

(TRANSLATION)

# Quarterly Securities Report

(The Third Quarter of the 32<sup>nd</sup> Business Term)  
From October 1, 2023 to December 31, 2023 (“3Q23”)

## Internet Initiative Japan Inc.

**Note for readers of this English translation**

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

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

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**【Cover】**

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## PART 1 Information on the Company

### Item 1. Overview of the Company

#### 1 Selected Financial Data

Fiscal year	IFRS		
	Nine months ended December 31, 2022	Nine months ended December 31, 2023	31st business term ended March 31, 2023
Revenues (Three months ended December 31)	(millions of yen) 185,339 (63,377)	201,098 (72,900)	252,708
Operating profit	(millions of yen) 18,790	20,280	27,221
Profit before tax	(millions of yen) 19,018	19,645	27,309
Profit attributable to owners of the parent (Three months ended December 31)	(millions of yen) 12,854 (4,215)	12,979 (4,657)	18,852
Comprehensive income, attributable to owners of the parent	(millions of yen) 13,200	15,642	19,264
Comprehensive income	(millions of yen) 13,315	15,800	19,405
Equity attributable to owners of the parent	(millions of yen) 112,006	116,953	118,242
Total assets	(millions of yen) 234,858	262,530	246,318
Basic earnings per share (Three months ended December 31)	(yen) 71.14 (23.33)	73.10 (26.34)	104.34
Diluted earnings per share	(yen) 70.79	72.72	103.82
Ratio of owners' equity to gross assets	(%) 47.7	44.5	48.0
Cash flows from operating activities	(millions of yen) 27,314	27,587	38,529
Cash flows from investing activities	(millions of yen) (13,160)	(13,060)	(18,386)
Cash flows from financing activities	(millions of yen) (20,766)	(16,065)	(25,731)
Cash and cash equivalents, at the end of period	(millions of yen) 41,327	41,419	42,472

(Notes)

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

#### 2 Description of Business

There were no material changes to the business of the Company or its equity method investees during the nine months ended December 31, 2023 ("1Q-3Q23").

There were no material changes with respect to the associated companies during the 1Q-3Q23.

## Item 2. Business Overview

### 1 Risk Factors

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

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

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

#### (1) Analysis of Results of Operations

##### (i) Overview of consolidated business results for 1Q-3Q23

The Japanese economy gradually recovered during 1Q-3Q23, although there was some stagnation. With regard to future prospects, while the gradual economic recovery is expected to continue supported by the effect of various policies, we must pay close attention to the impacts of the inflation, fluctuations in interest rates and foreign exchange by global monetary tightening and others.

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

Regarding our business overview for 1Q-3Q23, there were continuous strong demands for internal and external network constructions by enterprises and government agencies, and we focus on these demands by "Service Integration" model which offers our accumulated network services line-up together with systems integration in front. We have acquired an approximately JPY4.0 billion service infrastructure construction and operation project for an enterprise and approximately JPY4.0 billion large-scale network renewal project for a prominent financial institution both with multi-year contracts in 3Q23, following the acquisition of an approximately JPY12.3 billion network construction project for a public institution with a multi-year contract in the first half. By sales category, network service revenues which exclude mobile-related services<sup>(\*)4</sup> steadily increased by 9.7% YoY mainly due to the continuous favorable demands for IP services<sup>(\*)5</sup>, security-related services, WAN services<sup>(\*)6</sup> and others. Mobile-related services revenues increased by 8.4% YoY because there were a strong revenue growth in enterprise mobile services such as IoT<sup>(\*)7</sup> usage and an increase in IIJ Mobile MVNO Platform Services revenue. As for systems integration, systems construction and equipment sales increased by 12.0% YoY mainly because the sale of an approximately JPY2.8 billion overseas data center construction project, which was pushed from the first half, was recorded although there has been a tendency of longer project duration as a result of an increase in the number of largescale projects, and systems operation and maintenance revenue increased by 5.0% YoY. As the business circumstance for orders continued to be favorable, orders received and order backlog for systems construction increased by 26.9% and 41.6% YoY respectively, and orders received and order backlog for systems operation and maintenance increased by 11.6% and 18.9% YoY respectively.

Consolidated financial results for 1Q-3Q23 were as follows. Total revenues were JPY201,098 million (JPY185,339 million for 1Q-3Q22), up 8.5% YoY. Total cost of sales was JPY155,145 million (JPY143,683 million for 1Q-3Q22), up 8.0% YoY and gross profit was JPY45,953 million (JPY41,656 million for 1Q-3Q22), up 10.3% YoY. The breakdown by services was as follows. Network services revenue was JPY112,303 million (JPY102,744 million for 1Q-3Q22), up 9.3% YoY and gross profit for network services was JPY32,225 million (JPY28,117 million for 1Q-3Q22), up 14.6% YoY. As for the cost of network services, there was one-time cost reimbursement, which was related to a mobile unit charge<sup>(\*)8</sup> by NTT DOCOMO, INC., of over JPY0.1 billion in 3Q23 (a similar impact of over JPY0.5 billion in 3Q22) as FY2022 mobile unit charge was fixed based on its actual results for the corresponding period. Systems integration revenues, including equipment sales, were JPY86,620 million (JPY80,477 million for 1Q-3Q22), up 7.6% YoY, of which systems construction revenue was JPY33,540 million (JPY29,936 million for 1Q-3Q22) and systems operation and maintenance revenue was JPY53,080 million (JPY50,541 million

for 1Q-3Q22), and gross profit for systems integration was JPY12,746 million (JPY12,642 million for 1Q-3Q22), up 0.8% YoY. ATM operation business revenues were JPY2,175 million (JPY2,118 million for 1Q-3Q22), up 2.7% YoY and gross profit for ATM operation business was JPY982 million (JPY897 million for 1Q-3Q22), up 9.5% YoY. Net amount of selling, general and administrative expenses, other operating income and expenses were JPY25,673 million (JPY22,866 million for 1Q-3Q22), up 12.3% YoY. Operating profit was JPY20,280 million (JPY18,790 million for 1Q-3Q22), up 7.9% YoY. Profit before tax was JPY19,645 million (JPY19,018 million for 1Q-3Q22), up 3.3% YoY although there was a reactionary drop of JPY588 million due to loss on financial instruments, mainly related to funds which were impacted by foreign exchange. Profit attributable to owners of the parent for 1Q-3Q23 was JPY12,979 million (JPY12,854 million for 1Q-3Q22), up 1.0% YoY.

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Glossary:

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

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

We have omitted segment analysis because most of our revenues are dominated by network services and systems integration (SI) business.

**Operating Results Summary**

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

(Note) Systems integration revenue includes equipment sales revenue.

**Segment Results Summary**

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

i) Revenues

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

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

Revenues for Internet connectivity services for enterprise were JPY33,245 million, up 12.7% YoY from JPY29,504 million for 1Q-3Q22, mainly due to an increase in revenues of enterprise mobile services, IP services and IIJ Mobile MVNO Platform service.

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

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

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

### Network Services Revenues Breakdown

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

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

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

(Notes)

- Numbers in the table above show number of contracts except for "IIJ Mobile Services (enterprise)" and "IIJmio Mobile Services" which show number of subscriptions.
- The numbers of IP service contracts include the numbers of IIJ data center connectivity service contracts.
- Total contracted bandwidth is calculated by multiplying number of contracts under "Internet connectivity services (enterprise)" except for "IIJ Mobile Services" and the contracted bandwidths of the services respectively.



SI revenues, including equipment sales, were JPY86,620 million, up 7.6% YoY (JPY80,477 million for 1Q-3Q22).

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

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

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

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

ii) Cost of sales

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

Cost of network services revenue was JPY80,078 million, up 7.3% YoY (JPY74,627 million for 1Q-3Q22). There were an increase in security related services' license fees and one-time cost reimbursement, which was related to a mobile unit charge by NTT DOCOMO, INC., of over JPY0.1 billion in 3Q23 (a similar impact of over JPY0.5 billion in 3Q22) as FY2022 mobile unit charge was fixed based on its actual results for the corresponding period. Gross profit was JPY32,225 million, up 14.6% YoY (JPY28,117 million for 1Q-3Q22), and gross profit ratio was 28.7% (27.4% for 1Q-3Q22).

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

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

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

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

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

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

iv) Operating profit

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

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

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

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

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

vi) Profit before tax

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

vii) Profit for the period

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

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

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

## (2) Financial Position

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

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

As of December 31, 2023, the balance of non-current assets was JPY146,766 million, increased by JPY7,126 million from the balance as of March 31, 2023 of JPY139,640 million. As for the major breakdown of balance and fluctuation of non-current assets, tangible assets increased by JPY4,727 million to JPY28,048 million mainly due to purchases related to Shiroi Data Center Campus construction, right-of-use assets, which include right to use leased assets under operating lease contracts such as office and data centers and assets under finance lease contracts such as data communication equipment, decreased by JPY5,887 million to JPY40,788 million mainly due to depreciation, intangible assets increased by JPY743 million to JPY17,359 million, prepaid expenses increased by JPY5,135 million to JPY17,714 million mainly due to an increase in license-related project costs for customers and equipment maintenance costs, and other investments increased by JPY3,123 million to JPY22,273 million mainly due to a change in the market value of available-for-sale-equities held.

As of December 31, 2023, the balance of current liabilities was JPY96,861 million, increased by JPY18,997 million from the balance as of March 31, 2023 of JPY77,864 million. As for the major breakdown of balance and fluctuation of current liabilities, trade and other payables increased by JPY4,698 million to JPY27,011 million, borrowings increased by JPY13,302 million to JPY30,130 million due to proceeds from short-term borrowings of JPY12,000 million which corresponds to the acquisition of treasury shares, a decrease of JPY2,245 million from repayment of borrowings and an increase of JPY3,542 million mainly owing to a transfer from non-current liabilities, contract liabilities increased by JPY1,825 million to JPY11,994 million and other financial liabilities increased by JPY214 million to JPY18,319 million.

As of December 31, 2023, the balance of non-current liabilities was JPY47,422 million, decreased by JPY1,605 million from the balance as of March 31, 2023 of JPY49,027 million. As for the major breakdown of balance and fluctuation of non-current liabilities, long-term borrowings decreased by JPY3,542 million to JPY60 million mainly due to a transfer to current portion, contract liabilities increased by JPY526 million to JPY7,937 million and other financial liabilities increased by JPY506 million to JPY31,201 million mainly due to an increase of account payable-non-current.

As of December 31, 2023, the balance of total equity attributable to owners of the parent was JPY116,953 million, decreased by JPY1,289 million from the balance as of March 31, 2023 of JPY118,242 million, mainly due to a decrease by the acquisition of treasury shares of JPY11,405 million. Ratio of owners' equity to total assets was 44.5% as of December 31, 2023.

### **(3) Cash Flows**

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

#### **Cash Flows provided by Operating Activities**

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

#### **Cash Flows used in Investing Activities**

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

#### **Cash Flows used in Financing Activities**

Net cash used in financing activities for 1Q-3Q23 was JPY16,065 million (net cash used in financing activities of JPY20,766 million for 1Q-3Q22), mainly due to a net increase in short-term borrowings of JPY11,800 million, payments for acquisition of treasury shares of JPY11,405 million, payments of other financial liabilities of JPY15,053 million (JPY14,396 million for 1Q-3Q22), which included payments under operating lease contracts such as office rent and finance lease contracts such as network equipment, proceeds from other financial liabilities of JPY6,371 million, dividends paid of JPY5,682 million (JPY4,901 million for 1Q-3Q22) and repayments of long-term bank borrowings of JPY2,045 million (JPY1,500 million for 1Q-3Q22).

**(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 1Q-3Q23.

**(5) Research and developments**

For 1Q-3Q23, research and development expenses, which were in relation to network services and systems integration business segment, were JPY478 million (JPY373 million for 1Q-3Q22), up 28.2% YoY.

**(6) Number of employees**

There were no material changes in the number of employees of the Company or IJJ during 1Q-3Q23.

**(i) Consolidated basis**

As of December 31, 2023

Number of Employees	4,791(63)
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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 December 31, 2023

Number of Employees	2,664 (36)
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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	1Q-3Q23 (Nine months ended December 31, 2023)	
	Production (millions of yen)	Year-over-year comparison (%)
Systems Integration, including Equipment Sales	74,778	9.2
Total	74,778	9.2

(Note)

1. Percentages of year-over-year comparison indicate year-over-year rate of change
2. 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	1Q-3Q22 (Nine months ended December 31, 2023)			
	Orders Received (millions of yen)	Year-over-year comparison (%)	Order Backlog (millions of yen)	Year-over-year comparison (%)
Systems Construction and Equipment Sales	43,390	26.9	23,649	41.6
Systems Operation and Maintenance	64,500	11.6	80,378	18.9
Total	107,890	17.3	104,027	23.4

(Note)

1. Percentages of year-over-year comparison indicate year-over-year rate of change
2. 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	1Q-3Q23 (Nine months ended December 31, 2023)	
	Revenue (millions of yen)	Year-over-year comparison (%)
Network services	112,303	9.3
Internet connectivity services (enterprise)	33,245	12.7
Internet connectivity services (consumer)	18,702	2.0
Outsourcing services	39,145	13.9
WAN services	21,211	3.2
Systems integration	86,620	7.6
Systems construction and equipment sales	33,540	12.0
Systems operation and maintenance	53,080	5.0
ATM operation business	2,175	2.7
Total revenues	201,098	8.5

(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 1Q-3Q23.

## 3 Material Contracts, etc.

Not applicable.

### Item 3. Information on IIJ

#### 1 Information on IIJ'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) (December 31, 2023)	Number of shares issued as of the filing date (shares) (February 14, 2024)	Stock exchange on which IIJ is listed or authorized financial instruments firms association	Description
Common stock	183,141,100	183,141,100	Tokyo Stock Exchange (the Prime market)	The number of shares constituting a unit is 100.
Total	183,141,100	183,141,100	—	—

##### (2) Information on Stock Acquisition Rights

###### (i) Description of Stock Option Plan

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 October 1, 2023 to December 31, 2023	—	183,141,100	—	23,023	—	9,743

## (5) Major Shareholders

Not applicable for the third quarter of the 32nd business term.

## (6) Information on Voting Rights

All details provided in this section “(6) Information of Voting Rights” are based on the register of shareholders as of September 30, 2023, the preceding reference date, as the register of shareholders as of December 31, 2023 cannot be confirmed.

### (i) Issued shares

As of September 30, 2023

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

(Notes) Two (2) shares of treasury stock are included in “Shares Representing Less than One Unit.”

### (ii) Treasury Stock

As of September 30, 2023

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

## 2 Changes in Directors and Company Auditors

There were no changes in directors and company auditors during the period from the filing date of the Annual Securities Report for the fiscal year ended March 31, 2023 (filed on June 30, 2023) to December 31, 2023 (the end of 3Q23).

## Item 4. Financial Information

### 1. Condensed Quarterly Consolidated Financial Statements

#### (1) Condensed Consolidated Statements of Financial Position

	Note	March 31, 2023	December 31, 2023
		Millions of yen	Millions of yen
Assets			
Current assets			
Cash and cash equivalents		42,472	41,419
Trade receivables		41,340	44,043
Inventories		3,188	3,783
Prepaid expenses		15,341	19,662
Contract assets		2,178	4,214
Other financial assets	6,11	1,918	1,529
Other current assets		241	1,114
Total current assets		106,678	115,764
Non-current assets			
Tangible assets		23,321	28,048
Right-of-use assets		46,675	40,788
Goodwill		9,859	10,153
Intangible assets		16,616	17,359
Investments accounted for using equity method		5,785	5,225
Prepaid expenses		12,579	17,714
Contract assets		106	105
Other investments	11	19,150	22,273
Deferred tax assets	3	325	206
Other financial assets	6,11	4,637	4,640
Other non-current assets		587	255
Total non-current assets		139,640	146,766
Total assets		246,318	262,530



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

## (2) Condensed Consolidated Statements of Profit or Loss

	Note	Nine Months Ended December 31, 2022	Nine Months Ended December 31, 2023
		Millions of yen	Millions of yen
Revenues			
Network services		102,744	112,303
Systems integration		80,477	86,620
ATM operation business		2,118	2,175
Total revenues	5,9	185,339	201,098
Cost of sales			
Cost of network services		(74,627)	(80,078)
Cost of systems integration		(67,835)	(73,874)
Cost of ATM operation business		(1,221)	(1,193)
Total cost of sales		(143,683)	(155,145)
Gross Profit		41,656	45,953
Selling, general and administrative expenses		(23,064)	(25,621)
Other operating income		246	98
Other operating expenses		(48)	(150)
Operating Profit		18,790	20,280
Finance income	11	802	491
Finance expenses	11	(413)	(704)
Share of profit (loss) of investments accounted for using equity method		(161)	(422)
Profit (loss) before tax		19,018	19,645
Income tax expense		(6,049)	(6,508)
Profit (loss) for the period		12,969	13,137
Profit (loss) for the period attributable to:			
Owners of the parent		12,854	12,979
Non-controlling interests		115	158
Total		12,969	13,137
Earnings per share	10		
Basic earnings per share (yen)		71.14	73.10
Diluted earnings per share (yen)		70.79	72.72

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

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

## Condensed Consolidated Statements of Profit or Loss

	Note	Three Months Ended December 31, 2022	Three Months Ended December 31, 2023
		Millions of yen	Millions of yen
Revenues			
Network services		35,038	38,322
Systems integration		27,629	33,870
ATM operation business		710	708
Total revenues	5,9	63,377	72,900
Cost of sales			
Cost of network services		(24,825)	(27,041)
Cost of systems integration		(22,978)	(28,702)
Cost of ATM operation business		(409)	(393)
Total cost of sales		(48,212)	(56,136)
Gross Profit		15,165	16,764
Selling, general and administrative expenses		(7,556)	(8,580)
Other operating income		25	28
Other operating expenses		(17)	(12)
Operating Profit		7,617	8,200
Finance income	11	19	47
Finance expenses	11	(1,393)	(1,004)
Share of profit (loss) of investments accounted for using equity method		(83)	(150)
Profit (loss) before tax		6,160	7,093
Income tax expense		(1,931)	(2,365)
Profit (loss) for the period		4,229	4,728
Profit (loss) for the period attributable to:			
Owners of the parent		4,215	4,657
Non-controlling interests		14	71
Total		4,229	4,728
Earnings per share	10		
Basic earnings per share (yen)		23.33	26.34
Diluted earnings per share (yen)		23.21	26.20

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

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

### (3) Condensed Consolidated Statements of Comprehensive Income

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

## Condensed Consolidated Statements of Comprehensive Income

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

(4) Condensed Consolidated Statements of Changes in Shareholders' Equity  
 Nine months ended December 31, 2022

	Note	Owners of the parent's shareholders' equity					Total	Non-controlling interests	Total equity
		Share capital	Share premium	Retained earnings	Other components of equity	Treasury shares			
		Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	
Balance, April 1, 2022		25,562	36,518	37,024	6,275	(1,851)	103,528	1,093	104,621
Cumulative impact of adopting IAS12	3	-	-	111	-	-	111	-	111
Restated balance at April 1, 2022		25,562	36,518	37,135	6,275	(1,851)	103,639	1,093	104,732
Comprehensive income									
Profit (loss)		-	-	12,854	-	-	12,854	115	12,969
Other comprehensive income		-	-	-	346	-	346	-	346
Total comprehensive income		-	-	12,854	346	-	13,200	115	13,315
Transactions with owners									
Purchase of treasury shares		-	-	-	-	(0)	(0)	-	(0)
Disposal of treasury shares	8	-	99	-	-	20	119	-	119
Dividends paid		-	-	(4,901)	-	-	(4,901)	(49)	(4,950)
Stock-based compensation		-	60	-	-	-	60	-	60
Total transactions with owners		-	159	(4,901)	-	20	(4,722)	(49)	(4,771)
Balance, December 31, 2022		25,562	36,677	45,088	6,621	(1,831)	112,117	1,159	113,276

Nine months ended December 31, 2023

	Note	Owners of the parent's shareholders' equity					Total	Non-controlling interests	Total equity
		Share capital	Share premium	Retained earnings	Other components of equity	Treasury shares			
		Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	
Balance, April 1, 2023		25,562	36,738	51,202	6,571	(1,831)	118,242	1,185	119,427
Comprehensive income									
Profit (loss)		-	-	12,979	-	-	12,979	158	13,137
Other comprehensive income		-	-	-	2,663	-	2,663	-	2,663
Total comprehensive income		-	-	12,979	2,663	-	15,642	158	15,800
Transactions with owners									
Purchase of treasury shares		-	-	-	-	(11,405)	(11,405)	-	(11,405)
Disposal of treasury shares		-	17	-	-	80	97	-	97
Cancellation of treasury shares		-	(1,129)	-	-	1,129	-	-	-
Dividends paid	8	-	-	(5,682)	-	-	(5,682)	(49)	(5,731)
Stock-based compensation		-	59	-	-	-	59	-	59
Transfer from other components of equity to retained earnings		-	-	201	(201)	-	-	-	-
Total transactions with owners		-	(1,053)	(5,481)	(201)	(10,196)	(16,931)	(49)	(16,980)
Balance, December 31, 2023		25,562	35,685	58,700	9,033	(12,027)	116,953	1,294	118,247

(5) Condensed Consolidated Statements of Cash Flows

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

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



## Notes to Condensed Consolidated Financial Statements

### 1. REPORTING ENTITY

Internet Initiative Japan Inc. (“IIJ”) is a company incorporated in Japan. The registered addresses of its headquarters and primary business offices are disclosed on IIJ’s website—URL <https://www.iij.ad.jp/en/>—. The condensed consolidated financial statements of IIJ for the period ended December 31, 2023 comprise the financial statements of IIJ and its subsidiaries (collectively “the Company”), and the interests in associated companies.

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

### 2. BASIS OF PREPARATION

#### (1) Compliance with IFRS

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

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

#### (2) Basis of Measurement

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

#### (3) Functional Currency and Presentation Currency

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

### 3. MATERIAL ACCOUNTING POLICIES

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

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

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

As a result of the accordance of this standard, the initial recognition that give rise to equal taxable temporary difference and deductible temporary difference at the time of the transaction is clarified. Consequently, deferred tax liabilities and deferred tax assets related to such taxable and deductible temporary differences will be recognized in the Consolidated Statement of Financial Position.

The accordance of this standard also requires retrospective adjustments to the Consolidated Financial Statements of the previous fiscal year. As a result, with regard to the Consolidated Statement of Financial Position as of March 31, 2023, "Deferred tax assets" increased by JPY125 million, and "Retained earnings" increased by JPY125 million.

Furthermore, the cumulative effect of the accordance of this standard has been reflected the Consolidated Statement of Changes in Shareholder's Equity for the nine months ended December 31, 2022. As a result, "Retained earnings" increased by JPY111 million.

### 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS INVOLVING ESTIMATES

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

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

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

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

## 5. SEGMENTS

### (1) Overview of reportable segments

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

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

### (2) Revenue and results of reportable segments

Segment information for the Company is as follows:

For the nine months ended December 31, 2022

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

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

For the nine months ended December 31, 2023

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

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

For the three months ended December 31, 2022

	Reportable segments			Consolidated
	Network service and systems integration business	ATM operation business	Adjustments	
	Millions of yen	Millions of yen	Millions of yen	
Revenue				
Customers	62,667	710	—	63,377
Intersegment transactions	24	—	(24)	—
Total revenue	62,691	710	(24)	63,377
Segment operating profit	7,392	225	—	7,617
Finance income				19
Finance expense				(1,393)
Share of profit (loss) of investments accounted for using the equity method				(83)
Profit before tax				6,160

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

For the three months ended December 31, 2023

	Reportable segments			Consolidated
	Network service and systems integration business	ATM operation business	Adjustments	
	Millions of yen	Millions of yen	Millions of yen	
Revenue				
Customers	72,192	708	—	72,900
Intersegment transactions	21	—	(21)	—
Total revenue	<u>72,213</u>	<u>708</u>	<u>(21)</u>	<u>72,900</u>
Segment operating profit	<u>7,946</u>	<u>254</u>	<u>—</u>	<u>8,200</u>
Finance income				47
Finance expense				(1,004)
Share of profit (loss) of investments accounted for using the equity method				(150)
Profit before tax				<u>7,093</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:

	March 31, 2023	December 31, 2023
	Millions of yen	Millions of yen
Financial assets measured at amortized cost		
Other receivable	753	745
Guarantee deposit	3,574	3,848
Loans receivable	22	28
Other	455	249
Financial instruments measured at fair value through other comprehensive income		
Stock	196	—
Lease receivable	1,555	1,299
Total	6,555	6,169
Current assets	1,918	1,529
Non-current assets	4,637	4,640
Total	6,555	6,169

## 7. OTHER FINANCIAL LIABILITIES

The components of other financial liabilities are as follows:

	March 31, 2023	December 31, 2023
	Millions of yen	Millions of yen
Financial liabilities measured at amortized cost		
Account payable—non-current (including current portion)	449	6,032
Deposit payable	245	1,183
Others	49	70
Lease obligations	48,057	42,235
Total	48,800	49,520
Current liabilities	18,105	18,319
Non-current liabilities	30,695	31,201
Total	48,800	49,520

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

	March 31, 2023	December 31, 2023
	Millions of yen	Millions of yen
Financial leases	16,447	15,124
Other leases	31,610	27,111

## 8. DIVIDENDS PAID

Cash dividends paid are as follows:

For the nine months ended December 31, 2022

Resolution date	Total dividends	Dividends per share	Record date	Effective date
	Millions of yen	Yen		
June 28, 2022 Ordinary General Meeting of Shareholders	2,258	25.00	March 31, 2022	June 29, 2022
November 7, 2022 Board of Directors meeting	2,643	29.25	September 30, 2022	December 2, 2022

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

For the nine months ended December 31, 2023

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
November 6, 2023 Board of Directors meeting	3,038	17.18	September 30, 2023	December 8, 2023

## 9. REVENUE

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

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
	Millions of yen	Millions of yen
Network services	102,744	112,303
Internet connectivity services (enterprise)	29,504	33,245
Wan services	20,546	21,211
Outsourcing services	34,359	39,145
Internet connectivity services (consumer)	18,335	18,702
Systems integration	80,477	86,620
Systems construction	29,936	33,540
Systems operation and maintenance	50,541	53,080
ATM operation business	2,118	2,175
Total	185,339	201,098

	For the three months ended December 31, 2022	For the three months ended December 31, 2023
	Millions of yen	Millions of yen
Network services	35,038	38,322
Internet connectivity services (enterprise)	10,236	11,279
Wan services	7,030	7,092
Outsourcing services	11,890	13,520
Internet connectivity services (consumer)	5,882	6,431
Systems integration	27,629	33,870
Systems construction	10,385	15,553
Systems operation and maintenance	17,244	18,317
ATM operation business	710	708
Total	63,377	72,900

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 nine months ended December 31, 2022	For the nine months ended December 31, 2023
Numerator :		
Basic earnings attributable to owners of the parent (millions of yen )	12,854	12,979
Earnings adjustment (millions of yen )	—	—
Earnings used to calculate earnings per share — diluted (millions of yen )	12,854	12,979
Denominator :		
Weighted average number of shares — basic (shares)	180,678,380	177,543,000
Dilution arising from stock options (shares)	889,731	926,629
Weighted average number of shares — diluted (shares)	181,568,111	178,469,629
Earnings per share attributable to owners of the parent		
Basic (yen)	71.14	73.10
Diluted (yen)	70.79	72.72

	For the three months ended December 31, 2022	For the three months ended December 31, 2023
Numerator :		
Basic earnings attributable to owners of the parent (millions of yen )	4,215	4,657
Earnings adjustment (millions of yen )	—	—
Earnings used to calculate earnings per share — diluted (millions of yen )	4,215	4,657
Denominator :		
Weighted average number of shares — basic (shares)	180,697,907	176,811,484
Dilution arising from stock options (shares)	896,540	933,911
Weighted average number of shares — diluted (shares)	181,594,447	177,745,395
Earnings per share attributable to owners of the parent		
Basic (yen)	23.33	26.34
Diluted (yen)	23.21	26.20

### Stock split

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

In connection with the stock split, the information of per share for the nine months ended December 31, 2022, and for the three months ended December 31, 2022 presented in the consolidated financial statements are shown after adjusting for the stock split.



## 11. FINANCIAL INSTRUMENTS

### Fair value of financial instruments

#### (1) Classification of fair value hierarchy by level

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

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

#### (2) Financial instruments measured at fair value

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

##### Equity securities

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

##### Investment trust and other securities

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

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

March 31, 2023

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

December 31, 2023

	Level 1	Level 2	Level 3	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Assets :				
Equity-based financial assets measured at FVTOCI				
Equity securities	11,354	—	1,508	12,862
Financial assets measured at FVTPL				
Investment trust and other securities	—	—	7,228	7,228
Other financial assets	—	183	—	183

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

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

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

(3) Changes in financial assets classified as Level 3

Changes in financial assets classified as Level 3 during the nine month periods ended December 31, 2022 and 2023 were as follows:

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
	Millions of yen	Millions of yen
Equity securities		
Balance at the beginning of the period	1,645	1,458
Other comprehensive income (Note 1)	(48)	113
Sale	(10)	(126)
Reclassification (Note 2)	—	63
Balance at the end of period	1,587	1,508
	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
	Millions of yen	Millions of yen
Investment trust and other securities		
Balance at the beginning of the period	6,288	6,946
Profit or loss (Note 3)	294	(331)
Purchase	363	685
Sale	(9)	(72)
Balance at the end of period	6,936	7,228

(Notes)

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

(4) Financial instruments not measured at fair value

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

(i) Debt securities and Long-term borrowings

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

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

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

March 31, 2023

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

December 31, 2023

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
		Millions of yen	Millions of yen	Millions of yen	Millions of yen
Assets :					
Other financial assets					
Financial assets measured at amortized cost					
Debt securities	2,000	—	1,929	—	1,929
Liabilities :					
Long-term borrowings (including current portion)	3,620	—	3,619	—	3,619

## 12. CONTINGENT LIABILITIES

The Company is involved in litigation and claims arising in the ordinary course of business. In evaluating matters on an ongoing basis, the Company takes into account estimated amounts accrued on the consolidated balance sheet. The Company believes that exposure to loss does not exist in excess of the amount accrued and the negative adverse outcome of such litigation and claims would not have a significant impact on the consolidated financial position or results of operations. On September 1, 2010, IJ Global Solutions Inc. ("IJ-Global") entered into a Solutions Engagement Agreement with IBM Japan Ltd., IJ-Global's largest sales partner. This agreement, which establishes the basis for a procurement relationship between IJ-Global and IBM Japan, contains indemnification for IJ-Global to perform services, functions, responsibilities and others that were being performed by AT&T Japan. This agreement renews automatically every year. IJ-Global had no obligation for the indemnification as of December 31, 2023. Through the split-up of IBM Japan Ltd. on September 1, 2021, the part of the agreement has been succeeded by Kyndryl Japan KK.

13. SUBSEQUENT EVENTS

Not applicable.

14. AUTHORIZATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were authorized by Eijiro Katsu, Representative Director and President, and Akihisa Watai, Senior Mnaging Director, CFO on February 14, 2024.

**2. Other Information**

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

**PART 2 Information about Guarantors of the Company**

Not applicable.

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

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

February 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 quarterly consolidated financial statements of Internet Initiative Japan Inc. (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”) provided in the “Financial Information” section in the Company’s Quarterly Securities Report, which comprise the condensed quarterly consolidated statement of financial position as at December 31, 2023, the condensed quarterly consolidated statement of profit or loss, the condensed quarterly consolidated statement of comprehensive income, the condensed quarterly consolidated statement of changes in equity, the condensed quarterly consolidated statement of cash flows for the three and nine month periods then ended, and notes to the condensed quarterly consolidated financial statements, in accordance with Article 193-2(1) of the the Financial Instruments and Exchange Act of Japan.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed quarterly consolidated financial statements do not present fairly, in all material respects, the financial position of the Group as at December 31, 2023, and its financial performance and cash flows for the three and nine month periods then ended, in accordance with IAS 34 “Interim Financial Reporting” pursuant to the Article 93 of the Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements.

**Basis for Conclusion**

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

a basis for our conclusion.

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

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

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

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

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

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

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

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

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

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

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

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

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

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