



Internet Initiative Japan

For Immediate Release
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IIJ Announces its Financial Results for the Fiscal Year Ended March 31, 2024

Tokyo, May 10, 2024 - Internet Initiative Japan Inc. (“IIJ”, TSE Prime: 3774) today announced its consolidated financial results for the fiscal year ended March 31, 2024 (“FY2023”, from April 1, 2023 to March 31, 2024) under International Financial Reporting Standards (IFRS).¹

Highlights of Financial Results for FY2023

Total revenues	JPY276.1 billion	up	9.2% YoY ²
Operating profit	JPY29.0 billion	up	6.6% YoY
Profit before tax	JPY28.9 billion	up	6.0% YoY
Net profit ³	JPY19.8 billion	up	5.2% YoY
Annual cash dividend	JPY34.36 per share of common stock		

Highlights of Financial Targets for FY2024 (fiscal year ending March 31, 2025)

Total revenues	JPY312.0~315.0 billion	up	13.0~14.1 % YoY
Operating profit	JPY30.0~33.0 billion	up	3.3~13.7 % YoY
Profit before tax	JPY29.0~32.0 billion	up	0.2~10.6 % YoY
Net profit ³	JPY19.9~21.9 billion	up	0.3~10.4 % YoY
Annual cash dividend	JPY34.36~37.16 per share of common stock		

Overview of FY2023 Financial Results and Business Outlook

“We finished FY2021-FY2023 mid-term plan with the growth⁴ of revenues 1.3 times and operating profit 2.0 times. During this period, triggered by the COVID-19, Japanese enterprises have finally begun to change their legacy internal network and systems to ones more utilizing Internet technology. Toward these transitions, we have adopted the “Service Integration” model that totally offers our accumulated network services line-up together with systems integration. This resulted in the consecutive acquisition of large-scale network construction projects, which should enlarge our business scale remarkably hereafter,” said Koichi Suzuki, Founder and Chairman of IIJ.

“With regards to the new FY2024-FY2026 mid-term plan⁵, we set the FY2026 target of JPY380 billion revenue with JPY46 billion operating profit. Within this mid-term plan, we put a strong focus on revenue growth with realizing scale merit of profitability. Our basic business strategy remains unchanged, and we would consistently enforce high quality network operation and value-added service development activities, and integrate them as “Service Integration.” For sustainable growth, we recognize that human resources are a key element and will further focus on recruitment, development, talent management and engagement. Also, we disclosed our “Mid-to-long term vision” which expresses our growth images as a passing point to long-term goal,” continued Suzuki.

“As for FY2023 results, our total revenues and operating profit increased by 9.2% and 6.6% YoY respectively. We acquired many of large-scale projects including approximately JPY12 billion flag-ship project for a local government in Japan, which led to a remarkable increase in orders received and order backlog for systems construction, by 35.2% and 72.2% YoY respectively. Due to such projects’ characteristic of requiring longer time until revenues recognition, our systems integration revenue for this year did not grow largely. However, we recognize these FY2023 business results demonstrated our turning point for business scale acceleration,” said Eijiro Katsu, President of IIJ.

“Regarding FY2024 plan, we set targets with the range of revenues from JPY312.0 to JPY315.0 billion and operating profit from JPY30.0 to JPY33.0 billion. We anticipate further strong accumulation of monthly recurring revenues and growth of system construction revenue with having order backlog acquired in FY2023. On the other hand, we would have impacts related to an issue of VMware licenses. The change of VMware license pricing structure was notified to users recently, which would result in an actual large increase of license fees. Currently, we are managing this issue including passing cost rises onto selling prices, but there might be some time-lag to completely absorb the sudden cost rises, therefore, we set FY2024 target in range,” concluded Katsu.

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 Comparison of FY2020 and FY2023.

⁵ For details, please refer to our press release titled *IIJ Announces “IIJ Group Mid-term Plan (FY2024-FY2026)” and Mid-to-Long Term Vision.* (https://www.ij.ad.jp/en/ir/news/2024/pdf/20240510_Mid-term_Plan_E.pdf).

FY2023 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

	FY2022	FY2023	YoY Change
	JPY millions	JPY millions	%
Total revenues	252,708	276,080	9.2
Network services	138,922	151,347	8.9
Systems integration (SI)	110,944	121,819	9.8
ATM operation business	2,842	2,914	2.5
Total costs	(194,800)	(212,214)	8.9
Network services	(100,776)	(107,854)	7.0
Systems integration (SI)	(92,391)	(102,777)	11.2
ATM operation business	(1,633)	(1,583)	(3.1)
Total gross profit	57,908	63,866	10.3
Network services	38,146	43,493	14.0
Systems integration (SI)	18,553	19,042	2.6
ATM operation business	1,209	1,331	10.1
SG&A, R&D, and other operating income (expenses)	(30,687)	(34,837)	13.5
Operating profit	27,221	29,029	6.6
Profit before tax	27,309	28,934	6.0
Profit for the year attributable to owners of the parent	18,852	19,831	5.2

(Note) Systems integration includes equipment sales.

Segment Results Summary

	FY2022	FY2023
	JPY millions	JPY millions
Total revenues	252,708	276,080
Network services and SI business	249,970	273,247
ATM operation business	2,842	2,914
Elimination	(104)	(81)
Operating profit	27,221	29,029
Network services and SI business	26,322	28,014
ATM operation business	919	1,015
Elimination	(20)	-

FY2023 Revenues and Income

Revenues

Total revenues were JPY276,080 million, up 9.2% YoY (JPY252,708 million for FY2022).

Network services revenue was JPY151,347 million, up 8.9% YoY (JPY138,922 million for FY2022).

Revenues for Internet connectivity services for enterprise were JPY44,725 million, up 11.1% YoY from JPY40,253 million for FY2022, mainly due to an increase in revenues of enterprise mobile services and IP services.

Revenues for Internet connectivity services for consumers were JPY25,285 million, up 4.3% YoY from JPY24,235 million for FY2022, mainly due to an increase in revenues of IIJmio Mobile services.

Revenues for Outsourcing services were JPY52,972 million, up 13.2% YoY from JPY46,808 million for FY2022, mainly due to an increase in security-related services revenues.

Revenues for WAN services were JPY28,365 million, up 2.7% YoY from JPY27,626 million for FY2022.

Network Services Revenues Breakdown

	FY2022	FY2023	YoY Change
	JPY millions	JPY millions	%
Total network services	138,922	151,347	8.9
Internet connectivity services (enterprise)	40,253	44,725	11.1
IP services (including data center connectivity services)	14,835	15,990	7.8
IIJ Mobile Services	21,249	24,177	13.8
Enterprise mobile services (IoT usages etc.)	11,179	13,632	21.9
IIJ Mobile MVNO Platform Service (MVNE)	10,070	10,545	4.7
Others	4,169	4,558	9.3
Internet connectivity services (consumer)	24,235	25,285	4.3
IIJmio Mobile Services	21,025	21,961	4.5
Others	3,210	3,324	3.6
Outsourcing services	46,808	52,972	13.2
WAN services	27,626	28,365	2.7

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

	As of March 31, 2023	As of March 31, 2024	YoY Change
Internet connectivity services (enterprise)	3,026,149	3,638,223	612,074
IP service (greater than or equal to 1Gbps) (Note 2)	1,356	1,395	39
IP service (less than 1Gbps) (Note 2)	1,409	1,401	(8)
IIJ Mobile Services	2,929,646	3,535,558	605,912
Enterprise mobile services (IoT usages etc.)	1,809,816	2,349,885	540,069
IIJ Mobile MVNO Platform Service (MVNE)	1,119,830	1,185,673	65,843
Others	93,738	99,869	6,131
Internet connectivity services (consumer)	1,547,206	1,609,944	62,738
IIJmio Mobile Services	1,206,321	1,274,410	68,089
Others	340,885	335,534	(5,351)
Total contracted bandwidth (Gbps) (Note 3)	8,814.3	10,441.7	1,627.4

(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 JPY121,819 million, up 9.8% YoY (JPY110,944 million for FY2022). Systems construction and equipment sales, a one-time revenue, was JPY49,902 million, up 16.2% YoY (JPY42,945 million for FY2022). Systems operation and maintenance revenue, a recurring revenue, was JPY71,917 million, up 5.8% YoY (JPY67,999 million for FY2022), mainly due to continued accumulation of systems operation orders.

Orders received for SI, including equipment sales, totaled JPY147,955 million, up 22.4% YoY (JPY120,910 million for FY2022); orders received for systems construction and equipment sales were JPY59,864 million, up 35.2% YoY (JPY44,293 million for FY2022), and orders received for systems operation and maintenance were JPY88,091 million, up 15.0% YoY (JPY76,617 million for FY2022).

Order backlog for SI, including equipment sales, as of March 31, 2024 amounted to JPY108,893 million, up 31.6% YoY (JPY82,757 million as of March 31, 2023); order backlog for systems construction and equipment sales was JPY23,761 million, up 72.2% YoY (JPY13,799 million as of March 31, 2023) and order backlog for systems operation and maintenance was JPY85,132 million, up 23.5% YoY (JPY68,958 million as of March 31, 2023).

ATM operation business revenues were JPY2,914 million, up 2.5% YoY (JPY2,842 million for FY2022).

Cost of sales

Total cost of sales was JPY212,214 million, up 8.9% YoY (JPY194,800 million for FY2022).

Cost of network services revenue was JPY107,854 million, up 7.0% YoY (JPY100,776 million for FY2022). There were an increase in security-related services' license fees and one-time cost reimbursement, which was related to a mobile unit charge by NTT DOCOMO, INC., of over JPY0.1 billion in 3Q23 (a similar impact of over JPY0.5 billion in 3Q22) as FY2022 mobile unit charge was fixed based on its actual results for the corresponding period. Gross profit was JPY43,493 million, up 14.0% YoY (JPY38,146 million for FY2022), and gross profit ratio was 28.7% (27.5% for FY2022).

Cost of SI revenues, including equipment sales was JPY102,777 million, up 11.2% YoY (JPY92,391 million for FY2022), mainly due to increases in outsourcing-related costs and purchasing costs. Gross profit was JPY19,042 million, up 2.6% YoY (JPY18,553 million for FY2022) and gross profit ratio was 15.6% (16.7% for FY2022).

Cost of ATM operation business revenues was JPY1,583 million, down 3.1% YoY (JPY1,633 million for FY2022). Gross profit was JPY1,331 million (JPY1,209 million for FY2022) and gross profit ratio was 45.7% (42.5% for FY2022).

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

Selling, general and administrative expenses, including research and development expenses, totaled JPY34,754 million, up 12.5% YoY (JPY30,897 million for FY2022), mainly due to an increase in personnel-related expenses.

Other operating income was JPY169 million (JPY281 million for FY2022, including one-time gain on sale of asset)

Other operating expenses was JPY252 million (JPY71 million for FY2022).

Operating profit

Operating profit was JPY29,029 million (JPY27,221 million for FY2022), up 6.6% YoY.

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

Finance income was JPY1,019 million, compared to JPY844 million for FY2022. It included foreign exchange gain of JPY533 million (gain of JPY365 million for FY2022) and gains on financial instruments, mainly related to funds, of JPY149 million (gain of JPY303 million for FY2022).

Finance expense was JPY649 million, compared to JPY552 million for FY2022. It included interest expenses of JPY616 million (JPY529 million for FY2022).

Share of loss of investments accounted for using equity method was JPY465 million (loss of JPY204 million for FY2022), mainly due to loss of DeCurret Holdings, Inc. of JPY535 million (loss of JPY382 million for FY2022).

Profit before tax

Profit before tax was JPY28,934 million (JPY27,309 million for FY2022), up 6.0% YoY.

Profit for the period

Income tax expense was JPY8,958 million (JPY8,316 million for FY2022). As a result, profit for the period was JPY19,976 million (JPY18,993 million for FY2022), up 5.2% YoY.

Profit for the period attributable to non-controlling interests was JPY145 million (JPY141 million for FY2022), mainly related to net income of Trust Networks Inc.

Profit for the period attributable to owners of parent was JPY19,831 million (JPY18,852 million for FY2022), up 5.2% YoY.

Financial Position as of March 31, 2024

As of March 31, 2024, the balance of total assets was JPY273,713 million, increased by JPY27,395 million from the balance as of March 31, 2023 of JPY246,318 million.

As of March 31, 2024, the balance of current assets was JPY119,889 million, increased by JPY13,211 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 JPY3,002 million to JPY45,474 million, trade receivables increased by JPY4,343 million to JPY45,683 million and prepaid expenses increased by JPY4,743 million to JPY20,084 million mainly due to an increase in equipment maintenance costs and project costs for customers.

As of March 31, 2024, the balance of non-current assets was JPY153,824 million, increased by JPY14,184 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 JPY5,751 million to JPY29,072 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 JPY5,433 million to JPY41,242 million mainly due to depreciation, intangible assets increased by JPY1,741 million to JPY18,357 million mainly due to purchase of software, prepaid expenses increased by JPY6,833 million to JPY19,412 million mainly due to an increase in license-related project costs for customers and equipment maintenance costs, and investment securities (equity) increased by JPY4,532 million to JPY14,563 million mainly due to a change in the market value of available-for-sale-equities held.

As of March 31, 2024, the balance of current liabilities was JPY98,358 million, increased by JPY20,494 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 JPY3,122 million to JPY25,435 million, borrowings increased by JPY13,305 million to JPY30,133 million mainly due to proceeds from short-term borrowings of JPY12,000 million which corresponds to the acquisition of treasury shares, a decrease of JPY2,260 million from repayment and an increase of JPY3,555 million mainly owing to a transfer from non-current liabilities, contract liabilities increased by JPY2,516 million to JPY12,685 million and other financial liabilities decreased by JPY70 million to JPY18,035 million.

As of March 31, 2024, the balance of non-current liabilities was JPY48,323 million, decreased by JPY704 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 JPY3,555 million to JPY47 million mainly due to a transfer to current portion, contract liabilities increased by JPY1,141 million to JPY8,552 million and other financial liabilities increased by JPY408 million to JPY31,103 million mainly due to an increase of account payable-non-current.

As of March 31, 2024, the balance of total equity attributable to owners of the parent was JPY125,751 million, increased by JPY7,509 million from the balance as of March 31, 2023 of JPY118,242 million although there was a decrease by the acquisition of treasury shares of JPY11,405 million. Ratio of owners' equity to total assets was 45.9% as of March 31, 2024.

FY2023 Cash Flows

Cash and cash equivalents as of March 31, 2024 were JPY45,474 million (JPY42,472 million as of March 31, 2023).

Net cash provided by operating activities for FY2023 was JPY40,780 million (net cash provided by operating activities of JPY38,529 million for FY2022). There were profit before tax of JPY28,934 million (JPY27,309 million for FY2022), depreciation and amortization of JPY29,296 million (JPY28,801 million for FY2022), including JPY11,784 million (JPY11,618 million for FY2022) of depreciation of right-of-use operating lease assets under IFRS 16, and income taxes paid of JPY8,130 million (JPY9,958 million for FY2022). Regarding changes in working capital, there was net cash out of JPY9,880 million compared to net cash out of JPY7,712 million for FY2022. As for the major factors for the increase in net cash out in comparison with FY2022, there was an increase in payments of prepaid expenses, which exceeded a decrease in payments mainly related to trade receivables and an increase in proceeds mainly from contract liabilities.

Net cash used in investing activities for FY2023 was JPY17,927 million (net cash used in investing activities of JPY18,386 million for FY2022), mainly due to payments for purchases of tangible assets, such as Shiroi Data Center Campus construction-related, of JPY11,744 million (JPY11,787 million for FY2022) and purchases of intangible assets, such as software, of JPY7,199 million (JPY5,471 million for FY2022).

Net cash used in financing activities for FY2023 was JPY20,797 million (net cash used in financing activities of JPY25,731 million for FY2022), mainly due to a net increase in short-term borrowings of JPY11,800 million, payments for acquisition of treasury shares of JPY11,405 million, payments of other financial liabilities of JPY20,008 million (JPY19,344 million for FY2022), 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 JPY6,609 million, dividends paid of JPY5,682 million (JPY4,901 million for FY2022) and repayments of long-term bank borrowings of JPY2,060 million (JPY1,515 million for FY2022).

Outlook for FY2024

With regard to our outlook for FY2024, we expect the steady revenue growth of network services, as well as an increase in the acquisition of large-scale projects, particularly “Service Integration” projects in which we offer our network services together with systems integration, and the revenue contribution of such projects included in the current order backlog for systems construction and equipment sales which require longer project periods. Considering these factors, we set our consolidated financial targets for FY2024 with the range of revenues from JPY312.0 to JPY315.0 billion, up 13.0 to 14.1% YoY, operating profit from JPY30.0 to JPY33.0 billion, up 3.3 to 13.7% YoY, profit before tax from JPY29.0 to JPY32.0 billion, up 0.2 to 10.6 % YoY, which takes finance expenses, share of profit or loss of investments accounted for using equity method and others into consideration, and profit for the year attributable to owners of the parent from JPY19.9 to JPY21.9 billion, up 0.3 to 10.4% YoY, which takes income tax expenses at the normal effective tax rate and others into consideration.

IIJ Group uses a lot of virtualization software by VMware Inc.⁶, and VMware products⁷ pricing structure and license program were revised in April 2024. Under the revision, generally individual products are no longer sold separately but rather are bundled together, which would result in a significant increase in license fees. Although we are taking actions including the price revision of our services, it is difficult to assume the extent of passing cost rises onto revenues through the price revision due to the short notice of new VMware products’ pricing structure and applicable terms and condition to users. Therefore, we set the financial targets for FY2024 in ranges. The upper limit of the range represents the case that the progress in our actions such as the price revision could absorb the impact of increasing costs. The lower limit of the range represents the case that it takes longer time to apply the price revision, which could not fully absorb the impact of increasing costs except to the extent that can be assumed.

Outlook for the FY2024-FY2026 mid-term plan

We announced “IIJ Group mid-term plan (FY2024-FY2026)” on May 10, 2024. Our consolidated financial targets for FY2026 are the total revenues of JPY380.0 billion and operating profit of JPY46.0 billion. Our targets are based on the assumption that the actions to address the impacts related to VMware products, mentioned above, will progress, which absorbs the increasing costs by FY2025. As for the details, please refer to “IIJ Group Mid-term Plan (FY2024-FY2026) and Mid-to-Long Term Vision,” which was disclosed on May 10, 2024.

Dividend Policy, FY2023 Dividend and FY2024 Dividend Forecast

The basic dividend policy of IIJ is that IIJ pays dividends to its shareholders continuously and stably while considering the need to have retained earnings for the enhancement of financial position, mid-to-long term business expansion, future business investment and others.

Based on the Articles of Incorporation of IIJ, the frequency of dividend payments is twice each fiscal year, an interim dividend and a year-end dividend. The interim dividend is decided by the meeting of the board directors of IIJ and the year-end dividend is approved at IIJ’s general meeting of shareholders.

As for FY2023, considering this basic policy, our interim dividend was JPY17.18 per share of common stock and year-end dividend forecast is JPY17.18 per share of common stock. FY2023 total annual dividend forecast is JPY34.36 per share of common stock.

During the FY2024-FY2026 mid-term plan, we set the dividend payout ratio target as 30% based on our capital allocation plan which considers an increase in capital investment for further business growth and working capital along with an increase in the acquisition of large-scale projects. As for the details, please refer to “IIJ Group Mid-term Plan (FY2024-FY2026) and Mid-to-Long Term Vision,” which was disclosed on May 10, 2024.

As for FY2024, our interim and year-end dividend forecasts are in the range of JPY17.18 to JPY18.58 and JPY17.18 to JPY18.58 per share of common stock respectively. FY2024 total annual dividend forecast is in the range of JPY34.36 to JPY37.16 per share of common stock.

Presentation

Presentation materials will be posted on our web site (<https://www.ij.ad.jp/en/ir/>) on May 10, 2024.

⁶ VMware Inc. is the U.S. IT company that provides cloud computing and virtualization.

⁷ VMware products are cloud computing and virtualization software which were provided by VMware Inc.

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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Disclaimer:

Statements made in this press release regarding IJ's or management's intentions, beliefs, expectations, or predictions for the future are forward-looking statements that are based on IJ'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 IJ's actual results to differ materially from those contained in any forward-looking statement.

Consolidated Statements of Financial Position (Unaudited)

	March 31, 2023	March 31, 2024
	Millions of yen	Millions of yen
Assets		
Current assets		
Cash and cash equivalents	42,472	45,474
Trade receivables	41,340	45,683
Inventories	3,188	3,227
Prepaid expenses	15,341	20,084
Contract assets	2,178	3,110
Other financial assets	1,918	1,532
Other current assets	241	779
Total current assets	106,678	119,889
Non-current assets		
Tangible assets	23,321	29,072
Right-of-use assets	46,675	41,242
Goodwill	9,859	10,328
Intangible assets	16,616	18,357
Investments accounted for using equity method	5,785	5,169
Prepaid expenses	12,579	19,412
Contract assets	106	108
Investment securities (Equity)	10,031	14,563
Other investments	9,119	9,805
Deferred tax assets	325	290
Other financial assets	4,637	5,210
Other non-current assets	587	268
Total non-current assets	139,640	153,824
Total assets	246,318	273,713

	March 31, 2023	March 31, 2024
	Millions of yen	Millions of yen
Liabilities and Equity		
Liabilities		
Current liabilities		
Trade and other payables	22,313	25,435
Borrowings	16,828	30,133
Income taxes payable	4,034	5,328
Contract liabilities	10,169	12,685
Deferred income	79	56
Other financial liabilities	18,105	18,035
Other current liabilities	6,336	6,686
Total current liabilities	<u>77,864</u>	<u>98,358</u>
Non-current liabilities		
Borrowings	3,602	47
Retirement benefit liabilities	4,513	4,991
Provisions	794	901
Contract liabilities	7,411	8,552
Deferred income	319	237
Deferred tax liabilities	610	1,483
Other financial liabilities	30,695	31,103
Other non-current liabilities	1,083	1,009
Total non-current liabilities	<u>49,027</u>	<u>48,323</u>
Total liabilities	<u>126,891</u>	<u>146,681</u>
Equity		
Share capital	25,562	25,562
Share premium	36,738	35,737
Retained earnings	51,202	65,616
Other components of equity	6,571	10,863
Treasury shares	(1,831)	(12,027)
Total equity attributable to owners of the parent	<u>118,242</u>	<u>125,751</u>
Non-controlling interests	1,185	1,281
Total equity	<u>119,427</u>	<u>127,032</u>
Total liabilities and equity	<u><u>246,318</u></u>	<u><u>273,713</u></u>

Consolidated Statements of Profit or Loss (Unaudited)

	For the year ended March 31, 2023	For the year ended March 31, 2024
	Millions of yen	Millions of yen
Revenues		
Network services	138,922	151,347
Systems integration	110,944	121,819
ATM operation business	2,842	2,914
Total revenues	<u>252,708</u>	<u>276,080</u>
Cost of sales		
Cost of network services	(100,776)	(107,854)
Cost of systems integration	(92,391)	(102,777)
Cost of ATM operation business	(1,633)	(1,583)
Total cost of sales	<u>(194,800)</u>	<u>(212,214)</u>
Gross Profit	57,908	63,866
Selling, general and administrative expenses	(30,897)	(34,754)
Other operating income	281	169
Other operating expenses	(71)	(252)
Operating Profit	<u>27,221</u>	<u>29,029</u>
Finance income	844	1,019
Finance expenses	(552)	(649)
Share of profit (loss) of investments accounted for using equity method	(204)	(465)
Profit (loss) before tax	<u>27,309</u>	<u>28,934</u>
Income tax expense	(8,316)	(8,958)
Profit (loss) for the year	<u><u>18,993</u></u>	<u><u>19,976</u></u>
Profit (loss) for the year attributable to:		
Owners of the parent	18,852	19,831
Non-controlling interests	141	145
Total	<u><u>18,993</u></u>	<u><u>19,976</u></u>
Earnings per share		
Basic earnings per share (yen)	104.34	111.81
Diluted earnings per share (yen)	103.82	111.23

※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.

Consolidated Statements of Comprehensive Income (Unaudited)

	For the year ended March 31, 2023	For the year ended March 31, 2024
	Millions of yen	Millions of yen
Profit (loss) for the year	18,993	19,976
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	(447)	3,410
Remeasurement of defined benefit plans	116	(54)
Total items that will not be reclassified to profit or loss	(331)	3,356
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	736	1,179
Financial assets measured at fair value through other comprehensive income	(5)	—
Share of other comprehensive income of investments accounted for using equity method	12	22
Total of items that may be reclassified to profit or loss	743	1,201
Total other comprehensive income, net of tax	412	4,557
Other comprehensive income for the year	19,405	24,533
Other comprehensive income for the year attributable to:		
Owners of the parent	19,264	24,388
Non-controlling interest	141	145

Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

For the year ended March 31, 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, 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 for the year	-	-	18,852	-	-	18,852	141	18,993
Other comprehensive income	-	-	-	412	-	412	-	412
Total comprehensive income	-	-	18,852	412	-	19,264	141	19,405
Transactions with owners								
Purchase of treasury shares	-	-	-	-	(0)	(0)	-	(0)
Disposal of treasury shares	-	141	-	-	20	161	-	161
Dividends paid	-	-	(4,901)	-	-	(4,901)	(49)	(4,950)
Transfer from other components of equity to retained earnings	-	-	116	(116)	-	-	-	-
Total transactions with owners	-	220	(4,785)	(116)	20	(4,661)	(49)	(4,710)
Balance, March 31, 2023	25,562	36,738	51,202	6,571	(1,831)	118,242	1,185	119,427

For the year ended March 31, 2024

	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 for the year	-	-	19,831	-	-	19,831	145	19,976
Other comprehensive income	-	-	-	4,557	-	4,557	-	4,557
Total comprehensive income	-	-	19,831	4,557	-	24,388	145	24,533
Transactions with owners								
Purchase of treasury shares	-	-	-	-	(11,405)	(11,405)	-	(11,405)
Disposal of treasury shares	-	49	-	-	80	129	-	129
Cancellation of treasury shares	-	(1,129)	-	-	1,129	-	-	-
Dividends paid	-	-	(5,682)	-	-	(5,682)	(49)	(5,731)
Stock-based compensation	-	79	-	-	-	79	-	79
Transfer from other components of equity to retained earnings	-	-	265	(265)	-	-	-	-
Total transactions with owners	-	(1,001)	(5,417)	(265)	(10,196)	(16,879)	(49)	(16,928)
Balance, March 31, 2024	25,562	35,737	65,616	10,863	(12,027)	125,751	1,281	127,032

Consolidated Statements of Cash Flows (Unaudited)

	For the year ended March 31, 2023	For the year ended March 31, 2024
	Millions of yen	Millions of yen
Cash flows from operating activities		
Profit (loss) before tax	27,309	28,934
Adjustments		
Depreciation and amortization	28,801	29,296
Loss (gain) on sales/disposals of property and equipment	(127)	138
Shares of loss (profit) of investments accounted for using equity method	204	465
Finance income	(845)	(1,019)
Finance expenses	552	649
Other	571	538
Changes in working capital		
Decrease (increase) in trade receivables	(3,432)	(4,053)
Decrease (increase) in inventories	(565)	146
Decrease (increase) in prepaid expenses	(3,525)	(10,817)
Decrease (increase) in contract assets	(346)	(934)
Decrease (increase) in other assets	(119)	(517)
Decrease (increase) in other financial assets	(609)	137
Increase (decrease) in trade and other payables	1,417	2,315
Increase (decrease) in contract liabilities	206	3,027
Increase (decrease) in deferred income	(1)	17
Increase (decrease) in other liabilities	(1,044)	187
Increase (decrease) in other financial liabilities	19	212
Increase (decrease) in retirement benefit liabilities	287	400
Subtotal	48,753	49,121
Interest and dividends received	263	414
Interest paid	(529)	(625)
Income taxes paid	(9,958)	(8,130)
Cash flows from operating activities	38,529	40,780

	For the year ended March 31, 2023	For the year ended March 31, 2024
	Millions of yen	Millions of yen
Cash flows from investing activities		
Purchases of tangible assets	(11,787)	(11,744)
Proceeds from sales of tangible assets	1,546	684
Purchases of intangible assets	(5,471)	(7,199)
Proceeds from sales of intangible assets	-	624
Purchase of a subsidiary	-	(29)
Purchase of investments accounted for using equity method	(261)	-
Proceeds from sales of investment securities (Equity)	10	698
Purchases of other investments	(2,511)	(794)
Proceeds from sales of other investments	114	72
Payments for leasehold deposits and guarantee deposits	(69)	(730)
Proceeds from collection of leasehold deposits and guarantee deposits	68	151
Payments for refundable insurance policies	(75)	(75)
Proceeds from refundable insurance policies	-	391
Proceeds from subsidies	38	-
Other	12	24
Cash flows from investing activities	<u>(18,386)</u>	<u>(17,927)</u>
Cash flows from financing activities		
Proceeds from long-term borrowings	178	-
Repayment of long-term borrowings	(1,515)	(2,060)
Net increase (decrease) in short-term borrowings	(100)	11,800
Purchase of treasury shares	(0)	(11,405)
Proceeds from other financial liabilities	-	6,609
Payments of other financial liabilities	(19,344)	(20,008)
Dividends paid	(4,901)	(5,682)
Other	(49)	(51)
Cash flows from financing activities	<u>(25,731)</u>	<u>(20,797)</u>
Effect of exchange rate changes on cash and cash equivalents	669	946
Net increase (decrease) in cash and cash equivalents	(4,919)	3,002
Cash and cash equivalents, beginning of the year	<u>47,391</u>	<u>42,472</u>
Cash and cash equivalents, end of the year	<u><u>42,472</u></u>	<u><u>45,474</u></u>

Notes to Condensed Consolidated Financial Statements (Unaudited)

Going Concern Assumption

Nothing to be reported.

Changes in Accounting Policies

Deferred tax related to assets and liabilities arising from a single transaction

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 for 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. With regard to the Consolidated Statements of Profit or Loss and Consolidated Statements of Comprehensive Income for the previous fiscal year, profit (loss) for the year increased by JPY14 million due to a change in "Income tax expense."

Furthermore, the cumulative effect of the adoption of this standard has been reflected in the Consolidated Statement of Changes in Shareholder's Equity for the previous fiscal year. As a result, "Retained earnings" increased by JPY111 million.

International Tax Reform—Pillar Two Model Rules

As a result of the adoption of IAS 12, "Income Taxes" revised May 2023, IIJ has applied a temporary exception to the requirement to recognize and disclose deferred tax assets and deferred tax liabilities pertaining to income taxes arising from the tax system related to the Pillar Two model rules announced by the Organization for Economic Co-operation and Development (OECD). As this standard was applied retrospectively, deferred tax assets and deferred tax liabilities pertaining to income taxes arising from the tax system related to the Pillar Two model rules have not been recognized or disclosed.

Changes in Presentation

Certain reclassifications have been made in FY2022 financial statement to conform to presentations in FY2023.

"Investment securities (Equity)," which had been previously included in "Other investments" in Consolidated Statements of Financial Position, is separately disclosed to increase clarity of the disclosure.

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:

Fiscal year ended March 31, 2023

	Reportable segments			Consolidated
	Network service and systems integration business	ATM operation business	Adjustments	
	JPY millions	JPY millions	JPY millions	
Revenue				
Customers	249,866	2,842	—	252,708
Intersegment transactions	104	—	(104)	—
Total revenue	249,970	2,842	(104)	252,708
Segment operating profit	26,322	919	(20)	27,221
Finance income				844
Finance expense				(552)
Share of profit (loss) of investments accounted for using the equity method				(204)
Profit before tax				27,309

Fiscal year ended March 31, 2024

	Reportable segments			Consolidated
	Network service and systems integration business	ATM operation business	Adjustments	
	JPY millions	JPY millions	JPY millions	
Revenue				
Customers	273,166	2,914	—	276,080
Intersegment transactions	81	—	(81)	—
Total revenue	273,247	2,914	(81)	276,080
Segment operating profit	28,014	1,015	—	29,029
Finance income				1,019
Finance expense				(649)
Share of profit (loss) of investments accounted for using the equity method				(465)
Profit before tax				28,934

Intersegment transactions are based on market price.

Earnings per share

Basic earnings per share attributable to owners of the parent and diluted earnings per share attributable to owners of the parent for the years ended March 31, 2023 and 2024 were as follows:

	For the year ended March 31, 2023	For the year ended March 31, 2024
Numerator :		
Basic earnings attributable to owners of the parent (millions of yen)	18,852	19,831
Denominator :		
Weighted average number of shares — basic (shares)	180,683,190	177,361,107
Dilution arising from stock options (shares)	892,705	929,924
Weighted average number of shares — diluted (shares)	181,575,895	178,291,031
Earnings per share attributable to owners of the parent		
Basic (yen)	104.34	111.81
Diluted (yen)	103.82	111.23

Stock split

IIJ conducted a stock split at a ratio of two-for-one with an effective date of January 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.

Subsequent Events

Nothing to be reported.

Note: The following information is provided to disclose Internet Initiative Japan Inc. ("IIJ") financial results (unaudited) for the fiscal year ended March 31, 2024 in the form defined by the Tokyo Stock Exchange.

Consolidated Financial Results for the Fiscal Year ended March 31, 2024 [Under IFRS]

May 10, 2024

Company name: Internet Initiative Japan Inc.

Exchange listed: Tokyo Stock Exchange

Ticker symbol: 3774

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

Representative: Eijiro Katsu, Representative Director, President and Executive Officer

Contact: Akihisa Watai, Member of the Board, Senior Managing Executive Officer and CFO

TEL: +81-3- 5205-6500

Scheduled date for annual general shareholders' meeting: June 27, 2024

Scheduled date for dividend payment: June 28, 2024

Scheduled date for filing of annual report (*Yuka-shoken-houkokusho*) to Japan's regulatory organization: June 28, 2024

Supplemental material on annual results: Yes

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

(Amounts of less than JPY one million are rounded)

1. Consolidated Financial Results for Fiscal Year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(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	%
Fiscal Year ended March 31, 2024	276,080	9.2	29,029	6.6	28,934	6.0	19,976	5.2	19,831	5.2	24,533	26.4
Fiscal Year ended March 31, 2023	252,708	11.7	27,221	15.6	27,309	13.0	18,993	20.2	18,852	20.3	19,405	11.8

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ratio of profit before taxes to total assets	Ratio of operating profit to revenues
	JPY	JPY	%	%	%
Fiscal Year ended March 31, 2024	111.81	111.23	16.3	11.1	10.5
Fiscal Year ended March 31, 2023	104.34	103.82	17.0	11.4	10.8

(Reference) Share of profit (loss) of investments accounted for using equity method

Fiscal year ended March 31, 2024: JPY(465) million, Fiscal year ended March 31, 2023: JPY(204) million

(Notes) 1. 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. Figures for the fiscal year ended March 31, 2023 are based on the retrospective application of IAS 12 "Income Taxes."

(2) Consolidated Financial Position

	Total assets	Total equity	Total equity attributable to owners of the parent	Ratio of owners' equity to total assets	Owners' equity per share
	JPY millions	JPY millions	JPY millions	%	%
As of March 31, 2024	273,713	127,032	125,751	45.9	711.22
As of March 31, 2023	246,318	119,427	118,242	48.0	654.36

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

(3) Consolidated Cash Flow

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents (end of the year)
	JPY millions	JPY millions	JPY millions	JPY millions
Fiscal year ended March 31, 2024	40,780	(17,927)	(20,797)	45,474
Fiscal year ended March 31, 2023	38,529	(18,386)	(25,731)	42,472

2. Dividends

	Dividend per Shares					Total cash dividends for the year	Payout Ratio (consolidated)	Ratio of Dividends to Shareholder's Equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	JPY	JPY	JPY	JPY	JPY	JPY millions	%	%
Fiscal Year Ended March 31, 2023	—	29.25	—	14.63	—	5,286	28.0	4.8
Fiscal Year Ended March 31, 2024	—	17.18	—	17.18	34.36	6,075	30.7	5.0
Fiscal Year Ending March 31, 2025 (forecast)	—	17.18 ~ 18.58	—	17.18 ~ 18.58	34.36 ~ 37.16		30.0 ~ 30.5	

(Note) 1. IJ 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.

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

3. IJ discloses dividend forecasts for the fiscal year ending March 31, 2025 in ranges. As for the details, please refer to "Dividend Policy, FY2023 Dividend and FY2024 Dividend Forecast" written on page 8 of this document.

3. Targets of Consolidated Financial Results for the Fiscal Year ending March 31, 2025 (April 1, 2024 through March 31, 2025)

(% 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, 2024	142,000 ~ 143,000	10.8 ~ 11.5	10,000 ~ 11,000	(17.2) ~ (8.9)	9,500 ~ 10,500	(24.3) ~ (16.4)	6,300 ~ 7,000	(24.3) ~ (15.9)	35.63 ~ 39.59
Fiscal Year Ending March 31, 2025	312,000 ~ 315,000	13.0 ~ 14.1	30,000 ~ 33,000	3.3 ~ 13.7	29,000 ~ 32,000	0.2 ~ 10.6	19,900 ~ 21,900	0.3 ~ 10.4	112.55 ~ 123.86

(Note) IJ discloses targets of consolidated financial results for the fiscal year ending March 31, 2025 in ranges. As for the details, please refer to "Outlook for FY2024" written on page 8 of this document.

* 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 17 of this earnings release.

(3) Number of shares issued (common stock)

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

As of March 31, 2024: 183,141,100 shares

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

ii. Number of treasury stock:

As of March 31, 2024: 6,329,688 shares

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

iii. Number of weighted average common shares outstanding:

For the fiscal year ended March 31, 2024: 177,361,107 shares

For the fiscal year ended March 31, 2023: 180,683,190 shares

* IJ 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.

* 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 May 10, 2024. 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 "Outlook for FY2024" written on page 8 of this document.

ii) Others

Presentation material will be disclosed on TDnet as well as posted on our website on May 10, 2024.