



Internet Initiative Japan

For Immediate Release

Internet Initiative Japan Inc.

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**IIJ Announces First Three Months Financial Results
for the Fiscal Year Ending March 31, 2010**

Tokyo, August 11, 2009 - Internet Initiative Japan Inc. (NASDAQ:IIJI, TSE:3774) ("IIJ") today announced its consolidated financial results for the three months ended June 30, 2009 ("1Q09").¹

Highlights of First Quarter FY2009 Financial Results

- Revenue was JPY15,835 million (\$164 million), down 3.0% YoY. While recurring revenues increased YoY, systems construction revenue decreased as a result of the weak IT related investments in Japan.
- Operating income was JPY351 million (\$4 million), down 14.7% YoY due to increase in operating loss related to our new ATM operation business of JPY165 million YoY, while operating income from connectivity and outsourcing service and SI increased 21.9% YoY to JPY584 million.
- Net income attributable to IIJ² was JPY180 million (\$2 million), up 6.7% YoY.

Overview of 1st Quarter FY2009 Financial Results and Business Outlook

"In a economic environment that continues to remain challenging, our operating income was above our original target largely because operating income from connectivity and outsourcing service and SI increased along with the increase in recurring revenues and the continuous tight cost control, while operating loss related to our ATM operation business increased as it is still in its course of business start up," said Koichi Suzuki, President and CEO of IIJ.

"As for the situation of our recurring revenue (87.7% of our 1Q09 total revenue), while it increased by 6.4% YoY, it dropped by 1.0% compared to 4Q08. There were price pressure which are common in the beginning of the fiscal year with corporate trying to reduce their running cost. However, we believe it will increase in the following quarters, especially because corporate need for cost reduction are a following wind toward our outsourcing services. Security related services such as SMX service or anti-DDoS service are also expected to grow because companies must prevent their network from getting attacked. Needs for reliable and stable connectivity services also remain strong. Connectivity of over 1Gbps has been increasing quarter by quarter and we believe this trend to continue."

"As for SI, although anticipated, our systems construction revenue decreased by 40.6% YoY. Corporate customers are withholding their investments due to the sudden change in economy from the latter half of FY2008. Yet we see some light towards its recovery compared to when the economy was at a halt during last fiscal year. While we strive to receive orders, we will continue with our resolute operation for tight cost control through the rest of the fiscal year and increase SI gross margin."

"For our mid-term growth, we'll continuously introduce new services, which we believe will result in strengthening the basis of our business. In July 2009, we've introduced a new service brand "LaIT" which offers reliable but affordable services packed with our technology to mid-to small sized enterprises. We are also preparing the launch of cloud computing related services and additional features for our services such as IIJ Mobile service, email related services and VPN services."

"We hope that these new service development will contribute to the innovation of the internet, as well as strengthening the basis of our business growth and lead to revenue growth."

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. The translation of Japanese yen into U.S. dollars is solely for the convenience of readers outside of Japan. The rate used for the translation was JPY96.42 per US\$1.00, which was the noon buying rate on June 30, 2009.

² Effective April 1, 2009, we have adopted SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51". For details, please refer to page 6 in this presentation material.

1st Quarter FY2009 Financial Results Summary

Operating Results Summary

	1Q08	1Q09	YoY % change
	JPY millions	JPY millions	
Total Revenues	16,328	15,835	(3.0%)
Connectivity and Outsourcing Services	8,396	9,126	8.7%
SI	7,689	6,565	(14.6%)
Equipment Sales	238	137	(42.6%)
ATM Operation Business	5	7	54.3%
Total Costs	13,303	12,837	(3.5%)
Connectivity and Outsourcing Services	7,065	7,650	8.3%
SI	6,024	4,876	(19.1%)
Equipment Sales	199	119	(40.2%)
ATM Operation Business	15	192	1,206.2%
SG&A Expenses and R&D	2,614	2,647	1.3%
Operating Income	411	351	(14.7%)
Income before Income Tax Expense	310	300	(3.1%)
Net income attributable to IJ	169	180	6.7%

Segment Summary

	1Q08	1Q09
	JPY millions	JPY millions
Net Revenues	16,328	15,835
Network services and SI business	16,342	15,922
ATM operation business	5	7
Elimination	19	94
Operating Income (Loss)	411	351
Network service and SI business	484	589
ATM operation business	(69)	(233)
Elimination	4	5

We have omitted segment analysis because most of our revenues are dominated by Network services and systems integration business.

1st Quarter FY2009 Results of Operation

Revenues

Revenues was JPY15,835 million, a decrease of 3.0% YoY.

Connectivity and Outsourcing Services revenue were JPY9,126 million, up 8.7% YoY. Connectivity service increased by 9.4% YoY to JPY5,146 million and outsourcing service increased by 7.8% YoY to JPY3,980 million. Connectivity service for corporate use grew followed by the steady increase in the use of broadband connectivity, especially connectivity of over 1Gbps and strong demands for IJ Mobile Service. Contracts of over 1Gbps increased by 30 contracts YoY and total contracted bandwidth increased. Connectivity services for home use also grew YoY followed by the growth in mobile data communication service which was launched in Dec. 2008 and by the shift towards optical line services which charge higher monthly fees. Outsourcing service also increased followed by the steady demands for email security related services and network related services such as IJ SMF service.

SI revenues were JPY6,565 million, down 14.6% YoY. Systems construction revenue, a one-time revenue, decreased by 40.6% YoY as Japanese companies are very careful towards new investments. The budget system in Japan, of which many ends in March, had also affected the weak systems construction revenues. Systems operation and maintenance, a recurring revenue, was a steady increase of 2.3% YoY.

Order backlog for SI and equipment sales as of June 30, 2009 was JPY16,341 million (down 2.9% YoY) compared to JPY16,836 million as of June 30, 2008, and orders received for 1Q09 was JPY8,171 million (down 7.7% YoY.) The order backlog and orders received for systems construction including equipment sales was JPY3,844 million (down 24.3% YoY) compared to JPY5,081 million as of June 30, 2008 and JPY2,921 million (down 18.7% YoY), respectively. The order backlog and orders received for systems operation and maintenance was JPY12,497 million (up 6.3%) compared to JPY11,755 million as of June 30, 2008 and JPY5,250 million (down 0.2% YoY), respectively.

Equipment sales revenues were JPY137 million, down 42.6% YoY (JPY238 million in 1Q08).

ATM Operation Business revenues were JPY7 million compared to JPY5 million in 1Q08. During 1Q09, Trust Networks began placing ATMs in *Kansai* areas. As of June 30, 2009, Trust Networks operates 26 ATMs.

Cost and expense

Cost of revenues was JPY12,837 million, a decrease of 3.5% YoY (JPY13,303 million in 1Q08).

Cost of Connectivity and Outsourcing Services revenue was JPY7,650 million (JPY7,065 million in 1Q08), an increase of 8.3% YoY largely affected by the increase in network operation related costs. Circuit related costs also increased corresponding with the growth of mobile data communication services. Backbone cost was JPY919 million, up 2.6% YoY. Gross margin was JPY1,475 million (JPY1,331 million in 1Q08), up 10.8% YoY and gross margin ratio was 16.2%.

Cost of SI revenues was JPY4,876 million, a decrease of 19.1% YoY (JPY6,024 million in 1Q08). Purchasing costs decreased along with the decrease in systems construction revenues. Outsourcing related costs also decreased as a result of reduction in full-time outsourcing personnel. Gross margin was JPY1,689 million, up 1.5% YoY (JPY1,665 million in 1Q08) and gross margin ratio was 25.7%.

Cost of Equipment Sales revenues was JPY119 million, a decrease of 40.2% YoY due to the decrease in equipment sales revenues. Gross margin was JPY18 million (JPY39 million in 1Q08) and gross margin ratio was 12.9%.

Cost of ATM Operation Business revenues was JPY192 million compared to JPY15 million in 1Q08 as the ATM operation business has moved on from business start up to business expansion phase.

SG&A Expenses and R&D

Sales and marketing expenses were JPY1,325 million (JPY1,173 million in 1Q08), an increase of 13.0% YoY largely due to the increase in disposal of customer relationship of non-amortized intangible assets. There were also increase in personnel related expenses.

General and administrative expenses were JPY1,245 million (JPY1,383 million in 1Q08), a decrease of 9.9% YoY mainly due to the decrease in outsourcing related expenses and general expenses as a result of tight cost control, especially from the latter half of FY2008.

Research and development expenses were JPY77 million (JPY58 million in 1Q08), an increase of 31.0% YoY as expenses related to IJ Innovation Institute Inc increased.

Operating income

Operating income decreased by 14.7% YoY to JPY351 million (JPY411 million in 1Q08). While gross margin for connectivity and outsourcing services and SI increased, operating loss related to ATM operation business increased and SG&A and R&D expenses also increased.

Other income (expenses)

Other income (expenses) was net other expenses of JPY51 million compared to net other expenses of JPY102 million in 1Q08. There were decrease in interest expense and gains in foreign exchange.

Income before income tax expenses

Income before income tax expenses was JPY300 million, a decrease of 3.1% YoY (JPY310 million in 1Q08).

Net Income

Net income was JPY87 million, down 23.3% YoY (JPY114 million in 1Q08).

Income tax expense was JPY244 million compared to JPY213 million in 1Q08. Deferred tax expenses was JPY186 million compared to expenses of JPY127 million in 1Q08.

Equity in net income of equity method investees was JPY32 million compared to JPY18 million in 1Q08.

Net income attributable to IIJ

Net income attributable to IIJ was JPY180 million, up 6.7% YoY (JPY169 million in 1Q08).

Net losses attributable to noncontrolling interests was JPY93 million compared to JPY55 million in 1Q08, both related to GDX Japan Inc. and Trust Networks Inc.

1st Quarter FY2009 Financial Condition

Balance Sheets

As of June 30, 2009, the balance of total assets was JPY50,671 million, a decrease of JPY1,630 million from the balance as of March 31, 2009.

For current assets, as compared to each of the respective balances as of March 31, 2009, accounts receivable decreased by JPY1,724 million and prepaid expenses increased by JPY839 million mainly for bonus payments to our employees and maintenance expenses related to SI projects increased. As for current liabilities, short-term borrowings decreased by JPY200 million and accounts payable decreased by JPY1,291 million, from each of the respective balances as of March 31, 2009.

As of June 30, 2009, we had net deferred tax asset (current) of JPY586 million and net deferred tax asset (non-current) of JPY2,254 million, respectively.

The balance of other investments as of June 30, 2009 was JPY2,125 million, an increase of JPY211 million from the balance as of March 31, 2009. The breakdown of other investments were JPY900 million in available-for-sale securities, JPY861 million in nonmarketable equity securities and JPY364 million in other.

As of June 30, 2009, the balance of non-amortized intangible assets (excluding telephone rights) such as goodwill was JPY5,418 million and the balance of amortized intangible assets were JPY274 million. The breakdown of non-amortized intangible assets were JPY2,639 million in goodwill, JPY2,587 million in customer relationships and JPY192 million in trademark. The breakdown of amortized intangible assets were JPY154 million in customer relationships and JPY119 million in licenses.

Total IIJ shareholders' equity as of June 30, 2009 was JPY25,296 million, an increase of JPY127 million from the balance as of March 31, 2009. IIJ Shareholders' equity ratio (IIJ shareholders' equity/total assets) as of June 30, 2009 was 49.9%, up 1.8% compared to March 31, 2009.

Cash Flows

Cash and cash equivalents as of June 30, 2009 were JPY9,897 million compared to JPY9,943 million as of June 30, 2008.

Net cash provided by operating activities in 1Q09 was JPY2,164 million, compared to net cash provided by operating activities of JPY2,018 million in 1Q08. While operating income was JPY351 million (JPY411 million in 1Q08), a decrease compared to 1Q08, there were changes in operating assets and liabilities during 1Q09, mainly resulting from the decrease in accounts receivable of JPY1,735 million, decrease in inventories, decrease in prepaid expenses and other current and noncurrent assets of JPY501 million, decrease in accounts payable related to on-going SI projects of JPY937 million and payment of JPY208 million in income taxes.

Net cash used in investing activities in 1Q09 was JPY1,105 million, compared to net cash used in investing activities of JPY825 million in 1Q08, mainly due to payment of JPY1,094 million for the purchase of property and equipment (JPY768 million in 1Q08).

Net cash used in financing activities in 1Q09 was JPY1,332 million, compared to net cash used in financing activities of JPY2,695 million in 1Q08, mainly due to principal payments under capital leases of JPY930 million (payment of JPY839 million in 1Q08), net repayments of short-term borrowings with initial maturities less than three months of JPY200 million (net repayment of JPY1,400 million in 1Q08) and payments of JPY203 million for the year-end dividends for the fiscal year ended March 31, 2009.

Supplemental Information

Number of Contracts for Connectivity Services

	June 30, 2008	June 30, 2009	YoY Change
Connectivity Services (Corporate Use)	32,939	53,513	20,574
IP Service (-99Mbps)	854	925	71
IP Service (100Mbps-999Mbps)	203	227	24
IP Service (1Gbps-)	72	102	30
IIJ Data Center Connectivity Service	286	298	12
IIJ FiberAccess/F and IIJ DSL/F	24,466	26,274	1,808
IIJ Mobile Service³	5,399	24,201	18,802
Others	1,659	1,486	(173)
Connectivity Services (Home Use)	467,453	428,171	(39,282)
Under IIJ Brand	49,279	48,053	(1,226)
hi-ho	188,575	176,225	(12,350)
OEM	229,599	203,893	(25,706)
Total Contracted Bandwidth	422.1Gbps	584.7Gbps	162.6Gbps

Connectivity and Outsourcing Services Revenues Breakdown

	1Q08	1Q09	YoY % change
	JPY millions	JPY millions	
Connectivity Service (Corporate Use)	3,110	3,448	10.9%
IP Service⁴	2,270	2,347	3.4%
IIJ FiberAccess/F and IIJ DSL/F	713	726	1.9%
IIJ Mobile Service⁵	36	299	719.7%
Others	91	76	(15.6%)
Connectivity Service (Home Use)	1,596	1,698	6.4%
Under IIJ Brand	257	253	(2.0%)
hi-ho	1,203	1,302	8.3%
OEM	136	143	5.5%
Outsourcing Services	3,690	3,980	7.8%
Total Connectivity and Outsourcing Services	8,396	9,126	8.7%

³ Contracts for mobile data communication service for home use is included in Connectivity service (home use).

⁴ IP Service revenues include revenues from the Data Center Connectivity Service.

⁵ Revenue from mobile data communication service for home use is included in Connectivity service (home use).

Reconciliation of Non-GAAP Financial Measures

The following table summarizes the reconciliation of adjusted EBITDA to net income in our consolidated statements of income that are prepared in accordance with U.S. GAAP.

Adjusted EBITDA

	1Q08	1Q09
	JPY millions	JPY millions
Adjusted EBITDA	1,656	1,711
Depreciation and Amortization	1,245	1,360
Operating Income	411	351
Other Income (Expense)	(102)	(51)
Income Tax Expense	213	244
Equity in Net Income (Loss) of Equity Method Investees	18	31
Net income	114	87
Net income attributable to noncontrolling interests	55	93
Net Income attributable to IJ	169	180

CAPEX

	1Q08	1Q09
	JPY millions	JPY millions
CAPEX, including capital leases	1,831	1,489
Acquisition of Assets by Entering into Capital Leases	1,063	395
Purchase of Property and Equipment	768	1,094

Changes in accounting principles, procedures and disclosures in quarterly consolidated financial statements

Business Combinations

Effective April 1, 2009, IJ adopted Statement of Financial Accounting Standards ("SFAS") No. 141 (revised 2007) "Business Combinations" ("SFAS No. 141 R"). SFAS No. 141R requires an acquirer in a business combination to generally recognize and measure all the identifiable assets acquired, the liabilities assumed, goodwill and any noncontrolling interest in the acquiree at their fair values as of the acquisition date. Also, SFAS 141R requires several new disclosure requirements that enable users of the financial statements to evaluate the nature and financial effects of the business combination. Also in April 2009, the FASB issued FASB Staff Positions ("FSP") No. FAS 141R-1, "Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies". No. FAS 141R-1 addresses the initial recognition, measurement and subsequent accounting for assets and liabilities arising from contingencies in a business combination, and requires that such assets acquired or liabilities assumed be initially recognized at fair value at the acquisition date if fair value can be determined during the measurement period. The adoption of SFAS No. 141 R and FSP No. FAS 141R-1 did not have any impact on IJ's results of operations and financial position as there were no business combinations during the three months ended June 30, 2009, however the impact in the future would depend on the size and the detail of the business combination.

Noncontrolling Interests in Consolidated Financial Statements

Effective April 1, 2009, IJ adopted SFAS No. 160 "Noncontrolling Interests in Consolidated Financial Statements -an amendment of ARB No 51". SFAS No. 160 requires noncontrolling interest held by parties other than the parent be clearly identified, labeled and presented in the consolidated statement of financial position within equity, but separate from the parent's equity. SFAS No. 160 also require changes in parent's ownership interest while the parent retains its controlling financial interest in its subsidiary be accounted for as equity transactions. Upon the adoption of AFAS No. 160, "Noncontrolling interests", which were previously referred to as "Minority interests" and classified between "Total liabilities" and "Shareholders' equity" in the consolidated balance sheets, are now included as a separate component of "Equity". In addition, "Net income" in the consolidated statements of income now includes net income attributable to noncontrolling interests, which was previously referred to as "Minority interests" and deducted. As a result, the adoption of SFAS No. 160 changed the presentation and disclosure of noncontrolling interest in the consolidated financial statements retrospectively, but did not have a material impact on IJ's results of operations and financial position.

Presentation

Presentation Materials will be posted on our web site (<http://www.ij.ad.jp/en/IR/>) on May 15, 2009.

About Internet Initiative Japan Inc.

Founded in 1992, IJ is one of Japan's leading Internet-access and comprehensive network solutions providers. IJ and its group of companies provide total network solutions that mainly cater to high-end corporate customers. IJ's services include high-quality systems integration and security services, Internet access, hosting/housing, and content design. Moreover, IJ has built one of the largest Internet backbone networks in Japan, and between Japan and the United States. IJ was listed on the U.S. NASDAQ Stock Market in 1999 and on the First Section of the Tokyo Stock Exchange in 2006.

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Statements made in this press release regarding IJ's or management's intentions, beliefs, expectations, or predictions for the future are forward-looking statements that are based on IJ's and managements' current expectations, assumptions, estimates and projections about its business and the industry. These forward-looking statements, such as statements regarding FY2008 revenues and operating and net profitability, are subject to various risks, uncertainties and other factors that could cause IJ's actual results to differ materially from those contained in any forward-looking statement. These risks, uncertainties and other factors include: IJ's ability to maintain and increase revenues from higher-margin services such as systems integration and outsourcing 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 IJ's profits of fluctuations in costs such as backbone costs and subcontractor costs; the impact on IJ's profits of fluctuations in the price of available-for-sale securities; the impact of technological changes in its industry; IJ's ability to raise additional capital to cover its indebtedness; the possibility that NTT, IJ's largest shareholder, may decide to exercise substantial influence over IJ; and other risks referred to from time to time in IJ'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 March 31, 2009 and June 30, 2009)

	As of March 31, 2009		As of June 30, 2009		
	Thousands of JPY	%	Thousands of U.S. Dollars	Thousands of JPY	%
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	10,187,724		102,649	9,897,436	
Accounts receivable, net of allowance for doubtful accounts of JPY 22,072 thousand and JPY 14,788 thousand at March 31, 2009 and June 30, 2009, respectively	10,256,527		88,489	8,532,066	
Inventories	529,756		5,556	535,764	
Prepaid expenses	1,771,955		27,081	2,611,173	
Other current assets, net of allowance for doubtful accounts of JPY 11,720 thousand and JPY 10,120 thousand at March 31, 2009 and June 30, 2009, respectively	1,610,807		13,695	1,320,462	
Total current assets	24,356,769	46.6	237,470	22,896,901	45.2
INVESTMENTS IN EQUITY METHOD INVESTEES	947,626	1.8	10,149	978,512	1.9
OTHER INVESTMENTS	1,914,594	3.7	22,044	2,125,487	4.2
PROPERTY AND EQUIPMENT, net of accumulated depreciation and amortization of JPY 16,444,517 thousand and JPY 17,260,967 thousand at March 31, 2009 and June 30, 2009, respectively	13,172,891	25.2	135,961	13,109,350	25.9
GOODWILL	2,639,319	5.0	27,373	2,639,319	5.2
OTHER INTANGIBLE ASSETS —Net	3,201,806	6.1	31,755	3,061,818	6.0
GUARANTEE DEPOSITS	2,072,652	4.0	21,853	2,107,052	4.2
OTHER ASSETS, net of allowance for doubtful accounts of JPY 72,800 thousand and JPY 76,344 thousand at March 31, 2009 and June 30 2009, respectively, and net of loan loss valuation allowance of JPY 16,701 thousand at March 31, 2009 and June 30 2009, respectively	3,995,542	7.6	38,917	3,752,363	7.4
TOTAL	52,301,199	100.0	525,522	50,670,802	100.0

	As of March 31, 2009		As of June 30, 2009		
	Thousands of JPY	%	Thousands of U.S. Dollars	Thousands of JPY	%
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES:					
Short-term borrowings	7,350,000		74,155	7,150,000	
Capital lease obligations —current portion	3,272,257		33,002	3,182,099	
Accounts payable	6,064,829		49,513	4,774,081	
Accrued expenses	1,069,310		12,038	1,160,703	
Accrued retirement and pension costs —current	11,959		124	11,959	
Deferred income	1,255,749		13,255	1,278,018	
Other current liabilities	763,544		8,775	846,049	
Total current liabilities	19,787,648	37.8	190,862	18,402,909	36.3
CAPITAL LEASE OBLIGATIONS —Noncurrent	4,866,120	9.3	45,911	4,426,767	8.7
ACCRUED RETIREMENT AND PENSION COSTS —Noncurrent	1,399,592	2.7	15,124	1,458,274	2.9
OTHER NONCURRENT LIABILITIES	1,004,920	1.9	10,539	1,016,107	2.0
Total Liabilities	27,058,280	51.7	262,436	25,304,057	49.9
COMMITMENTS AND CONTINGENCIES					
SHAREHOLDERS' EQUITY:					
INTERNET INITIATIVE JAPAN INC. SHAREHOLDERS' EQUITY:					
Common-stock—authorized, 377,600 shares; issued and outstanding, 206,478 shares at March 31, 2009 and June 30, 2009, respectively	16,833,847	32.2	174,589	16,833,847	33.2
Additional paid-in capital	27,611,737	52.8	285,437	27,521,819	54.3
Accumulated deficit	(18,549,142)	(35.5)	(192,607)	(18,571,208)	(36.7)
Accumulated other comprehensive loss	(320,711)	(0.6)	(848)	(81,767)	(0.1)
Treasury stock—3,934 shares held by the company at March 31, 2009 and June 30, 2009, respectively	(406,547)	(0.8)	(4,217)	(406,547)	(0.8)
Total Internet Initiative Japan Inc. shareholders' equity	25,169,184	48.1	262,354	25,296,144	49.9
NONCONTROLLING INTERESTS	73,735	0.2	732	70,601	0.2
Total equity	25,242,919	48.3	263,086	25,366,745	50.1
TOTAL	52,301,199	100.0	525,522	50,670,802	100.0

(Note1) The U.S. dollar amounts represent translations of yen amounts at the rate of JPY 96.42 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, 2009.

(Note2) The above presentation as of March 31, 2009 has been changed to conform to the presentation as of June 30, 2009.

Internet Initiative Japan Inc.
Quarterly Consolidated Statements of Income (Unaudited)
(For the three months ended June 30, 2008 and June 30, 2009)

	Three Months Ended June 30, 2008		Three Months Ended June 30, 2009		
	Thousands of JPY	% of total revenues	Thousands of U.S. Dollars	Thousands of JPY	% of total revenues
REVENUES:					
Connectivity and outsourcing services:					
Connectivity (corporate use)	3,109,754		35,765	3,448,493	
Connectivity (home use)	1,596,203		17,610	1,697,894	
Outsourcing services	3,690,496		41,272	3,979,443	
Total	8,396,453		94,647	9,125,830	
Systems integration:					
Systems Construction	3,035,748		18,706	1,803,635	
Systems Operation and Maintenance	4,653,076		49,378	4,761,011	
Total	7,688,824		68,084	6,564,646	
Equipment sales	238,021		1,416	136,575	
ATM operation business	4,835		77	7,459	
Total revenues	16,328,133	100.0	164,224	15,834,510	100.0
COST AND EXPENSES:					
Cost of connectivity and outsourcing services	7,065,072		79,346	7,650,504	
Cost of systems integration	6,024,237		50,568	4,875,725	
Cost of equipment sales	198,926		1,233	118,927	
Cost of ATM operation business	14,681		1,989	191,769	
Total cost	13,302,916	81.5	133,136	12,836,925	81.1
Sales and marketing	1,172,726	7.2	13,740	1,324,880	8.4
General and administrative	1,382,708	8.5	12,914	1,245,145	7.9
Research and development	58,521	0.3	795	76,682	0.4
Total cost and expenses	15,916,871	97.5	160,585	15,483,632	97.8
OPERATING INCOME	411,262	2.5	3,639	350,878	2.2
OTHER INCOME (EXPENSE):					
Interest income	7,956		59	5,714	
Interest expense	(106,203)		(902)	(87,024)	
Foreign exchange gains (losses)	(2,403)		100	9,663	
Losses on write-down of other investments	(7,391)		(16)	(1,504)	
Other—net	6,350		230	22,129	
Other expense — net	(101,691)	(0.6)	(529)	(51,022)	(0.3)
INCOME FROM OPERATIONS BEFORE INCOME TAX EXPENSE AND EQUITY IN NET INCOME IN EQUITY METHOD INVESTEEES	309,571	1.9	3,110	299,856	1.9
INCOME TAX EXPENSE	213,215	1.3	2,530	243,943	1.5
EQUITY IN NET INCOME OF EQUITY METHOD INVESTEEES	17,694	0.1	327	31,513	0.2
NET INCOME	114,050	0.7	907	87,426	0.6
LESS: NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	55,027	0.3	965	93,052	0.5
NET INCOME ATTRIBUTABLE TO INTERNET INITIATIVE JAPAN INC.	169,077	1.0	1,872	180,478	1.1

	Three Months Ended June 30, 2008	Three Months Ended June 30, 2009	
NET INCOME PER SHARE (ADS)			
BASIC WEIGHTED-AVERAGE NUMBER OF SHARES (shares)	206,478		202,544
DILUTED WEIGHTED-AVERAGE NUMBER OF SHARES (shares)	206,598		202,544
BASIC WEIGHTED-AVERAGE NUMBER OF ADS EQUIVALENTS (ADSs)	82,591,200		81,017,600
DILUTED WEIGHTED-AVERAGE NUMBER OF ADS EQUIVALENTS (ADSs)	82,639,332		81,017,600
BASIC NET INCOME ATTRIBUTABLE TO INTERNET INITIATIVE JAPAN INC. PER SHARE (JPY / U.S. Dollars / JPY)	818.86	9.24	891.06
DILUTED NET INCOME ATTRIBUTABLE TO INTERNET INITIATIVE JAPAN INC. PER SHARE (JPY / U.S. Dollars / JPY)	818.39	9.24	891.06
BASIC NET INCOME ATTRIBUTABLE TO INTERNET INITIATIVE JAPAN INC. PER ADS (JPY / U.S. Dollars / JPY)	2.05	0.02	2.23
DILUTED NET INCOME ATTRIBUTABLE TO INTERNET INITIATIVE JAPAN INC. PER ADS (JPY / U.S. Dollars / JPY)	2.05	0.02	2.23

(Note1) The U.S. dollar amounts represent translations of yen amounts at the rate of JPY 96.42 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, 2009.

(Note2) The above presentation for the three months ended June 30, 2008 has been changed to conform to the presentation for the three months ended June 30, 2009.

Internet Initiative Japan Inc.

Quarterly Consolidated Statements of Cash Flows (Unaudited)

(For the three months ended June 30, 2008 and June 30, 2009)

	Three Months Ended June 30, 2008	Three Months Ended June 30, 2009	
	Thousands of JPY	Thousands of U.S. Dollars	Thousands of JPY
OPERATING ACTIVITIES:			
Net Income	114,050	906	87,426
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,244,913	14,103	1,359,820
Provision for retirement and pension costs, less payments	72,256	609	58,682
Provision for (reversal of) allowance for doubtful accounts and advances	692	(52)	(5,049)
Loss on disposal of property and equipment	29,688	93	8,965
Losses on write-down of other investments	7,391	16	1,504
Foreign exchange losses	6,921	123	11,918
Equity in net (income) loss of equity method investees (net of dividend)	12,686	(327)	(31,513)
Deferred income tax expense	126,712	1,929	185,982
Changes in operating assets and liabilities net of effects from acquisition of business and a company:			
Decrease in accounts receivable	3,328,373	17,990	1,734,601
Increase in inventories, prepaid expenses and other current and noncurrent assets	(832,472)	(5,195)	(500,933)
Decrease in accounts payable	(1,811,304)	(9,713)	(936,518)
Decrease in income taxes payable	(331,972)	(1,612)	(155,467)
Increase in accrued expenses, other current and noncurrent liabilities	49,900	3,572	344,462
Net cash provided by operating activities	2,017,834	22,442	2,163,880
INVESTING ACTIVITIES:			
Purchase of property and equipment	(768,077)	(11,349)	(1,094,298)
Purchase of available-for-sale securities	-	(70)	(6,750)
Proceeds from sales and redemption of short-term and other investments	5,281	140	13,500
Payments of guarantee deposits	(64,863)	(355)	(34,229)
Refund of guarantee deposits	15,917	24	2,337
Payments for refundable insurance policies	(12,938)	(141)	(13,615)
Refund from insurance policies	-	286	27,613
Other	(52)	-	-
Net cash used in investing activities	(824,732)	(11,465)	(1,105,442)

	Three Months Ended June 30, 2008	Three Months Ended June 30, 2009	
	Thousands of JPY	Thousands of U.S. Dollars	Thousands of JPY
FINANCING ACTIVITIES:			
Proceeds from issuance of short-term borrowings with initial maturities over three months	5,100,000	52,894	5,100,000
Repayments of short-term borrowings with initial maturities over three months and long-term borrowings	(5,350,000)	(52,894)	(5,100,000)
Principal payments under capital leases	(838,935)	(9,641)	(929,625)
Net increase (decrease) in short-term borrowings with initial maturities less than three months	(1,400,000)	(2,074)	(200,000)
Dividends paid	(206,478)	(2,101)	(202,544)
Net cash used in financing activities	(2,695,413)	(13,816)	(1,332,169)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(25,464)	(172)	(16,557)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,527,775)	(3,011)	(290,288)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	11,470,980	105,660	10,187,724
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	9,943,205	102,649	9,897,436
ADDITIONAL CASH FLOW INFORMATION:			
Interest paid	104,913	988	95,241
Income tax paid	511,927	2,153	207,572
NONCASH INVESTING AND FINANCING ACTIVITIES:			
Acquisition of assets by entering into capital leases	1,063,149	4,098	395,145
Facilities purchase liabilities	147,907	3,686	355,442

(Note 1) The U.S. dollar amounts represent translations of yen amounts at the rate of JPY 96.42 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, 2009.

(Note2) The above presentation for the three months ended June 30, 2008 has been changed to conform to the presentation for the three months ended June 30, 2009.

Going Concern Assumption (Unaudited)

For the three months ended June 30, 2008

Nothing to be reported.

For the three months ended June 30, 2009

Nothing to be reported.

Segment Information (Unaudited)

Business Segments:

Revenues:

	Three Months Ended June 30, 2008	Three Months Ended June 30, 2009
	Thousands of JPY	Thousands of JPY
Network service and systems integration business	16,341,901	15,921,322
Customers	16,323,298	15,827,051
Intersegment	18,603	94,271
ATM operation business	4,835	7,459
Customers	4,835	7,459
Intersegment	-	-
Elimination	18,603	94,271
Consolidated total	16,328,133	15,834,510

Segment profit or loss:

	Three Months Ended June 30, 2008	Three Months Ended June 30, 2009
	Thousands of JPY	Thousands of JPY
Network service and systems integration business	484,028	588,834
ATM operation business	(69,350)	(232,912)
Elimination	3,416	5,044
Consolidated operating income	411,262	350,878

Substantially all revenues are from customers operating in Japan. Geographic information is not presented due to immateriality of revenue attributable to international operations.

Material Changes In Shareholders' Equity (Unaudited)

For the three months ended June 30, 2008

Nothing to be reported.

For the three months ended June 30, 2009

Nothing to be reported.

Note: The following information is provided to disclose Internet Initiative Japan Inc. ("IIJ") financial results (unaudited) for the three month ended June 30, 2009 in the form defined by the Tokyo Stock Exchange.

Consolidated Financial Results for the Three Months Ended June 30, 2009
[Under accounting principles generally accepted in the United States ("U.S. GAAP")]

August 11, 2009

Company name: Internet Initiative Japan Inc. Exchange listed: Tokyo Stock Exchange First Section

Stock code number: 3774

URL: <http://www.iij.ad.jp/>

Representative: Koichi Suzuki, President and Representative Director

Contact: Akihisa Watai, Director and CFO TEL: (03) 5259-6500

Filing of quarterly report (*Shihanki-hokokusho*) to the regulatory organization in Japan: August 12, 2009 (Scheduled)

(Amounts of less than JPY one million are rounded)

1. Consolidated Financial Results for the Three months Ended June 30, 2009
(April 1, 2009 to June 30, 2009)

(1) Consolidated Results of Operations

(% shown is YoY change)

	Total Revenues		Operating Income		Income before Income Tax Expense (Benefit)		Net Income attributable to IIJ	
	JPY millions	%	JPY millions	%	JPY millions	%	JPY millions	%
Three months ended June 30, 2009	15,835	(3.0)	351	(14.7)	300	(3.1)	180	6.7
Three months ended June 30, 2008	16,328	19.2	411	(40.5)	310	(59.1)	169	(70.4)

	Basic Net Income attributable to IIJ per Share	Diluted Net Income attributable to IIJ per Share
	JPY	JPY
Three months ended June 30, 2009	891.06	891.06
Three months ended June 30, 2008	818.86	818.39

(Note) Effective April 1, 2009, we adopted SFAS No. 160 "Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51". SFAS No. 160 establishes accounting and reporting standards for the noncontrolling interest (previously referred to as minority interests) in a subsidiary and for the deconsolidation of a subsidiary. According to this, in this document, Income before income tax expense (benefit) represents income from operations before income tax expense and equity in net income in equity method investees in IIJ's consolidated financial statements. Additionally, Net income attributable to IIJ is equivalent to net income in the former presentation materials up to FY2008.

(2) Consolidated Financial Position

	Total Assets	IIJ Shareholders' Equity	IIJ Shareholders' Equity as a percentage of Total Assets	IIJ Shareholders' Equity per share
	JPY millions	JPY millions	%	JPY
Three months ended June 30, 2009	50,671	25,296	49.9	124,892.09
Fiscal year ended March 31, 2009	52,301	25,169	48.1	124,265.27

(Note) With the adoption of SFAS No. 160, Shareholders' equity, shareholders' equity as a percentage of total assets and shareholders' equity per share were renamed to IIJ Shareholders' equity, IIJ shareholders' equity as a percentage of total assets and IIJ shareholders' equity per share, respectively, from the three months ended June 30, 2009.

2. Dividends

	Dividend per Shares				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2009	-	1,000.00	-	1,000.00	2,000.00
Fiscal year ended March 31, 2010	-				
Fiscal year ending March 31, 2010 (Target)	-	1,000.00	-	1,000.00	2,000.00

(Note) Changes to Dividend Target during the three months ended June 30, 2009: None

3. Target of Consolidated Financial Results for the Fiscal Year Ending March 31, 2010 (April 1, 2009 through March 31, 2010)

(% shown is YoY change)

	Total Revenues		Operating Income		Income before Income Tax Expense (Benefit)	
	JPY millions	%	JPY millions	%	JPY millions	%
Interim period ending September 30, 2009	33,500	0.7	800	(20.4)	550	(28.2)
Fiscal year ending March 31, 2010	73,000	4.7	3,300	13.1	2,700	32.7

Net income attributable to IIJ:

Interim period ending September 30, 2009: JPY300 million

Fiscal year ending March 31, 2010: JPY1,700 million

Basic net income per share attributable to IIJ shareholders:

Interim period ending September 30, 2009: JPY1,481.16

Fiscal year ending March 31, 2010: JPY8,393.24

(Note1) Changes to target for year-end consolidated financial results for the fiscal year ending March 31, 2010: None

4. Others

(1) Change of Condition in Consolidated Subsidiaries during the Three Months Ended June 30, 2009
(Change of Condition in Specific Consolidated Subsidiaries with a Change of Scope of Consolidation): None

(2) Application of Simplified Accounting Method or Specific Accounting Principles for quarterly consolidated financial statements : None

(3) Changes in Significant Accounting and Reporting Policies for Consolidated Financial Statements

1) Changes due to the revision of accounting standards: Yes

2) Others: None

(4) Number of Shares Outstanding (Shares of Common Stock)

1) The number of shares outstanding (inclusive of treasury stock):

As of June 30, 2009: 206,478 shares

As of March 31, 2009: 206,478 shares

2) The number of treasury stock:

As of June 30, 2009: 3,934 shares

As of March 31, 2009: 3,934 shares

3) The weighted average number of shares outstanding:

For the three months ended June 30, 2009: 202,544 shares

For the three months ended June 30, 2008: 205,165 shares