

**IIJ Announces its First Three Months Results
 for the Fiscal Year Ending March 31, 2023**

Tokyo, August 5, 2022 - Internet Initiative Japan Inc. (“IIJ”, TSE Prime: 3774) today announced its consolidated financial results for the first three months for the fiscal year ending March 31, 2023 (“1Q22”, from April 1, 2022 to June 30, 2022) under International Financial Reporting Standards (IFRS).¹

Highlights of Financial Results for 1Q22				FY22 Targets	
				First Half	Full Year
Total revenues	JPY 58.2 billion	up 9.8% YoY ²	JPY 117.0 billion	JPY 250.0 billion	
Operating profit	JPY 5.0 billion	up 15.3% YoY	JPY 10.7 billion	JPY 27.2 billion	
Profit before tax	JPY 6.6 billion	up 23.8% YoY	JPY 10.3 billion	JPY 26.3 billion	
Net profit ³	JPY 4.4 billion	up 25.2% YoY	JPY 6.8 billion	JPY 17.5 billion	

Overview of 1Q22 Financial Results and Business Outlook

“As the second fiscal year of our three-year mid-term plan, FY2022 started as planned with 1Q22 total revenues and operating profit increased by 9.8% and 15.3% year over year, respectively. Along with further advancement of IT utilization through business activities in Japan, enterprise systems are gradually and continuously transforming to be more network-based. This transition is a tailwind for us, as we have capabilities of offering various and highly reliable network services together with systems integration which are based on our robust Internet infrastructure and Internet technology expertise. In this first quarter, with our network related projects becoming more complex and larger, we continued to acquire these middle scale projects, which would bring us increases in our monthly recurring revenues hereafter. Having seen the continued upward trend in Japanese Internet traffic, we are confident that our enterprise network services revenues would be accumulated continuously, and this would contribute to our structural increase in operating profit,” said Eijiro Katsu, President of IIJ.

“In order to sustain our strong growth, we are strengthening the recruitment and development of human resources. For FY2022, we have set approximately 50% higher recruitment targets⁴ for both new graduates and mid-career hires than we had in previous years, and recruiting activities have made progress in accordance with those policy, while we maintain reasonable management over the number of outsourced personnel. Our continuous network infrastructure enhancement, services development, and stable network operation for about thirty years have been our distinguished competitive advantages. We believe that these technology-oriented business models have been attracting competent Internet-related engineers, which drive us to pursue further technology developments,” 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 The recruitment targets are on a non-consolidated basis.

1Q22 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

	1Q21	1Q22	YoY Change
	JPY millions	JPY millions	%
Total revenues	52,975	58,190	9.8
Network services	31,475	33,234	5.6
Systems integration (SI)	20,807	24,269	16.6
ATM operation business	693	687	(0.9)
Total costs	(41,548)	(45,490)	9.5
Network services	(23,145)	(24,431)	5.6
Systems integration (SI)	(17,959)	(20,659)	15.0
ATM operation business	(444)	(400)	(9.9)
Total gross profit	11,427	12,700	11.1
Network services	8,330	8,803	5.7
Systems integration (SI)	2,848	3,610	26.8
ATM operation business	249	287	15.3
SG&A, R&D, and other operating income (expenses)	(7,067)	(7,674)	8.6
Operating profit	4,360	5,026	15.3
Profit before tax	5,350	6,623	23.8
Profit for the period attributable to owners of the parent	3,507	4,391	25.2

(Note) Systems integration includes equipment sales.

Segment Results Summary

	1Q21	1Q22
	JPY millions	JPY millions
Total revenues	52,975	58,190
Network services and SI business	52,316	57,531
ATM operation business	693	687
Elimination	(34)	(28)
Operating profit	4,360	5,026
Network services and SI business	4,189	4,809
ATM operation business	195	237
Elimination	(24)	(20)

1Q22 Revenues and Income

Revenues

Total revenues were JPY58,190 million, up 9.8% YoY (JPY52,975 million for 1Q21).

Network services revenue was JPY33,234 million, up 5.6% YoY (JPY31,475 million for 1Q21).

Revenues for Internet connectivity services for enterprise were JPY9,516 million, up 1.1% YoY from JPY9,410 million for 1Q21. The increase was due to an increase in revenues of IP services and enterprise mobile services, which absorbed a decrease in MVNO Platform service (MVNE) revenue owing to reflecting the annual revision of mobile data interconnectivity charge⁵ in selling prices.

Revenues for Internet connectivity services for consumers were JPY6,099 million, down 0.1% YoY from JPY6,108 million for 1Q21, mainly due to a decrease in average revenue per user along with continued migration of former plan's customers to "GigaPlans", which launched at the beginning of the previous fiscal year.

Revenues for Outsourcing services were JPY10,944 million, up 15.1% YoY from JPY9,510 million for 1Q21, mainly due to an increase in security-related services revenues.

Revenues for WAN services were JPY6,675 million, up 3.5% YoY from JPY6,447 million for 1Q21.

Network Services Revenues Breakdown

	1Q21	1Q22	YoY Change
	JPY millions	JPY millions	%
Total network services	31,475	33,234	5.6
Internet connectivity services (enterprise)	9,410	9,516	1.1
IP services (including data center connectivity services)	3,275	3,446	5.2
IIJ Mobile Services	5,189	5,060	(2.5)
Enterprise mobile services (IoT usages etc.)	2,344	2,634	12.4
IIJ Mobile MVNO Platform service (MVNE)	2,845	2,426	(14.7)
Others	946	1,010	6.8
Internet connectivity services (consumer)	6,108	6,099	(0.1)
IIJmio Mobile Services	5,392	5,310	(1.5)
Others	716	789	10.2
Outsourcing services	9,510	10,944	15.1
WAN services	6,447	6,675	3.5

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

	As of June 30, 2021	As of June 30, 2022	YoY Change
Internet connectivity services (enterprise)	2,299,032	2,582,448	283,416
IP service (greater than or equal to 1 Gbps) (Note2)	764	787	23
IP service (less than 1 Gbps) (Note2)	1,202	1,247	45
IIJ Mobile Services	2,205,759	2,489,768	284,009
Enterprise mobile services (IoT usages etc.)	1,163,312	1,457,464	294,152
IIJ Mobile MVNO Platform service (MVNE)	1,042,447	1,032,304	(10,143)
Others	91,307	90,646	(661)
Internet connectivity services (consumer)	1,396,386	1,464,327	67,941
IIJmio Mobile Services	1,053,173	1,125,756	72,583
Others	343,213	338,571	(4,642)
Total contracted bandwidth (Gbps) (Note 3)	7,108.2	7,600.9	492.7

(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.

⁵ A unit charge for interconnectivity data communications charge between mobile carriers such as NTT DoCoMo and MVNO such as IIJ. The unit price is per Mbps.

SI revenues, including equipment sales, were JPY24,269 million, up 16.6% YoY (JPY20,807 million for 1Q21). Systems construction and equipment sales, a one-time revenue, was JPY7,628 million, up 11.7% YoY (JPY6,832 million for 1Q21). Systems operation and maintenance revenue, a recurring revenue, was JPY16,641 million, up 19.1% YoY (JPY13,975 million for 1Q21), 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 JPY33,889 million, up 56.5% YoY (JPY 21,649 million for 1Q21); orders received for systems construction and equipment sales were JPY10,756 million, up 23.1% YoY (JPY8,737 million for 1Q21), and orders received for systems operation and maintenance were JPY23,133 million, up 79.2% YoY (JPY12,911 million for 1Q21).

Order backlog for SI, including equipment sales, as of June 30, 2022 amounted to JPY82,411 million, up 22.1% YoY (JPY67,496 million as of June 30, 2021); order backlog for systems construction and equipment sales was JPY15,579 million, up 40.7% YoY (JPY11,073 million as of June 30, 2021) and order backlog for systems operation and maintenance was JPY66,832 million, up 18.4% YoY (JPY56,424 million as of June 30, 2021).

ATM operation business revenues were JPY687 million, down 0.9% YoY (JPY693 million for 1Q21).

Cost of sales

Total cost of sales was JPY45,490 million, up 9.5% YoY (JPY41,548 million for 1Q21).

Cost of network services revenue was JPY24,431 million, up 5.6% YoY (JPY23,145 million for 1Q21), mainly due to an increase in purchasing cost of mobile device. Gross profit was JPY8,803 million, up 5.7% YoY (JPY8,330 million for 1Q21), and gross profit ratio was 26.5% (26.5% for 1Q21).

Cost of SI revenues, including equipment sales was JPY20,659 million, up 15.0% YoY (JPY17,959 million for 1Q21), mainly due to increases in license fees along with an increase in multi-cloud related services' revenues and purchasing costs. Gross profit was JPY3,610 million, up 26.8% YoY (JPY2,848 million for 1Q21) and gross profit ratio was 14.9% (13.7% for 1Q21).

Cost of ATM operation business revenues was JPY400 million, down 9.9% YoY (JPY444 million for 1Q21). Gross profit was JPY287 million (JPY249 million for 1Q21) and gross profit ratio was 41.8% (36.0% for 1Q21).

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

Selling, general and administrative expenses, including research and development expenses, totaled JPY7,858 million, up 10.9% YoY (JPY7,083 million for 1Q21), mainly due to increases in advertising expenses, personnel-related expenses and outsourcing expenses.

Other operating income was JPY194 million (JPY52 million for 1Q21).

Other operating expenses was JPY10 million (JPY36 million for 1Q21).

Operating profit

Operating profit was JPY5,026 million (JPY4,360 million for 1Q21), up 15.3% YoY.

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

Finance income was JPY1,747 million, compared to JPY1,361 million for 1Q21. It included gains on financial instruments, mainly related to funds, of JPY1,200 million (JPY1,296 million for 1Q21) and foreign exchange gain of JPY474 million (loss of JPY17 million for 1Q21).

Finance expense was JPY136 million, compared to JPY154 million for 1Q21. It included interest expenses of JPY133 million (JPY137 million for 1Q21).

Share of loss of investments accounted for using equity method was JPY14 million (compared to loss of JPY217 million for 1Q21), mainly due to loss of DeCurret Holdings, Inc. of JPY78 million

Profit before tax

Profit before tax was JPY6,623 million (JPY5,350 million for 1Q21), up 23.8% YoY.

Profit for the period

Income tax expense was JPY2,136 million (JPY1,807 million for 1Q21). As a result, profit for the period was JPY4,487 million (JPY3,543 million for 1Q21), up 26.6% YoY.

Profit for the period attributable to non-controlling interests was JPY96 million (JPY36 million for 1Q21), mainly related to net income of Trust Networks Inc.

Profit for the period attributable to owners of parent was JPY4,391 million (JPY3,507 million for 1Q21), up 25.2% YoY.

Financial Position as of June 30, 2022

As of June 30, 2022, the balance of total assets was JPY225,730 million, decreased by JPY6,075 million from the balance as of March 31, 2022 of JPY231,805 million.

As of June 30, 2022, the balance of current assets was JPY101,186 million, decreased by JPY3,299 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 JPY4,834 million to JPY42,557 million, trade receivables decreased by JPY3,214 million to JPY34,435 million and prepaid expenses increased by JPY3,340 million to JPY16,893 million.

As of June 30, 2022, the balance of non-current assets was JPY124,544 million, decreased by JPY2,776 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 decreased by JPY225 million to JPY17,621 million, 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 JPY2,449 million to JPY42,425 million mainly due to depreciation, intangible assets decreased by JPY299 million to JPY16,125 million mainly due to amortization of software, and other investments decreased by JPY56 million to JPY17,354 million.

As of June 30, 2022, the balance of current liabilities was JPY72,110 million, decreased by JPY4,667 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 decreased by JPY1,349 million to JPY19,393 million, borrowings increased by JPY250 million to JPY16,620 million due to a decrease of JPY750 million from repayment of long-term borrowings and an increase of JPY1,000 million owing to a transfer from non-current liabilities, income taxes payable decreased by JPY3,942 million to JPY1,853 million, contract liabilities increased by JPY1,128 million to JPY10,699 million and other financial liabilities increased by JPY132 million to JPY17,167 million.

As of June 30, 2022, the balance of non-current liabilities was JPY47,000 million, decreased by JPY3,407 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 JPY1,000 million to JPY4,500 million due to a transfer to current portion, contract liabilities decreased by JPY412 million to JPY7,017 million and other financial liabilities decreased by JPY1,467 million to JPY28,679 million mainly due to a transfer to current portion.

As of June 30, 2022, the balance of total equity attributable to owners of the parent was JPY105,480 million, increased by JPY1,952 million from the balance as of March 31, 2022 of JPY103,528 million. Ratio of owners' equity to total assets was 46.7% as of June 30, 2022.

1Q22 Cash Flows

Cash and cash equivalents as of June 30, 2022 were JPY42,557 million (JPY34,831 million as of June 30, 2021).

Net cash provided by operating activities for 1Q22 was JPY4,855 million (net cash provided by operating activities of JPY7,654 million for 1Q21). There were profit before tax of JPY6,623 million (JPY5,350 million for 1Q21), depreciation and amortization of JPY7,055 million (JPY6,606 million for 1Q21), including JPY2,808 million (JPY2,500 million for 1Q21) of depreciation of right-of-use operating lease assets under IFRS 16, and income taxes paid of JPY6,091 million (JPY3,334 million for 1Q21). Regarding changes in working capital, there was net cash out of JPY1,063 million compared to net cash-out of JPY71 million for 1Q21. As for the major factors for the increase in net cash outflow in comparison with 1Q21, there was a decrease in proceeds from trade receivables, which exceeded decreases in payments of current liabilities, such as trade payable and other liabilities.

Net cash used in investing activities for FY1Q22 was JPY2,366 million (net cash used in investing activities of JPY6,414 million for 1Q21), mainly due to payments for purchases of tangible assets of JPY1,839 million (JPY2,839 million for 1Q21), payments for purchases of intangible assets, such as software, of JPY1,149 million (JPY1,325 million for 1Q21), and proceeds from sales of tangible assets of JPY791 million (JPY584 million for 1Q21).

Net cash used in financing activities for 1Q22 was JPY7,875 million (net cash used in financing activities of JPY8,875 million for 1Q21), mainly due to payments of other financial liabilities of JPY4,819 million (JPY4,463 million for 1Q21), which included payments under operating lease contracts such as office rent and finance lease contracts such as network equipment, dividends paid of JPY2,258 million (JPY1,759 million for 1Q21) and repayments of long-term bank borrowings of JPY750 million (JPY4,085 million for 1Q21).

Future Prospects including FY2022 Financial Targets

1Q22 financial results were in line with our expectation. Therefore, financial targets for the fiscal year ending March 31, 2023 (FY2022) announced on May 13, 2022 remain unchanged.

Presentation

Presentation materials will be posted on our web site (<https://www.ij.ad.jp/en/ir/>) on August 5, 2022.

About Internet Initiative Japan Inc.

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

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Condensed Consolidated Statements of Financial Position (Unaudited)

	March 31, 2022	June 30, 2022
	Millions of yen	Millions of yen
Assets		
Current assets		
Cash and cash equivalents	47,391	42,557
Trade receivables	37,649	34,435
Inventories	2,608	3,304
Prepaid expenses	13,553	16,893
Contract assets	1,870	2,429
Other financial assets	1,295	1,446
Other current assets	119	122
Total current assets	104,485	101,186
Non-current assets		
Tangible assets	17,846	17,621
Right-of-use assets	44,874	42,425
Goodwill	9,479	9,765
Intangible assets	16,424	16,125
Investments accounted for using the equity method	5,830	5,717
Prepaid expenses	10,452	10,575
Contract assets	69	68
Other investments	17,410	17,354
Deferred tax assets	183	187
Other financial assets	4,245	4,178
Other non-current assets	508	529
Total non-current assets	127,320	124,544
Total assets	231,805	225,730

	March 31, 2022	June 30, 2022
	Millions of yen	Millions of yen
Liabilities and Equity		
Liabilities		
Current liabilities		
Trade and other payables	20,742	19,393
Borrowings	16,370	16,620
Income taxes payable	5,795	1,853
Contract liabilities	9,571	10,699
Deferred income	65	69
Other financial liabilities	17,035	17,167
Other current liabilities	7,199	6,309
Total current liabilities	76,777	72,110
Non-current liabilities		
Borrowings	5,500	4,500
Retirement benefit liabilities	4,395	4,371
Provisions	786	787
Contract liabilities	7,429	7,017
Deferred income	340	326
Deferred tax liabilities	641	210
Other financial liabilities	30,146	28,679
Other non-current liabilities	1,170	1,110
Total non-current liabilities	50,407	47,000
Total liabilities	127,184	119,110
Equity		
Share capital	25,562	25,562
Share premium	36,518	36,552
Retained earnings	37,024	39,157
Other components of equity	6,275	6,040
Treasury shares	(1,851)	(1,831)
Total equity attributable to owners of the parent	103,528	105,480
Non-controlling interests	1,093	1,140
Total equity	104,621	106,620
Total liabilities and equity	231,805	225,730

Condensed Consolidated Statements of Profit or Loss (Unaudited)

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2022
	Millions of yen	Millions of yen
Revenues		
Network services	31,475	33,234
System integration	20,807	24,269
ATM operation business	693	687
Total revenues	<u>52,975</u>	<u>58,190</u>
Cost of sales		
Cost of network services	(23,145)	(24,431)
Cost of systems integration	(17,959)	(20,659)
Cost of ATM operation business	(444)	(400)
Total cost of sales	<u>(41,548)</u>	<u>(45,490)</u>
Gross Profit	11,427	12,700
Selling, general and administrative expense	(7,083)	(7,858)
Other operating income	52	194
Other operating expenses	(36)	(10)
Operating Profit	<u>4,360</u>	<u>5,026</u>
Finance income	1,361	1,747
Finance expenses	(154)	(136)
Share of profit (loss) of investments accounted for using equity method	(217)	(14)
Profit (loss) before tax	<u>5,350</u>	<u>6,623</u>
Income tax expense	(1,807)	(2,136)
Profit (loss) for the period	<u>3,543</u>	<u>4,487</u>
Profit (loss) for the period attributable to:		
Owners of the parent	3,507	4,391
Non-controlling interests	36	96
Total	<u>3,543</u>	<u>4,487</u>
Earnings per share		
Basic earnings per share (yen)	38.86	48.62
Diluted earnings per share (yen)	38.67	48.38

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2022
	Millions of yen	Millions of yen
Profit (loss)	3,543	4,487
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	834	(952)
Total items that will not be reclassified to profit or loss	834	(952)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(5)	702
Financial assets measured at fair value through other comprehensive income	0	(1)
Share of other comprehensive income of investments accounted for using equity method	13	16
Total of items that may be reclassified to profit or loss	8	717
Total other comprehensive income, net of tax	842	(235)
Other comprehensive income	4,385	4,252
Other comprehensive income attributable to:		
Owners of the parent	4,349	4,156
Non-controlling interest	36	96
Other comprehensive income	4,385	4,252

Condensed Consolidated Statements of Changes in Shareholders' Equity (Unaudited)
Three months ended June 30, 2021

	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)	89,957	1,015	90,972
Comprehensive income								
Profit (loss)	-	-	3,507	-	-	3,507	36	3,543
Other comprehensive income	-	-	-	842	-	842	-	842
Total comprehensive income	-	-	3,507	842	-	4,349	36	4,385
Transactions with owners								
Issuance of common stock	16	(16)	-	-	-	0	-	0
Disposal of treasury shares	-	(6)	-	-	23	17	-	17
Dividends paid	-	-	(1,759)	-	-	(1,759)	(48)	(1,807)
Stock-based compensation	-	16	-	-	-	16	-	16
Total transactions with owners	16	(6)	(1,759)	-	23	(1,726)	(48)	(1,774)
Balance, June 30, 2021	25,547	36,383	26,795	5,707	(1,852)	92,580	1,003	93,583

Three months ended June 30, 2022

	Owners of the parent's shareholders' equity						Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Other components of equity	Treasury shares	Total		
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance, April 1, 2022	25,562	36,518	37,024	6,275	(1,851)	103,528	1,093	104,621
Comprehensive income								
Profit (loss)	-	-	4,391	-	-	4,391	96	4,487
Other comprehensive income	-	-	-	(235)	-	(235)	-	(235)
Total comprehensive income	-	-	4,391	(235)	-	4,156	96	4,252
Transactions with owners								
Disposal of treasury shares	-	12	-	-	20	32	-	32
Dividends paid	-	-	(2,258)	-	-	(2,258)	(49)	(2,307)
Stock-based compensation	-	22	-	-	-	22	-	22
Total transactions with owners	-	34	(2,258)	-	20	(2,204)	(49)	(2,253)
Balance, June 30, 2022	25,562	36,552	39,157	6,040	(1,831)	105,480	1,140	106,620

Condensed Consolidated Statements of Cash Flows (Unaudited)

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2022
	Millions of yen	Millions of yen
Cash flows from operating activities:		
Profit (loss) before tax	5,350	6,623
Adjustments		
Depreciation and amortization	6,606	7,055
Loss (gain) on sales/disposals of property and equipment	30	(162)
Shares of loss (profit) of investments accounted for using the equity method	217	14
Finance income	(1,326)	(1,747)
Finance expenses	142	136
Other	27	41
Changes in working capital		
Decrease (increase) in trade receivables	8,034	3,568
Decrease (increase) in inventories	(187)	(674)
Decrease (increase) in prepaid expenses	(3,365)	(3,289)
Decrease (increase) in contract assets	(527)	(558)
Decrease (increase) in other assets	(30)	(3)
Decrease (increase) in other financial assets	(352)	(117)
Increase (decrease) in trade and other payables	(3,774)	(832)
Increase (decrease) in contract liabilities	578	554
Increase (decrease) in deferred income	(3)	(1)
Increase (decrease) in other liabilities	(1,647)	(943)
Increase (decrease) in other financial liabilities	1,103	1,255
Increase (decrease) in retirement benefit liabilities	99	(23)
Subtotal	10,975	10,897
Interest and dividends received	150	182
Interest paid	(137)	(133)
Income taxes paid	(3,334)	(6,091)
Cash flows from operating activities	7,654	4,855

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2022
	Millions of yen	Millions of yen
Cash flows from investing activities		
Purchases of tangible assets	(2,839)	(1,839)
Proceeds from sales of tangible assets	584	791
Purchases of intangible assets	(1,325)	(1,149)
Purchase of a subsidiary	(2,612)	-
Purchases of other investments	(346)	(161)
Proceeds from sales of other investments	35	9
Payments for leasehold deposits and guarantee deposits	(11)	(9)
Proceeds from collection of leasehold deposits and guarantee deposits	118	10
Payments for refundable insurance policies	(19)	(19)
Other	1	1
Cash flows from investing activities	<u>(6,414)</u>	<u>(2,366)</u>
Cash flows from financing activities		
Repayment of long-term borrowings	(4,085)	(750)
Net increase (decrease) in short-term borrowings	1,480	-
Payments of other financial liabilities	(4,463)	(4,819)
Dividends paid	(1,759)	(2,258)
Other	(48)	(48)
Cash flows from financing activities	<u>(8,875)</u>	<u>(7,875)</u>
Effect of exchange rate changes on cash and cash equivalents	(1)	552
Net increase (decrease) in cash and cash equivalents	(7,636)	(4,834)
Cash and cash equivalents, beginning of the period	42,467	47,391
Cash and cash equivalents, end of the period	<u><u>34,831</u></u>	<u><u>42,557</u></u>

Notes to Condensed Consolidated Financial Statements (Unaudited)

Going Concern Assumption

Nothing to be reported.

Material Changes in Shareholders' Equity

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:

Three months ended June 30, 2021

	Reportable segments		Adjustments	Consolidated
	Network service and systems integration business	ATM operation business		
	Millions of yen	Millions of yen		
Revenue				
Customers	52,282	693	—	52,975
Intersegment transactions	34	—	(34)	—
Total revenue	52,316	693	(34)	52,975
Segment operating profit	4,189	195	(24)	4,360
Finance income				1,361
Finance expense				(154)
Share of profit (loss) of investments accounted for using the equity method				(217)
Profit before tax				5,350

Three months ended June 30, 2022

	Reportable segments		Adjustments	Consolidated
	Network service and systems integration business	ATM operation business		
	Millions of yen	Millions of yen		
Revenue				
Customers	57,503	687	—	58,190
Intersegment transactions	28	—	(28)	—
Total revenue	57,531	687	(28)	58,190
Segment operating profit	4,809	237	(20)	5,026
Finance income				1,747
Finance expense				(136)
Share of profit (loss) of investments accounted for using the equity method				(14)
Profit before tax				6,623

Intersegment transactions are based on market price.

Subsequent Events

On August 5, 2022, IIJ's board of directors resolved a stock split of its common stock, as follows.

1. Purpose of stock split

The purpose of the stock split is to increase the liquidity of IIJ's common stock and expand its investor base by reducing the trading price per share of its common stock. As a result of the stock split, the investment unit amount of its common stock shall be one half (1/2) of the previous amount.

2. Overview of stock split

(1) Method of the stock split

The record date of the stock split shall be Friday, September 30, 2022. Each share of IIJ's common stock held by its shareholders written or recorded in the latest Registry of Shareholders as of the record date shall be split into two shares.

(2) Number of shares to be increased by the stock split

1) Total number of issued shares before the stock split:	93,534,800 shares
2) Number of shares to be increased by the stock split:	93,534,800 shares
3) Total number of issued shares after the stock split:	187,069,600 shares
4) Total number of shares authorized to be issued after the stock split:	302,080,000 shares

(Note) Total number of issued shares stated in the above could be increased as a result of exercise of stock acquisition rights.

(3) Schedule of the stock split

1) Public notice date of the record date:	Thursday, September 15, 2022 (Scheduled)
2) Record date:	Friday, September 30, 2022
3) Effective date:	Saturday, October 1, 2022

3. Effect on per share information

Assuming the stock split had been conducted at the beginning of the fiscal year ended March 31, 2021, basic earnings per share attributable to IIJ would have been as follows:

	Three months ended June 30, 2021	Three months ended June 30, 2022
Basic earnings per share (yen)	19.43	24.31

Note: The following information is provided to disclose Internet Initiative Japan Inc. ("IIJ") financial results (unaudited) for the first three months ended June 30, 2022 ("1Q22") in the form defined by the Tokyo Stock Exchange.

Consolidated Financial Results for the Three Months ended June 30, 2022 [Under IFRS]

August 5, 2022

Company name: Internet Initiative Japan Inc.

Exchange listed: Tokyo Stock Exchange

Ticker symbol: 3774

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

Representative: Eijiro Katsu, President and Representative Director

Contact: Akihisa Watai, Senior Managing Director and CFO

TEL: (03) 5205-6500

Scheduled date for filing of quarterly report (*Shihanki-houkokusho*) to Japan's regulatory organization: August 15, 2022

Scheduled date for dividend payment: -

Supplemental material on quarterly results: Yes

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

(Amounts of less than JPY one million are rounded)

1. Consolidated Financial Results for the Three Months ended June 30, 2022 (April 1, 2022 to June 30, 2022)

(1) Consolidated Results of Operations

(% shown is YoY change)

	Revenues		Operating profit		Profit (loss) before tax		Profit (loss) for the period		Profit (loss) attributable to owners of the parent		Other comprehensive income	
	JPY millions	%	JPY millions	%	JPY millions	%	JPY millions	%	JPY millions	%	JPY millions	%
Three Months ended June 30, 2022	58,190	9.8	5,026	15.3	6,623	23.8	4,487	26.6	4,391	25.2	4,252	(3.0)
Three Months ended June 30, 2021	52,975	5.2	4,360	113.0	5,350	215.8	3,543	215.8	3,507	214.1	4,385	93.9

	Basic earnings per share		Diluted earnings per share	
	JPY		JPY	
Three Months ended June 30, 2022	48.62		48.38	
Three Months ended June 30, 2021	38.86		38.67	

(2) Consolidated Financial Position

	Total assets	Total equity	Total equity attributable to owners of the parent	Ratio of owners' equity to total assets
	JPY millions	JPY millions	JPY millions	%
As of June 30, 2022	225,730	106,620	105,480	46.7
As of March 31, 2022	231,805	104,621	103,528	44.7

2. Dividends

	Annual Dividends				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	JPY	JPY	JPY	JPY	JPY
Fiscal Year Ended March 31, 2022	—	23.00	—	25.00	48.00
Fiscal Year Ending March 31, 2023	—				
Fiscal Year Ending March 31, 2023 (forecast)		29.25	—	14.63	—

(Notes)

1. Changes from the latest forecasts disclosed: Yes

2. IIJ plans a stock split at a ratio of two-for-one effective as of October 1, 2022. The forecast of year-end dividend per share is the amount after the stock split. Regarding the amount on a pre-split basis, revised forecast of 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, 2023 (April 1, 2022 through March 31, 2023)

(% 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, 2022	117,000	7.3	10,700	15.0	10,300	(1.3)	6,800	(1.3)	37.65
Fiscal Year Ending March 31, 2023	250,000	10.5	27,200	15.5	26,300	8.8	17,500	11.7	96.89

(Notes)

1. Changes from the latest forecasts disclosed: None
2. IIJ plans a stock split at a ratio of two-for-one effective as of October 1, 2022. The basic earnings per share are calculated on the post-split basis.
3. As for the details about our financial targets for the fiscal year ending March 31, 2023, please refer to "Future Prospects including FY2022 Financial Targets" which is disclosed on page 8 of this earnings release.

* Notes:

- (1) Changes in significant subsidiaries: None
- (2) Changes in accounting policies and estimate
 - i. Changes in accounting policies required by IFRS: 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 June 30, 2022: 93,534,800 shares
 - As of March 31, 2022: 93,534,800 shares
 - ii. Number of treasury stock:
 - As of June 30, 2022: 3,185,828 shares
 - As of March 31, 2022: 3,221,667 shares
 - iii. Number of weighted average common shares outstanding:
 - For the three months ended June 30, 2022: 90,319,431 shares
 - For the three months ended June 30, 2021: 90,244,770 shares

* Status of Audit Procedures

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

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

i) Forward-looking statements

Forward-looking statements disclosed in this document are based on IIJ Group's expectation, estimates, and projections based on information available to IIJ Group as of August 5, 2022. As these forward-looking statements are subject to known and unknown risks and uncertainties, actual results may differ from those disclosed due, for example, to but not limited to changes in business climate and/or market trends. As for our latest forecast of our financial targets, please refer to "Future Prospects including FY2022 Financial Targets" written on page 8 of this document.

ii) Change in the unit of presentation for monetary amounts

Amounts of accounts and other items presented in our condensed quarterly consolidated financial statements were previously stated in thousands of yen, but effective from the first quarter ended June 30, 2022, IIJ has changed to present such amounts in millions of yen. In order to facilitate comparison, the amounts for the previous consolidated fiscal year and the first quarter of the previous consolidated fiscal year are also presented in millions of yen.

iii) Others

Presentation material will be disclosed on TDnet as well as posted on our website on August 5, 2022.