

(TRANSLATION)

Semiannual Securities Report

(The First Half of the 33rd Business Term)
From April 1, 2024 to September 30, 2024
("1H24")

Internet Initiative Japan Inc.

Note for readers of this English translation

This is an English translation of the Semiannual Securities Report (*Hanki-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 Interim Review by KPMG AZSA LLC, IIJ's accounting auditor, of the condensed consolidated financial statements included in the Japanese original Semiannual 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 Semiannual 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, 2023	Six months ended September 30, 2024	32nd business term ended March 31, 2023
Revenues (millions of yen)	128,198	147,022	276,080
Operating profit (millions of yen)	12,080	11,782	29,029
Profit before tax (millions of yen)	12,552	11,116	28,934
Profit attributable to owners of the parent (millions of yen)	8,322	7,473	19,831
Comprehensive income, attributable to owners of the parent (millions of yen)	11,045	7,866	24,388
Comprehensive income (millions of yen)	11,132	7,940	24,533
Equity attributable to owners of the parent (millions of yen)	115,342	130,698	125,751
Total assets (millions of yen)	259,108	288,774	273,713
Basic earnings per share (yen)	46.78	42.25	111.81
Diluted earnings per share (yen)	46.53	42.03	111.23
Ratio of owners' equity to gross assets (%)	44.5	45.3	45.9
Cash flows from operating activities (millions of yen)	16,051	10,527	40,780
Cash flows from investing activities (millions of yen)	(9,066)	(12,380)	(17,927)
Cash flows from financing activities (millions of yen)	(7,844)	(9,729)	(20,797)
Cash and cash equivalents, at the end of period (millions of yen)	42,587	33,665	45,474

(Notes)

1. As IJ and its subsidiaries (collectively “the Company”) prepare condensed interim consolidated financial statements reports, non-consolidated financial data etc. are not provided.
2. All figures presented above are based on the condensed interim consolidated financial statements or the consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”).

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, 2024 (“1H24”).

There were no material changes with respect to the associated companies during 1H24.

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 semiannual 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 28, 2024.

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

This semiannual securities report contains forward-looking statements that are based on our expectations, assumptions, estimates and projections as of November 14, 2024.

(1) Analysis of Results of Operations

(i) Overview of consolidated business results for 1H24

The Japanese economy gradually recovered during the six months ended September 30, 2024("1H24"), although there was some stagnation. With regard to future prospects, the gradual economic recovery is expected to continue supported by the effects of various policies under conditions of improving employment and income environment. However, we must pay close attention to the impacts of a downturn in overseas economies due to factors such as the effects of continued high interest rates in the United States and Europe, the inflation, the situation in the Middle East, and the effects of fluctuations in financial and capital markets.

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, and an increase in the importance of cybersecurity measures among others. As areas of enterprise networks and systems are gradually shifting from traditional internal networks to diversified ones by utilizing Internet technologies, we expect to increase the importance of reliable networks and stable systems operations.

As for business conditions during 1H24, there has been continuous very strong demand for network renewal and others from enterprises and government agencies, and we have continued to secure orders for large-scale projects. We have recently acquired our first transaction of a new joint banking system platform for Japanese regional banks through collaboration with IBM Japan, Ltd. and MUFG bank, Ltd. ^{(*)4} which amounted to approximately JPY6.0 billion with an eight-year contract. Total revenues for 1H24 increased largely, by 14.7% compared to 1H23, mainly due to high demand for systems integration and robust accumulation of network services revenues. Operating profit for 1H24 decreased due to a negative impact of approximately JPY1.6 billion related to the revision of VMware products' pricing structure. However, it returned to a YoY profit growth in 2Q24, three-month period, with absorbing this impact of approximately JPY0.4 billion (JPY1.2 billion in 1Q24), mainly by price pass-through. In network service revenues excluding mobile-related services^{(*)5}, revenues of IP services^{(*)6}, security-related services and others increased steadily. In mobile-related services, in addition to strong growth in enterprise mobile services such as for IoT^{(*)7} usage, the quarterly growth trend in the number of consumer subscriptions continued. Systems integration revenues grew significantly in YoY comparison, and orders received were at the similar level to 1H23 which included an individual large-scale project. DeCurret DCP Inc.^{(*)8} has started the Japan's first digital currency platform service for DCJPY in August, 2024^{(*)9}, and its parent company, DeCurret Holdings, Inc., raised additional capital of JPY6.35 billion through a third-party allotment of new shares to its business partners^{(*)10}.

Consolidated financial results for 1H24 were as follows. Total revenues were JPY147,022 million (JPY128,198 million for 1H23), up 14.7% YoY. Total cost of sales was JPY116,351 million (JPY99,009 million for 1H23), up 17.5% YoY, and gross profit was JPY30,671 million (JPY29,189 million for 1H23), up 5.1% YoY. The breakdown by services was as follows. Network services revenue was JPY78,946 million (JPY73,981 million for 1H23), up 6.7% YoY, and gross profit for network services was JPY21,673 million (JPY20,944 million for 1H23), up 3.5% YoY. Systems integration revenues, including equipment sales, were JPY66,599 million (JPY52,750 million for 1H23), up 26.3% YoY, and gross profit for Systems integration was JPY8,313 million (JPY7,578 million for 1H23), up 9.7% YoY. Of SI revenues, systems construction revenue was JPY26,888 million (JPY17,987 million for 1H23), up 49.5% YoY, and systems operation and maintenance revenue was JPY39,711 million (JPY34,763 million for 1H23), up 14.2% YoY. ATM operation business revenues were JPY1,477 million (JPY1,467 million for 1H23), up 0.7% YoY, and gross profit for ATM operation business was JPY685 million (JPY667 million

for 1H23), up 2.7% YoY. Net amount of selling, general and administrative expenses, other operating income and expenses were JPY18,889 million (JPY17,109 million for 1H23), up 10.4% YoY. Operating profit was JPY11,782 million (JPY12,080 million for 1H23), down 2.5% YoY. Profit before tax was JPY11,116 million (JPY12,552 million for 1H23), down 11.4% YoY, mainly due to reactionary drops of loss on financial instruments, mainly related to funds which were impacted by foreign exchange, of JPY278 million (gain of JPY323 million for 1H23), and foreign exchange loss of JPY52 million (gain of JPY573 million for 1H23). Profit attributable to owners of the parent for 1H24 was JPY7,473 million (JPY8,322 million for 1H23), down 10.2% 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 For details, please refer to our press release titled “IBM Japan and IJ Form a Strategic Partnership, Begin Provision of a "Distributed System Joint Platform" for Regional Financial Institutions” which was announced on October 1, 2024.
- *5. Mobile-related services : The services refer to IJ Mobile services, which are Enterprise mobile service (IoT usages etc.) and IJ Mobile MVNO platform services, and IJmio Mobile services.
- *6. IP services : IJ's dedicated-type Internet connectivity services, mainly used by corporate users.
- *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 DeCurret Holdings, Inc., an equity method investee of IJ.
- *9 For details, please refer to our press release titled “Digital Assetization of Environmental Value and Launch of Digital Currency DCJPY Settlement Transactions” announced on August 28, 2024.
- *10 For details, please refer to our press release titled “(DeCurret Holdings) Raised a total of 6,349 million yen through a third-party allotment of new shares” announced on September 12, 2024.

(ii) Analysis of Consolidated Results of Operations for the first six months of the 33rd 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

	1H23	1H24	YoY Change
	JPY millions	JPY millions	%
Total revenues	128,198	147,022	14.7
Network services	73,981	78,946	6.7
Systems integration (SI)	52,750	66,599	26.3
ATM operation business	1,467	1,477	0.7
Total costs	(99,009)	(116,351)	17.5
Network services	(53,037)	(57,273)	8.0
Systems integration (SI)	(45,172)	(58,286)	29.0
ATM operation business	(800)	(792)	(1.0)
Total gross profit	29,189	30,671	5.1
Network services	20,944	21,673	3.5
Systems integration (SI)	7,578	8,313	9.7
ATM operation business	667	685	2.7
SG&A, R&D, and other operating income (expenses)	(17,109)	(18,889)	10.4
Operating profit	12,080	11,782	(2.5)
Profit before tax	12,552	11,116	(11.4)
Profit for the period attributable to owners of the parent	8,322	7,473	(10.2)

(Note) Systems integration revenue includes equipment sales.

Segment Results Summary

	1H23	1H24
	JPY millions	JPY millions
Total revenues	128,198	147,022
Network services and SI business	126,771	145,564
ATM operation business	1,467	1,477
Elimination	(40)	(19)
Operating profit	12,080	11,782
Network services and SI business	11,543	11,202
ATM operation business	537	580
Elimination	—	-

i) Revenues

Total revenues were JPY147,022 million, up 14.7% YoY (JPY128,198 million for 1H23).

Network services revenue was JPY78,946 million, up 6.7% YoY (JPY73,981 million for 1H23).

Revenues for Internet connectivity services for enterprise were JPY23,564 million, up 7.3% YoY from JPY21,966 million for 1H23, mainly due to increases in revenues of enterprise mobile services and IP services.

Revenues for Internet connectivity services for consumers were JPY13,201 million, up 7.6% YoY from JPY12,269 million for 1H23, mainly due to an increase in IIJmio Mobile services revenues.

Revenues for Outsourcing services were JPY28,430 million, up 10.9% YoY from JPY25,626 million for 1H23, mainly due to an increase in security-related services revenues.

Revenues for WAN services were JPY13,751 million, down 2.6% YoY from JPY14,120 million for 1H23.

Network Services Revenues Breakdown

	1H23	1H24	YoY Change
	JPY millions	JPY millions	%
Total network services	73,981	78,946	6.7
Internet connectivity services (enterprise)	21,966	23,564	7.3
IP services (including data center connectivity services)	7,893	8,401	6.4
IIJ Mobile services	11,835	12,820	8.3
Enterprise mobile services (IoT usages etc.)	6,586	7,247	10.0
IIJ Mobile MVNO Platform Service (MVNE)	5,249	5,573	6.2
Others	2,238	2,343	4.7
Internet connectivity services (consumer)	12,269	13,201	7.6
IIJmio Mobile Services	10,607	11,440	7.9
Others	1,662	1,761	6.0
Outsourcing services	25,626	28,430	10.9
WAN services	14,120	13,751	(2.6)

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

	As of September 30, 2023	As of September 30, 2024	YoY Change
Internet connectivity services (enterprise)	3,278,337	4,037,736	759,399
IP service (greater than or equal to 1Gbps) (Note 2)	1,368	1,451	83
IP service (less than 1Gbps) (Note 2)	1,416	1,571	155
IIJ Mobile Services	3,178,183	3,933,536	755,353
Enterprise mobile services (IoT usages etc.)	2,038,522	2,723,531	685,009
IIJ Mobile MVNO Platform Service (MVNE)	1,139,661	1,210,005	70,344
Others	97,370	101,178	3,808
Internet connectivity services (consumer)	1,560,307	1,620,948	60,641
IIJmio Mobile Services	1,222,376	1,294,420	72,044
Others	337,931	326,528	(11,403)
Total contracted bandwidth (Gbps) (Note 3)	9,429.3	11,893.6	2,464.3

(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 JPY66,599 million, up 26.3% YoY (JPY52,750 million for 1H23).

Systems construction and equipment sales, a one-time revenue, was JPY26,888 million, up 49.5% YoY (JPY17,987 million for 1H23). Systems operation and maintenance revenue, a recurring revenue, was JPY39,711 million, up 14.2% YoY (JPY34,763 million for 1H23), mainly due to continued accumulation of systems operation orders.

Orders received for SI, including equipment sales, totaled JPY72,972 million, up 1.2% YoY (JPY72,128 million for 1H23), which was at a similar level to 1H23, including an individual large-scale project for Chiba city, of which systems construction and equipment sales, and systems operation and maintenance for JPY5 billion and JPY2 billion respectively; orders received for systems construction and equipment sales were JPY30,279 million, down 0.5% YoY (JPY30,440 million for 1H23), and orders received for systems operation and maintenance were JPY42,693 million, up 2.4% YoY (JPY41,688 million for 1H23).

Order backlog for SI, including equipment sales, as of September 30, 2024 amounted to JPY115,266 million, up 12.9% YoY (JPY102,135 million as of September 30, 2023); order backlog for systems construction and equipment sales was JPY27,152 million, up 3.4% YoY (JPY26,252 million as of September 30, 2023) and order backlog for systems operation and maintenance was JPY88,114 million, up 16.1% YoY (JPY75,883 million as of September 30, 2023).

ATM operation business revenues were JPY1,477 million, up 0.7% YoY (JPY1,467 million for 1H23).

ii) Cost of sales

Total cost of sales was JPY116,351 million, up 17.5% YoY (JPY99,009 million for 1H23).

Cost of network services revenue was JPY57,273 million, up 8.0% YoY (JPY53,037 million for 1H23), mainly due to an increase in license fees. Gross profit was JPY21,673 million, up 3.5% YoY (JPY20,944 million for 1H23), with absorbing the VMware related cost increase due to the revision of its price structure, and gross profit ratio was 27.5% (28.3% for 1H23).

Cost of SI revenues, including equipment sales was JPY58,286 million, up 29.0% YoY (JPY45,172 million for 1H23), mainly due to increases in purchasing costs, outsourcing-related costs and license fees. Gross profit was JPY8,313 million, up 9.7% YoY (JPY7,578 million for 1H23), absorbing the VMware related cost increase due to the revision of its price structure and gross profit ratio was 12.5% (14.4% for 1H23).

Cost of ATM operation business revenues was JPY792 million, down 1.0% YoY (JPY800 million for 1H23). Gross profit was JPY685 million, up 2.7% YoY (JPY667 million for 1H23) and gross profit ratio was 46.4% (45.5% for 1H23).

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

Selling, general and administrative expenses, including research and development expenses, totaled JPY18,923 million, up 11.0% YoY (JPY17,041 million for 1H23), mainly due to an increase in personnel-related expenses.

Other operating income was JPY88 million (JPY70 million for 1H23).

Other operating expenses was JPY54 million (JPY138 million for 1H23).

iv) Operating profit

Operating profit was JPY11,782 million (JPY12,080 million for 1H23), down 2.5% YoY.

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

Finance income was JPY213 million, compared to JPY1,072 million for 1H23. It included dividend income of JPY119 million (JPY74 million for 1H23).

Finance expense was JPY788 million, compared to JPY327 million for 1H23. It included loss on financial instruments, mainly related to funds which were impacted by foreign exchange, of JPY278 million (gain of JPY323 million for 1H23), foreign exchange loss of JPY52 million (gain of JPY573 million for 1H23), and interest expenses of JPY450 million (JPY296 million for 1H23).

Share of loss of investments accounted for using equity method was JPY91 million (loss of JPY273 million for 1H23), mainly due to loss of DeCurret Holdings, Inc. of JPY158 million, which included gain on changes in equity interest of JPY209 million.

vi) Profit before tax

Profit before tax was JPY11,116 million (JPY12,552 million for 1H23), down 11.4% YoY.

vii) Profit for the period

Income tax expense was JPY3,569 million (JPY4,143 million for 1H23). As a result, profit for the period was JPY7,547 million (JPY8,409 million for 1H23), down 10.3% YoY.

Profit for the period attributable to non-controlling interests was JPY74 million (JPY87 million for 1H23), mainly related to net income of Trust Networks Inc.

Profit for the period attributable to owners of parent was JPY7,473 million (JPY8,322 million for 1H23), down 10.2% YoY.

viii) Other comprehensive income for the period

Other comprehensive income for the period was JPY7,940 million (JPY11,132 million for 1H23), down 28.7% YoY, mainly due to a reactionary drop relating to increases in the market value of investment securities and others of JPY637 million (JPY1,745 million for 1H23).

Other comprehensive income for the period attributable to owners of parent was JPY7,866 million (JPY11,045 million for 1H23), down 28.8% YoY.

(2) Financial Position

As of September 30, 2024, the balance of total assets was JPY288,774 million, increased by JPY15,061 million from the balance as of March 31, 2024 of JPY273,713 million.

As of September 30, 2024, the balance of current assets was JPY115,677 million, decreased by JPY4,212 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 JPY11,809 million to JPY33,665 million, trade receivables decreased by JPY2,895 million to JPY42,788 million, prepaid expenses increased by JPY7,508 million to JPY27,592 million mainly due to increases in project costs for customers, license fees and equipment-related costs, and inventories increased by JPY1,739 million to JPY4,966 million.

As of September 30, 2024, the balance of non-current assets was JPY173,097 million, increased by JPY19,273 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 JPY3,947 million to JPY33,019 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 JPY3,059 million to JPY44,301 million mainly due to acquisition, intangible assets increased by JPY1,114 million to JPY19,471 million, prepaid expenses increased by JPY8,163 million to JPY27,575 million mainly due to increases in project costs for customers, license fees and equipment-related costs, and investment securities (equity) increased by JPY1,029 million to JPY15,592 million.

As of September 30, 2024, the balance of current liabilities was JPY100,000 million, increased by JPY1,642 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 JPY297 million to JPY25,732 million, borrowings decreased by JPY1,752 million to JPY28,381 million mainly due to a decrease of JPY1,782 million from repayment and an increase of JPY32 million owing to a transfer from non-current liabilities, income taxes payable decreased by JPY1,689 million to JPY3,639 million, contract liabilities increased by JPY2,794 million to JPY15,479 million and other financial liabilities increased by JPY1,367 million to JPY19,402 million.

As of September 30, 2024, the balance of non-current liabilities was JPY56,770 million, increased by JPY8,447 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 JPY856 million to JPY9,408 million and other financial liabilities increased by JPY6,525 million to JPY37,628 million.

As of September 30, 2024, the balance of total equity attributable to owners of the parent was JPY130,698 million, increased by JPY4,947 million from the balance as of March 31, 2024 of JPY125,751 million. Ratio of owners' equity to total assets was 45.3% as of September 30, 2024.

(3) Cash Flows

Cash and cash equivalents as of September 30, 2024 were JPY33,665 million (JPY42,587 million as of September 30, 2023).

Net cash provided by operating activities for 1H24 was JPY10,527 million (net cash provided by operating activities of JPY16,051 million for 1H23). There were profit before tax of JPY11,116 million (JPY12,552 million for 1H23), depreciation and amortization of JPY15,358 million (JPY14,598 million for 1H23), including JPY5,945 million (JPY5,907 million for 1H23) of depreciation of right-of-use operating lease assets under IFRS 16, and income taxes paid of JPY5,257 million (JPY4,342 million for 1H23). Regarding changes in working capital, there was net cash out of JPY11,402 million compared to net cash out of JPY6,524 million for 1H23, mainly due to an increase in payments of prepaid expenses.

Net cash used in investing activities for 1H24 was JPY12,380 million (net cash used in investing activities of JPY9,066 million for 1H23), mainly due to payments for purchases of tangible assets, such as assets related to Matsue Data Center Park, of JPY6,096 million (JPY5,732 million for 1H23) and purchases of intangible assets, such as software, of JPY4,115 million (JPY3,962 million for 1H23).

Net cash used in financing activities for 1H24 was JPY9,729 million (net cash used in financing activities of JPY7,844 million for 1H23), mainly due to payments of other financial liabilities of JPY10,732 million (JPY9,965 million for 1H23), 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 JPY5,871 million (JPY5,244 million for 1H23), dividends paid of JPY3,038 million (JPY2,644 million for 1H23) and repayments of long-term bank borrowings of JPY1,782 million (JPY1,030 million for 1H23).

(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 1H24.

(5) Research and developments

For 1H24, research and development expenses, which were in relation to network services and systems integration business segment, were JPY306 million, down 4.1% YoY compared to JPY319 million for 1H23.

(6) Number of employees

There were no material changes in the number of employees of the Company or IJJ during 1H24.

(i) Consolidated basis

As of September 30, 2024

Number of Employees	5,176 (72)
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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, 2024

Number of Employees	2,942 (43)
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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	1H24 (Six months ended September 30, 2024)	
	Production (millions of yen)	Year-over-year comparison (%)
Systems Integration, including Equipment Sales	59,556	24.7
Total	59,556	24.7

(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	1H24 (Six months ended September 30, 2024)			
	Orders Received (millions of yen)	Year-over-year comparison (%)	Order Backlog (millions of yen)	Year-over-year comparison (%)
Systems Construction and Equipment Sales	30,279	(0.5)	27,152	3.4
Systems Operation and Maintenance	42,693	2.4	88,114	16.1
Total	72,972	1.2	115,266	12.9

(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	1H24 (Six months ended September 30, 2024)	
	Revenue (millions of yen)	Year-over-year comparison (%)
Network services	78,946	6.7
Internet connectivity services (enterprise)	23,564	7.3
Internet connectivity services (consumer)	13,201	7.6
Outsourcing services	28,430	10.9
WAN services	13,751	(2.6)
Systems integration	66,599	26.3
Systems construction and equipment sales	26,888	49.5
Systems operation and maintenance	39,711	14.2
ATM operation business	1,477	0.7
Total revenues	147,022	14.7

(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 1H24.

3 Material Contracts, etc.

Not applicable.

Item 3. Information on IJ

1 Information on IJ'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, 2024)	Number of shares issued as of the filing date (shares) (November 14, 2024)	Stock exchange on which IJ is listed or authorized financial instruments firms association	Description
Common stock	183,184,884	183,184,884	Tokyo Stock Exchange (the Prime market)	The number of shares constituting a unit is 100.
Total	183,184,884	183,184,884	—	—

(2) Information on Stock Acquisition Rights

(i) Description of Stock Option Plan

Not applicable.

(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 April 1, 2024 to September 30, 2024 (Note)	43,784	183,184,884	14	23,037	15	9,758

(Note) Increased by exercise of stock acquisition rights.

(5) Major Shareholders

As of September 30, 2024

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	11.52
The Master Trust Bank of Japan, Ltd. (Trust account) (Note 2)	8-1 Akasaka 1-chome, Minato-ku, Tokyo	19,118,100	10.81
Custody Bank of Japan, Ltd. (Trust account) (Note 2)	8-12 Harumi 1-chome, Chuo-ku, Tokyo	13,369,600	7.56
NIPPON TELEGRAPH AND TELEPHONE CORPORATION	5-1 Otemachi 1-chome, Chiyoda-ku, Tokyo	12,227,000	6.91
NTT Communications Corporation	3-1 Otemachi 2-chome, Chiyoda-ku, Tokyo	8,160,000	4.61
ITOCHU Techno-Solutions Corporation	1-1 Toranomom 4-chome, Minato-ku, Tokyo	7,808,000	4.41
Koichi Suzuki (Note 3)	Chiyoda-ku, Tokyo	7,413,115	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
STATE STREET BANK AND TRUST COMPANY 505001 (Standing proxy: Mizuho Bank, Ltd. Settlement & Clearing Services Department)	ONE CONGRESS STREET, SUITE 1, BOSTON MASSACHUSETTS, U.S.A (15-1 Konan 2-chome, Minato-ku, Tokyo)	3,012,706	1.75
Total	—	99,917,521	56.48

(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, Representative Director, Chairman and Executive Officer 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 August 9, 2024. According to the filing, Global Alpha owned 11,110,880 shares of common stock of IJ as of August 7, 2024, representing 6.06% of the total number of issued shares at the date. Global Alpha filed a report of substantial shareholding with the Director General of the Kanto Bureau of the Ministry of Finance on October 15, 2024. According to the filing, Global Alpha owned 9,275,988 shares of common stock of IJ as of October 10, 2024, representing 5.06% of the total number of issued shares at the date. 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, 2024, therefore, Global Alpha and their holdings are not included in the above list.
5. There were 6,268,110 shares of treasury stock (3.42% 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, 2024

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: 6,268,100 shares of common stock	—	—
Shares with Full Voting Rights (others)	176,884,100 shares of common stock	1,768,841	—
Shares Representing Less than One Unit (Note)	32,684 shares of common stock	—	—
Number of Issued Shares	183,184,884 shares of common stock	—	—
Total Number of Voting Rights	—	1,768,841	—

(Note) 10 shares of treasury stock held by IJ are included in “Shares Representing Less than One Unit.”

(ii) Treasury Stock

As of September 30, 2024

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	6,268,100	—	6,268,100	3.42
Total	—	6,268,100	—	6,268,100	3.42

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, 2024 (filed on June 28, 2024) to September 30, 2024 (the last day of 1H24).

Item 4. Financial Information

1. Condensed Interim Consolidated Financial Statements

(1) Condensed Interim Consolidated Statements of Financial Position

	Note	March 31, 2024	September 30, 2024
		Millions of yen	Millions of yen
Assets			
Current assets			
Cash and cash equivalents		45,474	33,665
Trade receivables		45,683	42,788
Inventories		3,227	4,966
Prepaid expenses		20,084	27,592
Contract assets		3,110	4,965
Other financial assets	6,11	1,532	1,476
Other current assets		779	225
Total current assets		119,889	115,677
Non-current assets			
Tangible assets		29,072	33,019
Right-of-use assets		41,242	44,301
Goodwill		10,328	10,307
Intangible assets		18,357	19,471
Investments accounted for using equity method		5,169	6,966
Prepaid expenses		19,412	27,575
Contract assets		108	77
Investment securities (Equity)	11	14,563	15,592
Other investments	11	9,805	10,036
Deferred tax assets		290	290
Other financial assets	6,11	5,210	5,160
Other non-current assets		268	303
Total non-current assets		153,824	173,097
Total assets		273,713	288,774

	Note	March 31, 2024	September 30, 2024
		Millions of yen	Millions of yen
Liabilities and Equity			
Liabilities			
Current liabilities			
Trade and other payables		25,435	25,732
Borrowings	11	30,133	28,381
Income taxes payable		5,328	3,639
Provisions		—	183
Contract liabilities		12,685	15,479
Deferred income		56	43
Other financial liabilities	7,11	18,035	19,402
Other current liabilities		6,686	7,141
Total current liabilities		98,358	100,000
Non-current liabilities			
Borrowings	11	47	15
Retirement benefit liabilities		4,991	5,205
Provisions		901	1,530
Contract liabilities		8,552	9,408
Deferred income		237	223
Deferred tax liabilities		1,483	1,769
Other financial liabilities	7,11	31,103	37,628
Other non-current liabilities		1,009	992
Total non-current liabilities		48,323	56,770
Total liabilities		146,681	156,770
Equity			
Share capital		25,562	25,577
Share premium		35,737	35,724
Retained earnings		65,616	70,051
Other components of equity		10,863	11,256
Treasury shares		(12,027)	(11,910)
Total equity attributable to owners of the parent		125,751	130,698
Non-controlling interests		1,281	1,306
Total equity		127,032	132,004
Total liabilities and equity		273,713	288,774

(2) Condensed Interim Consolidated Statements of Profit or Loss

	Note	Six Months Ended September 30, 2023	Six Months Ended September 30, 2024
		Millions of yen	Millions of yen
Revenues			
Network services		73,981	78,946
Systems integration		52,750	66,599
ATM operation business		1,467	1,477
Total revenues	5,9	128,198	147,022
Cost of sales			
Cost of network services		(53,037)	(57,273)
Cost of systems integration		(45,172)	(58,286)
Cost of ATM operation business		(800)	(792)
Total cost of sales		(99,009)	(116,351)
Gross Profit		29,189	30,671
Selling, general and administrative expenses		(17,041)	(18,923)
Other operating income		70	88
Other operating expenses		(138)	(54)
Operating Profit		12,080	11,782
Finance income	11	1,072	213
Finance expenses	11	(327)	(788)
Share of profit (loss) of investments accounted for using equity method		(273)	(91)
Profit (loss) before tax		12,552	11,116
Income tax expense		(4,143)	(3,569)
Profit (loss) for the period		8,409	7,547
Profit (loss) for the period attributable to:			
Owners of the parent		8,322	7,473
Non-controlling interests		87	74
Total		8,409	7,547
Earnings per share	10		
Basic earnings per share (yen)		46.78	42.25
Diluted earnings per share (yen)		46.53	42.03

(3) Condensed Interim Consolidated Statements of Comprehensive Income

	Note	Six Months Ended September 30, 2023	Six Months Ended September 30, 2024
		Millions of yen	Millions of yen
Profit (loss)		8,409	7,547
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		1,745	637
Total items that will not be reclassified to profit or loss		1,745	637
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		943	(266)
Share of other comprehensive income of investments accounted for using equity method		35	22
Total of items that may be reclassified to profit or loss		978	(244)
Total other comprehensive income, net of tax		2,723	393
Other comprehensive income		11,132	7,940
Other comprehensive income attributable to:			
Owners of the parent		11,045	7,866
Non-controlling interest		87	74
Other comprehensive income		11,132	7,940

(4) Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
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	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

Six months ended September 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)	-	-	7,473	-	-	7,473	74	7,547
Other comprehensive income	-	-	-	393	-	393	-	393
Total comprehensive income	-	-	7,473	393	-	7,866	74	7,940
Transactions with owners								
Issuance of common stock	15	(15)	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	(0)	(0)	-	(0)
Disposal of treasury shares	-	(54)	-	-	117	63	-	63
Dividends paid	8	-	(3,038)	-	-	(3,038)	(49)	(3,087)
Stock-based compensation	-	56	-	-	-	56	-	56
Total transactions with owners	15	(13)	(3,038)	-	117	(2,919)	(49)	(2,968)
Balance, September 30, 2024	25,577	35,724	70,051	11,256	(11,910)	130,698	1,306	132,004

(5) Condensed Interim Consolidated Statements of Cash Flows

	Note	Six Months Ended September 30, 2023	Six Months Ended September 30, 2024
		Millions of yen	Millions of yen
Cash flows from operating activities			
Profit (loss) before tax		12,552	11,116
Adjustments			
Depreciation and amortization		14,598	15,358
Loss (gain) on sales/disposals of property and equipment		48	29
Shares of loss (profit) of investments accounted for using equity method		273	91
Finance income		(1,072)	(213)
Finance expenses		327	788
Other		225	232
Changes in working capital			
Decrease (increase) in trade receivables		2,601	2,855
Decrease (increase) in inventories		(2,173)	(1,700)
Decrease (increase) in prepaid expenses		(7,292)	(15,710)
Decrease (increase) in contract assets		(911)	(1,823)
Decrease (increase) in other assets		(479)	547
Decrease (increase) in other financial assets		297	352
Increase (decrease) in trade and other payables		(656)	(855)
Increase (decrease) in contract liabilities		1,583	3,707
Increase (decrease) in deferred income		38	(2)
Increase (decrease) in provisions		-	732
Increase (decrease) in other liabilities		(32)	442
Increase (decrease) in other financial liabilities		278	(161)
Increase (decrease) in retirement benefit liabilities		222	214
Subtotal		20,427	15,999
Interest and dividends received		265	253
Interest paid		(299)	(468)
Income taxes paid		(4,342)	(5,257)
Cash flows from operating activities		16,051	10,527

	Note	Six Months Ended September 30, 2023	Six Months Ended September 30, 2024
		Millions of yen	Millions of yen
Cash flows from investing activities			
Purchases of tangible assets		(5,732)	(6,096)
Proceeds from sales of tangible assets		378	521
Purchases of intangible assets		(3,962)	(4,115)
Proceeds from sales of intangible assets		624	-
Purchase of investments accounted for using equity method		-	(1,925)
Purchases of investment securities (equity)		-	(100)
Proceeds from sales of investment securities (equity)		357	-
Purchases of other investments		(487)	(590)
Payments for leasehold deposits and guarantee deposits		(311)	(155)
Proceeds from collection of leasehold deposits and guarantee deposits		77	97
Payments for refundable insurance policies		(37)	(37)
Other		27	20
Cash flows from investing activities		(9,066)	(12,380)
Cash flows from financing activities			
Repayment of long-term borrowings		(1,030)	(1,782)
Net increase (decrease) in short-term borrowings		12,000	-
Purchase of treasury shares		(11,405)	-
Proceeds from other financial liabilities		5,244	5,871
Payments of other financial liabilities		(9,965)	(10,732)
Dividends paid		(2,644)	(3,038)
Other		(44)	(48)
Cash flows from financing activities		(7,844)	(9,729)
Effect of exchange rate changes on cash and cash equivalents		974	(227)
Net increase (decrease) in cash and cash equivalents		115	(11,809)
Cash and cash equivalents, beginning of the period		42,472	45,474
Cash and cash equivalents, end of the period		42,587	33,665

Notes to Condensed Interim 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.ij.ad.jp/en/>—. The condensed interim consolidated financial statements of IIJ for the period ended September 30, 2024 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 condensed interim consolidated financial statements of the Company have been prepared in accordance with IAS 34 pursuant to the provision of Article 312 of Regulations for Consolidated Financial Statements, as the Company meets the criteria of a “Designated IFRS Specified Company” defined under Article 1-2, Item 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, 2024.

(2) Basis of Measurement

The Company’s condensed interim 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 condensed interim 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 accounting policies applied to the condensed interim consolidated financial statements for the six months ended September 30, 2024 are the same as those applied to the consolidated financial statements for the fiscal year ended March 31, 2024 except as described below. Meanwhile, income taxes for the six months ended September 30, 2024 are calculated based on the estimated annual effective tax rate.

(Changes in accounting policies)

The Company has adopted the following standards from the six months ended September 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.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS INVOLVING ESTIMATES

The Company’s condensed interim 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 interim consolidated financial statements for the six months ended September 30, 2024 are same as those on the consolidated financial statements for the year ended March 31, 2024.

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 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 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, 2023

	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	126,731	1,467	—	128,198
Intersegment transactions	40	—	(40)	—
Total revenue	126,771	1,467	(40)	128,198
Segment operating profit	11,543	537	—	12,080
Finance income				1,072
Finance expense				(327)
Share of profit (loss) of investments accounted for using the equity method				(273)
Profit before tax				12,552

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

For the six months ended September 30, 2024

	Reportable segments			Consolidated
	Network service and systems integration business	ATM operation business	Adjustments	
	Millions of yen	Millions of yen	Millions of yen	
Revenue				
Customers	145,545	1,477	—	147,022
Intersegment transactions	19	—	(19)	—
Total revenue	<u>145,564</u>	<u>1,477</u>	<u>(19)</u>	<u>147,022</u>
Segment operating profit	<u>11,202</u>	<u>580</u>	<u>—</u>	<u>11,782</u>
Finance income				213
Finance expense				(788)
Share of profit (loss) of investments accounted for using the equity method				(91)
Profit before tax				<u>11,116</u>

(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:

	<u>March 31, 2024</u>	<u>September 30, 2024</u>
	Millions of yen	Millions of yen
Financial assets measured at amortized cost		
Other receivable	662	639
Guarantee deposit	4,172	4,237
Loans receivable	29	29
Other	254	235
Lease receivable	1,625	1,496
Total	<u>6,742</u>	<u>6,636</u>
Current assets	1,532	1,476
Non-current assets	5,210	5,160
Total	<u>6,742</u>	<u>6,636</u>

7. OTHER FINANCIAL LIABILITIES

The components of other financial liabilities are as follows:

	<u>March 31, 2024</u>	<u>September 30, 2024</u>
	Millions of yen	Millions of yen
Financial liabilities measured at amortized cost		
Account payable—non-current (including current portion)	5,897	10,769
Deposit payable	439	267
Others	70	80
Lease obligations	42,732	45,914
Total	<u>49,138</u>	<u>57,030</u>
Current liabilities	18,035	19,402
Non-current liabilities	31,103	37,628
Total	<u>49,138</u>	<u>57,030</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:

	<u>March 31, 2024</u>	<u>September 30, 2024</u>
	Millions of yen	Millions of yen
Financial leases	15,750	18,437
Other leases	26,982	27,477

8. DIVIDENDS PAID

Cash dividends paid are as follows:

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 half.

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

For the six months ended September 30, 2024

(1) Cash dividends paid.

Resolution date	Total dividends	Dividends per share	Record date	Effective date
	Millions of yen	Yen		
June 27, 2024 Ordinary General Meeting of Shareholders	3,038	17.18	March 31, 2024	June 28, 2024

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

Resolution date	Total dividends	Dividends per share	Record date	Effective date
	Millions of yen	Yen		
November 8, 2024 Board of Directors meeting	3,096	17.50	September 30, 2024	December 6, 2024

9. REVENUE

The Company classifies the revenues into “Network services”, “Systems integration” and “ATM operation business” 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, 2023	September 30, 2024
	Millions of yen	Millions of yen
Network services	73,981	78,946
Internet connectivity services (enterprise)	21,966	23,564
Wan services	14,120	13,751
Outsourcing services	25,626	28,430
Internet connectivity services (consumer)	12,269	13,201
Systems integration	52,750	66,599
Systems construction	17,987	26,888
Systems operation and maintenance	34,763	39,711
ATM operation business	1,467	1,477
Total	128,198	147,022

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, 2023	For the six months ended September 30, 2024
Numerator :		
Basic earnings attributable to owners of the parent (millions of yen)	8,322	7,473
Earnings adjustment (millions of yen)	—	—
Earnings used to calculate earnings per share — diluted (millions of yen)	8,322	7,473
Denominator :		
Weighted average number of shares — basic (shares)	177,910,757	176,886,357
Dilution arising from stock options (shares)	922,968	911,296
Weighted average number of shares — diluted (shares)	178,833,725	177,797,653
Earnings per share attributable to owners of the parent		
Basic (yen)	46.78	42.25
Diluted (yen)	46.53	42.03

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. If market prices 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, 2024

	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	13,059	—	1,504	14,563
Financial assets measured at FVTPL				
Investment trust and other securities	—	—	7,619	7,619
Other financial assets	—	186	—	186

September 30, 2024

	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	14,097	—	1,495	15,592
Financial assets measured at FVTPL				
Investment trust and other securities	—	—	7,846	7,846
Other financial assets	—	190	—	190

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 is 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 months ended September 30, 2023 and 2024 were as follows:

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
	Millions of yen	Millions of yen
Equity securities		
Balance at the beginning of the period	1,458	1,504
Other comprehensive income (Note 1)	65	(109)
Purchase	—	100
Sale	(126)	—
Reclassification (Note 2)	63	—
Balance at the end of period	1,460	1,495
Investment trust and other securities		
Balance at the beginning of the period	6,946	7,619
Profit or loss (Note 3)	223	(363)
Purchase	487	590
Balance at the end of period	7,656	7,846

(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, 2024

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
	Millions of yen	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	—	1,911	—	1,911
Liabilities :					
Long-term borrowings (including current portion)	3,610	—	3,610	—	3,610

September 30, 2024

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
	Millions of yen	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	—	1,894	—	1,894
Liabilities :					
Long-term borrowings (including current portion)	1,827	—	1,827	—	1,827

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 condensed interim 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, 2024. 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 INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The condensed interim consolidated financial statements were authorized by Eijiro Katsu, Representative Director, President and Executive Officer, and Akihisa Watai, Member of the Board, Senior Managing Executive Officer and CFO on November 14, 2024.

2. Other Information

At the Board of Directors meeting on November 8, 2024, an interim dividend of 17.50 yen per share with a record date of September 30, 2024 was resolved. (Total interim dividend is ¥3,096 million yen. Scheduled date for interim dividend payment: December 6, 2024)

PART 2 Information about Guarantors of the Company

Not applicable.

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

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

November 14, 2024

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 interim 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 Semiannual Securities Report, which comprise the condensed interim consolidated statement of financial position as at September 30, 2024, the condensed interim consolidated statement of profit or loss, the condensed interim consolidated statement of comprehensive income, the condensed interim consolidated statement of changes in shareholders' equity, the condensed interim consolidated statement of cash flows for the six-month periods then ended, and notes to the condensed interim 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 interim consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2024, and its consolidated financial performance and its consolidated cash flows for the six-month periods then ended in accordance with IAS 34, 'Interim Financial Reporting' pursuant to the Article 312 of the Ordinance on Terminology, Forms and Preparation Methods of Interim Consolidated Financial Statements.

Basis for Conclusion

We conducted our review in accordance with interim 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 Interim 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 interim 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 Interim Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the condensed interim 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 interim consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the condensed interim 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 with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Review of the Condensed Interim Consolidated Financial Statements

Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review in our report on the review of condensed interim consolidated financial statements. As part of our review in accordance with interim 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. An interim 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, that nothing has come to our attention that causes us to believe that the condensed interim 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 the review of condensed interim consolidated financial statements to the related disclosures in the condensed interim 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 the review of condensed interim consolidated financial statements; however, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate that nothing has come to our attention that causes us to believe that the presentation and disclosures in the condensed interim consolidated financial statements are not in accordance with IAS 34 "Interim Financial Reporting", the overall presentation, structure and content of the condensed interim consolidated financial statements, including the disclosures, and that nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements do not represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the condensed interim consolidated financial statements. We are responsible for the direction,

supervision and review of the audit work performed for the purpose of the group audit. 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 Interim Consolidated Financial Statements:

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