

**Convocation Notice of the 29th
Ordinary General Meeting of Shareholders**

of

Internet Initiative Japan Inc.

This document is an English translation of the “Convocation notice of the 29th ordinary general meeting of shareholders” (“*Dai ni-jyu-kyuukai teiji kabunushi sokai shoshu gotsuchi*”) of Internet Initiative Japan Inc. (“IIJ” or “the Company”) to be held on June 29, 2021.

CAUTIONARY NOTES

- Note 1: This document has been translated from the Japanese original for reference purpose only. In the event of any discrepancy between this English translation and the Japanese original, the Japanese original shall prevail.
- Note 2: In accordance with the applicable laws and regulations of Japan, and the provisions of Article 15 of the Company's Articles of Incorporation, we have posted Basic Systems and Policies of IJ, Consolidated Statements of Changes in Shareholders' Equity, Notes to Consolidated Financial Statements, Non-Consolidated Statement of changes in Shareholders' Equity and the Notes to Non-Consolidated Financial Statements, which comprise the attachments to this Notice of Convocation of the 29th Ordinary General Meeting of Shareholders, at the Company's following web site:(<https://www.ij.ad.jp/en/ir/library/meeting/>) instead of including them herein.
- Note 3: Our consolidated and non-consolidated financial statements audited by the accounting auditor as well as company auditors are included in the attachments to the Notice of Convocation of the 29th Ordinary General Meeting of Shareholders as well as the notes to the consolidated and non-consolidated financial statements, which are posted on the Company's website.
- Note 4: The ADRs holders shall instruct The Bank of New York Mellon Corporation to exercise their voting rights represented by the shares underlying their ADRs but they may only provide their instructions to The Bank of New York Mellon Corporation. Otherwise, they are not entitled to exercise any voting right unless they cancel their ADRs and withdraw the shares of common stock. This means they may not be able to exercise any voting rights for IJ and attend the ordinary general meeting of shareholders of IJ.

TRANSLATION

June 7, 2021

TO OUR SHAREHOLDERS:

Eijiro Katsu
President and Representative Director
Internet Initiative Japan Inc.
2-10-2 Fujimi,
Chiyoda-ku, Tokyo, Japan

CONVOCAION NOTICE OF THE 29TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

We are pleased to announce the 29th ordinary general meeting of shareholders of Internet Initiative Japan Inc. ("IIJ" or "the Company",) which is to be held as stated below.

From the perspective of prevention of COVID-19, please exercise your voting rights via the Internet or the enclosed voting instruction card, and refrain from attending the meeting on the day of the meeting.

After carefully considering the current situation surrounding COVID-19, we decided to hold this meeting by taking appropriate counter infection measures. In order to prevent the spread of COVID-19, we ask our shareholders to exercise their voting rights in advance by using the specified form or Internet as much as possible and refrain from attending this meeting, regardless of their physical conditions.

After reviewing the referential documents below, you may exercise your voting rights by indicating approval or disapproval on the voting form attached hereto and sending it or via Internet by 5:30 pm on Monday, June 28, 2021.

1. **Date and Time:** 10:00 A.M., Tuesday, June 29, 2021
*The reception area opens at 9:00 A.M.
2. **Venue:** Bellesalle Kudan Event Hall
3rd floor, Sumitomo Fudosan Kudan Bldg.
1-8-10 Kudankita, Chiyoda-ku, Tokyo, Japan

(Note 1) This venue may be changed if it is not appropriate to be used for the meeting due to COVID-19 etc. We will immediately post information about such change on our website (<https://www.ij.ad.jp/en/ir/library/meeting/>). Please be sure to check our website on the day of the meeting.

(Note 2) Please note that there will be fewer seats at the venue compared to normal years as we will be arranging chairs to ensure there is enough intervals in order to prevent the spread of COVID-19.

3. Agenda of the Meeting:

Subjects to be Reported:

1. Business report, consolidated financial statements and a report on the audit results of consolidated financial statements by the accounting auditors and the board of company auditors for the 29th term (from April 1, 2020 to March 31, 2021)
2. Non-consolidated financial statements for the 29th term (from April 1, 2020 to March 31, 2021)

Subjects to be Resolved:

- Item 1: Appropriation of Retained Earnings
- Item 2: Partial Amendment to the Articles of Incorporation
- Item 3: Election of Twelve (12) Directors
- Item 4: Election of One (1) Company Auditor
- Item 5: Amendment to the Amount of Compensation, etc. given to Directors

Notes to those shareholders who plan to attend:

- The action taken is subject to change depending on factors including the status of COVID-19 spread as well as announcements made by the government until the day of the meeting. Please check our website <https://www.ij.ad.jp/ir/library/meeting/> for most up to date information.
- The meeting's agenda are to be proceeded effectively in a short period of time. Staffs at the meeting will be wearing face masks.
- Please note that we may check bodily temperatures of attending shareholders who are identified as having fever, appear to be in poor health, and/or have not returned from overseas less than 14 days ago and we may refuse to grant admission to attending shareholders. Attending shareholders who returned from overseas less than 14 days ago are required to notify the receptionists about it.
- There will be hand sanitizers for attending shareholder near the reception desk.
- Attending shareholders are asked to wear a face mask.
- No gifts will be offers to shareholders participating in the meeting.

4. Notice to Shareholders

With regard to the documents attached hereto, if there are any changes to be notified to the shareholders up to the day prior to the ordinary general meeting of shareholders, you may be notified by mail or IJ's web site at <https://www.ij.ad.jp/ir/library/meeting/> (Japanese only)

Reference Documents for the Ordinary General Meeting of Shareholders

Agenda of the meeting and reference matters:

Item 1: Appropriation of Retained Earnings

IJJ endeavors to return profits to shareholders through the continuous and stable distribution of dividends while giving consideration to the employment of retained earnings for the enhancement of IJJ's financial position, medium and long-term business expansion and business investment, etc.

Based on the policy described above, considering this fiscal year's financial results, IJJ proposes that the year-end dividend be distributed as follows.

If this Item 1 is approved and resolved as proposed, the annual amount of the dividends for this fiscal year ended March 31, 2021 will be JPY (Japanese yen) 40.0 per share, including the interim dividend paid in the amount of JPY 20.5 per share in December 2020.

(Notes)

IJJ conducted a 1:2 stock split on January 1st, 2021. The annual amount of the dividends for the fiscal period listed above is the total of the amount of the interim dividend paid before the stock split and the amount of the year-end dividend paid after the stock split. The year-end dividend is equivalent to JPY 39.0 per share and the dividend for the fiscal period is equivalent to JPY 59.5 per share based on the standard before the stock split.

1. Type of dividend property
Cash

2. Proposed appropriation of dividend assets to shareholders and total amount of dividend payment
JPY 19.5 per share of common stock of IJJ
Total amount of dividend payment: JPY 1,759,010,526

3. Effective date of dividend payment
June 30, 2021

Item 2: Partial Amendment to the Articles of Incorporation

Approval is requested to amend part of the present Articles of Incorporation, as follows:

1. Reason for amendment

The term of office of Directors set forth in Article 21 (Term of Office of Directors) of the Articles of Incorporation will be changed from two (2) years to one (1) year in order to build a flexible management system that can respond swiftly to changes in the business environment.

2. Content of amendment

The content of the amendment is as follows:

Present Articles	Proposed Articles
(Term of Office of Directors) Article 21. The term of office of directors shall expire at the close of the ordinary general meeting of shareholders held in relation to the last business year ending within <u>two (2)</u> years following their election to office.	(Term of Office of Directors) Article 21. The term of office of directors shall expire at the close of the ordinary general meeting of shareholders held in relation to the last business year ending within <u>one (1)</u> year following their election to office.

Item 3: Election of Twelve (12) Directors

As the term of office of all of thirteen (13) incumbent Directors will expire at the conclusion of this Ordinary General Meeting of Shareholders, it is proposed that nine (9) Directors be reappointed and three (3) new Directors be elected. Four (4) Directors, i.e., Shingo Oda, Takashi Tsukamoto, Kazuo Tsukuda and Yoichiro Iwama are candidates for Outside Directors.

The candidates for the positions as Directors are as follows:

Candidate number	Name	Current Positions/Incharge	Board of Directors Attendance (Times)
1	Koichi Suzuki <Reelection>	Chairman of the Board, Representative Director and Co-CEO	12/12
2	Eijiro Katsu <Reelection>	President and Representative Director, and Co-CEO & COO	12/12
3	Satoshi Murabayashi <New election>	-	-
4	Koichi Kitamura <New election>	Senior Executive Officer Business Unit Director	-
5	Akihisa Watai <Reelection>	Senior Managing Director CFO Division Director of Financial Division	12/12
6	Tadashi Kawashima <Reelection>	Managing Director Deputy Unit Director of Business Unit Division Director of Central Nippon Business Division	12/12
7	Junichi Shimagami <Reelection>	Managing Director CTO Unit Director of Technology Unit	12/12
8	Naoshi Yoneyama <Reelection>	Managing Director CIO Division Director of Corporate Planning Division	12/12
9	Shingo Oda <Reelection> <Outside> <Independent>	Outside Director Independent Member of Nomination and Compensation Committee	12/12
10	Takashi Tsukamoto <Reelection> <Outside> <Independent>	Outside Director Independent Member of Nomination and Compensation Committee	12/12
11	Kazuo Tsukuda <Reelection> <Outside> <Independent>	Outside Director Independent Member of Nomination and Compensation Committee	10/10
12	Yoichiro Iwama <New election> <Outside> <Independent>	—	—

		< Number of Shares Owned >
1 Koichi Suzuki	(September 3, 1946) <Reelection>	3,682,134

< Career & current positions in and outside IJ >

December 1992 Director with the establishment of IJ
 April 1994 President, Representative Director and CEO of IJ
 June 2013 Chairman of the Board, Representative Director and CEO of IJ
 April 2021 Chairman of the Board, Representative Director and Co-CEO of IJ (current position)

< Important concurrent posts >

Director of IJ Global Solutions Inc.
 Chairman of the Board, Representative Director of IJ Engineering Inc.
 Chairman of the Board of IJ America Inc.
 President and Representative Director of INTERNET MULTIFEED CO.
 Representative Director and Chairman of JOCDN Inc.

< Reasons for selection as candidate >

Mr. Koichi Suzuki, a candidate for Director, is presently the Chairman of the Board, Representative Director and Co-CEO of IJ. IJ proposes to appoint him as a candidate for Director in order to utilize his abundant business experience for the management of IJ.

		< Number of Shares Owned >
2 Eijiro Katsu	(June 19, 1950) <Reelection>	82,640

< Career & current positions in and outside IJ >

April 1975 Joined Ministry of Finance ("MOF")
 July 2007 Director-General of the Financial Bureau, MOF
 July 2008 Deputy Vice Minister, MOF
 July 2009 Director-General, Budget Bureau, MOF
 July 2010 Vice Minister of Finance
 August 2012 Retired from MOF
 November 2012 Joined IJ as Special Advisor
 June 2013 President, Representative Director and COO of IJ
 April 2021 President, Representative Director and Co-CEO & COO of IJ (current position)

< Reasons for selection as candidate >

Mr. Eijiro Katsu, a candidate for Director, is presently the President, Representative Director and Co-CEO & COO of IJ. IJ proposes to appoint him as a candidate for Director in order to utilize his abundant business experience for the management of IJ.

		< Number of Shares Owned >
3 Satoshi Murabayashi	(November 8, 1958) <New election>	0

< Career & current positions in and outside IJ >

April 1981 Joined The Sanwa Bank, Ltd. (currently MUFG Bank, Ltd.)
 June 2007 Executive Officer of The Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently MUFG Bank, Ltd.)
 June 2013 Managing Director of the same
 May 2015 Senior Managing Director of the same
 June 2015 Senior Managing Corporate Executive of Mitsubishi UFJ Financial Group, Inc.
 June 2017 President and Representative Director of Mitsubishi UFJ Research and Consulting Co., Ltd. (current position)
 April 2020 Outside Director of DeCurret Inc. (current position)

< Important concurrent posts >

Outside Director of DeCurret Inc. (he is expected to be appointed as Chairman of the Board and Representative Director as of June 29, 2021)

< Reasons for selection as candidate >

Mr. Satoshi Murabayashi has established a prominent career as a manager of a banking business and the person responsible for IT systems, and has abundant experience and profound knowledge of management and IT systems. IJ proposes to appoint him as a candidate for Director in order to utilize his abundant business experience for the management of IJ. If he is appointed as a Director, he will be appointed as the Vice President.

< Number of Shares Owned >

4	Koichi Kitamura	(May 12, 1954)	<New election>	400
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< Career & current positions in and outside IIJ >

April 1978	Joined Nippon Steel Corporation
June 2004	Director of NS Solutions Corporation
April 2009	Executive Director of the same
April 2012	Managing Executive Director of the same
June 2016	Director & Vice-president Operating Officer of the same
April 2020	Senior Managing Executive Officer and Deputy Unit Director of Business Unit of IIJ
April 2021	Senior Managing Executive Officer and Business Unit Director of IIJ (current position)

< Reasons for selection as candidate >

Mr. Koichi Kitamura, a candidate for Director, is presently Business Unit Director of IIJ. IIJ proposes to appoint him as a candidate for Director in order to utilize his abundant business experience in sales for the sales strategy, etc. of IIJ.

< Number of Shares Owned >

5	Akihisa Watai	(September 30, 1965)	<Reelection>	29,052
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< Career & current positions in and outside IIJ >

April 1989	Joined Sumitomo Bank, Ltd. (currently Sumitomo Mitsui Banking Corporation)
August 1996	Temporarily transferred to IIJ
February 2000	Joined IIJ
June 2004	Director and Chief Financial Officer of IIJ
April 2010	Managing Director and Chief Financial Officer of IIJ
April 2015	Division Director of Financial Division of IIJ (current position)
April 2021	Senior Managing Director and Chief Financial Officer of IIJ (current position)

< Reasons for selection as candidate >

Mr. Akihisa Watai, a candidate for Director, is presently the CFO and Division Director of the Finance Division of IIJ. IIJ proposes to appoint him as a candidate for Director in order to utilize his abundant business experience in finance for the financial strategy, etc. of IIJ.

< Number of Shares Owned >

6	Tadashi Kawashima	(February 27, 1963)	<Reelection>	7,142
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< Career & current positions in and outside IIJ >

April 1987	Joined Nippon Telegraph and Telephone Corporation
July 1988	Joined NTT DATA Communications Systems Corporation (currently NTT DATA Corporation)
	Head of Public Division 2, First Public
June 2011	Administration Systems Sector of the same Senior Specialist of Public and Financial IT Service
June 2013	Senior Specialist of Public and Financial IT Service Company of the same
	President and Representative Director of NTT Data Tokai Corporation
June 2015	Managing Director of IIJ (current position)
April 2016	Deputy Unit Director of Business Unit of IIJ (current position)
April 2021	Division Director of Central Nippon Business Division (current position)

<Reasons for selection as candidate>

Mr. Tadashi Kawashima, a candidate for Director, is presently the Deputy Unit Director of Business Unit of IIJ and the Division Director of Central Nippon Business Division. IIJ proposes to appoint him as a candidate for Director in order to utilize his abundant business experience in sales for IIJ's sales strategy, etc. IIJ

< Number of Shares Owned >

7	Junichi Shimagami	(April 17, 1967)	<Reelection>	21,676
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< Career & current positions in and outside IIJ >

April 1990	Joined Nomura Research Institute, Ltd
September 1996	Joined IIJ
June 2007	Director of IIJ
April 2010	Executive Managing Officer of IIJ
April 2015	Senior Executive Officer, Division Director of Network Division and CTO of IIJ
June 2015	Director and CTO of IIJ
April 2016	Unit Director of Technology Unit of IIJ (current position)
June 2020	Managing Director and CTO of IIJ (current position)

< Reasons for selection as candidate >

Mr. Junichi Shimagami, a candidate for Director, is presently the CTO and the Unit Director of the Technology Unit of IIJ. IIJ proposes to appoint him as a candidate for Director in order to utilize his abundant business experience in the technical field for developing technological strategy, etc. of IIJ.

			< Number of Shares Owned >
8	Naoshi Yoneyama	(November 25, 1965)	< Reelection > 41,848

< Career & current positions in and outside IJ >

April 1990	Joined Sumitomo Bank, Limited (currently Sumitomo Mitsui Banking Corporation)
October 1998	Joined IJ
April 2012	Executive Officer and Division Director of Technology Management Division of IJ
April 2015	Executive Managing Officer, Division Director of Technology Unit, and General Manager of Corporate Planning Department of IJ
April 2018	Senior Executive Officer and Division Director of Corporate Planning Division of IJ
June 2019	Director and Division Director of Corporate Planning Division of IJ
April 2021	Director, CIO and Division Director of Corporate Planning Division of IJ (current position)

< Reasons for selection as candidate >

Mr. Naoshi Yoneyama, a candidate for Director, is presently the Division Director of Corporate Planning Division of IJ. IJ proposes to appoint him as a candidate for Director in order to utilize his abundant business experience regarding corporate planning for business strategy, etc. of IJ.

			< Number of Shares Owned >
9	Shingo Oda	(November 8, 1944)	< Reelection > < Outside > < Independent > 0

< Career & current positions in and outside IJ >

April 1970	Joined Yokokawa Hewlett-Packard Company (currently Hewlett-Packard Japan, Ltd)
May 2005	President and Representative Director of the Hewlett-Packard Japan, Ltd
June 2008	Director of IJ (current position)

< Reasons for selection as candidate for Outside Director and overview of expected role >

Mr. Shingo Oda served as the President and Representative Director, etc. of Hewlett-Packard Japan, Ltd, and has abundant experience and profound IT-related knowledge as an IT corporate manager. He also has a high level of knowledge in the field of internal control and governance, etc. He has been appointed as an Independent Outside Director of IJ since June 2008, and has given useful advice to IJ's management based on his abundant experience and profound knowledge of management, and his high level of insight in relation to social responsibility. Accordingly, IJ has judged that, as an Outside Director, he can be expected to provide sufficient advice and supervision in relation to IJ's management generally, from an independent position, and IJ proposes to continue to reappoint him as a candidate for Outside Director.

			< Number of Shares Owned >
10	Takashi Tsukamoto	(August 2, 1950)	< Reelection > < Outside > < Independent > 3,700

< Career & current positions in and outside IJ >

April 1974	Joined The Dai-ichi Kangyo Bank, Ltd. (currently Mizuho Bank, Ltd.)
April 2004	Managing Executive Officer (Head of EMEA) of Mizuho Corporate Bank, Ltd.
April 2009	President and CEO of Mizuho Financial Group, Inc.
June 2011	President and CEO of Mizuho Bank, Ltd. Chairman of Mizuho Financial Group, Inc.
July 2013	Chairman of Mizuho Bank, Ltd.
April 2014	Senior Advisor of Mizuho Financial Group, Inc.
April 2017	Honorary Advisor of Mizuho Financial Group, Inc. (current position)
June 2017	Director of IJ (current position)

< Reasons for selection as candidate for Outside Director and overview of expected role >

Mr. Takashi Tsukamoto served as the President and CEO, and Chairman, of Mizuho Bank, Ltd., and has abundant experience and profound finance-related knowledge as a bank manager. He also has a high level of knowledge in the field of internal control and governance, etc. He has been appointed as an Independent Outside Director of IJ since June 2017, and has given useful advice to IJ's management based on his abundant experience and profound knowledge of management, and his high level of insight in relation to social responsibility. Accordingly, IJ has judged that, as an Outside Director, he can be expected to provide sufficient advice and supervision in relation to IJ's management generally, from an independent position, and IJ proposes to continue to reappoint him as a candidate for Outside Director.

11	Kazuo Tsukuda	(September 1,1943)	<Reelection> <Outside> <Independent>	< Number of Shares Owned > 0
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< Career & current positions in and outside IJ >

April 1968	Joined Mitsubishi Heavy Industries, Ltd
June 1999	Director of the same
April 2002	Managing Director of the same
June 2003	President and Representative Director of the same
April 2008	Chairman of the Board, Representative Director of the same
April 2013	Chief Executive Adviser of the same
June 2019	Special Advisor of the same (current position)
June 2020	Director of IJ (current position)

< Reasons for selection as candidate for Outside Director and overview of expected role >

Mr. Kazuo Tsukuda served as the President and Representative Director, and Chairman of the Board and Representative Director, of Mitsubishi Heavy Industries, Ltd, and has abundant experience and profound knowledge regarding business management as a corporate manager. He also has a high level of knowledge in the field of internal control and governance, etc. He has been appointed as an Independent Outside Director of IJ since June 2020, and has given useful advice to IJ's management based on his abundant experience and profound knowledge of management, and his high level of insight in relation to social responsibility. Accordingly, IJ has judged that, as an Outside Director, he can be expected to provide sufficient advice and supervision in relation to IJ's management generally, from an independent position, and IJ proposes to continue to reappoint him as a candidate for Outside Director.

12	Yoichiro Iwama	(September 15,1943)	< New election > <Outside> <Independent>	< Number of Shares Owned > 0
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< Career & current positions in and outside IJ >

April 1967	Joined Tokio Marine and Fire Insurance Co., Ltd (currently Tokio Marine and Nichido Fire Insurance Co., Ltd.)
June 1996	Director of the same
April 2005	Senior Managing Director of the same
June 2005	President and Representative Director of Tokio Marine Asset Management Co., Ltd.
June 2010	Chairman of Japan Securities Investment Advisers Association (currently Japan Investment Advisers Association)
May 2018	Outside Director and Chairman of the Board of Nikko Asset Management Co., Ltd. (current position)

< Important concurrent posts >

External Senior advisor of NBRE Management Japan Advisors K.K.
Outside Director and Chairman of the Board of Nikko Asset Management Co., Ltd.

< Reasons for selection as candidate for Outside Director and overview of expected role >

Mr. Yoichiro Iwama served as the President and Representative Director, etc. of Tokio Marine Asset Management Co., Ltd., and has abundant experience and profound knowledge regarding capital markets as a corporate manager. He also has a high level of knowledge in the field of internal control and governance, etc. IJ proposes to appoint him as a candidate for Outside Director in order to utilize his business experience as a manager to provide advice and supervision with respect to the overall management of IJ, from the perspective of an Independent Director.

(Notes)

- (1) There is no special interest between the candidates and IJ.
- (2) IJ, pursuant to the Articles of Incorporation of IJ, entered into a Liability Limitation Agreement (Article 427, Paragraph 1 of the Companies Act) with Mr. Shingo Oda, Mr. Takashi Tsukamoto and Mr. Kazuo Tsukuda which limits the liability provided for in Article 423, Paragraph 1 of the Companies Act to the higher of either 10 million yen or the amount prescribed in Article 427, Paragraph 1 of the Companies Act, provided that they are bona fide and without gross negligence in performing their duties. As the said Liability Limitation Agreement will terminate upon the expiration of their current term of office as Outside Directors, a new Liability Limitation Agreement providing the same is scheduled to be entered into after their assumption of the office of Outside Directors. If Mr. Yoichiro Iwama is elected as an Outside Director, IJ plans to newly enter into a Liability Limitation Agreement with the same content.
- (3) IJ appoints Mr. Shingo Oda, Mr. Takashi Tsukamoto and Mr. Kazuo Tsukuda as Independent Directors required to be secured by the Tokyo Stock Exchange. If they are appointed as our Directors, we will continue to appoint them as Independent Directors. If Mr. Yoichiro Iwama is appointed as a Director, IJ will appoint him as an Independent Director.
- (4) The candidates (except for the new candidates, Mr. Satoshi Murabayashi, Mr. Koichi Kitamura and Mr. Yoichiro Iwama) are currently Directors of IJ, and IJ has entered into an agreement regarding directors and officers liability insurance (the "D&O Insurance") with an insurance company, where these candidates are included as insured persons. The D&O Insurance provides that, in the event that a claim for damages is made against the insured persons due to acts performed by the insured persons based on their positions as officers, etc. of IJ, the D&O Insurance will compensate for losses incurred by the insured persons, such as compensation payments and litigation expenses. However, IJ has taken measures to ensure that the appropriateness of the performance of duties by the insured persons is not impaired by having provisions for certain exclusions of liability, such as the non-payment of compensation for losses caused by acts performed by insured persons while they were aware of violations of laws or regulations, etc., and by setting an upper limit on the amount of compensation. In addition, IJ bears 90% of the total amount of insurance premiums and the insured persons bear the balance, where each person bears up to a maximum of 1.8% depending on his or her position. If this Item 3 is approved and resolved as proposed, all the candidates, including the new candidates, will be included as insured persons under the D&O Insurance. The contractual term of the D&O Insurance will expire during the term of office of each candidate, and IJ plans to renew the D&O Insurance under the same terms.

Item 4: Election of One (1) Company Auditor

As the term of office of the incumbent Company Auditor, Ms. Masako Tanaka will expire at the close of this Ordinary General Meeting of Shareholders, it is proposed that IJ Auditor be reappointed.

The candidate for the position of Company Auditor is as follows:

Prior to the submission of this proposed item, IJ has already obtained the consent of the Board of Company Auditors.

Masako Tanaka	(April 4,1958)	<Reelection>	< Number of Shares Owned > 346,400
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< Career & current positions in and outside IJ >

December 1992	Joined IJ
May 1993	General Manager of Administrative Department of IJ
February 2002	General Manager of Human Resources Department of IJ
April 2014	General Manager of Administrative Division Human Resources Department of IJ
June 2018	Fulltime Company Auditor of IJ (current position)

< Reasons for selection as candidate >

As Ms. Masako Tanaka has abundant experience and a high level of knowledge in the field of internal control and governance as the person in charge of the human resources department and other administrative departments of IJ, she is fit to audit the performance of duties by the Directors. Therefore, IJ proposes to appoint her as a candidate for Company Auditor.

(Notes)

- (1) There is no special interest between the candidate and IJ.
- (2) Ms. Masako Tanaka is currently a Company Auditor of IJ, and IJ has entered into an agreement regarding the D&O Insurance with an insurance company, where she is included as an insured person. The D&O Insurance provides that, in the event that a claim for damages is made against the insured persons due to acts performed by the insured persons based on their positions as officers, etc. of IJ, the D&O Insurance will compensate for losses incurred by the insured persons, such as compensation payments and litigation expenses. However, IJ has taken measures to ensure that the appropriateness of the performance of duties by the insured persons is not impaired by having provisions for certain exclusions of liability, such as the non-payment of compensation for losses caused by acts performed by insured persons while they were aware of violations of laws or regulations, etc., and by setting an upper limit on the amount of compensation. In addition, IJ bears 90% of the total amount of insurance premiums and the insured persons bear the balance, where each person bears up to a maximum of 1.8% depending on his or her position. If this Item 4 is approved and resolved as proposed, the candidate will be included as an insured person under the D&O Insurance. The contractual term of the D&O Insurance will expire during the term of office of the candidate, and IJ plans to renew the D&O Insurance under the same terms.

Item 5: Amendment to the Amount of Compensation, etc. given to Directors

It was approved at the 16th Ordinary General Meeting of Shareholders held on June 27, 2008 that the total amount of the compensation of the Members of the Board of Directors will be 500 million yen or less per year. In addition, it was approved at the 19th Ordinary General Meeting of Shareholders held on June 28, 2011 that stock-compensation-type stock options will be issued to Members of the Board of Directors (excluding Part-time and Outside Directors) within the said limit on the amount of remuneration of the Members of the Board of Directors, and it was approved at the 28th Ordinary General Meeting of Shareholders held on June 24, 2020 that remuneration for the granting of shares with a transfer restriction will be paid to Members of the Board of Directors of IJ (excluding Part-time and Outside Directors) within the said limit on the amount of remuneration of the Members of the Board of Directors.

It is hereby proposed that, taking into consideration changes in the economic climate and the business environment, the increase in the number of full-time Directors, and various other factors, the amount of the annual compensation, etc. for the Directors be revised to "600 million yen or less (including 50 million yen or less for Outside Directors)".

Furthermore, the amount of the compensation, etc. for the Directors who provide services to IJ as employees will not include the salary and bonuses paid to them in their capacity as employees, as per the previous policy. IJ The aforesaid amount will also not include their retirement allowance.

An outline of the policy on decisions regarding individual remuneration, etc. for Directors is set forth on pages 25 to 27 of the Business Report, and on the condition that this Item 5 is approved and resolved as proposed, IJ plans to change the maximum amount of the compensation of the Members of the Board of Directors to 600 million yen or less per year (including 50 million yen or less for Outside Directors). This Item is a proposal to amend the range of compensation, etc. for Directors, and IJ has judged that the range of compensation is necessary and reasonable in content, and appropriate, in light of the standards for calculating individual remuneration, etc. provided in the said policy, and the scale of the number of Directors eligible for the compensation.

In addition, currently, there are thirteen (13) Directors (including five (5) Outside Directors), but if Items 2 and 3 are approved and resolved as proposed, the number of Directors will become twelve (12) (including four (4) Outside Directors).

END

(Attachment)

Business Report for the 29th Fiscal Year

1. Matters regarding the current status of the IJ Group

(1) Progress and Results of the Business (International Financial Reporting Standards)

The Japanese economy has been in a severe situation throughout the fiscal year ended March 31, 2021 ("FY2020"), impacted by the COVID-19 pandemic; however, there have been some signs of a recovery in the second half. With respect to future prospects, the economy is expected to move forward from this severe situation, supported by the effects of various policies and improvement of overseas economies, while the socio-economic activities will be resumed gradually. However, we must keep an eye on the trend of domestic and overseas infections and the effects of fluctuations in the financial and capital markets.

In such an economic trend, for the ICT (*1) related market where we belong to, as seen in continuous increase of Internet traffic (*2) due to advancement of IT services utilization by enterprises and government agencies, growing importance on security related services against threats on the Internet, widespread of cloud computing (*3) related services adoption, progress of practical use of IoT (*4) using comprehensively those services, etc., we expect demands for highly reliable network services to continually increase.

Under these market circumstances, revenue growth of IP services (*5) strongly continued from the beginning of FY2020 mainly due to the increase of contracted bandwidth from existing customers. In mobile related services, as for enterprise mobile services, customer demands for network camera connection projects for equipment monitoring or marketing, etc. continued by leveraging our full-MVNO (*6) function, and some advanced IoT usage such as connecting various devices on factory production lines has also been made into projects. As for consumer mobile services, which is a more competitive environment, we announced the launch of a new consumer service "Giga Plans (*7)" to meet the MVNO customer demand. Mobile data interconnectivity cost (unit charge (*8)) and voice fee are expected to decrease. We expect to promote the acquisition of consumer mobile service customers with the new plan and improve the mobile infrastructure facility to achieve higher utilization by efficiently accommodating enterprise and consumer mobile traffic as a whole, thereby we expect to maintain mobile services gross profit for the time being and increase it in the future. In outsourcing services, security-related services revenue continued to increase. We shall keep responding to the growing demand for security along with network enhancement by strengthening service functions and expanding our services lineup. Revenue of other outsourcing services such as "IJ Flex Mobility Service (*10)", meeting the demand for telework infrastructure, and "Cloud Exchange Service (*11)" also increased strongly. In system integration, network construction projects for both private and public sector were strong. As for cloud computing related services, most of which are recognized as systems operation and maintenance, we responded to enterprises' diversifying demand for cloud computing by providing private cloud (*12) and multi-cloud (*13) related solutions compositely, and its revenue continued to grow. In terms of infrastructure enhancement, we expanded the facilities of the Shiroi Data Center Park and prepared to secure server rack space (*14) that would be needed as demand increases. As for overseas businesses, in order to strengthen the Singapore business, which is the core of the ASEAN business, we acquired PTC SYSTEM (S) PTE LTD, a leading local systems integrator and made it a wholly owned subsidiary in April 2021. In new business development, aiming to become the platform system for future digital currency transaction, DeCurret Inc., our equity method investee, promoted the Digital Currency Forums (*15) and demonstration experiments and/or proof-of-concept with various leading companies. JOCDN Inc., our equity method investee and a joint venture with Japanese commercial broadcasters, became profitable and established its business foundation by revenue growth of CDN (*16) services along with the growing demand for contents distribution services. As for healthcare businesses, the introduction of "IJ Electronic contact/communication Note Service (*17)" has spread to 70 local governments in seven prefectures. We added new functions such as vaccination records to the service, and continuously supported the strengthening of information collaboration between medical professionals and local governments and the improvement of work efficiency. Regarding the strengthening of human resources necessary for our future business growth, we continued to focus on hiring and training of new graduates, and the number of consolidated employees as of the end of FY2020 was 3,805 (up 222 year over year "YoY"), including 210 new graduates and mid-carrier recruitments.

As for the consolidated financial results for FY2020 are as follows. Total revenue was JPY213,002 million, mainly led by the revenue growth of enterprise monthly recurring revenues (*18) such as Internet connectivity services for enterprises, outsourcing services and systems operation and maintenance. Although enterprise monthly recurring revenues increased significantly, the year over year growth rate of total revenue was considerably low, mainly impacted by the revenue decrease of WAN services by large enterprises clients' migration to mobile services and of ATM operation business affected by the COVID-19 pandemic, etc. Total cost of revenues was JPY172,720 million, up 0.5% YoY (JPY171,880 million for FY2019) and total gross profit was JPY40,282 million, up 23.6% YoY (JPY32,594 million for FY2019). Selling, general and administrative expenses, which include research and development expenses, other operating income and expenses, totaled JPY26,034 million, up 6.8% YoY (JPY24,369 million for FY2019). Therefore, operating profit for FY2020 was JPY14,248 million, up 73.2% year over year (JPY8,225 million for FY2019). Profit before tax was JPY14,035 million, up 96.0% YoY (JPY7,159 million for FY2019). Profit for the year attributable to owners of the parent was JPY9,712 million, up 142.4% YoY (JPY4,007 million for FY2019).

As for the numbered words, such as ICT (*1), please refer to the Glossary at page 32 in this document.

Network services

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

Revenues for Internet connectivity services for enterprise were JPY40,347 million, up 10.1% YoY from JPY36,635 million for FY2019, mainly due to an increase in IP services revenues and mobile-related services revenues along with an increase of telecommunication demands. Revenues for Internet connectivity services for consumers were JPY25,722 million, down 1.3% YoY from JPY26,055 million for FY2019, mainly due to competition in consumer mobile services. Revenues for WAN services were JPY25,048 million, down 7.1% YoY from JPY26,972 million for FY2019. The decrease was mainly because of the year over year impact by large enterprises clients' migration to mobile which mostly ended in 3Q19. Revenues for Outsourcing services were JPY35,710 million, up 10.4% YoY from JPY32,337 million for FY2019, mainly due to an increase in security-related services revenues.

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

Systems integration

SI revenues, including equipment sales, were JPY83,284 million, up 6.2% YoY (JPY78,394 million for FY2019).

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

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

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

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

ATM operation business

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

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

Business segments

In business segments results, revenues for network services and systems integration business segment were JPY210,278 million, up 4.8% YoY (JPY200,679 million for FY2019) and operating profit was JPY13,541 million, up 101.2% YoY (JPY6,729 million for FY2019). As for ATM operation business, revenues were JPY2,891 million, down 29.2% YoY (JPY4,081 million for FY2019) and operating profit was JPY826 million, down 49.8% YoY (JPY1,645 million for FY2019).

(2) Capital expenditures

Capital expenditures (including capital leases) for FY2020 were JPY15,151 million (JPY15,150 million for FY2019). There were purchases for equipment and investment in system development for network service-related and cloud computing service-related, and investment in Shiroi data center facilities.

(3) Financing

There is nothing to report on this subject.

(4) Transfers of business, split-offs or spin-offs

There is nothing to report on this subject.

(5) Acquisition of business from other companies

There is nothing to report on this subject.

(6) Succession to the rights and responsibilities of other companies through mergers and acquisitions

There is nothing to report on this subject.

(7) Acquisition or disposal of shares or other equities or warrants of other companies

There is nothing to report on this subject.

(8) Business philosophy, new Mid-term Plan, and issues that the Group faces

(i) Business philosophy

IIJ Group's business philosophy (raison d'etre or purpose) is as follows.

As the company name "Internet Initiative Japan Inc." suggests, we are committed to the ongoing pursuit of initiatives in the field of Internet technology, which is one of those technological innovations that might occur once in a century, and contributing to the development of the networked society by providing groundbreaking services and platforms that propose new uses for the network.

• To develop network infrastructure through technological innovation

We are committed to the ongoing pursuit of initiatives in the field of Internet technology to open up the future of the digital society through new value created by ever faster networks and computing.

• To provide solutions (IT services) that supports a networked society

We continuously develop and introduce highly reliable and value-added IT services that anticipate changes taking place around the world, to support the use of networks by society and individuals.

• To provide meaningful opportunities for growth to our employees (a place where human resources with diversified talents and values can play an active role)

We aim to offer meaningful working opportunities for growth through business, in which our staff can take a proactive approach to technical innovation and social contribution, and actively demonstrate their abilities with pride and a sense of satisfaction. We aspire to be a company where employees are never satisfied with the status quo, and are always thinking about the future world, contributing to social development, and achieving personal growth through work that has value for society.

(ii) Review of the previous Mid-term Plan

For the previous five-year (FY2016-FY2020) Mid-term Plan ("Previous Mid-term Plan"), we set quantitative targets of total revenue of JPY220 billion and operating profit of over JPY10 billion. The actual results in financial performance are as follows.

Quantitative targets, etc. (consolidated)	FY2015 (US GAAP)	FY2020 (IFRS) (Last fiscal year of the Previous Mid-term Plan period)
Total revenue	JPY140,648 million	JPY213,002 million
Operating profit	JPY6,140 million	JPY14,248 million
Operating profit margin	4.4%	6.7%
Number of employees	2,980	3,805

While the total revenue fell short of the target mainly due to factors such as changes in the competitive environment of consumer mobile services, etc., operating profit significantly exceeded the target by mainly enjoying scale-merit of monthly recurring revenue accumulation of enterprise network services.

In addition to the financial results, we achieved the following major business progresses during the Previous Medium-term Plan period.

- Enhancement of functions and services line-up through continuous development of enterprise network services such as Omnibus (*19) and security, and improved appeal to customers.
- Establishment of a competitive advantage by implementing full-MVNO functions and development of services that utilize them, and also captured initial demand for enterprise IoT.
- Continuous enhancement of network infrastructure and expansion into global network operation including Asia.
- A prospect to secure server rack space to be needed in the future, with the sequential construction of the Shiroi data center.
- Continuous improvement of systems integration gross margin through SE (*20) operation management, and provision of service integration that combines systems integration and various network services.
- Efforts to establish a future social infrastructure to exchange and settle digital currency and asset value through our equity method investee, DeCurret Inc. as a new business field, and to diversify business areas.

(iii) New Medium-term Plan (FY2021-FY2023)

Forward-looking statements in the text below are based on the judgments of the Group as of March 31, 2021.

(Financial targets)

	Target(consolidated)	FY2023
Business expansion	Total revenue	JPY270 billion
Profitability	Operating margin	Over 9%

(Positioning of New Mid-term Plan)

We understand that the utilization of IT services by Japanese enterprises has just begun, and the market is expected to continue expanding over the mid-to-long term. We recognize that our business is in growing phase and we have to play an important role to support and take initiatives in the utilization of IT services by operating and strengthening the Internet and related systems as a social infrastructure, and continuously developing highly reliable and value-added network services.

Under such recognition, we position this New Mid-term Plan as a step period (the second stage of the hop, step and jump) toward large-scale business expansion over the long term. While our operating profit margin formerly remained at a low level due to in-front-cost burden of preceding business and service development, etc., it gradually improved in line with the increasing trend of enterprise recurring revenue accumulation in FY2019 and FY2020. During the New Mid-term Plan period, we shall continue to pursue revenue growth and improve operating margin furthermore by continuously carrying out and strengthening our conventional strategy, platform deployment.

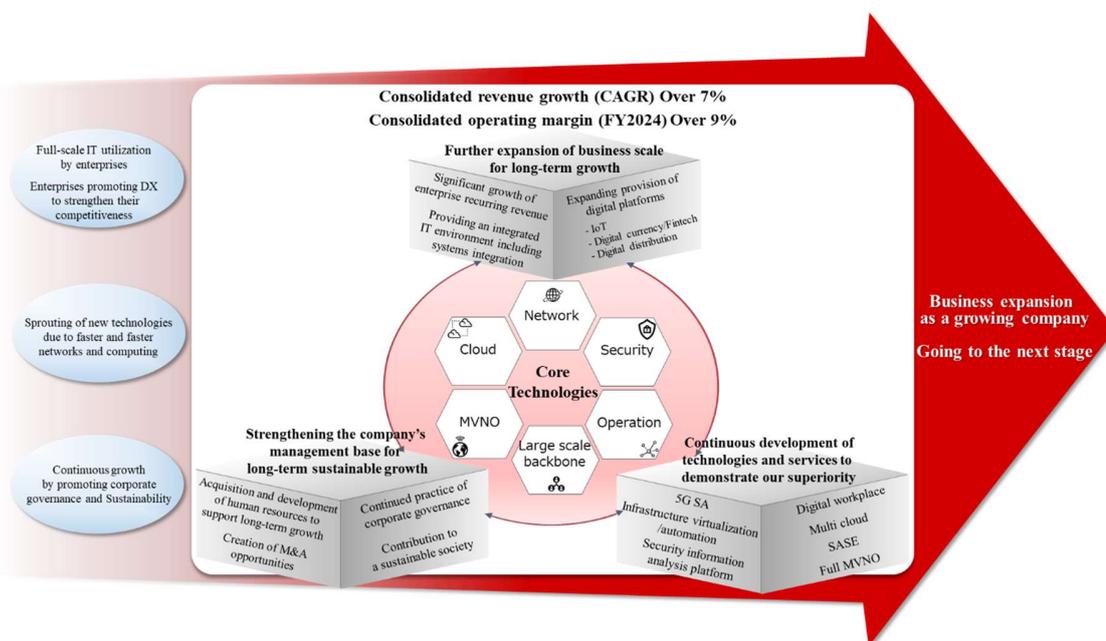
By realizing these, we expect that our market value would be largely increased, and based on this, we understand that we should be able to carry out significant business expansion over the long term, including further business investment and acquisition of M&A opportunities, and achieve sustainable fulfillment of our business philosophy.

As for the numbered words, such as Omnibus (*19), please refer to the Glossary at page 32 in this document.

(New Mid-term Plan)

Our basic policy is to continuously grow our business by advancing further technological innovation and providing new technology models and best practices as IT services, based on the core technologies of network, security and cloud, and the technical skills to operate them with high quality. Specifically, as follows.

- Under the increasing trend of Zero Trust (*21), SASE (*22) Digital Workplace (*23) and etc., to continuously develop services and solutions such as network, security, and cloud, for enterprise cloud market (Demand for IT environment needed by enterprises), business cloud market (Demand for further IT utilization, including IoT, DX (*24), AI, etc., needed by enterprises where digitalization is the core of their business) and industry-specific cloud market (Demand for network systems and solutions needed by fintech, central and local governments, xSP (*25) including contents distribution, etc.) respectively, to further improve service operation and control, and together with these to increase enterprise recurring revenue significantly and enjoy profit increase by realizing scale-merit furthermore.
- In MVNO business, to improve gross margin by continuously strengthening the mobile infrastructure and gathering various mobile traffic of enterprise and consumer to achieve higher utilization of the infrastructure, with completely capturing rising enterprise IoT market by continuing full MVNO differentiation and developing competitive service and solutions with 5G SA (*26) and increasing market share by differentiating our consumer services which are suitable to MVNO customers.
- To pursue crypto asset exchange business of our equity method investee, DeCurret Inc., becoming profitable early, and to realize implementation for social infrastructure of digital currency settlement business in line with various policy trends and partner actions. Including those, to challenge and establish new areas of digital platform business that we can demonstrate our competitive advantages.
- To focus on acquiring and developing human resources, strengthening organizational power, and improving business operation efficiency more than ever to support our long-term growth.
- To continuously practice appropriate corporate governance that supports our sustainable growth, and to play our role and contribute to realize a sustainable society by fulfilling our business philosophy.



(iv) Issues that the Group faces

We recognize there are various issues related to our business growth including the followings. It is important for our growth to develop services and businesses continuously as well as to expand our ICT service line-ups, in a timely and appropriate manner, that meet demands of enterprises. Stronger cooperation between engineering and sales divisions is indispensable to realize these. To support our business growth, it is important to hire talented human resources as well as develop their skills continuously. Also, we shall continue to strengthen our business operation management to improve our profit as well as revenue growth.

Continued support from our shareholders would be very much appreciated.

As for the numbered words, such as Zero Trust (*21), please refer to the Glossary at page 32 to 33 in this document.

(9) Historical data of assets and income

(JPY thousands except per share data)

(U.S. GAAP)

	26th fiscal Year	27th fiscal Year
	FY2017	FY2018
Total revenues	176,050,649	192,332,340
Operating income	6,762,202	6,208,392
Net income attributable to IIJ	5,108,949	2,715,179
Basic net income attributable to IIJ per share	JPY113.37	JPY60.24
Total assets	153,448,819	166,851,638
Total IIJ shareholders' equity	73,270,057	75,404,315
IIJ shareholders' equity per share	JPY1,625.95	JPY1,673.03

(IFRS)

	26th fiscal Year	27th fiscal Year	28th fiscal Year	29th fiscal Year
	FY2017	FY2018	FY2019	FY2020
Total revenues	176,233,321	192,430,185	204,473,515	213,001,880
Operating profit	6,769,617	6,022,987	8,225,172	14,247,723
Profit attributable to owners of the parent	4,422,923	3,520,566	4,006,773	9,711,559
Basic earnings per share	JPY98.15	JPY78.11	JPY88.88	JPY107.67
Total assets	155,162,729	167,289,196	206,524,260	220,777,269
Equity attributable to owners of the parent	74,528,732	76,271,438	79,075,589	89,956,379
Owners' equity per share	JPY1,653.88	JPY1,692.27	JPY1,753.97	JPY997.24

(Notes)

1. The Company(or IIJ)'s consolidated financial statements in the business reports based on the Corporation Law of Japan has been prepared in accordance with International Financial Reporting Standards ("IFRS") since FY2019. Therefore, the consolidated financial statements in this business reports are prepared in accordance with IFRS as well.
2. IIJ's consolidated financial statements for FY2017 and FY2018 in respective business reports are prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP").
3. Basic net income attributable to IIJ per share or basic earnings per share are calculated based on the weighted-average number of common shares outstanding during each fiscal year.
4. IIJ shareholders' equity per share and owners' equity per share are calculated based on the total number of common shares (excluding treasury stock) outstanding at the end of each fiscal year.
5. IIJ conducted a 1:2 stock split on common stock with an effective date of January 1, 2021. Accordingly, basic earnings per share and owners' equity per share for FY2020 (the 29th fiscal year) have been calculated as if the stock split was conducted at the beginning of FY2020. The figures from FY2017 (the 26th fiscal year) to FY2019 (the 28th fiscal year) are not retroactively adjusted to the stock split.

(10) Items of the principal parent companies and subsidiaries

(i) Major subsidiaries

Name of company	Common stock (Unit : thousands)	Ownership (Note)	Primary business
IJ Innovation Institute Inc. ("IJ-II")	JPY75,000	100.0%	R&D for the Internet-related technology
IJ Engineering Inc. ("IJ-EG")	JPY400,000	100.0%	Operation and monitoring of network systems, customer service support and call centers
IJ Global Solutions Inc. ("IJ-GS")	JPY490,000	100.0%	Provision of network services and systems integration
IJ Protech Inc. ("IJ-PRO")	JPY10,000	100.0%	Provision of human resources and outsourcing services for systems development, operation, and service support
Trust Networks Inc. ("Trust Networks")	JPY100,000	79.5%	Operation of ATMs and ATMs networks
Net Chart Japan, Inc. ("Net Chart")	JPY55,000	100.0%	Development and construction of networks, operation and maintenance of networks and sales of network-related equipment
IJ America Inc. ("IJ-A")	USD2,180	100.0%	Provision of network services, systems integration and other related services in the U.S.
IJ Europe Limited ("IJ-Europe")	GBP143	100.0%	Provision of network services, systems integration and other related service in Europe
IJ Global Solutions Singapore Pte. Ltd. ("IJ-GS SGP")	SGD5,525	(49.6%) 100.0%	Provision of network services, systems integration and other related service in Singapore
IJ Global Solutions China Inc. ("IJ-GS China")	USD10,630	(100.0%) 100.0%	Provision of network services, systems integration and other related service in China

(Note) Ownership percentage in brackets above represents indirect ownership.

As of March 31, 2021, the number of consolidated subsidiaries was 16 and the number of equity-method investees was eight (8).

On April 1, 2021, the Company acquired all shares of PTC SYSTEM (S) PTE LTD, which is mainly engaged in the systems integration business in Singapore, for SGD44 million (JPY3,632 million) and made it our subsidiary.

(ii) Wholly-owned specified subsidiaries

There is nothing to report on this subject.

(11) Major business lines

Our major business lines are to provide network services, systems integration and ATM operation business.

(12) Major offices of IIJ group

Name	Functions	Address
IIJ	Headquarters	Chiyoda-ku, Tokyo
	Branches and sales offices	Osaka-shi, Nagoya-shi, Fukuoka-shi, Sapporo-shi, Sendai-shi, Toyama-shi, Hiroshima-shi, Yokohama-shi, Naha-shi, Niigata-shi and Toyota-shi
IIJ-II	Headquarters	Chiyoda-ku, Tokyo
IIJ-EG	Headquarters	Chiyoda-ku, Tokyo
IIJ-GS	Headquarters	Chiyoda-ku, Tokyo
	Branches	Osaka-shi, Sapporo-shi, Nagoya-shi and Fukuoka-shi
IIJ-PRO	Headquarters	Chiyoda-ku, Tokyo
Trust Networks	Headquarters	Chiyoda-ku, Tokyo
Net Chart	Headquarters	Yokohama-shi
IIJ-A	Headquarters	California, the United States
IIJ-Europe	Headquarters	London, the United Kingdom
IIJ-GS SGP	Headquarters	Singapore
IIJ-GS China	Headquarters	Shanghai, China

(13) Employees

Number of employees as of the end of FY2020	Change from the end of FY2019
3,805	+222

(Note) The above figures include employees and contracted employees, and exclude employees seconded from other companies.

(14) Major borrowings

Source	Balance (JPY thousands)
MUFG Bank, Ltd.	8,220,000
Mizuho Bank, Ltd.	8,220,000
Sumitomo Mitsui Banking Corporation	8,220,000
SUMITOMO MITSUI TRUST BANK, LIMITED	700,000

2. Matters regarding shares of the Company

(1) Number of shares authorized: 151,040,000 shares

(2) Number of shares issued and outstanding: 93,469,200 shares (Including treasury stock: 3,263,532 shares)

(3) Number of shareholders at the end of FY2020: 9,342

(4) Major shareholders (Top 10):

Name of shareholders	Number of shares held (shares)	Shareholding Ratio
Nippon Telegraph and Telephone Corporation	20,190,000	22.4%
The Master Trust Bank of Japan, Ltd. (Trust account)	4,940,900	5.5%
Custody Bank of Japan, Ltd. (Trust account)	4,117,000	4.6%
NTT Communications Corporation	4,080,000	4.5%
ITOCHU Techno-Solutions Corporation	3,904,000	4.3%
Koichi Suzuki	3,682,134	4.1%
The Dai-ichi Life Insurance Company, Limited	2,546,000	2.8%
KS Holdings Inc.	1,620,000	1.8%
MUFG Bank, Ltd.	1,372,000	1.5%
Sompo Japan Insurance Inc.	1,300,000	1.4%

(Notes)

1. Shareholding ratio is calculated by deducting number of treasury stock from total number of shares issued.

2. KS Holdings Inc. is a wholly owned and controlled (indirect) by Mr. Koichi Suzuki.

3. Dalton Investments L.L.C. ("Dalton") filed a report of substantial shareholding with the Director General of the Kanto Bureau of the Ministry of Finance on April 30, 2020. According to the filing, Dalton owned 1,975,500 shares of common stock of the Company as of April 24, 2020, representing 4.2% of the total at that point. The number of shares mentioned above is the number of shares before the stock split, effective from January 1, 2021. Since then, we have not recognized any filings by Dalton. Their holdings were not verified based on the shareholder record as of March 31, 2021, therefore, Dalton and their holdings are not included in the above list.

4. Global Alpha Capital Management Ltd. ("Global Alpha") filed a report of substantial shareholding with the Director General of the Kanto Bureau of the Ministry of Finance on March 1, 2021. According to the filing, Global Alpha owned 4,680,460 shares of common stock of the Company as of February 24, 2021, representing 5.0% of the total at that point. Since then, we have not recognized any filings by Global Alpha. Their holdings were not verified based on the shareholder record as of March 31, 2021, therefore, Global Alpha and their holdings are not included in the above list.

(5) Status of stock delivered to directors or company auditors of the Company as consideration of execution of duties during the fiscal year

The details of the stock-based remuneration delivered during the fiscal year is as follows. The below is due to the allotment of restricted stock as performance-linked bonus for the fiscal year ended March 31, 2020. This restricted stock remuneration was implemented by the resolution of the ordinary general meeting of shareholders held on June 24, 2020. The number of directors and company auditors of the Company at the above-mentioned ordinary general meeting of shareholders was 13 and 4, respectively.

• Total number regarding stock delivered to directors and other officers by category

	Number of shares held (shares)	Number of persons
Directors (Excluding outside directors)	11,162	7
Outside directors	-	-
Company auditors	-	-

(Note) The Company conducted a 1:2 stock split on common stock with an effective date of January 1, 2021. As a result, the number of shares held has increased to 22,324.

[Overview of the restricted stock remuneration]

- Timing of payment and allocation: The payment details of each director is determined in or after the last month of each fiscal year, and the determined amount be allotted.
- Number of shares to be allotted per year: Up to 80,000 shares (post-split basis) or less.
- Amount to be paid in per share: The amount to be paid in per share will be determined, based on the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day immediately preceding the date of the board of directors resolution (the closing price on the most recent day on which trading has taken place if there is no trading on that day), and will be an amount that does not provide the eligible directors who receive the common stock with a particularly advantageous price.
- Transfer restrictions: From the disposal date of the Company's common stocks to be allotted under the allotment agreement (the "allotted shares") to the point in time when an eligible director resigns from the position predetermined by the board of directors (the "transfer restriction period"), it is prohibited to transfer, collateralize, or otherwise dispose the allotted shares during the transfer restriction period.
- Removing transfer restrictions: The Company shall remove the transfer restrictions with respect to the allotted shares in whole upon the expiry of the transfer restriction period, provided that an eligible director continuously served as the position predetermined by the board of directors during the transfer restriction period. If certain grounds prescribed in the allotment agreement, such as if an eligible director retires from the position during the restriction period or upon the expiration of the restriction period for any reason other than those deemed justifiable by the Company, the Company will naturally acquire the allotted shares for no consideration.
- Treatment in the event of organizational restructuring, etc.: Regardless of the above, if a matter concerning the organizational restructuring, etc. of the Company, such as a merger agreement whereby the Company will be the non-surviving party to the merger, or a share exchange agreement or share transfer plan whereby the Company will become a wholly-owned subsidiary of another entity, is approved at the Company's ordinary general meeting of shareholders (or by the Company's board of directors if such organizational restructuring, etc. does not require approval at a Company's ordinary general meeting of shareholders) during the transfer restriction period, the Company will remove, based on a resolution of the Company's board of directors, the transfer restriction on the allotted shares on a date prior to the effective date of such organizational restructuring, etc.
- Other matters: Other matters related to the restricted stock shall be determined by the board of directors.

(6) Other important matters regarding shares

The company conducted a 1:2 stock split on common stock with an effective date of January 1, 2021. Accordingly, the number of shares authorized increased by 75,520,000 shares and the number of shares issued and outstanding increased by 46,734,600 shares, respectively.

3. Matters regarding the Company's stock acquisition rights

	Allotment date	Number of stock acquisition rights outstanding	Type of stock and number of shares subject to stock acquisition rights	Issue price (per stock acquisition right)	Exercise of stock acquisition rights (per share)	Exercise period
#1 Stock Acquisition Rights	July 14, 2011	88	Common Stock 35,200 shares	JPY259,344	JPY1	From July 15, 2011 to July 14, 2041
#2 Stock Acquisition Rights	July 13, 2012	88	Common Stock 35,200 shares	JPY318,562	JPY1	From July 14, 2012 to July 13, 2042
#3 Stock Acquisition Rights	July 11, 2013	70	Common Stock 28,000 shares	JPY647,000	JPY1	From July 12, 2013 to July 11, 2043
#4 Stock Acquisition Rights	July 10, 2014	101	Common Stock 40,400 shares	JPY422,600	JPY1	From July 11, 2014 to July 10, 2044
#5 Stock Acquisition Rights	July 13, 2015	134	Common Stock 53,600 shares	JPY369,200	JPY1	From July 14, 2015 to July 13, 2045
#6 Stock Acquisition Rights	July 11, 2016	144	Common Stock 57,600 shares	JPY360,000	JPY1	From July 12, 2016 to July 11, 2046
#7 Stock Acquisition Rights	July 14, 2017	155	Common Stock 62,000 shares	JPY337,200	JPY1	From July 15, 2017 to July 14, 2047
#8 Stock Acquisition Rights	July 13, 2018	155	Common Stock 62,000 shares	JPY347,600	JPY1	From July 14, 2018 to July 13, 2048
#9 Stock Acquisition Rights	July 12, 2019	163	Common Stock 65,200 shares	JPY354,600	JPY1	From July 13, 2019 to July 12, 2049
#10 Stock Acquisition Rights	July 10, 2020	104	Common Stock 41,600 shares	JPY643,400	JPY1	From July 11, 2020 to July 10, 2050

(Notes)

1. A person granted the stock acquisition rights may exercise his or her rights only within ten days from the day immediately following the day on which the person loses his or her position as neither a director nor an executive officer of the Company.
2. The Company conducted a 1:200 stock split on common stock with an effective date of October 1, 2012 and also a 1:2 stock split on common stock with an effective date of January 1, 2021. In connection with these stock splits, as for the above mentioned stock acquisition rights, number of shares to be issued per stock acquisition right upon exercise of each stock acquisition right were adjusted as follows after the later record date.
 - #1 and #2:
 - Before adjustment: 1 share per stock acquisition right
 - After adjustment: 400 shares per stock acquisition right
 - From #3 to #10:
 - Before adjustment: 200 shares per stock acquisition right
 - After adjustment: 400 shares per stock acquisition right

(1) The Company's stock acquisition rights granted to and held by directors as of the End of FY2020

	Number of stock acquisition rights	Type of stock and number of shares subject to stock acquisition rights	Number of holders and number of stock acquisition rights
#1 Stock Acquisition Rights	65	Common Stock 26,000 shares	4 Directors 65
#2 Stock Acquisition Rights	59	Common Stock 23,600 shares	5 Directors 59
#3 Stock Acquisition Rights	53	Common Stock 21,200 shares	6 Directors 53
#4 Stock Acquisition Rights	78	Common Stock 31,200 shares	6 Directors 78
#5 Stock Acquisition Rights	97	Common Stock 38,800 shares	7 Directors 97
#6 Stock Acquisition Rights	102	Common Stock 40,800 shares	7 Directors 102
#7 Stock Acquisition Rights	112	Common Stock 44,800 shares	7 Directors 112
#8 Stock Acquisition Rights	109	Common Stock 43,600 shares	7 Directors 109
#9 Stock Acquisition Rights	108	Common Stock 43,200 shares	7 Directors 108
#10 Stock Acquisition Rights	62	Common Stock 24,800 shares	7 Directors 62

(Notes)

- In place of the retirement allowance plan for directors which was abolished, the stock acquisition rights mentioned in the above were issued in consideration of their execution of duties.
- There are no stock acquisition rights granted to and held by the Company's part-time directors, outside directors or company auditors at the end of FY2020.
- The Company conducted a 1:200 stock split on common stock with an effective date of October 1, 2012 and also a 1:2 stock split on common stock with an effective date of January 1, 2021. In connection with these stock splits, as for the above mentioned stock acquisition rights, number of shares to be issued per stock acquisition right upon exercise of each stock acquisition right were adjusted as follows after the later record date.
 - #1 and #2:
 - Before adjustment: 1 share per stock acquisition right
 - After adjustment: 400 shares per stock acquisition right
 - From #3 to #10:
 - Before adjustment: 200 shares per stock acquisition right
 - After adjustment: 400 shares per stock acquisition right

(2) The Company's stock acquisition rights granted to employees or others during FY2020

	Number of stock acquisition rights	Type of stock and number of shares subject to stock acquisition rights	Number of holders and number of stock acquisition rights
#10 Stock Acquisition Rights	42	Common Stock 8,400 shares	14 Executive Officers 42

- (Note) The Company conducted a 1:2 stock split on common stock with an effective date of January 1, 2021. In connection with the stock split, as for the above mentioned stock acquisition rights granted, number of shares to be issued per stock acquisition right upon exercise of stock acquisition rights were adjusted as below after the record date. As a result, the total number of shares were adjusted from 8,400 shares to 16,800 shares.
- Before adjustment: 200 shares per stock acquisition right
 - After adjustment: 400 shares per stock acquisition right

4. Matters regarding directors, company auditors and executive officers of the Company

(1) Directors and company auditors

Position in the Company	Name	Business in charge or important concurrent posts
Chairman and Representative Director	Koichi Suzuki	CEO [Important concurrent posts] Director of IJ Global Solutions Inc. Chairman and representative director of IJ Engineering Inc. Chairman of the board, IJ America Inc. President and representative director of INTERNET MULTIFEED CO. Chairman and representative director of JOCDN Inc.
President and Representative Director	Eijiro Katsu	COO
Senior Managing Director	Takeshi Kikuchi	Unit director of Business Unit
Managing Director	Akihisa Watai	CFO Division director of Finance Division
Managing Director	Tadashi Kawashima	Deputy Unit director of Business Unit
Managing Director	Junichi Shimagami	CTO Unit director of Technology Unit
Director	Naoshi Yoneyama	CIO Division director of Corporate Planning Division
Director	Shingo Oda	
Director	Toshinori Iwasawa	President and representative director of IJ Global Solutions Inc.
Director	Tadashi Okamura	
Director	Takashi Tsukamoto	
Director	Shinobu Umino	
Director	Kazuo Tsukuda	
Full-time Company Auditor	Kazuhiro Ohira	
Full-time Company Auditor	Masako Tanaka	
Company Auditor	Takashi Michishita	Attorney at law, Partner of Nishimura & Asahi LPC
Company Auditor	Koichi Uchiyama	President of Aisan · Advisory LLC

(Notes)

- Business in charge or important concurrent posts are stated as of March 31, 2021
- Director and company auditor who assumed or left office during the fiscal year ended March 31, 2021, as follows:
Assumption of office: On June 24, 2020
Director: Kazuo Tsukuda
Company auditor: Koichi Uchiyama
Retirement of office: On June 24, 2020
Director: Yasuro Tanahashi
Company auditor: Yasuhiro Akatsuka
- Shingo Oda, Tadashi Okamura, Takashi Tsukamoto, Shinobu Umino and Kazuo Tsukuda are outside directors, defined in Item 15, Article 2 of the Corporation Law of Japan.
- Kazuhiro Ohira, Takashi Michishita and Koichi Uchiyama are outside company auditors, defined in Item 16, Article 2 of the Corporation Law of Japan.
- Outside directors, Shingo Oda, Tadashi Okamura, Takashi Tsukamoto and Kazuo Tsukuda, and outside company auditors, Kazuhiro Ohira, Takashi Michishita and Koichi Uchiyama are independent directors as specified by the Tokyo Stock Exchange.
- Koichi Uchiyama, a company auditor, is a Japanese Certified Public Accountant and has extensive expertise in finance and accounting.
- Relationship between the Company and those companies that our directors hold important concurrent posts.
There is no special relationship between the Company and the companies where our outside directors and corporate auditors hold concurrent positions.

(2) Executive officers (As of April 1, 2021)

Name	Title	Principal position
Koichi Kitamura	Senior managing executive officer	Division director of Business Unit
Masayoshi Tobita	Managing executive officer	Division director of Administrative Division
Makoto Ajsaka	Managing executive officer	Division director of Enterprise Business Division 5
Yoshikazu Yamai	Managing executive officer	Division director of Infrastructure Engineering Division
Koichi Maruyama	Managing executive officer	Division director of Global Business Division
Masakazu Tachikui	Managing executive officer	Deputy unit director of Technology Unit
Seiji Okita	Managing executive officer	Division director of Professional Services Division 1
Tadaharu Esaka	Managing executive officer	Deputy unit director of Business Unit
Masami Kawamata	Executive officer	General manager of Accounting Department
Akira Sumiya	Executive officer	General manager of Compliance Department
Takenori Onishi	Executive officer	Division director of Enterprise Business Division 1
Takahiro Ide	Executive officer	Division director of Enterprise Business Division 2
Shigeo Yabuki	Executive officer	Division director of MVNO Division
Ken Araki	Executive officer	Division director of Financial Systems Business Division
Naoshi Someya	Executive officer	Division director of Cloud Division
Hajime Shironouchi	Executive officer	Division director of Network Division

(Notes)

1. Tadaharu Esaka, Ken Araki, Naoshi Someya and Hajime Shironouchi were newly appointed as executive officers of the Company on April 1, 2021.
2. Kiyoshi Ishida, currently president and representative director of IJ Innovation Institute Inc., and Yasumitsu Iizuka, currently branch manager of Okinawa branch, left their positions as executive officers of the Company, as of March 31, 2021.

(3) Contents of company indemnity agreement with directors and etc.

There is nothing to report on this subject.

(4) Contents of directors', company auditors' and executive officers' liability insurance agreement

The Company, with our directors, company auditors, executive officers and other important employees under the Corporation Law of Japan as insured persons, entered into a directors and officers liability insurance policy, as provided for in Article 430-3, Paragraph 1 of the Corporation Law of Japan with an insurance company. The policy covers the losses due to the insured's actions based on his/her position, such as damages payable, litigation costs, etc. in damage suits. However, the scope of compensation does not cover the damages and litigation costs of the insured involved in an intentional illegal act or criminal act such as bribery, to ensure that the appropriateness of the performance of the insured's duties is not lost. As for the insurance premiums, the Company bears approximately 90% of the total and each insured bears the remaining balance within a maximum of 1.8% individually, depending on his/her position.

(5) Compensation, etc. to directors and company auditors for FY2020

(i) Policy for determining content of compensation for individual directors

a) Method for deciding on the policy for such determination

After consulting with the nomination and compensation committee on the draft of the determination policy regarding the content of compensation for individual directors, the determination policy was resolved at the board of directors meeting held on February 4, 2021.

b) Outline of content of determination policy

As for the compensation of our full-time directors, when determining the compensation of individual directors, our basic policy is to set an appropriate level of compensation according to each directors' position and responsibility, with promoting directors' motivation and morale to further improve and contribute to continuous business growth and corporate value over a mid- to long-term. The compensation of our full-time executive directors is comprised of fixed monthly remuneration (cash), performance-linked remuneration (restricted stock) and non-monetary remuneration (stock compensation-type stock options).

As for the compensation of part-time directors or outside directors who have supervisory functions, the compensation is only comprised of fixed monthly remuneration (Cash), based on their roles and responsibilities.

c) Reason why the board of directors has determined that content of compensation for individual directors for FY2020 complies with the determination policy

When deciding the content of compensation for individual directors, the nomination and compensation committee conducted a multifaceted examination of the draft, including consistency with the determination policy, therefore the board of directors recognize that it is in line with the policy.

[Examples of directors' compensation (excluding outside director)]

Without performance-linked remuneration	Fixed monthly remuneration (cash)	Non-monetary remuneration (equivalent to one to two times as much as each directors' fixed monthly cash remuneration)	
	86-92%	8-14%	
With performance-linked remuneration	Fixed monthly remuneration (cash)	Non-monetary remuneration (equivalent to one to two times as much as each directors' fixed monthly cash remuneration)	Performance-linked remuneration (Equivalent to zero to four times as much as each directors' fixed monthly cash remuneration)
	67-71%	6-11%	22-24%

(ii) Matters concerning the resolutions of ordinary general meeting of shareholders regarding compensation of directors and company auditors

The upper limits of the maximum aggregate amount of compensation for directors and company auditors were at JPY500 million and JPY100 million or less per year respectively, approved at the 16th ordinary general meeting of shareholders held on June 27, 2008. The number of directors and company auditors were 14 and 4 at the shareholders' meeting resolution, respectively.

At the 19th ordinary general meeting of shareholders held on June 28, 2011, the implementation of stock compensation-type stock options to directors (except for part-time and outside directors) within the said limit, as a substitution for the retirement allowance, was approved. The number of directors was 12 at the shareholders' meeting resolution.

At the 28th ordinary general meeting of shareholders held on June 24, 2020, the implementation of restricted stock remuneration to directors (except for part-time and outside directors) within the said limit was approved. The number of directors was 13 at the shareholders' meeting resolution.

(iii) Matters concerning delegation related to the content of compensation for individual directors

Regarding the amount of remuneration for each individual director, the representative directors (the chairman and representative director, Koichi Suzuki and the president and representative director, Eijiro Katsu) shall be delegated the specific content based on the resolution of the board of directors, and the delegated power is the determination of the amount of basic monthly remuneration and distribution of performance-linked remuneration of each individual director. In order to ensure that this authority is properly exercised by the representative directors, the representative directors, who drafted the remuneration plan, consults the nomination and compensation committee with the draft of the plan, therefore the board of directors recognize that it is in line with the determination policy. The reason for delegating to the representative directors is that the representative directors are the most suitable to evaluate the responsibility and performance of each director while taking a bird's eye view of the overall performance of the Company.

(iv) Total amount, etc. of directors' and company auditors' compensation for FY2020

Category	Total compensation (Thousands of yen)	Breakdown of compensation (Thousands of yen)			Number of persons
		Fixed monthly remuneration (cash)	Performance-linked remuneration (restricted stock)	Non-monetary remuneration (stock option)	
Directors	352,838	288,557	29,624	34,657	14
(Of outside directors)	(24,000)	(24,000)	(-)	(-)	(6)
Company auditors	32,888	32,888	-	-	5
(Of outside company auditors)	(17,779)	(17,779)	(-)	(-)	(4)

(Note) As for performance-linked remuneration, the above is the amount recognized as expenses for FY2020 based on our restricted stock remuneration system.

(v) Contents of performance-linked remuneration

As a performance-linked remuneration, the amount of restricted stock remuneration to be allocated is based on the evaluation methodology using year over year growth rate and target achievement rate of the consolidated revenue and operating income, which are linked with our business growth and improvement of corporate value, and is determined equivalent to between zero and four times as much as each directors' monthly fixed cash remuneration. Each director receives the determined amount of monetary compensation claims as a cash investment asset for the payment of restricted stock.

Historical data of consolidated revenue and operating income including FY2020 is stated in "1. Matters regarding the current status of the IJ Group, (9) Historical data of assets and income", and an overview of the restricted stock remuneration and status of delivery is stated in "2. Matters regarding shares of the Company, (5) Status of stock delivered to directors or company auditors of the Company as consideration of execution of duties during the fiscal year" of this report, respectively.

(vi) Contents of non-monetary remuneration

As a substitution for the directors' retirement allowance, the Company allocates stock compensation-type stock options, equivalent to between one and two times as much as each directors' monthly fixed cash remuneration which is dependent of each directors' position, to company directors.

An overview of the non-monetary remuneration and status of delivery is stated in "3. Matters regarding the Company's stock acquisition rights" of this report.

An overview of the restricted stock remuneration and status of delivery is stated in "2. Matters regarding shares of the Company, (5) Status of stock delivered to directors or company auditors of the Company as consideration of execution of duties during the fiscal year" of this report. This remuneration is included in the performance-linked remuneration of "(iv) Total amount, etc. of directors' and company auditors remuneration for FY2020", above.

(6) Outside Directors and Company Auditors

(i) Important concurrent offices of executive director and outside director at other companies
This is as described in the list of (1) Directors and Company auditors above.

(ii) Main activities during the current fiscal year

Position	Name	Principal Activities
Director	Shingo Oda	Attended all of the 12 board of directors meetings held during the fiscal year and made necessary remarks in deliberations, based on his wealth of management experience and extensive insight. Also served as a member of the nomination and compensation committee, which discusses the nomination and compensation of directors of the Company, and attended all of the 2 committee meetings during the fiscal year and played an important role in management supervision, such as reflecting the evaluation of the Company's financial performance, etc. in the nomination and compensation of directors, from an independent and objective standpoint.
	Tadashi Okamura	Attended 11 of the 12 board of directors meetings held during the fiscal year and made necessary remarks in deliberations, based on his wealth of management experience and extensive insight. Also served as a member of the nomination and compensation committee, which discusses the nomination and compensation of directors of the Company, and attended all of the 2 committee meetings during the fiscal year and played an important role in management supervision, such as reflecting the evaluation of the Company's financial performance, etc. in the nomination and compensation of directors, from an independent and objective standpoint.
	Takashi Tsukamoto	Attended all of the 12 board of directors meetings held during the fiscal year and made necessary remarks in deliberations, based on his wealth of management experience and extensive insight. Also served as a member of the nomination and compensation committee, which discusses the nomination and compensation of directors of the Company, and attended all of the 2 committee meetings during the fiscal year and played an important role in management supervision, such as reflecting the evaluation of the Company's financial performance, etc. in the nomination and compensation of directors, from an independent and objective standpoint.
	Shinobu Umino	Attended all of the 12 board of directors meetings held during the fiscal year and made necessary remarks in deliberations, based on his wealth of management experience and extensive insight. Also served as a member of the nomination and compensation committee, which discusses the nomination and compensation of directors of the Company, and attended all of the 2 committee meetings during the fiscal year and played an important role in management supervision, such as reflecting the evaluation of the Company's financial performance, etc. in the nomination and compensation of directors, from an independent and objective standpoint.
	Kazuo Tsukuda	After assumption of his office in June 2020, attended all of the 10 board of directors meetings held during the fiscal year and made necessary remarks in deliberations, based on his wealth of management experience and extensive insight. Also, after assumption of his office in June 2020, served as a member of the nomination and compensation committee, which discusses the nomination and compensation of directors of the Company, and attended all of the 1 committee meeting during the fiscal year and played an important role in management supervision, such as reflecting the evaluation of the Company's financial performance, etc. in the nomination and compensation of directors, from an independent and objective standpoint.
Company Auditor	Kazuhiro Ohira	Attended 11 of the 12 board of directors meetings held during the fiscal year and made comments from time to time to clarify the doubt point, based on his ability for business management and internal control, and attended 12 of the 13 board of company auditors meetings held during the fiscal year. At these meetings, he exchanged opinions about audit results and conferred about important matters concerned audit.

	Takashi Michishita	Attended all of the 12 board of directors meetings held during the fiscal year and made comments from time to time to clarify the doubt point, based on his legal expertise as a lawyer, and attended all of the 13 board of company auditors meetings held during the fiscal year. At these meetings, he exchanged opinions about audit results and conferred about important matters concerned audit.
	Koichi Uchiyama	After assumption of his office in June 2020, attended all of the 10 board of directors meetings held during the fiscal year and made comments from time to time to clarify the doubt point, based on many years of experience as a certified public accountant and financial expertise, and attended all of the 10 board of company auditors meetings held during the fiscal year. At these meetings, he exchanged opinions about audit results and conferred about important matters concerned audit.

(iii) Outline of liability limitation contracts

The Company has concluded agreements with outside directors and company auditors (excluding Full-time company auditor, Kazuhiro Ohira) to indemnify them for personal liability as provided in Article 427, Paragraph 1 of the Corporation Law of Japan. The agreements stipulates that in the event outside directors and company auditors have acted in good faith and without gross negligence, the outside directors and company auditors liability to the Company shall be limited to JPY10 million or the minimum amount of liability stipulated under Article 427, Section 1 of the Corporation Law, whichever is higher.

(iv) Total amount of compensations received from the subsidiaries

There is nothing to report on this subject.

5. Accounting auditor

(1) Name of accounting auditor:
KPMG AZSA LLC

(2) Accounting auditor remuneration for FY2020

(i) Remuneration of accounting auditor for FY2020	JPY68,000 thousand
(ii) Total cash or proceeds from other assets that should be paid by the Company or its subsidiaries	JPY78,000 thousand

(Note)

1. The audit contract between the Company and the accounting auditor does not distinguish between remuneration paid for audits and quarterly reviews, therefore, the above (i) are total amounts. Remuneration for audits includes, audit performed for the financial statement for the Corporation Law of Japan, audit and quarterly reviews for the Financial Products Exchange Law in Japan, and audit for internal control in accordance with the Financial Products Exchange Law in Japan.
2. The Board of Company Auditors evaluated the audit plan, the status of performance of duties and basis for the calculation of the estimated amount of remuneration as well as the validity of those matters prepared by the accounting auditor, using the "Practical Guidelines for Cooperation with Accounting Auditors" released by Japan Corporate Auditors Association as a guide and expressed agreement that specified in Article 399, Paragraphs 1 of the Corporation Law in Japan.
3. Of our overseas subsidiaries, some have certified public accountants or auditing firms other than the accounting auditor audit their financial statements.

(3) Non-audited operations

There is nothing to report on this subject.

(4) Policy for dismissal or refusal to rehire an accounting auditor

The accounting auditor should be decided comprehensively by considering various factors, including the ability, the organization and team (including the auditing team), the performance of duties, the quality of audits and the independency. If the board of company auditors evaluates that the accounting auditor doesn't meet the above-stated various factors or it is needed, the board of company auditors will consider submitting a proposal for dismissal or non-election of the accounting auditor to the General Meeting of Shareholders. Also, If the board of company auditors evaluates that the accounting auditor falls under any Item of Paragraph 1, Article 340 of the Corporation Law in Japan, violates acts against the Corporation Law in Japan, Certified Public Accountant Law and other related laws or acts, or makes the Company lose a relationship of mutual trust, the board of company auditors will consider dismissing the accounting auditor.

6. Matters Regarding Corporate Governance

(1) Basic policy

The Company recognizes the importance of enhancing corporate governance to achieve its mission of supporting and operating Internet which has become indispensable social infrastructure and to consistently enhance our corporate value. The Company has social responsibilities towards a wide range of stakeholders including shareholders, vendors, customers, employees and the entire Internet users. Therefore, considering the importance of the Company's influence on society, the Company thinks it's necessary to strive to obtain understandings of various stakeholders.

The Company's board of directors consists of 13 directors, including 5 outside directors and the Company's board of company auditors consists of 4 company auditors, including 3 outside company auditors. Further, the Company has an Internal Auditing Office consisting of 5 members, including a manager. The Company adopted the executive officer system with an aim to further enhance its corporate governance by separating its decision making and supervisory function from business execution function and to realize its rapid and efficient business execution.

Oversight and supervision of business execution is carried by means of ordinary (monthly) and extraordinary meetings of the board of directors, management meetings consisting of directors, executive officers, etc., and monitoring and giving the necessary instructions to each of our business, project, subsidiary, etc. Oversight on business management and business audit are carried by means of ordinary (monthly) and extraordinary meetings of the board of company auditors, assignment of a financial expert/legal expert in the board of company auditors, conducting continuous audit including our domestic subsidiaries as well as overseas by company auditors and our Internal Auditing Office, and operation of our whistleblowers hotline system. Business activities by directors and employees of the Company and its subsidiaries are governed by the Code of Ethics, the Basic Rules for Internal Control, etc.

(2) Standards on the independence of outside directors and outside company auditors

The Company deems that outside directors and outside company auditors do not fall under any one of the categories below

- (i) Major shareholders holding voting rights equivalent to 10% or more of the total voting rights of the Company, or in the case of a corporation or organization, an executive of that corporation or organization
- (ii) An executive of a major client of the Company or its subsidiaries, or executive of a corporation or organization that deals with the Company or its subsidiaries as a major business partner.
- (iii) An executive of a financial institution to which the Company owes significant borrowings.
- (iv) A person who receives significant amounts of compensation or other economic benefit (other than their remuneration as a director or company auditor) as a consultant, accountant, or lawyer for the Company or its subsidiaries, or where a corporation or organization, a person belonging thereto.
- (v) An executive of a corporation or organization that receive significant donations from the Company or its subsidiaries.
- (vi) A person who served a corporation or organization falling under any of the categories (i) to (v) above as an executive within the past 3 years
- (vii) A spouse or relative within two degrees of kinship of a person falling under any of the categories below
 - A person falling under any of the categories (i) to (v) above
 - A person who is a director or executive of a subsidiary of the Company
- (viii) Other than above, a person who is deemed to have a lack of independence by comprehensive consideration of the Company

If "Item.3 Election of Twelve (12) Directors" be approved as originally proposed at the Ordinary General Meeting of Shareholders for the 29th Business Term, the number of independent outside directors of the Company will be four, which is more than one-third or more of the total number of directors.

(3) Evaluation of the effectiveness of the board of directors

With regard to the effectiveness of the board of directors, the Company annually conducts a survey on evaluation of the effectiveness of the board of directors to all directors and company auditors, organizes and analyzes the results of the survey, and then reports it to the board of directors from FY2015. Based on the results of the survey, the Company operates to improve the effectiveness of the board of directors as necessary. Regarding the operation of the board of directors in FY2020, the system of the board of directors including independent directors is established, the information needed for discussion and judgment in the board of directors is sufficiently offered, each of the directors states from the various aspects, the operations of the board of directors such as frequency and the operation on the day is appropriately set, and therefore the Company recognizes that the effectiveness of the board of directors validly functions as a self-evaluation.

(Reference) Glossary

1. ICT
Information and Communication Technology (ICT) is a general term of technologies in relation to hardware, software, system and data communication used for information communication by computers.
2. Internet traffic
The quantity or flow of data transferred across the Internet.
3. Cloud computing
Cloud computing is the on-demand delivery of computer system functions and processing ability, software, data and etc. through the Internet.
4. IoT
Internet of Things (IoT) enables not only physical objects but also any "things" connected to network to exchange information automatically.
5. IP Service
Dedicated-type Internet connectivity services, mainly used by corporate users, which the Company provides.
6. Full-MVNO
Unlike conventional MVNO (Mobile Virtual Network Operator), full-MVNO operates an in-house HLR/HSS (databases for managing SIM cards), thereby making it possible for such providers to procure and issue their own SIM cards and design their services with the high degree of freedom. For example, in the IoT field, where future developments are expected, Full-MVNO providers expect to be able to offer embedded SIMs as well as develop services that they can freely control in terms of the management of charges and activation.
7. GigaPlans
GigaPlans is a new consumer mobile service plans, which the Company has started providing from April 1, 2021.
8. Mobile unit charge
Mobile interconnectivity telecommunications charge between NTT DoCoMo, etc. and our company, unit price per Mbps.
9. Telework
By using ICT (Information and Communication Technology), engaging in business activity remotely from home or remote location, not from offices.
10. IJ Flex Mobility Service
A service that enables secure and high-speed VPN communication, which the Company provides.
11. Cloud Exchange Service
A data center function providing multiple cloud services, multiple network services, and multiple IT services in an interconnected manner, which the Company provides.
12. Private Cloud
Private cloud means a cloud environment built exclusively for specific users.
13. Multi-cloud
Multi-cloud means using multiple cloud services from multiple different cloud service providers, such as Amazon Web Services, Microsoft Azure and etc.
14. Server rack space
Server rack space means a space for installing shelf-type fixtures which is used to store servers in data centers, etc.
15. Digital Currency Forum
A forum to study the practicality of digital currency in Japan, which DeCurret Inc. serves as the secretariat of the forum.
16. CDN
Content Distribution Network (CDN) is an optimized network to distribute contents over the Internet.
17. IJ Electronic contact/communication Note Service
A multidisciplinary cooperative platform service, which the Company provides, that allows for coordinating comprehensive community care with local medical practitioners such as doctors, nurses, care managers, and local government staff.
18. Enterprise recurring revenue
Enterprise recurring revenue represents the following monthly recurring-type revenues of us; Internet connectivity services (Enterprise) revenue, outsourcing services revenue and systems operation and maintenance revenue, excluding Internet connectivity services (Consumer) revenue, MVNE revenue, and WAN services revenue which was negatively impacted by an individual factor.
19. Omnibus
Omnibus is a service which the Company provides. Omnibus, utilizing SDN (Software Defined Network) and NFV (Network Function Virtualization) technologies, is a cloud-based network service, which provides enterprise customers wide-range and various functions.
20. SE
Systems Engineer (SE) is, generally, a person mainly engaged in design and construction of network systems.
21. Zero Trust
Zero Trust is a concept of network security that never trusts all communication traffic and always verifies it.

- 22 SASE
SASE (Secure Access Service Edge) is a concept, providing comprehensive service by combining network functions and network security functions on the cloud.
- 23 Digital Workplace:
A comfortable and productive digital work space that is realized by using digital tools, etc.
- 24 DX
DX (Digital Transformation) is the adoption of digital technology to transform products, services or business models, etc., through replacing incumbent processes with digital processes, in response to drastic changes in the business environment.
- 25 xSP
xSP is a general term for various service providers that provide services via networks, such as ASP (Application Service Provider), ISP (Internet Service Provider), MSP (Managed Service Provider), etc.
- 26 5G SA
5G (fifth generation mobile communication system) Stand Alone system. A communication system in which the core network, data communication function, control function, etc. are all constructed using 5G technology.

Consolidated Statements of Financial Position

(As of March 31, 2021)

(Unit: JPY thousands)

Item	Amount	Item	Amount
Assets		Liabilities and Equity	
Current Assets		Liabilities	
Cash and cash equivalents	42,466,933	Current liabilities	
Trade receivables	34,799,075	Trade and other payables	19,243,800
Inventories	2,171,046	Borrowings	18,560,000
Prepaid expenses	10,598,441	Income taxes payable	3,012,415
Contract assets	1,281,918	Contract liabilities	7,101,821
Other financial assets	1,975,910	Deferred income	79,914
Other current assets	111,334	Other financial liabilities	17,879,331
		Other current liabilities	7,381,746
		Total current liabilities	73,259,027
		Non-current liabilities	
		Borrowings	7,000,000
		Retirement benefit liabilities	4,168,575
		Provisions	756,405
		Contract liabilities	7,244,411
		Deferred income	405,579
		Deferred tax liabilities	225,469
		Other financial liabilities	35,647,899
		Other non-current liabilities	1,098,253
		Total non-current liabilities	56,546,591
		Total liabilities	129,805,618
		Equity	
		Share capital	25,530,621
		Share premium	36,388,811
		Retained earnings	25,046,813
		Other components of equity	4,865,110
		Treasury shares	(1,874,976)
		Total equity attributable to owners of the parent	89,956,379
		Non-controlling interests	1,015,272
		Total equity	90,971,651
		Total liabilities and equity	220,777,269
Total Current Assets	93,404,657		
Non-current Assets			
Tangible assets	17,084,401		
Right-of-use Assets	50,707,726		
Goodwill	6,082,472		
Intangible assets	16,954,274		
Investments accounted for using the equity method	9,026,980		
Prepaid expenses	9,537,160		
Contract assets	46,638		
Other investments	12,912,483		
Deferred tax assets	143,337		
Other financial assets	4,442,704		
Other non-current assets	434,437		
Total non-current assets	127,372,612		
Total assets	220,777,269		

Consolidated Statements of Profit or Loss

(From April 1, 2020 through March 31, 2021)

(Unit: JPY thousands)

Item	Amount
Revenues	
Network services	126,826,927
System integration	83,283,912
ATM operation business	2,891,041
Total revenues	213,001,880
Cost of sales	
Cost of network services	(99,656,232)
Cost of systems integration	(71,196,904)
Cost of ATM operation business	(1,866,789)
Total cost of sales	(172,719,925)
Gross Profit	40,281,955
Selling, general and administrative expense	(25,490,666)
Other operating income	148,500
Other operating expenses	(692,066)
Operating Profit	14,247,723
Finance income	776,298
Finance expenses	(581,486)
Share of profit (loss) of investments accounted for using equity method	(407,816)
Profit (loss) before tax	14,034,719
Income tax expense	(4,233,584)
Profit (loss) for the year	9,801,135
Profit (loss) for the year attributable to:	
Owners of the parent	9,711,559
Non-controlling interests	89,576
Total	9,801,135

Non-Consolidated Balance Sheet

As of March 31, 2021

(Unit: JPY thousands)

Assets		Liabilities and Shareholders' equity	
Item	Amount	Item	Amount
[Current assets]	76,726,548	[Current liabilities]	58,453,733
Cash and bank deposits	30,133,018	Accounts payable	2,991,172
Accounts receivable	31,322,866	Short-term borrowings	13,390,000
Investment in leases	1,575,563	Short-term borrowings from affiliated Companies	4,000,000
Merchandise	83,053	Long-term borrowings – Current portion	5,170,000
Work in process	652,318	Accounts payable – other	11,899,034
Supplies	1,425,153	Capital lease obligations – current	7,205,593
Prepaid expenses	10,724,541	Accrued expense	774,710
Accounts receivable – other	818,071	Accounts payable – fixed assets	1,655,351
Short-term loans to affiliated Companies	33,306	Income taxes payable	3,124,228
Other current assets	141,908	Consumption taxes payable	1,782,831
Allowance for doubtful accounts	(183,249)	Deposits received	111,033
		Advances received	301,716
		Deferred income	5,746,738
		Other current liabilities	301,326
[Fixed assets]	90,058,368	[Long-term liabilities]	29,069,339
<Property and equipment>	28,179,944	Long-term borrowings	7,000,000
Land	2,055,099	Deferred income – noncurrent	6,184,782
Buildings	1,388,509	Accounts payable – noncurrent	431,652
Leasehold improvements	6,602,866	Capital lease obligations – noncurrent	10,932,928
Construction other than buildings	1,673,105	Asset retirement obligations	713,696
Data communication equipment and office equipment	10,219,520	Long-term borrowings from affiliated Companies	34,534
Assets under capital leases	41,837,537	Accrued pension and severance cost	3,474,288
Construction in progress	2,127,725	Accrued directors' and company auditors' retirement benefits	201,760
Accumulated depreciation	(37,724,417)	Deferred tax liabilities	95,699
<Intangible assets>	16,419,180	Total liabilities	87,523,072
Goodwill	824,277	[Shareholders' equity]	73,827,325
Customer relationships	698,754	<Capital stock>	22,991,399
Telephone rights	2,241	<Capital surplus>	9,788,264
Software	14,528,771	Legal capital surplus	9,712,083
Assets under capital leases	365,137	Other capital surplus	76,181
<Investments and other assets>	45,459,244	<Earned surplus>	42,911,114
Investments in securities	8,881,612	Legal retained earnings	502,473
Money held in trust	2,165,447	Other retained earnings	42,408,641
Investments in affiliated companies	21,685,704	Reserve for advanced depreciation of fixed assets	315,005
Guarantee deposits	3,292,684	Retained earnings brought forward	42,093,636
Long-term prepaid expenses	8,814,278	<Treasury stock>	(1,863,452)
Claims against insolvencies	4,460	[Valuation and translation adjustment]	4,980,249
Long-term loans to affiliated Companies	118,336	Net unrealized gains on securities	4,980,249
Other investments	519,568	[Subscription rights to shares]	454,270
Allowance for doubtful accounts	(22,845)	Stock acquisition rights	454,270
		Total Shareholders' equity	79,261,844
Total assets	166,784,916	Total liabilities and shareholders' equity	166,784,916

Non-Consolidated Statement of Income

(From April 1, 2020 through March 31, 2021)

(Unit: JPY thousands)

Item	Amount	Total
[Total revenues]		185,323,219
[Total costs of revenues]		152,363,167
Gross margin		32,960,052
[Total sales and administrative expense]		21,374,570
Operating income		11,585,482
[Non-operating income]		
Interest income	6,937	
Dividend income	1,556,582	
Commissions received	46,314	
Royalty charges received	3,159	
Gains on investments on silent partnership	418,526	
Foreign exchange gain	159,754	
Reversal of allowance for doubtful accounts	8,090	
Other non-operating income	34,657	2,234,019
[Non-operating expenses]		
Interest expense	387,307	
Other non-operating expenses	51,369	438,676
Ordinary income		13,380,825
[Extraordinary income]		
Gains on sales of investments in securities	385,480	
Gains on sales of shares of affiliated companies	266,874	
Gains on sales of fixed assets	377	652,731
[Extraordinary loss]		
Losses on disposal of fixed assets	586,246	
Losses on valuation of investment securities	1,618	
Losses on valuation of shares of affiliated companies	64,905	
Other extraordinary loss	350	653,119
Income before income taxes		13,380,437
Income taxes – current		3,702,009
Income taxes – deferred		(283,479)
Net income		9,961,907

Independent Auditor's Report

May 21, 2021

To the Board of Directors of Internet Initiative Japan Inc.:

KPMG AZSA LLC
Tokyo Office

Hiroto Kaneko (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Yusuke Matsumoto (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Opinion

We have audited the consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the related notes ("the Consolidated Financial Statements") of Internet Initiative Japan Inc. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), as at March 31, 2021 and for the year from April 1, 2020 to March 31, 2021 in accordance with Article 444-4 of the Companies Act.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position and the results of operations of the Group for the period, for which the consolidated financial statements were prepared, in accordance with the second sentence of Article 120-1 of the Ordinance of Companies Accounting that permits the Company to prepare consolidated financial statements with the omission of a part of the disclosures required under International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, Corporate auditors and the board of corporate auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the second sentence of Article 120-1 of the Ordinance of Companies Accounting that permits the Company to prepare consolidated financial statements with the omission of a part of the disclosures required under International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with the second sentence of Article 120-1 of the Ordinance of Companies Accounting that permits the Company to prepare consolidated financial statements with the omission of a part of the disclosures required under International Financial Reporting Standards.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with the second sentence of Article 120-1 of the Ordinance of Companies Accounting that permits the Company to prepare consolidated financial statements with the omission of a part of the disclosures required under International Financial Reporting Standards, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Reader of Independent Auditor's Report:

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report on the consolidated financial statements as required by the Companies Act.

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

Independent Auditor's Report

May 21, 2021

To the Board of Directors of Internet Initiative Japan Inc.:

KPMG AZSA LLC
Tokyo Office

Hiroto Kaneko (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Yusuke Matsumoto (Seal)
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Opinion

We have audited the financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the supplementary schedules ("the Financial Statements and Others") of Internet Initiative Japan Inc. ("the Company") as at March 31, 2021 and for the year from April 1, 2020 to March 31, 2021 in accordance with Article 436-2-1 of the Companies Act.

In our opinion, the financial statements and others referred to above present fairly, in all material respects, the financial position and the results of operations of the Company for the period, for which the financial statements and others were prepared, in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements and Others section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, Corporate Auditors and the Board of Corporate Auditors for the Financial Statements and Others

Management is responsible for the preparation and fair presentation of the financial statements and others in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements and others that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and others, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements and Others

Our objectives are to obtain reasonable assurance about whether the financial statements and others as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements and others.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements and others, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and others or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the financial statements and others are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the financial statements and others, including the disclosures, and whether the financial statements and others represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Reader of Independent Auditor's Report:

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report on the financial statements and others as required by the Companies Act.
This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

Audit Report

Based on audit reports from each Company Auditor, and following due discussion at meetings, the Board of Company Auditors has prepared this audit report regarding the execution of the duties of Directors of the Company during the 29th fiscal year from April 1, 2020 to March 31, 2021. The Board of Company Auditors hereby reports as follows.

1. Auditing Methodology Employed by Company Auditors and the Board of Company Auditors and Details Thereof
 - (1) The Board of Company Auditors established auditing policy, auditing plan, the assignment of the duties of each Company Auditor and etc., and received reports from each Company Auditor on the status of the implementation of audits and the results thereof, as well as reports from Directors and etc., and also the Independent Auditor regarding the status of their duties, and sought explanations as necessary.
 - (2) In compliance with the auditing standards for Company Auditors established by the Board of Company Auditors and based on the auditing policy and the assignment of duties, etc., each Company Auditor had taken steps to facilitate communication with Directors of the Company and the Internal Audit Department as well as others, has endeavored to gather information and create an improved environment for auditing and conducted auditing with the following methods.
 - i) Each Company Auditor attended meetings of the Board of Directors and other important meetings, received reports from Directors, employees and others on the performance of their duties and sought explanations regarding such reports as necessary. In addition, each Company Auditor inspected important authorized documents and associated information, and examined the business and financial position of the Company at the head office and main branch offices. As for the subsidiaries of the Company, each Company Auditor had taken steps to facilitate communication with the directors, company auditors and others of the subsidiaries and to share information among them and received reports from the subsidiaries regarding their businesses as necessary.
 - ii) Each Company Auditor periodically received reports from Directors, employees and others, sought explanations as necessary, and expressed opinions, regarding the resolution of the Board of Directors on the establishment of following systems (Internal Control System) and the status of operation of the organized system based on such resolution, both of which are described in the Business Report that the system for ensuring that the performance of duties by the Directors conforms to the applicable laws and regulations and Articles of Incorporation, and the system stipulated in Article 100-1 and 100-3 of the Enforcement Regulation of the Corporation Law, which are necessary for ensuring the properness of operations of the enterprises consisting of the Company and its subsidiaries.
 - iii) Each Company Auditor monitored and verified whether the Independent Auditor maintained their independence and implemented appropriate audits, and received reports regarding the performance of their duties and sought explanations as necessary. In addition, the Company Auditors received notice from the Independent Auditor that "System to Ensure Appropriate Execution of the Duties of the Independent Auditor" (as enumerated in each item of Article 131 of the Ordinance on the Company Accounting) is organized in accordance with the "Quality Control Standards Relating to Auditing" (adopted by the Business Accounting Deliberation Council on October 28, 2005) etc., and sought explanations as necessary.

Based on the above methodology, the Company Auditors reviewed the financial statements for this fiscal year (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of shareholders' equity and notes to the non-consolidated financial statements) and the supplementary schedules thereto, and also the consolidated financial statements for this fiscal year (consolidated statements of financial position, consolidated statements of profit or loss, consolidated statements of changes in shareholders' equity and notes to the consolidated financial statements).

2. Audit Results

- (1) Audit Results on the Business Report, etc.
 - i) In our opinion, the Business Report and the supplementary schedules fairly represent the Company's condition in conformity with the applicable laws and regulations of Japan as well as the Articles of Incorporation of the Company.
 - ii) With respect to the execution of duties by the Directors, we have found no evidence of misconduct or material facts in violation of the applicable laws and regulations of Japan or the Articles of Incorporation of the Company in the course of the execution of duties of the Directors.
 - iii) In our opinion, the content of the resolutions made by the Board of Directors of the Company regarding the internal control systems is appropriate, and furthermore, we have not found anything to be pointed out on the performance of duties of the Directors concerning the internal control systems.
- (2) Results of Audit of the Financial Statements and Supplementary Schedules
In our opinion, the methodology and results of the audit employed and rendered by KPMG AZSA LLC, the Independent Auditor, are fair and reasonable.
- (3) Results of Audit of the Consolidated Financial Statements
In our opinion, the methodology and results of the audit employed and rendered by KPMG AZSA LLC, the Independent Auditor, are appropriate.

May 26, 2021

Board of Company Auditors
Internet Initiative Japan Inc

Full-time Company Auditor	Kazuhiro Ohira	(seal)
Full-time Company Auditor	Masako Tanaka	(seal)
Company Auditor	Takashi Michishita	(seal)
Company Auditor	Koichi Uchiyama	(seal)

Note: Full-time Company Auditor, Kazuhiro Ohira and two Company Auditors, Takashi Michishita and Koichi Uchiyama, are outside company auditors as provided in Article 2-16 and Article 335-3 of the Corporation Law.