

**IIJ Announces its First Six Months Results
 for the Fiscal Year Ending March 31, 2023**

Tokyo, November 7, 2022 - Internet Initiative Japan Inc. (“IIJ”, TSE Prime: 3774) today announced its consolidated financial results for the first six months for the fiscal year ending March 31, 2023 (“1H22”, from April 1, 2022 to September 30, 2022) under International Financial Reporting Standards (IFRS).¹

Highlights of Financial Results for 1H22				FY22 Targets	
				1H22	Full Year
Total revenues	JPY 122.0 billion	up 11.8% YoY ²	JPY 117.0 billion	JPY 250.0 billion	
Operating profit	JPY 11.2 billion	up 20.1% YoY	JPY 10.7 billion	JPY 27.2 billion	
Profit before tax	JPY 12.9 billion	up 23.3% YoY	JPY 10.3 billion	JPY 26.3 billion	
Net profit ³	JPY 8.6 billion	up 25.3% YoY	JPY 6.8 billion	JPY 17.5 billion	

Overview of 1H22 Financial Results and Business Outlook

“Digital transformation trend among Japanese enterprises, accelerated by the COVID-19 pandemic, has continued to expand, while business activities have been gradually getting back to normal. Under those circumstances, revenue growth rate year over year (YoY), which we regard as an important indicator for business expansion, showed the increasing trend from 9.8% in 1Q22 to 13.7% in 2Q22. For this six-month period of 1H22, network services recurring revenues excluding mobile services continued to accumulate with 10.1% YoY growth, mainly driven by IP services⁴, security services and WAN services. Also, we have been seeing strong demands for network related integration from various industries and had 1H22 systems integration revenue and orders received increased by 19.5% and 31.2% YoY respectively. As a result, we exceeded each of our 1H22 financial targets. As for the further expansion of our network services line-up, we internally developed and launched "IIJ Secure Access Service" as our SASE⁵ service based on our service development strategy. Through offering a combination of our highly reliable and value-added services with systems integration, we are confident that our revenue growth would be stronger, which should lead to significant profit expansion,” said Eijiro Katsu, President of IIJ.

“Japanese enterprises and government agencies have just started to evolve their network and systems to the ones that combine Internet technologies such as Cloud, remote access and advanced security features based on zero-trust, which is what we had foreseen years ago. These shifts are making our expertise in Internet and network technologies more prominent against competitors such as telecom carriers and system integrators. In order to strengthen our business expansion further, we are enhancing on recruiting activities and have acquired 1.5 times more new graduates expected to join IIJ next spring. We believe that our technology-oriented business operation continues to attract engineers which contribute further business expansion,” concluded Koichi Suzuki, Founder and Chairman of IIJ.

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 IP services are IIJ’s dedicated-type Internet connectivity services, mainly used by corporate users.

⁵ SASE (Secure Access Service Edge) is a concept to shift controls of network and security on the route to Cloud services to enable secure access from any points, instead of the conventional centralized management through headquarters or data centers.

1H22 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

	1H21	1H22	YoY Change
	JPY millions	JPY millions	%
Total revenues	109,054	121,962	11.8
Network services	63,436	67,707	6.7
Systems integration (SI)	44,209	52,846	19.5
ATM operation business	1,409	1,409	0.0
Total costs	(85,969)	(95,471)	11.1
Network services	(46,754)	(49,802)	6.5
Systems integration (SI)	(38,340)	(44,857)	17.0
ATM operation business	(875)	(812)	(7.2)
Total gross profit	23,085	26,491	14.8
Network services	16,682	17,905	7.3
Systems integration (SI)	5,869	7,989	36.1
ATM operation business	534	597	11.8
SG&A, R&D, and other operating income (expenses)	(13,781)	(15,318)	11.2
Operating profit	9,304	11,173	20.1
Profit before tax	10,432	12,858	23.3
Profit for the period attributable to owners of the parent	6,892	8,638	25.3

(Note) Systems integration includes equipment sales.

Segment Results Summary

	1H21	1H22
	JPY millions	JPY millions
Total revenues	109,054	121,962
Network services and SI business	107,712	120,608
ATM operation business	1,408	1,409
Elimination	(66)	(55)
Operating profit	9,304	11,173
Network services and SI business	8,933	10,725
ATM operation business	417	468
Elimination	(46)	(20)

1H22 Revenues and Income

Revenues

Total revenues were JPY121,962 million, up 11.8% YoY (JPY109,054 million for 1H21).

Network services revenue was JPY67,707 million, up 6.7% YoY (JPY63,436 million for 1H21).

Revenues for Internet connectivity services for enterprise were JPY19,269 million, up 2.4% YoY from JPY18,813 million for 1H21. The increase was due to an increase in revenues of IP services and enterprise mobile services, which absorbed a decrease in IIJ Mobile MVNO Platform service (MVNE) revenue in the response to the reduction in procurement cost.

Revenues for Internet connectivity services for consumers were JPY12,453 million, up 2.1% YoY from JPY12,196 million for 1H21, mainly due to an increase in revenue of IIJmio Mobile services led by an increase in subscription, which absorbed a decrease in revenue resulted from a decrease in average revenue per user along with continued migration of old plan's customers to "GigaPlans", which launched at the beginning of the previous fiscal year.

Revenues for Outsourcing services were JPY22,469 million, up 15.0% YoY from JPY19,546 million for 1H21, mainly due to an increase in security-related services revenues.

Revenues for WAN services were JPY13,516 million, up 4.9% YoY from JPY12,881 million for 1H21.

Network Services Revenues Breakdown

	1H21	1H22	YoY Change
	JPY millions	JPY millions	%
Total network services	63,436	67,707	6.7
Internet connectivity services (enterprise)	18,813	19,269	2.4
IP services (including data center connectivity services)	6,622	7,090	7.1
IIJ Mobile Services	10,284	10,137	(1.4)
Enterprise mobile services (IoT usages etc.)	4,839	5,302	9.6
IIJ Mobile MVNO Platform service (MVNE)	5,445	4,835	(11.2)
Others	1,907	2,042	7.1
Internet connectivity services (consumer)	12,196	12,453	2.1
IIJmio Mobile Services	10,741	10,866	1.2
Others	1,455	1,587	9.1
Outsourcing services	19,546	22,469	15.0
WAN services	12,881	13,516	4.9

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

	As of Sep. 30, 2021	As of Sep. 30, 2022	YoY Change
Internet connectivity services (enterprise)	2,301,380	2,627,001	325,621
IP service (greater than or equal to 1Gbps) (Note2)	757	818	61
IP service (less than 1Gbps) (Note2)	1,211	1,307	96
IIJ Mobile Services	2,210,095	2,532,815	322,720
Enterprise mobile services (IoT usages etc.)	1,218,375	1,493,805	275,430
IIJ Mobile MVNO Platform service (MVNE)	991,720	1,039,010	47,290
Others	89,317	92,061	2,744
Internet connectivity services (consumer)	1,416,927	1,518,130	101,203
IIJmio Mobile Services	1,072,107	1,178,269	106,162
Others	344,820	339,861	(4,959)
Total contracted bandwidth (Gbps) (Note 3)	7,279.7	7,729.1	449.4

(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.
- 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.

SI revenues, including equipment sales, were JPY52,846 million, up 19.5% YoY (JPY44,209 million for 1H21). Systems construction and equipment sales, a one-time revenue, was JPY19,549 million, up 26.4% YoY (JPY15,472 million for 1H21). Systems operation and maintenance revenue, a recurring revenue, was JPY33,297 million, up 15.9% YoY (JPY28,737 million for 1H21), mainly due to continued accumulation of systems operation orders as well as an increase in cloud-related services' revenues.

Orders received for SI, including equipment sales, totaled JPY60,992 million, up 31.2% YoY (JPY46,503 million for 1H21); orders received for systems construction and equipment sales were JPY21,670 million, up 14.9% YoY (JPY18,865 million for 1H21), and orders received for systems operation and maintenance were JPY39,322 million, up 42.3% YoY (JPY27,638 million for 1H21).

Order backlog for SI, including equipment sales, as of September 30, 2022 amounted to JPY80,937 million, up 17.4% YoY (JPY68,949 million as of September 30, 2021); order backlog for systems construction and equipment sales was JPY14,572 million, up 16.0% YoY (JPY12,561 million as of September 30, 2021) and order backlog for systems operation and maintenance was JPY66,365 million, up 17.7% YoY (JPY56,388 million as of September 30, 2021).

ATM operation business revenues were JPY1,409 million, almost same revenue as JPY1,409 million for 1H21.

Cost of sales

Total cost of sales was JPY95,471 million, up 11.1% YoY (JPY85,969 million for 1H21).

Cost of network services revenue was JPY49,802 million, up 6.5% YoY (JPY46,754 million for 1H21), mainly due to an increase in purchasing cost of mobile device. Gross profit was JPY17,905 million, up 7.3% YoY (JPY16,682 million for 1H21), and gross profit ratio was 26.4% (26.3% for 1H21).

Cost of SI revenues, including equipment sales was JPY44,857 million, up 17.0% YoY (JPY38,340 million for 1H21), mainly due to increases in license fees along with an increase in multi-cloud related services' revenues and purchasing costs. Gross profit was JPY7,989 million, up 36.1% YoY (JPY5,869 million for 1H21) and gross profit ratio was 15.1% (13.3% for 1H21).

Cost of ATM operation business revenues was JPY812 million, down 7.2% YoY (JPY875 million for 1H21). Gross profit was JPY597 million (JPY534 million for 1H21) and gross profit ratio was 42.4% (37.9% for 1H21).

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

Selling, general and administrative expenses, including research and development expenses, totaled JPY15,508 million, up 12.5% YoY (JPY13,790 million for 1H21), mainly due to increases in personnel-related expenses, advertising expenses and outsourcing expenses.

Other operating income was JPY221 million (JPY93 million for 1H21).

Other operating expenses was JPY31 million (JPY84 million for 1H21).

Operating profit

Operating profit was JPY11,173 million (JPY9,304 million for 1H21), up 20.1% YoY.

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

Finance income was JPY2,042 million, compared to JPY1,772 million for 1H21. It included gains on financial instruments, mainly related to funds, of JPY1,196 million (JPY1,692 million for 1H21) and foreign exchange gain of JPY761 million (JPY3 million for 1H21).

Finance expense was JPY279 million, compared to JPY272 million for 1H21. It included interest expenses of JPY266 million (JPY272 million for 1H21).

Share of loss of investments accounted for using equity method was JPY78 million (loss of JPY372 million for 1H21). There was a loss of DeCurret Holdings, Inc. of JPY180 million.

Profit before tax

Profit before tax was JPY12,858 million (JPY10,432 million for 1H21), up 23.3% YoY.

Profit for the period

Income tax expense was JPY4,118 million (JPY3,474 million for 1H21). As a result, profit for the period was JPY8,740 million (JPY6,958 million for 1H21), up 25.6% YoY.

Profit for the period attributable to non-controlling interests was JPY102 million (JPY66 million for 1H21), mainly related to net income of Trust Networks Inc.

Profit for the period attributable to owners of the parent was JPY8,638 million (JPY6,892 million for 1H21), up 25.3% YoY.

Financial Position as of September 30, 2022

As of September 30, 2022, the balance of total assets was JPY235,160 million, increased by JPY3,355 million from the balance as of March 31, 2022 of JPY231,805 million.

As of September 30, 2022, the balance of current assets was JPY103,947 million, decreased by JPY538 million from the balance as of March 31, 2022 of JPY104,485 million. As for the major breakdown of balance and fluctuation of current assets, cash and cash equivalents decreased by JPY5,323 million to JPY42,068 million, trade receivables decreased by JPY103 million to JPY37,546 million, inventories increased by JPY1,279 million to JPY3,887 million, prepaid expenses increased by JPY2,097 million to JPY15,650 million, mainly due to operation and maintenance costs, and contract assets increased by JPY1,575 million to JPY3,445 million.

As of September 30, 2022, the balance of non-current assets was JPY131,213 million, increased by JPY3,893 million from the balance as of March 31, 2022 of JPY127,320 million. As for the major breakdown of balance and fluctuation of non-current assets, tangible assets increased by JPY2,838 million to JPY20,684 million mainly due to purchases related to Shiroy 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 JPY214 million to JPY44,660 million mainly due to depreciation, intangible assets decreased by JPY746 million to JPY15,678 million mainly due to amortization of software, and prepaid expenses increased by JPY1,512 million to JPY11,964 million, mainly due to operation and maintenance costs.

As of September 30, 2022, the balance of current liabilities was JPY74,501 million, decreased by JPY2,276 million from the balance as of March 31, 2022 of JPY76,777 million. As for the major breakdown of balance and fluctuation of current liabilities, trade and other payables increased by JPY1,031 million to JPY21,773 million, borrowings increased by JPY250 million to JPY16,620 million due to a decrease of JPY750 million from repayment of long-term borrowings and an increase of JPY1,000 million owing to a transfer from non-current liabilities, income taxes payable decreased by JPY1,907 million to JPY3,888 million, contract liabilities increased by JPY435 million to JPY10,006 million and other financial liabilities decreased by JPY1,305 million to JPY15,730 million.

As of September 30, 2022, the balance of non-current liabilities was JPY49,154 million, decreased by JPY1,253 million from the balance as of March 31, 2022 of JPY50,407 million. As for the major breakdown of balance and fluctuation of non-current liabilities, long-term borrowings decreased by JPY1,000 million to JPY4,500 million due to a transfer to current portion, contract liabilities decreased by JPY921 million to JPY6,508 million and other financial liabilities increased by JPY911 million to JPY31,057 million.

As of September 30, 2022, the balance of total equity attributable to owners of the parent was JPY110,359 million, increased by JPY6,831 million from the balance as of March 31, 2022 of JPY103,528 million. Ratio of owners' equity to total assets was 46.9% as of September 30, 2022.

1H22 Cash Flows

Cash and cash equivalents as of September 30, 2022 were JPY42,068 million (JPY39,795 million as of September 30, 2021).

Net cash provided by operating activities for 1H22 was JPY13,457 million (net cash provided by operating activities of JPY18,865 million for 1H21). There were profit before tax of JPY12,858 million (JPY10,432 million for 1H21), depreciation and amortization of JPY14,145 million (JPY13,266 million for 1H21), including JPY5,629 million (JPY5,035 million for 1H21) of depreciation of right-of-use operating lease assets under IFRS 16, and income taxes paid of JPY6,035 million (JPY3,352 million for 1H21). Regarding changes in working capital, there was net cash out of JPY5,992 million compared to net cash-out of JPY399 million for 1H21. As for the major factors for the increase in net cash outflow in comparison with 1H21, there were a decrease in proceeds from trade receivables and increases in payments of prepaid expenses and inventories, which exceeded a decrease in payments of trade and other payables.

Net cash used in investing activities for 1H22 was JPY7,219 million (net cash used in investing activities of JPY8,185 million for 1H21), mainly due to payments for purchases of tangible assets of JPY5,704 million (JPY4,164 million for 1H21), payments for purchases of intangible assets, such as software, of JPY2,137 million (JPY2,167 million for 1H21), and proceeds from sales of tangible assets of JPY947 million (JPY1,011 million for 1H21).

Net cash used in financing activities for 1H22 was JPY12,601 million (net cash used in financing activities of JPY13,402 million for 1H21), mainly due to payments of other financial liabilities of JPY9,544 million (JPY8,989 million for 1H21), which included payments under operating lease contracts such as office rent and finance lease contracts such as network equipment, repayments of long-term bank borrowings of JPY750 million (JPY4,085 million for 1H21) and dividends paid of JPY2,258 million (JPY1,759 million for 1H21).

Future Prospects including FY2022 Financial Targets

1H22 financial results slightly exceeded our financial targets announced on May 13, 2022. Meanwhile, FY2022 financial targets remain unchanged, because the full-year forecasts are largely dependent on the fourth quarter results in general.

Presentation

Presentation materials will be posted on our web site (<https://www.ij.ad.jp/en/ir/>) on November 7, 2022.

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, 2022	September 30, 2022
	Millions of yen	Millions of yen
Assets		
Current assets		
Cash and cash equivalents	47,391	42,068
Trade receivables	37,649	37,546
Inventories	2,608	3,887
Prepaid expenses	13,553	15,650
Contract assets	1,870	3,445
Other financial assets	1,295	1,112
Other current assets	119	239
Total current assets	104,485	103,947
Non-current assets		
Tangible assets	17,846	20,684
Right-of-use assets	44,874	44,660
Goodwill	9,479	9,877
Intangible assets	16,424	15,678
Investments accounted for using equity method	5,830	5,672
Prepaid expenses	10,452	11,964
Contract assets	69	53
Other investments	17,410	17,780
Deferred tax assets	183	196
Other financial assets	4,245	4,101
Other non-current assets	508	548
Total non-current assets	127,320	131,213
Total assets	231,805	235,160

	March 31, 2022	September 30, 2022
	Millions of yen	Millions of yen
Liabilities and Equity		
Liabilities		
Current liabilities		
Trade and other payables	20,742	21,773
Borrowings	16,370	16,620
Income taxes payable	5,795	3,888
Contract liabilities	9,571	10,006
Deferred income	65	77
Other financial liabilities	17,035	15,730
Other current liabilities	7,199	6,407
Total current liabilities	76,777	74,501
Non-current liabilities		
Borrowings	5,500	4,500
Retirement benefit liabilities	4,395	4,478
Provisions	786	788
Contract liabilities	7,429	6,508
Deferred income	340	311
Deferred tax liabilities	641	322
Other financial liabilities	30,146	31,057
Other non-current liabilities	1,170	1,190
Total non-current liabilities	50,407	49,154
Total liabilities	127,184	123,655
Equity		
Share capital	25,562	25,562
Share premium	36,518	36,615
Retained earnings	37,024	43,404
Other components of equity	6,275	6,609
Treasury shares	(1,851)	(1,831)
Total equity attributable to owners of the parent	103,528	110,359
Non-controlling interests	1,093	1,146
Total equity	104,621	111,505
Total liabilities and equity	231,805	235,160

Condensed Consolidated Statements of Profit or Loss (Unaudited)

	Six Months Ended September 30, 2021	Six Months Ended September 30, 2022
	Millions of yen	Millions of yen
Revenues		
Network services	63,436	67,707
System integration	44,209	52,846
ATM operation business	1,409	1,409
Total revenues	<u>109,054</u>	<u>121,962</u>
Cost of sales		
Cost of network services	(46,754)	(49,802)
Cost of systems integration	(38,340)	(44,857)
Cost of ATM operation business	(875)	(812)
Total cost of sales	<u>(85,969)</u>	<u>(95,471)</u>
Gross Profit	23,085	26,491
Selling, general and administrative expenses	(13,790)	(15,508)
Other operating income	93	221
Other operating expenses	(84)	(31)
Operating Profit	<u>9,304</u>	<u>11,173</u>
Finance income	1,772	2,042
Finance expenses	(272)	(279)
Share of profit (loss) of investments accounted for using equity method	(372)	(78)
Profit (loss) before tax	<u>10,432</u>	<u>12,858</u>
Income tax expense	(3,474)	(4,118)
Profit (loss) for the period	<u><u>6,958</u></u>	<u><u>8,740</u></u>
Profit (loss) for the period attributable to:		
Owners of the parent	6,892	8,638
Non-controlling interests	66	102
Total	<u><u>6,958</u></u>	<u><u>8,740</u></u>
Earnings per share		
Basic earnings per share (yen)	38.17	47.81
Diluted earnings per share (yen)	37.99	47.58

※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 Profit or Loss (Unaudited)

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2022
	Millions of yen	Millions of yen
Revenues		
Network services	31,961	34,473
System integration	23,403	28,578
ATM operation business	715	721
Total revenues	<u>56,079</u>	<u>63,772</u>
Cost of sales		
Cost of network services	(23,609)	(25,371)
Cost of systems integration	(20,380)	(24,197)
Cost of ATM operation business	(431)	(412)
Total cost of sales	<u>(44,420)</u>	<u>(49,980)</u>
Gross Profit	11,659	13,792
Selling, general and administrative expenses	(6,707)	(7,652)
Other operating income	40	28
Other operating expenses	(48)	(21)
Operating Profit	<u>4,944</u>	<u>6,147</u>
Finance income	427	300
Finance expenses	(135)	(148)
Share of profit (loss) of investments accounted for using equity method	(155)	(64)
Profit (loss) before tax	<u>5,081</u>	<u>6,235</u>
Income tax expense	(1,666)	(1,982)
Profit (loss) for the period	<u><u>3,415</u></u>	<u><u>4,253</u></u>
Profit (loss) for the period attributable to:		
Owners of the parent	3,385	4,248
Non-controlling interests	30	5
Total	<u><u>3,415</u></u>	<u><u>4,253</u></u>
Earnings per share		
Basic earnings per share (yen)	18.74	23.51
Diluted earnings per share (yen)	18.65	23.39

※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)

	Six Months Ended September 30, 2021	Six Months Ended September 30, 2022
	Millions of yen	Millions of yen
Profit (loss)	6,958	8,740
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	2,008	(711)
Total of items that will not be reclassified to profit or loss	2,008	(711)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	18	1,011
Financial assets measured at fair value through other comprehensive income	0	(1)
Share of other comprehensive income of investments accounted for using equity method	13	35
Total of items that may be reclassified to profit or loss	31	1,045
Total other comprehensive income, net of tax	2,039	334
Other comprehensive income	8,997	9,074
Other comprehensive income attributable to:		
Owners of the parent	8,931	8,972
Non-controlling interest	66	102
Other comprehensive income	8,997	9,074

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

	Three Months Ended September 30, 2021	Three Months Ended September 30, 2022
	Millions of yen	Millions of yen
Profit (loss)	3,415	4,253
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	1,174	241
Total items that will not be reclassified to profit or loss	1,174	241
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	23	309
Financial assets measured at fair value through other comprehensive income	(0)	0
Share of other comprehensive income of investments accounted for using equity method	(0)	19
Total of items that may be reclassified to profit or loss	23	328
Total other comprehensive income, net of tax	1,197	569
Other comprehensive income	4,612	4,822
Other comprehensive income attributable to:		
Owners of the parent	4,582	4,817
Non-controlling interest	30	5
Other comprehensive income	4,612	4,822

Condensed Consolidated Statements of Changes in Shareholders' Equity (Unaudited)
Six months ended September 30, 2021

	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, 2021	25,531	36,389	25,047	4,865	(1,875)	89,957	1,015	90,972
Comprehensive income								
Profit (loss)	-	-	6,892	-	-	6,892	66	6,958
Other comprehensive income	-	-	-	2,039	-	2,039	-	2,039
Total comprehensive income	-	-	6,892	2,039	-	8,931	66	8,997
Transactions with owners								
Issuance of common stock	31	(31)	-	-	-	0	-	0
Disposal of treasury shares	-	23	-	-	24	47	-	47
Dividends paid	-	-	(1,759)	-	-	(1,759)	(49)	(1,808)
Stock-based compensation	-	39	-	-	-	39	-	39
Total transactions with owners	31	31	(1,759)	-	24	(1,673)	(49)	(1,722)
Balance, September 30, 2021	25,562	36,420	30,180	6,904	(1,851)	97,215	1,032	98,247

Six months ended September 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
Comprehensive income								
Profit (loss)	-	-	8,638	-	-	8,638	102	8,740
Other comprehensive income	-	-	-	334	-	334	-	334
Total comprehensive income	-	-	8,638	334	-	8,972	102	9,074
Transactions with owners								
Disposal of treasury shares	-	56	-	-	20	76	-	76
Dividends paid	-	-	(2,258)	-	-	(2,258)	(49)	(2,307)
Stock-based compensation	-	41	-	-	-	41	-	41
Total transactions with owners	-	97	(2,258)	-	20	(2,141)	(49)	(2,190)
Balance, September 30, 2022	25,562	36,615	43,404	6,609	(1,831)	110,359	1,146	111,505

Condensed Consolidated Statements of Cash Flows (Unaudited)

	Six Months Ended September 30, 2021	Six Months Ended September 30, 2022
	Millions of yen	Millions of yen
Cash flows from operating activities		
Profit (loss) before tax	10,432	12,858
Adjustments		
Depreciation and amortization	13,266	14,145
Loss (gain) on sales/disposals of property and equipment	69	(151)
Shares of loss (profit) of investments accounted for using equity method	373	78
Finance income	(1,742)	(2,042)
Finance expenses	272	279
Other	63	389
Changes in working capital		
Decrease (increase) in trade receivables	5,133	534
Decrease (increase) in inventories	79	(1,242)
Decrease (increase) in prepaid expenses	(1,464)	(3,351)
Decrease (increase) in contract assets	(585)	(1,559)
Decrease (increase) in other assets	(30)	(120)
Decrease (increase) in other financial assets	685	372
Increase (decrease) in trade and other payables	(2,877)	766
Increase (decrease) in contract liabilities	(259)	(700)
Increase (decrease) in deferred income	(5)	(1)
Increase (decrease) in other liabilities	(1,293)	(772)
Increase (decrease) in other financial liabilities	0	(2)
Increase (decrease) in retirement benefit liabilities	217	83
Subtotal	22,334	19,564
Interest and dividends received	154	189
Interest paid	(271)	(261)
Income taxes paid	(3,352)	(6,035)
Cash flows from operating activities	18,865	13,457

	Six Months Ended September 30, 2021	Six Months Ended September 30, 2022
	Millions of yen	Millions of yen
Cash flows from investing activities		
Purchases of tangible assets	(4,164)	(5,704)
Proceeds from sales of tangible assets	1,011	947
Purchases of intangible assets	(2,167)	(2,137)
Purchase of a subsidiary	(2,612)	-
Purchases of other investments	(348)	(280)
Proceeds from sales of other investments	95	9
Payments for leasehold deposits and guarantee deposits	(84)	(30)
Proceeds from collection of leasehold deposits and guarantee deposits	121	14
Payments for refundable insurance policies	(37)	(37)
Other	0	(1)
Cash flows from investing activities	(8,185)	(7,219)
Cash flows from financing activities		
Repayment of long-term borrowings	(4,085)	(750)
Net increase (decrease) in short-term borrowings	1,480	-
Payments of other financial liabilities	(8,989)	(9,544)
Dividends paid	(1,759)	(2,258)
Other	(49)	(49)
Cash flows from financing activities	(13,402)	(12,601)
Effect of exchange rate changes on cash and cash equivalents	50	1,040
Net increase (decrease) in cash and cash equivalents	(2,672)	(5,323)
Cash and cash equivalents, beginning of the period	42,467	47,391
Cash and cash equivalents, end of the period	39,795	42,068

Notes to Condensed Consolidated Financial Statements (Unaudited)

Going Concern Assumption

Nothing to be reported.

Material Changes in Shareholders' Equity

Nothing to be reported.

Segment Information

IJJ 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:

Six months ended September 30, 2021

	Reportable segments			Consolidated
	Network service and systems integration business	ATM operation business	Adjustments	
	Millions of yen	Millions of yen	Millions of yen	
Revenue				
Customers	107,646	1,408	—	109,054
Intersegment transactions	66	—	(66)	—
Total revenue	107,712	1,408	(66)	109,054
Segment operating profit	8,933	417	(46)	9,304
Finance income				1,772
Finance expense				(272)
Share of profit (loss) of investments accounted for using the equity method				(372)
Profit before tax				10,432

Six months ended September 30, 2022

	Reportable segments			Consolidated
	Network service and systems integration business	ATM operation business	Adjustments	
	Millions of yen	Millions of yen	Millions of yen	
Revenue				
Customers	120,553	1,409	—	121,962
Intersegment transactions	55	—	(55)	—
Total revenue	120,608	1,409	(55)	121,962
Segment operating profit	10,725	468	(20)	11,173
Finance income				2,042
Finance expense				(279)
Share of profit (loss) of investments accounted for using the equity method				(78)
Profit before tax				12,858

Intersegment transactions are based on market price.

Subsequent Events

Based on the resolution of the IIJ's board of directors held on August 5, 2022, IIJ conducted the stock split of shares as of the record date of September 30, 2022, at a ratio of two-for-one with an effective date of October 1, 2022. Therefore, the information per share for the first half ended September 30, 2021, for the second quarter ended September 30, 2021, for the first half ended September 30, 2022 and for the second quarter ended September 30, 2022 in the consolidated financial statements is based on the post-split basis.

Note: The following information is provided to disclose Internet Initiative Japan Inc. (“IIJ”) financial results (unaudited) for the first six months ended September 30, 2022 (“1H22”) in the form defined by the Tokyo Stock Exchange.

Consolidated Financial Results for the Six Months ended September 30, 2022 [Under IFRS]

November 7, 2022

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: +81-3-5205-6500

Scheduled date for filing of quarterly report (*Shihanki-houkokusho*) to Japan’s regulatory organization: November 14, 2022

Scheduled date for dividend payment: December 2, 2022

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 Six Months ended September 30, 2022 (April 1, 2022 to September 30, 2022)

(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	%
Six Months ended September 30, 2022	121,962	11.8	11,173	20.1	12,858	23.3	8,740	25.6	8,638	25.3	9,074	0.9
Six Months ended September 30, 2021	109,054	7.3	9,304	77.6	10,432	133.6	6,958	147.6	6,892	148.8	8,997	108.4

	Basic earnings per share		Diluted earnings per share	
	JPY		JPY	
Six Months ended September 30, 2022	47.81		47.58	
Six Months ended September 30, 2021	38.17		37.99	

(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 September 30, 2022	235,160	111,505	110,359	46.9
As of March 31, 2022	231,805	104,621	103,528	44.7

2. Dividends

	Annual Dividends				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	JPY	JPY	JPY	JPY	JPY
Fiscal Year Ended March 31, 2022	—	23.00	—	25.00	48.00
Fiscal Year Ending March 31, 2023	—	29.25			
Fiscal Year Ending March 31, 2023 (forecast)			—	14.63	—

(Notes)

1. Changes from the latest forecasts disclosed: None

2. IIJ conducted a stock split at a ratio of two-for-one effective as of October 1, 2022. The forecast of year-end dividend per share is the amount after the stock split. Regarding the amount on a pre-split basis, the forecast of year-end and annual dividend per share are JPY29.26 and JPY58.51, respectively.

3. Targets of Consolidated Financial Results for the Fiscal Year ending March 31, 2023 (April 1, 2022 through March 31, 2023)

(% 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
Fiscal Year Ending March 31, 2023	250,000	10.5	27,200	15.5	26,300	8.8	17,500	11.7	96.89

(Notes)

1. Changes from the latest forecasts disclosed: None
2. IIJ conducted a stock split at a ratio of two-for-one with an effective date of October 1, 2022. The target of basic earnings per share is the amount after the stock split.
3. As for the details about our financial targets for the fiscal year ending March 31, 2023, please refer to "Future Prospects including FY2022 Financial Targets" which is disclosed on page 8 of this earnings release.

* Notes:

- (1) Changes in significant subsidiaries: None
- (2) Changes in accounting policies and estimate
 - i. Changes in accounting policies required by IFRS: None
 - ii. Other changes in accounting policies: None
 - iii. Changes in accounting estimates: None
- (3) Number of shares issued (common stock)
 - i. Number of shares issued (inclusive of treasury stock):
 - As of September 30, 2022: 187,069,600 shares
 - As of March 31, 2022: 187,069,600 shares
 - ii. Number of treasury stock:
 - As of September 30, 2022: 6,371,656 shares
 - As of March 31, 2022: 6,443,334 shares
 - iii. Number of weighted average common shares outstanding:
 - For the six months ended September 30, 2022: 180,668,564 shares
 - For the six months ended September 30, 2021: 180,558,276 shares

* IIJ 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 common 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 IIJ Group's expectation, estimates, and projections based on information available to IIJ Group as of November 7, 2022. 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 FY2022 Financial Targets" written on page 8 of this document.

ii) Change in the unit of presentation for monetary amounts

Amounts of accounts and other items presented in our condensed quarterly consolidated financial statements were previously stated in thousands of yen, but effective from the first quarter ended June 30, 2022, IIJ has changed to present such amounts in millions of yen. In order to facilitate comparison, the amounts for the previous consolidated fiscal year are also presented in millions of yen.

iii) Others

Presentation material will be disclosed on TDnet as well as posted on our website on November 7, 2022.