INTERNET INITIATIVE JAPAN INC
Form 6-K
June 10, 2003

FORM 6-K
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 under
the Securities Exchange Act of 1934

For June 10, 2003
Commission File Number: 0-30204

Internet Initiative Japan Inc.
(Translation of registrant's name into English)
Jinbocho Mitsui Bldg. 1-105 Kanda Jinbo-cho, Chiyoda-ku, Tokyo 101-0051, Japan

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F:

Form 20-F [X]   Form 40-F [ ]

Indicate by check mark if the registrant is submitting the Form 6-K in paper as per-mitted by Regulation S-T Rule 101(b)(1): ____

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as per-mitted by Regulation S-T Rule 101(b)(7): ____

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the reg-istrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a mate-rial event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes [ ]   No [X]

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- -------------

THIS REPORT ON FORM 6-K SHALL BE DEEMED TO BE INCORPORATED BY REFERENCE IN THE PROSPECTUS INCLUDED IN THE REGISTRATION STATMENT ON FORM F-3 (FILE NO. 333-12696) OF INTERNET INITIATIVE JAPAN INC. AND TO BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS FURNISHED, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED OR FURNISHED.

EXHIBIT INDEX

Exhibit	Date	Description of Exhibit
1	06/10/2003	CONVOCATION NOTICE OF THE 11th ORDINARY GENERAL MEETING OF SHAREHOLDERS - Translation
2	06/10/2003	PUBLIC NOTICE OF A RESOLUTION OF THE BOARD OF DIRECTORS CONCERNING THE ISSUANCE OF SHARES THROUGH THIRD PARTY ALLOCATION - Translation

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Internet Initiative Japan Inc.

Date: June 10, 2003

By: /s/ Koichi Suzuki

Koichi Suzuki
President, Chief Executive Officer and
Representative Director

EXHIBIT 1

CAUTIONARY NOTES

This document is the English translation of the "Convocation notice of the 11th ordinary general meeting of shareholders"("Dai juichikai teiji kabunushi sokai shoshu gotsuchi") of Internet Initiative Japan Inc. ("IIJ") to be held on June 27, 2003.

Note 1: This document contains forward-looking statements (within the meaning of Section 27A of the U.S. Securities Act of 1933 and Section 21E of the U.S. Securities Exchange Act of 1934) about our future plans that involve known and unknown risks, uncertainties and other factors. Such risks, uncertainties, and other factors include, in particular, the factors set forth in "Item 3.D: Risk Factors" of our Annual Report on Form 20-F dated July 30, 2002 which has been filed with the U.S. Securities and Exchange Commission. Such risks, uncertainties and other factors may cause our actual results, performance, achievements or financial position to be materially different from any future results, performance, achievement or financial position expressed or implied by these forward-looking statements.

Note 2: This document has been prepared pursuant to the requirements of the Commercial Code of Japan. Financial Statements have been prepared in accordance with generally accepted accounting principles in Japan, which differ in certain respects from generally accepted accounting principles in the United States.

Note 3: The ADRs holders shall instruct The Bank of New York to exercise its voting right represented by the shares underlying their ADRs but they may only provide their instructions to The Bank of New York. Otherwise, they are not entitled to exercise any voting right unless they cancel their ADRs and withdraw the shares. This means they may not be able to exercise any voting right to IIJ and attend the ordinary general meeting of shareholders of IIJ.

[Translation]

June 10, 2003

TO OUR SHAREHOLDERS:

Koichi Suzuki
Representative Director
Internet Initiative Japan Inc.
1-105, Kanda Jinbo-cho, Chiyoda-ku, Tokyo, Japan

CONVOCATION NOTICE OF
THE 11th ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are hereby requested to attend the 11th ordinary general meeting of shareholders of Internet Initiative Japan Inc. (the "Company"), which is to be held as outlined below.

In the event you are unable to attend the meeting, please see the documents attached herein, and return to the Company the power of attorney by indicating whether you agree to the proposals under each agendum and affixing your seal thereto.

1. Date and time: 1:00 p.m., June 27, 2003 (Friday)

2. Place: Conference Room on the 17th

floor at the offices of the Company
Jinbocho Mitsui Bldg. 1-105, Kanda
Jinbo-cho, Chiyoda-ku, Tokyo, Japan

3. Agenda of the meeting:

Subjects to be reported:

Reports on the business report, balance sheet and income statement of the 11th fiscal year (from April 1, 2002 to March 31, 2003)

Subjects to be resolved:

Item 1: Approval of disposal of losses for the 11th fiscal year
Item 2: Amendments to the Articles of Incorporation
(As described in the attached "Reference Documents with Respect to Solicitation to Exercise Voting Rights by Proxy".)
Item 3: Election of six directors
Item 4: Election of a statutory auditor

- End -

(Attachment)

Business Report for the Eleventh Fiscal Year(April 1, 2002 - March 31, 2003)

I. Summary of Business

(1) History and Results of Business

In the 2002 fiscal year, as the Japanese economy has been faced with a continuous deflation and stagnation of the equity markets, which was affected by the worldwide economic slowdown and the future course continue to remain unclear. Though business has been gradually improving, amid low expectations for future growth no upturn in the business cycle has started. In such a situation, limited capital investments have been responding to an increase in demand, though a full-scale recovery has not begun yet.

The data communications market, including the Internet business, is steadily expanding; however the growth seems to be slowing due to the lack of enthusiasm for corporate IT-related capital investments. Under these circumstances, competition between data communication carriers has intensified due to the push towards winning influential corporate customers and as a result, service pricing pressure continues to be considerable. Meanwhile, as the infrastructure for the internet has developed into a solid foundation that can effectively support corporate communication activities, the so-called "broadband era" continues to advance in both the corporate and retail markets. B-to-C related businesses such as on-line broking and electronic commerce, B-to-B related businesses among industries such as electronic procurement, Intranet construction, and administration computerization toward the realization of so-called "electronic governments", have seen significant progress. In accordance with the progress, the data communications market will definitely experience significant growth in the mid term.

In such a business environment, the Company has continued to develop new services that focus on the customers' needs while offering comprehensive high value-added services for total solutions. These services have mainly been directed to government and municipal offices, and business corporations. As a result, IIJ made an effort to increase revenues from both existing and potential customers. We also strengthened the ties within the IIJ Group in order to implement the Company's strategies for total network solutions and to raise the value of its services. We have also improved the Company's close relationships in the areas of sales and service developments, particularly with IIJ Technology Inc.("IIJ Technology") and Crosswave Communications Inc.(Crosswave).

Revenues from our major business, Internet connectivity services, have hit a snag. Within IIJ Internet connectivity service, the Company's flagship service for corporate users, the number of customers for HSMN (High Speed Media Network), which is targeted to broadband operators such as CATV operators, has increased. However, total revenues from Internet connectivity services have decreased due to several cancellations and reduction in service of some major customers. The decrease was also caused when several customers transferred their services from IIJ T1 Standard service and IIJ Economy service, which are major package-type connectivity services for small to medium size corporations, to low price services such as IIJ FiberAccess/F service and IIJ DSL/F service.

Responding to such conditions, the company has embarked on provision of strategic services this fiscal year in order to increase the revenues from the Internet connectivity services. First, in August 2002 we developed the CDN (Contents Delivery Network) Platform which is specially designed for broadband content distribution. Additionally, we started providing OEM (Original Equipment Manufacturing) for broadband content and service providers as a service that leverages the platform. In addition to the existing OEM service that we provide to Sharp corp., NTT East Corp. and NTT West Corp., an OEM service that specializes in broadband connectivity for individual users won over dominant Internet connectivity operators such as Excite Japan Co., Ltd., Plala Networks Inc. and Matsushita Electric Industrial Co., Ltd. Second, we introduced the IIJ VPN Standard service as a competitively priced WAN solution for corporate users on November 2002. Along with Crosswave's telecommunication services such as Wide-area Ethernet Platform Services, we have been expanding WAN markets that target corporate users. Besides the revenues slump for existing services, upfront investments have been incurred for the expansion of the domestic backbone in accordance with the introduction of such new services and for the construction of the CDN Platform. This was the primary cause for the significant decrease in gross margins for the Internet connectivity business and the resulting operating loss compared to the 2001 fiscal year.

The Company provides systems integration services that are complementary to its Internet connectivity and value-added services, including the design, development, management and operation of systems to government and municipal offices and business corporations. These services are mainly provided in cooperation with our subsidiary, IIJ Technology. As a result of the development of precise methods for the reconstruction of corporate networks, we greatly increased the revenues of systems integration services and we expect to further accelerate the growth by expanding the customer base and by increasing the revenues from existing customers.

The Company steadily increased its equipment sales revenues. This came from equipment sales to the Company's systems integration customers and also through our sales promotion of "SEIL", a router developed by the Company to improve the value-added parts of IIJ Internet connectivity services.

In the network infrastructure area, we expanded our backbone to meet the demand for broadband Internet in a timely manner and also expanded our Internet data center operations. Regarding our Internet Data Centers, Crosswave has completed the construction of its large-scale Data Centers (Yokohama Data Center 1 and Saitama Data Center 1) in January 2003. The IIJ Group now has twelve data centers in Japan and two overseas. At the large-scale data centers, we are planning and working on providing Resource on Demand DC Service, a new type of data center service that provides full-time access to all of the resources that the IIJ Group's network, facility and engineers provide.

As for the earnings results of this fiscal year, our total revenues grew to 34,188 million yen, an increase of 6.7% compared to the previous year due to the growth of systems integration services. On the other hand, the operating loss reached 1,381 million yen and the recurring loss reached 2,272 million yen due to the slowing profitability of the Internet connectivity services business. Additionally, a large part of the extraordinary loss was generated by the decrease that was needed to note the shares that the Company holds in Crosswave. This lead to consolidated net loss of 13,765 million yen. As a result, at the end of the fiscal year our liabilities were in shareholders' capital deficiency of our assets by 452 million yen.

Under such circumstances, though we did show strong growth while setting a base for continued future expansion, we did not quite meet our original plan as set out at the start of the 2002 fiscal year. The IIJ Group will, however, continue to strengthen its sales structure, build a solid revenue base, and strive to recover operating profitability as soon as possible.

(2) Tasks to be addressed by the Company

Our business is growing with the expansion of the data communications market. We regard our most urgent tasks as being the need to eliminate the shareholders' capital deficiency and to enhance our corporate credit worthiness. We intend to continue providing highly competitive network solutions and to strengthen our profit base in order to build a solid operating base and to expand our business further. The immediate tasks that will be addressed to achieve these goals are as follows:

1) Implementation of capital reinforcement

It is vital that we eliminate the shareholders' capital deficiency and build a stable capital structure in an effort to earn corporate credit worthiness. We intend to promptly plan and implement capital reinforcement measures.

2) Improvement in profitability of Internet connectivity services

In order to build a solid revenue base for the next fiscal year, we need to further increase Internet connectivity service revenues as well as reduce expenses. For that purpose, we shall continue to bolster existing IIJ connectivity services and connectivity services related NTT East and West FLET'S. We will simultaneously attempt to capture new customers by promoting services such as data center services at Crosswave's large-scale data centers that were established in this fiscal year and the IIJ VPN service and OEM service which were introduced as strategic services. Furthermore, in order to strengthen our added value for Internet connectivity services, we have been providing several services that will allow us to leverage our technical advantages, such as services related to security and mail, the provision of "SEIL"- a proprietary router, services related to operation and support, and systems integration services.

3) Provision of solutions through strengthening ties within the IIJ Group

In order to respond to the diversifying needs of our customers, we need to strengthen our ties within the IIJ Group as a unit in the areas of management policy, service development and sales operations to provide total network solutions to our customers and to enhance our presence in the market. Especially, in response to the recent trend of the re-construction of the Intranet, which is getting into full swing, we are taking serious measures to propose and initiate the IIJ group's various network services in the most appropriate manner and to construct and maintain an operating system that is able to deal with ambitious projects and full outsourcing services in cooperation with the IIJ Group.

In responding to the above tasks, we will continue to make every effort to develop our business in a manner that meets the expectations of our shareholders. We hope that you will continue to extend your kind support to and understanding for us.

(3) Operating results and changes in properties

	8th Fiscal Year	9th Fiscal Year	10th Fiscal Year
	FY 1999	FY 2000	FY 2001
Sales	23,480,113	26,944,586	32,044,7
Recurring loss	2,968,253	673,494	560,0
Net loss	3,018,777	1,897,001	1,169,8
Net loss per share	134,287.23yen	84,386.18yen	52,041.54y
Total assets	33,276,144	46,786,758	42,729,1
Net assets	15,817,439	17,540,405	14,497,5
Net assets per share	703,622.77yen	780,267.14yen	644,910.39y

(Notes)

(a) Net loss per share and net assets per share are calculated based on the number of outstanding shares as of the balance sheet dates. Net loss per share is calculated based on the average number of outstanding shares during the fiscal year from the 11th fiscal year. Under this method, net loss per share of the 8th fiscal year is -142,461.40 yen, there are no changes with net loss per share of the 9th and the 10th fiscal year.

(b) During the 8th fiscal year, we made our initial public offering on the NASDAQ National Market in the United States and raised 17,822,376 thousand yen due to issuance of new shares, resulting in an increase in total asset by 17,822,376 thousand yen and in net asset by 17,822,376 thousand yen.

(c) As from the 9th fiscal year, we have adopted "Accounting Standards for Financial Products" for the evaluation of other securities, which resulted in an increase in total asset by 6,241,322 thousand yen and in net asset by 3,619,966 thousand yen.

(d) The detailed descriptions of the business for the 11th fiscal year are as set forth in "(1) History and Results of Business".

(4) Business combination

(a) Significant subsidiaries

Name of company	Capital	Share-holding ratio	

IIJ Technology Inc.	1,700,000,000yen	64.1%	Network i
IIJ America Inc.	USD2,530,000	91.3%	Internet

(b) Process of business combination

During this fiscal year, we made additional capital investment of USD1,200,000 to IIJ America Inc. as a result of acceptance of the allocation of new shares to certain third party. This resulted in an increase in our shareholding ratio in said company from 90.2% to 91.3%.

To improve the capital situation of IIJ America Inc., we made capital investment of USD2,000,000 to IIJ America Inc. IIJ America Inc. accepted it as an additional paid-in capital, and IIJ America Inc. eliminated its accumulated loss by decreasing its additional paid-in capital and capital and appropriating them to aforementioned accumulated loss. This accordingly resulted in a capital decrease for IIJ America Inc. from USD11,500,000 to USD2,530,000.

(c) Results of business combination

For this fiscal year, we have four consolidated subsidiaries, consisting of IIJ Technology Inc., IIJ Media Communications Inc., IIJ America Inc. and Net Care, Inc., and eight companies are accounted for under the equity method.

Consolidated total revenues in accordance with generally accepted accounting in the United States was 44,017,561 thousand yen, net loss was 9,323,735 thousand yen.

(5) Capital spending

During this fiscal year, we exerted our efforts in the implementation of additional network operation center (NOC) equipment, update of communications equipment, development of customer-based system, and the license purchase of security system service. The total capital spending during this fiscal year was 1,013,597 thousand yen.

(6) Financing

During this fiscal year, we increase the amount of the long-term borrowing of 1,000,000 thousand yen, on the other hand, made repayment of part of the long-term borrowings due of 1,400,000 thousand yen. The amount of the short-term loans increased by 493,599 thousand yen.

II. Summary of the Company (as of March 31, 2003)

(1) Main businesses

To provide Internet access services

To provide Network integrations and data center services

(2) Main offices

Name	Address	
Head office	3-13, Kanda Nishiki-cho, Chiyoda-ku, Tokyo	Head office functio
Kansai Branch Office	2-1-1, Edobori, Nishi-ku, Osaka	Supervision of Kans
Nagoya Branch Office	1-24-30, Meieiki-Minami,Nakamura-ku, Nagoya	Supervision of Toka
Sapporo Branch	3-1-25, Kitasanjo-Nishi, Chuo-ku, Sapporo	Supervision of Hokk

Hokuriku Branch	5-5, Ushijimashinmachi, Toyama	Supervision of Hoku
Chushikoku Branch	2-16, Inari-cho, Minami-ku, Hiroshima	Supervision of Chug
Kyushu Branch	1-1-1, Tenjin, Chuo-ku, Fukuoka	Supervision of Kyus
Tohoku Branch	1-1-20 Kakyoin, Aoba-ku, Sendai	Supervision of Toho
Okinawa Branch	1-7-1, Kumoji, Naha-shi	Supervision of Okin
Toyota Branch	4-25-13, Nishimachi, Toshota-shi	Sales Office of Toy

(3) Shares

1. Number of total shares issued: 75,520 shares
2. Number of total shares outstanding: 22,480 shares
3. Number of shareholders as of the balance sheet date: 92
4. Major shareholders (described below)

Shareholder name	Investment in the Company		Inves
	Number of shares held	Rates of voting right	Numb share
Depositary Nominee Incorporated	6,093 shares	27.10%	
Sumitomo Corporation	1,582 shares	7.03%	
Itochu Corporation	1,561 shares	6.94%	
Koichi Suzuki	1,344 shares	5.97%	
NTT Communications Corporation	1,252 shares	5.56%	
The Dai-ichi Mutual Life Insurance Company	1,116 shares	4.96%	
Software Research Associates, Inc.	781 shares	3.47%	
JAFCO Co., Ltd.	720 shares	3.20%	
Mizuho Corporate Bank, Ltd.	712 shares	3.16%	
UFJ Bank Limited	686 shares	3.05%	

(4) Employees

Category	Number of employees	Annual change	Average age
Male	295	+33	31.4

Female	83	+4	30.3
Total	378	+37	31.1

(Notes)
(a) The above figures do not include 8 staff members seconded from other companies.
(b) The above figures do not include 95 employees seconded by the Company to other companies.

(5) Main sources of borrowings

Source	Outstanding borrowings (Thousands of Yen)	Number of the company stakes held
		Number of s
Mizuho Corporate Bank, Ltd.	3,058,599	
UFJ Bank Limited	2,800,000	
Sumitomo Mitsui Banking Corporation	1,860,000	
The Mitsubishi Trust & Banking Corp.	495,000	
The Bank of Tokyo-Mitsubishi, Ltd.	200,000	

(6) Directors and statutory auditors

Position in the company	Name	Assignment
President & Representative Director	Koichi Suzuki	
Managing Director	Toshiya Asaba	General Manager of Network Department
Managing Director	Hideshi Hojo	General Manager of Marketi
Director	Yasuhiro Nishi	General Manager of Admini
Director	Takamichi Miyoshi	Manager of Network Operati Division, and General Mana Division
Director	Kazumasa Utashiro	Manager of Systems Technol
Director	Akio Onishi	Executive Vice President,
Standing Statutory Auditor	Hideki Matsushita	
Statutory Auditor *	Bumpei Katayama	General Manager of Informa Division of Sumitomo Corpo

Statutory Auditor *	Hiroo Inoue	General Manager of Informa Itochu Corporation

* Outside statutory auditors pursuant to Article 18-1 of the Law for Special Exceptions to Commercial Code concerning Audit, Etc. of Stock Company. Directors and statutory auditors who assumed offices during the year under review are as follows:

Title	Name	Date of Assumption of Office
Director	Takamichi Miyoshi	June 26, 2002
Statutory Auditor	Bumpei Katayama	June 26, 2002

Directors and statutory auditors who resigned from their offices during the year under review are as follows:

Title	Name	Date of Assumption of Office
Director	Shunichi Kozasa	June 26, 2002
Statutory Auditor	Shingo Yoshii	June 26, 2002
Statutory Auditor	Tsumoru Suzuki	July 8, 2002

III. Significant Event, Which Occurred after the Company's Balance Sheet Date, regarding the Conditions of the Company (Subsequent Event)

On May 12, 2003, the board of directors of the Company adopted a resolution for the Company's issuance of new shares through third party allocation as set forth below:

Number of Shares to be Issued: 8,400 shares of common stock
Issue Price: 418,200 yen per share
Total Amount of Issued Shares to be Credited: 3,512,880,000 yen
Amount not to be Credited to the Paid-In Capital out of the Issue Price of New Shares: 209,100 yen per share
Date for Application: June 6, 2003 (Friday)
Date for Payment: June 6, 2003 (Friday)
Commencement Date for Calculation of Dividend: April 1, 2003 (Tuesday)

On May 26 and 29, 2003, the board of directors of the Company adopted a resolution that the Company shall make an advance up to 1,719,981 thousand yen to Crosswave in order to improve the cash flow of Crosswave. Pursuant to the resolution, the company entered into a Credit Facility Agreement between Crosswave on May 29, 2003 and made an advance to Crosswave in the amount of 1,232,000 thousand yen as of the date thereof.

The aforementioned unit figures are rounded down to the nearest 1,000 yen.

The Financial Statements presented herein are translations of the originals, which were prepared in a manner of accounting principles generally accepted in Japan, Japan GAAP.

Internet Initiative Japan Inc.

Balance Sheet
As of March 31, 2003

Assets		Liabilities	
Item	Amount	Item	Amount
	thousand of Japanese yen		thousand of
[Current assets]	[9,453,447]	[Current liabilities]	[11,380,
Cash	2,656,635	Accounts payable	3,072,
Accounts receivable	6,298,783	Short-term borrowings	4,013,
Inventories	7,405	Current portion of long-term debt	1,400,
Work in process	1,381	Accounts payable-other	2,629,
Supplies	48,617	Income taxes payable	14,
Prepaid expenses	247,148	Consumption tax payable	65,
Accounts receivable - other	100,353	Advance received	78,
Short-term loans receivable	73,641	Deposits received	40,
Other current assets	43,051	Other current liabilities	66,
Allowance for doubtful accounts	-23,571		
		[Long-term liabilities]	[19,002,
[Non-current assets]	[20,477,028]	Long-term borrowings	3,000,
[Tangible non-current assets]	(541,577)	Convertible notes	15,000,
Leasehold improvements	321,655	Long-term accounts payable	481,
Data Communication equipment and office equipment	629,933	Long-term advance received	40,
Construction in Process	15,000	Accrued retirement and pension cost	97,
Accumulated depreciation	-425,011	Deferred tax liabilities	382,
(Intangible non-current assets)	(2,330,798)		
Telephone rights	214,698	Total liabilities	30,383,
Software	2,116,099		
(Investments, etc.)	(17,604,652)	Shareholders' equit	
Investments in equity securities	7,325,695		
Subsidiaries' stock	2,334,626	[Common stock]	[7,082,
Restricted Cash	5,000,000		
Investments in partnerships	316,098	[Legal reserve]	[12,228,
Long-term loans Receivable	100,000	Additional Paid-in capital	12,228,
Long-term prepaid Expenses	27,757		
Guarantee deposits	2,464,909	[Accumulated deficit]	[-20,326,
Other investments	143,009		
Allowance for doubtful accounts	-107,444	Undisposed deficit for the current period	-20,326,

		(incl. Net loss for the current period)	(-13,765,
		[Accumulated other comprehensive income]	[562,
		Unrealized gain on available-for-sale securities	592,
		Total shareholders' equity	-452,
Total assets	29,930,475	Total liabilities and shareholders' equity	29,930,

Internet Initiative Japan Inc.

Income statement
From April 1, 2002 to March 31, 2003

Item			Amoun
			thousand of
(Ordinary Items)			
(Operationg income and loss)			
[Total revenues]			34,188,
[Total costs]			31,574,
	Total cost of revenues		2,613,
[Total costs and expenses]			3,995,
	Operating income(loss)		-1,381,
(Non-operating income and expenses)			
[Non-operating income]			
Interest and dividends income		33,035	
Commissions received		38,088	71,
[Non-operating expenses]			
Interest expense		134,865	
Interest expense on convertible notes		262,500	
Exchange loss		276,663	
Amortization of issuance of convertible notes		166,062	
Provision for allowance for doubtful accounts		10,000	

Other non-operating expenses	111,848	961,
Recurring loss		-2,272,
(Extraordinary items)		
[Extraordinary loss]		
Cost of relocation of the head office	36,957	
Write down of inventories	4,146	
Loss on disposal of property and equipment	39,131	
Impairment loss on investment in equity securities	226,051	
Loss on valuation of golf club memberships	1,083	
Impairment loss on affiliates' stock	11,171,154	11,478,
Income(loss) before income taxes(benefit)		-13,751,
Income taxes expense(benefit)		14,
Net loss		-13,765,
Deficit brought forward		-6,560,
Undisposed deficit for the current period		-20,326,

1. Notes relating to the Premise of a Going Concern

The Company has incurred shareholders' capital deficiency of 452,748 thousand yen as of the end of March, 2003 as the result of posting of a net loss of 13,765,686 thousand yen for this fiscal year. Crosswave, 37.85% of which shares are owned by the Company, posted a large operating loss of 11,261,479 thousand yen for the previous fiscal year and 12,628,514 thousand yen for this fiscal year and its operating cash flow has significantly gone negative. Therefore, substantial doubt about the Company's ability to continue as a going concern exists.

In order to resolve such situation, the Company is planning the issuance of shares through third party allocation in an amount of 3,512,880 thousand yen, of which payment shall be made on June 6, 2003. Crosswave is scheduled to receive from the Company, Toyota Motor Corporation and Sony Corporation, its major shareholders, an advance of 3,100,000 thousand yen by the end of May, 2003 and 1,200,000 thousand yen by the end of June, 2003, or 4,300,000 thousand yen in total. It is also in the coordination process with the Lenders as for when to receive the advance in an amount of 5,000,000 thousand yen which is the outstanding amount of the long-term facility pursuant to the Syndicated Loan Agreement by and between Crosswave and the Lenders as of May 21, 2002, and it is in the negotiation process with the major shareholders, etc. as for the business plan, including the funding thereafter.

The financial statements and schedules are created based upon the

Company continuing as a going concern and they do not reflect any effect of aforementioned substantial doubt.

2. Significant accounting policies

(1) Valuation standards and methods for securities

Shares of subsidiaries and affiliates: stated at cost based on the moving average method.

Other securities:

Securities whose market prices are quoted: market value method based on the market price, etc. as of the end of the fiscal term (all of the variances resulting from the valuation are directly incorporated into capital, while the cost of the securities at the time of their sale is calculated using the moving average method.)

Securities whose market prices are not quoted: stated at cost based on the moving average method.

(2) Valuation standards and methods for derivatives, etc.: market value method, in principle.

(3) Valuation standards and methods for inventories

Merchandise and supplies: stated at cost based on the moving average method.

Work-in-process: specific-order cost method.

(4) Depreciation methods used for non-current assets

Tangible non-current assets: declining balance method.

The depreciable asset whose acquisition value is 100,000yen or more but less than 200,000yen is depreciated in equal installments over three years.

The numbers of useful years of main depreciable assets are as specified below:

Leasehold improvements:	8-15 years
Data communication equipment and office equipment:	3-15 years

Intangible non-current assets: straight line method.

The software used by the Company is depreciated over the number of useful years for internal use, i.e., five years.

(5) Lease transactions

Financing lease transactions, other than those in which ownership of the leased assets is deemed to transfer to the lessee, are recorded based on the same accounting method as is used for normal rental transactions.

(6) Deferred assets

Bond issue cost: amortized in equal installments over three years.

(7) Basis for recording of allowances

Allowance for doubtful accounts: To prepare for possible losses resulting from non-payments of account receivables for trade and loans, etc., an allowance is provided based on the percentage of actual credit losses incurred in the case of general receivables and, in the case of credits for which the relevant debtors are likely to default and other certain credits, such allowance is based on the anticipated uncorrectable amount after assessment of likelihood of non-payment of individual credit.

Allowance for employees' retirement benefits: To prepare for payments of retirement benefits to employees, an allowance is provided based on the projected retirement benefits obligations and pension assets as of the end of the current fiscal term.

The difference arising from actuarial computations is amortized and disposed as expenses in the subsequent fiscal terms using the straight-line method over a certain number of years not exceeding the average number of remaining service years of the employees at the time of accrual of such payment (14 years).

(8) Accounting for important hedging transactions

The Company uses interest swaps in order to hedge the risk of fluctuation of the interest rate on loans payable, pursuant to the internal rules prescribing the authorities and maximum transaction volumes, etc. concerning derivative transactions.

Since the accounting for interest swaps is processed according to special tax treatment, the evaluation of the their validity is omitted.

(9) Consumption tax, etc.

Consumption tax is separately recorded.

3. Notes to balance sheet and income statement

(1) Monetary claims and liabilities to subsidiaries

Short-term monetary claims: 142,984 thousand yen

Short-term monetary liabilities: 1,694,548 thousand yen

(2) Major foreign currency-denominated assets and liabilities

Current foreign currency deposit: 7,484 thousand yen (62 thousand U.S. dollars)

Foreign currency deposit: 967,266 thousand yen (8,047 thousand U.S. dollars)

Accounts receivable: 2,328 thousand yen (19 thousand U.S. dollars)

Short term loans: 22,395 thousand yen (186 thousand U.S. dollars)

Investment securities:89,893 thousand yen (747 thousand U.S. dollars)

79,127 thousand yen (800,000 thousand Korean Won)

Subsidiaries' shares: 529,446 thousand yen (4,257 thousand U.S. dollars)

Accounts payable: 29,959 thousand yen (249 thousand U.S. dollars)

Amounts payable: 12,128 thousand yen (100 thousand U.S. dollars)

(3) In addition to the non-current assets recorded on the balance sheet, electronic office equipment, modems, routers, terminal adapters, etc. are used under lease contracts.

(4) Asset provided as security Deposit in an amount of 1,705,036 thousand yen

(5) Liabilities for guarantee

Outstanding liabilities for guarantees: 3,200 thousand yen

Outstanding guarantees given by submitting a letter of guarantee concerning management advisory services: 99,590 thousand yen (828 thousand U.S. dollars)

(6) 5,000,000 thousand yen treated as Restricted Cash under Non-current assets is the amount that the Company is restricted from withdrawing in connection with the Syndicated Loan Agreement, for the loan of 20,000,000 thousand yen in total, entered into by and among Crosswave, our affiliate, and the Lenders as of May 21, 2002, under which the Company agreed to provide Crosswave the CDS (Cash Deficiency Support i.e. the Company guarantees compensation for cash deficiency up to 5,000,000 thousand yen in case Crosswave falls short of source of repayment for the principal in the future).

(7) Stock Options under Article 280-19, Paragraph 1 of the Commercial Code

Date of resolution of the general meeting of shareholders	April 7, 2000
Class of shares to be issued	Common stock
Stock Options outstanding	3,851,420 thousand yen
Issue price	13,055,664 yen

(8) Limitation on dividend payments as provided for in Article 290, Paragraph 1, Item 6 of the Commercial Code

Amount of net asset increased due to asset valuation based on market values: 562,393 thousand yen

(9) Amount of deficit in capital: 20,326,374 thousand yen

(10) Net loss per share: 612,352.62yen

(11) Transactions with subsidiaries

Revenues: 1,309,245 thousand yen

Purchases: 8,805,149 thousand yen

Turnover from non-operating transactions: 15,296 thousand yen

(12) Retirement and Pension cost

1. Outline of the current retirement benefit system

The Company employs, as a defined retirement benefit system, a lump-sum retirement allowance system and a tax-qualified retirement pension plan funded by accumulated internal reserve pursuant to the Regulations for Retirement Benefits. The rate of the retirement benefits funded under the tax-qualified retirement pension plan has reached 70 percent. The Company is a member of Zenkoku Joho Service Sangyo Kosei Nenkin Kikin (JJK: the Japan Information Service Industry Welfare Pension Fund), which pension system adopts such irregular treatment method as provided for in Paragraph 33 of the Guidelines for Retirement Benefit Accounting Practices. The balance of the Company's pension assets as of the end of the current term calculated on the basis of its premium payments in proportion to the balance of the aggregate pension assets of the aforementioned Pension Fund stands at 745,942 thousand yen, while the premiums paid by the Company for the current term is 56,833 thousand yen.

2. Matters concerning retirement benefit obligations (as of March 31, 2003)

	(thousand yen)
Retirement benefit obligations	-531,374
Plan assets	468,896
Unfunded retirement benefit obligations	-62,478
Expensed portion of the difference resulting from actuarial computations	-35,068
Retirement benefit allowance	-97,547

(Note: The above figures do not include welfare pension fund.)

3. Matters concerning retirement benefits expenses (from April 1, 2002 to March 31, 2003)

	(thousand yen)
Service cost	118,779
Interest expense	8,866
Projected income from investment	-8,499
Disposal of cost of difference accrued from changes in accounting standards	-3,355
Retirement benefit expenses	115,791

Note: The above figures do not include the amount of the premiums paid to the welfare pension fund.

3. Matters concerning the bases for computations of the retirement benefit liabilities, etc.

Allocation method of projected retirement benefit per period: Fixed amount per period

Discount rate: 1.5%

Rate of projected income from investment: 2.5%

Number of years used for amortization of difference resulting from actuarial computations: 14 years (Differences are amortized and disposed as expenses in the subsequent fiscal terms using the straight line method, for which a certain number of years not exceeding the employees' average remaining service years at the time of the accrual is used.)

(13) Tax-effect accounting, etc.

1. Breakdown by major causes of deferred tax assets and deferred tax liabilities

Deferred tax assets

Loss carried-forward for tax purposes:	8,001,020 thousand yen
Loss on investments in or loans to affiliates:	410,139 thousand yen
Special contribution to pension fund:	39,507 thousand yen
Others:	61,582 thousand yen
Subtotal of deferred tax assets:	8,512,248 thousand yen
Valuation allowance:	-8,512,248 thousand yen
Total of deferred tax assets:	--

Deferred tax liabilities

Difference from valuation of other securities:	382,805 thousand yen
Total of deferred tax liabilities:	382,805 thousand yen
Net amount of deferred tax liabilities:	382,805 thousand yen

2. Rough account of difference between statutory effective tax rate and burden ratio of income tax, etc. after adoption of tax effective accounting

Statutory effective tax rate: 42.0%

(Adjustments):

Additions to valuation reserves: -39.7%

Reduction from the deferred tax assets due to tax rate change: -2.3%

Others: -0.1%

Burden ratio of income tax, etc. after adoption of tax effective accounting: -0.1%

3. Due to the introduction of Partially Revised Local Tax Etc. Law (Law No.

9 of 2003)as of March 31, 2003,the statutory effective tax rate used to calculate the deferred tax assets and deferred tax liabilities (limited to those which are expected to be settled on or after April 1, 2004) has changed from 42.0% as in previous fiscal year to 40.5%. As a result, the amount of the deferred tax liabilities decreased by 14,178 thousand yen, and the unrealized gain on available-for-sale securities increased by the same amount.

* The aforementioned figures are rounded down to the nearest 1,000 in the respective units.

Internet Initiative Japan Inc.

The Proposal for Appropriation of Disposition of Losses

(Unit: Yen)

Description	Amount
Undisposed deficit for the current period	20,326,374,841
The amount above will be appropriated as below.	
Deficit carried forward to the next period	20,326,374,841

(Certified Copy)

(TRANSLATION)

INDEPENDENT AUDITORS' REPORT

May 29, 2003

To the Board of Directors of
Internet Initiative Japan Inc.:

Tohmatsu & Co.
Representative Partner, Engagement Partner,
Certified Public Accountant:
Hitoshi Matsufuji

Representative Partner, Engagement Partner,
Certified Public Accountant
Shuko Shimoe

Pursuant to Article 2 of the "Law Concerning Special Measures under the Commercial Code with respect to Audit, etc. of Corporations (Kabushiki-Kaisha)" of Japan, we have audited the balance sheet, the statement of operations, the business report (with respect to accounting matters only), the proposed disposition of accumulated deficits and the supplementary schedules (with respect to accounting matters only) of Internet Initiative Japan Ltd. for the 11th fiscal year from April 1, 2002 to March 31, 2003. The accounting matters included in the business report and supplementary schedules referred to above are based on the Company's books of account. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. Our audit includes auditing procedures applied to subsidiaries as considered necessary.

As a result of our audit, in our opinion,

(1) The balance sheet and the statement of operations present fairly the financial position and the results of operations of the Company in conformity with the applicable laws and regulations of Japan and the Articles of Incorporation,

(2) The business report (with respect to accounting matters only) presents fairly the Company's affairs in conformity with the applicable laws and regulations of Japan and the Articles of Incorporation,

(3) The proposed disposition of accumulated deficits are in conformity with the applicable laws and regulations of Japan and the Articles of Incorporation, and

(4) The supplementary schedules (with respect to accounting matters only) present fairly the information required to be set forth therein under the Commercial Code of Japan.

Emphasis of matters:

(A) As described in the footnote titled "Going Concern" to the financial statements, the Company has shareholders' capital deficiency as of March 31, 2003 and Crosswave Communications Inc., which is 37.85% owned by the Company, has incurred operating losses and cash outflows from operating activities in the past consecutive two fiscal years ended March 31, 2003. Accordingly, substantial doubt about the Company's ability to continue as a going concern exists. Management's plans concerning these matters are described in the going concern footnote. The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. Therefore, the financial statements do not include any adjustments that might result from the outcome of this uncertainty.

(B) The subsequent events described in the business report have a material effect on the financial position and the results of operations of the Company in the following fiscal years.

Our firm and the engagement partners do not have any financial interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Law.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

AUDIT REPORT BY THE BOARD OF STATUTORY AUDITORS

(Certified Copy)

AUDIT REPORT

The Board of Statutory Auditors of the Company received reports from each of the Statutory Auditors regarding the methods and results of the audit of the performance by the Directors of their duties during the Company's 11th fiscal year, which began on April 1, 2002 and ended on March 31, 2003. Based on our review of and discussions regarding such reports, we hereby report the following:

1. Summary of Auditing Methods Used by Statutory Auditors

In addition to attending meetings of the Board of Directors and other important meetings pursuant to the audit policies and division of duties set forth by the Board of Statutory Auditors, each of the Statutory Auditors made inquiries to the Directors, etc., with regard to the results of business, reviewed important documents, etc., stating decisions and approvals, investigated the state of the operations and assets and liabilities at the head office and main branch offices of the Company, and, as necessary, asked the Company's subsidiaries to provide reports on the state of their businesses. Also, we received reports and explanations from the accounting auditors and examined financial statements and schedules thereto.

As for transactions made by the Directors which were in competition with the business of the Company, transactions between the Directors and the Company which were in conflict with the interests of the Company, benefits given without consideration by the Company, unusual transactions with subsidiaries or shareholders, and the Company's acquisition and disposition of its treasury stocks, we not only applied the above mentioned auditing methods, but also obtained relevant reports from the Directors, etc., and conducted detailed examinations of such transactions.

2. Results of Audit

(1) We acknowledge that the methods and results of the audit as reported by the accounting auditors, Tohmatsu & Co., are appropriate.

(2) We acknowledge that the business report present fairly the state of the Company in accordance with the relevant laws, regulations and the Company's articles of incorporation.

(3) We did not find anything that should be specified with respect to the proposal on the disposition of losses in light of the conditions of the assets and liabilities and other circumstances of the Company.

(4) We acknowledge that the schedules to the financial statements correctly state matters that should be stated therein, and did not discover anything that should be specified in connection therewith.

(5) As for the performance by the Directors of their duties, including their duties with respect to subsidiaries, we did not discover any significant facts indicating any unlawful conduct or breach of the relevant laws, regulations or the Company's articles of incorporation.

In addition, we did not discover any breach of duties by the Directors in light of the transactions made by any of the Directors which were in competition with the business of the Company, transactions between any of the Directors and the Company that were in conflict with the interests of the Company, benefits given without consideration by the Company, unusual transactions with subsidiaries or shareholders, or the Company's acquisition and disposition of treasury stocks.

June 2, 2003

Board of Statutory Auditors
Internet Initiative Japan Inc.

Standing Statutory Auditor:	Hideki Matsushita (Seal)
Statutory Auditor:	Bumpei Katayama (Seal)
Statutory Auditor:	Hiroo Inoue (Seal)

Note1: Two of the Statutory Auditors, Bumpei Katayama and Hiroo Inoue, are outside auditors as set forth in Article 18, Paragraph 1 of the Law for Special Exceptions to the Commercial Code concerning Audit, etc., of Kabushiki-Kaisha.
Note2: Mr. Tsumoru Suzuki, statutory auditor, does not sign the Audit Report since he passed away on July 8, 2002.

Reference Documents with Respect to Solicitation to Exercise Voting Rights by Proxy

1. Solicitor who solicits shareholders to exercise their voting rights by proxy:
   Internet Initiative Japan Inc.
   Koichi Suzuki, Representative Director
2. Total number of outstanding shares having voting rights:
   22,480 shares
3. Agenda of the meeting and reference matters:

Item 1:Approval of disposal of losses for the 11th fiscal year
The method of disposal of losses for the 11th fiscal year is as stated in the aforementioned document attached hereto.

Item 2.:Amendments to the Articles of Incorporation
You are requested to approve amendments to the present Articles of Incorporation as follows.

1. Reason for the amendments: (1) Pursuant to Law No. 44 of 2002(Date of enforcement: April 1, 2003) that provides for the lost share certificates and the amendment such as the deregulation with respect to the quorum of the special resolution at the shareholders meetings in case of an amendment to the Articles of Incorporation, etc. , amendments to provisions as necessary shall be made in order to provide for a register of lost share certificates and change the quorum of the special resolution to one-third or more of the voting rights of all the shareholders in order to facilitate the smooth administration of the shareholders' meetings. Articles to be amended: Article 7 (Transfer Agent), Article 12 (Method of Resolution) (2) Pursuant to Law No.149 of 2002 (Date of enforcement: May 1, 2002) that provides for the reduction of liabilities of directors and statutory auditors under provisions of the Articles of Incorporation, an amendment to provisions as necessary shall be made in order to limit the liabilities of the statutory auditors to a reasonable extent. Article to be added: Article 26.2 (Exemption of Liability for Statutory Auditors)
2. Contents of amendments:
Contents of amendments are as follows:

(The amendments are indicated

Present Articles	Proposal
(Transfer Agent) Article 7.	(Transfer Agent) Article 7.
1. The Company shall appoint a transfer agent for the handling of its shares and fractional shares. 2. The transfer agent and its place of business shall be designated by a resolution of the Board of Directors.	1. The Company shall the handling of its shares a 2. The transfer agen shall be designated by a res Directors.

3. The register of shareholders and the original register of fractional shares of the Company shall be kept by the transfer agent at its place of business, and matters concerning registration of transfer of shares, registration of pledges, indication of trust property, delivery of share certificates, acceptance of reports by shareholders, listing or recording into the original register of fractional shares and other matters concerning shares and fractional shares shall be handled by the transfer agent, and the Company shall not handle any such matters.	3. The register of s register of fractional share register of lost share certi transfer agent at its place concerning registration of t of pledges, indication of tr certificates, acceptance of or recording into the origin and the register of lost sha matters concerning shares an handled by the transfer agen handle any such matters.
(Method of Resolution) Article 12. Unless otherwise provided for by law or these Articles of Incorporation, resolutions of a general meeting of shareholders shall be adopted by a majority vote of shareholders present at the meeting.	(Method of Resolution) Article 12. 1. Unless otherwise provided of Incorporation, resolution shareholders shall be adopte shareholders present at the
(New provision)	2. Special resolutions under Code of Japan and other reso of resolution of aforementio mutandis by laws or regulati or more of the voting rights having one-third or more of shareholders.
(New provision)	(Exemption of Liability for Article 26.2 The Company may, pursuant to 280 paragraph 1 of the Comme a resolution of the Board of statutory auditor (either in from liabilities only to the regulations.

Item 3: Election of six directors

Shareholders are asked to approve the election of six directors since all incumbent six directors finish their terms of office at the close of this general meeting of shareholders. The candidates for the directors are as follows:

Name and date of birth	Brief summary of career
Koichi Suzuki September 3, 1946	Appointed director at the foundation of the Company in Decemb Appointed president and representative director in April 199 holding the position) <