



Internet Initiative Japan Inc.

Third Quarter Results for the Year Ending March 31, 2004

February 16, 2004

Statements made in this material with respect to IIJ's plans, objectives, strategies, intentions, beliefs, predictions and other statements that are not historical facts are forward-looking statements about the future performance or intentions of IIJ, and are based on management's expectations, assumptions, estimates, projections and beliefs in light of information currently available to it. These forward-looking statements, such as statements regarding the effect of the private placement on IIJ's capital structure, are subject to various risks and uncertainties that could cause actual results to be materially different from those described in the forward-looking statements. Potential risks and uncertainties include, without limitation, the ability of Crosswave to continue as a going concern, the adverse impact of the filing for corporate reorganization of Crosswave on IIJ's business operations, management, employees and customers, the outcome and timing of Crosswave's efforts to restructure; and other risks referred to from time to time in IIJ's filings with the Securities and Exchange Commission.

- ▶ **Total revenues: JPY 9,633 million (\$ 89.9 million*).**
 - Increased by 4.9% from 9,185 million in 2Q03. A decrease of 8.8% compared to 3Q02.
 - The increase from 2Q03 is mainly due to an increase in revenues from Systems Integration (SI) and value-added services.

- ▶ **Operating income: JPY 236 million (\$ 2.2 million).**
 - Improvement from the operating losses of JPY 830 million in 2Q03 and JPY 567 million 3Q02.
 - The improvement was mainly due to increased SI profitability and reduced backbone costs.

- ▶ **Adjusted EBITDA: JPY 1,218 million (\$11.4 million).**
 - Increased from an adjusted EBITDA of JPY 126 million in 2Q03 and JPY 349 million in 3Q02.

* Conversion rate solely given for the convenience of readers outside of Japan and have been made at the rate of JPY107.13 = US\$1.00, the approximate exchange rate on December 31, 2003.

Highlights

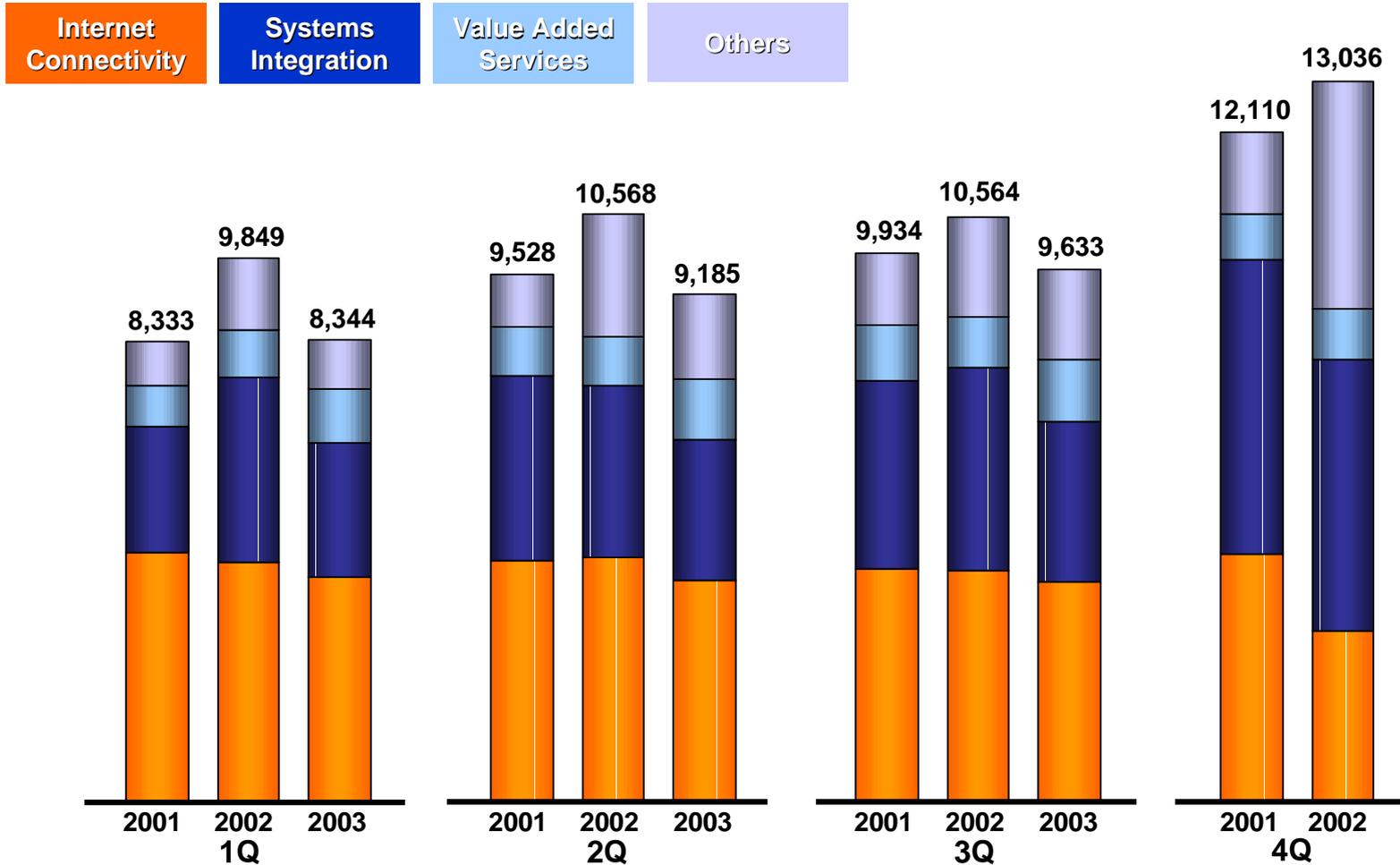
- ▶ **Income before income tax: JPY 1,806 million (\$ 16.9 million).**
 - Improvement from the 2Q03 loss before tax of JPY 987 million.
 - The improvement was primarily a result of:
 - Positive operating income of JPY 236 million.
 - A gain of JPY 1,572 million generated by the sale of the Company's stake in DLJdirect SFG Securities Inc.
 - A gain of JPY 89 million that came from repurchasing and canceling a portion of IIJ's convertible notes that are due in 2005.

- ▶ **Net income: JPY 1,979 million (\$ 18.5 million)**
 - Positive net income versus a net loss of JPY 278 million in 2Q03 and JPY 2,266 million in 3Q02.

- ▶ **IIJ expects quarterly operating income in 4Q03 to remain positive due to an increase in high margin service revenues and further cost reduction.**

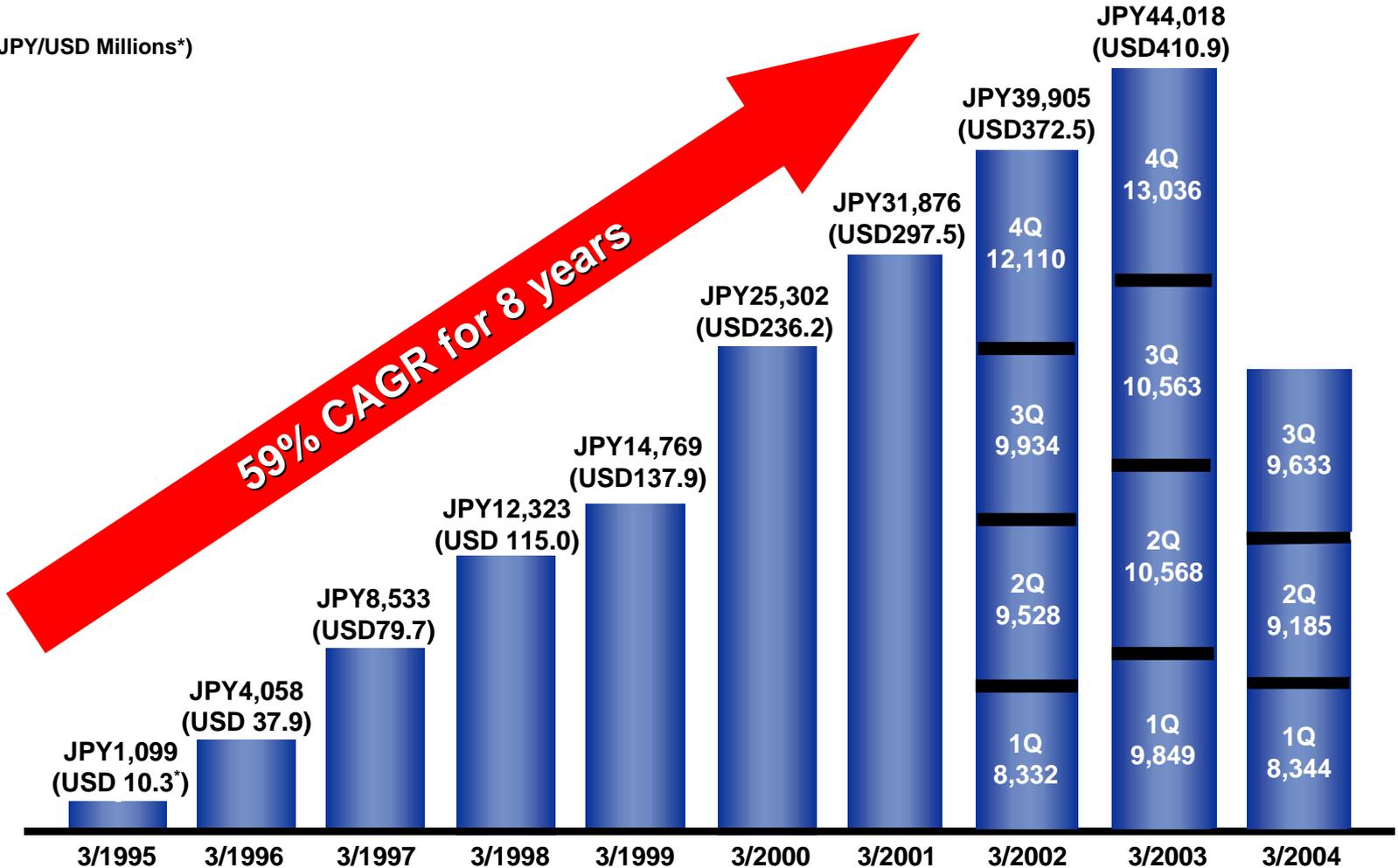
Revenue Growth (Quarterly)

(JPY Millions)



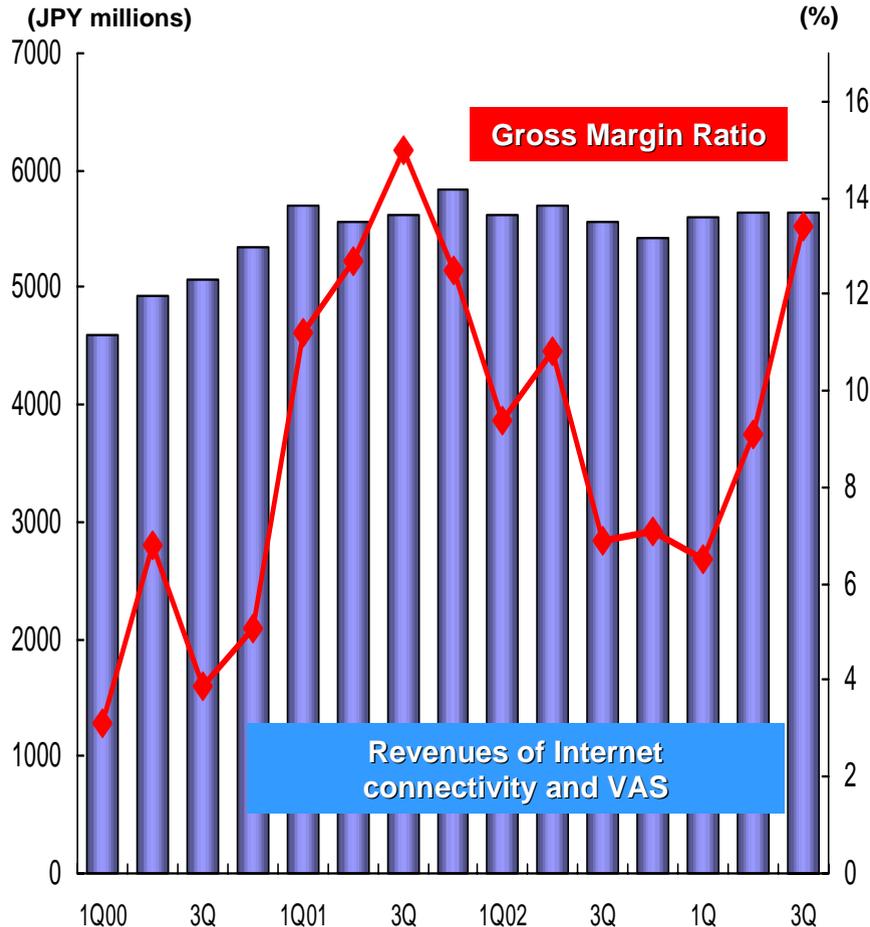
Revenue Growth (Yearly)

(JPY/USD Millions*)



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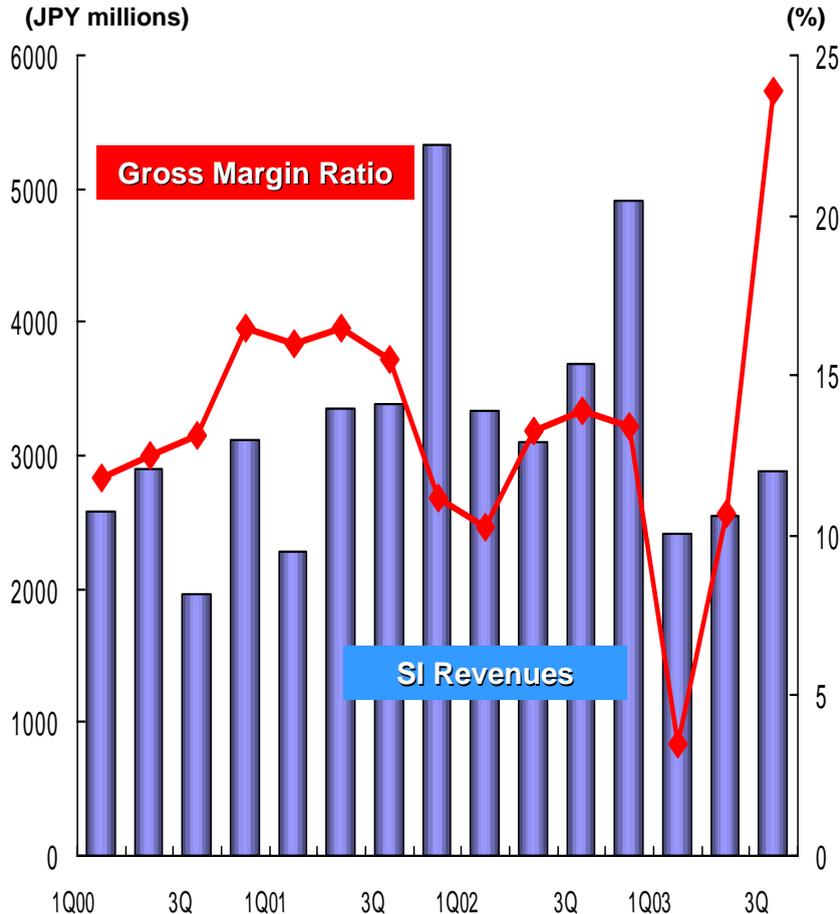
Revenues and Gross Margin



Gross margin improvement despite flat revenues due to reduction of international and domestic backbone costs

- Total revenue decreased slightly. Revenue from value added services, such as security related services, increased by 4.0% QoQ.
- Increase in the number of contracts. The number of high bandwidth Internet Connectivity Service (3Mbps to 1.2Gbps) contracts increased remarkably.
- Backbone costs decreased by JPY 145 million QoQ (International costs decreased by JPY 91 million and domestic costs decreased by JPY 54 million).
- Gross margin improved to 13.4% from 9.1% in 2Q03.

Revenues and Gross Margin



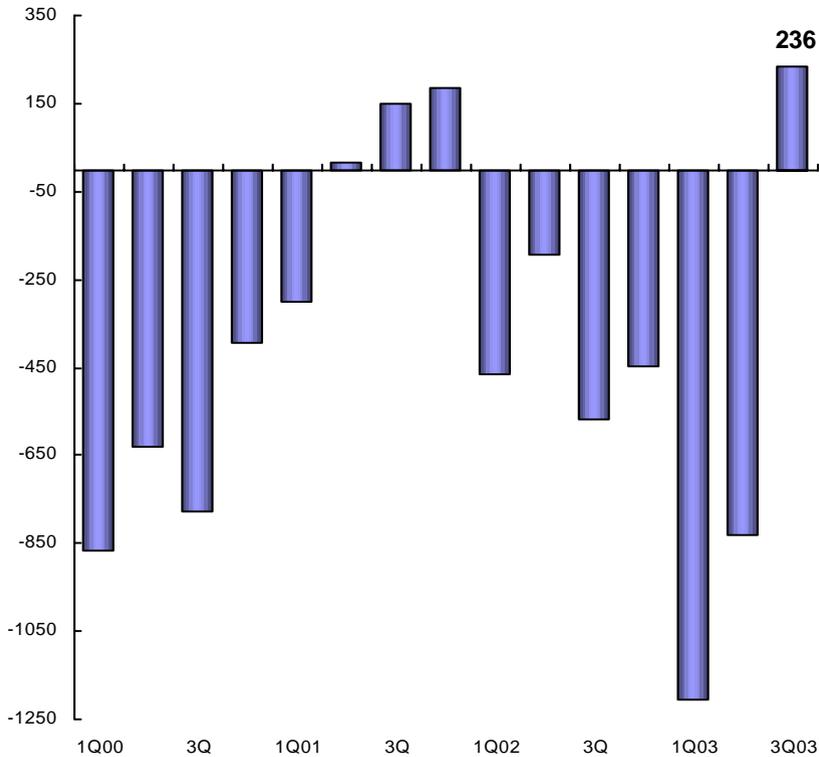
Gross margin improved significantly

- Revenue increased by 13.3% due to a steady increase from operational outsourcing services.
- Gross margins significantly improved to 23.9% from 10.7% QoQ due to winning profitable SI and Network Integration contracts.

Operating and Net Income (Loss)

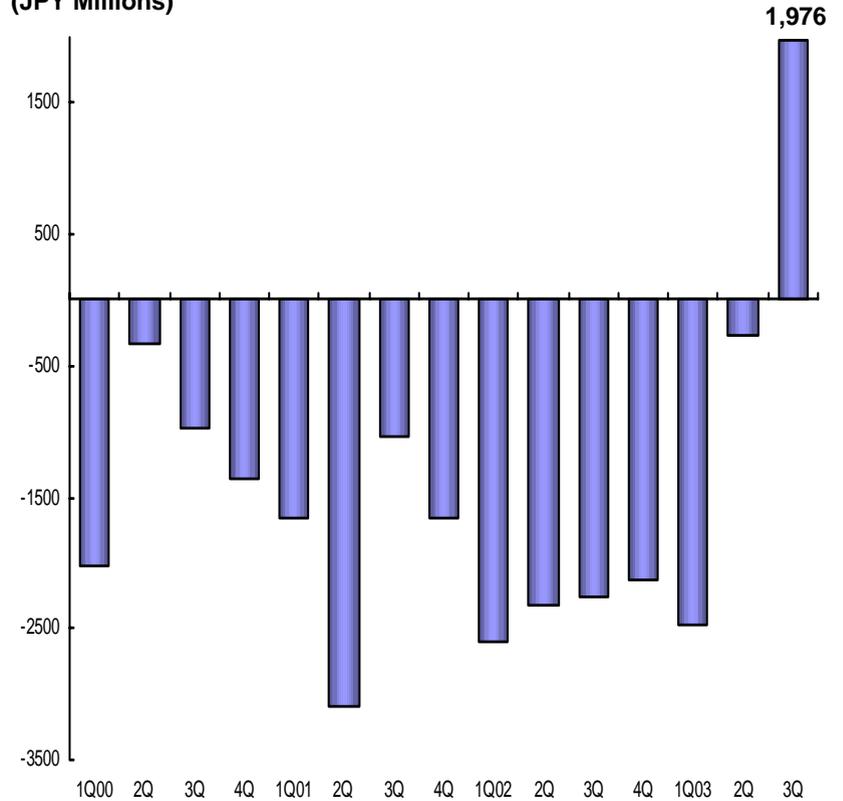
Operating Income (Loss)

(JPY Millions)



Net Income (Loss)

(JPY Millions)



Financial Results (Quarterly and Unaudited)

(JPY Millions)

Statements of Operation	1Q03	2Q03	3Q03
Total revenues	8,344	9,185	9,633
Total costs	7,868	8,337	8,125
Sales and marketing	973	1,100	699
General and administrative	612	482	486
Research and development	96	96	87
Operating income (loss)	(1,206)	(830)	236
Income (loss) before income tax expense (benefit)	(1,410)	(987)	1,806
Equity in net loss of equity method investees	(1,709)	(50)	(58)
Net income (loss)	(2,475)	(278)	1,979
Balance Sheet			
Total assets	27,587	38,434	38,465
Total liabilities	37,474	36,040	33,675
Total shareholders' equity (capital deficiency)	(10,512)	1,957	4,303