



Internet Initiative Japan

For Immediate Release

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IIJ Announces Revised First Quarter Results for the Year Ending March 31, 2004

Tokyo and New York, October 21, 2003 - Internet Initiative Japan Inc. (Nasdaq: IIJ) ("IIJ"), one of Japan's leading Internet access and comprehensive network solutions providers, today announced revised financial results for the 1st quarter of the year ending March 31, 2004.

Overview of Revisions to the Financial Results for the 1st Quarter of the Year Ending March 31, 2004

- As discussed in our press releases on August 20, 2003, and October 9, 2003, IIJ made a determination to fully write-off its investment in and deposits for and loans to Crosswave Communications Inc. ("Crosswave"), which was formerly an equity method investee of IIJ, and accounts receivable due from Crosswave due to the August 20, 2003 filing of voluntary petition for the commencement of corporate reorganization proceedings in Japan by Crosswave.
- The equity method net loss and impairment loss on investment in and deposits for Crosswave was JPY 12.7 billion for the year ended March 31, 2003, and IIJ filed with the United States Securities and Exchange Commission an amended annual report on Form 20-F on October 8, 2003, with audited financial statements reflecting these losses for the fiscal year ended March 31, 2003.
- Although IIJ announced its unaudited financial results for the 1st quarter of the year ending March 31, 2004 on August 13, 2003 (including consolidated balance sheets, condensed consolidated statements of operation and condensed consolidated cash flows), IIJ has revised this financial statement data to reflect the effects caused by the write-off described above regarding Crosswave.
- The major revisions in the revised financial results to the previously announced financial results for the 1st quarter for the year ending March 31, 2004 are as follows.
 - As IIJ has fully written-off its investment in and deposits for Crosswave at March 31, 2003, the accumulated deficit carried forward to the 1st quarter of the year ending March 31, 2004 from the year ended March 31, 2003 increased by JPY 7.2 billion.
 - As IIJ has already fully recognized impairment loss on investment in and deposits for Crosswave at March 31, 2003 for the full value of IIJ's investment in Crosswave at March 31, 2003 and no longer accounts for Crosswave under the equity method, the revised results for the 1st quarter for the year ending March 31, 2004 exclude equity method net loss for Crosswave of JPY 1.33 billion that was included in the previously announced financial results for the 1st quarter.
 - As IIJ has fully written-off the loans of JPY 1.72 billion that IIJ extended to Crosswave in May and June 2003, impairment loss on investment, advances and deposits for Crosswave has increased to JPY 1.72 billion.
 - IIJ has fully written-off accounts receivable due from Crosswave of JPY 150 million. As JPY 120 million of the amount is a result of write-offs by IIJ's subsidiaries, minority interests decreased by JPY 50 million and minority interests profit and loss increased by the same amount.

- Other information, including revenues, details of expenses, and number of contracts in its unaudited consolidated balance sheets, consolidated statements of operation and condensed consolidated cash flows, remain unchanged.
- The remaining direct financial impact resulting from Crosswave's corporate reorganization proceedings will be JPY 0.3 billion of accounts receivable due from Crosswave prior to entering corporate reorganization that IIJ plans to write off in the 2nd quarter of the year ending March 31, 2004.

Summary of Revisions to the Financial Results for the 1st quarter of the year ending March 31, 2004

(JPY Million)

	Figures Announced on August 13, 2003	Revised Figures on October 21, 2003
The major items in consolidated statements of operations		
Total revenues	8,344	8,344
Total costs	7,868	7,868
Total costs and expenses ^{*1}	9,404	9,550
Operating loss	-1,060	-1,206
Other expenses	204	204
Loss before income tax expense (benefit)	-1,264	-1,410
Income tax expense (benefit)	-390	-390
Minority interests in consolidated subsidiaries	202	255
Equity in net loss of equity method investees	-1,317	-1,709
Equity method net loss	-1,317	11
Impairment loss on investment, advances and deposits for Crosswave ^{*2}	0	-1,720
Net loss	-1,989	-2,475
The amended items on the consolidated balance sheets		
Accounts receivable, net	6,024	5,889
Other current assets	556	534
Investments in and Advances to Equity Method Investees ^{*3}	3,689	1,142
Restricted Cash ^{*4}	5,000	0
Accounts payable	4,411	4,407
Accumulated deficit	-29,521	-37,160
Total shareholders' equity (capital deficiency)	-2,872	-10,512
The other amended items		
Basic Net Loss Per Share (JPY thousand)	88	109
Basic Net Loss Per ADS Equivalent (JPY)	43.98	54.72
Adjusted EBITDA ^{*5}	-97	-243

*1 Increased by JPY 150 million due to the determination to fully write-off accounts receivable due from Crosswave.

*2 Increased by JPY 1.72 billion due to the determination to fully write-off JPY 1.72 billion in respect of loans extended by IIJ to Crosswave.

*3 Decreased by JPY 2.55 billion as a result of the determination to write-off all the investments in Crosswave of JPY 2.16 billion at the end of March 2003 and the determination to write off the loans extended to Crosswave of JPY 1.72 billion, being only partially offset by the removal of the equity method net loss for Crosswave of JPY 1.33 billion from the financial statements for the 1st quarter of the year ending March 31, 2003.

*4 Decreased by JPY 5.0 billion due to write-off of the restricted cash relating Crosswave at the end of March 2003.

*5 Please refer to the Reconciliation of Non-GAAP Financial Measures to the most directly comparable GAAP financial measure below.

Reconciliation of Non-GAAP Financial Measures to the Most Directly Comparable GAAP Financial Measures

The following table summarizes the reconciliation of adjusted EBITDA to net loss per the consolidated statements of operations prepared and presented in accordance with U.S. generally accepted accounting principles.

(JPY Million)

Adjusted EBITDA	-243
Depreciation and amortization ^{*1}	-963
Operating loss	-1,206
Other expenses	-204
Income tax benefit	390
Minority interests in consolidated subsidiaries	255
Equity in net loss of equity method investees	-1,710
Net loss	-2,475

*1 Depreciation and amortization excludes amortization of issuance cost of convertible notes that was presented as other expenses.

Improvement of Capital Structure

As indicated in our press release of September 16, 2003, IIJ has completed a private placement to NTT Group (Nippon Telegraph and Telephone Corporation and NTT Communications Corporation), Itochu Corporation, Sumitomo Corporation and three other companies totaling JPY 12,000,649,500. This capital injection will improve IIJ's capital structure and help to offset the financial impact of the commencement of corporate reorganization proceedings by Crosswave.

The statements within this release contain forward-looking statements about our future plans that involve risk and uncertainties. These statements may differ materially from actual future events or results. Readers are referred to the documents filed by Internet Initiative Japan Inc. with the SEC, specifically the most recent reports on Forms 20-F and 6-K, which identify important risk factors that could cause actual results to differ from those contained in the forward-looking statements.

Tables to Follow

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

For the Three Months Ended Jun 30, 2003, Jun 30, 2002 and Mar 31, 2003

(Expressed in Thousands of Japanese Yen (JPY) and U.S. Dollars (USD) Except for Per Share and ADS Data) (1)

	Year-over-year Comparison						Sequential Comparison		
	Jun 30, 2003			Jun 30, 2002			Mar 31, 2003		
	USD (1)	JPY	% of Total Revenues	JPY	% of Total Revenues	YOY Chg %	JPY	% of Total Revenues	QOQ Chg %
Revenues:									
Connectivity and value-added services:									
Dedicated access services	27,707	3,321,229	39.8%	3,523,334	35.8%	(5.7%)	3,341,255	25.6%	(0.6%)
Dial-up access services	6,402	767,418	9.2	822,268	8.3	(6.7)	764,958	5.9	0.3
Value-added services	8,235	987,198	11.9	865,161	8.8	14.1	931,399	7.2	6.0
Other	4,336	519,709	6.2	408,925	4.2	27.1	381,206	2.9	36.3
Total connectivity and value-added services	46,680	5,595,554	67.1	5,619,688	57.1	(0.4)	5,418,818	41.6	3.3
Systems integration revenues	20,088	2,407,923	28.8	3,329,058	33.8	(27.7)	4,905,429	37.6	(50.9)
Equipment sales	2,841	340,569	4.1	900,456	9.1	(62.2)	2,712,192	20.8	(87.4)
Total revenues	69,609	8,344,046	100.0	9,849,202	100.0	(15.3)	13,036,439	100.0	(36.0)
Costs and expenses:									
Cost of connectivity and value-added services	43,665	5,234,158	62.7	5,092,515	51.7	2.8	5,033,266	38.6	4.0
Cost of systems integration revenues	19,383	2,323,392	27.9	2,987,373	30.3	(22.2)	4,247,690	32.6	(45.3)
Cost of equipment sales	2,594	310,946	3.7	876,012	8.9	(64.5)	2,638,334	20.2	(88.2)
Total costs	65,642	7,868,496	94.3	8,955,900	90.9	(12.1)	11,919,290	91.4	(34.0)
Sales and marketing	8,117	973,054	11.7	749,361	7.6	29.9	789,234	6.0	23.3
General and administrative	5,106	612,047	7.3	517,316	5.3	18.3	661,502	5.1	(7.5)
Research and development	802	96,098	1.2	90,780	0.9	5.9	112,845	0.9	(14.8)
Total costs and expenses	79,667	9,549,695	114.5	10,313,357	104.7	(7.4)	13,482,871	103.4	(29.2)
Operating loss	(10,058)	(1,205,649)	(14.5)	(464,155)	(4.7)	159.8	(446,432)	(3.4)	170.1
Other expenses	(1,705)	(204,398)	(2.4)	(520,836)	(5.3)	(60.8)	(360,292)	(2.8)	(43.3)
Loss before income tax expense(benefit)	(11,763)	(1,410,047)	(16.9)	(984,991)	(10.0)	43.2	(806,724)	(6.2)	74.8
Income tax expense(benefit)	(3,254)	(390,035)	(4.7)	161,301	1.6	(341.8)	97,256	0.8	(501.0)
Minority interests in consolidated subsidiaries	2,126	254,886	3.0	66,950	0.7	280.7	21,342	0.2	1,094.3
Equity in net loss of equity method investees:									
Equity method net income(loss)	88	10,559	0.1	(1,515,675)	(15.4)	(100.7)	(1,253,875)	(9.6)	(100.8)
Impairment loss on investment, advances and deposits for Crosswave	(14,349)	(1,719,981)	(20.6)				(7,153,087)	(54.9)	(76.0)
Net loss	(20,644)	(2,474,548)	(29.7%)	(2,595,017)	(26.3%)	(4.6%)	(9,289,600)	(71.3%)	(73.4%)
Basic Net Loss Per Share		(109,440)		(115,437)			(413,238)		
Basic Net Loss Per ADS Equivalent		(54.72)		(57.72)			(206.62)		
Weighted Average Number of Shares		22,611		22,480			22,480		
Weighted Average Number of ADS Equivalents		45,222,494		44,960,000			44,960,000		

Note (1): The translation of Japanese yen amounts into US dollar amounts with respect to the three months ended Jun 30, 2003 are included solely for the convenience of readers outside Japan and have been made at the rate of JPY 119.87 = \$1, the approximate rate of exchange on Jun 30, 2003.

INTERNET INITIATIVE JAPAN INC.
CONSOLIDATED BALANCE SHEETS (UNAUDITED)
As of Jun 30, 2003, Jun 30, 2002 and Mar 31, 2003
(Expressed in Thousands of Japanese Yen (JPY) and U.S. Dollars (USD)) ⁽¹⁾

	Jun 30, 2003			Jun 30, 2002		Mar 31, 2003	
	USD ⁽¹⁾	JPY	%	JPY	%	JPY	%
ASSETS							
Current Assets:							
Cash	23,517	2,819,007	10.2%	6,014,693	14.7%	3,588,352	11.2%
Accounts receivable, net	49,131	5,889,315	21.3	6,872,763	16.7	10,253,096	32.0
Inventories	2,903	347,971	1.3	272,821	0.7	417,666	1.3
Prepaid expenses	7,057	845,908	3.1	645,763	1.6	564,501	1.7
Other current assets	4,455	534,025	1.9	140,162	0.3	932,873	2.9
Total current assets	87,063	10,436,226	37.8	13,946,202	34.0	15,756,488	49.1
Investments in and Advances to Equity Method Investees	9,525	1,141,728	4.1	7,396,756	18.0	1,116,020	3.5
Other Investments	33,100	3,967,719	14.4	4,954,787	12.0	3,040,189	9.5
Property and Equipment, net	77,121	9,244,442	33.5	7,709,559	18.8	9,151,572	28.5
Restricted Cash				5,000,000	12.2		
Guarantee Deposits	17,370	2,082,118	7.6	1,302,234	3.2	2,205,652	6.9
Other Assets	5,959	714,367	2.6	743,614	1.8	794,455	2.5
Total assets	230,138	27,586,600	100.0%	41,053,152	100.0%	32,064,376	100.0%
LIABILITIES AND SHAREHOLDERS' EQUITY							
Current Liabilities:							
Short-term borrowings	47,346	5,675,341	20.6%	4,550,835	11.1%	4,823,599	15.0%
Accounts payable	36,764	4,406,928	16.0	4,834,546	11.8	8,406,170	26.2
Accrued expenses	4,482	537,236	1.9	317,968	0.8	389,495	1.2
Other current liabilities	4,526	542,538	1.9	556,494	1.3	551,985	1.7
Long-term borrowings-current portion	12,892	1,545,452	5.6	1,400,000	3.4	1,943,735	6.1
Capital lease obligations-current portion	22,333	2,677,038	9.7	2,060,284	5.0	2,716,386	8.5
Total current liabilities	128,343	15,384,533	55.7	13,720,127	33.4	18,831,370	58.7
Long-term Borrowings	28,527	3,419,555	12.4	3,400,000	8.3	3,456,265	10.8
Convertible Notes	125,135	15,000,000	54.4	15,000,000	36.6	15,000,000	46.8
Capital Lease Obligations-Noncurrent	28,429	3,407,735	12.3	2,800,483	6.8	3,635,780	11.3
Accrued Retirement and Pension Costs	624	74,764	0.3	91,037	0.2	80,601	0.3
Other Noncurrent Liabilities	1,565	187,579	0.7	163,686	0.4	185,201	0.6
Total liabilities	312,623	37,474,166	135.8	35,175,333	85.7	41,189,217	128.5
Minority Interest	5,211	624,609	2.3	965,796	2.3	879,495	2.7
Shareholders' Equity:							
Common stock ⁽²⁾	64,779	7,765,048	28.2	7,082,336	17.3	7,082,336	22.1
Additional paid-in capital ⁽²⁾	148,086	17,751,065	64.3	17,068,353	41.6	17,068,353	53.2
Accumulated deficit	(310,001)	(37,159,839)	(134.7)	(20,803,486)	(50.7)	(34,685,291)	(108.2)
Accumulated other comprehensive income	9,441	1,131,644	4.1	1,564,820	3.8	530,266	1.7
Treasury stock	(1)	(93)	0.0				
Total shareholders' equity	(87,696)	(10,512,175)	(38.1)	4,912,023	12.0	(10,004,336)	(31.2)
Total liabilities and shareholders' equity	230,138	27,586,600	100.0%	41,053,152	100.0%	32,064,376	100.0%

Note (1): The translation of Japanese yen amounts into US dollar amounts with respect to Jun 30, 2003 are included solely for the convenience of readers outside Japan and have been made at the rate of JPY119.87 = \$1, the approximate rate of exchange on Jun 30, 2003.

Note (2): New 3,265 shares have been issued on Jun 26, 2003, in the amount of JPY1,365,423.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

For the Three Months Ended Jun 30, 2003, Jun 30, 2002 and Mar 31, 2003

(Expressed in Thousands of Japanese Yen (JPY) and U.S. Dollars (USD)) (1)

	Jun 30, 2003		Jun 30, 2002	Mar 31, 2003
	USD (1)	JPY	JPY	JPY
Operating Activities:				
Net loss	(20,644)	(2,474,548)	(2,595,017)	(9,289,600)
Depreciation and amortization	8,261	990,190	820,252	933,374
Equity method net loss (income)	(88)	(10,559)	1,515,675	1,253,875
Impairment loss on investment, advances and deposits for Crosswave	14,349	1,719,981	-	7,153,087
Minority interests in net loss of consolidated subsidiaries	(2,126)	(254,886)	(66,950)	(21,342)
Foreign exchange losses	27	3,245	134,820	149,262
Losses on other investments	313	37,572	78,819	184,723
Decrease (increase) in accounts receivable	35,280	4,229,010	2,109,969	(2,983,254)
Increase (decrease) in accounts payable	(30,625)	(3,671,049)	(1,996,362)	2,200,392
Decrease in inventories	581	69,689	347,588	392,051
Deferred income taxes	(3,301)	(395,698)	152,840	91,486
Other	3,449	413,421	(45,560)	426,284
Net cash provided by operating activities	5,476	656,368	456,074	490,338
Investing Activities:				
Purchase of property and equipment	(7,789)	(933,646)	(424,321)	(163,592)
Proceeds from sale-leaseback	-	-	-	66,940
Proceeds from sales of other investment	289	34,672	8,553	13,663
Investments in and advances to equity method investees	(14,349)	(1,719,981)	(56,250)	-
Purchase of other investments	(108)	(12,971)	-	-
Deposit to restricted cash	-	-	(5,000,000)	-
Refund (payment) of guarantee deposits-net	1,032	123,632	(36,155)	(1,387,210)
Other	-	11	(10,696)	(7,606)
Net cash used in investing activities	(20,925)	(2,508,283)	(5,518,869)	(1,477,805)
Financing Activities:				
Proceeds from long-term borrowings	-	-	-	2,000,000
Repayments of long-term borrowings	(3,629)	(434,994)	-	(1,200,000)
Principal payments under capital leases	(5,822)	(697,830)	(566,505)	(656,238)
Net increase in short-term borrowings	7,106	851,742	730,603	312,854
Proceeds from issuance of common stock	11,391	1,365,424	-	-
Net cash provided by financing activities	9,046	1,084,342	164,098	456,616
Effect of Exchange Rate Changes on Cash	(15)	(1,772)	(132,529)	(151,410)
Net Decrease in Cash	(6,418)	(769,345)	(5,031,226)	(682,261)
Cash, Beginning of Period	29,935	3,588,352	11,045,919	4,270,613
Cash, End of Period	23,517	2,819,007	6,014,693	3,588,352

Note (1): The translations of Japanese yen amounts into US dollar amounts with respect to the three months ended Jun 30, 2003 are included solely for the convenience of readers outside Japan and have been made at the rate of JPY119.87 = \$1, the approximate rate of exchange on Jun 30, 2003.