



Internet Initiative Japan

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

Tokyo, February 7, 2024 - Internet Initiative Japan Inc. (“IIJ”, TSE Prime: 3774) today announced its consolidated financial results for the nine months for the fiscal year ending March 31, 2024 (“1Q-3Q23”, from April 1, 2023 to December 31, 2023) under International Financial Reporting Standards (IFRS).¹

Highlights of Financial Results for 1Q-3Q23				FY23 Targets Full Year
Total revenues	JPY201.1 billion	up	8.5% YoY ²	JPY286.0 billion
Operating profit	JPY20.3 billion	up	7.9% YoY	JPY31.5 billion
Profit before tax	JPY19.6 billion	up	3.3% YoY	JPY30.4 billion
Net profit ³	JPY13.0 billion	up	1.0% YoY	JPY20.7 billion

Overview of 1Q-3Q23 Financial Results and Business Outlook

“IIJ has pursued Internet-technology related network services development and stable network operation for about thirty years. Over this period, the emergence of Internet in Japan has dramatically changed every behavior in society, and Japanese enterprises’ network and systems finally began to evolve after the COVID-19. Accordingly, we are seeing very strong demands from Japanese organizations for re-building their internal networks to be more flexible and multifunctional, and we are capturing these demands by “Service Integration” model which offers our accumulated network services line-up together with systems integration in front. Under such circumstance, we believe that our Internet-related network operation capability would make our competitive advantages more prominent,” said Koichi Suzuki, Founder and Chairman of IIJ.

“In this this nine-month period, our total revenues and operating profit steadily increased, mainly led by the 9.7% YoY growth of enterprise network services revenues⁴. As the demands for large network construction have been continuously strong, we have consecutively acquired large-scale projects with multi-year contracts, including approximately JPY12 billion flag-ship project for a local government in Japan in the first half, and approximately JPY 4 billion network replacement project for an a financial institution and JPY 4 billion services-infrastructure construction project for an enterprise in this third quarter. Our order received and order backlog for systems construction largely increased by 26.9% and 41.6% YoY respectively, although the acquisition of large-scale projects with long duration does not immediately boost our system construction revenues in a short period. The accumulation of these would also bring us more opportunities to offer cross-selling network services. We are very much anticipating consecutive further business scale expansion in the middle to long term with our Service Integration model,” concluded Eijiro Katsu, President of IIJ.

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

² YoY is an abbreviation for year over year change.

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

⁴ Network services revenues exclude mobile services.

1Q-3Q23 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

	1Q-3Q22	1Q-3Q23	YoY Change
	JPY millions	JPY millions	%
Total revenues	185,339	201,098	8.5
Network services	102,744	112,303	9.3
Systems integration (SI)	80,477	86,620	7.6
ATM operation business	2,118	2,175	2.7
Total costs	(143,683)	(155,145)	8.0
Network services	(74,627)	(80,078)	7.3
Systems integration (SI)	(67,835)	(73,874)	8.9
ATM operation business	(1,221)	(1,193)	(2.3)
Total gross profit	41,656	45,953	10.3
Network services	28,117	32,225	14.6
Systems integration (SI)	12,642	12,746	0.8
ATM operation business	897	982	9.5
SG&A, R&D, and other operating income (expenses)	(22,866)	(25,673)	12.3
Operating profit	18,790	20,280	7.9
Profit before tax	19,018	19,645	3.3
Profit for the period attributable to owners of the parent	12,854	12,979	1.0

(Note) Systems integration includes equipment sales.

Segment Results Summary

	1Q-3Q22	1Q-3Q23
	JPY millions	JPY millions
Total revenues	185,339	201,098
Network services and SI business	183,300	198,984
ATM operation business	2,118	2,175
Elimination	(79)	(61)
Operating profit	18,790	20,280
Network services and SI business	18,117	19,489
ATM operation business	693	791
Elimination	(20)	-

1Q-3Q23 Revenues and Income

Revenues

Total revenues were JPY201,098 million, up 8.5% YoY (JPY185,339 million for 1Q-3Q22).

Network services revenue was JPY112,303 million, up 9.3% YoY (JPY102,744 million for 1Q-3Q22).

Revenues for Internet connectivity services for enterprise were JPY33,245 million, up 12.7% YoY from JPY29,504 million for 1Q-3Q22, 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 JPY18,702 million, up 2.0% YoY from JPY18,335 million for 1Q-3Q22, mainly due to an increase in revenues of IIJmio Mobile services.

Revenues for Outsourcing services were JPY39,145 million, up 13.9% YoY from JPY34,359 million for 1Q-3Q22, mainly due to an increase in security-related services revenues.

Revenues for WAN services were JPY21,211 million, up 3.2% YoY from JPY20,546 million for 1Q-3Q22.

Network Services Revenues Breakdown

	1Q-3Q22	1Q-3Q23	YoY Change
	JPY millions	JPY millions	%
Total network services	102,744	112,303	9.3
Internet connectivity services (enterprise)	29,504	33,245	12.7
IP services (including data center connectivity services)	10,862	11,933	9.9
IIJ Mobile Services	15,548	17,918	15.2
Enterprise mobile services (IoT usages etc.)	8,149	10,045	23.3
IIJ Mobile MVNO Platform Service (MVNE)	7,399	7,873	6.4
Others	3,094	3,394	9.7
Internet connectivity services (consumer)	18,335	18,702	2.0
IIJmio Mobile Services	15,941	16,221	1.8
Others	2,394	2,481	3.6
Outsourcing services	34,359	39,145	13.9
WAN services	20,546	21,211	3.2

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

	As of Dec. 31, 2022	As of Dec. 31, 2023	YoY Change
Internet connectivity services (enterprise)	2,867,238	3,497,444	630,206
IP service (greater than or equal to 1Gbps) (Note 2)	1,341	1,385	44
IP service (less than 1Gbps) (Note 2)	1,334	1,411	77
IIJ Mobile Services	2,771,263	3,396,787	625,524
Enterprise mobile services (IoT usages etc.)	1,685,333	2,249,379	564,046
IIJ Mobile MVNO Platform Service (MVNE)	1,085,930	1,147,408	61,478
Others	93,300	97,861	4,561
Internet connectivity services (consumer)	1,538,622	1,575,377	36,755
IIJmio Mobile Services	1,196,683	1,238,625	41,942
Others	341,939	336,752	(5,187)
Total contracted bandwidth (Gbps) (Note 3)	8,727.3	10,339.0	1,611.7

(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 JPY86,620 million, up 7.6% YoY (JPY80,477 million for 1Q-3Q22). Systems construction and equipment sales, a one-time revenue, was JPY33,540 million, up 12.0% YoY (JPY29,936 million for 1Q-3Q22). Systems operation and maintenance revenue, a recurring revenue, was JPY53,080 million, up 5.0% YoY (JPY50,541 million for 1Q-3Q22), mainly due to continued accumulation of systems operation orders.

Orders received for SI, including equipment sales, totaled JPY107,890 million, up 17.3% YoY (JPY91,971 million for 1Q-3Q22); orders received for systems construction and equipment sales were JPY43,390 million, up 26.9% YoY (JPY34,190 million for 1Q-3Q22), and orders received for systems operation and maintenance were JPY 64,500 million, up 11.6% YoY (JPY57,781 million for 1Q-3Q22).

Order backlog for SI, including equipment sales, as of December 31, 2023 amounted to JPY104,027 million, up 23.4% YoY (JPY84,285 million as of December 31, 2022); order backlog for systems construction and equipment sales was JPY23,649 million, up 41.6% YoY (JPY16,705 million as of December 31, 2022) and order backlog for systems operation and maintenance was JPY80,378 million, up 18.9% YoY (JPY67,580 million as of December 31, 2022).

ATM operation business revenues were JPY2,175 million, up 2.7% YoY (JPY2,118 million for 1Q-3Q22).

Cost of sales

Total cost of sales was JPY155,145 million, up 8.0% YoY (JPY143,683 million for 1Q-3Q22).

Cost of network services revenue was JPY80,078 million, up 7.3% YoY (JPY74,627 million for 1Q-3Q22). 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 JPY32,225 million, up 14.6% YoY (JPY28,117 million for 1Q-3Q22), and gross profit ratio was 28.7% (27.4% for 1Q-3Q22).

Cost of SI revenues, including equipment sales was JPY73,874 million, up 8.9% YoY (JPY67,835 million for 1Q-3Q22), mainly due to increases in outsourcing-related costs and purchasing costs. Gross profit was JPY12,746 million, up 0.8% YoY (JPY12,642 million for 1Q-3Q22) and gross profit ratio was 14.7% (15.7% for 1Q-3Q22).

Cost of ATM operation business revenues was JPY1,193 million, down 2.3% YoY (JPY1,221 million for 1Q-3Q22). Gross profit was JPY982 million, up 9.5% YoY (JPY897 million for 1Q-3Q22) and gross profit ratio was 45.1% (42.4% for 1Q-3Q22).

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

Selling, general and administrative expenses, including research and development expenses, totaled JPY25,621 million, up 11.1% YoY (JPY23,064 million for 1Q-3Q22), mainly due to an increase in personnel-related expenses.

Other operating income was JPY98 million (JPY246 million for 1Q-3Q22, including one-time gain on sale of asset).

Other operating expenses was JPY150 million (JPY48 million for 1Q-3Q22).

Operating profit

Operating profit was JPY20,280 million (JPY18,790 million for 1Q-3Q22), up 7.9% YoY.

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

Finance income was JPY491 million, compared to JPY802 million for 1Q-3Q22. It included foreign exchange gain of JPY268 million (gain of JPY323 million for 1Q-3Q22).

Finance expense was JPY704 million, compared to JPY413 million for 1Q-3Q22. It included interest expenses of JPY456 million (JPY400 million for 1Q-3Q22) and loss on financial instruments, mainly related to funds which were impacted by foreign exchange, of JPY212 million (gain of JPY376 million for 1Q-3Q22, a reactionary drop of JPY588 million).

Share of loss of investments accounted for using equity method was JPY422 million (loss of JPY161 million for 1Q-3Q22), mainly due to loss of DeCurret Holdings, Inc. of JPY392 million (loss of JPY274 million for 1Q-3Q22).

Profit before tax

Profit before tax was JPY19,645 million (JPY19,018 million for 1Q-3Q22), up 3.3% YoY.

Profit for the period

Income tax expense was JPY6,508 million (JPY6,049 million for 1Q-3Q22). As a result, profit for the period was JPY13,137 million (JPY12,969 million for 1Q-3Q22), up 1.3% YoY.

Profit for the period attributable to non-controlling interests was JPY158 million (JPY115 million for 1Q-3Q22), mainly related to net income of Trust Networks Inc.

Profit for the period attributable to owners of parent was JPY12,979 million (JPY12,854 million for 1Q-3Q22), up 1.0% YoY.

Financial Position as of December 31, 2023

As of December 31, 2023, the balance of total assets was JPY262,530 million, increased by JPY16,212 million from the balance as of March 31, 2023 of JPY246,318 million.

As of December 31, 2023, the balance of current assets was JPY115,764 million, increased by JPY9,086 million from the balance as of March 31, 2023 of JPY106,678 million. As for the major breakdown of balance and fluctuation of current assets, cash and cash equivalents decreased by JPY1,053 million to JPY41,419 million, trade receivables increased by JPY2,703 million to JPY44,043 million, prepaid expenses increased by JPY4,321 million to JPY19,662 million mainly due to an increase in equipment maintenance costs and project costs for customers and contract assets increased by JPY2,036 million to JPY4,214 million.

As of December 31, 2023, the balance of non-current assets was JPY146,766 million, increased by JPY7,126 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 JPY4,727 million to JPY28,048 million mainly due to purchases related to Shiroy Data Center Campus construction, right-of-use assets, which include right to use leased assets under operating lease contracts such as office and data centers and assets under finance lease contracts such as data communication equipment, decreased by JPY5,887 million to JPY40,788 million mainly due to depreciation, intangible assets increased by JPY743 million to JPY17,359 million, prepaid expenses increased by JPY5,135 million to JPY17,714 million mainly due to an increase in license-related project costs for customers and equipment maintenance costs, and other investments increased by JPY3,123 million to JPY22,273 million mainly due to a change in the market value of available-for-sale-equities held.

As of December 31, 2023, the balance of current liabilities was JPY96,861 million, increased by JPY18,997 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 JPY4,698 million to JPY27,011 million, borrowings increased by JPY13,302 million to JPY30,130 million due to proceeds from short-term borrowings of JPY12,000 million which corresponds to the acquisition of treasury shares, a decrease of JPY2,245 million from repayment of borrowings and an increase of JPY3,542 million mainly owing to a transfer from non-current liabilities, contract liabilities increased by JPY1,825 million to JPY11,994 million and other financial liabilities increased by JPY214 million to JPY18,319 million.

As of December 31, 2023, the balance of non-current liabilities was JPY47,422 million, decreased by JPY1,605 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 JPY3,542 million to JPY60 million mainly due to a transfer to current portion, contract liabilities increased by JPY526 million to JPY7,937 million and other financial liabilities increased by JPY506 million to JPY31,201 million mainly due to an increase of account payable-non-current.

As of December 31, 2023, the balance of total equity attributable to owners of the parent was JPY116,953 million, decreased by JPY1,289 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 December 31, 2023.

1Q-3Q23 Cash Flows

Cash and cash equivalents as of December 31, 2023 were JPY41,419 million (JPY41,327 million as of December 31, 2022).

Net cash provided by operating activities for 1Q-3Q23 was JPY27,587 million (net cash provided by operating activities of JPY27,314 million for 1Q-3Q22). There were profit before tax of JPY19,645 million (JPY19,018 million for 1Q-3Q22), depreciation and amortization of JPY21,929 million (JPY21,254 million for 1Q-3Q22), including JPY8,868 million (JPY8,460 million for 1Q-3Q22) of depreciation of right-of-use operating lease assets under IFRS 16, and income taxes paid of JPY7,897 million (JPY9,871 million for 1Q-3Q22). Regarding changes in working capital, there was net cash out of JPY6,931 million compared to net cash out of JPY2,991 million for 1Q-3Q22, mainly due to an increase in payments of prepaid expenses.

Net cash used in investing activities for 1Q-3Q23 was JPY13,060 million (net cash used in investing activities of JPY13,160 million for 1Q-3Q22), mainly due to payments for purchases of tangible assets, such as Shiroi Data Center Campus construction-related, of JPY8,261 million (JPY9,760 million for 1Q-3Q22) and purchases of intangible assets, such as software, of JPY5,778 million (JPY4,150 million for 1Q-3Q22).

Net cash used in financing activities for 1Q-3Q23 was JPY16,065 million (net cash used in financing activities of JPY20,766 million for 1Q-3Q22), 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 JPY15,053 million (JPY14,396 million for 1Q-3Q22), 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 JPY6,371 million, dividends paid of JPY5,682 million (JPY4,901 million for 1Q-3Q22) and repayments of long-term bank borrowings of JPY2,045 million (JPY1,500 million for 1Q-3Q22).

Future Prospects including FY2023 Financial Targets

As for 1Q-3Q23 consolidated financial results, both consolidated revenues and profits fell short of the initial expectation for 1Q-3Q23 at the beginning of this fiscal year. This was primarily because there was a noticeable deviation of systems integration revenues from budgets mainly due to a tendency of longer project duration as a result of an increase in the number of large-scale projects. The allocation of human resources to large-scale “Service Integration” projects has been one of the factors behind the short-term deviation from the initial expectation but we view that these projects with multi-year contracts would also contribute to the accumulation of network services revenues. Therefore, we are focusing our efforts on them to drive further business expansion in the middle-term. Although this trend is expected to have an impact on the progress toward the FY23 full-year forecasts, the full-year forecasts are largely dependent on the fourth quarter results due to seasonality every year in general, and the variable factors associated with the recording of large-scale network renewal projects on a percentage-of-completion method have increased more than before. Considering these factors, the targets of consolidated financial results and dividends for the fiscal year ending March 31, 2024 remain unchanged.

Presentation

Presentation materials will be posted on our web site (<https://www.ij.ad.jp/en/ir/>) on February 7, 2024.

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.

Condensed Consolidated Statements of Financial Position (Unaudited)

	March 31, 2023	December 31, 2023
	Millions of yen	Millions of yen
Assets		
Current assets		
Cash and cash equivalents	42,472	41,419
Trade receivables	41,340	44,043
Inventories	3,188	3,783
Prepaid expenses	15,341	19,662
Contract assets	2,178	4,214
Other financial assets	1,918	1,529
Other current assets	241	1,114
Total current assets	106,678	115,764
Non-current assets		
Tangible assets	23,321	28,048
Right-of-use assets	46,675	40,788
Goodwill	9,859	10,153
Intangible assets	16,616	17,359
Investments accounted for using equity method	5,785	5,225
Prepaid expenses	12,579	17,714
Contract assets	106	105
Other investments	19,150	22,273
Deferred tax assets	325	206
Other financial assets	4,637	4,640
Other non-current assets	587	255
Total non-current assets	139,640	146,766
Total assets	246,318	262,530

	March 31, 2023	December 31, 2023
	Millions of yen	Millions of yen
Liabilities and Equity		
Liabilities		
Current liabilities		
Trade and other payables	22,313	27,011
Borrowings	16,828	30,130
Income taxes payable	4,034	2,651
Contract liabilities	10,169	11,994
Deferred income	79	66
Other financial liabilities	18,105	18,319
Other current liabilities	6,336	6,690
Total current liabilities	77,864	96,861
Non-current liabilities		
Borrowings	3,602	60
Retirement benefit liabilities	4,513	4,833
Provisions	794	849
Contract liabilities	7,411	7,937
Deferred income	319	275
Deferred tax liabilities	610	1,321
Other financial liabilities	30,695	31,201
Other non-current liabilities	1,083	946
Total non-current liabilities	49,027	47,422
Total liabilities	126,891	144,283
Equity		
Share capital	25,562	25,562
Share premium	36,738	35,685
Retained earnings	51,202	58,700
Other components of equity	6,571	9,033
Treasury shares	(1,831)	(12,027)
Total equity attributable to owners of the parent	118,242	116,953
Non-controlling interests	1,185	1,294
Total equity	119,427	118,247
Total liabilities and equity	246,318	262,530

Condensed Consolidated Statements of Profit or Loss (Unaudited)

	Nine Months Ended December 31, 2022	Nine Months Ended December 31, 2023
	Millions of yen	Millions of yen
Revenues		
Network services	102,744	112,303
Systems integration	80,477	86,620
ATM operation business	2,118	2,175
Total revenues	<u>185,339</u>	<u>201,098</u>
Cost of sales		
Cost of network services	(74,627)	(80,078)
Cost of systems integration	(67,835)	(73,874)
Cost of ATM operation business	(1,221)	(1,193)
Total cost of sales	<u>(143,683)</u>	<u>(155,145)</u>
Gross Profit	41,656	45,953
Selling, general and administrative expenses	(23,064)	(25,621)
Other operating income	246	98
Other operating expenses	(48)	(150)
Operating Profit	<u>18,790</u>	<u>20,280</u>
Finance income	802	491
Finance expenses	(413)	(704)
Share of profit (loss) of investments accounted for using equity method	(161)	(422)
Profit (loss) before tax	<u>19,018</u>	<u>19,645</u>
Income tax expense	(6,049)	(6,508)
Profit (loss) for the period	<u><u>12,969</u></u>	<u><u>13,137</u></u>
Profit (loss) for the period attributable to:		
Owners of the parent	12,854	12,979
Non-controlling interests	115	158
Total	<u><u>12,969</u></u>	<u><u>13,137</u></u>
Earnings per share		
Basic earnings per share (yen)	71.14	73.10
Diluted earnings per share (yen)	70.79	72.72

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

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

Condensed Consolidated Statements of Profit or Loss (Unaudited)

	Three Months Ended December 31, 2022	Three Months Ended December 31, 2023
	Millions of yen	Millions of yen
Revenues		
Network services	35,038	38,322
Systems integration	27,629	33,870
ATM operation business	710	708
Total revenues	<u>63,377</u>	<u>72,900</u>
Cost of sales		
Cost of network services	(24,825)	(27,041)
Cost of systems integration	(22,978)	(28,702)
Cost of ATM operation business	(409)	(393)
Total cost of sales	<u>(48,212)</u>	<u>(56,136)</u>
Gross Profit	15,165	16,764
Selling, general and administrative expenses	(7,556)	(8,580)
Other operating income	25	28
Other operating expenses	(17)	(12)
Operating Profit	<u>7,617</u>	<u>8,200</u>
Finance income	19	47
Finance expenses	(1,393)	(1,004)
Share of profit (loss) of investments accounted for using equity method	(83)	(150)
Profit (loss) before tax	<u>6,160</u>	<u>7,093</u>
Income tax expense	(1,931)	(2,365)
Profit (loss) for the period	<u>4,229</u>	<u>4,728</u>
Profit (loss) for the period attributable to:		
Owners of the parent	4,215	4,657
Non-controlling interests	14	71
Total	<u>4,229</u>	<u>4,728</u>
Earnings per share		
Basic earnings per share (yen)	23.33	26.34
Diluted earnings per share (yen)	23.21	26.20

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

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

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

	Nine Months Ended December 31, 2022	Nine Months Ended December 31, 2023
	Millions of yen	Millions of yen
Profit (loss)	12,969	13,137
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	(274)	2,015
Total items that will not be reclassified to profit or loss	(274)	2,015
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	579	613
Financial assets measured at fair value through other comprehensive income	(3)	—
Share of other comprehensive income of investments accounted for using equity method	44	35
Total of items that may be reclassified to profit or loss	620	648
Total other comprehensive income, net of tax	346	2,663
Other comprehensive income	13,315	15,800
Other comprehensive income attributable to:		
Owners of the parent	13,200	15,642
Non-controlling interest	115	158
Other comprehensive income	13,315	15,800

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

	Three Months Ended December 31, 2022	Three Months Ended December 31, 2023
	Millions of yen	Millions of yen
Profit (loss)	4,229	4,728
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	437	270
Total items that will not be reclassified to profit or loss	437	270
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(433)	(330)
Financial assets measured at fair value through other comprehensive income	(2)	—
Share of other comprehensive income of investments accounted for using equity method	10	0
Total of items that may be reclassified to profit or loss	(425)	(330)
Total other comprehensive income, net of tax	12	(60)
Other comprehensive income	4,241	4,668
Other comprehensive income attributable to:		
Owners of the parent	4,227	4,597
Non-controlling interest	14	71
Other comprehensive income	4,241	4,668

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

Nine months ended December 31, 2022

	Owners of the parent's shareholders' equity						Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Other components of equity	Treasury shares	Total		
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance, April 1, 2022	25,562	36,518	37,024	6,275	(1,851)	103,528	1,093	104,621
Cumulative impact of adopting IAS12	-	-	111	-	-	111	-	111
Restated balance at April 1, 2022	25,562	36,518	37,135	6,275	(1,851)	103,639	1,093	104,732
Comprehensive income								
Profit (loss)	-	-	12,854	-	-	12,854	115	12,969
Other comprehensive income	-	-	-	346	-	346	-	346
Total comprehensive income	-	-	12,854	346	-	13,200	115	13,315
Transactions with owners								
Purchase of treasury shares	-	-	-	-	(0)	(0)	-	(0)
Disposal of treasury shares	-	99	-	-	20	119	-	119
Dividends paid	-	-	(4,901)	-	-	(4,901)	(49)	(4,950)
Stock-based compensation	-	60	-	-	-	60	-	60
Total transactions with owners	-	159	(4,901)	-	20	(4,722)	(49)	(4,771)
Balance, December 31, 2022	25,562	36,677	45,088	6,621	(1,831)	112,117	1,159	113,276

Nine months ended December 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, 2023	25,562	36,738	51,202	6,571	(1,831)	118,242	1,185	119,427
Comprehensive income								
Profit (loss)	-	-	12,979	-	-	12,979	158	13,137
Other comprehensive income	-	-	-	2,663	-	2,663	-	2,663
Total comprehensive income	-	-	12,979	2,663	-	15,642	158	15,800
Transactions with owners								
Purchase of treasury shares	-	-	-	-	(11,405)	(11,405)	-	(11,405)
Disposal of treasury shares	-	17	-	-	80	97	-	97
Cancellation of treasury shares	-	(1,129)	-	-	1,129	-	-	-
Dividends paid	-	-	(5,682)	-	-	(5,682)	(49)	(5,731)
Stock-based compensation	-	59	-	-	-	59	-	59
Transfer from other components of equity to retained earnings	-	-	201	(201)	-	-	-	-
Total transactions with owners	-	(1,053)	(5,481)	(201)	(10,196)	(16,931)	(49)	(16,980)
Balance, December 31, 2023	25,562	35,685	58,700	9,033	(12,027)	116,953	1,294	118,247

Condensed Consolidated Statements of Cash Flows (Unaudited)

	Nine Months Ended December 31, 2022	Nine Months Ended December 31, 2023
	Millions of yen	Millions of yen
Cash flows from operating activities		
Profit (loss) before tax	19,018	19,645
Adjustments		
Depreciation and amortization	21,254	21,929
Loss (gain) on sales/disposals of property and equipment	(143)	53
Shares of loss (profit) of investments accounted for using equity method	161	422
Finance income	(802)	(491)
Finance expenses	413	704
Other	475	310
Changes in working capital		
Decrease (increase) in trade receivables	1,784	(2,495)
Decrease (increase) in inventories	(1,669)	(430)
Decrease (increase) in prepaid expenses	(3,440)	(8,991)
Decrease (increase) in contract assets	(1,426)	(2,035)
Decrease (increase) in other assets	(183)	(861)
Decrease (increase) in other financial assets	(745)	307
Increase (decrease) in trade and other payables	3,516	4,099
Increase (decrease) in contract liabilities	(577)	1,967
Increase (decrease) in deferred income	(1)	22
Increase (decrease) in other liabilities	(1,402)	158
Increase (decrease) in other financial liabilities	969	1,008
Increase (decrease) in retirement benefit liabilities	183	320
Subtotal	37,385	35,641
Interest and dividends received	201	304
Interest paid	(401)	(461)
Income taxes paid	(9,871)	(7,897)
Cash flows from operating activities	27,314	27,587

	Nine Months Ended December 31, 2022	Nine Months Ended December 31, 2023
	Millions of yen	Millions of yen
Cash flows from investing activities		
Purchases of tangible assets	(9,760)	(8,261)
Proceeds from sales of tangible assets	1,216	558
Purchases of intangible assets	(4,150)	(5,778)
Proceeds from sales of intangible assets	-	624
Purchase of a subsidiary	-	(29)
Purchases of other investments	(397)	(685)
Proceeds from sales of other investments	19	429
Payments for leasehold deposits and guarantee deposits	(49)	(348)
Proceeds from collection of leasehold deposits and guarantee deposits	16	91
Payments for refundable insurance policies	(56)	(56)
Proceeds from refundable insurance policies	-	391
Other	1	4
Cash flows from investing activities	<u>(13,160)</u>	<u>(13,060)</u>
Cash flows from financing activities		
Proceeds from long-term borrowings	179	-
Repayment of long-term borrowings	(1,500)	(2,045)
Net increase (decrease) in short-term borrowings	(100)	11,800
Purchase of treasury shares	(0)	(11,405)
Proceeds from other financial liabilities	-	6,371
Payments of other financial liabilities	(14,396)	(15,053)
Dividends paid	(4,901)	(5,682)
Other	(48)	(51)
Cash flows from financing activities	<u>(20,766)</u>	<u>(16,065)</u>
Effect of exchange rate changes on cash and cash equivalents	548	485
Net increase (decrease) in cash and cash equivalents	(6,064)	(1,053)
Cash and cash equivalents, beginning of the period	<u>47,391</u>	<u>42,472</u>
Cash and cash equivalents, end of the period	<u><u>41,327</u></u>	<u><u>41,419</u></u>

Notes to Condensed Consolidated Financial Statements (Unaudited)

Going Concern Assumption

Nothing to be reported.

Changes in Accounting Policies

As a result of the accordance of IAS 12 "Income Taxes"(revised May 2021), the initial recognition that give rise to equal taxable temporary difference and deductible temporary difference at the time of the transaction is clarified. Consequently, deferred tax liabilities and deferred tax assets related to such taxable and deductible temporary 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 nine months ended December 31, 2022. As a result, "Retained earnings" increased by JPY111 million.

Segment Information

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

Segment information for the Company is as follows:

Nine months ended December 31, 2022

	Reportable segments			Consolidated
	Network service and systems integration business	ATM operation business	Adjustments	
	JPY millions	JPY millions	JPY millions	
Revenue				
Customers	183,221	2,118	—	185,339
Intersegment transactions	79	—	(79)	—
Total revenue	183,300	2,118	(79)	185,339
Segment operating profit	18,117	693	(20)	18,790
Finance income				802
Finance expense				(413)
Share of profit (loss) of investments accounted for using the equity method				(161)
Profit before tax				19,018

Nine months ended December 31, 2023

	Reportable segments			Consolidated
	Network service and systems integration business	ATM operation business	Adjustments	
	JPY millions	JPY millions	JPY millions	
Revenue				
Customers	198,923	2,175	—	201,098
Intersegment transactions	61	—	(61)	—
Total revenue	198,984	2,175	(61)	201,098
Segment operating profit	19,489	791	—	20,280
Finance income				491
Finance expense				(704)
Share of profit (loss) of investments accounted for using the equity method				(422)
Profit before tax				19,645

Intersegment transactions are based on market price.

Subsequent Events

Nothing to be reported.

Note: The following information is provided to disclose Internet Initiative Japan Inc. ("IIJ") financial results (unaudited) for the nine months ended December 31, 2023 in the form defined by the Tokyo Stock Exchange.

Consolidated Financial Results for the Nine Months ended December 31, 2023 [Under IFRS]

February 7, 2024

Company name: Internet Initiative Japan Inc.

Exchange listed: Tokyo Stock Exchange

Ticker symbol: 3774

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

Representative: Eijiro Katsu, President and Representative Director

Contact: Akihisa Watai, Senior Managing Director and CFO

TEL: (03) 5205-6500

Scheduled date for filing of quarterly report (*Shihanki-houkokusho*) to Japan's regulatory organization: February 14, 2024

Scheduled date for dividend payment: -

Supplemental material on quarterly results: Yes

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

(Amounts of less than JPY one million are rounded)

1. Consolidated Financial Results for the Nine Months ended December 31, 2023 (April 1, 2023 to December 31, 2023)

(1) Consolidated Results of Operations

(% shown is YoY change)

	Revenues		Operating profit		Profit (loss) before tax		Profit (loss) for the period		Profit (loss) attributable to owners of the parent		Other comprehensive income	
	JPY millions	%	JPY millions	%	JPY millions	%	JPY millions	%	JPY millions	%	JPY millions	%
Nine Months ended December 31, 2023	201,098	8.5	20,280	7.9	19,645	3.3	13,137	1.3	12,979	1.0	15,800	18.7
Nine Months ended December 31, 2022	185,339	11.9	18,790	15.3	19,018	8.1	12,969	11.6	12,854	11.6	13,315	(3.3)

	Basic earnings per share		Diluted earnings per share	
	JPY		JPY	
Nine Months ended December 31, 2023	73.10		72.72	
Nine Months ended December 31, 2022	71.14		70.79	

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

(2) Consolidated Financial Position

	Total assets	Total equity	Total equity attributable to owners of the parent	Ratio of owners' equity to total assets
	JPY millions	JPY millions	JPY millions	%
As of December 31, 2023	262,530	118,247	116,953	44.5
As of March 31, 2023	246,318	119,427	118,242	48.0

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

2. Dividends

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

(Notes)

1. Changes from the latest forecasts disclosed: None

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

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

(% shown is YoY change)

	Revenues		Operating profit		Profit (loss) before tax		Profit (loss) for the year attributable to owners of the parent		Basic earnings per share
	JPY millions	%	JPY millions	%	JPY millions	%	JPY millions	%	JPY
Fiscal Year Ending March 31, 2024	286,000	13.2	31,500	15.7	30,350	11.1	20,720	9.9	116.82

(Notes)

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

* Notes:

(1) Changes in significant subsidiaries: None

(2) Changes in accounting policies and estimate

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

As for the details, please refer to "Changes in Accounting Policies" in Notes to Condensed Consolidated Financial Statements (Unaudited), which is disclosed on page 18 of this earnings release.

(3) Number of shares issued (common stock)

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

As of December 31, 2023: 183,141,100 shares

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

ii. Number of treasury stock:

As of December 31, 2023: 6,329,640 shares

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

iii. Number of weighted average common shares outstanding:

For the Nine months ended December 31, 2023: 177,543,000 shares

For the Nine months ended December 31, 2022: 180,678,380 shares

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

* Status of Audit Procedures

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

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

i) Forward-looking statements

Forward-looking statements disclosed in this document are based on IIJ Group's expectation, estimates, and projections based on information available to IIJ Group as of February 7, 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 "Future Prospects including FY2023 Financial Targets" written on page 8 of this document.

ii) Others

Presentation material will be disclosed on TDnet as well as posted on our website on February 7, 2024.