



Internet Initiative Japan

*For Immediate Release*  
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**IIJ Announces its Financial Results for the Fiscal Year Ended March 31, 2021**

**Tokyo, May 12, 2021** - Internet Initiative Japan Inc. (“IIJ”, TSE1: 3774) today announced its consolidated financial results for the fiscal year ended March 31, 2021 (“FY2020”, from April 1, 2020 to March 31, 2021) under International Financial Reporting Standards (IFRS).<sup>1</sup>

**Highlights of Financial Results for FY2020**

Total revenues	JPY213.0 billion	up	4.2%	YoY <sup>2</sup>
Gross profit	JPY40.3 billion	up	23.6%	YoY
Operating profit	JPY14.3 billion	up	73.2%	YoY
Profit before tax	JPY14.0 billion	up	96.0%	YoY
Net profit <sup>3</sup>	JPY9.7 billion	up	142.4%	YoY
Annual cash dividend	JPY29.75	per share of common stock (post-stock-split basis <sup>4</sup> )		

**Highlights of Financial Targets for FY2021 (fiscal year ending March 31, 2022)**

Total revenues	JPY226.0 billion	up	6.1%	YoY
Operating profit	JPY17.5 billion	up	22.8%	YoY
Profit before tax	JPY17.3 billion	up	23.3%	YoY
Net profit <sup>3</sup>	JPY11.7 billion	up	20.5%	YoY
Annual cash dividend	JPY39.00	per share of common stock		

**Overview of FY2020 Financial Results and Business Outlook**

“As for FY2020 financials, we are very pleased to announce strong operating profit growth, which increased by 73.2% year over year to JPY14.3 billion. We see this FY2020 as a turning point of profitability as we were able to largely and structurally increase operating margin. We’ve been consistently executing our business strategy, continuing to develop and provide reliable and value-added network-related platform services for business uses. It had been sometimes posed us in-front-cost burden formerly, but our network services assets created strong accumulation of enterprise monthly recurring revenues along with IT services utilization demands from Japanese enterprises this year, and it led significant expansion of profit,” said Koichi Suzuki, Founder and Chairman of IIJ.

“We suppose this trend would continue to FY2021 and our mid-term plan period. In FY2021, our core business strategy remains the same: offering wide-range of various Internet/private access/mobile connectivity services, security functions such as gateway solutions/SOC<sup>5</sup>/EDR<sup>6</sup>, private-cloud services and multi-cloud solution, with Systems Integration function by leveraging our Internet related expertise. As for FY2021, we expect to increase revenue and operating profit by 6.1% to JPY226.0 billion and by 22.8% to JPY17.5 billion, respectively. Along with net profit increase, we suppose to increase our cash dividend per share by JPY9.25 to JPY39.00 on an annual basis. Although we anticipate our mobile-related revenues will decrease due to ARPU down by our new mobile plan for consumer launched in April 2021, which service price reflected decreasing purchasing unit cost of connectivity and voice fee from MNOs, continuous strong accumulation of enterprise monthly recurring revenues and systems integration, which includes our new subsidiary PTC in Singapore, would cover those impacts and bring consistent revenue growth in total with continued large increase of profit,” said Eijiro Katsu, President of IIJ.

“We also announced our new mid-term plan (FY2021-FY2023) today. We target to have continuous revenue growth

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

<sup>2</sup> YoY is an abbreviation for year over year change.

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

<sup>4</sup> IIJ conducted a stock split at a ratio of two-for-one with an effective date of January 1, 2021. Annual cash dividend per share is the amount after the stock split.

<sup>5</sup> SOC is an abbreviation for Security Operation Center with which we monitor security and analyze security logs collected from our dedicated security platform 24 hours per day, 365 days per year to help and keep our clients’ network secure.

<sup>6</sup> EDR is an abbreviation for Endpoint Detection and Response which is a software that monitors the operation and behavior of endpoints connected to the network, such as personal computers, servers, smartphones, and tablets, and takes action as soon as it detects a cyber attack.

to JPY270 billion and operating margin over 9% in FY2023 by realizing scale-merit furthermore. We recognize critical uses of IT services from large Japanese entities shall be enhanced over the long term, and our services offering business would support those changes. We regard this mid-term plan as one step of the growth stage and once we achieve this target, with leveraging our increasing market value, we would like to continue to implement our longer-term growth strategy including M&A to obtain more technology and human resources. Lastly, we believe our efforts for growth will lead to the realization of our ultimate corporate purpose which are: i) to pursue evolving Internet technology as a front runner, ii) to realize and support future networked society in Japan by our expertise, iii) to provide meaningful opportunities for growth to our employees through business execution. This is basically how we view sustainability as a company and for society,” concluded Suzuki.

## FY2020 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

	FY2019	FY2020	YoY Change
	JPY millions	JPY millions	%
<b>Total revenues</b>	204,474	<b>213,002</b>	4.2
Network services	121,999	<b>126,827</b>	4.0
Systems integration (SI)	78,394	<b>83,284</b>	6.2
ATM operation business	4,081	<b>2,891</b>	(29.2)
<b>Total costs</b>	(171,880)	<b>(172,720)</b>	0.5
Network services	(102,092)	<b>(99,656)</b>	(2.4)
Systems integration (SI)	(67,584)	<b>(71,197)</b>	5.3
ATM operation business	(2,204)	<b>(1,867)</b>	(15.3)
<b>Total gross profit</b>	32,594	<b>40,282</b>	23.6
Network services	19,907	<b>27,171</b>	36.5
Systems integration (SI)	10,810	<b>12,087</b>	11.8
ATM operation business	1,877	<b>1,024</b>	(45.4)
<b>SG&amp;A, R&amp;D, and other operating income (expenses)</b>	(24,369)	<b>(26,034)</b>	6.8
<b>Operating profit</b>	8,225	<b>14,248</b>	73.2
<b>Profit before tax</b>	7,159	<b>14,035</b>	96.0
<b>Profit for the year attributable to owners of the parent</b>	4,007	<b>9,712</b>	142.4

(Note) Systems integration includes equipment sales.

### Segment Results Summary

	FY2019	FY2020
	JPY millions	JPY millions
<b>Total revenues</b>	204,474	<b>213,002</b>
Network services and SI business	200,679	<b>210,278</b>
ATM operation business	4,081	<b>2,891</b>
Elimination	(286)	<b>(167)</b>
<b>Operating profit</b>	8,225	<b>14,248</b>
Network services and SI business	6,729	<b>13,541</b>
ATM operation business	1,645	<b>826</b>
Elimination	(149)	<b>(119)</b>

## FY2020 Revenues and Income

### Revenues

Total revenues were JPY213,002 million, up 4.2% YoY (JPY204,474 million for FY2019).

Network services revenue was JPY126,827 million, up 4.0% YoY (JPY121,999 million for FY2019).

Revenues for Internet connectivity services for enterprise were JPY40,347 million, up 10.1% YoY from JPY36,635 million for FY2019, mainly due to an increase in IP services revenues and mobile-related services revenues along with an increase of telecommunication demands.

Revenues for Internet connectivity services for consumers were JPY25,722 million, down 1.3% YoY from JPY26,055 million for FY2019, mainly due to competition in consumer mobile services.

Revenues for WAN services were JPY25,048 million, down 7.1% YoY from JPY26,972 million for FY2019. The decrease was mainly because of the year over year impact by large enterprises clients' migration to mobile which mostly ended in 3Q19.

Revenues for Outsourcing services were JPY35,710 million, up 10.4% YoY from JPY32,337 million for FY2019, mainly due to an increase in security-related services revenues.

### Network Services Revenues Breakdown

	FY2019	FY2020	YoY Change
	JPY millions	JPY millions	%
<b>Total network services</b>	121,999	<b>126,827</b>	4.0
<b>Internet connectivity services (enterprise)</b>	36,635	<b>40,347</b>	10.1
<b>IP services (including data center connectivity services)</b>	10,701	<b>12,171</b>	13.7
<b>IIJ Mobile Services</b>	22,598	<b>24,525</b>	8.5
<b>Enterprise mobile service (IoT usages etc.)</b>	6,024	<b>7,807</b>	29.6
<b>IIJ Mobile MVNO Platform service (MVNE)</b>	16,574	<b>16,718</b>	0.9
<b>Others</b>	3,336	<b>3,651</b>	9.4
<b>Internet connectivity services (consumer)</b>	26,055	<b>25,722</b>	(1.3)
<b>IIJmio Mobile Services</b>	23,487	<b>22,997</b>	(2.1)
<b>Others</b>	2,568	<b>2,725</b>	6.1
<b>WAN services</b>	26,972	<b>25,048</b>	(7.1)
<b>Outsourcing services</b>	32,337	<b>35,710</b>	10.4

### Number of Contracts and Subscription for Connectivity Services

	As of March 31, 2020	As of March 31, 2021	YoY Change
<b>Internet connectivity services (enterprise)</b>	2,038,687	<b>2,303,717</b>	265,030
<b>IP service (greater than or equal to 1 Gbps)</b>	769	<b>791</b>	22
<b>IP service (less than 1 Gbps)</b>	1,245	<b>1,200</b>	(45)
<b>IIJ Mobile Services</b>	1,949,927	<b>2,209,836</b>	259,909
<b>Enterprise mobile service (IoT usages etc.)</b>	842,811	<b>1,110,415</b>	267,604
<b>IIJ Mobile MVNO Platform service (MVNE)</b>	1,107,116	<b>1,099,421</b>	(7,695)
<b>Others</b>	86,746	<b>91,890</b>	5,144
<b>Internet connectivity services (consumer)</b>	1,410,006	<b>1,379,277</b>	(30,729)
<b>IIJmio Mobile Services</b>	1,075,083	<b>1,034,148</b>	(40,935)
<b>Others</b>	334,923	<b>345,129</b>	10,206
<b>Total contracted bandwidth (Gbps)</b>	5,115.9	<b>6,624.1</b>	1,508.2

(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 JPY83,284 million, up 6.2% YoY (JPY78,394 million for FY2019). Systems construction and equipment sales, a one-time revenue, was JPY31,767 million, down 0.7% YoY (JPY31,976 million for FY2019). Systems operation and maintenance revenue, a recurring revenue, was JPY51,517 million, up 11.0% YoY (JPY46,418 million for FY2019), mainly due to an increase in private cloud services' revenues.

Orders received for SI, including equipment sales, totaled JPY90,314 million, up 8.6% YoY (JPY83,143 million for FY2019); orders received for systems construction and equipment sales were JPY32,590 million, up 3.0% YoY (JPY31,643 million for FY2019), and orders received for systems operation and maintenance were JPY57,724 million, up 12.1% YoY (JPY51,500 million for FY2019).

Order backlog for SI, including equipment sales, as of March 31, 2021 amounted to JPY62,894 million, up 12.6% YoY (JPY55,864 million as of March 31, 2020); order backlog for systems construction and equipment sales was JPY8,330 million, up 11.0% YoY (JPY7,507 million as of March 31, 2020) and order backlog for systems operation and maintenance was JPY54,564 million, up 12.8% YoY (JPY48,357 million as of March 31, 2020).

ATM operation business revenues were JPY2,891 million, down 29.2% YoY (JPY4,081 million for FY2019), mainly due to the decrease in the number of ATM usage and ATMs in operation along with store closure and stay-at-home by the COVID-19.

### **Cost of sales**

Total cost of sales was JPY172,720 million, up 0.5% YoY (JPY171,880 million for FY2019).

Cost of network services revenue was JPY99,656 million, down 2.4% YoY (JPY102,092 million for FY2019). There was a decrease in cost due to mobile unit charge revised by Mobile Network Operators (MNOs) based on their actual results of FY2019 (JPY1.09 billion) and a decrease in circuit-related costs along with WAN services revenue decrease. Gross profit was JPY27,171 million, up 36.5% YoY (JPY19,907 million for FY2019), and gross profit ratio was 21.4% (16.3% for FY2019).

Cost of SI revenues, including equipment sales was JPY71,197 million, up 5.3% YoY (JPY67,584 million for FY2019). There was an increase in license fees along with an increase in cloud-related revenues. Gross profit was JPY12,087 million, up 11.8% YoY (JPY10,810 million for FY2019) and gross profit ratio was 14.5% (13.8% for FY2019).

Cost of ATM operation business revenues was JPY1,867 million, down 15.3% YoY (JPY2,204 million for FY2019). Gross profit was JPY1,024 million (JPY1,877 million for FY2019) and gross profit ratio was 35.4% (46.0% for FY2019).

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

Selling, general and administrative expenses, which include research and development expenses, totaled JPY25,491 million, up 5.9% YoY (JPY24,076 million for FY2019). There was an increase in personnel-related expenses and decreases in sales commission expenses and traveling expenses.

Other operating income was JPY149 million (JPY223 million for FY2019).

Other operating expenses was JPY692 million (JPY516 million for FY2019), mainly due to disposal loss on fixed assets.

### **Operating profit**

Operating profit was JPY14,248 million (JPY8,225 million for FY2019), up 73.2% YoY.

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

Finance income was JPY776 million, compared to JPY350 million for FY2019. It included gains on financial instruments of JPY479 million (JPY128 million for FY2019), foreign exchange gain of JPY138 million and dividend income of JPY98 million (JPY95 million for FY2019).

Finance expense was JPY581 million, compared to JPY610 million for FY2019. It included interest expenses of JPY580 million (JPY583 million for FY2019).

Share of loss of investments accounted for using equity method was JPY408 million (compared to loss of JPY806 million for FY2019), mainly due to loss of DeCurret of JPY629 million, which included gain on changes in equity of

JPY349 million.

**Profit before tax**

Profit before tax was JPY14,035 million (JPY7,159 million for FY2019), up 96.0% YoY.

**Profit for the year**

Income tax expense was JPY4,234 million (JPY2,965 million for FY2019), which included tax reduction of JPY306 million related to employment promotion taxation (JPY237 million for FY2019) and deferred tax benefit of JPY384 million (JPY70 million for FY2019). As a result, profit for the year was JPY9,801 million (JPY4,194 million for FY2019), up 133.7% YoY.

Profit for the year attributable to non-controlling interests was JPY89 million (JPY187 million for FY2019), mainly related to net income of Trust Networks Inc.

Profit for the year attributable to owners of parent was JPY9,712 million (JPY4,007 million for FY2019), up 142.4% YoY.

## **Financial Position as of March 31, 2021**

As of March 31, 2021, the balance of total assets was JPY220,777 million, increased by JPY14,253 million from the balance as of March 31, 2020 of JPY206,524 million.

As of March 31, 2021, the balance of current assets was JPY93,405 million, increased by JPY6,814 million from the balance as of March 31, 2020 of JPY86,590 million. The major breakdown of balance and fluctuation of current assets was: an increase in cash and cash equivalents by JPY3,795 million to JPY42,467 million, an increase in trade receivables by JPY2,214 million to JPY34,799 million and an increase in prepaid expenses by JPY902 million to JPY10,598 million.

As of March 31, 2021, the balance of non-current assets was JPY127,373 million, increased by JPY7,439 million from the balance as of March 31, 2020 of JPY119,934 million. As for the major breakdown of balance and fluctuation of non-current assets, tangible assets decreased by JPY315 million to JPY17,084 million, mainly due to depreciation. 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 JPY147 million to JPY50,708 million, mainly due to new lease contracts. Intangible assets decreased by JPY1,326 million to JPY16,954 million, mainly due to amortization. The balance of investments accounted for using the equity method was JPY9,027 million, increased by JPY4,200 million, mainly due to an additional investment in DeCurret. Prepaid expenses increased by JPY1,759 million to JPY9,537 million, mainly due to prepayment of maintenance costs. The amount of other investments was JPY12,912 million, increased by JPY3,726 million mainly due to fluctuation of fair value of our holding marketable equity securities.

As of March 31, 2021, the balance of current liabilities was JPY73,259 million, increased by JPY7,572 million from the balance as of March 31, 2020 of JPY65,687 million. As for the major breakdown of balance and fluctuation of current liabilities, trade and other payables increased by JPY956 million to JPY19,244 million. Borrowings increased by JPY2,980 million to JPY18,560 million, due to an increase by JPY5,170 million from a transfer from non-current liabilities and a decrease by JPY2,190 million from repayment. Contract liabilities increased by JPY1,204 million to JPY7,102 million. Other financial liabilities increased by JPY34 million to JPY17,879 million. Other current liabilities increased by JPY1,678 million to JPY7,382 million.

As of March 31, 2021, the balance of non-current liabilities was JPY56,547 million, decreased by JPY4,234 million from the balance as of March 31, 2020 of JPY60,780 million. As for the major breakdown of balance and fluctuation of current liabilities, long-term borrowings decreased by JPY5,170 million to JPY7,000 million due to a transfer to current portion. Contract liabilities increased by JPY1,253 million to JPY7,244 million. Other financial liabilities decreased by JPY658 million to JPY35,648 million, mainly due to a transfer to current portion.

As of March 31, 2021, the balance of total equity attributable to owners of the parent was JPY89,956 million, increased by JPY10,881 million from the balance as of March 31, 2020 of JPY79,076 million. Ratio of owners' equity to total assets was 40.7% as of March 31, 2021.

## **FY2020 Cash Flows**

Cash and cash equivalents as of March 31, 2021 were JPY42,467 million (JPY38,672 million as of March 31, 2020).

*Net cash provided by operating activities* for FY2020 was JPY40,544 million (net cash provided by operating activities of JPY33,394 million for FY2019). There was profit before tax of JPY14,035 million, depreciation and amortization of JPY27,974 million, including JPY11,668 million of depreciation of right-of-use operating lease assets under IFRS 16, and income taxes paid of JPY3,912 million. Regarding changes in working capital, there was net cash in of JPY1,513 million compared to net cash out of JPY909 million for FY2019. As for the major factors for the increase in net cash-inflow in comparison with FY2019, there were decreases in payment of current liabilities, such as trade payable. Cash-inflow also increased due to decrease in trade and other receivable and increase in contract liabilities. The increase in net cash-inflow related to these factors exceeded the net increased amount of payment of prepaid expenses and contract assets.

*Net cash used in investing activities* for FY2020 was JPY13,216 million (net cash used in investing activities of JPY7,265 million for FY2019), mainly due to payments for purchases of tangible assets of JPY6,391 million (JPY7,197 million for FY2019), investments in an equity method investee of JPY4,754 million (JPY868 million for FY2019), payments for purchases of intangible assets, such as software, of JPY4,617 million (JPY4,642 million for FY2019) and proceeds from sales of tangible assets, which include sale and leaseback, of JPY2,499 million (JPY2,771 million for FY2019).

*Net cash used in financing activities* for FY2020 was JPY23,618 million (net cash used in financing activities of JPY19,354 million for FY2019), mainly due to payments of other financial liabilities of JPY20,168 million (JPY20,556 million for FY2019), which includes payments under operating lease contracts such as office rent and finance lease contracts such as network equipment, repayments of long-term bank borrowings of JPY1,830 million, dividends paid of JPY1,533 million (JPY1,217 million for FY2019) and repayments of short-term borrowings of JPY360 million.

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## **Considered Factors for FY2021 Financial Targets**

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As for the market environment in FY2021, the economy in general is expected to continue to recover, yet we need to pay attention to concerns such as the re-emergence of the COVID-19 pandemic. In the ICT related market, we assume that demand for network services and systems integration will continue to increase.

With regard to our business outlook for FY2021, we expect continued growth in revenues and gross profit for recurring transactions, such as network services, under the aforementioned assumptions of the market environment. In mobile services, we expect a decrease in revenue due to a reduction of average revenue per user caused by our new consumer plan, which reflects unit price reduction of mobile interconnectivity charge. In systems integration, in addition to continued growth, we expect an increase in revenues and profits due to the acquisition of PTC SYSTEM (S) PTE LTD., which became our wholly owned subsidiary in April 2021.

Based on the above, our consolidated financial targets for FY2021 are as follows: total revenues of JPY226.0 billion (up 6.1% from FY2020) and operating profit of JPY17.5 billion (up 22.8% from FY2020). As for profit before tax, we target JPY17.3 billion, by considering 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 JPY11.7 billion, by considering income tax expenses at the normal effective tax rate.

## **Dividend Policy and FY2020 Dividend and FY2021 Dividend Forecast**

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

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.

Based on the policy above, for FY2020, IIJ had paid the interim cash dividend of JPY10.25 per share of common stock (post-stock-split basis), and plans the year-end dividend to be JPY19.50 per share. Total dividend per share for FY2020 will be JPY29.75 per share of common stock.

As for FY2021, our interim dividend forecast is JPY19.50 and our year-end dividend forecast is JPY19.50, which in total is JPY39.00 per share of common stock, an increase of JPY9.25 from FY2020 annual dividend.

## **Presentation**

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Presentation materials will be posted on our web site (<https://www.ij.ad.jp/en/ir/>) on May 12, 2021.

## **About Internet Initiative Japan Inc.**

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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 in 2006.

## **For inquiries, contact:**

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## **Disclaimer:**

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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, 2020	March 31, 2021
	Thousands of yen	Thousands of yen
Assets		
Current Assets		
Cash and cash equivalents	38,671,734	42,466,933
Trade receivables	32,585,326	34,799,075
Inventories	2,476,477	2,171,046
Prepaid expenses	9,696,856	10,598,441
Contract assets	438,675	1,281,918
Other financial assets	2,629,332	1,975,910
Other current assets	92,027	111,334
Total Current Assets	86,590,427	93,404,657
Non-current Assets		
Tangible assets	17,399,863	17,084,401
Right-of-use Assets	50,560,361	50,707,726
Goodwill	6,082,472	6,082,472
Intangible assets	18,280,247	16,954,274
Investments accounted for using the equity method	4,827,287	9,026,980
Prepaid expenses	7,777,997	9,537,160
Contract assets	60,362	46,638
Other investments	9,186,646	12,912,483
Deferred tax assets	742,857	143,337
Other financial assets	4,645,959	4,442,704
Other non-current assets	369,782	434,437
Total non-current assets	119,933,833	127,372,612
Total assets	206,524,260	220,777,269

	March 31, 2020	March 31, 2021
	Thousands of yen	Thousands of yen
Liabilities and Equity		
Liabilities		
Current liabilities		
Trade and other payables	18,287,546	19,243,800
Borrowings	15,580,000	18,560,000
Income taxes payable	2,283,707	3,012,415
Contract liabilities	5,897,674	7,101,821
Deferred income	88,901	79,914
Other financial liabilities	17,845,194	17,879,331
Other current liabilities	5,703,623	7,381,746
Total current liabilities	65,686,645	73,259,027
Non-current liabilities		
Borrowings	12,170,000	7,000,000
Retirement benefit liabilities	3,984,880	4,168,575
Provisions	753,518	756,405
Contract liabilities	5,991,807	7,244,411
Deferred income	479,097	405,579
Deferred tax liabilities	136,536	225,469
Other financial liabilities	36,305,781	35,647,899
Other non-current liabilities	958,879	1,098,253
Total non-current liabilities	60,780,498	56,546,591
Total liabilities	126,467,143	129,805,618
Equity		
Share capital	25,530,621	25,530,621
Share premium	36,271,395	36,388,811
Retained earnings	16,500,993	25,046,813
Other components of equity	2,669,501	4,865,110
Treasury shares	(1,896,921)	(1,874,976)
Total equity attributable to owners of the parent	79,075,589	89,956,379
Non-controlling interests	981,528	1,015,272
Total equity	80,057,117	90,971,651
Total liabilities and equity	206,524,260	220,777,269

## Consolidated Statements of Profit or Loss (Unaudited)

	For the year ended March 31, 2020	For the year ended March 31, 2021
	Thousands of yen	Thousands of yen
Revenues		
Network services	121,998,722	126,826,927
System integration	78,393,435	83,283,912
ATM operation business	4,081,358	2,891,041
Total revenues	<u>204,473,515</u>	<u>213,001,880</u>
Cost of sales		
Cost of network services	(102,092,065)	(99,656,232)
Cost of systems integration	(67,584,141)	(71,196,904)
Cost of ATM operation business	(2,203,884)	(1,866,789)
Total cost of sales	<u>(171,880,090)</u>	<u>(172,719,925)</u>
Gross Profit	32,593,425	40,281,955
Selling, general and administrative expense	(24,075,759)	(25,490,666)
Other operating income	223,215	148,500
Other operating expenses	(515,709)	(692,066)
Operating Profit	<u>8,225,172</u>	<u>14,247,723</u>
Finance income	349,965	776,298
Finance expenses	(610,370)	(581,486)
Share of profit (loss) of investments accounted for using equity method	(805,780)	(407,816)
Profit (loss) before tax	<u>7,158,987</u>	<u>14,034,719</u>
Income tax expense	(2,965,453)	(4,233,584)
Profit (loss) for the year	<u><u>4,193,534</u></u>	<u><u>9,801,135</u></u>
Profit (loss) for the year attributable to:		
Owners of the parent	4,006,773	9,711,559
Non-controlling interests	186,761	89,576
Total	<u><u>4,193,534</u></u>	<u><u>9,801,135</u></u>
Earnings per share		
Basic earnings per share (yen)	44.44	107.67
Diluted earnings per share (yen)	44.24	107.14

※IIJ conducted stock a split at a ratio of two-for-one with an effective date of January 1, 2021.

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

## Consolidated Statements of Comprehensive Income (Unaudited)

	For the year ended March 31, 2020	For the year ended March 31, 2021
	Thousands of yen	Thousands of yen
Profit (loss) for the year	4,193,534	9,801,135
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	234,772	2,371,133
Remeasurement of defined benefit plans	(157,541)	115,649
Total items that will not be reclassified to profit or loss	77,231	2,486,782
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(92,375)	98,938
Financial assets measured at fair value through other comprehensive income	(1,735)	(692)
Share of other comprehensive income of investments accounted for using equity method	7,671	(21,921)
Total of items that may be reclassified to profit or loss	(86,439)	76,325
Total other comprehensive income, net of tax	(9,208)	2,563,107
Other comprehensive income for the year	4,184,326	12,364,242
Other comprehensive income for the year attributable to:		
Owners of the parent	3,997,565	12,274,666
Non-controlling interest	186,761	89,576
Other comprehensive income for the year	4,184,326	12,364,242

Consolidated Statements of Changes in Shareholders' Equity (Unaudited)  
For the year ended March 31, 2020

	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		
	Thousands of yen	Thousands of yen	Thousands of yen	Thousands of yen	Thousands of yen	Thousands of yen		
Balance, April 1, 2019	25,518,712	36,225,775	12,335,035	4,088,704	(1,896,788)	76,271,438	848,172	77,119,610
Cumulative impact of adopting IFRS 16	-	-	(33,728)	-	-	(33,728)	-	(33,728)
Comprehensive income								
Profit for the year	-	-	4,006,773	-	-	4,006,773	186,761	4,193,534
Other comprehensive income	-	-	-	(9,208)	-	(9,208)	-	(9,208)
Total comprehensive income	-	-	4,006,773	(9,208)	-	3,997,565	186,761	4,184,326
Transactions with owners								
Issuance of common stock	11,909	(11,895)	-	-	-	14	-	14
Purchase of treasury stock	-	-	-	-	(133)	(133)	-	(133)
Dividends paid	-	-	(1,217,082)	-	-	(1,217,082)	(53,405)	(1,270,487)
Stock-based compensation	-	57,515	-	-	-	57,515	-	57,515
Transfer from other components of equity to retained earnings	-	-	1,409,995	(1,409,995)	-	-	-	-
Total transactions with owners	11,909	45,620	192,913	(1,409,995)	(133)	(1,159,686)	(53,405)	(1,213,091)
Balance, March 31, 2020	25,530,621	36,271,395	16,500,993	2,669,501	(1,896,921)	79,075,589	981,528	80,057,117

For the year ended March 31, 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		
	Thousands of yen	Thousands of yen	Thousands of yen	Thousands of yen	Thousands of yen	Thousands of yen		
Balance, April 1, 2020	25,530,621	36,271,395	16,500,993	2,669,501	(1,896,921)	79,075,589	981,528	80,057,117
Comprehensive income								
Profit for the year	-	-	9,711,559	-	-	9,711,559	89,576	9,801,135
Other comprehensive income	-	-	-	2,563,107	-	2,563,107	-	2,563,107
Total comprehensive income	-	-	9,711,559	2,563,107	-	12,274,666	89,576	12,364,242
Transactions with owners								
Purchase of treasury stock	-	-	-	-	(140)	(140)	-	(140)
Disposal of treasury shares	-	52,781	-	-	22,085	74,866	-	74,866
Dividends paid	-	-	(1,533,237)	-	-	(1,533,237)	(55,832)	(1,589,069)
Stock-based compensation	-	64,635	-	-	-	64,635	-	64,635
Transfer from other components of equity to retained earnings	-	-	367,498	(367,498)	-	-	-	-
Total transactions with owners	-	117,416	(1,165,739)	(367,498)	21,945	(1,393,876)	(55,832)	(1,449,708)
Balance, March 31, 2021	25,530,621	36,388,811	25,046,813	4,865,110	(1,874,976)	89,956,379	1,015,272	90,971,651

## Consolidated Statements of Cash Flows (Unaudited)

	For the year ended March 31, 2020	For the year ended March 31, 2021
	Thousands of yen	Thousands of yen
Cash flows from operating activities:		
Profit (loss) before tax	7,158,987	14,034,719
Adjustments		
Depreciation and amortization	28,520,131	27,973,729
Loss (gain) on sales/disposals of property and equipment	470,789	634,271
Shares of loss (profit) of investments accounted for using the equity method	805,780	407,816
Finance income	(259,463)	(639,262)
Finance expenses	592,186	579,741
Other	(8,075)	338,666
Changes in working capital		
Decrease (increase) in trade receivables	344,940	(2,151,565)
Decrease (increase) in inventories	919,349	312,484
Decrease (increase) in prepaid expenses	(538,864)	(2,671,608)
Decrease (increase) in contract assets	(390,673)	(829,519)
Decrease (increase) in other assets	245,625	15,818
Decrease (increase) in other financial assets	(322,857)	1,504,966
Increase (decrease) in trade and other payables	(4,052,514)	1,071,330
Increase (decrease) in contract liabilities	1,590,073	2,505,263
Increase (decrease) in deferred income	(42,085)	(82,505)
Increase (decrease) in other liabilities	1,150,317	1,677,036
Increase (decrease) in other financial liabilities	(83,898)	(185,457)
Increase (decrease) in retirement benefit liabilities	271,746	347,171
Subtotal	36,371,494	44,843,094
Interest and dividends received	211,312	192,760
Interest paid	(578,252)	(580,053)
Income taxes paid	(2,610,803)	(3,911,634)
Cash flows from operating activities	33,393,751	40,544,167

	For the year ended March 31, 2020	For the year ended March 31, 2021
	Thousands of yen	Thousands of yen
Cash flows from investing activities		
Purchases of tangible assets	(7,196,952)	(6,390,700)
Proceeds from sales of tangible assets	2,771,031	2,499,494
Purchases of intangible assets	(4,641,964)	(4,616,636)
Proceeds from sales of intangible assets	273,773	44,085
Purchase of investments accounted for using equity method	(867,842)	(4,754,000)
Proceeds from sale of investments accounted for using equity method	-	60,637
Purchases of other investments	(136,429)	(241,307)
Proceeds from sales of other investments	2,750,245	462,547
Payments for leasehold deposits and guarantee deposits	(196,716)	(280,742)
Proceeds from collection of leasehold deposits and guarantee deposits	21,527	64,852
Payments for refundable insurance policies	(56,340)	(68,767)
Other	14,833	4,695
Cash flows from investing activities	(7,264,834)	(13,215,842)
Cash flows from financing activities		
Repayment of long-term borrowings	(1,500,000)	(1,830,000)
Net increase (decrease) in short-term borrowings	2,500,000	(360,000)
Proceeds from other financial liabilities	1,473,000	329,566
Payments of other financial liabilities	(20,556,388)	(20,168,227)
Dividends paid	(1,217,082)	(1,533,237)
Other	(53,551)	(55,832)
Cash flows from financing activities	(19,354,021)	(23,617,730)
Effect of exchange rate changes on cash and cash equivalents	(60,951)	84,604
Net increase (decrease) in cash and cash equivalents	6,713,945	3,795,199
Cash and cash equivalents, beginning of the year	31,957,789	38,671,734
Cash and cash equivalents, end of year	38,671,734	42,466,933

## Notes to Condensed Consolidated Financial Statements (UNAUDITED)

### Going Concern Assumption (Unaudited)

Nothing to be reported.

### Changes in Accounting Policies (Unaudited)

Nothing to be reported.

### Segment Information (Unaudited)

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, 2020

	Reportable segments		Adjustments	Consolidated
	Network service and systems integration business	ATM operation business		
	Thousands of yen	Thousands of yen		
Revenue				
Customers	200,392,157	4,081,358	—	204,473,515
Intersegment transactions	287,262	—	(287,262)	—
Total revenue	200,679,419	4,081,358	(287,262)	204,473,515
Segment operating profit	6,728,906	1,644,629	(148,363)	8,225,172
Finance income				349,965
Finance expense				(610,370)
Share of profit (loss) of investments accounted for using the equity method				(805,780)
Profit before tax				7,158,987

Fiscal year ended March 31, 2021

	Reportable segments		Adjustments	Consolidated
	Network service and systems integration business	ATM operation business		
	Thousands of yen	Thousands of yen		
Revenue				
Customers	210,110,839	2,891,041	—	213,001,880
Intersegment transactions	167,160	—	(167,160)	—
Total revenue	210,277,999	2,891,041	(167,160)	213,001,880
Segment operating profit	13,541,072	826,004	(119,353)	14,247,723
Finance income				776,298
Finance expense				(581,486)
Share of profit (loss) of investments accounted for using the equity method				(407,816)
Profit before tax				14,034,719

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 (Unaudited)**

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, 2020 and 2021 were as follows:

	For the year ended March 31, 2020	For the year ended March 31, 2021
Numerator :		
Basic earnings attributable to owners of the parent ( thousands of yen )	4,006,773	9,711,559
Denominator :		
Weighted average number of shares — basic (shares)	90,160,805	90,195,162
Dilution arising from stock options (shares)	401,332	451,642
Weighted average number of shares — diluted (shares)	90,562,137	90,646,804
Earnings per share attributable to owners of the parent		
Basic (yen)	44.44	107.67
Diluted (yen)	44.24	107.14

**Stock split**

Based on a resolution of the Board of Directors on November 9, 2020, the Company conducted a two-for-one stock split of common shares held by shareholders as of December 31, 2020, with an effective date of January 1, 2021. As a result of the stock split, per share information for the previous and current consolidated fiscal years presented in the condensed quarterly consolidated financial statements is presented after adjustment for the stock split.

**Subsequent Events (Unaudited)**

On April 1, 2021, the Company acquired all shares of PTC SYSTEM (S) PTE LTD, which is mainly engaged in the system integration business in Singapore, for SGD\$44 million (JPY3,632 million) and made it a subsidiary.

Note: The following information is provided to disclose Internet Initiative Japan Inc. ("IIJ") financial results (unaudited) for the fiscal year ended March 31, 2021 ("FY2020") in the form defined by the Tokyo Stock Exchange.

## Consolidated Financial Results for the Fiscal Year ended March 31, 2021 [Under IFRS]

May 12, 2021

Company name: Internet Initiative Japan Inc.

Exchange listed: Tokyo Stock Exchange First Section

Stock code number: 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 annual general shareholders' meeting: June 29, 2021

Scheduled date for dividend payment: June 30, 2021

Scheduled date for filing of annual securities report (*Yuka-shoken -houkokusho*) to Japan's regulatory organization: June 30, 2021

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, 2021 (April 1, 2020 to March 31, 2021)

#### (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, 2021	213,002	4.2	14,248	73.2	14,035	96.0	9,801	133.7	9,712	142.4	12,364	195.5
Fiscal Year ended March 31, 2020	204,474	6.3	8,225	36.6	7,159	22.5	4,194	13.4	4,007	13.8	4,184	35.8

	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, 2021	107.67	107.14	11.5	6.6	6.7
Fiscal Year ended March 31, 2020	44.44	44.24	5.2	3.8	4.0

(Reference) Equity in net income (loss) of equity method investees

Fiscal year ended March 31, 2021: JPY(408) million. Fiscal year ended March 31, 2020: JPY(806) million

(Note) IIJ conducted a stock split at a ratio of two-for-one with an effective date of January 1, 2021. Accordingly, basic earnings per share and diluted earnings per share have been calculated as if the stock split was 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, 2021	220,777	90,972	89,956	40.7	997.24
As of March 31, 2020	206,524	80,057	79,076	38.3	876.99

(Note) IIJ conducted a stock split at a ratio of two-for-one with an effective date of January 1, 2021. Accordingly, owners' equity per share have been calculated as if the stock split was 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, 2021	40,544	(13,216)	(23,618)	42,467
Fiscal year ended March 31, 2020	33,394	(7,265)	(19,354)	38,672

## 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, 2020	—	13.50	—	13.50	27.00	1,217	30.4	1.6
Fiscal Year Ended March 31, 2021	—	20.50	—	19.50	—	2,684	27.6	3.2
Fiscal Year Ending March 31, 2021 (forecast)	—	19.50	—	19.50	39.00		30.1	

(Note) IJ conducted a stock split at a ratio of two-for-one with an effective date of January 1, 2021. The forecast of year-end dividend per share is the amount after the stock split. Regarding the pre-split basis amount, revised forecast of year-end and annual dividend per share are JPY39.00 and JPY59.50, respectively.

## 3. Targets of Consolidated Financial Results for the Fiscal Year ending March 31, 2022 (April 1, 2021 through March 31, 2022)

(% 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, 2021	108,000	6.2	6,500	24.1	6,300	41.1	4,200	51.6	46.56
Fiscal Year Ending March 31, 2022	226,000	6.1	17,500	22.8	17,300	23.3	11,700	20.5	129.70

### \* 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, 2021: 93,469,200 shares  
As of March 31, 2020: 93,469,200 shares

ii. Number of treasury stock:

As of March 31, 2021: 3,263,532 shares  
As of March 31, 2020: 3,301,900 shares

iii. Number of weighted average common shares outstanding:

For the fiscal year ended March 31, 2021: 90,195,162 shares  
For the fiscal year ended March 31, 2020: 90,160,805 shares

\* IJ conducted a stock split at a ratio of two-for-one with an effective date of January 1, 2021. Accordingly, number of shares issued, number of treasury stock and number of weighted average common shares outstanding above have been calculated as if the stock split was 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 IJ Group's expectation, estimates, and projections based on information available to IJ Group as of May 12, 2021. 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 "Considered Factors for FY2021 Financial Targets" 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.

May 12, 2021

Company name: Internet Initiative Japan Inc.

Company representative: Ejjiro Katsu, President and Representative Director  
(Stock Code Number: 3774, The First Section 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, 2021)

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 (First Section)

#### 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, 2021, 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 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 JPY33,827 million for the fiscal year ended March 31, 2021.

#### 4. Policy Concerning Measures to Protect Minority Shareholders in Transactions with NTT Group

Business transactions with the NTT Group are within the scope of normal business practices and there is no special contract made in relation to the investment by NTT Group.

End