

## **IIJ Announces its Financial Results for the Fiscal Year Ended March 31, 2022**

**Tokyo, May 13, 2022** - Internet Initiative Japan Inc. (“IIJ”, TSE Prime: 3774) today announced its consolidated financial results for the fiscal year ended March 31, 2022 (“FY2021”, from April 1, 2021 to March 31, 2022) under International Financial Reporting Standards (IFRS).<sup>1</sup>

### **Highlights of Financial Results for FY2021**

Total revenues	JPY 226.3 billion	up	6.3%	YoY <sup>2</sup>
Operating profit	JPY 23.5 billion	up	65.3%	YoY
Profit before tax	JPY 24.2 billion	up	72.2%	YoY
Net profit <sup>3</sup>	JPY 15.7 billion	up	61.4%	YoY
Annual cash dividend	JPY48.00	per share of common stock	up	61.3% YoY <sup>4</sup>

### **Highlights of Financial Targets for FY2022 (fiscal year ending March 31, 2023)**

Total revenues	JPY 250.0 billion	up	10.5%	YoY
Operating profit	JPY 27.2 billion	up	15.5%	YoY
Profit before tax	JPY 26.3 billion	up	8.8%	YoY
Net profit <sup>3</sup>	JPY 17.5 billion	up	11.7%	YoY
Annual cash dividend	JPY58.50	per share of common stock	up	21.9% YoY

### **Overview of FY2021 Financial Results and Business Outlook**

“We are in the midst of growth. IT utilization by Japanese enterprises has just begun and is becoming more mission-critical. We are confident in delivering further business growth by leveraging our capabilities of offering both various network services and systems integration backed by our robust Internet infrastructure and renowned Internet technology expertise, which we have continued to accumulate since our inception,” said Koichi Suzuki, Founder and Chairman of IIJ.

“In FY2021, our enterprise network services significantly drove our profit growth; network services revenues excluding mobile services revenues grew by 10.3% YoY, mainly by IP services<sup>5</sup> and security services, and about two-thirds of network services’ gross profit increase came from these enterprise network services revenue accumulation. We have also acquired some large-scale network renewal projects, which require comprehensive network services together with systems integration. We finished the first year of our three-year mid-term plan by exceeding operating profit margin target. Under these continued favorable business environment, for FY2022, we target the total revenues of JPY250.0 billion, up 10.5% YoY and the operating profit of JPY27.2 billion, up 15.5% YoY. And today, we update our Mid-term operating margin target for FY2023 from over 10%<sup>6</sup> to 11.5%,” said Ejiro Katsu, President of IIJ.

“During the dramatic penetration of Internet, we have been leading Internet technology for about thirty years in Japan. Our success so far toward competitors such as large telecom carriers, was mainly made by our network services generation and Internet operation abilities. We have enhanced our senior management and are accelerating execution of our consistent business strategy, which would expand our business scale more than ever. We continue to contribute to the efficiency and productivity of society by our network expertise, and respond sincerely to the trust and expectations of our stakeholders through our business growth,” concluded Suzuki.

<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. YoY in annual cash dividend is calculated based on the post-stock-split basis.

<sup>5</sup> IP services are IIJ’s dedicated-type Internet connectivity services, mainly used by corporate users.

<sup>6</sup> On November 5, 2021 we updated our FY2023 operating margin target for our three-year mid-term plan, from over 9% to over 10%.

## FY2021 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

	FY2020	FY2021	YoY Change
	JPY millions	JPY millions	%
<b>Total revenues</b>	213,002	<b>226,335</b>	6.3
<b>Network services</b>	126,827	<b>128,213</b>	1.1
<b>Systems integration (SI)</b>	83,284	<b>95,338</b>	14.5
<b>ATM operation business</b>	2,891	<b>2,784</b>	(3.7)
<b>Total costs</b>	(172,720)	<b>(174,707)</b>	1.2
<b>Network services</b>	(99,656)	<b>(92,595)</b>	(7.1)
<b>Systems integration (SI)</b>	(71,197)	<b>(80,396)</b>	12.9
<b>ATM operation business</b>	(1,867)	<b>(1,716)</b>	(8.1)
<b>Total gross profit</b>	40,282	<b>51,628</b>	28.2
<b>Network services</b>	27,171	<b>35,618</b>	31.1
<b>Systems integration (SI)</b>	12,087	<b>14,942</b>	23.6
<b>ATM operation business</b>	1,024	<b>1,068</b>	4.2
<b>SG&amp;A, R&amp;D, and other operating income (expenses)</b>	(26,034)	<b>(28,081)</b>	7.9
<b>Operating profit</b>	14,248	<b>23,547</b>	65.3
<b>Profit before tax</b>	14,035	<b>24,162</b>	72.2
<b>Profit for the year attributable to owners of the parent</b>	9,712	<b>15,672</b>	61.4

(Note) Systems integration includes equipment sales.

### Segment Results Summary

	FY2020	FY2021
	JPY millions	JPY millions
<b>Total revenues</b>	213,002	<b>226,335</b>
<b>Network services and SI business</b>	210,278	<b>223,678</b>
<b>ATM operation business</b>	2,891	<b>2,784</b>
<b>Elimination</b>	(167)	<b>(127)</b>
<b>Operating profit</b>	14,248	<b>23,547</b>
<b>Network services and SI business</b>	13,541	<b>22,799</b>
<b>ATM operation business</b>	826	<b>834</b>
<b>Elimination</b>	(119)	<b>(86)</b>

## FY2021 Revenues and Income

### Revenues

Total revenues were JPY226,335 million, up 6.3% YoY (JPY213,002 million for FY2020).

Network services revenue was JPY128,213 million, up 1.1% YoY (JPY126,827 million for FY2020).

Revenues for Internet connectivity services for enterprise were JPY37,911 million, down 6.0% YoY from JPY40,347 million for FY2020. The decrease was due to a decrease in IIJ Mobile MVNO Platform service (MVNE) revenue, which was mainly in the response to the reduction in procurement cost, while revenues of IP services and enterprise mobile services increased.

Revenues for Internet connectivity services for consumers were JPY23,376 million, down 9.1% YoY from JPY25,722 million for FY2020, mainly due to a decrease in average revenue per user of new plan “GigaPlans” for our consumer mobile services.

Revenues for Outsourcing services were JPY40,523 million, up 13.5% YoY from JPY35,710 million for FY2020, mainly due to an increase in security-related services revenues.

Revenues for WAN services were JPY26,403 million, up 5.4% YoY from JPY25,048 million for FY2020.

### Network Services Revenues Breakdown

	FY2020	FY2021	YoY Change
	JPY millions	JPY millions	%
<b>Total network services</b>	126,827	<b>128,213</b>	1.1
<b>Internet connectivity services (enterprise)</b>	40,347	<b>37,911</b>	(6.0)
<b>IP services (including data center connectivity services)</b>	12,171	<b>13,683</b>	12.4
<b>IIJ Mobile Services</b>	24,525	<b>20,351</b>	(17.0)
Enterprise mobile service (IoT usages etc.)	7,807	<b>10,257</b>	31.4
IIJ Mobile MVNO Platform service (MVNE)	16,718	<b>10,094</b>	(39.6)
<b>Others</b>	3,651	<b>3,877</b>	6.2
<b>Internet connectivity services (consumer)</b>	25,722	<b>23,376</b>	(9.1)
<b>IIJmio Mobile Services</b>	22,997	<b>20,365</b>	(11.4)
<b>Others</b>	2,725	<b>3,011</b>	10.5
<b>Outsourcing services</b>	35,710	<b>40,523</b>	13.5
<b>WAN services</b>	25,048	<b>26,403</b>	5.4

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

	As of March 31, 2021	As of March 31, 2022	YoY Change
<b>Internet connectivity services (enterprise)</b>	2,303,717	<b>2,500,116</b>	196,399
<b>IP service (greater than or equal to 1Gbps) (Note2)</b>	791	<b>786</b>	(5)
<b>IP service (less than 1Gbps) (Note2)</b>	1,200	<b>1,250</b>	50
<b>IIJ Mobile Services</b>	2,209,836	<b>2,407,083</b>	197,247
Enterprise mobile service (IoT usages etc.)	1,110,415	<b>1,374,055</b>	263,640
IIJ Mobile MVNO Platform service (MVNE)	1,099,421	<b>1,033,028</b>	(66,393)
<b>Others</b>	91,890	<b>90,997</b>	(893)
<b>Internet connectivity services (consumer)</b>	1,379,277	<b>1,437,107</b>	57,830
<b>IIJmio Mobile Services</b>	1,034,148	<b>1,090,208</b>	56,060
<b>Others</b>	345,129	<b>346,899</b>	1,770
<b>Total contracted bandwidth (Gbps) (Note 3)</b>	6,624.1	<b>7,641.6</b>	1,017.5

(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 JPY95,338 million, up 14.5% YoY (JPY83,284 million for FY2020). Systems construction and equipment sales, a one-time revenue, was JPY35,376 million, up 11.4% YoY (JPY31,767 million for FY2020). Of this amount, revenue of PTC SYSTEM (S) PTE LTD (“PTC”) was JPY4,731 million. Systems operation and maintenance revenue, a recurring revenue, was JPY59,962 million, up 16.4% YoY (JPY51,517 million for FY2020), mainly due to continued accumulation of systems operation orders as well as an increase in cloud-related services’ revenues. Of this amount, revenue of PTC was JPY2,159 million.

Orders received for SI, including equipment sales, totaled JPY101,476 million, up 12.4% YoY (JPY90,314 million for FY2020); orders received for systems construction and equipment sales were JPY38,660 million, up 18.6% YoY (JPY32,590 million for FY2020), and orders received for systems operation and maintenance were JPY62,816 million, up 8.8% YoY (JPY57,724 million for FY2020).

Order backlog for SI, including equipment sales, as of March 31, 2022 amounted to JPY72,792 million, up 15.7% YoY (JPY62,894 million as of March 31, 2021); order backlog for systems construction and equipment sales was JPY12,451 million, up 49.5% YoY (JPY8,330 million as of March 31, 2021) and order backlog for systems operation and maintenance was JPY60,340 million, up 10.6% YoY (JPY54,564 million as of March 31, 2021).

ATM operation business revenues were JPY2,784 million, down 3.7% YoY (JPY2,891 million for FY2020).

### **Cost of sales**

Total cost of sales was JPY174,707 million, up 1.2% YoY (JPY172,720 million for FY2020).

Cost of network services revenue was JPY92,595 million, down 7.1% YoY (JPY99,656 million for FY2020). Although the costs related to Internet backbone, facilities and personnel, etc., increased slightly, costs of mobile services were decreased due to reduction of purchase price in voice services from the beginning of FY2021 and one-time cost reimbursement of mobile unit charge<sup>7</sup> by NTT DOCOMO, INC. in 3Q21 as FY2020 mobile unit charge was fixed based on its actual results for the corresponding period. Gross profit was JPY35,618 million, up 31.1% YoY (JPY27,171 million for FY2020), and gross profit ratio was 27.8% (21.4% for FY2020).

Cost of SI revenues, including equipment sales was JPY80,396 million, up 12.9% YoY (JPY71,197 million for FY2020), mainly due to increases in outsourcing costs, license fees along with an increase in cloud-related services’ revenues and purchasing costs. Of this amount, PTC’s cost was JPY6,125 million. Gross profit was JPY14,942 million, up 23.6% YoY (JPY12,087 million for FY2020) and gross profit ratio was 15.7% (14.5% for FY2020).

Cost of ATM operation business revenues was JPY1,716 million, down 8.1% YoY (JPY1,867 million for FY2020). Gross profit was JPY1,068 million (JPY1,024 million for FY2020) and gross profit ratio was 38.3% (35.4% for FY2020).

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

Selling, general and administrative expenses, including research and development expenses, totaled JPY27,969 million, up 9.7% YoY (JPY25,491 million for FY2020), mainly due to increases in personnel-related expenses, sales commission expenses and advertising expenses. Of this amount, PTC’s expenses was JPY463 million.

Other operating income was JPY171 million (JPY149 million for FY2020).

Other operating expenses was JPY283 million (JPY692 million for FY2020), mainly due to disposal loss on fixed assets.

### **Operating profit**

Operating profit was JPY23,547 million (JPY14,248 million for FY2020), up 65.3% YoY.

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

Finance income was JPY3,506 million, compared to JPY776 million for FY2020. It included gains on financial instruments of JPY3,055 million (JPY479 million for FY2020).

Finance expense was JPY556 million, compared to JPY581 million for FY2020. It included interest expenses of JPY538 million (JPY580 million for FY2020).

<sup>7</sup> Mobile unit charge: Mobile unit charge refers to the unit charge for interconnectivity data communications relating to the usage of mobile infrastructure between mobile carriers such as NTT DoCoMo and MVNO such as IIJ. The unit price is per Mbps.

Share of loss of investments accounted for using equity method was JPY2,335 million (compared to loss of JPY408 million for FY2020). As for DeCurret Holdings, Inc, there were an increase in equity method loss and an impairment loss on corresponding amount of goodwill of JPY1,181 million due to a divestment of its crypto asset business.

**Profit before tax**

Profit before tax was JPY24,162 million (JPY14,035 million for FY2020), up 72.2% YoY.

**Profit for the year**

Income tax expense was JPY8,362 million (JPY4,234 million for FY2020). As a result, profit for the year was JPY15,800 million (JPY9,801 million for FY2020), up 61.2% YoY.

Profit for the year attributable to non-controlling interests was JPY128 million (JPY89 million for FY2020), mainly related to net income of Trust Networks Inc.

Profit for the year attributable to owners of parent was JPY15,672 million (JPY9,712 million for FY2020), up 61.4% YoY.

## **Financial Position as of March 31, 2022**

As of March 31, 2022, the balance of total assets was JPY231,805 million, increased by JPY11,028 million from the balance as of March 31, 2021 of JPY220,777 million.

As of March 31, 2022, the balance of current assets was JPY104,486 million, increased by JPY11,081 million from the balance as of March 31, 2021 of JPY93,405 million. As for the major breakdown of balance and fluctuation of current assets, cash and cash equivalents increased by JPY4,924 million to JPY47,391 million, trade receivables increased by JPY2,850 million to JPY37,649 million and prepaid expenses increased by JPY2,955 million, which included JPY1,667 million due to the acquisition of PTC, to JPY13,553 million.

As of March 31, 2022, the balance of non-current assets was JPY127,320 million, decreased by JPY53 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 JPY761 million to JPY17,846 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 JPY5,834 million to JPY44,874 million, mainly due to depreciation. Goodwill increased by JPY3,397 million to JPY9,479 million, mainly due to the acquisition of PTC. Investments accounted for using the equity method decreased by JPY3,197 million, mainly due to loss related to DeCurret Holdings, Inc., to JPY5,830 million. Prepaid expenses increased by JPY915 million to JPY10,452 million, including an increase of JPY1,122 million related to the acquisition of PTC. The amount of other investments was JPY17,410 million, increased by JPY4,497 million mainly due to fluctuation of fair value of our holding marketable equity securities and funds.

As of March 31, 2022, the balance of current liabilities was JPY76,778 million, increased by JPY3,519 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 increased by JPY1,498 million to JPY20,742 million. Borrowings decreased by JPY2,190 million to JPY16,370 million, due to a decrease by JPY5,170 million from repayment of long-term borrowings, an increase by JPY1,480 million in short-term borrowings and an increase by JPY1,500 million from a transfer from non-current liabilities. Contract liabilities increased by JPY2,469 million to JPY9,571 million, including an increase of JPY1,857 million related to the acquisition of PTC. Other financial liabilities decreased by JPY845 million to JPY17,035 million.

As of March 31, 2022, the balance of non-current liabilities was JPY50,407 million, decreased by JPY6,140 million from the balance as of March 31, 2021 of JPY56,547 million. As for the major breakdown of balance and fluctuation of current liabilities, long-term borrowings decreased by JPY1,500 million to JPY5,500 million due to a transfer to current portion. Contract liabilities increased by JPY184 million to JPY7,429 million. Other financial liabilities decreased by JPY5,502 million to JPY30,146 million, mainly due to a transfer to current portion.

As of March 31, 2022, the balance of total equity attributable to owners of the parent was JPY103,528 million, increased by JPY13,572 million from the balance as of March 31, 2021 of JPY89,956 million. Ratio of owners' equity to total assets was 44.7% as of March 31, 2022.

## **FY2021 Cash Flows**

Cash and cash equivalents as of March 31, 2022 were JPY47,391 million (JPY42,467 million as of March 31, 2021).

Net cash provided by operating activities for FY2021 was JPY43,573 million (net cash provided by operating activities of JPY40,544 million for FY2020). There was profit before tax of JPY24,162 million (JPY14,035 million for FY2020), depreciation and amortization of JPY28,444 million, including JPY11,534 million of depreciation of right-of-use operating lease assets under IFRS 16, and income taxes paid of JPY5,700 million (JPY3,912 million for FY2020). Regarding changes in working capital, there was net cash out of JPY2,892 million compared to net cash-in of JPY1,513 million for FY2020. As for the major factors for the increase in net cash outflow in comparison with FY2020, there were increases in payment of liabilities and decreases in advance receipt of contract liabilities.

Net cash used in investing activities for FY2021 was JPY11,838 million (net cash used in investing activities of JPY13,216 million for FY2020), mainly due to payments for purchases of tangible assets of JPY6,783 million (JPY6,391 million for FY2020), payments for purchases of intangible assets, such as software, of JPY4,734 million (JPY4,617 million for FY2020), 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 JPY2,150 million (JPY2,499 million for FY2020).

Net cash used in financing activities for FY2021 was JPY27,296 million (net cash used in financing activities of JPY23,618 million for FY2020), mainly due to payments of other financial liabilities of JPY19,983 million (JPY20,168 million for FY2020), 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 JPY5,170 million (JPY1,830 million for FY2020), dividends paid of JPY3,836 million (JPY1,533 million for FY2020) and net increase in short-term borrowings of JPY1,480 million (net decrease of JPY360 million for FY2020).

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## **Outlook for FY2022**

With regard to our outlook for FY2022, we expect continued growth in revenues and gross profit for enterprise network services and an upward trend of systems integration revenues. Our consolidated financial targets for FY2022 are as follows: total revenues of JPY250.0 billion (up 10.5% from FY2021) and operating profit of JPY27.2 billion (up 15.5% from FY2021). As for profit before tax, we target JPY26.3 billion (up 8.8% from FY2021), by considering finance expenses, share of profit or loss of investments accounted for using equity method and others. As for profit for the year attributable to owners of the parent, we target JPY17.5 billion (up 11.7% from FY2021), by considering income tax expenses at the normal effective tax rate.

## **Three-year mid-term plan (FY2021-FY2023)**

As for FY2021, we exceeded our profit targets. Considering the progress of financial performance and the continued favorable market environment, today we update our FY2023 operating margin target in three-year mid-term plan to 11.5% from over 10%, which was revised from original target of over 9% on November 5, 2021. The revenue target remains unchanged from the initially announced, which is around JPY270.0 billion.

## **Dividend Policy, FY2021 Dividend and FY2022 Dividend Forecast**

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.

As for FY2021, considering this basic policy, our interim dividend was JPY23.00 per share of common stock. Today, we revise our year-end dividend forecast to JPY25.00 per share, from the initial forecast at the beginning of the fiscal year of JPY19.50 per share and the previous forecast of JPY23.00 per share which was revised on November 5, 2021. Total annual dividend forecast for FY2021 is JPY48.00 per share of common stock, which is an increase of JPY18.25 per share from FY2020 dividend (post-stock-split basis).

As for FY2022, our interim and year-end dividend forecasts are JPY29.25 and JPY29.25 per share of common stock respectively. FY2022 total annual dividend forecast is JPY58.50 per share of common stock, which is an increase of JPY10.50 from FY2021 annual dividend.

## **Presentation**

Presentation materials will be posted on our web site (<https://www.ij.ad.jp/en/ir/>) on May 13, 2022.

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

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

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## **Disclaimer:**

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



# Consolidated Statements of Financial Position (Unaudited)

	March 31, 2021	March 31, 2022
	Thousands of yen	Thousands of yen
Assets		
Current assets		
Cash and cash equivalents	42,466,933	47,390,527
Trade receivables	34,799,075	37,649,104
Inventories	2,171,046	2,608,348
Prepaid expenses	10,598,441	13,553,353
Contract assets	1,281,918	1,870,396
Other financial assets	1,975,910	1,294,616
Other current assets	111,334	119,198
Total current assets	93,404,657	104,485,542
Non-current assets		
Tangible assets	17,084,401	17,845,557
Right-of-use assets	50,707,726	44,874,062
Goodwill	6,082,472	9,479,464
Intangible assets	16,954,274	16,423,552
Investments accounted for using the equity method	9,026,980	5,829,694
Prepaid expenses	9,537,160	10,452,179
Contract assets	46,638	68,584
Other investments	12,912,483	17,409,909
Deferred tax assets	143,337	182,641
Other financial assets	4,442,704	4,244,549
Other non-current assets	434,437	509,343
Total non-current assets	127,372,612	127,319,534
Total assets	220,777,269	231,805,076

	March 31, 2021	March 31, 2022
	Thousands of yen	Thousands of yen
Liabilities and Equity		
Liabilities		
Current liabilities		
Trade and other payables	19,243,800	20,741,835
Borrowings	18,560,000	16,370,000
Income taxes payable	3,012,415	5,795,084
Contract liabilities	7,101,821	9,571,064
Deferred income	79,914	65,415
Other financial liabilities	17,879,331	17,034,706
Other current liabilities	7,381,746	7,199,450
Total current liabilities	73,259,027	76,777,554
Non-current liabilities		
Borrowings	7,000,000	5,500,000
Retirement benefit liabilities	4,168,575	4,394,707
Provisions	756,405	786,273
Contract liabilities	7,244,411	7,428,629
Deferred income	405,579	340,164
Deferred tax liabilities	225,469	640,624
Other financial liabilities	35,647,899	30,146,338
Other non-current liabilities	1,098,253	1,169,990
Total non-current liabilities	56,546,591	50,406,725
Total liabilities	129,805,618	127,184,279
Equity		
Share capital	25,530,621	25,561,838
Share premium	36,388,811	36,518,235
Retained earnings	25,046,813	37,023,749
Other components of equity	4,865,110	6,275,222
Treasury shares	(1,874,976)	(1,850,924)
Total equity attributable to owners of the parent	89,956,379	103,528,120
Non-controlling interests	1,015,272	1,092,677
Total equity	90,971,651	104,620,797
Total liabilities and equity	220,777,269	231,805,076

# Consolidated Statements of Profit or Loss (Unaudited)

	For the year ended March 31, 2021	For the year ended March 31, 2022
	Thousands of yen	Thousands of yen
Revenues		
Network services	126,826,927	128,212,839
System integration	83,283,912	95,338,864
ATM operation business	2,891,041	2,783,674
Total revenues	213,001,880	226,335,377
Cost of sales		
Cost of network services	(99,656,232)	(92,594,448)
Cost of systems integration	(71,196,904)	(80,396,387)
Cost of ATM operation business	(1,866,789)	(1,716,341)
Total cost of sales	(172,719,925)	(174,707,176)
Gross Profit	40,281,955	51,628,201
Selling, general and administrative expense	(25,490,666)	(27,968,883)
Other operating income	148,500	171,128
Other operating expenses	(692,066)	(283,363)
Operating Profit	14,247,723	23,547,083
Finance income	776,298	3,506,147
Finance expenses	(581,486)	(556,074)
Share of profit (loss) of investments accounted for using equity method	(407,816)	(2,334,956)
Profit (loss) before tax	14,034,719	24,162,200
Income tax expense	(4,233,584)	(8,361,808)
Profit (loss) for the year	9,801,135	15,800,392
Profit (loss) for the year attributable to:		
Owners of the parent	9,711,559	15,672,105
Non-controlling interests	89,576	128,287
Total	9,801,135	15,800,392
Earnings per share		
Basic earnings per share (yen)	107.67	173.56
Diluted earnings per share (yen)	107.14	172.74

※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 are calculated as if the stock split had been conducted at the beginning of the previous fiscal year.

## Consolidated Statements of Comprehensive Income (Unaudited)

	For the year ended March 31, 2021	For the year ended March 31, 2022
	Thousands of yen	Thousands of yen
Profit (loss) for the year	9,801,135	15,800,392
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	2,371,133	691,051
Remeasurement of defined benefit plans	115,649	141,044
Total items that will not be reclassified to profit or loss	2,486,782	832,095
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	98,938	695,038
Financial assets measured at fair value through other comprehensive income	(692)	(1,199)
Share of other comprehensive income of investments accounted for using equity method	(21,921)	25,222
Total of items that may be reclassified to profit or loss	76,325	719,061
Total other comprehensive income, net of tax	2,563,107	1,551,156
Other comprehensive income for the year	12,364,242	17,351,548
Other comprehensive income for the year attributable to:		
Owners of the parent	12,274,666	17,223,261
Non-controlling interest	89,576	128,287
Other comprehensive income for the year	12,364,242	17,351,548

Consolidated Statements of Changes in Shareholders' Equity (Unaudited)  
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	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

For the year ended March 31, 2022

	Owners of the parent's shareholders' equity						Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Other components of equity	Treasury shares	Total		
	Thousands of yen	Thousands of yen	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 for the year	-	-	15,672,105	-	-	15,672,105	128,287	15,800,392
Other comprehensive income	-	-	-	1,551,156	-	1,551,156	-	1,551,156
Total comprehensive income	-	-	15,672,105	1,551,156	-	17,223,261	128,287	17,351,548
Transactions with owners								
Issuance of common stock	31,217	(31,152)	-	-	-	65	-	65
Disposal of treasury shares	-	82,447	-	-	24,052	106,499	-	106,499
Dividends paid	-	-	(3,836,213)	-	-	(3,836,213)	(48,550)	(3,884,763)
Stock-based compensation	-	82,794	-	-	-	82,794	-	82,794
Transfer from other components of equity to retained earnings	-	-	141,044	(141,044)	-	-	-	-
Other	-	(4,665)	-	-	-	(4,665)	(2,332)	(6,997)
Total transactions with owners	31,217	129,424	(3,695,169)	(141,044)	24,052	(3,651,520)	(50,882)	(3,702,402)
Balance, March 31, 2022	25,561,838	36,518,235	37,023,749	6,275,222	(1,850,924)	103,528,120	1,092,677	104,620,797

## Consolidated Statements of Cash Flows (Unaudited)

	For the year ended March 31, 2021	For the year ended March 31, 2022
	Thousands of yen	Thousands of yen
Cash flows from operating activities:		
Profit (loss) before tax	14,034,719	24,162,200
Adjustments		
Depreciation and amortization	27,973,729	28,444,400
Loss (gain) on sales/disposals of property and equipment	634,271	218,938
Shares of loss (profit) of investments accounted for using the equity method	407,816	2,334,956
Finance income	(639,262)	(3,439,435)
Finance expenses	579,741	537,785
Other	338,666	241,612
Changes in working capital		
Decrease (increase) in trade receivables	(2,151,565)	(1,403,938)
Decrease (increase) in inventories	312,484	(423,357)
Decrease (increase) in prepaid expenses	(2,671,608)	(1,414,078)
Decrease (increase) in contract assets	(829,519)	(610,424)
Decrease (increase) in other assets	15,818	162,549
Decrease (increase) in other financial assets	1,504,966	834,332
Increase (decrease) in trade and other payables	1,071,330	551,939
Increase (decrease) in contract liabilities	2,505,263	(162,719)
Increase (decrease) in deferred income	(82,505)	(9,735)
Increase (decrease) in other liabilities	1,677,036	(877,379)
Increase (decrease) in other financial liabilities	(185,457)	28,482
Increase (decrease) in retirement benefit liabilities	347,171	432,037
Subtotal	44,843,094	49,608,165
Interest and dividends received	192,760	190,635
Interest paid	(580,053)	(526,334)
Income taxes paid	(3,911,634)	(5,699,672)
Cash flows from operating activities	40,544,167	43,572,794

	For the year ended March 31, 2021	For the year ended March 31, 2022
	Thousands of yen	Thousands of yen
Cash flows from investing activities		
Purchases of tangible assets	(6,390,700)	(6,783,406)
Proceeds from sales of tangible assets	2,499,494	2,150,398
Purchases of intangible assets	(4,616,636)	(4,734,494)
Proceeds from sales of intangible assets	44,085	189
Purchase of a subsidiary	-	(2,612,008)
Purchase of investments accounted for using equity method	(4,754,000)	-
Proceeds from sale of investments accounted for using equity method	60,637	780,000
Purchases of other investments	(241,307)	(716,670)
Proceeds from sales of other investments	462,547	104,818
Payments for leasehold deposits and guarantee deposits	(280,742)	(102,687)
Proceeds from collection of leasehold deposits and guarantee deposits	64,852	150,369
Payments for refundable insurance policies	(68,767)	(74,896)
Other	4,695	273
Cash flows from investing activities	(13,215,842)	(11,838,114)
Cash flows from financing activities		
Repayment of long-term borrowings	(1,830,000)	(5,170,000)
Net increase (decrease) in short-term borrowings	(360,000)	1,480,000
Proceeds from other financial liabilities	329,566	261,360
Payments of other financial liabilities	(20,168,227)	(19,982,614)
Dividends paid	(1,533,237)	(3,836,213)
Other	(55,832)	(48,486)
Cash flows from financing activities	(23,617,730)	(27,295,953)
Effect of exchange rate changes on cash and cash equivalents	84,604	484,867
Net increase (decrease) in cash and cash equivalents	3,795,199	4,923,594
Cash and cash equivalents, beginning of the year	38,671,734	42,466,933
Cash and cash equivalents, end of year	42,466,933	47,390,527

## Notes to Condensed Consolidated Financial Statements (Unaudited)

### Going Concern Assumption

Nothing to be reported.

### Changes in Accounting Policies

Nothing to be reported.

### Segment Information

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

Segment information for the Company is as follows:

Fiscal year ended March 31, 2021

	Reportable segments		Adjustments	Consolidated
	Network service and systems integration business	ATM operation business		
	Thousands of yen	Thousands of yen	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

Fiscal year ended March 31, 2022

	Reportable segments		Adjustments	Consolidated
	Network service and systems integration business	ATM operation business		
	Thousands of yen	Thousands of yen	Thousands of yen	Thousands of yen
Revenue				
Customers	223,551,703	2,783,674	—	226,335,377
Intersegment transactions	127,000	—	(127,000)	—
Total revenue	223,678,703	2,783,674	(127,000)	226,335,377
Segment operating profit	22,798,740	834,462	(86,119)	23,547,083
Finance income				3,506,147
Finance expense				(556,074)
Share of profit (loss) of investments accounted for using the equity method				(2,334,956)
Profit before tax				24,162,200

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

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



**Earnings per share**

Basic earnings per share attributable to owners of the parent and diluted earnings per share attributable to owners of the parent for the years ended March 31, 2021 and 2022 were as follows:

	For the year ended March 31, 2021	For the year ended March 31, 2022
Numerator :		
Basic earnings attributable to owners of the parent ( thousands of yen )	9,711,559	15,672,105
Denominator :		
Weighted average number of shares — basic (shares)	90,195,162	90,296,089
Dilution arising from stock options (shares)	451,642	430,813
Weighted average number of shares — diluted (shares)	90,646,804	90,726,902
Earnings per share attributable to owners of the parent		
Basic (yen)	107.67	173.56
Diluted (yen)	107.14	172.74

**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**

Nothing to be reported.

Note: The following information is provided to disclose Internet Initiative Japan Inc. ("IIJ") financial results (unaudited) for the fiscal year ended March 31, 2022 ("FY2021") in the form defined by the Tokyo Stock Exchange.

## Consolidated Financial Results for the Fiscal Year ended March 31, 2022 [Under IFRS]

May 13, 2022

Company name: Internet Initiative Japan Inc.

Exchange listed: Tokyo Stock Exchange

Ticker symbol: 3774

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

Representative: Eijiro Katsu, President and Representative Director

Contact: Akihisa Watai, Senior Managing Director and CFO

TEL: (03) 5205-6500

Scheduled date for annual general shareholders' meeting: June 28, 2022

Scheduled date for dividend payment: June 29, 2022

Scheduled date for filing of annual securities report (*Yuka-shoken -houkokusho*) to Japan's regulatory organization: June 30, 2022

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, 2022 (April 1, 2021 to March 31, 2022)

#### (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, 2022	226,335	6.3	23,547	65.3	24,162	72.2	15,800	61.2	15,672	61.4	17,352	40.3
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

	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, 2022	173.56	172.74	16.2	10.7	10.4
Fiscal Year ended March 31, 2021	107.67	107.14	11.5	6.6	6.7

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

Fiscal year ended March 31, 2022: JPY(2,335) million, Fiscal year ended March 31, 2021: JPY(408) 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, 2022	231,805	104,621	103,528	44.7	1,146.32
As of March 31, 2021	220,777	90,972	89,956	40.7	997.24

(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, 2022	43,573	(11,838)	(27,296)	47,391
Fiscal year ended March 31, 2021	40,544	(13,216)	(23,618)	42,467

## 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, 2021	—	20.50	—	19.50	—	2,684	27.6	3.2
Fiscal Year Ended March 31, 2022	—	23.00	—	25.00	48.00	4,335	27.7	4.5
Fiscal Year Ending March 31, 2023 (forecast)	—	29.25	—	29.25	58.50		30.2	

(Note) IJJ 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, 2023 (April 1, 2022 through March 31, 2023)

(% shown is YoY change)

	Revenues		Operating profit		Profit (loss) before tax		Profit (loss) for the year attributable to owners of the parent		Basic earnings per share
	JPY millions	%	JPY millions	%	JPY millions	%	JPY millions	%	JPY
Interim Period Ending September 30, 2022	117,000	7.3	10,700	15.0	10,300	(1.3)	6,800	(1.3)	75.29
Fiscal Year Ending March 31, 2023	250,000	10.5	27,200	15.5	26,300	8.8	17,500	11.7	193.77

### \* 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, 2022: 93,534,800 shares

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

ii. Number of treasury stock:

As of March 31, 2022: 3,221,667 shares

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

iii. Number of weighted average common shares outstanding:

For the fiscal year ended March 31, 2022: 90,296,089 shares

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

\* IJJ 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 IJJ Group's expectation, estimates, and projections based on information available to IJJ Group as of May 13, 2022. As these forward-looking statements are subject to known and unknown risks and uncertainties, actual results may differ from those disclosed due, for example, to but not limited to changes in business climate and/or market trends. As for our latest forecast of our financial targets, please refer to "Considered Factors for FY2022 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 13, 2022

Company name: Internet Initiative Japan Inc.

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

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

**Information Pertaining to Our Largest Shareholder**

1. About Our Largest Shareholder (As of March 31, 2022)

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

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

The ownership percentage by NTT, which is IIJ's largest shareholder, was 26.9% as of March 31, 2022, including its indirect ownership. However, IIJ's business activities are not affected by NTT's ownership in IIJ and IIJ is maintaining its management independence.

3. Business Relationship with NTT Group

IIJ uses services provided by Nippon Telegraph and Telephone East Corporation and Nippon Telegraph and Telephone West Corporation for a significant portion of IIJ's access circuits, services provided by NTT Communications Corporation for a significant portion of IIJ's domestic and international backbone circuits, and services provided by NTT DOCOMO, INC for a significant portion of IIJ's mobile infrastructure, to provide Internet connectivity, mobile-related and other services to IIJ's customers. IIJ also leases a part of Internet data center facilities from NTT Group companies to provide Internet data center services. The aggregate amount paid to for these services was JPY21,649 million for the fiscal year ended March 31, 2022.

End