



Internet Initiative Japan

For Immediate Release

Internet Initiative Japan Inc.

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IIJ Announces First Quarter Results for the Year Ending March 31, 2007

- Year-over-Year Increase in Revenues and Profits, Affected by Favorable Trends -

Tokyo, August 9, 2006 - Internet Initiative Japan Inc. (Nasdaq: IJJ, Tokyo Stock Exchange Mothers: 3774) ("IIJ"), one of Japan's leading Internet-access and comprehensive network solutions providers, today announced its financial results for the first quarter of the fiscal year ending March 31, 2007 ("FY2006").¹

Highlights of First Quarter FY2006 Results

- Revenue totaled JPY 12,437 million (\$108.6 million), an increase of 25.9% from 1Q05.
- Operating income was JPY 559 million (\$4.9 million), an increase of 126.6% from 1Q05.
- Net income was JPY 734 million (\$6.4 million), an increase of 17.8% from 1Q05.

Target for FY2006²

- We maintain our initial target for full FY2006 that we announced on May 10, 2006.

Overview of 1st Quarter of FY2006 Financial Results and Business Outlook²

"FY2006 started strongly as revenues from both outsourcing services and systems integration grew substantially," said Koichi Suzuki, President and CEO of IIJ. "Overall revenues increased 25.9% and operating income jumped 126.6% in 1Q06 compared to 1Q05, although our first quarter is historically weakest due to seasonal fluctuations in Japanese corporate spending. The Japanese economy continues to recover and, as a result, we see a greater willingness for Japanese companies to invest in information systems. At the same time, our corporate customers are increasingly recognizing the importance of Internet technology in helping them increase business efficiency and competitiveness. Internet technology became one of the key components of their business operations and consequently they need and demand highly reliable and safe Internet-related services. IIJ has accumulated extensive Internet technological expertise more than a decade, and it is now being validated that IIJ is correctly positioned to meet the growing demand from corporate customers. We are working hard to continue our expansion by developing additional services, particularly in the fields of outsourcing, Internet VPN and Internet security along with favorable business environment."

"In 1Q06, we had an improvement in our financial results", said Akihisa Watai, CFO of IIJ. "At the Ordinary General Shareholders' Meeting held on June 28, 2006, the reductions of the Company's additional paid-in capital and common stock in the non-consolidated financial statements under generally accepted accounting principles in Japan were resolved and became effective on August 4, 2006. The reductions did not result in any changes to the number of shares of common stock outstanding, total shareholders' equity or our earning per share targets for FY2006. The reductions have not affected our consolidated financial statements under accounting principles generally accepted in the United States ("U.S. GAAP") due to the difference in accounting principles between Japan and the United States."

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. For all 1Q06 results, translations of Japanese yen amounts into US dollars are solely for the convenience of readers outside of Japan and have been made at the rate of JPY 114.51 = US\$1.00.

² This Overview and Business Outlook contains forward-looking statements and projections such as statements regarding FY2006 revenues and operating and net income that are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by these statements. These risks and uncertainties include, but are not limited to, the factors noted at the end of this release and to the risk factors and other information included in IIJ's annual report on Form 20-F, filed with the SEC on July 11, 2006, as well as other filings and documents furnished to the Securities and Exchange Commission. IIJ plans to keep this press release publicly available on its Web site (www.ij.ad.jp), but may discontinue this practice at any time. IIJ intends to publish its next Overview and Business Outlook in its 2Q06 earnings release, presently scheduled for release in November 2006.

1st Quarter FY2006 Financial Results

Operating Result Summary

(JPY in millions)

	1Q06	1Q05	YoY % change
Total Revenues	12,437	9,880	25.9%
Total Costs	10,134	8,118	24.8%
SG&A Expenses and R&D	1,744	1,516	15.1%
Operating Income	559	247	126.6%
Income before Income Tax Expense	999	682	46.5%
Net Income	734	623	17.8%

Revenues

Revenues in 1Q06 totaled JPY 12,437 million, an increase of 25.9% from JPY 9,880 million in 1Q05.

Revenues

(JPY in millions)

	1Q06	1Q05	YoY % change
Total Revenues:	12,437	9,880	25.9%
Connectivity and Value-added Services	5,864	5,767	1.7%
Systems Integration	6,032	3,840	57.1%
Equipment Sales	541	273	98.1%

Connectivity and Value-added Services ("VAS") revenues were JPY 5,864 million in 1Q06, an increase of 1.7 % compared to 1Q05. The increase is mainly due to an increase in revenues from various types of value-added services, which was caused by an increase in demand for outsourcing services.

SI revenues increased 57.1% to JPY 6,032 million in 1Q06 compared to 1Q05. The increase was mainly due to an increase in one-time revenues from the design, construction and consultation of networks, as well as a continuous increase in monthly recurring revenues from network operation and maintenance.

Equipment sales revenues were JPY 541 million in 1Q06, an increase of 98.1% compared to 1Q05.

Cost and expense

Cost of revenues was JPY 10,134 million in 1Q06, an increase of 24.8% compared to 1Q05.

Cost of Revenues

(JPY in millions)

	1Q06	1Q05	YoY % change
Cost of Revenues:	10,134	8,118	24.8%
Connectivity and Value-added Services	5,070	4,964	2.1%
Systems Integration	4,581	2,910	57.4%
Equipment Sales	483	244	98.2%

Cost of Connectivity and VAS revenues was JPY 5,070 million in 1Q06, an increase of 2.1% compared to 1Q05.

Cost of SI revenues was JPY 4,581 million in 1Q06, an increase of 57.4% compared to 1Q05. The increase was mainly due to an increase in systems integration projects.

Cost of Equipment Sales revenues was JPY 483 million in 1Q06, an increase of 98.2% compared to 1Q05. The increase was mainly due to an increase in equipment sales.

Sales and marketing expenses were JPY 790 million in 1Q06, an increase of 2.9% compared to 1Q05. The increase was mainly due to an increase in expenses along with the business expansion.

General and administrative expenses were JPY 915 million in 1Q06, an increase of 28.1% compared to 1Q05. The increase was mainly due to an increase in personnel expenses principally related to

recruitment of new graduates, an increase of recruiting expenses and expenses related to changes in office layouts.

Operating income

Operating income was JPY 559 million in 1Q06, an increase of 126.6% compared to 1Q05. The increase was mainly due to the increase of revenues from higher-margin value-added services and systems integration.

Other income and others

Other income in 1Q06 was JPY 440 million, an increase of 1.1% from JPY 435 million in 1Q05. The increase included a gain from sale of available-for-sale securities of JPY 478 million.

Net income was JPY 734 million in 1Q06, an increase of 17.8% compared to 1Q05. The increase was mainly due to an increase in operating income. The income tax expense in 1Q06 increased to JPY 149 million compared to 1Q05, mainly due to income tax payable related to taxable income of our consolidated subsidiaries. The equity in net loss of equity method investees increased compared to 1Q05 mainly due to an increase of equity method loss from the newly established equity method investee.

1st Quarter FY2006 Business Review

Analysis by Service

Connectivity and Value-added Services

For dedicated access services, customers continued to shift to higher speed and the number of contracts for broadband services increased as customers connected their branch offices and shops over Internet VPN.

The number of contracts for dedicated access services increased by 3,080 to 15,354 compared to 1Q05. The contracted bandwidth increased by 84.5Gbps to 225.4Gbps compared to 1Q05.

Dedicated access service revenues were JPY 2,616 million, a decrease of 4.8% compared to 1Q05. The decrease is mainly related to a decrease by JPY 234 million in interconnection revenues between IIJ's network and Asia Internet Holding Co., Ltd. ("AIH"), our former equity method investee, because AIH was merged into IIJ in October 2005.

Dial-up access service revenues were JPY 607 million in 1Q06, a decrease of 13.1% compared to 1Q05, mainly due to the decrease in revenues from services for individual customers, such as IIJ4U, as well as the discontinuance of services of certain large customer to which we provided our services as OEM.

VAS revenues were JPY 1,741 million in 1Q06, an increase of 25.5% compared to 1Q05. The increase was due to an increase in revenues from various types of services. We recorded an increase in revenues from network-related outsourcing services such as the rental service of SEIL, our in-house developed routers and SEIL Management Framework ("SMF"), the central management system of SEIL, server-related outsourcing services such as outsourcing of e-mail systems and data center related services. The increase in revenues from SEIL rental service and SMF reflects an increase of multi-site connection projects with Internet-VPN.

Other revenues were JPY 900 million in 1Q06, a decrease of 3.6% compared to 1Q05.

As a result, revenues from Internet connectivity and value-added services in 1Q06 were JPY 5,864 million, an increase of 1.7% compared to 1Q05. The gross margin for Internet connectivity and value-added services in 1Q06 was JPY 794 million, a decrease of 1.1% compared to 1Q05. The gross margin ratio of Internet connectivity and value-added services was 13.5% in 1Q06.

Number of Contracts for Connectivity Services

	1Q06	1Q05	YoY Change
Dedicated Access Service Contracts	15,354	12,274	3,080
IP Service (Low Bandwidth: 64kbps-768kbps) ³	74	65	9
IP Service (Medium Bandwidth: 1Mbps-99Mbps) ³	673	637	36
IP Service (High Bandwidth: 100Mbps-)	182	131	51
IIJ T1 Standard and IIJ Economy	76	208	(132)
IIJ Data Center Connectivity Service	264	234	30
IIJ FiberAccess/F and IIJ DSL/F (Broadband Services)	14,085	10,999	3,086
Dial-up Access Service Contracts	596,628	677,207	(80,579)
Dial-up Access Services, under IIJ Brand	61,222	66,125	(4,903)
Dial-up Access Services, OEM ⁴	535,406	611,082	(75,676)
Total Contracted Bandwidth	225.4Gbps	140.9Gbps	84.5Gbps

Connectivity and VAS Revenue Breakdown and Cost

(JPY in millions)

	1Q06	1Q05	YoY % Change
Connectivity Service Revenues	3,223	3,446	(6.5%)
Dedicated Access Service Revenues	2,616	2,747	(4.8%)
IP Service ⁵	2,046	2,166	(5.5%)
IIJ T1 Standard and IIJ Economy	62	134	(53.7%)
IIJ FiberAccess/F and IIJ DSL/F (Broadband Services)	508	447	13.7%
Dial-up Access Service Revenues	607	699	(13.1%)
Under IIJ Brand	420	466	(9.8%)
OEM	187	233	(19.8%)
VAS Revenues	1,741	1,388	25.5%
Other Revenues	900	933	(3.6%)
Total Connectivity and VAS Revenues	5,864	5,767	1.7%
Cost of Connectivity and VAS	5,070	4,964	2.1%
Backbone Cost (included in the cost of Connectivity and VAS)	872	864	0.9%
Connectivity and VAS Gross Margin Ratio	13.5%	13.9%	—

Systems Integration

Revenue from systems integration was JPY 6,032 million in 1Q06, an increase of 57.1% compared to 1Q05. The increase was mainly due to consistent increases in monthly recurring revenues from outsourced operations, and an increase in revenues from one-time systems integration. The revenues from outsourced operations increased by 22.9% compared to 1Q05. The revenues from one-time systems integration increased significantly by 132.9% compared to 1Q05, partly due to projects carrying over from the previous quarter. The gross margin for SI in 1Q06 was 24.0%.

Systems Integration Revenue Breakdown and Cost

(JPY in millions)

	1Q06	1Q05	YoY % Change
Systems Integration Revenues	6,032	3,840	57.1%
Systems Integration	2,778	1,193	132.9%
Outsourced Operation	3,254	2,647	22.9%
Cost of Systems Integration	4,581	2,910	57.4%
Systems Integration Gross Margin Ratio	24.0%	24.2%	—

³ Including IPv6 Services.

⁴ OEM services provided to other service providers.

⁵ IP Service revenues includes revenues from Data Center Connectivity Service.

Equipment Sales

Revenue from equipment sales was JPY 541 million in 1Q06. The gross margin ratio for equipment sales in 1Q06 was 10.8%.

Equipment Sales Revenue and Cost

(JPY in millions)

	1Q06	1Q05	YoY % Change
Equipment Sales Revenues	541	273	98.1%
Cost of Equipment Sales	483	244	98.2%
Equipment Sales Gross Margin Ratio	10.8%	10.9%	—

Other Financial Statistics

Other Financial Statistics

(JPY in millions)

	1Q06	1Q05	YoY % change
Adjusted EBITDA ⁶	1,666	1,261	32.2%
CAPEX, including capital leases ⁷	842	533	57.9%
Depreciation and amortization	1,107	1,014	9.2%

Reconciliation of Non-GAAP Financial Measures

The following table summarizes the reconciliation of adjusted EBITDA to net income according to the consolidated statements of income that are prepared in accordance with U.S. GAAP and presented in Appendix 1:

Adjusted EBITDA

(JPY in millions)

	1Q06	1Q05
Adjusted EBITDA	1,666	1,261
Depreciation and Amortization	(1,107)	(1,014)
Operating Income	559	247
Other Income	440	435
Income Tax Expense	149	38
Minority Interests in Earnings of Subsidiaries	(43)	(24)
Equity in Net Income (Loss) of Equity Method Investees	(73)	3
Net Income	734	623

The following table summarizes the reconciliation of capital expenditures to the purchase of property and equipment according to the consolidated statements of cash flows that are prepared and presented in accordance with U.S. GAAP in Appendix 3:

CAPEX

(JPY in millions)

	1Q06	1Q05
Capital Expenditures	842	533
Acquisition of Assets by Entering into Capital Leases	406	320
Purchase of Property and Equipment	436	213

⁶ Please refer to the Reconciliation of Non-GAAP Financial Measures below.

⁷ Please refer to the Reconciliation of Non-GAAP Financial Measures below.

Target

We maintain our initial target that we announced on May 10, 2006 for the annual fiscal year as follows:

(JPY in millions)

Revenues	Operating Income	Income from Operations before Income Tax Expense, Minority Interests and Equity in Net Income (Loss) of Equity Method Investees	Net Income
55,000	3,200	6,300	5,000

Presentation

On August 10, 2006, IIJ will post a presentation of its results on its website. For details, please access the following URL: <http://www.iij.ad.jp/en/IR/>

About Internet Initiative Japan Inc.

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. The company has built one of the largest Internet backbone networks in Japan, and between Japan and the United States. 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.

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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.

Tables to follow

Internet Initiative Japan Inc.
Quarterly Consolidated Balance Sheets (Unaudited)

(As of June 30, 2006 and March 31, 2006)

	As of June 30, 2006			As of March 31, 2006	
	Thousands of U.S. Dollars	Thousands of Yen	%	Thousands of Yen	%
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	114,322	13,091,020		13,727,021	
Accounts receivable, net of allowance for doubtful accounts of JPY 29,084 thousand and JPY 23,411 thousand at June 30, 2006 and March 31, 2006, respectively	53,649	6,143,361		11,962,304	
Inventories	6,192	709,047		851,857	
Prepaid expenses	16,033	1,835,908		1,031,325	
Other current assets, net of allowance for doubtful accounts of JPY 30,850 thousand and JPY 33,250 thousand at June 30, 2006 and March 31, 2006, respectively	1,548	177,320		214,121	
Total current assets	191,744	21,956,656	52.3	27,786,628	54.8
INVESTMENTS IN AND ADVANCES TO EQUITY METHOD INVESTEES, net of loan loss valuation allowance of JPY 16,701 thousand and JPY 16,701 thousand at June 30, 2006 and March 31, 2006, respectively	9,563	1,095,058	2.6	1,162,971	2.3
OTHER INVESTMENTS	50,747	5,811,019	13.8	8,020,705	15.8
PROPERTY AND EQUIPMENT—Net	85,330	9,771,187	23.3	10,299,496	20.3
INTANGIBLE ASSETS—Net	5,547	635,152	1.5	632,594	1.2
GUARANTEE DEPOSITS	13,576	1,554,601	3.7	1,549,653	3.1
OTHER ASSETS, net of allowance for doubtful accounts of JPY 39,657 thousand and JPY 40,980 thousand at June 30, 2006 and March 31, 2006, respectively	10,285	1,177,744	2.8	1,252,942	2.5
TOTAL	366,792	42,001,417	100.0	50,704,989	100.0

	As of June 30, 2006			As of March 31, 2006	
	Thousands of U.S. Dollars	Thousands of Yen	%	Thousands of Yen	%
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES:					
Short-term borrowings	46,721	5,350,000		4,555,000	
Long-term borrowings—current portion	11,801	1,351,342		1,989,963	
Payable under securities loan agreement	4,332	496,080		999,600	
Capital lease obligations—current portion	30,192	3,457,253		3,003,914	
Accounts payable	33,070	3,786,846		10,107,942	
Accrued expenses	4,644	531,849		540,027	
Other current liabilities	17,919	2,051,859		1,702,208	
Total current liabilities	148,679	17,025,229	40.5	22,898,654	45.2
LONG-TERM BORROWINGS	2,349	269,000	0.6	290,000	0.6
CAPITAL LEASE OBLIGATIONS — Noncurrent	35,132	4,022,923	9.6	4,980,659	9.8
ACCRUED RETIREMENT AND PENSION COSTS	2,138	244,823	0.6	223,332	0.4
OTHER NONCURRENT LIABILITIES	5,958	682,291	1.6	827,086	1.6
Total Liabilities	194,256	22,244,266	52.9	29,219,731	57.6
MINORITY INTEREST	11,194	1,281,860	3.1	1,263,320	2.5
COMMITMENTS AND CONTINGENCIES	—	—	—	—	—
SHAREHOLDERS' EQUITY:					
Common-stock—authorized, 377,600 shares; issued and outstanding, 204,300 shares at June 30, 2006 and authorized, 377,600 shares; issued and outstanding, 204,300 shares at March 31, 2006	147,008	16,833,847	40.1	16,833,847	33.2
Additional paid-in capital	232,287	26,599,217	63.3	26,599,217	52.5
Accumulated deficit	(252,788)	(28,946,811)	(68.9)	(29,680,482)	(58.5)
Accumulated other comprehensive income	35,571	4,073,276	9.7	6,553,594	12.9
Treasury stock—777 shares held by an equity method investee at June 30, 2006 and March 31, 2006, respectively	(736)	(84,238)	(0.2)	(84,238)	(0.2)
Total shareholders' equity	161,342	18,475,291	44.0	20,221,938	39.9
TOTAL	366,792	42,001,417	100.0	50,704,989	100.0

(Note)

1) The U.S. dollar amounts represent translations of yen amounts at the rate of JPY 114.51 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 June 30, 2006.

2) IJ conducted a 1 for 5 stock split effective on October 11, 2005. The numbers of shares of common stock authorized, and issued and outstanding, and shares held by an equity method investee in this table are calculated with the assumption that the stock split was made at the beginning of FY2005. IJ issued 12,500 new shares of common stock for public offering when it listed on the Mothers market of TSE in December 2005.

Internet Initiative Japan Inc.
Quarterly Consolidated Statements of Income (Unaudited)

(For the three months ended June 30, 2006 and June 30, 2005)

	Three Months Ended June 30, 2006			Three Months Ended June 30, 2005	
	Thousands of U.S. Dollars	Thousands of Yen	% of total revenues	Thousands of Yen	% of total revenues
REVENUES:					
Connectivity and value-added services:					
Dedicated access	22,844	2,615,890		2,746,900	
Dial-up access	5,301	606,995		698,670	
Value-added services	15,207	1,741,318		1,387,893	
Other	7,857	899,726		933,120	
Total	51,209	5,863,929		5,766,583	
Systems integration	52,676	6,031,963		3,840,075	
Equipment sales	4,729	541,545		273,438	
Total revenues	108,614	12,437,437	100.0	9,880,096	100.0
COST AND EXPENSES:					
Cost of connectivity and value-added services	44,273	5,069,730		4,963,835	
Cost of systems integration	40,008	4,581,313		2,910,262	
Cost of equipment sales	4,218	483,015		243,699	
Total cost	88,499	10,134,058	81.5	8,117,796	82.2
Sales and marketing	6,898	789,932	6.3	767,801	7.8
General and administrative	7,988	914,711	7.4	713,917	7.2
Research and development	347	39,684	0.3	33,904	0.3
Total cost and expenses	103,732	11,878,385	95.5	9,633,418	97.5
OPERATING INCOME	4,882	559,052	4.5	246,678	2.5
OTHER INCOME:					
Interest income	27	3,049		2,101	
Interest expense	(935)	(107,002)		(109,377)	
Foreign exchange gains	6	690		8,030	
Gain on other investments—net	4,176	478,186		488,758	
Other—net	569	65,181		45,721	
Other income— net	3,843	440,104	3.5	435,233	4.4
INCOME FROM OPERATIONS BEFORE INCOME TAX EXPENSE, MINORITY INTERESTS AND EQUITY IN NET INCOME (LOSS) OF EQUITY METHOD INVESTEES	8,725	999,156	8.0	681,911	6.9
INCOME TAX EXPENSE	1,300	148,874	1.2	38,111	0.4
MINORITY INTERESTS IN EARNINGS OF SUBSIDIARIES	(380)	(43,574)	(0.3)	(23,855)	(0.2)
EQUITY IN NET INCOME (LOSS) OF EQUITY METHOD INVESTEES	(638)	(73,037)	(0.6)	2,729	0.0
NET INCOME	6,407	733,671	5.9	622,674	6.3

	Three Months Ended June 30, 2006		Three Months Ended June 30, 2005
	Thousands of U.S. Dollars	Thousands of Yen	Thousands of Yen
BASIC WEIGHTED-AVERAGE NUMBER OF SHARES		203,989	191,547
DILUTED WEIGHTED-AVERAGE NUMBER OF SHARES		204,230	191,547
BASIC WEIGHTED-AVERAGE NUMBER OF ADS EQUIVALENTS		81,595,702	76,618,779
DILUTED WEIGHTED-AVERAGE NUMBER OF ADS EQUIVALENTS		81,692,077	76,618,779
BASIC NET INCOME PER SHARE	31	3,597	3,251
DILUTED NET INCOME PER SHARE	31	3,592	3,251
BASIC NET INCOME PER ADS EQUIVALENT		8.99	8.13
DILUTED NET INCOME PER ADS EQUIVALENT		8.98	8.13

(Note)

1) The U.S. dollar amounts represent translations of yen amounts at the rate of JPY 114.51 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 June 30, 2006.

2) IJ conducted a 1 for 5 stock split effective on October 11, 2005. The numbers of shares of common stock authorized, and issued and outstanding, and shares held by an equity method investee in this table are calculated with the assumption that the stock split was made at the beginning of FY2005. IJ issued 12,500 new shares of common stock for public offering when it listed on the Mothers market of TSE in December 2005.

Internet Initiative Japan Inc.
Quarterly Condensed Consolidated Statements of Cash Flows (Unaudited)

(For the three months ended June 30, 2006 and June 30, 2005)

	Three Months Ended June 30, 2006		Three Months Ended June 30, 2005
	Thousands of U.S. Dollars	Thousands of Yen	Thousands of Yen
OPERATING ACTIVITIES:			
Net income	6,407	733,671	622,674
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	9,669	1,107,155	1,013,745
Provision for (reversal of) doubtful accounts and advances	30	3,413	(5,339)
Gains on other investments—net	(4,176)	(478,186)	(488,758)
Foreign exchange losses (gains)	29	3,284	(6,278)
Equity in net loss (income) of equity method investees	638	73,037	(2,729)
Minority interests in earnings of subsidiaries	381	43,574	23,855
Deferred income tax	184	21,054	18,343
Others	300	34,300	51,618
Changes in operating assets and liabilities:			
Decrease in accounts receivable	50,719	5,807,822	1,621,419
Increase in inventories, prepaid expenses and other current and noncurrent assets	(5,549)	(635,408)	(738,757)
Decrease in accounts payable	(53,019)	(6,071,242)	(1,132,992)
Increase in accrued expenses, other current and noncurrent liabilities	2,290	262,210	50,697
Net cash provided by operating activities	7,900	904,684	1,027,498
INVESTING ACTIVITIES:			
Purchase of property and equipment	(3,810)	(436,264)	(213,485)
Purchase of short-term and other investments	(2,438)	(279,230)	(299,311)
Purchase of subsidiary stock from minority shareholders	(241)	(27,559)	—
Proceeds from sales and redemption of other investments	4,212	482,348	514,460
Payment of guarantee deposits—net	(49)	(5,562)	(39,210)
Other	(6)	(726)	(5,450)
Net cash used in investing activities	(2,332)	(266,993)	(42,996)

FINANCING ACTIVITIES:			
Proceeds from issuance of short-term borrowings with initial maturities over three months	37,988	4,350,000	—
Repayments of long-term borrowings	(5,760)	(659,621)	(208,654)
Proceeds from securities loan agreement	4,332	496,080	—
Repayments of securities loan agreement	(8,729)	(999,600)	(199,120)
Principal payments under capital leases	(7,859)	(899,879)	(766,807)
Net decrease in short-term borrowings with initial maturities less than three months	(31,045)	(3,555,000)	(1,246)
Net cash used in financing activities	(11,073)	(1,268,020)	(1,175,827)
EFFECT OF EXCHANGE RATE CHANGES ON CASH			
	(50)	(5,672)	11,236
NET INCREASE (DECREASE) IN CASH	(5,554)	(636,001)	(180,089)
CASH, BEGINNING OF EACH PERIOD	119,876	13,727,021	5,286,477
CASH, END OF EACH PERIOD	114,322	13,091,020	5,106,388
ADDITIONAL CASH FLOW INFORMATION:			
Interest paid	795	91,001	95,390
Income taxes paid	1,970	225,563	128,764
NONCASH INVESTING AND FINANCING ACTIVITIES:			
Acquisition of assets by entering into capital leases	3,542	405,621	319,828

(Note)

1) The U.S. dollar amounts represent translations of yen amounts at the rate of JPY 114.51 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 June 30, 2006.