

# **Fiscal Year ended March 31, 2009 Consolidated Financial Results**



**Internet Initiative Japan**

**Internet Initiative Japan Inc.  
2009.5.15**

<http://www.iij.ad.jp/en/IR/>

## **I . Summary of FY2008 Financial Results and Target for FY2009**

## **II . FY2008 Financial Results**

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# I . Summary of FY2008 Financial Results and Target for FY2009

## FY2008 Financial Results

- Revenue JPY69,731 million (up 4.3% YoY)
- Operating Income JPY2,917 million (down 38.7% YoY)

- **Recurring revenues steadily increased (up 14.3% YoY) as planned strengthening the basis of our business**
- **One-time revenue from systems construction were down 18.7% YoY affected by the decrease in IT related investments in Japan, especially in large-scale systems construction projects**
- **Mobile data communication service had a good start and many new services for outsourcing related and content delivery services were continuously introduced**
  - Mobile data communication services for both corporate and home use are performing well reaching its break even point and nearly 23,000 contracts.
  - We provide content distribution service to one of the largest TV broadcasting companies in Japan followed by Actvila
- **Operating income from current business improved in 2H08 as a result of cost control**
  - Number of SI outsourcing personnel (full time) : 352 (2Q08/End ) → 254 (4Q08/End)
  - Operating Margin Ratio of Current business (excluding 4 new subsidiaries):  
1Q08:3.5%, 2Q08:5.2%, 3Q08:6.9%, 4Q08:8.0%
  - Operating loss from 4 new subsidiaries : JPY1,272 million (FY08) Operating loss is expected to decrease in FY09

- **We target increase in total revenue and income in FY09**  
**Target: Revenue of JPY73.0 billion (up 4.7% YoY), Operating Income or JPY3.3 billion (up 13.1%), Net Income of JPY1.7 billion (up 19.8%)**
  - Increase in recurring revenues as in ordinary course of growth, decrease in systems construction revenues of approx. JPY2 billion YoY, Operating loss from 4 new subsidiaries to decrease to approx JPY1 billion.
  - We target dividend of JPY2,000 (Annual) for FY09. No change in cash dividend plan.
- **Continue our strategy to introduce new services and features which allows us to achieve steady growth in our recurring services and strengthen the basis of our business even in the tough economic situation.**

## II -1. Consolidated Financial Results for FY2008

Unit:JPY billion

	% of Revenues FY08 (08/4~09/03)	% of Revenues FY07 (07/4~08/03)	YoY
Total Revenues	<b>69.7</b>	<b>66.8</b>	<b>4.3%</b>
Total Costs	<b>56.1</b>	<b>52.9</b>	<b>6.2%</b>
Gross Margin	<b>13.6</b>	<b>14.0</b>	<b>(2.6%)</b>
SG&A/R&D	<b>10.7</b>	<b>9.2</b>	<b>16.0%</b>
Operating Income	<b>2.9</b>	<b>4.8</b>	<b>(38.7%)</b>
Income before Income Tax Benefit	<b>2.0</b>	<b>4.4</b>	<b>(53.4%)</b>
Net Income	<b>1.4</b>	<b>5.2</b>	<b>(72.6%)</b>

➤ recurring revenues (77.5% of total revenue) continuously increased by 14.3% YoY

➤ cost from 4 new subsidiaries of JPY593 million

➤ SG&A/R&D from 4 new subsidiaries of JPY709 million

➤ losses related to the disposal of property and equipment for our service and others of JPY424 million in 4Q08

➤ operating loss from 4 new subsidiaries of JPY1,272 million

➤ operating margin ratio of our current business improved quarter by quarter in FY2008 (up 1.1 points QoQ)

➤ losses on write-down of other investments of JPY524 million

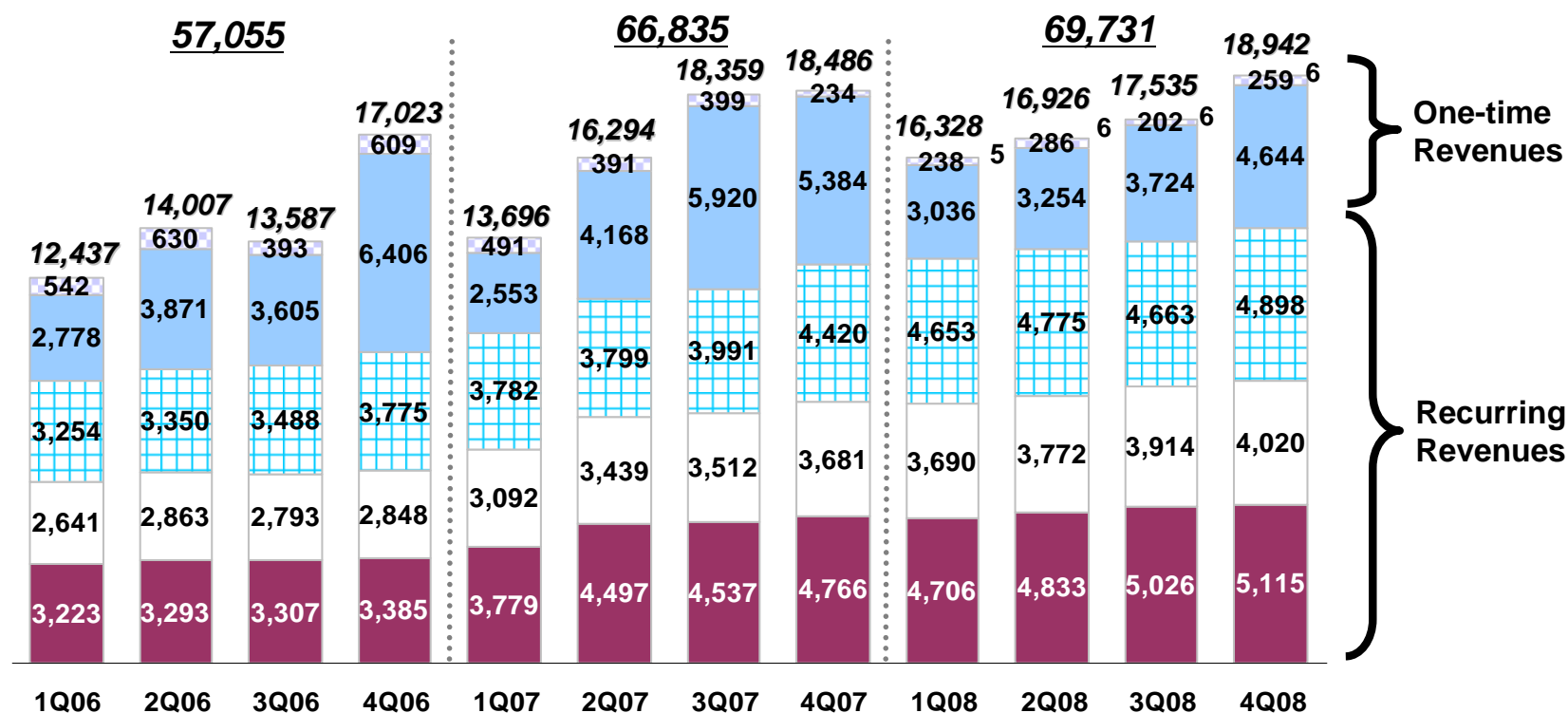
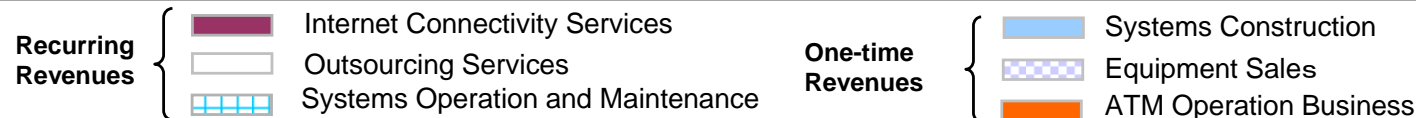
➤ deferred tax expense of JPY637 million

## II-2. Revenues



Internet Initiative Japan

Unit: JPY million



◆ Recurring revenues increased steadily to JPY54,064 million in FY08 (up 14.3% YoY),  
JPY14,032 million in 4Q08 (up 9.1% YoY, up 3.2% QoQ)

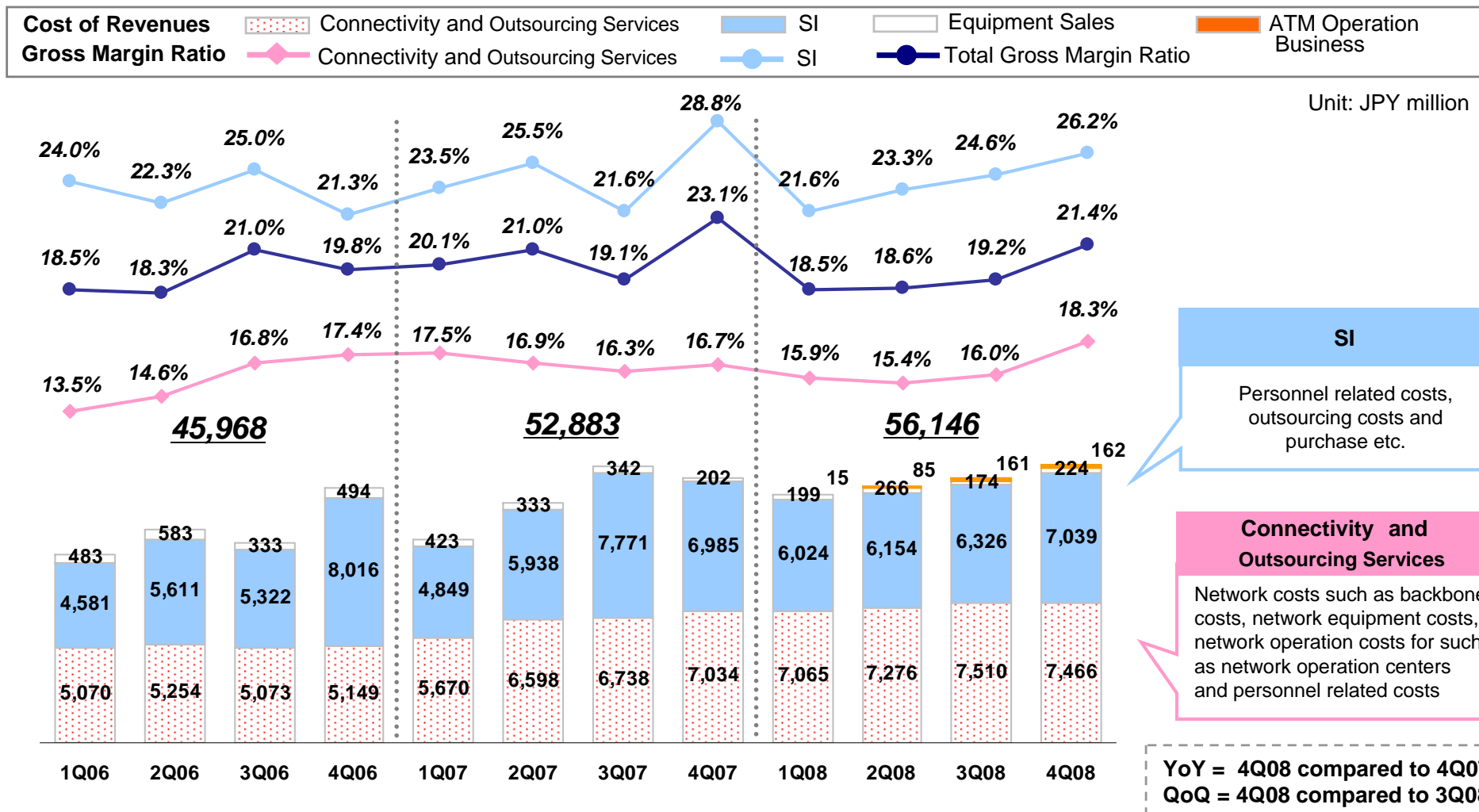
- Internet connectivity services : FY08 : up 12.0% YoY, 4Q08 : up 7.3% YoY, up 1.8% QoQ
- Outsourcing services : FY08 : up 12.2% YoY, 4Q08 : up 9.2% YoY, up 2.7% QoQ
- Systems operation and maintenance : FY08 : up 18.7% compared to FY07, 4Q08 : up 10.8% YoY, up 5.0% QoQ

◆ One-time revenue in FY08 was JPY15,667 million (down 19.8% YoY),  
4Q08 was JPY4,909 million (down 12.6% YoY, up 24.9% QoQ)

- Systems construction : FY08 : down 18.7% YoY, 4Q08 : down 13.7% YoY, up 24.7% QoQ

YoY = 4Q08 compared to 4Q07  
QoQ = 4Q08 compared to 3Q08

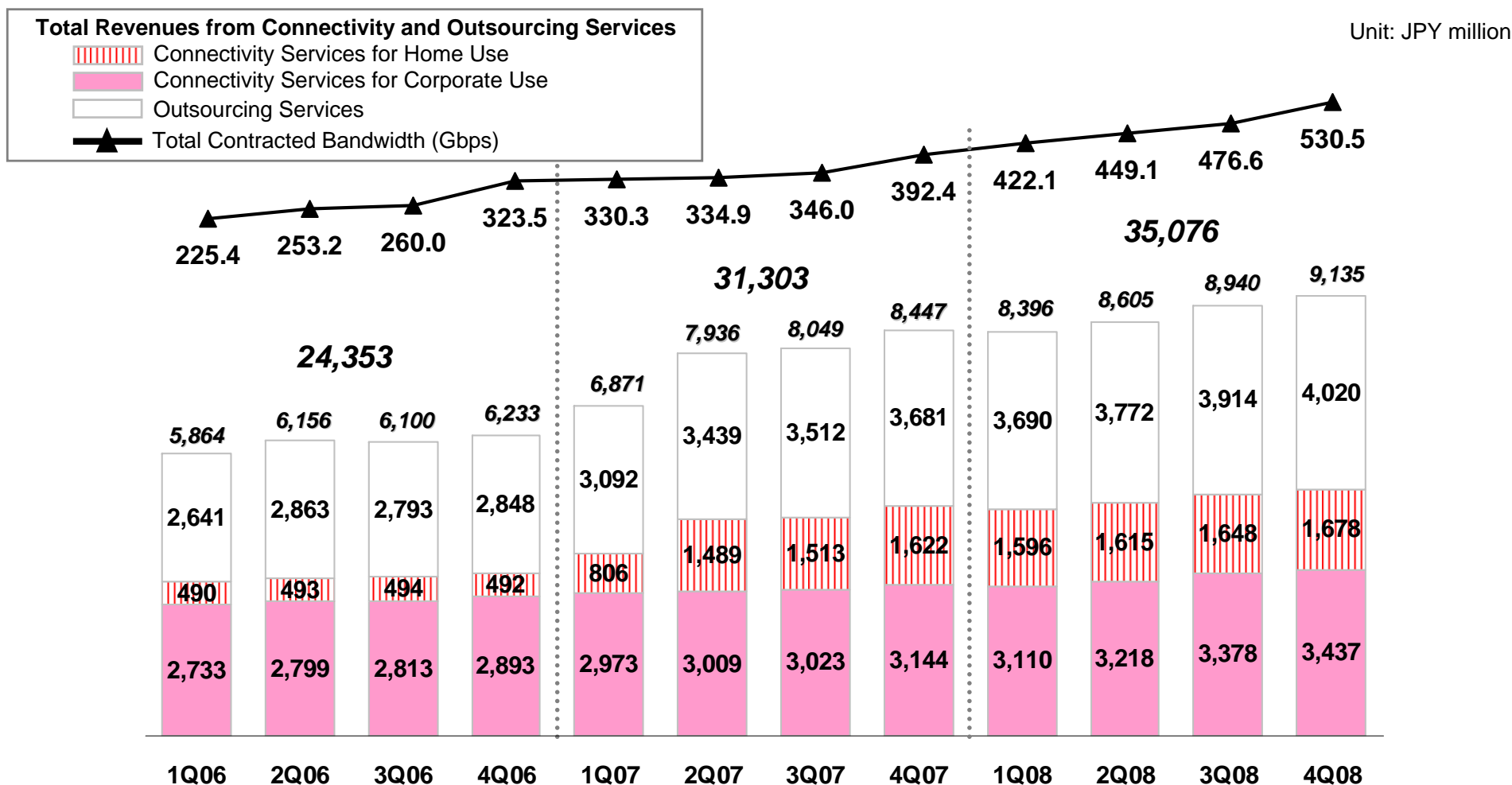
## II -3. Cost of Revenues and Gross Margin Ratio



- ◆ **Cost of Connectivity and Outsourcing Services revenue: FY08 : up 12.6% YoY, 4Q08 : up 6.1% YoY, down 0.6% QoQ**
  - Gross Margin : FY08 : up 0.4 points YoY, 4Q08 : up 1.5 points YoY, up 2.3 points QoQ
- ◆ **Cost of SI revenue: FY08 : down 0.002% YoY, 4Q08 : up 0.8 % YoY, up 11.3% QoQ**
  - Gross Margin : FY08 : up 0.8 points YoY, 4Q08 : up 2.6 points YoY, up 1.6 points QoQ
- ◆ **Cost of ATM Operation Business revenue: FY08 : JPY422 million, 4Q08 : JPY162 million (up 0.7% QoQ)**

## II -4. Connectivity and Outsourcing Services

### (1) Revenues and Total Contracted Bandwidth



- ◆ **Connectivity services for corporate use revenues: FY08 : up 8.2%YoY, 4Q08 : up 9.3 % YoY, up 1.7 % QoQ**
  - Contracts for connectivity of over 1Gbps (4Q08) end was up 24 contracts YoY, up 12 contracts QoQ, total contracted bandwidth continuously expanded.
  - IIJ Mobile Service reached about 23,000 contracts (including home use).
- ◆ **Connectivity services for home use revenues: FY08 : up 20.4%YoY, 4Q08 : up 3.5 % YoY, up 1.9 % QoQ**
- ◆ **Outsourcing service revenues: FY08 : up 12.2%YoY, 4Q08 : up 9.2 % YoY, up 2.7 % QoQ**
  - Mail services such as SPAM mail services and security services continuously improved.

## II -4. Connectivity and Outsourcing Services

### (2) Situation of the Services

#### < Connectivity Services >

##### ➤ Corporate use :

- Total Contracted bandwidth reached 530.5 Gbps as a result of steady demands for network expansion for corporate customer and the shift to higher bandwidths, especially among content business operators and ISPs due to increase usage of video streaming and IPTV
- Contracts of over 1Gbps continuously increased (4Q08 : 94 contracts, up 24 contracts YoY, up 12 contracts QoQ)
- Contracts of over 100 Mbps to 1Gbps also increased (4Q08 : 225 contracts, up 24 contracts YoY, up 2 contracts QoQ)

##### ➤ Mobile data communication services are performing well reaching its break even point and nearly 23,000 contracts



- Introduced new services and new features such as data communications cards exclusively for IIJ Mobile, Direct Access which allows secure remote-access to corporate LAN and other services for IIJ Mobile service.
- For home use, we introduced mobile data communication service under "IIJmio" and "hi-ho" brand in Dec. 2008. "Mobile Broadband Access Point" is also doing well. We target 20,000 new contracts for FY2009.

##### ➤ Home use :

- Revenue per contract is increase due to shifts from dial-up and ADSL services to optical line services which charge higher monthly fees
- Increase in revenues related to hi-ho of JPY4,971 million in FY08 (12months) compared to JPY3,765 million for FY07(10 months).



#### < Outsourcing Services >

##### ➤ Demands for Email services such as anti-spam measures and securities services remains strong

- Secure MX Service continued to receive new contracts as new features such as DKIM Sender Authentication, GDX Mail Option and others were introduced, increasing the value of the service.
- IIJ Secure Web Gateway Service which provides Web filtering, anti-virus, and log management/downloading features through a gateway server located at the IIJ data center were introduce.
- Needs for Data center service remains strong. Nerima DC opened in Feb. 2009.

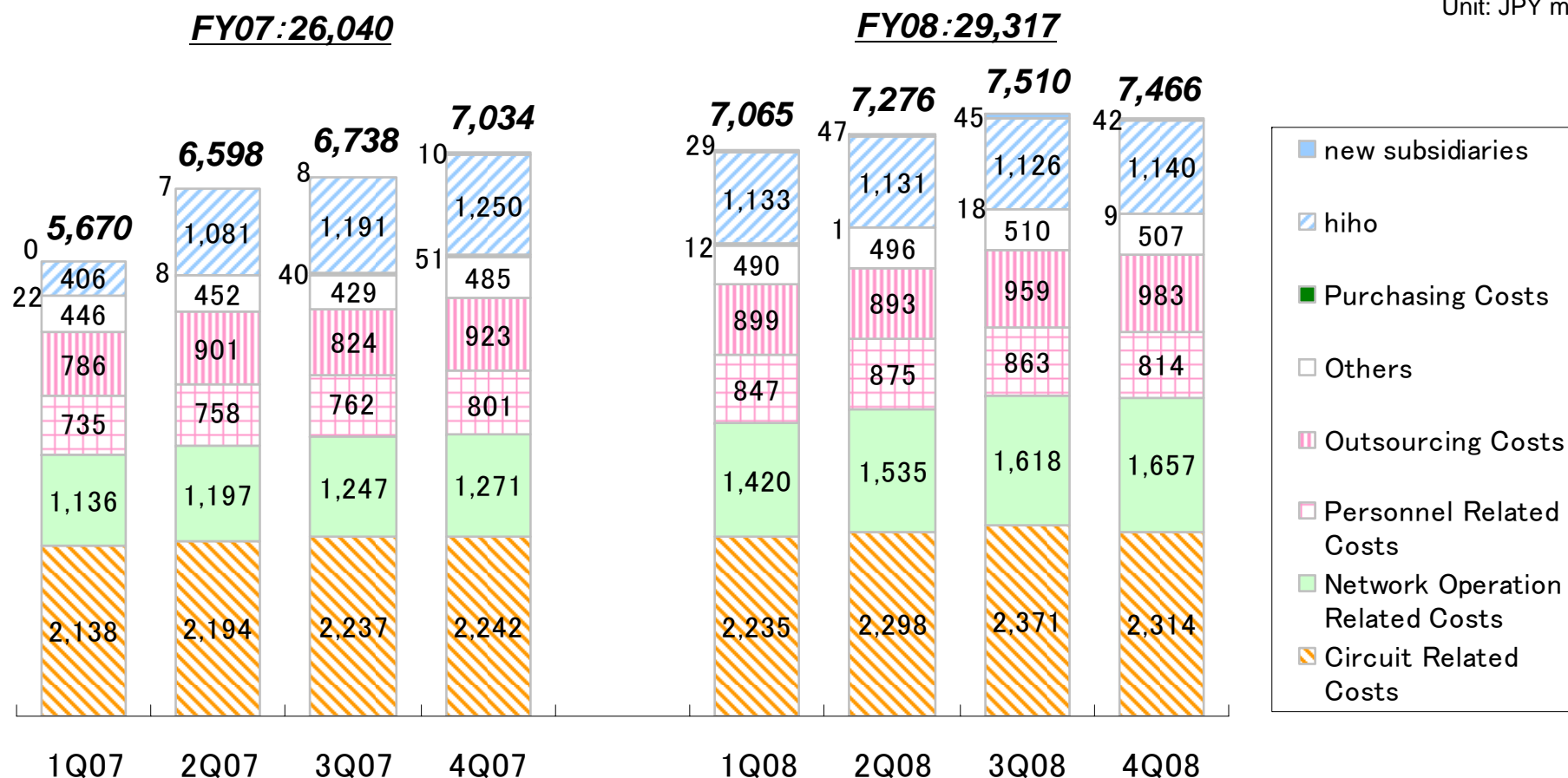




## II -4. Connectivity and Outsourcing Services

### (3) Cost of Revenues

Unit: JPY million



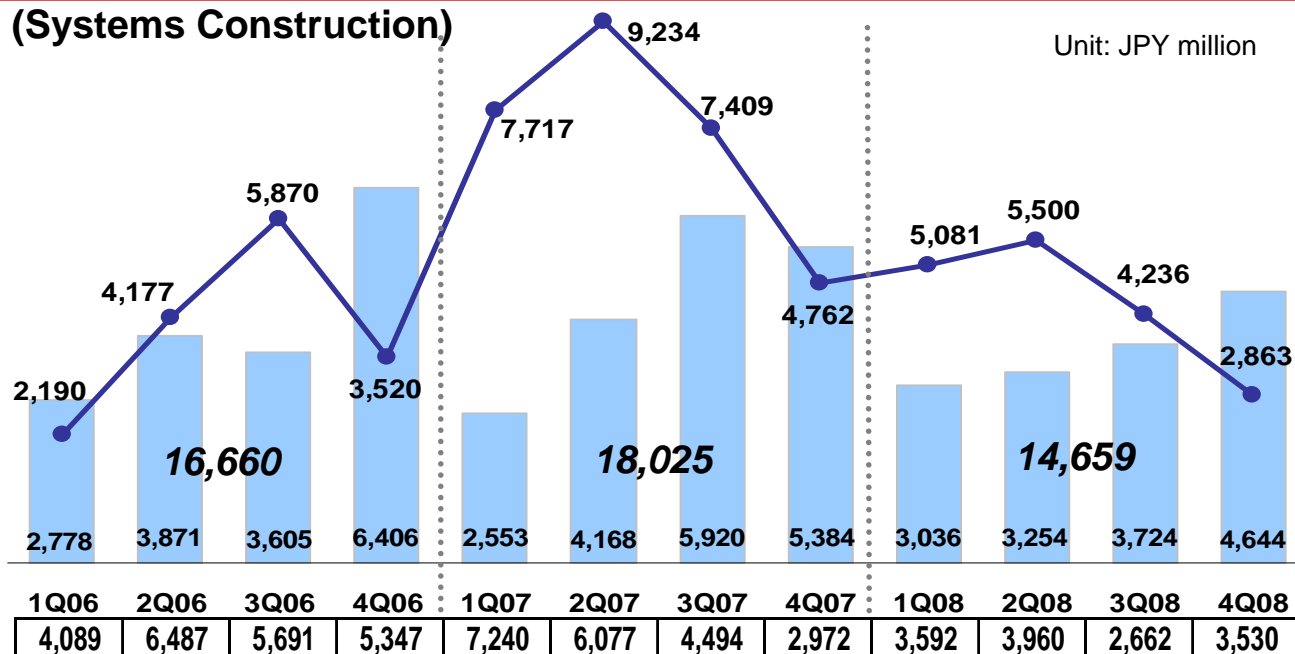
- ◆ Cost of Connectivity and Outsourcing Service revenue : FY08 : up 12.6%YoY, 4Q08 : up 6.1% YoY, down 0.6% QoQ
- ◆ Initial cost related to GDX Japan and On-Demand Solutions : JPY162 million in FY08, JPY42 million in 4Q08
- ◆ Increase in network operation related costs including upgrade of large backbone router which comes once in every 4 to 5 years and increase in circuit related cost. Also costs incurred by hi-ho of 12 months compared to 10 months in FY2007. Personnel related cost decreased in 4Q08 as there were no increase in the number of employees as well as the reversal of allowance for compensated absence.

YoY = 4Q08 compared to 4Q07  
QoQ = 4Q08 compared to 3Q08

# II -5. SI (1) Revenues

## (Systems Construction)

Unit: JPY million



### Systems Construction

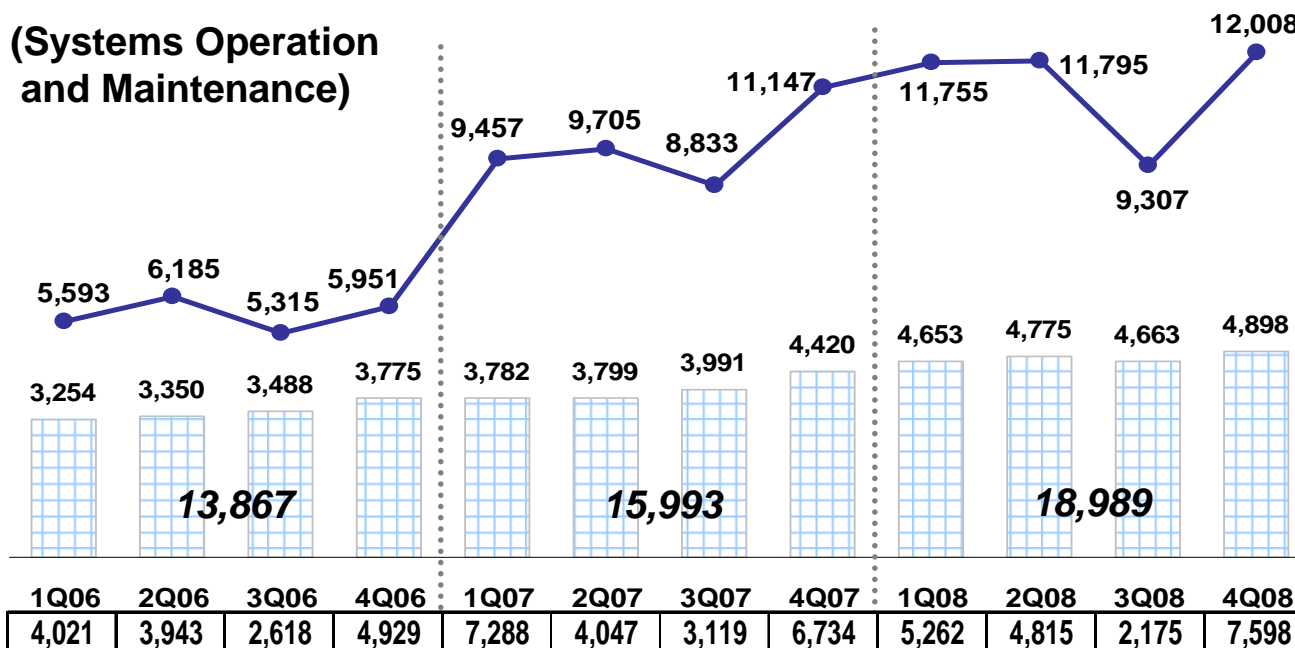
#### Revenues :

- FY08 : down 18.7% YoY
- 4Q08 : down 13.7% YoY, up 24.7% QoQ

#### Order Backlog :

- Down JPY1,899 million YoY (down 39.9%)
- Down JPY657 million compared to 4Q06 (up 18.7%)

## (Systems Operation and Maintenance)



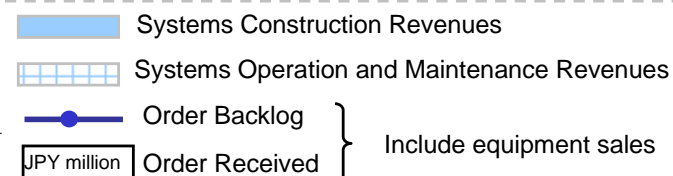
### Systems Operation and Maintenance

#### Revenues :

- FY08 : up 18.7% YoY
- 4Q08 : up 10.8% YoY, up 5.0% QoQ

#### Order Backlog :

- Up JPY861 million YoY (up 7.7%)
- Up JPY6,057 million compared to 4Q06 (up 101.8%)



### Situation of SI

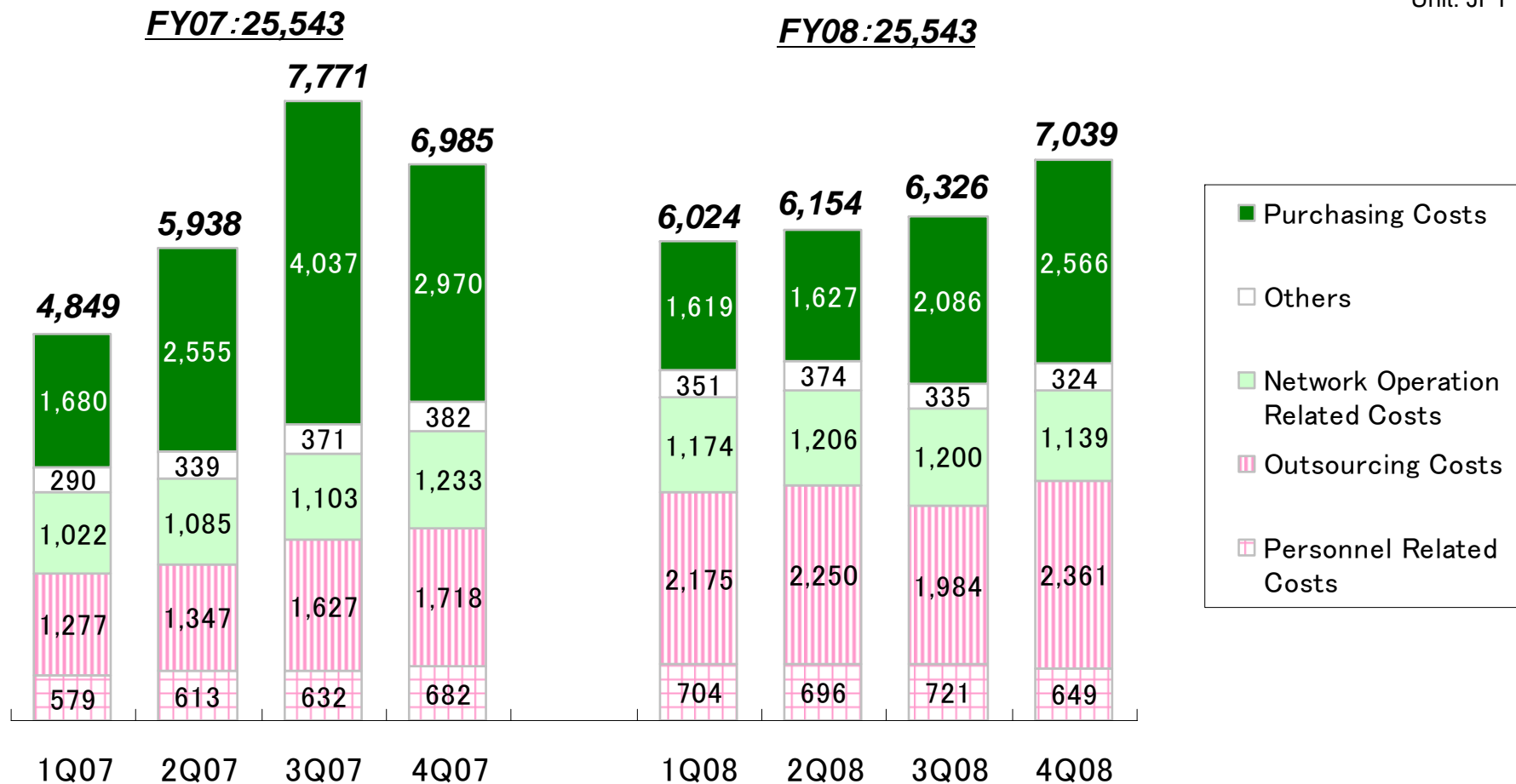
- **Large systems construction projects, especially among manufacturing industry and temp industry were postponed or suspended affected by the sudden downturn of the Japanese economy in FY2007**
  - A halt to large systems construction projects resulted in a decrease of approx JPY3 billion in Systems construction revenues compared to FY2007
- **Network integration (NI) projects were fairly steady**
  - We had seen a halt even in NI projects in Dec to Feb, however they seem to be coming back from March 2009.
  - We are receiving new network related projects that are indispensable for corporate and acquiring new customers. (an increase of approx 50 customers compared to FY07)

### Situation of outsourcing personnel

- **Headcounts for full-time outsourcing personnel was reduced from 2Q08, which had increased in the begging of the year as we had anticipated business growth**
  - number of full-time outsourcing personnel :1Q08: 352 -> 2Q08: 352 -> 3Q08: 299 -> 4Q08: 254
  - we had begun 1Q09 with 220 full-time outsourcing personnel
- **Employees for SI did not increase in 2H08**
  - We expect no large increase of employees.

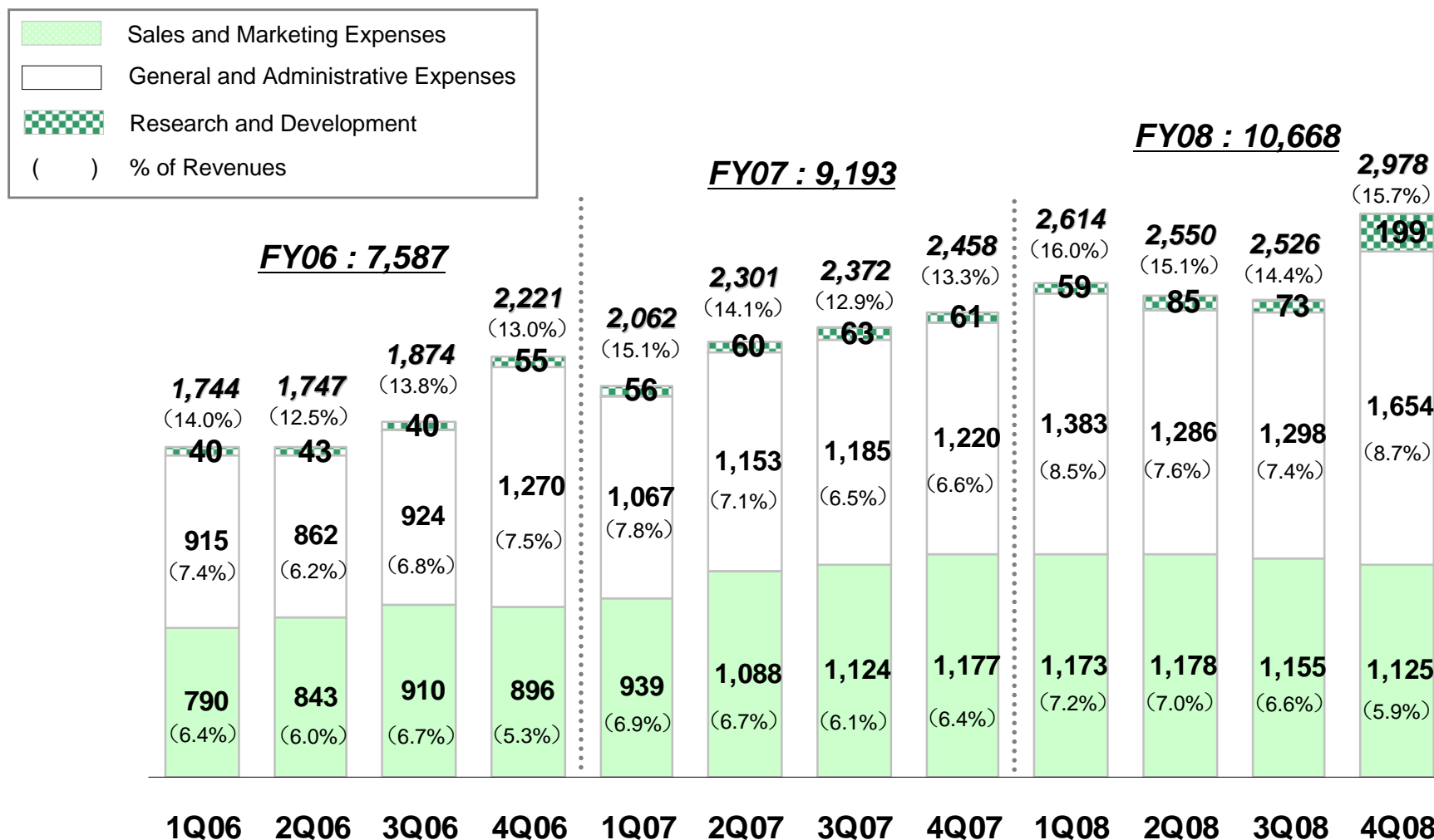
## II -5. SI (3) Cost of Revenues

Unit: JPY million



- ◆ Cost of SI revenue : FY08 : down 0.002%YoY, 4Q08 : down 0.8% YoY, up 11.3% QoQ
- ◆ Outsourcing related costs : FY08 : up 46.9%YoY, 4Q08 : up 37.4% YoY, up 19.0% QoQ
  - 4Q08 outsourcing related costs : increased along with the increase in SI revenues while the number of outsourcing personnel (full-time) decreased

## II -6. SG&A Expenses/R&D



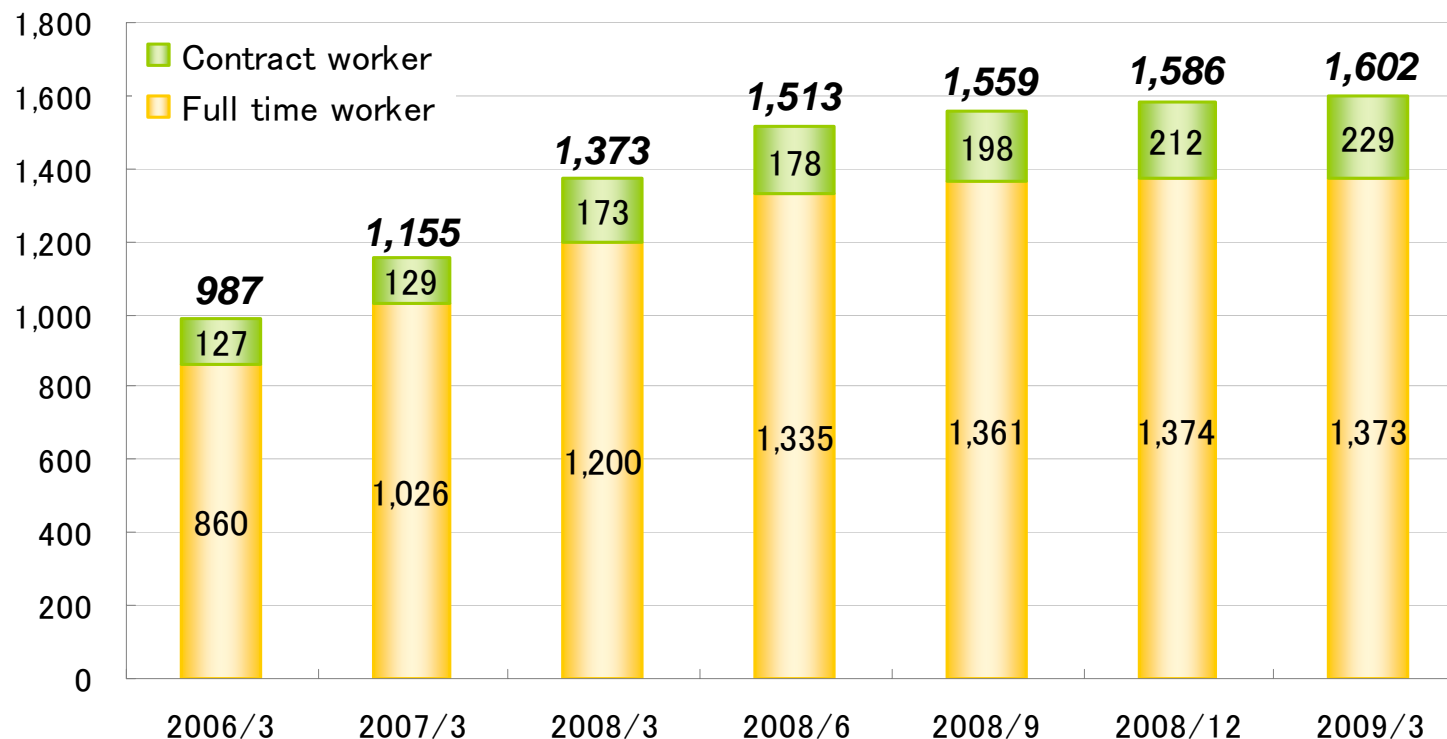
◆ SG&A Expenses: FY08 : up 16.0% YoY

4Q08 : up 21.2% YoY, up 17.9% QoQ and the % of revenues was 15.7%

- General and Administrative Expenses decreased. In 4Q08 there were losses of JPY424 million including the disposal of property and equipment (such as software) for our service and others.
- Expenses related to 4 new subsidiaries were JPY709 million in FY08 and JPY258 million in 4Q08.
- Increase in expenses related to hi-ho of 12 months (FY2007 was 10 months).

## II-7. Number of Employees

Number of Employees (total of full time and contract worker)

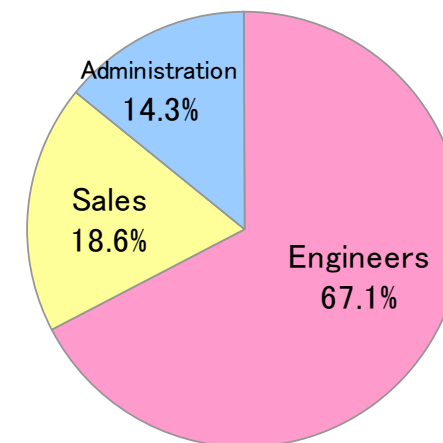


**Personnel related costs and expenses**  
( ) % of Revenues

2,599	2,605	2,617	2,439
(15.9%)	(15.4%)	(14.9%)	(12.9%)

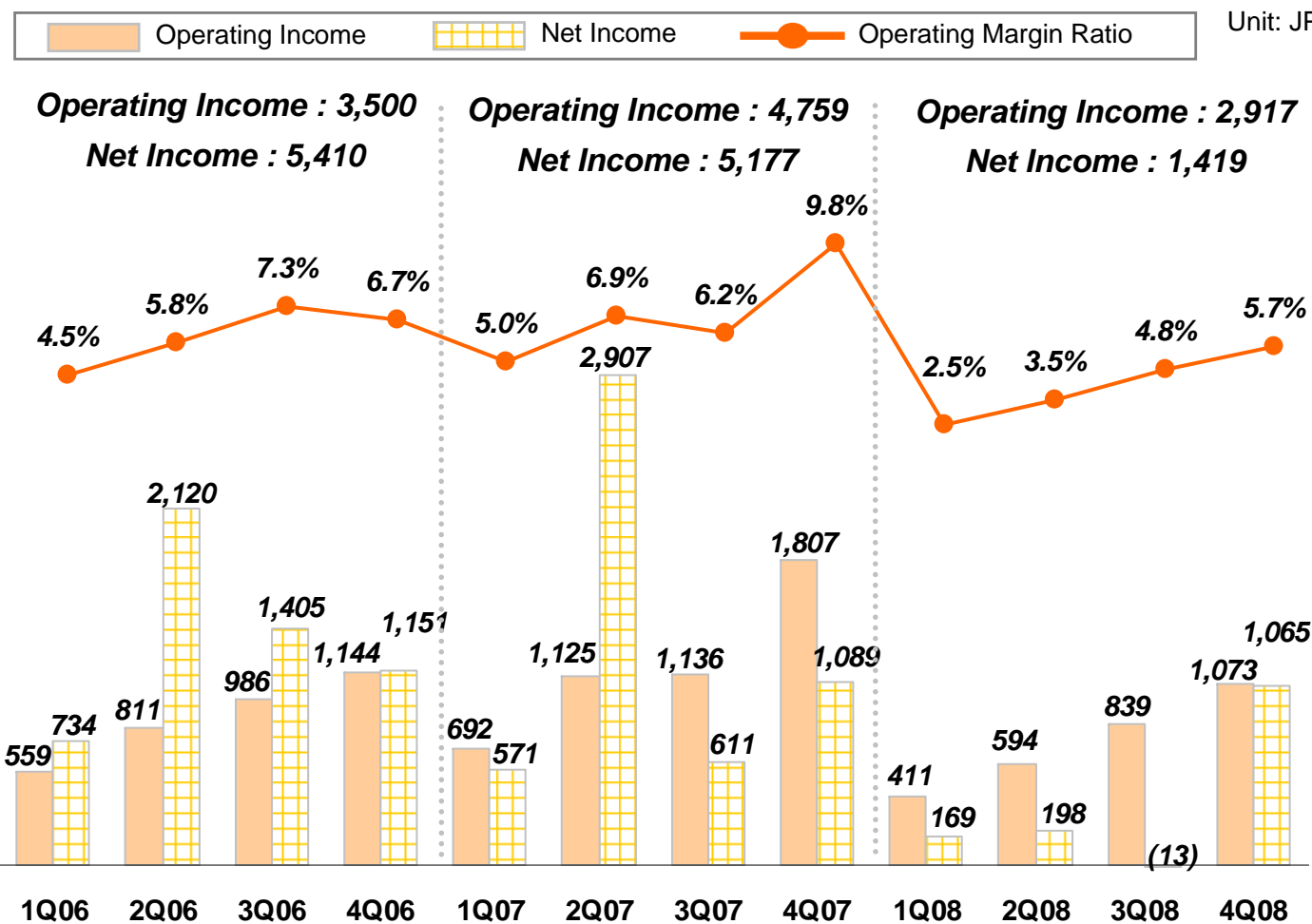
Unit: JPY million

< Employee distribution >



- ◆ **Number of employees (4Q08 end) increased by 299 employees YoY, 16 employees QoQ**
  - The number of new graduates were 77 in FY09. ( 92 in FY08)
  - Employment of non-graduates in FY09 is not expected to increase largely.
- ◆ **Personnel related costs : up JPY1,133 million YoY (up 12.4%), % of Revenues was up 1 point down JPY179 million QoQ (down 6.8%), % of Revenues was down 2 point**
  - There were reversal of allowance for compensated absence in 4Q08.

## II -8. Operating and Net Income



Operating Income : 3,500  
Net Income : 5,410

Operating Income : 4,759  
Net Income : 5,177

Operating Income : 2,917  
Net Income : 1,419

### ◆ Operating Income :

FY08 : down 38.7% YoY

4Q08 : down 40.6% YoY,  
up 27.9% QoQ

- Losses from 4 new subsidiaries were JPY1,272 million in FY08, and JPY449million in 4Q08.
- Operating margin ratio improved quarter by quarter in FY2008.

### ◆ Net Income :

FY08 : down 72.6%YoY,  
up 2.2% YoY

- Impairment losses of JPY524 million in FY08 and JPY195 million in 4Q08 on nonmarketable and available-for-sale equity securities.
- Income tax expense of JPY403 million in FY08 and JPY98 million in 4Q08.
- Deferred tax expense of JPY637 million in FY08, benefit of JPY335 million in 4Q08. We expect and expense of approx JPY1 billion in FY09.
- Minority interest in losses of subsidiaries of JPY352 million in FY08 and JPY93 million in 4Q08.
- Equity in net income of equity method investees of JPY35 million in FY08 and JPY10 million in 4Q08.

	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08
Income tax expense (benefit)	175	(1,980)	392	552	213	326	653	(190)
Minority interests	9	15	27	45	55	85	120	93
Equity in net loss (income) of equity method investees	(20)	(29)	(42)	(52)	18	(17)	44	(10)

# II-9. Current Business' Profitability

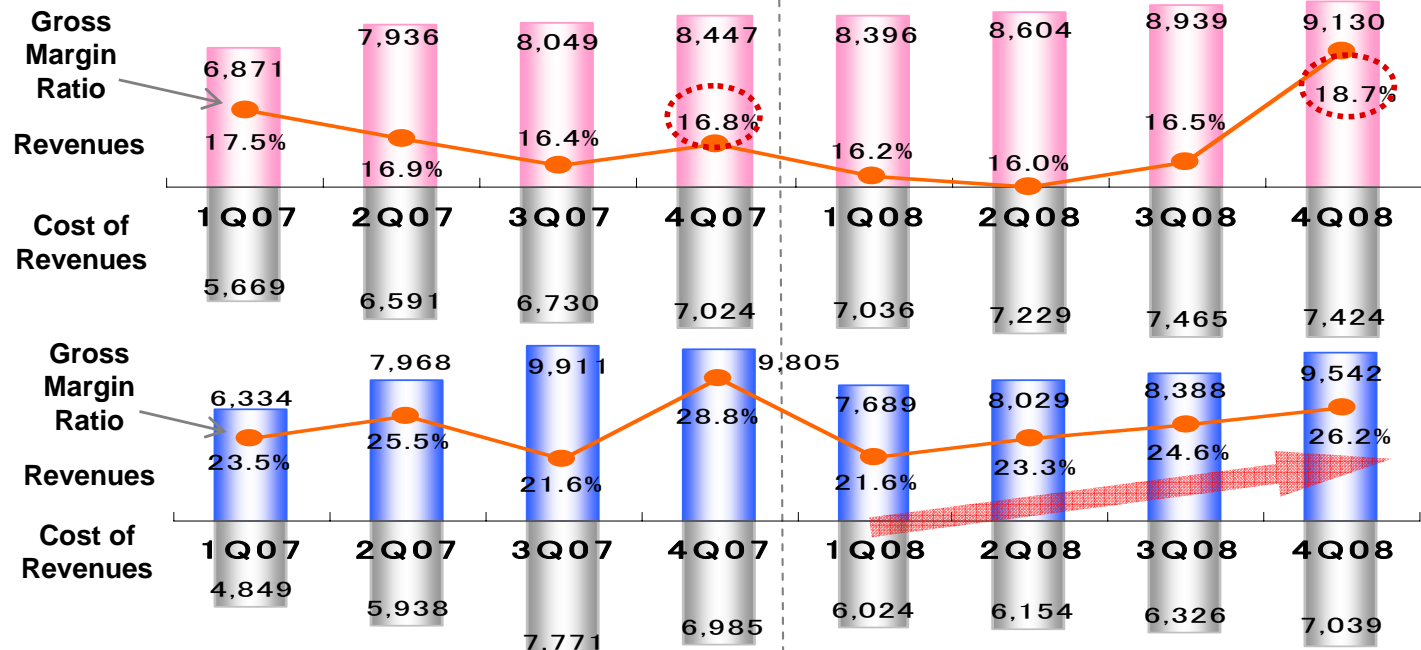


Internet Initiative Japan

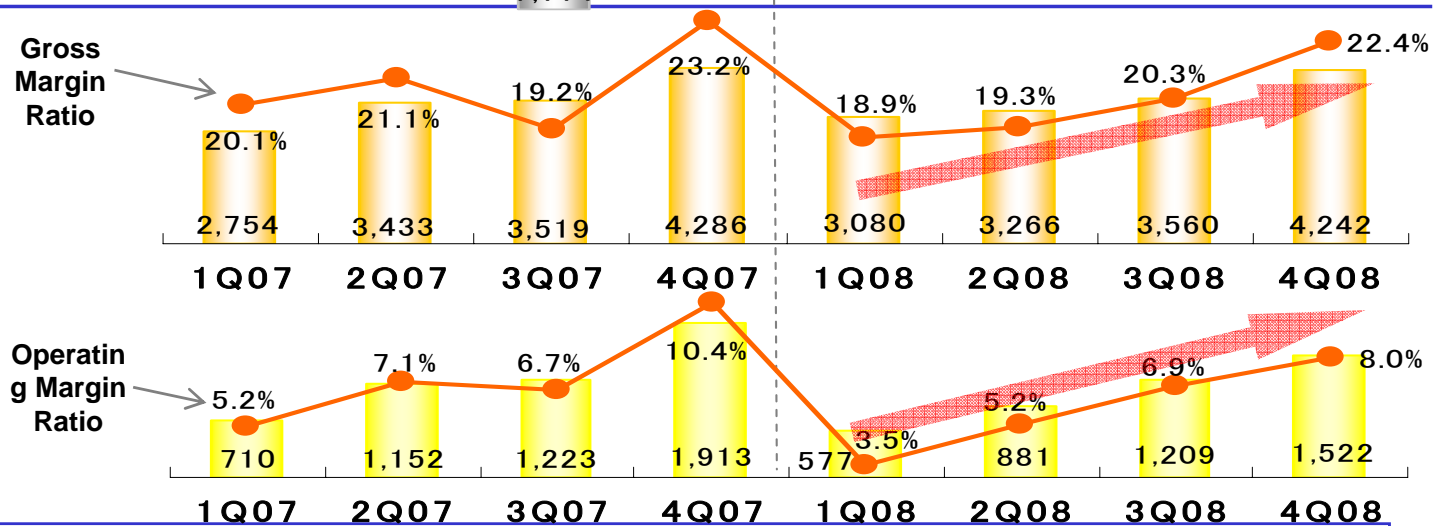
(Divided our revenues, costs and expenses into our current business and 4 new subsidiaries)

Unit: JPY million

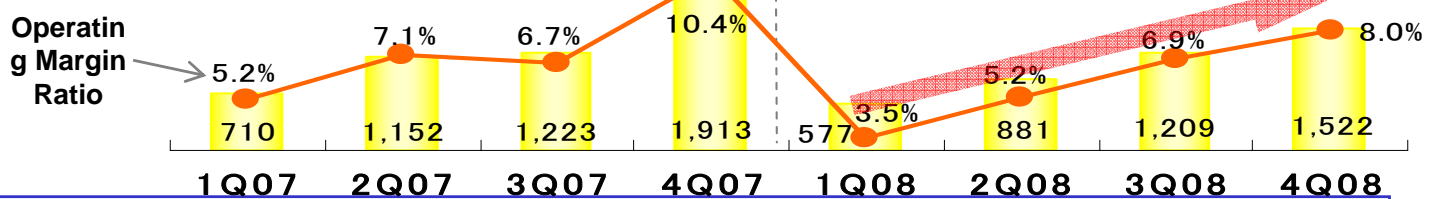
## Connectivity and Outsourcing Services



## Gross Margin



## Operating Income

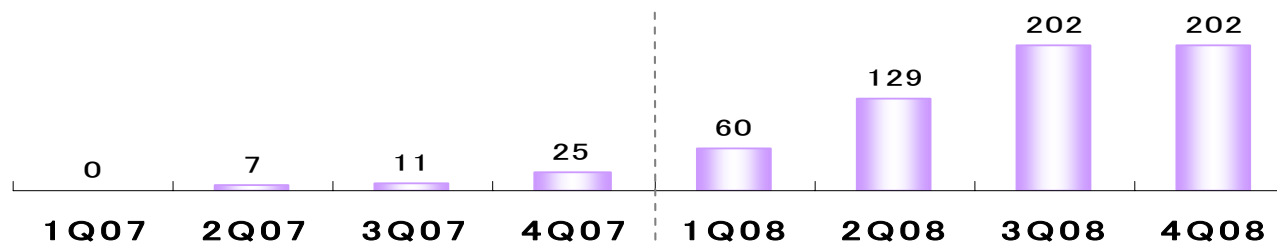


- ◆ 4Q08 gross margin for connectivity and outsourcing Services increased with the continuous increase in revenues, cost control, MVNO reaching break even point, etc.
- ◆ Gross margin for SI increased in the latter of the year as a result of cost control on such as outsourcing personnel while revenues decreased.

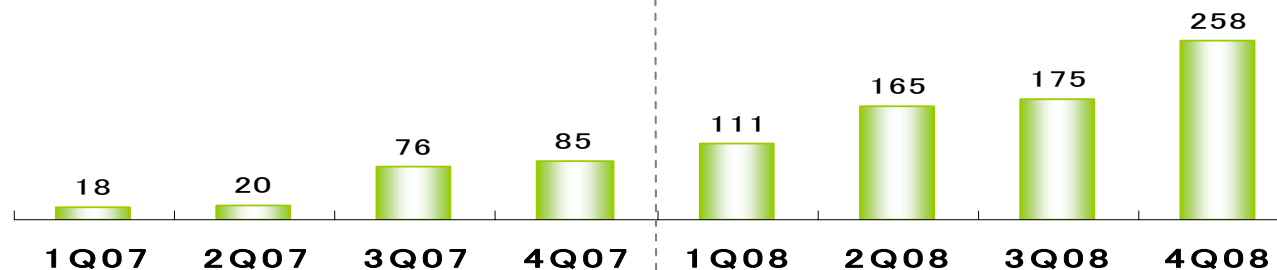


## II -10. 4 New Subsidiaries' Profitability

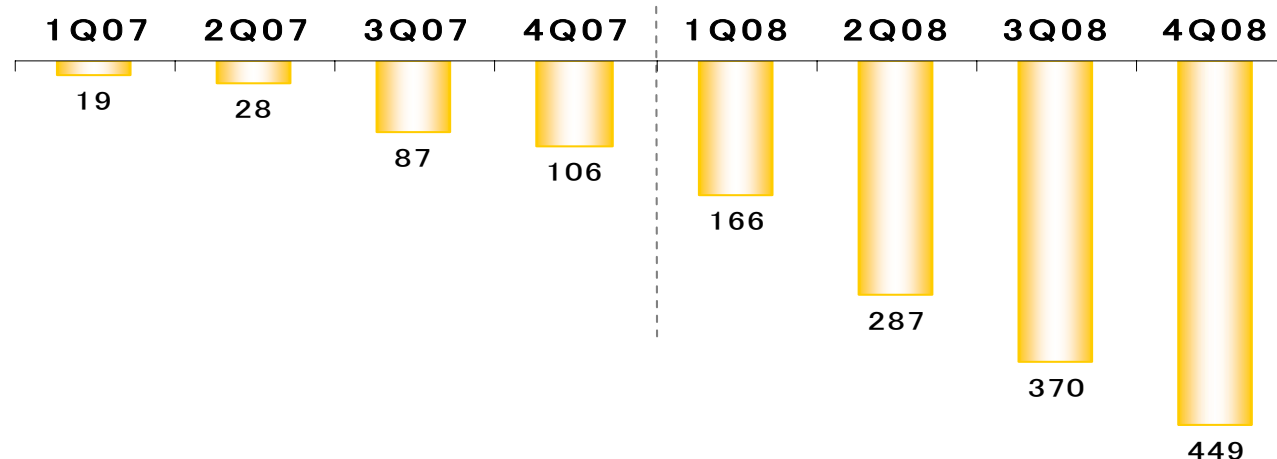
### Cost of Revenues



### SG&A



### Operating loss



- ◆ **Operating loss:** Trust Networks Inc. FY08 : JPY715 million, 4Q08 : JPY234 million
- GDX Japan FY08 : JPY175 million, 4Q08 : 37 million
- IIJ Innovation Institute Inc. FY08 : JPY10 million, 4Q08 : JPY32 million
- On-Demand Solutions Inc. FY08 : JPY277 million, 4Q08 : JPY147 million

◆ Operating loss from 4 new subsidiaries is expected to be approximately JPY1 billion in FY09, decrease from 2H09

# II -11. New Business Development and Mobile Solution



## Trust Networks Inc.

- Established on July 2007 (68.7% Consolidated subsidiary)
- Operates 10 ATMs and its network placed in amusement industry. The field test was well completed and expect to introduce up to around 8,000 ATMs in 4 to 5 years.



## GDX Japan, KK

- Established on April 2007 (55.5% Consolidated subsidiary)
- Introduced “GDX Drop Box” service which realizes the transfer of large data files. This service will be a part of the Group solution.



IIJ INNOVATION INSTITUTE

## IIJ Innovation Institute Inc.

- Established on June 2008 (100% Consolidated subsidiary)
- Currently developing a base technology for crowd computing
- IIJ’s research and development organization will be reorganized and strengthened in FY2009



On-Demand Solutions

## On-Demand Solutions Inc.

- Established April 2008 (100% Consolidated subsidiary)
- Service offering is delayed due to customer reasons. Business plan is currently being reconsidered while expenses are controlled.



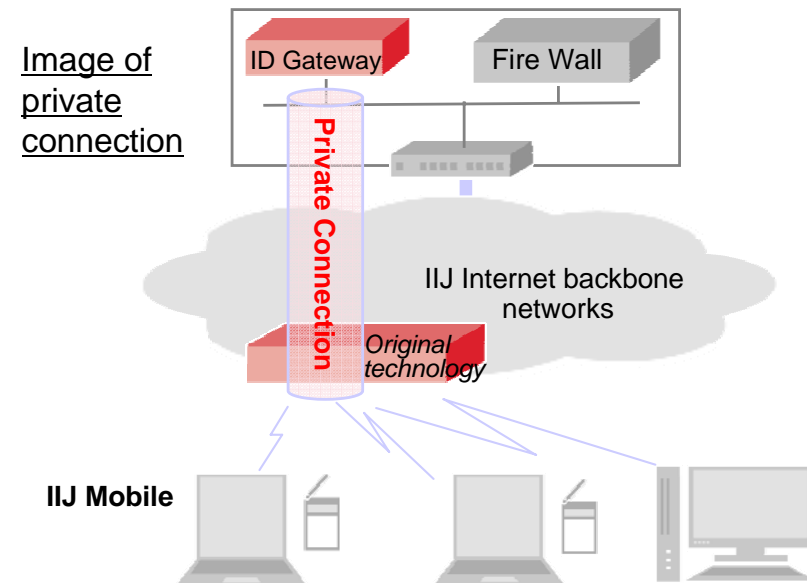
## Mobile Solution Development

### ◆ Launch of “IIJ Direct Access”

- Providing a low-cost, secure remote-access environment through proprietary technology that creates a private connection to a corporate LAN using existing Internet connections

### ◆ M2M(machine to machine)with IIJ Mobile

- One-stop solution that provides systems that controls M2M devices and its network with IIJ Mobile Service is scheduled to be released



## II -12. Aggressively introduced new services and features with our technological skills in FY08

### Mobile Services

- Added Fixed IP Address Feature to IIJ Mobile Access Service
- Released IIJ Mobile Secure Link
- Launched IIJ Direct Access
- IIJ Mobile for M2M
- Expanded IIJ Mobile Lineup with New Proprietary Data Communications Card
- Started High-Speed Mobile Data Communications Services for its Consumer Internet Services "IIJmio" and "hi-ho"
- Announced to Provide "Mobile Broadband Access Point"

### Outsourcing Services

- SMF sx Service Adapts to IIJ Mobile
- Introduced DKIM Sender Authentication Technology to the IIJ Secure MX Service
- Improved Sender Authentication on the IIJ Secure MX Service
- Launched IIJ Secure Web Gateway Service to Optimize Security in Web Access Environment

### Contents Delivery Services

- Added DRM function to the Flash Video Distribution Solution
- Developed Proprietary Video Distribution Server Software for Digital TV
- Introduced IIJ Contents Delivery Service

### Connectivity and other Services

- Provided IIJ IPv6 Transition Support Solution
- Developed New SEIL/B1
- Released Commercial Version of IIJ Earthquake Early Warnings Distribution Service
- Offered IIJ FiberAccess/A Service for ACCA Fiber Access

### Services of IIJ groups

- <IIJ-Tech> Developed Next-Generation FX System
- <IIJ-Tech> Launched IBPS in the Kansai Region
- <IIJ-Tech> Launched DB Consulting Solution
- <Net Care> Launched A.i.s.e Monitoring Service
- <Net Chart> Launches IT-Disposal Total Service for IT Related Equipment
- <Net Chart> Launched IT ECO Motion for Green IT
- <GDX> Launched File Transfer Service, GDX Drop Box
- <Taihei Computer>  
Introduced "POCKETTA"

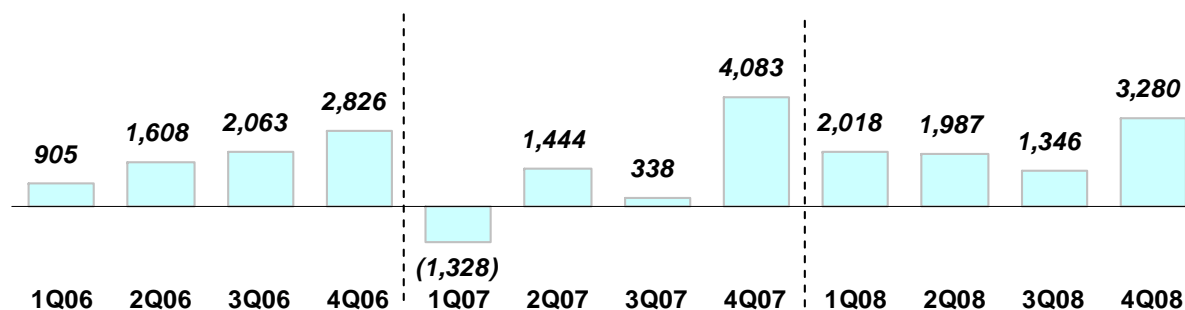
## II -13. Consolidated Balance Sheets

Unit: JPY million

	March 31, 2009	March 31, 2008	Changes	
Cash and Cash Equivalents	10,188	11,471	(1,283)	➤ Decreased due to the decrease in systems construction projects
Accounts Receivable	10,257	12,255	(1,999)	
Inventories	530	1,184	(654)	➤ available-for-sale securities : JPY674 million
Prepaid Expenses	1,772	2,005	(233)	➤ nonmarketable equities : JPY863 million
Deferred tax assets (current)	762	1,091	(328)	➤ others : JPY378
Other Investments	1,915	2,364	(449)	➤ increase in properties for our internal use
Property and Equipment	13,173	11,740	+1,433	
Goodwill and Other Intangible Assets	5,841	5,907	(66)	➤ non-amortized intangible assets of such as goodwill : JPY5,535 million
Deferred tax assets (non-current)	2,253	2,459	(205)	➤ amortized intangible assets of such as customer relationship JPY297 million
Borrowings (Short-term)	7,350	9,150	(1,800)	
Accumulated Deficit	(18,549)	(19,555)	+1,006	➤ decrease in repayments of short-term borrowings
Accumulated Other Comprehensive Income	(321)	91	(411)	
Total Shareholders' Equity	25,169	24,981	+188	➤ shareholder's equity ratio : 48.1%
Total Assets	52,301	55,703	(3,401)	

## II -14. Consolidated Cash Flows

### Net cash provided by (used in) operating activities

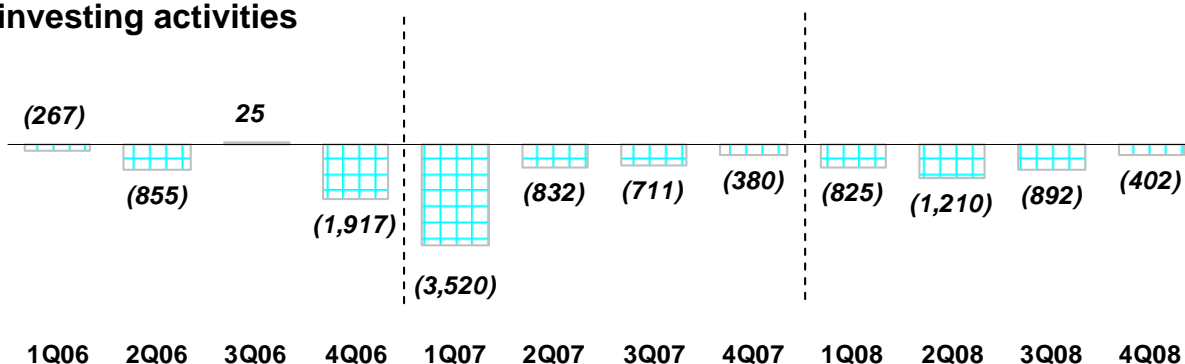


**Net Cash provided by operating activities :**  
**FY08 JPY1,346 million, 4Q08 JPY3,280 million**

- Increase in accounts receivable of JPY709 million
- Increase in accounts payable
- Decrease in inventories and prepaid expenses related to SI projects

etc.

### Net cash provided by (used in) investing activities

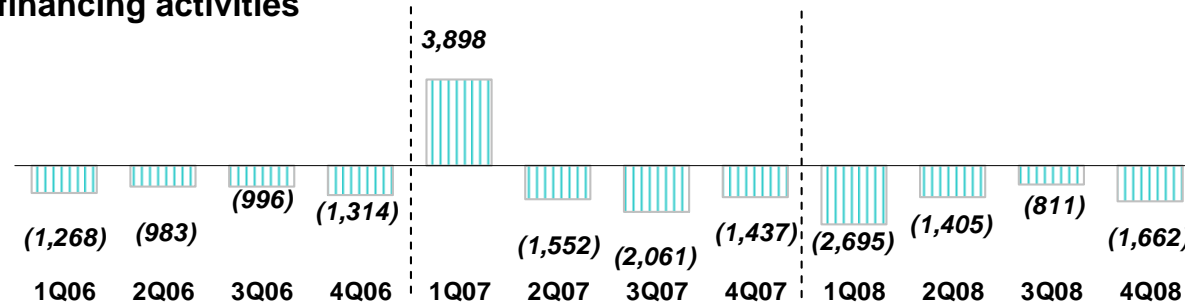


**Net Cash provided by investing activities :**  
**FY08 JPY3,328 million, 4Q08 JPY402 million**

- Payment for the purchase of property and equipment of JPY328 million
- Sale of short-term and other investments of JPY137 million.

etc.

### Net cash provided by (used in) financing activities



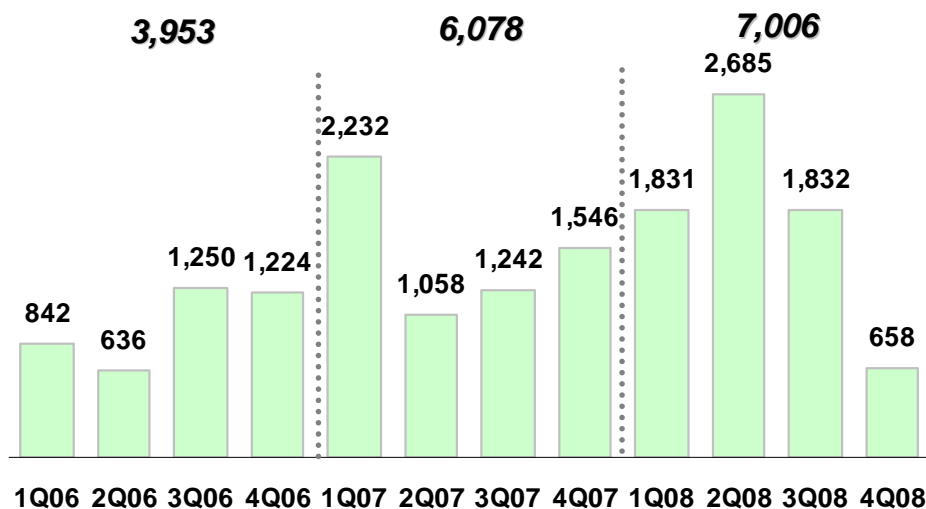
**Net Cash provided by financing activities:**  
**FY08 JPY6,573 million, 4Q08 1,662 million**

- Repayment of Short-term borrowing of JPY575 million
- Principal payments under capital leases of JPY1,106 million.
- Payments for acquisition of treasury stock of JPY106 million.

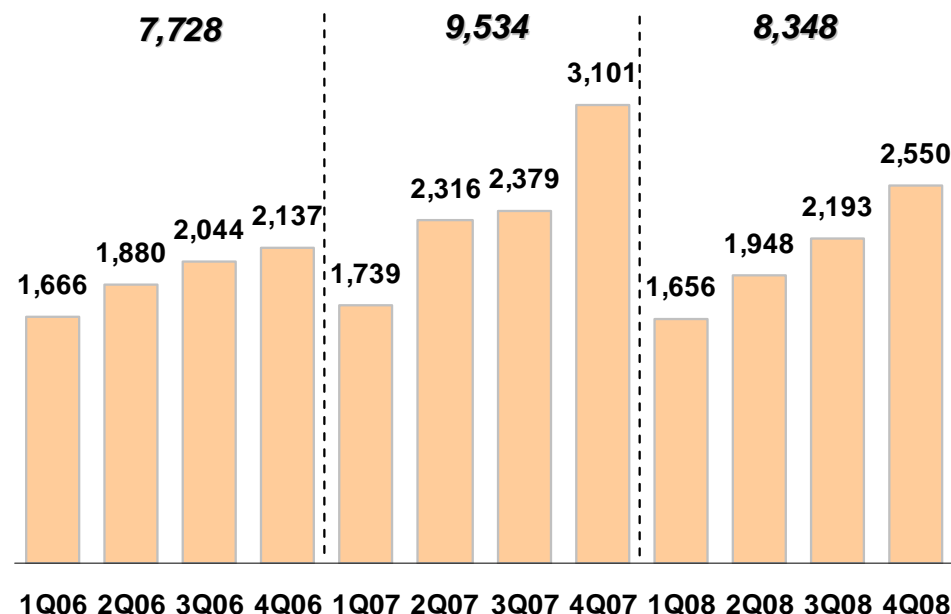
etc.

# II-15. Other Financial Data (CAPEX etc.)

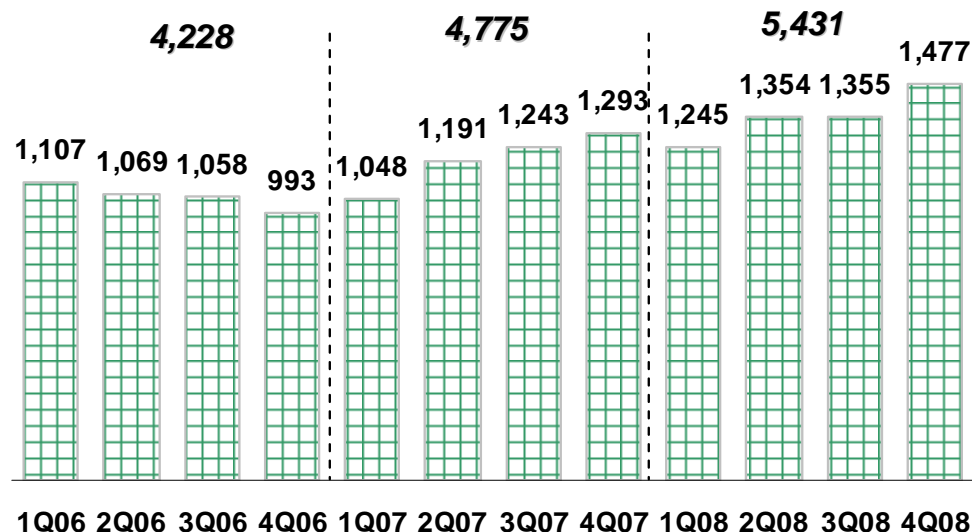
CAPEX (Include Capital Lease)



Adjusted EBITDA



Depreciation and Amortization



### Ⅲ. Forecast for FY2009

Unit: JPY billion  
(except for Net Income and Cash Dividend per Share)

	1H09 Target (09/4~09/9)	FY09 Target (09/4~10/3)	FY07 Actual (08/4~09/3)	YoY	
Total Revenues	33.5	73.0	69.7	3.3	4.7%
Operating Income	0.8	3.3	2.9	+0.4	13.1%
Income before Income Tax Expense (Benefit)	0.6	2.7	2.0	+0.7	32.7%
Net Income	0.3	1.7	1.5	+0.2	13.3%
Net Income per Share	JPY 1,481	JPY 8,393	JPY 7,521	872	11.6%
Cash Dividend per Share	JPY 1,000	JPY 2,000 (Annual)	JPY 2,000 (Annual)	0	0.0%

- ◆ We expect Connectivity and Outsourcing service revenues to continue its steady increase
- ◆ Systems construction revenues :  
We expect a decrease of approximately JPY2 billion in revenues compared to FY08 affected by the weak economic conditions.
- ◆ Systems operation and maintenance revenue :  
We expect an increase however with a lower growth rate compared to the previous fiscal year due to the decrease in systems construction revenues.
- ◆ Operating loss related to 4 new subsidiaries :  
We expected a decrease compared to the previous fiscal year to approximately JPY1 billion.
- ◆ We expect operating income to decrease in 1Q09 compared to 1Q08 because the operating loss related to 4 new subsidiaries are expect to have larger effect on our operating income in 1H09.

# IV-1. Reference : Consolidated Financial Results for 4Q08

Unit:JPY billion














	<i>% of Revenues</i> <b>4Q08</b> <i>(09/01 ~ 09/03)</i>	<i>% of Revenues</i> <b>4Q07</b> <i>(08/01 ~ 08/03)</i>	<b>YoY</b>
Total Revenues	<b>18.9</b>	<b>18.5</b>	<b>2.5%</b>
Total Costs	<b>14.9</b>	<b>14.2</b>	<b>4.7%</b>
Gross Margin	<b>4.1</b>	<b>4.3</b>	<b>(5.0%)</b>
SG&A/R&D	<b>2.6</b>	<b>2.5</b>	<b>21.2%</b>
Operating Income	<b>1.1</b>	<b>1.8</b>	<b>(40.6%)</b>
Income before Income Tax Expense	<b>0.8</b>	<b>1.6</b>	<b>(51.9%)</b>
Net Income	<b>1.06</b>	<b>1.1</b>	<b>(2.2%)</b>







## IV-2. Reference: IIJ Group Companies



Internet Initiative Japan

	Company Name	Ownership	Main Business	
Consolidated Subsidiaries	 IIJ Technology Inc.	100%	Offers a comprehensive suite of systems integration services from design, physical installation, operation, and maintenance to monitoring for our customers' diverse network systems.	
	 IIJ Financial Systems Inc.		Provides full outsourcing services for integration and operation of the front- and back-end for securities systems.	
	 Net Care, Inc.		Provides a full range of network operation and management services, from customer support, end-user help desks, monitoring and troubleshooting to integrated management services.	
	 Net Chart Japan Inc.		Provides network construction services, primarily for LANs, such as network installation wiring, installation and set-up of equipment, installation of applications, and operational support.	
	 IIJ America Inc.		Provides quality Internet services in the U.S. with a focus on U.S.-based enterprises doing business in the Asia-Pacific region. Also IIJ-A constructs and operates on U.S. Internet backbone network.	
	 hi-ho, Inc.		Supports customer's safe, secure and comfortable Internet life based on ISP business for personal users.	
	 On-Demand Solutions Inc.		Provides network system for print-on-demand services for the financial sector to help them reduce printing and delivery cost for brochures and other related documents.	
	 IIJ Innovation Institute Inc.		An incubation business for the next generation internet. (R&D)	
	 Trust Networks Inc.		68.7%	Operates ATM network systems placed in designated facilities. Receives commission for each withdrawal transaction from a bank account.
	 GDX Japan Inc.		55.5%	Building safe, reliable corporate messaging networks and providing message exchange services.
Equity Method Investees	 Internet Multifeed Co.	31%	Provides mutual access with other major ISPs and content distribution services based on Multifeed technology. Also MFEED operates JPNAP, a distributed IX service.	
	 Internet Revolution, Inc.	30%	Operates a comprehensive portal site that provides various contents, such as SNS, blogs, stunning games, videos, and music.	
	 Taihei Computer Co., Ltd.	45%	Provides operation of reward point management system	

**New Business (FY07~)**

 On-Demand Solutions Inc.		Provides network system for print-on-demand services for the financial sector to help them reduce printing and delivery cost for brochures and other related documents.
 IIJ Innovation Institute Inc.		An incubation business for the next generation internet. (R&D)
 Trust Networks Inc.	68.7%	Operates ATM network systems placed in designated facilities. Receives commission for each withdrawal transaction from a bank account.
 GDX Japan Inc.	55.5%	Building safe, reliable corporate messaging networks and providing message exchange services.

## IV-3. Reference: Press Releases

Date		Press Releases	
FY08	4Q	2009/1/7	Status of Repurchase of Own Shares of Internet Initiative Japan Inc.
		1/27	IIJ Announces the Status of its Service and Network with Regards to IPv6
		1/30	Results and Conclusion of Repurchase of Own Shares of Internet Initiative Japan Inc.
		2/3	IIJ to Offer IIJ Secure Web Gateway Service to Optimize Security in Web Access Environment
		2/9	IIJ Expands IIJ Mobile Lineup with New Proprietary Data Communications Card
		2/12	IIJ Revises Full-Year Financial Target for FY2008
		2/12	IIJ Announces Nine Months Financial Results for FY2008
		2/18	IIJ Group Announced to Provide "Mobile Broadband Access Point"
		2/25	IIJ Improves Sender Authentication on the IIJ Secure MX Service
		3/2	IIJ to Add Fixed IP Address Feature to IIJ Mobile Access Service
		3/3	IIJ Launches IIJ Direct Access
		3/17	IIJ to Provide IIJ IPv6 Transition Support Solution
		3/31	IIJ Adds New Feature to IIJ Secure MX Service
FY09	1Q	4/9	IIJ and SkillUpJapan Embark on Proof-of-Concept Testing of Japan's First Streaming Distribution of Flash Video with Copyright Protection
		4/17	IIJ Adds New URL Filtering Service to High-Performance SEIL Series Routers
		4/27	IIJ Releases a Free IPv6 Connection Feature, IPv6 Virtual Access

## ※ Forward-looking Statements

Statements made in this presentation 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 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: the possibility a decrease of corporate spending or capital expenditure due to depression in Japanese economy and/or corporate earnings decreased; the possibility that less of reliability for our services and loss of business chances due to interrupt or suspend of our services; the possibility an increase over estimate in network related cost and outsourcing cost, personnel cost etc. ;increase in competition and strong pricing pressure; the recording of an impairment loss as a results of an impairment test on the non-amortized intangible assets such as goodwill; a decline in value and trending value of our holding securities; the amount and timing of the recognition of deferred tax benefits or expenses; 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 ("SEC").

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