



Internet Initiative Japan

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

Tokyo, November 6, 2023 - 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, 2024 (“1H23”, from April 1, 2023 to September 30, 2023) under International Financial Reporting Standards (IFRS).¹

Highlights of Financial Results for 1H23				FY23 Targets	
				First Half	Full Year
Total revenues	JPY128.2 billion	up	5.1% YoY ²	JPY138.0 billion	JPY286.0 billion
Operating profit	JPY12.1 billion	up	8.1% YoY	JPY13.4 billion	JPY31.5 billion
Profit before tax	JPY12.6 billion	down	2.4% YoY	JPY13.0 billion	JPY30.4 billion
Net profit ³	JPY8.3 billion	down	3.7% YoY	JPY8.9 billion	JPY20.7 billion

Overview of 1H23 Financial Results and Business Outlook

“We are seeing very strong demands for large-scale network replacement and enhancement projects, and recently acquired an approximately JPY12.3 billion flag-ship project with five-year contract for a local government in Japan as one of them. These come from current trend that Japanese enterprises’ internal network and systems have finally begun to change from legacy Intranet to more complicated and combined networks utilizing Internet technology. We recognize that Japanese enterprises were forced to change their IT usages during COVID-19, and Digital transformation is accelerating furthermore after that. Along with such business landscape, our business structure is moving more toward “Service Integration” model which offers various monthly recurring network services together with systems integration function in front. We believe this would bring us to further business expansion phase soon,” said Koichi Suzuki, Founder and Chairman of IIJ.

“In 1H23, our total revenues and operating profit increased by 5.1% and 8.1% year over year (YoY) respectively. There were the postponement of approximately JPY3 billion of one-time revenues for an overseas data center transaction to the second half and a tendency of longer project duration due to increasing number of large-scale projects. We expect our financials to further grow in the second half, backed by strong growth of order received and order backlog for systems construction and accumulation of network services revenue. Along with these business circumstances, we started to operate the second site of the Shiroi Data Center Campus in order to enlarge our service facility and absorb collocation needs. And, we have been quite active in recruitment activities and have hired many engineers as planned. We are confident these current efforts would be foundational elements for further enhancing our corporate value in the middle to long term,” concluded Eijiro Katsu, President 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.”

1H23 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

	1H22	1H23	YoY Change
	JPY millions	JPY millions	%
Total revenues	121,962	128,198	5.1
Network services	67,707	73,981	9.3
Systems integration (SI)	52,846	52,750	(0.2)
ATM operation business	1,409	1,467	4.1
Total costs	(95,471)	(99,009)	3.7
Network services	(49,802)	(53,037)	6.5
Systems integration (SI)	(44,857)	(45,172)	0.7
ATM operation business	(812)	(800)	(1.5)
Total gross profit	26,491	29,189	10.2
Network services	17,905	20,944	17.0
Systems integration (SI)	7,989	7,578	(5.1)
ATM operation business	597	667	11.7
SG&A, R&D, and other operating income (expenses)	(15,318)	(17,109)	11.7
Operating profit	11,173	12,080	8.1
Profit before tax	12,858	12,552	(2.4)
Profit for the period attributable to owners of the parent	8,638	8,322	(3.7)

(Note) Systems integration includes equipment sales.

Segment Results Summary

	1H22	1H23
	JPY millions	JPY millions
Total revenues	121,962	128,198
Network services and SI business	120,608	126,771
ATM operation business	1,409	1,467
Elimination	(55)	(40)
Operating profit	11,173	12,080
Network services and SI business	10,725	11,543
ATM operation business	468	537
Elimination	(20)	-

1H23 Revenues and Income

Revenues

Total revenues were JPY128,198 million, up 5.1% YoY (JPY121,962 million for 1H22).

Network services revenue was JPY73,981 million, up 9.3% YoY (JPY67,707 million for 1H22).

Revenues for Internet connectivity services for enterprise were JPY21,966 million, up 14.0% YoY from JPY19,269 million for 1H22, 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 JPY12,269 million, down 1.5% YoY from JPY12,453 million for 1H22, mainly due to a decrease in the sales scale of mobile devices, while the number of subscription increased.

Revenues for Outsourcing services were JPY25,626 million, up 14.1% YoY from JPY22,469 million for 1H22, mainly due to an increase in security-related services revenues.

Revenues for WAN services were JPY14,120 million, up 4.5% YoY from JPY13,516 million for 1H22.

Network Services Revenues Breakdown

	1H22	1H23	YoY Change
	JPY millions	JPY millions	%
Total network services	67,707	73,981	9.3
Internet connectivity services (enterprise)	19,269	21,966	14.0
IP services (including data center connectivity services)	7,090	7,893	11.3
IIJ Mobile Services	10,137	11,835	16.8
Enterprise mobile services (IoT usages etc.)	5,302	6,586	24.2
IIJ Mobile MVNO Platform Service (MVNE)	4,835	5,249	8.6
Others	2,042	2,238	9.6
Internet connectivity services (consumer)	12,453	12,269	(1.5)
IIJmio Mobile Services	10,866	10,607	(2.4)
Others	1,587	1,662	4.7
Outsourcing services	22,469	25,626	14.1
WAN services	13,516	14,120	4.5

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

	As of Sep. 30, 2022	As of Sep. 30, 2023	YoY Change
Internet connectivity services (enterprise)	2,627,001	3,278,337	651,336
IP service (greater than or equal to 1Gbps) (Note 2)	818	1,368	550
IP service (less than 1Gbps) (Note 2)	1,307	1,416	109
IIJ Mobile Services	2,532,815	3,178,183	645,368
Enterprise mobile services (IoT usages etc.)	1,493,805	2,038,522	544,717
IIJ Mobile MVNO Platform Service (MVNE)	1,039,010	1,139,661	100,651
Others	92,061	97,370	5,309
Internet connectivity services (consumer)	1,518,130	1,560,307	42,177
IIJmio Mobile Services	1,178,269	1,222,376	44,107
Others	339,861	337,931	(1,930)
Total contracted bandwidth (Gbps) (Note 3)	7,729.1	9,429.3	1,700.2

(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 September 30, 2023 included an increase of approximately 500 line openings related to Tokyo public 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 September 30, 2023 included an increase of approximately 500Gbps related to Tokyo public school project in 3Q22.

SI revenues, including equipment sales, were JPY52,750 million, down 0.2% YoY (JPY52,846 million for 1H22). Systems construction and equipment sales, a one-time revenue, was JPY17,987 million, down 8.0% YoY (JPY19,549 million for 1H22) mainly because an approximately JPY3 billion revenue recognition of overseas data center construction projects was pushed to the second half of FY2023 (2H23), and there has been a tendency of longer project duration as a result of an increase in the number of large-scale projects.

The overseas data center construction project is to export constructed equipment such as servers which are to be used in a container type data center for a public sector client in Asia. This project's purchase agreement has already been concluded, and the construction of equipment for shipment and third party's pre-export inspection have been completed. However, its revenue recognition has been postponed due to prolonged procedures before export as the project is large and highly complicated, which has involved various parties such as a domestic comprehensive export-related company, an overseas client and its government-related organization, their agents, and domestic and overseas financial institutions. There would be no change in the scale of project revenue and its associated reasonable profit by the postponement of the project.

Systems operation and maintenance revenue, a recurring revenue, was JPY34,763 million, up 4.4% YoY (JPY33,297 million for 1H22), mainly due to continued accumulation of systems operation orders.

Orders received for SI, including equipment sales, totaled JPY72,128 million, up 18.3% YoY (JPY60,992 million for 1H22), which contained the order received of the above flagship network construction project; orders received for systems construction and equipment sales were JPY30,440 million, up 40.5% YoY (JPY21,670 million for 1H22), and orders received for systems operation and maintenance were JPY41,688 million, up 6.0% YoY (JPY39,322 million for 1H22).

Order backlog for SI, including equipment sales, as of September 30, 2023 amounted to JPY102,135 million, up 26.2% YoY (JPY80,937 million as of September 30, 2022); order backlog for systems construction and equipment sales was JPY26,252 million, up 80.2% YoY (JPY14,572 million as of September 30, 2022) and order backlog for systems operation and maintenance was JPY75,883 million, up 14.3% YoY (JPY66,365 million as of September 30, 2022).

ATM operation business revenues were JPY1,467 million, up 4.1% YoY (JPY1,409 million for 1H22).

Cost of sales

Total cost of sales was JPY99,009 million, up 3.7% YoY (JPY95,471 million for 1H22).

Cost of network services revenue was JPY53,037 million, up 6.5% YoY (JPY49,802 million for 1H22), mainly due to an increase in network operation-related costs, and circuit-related costs along with an increase in WAN service revenues. Gross profit was JPY20,944 million, up 17.0% YoY (JPY17,905 million for 1H22), and gross profit ratio was 28.3% (26.4% for 1H22).

Cost of SI revenues, including equipment sales was JPY45,172 million, up 0.7% YoY (JPY44,857 million for 1H22), mainly due to an increase in outsourcing-related costs and a decrease in purchasing costs. Gross profit was JPY7,578 million, down 5.1% YoY (JPY7,989 million for 1H22) and gross profit ratio was 14.4% (15.1% for 1H22).

Cost of ATM operation business revenues was JPY800 million, down 1.5% YoY (JPY812 million for 1H22). Gross profit was JPY667 million, up 11.7% YoY (JPY597 million for 1H22) and gross profit ratio was 45.5% (42.4% for 1H22).

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

Selling, general and administrative expenses, including research and development expenses, totaled JPY17,041 million, up 9.9% YoY (JPY15,508 million for 1H22), mainly due to an increase in personnel-related expenses.

Other operating income was JPY70 million (JPY221 million for 1H22, including one-time gain on sale of asset).

Other operating expenses was JPY138 million (JPY31 million for 1H22).

Operating profit

Operating profit was JPY12,080 million (JPY11,173 million for 1H22), up 8.1% YoY.

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

Finance income was JPY1,072 million, compared to JPY2,042 million for 1H22. It included gains on financial instruments, mainly related to funds, of JPY323 million (JPY1,196 million for 1H22, a reactionary drop of JPY873 million) and foreign exchange gain of JPY573 million (gain of JPY761 million for 1H22).

Finance expense was JPY327 million, compared to JPY279 million for 1H22. It included interest expenses of JPY296 million (JPY266 million for 1H22).

Share of loss of investments accounted for using equity method was JPY273 million (loss of JPY78 million for 1H22), mainly due to loss of DeCurret Holdings, Inc. of JPY249 million (loss of JPY180 million for 1H22).

Profit before tax

Profit before tax was JPY12,552 million (JPY12,858 million for 1H22), down 2.4% YoY.

Profit for the period

Income tax expense was JPY4,143 million (JPY4,118 million for 1H22). As a result, profit for the period was JPY8,409 million (JPY8,740 million for 1H22), down 3.8% YoY.

Profit for the period attributable to non-controlling interests was JPY87 million (JPY102 million for 1H22), mainly related to net income of Trust Networks Inc.

Profit for the period attributable to owners of parent was JPY8,322 million (JPY8,638 million for 1H22), down 3.7% YoY.

Financial Position as of September 30, 2023

As of September 30, 2023, the balance of total assets was JPY259,108 million, increased by JPY12,790 million from the balance as of March 31, 2023 of JPY246,318 million.

As of September 30, 2023, the balance of current assets was JPY112,062 million, increased by JPY5,384 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 increased by JPY115 million to JPY42,587 million, trade receivables decreased by JPY2,323 million to JPY39,017 million, inventories increased by JPY2,242 million to JPY5,430 million and prepaid expenses increased by JPY4,339 million to JPY19,680 million mainly due to an increase in equipment maintenance costs and project costs for customers.

As of September 30, 2023, the balance of non-current assets was JPY147,046 million, increased by JPY7,406 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 JPY3,504 million to JPY26,825 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 JPY3,284 million to JPY43,391 million mainly due to depreciation, intangible assets increased by JPY652 million to JPY17,268 million, prepaid expenses increased by JPY3,452 million to JPY16,031 million mainly due to an increase in license-related project costs for customers and equipment maintenance costs, and other investments increased by JPY3,152 million to JPY22,302 million mainly due to a change in the market value of available-for-sale-equities held.

As of September 30, 2023, the balance of current liabilities was JPY92,768 million, increased by JPY14,904 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 increased by JPY99 million to JPY22,412 million, borrowings increased by JPY12,753 million, which mainly corresponds to the acquisition of treasury shares, to JPY29,581 million due to an increase of JPY12,000 million of short-term borrowings, a decrease of JPY1,030 million from repayment of long-term borrowings and an increase of JPY1,775 million mainly owing to a transfer from non-current liabilities, contract liabilities increased by JPY1,688 million to JPY11,857 million and other financial liabilities increased by JPY413 million to JPY18,518 million.

As of September 30, 2023, the balance of non-current liabilities was JPY49,775 million, increased by JPY748 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 JPY1,775 million to JPY1,827 million mainly due to a transfer to current portion, contract liabilities increased by JPY307 million to JPY7,718 million and other financial liabilities increased by JPY1,491 million to JPY32,186 million mainly due to an increase of account payable-non-current.

As of September 30, 2023, the balance of total equity attributable to owners of the parent was JPY115,342 million, decreased by JPY2,900 million from the balance as of March 31, 2023 of JPY118,242 million, mainly due to a decrease by the acquisition of treasury shares of JPY11,405 million. Ratio of owners' equity to total assets was 44.5% as of September 30, 2023.

1H23 Cash Flows

Cash and cash equivalents as of September 30, 2023 were JPY42,587 million (JPY42,068 million as of September 30, 2022).

Net cash provided by operating activities for 1H23 was JPY16,051 million (net cash provided by operating activities of JPY13,457 million for 1H22). There were profit before tax of JPY12,552 million (JPY12,858 million for 1H22), depreciation and amortization of JPY14,598 million (JPY14,145 million for 1H22), including JPY5,907 million (JPY5,629 million for 1H22) of depreciation of right-of-use operating lease assets under IFRS 16, and income taxes paid of JPY4,342 million (JPY6,035 million for 1H22). Regarding changes in working capital, there was net cash out of JPY6,524 million compared to net cash out of JPY5,992 million for 1H22. As for the major factors for the increase in net cash outflow in comparison with 1H22, there was an increase in payments of prepaid expenses, trade and other payables and others, which exceeded an increase in proceeds mainly from trade receivables and contract liabilities.

Net cash used in investing activities for 1H23 was JPY9,066 million (net cash used in investing activities of JPY7,219 million for 1H22), mainly due to payments for purchases of tangible assets, such as Shiroi Data Center Campus construction-related, of JPY5,732 million (JPY5,704 million for 1H22) and purchases of intangible assets, such as software, of JPY3,962 million (JPY2,137 million for 1H22).

Net cash used in financing activities for 1H23 was JPY7,844 million (net cash used in financing activities of JPY12,601 million for 1H22), 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 JPY9,965 million (JPY9,544 million for 1H22), 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 JPY5,244 million, dividends paid of JPY2,644 million (JPY2,258 million for 1H22) and repayments of long-term bank borrowings of JPY1,030 million (JPY750 million for 1H22).

Future Prospects including FY2023 Financial Targets

As for 1H23 consolidated financial results, both revenues and profits fell short of the consolidated financial targets announced on May 12, 2023. This was mainly because there was a stronger tendency for system integration revenues to be weighted more heavily in 2H23 mainly due to an approximately JPY3 billion revenue recognition of overseas data center construction project being pushed to 2H23, and a tendency of longer project duration as a result of an increase in the number of large-scale projects. Considering business circumstances including these factors, FY23 full year consolidated financial targets remain unchanged.

Presentation

Presentation materials will be posted on our web site (<https://www.ij.ad.jp/en/ir/>) on November 6, 2023.

About Internet Initiative Japan Inc.

Founded in 1992, IIJ is one of Japan's leading Internet-access and comprehensive network solutions providers. IIJ and its group companies provide total network solutions that mainly cater to high-end corporate customers. IIJ's services include high-quality Internet connectivity services, mobile services, security services, cloud computing services, and systems integration. Moreover, IIJ operates one of the largest Internet backbone networks in Japan that is connected to the United States, the United Kingdom and Asia. IIJ 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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Disclaimer:

Statements made in this press release regarding IIJ's or management's intentions, beliefs, expectations, or predictions for the future are forward-looking statements that are based on IIJ's and managements' current expectations, assumptions, estimates and projections about its business and the industry. These forward-looking statements, such as statements regarding revenues and profits, are subject to various risks, uncertainties and other factors that could cause IIJ's actual results to differ materially from those contained in any forward-looking statement.

Condensed Consolidated Statements of Financial Position (Unaudited)

	March 31, 2023	September 30, 2023
	Millions of yen	Millions of yen
Assets		
Current assets		
Cash and cash equivalents	42,472	42,587
Trade receivables	41,340	39,017
Inventories	3,188	5,430
Prepaid expenses	15,341	19,680
Contract assets	2,178	3,102
Other financial assets	1,918	1,504
Other current assets	241	742
Total current assets	106,678	112,062
Non-current assets		
Tangible assets	23,321	26,825
Right-of-use assets	46,675	43,391
Goodwill	9,859	10,192
Intangible assets	16,616	17,268
Investments accounted for using equity method	5,785	5,374
Prepaid expenses	12,579	16,031
Contract assets	106	94
Other investments	19,150	22,302
Deferred tax assets	325	207
Other financial assets	4,637	4,737
Other non-current assets	587	625
Total non-current assets	139,640	147,046
Total assets	246,318	259,108

	March 31, 2023	September 30, 2023
	Millions of yen	Millions of yen
Liabilities and Equity		
Liabilities		
Current liabilities		
Trade and other payables	22,313	22,412
Borrowings	16,828	29,581
Income taxes payable	4,034	3,842
Contract liabilities	10,169	11,857
Deferred income	79	69
Other financial liabilities	18,105	18,518
Other current liabilities	6,336	6,489
Total current liabilities	<u>77,864</u>	<u>92,768</u>
Non-current liabilities		
Borrowings	3,602	1,827
Retirement benefit liabilities	4,513	4,734
Provisions	794	848
Contract liabilities	7,411	7,718
Deferred income	319	289
Deferred tax liabilities	610	1,203
Other financial liabilities	30,695	32,186
Other non-current liabilities	1,083	970
Total non-current liabilities	<u>49,027</u>	<u>49,775</u>
Total liabilities	<u>126,891</u>	<u>142,543</u>
Equity		
Share capital	25,562	25,562
Share premium	36,738	35,633
Retained earnings	51,202	57,081
Other components of equity	6,571	9,093
Treasury shares	(1,831)	(12,027)
Total equity attributable to owners of the parent	<u>118,242</u>	<u>115,342</u>
Non-controlling interests	1,185	1,223
Total equity	<u>119,427</u>	<u>116,565</u>
Total liabilities and equity	<u><u>246,318</u></u>	<u><u>259,108</u></u>

Condensed Consolidated Statements of Profit or Loss (Unaudited)

	Six Months Ended September 30, 2022	Six Months Ended September 30, 2023
	Millions of yen	Millions of yen
Revenues		
Network services	67,707	73,981
Systems integration	52,846	52,750
ATM operation business	1,409	1,467
Total revenues	121,962	128,198
Cost of sales		
Cost of network services	(49,802)	(53,037)
Cost of systems integration	(44,857)	(45,172)
Cost of ATM operation business	(812)	(800)
Total cost of sales	(95,471)	(99,009)
Gross Profit	26,491	29,189
Selling, general and administrative expenses	(15,508)	(17,041)
Other operating income	221	70
Other operating expenses	(31)	(138)
Operating Profit	11,173	12,080
Finance income	2,042	1,072
Finance expenses	(279)	(327)
Share of profit (loss) of investments accounted for using equity method	(78)	(273)
Profit (loss) before tax	12,858	12,552
Income tax expense	(4,118)	(4,143)
Profit (loss) for the period	8,740	8,409
Profit (loss) for the period attributable to:		
Owners of the parent	8,638	8,322
Non-controlling interests	102	87
Total	8,740	8,409
Earnings per share		
Basic earnings per share (yen)	47.81	46.78
Diluted earnings per share (yen)	47.58	46.53

※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, 2022	Three Months Ended September 30, 2023
	Millions of yen	Millions of yen
Revenues		
Network services	34,473	37,627
Systems integration	28,578	28,409
ATM operation business	721	742
Total revenues	<u>63,772</u>	<u>66,778</u>
Cost of sales		
Cost of network services	(25,371)	(26,904)
Cost of systems integration	(24,197)	(24,087)
Cost of ATM operation business	(412)	(398)
Total cost of sales	<u>(49,980)</u>	<u>(51,389)</u>
Gross Profit	13,792	15,389
Selling, general and administrative expenses	(7,652)	(8,245)
Other operating income	28	40
Other operating expenses	(21)	(107)
Operating Profit	<u>6,147</u>	<u>7,077</u>
Finance income	300	271
Finance expenses	(148)	(157)
Share of profit (loss) of investments accounted for using equity method	(64)	(119)
Profit (loss) before tax	<u>6,235</u>	<u>7,072</u>
Income tax expense	(1,982)	(2,320)
Profit (loss) for the period	<u>4,253</u>	<u>4,752</u>
Profit (loss) for the period attributable to:		
Owners of the parent	4,248	4,739
Non-controlling interests	5	13
Total	<u>4,253</u>	<u>4,752</u>
Earnings per share		
Basic earnings per share (yen)	23.51	26.80
Diluted earnings per share (yen)	23.39	26.66

※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, 2022	Six Months Ended September 30, 2023
	Millions of yen	Millions of yen
Profit (loss)	8,740	8,409
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	(711)	1,745
Total of items that will not be reclassified to profit or loss	(711)	1,745
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	1,011	943
Financial assets measured at fair value through other comprehensive income	(1)	—
Share of other comprehensive income of investments accounted for using equity method	35	35
Total of items that may be reclassified to profit or loss	1,045	978
Total other comprehensive income, net of tax	334	2,723
Other comprehensive income	9,074	11,132
Other comprehensive income attributable to:		
Owners of the parent	8,972	11,045
Non-controlling interest	102	87
Other comprehensive income	9,074	11,132

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2023
	Millions of yen	Millions of yen
Profit (loss)	4,253	4,752
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	241	304
Total items that will not be reclassified to profit or loss	241	304
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	309	256
Financial assets measured at fair value through other comprehensive income	0	—
Share of other comprehensive income of investments accounted for using equity method	19	23
Total of items that may be reclassified to profit or loss	328	279
Total other comprehensive income, net of tax	569	583
Other comprehensive income	4,822	5,335
Other comprehensive income attributable to:		
Owners of the parent	4,817	5,322
Non-controlling interest	5	13
Other comprehensive income	4,822	5,335

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

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
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)	-	-	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	43,515	6,609	(1,831)	110,470	1,146	111,616

Six months ended September 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)	-	-	8,322	-	-	8,322	87	8,409
Other comprehensive income	-	-	-	2,723	-	2,723	-	2,723
Total comprehensive income	-	-	8,322	2,723	-	11,045	87	11,132
Transactions with owners								
Purchase of treasury shares	-	-	-	-	(11,405)	(11,405)	-	(11,405)
Disposal of treasury shares	-	(15)	-	-	80	65	-	65
Cancellation of treasury shares	-	(1,129)	-	-	1,129	-	-	-
Dividends paid	-	-	(2,644)	-	-	(2,644)	(49)	(2,693)
Stock-based compensation	-	39	-	-	-	39	-	39
Transfer from other components of equity to retained earnings	-	-	201	(201)	-	-	-	-
Total transactions with owners	-	(1,105)	(2,443)	(201)	(10,196)	(13,945)	(49)	(13,994)
Balance, September 30, 2023	25,562	35,633	57,081	9,093	(12,027)	115,342	1,223	116,565

Condensed Consolidated Statements of Cash Flows (Unaudited)

	Six Months Ended September 30, 2022	Six Months Ended September 30, 2023
	Millions of yen	Millions of yen
Cash flows from operating activities		
Profit (loss) before tax	12,858	12,552
Adjustments		
Depreciation and amortization	14,145	14,598
Loss (gain) on sales/disposals of property and equipment	(151)	48
Shares of loss (profit) of investments accounted for using equity method	78	273
Finance income	(2,042)	(1,072)
Finance expenses	279	327
Other	389	225
Changes in working capital		
Decrease (increase) in trade receivables	534	2,601
Decrease (increase) in inventories	(1,242)	(2,173)
Decrease (increase) in prepaid expenses	(3,351)	(7,292)
Decrease (increase) in contract assets	(1,559)	(911)
Decrease (increase) in other assets	(120)	(479)
Decrease (increase) in other financial assets	372	297
Increase (decrease) in trade and other payables	766	(656)
Increase (decrease) in contract liabilities	(700)	1,583
Increase (decrease) in deferred income	(1)	38
Increase (decrease) in other liabilities	(772)	(32)
Increase (decrease) in other financial liabilities	(2)	278
Increase (decrease) in retirement benefit liabilities	83	222
Subtotal	19,564	20,427
Interest and dividends received	189	265
Interest paid	(261)	(299)
Income taxes paid	(6,035)	(4,342)
Cash flows from operating activities	13,457	16,051

	Six Months Ended September 30, 2022	Six Months Ended September 30, 2023
	Millions of yen	Millions of yen
Cash flows from investing activities		
Purchases of tangible assets	(5,704)	(5,732)
Proceeds from sales of tangible assets	947	378
Purchases of intangible assets	(2,137)	(3,962)
Proceeds from sales of intangible assets	-	624
Purchases of other investments	(280)	(487)
Proceeds from sales of other investments	9	357
Payments for leasehold deposits and guarantee deposits	(30)	(311)
Proceeds from collection of leasehold deposits and guarantee deposits	14	77
Payments for refundable insurance policies	(37)	(37)
Other	(1)	27
Cash flows from investing activities	(7,219)	(9,066)
Cash flows from financing activities		
Repayment of long-term borrowings	(750)	(1,030)
Net increase (decrease) in short-term borrowings	-	12,000
Purchase of treasury shares	-	(11,405)
Proceeds from other financial liabilities	-	5,244
Payments of other financial liabilities	(9,544)	(9,965)
Dividends paid	(2,258)	(2,644)
Other	(49)	(44)
Cash flows from financing activities	(12,601)	(7,844)
Effect of exchange rate changes on cash and cash equivalents	1,040	974
Net increase (decrease) in cash and cash equivalents	(5,323)	115
Cash and cash equivalents, beginning of the period	47,391	42,472
Cash and cash equivalents, end of the period	42,068	42,587

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 differences 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, with regard to the Consolidated Statement of Financial Position as of March 31, 2023, "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 for the six months ended September 30, 2022. As a result, "Retained earnings" increased by JPY111 million.

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, 2022

	Reportable segments			Consolidated
	Network service and systems integration business	ATM operation business	Adjustments	
	JPY millions	JPY millions	JPY millions	
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

Six months ended September 30, 2023

	Reportable segments			Consolidated
	Network service and systems integration business	ATM operation business	Adjustments	
	JPY millions	JPY millions	JPY millions	
Revenue				
Customers	126,731	1,467	—	128,198
Intersegment transactions	40	—	(40)	—
Total revenue	126,771	1,467	(40)	128,198
Segment operating profit	11,543	537	—	12,080
Finance income				1,072
Finance expense				(327)
Share of profit (loss) of investments accounted for using the equity method				(273)
Profit before tax				12,552

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 six months ended September 30, 2023 in the form defined by the Tokyo Stock Exchange.

Consolidated Financial Results for the Six Months ended September 30, 2023 [Under IFRS]

November 6, 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: November 14, 2023

Scheduled date for dividend payment: December 8, 2023

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, 2023 (April 1, 2023 to September 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	%
Six Months ended September 30, 2023	128,198	5.1	12,080	8.1	12,552	(2.4)	8,409	(3.8)	8,322	(3.7)	11,132	22.7
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

	Basic earnings per share		Diluted earnings per share	
	JPY		JPY	
Six Months ended September 30, 2023	46.78		46.53	
Six Months ended September 30, 2022	47.81		47.58	

(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, 2023	259,108	116,565	115,342	44.5
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	—	17.18			
Fiscal Year Ending March 31, 2024 (forecast)			—	17.18	34.36

(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 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
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. IIJ 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 18 of this earnings release.

(3) Number of shares issued (common stock)

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

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

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

ii. Number of treasury stock:

As of September 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 six months ended September 30, 2023: 177,910,757 shares

For the six months ended September 30, 2022: 180,668,564 shares

* IIJ conducted a stock split at a ratio of two-for-one with an effective date of October 1, 2022. Accordingly, 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 6, 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 November 6, 2023.