

To Shareholders of Internet Initiative Japan Inc. (“IIJ”)

Matters Omitted
from the Notice of Convocation of
the Ordinary General Meeting of Shareholders
for the 33rd Business Term

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June 6, 2025

Internet Initiative Japan Inc.

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.

• Matters regarding the IIJ'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 price of stock acquisition rights	Exercise period
#1 Stock Acquisition Rights	July 14, 2011	60	Common Stock 48,000 shares	JPY259,344	JPY1	From July 15, 2011 to July 14, 2041
#2 Stock Acquisition Rights	July 13, 2012	65	Common Stock 52,000 shares	JPY318,562	JPY1	From July 14, 2012 to July 13, 2042
#3 Stock Acquisition Rights	July 11, 2013	57	Common Stock 45,600 shares	JPY647,000	JPY1	From July 12, 2013 to July 11, 2043
#4 Stock Acquisition Rights	July 10, 2014	83	Common Stock 66,400 shares	JPY422,600	JPY1	From July 11, 2014 to July 10, 2044
#5 Stock Acquisition Rights	July 13, 2015	112	Common Stock 89,600 shares	JPY369,200	JPY1	From July 14, 2015 to July 13, 2045
#6 Stock Acquisition Rights	July 11, 2016	121	Common Stock 96,800 shares	JPY360,000	JPY1	From July 12, 2016 to July 11, 2046
#7 Stock Acquisition Rights	July 14, 2017	131	Common Stock 104,800 shares	JPY337,200	JPY1	From July 15, 2017 to July 14, 2047
#8 Stock Acquisition Rights	July 13, 2018	132	Common Stock 105,600 shares	JPY347,600	JPY1	From July 14, 2018 to July 13, 2048
#9 Stock Acquisition Rights	July 12, 2019	140	Common Stock 112,000 shares	JPY354,600	JPY1	From July 13, 2019 to July 12, 2049
#10 Stock Acquisition Rights	July 10, 2020	90	Common Stock 72,000 shares	JPY643,400	JPY1	From July 11, 2020 to July 10, 2050
#11 Stock Acquisition Rights	July 15, 2021	66	Common Stock 52,800 shares	JPY1,258,400	JPY1	From July 16, 2021 to July 15, 2051
#12 Stock Acquisition Rights	July 14, 2022	16,751	Common Stock 33,502 shares	JPY4,361	JPY1	From July 15, 2022 to July 14, 2052
#13 Stock Acquisition Rights	July 13, 2023	17,481	Common Stock 34,962 shares	JPY4,362	JPY1	From July 14, 2023 to July 13, 2053

(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 IIJ.
2. IIJ conducted a 1:200 stock split on common stock with an effective date of October 1, 2012. In addition, IIJ conducted 1:2 stock splits on common stock with respective effective dates of January 1, 2021 and October 1, 2022. 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: 800 shares per stock acquisition right

From #3 to #10:

Before adjustment: 200 shares per stock acquisition right
After adjustment: 800 shares per stock acquisition right

#11

Before adjustment: 400 shares per stock acquisition right
After adjustment: 800 shares per stock acquisition right

#12 and #13

Before adjustment: 1 shares per stock acquisition right
After adjustment: 2 shares per stock acquisition right

(1) IJJ's stock acquisition rights granted to and held by directors as of the End of FY2024

	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	54	Common Stock 43,200 shares	3 Directors 54
#2 Stock Acquisition Rights	45	Common Stock 36,000 shares	3 Directors 45
#3 Stock Acquisition Rights	45	Common Stock 36,000 shares	4 Directors 45
#4 Stock Acquisition Rights	67	Common Stock 53,600 shares	4 Directors 67
#5 Stock Acquisition Rights	78	Common Stock 62,400 shares	4 Directors 78
#6 Stock Acquisition Rights	82	Common Stock 65,600 shares	4 Directors 82
#7 Stock Acquisition Rights	90	Common Stock 72,000 shares	4 Directors 90
#8 Stock Acquisition Rights	88	Common Stock 70,400 shares	4 Directors 88
#9 Stock Acquisition Rights	86	Common Stock 68,800 shares	4 Directors 86
#10 Stock Acquisition Rights	54	Common Stock 43,200 shares	5 Directors 54
#11 Stock Acquisition Rights	35	Common Stock 28,000 shares	6 Directors 35
#12 Stock Acquisition Rights	10,383	Common Stock 20,766 shares	7 Directors 10,383
#13 Stock Acquisition Rights	10,412	Common Stock 20,824 shares	7 Directors 10,412

(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 IJJ's part-time directors, outside directors or company auditors at the end of FY2023.
- IJJ conducted a 1:200 stock split on common stock with an effective date of October 1, 2012. In addition, IJJ conducted 1:2 stock splits on common stock with respective effective dates of January 1, 2021 and October 1, 2022. 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: 800 shares per stock acquisition right
 - From #3 to #10:
 - Before adjustment: 200 shares per stock acquisition right
 - After adjustment: 800 shares per stock acquisition right
 - #11
 - Before adjustment: 400 shares per stock acquisition right
 - After adjustment: 800 shares per stock acquisition right
 - #12 and #13
 - Before adjustment: 1 shares per stock acquisition right
 - After adjustment: 2 shares per stock acquisition right

(2) IJJ's stock acquisition rights granted to employees or others during FY2024

There is nothing to report on this subject.

• Basic Systems and Policies of IJJ

(1) Systems for securing the appropriateness of business

The details of the resolution by the Board of Directors of IJJ are as follows:

1. Systems for ensuring the compliance of Directors and employees with the law and articles of incorporation in the execution of their duties
 - (1) IJJ will establish a code of ethics that sets for a standard of conduct and requires strict adherence to the law. In addition, IJJ will establish regulations for applying the laws regarding the prevention of insider trading, the protection of personal information, among others. IJJ will disseminate those regulations to officers and employees, and conduct periodic education.
 - (2) IJJ will establish a system for appointing the necessary personnel to ensure compliance with the law, and for consulting with lawyers and other experts outside IJJ.
 - (3) IJJ will establish an internal reporting system for reporting any legal violations, and will maintain a whistleblower system with a contact point in accordance with legal requirements to ensure the protection of whistleblowers.
 - (4) Internal Auditing Office under the direct control of the President will conduct internal audits on a regular basis, indicating where each division could improve compliance with the law, and overseeing the improvements.
 - (5) For legally required reports, ad hoc reports, and other types of releases, IJJ will establish a Disclosure Committee whose members consist of Directors, Outside Directors, Executive Officers and Auditors, whom will evaluate the content for appropriateness and completeness, and approve any material to be released.
2. Systems for preserving and managing information related to the execution of duties by Directors
 - (1) Basic policy and procedures regarding the handling of information assets will be set and followed in the handling of information and documents related to the execution of duties by Directors (“performance information”), these policies and procedures will detail who is responsible for managing the information, how long the information is to be stored, how it is to be stored, measures for countering loss or leakage of the information, and proper management of the information. The management of this information will be reviewed on a regular basis.
 - (2) IJJ will create a system that ensures the proper filing of performance information (committing it to electronic storage when necessary), and that enables the quick verification of the existence, condition, and content of these documents. In addition, the system will allow people with the proper authority to view documents related to the Company Auditors and others without delay.
 - (3) The duties related to the above fall under the jurisdiction of a director or an executive officer in charge of information security and a director or an executive officer in charge of document management of IJJ.
3. Regulations governing risk management and other systems
 - (1) The Director (or executive officer) that oversees the operation of each division will identify the risks defined by the governing regulations, evaluate these risks, and develop measures to counter these risks, as well as review them on a regular basis.
 - (2) For certain risk categories, an Evaluation Committee will be established to evaluate the risk and to develop countermeasures.
 - (3) A Business Continuity Plan will be developed to address potential emergency situations.
 - (4) An Internal Auditor Office under the direct control of the President will conduct internal audits on a regular basis, indicating where each division could improve operations, including risk management, and overseeing the improvements.
4. Systems for ensuring the efficient execution of duties by Directors
 - (1) A business plan for each fiscal year will be formulated in line with management objectives, and each business organization will actively seek to achieve the goals put forth in the plan. In addition, regular progress reports will be submitted and reviewed to monitor progress on each target.
 - (2) As for management, all issues that should be decided by the Board of Directors in accordance with the Regulations of the Board of Directors will be strictly decided by the Board, and as a basic rule of the decision-making process, sufficient documentation on the issue to be decided will be distributed to all Board members in advance.
 - (3) In the execution of daily duties, authority will be delegated based on the scope of authority regulations and division of duties regulations, and managers at each level will execute their duties while complying with the rules of the decision making process.
 - (4) To reinforce the Board of Directors’ authority, a certain number of people with notable management acumen will be appointed as Outside Directors.
5. Systems for ensuring the proper operation of corporate groups consisting of IJJ and its Subsidiaries (collectively “the Company”)
 - (1) Subsidiaries will be managed based on the subsidiary management regulations, which are the basic policy of subsidiary management, and an agreement will be made with the parent company regarding the management of the subsidiary.
 - (2) Subsidiaries will report on required items, and a system for consultation will be established.
 - (3) To impose internal control on important items, regulations governing the entire corporate group will be established, and subsidiaries will be required to comply with them.
 - (4) IJJ’s Internal Audit Office will perform internal audits of subsidiaries.
6. Providing employee to assist Company Auditors, securing those employees’ independence from directors and effectiveness of company auditors’ instruction to those employees
 - (1) IJJ establishes Internal Auditing Office under direct control of President and assigns to the Office as the full-time basis. These employees work closely with the Company Auditors to reflect their opinions on IJJ’s internal audit plan.
 - (2) The selection, appointment, and transfer of employee assigned to the Internal Auditing Office should be conducted with full consideration of the opinions from the Board of Company Auditors.
 - (3) Other than above, it will be consulted and decided with the Board of Company Auditors as for assignment of employees who assist the Company Auditors and arrangement to ensure effectiveness of the Company Auditors’ instruction to these employees.

7. Systems that directors and employees of IJJ and its subsidiaries make a report to the Company Auditors, and systems preventing the person who makes report to the Company Auditor from being disadvantageously treated due to such report
 - (1) In accordance with the provisions of the Board of Company Auditors, Directors and employees will report and provide information upon or periodically the Company Auditor's request.
 - (2) Company Auditors will be a member of panel such as Disclosure Committee that makes the important decision-making.
 - (3) If the whistleblowing relates to directors, the investigation shall be conducted under the direction of the Board of Company Auditors. Whistleblower will be safely protected and kept secret, and it is prohibited that IJJ disadvantageously treats that person whether the whistleblowing is anonymous or not.
8. Policies on prepaid expenses for the execution of the duties of the Company Auditors, on expenses for procedures for repayment and execution of other relevant duties, or on debt processing

IJJ will establish budget for the Board of Company Auditors for the execution of their duties every year, and will listen to Company Auditors' opinion.
9. Other systems for ensuring effective Company Auditors' audits
 - (1) In order to ensure that the Board of Company Auditors can properly execute their duties, the necessary external experts will be retained.
 - (2) To preserve the independence of the Accounting Auditors, IJJ and its subsidiaries are not allowed to receive the accounting auditors' services which could possibly harm their independence (including the person related the Accounting Auditors) as well as takes appropriate measures to obtain consent to the accounting auditors remuneration and others by the Board of Company Auditors in an appropriate manner.
 - (3) IJJ makes an effort to appoint a financial expert and legal expert for Company Auditors.

(2) Status of systems for ensuring the appropriateness of business activities

Business activities by directors and employees of IJJ and its subsidiaries are governed by the Code of Ethics, the Basic Rules for Internal Control and etc. which regulate the entire corporate groups. The Board of Directors of IJJ consists of 12 directors, including 5 outside directors and daily oversight and supervision on the business execution are carried by means of ordinary (monthly) and extraordinary meetings of the Board of Directors, management meetings and etc. Subsidiaries are properly managed through necessity reports and discussion based on the subsidiary management regulations, which are the basic policy of subsidiary management. Other than above, IJJ operates the Whistleblower system for the entire corporate groups.

As for risk management, such as information security and business continuity risks, evaluation committees are established to evaluate those risks and to develop countermeasures for certain risk categories.

The Board of Company Auditors consists of 4 company auditors, including 2 outside company auditors. Oversight on business execution are carried by means of daily business audits by Full-time Company Auditor, ordinary (monthly) and extraordinary meetings of the Board of Company Auditors and etc. Furthermore, the Board of Company Auditors is in charge of overseeing conflict-of-interest transactions with accounting auditors, decision of reappointment or dismissal of the Accounting Auditor and etc. We have placed an Internal Auditing Office which consists of 6 members including a manager. They plan and perform audits to IJJ and its subsidiaries based on internal audit plan. Results for the audit are periodically reported to the Board of Company Auditors and close cooperation is made with the Company Auditors.

Other than above, in order to maintain adequate disclosure, IJJ has established the Disclosure Committee which consists of directors, executive officers and company auditors based on the Code of Information Disclosure and verifies appropriate and sufficient disclosure.

(3) Basic Policy on Control of IJJ.

There is nothing to report on this subject.

Consolidated Statements of Changes in Shareholders' Equity

(From April 1, 2024 through March 31, 2025)

(Unit: JPY millions)

	Owners of the parent's shareholders' equity			
	Share capital	Share premium	Retained earnings	Other components of equity
Balance, April 1, 2024	25,562	35,737	65,616	10,863
Comprehensive income				
Profit for the year	-	-	19,933	-
Other comprehensive income	-	-	-	873
Total comprehensive income	-	-	19,933	873
Transactions with owners				
Issuance of common stock	15	(15)	-	-
Purchase of treasury shares	-	-	-	-
Disposal of treasury shares	-	24	-	-
Dividends paid	-	-	(6,134)	-
Stock-based compensation	-	119	-	-
Transfer from other components of equity to retained earnings	-	-	470	(470)
Total transactions with owners	15	128	(5,664)	(470)
Balance, March 31, 2025	25,577	35,865	79,885	11,266

	Owners of the parent's shareholders' equity		Non-controlling interests	Total equity
	Treasury shares	Total		
Balance, April 1, 2024	(12,027)	125,751	1,281	127,032
Comprehensive income				
Profit for the year	-	19,933	171	20,104
Other comprehensive income	-	873	-	873
Total comprehensive income	-	20,806	171	20,977
Transactions with owners				
Issuance of common stock	-	-	-	-
Purchase of treasury shares	(0)	(0)	-	(0)
Disposal of treasury shares	117	141	-	141
Dividends paid	-	(6,134)	(49)	(6,183)
Stock-based compensation	-	119	-	119
Transfer from other components of equity to retained earnings	-	-	-	-
Total transactions with owners	117	(5,874)	(49)	(5,923)
Balance, March 31, 2025	(11,910)	140,683	1,403	142,086

• Notes to Consolidated Financial Statements

1. Notes to Basic Significant Matters Regarding Presentation of Consolidated Financial Statements

1-1. Matters regarding scope of consolidation

Number of consolidated subsidiaries and names of consolidated subsidiaries

Number of consolidated subsidiaries: 17

Names of major consolidated subsidiaries: IIJ Engineering Inc. ("IIJ-EG"), IIJ Global Solutions Inc., Trust Networks Inc. ("Trust Networks"), Net Chart Japan, Inc., IIJ Protech Inc., IIJ America Inc., IIJ Europe Limited, IIJ Global Solutions Singapore Pte. Ltd., PTC SYSTEM (S) PTE LTD ("PTC") and IIJ Global Solutions China Inc.

1-2. Matters regarding applying equity method

Number and names of equity method investees

Number of equity method investees: 6

Names of major equity method investees: INTERNET MULTIFEED CO., DeCurret Holdings, Inc. and Trinity Inc.

1-3. Significant accounting policies

(1) Basis of presentation

The consolidated financial statements are prepared in accordance with IFRS pursuant to the provisions of Article 120-1 of Company Accounting Regulations. However, certain disclosures required under IFRS are omitted pursuant to the provisions of the second sentence of Article 120-1.

(2) Valuation method and policy of assets

1) Financial assets

Financial assets held are categorized as (a) financial assets measured at amortized cost, (b) debt-based financial assets measured at fair value through other comprehensive income ("FVTOCI"), (c) equity-based financial assets measured at FVTOCI or (d) financial assets measured at fair value through profit or loss ("FVTPL").

(a) Financial assets measured at amortized cost

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, financial assets measured at amortized cost are accounted for using the effective interest method deducting impairment losses. Amortization under the effective interest method and gain or loss in derecognition are included in profit or loss during the period.

(b) Debt-based financial assets measured at FVTOCI

Financial assets are measured at FVTOCI if both of the following conditions are met:

- the asset is held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, debt-based financial assets measured at FVTOCI are measured at fair value and changes in fair value are recognized as other comprehensive income. Gain or loss on disposal of investments, foreign exchange gain or loss, and impairment losses are recognized in profit or loss during the period.

(c) Equity-based financial assets measured at FVTOCI

There are some equity-based financial assets for which the Company irrevocably elected at initial recognition that subsequent changes in fair value of the assets are included in other comprehensive income. These assets are recognized as equity-based financial assets measured at FVTOCI. The Company makes an irrevocable election on each investment.

After initial recognition, equity-based financial assets measured at FVTOCI are measured at fair value and changes in fair value are recognized as other comprehensive income. When the Company disposes of investments, cumulative gain or loss recognized through other comprehensive income are transferred from other components of equity to retained earnings.

Dividend income from equity-based financial assets measured at FVTOCI is recognized as profit in finance income, unless it is clear that it is a refund on investment.

(d) Financial assets measured at FVTPL

Financial assets other than the abovementioned financial assets measured at amortized cost, debt-based financial assets measured at FVTOCI and equity-based financial assets measured at FVTOCI are categorized to financial assets measured at FVTPL. There are no financial assets for which the Company has irrevocably elected that the assets be accounted for at FVTPL on initial recognition.

After initial recognition, equity-based financial assets measured at FVTPL are measured at fair value and changes in fair value are recognized as profit or loss. Gain or loss related to financial assets measured at FVTPL is recognized as profit or loss.

(e) Impairment loss on financial assets

For impairment loss on financial assets measured at amortized cost, the Company recognizes allowance for credit losses based on the expected credit losses on the financial assets.

The Company evaluates whether the credit risks of financial instruments have increased significantly since initial recognition on each annual closing date. For financial instruments that have not had a significant increase in credit risk since initial recognition, allowance for credit losses on the instrument is measured at the amount equal to that of the 12-month expected credit losses. If the credit risk of financial instruments has significantly increased since initial recognition, allowance for credit losses on the instruments are measured at amount equal to the lifetime expected credit losses.

When contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly. In evaluating whether credit risk has increased significantly or not, the Company considers reasonable and supportable information, in addition to past-due information. When financial assets have low risk at the reporting date, the Company assumes that there has not been a significant increase in credit risk since initial recognition.

However, in evaluating financial assets that do not have a significant financing component such as a trade receivables, allowance for credit losses is measured at an amount equal to the lifetime expected credit losses, regardless of whether credit risk has increased significantly since initial recognition.

Expected credit losses on financial assets are estimated by reflecting the following factors:

- An unbiased and probability-weighted amount determined by evaluating a range of possible outcomes
- Time value of money
- Reasonable and supportable information about past events, current conditions and reasonable and supportable forecasts of future economic conditions at the reporting date

The provision and reversal of allowance for credit losses on financial assets are included in profit or loss.

2) Inventories

The Company's inventories mainly consist of network equipment and mobile devices held for resale and work in progress related to systems construction. Inventories are measured at the lower of historical cost or net realizable value. Amounts for network equipment and mobile devices held for sale are calculated using the moving average method and amounts for work in progress related to systems integration are measured at actual manufacturing cost including indirect manufacturing costs. Net realizable value is calculated at the estimated selling price during the normal course of business less the estimated costs to completion and estimated expenses to make a sale.

(3) Depreciation and amortization of property and equipment

1) Tangible assets

Tangible assets are measured at acquisition cost less accumulated depreciation and accumulated impairment losses. Acquisition costs include costs directly attributable to acquisition of the assets and dismantling and removing costs. Depreciation of tangible assets excluding land and construction in progress, is calculated using straight-line method over the estimated useful lives. Estimated useful lives by major asset class are as follows:

Buildings and Construction other than buildings	4 to 50 Years
Machinery, tools, furniture and fixtures	2 to 20 Years

2) Goodwill

The Company recognizes goodwill at the amount of fair value, including recognized noncontrolling interests on the acquiree, measured at the acquisition date, less the net recognized amount of assets acquired and liabilities assumed that are recognizable at the date of acquisition, which is normally fair value.

Goodwill is included in our consolidated statements of financial position at the carrying amount which is the acquisition costs less the accumulated impairment losses.

3) Intangible assets

Intangible assets acquired separately are measured at acquisition cost at initial recognition. Intangible assets with finite useful lives consist of software, customer relationships, trademark rights and patent rights. Software, trademark rights and patent rights are amortized using straight-line method over the estimated useful lives, customer relationships are amortized using the sum-of-the-years-digits method or straight-line method over the estimated useful lives.

Estimated useful lives of major intangible assets are as follows:

Software	5 to 7 Years
Customer relationships	9 to 19 Years
Trademark rights and patent rights	8 to 10 Years

Intangible assets deemed to have indefinite useful lives are not amortized and are recorded at their carrying amount, which is the acquisition cost less accumulated impairment losses.

(4) Leases

In accordance with IFRS 16, the Company has determined whether a contract is, or contains a lease, at the inception of the contract. A contract is determined to be a lease or contain a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

When a contract is determined to be a lease or contain a lease, the Company initially recognizes a right-of-use asset and a lease liability at the commencement date of the contract.

Lease liabilities are initially measured at the present value of lease payments not paid at the commencement date, discounted by calculated interest rate of the lease or, if the calculated interest rate cannot be determined easily, the Company's incremental borrowing rate. In general, the Company uses the incremental borrowing rate as a discount rate. Lease liabilities are subsequently measured by increasing the carrying amount to reflect the interest on the lease liability and reducing the carrying amount to reflect the lease payments. In our consolidated statement of financial position, lease liabilities are included in other financial liabilities. In measuring the lease liability, lease fee in each contract is allocated to the lease components and non-lease components based on the ratio of their independent prices. However, for data centers where the Company is a lessee, lease components and non-lease components related to them are not separated and are recognized as a single lease component. When the condition of the leases are changed, the Company remeasures the lease liability.

The right-of-use asset is initially measured at cost, which comprises the initial measurement of lease liability, any initial direct cost incurred and prepaid lease payments. A cost model is used for subsequent measurement after initial recognition. Right-of-use assets are depreciated using the straight-line method. The depreciation period is the estimated useful life of the underlying asset if ownership of the underlying asset is transferred to the lessee by the end of the lease term or if the exercise of the purchase option by the lessee is reasonably certain. Otherwise, the depreciation period is the shorter of the useful life of the right-of-use asset or the lease term. The Company does not recognize right-of-use assets and lease liabilities for leases with a lease term of 12 months or less or when the underlying assets are of low value, and recognizes lease payments as an expense on a straight-line basis over the lease term.

(5) Impairment of non-financial assets

The Company reviews carrying amounts of non-financial assets, except for inventories and deferred tax assets, on each reporting date to assess whether impairment indicators exist. If such indicators exist, the Company then estimates the recoverable amount of the asset. For goodwill and intangible assets deemed to have indefinite useful lives, the Company performs impairment tests on each annual closing date and whenever there is an indication that an asset may be impaired.

Cash-generating units are groups that represent the minimum of assets for which continuous use generates cash inflows that are largely independent from other assets or groups of assets. Goodwill arising from business combinations is allocated to cash-generating units or groups of cash-generating units which are expected to benefit from synergies resulting from the business combination.

The recoverable amount of an asset or a cash-generating unit is calculated at the higher of the value in use or the fair value less costs of disposal. Value in use is calculated at the present value of estimated future cash flows, which are discounted using a pre-tax weighted average cost of capital of each cash-generating unit.

If the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, the Company recognizes an impairment loss in profit or loss. Recognized impairment loss is allocated first to goodwill in the cash-generating unit to be deducted from its carrying amount, and then carrying amounts of other

assets in the cash-generating unit are deducted on a pro rata basis.

The Company reverses impairment losses when there is any indication of reversal of the impairment loss recognized in past years and the estimated recoverable amount exceeds the carrying amount. The amount of reversal is limited to the carrying amount if no impairment loss had been recognized and depreciation or amortization had been continued. Impairment losses recognized for goodwill are not reversed.

(6) Recognition of significant provisions

The Company recognizes a provision only when a present obligation (legal or constructive) has arisen as the result of a past event, payment is probable, settlement is expected to result in an outflow of resources, and the amount of obligation can be estimated reliably.

Provisions are measured at the best estimate (including risks and uncertainties) of the expenditure required to settle the present obligation as of the annual closing date, and reflect the present value of expenditures required to settle the obligation where the time value of money is material.

(7) Revenue recognition

The Company recognizes revenue based on the following five-step model.

Step 1: Identify the contract with a customer

Step 2: Identify all the individual performance obligations within the contract

Step 3: Determine the transaction price

Step 4: Allocate the price to the performance obligations

Step 5: Recognize revenue as the performance obligations are fulfilled

We have determined that our performance obligations related to network service are normally satisfied over time because network services make various networks accessible during the contract period. Therefore, revenues from network service are recognized monthly on a straight-line basis over the contract period.

System integration revenues consist of the system construction service and the system operating and maintenance service.

Our performance obligations related to system construction service are satisfied over time, because our performance does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date. Therefore, revenues from system construction service are recognized based on the progress of the fulfillment of the performance obligations measured at the end of the reporting period. The progress is measured by the input method based on the incurred cost (cost to cost method) to reflect the progress of the construction properly because we understand that cost is incurred as progress of system construction.

Revenues from system operating and maintenance service are recognized on a straight-line basis over the period when the performance obligations are fulfilled because our performance obligations maintain various systems available to use during the contract period.

ATM commissions are collected when the customers use the ATM services. The revenues are recognized when they are collected because the customers obtain the benefit at the time of use.

(8) Income tax

Income tax expenses are comprised of current and deferred taxes and recognized in profit or loss, except for those arising from other comprehensive income, those recognized directly in equity or those arising from business combinations.

Current taxes are measured at the amount expected to be paid to or recovered from the tax authority. Tax rates and tax laws applied to calculation of tax amounts are enacted or substantively enacted by the annual closing date.

Deferred taxes are recognized for temporary differences between carrying amounts of assets and liabilities as of the reporting date based on tax laws and carrying amounts under IFRS and amounts based on tax accounting, tax loss carryforwards and tax credit carryforwards.

Deferred tax assets and liabilities are not recognized for the following temporary differences:

- Temporary differences arising from the initial recognition of assets and liabilities from transactions, except for business combinations, that do not affect either accounting profit or taxable income (loss).
- Deductible temporary differences related to investments in subsidiaries and associates, and interests in joint arrangements, for which it is probable that the reversal will not occur in the foreseeable future or that taxable profit will not be available against which the temporary difference will be utilized.
- Taxable temporary differences related to investments in subsidiaries and associates, and interests in joint arrangements, for which the Company is able to control the timing of the reversal of the differences and it is probable that the reversal will not occur in the foreseeable future.

Deferred tax liabilities are, in principle, recognized for all taxable temporary differences, and deferred tax assets are for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the temporary difference will be utilized.

Carrying amounts of deferred tax assets are reviewed at the end of each reporting period, and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. Any such reduction is subsequently reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset only if the Company has the legal right to settle current tax amounts on a net basis and the deferred tax amounts are levied by the same tax authority on the same entity or different entities that intend to realize the asset and settle the liability at the same time.

The company has applied the exception provided in Amendments to IAS 12, and it does not recognize and does not disclose information about deferred tax assets and liabilities related to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organization for Economic Co-operation and Development.

(9) Other significant accounting policies

1) Retirement and pension plans

Remeasurement of net defined benefit plan liabilities (assets) are recognized as other comprehensive income as incurred and immediately transferred from other components of equity to retained earnings.

Past service costs are recognized as a profit or loss in the period in which they are incurred.

2) Application of Japanese Group Tax Sharing System

The Company applied the Group Tax Sharing System.

3) Presentation of the amount

The figures are rounded to the nearest million yen.

2. Changes in Accounting Policies

The company applied the following standards from the current fiscal year.

IFRS		The Overview of New Establishment and Revisions
IAS 7 IFRS 7	Statement of Cash Flows Financial Instruments: Disclosures	Disclosure requirements to enhance the transparency of supplier finance arrangements

The adoption of the above standards had no material impact on the consolidated financial statements.

3. Notes to Accounting estimates and judgements

(Impairment test for goodwill and intangible asset with an indefinite useful life)

Measurement of recoverable amount requires us to make various judgements and assumptions including the future cash flows, the discount rate and the growth rate. These assumptions may be impacted significantly by future changes in uncertain economic conditions, which could result in a recognition of impairment loss on our consolidated financial statements in the future.

The amount of goodwill and intangible asset with an indefinite useful life as of March 31, 2025 were JPY 10,307 million and JPY 1,032 million, respectively.

(Measurement of defined benefit obligations)

The present value of defined benefit obligations are calculated based on actuarial assumptions. These actuarial assumptions require estimates and judgments on variables, such as discount rates. We obtain advice from external pension actuaries with respect to the appropriateness of these actuarial assumptions including these variables. There is the possibility that these assumptions may be affected by changes in uncertain future economic conditions, or by the publication or the amendment of related laws, which may have a material impact on the consolidated financial statements in future periods.

The amount of defined benefit obligations as of March 31, 2025 was JPY 11,257 million.

(Measurement of the progress towards complete satisfaction of the performance obligation of the system construction service)

We have determined the performance obligations of the system construction service are satisfied over time and the appropriate method of measuring progress towards complete satisfaction is input method, i.e. costs incurred relative to the total expected costs to the satisfaction of those performance obligations (cost to cost method). For applying the cost to cost method, the calculation of the total expected cost to the satisfaction of the performance obligations requires us to make various judgement and assumptions. There is the possibility that these assumptions may be affected by changes in uncertain future conditions regarding to the system construction service, such as the increasing production costs incurred to additional requirements from the customer, which may have a material impact on the consolidated financial statements in future periods.

For the year ended March 31, 2025, the amount of revenue from system construction service recognized by the cost to cost method was JPY 55,804 million.

4. Notes to Consolidated Balance Sheet

(1) Amount equivalent to accumulated depreciation and amortization of property and equipment:	JPY	27,443 million
(2) Allowance for doubtful accounts directly deducted from the assets		
Current assets		
Trade receivables	JPY	190 million
Other financial assets	JPY	1 million
Non-current assets		
Other financial assets	JPY	26 million

5. Notes to Consolidated Statements of Shareholders' Equity

(1) Number of shares issued and outstanding, as of March 31, 2025

(Unit: shares)

Class of stock	Balance at the beginning of current period	Increase	Decrease	Balance at the ending of current period
Common stock	183,141,100	43,784	-	183,184,884

(Outline of the cause of changes) The increase was due to the exercise of stock acquisition rights.

(2) Dividends from surplus

(i) Amount of dividends paid

Resolution	Classes of stock	Total amount of dividends	Dividends per share	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 27, 2024	Common stock	JPY 3,038 million	JPY17.18	March 31, 2024	June 28, 2024
Board of Directors' meeting held on November 8, 2024	Common stock	JPY3,096 million	JPY17.50	September 30, 2024	December 6, 2024

(ii) Dividends declared during the year ended March 31, 2025 and to be paid during the next fiscal year

Resolution	Classes of stock	Source of dividends	Total amount of dividends	Dividends per share	Record date	Effective date
Ordinary General Meeting of Shareholders to be held on June 26, 2025	Common stock	Retained Earnings	JPY3,096 million	JPY17.50	March 31, 2025	June ,27 2025

(3) Class and number of common stock to be acquired by exercising stock acquisition rights outstanding as of March 31, 2025

	#1 Stock acquisition rights issued on July 14, 2011	#2 Stock acquisition rights issued on July 13, 2012	#3 Stock acquisition rights issued on July 11, 2013
Class and number of common stock to be acquired	Common stock 48,000 shares	Common stock 52,000 shares	Common stock 45,600 shares
	#4 Stock acquisition rights issued on July 10, 2014	#5 Stock acquisition rights issued on July 13, 2015	#6 Stock acquisition rights issued on July 11, 2016
Class and number of common stock to be acquired	Common stock 66,400 shares	Common stock 89,600 shares	Common stock 96,800 shares
	#7 Stock acquisition rights issued on July 14, 2017	#8 Stock acquisition rights issued on July 13, 2018	#9 Stock acquisition rights issued on July 12, 2019
Class and number of common stock to be acquired	Common stock 104,800 shares	Common stock 105,600 shares	Common stock 112,000 shares
	#10 Stock acquisition rights issued on July 10, 2020	#11 Stock acquisition rights issued on July 15, 2021	#12 Stock acquisition rights issued on July 14, 2022
Class and number of common stock to be acquired	Common stock 72,000 shares	Common stock 52,800 shares	Common stock 33,502 shares
	#13 Stock acquisition rights issued on July 13, 2023		
Class and number of common stock to be acquired	Common stock 34,962 shares		

(4) Other components of equity

Other components of equity includes translation adjustments resulting from the translation of financial statements of foreign subsidiaries, unrealized gains or losses on available-for-sale securities, gains or losses on cash flow hedging derivative instruments and pension liability adjustments.

6. Notes to Financial Instruments

(1) Conditions of financial instruments

(i) The Company's policy for financial instruments

We primarily lease our network equipment under capital lease arrangements. Our fund management strategy is that we invest in highly safe and short-term financial instrument within our cash on hand.

(ii) Nature and risks of financial instruments

- Account receivables are exposed to credit risks of customers.
- Financial assets measured at fair value are exposed to market volatility risks.
- Accounts payable are mostly due within one year.

(iii) Risk management for financial instruments

- The Company controls credit risk in accordance with its credit risk guidelines.
- The Company reviews the fair value of financial assets measured at fair value on a regular basis.
- The Company controls liquidity risk by adequately forecasting and managing liquidity needs.

(2) Fair value of financial instruments

Book value, fair value and the differences between them as of March 31, 2025 are as follows. Financial instruments with fair values that are extremely difficult to evaluate their fair value are not included in the table below:

(Unit: JPY millions)

	Amount Recognized in Consolidated Statements of Financial Position	Fair Value
Assets		
Other investments		
Financial assets measured at amortized cost		
Debt securities	2,000	1,814
Liabilities		
Long-term borrowings (including current portion)	46	46

(Note) Fair value is calculated by discounting to net present value the total amount of principal and interest using expected interest rates when newly borrowing or undertaking the same transaction.

(3) Fair value of financial instruments

1) Classification of fair value hierarchy by level

IFRS regulates the three levels of fair value hierarchy and inputs used for the fair value measurement are prioritized according to the observable availability. The contents of each input are as follows:

Level 1: quoted prices in active markets

Level 2: inputs other than quoted prices included in Level 1 that are observable either directly or indirectly

Level 3: unobservable inputs

2) Financial instruments measured at fair value

The following table presents the Company's assets that are measured at fair value consistent with the fair value hierarchy.

Equity securities

Fair values of marketable financial instruments are evaluated at quoted market prices and these instruments are classified as Level 1. If market prices do not exist, the Company evaluates fair value by using equity interest in net asset which is added appropriate adjustments based on recent available information, and these financial assets are classified as Level 3.

Investment trust and other securities

Financial instruments which do not have observable market data, the Company evaluates fair value by using equity interest in net asset which is added appropriate adjustments based on recent available information, and these financial assets are classified as Level 3.

(Unit: JPY millions)

	Level 1	Level 2	Level 3	Total
Equity-based financial assets measured at FVTOCI				
Equity securities	13,925	-	1,899	15,823
Financial assets measured at FVTPL				
Investment trust and other securities	-	-	8,509	8,509
Other financial assets	-	202	-	202

Financial instruments classified as Level 3 are mainly composed of non-marketable securities and investment trusts. The valuations of these financial instruments are measured using valuation method with appropriate adjustment to our equity in net assets. The results of the valuations are reviewed and authorized by the appropriate authorized person.

For financial instruments classified as Level 3, significant changes in fair value are not expected if the Company changes the unobservable input to an alternative assumption that can reasonably be considered.

The existence or non-existence of the important transfers between the levels of fair value hierarchy are recognized, assuming that the transfers occurred at the end of each reporting period.

3) Financial instruments not measured at fair value

Primary methods of measuring financial instruments not measured at fair value are as follows:

Debt securities and Long-term borrowings

Fair values of debt securities and long-term borrowings are calculated by present value discounted by the expected rates if the Company made investments or borrowings on equal terms for the remaining period.

(Unit: JPY millions)

	Level 1	Level 2	Level 3	Total
Assets				
Other investments				
Financial assets measured at amortized cost				
Debt securities	-	1,814	-	1,814
Non-current liabilities				
Long-term borrowings (including current portion)	-	46	-	46

4) Changes in financial assets classified as Level 3

Changes in financial assets classified as Level 3 during the years ended March 31, 2025 are as follows

(Unit: JPY millions)

Equity securities	For the year ended March 31, 2025
Balance at the beginning of the year	1,504
Other comprehensive income (Note1)	(39)
Purchase	434
Balance at the end of the year	1,899

(Unit: JPY millions)

Investment trust and other securities	For the year ended March 31, 2025
Balance at the beginning of the year	7,619
Profit or loss (Note2)	41
Purchase	863
Sale	(14)
Balance at the end of the year	8,509

(Notes)

1. Gain or loss included in other comprehensive income is related to investments held at the end date of the year such as non-marketable equity securities. This gain or loss is included in "Changes in fair value of financial assets measured at FVTOCI."
2. Gain or loss included in profit or loss are related to financial assets that are measured at FVTPL as of the end date of the year. This gain or loss is included in finance income or finance expenses. Gain or loss included in profit or loss are due to changes in unrealized gain or loss on financial assets held at end of each reporting period.

7. Notes to Revenue Recognition

(1) Breakdown of the revenues

The breakdown of the revenues recognized in the contracts with customers are as follows. The revenue provided to the customers based on the lease contract is included below due to the immateriality.

		JPY millions
Network services		162,577
	Internet connectivity services (enterprise)	48,994
	WAN services	27,606
	Outsourcing services	59,145
	Internet connectivity services (consumer)	26,832
Systems integration		151,306
	Systems construction	68,773
	Systems operation and maintenance	82,533
ATM operation business		2,948
	Total	316,831

(2) The basic information to understand the revenues

Network service revenue, for which the Company's performance obligations are satisfied over the contractual period, are recognized monthly as profit on a straight-line basis over the period during which the performance obligations are satisfied. Payments are generally made by the end of following month of receiving our services and there is no significant financing components. Initial setup fees received in connection with network services are deferred and the Company performs an assessment to determine whether it in turn, provides a material right for the customer to continue services after the initial contract period. If a contract gives material rights to customers, initial setup fee revenues for the contract are recognized over the estimated average period of the subscription for each service. On the other hand, if the contract does not give a material right, revenue are recognized over the minimum usage period of the subscription for each service.

Systems integration revenue involves one or more of the following deliverables:

- Systems construction services—such services include all or some of the following elements depending on the arrangements to meet each of our customers' requirements: consulting, project planning, system design and the development of network systems. These services also include software installation, as well as hardware configuration and installation.
- Software—we resell third-party software such as Oracle and Windows to our customers, which are installed by us during the system development process.
- Hardware—we also resell third-party hardware, primarily servers, switches and routers, which we install during the system development process. Hardware sold is generic hardware that is often sold by third-party manufacturers and resellers.
- Monitoring and operating services—we monitor our customers' network activity and internet connectivity to detect and report problems. We also provide live data backup services.
- Hardware and software maintenance services—we repair or replace malfunctioned hardware parts. We also troubleshoot software and provide suitable solutions to customers.

System construction services are generally delivered over a period from three to nine months. All hardware and software are delivered and installed during this period. Customers are required to pay a fixed fee that is not payable until after the system construction has been completed and accepted by our customers. Payments are generally made by the end of following month of the customer acceptance and there is no significant financing components.

Monitoring, operating, and hardware and software maintenance services generally commence once our customers have accepted the systems, and contract periods are generally from one to five years. Our contracts include a stated annual fee for these services. Payments are generally made by the end of following month of receiving our services and there is no significant financing components.

For arrangements with multiple performance obligations, including system construction services, hardware, software and undelivered services (e.g., monitoring, operating and hardware and software maintenances services), the Company allocates revenue to all performance obligations based on standalone selling prices. Revenue allocations are performed based on certain key judgements. Standalone selling prices are estimated based on all the reasonably available information including market status, the Company's own factors, and other observable inputs, and using a range of prices properly defined for the purpose of allocation.

Accounting methods for each performance obligation identified and the period for recognition of each performance obligation are as follows:

- Revenue allocated to the performance obligations of system construction services and hardware and software are recognized over the periods during which the performance obligations are fulfilled. The progress is measured by the input method based on the incurred cost (cost to cost method) because we understand that cost is incurred as progress of system construction.
- Revenue related to monitoring, operating and hardware and software maintenance services is recognized on a straight-line basis over the contract period because the Company's performance obligations for these services are satisfied over the contractual periods. The same applies for network services revenue.

The Company evaluates whether it is appropriate to record the gross amount of revenues and related costs or the net amount earned in reporting system construction services and equipment sales, depending on whether the Company functions as the principal or agent.

ATM operation business revenues consist primarily of commissions for ATM withdrawal transactions. The ATM commissions collected at each withdrawal are recognized as ATM operation revenues because customers receive benefits at the time of use.

(3) Information to understand the revenue of the reporting period and the subsequent periods.

i) Contract assets and contract liabilities

Contract assets represent the rights at the end of the reporting period to receive considerations, excluding receivables, in exchange for the fulfillment of performance obligations, mainly in system construction services including software installation and/or hardware configuration and installation. Contract assets are reclassified to receivables when all conditions other than the passage of time are resolved upon completion of the system construction service.

Contract liabilities represent the excess of the consideration received by the customers over the amount for which revenue is already recognized, mainly in monitoring and operating services and/or hardware and software maintenance services. Revenues from contract liabilities are recognized as we transfer those services to a customer and satisfy those performance obligations.

Among the revenue recorded for the year ended March 31, 2025, JPY 11,102 million were recognized from the balance of contract liabilities as of March 31, 2024.

ii) Transaction price allocated to remaining performance obligations

Transaction prices allocated to remaining performance obligations as of March 31, 2025 is JPY 58,417million, which are related to the following services:

- System construction services
- Monitoring, operating and maintenance of hardware and software
- Network services with contracts that give material rights that affect customers' decisions regarding continuing services.

The Company estimates that JPY 39,866 million of revenue related to remaining performance obligations will be recognized within one year and JPY 18,551 million after one year but within six years. Contractual periods of services other than those described above are generally less than one year, and information on remaining performance obligations related to these services is not presented due to immateriality.

8. Notes to per Share Information

(1) Total equity attributable to owners of IJ:	JPY 795.19
(2) Basic net income attributable to IJ per share:	JPY 112.68

9. Subsequent Events

There is nothing to report on this subject.

Non-Consolidated Statement of changes in Net Assets

(From April 1, 2024 through March 31, 2025)

(Unit: JPY millions)

	Shareholders' Equity							
	Common Stock	Capital Surplus			Earned Surplus			
		Legal Capital Surplus	Other Capital Surplus	Total Capital Surplus	Legal Surplus	Other Earned Surplus		Total Earned Surplus
						Reserve for Advanced Depreciation of Fixed Assets	Earned Surplus Brought Forward	
Balance, March 31, 2024	23,023	9,743	-	9,743	502	202	74,299	75,003
Changes								
Issuance of common stock	14	15	-	15	-	-	-	-
Payment of dividends	-	-	-	-	-	-	(6,134)	(6,134)
Reversal of reserve for advanced depreciation of fixed assets	-	-	-	-	-	(40)	40	-
Net income	-	-	-	-	-	-	17,661	17,661
Purchase of treasury stock	-	-	-	-	-	-	-	-
Disposal of treasury stock	-	-	27	27	-	-	-	-
Net changes other than shareholders' equity	-	-	-	-	-	-	-	-
Total changes	14	15	27	42	-	(40)	11,567	11,527
Balance, March 31, 2025	23,037	9,758	27	9,785	502	162	85,866	86,530

	Shareholders' Equity		Valuation and Translation Adjustments	Subscription Rights to Shares	Total Net Assets
	Treasury Stock	Total Shareholders' Equity	Net Unrealized Holding Gains(losses) on Securities		
Balance, March 31, 2024	(12,018)	95,751	8,193	633	104,577
Changes					
Issuance of common stock	-	29	-	-	29
Payment of dividends	-	(6,134)	-	-	(6,134)
Reversal of reserve for advanced depreciation of fixed assets	-	-	-	-	-
Net income	-	17,661	-	-	17,661
Purchase of treasury stock	(0)	(0)	-	-	(0)
Disposal of treasury stock	117	144	-	-	144
Net changes other than shareholders' equity	-	-	444	(10)	434
Total changes	117	11,700	444	(10)	12,134
Balance, March 31, 2025	(11,901)	107,451	8,637	623	116,711

• Notes to Non-Consolidated Financial Statements

1. Notes to Significant Matters Regarding Accounting Policies of Non-Consolidated Financial Statements

1-1. Basis for valuation and recording of assets

(1) Valuation and methods for securities

Shares of subsidiaries and affiliates: Stated at cost based on the moving-average method.

Other securities:

Marketable Securities:

Market value method based on the market price as of the end of the fiscal year (all of the changes in the fair value are directly reported in valuation and translation adjustment in shareholders' equity, while the cost of the securities at the time of their sale is calculated using the moving-average method).

Non-Marketable Securities:

Stated at cost based on the moving-average method.

Investments in limited liability investment partnerships and similar partnerships are accounted for by including IJ's net equity in these investments based on the most recent statement of accounts available according to the report on financial accounts stipulated in the investment partnership agreements.

(2) Valuation and methods for inventories

Inventories are stated at cost (the balance is adjusted to reflect declines in profitability).

Merchandise and supplies: moving-average method

Work in process: specific identification method

1-2. Depreciation methods for assets

(1) Property, Plant and Equipment (excluding assets under capital lease)

Straight-line method

Depreciable assets whose acquisition values are JPY100 thousand or more but less than JPY200 thousand are depreciated in equal installments over three years.

The useful lives of major depreciable assets are as specified below:

Buildings:	20 to 50 years
Plant and buildings facilities annexed:	4 to 20 years
Construction other than buildings:	4 to 45 years
Tools, machines, instruments and equipment:	2 to 20 years

(2) Intangible fixed assets (excluding assets under capital lease)

Straight-line method

Internal-use software is amortized over the estimated useful lives (5 to 7 years).

Goodwill is amortized over 20 years and customer relationships are amortized over 12 to 19 years, which reflects the pattern of economic benefit over their estimated useful lives. Trademark rights and patent rights are amortized over 8 to 10 years based on the estimated useful lives.

(3) Assets under capital lease

Capital leases other than those deemed to transfer ownership of properties to lessees are amortized over the term of leases on a straight-line basis and the residual values equal zero.

1-3. Basis for recording allowances

(1) Allowance for doubtful accounts

To prepare for possible losses resulting from non-payments of account receivables for trade and loans and others, an allowance is provided from past history in the case of general receivables. In the case of credits for which the relevant debtors are likely to default and other certain credits, such allowance is based on the anticipated uncollectible amount after assessment of likelihood of non-payment of individual customers.

(2) Accrued pension cost

To prepare for payments of retirement benefits to employees, a reserve is provided based on the projected retirement benefits obligations and pension assets as of the end of the current fiscal term. Accounting methods used are as follows:

1) Method of attributing the estimated benefit obligation to periods

Upon calculating the retirement benefit obligation, the estimated benefit obligation is attributed to periods up until the fiscal year under review on a benefit formula basis.

2) Amortization method of actuarial calculation differences

The difference arising from actuarial computations is amortized and expensed in the subsequent fiscal term using the straight-line method over a certain number of years not exceeding the average number of remaining service years of the employees at the time of accrual of such payment (12 years).

(3) Accrued directors' and company auditors' retirement benefits

To prepare for payment of retirement benefits to Standing Directors and Company Auditors, IIJ calculates the required amount based on regulation of Directors' and Company Auditors' retirement benefits.

On May 26, 2011, IIJ's Board of Directors resolved to abolish the retirement allowance plan for Standing Directors. In connection with this decision, IIJ proposed to grant a retirement allowance to incumbent Directors in line with the abolished Directors' retirement allowance plan, in order to reward the aforementioned persons for their services during their respective terms of office up to the closing of the Ordinary General Meeting of Shareholders on June 28, 2011 and it was resolved accordingly at the Ordinary General Meeting of Shareholders on June 28, 2011. The payment of each of the retirement allowances will be made for a reasonable amount in accordance with IIJ's established rules at the time of retirement of each Director. Accordingly, the allowance for retirement payment was included in "Accrued directors' and company auditors' retirement benefits".

(4) Provision for loss on contracts

To prepare for potential losses arising from the performance of contracts, IIJ recognizes provisions based on a reasonable estimate.

(5) Provision for share based compensation expenses

In preparation for the delivery of company shares to directors and executive officers in accordance with the Share Delivery Rules, we have recorded an estimated liability for share delivery as of the end of the current fiscal year.

1-4. Basis for recording sales and costs

IIJ recognizes revenue based on the following five-step model.

Step 1: Identify the contract with a customer

Step 2: Identify all the individual performance obligations within the contract

Step 3: Determine the transaction price

Step 4: Allocate the price to the performance obligations

Step 5: Recognize revenue as the performance obligations are fulfilled

IIJ has determined that our performance obligations related to network service are normally satisfied over time because network services make various networks accessible during the contract period. Therefore, revenues from network service are recognized monthly on a straight-line basis over the contract period.

System integration revenues consist of the system construction service and the system operating and maintenance service.

Our performance obligations related to system construction service are satisfied over time, because our performance does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date. Therefore, revenues from system construction service are recognized based on the progress of the fulfillment of the performance obligations measured at the end of the reporting period. The progress is measured by the input method based on the incurred cost (cost to cost method) to reflect the progress of the construction properly because we understand that cost is incurred as progress of system construction.

Revenues from system operating and maintenance service are recognized on a straight-line basis over the period when the performance obligations are fulfilled because our performance obligations maintain various systems available to use during the contract period.

1-5. Other significant accounting policies

(1) Presentation of the amount

The figures are rounded to the nearest million yen.

2. Notes to Changes in Accounting Policies

(Application of the Accounting Standard for Current Income Taxes)

The “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, revised on October 28, 2022; hereinafter referred to as the “2022 Revised Accounting Standard”) has been applied from the beginning of the current fiscal year. Regarding the revision of the classification of income taxes, etc., IJ has followed the transitional treatment prescribed in the proviso to paragraph 20-3 of the 2022 Revised Accounting Standard. There is no impact on the financial statements from the application of this standard.

3. Notes to Accounting estimates and judgements

(Measurement of retirement benefit obligations)

The present value of retirement benefit obligations are calculated based on actuarial assumptions. These actuarial assumptions require estimates and judgments on variables, such as discount rates. We obtain advice from external pension actuaries with respect to the appropriateness of these actuarial assumptions including these variables. There is the possibility that these assumptions may be affected by changes in uncertain future economic conditions, or by the publication or the amendment of related laws, which may have a material impact on the financial statements in future periods.

The amount of retirement benefit obligations as of March 31, 2025 was JPY 10,330 million.

(Measurement of the progress towards complete satisfaction of the performance obligation of the system construction service)

We have determined the performance obligations of the system construction service are satisfied over time and the appropriate method of measuring progress towards complete satisfaction is input method, i.e. costs incurred relative to the total expected costs to the satisfaction of those performance obligations (cost to cost method). For applying the cost to cost method, the calculation of the total expected cost to the satisfaction of the performance obligations requires us to make various judgement and assumptions. There is the possibility that these assumptions may be affected by changes in uncertain future conditions regarding to the system construction service, such as the increasing production costs incurred to additional requirements from the customer, which may have a material impact on the financial statements in future periods.

For the year ended March 31, 2025, the amount of revenue from system construction service recognized by the cost to cost method was JPY 30,598 million.

4. Notes to Non-Consolidated Balance Sheet

Monetary claims and liabilities to affiliated companies (excluding monetary claims or liabilities presented separately)

Short-term monetary claims:	JPY	799 million
Short-term monetary liabilities:	JPY	3,350 million

5. Notes to Non-Consolidated Statement of Income

Transactions with affiliated companies (other than accounts separately presented in financial statements)

Revenues:	JPY	7,409 million
Purchases:	JPY	35,272 million
Turnover from non-operating transactions:	JPY	90 million

6. Notes to Non-Consolidated Statement of Shareholders' Equity

Number of treasury stock as of March 31, 2024

Common stock:	6,268,144 shares
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7. Asset Retirement Obligations

(1) IJ recorded asset retirement obligations for restoration expenses of office premises and land for company offices or data centers in order to comply with the lease agreements.

(2) Calculation method for asset retirement obligations

The asset retirement obligations were calculated using the estimated use period for leasehold of 20 years based on the contract period, headquarter office space of 15 years and branch offices of 20 years based on the current office plan and with the discount rate estimated to be from 0.2% to 3.0%, calculated based on the distribution yield of Japanese government bonds for the corresponding period.

(3) Net increase / decrease of asset retirement obligations as of March 31, 2025

Balance at beginning of the fiscal year:	JPY	829 million
Increases for purchases of tangible assets:	JPY	112 million
Other increases:	JPY	16 million
Balance at end of the fiscal year:	JPY	957 million

8. Deferred Tax Accounting

(1) Major components of deferred tax assets and liabilities:

(Unit: JPY millions)

Deferred tax assets	
Impairment loss on investment securities	143
Accrued directors' and company auditors' retirement benefits	61
Accrued pension and severance cost	1,448
Allowance for doubtful accounts	60
Impairment loss on investments in affiliated companies	2,368
Loss on disposal of telephone rights	49
Impairment loss of telephone rights	20
Accrued enterprise taxes	289
Deferred revenue	152
Provision for contract losses	238
Asset retirement obligations	302
Over depreciation	724
Stock-based compensation	274
Customer relationships	39
Others	684
Subtotal of deferred tax assets	6,851
Valuation allowance	(3,292)
Total of deferred tax assets	3,559
Deferred tax liabilities	
Unrealized gain on other securities	3,972
Customer relationships	146
Reserve for advanced depreciations of fixed assets	74
Asset retirement cost	119
Gain on investment securities	285
Others	45
Total of deferred tax liabilities	4,641
Net amount of deferred tax liabilities	1,082

(2) Application of the Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System

IIJ has adopted the group tax sharing system. Consequently, regarding accounting processing and disclosures for income taxes, local corporate income taxes and tax effect accounting, the Company started to apply the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force No. 42 issued August 12, 2021, hereinafter "PITF No. 42").

(3) Remeasurement of deferred tax assets and liabilities due to a change in income tax rate

In Japan, pursuant to the promulgation of "Partial Amendment of the Income Tax Act, etc." (Act No. 13 of 2025), the special defense corporation tax will be imposed on corporate income tax amounts for fiscal years beginning on or after 1 April 2026. As a result, the effective statutory tax rates, which are used to measure deferred tax assets and deferred tax liabilities, will be increased to 31.5% from 30.6% for temporary differences that are expected to be reversed in the fiscal year, which starts on or after April 1, 2026. This change had no material impact on the result of operation.

9. Notes Regarding Related Party Transactions

(1) Transactions with Parent company and Major shareholder

Type of related company	Name	Business	Ownership (Possessed)	Relation with related parties		Nature of transaction	Amount of transaction (JPY millions)	Account	Balance as of March 31, 2024 (JPY millions)
				Collateral offices of directors	Business Relation				
Major shareholder	KDDI CORPORATION	Telecommunications services	Possessed Direct 11.5%	No	Customer and supplier	Mobile infrastructure service, operation, and maintenance related to mobile services and WAN services	6,210 (Note-1)	Accounts payable	19
								Accounts payable - other	822
A company whose major shareholders own a major of the voting rights on their own account	NTT DOCOMO,INC	Telecommunications services	No	No	Customer and supplier	Mobile infrastructure service, operation, and maintenance related to mobile services	14,438 (Note-1)	Accounts payable	0
	NTT TC Leasing Co., Ltd.	Leasing services	No	No	Customer and lease equipment seller	Purchase of lease equipment	1,423 (Note-2)	Capital lease obligations	3,558
								Accounts payable - other	13

(Note) Terms and conditions of the above transactions:

1 Data connection charge is calculated and determined based on the cost and communication bandwidth under the “Telecommunications Business Law” and the “Interconnection Charges Rules for Category II Designated Telecommunications Facilities”.

2 The purchase price is determined based on an estimate obtained for each transaction, taking into consideration the market price.

10. Notes to Revenue recognition

The basic information to understand the revenues is omitted as it is same as the notes to consolidated financial statements.

11. Notes to Per Share Information

(1) Net assets per share: JPY 656.18

(2) Net income per share: JPY 99.84

12. Subsequent Events

There is nothing to report on this subject.