



Internet Initiative Japan Inc.

2009 Nomura Asia Equity Forum

July 8-9, 2009

President & CEO, Koichi Suzuki

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

Ongoing Innovation

TSE1:3774 NASDAQ:IIJI

Key Investment Highlights

- ◆ Top IP Engineering Company in Japan
- ◆ Target Blue-chip and Governmental Organizations in Japan with dominant position
- ◆ Best Positioned in the Growing Outsourcing Market in Japan
- ◆ Stable revenue growth from the accumulating recurring revenue
- ◆ 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 (see page 4)

◆ 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

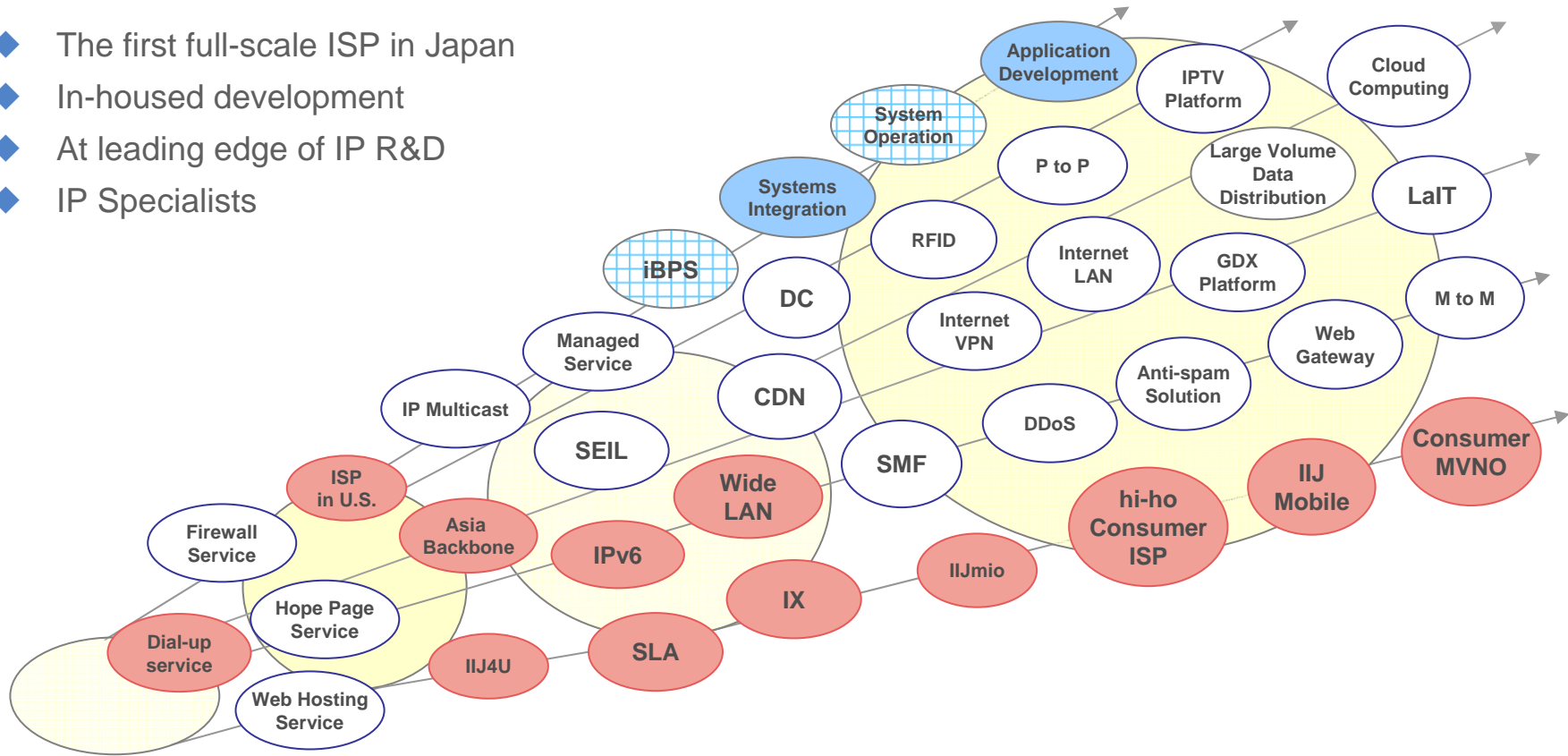
- IPv6, Mobile IPv6(MIPv6), NetBSD
- Distributed and Parallel Processing Platform for very large data sets
- Participation in world-wide research
- Board Member of “Telecom-ISAC Japan”

| Company Profile (as of March 2009) | |
|------------------------------------|-------------------------------------------------------------------|
| Established | December 1992 |
| Number of Employees | Consolidated: 1,602 (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



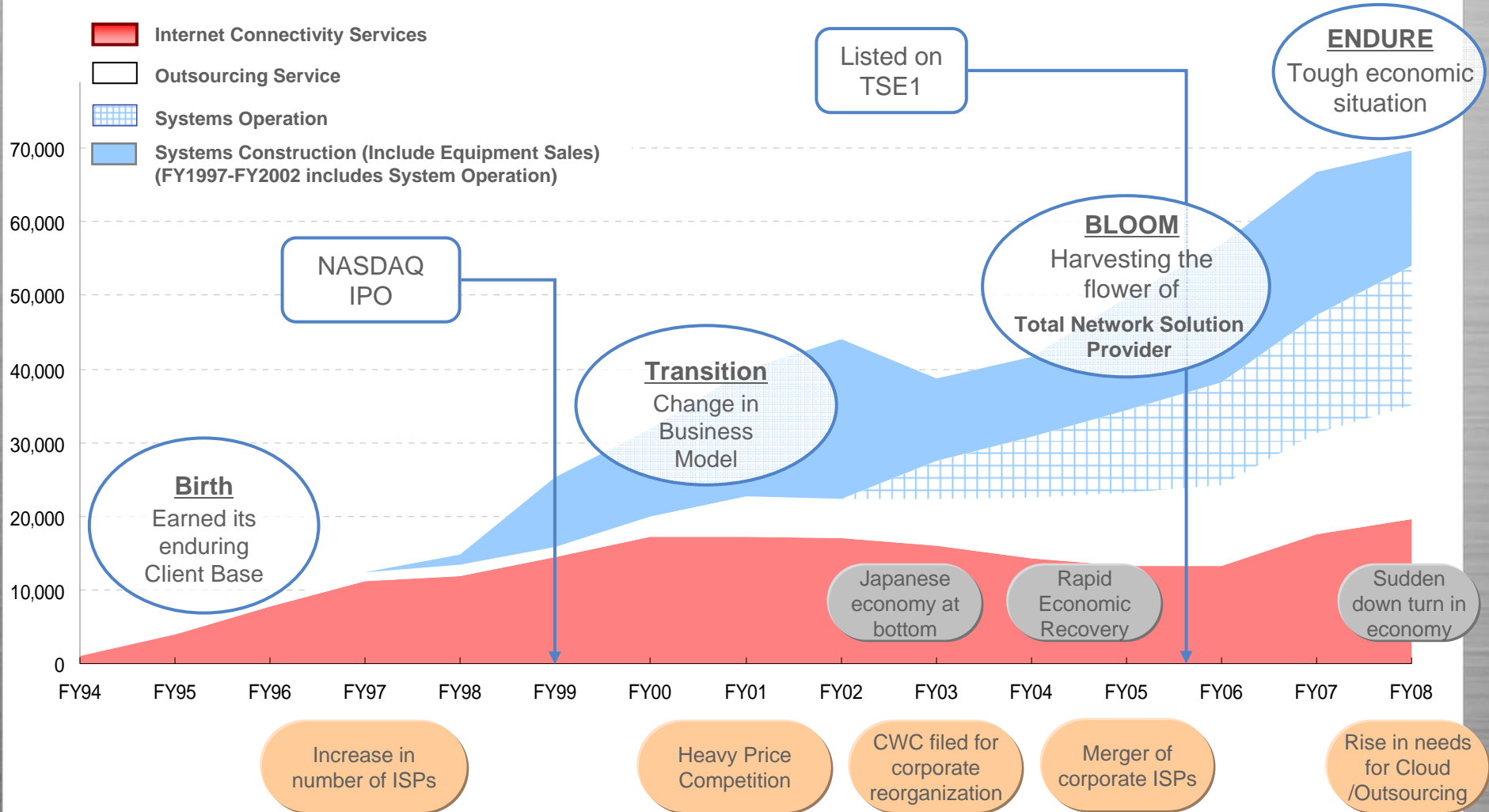
Timeline of "IIJ Group" from 1992 to 2008:

| Year | Company/Service |
|------|---------------------------------------------------------------------------|
| 1992 | IIJ (Internet Initiative Japan) |
| 1995 | II Media Communications, A-Bone |
| 1996 | IIJ America, IIJ Technology |
| 1997 | Internet m/f |
| 1998 | Net Care |
| 2004 | iFS (II Financial Systems) |
| 2006 | Net Char. Japan, i-revo |
| 2007 | GDXO (Trustee Communications), On Demand Solutions, hi-ho, Trust Networks |
| 2008 | IIJ INNOVATION INSTITUTE |

Strategic Shift in Business Model

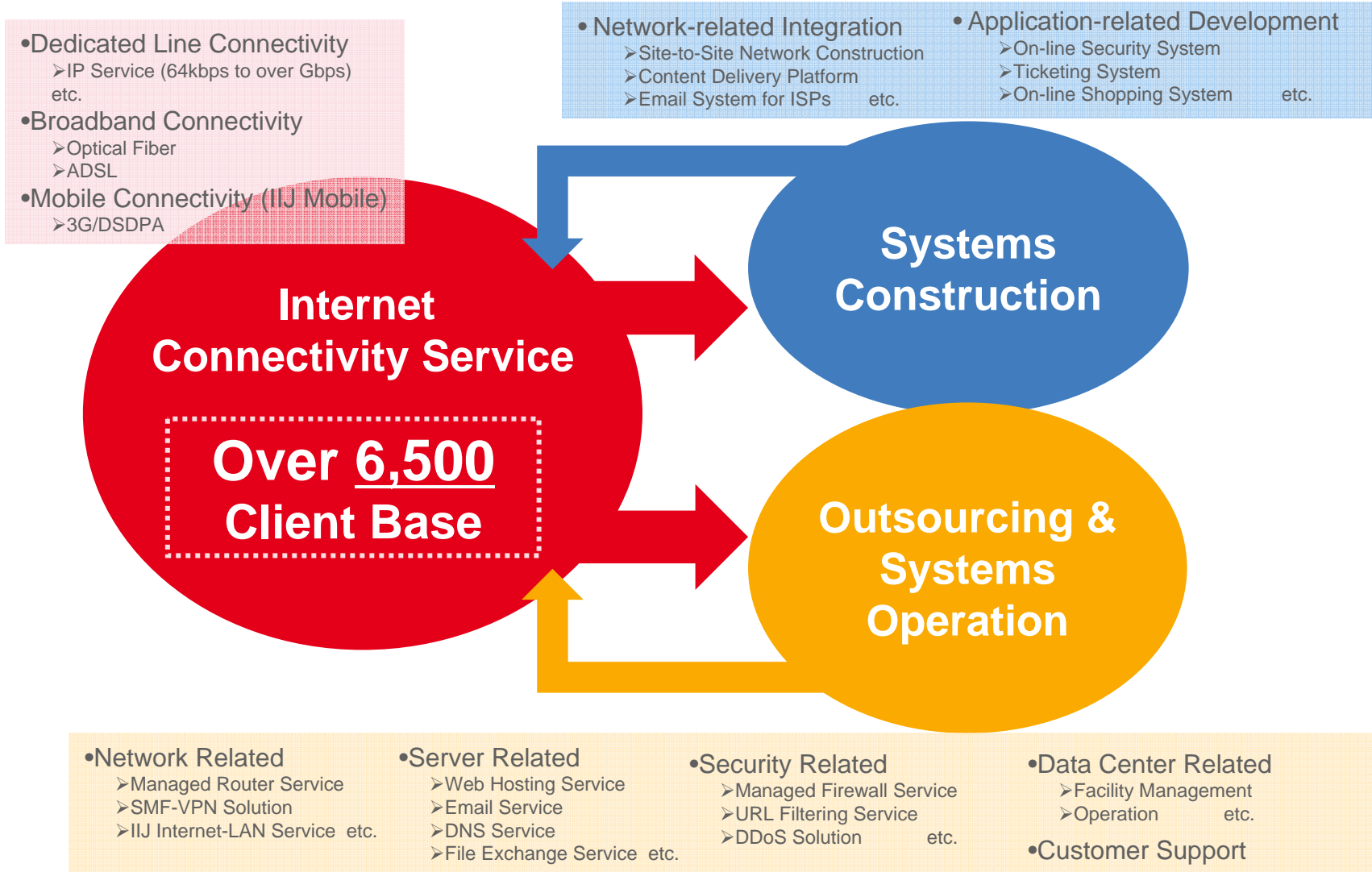
From "ISP" to "Total Network Solution Provider"

(Revenue, JPY million)



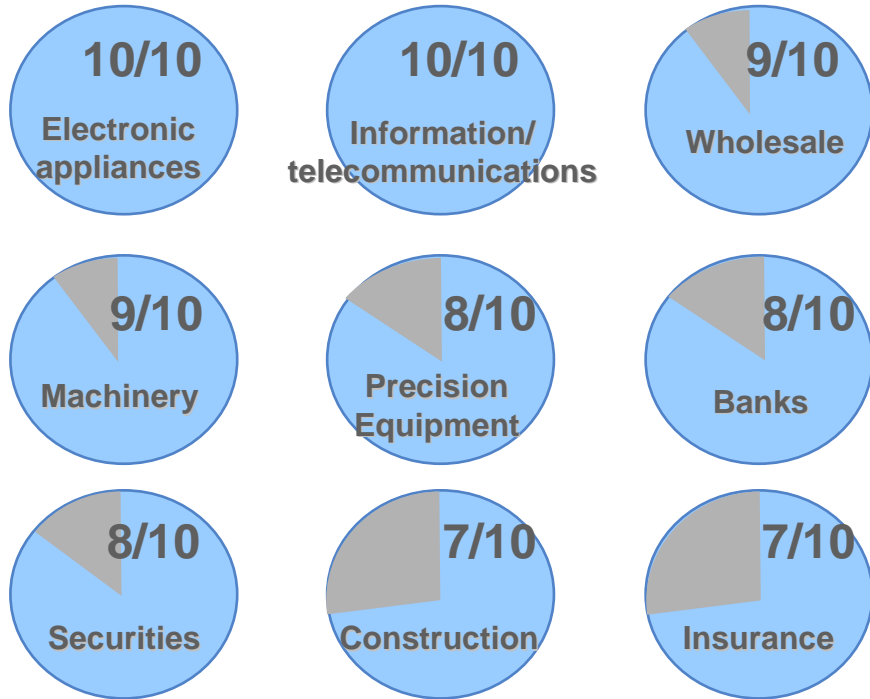
Recurring Business Model

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



Cabinet Office

Ministry of Justice

Ministry of Environment

Ministry of Internal Affairs and Communications

Ministry of Land, Infrastructure, Transport and Tourism

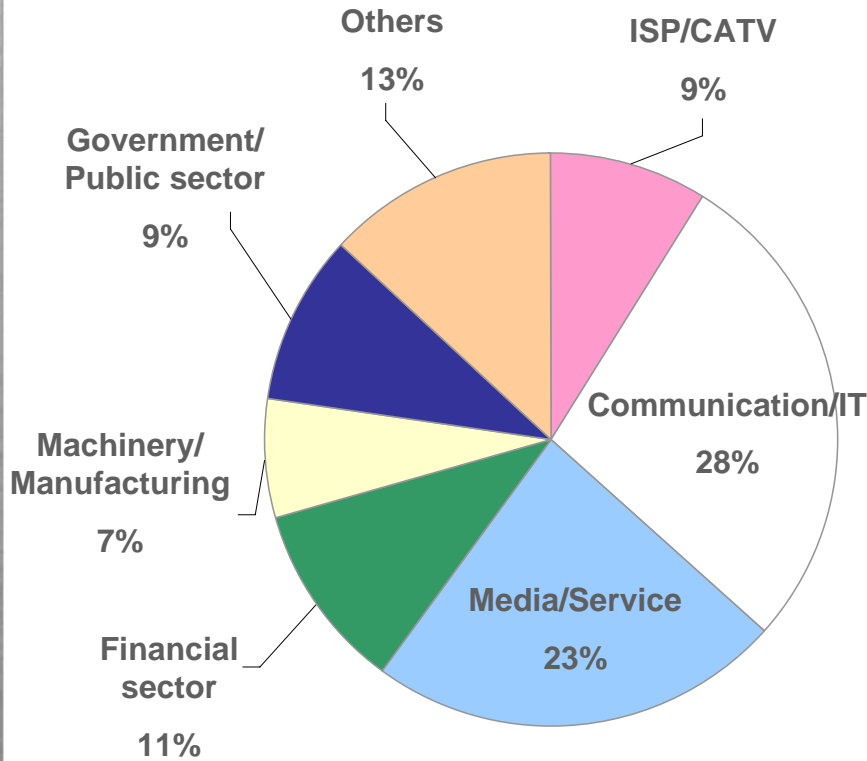
Ministry of Finance

Ministry of Education, Culture, Sports, Science and Technology

and more...

Diversified Client Base

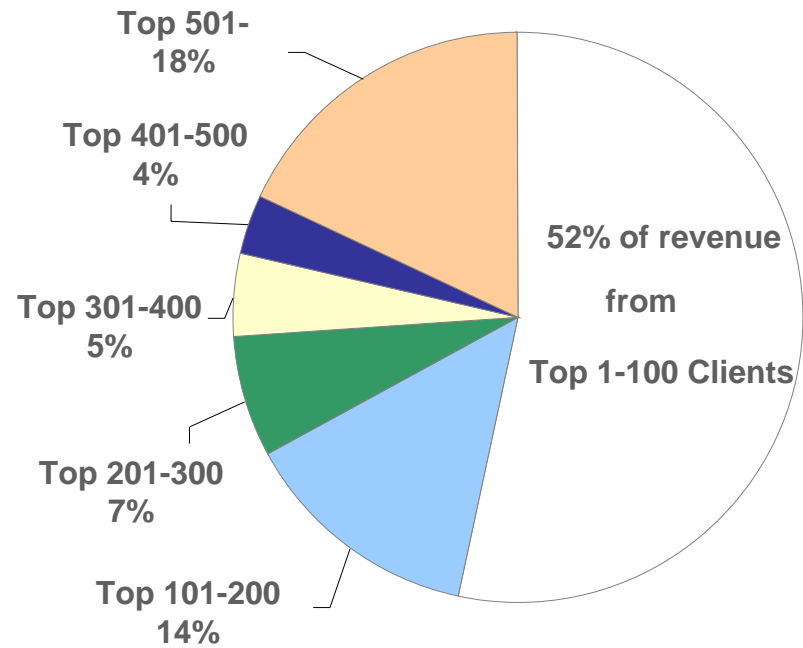
Revenue Distribution by Industry



Source: IIJ's consolidated data for FY2008

• Not dependent on specific industry

Revenue Distribution by Clients



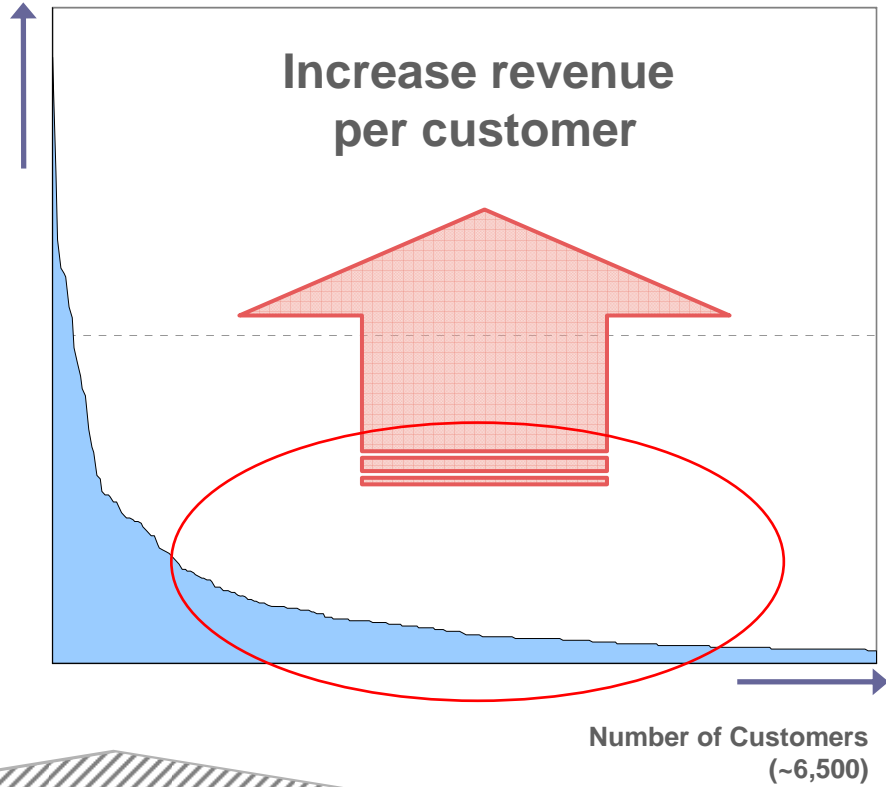
Source: IIJ's non-consolidated data for FY2008

- Not dependent on specific company
- Revenue by Top1 Client is less than 4%

Solid Growth Model

- Customer Retention Strategy
- Cross Selling Strategy
- 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

FY2008 Business Summary

| | | | |
|------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Exterior Environment</p> | <ul style="list-style-type: none"> • Sudden Economic Down Turn • Halt in IT Investments in Japan • Steady demands for Outsourcing • Cloud Computing starting up | | |
| <p>Business Operation</p> | <p><u>Recurring Revenues</u></p> <ul style="list-style-type: none"> • Constantly Introduced new services • Good start for IIJ Mobile • Increased Gbps contracts • Had irregular capital expenditure | <p><u>Systems Construction</u></p> <ul style="list-style-type: none"> • Small-sized network related SI projects • Excessive outsourcing personnel in 1H08 • Adopt resource/cost control from 2H08 | <p><u>New Business</u></p> <ul style="list-style-type: none"> • Starting up the growing business • Completed field test for ATMs operation with good results |
| <p>Business Results</p> | <ul style="list-style-type: none"> • Steady increase in recurring revenues on plan (up 14.3% YoY) • Weak SI construction revenues (down 18.7% YoY) • Operating loss related to new business: ¥1.3 billion (¥0.2 billion in FY07) • Decrease in profitability in 1H08 due to the increase in personnel, although operating income for current business (exclude new business) improved in 2H08 as a result of tightened cost control | | |

Growth Strategy and Target for FY2009

Exterior Environment

- Weak Economy to continue
- Weak IT Investments in Japan
- Steady demands for Outsourcing & Cloud Computing to continue

Business Operation

Recurring Revenues

- Constantly Introduce new services
- Accelerate cross-selling
- Grow IJ Mobile Service

Systems Construction

- Continue tight cost control from 1Q09
- Target network-related SI

New Business

- Focus on the growing new business
- boost the business startup of ATM operation business

Target

- Steady increase in recurring revenues
- Weak SI construction revenues (down ¥2.0 billion from FY08)
- No extraordinary capital expenditure for current business
(approx middle of ¥5.0 billion)
- Operating loss from new business to decrease from FY2008 (approx to ¥1.0 billion)
- Total Operating income to increase (up 13.1% YoY)

 Expect continuous revenue and income growth in FY09

Mid- to Long-term Growth

Anticipated IT Investments in Japan

- Behind on IT Investments compared to U.S.

The growth rate of the U.S. is about twice that of Japan

(source: Ministry of Internal Affairs and Communications)

- Growing needs for Outsourcing & Cloud Computing

SaaS/PaaS/IaaS Market:

¥500 billion market in 2012

(source: IDC, Japan)

- Rouse in withheld IT investments during the economic downturn

Strongly Positioned as

Total Network Solution Provider

- Top IP Engineering Company in Japan
- Enduring relationship with blue-chip companies
- Reliable and best experienced IP specialists to constantly provide new services



Best positioned with growing IT demands

Additional Revenue/Income Growth

- Anticipated growth from new business
- Trust Networks expects to introduce around 8,000 ATMs by FY2013

Growth opportunities awaits ahead

Trust Networks Inc.



◆ ATM Network Operation Business

- Established July 2007
- As of March 2009, operates 10 ATMs placed in Japanese pinball shops

◆ Strong Dominant Position

- Introducing its bank ATM to Amusement Parlors
- Completed its test phase and has been given a “GO sign”
- Expects to place approx. 8,000 machines in 4-5 years all over Japan
- Network platform fully operated by IJ



(image)

Mobile Data Communication Service (MVNO)

◆ The first MVNO in JAPAN by NTT Docomo Facilities

- Launched in January 2008 (NTT Docomo/EMOBILE)
- The first corporate customer oriented data mobile service in JAPAN with high value solutions
- High-speed connectivity (3G/DSDPA)
- Launched MVNO for home use in December 2009

◆ Unique Service Features

- In-house developed security features
 - IP Address Access Restriction, Remote Access VPN, IIJ Direct Access
 - Mobile-WAN solution with SMF (*1)
- Variable service fee (packet share, connection share or fixed price)

◆ Contribution to the Increase in Recurring Revenues

- 4,000 to 5,000 yen / month per user
- Currently 23,000 users (20,000 Target for FY2009)



◆ Large Potential Market

- Towards IIJ's existing 6,500 client base and home users
- Market growth: from 140 billion yen (FY2007) to 290 billion yen (FY2010)

(*1)SMF is a patent right independently developed by IIJ which provides centralized network management system

High-quality Content Delivery Platform



◆ Network Platform System for “NHK On-Demand”, “Japan International Broadcasting” & “acTVila”

- IJ Provides the best video distribution platform with extensive experience in content delivery networking (“CDN”)

◆ Profitable Revenue Share Model with “acTVila” and “NHK”

- Revenue share model (around 10%)
- acTVila is expected to reach several hundred millions of dollars in revenue after FY2011

◆ Year of Emergence of IPTV Services in Japan

- Digital terrestrial TV broadcasts in FY2011 is expected to boost “acTVila”
- Penetration of Digital TVs in FY2011 is expected to reach 100 million TVs
- “acTVila” is targeting 70% or More Market Share for Digital TVs in Japan
- Increasing participating content holders for IPTV
 - ➔ As of March 2009: 1 million acTVila TVs, 35 contents holders with 8,000 contents

“acTVila”

Established by Panasonic, Sony and three major home electronic companies in Japan. Provides portal site and pay-per-view streaming/downloading video service. The only IPTV to provide high-definition video streaming. Simply offers IPTV by just plugging in the Ethernet Cable to your home TV with no additional cost.

“NHK On-Demand”

Launched in December, 2008
A new IPTV service provided by Japan Broadcasting Corporation.
Users may choose to watch the program over 1)acTVila, 2)PC, 3)CATV or 4)Hikari TV.
Users may watch TV programs which you missed or special contents such as NHK Special by pay-per-view or monthly charges.

“Japan International Broadcasting Inc. (JIB)”

Established April 2008.
JIB is working to enable reception in 110 million households in North America, Europe, the Middle East, North Africa, Southeast Asia, and other regions around the world by the end of March 2009.
It will be broadcasted using Satellite Broadcasting and the Internet (from Feb 09).



**FY2009
Consolidated Financial Results**

Summary of FY2008 Financial Results and Target for FY2009



Internet Initiative Japan

FY2008 Financial Results

- Revenue JPY69,731 million (up 4.3% YoY)
- Operating Income JPY2,917 million (down 38.7% YoY)

- **Recurring revenues steadily increased (up 14.3% YoY) as planned strengthening the basis of our business**
- **One-time revenue from systems construction were down 18.7% YoY affected by the decrease in IT related investments in Japan, especially in large-scale systems construction projects**
- **Mobile data communication service had a good start and many new services for outsourcing related and content delivery services were continuously introduced**
 - Mobile data communication services for both corporate and home use are performing well reaching its break even point and nearly 23,000 contracts.
 - We provide content distribution service to one of the largest TV broadcasting companies in Japan followed by Actvila
- **Operating income from current business improved in 2H08 as a result of cost control**
 - Number of SI outsourcing personnel (full time) : 352 (2Q08/End) 254 (4Q08/End)
 - Operating Margin Ratio of Current business (excluding 4 new subsidiaries):
1Q08:3.5%, 2Q08:5.2%, 3Q08:6.9%, 4Q08:8.0%
 - Operating loss from 4 new subsidiaries : JPY1,272 million (FY08) Operating loss is expected to decrease in FY09

- **We target increase in total revenue and income in FY09**

Target: Revenue of JPY73.0 billion (up 4.7% YoY), Operating Income or JPY3.3 billion (up 13.1%), Net Income of JPY1.7 billion (up 19.8%)

- Increase in recurring revenues as in ordinary course of growth, decrease in systems construction revenues of approx. JPY2 billion YoY, Operating loss from 4 new subsidiaries to decrease to approx JPY1 billion.
- We target dividend of JPY2,000 (Annual) for FY09. No change in cash dividend plan.
- **Continue our strategy to introduce new services and features which allows us to achieve steady growth in our recurring services and strengthen the basis of our business even in the tough economic situation.**

-1. Consolidated Financial Results for FY2008



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Unit:JPY billion

| | % of Revenues FY08 (08/4 ~ 09/03) | % of Revenues FY07 (07/4 ~ 08/03) | YoY |
|----------------------------------|--------------------------------------------------|--------------------------------------------------|----------------|
| Total Revenues | 69.7 | 66.8 | 4.3% |
| Total Costs | 56.1 | 52.9 | 6.2% |
| Gross Margin | 13.6 | 14.0 | (2.6%) |
| SG&A/R&D | 10.7 | 9.2 | 16.0% |
| Operating Income | 2.9 | 4.8 | (38.7%) |
| Income before Income Tax Benefit | 2.0 | 4.4 | (53.4%) |
| Net Income | 1.4 | 5.2 | (72.6%) |

recurring revenues (77.5% of total revenue) continuously increased by 14.3% YoY

cost from 4 new subsidiaries of JPY593 million

SG&A/R&D from 4 new subsidiaries of JPY709 million
losses related to the disposal of property and equipment for our service and others of JPY424 million in 4Q08

operating loss from 4 new subsidiaries of JPY1,272 million
operating margin ratio of our current business improved quarter by quarter in FY2008 (up 1.1 points QoQ)

losses on write-down of other investments of JPY524 million

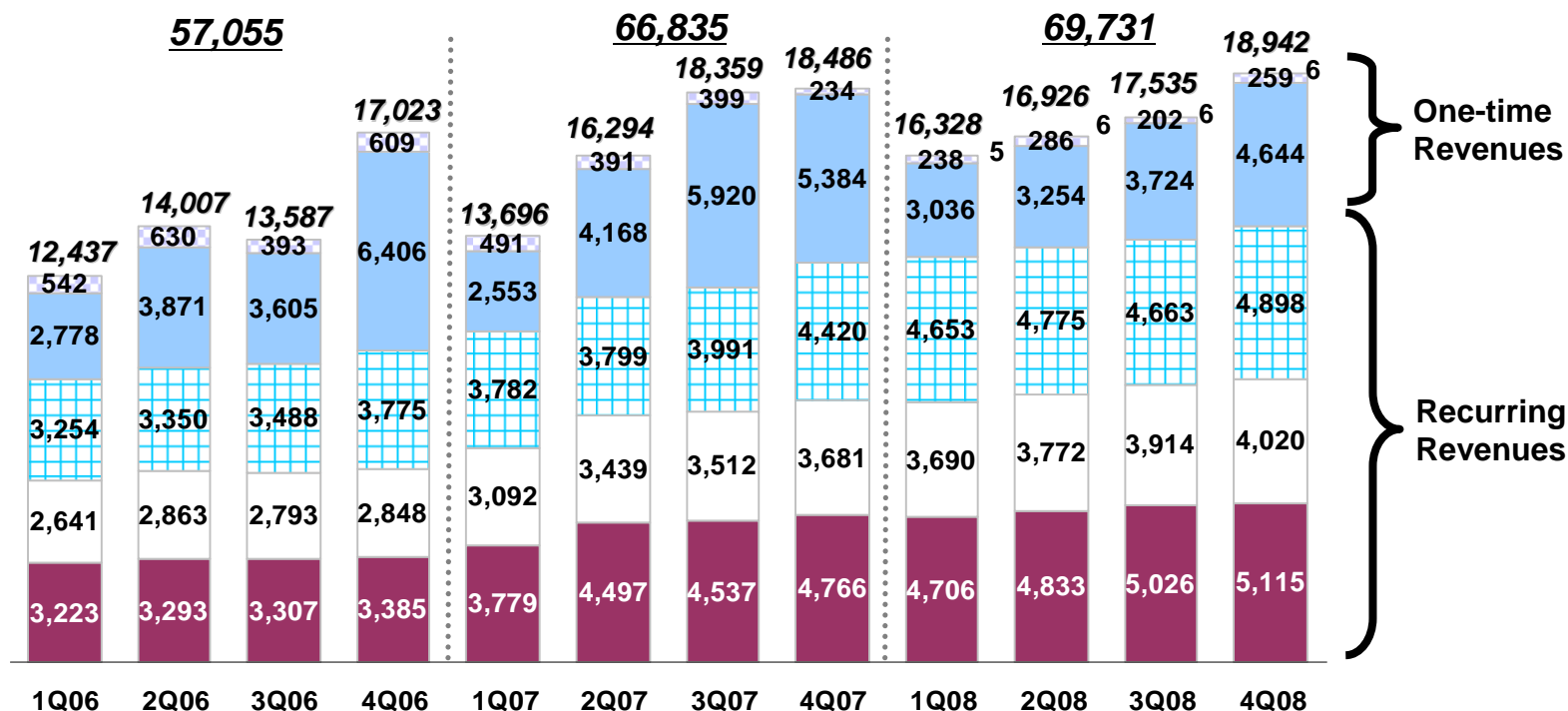
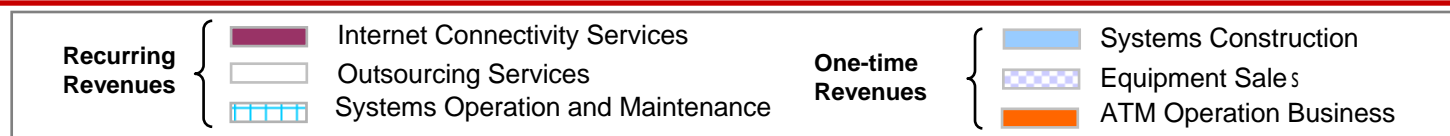
deferred tax expense of JPY637 million

-2. Revenues



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Unit: JPY million



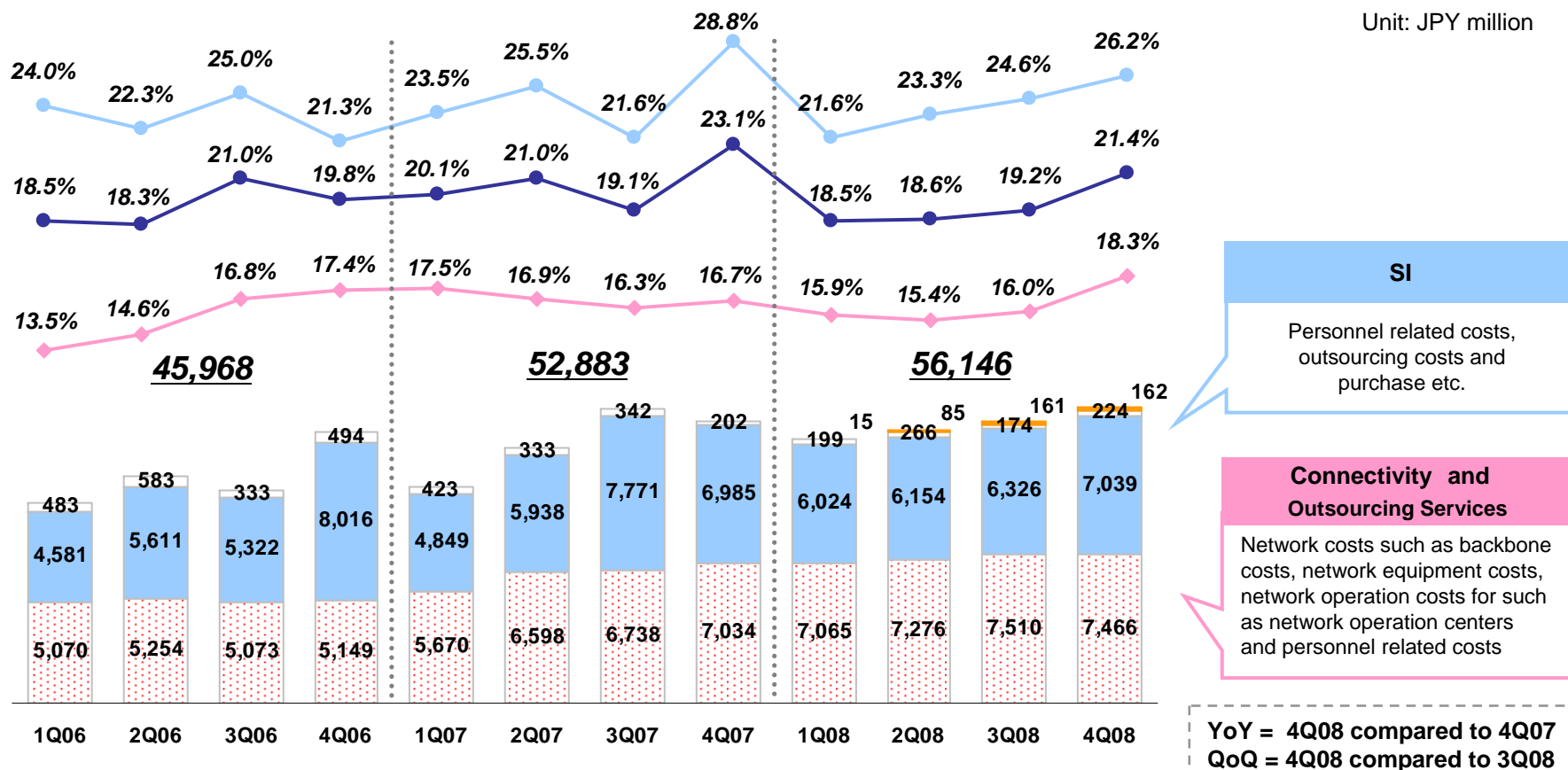
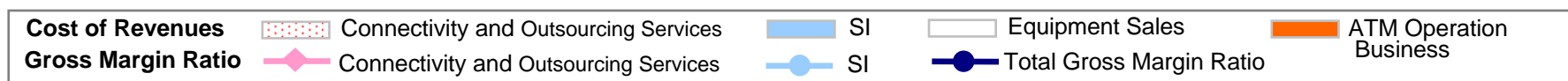
- ◆ **Recurring revenues increased steadily to JPY54,064 million in FY08 (up 14.3% YoY), JPY14,032 million in 4Q08 (up 9.1% YoY, up 3.2% QoQ)**
 - Internet connectivity services : FY08 : up 12.0% YoY, 4Q08 : up 7.3% YoY, up 1.8% QoQ
 - Outsourcing services : FY08 : up 12.2% YoY, 4Q08 : up 9.2% YoY, up 2.7% QoQ
 - Systems operation and maintenance : FY08 : up 18.7% compared to FY07, 4Q08 : up 10.8% YoY, up 5.0% QoQ
- ◆ **One-time revenue in FY08 was JPY15,667 million (down 19.8% YoY), 4Q08 was JPY4,909 million (down 12.6% YoY, up 24.9% QoQ)**
 - Systems construction : FY08 : down 18.7% YoY, 4Q08 : down 13.7% YoY, up 24.7% QoQ

YoY = 4Q08 compared to 4Q07
QoQ = 4Q08 compared to 3Q08

-3. Cost of Revenues and Gross Margin Ratio



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- ◆ **Cost of Connectivity and Outsourcing Services revenue: FY08 : up 12.6% YoY, 4Q08 : up 6.1% YoY, down 0.6% QoQ**
 - Gross Margin : FY08 : up 0.4 points YoY, 4Q08 : up 1.5 points YoY, up 2.3 points QoQ
- ◆ **Cost of SI revenue: FY08 : down 0.002% YoY, 4Q08 : up 0.8 % YoY, up 11.3% QoQ**
 - Gross Margin : FY08 : up 0.8 points YoY, 4Q08 : up 2.6 points YoY, up 1.6 points QoQ
- ◆ **Cost of ATM Operation Business revenue: FY08 : JPY422 million, 4Q08 : JPY162 million (up 0.7% QoQ)**

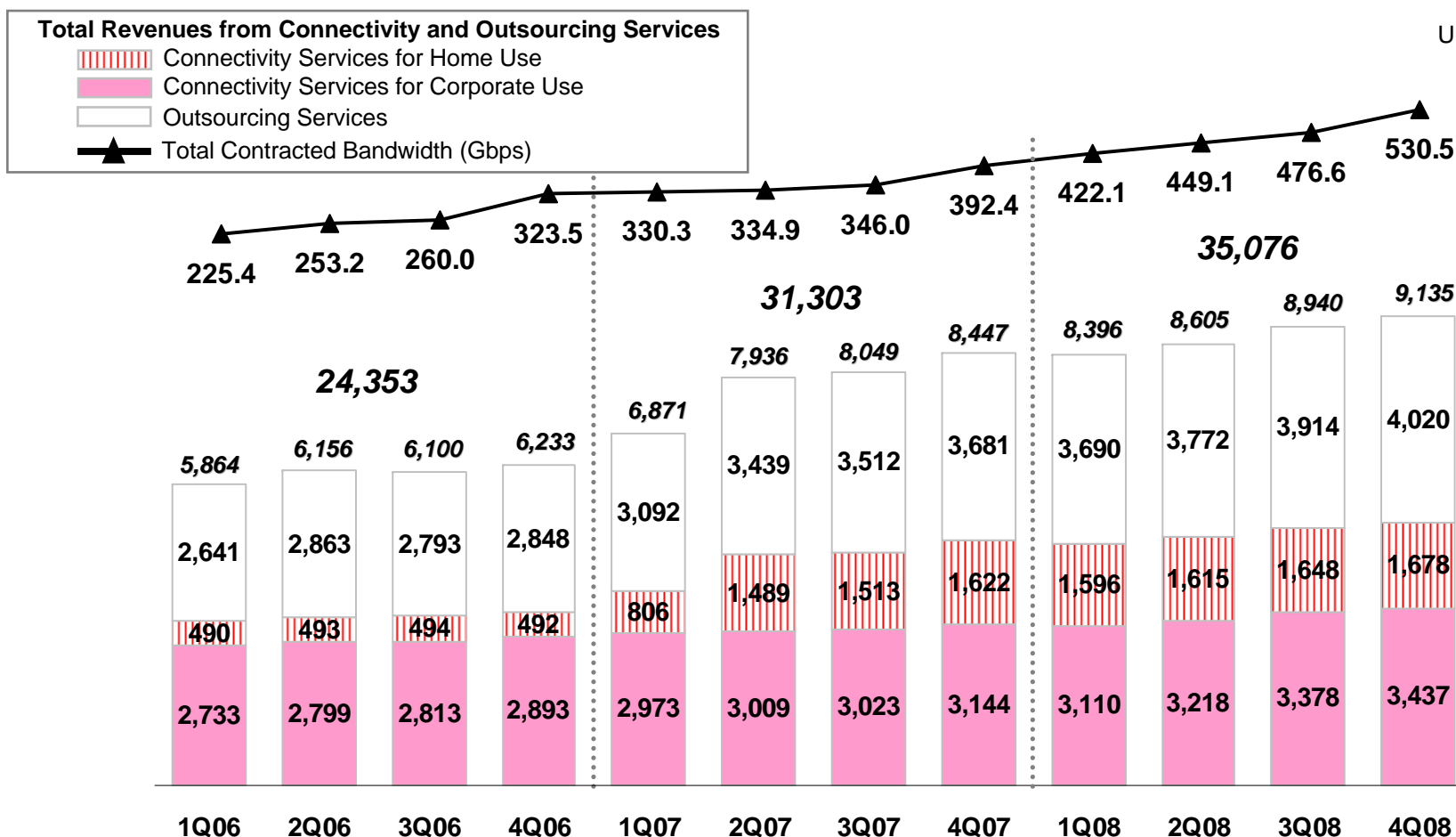
-4. Connectivity and Outsourcing Services

(1) Revenues and Total Contracted Bandwidth



Internet Initiative Japan

Unit: JPY million



- ◆ **Connectivity services for corporate use revenues: FY08 : up 8.2%YoY, 4Q08 : up 9.3 % YoY, up 1.7 % QoQ**
 - Contracts for connectivity of over 1Gbps (4Q08) end was up 24 contracts YoY, up 12 contracts QoQ, total contracted bandwidth continuously expanded.
 - IIJ Mobile Service reached about 23,000 contracts (including home use).
- ◆ **Connectivity services for home use revenues: FY08 : up 20.4%YoY, 4Q08 : up 3.5 % YoY, up 1.9 % QoQ**
- ◆ **Outsourcing service revenues: FY08 : up 12.2%YoY, 4Q08 : up 9.2 % YoY, up 2.7 % QoQ**
 - Mail services such as SPAM mail services and security services continuously improved.

-4. Connectivity and Outsourcing Services

(2) Situation of the Services

< Connectivity Services >

> Corporate use :

- Total Contracted bandwidth reached 530.5 Gbps as a result of steady demands for network expansion for corporate customer and the shift to higher bandwidths, especially among content business operators and ISPs due to increase usage of video streaming and IPTV
- Contracts of over 1Gbps continuously increased (4Q08 : 94 contracts, up 24 contracts YoY, up 12 contracts QoQ)
- Contracts of over 100 Mbps to 1Gbps also increased (4Q08 : 225 contracts, up 24 contracts YoY, up 2 contracts QoQ)

> Mobile data communication services are performing well reaching its break even point and nearly 23,000 contracts

- Introduced new services and new features such as data communications cards exclusively for IIJ Mobile, Direct Access which allows secure remote-access to corporate LAN and other services for IIJ Mobile service.
- For home use, we introduced mobile data communication service under "IIJmio" and "hi-ho" brand in Dec. 2008. "Mobile Broadband Access Point" is also doing well. We target 20,000 new contracts for FY2009.



> Home use :

- Revenue per contract is increase due to shifts from dial-up and ADSL services to optical line services which charge higher monthly fees
- Increase in revenues related to hi-ho of JPY4,971 million in FY08 (12months) compared to JPY3,765 million for FY07(10 months).



< Outsourcing Services >

> Demands for Email services such as anti-spam measures and securities services remains strong

- Secure MX Service continued to receive new contracts as new features such as DKIM Sender Authentication, GDX Mail Option and others were introduced, increasing the value of the service.
- IIJ Secure Web Gateway Service which provides Web filtering, anti-virus, and log management/downloading features through a gateway server located at the IIJ data center were introduced.
- Needs for Data center service remains strong. Nerima DC opened in Feb. 2009.

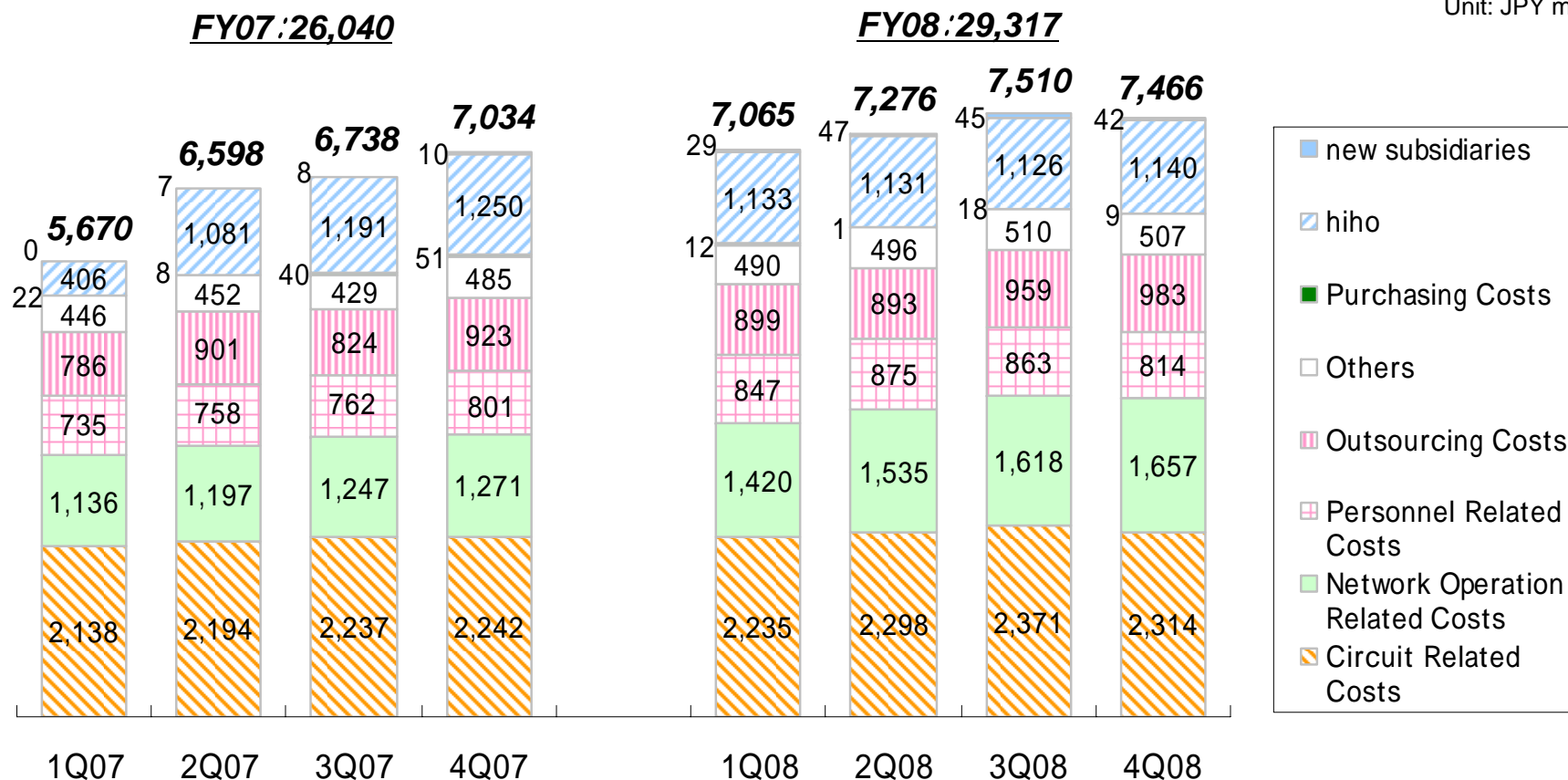


-4. Connectivity and Outsourcing Services Cost of Revenues



Internet Initiative Japan

Unit: JPY million



- ◆ Cost of Connectivity and Outsourcing Service revenue : FY08 : up 12.6%YoY, 4Q08 : up 6.1% YoY, down 0.6% QoQ
- ◆ Initial cost related to GDx Japan and On-Demand Solutions : JPY162 million in FY08, JPY42 million in 4Q08
- ◆ Increase in network operation related costs including upgrade of large backbone router which comes once in every 4 to 5 years and increase in circuit related cost. Also costs incurred by hi-ho of 12 months compared to 10 months in FY2007. Personnel related cost decreased in 4Q08 as there were no increase in the number of employees as well as the reversal of allowance for compensated absence.

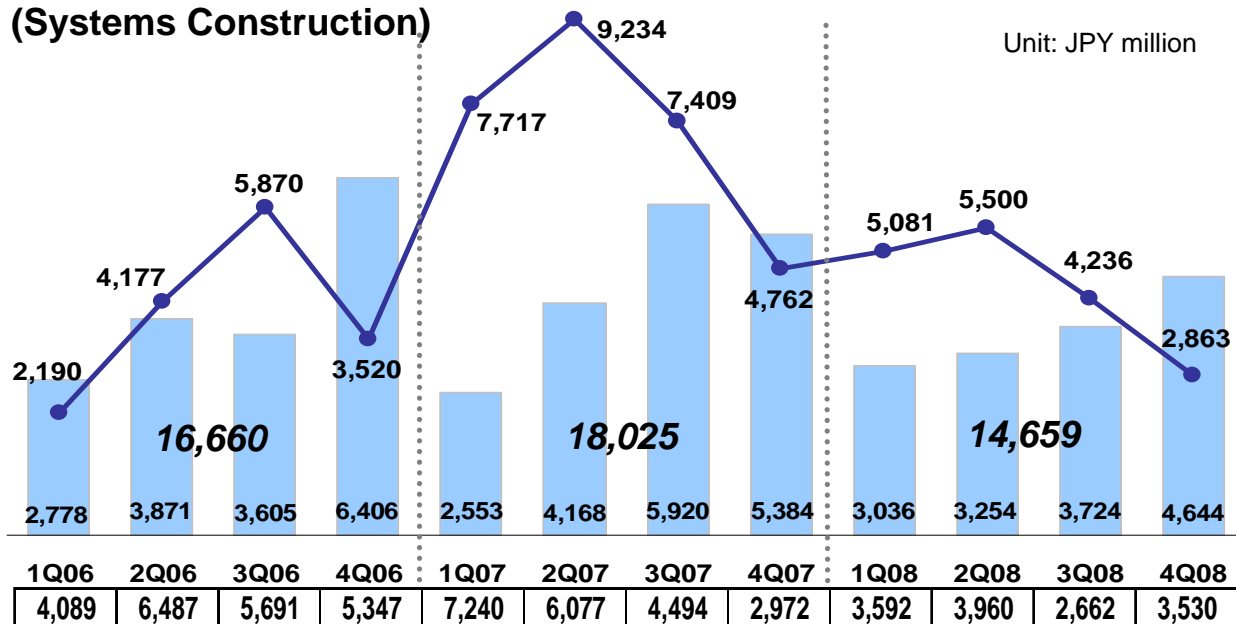
YoY = 4Q08 compared to 4Q07
QoQ = 4Q08 compared to 3Q08

-5. SI (1) Revenues



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(Systems Construction)



Systems Construction

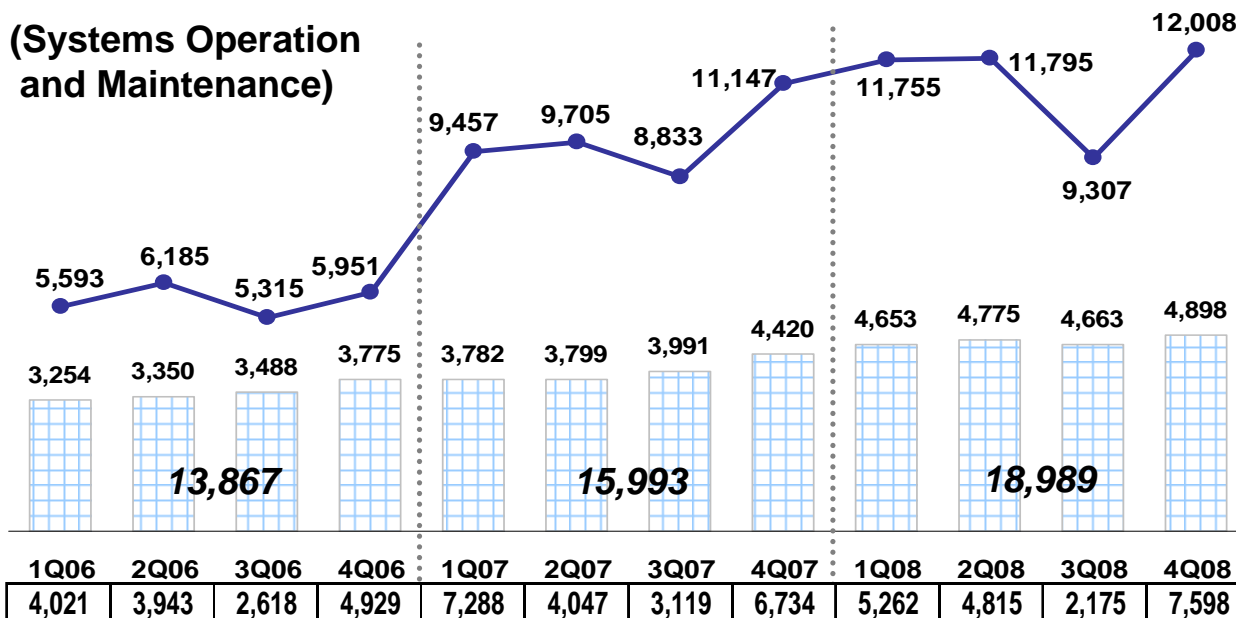
Revenues :

- FY08 : down 18.7% YoY
- 4Q08 : down 13.7% YoY, up 24.7% QoQ

Order Backlog :

- Down JPY1,899 million YoY (down 39.9%)
- Down JPY657 million compared to 4Q06 (up 18.7%)

(Systems Operation and Maintenance)



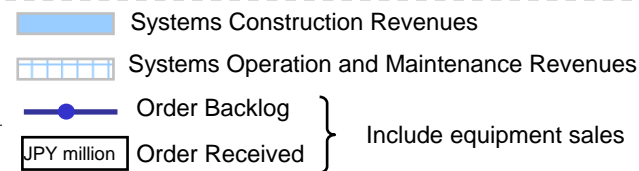
Systems Operation and Maintenance

Revenues :

- FY08 : up 18.7% YoY
- 4Q08 : up 10.8% YoY, up 5.0% QoQ

Order Backlog :

- Up JPY861 million YoY (up 7.7%)
- Up JPY6,057 million compared to 4Q06 (up 101.8%)



-5. SI (2) Situation of SI and outsourcing personnel

Situation of SI

- Large systems construction projects, especially among manufacturing industry and temp industry were postponed or suspended affected by the sudden downturn of the Japanese economy in FY2007
 - A halt to large systems construction projects resulted in a decrease of approx JPY3 billion in Systems construction revenues compared to FY2007
- Network integration (NI) projects were fairly steady
 - We had seen a halt even in NI projects in Dec to Feb, however they seem to be coming back from March 2009.
 - We are receiving new network related projects that are indispensable for corporate and acquiring new customers. (an increase of approx 50 customers compared to FY07)

Situation of outsourcing personnel

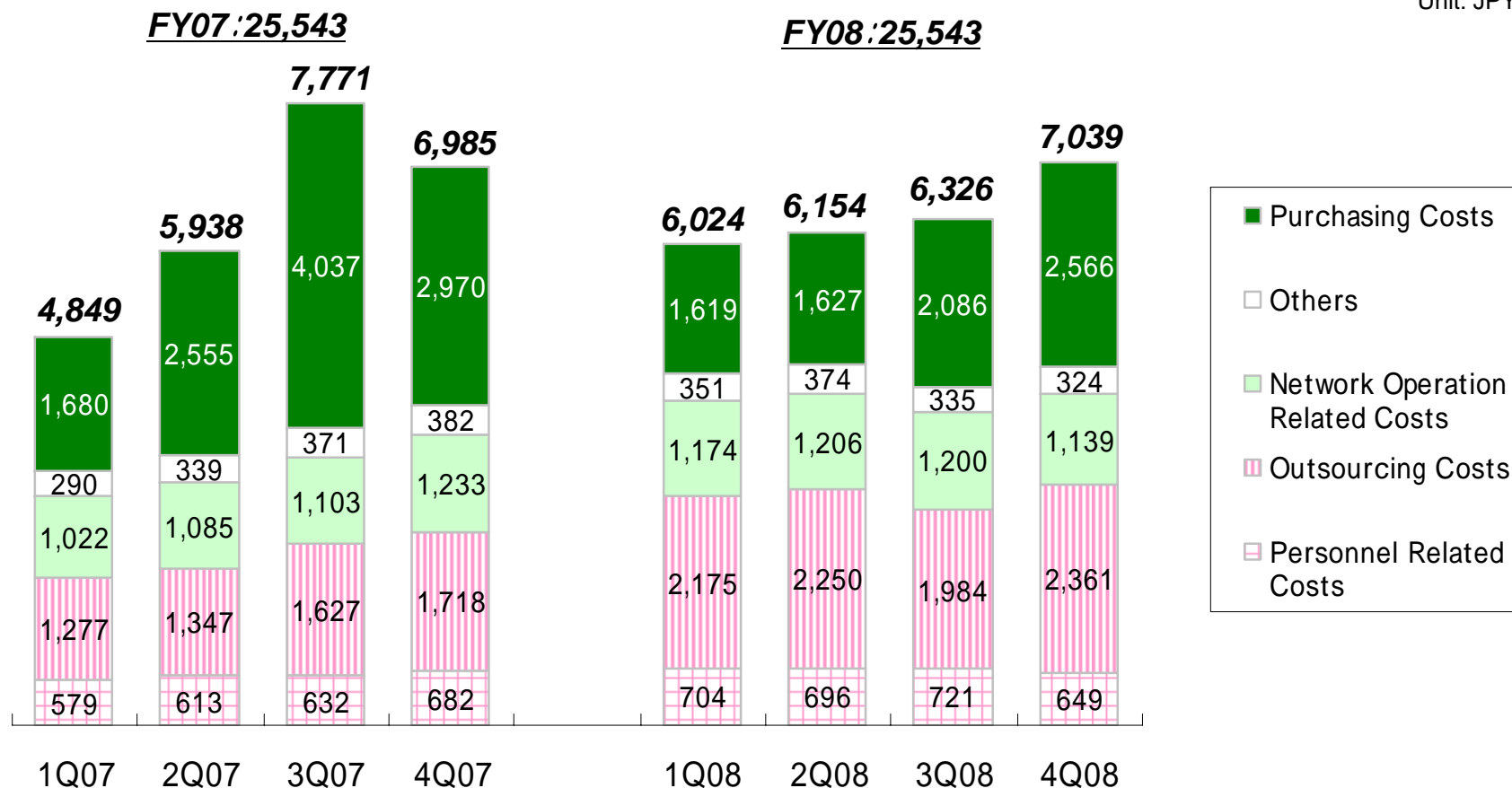
- Headcounts for full-time outsourcing personnel was reduced from 2Q08, which had increased in the beginning of the year as we had anticipated business growth
 - number of full-time outsourcing personnel :1Q08: 352 -> 2Q08: 352 -> 3Q08: 299 -> 4Q08: 254
 - we had begun 1Q09 with 220 full-time outsourcing personnel
- Employees for SI did not increase in 2H08
 - We expect no large increase of employees.

-5. SI Cost of Revenues



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Unit: JPY million



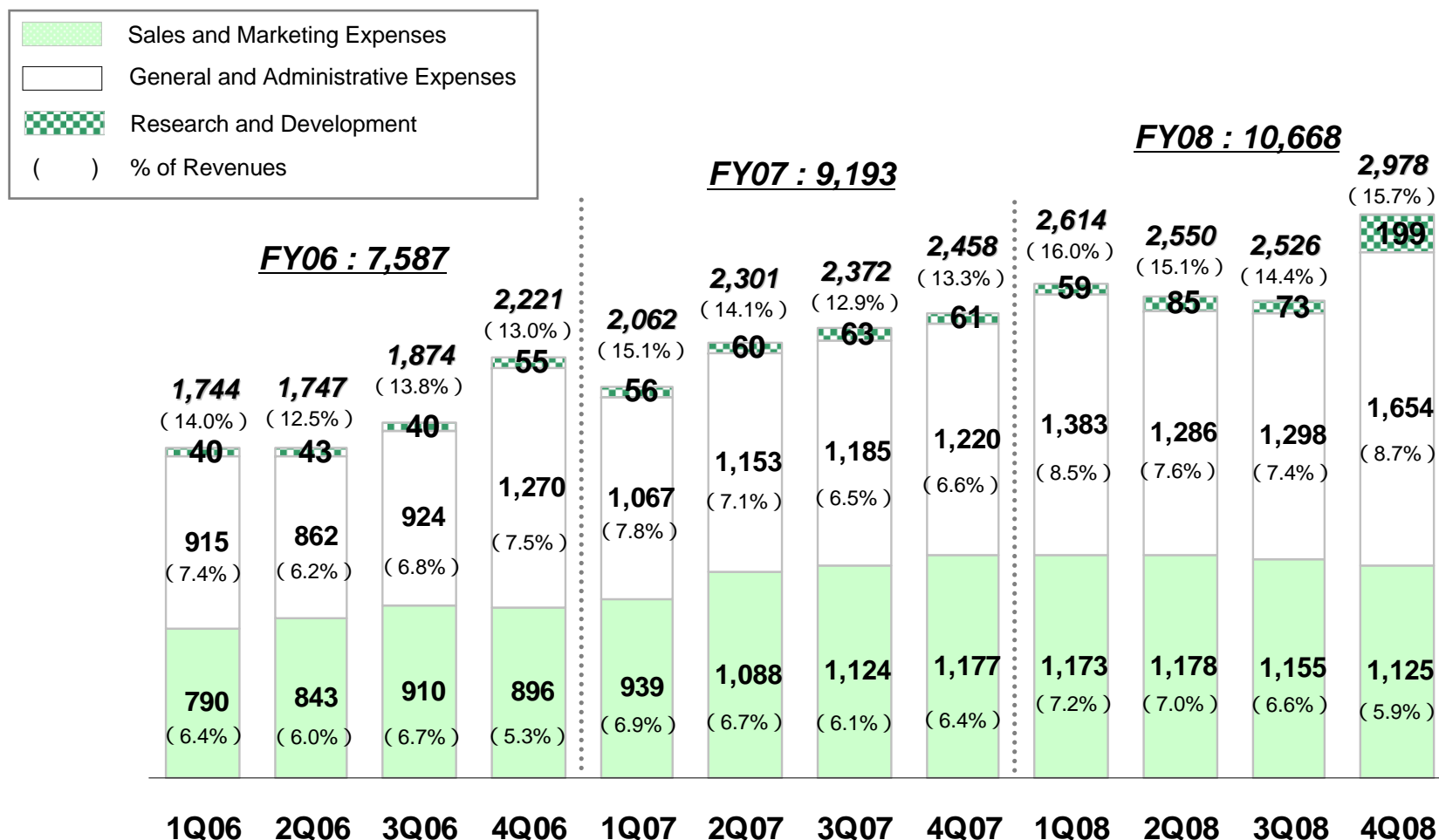
◆ **Cost of SI revenue : FY08 : down 0.002%YoY, 4Q08 : down 0.8% YoY, up 11.3% QoQ**
 ◆ **Outsourcing related costs : FY08 : up 46.9%YoY, 4Q08 : up 37.4% YoY, up 19.0% QoQ**
 ➤ 4Q08 outsourcing related costs : increased along with the increase in SI revenues while the number of outsourcing personnel (full-time) decreased

-6. SG&A Expenses/R&D



Internet Initiative Japan

Unit: JPY million

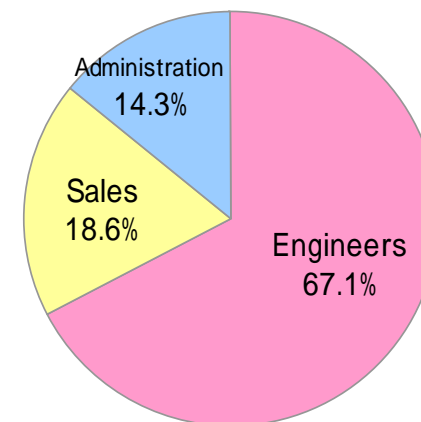


◆ **SG&A Expenses: FY08 : up 16.0% YoY**
4Q08 : up 21.2% YoY, up 17.9% QoQ and the % of revenues was 15.7%

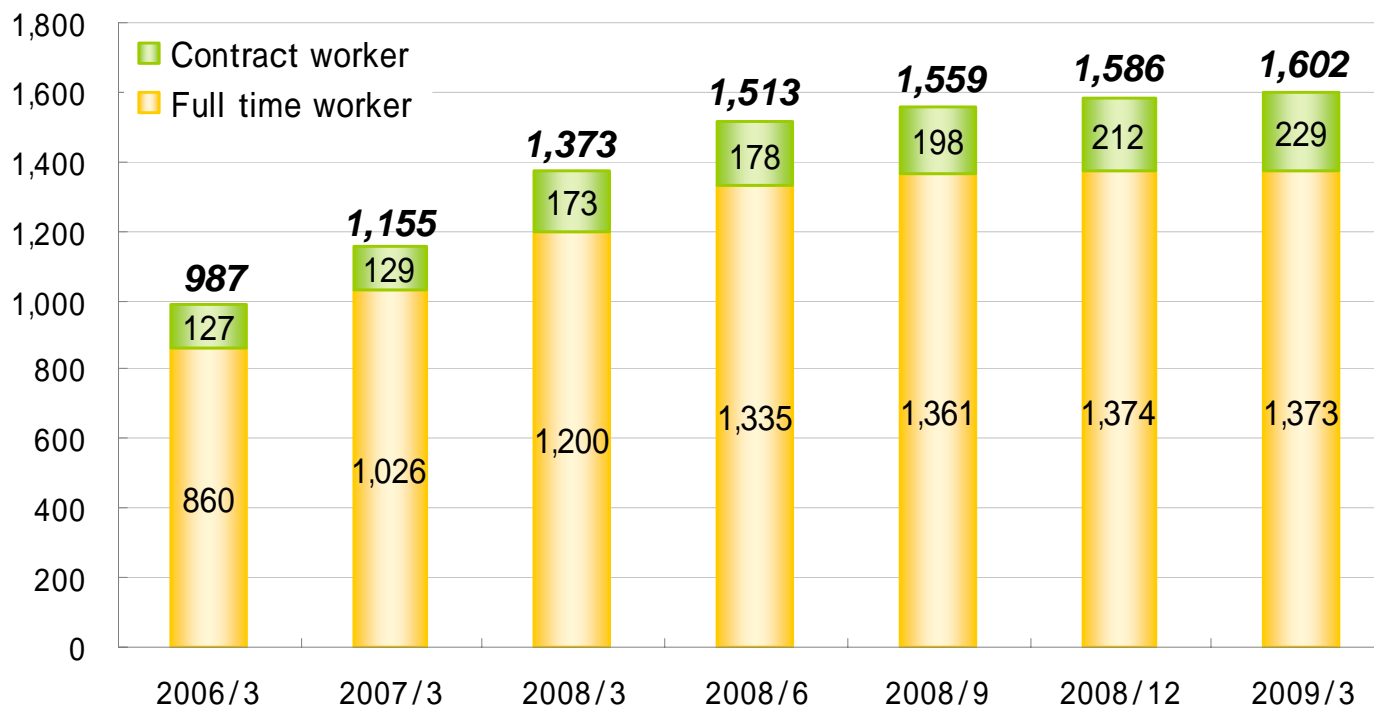
- General and Administrative Expenses decreased. In 4Q08 there were losses of JPY424 million including the disposal of property and equipment (such as software) for our service and others.
- Expenses related to 4 new subsidiaries were JPY709 million in FY08 and JPY258 million in 4Q08.
- Increase in expenses related to hi-ho of 12 months (FY2007 was 10 months).

-7. Number of Employees

< Employee distribution >



Number of Employees (total of full time and contract worker)



Personnel related costs and expenses

() % of Revenues

| | | | |
|---------|---------|---------|---------|
| 2,599 | 2,605 | 2,617 | 2,439 |
| (15.9%) | (15.4%) | (14.9%) | (12.9%) |

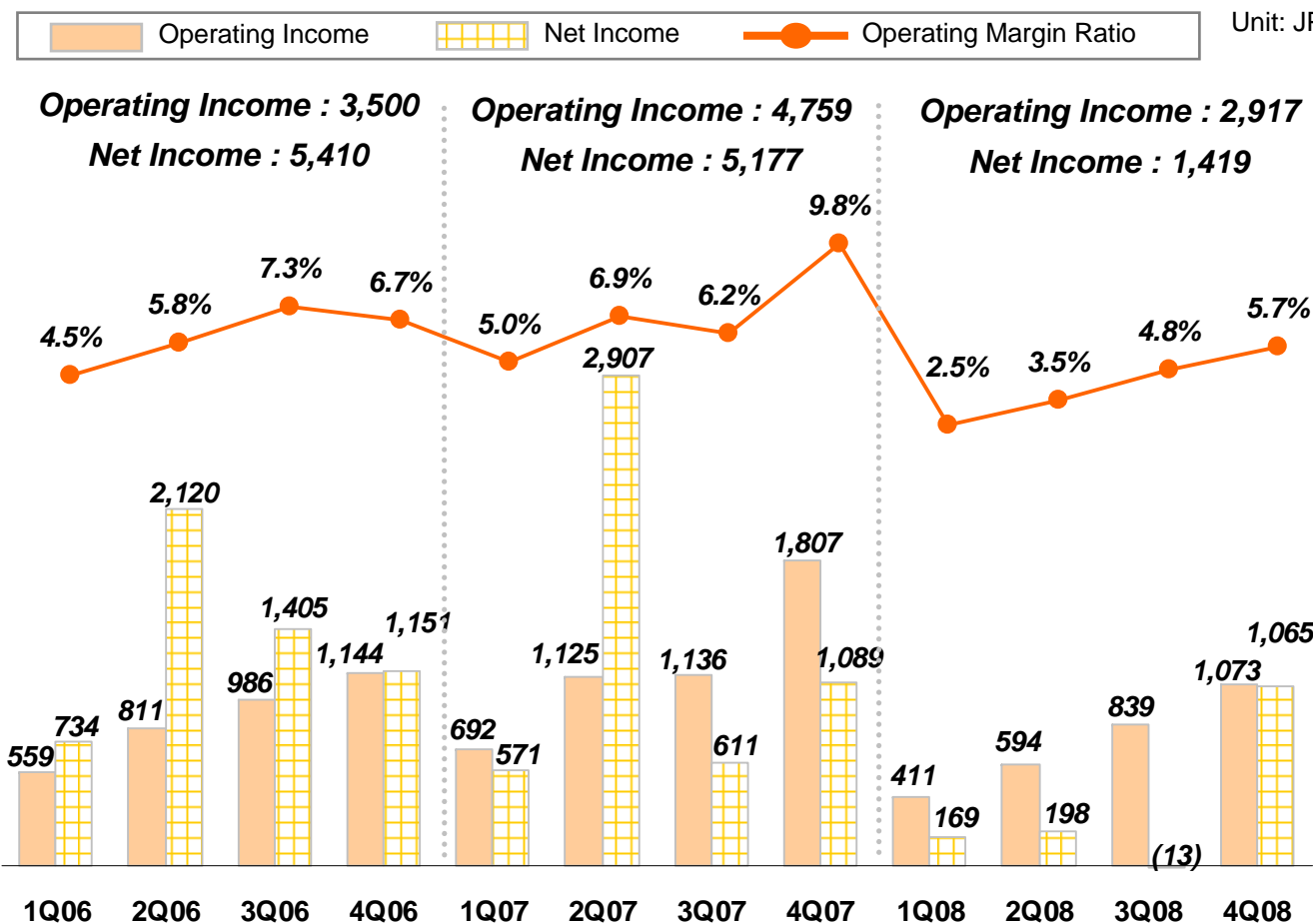
Unit: JPY million

- ◆ **Number of employees (4Q08 end) increased by 299 employees YoY, 16 employees QoQ**
 - The number of new graduates were 77 in FY09. (92 in FY08)
 - Employment of non-graduates in FY09 is not expected to increase largely.
- ◆ **Personnel related costs : up JPY1,133 million YoY (up 12.4%), % of Revenues was up 1 point down JPY179 million QoQ (down 6.8%), % of Revenues was down 2 point**
 - There were reversal of allowance for compensated absence in 4Q08.

-8. Operating and Net Income



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◆ **Operating Income :**

FY08 : down 38.7% YoY
 4Q08 : down 40.6% YoY,
 up 27.9% QoQ

- Losses from 4 new subsidiaries were JPY1,272 million in FY08, and JPY449million in 4Q08.
- Operating margin ratio improved quarter by quarter in FY2008.

◆ **Net Income :**

FY08 : down 72.6%YoY,
 up 2.2% YoY

- Impairment losses of JPY524 million in FY08 and JPY195 million in 4Q08 on nonmarketable and available-for-sale equity securities.
- Income tax expense of JPY403 million in FY08 and JPY98 million in 4Q08.
- Deferred tax expense of JPY637 million in FY08, benefit of JPY335 million in 4Q08. We expect and expense of approx JPY1 billion in FY09.
- Minority interest in losses of subsidiaries of JPY352 million in FY08 and JPY93 million in 4Q08.
- Equity in net income of equity method investees of JPY35 million in FY08 and JPY10 million in 4Q08.

| | 1Q07 | 2Q07 | 3Q07 | 4Q07 | 1Q08 | 2Q08 | 3Q08 | 4Q08 |
|--------------------------------------------------------|------|---------|------|------|------|------|------|-------|
| Income tax expense (benefit) | 175 | (1,980) | 392 | 552 | 213 | 326 | 653 | (190) |
| Minority interests | 9 | 15 | 27 | 45 | 55 | 85 | 120 | 93 |
| Equity in net loss (income) of equity method investees | (20) | (29) | (42) | (52) | 18 | (17) | 44 | (10) |

-9. Current Business' Profitability

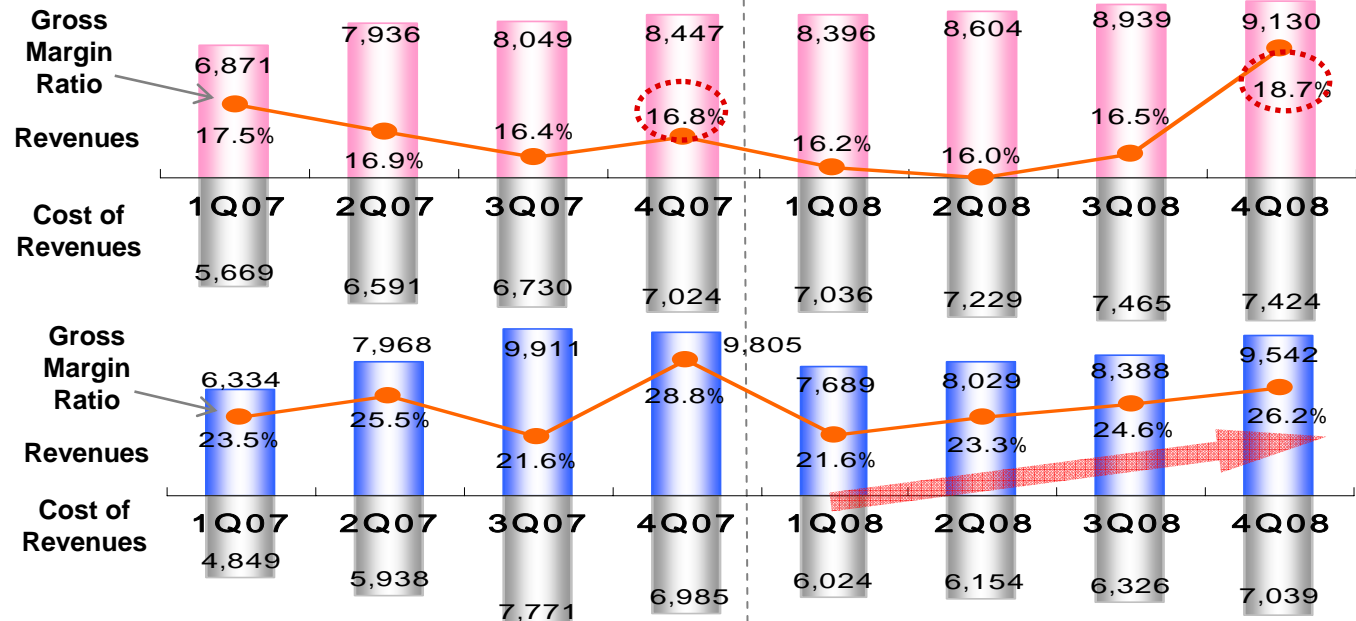


(Divided our revenues, costs and expenses into our current business and 4 new subsidiaries)

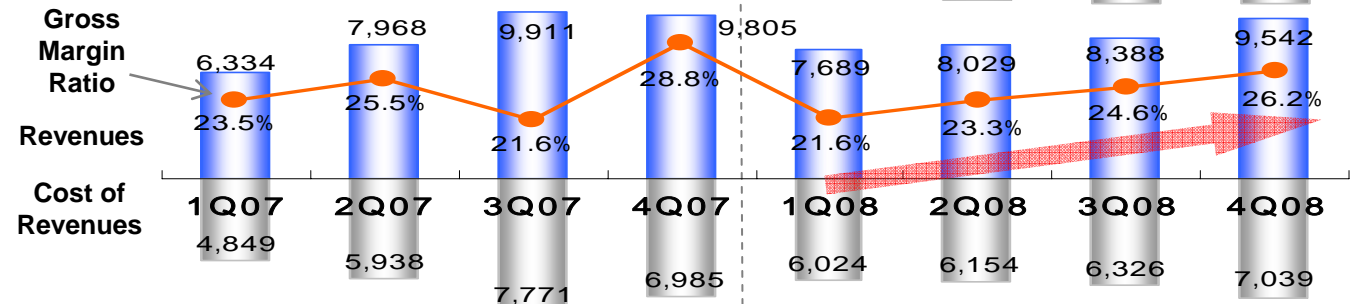
Internet Initiative Japan

Unit: JPY million

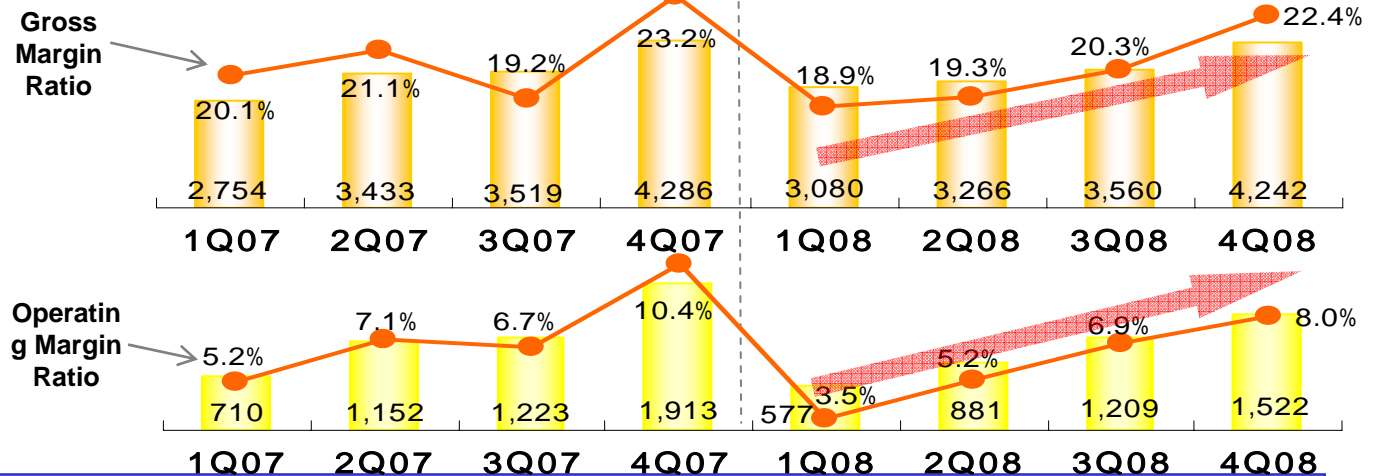
Connectivity and Outsourcing Services



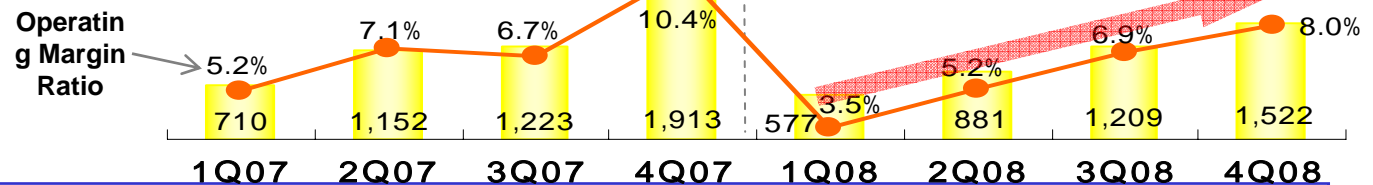
SI



Gross Margin



Operating Income



- ◆ 4Q08 gross margin for connectivity and outsourcing Services increased with the continuous increase in revenues, cost control, MVNO reaching break even point, etc.
- ◆ Gross margin for SI increased in the latter of the year as a result of cost control on such as outsourcing personnel while revenues decreased.

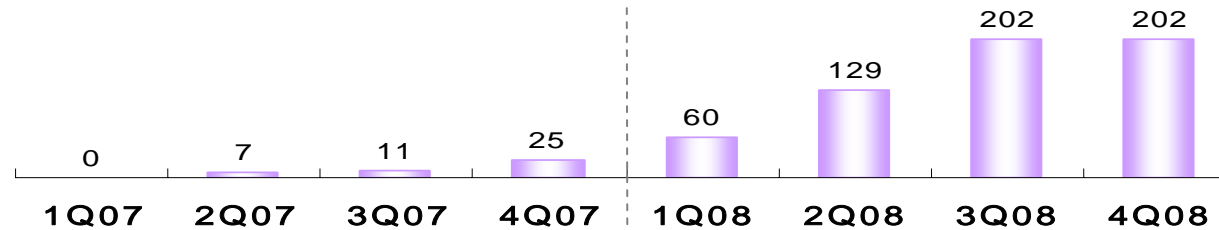
-10. 4 New Subsidiaries' Profitability



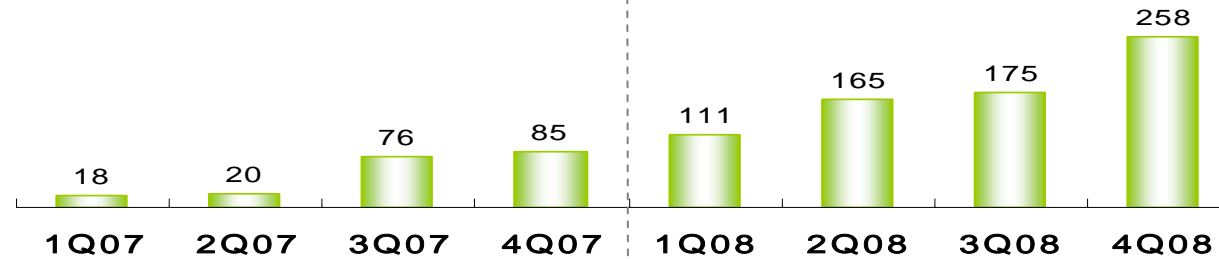
Internet Initiative Japan

Unit: JPY million

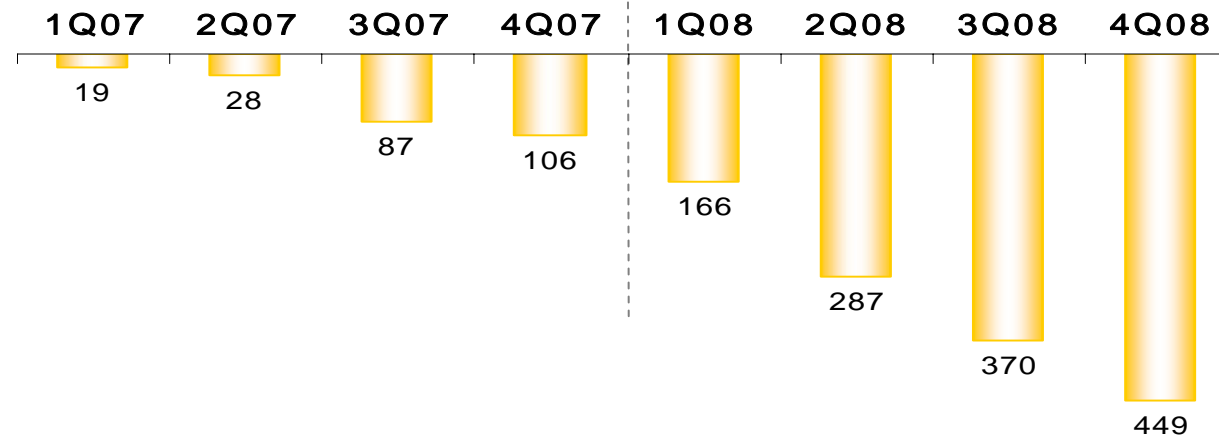
Cost of Revenues



SG&A



Operating loss



- ◆ **Operating loss:** Trust Networks Inc. FY08 : JPY715 million, 4Q08 : JPY234 million
 GDX Japan FY08 : JPY175 million, 4Q08 : 37 million
 IIJ Innovation Institute Inc. FY08 : JPY10 million, 4Q08 : JPY32 million
 On-Demand Solutions Inc. FY08 : JPY277 million, 4Q08 : JPY147 million
- ◆ **Operating loss from 4 new subsidiaries is expected to be approximately JPY1 billion in FY09, decrease from 2H09**

-11. New Business Development and Mobile Solution



Trust Networks Inc.

- Established in July 2007 (68.7% Consolidated subsidiary)
- Operates 10 ATMs and its network placed in amusement industry. The field test was well completed and expect to introduce up to around 8,000 ATMs in 4 to 5 years.



GDX Japan, KK

- Established in April 2007 (55.5% Consolidated subsidiary)
- Introduced “GDX Drop Box” service which realizes the transfer of large data files. This service will be a part of the Group solution.



IIJ INNOVATION INSTITUTE

IIJ Innovation Institute Inc.

- Established in June 2008 (100% Consolidated subsidiary)
- Currently developing a base technology for crowd computing
- IIJ’s research and development organization will be reorganized and strengthened in FY2009



On-Demand Solutions Inc.

- Established in April 2008 (100% Consolidated subsidiary)
- Service offering is delayed due to customer reasons. Business plan is currently being reconsidered while expenses are controlled.



Mobile Solution Development

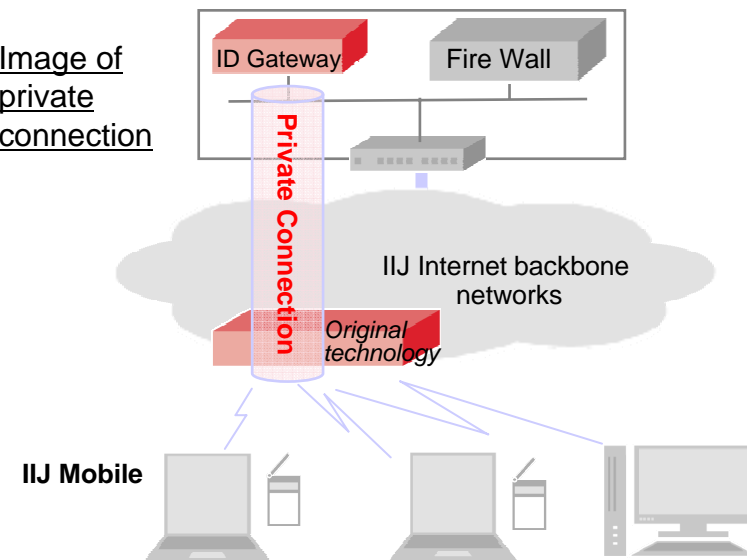
◆ Launch of “IIJ Direct Access”

- Providing a low-cost, secure remote-access environment through proprietary technology that creates a private connection to a corporate LAN using existing Internet connections

◆ M2M(machine to machine)with IIJ Mobile

- One-stop solution that provides systems that controls M2M devices and its network with IIJ Mobile Service is scheduled to be released

Image of private connection



-12. Aggressively introduced new services and features with our technological skills in FY08

Mobile Services

Added Fixed IP Address Feature to IIJ Mobile Access Service

Released IIJ Mobile Secure Link

Launched IIJ Direct Access

IIJ Mobile for M2M

Expanded IIJ Mobile Lineup with New Proprietary Data Communications Card

Started High-Speed Mobile Data Communications Services for its Consumer Internet Services "IIJmio" and "hi-ho"

Announced to Provide "Mobile Broadband Access Point"

Outsourcing Services

SMF sx Service Adapts to IIJ Mobile

Introduced DKIM Sender Authentication Technology to the IIJ Secure MX Service

Improved Sender Authentication on the IIJ Secure MX Service

Launched IIJ Secure Web Gateway Service to Optimize Security in Web Access Environment

Contents Delivery Services

Added DRM function to the Flash Video Distribution Solution

Developed Proprietary Video Distribution Server Software for Digital TV

Introduced IIJ Contents Delivery Service

Connectivity and other Services

Provided IIJ IPv6 Transition Support Solution

Developed New SEIL/B1

Released Commercial Version of IIJ Earthquake Early Warnings Distribution Service

Offered IIJ FiberAccess/A Service for ACCA Fiber Access

Services of IIJ groups

< IIJ-Tech > Developed Next-Generation FX System

< IIJ-Tech > Launched IBPS in the Kansai Region

< IIJ-Tech > Launched DB Consulting Solution

< Net Care > Launched A.i.s.e Monitoring Service

< Net Chart > Launches IT-Disposal Total Service for IT Related Equipment

< Net Chart > Launched IT ECO Motion for Green IT

< GDX > Launched File Transfer Service, GDX Drop Box

< Taihei Computer >

Introduced "POCKETTA"

-13. Consolidated Balance Sheets



Internet Initiative Japan

Unit: JPY million

| | March 31, 2009 | March 31, 2008 | Changes |
|-------------------------------------------|-------------------|-------------------|---------|
| Cash and Cash Equivalents | 10,188 | 11,471 | (1,283) |
| Accounts Receivable | 10,257 | 12,255 | (1,999) |
| Inventories | 530 | 1,184 | (654) |
| Prepaid Expenses | 1,772 | 2,005 | (233) |
| Deferred tax assets (current) | 762 | 1,091 | (328) |
| Other Investments | 1,915 | 2,364 | (449) |
| Property and Equipment | 13,173 | 11,740 | +1,433 |
| Goodwill and Other Intangible Assets | 5,841 | 5,907 | (66) |
| Deferred tax assets (non-current) | 2,253 | 2,459 | (205) |
| Borrowings (Short-term) | 7,350 | 9,150 | (1,800) |
| Accumulated Deficit | (18,549) | (19,555) | +1,006 |
| Accumulated Other Comprehensive Income | (321) | 91 | (411) |
| Total Shareholders' Equity | 25,169 | 24,981 | +188 |
| Total Assets | 52,301 | 55,703 | (3,401) |

➤ Decreased due to the decrease in systems construction projects

➤ available-for-sale securities : JPY674 million
 ➤ nonmarketable equities : JPY863 million
 ➤ others : JPY378

➤ increase in properties for our internal use

➤ non-amortized intangible assets of such as goodwill : JPY5,535 million
 ➤ amortized intangible assets of such as customer relationship JPY297 million

➤ decrease in repayments of short-term borrowings

➤ shareholder s equity ratio : 48.1 %

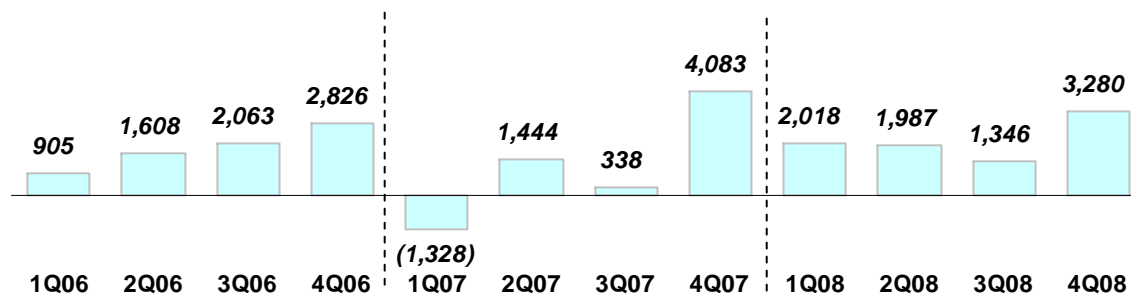
-14. Consolidated Cash Flows



Internet Initiative Japan

Unit: JPY million

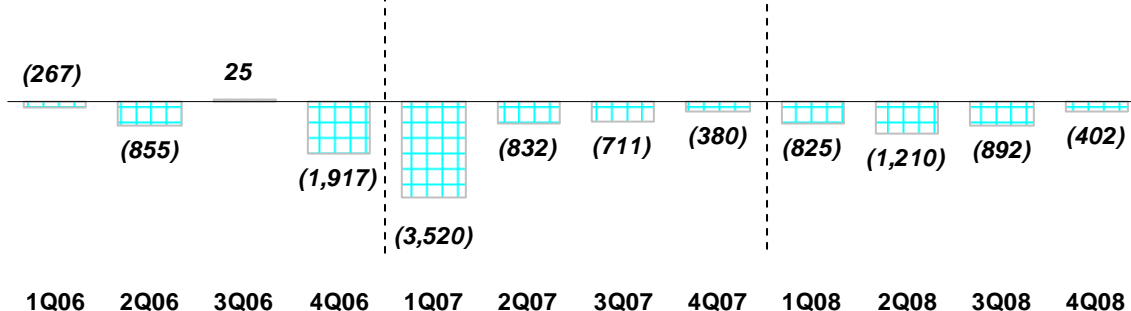
Net cash provided by (used in) operating activities



Net Cash provided by operating activities :
FY08 JPY1,346 million, 4Q08 JPY3,280 million

- Increase in accounts receivable of JPY709 million
 - Increase in accounts payable
 - Decrease in inventories and prepaid expenses related to SI projects
- etc.

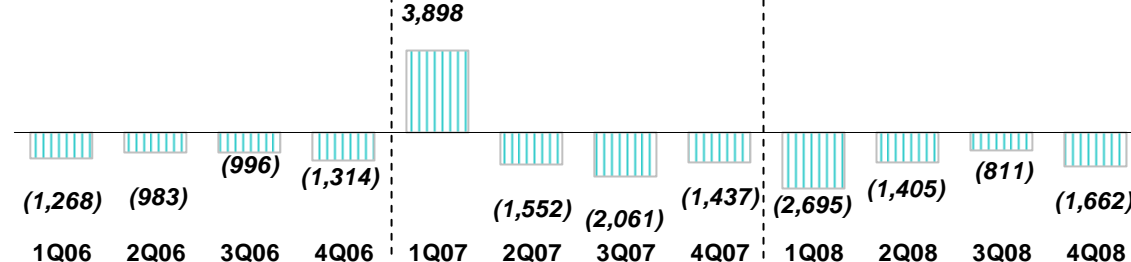
Net cash provided by (used in) investing activities



Net Cash provided by investing activities :
FY08 JPY3,328 million, 4Q08 JPY402 million

- Payment for the purchase of property and equipment of JPY328 million
 - Sale of short-term and other investments of JPY137 million.
- etc.

Net cash provided by (used in) financing activities



Net Cash provided by financing activities:
FY08 JPY6,573 million, 4Q08 1,662 million

- Repayment of Short-term borrowing of JPY575 million
 - Principal payments under capital leases of JPY1,106 million.
 - Payments for acquisition of treasury stock of JPY106 million.
- etc.

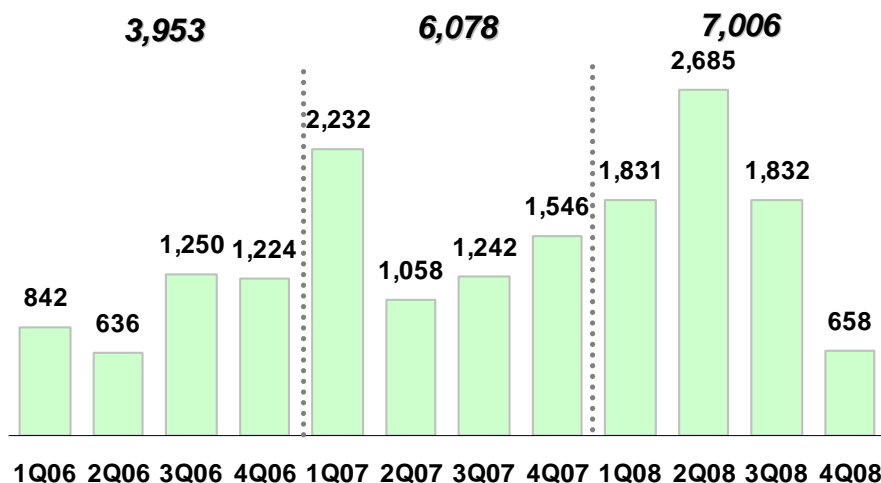
-15. Other Financial Data (CAPEX etc.)



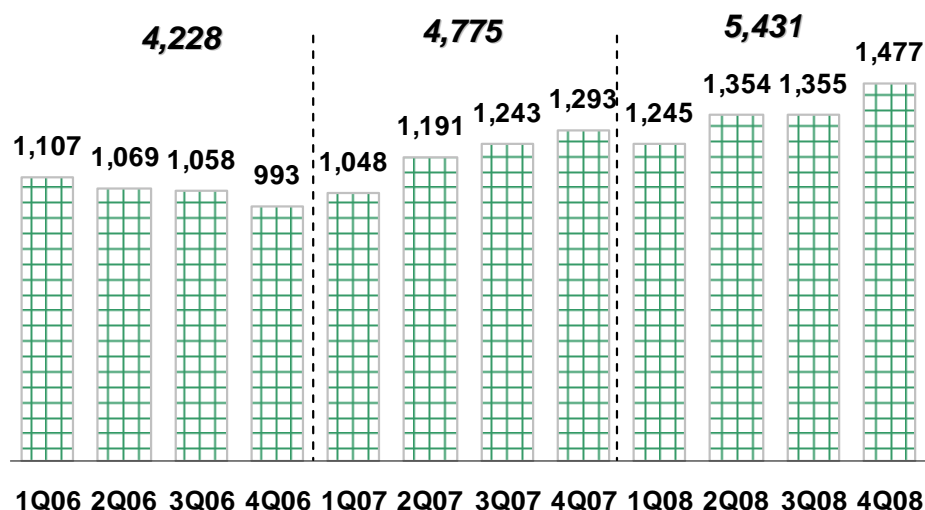
Internet Initiative Japan

Unit: JPY million

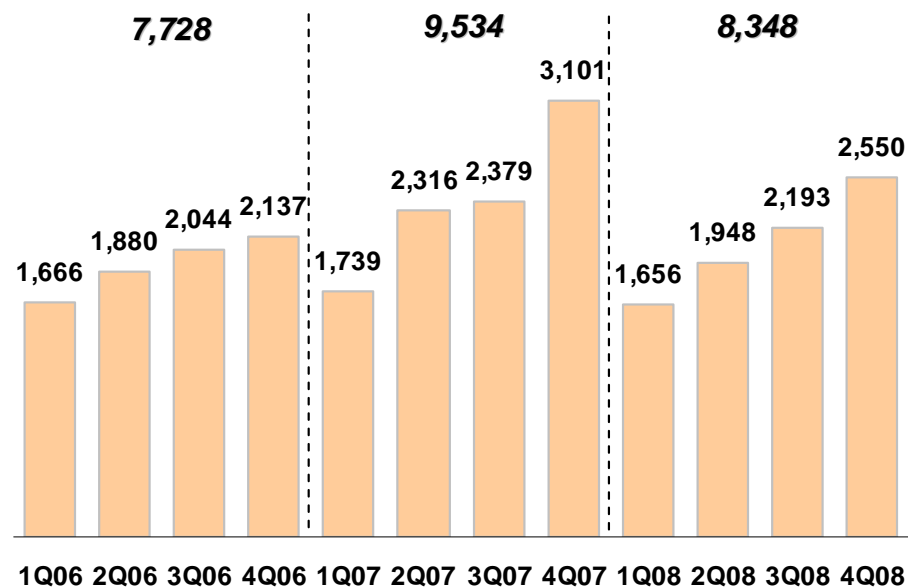
CAPEX (Include Capital Lease)



Depreciation and Amortization



Adjusted EBITDA



. Forecast for FY2009

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

| | 1H09 Target (09/4 ~ 09/9) | FY09 Target (09/4 ~ 10/3) | FY07 Actual (08/4 ~ 09/3) | YoY | |
|--------------------------------------------------|------------------------------|------------------------------|------------------------------|------|-------|
| Total Revenues | 33.5 | 73.0 | 69.7 | 3.3 | 4.7% |
| Operating Income | 0.8 | 3.3 | 2.9 | +0.4 | 13.1% |
| Income before Income Tax Expense (Benefit) | 0.6 | 2.7 | 2.0 | +0.7 | 32.7% |
| Net Income | 0.3 | 1.7 | 1.5 | +0.2 | 13.3% |
| Net Income per Share | JPY 1,481 | JPY 8,393 | JPY 7,521 | 872 | 11.6% |
| Cash Dividend per Share | JPY 1,000 | JPY 2,000 (Annual) | JPY 2,000 (Annual) | 0 | 0.0% |

- ◆ We expect Connectivity and Outsourcing service revenues to continue its steady increase
- ◆ Systems construction revenues :
We expect a decrease of approximately JPY2 billion in revenues compared to FY08 affected by the weak economic conditions.
- ◆ Systems operation and maintenance revenue :
We expect an increase however 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 :
We expected a decrease compared to the previous fiscal year to approximately JPY1 billion.
- ◆ We expect operating income to decrease in 1Q09 compared to 1Q08 because the operating loss related to 4 new subsidiaries are expect to have larger effect on our operating income in 1H09.

-1. Reference : Consolidated Financial Results for 4Q08



Internet Initiative Japan














Unit:JPY billion

| | <i>% of Revenues</i> 4Q08 <i>(09/01 ~ 09/03)</i> | <i>% of Revenues</i> 4Q07 <i>(08/01 ~ 08/03)</i> | YoY |
|----------------------------------|---------------------------------------------------------------|---------------------------------------------------------------|----------------|
| Total Revenues | 18.9 | 18.5 | 2.5% |
| Total Costs | <i>78.6%</i> 14.9 | <i>76.9%</i> 14.2 | 4.7% |
| Gross Margin | <i>21.4%</i> 4.1 | <i>23.1%</i> 4.3 | (5.0%) |
| SG&A/R&D | <i>15.7%</i> 2.6 | <i>13.3%</i> 2.5 | 21.2% |
| Operating Income | <i>5.7%</i> 1.1 | <i>9.8%</i> 1.8 | (40.6%) |
| Income before Income Tax Expense | <i>4.2%</i> 0.8 | <i>8.9%</i> 1.6 | (51.9%) |
| Net Income | <i>0.1</i> 1.06 | <i>5.9%</i> 1.1 | (2.2%) |

-2. Reference: IJ Group Companies



Internet Initiative Japan

| | Company Name | Ownership | Main Business |
|---------------------------|------------------------------------------------------------------------------------------------------------------|-----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Consolidated Subsidiaries |  IIJ Technology Inc. | 100% | Offers a comprehensive suite of systems integration services from design, physical installation, operation, and maintenance to monitoring for our customers' diverse network systems. |
| |  IIJ Financial Systems Inc. | | Provides full outsourcing services for integration and operation of the front- and back-end for securities systems. |
| |  Net Care, Inc. | | 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. |
| |  On-Demand Solutions Inc. | | Provides network system for print-on-demand services for the financial sector to help them reduce printing and delivery cost for brochures and other related documents. |
| |  IIJ Innovation Institute Inc. | | An incubation business for the next generation internet. (R&D) |
| New Business (FY07~) |  Trust Networks Inc. | 69.9% | Operates ATM network systems placed in designated facilities. Receives commission for each withdrawal transaction from a bank account. |
| |  GDX Japan Inc. | 57.4% | Building safe, reliable corporate messaging networks and providing message exchange services. |
| |  Internet Multifeed Co. | 31% | 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. |
| Equity Method Investees |  Taihei Computer Co., Ltd. | 45% | Provides operation of reward point management system |

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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