



Internet Initiative Japan



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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。10 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 4 四半期(1-3 月)および 2004 年度決算発表(抄訳)

＜米国ナスダック・ナショナルマーケット上場以来の過去最高益を達成＞

本決算発表に関するマネジメント・メッセージを 2005 年 5 月 14 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 4 四半期決算

- ・ 営業収益(売上高)は、前年同期比 5.5%増、前四半期比 19.4%増の 12,254 百万円となりました。
- ・ 営業利益は、656 百万円と、前年同期比(87.5%増)、前四半期比(59.9%増)ともに大幅増益となりました。
- ・ 当期利益は、2,256 百万円と、前年同期の当期損失 236 百万円から黒字転換、前四半期比 242.0%増と大幅改善となりました。

### 2004 年度決算

- ・ 営業収益(売上高)は、前期比7.5%増の 41,703 百万円となりました。
- ・ 営業利益は、1,248 百万円と、前期の営業損失 1,450 百万円から黒字転換いたしました。
- ・ 当期利益は、2,906 百万円と、前期の当期損失 2,271 百万円から黒字転換いたしました。
- ・ 2004 年度第4四半期決算とあわせ、米国ナスダック・ナショナルマーケット上場以来の最高益を達成いたしました。

### 2005 年度の業績ターゲット

- ・ 営業収益(売上高)は 2004 年度実績比約 10%増、営業利益は 2004 年度実績比約 85%増、当期利益は 2004 年度実績比約 25%増とし、上場以来の最高売上、最高益の更新をターゲットといたします。

## 経営の概況

2004 年度第4四半期および 2004 年度通期決算は、ともに、米国ナスダック・ナショナルマーケット上場以来の最高益を計上いたしました。企業または政府・官公庁において、IT 化の重要性が認識され IT 投資が拡大していること、インターネット技術が社内ネットワークや業務システムに更に浸透し、特に IIJ の主要市場である大企業において業務トラフィックの増大・ネットワークの複雑化から一層のアウトソーシングニーズが顕在化していることを背景に、IIJ の持つ技術力、エンジニアリング能力、長年蓄積してきた運用ノウハウ等が評価された結果であると考えております。

2004 年度は、付加価値サービス、システムインテグレーションの運用といった収益性の高いアウトソーシング売上が大口案件の獲得を含め引続き好調に推移したことに加えて、システムインテグレーションの構築において、IIJ の技術力をリソースとした内製比率の高いネットワーク設計・構築案件を多数獲得することで、売上増加、収益拡大を果たしました。また、インターネット接続サービスでは、企業の広帯域サービスへのシフト、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等により2004年度第4四半期において増収に転じる等、減収傾向の収束を確認することができました。コスト面においても、バックボーンコストを主体とする固定的売上原価、販売管理費の抑制を行い、上記の売上増加と合せて継続的な利益増加基調を実現いたしました。

今後とも、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」を戦略的に推進することで、2004 年度に確立した構造的な収益体質をより一層強化し、売上、収益の拡大を図ってまいります。

2005 年度においては、米国ナスダック・ナショナルマーケット上場以来の最高売上、最高益の更新をターゲットいたします。

## 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

	4Q04	4Q03	3Q04
専用線接続サービス合計	<b>11,243</b>	7,226	9,427
IP サービス(低帯域:64kbps-768kbps)*1	<b>89</b>	93	67
IP サービス(中帯域:1Mbps-100Mbps 未満)*1	<b>660</b>	565	609
IP サービス(高帯域:100Mbps 以上～)	<b>114</b>	80	103
IIJ T1 スタンダードおよび IIJ エコノミー*2	<b>276</b>	504	313
インターネットデータセンター接続サービス	<b>231</b>	196	228
IIJ FiberAccess/F および IIJ DSL/F (ブロードバンド対応型)	<b>9,873</b>	5,788	8,107
ダイヤルアップ接続サービス合計	<b>693,976</b>	695,867	708,517
自社提供	<b>68,068</b>	75,136	69,260
OEM 提供*3	<b>625,908</b>	620,731	639,257
契約総帯域	<b>121.2Gbps</b>	80.1Gbps	109.5Gbps

\*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

2004 年度第4四半期においても、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、顧客企業が業務トラフィックの増大を背景に、より広帯域のサービスにシフトしていることから、10Mbps、100Mbps のサービスを中心に契約数が増加しました。1Gbps 以上の IP サービスの契約数は合計で 24 社となりました。

また、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の展開に伴う新規契約の獲得により大幅に増加しました。

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

	<b>4Q04</b>	4Q03	前年同期比	3Q04	前四半期比
インターネット接続サービス	<b>3,559</b>	3,858	(7.8%)	3,508	1.5%
専用線接続サービス	<b>2,841</b>	3,100	(8.4%)	2,781	2.2%
IP サービス*4	<b>2,235</b>	2,423	(7.8%)	2,186	2.3%
IIJ T1 スタンダードおよび IIJ エコノミー*5	<b>171</b>	331	(48.5%)	195	(12.3%)
IIJ FiberAccess/F および IIJ DSL/F (ブロードバンド対応型)	<b>435</b>	346	25.8%	400	8.6%
ダイヤルアップ接続サービス	<b>718</b>	758	(5.2%)	727	(1.2%)
自社提供*6	<b>472</b>	522	(9.6%)	478	(1.4%)
OEM 提供*7	<b>247</b>	236	4.5%	249	(0.8%)
付加価値サービス	<b>1,322</b>	1,104	19.8%	1,276	3.6%
その他	<b>979</b>	537	82.4%	882	10.9%
インターネット接続及び付加価値サービス 売上高合計	<b>5,860</b>	5,499	6.6%	5,666	3.4%
インターネット接続及び付加価値サービス原価	<b>5,018</b>	4,810	4.3%	4,874	3.0%
うちバックボーンコスト	<b>831</b>	1,067	(22.1%)	858	(3.2%)
売上総利益率	<b>14.4%</b>	12.5%		14.0%	

\*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(IIJ4U、IIJmio)。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、IP サービスにおける顧客企業の広帯域サービスへのシフト、多拠点接続ソリューションの展開に伴うブロードバンド型サービスの契約増加等から、12 四半期振りに増収に転じました。

付加価値サービスの売上は、多拠点接続案件に伴う、SEIL、SMF 等のネットワーク・アウトソーシング系サービスが好調に推移したことから増収となりました。

その他の売上は、前四半期に引き続き広域 LAN サービスや社内 LAN 関連サービスが売上に寄与し、増収となりました。

売上総利益率は、収益性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の増収転換に加え、バックボーンコストを主体とする固定的売上原価の抑制により引続き改善し、14.4%となりました。固定的売上原価については、今後も大きなコスト増大要因はなく、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**

	<b>4Q04</b>
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	<b>88.2%</b>
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	<b>78.0%</b>

\*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、売上原価及び売上総利益率 (百万円)

	4Q04	4Q03	前年同期比	3Q04	前四半期比
システムインテグレーション収入合計	<b>5,352</b>	4,001	33.7%	3,970	34.8%
システムインテグレーション	<b>2,786</b>	2,573	8.3%	1,672	66.7%
システム運用アウトソーシングサービス	<b>2,566</b>	1,428	79.6%	2,298	11.7%
システムインテグレーション原価	<b>4,030</b>	3,054	32.0%	3,031	33.0%
売上総利益率	<b>24.7%</b>	23.7%		23.7%	

システムインテグレーションの売上は、年度末という季節要因から構築案件売上が好調であったことに加え、収益性の高い運用アウトソーシングサービスが大口案件の獲得を含め引続き順調に増加したことから、大幅増収となりました。

構築案件において、IIJの技術力をリソースとした内製比率の高いネットワーク設計・構築案件を多数獲得したこと、安定した収益基盤である運用アウトソーシングサービスが引続き好調で大幅増収となったことから、売上総利益率は引続き改善し、24.7%となりました。

### 機器販売の営業収益、売上原価及び売上総利益率 (百万円)

	4Q04	4Q03	前年同期比	3Q04	前四半期比
機器販売売上高	<b>1,042</b>	2,117	(50.8%)	625	66.8%
機器販売原価	<b>964</b>	2,051	(53.0%)	581	65.7%
売上総利益率	<b>7.6%</b>	3.1%		7.0%	

### その他 (百万円)

	4Q04	4Q03	前年同期比	3Q04	前四半期比
Adjusted EBITDA (償却前営業利益)	<b>1,692</b>	1,358	24.6%	1,508	12.2%
設備投資 (キャピタルリースを含む)	<b>724</b>	1,014	(28.7%)	2,017	(64.1%)
減価償却費 <sup>*10</sup>	<b>1,061</b>	1,030	3.0%	1,116	(5.0%)

\*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年米国民証券取引法 (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。

本資料における2004年度第3四半期以前の決算数値については、IIJの2005年4月11日付プレスリリースにて既報の決算修正を反映した数値としています。

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 四半期連結損益計算書(米国会計基準未監査)

Appendix 1

2005年3月期、2004年3月期、2004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

	2005年3月期		2004年3月期			前四半期比較 2004年12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 %
<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	26,496	2,840,903	23.2%	3,100,452	26.7%	(8.4%)	2,780,955	27.1%	2.2%
ダイヤルアップ接続サービス	6,699	718,285	5.8	757,947	6.5	(5.2)	726,798	7.1	(1.2)
付加価値サービス	12,328	1,321,816	10.8	1,103,558	9.5	19.8	1,275,958	12.4	3.6
その他	9,130	978,940	8.0	536,590	4.6	82.4	882,466	8.6	10.9
インターネット接続及び付加価値サービス収入合計	54,653	5,859,944	47.8	5,498,547	47.3	6.6	5,666,177	55.2	3.4
システムインテグレーション	49,915	5,351,865	43.7	4,001,449	34.5	33.7	3,969,610	38.7	34.8
機器販売	9,723	1,042,540	8.5	2,117,006	18.2	(50.8)	625,196	6.1	66.8
<b>営業収益合計</b>	<b>114,291</b>	<b>12,254,349</b>	<b>100.0</b>	<b>11,617,002</b>	<b>100.0</b>	<b>5.5</b>	<b>10,260,983</b>	<b>100.0</b>	<b>19.4</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	46,806	5,018,522	40.9	4,809,831	41.4	4.3	4,873,759	47.5	3.0
システムインテグレーション原価	37,589	4,030,274	32.9	3,053,962	26.3	32.0	3,030,666	29.5	33.0
機器販売原価	8,987	963,665	7.9	2,050,923	17.6	(53.0)	581,368	5.7	65.7
売上原価合計	93,382	10,012,461	81.7	9,914,716	85.3	1.0	8,485,793	82.7	18.0
販売費	6,866	736,219	6.0	755,928	6.5	(2.6)	683,731	6.6	7.7
一般管理費	7,461	799,929	6.5	517,884	4.5	54.5	632,874	6.2	26.4
研究開発費	466	49,968	0.4	78,786	0.7	(36.6)	48,406	0.5	3.2
<b>営業費用合計</b>	<b>108,175</b>	<b>11,598,577</b>	<b>94.6</b>	<b>11,267,314</b>	<b>97.0</b>	<b>2.9</b>	<b>9,850,804</b>	<b>96.0</b>	<b>17.7</b>
<b>営業利益</b>	<b>6,116</b>	<b>655,772</b>	<b>5.4</b>	<b>349,688</b>	<b>3.0</b>	<b>87.5</b>	<b>410,179</b>	<b>4.0</b>	<b>59.9</b>
その他の収益(費用)	16,127	1,729,122	14.1	(226,045)	(1.9)	(864.9)	332,623	3.2	419.8
<b>税引前当期利益</b>	<b>22,243</b>	<b>2,384,894</b>	<b>19.5</b>	<b>123,643</b>	<b>1.1</b>	<b>1,828.9</b>	<b>742,802</b>	<b>7.2</b>	<b>221.1</b>
法人税等、住民税及び事業税	278	29,839	0.3	13,293	0.1	124.5	39,436	0.4	(24.3)
少数株主損益	(583)	(62,468)	(0.5)	(157,295)	(1.4)	(60.3)	(43,040)	(0.4)	45.1
持分法による投資損益	(345)	(36,966)	(0.3)	(188,577)	(1.6)	(80.4)	(795)	0.0	4,549.8
<b>当期利益(損失)</b>	<b>21,037</b>	<b>2,255,621</b>	<b>18.4%</b>	<b>(235,522)</b>	<b>(2.0%)</b>	<b>(1,057.7%)</b>	<b>659,531</b>	<b>6.4%</b>	<b>242.0%</b>
基本的及び希薄化後1株あたり当期利益(損失)		58,875		(6,147)			17,215		
基本的及び希薄化後米国預託証券1単位あたり当期利益(損失)		29.44		(3.07)			8.61		
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): 2005年3月期につきましては、米ドル換算レート107.22円=1米ドル(2005/3/31)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

2005年3月期通期、2004年3月期通期

JPY/千円単位、USD/千米ドル単位 (1)

前年比較

	2005年3月期			2004年3月期		
	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	106,069	11,372,701	27.3%	12,862,132	33.2%	(11.6%)
ダイヤルアップ接続サービス	27,392	2,936,973	7.0	3,088,498	8.0	(4.9)
付加価値サービス	46,677	5,004,730	12.0	4,296,228	11.1	16.5
その他	29,560	3,169,413	7.6	2,117,794	5.4	49.7
インターネット接続及び付加価値サービス	209,698	22,483,817	53.9	22,364,652	57.7	0.5
システムインテグレーション	147,863	15,853,824	38.0	11,847,687	30.5	33.8
機器販売	31,383	3,364,926	8.1	4,567,123	11.8	(26.3)
<b>営業収益合計</b>	<b>388,944</b>	<b>41,702,567</b>	<b>100.0</b>	<b>38,779,462</b>	<b>100.0</b>	<b>7.5</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	181,719	19,483,890	46.7	20,047,438	51.7	(2.8)
システムインテグレーション原価	113,786	12,200,137	29.2	9,851,726	25.4	23.8
機器販売原価	29,018	3,111,369	7.5	4,346,243	11.2	(28.4)
売上原価合計	324,523	34,795,396	83.4	34,245,407	88.3	1.6
販売費	26,064	2,794,561	6.7	3,527,490	9.1	(20.8)
一般管理費	24,865	2,665,980	6.4	2,098,481	5.4	27.0
研究開発費	1,856	198,979	0.5	357,968	0.9	(44.4)
<b>営業費用合計</b>	<b>377,308</b>	<b>40,454,916</b>	<b>97.0</b>	<b>40,229,346</b>	<b>103.7</b>	<b>0.6</b>
<b>営業利益 (損失)</b>	<b>11,636</b>	<b>1,247,651</b>	<b>3.0</b>	<b>(1,449,884)</b>	<b>(3.7)</b>	<b>(186.1)</b>
その他の収益	17,729	1,900,857	4.5	982,220	2.5	93.5
<b>税引前当期利益 (損失)</b>	<b>29,365</b>	<b>3,148,508</b>	<b>7.5</b>	<b>(467,664)</b>	<b>(1.2)</b>	<b>(773.2)</b>
法人税等、住民税及び事業税	931	99,870	0.2	32,536	0.1	207.0
少数株主損益	(1,018)	(109,161)	(0.2)	235,812	0.6	(146.3)
持分法による投資損益						
持分法投資損失	(310)	(33,208)	(0.1)	(286,317)	(0.8)	(88.4)
クロスウェイブに対する貸付金評価損	-	-	-	(1,719,981)	(4.4)	
<b>当期利益 (損失)</b>	<b>27,106</b>	<b>2,906,269</b>	<b>7.0%</b>	<b>(2,270,686)</b>	<b>(5.9%)</b>	<b>(228.0)</b>
基本的及び希薄化後1株あたり当期利益 (損失)		75,858		(71,606)		
基本的及び希薄化後米国預託証券1単位あたり当期利益 (損失)		37.93		(35.80)		
期中平均発行済株式総数		38,312		31,711		
期中平均発行済米国預託証券総数		76,623,702		63,421,571		

注記(1): 2005年3月期につきましては、米ドル換算レート107.22円=1米ドル(2005/3/31)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)  
 2005年3月期、2004年3月期、2004年12月期

Appendix 3

JPY/千円単位、USD/千米ドル単位(1)

	2005年3月期			2004年3月期		2004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	49,305	5,286,477	14.2%	12,284,239	28.7%	12,158,790	26.9%
売掛金	69,086	7,407,439	20.0	8,994,156	21.1	6,231,361	13.8
棚卸資産	1,307	140,096	0.4	438,435	1.0	372,144	0.8
前払費用	5,642	604,935	1.6	557,703	1.3	989,003	2.2
その他流動資産	1,009	108,228	0.3	325,422	0.8	334,169	0.7
<b>流動資産合計</b>	<b>126,349</b>	<b>13,547,175</b>	<b>36.5</b>	<b>22,599,955</b>	<b>52.9</b>	<b>20,085,467</b>	<b>44.4</b>
<b>関連会社投資等</b>	<b>6,656</b>	<b>713,607</b>	<b>1.9</b>	<b>778,152</b>	<b>1.8</b>	<b>759,585</b>	<b>1.7</b>
<b>その他投資</b>	<b>92,620</b>	<b>9,930,781</b>	<b>26.8</b>	<b>7,931,893</b>	<b>18.6</b>	<b>11,072,053</b>	<b>24.4</b>
<b>有形固定資産等</b>	<b>90,677</b>	<b>9,722,366</b>	<b>26.2</b>	<b>8,601,905</b>	<b>20.1</b>	<b>10,003,936</b>	<b>22.1</b>
<b>敷金保証金</b>	<b>19,126</b>	<b>2,050,665</b>	<b>5.5</b>	<b>2,075,123</b>	<b>4.9</b>	<b>2,050,305</b>	<b>4.5</b>
<b>その他資産</b>	<b>10,743</b>	<b>1,151,877</b>	<b>3.1</b>	<b>749,897</b>	<b>1.7</b>	<b>1,288,024</b>	<b>2.9</b>
<b>資産合計</b>	<b>346,171</b>	<b>37,116,471</b>	<b>100.0%</b>	<b>42,736,925</b>	<b>100.0%</b>	<b>45,259,370</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	44,065	4,724,633	12.7%	6,564,093	15.4%	4,825,844	10.7%
有価証券貸借取引に伴う債務	16,130	1,729,520	4.7			722,800	1.6
買掛金及び未払金	45,334	4,860,733	13.1	7,187,976	16.8	3,566,158	7.9
未払費用	5,047	541,118	1.4	454,366	1.1	665,821	1.5
その他流動負債	7,625	817,517	2.2	483,925	1.1	780,267	1.7
1年以内に期限到来の長期借入金	25,518	2,736,056	7.4	1,548,246	3.6	2,185,094	4.8
転換社債				11,832,000	27.7	11,088,000	24.5
短期リース債務	25,881	2,774,974	7.5	2,387,754	5.6	2,784,469	6.1
<b>流動負債合計</b>	<b>169,600</b>	<b>18,184,551</b>	<b>49.0</b>	<b>30,458,360</b>	<b>71.3</b>	<b>26,618,453</b>	<b>58.8</b>
長期借入金	14,269	1,529,963	4.1	2,308,019	5.4	2,389,339	5.3
長期リース債務	40,469	4,339,028	11.7	2,880,298	6.7	4,459,352	9.8
退職給付引当金	1,337	143,346	0.4	72,687	0.2	120,732	0.3
その他固定負債	2,570	275,533	0.7	161,122	0.4	320,393	0.7
<b>負債合計</b>	<b>228,245</b>	<b>24,472,421</b>	<b>65.9</b>	<b>35,880,486</b>	<b>84.0</b>	<b>33,908,269</b>	<b>74.9</b>
少数株主持分	9,597	1,028,977	2.8	642,311	1.5	988,964	2.2
<b>資本:</b>							
資本金	128,384	13,765,372	37.1	13,765,372	32.2	13,765,372	30.4
資本準備金	220,459	23,637,628	63.7	23,637,628	55.3	23,637,628	52.2
欠損金	(321,153)	(34,434,052)	(92.8)	(37,340,321)	(87.4)	(36,689,673)	(81.0)
その他有価証券評価差額金等	81,049	8,690,125	23.4	6,195,449	14.5	9,692,810	21.4
自己株式	(410)	(44,000)	(0.1)	(44,000)	(0.1)	(44,000)	(0.1)
<b>資本合計</b>	<b>108,329</b>	<b>11,615,073</b>	<b>31.3</b>	<b>6,214,128</b>	<b>14.5</b>	<b>10,362,137</b>	<b>22.9</b>
<b>負債、少数株主持分及び資本合計</b>	<b>346,171</b>	<b>37,116,471</b>	<b>100.0%</b>	<b>42,736,925</b>	<b>100.0%</b>	<b>45,259,370</b>	<b>100.0%</b>

注記(1): 2005年3月期につきましては、米ドル換算レート107.22円=1米ドル(2005/3/31)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

2005年3月期、2004年3月期、2004年12月期

JPY/千円単位、USD/千米ドル単位 (1)

	2005年3月期		2004年3月期	2004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)	21,037	2,255,621	(235,522)	659,531
減価償却費等	9,895	1,060,944	1,030,162	1,116,447
貸倒引当金繰入(戻入)額	338	36,204	27,587	(18,455)
持分法による投資損益	345	36,966	188,577	795
少数株主損(益)	583	62,468	157,295	43,040
為替差損(差益)	(81)	(8,641)	(13,682)	14,912
その他投資に係る損益	(16,943)	(1,816,676)	42,352	(527,300)
売掛金の減少(増加)額	(11,249)	(1,206,074)	(2,483,404)	582,873
買掛金及び未払金の増加(減少)額	11,245	1,205,665	2,392,795	(985,459)
棚卸資産の減少(増加)額	2,069	221,788	(245,201)	(109,964)
法人税等調整額	(109)	(11,656)	-	633
その他	6,570	704,443	395,710	(146,465)
<b>営業活動によるキャッシュフロー</b>	<b>23,700</b>	<b>2,541,052</b>	<b>1,256,669</b>	<b>630,588</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	(900)	(96,542)	(236,028)	(105,946)
子会社株式の取得による支出	(466)	(50,000)	-	-
その他投資の売却による収入	18,734	2,008,650	66,387	750,800
その他投資の取得による支出	(22)	(2,339)	(2,138)	(4,854)
敷金保証金の返還(差入)	(31)	(3,330)	(576)	31,162
営業譲受による支出	-	-	-	(371,011)
その他	(89)	(9,495)	(3,778)	(1,029)
<b>投資活動によるキャッシュフロー</b>	<b>17,226</b>	<b>1,846,944</b>	<b>(176,133)</b>	<b>299,122</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	-	-	400,000	1,250,000
長期借入金の返済	(2,876)	(308,414)	(436,477)	(58,179)
有価証券貸借取引による担保金預り収入	16,130	1,729,520	-	-
有価証券貸借取引による預かり担保金の返済	(6,741)	(722,800)	-	(94,000)
転換社債の償還	(103,414)	(11,088,000)	-	-
リース債務元本の返済	(7,025)	(753,177)	(692,467)	(756,982)
短期借入金の純増減額	(944)	(101,211)	(200,316)	(906,360)
<b>財務活動によるキャッシュフロー</b>	<b>(104,870)</b>	<b>(11,244,082)</b>	<b>(929,260)</b>	<b>(565,521)</b>
<b>現金及び現金同等物に係る換算差額</b>	<b>(151)</b>	<b>(16,227)</b>	<b>(7,632)</b>	<b>(7,564)</b>
<b>現金及び現金同等物の増加(減少)額</b>	<b>(64,095)</b>	<b>(6,872,313)</b>	<b>143,644</b>	<b>356,625</b>
<b>現金及び現金同等物の期首残高</b>	<b>113,400</b>	<b>12,158,790</b>	<b>12,140,595</b>	<b>11,802,165</b>
<b>現金及び現金同等物の期末残高</b>	<b>49,305</b>	<b>5,286,477</b>	<b>12,284,239</b>	<b>12,158,790</b>

注記(1):2005年3月期につきましては、米ドル換算レート107.22円=1米ドル(2005/3/31)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

2005年3月期、2004年3月期、2004年12月期

JPY/千円単位、USD/千ドル単位 (1)

	2005年3月期		2004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)	27,106	2,906,269	(2,270,686)
減価償却費等	39,107	4,193,093	4,008,324
貸倒引当金繰入(戻入)額	231	24,781	450,505
持分法による投資損益	310	33,208	286,317
クロスウェイブに対する貸付金評価損	-	-	1,719,981
少数株主損(益)	1,018	109,161	(235,812)
為替差損(差益)	(144)	(15,466)	5,124
転換社債償還差益	48	5,195	(88,975)
その他投資に係る損益	(22,751)	(2,439,330)	(1,412,858)
売掛金の減少額	14,994	1,607,692	783,387
買掛金及び未払金の減少額	(21,523)	(2,307,729)	(1,132,209)
棚卸資産の減少(増加)額	2,674	286,751	(30,813)
法人税等調整額	(103)	(11,023)	1,976
その他	7,890	845,895	(160,895)
<b>営業活動によるキャッシュフロー</b>	<b>48,857</b>	<b>5,238,497</b>	<b>1,923,366</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	(5,382)	(577,133)	(1,657,302)
子会社株式の取得による支出	(575)	(61,680)	-
クロスウェイブへの貸付	-	-	(1,719,981)
その他投資の売却による収入	27,756	2,976,017	2,170,584
その他投資の取得による支出	(117)	(12,566)	(325,665)
敷金保証金の返還	216	23,167	674,018
営業譲受による支出	(3,499)	(375,123)	-
その他	12	1,321	5,883
<b>投資活動によるキャッシュフロー</b>	<b>18,411</b>	<b>1,974,003</b>	<b>(852,463)</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	20,985	2,250,000	400,000
長期借入金の返済	(17,163)	(1,840,246)	(1,943,735)
有価証券貸借取引による担保金預り収入	23,749	2,546,320	-
有価証券貸借取引による預かり担保金の返済	(7,618)	(816,800)	-
転換社債の買入	(6,953)	(745,488)	-
転換社債の償還	(103,413)	(11,088,000)	(3,047,460)
リース債務元本の返済	(26,745)	(2,867,624)	(2,733,012)
短期借入金の純増減額	(17,156)	(1,839,461)	1,740,495
子会社による普通株式の発行による収入	1,759	188,632	-
普通株式の発行による収入	-	-	13,252,311
<b>財務活動によるキャッシュフロー</b>	<b>(132,555)</b>	<b>(14,212,667)</b>	<b>7,668,599</b>
<b>現金及び現金同等物に係る換算差額</b>	<b>22</b>	<b>2,405</b>	<b>(43,615)</b>
<b>現金及び現金同等物の増加額</b>	<b>(65,265)</b>	<b>(6,997,762)</b>	<b>8,695,887</b>
<b>現金及び現金同等物の期首残高</b>	<b>114,570</b>	<b>12,284,239</b>	<b>3,588,352</b>
<b>現金及び現金同等物の期末残高</b>	<b>49,305</b>	<b>5,286,477</b>	<b>12,284,239</b>

注記(1):2005年3月期につきましては、米ドル換算レート107.22円=1米ドル(2005/3/31)にて参考表示しております。



Internet Initiative Japan

**For Immediate Release**

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**IIJ Announces Fourth Quarter and Full Fiscal Year Results  
for the Year Ended March 31, 2005**

- Company records highest annual and quarterly incomes since NASDAQ listing in 1999 -

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**Tokyo and New York, May 13, 2005** - Internet Initiative Japan Inc. (Nasdaq: IIJI) ("IIJ"), one of Japan's leading Internet-access and comprehensive network solutions providers, today announced its financial results for the fourth quarter and the full fiscal year ended March 31, 2005 ("FY2004").<sup>1</sup>

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**Highlights of Fourth Quarter FY2004 Results**

- Revenue totaled JPY 12,254 million (\$114.3 million), an increase of 5.5% from JPY 11,617 million in 4Q03 and an increase of 19.4% from JPY 10,261 million in 3Q04.
- Operating income was JPY 656 million (\$6.1 million), an increase of 87.5% from JPY 350 million in 4Q03 and an increase of 59.9% from JPY 410 million in 3Q04.
- Net income was JPY 2,256 million (\$21.0 million), compared to a net loss of JPY 236 million in 4Q03 and JPY 660 million of net income in 3Q04.

**Highlights of Full FY2004 Results**

- Revenue totaled JPY 41.7 billion (\$388.9 million), an increase of 7.5% from JPY 38.8 billion in FY2003.
- Operating income was JPY 1.2 billion (\$11.6 million), compared to an operating loss of JPY 1.4 billion in FY2003.
- Net income was JPY 2.9 billion (\$27.1 million), compared to a loss of JPY 2.3 billion in FY2003.

**Outlook for FY2005<sup>2</sup>**

- We expect revenue growth of approximately 10%, an increase in an operating income of approximately 85% and an increase in a net income of approximately 25% for the full fiscal year ending March 31, 2006 ("FY2005").

**Overview of 4<sup>th</sup> Quarter and Full FY2004 Financial Results and Business Outlook<sup>2</sup>**

"We are pleased to announce that IIJ achieved the highest annual and quarterly operating and net income since our NASDAQ listing," said Koichi Suzuki, President and CEO of IIJ. "We are capitalizing on three main changes in the corporate market and we believe the trends will continue to affect our business favorably. First, broadband expansion is spurring demand for operational outsourcing services since customers are required to resolve security and other operational issues. Second, as usage of networks become more integrated with its business systems, demand for upgrades and replacement of

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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 4Q04 and Full FY2004 results, translations of Japanese yen amounts into US dollars are solely for the convenience of readers outside of Japan and have been made at the rate of JPY 107.22 = US\$1.00, the approximate exchange rate on March 31, 2005. Historical quarterly and annual figures have been restated to reflect the change in income tax expense (benefit) previously discussed by IIJ in its press release dated April 11, 2005.

<sup>2</sup> This Overview and Business Outlook contains forward-looking statements and projections such as statements regarding FY2005 revenues and 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 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](http://www.ij.ad.jp)), but may discontinue this practice at any time. IIJ intends to publish its next Overview and Business Outlook in its 1Q05 earnings release, presently scheduled for August 2005.

legacy network systems is growing and the scale and scope of Systems Integration ("SI") projects such as consulting, network and system design, project management, implementation and operation is increasing. Lastly, an increase in Internet traffic among corporate customers is spurring demand for higher speed contracts for high-end Internet connectivity services and advanced broadband services for multi-site connectivity. In addition to leveraging our technological expertise to meet the needs of our customers created by the trends, we continue to develop new technologies such as our SEIL Management Framework ("SMF") and RFID technology in an effort to continually search for new avenues of growth."

"Our financial condition has improved substantially in FY2004," said Akihisa Watai, CFO of IJ. "We succeeded in expanding our outsourced operational services which have relatively higher-margins and recurring monthly revenues, and we also showed significant progress in decreasing our backbone costs while stringently managing our SG&A expenses. We believe that we have crossed the threshold and moved into a harvesting period."

#### 4<sup>th</sup> Quarter FY2004 Financial Results

##### Operating Result Summary

(JPY in millions)

	4Q04	4Q03	YoY % change	3Q04	QoQ % change
<b>Total Revenues</b>	<b>12,254</b>	11,617	5.5%	10,261	19.4%
<b>Total Costs</b>	<b>10,012</b>	9,915	1.0%	8,486	18.0%
<b>SG&amp;A Expenses and R&amp;D</b>	<b>1,586</b>	1,353	17.3%	1,365	16.2%
<b>Operating Income</b>	<b>656</b>	350	87.5%	410	59.9%
<b>Net Income (Loss)</b>	<b>2,256</b>	(236)	(1,057.7%)	660	242.0%

##### Revenues

Revenues in 4Q04 totaled JPY 12,254 million, an increase of 5.5% from JPY 11,617 million in 4Q03 and 19.4% from JPY 10,261 million in 3Q04.

##### Revenues

(JPY in millions)

	4Q04	4Q03	YoY % change	3Q04	QoQ % change
<b>Total Revenues</b>	<b>12,254</b>	11,617	5.5%	10,261	19.4%
<b>Connectivity &amp; VAS</b>	<b>5,860</b>	5,499	6.6%	5,666	3.4%
<b>SI</b>	<b>5,352</b>	4,001	33.7%	3,970	34.8%
<b>Equipment Sales</b>	<b>1,042</b>	2,117	(50.8%)	625	66.8%

##### Connectivity and Value-added

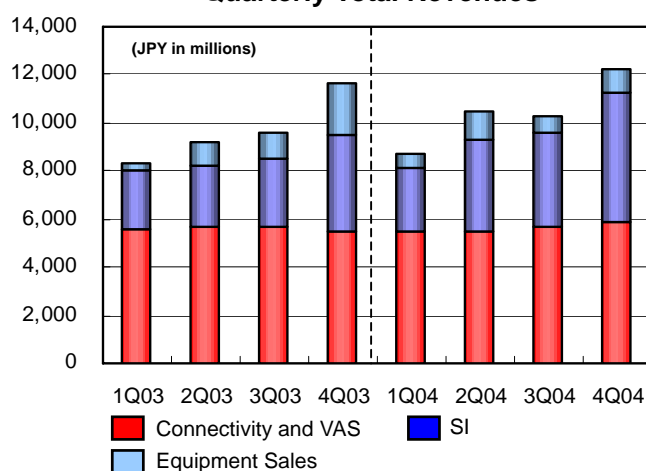
**Services ("VAS") revenues** were JPY 5,860 million in 4Q04, an increase of 6.6% from JPY 5,499 million in 4Q03 and 3.4% from JPY 5,666 million in 3Q04.

Dedicated access service revenues were JPY 2,841 million in 4Q04, a decrease of 8.4% compared to 4Q03 and an increase of 2.2% compared to 3Q04. The decrease compared to 4Q03 was mainly due to shift from T1 Standard or IJ Economy to lower-priced broadband services. Revenues increased from 3Q04, however, due to an increase in revenues from IP service and broadband services.

Dial-up access service revenues were JPY 718 million in 4Q04, a decrease of 5.2% compared to 4Q03 and a decrease of 1.2% compared to 3Q04 mainly due to the decrease in revenues from IJ4U.

VAS revenues were JPY 1,322 million in 4Q04, an increase of 19.8% compared to 4Q03 and an increase of 3.6% compared to 3Q04. The increase compared to 4Q03 and 3Q04 is mainly due to an increase in revenues from various types of packaged outsource services, such as managed security,

##### Quarterly Total Revenues



hosting and network services.

Other revenues were JPY 979 million in 4Q04, an increase of 82.4% compared to 4Q03 and an increase of 10.9% compared to 3Q04, mainly due to an increase in revenues from Wide-area Ethernet Services.

**SI revenues** increased 33.7% to JPY 5,352 million in 4Q04 from JPY 4,001 million in 4Q03 and increased 34.8% from JPY 3,970 million in 3Q04. The increase from 4Q03 is mainly due to additional revenues from the purchase of the security system business operations of Yamatane Co. Ltd. in October 2004, and the increase from 3Q04 is mainly due to the increase in systems integration contracts.

**Equipment sales revenues** were JPY 1,042 million in 4Q04, a decrease of 50.8% compared to 4Q03 and an increase of 66.8% compared to 3Q04.

### Cost and expense

Cost of revenues was JPY 10,012 million in 4Q04, an increase of 1.0% compared to 4Q03 and an increase of 18.0% compared to 3Q04.

**Cost of Connectivity and VAS revenues** was JPY 5,018 million, an increase of 4.3% compared to 4Q03 and an increase of 3.0% compared to 3Q04. The gross-margin ratio for Connectivity and VAS in 4Q04 was 14.4%, compared to 12.5% in 4Q03 and 14.0% in 3Q04 mainly due to a decrease in backbone costs.

**Cost of SI revenues** was JPY 4,030 million in 4Q04, an increase of 32.0% compared to 4Q03 and an increase of 33.0% compared to 3Q04. The gross margin ratio for SI in 4Q04 was 24.7%, compared to 23.7% in 4Q03 and 23.7% in 3Q04. The improvement in margin compared to 3Q04 was mainly due to the increase in higher-margin systems integration projects.

**Sales and marketing expenses** were JPY 736 million in 4Q04, a decrease of 2.6% compared to 4Q03 and an increase of 7.7% compared to 3Q04.

**General and administrative expenses** were JPY 800 million in 4Q04, an increase of 54.5% compared to 4Q03 and an increase of 26.4% compared to 3Q04. The increase is mainly due to an increase in write down of software licenses and personnel expenses.

### Operating income

Operating income was JPY 656 million in 4Q04, compared to JPY 350 million in 4Q03 and JPY 410 million in 3Q04 mainly due to improved gross-margins in Connectivity, VAS and SI.

**Other income (expenses)** in 4Q04 was JPY 1,729 million, compared to other expenses of JPY 226 million in 4Q03 and other income of JPY 333 million in 3Q04. The increase is mainly due to gain on the sale of available-for-sale securities which amounted to JPY 1,890 million.

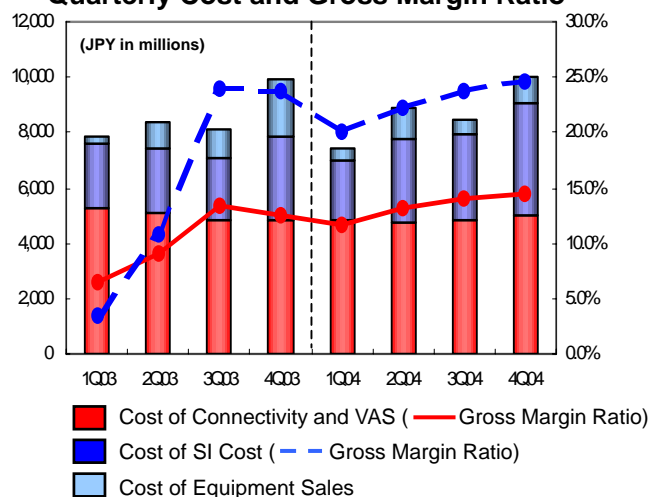
**Income tax expense** for 4Q04 was JPY 30 million, compared to JPY 13 million in 4Q03 and JPY 39

### Cost of Revenues

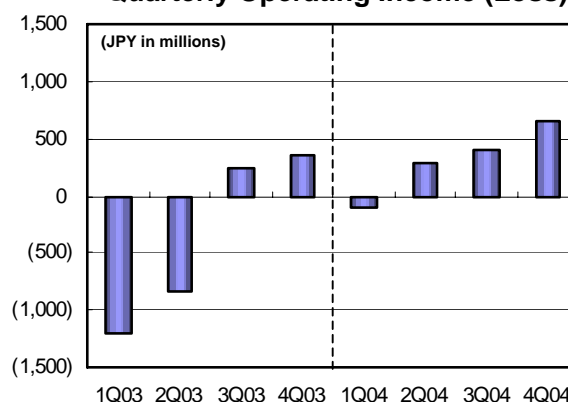
(JPY in millions)

	4Q04	4Q03	YoY % change	3Q04	QoQ % change
<b>Total Costs:</b>	<b>10,012</b>	9,915	1.0%	8,486	18.0%
<b>Connectivity &amp; VAS</b>	<b>5,018</b>	4,810	4.3%	4,874	3.0%
<b>SI</b>	<b>4,030</b>	3,054	32.0%	3,031	33.0%
<b>Equipment Sales</b>	<b>964</b>	2,051	(53.0%)	581	65.7%

### Quarterly Cost and Gross Margin Ratio



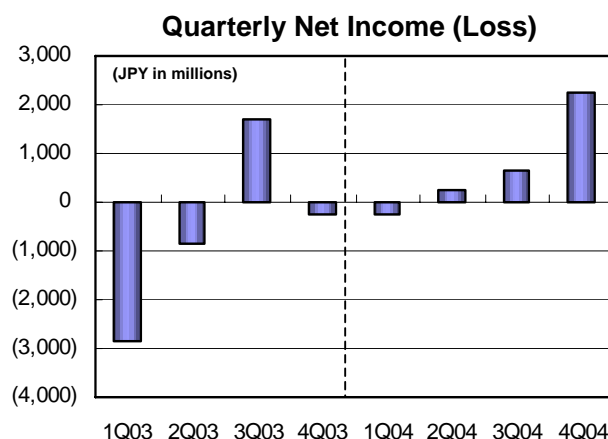
### Quarterly Operating Income (Loss)



million in 3Q04.

**Equity in net loss of equity method investees** amounted to JPY 37 million in 4Q04, compared to a net loss of JPY 189 million in 4Q03 and JPY 1 million in 3Q04.

**Net income (loss)** was net income of JPY 2,256 million in 4Q04, compared to a net loss of JPY 236 million in 4Q03 and net income of JPY 660 million in 3Q04. The increase was mainly due to the improvement in operating income and gain on sale of available-for-sale securities.



## 4<sup>th</sup> Quarter FY2004 Business Review

### Analysis by Service

#### Connectivity and Value-added Services

##### Number of Contracts for Connectivity Services

	4Q04	4Q03	3Q04
<b>Dedicated Access Service Contracts</b>	<b>11,243</b>	7,226	9,427
IP Service (Low Bandwidth: 64kbps-768kbps) <sup>3</sup>	89	93	67
IP Service (Medium Bandwidth: 1Mbps-99Mbps) <sup>3</sup>	660	565	609
IP Service (High Bandwidth: 100Mbps-)	114	80	103
IIJ T1 Standard and IIJ Economy <sup>4</sup>	276	504	313
IIJ Data Center Connectivity Service	231	196	228
IIJ FiberAccess/F and IIJ DSL/F (Broadband Services)	9,873	5,788	8,107
<b>Dial-up Access Service Contracts</b>	<b>693,976</b>	695,867	708,517
Dial-up Access Services, under IIJ Brand	68,068	75,136	69,260
Dial-up Access Services, OEM <sup>5</sup>	625,908	620,731	639,257
<b>Total Contracted Bandwidth</b>	<b>121.2Gbps</b>	80.1Gbps	109.5Gbps

The total number of contracts for dedicated access services continued to show a steady increase in 4Q04. In IP Services, the number of contracts for our high-end Internet connectivity services, such as for corporate headquarters and other critical usage, increased, especially for medium and high bandwidth connectivity. The number of contacts over 1Gbps also increased to 24. Additionally, the number of contracts for broadband services continued to increase for multi-site connectivity with Internet VPN, as we are exploring new markets and services that were previously provided by telecommunication carriers.

##### Connectivity and VAS Revenue Breakdown and Cost

(JPY in millions)

	4Q04	4Q03	YoY % Change	3Q04	QoQ % change
<b>Connectivity Service Revenues</b>	<b>3,559</b>	3,858	(7.8%)	3,508	1.5%
<b>Dedicated Access Service Revenues</b>	<b>2,841</b>	3,100	(8.4%)	2,781	2.2%
<b>IP Service<sup>6</sup></b>	<b>2,235</b>	2,423	(7.8%)	2,186	2.3%
<b>IIJ T1 Standard and IIJ Economy</b>	<b>171</b>	331	(48.5%)	195	(12.3%)
<b>IIJ FiberAccess/F and IIJ DSL/F (Broadband Services)</b>	<b>435</b>	346	25.8%	400	8.6%

<sup>3</sup> Including IPv6 Services.

<sup>4</sup> Referred to as "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.

<sup>5</sup> OEM stands for Original Equipment Manufacturer.

<sup>6</sup> IP Service revenues includes revenues from Data Center Connectivity Service.

<b>Dial-up Access Service Revenues</b>	<b>718</b>	758	(5.2%)	727	(1.2%)
<b>Under IIJ Brand</b>	<b>472</b>	522	(9.6%)	478	(1.4%)
<b>OEM</b>	<b>247</b>	236	4.5%	249	(0.8%)
<b>VAS Revenues</b>	<b>1,322</b>	1,104	19.8%	1,276	3.6%
<b>Other Revenues</b>	<b>979</b>	537	82.4%	882	10.9%
<b>Total Connectivity and VAS Revenues</b>	<b>5,860</b>	5,499	6.6%	5,666	3.4%
<b>Cost of Connectivity and VAS</b>	<b>5,018</b>	4,810	4.3%	4,874	3.0%
<b>Backbone Cost (included in the cost of Connectivity and VAS)</b>	<b>831</b>	1,067	(22.1%)	858	(3.2%)
<b>Connectivity and VAS Gross Margin Ratio</b>	<b>14.4%</b>	12.5%		14.0%	

The speed requirements in the high-end connectivity in broadband expansion and additional revenues from broadband services off-set the decline in revenues from IIJ T1 Standard and IIJ Economy in 4Q04.

VAS revenues increased reflecting our provision of managed services and data centers with our reliable connectivity services to customers lacking skills or resources to handle security and other operational issues which are emerging as a result of the broadband expansion among corporate customers.

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

Backbone costs declined continuously in 4Q04 by 22.1% compared to 4Q03 and by 3.2% compared to 3Q04, as a result of our continued efforts to improve cost efficiency.

The cross-selling ratio between Connectivity and VAS, representing the percentage of the largest 1,000 Connectivity service customers that use VAS was 88.2%.

The cross-selling ratio between Connectivity and SI, representing the percentage of SI customers that use Connectivity services among the largest 100 SI customers was 78.0%.

#### Cross-selling Ratios

	4Q04
<b>VAS Cross-selling Ratio</b>	<b>88.2%</b>
<b>SI Cross-selling Ratio</b>	<b>78.0%</b>

## Systems Integration

### Systems Integration Revenue Breakdown and Cost

(JPY in millions)

	4Q04	4Q03	YoY % change	3Q04	QoQ % change
<b>Systems Integration Revenues</b>	<b>5,352</b>	4,001	33.7%	3,970	34.8%
<b>Systems Integration</b>	<b>2,786</b>	2,573	8.3%	1,672	66.7%
<b>Outsourced Operation</b>	<b>2,566</b>	1,428	79.6%	2,298	11.7%
<b>Cost of Systems Integration</b>	<b>4,030</b>	3,054	32.0%	3,031	33.0%
<b>Systems Integration Gross Margin Ratio</b>	<b>24.7%</b>	23.7%		23.7%	

Our SI projects are becoming bigger in scale by including the whole stream of consulting, design, project management, implementation and operation. SI revenues in 4Q04 increased largely due to the seasonal increase in systems integration toward year end. In addition to the increase from 4Q03 reflected of additional revenues from the purchase of the security system business operations of Yamatane Co. Ltd. ("Yamatane") for the comparison to 4Q03. An increase in outsourced operation revenues is having the effect of stabilizing the fluctuation in revenues since these services are billed monthly.

## Equipment Sales

### Equipment Sales Revenue and Cost

(JPY in millions)

	4Q04	4Q03	YoY % change	3Q04	QoQ % change
<b>Equipment Sales Revenues</b>	<b>1,042</b>	2,117	(50.8%)	625	66.8%
<b>Cost of Equipment Sales</b>	<b>964</b>	2,051	(53.0%)	581	65.7%
<b>Equipment Sales Gross Margin Ratio</b>	<b>7.6%</b>	3.1%		7.0%	

## Other Financial Statistics

### Other Financial Statistics

(JPY in millions)

	4Q04	4Q03	YoY % change	3Q04	QoQ % change
Adjusted EBITDA <sup>7</sup>	1,698	1,358	24.6%	1,508	12.2%
CAPEX, including capital leases <sup>8</sup>	724	1,014	(28.7%)	2,017	(64.1%)
Depreciation and amortization <sup>9</sup>	1,061	1,030	3.0%	1,116	(5.0%)

### Key Service Developments

#### **Toyota to use IJ NetLightning Service:**

In April 2005, IJ announced that it was selected by Toyota Motor Corporation to provide IJ NetLightning, the Web access application acceleration service. IJ NetLightning provides sub-second access from overseas to Supply Chain Management, Customer Relationship Management, and other Web applications through U.S.-based Netli Inc's Applications Delivery Network. Even when accessing servers in Japan from overseas, the service provides response times that are comparable to local access, with no long-distance network delays.

#### **Development of new SMF technologies and provision to third parties:**

In 4Q04, IJ continued to develop new SMF technologies. IJ's SMF is a suite of management tools that allow customers to easily and centrally control initialization, reconfiguration, and other operations involving communications equipment at multiple sites. In February 2005, IJ developed SEIL Engine, a new router software that also interfaces with SMF. In March 2005, IJ released SMF-LAN, which is SMF technology that can be used on closed networks such as wide-area Ethernet. In 4Q04, IJ also developed partnerships with third parties to license its SEIL Engine. It will be included in the equipment of Century Systems, Inc. and a new mobile router jointly developed by IJ, ROOT, Inc., and Novatec Corporation. The SMF-LAN system will be incorporated into KVH Co., Ltd.'s managed Ethernet service to simplify the service installation process.

#### **Continuous efforts against e-mail abuse:**

In March 2005, IJ announced that it participated in establishment of the Japan E-mail Anti-Abuse Group. The Group is comprised of approximately thirty Internet Service Providers and telecommunication carriers in Japan and focuses on examining and implementing technological countermeasures against E-mail abuse. Additionally, IJ announced that it will introduce sender authentication, a new technology that blocks spam e-mail, for its internal use by the end of March 2005, and then install it in its mail services.

### 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)

	4Q04	4Q03	3Q04
Adjusted EBITDA	1,698	1,358	1,508
Depreciation and Amortization <sup>10</sup>	(1,042)	(1,008)	(1,098)
Operating Income	656	350	410
Other Income (Expenses)	1,729	(226)	333
Income Tax Expense	30	13	39
Minority Interests in Consolidated Subsidiaries	(62)	(158)	(43)

<sup>7</sup> Please refer to the Reconciliation of Non-GAAP Financial Measures below.

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

<sup>9</sup> Depreciation and amortization includes amortization of issuance cost of convertible notes and intangible assets.

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

<b>Equity in Net Loss of Equity Method Investees</b>	<b>(37)</b>	(189)	(1)
<b>Net Income (Loss)</b>	<b>2,256</b>	(236)	660

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:

<b>CAPEX</b>		(JPY in millions)		
	<b>4Q04</b>	4Q03	3Q04	
<b>Capital Expenditures</b>	<b>724</b>	1,014	2,017	
<b>Acquisition of Assets by Entering into Capital Leases</b>	<b>627</b>	778	1,911	
<b>Purchase of Property and Equipment</b>	<b>97</b>	236	106	

## Management Message/Webcast

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On May 14, IIJ 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.

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Founded in 1992, Internet Initiative Japan Inc. (IIJ, NASDAQ: IJJI) is one of Japan's leading Internet-access and comprehensive network solutions providers. The company has built one of the largest Internet backbone networks in Japan, and between Japan and the United States. IIJ and its group of companies provide total network solutions that mainly cater to high-end corporate customers. The company's services include 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 IIJ's or management's intentions, beliefs, expectations, or predictions for the future are forward-looking statements that are based on IIJ's and managements' current expectations, assumptions, estimates and projections about its business and the industry. These forward-looking statements, such as statements regarding FY2005 revenues and operating and net profitability, are subject to various risks, uncertainties and other factors that could cause IIJ's actual results to differ materially from those contained in any forward-looking statement. These risks, uncertainties and other factors include: IIJ's ability to maintain and increase revenues from higher margin services such as system integration and value-added services; the possibility that revenues from connectivity services may decline substantially as a result of competition and other factors; the ability to compete in a rapidly evolving and competitive marketplace; the impact on IIJ's profits of fluctuations in costs such as backbone costs and subcontractor costs; the impact on IIJ's profits of fluctuations in the price of available-for-sale securities; the impact of technological changes in its industry; IIJ's ability to raise additional capital to cover its indebtedness; the possibility that NTT, IIJ's largest shareholder, may decide to exercise substantial influence over IIJ; and other risks referred to from time to time in IIJ's filings on Form 20-F of its annual report and other filings with the United States Securities and Exchange Commission.*

Tables to follow



**INTERNET INITIATIVE JAPAN INC.**

Appendix 1

**CONSOLIDATED STATEMENTS OF OPERATIONS(UNAUDITED)**

For the Three Months Ended Mar 31, 2005, Mar 31, 2004 and Dec 31, 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		
	Mar 31, 2005			Mar 31, 2004			Dec 31, 2004		
	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	26,496	2,840,903	23.2%	3,100,452	26.7%	(8.4%)	2,780,955	27.1%	2.2%
Dial-up access services	6,699	718,285	5.8	757,947	6.5	(5.2)	726,798	7.1	(1.2)
Value-added services	12,328	1,321,816	10.8	1,103,558	9.5	19.8	1,275,958	12.4	3.6
Other	9,130	978,940	8.0	536,590	4.6	82.4	882,466	8.6	10.9
Total connectivity and value-added services	54,653	5,859,944	47.8	5,498,547	47.3	6.6	5,666,177	55.2	3.4
Systems integration revenues	49,915	5,351,865	43.7	4,001,449	34.5	33.7	3,969,610	38.7	34.8
Equipment sales	9,723	1,042,540	8.5	2,117,006	18.2	(50.8)	625,196	6.1	66.8
<b>Total revenues</b>	114,291	12,254,349	100.0	11,617,002	100.0	5.5	10,260,983	100.0	19.4
<b>Costs and expenses:</b>									
Cost of connectivity and value-added services	46,806	5,018,522	40.9	4,809,831	41.4	4.3	4,873,759	47.5	3.0
Cost of systems integration revenues	37,589	4,030,274	32.9	3,053,962	26.3	32.0	3,030,666	29.5	33.0
Cost of equipment sales	8,987	963,665	7.9	2,050,923	17.6	(53.0)	581,368	5.7	65.7
Total costs	93,382	10,012,461	81.7	9,914,716	85.3	1.0	8,485,793	82.7	18.0
Sales and marketing	6,866	736,219	6.0	755,928	6.5	(2.6)	683,731	6.6	7.7
General and administrative	7,461	799,929	6.5	517,884	4.5	54.5	632,874	6.2	26.4
Research and development	466	49,968	0.4	78,786	0.7	(36.6)	48,406	0.5	3.2
<b>Total costs and expenses</b>	108,175	11,598,577	94.6	11,267,314	97.0	2.9	9,850,804	96.0	17.7
<b>Operating income</b>	6,116	655,772	5.4	349,688	3.0	87.5	410,179	4.0	59.9
<b>Other income (expenses)</b>	16,127	1,729,122	14.1	(226,045)	(1.9)	(864.9)	332,623	3.2	419.8
<b>Income before income tax expense, minority interests and equity in net loss of equity method investees</b>	22,243	2,384,894	19.5	123,643	1.1	1,828.9	742,802	7.2	221.1
<b>Income tax expense</b>	278	29,839	0.3	13,293	0.1	124.5	39,436	0.4	(24.3)
<b>Minority interests in consolidated subsidiaries</b>	(583)	(62,468)	(0.5)	(157,295)	(1.4)	(60.3)	(43,040)	(0.4)	45.1
<b>Equity in net loss of equity method investees</b>	(345)	(36,966)	(0.3)	(188,577)	(1.6)	(80.4)	(795)	0.0	4,549.8
<b>Net income (loss)</b>	21,037	2,255,621	18.4%	(235,522)	(2.0%)	(1,057.7%)	659,531	6.4%	242.0%
<b>Basic And Diluted Net Income (Loss) Per Share</b>		58,875		(6,147)			17,215		
<b>Basic And Diluted Net Income (Loss) Per ADS Equivalent</b>		29.44		(3.07)			8.61		
<b>Weighted Average Number of Shares</b>		38,312		38,312			38,312		
<b>Weighted Average Number of ADS Equivalents</b>		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 Mar 31, 2005 are included solely for the convenience of readers outside Japan and have been made at the rate of JPY 107.22 = \$1, the approximate rate of exchange on Mar 31, 2005.

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

Appendix 2

For the Years Ended Mar 31, 2005 and Mar 31, 2004  
in Japanese Yen (JPY) and U.S. Dollars (USD) Except for Per Share and ADS Data (1)

	Year-over-year Comparison					YOY Chg %
	Mar 31, 2005		% of Total Revenues	Mar 31, 2004		
	USD (1)	JPY		JPY	% of Total Revenues	
<b>Revenues:</b>						
Connectivity and value-added services:						
Dedicated access services	106,069	11,372,701	27.3%	12,862,132	33.2%	(11.6%)
Dial-up access services	27,392	2,936,973	7.0	3,088,498	8.0	(4.9)
Value-added services	46,677	5,004,730	12.0	4,296,228	11.1	16.5
Other	29,560	3,169,413	7.6	2,117,794	5.4	49.7
Total connectivity and value-added services	209,698	22,483,817	53.9	22,364,652	57.7	0.5
Systems integration revenues	147,863	15,853,824	38.0	11,847,687	30.5	33.8
Equipment sales	31,383	3,364,926	8.1	4,567,123	11.8	(26.3)
<b>Total revenues</b>	<b>388,944</b>	<b>41,702,567</b>	<b>100.0</b>	<b>38,779,462</b>	<b>100.0</b>	<b>7.5</b>
<b>Costs and expenses:</b>						
Cost of connectivity and value-added services	181,719	19,483,890	46.7	20,047,438	51.7	(2.8)
Cost of systems integration revenues	113,786	12,200,137	29.2	9,851,726	25.4	23.8
Cost of equipment sales	29,018	3,111,369	7.5	4,346,243	11.2	(28.4)
Total costs	324,523	34,795,396	83.4	34,245,407	88.3	1.6
Sales and marketing	26,064	2,794,561	6.7	3,527,490	9.1	(20.8)
General and administrative	24,865	2,665,980	6.4	2,098,481	5.4	27.0
Research and development	1,856	198,979	0.5	357,968	0.9	(44.4)
<b>Total costs and expenses</b>	<b>377,308</b>	<b>40,454,916</b>	<b>97.0</b>	<b>40,229,346</b>	<b>103.7</b>	<b>0.6</b>
<b>Operating income (loss)</b>	<b>11,636</b>	<b>1,247,651</b>	<b>3.0</b>	<b>(1,449,884)</b>	<b>(3.7)</b>	<b>(186.1)</b>
<b>Other income, net</b>	<b>17,729</b>	<b>1,900,857</b>	<b>4.5</b>	<b>982,220</b>	<b>2.5</b>	<b>93.5</b>
<b>Income (loss) before income tax expense, minority interests and equity in net loss of equity method investees</b>	<b>29,365</b>	<b>3,148,508</b>	<b>7.5</b>	<b>(467,664)</b>	<b>(1.2)</b>	<b>(773.2)</b>
<b>Income tax expense</b>	<b>931</b>	<b>99,870</b>	<b>0.2</b>	<b>32,536</b>	<b>0.1</b>	<b>207.0</b>
<b>Minority interests in consolidated subsidiaries</b>	<b>(1,018)</b>	<b>(109,161)</b>	<b>(0.2)</b>	<b>235,812</b>	<b>0.6</b>	<b>(146.3)</b>
<b>Equity in net loss of equity method investees:</b>						
Equity method net loss	(310)	(33,208)	(0.1)	(286,317)	(0.8)	(88.4)
Impairment loss on advances to Crosswave	-	-	-	(1,719,981)	(4.4)	
<b>Net income (loss)</b>	<b>27,106</b>	<b>2,906,269</b>	<b>7.0%</b>	<b>(2,270,686)</b>	<b>(5.9%)</b>	<b>(228.0)</b>
<b>Basic And Diluted Net Income (Loss) Per Share</b>		75,858		(71,606)		
<b>Basic And Diluted Net Income (Loss) Per ADS Equivalent</b>		37.93		(35.80)		
<b>Weighted Average Number of Shares</b>		38,312		31,711		
<b>Weighted Average Number of ADS Equivalents</b>		76,623,702		63,421,571		

Note (1): The translations of Japanese yen amounts into US dollar amounts with respect to the year ended Mar 31, 2005 are included solely for the convenience of readers outside Japan and have been made at the rate of JPY107.22 = \$1, the approximate rate of exchange on Mar 31, 2005.

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

Appendix 3

As of Mar 31, 2005, Mar 31, 2004 and Dec 31, 2004  
(Expressed in Thousands of Japanese Yen (JPY) and U.S. Dollars (USD)) (1)

	Mar 31, 2005			Mar 31, 2004		Dec 31, 2004	
	USD (1)	JPY	%	JPY	%	JPY	%
<b>ASSETS</b>							
<b>Current Assets:</b>							
Cash and cash equivalents	49,305	5,286,477	14.2%	12,284,239	28.7%	12,158,790	26.9%
Accounts receivable, net	69,086	7,407,439	20.0	8,994,156	21.1	6,231,361	13.8
Inventories	1,307	140,096	0.4	438,435	1.0	372,144	0.8
Prepaid expenses	5,642	604,935	1.6	557,703	1.3	989,003	2.2
Other current assets	1,009	108,228	0.3	325,422	0.8	334,169	0.7
<b>Total current assets</b>	<b>126,349</b>	<b>13,547,175</b>	<b>36.5</b>	<b>22,599,955</b>	<b>52.9</b>	<b>20,085,467</b>	<b>44.4</b>
<b>Investments in and Advances to Equity Method Investees</b>	<b>6,656</b>	<b>713,607</b>	<b>1.9</b>	<b>778,152</b>	<b>1.8</b>	<b>759,585</b>	<b>1.7</b>
<b>Other Investments</b>	<b>92,620</b>	<b>9,930,781</b>	<b>26.8</b>	<b>7,931,893</b>	<b>18.6</b>	<b>11,072,053</b>	<b>24.4</b>
<b>Property and Equipment, net</b>	<b>90,677</b>	<b>9,722,366</b>	<b>26.2</b>	<b>8,601,905</b>	<b>20.1</b>	<b>10,003,936</b>	<b>22.1</b>
<b>Guarantee Deposits</b>	<b>19,126</b>	<b>2,050,665</b>	<b>5.5</b>	<b>2,075,123</b>	<b>4.9</b>	<b>2,050,305</b>	<b>4.5</b>
<b>Other Assets</b>	<b>10,743</b>	<b>1,151,877</b>	<b>3.1</b>	<b>749,897</b>	<b>1.7</b>	<b>1,288,024</b>	<b>2.9</b>
<b>Total assets</b>	<b>346,171</b>	<b>37,116,471</b>	<b>100.0%</b>	<b>42,736,925</b>	<b>100.0%</b>	<b>45,259,370</b>	<b>100.0%</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>							
<b>Current Liabilities:</b>							
Short-term borrowings	44,065	4,724,633	12.7%	6,564,093	15.4%	4,825,844	10.7%
Payable under securities loan agreement	16,130	1,729,520	4.7			722,800	1.6
Accounts payable	45,334	4,860,733	13.1	7,187,976	16.8	3,566,158	7.9
Accrued expenses	5,047	541,118	1.4	454,366	1.1	665,821	1.5
Other current liabilities	7,625	817,517	2.2	483,925	1.1	780,267	1.7
Long-term borrowings-current portion	25,518	2,736,056	7.4	1,548,246	3.6	2,185,094	4.8
Convertible notes				11,832,000	27.7	11,088,000	24.5
Capital lease obligations-current portion	25,881	2,774,974	7.5	2,387,754	5.6	2,784,469	6.1
<b>Total current liabilities</b>	<b>169,600</b>	<b>18,184,551</b>	<b>49.0</b>	<b>30,458,360</b>	<b>71.3</b>	<b>26,618,453</b>	<b>58.8</b>
<b>Long-term Borrowings</b>	<b>14,269</b>	<b>1,529,963</b>	<b>4.1</b>	<b>2,308,019</b>	<b>5.4</b>	<b>2,389,339</b>	<b>5.3</b>
<b>Capital Lease Obligations-Noncurrent</b>	<b>40,469</b>	<b>4,339,028</b>	<b>11.7</b>	<b>2,880,298</b>	<b>6.7</b>	<b>4,459,352</b>	<b>9.8</b>
<b>Accrued Retirement and Pension Costs</b>	<b>1,337</b>	<b>143,346</b>	<b>0.4</b>	<b>72,687</b>	<b>0.2</b>	<b>120,732</b>	<b>0.3</b>
<b>Other Noncurrent Liabilities</b>	<b>2,570</b>	<b>275,533</b>	<b>0.7</b>	<b>161,122</b>	<b>0.4</b>	<b>320,393</b>	<b>0.7</b>
<b>Total liabilities</b>	<b>228,245</b>	<b>24,472,421</b>	<b>65.9</b>	<b>35,880,486</b>	<b>84.0</b>	<b>33,908,269</b>	<b>74.9</b>
<b>Minority Interest</b>	<b>9,597</b>	<b>1,028,977</b>	<b>2.8</b>	<b>642,311</b>	<b>1.5</b>	<b>988,964</b>	<b>2.2</b>
<b>Shareholders' Equity:</b>							
<b>Common stock</b>	<b>128,384</b>	<b>13,765,372</b>	<b>37.1</b>	<b>13,765,372</b>	<b>32.2</b>	<b>13,765,372</b>	<b>30.4</b>
<b>Additional paid-in capital</b>	<b>220,459</b>	<b>23,637,628</b>	<b>63.7</b>	<b>23,637,628</b>	<b>55.3</b>	<b>23,637,628</b>	<b>52.2</b>
<b>Accumulated deficit</b>	<b>(321,153)</b>	<b>(34,434,052)</b>	<b>(92.8)</b>	<b>(37,340,321)</b>	<b>(87.4)</b>	<b>(36,689,673)</b>	<b>(81.0)</b>
<b>Accumulated other comprehensive income</b>	<b>81,049</b>	<b>8,690,125</b>	<b>23.4</b>	<b>6,195,449</b>	<b>14.5</b>	<b>9,692,810</b>	<b>21.4</b>
<b>Treasury stock</b>	<b>(410)</b>	<b>(44,000)</b>	<b>(0.1)</b>	<b>(44,000)</b>	<b>(0.1)</b>	<b>(44,000)</b>	<b>(0.1)</b>
<b>Total shareholders' equity</b>	<b>108,329</b>	<b>11,615,073</b>	<b>31.3</b>	<b>6,214,128</b>	<b>14.5</b>	<b>10,362,137</b>	<b>22.9</b>
<b>Total liabilities and shareholders' equity</b>	<b>346,171</b>	<b>37,116,471</b>	<b>100.0%</b>	<b>42,736,925</b>	<b>100.0%</b>	<b>45,259,370</b>	<b>100.0%</b>

Note (1): The translations of Japanese yen amounts into US dollar amounts with respect to Mar 31, 2005 are included solely for the convenience of readers outside Japan and have been made at the rate of JPY 107.22 = \$1, the approximate rate of exchange on Mar 31, 2005.

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

For the Three Months Ended Mar 31, 2005, Mar 31, 2004 and Dec 31, 2004

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

	Mar 31, 2005		Mar 31, 2004	Dec 31, 2004
	USD (1)	JPY	JPY	JPY
<b>Operating Activities:</b>				
Net income (loss)	21,037	2,255,621	(235,522)	659,531
Depreciation and amortization	9,895	1,060,944	1,030,162	1,116,447
Provision for (reversal of) doubtful accounts	338	36,204	27,587	(18,455)
Equity in net loss of equity method investees	345	36,966	188,577	795
Minority interests in consolidated subsidiaries	583	62,468	157,295	43,040
Foreign exchange losses (gains)	(81)	(8,641)	(13,682)	14,912
Net losses (gains) on other investments	(16,943)	(1,816,676)	42,352	(527,300)
Decrease (increase) in accounts receivable	(11,249)	(1,206,074)	(2,483,404)	582,873
Increase (decrease) in accounts payable	11,245	1,205,665	2,392,795	(985,459)
Decrease (increase) in inventories	2,069	221,788	(245,201)	(109,964)
Deferred income taxes	(109)	(11,656)	-	633
Other	6,570	704,443	395,710	(146,465)
<b>Net cash provided by operating activities</b>	<b>23,700</b>	<b>2,541,052</b>	<b>1,256,669</b>	<b>630,588</b>
<b>Investing Activities:</b>				
Purchase of property and equipment	(900)	(96,542)	(236,028)	(105,946)
Purchase of subsidiary stock	(466)	(50,000)	-	(11,680)
Proceeds from sales of other investments	18,734	2,008,650	66,387	750,800
Purchase of other investments	(22)	(2,339)	(2,138)	(4,854)
Refund (payment) of guarantee deposits-net	(31)	(3,330)	(576)	31,162
Acquisition of business	-	-	-	(371,011)
Other	(89)	(9,495)	(3,778)	(1,029)
<b>Net cash provided by (used in) investing activities</b>	<b>17,226</b>	<b>1,846,944</b>	<b>(176,133)</b>	<b>287,442</b>
<b>Financing Activities:</b>				
Proceeds from long-term borrowings	-	-	400,000	1,250,000
Repayments of long-term borrowings	(2,876)	(308,414)	(436,477)	(58,179)
Proceeds from securities loan agreement	16,130	1,729,520	-	-
Repayments of securities loan agreement	(6,741)	(722,800)	-	(94,000)
Redemption of convertible notes	(103,414)	(11,088,000)	-	-
Principal payments under capital leases	(7,025)	(753,177)	(692,467)	(756,982)
Net decrease in short-term borrowings	(944)	(101,211)	(200,316)	(906,360)
<b>Net cash used in financing activities</b>	<b>(104,870)</b>	<b>(11,244,082)</b>	<b>(929,260)</b>	<b>(565,521)</b>
<b>Effect of Exchange Rate Changes on Cash</b>	<b>(151)</b>	<b>(16,227)</b>	<b>(7,632)</b>	<b>(7,564)</b>
<b>Net Increase (decrease) in Cash and Cash Equivalents</b>	<b>(64,095)</b>	<b>(6,872,313)</b>	<b>143,644</b>	<b>344,945</b>
<b>Cash and Cash Equivalents, Beginning of Period</b>	<b>113,400</b>	<b>12,158,790</b>	<b>12,140,595</b>	<b>11,802,165</b>
<b>Cash and Cash Equivalents, End of Period</b>	<b>49,305</b>	<b>5,286,477</b>	<b>12,284,239</b>	<b>12,147,110</b>

Note (1): The translations of Japanese yen amounts into US dollar amounts with respect to the three months ended Mar 31, 2005 are include solely for the convenience of readers outside Japan and have been made at the rate of JPY107.22 = \$1, the approximate rate of exchange on Mar 31, 2005.

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

For the Year Ended March 31, 2005, March 31, 2004

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

	March 31, 2005		March 31, 2004
	USD (1)	JPY	JPY
<b>Operating Activities:</b>			
Net income (loss)	27,106	2,906,269	(2,270,686)
Depreciation and amortization	39,107	4,193,093	4,008,324
Provision for doubtful accounts	231	24,781	450,505
Equity method net loss	310	33,208	286,317
Impairment loss on advance to Crosswave	-	-	1,719,981
Minority interests in consolidated subsidiaries	1,018	109,161	(235,812)
Foreign exchange (gains) losses	(144)	(15,466)	5,124
Loss (gain) on retirement of convertible notes	48	5,195	(88,975)
Net gains on other investments	(22,751)	(2,439,330)	(1,412,858)
Decrease in accounts receivable	14,994	1,607,692	783,387
Decrease in accounts payable	(21,523)	(2,307,729)	(1,132,209)
Decrease (increase) in inventories	2,674	286,751	(30,813)
Deferred income taxes	(103)	(11,023)	1,976
Other	7,890	845,895	(160,895)
<b>Net cash provided by operating activities</b>	<b>48,857</b>	<b>5,238,497</b>	<b>1,923,366</b>
<b>Investing Activities:</b>			
Purchase of property and equipment	(5,382)	(577,133)	(1,657,302)
Purchase of subsidiary stock	(575)	(61,680)	-
Advances to Crosswave	-	-	(1,719,981)
Proceeds from sales of other investments	27,756	2,976,017	2,170,584
Purchase of other investments	(117)	(12,566)	(325,665)
Refund of guarantee deposits-net	216	23,167	674,018
Acquisition of business	(3,499)	(375,123)	-
Other	12	1,321	5,883
<b>Net cash provided by (used in) investing activities</b>	<b>18,411</b>	<b>1,974,003</b>	<b>(852,463)</b>
<b>Financing Activities:</b>			
Proceeds from long-term borrowings	20,985	2,250,000	400,000
Repayments of long-term borrowings	(17,163)	(1,840,246)	(1,943,735)
Proceeds from securities loan agreement	23,749	2,546,320	-
Repayments of securities loan agreement	(7,618)	(816,800)	-
Repurchase of convertible notes	(6,953)	(745,488)	(3,047,460)
Redemption of convertible notes	(103,413)	(11,088,000)	-
Principal payments under capital leases	(26,745)	(2,867,624)	(2,733,012)
Net increase (decrease) in short-term borrowings	(17,156)	(1,839,461)	1,740,495
Proceeds from issuance of common stock of a subsidiary	1,759	188,632	-
Proceeds from issuance of common stock	-	-	13,252,311
<b>Net cash provided by (used in) financing activities</b>	<b>(132,555)</b>	<b>(14,212,667)</b>	<b>7,668,599</b>
<b>Effect of Exchange Rate Changes on Cash</b>	<b>22</b>	<b>2,405</b>	<b>(43,615)</b>
<b>Net Increase (decrease) in Cash</b>	<b>(65,265)</b>	<b>(6,997,762)</b>	<b>8,695,887</b>
<b>Cash, Beginning of Period</b>	<b>114,570</b>	<b>12,284,239</b>	<b>3,588,352</b>
<b>Cash, End of Period</b>	<b>49,305</b>	<b>5,286,477</b>	<b>12,284,239</b>

Note (1): The translations of Japanese yen amounts into US dollar amounts with respect to the year ended Mar 31, 2005 are included solely for the convenience of readers outside Japan and have been made at the rate of JPY107.22 = \$1, the approximate rate of exchange on Mar 31, 2005.