



Internet Initiative Japan

For Immediate Release
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**IIJ Announces its First Three Months Results
 for the Fiscal Year Ending March 31, 2024**

Tokyo, August 8, 2023 - Internet Initiative Japan Inc. (“IIJ”, TSE Prime: 3774) today announced its consolidated financial results for the first three months for the fiscal year ending March 31, 2024 (“1Q23”, from April 1, 2023 to June 30, 2023) under International Financial Reporting Standards (IFRS).¹

Highlights of Financial Results for 1Q23			FY23 Targets	
			First Half	Full Year
Total revenues	JPY61.4 billion	up 5.6% YoY ²	JPY138.0 billion	JPY286.0 billion
Operating profit	JPY5.0 billion	down 0.5% YoY	JPY13.4 billion	JPY31.5 billion
Profit before tax	JPY5.5 billion	down 17.2% YoY	JPY13.0 billion	JPY30.4 billion
Net profit ³	JPY3.6 billion	down 18.4% YoY	JPY8.9 billion	JPY20.7 billion

Overview of 1Q23 Financial Results and Business Outlook

“Legacy Japanese enterprises’ internal trunk networks and systems have been gradually shifting to more complex and combined ones with adopting Internet technologies. As the consequence to this movement, we are seeing dramatically increasing business opportunities to acquire large-scale network replacement transactions, which have been mainly covered by system integrators and telecom carriers. For such projects, we offer our various Internet-related network services elements including cybersecurity related services line-up and systems integration (SI) function in front. As we believe that one of our competitive advantages would be stable network operation capability, once Japanese enterprises become to utilize ICT⁴/DX (Digital transformation) more and new technologies such as AI for their businesses, our business values would become further significant. We would like to pursue our consistent business growth strategy going forward,” said Koichi Suzuki, Founder and Chairman of IIJ.

“We started 1Q23 with continuous demands for network enhancement and replacement among Japanese enterprises. We had 5.6% of revenue growth among which network services revenues excluding mobile services grew by 11.1% YoY and operating profit slightly decreased by 0.5% YoY. Generally, since 1Q is the calm season in Japan, our 1Q revenues are the lowest throughout the year, while some of our costs increase from the beginning of fiscal year. In this 1Q23, our systems construction and equipment sales, a one-time revenue, did not grow YoY, mainly because our SI projects became large and complex, and required longer lead time. Although we have not recognized large scale systems construction transactions in 1Q23, our order received and order backlog for systems construction and equipment sales grew by 31.0% and 32.5% YoY respectively, and there are many of prospected network replacement projects such as large financial institutions’ one. Further, we expect to recognize approximately JPY3 billion of one-time revenues for overseas data center construction transaction in 2Q23. With regard to increased cost from 1Q23, as we are focusing to strengthen our human resources for absorbing growing demands and accelerate our business expansion, we recruited 246 new graduates which was approximately 1.4 times that of the previous year with a certain wage rise like other Japanese enterprises this April. Besides that, our profit before tax and net profit largely decreased YoY, as there was a reactionary drop in fund valuation gains from JPY1.2 billion in 1Q22 to JPY0.3 billion in 1Q23. We recognize that our business model and our position are undergoing certain changes as we have begun to deal with much larger and more complex network based systems. While this transitional process may impose some volatility in our financial performance in the short term like this 1Q, we are confident that our business areas are structurally expanding and that would result in huge increase of our business scale,” said Eijiro Katsu, President of IIJ.

“We established a new shareholder structure by inviting KDDI as one of our largest shareholders with the same position of NTT group, 11.1% of shareholding percentage each, this May⁵. As a network services providers using telecom carriers’ fibers, we are very excited with having two largest telecom carriers in Japan as our major shareholders. It would result in further strengthening our business. Through this series of transactions, we had approximately JPY11.4 billion of share buy-back and cancellation,” concluded Suzuki.

¹ Unless otherwise stated, all financial figures discussed in this announcement are prepared in accordance with IFRS, unaudited and consolidated.

² YoY is an abbreviation for year over year change.

³ Net profit is “profit for the year attributable to owners of the parent.”

⁴ Information and Communication Technology (ICT) is a general term of technologies in relation to hardware, software, system and data communication used for information communication by computers.

⁵ For details, please refer to our press release titled “Partial Disposal of Shares of Common Stock Held by Nippon Telegraph and Telephone Corporation (Largest Shareholder), Acquisition of Shares of Common Stock by KDDI Corporation, Acquisition of Treasury Stock, etc.” (https://www.ij.ad.jp/en/ir/news/2023/pdf/20230518_E.pdf).

1Q23 Financial Results Summary

We have omitted segment analysis because most of our revenues are dominated by network services and systems integration (SI) business.

Operating Results Summary

	1Q22	1Q23	YoY Change
	JPY millions	JPY millions	%
Total revenues	58,190	61,420	5.6
Network services	33,234	36,354	9.4
Systems integration (SI)	24,269	24,341	0.3
ATM operation business	687	725	5.5
Total costs	(45,490)	(47,620)	4.7
Network services	(24,431)	(26,133)	7.0
Systems integration (SI)	(20,659)	(21,085)	2.1
ATM operation business	(400)	(402)	0.5
Total gross profit	12,700	13,800	8.7
Network services	8,803	10,221	16.1
Systems integration (SI)	3,610	3,256	(9.8)
ATM operation business	287	323	12.5
SG&A, R&D, and other operating income (expenses)	(7,674)	(8,797)	14.6
Operating profit	5,026	5,003	(0.5)
Profit before tax	6,623	5,481	(17.2)
Profit for the period attributable to owners of the parent	4,391	3,583	(18.4)

(Note) Systems integration includes equipment sales.

Segment Results Summary

	1Q22	1Q23
	JPY millions	JPY millions
Total revenues	58,190	61,420
Network services and SI business	57,531	60,716
ATM operation business	687	725
Elimination	(28)	(21)
Operating profit	5,026	5,003
Network services and SI business	4,809	4,750
ATM operation business	237	253
Elimination	(20)	—

1Q23 Revenues and Income

Revenues

Total revenues were JPY61,420 million, up 5.6% YoY (JPY58,190 million for 1Q22).

Network services revenue was JPY36,354 million, up 9.4% YoY (JPY33,234 million for 1Q22).

Revenues for Internet connectivity services for enterprise were JPY10,772 million, up 13.2% YoY from JPY9,516 million for 1Q22, mainly due to an increase in revenues of enterprise mobile services, IP services and IIJ Mobile MVNO Platform service.

Revenues for Internet connectivity services for consumers were JPY5,993 million, down 1.7% YoY from JPY6,099 million for 1Q22, mainly due to a decrease in the sales scale of mobile devices, while the number of subscription largely increased.

Revenues for Outsourcing services were JPY12,534 million, up 14.5% YoY from JPY10,944 million for 1Q22, mainly due to an increase in security-related services revenues.

Revenues for WAN services were JPY7,055 million, up 5.7% YoY from JPY6,675 million for 1Q22.

Network Services Revenues Breakdown

	1Q22	1Q23	YoY Change
	JPY millions	JPY millions	%
Total network services	33,234	36,354	9.4
Internet connectivity services (enterprise)	9,516	10,772	13.2
IP services (including data center connectivity services)	3,446	3,908	13.4
IIJ Mobile Services	5,060	5,773	14.1
Enterprise mobile services (IoT usages etc.)	2,634	3,147	19.5
IIJ Mobile MVNO Platform Service (MVNE)	2,426	2,626	8.2
Others	1,010	1,091	8.0
Internet connectivity services (consumer)	6,099	5,993	(1.7)
IIJmio Mobile Services	5,310	5,170	(2.6)
Others	789	823	4.3
Outsourcing services	10,944	12,534	14.5
WAN services	6,675	7,055	5.7

Number of Contracts and Subscription for Connectivity Services (Note 1)

	As of June 30, 2022	As of June 30, 2023	YoY Change
Internet connectivity services (enterprise)	2,582,448	3,163,457	581,009
IP service (greater than or equal to 1Gbps) (Note 2)	787	1,369	582
IP service (less than 1Gbps) (Note 2)	1,247	1,390	143
IIJ Mobile Services	2,489,768	3,066,250	576,482
Enterprise mobile services (IoT usages etc.)	1,457,464	1,951,122	493,658
IIJ Mobile MVNO Platform Service (MVNE)	1,032,304	1,115,128	82,824
Others	90,646	94,448	3,802
Internet connectivity services (consumer)	1,464,327	1,541,272	76,945
IIJmio Mobile Services	1,125,756	1,203,323	77,567
Others	338,571	337,949	(622)
Total contracted bandwidth (Gbps) (Note 3)	7,600.9	9,375.7	1,774.8

(Notes)

- Numbers in the table above show number of contracts except for "IIJ Mobile Services (enterprise)" and "IIJmio Mobile Services" which show number of subscriptions.
- The numbers of IP service contracts include the numbers of IIJ data center connectivity service contracts. The number of IP services (greater than or equal to 1Gbps) contracts as of June 30, 2023 included an increase of approximately 500 line openings related to Tokyo public high school project in 3Q22.
- Total contracted bandwidth is calculated by multiplying number of contracts under "Internet connectivity services (enterprise)" except for "IIJ Mobile Services" and the contracted bandwidths of the services respectively. Total contracted bandwidth as of June 30, 2023 included an increase of approximately 500Gbps related to Tokyo public high school project in 3Q22.

SI revenues, including equipment sales, were JPY24,341 million, up 0.3% YoY (JPY24,269 million for 1Q22). Systems construction and equipment sales, a one-time revenue, was JPY7,242 million, down 5.1% YoY (JPY7,628 million for 1Q22) mainly because projects tended to require longer lead time until our revenue recognition due to projects getting larger and more complex. Systems operation and maintenance revenue, a recurring revenue, was JPY17,099 million, up 2.8% YoY (JPY16,641 million for 1Q22), mainly due to continued accumulation of systems operation orders.

Orders received for SI, including equipment sales, totaled JPY33,830 million, down 0.2% YoY (JPY33,889 million for 1Q22); orders received for systems construction and equipment sales were JPY14,087 million, up 31.0% YoY (JPY10,756 million for 1Q22), and orders received for systems operation and maintenance were JPY19,743 million, down 14.7% YoY (JPY23,133 million for 1Q22), mainly due to a reactionary drop by the lump-sum recognition of large scale projects with fixed multi-year contracts in 1Q22.

Order backlog for SI, including equipment sales, as of June 30, 2023 amounted to JPY92,246 million, up 11.9% YoY (JPY82,411 million as of June 30, 2022); order backlog for systems construction and equipment sales was JPY20,644 million, up 32.5% YoY (JPY15,579 million as of June 30, 2022) and order backlog for systems operation and maintenance was JPY71,602 million, up 7.1% YoY (JPY66,832 million as of June 30, 2022).

ATM operation business revenues were JPY725 million, up 5.5% YoY (JPY687 million for 1Q22).

Cost of sales

Total cost of sales was JPY47,620 million, up 4.7% YoY (JPY45,490 million for 1Q22).

Cost of network services revenue was JPY26,133 million, up 7.0% YoY (JPY24,431 million for 1Q22), mainly due to increases in network operation-related costs and circuit-related costs. Gross profit was JPY10,221 million, up 16.1% YoY (JPY8,803 million for 1Q22), and gross profit ratio was 28.1% (26.5% for 1Q22).

Cost of SI revenues, including equipment sales was JPY21,085 million, up 2.1% YoY (JPY20,659 million for 1Q22), mainly due to increases in outsourcing-related costs and personnel-related costs. Gross profit was JPY3,256 million, down 9.8% YoY (JPY3,610 million for 1Q22) and gross profit ratio was 13.4% (14.9% for 1Q22).

Cost of ATM operation business revenues was JPY402 million, up 0.5% YoY (JPY400 million for 1Q22). Gross profit was JPY323 million (JPY287 million for 1Q22) and gross profit ratio was 44.6% (41.8% for 1Q22).

Selling, general and administrative expenses and other operating income and expenses

Selling, general and administrative expenses, including research and development expenses, totaled JPY8,795 million, up 11.9% YoY (JPY7,858 million for 1Q22), mainly due to an increase in personnel-related expenses resulted from the recruitment of approximately 1.4 times more new graduates than the previous year and the revision of salary table.

Other operating income was JPY30 million (JPY194 million for 1Q22, including one-time gain on sale of asset).

Other operating expenses was JPY32 million (JPY10 million for 1Q22).

Operating profit

Operating profit was JPY5,003 million (JPY5,026 million for 1Q22), down 0.5% YoY.

Finance income and expenses, and share of profit (loss) of investments accounted for using equity method

Finance income was JPY802 million, compared to JPY1,747 million for 1Q22. It included gains on financial instruments, mainly related to funds, of JPY310 million (JPY1,200 million for 1Q22) and foreign exchange gain of JPY401 million (gain of JPY474 million for 1Q22).

Finance expense was JPY170 million, compared to JPY136 million for 1Q22. It included interest expenses of JPY143 million (JPY133 million for 1Q22).

Share of loss of investments accounted for using equity method was JPY154 million (loss of JPY14 million for 1Q22), mainly due to loss of DeCurret Holdings, Inc. of JPY125 million (loss of JPY78 million for 1Q22).

Profit before tax

Profit before tax was JPY5,481 million (JPY6,623 million for 1Q22), down 17.2% YoY.

Profit for the period

Income tax expense was JPY1,824 million (JPY2,136 million for 1Q22). As a result, profit for the period was JPY3,657 million (JPY4,487 million for 1Q22), down 18.5% YoY.

Profit for the period attributable to non-controlling interests was JPY74 million (JPY96 million for 1Q22), mainly related to net income of Trust Networks Inc.

Profit for the period attributable to owners of parent was JPY3,583 million (JPY4,391 million for 1Q22), down 18.4% YoY.

Financial Position as of June 30, 2023

Figures for the fiscal year ended March 31, 2023 are based on the retrospective application of IAS 12 “Income Taxes.”

As of June 30, 2023, the balance of total assets was JPY247,888 million, increased by JPY1,570 million from the balance as of March 31, 2023 of JPY246,318 million.

As of June 30, 2023, the balance of current assets was JPY102,240 million, decreased by JPY4,438 million from the balance as of March 31, 2023 of JPY106,678 million. As for the major breakdown of balance and fluctuation of current assets, cash and cash equivalents decreased by JPY5,206 million to JPY37,266 million, trade receivables decreased by JPY6,701 million to JPY34,639 million, inventories increased by JPY2,059 million to JPY5,247 million and prepaid expenses increased by JPY5,842 million to JPY21,183 million.

As of June 30, 2023, the balance of non-current assets was JPY145,648 million, increased by JPY6,008 million from the balance as of March 31, 2023 of JPY139,640 million. As for the major breakdown of balance and fluctuation of non-current assets, tangible assets increased by JPY2,724 million to JPY26,045 million mainly due to purchases related to Shiroi Data Center Campus construction, right-of-use assets, which include right to use leased assets under operating lease contracts such as office and data centers and assets under finance lease contracts such as data communication equipment, decreased by JPY3,151 million to JPY43,524 million mainly due to depreciation, intangible assets increased by JPY932 million to JPY17,548 million, prepaid expenses increased by JPY2,935 million to JPY15,514 million and other investments increased by JPY2,658 million to JPY21,808 million.

As of June 30, 2023, the balance of current liabilities was JPY88,201 million, increased by JPY10,337 million from the balance as of March 31, 2023 of JPY77,864 million. As for the major breakdown of balance and fluctuation of current liabilities, trade and other payables decreased by JPY2,733 million to JPY19,580 million, borrowings increased by JPY12,752 million to JPY29,580 million due to an increase of JPY12,000 million of short-term borrowings, a decrease of JPY1,015 million from repayment of long-term borrowings and an increase of JPY1,762 million owing to a transfer from non-current liabilities, income taxes payable decreased by JPY2,469 million to JPY1,565 million, contract liabilities increased by JPY1,613 million to JPY11,782 million and other financial liabilities increased by JPY1,472 million to JPY19,577 million.

As of June 30, 2023, the balance of non-current liabilities was JPY48,509 million, decreased by JPY518 million from the balance as of March 31, 2023 of JPY49,027 million. As for the major breakdown of balance and fluctuation of non-current liabilities, long-term borrowings decreased by JPY1,762 million to JPY1,840 million due to a transfer to current portion, contract liabilities increased by JPY713 million to JPY8,124 million and other financial liabilities increased by JPY43 million to JPY30,738 million.

As of June 30, 2023, the balance of total equity attributable to owners of the parent was JPY109,968 million, decreased by JPY8,274 million from the balance as of March 31, 2023 of JPY118,242 million, mainly due to a decrease by acquisition of treasury shares. Ratio of owners' equity to total assets was 44.4% as of June 30, 2023.

1Q23 Cash Flows

Cash and cash equivalents as of June 30, 2023 were JPY37,266 million (JPY42,557 million as of June 30, 2022).

Net cash provided by operating activities for 1Q23 was JPY5,016 million (net cash provided by operating activities of JPY4,855 million for 1Q22). There were profit before tax of JPY5,481 million (JPY6,623 million for 1Q22), depreciation and amortization of JPY7,285 million (JPY7,055 million for 1Q22), including JPY2,961 million (JPY2,808 million for 1Q22) of depreciation of right-of-use operating lease assets under IFRS 16, and income taxes paid of JPY4,299 million (JPY6,091 million for 1Q22). Regarding changes in working capital, there was net cash out of JPY3,113 million compared to net cash out of JPY1,063 million for 1Q22. As for the major factors for the increase in net cash outflow in comparison with 1Q22, there was an increase in payments of prepaid expenses, trade and other liabilities and others, which exceeded an increase in proceeds mainly from trade receivables and contract liabilities.

Net cash used in investing activities for 1Q23 was JPY6,366 million (net cash used in investing activities of JPY2,366 million for 1Q22), mainly due to payments for purchases of tangible assets, such as Shiroi Data Center Campus construction-related, of JPY3,670 million (JPY1,839 million for 1Q22) and purchases of intangible assets, such as software, of JPY2,689 million (JPY1,149 million for 1Q22) .

Net cash used in financing activities for 1Q23 was JPY4,535 million (net cash used in financing activities of JPY7,875 million for 1Q22), mainly due to proceeds from short-term borrowings of JPY12,000 million, payments for acquisition of treasury shares of JPY11,405 million, payments of other financial liabilities of JPY5,010 million (JPY4,819 million for 1Q22), which included payments under operating lease contracts such as office rent and finance lease contracts such as network equipment, proceeds from other financial liabilities of JPY3,582 million, dividends paid of JPY2,644 million (JPY2,258 million for 1Q22) and repayments of long-term bank borrowings of JPY1,015 million (JPY750 million for 1Q22).

Future Prospects including FY2023 Financial Targets

As for financial results for 1Q23, although systems construction and equipment sales, one-time revenues, were lower than expected partly due to a delay and requiring longer lead time to recognize as revenues, other business domains were within our expectation. Therefore, financial targets for the fiscal year ending March 31, 2024 (FY2023) announced on May 12, 2023 remain unchanged.

Presentation

Presentation materials will be posted on our web site (<https://www.ij.ad.jp/en/ir/>) on August 8, 2023.

About Internet Initiative Japan Inc.

Founded in 1992, IJ is one of Japan's leading Internet-access and comprehensive network solutions providers. IJ and its group companies provide total network solutions that mainly cater to high-end corporate customers. IJ's services include high-quality Internet connectivity services, mobile services, security services, cloud computing services, and systems integration. Moreover, IJ operates one of the largest Internet backbone networks in Japan that is connected to the United States, the United Kingdom and Asia. IJ listed on the First Section of the Tokyo Stock Exchange ("TSE") in 2006 and transitioned to the Prime Market of TSE from April 2022.

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Condensed Consolidated Statements of Financial Position (Unaudited)

	March 31, 2023	June 30, 2023
	Millions of yen	Millions of yen
Assets		
Current assets		
Cash and cash equivalents	42,472	37,266
Trade receivables	41,340	34,639
Inventories	3,188	5,247
Prepaid expenses	15,341	21,183
Contract assets	2,178	2,075
Other financial assets	1,918	1,592
Other current assets	241	238
Total current assets	106,678	102,240
Non-current assets		
Tangible assets	23,321	26,045
Right-of-use assets	46,675	43,524
Goodwill	9,859	10,097
Intangible assets	16,616	17,548
Investments accounted for using equity method	5,785	5,471
Prepaid expenses	12,579	15,514
Contract assets	106	93
Other investments	19,150	21,808
Deferred tax assets	325	204
Other financial assets	4,637	4,738
Other non-current assets	587	606
Total non-current assets	139,640	145,648
Total assets	246,318	247,888

	March 31, 2023	June 30, 2023
	Millions of yen	Millions of yen
Liabilities and Equity		
Liabilities		
Current liabilities		
Trade and other payables	22,313	19,580
Borrowings	16,828	29,580
Income taxes payable	4,034	1,565
Contract liabilities	10,169	11,782
Deferred income	79	63
Other financial liabilities	18,105	19,577
Other current liabilities	6,336	6,054
Total current liabilities	<u>77,864</u>	<u>88,201</u>
Non-current liabilities		
Borrowings	3,602	1,840
Retirement benefit liabilities	4,513	4,631
Provisions	794	795
Contract liabilities	7,411	8,124
Deferred income	319	281
Deferred tax liabilities	610	1,088
Other financial liabilities	30,695	30,738
Other non-current liabilities	1,083	1,012
Total non-current liabilities	<u>49,027</u>	<u>48,509</u>
Total liabilities	<u>126,891</u>	<u>136,710</u>
Equity		
Share capital	25,562	25,562
Share premium	36,738	35,582
Retained earnings	51,202	52,281
Other components of equity	6,571	8,570
Treasury shares	(1,831)	(12,027)
Total equity attributable to owners of the parent	<u>118,242</u>	<u>109,968</u>
Non-controlling interests	1,185	1,210
Total equity	<u>119,427</u>	<u>111,178</u>
Total liabilities and equity	<u><u>246,318</u></u>	<u><u>247,888</u></u>

Condensed Consolidated Statements of Profit or Loss (Unaudited)

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2023
	Millions of yen	Millions of yen
Revenues		
Network services	33,234	36,354
Systems integration	24,269	24,341
ATM operation business	687	725
Total revenues	<u>58,190</u>	<u>61,420</u>
Cost of sales		
Cost of network services	(24,431)	(26,133)
Cost of systems integration	(20,659)	(21,085)
Cost of ATM operation business	(400)	(402)
Total cost of sales	<u>(45,490)</u>	<u>(47,620)</u>
Gross Profit	12,700	13,800
Selling, general and administrative expenses	(7,858)	(8,795)
Other operating income	194	30
Other operating expenses	(10)	(32)
Operating Profit	<u>5,026</u>	<u>5,003</u>
Finance income	1,747	802
Finance expenses	(136)	(170)
Share of profit (loss) of investments accounted for using equity method	(14)	(154)
Profit (loss) before tax	<u>6,623</u>	<u>5,481</u>
Income tax expense	(2,136)	(1,824)
Profit (loss) for the period	<u>4,487</u>	<u>3,657</u>
Profit (loss) for the period attributable to:		
Owners of the parent	4,391	3,583
Non-controlling interests	96	74
Total	<u>4,487</u>	<u>3,657</u>
Earnings per share		
Basic earnings per share (yen)	24.31	20.01
Diluted earnings per share (yen)	24.19	19.91

※IIJ conducted a stock split at a ratio of two-for-one with an effective date of October 1, 2022.

Basic earnings per share and diluted earnings per share are calculated as if the stock split had been conducted at the beginning of the previous fiscal year.

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2023
	Millions of yen	Millions of yen
Profit (loss)	4,487	3,657
Other comprehensive income, net of tax		
Items that will not be reclassified to profit or loss		
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	(952)	1,441
Total items that will not be reclassified to profit or loss	(952)	1,441
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	702	686
Financial assets measured at fair value through other comprehensive income	(1)	—
Share of other comprehensive income of investments accounted for using equity method	16	12
Total of items that may be reclassified to profit or loss	717	698
Total other comprehensive income, net of tax	(235)	2,139
Other comprehensive income	4,252	5,796
Other comprehensive income attributable to:		
Owners of the parent	4,156	5,722
Non-controlling interest	96	74
Other comprehensive income	4,252	5,796

Condensed Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

Three months ended June 30, 2022

	Owners of the parent's shareholders' equity						Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Other components of equity	Treasury shares	Total		
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance, April 1, 2022	25,562	36,518	37,024	6,275	(1,851)	103,528	1,093	104,621
Cumulative impact of adopting IAS12	-	-	111	-	-	111	-	111
Restated balance at April 1, 2022	25,562	36,518	37,135	6,275	(1,851)	103,639	1,093	104,732
Comprehensive income								
Profit (loss)	-	-	4,391	-	-	4,391	96	4,487
Other comprehensive income	-	-	-	(235)	-	(235)	-	(235)
Total comprehensive income	-	-	4,391	(235)	-	4,156	96	4,252
Transactions with owners								
Disposal of treasury shares	-	12	-	-	20	32	-	32
Dividends paid	-	-	(2,258)	-	-	(2,258)	(49)	(2,307)
Stock-based compensation	-	22	-	-	-	22	-	22
Total transactions with owners	-	34	(2,258)	-	20	(2,204)	(49)	(2,253)
Balance, June 30, 2022	25,562	36,552	39,268	6,040	(1,831)	105,591	1,140	106,731

Three months ended June 30, 2023

	Owners of the parent's shareholders' equity						Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Other components of equity	Treasury shares	Total		
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance, April 1, 2023	25,562	36,738	51,202	6,571	(1,831)	118,242	1,185	119,427
Comprehensive income								
Profit (loss)	-	-	3,583	-	-	3,583	74	3,657
Other comprehensive income	-	-	-	2,139	-	2,139	-	2,139
Total comprehensive income	-	-	3,583	2,139	-	5,722	74	5,796
Transactions with owners								
Purchase of treasury shares	-	-	-	-	(11,405)	(11,405)	-	(11,405)
Disposal of treasury shares	-	(53)	-	-	87	34	-	34
Cancellation of treasury shares	-	(1,122)	-	-	1,122	-	-	-
Dividends paid	-	-	(2,644)	-	-	(2,644)	(49)	(2,693)
Stock-based compensation	-	19	-	-	-	19	-	19
Transfer from other components of equity to retained earnings	-	-	140	(140)	-	-	-	-
Total transactions with owners	-	(1,156)	(2,504)	(140)	(10,196)	(13,996)	(49)	(14,045)
Balance, June 30, 2023	25,562	35,582	52,281	8,570	(12,027)	109,968	1,210	111,178

Condensed Consolidated Statements of Cash Flows (Unaudited)

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2023
	Millions of yen	Millions of yen
Cash flows from operating activities		
Profit (loss) before tax	6,623	5,481
Adjustments		
Depreciation and amortization	7,055	7,285
Loss (gain) on sales/disposals of property and equipment	(162)	21
Shares of loss (profit) of investments accounted for using equity method	14	154
Finance income	(1,747)	(802)
Finance expenses	136	170
Other	41	78
Changes in working capital		
Decrease (increase) in trade receivables	3,568	6,907
Decrease (increase) in inventories	(674)	(2,008)
Decrease (increase) in prepaid expenses	(3,289)	(8,488)
Decrease (increase) in contract assets	(558)	117
Decrease (increase) in other assets	(3)	18
Decrease (increase) in other financial assets	(117)	125
Increase (decrease) in trade and other payables	(832)	(2,819)
Increase (decrease) in contract liabilities	554	2,021
Increase (decrease) in deferred income	(1)	0
Increase (decrease) in other liabilities	(943)	(408)
Increase (decrease) in other financial liabilities	1,255	1,303
Increase (decrease) in retirement benefit liabilities	(23)	119
Subtotal	10,897	9,274
Interest and dividends received	182	191
Interest paid	(133)	(150)
Income taxes paid	(6,091)	(4,299)
Cash flows from operating activities	4,855	5,016

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2023
	Millions of yen	Millions of yen
Cash flows from investing activities		
Purchases of tangible assets	(1,839)	(3,670)
Proceeds from sales of tangible assets	791	250
Purchases of intangible assets	(1,149)	(2,689)
Purchases of other investments	(161)	(245)
Proceeds from sales of other investments	9	231
Payments for leasehold deposits and guarantee deposits	(9)	(285)
Proceeds from collection of leasehold deposits and guarantee deposits	10	65
Payments for refundable insurance policies	(19)	(19)
Other	1	(4)
Cash flows from investing activities	<u>(2,366)</u>	<u>(6,366)</u>
Cash flows from financing activities		
Repayment of long-term borrowings	(750)	(1,015)
Net increase (decrease) in short-term borrowings	-	12,000
Purchase of treasury shares	-	(11,405)
Proceeds from other financial liabilities	-	3,582
Payments of other financial liabilities	(4,819)	(5,010)
Dividends paid	(2,258)	(2,644)
Other	(48)	(43)
Cash flows from financing activities	<u>(7,875)</u>	<u>(4,535)</u>
Effect of exchange rate changes on cash and cash equivalents	552	679
Net increase (decrease) in cash and cash equivalents	(4,834)	(5,206)
Cash and cash equivalents, beginning of the period	47,391	42,472
Cash and cash equivalents, end of the period	<u><u>42,557</u></u>	<u><u>37,266</u></u>

Notes to Condensed Consolidated Financial Statements (Unaudited)

Going Concern Assumption

Nothing to be reported.

Changes in Accounting Policies

As a result of the accordance of IAS 12 "Income Taxes"(revised May 2021), the initial recognition that give rise to equal taxable temporary difference and deductible temporary difference at the time of the transaction is clarified. Consequently, deferred tax liabilities and deferred tax assets related to such taxable and deductible temporary difference will be recognized in the Consolidated Statement of Financial Position.

The accordance of this standard also requires retrospective adjustments to the Consolidated Financial Statements of the previous fiscal year. As a result, the consolidated statement of financial position of the previous fiscal year for, "Deferred tax assets" increased by JPY125 million, and "Retained earnings" increased by JPY125 million.

Furthermore, the cumulative effect of the accordance of this standard has been reflected the Consolidated Statement of Changes in Shareholder's Equity of previous first quarter cumulative period, as a result, "Retained earnings" increased by JPY111 million.

Segment Information

IIJ and its subsidiaries (collectively “the Company”) primarily operates its network service and system integration business, which provides a comprehensive range of network solutions to meet its customers’ needs by cross-selling a variety of services, including Internet connectivity services, WAN services, outsourcing services, systems integration and sales of network-related equipment, and the ATM operation business. Therefore, the Company defined two reportable segments: “Network service and systems integration business” and “ATM operation business.”

Segment information for the Company is as follows:

Three months ended June 30, 2022

	Reportable segments		Adjustments	Consolidated
	Network service and systems integration business	ATM operation business		
	JPY millions	JPY millions		
Revenue				
Customers	57,503	687	—	58,190
Intersegment transactions	28	—	(28)	—
Total revenue	57,531	687	(28)	58,190
Segment operating profit	4,809	237	(20)	5,026
Finance income				1,747
Finance expense				(136)
Share of profit (loss) of investments accounted for using the equity method				(14)
Profit before tax				6,623

Three months ended June 30, 2023

	Reportable segments		Adjustments	Consolidated
	Network service and systems integration business	ATM operation business		
	JPY millions	JPY millions		
Revenue				
Customers	60,695	725	—	61,420
Intersegment transactions	21	—	(21)	—
Total revenue	60,716	725	(21)	61,420
Segment operating profit	4,750	253	—	5,003
Finance income				802
Finance expense				(170)
Share of profit (loss) of investments accounted for using the equity method				(154)
Profit before tax				5,481

Intersegment transactions are based on market price.

Subsequent Events

Nothing to be reported.

Note: The following information is provided to disclose Internet Initiative Japan Inc. ("IIJ") financial results (unaudited) for the first three months ended June 30, 2023 ("1Q23") in the form defined by the Tokyo Stock Exchange.

Consolidated Financial Results for the Three Months ended June 30, 2023 [Under IFRS]

August 8, 2023

Company name: Internet Initiative Japan Inc.

Exchange listed: Tokyo Stock Exchange

Ticker symbol: 3774

URL: <https://www.ij.ad.jp/>

Representative: Eijiro Katsu, President and Representative Director

Contact: Akihisa Watai, Senior Managing Director and CFO

TEL: (03) 5205-6500

Scheduled date for filing of quarterly report (*Shihanki-houkokusho*) to Japan's regulatory organization: August 14, 2023

Scheduled date for dividend payment: -

Supplemental material on quarterly results: Yes

Presentation on quarterly results: Yes (for institutional investors and analysts)

(Amounts of less than JPY one million are rounded)

1. Consolidated Financial Results for the Three Months ended June 30, 2023 (April 1, 2023 to June 30, 2023)

(1) Consolidated Results of Operations

(% shown is YoY change)

	Revenues		Operating profit		Profit (loss) before tax		Profit (loss) for the period		Profit (loss) attributable to owners of the parent		Other comprehensive income	
	JPY millions	%	JPY millions	%	JPY millions	%	JPY millions	%	JPY millions	%	JPY millions	%
Three Months ended June 30, 2023	61,420	5.6	5,003	(0.5)	5,481	(17.2)	3,657	(18.5)	3,583	(18.4)	5,796	36.3
Three Months ended June 30, 2022	58,190	9.8	5,026	15.3	6,623	23.8	4,487	26.6	4,391	25.2	4,252	(3.0)

	Basic earnings per share		Diluted earnings per share	
	JPY		JPY	
Three Months ended June 30, 2023	20.01		19.91	
Three Months ended June 30, 2022	24.31		24.19	

(Note) IIJ conducted a stock split at a ratio of two-for-one with an effective date of October 1, 2022. Accordingly, basic earnings per share and diluted earnings per share have been calculated as if the stock split had been conducted at the beginning of the previous consolidated fiscal year.

(2) Consolidated Financial Position

	Total assets	Total equity	Total equity attributable to owners of the parent	Ratio of owners' equity to total assets
	JPY millions	JPY millions	JPY millions	%
As of June 30, 2023	247,888	111,178	109,968	44.4
As of March 31, 2023	246,318	119,427	118,242	48.0

(Note) Figures for the fiscal year ended March 31, 2023 are based on the retrospective application of IAS 12 "Income Taxes."

2. Dividends

	Annual Dividends				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	JPY	JPY	JPY	JPY	JPY
Fiscal Year Ended March 31, 2023	—	29.25	—	14.63	—
Fiscal Year Ending March 31, 2024	—				
Fiscal Year Ending March 31, 2024 (forecast)		17.18	—	17.18	34.36

(Notes)

1. Changes from the latest forecasts disclosed: No

2. IIJ conducted a stock split at a ratio of two-for-one effective as of October 1, 2022. The interim dividend for the fiscal year ended March 31, 2023 is on a pre-split basis, and if calculated on a post-split basis, the interim dividend is 14.625 yen per share and the total annual dividend is 29.255 yen per share.

3. Targets of Consolidated Financial Results for the Fiscal Year ending March 31, 2024 (April 1, 2023 through March 31, 2024)

(% shown is YoY change)

	Revenues		Operating profit		Profit (loss) before tax		Profit (loss) for the year attributable to owners of the parent		Basic earnings per share
	JPY millions	%	JPY millions	%	JPY millions	%	JPY millions	%	JPY
Interim Period Ending September 30, 2023	138,000	13.1	13,400	19.9	13,000	1.1	8,850	2.5	49.74
Fiscal Year Ending March 31, 2024	286,000	13.2	31,500	15.7	30,350	11.1	20,720	9.9	116.82

(Notes)

1. Changes from the latest forecasts disclosed: None
2. As for the details about our financial targets for the fiscal year ending March 31, 2024, please refer to "Future Prospects including FY2023 Financial Targets" which is disclosed on page 8 of this earnings release.
3. YoY change of Profit (loss) for the year attributable to owners of the parent is compared with the previous year's figures after retrospective application of IAS 12 "Income Taxes."
4. IJ acquired 3,928,500 shares of treasury stock on May 19, 2023. The target of basic earnings per share is the amount after the acquisition of treasury stock.

* Notes:

(1) Changes in significant subsidiaries: None

(2) Changes in accounting policies and estimate

- i. Changes in accounting policies required by IFRS: Yes
- ii. Other changes in accounting policies: None
- iii. Changes in accounting estimates: None

As for the details, please refer to "Changes in Accounting Policies" in Notes to Condensed Consolidated Financial Statements (Unaudited), which is disclosed on page 16 of this earnings release.

(3) Number of shares issued (common stock)

i. Number of shares issued (inclusive of treasury stock):

As of June 30, 2023: 183,141,100 shares

As of March 31, 2023: 187,069,600 shares

ii. Number of treasury stock:

As of June 30, 2023: 6,329,602 shares

As of March 31, 2023: 6,371,732 shares

iii. Number of weighted average common shares outstanding:

For the three months ended June 30, 2023: 179,022,096 shares

For the three months ended June 30, 2022: 180,638,862 shares

* IJ conducted a stock split at a ratio of two-for-one with an effective date of October 1, 2022. Accordingly, number of shares issued, number of treasury stock and number of weighted average shares outstanding above have been calculated as if the stock split had been conducted at the beginning of the previous consolidated fiscal year, respectively.

* Status of Audit Procedures

This document is not subject to the audit procedures by certified public accountant or independent auditor.

* Explanation on the Appropriate Use of Future Outlook and other special instructions

i) Forward-looking statements

Forward-looking statements disclosed in this document are based on IJ Group's expectation, estimates, and projections based on information available to IJ Group as of August 8, 2023. As these forward-looking statements are subject to known and unknown risks and uncertainties, actual results may differ from those disclosed due, for example, to but not limited to changes in business climate and/or market trends. As for our latest forecast of our financial targets, please refer to "Future Prospects including FY2023 Financial Targets" written on page 8 of this document.

ii) Others

Presentation material will be disclosed on TDnet as well as posted on our website on August 8, 2023.