



initiative

Second Quarter Results for the Year Ending March 31, 2006

Internet Initiative Japan Inc.

November 9, 2005

* Figures in the first half of FY2004 and historical quarterly figures from 1Q03 to 3Q04 have been restated the change in income tax expense (benefit) previously discussed by IIJ in its press release dated April 11, 2005.



Internet Initiative Japan

Forward-looking Statements

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 FY2005 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 system 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.

Consolidated Results for the 1st Half of FY2005

1st Half of FY2005

(2005/4-2005/9)

Achieved our initial target for the 1st half of FY2005

- Revenues: JPY 21,809 billion
(+13.7% compared to 1H04,
+9.2% compared to our initial target)
 - Revenues from outsourced operations
JPY 10,114 billion
(+42.3% compared to 1H04)
- Operating income: JPY 754 million
(+315.0% compared to 1H04,
+37.1% compared to our initial target)
- Net income turned positive to JPY 1,623 million
(+23.0% compared to our initial target)

Consolidated Results for the 1st Half of FY2005

	1st Half of FY2005 (2005/4-2005/9)		1st Half of FY2004 (2004/4-2004/9)		YoY Change %
	JPY million	% of Total Revenues	JPY million	% of Total Revenues	
Revenues	21,809	100.0%	19,187	100.0%	13.7%
Total Cost	17,991	82.5%	16,297	84.9%	10.4%
SG&A	3,064	14.1%	2,708	14.1%	13.1%
Operating Income	754	3.5%	182	0.9%	315.0%
Net Income	1,623	7.4%	(9)	(0.0%)	-

Consolidated Results for the 2nd Quarter of FY2005

2nd Quarter of FY2005

(2005/7-2005/9)

Revenues and profits increased significantly from 2Q04 and 1Q05 due to a steady increase of revenues from systems integration and value-added services (VAS)

- Revenues: 11,929 billion
(+13.5% compared to 2Q04,
+20.7% compared to 1Q05)
- Operating income: 507 million
(+79.8% compared to 2Q04,
+105.7% compared to 1Q05)
- Net income: 1,001 million
(+336.6% compared to 2Q04,
+60.7% compared to 1Q05)

Consolidated Results for the 2nd Quarter of FY2005

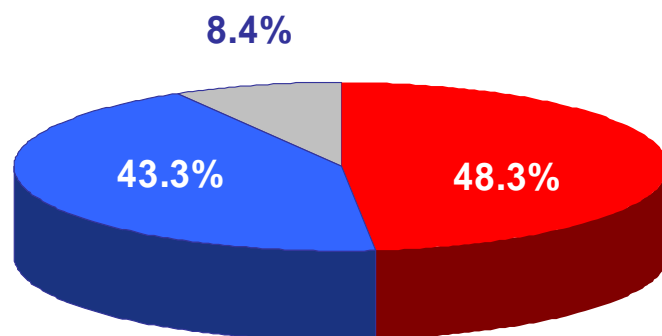
	2Q05 (2005/7-9)		2Q04 (2004/7-9)		YoY Change %
	JPY million	% of Total Revenues	JPY million	% of Total Revenues	
Revenues	11,929	100.0%	10,512	100.0%	13.5%
Total Cost	9,873	82.8%	8,854	84.2%	11.5%
SG&A	1,549	13.0%	1,376	13.1%	12.5%
Operating Income	507	4.3%	282	2.7%	79.8%
Net Income	1,001	8.4%	229	2.2%	336.6%

Improved 1.4 percentage points in spite of increases in outsourced personal expenses and maintenance expenses

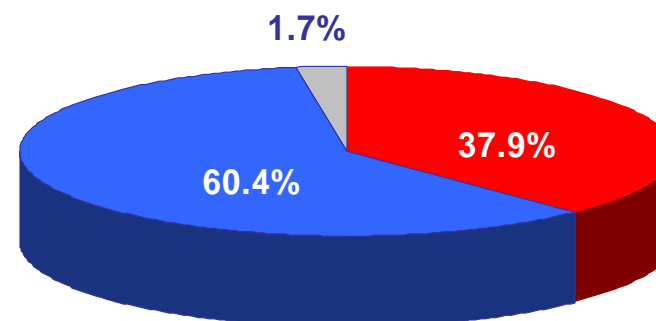
The increase was due to advertisement expenses etc. The ratio was almost unchanged

Revenues and Gross Margin for the 2nd Quarter

<Revenues>



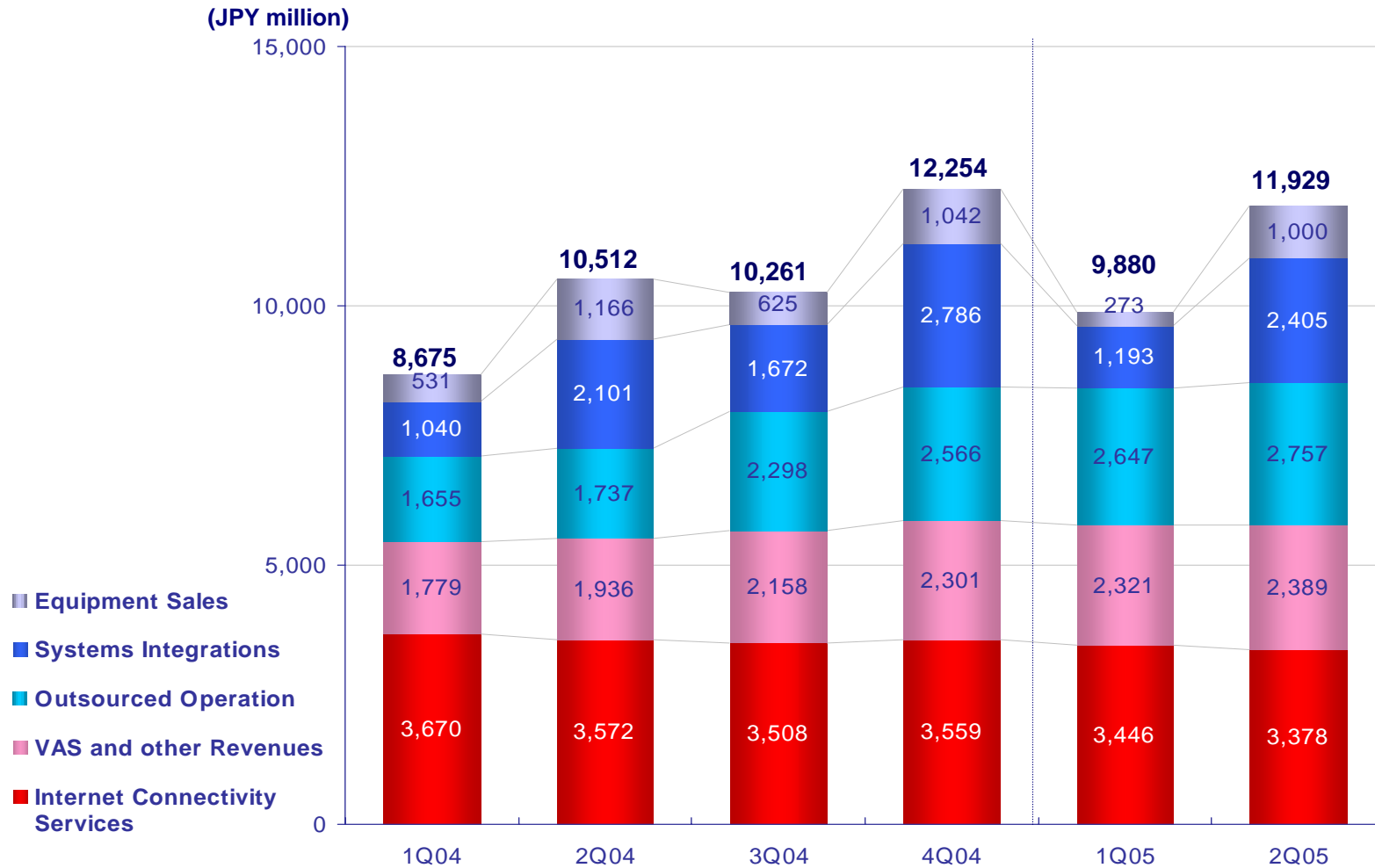
<Gross Margin>



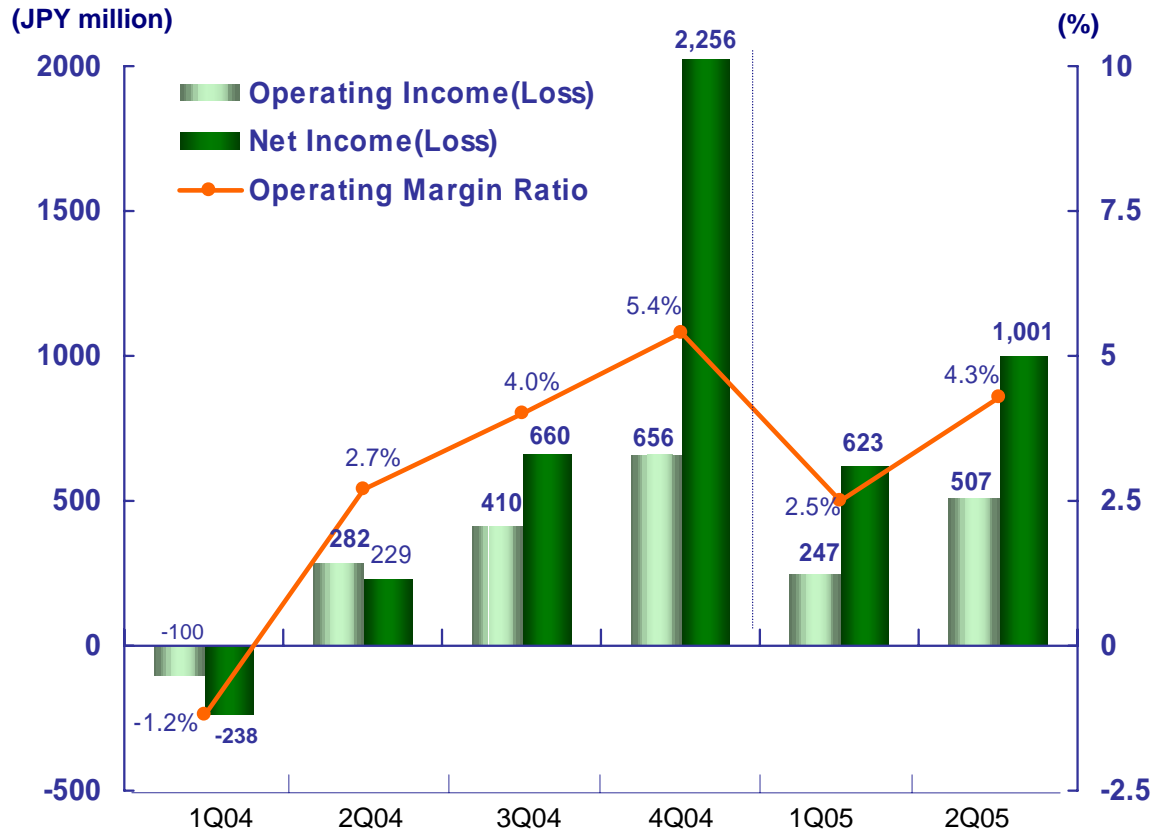
- Internet Connectivity and VAS
- Systems Integration
- Equipment Sales

	Revenues	% of Total Revenues	Gross Margin	(JPY million) % of Total Revenues
Internet Connectivity and VAS	5,767	48.3%	779	37.9%
Systems Integration	5,162	43.3%	1,243	60.4%
Equipment Sales	1,000	8.4%	34	1.7%
Total	11,929	-	2,056	-

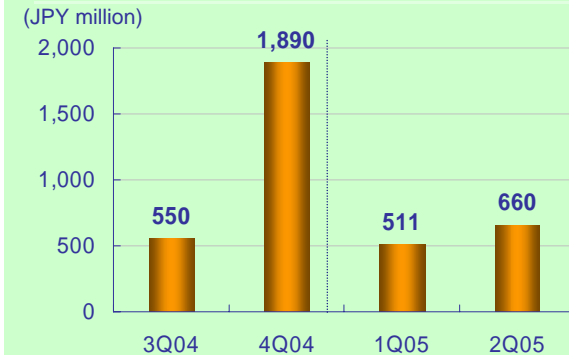
Trend of Consolidated Quarterly Revenues



Trend of Quarterly Operating and Net Income (Loss)



- Gain on sale of available-for-sale securities



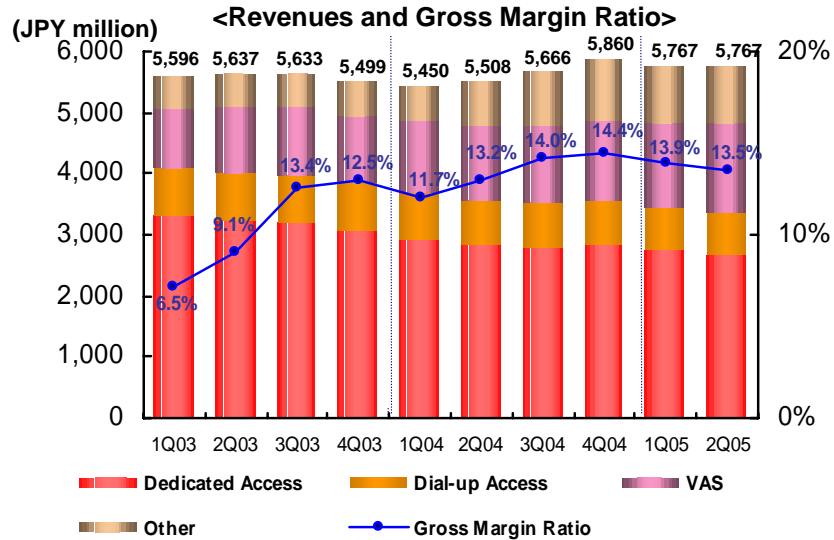
The balance of available-for-sale securities held at the end of September 2005 was approximately JPY 7.1 billion.

We expect continued income from steady sale of our available-for-sale securities.

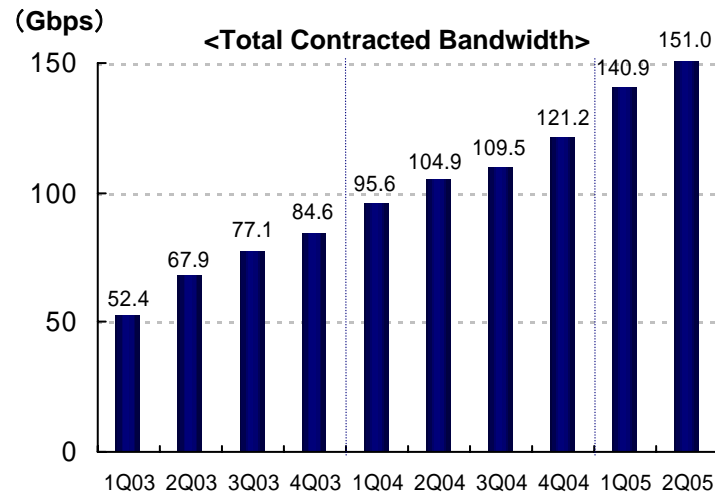
As a result of steadily increasing revenues from systems integration and outsourcing, operating income and net income increased significantly compared to 2Q04 and 1Q05. The first and second quarters are usually weaker compared to the second half of our fiscal year due to seasonal fluctuation.

Results by Service

Internet Connectivity and VAS

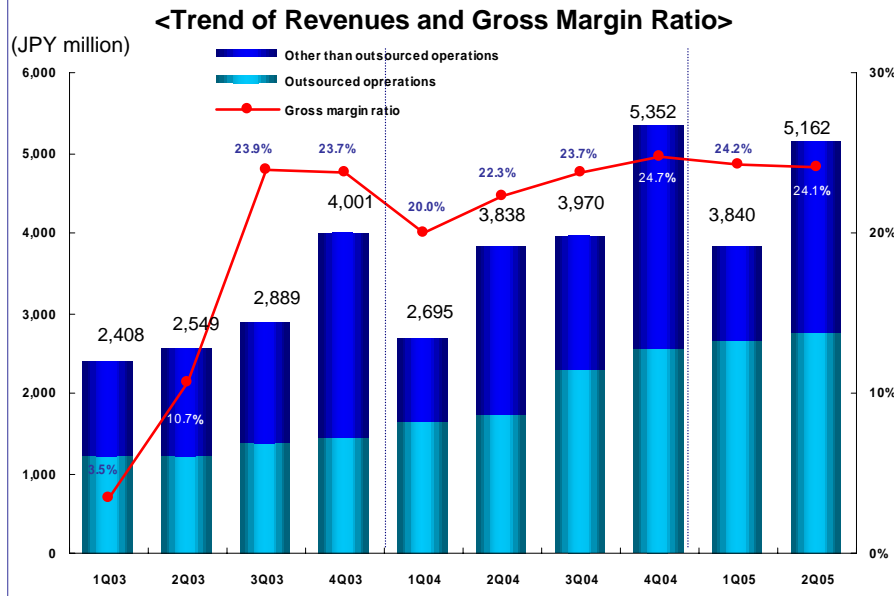


- Number of contracts of dedicated lines : **12,702** (+3,822 (43.0%) from 2Q04, +428 (3.5%) from 1Q05)
- IP Service - contracts over 1Gbps increased substantially due to new contracts and increased bandwidth for current customers (Contracts of 1Gbps 1Q05: 33 -> 2Q05: 43, +10)
- Total contracted bandwidth : **151.0Gbps**, continued to increase steadily (+46.1Gbps (43.9%) from 2Q04, +10.1Gbps (7.2%) from 1Q05)
- Value-added services - services related to security, server outsourcing services such as email, web hosting and network outsourcing services continued to increase (Increased by **19.5%** from 2Q04)
- For other services, demand for wide-area Ethernet service increased in line with the increased multi-site connectivity projects (Increased by **30.0%** from 2Q04)
- Costs remained steady, though outsourced personal expenses and maintenance expenses increased.



Results by Service

Systems Integration (SI)

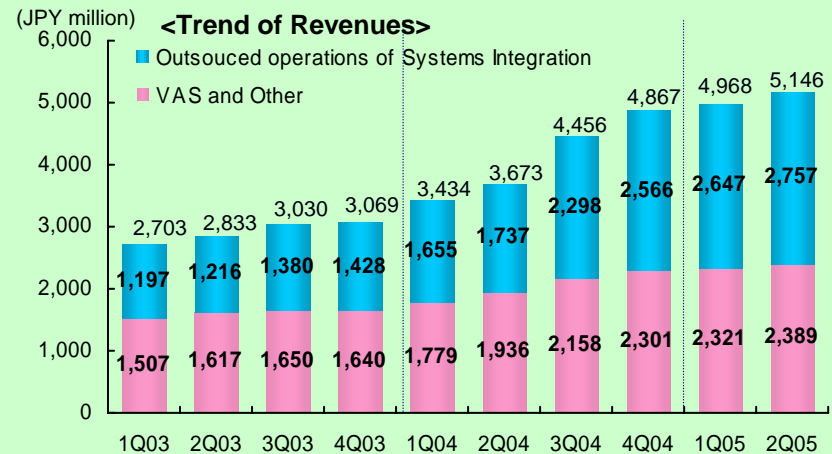


- Increased substantially by **34.5%** from 2Q04 due to an increase of revenues from SI developments and an increase of revenues from outsourced operations
- The gross margin ratio was almost flat compared to 1Q05, though it increased 1.8 point compared to 2Q04
- Revenues from higher-margin outsourced operations continued to increase
(+58.7% from 2Q04, +4.2% from 1Q05)

OUTSOURCING

“Systems integration” and “value-added service and others”

- Revenues from higher-margin outsourced operations, along with the associated recurring monthly revenues, continued to increase
- Outsourcing revenues were **JPY 5,146 million**, a substantial increase of **40.1%** from 2Q04



Outlook for FY2005

- In the first half of FY2005 we achieved our initial target
- We will maintain our target for full FY2005 considering results in the latter half (especially the fourth quarter) will have substantial effect on full FY compared to the first half due to the seasonal fluctuation in our systems integration's business

(JPY million)

	1st Half of FY2005 (2005/4-2005/9)		Achievement Ratio	Target for FY2005 (2005/4~2006)	Results for FY2004 (2004/4~2005/3)
	Results	Target			
Revenues	21,809	19,980	109.2%	46,330	41,703
Operating Income	754	550	137.1%	2,320	1,248
Net Income	1,623	1,320	123.0%	3,700	2,906

TOPIC

Stock Split, Reorganization of IIJ group

Stock Split and Ratio Change of American Depositary Shares (ADSs)

We split 1 common share into 5 to reduce the stock price per investment unit. We changed the ratio between ADS and common shares from 1 ADS = 1/2,000 shares to 1ADS = 1/400 shares to maintain the per-share price of our NASDAQ-traded ADS)

The Stock Split

Split Ratio : 1: 5

Payable Date: October 11, 2005

(The stock split was made for shareholders of record listed in the register of shareholders as of the end of business on August 31, 2005)

The ADS Ratio Change

Old Ratio : 1ADS = 1/2,000 shares

New Ratio : 1ADS = 1/400 shares

Effective Date: October 11, 2005 (EST)

IIJ Group Reorganization

IIJ reorganized its businesses within the Group to reinforce the Company's resources and ability to effectively provide total network solutions to corporate users in Japan

IIJ Media Communications Inc.(IIJ-MC)

- SI business spun off to IIJ-Tech (Oct 11, 2005)
- The remaining broadcasting and application hosting businesses were integrated into IIJ by a merger of MC with IIJ, with IIJ as surviving company (October 1, 2005)

Asia Internet Holding Co., Ltd (AIH)

- Its Internet connectivity and VPN businesses were integrated into IIJ (October 1, 2005) by its merger with IIJ, with IIJ as surviving company

TOPIC

Major Press Releases

Date	Subject
10/20	IIJ-Tech Launches IBPS Database Security Assessment Service - New security consulting service assesses vulnerability of corporate databases and identifies risks of information leaks and tampering before they happen -
10/14	IIJ Provides SMF Technology for Oki's Home Gateway Platform - SMF's zero-configuration feature enhances Oki's home-network services platform, BB MediaRouter -
10/5	IIJ Introduces the IIJ Internet-LAN Service - Providing corporate customers with a low-price, high-quality broadband Ethernet service -
9/30	IIJ-Tech makes Investment in IPMobile Incorporated - Corporation with IP Mobile that aims to realize mobile, broadband service in the SI business
9/28	IIJ and IIJ-MC to Broadcast Solar Eclipse Live to CATV Viewers - DV over IP technology used to transmit high quality video of annular solar eclipse from Madrid
9/27	IIJ Introduces New Anti-Spam Measures for its Retail Internet Service IIJ4U and IIJmio - Preventing spammers through Outbound Port 25 Blocking -
9/9	IIJ Introduces RFID Solution - New service provides components for accessing RFID systems over the Internet -
8/1	IIJ, IIJ-Tech, and HP Japan Form Alliance to Deliver RFID (Radio Frequency Identification Tag) Platform - Commercialization of the RFID Platform for Intercompany and International Logistics Using the Internet for Global,Real-time SCM -