

IIJ Announces its Financial Results for the Fiscal Year Ended March 31, 2023

Tokyo, May 12, 2023 - Internet Initiative Japan Inc. (“IIJ”, TSE Prime: 3774) today announced its consolidated financial results for the fiscal year ended March 31, 2023 (“FY2022”, from April 1, 2022 to March 31, 2023) under International Financial Reporting Standards (IFRS).¹

Highlights of Financial Results for FY2022

Total revenues	JPY 252.7 billion	up	11.7%	YoY ²
Operating profit	JPY 27.2 billion	up	15.6%	YoY
Profit before tax	JPY 27.3 billion	up	13.0%	YoY
Net profit ³	JPY 18.8 billion	up	20.2%	YoY
Annual cash dividend	JPY29.255 per share of common stock up 21.9% YoY ⁴			

Highlights of Financial Targets for FY2023 (fiscal year ending March 31, 2024)

Total revenues	JPY 286.0 billion	up	13.2%	YoY
Operating profit	JPY 31.5 billion	up	15.7%	YoY
Profit before tax	JPY 30.4 billion	up	11.1%	YoY
Net profit ³	JPY 20.7 billion	up	10.0%	YoY
Annual cash dividend	JPY34.36 per share of common stock up 17.5% YoY			

Overview of FY2022 Financial Results and Business Outlook

“We had a strong year of accelerating revenues growth of 11.7% YoY with the operating profit growth of 15.6% YoY even after the COVID-19 pandemic calming down. These results would convince that our recent growth is not a temporary outcome during the pandemic, but a consistent one. Recently, we have acquired several large scale projects that require comprehensive network services together with systems integration, adding to the constant accumulation of monthly recurring revenues; some projects have started to increase our revenues from the latter half of this fiscal year and the others would contribute after this fiscal year. With regards to network services, for making our competitive advantages more prominent, we have continuously expanded our services line-up and enhanced existing services. We have also strengthened our network infrastructure such as our own data centers and Internet backbone for absorbing growing demands. As for FY2023, we target the total revenues of JPY286.0 billion and operating profit of JPY31.5 billion based on our recent business progress, largely exceeding FY2021-FY2023 mid-term plan’s initial revenues target. We anticipate that continued implementation of our unchanged business strategy would realize strong revenue growth in FY2023, final fiscal year of current mid-term plan, and that would further continue to next mid-long term plan after FY2024,” said Eihiro Katsu, President of IIJ.

“We have started to see that networks and systems among Japanese enterprises and governmental organizations have been changing gradually. As Internet related technologies such as Cloud and remote access have begun to be adopted, enterprise systems need to combine internal networks with external services through Internet. At the same time, advanced security measures have become more essential toward various Internet threats. These changes distinguish our stable and secure network services and operation capabilities accumulated for around thirty years. Under these business circumstance, we have increased recruitment activities and approximately 1.4 times more new graduates joined this April compared to that of the last year. We have confidence in further expanding our role of supporting Japanese enterprises’ networks and systems,” concluded Koichi Suzuki, Founder and Chairman of IIJ.

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

² YoY is an abbreviation for year over year change.

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

⁴ IIJ conducted a stock split at a ratio of two-for-one with an effective date of October 1, 2022. YoY in annual cash dividend is calculated based on the post-stock-split basis.

FY2022 Financial Results Summary

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

Operating Results Summary

	FY2021	FY2022	YoY Change
	JPY millions	JPY millions	%
Total revenues	226,335	252,708	11.7
Network services	128,213	138,922	8.4
Systems integration (SI)	95,338	110,944	16.4
ATM operation business	2,784	2,842	2.1
Total costs	(174,707)	(194,800)	11.5
Network services	(92,595)	(100,776)	8.8
Systems integration (SI)	(80,396)	(92,391)	14.9
ATM operation business	(1,716)	(1,633)	(4.8)
Total gross profit	51,628	57,908	12.2
Network services	35,618	38,146	7.1
Systems integration (SI)	14,942	18,553	24.2
ATM operation business	1,068	1,209	13.2
SG&A, R&D, and other operating income (expenses)	(28,081)	(30,687)	9.3
Operating profit	23,547	27,221	15.6
Profit before tax	24,162	27,309	13.0
Profit for the year attributable to owners of the parent	15,672	18,838	20.2

(Note) Systems integration includes equipment sales.

Segment Results Summary

	FY2021	FY2022
	JPY millions	JPY millions
Total revenues	226,335	252,708
Network services and SI business	223,678	249,970
ATM operation business	2,784	2,842
Elimination	(127)	(104)
Operating profit	23,547	27,221
Network services and SI business	22,799	26,322
ATM operation business	834	919
Elimination	(86)	(20)

FY2022 Revenues and Income

Revenues

Total revenues were JPY252,708 million, up 11.7% YoY (JPY226,335 million for FY2021).

Network services revenue was JPY138,922 million, up 8.4% YoY (JPY128,213 million for FY2021).

Revenues for Internet connectivity services for enterprise were JPY40,253 million, up 6.2% YoY from JPY37,911 million for FY2021, mainly due to an increase in revenues of IP services, enterprise mobile services and broadband services, which absorbed a decrease in IIJ Mobile MVNO Platform service (MVNE) revenue in the response to the reduction in procurement cost.

Revenues for Internet connectivity services for consumers were JPY24,235 million, up 3.7% YoY from JPY23,376 million for FY2021, mainly due to an increase in revenue of IIJmio Mobile services led by an increase in subscription, which absorbed a decrease in revenue resulted from a decrease in average revenue per user along with continued migration of old plan's customers to "GigaPlans" launched at the beginning of the previous fiscal year, and an increase in optical fiber internet access service for consumers in others.

Revenues for Outsourcing services were JPY46,808 million, up 15.5% YoY from JPY40,523 million for FY2021, mainly due to an increase in security-related services revenues.

Revenues for WAN services were JPY27,626 million, up 4.6% YoY from JPY26,403 million for FY2021.

Network Services Revenues Breakdown

	FY2021	FY2022	YoY Change
	JPY millions	JPY millions	%
Total network services	128,213	138,922	8.4
Internet connectivity services (enterprise)	37,911	40,253	6.2
IP services (including data center connectivity services)	13,683	14,835	8.4
IIJ Mobile Services	20,351	21,249	4.4
Enterprise mobile services (IoT usages etc.)	10,257	11,179	9.0
IIJ Mobile MVNO Platform Service (MVNE)	10,094	10,070	(0.2)
Others	3,877	4,169	7.5
Internet connectivity services (consumer)	23,376	24,235	3.7
IIJmio Mobile Services	20,365	21,025	3.2
Others	3,011	3,210	6.6
Outsourcing services	40,523	46,808	15.5
WAN services	26,403	27,626	4.6

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

	As of March 31, 2022	As of March 31, 2023	YoY Change
Internet connectivity services (enterprise)	2,500,116	3,026,149	526,033
IP service (greater than or equal to 1Gbps) (Note2)	786	1,356	570
IP service (less than 1Gbps) (Note2)	1,250	1,409	159
IIJ Mobile Services	2,407,083	2,929,646	522,563
Enterprise mobile services (IoT usages etc.)	1,374,055	1,809,816	435,761
IIJ Mobile MVNO Platform Service (MVNE)	1,033,028	1,119,830	86,802
Others	90,997	93,738	2,741
Internet connectivity services (consumer)	1,437,107	1,547,206	110,099
IIJmio Mobile Services	1,090,208	1,206,321	116,113
Others	346,899	340,885	(6,014)
Total contracted bandwidth (Gbps) (Note 3)	7,641.6	8,814.3	1,172.7

(Notes)

1. Numbers in the table above show number of contracts except for "IIJ Mobile Services (enterprise)" and "IIJmio Mobile Services" which show number of subscriptions.
2. The numbers of IP service contracts include the numbers of IIJ data center connectivity service contracts. The number of IP services (greater than or equal to 1Gbps) contracts as of March 31, 2023 included an increase of approximately 500 line openings related to Tokyo public high school project in
3. Total contracted bandwidth is calculated by multiplying number of contracts under "Internet connectivity services (enterprise)" except for "IIJ Mobile Services" and the contracted bandwidths of the services respectively. Total contracted bandwidth as of March 31, 2023 included an increase of approximately 500Gbps related to Tokyo public high school project in 3Q22.

SI revenues, including equipment sales, were JPY110,944 million, up 16.4% YoY (JPY95,338 million for FY2021). Systems construction and equipment sales, a one-time revenue, was JPY42,945 million, up 21.4% YoY (JPY35,376 million for FY2021). Systems operation and maintenance revenue, a recurring revenue, was JPY67,999 million, up 13.4% YoY (JPY59,962 million for FY2021), mainly due to continued accumulation of systems operation orders as well as an increase in cloud-related services' revenues.

Orders received for SI, including equipment sales, totaled JPY120,910 million, up 19.2% YoY (JPY101,476 million for FY2021); orders received for systems construction and equipment sales were JPY44,293 million, up 14.6% YoY (JPY38,660 million for FY2021), and orders received for systems operation and maintenance were JPY76,617 million, up 22.0% YoY (JPY62,816 million for FY2021).

Order backlog for SI, including equipment sales, as of March 31, 2023 amounted to JPY82,757 million, up 13.7% YoY (JPY72,791 million as of March 31, 2022); order backlog for systems construction and equipment sales was JPY13,799 million, up 10.8% YoY (JPY12,451 million as of March 31, 2022) and order backlog for systems operation and maintenance was JPY68,958 million, up 14.3% YoY (JPY60,340 million as of March 31, 2022).

ATM operation business revenues were JPY2,842 million, up 2.1% YoY (JPY2,784 million for FY2021).

Cost of sales

Total cost of sales was JPY194,800 million, up 11.5% YoY (JPY174,707 million for FY2021).

Cost of network services revenue was JPY100,776 million, up 8.8% YoY (JPY92,595 million for FY2021). There were an increase in purchasing cost of mobile devices and one-time cost reimbursement, which was related to a mobile unit charge by NTT DOCOMO, INC., of over JPY0.5 billion in 3Q22 (a similar impact of approximately JPY1.08 billion in 3Q21) as FY2021 mobile unit charge was fixed based on its actual results for the corresponding period. Gross profit was JPY38,146 million, up 7.1% YoY (JPY35,618 million for FY2021), and gross profit ratio was 27.5% (27.8% for FY2021).

Cost of SI revenues, including equipment sales was JPY92,391 million, up 14.9% YoY (JPY80,396 million for FY2021), mainly due to increases in purchasing costs and multi-cloud related services' license fees along with an increase in revenues. Gross profit was JPY18,553 million, up 24.2% YoY (JPY14,942 million for FY2021) and gross profit ratio was 16.7% (15.7% for FY2021).

Cost of ATM operation business revenues was JPY1,633 million, down 4.8% YoY (JPY1,716 million for FY2021). Gross profit was JPY1,209 million (JPY1,068 million for FY2021) and gross profit ratio was 42.5% (38.3% for FY2021).

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

Selling, general and administrative expenses, including research and development expenses, totaled JPY30,897 million, up 10.5% YoY (JPY27,969 million for FY2021), mainly due to increases in personnel-related expenses, advertising expenses and outsourcing expenses.

Other operating income was JPY281 million (JPY171 million for FY2021).

Other operating expenses was JPY71 million (JPY283 million for FY2021).

Operating profit

Operating profit was JPY27,221 million (JPY23,547 million for FY2021), up 15.6% YoY.

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

Finance income was JPY844 million (JPY3,506 million for FY2021). It included gains on financial instruments, mainly related to funds, of JPY303 million (JPY3,055 million for FY2021) and foreign exchange gain of JPY365 million (JPY327 million for FY2021).

Finance expense was JPY552 million (JPY556 million for FY2021). It included interest expenses of JPY529 million (JPY538 million for FY2021).

Share of loss of investments accounted for using equity method was JPY204 million (loss of JPY2,335 million for FY2021). There was a loss of DeCurret Holdings, Inc. of JPY382 million (share in the investee's loss of JPY1,607 million and impairment loss on corresponding amount of goodwill of JPY1,181 million for FY2021), the tax effects

of which were not recognized.

Profit before tax

Profit before tax was JPY27,309 million (JPY24,162 million for FY2021), up 13.0% YoY.

Profit for the year

Income tax expense was JPY8,330 million (JPY8,362 million for FY2021). There was a positive impact of JPY406 million related to a tax deduction due to tax incentives to promote wage increases. As a result, profit for the year was JPY18,979 million (JPY15,800 million for FY2021), up 20.1% YoY.

Profit for the year attributable to non-controlling interests was JPY141 million (JPY128 million for FY2021), mainly related to net income of Trust Networks Inc.

Profit for the year attributable to owners of parent was JPY18,838 million (JPY15,672 million for FY2021), up 20.2% YoY.

Financial Position as of March 31, 2023

As of March 31, 2023, the balance of total assets was JPY246,193 million, increased by JPY14,388 million from the balance as of March 31, 2022 of JPY231,805 million.

As of March 31, 2023, the balance of current assets was JPY106,678 million, increased by JPY2,193 million from the balance as of March 31, 2022 of JPY104,485 million. As for the major breakdown of balance and fluctuation of current assets, cash and cash equivalents decreased by JPY4,919 million to JPY42,472 million, trade receivables increased by JPY3,691 million to JPY41,340 million, inventories increased by JPY580 million to JPY3,188 million and prepaid expenses increased by JPY1,788 million to JPY15,341 million.

As of March 31, 2023, the balance of non-current assets was JPY139,515 million, increased by JPY12,195 million from the balance as of March 31, 2022 of JPY127,320 million. As for the major breakdown of balance and fluctuation of non-current assets, tangible assets increased by JPY5,475 million to JPY23,321 million mainly due to purchases related to Shiroy Data Center Campus construction, right-of-use assets, which include right to use leased assets under operating lease contracts such as office and data centers and assets under finance lease contracts such as data communication equipment, increased by JPY1,801 million to JPY46,675 million, mainly due to the recognition of leased assets related to data center contracts and others, intangible assets increased by JPY192 million to JPY16,616 million mainly due to purchase of software, prepaid expenses increased by JPY2,127 million to JPY12,579 million, mainly due to operation and maintenance costs, and other investments increased by JPY1,740 million to JPY19,150 million, mainly due to investment in the bond of DeCurret DCP Inc.

As of March 31, 2023, the balance of current liabilities was JPY77,864 million, increased by JPY1,087 million from the balance as of March 31, 2022 of JPY76,777 million. As for the major breakdown of balance and fluctuation of current liabilities, trade and other payables increased by JPY1,571 million to JPY22,313 million, borrowings increased by JPY458 million to JPY16,828 million mainly due to a decrease of JPY1,515 million from repayment of long-term borrowings, a decrease in short-term borrowings of JPY100 million and an increase of JPY2,000 million owing to a transfer from non-current liabilities, income taxes payable decreased by JPY1,761 million to JPY4,034 million, contract liabilities increased by JPY598 million to JPY10,169 million and other financial liabilities increased by JPY1,070 million to JPY18,105 million, mainly due to increases in liabilities related to operating leases.

As of March 31, 2023, the balance of non-current liabilities was JPY49,027 million, decreased by JPY1,380 million from the balance as of March 31, 2022 of JPY50,407 million. As for the major breakdown of balance and fluctuation of non-current liabilities, long-term borrowings decreased by JPY1,898 million to JPY3,602 million mainly due to a transfer to current portion, contract liabilities decreased by JPY18 million to JPY7,411 million and other financial liabilities increased by JPY549 million to JPY30,695 million, mainly due to increases in liabilities related to operating leases.

As of March 31, 2023, the balance of total equity attributable to owners of the parent was JPY118,117 million, increased by JPY14,589 million from the balance as of March 31, 2022 of JPY103,528 million. Ratio of owners' equity to total assets was 48.0% as of March 31, 2023.

FY2022 Cash Flows

Cash and cash equivalents as of March 31, 2023 were JPY42,472 million (JPY47,391 million as of March 31, 2022).

Net cash provided by operating activities for FY2022 was JPY38,529 million (net cash provided by operating activities of JPY43,573 million for FY2021). There were profit before tax of JPY27,309 million (JPY24,162 million for FY2021), depreciation and amortization of JPY28,801 million (JPY28,444 million for FY2021), including JPY11,618 million (JPY11,534 million for FY2021) of depreciation of right-of-use operating lease assets under IFRS 16, and income taxes paid of JPY9,958 million (JPY5,700 million for FY2021). Regarding changes in working capital, there was net cash out of JPY7,712 million (net cash out of JPY2,892 million for FY2021). As for the major factors for the increase in net cash outflow in comparison with FY2021, there were increases in trade receivables and prepaid expenses.

Net cash used in investing activities for FY2022 was JPY18,386 million (net cash used in investing activities of JPY11,838 million for FY2021), mainly due to payments for purchases of tangible assets of JPY11,787 million (JPY6,783 million for FY2021), payments for purchases of intangible assets, such as software, of JPY5,471 million (JPY4,734 million for FY2021), payments for purchases of other investments such as investment in the bond of DeCurret DCP Inc. of JPY2,511 million (JPY717 million for FY2021), and proceeds from sales of tangible assets, which include sale and leaseback, of JPY1,546 million (JPY2,150 million for FY2021).

Net cash used in financing activities for FY2022 was JPY25,731 million (net cash used in financing activities of JPY27,296 million for FY2021), mainly due to payments of other financial liabilities of JPY19,344 million (JPY19,983 million for FY2021), which included payments under operating lease contracts such as office rent and finance lease contracts such as network equipment, dividends paid of JPY4,901 million (JPY3,836 million for FY2021), and repayments of long-term borrowings of JPY1,515 million (JPY5,170 million for FY2021).

Outlook for FY2023 and three-year mid-term plan (FY2021-FY2023)

With regard to our outlook for FY2023, we expect revenue growth and profit expansion to advance furthermore as we expect steady revenue growth of enterprise network services as well as the contribution from large complex projects requiring network services and systems integration.

Our consolidated financial targets for FY2023 are as follows: total revenues of JPY286.0 billion, up 13.2% YoY and operating profit of JPY31.5 billion, up 15.7% YoY. As for profit before tax, we target JPY30.4 billion, up 11.1% YoY, by considering finance expenses, share of profit or loss of investments accounted for using equity method and others. As for profit for the year attributable to owners of the parent, we target JPY20.7 billion, up 10.0% YoY, by considering income tax expenses at the normal effective tax rate and others.

As for the three-year mid-term plan (FY2021-FY2023), we have updated the revised financial targets, which were announced in May 2022, of total revenues JPY270.0 billion and operating margin 11.5% to the above mentioned FY2023 targets of total revenues JPY286.0 billion and operating profit JPY31.5 billion. Operating margin's target was originally over 9% which was announced in May 2021 and was revised to over 10% which was announced in November 2021.

Dividend Policy, FY2022 Dividend and FY2023 Dividend Forecast

The basic dividend policy of IIJ is that IIJ pays dividends to its shareholders continuously and stably while considering the need to have retained earnings for the enhancement of financial position, medium- to long-term business expansion, future business investment and others.

Based on the Articles of Incorporation of IIJ, the frequency of dividend payments is twice each fiscal year, an interim dividend and a year-end dividend. The interim dividend is decided by the meeting of the board directors of IIJ and the year-end dividend is approved at IIJ's general meeting of shareholders.

As for FY2022, considering this basic policy, our interim dividend was JPY14.625 per share of common stock on the post-split basis and year-end dividend forecast is JPY14.63 per share of common stock. FY2022 total annual dividend forecast is JPY29.255 per share of common stock.

As for FY2023, our interim and year-end dividend forecasts are JPY17.18 and JPY17.18 per share of common stock respectively. FY2023 total annual dividend forecast is JPY34.36 per share of common stock, which is an increase of JPY5.105 from FY2022 annual dividend.

Presentation

Presentation materials will be posted on our web site (<https://www.iij.ad.jp/en/ir/>) on May 12, 2023.

About Internet Initiative Japan Inc.

Founded in 1992, IIJ is one of Japan's leading Internet-access and comprehensive network solutions providers. IIJ and its group companies provide total network solutions that mainly cater to high-end corporate customers. IIJ's services include high-quality Internet connectivity services, mobile services, security services, cloud computing services, and systems integration. Moreover, IIJ operates one of the largest Internet backbone networks in Japan that is connected to the United States, the United Kingdom and Asia. IIJ listed on the First Section of the Tokyo Stock Exchange ("TSE") in 2006 and transitioned to the Prime Market of TSE from April 2022.

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Disclaimer:

Statements made in this press release regarding IIJ's or management's intentions, beliefs, expectations, or predictions for the future are forward-looking statements that are based on IIJ's and managements' current expectations, assumptions, estimates and projections about its business and the industry. These forward-looking statements, such as statements regarding revenues and profits, are subject to various risks, uncertainties and other factors that could cause IIJ's actual results to differ materially from those contained in any forward-looking statement.

Consolidated Statements of Financial Position (Unaudited)

	March 31, 2022	March 31, 2023
	Millions of yen	Millions of yen
Assets		
Current assets		
Cash and cash equivalents	47,391	42,472
Trade receivables	37,649	41,340
Inventories	2,608	3,188
Prepaid expenses	13,553	15,341
Contract assets	1,870	2,178
Other financial assets	1,295	1,918
Other current assets	119	241
Total current assets	104,485	106,678
Non-current assets		
Tangible assets	17,846	23,321
Right-of-use assets	44,874	46,675
Goodwill	9,479	9,859
Intangible assets	16,424	16,616
Investments accounted for using equity method	5,830	5,785
Prepaid expenses	10,452	12,579
Contract assets	69	106
Other investments	17,410	19,150
Deferred tax assets	183	200
Other financial assets	4,245	4,637
Other non-current assets	508	587
Total non-current assets	127,320	139,515
Total assets	231,805	246,193

	March 31, 2022	March 31, 2023
	Millions of yen	Millions of yen
Liabilities and Equity		
Liabilities		
Current liabilities		
Trade and other payables	20,742	22,313
Borrowings	16,370	16,828
Income taxes payable	5,795	4,034
Contract liabilities	9,571	10,169
Deferred income	65	79
Other financial liabilities	17,035	18,105
Other current liabilities	7,199	6,336
Total current liabilities	76,777	77,864
Non-current liabilities		
Borrowings	5,500	3,602
Retirement benefit liabilities	4,395	4,513
Provisions	786	794
Contract liabilities	7,429	7,411
Deferred income	340	319
Deferred tax liabilities	641	610
Other financial liabilities	30,146	30,695
Other non-current liabilities	1,170	1,083
Total non-current liabilities	50,407	49,027
Total liabilities	127,184	126,891
Equity		
Share capital	25,562	25,562
Share premium	36,518	36,738
Retained earnings	37,024	51,077
Other components of equity	6,275	6,571
Treasury shares	(1,851)	(1,831)
Total equity attributable to owners of the parent	103,528	118,117
Non-controlling interests	1,093	1,185
Total equity	104,621	119,302
Total liabilities and equity	231,805	246,193

Consolidated Statements of Profit or Loss (Unaudited)

	For the year ended March 31, 2022	For the year ended March 31, 2023
	Millions of yen	Millions of yen
Revenues		
Network services	128,213	138,922
System integration	95,338	110,944
ATM operation business	2,784	2,842
Total revenues	226,335	252,708
Cost of sales		
Cost of network services	(92,595)	(100,776)
Cost of systems integration	(80,396)	(92,391)
Cost of ATM operation business	(1,716)	(1,633)
Total cost of sales	(174,707)	(194,800)
Gross Profit	51,628	57,908
Selling, general and administrative expenses	(27,969)	(30,897)
Other operating income	171	281
Other operating expenses	(283)	(71)
Operating Profit	23,547	27,221
Finance income	3,506	844
Finance expenses	(556)	(552)
Share of profit (loss) of investments accounted for using equity method	(2,335)	(204)
Profit (loss) before tax	24,162	27,309
Income tax expense	(8,362)	(8,330)
Profit (loss) for the year	15,800	18,979
Profit (loss) for the year attributable to:		
Owners of the parent	15,672	18,838
Non-controlling interests	128	141
Total	15,800	18,979
Earnings per share		
Basic earnings per share (yen)	86.78	104.26
Diluted earnings per share (yen)	86.37	103.75

※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.

Consolidated Statements of Comprehensive Income (Unaudited)

	For the year ended March 31, 2022	For the year ended March 31, 2023
	Millions of yen	Millions of yen
Profit (loss) for the year	15,800	18,979
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	691	(447)
Remeasurement of defined benefit plans	141	116
Total items that will not be reclassified to profit or loss	832	(331)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	695	736
Financial assets measured at fair value through other comprehensive income	(1)	(5)
Share of other comprehensive income of investments accounted for using equity method	25	12
Total of items that may be reclassified to profit or loss	719	743
Total other comprehensive income, net of tax	1,551	412
Other comprehensive income for the year	17,351	19,391
Other comprehensive income for the year attributable to:		
Owners of the parent	17,223	19,250
Non-controlling interest	128	141
Other comprehensive income for the year	17,351	19,391

Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

For the year ended March 31, 2022

	Owners of the parent's shareholders' equity						Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Other components of equity	Treasury shares	Total		
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance, April 1, 2021	25,531	36,389	25,047	4,865	(1,875)	89,956	1,015	90,972
Comprehensive income								
Profit for the year	-	-	15,672	-	-	15,672	128	15,800
Other comprehensive income	-	-	-	1,551	-	1,551	-	1,551
Total comprehensive income	-	-	15,672	1,551	-	17,223	128	17,351
Transactions with owners								
Issuance of common stock	31	(31)	-	-	-	0	-	0
Disposal of treasury shares	-	82	-	-	24	106	-	106
Dividends paid	-	-	(3,836)	-	-	(3,836)	(49)	(3,885)
Stock-based compensation	-	83	-	-	-	83	-	83
Transfer from other components of equity to retained earnings	-	-	141	(141)	-	-	-	-
Other	-	(5)	-	-	-	(5)	(1)	(6)
Total transactions with owners	31	129	(3,695)	(141)	24	(3,652)	(50)	(3,702)
Balance, March 31, 2022	25,562	36,518	37,024	6,275	(1,851)	103,528	1,093	104,621

For the year ended March 31, 2023

	Owners of the parent's shareholders' equity						Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Other components of equity	Treasury shares	Total		
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance, April 1, 2022	25,562	36,518	37,024	6,275	(1,851)	103,528	1,093	104,621
Comprehensive income								
Profit for the year	-	-	18,838	-	-	18,838	141	18,979
Other comprehensive income	-	-	-	412	-	412	-	412
Total comprehensive income	-	-	18,838	412	-	19,250	141	19,391
Transactions with owners								
Purchase of treasury stock	-	-	-	-	0	0	-	0
Disposal of treasury shares	-	141	-	-	20	161	-	161
Dividends paid	-	-	(4,901)	-	-	(4,901)	(49)	(4,950)
Stock-based compensation	-	79	-	-	-	79	-	79
Transfer from other components of equity to retained earnings	-	-	116	(116)	-	-	-	-
Total transactions with owners	-	220	(4,785)	(116)	20	(4,661)	(49)	(4,710)
Balance, March 31, 2023	25,562	36,738	51,077	6,571	(1,831)	118,117	1,185	119,302

Consolidated Statements of Cash Flows (Unaudited)

	For the year ended March 31, 2022	For the year ended March 31, 2023
	Millions of yen	Millions of yen
Cash flows from operating activities		
Profit (loss) before tax	24,162	27,309
Adjustments		
Depreciation and amortization	28,444	28,801
Loss (gain) on sales/disposals of property and equipment	219	(127)
Shares of loss (profit) of investments accounted for using equity method	2,335	204
Finance income	(3,439)	(845)
Finance expenses	538	552
Other	241	571
Changes in working capital		
Decrease (increase) in trade receivables	(1,404)	(3,432)
Decrease (increase) in inventories	(423)	(565)
Decrease (increase) in prepaid expenses	(1,414)	(3,525)
Decrease (increase) in contract assets	(610)	(346)
Decrease (increase) in other assets	163	(119)
Decrease (increase) in other financial assets	834	(609)
Increase (decrease) in trade and other payables	552	1,417
Increase (decrease) in contract liabilities	(163)	206
Increase (decrease) in deferred income	(10)	(1)
Increase (decrease) in other liabilities	(877)	(1,044)
Increase (decrease) in other financial liabilities	28	19
Increase (decrease) in retirement benefit liabilities	432	287
Subtotal	49,608	48,753
Interest and dividends received	191	263
Interest paid	(526)	(529)
Income taxes paid	(5,700)	(9,958)
Cash flows from operating activities	43,573	38,529

	For the year ended March 31, 2022	For the year ended March 31, 2023
	Millions of yen	Millions of yen
Cash flows from investing activities		
Purchases of tangible assets	(6,783)	(11,787)
Proceeds from sales of tangible assets	2,150	1,546
Purchases of intangible assets	(4,734)	(5,471)
Purchase of a subsidiary	(2,612)	-
Purchase of investments accounted for using equity method	-	(261)
Proceeds from sale of investments accounted for using equity method	780	-
Purchases of other investments	(717)	(2,511)
Proceeds from sales of other investments	105	124
Payments for leasehold deposits and guarantee deposits	(103)	(69)
Proceeds from collection of leasehold deposits and guarantee deposits	150	68
Payments for refundable insurance policies	(75)	(75)
Proceeds from subsidies	-	38
Other	1	12
Cash flows from investing activities	(11,838)	(18,386)
Cash flows from financing activities		
Proceeds from long-term borrowings	-	178
Repayment of long-term borrowings	(5,170)	(1,515)
Net increase (decrease) in short-term borrowings	1,480	(100)
Proceeds from other financial liabilities	261	-
Payments of other financial liabilities	(19,983)	(19,344)
Dividends paid	(3,836)	(4,901)
Other	(48)	(49)
Cash flows from financing activities	(27,296)	(25,731)
Effect of exchange rate changes on cash and cash equivalents	485	669
Net increase (decrease) in cash and cash equivalents	4,924	(4,919)
Cash and cash equivalents, beginning of the year	42,467	47,391
Cash and cash equivalents, end of the year	47,391	42,472

Notes to Condensed Consolidated Financial Statements (Unaudited)

Going Concern Assumption

Nothing to be reported.

Changes in Accounting Policies

Nothing to be reported.

Segment Information

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

Segment information for the Company is as follows:

Fiscal year ended March 31, 2022

	Reportable segments		Adjustments	Consolidated
	Network service and systems integration business	ATM operation business		
	Millons of yen	Millons of yen	Millons of yen	Millons of yen
Revenue				
Customers	223,551	2,784	—	226,335
Intersegment transactions	127	—	(127)	—
Total revenue	223,678	2,784	(127)	226,335
Segment operating profit	22,799	834	(86)	23,547
Finance income				3,506
Finance expense				(556)
Share of profit (loss) of investments accounted for using the equity method				(2,335)
Profit before tax				24,162

Fiscal year ended March 31, 2023

	Reportable segments		Adjustments	Consolidated
	Network service and systems integration business	ATM operation business		
	Millons of yen	Millons of yen	Millons of yen	Millons of yen
Revenue				
Customers	249,866	2,842	—	252,708
Intersegment transactions	104	—	(104)	—
Total revenue	249,970	2,842	(104)	252,708
Segment operating profit	26,322	919	(20)	27,221
Finance income				844
Finance expense				(552)
Share of profit (loss) of investments accounted for using the equity method				(204)
Profit before tax				27,309

Intersegment transactions are based on market price. Substantially all revenues are from customers operating in Japan. Geographic information for revenues is not presented due to immateriality of revenue attributable to international operations. In addition, non-current assets (excluding financial instruments, deferred tax assets and assets related to retirement benefits) are not presented because substantially all non-current assets are located in Japan and non-current assets located overseas are not material.

Major customers information is not provided because there is no single external customer that accounts for 10% or more of the Company's revenue.

Earnings per share

Basic earnings per share attributable to owners of the parent and diluted earnings per share attributable to owners of the parent for the years ended March 31, 2022 and 2023 were as follows:

	For the year ended March 31, 2022	For the year ended March 31, 2023
Numerator :		
Basic earnings attributable to owners of the parent (millions of yen)	15,672	18,838
Denominator :		
Weighted average number of shares — basic (shares)	180,592,178	180,683,190
Dilution arising from stock options (shares)	861,626	892,705
Weighted average number of shares — diluted (shares)	181,453,804	181,575,895
Earnings per share attributable to owners of the parent		
Basic (yen)	86.78	104.26
Diluted (yen)	86.37	103.75

Stock split

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

Subsequent Events

Nothing to be reported.

Note: The following information is provided to disclose Internet Initiative Japan Inc. ("IIJ") financial results (unaudited) for the fiscal year ended March 31, 2023 ("FY2022") in the form defined by the Tokyo Stock Exchange.

Consolidated Financial Results for the Fiscal Year ended March 31, 2023 [Under IFRS]

May 12, 2023

Company name: Internet Initiative Japan Inc.

Exchange listed: Tokyo Stock Exchange

Ticker symbol: 3774

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

Representative: Eijiro Katsu, President and Representative Director

Contact: Akihisa Watai, Senior Managing Director and CFO

TEL: (03) 5205-6500

Scheduled date for annual general shareholders' meeting: June 28, 2023

Scheduled date for dividend payment: June 29, 2023

Scheduled date for filing of annual securities report (*Yuka-shoken-houkokusho*) to Japan's regulatory organization: June 30, 2023

Supplemental material on annual results: Yes

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

(Amounts of less than JPY one million are rounded)

1. Consolidated Financial Results for the Fiscal Year ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(1) Consolidated Results of Operations

(% shown is YoY change)

	Revenues		Operating profit		Profit (loss) before tax		Profit (loss) for the year		Profit (loss) attributable to owners of the parent		Other comprehensive income	
	JPY millions	%	JPY millions	%	JPY millions	%	JPY millions	%	JPY millions	%	JPY millions	%
Fiscal Year ended March 31, 2023	252,708	11.7	27,221	15.6	27,309	13.0	18,979	20.1	18,838	20.2	19,391	11.8
Fiscal Year ended March 31, 2022	226,335	6.3	23,547	65.3	24,162	72.2	15,800	61.2	15,672	61.4	17,351	40.3

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ratio of profit before taxes to total assets	Ratio of operating profit to revenues
	JPY	JPY	%	%	%
Fiscal Year ended March 31, 2023	104.26	103.75	17.0	11.4	10.8
Fiscal Year ended March 31, 2022	86.78	86.37	16.2	10.7	10.4

(Reference) Share of profit (loss) of investments accounted for using equity method

Fiscal year ended March 31, 2023: JPY(204) million, Fiscal year ended March 31, 2022: JPY(2,335) million

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

(2) Consolidated Financial Position

	Total assets	Total equity	Total equity attributable to owners of the parent	Ratio of owners' equity to total assets	Owners' equity per share
	JPY millions	JPY millions	JPY millions	%	JPY
As of March 31, 2023	246,193	119,302	118,117	48.0	653.67
As of March 31, 2022	231,805	104,621	103,528	44.7	573.16

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

(3) Consolidated Cash Flow

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents (end of the year)
	JPY millions	JPY millions	JPY millions	JPY millions
Fiscal year ended March 31, 2023	38,529	(18,386)	(25,731)	42,472
Fiscal year ended March 31, 2022	43,573	(11,838)	(27,296)	47,391

2. Dividends

	Dividend per Shares					Total cash dividends for the year	Payout Ratio (consolidated)	Ratio of Dividends to Shareholder's Equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	JPY	JPY	JPY	JPY	JPY	JPY millions	%	%
Fiscal Year Ended March 31, 2022	—	23.00	—	25.00	48.00	4,335	27.7	4.5
Fiscal Year Ended March 31, 2023	—	29.25	—	14.63	—	5,286	28.1	4.8
Fiscal Year Ending March 31, 2024 (forecast)	—	17.18	—	17.18	34.36		30.0	

(Note) IJJ conducted a stock split at a ratio of two-for-one with an effective date of October 1, 2022. The year-end dividend per share for the fiscal year ended March 31, 2023 is the amount after the stock split. Regarding the pre-split basis amount for the fiscal year ended March 31, 2023, the year-end and annual dividend per share are JPY29.26 and JPY58.51, respectively.

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

(% shown is YoY change)

	Revenues		Operating profit		Profit (loss) before tax		Profit (loss) for the year attributable to owners of the parent		Basic earnings per share
	JPY millions	%	JPY millions	%	JPY millions	%	JPY millions	%	JPY
Interim Period Ending September 30, 2023	138,000	13.1	13,400	19.9	13,000	1.1	8,850	2.5	48.98
Fiscal Year Ending March 31, 2024	286,000	13.2	31,500	15.7	30,350	11.1	20,720	10.0	114.67

* Notes:

(1) Changes in significant subsidiaries: None

(2) Changes in accounting policies and estimate

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

(3) Number of shares issued (common stock)

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

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

As of March 31, 2022: 187,069,600 shares

ii. Number of treasury stock:

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

As of March 31, 2022: 6,443,334 shares

iii. Number of weighted average shares outstanding:

For the fiscal year ended March 31, 2023: 180,683,190 shares

For the fiscal year ended March 31, 2022: 180,592,178 shares

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

* Status of Audit Procedures

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

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

i) Forward-looking statements

Forward-looking statements disclosed in this document are based on IJJ Group's expectation, estimates, and projections based on information available to IJJ Group as of May 12, 2023. As these forward-looking statements are subject to known and unknown risks and uncertainties, actual results may differ from those disclosed due, for example, to but not limited to changes in business climate and/or market trends. As for our latest forecast of our financial targets, please refer to "Outlook for FY2023 and three-year mid-term plan (FY2021-FY2023)" written on page 8 of this document.

ii) Adoption of IFRS

We have adopted IFRS from the Annual Securities Report (*Yuka-shoken-houkokusho*) for the fiscal year ended March 31, 2019.

iii) Others

Presentation material will be disclosed on TDnet as well as posted on our website on May 12, 2023.

May 12, 2023

Company name: Internet Initiative Japan Inc.

Company representative: Ejjiro Katsu, President and Representative Director
(Ticker symbol: 3774, The Prime Market of the Tokyo Stock Exchange)

Contact: Akihisa Watai, Senior Managing Director and CFO
TEL: 81-3-5205-6500

Information Pertaining to Our Largest Shareholder

1. About Our Largest Shareholder (As of March 31, 2023)

Name	Relationship	Its Ownership Percentage (%)			Securities Exchanges where its Shares are Listed
		Direct ownership	Indirect ownership	Total	
Nippon Telegraph and Telephone Corporation ("NTT")	IIJ is NTT's affiliate company	22.4	4.5	26.9	Tokyo Stock Exchange (The Prime Market)

2. Position of the Listed Company (IIJ) within NTT Group and other relationships

The ownership percentage by NTT, which is IIJ's largest shareholder, was 26.9% as of March 31, 2023, including its indirect ownership. However, IIJ's business activities are not affected by NTT's ownership in IIJ and IIJ is maintaining its management independence.

3. Business Relationship with NTT Group

IIJ uses services provided by Nippon Telegraph and Telephone East Corporation and Nippon Telegraph and Telephone West Corporation for a significant portion of IIJ's access circuits, services provided by NTT Communications Corporation for a significant portion of IIJ's domestic and international backbone circuits, and services provided by NTT DOCOMO, INC. for a significant portion of IIJ's mobile infrastructure, to provide Internet connectivity, mobile-related and other services to IIJ's customers. IIJ also leases a part of Internet data center facilities from NTT Group companies to provide Internet data center services. The aggregate amount paid to for these services was JPY20,140 million for the fiscal year ended March 31, 2023.

End