



Internet Initiative Japan

For Immediate Release

Internet Initiative Japan Inc.

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**IIJ Announces Third Quarter Results
for the Fiscal Year Ending March 31, 2008**

Tokyo, February 12, 2008 - Internet Initiative Japan Inc. (Nasdaq: IJJI, Tokyo Stock Exchange First Section: 3774) ("IIJ"), one of Japan's leading Internet-access and comprehensive network solutions providers, today announced its financial results for the third quarter of the fiscal year ending March 31, 2008 ("FY2007").¹

Highlights of Third Quarter FY2007 Results

- Revenue totaled JPY 18,359 million (\$ 164.3 million), an increase of 35.1% from 3Q06, mainly due to a steady increase in recurring revenues from connectivity and value-added services ("VAS") and systems operation and maintenance, and the completion of a remarkable large-scale systems construction project.
- Operating income was JPY 1,136 million (\$10.2 million), an increase of 15.2% from 3Q06, mainly due to an increase in gross margin in connectivity and VAS and systems integration ("SI").
- Net income was JPY 611 million (\$5.5 million), a decrease of 56.5% from 3Q06. The decrease was mainly due to a decrease in other income by an absence of large capital gains from equity securities and the affect of income tax accounting.

Financial Targets for FY2007²

- We are maintaining our initial targets for the full FY2007 that we disclosed on May 15, 2007.

Overview of 3rd Quarter FY2007 Financial Results and Business Outlook²

"We achieved the highest revenues and operating income for the third quarter of the fiscal year in our history," said Koichi Suzuki, President and CEO of IIJ. "In 3Q07, monthly recurring revenues from connectivity and VAS, and systems operation and maintenance continued to increase steadily and they became the base for our stable growth. Corporate customers are shifting to higher speeds and there are continuing demands for connectivity services over 1Gbps, especially in the telecommunications and Information Technology ("IT") sectors. One-time revenues from systems construction increased significantly, mainly due to the completion of a remarkable large-scale network and application development project in 3Q07. We will continue to take such large-scale SI projects to increase the top line of revenues. Though there are unstable factors in the Japanese economy, corporate IT investments have stably increased through this quarter."

"We continued to be engaged in the development of our middle- and long-term growth," continued Suzuki. "We announced the start of "IIJ Mobile" for corporate customers under a scheme of Mobile Virtual Network Operator ("MVNO"). With this service, our corporate customers can access the Internet and Intranet more flexibly and securely. We plan to establish "IIJ Innovation Institute", a business incubation center for technology development and commercialization of the next generation of the

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 3Q07 results, translations of Japanese yen amounts into U.S. dollars are solely for the convenience of readers outside of Japan and have been made at the rate of JPY 111.71 = US\$1.00.

² This Overview and Business Outlook contains forward-looking statements and projections such as statements regarding FY2007 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 our annual report on Form 20-F, filed with the SEC on July 6, 2007, as well as other filings and documents furnished to the Securities and Exchange Commission. We plan to keep this press release publicly available on our Web site (www.ij.ad.jp), but may discontinue this practice at any time. We intend to publish our next Overview and Business Outlook in our 4Q07 and the full FY2007 earnings release, presently scheduled for release in May 2008.

Internet. We continued to provide our content distribution platform to “acTVila”, which is promoted by major Japanese TV manufacturers to be a TV portals standard. We have been engaged in a highly reliable e-mail messaging infrastructure through GDX Japan Inc (“GDX”), a 51.0% owned subsidiary. We are being prepared to provide ATM network operations through Trust Networks Inc. (“TN”), a 60.2% owned subsidiary.”

“The decrease in net income compared to the previous quarter was mainly due to income tax accounting,” said Akihisa Watai, CFO of IJ. “We had tax operating loss carryforwards of JPY 17,083 million as of March 31, 2007 and we recorded deferred income tax assets which resulted in deferred tax benefit of JPY 2,114 million in 2Q07. In 3Q07, we recorded deferred tax expenses to the contrary caused by the realization of deferred income tax assets as a result of recording taxable income.”

3rd Quarter FY2007 Financial Results

Results of Operation

Operating Results Summary

(JPY in millions)

	3Q07	3Q06	YoY % change
Total Revenues	18,359	13,587	35.1%
Total Costs	14,851	10,727	38.4%
SG&A Expenses and R&D	2,372	1,874	26.6%
Operating Income	1,136	986	15.2%
Income before Income Tax Expense³	1,017	1,603	(36.5%)
Net Income	611	1,405	(56.5%)

Revenues

Revenues in 3Q07 totaled JPY 18,359 million, an increase of 35.1% from JPY 13,587 million in 3Q06.

Revenues

(JPY in millions)

	3Q07	3Q06	YoY % change
Total Revenues:	18,359	13,587	35.1%
Connectivity and Value-added Services	8,049	6,100	31.9%
SI	9,911	7,093	39.7%
Equipment Sales	399	393	1.4%

Connectivity and Value-added Services ("VAS") revenues were JPY 8,049 million in 3Q07, an increase of 31.9% compared to 3Q06.

Revenues from connectivity services for corporate users were JPY 3,023 million, an increase of 7.5% compared to 3Q06. Revenues from IP Services, the services mainly used by corporate headquarters and data centers, increased by 6.0% compared to 3Q06, mainly due to the acquisition of new contracts and the shift of our corporate customers to higher speeds. Revenues from broadband services increased by 24.3% compared to 3Q06, mainly due to the expansion of broadband utilization in the corporate internal network.

Revenues from connectivity services for home users were JPY 1,513 million in 3Q07, an increase of 206.4% compared to 3Q06. Despite a decrease in revenues from IJ4U and OEM services, the increase was mainly due to additional revenues of JPY 1,118 million from connectivity services for home users of hi-ho, which we acquired in June 2007.

VAS revenues were JPY 2,479 million in 3Q07, an increase of 33.2% compared to 3Q06. The increase was mainly due to an increase in revenues from e-mail related services and data centers.

Other revenues were JPY 1,033 million in 3Q07, an increase of 10.9% compared to 3Q06.

SI revenues increased 39.7% to JPY 9,911 million in 3Q07 compared to 3Q06. The increase was mainly due to an increase of 64.2% in one-time revenues from systems construction, especially related to the completion of a remarkable large-scale network and application development project in 3Q07, and an increase of 14.4% in monthly recurring revenues from systems operation and maintenance

³ In this document, income before income tax expense represents income from operations before income tax expense, minority interests and equity in net loss of equity method investees in our consolidated financial statements.

compared to 3Q06.

Equipment sales revenues were JPY 399 million in 3Q07, an increase of 1.4% compared to 3Q06.

Cost and expense

Cost of revenues was JPY 14,851 million in 3Q07, an increase of 38.4% compared to 3Q06.

Cost of Revenues

(JPY in millions)

	3Q07	3Q06	YoY % change
Cost of Revenues:	14,851	10,727	38.4%
Connectivity and Value-added Services	6,738	5,073	32.8%
SI	7,771	5,322	46.0%
Equipment Sales	342	333	2.7%

Cost of Connectivity and VAS revenues was JPY 6,738 million in 3Q07, an increase of 32.8% compared to 3Q06, mainly due to an increase in costs of JPY 1,188 million from hi-ho, which we acquired in June 2007, along with additional revenues of JPY 1,350 million. The increase was also due to an increase in circuit and personnel related costs and the initial cost for new business development.

The gross margin for Internet connectivity and value-added services in 3Q07 was JPY 1,311 million, an increase of 27.6% compared to 3Q06. The gross margin ratio in 3Q07 was 16.3%, compared to 16.8% in 3Q06. The decrease in gross margin ratio was mainly due to an increase in the cost of revenues from connectivity and VAS of hi-ho, whose gross margin ratio was relatively lower than that of other connectivity and VAS, and the initial cost for new business development.

Cost of SI revenues was JPY 7,771 million in 3Q07, an increase of 46.0% compared to 3Q06. The increase was mainly due to an increase in purchase, outsourcing costs and personnel related costs along with an increase in revenues from SI projects.

The gross margin for SI in 3Q07 was JPY 2,140 million and the gross margin ratio in 3Q07 was 21.6%, compared to 25.0% in 3Q06. The decrease in the gross margin ratio was mainly due to the completion of a remarkable large-scale network and application development project in 3Q07, which had relatively lower gross margin compared to that of other ordinary projects.

Cost of Equipment Sales revenues was JPY 342 million in 3Q07, an increase of 2.7% compared to 3Q06.

The gross margin ratio for equipment sales in 3Q07 was 14.3%, compared to 15.4% in 3Q06.

Sales and marketing expenses were JPY 1,124 million in 3Q07, an increase of 23.5% compared to 3Q06. The increase was mainly due to an increase in advertising and personnel expenses along with business expansion, as well as the addition of sales and marketing expenses related to hi-ho of JPY 104 million.

General and administrative expenses were JPY 1,185 million in 3Q07, an increase of 28.2% compared to 3Q06. The increase was mainly due to an increase in personnel expenses, outsourcing expenses and initial expenses for new business development.

Research and development expenses were JPY 63 million in 3Q07, an increase of 58.5% compared to 3Q06.

Operating income

Operating income was JPY 1,136 million in 3Q07, an increase of 15.2% compared to 3Q06. The increase was mainly due to the increase of JPY 368 million in gross margin from SI and the increase of JPY 284 million in gross margin from connectivity and VAS, despite the increase in sales and marketing and general and administrative expenses.

Other expenses and others

Other expenses in 3Q07 were JPY 119 million, compared to other income of JPY 617 million in 3Q06. The decrease was mainly due to a significant decrease in gains from the sale of available-for-sale securities. The gains from the sale of available-for-sale securities in 3Q07 were JPY 4 million, compared to JPY 757 million in 3Q06.

Income tax expense in 3Q07 was JPY 392 million, compared to income tax expense of JPY 93 million in 3Q06. The increase was mainly due to deferred income tax expenses of JPY 179 million.

Minority interests in losses of subsidiaries in 3Q07 were JPY 27 million, compared to minority interests in earnings of subsidiaries of JPY 70 million in 3Q06. Minority interests in losses of subsidiaries were mainly related to GDX and the elimination of minority interests related to four consolidated subsidiaries that became wholly owned by us in 2007, because we acquired shares of IJ Technology Inc. and Net Care, Inc. from their minority shareholders.

Equity in net loss of equity method investees in 3Q07 was JPY 42 million, mainly represented by equity in net loss of Internet Revolution Inc.

Net income was JPY 611 million in 3Q07, a decrease of 56.5% compared to 3Q06.

Financial Condition

Balance Sheets

As of December 31, 2007, total assets increased by JPY 5,304 million from JPY 47,693 million as of March 31, 2007 to JPY 52,997 million. For current assets, accounts receivable increased by JPY 2,125 million which includes accounts receivable of JPY 3,045 million related to a remarkable large-scale network and application development project which was completed in 3Q07; prepaid expenses increased by JPY 1,181 million, mainly for bonus payments to our employees and maintenance expenses related to SI projects; other current assets increased by JPY 1,221 million, mainly due to an increase in current deferred income tax assets (net) resulting from a reduction of the valuation allowance that we made in 2Q07; and cash decreased by JPY 4,340 million, each compared to the respective balance as of March 31, 2007. Property and equipment increased by JPY 1,279 million from the balance as of March 31, 2007, mainly due to our acquisition of hi-ho and an increase in property to provide services to our customers and ourselves. Intangible assets increased by JPY 3,048 million from the balance as of March 31, 2007, mainly due to the recording of non-amortized intangible assets upon our acquisition of interest in consolidated subsidiaries and hi-ho. Other assets increased by JPY 739 million mainly due to an increase in non-current deferred tax assets (net) resulting from the reversal of the valuation allowance. The fair value of available-for-sale securities as of December 31, 2007 decreased by JPY 342 million from the amount as of March 31, 2007 to JPY 967 million.

For current liabilities, short-term borrowings increased by JPY 3,600 million from the balance as of March 31, 2007, due to our acquisition of shares of two consolidated subsidiaries from their minority shareholders, and accounts payable decreased by JPY 1,944 million from the balance as of March 31, 2007.

Total shareholders' equity as of December 31, 2007 was JPY 24,140 million, an increase of JPY 4,028 million from JPY 20,112 million as of March 31, 2007.

Cash Flows

Cash as of December 31, 2007 was JPY 9,214 million.

Net cash provided by operating activities in 3Q07 was JPY 338 million, compared to net cash provided by operating activities of JPY 2,063 million in 3Q06. Operating income increased in 3Q07 compared to 3Q06 because gross margin from connectivity and VAS and SI increased compared to 3Q06. However, net cash provided by operating activities in 3Q07 was due to changes in operating assets and liabilities during 3Q07, mainly resulting from an increase in accounting receivables along with the completion of a remarkable large-scale network and application development project in 3Q07.

Net cash used in investing activities in 3Q07 was JPY 711 million, compared to net cash provided by investing activities of JPY 25 million in 3Q06. We paid JPY 623 million for the purchase of property and equipment and JPY 200 million for the purchase of short-term and other investments. We also recorded JPY 124 million by the acquisition of a newly controlled company, net of cash acquired, resulting from making TN our consolidated subsidiaries in 3Q07. We have invested JPY 500 million in total in TN through 3Q07 for new business development.

Net cash used in financing activities in 3Q07 was JPY 2,061 million, compared to net cash used in financing activities of JPY 996 million in 3Q06. We recorded repayments of short-term borrowings with initial maturities over three months and long-term borrowings of JPY 9,200 million and principal

payments under capital leases of JPY 906 million and payment of dividend for the interim period of FY2007 of JPY 155 million. We recorded proceeds of JPY 5,500 million from the issuance of short-term borrowings with initial maturities over three months and a net increase in short-term borrowings with initial maturities less than three months of JPY 2,700 million.

3rd Quarter FY2007 Business Review

Analysis by Service

Connectivity and Value-added Services

For connectivity services for corporate use, customers continued to shift to higher speeds and there was a significant increase in the number of contracts for our broadband services, IJ FiberAccess/F and IJ DSL/F for constructing corporate internal networks using Internet VPN. Total contracted bandwidth increased by 86.0 Gbps to 346.0 Gbps compared to 3Q06.

For connectivity services for home use, there were additional revenues of JPY 1,118 million from hi-ho, which we acquired in June 2007.

Number of Contracts for Connectivity Services⁴

	3Q07	3Q06	YoY Change
Connectivity Services (Corporate Use)	24,877	18,261	6,616
IP Service (-99Mbps)	805	754	51
IP Service (100Mbps-999Mbps)	191	153	38
IP Service (1Gbps-)	61	60	1
IJJ Data Center Connectivity Service	293	264	29
IJJ FiberAccess/F and IJ DSL/F	21,573	15,379	6,194
Others	1,954	1,651	303
Connectivity Services (Home Use)	481,352	569,282	(87,930)
Under IJ Brand	51,820	57,286	(5,466)
hi-ho	190,808	—	190,808
OEM ⁵	238,724	511,996	(273,272)
Total Contracted Bandwidth	346.0Gbps	260.0Gbps	86.0Gbps

Connectivity and VAS Revenue Breakdown and Cost⁴

(JPY in millions)

	3Q07	3Q06	YoY % Change
Connectivity Service Revenues (Corporate Use)	3,023	2,813	7.5%
IP Service ⁶	2,239	2,113	6.0%
IJJ FiberAccess/F and IJ DSL/F	680	547	24.3%
Others	104	154	(32.3%)
Connectivity Service Revenues (Home Use)	1,513	494	206.4%
Under IJ Brand	271	294	(7.7%)
hi-ho	1,118	—	—
OEM	124	200	(38.0%)
VAS Revenues	2,479	1,861	33.2%
Other Revenues	1,033	932	10.9%
Total Connectivity and VAS Revenues	8,049	6,100	31.9%
Cost of Connectivity and VAS	6,738	5,073	32.8%
Backbone Cost (included in the cost of Connectivity and VAS)⁷	905	888	1.9%
Connectivity and VAS Gross Margin Ratio	16.3%	16.8%	—

⁴ As we announced in our 1Q07 earnings release, the classifications in the table were changed from the table used in the past because of our acquisition of hi-ho, a company engaged mainly in the Internet business for home use. "Dedicated Access Services" and "Dial-up Access Services" were reclassified to "Connectivity Services for Corporate Use" and "Connectivity Services for Home Use", respectively.

⁵ OEM services provided to other service providers.

⁶ IP Service revenues include revenues from the Data Center Connectivity Service.

⁷ From the point of comparable disclosure, the backbone cost related to hi-ho is excluded.

SI

One-time revenues from systems construction in 3Q07 increased by 64.2% compared to 3Q06, mainly due to the completion of a remarkable large-scale network and application development project in 3Q07.

Recurring revenues from systems operation and maintenance in 3Q07 steadily increased by 14.4% compared to 3Q06.

SI Revenue Breakdown and Cost

(JPY in millions)

	3Q07	3Q06	YoY % Change
SI Revenues	9,911	7,093	39.7%
Systems Construction	5,920	3,605	64.2%
Systems Operation and Maintenance	3,991	3,488	14.4%
Cost of SI	7,771	5,322	46.0%
SI Gross Margin Ratio	21.6%	25.0%	—

The order backlog for SI and equipment sales as of December 31, 2007 was JPY 16,242 million, an increase of 62.7% from the amount as of December 31, 2006.

SI and Equipment Sales Order Backlog

(JPY in millions)

	3Q07	3Q06	YoY % Change
SI and Equipment Sales Order Backlog	16,242	9,985	62.7%

Equipment Sales

Revenues from equipment sales increased by 1.4% compared to 3Q06.

Equipment Sales Revenue and Cost

(JPY in millions)

	3Q07	3Q06	YoY % Change
Equipment Sales Revenues	399	393	1.4%
Cost of Equipment Sales	342	333	2.7%
Equipment Sales Gross Margin Ratio	14.3%	15.4%	—

Other Financial Statistics

Other Financial Statistics

(JPY in millions)

	3Q07	3Q06	YoY % Change
Adjusted EBITDA⁸	2,379	2,044	16.4%
CAPEX, including capital leases⁹	1,242	1,250	(0.6%)
Depreciation and amortization	1,243	1,058	17.4%

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 and presented in Appendix 2:

Adjusted EBITDA

(JPY in millions)

	3Q07	3Q06
Adjusted EBITDA	2,379	2,044
Depreciation and Amortization	(1,243)	(1,058)
Operating Income	1,136	986
Other Income (Expense)	(119)	617
Income Tax Expense	392	93
Minority Interests in Losses (Earnings) of Subsidiaries	27	(70)
Equity in Net Loss of Equity Method Investees	(42)	(36)
Net Income	611	1,405

⁸ Please refer to the Reconciliation of Non-GAAP Financial Measures below.

⁹ Please refer to the Reconciliation of Non-GAAP Financial Measures below.

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

CAPEX		
	(JPY in millions)	
	3Q07	3Q06
CAPEX, including capital leases	1,242	1,250
Acquisition of Assets by Entering into Capital Leases	619	824
Purchase of Property and Equipment	623	426

Target

Our targets for the financial results for the full FY2007 are as follows:

	(JPY in millions)			
	Revenues	Operating Income	Income before Income Tax Expense (Benefit)	Net Income
Full FY2007	69,000	4,600	5,100	5,600

We expect to make a cash dividend of JPY 750 per share of common stock for the fiscal year ending March 31, 2008. 400 American Depository Shares represent 1 share of common stock.

Presentation

On February 13, 2008, we will post a presentation of our results on our 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 First Section: 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 FY2007 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 December 31, 2007 and March 31, 2007)

	As of December 31, 2007			As of March 31, 2007	
	Thousands of U.S. Dollars	Thousands of JPY	%	Thousands of JPY	%
ASSETS					
CURRENT ASSETS:					
Cash	82,486	9,214,447		13,554,544	
Short-term investment	109	12,170		12,093	
Accounts receivable, net of allowance for doubtful accounts of JPY 23,842 thousand and JPY 32,489 thousand at December 31, 2007 and March 31, 2007, respectively	105,639	11,800,972		9,675,725	
Inventories	9,199	1,027,568		1,111,086	
Prepaid expenses	20,002	2,234,473		1,053,270	
Other current assets, net of allowance for doubtful accounts of JPY 720 thousand and JPY 4,570 thousand at December 31, 2007 and March 31, 2007, respectively	19,259	2,151,418		930,571	
Total current assets	236,694	26,441,048	49.9	26,337,289	55.2
INVESTMENTS IN AND ADVANCES TO EQUITY METHOD INVESTEES, net of loan loss valuation allowance of JPY 16,701 thousand at December 31, 2007 and March 31, 2007, respectively	9,136	1,020,574	1.9	858,490	1.8
OTHER INVESTMENTS	22,608	2,525,546	4.8	2,841,741	6.0
PROPERTY AND EQUIPMENT—Net	99,467	11,111,429	21.0	9,832,396	20.6
INTANGIBLE ASSETS—Net	53,036	5,924,679	11.2	2,876,894	6.0
GUARANTEE DEPOSITS	17,679	1,974,902	3.7	1,686,141	3.5
OTHER ASSETS, net of allowance for doubtful accounts of JPY 66,812 thousand and JPY 69,050 thousand at December 31, 2007 and March 31, 2007, respectively	35,799	3,999,134	7.5	3,260,053	6.9
TOTAL	474,419	52,997,312	100.0	47,693,004	100.0
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES:					
Short-term borrowings	86,384	9,650,000		6,050,000	
Long-term borrowings—current portion	—	—		290,000	
Capital lease obligations—current portion	29,868	3,336,491		2,953,173	
Accounts payable	58,377	6,521,313		8,464,835	
Accrued expenses	8,884	992,476		897,355	
Other current liabilities	17,934	2,003,408		2,477,486	
Total current liabilities	201,447	22,503,688	42.5	21,132,849	44.3
CAPITAL LEASE OBLIGATIONS—Noncurrent	40,473	4,521,225	8.5	4,318,309	9.1
ACCRUED RETIREMENT AND PENSION COSTS	7,865	878,629	1.6	750,042	1.5
OTHER NONCURRENT LIABILITIES	5,540	618,819	1.2	564,618	1.2
Total Liabilities	255,325	28,522,361	53.8	26,765,818	56.1
MINORITY INTEREST	2,998	334,868	0.6	815,182	1.7
COMMITMENTS AND CONTINGENCIES					
SHAREHOLDERS' EQUITY:					
Common-stock					
—authorized, 377,600 shares; issued and outstanding, 206,478 shares at December 31, 2007	150,693	16,833,847	31.8	16,833,847	35.3
—authorized, 377,600 shares; issued and outstanding, 204,300 shares at March 31, 2007					
Additional paid-in capital	247,173	27,611,737	52.1	26,599,217	55.8
Accumulated deficit	(184,801)	(20,644,087)	(39.0)	(24,270,769)	(50.9)
Accumulated other comprehensive income	3,031	338,586	0.7	949,709	2.0
Total shareholders' equity	216,096	24,140,083	45.6	20,112,004	42.2
TOTAL	474,419	52,997,312	100.0	47,693,004	100.0

(Note)

The U.S. dollar amounts represent translations of yen amounts at the rate of JPY 111.71, 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 December 31, 2007.

Internet Initiative Japan Inc.
Quarterly Consolidated Statements of Income (Unaudited)
(For the three months ended December 31, 2007 and December 31, 2006)

	Three Months Ended December 31, 2007			Three Months Ended December 31, 2006	
	Thousands of U.S. Dollars	Thousands of JPY	% of total revenues	Thousands of JPY	% of total revenues
REVENUES:					
Connectivity and value-added services:					
Connectivity (corporate use)	27,065	3,023,437		2,813,474	
Connectivity (home use)	13,545	1,513,141		493,879	
Value-added services	22,193	2,479,136		1,861,118	
Other	9,249	1,033,186		931,872	
Total	72,052	8,048,900		6,100,343	
Systems integration	88,724	9,911,309		7,093,326	
Equipment sales	3,571	398,953		393,436	
Total revenues	164,347	18,359,162	100.0	13,587,105	100.0
COST AND EXPENSES:					
Cost of connectivity and value-added services	60,313	6,737,501		5,072,712	
Cost of systems integration	69,567	7,771,305		5,321,685	
Cost of equipment sales	3,060	341,881		333,035	
Total cost	132,940	14,850,687	80.9	10,727,432	78.9
Sales and marketing	10,065	1,124,352	6.1	910,087	6.7
General and administrative	10,608	1,184,997	6.5	924,021	6.8
Research and development	564	63,043	0.3	39,786	0.3
Total cost and expenses	154,177	17,223,079	93.8	12,601,326	92.7
OPERATING INCOME	10,170	1,136,083	6.2	985,779	7.3
OTHER INCOME (EXPENSES):					
Interest income	78	8,689		3,701	
Interest expense	(1,019)	(113,769)		(98,861)	
Foreign exchange gain (loss)	13	1,407		(244)	
Gain (loss) on other investments—net	(141)	(15,795)		756,521	
Other—net	6	707		(43,720)	
Other income (expenses) — net	(1,063)	(118,761)	(0.7)	617,397	4.5
INCOME FROM OPERATIONS BEFORE INCOME TAX EXPENSE, MINORITY INTERESTS AND EQUITY IN NET LOSS OF EQUITY METHOD INVESTEES	9,107	1,017,322	5.5	1,603,176	11.8
INCOME TAX EXPENSE	3,507	391,731	2.1	92,596	0.7
MINORITY INTERESTS IN (EARNINGS)	245	27,394	0.1	(69,927)	(0.5)
LOSSES OF SUBSIDIARIES EQUITY IN NET LOSS OF EQUITY METHOD INVESTEES	(379)	(42,394)	(0.2)	(35,724)	(0.3)
NET INCOME	5,466	610,591	3.3	1,404,929	10.3
BASIC WEIGHTED-AVERAGE NUMBER OF SHARES			206,478	203,989	
DILUTED WEIGHTED-AVERAGE NUMBER OF SHARES			206,839	204,224	
BASIC WEIGHTED-AVERAGE NUMBER OF ADS EQUIVALENTS			82,591,200	81,595,600	
DILUTED WEIGHTED-AVERAGE NUMBER OF ADS EQUIVALENTS			82,735,483	81,689,600	
	U.S. Dollars	JPY		JPY	
BASIC NET INCOME PER SHARE	26.47		2,957	6,887	
DILUTED NET INCOME PER SHARE	26.43		2,952	6,879	
BASIC NET INCOME PER ADS EQUIVALENT	0.07		7.39	17.22	
DILUTED NET INCOME PER ADS EQUIVALENT	0.07		7.38	17.20	

(Note)

The U.S. dollar amounts represent translations of yen amounts at the rate of JPY 111.71, 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 December 31, 2007.

Internet Initiative Japan Inc.
Quarterly Condensed Consolidated Statements of Cash Flows (Unaudited)
(For the three months ended December 31, 2007 and December 31, 2006)

	Three Months Ended December 31, 2007		Three Months Ended December 31, 2006
	Thousands of U.S. Dollars	Thousands of JPY	Thousands of JPY
OPERATING ACTIVITIES:			
Net income	5,466	610,591	1,404,929
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	11,125	1,242,764	1,058,490
Provision for (reversal of) doubtful accounts and advances	(19)	(2,145)	4,471
Loss (gain) on other investments—net	141	15,795	(756,521)
Foreign exchange loss	5	558	4,321
Equity in net loss of equity method investees	379	42,394	35,724
Minority interests in earnings (losses) of subsidiaries	(245)	(27,394)	69,927
Deferred income tax expense	1,603	179,046	21,871
Others	428	47,806	208,481
Changes in operating assets and liabilities:			
Increase in accounts receivable	(24,152)	(2,697,964)	(283,644)
Decrease (increase) in inventories, prepaid expenses and other current and noncurrent assets	2,577	287,832	(703,233)
Increase in accounts payable	5,001	558,649	832,177
Increase in accrued expenses, other current and noncurrent liabilities	715	79,867	166,449
Net cash provided by operating activities	3,024	337,799	2,063,442
INVESTING ACTIVITIES:			
Purchase of property and equipment	(5,581)	(623,435)	(426,499)
Purchase of available-for-sale securities	(30)	(3,380)	(405,059)
Purchase of short-term and other investments	(1,792)	(200,152)	(11,984)
Proceeds from available-for-sale securities	70	7,808	984,867
Proceeds from sales and redemption of other investments	124	13,828	4,380
Acquisition of a newly controlled company, net of cash acquired	1,109	123,842	—
Acquisition of businesses	—	—	(74,751)
Payment of guarantee deposits—net	(151)	(16,835)	(33,039)
Other	(117)	(13,025)	(12,949)
Net cash provided by (used in) investing activities	(6,368)	(711,349)	24,966
FINANCING ACTIVITIES:			
Proceeds from issuance of short-term borrowings with initial maturities over three months	49,234	5,500,000	4,150,000
Repayments of short-term borrowings with initial maturities over three months and long-term borrowings	(82,356)	(9,200,000)	(4,410,113)
Proceeds from securities loan agreement	—	—	80,640
Principal payments under capital leases	(8,112)	(906,201)	(866,065)
Increase in short-term borrowings with initial maturities less than three months — net	24,170	2,700,000	50,000
Dividends paid	(1,386)	(154,859)	—
Net cash used in financing activities	(18,450)	(2,061,060)	(995,538)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(186)	(20,819)	2,495
NET INCREASE (DECREASE) IN CASH	(21,980)	(2,455,429)	1,095,365
CASH, BEGINNING OF EACH PERIOD	104,466	11,669,876	12,859,745
CASH, END OF EACH PERIOD	82,486	9,214,447	13,955,110

(Note)

The U.S. dollar amounts represent translations of yen amounts at the rate of JPY 111.71, 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 December 31, 2007.

Note: The following information is provided to disclose IJ's financial results for the nine months ended December 31, 2007 in the form defined by the Tokyo Stock Exchange.

Consolidated Financial Results for the Nine Months Ended December 31, 2007
[Under accounting principles generally accepted in the United States ("U.S. GAAP")]

February 12, 2008

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

Stock code number: 3774

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

Representative: Koichi Suzuki, President and Representative Director

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

(Amounts of less than JPY one million are rounded)

1. Consolidated Financial Results for the Nine Months Ended December 31, 2007
(April 1, 2007 to December 31, 2007)

(1) Consolidated Results of Operations (% shown is YoY change)

	Total revenues		Operating income		Income before income tax benefit		Net income	
	JPY millions	%	JPY millions	%	JPY millions	%	JPY millions	%
Nine months ended December 31, 2007	48,349	20.8	2,952	25.3	2,715	(27.6)	4,088	(4.0)
Nine months ended December 31, 2006	40,031	18.9	2,356	63.1	3,748	20.4	4,259	51.4
Fiscal year ended March 31, 2007	57,055		3,500		5,049		5,410	

	Basic net income per share	Diluted net income per share
	JPY	JPY
Nine months ended December 31, 2007	19,829	19,803
Nine months ended December 31, 2006	20,878	20,858
Fiscal year ended March 31, 2007	26,519	26,487

(Note) 1. In this document, Income before income tax benefit represents income from operations before income tax benefit, minority interests and equity in net loss of equity method investees in IJ's consolidated financial statements.

2. The weighted average number of shares outstanding was 206,161, 203,989, 203,992 for the nine months ended December 31, 2007, the nine months ended December 31, 2006, and the fiscal year ended March 31, 2007, respectively.

(2) Consolidated Financial Position

	Total assets	Shareholders' equity	Shareholders' equity as a percentage of total assets	Shareholders' equity per share
	JPY millions	JPY millions	%	JPY
Nine months ended December 31, 2007	52,997	24,140	45.6	116,914
Nine months ended December 31, 2006	45,463	20,273	44.6	99,385
Fiscal Year ended March 31, 2007	47,693	20,112	42.2	98,592

(Note) Shareholders' equity, shareholders' equity as a percentage of total assets and shareholders' equity per share are calculated in accordance with U.S. GAAP.

(3) Consolidated Cash Flows

	Net cash provided by operating activities	Net cash used in investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents, end of period
	JPY millions	JPY millions	JPY millions	JPY millions
Nine months ended December 31, 2007	455	(5,063)	285	9,214
Nine months ended December 31, 2006	4,576	(1,097)	(3,246)	13,955
Fiscal Year ended March 31, 2007	7,402	(3,014)	(4,560)	13,555

2. Dividends

	Dividend per share of common stock		
	Interim	Year-end	Total
	JPY	JPY	JPY
Fiscal year ended March 31, 2007	-	1,500.00	1,500.00
Fiscal year ending March 31, 2008	750.00		1,500.00
Fiscal year ending March 31, 2008 (Target)		750.00	

(Note) IJ maintains its initial dividend plan for the fiscal year ending March 31, 2008 that IJ announced on May 15, 2007.

3. Target of Consolidated Financial Results for the Fiscal Year Ending March 31, 2008 (Reference)

(April 1, 2007 through March 31, 2008)

(% shown is YoY change)

	Total revenues		Operating income		Income before income tax benefit		Net income		Basic net income per share
	JPY millions	%	JPY millions	%	JPY millions	%	JPY millions	%	JPY
Fiscal year ending March 31, 2008	69,000	20.9	4,600	31.4	5,100	1.0	5,600	3.5	27,122

(Note) The number of shares of common stock used to calculate basic net income per share above is 206,478 shares.

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 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.

4. Others

- (1) Change of Condition in Consolidated Subsidiaries during the Nine Months Ended December 31, 2007 (Change of Condition in Specific Consolidated Subsidiaries with a Change of Scope of Consolidation): None
- (2) Adoption of Simplified Accounting Method: None
- (3) Changes in Accounting and Reporting of Significant Accounting and Reporting Policies from the Most Recent Fiscal Year: None

Consolidated Financial Statements (Unaudited)
(From April 1, 2007 through December 31, 2007)

(1) Consolidated Balance Sheets

	As of December 31, 2007			As of December 31, 2006		As of March 31, 2007	
	Thousands of U.S. Dollars	Thousands of JPY	%	Thousands of JPY	%	Thousands of JPY	%
ASSETS							
CURRENT ASSETS:							
Cash	82,486	9,214,447		13,955,110		13,554,544	
Accounts receivable, net of allowance for doubtful accounts of JPY 23,842 thousand, JPY 24,690 thousand and JPY 32,489 thousand at December 31, 2007, December 31, 2006 and March 31, 2007, respectively	105,639	11,800,972		8,169,550		9,675,725	
Short-term investment	109	12,170		11,809		12,093	
Inventories	9,199	1,027,568		1,088,259		1,111,086	
Prepaid expenses	20,002	2,234,473		1,562,891		1,053,270	
Other current assets, net of allowance for doubtful accounts of JPY 720 thousand, JPY 3,850 thousand and JPY 4,570 thousand at December 31, 2007, December 31, 2006 and March 31, 2007, respectively	19,259	2,151,418		996,890		930,571	
Total current assets	236,694	26,441,048	49.9	25,784,509	56.7	26,337,289	55.2
INVESTMENTS IN AND ADVANCES TO EQUITY METHOD INVESTEES, net of loan loss valuation allowance of JPY 16,701 at December 31, 2007, December 31, 2006 and March 31, 2007, respectively	9,136	1,020,574	1.9	1,008,407	2.2	858,490	1.8
OTHER INVESTMENTS	22,608	2,525,546	4.8	5,441,508	12.0	2,841,741	6.0
PROPERTY AND EQUIPMENT—Net	99,467	11,111,429	21.0	9,417,245	20.7	9,832,396	20.6
INTANGIBLE ASSETS—Net	53,036	5,924,679	11.2	671,429	1.5	2,876,894	6.0
GUARANTEE DEPOSITS	17,679	1,974,902	3.7	1,583,128	3.5	1,686,141	3.5
OTHER ASSETS, net of allowance for doubtful accounts of JPY 66,812 thousand, JPY 66,366 thousand and JPY 69,050 thousand at December 31, 2007, December 31, 2006 and March 31, 2007, respectively	35,799	3,999,134	7.5	1,556,832	3.4	3,260,053	6.9
TOTAL	474,419	52,997,312	100.0	45,463,058	100.0	47,693,004	100.0

	As of December 31, 2007			As of December 31, 2006		As of March 31, 2007	
	Thousands of U.S. Dollars	Thousands of JPY	%	Thousands of JPY	%	Thousands of Yen	%
LIABILITIES AND SHAREHOLDERS' EQUITY							
CURRENT LIABILITIES:							
Short-term borrowings	86,384	9,650,000		5,600,000		6,050,000	
Long-term borrowings—current portion	—	—		1,000,363		290,000	
Payable under securities loan agreement	—	—		561,600		—	
Capital lease obligations—current portion	29,868	3,336,491		2,848,075		2,953,173	
Accounts payable	58,377	6,521,313		5,808,051		8,464,835	
Accrued expenses	8,884	992,476		665,112		897,355	
Other current liabilities	17,934	2,003,408		1,994,410		2,477,486	
Total current liabilities	201,447	22,503,688	42.5	18,477,611	40.6	21,132,849	44.3
CAPITAL LEASE OBLIGATIONS—							
Noncurrent	40,473	4,521,225	8.5	4,295,908	9.5	4,318,309	9.1
ACCRUED RETIREMENT AND PENSION COSTS	7,865	878,629	1.6	382,619	0.8	750,042	1.5
OTHER NONCURRENT LIABILITIES	5,540	618,819	1.2	600,167	1.3	564,618	1.2
Total Liabilities	255,325	28,522,361	53.8	23,756,305	52.2	26,765,818	56.1
MINORITY INTEREST	2,998	334,868	0.6	1,433,341	3.2	815,182	1.7
COMMITMENTS AND CONTINGENCIES							
SHAREHOLDERS' EQUITY:							
Common stock							
—authorized, 377,600 shares; issued and outstanding, 206,478 shares at December 31, 2007	150,693	16,833,847	31.8	16,833,847	37.0	16,833,847	35.3
—authorized, 377,600 shares; issued and outstanding, 204,300 shares at December 31, 2006 and March 31, 2007							
Additional paid-in capital	247,173	27,611,737	52.1	26,599,217	58.5	26,599,217	55.8
Accumulated deficit	(184,801)	(20,644,087)	(39.0)	(25,421,633)	(55.9)	(24,270,769)	(50.9)
Accumulated other comprehensive income	3,031	338,586	0.7	2,346,219	5.2	949,709	2.0
Treasury stock—777 shares held by an equity method investee at December 31, 2006	—	—	—	(84,238)	(0.2)	—	—
Total shareholders' equity	216,096	24,140,083	45.6	20,273,412	44.6	20,112,004	42.2
TOTAL	474,419	52,997,312	100.0	45,463,058	100.0	47,693,004	100.0

(Note)

The U.S. dollar amounts represent translations of yen amounts at the rate of JPY 111.71, 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 December 31, 2007.

(2) Consolidated Statements of Income

	Nine Months Ended December 31, 2007			Nine Months Ended December 31, 2006		Fiscal Year Ended March 31, 2007	
	Thousands of U.S. Dollars	Thousands of JPY	% of total revenues	Thousands of JPY	% of total revenues	Thousands of JPY	% of total revenues
REVENUES:							
Connectivity and value-added services:							
Connectivity (corporate use)	80,608	9,004,721		8,345,756		11,239,062	
Connectivity (home use)	34,088	3,807,989		1,477,036		1,968,948	
Value-added services	62,337	6,963,603		5,508,337		7,415,533	
Other	27,565	3,079,293		2,788,701		3,729,633	
Total	204,598	22,855,606		18,119,830		24,353,176	
Systems integration	216,753	24,213,497		20,347,104		30,527,081	
Equipment sales	11,461	1,280,303		1,564,205		2,174,324	
Total revenues	432,812	48,349,406	100.0	40,031,139	100.0	57,054,581	100.0
COST AND EXPENSES:							
Cost of connectivity and value-added services	170,130	19,005,171		15,396,845		20,545,358	
Cost of systems integration	166,128	18,558,164		15,513,501		23,529,045	
Cost of equipment sales	9,831	1,098,267		1,399,048		1,893,216	
Total cost	346,089	38,661,602	80.0	32,309,394	80.7	45,967,619	80.6
Sales and marketing	28,212	3,151,505	6.5	2,542,815	6.4	3,438,725	6.0
General and administrative	30,477	3,404,620	7.0	2,700,746	6.7	3,970,692	7.0
Research and development	1,607	179,488	0.4	121,977	0.3	177,273	0.3
Total cost and expenses	406,385	45,397,215	93.9	37,674,932	94.1	53,554,309	93.9
OPERATING INCOME	26,427	2,952,191	6.1	2,356,207	5.9	3,500,272	6.1
OTHER INCOME (EXPENSES):							
Interest income	360	40,244		11,182		23,037	
Interest expense	(2,946)	(329,047)		(304,361)		(397,439)	
Foreign exchange gain (loss)	21	2,330		(254)		(297)	
Gain (loss) on other investments —net	302	33,679		1,679,356		1,866,510	
Other—net	138	15,409		5,377		56,605	
Other income (expenses) —net	(2,125)	(237,385)	(0.5)	1,391,300	3.5	1,548,416	2.7
INCOME FROM OPERATIONS BEFORE INCOME TAX BENEFIT, MINORITY INTERESTS AND EQUITY IN NET LOSS OF EQUITY METHOD INVESTEES	24,302	2,714,806	5.6	3,747,507	9.4	5,048,688	8.8
INCOME TAX BENEFIT	(12,650)	(1,413,102)	(2.9)	(867,187)	(2.2)	(803,943)	(1.4)
MINORITY INTERESTS IN (EARNINGS) LOSSES OF SUBSIDIARIES	462	51,606	0.1	(195,035)	(0.5)	(232,719)	(0.4)
EQUITY IN NET LOSS OF EQUITY METHOD INVESTEES	(819)	(91,523)	(0.1)	(160,810)	(0.4)	(210,199)	(0.3)
NET INCOME	36,595	4,087,991	8.5	4,258,849	10.7	5,409,713	9.5

	Nine Months Ended December 31, 2007		Nine months Ended December 31, 2006	Fiscal Year Ended March 31, 2007
	Shares		Shares	Shares
BASIC WEIGHTED- AVERAGE NUMBER OF SHARES	206,161		203,989	203,992
DILUTED WEIGHTED- AVERAGE NUMBER OF SHARES	206,432		204,186	204,244
	U.S. Dollars	JPY	JPY	JPY
BASIC NET INCOME PER SHARE	177.50	19,829	20,878	26,519
DILUTED NET INCOME PER SHARE	177.27	19,803	20,858	26,487

(Note)

The U.S. dollar amounts represent translations of yen amounts at the rate of JPY 111.71, 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 December 31, 2007.

(3) Consolidated Statements of Shareholders' Equity

Consolidated statements of shareholders' equity for the nine months ended December 31, 2007

(Unit: Thousands of JPY)

	Shares of Common Stock Outstanding (Including Treasury Stock) (Shares)	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Treasury Stock	Total
BALANCE, APRIL 1, 2007	204,300	16,833,847	26,599,217	(24,270,769)	949,709	—	20,112,004
Net income				4,087,991			4,087,991
Other comprehensive loss, net of tax					(611,123)		(611,123)
Total comprehensive income							3,476,868
Payment of dividends				(461,309)			(461,309)
Issuance of common stock related to share exchanges, net of issuance cost	2,178		1,012,520				1,012,520
BALANCE, DECEMBER 31, 2007	206,478	16,833,847	27,611,737	(20,644,087)	338,586	—	24,140,083

Consolidated statements of shareholders' equity for the nine months ended December 31, 2007

(Unit: Thousands of U.S. Dollars)

	Shares of Common Stock Outstanding (Including Treasury Stock) (Shares)	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Treasury Stock	Total
BALANCE, APRIL 1, 2007	204,300	150,693	238,109	(217,266)	8,502	—	180,038
Net income				36,595			36,595
Other comprehensive loss, net of tax					(5,471)		(5,471)
Total comprehensive income							31,124
Payment of dividends				(4,130)			(4,130)
Issuance of common stock related to share exchanges, net of issuance cost	2,178		9,064				9,064
BALANCE, DECEMBER 31, 2007	206,478	150,693	247,173	(184,801)	3,031	—	216,096

(Note)

The U.S. dollar amounts represent translations of yen amounts at the rate of JPY 111.71, 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 December 31, 2007.

Consolidated statements of shareholders' equity for the nine months ended December 31, 2006

(Unit: Thousands of JPY)

	Shares of Common Stock Outstanding (Including Treasury Stock) (Shares)	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Treasury Stock	Total
BALANCE, APRIL 1, 2006	204,300	16,833,847	26,599,217	(29,680,482)	6,553,594	(84,238)	20,221,938
Net income				4,258,849			4,258,849
Other comprehensive loss, net of tax					(4,207,375)		(4,207,375)
Total comprehensive loss							51,474
BALANCE, DECEMBER 31, 2006	204,300	16,833,847	26,599,217	(25,421,633)	2,346,219	(84,238)	20,273,412

Consolidated statements of shareholders' equity for the fiscal year ended March 31, 2007

(Unit: Thousands of JPY)

	Shares of Common Stock Outstanding (Including Treasury Stock) (Shares)	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Treasury Stock	Total
BALANCE, APRIL 1, 2006	204,300	16,833,847	26,599,217	(29,680,482)	6,553,594	(84,238)	20,221,938
Net income				5,409,713			5,409,713
Other comprehensive loss, net of tax					(5,492,154)		(5,492,154)
Total comprehensive loss							(82,441)
Adjustment to initially apply SFAS158, net of tax					(111,731)		(111,731)
Dissolution of reciprocal interests due to sale of investment in an equity method investee						84,238	84,238
BALANCE, MARCH 31, 2007	204,300	16,833,847	26,599,217	(24,270,769)	949,709	—	20,112,004

(4) Condensed Consolidated Statements of Cash Flows

	Nine Months Ended December 31, 2007		Nine Months Ended December 31, 2006	Fiscal Year Ended March 31, 2007
	Thousands of U.S. Dollars	Thousands of JPY	Thousands of JPY	Thousands of JPY
OPERATING ACTIVITIES:				
Net income	36,595	4,087,991	4,258,849	5,409,713
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	31,164	3,481,394	3,234,615	4,228,048
Provision for (reversal of) doubtful accounts and advances	(63)	(7,069)	25	12,232
Gain on other investments—net	(301)	(33,679)	(1,679,356)	(1,866,510)
Foreign exchange loss	35	3,955	1,935	2,226
Equity in net loss of equity method investees	819	91,523	160,810	210,199
Minority interests in earnings (losses) of subsidiaries	(462)	(51,606)	195,035	232,719
Deferred income tax benefit	(16,027)	(1,790,391)	(1,223,275)	(1,494,685)
Others	1,290	144,053	297,719	534,035
Changes in operating assets and liabilities:				
Decrease (increase) in accounts receivable	(18,991)	(2,121,457)	3,864,892	2,376,126
Increase in inventories, prepaid expenses and other current and noncurrent assets	(12,095)	(1,351,187)	(610,349)	(1,235,003)
Decrease in accounts payable	(14,549)	(1,625,227)	(4,127,491)	(1,872,969)
Increase (decrease) in accrued expenses, other current and noncurrent liabilities	(3,346)	(373,793)	202,463	865,376
Net cash provided by operating activities	4,069	454,507	4,575,872	7,401,507
INVESTING ACTIVITIES:				
Purchase of property and equipment	(14,457)	(1,614,994)	(986,367)	(1,287,906)
Purchase of available-for-sale securities	(4,631)	(517,275)	(575,623)	(802,662)
Purchase of short-term and other investments	(2,077)	(231,974)	(1,502,601)	(1,794,358)
Investment in an equity method investee	(2,241)	(250,389)	—	—
Proceeds from sales of investment in an equity method investee	—	—	—	185,900
Purchase of subsidiary stock from minority shareholders	(17,681)	(1,975,123)	(27,559)	(3,077,764)
Proceeds from sales of available-for- sale securities	5,522	616,920	2,085,241	3,883,915
Proceeds from sales and redemption of short-term and other investments	184	20,579	21,781	110,446
Acquisition of newly controlled companies, net of cash acquired	(7,059)	(788,608)	—	—
Acquisition of businesses	—	—	(74,751)	(74,751)
Payment of guarantee deposits—net	(2,500)	(279,324)	(17,396)	(118,411)
Other	(386)	(43,154)	(19,743)	(38,020)
Net cash used in investing activities	(45,326)	(5,063,342)	(1,097,018)	(3,013,611)

	Nine Months Ended December 31, 2007		Nine Months Ended December 31, 2006	Fiscal Year Ended March 31, 2007
	Thousands of U.S. Dollars	Thousands of JPY	Thousands of JPY	Thousands of JPY
FINANCING ACTIVITIES:				
Proceeds from issuance of short-term borrowings with initial maturities over three months	142,333	15,900,000	8,800,000	10,500,000
Repayments of short-term borrowings with initial maturities over three months and long-term borrowings	(139,110)	(15,540,000)	(5,629,600)	(7,639,963)
Proceeds from securities loan agreement	—	—	1,057,680	1,057,680
Repayments of securities loan agreement	—	—	(1,495,680)	(2,057,280)
Principal payments under capital leases	(22,954)	(2,564,142)	(2,573,613)	(3,259,875)
Increase (decrease) in short-term borrowings with initial maturities less than three months—net	26,408	2,950,000	(3,405,000)	(3,355,000)
Proceeds from issuance of subsidiary stock to minority shareholders	—	—	—	194,679
Amount of dividend payment	(4,130)	(461,309)	—	—
Net cash provided by (used in) financing activities	2,547	284,549	(3,246,213)	(4,559,759)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(141)	(15,811)	(4,552)	(614)
NET DECREASE IN CASH	(38,851)	(4,340,097)	228,089	(172,477)
CASH, BEGINNING OF EACH PERIOD	121,337	13,554,544	13,727,021	13,727,021
CASH, END OF EACH PERIOD	82,486	9,214,447	13,955,110	13,554,544
ADDITIONAL CASH FLOW INFORMATION:				
Interest paid	2,948	329,316	287,451	383,461
Income taxes paid	8,360	933,930	339,973	347,826
NONCASH INVESTING AND FINANCING ACTIVITIES:				
Acquisition of assets by entering into capital leases	26,114	2,917,146	1,741,877	2,664,706
Purchase of minority interests of consolidated subsidiaries through share exchanges	9,064	1,012,520	—	—
Acquisition of business and a company:				
Assets acquired	20,762	2,319,277	236,307	236,307
Cash paid	(15,356)	(1,715,450)	(74,751)	(74,751)
Liabilities assumed	3,294	367,989	161,556	161,556
Minority interests assumed	2,112	235,838	—	—

(Note)

The U.S. dollar amounts represent translations of yen amounts at the rate of JPY 111.71, 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 December 31, 2007.