

(TRANSLATION)

Quarterly Securities Report

(The Second Quarter of the 32nd Business Term)
From July 1, 2023 to September 30, 2023 (“2Q23”)

Internet Initiative Japan Inc.

Note for readers of this English translation

This is an English translation of the Quarterly Securities Report (*Shihanki-houkokusho*) of Internet Initiative Japan Inc. (“IIJ”) filed with the Director-General of the Kanto Local Finance Bureau in Japan through EDINET (Electronic Disclosure for Investors’ NETwork). This translation includes an English translation of the Independent Auditor’s Report on Quarterly Review by KPMG AZSA LLC, IIJ’s accounting auditor, of the condensed consolidated financial statements included in the Japanese original Quarterly Securities Report. KPMG AZSA LLC has not audited and makes no warranty as to the accuracy or otherwise of the translation of the condensed consolidated financial statements of other financial information included in this English translation of the Quarterly Securities Report.

This document has been translated from the Japanese original for reference purpose only. In the event of any discrepancy between this English translation and the Japanese original, the Japanese original shall prevail.

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【Cover】

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PART 1 Information on the Company

Item 1. Overview of the Company

1 Selected Financial Data

Fiscal year	IFRS		
	Six months ended September 30, 2022	Six months ended September 30, 2023	31st business term ended March 31, 2023
Revenues (Three months ended September 30)	(millions of yen) 121,962 (63,772)	128,198 (66,778)	252,708
Operating profit	(millions of yen) 11,173	12,080	27,221
Profit before tax	(millions of yen) 12,858	12,552	27,309
Profit attributable to owners of the parent (Three months ended September 30)	(millions of yen) 8,638 (4,248)	8,322 (4,739)	18,852
Comprehensive income, attributable to owners of the parent	(millions of yen) 8,972	11,045	19,264
Comprehensive income	(millions of yen) 9,074	11,132	19,405
Equity attributable to owners of the parent	(millions of yen) 110,470	115,342	118,242
Total assets	(millions of yen) 235,271	259,108	246,318
Basic earnings per share (Three months ended September 30)	(yen) 47.81 (23.51)	46.78 (26.80)	104.34
Diluted earnings per share	(yen) 47.58	46.53	103.82
Ratio of owners' equity to gross assets	(%) 47.0	44.5	48.0
Cash flows from operating activities	(millions of yen) 13,457	16,051	38,529
Cash flows from investing activities	(millions of yen) (7,219)	(9,066)	(18,386)
Cash flows from financing activities	(millions of yen) (12,601)	(7,844)	(25,731)
Cash and cash equivalents, at the end of period	(millions of yen) 42,068	42,587	42,472

(Notes)

1. As IJ and its subsidiaries (collectively "the Company") prepare quarterly condensed consolidated financial statements reports, non-consolidated financial data etc. are not provided.
2. All figures presented above are based on the quarterly condensed consolidated financial statements or the consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS").
3. IJ conducted a two-for-one stock split of its common stock with an effective date of October 1, 2022. The figures for Basic earnings per share and Diluted earnings per share for each period have been adjusted to reflect the effect of this stock split.
4. Effective from the first quarter of the 32nd fiscal year, the Company has adopted International Accounting Standard No. 12, "Income Taxes" (revised May 2021, hereinafter referred to as "IAS 12, Income Taxes"). As a result, the figures for the six months ended September 30, 2022, three months ended September 30, 2022 and the 31st business term ended March 31, 2023 are based on the retrospective application of IAS 12 "Income Taxes." For details of the changes in accounting policies, please refer to "4. Financial Information Notes to Condensed Consolidated Financial Statements 3. MATERIAL ACCOUNTING POLICIES."

2 Description of Business

There were no material changes to the business of the Company or its equity method investees during the six months ended September 30, 2023 ("1H23").

There were no material changes with respect to the associated companies during 1H23.

Item 2. Business Overview

1 Risk Factors

There were no newly identified matters, relating to the business description or consolidated financial results described in this quarterly securities report, which could have a material effect on the decisions of investors, and there were no material changes in the risk factors described in our Annual Securities Report for the previous fiscal year filed on June 30, 2023.

2. Management's Analysis of Consolidated Financial Position, Results of Operations and Cash Flows

This quarterly securities report contains forward-looking statements that are based on our expectations, assumptions, estimates and projections as of November 14, 2023.

(1) Analysis of Results of Operations

(i) Overview of consolidated business results for 1H23

The Japanese economy gradually recovered during the second quarter of the fiscal year ending March 31, 2024 (2Q23). With regard to future prospects, while the gradual economic recovery is expected to continue supported by the effect of various policies, we must pay close attention to the impacts of the inflation, fluctuations in interest rates and foreign exchange by global monetary tightening and others.

Under such an economic trend, in the ICT^{(*)1} related market for enterprises where we belong to, we expect the penetration of new technologies such as cloud services and AI^{(*)2} in corporate activities, continuous growth in Internet traffic^{(*)3} due to various factors including them, an increase in the importance of cybersecurity measures and others. As areas of enterprise networks and systems are gradually shifting from traditional internal networks to complexed and diversified ones by utilizing internet technologies, we expect to increase the importance of reliable networks and stable systems operations.

Regarding our business overview for 1H23, there were continuous strong demands for internal and external network constructions by enterprises and government agencies, and we have recently acquired an approximately JPY12.3 billion of large scale network construction project with five-year contract. In general, enterprises' internal networks are gradually migrating from closed type network to multifunctional network by incorporating internet technology. As for these network replacement projects, our group mainly provides "Service Integrations" model in which our monthly network services are integrated as part of systems integration. By sales category, network service revenues for enterprises which exclude mobile-related services^{(*)4} steadily increased by 10.4% YoY mainly due to the continuous favorable demands for IP services^{(*)5}, security-related services, WAN services^{(*)6} and others. Mobile-related services revenues increased by 6.9% YoY because there were a strong revenue growth in enterprise mobile services such as IoT^{(*)7} usage and an increase in IJ Mobile MVNO Platform Services revenue, which absorbed a decrease in IJmio Mobile Services revenue mainly due to a decrease in the sales scale of mobile devices. As for systems integration, systems construction and equipment sales decreased by 8.0% YoY 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, and systems operation and maintenance revenue increased by 4.4% YoY. As the business circumstance for orders continued to be favorable, orders received and order backlog for systems construction increased by 40.5% and 80.2% YoY respectively, and orders received and order backlog for systems operation and maintenance increased by 6.0% and 14.3% YoY respectively. In the new business field, DeCurret DCP Inc. ^{(*)8}, our equity method applicable company, scheduled to start providing services in July 2024 for a practical project involving the issuance, transfer, and settlement of the first in Japan digital currency (DCJPY).

Consolidated financial results for 1H23 were as follows. Total revenues were JPY128,198 million (JPY121,962 million for 1H22), up 5.1% YoY. Total cost of sales was JPY99,009 million (JPY95,471 million for 1H22), up 3.7% YoY and gross profit was JPY29,189 million (JPY26,491 million for 1H22), up 10.2% YoY. The breakdown by services was as follows. Network services revenue was JPY73,981 million (JPY67,707 million for 1H22), up 9.3% YoY and gross profit for network services was JPY20,944 million (JPY17,905 million for 1H22), up 17.0% YoY. Systems integration revenues, including equipment sales, were JPY52,750 million (JPY52,846 million for 1H22), down 0.2% YoY, of which systems construction revenue was JPY17,987 million (JPY19,549 million for 1H22) and systems operation and maintenance revenue was JPY34,763 million

(JPY33,297 million for 1H22), and gross profit for systems integration was JPY7,578 million (JPY7,989 million for 1H22), down 5.1% YoY. ATM operation business revenues were JPY1,467 million (JPY1,409 million for 1H22), up 4.1% YoY and gross profit for ATM operation business was JPY667 million (JPY597 million for 1H22), up 11.7% YoY. Net amount of selling, general and administrative expenses, other operating income and expenses were JPY17,109 million (JPY15,318 million for 1H22), up 11.7% YoY. Operating profit was JPY12,080 million (JPY11,173 million for 1H22), up 8.1% YoY. Profit before tax was JPY12,552 million (JPY12,858 million for 1H22), down 2.4% YoY mainly due to a reactionary drop of JPY873 million of valuation gain on funds. Profit attributable to owners of the parent for 1H23 was JPY8,322 million (JPY8,638 million for 1H22), down 3.7% YoY.

Glossary:

- *1. ICT : Information and Communication Technology (ICT) is a general term of technologies in relation to hardware, software, system and data communication used for information communication by computers.
- *2. AI : Artificial Intelligence is technology that allows computer systems and machines to imitate human intelligence, such as reasoning, judgment, and learning.
- *3. Internet traffic : The quantity or flow of data transferred across Internet.
- *4. Mobile-related services : The services refer to IJ Mobile services, which are Enterprise mobile service (IoT usages etc.), IJ Mobile MVNO platform services, and IJmio Mobile services.
- *5. IP services : IJ's dedicated-type Internet connectivity services, mainly used by corporate users.
- *6. WAN services : WAN (Wide Area Network) is wide area network services exchanging data by connecting physically distant LAN such as headquarters and branches through dedicated lines and others.
- *7. IoT : Internet of Things (IoT) enables not only physical objects but also any "things" connected to network to exchange information automatically.
- *8. DeCurret DCP Inc. : A subsidiary of IJ's equity-method affiliate DeCurret Holdings, Inc.

(ii) Analysis of Consolidated Results of Operations for the first six months of the 32nd business term.

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 revenue 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)	—

i) 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 September 30, 2022	As of September 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 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 large scale 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).

ii) 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).

iii) 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).

iv) Operating profit

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

v) 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).

vi) Profit before tax

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

vii) 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.

(2) Financial Position

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 Shiroi Data Center Campus construction, right-of-use assets, which include right to use leased assets under operating lease contracts such as office and data centers and assets under finance lease contracts such as data communication equipment, decreased by JPY3,284 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.

(3) Cash Flows

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

Cash Flows provided by Operating Activities

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.

Cash Flows used in Investing Activities

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).

Cash Flows used in Financing Activities

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).

(4) Management policy, management environment and issues to be addressed, etc.

There were no material changes or newly identified matters, relating to the management policy, management environment and issues to be addressed, etc., during 1H23.

(5) Research and developments

For 1H23, research and development expenses, which were in relation to network services and systems integration business segment, were JPY319 million, up 26.1% YoY compared to JPY253 million for 1H22.

(6) Number of employees

There were no material changes in the number of employees of the Company or IJJ during 1H23.

(i) Consolidated basis

As of September 30, 2023

Number of Employees	4,750 (58)
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(Note) The number of employees indicates the total number of full-time and contract workers. It does not include third-party employees working at the Company. The average number of part-time employees for the reporting period is shown in brackets.

(ii) IJJ (non-consolidated basis)

As of September 30, 2023

Number of Employees	2,666 (33)
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(Note) The number of employees indicates the total number of full-time and contract workers. It does not include third-party employees working at IJJ. The average number of part-time employees for the reporting period is shown in brackets.

(7) Production, Orders Received and Sales

(i) Production

Type of Services	1H23 (Six months ended September 30, 2023)	
	Production (millions of yen)	Year-over-year comparison (%)
Systems Integration, including Equipment Sales	47,767	4.4
Total	47,767	4.4

(Notes) Since the Company does not engage in production activities in network services and ATM operation business, we do not present production results for network services and ATM operation business.

(ii) Orders Received

Type of Services	1H23 (Six months ended September 30, 2023)			
	Orders Received (millions of yen)	Year-over-year comparison (%)	Order Backlog (millions of yen)	Year-over-year comparison (%)
Systems Construction and Equipment Sales	30,440	40.5	26,252	80.2
Systems Operation and Maintenance	41,688	6.0	75,883	14.3
Total	72,128	18.3	102,135	26.2

(Note) Since the Company does not engage in make-to-order production in network services and ATM operation business, we do not present orders received and order backlog for network services and ATM operation business.

(iii) Sales

Type of services	1H23 (Six months ended September 30, 2023)	
	Revenue (millions of yen)	Year-over-year comparison (%)
Network services	73,981	9.3
Internet connectivity services (enterprise)	21,966	14.0
Internet connectivity services (consumer)	12,269	(1.5)
Outsourcing services	25,626	14.1
WAN services	14,120	4.5
Systems integration	52,750	(0.2)
Systems construction and equipment sales	17,987	(8.0)
Systems operation and maintenance	34,763	4.4
ATM operation business	1,467	4.1
Total revenues	128,198	5.1

(Note) Percentages of year-over-year comparison indicate year-over-year rate of change.

(8) Major property and equipment

There were no material changes in major property and equipment or in our plan in relation to property and equipment during 1H23.

3 Material Contracts, etc.

Not applicable.

Item 3. Information on IJJ

1 Information on IJJ's Shares

(1) Total Number of Shares

(i) 【Total Number of Shares】

Class	Total number of shares authorized to be issued (shares)
Common stock	302,080,000
Total	302,080,000

(ii) 【Number of shares issued】

Class	Number of shares issued as of the end of period (shares) (September 30, 2023)	Number of shares issued as of the filing date (shares) (November 14, 2023)	Stock exchange on which IJJ is listed or authorized financial instruments firms association	Description
Common stock	183,141,100	183,141,100	Tokyo Stock Exchange (the Prime market)	The number of shares constituting a unit is 100.
Total	183,141,100	183,141,100	—	—

(2) Information on Stock Acquisition Rights

(i) Description of Stock Option Plan

Stock-Compensation-Type Stock Options (Stock Acquisition Rights)

Under this stock compensation-type stock option plan, IJJ's directors (excluding part-time directors and outside directors) and executive officers will receive stock acquisition rights as stock-based compensation stock options, approximately one to two months' worth of base monthly remuneration for each person, depending on his or her position. These stock options are issued and allocated in accordance with the Companies Act, as a substitution for the abolished retirement benefit plan for directors.

Stock acquisition rights issued during the 2Q23 are as follows.

Date of resolution	June 28, 2023
Class and number of person for stock acquisition rights	Nine full-time directors and 19 executive officers
Number of stock acquisition rights outstanding (Number) *	18,227 (Note 1)
Type of stock and number of shares subject to stock acquisition rights (Share) *	Common stock, 36,454 (Note 1)
Amount to be paid in upon exercise of stock acquisition rights (JPY)	The value of assets to be contributed upon exercise of stock acquisition rights shall be determined by multiplying the price to be paid per share upon exercise of each stock acquisition right (the "exercise price") by the Number of Shares Granted, and the exercise price shall be one (1) yen.
Exercise period of stock acquisition rights	From July 14, 2023 to July 13, 2053
Price of issuing shares and amount of capitalization upon exercise of stock acquisition rights (JPY)	Price of issuing shares : JPY2,182 Amount of capitalization : JPY1,091
Condition for exercise of stock acquisition rights	(Note 2)
Matters regarding acquisition of stock acquisition rights through transfer	Acquisition of subscription rights to shares through transfer shall be subject to approval by resolution of the Board of Directors
Matters regarding the grant of stock acquisition rights to upon organizational restructuring	(Note 3)

* The contents are described as of July 13, 2023, when the stock acquisition rights were issued.

(Notes)

1. Class and number of shares to be issued upon exercise of stock acquisition rights

The class of shares to be issued upon exercise of stock acquisition rights shall be common stock of IJJ. The number of shares to be issued upon exercise of each stock acquisition right (hereinafter referred as "Number of Shares Granted") shall be two (2). However, if IJJ conducts a stock split or share consolidation of its common stock after the allotment date of stock acquisition rights (hereinafter referred to as the "Allotment Date"), the Number of Granted Shares shall be adjusted according to the following formula, and any fraction less than one (1) share resulting from the adjustment shall be rounded down.

$$\begin{array}{rcccl} \text{Number of Shares} & & & & \\ \text{Granted after} & = & \text{Number of Shares} & \times & \text{Ratio of share split} \\ \text{adjustment} & & \text{Granted before} & & \text{or share consolidation} \\ & & \text{adjustment} & & \end{array}$$

In the case of a share split, the Number of Shares Granted after adjustment shall apply from the day after the record date of said share split. Whereas, in the case of a share consolidation, the Number of Shares Granted after adjustment shall apply from the day the share consolidation becomes effective. This is provided, however, that in cases where IJJ conducts a share split conditional on approval at a General Meeting of Shareholders of IJJ of a proposal to increase capital stock or capital reserve by reducing surplus, and the record date for the share split shall be the day prior to the day on which said shareholders' meeting closes, the Number of Shares Granted after adjustment shall be applied retroactively from the day after the day the applicable shareholders' meeting closes and the day following the applicable record date.

In addition, if, after the Allotment Date, IJJ conducts a merger, a corporate split or a gratis allotment of shares, or if the Number of Shares Granted needs to be adjusted in accordance with these cases, IJJ may appropriately adjust the Number of Shares Granted to a reasonable extent.

2. Terms and conditions of exercising stock acquisition rights

- 1) Partial execution of each stock acquisition right is not allowed.
- 2) A person granted the stock acquisition rights may exercise these rights only within ten (10) days from the day following the day the person loses his or her position as a Director or Executive Officer of IJJ, except for losing his or her position by passing away. However, this does not apply if his or her legal heir who inherits the stock acquisition rights as described in the following paragraph 3) exercises the rights
- 3) If a person granted the stock acquisition rights passes away, only one of his or her legal heir is permitted to inherit the granted stock acquisition rights (hereinafter referred to as the "Grantee"). The Grantee can exercise the rights only within six (6) months after inheriting the new share acquisition rights. If the Grantee passes away, the stock acquisition rights cannot be passed on to the legal heir of the Grantee.
- 4) The Share Purchase Warrants shall not be transferred to third parties, offered for pledge or disposed of in any other way.
- 5) Matters concerning other conditions for the exercise of stock acquisition rights, other than the items prescribed above, shall be determined at the meeting of the Board of Directors when the terms and conditions of offering of stock acquisition rights are determined.

3. Matters concerning the details of the issuance of stock acquisition rights undergoing Organizational Restructuring

In the event IJJ is merged as a dissolving company, performs an absorption-type demerger or an incorporation-type demerger (only if IJJ becomes the split company), or conducts a share exchange or a share transfer (only if IJJ becomes a wholly owned subsidiary) (hereinafter collectively referred to as "Organizational Restructuring"), stock acquisition rights of a corporation described in Article 236, Paragraph 1, Items 8.1 through 8.5 of the Corporation Law of Japan (hereinafter "Restructured Company") shall be granted to each Stock Acquisition Right Holder remaining unexercised (hereinafter "Remaining Stock Acquisition Rights") immediately before the date when Organizational Restructuring takes effect (refers to the date when the absorption-type merger takes effect, the date on which the company is incorporated through the incorporation-type merger, the date when the absorption-type demerger takes effect, the date on which the company incorporated through the incorporation-type demerger, the date when share exchange takes effect, or the date when the wholly owning parent company is established by share transfer). However, the foregoing shall apply only to cases in which the delivery of stock acquisition rights of the Restructured Company according to the following conditions is stipulated in the absorption-type merger agreement, the incorporation-type merger agreement, the absorption-type demerger agreement, the incorporation-type demerger plan, the share exchange agreement or the share transfer plan.

- 1) Number of stock acquisition rights of the Restructured Company to be delivered
IJJ shall deliver stock acquisition rights, the number of which shall equal the number of stock acquisition rights held by the holder of the Remaining Stock Acquisition Rights.
- 2) Class of shares of the Restructured Company to be issued upon exercise of stock acquisition rights
Common stock of the Restructured Company
- 3) Number of shares of the Restructured Company to be issued upon exercise of stock acquisition rights
To be decided according to Note 1 above after taking into consideration the conditions, etc., of the Organizational Restructuring.
- 4) Value of the assets to be contributed upon exercise of stock acquisition rights
The value of the assets to be contributed upon exercise of each stock acquisition right shall be the amount obtained by multiplying the amount to be paid after restructuring as stipulated below, and the number of shares of the Restructured Company to be issued upon exercise of the stock acquisition rights as determined in accordance with 3) above. The amount to be paid after restructuring shall be one (1) yen per share of the Restructured Company that can be granted due to the exercise of each stock acquisition right to be granted.
- 5) Exercise period of stock acquisition rights
Starting from the later of either the commencement date of the exercise period of stock acquisition rights as stipulated above, or the date on which the Organizational Restructuring becomes effective, and ending on the expiration date for the exercise of stock acquisition rights as stipulated in above.
- 6) Matters concerning increase in capital stock and capital reserve to be increased by the issuance of shares upon exercise of stock acquisition rights
 - (a) Amount of increase in capital stock by issuing shares upon exercise of stock acquisition rights shall be half of the upper limit of capital increase as calculated pursuant to the provisions of Article 17, Paragraph 1 of the Ordinance for Corporate Accounting, with the resulting fractions of less than one (1) yen occurring upon such calculation being rounded up to the nearest yen.
 - (b) The amount of increase in capital reserve by issuing shares upon exercise of stock acquisition rights shall be the upper limit of capital increase as described in (a) above less the amount of increase in capital set out therein.
- 7) Restriction on acquisition of stock acquisition rights by transfer
Any acquisition of stock acquisition rights by transfer shall be subject to approval by resolution of the Board of Directors of the Restructured Company (or the general meeting of shareholders if the Restructured Company is not a company with a Board of Directors).
- 8) Conditions for acquisition of stock acquisition right
Should a resolution for the approval of any of the proposals (a) or (b) below be adopted at the General Meeting of Shareholders of IJJ (or at a meeting of the Board of Directors of IJJ if a resolution at a General Meeting of Shareholders is not required), IJJ may acquire the stock acquisition rights as at the date specifically determined by the Board of Directors of IJJ without contribution..

- (a) Proposal for approval of a merger agreement under which IJ shall be merged as a dissolving company
 - (b) Proposal for approval of a share exchange agreement or share transfer plan under which IJ shall be a wholly owned subsidiary
- 9) Other terms and conditions of exercising stock acquisition rights
To be determined in accordance with Note 2 above.

(ii) Other Stock Acquisition Rights

Not applicable.

(3) Information on Moving Strike Convertible Bonds

Not applicable.

(4) Changes in the Total Number of Issued Shares and Capital

Date	Changes in the total number of issued shares (shares)	Balance of the total number of issued shares (shares)	Changes in capital (millions of yen)	Balance of capital (millions of yen)	Changes in capital reserve (millions of yen)	Balance of capital reserve (millions of yen)
From July 1, 2023 to September 30, 2023	—	183,141,100	—	23,023	—	9,743

(5) Major Shareholders

As of September 30, 2023

Name	Address	Number of shares held (shares)	Ownership percentage of the total number of issued shares other than treasury stock (%) (Note 1)
KDDI CORPORATION	3-2, Nishishinjuku 2-chome, Shinjuku-ku, Tokyo	20,387,000	11.53
The Master Trust Bank of Japan, Ltd. (Trust account) (Note 2)	11-3 Hamamatsu-cho 2-chome, Minato-ku, Tokyo	19,397,300	10.97
NIPPON TELEGRAPH AND TELEPHONE CORPORATION	5-1 Otemachi 1-chome, Chiyoda-ku, Tokyo	12,227,000	6.92
Custody Bank of Japan, Ltd. (Trust account) (Note 2)	8-12 Harumi 1-chome, Chuo-ku, Tokyo	11,514,200	6.51
NTT Communications Corporation	3-1 Otemachi 2-chome, Chiyoda-ku, Tokyo	8,160,000	4.62
ITOCHU Techno-Solutions Corporation	1-1 Toranomom 4-chome, Minato-ku, Tokyo	7,808,000	4.42
Koichi Suzuki (Note 3)	Chiyoda-ku, Tokyo	7,401,389	4.19
The Dai-ichi Life Insurance Company, Limited (Standing proxy: Custody Bank of Japan, Ltd.)	13-1 Yurakucho 1-chome, Chiyoda-ku, Tokyo (8-12 Harumi 1-chome, Chuo-ku, Tokyo)	5,092,000	2.88
KS Holdings Inc. (Note 3)	10-2 Fujimi 2-chome, Chiyoda-ku, Tokyo	3,240,000	1.83
MUFG Bank, Ltd.	7-1 Marunouchi 2-chome, Chiyoda-ku, Tokyo	2,744,000	1.55
Total	—	97,970,889	55.41

(Notes)

1. The percentages are rounded to two decimal places.
2. Numbers of shares held by The Master Trust Bank of Japan, Ltd. and Custody Bank of Japan, Ltd. are those related to trust business.
3. KS Holdings Inc. is a wholly owned and controlled (indirect) by Mr. Koichi Suzuki, Chairman of IJ.
4. Global Alpha Capital Management Ltd. ("Global Alpha") filed a report of substantial shareholding with the Director General of the Kanto Bureau of the Ministry of Finance on October 27, 2023. According to the filing, as of October 23, 2023, Global Alpha owned 9,167,654 shares of common stock of IJ, representing 5.01% of the total number of issued shares. Since then, we have not recognized any filings by Global Alpha. Their holdings were not verified based on the shareholder record as of September 30, 2023, therefore, Global Alpha and their holdings are not included in the above list.
5. There were 6,329,602 shares of treasury stock (3.46% of the total number of issued shares), which were not included in the above list.

(6) Information on Voting Rights

(i) Issued shares

As of September 30, 2023

Classification	Number of Shares (shares)	Number of Voting Rights	Description
Shares without Voting Rights	—	—	—
Shares with Restricted Voting Rights (treasury stock, etc.)	—	—	—
Shares with Restricted Voting Rights (others)	—	—	—
Shares with Full Voting Rights (treasury stock, etc.)	Treasury Stock: 6,329,600 shares of common stock	—	—
Shares with Full Voting Rights (others)	176,781,800 shares of common stock	1,767,818	—
Shares Representing Less than One Unit (Note)	29,700 shares of common stock	—	—
Number of Issued Shares	183,141,100 shares of common stock	—	—
Total Number of Voting Rights	—	1,767,818	—

(Note) 2 shares of treasury stock held by IIJ are included in “Shares Representing Less than One Unit.”

(ii) Treasury Stock

As of September 30, 2023

Name	Address	Number of shares held under own name (shares)	Number of shares held under the name of others (shares)	Total number of shares held (shares)	Ownership percentage of total number of shares outstanding (%)
(Treasury Stock) Internet Initiative Japan Inc.	2-10-2 Fujimi, Chiyoda-ku, Tokyo	6,329,600	—	6,329,600	3.46
Total	—	6,329,600	—	6,329,600	3.46

2 Changes in Directors and Company Auditors

There were no changes in directors and company auditors during the period from the filing date of the Annual Securities Report for the fiscal year ended March 31, 2023 (filed on June 30, 2023) to September 30, 2023 (the last day of 2Q23).

Item 4. Financial Information

1. Condensed Quarterly Consolidated Financial Statements

(1) Condensed Consolidated Statements of Financial Position

	Note	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	6,11	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	11	19,150	22,302
Deferred tax assets	3	325	207
Other financial assets	6,11	4,637	4,737
Other non-current assets		587	625
Total non-current assets		139,640	147,046
Total assets		246,318	259,108

	Note	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	11	16,828	29,581
Income taxes payable		4,034	3,842
Contract liabilities		10,169	11,857
Deferred income		79	69
Other financial liabilities	7,11	18,105	18,518
Other current liabilities		6,336	6,489
Total current liabilities		77,864	92,768
Non-current liabilities			
Borrowings	11	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	7,11	30,695	32,186
Other non-current liabilities		1,083	970
Total non-current liabilities		49,027	49,775
Total liabilities		126,891	142,543
Equity			
Share capital		25,562	25,562
Share premium		36,738	35,633
Retained earnings	3	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		118,242	115,342
Non-controlling interests		1,185	1,223
Total equity		119,427	116,565
Total liabilities and equity		246,318	259,108

(2) Condensed Consolidated Statements of Profit or Loss

	Note	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	5,9	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	11	2,042	1,072
Finance expenses	11	(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	10		
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.

	Note	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	5,9	63,772	66,778
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		(49,980)	(51,389)
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		6,147	7,077
Finance income	11	300	271
Finance expenses	11	(148)	(157)
Share of profit (loss) of investments accounted for using equity method		(64)	(119)
Profit (loss) before tax		6,235	7,072
Income tax expense		(1,982)	(2,320)
Profit (loss) for the period		4,253	4,752
Profit (loss) for the period attributable to:			
Owners of the parent		4,248	4,739
Non-controlling interests		5	13
Total		4,253	4,752
Earnings per share	10		
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.

(3) Condensed Consolidated Statements of Comprehensive Income

	Note	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

	Note	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

(4) Condensed Consolidated Statements of Changes in Shareholders' Equity
Six months ended September 30, 2022

	Note	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
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	3	-	-	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	8	-	-	(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

	Note	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
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	8	-	-	(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

(5) Condensed Consolidated Statements of Cash Flows

	Note	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

	Note	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

1. REPORTING ENTITY

Internet Initiative Japan Inc. (“IIJ”) is a company incorporated in Japan. The registered addresses of its headquarters and primary business offices are disclosed on IIJ’s website—URL <https://www.iiij.ad.jp/en/>—. The condensed consolidated financial statements of IIJ for the period ended September 30, 2023 comprise the financial statements of IIJ and its subsidiaries (collectively “the Company”), and the interests in associated companies.

The details of principal businesses and activities of the Company are stated in Note 5. SEGMENTS.

2. BASIS OF PREPARATION

(1) Compliance with IFRS

The consolidated financial statements of the Company have been prepared in accordance with IFRS pursuant to the provision of Article 93 of Regulations for Consolidated Financial Statements, as the Company meets the criteria of a “Designated IFRS Specified Company” defined under Article 1-2 of the regulations.

The condensed interim consolidated financial statements, which do not contain all the information required in annual consolidated financial statements, should be read in conjunction with the annual consolidated financial statements for the previous fiscal year ended March 31, 2023.

(2) Basis of Measurement

The Company's consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments measured at fair value.

(3) Functional Currency and Presentation Currency

The Company's consolidated financial statements are presented in Japanese yen, which is also IIJ’s functional currency, and figures are rounded to the nearest million yen.

3. MATERIAL ACCOUNTING POLICIES

The material accounting policies applied to the condensed consolidated financial statements for the six months ended September 30, 2023 are the same as those applied to the consolidated financial statements for the fiscal year ended March 31, 2023 except as described below. Meanwhile, income taxes for the six months ended September 30, 2023 are calculated based on the estimated annual effective tax rate.

The Company applied IAS 12 “Income Taxes”(revised May 2021) from the first quarter of the current fiscal year.

IFRS		The Overview of New Establishment and Revisions
IAS 12	Income Taxes	Clarify of initial recognition about deferred tax assets and liabilities from same transaction

As a result of the accordance of this standard, 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.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS INVOLVING ESTIMATES

The Company’s condensed consolidated financial statements includes management’s estimates and assumptions, which should affect the measurements of revenues and expenses, assets and liabilities and the disclosure of contingent assets and liabilities at the end of the reporting period.

The estimates and assumptions are based on the best judgement by management considering factors deemed to be reasonable as of the end date of the reporting period according to factors regarding available past and present information, etc. However, amounts based on the estimates and assumptions may, due to the nature, differ from actual results.

Estimates and assumptions on which estimates are based are reviewed on an ongoing basis. The effects arising from revision of estimates are recognized during the period when the estimates are revised and in future periods.

Estimates and judgements with significant effects on the condensed consolidated financial statements for the six months ended September 30, 2023 are same as those on the consolidated financial statements for the year ended March 31, 2023.

5. SEGMENTS

(1) Overview of reportable segments

The reportable segments of the Company are defined as the Company's constituent units for which separated financial information is available and which are regularly reviewed by the President and Representative Director of IIJ, who is the chief decision-maker regarding business operations in order to determine the allocation of resources and evaluate performance. The President and Representative Director of IIJ evaluates the performance of each segment, with operating revenue and operating income as the primary indicator.

The Company defined two reportable segments: "Network service and systems integration business" and "ATM operation business." Network service and systems integration business is provided comprehensively with Network services, which is composed of Internet connectivity services, WAN services, outsourcing services, and systems integration service. ATM operation business constructs and operates ATMs and network systems for them, and receives a commission for each bank withdrawal transaction when a customer uses its serviced ATMs.

(2) Revenue and results of reportable segments

Segment information for the Company is as follows:

For the six months ended September 30, 2022

	Reportable segments		Adjustments	Consolidated
	Network service and systems integration business	ATM operation business		
	Millions of yen	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

(Note) Intersegment transactions are based on market price. Operating income is used as segment operating profit.

For the six months ended September 30, 2023

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

(Note) Intersegment transactions are based on market price. Operating income is used as segment operating profit.

For the three 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	63,051	721	—	63,772
Intersegment transactions	27	—	(27)	—
Total revenue	<u>63,078</u>	<u>721</u>	<u>(27)</u>	<u>63,772</u>
Segment operating profit	<u>5,916</u>	<u>231</u>	<u>—</u>	<u>6,147</u>
Finance income				300
Finance expense				(148)
Share of profit (loss) of investments accounted for using the equity method				(64)
Profit before tax				<u>6,235</u>

(Note) Intersegment transactions are based on market price. Operating income is used as segment operating profit.

For the three months ended September 30, 2023

	Reportable segments			Consolidated
	Network service and systems integration business	ATM operation business	Adjustments	
	Millions of yen	Millions of yen	Millions of yen	
Revenue				
Customers	66,036	742	—	66,778
Intersegment transactions	19	—	(19)	—
Total revenue	66,055	742	(19)	66,778
Segment operating profit	6,793	284	—	7,077
Finance income				271
Finance expense				(157)
Share of profit (loss) of investments accounted for using the equity method				(119)
Profit before tax				7,072

(Note) Intersegment transactions are based on market price. Operating income is used as segment operating profit.

6. OTHER FINANCIAL ASSETS

The components of other financial assets are as follows:

	March 31, 2023	September 30, 2023
	Millions of yen	Millions of yen
Financial assets measured at amortized cost		
Other receivable	753	416
Guarantee deposit	3,574	3,822
Loans receivable	22	27
Other	455	546
Financial instruments measured at fair value through other comprehensive income		
Stock	196	—
Lease receivable	1,555	1,430
Total	<u>6,555</u>	<u>6,241</u>
Current assets	1,918	1,504
Non-current assets	4,637	4,737
Total	<u>6,555</u>	<u>6,241</u>

7. OTHER FINANCIAL LIABILITIES

The components of other financial liabilities are as follows:

	March 31, 2023	September 30, 2023
	Millions of yen	Millions of yen
Financial liabilities measured at amortized cost		
Account payable—non-current (including current portion)	449	5,237
Deposit payable	245	454
Others	49	72
Lease obligations	48,057	44,941
Total	<u>48,800</u>	<u>50,704</u>
Current liabilities	18,105	18,518
Non-current liabilities	30,695	32,186
Total	<u>48,800</u>	<u>50,704</u>

(Note) The Company classified lease arrangements as financial leases when the lessor transfers substantially all the risks and rewards incidental to ownership of an asset to the Company. In this case, the breakdown of lease obligations are as follows:

	March 31, 2023	September 30, 2023
	Millions of yen	Millions of yen
Financial leases	16,447	15,519
Other leases	31,610	29,422

8. DIVIDENDS PAID

Cash dividends paid are as follows:

For the six months ended September 30, 2022

(1) Cash dividends paid.

Resolution date	Total dividends	Dividends per share	Record date	Effective date
	Millions of yen	Yen		
June 28, 2022 Ordinary General Meeting of Shareholders	2,258	25.00	March 31, 2022	June 29, 2022

(2) Cash dividends of which effective date belongs to next quarter.

Resolution date	Total dividends	Dividends per share	Record date	Effective date
	Millions of yen	Yen		
November 7, 2022 Board of Directors meeting	2,643	29.25	September 30, 2022	December 2, 2022

(Note) In accordance with a resolution authorized at a meeting of board of directors on August 5, 2022, IJ conducted a two-for-one stock split of its common stock, with an effective date of October 1, 2022. The dividends per share is before the stock split.

For the six months ended September 30, 2023

(1) Cash dividends paid.

Resolution date	Total dividends	Dividends per share	Record date	Effective date
	Millions of yen	Yen		
June 28, 2023 Ordinary General Meeting of Shareholders	2,644	14.63	March 31, 2023	June 29, 2023

(2) Cash dividends of which effective date belongs to next quarter.

Resolution date	Total dividends	Dividends per share	Record date	Effective date
	Millions of yen	Yen		
November 6, 2023 Board of Directors meeting	3,038	17.18	September 30, 2023	December 8, 2023

9. REVENUE

The Company classifies the revenues into “Network services,” “Systems integration” and “ATM operation” and breaks them down according to the contents of each services. The components of revenues recognized in the contracts with customers are as follows. The revenue provided to the customers based on the lease contract is included below due to the immateriality.

	For the six months ended	For the six months ended
	September 30, 2022	September 30, 2023
	Millions of yen	Millions of yen
Network services	67,707	73,981
Internet connectivity services (enterprise)	19,269	21,966
Wan services	13,516	14,120
Outsourcing services	22,469	25,626
Internet connectivity services (consumer)	12,453	12,269
Systems integration	52,846	52,750
Systems construction	19,549	17,987
Systems operation and maintenance	33,297	34,763
ATM operation business	1,409	1,467
Total	121,962	128,198

	For the three months	For the three months
	ended September 30, 2022	ended September 30, 2023
	Millions of yen	Millions of yen
Network services	34,473	37,627
Internet connectivity services (enterprise)	9,753	11,194
Wan services	6,841	7,065
Outsourcing services	11,525	13,092
Internet connectivity services (consumer)	6,354	6,276
Systems integration	28,578	28,409
Systems construction	11,922	10,745
Systems operation and maintenance	16,656	17,664
ATM operation business	721	742
Total	63,772	66,778

On the reportable segment, Network services and Systems integration are included in “Network service and Systems integration service” and ATM operation business is included in “ATM operation business.”

Revenues by reportable segment is stated in Note 5. SEGMENTS.

10. EARNINGS PER SHARE

Basic earnings per share attributable to owners of the parent and diluted earnings per share attributable to owners of the parent were as follows:

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Numerator :		
Basic earnings attributable to owners of the parent (millions of yen)	8,638	8,322
Earnings adjustment (millions of yen)	—	—
Earnings used to calculate earnings per share — diluted (millions of yen)	8,638	8,322
Denominator :		
Weighted average number of shares — basic (shares)	180,668,564	177,910,757
Dilution arising from stock options (shares)	886,308	922,968
Weighted average number of shares — diluted (shares)	181,554,872	178,833,725
Earnings per share attributable to owners of the parent		
Basic (yen)	47.81	46.78
Diluted (yen)	47.58	46.53

	For the three months ended September 30, 2022	For the three months ended September 30, 2023
Numerator :		
Basic earnings attributable to owners of the parent (millions of yen)	4,248	4,739
Earnings adjustment (millions of yen)	—	—
Earnings used to calculate earnings per share — diluted (millions of yen)	4,248	4,739
Denominator :		
Weighted average number of shares — basic (shares)	180,697,944	176,811,498
Dilution arising from stock options (shares)	892,869	929,202
Weighted average number of shares — diluted (shares)	181,590,813	177,740,700
Earnings per share attributable to owners of the parent		
Basic (yen)	23.51	26.80
Diluted (yen)	23.39	26.66

Stock split

Based on the resolution of the III's board of directors held on August 5, 2022, III conducted a two-for-one stock split of its outstanding shares with a record date of September 30, 2022 and an effective date of October 1, 2022.

In connection with the stock split, the information of per share for the six months ended September 30, 2022, and for the three months ended September 30, 2022 presented in the consolidated financial statements are shown after adjusting for the stock split.

11. FINANCIAL INSTRUMENTS

Fair value of financial instruments

(1) Classification of fair value hierarchy by level

IFRS regulates the three levels of fair value hierarchy and inputs used for the fair value measurement are prioritized according to the observable availability. The contents of each inputs are as follows:

- Level 1: quoted prices in active markets
- Level 2: inputs other than quoted prices included in Level 1 that are observable either directly or indirectly
- Level 3: unobservable inputs

(2) Financial instruments measured at fair value

Measurement methods for major financial instruments measured at fair value are as follows:

Equity securities

Fair values of financial instruments traded in active markets are evaluated at quoted market prices and these instruments are classified as Level 1. Some equity securities are evaluated based on observable market data, and they are classified as Level 2. If market prices or observable market data do not exist, the Company evaluates fair value by using equity interest in net asset which is added appropriated adjustments based on recent available information, and these financial assets are classified as Level 3.

Investment trust and other securities

Financial instruments which do not have observable market data, the Company evaluates fair value by using equity interest in net asset which is added appropriated adjustments based on recent available information, and these financial assets are classified as Level 3.

The Company's assets measured at fair value consistent with the fair value hierarchy were as follows:

March 31, 2023

	Level 1	Level 2	Level 3	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Assets :				
Equity-based financial assets measured at FVTOCI				
Equity securities	7,839	930	1,458	10,227
Financial assets measured at FVTPL				
Investment trust and other securities	—	—	6,946	6,946
Other financial assets	—	173	—	173

September 30, 2023

	Level 1	Level 2	Level 3	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Assets :				
Equity-based financial assets measured at FVTOCI				
Equity securities	11,088	—	1,460	12,468
Financial assets measured at FVTPL				
Investment trust and other securities	—	—	7,656	7,656
Other financial assets	—	178	—	178

Financial instruments classified as Level 3 are mainly composed of non-marketable securities and investment trusts. The valuations of these financial instruments are measured using valuation method with appropriate adjustment to our equity in net assets. The result of the valuations are reviewed and authorized by the appropriate authorized person.

For financial instruments classified as Level 3, significant changes in fair value are not expected if the Company changes the unobservable input to an alternative assumption that can reasonably be considered.

The existence or non-existence of the important transfer between the levels of fair value hierarchy are recognized, assuming that the transfers occurred at the end of each reporting periods.

(3) Changes in financial assets classified as Level 3

Changes in financial assets classified as Level 3 during the six month periods ended September 30, 2022 and 2023 were as follows:

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
	Millions of yen	Millions of yen
Equity securities		
Balance at the beginning of the period	1,645	1,458
Other comprehensive income (Note 1)	(49)	65
Sale	—	(126)
Reclassification (Note 2)	—	63
Balance at the end of period	1,596	1,460
Investment trust and other securities		
Balance at the beginning of the period	6,288	6,946
Profit or loss (Note 3)	1,131	223
Purchase	246	487
Sale	(9)	—
Balance at the end of period	7,656	7,656

(Notes)

- Gain or loss included in other comprehensive income is related to financial assets that are measured at FVTOCI. This gain or loss is included in “Changes in fair value of financial assets measured at FVTOCI.”
- It was the transfer from investments accounted for using the equity method to Equity-based financial assets measured at FVTOCI due to the decrease in the ratio of voting rights held by the Company.
- Gain or loss included in profit or loss are related to financial assets that are measured at FVTPL as of the end of each reporting period. This gain or loss is included in finance income or finance expenses. Gain or loss included in profit or loss are due to changes in unrealized gain or loss on financial assets held at the end of each reporting period.

(4) Financial instruments not measured at fair value

Primary methods of measuring financial instruments not measured at fair value are as follows:

(i) Debt securities and Long-term borrowings

Fair values of debt securities and long-term borrowings are calculated by present value discounted by the expected rates if the Company made borrowings on equal terms for the remaining period.

Since financial assets and financial liabilities classified as current items are settled in a short period of time, the carrying amount is a reasonable approximation of fair value. Regarding non-current items, the fair value of financial assets and financial liabilities other than above is close to their carrying amount.

The Company's financial instruments not measured at fair value consistent with the fair value hierarchy were as follows:

March 31, 2023

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
		Millions of yen	Millions of yen	Millions of yen	Millions of yen
Assets :					
Other financial assets					
Financial assets measured at amortized cost					
Debt securities	2,000	—	1,969	—	1,969
Liabilities :					
Long-term borrowings (including current portion)	5,660	—	5,664	—	5,664

September 30, 2023

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
		Millions of yen	Millions of yen	Millions of yen	Millions of yen
Assets :					
Other financial assets					
Financial assets measured at amortized cost					
Debt securities	2,000	—	1,902	—	1,902
Liabilities :					
Long-term borrowings (including current portion)	4,638	—	4,637	—	4,637

12. CONTINGENT LIABILITIES

The Company is involved in litigation and claims arising in the ordinary course of business. In evaluating matters on an ongoing basis, the Company takes into account estimated amounts accrued on the consolidated balance sheet. The Company believes that exposure to loss does not exist in excess of the amount accrued and the negative adverse outcome of such litigation and claims would not have a significant impact on the consolidated financial position or results of operations. On September 1, 2010, IJ Global Solutions Inc. ("IJ-Global") entered into a Solutions Engagement Agreement with IBM Japan Ltd., IJ-Global's largest sales partner. This agreement, which establishes the basis for a procurement relationship between IJ-Global and IBM Japan, contains indemnification for IJ-Global to perform services, functions, responsibilities and others that were being performed by AT&T Japan. This agreement renews automatically every year. IJ-Global had no obligation for the indemnification as of September 30, 2023. Through the split-up of IBM Japan Ltd. on September 1, 2021, the part of the agreement has been succeeded by Kyndryl Japan KK.

13. SUBSEQUENT EVENTS

Not applicable.

14. AUTHORIZATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were authorized by Eijiro Katsu, Representative Director and President, and Akihisa Watai, Senior Mnaging Director, CFO on November 14, 2023.

2. Other Information

At the Board of Directors meeting on November 6, 2023, an interim dividend of 17.18 yen per share with a record date of September 30, 2023 was resolved. (Total interim dividend is ¥3,038 million. Scheduled date for interim dividend payment: December 8, 2023)

PART 2 Information about Guarantors of the Company

Not applicable.

[English Translation of Independent Auditor's Report on Review of Condensed Quarterly Consolidated Financial Statements Originally Issued in Japanese Language]

Independent Auditor's Report on Review of Condensed Quarterly Consolidated Financial Statements

November 14, 2023

To the Board of Directors of Internet Initiative Japan Inc.

KPMG AZSA LLC
Tokyo Office, Japan
Hidetoshi Fukuda
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Yusuke Matsumoto
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Conclusion

We have reviewed the accompanying condensed quarterly consolidated financial statements of Internet Initiative Japan Inc. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group") provided in the "Financial Information" section in the Company's Quarterly Securities Report, which comprise the condensed quarterly consolidated statement of financial position as at September 30, 2023, the condensed quarterly consolidated statement of profit or loss, the condensed quarterly consolidated statement of comprehensive income, the condensed quarterly consolidated statement of changes in equity, the condensed quarterly consolidated statement of cash flows for the three and six month periods then ended, and notes to the condensed quarterly consolidated financial statements, in accordance with Article 193-2(1) of the the Financial Instruments and Exchange Act of Japan.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed quarterly consolidated financial statements do not present fairly, in all material respects, the financial position of the Group as at September 30, 2023, and its financial performance and cash flows for the three and six month periods then ended, in accordance with IAS 34 "Interim Financial Reporting" pursuant to the Article 93 of the Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements.

Basis for Conclusion

We conducted our review in accordance with quarterly review standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Review of the Condensed Quarterly Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our review of the condensed quarterly consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide

a basis for our conclusion.

Responsibilities of Management, Corporate Auditors and the Board of Corporate Auditors for the Condensed Quarterly Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the condensed quarterly consolidated financial statements in accordance with IAS 34 “Interim Financial Reporting”, and for such internal control as management determines is necessary to enable the preparation of the condensed quarterly consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the condensed quarterly consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with paragraph 4 of IAS 1 “Presentation of Financial Statements” and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors’ performance of their duties including the design, implementation and maintenance of the Group’s financial reporting process.

Auditor’s Responsibilities for the Review of the Condensed Quarterly Consolidated Financial Statements

Our responsibility is to express a conclusion on these condensed quarterly consolidated financial statements based on our review in our report on review of condensed quarterly consolidated financial statements. As part of our review in accordance with quarterly review standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the review. We also:

- Make inquiries, primarily of management and persons responsible for financial and accounting matters, and apply analytical and other review procedures. A quarterly review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in Japan.
- Conclude, based on the evidence obtained, whether nothing has come to our attention that causes us to believe that the condensed quarterly consolidated financial statements do not present fairly in accordance with paragraph 4 of IAS 1 “Presentation of Financial Statements”, if a material uncertainty relating to events or conditions comes to our attention that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report on review of condensed quarterly consolidated financial statements to the related disclosures in the condensed quarterly consolidated financial statements or, if such disclosures are inadequate, to express a qualified conclusion or an adverse conclusion. Our conclusions are based on the evidence obtained up to the date of our report on review of condensed quarterly consolidated financial statements. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether nothing has come to our attention that causes us to believe that the presentation and disclosures in the condensed quarterly consolidated financial statements are not in accordance with IAS 34 “Interim Financial Reporting”, the overall presentation, structure and content of the condensed quarterly consolidated financial statements, including the disclosures, and that nothing has come to our attention that causes us to believe that the condensed quarterly consolidated financial statements do not represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate evidence regarding the financial information of the entities or business

activities within the Group to express a conclusion on the condensed quarterly consolidated financial statements. We are responsible for the direction, supervision and performance of the group review. We remain solely responsible for our review conclusion.

We communicate with corporate auditors and the board of corporate auditors regarding, the planned scope and timing of the review, significant review findings that we identify during our review.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Reader of Independent Auditor's Report on Review of Condensed Quarterly Consolidated Financial Statements:

The Independent Auditor's Report on Review of Condensed Quarterly Consolidated Financial Statements herein is the English translation of the Independent Auditor's Report on Review of Condensed Quarterly Consolidated Financial Statements as required by the Financial Instruments and Exchange Act of Japan.