



Internet Initiative Japan

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株式会社インターネットイニシアティブ
Tel: 03-5259-6500
Fax: 03-5259-6311
E-mail: ir@ij.ad.jp

本資料は日本の方々の便宜性のために作成した簡易版です。8ページ目より正式決算発表資料(英文)が続きますので、そちらもあわせてご参照いただけますよう、お願い申し上げます。

2003年度第3四半期(10-12月)決算発表(抄訳)

本決算発表に関するカンファレンス・コールの様様を2004年2月12日23:00よりインターネット上(URL: www.vcall.com)で公開しております。

2003年度第3四半期(10-12月)決算発表 要約

2003年度第3四半期

- 2003年度第3四半期は、利益率の高いシステム・インテグレーション案件の獲得とバックボーンコストの削減によるインターネット接続および付加価値サービスの粗利拡大により、前期の業績見通しを上回り、営業黒字を達成、1999年8月の株式公開以来の当期利益を計上した。
- 営業収益は、SIおよび付加価値サービスの売上増加により、9,633百万円と前期の9,185百万円から4.9%増加した(前年同期比では8.8%減)。
- 営業損益は、236百万円の黒字となり、前期の▲830百万円および前年同期の▲567百万円から大幅に改善した。株式会社クロスウェイブ コミュニケーションズに対する更生債権287百万円のうちの戻り分71百万円を除いても営業黒字である。
- 償却前営業利益(Adjusted EBITDA)は、1,218百万円と、前期の126百万円および前年同期の349百万円から大幅に改善した。
- 税引前当期損益は、営業損益の黒字化とディーエルジェイディレクト・エスエフジー証券株式会社の株式売却益1,572百万円、2005年償還の円建転換社債買入消却による利益89百万円の寄与により、1,806百万円の黒字となり、前期の▲987百万円から大幅に改善した。
- 当期損益は1,979百万円となり、前期の▲278百万円および前年同期の▲2,266百万円から改善した。
- 第4四半期は、引き続き利益率の高いサービスの売上増加により、営業損益ベースで黒字を維持する見込み。

(ご参考) 統計値について

表 1. 営業収益(売上高)の内訳

(百万円)

	3Q03	3Q02	前年 同期比	2Q03	前期比
インターネット接続及び付加価値サービス:					
専用線接続サービス	3,204	3,404	(5.9%)	3,236	(1.0%)
ダイヤルアップ接続サービス	780	776	0.4%	784	(0.5%)
インターネット接続サービス収入合計	3,984	4,180	(4.7%)	4,020	(0.9%)
付加価値サービス	1,125	913	23.2%	1,081	4.0%
その他	525	468	12.3%	536	(2.1%)
インターネット接続及び 付加価値サービス収入合計	5,633	5,561	1.3%	5,637	(0.1%)
システムインテグレーション	2,889	3,684	(21.6%)	2,549	13.3%
機器販売	1,111	1,319	(15.8%)	999	11.2%
営業収益合計	9,633	10,564	(8.8%)	9,185	4.9%

表 2. 専用線接続サービスの売上高の内訳

(百万円)

	3Q03	3Q02	前年 同期比	2Q03	前期比
IP サービス+					
インターネットデータセンター接続サービス	2,485	2,548	(2.5%)	2,485	0.0%
その他	719	856	(16.0%)	751	(4.3%)
専用線接続サービス合計	3,204	3,404	(5.9%)	3,236	(1.0%)

表 3. 契約数

	3Q03	3Q02	2Q03
IP サービス			
64kbps - 128kbps	76	130	79
192kbps - 768kbps	22	37	23
1Mbps - 2Mbps	226	279	226
3Mbps - 1.2Gbps	381	212	336
インターネットデータセンター接続サービス契約数 ¹	188	139	184
その他 ²	5,991	3,922	5,402
専用線接続サービス合計	6,884	4,719	6,250
IIJ4U (個人向けダイヤルアップ接続サービス)	69,688	82,193	72,560
その他ダイヤルアップ接続サービス	597,232	370,543	563,086
ダイヤルアップ接続サービス合計	666,920	452,736	635,646

表 4. 契約帯域数の総和

(単位:Gbps)

	3Q03	3Q02	2Q03
専用線接続サービス	60.3	23.3	51.6
インターネットデータセンター接続サービス	15.5	7.0	15.1
契約帯域合計	75.8	30.3	66.7

¹ インターネットデータセンター接続サービスに、ホスティングサービスは含まれていない。

² その他: IIJ FiberAccess/F、IIJ Ethernet Standard、IIJ DSL/F、IIJT1 スタンド、IIJ エコノミー。

表 5. 付加価値サービスの売上高の内訳 (百万円)

	3Q03	3Q02	前年同期比	2Q03	前期比
インターネットデータセンターサービス	373	359	3.7%	371	0.3%
その他付加価値サービス	752	554	35.8%	710	6.0%
付加価値サービス合計	1,125	913	23.2%	1,081	4.0%

表 6. 営業費用の内訳 (百万円)

	3Q03	3Q02	前年同期比	2Q03	前期比
インターネット接続及び付加価値サービス原価	4,877	5,180	(5.9%)	5,127	(4.9%)
システムインテグレーション原価	2,199	3,173	(30.7%)	2,275	(3.4%)
機器販売原価	1,050	1,254	(16.3%)	935	12.3%
売上原価合計	8,125	9,607	(15.4%)	8,337	(2.5%)
販売費	699	894	(21.8%)	1,100	(36.4%)
一般管理費	486	512	(4.9%)	482	0.9%
研究開発費	87	117	(25.6%)	96	(9.5%)
営業費用合計	9,397	11,130	(15.6%)	10,015	(6.2%)

表 7. バックボーンコストの内訳 (百万円)

	3Q03	3Q02	前年同期比	2Q03	前期比
国際バックボーンコスト	156	432	(63.9%)	247	(36.9%)
国内バックボーンコスト	939	902	4.1%	993	(5.5%)

表 8. その他 (百万円)

	3Q03	3Q02	前年同期比	2Q03	前期比
Adjusted EBITDA (償却前営業利益)	1,218	349	249.0%	126	866.7%
設備投資 (キャピタルリースを含む)	508	1,519	(66.6%)	579	(12.3%)
減価償却費 ³	1,004	943	9.8%	984	2.1%

注意事項: この資料には、1995 年米国民事証券訴訟改革法 (Private Securities Litigation Reform Act of 1995) の「セーフハーバー」規定に定義する「将来性に関する記述 (forward-looking statements)」に該当する情報が記載されています。このプレゼンテーション資料の記載のうち、過去または現在の事実に関するもの以外は、将来の見通しに関する記述に該当します。将来の見通しに関する記述は、現在入手可能な情報に基づく IIJ 経営陣の仮定および判断に基づくものであり、これには既知または未知のリスクおよび不確実性が内在しています。IIJ の実際の活動または業績は、今後、将来の見通しに関する記述に示されたところと大きく異なる可能性があります。投資家の皆様におかれましては、1934 年米国証券取引法 (Securities Exchange Act of 1934) に基づく今後の報告書等において IIJ が行う開示をご参照ください。

³ 減価償却費は転換社債発行費用の償却額を含む。

株式会社 インターネットイニシアティブ
四半期連結損益計算書(米国会計基準未監査)
 2003年12月期、2002年12月期、2003年9月期
 JPY/千円単位、USD/千米ドル単位 (1)

Appendix 1

	2003年12月期			前年同四半期比較			前四半期比較		
	USD (1)	JPY	対営業収益 %	JPY	対営業収益 %	対前年同四半期 %	2003年9月期	対営業収益 %	対前四半期 %
営業収益:									
インターネット接続及び付加価値サービス収入:									
専用線接続サービス	29,908	3,204,046	33.3%	3,404,016	32.2%	(5.9%)	3,236,405	35.2%	(1.0%)
ダイヤルアップ接続サービス	7,277	779,544	8.1	776,173	7.4	0.4	783,589	8.5	(0.5)
付加価値サービス	10,497	1,124,596	11.7	913,152	8.6	23.2	1,080,876	11.8	4.0
その他	4,902	525,106	5.4	467,629	4.4	12.3	536,389	5.9	(2.1)
インターネット接続及び付加価値サービス収入合計	52,584	5,633,292	58.5	5,560,970	52.6	1.3	5,637,259	61.4	(0.1)
システムインテグレーション	26,966	2,888,936	30.0	3,683,978	34.9	(21.6)	2,549,379	27.7	13.3
機器販売	10,370	1,110,927	11.5	1,318,630	12.5	(15.8)	998,621	10.9	11.2
営業収益合計	89,920	9,633,155	100.0	10,563,578	100.0	(8.8)	9,185,259	100.0	4.9
営業費用:									
インターネット接続及び付加価値サービス原価	45,522	4,876,741	50.6	5,179,920	49.0	(5.9)	5,126,708	55.8	(4.9)
システムインテグレーション原価	20,523	2,198,668	22.8	3,173,211	30.0	(30.7)	2,275,704	24.8	(3.4)
機器販売原価	9,798	1,049,663	10.9	1,254,073	11.9	(16.3)	934,711	10.2	12.3
売上原価合計	75,843	8,125,072	84.3	9,607,204	90.9	(15.4)	8,337,123	90.8	(2.5)
販売費	6,524	698,948	7.3	894,340	8.5	(21.8)	1,099,560	12.0	(36.4)
一般管理費	4,540	486,332	5.1	511,604	4.9	(4.9)	482,218	5.2	0.9
研究開発費	812	86,966	0.9	116,950	1.1	(25.6)	96,118	1.0	(9.5)
営業費用合計	87,719	9,397,318	97.6	11,130,098	105.4	(15.6)	10,015,019	109.0	(6.2)
営業利益(損失)	2,201	235,837	2.4	(566,520)	(5.4)	(141.6)	(829,760)	(9.0)	(128.4)
その他の利益(費用)	14,655	1,569,957	16.3	(228,058)	(2.1)	(788.4)	(157,294)	(1.7)	(1,098.1)
税引前当期利益(損失)	16,856	1,805,794	18.7	(794,578)	(7.5)	(327.3)	(987,054)	(10.7)	(282.9)
法人税等、住民税及び事業税	(2,618)	(280,406)	(2.9)	137,936	1.3	(303.3)	(571,642)	(6.2)	(50.9)
少数株主損益	(455)	(48,710)	(0.5)	41,813	0.4	(216.5)	186,931	2.0	(126.1)
持分法による投資損失	(545)	(58,354)	(0.6)	(1,375,338)	(13.0)	(95.8)	(49,945)	(0.5)	16.8
当期利益(損失)	18,474	1,979,136	20.5%	(2,266,039)	(21.4%)	(187.3%)	(278,426)	(3.0%)	(810.8%)
1株あたり当期利益(損失)		51,658		(100,802)			(10,082)		
米国預託証券1単位あたり当期利益(損失)		25.83		(50.40)			(5.04)		
期中平均発行済株式総数		38,312		22,480			27,617		
期中平均発行済米国預託証券総数		76,623,702		44,960,000			55,233,050		

注記(1): 2003年12月期につきましては、米ドル換算レート107.13円=1米ドル(2003/12/31)にて参考表示しております。

株式会社 インターネットイニシアティブ
連結損益計算書(米国会計基準未監査)

Appendix 2

2003年12月期累計、2002年12月期累計

JPY/千円単位、USD/千米ドル単位 (1)

前年同四半期累計比較

	2003年12月期累計			2002年12月期累計		
	USD (1)	JPY	対営業収益 %	JPY	対営業収益 %	対前年同四半期 %
営業収益:						
インターネット接続及び付加価値サービス収入:						
専用線接続サービス	91,120	9,761,680	35.9%	10,473,722	33.8%	(6.8%)
ダイヤルアップ接続サービス	21,754	2,330,551	8.6	2,390,179	7.7	(2.5)
付加価値サービス	29,802	3,192,670	11.8	2,671,448	8.6	19.5
その他	14,760	1,581,204	5.8	1,344,530	4.4	17.6
インターネット接続及び付加価値サービス収入合計	157,436	16,866,105	62.1	16,879,879	54.5	(0.1)
システムインテグレーション	73,240	7,846,238	28.9	10,107,204	32.6	(22.4)
機器販売	22,871	2,450,117	9.0	3,994,039	12.9	(38.7)
営業収益合計	253,547	27,162,460	100.0	30,981,122	100.0	(12.3)
営業費用:						
インターネット接続及び付加価値サービス原価	142,235	15,237,607	56.1	15,353,621	49.6	(0.8)
システムインテグレーション原価	63,453	6,797,764	25.0	8,842,530	28.5	(23.1)
機器販売原価	21,426	2,295,320	8.5	3,778,191	12.2	(39.2)
売上原価合計	227,114	24,330,691	89.6	27,974,342	90.3	(13.0)
販売費	25,871	2,771,562	10.2	2,386,931	7.7	16.1
一般管理費	14,754	1,580,597	5.8	1,543,002	5.0	2.4
研究開発費	2,606	279,182	1.0	301,304	1.0	(7.3)
営業費用合計	270,345	28,962,032	106.6	32,205,579	104.0	(10.1)
営業損失	(16,798)	(1,799,572)	(6.6)	(1,224,457)	(4.0)	47.0
その他の利益(費用)	11,278	1,208,265	4.4	(909,141)	(2.9)	(232.9)
税引前当期損失	(5,520)	(591,307)	(2.2)	(2,133,598)	(6.9)	(72.3)
法人税等、住民税及び事業税	(11,594)	(1,242,083)	(4.6)	814,109	2.6	(252.6)
少数株主損益	3,670	393,107	1.5	131,909	0.4	198.0
持分法による投資損失:						
持分法投資損失	(912)	(97,740)	(0.4)	(4,371,424)	(14.1)	(97.8)
クロスウェイブに対する投資等評価損	(16,055)	(1,719,981)	(6.3)			
当期損失	(7,223)	(773,838)	(2.8%)	(7,187,222)	(23.2%)	(89.2%)
1株あたり当期損失		(26,198)		(319,716)		
米国預託証券1単位あたり当期損失		(13.10)		(159.86)		
期中平均発行済株式総数		29,538		22,480		
期中平均発行済米国預託証券総数		59,076,611		44,960,000		

注記(1): 2003年12月期につきましては、米ドル換算レート107.13円=1米ドル(2003/12/31)にて参考表示しております。

株式会社 インターネットイニシアティブ
四半期連結貸借対照表(米国会計基準未監査)
 2003年12月期、2002年12月期、2003年9月期
 JPY/千円単位、USD/千米ドル単位(1)

Appendix 3

	2003年12月期			2002年12月期		2003年9月期	
	USD (1)	JPY	%	JPY	%	JPY	%
資産の部							
流動資産:							
現金及び現金同等物	113,326	12,140,595	31.5%	4,270,613	11.4%	11,782,935	30.7%
売掛金	61,982	6,640,226	17.3	7,305,169	19.5	6,726,563	17.5
棚卸資産	1,832	196,252	0.5	813,863	2.2	268,519	0.7
前払費用	8,171	875,338	2.3	882,854	2.4	654,269	1.7
その他流動資産	3,657	391,766	1.0	135,828	0.4	464,418	1.2
流動資産合計	188,968	20,244,177	52.6	13,408,327	35.9	19,896,704	51.8
関連会社投資等	9,560	1,024,126	2.7	4,522,602	12.1	1,106,062	2.9
その他投資	54,344	5,821,912	15.1	3,461,695	9.2	5,513,137	14.3
有形固定資産等	78,861	8,448,327	22.0	8,898,123	23.8	9,108,783	23.7
拘束預金				5,000,000	13.4		
敷金保証金	19,382	2,076,387	5.4	1,369,596	3.7	2,080,764	5.4
その他資産	7,934	849,954	2.2	699,998	1.9	728,580	1.9
資産合計	359,049	38,464,883	100.0%	37,360,341	100.0%	38,434,030	100.0%
負債及び資本の部							
流動負債:							
短期借入金	63,142	6,764,410	17.6%	4,510,000	12.1%	4,304,906	11.2%
買掛金及び未払金	43,047	4,611,586	12.0	5,852,779	15.7	4,856,325	12.6
未払費用	4,798	513,996	1.3	364,366	1.0	489,568	1.3
その他流動負債	5,554	594,974	1.5	570,719	1.5	410,577	1.1
1年以内に期限到来の長期借入金	18,177	1,947,309	5.1	1,200,000	3.2	2,946,377	7.7
短期リース債務	22,548	2,415,596	6.3	2,424,701	6.5	2,588,505	6.7
流動負債合計	157,266	16,847,871	43.8	14,922,565	40.0	15,596,258	40.6
長期借入金	18,160	1,945,434	5.0	3,400,000	9.1	1,982,612	5.2
転換社債	110,445	11,832,000	30.7	15,000,000	40.1	15,000,000	39.0
長期リース債務	26,155	2,801,993	7.3	3,463,132	9.3	3,198,073	8.3
退職給付引当金	631	67,557	0.2	75,047	0.2	69,794	0.2
その他固定負債	1,683	180,329	0.5	184,847	0.5	193,043	0.5
負債合計	314,340	33,675,184	87.5	37,045,591	99.2	36,039,780	93.8
少数株主持分	4,540	486,388	1.3	900,837	2.4	437,678	1.1
資本:							
資本金(2)	128,492	13,765,372	35.8	7,082,336	18.9	13,765,372	35.8
資本準備金(2)	220,645	23,637,628	61.5	17,068,353	45.7	23,637,628	61.5
欠損金	(330,992)	(35,459,129)	(92.2)	(25,395,691)	(68.0)	(37,438,265)	(97.4)
その他有価証券評価差額金等	22,025	2,359,503	6.1	658,915	1.8	1,991,900	5.2
自己株式	(1)	(63)	0.0			(63)	0.0
資本合計	40,169	4,303,311	11.2	(586,087)	(1.6)	1,956,572	5.1
負債、少数株主持分及び資本合計	359,049	38,464,883	100.0%	37,360,341	100.0%	38,434,030	100.0%

注記(1): 2003年12月期につきましては、米ドル換算レート107.13円=1米ドル(2003/12/31)にて参考表示しております。

注記(2): 2003年9月17日付け新規株式12,615株を発行、発行価額は12,000,649千円です。

株式会社 インターネットイニシアティブ
四半期連結キャッシュフロー計算書(米国会計基準未監査)

Appendix 4

2003年12月期、2002年12月期、2003年9月期

JPY/千円単位、USD/千米ドル単位 (1)

	2003年12月期		2002年12月期	2003年9月期
	USD (1)	JPY	JPY	JPY
営業活動によるキャッシュフロー:				
当期利益(損失)	18,474	1,979,136	(2,266,039)	(278,426)
減価償却費等	9,374	1,004,236	942,854	983,736
貸倒引当金繰入(戻入)額	(377)	(40,428)	59,019	313,968
持分法による投資損失	545	58,354	1,375,338	49,945
少数株主損(益)	455	48,710	(41,813)	(186,931)
為替差損(差益)	115	12,279	32,834	3,282
転換社債償還差益	(830)	(88,975)	-	-
その他投資に係る損(益)	(14,301)	(1,532,033)	-	50,490
売掛金の減少(増加)額	1,292	138,452	493,961	(1,100,671)
買掛金及び未払金の増加(減少)額	(656)	(70,261)	1,033,939	216,306
棚卸資産の減少(増加)額	674	72,267	(398,092)	72,432
法人税等調整額	(2,672)	(286,208)	132,230	(577,444)
その他	(1,957)	(209,740)	(111,975)	(73,111)
営業活動によるキャッシュフロー	10,136	1,085,789	1,252,256	(526,424)
投資活動によるキャッシュフロー:				
有形固定資産等の取得による支出	(3,170)	(339,621)	(505,169)	(148,007)
その他投資の売却による収入	18,173	1,946,875	-	122,650
その他投資の取得による支出	(56)	(6,039)	(28,377)	(304,517)
敷金保証金の返還	6	727	22,972	1,199
その他	(2)	(225)	(30,506)	9,875
投資活動によるキャッシュフロー	14,951	1,601,717	(541,080)	(318,800)
財務活動によるキャッシュフロー:				
長期借入金の返済	(9,673)	(1,036,247)	(200,000)	(36,017)
転換社債の償還	(28,446)	(3,047,460)	-	-
リース債務元本の返済	(6,267)	(671,339)	(651,546)	(671,376)
短期借入金の純増減額	22,958	2,459,505	(322,254)	(1,370,436)
普通株式の発行による収入	-	-	-	11,886,887
財務活動によるキャッシュフロー	(21,428)	(2,295,541)	(1,173,800)	9,809,058
現金及び現金同等物に係る換算差額	(320)	(34,305)	(39,516)	94
現金及び現金同等物の増加(減少)額	3,339	357,660	(502,140)	8,963,928
現金及び現金同等物の期首残高	109,987	11,782,935	4,772,753	2,819,007
現金及び現金同等物の期末残高	113,326	12,140,595	4,270,613	11,782,935

注記(1):2003年12月期につきましては、米ドル換算レート107.13円=1米ドル(2003/12/31)にて参考表示しております。





Internet Initiative Japan

For Immediate Release

*For inquiries please contact:
Taisuke Ono/Hiroaki Tsuno
IIJ Investor/Media Relations Office
ir@ij.ad.jp or +81-3-5259-6500(Tel)*

IIJ Announces Positive Quarterly Operating and Net Income for Third Quarter Results for the Year Ending March 31, 2004

Tokyo, February 12, 2004 / New York, February 11, 2004 - Internet Initiative Japan Inc. (Nasdaq: IIJIE) ("IIJ"), one of Japan's leading Internet access and comprehensive network solutions providers, today announced its financial results for the 3rd quarter of the fiscal year ending March 31, 2004 ("fiscal 2003").

Third Quarter 2003 Highlights¹

3rd Quarter 2003:

- IIJ recorded positive quarterly operating income for the first time since 4Q01; and net income for the first time since its Initial Public Offering ("IPO") in August 1999.
- Revenues totaled JPY 9,633 million (\$ 89.9 million), an increase of 4.9% from JPY 9,185 million in 2Q03, though a decrease of 8.8% compared to 3Q02. The increase from 2Q03 is mainly due to increased revenues from SI and value-added services.
- Operating income was JPY 236 million (\$ 2.2 million), a significant improvement from the operating losses of 830 million in 2Q03 and JPY 567 million in 3Q02. This was mainly due to increased SI profitability and reduced backbone costs.
- Adjusted EBITDA² was JPY 1,218 million (\$ 11.4 million), an increase from an adjusted EBITDA of JPY 126 million in 2Q03 and JPY 349 million in 3Q02.
- Income before income tax was JPY 1,806 million (\$ 16.9 million), a substantial improvement from the loss before tax of JPY 987 million in 2Q03. The improvement was primarily a result of positive operating income of JPY 236 million, an extraordinary gain of JPY 1,572 million that was generated by the sale in the Company's stake in DLJdirect SFG Securities Inc. ("DLJdirect SFG Securities") and a gain of JPY 89 million that came from repurchasing and canceling a portion of IIJ's convertible notes that are due in 2005.
- Net income was JPY 1,979 million (\$ 18.5 million), a marked improvement from the net losses of JPY 278 million in 2Q03 and JPY 2,266 million in 3Q02.
- IIJ expects quarterly operating income in 4Q03 to remain positive as a result of its efforts to increase the revenues of high margin services and further reduce costs.

¹ Unless otherwise stated, all financial figures discussed in this announcement are prepared in accordance with U.S. GAAP. All financial figures are unaudited, consolidated, and represent comparisons between the three-month period ended December 31, 2003, and the equivalent three-month period ended December 31, 2002. For all 3Q03 results, translations of Japanese yen amounts into US dollars are solely for the convenience of readers outside of Japan and have been made at the rate of JPY 107.13 = US\$1.00, the approximate exchange rate on December 31, 2003.

² Please refer to the Reconciliation of Non-GAAP Financial Measures on page 6.

Overview of 3rd Quarter FY2003 Financial Results and Business Outlook³

Financial Results and Business Outlook

"3Q03 was quite remarkable for us," said Koichi Suzuki, President and CEO of IIJ. "We achieved both positive quarterly operating income for the first time since 4Q01 and positive quarterly net income for the first time since our IPO. Our breakthrough to profitability was the result of our successful efforts at cutting costs while increasing revenues from our more profitable services. Though the competition in the Japanese market is still severe, we plan to capitalize on our industry leading skills to continue to increase revenues and seek higher profitability on a continuous basis by actively providing and developing services that meet the demand of corporate customers for advanced network solutions. We are receiving many sales leads, particularly in our Network Integration business which we expect to become one of the main drivers of our future growth."

"In this quarter, we were particularly successful at reducing our backbone costs which contributed to improved connectivity service profitability," said Yasuhiro Nishi, CFO of IIJ. "In our SI business, revenue from operational outsourcing services increased steadily and contributed to improved operating income. Operating income would have turned positive even without the recovery related to a previously reserved accounts receivable of Crosswave Communications Inc., formerly written-off but now became collectible. Net income turned positive as a result of operating income turning positive and the approximately JPY 1.6 billion of gain on the sale of shares of DLJdirect SFG Securities. We expect operating income to remain positive during 4Q03."

3rd Quarter FY2003 Financial Results

Revenues

Revenues in 3Q03 totaled JPY 9,633 million, a decrease of 8.8% from JPY 10,564 million in 3Q02 and an increase of 4.9% from JPY 9,185 million in 2Q03.

Table 1. Revenues (JPY in millions)

Revenues	3Q03	3Q02	YoY % change	2Q03	QoQ % change
Connectivity and value-added services:					
Dedicated access services	3,204	3,404	(5.9%)	3,236	(1.0%)
Dial-up access services	780	776	0.4%	784	(0.5%)
Total Connectivity Services	3,984	4,180	(4.7%)	4,020	(0.9%)
Value-added services	1,125	913	23.2%	1,081	4.0%
Other	525	468	12.3%	536	(2.1%)
Total Connectivity and value-added services	5,633	5,561	1.3%	5,637	(0.1%)
Systems integration revenues	2,889	3,684	(21.6%)	2,549	13.3%
Equipment sales	1,111	1,319	(15.8%)	999	11.2%
Total revenues	9,633	10,564	(8.8%)	9,185	4.9%

Connectivity and value-added services revenues were JPY 5,633 million in 3Q03, an increase of 1.3% compared to 3Q02 and almost flat compared to 2Q03.

³This Overview and Business Outlook contains forward-looking statements and projections such as statements regarding 4Q03 total revenues and operating profitability 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 contained in IIJ's filings on Form 20-F and Form 6-K, as well as other filings and documents furnished to the Securities and Exchange Commission. IIJ plans to keep this press release publicly available on its Web site (www.iij.ad.jp), but may discontinue this practice at any time. IIJ intends to publish its next Overview and Business Outlook in its 4Q03 earnings release, presently scheduled for May 2004.

Table 2. Connectivity Services (JPY in millions)

Connectivity Services	3Q03	3Q02	YoY % change	2Q03	QoQ % change
Dedicated access services:					
IP Service + DC (connectivity)	2,485	2,548	(2.5%)	2,485	0.0%
Others ⁴	719	856	(16.0%)	751	(4.3%)
Total Dedicated Access Services	3,204	3,404	(5.9%)	3,236	(1.0%)

Dedicated access service revenues were JPY 3,204 million in 3Q03, a decrease of 5.9% compared to 3Q02 and a slight decrease of 1.0% compared to 2Q03. IP Service, including Data Center Connectivity services, decreased by 2.5% in 3Q03 compared to 3Q02 but stayed nearly flat compared to 2Q03. Customers continued to shift from dedicated line-based connectivity services such as IIJ T1 Standard and IIJ Economy Service to lower-cost broadband services such as IIJ FiberAccess/F Service (Maximum 10-100Mbps), However, the increase in IIJ FiberAccess/F Service did not offset the decrease in IIJ T1 Standard and IIJ Economy Service.

Table 3. Number of Contracts

	3Q03	3Q02	2Q03
IP Services			
64kbps – 128kbps	76	130	79
192kbps – 768kbps	22	37	23
1Mbps – 2Mbps	226	279	226
3Mbps – 1.2Gbps	381	212	336
Number of Contracts of DC Connectivity Services	188	139	184
Other	5,991	3,922	5,402
Total Dedicated Access Services	6,884	4,719	6,250
IIJ4U (Dial-up access services for retail market)	69,688	82,193	72,560
Other Dial-Up Access Services	597,232	370,543	563,086
Total Dial-Up Access Services	666,920	452,736	635,646

Table 4. Number of Contract Bandwidth (Unit: Gbps)

	3Q03	3Q02	2Q03
Dedicated Access Services	60.3	23.3	51.6
DC Connectivity Services	15.5	7.0	15.1
Total Contract Bandwidth	75.8	30.3	66.7

Dial-up access service revenues were JPY 780 million in 3Q03, an increase of 0.4% compared to 3Q02 and a decrease of 0.5% compared to 2Q03. The steady revenue growth of OEM services, including the CDN platform and NTT's regional L-mode service, mostly offset the decrease in IIJ4U service revenues.

Value-added service revenues were JPY 1,125 million in 3Q03, an increase of 23.2% compared to 3Q02 and an increase of 4.0% compared to 2Q03. These increases were mainly due to revenue increases from security related services and IIJ VPN standard services.

⁴ Others are IIJ FiberAccess/F Service, IIJ Ether Standard, IIJ DSL/F Service, IIJ T1 Standard and IIJ Economy Service.

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Table 5. Value-added Services (JPY in millions)

Value-Added Services	3Q03	3Q02	YoY % change	2Q03	QoQ % change
Internet Data Center services	373	359	3.7%	371	0.3%
Other value-added services	752	554	35.8%	710	6.0%
Total Value-Added Service Revenues	1,125	913	23.2%	1,081	4.0%

Systems integration services revenues decreased 21.6% to JPY 2,889 million in 3Q03 compared to 3Q02 but recovered 13.3% compared to 2Q03 due to an increase in recurring fees of outsourcing services such as mail and web gateway services.

Equipment sales revenues were JPY 1,111 million in 3Q03, a decrease of 15.8% compared to 3Q02 and an increase of 11.2% compared to 2Q03.

Cost and expenses

Cost of total revenues was JPY 8,125 million in 3Q03, a decrease of 15.4% compared to 3Q02, and a decrease of 2.5% compared to 2Q03.

Table 6. Costs and Expenses (JPY in millions)

Costs and expenses:	3Q03	3Q02	YoY % change	2Q03	QoQ % change
Cost of Revenues:					
Cost of connectivity and value-added services	4,877	5,180	(5.9%)	5,127	(4.9%)
Cost of systems integration	2,198	3,173	(30.7%)	2,275	(3.4%)
Cost of equipment sales	1,050	1,254	(16.3%)	935	12.3%
Total of Cost of Revenues	8,125	9,607	(15.4%)	8,337	(2.5%)
Sales and marketing	699	894	(21.8%)	1,100	(36.4%)
General and administrative	486	512	(4.9%)	482	0.9%
Research and development	87	117	(25.6%)	96	(9.5%)
Total costs and expenses	9,397	11,130	(15.6%)	10,015	(6.2%)

Cost of connectivity and value-added services was JPY 4,877 million, a decrease of 5.9% compared to 3Q02 and a decrease of 4.9% compared to 2Q03. The gross margin ratio for connectivity and value-added services in 3Q03 was 13.4%, compared to 6.9% in 3Q02 and 9.1% in 2Q03. The improvement in gross margin compared to 2Q03 was a result of our continuous efforts to reduce backbone costs.

Table 7. Backbone Costs (JPY in millions)

Backbone Costs	3Q03	3Q02	YoY % Change	2Q03	QoQ % Change
International Backbone Costs	156	432	(63.9%)	247	(36.9%)
Domestic Backbone Costs	939	902	4.1%	993	(5.5%)

International backbone costs were JPY 156 million, a decrease of 63.9% compared to 3Q02 and a decrease of 36.9% compared to 2Q03 as we continued to benefit from our efforts to optimize our network.

Domestic backbone costs were JPY 939 million, an increase of 4.1% compared to 3Q02 and a decrease of 5.5% compared to 2Q03. The year-over-year increase was due to an increase in connection fees with NTT's regional access networks (FLET'S), along with our broadband strategy of strengthening our backbone network to provide various broadband network services and solutions

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nationwide. The quarter-over-quarter decrease reflects a decline in backbone prices, which offset an increase in connection fees with FLET'S.

Cost of SI Revenues was JPY 2,199 million in 3Q03, a decrease of 30.7% compared to 3Q02 and a decrease of 3.4% compared to 2Q03. The gross margin for SI improved to 23.9% in 3Q03 compared to 13.9% in 3Q02 and 10.7% in 2Q03. The gross margin in 3Q03 improved compared to 2Q03 because of an improvement in profitability in SI development contracts and an increase in outsourcing service revenues.

Sales and Marketing Expenses were JPY 699 million in 3Q03, a decrease of 21.8% compared to 3Q02 and a decrease of 36.4% compared to 2Q03. The 2Q03 expenses included the write-off of JPY 287 million in accounts receivable from Crosswave Communications Inc. ("Crosswave"). In 3Q03, JPY 71 million of the amount that was written-off became collectible. This amount was recorded as income as a result of the reversal of allowance for doubtful receivables from Crosswave.

General and administrative expenses were JPY 486 million in 3Q03, a decrease of 4.9% compared to 3Q02 and an increase of 0.9% compared to 2Q03.

Operating income (loss)

Operating income increased to JPY 236 million in 3Q03 compared to a loss of JPY 567 million in 3Q02 and a loss of JPY 830 million in 2Q03. The improvement from 2Q03 is due to improved profitability in SI, cost reduction for international and domestic backbones and the expected collection of a portion of accounts receivable from Crosswave which required the reversal of related services, that were previously written-off.

Other income for 3Q03 was JPY 1,570 million, compared to other expenses of JPY 228 million in 3Q02 and JPY 157 million in 2Q03. IJ recorded a gain on the sale of its shares of DLJdirect SFG Securities, which amounted to JPY 1,572 million and gains from the repurchase and subsequent retirement before maturity of convertible notes, which amounted to JPY 89 million in 3Q03.

Income tax benefit (expense) for 3Q03 was a benefit of JPY 280 million, compared to an expense of JPY 138 million in 3Q02 and a benefit of JPY 572 million in 2Q03. This is due to a decrease in the valuation allowance for deferred tax assets attributable primarily to the income tax effect of increasing unrealized gains during the quarter on certain available-for-sale securities.

Equity in net loss of equity method investees amounted to JPY 58 million in 3Q03, compared to JPY 1,375 million in 3Q02, and JPY 50 million in 2Q03.

Net income was JPY 1,979 million in 3Q03, compared to net losses of JPY 2,266 million in 3Q02 and JPY 278 million in 2Q03. The improvement from 3Q02 is primarily due to the absence in equity method net loss in Crosswave, and the improvement from 2Q03 is due to the return of positive operating income, the gain on the sale of the shares of DLJdirect SFG Securities and the retirement of convertible notes. Basic net income per ADS equivalent was JPY 25.83 in 3Q03, compared to a net loss of JPY 50.40 in 3Q02 and JPY 5.04 in 2Q03.

Table 8. Other Financial Statistics (JPY in millions)

Other Financial Statistics	3Q03	3Q02	YoY % Change	2Q03	QoQ % Change
Adjusted EBITDA ⁵	1,218	349	249.2%	126	863.5%
CAPEX, including capitalized leases ⁶	508	1,519	(66.5%)	579	(12.3%)
Depreciation and amortization ⁷	1,004	943	6.5%	984	2.1%

⁵ Please refer to the Reconciliation of Non-GAAP Financial Measures below.

⁶ Please refer to the Reconciliation of Non-GAAP Financial Measures below.

⁷ Depreciation and amortization includes amortization of issuance cost of convertible notes.

Reconciliation of Non-GAAP Financial Measures

The following table summarizes the reconciliation of adjusted EBITDA to net income according to the consolidated statements of operations that are prepared and presented in accordance with U.S. generally accepted accounting principles in Appendix 1:

Table 9. Adjusted EBITDA (JPY in millions)

	3Q03	3Q02	2Q03
Adjusted EBITDA	1,218	349	126
Depreciation and amortization ⁸	(982)	(916)	(956)
Operating income (loss)	236	(567)	(830)
Other income (expenses)	1,570	(228)	(157)
Income tax expense (benefit)	(280)	138	(572)
Minority interests in consolidated subsidiaries	(49)	42	187
Equity in net income (loss) of equity method investees	(58)	(1,375)	(50)
Net income (loss)	1,979	(2,266)	(278)

The following table summarizes the reconciliation of capital expenditures to purchase of property and equipment according to the consolidated statements of cash flows that are prepared and presented in accordance with U.S. generally accepted accounting principles in Appendix 4:

Table 10. CAPEX (JPY in millions)

	3Q03	3Q02	2Q03
Capital expenditures	508	1,519	579
Acquisition of assets by entering into capital leases	168	1,014	431
Purchase of property and equipment	340	505	148

3rd Quarter FY2003 Business Review

Service Development

Development of new high-performance routers for cost effective site connectivity network:

In November 2003, IIJ announced the development of the latest model of the SEIL series of high-performance routers. The router supports higher throughput to maximize utilization of broadband circuits and enhanced VPN functionality with hardware processing to help customers build more cost effective site connectivity networks over the Internet.

New movement against spam:

In January 2004, IIJ and IIJ America Inc. started to move against email message abuse. IIJ and IIJ America participated in founding a working group against spam with 19 other international telecommunications companies, Internet Service Providers (ISPs) and related businesses. The kick-off meeting was held in December 2003, and it aims to develop measures that will combat spam emails and other unethical uses of the Internet.

Introducing new technology to JP DNS Service in cooperation with JPRS:

In January 2004, IIJ announced the introduction of IP Anycast technology to JP Domain Name System (DNS) Service with Japan Registry Service (JPRS). This is the first case of this technology being applied to JP DNS Service and it enables more redundancy and effectiveness for users to access the mail servers and websites with ".jp" domain names.

⁸ Depreciation and amortization excludes amortization of issuance cost of convertible notes that was presented as other expenses.

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Network Infrastructure Development

In 3Q03, IIJ continued to enhance its Internet backbone to maintain the network quality that it provides to its customers. This quarter, IIJ installed one new circuit and upgraded one circuit for the international backbone, and installed one new circuit and upgraded three circuits for the domestic backbone. IIJ is considering cost effectiveness and overall profitability in undertaking the upgrades.

Finance

Repurchase and cancellation of convertible notes:

On November 19, 2003, IIJ announced that it had repurchased a portion of its convertible notes that were to be due in 2005 and cancelled them. As a result, IIJ recorded a one-time gain of JPY 89 million.

Key Developments of the IIJ Group

Outsourcing Solutions:

In 3Q03, IIJ Technology continued to expand its variety of outsourcing solutions. "SoMail" is a large-scale mail system solution that helps customers with more than thousand employees to build a mail server with system extensibility, reliability and stability by adapting open-source-based software. Enhanced Version of Data Integration Service is the world's first platform service that serves as an Internet-based purchasing system (IBPS) top layer and EAI service provider. IBPS Web Application Inspection Service is a service that checks the security vulnerabilities that occur when implementing Web applications. These solutions are provided in cooperation with the vendors with each area's specialty.

Teleconference/Webcast

On February 12 at 9:00 am (EST), IIJ will host a conference call to discuss the Company's results and outlook. There will be a simultaneous webcast available at www.vcall.com. A replay will also be available at the same URL.

Company Information

Founded in 1992, Internet Initiative Japan Inc. (IIJ, NASDAQ: IIJIE) 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. Services range from the delivery of new generation network services over an optical-fiber infrastructure that is optimized for data communications, to the construction of pan-Asian IP backbone networks. The company also offers high-quality systems integration and security services, Internet access, hosting/housing, and content design.

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 4Q03 total revenues and operating 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 expectation that net losses will continue or may increase; IIJ's ability to raise additional capital to cover its accumulated deficit; IIJ's ability to continue to increase subscribers to its connectivity services, particularly at higher bandwidths; IIJ's ability to generate significant revenues from its other services such as systems integration; the ability to compete in a rapidly evolving and competitive marketplace; the impact of technological changes in its industry; 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.
CONSOLIDATED STATEMENTS OF OPERATIONS(UNAUDITED)

For the Three Months Ended Dec 31, 2003, Dec 31, 2002 and Sept 30, 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		
	Dec 31, 2003			Dec 30, 2002			Sep 30, 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	29,908	3,204,046	33.3%	3,404,016	32.2%	(5.9%)	3,236,405	35.2%	(1.0%)
Dial-up access services	7,277	779,544	8.1	776,173	7.4	0.4	783,589	8.5	(0.5)
Value-added services	10,497	1,124,596	11.7	913,152	8.6	23.2	1,080,876	11.8	4.0
Other	4,902	525,106	5.4	467,629	4.4	12.3	536,389	5.9	(2.1)
Total connectivity and value-added services	<u>52,584</u>	<u>5,633,292</u>	<u>58.5</u>	<u>5,560,970</u>	<u>52.6</u>	<u>1.3</u>	<u>5,637,259</u>	<u>61.4</u>	<u>(0.1)</u>
Systems integration revenues	26,966	2,888,936	30.0	3,683,978	34.9	(21.6)	2,549,379	27.7	13.3
Equipment sales	10,370	1,110,927	11.5	1,318,630	12.5	(15.8)	998,621	10.9	11.2
Total revenues	<u>89,920</u>	<u>9,633,155</u>	<u>100.0</u>	<u>10,563,578</u>	<u>100.0</u>	<u>(8.8)</u>	<u>9,185,259</u>	<u>100.0</u>	<u>4.9</u>
Costs and expenses:									
Cost of connectivity and value-added services	45,522	4,876,741	50.6	5,179,920	49.0	(5.9)	5,126,708	55.8	(4.9)
Cost of systems integration revenues	20,523	2,198,668	22.8	3,173,211	30.0	(30.7)	2,275,704	24.8	(3.4)
Cost of equipment sales	9,798	1,049,663	10.9	1,254,073	11.9	(16.3)	934,711	10.2	12.3
Total costs	<u>75,843</u>	<u>8,125,072</u>	<u>84.3</u>	<u>9,607,204</u>	<u>90.9</u>	<u>(15.4)</u>	<u>8,337,123</u>	<u>90.8</u>	<u>(2.5)</u>
Sales and marketing	6,524	698,948	7.3	894,340	8.5	(21.8)	1,099,560	12.0	(36.4)
General and administrative	4,540	486,332	5.1	511,604	4.9	(4.9)	482,218	5.2	0.9
Research and development	812	86,966	0.9	116,950	1.1	(25.6)	96,118	1.0	(9.5)
Total costs and expenses	<u>87,719</u>	<u>9,397,318</u>	<u>97.6</u>	<u>11,130,098</u>	<u>105.4</u>	<u>(15.6)</u>	<u>10,015,019</u>	<u>109.0</u>	<u>(6.2)</u>
Operating income(loss)	<u>2,201</u>	<u>235,837</u>	<u>2.4</u>	<u>(566,520)</u>	<u>(5.4)</u>	<u>(141.6)</u>	<u>(829,760)</u>	<u>(9.0)</u>	<u>(128.4)</u>
Other income(expenses)	14,655	1,569,957	16.3	(228,058)	(2.1)	(788.4)	(157,294)	(1.7)	(1,098.1)
Income(Loss) before income tax expense(benefit)	<u>16,856</u>	<u>1,805,794</u>	<u>18.7</u>	<u>(794,578)</u>	<u>(7.5)</u>	<u>(327.3)</u>	<u>(987,054)</u>	<u>(10.7)</u>	<u>(282.9)</u>
Income tax expense(benefit)	(2,618)	(280,406)	(2.9)	137,936	1.3	(303.3)	(571,642)	(6.2)	(50.9)
Minority interests in consolidated subsidiaries	(455)	(48,710)	(0.5)	41,813	0.4	(216.5)	186,931	2.0	(126.1)
Equity in net loss of equity method investees	(545)	(58,354)	(0.6)	(1,375,338)	(13.0)	(95.8)	(49,945)	(0.5)	16.8
Net income(loss)	<u>18,474</u>	<u>1,979,136</u>	<u>20.5%</u>	<u>(2,266,039)</u>	<u>(21.4%)</u>	<u>(187.3%)</u>	<u>(278,426)</u>	<u>(3.0%)</u>	<u>(810.8%)</u>
Basic Net Income(Loss) Per Share		51,658		(100,802)			(10,082)		
Basic Net Income(Loss) Per ADS Equivalent		25.83		(50.40)			(5.04)		
Weighted Average Number of Shares		38,312		22,480			27,617		
Weighted Average Number of ADS Equivalents		76,623,702		44,960,000			55,233,050		

Note (1): The translation of Japanese yen amounts into US dollar amounts with respect to the three months ended Dec 31, 2003 are included solely for the convenience of readers outside Japan and have been made at the rate of JPY 107.13 = \$1, the approximate rate of exchange on Dec 31, 2003.

CONSOLIDATED STATEMENTS OF OPERATIONS(UNAUDITED)

For the Nine Months Ended Dec 31, 2003 and Dec 31, 2002

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

	Year-over-year Comparison					
	Dec 31, 2003			Dec 31, 2002		
	USD (1)	JPY	% of Total Revenues	JPY	% of Total Revenues	YoY Chg %
Revenues:						
Connectivity and value-added services:						
Dedicated access services	91,120	9,761,680	35.9%	10,473,722	33.8%	(6.8%)
Dial-up access services	21,754	2,330,551	8.6	2,390,179	7.7	(2.5)
Value-added services	29,802	3,192,670	11.8	2,671,448	8.6	19.5
Other	14,760	1,581,204	5.8	1,344,530	4.4	17.6
Total connectivity and value-added services	157,436	16,866,105	62.1	16,879,879	54.5	(0.1)
Systems integration revenues	73,240	7,846,238	28.9	10,107,204	32.6	(22.4)
Equipment sales	22,871	2,450,117	9.0	3,994,039	12.9	(38.7)
Total revenues	253,547	27,162,460	100.0	30,981,122	100.0	(12.3)
Costs and expenses:						
Cost of connectivity and value-added services	142,235	15,237,607	56.1	15,353,621	49.6	(0.8)
Cost of systems integration revenues	63,453	6,797,764	25.0	8,842,530	28.5	(23.1)
Cost of other equipment sales	21,426	2,295,320	8.5	3,778,191	12.2	(39.2)
Total costs	227,114	24,330,691	89.6	27,974,342	90.3	(13.0)
Sales and marketing	25,871	2,771,562	10.2	2,386,931	7.7	16.1
General and administrative	14,754	1,580,597	5.8	1,543,002	5.0	2.4
Research and development	2,606	279,182	1.0	301,304	1.0	(7.3)
Total costs and expenses	270,345	28,962,032	106.6	32,205,579	104.0	(10.1)
Operating loss	(16,798)	(1,799,572)	(6.6)	(1,224,457)	(4.0)	47.0
Other income(expenses)	11,278	1,208,265	4.4	(909,141)	(2.9)	(232.9)
Loss before income tax expense(benefit)	(5,520)	(591,307)	(2.2)	(2,133,598)	(6.9)	(72.3)
Income tax expense(benefit)	(11,594)	(1,242,083)	(4.6)	814,109	2.6	(252.6)
Minority interests in consolidated subsidiaries	3,670	393,107	1.5	131,909	0.4	198.0
Equity in net loss of equity method investees:						
Equity method net loss	(912)	(97,740)	(0.4)	(4,371,424)	(14.1)	(97.8)
Impairment loss on investment, advances and deposits for Crosswave	(16,055)	(1,719,981)	(6.3)			
Net loss	(7,223)	(773,838)	(2.8%)	(7,187,222)	(23.2%)	(89.2%)
Basic Net Loss Per Share		(26,198)		(319,716)		
Basic Net Loss Per ADS Equivalent		(13.10)		(159.86)		
Weighted Average Number of Shares		29,538		22,480		
Weighted Average Number of ADS Equivalents		59,076,611		44,960,000		

Note (1): The translations of Japanese yen amounts into US dollar amounts with respect to the year ended Dec 31, 2003 are included solely for the convenience of readers outside Japan and have been made at the rate of JPY 107.13 = \$1, the approximate rate of exchange on Dec 31, 2003.

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

	Dec 31, 2003			Dec 31, 2002		Sep 30, 2003	
	USD (1)	JPY	%	JPY	%	JPY	%
ASSETS							
Current Assets:							
Cash and cash equivalent	113,326	12,140,595	31.5%	4,270,613	11.4%	11,782,935	30.7%
Accounts receivable, net	61,982	6,640,226	17.3	7,305,169	19.5	6,726,563	17.5
Inventories	1,832	196,252	0.5	813,863	2.2	268,519	0.7
Prepaid expenses	8,171	875,338	2.3	882,854	2.4	654,269	1.7
Other current assets	3,657	391,766	1.0	135,828	0.4	464,418	1.2
Total current assets	188,968	20,244,177	52.6	13,408,327	35.9	19,896,704	51.8
Investments in and Advances to Equity Method Investees	9,560	1,024,126	2.7	4,522,602	12.1	1,106,062	2.9
Other Investments	54,344	5,821,912	15.1	3,461,695	9.2	5,513,137	14.3
Property and Equipment, net	78,861	8,448,327	22.0	8,898,123	23.8	9,108,783	23.7
Restricted Cash				5,000,000	13.4		
Guarantee Deposits	19,382	2,076,387	5.4	1,369,596	3.7	2,080,764	5.4
Other Assets	7,934	849,954	2.2	699,998	1.9	728,580	1.9
Total assets	359,049	38,464,883	100.0%	37,360,341	100.0%	38,434,030	100.0%
LIABILITIES AND SHAREHOLDERS' EQUITY(CAPITAL DEFICIENCY)							
Current Liabilities:							
Short-term borrowings	63,142	6,764,410	17.6%	4,510,000	12.1%	4,304,906	11.2%
Accounts payable	43,047	4,611,586	12.0	5,852,779	15.7	4,856,325	12.6
Accrued expenses	4,798	513,996	1.3	364,366	1.0	489,568	1.3
Other current liabilities	5,554	594,974	1.5	570,719	1.5	410,577	1.1
Long-term borrowings-current portion	18,177	1,947,309	5.1	1,200,000	3.2	2,946,377	7.7
Capital lease obligations-current portion	22,548	2,415,596	6.3	2,424,701	6.5	2,588,505	6.7
Total current liabilities	157,266	16,847,871	43.8	14,922,565	40.0	15,596,258	40.6
Long-term Borrowings	18,160	1,945,434	5.0	3,400,000	9.1	1,982,612	5.2
Convertible Notes	110,445	11,832,000	30.7	15,000,000	40.1	15,000,000	39.0
Capital Lease Obligations-Noncurrent	26,155	2,801,993	7.3	3,463,132	9.3	3,198,073	8.3
Accrued Retirement and Pension Costs	631	67,557	0.2	75,047	0.2	69,794	0.2
Other Noncurrent Liabilities	1,683	180,329	0.5	184,847	0.5	193,043	0.5
Total liabilities	314,340	33,675,184	87.5	37,045,591	99.2	36,039,780	93.8
Minority Interest	4,540	486,388	1.3	900,837	2.4	437,678	1.1
Shareholders' Equity(Capital Deficiency):							
Common stock(2)	128,492	13,765,372	35.8	7,082,336	18.9	13,765,372	35.8
Additional paid-in capital(2)	220,645	23,637,628	61.5	17,068,353	45.7	23,637,628	61.5
Accumulated deficit	(330,992)	(35,459,129)	(92.2)	(25,395,691)	(68.0)	(37,438,265)	(97.4)
Accumulated other comprehensive income	22,025	2,359,503	6.1	658,915	1.8	1,991,900	5.2
Treasury stock	(1)	(63)	0.0			(63)	0.0
Total shareholders' equity(capital deficiency)	40,169	4,303,311	11.2	(586,087)	(1.6)	1,956,572	5.1
Total liabilities and shareholders' equity(capital deficiency)	359,049	38,464,883	100.0%	37,360,341	100.0%	38,434,030	100.0%

Note (1): The translation of Japanese yen amounts into US dollar amounts with respect to Dec 31, 2003 are included solely for the convenience of readers outside Japan and have been made at the rate of JPY107.13=\$1, the approximate rate of exchange on Dec 31, 2003.

Note (2): New 12,615 shares have been issued on Sep 17, 2003, in the net proceeds of JPY11,886,887.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

For the Three Months Ended Dec 31, 2003, Dec 31, 2002 and Sept 30, 2003

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

	Dec 31, 2003		Dec 31, 2002	Sept 30, 2003
	USD (1)	JPY	JPY	JPY
Operating Activities:				
Net income (loss)	18,474	1,979,136	(2,266,039)	(278,426)
Depreciation and amortization	9,374	1,004,236	942,854	983,736
Provision for doubtful accounts	(377)	(40,428)	59,019	313,968
Equity method net loss	545	58,354	1,375,338	49,945
Minority interests in net income (loss) of consolidated subsidiaries	455	48,710	(41,813)	(186,931)
Foreign exchange losses	115	12,279	32,834	3,282
Gain on retirement of convertible bonds	(830)	(88,975)	-	-
Net losses (gains) on other investments	(14,301)	(1,532,033)	-	50,490
Decrease (increase) in accounts receivable	1,292	138,452	493,961	(1,100,671)
Increase (decrease) in accounts payable	(656)	(70,261)	1,033,939	216,306
Decrease (increase) in inventories	674	72,267	(398,092)	72,432
Deferred income taxes	(2,672)	(286,208)	132,230	(577,444)
Other	(1,957)	(209,740)	(111,975)	(73,111)
Net cash provided by (used in) operating activities	10,136	1,085,789	1,252,256	(526,424)
Investing Activities:				
Purchase of property and equipment	(3,170)	(339,621)	(505,169)	(148,007)
Proceeds from sales of other investment	18,173	1,946,875	-	122,650
Purchase of other investments	(56)	(6,039)	(28,377)	(304,517)
Refund of guarantee deposits-net	6	727	22,972	1,199
Other	(2)	(225)	(30,506)	9,875
Net cash provided by (used in) investing activities	14,951	1,601,717	(541,080)	(318,800)
Financing Activities:				
Repayments of long-term borrowings	(9,673)	(1,036,247)	(200,000)	(36,017)
Repurchase of convertible notes	(28,446)	(3,047,460)	-	-
Principal payments under capital leases	(6,267)	(671,339)	(651,546)	(671,376)
Net increase (decrease) in short-term borrowings	22,958	2,459,505	(322,254)	(1,370,436)
Proceeds from issuance of common stock	-	-	-	11,886,887
Net cash provided by (used in) financing activities	(21,428)	(2,295,541)	(1,173,800)	9,809,058
Effect of Exchange Rate Changes on Cash	(320)	(34,305)	(39,516)	94
Net Increase (Decrease) in Cash	3,339	357,660	(502,140)	8,963,928
Cash, Beginning of Period	109,987	11,782,935	4,772,753	2,819,007
Cash, End of Period	113,326	12,140,595	4,270,613	11,782,935

Note (1): The translations of Japanese yen amounts into US dollar amounts with respect to the three months ended Dec 31, 2003 are included solely for the convenience of readers outside Japan and have been made at the rate of JPY107.13 = \$1, the approximate rate of exchange on Dec 31, 2003.