



Internet Initiative Japan Inc.

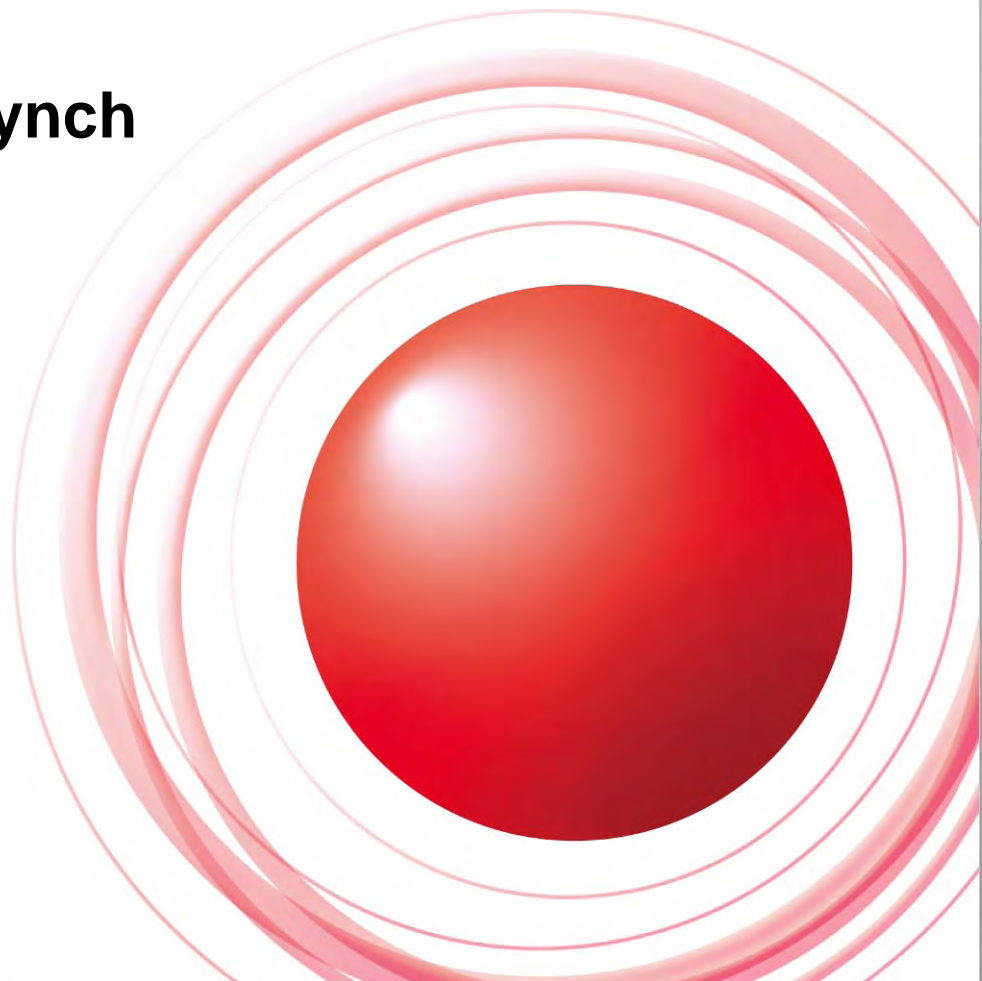
**Bank of America Merrill Lynch
Japan Conference 2010**

September 9, 2010

<http://www.iij.ad.jp/en/IR>

TSE1:3774 NASDAQ:IIJI

Ongoing Innovation



Key Investment Highlights

- 1 Top IP Engineering Company in Japan**
- 2 Target Blue-chip and Governmental Organizations in Japan with dominant position**
- 3 Best Positioned in the Growing Outsourcing & Cloud Computing Market in Japan**
- 4 Stable revenue growth from the accumulating recurring revenue**
- 5 Solid Growth Strategy**

details to follow

TOP IP Engineering Company in Japan

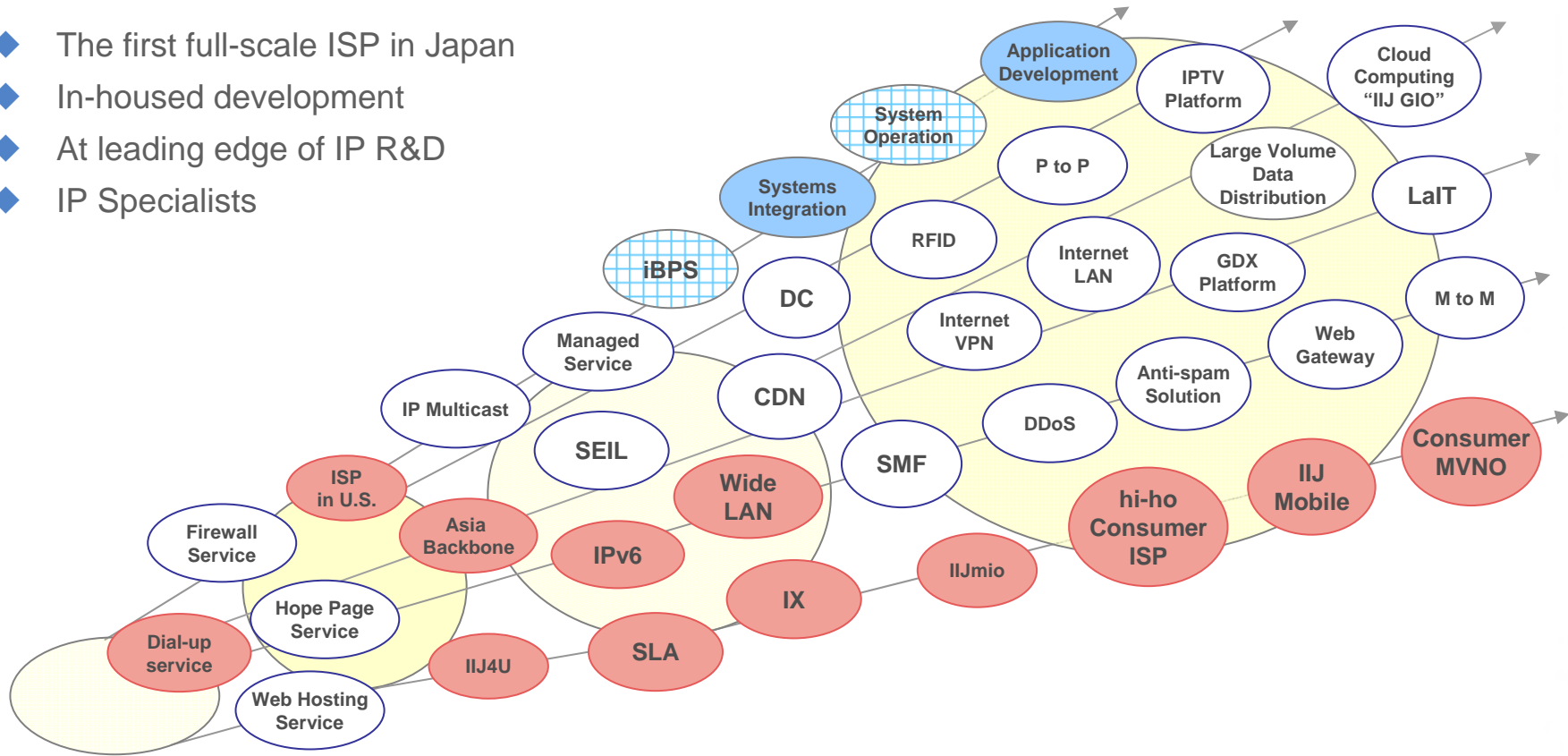
- ◆ The first established full-scale ISP in Japan
 - A group of highly motivated and skilled TOP Level IP Engineers
 - Pioneer of Network Technologies in Japan
- ◆ In-housed development
 - Operate one of the largest Internet Backbone in Japan
 - Fully develop its service and back office facilities
 - Internet Connectivity & Firewall Service, IP Multicast Delivery Service, IPv6 Service
 - NetBSD based Router Product Development (SEIL Series)
- ◆ “IIJ” brand among the Japanese IT market
 - Well known for its high engineering skills and network support skills
 - High customer Satisfaction with long term relationship
 - Around 6,500 clients, mainly governmental and large enterprise
- ◆ At the leading edge of IP R&D
 - IPv6, Mobile IPv6(MIPv6), NetBSD
 - Distributed and Parallel Processing Platform for very large data sets
 - Participation in world-wide research
 - Board Member of “Telecom-ISAC Japan”

Company Profile (as of June 2010)	
Established	December 1992
Number of Employees	Consolidated: 1,740 (approx 70% engineers)
Listed Markets	NASDAQ(IIJI), TSE1(3774)
Large Shareholders	NTT(24.5%), Koichi Suzuki(6.2%), Itochu Corp.(5.1%), NTTCom(4.9%)

Entrepreneur of Network Technologies

Business and Service Development to Initiate the Market

- ◆ The first full-scale ISP in Japan
- ◆ In-housed development
- ◆ At leading edge of IP R&D
- ◆ IP Specialists

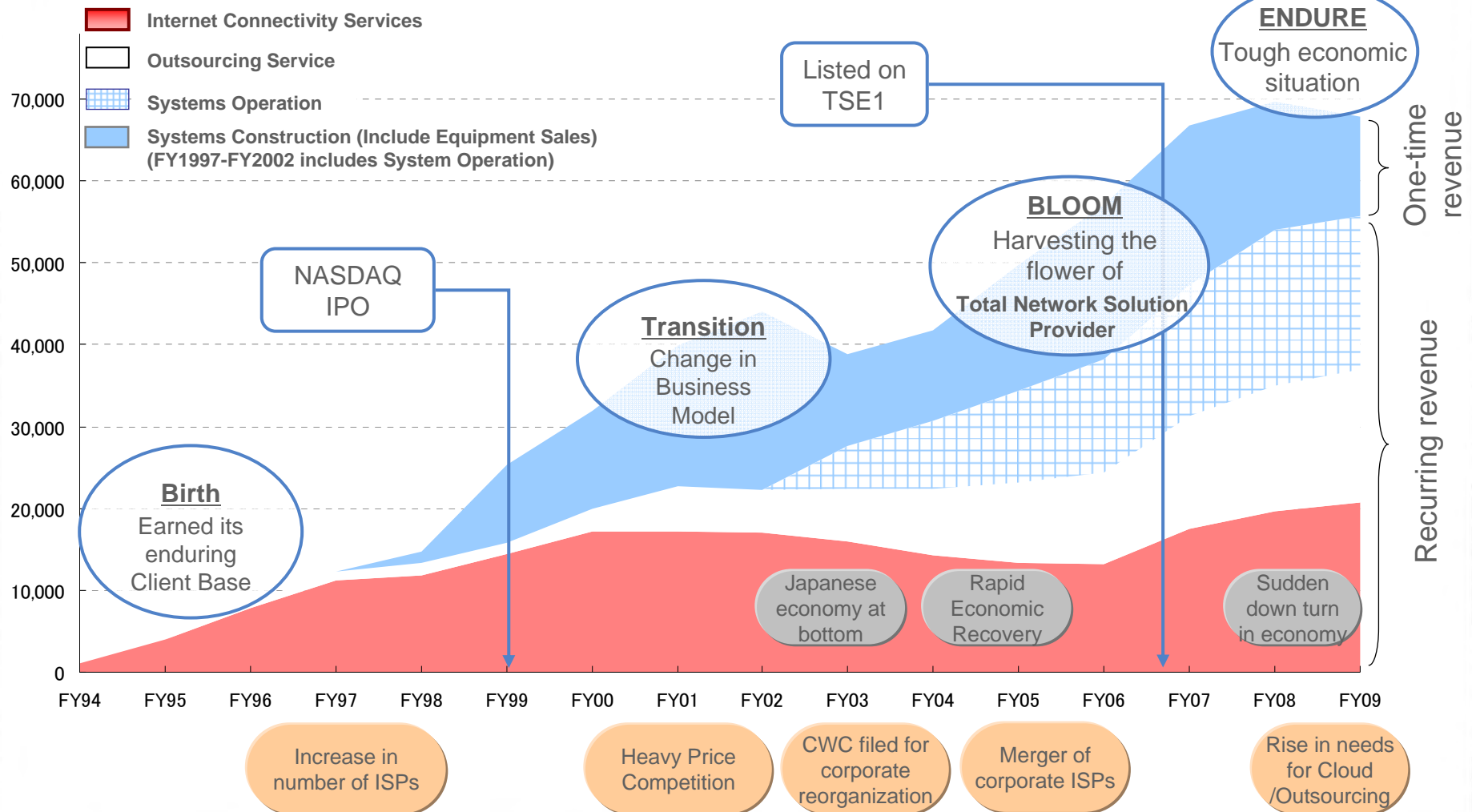


Year	1992	1995	1996	1997	1998	2004	2006	2007	2008	2010
Company	IIJ	IIJ Communications	IIJ America	mf	Net Carrs	ifS	Net Carrs Japan	GDX	On Demand Solutions	IIJ Global
Company		A-Bone	IIJ Technology			II Financial Systems	i-revo	Trust Networks	IIJ INNOVATION INSTITUTE	

Strategic Shift in Business Model

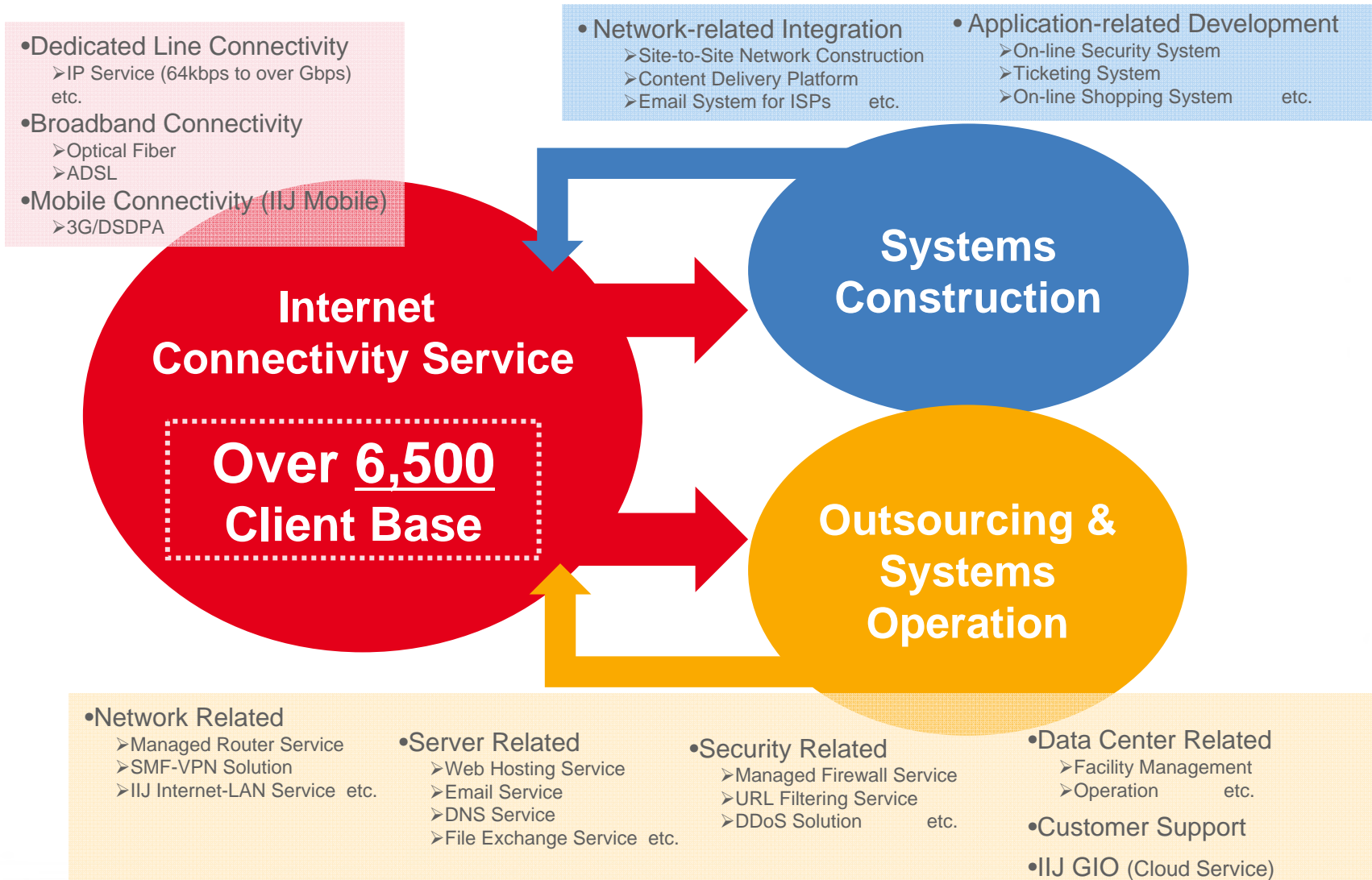
From “ISP” to “Total Network Solution Provider”

(Revenue, JPY million)



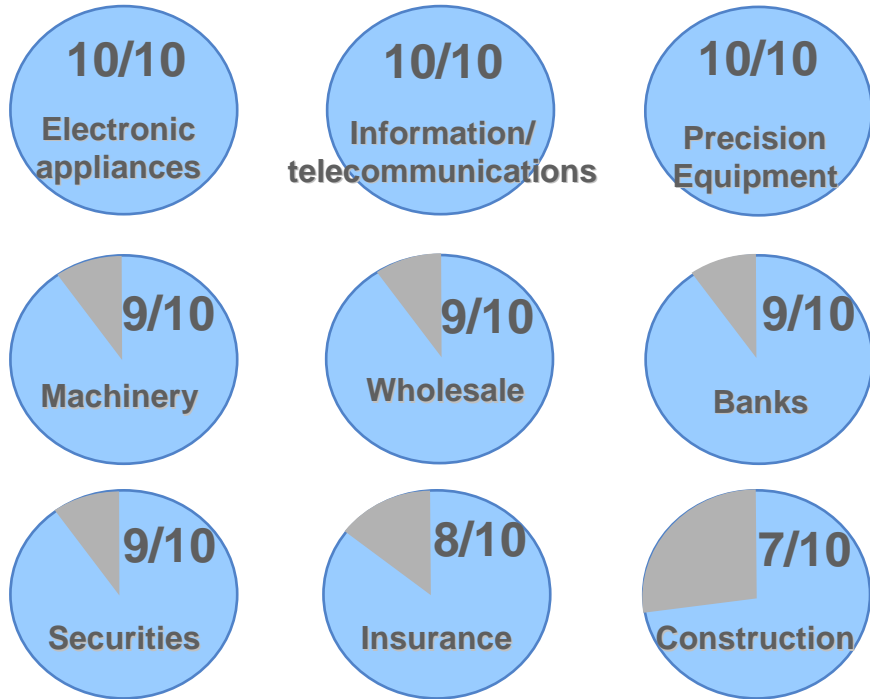
Recurring Business Model

Cross Selling of Total Network Solutions



Excellent Blue-chip Client Base

Top Tiers



- The number of contracts we have among 10 major companies listed by annual consolidated revenue in each industry.
- Revenue data based on Toyo Keizai Shimpo "Kaisha Shikiho," and Nihon Keizai Shimbun "Nikkei Industry Map"

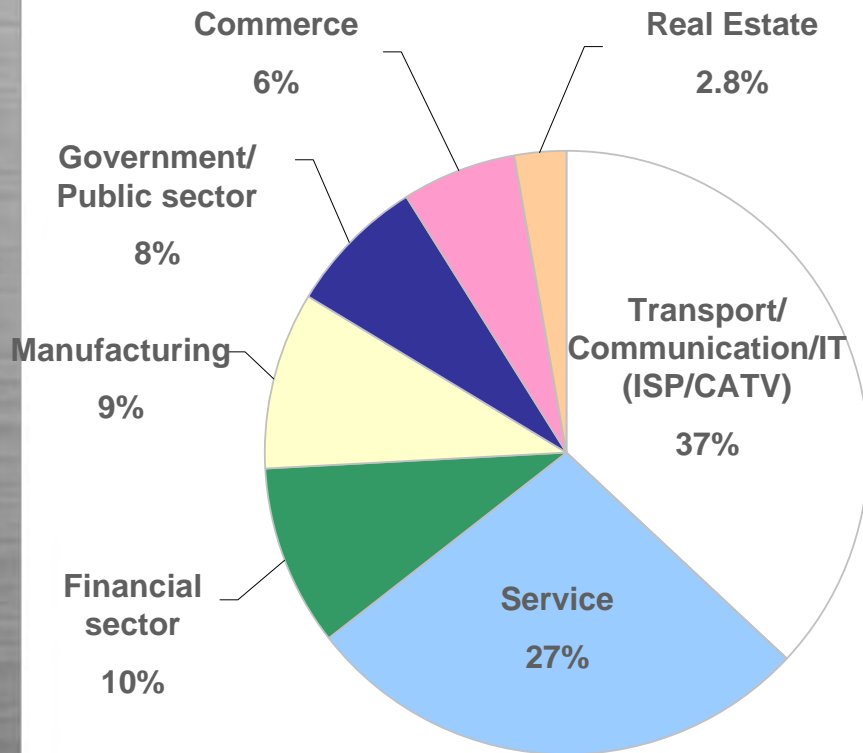
Enduring Relationship with leading companies

HITACHI Inspire the Next
SONY
TOSHIBA
 THE DOCUMENT COMPANY
FUJITSU
FUJI XEROX
RICOH
NTT Communications
SHARP
KOMATSU
OLYMPUS
Nikon
 MUFG Bank of Tokyo-Mitsubishi UFJ
 SMBC 三井住友銀行
MIZUHO
 一生のパートナー
第一生命
 (Daiichi-life)
TOYOTA
 The Asahi Shimbun Japan's Leading National Newspaper - English Edition
excite.
読売新聞
 (The Yomiuri Shimbun)

Cabinet Office
 Ministry of Justice
 Ministry of Internal Affairs and Communications
 Ministry of Land, Infrastructure, Transport and Tourism
 Ministry of Finance
 Ministry of Education, Culture, Sports, Science and Technology

Broad Client Base

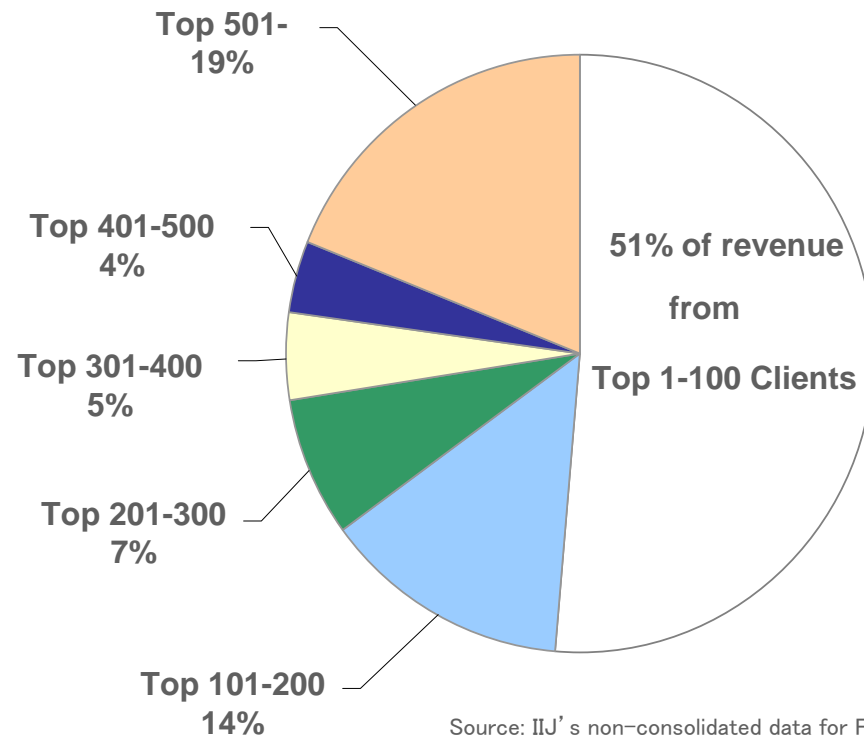
Revenue Distribution by Industry



Source: IIJ's non-consolidated data for FY2009

• Not dependent on specific industry

Revenue Distribution by Clients



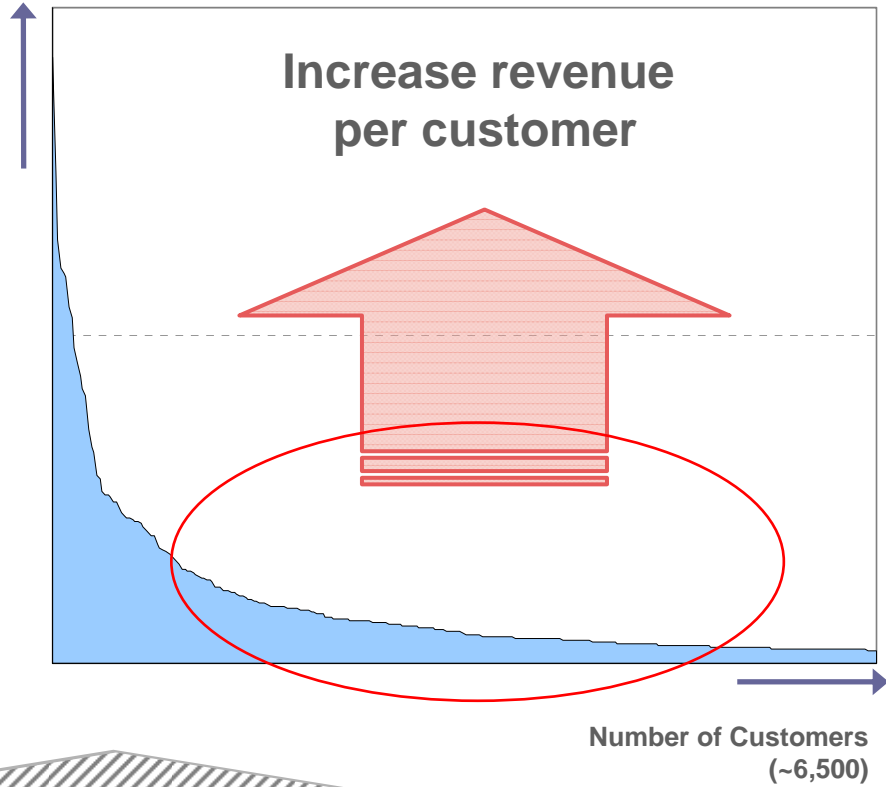
Source: IIJ's non-consolidated data for FY2009

• Not dependent on specific company

Solid Growth Model

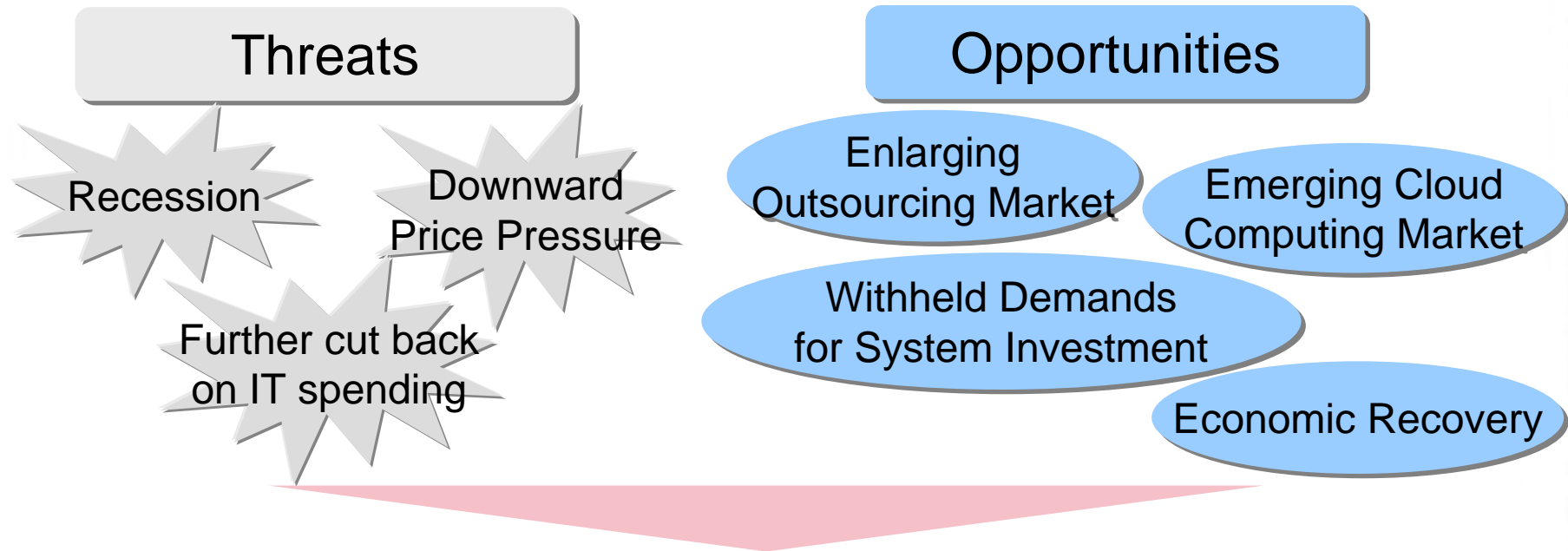
- Customer Retention Strategy
- Cross Selling of Services
- Provide high quality/reliable total network solution
- Introduce new services
- Increase recurring revenues for Stable revenues and profit growth

Revenues by Customer (JPY million)



- IT market growth to continue
- Rise in demands from Outsourcing/Cloud Computing
- IT spending is indispensable in the mid/long term

Current Business Situation



FY2009 Summary

- Connectivity and outsourcing service revenues are steadily growing (up 5.4% YoY)
 - continuous demands for higher bandwidth and outsourcing needs
- SI is weak heavily affected by the cut back on IT spending (down 10.6% YoY)
- Cost control in progress
- Improving profitability despite the weak Japanese Economy
 - FY09 Financial Results:
 - OP ¥3.4billion (up 16.9% YoY), net income ¥2.2 billion (up 57.4% YoY)
- FY2009 year-end cash dividend forecast revised up to JPY1,250 from JPY1,000 per share of common stock.

**Future Growth Opportunities
And
Recent Business Developments**

Growth Opportunity Awaits Ahead

Growth Opportunities

Connectivity Service

- Increase in bandwidth (over 1 Gbps)
- Contents Delivery Network
- Mobile data service (emergence of M2M market)
- IPv6

Outsourcing Service

- Security Services (DDoS, Spam, etc)
- Cloud Computing Services
- Data Center Market Growth

Systems Integration

- “Cloud Computing” related SI
- New strategic IT investments for Japanese companies
- Still uncertain when IT investment demand recover

Solid Growth Model

Best positioned with growing IT demands

IIJ's Strength

- Strong technical skills
- High reputation in reliability
- Established brand within the IT market
- Enduring relationship with blue-chip companies
- Decentralized customer distribution

M&A of AT&T Japan

- Expand Scale of Group Business
- Acquire 1,600 Corporate Clients
- Strong relationship with IBM
- Expand service scope and range
- Enforce sales force

Total Network Solution Provider
Cross Selling Strategy to over 7,800 Clients (6,500 → 7,800)

A Big Step Forward – To Increase Presence in Cloud Computing –

Merged two 100% Owned Consolidated Subsidiaries
To Seize Leadership in Emerging Cloud Computing Market

- ➔ The merger will allow us to strengthen our ability to provide the best cloud computing solutions. Both know-how to operate a service and the skills to construct a network system is indispensable for the Leader in the cloud computing market.

Strengthened Business Foundation

Merged (April 1, 2010)

Network and Outsourcing Service

IIJ

Internet Initiative Japan

SI business

iT

IIJ Technology IIJ Financial Systems

*The Era of
Cloud
Computing*

Mid- to Long-term Growth

IIJ GIO

- Launched in November 2009
- Receiving over 600 inquiries from all different sectors
- Direct sales channel and Partner sales channel

Representative Partners

Microsoft
CITRIX **Cybozu**

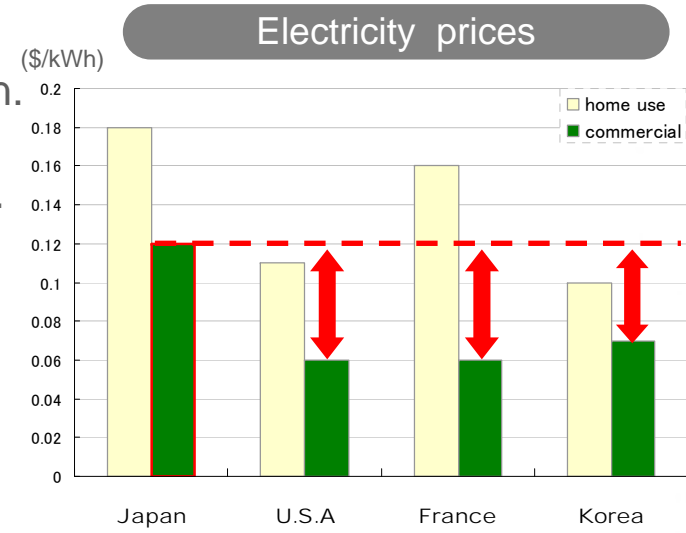
Module Eco-Data Center – Perfect for Cloud Computing Era –

The solution to the tasks we face today

- ➔ The tasks Japanese companies faces when using a data center facility are (1) the high energy cost and (2) the responsibility for CSR, to be an eco-friendly company
- ➔ The risks service providers faces are (1) construction cost and (2) the difficult to predict demands for data center and cloud computing services

◆ Reduces 40% of facility cost by:

- Using outside air to cool the container. The first in Japan.
- Efficient power usage. Reduces CO2 emission.
 - ⇒ Achieved Partial PUE of under 1.1. => Eco-friendly.



Agency for Natural Resources and Energy, FY 2008 Annual Energy Report

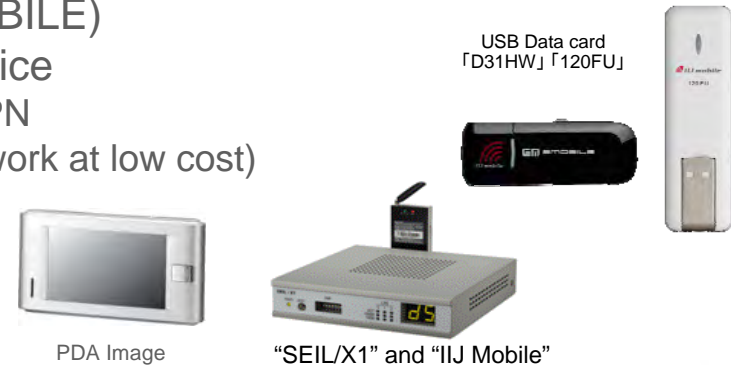
◆ Best suited for cloud computing services because:

- Low construction cost by using a module.
 - ⇒ 1st term (full operation by April 2011) : J PY1.1 billion for 5 modules (around 1,600 servers)
- Easy to expand facility. Can gradually increase the necessary module along with the growing demands

Other Business Developments in Progress

◆ Mobile Data Communication Service (MVNO)

- Launched in January 2008 (NTT Docomo/EMOBILE)
- Security features exclusively for IJJ Mobile Service
 - IP Address Access Restriction, Remote Access VPN
 - IJJ Direct Access (provides a complete private network at low cost)
- Contributing to revenue growth
 - Reached over 40,000 lines as of June 2010
 - Target 100,000 in 3 years
 - Average monthly fee: 4,000 to 5,000 yen



◆ High-quality Content Delivery Platform

- Network Platform System for Japanese IPTV
 - "NHK On-Demand", "Japan International Broadcasting" & "acTVila"
 - Revenue share model with "acTVila" and "NHK" of around 10%
- Digital terrestrial TV broadcasts in FY2011 is expected to boost "acTVila"
- AcTVila aims to reach 6 million acTVila compatible TVs & 2 million unique users
 - As of June 2010, AcTVila reached 2 million acTVila compatible TVs



◆ "SMFv2" and "SMF-LAN"

- Received patents in both Japan and the U.S.A.
- Aggressively deploying SMF technology to other router makers to establish and realize a safe and reliable network society.



Trust Networks Inc. in Business Start Up



◆ ATM Network Operation Business

- Established July 2007
- Places ATMs in Amusement Parlors
- Operates 140 ATMs as of August 13, 2010
- Receives commission from each withdrawal
- Similar model to “Seven Bank”

(ex.) Seven Bank FY09 Revenue; 90 billion yen,
Operating Income; 30 billion yen with 14,601 ATMs

- Daily usage per ATM is the key to profit growth

Unit: million

	1Q09	2Q09	3Q09	4Q09	1Q10
Revenue	7	31	70	98	106
Operating Loss	(233)	(234)	(263)	(270)	(161)

The total number of ATMs placed and the daily usage per ATM is the key to profit growth



ATM Image

Enhancing business scope by AT&T Japan M&A (1)

To acquire WAN and other domestic network outsourcing services from AT&T Japan

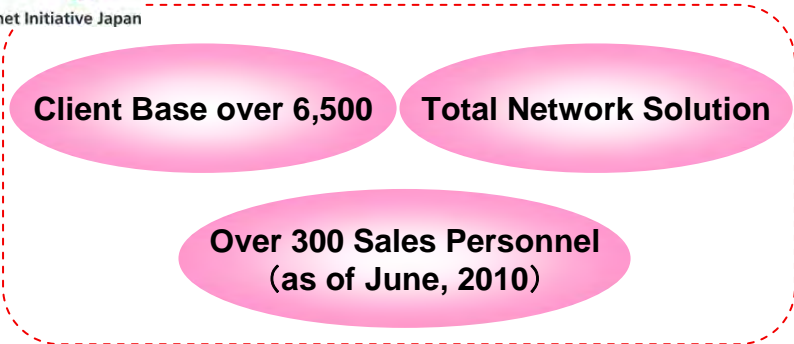
→ IIJ to expand its Group client bases as well as to strengthen its abilities to provide total network solutions by maximizing Group synergy.

- Add 1,600 blue-chip corporate clients
- Especially strong in providing WAN services
- Provides network operation for financial industries and manufacturing companies
- Strong direct and partner sales channel

- Strong relationship with IBM
- AT&T historically ties up with IBM for sales activities
- The new company will succeed the same relationship between IBM

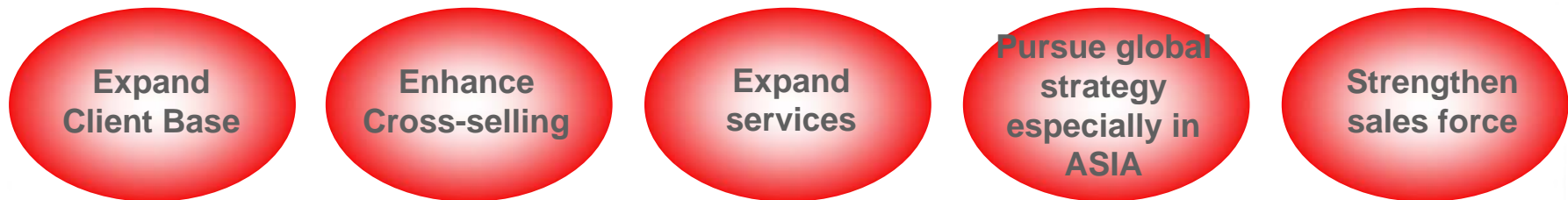
- Enhance business scope
- Enhance cross-selling
- Strong sales force
- Cross-selling WAN services to existing and newly acquired blue-chip customers
- Business tie-up with AT&T to provide global services

Enhancing business scope by AT&T Japan M&A (2)



(the acquiring business)

IIJ Global



◆ Details of this acquisition

- Acquired stock of the newly established subsidiary from AT&T on Sep. 1, 2010.
New subsidiary company : IIJ Global Solutions Inc.
- Acquisition price: JPY9,170 million (Uses mainly short-term bank borrowings)



IIJ Global

FY2010 Target












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


	FY10 Previous Target (10/4~11/3)	Revised FY10 Target (10/4~11/3)	FY09 Actual (09/4~10/3)	YoY (Revised FY10 to FY09 Actual)	
Total Revenues	71.0	84.5	68.0	+16.5	24.3%
Operating Income	4.3	4.8	3.4	+1.4	40.7%
Income before Income Tax Expense (Benefit)	3.7	4.1	2.9	+1.2	43.4%
Net Income attributable to IIJ	2.6	3.0	2.2	+0.8	34.3%
Net Income attributable to IIJ per Share	JPY12,837	JPY 14,812	JPY 11,030	-	-
Cash Dividend per Share	JPY2,500 (Annual)	JPY 2,500 (Annual)	JPY 2,250 (Annual)	+250	11.1%

➤ Revised on June 1, 2010. As announced on, we have agreed to acquire WAN and other domestic network outsourcing business from AT&T Japan.

IIJ Group Companies

(as of Sep. 2010)

	Company Name	Ownership	Main Business
Consolidated Subsidiaries	 Net Care, Inc.	100%	Provides a full range of network operation and management services, from customer support, end-user help desks, monitoring and troubleshooting to integrated management services.
	 Net Chart Japan Inc.		Provides network construction services, primarily for LANs, such as network installation wiring, installation and set-up of equipment, installation of applications, and operational support.
	 IIJ America Inc.		Provides quality Internet services in the U.S. with a focus on U.S.-based enterprises doing business in the Asia-Pacific region. Also IIJ-A constructs and operates on U.S. Internet backbone network.
	 hi-ho, Inc.		Supports customer's safe, secure and comfortable Internet life based on ISP business for personal users.
	 IIJ Innovation Institute Inc.		An incubation business for the next generation internet. (R&D)
	 IIJ Global Solutions Inc.		Provides domestic network outsourcing related services including WAN service and international network related services
		 Trust Networks Inc.	74.2%
	 GDX Japan Inc.	62.3%	Building safe, reliable corporate messaging networks and providing message exchange services.
Equity Method Investees	 Internet Multifeed Co.	32%	Provides mutual access with other major ISPs and content distribution services based on Multifeed technology. Also MFEED operates JPNAP, a distributed IX service.
	 Internet Revolution, Inc.	30%	Operates a comprehensive portal site that provides various contents, such as SNS, blogs, stunning games, videos, and music.
	 Taihei Computer Co., Ltd.	45%	Provides operation of reward point management system



1Q10 Consolidated Financial Results

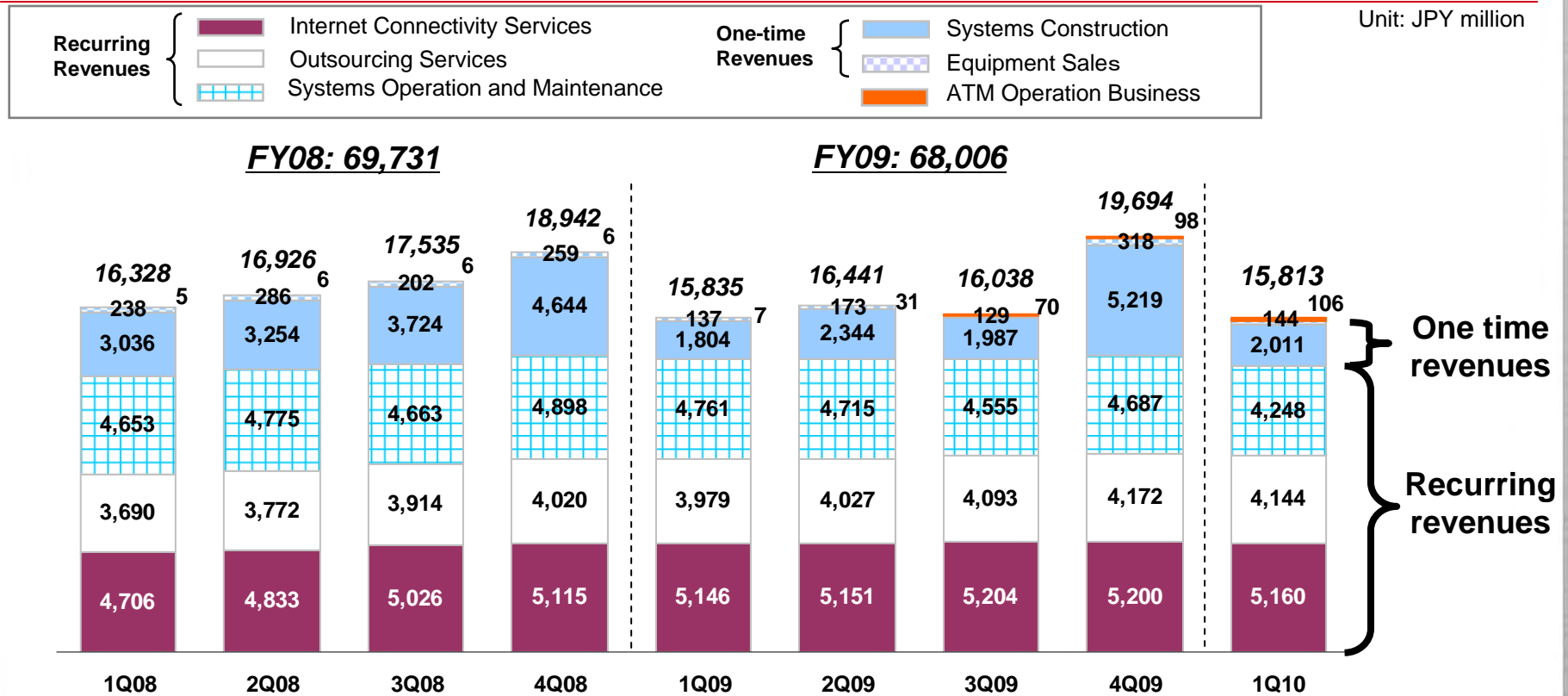
(Announced August 13 , 2010)

II-1. Consolidated Results for 1Q FY2010

Unit: JPY million

	% of Revenues 1Q10 (10/04~10/6)	% of Revenues 1Q09 (09/04~09/6)	YoY	
Total Revenues	15.8	15.8	(0.1%)	➤ 1Q revenues are seasonally low but revenue was in line with original target
Total Costs	12.8	12.8	(0.4%)	
Gross Margin	3.0	3.0	0.9%	➤ Gross margin and gross margin ratio was nearly the same as 1Q09
SG&A/R&D	2.8	2.6	4.3%	➤ Personnel related expenses increases annually at the beginning of the fiscal year
Operating Income	0.3	0.4	(24.3%)	➤ Operating loss for ATM Operation Business 1Q10 : JPY161 million (losses) 1Q09 : JPY233 million (losses)
Income before Income Tax Expense	0.3	0.3	(6.9%)	
Net Income Attributable to IIJ	0.2	0.2	36.8%	➤ Deferred tax expense 1Q10 : JPY88 million (losses) 1Q09 : JPY186 million (losses)

II-2. Revenues



◆ **Recurring revenues: JPY 13,552 million (down 2.4% YoY, down 3.6% QoQ)**

➔ Growth rate of 1Q recurring revenues are weak due to price down pressure which are common at the beginning of every fiscal year.

- Internet connectivity service: up 0.3% YoY, down 0.8% QoQ
- Outsourcing service: up 4.1% YoY, down 0.7% QoQ
- Systems operation and maintenance: down 10.8% YoY, down 9.4% QoQ

◆ **One time revenues: JPY 2,156 million (up 11.1% YoY, down 61.1% QoQ)**

- Systems construction: up 11.5% YoY, down 61.5% QoQ

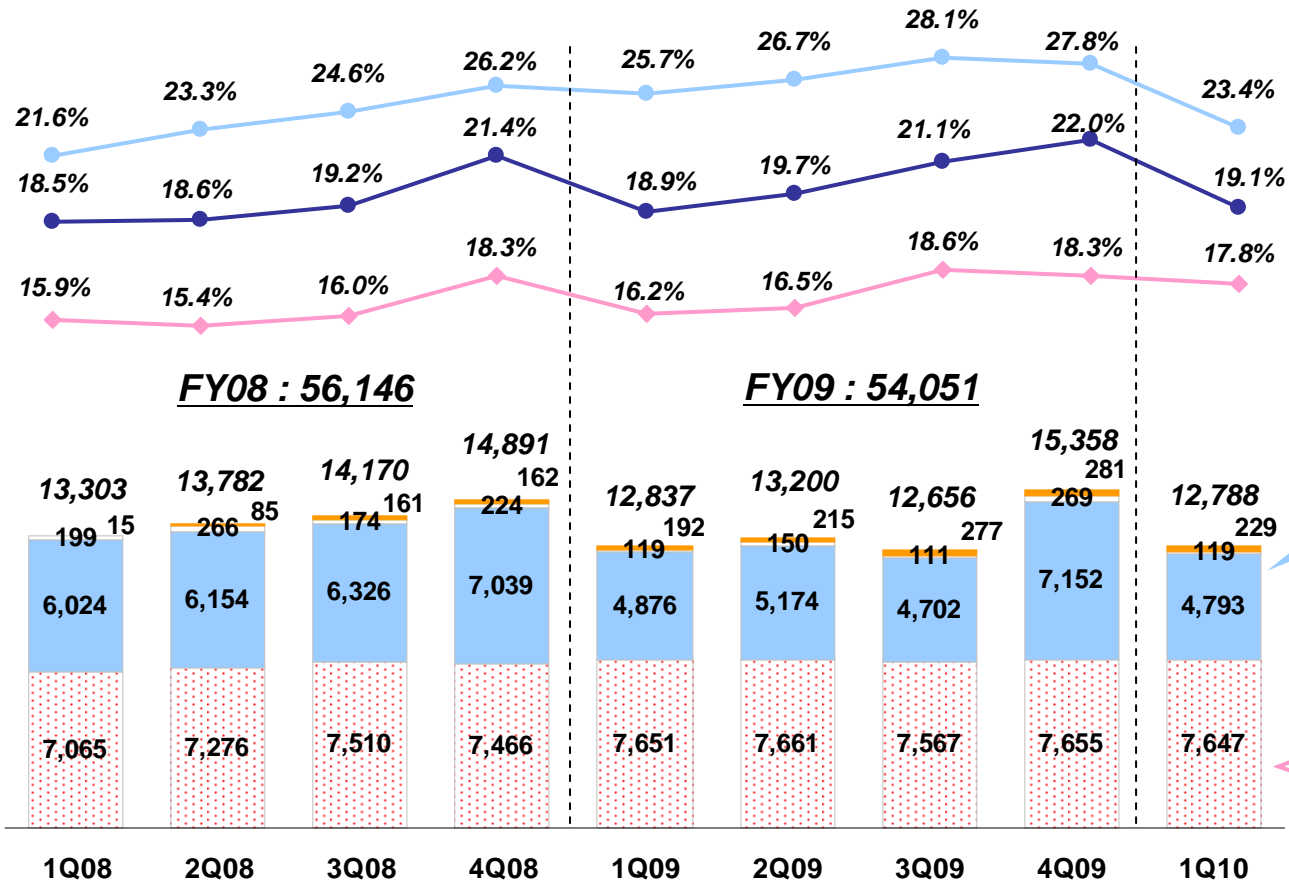
◆ **ATM operation business revenue: up JPY 98 million YoY, up JPY 7 million QoQ)**

YoY = 1Q10 compared to 1Q09
QoQ = 1Q10 compared to 4Q09

II-3. Cost of Revenues and Gross Margin Ratio

Cost of Revenues  Connectivity and Outsourcing Services  SI  Equipment Sales  ATM Operation Business
Gross Margin Ratio  Connectivity and Outsourcing Services  SI  Total Gross Margin Ratio

Unit: JPY million



FY08 : 56,146

FY09 : 54,051

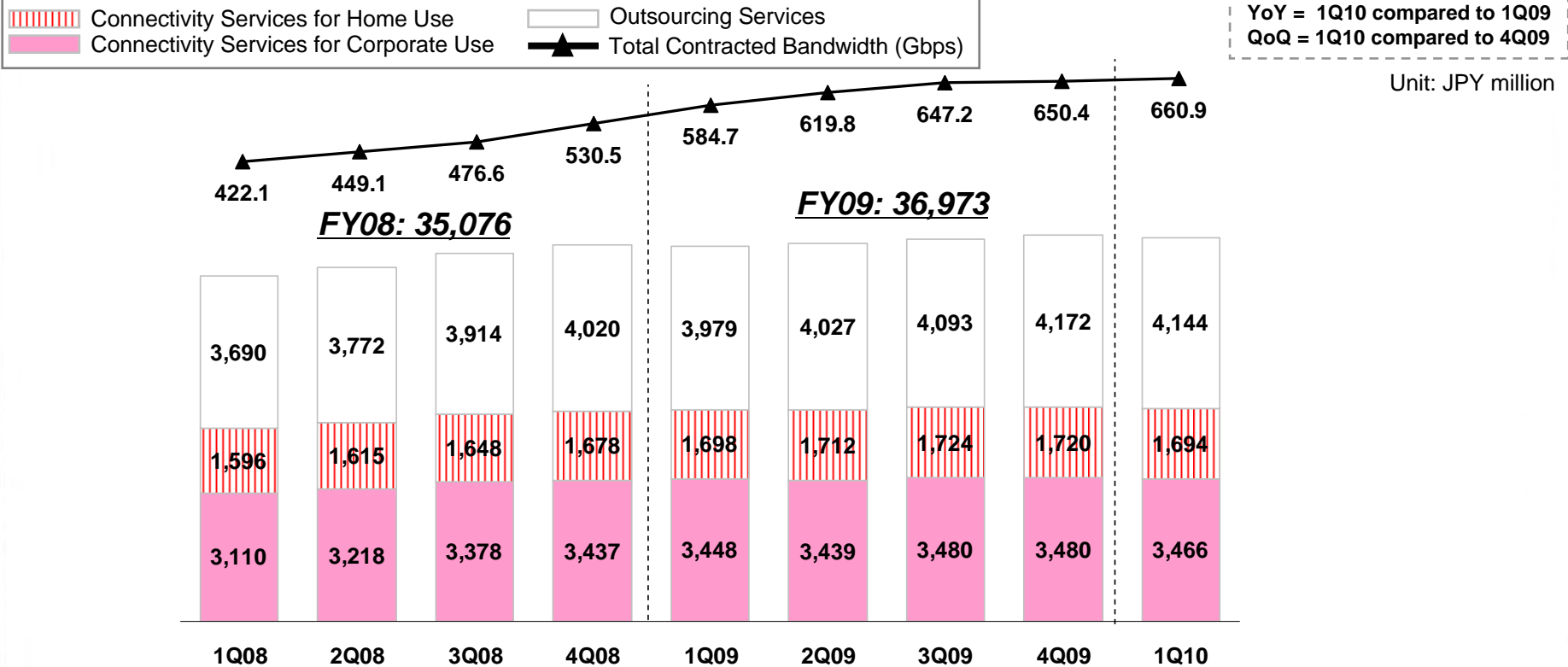
SI
Personnel related costs, outsourcing costs and purchase etc.

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

- ◆ **Cost of connectivity and outsourcing service: YoY, down 0.1% QoQ**
 - Gross margin ratio: up 1.6 points YoY, down 0.5 points QoQ
- ◆ **Cost of SI: down 1.7% YoY, down 33.0% QoQ**
 - Gross margin ratio: down 2.3 points YoY, down 4.4 points QoQ
- ◆ **Cost of ATM operation business: up JPY37 million YoY, down JPY51 million QoQ**

YoY = 1Q10 compared to 1Q09
QoQ = 1Q10 compared to 4Q09

II-4. Connectivity and Outsourcing Services (1) Revenues



◆ **Connectivity service for corporate use: up 0.5% YoY, down 0.4% QoQ**

- QoQ : IP service revenue decreased due to price pressure at the beginning of the fiscal year. IIJ Mobile service revenue increased.
- Over 1Gbps contracts reached 123 contracts as of June 2010 (up 21 contracts YoY, down 2 contracts QoQ).

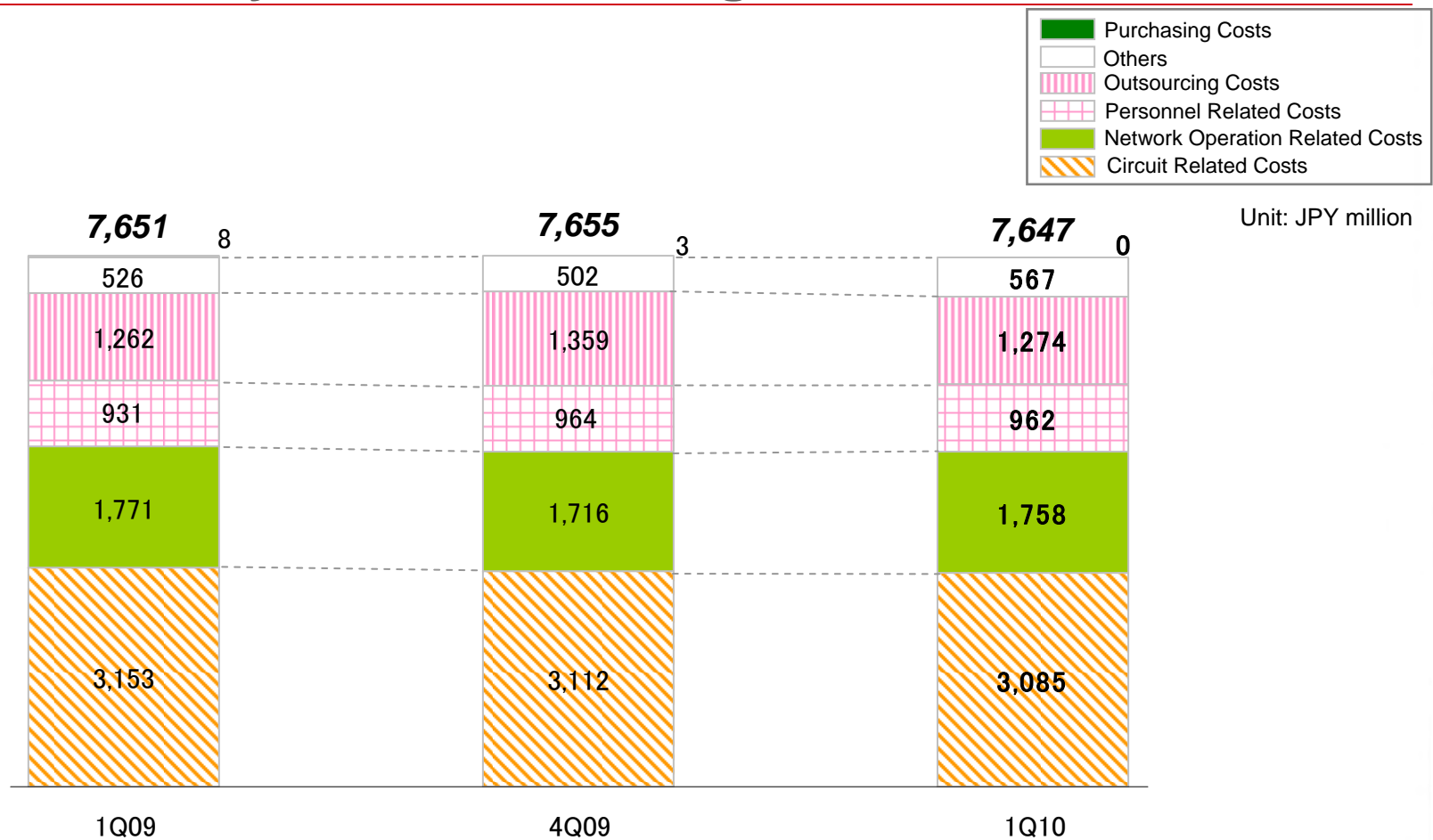
◆ **Connectivity service for home use: down 0.2% YoY, down 1.5% QoQ**

- QoQ : OEM service revenue decreased as one of our OEM clients terminated their service as planned. MVNO revenue for home use increased.
- ✓ Mobile service contracts were over 40,000 lines (slight increase QoQ). There was a cancellation from a large client during this first quarter.
 We are enhancing M2M service this fiscal year in expectation to increase Mobile service contracts.

◆ **Outsourcing service: up 4.1% YoY, down 0.7% QoQ**

- QoQ : Decreased as there were one time revenue in 4Q09. Outsourcing services in general are steadily increasing.
- Inquiries for "IIJ GIO" are increasing. Currently, most contracts are for trial use but we are gradually receiving orders for mid to large size contracts such as email related systems. We will enhance IIJ GIO's competitiveness by broadening service line-ups and cost reduction by introducing effective operation and the Module-Type Eco Data Center.

II-4. Connectivity and Outsourcing Services (2) Cost of Revenues



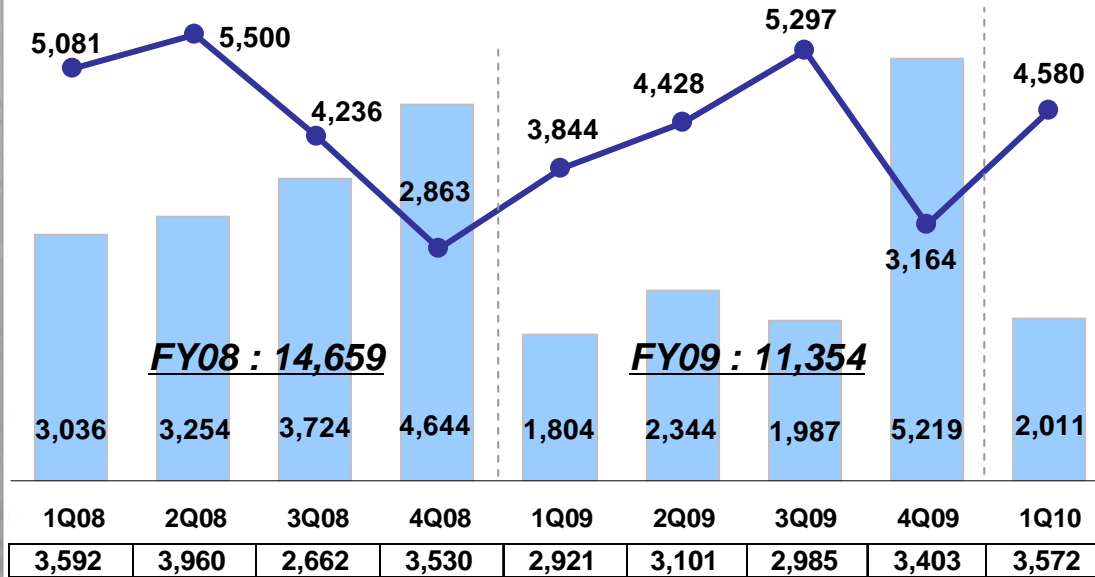
◆ **Total cost of connectivity and outsourcing service:**

- Costs for 1Q10 are nearly the same as 1Q09 and 4Q09.
- In FY2010, we expect total cost to increase in connection with the increase in revenues. However, we do not expect it would increase rapidly nor largely

YoY = 1Q10 compared to 1Q09
 QoQ = 1Q10 compared to 4Q09

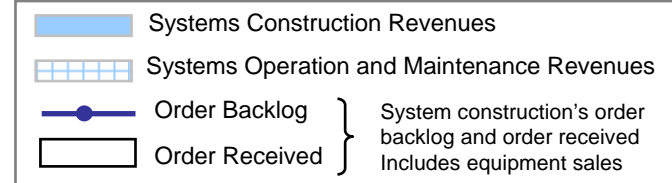
II-5. Systems Integration (1) Revenues

(Systems construction)



Unit: JPY million

YoY = 1Q10 compared to 1Q09
QoQ = 1Q10 compared to 4Q09

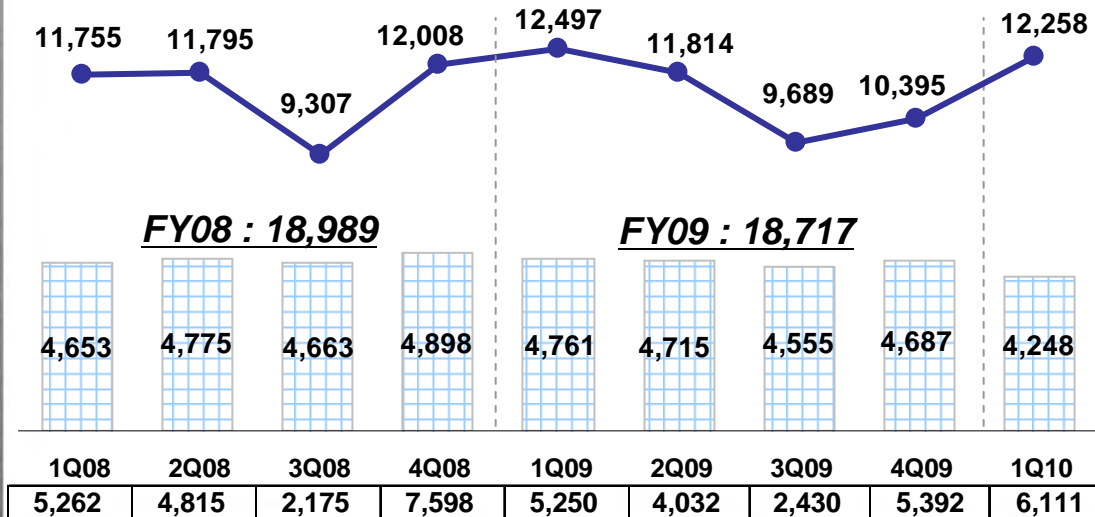


Systems Construction

- ◆ Revenue: up 11.5% YoY, down 61.5% QoQ
- ◆ Order Backlog: up 19.1% YoY, up 44.8% QoQ

- SI transactions during the first quarter are seasonally low and tend to increase in the latter half of the fiscal year.
- YoY: Revenue increased with carried over projects from 4Q09, though there was scale-down of a contract from a certain large client (down JPY 0.6 billion YoY).
- We received several large orders from mainly public sectors.
- Orders Received increased 22.3% YoY.

(Systems operation and maintenance)

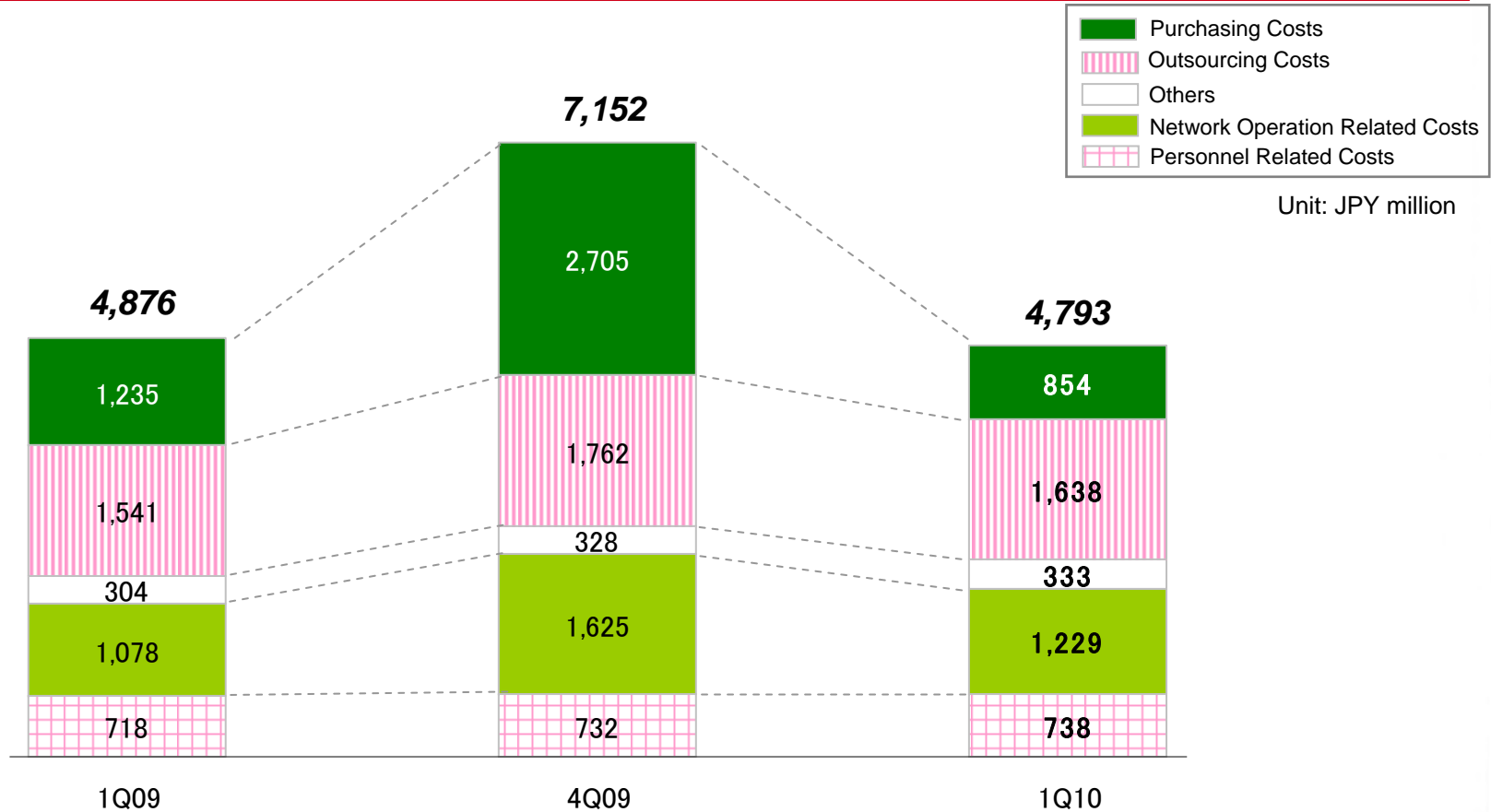


Systems operation and maintenance

- ◆ Revenue: down 10.8% YoY, down 9.4% QoQ
- ◆ Order Backlog: down 1.9% YoY, up 17.9% QoQ

- YoY: Revenue decreased due to scale-down of a contract from a certain large client (down JPY 0.7 billion YoY).
- Orders Received increased 16.4% YoY
- Order Backlog was almost the same as 1Q09 .
- We expect systems operation and maintenance to recover in connection with the gradual increase in systems construction demands.

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



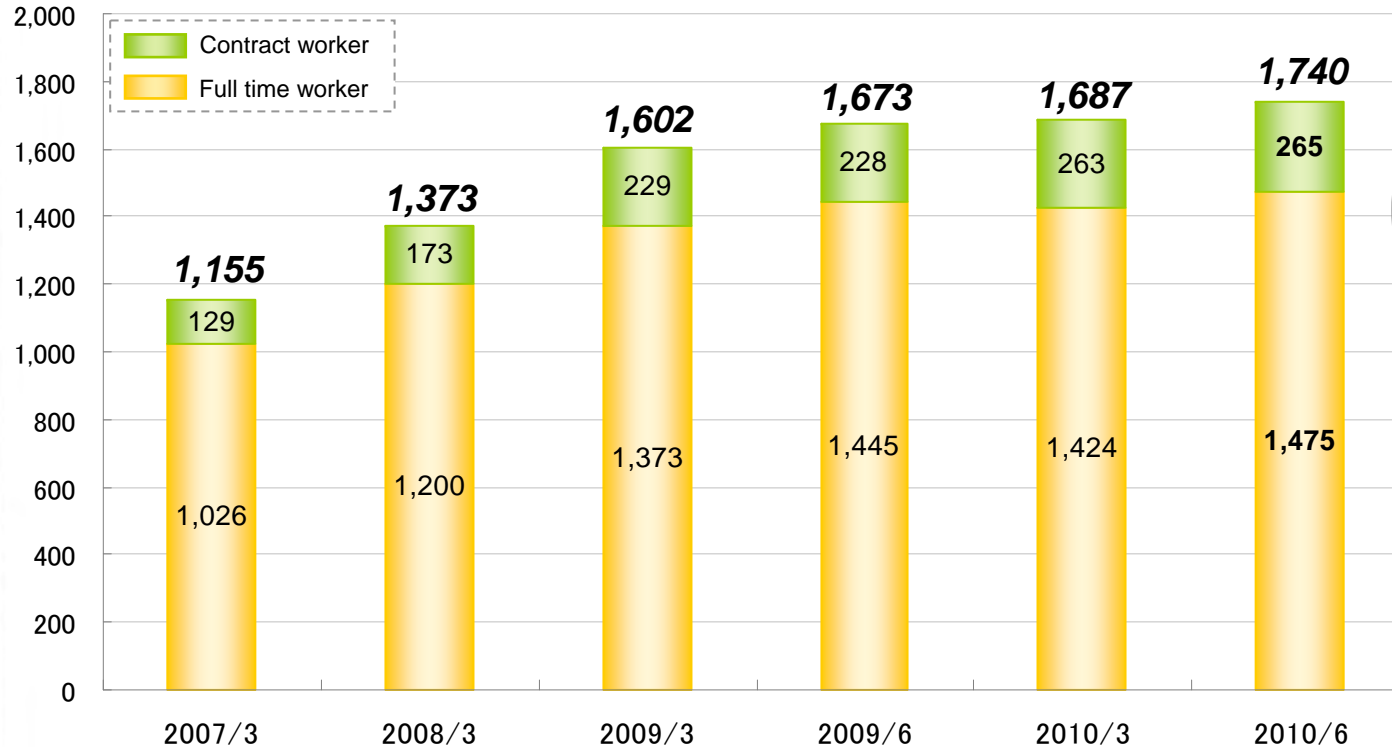
YoY = 1Q10 compared to 1Q09
 QoQ = 1Q10 compared to 4Q09

◆ **Total cost of systems integration: down 1.7% YoY, down 33.0% QoQ**

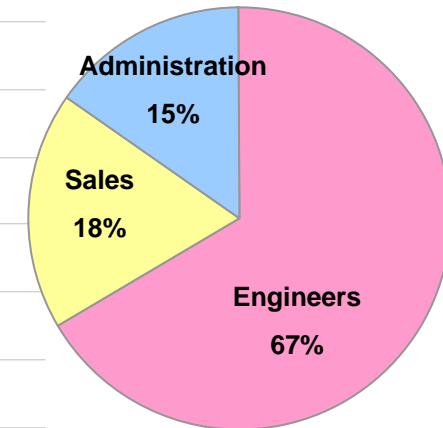
- YoY: Network operation related costs and outsourcing costs increased while purchasing costs decreased.
- QoQ: Purchasing costs decreased in relation with the decrease in revenues and network operation related costs decreased.
- The number of full-time outsourcing personnel increased in connection with the increase in systems construction orders: 341 people as of June, 2010 (YoY: up 119 personnel. QoQ: up 29 personnel)

II-6. Number of Employees

(number of employees)



[Employee Distribution]



Personnel related costs and expenses
(% of revenue)

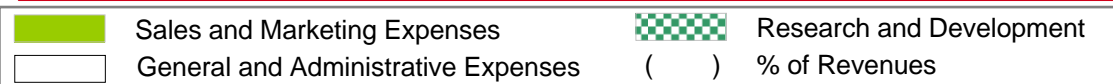
2,771 (17.5%)	2,887 (14.7%)	2,925 (18.5%)
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Unit: JPY million

YoY = 1Q10 compared to 1Q09
QoQ = 1Q10 compared to 4Q09

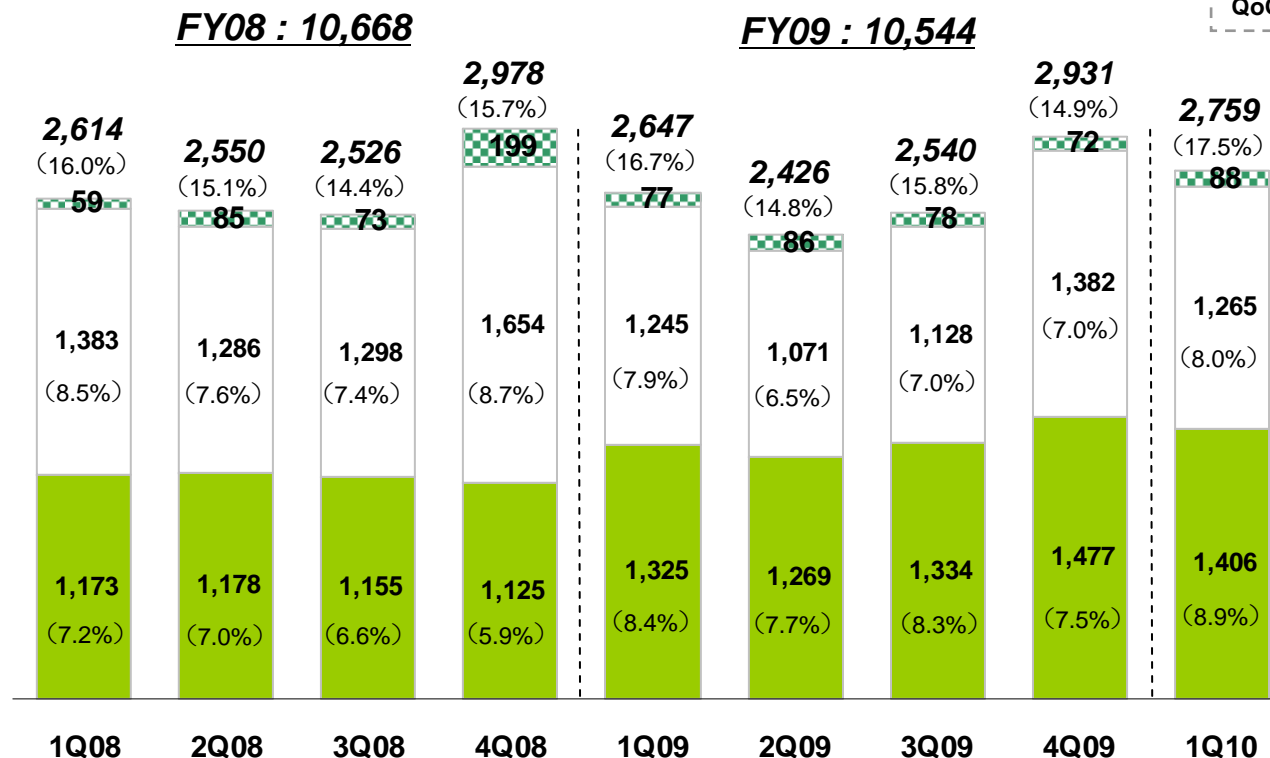
- ◆ **Number of employees as of June 2010: increased 67 personnel YoY, increased 53 personnel QoQ**
 - Hired 60 newly graduates in FY2010 (FY2009: 77 newly graduates, FY2008: 92 newly graduates)
- ◆ **Personnel related cost and expenses: up JPY154 million (up 5.6 %) YoY, up JPY38 million (up 1.3%) QoQ**

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



Unit: JPY million

YoY = 1Q10 compared to 1Q09
QoQ = 1Q10 compared to 4Q09



◆ **SG&A/R&D expenses: up 4.3% YoY, down 5.9% QoQ**

➤ **Sales and marketing expenses:**

YoY: increase in personnel related costs in relation to the increase in the number of employees.

QoQ: while personnel related costs increased, depreciation expenses decreased

➤ **General and administrative expenses:**

YoY: increase in depreciation expenses.

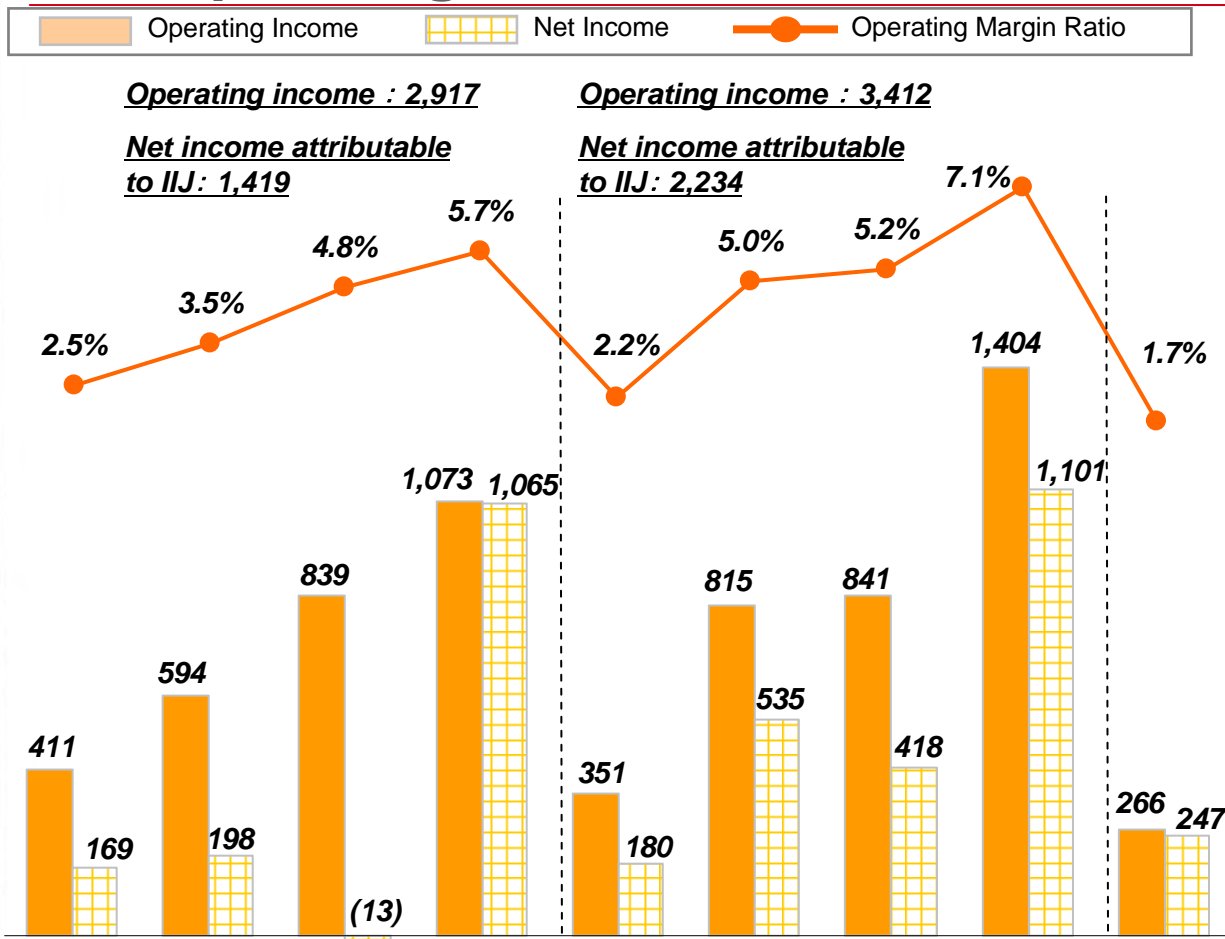
QoQ: decrease as there were disposal of assets in 4Q09.

➤ **SG&A expenses related to ATM operation business: JPY37 million (JPY49 million in 1Q09, JPY88 million in 4Q09)**

While focusing on starting-up the business, we are executing expense reduction such as outsourcing related expenses

II-8. Operating Income and Net Income

Unit: JPY million



Operating income : 2,917

Net income attributable to IIJ: 1,419

Operating income : 3,412

Net income attributable to IIJ: 2,234

YoY = 1Q10 compared to 1Q09
QoQ = 1Q10 compared to 4Q09

◆ Operating Income:

➢ YoY: Though gross margin of connectivity and outsourcing services increased, gross margin of SI decreased and SG&A expenses increased.

◆ Income before income tax expense:

➢ YoY: dividends received increased, gains on sales of other investments increased and interest expense decreased.

◆ Net income attributable to IIJ:

➢ Deferred tax expense
1Q10: JPY88 million in expenses
1Q09: JPY186 million in expenses

➢ Net loss attributable to noncontrolling interests:
1Q10: JPY54 million
1Q09: JPY93 million

◆ ATM Operation Business:

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

➢ Placed 140 ATMs as of Aug.13 2010.

➢ Trust Networks Inc.
- Established July 2007
- Ownership: 74.2% (as of July 2010)

	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10
Income Tax Expenses	213	326	653	(190)	244	284	514	90	120
Deferred tax expense	127	251	594	(335)	186	187	418	(34)	88
Equity in net income (loss) of equity method investees	18	(17)	44	(10)	32	11	85	32	34
Net loss attributable to noncontrolling interests	55	85	120	93	93	82	90	83	54

II-9. Consolidated Balance Sheets

Unit: JPY million

	June 30, 2010	March 31, 2009	Changes
Cash and Cash Equivalents	9,137	8,764	+373
Accounts Receivable	9,635	11,397	(1,761)
Inventories	639	808	(169)
Prepaid Expenses	3,019	1,593	+1,426
Deferred tax assets (current)	1,446	1,571	(125)
Other Investments	2,642	2,582	+60
Property and Equipment	13,221	12,970	+251
Goodwill and Other Intangible Assets	5,375	5,459	(83)
Deferred tax assets (non-current)	573	685	(112)
Borrowings (Short-term)	4,520	4,450	+70
Accumulated Deficit	(16,726)	(16,720)	(6)
Accumulated Other Comprehensive Income	144	169	(25)
Total IJ Shareholders' Equity	27,288	27,320	(31)
Total Assets	50,805	51,115	(310)

➤ Decreased in connection to the decrease in on-going SI Projects

➤ Payments of bonuses

➤ Nonmarketable equity securities: JPY1,486 million

➤ Available for sale equity securities: JPY888 million

➤ Others: JPY268 million

➤ Non-amortized intangible assets: JPY2,806 million

- Goodwill: JPY2,614 million
- Trademark: JPY192 million

➤ Amortized intangible assets: JPY2,560 million

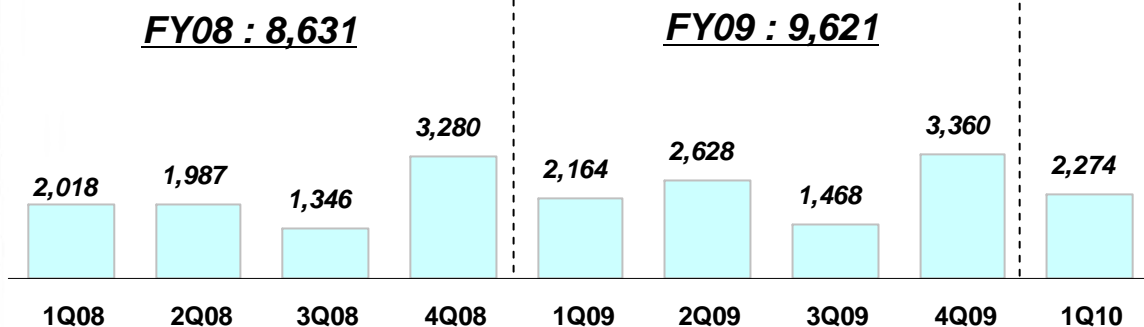
- Customer relationships: JPY2,486 million
- Licenses: JPY74 million

➤ IJ Shareholders' equity ratio: 53.7%

II-10. Consolidated Cash Flows

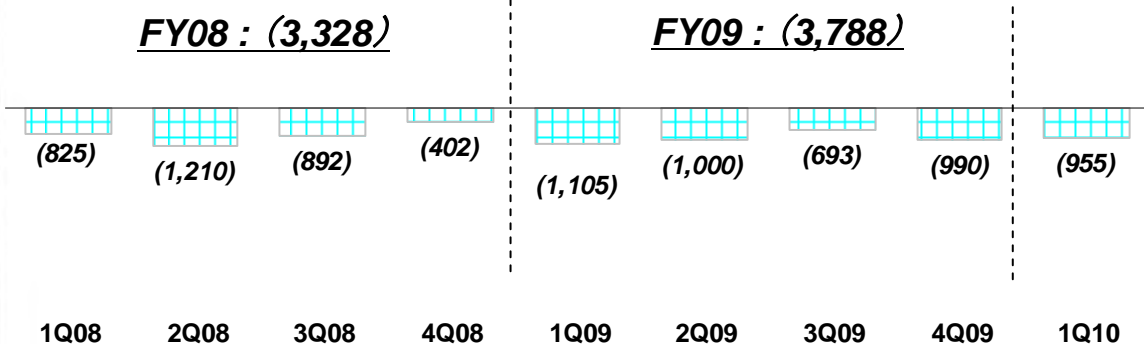
Unit: JPY million

Net cash provided by (used in) operating activities



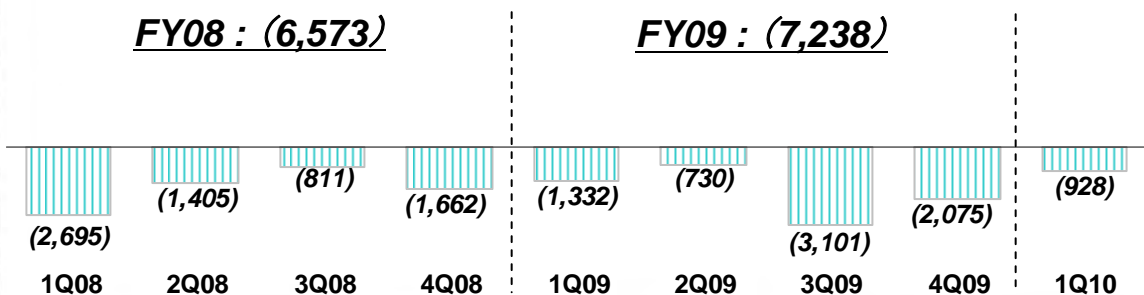
- Decrease in accounts receivable: JPY1,768 million
 - Increase in accrued expenses, other current and noncurrent liabilities: JPY1,085 million
 - Increase in inventories, prepaid expenses and other current and noncurrent assets: (JPY1,084 million)
- etc.

Net cash used in investing activities



- Purchase of property and equipment: (JPY913 million)
 - Purchase of other investments (net): (JPY50 million)
 - Purchase of available-for-sale securities: (JPY36 million)
- etc.

Net cash provided by (used in) financing activities



- Principle payments under capital leases: (JPY745 million)
 - Dividend payment: (JPY253 million)
 - Borrowing of short-term borrowings: JPY70 million
- etc.

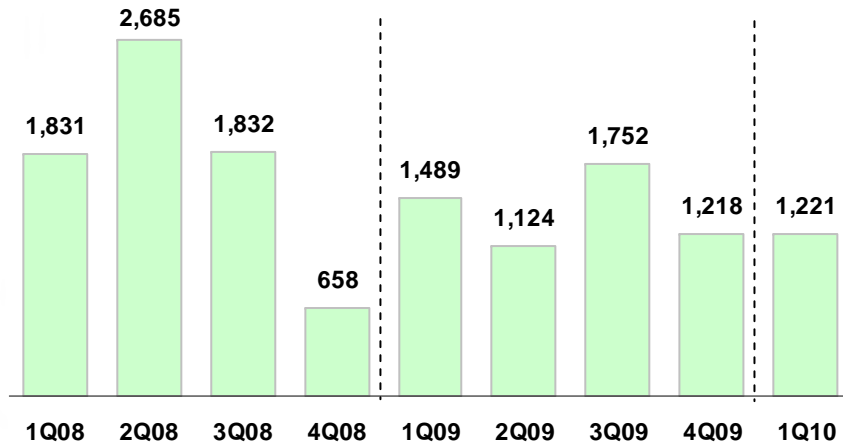
II-11. Other Financial Data (CAPEX etc.)

Unit: JPY million

CAPEX (Include Capital Lease)

FY08 : 7,006

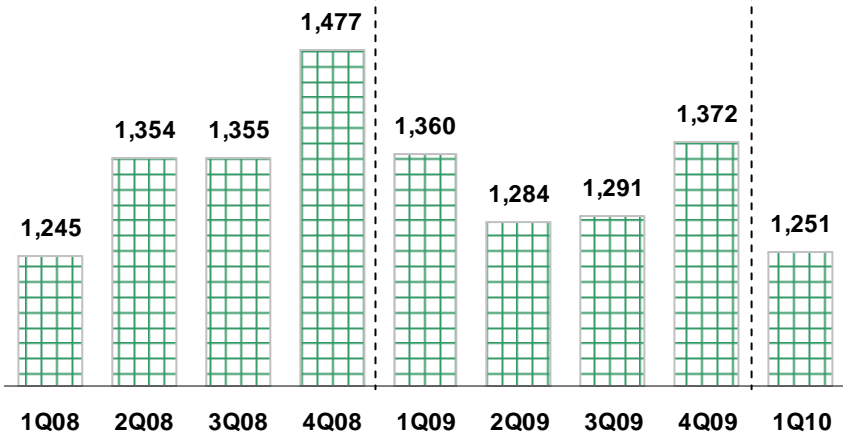
FY09 : 5,584



Depreciation and Amortization

FY08 : 5,431

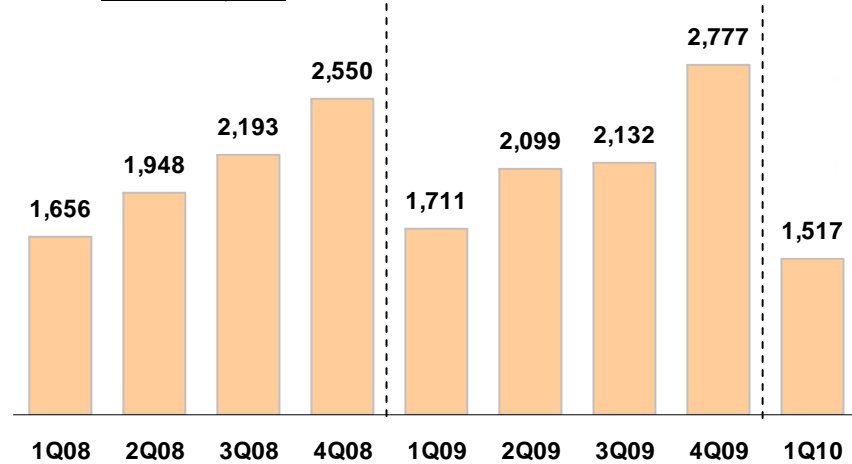
FY09 : 5,307



Adjusted EBITDA

FY08 : 8,348

FY09 : 8,718



Forward Looking Statement

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

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