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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。

## 2003年度第4四半期(1-3月)および2003年度決算発表(抄訳)

本決算発表に関するカンファレンス・コールの様子を2004年5月14日22:00よりインターネット上(URL: [www.vcall.com](http://www.vcall.com))で公開しております。

### 2003年度第4四半期決算

- ・ 営業収益(売上高)は、前期比20.6%増の11,617百万円(前年同期比は10.9%減)。
- ・ 営業利益は350百万円で、前期の236百万円(株式会社クロスウェイブ コミュニケーションズ(クロスウェイブ)に対する更生債権287百万円のうちの戻り分71百万円を含む)から48.3%の増加。システム・インテグレーション(SI)での利益率改善により、前年同期の446百万円からも増加した。
- ・ 償却前営業利益(Adjusted EBITDA)は1,358百万円と、前期1,218百万円から11.5%の増加。前年同期の459百万円からも増加した。
- ・ 当期利益は669百万円で、前期1,979百万円(株式売却による特別利益1,572百万円を含む)からは減少、前年同期の9,290百万円からは大幅に改善した。

### 2003年度決算

- ・ 営業収益(売上高)は、上半期の景気回復過程での企業のIT投資の遅れがSIおよび機器販売の売上高に影響し、前年度比11.9%減の388億円となった。
- ・ 営業損失は14億円で、前年度の17億円から改善した。インターネットセキュリティやVPNといった利益率の高いSIおよび付加価値サービスに注力するとともにバックボーンコストの削減(516百万円)に努め、第3四半期および第4四半期の2期連続で営業黒字を達成したものの、上半期の営業損失を埋めるには至らなかった。なお、2003年度通期での利益率は接続サービスを含むすべてのサービス分野で前年度より改善した。
- ・ 当期損失は105百万円で、クロスウェイブからの持分法損失が大きな影響を与えていた前年度の16,477百万円から大幅に改善した。また下期の営業黒字達成や株式売却、保有株式の含み益なども貢献した。

### 2004年度見通し

- ・ 2003年度下半期の営業利益での黒字達成によって、クロスウェイブの会社更生手続申請によるマイナスの影響は払拭され、今後の継続的な収益力強化の基盤が固まってきたと考えている。引き続き、利益率の高いサービスの開発、販売に注力し、2004年度は年度ベースで営業利益、当期利益双方での黒字を目標とする。

(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)

	4Q03	4Q02	前年同期比	3Q03	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	3,100	3,341	(7.2%)	3,204	(3.2%)
ダイヤルアップ接続サービス	758	765	(0.9%)	780	(2.8%)
インターネット接続サービス収入合計	3,858	4,106	(6.0%)	3,984	(3.1%)
付加価値サービス	1,104	931	18.5%	1,125	(1.9%)
その他	537	381	40.8%	525	2.2%
インターネット接続及び付加価値サービス収入合計	5,499	5,419	1.5%	5,633	(2.4%)
システム・インテグレーション	4,001	4,905	(18.4%)	2,889	38.5%
機器販売	2,117	2,712	(21.9%)	1,111	90.6%
営業収益合計	11,617	13,036	(10.9%)	9,633	20.6%

表 2. 専用線接続サービスの売上高の内訳

(百万円)

	4Q03	4Q02	前年同期比	3Q03	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	2,423	2,518	(3.8%)	2,485	(2.5%)
その他	677	823	(17.7%)	719	(5.8%)
専用線接続サービス合計	3,100	3,341	(7.2%)	3,204	(3.2%)

表 3. 契約数

	4Q03	4Q02	3Q03
IP サービス			
64kbps - 128kbps	73	112	76
192kbps - 768kbps	20	35	22
1Mbps - 2Mbps	218	268	226
3Mbps - 1.2Gbps	427	248	381
インターネットデータセンター接続サービス契約数 <sup>1</sup>	196	156	188
その他 <sup>2</sup>	6,292	4,489	5,991
専用線接続サービス合計	7,226	5,308	6,884
IIJ4U (個人向けダイヤルアップ接続サービス)	67,105	79,464	69,688
その他ダイヤルアップ接続サービス	628,762	450,320	597,232
ダイヤルアップ接続サービス合計	695,867	529,784	666,920

表 4. 契約帯域数の総和

(単位: Gbps)

	4Q03	4Q02	3Q03
専用線接続サービス	64.5	32.1	60.3
インターネットデータセンター接続サービス	15.6	9.9	15.5
契約帯域合計	80.1	42.0	75.8

<sup>1</sup> 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。

<sup>2</sup> その他: IIJ FiberAccess/F、IIJ Ethernet Standard、IIJ DSL/F、IIJT1 スタンダード、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)

	4Q03	4Q02	前年同期比	3Q03	前期比
インターネットデータセンターサービス	324	341	(5.2%)	373	(13.1%)
その他付加価値サービス	780	590	32.2%	752	3.7%
付加価値サービス合計	1,104	931	18.5%	1,125	(1.9%)

表 6. 営業費用の内訳 (百万円)

	4Q03	4Q02	前年同期比	3Q03	前期比
インターネット接続及び付加価値サービス原価	4,810	5,033	(4.4%)	4,877	(1.4%)
システム・インテグレーション原価	3,054	4,248	(28.1%)	2,198	38.9%
機器販売原価	2,051	2,638	(22.3%)	1,050	95.4%
売上原価合計	9,915	11,919	(16.8%)	8,125	22.0%
販売費	756	789	(4.2%)	699	8.2%
一般管理費	518	662	(21.7%)	486	6.5%
研究開発費	78	113	(30.2%)	87	(9.4%)
営業費用合計	11,267	13,483	(16.4%)	9,397	19.9%

表 7. バックボーンコストの内訳 (百万円)

	4Q03	4Q02	前年同期比	3Q03	前期比
国際バックボーンコスト	165	315	(47.7%)	156	5.7%
国内バックボーンコスト	902	1,075	(16.1%)	939	(3.8%)

表 8. その他 (百万円)

	4Q03	4Q02	前年同期比	3Q03	前期比
Adjusted EBITDA (償却前営業利益)	1,358	459	195.5%	1,218	11.5%
設備投資 (キャピタルリースを含む)	1,014	936	8.4%	508	99.6%
減価償却費 <sup>3</sup>	1,030	933	10.4%	1,004	2.6%

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。

<sup>3</sup> 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)

Appendix 1

2004年3月期、2003年3月期、2003年12月期

JPY/千円単位、USD/千米ドル単位 (1)

	前年同四半期比較						前四半期比較		
	2004年3月期		対営業収益 %	2003年3月期		対前年同四半期 %	2003年12月期		対前四半期 %
	USD (1)	JPY		JPY	対営業収益 %		JPY	対営業収益 %	
<b>営業収益:</b>									
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	29,760	3,100,452	26.7%	3,341,255	25.6%	(7.2%)	3,204,046	33.3%	(3.2%)
ダイヤルアップ接続サービス	7,275	757,947	6.5	764,958	5.9	(0.9)	779,544	8.1	(2.8)
付加価値サービス	10,593	1,103,558	9.5	931,399	7.2	18.5	1,124,596	11.7	(1.9)
その他	5,151	536,590	4.6	381,206	2.9	40.8	525,106	5.4	2.2
インターネット接続及び付加価値サービス収入合計	52,779	5,498,547	47.3	5,418,818	41.6	1.5	5,633,292	58.5	(2.4)
システムインテグレーション	38,409	4,001,449	34.5	4,905,429	37.6	(18.4)	2,888,936	30.0	38.5
機器販売	20,321	2,117,006	18.2	2,712,192	20.8	(21.9)	1,110,927	11.5	90.6
<b>営業収益合計</b>	<b>111,509</b>	<b>11,617,002</b>	<b>100.0</b>	<b>13,036,439</b>	<b>100.0</b>	<b>(10.9)</b>	<b>9,633,155</b>	<b>100.0</b>	<b>20.6</b>
<b>営業費用:</b>									
インターネット接続及び付加価値サービス原価	46,169	4,809,831	41.4	5,033,266	38.6	(4.4)	4,876,741	50.6	(1.4)
システムインテグレーション原価	29,314	3,053,962	26.3	4,247,690	32.6	(28.1)	2,198,668	22.8	38.9
機器販売原価	19,686	2,050,923	17.6	2,638,334	20.2	(22.3)	1,049,663	10.9	95.4
売上原価合計	95,169	9,914,716	85.3	11,919,290	91.4	(16.8)	8,125,072	84.3	22.0
販売費	7,256	755,928	6.5	789,234	6.0	(4.2)	698,948	7.3	8.2
一般管理費	4,971	517,884	4.5	661,502	5.1	(21.7)	486,332	5.1	6.5
研究開発費	756	78,786	0.7	112,845	0.9	(30.2)	86,966	0.9	(9.4)
<b>営業費用合計</b>	<b>108,152</b>	<b>11,267,314</b>	<b>97.0</b>	<b>13,482,871</b>	<b>103.4</b>	<b>(16.4)</b>	<b>9,397,318</b>	<b>97.6</b>	<b>19.9</b>
<b>営業利益(損失)</b>	<b>3,357</b>	<b>349,688</b>	<b>3.0</b>	<b>(446,432)</b>	<b>(3.4)</b>	<b>(178.3)</b>	<b>235,837</b>	<b>2.4</b>	<b>48.3</b>
<b>その他の利益(費用)</b>	<b>(2,170)</b>	<b>(226,045)</b>	<b>(1.9)</b>	<b>(360,292)</b>	<b>(2.8)</b>	<b>(37.3)</b>	<b>1,569,957</b>	<b>16.3</b>	<b>(114.4)</b>
<b>税引前当期利益(損失)</b>	<b>1,187</b>	<b>123,643</b>	<b>1.1</b>	<b>(806,724)</b>	<b>(6.2)</b>	<b>(115.3)</b>	<b>1,805,794</b>	<b>18.7</b>	<b>(93.2)</b>
法人税等、住民税及び事業税	(8,552)	(890,928)	(7.7)	97,256	0.8	(1,016.1)	(280,406)	(2.9)	217.7
少数株主損益	(1,510)	(157,295)	(1.4)	21,342	0.2	(837.0)	(48,710)	(0.5)	222.9
<b>持分法による投資利益(損失):</b>									
持分法による投資損失	(1,810)	(188,577)	(1.6)	(1,253,875)	(9.6)	(85.0)	(58,354)	(0.6)	223.2
クロスウェイブに対する投資等評価損				(7,153,087)	(54.9)	0.0			
<b>当期利益(損失)</b>	<b>6,419</b>	<b>668,699</b>	<b>5.8%</b>	<b>(9,289,600)</b>	<b>(71.3%)</b>	<b>(107.2%)</b>	<b>1,979,136</b>	<b>20.5%</b>	<b>(66.2%)</b>
<b>1株あたり当期利益(損失)</b>		17,454		(413,238)			51,658		
<b>米国預託証券1単位あたり当期利益(損失)</b>		8.73		(206.62)			25.83		
<b>期中平均発行済株式総数</b>		38,312		22,480			38,312		
<b>期中平均発行済米国預託証券総数</b>		76,623,702		44,960,000			76,623,702		

注記(1): 2004年3月期につきましては、米ドル換算レート104.18円=1米ドル(2004/3/31)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3月期通期、2003年3月期通期

JPY/千円単位、USD/千米ドル単位 (1)

	2004年3月期通期			2003年3月期通期		
	USD (1)	JPY	対営業収益 %	JPY	対営業収益 %	対前年通期 %
<b>営業収益:</b>						
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	123,461	12,862,132	33.2%	13,814,977	31.4%	(6.9%)
ダイヤルアップ接続サービス	29,646	3,088,498	8.0	3,155,137	7.2	(2.1)
付加価値サービス	41,238	4,296,228	11.1	3,602,847	8.2	19.2
その他	20,328	2,117,794	5.4	1,725,736	3.9	22.7
インターネット接続及び付加価値サービス収入合計	214,673	22,364,652	57.7	22,298,697	50.7	0.3
システムインテグレーション	113,723	11,847,687	30.5	15,012,633	34.1	(21.1)
機器販売	43,839	4,567,123	11.8	6,706,231	15.2	(31.9)
<b>営業収益合計</b>	<b>372,235</b>	<b>38,779,462</b>	<b>100.0</b>	<b>44,017,561</b>	<b>100.0</b>	<b>(11.9)</b>
<b>営業費用:</b>						
インターネット接続及び付加価値サービス原価	192,431	20,047,438	51.7	20,386,887	46.3	(1.7)
システムインテグレーション原価	94,564	9,851,726	25.4	13,090,220	29.7	(24.7)
機器販売原価	41,719	4,346,243	11.2	6,416,525	14.6	(32.3)
売上原価合計	328,714	34,245,407	88.3	39,893,632	90.6	(14.2)
販売費	33,859	3,527,490	9.1	3,176,165	7.2	11.1
一般管理費	20,143	2,098,481	5.4	2,204,504	5.0	(4.8)
研究開発費	3,436	357,968	0.9	414,149	1.0	(13.6)
<b>営業費用合計</b>	<b>386,152</b>	<b>40,229,346</b>	<b>103.7</b>	<b>45,688,450</b>	<b>103.8</b>	<b>(11.9)</b>
<b>営業損失</b>	<b>(13,917)</b>	<b>(1,449,884)</b>	<b>(3.7)</b>	<b>(1,670,889)</b>	<b>(3.8)</b>	<b>(13.2)</b>
その他の利益(費用)	9,428	982,220	2.5	(1,269,433)	(2.9)	(177.4)
<b>税引前当期損失</b>	<b>(4,489)</b>	<b>(467,664)</b>	<b>(1.2)</b>	<b>(2,940,322)</b>	<b>(6.7)</b>	<b>(84.1)</b>
法人税等、住民税及び事業税	(20,474)	(2,133,011)	(5.5)	911,365	2.1	(334.0)
少数株主損益	2,264	235,812	0.6	153,251	0.4	53.9
持分法による投資損失:						
持分法投資損失	(2,748)	(286,317)	(0.8)	(5,625,299)	(12.8)	(94.9)
クロスウェイブに対する投資等評価損	(16,510)	(1,719,981)	(4.4)	(7,153,087)	(16.2)	(76.0)
<b>当期損失</b>	<b>(1,009)</b>	<b>(105,139)</b>	<b>(0.3%)</b>	<b>(16,476,822)</b>	<b>(37.4%)</b>	<b>(99.4%)</b>
1株あたり当期損失		(3,316)		(732,955)		
米国預託証券1単位あたり当期損失		(1.66)		(366.48)		
期中平均発行済株式総数		31,711		22,480		
期中平均発行済米国預託証券総数		63,421,571		44,960,000		

注記(1): 2004年3月期につきましては、米ドル換算レート104.18円=1米ドル(2004/3/31)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3月期、2003年3月期、2003年12月期  
 JPY/千円単位、USD/千米ドル単位(1)

Appendix 3

	2004年3月期			2003年3月期		2003年12月期	
	USD (1)	JPY	%	JPY	%	JPY	%
<b>資産の部</b>							
<b>流動資産:</b>							
現金及び現金同等物	117,914	12,284,239	28.7%	3,588,352	11.2%	12,140,595	31.5%
売掛金	86,333	8,994,156	21.1	10,253,096	32.0	6,640,226	17.3
棚卸資産	4,208	438,435	1.0	417,666	1.3	196,252	0.5
前払費用	5,353	557,703	1.3	564,501	1.7	875,338	2.3
その他流動資産	3,124	325,422	0.8	932,873	2.9	391,766	1.0
<b>流動資産合計</b>	<b>216,932</b>	<b>22,599,955</b>	<b>52.9</b>	<b>15,756,488</b>	<b>49.1</b>	<b>20,244,177</b>	<b>52.6</b>
関連会社投資等	7,469	778,152	1.8	1,116,020	3.5	1,024,126	2.7
その他投資	76,136	7,931,893	18.6	3,040,189	9.5	5,821,912	15.1
有形固定資産等	82,568	8,601,905	20.1	9,151,572	28.5	8,448,327	22.0
敷金保証金	19,919	2,075,123	4.9	2,205,652	6.9	2,076,387	5.4
その他資産	7,198	749,897	1.7	794,455	2.5	849,954	2.2
<b>資産合計</b>	<b>410,222</b>	<b>42,736,925</b>	<b>100.0%</b>	<b>32,064,376</b>	<b>100.0%</b>	<b>38,464,883</b>	<b>100.0%</b>
<b>負債及び資本の部</b>							
<b>流動負債:</b>							
短期借入金	63,007	6,564,093	15.4%	4,823,599	15.0%	6,764,410	17.6%
買掛金及び未払金	68,996	7,187,976	16.8	8,406,170	26.2	4,611,586	12.0
未払費用	4,361	454,366	1.1	389,495	1.2	513,996	1.3
その他流動負債	4,645	483,925	1.1	551,985	1.7	594,974	1.5
1年以内に期限到来の長期借入金	14,861	1,548,246	3.6	1,943,735	6.1	1,947,309	5.1
短期リース債務	22,920	2,387,754	5.6	2,716,386	8.5	2,415,596	6.3
<b>流動負債合計</b>	<b>178,790</b>	<b>18,626,360</b>	<b>43.6</b>	<b>18,831,370</b>	<b>58.7</b>	<b>16,847,871</b>	<b>43.8</b>
長期借入金	22,154	2,308,019	5.4	3,456,265	10.8	1,945,434	5.0
転換社債	113,573	11,832,000	27.7	15,000,000	46.8	11,832,000	30.7
長期リース債務	27,647	2,880,298	6.7	3,635,780	11.3	2,801,993	7.3
退職給付引当金	698	72,687	0.2	80,601	0.3	67,557	0.2
その他固定負債	1,547	161,122	0.4	185,201	0.6	180,329	0.5
<b>負債合計</b>	<b>344,409</b>	<b>35,880,486</b>	<b>84.0</b>	<b>41,189,217</b>	<b>128.5</b>	<b>33,675,184</b>	<b>87.5</b>
少数株主持分	6,165	642,311	1.5	879,495	2.7	486,388	1.3
<b>資本:</b>							
資本金	132,131	13,765,372	32.2	7,082,336	22.1	13,765,372	35.8
資本準備金	226,892	23,637,628	55.3	17,068,353	53.2	23,637,628	61.5
欠損金	(333,946)	(34,790,430)	(81.4)	(34,685,291)	(108.2)	(35,459,129)	(92.2)
その他有価証券評価差額金等	34,993	3,645,558	8.5	530,266	1.7	2,359,503	6.1
自己株式	(422)	(44,000)	(0.1)			(63)	0.0
<b>資本合計</b>	<b>59,648</b>	<b>6,214,128</b>	<b>14.5</b>	<b>(10,004,336)</b>	<b>(31.2)</b>	<b>4,303,311</b>	<b>11.2</b>
<b>負債、少数株主持分及び資本合計</b>	<b>410,222</b>	<b>42,736,925</b>	<b>100.0%</b>	<b>32,064,376</b>	<b>100.0%</b>	<b>38,464,883</b>	<b>100.0%</b>

注記(1): 2004年3月期につきましては、米ドル換算レート104.18円=1米ドル(2004/3/31)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3月期、2003年3月期、2003年12月期

JPY/千円単位、USD/千米ドル単位 (1)

	2004年3月期		2003年3月期	2003年12月期
	USD (1)	JPY	JPY	JPY
<b>営業活動によるキャッシュフロー:</b>				
当期利益(損失)	6,419	668,699	(9,289,600)	1,979,136
減価償却費等	9,888	1,030,162	933,374	1,004,236
貸倒引当金繰入(戻入)額	265	27,587	30,866	(40,428)
持分法による投資損失	1,810	188,577	1,253,875	58,354
クロスウェイブに対する投資等評価損	-	-	7,153,087	-
少数株主損(益)	1,510	157,295	(21,342)	48,710
為替差損(差益)	(131)	(13,682)	149,262	12,279
転換社債償還差益	-	-	-	(88,975)
その他投資に係る損(益)	407	42,352	184,723	(1,532,033)
売掛金の減少(増加)額	(23,838)	(2,483,404)	(2,983,254)	138,452
買掛金及び未払金の増加(減少)額	22,968	2,392,795	2,200,392	(70,261)
棚卸資産の減少(増加)額	(2,354)	(245,201)	392,051	72,267
法人税等調整額	(8,680)	(904,221)	91,486	(286,208)
その他	3,798	395,710	395,418	(209,740)
<b>営業活動によるキャッシュフロー</b>	<b>12,062</b>	<b>1,256,669</b>	<b>490,338</b>	<b>1,085,789</b>
<b>投資活動によるキャッシュフロー:</b>				
有形固定資産等の取得による支出	(2,266)	(236,028)	(163,592)	(339,621)
セールスリースバックによる収入	-	-	66,940	-
その他投資の売却による収入	637	66,387	13,663	1,946,875
その他投資の取得による支出	(20)	(2,138)	-	(6,039)
敷金保証金の返還(差入)	(6)	(576)	(1,387,210)	727
その他	(36)	(3,778)	(7,606)	(225)
<b>投資活動によるキャッシュフロー</b>	<b>(1,691)</b>	<b>(176,133)</b>	<b>(1,477,805)</b>	<b>1,601,717</b>
<b>財務活動によるキャッシュフロー:</b>				
長期借入金による調達	3,840	400,000	2,000,000	-
長期借入金の返済	(4,190)	(436,477)	(1,200,000)	(1,036,247)
転換社債の償還	-	-	-	(3,047,460)
リース債務元本の返済	(6,647)	(692,467)	(656,238)	(671,339)
短期借入金の純増減額	(1,923)	(200,316)	312,854	2,459,505
<b>財務活動によるキャッシュフロー</b>	<b>(8,920)</b>	<b>(929,260)</b>	<b>456,616</b>	<b>(2,295,541)</b>
<b>現金及び現金同等物に係る換算差額</b>	<b>(72)</b>	<b>(7,632)</b>	<b>(151,410)</b>	<b>(34,305)</b>
<b>現金及び現金同等物の増加(減少)額</b>	<b>1,379</b>	<b>143,644</b>	<b>(682,261)</b>	<b>357,660</b>
<b>現金及び現金同等物の期首残高</b>	<b>116,535</b>	<b>12,140,595</b>	<b>4,270,613</b>	<b>11,782,935</b>
<b>現金及び現金同等物の期末残高</b>	<b>117,914</b>	<b>12,284,239</b>	<b>3,588,352</b>	<b>12,140,595</b>

注記(1):2004年3月期につきましては、米ドル換算レート104.18円=1米ドル(2004/3/31)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**  
**連結キャッシュフロー計算書(米国会計基準未監査)**

Appendix 5

2004年3月期通期、2003年3月期通期

JPY/千円単位、USD/千米ドル単位 (1)

	2004年3月期		2003年3月期
	USD (1)	JPY	JPY
<b>営業活動によるキャッシュフロー：</b>			
当期利益(損失)	(1,009)	(105,139)	(16,476,822)
減価償却費等	38,475	4,008,324	3,580,212
貸倒引当金繰入額	4,324	450,505	84,339
持分法による投資損失	2,748	286,317	5,625,299
クロスウェイブに対する投資等評価損	16,510	1,719,981	7,153,087
少数株主損失	(2,263)	(235,812)	(153,251)
為替差損	49	5,124	277,856
転換社債償還差益	(854)	(88,975)	-
その他投資に係る損(益)	(13,562)	(1,412,858)	277,162
売掛金の減少(増加)額	7,520	783,387	(1,351,380)
買掛金及び未払金の増加(減少)額	(10,868)	(1,132,209)	1,245,431
棚卸資産の減少(増加)額	(296)	(30,813)	198,597
法人税等調整額	(20,768)	(2,163,571)	885,784
その他	(1,544)	(160,895)	235,378
<b>営業活動によるキャッシュフロー</b>	<b>18,462</b>	<b>1,923,366</b>	<b>1,581,692</b>
<b>投資活動によるキャッシュフロー：</b>			
有形固定資産等の取得による支出	(15,908)	(1,657,302)	(1,315,390)
関連会社への投資および貸付	(16,510)	(1,719,981)	-
クロスウェイブのための預託金の預入およびクロスウェイブ新株予約権の取得	-	-	(5,056,250)
その他投資の売却による収入	20,835	2,170,584	-
その他投資の取得による支出	(3,126)	(325,665)	(51,671)
敷金保証金の返還(差入)	6,470	674,018	(1,487,911)
その他	56	5,883	33,301
<b>投資活動によるキャッシュフロー</b>	<b>(8,183)</b>	<b>(852,463)</b>	<b>(7,877,921)</b>
<b>財務活動によるキャッシュフロー：</b>			
長期借入金による調達	3,839	400,000	2,000,000
長期借入金の返済	(18,657)	(1,943,735)	(1,400,000)
転換社債の償還	(29,252)	(3,047,460)	-
リース債務元本の返済	(26,234)	(2,733,012)	(2,475,433)
短期借入金の純増減額	16,707	1,740,495	1,003,367
普通株式の発行による収入	127,206	13,252,311	-
<b>財務活動によるキャッシュフロー</b>	<b>73,609</b>	<b>7,668,599</b>	<b>(872,066)</b>
<b>現金及び現金同等物に係る換算差額</b>	<b>(418)</b>	<b>(43,615)</b>	<b>(289,272)</b>
<b>現金及び現金同等物の増加(減少)額</b>	<b>83,470</b>	<b>8,695,887</b>	<b>(7,457,567)</b>
<b>現金及び現金同等物の期首残高</b>	<b>34,444</b>	<b>3,588,352</b>	<b>11,045,919</b>
<b>現金及び現金同等物の期末残高</b>	<b>117,914</b>	<b>12,284,239</b>	<b>3,588,352</b>

注記(1):2004年3月期につきましては、米ドル換算レート104.18円=1米ドル(2004/3/31)にて参考表示しております。



Internet Initiative Japan Inc.

<http://www.ij.ad.jp/en/>



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**IIJ Announces Fourth Quarter and Full Fiscal Year Results for the  
Year Ending March 31, 2004**

- Gross-Margin Expansion Leads the Way Toward Profitability -

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**Tokyo, May 14, 2004 / New York, May 13, 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 fourth quarter and full fiscal year ending March 31, 2004 ("FY 2003").<sup>1</sup>

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**Highlights of fourth quarter FY2003 results:**

- Revenues totaled JPY 11,617 million (\$ 111.5 million), an increase of 20.6% compared to 3Q03 and a decrease of 10.9% compared to 4Q02.
- Operating income was JPY 350 million (\$ 3.4 million), an increase of 48.3% from JPY 236 million in 3Q03 (which 3Q03 amount included the JPY 71 million of accounts receivable from Crosswave Communications Inc. ("Crosswave") that became collectible after previously being written-off), and a turnaround from an operating loss of JPY 446 million in 4Q02. The increase compared to 3Q03 reflects the increased revenues from our high-margin Systems Integration ("SI") services. The increase compared to 4Q02 reflects increased profitability of our SI services.
- Adjusted EBITDA<sup>2</sup> was JPY 1,358 million (\$ 13.0 million), an increase of 11.5% from an adjusted EBITDA of JPY 1,218 million in 3Q03 and JPY 459 million in 4Q02.
- Net income was JPY 669 million (\$ 6.4 million), a decrease from JPY 1,979 million in 3Q03 which amount included a special gain of JPY 1,572 million that was generated by the sale of an equity investment, and a substantial improvement from the net loss of JPY 9,290 million in 4Q02.

**Highlights of full FY2003 results:**

- Revenues totaled JPY 39 billion (\$ 372.2 million), a decrease of 11.9% from FY2002. The decrease largely reflects the first half of FY2003 decline in SI service and equipment sales revenues, which were adversely affected by weak corporate investment in Japan in that period.
- Operating loss of JPY 1.4 billion (\$ 13.9 million), an improvement from an operating loss of JPY 1.7 billion in FY2002. Positive operating income in 3Q03 and 4Q03 were not sufficient to cover the first half year's operating loss.
- Net loss was JPY 105 million (\$ 1.0 million), a significant improvement from JPY 16,477 million in FY2002 when net loss was negatively impacted by losses associated with our investment in Crosswave. Other factors affecting the improvement from FY2002 include positive operating income for the second half of FY2003, a special gain from the sale of an equity investment and income tax benefits associated with increased unrealized gains from certain available-for-sales securities.
- As a result of ongoing efforts to increase profitability throughout the Company, we expect yearly operating and net income to turn positive in FY2004.

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<sup>1</sup> 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 4Q03 and full FY2003 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 104.18 = US\$1.00, the approximate exchange rate on March 31, 2004.

<sup>2</sup> Please refer to the Reconciliation of Non-GAAP Financial Measures on page 5.

Overview of Fourth Quarter and Full FY2003 Financial Results and Business Outlook<sup>3</sup>

"I am pleased to report that IJ returned to profitability in the second half of FY2003," said Koichi Suzuki, President and CEO of IJ. "Although the total revenue for FY2003 did not reach the level of FY2002 due to weak corporate investment and slow economic recovery in the first half, we achieved positive operating and net income in the second half largely as a result of our strategic focus on high margin SI and Value Added Services ("VAS") such as Internet security services and virtual private networks ("VPNs"). We believe that this strategy has successfully countered the negative impact of Crosswave's commencement of corporate reorganization in the first half of FY2003 and that we are now firmly positioned for sustained and profitable growth."

President Suzuki continued, "Japan's economy is recovering and corporate IT investment has increased in the second half of FY2003. Broad economic growth, coupled with rapidly increasing demand by our enterprise customers for valued added and network services, such as security and operational outsourcing, provided good conditions for resumption in revenue growth. In this environment, we will continue to develop new high margin services for Japan's increasingly complicated, and critical, networked economy. By doing so, we hope to strengthen profitability and are expecting yearly operating and net income to be positive in FY2004."

"Gross-margins for all of our business lines increased from the fourth quarter of FY2002 due to an increased emphasis on high margin products and services, as well as across-the-board cost reductions and internal efficiency improvements," said Yasuhiro Nishi, CFO of IJ. "Connectivity and VAS gross-margin expansion reflects our reduction of Internet backbone costs by JPY 516 million in FY2003 and increased revenue from high margin VAS. SI service gross-margin increased due to our successful efforts to secure profitable SI contracts, of which a substantial amount are network-related."

**Revenues**

Revenues in 4Q03 totaled JPY 11,617 million, a decrease of 10.9% from JPY 13,036 million in 4Q02 and an increase of 20.6% from JPY 9,633 million in 3Q03.

Table 1. Revenues (JPY in millions)

Revenues	4Q03	4Q02	YoY % change	3Q03	QoQ % change
Connectivity and value-added services:					
Dedicated access services	3,100	3,341	(7.2%)	3,204	(3.2%)
Dial-up access services	758	765	(0.9%)	780	(2.8%)
Total Connectivity Services	3,858	4,106	(6.0%)	3,984	(3.1%)
Value-added services	1,104	931	18.5%	1,125	(1.9%)
Other	537	381	40.8%	525	2.2%
Total Connectivity and value-added services	5,499	5,419	1.5%	5,633	(2.4%)
Systems integration revenues	4,001	4,905	(18.4%)	2,889	38.5%
Equipment sales	2,117	2,712	(21.9%)	1,111	90.6%
<b>Total revenues</b>	<b>11,617</b>	<b>13,036</b>	<b>(10.9%)</b>	<b>9,633</b>	<b>20.6%</b>

**Connectivity and VAS revenues** were JPY 5,499 million in 4Q03, an increase of 1.5% from JPY 5,419 million in 4Q02 and a decrease of 2.4% from JPY 5,633 million in 3Q03.

<sup>3</sup> This Overview and Business Outlook contains forward-looking statements and projections such as statements regarding FY2004 operating and net 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 IJ's filings on Form 20-F and Form 6-K, as well as other filings and documents furnished to the Securities and Exchange Commission. IJ plans to keep this press release publicly available on its Web site ([www.ij.ad.jp](http://www.ij.ad.jp)), but may discontinue this practice at any time. IJ intends to publish its next Overview and Business Outlook in its 1Q04 earnings release, presently scheduled for August 2004.

**Internet Initiative Japan Inc.**

<http://www.ij.ad.jp/en/>

Table 2. Connectivity Services (JPY in millions)

Connectivity Services	4Q03	4Q02	YoY % change	3Q03	QoQ % change
Dedicated access services:					
IP Service + DC (connectivity)	<b>2,423</b>	2,518	(3.8%)	2,485	(2.5%)
Others <sup>4</sup>	<b>677</b>	823	(17.7%)	719	(5.8%)
<b>Total Dedicated Access Services</b>	<b>3,100</b>	3,341	(7.2%)	3,204	(3.2%)

Dedicated access service revenues were JPY 3,100 million in 4Q03, a decrease of 7.2% compared to 4Q02 and a decrease of 3.2% compared to 3Q03. IP Service, including Data Center Connectivity services, decreased by 3.8% in 4Q03 compared to 4Q02 and decreased by 2.5% compared to 3Q03, mainly due to the cancellation of service by a regional electric power company's telecom service arm. IJ FiberAccess/F Service revenue, which is included in Others, substantially increased compared to 4Q02 and steadily increased compared to 3Q03, however, the increase did not offset the revenue decreases in IJ T1 Standard and IJ Economy Service, which are also included in Others.

Table 3. Number of Contracts

	4Q03	4Q02	3Q03
<b>IP Services</b>			
64kbps – 128kbps	<b>73</b>	112	76
192kbps – 768kbps	<b>20</b>	35	22
1Mbps – 2Mbps	<b>218</b>	268	226
3Mbps – 1.2Gbps	<b>427</b>	248	381
<b>Number of Contracts of DC Connectivity Services</b>	<b>196</b>	156	188
<b>Other</b>	<b>6,292</b>	4,489	5,991
<b>Total Dedicated Access Services</b>	<b>7,226</b>	5,308	6,884
<b>IJ4U (Dial-up access services for retail market)</b>	<b>67,105</b>	79,464	69,688
<b>Other Dial-Up Access Services</b>	<b>628,762</b>	450,320	597,232
<b>Total Dial-Up Access Services</b>	<b>695,867</b>	529,784	666,920

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

	4Q03	4Q02	3Q03
Dedicated Access Services	<b>64.5</b>	32.1	60.3
DC Connectivity Services	<b>15.6</b>	9.9	15.5
<b>Total Contract Bandwidth</b>	<b>80.1</b>	42.0	75.8

Dial-up access service revenues were JPY 758 million in 4Q03, a decrease of 0.9% compared to 4Q02 and a decrease of 2.8% compared to 3Q03. For dial-up services for individual customers, the decrease in IJ4U service revenues was offset by the revenue growth of Original Equipment Manufacturer services, including the CDN ("Contents Delivery Network") platform and NTT's regional L-mode service. However, dial-up service revenues for corporate customers decreased due to an increase in their demand for lower-cost broadband services.

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

Value-Added Services	4Q03	4Q02	YoY % change	3Q03	QoQ % change
Internet Data Center services	<b>324</b>	341	(5.2%)	373	(13.1%)
Other value-added services	<b>780</b>	590	<b>32.2%</b>	752	<b>3.7%</b>
<b>Total Value-Added Service Revenues</b>	<b>1,104</b>	931	<b>18.5%</b>	1,125	<b>(1.9%)</b>

<sup>4</sup> Others are IJ FiberAccess/F Service, IJ Ether Standard, IJ DSL/F Service, IJ T1 Standard and IJ Economy Service.

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VAS revenues were JPY 1,104 million in 4Q03, an increase of 18.5% compared to 4Q02 but a decrease of 1.9% compared to 3Q03. Internet Data Center services decreased by 5.2% compared to 4Q02 and by 13.1% compared to 3Q03. The revenue decrease from 3Q03 was mainly due to the absence in 4Q03 of "one-time" revenues associated with the construction of special facilities for large customers.

**Systems Integration services revenues** decreased 18.4% to JPY 4,001 million in 4Q03 from JPY 4,905 million in 4Q02 and increased 38.5% from JPY 2,889 million in 3Q03.

**Equipment sales revenues** were JPY 2,117 million in 4Q03, a decrease of 21.9% compared to 4Q02 and an increase of 90.6% compared to 3Q03.

### Cost and expenses

Cost of revenues was JPY 9,915 million in 4Q03, a decrease of 16.8% compared to 4Q02 and an increase of 22.0% compared to 3Q03.

Table 6. Costs and Expenses (JPY in millions)

<b>Costs and expenses:</b>	<b>4Q03</b>	4Q02	<b>YoY % change</b>	3Q03	<b>QoQ % change</b>
Cost of Revenues:					
Cost of connectivity and value-added services	<b>4,810</b>	5,033	<b>(4.4%)</b>	4,877	<b>(1.4%)</b>
Cost of systems integration	<b>3,054</b>	4,248	<b>(28.1%)</b>	2,198	<b>38.9%</b>
Cost of equipment sales	<b>2,051</b>	2,638	<b>(22.3%)</b>	1,050	<b>95.4%</b>
Total of Cost of Revenues	<b>9,915</b>	11,919	<b>(16.8%)</b>	8,125	<b>22.0%</b>
Sales and marketing	<b>756</b>	789	<b>(4.2%)</b>	699	<b>8.2%</b>
General and administrative	<b>518</b>	662	<b>(21.7%)</b>	486	<b>6.5%</b>
Research and development	<b>78</b>	113	<b>(30.2%)</b>	87	<b>(9.4%)</b>
<b>Total costs and expenses</b>	<b>11,267</b>	13,483	<b>(16.4%)</b>	9,397	<b>19.9%</b>

**Cost of Connectivity and VAS** was JPY 4,810 million, a decrease of 4.4% compared to 4Q02 and a decrease of 1.4% compared to 3Q03. The gross-margin ratio for Connectivity and VAS in 4Q03 was 12.5%, compared to 7.1% in 4Q02 and 13.4% in 3Q03. The improvement in gross-margin since 4Q02 was largely the result of our continuous efforts to reduce Internet backbone costs.

Table 7. Backbone Costs (JPY in millions)

<b>Backbone Costs</b>	<b>4Q03</b>	4Q02	<b>YoY % Change</b>	3Q03	<b>QoQ % Change</b>
International Backbone Costs	<b>165</b>	315	<b>(47.7%)</b>	156	<b>5.7%</b>
Domestic Backbone Costs	<b>902</b>	1,075	<b>(16.1%)</b>	939	<b>(3.8%)</b>

International backbone costs were JPY 165 million, a decrease of 47.7% compared to 4Q02 and an increase of 5.7% compared to 3Q03 as we benefited from our on-going efforts to optimize our network.

Domestic backbone costs were JPY 902 million, a decrease of 16.1% compared to 4Q02 and a decrease of 3.8% compared to 3Q03. These decreases reflect a decline in backbone prices, which offset an increase in connection fees with NTT's regional access networks (FLET'S).

**Cost of SI service revenues** was JPY 3,054 million in 4Q03, a decrease of 28.1% compared to 4Q02 and an increase of 38.9% compared to 3Q03. The gross margin for SI was 23.7% in 4Q03 compared to 13.4% in 4Q02 and 23.9% in 3Q03. The year-over-year improvement in gross-margin was the result of the increased profitability of SI development contracts and higher consulting fees for network services.

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**Sales and marketing expenses** were JPY 756 million in 4Q03, a decrease of 4.2% compared to 4Q02 reflecting a reduction in advertising expenses. Sales and marketing expenses increased of 8.2% compared to 3Q03 primarily as the result of inclusion in 3Q03 of JPY 71 million of income as a result of the reversal of allowance for doubtful receivables from Crosswave.

**General and administrative expenses** were JPY 518 million in 4Q03, a decrease of 21.7% compared to 4Q02 and an increase of 6.5% compared to 3Q03. The expense decrease from 4Q02 reflects the absence in 4Q03 of costs associated with our move into a new office.

### **Operating income (loss)**

Operating income was JPY 350 million in 4Q03, compared to an operating loss of JPY 446 million in 4Q02 and operating income of JPY 236 million in 3Q03. The improvement from 4Q02 is due to an increase in SI service profitability. The improvement from 3Q03 is due to an increase in SI service revenue.

**Other expenses** for 4Q03 was JPY 226 million, compared to Other Expenses of JPY 360 million in 4Q02 and Other Income of JPY 1,570 million in 3Q03. The income in 3Q03 included a special gain on the sale of an equity investment, which amounted to JPY 1,572 million.

**Income tax benefit (expense)** for 4Q03 was a benefit of JPY 891 million, compared to an expense of JPY 97 million in 4Q02 and a benefit of JPY 280 million in 3Q03. The increase compared to 4Q02 and 3Q03 is due to a decrease in the valuation allowance for deferred tax assets, which decrease is primarily attributable to the income tax effect of increased unrealized gains during the quarter on certain available-for-sale securities.

**Equity in net loss of equity method investees** amounted to JPY 189 million in 4Q03, compared to JPY 8,407 million in 4Q02, and JPY 58 million in 3Q03. The year-over-year improvement largely reflects the absence of losses associated with our previous equity investment in Crosswave.

**Net income** was JPY 669 million in 4Q03, compared to a net loss of JPY 9,290 million in 4Q02 and net income of JPY 1,979 million in 2Q03. The year-over-year improvement largely reflects the absence of losses associated with our previous equity investment in Crosswave and an increase in revenue from high margin business lines. The quarter-over-quarter improvement is the result of positive operating income and the income tax effect of increases in unrealized gains during the quarter on certain available-for-sale securities. Basic net income per ADS equivalent was JPY 8.73 in 4Q03, compared to a net loss of JPY 206.62 in 4Q02 and JPY 25.83 in 3Q03.

Table 8. Other Financial Statistics (JPY in millions)

Other Financial Statistics	4Q03	4Q02	YoY % Change	3Q03	QoQ % Change
Adjusted EBITDA <sup>5</sup>	1,358	459	195.5%	1,218	11.5%
CAPEX, including capitalized leases <sup>6</sup>	1,014	936	8.4%	508	99.6%
Depreciation and amortization <sup>7</sup>	1,030	933	10.4%	1,004	2.6%

### **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:

<sup>5</sup> Please refer to the Reconciliation of Non-GAAP Financial Measures below.

<sup>6</sup> Please refer to the Reconciliation of Non-GAAP Financial Measures below.

<sup>7</sup> Depreciation and amortization includes amortization of issuance cost of convertible notes.

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Table 9. Adjusted EBITDA (JPY in millions)

	4Q03	4Q02	3Q03
Adjusted EBITDA	1,358	459	1,218
Depreciation and amortization <sup>8</sup>	(1,008)	(905)	(982)
Operating income (loss)	350	(446)	236
Other income (expenses)	(226)	(361)	1,570
Income tax expense (benefit)	(891)	97	(280)
Minority interests in consolidated subsidiaries	(157)	21	(49)
Equity in net income (loss) of equity method investees	(189)	(8,407)	(58)
Net income (loss)	669	(9,290)	1,979

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 U.S. generally accepted accounting principles in Appendix 4:

Table 10. CAPEX (JPY in millions)

	4Q03	4Q02	3Q03
Capital expenditures	1,014	936	508
Acquisition of assets by entering into capital leases	778	772	168
Purchase of property and equipment	236	164	340

## Fourth Quarter FY2003 Business Review

### ***Key Service Developments***

#### ***Enhancement of managed firewall services:***

In April 2004, IIJ enhanced its two Internet security managed firewall services. "IIJ Security Light Service", a low-cost service for small- and medium-sized enterprises ("SMEs"), has been enhanced to allow for increased broadband usage by SMEs in Japan. "IIJ Security Standard," a standard service for corporate customers, has been enhanced to provide greater reliability.

#### ***Anti-virus and spam movements:***

Since the start of FY2003, IIJ has increased its involvement with industry groups formed to combat Internet viruses and spam. IIJ and IIJ America participated in founding the Messaging Anti Abuse Working Group and attended the December 2003 kick-off meeting. This group, which is composed of 19 international telecommunications companies, ISPs, and related businesses, is aimed at developing measures to combat spam e-mails and other unethical uses of the Internet. Additionally, on April 27, 2004, IIJ announced that it had joined the Japan Messaging User Group ("JMUG"), a working group established in Japan to discuss ways of implementing countermeasures against spam, viruses, and other Internet messaging related issues.

### ***Network Infrastructure Developments***

In 4Q03, IIJ continued to develop its Internet backbone in order to maintain the network quality that it provides to its customers. This quarter, IIJ installed one new circuit and upgraded one pre-existing circuit for the international backbone. For the domestic backbone, IIJ installed one new circuit and upgraded two pre-existing circuits. IIJ considered cost effectiveness and overall profitability in undertaking these upgrades.

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

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### **Key Developments of the IJ Group**

#### **Enhancement on security solutions:**

On April 26, 2004, IJ announced that IJ-Tech introduced Security Check-up Service. Security Check-up Service evaluates the overall security level of corporate e-mail systems and provides a diagnostic analysis of potential emerging threats. The service is targeted to customers that do not require a full instant diagnosis but require an initial glimpse and a thorough "check-up" of the security level of a company, which will be provided within approximately two weeks.

### **Teleconference/Webcast**

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On May 14 at 9:00 am (ET), IJ will host a conference call to discuss the Company's results and outlook. There will be a simultaneous webcast available at [www.vcall.com](http://www.vcall.com). A replay will also be available at the same URL.

### **About Internet Initiative Japan Inc.**

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

*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 FY2004 operating and net 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 accumulated deficit; IJ's ability to continue to increase subscribers to its connectivity services, particularly at higher bandwidths; 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.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS(UNAUDITED)**

For the Three Months Ended Mar 31, 2004, Mar 31, 2003 and 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						Sequential Comparison		
	Mar 31, 2004			Mar 31, 2003			Dec 31, 2003		
	USD (1)	JPY	% of Total Revenues	JPY	% of Total Revenues	YOY Chg %	JPY	% of Total Revenues	QOQ Chg %
<b>Revenues:</b>									
Connectivity and value-added services:									
Dedicated access services	29,760	3,100,452	26.7%	3,341,255	25.6%	(7.2%)	3,204,046	33.3%	(3.2%)
Dial-up access services	7,275	757,947	6.5	764,958	5.9	(0.9)	779,544	8.1	(2.8)
Value-added services	10,593	1,103,558	9.5	931,399	7.2	18.5	1,124,596	11.7	(1.9)
Other	5,151	536,590	4.6	381,206	2.9	40.8	525,106	5.4	2.2
Total connectivity and value-added services	<u>52,779</u>	<u>5,498,547</u>	<u>47.3</u>	<u>5,418,818</u>	<u>41.6</u>	<u>1.5</u>	<u>5,633,292</u>	<u>58.5</u>	<u>(2.4)</u>
Systems integration revenues	38,409	4,001,449	34.5	4,905,429	37.6	(18.4)	2,888,936	30.0	38.5
Equipment sales	20,321	2,117,006	18.2	2,712,192	20.8	(21.9)	1,110,927	11.5	90.6
<b>Total revenues</b>	<u>111,509</u>	<u>11,617,002</u>	<u>100.0</u>	<u>13,036,439</u>	<u>100.0</u>	<u>(10.9)</u>	<u>9,633,155</u>	<u>100.0</u>	<u>20.6</u>
<b>Costs and expenses:</b>									
Cost of connectivity and value-added services	46,169	4,809,831	41.4	5,033,266	38.6	(4.4)	4,876,741	50.6	(1.4)
Cost of systems integration revenues	29,314	3,053,962	26.3	4,247,690	32.6	(28.1)	2,198,668	22.8	38.9
Cost of equipment sales	19,686	2,050,923	17.6	2,638,334	20.2	(22.3)	1,049,663	10.9	95.4
Total costs	<u>95,169</u>	<u>9,914,716</u>	<u>85.3</u>	<u>11,919,290</u>	<u>91.4</u>	<u>(16.8)</u>	<u>8,125,072</u>	<u>84.3</u>	<u>22.0</u>
Sales and marketing	7,256	755,928	6.5	789,234	6.0	(4.2)	698,948	7.3	8.2
General and administrative	4,971	517,884	4.5	661,502	5.1	(21.7)	486,332	5.1	6.5
Research and development	756	78,786	0.7	112,845	0.9	(30.2)	86,966	0.9	(9.4)
<b>Total costs and expenses</b>	<u>108,152</u>	<u>11,267,314</u>	<u>97.0</u>	<u>13,482,871</u>	<u>103.4</u>	<u>(16.4)</u>	<u>9,397,318</u>	<u>97.6</u>	<u>19.9</u>
<b>Operating income(loss)</b>	<u>3,357</u>	<u>349,688</u>	<u>3.0</u>	<u>(446,432)</u>	<u>(3.4)</u>	<u>(178.3)</u>	<u>235,837</u>	<u>2.4</u>	<u>48.3</u>
<b>Other income(expenses)</b>	<u>(2,170)</u>	<u>(226,045)</u>	<u>(1.9)</u>	<u>(360,292)</u>	<u>(2.8)</u>	<u>(37.3)</u>	<u>1,569,957</u>	<u>16.3</u>	<u>(114.4)</u>
<b>Income(Loss) before income tax expense(benefit)</b>	<u>1,187</u>	<u>123,643</u>	<u>1.1</u>	<u>(806,724)</u>	<u>(6.2)</u>	<u>(115.3)</u>	<u>1,805,794</u>	<u>18.7</u>	<u>(93.2)</u>
<b>Income tax expense(benefit)</b>	<u>(8,552)</u>	<u>(890,928)</u>	<u>(7.7)</u>	<u>97,256</u>	<u>0.8</u>	<u>(1,016.1)</u>	<u>(280,406)</u>	<u>(2.9)</u>	<u>217.7</u>
<b>Minority interests in consolidated subsidiaries</b>	<u>(1,510)</u>	<u>(157,295)</u>	<u>(1.4)</u>	<u>21,342</u>	<u>0.2</u>	<u>(837.0)</u>	<u>(48,710)</u>	<u>(0.5)</u>	<u>222.9</u>
<b>Equity in net loss of equity method investees:</b>									
Equity method net loss	(1,810)	(188,577)	(1.6)	(1,253,875)	(9.6)	(85.0)	(58,354)	(0.6)	223.2
Impairment loss on investment and deposits for Crosswave				(7,153,087)	(54.9)	0.0			
<b>Net income(loss)</b>	<u>6,419</u>	<u>668,699</u>	<u>5.8%</u>	<u>(9,289,600)</u>	<u>(71.3%)</u>	<u>(107.2%)</u>	<u>1,979,136</u>	<u>20.5%</u>	<u>(66.2%)</u>
<b>Basic Net Income(Loss) Per Share</b>		17,454		(413,238)			51,658		
<b>Basic Net Income(Loss) Per ADS Equivalent</b>		8.73		(206.62)			25.83		
<b>Weighted Average Number of Shares</b>		38,312		22,480			38,312		
<b>Weighted Average Number of ADS Equivalents</b>		76,623,702		44,960,000			76,623,702		

Note (1):The translation of Japanese yen amounts into US dollar amounts with respect to the three months ended Mar 31, 2004 are included solely for the convenience of readers outside Japan and have been made at the rate of JPY 104.18 = \$1, the approximate rate of exchange on Mar 31, 2004.



**CONSOLIDATED STATEMENTS OF OPERATIONS(UNAUDITED)**

For the Years Ended Mar 31, 2004 and Mar 31, 2003

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

	Year-over-year Comparison					
	Mar 31, 2004			Mar 31, 2003		
	USD (1)	JPY	% of Total Revenues	JPY	% of Total Revenues	YoY Chg %
<b>Revenues:</b>						
Connectivity and value-added services:						
Dedicated access services	123,461	12,862,132	33.2%	13,814,977	31.4%	(6.9%)
Dial-up access services	29,646	3,088,498	8.0	3,155,137	7.2	(2.1)
Value-added services	41,238	4,296,228	11.1	3,602,847	8.2	19.2
Other	20,328	2,117,794	5.4	1,725,736	3.9	22.7
Total connectivity and value-added services	214,673	22,364,652	57.7	22,298,697	50.7	0.3
Systems integration revenues	113,723	11,847,687	30.5	15,012,633	34.1	(21.1)
Equipment sales	43,839	4,567,123	11.8	6,706,231	15.2	(31.9)
<b>Total revenues</b>	<b>372,235</b>	<b>38,779,462</b>	<b>100.0</b>	<b>44,017,561</b>	<b>100.0</b>	<b>(11.9)</b>
<b>Costs and expenses:</b>						
Cost of connectivity and value-added services	192,431	20,047,438	51.7	20,386,887	46.3	(1.7)
Cost of systems integration revenues	94,564	9,851,726	25.4	13,090,220	29.7	(24.7)
Cost of other equipment sales	41,719	4,346,243	11.2	6,416,525	14.6	(32.3)
Total costs	328,714	34,245,407	88.3	39,893,632	90.6	(14.2)
Sales and marketing	33,859	3,527,490	9.1	3,176,165	7.2	11.1
General and administrative	20,143	2,098,481	5.4	2,204,504	5.0	(4.8)
Research and development	3,436	357,968	0.9	414,149	1.0	(13.6)
<b>Total costs and expenses</b>	<b>386,152</b>	<b>40,229,346</b>	<b>103.7</b>	<b>45,688,450</b>	<b>103.8</b>	<b>(11.9)</b>
<b>Operating loss</b>	<b>(13,917)</b>	<b>(1,449,884)</b>	<b>(3.7)</b>	<b>(1,670,889)</b>	<b>(3.8)</b>	<b>(13.2)</b>
<b>Other income(expenses)</b>	9,428	982,220	2.5	(1,269,433)	(2.9)	(177.4)
<b>Loss before income tax expense(benefit)</b>	<b>(4,489)</b>	<b>(467,664)</b>	<b>(1.2)</b>	<b>(2,940,322)</b>	<b>(6.7)</b>	<b>(84.1)</b>
<b>Income tax expense(benefit)</b>	(20,474)	(2,133,011)	(5.5)	911,365	2.1	(334.0)
<b>Minority interests in consolidated subsidiaries</b>	2,264	235,812	0.6	153,251	0.4	53.9
<b>Equity in net loss of equity method investees:</b>						
Equity method net loss	(2,748)	(286,317)	(0.8)	(5,625,299)	(12.8)	(94.9)
Impairment loss on investment, advances and deposits for Crosswave	(16,510)	(1,719,981)	(4.4)	(7,153,087)	(16.2)	(76.0)
<b>Net loss</b>	<b>(1,009)</b>	<b>(105,139)</b>	<b>(0.3%)</b>	<b>(16,476,822)</b>	<b>(37.4%)</b>	<b>(99.4%)</b>
<b>Basic Net Loss Per Share</b>		(3,316)		(732,955)		
<b>Basic Net Loss Per ADS Equivalent</b>		(1.66)		(366.48)		
<b>Weighted Average Number of Shares</b>		31,711		22,480		
<b>Weighted Average Number of ADS Equivalents</b>		63,421,571		44,960,000		

Note (1): The translations of Japanese yen amounts into US dollar amounts with respect to the year ended Mar 31, 2004 are included solely for the convenience of readers outside Japan and have been made at the rate of JPY 104.18 = \$1, the approximate rate of exchange on Mar 31, 2004.

**INTERNET INITIATIVE JAPAN INC.**  
**CONSOLIDATED BALANCE SHEETS(UNAUDITED)**

Appendix 3

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

	Mar 31, 2004			Mar 31, 2003		Dec 31, 2003	
	USD (1)	JPY	%	JPY	%	JPY	%
<b>ASSETS</b>							
<b>Current Assets:</b>							
Cash and cash equivalent	117,914	12,284,239	28.7%	3,588,352	11.2%	12,140,595	31.5%
Accounts receivable, net	86,333	8,994,156	21.1	10,253,096	32.0	6,640,226	17.3
Inventories	4,208	438,435	1.0	417,666	1.3	196,252	0.5
Prepaid expenses	5,353	557,703	1.3	564,501	1.7	875,338	2.3
Other current assets	3,124	325,422	0.8	932,873	2.9	391,766	1.0
<b>Total current assets</b>	<b>216,932</b>	<b>22,599,955</b>	<b>52.9</b>	<b>15,756,488</b>	<b>49.1</b>	<b>20,244,177</b>	<b>52.6</b>
Investments in and Advances to Equity Method Investees	7,469	778,152	1.8	1,116,020	3.5	1,024,126	2.7
Other Investments	76,136	7,931,893	18.6	3,040,189	9.5	5,821,912	15.1
Property and Equipment, net	82,568	8,601,905	20.1	9,151,572	28.5	8,448,327	22.0
Guarantee Deposits	19,919	2,075,123	4.9	2,205,652	6.9	2,076,387	5.4
Other Assets	7,198	749,897	1.7	794,455	2.5	849,954	2.2
<b>Total assets</b>	<b>410,222</b>	<b>42,736,925</b>	<b>100.0%</b>	<b>32,064,376</b>	<b>100.0%</b>	<b>38,464,883</b>	<b>100.0%</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY(CAPITAL DEFICIENCY)</b>							
<b>Current Liabilities:</b>							
Short-term borrowings	63,007	6,564,093	15.4%	4,823,599	15.0%	6,764,410	17.6%
Accounts payable	68,996	7,187,976	16.8	8,406,170	26.2	4,611,586	12.0
Accrued expenses	4,361	454,366	1.1	389,495	1.2	513,996	1.3
Other current liabilities	4,645	483,925	1.1	551,985	1.7	594,974	1.5
Long-term borrowings-current portion	14,861	1,548,246	3.6	1,943,735	6.1	1,947,309	5.1
Capital lease obligations-current portion	22,920	2,387,754	5.6	2,716,386	8.5	2,415,596	6.3
<b>Total current liabilities</b>	<b>178,790</b>	<b>18,626,360</b>	<b>43.6</b>	<b>18,831,370</b>	<b>58.7</b>	<b>16,847,871</b>	<b>43.8</b>
Long-term Borrowings	22,154	2,308,019	5.4	3,456,265	10.8	1,945,434	5.0
Convertible Notes	113,573	11,832,000	27.7	15,000,000	46.8	11,832,000	30.7
Capital Lease Obligations-Noncurrent	27,647	2,880,298	6.7	3,635,780	11.3	2,801,993	7.3
Accrued Retirement and Pension Costs	698	72,687	0.2	80,601	0.3	67,557	0.2
Other Noncurrent Liabilities	1,547	161,122	0.4	185,201	0.6	180,329	0.5
<b>Total liabilities</b>	<b>344,409</b>	<b>35,880,486</b>	<b>84.0</b>	<b>41,189,217</b>	<b>128.5</b>	<b>33,675,184</b>	<b>87.5</b>
Minority Interest	6,165	642,311	1.5	879,495	2.7	486,388	1.3
<b>Shareholders' Equity(Capital Deficiency):</b>							
Common stock	132,131	13,765,372	32.2	7,082,336	22.1	13,765,372	35.8
Additional paid-in capital	226,892	23,637,628	55.3	17,068,353	53.2	23,637,628	61.5
Accumulated deficit	(333,946)	(34,790,430)	(81.4)	(34,685,291)	(108.2)	(35,459,129)	(92.2)
Accumulated other comprehensive income	34,993	3,645,558	8.5	530,266	1.7	2,359,503	6.1
Treasury stock	(422)	(44,000)	(0.1)			(63)	0.0
<b>Total shareholders' equity(capital deficiency)</b>	<b>59,648</b>	<b>6,214,128</b>	<b>14.5</b>	<b>(10,004,336)</b>	<b>(31.2)</b>	<b>4,303,311</b>	<b>11.2</b>
<b>Total liabilities and shareholders' equity(capital deficiency)</b>	<b>410,222</b>	<b>42,736,925</b>	<b>100.0%</b>	<b>32,064,376</b>	<b>100.0%</b>	<b>38,464,883</b>	<b>100.0%</b>

Note (1): The translation of Japanese yen amounts into US dollar amounts with respect to Mar 31, 2004 are included solely for the convenience of readers outside Japan and have been made at the rate of JPY104.18 = \$1, the approximate rate of exchange on Mar 31, 2004.

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

For the Three Months Ended Mar 31, 2004, Mar 31, 2003 and Dec 31, 2003

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

	Mar 31, 2004		Mar 31, 2003	Dec 31, 2003
	USD (1)	JPY	JPY	JPY
<b>Operating Activities:</b>				
Net income (loss)	6,419	668,699	(9,289,600)	1,979,136
Depreciation and amortization	9,888	1,030,162	933,374	1,004,236
Provision for doubtful accounts	265	27,587	30,866	(40,428)
Equity method net loss	1,810	188,577	1,253,875	58,354
Impairment loss on investment in and deposits for Crosswave	-	-	7,153,087	-
Minority interests in net income (loss) of consolidated subsidiaries	1,510	157,295	(21,342)	48,710
Foreign exchange losses (gains)	(131)	(13,682)	149,262	12,279
Gain on retirement of convertible notes	-	-	-	(88,975)
Net losses (gains) on other investments	407	42,352	184,723	(1,532,033)
Decrease (increase) in accounts receivable	(23,838)	(2,483,404)	(2,983,254)	138,452
Increase (decrease) in accounts payable	22,968	2,392,795	2,200,392	(70,261)
Decrease (increase) in inventories	(2,354)	(245,201)	392,051	72,267
Deferred income taxes	(8,680)	(904,221)	91,486	(286,208)
Other	3,798	395,710	395,418	(209,740)
<b>Net cash provided by operating activities</b>	<b>12,062</b>	<b>1,256,669</b>	<b>490,338</b>	<b>1,085,789</b>
<b>Investing Activities:</b>				
Purchase of property and equipment	(2,266)	(236,028)	(163,592)	(339,621)
Proceeds from sale-leaseback	-	-	66,940	-
Proceeds from sales of other investment	637	66,387	13,663	1,946,875
Purchase of other investments	(20)	(2,138)	-	(6,039)
Refund (payment) of guarantee deposits-net	(6)	(576)	(1,387,210)	727
Other	(36)	(3,778)	(7,606)	(225)
<b>Net cash provided by (used in) investing activities</b>	<b>(1,691)</b>	<b>(176,133)</b>	<b>(1,477,805)</b>	<b>1,601,717</b>
<b>Financing Activities:</b>				
Proceeds from long-term borrowings	3,840	400,000	2,000,000	-
Repayments of long-term borrowings	(4,190)	(436,477)	(1,200,000)	(1,036,247)
Repurchase of convertible notes	-	-	-	(3,047,460)
Principal payments under capital leases	(6,647)	(692,467)	(656,238)	(671,339)
Net increase (decrease) in short-term borrowings	(1,923)	(200,316)	312,854	2,459,505
<b>Net cash provided by (used in) financing activities</b>	<b>(8,920)</b>	<b>(929,260)</b>	<b>456,616</b>	<b>(2,295,541)</b>
<b>Effect of Exchange Rate Changes on Cash</b>	<b>(72)</b>	<b>(7,632)</b>	<b>(151,410)</b>	<b>(34,305)</b>
<b>Net Increase (Decrease) in Cash</b>	<b>1,379</b>	<b>143,644</b>	<b>(682,261)</b>	<b>357,660</b>
<b>Cash, Beginning of Period</b>	<b>116,535</b>	<b>12,140,595</b>	<b>4,270,613</b>	<b>11,782,935</b>
<b>Cash, End of Period</b>	<b>117,914</b>	<b>12,284,239</b>	<b>3,588,352</b>	<b>12,140,595</b>

Note (1): The translations of Japanese yen amounts into US dollar amounts with respect to the three months ended Mar 31, 2004 are included solely for the convenience of readers outside Japan and have been made at the rate of JPY104.18 = \$1, the approximate rate of exchange on Mar 31, 2004.

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

For the Year Ended March 31, 2004, March 31, 2003

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

	March 31, 2004		March 31, 2003
	USD (1)	JPY	JPY
<b>Operating Activities:</b>			
Net loss	(1,009)	(105,139)	(16,476,822)
Depreciation and amortization	38,475	4,008,324	3,580,212
Provision for doubtful accounts	4,324	450,505	84,339
Equity method net loss	2,748	286,317	5,625,299
Impairment loss on investment, advance and deposits for Crosswave	16,510	1,719,981	7,153,087
Minority interests in net loss of consolidated subsidiaries	(2,263)	(235,812)	(153,251)
Foreign exchange losses	49	5,124	277,856
Gain on retirement of convertible notes	(854)	(88,975)	-
Losses (gains) on other investments-net	(13,562)	(1,412,858)	277,162
Decrease (increase) in accounts receivable	7,520	783,387	(1,351,380)
Increase (decrease) in accounts payable	(10,868)	(1,132,209)	1,245,431
Decrease (increase) in inventories	(296)	(30,813)	198,597
Deferred income taxes	(20,768)	(2,163,571)	885,784
Other	(1,544)	(160,895)	235,378
<b>Net cash provided by operating activities</b>	<b>18,462</b>	<b>1,923,366</b>	<b>1,581,692</b>
<b>Investing Activities:</b>			
Purchase of property and equipment	(15,908)	(1,657,302)	(1,315,390)
Advances to Crosswave	(16,510)	(1,719,981)	-
Deposit of restricted cash for and purchase of stock purchase right of Crosswave	-	-	(5,056,250)
Proceeds from sales of other investment	20,835	2,170,584	-
Purchase of other investments	(3,126)	(325,665)	(51,671)
Refund (payment) of guarantee deposits-net	6,470	674,018	(1,487,911)
Other	56	5,883	33,301
<b>Net cash used in investing activities</b>	<b>(8,183)</b>	<b>(852,463)</b>	<b>(7,877,921)</b>
<b>Financing Activities:</b>			
Proceeds from long-term borrowings	3,839	400,000	2,000,000
Repayments of long-term borrowings	(18,657)	(1,943,735)	(1,400,000)
Repurchase of convertible notes	(29,252)	(3,047,460)	-
Principal payments under capital leases	(26,234)	(2,733,012)	(2,475,433)
Net increase in short-term borrowings	16,707	1,740,495	1,003,367
Proceeds from issuance of common stock	127,206	13,252,311	-
<b>Net cash provided by (used in) financing activities</b>	<b>73,609</b>	<b>7,668,599</b>	<b>(872,066)</b>
<b>Effect of Exchange Rate Changes on Cash</b>	<b>(418)</b>	<b>(43,615)</b>	<b>(289,272)</b>
<b>Net Increase (decrease) in Cash</b>	<b>83,470</b>	<b>8,695,887</b>	<b>(7,457,567)</b>
<b>Cash, Beginning of Period</b>	<b>34,444</b>	<b>3,588,352</b>	<b>11,045,919</b>
<b>Cash, End of Period</b>	<b>117,914</b>	<b>12,284,239</b>	<b>3,588,352</b>

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