



Internet Initiative Japan

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

**Tokyo, February 8, 2021** - Internet Initiative Japan Inc. (“IIJ”, TSE1: 3774) today announced its nine months consolidated financial results for the fiscal year ending March 31, 2021 (“1Q-3Q20”, from April 1, 2020 to December 31, 2020) under International Financial Reporting Standards (IFRS).<sup>1</sup>

**Highlights of Financial Results for 1Q-3Q20**

Total revenues	JPY156.1 billion	up	3.6%	YoY <sup>2</sup>
Gross profit	JPY28.8 billion	up	21.5%	YoY
Operating profit	JPY10.1 billion	up	67.1%	YoY
Profit before tax	JPY9.2 billion	up	64.5%	YoY
Net profit <sup>3</sup>	JPY5.9 billion	up	75.2%	YoY

**New Financial Targets for FY2020 (Revised on February 8, 2021)**

Total revenues	JPY213.0 billion	up	4.2%	YoY	Previous Targets JPY212.0 billion
Operating profit	JPY13.5 billion	up	64.1%	YoY	JPY11.3 billion
Profit before tax	JPY12.3 billion	up	71.8%	YoY	JPY10.0 billion
Net profit	JPY7.6 billion	up	89.7%	YoY	JPY6.1 billion

**Overview of 1Q-3Q20 Financial Results and Business Outlook**

“We were able to structurally and continuously increase profit with strong accumulation of enterprise monthly recurring revenue, especially network services. As a leading comprehensive network solution provider, we need to continuously develop and upgrade our service functions, which always impose in-front cost on us. Yet, when we have substantial accumulation of revenue, we can enjoy scale-merit and expect to see continuous profit growth as we gather revenues of various network services on our common network infrastructure. Among many enterprise network services, IP services (dedicated Internet connectivity services for enterprise), whose revenue growth used to be low single digit, have been growing around 12.5% this fiscal year. Moreover, with our in-house developed various network services, such as reliable VPN Internet connectivity, multi-cloud private connection, SASE type services, remote access services, and security services, we have been able to absorb enterprise network demands that are becoming more complex and advanced,” said Eijiro Katsu, President and COO of IIJ.

“Enterprise mobile, which is generated by direct sales from enterprises and doesn’t include MVNE, continued to grow quite strongly: around 26.7% year over year revenue growth. Although consumer mobile continues to be a red ocean market, our first priority has always been on enterprise usages to which we can leverage our strengths, such as blue-chip customer base, wide range of network services, and SI expertise. Going forward, we expect to operate a growing number and a variety of comprehensive IoT projects, like the factory automation system for Toyota Motor Hokkaido,<sup>4</sup> in the middle-to-long term. They shall lead to better utilized mobile infrastructure as well as contribute to improved profitability, along with the business expansion,” continued Katsu.

“We revised our FY2020 financial target upward again by reflecting the favorable demand situation and strong performance, mainly led by the significant improvement in network services gross profit. Our competitive advantage of having expertise in both network and SI should see even greater business opportunity as Japan’s attitude toward IT adoption has changed and become significantly more advanced. This change does not seem to be a onetime phenomenon but rather grow and become stronger in the middle-to-long term under the undeniable and unstoppable waves of so-called digital shift,” said Koichi Suzuki, Founder, Chairman and CEO of IIJ.

<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 period attributable to owners of the parent.”

<sup>4</sup> For details, please refer to our press release titled “IIJ builds IoT system for new production line at Toyota Motor Hokkaido” which could be found here <https://www.ij.ad.jp/en/news/pressrelease/2020/0803.html>

## 1Q-3Q20 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

	1Q-3Q19	1Q-3Q20	YoY Change
	JPY millions	JPY millions	%
<b>Total revenues</b>	150,688	<b>156,070</b>	3.6
<b>Network services</b>	91,525	<b>93,983</b>	2.7
<b>Systems integration (SI)</b>	56,062	<b>59,927</b>	6.9
<b>ATM operation business</b>	3,101	<b>2,160</b>	(30.4)
<b>Total costs</b>	(126,994)	<b>(127,273)</b>	0.2
<b>Network services</b>	(76,211)	<b>(74,201)</b>	(2.6)
<b>Systems integration (SI)</b>	(49,111)	<b>(51,672)</b>	5.2
<b>ATM operation business</b>	(1,672)	<b>(1,400)</b>	(16.3)
<b>Total gross profit</b>	23,694	<b>28,797</b>	21.5
<b>Network services</b>	15,314	<b>19,782</b>	29.2
<b>Systems integration (SI)</b>	6,951	<b>8,255</b>	18.8
<b>ATM operation business</b>	1,429	<b>760</b>	(46.8)
<b>SG&amp;A, R&amp;D, and other operating income (expenses)</b>	(17,634)	<b>(18,670)</b>	5.9
<b>Operating profit</b>	6,060	<b>10,127</b>	67.1
<b>Profit before tax</b>	5,610	<b>9,227</b>	64.5
<b>Profit for the period attributable to owners of the parent</b>	3,354	<b>5,877</b>	75.2

(Note) Systems integration includes equipment sales.

### Segment Results Summary

	1Q-3Q19	1Q-3Q20
	JPY millions	JPY millions
<b>Total revenues</b>	150,688	<b>156,070</b>
<b>Network services and SI business</b>	147,805	<b>154,039</b>
<b>ATM operation business</b>	3,101	<b>2,160</b>
<b>Elimination</b>	(218)	<b>(129)</b>
<b>Operating profit</b>	6,060	<b>10,127</b>
<b>Network service and SI business</b>	4,901	<b>9,603</b>
<b>ATM operation business</b>	1,271	<b>616</b>
<b>Elimination</b>	(112)	<b>(92)</b>

## 1Q-3Q20 Revenues and Income

### Revenues

Total revenues were JPY156,070 million, up 3.6% YoY (JPY150,688 million for 1Q-3Q19).

Network services revenue was JPY93,983 million, up 2.7% YoY (JPY91,525 million for 1Q-3Q19).

Revenues for Internet connectivity services for enterprise were JPY29,699 million, up 9.0% YoY from JPY27,258 million for 1Q-3Q19, 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 JPY19,390 million, down 0.7% YoY from JPY19,530 million for 1Q-3Q19, mainly due to competition and a decrease in “IIJmio Mobile Service,” consumer mobile services revenues, along with sluggish sales of retailers under the COVID-19 pandemic.

Revenues for WAN services were JPY18,605 million, down 10.5% YoY from JPY20,796 million for 1Q-3Q19. 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 JPY26,289 million, up 9.8% YoY from JPY23,941 million for 1Q-3Q19, mainly due to an increase in security-related services revenues.

### Network Services Revenues Breakdown

	1Q-3Q19	1Q-3Q20	YoY Change
	JPY millions	JPY millions	%
<b>Total network services</b>	91,525	93,983	2.7
<b>Internet connectivity services (enterprise)</b>	27,258	29,699	9.0
<b>IP services (including data center connectivity services)</b>	7,992	8,988	12.5
<b>IIJ Mobile services</b>	16,780	18,034	7.5
<b>Enterprise mobile service (IoT usages etc.)</b>	4,350	5,513	26.7
<b>IIJ Mobile MVNO Platform service (MVNE)</b>	12,430	12,521	0.7
<b>Others</b>	2,486	2,677	7.7
<b>Internet connectivity services (consumer)</b>	19,530	19,390	(0.7)
<b>IIJmio Mobile Service</b>	17,605	17,363	(1.4)
<b>Others</b>	1,925	2,027	5.3
<b>WAN services</b>	20,796	18,605	(10.5)
<b>Outsourcing services</b>	23,941	26,289	9.8

### Number of Contracts and Subscription for Connectivity Services

	As of Dec. 31, 2019	As of Dec. 31, 2020	YoY Change
<b>Internet connectivity services (enterprise)</b>	1,902,586	2,258,371	355,785
<b>IP service (greater than or equal to 1Gbps)</b>	757	782	25
<b>IP service (less than 1Gbps)</b>	1,259	1,225	(34)
<b>IIJ Mobile Services</b>	1,815,268	2,165,723	350,455
<b>Enterprise mobile service (IoT usages etc.)</b>	710,604	1,046,470	335,866
<b>IIJ Mobile MVNO Platform service (MVNE)</b>	1,104,664	1,119,253	14,589
<b>Others</b>	85,302	90,641	5,339
<b>Internet connectivity services (consumer)</b>	1,405,848	1,380,594	(25,254)
<b>IIJmio Mobile Service</b>	1,072,576	1,037,227	(35,349)
<b>Others</b>	333,272	343,367	10,095
<b>Total contracted bandwidth (Gbps)</b>	4,745.7	6,021.9	1,276.2

(Notes)

- Numbers in the table above show number of contracts except for “IIJ Mobile Services (enterprise)” and “IIJmio Mobile Service” 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 JPY59,927 million, up 6.9% YoY (JPY56,062 million for 1Q-3Q19). Systems construction and equipment sales, a one-time revenue, was JPY21,687 million, down 1.8% YoY (JPY22,081 million for 1Q-3Q19). Systems operation and maintenance revenue, a recurring revenue, was JPY38,240 million, up 12.5% YoY (JPY33,981 million for 1Q-3Q19), mainly due to an increase in private cloud services' revenues.

Orders received for SI, including equipment sales, totaled JPY65,821 million, up 9.3% YoY (JPY60,231 million for 1Q-3Q19); orders received for systems construction and equipment sales were JPY23,943 million, up 2.7% YoY (JPY23,305 million for 1Q-3Q19), and orders received for systems operation and maintenance were JPY41,878 million, up 13.4% YoY (JPY36,926 million for 1Q-3Q19).

Order backlog for SI, equipment sales, as of December 31, 2020 amounted to JPY61,758 million, up 11.7% YoY (JPY55,284 million as of December 31, 2019); order backlog for systems construction and equipment sales was JPY9,763 million, up 7.7% YoY (JPY9,064 million as of December 31, 2019) and order backlog for systems operation and maintenance was JPY51,995 million, up 12.5% YoY (JPY46,220 million as of December 31, 2019).

ATM operation business revenues were JPY2,160 million, down 30.4% YoY (JPY3,101 million for 1Q-3Q19), 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 JPY127,273 million, up 0.2% YoY (JPY126,994 million for 1Q-3Q19).

Cost of network services revenue was JPY74,201 million, down 2.6% YoY (JPY76,211 million for 1Q-3Q19). There was a decrease in circuit-related costs along with WAN services revenue decrease. There was also a decrease in cost due to mobile unit charge revised by Mobile Network Operators (MNOs) based on their actual results of FY2019. Gross profit was JPY19,782 million, up 29.2% YoY (JPY15,314 million for 1Q-3Q19), and gross profit ratio was 21.0% (16.7% for 1Q-3Q19).

Cost of SI revenues, including equipment sales was JPY51,672 million, up 5.2% YoY (JPY49,111 million for 1Q-3Q19). There was an increase in license fees along with an increase in cloud-related revenues. Gross profit was JPY8,255 million, up 18.8% YoY (JPY6,951 million for 1Q-3Q19) and gross profit ratio was 13.8% (12.4% for 1Q-3Q19).

Cost of ATM operation business revenues was JPY1,400 million, down 16.3% YoY (JPY1,672 million for 1Q-3Q19). Gross profit was JPY760 million (JPY1,429 million for 1Q-3Q19) and gross profit ratio was 35.2% (46.1% for 1Q-3Q19).

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

Selling, general and administrative expenses, which include research and development expenses, totaled JPY18,328 million, up 3.7% YoY (JPY17,680 million for 1Q-3Q19). There was an increase in personnel-related expenses and decreases in sales commission expenses and traveling expenses.

Other operating income was JPY113 million (JPY187 million for 1Q-3Q19).

Other operating expenses was JPY455 million (JPY141 million for 1Q-3Q19), mainly due to disposal loss on fixed assets.

### **Operating profit**

Operating profit was JPY10,127 million (JPY6,060 million for 1Q-3Q19), up 67.1% YoY.

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

Finance income was JPY317 million, compared to JPY349 million for 1Q-3Q19. It included dividend income of JPY83 million (JPY75 million for 1Q-3Q19) and gains on financial instruments of JPY192 million (JPY192 million for 1Q-3Q19).

Finance expense was JPY490 million, compared to JPY432 million for 1Q-3Q19. It included interest expenses of JPY440 million (JPY432 million for 1Q-3Q19).

Share of loss of investments accounted for using equity method was JPY727 million (compared to loss of JPY367 million for 1Q-3Q19), mainly due to loss of DeCurret of JPY785 million.

**Profit before tax**

Profit before tax was JPY9,227 million (JPY5,610 million for 1Q-3Q19), up 64.5% YoY.

**Profit for the period**

Income tax expense was JPY3,281 million (JPY2,108 million for 1Q-3Q19). As a result, profit for the period was JPY5,946 million (JPY3,502 million for 1Q-3Q19), up 69.8% YoY.

Profit for the period attributable to non-controlling interests was JPY69 million (JPY148 million for 1Q-3Q19) mainly related to net income of Trust Networks Inc.

Profit for the period attributable to owners of parent was JPY5,877 million (JPY3,354 million for 1Q-3Q19), up 75.2% YoY.

## **Financial Position as of December 31, 2020**

As of December 31, 2020, the balance of total assets was JPY210,108 million, increased by JPY3,584 million from the balance as of March 31, 2020 of JPY206,524 million.

As of December 31, 2020, the balance of current assets was JPY91,901 million, increased by JPY5,311 million from the balance as of March 31, 2020 of JPY86,590 million. The major breakdown of fluctuation and balance of current assets was: an increase in cash and cash equivalents by JPY3,299 million to JPY41,970 million, a decrease in trade receivables by JPY2,763 million to JPY29,822 million, an increase in prepaid expenses by JPY1,377 million to JPY11,074 million and an increase in contract assets by JPY2,822 million to JPY3,261 million.

As of December 31, 2020, the balance of non-current assets was JPY118,207 million, decreased by JPY1,727 million from the balance as of March 31, 2020 of JPY119,934 million. As for the major breakdown of fluctuation and balance of non-current assets, tangible assets, right-of-use assets and intangible assets decreased mainly due to depreciation. Tangible assets decreased by JPY847 million to JPY16,553 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 JPY4,140 million to JPY46,420 million. Intangible assets decreased by JPY1,009 million to JPY17,272 million. The balance of investments accounted for using the equity method was JPY6,708 million, increased by JPY1,881 million, mainly due to an additional investment in DeCurret. The amount of other investments was JPY11,592 million, increased by JPY2,406 million mainly due to fluctuation of fair value of our holding marketable equity securities.

As of December 31, 2020, the balance of current liabilities was JPY69,391 million, increased by JPY3,705 million from the balance as of March 31, 2020 of JPY65,687 million. Trade and other payables increased by JPY1,984 million to JPY20,271 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 from repayment. Other financial liabilities decreased by JPY2,198 million to JPY15,647 million, mainly due to lease payments.

As of December 31, 2020, the balance of non-current liabilities was JPY54,544 million, decreased by JPY6,236 million from the balance as of March 31, 2020 of JPY60,780 million. Long-term borrowings decreased by JPY5,170 million to JPY7,000 million due to a transfer to current portion. Other financial liabilities decreased by JPY2,077 million to JPY34,228 million, mainly due to a transfer to current portion.

As of December 31, 2020, the balance of total equity attributable to owners of the parent was JPY85,178 million, increased by JPY6,102 million from the balance as of March 31, 2020 of JPY79,076 million. Ratio of owners' equity to total assets was 40.5% as of December 31, 2020.

## 1Q-3Q20 Cash Flows

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Cash and cash equivalents as of December 31, 2020 were JPY41,970 million (JPY36,351 million as of December 31, 2019).

*Net cash provided by operating activities* for 1Q-3Q20 was JPY31,399 million (net cash provided by operating activities of JPY25,051 million for 1Q-3Q19). There was profit before tax of JPY9,227 million, depreciation and amortization of JPY21,094 million, including JPY8,841 million of depreciation of right-of-use operating lease assets under IFRS 16, and income taxes paid of JPY3,928 million. Regarding changes in working capital, there was net cash in of JPY3,526 million compared to net cash in of JPY314 million for 1Q-3Q19. The major factors for the increase in net cash-inflow were: net cash in from decrease in trade receivable and increase in contract liabilities increased in comparison with 1Q-3Q19 and net payment of trade payable, which temporarily increased at the beginning of FY2019, decreased in comparison with 1Q-3Q19. 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 1Q-3Q20 was JPY8,918 million (net cash used in investing activities of JPY6,461 million for 1Q-3Q19), mainly due to payments for purchases of tangible assets of JPY4,555 million (JPY6,222 million for 1Q-3Q19), payments for purchases of intangible assets, such as software, of JPY3,722 million (JPY4,017 million for 1Q-3Q19), proceeds from sales of tangible assets, which include sale and leaseback, of JPY1,859 million (JPY1,774 million for 1Q-3Q19) and an investment in an equity method investee of JPY2,754 million.

*Net cash used in financing activities* for 1Q-3Q20 was JPY19,031 million (net cash used in financing activities of JPY14,154 million for 1Q-3Q19), mainly due to repayments of bank borrowings of JPY2,190 million, payments of other financial liabilities of JPY15,252 million, including JPY8,771 million of payment of operating lease under IFRS 16, and dividends paid of JPY1,533 million.

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## **Considered Factors for FY2020 Financial Targets**

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We have revised our FY2020 financial targets announced on November 9, 2020. For details, please refer to our press release titled “Notice Regarding Upward Revision of the Full-Year Financial Targets for the Fiscal Year ending March 31, 2021” announced today, February 8, 2021.

## **Presentation**

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Presentation materials will be posted on our web site (<https://www.ij.ad.jp/en/ir/>) on February 8, 2021.

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

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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:**

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## **Disclaimer:**

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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, 2020	December 31, 2020
	Thousands of yen	Thousands of yen
Assets		
Current Assets		
Cash and cash equivalents	38,671,734	41,970,420
Trade receivables	32,585,326	29,822,130
Inventories	2,476,477	2,345,596
Prepaid expenses	9,696,856	11,073,659
Contract assets	438,675	3,260,968
Other financial assets	2,629,332	3,185,141
Other current assets	92,027	243,044
Total Current Assets	86,590,427	91,900,958
Non-current Assets		
Tangible assets	17,399,863	16,552,561
Right-of-use Assets	50,560,361	46,420,207
Goodwill	6,082,472	6,082,472
Intangible assets	18,280,247	17,271,611
Investments accounted for using the equity method	4,827,287	6,707,822
Prepaid expenses	7,777,997	8,352,479
Contract assets	60,362	33,774
Other investments	9,186,646	11,592,406
Deferred tax assets	742,857	151,545
Other financial assets	4,645,959	4,626,162
Other non-current assets	369,782	416,113
Total non-current assets	119,933,833	118,207,152
Total assets	206,524,260	210,108,110

	March 31, 2020	December 31, 2020
	Thousands of yen	Thousands of yen
Liabilities and Equity		
Liabilities		
Current liabilities		
Trade and other payables	18,287,546	20,271,191
Borrowings	15,580,000	18,560,000
Income taxes payable	2,283,707	1,698,338
Contract liabilities	5,897,674	6,770,021
Deferred income	88,901	83,410
Other financial liabilities	17,845,194	15,647,406
Other current liabilities	5,703,623	6,360,988
Total current liabilities	65,686,645	69,391,354
Non-current liabilities		
Borrowings	12,170,000	7,000,000
Retirement benefit liabilities	3,984,880	4,250,999
Provisions	753,518	755,681
Contract liabilities	5,991,807	6,576,503
Deferred income	479,097	422,429
Deferred tax liabilities	136,536	276,857
Other financial liabilities	36,305,781	34,228,425
Other non-current liabilities	958,879	1,033,570
Total non-current liabilities	60,780,498	54,544,464
Total liabilities	126,467,143	123,935,818
Equity		
Share capital	25,530,621	25,530,621
Share premium	36,271,395	36,372,219
Retained earnings	16,500,993	21,096,389
Other components of equity	2,669,501	4,053,607
Treasury shares	(1,896,921)	(1,875,112)
Total equity attributable to owners of the parent	79,075,589	85,177,724
Non-controlling interests	981,528	994,568
Total equity	80,057,117	86,172,292
Total liabilities and equity	206,524,260	210,108,110

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

	Nine Months Ended December 31, 2019	Nine Months Ended December 31, 2020
	Thousands of yen	Thousands of yen
Revenues		
Network services	91,524,644	93,983,677
System integration	56,062,205	59,926,698
ATM operation business	3,101,475	2,159,738
Total revenues	<u>150,688,324</u>	<u>156,070,113</u>
Cost of sales		
Cost of network services	(76,210,678)	(74,201,460)
Cost of systems integration	(49,111,625)	(51,671,863)
Cost of ATM operation business	(1,672,487)	(1,400,165)
Total cost of sales	<u>(126,994,790)</u>	<u>(127,273,488)</u>
Gross Profit	23,693,534	28,796,625
Selling, general and administrative expense	(17,680,244)	(18,327,863)
Other operating income	187,214	113,091
Other operating expenses	(140,434)	(454,357)
Operating Profit	<u>6,060,070</u>	<u>10,127,496</u>
Finance income	349,156	317,146
Finance expenses	(432,586)	(490,797)
Share of profit (loss) of investments accounted for using equity method	(367,133)	(726,857)
Profit (loss) before tax	<u>5,609,507</u>	<u>9,226,988</u>
Income tax expense	(2,107,255)	(3,281,332)
Profit (loss) for the period	<u><u>3,502,252</u></u>	<u><u>5,945,656</u></u>
Profit (loss) for the period attributable to:		
Owners of the parent	3,353,994	5,876,784
Non-controlling interests	148,258	68,872
Total	<u><u>3,502,252</u></u>	<u><u>5,945,656</u></u>
Earnings per share		
Basic earnings per share (yen)	37.20	65.16
Diluted earnings per share (yen)	37.04	64.84

※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 Profit or Loss (Unaudited)

	Three Months Ended December 31, 2019	Three Months Ended December 31, 2020
	Thousands of yen	Thousands of yen
Revenues		
Network services	30,320,743	31,879,433
System integration	20,146,597	21,760,024
ATM operation business	1,001,449	765,666
Total revenues	<u>51,468,789</u>	<u>54,405,123</u>
Cost of sales		
Cost of network services	(25,057,088)	(24,305,137)
Cost of systems integration	(17,369,639)	(18,281,933)
Cost of ATM operation business	(547,741)	(476,046)
Total cost of sales	<u>(42,974,468)</u>	<u>(43,063,116)</u>
Gross Profit	8,494,321	11,342,007
Selling, general and administrative expense	(5,779,614)	(6,203,679)
Other operating income	28,146	32,677
Other operating expenses	(34,733)	(282,558)
Operating Profit	<u>2,708,120</u>	<u>4,888,447</u>
Finance income	245,051	349,379
Finance expenses	(152,940)	(163,377)
Share of profit (loss) of investments accounted for using equity method	(234,012)	(313,322)
Profit (loss) before tax	<u>2,566,219</u>	<u>4,761,127</u>
Income tax expense	(922,320)	(1,625,064)
Profit (loss) for the period	<u><u>1,643,899</u></u>	<u><u>3,136,063</u></u>
Profit (loss) for the period attributable to:		
Owners of the parent	1,597,892	3,106,856
Non-controlling interests	46,007	29,207
Total	<u><u>1,643,899</u></u>	<u><u>3,136,063</u></u>
Earnings per share		
Basic earnings per share (yen)	17.72	34.44
Diluted earnings per share (yen)	17.64	34.27

※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)

	Nine Months Ended December 31, 2019	Nine Months Ended December 31, 2020
	Thousands of yen	Thousands of yen
Profit (loss)	3,502,252	5,945,656
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	2,115,344	1,737,941
Total items that will not be reclassified to profit or loss	2,115,344	1,737,941
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(45,806)	(80,184)
Financial assets measured at fair value through other comprehensive income	(471)	236
Share of other comprehensive income of investments accounted for using equity method	1,189	(22,038)
Total of items that may be reclassified to profit or loss	(45,088)	(101,986)
Total other comprehensive income, net of tax	2,070,256	1,635,955
Other comprehensive income	5,572,508	7,581,611
Other comprehensive income attributable to:		
Owners of the parent	5,424,250	7,512,739
Non-controlling interest	148,258	68,872
Other comprehensive income	5,572,508	7,581,611

## Condensed Consolidated Statements of Comprehensive Income (Unaudited)

	Three Months Ended December 31, 2019	Three Months Ended December 31, 2020
	Thousands of yen	Thousands of yen
Profit (loss)	1,643,899	3,136,063
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	1,297,640	177,294
Total items that will not be reclassified to profit or loss	1,297,640	177,294
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	71,967	(37,415)
Financial assets measured at fair value through other comprehensive income	(1,445)	17
Share of other comprehensive income of investments accounted for using equity method	(1,304)	(10,939)
Total of items that may be reclassified to profit or loss	69,218	(48,337)
Total other comprehensive income, net of tax	1,366,858	128,957
Other comprehensive income	3,010,757	3,265,020
Other comprehensive income attributable to:		
Owners of the parent	2,964,750	3,235,813
Non-controlling interest	46,007	29,207
Other comprehensive income	3,010,757	3,265,020

Condensed Consolidated Statements of Changes in Shareholders' Equity (Unaudited)  
 Nine months ended December 31, 2019

	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 (loss)	-	-	3,353,994	-	-	3,353,994	148,258	3,502,252
Other comprehensive income	-	-	-	2,070,256	-	2,070,256	-	2,070,256
Total comprehensive income	-	-	3,353,994	2,070,256	-	5,424,250	148,258	5,572,508
Transactions with owners								
Issuance of common stock	11,909	(11,895)	-	-	-	14	-	14
Dividends paid	-	-	(1,217,082)	-	-	(1,217,082)	(53,405)	(1,270,487)
Stock-based compensation	-	43,065	-	-	-	43,065	-	43,065
Transfer from other components of equity to retained earnings	-	-	1,543,793	(1,543,793)	-	-	-	-
Total transactions with owners	11,909	31,170	326,711	(1,543,793)	-	(1,174,003)	(53,405)	(1,227,408)
Balance, December 31, 2019	25,530,621	36,256,945	15,982,012	4,615,167	(1,896,788)	80,487,957	943,025	81,430,982

Nine months ended December 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, 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)	-	-	5,876,784	-	-	5,876,784	68,872	5,945,656
Other comprehensive income	-	-	-	1,635,955	-	1,635,955	-	1,635,955
Total comprehensive income	-	-	5,876,784	1,635,955	-	7,512,739	68,872	7,581,611
Transactions with owners								
Purchase of treasury stock	-	-	-	-	(140)	(140)	-	(140)
Disposal of treasury shares	-	52,917	-	-	21,949	74,866	-	74,866
Dividends paid	-	-	(1,533,237)	-	-	(1,533,237)	(55,832)	(1,589,069)
Stock-based compensation	-	47,907	-	-	-	47,907	-	47,907
Transfer from other components of equity to retained earnings	-	-	251,849	(251,849)	-	-	-	-
Total transactions with owners	-	100,824	(1,281,388)	(251,849)	21,809	(1,410,604)	(55,832)	(1,466,436)
Balance, December 31, 2020	25,530,621	36,372,219	21,096,389	4,053,607	(1,875,112)	85,177,724	994,568	86,172,292

## Condensed Consolidated Statements of Cash Flows (Unaudited)

	Nine Months Ended December 31, 2019	Nine Months Ended December 31, 2020
	Thousands of yen	Thousands of yen
Cash flows from operating activities:		
Profit (loss) before tax	5,609,507	9,226,988
Adjustments		
Depreciation and amortization	21,355,819	21,093,793
Loss (gain) on sales/disposals of property and equipment	114,310	432,101
Shares of loss (profit) of investments accounted for using the equity method	367,133	726,857
Finance income	(305,089)	(283,369)
Finance expenses	437,618	538,117
Other	6,904	332,913
Changes in working capital		
Decrease (increase) in trade receivables	(421,001)	2,753,953
Decrease (increase) in inventories	1,176,389	132,323
Decrease (increase) in prepaid expenses	(1,800,779)	(1,977,177)
Decrease (increase) in contract assets	1,425,857	(2,795,705)
Decrease (increase) in other assets	215,219	(151,013)
Decrease (increase) in other financial assets	(1,076,142)	(100,592)
Increase (decrease) in trade and other payables	(1,215,472)	2,820,693
Increase (decrease) in contract liabilities	873,982	1,501,364
Increase (decrease) in deferred income	(17,544)	(62,159)
Increase (decrease) in other liabilities	496,485	666,159
Increase (decrease) in other financial liabilities	449,121	472,422
Increase (decrease) in retirement benefit liabilities	208,082	266,119
Subtotal	27,900,399	35,593,787
Interest and dividends received	184,017	172,300
Interest paid	(430,602)	(438,861)
Income taxes paid	(2,602,595)	(3,928,124)
Cash flows from operating activities	25,051,219	31,399,102

	Nine Months Ended December 31, 2019	Nine Months Ended December 31, 2020
	Thousands of yen	Thousands of yen
Cash flows from investing activities		
Purchases of tangible assets	(6,222,176)	(4,555,236)
Proceeds from sales of tangible assets	1,774,021	1,859,157
Purchases of intangible assets	(4,017,051)	(3,722,346)
Proceeds from sales of intangible assets	273,773	44,085
Purchase of investments accounted for using equity method	(718,000)	(2,754,000)
Proceeds from sale of investments accounted for using equity method	-	60,637
Purchases of other investments	(100,313)	(113,076)
Proceeds from sales of other investments	2,749,885	462,547
Payments for leasehold deposits and guarantee deposits	(188,062)	(180,311)
Proceeds from collection of leasehold deposits and guarantee deposits	14,491	25,986
Payments for refundable insurance policies	(42,255)	(50,043)
Other	14,833	4,695
Cash flows from investing activities	<u>(6,460,854)</u>	<u>(8,917,905)</u>
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	-
Payments of other financial liabilities	(15,356,191)	(15,252,049)
Dividends paid	(1,217,082)	(1,533,237)
Other	(53,418)	(55,832)
Cash flows from financing activities	<u>(14,153,691)</u>	<u>(19,031,118)</u>
Effect of exchange rate changes on cash and cash equivalents	(43,661)	(151,393)
Net increase (decrease) in cash and cash equivalents	4,393,012	3,298,686
Cash and cash equivalents, beginning of the period	<u>31,957,789</u>	<u>38,671,734</u>
Cash and cash equivalents, end of the period	<u><u>36,350,802</u></u>	<u><u>41,970,420</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:

Nine months ended December 31, 2019

	Reportable segments		Adjustments	Consolidated
	Network service and systems integration business	ATM operation business		
	Thousands of yen	Thousands of yen		
Revenue				
Customers	147,586,849	3,101,475	—	150,688,324
Intersegment transactions	217,943	—	(217,943)	—
Total revenue	147,804,792	3,101,475	(217,943)	150,688,324
Segment operating profit	4,901,631	1,270,909	(112,470)	6,060,070
Finance income				349,156
Finance expense				(432,586)
Share of profit (loss) of investments accounted for using the equity method				(367,133)
Profit before tax				5,609,507

Nine months ended December 31, 2020

	Reportable segments		Adjustments	Consolidated
	Network service and systems integration business	ATM operation business		
	Thousands of yen	Thousands of yen		
Revenue				
Customers	153,910,375	2,159,738	—	156,070,113
Intersegment transactions	128,904	—	(128,904)	—
Total revenue	154,039,279	2,159,738	(128,904)	156,070,113
Segment operating profit	9,603,150	615,697	(91,351)	10,127,496
Finance income				317,146
Finance expense				(490,797)
Share of profit (loss) of investments accounted for using the equity method				(726,857)
Profit before tax				9,226,988

Intersegment transactions are based on market price.

### Subsequent Events (Unaudited)

Nothing to be reported.

Note: The following information is provided to disclose Internet Initiative Japan Inc. (“IIJ”) financial results (unaudited) for the nine months ended December 31, 2020 (“1Q-3Q20”) in the form defined by the Tokyo Stock Exchange.

## Consolidated Financial Results for the Nine Months ended December 31, 2020 [Under IFRS]

February 8, 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, Managing Director and CFO

TEL: +81-3-5205-6500

Scheduled date for filing of quarterly report (*Shihanki-houkokusho*) to Japan’s regulatory organization: February 15, 2021

Scheduled date for dividend payment: -

Supplemental material on quarterly 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 Nine Months ended December 31, 2020 (April 1, 2020 to December 31, 2020)

#### (1) Consolidated Results of Operations

(Millions of yen, except per share amounts. % 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	
	Amount	% change	Amount	% change	Amount	% change	Amount	% change	Amount	% change	Amount	% change
Nine Months ended December 31, 2020	156,070	3.6%	10,127	67.1%	9,227	64.5%	5,946	69.8%	5,877	75.2%	7,582	36.1%
Nine Months ended December 31, 2019	150,688	7.9%	6,060	10.0%	5,610	0.8%	3,502	(2.7)%	3,354	(3.3)%	5,573	242.6%

	Basic earnings per share	Diluted earnings per share
	JPY	JPY
Nine Months ended December 31, 2020	65.16	64.84
Nine Months ended December 31, 2019	37.20	37.04

(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 December 31, 2020	210,108	86,172	85,178	40.5
As of March 31, 2020	206,524	80,057	79,076	38.3

## 2. Dividends

	Dividend per Shares				
	1Q-end	2Q-end	3Q-end	Year-end	Total
Fiscal Year Ended March 31, 2020	JPY —	JPY 13.50	JPY —	JPY 13.50	JPY 27.00
Fiscal Year Ending March 31, 2021	—	20.50	—		
Fiscal Year Ending March 31, 2021 (forecast)				10.25	—

(Notes)

- Changes from the latest forecasts disclosed: No
- IIJ 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 JPY20.50 and JPY41.00, respectively.

## 3. Targets of Consolidated Financial Results for the Fiscal Year Ending March 31, 2021

(% 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
Fiscal Year Ending March 31, 2021	213,000	4.2	13,500	64.1	12,300	71.8	7,600	89.7	84.26

(Notes)

- Changes from the latest forecasts disclosed: Yes
- IIJ conducted stock a split at a ratio of two-for-one with an effective date of January 1, 2021. The target of basic earnings per share is the amount after the stock split.
- As for the details about our financial targets for the fiscal year ending March 31, 2021, please refer to “Considered Factors for FY2020 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

- Changes in accounting policies required by IFRS: None
- Other changes in accounting policies: None
- Changes in accounting estimates: None

(3) Number of shares issued (common stock)

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

As of December 31, 2020: 93,469,200 shares

As of March 31, 2020: 93,469,200 shares

ii. Number of treasury stock:

As of December 31, 2020: 3,263,532 shares

As of March 31, 2020: 3,301,900 shares

iii. Number of weighted average common shares outstanding:

For the nine months ended December 31, 2020: 90,191,724 shares

For the nine months ended December 31, 2019: 90,158,642 shares

(Note) IIJ conducted stock a split at a ratio of two-for-one with an effective date of January 1, 2021. Number of shares outstanding (shares of common stock) in the above have been calculated as if the stock split was conducted at the beginning of the previous fiscal year.

\* 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 IIJ Group’s expectation, estimates, and projections based on information available to IIJ Group as of February 8, 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, 2021, 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 Monday, February 8, 2021.