

IIJ Announces its First Three Months Results
for the Fiscal Year Ending March 31, 2022

Tokyo, August 10, 2021 - Internet Initiative Japan Inc. (“IIJ”, TSE1: 3774) today announced its consolidated financial results for the first three months for the fiscal year ending March 31, 2022 (“1Q21”, from April 1, 2021 to June 30, 2021) under International Financial Reporting Standards (IFRS)¹

Highlights of Financial Results for 1Q21

Total revenues	JPY53.0 billion	up	5.2%	YoY ²
Gross profit	JPY11.4 billion	up	40.8%	YoY
Operating profit	JPY4.4 billion	up	113.0%	YoY
Profit before tax	JPY5.4 billion	up	215.8%	YoY
Net profit ³	JPY3.5 billion	up	214.1%	YoY

Overview of 1Q21 Financial Results and Business Outlook

“Under the increasing IT utilization by Japanese enterprises, we significantly expanded profit in the last fiscal year. This was realized by our continuous business investment on a long-term basis, including expansion and operation of reliable network infrastructure, development of various service line-ups and business, and enhancement of customer relations. Digital transformation (DX), accelerated by the COVID-19 pandemic, would not be a temporary phenomenon but a long lasting trend which should continue to grow. By leveraging such tailwind circumstance with our competitive advantages, we would like to largely expand our business scale in the middle-to-long term,” said Koichi Suzuki, Founder and Chairman of IIJ.

“As the first fiscal year of our new Mid-term Plan, we are pleased to announce that we had a strong start. In 1Q21, we saw strong demands from Japanese enterprises in various industries for both network services and systems integration. Driven by the continuous demands for network services, such as IP services⁴, outsourcing services, which includes security services, and WAN services, we continuously accumulated recurring revenues⁵, 85.8% of 1Q21 total revenues. With regard to systems integration, we strongly accumulated order received for systems construction which increased by 30.5% YoY, as well as expanded 1Q21 system integration revenue and gross profit, which included our new consolidated subsidiary PTC⁶ in Singapore,” said Eijiro Katsu, President of IIJ.

“By realizing our ongoing strategy, we would be able to continuously achieve profit growth as well, which should be reflected in our shareholder return. Accordingly, we expect our market value to increase by which we believe it gives us more flexibility to our strategies including pursuit of M&A opportunities more than ever. Advancement of Internet-related technology and spread of DX would further improve the efficiency of social behavior, and reduce total energy consumption in the long-term. As a leading comprehensive network solution provider in Japan, we would like to contribute to realizing sustainable society through our business activities,” concluded Katsu.

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 IP services are IIJ’s dedicated-type Internet connectivity services, mainly used by corporate users.

⁵ Recurring revenues is revenues that users can count on receiving every single month through continuous provision of services.

⁶ For details, please refer to our press release titled “Notice Regarding Acquisition of Shares in PTC SYSTEM (S) PTE LTD (as a New Subsidiary)” https://www.ij.ad.jp/en/news/pressrelease/2021/pdf/PTC%20SYSTEM_E.pdf

1Q21 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

	1Q20	1Q21	YoY Change
	JPY millions	JPY millions	%
Total revenues	50,379	52,975	5.2
Network services	30,934	31,475	1.7
Systems integration (SI)	18,875	20,807	10.2
ATM operation business	570	693	21.7
Total costs	(42,266)	(41,548)	(1.7)
Network services	(24,944)	(23,145)	(7.2)
Systems integration (SI)	(16,884)	(17,959)	6.4
ATM operation business	(438)	(444)	1.2
Total gross profit	8,113	11,427	40.8
Network services	5,990	8,330	39.1
Systems integration (SI)	1,991	2,848	43.0
ATM operation business	132	249	90.2
SG&A, R&D, and other operating income (expenses)	(6,066)	(7,067)	16.5
Operating profit	2,047	4,360	113.0
Profit before tax	1,694	5,350	215.8
Profit for the period attributable to owners of the parent	1,116	3,507	214.1

(Note) Systems integration includes equipment sales.

Segment Results Summary

	1Q20	1Q21
	JPY millions	JPY millions
Total revenues	50,379	52,975
Network services and SI business	49,858	52,316
ATM operation business	570	693
Elimination	(49)	(34)
Operating profit	2,047	4,360
Network services and SI business	1,991	4,189
ATM operation business	89	195
Elimination	(33)	(24)

1Q21 Revenues and Profit

Revenues

Total revenues were JPY52,975 million, up 5.2% YoY (JPY50,379 million for 1Q20).

Network services revenue was JPY31,475 million, up 1.7% YoY (JPY30,934 million for 1Q20).

Revenues for Internet connectivity services for enterprises were JPY9,410 million, down 4.1% YoY from JPY9,809 million for 1Q20, mainly due to decrease in IIJ Mobile MVNO Platform service, while revenues of IP services and Enterprise mobile services increased.

Revenues for Internet connectivity services for consumers were JPY6,108 million, down 5.4% YoY from JPY6,454 million for 1Q20, mainly due to reduction in unit price of our consumer mobile services.

Revenues for WAN services were JPY6,447 million, up 4.4% YoY from JPY6,175 million for 1Q20.

Revenues for Outsourcing services were JPY9,510 million, up 11.9% YoY from JPY8,496 million for 1Q20, mainly due to an increase in security-related services revenues.

Network Services Revenues Breakdown

	1Q20	1Q21	YoY Change
	JPY millions	JPY millions	%
Total network services	30,934	31,475	1.7
Internet connectivity services (enterprise)	9,809	9,410	(4.1)
IP services (including data center connectivity services)	2,881	3,275	13.7
IIJ Mobile Services	6,047	5,189	(14.2)
Enterprise mobile service (IoT usages etc.)	1,673	2,344	40.1
IIJ Mobile MVNO Platform service (MVNE)	4,374	2,845	(35.0)
Others	881	946	7.4
Internet connectivity services (consumer)	6,454	6,108	(5.4)
IIJmio Mobile Services	5,796	5,392	(7.0)
Others	658	716	8.7
WAN services	6,175	6,447	4.4
Outsourcing services	8,496	9,510	11.9

Number of Contracts and Subscription for Connectivity Services

	As of June 30, 2020	As of June 30, 2021	YoY Change
Internet connectivity services (enterprise)	2,135,482	2,299,032	163,550
IP service (greater than or equal to 1Gbps)	778	764	(14)
IP service (less than 1Gbps)	1,246	1,202	(44)
IIJ Mobile Services	2,046,836	2,205,759	158,923
Enterprise mobile service (IoT usages etc.)	922,819	1,163,312	240,493
IIJ Mobile MVNO Platform service (MVNE)	1,124,017	1,042,447	(81,570)
Others	86,622	91,307	4,685
Internet connectivity services (consumer)	1,402,062	1,396,386	(5,676)
IIJmio Mobile Services	1,063,165	1,053,173	(9,992)
Others	338,897	343,213	4,316
Total contracted bandwidth (Gbps)	5,288.7	7,108.2	1,819.5

(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 JPY20,807 million, up 10.2% YoY (JPY18,875 million for 1Q20). Systems construction and equipment sales, a one-time revenue, was JPY6,832 million, up 4.3% YoY (JPY6,550 million for 1Q20). Of this amount, revenue of PTC was JPY840 million.

Systems operation and maintenance revenue, a recurring revenue, was JPY13,974 million, up 13.4% YoY (JPY12,325 million for 1Q20), mainly due to continued accumulation of systems operation orders as well as an increase in private cloud services' revenues. Of this amount, revenue of PTC was JPY473 million.

Orders received for SI, including equipment sales, totaled JPY21,649 million, up 4.9% YoY (JPY20,643 million for 1Q20); orders received for systems construction and equipment sales were JPY8,737 million, up 30.5% YoY (JPY6,693 million for 1Q20), and orders received for systems operation and maintenance were JPY12,911 million, down 7.4% YoY (JPY13,949 million for 1Q20)

Order backlog for SI, including equipment sales, as of June 30, 2021 amounted to JPY67,496 million, up 17.1% YoY (JPY57,631 million as of June 30, 2020); order backlog for systems construction and equipment sales was JPY11,073 million, up 44.7% YoY (JPY7,650 million as of June 30, 2020) and order backlog for systems operation and maintenance was JPY56,424 million, up 12.9% YoY (JPY49,981 million as of June 30, 2020).

ATM operation business revenues were JPY693 million, up 21.7% YoY (JPY570 million for 1Q20).

Cost of sales

Total cost of sales was JPY41,548 million, down 1.7% YoY (JPY42,266 million for 1Q20).

Cost of network services revenue was JPY23,145 million, down 7.2% YoY (JPY24,944 million for 1Q20), mainly due to a decrease in outsourcing costs. Gross profit was JPY8,330 million, up 39.1% YoY (JPY5,990 million for 1Q20), and gross profit ratio was 26.5% (19.4% for 1Q20).

Cost of SI revenues, including equipment sales was JPY17,959 million, up 6.4% YoY (JPY16,884 million for 1Q20), mainly due to increases in outsourcing and personnel costs. The amount included PTC's cost of JPY1,164 million. Gross profit was JPY2,848 million, up 43.0% YoY (JPY1,991 million for 1Q20) and gross profit ratio was 13.7% (10.5% for 1Q20).

Cost of ATM operation business revenues was JPY444 million, up 1.2% YoY (JPY438 million for 1Q20). Gross profit was JPY249 million (JPY132 million for 1Q20) and gross profit ratio was 36.0% (23.1% for 1Q20).

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

Selling, general and administrative expenses, including research and development expenses, totaled JPY7,083 million, up 17.1% YoY (JPY6,049 million for 1Q20), mainly due to increases in personnel-related expenses and advertising expenses. Of this amount, PTC's expenses was JPY96 million.

Other operating income was JPY52 million (JPY48 million for 1Q20).

Other operating expenses was JPY36 million (JPY65 million for 1Q20), mainly due to disposal loss on fixed assets.

Operating profit

Operating profit was JPY4,360 million (JPY2,047 million for 1Q20), up 113.0% YoY.

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

Finance income was JPY1,361 million, compared to JPY80 million for 1Q20. It included gains on financial instruments, mainly related to funds, of JPY1,296 million (loss of JPY3 million for 1Q20).

Finance expense was JPY154 million, compared to JPY154 million for 1Q20. It included interest expenses of JPY137 million (JPY151 million for 1Q20).

Share of loss of investments accounted for using equity method was JPY217 million (compared to loss of JPY279 million for 1Q20), mainly due to loss of DeCurret Inc. of JPY296 million.

Profit before tax

Profit before tax was JPY5,350 million (JPY1,694 million for 1Q20), up 215.8% YoY.

Profit for the period

Income tax expense was JPY1,807 million (JPY572 million for 1Q20). As a result, profit for the period was JPY3,543 million (JPY1,122 million for 1Q20), up 215.8% YoY.

Profit for the period attributable to non-controlling interests was JPY36 million (JPY6 million for 1Q20), mainly related to net income of Trust Networks Inc.

Profit for the period attributable to owners of parent was JPY3,507 million (JPY1,116 million for 1Q20), up 214.1% YoY.

Financial Position as of June 30, 2021

As of June 30, 2021, the balance of total assets was JPY217,263 million, decreased by JPY3,515 million from the balance as of March 31, 2021 of JPY220,777 million.

As of June 30, 2021, the balance of current assets was JPY84,717 million, decreased by JPY8,688 million from the balance as of March 31, 2021 of JPY93,405 million. The major breakdown of balance and fluctuation of current assets was: a decrease in cash and cash equivalents by JPY7,636 million, mainly due to the acquisition of PTC, to JPY34,831 million, a decrease in trade receivables by JPY6,879 million to JPY27,920 million and an increase in prepaid expenses by JPY4,486 million, of which JPY1,162 million is related to the acquisition of PTC, to JPY15,084 million.

As of June 30, 2021, the balance of non-current assets was JPY132,546 million, increased by JPY5,173 million from the balance as of March 31, 2021 of JPY127,373 million. As for the major breakdown of balance and fluctuation of non-current assets, tangible assets increased by JPY696 million to JPY17,780 million, mainly due to an expansion of Shiroy Data Center Campus. 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 JPY1,992 million to JPY48,715 million, mainly due to depreciation. Goodwill increased by JPY3,181 million to JPY9,264 million, due to the acquisition of PTC. Prepaid expenses increased by JPY1,131 million to JPY10,668 million, including an increase of JPY951 million related to the acquisition of PTC. The amount of other investments was JPY15,702 million, increased by JPY2,789 million mainly due to fluctuation of fair value of our holding marketable equity securities and funds.

As of June 30, 2021, the balance of current liabilities was JPY68,535 million, decreased by JPY4,724 million from the balance as of March 31, 2021 of JPY73,259 million. As for the major breakdown of balance and fluctuation of current liabilities, trade and other payables decreased by JPY3,760 million to JPY15,484 million. Borrowings decreased by JPY1,855 million to JPY16,705 million, due to an increase of JPY1,480 million in short-term borrowings, an increase of JPY750 million due to a transfer from non-current liabilities and a decrease by JPY4,085 million from repayment of long-term borrowings. Income taxes payable decreased by JPY1,441 million to JPY1,571 million. Contract liabilities increased by JPY2,483 million to JPY9,585 million, including an increase of JPY1,336 million related to the acquisition of PTC. Other financial liabilities increased by JPY732 million to JPY18,611 million. Other current liabilities decreased by JPY873 million to JPY6,509 million.

As of June 30, 2021, the balance of non-current liabilities was JPY55,144 million, decreased by JPY1,402 million from the balance as of March 31, 2021 of JPY56,547 million. As for the major breakdown of balance and fluctuation of non-current liabilities, long-term borrowings decreased by JPY750 million to JPY6,250 million due to a transfer to current portion. Contract liabilities increased by JPY706 million to JPY7,951 million, of which JPY1,086 million was an increase related to the acquisition of PTC. Other financial liabilities decreased by JPY1,800 million to JPY33,848 million, mainly due to a transfer to current portion.

As of June 30, 2021, the balance of total equity attributable to owners of the parent was JPY92,580 million, increased by JPY2,624 million from the balance as of March 31, 2021 of JPY89,956 million. Ratio of owners' equity to total assets was 42.6% as of June 30, 2021.

1Q21 Cash Flows

Cash and cash equivalents as of June 30, 2021 were JPY34,831 million (JPY38,893 million as of June 30, 2020).

Net cash provided by operating activities for 1Q21 was JPY7,654 million (net cash provided by operating activities of JPY11,635 million for 1Q20). There was profit before tax of JPY5,350 million, depreciation and amortization of JPY6,606 million, including JPY2,500 million of depreciation of right-of-use operating lease assets under IFRS 16, and income taxes paid of JPY3,334 million, compared to JPY2,177 million for 1Q20. Regarding changes in working capital, there was net cash out of JPY70 million compared to net cash in of JPY4,576 million for 1Q20. As for the major factors in comparison with 1Q20, there were increases in payment of current liabilities, such as trade payable and other liabilities. The increase in net cash-outflow related to these factors exceeded the increase in cash-inflow due to a decrease in trade and other receivable and an increase in contract liabilities.

Net cash used in investing activities for 1Q21 was JPY6,414 million (net cash used in investing activities of JPY4,592 million for 1Q20), mainly due to payments for purchases of tangible assets of JPY2,839 million (JPY1,407 million for 1Q20), payments for purchases of intangible assets, such as software, of JPY1,325 million (JPY1,805 million for 1Q20), payments for the acquisition of PTC (net of its cash) of JPY2,612 million and proceeds from sales of tangible assets, which include sale and leaseback, of JPY584 million (JPY1,017 million for 1Q20).

Net cash used in financing activities for 1Q21 was JPY8,875 million (net cash used in financing activities of JPY6,802 million for 1Q20), mainly due to payments of other financial liabilities of JPY4,463 million (JPY5,223 million for 1Q20), which included payments under operating lease contracts such as office rent and finance lease contracts such as network equipment, repayments of long-term bank borrowings of JPY4,085 million (JPY915million for 1Q20), dividends paid of JPY1,759 million (JPY609 million for 1Q20) and net increase in short-term borrowings of JPY1,480 million.

Future Prospects including FY2021 Financial Targets

While 1Q21 financial results, profit in particular, exceeded our plan, as of today, our financial targets for the fiscal year ending March 31, 2022 (FY2021) announced on May 12, 2021 remain unchanged.

Presentation

Presentation materials will be posted on our web site (<https://www.ij.ad.jp/en/ir/>) on August 10, 2021.

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 in 2006.

For inquiries, contact:

IJ Investor Relations Tel: +81-3-5205-6500 E-mail: ir@ij.ad.jp URL: <https://www.ij.ad.jp/en/ir>

Disclaimer:

Statements made in this press release regarding IJ's or management's intentions, beliefs, expectations, or predictions for the future are forward-looking statements that are based on IJ'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 IJ's actual results to differ materially from those contained in any forward-looking statement.

Condensed Consolidated Statements of Financial Position (Unaudited)

	March 31, 2021	June 30, 2021
	Thousands of yen	Thousands of yen
Assets		
Current Assets		
Cash and cash equivalents	42,466,933	34,831,385
Trade receivables	34,799,075	27,919,905
Inventories	2,171,046	2,357,113
Prepaid expenses	10,598,441	15,084,098
Contract assets	1,281,918	1,780,186
Other financial assets	1,975,910	2,503,951
Other current assets	111,334	240,343
Total Current Assets	93,404,657	84,716,981
Non-current Assets		
Tangible assets	17,084,401	17,780,389
Right-of-use Assets	50,707,726	48,715,478
Goodwill	6,082,472	9,263,655
Intangible assets	16,954,274	16,767,426
Investments accounted for using the equity method	9,026,980	8,733,682
Prepaid expenses	9,537,160	10,668,161
Contract assets	46,638	75,171
Other investments	12,912,483	15,701,659
Deferred tax assets	143,337	202,258
Other financial assets	4,442,704	4,184,997
Other non-current assets	434,437	452,794
Total non-current assets	127,372,612	132,545,670
Total assets	220,777,269	217,262,651

	March 31, 2021	June 30, 2021
	Thousands of yen	Thousands of yen
Liabilities and Equity		
Liabilities		
Current liabilities		
Trade and other payables	19,243,800	15,483,814
Borrowings	18,560,000	16,705,000
Income taxes payable	3,012,415	1,570,924
Contract liabilities	7,101,821	9,584,999
Deferred income	79,914	70,577
Other financial liabilities	17,879,331	18,611,045
Other current liabilities	7,381,746	6,508,589
Total current liabilities	<u>73,259,027</u>	<u>68,534,948</u>
Non-current liabilities		
Borrowings	7,000,000	6,250,000
Retirement benefit liabilities	4,168,575	4,267,159
Provisions	756,405	757,130
Contract liabilities	7,244,411	7,950,543
Deferred income	405,579	388,895
Deferred tax liabilities	225,469	605,854
Other financial liabilities	35,647,899	33,847,982
Other non-current liabilities	1,098,253	1,076,761
Total non-current liabilities	<u>56,546,591</u>	<u>55,144,324</u>
Total liabilities	<u>129,805,618</u>	<u>123,679,272</u>
Equity		
Share capital	25,530,621	25,546,483
Share premium	36,388,811	36,383,275
Retained earnings	25,046,813	26,794,675
Other components of equity	4,865,110	5,706,876
Treasury shares	(1,874,976)	(1,850,924)
Total equity attributable to owners of the parent	<u>89,956,379</u>	<u>92,580,385</u>
Non-controlling interests	1,015,272	1,002,994
Total equity	<u>90,971,651</u>	<u>93,583,379</u>
Total liabilities and equity	<u>220,777,269</u>	<u>217,262,651</u>

Condensed Consolidated Statements of Profit or Loss (Unaudited)

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2021
	Thousands of yen	Thousands of yen
Revenues		
Network services	30,933,934	31,474,981
System integration	18,874,960	20,806,636
ATM operation business	569,611	693,332
Total revenues	<u>50,378,505</u>	<u>52,974,949</u>
Cost of sales		
Cost of network services	(24,943,344)	(23,144,645)
Cost of systems integration	(16,883,807)	(17,959,887)
Cost of ATM operation business	(438,297)	(443,541)
Total cost of sales	<u>(42,265,448)</u>	<u>(41,548,073)</u>
Gross Profit	8,113,057	11,426,876
Selling, general and administrative expense	(6,048,848)	(7,082,989)
Other operating income	48,167	52,114
Other operating expenses	(65,147)	(36,190)
Operating Profit	<u>2,047,229</u>	<u>4,359,811</u>
Finance income	79,776	1,361,809
Finance expenses	(153,867)	(154,108)
Share of profit (loss) of investments accounted for using equity method	(278,907)	(217,110)
Profit (loss) before tax	<u>1,694,231</u>	<u>5,350,402</u>
Income tax expense	(572,192)	(1,807,257)
Profit (loss) for the period	<u><u>1,122,039</u></u>	<u><u>3,543,145</u></u>
Profit (loss) for the period attributable to:		
Owners of the parent	1,116,313	3,506,873
Non-controlling interests	5,726	36,272
Total	<u><u>1,122,039</u></u>	<u><u>3,543,145</u></u>
Earnings per share		
Basic earnings per share (yen)	12.38	38.86
Diluted earnings per share (yen)	12.32	38.67

※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.

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2021
	Thousands of yen	Thousands of yen
Profit (loss)	1,122,039	3,543,145
Other comprehensive income, net of tax		
Items that will not be reclassified to profit or loss		
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	1,195,836	834,198
Total items that will not be reclassified to profit or loss	1,195,836	834,198
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(25,465)	(5,950)
Financial assets measured at fair value through other comprehensive income	137	281
Share of other comprehensive income of investments accounted for using equity method	(31,394)	13,237
Total of items that may be reclassified to profit or loss	(56,722)	7,568
Total other comprehensive income, net of tax	1,139,114	841,766
Other comprehensive income	2,261,153	4,384,911
Other comprehensive income attributable to:		
Owners of the parent	2,255,427	4,348,639
Non-controlling interest	5,726	36,272
Other comprehensive income	2,261,153	4,384,911

Condensed Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

Three months ended June 30, 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, 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 (loss)	-	-	1,116,313	-	-	1,116,313	5,726	1,122,039
Other comprehensive income	-	-	-	1,139,114	-	1,139,114	-	1,139,114
Total comprehensive income	-	-	1,116,313	1,139,114	-	2,255,427	5,726	2,261,153
Transactions with owners								
Dividends paid	-	-	(608,629)	-	-	(608,629)	(55,832)	(664,461)
Stock-based compensation	-	14,450	-	-	-	14,450	-	14,450
Transfer from other components of equity to retained earnings	-	-	251,849	(251,849)	-	-	-	-
Total transactions with owners	-	14,450	(356,780)	(251,849)	-	(594,179)	(55,832)	(650,011)
Balance, June 30, 2020	25,530,621	36,285,845	17,260,526	3,556,766	(1,896,921)	80,736,837	931,422	81,668,259

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		
	Thousands of yen	Thousands of yen	Thousands of yen	Thousands of yen	Thousands of yen	Thousands of yen		
Balance, April 1, 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
Comprehensive income								
Profit (loss)	-	-	3,506,873	-	-	3,506,873	36,272	3,543,145
Other comprehensive income	-	-	-	841,766	-	841,766	-	841,766
Total comprehensive income	-	-	3,506,873	841,766	-	4,348,639	36,272	4,384,911
Transactions with owners								
Issuance of common stock	15,862	(15,829)	-	-	-	33	-	33
Disposal of treasury shares	-	(6,436)	-	-	24,052	17,616	-	17,616
Dividends paid	-	-	(1,759,011)	-	-	(1,759,011)	(48,550)	(1,807,561)
Stock-based compensation	-	16,729	-	-	-	16,729	-	16,729
Total transactions with owners	15,862	(5,536)	(1,759,011)	-	24,052	(1,724,633)	(48,550)	(1,773,183)
Balance, June 30, 2021	25,546,483	36,383,275	26,794,675	5,706,876	(1,850,924)	92,580,385	1,002,994	93,583,379

Condensed Consolidated Statements of Cash Flows (Unaudited)

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2021
	Thousands of yen	Thousands of yen
Cash flows from operating activities:		
Profit (loss) before tax	1,694,231	5,350,402
Adjustments		
Depreciation and amortization	7,095,188	6,605,997
Loss (gain) on sales/disposals of property and equipment	48,047	29,912
Shares of loss (profit) of investments accounted for using the equity method	278,907	217,110
Finance income	(69,788)	(1,326,192)
Finance expenses	162,138	142,278
Other	19,621	25,411
Changes in working capital		
Decrease (increase) in trade receivables	4,090,221	8,034,205
Decrease (increase) in inventories	345,075	(186,786)
Decrease (increase) in prepaid expenses	(3,124,377)	(3,364,746)
Decrease (increase) in contract assets	(305,046)	(526,801)
Decrease (increase) in other assets	(132,247)	(29,964)
Decrease (increase) in other financial assets	880,031	(351,983)
Increase (decrease) in trade and other payables	(1,288,730)	(3,774,483)
Increase (decrease) in contract liabilities	3,646,014	578,433
Increase (decrease) in deferred income	(20,751)	(2,764)
Increase (decrease) in other liabilities	(455,904)	(1,646,725)
Increase (decrease) in other financial liabilities	867,424	1,103,038
Increase (decrease) in retirement benefit liabilities	74,088	98,584
Subtotal	13,804,142	10,974,926
Interest and dividends received	153,699	150,016
Interest paid	(145,288)	(136,847)
Income taxes paid	(2,177,486)	(3,334,453)
Cash flows from operating activities	11,635,067	7,653,642

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2021
	Thousands of yen	Thousands of yen
Cash flows from investing activities		
Purchases of tangible assets	(1,407,413)	(2,838,570)
Proceeds from sales of tangible assets	1,016,997	584,142
Purchases of intangible assets	(1,804,916)	(1,325,053)
Purchase of a subsidiary	-	(2,612,008)
Purchase of investments accounted for using equity method	(2,754,000)	-
Purchases of other investments	(22,500)	(345,680)
Proceeds from sales of other investments	392,353	35,371
Payments for leasehold deposits and guarantee deposits	(2,410)	(11,260)
Proceeds from collection of leasehold deposits and guarantee deposits	3,492	117,674
Payments for refundable insurance policies	(14,085)	(18,724)
Other	-	43
Cash flows from investing activities	<u>(4,592,482)</u>	<u>(6,414,065)</u>
Cash flows from financing activities		
Repayment of long-term borrowings	(915,000)	(4,085,000)
Net increase (decrease) in short-term borrowings	-	1,480,000
Payments of other financial liabilities	(5,222,579)	(4,462,858)
Dividends paid	(608,629)	(1,759,011)
Other	(55,832)	(48,516)
Cash flows from financing activities	<u>(6,802,040)</u>	<u>(8,875,385)</u>
Effect of exchange rate changes on cash and cash equivalents	(19,706)	260
Net increase (decrease) in cash and cash equivalents	220,839	(7,635,548)
Cash and cash equivalents, beginning of the period	<u>38,671,734</u>	<u>42,466,933</u>
Cash and cash equivalents, end of the period	<u><u>38,892,573</u></u>	<u><u>34,831,385</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

IJJ and its subsidiaries (collectively “the Company”) primarily operate their network service and system integration business, which provides a comprehensive range of network solutions to meet their 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, 2020

	Reportable segments		Adjustments	Consolidated
	Network service and systems integration business	ATM operation business		
	Thousands of yen	Thousands of yen		
Revenue				
Customers	49,808,894	569,611	—	50,378,505
Intersegment transactions	48,949	—	(48,949)	—
Total revenue	49,857,843	569,611	(48,949)	50,378,505
Segment operating profit	1,990,537	88,603	(31,911)	2,047,229
Finance income				79,776
Finance expense				(153,867)
Share of profit (loss) of investments accounted for using the equity method				(278,907)
Profit before tax				1,694,231

Three months ended June 30, 2021

	Reportable segments		Adjustments	Consolidated
	Network service and systems integration business	ATM operation business		
	Thousands of yen	Thousands of yen		
Revenue				
Customers	52,281,617	693,332	—	52,974,949
Intersegment transactions	34,186	—	(34,186)	—
Total revenue	52,315,803	693,332	(34,186)	52,974,949
Segment operating profit	4,189,092	194,664	(23,945)	4,359,811
Finance income				1,361,809
Finance expense				(154,108)
Share of profit (loss) of investments accounted for using the equity method				(217,110)
Profit before tax				5,350,402

Intersegment transactions are based on market price.

Subsequent Events

Nothing to be reported.

Changes in Accounting Policies

Nothing to be reported.

Note: The following information is provided to disclose Internet Initiative Japan Inc. (“IIJ”) financial results (unaudited) for the first three months ended June 30, 2021 (“1Q21”) in the form defined by the Tokyo Stock Exchange.

Consolidated Financial Results for the Three Months ended June 30, 2021 [Under IFRS]

August 10, 2021

Company name: Internet Initiative Japan Inc.

Exchange listed: Tokyo Stock Exchange First Section

Stock code number: 3774

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

Representative: Eijiro Katsu, President and Representative Director

Contact: Akihisa Watai, Senior Managing Director and CFO

TEL: +81-3-5205-6500

Scheduled date for filing of quarterly report (*Shihanki-houkokusho*) to Japan’s regulatory organization: August 16, 2021

Scheduled date for dividend payment: -

Supplemental material on financial results: Yes

Presentation on quarterly report: 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, 2021 (April 1, 2021 to June 30, 2021)

(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 million	%	JPY million	%	JPY millions	%	JPY millions	%
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
Three Months ended June 30, 2020	50,379	1.1	2,047	48.2	1,694	23.8	1,122	35.9	1,116	43.8	2,261	63.3

	Basic earnings per share	Diluted earnings per share
	JPY	JPY
Three Months ended June 30, 2021	38.86	38.67
Three Months ended June 30, 2020	12.38	12.32

(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
	JPY millions	JPY millions	JPY millions	%
As of June 30, 2021	217,263	93,583	92,580	42.6
As of March 31, 2021	220,777	90,972	89,956	40.7

2. Dividends

	Dividend per Shares				
	1Q-end	2Q-end	3Q-end	Year-end	Total
Fiscal Year Ended March 31, 2021	JPY —	JPY 20.50	JPY —	JPY 19.50	JPY —
Fiscal Year Ending March 31, 2022	—				
Fiscal Year Ending March 31, 2022 (forecast)		19.50	—	19.50	39.00

(Notes)

- Changes from the latest forecasts disclosed: No
- IJ conducted a stock split at a ratio of two-for-one with an effective date of January 1, 2021. The 2Q-end dividend per share for the fiscal year ended March 31, 2021 is the amount before the stock split. Regarding the post-split basis amount for the fiscal year ended March 31, 2021, 2Q-end and annual dividend per share are JPY10.25 and JPY29.75, respectively.

3. Targets of Consolidated Financial Results for the Fiscal Year Ending 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)

- Changes from the latest forecasts disclosed: No
- As for the details about our financial targets for the fiscal year ending March 31, 2022, please refer to “Future Prospects including FY2021 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, 2021: 93,502,400 shares

As of March 31, 2021: 93,469,200 shares

ii. Number of treasury stock:

As of June 30, 2021: 3,221,667 shares

As of March 31, 2021: 3,263,532 shares

iii. Number of weighted average common shares outstanding:

For the three months ended June 30, 2021: 90,244,770 shares

For the three months ended June 30, 2020: 90,167,300 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 quarterly review 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 August 10, 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 for the fiscal year ending March 31, 2022, please refer to the page 8 of this document.

ii) Others

Presentation material will be disclosed on TDnet as well as posted on our website on August 10, 2021.