

Internet Initiative Japan (Nasdaq: IJJI)

August, 2002

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- **Total revenues was above the expected range**

- JPY9.9B (\$82M), 18.2% up from 1Q01 & 18.7% down from 4Q01
- The anticipated decline from 4Q01 was due to seasonality in SI business.

- **Temporal decline in the operating profitability**

- Reflecting the anticipated lower revenues and higher costs in the SI business and human resources.
- Operating margin declined to 9.1%, from 12.5% in 1Q01 and 11.6% in 4Q01
- Operating loss of JPY464M (\$3.9M)
- EBITDA remained positive at JPY329M

- **Guidance in the 2Q02**

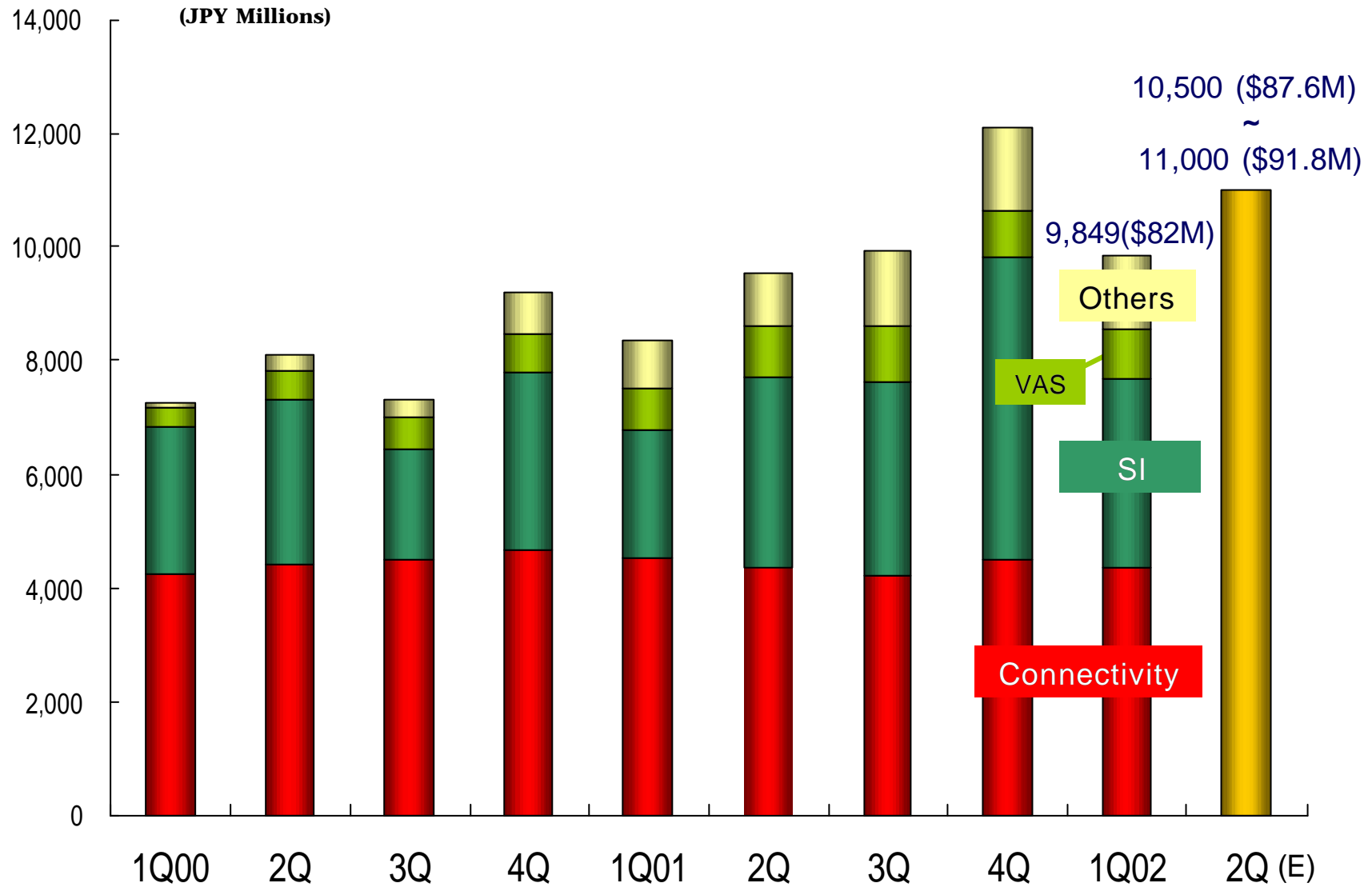
- Revenues to be between JPY10.5B(\$87.6M) and JPY11.0B(\$91.8M)
- Operating Income/loss to be at or near break-even level
- As a result, revenues in the first half of fiscal year to grow by more than 15%

- **Guidance for full fiscal 2002**

- Revenues to grow by approximately 20%
- Company is confident of meeting analysts consensus expectations for operating income, which is JPY980 M

Revenues Breakdown (Quarterly)

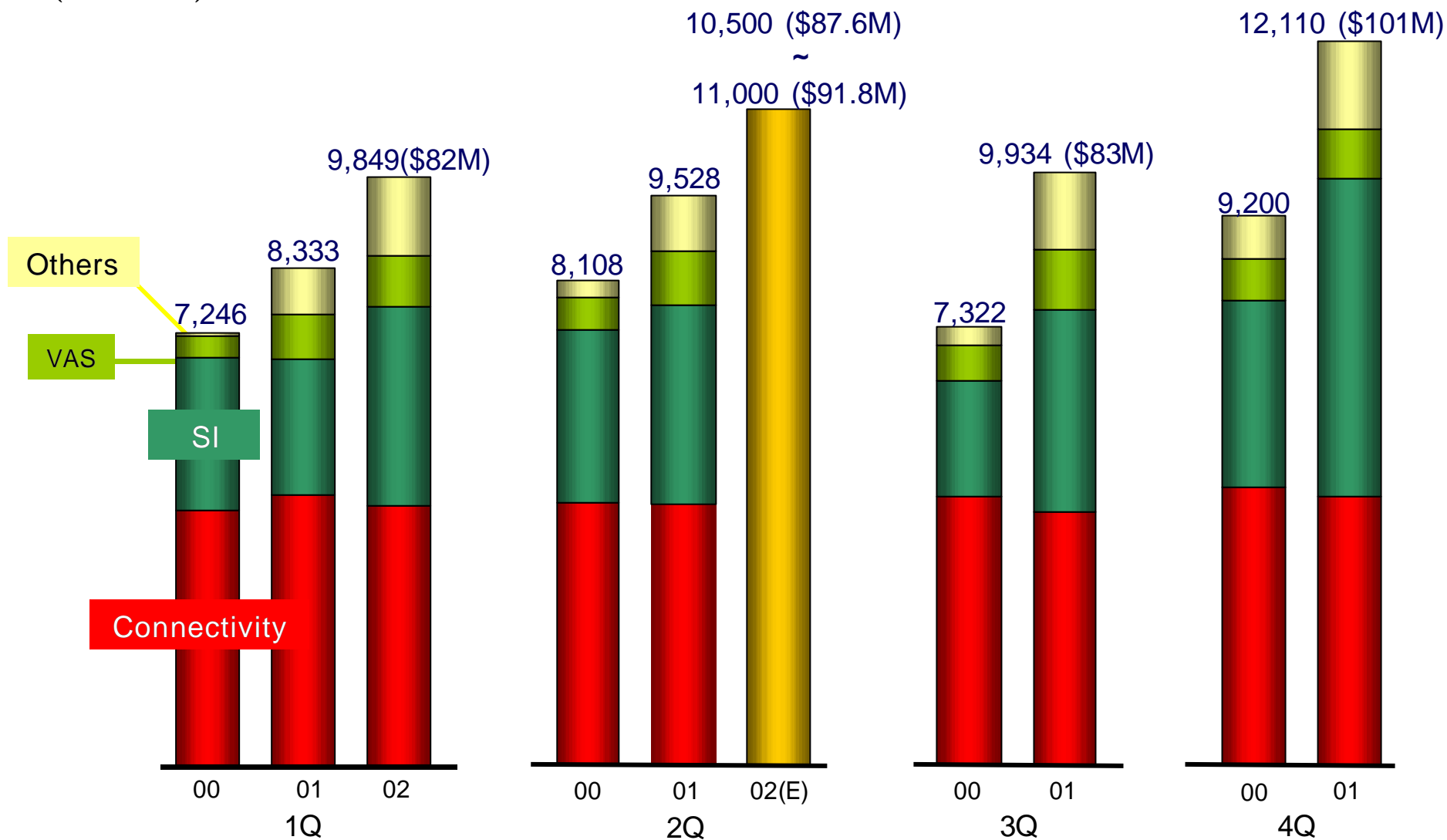
\$1=JPY119.85

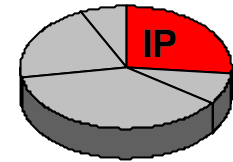


Revenues Breakdown (Quarterly)

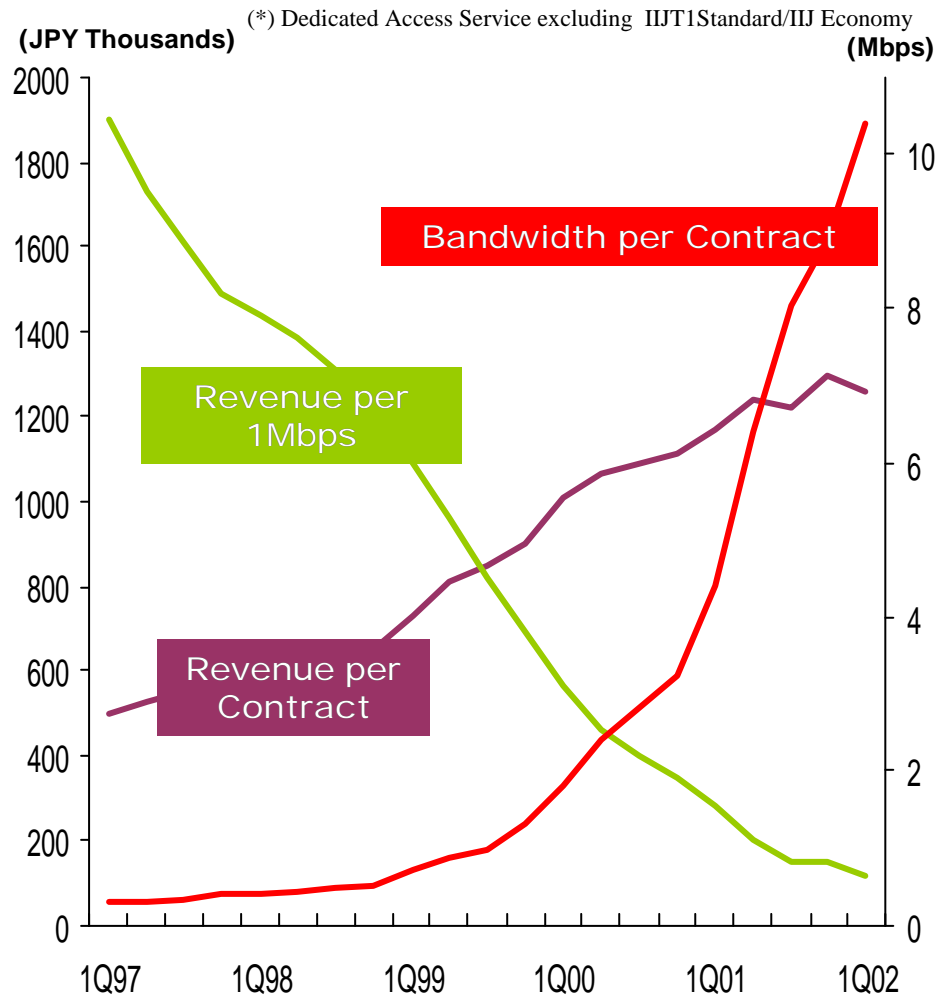
\$1=JPY119.85

(JPY Millions)

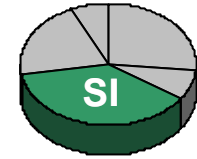




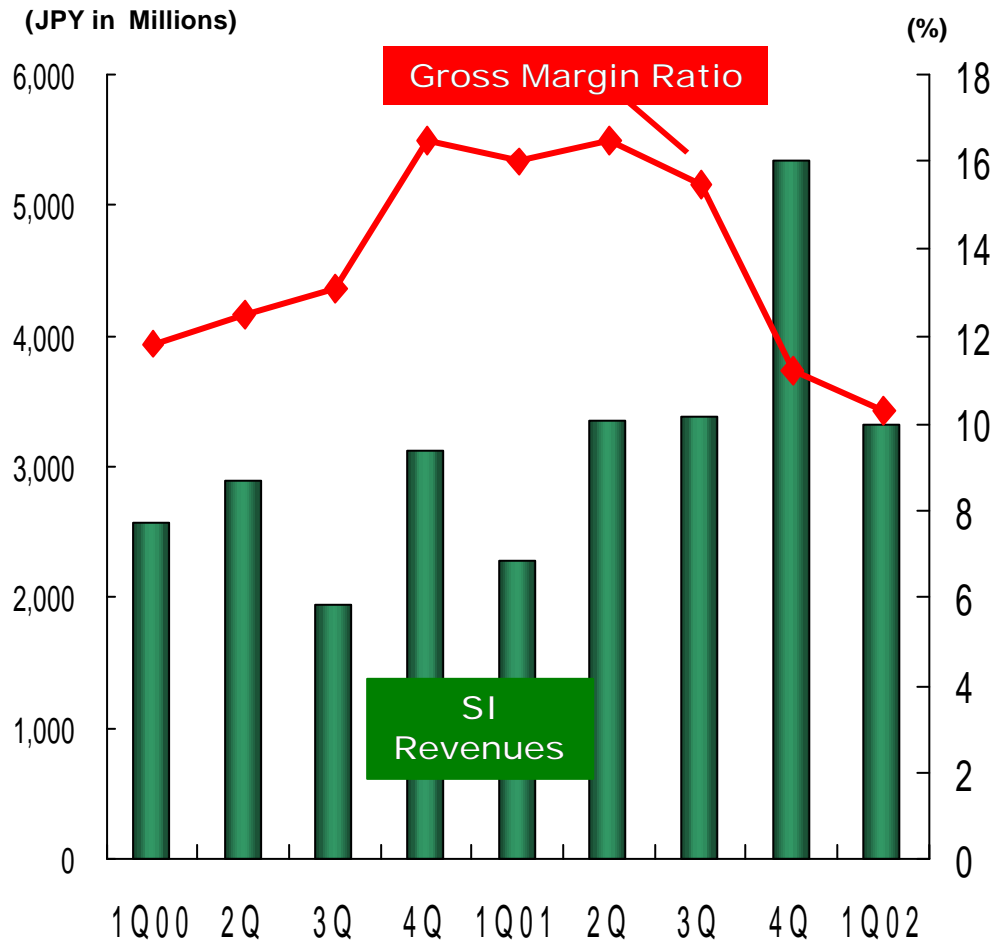
IP Service(*) ARPU



- Steady increase in the number of high bandwidth services contracts
- Steady increase in the total number of contracted bandwidth (14.4Gbps, a 26% quarter-over-quarter growth)
- Margin deteriorated due to some of large customers' consolidations of their Internet connectivity
- Recovery in 2Q02 by capitalizing CDN JAPAN services and rapid growth in the Internet connectivity market over FTTH (Fiber To The Home).

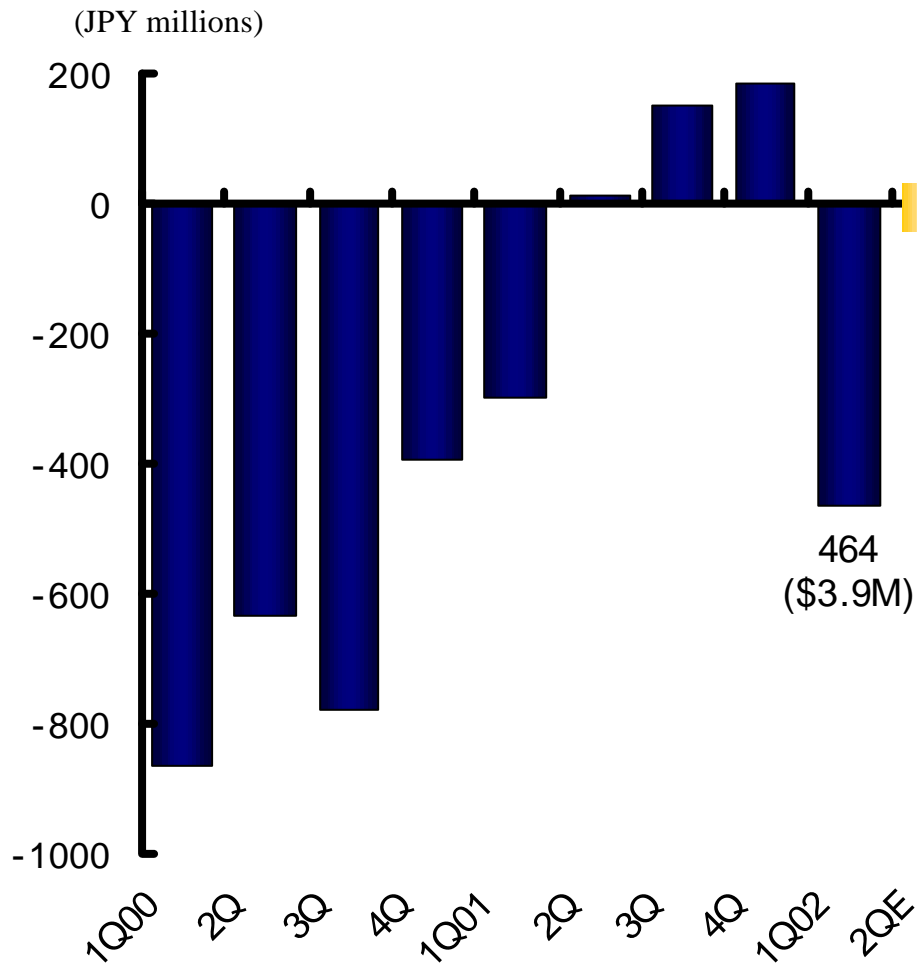


Revenues and Gross Margin Ratio



- Despite the typical seasonal weakness, 46.0% year-over-year growth
- Margin declined due to higher costs for new project developments in association with rapidly diversifying SI business
- Deferred contract with high margin to 2Q02
- Expecting steady growth and improved margin in the 2Q02

Operating Income/Loss



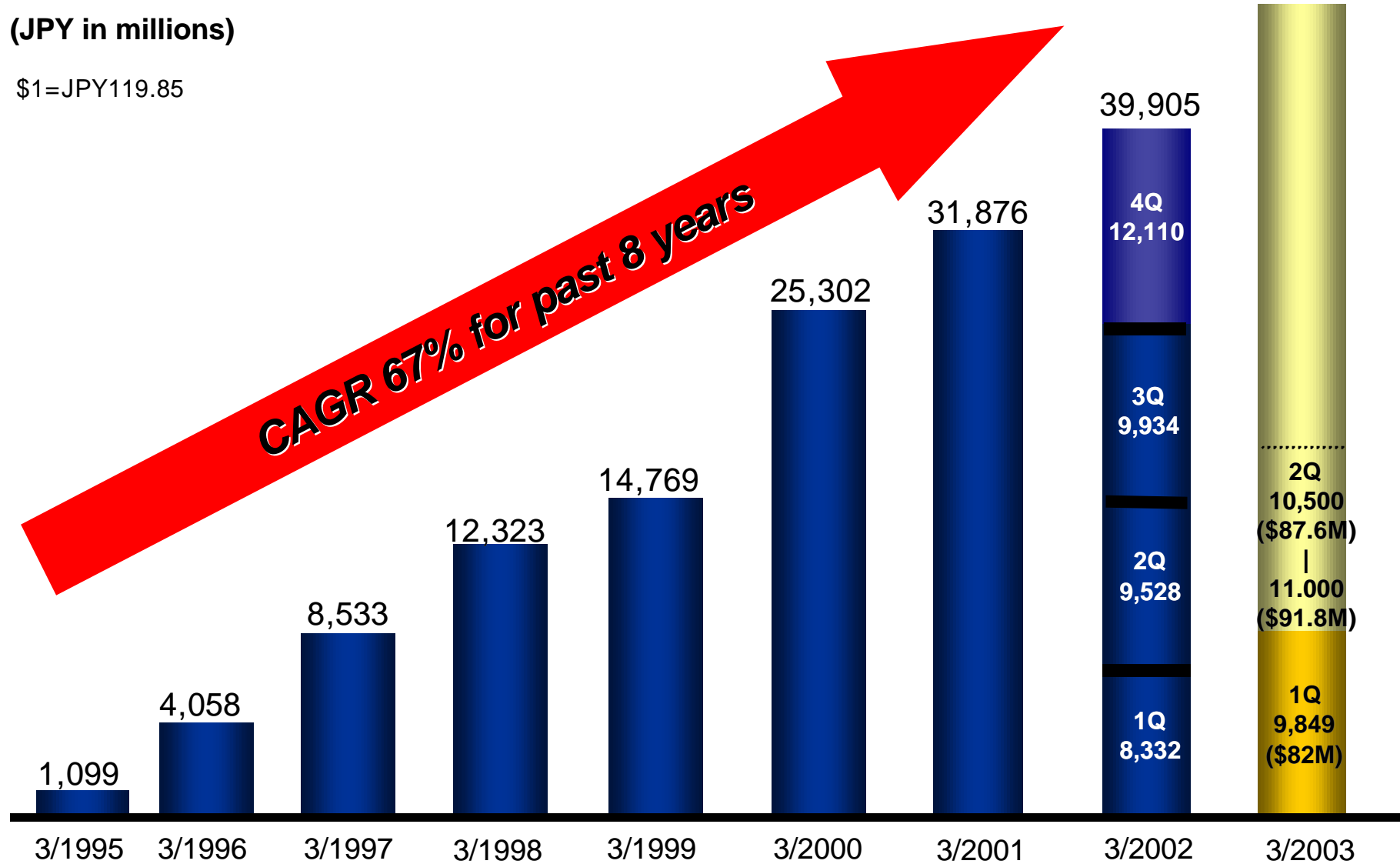
- IIJ reported an operating loss of JPY464 million (\$3.9M). This was due not only to lower revenues, but also to decreased margins. The company believes that its operating loss in 1Q02 is temporary.
- IIJ is expecting to report operating results at or near break-even level in 2Q02.

Revenues Growth (Full Fiscal)

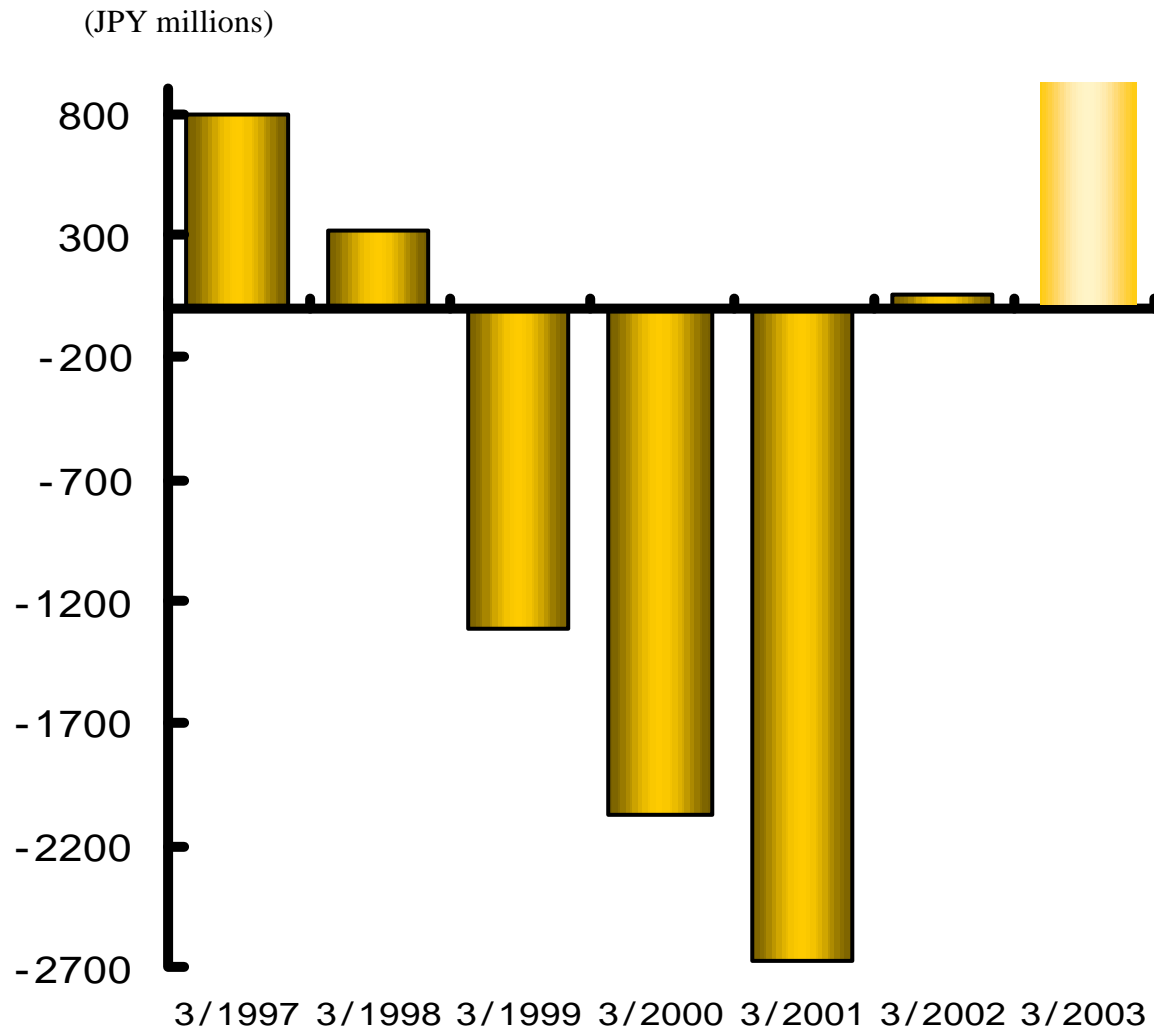
20% expected growth

(JPY in millions)

\$1=JPY119.85



Operating Profitability (Full Fiscal)



● The Company is confident of meeting analysts' consensus^(*) expectations for operating income for the full fiscal year.

* Consensus on operating income was derived by averaging the financial forecasts for IIJ as supplied by the following five firms: Goldman Sachs, Morgan Stanley, JP Morgan, Credit Suisse First Boston and Daiwa Institute of Research.