



Internet Initiative Japan



2005年2月9日
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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。9ページ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。

2004年度第3四半期(10-12月)決算発表(抄訳)

< 前期に引続き営業利益の大幅増益を達成 >

本決算発表に関するマネジメント・メッセージを2005年2月10日より弊社ホームページ上(URL: <http://www.ij.ad.jp/IR/>)にて公開予定です。

2004年度第3四半期決算

- ・ 営業収益(売上高)は、前年同期比6.5%増、前期比2.4%減の10,261百万円となりました。付加価値サービス及びシステム・インテグレーションの運用売上が好調に推移したことから、前年同期比増収となりました。前期比では、機器販売が減少し、微減収となりました。
- ・ 営業利益は、410百万円と、前年同期比(73.9%増)、前期比(45.4%増)ともに大幅増益となりました。利益率の高い付加価値サービス、システム・インテグレーションの運用売上の増加に加え、インターネット接続サービスのバックボーンコストを主体とする売上原価、及び販売管理費の抑制から、前期のガイダンスとおり、増益を達成しました。
- ・ 当期利益は、920百万円となりました。営業利益の拡大に加え、保有株式の売却益及び株価上昇による税効果会計から、前期の損失計上(保有株式の株価下落を要因とする税効果会計から損失を計上した)から、黒字転換となりました。

2004年度第4四半期の見通し

- ・ 第4四半期は、前年同期比、前期比ともに、売上高増収、営業利益増益を見込みます。

経営の概況

IIJは、インターネット接続の技術をベースに、ネットワーク設計・構築、セキュリティ・コンサルティングといったインテグレーションサービスやネットワーク運用等のアウトソーシングサービスをトータルに提供する「ネットワーク・ソリューション事業」を、今期、戦略的に推進しておりますが、今四半期においても、企業の信頼性ニーズの増大を背景に着実に実績を積み重ねております。IIJの技術力・運用力が最も差別化要因となる付加価値サービスは、本年4月の個人情報保護法の施行を前に企業のセキュリティ強化の動きが増進されたことによるセキュリティ系サービスの好調な推移(契約数は約1,400件と前期比+7.8%の増加)、及びインターネットVPNを用いた多拠点接続ソリューション等のネットワークアウトソース系サービス需要の増大等から、引続き安定的な収益源として成長しております。また、減収傾向を続けていたインターネット接続サービスは、多拠点接続ソリューションの展開に伴う新規契約の獲得増加から減収に歯止めがかけられ、ほぼ底打ちの状況となりました。今四半期においても、ネットワーク・ソリューション戦略の推進により収益改善が進み、前期に引続き営業利益で大幅増益となりました。

新技術への取組みとして、経済産業省が行う平成16年度「電子タグ実証実験事業」において、物流業界を対象とした国際コンテナ物流の実証実験に参画しております。本実証実験では、インターネット上で電子タグに係る属性、履歴等の情報を登録・参照・変更することを可能とする自社開発の「EPCシステム」を提供し、その有効性を検証しております。「EPCシステム」は、従来の自社または業界に閉じた電子タグの利用ではなく、インターネットを利用することで

より汎用的で拡張性に優れた電子タグの利用を実現するもので、今後は、この実証実験で培った知見とノウハウをもとに、新しいサービスを市場に投入していく予定です。

第3四半期は、付加価値サービス、システム・インテグレーションといった利益率の高い営業収益の増加、及びインターネット接続サービスのバックボーンコストを主体とする固定的売上原価、販売管理費の抑制から、前期に引続き営業利益で大幅増益を果たしました。第4四半期は、インターネット接続サービスの売上減少傾向がほぼ底打ちしていることに加え、季節変動要因によりシステム・インテグレーションの構築案件売上が、年度の中で最も強含みの四半期となることから、前年同期比、前期比ともに売上高増収、営業利益増益を見込んでおります。

サービス別概況及び財務関連データ

インターネット接続サービスの契約数及び総帯域

	3Q04	3Q03	2Q04
専用線接続サービス合計	9,427	6,884	8,880
IPサービス(低帯域:64kbps-768kbps)*1	67	98	71
IPサービス(中帯域:1Mbps-100Mbps未満)	609	535	597
IPサービス(高帯域:100Mbps以上~)	103	72	93
IJJ T1スタンダードおよびIJJエコノミー*2	313	581	358
インターネットデータセンター接続サービス	228	188	225
IJJ FiberAccess/FおよびIJJ DSL/F (ブロードバンド対応型)	8,107	5,410	7,536
ダイヤルアップ接続サービス合計	708,517	666,920	711,637
自社提供	69,260	77,626	70,629
OEM提供*3	639,257	589,294	641,008
契約総帯域	109.5Gbps	75.8Gbps	104.9Gbps

*1 IPv6 サービスを含む

*2 1Q04では、「機能限定型」と表記していたもの(回線専有型、割当IPアドレス数等に制限あり、64kbps、128kbps、1.5Mbps)

*3 他サービス事業者向けOEMサービス

今期においても、引続き契約数、契約総帯域は順調に増加しました。IPサービスでは、顧客企業がより広帯域のサービスにシフトをしていることから、10Mbps、100Mbpsのサービス契約数が増加しています。1Gbps以上のIPサービスの契約数は合計で22社となりました。

ブロードバンド対応型の契約数は、インターネットVPNを用いた多拠点接続ソリューション需要の拡大から、引続き堅調に増加しています。

インターネット接続及び付加価値サービスの営業収益、売上原価及び粗利益率 (百万円)

	3Q04	3Q03	前年同期比	2Q04	前期比
インターネット接続サービス	3,508	3,984	(11.9%)	3,572	(1.8%)
専用線接続サービス	2,781	3,204	(13.2%)	2,832	(1.8%)
IPサービス*4	2,186	2,485	(12.0%)	2,222	(1.7%)
IJJ T1 スタンダードおよびIJJエコノミー*5	195	391	(50.2%)	228	(14.5%)
IJJ FiberAccess/F および IJJ DSL/F (ブロードバンド対応型)	400	328	22.0%	382	4.8%
ダイヤルアップ接続サービス	727	780	(6.8%)	740	(1.8%)
自社提供*6	478	552	(13.4%)	501	(4.6%)
OEM提供*7	249	228	9.3%	239	4.2%
付加価値サービス	1,276	1,125	13.5%	1,220	4.6%
その他	882	525	68.1%	716	23.3%
インターネット接続及び付加価値サービス 売上高合計	5,666	5,633	0.6%	5,508	2.9%
インターネット接続及び付加価値サービス原価	4,874	4,877	(0.1%)	4,780	2.0%
うちバックボーンコスト	858	1,094	(21.6%)	877	(2.2%)
粗利益率	14.0%	13.4%		13.2%	

*4 インターネットデータセンター接続サービスを含む(回線専有型、64kbps-1.2Gbps)

*5 1Q04 では、「機能限定型」と表記していたもの(回線専有型、割当 IP アドレス数等に制限あり、64kbps、128kbps、1.5Mbps)

*6 各種法人向けおよび個人向けサービス(IJJ4U、IJJmio)。B フレッツ、ADSL 対応オプションも含む

*7 他サービス事業者向け OEM サービス

インターネット接続サービスの売上は、安価なブロードバンド回線への移行の終息、多拠点接続ソリューションの展開に伴う新規契約の増加等から、ほぼ減収傾向に底打ちを見せました。

付加価値サービスの売上は、データセンター系サービス、セキュリティ系サービス等の好調な推移に加えて、多拠点接続ソリューション案件の増加に伴う SMF サービス、SEIL レンタルサービスの好調もあり、増収となりました。

その他の売上は、多拠点接続案件に付随した広域 LAN サービスや社内 LAN 関連サービスの売上増により増収となりました。

粗利益率は、利益率の高い付加価値サービスの売上増加、インターネット接続サービスにおけるバックボーンコスト等固定的な売上原価の低減により前期から改善し、14.0%となりました。固定的な売上原価については、大きなコスト増大要因はなく、今後も売上増加と共に安定的に推移するものと想定しております。

クロスセリング

	3Q04	2Q04
インターネット接続サービス・付加価値サービス クロスセリング率*8	87.5%	86.9%
システム・インテグレーション・インターネット接続サービス クロスセリング率*9	90.0%	80.0%

*8 インターネット接続サービス売上高上位1,000社の内、付加価値サービスを併用している顧客の割合

*9 システム・インテグレーション売上高上位100社の内、インターネット接続サービスを併用している顧客の割合

システム・インテグレーションの営業収益、売上原価及び粗利益率 (百万円)

	3Q04	3Q03	前年同期比	2Q04	前期比
システム・インテグレーション収入合計	3,970	2,889	37.4%	3,838	3.4%
システム・インテグレーション・サービス	1,672	1,509	10.8%	2,101	(20.4%)
システム運用アウトソースサービス	2,298	1,380	66.5%	1,737	32.3%
システム・インテグレーション原価	3,031	2,198	37.8%	2,983	1.6%
粗利益率	23.7%	23.9%		22.3%	

システム・インテグレーションの売上は、昨年10月に営業譲受し設立した(株)アイアイジェイフィナンシャルシステムズの証券システム開発・運用事業が売上に寄与したことから、増収となりました。システム運用アウトソースサービスでは、上記に加え、前期に獲得したシステム・インテグレーションの構築案件に係る運用が開始されたことから、前年同期比、前期比ともに大幅増収となりました。

安定した収益基盤である運用アウトソースサービスが引続き好調で大幅増収となったことから、粗利益率は前期比改善いたしました。

機器販売の営業収益、売上原価及び粗利益率 (百万円)

	3Q04	3Q03	前年同期比	2Q04	前期比
機器販売売上高	625	1,111	(43.7%)	1,166	(46.4%)
機器販売原価	581	1,050	(44.6%)	1,091	(46.7%)
粗利益率	7.0%	5.5%		6.5%	

その他 (百万円)

	3Q04	3Q03	前年同期比	2Q04	前期比
Adjusted EBITDA (償却前営業利益)	1,508	1,218	23.9%	1,275	18.3%
設備投資 (キャピタルリースを含む)	2,017	508	296.9%	1,345	49.9%
減価償却費 ^{*10}	1,116	1,004	11.2%	1,012	10.4%

*10 転換社債発行費用の償却額を含む。

注意事項: この資料には、1995年米国民証券訴訟改革法 (Private Securities Litigation Reform Act of 1995) の「セーフハーバー」規定に定義する「将来性の見通しに関する記述 (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。

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)

Appendix 1

2004年12月期、2003年12月期、2004年9月期

JPY/千円単位、USD/千米ドル単位 (1)

前年同四半期比較

	2004年12月期			2003年12月期			前四半期比較 2004年9月期		
	USD (1)	JPY	対営業収益 %	JPY	対営業収益 %	対前年同四半期 %	JPY	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	27,084	2,780,955	27.1%	3,204,046	33.3%	(13.2%)	2,832,355	27.0%	(1.8%)
ダイヤルアップ接続サービス	7,078	726,798	7.1	779,544	8.1	(6.8)	739,957	7.0	(1.8)
付加価値サービス	12,427	1,275,958	12.4	1,124,596	11.7	13.5	1,220,119	11.6	4.6
その他	8,594	882,466	8.6	525,106	5.4	68.1	715,617	6.8	23.3
インターネット接続及び付加価値サービス収入合計	55,183	5,666,177	55.2	5,633,292	58.5	0.6	5,508,048	52.4	2.9
システムインテグレーション	38,660	3,969,610	38.7	2,888,936	30.0	37.4	3,837,711	36.5	3.4
機器販売	6,089	625,196	6.1	1,110,927	11.5	(43.7)	1,166,569	11.1	(46.4)
営業収益合計	99,932	10,260,983	100.0	9,633,155	100.0	6.5	10,512,328	100.0	(2.4)
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	47,465	4,873,759	47.5	4,876,741	50.6	(0.1)	4,780,268	45.5	2.0
システムインテグレーション原価	29,516	3,030,666	29.5	2,198,668	22.8	37.8	2,982,577	28.3	1.6
機器販売原価	5,662	581,368	5.7	1,049,663	10.9	(44.6)	1,090,870	10.4	(46.7)
売上原価合計	82,643	8,485,793	82.7	8,125,072	84.3	4.4	8,853,715	84.2	(4.2)
販売費	6,659	683,731	6.6	698,948	7.3	(2.2)	711,661	6.8	(3.9)
一般管理費	6,164	632,874	6.2	486,332	5.1	30.1	612,526	5.8	3.3
研究開発費	471	48,406	0.5	86,966	0.9	(44.3)	52,237	0.5	(7.3)
営業費用合計	95,937	9,850,804	96.0	9,397,318	97.6	4.8	10,230,139	97.3	(3.7)
営業利益	3,995	410,179	4.0	235,837	2.4	73.9	282,189	2.7	45.4
その他の収益(費用)	3,239	332,623	3.2	1,569,957	16.3	(78.8)	(10,188)	(0.1)	(3,364.9)
税引前当期利益	7,234	742,802	7.2	1,805,794	18.7	(58.9)	272,001	2.6	173.1
法人税等、住民税及び事業税	(2,152)	(220,980)	(2.2)	(280,406)	(2.9)	(21.2)	517,379	4.9	(142.7)
少数株主損益	(419)	(43,040)	(0.4)	(48,710)	(0.5)	(11.6)	(42,837)	(0.4)	0.5
持分法による投資損益	(8)	(795)	0.0	(58,354)	(0.6)	(98.6)	15,548	0.1	(105.1)
当期利益(損失)	8,959	919,947	9.0%	1,979,136	20.5%	(53.5)	(272,667)	(2.6%)	(437.4)
1株あたり当期利益(損失)		24,012		51,658			(7,117)		
米国預託証券1単位あたり当期利益(損失)		12.01		25.83			(3.56)		
期中平均発行済株式総数		38,312		38,312			38,312		
期中平均発行済米国預託証券総数		76,623,702		76,623,702			76,623,702		

注記(1): 2004年12月期につきましては、米ドル換算レート102.68円=1米ドル(2004/12/31)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

2004年12月期累計、2003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

	Dec 31, 2004			Dec 31, 2003		
	USD (1)	JPY	% of Total Revenues	JPY	% of Total Revenues	YOY Chg %
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	83,091	8,531,798	29.0%	9,761,680	35.9%	(12.6%)
ダイヤルアップ接続サービス	21,608	2,218,688	7.5	2,330,551	8.6	(4.8)
付加価値サービス	35,868	3,682,914	12.5	3,192,670	11.8	15.4
その他	21,333	2,190,473	7.4	1,581,204	5.8	38.5
インターネット接続及び付加価値サービス	161,900	16,623,873	56.4	16,866,105	62.1	(1.4)
システムインテグレーション	102,278	10,501,959	35.7	7,846,238	28.9	33.8
機器販売	22,618	2,322,386	7.9	2,450,117	9.0	(5.2)
営業収益合計	286,796	29,448,218	100.0	27,162,460	100.0	8.4
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	140,878	14,465,368	49.1	15,237,607	56.1	(5.1)
システムインテグレーション原価	79,566	8,169,863	27.8	6,797,764	25.0	20.2
機器販売原価	20,917	2,147,704	7.3	2,295,320	8.5	(6.4)
売上原価合計	241,361	24,782,935	84.2	24,330,691	89.6	1.9
販売費	20,046	2,058,342	7.0	2,771,562	10.2	(25.7)
一般管理費	18,174	1,866,051	6.3	1,580,597	5.8	18.1
研究開発費	1,451	149,011	0.5	279,182	1.0	(46.6)
営業費用合計	281,032	28,856,339	98.0	28,960,032	106.6	(0.4)
営業利益 (損失)	5,764	591,879	2.0	(1,799,572)	(6.6)	(132.9)
その他の収益	1,673	171,735	0.6	1,208,265	4.4	(85.8)
税引前当期利益 (損失)	7,437	763,614	2.6	(591,307)	(2.2)	(229.1)
法人税等、住民税及び事業税	(13,254)	(1,360,936)	(4.6)	(1,242,083)	(4.6)	9.6
少数株主損益	(455)	(46,693)	(0.1)	393,107	1.5	(111.9)
持分法による投資損益	37	3,758	0.0	(1,817,721)	(6.7)	(100.2)
当期利益 (損失)	20,273	2,081,615	7.1%	(773,838)	(2.8%)	(369.0)
1株あたり当期利益 (損失)		54,333		(26,198)		
米国預託証券1単位あたり当期利益 (損失)		27.17		(13.10)		
期中平均発行済株式総数		38,312		29,538		
期中平均発行済米国預託証券総数		76,623,702		59,076,611		

注記(1): 2004年12月期につきましては、米ドル換算レート102.68円=1米ドル(2004/12/31)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)
 2004年12月期、2003年12月期、2004年9月期
 JPY/千円単位、USD/千米ドル単位⁽¹⁾

	2004年12月期			2003年12月期		2004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	118,414	12,158,790	26.9%	12,140,595	31.5%	11,802,165	27.4%
売掛金	60,687	6,231,361	13.8	6,640,226	17.3	6,770,303	15.7
棚卸資産	3,624	372,144	0.8	196,252	0.5	262,180	0.6
前払費用	9,632	989,003	2.2	875,338	2.3	652,061	1.5
その他流動資産	3,255	334,169	0.7	391,766	1.0	106,364	0.3
流動資産合計	195,612	20,085,467	44.4	20,244,177	52.6	19,593,073	45.5
関連会社投資等	7,398	759,585	1.7	1,024,126	2.7	752,630	1.7
その他投資	107,831	11,072,053	24.4	5,821,912	15.1	10,657,082	24.7
有形固定資産等	97,428	10,003,936	22.1	8,448,327	22.0	9,045,349	21.0
敷金保証金	19,968	2,050,305	4.5	2,076,387	5.4	2,080,345	4.8
その他資産	12,544	1,288,024	2.9	849,954	2.2	963,895	2.3
資産合計	440,781	45,259,370	100.0%	38,464,883	100.0%	43,092,374	100.0%
負債及び資本の部							
流動負債:							
短期借入金	46,999	4,825,844	10.7%	6,764,410	17.6%	5,732,204	13.3%
有価証券貸借取引に伴う債務	7,039	722,800	1.6			816,800	1.9
買掛金及び未払金	34,731	3,566,158	7.9	4,611,586	12.0	4,502,356	10.5
未払費用	6,484	665,821	1.5	513,996	1.3	448,585	1.0
その他流動負債	7,599	780,267	1.7	594,974	1.5	604,868	1.4
1年以内に期限到来の長期借入金	21,281	2,185,094	4.8	1,947,309	5.1	1,650,139	3.8
転換社債	107,986	11,088,000	24.5			11,088,000	25.7
短期リース債務	27,118	2,784,469	6.1	2,415,596	6.3	2,491,070	5.8
流動負債合計	259,237	26,618,453	58.8	16,847,871	43.8	27,334,022	63.4
長期借入金	23,270	2,389,339	5.3	1,945,434	5.0	1,732,473	4.0
転換社債				11,832,000	30.7		
長期リース債務	43,429	4,459,352	9.8	2,801,993	7.3	3,620,613	8.4
退職給付引当金	1,176	120,732	0.3	67,557	0.2	102,224	0.3
その他固定負債	3,120	320,393	0.7	180,329	0.5	300,190	0.7
負債合計	330,232	33,908,269	74.9	33,675,184	87.5	33,089,522	76.8
少数株主持分	9,632	988,964	2.2	486,388	1.3	945,572	2.2
資本:							
資本金	134,061	13,765,372	30.4	13,765,372	35.8	13,765,372	31.9
資本準備金	230,207	23,637,628	52.2	23,637,628	61.5	23,637,628	54.8
欠損金	(318,551)	(32,708,815)	(72.2)	(35,459,129)	(92.2)	(33,628,762)	(78.0)
その他有価証券評価差額金等	55,629	5,711,952	12.6	2,359,503	6.1	5,327,042	12.4
自己株式	(429)	(44,000)	(0.1)	(63)	0.0	(44,000)	(0.1)
資本合計	100,917	10,362,137	22.9	4,303,311	11.2	9,057,280	21.0
負債、少数株主持分及び資本合計	440,781	45,259,370	100.0%	38,464,883	100.0%	43,092,374	100.0%

注記(1): 2004年12月期につきましては、米ドル換算レート102.68円=1米ドル(2004/12/31)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
四半期連結キャッシュフロー計算書(米国会計基準未監査)

Appendix 4

2004年12月期、2003年12月期、2004年9月期

JPY/千円単位、USD/千米ドル単位 (1)

	Dec 31, 2004		Dec 31, 2003	Sept 30, 2004
	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)	8,959	919,947	1,979,136	(272,667)
減価償却費等	10,873	1,116,447	1,004,236	1,011,532
貸倒引当金繰入(戻入)額	(180)	(18,455)	(40,428)	19,968
持分法による投資損益	8	795	58,354	(15,548)
少数株主損(益)	419	43,040	48,710	42,837
為替差損(差益)	145	14,912	12,279	(14,152)
転換社債償還差損	-	-	(88,975)	-
その他投資に係る損益	(5,135)	(527,300)	(1,532,033)	(98,103)
売掛金の減少(増加)額	5,677	582,873	138,452	(1,396,506)
買掛金及び未払金の増加(減少)額	(9,597)	(985,459)	(70,261)	566,837
棚卸資産の減少(増加)額	(1,071)	(109,964)	72,267	149,969
法人税等調整額	(2,530)	(259,783)	(286,208)	501,873
その他	(1,427)	(146,465)	(209,740)	542,953
営業活動によるキャッシュフロー	6,141	630,588	1,085,789	1,038,993
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	(1,032)	(105,946)	(339,621)	(51,435)
その他投資の売却による収入	7,312	750,800	1,946,875	125,281
その他投資の取得による支出	(47)	(4,854)	(6,039)	(3,083)
敷金保証金の返還(差入)	303	31,162	727	(19,193)
営業譲受による支出	(3,613)	(371,011)	-	-
その他	(10)	(1,029)	(225)	904
投資活動によるキャッシュフロー	2,913	299,122	1,601,717	52,474
財務活動によるキャッシュフロー:				
長期借入金による調達	12,174	1,250,000	-	1,000,000
長期借入金の返済	(567)	(58,179)	(1,036,247)	(1,436,943)
有価証券貸借取引による担保金預り収入	(916)	(94,000)	-	816,800
転換社債の償還	-	-	(3,047,460)	-
リース債務元本の返済	(7,372)	(756,982)	(671,339)	(688,418)
短期借入金の純増減額	(8,827)	(906,360)	2,459,505	369,203
財務活動によるキャッシュフロー	(5,508)	(565,521)	(2,295,541)	60,642
現金及び現金同等物に係る換算差額	(73)	(7,564)	(34,305)	22,853
現金及び現金同等物の増加額	3,473	356,625	357,660	1,174,962
現金及び現金同等物の期首残高	114,941	11,802,165	11,782,935	10,627,203
現金及び現金同等物の期末残高	118,414	12,158,790	12,140,595	11,802,165

注記(1):2004年12月期につきましては、米ドル換算レート102.68円=1米ドル(2004/12/31)にて参考表示しております。



Internet Initiative Japan

For Immediate Release

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IIJ Announces Increase in Operating and Net Income in the Third Quarter of Fiscal Year 2004

Tokyo and New York, February 9, 2005 - Internet Initiative Japan Inc. (Nasdaq: IJJI) ("IIJ"), one of Japan's leading Internet-access and comprehensive network solutions providers, today announced its financial results for the third quarter of the fiscal year ending March 31, 2005 ("FY2004").¹

Highlights of Third Quarter FY2004 Results

- Revenue totaled JPY 10,261 million (\$99.9 million), an increase of 6.5% from JPY 9,633 million in 3Q03 and a decrease of 2.4% from JPY 10,512 million in 2Q04.
- Operating income was JPY 410 million (\$4.0 million), an increase of 73.9% from JPY 236 million in 3Q03 and an increase of 45.4% from JPY 282 million in 2Q04, and inline with guidance provided in 2Q04.
- Net income was JPY 920 million (\$9.0 million), an increase from a loss of JPY 273 million in 2Q04.

Outlook for Fourth Quarter FY2004²

- We expect annual and sequential increases in revenue and operating income in 4Q04.

Overview of 3rd Quarter Financial Results and Business Outlook²

"We are extremely pleased with our performance in the past quarter," said Koichi Suzuki, President and CEO of IIJ. "We achieved increase and improvement in operating and net income in 3Q04, and we met the guidance that we provided in 2Q04. Our comprehensive suite of services, including Internet connectivity, outsourcing and Systems Integration ("SI") are fundamentally based on our high-quality Internet engineering skills. We believe that this expertise is what has allowed us to continue to meet the increased corporate demand for reliable and high-quality network solutions, including network design and implementation, security consulting and outsourced network operations. Value-added Services ("VAS") is one area in particular in which we believe we will be able to capitalize on our skills in network and service operations. In the past quarter, revenues from this business line continued to grow and the business line became a solid source of ongoing revenue due to the increased number of contracts for security-related services and multi-site connectivity using Internet VPN technology. We believe that the increased awareness of security-related issues along with the expected enforcement of the law protecting personal information in April 2005 has been a primary driver of security-related services. Additionally, the steady decrease in connectivity service revenues that has been seen in the past few years started to level out in the third quarter due to an increase in the number of new contracts, especially for multi-site connectivity."

¹ Unless otherwise stated, all financial figures discussed in this announcement are prepared in accordance with U.S. GAAP. All financial figures are unaudited and consolidated. For all 3Q04 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 102.68 = US\$1.00, the approximate exchange rate on December 31, 2004.

² This Overview and Business Outlook contains forward-looking statements and projections such as statements regarding 4Q04 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.ij.ad.jp), but may discontinue this practice at any time. IIJ intends to publish its next Overview and Business Outlook in its 4Q04 earnings release, presently scheduled for May 2005.

"Operating income in 3Q04 increased compared to both 3Q03 and 2Q04," said Akihisa Watai, CFO of IJ. "The increase in operating income was achieved due to an increase in revenues from higher-margin VAS and SI, a decrease in backbone costs and stringent management of our SG&A expenses. In 4Q04, we expect that revenue and operating income will continue to increase, since the declining trend of connectivity services revenues started to stabilize in 3Q04 and the revenue from SI is usually the strongest in the fourth quarter of our fiscal year."

3rd Quarter FY2004 Financial Results

Operating Result Summary

(JPY in millions)

	3Q04	3Q03	YoY % change	2Q04	QoQ % change
Total Revenues	10,261	9,633	6.5%	10,512	(2.4%)
Total Costs	8,486	8,125	4.4%	8,854	(4.2%)
SG&A Expenses and R&D	1,365	1,272	7.3%	1,376	(0.8%)
Operating Income	410	236	73.9%	282	45.4%
Net Income (Loss)	920	1,979	(53.5%)	(273)	(437.4%)

Revenues

Revenues in 3Q04 totaled JPY 10,261 million, an increase of 6.5% from JPY 9,633 million in 3Q03 and a decrease of 2.4% from JPY 10,512 million in 2Q04.

Revenues

(JPY in millions)

	3Q04	3Q03	YoY % change	2Q04	QoQ % change
Total Revenues :	10,261	9,633	6.5%	10,512	(2.4%)
Connectivity & VAS	5,666	5,633	0.6%	5,508	2.9%
SI	3,970	2,889	37.4%	3,838	3.4%
Equipment Sales	625	1,111	(43.7%)	1,166	(46.4%)

Connectivity and VAS revenues

were JPY 5,666 million in 3Q04, an increase of 0.6% from JPY 5,633 million in 3Q03 and 2.9% from JPY 5,508 million in 2Q04.

Dedicated access service revenues were JPY 2,781 million in 3Q04, a decrease of 13.2% compared to 3Q03 and a decrease of 1.8% compared to 2Q04. The increase in revenues from broadband services did not offset the revenue decrease from IJ T1 Standard and IJ Economy. However, the level of decline in dedicated access service revenues shrank from what was significant and steady decline in prior quarters.

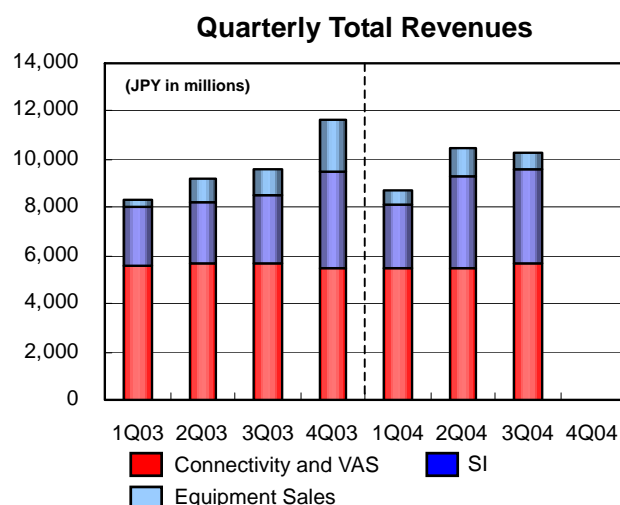
Dial-up access service revenues were JPY 727 million in 3Q04, a decrease of 6.8% compared to 3Q03 and a decrease of 1.8% compared to 2Q04 due to the decrease in revenues from IJ4U.

VAS revenues were JPY 1,276 million in 3Q04, an increase of 13.5% compared to 3Q03 and an increase of 4.6% compared to 2Q04. The increase compared to 3Q03 and 2Q04 is mainly due to construction of special facilities for large customers and an increase in revenues from every packaged type of outsourcing services such as security-related services.

Other revenues were JPY 882 million in 3Q04, an increase of 68.1% compared to 3Q03 and an increase of 23.3% compared to 2Q04, mainly due to an increase in revenues from Wide-area Ethernet Services.

SI revenues increased 37.4% to JPY 3,970 million in 3Q04 from JPY 2,889 million in 3Q03 and increased 3.4% from JPY 3,838 million in 2Q04. The increase is mainly due to additional revenues from the purchase of the security system business operations of Yamatane Co. Ltd. in October 2004.

Equipment sales revenues were JPY 625 million in 3Q04, a decrease of 43.7% compared to 3Q03 and



46.4% compared to 2Q04.

Cost and expense

Cost of revenues was JPY 8,486 million in 3Q04, an increase of 4.4% compared to 3Q03 and a decrease of 4.2% compared to 2Q04.

Cost of Connectivity and VAS revenues

was JPY 4,874 million, a decrease of 0.1% compared to 3Q03 and an increase of 2.0% compared to 2Q04. The gross-margin ratio for Connectivity and VAS in 3Q04 was 14.0%, compared to 13.4% in 3Q03 and 13.2% in 2Q04 due to a decrease in backbone costs.

Cost of SI revenues was JPY 3,031 million in 3Q04, an increase of 37.8% compared to 3Q03 and an increase of 1.6% compared to 2Q04. The gross margin ratio for SI in 3Q04 was 23.7%, compared to 23.9% in 3Q03 and 22.3% in 2Q04. The improvement in margin compared to 2Q04 was due to the increase in outsourced operation services with relatively high-margin.

Sales and marketing expenses

were JPY 684 million in 3Q04, a decrease of 2.2% compared to 3Q03 and a decrease of 3.9% compared to 2Q04. The decrease from 2Q04 is mainly due to a decrease in allowance for doubtful accounts.

General and administrative expenses were JPY 633 million in 3Q04, an increase of 30.1% compared to 3Q03 and an increase of 3.3% compared to 2Q04. The increase compared to 3Q03 is mainly due to an increase in personnel expenses and impairment losses on telephone rights.

Operating income

Operating income was JPY 410 million in 3Q04, compared to JPY 236 million in 3Q03 and JPY 282 million in 2Q04 mainly due to improved gross-margins in Connectivity, VAS and SI.

Other income (expenses) in 3Q04 was JPY 333 million, compared to JPY 1,570 million in 3Q03 and other expenses of JPY 10 million in 2Q04. The increase from 2Q04 is mainly due to gain on the sale of available-for-sale securities which amounted to JPY 531 million. The other income in 3Q03 included the gain on sales of the shares of DLJdirect SFG Securites.

Income tax expense (benefit) for 3Q04 was a benefit of JPY 221 million, compared to a benefit of JPY 280 million in 3Q03 and an expense of JPY 517 million in 2Q04. The difference from 2Q04 was mainly due to a decrease in valuation allowance for deferred tax assets attributable primarily to the income tax effect of increasing unrealized gain on certain available-for-sale securities during the quarter.

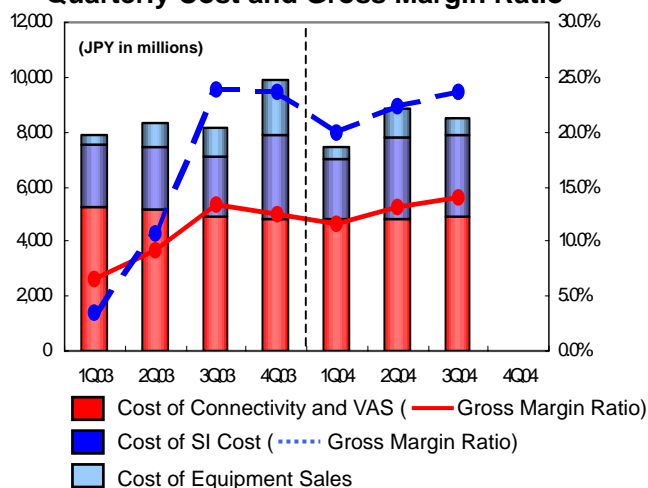
Equity in net income (loss) of equity method investees amounted to a net loss of JPY 1 million in 3Q04, compared to a net loss of JPY 58 million in 3Q03 and net income of JPY 16 million in 2Q04.

Cost of Revenues

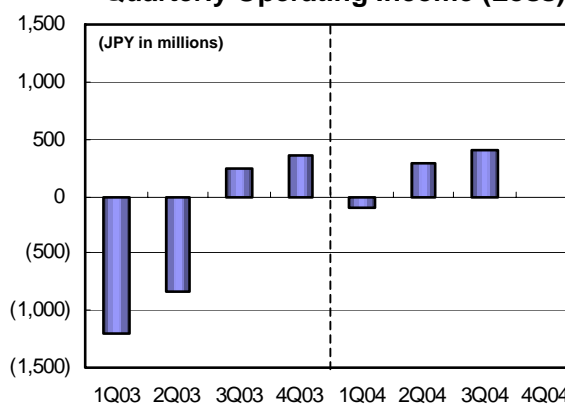
(JPY in millions)

	3Q04	3Q03	YoY % change	2Q04	QoQ % change
Total Costs:	8,486	8,125	4.4%	8,854	(4.2%)
Connectivity & VAS	4,874	4,877	(0.1%)	4,780	2.0%
SI	3,031	2,198	37.8%	2,983	1.6%
Equipment Sales	581	1,050	(44.6%)	1,091	(46.7%)

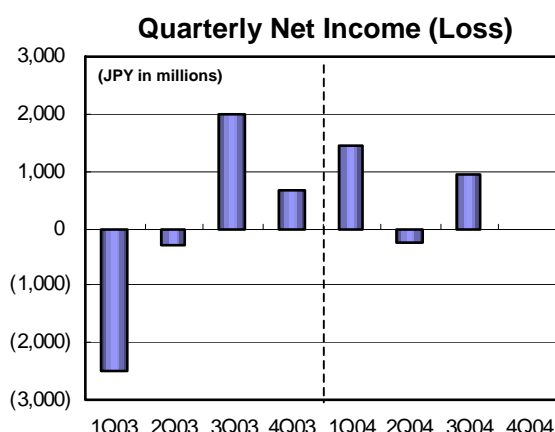
Quarterly Cost and Gross Margin Ratio



Quarterly Operating Income (Loss)



Net income (loss) was net income of JPY 920 million in 3Q04, compared to net income of JPY 1,979 million in 3Q03 and net loss of JPY 273 million in 2Q04. The increase compared to 2Q04 was mainly due to the improvement in operating income, gain on the sale of available-for-sale securities and the income tax benefit due to the effect of increases in unrealized gains on certain available-for-sale securities.



3rd Quarter FY2004 Business Review

Analysis by Service

Connectivity and Value-added Services

Number of Contracts for Connectivity Services

	3Q04	3Q03	2Q04
Dedicated Access Service Contracts	9,427	6,884	8,880
IP Service (Low Bandwidth: 64kbps-768kbps) ³	67	98	71
IP Service (Medium Bandwidth: 1Mbps-99Mbps)	609	535	597
IP Service (High Bandwidth: 100Mbps-)	103	72	93
IIJ T1 Standard and IIJ Economy ⁴	313	581	358
IIJ Data Center Connectivity Service	228	188	225
IIJ FiberAccess/F and IIJ DSL/F (Broadband Services)	8,107	5,410	7,536
Dial-up Access Service Contracts	708,517	666,920	711,637
Dial-up Access Services, under IIJ Brand	69,260	77,626	70,629
Dial-up Access Services, OEM ⁵	639,257	589,294	641,008
Total Contracted Bandwidth	109.5Gbps	75.8Gbps	104.9Gbps

The total number of contracts for dedicated access services continued to steadily increase in 3Q04. The number of contracts for medium and high speeds of IP Services increased as corporate customers continued to upgrade their bandwidth to higher-speed services (10 or 100Mbps), rather than shift to lower-cost broadband services. The number of contracts over 1Gbps also increased to 22. The number of contracts for broadband services continued to increase steadily due to the new connectivity contracts for multi-site connectivity with Internet VPN.

Connectivity and VAS Revenue Breakdown and Cost

(JPY in millions)

	3Q04	3Q03	YoY % Change	2Q04	QoQ % change
Connectivity Service Revenues	3,508	3,984	(11.9%)	3,572	(1.8%)
Dedicated Access Service Revenues	2,781	3,204	(13.2%)	2,832	(1.8%)
IP Service⁶	2,186	2,485	(12.0%)	2,222	(1.7%)
IIJ T1 Standard and IIJ Economy	195	391	(50.2%)	228	(14.5%)
IIJ FiberAccess/F and IIJ DSL/F (Broadband Services)	400	328	22.0%	382	4.8%

³ Including IPv6 Services.

⁴ Referred to "Limited Functionality Services" in 1Q04 for the services with local access not shared, limited on several functionality compared to IP service such as number of IP address allocated and fixed speed of 64kbps, 128kbps and 1.5Mbps.

⁵ OEM stands for Original Equipment Manufacturer.

⁶ IP Service revenues includes revenues from Data Center Connectivity Service.

Dial-up Access Service Revenues	727	780	(6.8%)	740	(1.8%)
Under IIJ Brand	478	552	(13.4%)	501	(4.6%)
OEM	249	228	9.3%	239	4.2%
VAS Revenues	1,276	1,125	13.5%	1,220	4.6%
Other Revenues	882	525	68.1%	716	23.3%
Total Connectivity and VAS Revenues	5,666	5,633	0.6%	5,508	2.9%
Cost of Connectivity and VAS	4,874	4,877	(0.1%)	4,780	2.0%
Backbone Cost (included in the cost of Connectivity and VAS)	858	1,094	(21.6%)	877	(2.2%)
Connectivity and VAS Gross Margin Ratio	14.0%	13.4%		13.2%	

The trend of decreasing revenues from IP Services, and decreasing revenues from IIJ T1 Standard and IIJ Economy due to the shift to lower cost broadband services has slowed. Revenue from broadband services increased due to new multi-site connectivity customers. As a result of the factors above, the rate of decline in total connectivity service revenues in 3Q04 decreased from what was a significant and steady decline in prior years.

VAS revenues increased by 13.5% compared to 3Q03 and 4.6% compared to 2Q04. The revenues steadily increased for almost every packaged type of outsourcing services. We had approximately 1,400 security-related contracts in 3Q04, an increase of 7.8% compared to 2Q04. Increased awareness of security issues, especially resulting from the expected implementation of the law protecting personal information in April 2005 also had a positive effect. Revenue from network-related services rose due to the increase of contracts for IIJ SMF Service to provide automatic router configuration and monitoring for IIJ SEIL routers and SEIL Rental Service that is related to multi-site connectivity cases.

Other revenues also increased steadily mainly due to an increase in revenue from Wide-area Ethernet services and corporate LAN related services.

Backbone costs decreased by 21.6% compared to 3Q03 and by 2.2% compared to 2Q04. We expect that this will become more stable in the coming quarters.

The cross-selling ratio between Connectivity and VAS, as the percentage of the largest 1,000 Connectivity service customers that use VAS was 87.5%.

Cross-selling Ratios

	3Q04	2Q04
VAS Cross-selling Ratio	87.5%	86.9%
SI Cross-selling Ratio	90.0%	80.0%

The cross-selling ratio between Connectivity and SI, as the percentage of SI customers that use Connectivity services among the largest 100 SI customers was 90.0%.

Systems Integration

Systems Integration Revenue Breakdown and Cost

(JPY in millions)

	3Q04	3Q03	YoY % change	2Q04	QoQ % change
Systems Integration Revenues	3,970	2,889	37.4%	3,838	3.4%
Systems Integration	1,672	1,509	10.8%	2,101	(20.4%)
Outsourced Operation	2,298	1,380	66.5%	1,737	32.3%
Cost of Systems Integration	3,031	2,198	37.8%	2,983	1.6%
Systems Integration Gross Margin Ratio	23.7%	23.9%		22.3%	

SI revenues increased by 37.4% compared to 3Q03 and 3.4% compared to 2Q04. The increase is mainly due to additional revenues from the purchase of the security system business operations of Yamatane Co. Ltd. ("Yamatane"). The steady increase in revenues from outsourced operations was also achieved by new outsourcing contracts related to the one-time integration of systems that occurred in 2Q04. We expect that overall SI revenues will continue to increase in 4Q04, since the fourth quarter is the strongest quarter in our fiscal year.

Equipment Sales

Equipment Sales Revenue and Cost

(JPY in millions)

	3Q04	3Q03	YoY % change	2Q04	QoQ % change
Equipment Sales Revenues	625	1,111	(43.7%)	1,166	(46.4%)
Cost of Equipment Sales	581	1,050	(44.6%)	1,091	(46.7%)
Equipment Sales Gross Margin Ratio	7.0%	5.5%		6.5%	

Other Financial Statistics

Other Financial Statistics

(JPY in millions)

	3Q04	3Q03	YoY % Change	2Q04	QoQ % change
Adjusted EBITDA ⁷	1,508	1,218	23.9%	1,275	18.3%
CAPEX, including capital leases ⁸	2,017	508	296.9%	1,345	49.9%
Depreciation and amortization ⁹	1,116	1,004	11.2%	1,012	10.4%

Key Service Developments

Participation in RFID development:

In November 2004, IIJ announced that it will participate along with IIJ Technology Inc, in testing Radio Frequency ID tags ("RFID") on international shipping containers in the physical distribution industry as part of the FY2004 RFID Pilot Project that is being run by the Ministry of Economy, Trade, and Industry. In this test, the IIJ Group will provide network infrastructure and the EPC System, a system that was developed by IIJ and enables the general recording, referencing, and updating over the Internet of information tied to RFID tags, such as tag code, association, and history to verify its validity. The EPC System provides more generalized and flexible use than the proprietary use in a certain company or industry by using the Internet. IIJ is planning to introduce new services based on the knowledge and know-how accumulated in the experiment.

Addition of a spam filter to our Internet service for consumer customers:

In December 2004, IIJ announced that it would add a spam filter to its Internet service for consumer customers, IIJ4U. In Japan, spam is becoming a serious problem and the feature is provided free of charge to consumers who use the optional Virus Protection service, which detects and deletes viruses. There are also plans to extend this spam filtering feature to IIJmio in early 2005.

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 in accordance with accounting principles generally accepted in the U.S. and presented in Appendix 1:

Adjusted EBITDA

(JPY in millions)

	3Q04	3Q03	2Q04
Adjusted EBITDA	1,508	1,218	1,275
Depreciation and Amortization ¹⁰	(1,098)	(982)	(993)
Operating Income	410	236	282
Other Income (Expenses)	333	1,570	(10)
Income Tax Expense (Benefit)	(221)	(280)	518
Minority Interests in Consolidated Subsidiaries	(43)	(49)	(43)
Equity in Net Income (Loss) of Equity Method Investees	(1)	(58)	16
Net Income (Loss)	920	1,979	(273)

⁷ Please refer to the Reconciliation of Non-GAAP Financial Measures below.

⁸ Please refer to the Reconciliation of Non-GAAP Financial Measures on the next page.

⁹ Depreciation and amortization includes amortization of issuance cost of convertible notes.

¹⁰ Depreciation and amortization excludes amortization of issuance cost of convertible notes that was included in other expenses.

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

CAPEX		(JPY in millions)	
	3Q04	3Q03	2Q04
Capital Expenditures	2,017	508	1,345
Acquisition of Assets by Entering into Capital Leases	1,911	168	1,294
Purchase of Property and Equipment	106	340	51

Management Message/Webcast

On February 10, IJ will present its management message and the Company's results and outlook by webcast. For details, please access the following URL: <http://www.ij.ad.jp/en/IR/>

About Internet Initiative Japan Inc.

Founded in 1992, Internet Initiative Japan Inc. (IJ, NASDAQ: IJI) 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. IJ 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.

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Statements made in this press release regarding IJ's or management's intentions, beliefs, expectations, or predictions for the future are forward-looking statements that are based on IJ's and managements' current expectations, assumptions, estimates and projections about its business and the industry. These forward-looking statements, such as statements regarding 4Q04 revenues and operating profitability, are subject to various risks, uncertainties and other factors that could cause IJ's actual results to differ materially from those contained in any forward-looking statement. These risks, uncertainties and other factors include: IJ's expectation that net losses will continue or may increase; IJ's ability to raise additional capital to cover its indebtedness; the possibility that NTT, IJ's largest shareholder, may decide to exercise substantial influence over IJ; the impact on IJ's profits of fluctuations in the price of available-for-sale securities; the impact on IJ's profits of fluctuations in costs such as backbone costs and subcontractor costs; IJ'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 IJ'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.

Appendix 1

CONSOLIDATED STATEMENTS OF OPERATIONS(UNAUDITED)

For the Three Months Ended Dec 31, 2004, Dec 31, 2003 and Sept 30, 2004

(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, 2004			Dec 31, 2003			Sept 30, 2004		
	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	27,084	2,780,955	27.1%	3,204,046	33.3%	(13.2%)	2,832,355	27.0%	(1.8%)
Dial-up access services	7,078	726,798	7.1	779,544	8.1	(6.8)	739,957	7.0	(1.8)
Value-added services	12,427	1,275,958	12.4	1,124,596	11.7	13.5	1,220,119	11.6	4.6
Other	8,594	882,466	8.6	525,106	5.4	68.1	715,617	6.8	23.3
Total connectivity and value-added services	55,183	5,666,177	55.2	5,633,292	58.5	0.6	5,508,048	52.4	2.9
Systems integration revenues	38,660	3,969,610	38.7	2,888,936	30.0	37.4	3,837,711	36.5	3.4
Equipment sales	6,089	625,196	6.1	1,110,927	11.5	(43.7)	1,166,569	11.1	(46.4)
Total revenues	99,932	10,260,983	100.0	9,633,155	100.0	6.5	10,512,328	100.0	(2.4)
Costs and expenses:									
Cost of connectivity and value-added services	47,465	4,873,759	47.5	4,876,741	50.6	(0.1)	4,780,268	45.5	2.0
Cost of systems integration revenues	29,516	3,030,666	29.5	2,198,668	22.8	37.8	2,982,577	28.3	1.6
Cost of equipment sales	5,662	581,368	5.7	1,049,663	10.9	(44.6)	1,090,870	10.4	(46.7)
Total costs	82,643	8,485,793	82.7	8,125,072	84.3	4.4	8,853,715	84.2	(4.2)
Sales and marketing	6,659	683,731	6.6	698,948	7.3	(2.2)	711,661	6.8	(3.9)
General and administrative	6,164	632,874	6.2	486,332	5.1	30.1	612,526	5.8	3.3
Research and development	471	48,406	0.5	86,966	0.9	(44.3)	52,237	0.5	(7.3)
Total costs and expenses	95,937	9,850,804	96.0	9,397,318	97.6	4.8	10,230,139	97.3	(3.7)
Operating income	3,995	410,179	4.0	235,837	2.4	73.9	282,189	2.7	45.4
Other income (expenses)	3,239	332,623	3.2	1,569,957	16.3	(78.8)	(10,188)	(0.1)	(3,364.9)
Income before income tax expense (benefit)	7,234	742,802	7.2	1,805,794	18.7	(58.9)	272,001	2.6	173.1
Income tax expense (benefit)	(2,152)	(220,980)	(2.2)	(280,406)	(2.9)	(21.2)	517,379	4.9	(142.7)
Minority interests in consolidated subsidiaries	(419)	(43,040)	(0.4)	(48,710)	(0.5)	(11.6)	(42,837)	(0.4)	0.5
Equity in net income (loss) of equity method investees	(8)	(795)	0.0	(58,354)	(0.6)	(98.6)	15,548	0.1	(105.1)
Net income (loss)	8,959	919,947	9.0%	1,979,136	20.5%	(53.5)	(272,667)	(2.6%)	(437.4)
Basic Net Income (Loss) Per Share		24,012		51,658			(7,117)		
Basic Net Income (Loss) Per ADS Equivalent		12.01		25.83			(3.56)		
Weighted Average Number of Shares		38,312		38,312			38,312		
Weighted Average Number of ADS Equivalents		76,623,702		76,623,702			76,623,702		

Note (1): The translations of Japanese yen amounts into US dollar amounts with respect to the three months ended Dec 31, 2004 are included solely for the convenience of readers outside Japan and have been made at the rate of JPY 102.68 = \$1, the approximate rate of exchange on Dec 31, 2004.

INTERNET INITIATIVE JAPAN INC.
CONSOLIDATED STATEMENTS OF OPERATIONS(UNAUDITED)

Appendix 2

For the Nine Months Ended Dec 31, 2004, Dec 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					
	Dec 31, 2004			Dec 31, 2003		
	USD (1)	JPY	% of Total Revenues	JPY	% of Total Revenues	YOY Chg %
Revenues:						
Connectivity and value-added services:						
Dedicated access services	83,091	8,531,798	29.0%	9,761,680	35.9%	(12.6%)
Dial-up access services	21,608	2,218,688	7.5	2,330,551	8.6	(4.8)
Value-added services	35,868	3,682,914	12.5	3,192,670	11.8	15.4
Other	21,333	2,190,473	7.4	1,581,204	5.8	38.5
Total connectivity and value-added services	161,900	16,623,873	56.4	16,866,105	62.1	(1.4)
Systems integration revenues	102,278	10,501,959	35.7	7,846,238	28.9	33.8
Equipment sales	22,618	2,322,386	7.9	2,450,117	9.0	(5.2)
Total revenues	286,796	29,448,218	100.0	27,162,460	100.0	8.4
Costs and expenses:						
Cost of connectivity and value-added services	140,878	14,465,368	49.1	15,237,607	56.1	(5.1)
Cost of systems integration revenues	79,566	8,169,863	27.8	6,797,764	25.0	20.2
Cost of equipment sales	20,917	2,147,704	7.3	2,295,320	8.5	(6.4)
Total costs	241,361	24,782,935	84.2	24,330,691	89.6	1.9
Sales and marketing	20,046	2,058,342	7.0	2,771,562	10.2	(25.7)
General and administrative	18,174	1,866,051	6.3	1,580,597	5.8	18.1
Research and development	1,451	149,011	0.5	279,182	1.0	(46.6)
Total costs and expenses	281,032	28,856,339	98.0	28,960,032	106.6	(0.4)
Operating income (loss)	5,764	591,879	2.0	(1,799,572)	(6.6)	(132.9)
Other income	1,673	171,735	0.6	1,208,265	4.4	(85.8)
Income before income tax expense (benefit)	7,437	763,614	2.6	(591,307)	(2.2)	(229.1)
Income tax expense (benefit)	(13,254)	(1,360,936)	(4.6)	(1,242,083)	(4.6)	9.6
Minority interests in consolidated subsidiaries	(455)	(46,693)	(0.1)	393,107	1.5	(111.9)
Equity in net income (loss) of equity method investees	37	3,758	0.0	(1,817,721)	(6.7)	(100.2)
Net income (loss)	20,273	2,081,615	7.1%	(773,838)	(2.8%)	(369.0)
Basic Net Income (Loss) Per Share		54,333		(26,198)		
Basic Net Income (Loss) Per ADS Equivalent		27.17		(13.10)		
Weighted Average Number of Shares		38,312		29,538		
Weighted Average Number of ADS Equivalents		76,623,702		59,076,611		

Note (1): The translations of Japanese yen amounts into US dollar amounts with respect to the three months ended Dec 31, 2004 are included solely for the convenience of readers outside Japan and have been made at the rate of JPY102.68=\$1, the approximate rate of exchange on Dec 31,2004.

INTERNET INITIATIVE JAPAN INC.
CONSOLIDATED BALANCE SHEETS(UNAUDITED)

Appendix 3

As of Dec 31, 2004, Dec 31, 2003 and Sept 30, 2004
(Expressed in Thousands of Japanese Yen (JPY) and U.S. Dollars (USD)) ⁽¹⁾

	Dec 31, 2004			Dec 31, 2003		Sept 30, 2004	
	USD ⁽¹⁾	JPY	%	JPY	%	JPY	%
ASSETS							
Current Assets:							
Cash and cash equivalents	118,414	12,158,790	26.9%	12,140,595	31.5%	11,802,165	27.4%
Accounts receivable, net	60,687	6,231,361	13.8	6,640,226	17.3	6,770,303	15.7
Inventories	3,624	372,144	0.8	196,252	0.5	262,180	0.6
Prepaid expenses	9,632	989,003	2.2	875,338	2.3	652,061	1.5
Other current assets	3,255	334,169	0.7	391,766	1.0	106,364	0.3
Total current assets	195,612	20,085,467	44.4	20,244,177	52.6	19,593,073	45.5
Investments in and Advances to Equity Method Investees	7,398	759,585	1.7	1,024,126	2.7	752,630	1.7
Other Investments	107,831	11,072,053	24.4	5,821,912	15.1	10,657,082	24.7
Property and Equipment, net	97,428	10,003,936	22.1	8,448,327	22.0	9,045,349	21.0
Guarantee Deposits	19,968	2,050,305	4.5	2,076,387	5.4	2,080,345	4.8
Other Assets	12,544	1,288,024	2.9	849,954	2.2	963,895	2.3
Total assets	440,781	45,259,370	100.0%	38,464,883	100.0%	43,092,374	100.0%
LIABILITIES AND SHAREHOLDERS' EQUITY							
Current Liabilities:							
Short-term borrowings	46,999	4,825,844	10.7%	6,764,410	17.6%	5,732,204	13.3%
Payable under securities loan agreement	7,039	722,800	1.6			816,800	1.9
Accounts payable	34,731	3,566,158	7.9	4,611,586	12.0	4,502,356	10.5
Accrued expenses	6,484	665,821	1.5	513,996	1.3	448,585	1.0
Other current liabilities	7,599	780,267	1.7	594,974	1.5	604,868	1.4
Long-term borrowings-current portion	21,281	2,185,094	4.8	1,947,309	5.1	1,650,139	3.8
Convertible notes	107,986	11,088,000	24.5			11,088,000	25.7
Capital lease obligations-current portion	27,118	2,784,469	6.1	2,415,596	6.3	2,491,070	5.8
Total current liabilities	259,237	26,618,453	58.8	16,847,871	43.8	27,334,022	63.4
Long-term Borrowings	23,270	2,389,339	5.3	1,945,434	5.0	1,732,473	4.0
Convertible Notes				11,832,000	30.7		
Capital Lease Obligations-Noncurrent	43,429	4,459,352	9.8	2,801,993	7.3	3,620,613	8.4
Accrued Retirement and Pension Costs	1,176	120,732	0.3	67,557	0.2	102,224	0.3
Other Noncurrent Liabilities	3,120	320,393	0.7	180,329	0.5	300,190	0.7
Total liabilities	330,232	33,908,269	74.9	33,675,184	87.5	33,089,522	76.8
Minority Interest	9,632	988,964	2.2	486,388	1.3	945,572	2.2
Shareholders' Equity:							
Common stock	134,061	13,765,372	30.4	13,765,372	35.8	13,765,372	31.9
Additional paid-in capital	230,207	23,637,628	52.2	23,637,628	61.5	23,637,628	54.8
Accumulated deficit	(318,551)	(32,708,815)	(72.2)	(35,459,129)	(92.2)	(33,628,762)	(78.0)
Accumulated other comprehensive income	55,629	5,711,952	12.6	2,359,503	6.1	5,327,042	12.4
Treasury stock	(429)	(44,000)	(0.1)	(63)	0.0	(44,000)	(0.1)
Total shareholders' equity	100,917	10,362,137	22.9	4,303,311	11.2	9,057,280	21.0
Total liabilities and shareholders' equity	440,781	45,259,370	100.0%	38,464,883	100.0%	43,092,374	100.0%

Note (1): The translations of Japanese yen amounts into US dollar amounts with respect to the three months ended Dec 31, 2004 are included solely for the convenience of readers outside Japan and have been made at the rate of JPY 102.68 = \$1, the approximate rate of exchange on Dec 31, 2004.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

For the Three Months Ended Dec 31, 2004, Dec 31, 2003 and Sept 30, 2004

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

	Dec 31, 2004		Dec 31, 2003	Sept 30, 2004
	USD (1)	JPY	JPY	JPY
Operating Activities:				
Net income (loss)	8,959	919,947	1,979,136	(272,667)
Depreciation and amortization	10,873	1,116,447	1,004,236	1,011,532
Provision for (reversal of) doubtful accounts	(180)	(18,455)	(40,428)	19,968
Equity in net income (loss) of equity method investees	8	795	58,354	(15,548)
Minority interests in consolidated subsidiaries	419	43,040	48,710	42,837
Foreign exchange losses (gains)	145	14,912	12,279	(14,152)
Gain on retirement of convertible notes	-	-	(88,975)	-
Net gains on other investments	(5,135)	(527,300)	(1,532,033)	(98,103)
Decrease (increase) in accounts receivable	5,677	582,873	138,452	(1,396,506)
Increase (decrease) in accounts payable	(9,597)	(985,459)	(70,261)	566,837
Decrease (increase) in inventories	(1,071)	(109,964)	72,267	149,969
Deferred income taxes	(2,530)	(259,783)	(286,208)	501,873
Other	(1,427)	(146,465)	(209,740)	542,953
Net cash provided by operating activities	6,141	630,588	1,085,789	1,038,993
Investing Activities:				
Purchase of property and equipment	(1,032)	(105,946)	(339,621)	(51,435)
Proceeds from sales of other investment	7,312	750,800	1,946,875	125,281
Purchase of other investments	(47)	(4,854)	(6,039)	(3,083)
Refund (payment) of guarantee deposits-net	303	31,162	727	(19,193)
Acquisition of business	(3,613)	(371,011)	-	-
Other	(10)	(1,029)	(225)	904
Net cash provided by investing activities	2,913	299,122	1,601,717	52,474
Financing Activities:				
Proceeds from long-term borrowings	12,174	1,250,000	-	1,000,000
Repayments of long-term borrowings	(567)	(58,179)	(1,036,247)	(1,436,943)
Proceeds from (repayments of) securities loan agreement	(916)	(94,000)	-	816,800
Repurchase of convertible notes	-	-	(3,047,460)	-
Principal payments under capital leases	(7,372)	(756,982)	(671,339)	(688,418)
Net increase (decrease) in short-term borrowings	(8,827)	(906,360)	2,459,505	369,203
Net cash provided by (used in) financing activities	(5,508)	(565,521)	(2,295,541)	60,642
Effect of Exchange Rate Changes on Cash	(73)	(7,564)	(34,305)	22,853
Net Increase in Cash and Cash Equivalents	3,473	356,625	357,660	1,174,962
Cash and Cash Equivalents, Beginning of Period	114,941	11,802,165	11,782,935	10,627,203
Cash and Cash Equivalents, End of Period	118,414	12,158,790	12,140,595	11,802,165

Note (1): The translations of Japanese yen amounts into US dollar amounts with respect to the three months ended Dec 31, 2004 are included solely for the convenience of readers outside Japan and have been made at the rate of JPY102.68 = \$1, the approximate rate of exchange on Dec 31, 2004.