



Internet Initiative Japan

For Immediate Release

Internet Initiative Japan Inc.

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**IIJ Announces Full Year and Fourth Quarter Financial Results
for Fiscal Year Ended March 31, 2009**

Tokyo, May 15, 2009 - Internet Initiative Japan Inc. ("IIJ", NASDAQ:IIJI, TSE:3774) today announced its full year and 4th quarter consolidated financial results for fiscal year ended March 31, 2009 ("FY2008").¹

Highlights of Full FY2008 Financial Results

- Revenue was JPY69,731 million (\$703 million), up 4.3% YoY lead by the steady increase in recurring revenues which were up 14.3% YoY. One-time revenues from systems construction were down 18.7% YoY heavily affected by the decrease in IT related investments in Japan.
- Operating income was JPY2,917 million (\$29 million), down 38.7% YoY affected by the decrease in gross margin from systems integration and operating loss of JPY1.3 billion related to 4 new subsidiaries.
- Net income was JPY1,419 million (\$14 million), down 72.6% largely affected by deferred tax expense of JPY637 million whereas we had deferred tax benefit of JPY1,653 million in FY2007.

Highlights of Fourth Quarter FY2008 Results

- Revenue was JPY18,942 million (\$191 million), up 2.5% from 4Q07, up 8.0% from 3Q08.
- Operating income was JPY1,073 million (\$11 million), down 40.6% from 4Q07. Operating loss related to 4 new subsidiaries was JPY449 million, the largest in the previous 4 quarters.
- Net income was JPY1,065 million (\$11 million), down 2.2% from 4Q07. We recorded deferred tax benefit of JPY335 million in 4Q08 compared to deferred tax expense of JPY137 million in 4Q07.

Financial Targets for FY2009

- IIJ targets revenues of JPY73.0 billion, operating income of JPY3.3 billion, income before income tax expense (benefit)² of JPY2.7 billion and net income of JPY1.7 billion for FY2009.
- IIJ targets cash dividend of JPY2,000 per share of common stock for FY2009.

Overview of Full FY2008 Financial Results and Business Outlook

"Affected by the weakening Japanese economy, we had a very tough year and our one time revenue from systems construction were heavily affected by the lack of IT related investments," said Koichi Suzuki, President and CEO of IIJ. "However, amid the tough economic situation, our recurring revenues which accounted for 77.5% of our total revenues for FY2008 continued its steady growth," continued Suzuki.

"Our strategy is to continuously focus on introducing new services and new features that add value and strengthens our connectivity and outsourcing service line ups, especially for corporate customers whom are keen for security, reliability and quality. This strategy allows us to achieve steady growth in our recurring services and as a result strengthens the basis of our business even in this tough economic situation. In FY2008, we introduced many features for IIJ Mobile Service, such as Mobile SMF, IIJ Mobile Secure Link, IIJ Direct Access and static IP address. For outsourcing services, IIJ Secure Web Gateway Service, Contents Delivery Service for gigabit-class distribution and new features for Secure MX Service such as DKIM Sender Authentication, GDX Mail Option and others were released."

¹ Unless otherwise stated, all financial figures discussed in this announcement are prepared in accordance with U.S. GAAP. All financial figures are unaudited and consolidated. The translation of Japanese yen into U.S. dollars is solely for the convenience of readers outside of Japan. The rate used for the translation was JPY99.15 per US\$1.00, which was the noon buying rate on March 31, 2009.

² 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.

"Internet connectivity, especially contracts of over 1Gbps are increasing as content business operators and ISPs are adding bandwidth to their networks. Mobile data communication services for both corporate and home use are performing well reaching its break even point and nearly 23,000 contracts. Outsourcing services are continuously increasing supported by steady demand for security and email related services and data center. Systems operation and maintenance are also increasing as they accumulate followed by the completion of systems construction projects. However, systems construction revenues were down 18.7% YoY. Although there were steady orders from governmental sectors and also for network related small projects such as server replacements, demands for large system construction and application projects were heavily hit."

"As for cost, in the beginning of FY2008, we had anticipated the same level of growth as FY2007 and had increased our costs such as personnel and outsourcing related. Along with the sudden downturn of the economy, however, we shifted towards tightened cost control, especially from the latter half of the year to respond to the challenging economic conditions. Headcounts for outsourcing personnel have declined and other costs and expenses were reduced. As a result, our gross margin improved quarter by quarter this fiscal year. Yet the decrease in gross margin YoY from systems integration due to the decrease in revenues and operating loss related to 4 new subsidiaries of JPY1.3 billion lead to the decrease in operating income YoY."

"For FY2009, we target increase in both revenue and operating income. While our recurring revenues are expected to show steady growth, we will continue to aggressively manage our costs and expenses in order to improve profitability even in a weak economic condition. Operating loss related to 4 new consolidated subsidiaries is also expected to decrease compared to FY2008 to around JPY1 billion. However, in the first half of the year, especially the first quarter, we estimate that our profit will be weak because the operating loss related to 4 new subsidiaries is expected to be larger in 1Q09 while revenues tend to be the weakest in the first quarter."

Full FY2008 Financial Results

From FY2008, we have disclosed revenues and costs related to ATM Operation Business. Due to this change, revenues and costs are now disclosed in two segments, the "Network services and Systems Integration Business" and "ATM Operation Business". However, because most of our revenues are dominated by Network services and Systems Integration Business, we have omitted segment analysis.

Operating Results Summary

	FY2008	FY2007	YoY % change
	JPY millions	JPY millions	
Total Revenues	69,731	66,835	4.3%
Total Costs	56,146	52,883	6.2%
SG&A Expenses and R&D	10,668	9,193	16.0%
Operating Income	2,917	4,759	(38.7%)
Income before Income Tax Expense	2,034	4,362	(53.4%)
Net Income	1,419	5,177	(72.6%)

Segment Reporting Summary

	FY2008
	JPY millions
Operating Revenues	69,731
Network services and Systems Integration Business	69,961
ATM Operation Business	23
Inter-Segment	253
Operating Income (losses)	2,917
Network services and Systems Integration Business	3,663
ATM Operation Business	(705)
Inter-Segment	41

Results of Operation

Revenues

Revenues totaled JPY69,731 million, an increase of 4.3% YoY.

Revenues

	FY2008	FY2007	YoY % change
	JPY millions	JPY millions	
Total Revenues:	69,731	66,835	4.3%
Connectivity and Outsourcing Services	35,076	31,303	12.1%
SI	33,647	34,018	(1.1%)
Equipment Sales	985	1,514	(35.0%)
ATM Operation Business	23		

Connectivity and Outsourcing Services revenue were JPY35,076 million, up 12.1% YoY followed by the steady increase in outsourcing service and the use of internet connectivity services.

SI revenues were JPY33,647 million, down 1.1% YoY because of weak systems construction revenues as a result of the downturn in the economic situation while systems operation and maintenance increased as they accumulate as recurring revenues.

Equipment sales revenues were JPY985 million, down 35.0% YoY.

ATM Operation Business revenues were JPY23 million. The ATM Operation Business is conducted by our consolidated subsidiary, Trust Networks which operates ATMs and its network systems to provide ATMs service. It receives commission for each bank withdrawal transaction when customers use their ATMs. During FY2008, Trust Networks completed its field test of ATMs operations. As of March 31, 2008, Trust Networks operates 10 ATMs and aims to increase the number of ATMs from FY2009 and up to around 8,000 ATMs in 4 to 5 years.

Cost and expense

Cost of revenues was JPY56,146 million, an increase of 6.2% YoY.

Cost of Revenues

	FY2008	FY2007	YoY % change
	JPY millions	JPY millions	
Cost of Revenues:	56,146	52,883	6.2%
Connectivity and Outsourcing Services	29,318	26,040	12.6%
SI	25,543	25,543	0.0%
Equipment Sales	863	1,300	(33.6%)
ATM Operation Business	422		

Cost of Connectivity and Outsourcing Services revenue was JPY29,318 million, up 12.6% YoY largely affected by the increase in network operation related costs including upgrade of large backbone routers and cost incurred by hi-ho of 12 months compared to 10 months in FY2007. There were also increases in circuit and personnel related costs and initial costs related to the newly established subsidiaries of JPY162 million. Gross margin ratio was 16.4% compared to 16.8% for FY2007.

Cost of SI revenues was JPY25,543 million, nearly the same as FY2007. While purchasing costs largely decreased along with the decrease in systems construction revenues, outsourcing and personnel related and network operation related costs increased. Gross margin ratio was 24.1% compared to 24.9% of FY2007.

Cost of Equipment Sales revenues was JPY863 million, down 33.6% YoY due to the decrease in equipment sales revenues. Gross margin ratio was 12.3%.

Cost of ATM Operation Business revenues was JPY422 million and gross margin was a loss of JPY399 million.

SG&A Expenses and R&D

Sales and marketing expenses were JPY4,631 million, up 7.0% YoY. The increase was largely due to the increase in personnel related expenses as well as expenses related to hi-ho of 12 months.

General and administrative expenses were JPY5,622 million, up 21.6% YoY. The increase was mainly due to the increase in expenses related to 4 new subsidiaries and personnel related expenses. There were also losses of JPY424 million in 4Q08 including disposal of property and equipment for our service and others.

Research and development expenses were JPY415 million, up 72.7% YoY.

Operating income

Operating income was JPY2,917 million, down 38.7% YoY as gross margin for systems construction decreased while there were operating loss for 4 new subsidiaries of JPY1,272 million.

Other income (expenses)

Other income (expenses) in FY2008 was net other expenses of JPY883 million compared to net other expenses of JPY398 million in FY2007. We recorded net impairment losses of JPY524 million on nonmarketable and available-for-sale equity securities and interest expense of JPY408 million.

Income before income tax expenses

Income before income tax expenses was JPY2,034 million, down 53.4% YoY due to the decrease in operating income and the increase in other expenses.

Others

Income tax expense was JPY1,003 million largely due to deferred tax expense of JPY637 million whereas there was deferred tax benefit of JPY1,653 million in FY2007 resulting from the release of the valuation allowance against deferred tax assets.

Minority interests in losses of subsidiaries were JPY352 million related to GDX and Trust Networks Inc. compared to minority interests in losses of subsidiaries of JPY97 million in FY2007.

Equity in net income of equity method investees was JPY35 million compared to equity in net loss of equity method investees of JPY143 million in FY2007.

Net income was JPY1,419 million, down 72.6% YoY.

Financial Condition

Balance Sheets

As of March 31, 2009, the balance of total assets was JPY52,301 million, which was a decrease of JPY3,401 million from the balance as of March 31, 2008.

For current assets, as compared to each of the respective balances as of March 31, 2008, accounts receivable decreased by JPY1,999 million; cash and cash equivalents decreased by JPY1,283 million; inventories decreased by JPY654 million. Property and equipment increased by JPY1,433 million from the balance as of March 31, 2008, mainly due to an increase in property for our internal use. Other investment decreased by JPY449 million from the balance as of March 31, 2008, mainly due to decrease in their fair value. As for current liabilities, short-term borrowings decreased by JPY1,800 million due to repayment; and accounts payable decreased by JPY1,830 million, from each of the respective balances as of March 31, 2008.

As of March 31, 2009, we had net deferred tax asset (current) of JPY762 million and net deferred tax asset (non-current) of JPY2,253 million, respectively.

The balance of other investments as of March 31, 2009 was JPY1,915 million, which decreased by JPY449 million from the balance as of March 31, 2008. The breakdown of other investments were JPY674 million in available-for-sale securities, JPY863 million in nonmarketable equity securities and

JPY378 million in other.

As of March 31, 2009, the balance of non-amortized intangible assets (excluding telephone rights) such as goodwill was JPY5,535 million, an increase of JPY19 million compared to March 31, 2008, and the balance of amortized intangible was JPY297 million, a decrease of JPY82 million. The breakdown of non-amortized intangible assets were JPY2,703 million in customer relationships, JPY2,639 million in goodwill and JPY192 million in trademark. The breakdown of amortized intangible assets were JPY171 million in customer relationships and JPY126 million in licenses.

Total shareholders' equity as of March 31, 2009 was JPY25,169 million, an increase of JPY188 million from the balance as of March 31, 2008. Shareholder's equity ratio (shareholder's equity/total assets) as of March 31, 2009 was 48.1%, up by 3.3% compared to March 31, 2008.

Cash Flows

Cash and cash equivalents as of the end of FY2008 were JPY10,188 million, a decrease by JPY1,283 million compared to the balance as of the end of FY2007.

Net cash provided by operating activities in FY2008 was JPY8,631 million, compared to net cash provided by operating activities of JPY4,537 million in FY2007. Though operating income in FY2008 (JPY2,917 million) decreased from that of FY2007 (JPY4,759 million), changes in net cash provided by operating activities in FY2008 were also due to changes in operating assets and liabilities during FY2008, mainly resulting from the decrease in accounts receivable of JPY1,947 million, decrease in inventories and prepaid expenses of JPY467 million, decrease in accounts payable related to systems integration projects of JPY2,005 million and payment of income tax of JPY774 million.

Net cash used in investing activities in FY2008 was JPY3,328 million, compared to net cash used in investing activities of JPY5,444 million in FY2007, mainly due to payment of JPY2,991 million for the purchase of property (payment of JPY1,856 million in FY2007), JPY188 million for the purchase of available-for-sale securities (payment of JPY610 million in FY2007) and JPY175 million for the purchase of short-term and other investments (payment of JPY232 million in FY2007).

Net cash used in financing activities in FY2008 was JPY6,573 million, compared to net cash used in financing activities of JPY1,152 million in FY2008, mainly due to repayments of short-term borrowings of JPY1,800 million (net) (increase in short-term borrowings of JPY2,810 million in FY2007), principal payments under capital leases of JPY3,954 million (principal payments under capital leases of JPY3,507 million in FY2007), payments for dividends of JPY413 million and payments of JPY407 million for acquisition of treasury stock.

FY2008 Business Overview

Analysis by Service

Connectivity and Outsourcing Services

Connectivity services revenues for corporate use was JPY13,142 million, up 8.2% YoY. IP service increased by 2.8% YoY and broadband services increased by 8.7% YoY as a result of steady demands for network expansion and the shift to higher bandwidths. Contracts of over 1Gbps increased to 94 compared to 70 contracts at the end of March 2008, especially among contents business operators and ISPs. IJ Mobile service has reached its break even point contributing to revenue growth.

Connectivity services revenues for home use was JPY6,538 million, up 20.4% with the full contribution from hi-ho of JPY4,971 million (12 months) compared to JPY3,766 million (10 months). We are still seeing shifts from dial-up and ADSL services to optical line services which charge higher monthly fees. The mobile data communication service for home use which was introduced in Dec. 2008 is also doing well and is expected to contribute to revenue in the coming months.

Outsourcing services revenues was JPY15,396 million, up 12.2% YoY as revenues from email related, security-related and data center-related increased respectively.

Number of Contracts for Connectivity Services

	March 31, 2008	March 31, 2007	YoY Change
Connectivity Services (Corporate Use)	48,802	27,955	20,847
IP Service (-99Mbps)	938	855	83
IP Service (100Mbps-999Mbps)	225	201	24
IP Service (1Gbps-)	94	70	24
IIJ Data Center Connectivity Service	298	288	10
IIJ FiberAccess/F and IIJ DSL/F	26,023	23,539	2,484
Others ³	21,224	3,002	18,222
Connectivity Services (Home Use)	443,412	473,266	(29,854)
Under IIJ Brand	46,901	51,051	(4,150)
hi-ho	179,786	189,700	(9,914)
OEM	216,725	232,515	(15,790)
Total Contracted Bandwidth	530.5 Gbps	392.4 Gbps	138.1 Gbps

Connectivity and Outsourcing Services Revenues Breakdown and Cost

	FY2008	FY2007	YoY % change
	JPY millions	JPY millions	
Connectivity Service (Corporate Use)	13,142	12,149	8.2%
IP Service ⁴	9,275	9,022	2.8%
IIJ FiberAccess/F and IIJ DSL/F	2,894	2,664	8.7%
Others ⁵	973	463	110.4%
Connectivity Service (Home Use)	6,538	5,430	20.4%
Under IIJ Brand	1,009	1,099	(8.2%)
hi-ho	4,971	3,766	32.0%
OEM	558	565	(1.4%)
Outsourcing Services	15,396	13,724	12.2%
Total Connectivity and Outsourcing Services	35,076	31,303	12.1%
Cost of Connectivity and Outsourcing Services	29,318	26,040	12.6%
Backbone Cost (included in the cost of Connectivity and Outsourcing Service)	3,692	3,470	6.4%
Connectivity and Outsourcing Services Gross Margin Ratio	16.4%	16.8%	

SI

One-time revenues from systems construction was JPY14,658 million, down 18.7% YoY while recurring revenues from systems construction and maintenance increased by 18.7% YoY to JPY18,989 million. Systems construction revenue was strongly affected by the weak Japanese economy, especially many large projects which were delayed or postponed. Also, in the third quarter of FY2007, there was the completion of a remarkable large-scale network and application development project, which as a result had an adverse effect on FY2008 revenue growth rate.

Order backlog for SI and equipment sales as of March 31, 2009 was JPY14,871 million, down 6.5% YoY and orders received for FY2008 was JPY33,594 million, down 20.0% YoY. The order backlog and orders received for systems construction including equipment sales was JPY2,863 million (down 39.9% YoY) and JPY13,744 million (down 33.9% YoY), respectively. The order backlog and orders received for systems operation and maintenance was JPY12,008 million (up 7.7% YoY) and JPY19,850 million (down 6.3% YoY), respectively.

³ The number of contracts for IIJ Mobile Service is included in "Others" of "Number of Contracts for Connectivity Services".

⁴ IP Service revenues include revenues from the Data Center Connectivity Service.

⁵ The revenue for IIJ Mobile Service is included in "Others" of "Connectivity and Outsourcing Services Revenues Breakdown and Cost".

SI Revenue Breakdown and Cost

	FY2008	FY2007	YoY % change
	JPY millions	JPY millions	
SI Revenues	33,647	34,018	(1.1%)
Systems Construction	14,658	18,025	(18.7%)
Systems Operation and Maintenance	18,989	15,993	18.7%
Cost of SI	25,543	25,543	0.0%
SI Gross Margin Ratio	24.1%	24.9%	

Order Backlog for SI and Equipment Sales

	March 31, 2008	March 31, 2007	YoY % Change
	JPY millions	JPY millions	
SI and Equipment Sales Order Backlog	14,871	15,909	(6.5%)

Equipment Sales

Equipment Sales Revenue and Cost

	FY2008	FY2007	YoY % change
	JPY millions	JPY millions	
Equipment Sales Revenues	985	1,514	(35.0%)
Cost of Equipment Sales	863	1,300	(33.6%)
Equipment Sales Gross Margin Ratio	12.3%	14.2%	

ATM Operation Business

ATM Operation Business Revenue and Cost

	FY2008	FY2007	YoY % change
	JPY millions	JPY millions	
ATM Operation Business Revenues	23		
Cost of ATM Operation Business	422		

Segment Information

Operating Revenues

	FY2008
	JPY millions
Network services and Systems Integration Business	69,961
External Customers	69,708
Inter-Segment	253
ATM Operation Business	23
External Customers	23
Inter-Segment	-
Elimination	253
Consolidated	69,731

Operating Income (losses)

	FY2008
	JPY millions
Network services and Systems Integration Business	3,663
ATM Operation Business	(705)
Elimination	41
Consolidated	2,917

FY2009 Financial Targets

Our targets for the fiscal year ending March 31, 2010 are as follows:

(JPY in millions)

	Revenues	Operating Income	Income before Income Tax Expense (Benefit)	Net Income attributable to IJ
1H FY2009	33,500	800	550	300
Full FY2009	73,000	3,300	2,700	1,700

IJ targets revenue of JPY73,000 million (up 4.7% YoY), operating income of JPY3,300 million (up 13.1% YoY), income before income tax expense (benefit) of JPY2,700 million (up 32.7% YoY) and net income attributable to IJ of JPY1,700 million (up 19.8% YoY) for the full FY2009 financial targets.

We expect our connectivity and outsourcing service revenues, a recurring revenue, will continue to increase steadily along with its ordinary course of growth. As for the systems construction revenues, we expect a decrease of approximately JPY2 billion in revenues compared to the previous fiscal year affected by the weak economic conditions. Systems operation and maintenance revenue is expected to increase although with a lower growth rate compared to the previous fiscal year due to the decrease in systems construction revenues. Operating loss related to 4 new subsidiaries is expected to decrease compared to the previous fiscal year to approximately JPY1 billion. The operating loss related to 4 new subsidiaries is expected to have larger effect on our operating income in the first half of FY2009, and for this, we expect operating income for 1Q08 to decrease compared to 1Q08.

Presentation

Presentation Materials will be posted on our web site (<http://www.ij.ad.jp/en/IR/>) on May 15, 2009.

About Internet Initiative Japan Inc.

Founded in 1992, IJ is one of Japan's leading Internet-access and comprehensive network solutions providers. IJ and its group of companies provide total network solutions that mainly cater to high-end corporate customers. IJ's services include high-quality systems integration and security services, Internet access, hosting/housing, and content design. Moreover, IJ has built one of the largest Internet backbone networks in Japan, and between Japan and the United States. IJ was listed on the U.S. NASDAQ Stock Market in 1999 and on the First Section of the Tokyo Stock Exchange in 2006.

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Statements made in this press release regarding IJ's or management's intentions, beliefs, expectations, or predictions for the future are forward-looking statements that are based on IJ'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 IJ's actual results to differ materially from those contained in any forward-looking statement. These risks, uncertainties and other factors include: IJ's ability to maintain and increase revenues from higher-margin services such as systems integration and outsourcing services; the possibility that revenues from connectivity services may decline substantially as a result of competition and other factors; the ability to compete in a rapidly evolving and competitive marketplace; the impact on IJ's profits of fluctuations in costs such as backbone costs and subcontractor costs; the impact on IJ's profits of fluctuations in the price of available-for-sale securities; the impact of technological changes in its industry; IJ's ability to raise additional capital to cover its indebtedness; the possibility that NTT, IJ's largest shareholder, may decide to exercise substantial influence over IJ; and other risks referred to from time to time in IJ'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.
Consolidated Balance Sheets (Unaudited)
(As of March 31, 2008 and March 31, 2009)

	As of March 31, 2008		As of March 31, 2009		
	Thousands of JPY	%	Thousands of U.S. Dollars	Thousands of JPY	%
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	11,470,980		102,751	10,187,724	
Short-term investments	12,181		-	-	
Accounts receivable, net of allowance for doubtful accounts of JPY 24,677 thousand and JPY 22,072 thousand at March 31, 2008 and March 31, 2009, respectively	12,255,163		103,445	10,256,527	
Inventories	1,184,160		5,343	529,756	
Prepaid expenses	2,005,274		17,871	1,771,955	
Other current assets, net of allowance for doubtful accounts of JPY 7,470 thousand and JPY 11,720 thousand at March 31, 2008 and March 31, 2009, respectively	1,557,869		16,246	1,610,807	
Total current assets	28,485,627	51.1	245,656	24,356,769	46.6
INVESTMENTS IN EQUITY METHOD INVESTEEES	956,692	1.7	9,558	947,626	1.8
OTHER INVESTMENTS	2,363,770	4.2	19,310	1,914,594	3.7
PROPERTY AND EQUIPMENT, net of accumulated depreciation and amortization of JPY 14,029,785 thousand and JPY 16,444,517 thousand at March 31, 2008 and March 31, 2009, respectively	11,740,210	21.1	132,858	13,172,891	25.2
GOODWILL	2,507,258	4.5	26,619	2,639,319	5.0
OTHER INTANGIBLE ASSETS —Net	3,400,117	6.1	32,293	3,201,806	6.1
GUARANTEE DEPOSITS	2,037,165	3.7	20,904	2,072,652	4.0
OTHER ASSETS, net of allowance for doubtful accounts of JPY 81,497 thousand and JPY 89,501 thousand at March 31, 2008 and March 31, 2009, respectively	4,211,707	7.6	40,298	3,995,542	7.6
TOTAL	55,702,546	100.0	527,496	52,301,199	100.0

	As of March 31, 2008		As of March 31, 2009		
	Thousands of JPY	%	Thousands of U.S. Dollars	Thousands of JPY	%
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES:					
Short-term borrowings	9,150,000		74,130	7,350,000	
Capital lease obligations —current portion	3,455,948		33,003	3,272,257	
Accounts payable	7,895,238		61,168	6,064,829	
Accrued expenses	994,138		10,785	1,069,310	
Accrued retirement and pension costs —current	11,436		121	11,959	
Deferred income	1,552,896		12,665	1,255,749	
Other current liabilities	864,366		7,701	763,544	
Total current liabilities	23,924,022	42.9	199,573	19,787,648	37.8
CAPITAL LEASE OBLIGATIONS —Noncurrent	4,738,359	8.5	49,079	4,866,120	9.3
ACCRUED RETIREMENT AND PENSION COSTS —Noncurrent	1,101,951	2.0	14,116	1,399,592	2.7
OTHER NONCURRENT LIABILITIES	663,399	1.2	10,135	1,004,920	1.9
Total Liabilities	30,427,731	54.6	272,903	27,058,280	51.7
MINORITY INTEREST	294,102	0.6	744	73,735	0.2
COMMITMENTS AND CONTINGENCIES					
SHAREHOLDERS' EQUITY:					
Common-stock—authorized, 377,600 shares; issued and outstanding, 206,478 shares at March 31, 2008 and March 31, 2009	16,833,847	30.2	169,782	16,833,847	32.2
Additional paid-in capital	27,611,737	49.6	278,484	27,611,737	52.8
Accumulated deficit	(19,555,489)	(35.1)	(187,082)	(18,549,141)	(35.5)
Accumulated other comprehensive income (loss)	90,618	0.1	(3,235)	(320,712)	(0.6)
Treasury stock—3,934 shares held by the company at March 31, 2009	-	-	(4,100)	(406,547)	(0.8)
Total shareholders' equity	24,980,713	44.8	253,849	25,169,184	48.1
TOTAL	55,702,546	100.0	527,496	52,301,199	100.0

(Note1) The U.S. dollar amounts represent translations of yen amounts at the rate of JPY 99.15 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, 2009.

(Note2) The above presentation as of March 31, 2008 has been changed to conform to the presentation as of March 31, 2009.

Internet Initiative Japan Inc.

Consolidated Statements of Income (Unaudited)

(For the fiscal year ended March 31, 2008 and March 31, 2009)

	Fiscal Year Ended March 31, 2008		Fiscal Year Ended March 31, 2009		
	Thousands of JPY	% of total revenues	Thousands of U.S. Dollars	Thousands of JPY	% of total revenues
REVENUES:					
Connectivity and outsourcing services:					
Connectivity (corporate use)	12,148,490		132,551	13,142,393	
Connectivity (home use)	5,429,955		65,934	6,537,370	
Outsourcing services	13,724,218		155,278	15,395,833	
Total	31,302,663		353,763	35,075,596	
Systems integration:					
Systems Construction	18,025,250		147,841	14,658,502	
Systems Operation and Maintenance	15,992,843		191,514	18,988,595	
Total	34,018,093		339,355	33,647,097	
Equipment sales	1,514,543		9,930	984,585	
ATM operation business	-		237	23,452	
Total revenues	66,835,299	100.0	703,285	69,730,730	100.0
COST AND EXPENSES:					
Cost of connectivity and outsourcing services	26,039,660		295,690	29,317,645	
Cost of systems integration	25,543,168		257,617	25,542,758	
Cost of equipment sales	1,299,793		8,704	863,031	
Cost of ATM operation business	-		4,259	422,285	
Total cost	52,882,621	79.1	566,270	56,145,719	80.5
Sales and marketing	4,328,598	6.5	46,703	4,630,579	6.6
General and administrative	4,624,293	6.9	56,701	5,621,870	8.1
Research and development	240,423	0.4	4,187	415,180	0.6
Total cost and expenses	62,075,935	92.9	673,861	66,813,348	95.8
OPERATING INCOME	4,759,364	7.1	29,424	2,917,382	4.2
OTHER INCOME (EXPENSE):					
Interest income	63,030		455	45,153	
Interest expense	(438,163)		(4,117)	(408,152)	
Foreign exchange gains (losses)	1,409		(288)	(28,515)	
Net gains on sales of other investments	217,957		158	15,631	
Losses on write-down of other investments	(288,643)		(5,288)	(524,287)	
Other—net	46,715		175	17,276	
Other expense — net	(397,695)	(0.6)	(8,905)	(882,894)	(1.3)
INCOME FROM OPERATIONS BEFORE INCOME TAX EXPENSE (BENEFIT), MINORITY INTERESTS AND EQUITY IN NET INCOME (LOSS) OF EQUITY METHOD INVESTEEES	4,361,669	6.5	20,519	2,034,488	2.9
INCOME TAX EXPENSE (BENEFIT)	(861,414)	(1.3)	10,113	1,002,711	1.4
MINORITY INTERESTS IN LOSSES OF SUBSIDIARIES	96,706	0.1	3,554	352,428	0.5
EQUITY IN NET INCOME (LOSS) OF EQUITY METHOD INVESTEEES	(143,200)	(0.2)	355	35,099	0.0
NET INCOME	5,176,589	7.7	14,315	1,419,304	2.0

	Fiscal Year Ended March 31, 2008	Fiscal Year Ended March 31, 2009	
NET INCOME PER SHARE			
BASIC WEIGHTED-AVERAGE NUMBER OF SHARES (shares)	206,240		205,165
DILUTED WEIGHTED-AVERAGE NUMBER OF SHARES (shares)	206,465		205,195
BASIC WEIGHTED-AVERAGE NUMBER OF ADS EQUIVALENTS (ADSs)	82,495,987		82,065,978
DILUTED WEIGHTED-AVERAGE NUMBER OF ADS EQUIVALENTS (ADSs)	82,586,176		82,077,978
BASIC NET INCOME PER SHARE (JPY / U.S. Dollars / JPY)	25,099.83	69.77	6,917.87
DILUTED NET INCOME PER SHARE (JPY / U.S. Dollars / JPY)	25,072.48	69.76	6,916.85
BASIC NET INCOME PER ADS EQUIVALENT (JPY / U.S. Dollars / JPY)	62.75	0.17	17.29
DILUTED NET INCOME PER ADS EQUIVALENT (JPY / U.S. Dollars / JPY)	62.68	0.17	17.29

(Note 1) The U.S. dollar amounts represent translations of yen amounts at the rate of JPY 99.15 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, 2009.

(Note2) The above presentation for the fiscal year ended March 31, 2008 has been changed to conform to the presentation for the fiscal year ended March 31, 2009.

Internet Initiative Japan Inc.
Consolidated Statements of Shareholders' Equity (Unaudited)
(For the fiscal year ended March 31, 2008 and March 31, 2009)

	Shares of Common Stock Outstanding	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
	Shares	Thousands of JPY	Thousands of JPY	Thousands of JPY	Thousands of JPY	Thousands of JPY	Thousands of JPY
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 income							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
Net Income				1,419,304			1,419,304
Other Comprehensive loss, net of tax					(411,330)		(411,330)
Total comprehensive income							1,007,974
Payment of dividends				(412,956)			(412,956)
Acquisition of treasury stock						(406,547)	(406,547)
BALANCE, MARCH 31, 2009	206,478	16,833,847	27,611,737	(18,549,141)	(320,712)	(406,547)	25,169,184

	Shares of Common Stock Outstanding	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
	Shares	Thousands of U.S. Dollars	Thousands of U.S. Dollars	Thousands of U.S. Dollars	Thousands of U.S. Dollars	Thousands of U.S. Dollars	Thousands of U.S. Dollars
BALANCE, APRIL 1, 2008	206,478	169,782	278,484	(197,231)	914	-	251,949
Net Income				14,315			14,315
Other Comprehensive loss, net of tax					4,149		(4,149)
Total comprehensive income							10,166
Payment of dividends				(4,166)			(4,166)
Acquisition of treasury stock						(4,100)	(4,100)
BALANCE, MARCH 31, 2009	206,478	169,782	278,484	(187,082)	(3,235)	(4,100)	253,849

(Note) The U.S. dollar amounts represent translations of yen amounts at the rate of JPY 99.15 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, 2009.

Internet Initiative Japan Inc.

Consolidated Statements of Cash Flows (Unaudited)

(For the fiscal year ended March 31, 2008 and March 31, 2009)

	Fiscal Year Ended March 31, 2008	Fiscal Year Ended March 31, 2009	
	Thousands of JPY	Thousands of U.S. Dollars	Thousands of JPY
OPERATING ACTIVITIES:			
Net income	5,176,589	14,315	1,419,304
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	4,774,804	54,771	5,430,501
Provision for retirement and pension costs, less payments	191,057	1,288	127,662
Provision for (reversal of) allowance for doubtful accounts and advances	(416)	262	26,020
Loss on disposal of property and equipment	72,086	4,468	443,019
Net gains on sales of other investments	(217,957)	(159)	(15,631)
Losses on write-down of other investments	288,643	5,288	524,287
Foreign exchange losses	10,415	97	9,605
Equity in net loss (income) of equity method investees (net of dividend)	143,200	(48)	(4,719)
Minority interests in losses of subsidiaries	(96,706)	(3,554)	(352,428)
Deferred income tax expense (benefit)	(1,653,275)	6,423	636,818
Others	-	18	1,741
Changes in operating assets and liabilities net of effects from acquisition of business and a company:			
Decrease (increase) in accounts receivable	(2,584,327)	19,642	1,947,490
Decrease (increase) in inventories, prepaid expenses and other current and noncurrent assets	(995,434)	4,710	467,023
Decrease in accounts payable	(668,481)	(20,223)	(2,005,074)
Decrease in income taxes payable	(274,475)	(1,901)	(188,517)
Increase in accrued expenses, other current and noncurrent liabilities	372,023	1,652	163,768
Net cash provided by operating activities	4,537,746	87,049	8,630,869
INVESTING ACTIVITIES:			
Purchase of property and equipment	(1,856,249)	(30,170)	(2,991,378)
Purchase of available-for-sale securities	(609,787)	(1,891)	(187,516)
Purchase of short-term and other investments	(232,122)	(1,768)	(175,264)
Investment in equity method investee	(273,909)	-	-
Purchases of subsidiary stock from minority shareholders	(1,975,123)	-	-
Proceeds from sales of available-for-sale securities	616,920	34	3,417
Proceeds from sales and redemption of short-term and other investments	69,722	1,125	111,509
Payments of guarantee deposits	(353,911)	(1,109)	(109,929)
Refund of guarantee deposits	11,847	667	66,124
Payments for refundable insurance policies	(49,753)	(528)	(52,364)
Refund from insurance policies	3,905	74	7,382
Acquisition of a newly controlled company, net of cash acquired	(788,608)	-	-
Other	(6,698)	0	(53)
Net cash used in investing activities	(5,443,766)	(33,566)	(3,328,072)

	Fiscal Year Ended March 31, 2008	Fiscal Year Ended March 31, 2009	
	Thousands of JPY	Thousands of U.S. Dollars	Thousands of JPY
FINANCING ACTIVITIES:			
Proceeds from issuance of short-term borrowings with initial maturities over three months	17,525,000	108,422	10,750,000
Repayments of short-term borrowings with initial maturities over three months and long-term borrowings	(15,940,000)	(122,289)	(12,125,000)
Principal payments under capital leases	(3,506,842)	(39,877)	(3,953,834)
Net increase (decrease) in short-term borrowings with initial maturities less than three months	1,225,000	(4,287)	(425,000)
Proceeds from issuance of subsidiary stock to minority shareholders	6,000	-	-
Dividends paid	(461,309)	(4,166)	(412,956)
Payments for acquisition of treasury stock	-	(4,100)	(406,547)
Net cash used in financing activities	(1,152,151)	(66,297)	(6,573,337)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
	(25,393)	(128)	(12,716)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,083,564)	(12,942)	(1,283,256)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	13,554,544	115,693	11,470,980
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	11,470,980	102,751	10,187,724
ADDITIONAL CASH FLOW INFORMATION:			
Interest paid	438,850	4,122	408,712
Income tax paid	1,083,341	7,810	774,409
NONCASH INVESTING AND FINANCING ACTIVITIES:			
Acquisition of assets by entering into capital leases	4,221,807	40,490	4,014,537
Purchase of minority interests of consolidated subsidiaries through share exchanges	1,012,520	-	-
ACQUISITION OF BUSINESS AND A COMPANY:			
Assets acquired	2,319,277	-	-
Cash paid	(1,715,450)	-	-
Liabilities assumed	367,989	-	-
Minority interests assumed	235,838	-	-

(Note 1) The U.S. dollar amounts represent translations of yen amounts at the rate of JPY 99.15 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, 2009.

(Note2) The above presentation for the fiscal year ended March 31, 2008 has been changed to conform to the presentation for the fiscal year ended March 31, 2009.

4th Quarter FY2008 Consolidated Financial Results (3 months)

The following tables are highlight data of 4th Quarter FY2008 consolidated financial results (unaudited, from January 1, 2009 to March 31, 2009).

Operating Results Summary

	4Q08	4Q07	YoY Change
	JPY millions	JPY millions	
Total Revenues:	18,942	18,486	2.5%
Connectivity and Outsourcing Services	9,135	8,447	8.1%
SI	9,542	9,805	(2.7%)
Equipment Sales	259	234	10.5%
ATM Operation Business	6		
Cost of Revenues:	14,891	14,221	4.7%
Connectivity and Outsourcing Services	7,466	7,034	6.1%
SI	7,039	6,985	0.8%
Equipment Sales	224	202	11.1%
ATM Operation Business	162		
SG&A Expenses and R&D	2,978	2,458	21.2%
Operating Income	1,073	1,807	(40.6%)
Income before Income Tax Expense	792	1,647	(51.9%)
Net Income (Loss)	1,065	1,089	(2.2%)

Connectivity and Outsourcing Services Revenues Breakdown and Cost

	4Q08	4Q07	YoY Change
	JPY millions	JPY millions	
Connectivity and Outsourcing Services Revenues	9,135	8,447	8.1%
Connectivity Service (Corporate Use)	3,437	3,144	9.3%
IP Service	2,351	2,340	0.5%
IJ FiberAccess/F and IJ DSL/F	736	704	4.5%
Others	350	100	250.8%
Connectivity Service (Home Use)	1,678	1,622	3.5%
Under IJ Brand	247	268	(8.0%)
hi-ho	1,289	1,228	5.0%
OEM	142	125	13.4%
Outsourcing Services	4,020	3,681	9.2%
Cost of Connectivity and Outsourcing Services	7,466	7,034	6.1%
Backbone Cost (included in the cost of Connectivity and Outsourcing Service)	916	896	2.2%
Connectivity and Outsourcing Services Gross Margin Ratio	18.3%	16.7%	

SI Revenue Breakdown and Cost

	4Q08	4Q07	YoY Change
	JPY millions	JPY millions	
SI Revenues	9,542	9,805	(2.7%)
Systems Construction	4,644	5,384	(13.7%)
Systems Operation and Maintenance	4,898	4,420	10.8%
Cost of SI	7,039	6,985	0.8%
SI Gross Margin Ratio	26.2%	28.8%	

Equipment Sales Revenue and Cost

	4Q08	4Q07	YoY Change
	JPY millions	JPY millions	
Equipment Sales Revenues	259	234	10.5%
Cost of Equipment Sales	224	202	11.1%
Equipment Sales Gross Margin Ratio	13.4%	14.0%	

ATM Operation Business Revenue and Cost

	4Q08	4Q07	YoY Change
	JPY millions	JPY millions	
ATM Operation Business Revenues	6		
Cost of ATM Operation Business	162		

Other Financial Statistics

	4Q08	4Q07	YoY Change
	JPY millions	JPY millions	
Adjusted EBITDA	2,550	3,101	(23.3%)
CAPEX, including capital leases	657	1,546	(57.5%)
Depreciation and amortization	1,477	1,293	0.9%

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.

Adjusted EBITDA

	4Q08	4Q07
	JPY millions	JPY millions
Adjusted EBITDA	2,550	3,101
Depreciation and Amortization	(1,477)	(1,293)
Operating Income	1,073	1,807
Other Income (Expense)	(281)	(160)
Income Tax Expense	(190)	552
Minority Interests in Losses of Subsidiaries	93	45
Equity in Net Income (Loss) of Equity Method Investees	(10)	(52)
Net Income (Loss)	1,065	1,089

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.

CAPEX

	4Q08	4Q07
	JPY millions	JPY millions
CAPEX, including capital leases	657	1,546
Acquisition of Assets by Entering into Capital Leases	329	1,305
Purchase of Property and Equipment	328	241

Internet Initiative Japan Inc.
Quarterly Consolidated Statements of Income (Unaudited)
(Three Months ended March 31, 2008 and March 31, 2009)

	Three Months Ended March 31, 2008		Three Months Ended March 31, 2009		
	Thousands of JPY	% of total revenues	Thousands of U.S. Dollars	Thousands of JPY	% of total revenues
REVENUES:					
Connectivity and outsourcing services:					
Connectivity (corporate use)	3,143,769		34,660	3,436,518	
Connectivity (home use)	1,621,966		16,927	1,678,316	
Outsourcing services	3,681,322		40,544	4,019,900	
Total	8,447,057		92,131	9,134,734	
Systems integration:					
Systems Construction	5,384,115		46,843	4,644,483	
Systems Operation and Maintenance	4,420,481		49,395	4,897,539	
Total	9,804,596		96,238	9,542,022	
Equipment sales	234,240		2,610	258,784	
ATM operation business	-		62	6,187	
Total revenues	18,485,893	100.0	191,041	18,941,727	100.0
COST AND EXPENSES:					
Cost of connectivity and outsourcing services	7,034,489		75,302	7,466,183	
Cost of systems integration	6,985,004		70,992	7,038,866	
Cost of equipment sales	201,526		2,259	223,978	
Cost of ATM operation business	-		1,631	161,698	
Total cost	14,221,019	76.9	150,184	14,890,725	78.6
Sales and marketing	1,177,093	6.4	11,342	1,124,574	5.9
General and administrative	1,219,673	6.6	16,686	1,654,402	8.7
Research and development	60,935	0.3	2,007	198,986	1.1
Total cost and expenses	16,678,720	90.2	180,219	17,868,687	94.3
OPERATING INCOME	1,807,173	9.8	10,822	1,073,040	5.7
OTHER INCOME (EXPENSE):					
Interest income	22,786		127	12,611	
Interest expense	(109,116)		(988)	(98,006)	
Foreign exchange gains (loss)	(921)		(191)	(18,986)	
Losses on sales of other investments	-		(21)	(2,049)	
Losses on write-down of other investments	(104,365)		(1,967)	(195,071)	
Other—net	31,306		209	20,789	
Other expense — net	(160,310)	(0.9)	(2,831)	(280,712)	(1.5)
INCOME FROM OPERATIONS BEFORE INCOME TAX EXPENSE (BENEFIT) , MINORITY INTERESTS AND EQUITY IN NET LOSS OF EQUITY METHOD INVESTEES	1,646,863	8.9	7,991	792,328	4.2
INCOME TAX EXPENSE (BENEFIT)	551,688	3.0	(1,914)	(189,718)	(1.0)
MINORITY INTERESTS IN LOSSES OF SUBSIDIARIES	45,100	0.3	937	92,944	0.5
EQUITY IN NET LOSS OF EQUITY METHOD INVESTEES	(51,677)	(0.3)	(101)	(10,008)	(0.1)
NET INCOME	1,088,598	5.9	10,741	1,064,982	5.6

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2009	
NET INCOME PER SHARE			
BASIC WEIGHTED-AVERAGE NUMBER OF SHARES (shares)	206,478		202,544
DILUTED WEIGHTED-AVERAGE NUMBER OF SHARES (shares)	206,565		202,544
BASIC WEIGHTED-AVERAGE NUMBER OF ADS EQUIVALENTS (ADSs)	82,591,200		81,017,600
DILUTED WEIGHTED-AVERAGE NUMBER OF ADS EQUIVALENTS (ADSs)	82,625,891		81,017,600
BASIC NET INCOME PER SHARE (JPY / U.S. Dollars / JPY)	5,272.22	53.03	5,258.03
DILUTED NET INCOME PER SHARE (JPY / U.S. Dollars / JPY)	5,270.00	53.03	5,258.03
BASIC NET INCOME PER ADS EQUIVALENT (JPY / U.S. Dollars / JPY)	13.18	0.13	13.15
DILUTED NET INCOME PER ADS EQUIVALENT (JPY / U.S. Dollars / JPY)	13.18	0.13	13.15

(Note 1) The U.S. dollar amounts represent translations of yen amounts at the rate of JPY 99.15 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, 2009.

(Note2) The above presentation for the three months ended March 31, 2008 has been changed to conform to the presentation for the three months ended March 31, 2009.

Internet Initiative Japan Inc.
Quarterly Consolidated Statements of Cash Flows (Unaudited)
(Three Months ended March 31, 2008 and March 31, 2009)

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2009	
	Thousands of JPY	Thousands of U.S. Dollars	Thousands of JPY
OPERATING ACTIVITIES:			
Net income	1,088,598	10,741	1,064,982
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,293,410	14,895	1,476,858
Provision for (reversal of) retirement and pension costs, less payments	62,686	(679)	(67,291)
Provision for allowance for doubtful accounts and advances	6,653	83	8,268
Loss on disposal of property and equipment	56,404	2,816	279,247
Loss on sales of other investments	-	21	2,049
Losses on write-down of other investments	104,365	1,967	195,071
Foreign exchange losses (gains)	6,460	(113)	(11,223)
Equity in net loss of equity method investees	51,677	101	10,008
Minority interests in losses of subsidiaries	(45,100)	(936)	(92,944)
Deferred income tax expense (benefit)	137,116	(3,383)	(335,379)
Others	-	(2)	(231)
Changes in operating assets and liabilities net of effects from acquisition of business and a company:			
Increase in accounts receivable	(462,870)	(7,149)	(708,788)
Decrease in inventories, prepaid expenses and other current and noncurrent assets	355,753	17,306	1,715,877
Increase in accounts payable	956,746	1,182	117,161
Increase (decrease) in accrued expenses, other current and noncurrent liabilities	471,341	(3,769)	(373,663)
Net cash provided by operating activities	4,083,239	33,081	3,280,002
INVESTING ACTIVITIES:			
Purchase of property and equipment	(241,255)	(3,312)	(328,364)
Purchase of available-for-sale securities	(92,512)	(883)	(87,524)
Purchase of short-term and other investments	(148)	(504)	(50,000)
Proceeds from sales of available-for-sale securities	-	34	3,417
Proceeds from sales and redemption of short-term and other investments	49,143	632	62,627
Investment in equity method investee	(23,520)	-	-
Payments of guarantee deposits	(66,191)	(273)	(27,025)
Refund of guarantee deposits	3,451	391	38,775
Payments for refundable insurance policies	(13,297)	(139)	(13,860)
Refund from insurance policies	3,905	-	-
Other	-	-	-
Net cash used in investing activities	(380,424)	(4,054)	(401,954)

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2009	
	Thousands of JPY	Thousands of U.S. Dollars	Thousands of JPY
FINANCING ACTIVITIES:			
Proceeds from issuance of short-term borrowings with initial maturities over three months	1,625,000	2,521	250,000
Repayments of short-term borrowings with initial maturities over three months	(400,000)	(5,799)	(575,000)
Principal payments under capital leases	(942,700)	(11,156)	(1,106,108)
Net Increase in short-term borrowings with initial maturities less than three months	(1,725,000)	(1,260)	(125,000)
Acquisition of a newly controlled company, net of cash acquired	6,000	-	-
Payments for acquisition of treasury stock	-	(1,069)	(105,992)
Net cash used in financing activities	(1,436,700)	(16,763)	(1,662,100)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(9,582)	164	16,329
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,256,533	12,428	1,232,277
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	9,214,447	90,323	8,955,447
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	11,470,980	102,751	10,187,724

(Note 1) The U.S. dollar amounts represent translations of yen amounts at the rate of JPY 99.15 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, 2009.

(Note2) The above presentation for the three months ended March 31, 2008 has been changed to conform to the presentation for the three months ended March 31, 2009.

Note: The following information is provided to disclose Internet Initiative Japan Inc. ("IIJ") financial results (unaudited) for the fiscal year ended March 31, 2009 ("FY2008") in the form defined by the Tokyo Stock Exchange.

Consolidated Financial Results for the Fiscal Year Ended March 31, 2009
[Under accounting principles generally accepted in the United States ("U.S. GAAP")]

May 15, 2009

Company name: Internet Initiative Japan Inc. Exchange listed: Tokyo Stock Exchange First Section
 Stock code number: 3774 URL: <http://www.iij.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 26, 2009
 Payment of dividend: Scheduled to be started on June 29, 2009
 Filing of annual report (Yuka-shoken-hokokusho) to the regulatory organization in Japan: June 29, 2009 (Scheduled)

(Amounts of less than JPY one million are rounded)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2009
(April 1, 2008 to March 31, 2009)

(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, 2009	69,731	4.3	2,917	(38.7)	2,034	(53.4)	1,419	(72.6)
Fiscal year ended March 31, 2008	66,835	17.1	4,759	36.0	4,362	(13.6)	5,177	(4.3)

	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, 2009	6,917.87	6,916.85	5.7	3.8	4.2
Fiscal year ended March 31, 2008	25,099.83	25,072.48	23.0	8.4	7.1

(Reference) Equity in net earning (loss) of equity method investees: FY2008: JPY 35 millions FY2007: JPY (143) millions

(Note) In this document, income before income tax expense (benefit) represents income from operations before income tax expense (benefit), minority interests and equity in net loss of equity method investees in IIJ's consolidated financial statements for the fiscal year ended March 31, 2009.

(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, 2009	52,301	25,169	48.1	124,265.27
Fiscal year ended March 31, 2008	55,703	24,981	44.8	120,984.87

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

(3) Consolidated Cash Flow

	Operating Activities	Investing Activities	Financing Activities	Cash and Cash Equivalents (End of the Period)
	JPY millions	JPY millions	JPY millions	JPY millions
Fiscal year ended March 31, 2009	8,631	(3,328)	(6,573)	10,188
Fiscal year ended March 31, 2008	4,538	(5,444)	(1,152)	11,471

2. Dividends

	Dividend per Shares				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2008	-	750.00	-	1,000.00	1,750.00
Fiscal year ended March 31, 2009	-	1,000.00	-	1,000.00	2,000.00
Fiscal year ending March 31, 2010 (Target)	-	1,000.00	-	1,000.00	2,000.00

	Total cash dividends for the year	Payout Ratio (consolidated)	Ratio of Dividends to Shareholder's Equity (consolidated)
	JPY millions	%	%
Fiscal year ended March 31, 2008	361	7.0	1.6
Fiscal year ended March 31, 2009	409	28.9	1.6
Fiscal year ending March 31, 2010 (Target)		23.8	

3. Target of Consolidated Financial Results for the Fiscal Year Ending March 31, 2010
(April 1, 2009 through March 31, 2010)

(% shown is YoY change)

	Total Revenues		Operating Income		Income before Income Tax Expense (Benefit)	
	JPY millions	%	JPY millions	%	JPY millions	%
Interim period ending September 30, 2009	33,500	0.7	800	(20.4)	550	(28.2)
Fiscal year ending March 31, 2010	73,000	4.7	3,300	13.1	2,700	32.7

Net income attributable to IIJ:

Interim period ending September 30, 2009: JPY300 million

Fiscal year ending March 31, 2010: JPY1,700 million

Basic net income per share attributable to IIJ shareholders:

Interim period ending September 30, 2009: JPY1,481.16

Fiscal year ending March 31, 2010: JPY8,393.24

(Note1) "Net income attributable to IIJ" presented above is comparable to the caption "Net income" appearing in the consolidated financial statements for fiscal years ended as of or prior to March 31, 2009.

(Note2) Basic net income per share attributable to IIJ shareholder is computed by dividing net income by 202,544 shares (Excluding 3,934 treasury stock from the 206,478 shares outstanding as of March 31, 2009).

4. Others

(1) Change of Condition in Consolidated Subsidiaries during the fiscal year ended March 31, 2009

(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 due to the revision of accounting standards: Yes

2) Others: Yes

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

1) The number of shares outstanding (including treasury stock):

As of March 31, 2009: 206,478 shares

As of March 31, 2008: 206,478 shares

2) The number of treasury stock:

As of March 31, 2009: 3,934 shares

As of March 31, 2008: 0 shares

3) The weighted average number of shares outstanding:

As of March 31, 2009: 205,165 shares

As of March 31, 2008: 206,240 shares