



Internet Initiative Japan

For Immediate Release
 Internet Initiative Japan Inc.
 E-mail: ir@ij.ad.jp
 Tel: +81-3-5205-6500
 URL: <https://www.ij.ad.jp/en/ir>

**IIJ Announces its First Three Months Results
 for the Fiscal Year Ending March 31, 2025**

Tokyo, August 7, 2024 - Internet Initiative Japan Inc. (“IIJ”, TSE Prime: 3774) today announced its consolidated financial results for the first three months for the fiscal year ending March 31, 2025 (“1Q24”, from April 1, 2024 to June 30, 2024) under International Financial Reporting Standards (IFRS).¹

Highlights of Financial Results for 1Q24

Total revenues	JPY72.0 billion	up	17.3% YoY ²
Operating profit	JPY4.5 billion	down	10.4% YoY
Profit before tax	JPY5.0 billion	down	8.1% YoY
Net profit ³	JPY3.3 billion	down	7.3% YoY

New Financial Targets for FY2024 (Revised on August 7, 2024)

	First Half		Full Year	
Total revenues	JPY147.0 billion	up 14.7% YoY	JPY312.0 billion	up 13.0% YoY
Operating profit	JPY11.6 billion	down 4.0% YoY	JPY32.0 billion	up 10.2% YoY
Profit before tax	JPY11.0 billion	down 12.4% YoY	JPY30.6 billion	up 5.8% YoY
Net profit	JPY7.3 billion	down 12.9% YoY	JPY20.6 billion	up 3.9% YoY
Cash dividend	JPY17.50 per share of common stock		JPY35.00 per share of common stock	

Overview of 1Q24 Financial Results and Business Outlook

“As expected, we started 1Q24 with the high revenue growth of 17.3% YoY, driven by the systems integration revenues expansion of 32.5% YoY with a steady accumulation of monthly recurring network services. We have seen strong demand for network re-construction transactions utilizing Internet technology from various industries. This is expected to continue along with each lifecycle of those institutions’ networks. Accordingly, in this first quarter we consecutively acquired large-scale projects such as an approximately JPY3.0 billion infrastructure construction for a public institution, and JPY2.0 billion system replacement for a university. With regards to the VMware license issue⁴, we are focusing on price pass-through with our cloud and network services at the moment. Considering the current progress, we have revised our FY2024 financial targets from a range format to fixed figures this time. Due to required lead time for price pass-through, the impact for its cost rise would be gradually absorbed quarter by quarter. We had YoY profit decrease in 1Q, but it should turn to YoY increase soon,” said Eijiro Katsu, President of IIJ.

“We recognize that our surrounding business environment is changing and we are entering a further stage of business growth, as we look at the recent demand for large-scale networks implementation. Definitely, Japanese institutions are consistently moving toward Internet-related network and IT utilization along with the new technology adoption. Our long-term strongest value would be an ability to provide stable network operation, and its importance would become more prominent in near future. VMware issue we had this time would be a short-time issue. We had repeatedly overcome each of such obstacle in appropriate ways historically and realized long-term growth. We now anticipate the acceleration of business expansion,” Koichi Suzuki, Founder and Chairman of IIJ.

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

² YoY is an abbreviation for year over year change.

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

⁴ For details, please refer to page 26 of “Presentation Material for Consolidated Financial Results for FY23 and New Mid-term Plan (FY24~FY26)” which was disclosed on May 10, 2024.

1Q24 Financial Results Summary

We provide combined network services and systems integration to customers, and therefore, “Network services and Systems integration (SI) business” is our main reportable segment. Our analysis by service is described below.

Operating Results Summary

	1Q23	1Q24	YoY Change
	JPY millions	JPY millions	%
Total revenues	61,420	72,016	17.3
Network services	36,354	39,058	7.4
Systems integration (SI)	24,341	32,243	32.5
ATM operation business	725	715	(1.4)
Total costs	(47,620)	(57,883)	21.6
Network services	(26,133)	(28,424)	8.8
Systems integration (SI)	(21,085)	(29,069)	37.9
ATM operation business	(402)	(390)	(3.0)
Total gross profit	13,800	14,133	2.4
Network services	10,221	10,634	4.0
Systems integration (SI)	3,256	3,174	(2.5)
ATM operation business	323	325	0.6
SG&A, R&D, and other operating income (expenses)	(8,797)	(9,651)	9.7
Operating profit	5,003	4,482	(10.4)
Profit before tax	5,481	5,039	(8.1)
Profit for the period attributable to owners of the parent	3,583	3,322	(7.3)

(Note) Systems integration includes equipment sales.

Segment Results Summary

	1Q23	1Q24
	JPY millions	JPY millions
Total revenues	61,420	72,016
Network services and SI business	60,716	71,309
ATM operation business	725	715
Elimination	(21)	(8)
Operating profit	5,003	4,482
Network services and SI business	4,750	4,208
ATM operation business	253	274
Elimination	-	-

1Q24 Revenues and Income

Revenues

Total revenues were JPY72,016 million, up 17.3% YoY (JPY61,420 million for 1Q23).

Network services revenue was JPY39,058 million, up 7.4% YoY (JPY36,354 million for 1Q23).

Revenues for Internet connectivity services for enterprise were JPY11,642 million, up 8.1% YoY from JPY10,772 million for 1Q23, mainly due to increases in revenues of enterprise mobile services and IP services.

Revenues for Internet connectivity services for consumers were JPY6,601 million, up 10.1% YoY from JPY5,993 million for 1Q23, mainly due to an increase in IIJmio Mobile services revenues.

Revenues for Outsourcing services were JPY13,981 million, up 11.5% YoY from JPY12,534 million for 1Q23, mainly due to an increase in security-related services revenues.

Revenues for WAN services were JPY6,834 million, down 3.1% YoY from JPY7,055 million for 1Q23.

Network Services Revenues Breakdown

	1Q23	1Q24	YoY Change
	JPY millions	JPY millions	%
Total network services	36,354	39,058	7.4
Internet connectivity services (enterprise)	10,772	11,642	8.1
IP services (including data center connectivity services)	3,908	4,171	6.7
IIJ Mobile Services	5,773	6,304	9.2
Enterprise mobile services (IoT usages etc.)	3,147	3,534	12.3
IIJ Mobile MVNO Platform Service (MVNE)	2,626	2,770	5.5
Others	1,091	1,167	7.0
Internet connectivity services (consumer)	5,993	6,601	10.1
IIJmio Mobile Services	5,170	5,705	10.3
Others	823	896	8.9
Outsourcing services	12,534	13,981	11.5
WAN services	7,055	6,834	(3.1)

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

	As of June 30, 2023	As of June 30, 2024	YoY Change
Internet connectivity services (enterprise)	3,163,457	3,837,309	673,852
IP service (greater than or equal to 1Gbps) (Note 2)	1,369	1,440	71
IP service (less than 1Gbps) (Note 2)	1,390	1,472	82
IIJ Mobile Services	3,066,250	3,734,976	668,726
Enterprise mobile services (IoT usages etc.)	1,951,122	2,553,311	602,189
IIJ Mobile MVNO Platform Service (MVNE)	1,115,128	1,181,665	66,537
Others	94,448	99,421	4,973
Internet connectivity services (consumer)	1,541,272	1,618,937	77,665
IIJmio Mobile Services	1,203,323	1,289,540	86,217
Others	337,949	329,397	(8,552)
Total contracted bandwidth (Gbps) (Note 3)	9,375.7	10,579.8	1,204.1

(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 JPY32,243 million, up 32.5% YoY (JPY24,341 million for 1Q23). Systems construction and equipment sales, a one-time revenue, was JPY12,606 million, up 74.1% YoY (JPY7,242 million for 1Q23). Systems operation and maintenance revenue, a recurring revenue, was JPY19,637 million, up 14.8% YoY (JPY17,099 million for 1Q23), mainly due to continued accumulation of systems operation orders.

Orders received for SI, including equipment sales, totaled JPY40,153 million, up 18.7% YoY (JPY33,830 million for 1Q23); orders received for systems construction and equipment sales were JPY15,135 million, up 7.4% YoY (JPY14,087 million for 1Q23), and orders received for systems operation and maintenance were JPY25,018 million, up 26.7% YoY (JPY19,743 million for 1Q23).

Order backlog for SI, including equipment sales, as of June 30, 2024 amounted to JPY116,803 million, up 26.6% YoY (JPY92,246 million as of June 30, 2023); order backlog for systems construction and equipment sales was JPY26,290 million, up 27.3% YoY (JPY20,644 million as of June 30, 2023) and order backlog for systems operation and maintenance was JPY90,513 million, up 26.4% YoY (JPY71,602 million as of June 30, 2023).

ATM operation business revenues were JPY715 million, down 1.4% YoY (JPY725 million for 1Q23).

Cost of sales

Total cost of sales was JPY57,883 million, up 21.6% YoY (JPY47,620 million for 1Q23).

Cost of network services revenue was JPY28,424 million, up 8.8% YoY (JPY26,133 million for 1Q23), mainly due to increases in license fees. Gross profit was JPY10,634 million, up 4.0% YoY (JPY10,221 million for 1Q23), and gross profit ratio was 27.2% (28.1% for 1Q23).

Cost of SI revenues, including equipment sales was JPY29,069 million, up 37.9% YoY (JPY21,085 million for 1Q23), mainly due to increases in purchasing costs and license fees. Gross profit was JPY3,174 million, down 2.5% YoY (JPY3,256 million for 1Q23) and gross profit ratio was 9.8% (13.4% for 1Q23).

Cost of ATM operation business revenues was JPY390 million, down 3.0% YoY (JPY402 million for 1Q23). Gross profit was JPY325 million, up 0.6% YoY (JPY323 million for 1Q23) and gross profit ratio was 45.5% (44.6% for 1Q23).

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

Selling, general and administrative expenses, including research and development expenses, totaled JPY9,641 million, up 9.6% YoY (JPY8,795 million for 1Q23), mainly due to an increase in personnel-related expenses.

Other operating income was JPY27 million (JPY30 million for 1Q23).

Other operating expenses was JPY37 million (JPY32 million for 1Q23).

Operating profit

Operating profit was JPY4,482 million (JPY5,003 million for 1Q23), down 10.4% YoY.

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

Finance income was JPY929 million, compared to JPY802 million for 1Q23. It included gains on financial instruments, mainly related to funds, of JPY585 million (gain of JPY310 million for 1Q23) and foreign exchange gain of JPY196 million (gain of JPY401 million for 1Q23).

Finance expense was JPY210 million, compared to JPY170 million for 1Q23. It included interest expenses of JPY206 million (JPY143 million for 1Q23).

Share of loss of investments accounted for using equity method was JPY162 million (loss of JPY154 million for 1Q23), mainly due to loss of DeCurret Holdings, Inc. of JPY182 million (loss of JPY125 million for 1Q23).

Profit before tax

Profit before tax was JPY5,039 million (JPY5,481 million for 1Q23), down 8.1% YoY.

Profit for the period

Income tax expense was JPY1,654 million (JPY1,824 million for 1Q23). As a result, profit for the period was JPY3,385 million (JPY3,657 million for 1Q23), down 7.4% YoY.

Profit for the period attributable to non-controlling interests was JPY63 million (JPY74 million for 1Q23), mainly related to net income of Trust Networks Inc.

Profit for the period attributable to owners of parent was JPY3,322 million (JPY3,583 million for 1Q23), down 7.3% YoY.

Other comprehensive income for the period

Other comprehensive income for the period was JPY4,509 million (JPY5,796 million for 1Q23), down 22.2% YoY, mainly due to a reactionary drop relating to the impact of increase in the market value of investment securities and others of JPY410 million (JPY1,441 million for 1Q23).

Other comprehensive income for the period attributable to owners of parent was JPY4,446 million (JPY5,722 million for 1Q23), down 22.3% YoY.

Financial Position as of June 30, 2024

As of June 30, 2024, the balance of total assets was JPY278,941 million, increased by JPY5,228 million from the balance as of March 31, 2024 of JPY273,713 million.

As of June 30, 2024, the balance of current assets was JPY112,424 million, decreased by JPY7,465 million from the balance as of March 31, 2024 of JPY119,889 million. As for the major breakdown of balance and fluctuation of current assets, cash and cash equivalents decreased by JPY15,690 million to JPY29,784 million, trade receivables decreased by JPY2,991 million to JPY42,692 million, prepaid expenses increased by JPY8,687 million to JPY28,771 million mainly due to increases in project costs for customers, license fees, equipment-related costs and bonus, and inventories increased by JPY1,804 million to JPY5,031 million.

As of June 30, 2024, the balance of non-current assets was JPY166,517 million, increased by JPY12,693 million from the balance as of March 31, 2024 of JPY153,824 million. As for the major breakdown of balance and fluctuation of non-current assets, tangible assets increased by JPY2,782 million to JPY31,854 million mainly due to purchases related to Matsue Data Center Park, right-of-use assets, the rights under operating lease contracts such as office and data centers and under finance lease contracts such as data communication equipment, increased by JPY796 million to JPY42,038 million mainly due to acquisition, intangible assets increased by JPY561 million to JPY18,918 million, prepaid expenses increased by JPY6,824 million to JPY26,236 million mainly due to an increase in project costs for customers, license fees and equipment-related costs, and investment securities (equity) increased by JPY698 million to JPY15,261 million.

As of June 30, 2024, the balance of current liabilities was JPY97,593 million, decreased by JPY765 million from the balance as of March 31, 2024 of JPY98,358 million. As for the major breakdown of balance and fluctuation of current liabilities, trade and other payables increased by JPY585 million to JPY26,020 million, borrowings decreased by JPY1,747 million to JPY28,386 million mainly due to a decrease of JPY1,766 million from repayment and an increase of JPY14 million owing to a transfer from non-current liabilities, income taxes payable decreased by JPY3,618 million to JPY1,710 million, contract liabilities increased by JPY2,022 million to JPY14,707 million and other financial liabilities increased by JPY1,515 million to JPY19,550 million.

As of June 30, 2024, the balance of non-current liabilities was JPY52,851 million, increased by JPY4,528 million from the balance as of March 31, 2024 of JPY48,323 million. As for the major breakdown of balance and fluctuation of non-current liabilities, contract liabilities increased by JPY608 million to JPY9,160 million and other financial liabilities increased by JPY2,925 million to JPY34,028 million.

As of June 30, 2024, the balance of total equity attributable to owners of the parent was JPY127,202 million, increased by JPY1,451 million from the balance as of March 31, 2024 of JPY125,751 million. Ratio of owners' equity to total assets was 45.6% as of June 30, 2024.

1Q24 Cash Flows

Cash and cash equivalents as of June 30, 2024 were JPY29,784 million (JPY37,266 million as of June 30, 2023).

Net cash used in operating activities for 1Q24 was JPY2,018 million (net cash provided by operating activities of JPY5,016 million for 1Q23). There were profit before tax of JPY5,039 million (JPY5,481 million for 1Q23), depreciation and amortization of JPY7,599 million (JPY7,285 million for 1Q23), including JPY2,964 million (JPY2,961 million for 1Q23) of depreciation of right-of-use operating lease assets under IFRS 16, and income taxes paid of JPY5,286 million (JPY4,299 million for 1Q23). Regarding changes in working capital, there was net cash out of JPY9,052 million compared to net cash out of JPY3,113 million for 1Q23. As for the major factors for the increase in net cash out in comparison with 1Q23, there were an increase in payments of prepaid expenses and a decrease in collection of trade receivables, which exceeded a decrease in payments of trade and other payables, and others.

Net cash used in investing activities for 1Q24 was JPY7,259 million (net cash used in investing activities of JPY6,366 million for 1Q23), mainly due to payments for purchases of tangible assets, such as assets related to Matsue Data Center Park, of JPY4,220 million (JPY3,670 million for 1Q23) and purchases of intangible assets, such as software, of JPY2,513 million (JPY2,689 million for 1Q23).

Net cash used in financing activities for 1Q24 was JPY6,892 million (net cash used in financing activities of JPY4,535 million for 1Q23), mainly due to payments of other financial liabilities of JPY5,281 million (JPY5,010 million for 1Q23), 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 JPY3,241 million (JPY 3,582 million for 1Q23), dividends paid of JPY3,038 million (JPY2,644 million for 1Q23) and repayments of long-term bank borrowings of JPY1,766 million (JPY1,015 million for 1Q23).

Future Prospects including FY2024 Financial Targets

We have revised FY2024 financial targets and interim and annual dividend forecasts, which were announced on May 10, 2024, mainly considering the progress in price pass-through due to our revised service prices in response to the revision of VMware products' pricing structure. For details, please refer to "Notice regarding the Revisions of Consolidated Financial Targets and Dividend Forecasts" which was announced on August 7, 2024.

Presentation

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

For inquiries, contact:

IJ Investor Relations Tel: +81-3-5205-6500 E-mail: ir@ij.ad.jp URL: <https://www.ij.ad.jp/en/ir>

Disclaimer:

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Condensed Consolidated Statements of Financial Position (Unaudited)

	March 31, 2024	June 30, 2024
	Millions of yen	Millions of yen
Assets		
Current assets		
Cash and cash equivalents	45,474	29,784
Trade receivables	45,683	42,692
Inventories	3,227	5,031
Prepaid expenses	20,084	28,771
Contract assets	3,110	3,658
Other financial assets	1,532	1,277
Other current assets	779	1,211
Total current assets	119,889	112,424
Non-current assets		
Tangible assets	29,072	31,854
Right-of-use assets	41,242	42,038
Goodwill	10,328	10,570
Intangible assets	18,357	18,918
Investments accounted for using equity method	5,169	4,960
Prepaid expenses	19,412	26,236
Contract assets	108	95
Investment securities (Equity)	14,563	15,261
Other investments	9,805	10,838
Deferred tax assets	290	294
Other financial assets	5,210	5,167
Other non-current assets	268	286
Total non-current assets	153,824	166,517
Total assets	273,713	278,941

	March 31, 2024	June 30, 2024
	Millions of yen	Millions of yen
Liabilities and Equity		
Liabilities		
Current liabilities		
Trade and other payables	25,435	26,020
Borrowings	30,133	28,386
Income taxes payable	5,328	1,710
Contract liabilities	12,685	14,707
Deferred income	56	49
Other financial liabilities	18,035	19,550
Other current liabilities	6,686	7,171
Total current liabilities	98,358	97,593
Non-current liabilities		
Borrowings	47	33
Retirement benefit liabilities	4,991	5,127
Provisions	901	1,646
Contract liabilities	8,552	9,160
Deferred income	237	230
Deferred tax liabilities	1,483	1,672
Other financial liabilities	31,103	34,028
Other non-current liabilities	1,009	955
Total non-current liabilities	48,323	52,851
Total liabilities	146,681	150,444
Equity		
Share capital	25,562	25,577
Share premium	35,737	35,708
Retained earnings	65,616	65,900
Other components of equity	10,863	11,987
Treasury shares	(12,027)	(11,970)
Total equity attributable to owners of the parent	125,751	127,202
Non-controlling interests	1,281	1,295
Total equity	127,032	128,497
Total liabilities and equity	273,713	278,941

Condensed Consolidated Statements of Profit or Loss (Unaudited)

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2024
	Millions of yen	Millions of yen
Revenues		
Network services	36,354	39,058
Systems integration	24,341	32,243
ATM operation business	725	715
Total revenues	<u>61,420</u>	<u>72,016</u>
Cost of sales		
Cost of network services	(26,133)	(28,424)
Cost of systems integration	(21,085)	(29,069)
Cost of ATM operation business	(402)	(390)
Total cost of sales	<u>(47,620)</u>	<u>(57,883)</u>
Gross Profit	13,800	14,133
Selling, general and administrative expenses	(8,795)	(9,641)
Other operating income	30	27
Other operating expenses	(32)	(37)
Operating Profit	<u>5,003</u>	<u>4,482</u>
Finance income	802	929
Finance expenses	(170)	(210)
Share of profit (loss) of investments accounted for using equity method	(154)	(162)
Profit (loss) before tax	<u>5,481</u>	<u>5,039</u>
Income tax expense	(1,824)	(1,654)
Profit (loss) for the period	<u><u>3,657</u></u>	<u><u>3,385</u></u>
Profit (loss) for the period attributable to:		
Owners of the parent	3,583	3,322
Non-controlling interests	74	63
Total	<u><u>3,657</u></u>	<u><u>3,385</u></u>
Earnings per share		
Basic earnings per share (yen)	20.01	18.78
Diluted earnings per share (yen)	19.91	18.69

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2024
	Millions of yen	Millions of yen
Profit (loss)	3,657	3,385
Other comprehensive income, net of tax		
Items that will not be reclassified to profit or loss		
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	1,441	410
Total items that will not be reclassified to profit or loss	1,441	410
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	686	702
Share of other comprehensive income of investments accounted for using equity method	12	12
Total of items that may be reclassified to profit or loss	698	714
Total other comprehensive income, net of tax	2,139	1,124
Other comprehensive income	5,796	4,509
Other comprehensive income attributable to:		
Owners of the parent	5,722	4,446
Non-controlling interest	74	63
Other comprehensive income	5,796	4,509

Condensed Consolidated Statements of Changes in Shareholders' Equity (Unaudited)
Three months ended June 30, 2023

	Owners of the parent's shareholders' equity						Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Other components of equity	Treasury shares	Total		
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance, April 1, 2023	25,562	36,738	51,202	6,571	(1,831)	118,242	1,185	119,427
Comprehensive income								
Profit (loss)	-	-	3,583	-	-	3,583	74	3,657
Other comprehensive income	-	-	-	2,139	-	2,139	-	2,139
Total comprehensive income	-	-	3,583	2,139	-	5,722	74	5,796
Transactions with owners								
Purchase of treasury shares	-	-	-	-	(11,405)	(11,405)	-	(11,405)
Disposal of treasury shares	-	(46)	-	-	80	34	-	34
Cancellation of treasury shares	-	(1,129)	-	-	1,129	-	-	-
Dividends paid	-	-	(2,644)	-	-	(2,644)	(49)	(2,693)
Stock-based compensation	-	19	-	-	-	19	-	19
Transfer from other components of equity to retained earnings	-	-	140	(140)	-	-	-	-
Total transactions with owners	-	(1,156)	(2,504)	(140)	(10,196)	(13,996)	(49)	(14,045)
Balance, June 30, 2023	25,562	35,582	52,281	8,570	(12,027)	109,968	1,210	111,178

Three months ended June 30, 2024

	Owners of the parent's shareholders' equity						Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Other components of equity	Treasury shares	Total		
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance, April 1, 2024	25,562	35,737	65,616	10,863	(12,027)	125,751	1,281	127,032
Comprehensive income								
Profit (loss)	-	-	3,322	-	-	3,322	63	3,385
Other comprehensive income	-	-	-	1,124	-	1,124	-	1,124
Total comprehensive income	-	-	3,322	1,124	-	4,446	63	4,509
Transactions with owners								
Issuance of common stock	15	(15)	-	-	-	-	-	-
Disposal of treasury shares	-	(34)	-	-	57	23	-	23
Dividends paid	-	-	(3,038)	-	-	(3,038)	(49)	(3,087)
Stock-based compensation	-	20	-	-	-	20	-	20
Total transactions with owners	15	(29)	(3,038)	-	57	(2,995)	(49)	(3,044)
Balance, June 30, 2024	25,577	35,708	65,900	11,987	(11,970)	127,202	1,295	128,497

Condensed Consolidated Statements of Cash Flows (Unaudited)

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2024
	Millions of yen	Millions of yen
Cash flows from operating activities		
Profit (loss) before tax	5,481	5,039
Adjustments		
Depreciation and amortization	7,285	7,599
Loss (gain) on sales/disposals of property and equipment	21	29
Shares of loss (profit) of investments accounted for using equity method	154	162
Finance income	(802)	(929)
Finance expenses	170	210
Other	78	218
Changes in working capital		
Decrease (increase) in trade receivables	6,907	3,171
Decrease (increase) in inventories	(2,008)	(1,725)
Decrease (increase) in prepaid expenses	(8,488)	(15,185)
Decrease (increase) in contract assets	117	(535)
Decrease (increase) in other assets	18	(423)
Decrease (increase) in other financial assets	125	359
Increase (decrease) in trade and other payables	(2,819)	1,008
Increase (decrease) in contract liabilities	2,021	2,281
Increase (decrease) in deferred income	0	(1)
Increase (decrease) in other liabilities	(408)	1,063
Increase (decrease) in other financial liabilities	1,303	799
Increase (decrease) in retirement benefit liabilities	119	136
Subtotal	9,274	3,276
Interest and dividends received	191	197
Interest paid	(150)	(205)
Income taxes paid	(4,299)	(5,286)
Cash flows from operating activities	5,016	(2,018)

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2024
	Millions of yen	Millions of yen
Cash flows from investing activities		
Purchases of tangible assets	(3,670)	(4,220)
Proceeds from sales of tangible assets	250	169
Purchases of intangible assets	(2,689)	(2,513)
Purchases of investment securities (Equity)	-	(100)
Proceeds from sales of investment securities (Equity)	231	-
Purchases of other investments	(245)	(480)
Payments for leasehold deposits and guarantee deposits	(285)	(78)
Proceeds from collection of leasehold deposits and guarantee deposits	65	6
Payments for refundable insurance policies	(19)	(19)
Other	(4)	(24)
Cash flows from investing activities	<u>(6,366)</u>	<u>(7,259)</u>
Cash flows from financing activities		
Repayment of long-term borrowings	(1,015)	(1,766)
Net increase (decrease) in short-term borrowings	12,000	-
Purchase of treasury shares	(11,405)	-
Proceeds from other financial liabilities	3,582	3,241
Payments of other financial liabilities	(5,010)	(5,281)
Dividends paid	(2,644)	(3,038)
Other	(43)	(48)
Cash flows from financing activities	<u>(4,535)</u>	<u>(6,892)</u>
Effect of exchange rate changes on cash and cash equivalents	679	479
Net increase (decrease) in cash and cash equivalents	(5,206)	(15,690)
Cash and cash equivalents, beginning of the period	<u>42,472</u>	<u>45,474</u>
Cash and cash equivalents, end of the period	<u><u>37,266</u></u>	<u><u>29,784</u></u>

Notes to Condensed Consolidated Financial Statements (Unaudited)

Going Concern Assumption

Nothing to be reported.

Changes in Accounting Policies

The Company has adopted the following standards from the three months ended June 30, 2024.

IFRS		The Overview of New Establishment and Revisions
IAS 7	Statement of Cash Flows	Disclosure requirements to enhance the transparency of supplier finance arrangements
IFRS 7	Financial Instruments: Disclosures	

The adoption of the above standards had no material impact on the condensed interim consolidated financial statements.

Segment Information

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

Segment information for the Company is as follows:

Three months ended June 30, 2023

	Reportable segments			Consolidated
	Network service and systems integration business	ATM operation business	Adjustments	
	JPY millions	JPY millions	JPY millions	
Revenue				
Customers	60,695	725	—	61,420
Intersegment transactions	21	—	(21)	—
Total revenue	60,716	725	(21)	61,420
Segment operating profit	4,750	253	—	5,003
Finance income				802
Finance expense				(170)
Share of profit (loss) of investments accounted for using the equity method				(154)
Profit before tax				5,481

Three months ended June 30, 2024

	Reportable segments			Consolidated
	Network service and systems integration business	ATM operation business	Adjustments	
	JPY millions	JPY millions	JPY millions	
Revenue				
Customers	71,301	715	—	72,016
Intersegment transactions	8	—	(8)	—
Total revenue	71,309	715	(8)	72,016
Segment operating profit	4,208	274	—	4,482
Finance income				929
Finance expense				(210)
Share of profit (loss) of investments accounted for using the equity method				(162)
Profit before tax				5,039

Intersegment transactions are based on market price.

Subsequent Events

Nothing to be reported.

Note: The following information is provided to disclose Internet Initiative Japan Inc. (“IIJ”) financial results (unaudited) for the first three months ended June 30, 2024 (“1Q24”) in the form defined by the Tokyo Stock Exchange.

Consolidated Financial Results for the First Three Months ended June 30, 2024 [Under IFRS]

August 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, Representative Director, President and Executive Officer

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

TEL: +81-3- 5205-6500

Scheduled date for 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 Three Months ended June 30, 2024 (April 1, 2024 to June 30, 2024)

(1) Consolidated Results of Operations

(% shown is YoY change)

	Revenues		Operating profit		Profit (loss) before tax		Profit (loss) for the period		Profit (loss) attributable to owners of the parent		Other comprehensive income	
	JPY millions	%	JPY millions	%	JPY millions	%	JPY millions	%	JPY millions	%	JPY millions	%
Three Months ended June 30, 2024	72,016	17.3	4,482	(10.4)	5,039	(8.1)	3,385	(7.4)	3,322	(7.3)	4,509	(22.2)
Three Months ended June 30, 2023	61,420	5.6	5,003	(0.5)	5,481	(17.2)	3,657	(18.5)	3,583	(18.4)	5,796	36.3

	Basic earnings per share		Diluted earnings per share	
	JPY		JPY	
Three Months ended June 30, 2024	18.78		18.69	
Three Months ended June 30, 2023	20.01		19.91	

(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 June 30, 2024	278,941	128,497	127,202	45.6
As of March 31, 2024	273,713	127,032	125,751	45.9

2. Dividends

	Annual Dividends				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	JPY	JPY	JPY	JPY	JPY
Fiscal Year Ended March 31, 2024	—	17.18	—	17.18	34.36
Fiscal Year Ending March 31, 2025	—				
Fiscal Year Ending March 31, 2025 (forecast)		17.50	—	17.50	35.00

(Note) Changes from the latest forecasts disclosed: Yes

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

(% shown is YoY change)

	Revenues		Operating profit		Profit (loss) before tax		Profit (loss) for the year attributable to owners of the parent		Basic earnings per share
	JPY millions	%	JPY millions	%	JPY millions	%	JPY millions	%	JPY
Interim Period Ending September 30, 2024	147,000	14.7	11,600	(4.0)	11,000	(12.4)	7,250	(12.9)	40.99
Fiscal Year Ending March 31, 2025	312,000	13.0	32,000	10.2	30,600	5.8	20,600	3.9	116.46

(Notes)

1. Changes from the latest forecasts disclosed: Yes
2. As for the details about our financial targets for the fiscal year ending March 31, 2025, please refer to “Future Prospects including FY2024 Financial Targets” which is disclosed on page 8 of this earnings release.

* Notes:

(1) Changes in significant subsidiaries: None

(2) Changes in accounting policies and estimate

- i. Changes in accounting policies required by IFRS: 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 16 of this earnings release.

(3) Number of shares issued (common stock)

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

As of June 30, 2024: 183,184,884 shares

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

ii. Number of treasury stock:

As of June 30, 2024: 6,299,575 shares

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

iii. Number of weighted average common shares outstanding:

For the three months ended June 30, 2024: 176,861,483 shares

For the three months ended June 30, 2023: 179,022,096 shares

* Review of quarterly consolidated financial statements by certified public accountants or auditing firms: None

* 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 August 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 FY2024 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 August 7, 2024.