q06.

Financial Condition

Balance Sheets

As of March 31, 2008, total assets increased by JPY8,010 million from the prior year end to JPY55,703 million.

For current assets, as compared to each of the respective balances as of March 31, 2007, accounts receivable increased by JPY2,579 million along with business growth; prepaid expenses increased by JPY952 million mainly for maintenance expenses related to SI projects; and other current assets increased by JPY627 million mainly due to an increase in current deferred income tax assets (net) resulting from a revaluation of the valuation allowance in 2Q07. Property and equipment increased by JPY1,908 million from the balance as of March 31, 2007, mainly due to our acquisition of hi-ho and an increase in property to our internal services systems. Intangible assets increased by JPY3,030 million from the balance as of March 31, 2007, mainly due to the recording of non-amortized intangible assets upon our acquisition of interest in the two consolidated subsidiaries and hi-ho. Other asset increased by JPY917 million mainly due to an increase in non-current deferred tax assets (net) resulting from the reversal of the valuation allowance. Of the intangible assets of JPY5,907 million as of March 31, 2008, for IJ Technology Inc. was JPY4,341 million (non-amortized) and for hi-ho was JPY606 million (of which amortized intangibles asset were JPY236 million). The fair value of available-for-sale securities as of March 31, 2008 decreased by JPY453 million to JPY857 million compared to March 31, 2007. For current liabilities, short-term borrowings as of March 31, 2008 increased by JPY3,100 million from the balance as of March 31, 2007, due to financing of funds for IJ's acquisition of shares from minority shareholders and new proceeds for our consolidated subsidiary's working capital, an increase of capital lease obligations (current portion) by JPY503 million from the balance as of March 31, 2007 and a decrease of accounts payable by JPY570 million from the balance as of March 31, 2007. As for accounts payable, there was an account payable of JPY1,065 million at the end of March 31, 2007, relating to a single systems integration project that finished in FY2006, however, balances of accounts payable at the end of March 31, 2008 returned to normal level.

Total shareholders' equity as of March 31, 2008 was JPY24,981 million, an increase of JPY4,869 million from the balance as of March 31, 2007. Shareholder's equity ratio (shareholder's equity/total assets) as of March 31, 2008 was 44.8%, up by 2.6% compared to the one as of March 31, 2007.

Cash Flows

Cash as of March 31, 2008 was JPY11,471 million.

Net cash provided by operating activities in 4Q07 was JPY4,083 million, compared to net cash provided by operating activities of JPY2,826 million in 4Q06. Operating income increased in 4Q07 compared to 4Q06 because gross margin from connectivity and VAS and SI increased compared to 4Q06. Changes in net cash provided by operating activities in 4Q07 were also due to changes in operating assets and liabilities during 4Q07, mainly resulting from increase in accounts receivable and increase in accounts payable.

Net cash used in investing activities in 4Q07 was JPY380 million, compared to net cash used in investing activities of JPY1,917 million in 4Q06, mainly due to payment of JPY241 million for the purchase of property.

Net cash used in financing activities in 4Q07 was JPY1,437 million, compared to net cash used in financing activities of JPY1,314 million in 4Q06. We recorded principal payments under capital leases of JPY943 million, repayments of short-term borrowing with initial maturities over three months and long-term borrowing of JPY400 million and a net decrease in short-term borrowings with initial maturities less than three months of JPY1,725 million. We recorded proceeds of JPY1,625 million from short-term borrowing with initial maturities over three months.

4th Quarter FY2007 Business Review

Analysis by Service

Connectivity and Value-added Services

For connectivity services for corporate use, the shift to higher speeds among our customers and the significant increase in the number of contracts for our broadband services continued. Total contracted bandwidth increased by 68.9Gbps to 392.4Gbps compared to 4Q06.

For connectivity services for home use, there were additional revenues of JPY1,228 million from hi-ho, which we acquired in June 2007. On the other hand, IIJ brand and OEM continued to decrease.

Number of Contracts for Connectivity Services⁴

	4Q07	4Q06	YoY Change
Connectivity Services (Corporate Use)	27,955	19,293	8,662
IP Service (-99Mbps)	855	751	104
IP Service (100Mbps-999Mbps)	201	161	40
IP Service (1Gbps-)	70	63	7
IIJ Data Center Connectivity Service	288	282	6
IIJ FiberAccess/F and IIJ DSL/F	23,539	16,418	7,121
Others	3,002	1,618	1,384
Connectivity Services (Home Use)	473,266	532,390	(59,124)
Under IIJ Brand	51,051	55,907	(4,856)
hi-ho	189,700		189,700
OEM⁵	232,515	476,483	(243,968)
Total Contracted Bandwidth	392.4Gbps	323.5Gbps	68.9Gbps

⁴ As announced in our 1Q07 earnings release, the classifications in the table were changed from the table used in the past because of our acquisition of hi-ho, a company engaged mainly in the Internet business for home use. "Dedicated Access Services" and "Dial-up Access Services" were reclassified to "Connectivity Services for Corporate Use" and "Connectivity Services for Home Use", respectively.

⁵ OEM services provided to other service providers.

Connectivity and VAS Revenue Breakdown and Cost⁴

(JPY in millions)

	4Q07	4Q06	YoY % Change
Connectivity Service Revenues (Corporate Use)	3,144	2,893	8.7%
IP Service ⁶	2,340	2,176	7.5%
IIJ FiberAccess/F and IIJ DSL/F	704	572	23.1%
Others	100	145	(31.4)%
Connectivity Service Revenues (Home Use)	1,622	492	229.7%
Under IIJ Brand	268	290	(7.5)%
hi-ho	1,228		
OEM	125	202	(37.9)%
VAS Revenues	2,583	1,907	35.4%
Other Revenues	1,099	941	16.8%
Total Connectivity and VAS Revenues	8,447	6,233	35.5%
Cost of Connectivity and VAS	7,034	5,149	36.6%
Backbone Cost (included in the cost of Connectivity and VAS)⁷	896	880	1.8%
Connectivity and VAS Gross Margin Ratio	16.7%	17.4%	

SI

One-time revenues from systems construction in 4Q07 decreased by 16.0% compared to 4Q06 because many of our engineering resources had been engaged in the large SI project during the 3rd quarter.

Recurring revenues from systems operation and maintenance in 4Q07 increased by 17.1% compared to 4Q06. Part of the operation and maintenance for the remarkable large-scale network and application development project that was completed in 3Q07 began in 4Q07.

SI Revenue Breakdown and Cost

(JPY in millions)

	4Q07	4Q06	YoY % Change
SI Revenues	9,805	10,181	(3.7%)
Systems Construction	5,384	6,406	(16.0)%
Systems Operation and Maintenance	4,420	3,775	17.1%
Cost of SI	6,985	8,016	(12.9)%
SI Gross Margin Ratio	28.8%	21.3%	

The order backlog for SI and equipment sales as of March 31, 2008 was JPY15,909 million, an increase of 68.0% from the amount as of March 31, 2007. The order backlog for systems construction including equipment sales increased by 35.3% to JPY4,762 million and systems operation and maintenance increased by 87.3% to JPY11,147 million compared to 4Q06 respectively.

SI and Equipment Sales Order Backlog

(JPY in millions)

	4Q07	4Q06	YoY % Change
SI and Equipment Sales Order Backlog	15,909	9,471	68.0%

Equipment Sales

Revenues from equipment sales decreased by 61.6% compared to 4Q06.

Equipment Sales Revenue and Cost

(JPY in millions)

	4Q07	4Q06	YoY % Change
Equipment Sales Revenues	234	609	(61.6)%
Cost of Equipment Sales	202	494	(59.2)%
Equipment Sales Gross Margin Ratio	14.0%	18.9%	

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

⁷ From the point of comparable disclosure, the backbone cost related to hi-ho is excluded.

Other Financial Statistics

Other Financial Statistics

(JPY in millions)

	4Q07	4Q06	YoY % Change
Adjusted EBITDA ⁸	3,101	2,137	45.1%
CAPEX, including capital leases ⁹	1,546	1,224	26.3%
Depreciation and amortization	1,293	993	30.2%

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)

	4Q07	4Q06
Adjusted EBITDA	3,101	2,137
Depreciation and Amortization	(1,293)	(993)
Operating Income	1,807	1,144
Other Income (Expense)	(160)	157
Income Tax Expense	552	63
Minority Interests in Losses (Earnings) of Subsidiaries	45	(38)
Equity in Net Loss of Equity Method Investees	(52)	(49)
Net Income	1,089	1,151

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)

	4Q07	4Q06
CAPEX, including capital leases	1,546	1,224
Acquisition of Assets by Entering into Capital Leases	1,305	923
Purchase of Property and Equipment	241	302

Target

Our targets for the financial results for the full FY2008 are as follows:

(JPY in millions)

	Revenues	Operating Income	Income before Income Tax Expense (Benefit)	Net Income
Full FY2008	78,500	5,200	4,700	5,200

IJ targets revenue of JPY78,500 million (up 17.5% YoY), operating income of JPY5,200 million (up 9.3% YoY), income before income tax expense (benefit) of JPY4,700 million (up 7.8% YoY) and net income of JPY5,200 million (up 0.5% YoY) for the financial results for the full FY2008.

For our revenue target, we believe that recurring revenues from connectivity and VAS and systems operation will continue to increase based on the FY2007 revenue base. As for the target for one-time revenue from systems construction such as system consultation, construction, deployment and equipment sales, we have taken into account the FY2007 results for SI, the amount of revenue growth and the expected number of additional personnel to be hired. For operating income target, we have taken into account the following costs and expenses: costs of connectivity and VAS from network equipment and operation, costs such as purchase of equipment for systems construction and equipment

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

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

sales, and outsourcing costs that fluctuate by the level of revenues, personnel related costs, advertising costs and other SG&A expenses. In addition, operating loss of approximately JPY0.9 billion for initial loss related to the development of our newly consolidated subsidiaries established in FY2007 is taken into account. For the target for Income before income tax expense (benefit), we have taken into account interest payments and have not taken into account capital gains from available for sale securities. For net income, we have taken into account a deferred tax benefit of approximately JPY0.5 billion. The deferred tax benefit is scheduled to be accounted for in 4Q08 (deferred tax expense is expected to be accounted for in the three other quarters of FY2008), whereas in FY2007 the deferred tax benefit was accounted for in 2Q07. It is expected that the quarter results of net income for FY2008 will be affected by the difference in the timing of accounting the deferred tax benefit.

IJJ targets a cash dividend of JPY2,000 per share of common stock for FY2008. 400 American Depository Shares represent 1 share of common stock.

Presentation

Presentation Materials will be posted on our web site (<http://www.ijj.ad.jp/en/IR/>) on May 15, 2008.

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 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.

Tables to follow

Internet Initiative Japan Inc.
Quarterly Consolidated Balance Sheets (Unaudited)

(As of March 31, 2008 and March 31, 2007)

	As of March 31, 2008			As of March 31, 2007	
	Thousands of U.S. Dollars	Thousands of JPY	%	Thousands of JPY	%
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	114,882	11,470,980		13,554,544	
Short-term investment	122	12,181		12,093	
Accounts receivable, net of allowance for doubtful accounts of JPY 24,677 thousand and JPY 32,489 thousand at March 31, 2008 and March 31, 2007, respectively	122,736	12,255,163		9,675,725	
Inventories	11,859	1,184,160		1,111,086	
Prepaid expenses	20,083	2,005,274		1,053,270	
Other current assets, net of allowance for doubtful accounts of JPY 7,470 thousand and JPY 4,570 thousand at March 31, 2008 and March 31, 2007, respectively	15,602	1,557,869		930,571	
Total current assets	285,284	28,485,627	51.1	26,337,289	55.2
INVESTMENTS IN AND ADVANCES TO EQUITY METHOD INVESTEES, net of loan loss valuation allowance of JPY 16,701 thousand at March 31, 2008 and March 31, 2007, respectively	9,927	991,237	1.8	858,490	1.8
OTHER INVESTMENTS	23,673	2,363,770	4.2	2,841,741	6.0
PROPERTY AND EQUIPMENT—Net	117,579	11,740,210	21.1	9,832,396	20.6
INTANGIBLE ASSETS—Net	59,163	5,907,375	10.6	2,876,894	6.0
GUARANTEE DEPOSITS	20,402	2,037,165	3.7	1,686,141	3.5
OTHER ASSETS, net of allowance for doubtful accounts of JPY 64,796 thousand and JPY 69,050 thousand at March 31, 2008 and March 31, 2007, respectively	41,834	4,177,162	7.5	3,260,053	6.9
TOTAL	557,862	55,702,546	100.0	47,693,004	100.0
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES:					
Short-term borrowings	91,637	9,150,000		6,050,000	
Long-term borrowings—current portion	-	-		290,000	
Capital lease obligations—current portion	34,611	3,455,948		2,953,173	
Accounts payable	79,071	7,895,238		8,464,835	
Accrued expenses	9,956	994,138		897,355	
Accrued retirement and pension costs	115	11,436		8,428	
Other current liabilities	24,209	2,417,262		2,469,058	
Total current liabilities	239,600	23,924,022	42.9	21,132,849	44.3
CAPITAL LEASE OBLIGATIONS—Noncurrent	47,455	4,738,359	8.5	4,318,309	9.1
ACCRUED RETIREMENT AND PENSION COSTS	11,036	1,101,951	2.0	750,042	1.5
OTHER NONCURRENT LIABILITIES	6,644	663,399	1.2	564,618	1.2
Total Liabilities	304,734	30,427,731	54.6	26,765,818	56.1
MINORITY INTEREST	2,946	294,102	0.6	815,182	1.7
COMMITMENTS AND CONTINGENCIES	-	-	-	-	-
SHAREHOLDERS' EQUITY:					
Common-stock					
—authorized, 377,600 shares; issued and outstanding, 206,478 shares at March 31, 2008	168,591	16,833,847	30.2	16,833,847	35.3
—authorized, 377,600 shares; issued and outstanding, 204,300 shares at March 31, 2007					
Additional paid-in capital	276,532	27,611,737	49.6	26,599,217	55.8
Accumulated deficit	(195,849)	(19,555,489)	(35.1)	(24,270,769)	(50.9)
Accumulated other comprehensive income	908	90,618	0.1	949,709	2.0
Total shareholders' equity	250,182	24,980,713	44.8	20,112,004	42.2
TOTAL	557,862	55,702,546	100.0	47,693,004	100.0

(Note)

The U.S. dollar amounts represent translation of yen amounts at the rate of JPY 99.85, 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 March 31, 2008.

Internet Initiative Japan Inc.
Quarterly Consolidated Statements of Income (Unaudited)

(For the three months ended March 31, 2008 and March 31, 2007)

	Three Months Ended March 31, 2008			Three Months Ended March 31, 2007	
	Thousands of U.S. Dollars	Thousands of JPY	% of total revenues	Thousands of JPY	% of total revenues
REVENUES:					
Connectivity and value-added services:					
Connectivity (corporate use)	31,485	3,143,769		2,893,306	
Connectivity (home use)	16,244	1,621,966		491,912	
Value-added services	25,866	2,582,651		1,907,196	
Other	11,003	1,098,671		940,932	
Total	84,598	8,447,057		6,233,346	
Systems integration	98,193	9,804,596		10,180,819	
Equipment sales	2,346	234,240		609,277	
Total revenues	185,137	18,485,893	100.0	17,023,442	100.0
COST AND EXPENSES:					
Cost of connectivity and value-added services	70,451	7,034,489		5,148,513	
Cost of systems integration	69,955	6,985,004		8,015,544	
Cost of equipment sales	2,018	201,526		494,168	
Total cost	142,424	14,221,019	76.9	13,658,225	80.2
Sales and marketing	11,789	1,177,093	6.4	895,910	5.3
General and administrative	12,215	1,219,673	6.6	1,269,946	7.5
Research and development	610	60,935	0.3	55,296	0.3
Total cost and expenses	167,038	16,678,720	90.2	15,879,377	93.3
OPERATING INCOME	18,099	1,807,173	9.8	1,144,065	6.7
OTHER INCOME (EXPENSES):					
Interest income	228	22,786		11,855	
Interest expense	(1,093)	(109,116)		(93,078)	
Foreign exchange losses	(9)	(921)		(43)	
Net gains on sales of other investments	-	-		1,549,514	
Losses on write-down of other investments	(1,045)	(104,365)		(1,362,360)	
Other—net	313	31,306		51,228	
Other income (expenses)— net	(1,606)	(160,310)	(0.9)	157,116	0.9
INCOME FROM OPERATIONS BEFORE INCOME TAX EXPENSE, MINORITY INTERESTS AND EQUITY IN NET LOSS OF EQUITY METHOD INVESTEES	16,493	1,646,863	8.9	1,301,181	7.6
INCOME TAX EXPENSE	5,525	551,688	3.0	63,244	0.4
MINORITY INTERESTS IN (EARNINGS) LOSSES OF SUBSIDIARIES	452	45,100	0.3	(37,684)	(0.2)
EQUITY IN NET LOSS OF EQUITY METHOD INVESTEES	(518)	(51,677)	(0.3)	(49,389)	(0.3)
NET INCOME	10,902	1,088,598	5.9	1,150,864	6.7
BASIC WEIGHTED-AVERAGE NUMBER OF SHARES			206,478	204,000	
DILUTED WEIGHTED-AVERAGE NUMBER OF SHARES			206,565	204,419	
BASIC WEIGHTED-AVERAGE NUMBER OF ADS EQUIVALENTS			82,591,200	81,600,000	
DILUTED WEIGHTED-AVERAGE NUMBER OF ADS EQUIVALENTS			82,626,000	81,767,600	
	U.S. Dollars	JPY		JPY	
BASIC NET INCOME PER SHARE	52.8		5,272	5,641	
DILUTED NET INCOME PER SHARE	52.78		5,270	5,630	
BASIC NET INCOME PER ADS EQUIVALENT	0.13		13.18	14.10	
DILUTED NET INCOME PER ADS EQUIVALENT	0.13		13.18	14.07	

(Note)

The U.S. dollar amounts represent translation of yen amounts at the rate of JPY 99.85, 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 March 31, 2008.

Internet Initiative Japan Inc.
Quarterly Condensed Consolidated Statements of Cash Flows (Unaudited)

(For the three months ended March 31, 2008 and March 31, 2007)

	Three Months Ended March 31, 2008		Three Months Ended March 31, 2007
	Thousands of U.S. Dollars	Thousands of JPY	Thousands of JPY
OPERATING ACTIVITIES:			
Net income	10,902	1,088,598	1,150,864
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	12,954	1,293,410	993,433
Provision for doubtful accounts and advances	67	6,653	12,207
Net gains on sales of other investments	—	—	(1,549,514)
Losses on write-down of other investments	1,045	104,365	1,362,360
Foreign exchange losses	65	6,460	291
Equity in net loss of equity method investees	518	51,677	49,389
Minority interests in earnings (losses) of subsidiaries	(452)	(45,100)	37,684
Deferred income tax expense (benefit)	1,373	137,116	(271,410)
Others	1,193	119,090	236,316
Changes in operating assets and liabilities:			
Increase in accounts receivable	(4,636)	(462,870)	(1,488,766)
Decrease (Increase) in inventories, prepaid expenses and other current and noncurrent assets	3,563	355,753	(624,654)
Increase in accounts payable	9,582	956,746	2,254,522
Increase in accrued expenses, other current and noncurrent liabilities	4,720	471,341	662,913
Net cash provided by operating activities	40,894	4,083,239	2,825,635
INVESTING ACTIVITIES:			
Purchase of property and equipment	(2,416)	(241,255)	(301,539)
Purchase of available-for-sale securities	(927)	(92,512)	(232,438)
Purchase of short-term and other investments	(1)	(148)	(286,358)
Proceeds from sales of available-for-sale securities	—	—	1,798,674
Proceeds from sales and redemption of short-term and other investments	492	49,143	88,665
Investment in an equity method investee	(236)	(23,520)	—
Proceeds from sales of investment in an equity method investee	0	—	185,900
Purchase of subsidiary stock from minority shareholders	0	—	(3,050,205)
Payment of guarantee deposits—net	(628)	(62,740)	(101,015)
Other	(94)	(9,392)	(18,277)
Net cash used in investing activities	(3,810)	(380,424)	(1,916,593)
FINANCING ACTIVITIES:			
Proceeds from issuance of short-term borrowings with initial maturities over three months	16,274	1,625,000	1,700,000
Repayments of short-term borrowings with initial maturities over three months and long-term borrowings	(4,006)	(400,000)	(2,010,363)
Repayments of securities loan agreement	—	—	(561,600)
Principal payments under capital leases	(9,441)	(942,700)	(686,262)
Increase (decrease) in short-term borrowings with initial maturities less than three months—net	(17,276)	(1,725,000)	50,000
Proceed from issuance of subsidiary stock	60	6,000	194,679
Net cash used in financing activities	(14,389)	(1,436,700)	(1,313,546)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENT	(96)	(9,582)	3,938
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT	22,599	2,256,533	(400,566)
CASH AND CASH EQUIVALENT, BEGINNING OF EACH PERIOD	92,283	9,214,447	13,955,110
CASH AND CASH EQUIVALENT, END OF EACH PERIOD	114,882	11,470,980	13,554,544

(Note)

The U.S. dollar amounts represent translation of yen amounts at the rate of JPY 99.85, 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 March 31, 2008.

Note: The following information is provided to disclose IJ's financial results (unaudited) for the fiscal year ended March 31, 2008 in the form defined by the Tokyo Stock Exchange.

Consolidated Financial Results for the Fiscal Year Ended March 31, 2008
[Under accounting principles generally accepted in the United States ("U.S. GAAP")]

May 15, 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

Annual general shareholder's meeting: scheduled on June 27, 2008

Payment of dividend: Scheduled to be started on June 28, 2008

Filing of an annual report (*Yuka-shoken-hokokusho*) to the regulatory organization in Japan:

Scheduled on June 28, 2008

(Amounts of less than JPY one million are rounded)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2008
(April 1, 2007 to March 31, 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	%
Fiscal Year Ended March 31, 2008	66,835	17.1	4,759	36.0	4,362	(13.6)	5,177	(4.3)
Fiscal Year Ended March 31, 2007	57,055	14.5	3,500	45.2	5,049	(6.1)	5,410	13.8

	Basic Net Income per Share	Diluted Net Income per Share	Net Income to Total Shareholders' Equity	Income before Income Tax Expense (Benefit) to Total Assets	Operating Margin Ratio
	JPY	JPY	%	%	%
Fiscal Year Ended March 31, 2008	25,100	25,072	23.0	8.4	7.1
Fiscal Year Ended March 31, 2007	26,519	26,487	26.8	10.3	6.1

(Reference) Equity in net loss of equity method investees was JPY 143 million and JPY 210 million for the fiscal year ended March 31, 2008 and the fiscal year ended March 31, 2007, respectively.

(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 IJ's consolidated financial statements.

(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
Fiscal Year Ended March 31, 2008	55,703	24,981	44.8	120,985
Fiscal Year Ended March 31, 2007	47,693	20,112	42.2	98,592

(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.

(3) Consolidated Cash Flows

	Net cash provided by operating activities	Net cash used in investing activities	Net cash provided by (used in) financing activities	Cash and Cash Equivalents, end of period
	JPY millions	JPY millions	JPY millions	JPY millions
Fiscal Year Ended March 31, 2008	4,538	(5,444)	(1,152)	11,471
Fiscal Year Ended March 31, 2007	7,402	(3,014)	(4,560)	13,555

2. Dividends

	Dividend per Share			Total cash dividends for the year	Payout Ratio (consolidated)	Ratio of Dividends to Shareholder's Equity (consolidated)
	Interim	Year-end	Total			
	Yen	Yen	Yen	Millions of Yen	%	%
Fiscal Year Ended March 31, 2007	-	1,500.00	1,500.00	306	5.7	1.5
Fiscal Year Ended March 31, 2008	750.00	1,000.00	1,750.00	361	7.0	1.6
Fiscal Year Ended March 31, 2009 (Target)	1,000.00	1,000.00	2,000.00		7.9	

(Note) Please see our press release of "The change in the amount of year-end dividend plan for the fiscal year ending March 31, 2008", published on May 15, 2008.

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
Fiscal year ending March 31, 2009	78,500	17.5	5,200	9.3	4,700	7.8	5,200	0.5	25,184

(Note) The number of shares of common stock used to calculate basic net income per share above is 206,478 shares.

Statements made in this press release regarding IJ's or its management's intentions, beliefs, expectations, or predictions for the future are forward-looking statements that are based on IJ's and its management's current expectations, assumptions, estimates and projections about IJ's business and the industry. These forward-looking statements, such as statements regarding revenues and operating and net profitability above, are subject to various risks, uncertainties and other factors that could cause IJ's actual results to differ materially from those contained in any forward-looking statement.

4. Others

(1) Change of Condition in Consolidated Subsidiaries during the Fiscal Year Ended March 31, 2008

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

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

1) Changes caused by revision of accounting standards: Yes

2) Others: None

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

1) The number of shares outstanding:

For the Fiscal Year Ended March 31, 2008 206,478 shares

For the Fiscal Year Ended March 31, 2007 204,300 shares

2) The number of treasury stock:

For the Fiscal Year Ended March 31, 2008 0 shares

For the Fiscal Year Ended March 31, 2007 0 shares

3) The weighted average number of shares outstanding:

For the Fiscal Year Ended March 31, 2008 206,240 shares

For the Fiscal Year Ended March 31, 2007 203,992 shares

Consolidated Financial Statements (Unaudited)
(From April 1, 2007 through March 31, 2008)

(1) Consolidated Balance Sheets

	As of March 31, 2008			As of March 31, 2007		Change
	Thousands of U.S. Dollars	Thousands of JPY	%	Thousands of JPY	%	Thousands of JPY
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	114,882	11,470,980		13,554,544		(2,083,564)
Short term investment	122	12,181		12,093		88
Accounts receivable, net of allowance for doubtful accounts of JPY 24,677 thousand and JPY 32,489 thousand at March 31, 2008 and March 31, 2007, respectively	122,736	12,255,163		9,675,725		2,579,438
Inventories	11,859	1,184,160		1,111,086		73,074
Prepaid expenses	20,083	2,005,274		1,053,270		952,004
Other current assets, net of allowance for doubtful accounts of JPY 7,470 thousand and JPY 4,570 thousand at March 31, 2008 and March 31, 2007, respectively	15,602	1,557,869		930,571		627,298
Total current assets	285,284	28,485,627	51.1	26,337,289	55.2	2,148,338
INVESTMENTS IN AND ADVANCES TO EQUITY METHOD INVESTEES, net of loan loss valuation allowance of JPY 16,701 thousand at March 31, 2008 and March 31, 2007.	9,927	991,237	1.8	858,490	1.8	132,747
OTHER INVESTMENTS	23,673	2,363,770	4.2	2,841,741	6.0	(477,971)
PROPERTY AND EQUIPMENT—Net	117,579	11,740,210	21.1	9,832,396	20.6	1,907,814
INTANGIBLE ASSETS—Net	59,163	5,907,375	10.6	2,876,894	6.0	3,030,481
GUARANTEE DEPOSITS	20,402	2,037,165	3.7	1,686,141	3.5	351,024
OTHER ASSETS, net of allowance for doubtful accounts of JPY 64,796 thousand and JPY 69,050 thousand at March 31, 2008 and March 31, 2007, respectively	41,834	4,177,162	7.5	3,260,053	6.9	917,109
TOTAL	557,862	55,702,546	100.0	47,693,004	100.0	8,009,542

	As of March 31, 2008			As of March 31, 2007		Change
	Thousands of U.S. Dollars	Thousands of JPY	%	Thousands of JPY	%	Thousands of JPY
LIABILITIES AND SHAREHOLDERS' EQUITY						
CURRENT LIABILITIES:						
Short-term borrowings	91,637	9,150,000		6,050,000		3,100,000
Long-term borrowings—current portion	—	—		290,000		(290,000)
Capital lease obligations—current portion	34,611	3,455,948		2,953,173		502,775
Accounts payable	79,071	7,895,238		8,464,835		(569,597)
Accrued expenses	9,956	994,138		897,355		96,783
Accrued retirement and pension costs	115	11,436		8,428		11,436
Other current liabilities	24,209	2,417,262		2,469,058		(51,796)
Total current liabilities	239,600	23,924,022	42.9	21,132,849	44.3	2,791,173
CAPITAL LEASE OBLIGATIONS—						
Noncurrent	47,455	4,738,359	8.5	4,318,309	9.1	420,050
ACCRUED RETIREMENT AND PENSION COSTS	11,036	1,101,951	2.0	750,042	1.5	351,909
OTHER NONCURRENT LIABILITIES	6,644	663,399	1.2	564,618	1.2	98,781
Total Liabilities	304,734	30,427,731	54.6	26,765,818	56.1	3,661,913
MINORITY INTEREST	2,946	294,102	0.6	815,182	1.7	(521,080)
COMMITMENTS AND CONTINGENCIES	—	—	—	—	—	—
SHAREHOLDERS' EQUITY:						
Common-stock						
—authorized, 377,600 shares; issued and outstanding, 206,478 shares at March 31, 2008	168,591	16,833,847	30.2	16,833,847	35.3	—
—authorized, 377,600 shares; issued and outstanding, 204,300 shares at March 31, 2007						
Additional paid-in capital	276,532	27,611,737	49.6	26,599,217	55.8	1,012,520
Accumulated deficit	(195,849)	(19,555,489)	(35.1)	(24,270,769)	(50.9)	4,715,280
Accumulated other comprehensive income	908	90,618	0.1	949,709	2.0	(859,091)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	250,182	24,980,713	44.8	20,112,004	42.2	4,868,709
TOTAL	557,862	55,702,546	100.0	47,693,004	100.0	8,009,542

The U.S. dollar amounts represent translation of yen amounts at the rate of JPY 99.85, 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 March 31, 2008.

(2) Consolidated Statements of Income

	Fiscal Year Ended March 31, 2008			Fiscal Year Ended March 31, 2007		Change Thousands of JPY
	Thousands of U.S. Dollars	Thousands of JPY	% of total revenues	Thousands of JPY	% of total revenues	
REVENUES:						
Connectivity and value- added services:						
Connectivity (corporate use)	121,668	12,148,490		11,239,062		909,428
Connectivity (home use)	54,381	5,429,955		1,968,948		3,461,007
Value-added services	95,606	9,546,254		7,415,533		2,130,721
Other	41,842	4,177,964		3,729,633		448,331
Total	313,497	31,302,663		24,353,176		6,949,487
Systems integration	340,692	34,018,093		30,527,081		3,491,012
Equipment sales	15,168	1,514,543		2,174,324		(659,781)
Total revenues	669,357	66,835,299	100.0	57,054,581	100.0	9,780,718
COST AND EXPENSES:						
Cost of connectivity and value-added services	260,788	26,039,660		20,545,358		5,494,302
Cost of systems integration	255,815	25,543,168		23,529,045		2,014,123
Cost of equipment sales	13,018	1,299,793		1,893,216		(593,423)
Total cost	529,621	52,882,621	79.1	45,967,619	80.6	6,915,002
Sales and marketing	43,351	4,328,598	6.5	3,438,725	6.0	889,873
General and administrative	46,312	4,624,293	6.9	3,970,692	7.0	653,601
Research and development	2,408	240,423	0.4	177,273	0.3	63,150
Total cost and expenses	621,692	62,075,935	92.9	53,554,309	93.9	8,521,626
OPERATING INCOME	47,665	4,759,364	7.1	3,500,272	6.1	1,259,092
OTHER INCOME (EXPENSES):						
Interest income	631	63,030		23,037		39,993
Interest expense	(4,388)	(438,163)		(397,439)		(40,724)
Foreign exchange gains (losses)	14	1,409		(297)		1,706
Net gains on sales of other investments	2,183	217,957		3,229,899		(3,011,942)
Losses on write-down of other investments	(2,891)	(288,643)		(1,363,389)		1,074,746
Other—net	468	46,715		56,605		(9,890)
Other income (expense) —net	(3,983)	(397,695)	(0.6)	1,548,416	2.7	(1,946,111)
INCOME FROM OPERATIONS BEFORE INCOME TAX EXPENSE (BENEFIT), MINORITY INTERESTS AND EQUITY IN NET LOSS OF EQUITY METHOD INVESTEES	43,682	4,361,669	6.5	5,048,688	8.8	(687,019)
INCOME TAX EXPENSE (BENEFIT)	(8,627)	(861,414)	(1.3)	(803,943)	(1.4)	(57,471)
MINORITY INTERESTS IN EARNINGS OF SUBSIDIARIES	969	96,706	0.1	(232,719)	(0.4)	329,425
EQUITY IN NET LOSS OF EQUITY METHOD INVESTEEES	(1,434)	(143,200)	(0.2)	(210,199)	(0.3)	66,999
NET INCOME	51,844	5,176,589	7.7	5,409,713	9.5	(233,124)

	Fiscal Year Ended March 31, 2008		Fiscal Year Ended March 31, 2007
	U.S. Dollars	JPY	JPY
BASIC WEIGHTED- AVERAGE NUMBER OF SHARES		206,240	203,992
DILUTED WEIGHTED- AVERAGE NUMBER OF SHARES		206,465	204,244
BASIC NET INCOME PER SHARE	25138	25,100	26,519
DILUTED NET INCOME PER SHARE	251.1	25,072	26,487

(Note)

The U.S. dollar amounts represent translation of yen amounts at the rate of JPY 99.85, 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 March 31, 2008.

(3) Consolidated Statements of Shareholders' Equity

Consolidated statements of shareholders' equity for the fiscal year ended March 31, 2008

(Unit: Thousands of JPY)

	Shares of Common Stock Outstanding (Shares)	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Treasury Stock	Total
BALANCE, APRIL 1, 2007	204,300	16,833,847	26,599,217	(24,270,769)	949,709	—	20,112,004
Net income				5,176,589			5,176,589
Other comprehensive loss, net of tax					(859,091)		(859,091)
Total comprehensive loss							4,317,498
Payment of dividends				(461,309)			(461,309)
Issuance of common stock related to share exchanges, net of issuance cost	2,178		1,012,520				1,012,520
BALANCE, MARCH 31, 2008	206,478	16,833,847	27,611,737	(19,555,489)	90,618	—	24,980,713

Consolidated statements of shareholders' equity for the fiscal year ended March 31, 2008

(Unit: Thousands of U.S. Dollars)

	Shares of Common Stock Outstanding (Shares)	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Treasury Stock	Total
BALANCE, APRIL 1, 2007	204,300	168,591	266,392	(243,072)	9,511	—	201,422
Net income		0	0	51,843	0	0	51,843
Other comprehensive loss, net of tax		0	0	0	(8,603)	0	(8,603)
Total comprehensive loss		0	0	0	0	0	43,240
Payment of dividends		0	0	(4,620)	0	0	(4,620)
Issuance of common stock related to share exchanges, net of issuance cost	2,178	0	10,140	0	0	0	10,140
BALANCE, MARCH 31, 2008	206,478	168,591	276,532	(195,849)	908	—	250,182

(Note)

The U.S. dollar amounts represent translation of yen amounts at the rate of JPY 99.85, 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 March 31, 2008.

Consolidated statements of shareholders' equity for the fiscal year ended March 31, 2007

(Unit: Thousands of JPY)

	Shares of Common Stock Outstanding (Including Treasury Stock) (Shares)	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Treasury Stock	Total
BALANCE, APRIL 1, 2006	204,300	16,833,847	26,599,217	(29,680,482)	6,553,594	(84,238)	20,221,938
Net income				5,409,713			5,409,713
Other comprehensive loss, net of tax					(5,492,154)		(5,492,154)
Total comprehensive income							(82,441)
Adjustment to initially apply SFAS158, net of tax					(111,731)		(111,731)
Dissolution of reciprocal interests due to sale of investment in an equity method investee						84,238	84,238
BALANCE, MARCH 31, 2007	204,300	16,833,847	26,599,217	(24,270,769)	949,709	—	20,112,004

(4) Condensed Consolidated Statements of Cash Flows

	Fiscal Year Ended March 31, 2008		Fiscal Year Ended March 31, 2007	Change
	Thousands of U.S. Dollars	Thousands of JPY	Thousands of JPY	Thousands of JPY
OPERATING ACTIVITIES:				
Net income	51,844	5,176,589	5,409,713	(233,124)
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	47,820	4,774,804	4,228,048	546,756
Provision for (reversal of) doubtful accounts and advances	(4)	(416)	12,232	(12,648)
Net gains on sales of other investments	(2,183)	(217,957)	(3,229,899)	3,011,942
Losses on write-down of other investments	2,891	288,643	1,363,389	(1,074,746)
Foreign exchange losses (gains)	104	10,415	2,226	8,189
Equity in net loss of equity method investees	1,434	143,200	210,199	(66,999)
Minority interests in earnings (losses) of subsidiaries	(969)	(96,706)	232,719	(329,425)
Deferred income tax benefit	(16,558)	(1,653,275)	(1,494,685)	(158,590)
Others	2,635	263,143	534,035	(270,892)
Changes in operating assets and liabilities:				
Decrease (increase) in accounts receivable	(25,882)	(2,584,327)	2,376,126	(4,960,453)
Increase in inventories, prepaid expenses and other current and noncurrent assets	(9,969)	(995,434)	(1,235,003)	239,569
Decrease (increase) in accounts payable	(6,695)	(668,481)	(1,872,969)	1,204,488
Increase in accrued expenses, other current and noncurrent liabilities	977	97,548	865,376	(767,828)
Net cash provided by operating activities	45,446	4,537,746	7,401,507	(2,863,761)
INVESTING ACTIVITIES:				
Purchase of property and equipment	(18,590)	(1,856,249)	(1,287,906)	(568,343)
Purchase of available-for-sale securities	(6,107)	(609,787)	(802,662)	192,875
Purchase of short-term and other investments	(2,325)	(232,122)	(1,794,358)	1,562,236
Investment in an equity method investee	(2,743)	(273,909)	—	(273,909)
Proceeds from sales of investment in an equity method investee	—	—	185,900	(185,900)
Purchase of subsidiary stock from minority shareholders	(19,781)	(1,975,123)	(3,077,764)	1,102,641
Proceeds from sales of available-for-sale securities	698	69,722	3,883,915	(3,266,995)
Proceeds from sales and redemption of short-term and other investments	6,178	616,920	110,446	(40,724)
Acquisition of a newly controlled company, net of cash acquired	(7,898)	(788,608)	—	(788,608)
Acquisition of businesses	—	—	(74,751)	74,751
Refund (payment) of guarantee deposits —net	(3,426)	(342,064)	(118,411)	(223,653)
Other	(526)	(52,546)	(38,020)	(14,526)
Net cash used in investing activities	(54,519)	(5,443,766)	(3,013,611)	(2,430,155)

	Fiscal Year Ended March 31, 2008		Fiscal Year Ended March 31, 2007	Change
	Thousands of U.S. Dollars	Thousands of JPY	Thousands of JPY	Thousands of JPY
FINANCING ACTIVITIES:				
Proceeds from issuance of short-term borrowings with initial maturities over three months and long-term borrowings	175,513	17,525,000	10,500,000	7,025,000
Repayments of short-term borrowings with initial maturities over three months and long-term borrowings	(159,639)	(15,940,000)	(7,639,963)	(8,300,037)
Proceeds from securities loan agreement	—	—	1,057,680	(1,057,680)
Repayments of securities loan agreement	—	—	(2,057,280)	2,057,280
Principal payments under capital leases	(35,121)	(3,506,842)	(3,259,875)	(246,967)
Increase (decrease) in short-term borrowings with initial maturities less than three months—net	12,268	1,225,000	(3,355,000)	4,580,000
Proceeds from issuance of subsidiary stock to minority shareholders	60	6,000	194,679	(188,679)
Dividends paid	(4,620)	(461,309)	0	(461,309)
Net cash used in financing activities	(11,539)	(1,152,151)	(4,559,759)	3,407,608
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH	(254)	(25,393)	(614)	(24,779)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(20,867)	(2,083,564)	(172,477)	(1,911,087)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	135,749	13,554,544	13,727,021	(172,477)
CASH AND CASH EQUIVALENTS, END OF YEAR	114,882	11,470,980	13,554,544	(2,083,564)
ADDITIONAL CASH FLOW INFORMATION:				
Interest paid	4,395	438,850	383,461	55,389
Income taxes paid	10,850	1,083,341	347,826	735,515
NONCASH INVESTING AND FINANCING ACTIVITIES:				
Acquisition of assets by entering into capital leases	42,281	4,221,807	2,664,706	1,557,101
Purchase of minority interests of consolidated subsidiaries through share exchanges	10,140	1,012,520	0	1,012,520
Acquisition of business and a company:				
Assets acquired	23,228	2,319,277	236,307	2,082,970
Cash paid	(17,180)	(1,715,450)	(74,751)	(1,640,699)
Liabilities assumed	3,685	367,989	161,556	206,433

(Note)

The U.S. dollar amounts represent translation of yen amounts at the rate of JPY 99.85, 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 March 31, 2008.