

# Internet Initiative Japan (Nasdaq: IJJI)

May, 2003

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## 4Q02/FY2002 Highlights

### 4Q02

- Revenues totaled JPY 13 billion (US\$ 110 million), an increase of 7.7% compared to 4Q01 and 23.4% from 3Q02)
  - Despite the lethargic Japanese economy, IIJ achieved the highest total revenue amount in the Company`s history.
- Operating loss narrowed to JPY 446 million (\$ 3.8 million) from JPY 567 million in 3Q02. 4Q01 was a profit of JPY 186 million.
  - Mainly due to a non-recurring expense related to the IIJ Group`s move to its new headquarters in March. Profitability has showed a steady growth.
  - Adjusted EBITDA was JPY 459 million (\$3.9 million), a decrease of 53.0% compared to 4Q01 and an increase of 32.0% from 3Q02.

### FY2002

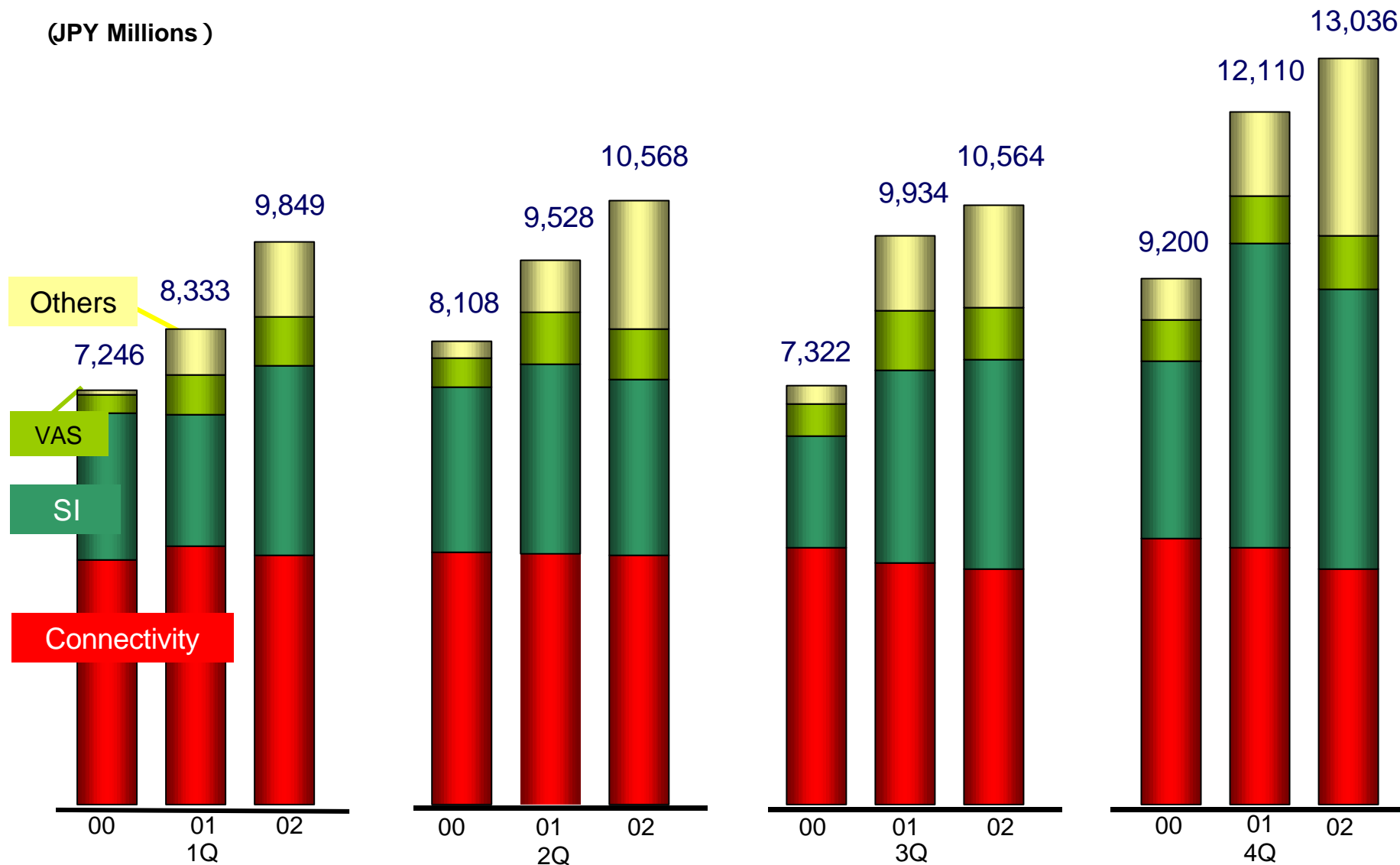
- Revenues increased to JPY 44 billion (\$ 373 million), a 10.3% increase from the previous year.
  - Marked the highest annual amount in the company`s history.
- Operating loss was JPY 1.7 billion (\$ 15 million)

### Outlook for FY2003

- IIJ expects total revenues to grow by more than 10% compared to FY2002, and anticipates that operating margins will move into positive territory.

# Revenue Growth (QoQ)

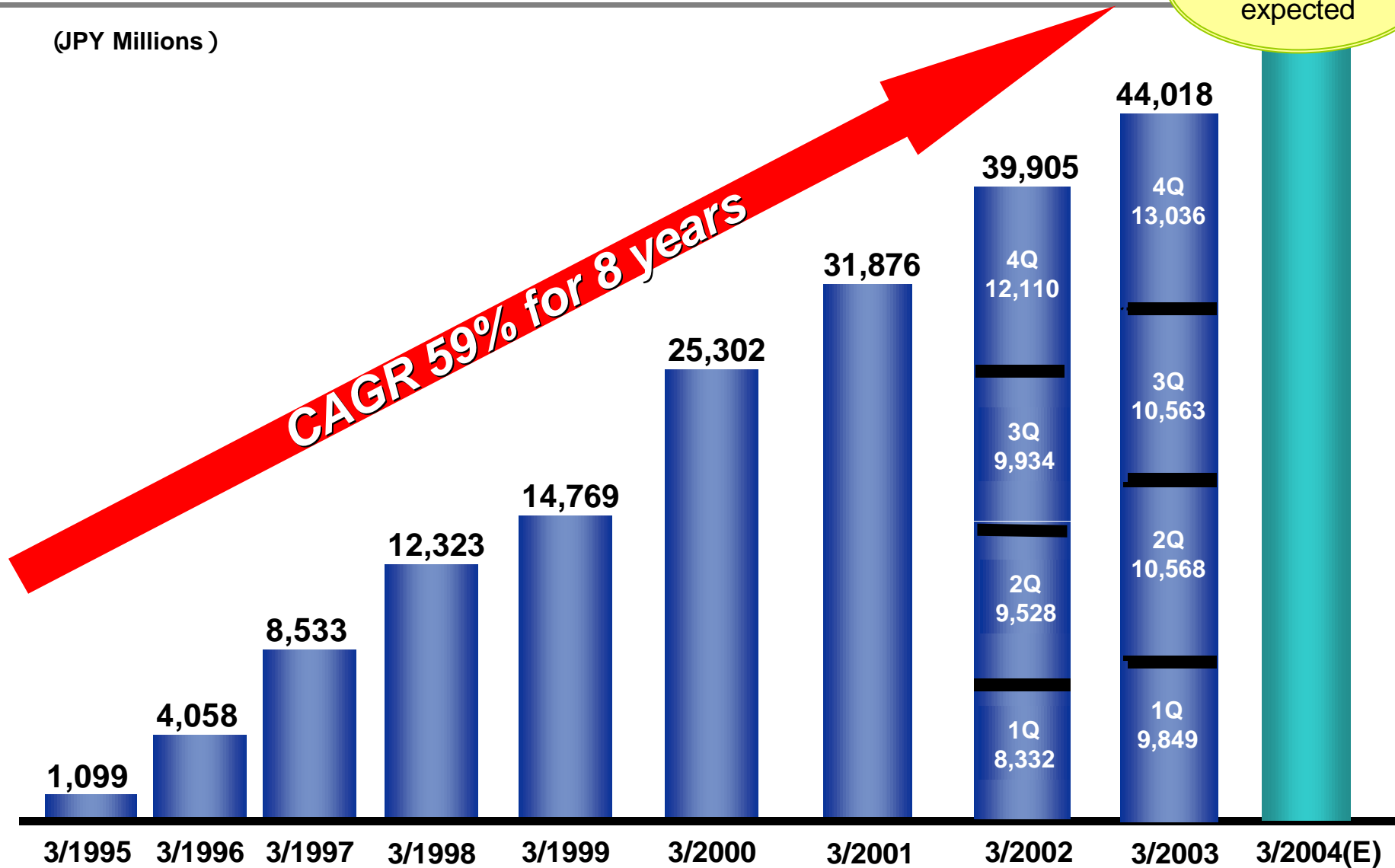
(JPY Millions)



# Revenue Growth (Full Fiscal)

more than 10%  
growth  
expected

(JPY Millions)



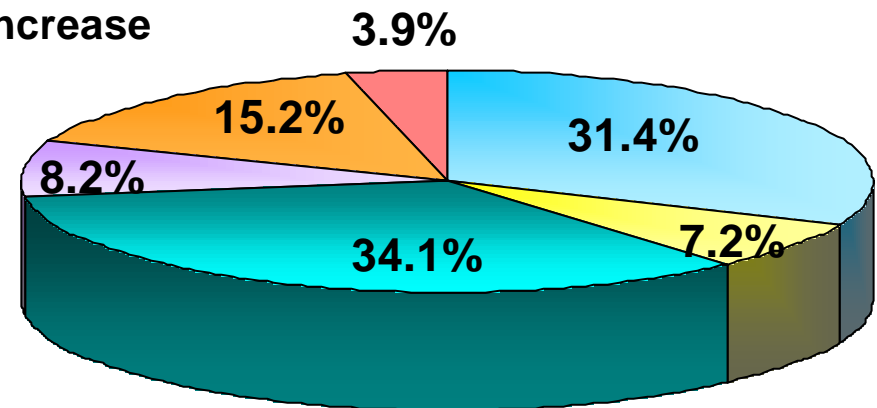
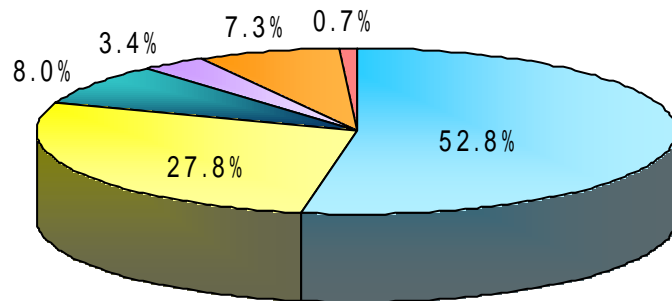
# Revenue Portfolio (FY2002)

FY 1998 (Before IPO)

FY 2002 (Current)

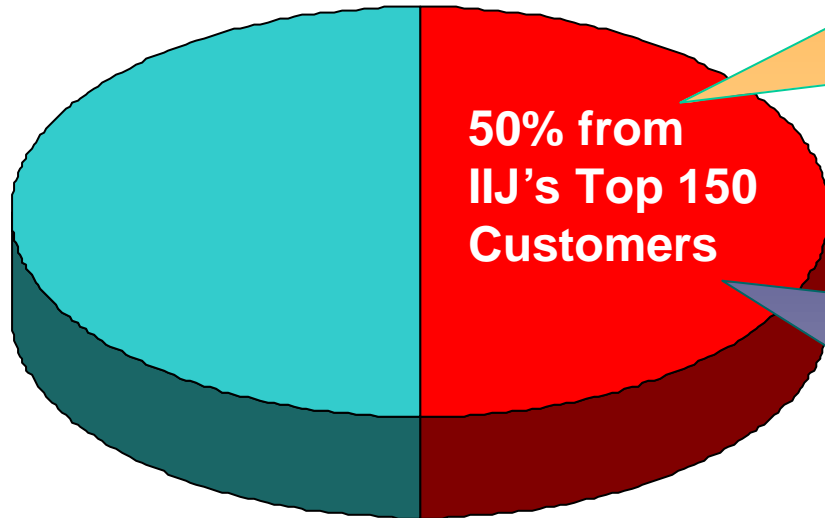


SI services: 4x increase



- Dedicated Access services
- Dial-up Access services
- Systems Integration services
- Value-added services including data center services
- Equipment Sales
- Others

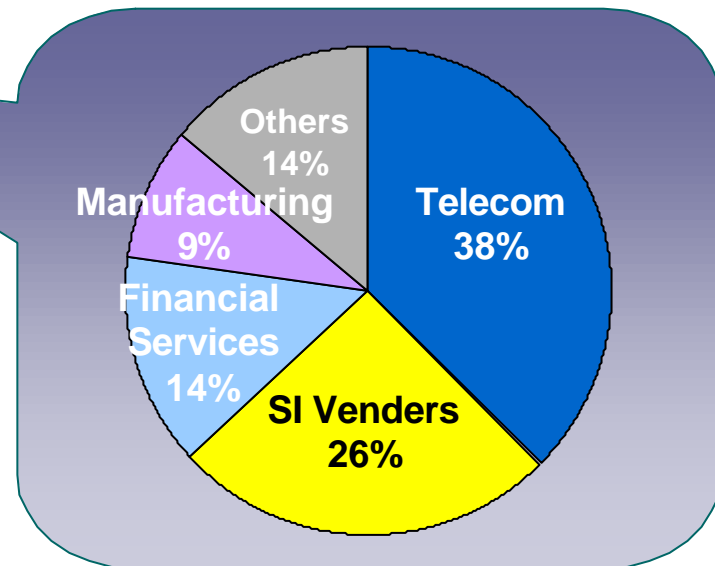
## IIJ Top 150 Customers (FY2002)

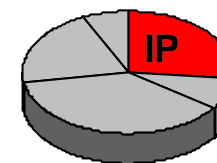


Revenues in FY2002

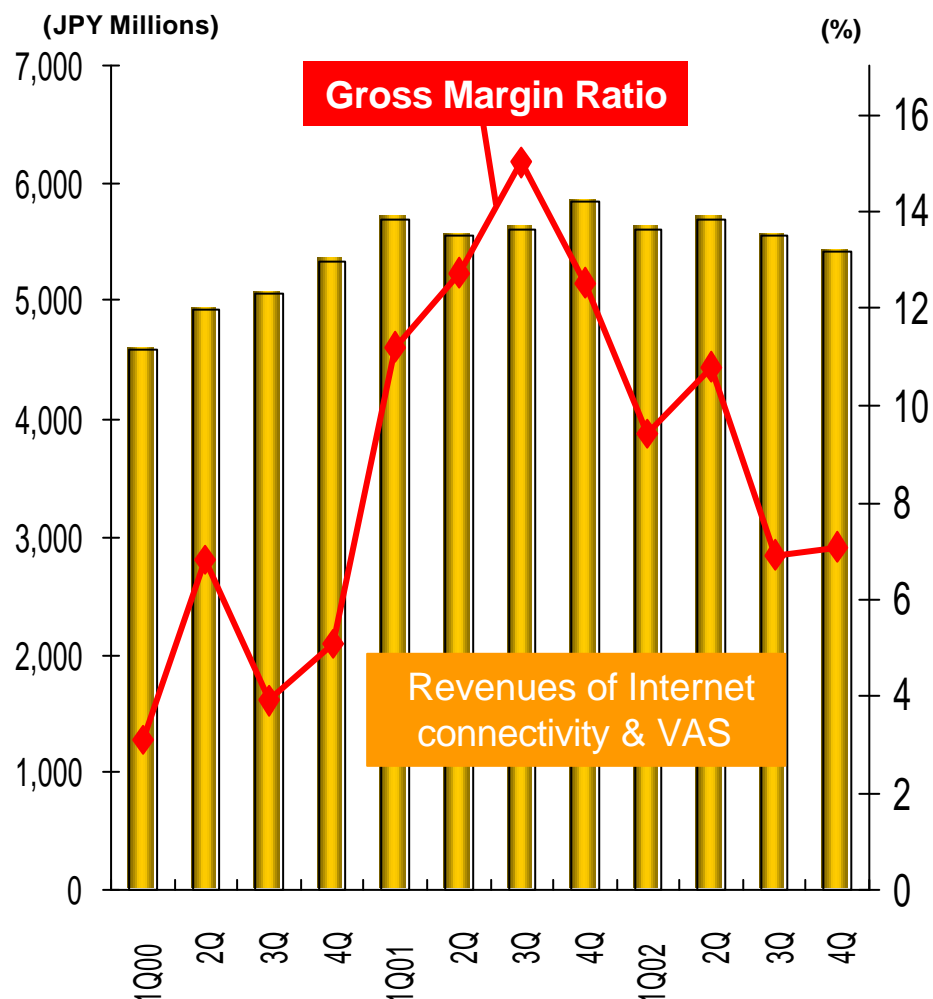
### Cross Selling Rate

- Connectivity & VAS = 70.6%
- Connectivity & SI = 58.2%
- Connectivity & DC = 35.3%

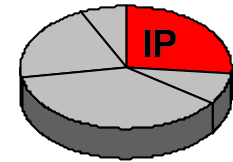




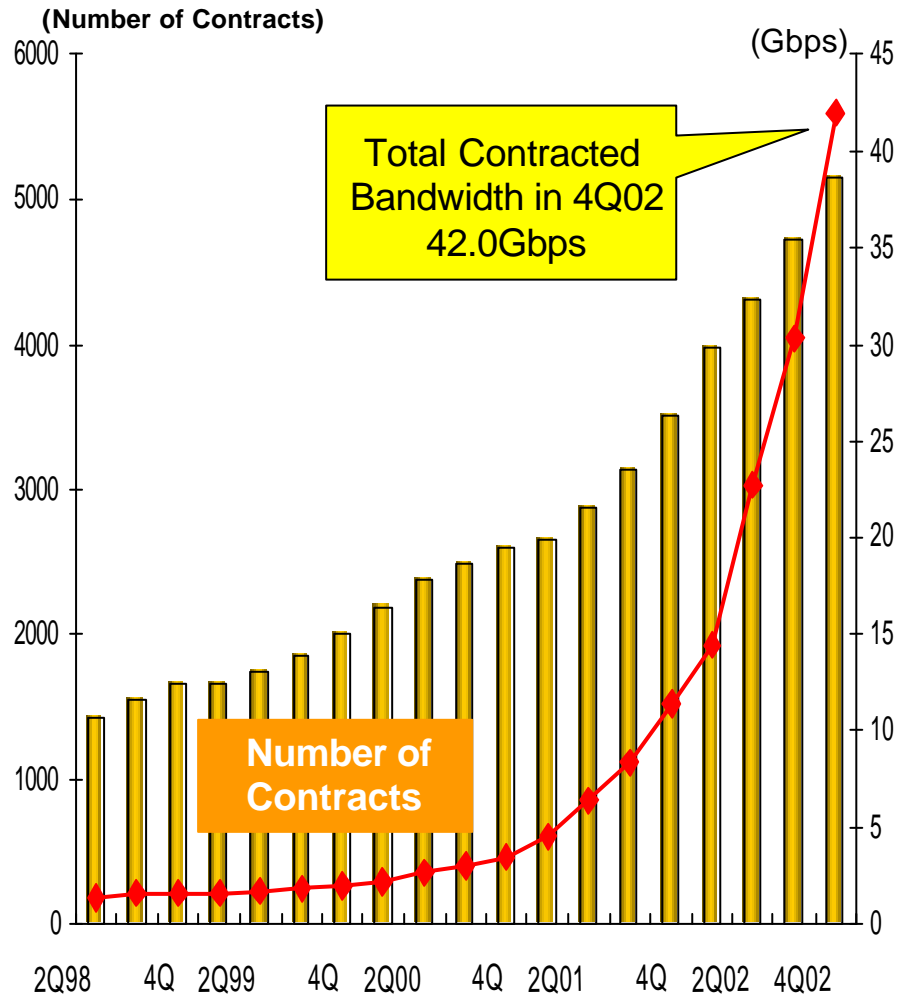
## Revenues and Gross Margin



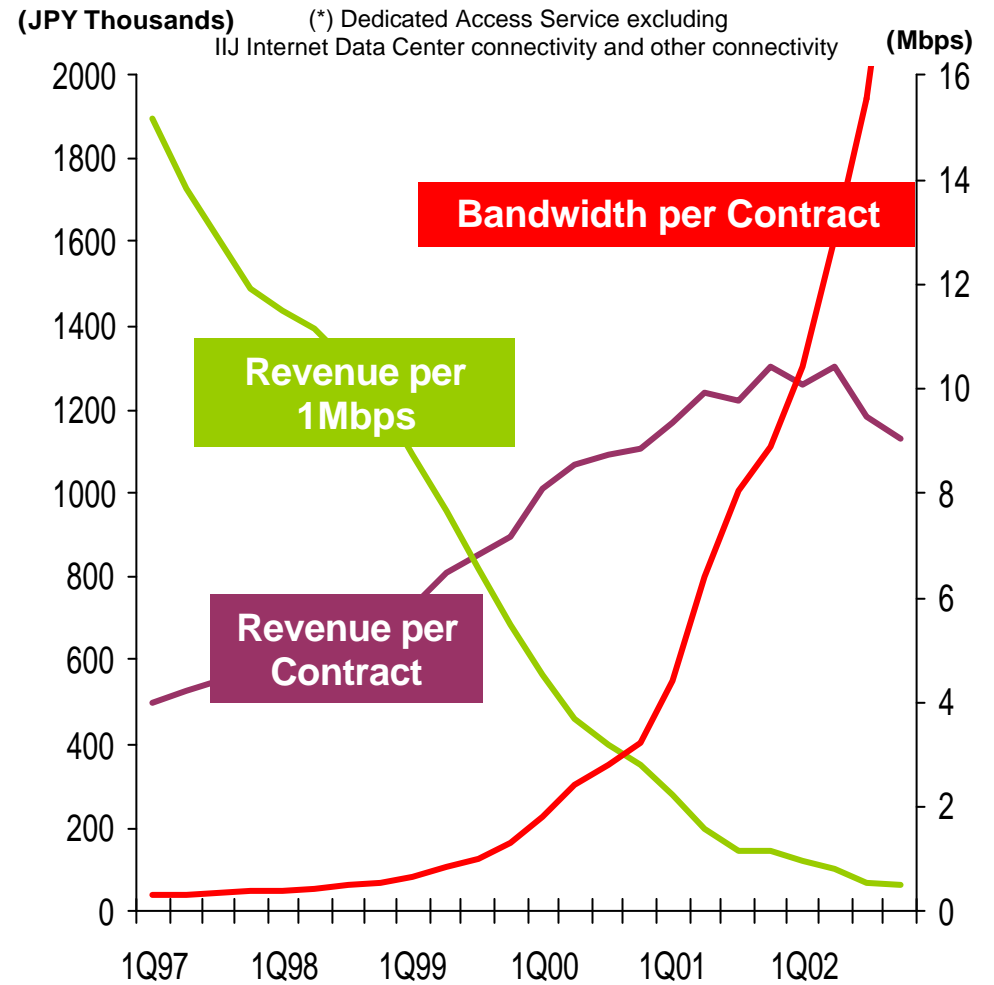
- Temporary decline in revenues for FY2002 due to**
  - Cancellations by NCC of the electric power companies.
  - Shift from IIJ T1 Standard and IIJ Economy to lower-priced package-type connectivity services using NTT's Flets.
- Expected recovery of revenues in FY 2003**
  - No large cancellation of contracts and decline in revenues for existing connectivity services.
  - Expansion in sales for connectivity services that utilize IIJ's new large-scale Data Center
  - Expansion in OEM service sales for ISP's
  - Expansion in sales for IIJ VPN Standard



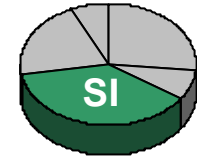
## Total Number of Contracts and Bandwidth in Dedicated Access Services



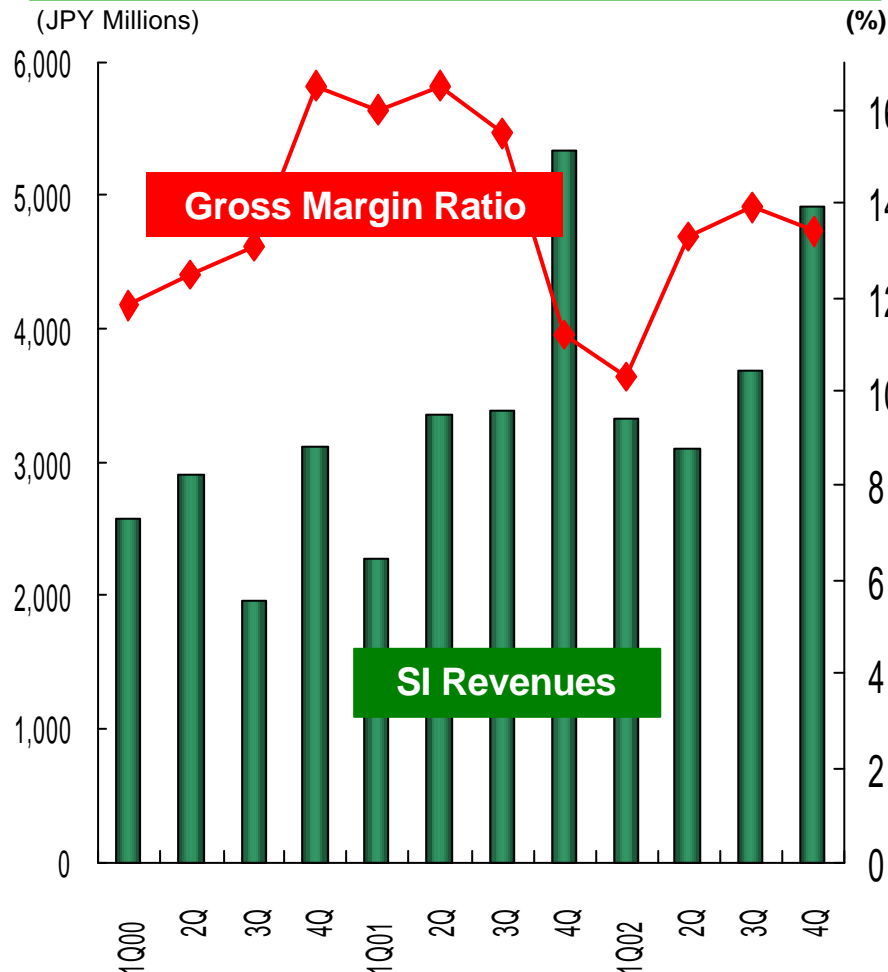
## IP Service(\*) ARPU







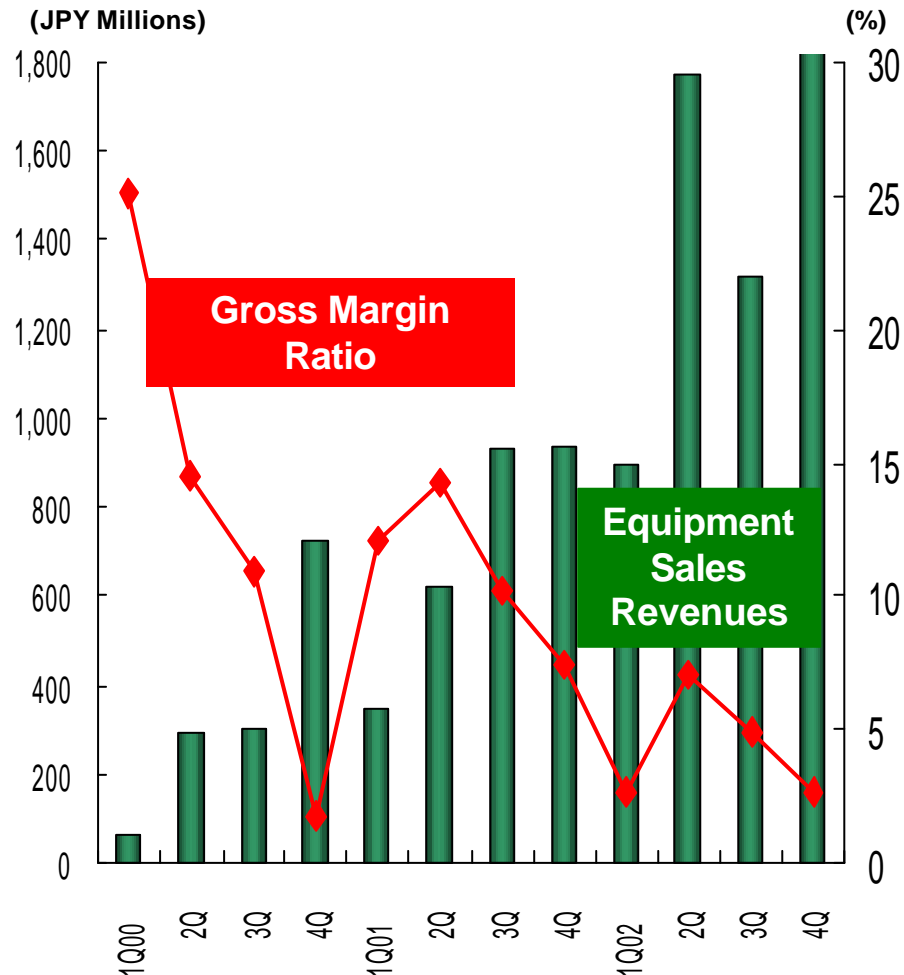
## Revenues and Gross Margin



● Revenues from the Systems Integration Business for 4Q02 increased by 33% sequentially

**Cross-selling efforts**  
**Increase in contracts for the construction of network systems for enterprises**  
**Increase in corporate outsourcing demand (Gateway solutions, etc.)**

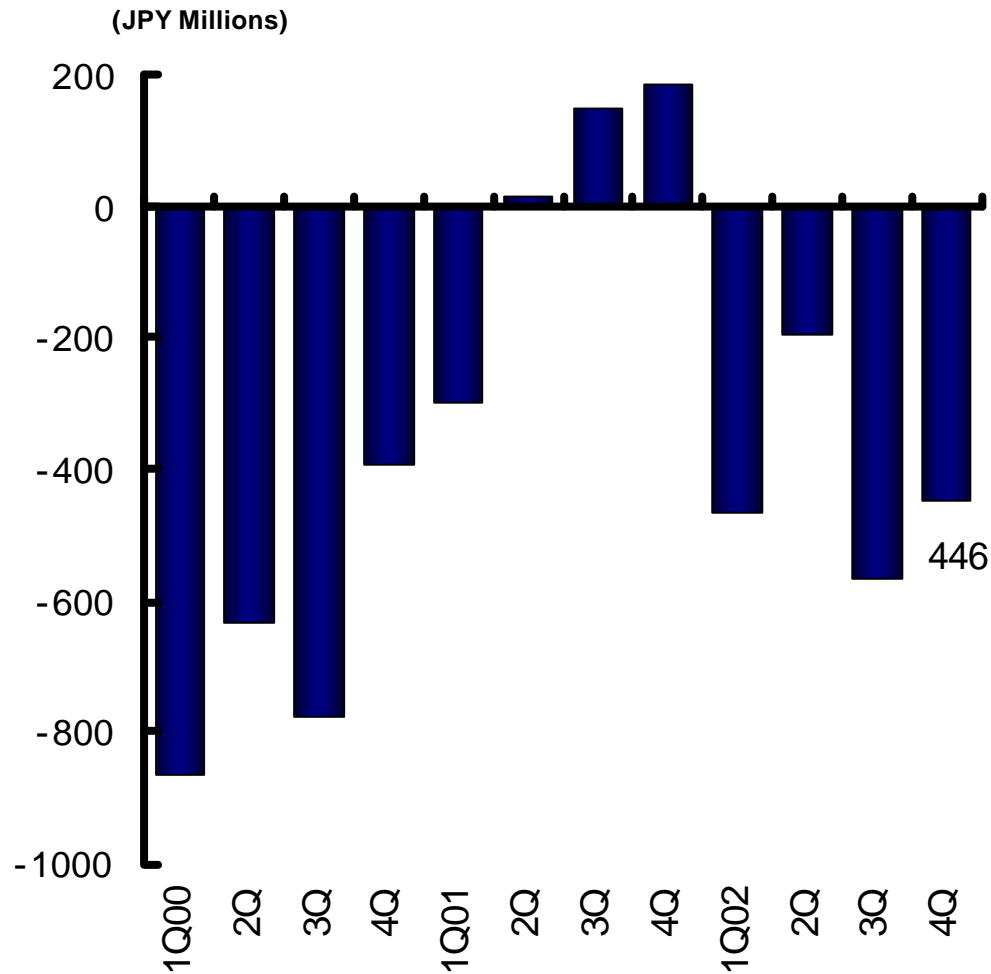
## Revenues and Gross Margin



- **Keep high level of revenues from contracts related to Systems Integration businesses for FY 2002**
- **February 2003, IIJ developed SEIL Management Framework**

# Operating Profit ( QoQ )

## Operating Profit



- 4Q02 Operating loss of JPY 446 million
- Operating margins will move into positive territory for FY2003

## Capital Improvement Plan

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### ***Issuance of new shares of common stock in a private placement to third parties***

- Number of shares to be issued 8,400 common stocks
- Issue Price JPY 418,200 per share
- Amount not to be credited to the paid-in capital out of the issue price of new shares JPY 209,100 per share
- Application date June 6, 2003
- Payment date June 6, 2003
- Method of Allocation Private placement to certain third parties
- Commencement Date for Calculation of Dividend April 1, 2003