

For Immediate Release

IIJ Revises Targets for FY2006 Financial Results

Tokyo, November 2, 2006 -- Internet Initiative Japan Inc. ("IIJ", NASDAQ: IJJI, TSE Mothers: 3774), one of Japan's leading Internet access and comprehensive network solutions providers, today announced that in consideration of recent trends of its financial results, the Company is revising its financial targets for the first half of the fiscal year ending March 31, 2007 ("1H2006") and for the full fiscal year ("FY2006"). The revised targets replace the original targets that were announced on May 10, 2006. IIJ plans to announce its financial results for the second quarter and 1H2006 on November 9, 2006.

1. Revised Consolidated Financial Targets under Generally Accepted Accounting Principles in the United States of America ("U.S. GAAP")

<1H2006 (From April 1, 2006 to September 30, 2006)>

(Millions of Yen)

	Revenues	Operating Income	Income before Income Tax Expense (Benefit)	Net Income
Target Previously Announced on May 10, 2006 (A)	25,000	1,000	2,600	2,000
Target Revised (B)	26,400	1,370	2,140	2,850
Change (B-A)	+1,400	+370	-460	+850
Change (%)	+5.6%	+37.0%	-17.7%	+42.5%
(For Reference) First Half of the Fiscal Year Ended March 31, 2006 ("1H2005")	21,809	754	1,779	1,623

<FY2006 (From April 1, 2006 to March 31, 2007)>

(Millions of Yen)

	Revenues	Operating Income	Income before Income Tax Expense (Benefit)	Net Income
Target Previously Announced on May 10, 2006 (A)	55,000	3,200	6,300	5,000
Target Revised (B)	56,000	3,200	5,000	5,000
Change (B-A)	+1,000	-	-1,300	-
Change (%)	+1.8%	-	-20.6%	-
(For Reference) Fiscal Year Ended March 31, 2006 ("FY2005")	49,813	2,411	5,379	4,754

Reasons for the Revision

For 1H2006 (from April 1, 2006 to September 30, 2006), the business environment in IIJ's key markets continued to be favorable. Demand from corporate customers for higher speed Internet connectivity services remained robust due to the expansion of network usage. Additionally, demand for outsourcing services remained particularly strong because of an increase of network-related security incidents and an overall shortage of Internet

engineers. Corporate customers also increased construction of corporate information technology networks based on Internet protocol technology.

Compared to the previously announced targets for 1H2006, IIJ expects that:

- Revenues will exceed the initial target mainly due to the higher revenues from connectivity and value-added services and systems integration.
- Operating income will exceed the initial target mainly due to an increase in revenues from connectivity and value-added services.
- Income before income tax expense (benefit) will be lower than the initial target mainly due to a decrease in gain from sale of available-for-sale securities, which is largely a reflection of the decrease in the value of the securities due to market price fluctuations.
- Net income will exceed the initial target because of deferred tax benefits resulting from a release of valuation allowance against deferred income tax assets related to tax operating loss carryforwards and others.

In the Company's consolidated financial results, revenues and operating income tend to be very strong in the fourth quarter due to seasonal factors mainly related to corporate spending on systems integration projects, and those figures tend to fluctuate greatly in the fourth quarter. Therefore, IIJ maintains its initial target for operating and net income for full FY2006 at this time, despite the upward revision of the revenue target along with the increase of revenues in the first half. IIJ expects that its income before income tax expense (benefit) for FY2006 will be lower than the initial target mainly due to a decrease in gain from sale of available-for-sale securities.

2. Revised Non-consolidated Financial Targets under Generally Accepted Accounting Principles in Japan <1H2006 (From April 1, 2006 to September 30, 2006)>

(Millions of Yen)

	Revenues	Operating Income	Ordinary Income	Net Income
Target Previously Announced on May 10, 2006 (A)	18,900	300	300	2,000
Target Revised (B)	19,200	580	600	1,620
Change (B-A)	+300	+280	+300	-380
Change (%)	+1.6%	+93.3%	+100.0%	-19.0%
(For Reference) 1H2005	17,275	181	158	1,247

<FY2006 (From April 1, 2006 to March 31, 2007)>

(Millions of Yen)

	Revenues	Operating Income	Ordinary Income	Net Income
Target Previously Announced on May 10, 2006 (A)	41,000	1,300	1,300	4,800
Target Revised (B)	41,000	1,300	1,300	4,200
Change (B-A)	-	-	-	-600
Change (%)	-	-	-	-12.5%
(For reference) FY2005	37,458	846	737	4,231

Reasons for the Revision

For 1H2006 (from April 1, 2006 to September 30, 2006), IIJ expects that revenues, operating income and ordinary income will be higher than the initial targets because of the favorable business environment that was mentioned above. IIJ expects that net income will be lower than the initial target mainly due to a decrease in gain from sale of available-for-sale securities.

For FY2006 (from April 1, 2006 to March 31, 2007), the Company expects that net income will be lower than the initial target mainly due to a decrease in gain from sale of available-for-sale securities.

(Notes)

- 1) In the consolidated financial statements, income before income tax expense (benefit) represents income from operations before income tax expense (benefit), minority interests and equity in net income (loss) of equity method investees.
- 2) For the financial results for 1H2005 and FY2005 represented above, the amounts less than one million yen are rounded.

About IIJ

Founded in 1992, Internet Initiative Japan Inc. (IIJ, NASDAQ: IJJI, Tokyo Stock Exchange Mothers: 3774) is one of Japan's leading Internet-access and comprehensive network solutions providers. IIJ and its group of companies provide total network solutions that mainly cater to high-end corporate customers. The company's services include high-quality systems integration and security services, Internet access, hosting/housing, and content design. Moreover, the company has built one of the largest Internet backbone networks in Japan, and between Japan and the United States. IIJ was listed on NASDAQ in 1999 and on the Mothers market of Tokyo Stock Exchange in 2005. For more information about IIJ, visit the IIJ Web site at <http://www.ij.ad.jp/en/>.

Statements made in this press release regarding IIJ's or management's intentions, beliefs, expectations, or predictions for the future are forward-looking statements that are based on IIJ's and managements' current expectations, assumptions, estimates and projections about its business and the industry. These forward-looking statements, such as statements regarding FY2006 revenues and operating and net profitability, are subject to various risks, uncertainties and other factors that could cause IIJ's actual results to differ materially from those contained in any forward-looking statement. These risks, uncertainties and other factors include: IIJ's ability to maintain and increase revenues from higher-margin services such as systems integration and value-added services; the possibility that revenues from connectivity services may decline substantially as a result of competition and other factors; the ability to compete in a rapidly evolving and competitive marketplace; the impact on IIJ's profits of fluctuations in costs such as backbone costs and subcontractor costs; the impact on IIJ's profits of fluctuations in the price of available-for-sale securities; the impact of technological changes in its industry; IIJ's ability to raise additional capital to cover its indebtedness; the possibility that NTT, IIJ's largest shareholder, may decide to exercise substantial influence over IIJ; and other risks referred to from time to time in IIJ's filings on Form 20-F of its annual report and other filings with the United States Securities and Exchange Commission.

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