

IIJ Announces its 3rd Quarter of FY2000 Results

Continued Growth in Dedicated Access Services and Data Center Services

Tokyo and New York, February 13, 2001 - Internet Initiative Japan Inc. (Nasdaq: IIJI) ("IIJ"), one of Japan's leading Internet access and Internet-related services providers, today announced its financial results for the 3rd quarter ended December 31, 2000.

The 3rd Quarter of FY2000 Results Summary

Highlights

- Total revenues were JPY7,322 million, which was up 29.8% from 3Q99 but down 9.7% from 2Q00 due to anticipated seasonality(*) and fluctuated tendency in larger scale projects in the Systems Integration (SI) business.
- During the quarter, IIJ benefited from solid market demand for enhanced corporate network infrastructure. As a result, revenues from Dedicated Access Services increased 29.0% from 3Q99 and 4.7% from 2Q00. Revenues from Value-added Services, which include Data Center Services, increased 147.8% from 3Q99 and 14.2% from 2Q00.
- Revenues from the SI business increased 49.1% from 3Q99, but decreased 32.4% from 2Q00, due to the above mentioned factors. Primarily as a result of the adversely affected fluctuation in SI revenues in the quarter, IIJ's operating loss increased 8.7% from 3Q99 and 23.3% from 2Q00, and EBITDA(**) was negative.
- In the 4th quarter, IIJ expects to continue to realize strong growth in the Dedicated Access Services and Data Center Services, and expects to close most of the deferred contracts for the SI projects. As a result, IIJ anticipates the 4th quarter revenues to be in the range of JPY8.5 to JPY9.5 billion, and expects the operating loss ratio to improve by 5.0-7.4 percentage points from the 3rd quarter. EBITDA is expected to return to positive territory in the 4th quarter.

(*) The SI business is seasonally stronger in 2Q and 4Q, as corporations in Japan would typically make large investments in or around September and March before they close their semiannual and annual budgetary cycles.

(**) EBITDA represents operating income (loss) plus depreciation and amortization.