(TRANSLATION)

Annual Securities Report

(The 33rd Business Term)
From April 1, 2024 to March 31, 2025

Internet Initiative Japan Inc.

Note for readers of this English translation

This is an English translation of the Annual Securities Report (*Yuka-shoken-houkokusho*) of Internet Initiative Japan Inc. ("IIJ") filed with the Director-General of the Kanto Local Finance Bureau in Japan through EDINET (Electronic Disclosure for Investors' NETwork). This translation includes an English translation of the audit report of KPMG AZSA LLC, IIJ's accounting auditor, of the financial statements included in the Japanese original Annual Securities Report. KPMG AZSA LLC has not audited and makes no warranty as to the accuracy or otherwise of the translation of the financial statements of other financial information included in this English translation of the Annual Securities Report.

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.

TABLE OF CONTENTS

【Cover】

【Document Filed】	Annual Securities Report
【Applicable Law】	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
【Filed With】	Director-General, Kanto Local Finance Bureau
【Filing Date】	June 30, 2025
【Fiscal Year】	33rd business term (from April 1, 2024 to March 31, 2025)
【Company Name in English】	Internet Initiative Japan Inc.
【Title and name of representative】	Yasuhiko Taniwaki Representative Director, President and Executive Officer
【Address of Head Office】	2-10-2 Fujimi, Chiyoda-ku, Tokyo
【Phone No.】	+81-3-5205-6500
【Contact Person】	Akihisa Watai, Member of the Board, Executive Vice President and CFO
【Contact Address】	2-10-2 Fujimi, Chiyoda-ku, Tokyo
【Phone No.】	+81-3-5205-6500
【Contact Person】	Akihisa Watai, Member of the Board, Executive Vice President and CFO
【Place Where Available for Public Inspection】	Internet Initiative Japan Inc. Kansai Branch (4-7-28 Kitahama, Chuo-ku, Osaka-shi, Osaka) Internet Initiative Japan Inc. Nagoya Branch (1-24-30 Meieki-minami, Nakamura-ku, Nagoya-shi, Aichi) Internet Initiative Japan Inc. Yokohama Branch (2-15-10 Shin-Yokohama, Kohoku-ku, Yokohama-shi, Kanagawa) Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabuto-cho, Chuo-ku, Tokyo)

PART 1 Information on the Company

Item 1. Overview of the Company

1. Selected Financial Data

(1) Consolidated financial data, etc.

Fiscal year		29th business term ended March 31, 2021	30th business term ended March 31, 2022	31st business term ended March 31, 2023	32nd business term ended March 31, 2024	33rd business term ended March 31, 2025
Revenues	(millions of yen)	213,002	226,335	252,708	276,080	316,831
Operating profit	(millions of yen)	14,248	23,547	27,221	29,029	30,104
Profit before tax	(millions of yen)	14,035	24,162	27,309	28,934	29,184
Profit attributable to owners of the parent	(millions of yen)	9,712	15,672	18,852	19,831	19,933
Comprehensive income, attributable to owners of the parent	(millions of yen)	12,275	17,223	19,264	24,388	20,806
Equity attributable to owners of the parent	(millions of yen)	89,956	103,528	118,242	125,751	140,683
Total assets	(millions of yen)	220,777	231,805	246,318	273,713	312,435
Owners' equity per share	(yen)	498.62	573.16	654.36	711.22	795.19
Basic earnings per share	(yen)	53.84	86.78	104.34	111.81	112.68
Diluted earnings per share	(yen)	53.57	86.37	103.82	111.23	112.10
Ratio of owners' equity to gross assets	(%)	40.7	44.7	48.0	45.9	45.0
Rate of return on equity	(%)	11.5	16.2	17.0	16.3	15.0
Price-earnings ratio	(times)	24.1	23.7	26.4	25.4	23.1
Cash flows from operating activities	(millions of yen)	40,544	43,573	38,529	40,780	28,528
Cash flows from investing activities	(millions of yen)	(13,216)	(11,838)	(18,386)	(17,927)	(21,749)
Cash flows from financing activities	(millions of yen)	(23,618)	(27,296)	(25,731)	(20,797)	(19,667)
Cash and cash equivalents, at the end of fiscal year	(millions of yen)	42,467	47,391	42,472	45,474	32,534
Number of employees (average number of temporary employees, excluded above)	(Persons)	3,805 (44)	4,147 (51)	4,451 (53)	4,803 (66)	5,221 (73)

(Notes)

1. IIJ and its consolidated subsidiaries (collectively "the Company") have prepared consolidated financial statements in accordance with International Financial Reporting Standards (IFRS).
2. IIJ conducted two-for-one stock splits of its common stock with effective dates of January 1, 2021 and October 1, 2022, respectively. The figures for Owners' equity per share, Basic earnings per share and Diluted earnings per share for each fiscal year have been adjusted to reflect the impact of these stock splits.
3. Effective from the 32nd fiscal year, the Company has adopted International Accounting Standard No. 12, "Income Taxes" (revised May 2021, hereinafter referred to as "IAS 12, Income Taxes"). As a result, the figures for the 31st fiscal year are based on the retrospective application of IAS 12 "Income Taxes."

(2) Non-consolidated financial data, etc.

Fiscal year		29th business term ended March 31, 2021	30th business term ended March 31, 2022	31st business term ended March 31, 2023	32nd business term ended March 31, 2024	33rd business term ended March 31, 2025
Revenues	(millions of yen)	185,323	190,180	209,819	228,257	259,314
Ordinary income	(millions of yen)	13,381	22,455	24,383	25,916	24,501
Net income	(millions of yen)	9,962	11,596	17,422	18,563	17,661
Common stock	(millions of yen)	22,991	23,023	23,023	23,023	23,037
Number of shares issued	(shares)	93,469,200	93,534,800	187,069,600	183,141,100	183,184,884
Net assets	(millions of yen)	79,260	87,924	99,458	104,577	116,711
Total assets	(millions of yen)	166,785	172,937	178,089	202,377	227,115
Net assets per share	(yen)	436.82	484.15	547.34	587.88	656.17
Dividends per share	(yen)	29.75	48.00	29.26	34.36	35.00
(Interim dividend per share included above)	(yen)	(10.25)	(23.00)	(14.63)	(17.18)	(17.50)
Net income per share	(yen)	55.22	64.21	96.42	104.66	99.84
Diluted net income per share	(yen)	54.95	63.91	95.95	104.11	99.32
Capital to asset ratio	(%)	47.3	50.6	55.5	51.4	51.1
Return on equity	(%)	13.5	13.9	18.6	18.3	16.1
Price-earnings ratio	(times)	23.5	32.0	28.5	27.1	26.0
Dividend payout ratio	(%)	26.9	37.4	30.3	32.8	35.1
Number of employees (average number of temporary employees, excluded above)	(persons)	2,214 (25)	2,344 (29)	2,475 (28)	2,680 (38)	2,971 (44)
Gross shareholders' profit ratio	(%)	148.3	236.0	317.8	331.6	308.8
(Comparative indicator : TOPIX including dividend)	(%)	(142.1)	(145.0)	(153.4)	(216.8)	(213.4)
Highest stock price	(yen)	2,675 (5,320)	5,110	2,788 (5,520)	3,126	3,220
Lowest stock price	(yen)	1,989 (3,145)	2,354	2,164 (3,690)	2,309.5	2,069.5

(Notes)

1. IIJ has applied "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29; March 31, 2020) and relevant ASBJ regulations from the beginning of the 30th business term ended March 31, 2022. The figures for the 30th business term and thereafter are after the application of the accounting standard and relevant ASBJ regulations.
2. Return on equity is calculated based on the average net assets during the business term.
3. IIJ conducted two-for-one stock splits of its common stock with effective dates of January 1, 2021 and October 1, 2022, respectively. The figures for Net assets per share, Net income per share and Diluted net income per share for each business term have been adjusted to reflect the impact of these stock splits.
4. Dividend per share and interim dividend per share for the 29th business term ended March 31, 2021 are calculated based on the assumption that the two-for-one stock split of common stock, which was effective on January 1, 2021, was conducted at the beginning of the business term.
5. Dividend per share and interim dividend per share for the 31st business term ended March 31, 2023 are calculated based on the assumption that the two-for-one stock split of common stock, which was effective on October 1, 2022, was conducted at the beginning of the business term.
6. Highest and lowest stock prices of our common stock on and before April 3, 2022 are on the first section of the Tokyo Stock Exchange and on and after April 4, 2022, on the Tokyo Stock Exchange Prime Market, respectively. As for the business term ended March 31, 2021 and March 31, 2023, the highest and lowest stock prices after the stock split are shown, while the highest and lowest share prices before the stock split are shown in the brackets.

2. Corporate History

Date	History
December 1992	For the commercialization of the Internet in Japan, Internet Initiative Planning Inc. was established in Chiyoda-ku, Tokyo, with the registered capital of JPY18 million.
May 1993	Changed company name from Internet Initiative Planning Inc. to Internet Initiative Japan Inc.
July 1993	Launched “Internet connectivity services”
February 1994	Authorized and registered by the Ministry of Posts and Telecommunications (currently the Ministry of Internal Affairs and Communications) as a Special Type 2 telecommunications carrier (currently Telecommunications operators (*))
January 1995	Established IIJ Media Communications Inc. (formerly our consolidated subsidiary, merged into IIJ in October 2005) to provide various services such as video-audio contents (*) distribution, homepage content development and contents server (*) construction.
November 1995	Established Asia Internet Holdings Inc. (formerly our equity method investee, merged into IIJ in October 2005) to build and operate Internet backbone (*) networks in the Asia Pacific Region, and provide Internet connectivity services in the region.
March 1996	Established IIJ America Inc. (our consolidated subsidiary, wholly owned since May 2007) to operate Internet backbone networks in the United States of America and provide Internet connectivity services in the United States of America.
November 1996	Established IIJ Technology Inc. (formerly our consolidated subsidiary, wholly owned in May 2007 and merged into IIJ in April 2010) to provide systems integration (*) services.
September 1997	IIJ and NIPPON TELEGRAPH AND TELEPHONE CORPORATION (currently NTT Communications Corporation) Group established a joint venture company, INTERNET MULTIFEED CO. (our equity method investee) to operate Internet Exchange Points (*) and offer Internet Exchange services.
February 1998	Merged five regional affiliated companies (formerly our consolidated subsidiaries, established sequentially from October 1994 to August 1995) in order to strengthen domestic sales base and improve management efficiency. The registered capital of IIJ increased to JPY842 million.
February 1998	Established Net Care, Inc. (currently IIJ Engineering Inc., our consolidated subsidiary, wholly owned since May 2007) to provide a broad array of support services such as monitoring of network systems, customer service support and call centers.
April 1998	Established IIJ Research Laboratory, as an internal organization in IIJ, to promote research and development of the Internet-related technology.
October 1998	Established a telecommunications carrier (*), Crosswave Communications Inc. (former our equity method investee)
August 1999	American Depositary Receipts (ADRs) (*) of IIJ were registered and listed on the NASDAQ exchange. The registered capital of IIJ increased to JPY7,082 million.
August 1999	Launched IPv6 (*) Internet connectivity services.
August 2003	Crosswave Communications Inc. (formerly our equity method investee) filed voluntary petitions for commencement of corporate reorganization proceedings.
September 2003	Raised capital of JPY12,000 million by third party allotment of new shares, and the registered capital of IIJ increased to JPY 13,765 million. IIJ became an equity method investee of NIPPON TELEGRAPH AND TELEPHONE CORPORATION (“NTT”).
December 2003	Crosswave Communications Inc. concluded business transfer agreement with NTT Communications Corporation.
October 2004	IIJ Financial Systems Inc. (formerly our consolidated subsidiary, merged into IIJ together with IIJ Technology Inc.), established in September 2004 as a wholly owned subsidiary of IIJ Technology Inc., launched its business which was transferred from Yamatane Corporation.
December 2005	Listed its common shares on Mothers market of Tokyo Stock Exchange. The registered capital of IIJ increased to JPY16,834 million.
August 2006	Reduced additional paid-in capital and common stock and made up for the accumulated deficit carried forward in IIJ’s non-consolidated financial statements.
October 2006	Net Chart Japan Inc. (our consolidated subsidiary), established in August 2006, took over the business of ex-Net Chart Japan Inc. and launched its business.
December 2006	Transferred from Mothers market to the First Section of the Tokyo Stock Exchange.
June 2007	Acquired all the stocks of hi-ho Inc. (formerly our consolidated subsidiary) from Panasonic Network Services Inc. and made hi-ho Inc. wholly owned. Prior to this transaction, hi-ho Inc., providing Internet provider services and solution services for corporations, was incorporated by company split from Panasonic Network Services Inc.
July 2007	Invested in Taihei Computers, Co., Ltd. (currently Trinity Inc., our equity method investee) and started to carry on its business as a joint venture company with Hirata Corporation. (Taihei Computers’ parent company) Taihei Computers, Co., Ltd. provides reward point management systems and services.
July 2007	Established Trust Networks Inc. (our consolidated subsidiary from October 2007) to provide ATM (*) operation business.
January 2008	Launched mobile data communication services for corporate use as a mobile virtual network operator (MVNO (*)) with provision of wholesale telecommunication services by NTT DOCOMO, INC.
June 2008	Established IIJ Innovation Institute Inc. (formerly our consolidated subsidiary, merged into IIJ in April 2022) to research and develop new technologies for the next-generation network systems including Internet, and began to receive contracts for such research.

Date	History
December 2009	Launched cloud computing (*) service “IIJ GIO.”
September 2010	Acquired all the stocks of a newly established company, succeeding AT&T’s network outsourcing services such as WAN(*) services in Japan, from AT&T Japan LLC. The newly established company, as our wholly owned subsidiary, changed its company name to IIJ Global Solutions Inc. (“IIJ-Global”) and started to carry on its business.
April 2011	Established a container-based modular data center (*) using free cooling in Matsue-city, Shimane Prefecture.
January 2012	Our consolidated subsidiary, IIJ-Global, established IIJ Global Solutions China Inc. (our consolidated subsidiary) to provide network services and systems integration services in China.
February 2012	Launched consumer mobile services which offer LTE (*)-compatible inexpensive high-speed data communication services with SIM cards (*).
April 2012	Acquired Exlayer Global Inc. (formerly our consolidated subsidiary, merged into IIJ in January 2014), with its five overseas subsidiaries providing systems integration. Exlayer Global Inc. changed its company name to IIJ Exlayer Inc. and started to carry on its business.
July 2012	Our consolidated subsidiary, IIJ-Global, established IIJ Global Solutions (Thailand) Co., Ltd. (our consolidated subsidiary) to provide systems integration services in Thailand.
July 2013	The registered capital of IIJ increased to JPY21,835 million by public offering of new shares.
August 2013	The registered capital of IIJ increased to JPY22, 958 million by third party allotment (secondary offering by way of over-allotment), relating to the public offering of new shares in July 2013.
December 2014	Acquired all the stocks of RYUKOSHA NETWARE Inc. (our consolidated subsidiary, currently IIJ Protech Inc.), which provides human resources outsourcing services for fields such as systems development, operation and service support.
January 2015	Established a joint venture company, PT. Biznet Gio Nusantara (our equity method investee), with a leading Indonesian IT service provider, Biznet Networks (Formal company name: PT. Supra Primetime Nusantara) to provide cloud computing services in Indonesia. Simultaneously, established PT.IIJ Global Solutions Indonesia (our consolidated subsidiary) together with our consolidated subsidiary, IIJ-Global, to provide operation and maintenance for cloud- related services in Indonesia.
November 2015	Launched cloud computing service “IIJ GIO Infrastructure P2.” (*)
February 2016	Established a joint venture company, Leap Solutions Asia Co., Ltd. (our equity method investee), with a leading Thai IT service provider, T.C.C. Technology Co., Ltd. to provide cloud computing services in Thailand.
November 2016	Established IIJ Global Solutions Vietnam Company Limited (our consolidated subsidiary) in order to jointly promote a cloud computing business in Vietnam with a leading Vietnamese IT provider, FPT Telecom Joint Stock Company. IIJ Global Solutions Vietnam Company Limited provides operation and maintenance for cloud-related services in Vietnam.
December 2016	Established a joint venture company, JOCDN Inc. (our equity method investee), with Nippon Television Network Corporation to provide a content delivery network service in Japan and construct and operate network systems for broadcasting. In April 2017, 14 commercial broadcasting companies including major commercial broadcasters headquartered in Tokyo participated in JOCDN Inc. as shareholders.
December 2017	Dispose of all shares held of hi-ho Inc., formerly our wholly owned subsidiary, providing mainly Internet connectivity services for home use.
January 2018	Established DeCurret Inc. (formerly our equity method investee, currently DeCurret Holdings Inc. is our equity method investee established in December 2021 through reorganization of DeCurret Inc.) with Japanese leading companies from various industries such as major financial institutions, to launch a financial services business for digital currencies (*) exchange and settlement.
March 2018	Launched “IIJ mobile service Type I” (*) as the first full-MVNO (*) in Japan.
April 2019	Effectiveness of voluntary delisting of IIJ ADRs from the NASDAQ Exchange
May 2019	Established the Shiroi Data Center Campus incorporating a system module-based construction method (*) in Shiroi-city, Chiba Prefecture.
July 2019	Launched the first eSIM (*) Service in Japan
April 2021	Acquired all the shares of PTC SYSTEM (S) PTE LTD (“PTC”, our consolidated subsidiary), which is mainly engaged in system integration business in Singapore.
August 2021	IIJ Group's Binding Corporate Rules (BCR) (*) were approved by European regulatory body.
October 2021	Launched a cloud computing service “IIJ GIO Infrastructure P2 Gen.2.” (*)
December 2021	Cloud computing service “IIJ GIO Infrastructure P2” was registered on Information System Security Management and Assessment Program (ISMAP) (*), Japanese government’s cloud service list.
February 2022	DeCurret Holdings Inc. divested its crypto asset business to concentrate on its digital currency business.
April 2022	The listing market for IIJ’s common stock was transferred from the First Section of the Tokyo Stock Exchange to the Prime Market of the Tokyo Stock Exchange, a new market segment.
May 2023	Due to the partial sale of our company's shares by NTT, which had been our largest shareholder, IIJ was not classified as the equity method investees of NTT. Entered into capital and business alliance agreement with KDDI Corporation, which became the largest shareholder with the same shareholding percentage as NTT Group.

(*) Please refer to the Glossary in the back of this document for terms marked with asterisks throughout this document.

3. Description of Business

(1) Overview of our business

IIJ was incorporated in December 1992 as one of the first commercial Internet service providers (“ISP”) (*) in Japan to offer Internet connectivity services for both enterprises and consumers. Since then, IIJ has developed Internet-related businesses along with the expansion of the Internet-related market in Japan.

The Company have been accumulating Internet-related technology as their fundamental strength and providing highly reliable and value-added network services (Internet connectivity services, outsourcing services and WAN services) and various Internet-related services such as systems integration and equipment sales as total network solutions to mainly Japanese corporate clients and governmental organizations. Trust Networks Inc., our consolidated subsidiary which conducts an ATM operation business, operates bank ATMs and network systems for ATMs and receives a commission for each bank withdrawal transaction when a customer uses its serviced ATMs.

IIJ is a telecommunications carrier based on the Telecommunications Business Law.

As of this document’s filing date, we have 17 consolidated subsidiaries and six equity method investees and develop our business in cooperation with these affiliated companies.

Our business segments, overview of our services and an overview of IIJ and IIJ’s consolidated subsidiaries’ businesses are as follows.

i) Contents of our business segments and services

We have two business segments: a network services and systems integration business segment and an ATM operation business segment. The network services and systems integration business segment, as the main business, is comprised of Internet connectivity services, outsourcing services, WAN services, systems integration and equipment sales. The ATM operation business segment is conducted by Trust Networks Inc., which is our consolidated subsidiary.

Business segment	Contents of services in each of the business segments
Network services and systems integration business	Internet connectivity services for enterprises and consumers, outsourcing services, WAN services, systems integration and equipment sales
ATM operation business	Construction and operation of bank ATMs and network systems

ii) Overview of our services

Service category	Overview of the each services
Network services	For Internet connectivity services for enterprises which are mainly provided by IIJ, we offer various Internet connectivity services, including mobile services, to our customers, mainly corporate and governmental organizations, which use networks for their business. In addition, for Internet connectivity services for consumers, IIJ offers various Internet connectivity services such as mobile data communications services and sells mobile phones for consumers. For outsourcing services which are mainly provided by IIJ to our customers, mainly corporate and governmental organizations, we offer security (*)-related, network-related, server-related and data center-related outsourcing services, as well as public cloud (*) computing services. For WAN services which are mainly provided by IIJ-Global, which is our consolidated subsidiary, and IIJ, we offer closed network services to our customers, mainly corporate and governmental organizations, to connect remote bases such as connecting headquarters and branch offices, and branch offices by using data communication services such as dedicated lines, wide-area Ethernet (*) services, IP (*)-VPN (*) services and Internet VPN.
Systems integration (including equipment sales)	For systems construction which is mainly provided by IIJ, we offer network systems (*) design, consultation, development of network systems. We also sell mobile devices and service adapters (*) to our customers such as our in-house developed router, the “SEIL Series.” (*) For systems operation and maintenance which is mainly provided by IIJ, we offer operation and maintenance of the customer systems which we construct; our server equipment which our customers use as private cloud (*) computing services and so on.
ATM operation business	Trust Networks Inc., which is our consolidated subsidiary, operates bank ATMs and network systems for ATMs, and receives a commission for each bank withdrawal transaction when a customer uses its serviced ATMs.

iii) Overview of IIJ and IIJ's consolidated subsidiaries' businesses

Name	Overview of business
Internet Initiative Japan Inc.	Internet Initiative Japan Inc. mainly provides Internet connectivity services; mobile data communications services; security-related services; network services such as VPN, server, cloud computing services, data center-related outsourcing services, and network and system design; consultation; development; construction; sales of equipment and software purchased from third parties and operation and maintenance for constructing networks and systems. Its services are recorded as network services and systems integration (network services and systems integration business segment) on our consolidated financial statements.

Major subsidiaries	
Name	Overview of business
IIJ Engineering Inc.	IIJ Engineering Inc. mainly provides outsourcing services such as monitoring network operations, customer support and call centers. Its services are recorded as network services and systems integration (network services and systems integration business segment) on our consolidated financial statements.
IIJ Global Solutions Inc. ("IIJ-Global")	IIJ-Global provides domestic network outsourcing services, such as WAN services, international network-related services and systems integration. Its services are recorded as network services and systems integration (network services and systems integration business segment) on our consolidated financial statements.
IIJ Protech Inc.	IIJ Protech Inc. engages in human resources outsourcing for enterprises, including systems development, systems operation and service support. Its services are mainly recorded as systems integration (network services and systems integration business segment) on our consolidated financial statements.
Trust Networks Inc.	Trust Networks Inc. operates bank ATMs and related network systems. Its services are recorded as ATM operation business (ATM operation business segment) on our consolidated financial statements.
Net Chart Japan Inc.	Net Chart Japan Inc. provides network construction services that are mainly related to Local Area Networks ("LAN") (*), such as installation and configuration of equipment, wiring following network installation and installation and operation support for applications. Its services are mainly recorded as systems integration (network services and systems integration business segment) on our consolidated financial statements.
IIJ America Inc.	IIJ America Inc., as our U.S. network base, provides construction and operation of Internet backbone, Internet connectivity services, construction, operation and maintenance of networks and systems, cloud computing services and so on in the U.S. Its services are recorded as network services and systems integration (network services and systems integration business segment) on our consolidated financial statements.
IIJ Europe Limited	IIJ Europe Limited, as our network base in Europe, provides construction and operation of Internet backbone, Internet connectivity services, construction, operation and maintenance of networks and systems, and cloud computing services and so on in Europe. Its services are recorded as network services and systems integration (network services and systems integration business segment) on our consolidated financial statements.
IIJ Global Solutions Singapore Pte. Ltd.	IIJ Global Solutions Singapore Pte. Ltd. provides Internet connectivity services, construction, operation and maintenance of networks and systems, and cloud computing services in Singapore. Its services are recorded as network services and systems integration (network services and systems integration business segment) on our consolidated financial statements.
PTC SYSTEM(S) PTE LTD ("PTC")	PTC mainly provides system construction and operation and maintenance services in Singapore. Its services are recorded as network services and system integration (network services and systems integration business segment) on our consolidated financial statements.
IIJ Global Solutions China Inc.	IIJ Global Solutions China Inc. provides Internet connectivity services, construction, operation and maintenance of networks and systems, and cloud computing services in China. Its services are recorded as network services and systems integration (network services and systems integration business segment) on our consolidated financial statements.

Major equity method investees	
Name	Overview of business
INTERNET MULTIFEED CO.	INTERNET MULTIFEED CO. which was established as a joint venture with NTT Group, mainly operates interconnection points and provides IPv6 Internet connection for telecommunications carriers.
JOCDN Inc.	JOCDN Inc., a joint venture with companies such as Japanese private broadcast companies, provides a content distribution platform services within Japan
DeCurret Holdings, Inc.	DeCurret Holdings, Inc., a joint venture with leading Japanese companies from various industries including major financial institutions, provides exchange and settlement services for digital currencies.
Trinity Inc.	Trinity Inc., Hirata Corporation's consolidated subsidiary, provides development, construction, selling and outsourcing of customer loyalty reward program systems and others.

The following table provides a breakdown of the total revenues, percentage of the total revenues and the total gross margin by service for the fiscal years ended March 31, 2024 and 2025.

Service category	IFRS					
	Fiscal year ended March 31, 2024			Fiscal year ended March 31, 2025		
	Revenues (millions of yen)	Percentage of the total revenues (%)	Gross profit (millions of yen)	Revenues (millions of yen)	Percentage of the total revenues (%)	Gross profit (millions of yen)
Network services	151,347	54.8	43,493	162,577	51.3	45,273
Systems integration	121,819	44.1	19,042	151,306	47.8	21,753
ATM operation business	2,914	1.1	1,331	2,948	0.9	1,376
Total	276,080	100.0	63,866	316,831	100.0	68,402

(Notes) Systems integration includes equipment sales.

Our group provides network services and systems integration as comprehensive solutions in the domestic market. We promote providing customers with composite services in the form of solutions and systems integration by the continuous development and functional expansion of highly reliable and value-added network-related services, for example, we connect clients' multiple branches by providing Internet connectivity services or WAN services, including VPN services, accommodate clients' servers at data centers, operate and manage clients' network equipment, such as routers (*), undertake the outsource of clients' email systems operation, offer outsourcing services such as security-related services, and provide systems design, construction and maintenance as systems integration.

We focus on providing cloud computing services as part of network services and systems integration business. From the fiscal year ended March 31, 2010, we began providing our cloud computing services and continue in our efforts to expand service line-up, enhance server and network facilities and others, enhance our data center facilities, and strengthen marketing, promotion and others.

We focus on providing mobile data communications services for enterprises and consumers as a part of network services. Regarding mobile services for enterprises, we provide our mobile network infrastructure and peripheral systems to other MVNOs through MVNE (*) scheme, and accumulate enterprise demands such as IoT (*) by promoting full-MVNO through which we can connect various devices and provide embedded chip SIM (*). Regarding mobile services for consumers, as the inexpensive data communications and voice services through SIM cards (*) becoming widespread, we are expanding our sales channels, updating our service specifications, and expanding our service line-up.

As of the filing date of this document, we have 12 overseas subsidiaries in the United States, Europe and Asia, primarily to fulfill the broad range of IT needs of our Japanese customers that aim to expand their overseas business, and strengthen our business base to provide network services and systems integration overseas. We provide Internet connectivity services in the United States, the United Kingdom and other countries, outsourcing services such as security-related services, WAN services to connect overseas bases, overseas systems integration, cloud computing services in the United States, Europe, China, Singapore, Indonesia, Thailand and Vietnam, and others.

In addition, we conduct our ATM operation business through our consolidated subsidiary, Trust Networks, which operates bank ATMs and network systems for ATMs and receives a commission for each bank withdrawal transaction when a customer uses its serviced ATMs.

(2) The features of our business

i) The history of our business

Based on the aspiration to spread Internet throughout Japan as a new means of communication, IIJ was incorporated mainly by Internet-related engineers in December 1992, when Internet had not yet widespread, as one of the first commercial ISPs in Japan. At the establishment of IIJ, as there were a few Internet-related engineers in Japan, “WIDE project” (*), which was conducted through industry-university joint research and development, was influential in developing and gathering Internet-related technologies. IIJ was established mainly by the engineers involved in such research and development. IIJ, who has accumulated Internet-related technological strengths as its business base, seeks to provide highly reliable and value-added network services, contributes to the spread of Internet today and leads the market.

At the start of IIJ’s business, as there were a few ISPs serving consumers and no tough competition, IIJ quickly expanded its customer base. Initially, the needs of its customers mainly encompassed Internet connectivity services. As Internet became more widespread; however, these needs shifted to multiple and diversified solutions such as Internet-related network systems construction, operation and maintenance. The spread of Internet and the diversification of customers' needs rapidly expanded, and therefore IIJ established its affiliates and expanded the scope of business as IIJ Group to grasp the market.

The name “IIJ” is well known in the Internet-related market. IIJ’s technology is acknowledged in the market due to its business history and it shall strive to continue to be more widely recognized.

IIJ, together with its consolidated companies and others in the Company, provides total network solutions to its customers. In addition, IIJ aims to expand business in the middle- to long-term, and therefore promotes business field expansion through new business development, M&As and others, and business collaboration with business partners. (Please refer to “PART 1. Information on the Company, Item 1, Overview of the Company, 2. Corporate History” and “PART 1. Information on the Company, Item 1, Overview of the Company, 4. Information on Affiliates” for details)

ii) Accumulation of technological strength

We recognize our strength is the accumulation of a wide range of technological know-how in Internet field. We recognize Internet-related technological strengths encompasses designing, constructing and operating networks and servers, operating network equipment such as routers, implementing security, adapting new technologies, and developing and disseminating knowledge through consultation, experience, know-how and ability to implement new network services and solutions.

We provide services based on our technological strength, which enables us to combine Internet-related technologies, design and construction, stably operate wide bandwidth and extensive network systems, stably handle large volume of network traffic (*), develop and provide highly reliable services that incorporate necessary measures to maintain security and to prevent troubles, and develop and provide services and solutions to meet the needs of customers.

iii) Customer base

Since our establishment, with technical strength as our selling point, we have engaged in business activities mainly for enterprises and governmental organizations who prioritize the reliability of network systems. The number of our corporate customers including governmental organizations was approximately 16,000 clients as of March 31, 2025.

(3) Contents of IIJ and IIJ's consolidated subsidiaries' businesses

i) Network services

[Internet connectivity services]

We provide Internet connectivity services and receive continuous communication fees from our customers. Internet connectivity services are provided by connecting customers' LAN and computer devices to our group networks through access lines (*) or networks provided by telecommunications carriers. As described in the next item "(4) Our networks," we construct high-capacity networks and operate them through our operation technologies accumulated since our establishment, which enable us to provide stable and high-speed Internet connectivity services. We were the first ISP in Japan to introduce Service Level Agreements (SLA) (*) for Internet connectivity services. In addition, we started to commercially provide Internet connectivity services by IPv6, the next-generation Internet Protocol (*), for the first time in Japan. We have service line-ups for Internet connectivity services by separating specifications such as bandwidth, access lines, allocation of IP addresses (*), operation of DNS servers (*), operation of routers, and price.

a) Internet connectivity services for enterprises

We provide various Internet connectivity services to enterprises such as "IP Service (*)," "IIJ Data Center Connectivity Service," "IIJ Mobile Service" and "IIJ Mobile MVNO Platform Service."

"IP Service" and "IIJ Data Center Connectivity Service," in which customers can choose broad bandwidth, are high-unit-price and full-spec, and offer no restriction on the number of allocation of IP addresses to provide broadband (*) service exceeding Gbps (*) and others, and used mainly by large corporate and governmental organizations and others. "IIJ Data Center Connectivity Service" provides Internet connectivity services when customers house their facilities in our data centers. "IIJ Mobile Service" provides mobile data communications services to enterprises by purchasing mobile network infrastructure from NTT DOCOMO Inc. ("NTT Docomo") and KDDI Corporation ("KDDI") as an MVNO. "IIJ Mobile MVNO Platform Service" provides mobile network infrastructure and peripheral systems to MVNOs.

b) Internet connectivity services for consumers

We provide Internet connectivity services to consumers such as "IIJmio Service," which is provided under IIJ brands and "OEM" (*).

"IIJmio Service" is a customized service which enable customers to combine various functions. We provide mobile data communication and voice services through LTE SIM cards and fixed-line services such as FLET'S (*) HIKARI.

OEM provides operation of networks and services, and others, when telecommunications carriers and other suppliers provide Internet connectivity services for consumers and others.

The following table shows the number of our Internet connectivity service contracts and total contracted bandwidth as of the dates indicated.

< Internet connectivity service contracts and total contracted bandwidth > (Note 1)

	As of March 31, 2024	As of March 31, 2025
Internet connectivity services (enterprise)	3,638,223	4,535,036
IP service (greater than or equal to 1Gbps) (Note 2)	1,395	1,484
IP service (less than 1Gbps) (Note 2)	1,401	1,597
IIJ Mobile Services (enterprise)	3,535,558	4,427,695
Enterprise mobile service (IoT usage, etc.)	2,349,885	3,176,021
IIJ Mobile MVNO Platform Service	1,185,673	1,251,674
Others	99,869	104,260
Internet connectivity services (consumer)	1,609,944	1,629,725
IIJmio Mobile Service	1,274,410	1,311,509
Others	335,534	318,216

	As of March 31, 2024	As of March 31, 2025
Total contracted bandwidth (Gbps) (Note 3)	10,441.7	13,832.2

(Notes)
1. Numbers in the table above show number of contracts except for “IIJ Mobile Services (enterprise)” and “IIJmio Mobile Service” which show number of subscriptions.
2. The numbers of IP service contracts includes the numbers of IIJ data center connectivity service contracts.
3. Total contracted bandwidth is calculated by multiplying number of contracts under “Internet connectivity services (enterprise)”, excluding “IIJ mobile services” and the contracted bandwidths of the services respectively.

[Outsourcing services]

We provide outsourcing services along with Internet connectivity services and WAN services. Outsourcing services aim to make more effective use of network systems, including operation and management of customers' network systems. Outsourcing services mainly consist of security-related, network outsourcing-related, server outsourcing-related, data center-related, packaged-type cloud computing services and others. The following table shows an overview of these services.

We recognize the importance of Internet utilization and the needs of reliable network system in the business operation of corporates, governmental organizations and others are increasing. We are able to meet these increasing needs, show advantages based on our technologies, and will show our advantages.

Category	Overview of each services
Security-related	Provide security systems and operating and monitoring such systems to implement counter measures for unauthorized access, attack and others, 24 hours a day/365 days a year by security operation center (*), providing application service and solution for spam mail (*), providing security function through the SASE (Secure Access Service Edge)(*) concept, evaluating vulnerability, supporting establishment of security policy (*), and supporting security such as internal training
Network outsourcing-related	Provide VPN service, configuring, operating and maintenance of network equipment, providing total solution of these services, secure remote access (*) environment and others.
Server outsourcing-related	Provide functions of e-mail server, web server, contents distribution server and others, operating and managing e-mail and others.
Data center-related	House customers' server and others in our data center and providing functions of equipment management and operational monitoring.
Public cloud computing service	Provide packaged-type public cloud hosting service (*).
Others	Provide outsourcing services such as customer support and call centers, and others.

[WAN services]

IIJ and IIJ-Global, which is our consolidated subsidiary, are the Company's main providers of WAN services. WAN services construct and provide a wide-area network to connect customers' bases by purchasing corporate communication services such as dedicated lines, wide-area Ethernet, IP-VPN and Internet VPN provided mainly by telecommunications carriers, and we provide operation and monitoring of the wide-area network and others together, by customers' request.

We provide WAN services to meet customer needs because we are independent from any specific telecommunications carrier or communication equipment manufacturer and effectively combine the services and equipment of each company according to our customers' needs.

ii) Systems integration (including equipment sales)

We, as systems integration, provide consultation, design, systems development, systems construction, outsourcing, such as systems operations and others for Internet, Intranet (*) and network systems, such as WAN for enterprises, governmental organizations and others. We have a wide range of target systems, such as for design and construction of network systems connecting internal companies and bases, enhancement of office IT environment, including implementation of groupware and virtual desktop environment, electronic transaction systems such as systems of on-line securities trading company (*), systems development and operation for application service providers (ASP) (*), operation of customers' systems that we construct and our server equipment which our customers use for private cloud computing services.

We sell equipment when we need to provide network equipment and others to customers along with our services. We sell customers' service adapters such as our in-house developed SEIL Series router, as well as equipment purchased from third parties. In addition, we sell mobile devices, such as smartphones and tablets, along with providing mobile data communications services.

iii) ATM operation business

Trust Networks Inc. ("Trust Networks"), which is our consolidated subsidiary, conducts an ATM operation business. The business model of the ATM operation business is based on the construction and operation of network for bank ATMs, with Trust Networks receiving a commission for each bank withdrawal transaction when a customer uses its serviced ATMs.

(4) Our networks

i) Networks

We operate backbone network by leasing backbone lines from telecommunications carriers and connecting data centers in which network equipment and others are laced. Our backbone network is a foundation for stably and continuously providing reliable, value-added and various network-related services. Therefore we design and operate our backbone network by considering performance and fault tolerance.

As our general principle, each domestic connection point (NOC (*) and data center) is connected by two other connection points and different backbone routers (*) which go through multiple high-speed digital communication lines. In addition, by increasing the capacity through use of multiple communication carriers' lines, the capacity of each backbone line has sufficient bandwidth even under peak traffic conditions. Each connection point is located on premises protected by uninterrupted power supplies, air conditioning, fire-fighting equipment, and a rigorous building access control system. Thus, our Internet backbone network is designed to continuously operate without quality deterioration as far as possible, even if failure arises in a single communication line, backbone router, telecommunications carriers' communications facility, or our connection point.

Based on this design, we operate a high-capacity Internet backbone network which connects domestic points including our major points in Tokyo and Osaka. In terms of interconnection, we connect high-capacity lines from our multiple points in Tokyo and Osaka to JPNAP (*), which is an Internet exchange operated by INTERNET MULTIFEED CO., our equity method investee. We also have been a part of the WIDE project, which has hosted an Internet exchange point called dix-ie (Distributed IX in EDO) (*) since its project establishment and interconnect. In addition, we establish peering (*) interconnection with major domestic ISPs.

The Internet backbone network between Japan and the United States is connected by international backbone lines provided by several different international telecommunications carriers to multiple points in Japan and the United States and we operate fault-tolerant networks between Japan and the United States. The Internet backbone network in the United States is designed, constructed and operated based on a similar approach that used in Japan. The Internet backbone network is connected to multiple major Internet exchanges in the United States and peer with major ISPs in the United States and other countries.

The Internet backbone network for Europe is designed and constructed by directly connecting Japan and the United Kingdom, to reduce data transmission delays and to continuously operate without quality deterioration, as far as possible. With this design, we are able to use two routes, keeping one open even when there is a connection failure in the other.

The Internet backbone network for Asia is designed and constructed by connecting three countries, Japan, Singapore and Hong Kong to operate without quality deterioration as far as possible. With this design, we are able to use two routes, keeping one open even when there is a connection failure in the other. These overseas backbone networks are connected to multiple major Internet exchanges in the United Kingdom, Singapore and Hong Kong, respectively.

In addition, like our Internet backbone network, we have built a robust network by using the networks of multiple carriers and multiple different geographical routes to provide our customers with a virtual private network that can be connected to our cloud services and services provided by other companies.

We provide mobile data communications services for enterprises and consumers through an MVNO scheme. With regards to mobile communications networks required to provide mobile data communications services, we lease mobile network infrastructure from mobile carriers such as NTT Docomo and KDDI. We lease the required bandwidth from NTT Docomo and KDDI based on the number of contract lines, traffic and other factors, and operate it.

ii) Data Centers

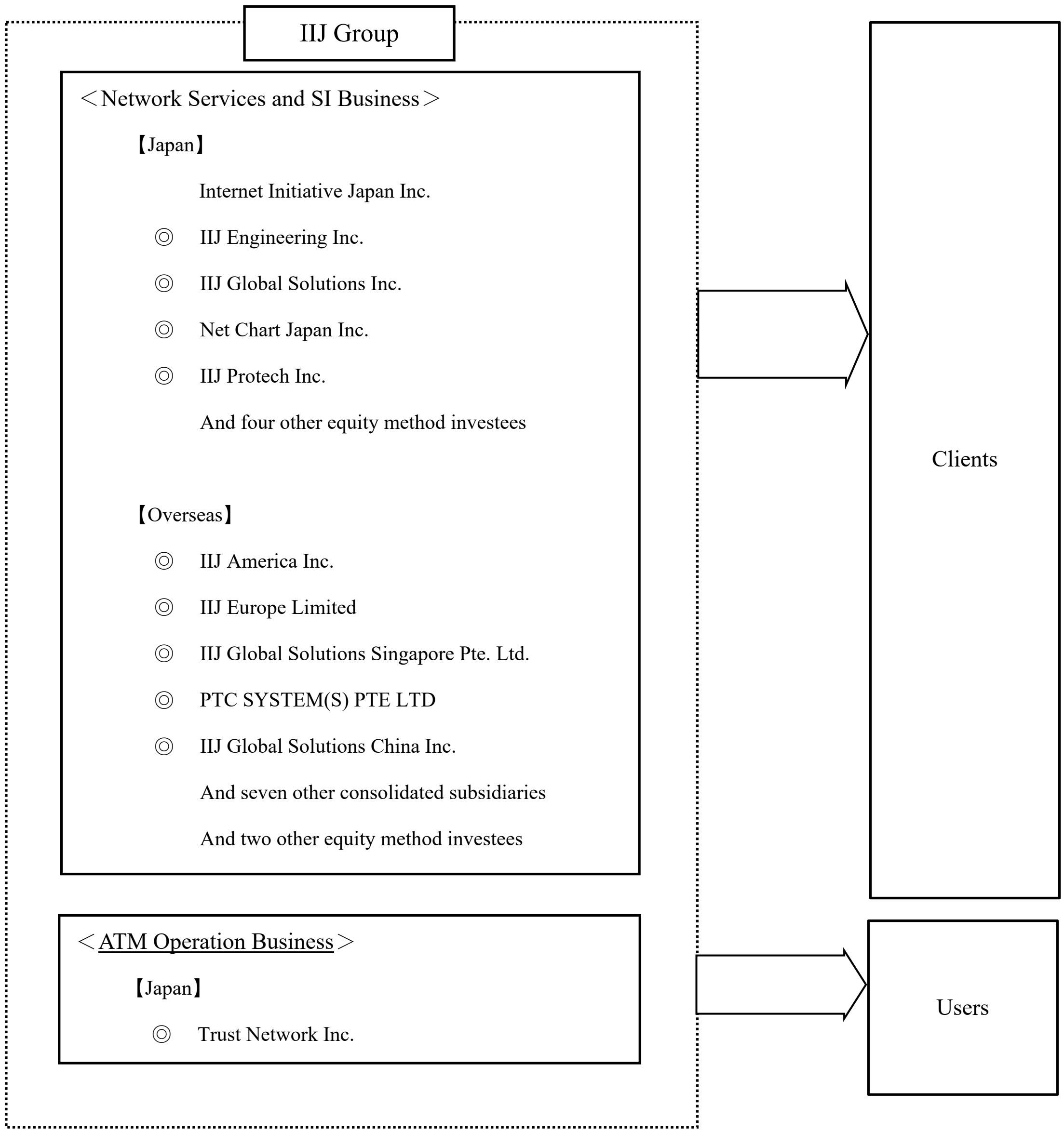
As of March 31, 2025, we operate Internet data centers in Tokyo, Osaka, Yokohama, Sapporo, Shiroi, Matsue and Fukuoka in Japan and in the United States, United Kingdom and Singapore.

For our own Internet data centers, we operate a container-based modular data center using outside air for cooling in Matsue City, Shimane Prefecture. In addition, we operate a system module type data center in Shiroi City, Chiba Prefecture. Other data centers are operated by using the data center facilities and equipment of other companies.

We, as a general principle, enhance fault tolerance by connecting high-capacity backbone lines between each data center, which enables backup upon failure and load distribution in each data center. In addition, we have features in our data center, such as line redundancy, power to house large-scale systems, earthquake resistance or base isolation structure, security management and others. We provide Internet connectivity services, operate and monitor network equipment servers and others, provide systems integration and others, and have establish the system to house and take charge of operation and management of customers' systems in our data centers.

(5) Business overview chart

The following shows an overview of our business as a chart.



(Note) ◎ denotes our consolidated subsidiaries.

4. Information on Affiliates

Name	Location	Common Stock (millions of yen)	Primary Business	Percentage of Voting Rights or Ownership (%) (Note 1)	Relationship
Consolidated Subsidiaries					
IIJ Engineering Inc.	Chiyoda-ku, Tokyo	400	Operation and monitoring of network systems, customer service support and call centers (Network and SI business segment)	100.0	Concurrent position of directors and auditors: 2 officers, staff seconded from IIJ, purchaser of IIJ services, subcontractor of IIJ, supplier of IIJ, subcontractor of IIJ, send staffs to IIJ, lender of IIJ
IIJ Global Solutions Inc. (Note 2)	Chiyoda-ku, Tokyo	490	Provision of network services and systems integration (Network and SI business segment)	100.0	Concurrent position of directors and auditors: 2 officers, staff seconded from IIJ, purchaser of IIJ services, subcontractor of IIJ, supplier of IIJ, sends staff to IIJ, borrower of IIJ
IIJ Protech Inc.	Chiyoda-ku, Tokyo	10	Provision of human resources and outsourcing services for systems operation and services support (Network and SI business segment)	100.0	Concurrent position of directors and auditors: 2 officers, purchaser of IIJ services, staff seconded from IIJ, lender of IIJ
Trust Networks Inc.	Chiyoda-ku, Tokyo	100	Operation of bank ATMs and ATM networks (ATM Operation Business segment)	80.6	Concurrent position of directors and auditors: 2 officers, purchaser of IIJ services, staff seconded from IIJ, purchaser of IIJ services, lender of IIJ
Net Chart Japan, Inc.	Kohoku-ku, Yokohama-shi, Kanagawa	55	Development and construction of networks, operation and maintenance of networks and sales of network-related equipment (Network and SI business segment)	100.0	Concurrent position of directors and auditors: 2 officers, purchaser of IIJ services, subcontractor of IIJ, lender of IIJ
IIJ America Inc.	California, the United States	USD2,180 thousand	Provision of network services, systems integration and other related services in the U.S. (Network and SI business segment)	100.0	Concurrent position of director: 1 officer, staff seconded from IIJ, purchaser of IIJ services, provider of services to IIJ, subcontractor of IIJ
IIJ Europe Limited	London, the United Kingdom	GBP143 thousand	Provision of network services, systems integration and other related services in Europe (Network and SI business segment)	100.0	Staff seconded from IIJ, purchaser of IIJ services, borrower of IIJ, Provider of services to IIJ, subcontractor of IIJ
IIJ Global Solutions Singapore Pte. Ltd.	Singapore	SGD6,415 thousand	Provision of network services, systems integration and other related services in Singapore (Network and SI business segment)	100.0 (49.7)	Staff seconded from IIJ, purchaser of IIJ services, borrower of IIJ, provider of services to IIJ, subcontractor of IIJ

Name	Location	Common Stock (millions of yen)	Principal Business	Percentage of Voting Rights or Ownership (%) (Note 1)	Relationship
PTC SYSTEM (S) PTE LTD	Singapore	SGD2,000 thousand	Provision of systems integration and other related services in Singapore. (Network and SI business segment)	100.0	Purchaser of IIJ services, staff seconded from IIJ
IIJ Global Solutions China Inc.	Shanghai, China	USD10,630 thousand	Provision of network services, systems integration and other related services in China (Network and SI business	100.0 (100.0)	Purchaser of IIJ services, our suppliers
Others: 7 companies (Note 3)					

Equity Method Investees					
INTERNET MULTIFEED CO.	Chiyoda-ku, Tokyo	490	Provision of high-speed Internet eXchange services, IPv6 Internet connectivity to carriers	39.8	Concurrent position of directors and auditors: 3 officers, staffs seconded from IIJ, purchaser of IIJ services, provider of services to IIJ
JOCDN Inc.	Chiyoda-ku, Tokyo	99	Content delivery network services specialized for video distribution within Japan	16.8	Concurrent position of directors and auditors: 2 officers, staff seconded from IIJ, purchaser of IIJ services
DeCurret Holdings Inc.	Chiyoda-ku, Tokyo	100	Managing a subsidiary which provides digital currency exchange and settlement services	30.1	Concurrent position of directors and auditors: 3 officers, bond issuer to IIJ
Trinity Inc.	Chiyoda-ku, Tokyo	380	Development, construction and provision of customer loyalty reward program services	33.8	Concurrent position of directors and auditors: 2 officers, purchaser of IIJ services, provider of services to IIJ
Others; 2 companies (Note 4)					

(Notes)

1. Percentage of voting rights includes indirect ownership. Numbers listed in parentheses indicate the percentage of voting rights held indirectly.
2. IIJ-Global's ratio of net revenue (excluding revenue among consolidated subsidiaries) to total consolidated revenue is greater than 10%.

< Key Information on Profit and Loss > (J-GAAP, unconsolidated)＞
From April 1, 2024 to March 31, 2025 (millions of yen)

(1) Revenues	34,818
(2) Ordinary income	1,643
(3) Net profit	1,064
(4) Net assets	10,166
(5) Total assets	28,440

3. Seven other consolidated subsidiaries are IIJ Deutschland GmbH, IIJ Global Solutions (Thailand) Co., Ltd., IIJ (Thailand) Co., Ltd., IIJ Global Solutions Hong Kong Ltd., IIJ Global Solutions Vietnam Company Limited, PT.IIJ Global Solutions Indonesia and PTC SYSTEMS SDN.BHD.
4. Two other equity method investees are PT.BIZNET GIO NUSANTARA, and Leap Solutions Asia Co., Ltd.

5. Employees

(1) Consolidated basis

The number of employees by segment is as follows.

As of March 31, 2025

Name of segment	Number of Employees
Engineering	3,599 (33)
Sales	970 (-)
Administration	652 (40)
Total	5,221 (73)

(Notes)

1. The number of employees indicates the total number of full-time and contract workers. It does not include third-party employees working at IIJ. The average number of part-time employees for the full fiscal year is shown in brackets.
2. The Company has two business segments: a “network services and systems integration business segment” and an “ATM operation business segment.” The number of employees engaged in the “ATM operation business segment” are as shown in the below table. The remaining employees are engaged in the “Network services and systems integration business segment.”

＜Breakdown of employees engaged in ATM operation business segment＞

Name of segment	Number of Employees
Engineering	5 (－)
Sales	3 (－)
Administration	1 (－)
Total	9 (－)

(2) IIJ (non-consolidated basis)

As of March 31, 2025

Number of Employees	Average Age	Average Years of Service	Average Yearly Salary (Thousands of Yen)
2,971 (44)	37.4	9.0	7,260

(Notes)

1. The number of employees indicates the total number of full-time and contract workers. It does not include third-party employees working at IIJ. The average number of part-time employees for the full fiscal year is shown in brackets.
2. The number of employees has increased by 291 compared to the previous year, primarily due to hiring to support the expansion of business operations.
3. The average yearly salary is calculated for full-time and contract workers and includes bonuses and non-standard wages.

(3) Labor Union

There has not been a labor union established at IIJ Group. IIJ Group has never experienced any labor disputes and considers labor relations to be on good terms.

(4) Ratio of females in managerial positions, ratio of male employees using the childcare leave system, and disparity in wages between male and female workers

(i) IIJ

As of March 31, 2025

33rd business term				
Ratio of females in managerial positions (%) (Note 1)	Ratio of male employees using the childcare leave system (%) (Note 2)	Wage disparity between male and female employees (%) (Note 1)		
		All employees	Full-time employees	Part-time and fixed-term employees
8.4	61.9	76.9 (Note 3)	76.9	37.2

(Notes)

1. They were calculated accordingly with the “Act on the Promotion of Women's Active Engagement in Professional Life” which is Act No.64 of 2015.
2. They were calculated accordingly with “Act on the Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave” which is Act 76 of 1991 as well as the ratio of childcare leave etc. based on the Article 71, 6, item 1 of the “Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” which is the Ordinance of the Ministry of Labor No. 25 of 1991.
3. Wage disparity between male and female by job role: managerial employee 93.1%, non-managerial employee 85.8%.

(ii) Consolidated subsidiaries

As of March 31, 2025

	33rd business term							
Name of the company	Ratio of females in managerial positions (%) (Note 1)	Ratio of male employees using the childcare leave system (%)				Wage disparity between male and female employees (%) (Note 1)		
		All employees	Full-time employees	Part-time and fixed-term employees		All employees (Note 3)	Full-time employees	Part-time and fixed-term employees
IIJ-Global	6.1	42.9	42.9	-	(Note 2)	80.4	82.1	69.5
IIJ Engineering Inc.	0.0	60.0	60.0	-	(Note 2)	82.0	85.9	99.0
IIJ Protech Inc.	0.0	100.0	100.0	-	(Note 2)	82.3	82.7	76.2
Net Chart Japan Inc.	12.7	75.0	75.0	-	(Note 1)	74.8	73.3	97.1

(Notes)

1. They were calculated accordingly with the “Act on the Promotion of Women's Active Engagement in Professional Life” which is Act No.64 of 2015.
2. They were calculated accordingly with “Act on the Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave” which is Act 76 of 1991 as well as the ratio of childcare leave etc. based on the Article 71, 6, item 1 of the “Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” which is the Ordinance of the Ministry of Labor No. 25 of 1991.
3. Wage disparity between male and female by job role

IIJ-Global	managerial employee 91.1%, non-managerial employee 95.1%
IIJ Engineering Inc.	managerial employee -%, non-managerial employee 86.0%
IIJ Protech Inc.	managerial employee -%, non-managerial employee 85.1%
Net Chart Japan Inc.	managerial employee 86.9%, non-managerial employee 96.5%

Item 2. Business Overview

1. Management Policy, Business Environment and Challenges

This annual securities report contains forward-looking statements that are based on our expectations, assumptions, estimates and projections as of March 31, 2025.

(1) 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.

(2) Business Indicators

We operate our business by paying attention to revenue composition, profitability and financial solvency. We strive to improve profitability by managing revenue growth, cost of revenue, SG&A and capex, as well as by controlling each business and service profitability with monitoring indicators such as annual revenue growth rate, gross margin ratio, operating margin, return on equity and others .

(3) Medium-Term Strategy, etc.

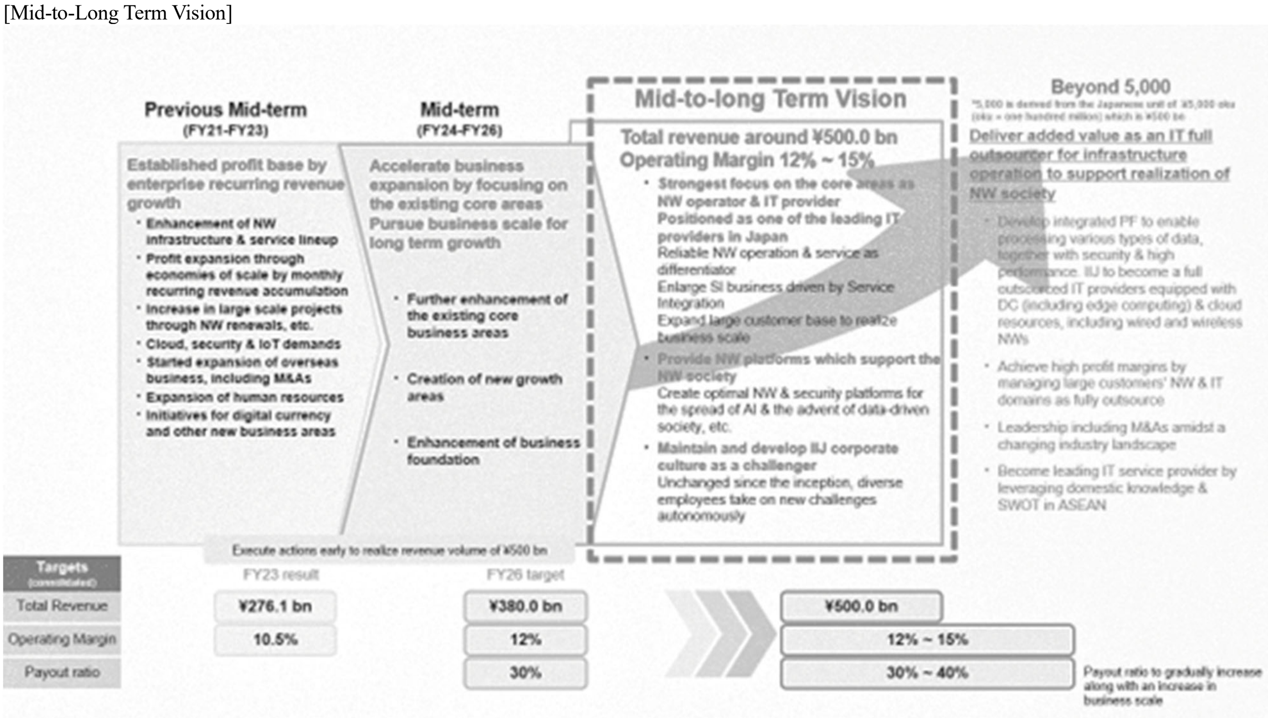
●Financial Targets

	Consolidated indicator	FY2026
Business Expansion	Total revenue	Around JPY380 billion
Profitability	Operating Profit	Around JPY46 billion

●Mid-to-Long Term Vision and the positioning of the Mid-term Plan

In order to effectively fulfill our business philosophy, we recognize that it is highly important to continuously expand our business scale while leveraging the strengths of our group. Triggered by the COVID-19, IT utilization among Japanese private and public sectors has finally accelerated, and the market is expected to continuously expand further over the mid-to-long term. Under such recognition, we have formulated the Mid-to-Long Term Vision that includes growth to total revenue volume of JPY500.0 billion (consolidated) as a milestone we should aim for in the mid-to-long term, as described below. The Mid-term Plan is positioned as an important growth path and process to reach toward the Mid-to-Long Term Vision over the next three years.

[Mid-to-Long Term Vision]



●Mid-term Plan (FY2024-FY2026)

Under the Mid-term Plan, the fundamental vision of our business remains unchanged. We are proud that we had created Internet in Japan as a communication infrastructure and environment by bringing in diverse talents who autonomously demonstrate their abilities. Based on our advanced Internet-related technology, we will develop high value-added network services, stably operate Internet-related networks and systems, and provide systems integration functions to meet the IT demands of Japanese companies. Through implementing these actions, we play our role fully and pursue our business expansion. In particular, considering our business situation such as the increase in large-scale network construction projects with multi-year contracts through Service Integration (*) in FY2023, we will accelerate revenue growth and thereby enhance profit levels by rigorously strengthening our existing core business areas. We will also focus our efforts on new areas for the next phase of growth. We also continue to enhance our business foundation to realize these. Details and targets are as follows.

Further enhancement of the existing core business area

SI as Revenue driver
- Accelerate revenue growth by rolling out NW construction/renewal projects to various industry, enhancing account sales & PM, expanding human resource
- Enhance SI project management

NW service as Profit driver
- Accelerate NW service accumulation through Service Integration
- Demonstrate the strength of stable NW operation in the DX era

Promotion of large transactions & clients
- Comprehensive outsourcing of client's NW and open systems
- Add large volume revenue to the multi-industry recurring revenue base
- Stable additional profit source for the future

Further enhancement of service development & operation
- Focus on strengthening cyber-security service development
- Respond to DX progress with DWP lineup
- Develop services that would be PF for AI, data lake, etc.

Enhancement of Service Control
- Higher efficiency for service development & operation by new technology such as AI
- Implement appropriate pricing in response to inflation & cost increase

Continuous expansion of NW infrastructure Pursuit of differentiation
- Construct the third site of Shiroi DC for long-term growth
- Deploy full-MVNO 5G SA

Creation of new growth area

Initiatives for Data-driven society
- Operate data utilization business, generate meaningful data, data distribution mechanisms & operations, etc.
  ➡Study & create business models in conjunction with the existing infrastructure & services

Achieve the spread of Digital Currency in Japan
(Equity method investee: DeCurret)
- First in Japan to issue commercial digital currency as a practical case (scheduled in Jul. 2024)
  ✓ Digitalized token of environmental value transaction
- Within FY26, anticipate loss to shrink & become profitable on a monthly basis
- Executing STO of digital currency, invoice chain, web3/NFT & other practical projects

Enhancement of business foundation

Thorough expansion of Human Capital
- Continuous expansion of human resources
- Develop next-generation human resources for long term growth
- Maintain & enhance top-tier engineering capabilities & expand that to multiple layer

Enhancement of cash control
- Appropriate management of increasing SI-related working capital
- Investment allocation Shiroi DC & growth areas
- Increase payout ratio when the Mid-to-long Term Vision is realized

Maintain & improve Sustainability /Governance
- Strengthen governance in line with growth
- Contribute to the productivity of future society through continuous stable NW operation
- Introduce a new executive compensation scheme linked to the new Mid-term Plan

Complement growth through M&As
- Pursuit M&A opportunities as a supplemental means of expanding domestic resources & technology
- Leverage residual borrowing capability (up to ¥70.0 bn is envisioned image)

[Capital Allocation]

Capital allocation (FY24-FY26, 3 years in total)

Cash in	Cash out	
Cash generated from business approx. ¥134.0 bn(*) (*) post-tax, pre-depreciation	Investment: approx. ¥90.0 bn — Ordinal NW infrastructure, etc. approx. ¥51.0 bn (Stable with economies of scale); Shiroi DC 3rd Site construction approx. ¥30.0 bn (Mainly for own services); Strategic investment for new growth areas	
	Along with an increase in large complex project Increase in working capital and lease obligation	Approx. ¥13.0 bn
	Payout ratio 30% Dividend	Approx. ¥24.0 bn
Debt Up to approx. ¥65.0 bn	Scheduled repayment of long term borrowing	Approx. ¥1.5 bn
	M&As	up to ¥70.0 bn

Overview	
Shiroi DC 3rd site construction	◆ Start the construction within the new Mid-term plan period, but the schedule is undetermined • First site: CAPEX approx. ¥8.3 bn, No. of racks: approx. 700, started operating from May 2019 • Second site: CAPEX approx. ¥12.8 bn (plan), No. of racks: approx. 1,100, started operating from Jul. 2023
Strategic Investment	◆ Specific investment details have not fixed and will be discussed going forward
Increase in working capital & lease obligations	◆ Increase in work in process, prepayments, etc. due to an increase in large scale multi-year SI projects • The impact of increased working capital should gradually be reduced due to the constant revenue recognition of large scale projects
M&As	◆ M&As to be conducted in sequence with borrowing capacity • Maintain debt/equity ratio & financial discipline, Up to ¥70.0 bn of additional debt could be implemented for M&As

(4) Issues that IIJ Group Faces

Consolidated financial results of IIJ Group in recent years show improving profits in line with increased revenues which is along with the advancement of ICT (*) utilization by private and public sectors in Japan. We expect further ICT utilization for economic activities to continue which makes it important to develop and provide reliable and highly value-added network services and systems that meet such demand. By doing so, we continue to fulfill our business philosophy. To realize this, enhanced recruitment and development of human resources are extremely important. We shall further expand human capital along with business expansion.

2. Sustainability

IIJ Group's approach to sustainability and its initiatives are as follows. Forward-looking statements are based on its expectations, assumptions, estimates and projections as of March 31, 2025.

(1) Governance

IIJ believes that the fulfilment and implementation of corporate governance play an important role both in putting its management philosophy into practice and continuously enhancing its corporate value. IIJ has established and operated a corporate governance system to ensure these fulfilments as described in "PART 1 Information on the Company, Item 4. Information on IIJ, 4. Corporate Governance." Under the corporate governance system, the Sustainability Committee, chaired by the president, has been established to deal with the increasing importance of responding to sustainability-related risks and opportunities in recent years such as climate change and human capital, and to promote company-wide initiatives across the entire company. With regard to climate change-related issues, IIJ and its major subsidiaries identify climate change-related risks and opportunities and the state of their measures to address them, recognize the impact of these risks and opportunities on their businesses by conducting the "Scenario Analysis" using the 2 degree Celsius or lower scenario based on the Paris Agreement targets and consider measures to respond to them. In addition, IIJ and its major subsidiaries have continuously calculated greenhouse gas emissions for itself and has been promoting initiatives to reduce greenhouse gas emissions. We have also disclosed information on these efforts in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. With regard to human capital, IIJ Group has identified important indicators based its basic approach to human capital and policies, set targets for these indicators, and managed their performance. The initiatives of the Sustainability Committee are regularly reported to the Board of Directors, and risks identified by the Sustainability Committee that could have material impacts on the business are integrally managed together with other business risks, which are continuously identified, assessed and managed by the Board of Directors.

(2) Strategy

① Climate change related policy

IIJ Group's "Policy for Environmental Initiatives" and "Policy for Greenhouse Gas Reduction Initiatives at IIJ's Own Data Centers" which is based on the former policy are as follows.

[Policy for Environmental Initiatives]

In order to continuously realize IIJ Group's business philosophy and to achieve long-term sustainable growth, IIJ Group recognizes the importance of taking initiatives in the reduction of environmental impact on the society as a whole through business activities that comply with environmental laws and regulations and take the global environment into account.

As the first full-scale commercial Internet service provider in Japan, IIJ has created the Internet infrastructure in Japan and has been providing Internet connectivity services. Social and economic activities are obviously more efficient than they were about 30 years ago with the use of internet-based services and applications. IIJ Group shall continue to stably provide highly reliable services that support the networked society such as Internet and cloud computing services thereby contributing to further improving the efficiency of social activities and reducing the environmental impact on the entire society.

Meanwhile, the use of electricity is essential in providing these services, and IIJ Group recognizes the importance of reducing greenhouse gas emissions and realizing carbon neutrality at its own data centers, which consume a large amount of electricity, by the usage of renewable energy and the improvement of energy conservation. In addition, IIJ Group shall make an effort to promote procurement activities that take into consideration the reduction of greenhouse gas emissions throughout the supply chain when procuring equipment and services necessary for the provision of its services from partner companies.

[Policy for Greenhouse Gas Reduction Initiatives at IIJ's Own Data Centers]

Based on the above “Policy for Environmental Initiatives,” IIJ recognizes the importance of reducing greenhouse gas emissions at its own data centers, which account for approximately 90% of its electricity consumption, by “Using renewable energy” and “improving energy efficiency,” and has set targets for each of these measures.

Measures	Targets
Usage of renewable energy	The target is to increase the renewable energy usage rate of data centers (Scope 1 and 2) to 85% in FY2030
Improvement of energy conservation	The target is to keep the PUE (Note1) of the data center at or below the industry's highest level (Note 2) until FY2030 through continuous technological innovation.

(Notes)

1. PUE (Power Usage Effectiveness) : Total data center facility energy usage divided by IT equipment energy usage
2. Industry's Highest Level PUE : PUE 1.4 or lower (As of March 31, 2025, the Agency for Natural Resources and Energy has set a benchmark index and target level of PUE as 1.4 or lower in the data center sector, and operators that achieve this are considered excellent energy conservation operators.)

② **Policy for Human Capital**

IIJ’s “Policy for Human Resource Development” and “Policy for Corporate Environment Improvement” are as follows.

[Policy for Human Resource Development]

Human resource development is primarily based on on-the-job training (OJT) through assigned duties, which is supplemented by layer-specific trainings based on the employees’ grades and roles, and department-specific trainings for the purpose of acquiring expertise and skills. IIJ Group believes that providing job opportunities such as the construction and operation of Internet backbone, which is one of the largest in Japan, and in-house development and operation of innovative services, attracts and motivates engineers. As for sales staff, in addition to on-the-job training through sales activities, they acquire and retain networks and systems knowledge through training such as basic technical training and service understanding training, and participate in seminars to learn top performers’ successful proposals and others. IIJ’s new graduates are educated on their duties by managers. In addition, they set capability development goals with non-supervisory superiors who have taken an OJT trainer training, which takes into account their individual characteristics and preferences, and receive advice and support throughout an entire year to enable them to independently perform their duties in the early stages of careers. Since 2018, approximately 100 employees have newly taken the OJT trainer training each year, and the number of experienced trainers has continued to increase. IIJ believes that the increase in these trained employees shall lead to an enhancement in the company-wide OJT level. IIJ recognizes that the development of young employees is highly important. Therefore, IIJ considers the results of the annual employee awareness survey (*1) on “Challenge,” “Self-Growth,” and “Managers’ Support” (*2) among young employees to be important indicators of whether the OJT is functioning effectively. In FY2024, these indicators were rated 4.0 for “Challenge,” 4.1 for “Growth,” and 4.3 for “Supervisor Support.” IIJ has been making efforts to improve them by analyzing the results of these assessments so that the overall scores for these indicators would be in the upper three-point range or higher, and this will continue in the future.

(Notes)

*1. The Employee Survey is an annual engagement survey (approximately 50 questions), and each item is rated on a five-point scale of 1 (disagree), 2 (somewhat disagree), 3 (neutral), 4 (somewhat agree), and 5 (agree).

*2. OJT Effectiveness Indicators “Challenge,” “Self-Growth,” and “Managers' Support” are the results of questions that include the following elements.

- Challenge: Support for taking on new challenges, acceptance of new ideas and proposals, culture that encourages employees to take on re-challenges, etc.
- Self-Growth: Sense of growth in current job, growth support system, etc.
- Managers' support: Advice from managers and superiors, satisfaction with managers, etc.

[Policy for Corporate Environmental Improvement]

IIJ Group has been actively working to create an environment in which employees can continue to work safely and securely with good mental and physical health, and an environment that supports the realization of work-life balance.

<Respect for human rightse>

The IIJ Group has established the "IIJ Group Human Rights Policy" in accordance with international human rights standards such as the International Bill of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work. We are also promoting various initiatives, including the commencement of human rights due diligence. Furthermore, as part of our efforts to prevent harassment, we conduct regular training sessions tailored to different employee levels, have established consultation services, and have formulated the "IIJ Basic Policy on Customer Harassment." Through these initiatives, we are working to create a workplace environment where employees can work with peace of mind.

<Well-being and mental health care>

IIJ provides health checkups once a year and influenza vaccinations free of charge, and has established an environment in which employees can consult with industrial physicians and public health nurses on a regular basis. In addition, IIJ conducts a stress check once a year in accordance with the Industrial Safety and Health Act. Employees who are considered to be in need of consultation due to high stress levels are interviewed with an industrial physician upon their request. The results of stress check are shared with general managers and above, so that they can take initiatives in improving the workplace environment. As part of mental health measures, IIJ also provides harassment prevention trainings and communication trainings including anger management and assertive communication training.

<Prevention of overwork and promotion of paid leave>

IIJ has made a policy on working hours management and has been promoting efforts to comply with the Labor Standards Act and to ensure appropriate working hours. IIJ constantly monitors the working hours of its employees through measures such as advance application for overtime work and the preparation of overtime status reports for departments. If overtime hours exceed a certain level, the human resource department alerts concerned departments, conducts hearings with them, and arranges interviews with industrial physicians for those who work more than a certain level of hours. As for paid leaves, employees are granted special leaves such as anniversary leave in addition to annual paid leaves. IIJ ensures that employees take at least five days of annual paid leaves, not including special ones.

<Promotion of diverse workstyle and work-life balance>

Since before the emergence of COVID-19, IIJ adopted remote work, which had introduced from employees who need childcare and nursing care, satellite offices to respond to customers faster through saving travel time, and free address to activate communication as major concepts of a location-independent workstyle.

Moreover, IIJ has been actively working to create an environment that supports a balance between work and family life with respects to each employee's life stage and sense of value. As part of its efforts to improve the corporate environment, IIJ operates various systems that enable employees to balance work and family life during illness, childcare, and nursing care, such as “Childcare and nursing care leave systems,” and “Private injury and illness return leave system.” IIJ shall maintain the utilization rate of the childcare leave system at 10% or more and 90% or more for males and females, respectively as a certified company by the Minister of Health, Labour and Welfare as the “company that supports child rearing” (*Kurumin certification*) based on the Act on Advancement of Measures to Support Raising Next-Generation Children. In FY2024, the utilization rate of the childcare leave system was 61.9% and 100% for males and females, respectively.

IIJ also operates a flextime system, a staggered work schedule system, and a short-time work schedule system to suit employees' work characteristics and individual environments. There are measures including supports for personal financial asset building, such as the IIJ Group employee shareholding association, assets accumulation savings, and regular financial planning seminars, as well as family days to create opportunities for employees to receive an understanding from their family members regarding the workplace.

<Ensuring diversity in the promotion of core human resources>

The percentage of female employees hired in FY2024 was 26.5% and such percentage has been stable around over 20% in the recent years, and the number of female managers has gradually increased as well. The percentage of managers that are women (IIJ non-consolidated basis) is 8.4% as of March 2025, achieving FY2026 target of 8.0% or greater in advance. By continuously enhancing its systems and workplace environment for balancing family life and childcare, IIJ expects the percentage of managers that are women to rise organically.

(3) Metrics and Targets

As described in "(2) Strategy" above, the Company uses the following indicators for climate change and human capital related matters, and the targets and results related to these indicators are as follows

① **Climate change**

[Policy for Greenhouse Gas Reduction Initiatives at IIJ's Own Data Centers]

Indicators	Targets	FY2024 results
Usage of renewable energy: renewable energy usage rate of IIJ's own data centers (Scope 1 and 2)	FY2030: 85%	55%
Improvement of energy conservation: PUE of IIJ's own data centers (Scope 1 and 2)	Maintain the PUE of the data center at or below the industry's highest level (1.4) until FY2030	Matsue data center: 1.34 Shiroi data center: 1.32

② **Human capital**

[Policy for Human Resource Development]

Indicators	Targets	FY2024 results
IIJ's Results of the annual employee awareness survey on "Challenge," "Self-Growth," and "Managers' Support" among young employees	Maintain 3.5 or greater	Challenge: 4.0 Self-Growth: 4.1 Managers' Support: 4.3

[Policy for Corporate Environmental Improvement]

Indicators	Targets	FY2024 results
IIJ's utilization ratio of employees using the childcare leave system for males and females	Male: maintain 10% or greater Female: maintain 90% or greater	Male: 61.9% Female: 100%

[Ensuring diversity in the promotion of core human resources]

Indicators	Targets	FY2024 results (March 2025)
IIJ's ratio of females in managerial positions	FY2026 (as of April 2026): 8% or greater (Brought FY2027 target forward by 1 year)	8.4%

(*) Considering the importance within the Company, we disclose IIJ's indicators and targets.

3. Risk Factors

Below are the main factors that could impact IIJ Group's results of operations, financial condition, and cash flow as well as investors' decision making. Unless otherwise stated, the forward-looking statements described below are based on our expectations, assumptions, estimates and projections as of this document's filing date. As the statements include uncertainties, actual results may differ from those contained or suggested herein.

1. Risks regarding IIJ Group Business Developments

(1) Risks regarding business developments

Our business is principally conducted in Japan and most of our revenues are from customers operating in Japan. For the fiscal year ended March 31, 2025, 87% of our total revenues were from customers operating in Japan. If the Japanese economy deteriorates, which results in lower levels of network and systems related investment and expenditures, customers may respond to such circumstance by prioritizing low prices over quality. We may experience severe price reduction pressure and/or cancellation of large accounts. Systems integration in particular tends to be very sensitive to the economic situation in Japan as well as demands for IT investments. If our results of operations and financial condition could be significantly impacted and we may not be able to maintain our current level of revenues and income and/or achieve our expected levels of revenues and income, because customers' demand does not expand as expected due, for example, to the economic situation or decreases in investment appetite, or we fail to differentiate ourselves over service quality, or fail to keep up with rapidly changing market trends which could lead to price competition and cancellation of contracts, we may be unable to pay target dividends.

Our basic strategy is to provide reliable and value-added enterprise network services and systems integration together to mainly enterprises and central government agencies that use networks for their business by leveraging our Internet related technology and customer base. We may not be able to execute our business strategies according to plan if we fail to maintain our competitive technological advantage or develop and provide network services or systems integration that differentiates us from competitors.

Costs of enterprise network services mostly consist of circuit costs, depreciation costs, maintenance costs, personnel costs, outsourcing costs, and office rent costs, which are not directly linked to revenue fluctuations. These costs tend to increase gradually along with new service development, facility expansion, increase in number of employees, increase in compensation levels, or increase in price levels. We may not be able to cover the current network costs and/or an increase in such costs, which could result in profit decrease, if, for example, we experience cancellations (whole or partial) or severe pricing pressure for our enterprise network services as well as systems operation and maintenance, which are recurring services, by clients, especially large clients, or if revenue does not increase as planned or if revenue decreases.

Costs of cloud computing services, which is mainly recognized as systems operation and maintenance, are mostly consisted of depreciation costs, maintenance costs, license costs, personnel costs, outsourcing costs, and office rent costs. These upfront costs tend to increase due to expansions of service facilities, new service developments, increases in personnel, and increases in compensation as well as evaluation levels. We may not be able to cover the current cloud computing services' costs and/or an increase in such costs, which could result in profit decrease, if we fail to accumulate cloud computing service revenues as planned, due, for example, to weak demand and/or slow migration to cloud, or if we experience cancellations (whole or partial) or severe pricing pressure.

As for consumer network services, compared to enterprise network services, its market trends rapidly change, and the volatility of revenue and income tends to be large. Due to our limited brand recognition among consumers, in addition to direct sales, we use indirect sales channels such as sales partners and MVNE through which we provide our services to other MVNOs to grow consumer mobile services. We may not be able to maintain or expand our revenue and operating profit according to plan if, for example, we fail to acquire customers according to our plan, if we are forced to lower our prices due to competition, if the unit price of interconnectivity charges (*) and purchasing cost of voice communication from mobile carriers for our mobile infrastructure do not decrease as much as expected, which creates a gap between our estimates and the actual results, if the number of our sales partners and MVNE clients as well as their business transactions do not increase or rather decrease, if our creditability is damaged due to service problems, or if we are faced with greater than expected amount of communication service costs such as interconnectivity charges, data communication charges and depreciation costs in order to maintain service quality. As regards to our pricing for consumer mobile services, we began offering "GigaPlans" (*) from April 2021 which is a lower-priced plan compared to the previous plan by comprehensively considering factors such as overall competitive landscape, interconnectivity charge and voice communication costs.

Regarding IIJ Group's SG&A expenses, personnel-related expenses, office rent expenses, sales commission expenses, commission expenses, advertising expenses and others have been increasing every year along with business developments. These expenses could increase more than expected. Also, if gross profit of network services, systems integration, and ATM operation business do not increase or rather decrease, we may be faced with profit deterioration as increasing SG&A expenses cannot be absorbed.

(2) Risks regarding business investments

We have been aggressively investing in new businesses, services and solution developments to further grow our business over the medium to long term. Such investments include an increase in human resources, acquisition of network equipment and capital expenditures including software development and data center construction. As for the number of employees, we had 4,803 and 5,221 employees as of March 31, 2024 and 2025, respectively. The number of employees increased by 352 and 418 in the fiscal years ended March 31, 2024 and 2025 respectively. Capital expenditures, including assets acquired by finance leases, for the fiscal years ended March 31, 2024 and 2025 were JPY22.5 billion and JPY26.3 billion, respectively. Depreciation and amortization for property and equipment (capital expenditure related depreciation and amortization) for the fiscal years ended March 2024 and 2025 were JPY15.6 billion and JPY17.3 billion, respectively.

We started providing cloud services from December 2009 and have been continuously investing in data centers, servers, storage, network equipment, and software in order to meet customers' demand, and continuously enhance service functions. Along with our investment, costs such as depreciation and amortization have been increasing. Revenues for our cloud computing services for the fiscal years ended March 31, 2024 and 2025 were JPY33.4 billion and JPY36.5 billion, respectively. Capital expenditures related to domestic cloud computing services were JPY1.5 billion and JPY2.0 billion for the fiscal years ended March 31, 2024 and 2025, respectively.

As for servers, storage devices, telecommunication equipment software and licenses, and their maintenance costs that IIJ Group acquires, many transactions are denominated in the U.S. dollars. Even if transactions in Japanese yen, their costs are related to the U.S. dollars. In the event that Japanese yen continues to be weak, our capital expenditures, depreciation costs and maintenance costs may increase beyond our expectation.

In order to meet housing needs, including cloud computing service facilities that are expected to grow along with business expansion, and to integrate service facilities currently spread out across eastern Japan, we constructed our own system module type data center in Shiroi City, Chiba Prefecture and started operating its first site data center facility from May 2019, its second site data center facility from July 2023, and started constructing its third site data center from June 2025. Capital expenditures related to this data center facilities were JPY5.5 billion and JPY0.9 billion for the fiscal years ended March 31, 2024 and 2025, respectively. As for the fiscal year ending March 31, 2026, we plan to make a capital expenditure of approximately JPY30 billion which includes approximately JPY8.5 billion for the construction of Shiroi Data Center third site . Capital expenditures are expected to be incurred along with the expansion of data center facilities. In recent years, materials and personnel costs related to construction have been increasing, and there has been a shortage of labor. Due, for example, to these, capital expenditures related to data center could increase or we may not be able to construct accordingly to schedule.

We have been providing mobile services to both enterprises and consumers from January 2008 by purchasing mobile network infrastructure mainly from NTT Docomo, as an MVNO. The total (sum of enterprise and consumer) mobile services revenues for the fiscal years ended March 31, 2024 and 2025 were JPY46.1 billion and JPY50.3 billion respectively. The total number of mobile service subscriptions were approximately 4.81 million and 5.74 million as of March 31, 2024 and 2025, respectively. Along with growth of mobile services revenue and subscription, we need to increase the contracted mobile bandwidth we purchase from NTT Docomo and KDDI.

We have been enhancing our overseas business developments such as network services including cloud services and systems integration to meet mainly network and systems demands of Japanese companies heading overseas to seek business opportunities. As of the filing date of this document, we have twelve overseas consolidated subsidiaries and two overseas equity method investees. In addition to the existing subsidiaries in Singapore, Thailand, China, Hong Kong, Indonesia, Vietnam and Malaysia, we may obtain more subsidiaries by establishing new companies and/or by co-working with local companies to seek greater business opportunities, as the need for IT is stronger in these regions compared to the United States and Europe. Overseas business revenues for the fiscal years ended March 31, 2024 and 2025 were JPY35.3 billion and JPY40.5 billion, respectively. As for oversea business profit, operating profit, which is based on managial accounting, was JPY2.7 billion and JPY2.9 billion for the fiscal years ended March 31, 2024 and 2025, respectively. IIJ and IIJ-Global together had injected the capital of JPY4.7 billion into our overseas consolidated subsidiaries and equity method investees by the fiscal year ended March 31, 2025. Also, as of March 31, 2025, IIJ and IIJ-Global together had lent a total of JPY0.2 billion to four of our overseas consolidated subsidiaries. We may establish overseas subsidiaries in other regions and add overseas offices by working together with local companies. In April 2021, in order to strengthen our Singaporean business which is a core of the ASEAN business, we purchased a Singaporean system integrator PTC for 44 million Singaporean Dollar, equivalent to JPY3,632 million, and in December 2023 we purchased a Malaysian system integrator PTC SYSTEMS SDN. BHD. Both of them are our consolidated subsidiaries. The overseas business, compared to the domestic business, is exposed to various uncertainties including regulatory, economic, religious, cultural, geopolitical, and diplomatic risks. Although we strive to comply with the necessary regulations, failure to comply with foreign regulations such as the U.S. Foreign Corrupt Practices Act ("FCPA") or failure to appropriately comply with local regulations due to inadequate internal control could impose a negative impact on our business.

Our consolidated subsidiary Trust Networks is in charge of ATM operation business, which operates bank ATMs and the related network systems and receives a commission for each bank withdrawal transaction. Along with ATM placement, we continuously purchase ATMs as written in "PART 1. Information on the Company, Item 2. Business Overview, 3. Risk Factors, 1. IIJ Group Business Developments (6) Risks regarding group management."

(3) Risks regarding dependency on third-party vendors for telecommunications, network equipment and service facilities

In order to provide reliable network services such as IP services, we rely on telecommunications carriers to procure mid-to-long distance communication lines that are required for our network backbone, local access lines and WAN services' lines. We procure backbone lines and WAN services' lines mainly from NTT Communications and KDDI, local access lines mainly from NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION ("NTT East"), NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION ("NTT West"), and regional power electricity telecommunications carriers. We use mobile infrastructure of NTT Docomo and KDDI by paying mobile interconnectivity charge to provide mobile related services as an MVNO.

We depend on third-party suppliers for some of our purchase for our equipment, such as routers to be used for our network, and software to be used for service offering and business operation, mainly from certain U.S. companies. While we do not currently have any significant concerns over the equipment, software and others we procure from third-party suppliers, if there arise any concerns such as security-related issues which make us difficult to use them, we may need to procure alternatives. With respect to equipment and software procured from third-party suppliers, rising prices, exchange rate fluctuation, and other factors may cause procurement prices to increase, and we may not be able to coordinate with suppliers or be unable to pass on the costs to our customers, or there may be delays, or the supply of equipment and software may become unstable or insufficient, resulting in additional costs for the procurement of equipment and software. In the fiscal year ended March 31, 2025, we experienced a significant increase in licensing costs due to changes in VMware products' pricing structure following the acquisition of VMware, Inc. by Broadcom Inc.

We lease most of our service facilities, such as data centers and office facilities, from third-party suppliers. If the costs of electricity suddenly increase, mainly due, for example, to supply constraints on energy resources, we may be unable or delay to renegotiate price increases with data center owners, or we may fail to pass such price increases on to our customers. If the supply of electricity becomes unstable or inadequate due to the same factors, we may be forced to pay additional costs to procure electricity.

If third-party suppliers of telecommunication lines, equipment, software and service facilities, which we depend on, are faced with supply difficulties or fail to deliver within an appropriate period of time due to factors including the shortage in supply of semiconductor, we may experience service interruptions for long hours, or we may not be able to provide services. In such cases, our results of operations and financial condition could be adversely impacted.

(4) Risks regarding service reliability

① Risks regarding maintaining service quality and execution of appropriate operation

In order to maintain and improve the quality of our service offerings, we may need to increase investment in servers, network equipment, and software, or increase leasing volume of data communications, as well as infrastructure, beyond our expectations. Although we believe we have been appropriately managing our service facilities, if we fail to appropriately manage our service facilities, leading to deterioration of service quality, or fail to differentiate our services from competitors, or if we need to make greater facility investment than expected or if we invest excessively, our results of operations and our financial condition may be significantly and adversely impacted.

② Risks regarding service interruption

Interruptions, errors, or delays with respect to our backbone network or service facilitates may be caused by natural factors such as fires and earthquakes, power shortages, power losses or interruptions, errors or delays with carriers' service facilities, or terrorism, which are beyond our control. Although we implement necessary measures to avoid serious security incidents, we may be prevented from providing our services due to cyber-attacks (*), computer viruses, human error, or unintentional or intentional interruption by Internet users. Although our backbone and service facilities are designed with fault tolerance, if we damage our creditability or business opportunities due to failure to continuously provide services caused by unexpected circumstances, our results of operations or financial condition may be significantly and adversely impacted.

③ Risks regarding management of confidential customer information

We store and manage confidential information related to mobile services and trade secrets obtained from customers in Japan and abroad. We pay attention to protecting the confidentiality of such information and take measures to ensure the security of our network, in accordance with the guidelines regulated by the Ministry of Internal Affairs and Communications ("MIC") as well as the Ministry of Economy, Trade, and Industry. If unauthorized access, human operation error, leakage, loss, alteration, or unauthorized utilization of customer information take place and then if we fail to appropriately respond to such issues which would lead to a deterioration in our creditability or compensation for damages, our results of operations and financial condition could be adversely impacted. Foreign countries have been enhancing their regulations regarding data protection of personal information including the General Data Protection Regulation ("GDPR") in the European Union. Regarding GDPR, our consolidated subsidiary, IIJ Europe Limited, submitted its Binding Corporate Rules, internal rules defining the global policy regarding personal data protection within the IIJ Group, to the office of the Europe's Information Commissioner and was approved. Although no such incidents has occurred, if we fail to comply with these foreign countries' regulations unintentionally and are required to pay a penalty, then this could ultimately result in an adverse effect on our business, financial condition and results of operations.

(5) Risks regarding acquiring human resources

The expertise of IIJ's and each group company's management is very important in executing business. Also, reliable service offering depends on the continuous contributions of our engineers and other staff. The number of employees and personnel-related cost and expenses have been increasing along with our business expansion. We need to procure the adequate number of engineering, sales, and business planning and administrative personnel at the appropriate timing. In addition, in line with the current economic environment, wage levels need to be revised upward in an appropriate and timely manner. If we fail to acquire or retain the members of management or staff needed for business, or if we fail to appropriately control personnel-related expenses due, for example, to greater than necessary recruitment, or personnel-related expenses increase more than expected due to the labor market climate, as well as regulation changes, our results of operations and financial condition may be adversely impacted.

(6) Risks regarding group management

We aim to create group synergy by bringing consolidated subsidiaries as well as equity method investees closer. In order to create close business relationships, our group directors and employees take concurrent positions as group company directors, and we also send employees to our group companies. As of this document's filing date, we have seventeen consolidated subsidiaries and six equity method investees. Profit and loss of each consolidated subsidiary's financial results are consolidated into our group consolidated financial statements, and each equity method investee's financial results are recorded as share of profit (loss) of investments accounted for using the equity method. Due to each company's business situation, the investment value of subsidiaries and equity method investees held by us can fluctuate. If profit and loss of our subsidiaries and equity method investees is unfavorable, or volume of loss is significant, our results of operations and financial condition may be adversely impacted.

IIJ's substantial investment in Crosswave, IIJ's former equity method investee, became worthless due to Crosswave's commencement of corporate reorganization proceedings in August 2003. As a result of this, we recorded losses on, equity in net loss of Crosswave, investment, restraint deposit and loan, of JPY12,667 million and JPY1,720 million for the fiscal years ended March 31, 2003 and 2004, respectively.

We bought IIJ-Global, which mainly provides WAN services, from AT&T Japan LLC for JPY9,170 million and made it our consolidated subsidiary in September 2010. For the fiscal years ended March 31, 2024 and 2025, IIJ-Global had JPY31.1 billion and JPY34.8 billion in revenues, respectively, and JPY1.3 billion and JPY2.1 billion in operating profit, respectively. Total balance of goodwill and intangible assets as of March 31, 2025 related to IIJ-Global was JPY2.4 billion. If IIJ-Global fails to accumulate expected future revenue and profit and is concluded to be lacking in value compared to its goodwill and intangible assets, we may incur an impairment loss on such assets.

Trust Networks, our consolidated subsidiary established in July 2007, operates bank ATMs and related network systems, and receives a commission for each bank withdrawal transaction. As of the filing date of this document, we have invested a total of JPY2.6 billion (IIJ ownership: 79.5%). ATM operation business segment revenue was JPY2.9 billion and JPY2.9 billion, and its operating profit was JPY1.0 billion and JPY1.2billion for the fiscal years ended Mach 31, 2024 and 2025 respectively. Business operation might be difficult for Trust Network if the number of ATMs or users decreases, if the number of ATM transactions decreases, mainly due, for example, to a decrease in user appetite and store closure, or if it fails to maintain favorable relationships with related parties.

In December 2016, we established JOCDN Inc. as a joint venture, which provides CDN (*) services. Japan Broadcasting Corporation (NHK) and WOWOW Inc. became JOCDN's shareholders through the third-party allotment in the fiscal year ended March 31, 2020. As of this document's filing date, we have invested a total of JPY0.1 billion (IIJ ownership: 16.8%).

In January 2018, we established DeCurret Inc. to provide digital currency exchange and settlement services as a joint venture. DeCurret Inc. that had been providing crypto asset trading services since April 2019, but divested its crypto asset business in February 2022, in order for DeCurret Holdings, Inc., currently our equity method investee, and DeCurret DCP Inc., its subsidiary to focus on digital currency business. We have invested a total of JPY9.0 billion (IIJ ownership: 34.8%) on its business and accumulated loss of equity method as of March 31, 2025 was JPY6.4 billion. In March 2023, IIJ purchased unsecured straight bond of JPY2.0 billion with maturity of ten years issued by DeCurret DCP Inc. DeCurret Holdings, Inc. is still in a start-up phase and if its business does not expand as planned, it may cause the damage of its enterprise value, the record of greater-than-expected equity method investment loss by IIJ, the need of additional capital injection and others. In such a case, IIJ Group's results of operation and financial condition may be adversely impacted.

In April 2021, we acquired PTC, a Singaporean system integrator, at the cost of 44 million Singaporean Dollar, equivalent to JPY3,632 million, and made it our wholly owned subsidiary to strengthen our Singapore business as the core of ASEAN business. For the fiscal years ended March 31, 2025, PTC had JPY16.4 billion in revenues and JPY0.7 billion in operating profit. Total balance of goodwill and intangible assets related to PTC as of March 31, 2025 was JPY4.3 billion. If PTC fails to accumulate revenues or profits as planed and it is concluded that its value is not worth related goodwill and intangible assets, we may incur an impairment loss on such assets.

In order to continuously maintain or enhance group synergy, we may increase our ownership of group companies, provide financial support, give guarantees, or reorganize group structure. We may seek to establish new group companies or execute capital participation to launch new businesses. We may seek out capital transactions, including M&As, in order to expand our scale of business, customer base, and service line-ups. We may need to engage in capital funding or issue ordinary shares to execute capital strategies. Also if IIJ Group's business operation is constrained due to certain regulations particular to the subsidiaries and/or affiliated companies, IIJ group's results of operation and financial condition may be adversely impacted.

As for equity method investees over which we do not have total control, if their business strategies becomes different from ours and our consolidated subsidiaries, our business interests may differ from them and their shareholders other than us. Thus, we may not be able to pursue group synergy.

(7) Risks regarding technological innovations

The telecommunications market, including Internet, is characterized by rapidly changing technology, industry standards, customer needs, and competitive landscape regarding the frequent introduction of new products and new services. Under such conditions, our existing services may become less competitive. Although we focus on technology research and development to keep a competitive technological advantage, if we fail to obtain access to new or important technologies or to develop and introduce new services and enhancements that are compatible with changing industry technologies, standards, and customer requirements, or if more time and expenses are needed for research and development activities, our financial condition and results of operations could be significantly and adversely impacted.

2. Risks regarding market condition

(1) Risks regarding price competitions

Pricing competition for network services and systems integration are severe. Thus, competitors enhance service development and marketing. If price competition becomes more extreme, revenue for network services and systems integration may not increase according to plan, our profitability could deteriorate, or we may incur large costs or expenses. Such a probability is always present, our results of operations and financial condition could be adversely impacted.

(2) Risks regarding network-related costs, etc.

Network-related costs mostly consist of fixed type costs, such as circuit-related costs of backbone, network equipment-related costs, network operation costs for network operation centers, and personnel-related costs to conduct network operation. Volatility of these costs may impact our financial situation and results of operations adversely. If we experience rapid expansion of Internet traffic, if circuit-related costs increase due to an increase in unit price for backbone network, if we are required to procure a greater than expected volume of network capacity, if we fail to procure the necessary network capacity, or if we contract more network capacity than we actually require to service our customers, our financials and results of operations may be adversely impacted. Because we pay for part of our international circuit and network equipment in foreign currency and some purchase costs we pay in Japanese yen are charged based on the amount in foreign currency, there is a possibility that procurement costs shall increase due to exchange rate fluctuations.

In order to provide mobile data communication services, we lease mobile infrastructure from mobile carriers of NTT Docomo and KDDI. We pay them for interconnectivity fees as wholesale telecommunication service charges, which are calculated by multiplying the mobile unit charge (*) per bandwidth in accordance with the “Telecommunications Business Law” and the “Interconnection Rules for Category II Designated Telecommunications Facilities,” which are administrated by the MIC, by our leasing mobile bandwidth. The mobile unit charge of data communication service cost has been decreasing based on the three-year forecast provided annually by mobile carriers as the future cost method. For our usage during the fiscal year ended March 31, 2025, we recognized the cost based on the predicted mobile unit charge presented by mobile carriers which was calculated based on the future cost method and we plan to recognize difference between the predicated and fixed unit charge, which is scheduled to be fixed and announced around December 2025. Regarding our usage during the fiscal year March 31, 2024, the cost impact of the difference between the unit charge presented as the March 31, 2024 and the finalized unit charge disclosed in December 2024 was immaterial. How much we pay to mobile carriers is to increase along with increases in subscriptions and mobile traffic. Our results of operations could be impacted if the mobile unit charge of data communication service cost or purchase cost of voice communication service increases or does not decrease as much as expected or if we are required to lease greater than expected mobile bandwidth.

(3) Risks regarding outsourcing resources

We use outsourced personnel. If the rate of outsourced personnel increases due to labor shortage, if we fail to appropriately manage outsourcing resources, if we fail to accumulate adequate revenue volumes to meet outsourcing costs, or if we fail to procure the necessary volume of outsourcing resources, our financial situation and results of operations may be adversely impacted.

(4) Risks regarding competition

The major competitors of our network services are major telecommunications carriers such as NTT Communications, KDDI Corporation and their affiliates. The major competitors of our systems integration business are system integrators (*) such as NEC Corporation, Fujitsu Limited, NTT Data Corporation and their affiliates. Our competitors have advantages over us, including, but not limited to, substantially greater financial resources, larger pools of technology human resources, higher brand recognition, and larger customer bases. Our competitors may be better able to sustain downward pricing pressure, provide services that IIJ does not offer, and pursue competitive M&A transactions. The sales strategy and pricing strategy of our competitors may impact the market our group belongs to, and if we fail to effectively differentiate ourselves from competitors and fail to execute our business strategy as planned, our financial results and financial condition may be adversely impacted.

The major competitors of our cloud computing services are the companies listed above as well as global players such as Amazon Web Services, Inc. and MICROSOFT CORPORATION. These competitors may put additional business resources into cloud services and outsourcing related businesses. If we fail to successfully differentiate our services and solutions from those of our competitors, we may not be able to achieve expected future revenue and income, or we may not recoup our investment in cloud computing services, which may adversely affect our financial condition and results of operations.

The major competitors of our mobile services including MVNE and the consumer mobile business, are mobile carriers such as NTT Docomo, KDDI, Softbank Corp., their affiliates as well as MVNOs. Many of these competitors have higher brand recognition among consumers and greater financial resources, which enables them to implement more extensive and well-developed marketing and low-price strategies. Going forward, competition, including new competitors entering the market and pressure to lower pricing, may become tougher. Under such circumstances, a failure to differentiate our services from those of competitors could impact our results of operations and our financial condition adversely.

(5) Risks regarding climate change

Following the Paris Agreement which entered into force in 2016, initiatives to reduce greenhouse gas emissions have been accelerating globally. We recognize the importance of taking initiatives to respond to climate change related risks and taking steps to transit to low carbon society. Risks regarding climate change include the possibility of physical damage mainly caused by an increase in natural disaster and extreme weather and the possibility of changes of politics, regulations, economy, market and lifestyle as we move toward low carbon society. For example, there are risks of damage to business facilities due to natural disasters, or difficulties in procuring business facilities and services due to supply chain disruption, risks of increases in electricity costs or inability to procure electricity, including emission credits and renewable energy, for servers and other network equipment, data centers, and offices, which shall increase along with our business expansion, and a reputational risk if we fail to adequately take measures to realize decarbonization. If we fail to appropriately respond to such risks, our results of operations and our financial condition could be adversely impacted.

(6) Risks regarding force majeure

Force majeure such as natural disaster, blackout, terrorism, armed action, regional conflict and pandemic infectious diseases may make it difficult for us to provide services reliably, may require us to recognize cost and/or investment more than expected, and may make it difficult to execute group strategy as planned. In such a case, our results of operation and financial condition could be significantly and adversely impacted.

3. Risks regarding results of operations

(1) Volatility of operating results

Volume and timing of revenue and operating profit recognition depend on the economic situation in Japan; Japanese companies' appetite for IT; the revenue accumulation status of network services revenue, which is recurring revenue; the number of systems integration projects and their profitability; the profitability of cloud computing services and mobile services; overseas business developments; trends in the network-related costs for network services; differences between the actual and estimated decrease rate in regard to unit price for mobile interconnectivity charges; trends in depreciation and amortization and maintenance costs; trends in personnel cost and expense; trends in license costs; existence and/or volume of impairment on tangible assets, goodwill, and intangible assets; fluctuations in foreign currency exchange rates; and an impact from capital transactions including M&As. Volume and timing of profit before tax and recognition of profit attributable to owners of the parent are related to the volume of finance income and finance costs, fluctuations in share of profit (loss) of investment accounted for using the equity method related to equity method investees, recognition of income tax expense including tax effect, and profit (loss) attributable to non-controlling interests, in addition to fluctuations in operating profit. Therefore, our annual, semi-annual, and quarterly financial results may not work as guidelines for future earnings outlook.

Our financial results may differ from disclosed financial targets not only due to risk factors but also other factors. In fact, we timely revised and announced our disclosed financial targets for the fiscal years ended March 31, 2014, 2015, 2017, 2020, 2021 and 2022. Increases in investments and costs for development of new services and businesses could impose volatility on results of operations as the corresponding revenue volume and timing are difficult to predict and likely to change.

(2) Systems integration

Revenue for systems integration is comprised of one-time revenue for systems construction, which includes equipment sales, and recurring revenue for systems operation and maintenance. Generally speaking, transactions regarding systems integration and equipment sales are concentrated at the end of March, which is a fiscal year-end month for many Japanese companies. Fluctuations in our quarterly revenue and profit heavily relate to systems integration, and the volume of revenue and profit tend to be the largest in the fourth quarter. Our results of operations, financial condition, and fluctuations of these may be impacted by our ability and the timing when we recognize revenue and profit of systems integration, especially for the revenue recognition timing and profitability of large systems integration projects.

While we can expect to continuously record recurring revenue for systems operation and maintenance, revenue and profitability of systems integration could fluctuate due, for example, to the number of new construction projects, as well as the revision of terms and conditions of systems operation and maintenance contracts. The hardware portion of systems construction revenue may be replaced with cloud computing service revenue if there is an increase in migration to cloud computing service-based systems from on-premise systems, which could cause our revenue volume to fluctuate. In recent years, we have been seeing projects becoming larger and more complex. Large-scale systems construction projects, in particular, tend to take longer time to complete them and recognize revenues. Such projects need more personnel, with more precise project management. Also, large-scale systems construction projects tend to have lower profitability as competitive pricing is required to receive orders. Projects could become unprofitable if we fail to appropriately execute project management due, for example, to system problems, changes in system requirements, or unexpected workforce deployment. We use a large number of engineers both inhouse and outsourced personnel for systems integration. Personnel cost and its rates are increasing. If we fail to manage human resources, or if we fail to recognize adequate revenue to cover personnel costs, we may fail to failure to achieve appropriate profit levels and/or projects could become unprofitable. In these cases our results of operations and financial condition could be adversely affected. If we fail to appropriately procure engineers or personnel, including outsourced resources for software development, which are needed to complete systems integration projects, the revenue recognition timing may be delayed or orders may be cancelled. Also, if we fail to appropriately manage clients' data, we may face lawsuits.

(3) Recognition of impairment loss on tangible assets, goodwill, and intangible assets

We own network equipment, severs, construction, such as data centers, and assets such as software related to business mainly for network services and systems integration as well as back office systems and office facilities. We conduct impairment testing on these tangible and intangible assets if significant changes in business circumstances. These may lead the record of impairment losses.

We may record intangible assets such as goodwill and assets related to customer relationships on our consolidated balance sheets through capital transactions such as M&As. As of March 31, 2025, the total balance of goodwill on our consolidated balance sheets was JPY10.3 billion. Of these, major balances by cash generating units used for impairment assessment were JPY5.8 billion for cash generating unit of network services and SI mainly in Japan, and JPY4.2 billion for cash generating unit of PTC, one of our overseas subsidiary. As of March 31, 2025, the intangible assets related to customer relationships that are subject to amortization was JPY0.7 billion. Of these, intangible assets in relation to IIJ Technology Inc., a former subsidiary of IIJ which was merged in April 2010, and IIJ-Global were JPY0.3 billion and JPY0.1 billion, respectively. Although we have never recorded impairment loss on goodwill and customer relationships, if significant changes in business circumstances indicate that they may be impaired, we may conduct impairment testing and record loss as a result.

(4) M&As (Mergers and Acquisitions)

We may execute M&As because we recognize that it is important for us to have more resources such as but not limited to, human resources, customers, application layer technology, and overseas business foundations, as well as to create synergistic effects to increase the scale of our business through M&As. The mergers and acquisitions transactions may not always be on good terms and conditions, bear the results we expect, or have synergistic effects, although no such incident has occurred. We acquired PTC, a Singaporean system integrator in April 2021, a Malaysian system integrator, PTC SYSTEMS SDN. BHD. in December 2023 and made both of them our wholly-owned subsidiaries to strengthen Singapore operations to become the core of business in the ASEAN region.

(5) Fluctuations of value on holding investment securities

We invest in non-affiliated companies in order to further enhance our business relationships and in funds which invest mainly in unlisted stocks. The breakdown of our investment securities held recorded on our consolidated balance sheets as Investment securities (Equity) as of March 31, 2025 was JPY15.8 billion. As for breakdown of Other Investments, JPY8.5 billion of investments in funds, and JPY2.0 billion of unsecured straight bond issued by DeCurret DCP Inc. with maturity of ten years. We may continue to acquire new investment securities. The value of our investment securities held fluctuates due, for example, to market value, as well as business situation. The fluctuation of such fair value is recognized as either other comprehensive income or profit or loss. As for available-for-sale-equities held, their fair values are measured as equity instruments through other comprehensive income, unrealized profit (loss) of holding available-for-sale-equities due to fluctuation of fair value or realized profit (loss) (post-tax effect) due to a sale that will not be recognized as profit (loss) on the consolidated statement of profit and loss. It is not certain that we will be able to sell our investment securities held on favorable terms. Our results of operations and financial condition may be adversely impacted by the price of such investment securities sold, as well as the timing.

4. Risks regarding regulations

(1) The Telecommunications Business Act

IIJ, as well as some IIJ Group companies, submitted telecommunication business notifications to the MIC and operates in accordance with the Telecommunications Business Act. If we are said to have failed to protect the privacy of communications within our business operation or to have improper business operation procedures, this could cause the MIC to order us to improve such business operation procedures.

As IIJ is a notified telecommunication business operator, supervision by the MIC is not as strict as that to operators who need to register with the MIC. However, in accordance with the Article 41 of the Telecommunications Business Act, the MIC designated IIJ as a telecommunication operator that is obligated to maintain telecommunications facilities in compliance with prescribed technical standards, as the number of provided lines increased and our operation became more significant on the interests of users. IIJ is supervised stricter than regular notified telecommunication business operators by regulators, and if we fail to appropriately execute business activities, we could be ordered to improve our operation.

Additionally, in order to protect users, telecommunication business operators and their sales partners (brokers and other outsourcing resources) are subject to carry, for example, the obligation to explain important matters, the system to cancel initial contracts, and the obligation to observe sales partners' operation, which are set forth by the Telecommunications Business Act. In addition to these, in order to create fare competition for mobile service market, various regulations such as the condition for offering mobile phones have been implemented in recent years. If we or our sales partners are said to have improper business operations, we may be asked to disclose our names to the public and take measures to improve them.

If we are asked to take measures to improve our practices, our results of operation and financial condition could be adversely impacted because of costs needed to take such actions and/or damage on corporate image.

(2) Regulations related to businesses

A number of regulations related to the usage of Internet already exist. However, discussion on the need for stricter regulations, including enhancement of measures against illegal and harmful information or defamation over Internet, stricter user identification, protection of youth and appropriate use of personal data, have continuously been made. Further legislation or self-imposed rules of the industry could be made or requiring telecommunications operators to impose counter measures. Depending on such requirement, a large amount of cost or facility investment could be necessary to comply.

In the area of IoT, which is one way of using Internet, it is difficult to predict what kind of laws and regulations would be enacted in the future because the multiple industries and regulatory authorities are involved. If laws and regulations are enacted that restrict our business, or if the interpretation of laws and regulations is unclear, it may have an impact on our ability to acquire customers.

Regarding our consumer business, which comprise certain portion of our total business, in addition to the above mentioned Telecommunication Business Act, the business is subject to consumer protection related laws such as the Consumer Contract Act, Act on Specified Commercial Transactions, and the Act against Unjustifiable Premiums and Misleading Representations. If we or sales partners fail to comply, our results of operations and financial condition could be adversely impacted because of fines from regulators, other than the MIC, demands for legal responsibility, or damage to corporate image.

Moreover, if regulations related to our business are newly enacted or enforced more strongly, flexibility and promptness in our business execution may be weakened or our service offerings may be constrained due to our clients' usage of our offered services.

(3) Economic Security Legislation

As seen in the enactment and enforcement of the Economic Security Promotion Act and the Economic Security Information Protection Act (the legistration of Security Clearance) as well as the revisions to the export and import control systems in Japan, the promotion of economic measures to ensure national security has become increasingly important in response to changes in the international situation and socioeconomic structure. Under the Economic Security Protection Act, there is a system for ensuring the stable provision of core infrastructure services stipulates prior examinations, recommendations, orders and others related to outsourcing the installation, maintenance, and management of critical facilities, to prevent them from being interfered with from outside Japan. Although IIJ is not classified as a designated social infrastructure provider as of now, which is the primary subject of regulation under the Act, the operation of the system may affect our plans to build data center facilities or to provide our services to designated social infrastructure provider, which may in turn affect our results of operations and financial condition. In addition, such economic measures to ensure national security have been introduced outside of Japan, including in the United States, and the occurrence of restrictions on services we provide to a certain extent may adversely affect our results of operations and financial condition.

(4) Foreign regulations

We have affiliated companies both in Japan and overseas. Although we strive to comply with each foreign country's regulations, depending on counties, interpretation and operation of such regulations could be unclear, thus we may unintentionally fail to comply and be pointed out about it. In such a case, our results of operations and financial condition may be adversely impacted.

Also, among foreign country's regulations, there are cases in which such compliance requirements are not limited within such country's domain, but rather apply to the entire entity. For example, if we fail to comply with the FCPA or laws related to national security in the United States and GDPR of EU, we could be faced to restrict our business activity or ordered to pay fines as a penalty.

(5) Intellectual property

Although we strive not to infringe on third-party patents and other intellectual property, should we fail in those efforts, we may be faced with damage claims. Also, if a crucial part of our fundamental technology is understood to have a third-party patent, or in the future a third-party is given the patent to such technology, we may be required to pay license fees to the third-party with patent in order to execute our business.

We aggressively apply open source (*) software when developing and operating services; however, terms and conditions for open source software impose some issues, such as unclarity surrounding licenses, which could cause unexpected restriction on application. In addition, the utilization of AI (*) products in our business may be restricted due to various unresolved legal issues.

While we impose appropriate measures to protect our intellectual property and will do so continuously, it is difficult to completely remove risks of a third-party infringing on our intellectual property rights. In such a case, our results of operations and financial condition may be adversely impacted.

(6) Law suits

As of this document's filing date, there are no cases pending which would have a significant financial impact on us; however, we cannot be certain that we would not be named as a defendant in a future lawsuit including damage claims due, for example, to service interruption; delays in completion or contractual nonconformity for systems integration (including cases caused by outsourced personnel); infringement of a third-party's rights to intellectual property; leaks or defects of clients' data, including the secrecy of communications and personal information; improper attitudes towards clients; or improper treatment of employees or stocks. Also, we may have to choose lawsuit settlement if an agreement cannot be reached with the other party regarding price and other terms and conditions when updating and revising contracts with suppliers.

If these lawsuits are brought against us and are founded to be attributable to our group, or if our claims are not upheld, or if our creditability is damaged, our results of operations or financial condition could be adversely impacted.

5. Risks regarding relationships with large shareholders

(1) Background of investment by NTT Group and KDDI

As of this document's filing date, NTT and NTT Communications hold 20,387,000 shares of IIJ's common stock and 11.5% of the voting rights in combined total and KDDI also holds 20,387,000 shares of IIJ's common stock and the voting rights of 11.5%. The two groups are equally ranked as IIJ's largest shareholders. IIJ Group procures telecommunication lines and others from both NTT Group and KDDI and competes against them mainly in network services.

With regards to NTT and NTT Communications, there were the participation of NTT in IIJ's third-party allotment of shares to enhance our capital structure in January 1996, establishment of INTERNET MULTIFEED CO. with NTT in September 1997 (later, the shareholder changed to NTT Communications due to reorganization of NTT Group), and IIJ's third-party allotment of shares mainly to NTT and NTT Communications, in September 2003 in order to offset the financial losses due to commencement of corporate reorganization proceedings of Crosswave, our former equity method investee. As of March 31, 2023, the shareholding percentage of our common stock by NTT and NTT Communications together was 25.9% and NTT was our "other related company."

With regards to KDDI, they participated in IIJ's third-party allotment of shares to enhance our capital structure in June 1994. As of March 31, 2023, the shareholding percentage of our common stock held by KDDI was 0.9%.

As a response to the NTT's intent of partially selling IIJ's common stock, on May 18, 2023, KDDI purchased 18,707,000 shares of IIJ's common stock from NTT with capital and business alliance agreement between IIJ and KDDI. On May 19, 2023, IIJ purchased its treasury stock through off-auction own share repurchase trading (ToSTNeT-3) of the Tokyo Stock Exchange and NTT sold 3,928,500 shares of IIJ's common stock. In addition to the above mentioned transaction, NTT executed additional sales. As a result, the two groups' number of shares held and the shareholding percentage became as mentioned above and NTT is no longer our "other related company."

(2) Business relationship with NTT Group and KDDI

In order to provide Internet connectivity services and others, we use services provided by NTT Group and KDDI for a significant portion of access circuits, domestic and international backbone circuits, WAN lines, mobile interconnectivity and facility, data center facilities and other services. The business relationships with NTT Group and KDDI are within the ordinary course of business and there is no special arrangement due to their shareholdings.

NTT Group and KDDI provide services that compete with our services such as Internet connectivity services which include mobile services, WAN services, outsourcing services which include security-related services and systems integration. Although there is competition to a certain extent among IIJ and the two groups in some projects, there are no special arrangements due to their shareholdings, and IIJ Group operates its business independently.

For the fiscal year ended March 31, 2025, our revenue from NTT and NTT Communication were JPY0.4 billion and revenue from KDDI were JPY0.3 billion.

(3) Stock subscription agreement with NTT and capital and business alliance with KDDI

IIJ has concluded stock subscription agreement with NTT upon the third-party allotment to NTT in September 2003. This agreement does not stipulate any particularly material obligations or rights relating to the conduct of business.

IIJ has entered into a capital and business alliance agreement with KDDI upon KDDI's acquisition of IIJ's common stock from NTT in May 2023. Under this alliance, IIJ and KDDI have agreed to cooperate with each other in implementing and promoting alliances in order to achieve enhancement of corporate values of both companies to the extent that such collaboration contributes to realizing such purpose. Such collaboration includes the followings: IIJ's optimal procurement of KDDI's communication and other services, exploring collaboration in the business fields of KDDI and IIJ, including those of their respective subsidiaries, exploring mutual use and joint development of commercial products and other collaboration in corporate area and mobile service field of KDDI and IIJ and personnel exchanges.

(4) Outlook

NTT informed IIJ that NTT Group intends to hold the shares of IIJ's common stock held for the time being as strategic holdings. KDDI informed IIJ that KDDI intends to hold the shares of IIJ's common stock for the long term as strategic holdings. Although IIJ assumes that IIJ shall continue to have a good relationship with both groups as stable shareholders, any major change in our major shareholders, including but not limited to both groups, could have a temporary impact on IIJ's stock price.

6. Risks regarding future funding needs

As of March 31, 2025, our cash and cash equivalents were JPY32.5 billion, decreased by JPY12.9 billion from the previous fiscal year end. Our bank borrowings as of March 31, 2025 were JPY33.6 billion, increased by JPY3.4 billion from the previous fiscal year end. Our finance lease obligation including current portion as of March 31, 2025 was JPY19.2 billion, increased by JPY3.4 billion. As of March 31, 2025, the balance of other financial liabilities related to operating lease recognized along with the adoption of IFRS 16 was JPY29.7 million.

Our investment in facilities has been increasing. We plan to continuously allocate more capital in the future for network facilities, cloud computing services-related facilities, investments and expenses needed for maintenance, updates and expansion of back office-related facilities, investments and expenses needed for service development as well as operation and business development, investments and expenses related to our own data center construction, expansion of office space along with human resources expansion, increases in operating capital along with business expansion, capital injections and/or loans for business expansion as a group, funds for M&A transactions, etc. We mainly use bank borrowing when procuring working capital, lease transactions when purchasing network equipment. Due to the changes in interest rates, we may be faced with greater interest expenses than expected. Due to changes in the business circumstance, we may be faced with greater than expected funding needs for fund raising, including future lease transactions for our business operation. There is no guarantee that we can execute such transactions on favorable terms and conditions which could impose restrictions on our business development.

7. Risks regarding dilution of equity

IIJ issued 18,800 thousand new shares of common stock (the number of shares after adjustment due to subsequent stock splits) by way of a public offering in July 2013 and 2,800 thousand new shares (the number of shares after adjustment due to subsequent stock splits) by way of a third-party allotment in connection with a secondary offering of shares by way of an over-allotment in August 2013. For future strategic mergers and acquisitions transactions and/or large-scale business investments, we may choose to raise additional funds from the issuance of shares of IIJ's common stock or securities convertible into IIJ's common stock and in that case existing shareholders may incur substantial dilution.

There was a stock compensation-type stock option plan for directors (excluding part-time and outside directors) and executive officers of IIJ from June 2011 to June 2024 as a substitution for the retirement benefit. As for the details of this plan, please refer to "PART 1 Information on the Company, Item 4 Information on IIJ, 1. Information on IIJ's shares, (2) Information on Stock Acquisition Rights." This plan was revised in June 2024 to be a remuneration that is conditional on tenure as a part of restricted stocks remuneration which is described below.

IIJ has introduced restricted stocks remuneration for executive directors and executive officers of IIJ and its subsidiary, IIJ-Global as a substitution for a part of cash remuneration such as bonus. As for the details of this scheme, please refer to "PART 1 Information on the Company, Item 4 Information on IIJ, 4. Corporate Governance, (4) Remuneration for directors and company auditors, etc., ⅳ) Contents of performance-linked remuneration and non-monetary remuneration."

4. Management's Analysis of Financial Position, Results of Operations and Cash Flows
(Overview of Business Results)

(1) Results of Operations

Overview of Consolidated Results of Operations for the fiscal year ended March 31, 2025

During the fiscal year ended March 31, 2025 (FY2024), the Japanese domestic economy experienced a moderate recovery, albeit with some signs of stagnation in certain areas. Looking ahead, the economy is expected to continue recovering gradually, supported by improvements in employment and income conditions, as well as the effects of various government policies. However, downside risks remain, including uncertainties related to U.S. trade policies—such as tariffs—and persistent inflationary pressures. Close attention must also be paid to volatility in financial and capital markets.

Amid such economic conditions, the corporate ICT market—IIJ Group's primary area of involvement—has seen continued growth in the use of new technologies in business activities, such as cloud computing services and AI. This, along with other factors, is expected to drive sustained increases in internet traffic and further heighten the importance of cybersecurity measures. The scope of corporate networks and systems is evolving from traditional internal networks to more diverse infrastructures that incorporate Internet technologies. We anticipate that the importance of stable and reliable network and system operations will continue to increase going forward.

As for our business progress during FY2024, strong demand persisted for corporate and government-related network renewals. IIJ Group successfully secured several large-scale, multi-year Service Integration projects, each valued between JPY one billion and over JPY ten billion. These large projects contributed to a significant increase in one-time revenue of system construction, while monthly recurring revenue from Network services and system operation and maintenance also began to accumulate steadily. Total revenue rose substantially by 14.8% year-over-year (YoY), driven by significant growth in system integration and steady growth in Network Services. In Network Services (excluding mobile-related services), Outsourcing services such as IP and security-related offerings performed well in line with continued Internet traffic growth, resulting in a 6.7% YoY increase in revenue to JPY112.28 billion. In mobile-related services, IoT-related demand remained strong in the corporate market, including for network cameras and device connectivity. In the consumer market, while the market is maturing, the number of subscriptions continued to rise, with total subscription increasing by 929 thousand from the previous fiscal year-end to 5,739 thousand. Revenue from mobile-related services increased 9.0% YoY. In system integration, strong demand for network upgrades across various industries led to a 37.8% YoY increase in system construction revenue. Revenue from system operation and maintenance rose 14.8% YoY, reflecting the accumulation of post-construction operation contracts and increased demand for multi-cloud (*) services. In overseas business, revenue increased 14.7% YoY to JPY40.5 billion, supported by demand for global network initiatives for Japanese companies and strong performance from PTC SYSTEM (S) PTE LTD, which handled robust server construction projects. On the infrastructure side, we continued expanding the scale and reach of our network and launched initiatives to ensure long-term capacity, including new building construction at the Matsue Data Center Park and preparations for the third-phase building at the Shirai Data Center Campus. As for human capital, we reinforced efforts primarily focused on hiring and training new graduates. The total number of consolidated employees increased by 418 YoY to 5,221. The turnover rate during FY2024 was 3.9%. Regarding profitability, we incurred approximately JPY3.6 billion in additional costs due to a significant price increase for VMware products from the beginning of FY2024. To address this, we implemented price adjustments for cloud computing-related services and revised prices for some Network Services during FY2024, limiting the full-year negative impact on profit to around JPY1.5 billion. Our affiliate, DeCurret DCP Inc., launched the first commercial transaction using "DCJPY," Japan's first digital currency. Its parent company, DeCurret Holdings Inc., raised approximately JPY6.35 billion through a third-party allotment of shares to thirteen corporate partners, strengthening collaborative efforts for future business expansion.

Consolidated Financial Results for FY2024 were as follows. Total revenue was JPY316,831 million (FY2023: JPY276,080 million), up 14.8% YoY. Total cost of sales was JPY248,429 million (FY2023: JPY212,214 million), up 17.1% YoY, and gross profit was JPY68,402 million (FY2023: JPY63,866 million), up 7.1% YoY. The breakdown by service was as follows. Network services revenue was JPY162,577 million (FY2023: JPY151,347 million), up 7.4% YoY and its gross profit was JPY45,273 million (FY2023: JPY43,493 million), up 4.1% YoY. System integration, including equipment sales, revenue was JPY151,306 million (FY2023: JPY121,819 million), up 24.2% YoY and its gross profit was JPY21,753 million (FY2023: JPY19,042 million), up 14.2% YoY. Within this, system construction revenue was JPY68,773 million (FY2023: JPY49,902 million), up 37.8% YoY and system operation and maintenance revenue was JPY82,533 million (FY2023: JPY71,917 million), up 14.8% YoY. ATM Operation Business revenue was JPY2,948 million (FY2023: JPY2,914 million), up 1.2% YoY and its gross profit was JPY1,376 million (FY2023: JPY1,331 million), up 3.4% YoY. Selling, general and administrative expenses, including other income and expenses, was JPY38,298 million (FY2023: JPY34,837 million), up 9.9% YoY. Operating profit was JPY30,104 million (FY2023: JPY29,029 million), up 3.7%. Profit before tax was JPY29,184 million (FY2023: JPY28,934 million), up 0.9% YoY mainly due to gains on valuation of financial assets related to investment funds of JPY201 million (FY2023: JPY149 million), dividends received of JPY145 million (FY2023: JPY106 million), foreign exchange gains of JPY47 million (FY2023: JPY533 million), and interest expenses from bank borrowings and lease transactions of JPY1,062 million (FY2023: JPY616 million). Profit attributable to owners of the parent was JPY19,933 million (FY2023: JPY19,831 million), up 0.5% YoY. Return on equity (ROE) attributable to owners of the parent was 15.0%.

(2) Financial Position

As of March 31, 2025, the balance of total assets was JPY312,435 million, increased by JPY38,722 million from the balance as of March 31, 2024 of JPY273,713 million.

As of March 31, 2025, the balance of current assets was JPY130,195 million, increased by JPY10,306 million from the balance as of March 31, 2024 of JPY119,889 million mainly due to increases in trade receivables and prepaid expenses.

As of March 31, 2025, the balance of non-current assets was JPY182,240 million, increased by JPY28,416 million from the balance as of March 31, 2024 of JPY153,824 million, mainly due to increases in tangible assets, right-of-use assets and prepaid expenses.

As of March 31, 2025, the balance of current liabilities was JPY113,315 million, increased by JPY14,957 million from the balance as of March 31, 2024 of JPY98,358 million, mainly due to increases in borrowings and contract liabilities.

As of March 31, 2025, the balance of non-current liabilities was JPY57,034 million, increased by JPY8,711 million from the balance as of March 31, 2024 of JPY48,323 million, mainly due to increases in other financial liabilities and contract liabilities.

As of March 31, 2025, the balance of total equity attributable to owners of the parent was JPY140,683 million, increased by JPY14,932 million from the balance as of March 31, 2024 of JPY125,751 million. Ratio of owners' equity to total assets was 45.0% as of March 31, 2025.

(3) Cash Flows

Cash and cash equivalents as of March 31, 2025 were JPY32,534 million.

Net cash provided by operating activities FY2024 was JPY28,528 million. There were profit before tax of JPY29,184 million, depreciation and amortization of JPY31,372 million, income taxes paid of JPY9,764 million and net cash out of JPY25,008 million related to changes in working capital.

Net cash used in investing activities for FY2024 was JPY21,749 million, mainly due to payments for purchases of tangible assets, such as assets related to Matsue Data Center Park, of JPY11,904 million and purchases of intangible assets, such as software, of JPY8,211 million.

Net cash used in financing activities for FY2024 was JPY19,667 million, mainly due to payments of other financial liabilities of JPY25,418 million, which included payments under operating lease contracts such as office rent and finance lease contracts such as network equipment, proceeds from other financial liabilities of JPY8,497 million, net increase in short-term borrowings of JPY7,000 million, dividends paid of JPY6,134 million and repayments of long-term bank borrowings of JPY3,563 million.

(Production, Orders Received and Sales)

(1) Production

Production results for the year ended March 31, 2025 were as follows:

Type of Services	Fiscal year ended March 31, 2025	
	Production (millions of yen)	Year over year comparison (%)
Systems Integration, including Equipment Sales	130,113	26.2
Total	130,113	26.2

(Notes)
1. Percentages of year over year comparison indicate year over year rate of change.
2. Since the Company does not engage in production activities in network services and ATM operation business, we do not present production results for network services, equipment sales and ATM operation business. For more information about relations between services and business segments, please refer to "PART 1. Information on the Company, Item 1. Overview of the Company, 3 Description of Business."

(2) Orders Received

Orders received for the fiscal year ended March 31, 2025 and order backlog as of March 31, 2025 were as follows:

Type of Services	Fiscal year ended March 31, 2025			
	Orders Received (millions of yen)	Year over Year comparison (%)	Order Backlog (millions of yen)	Year over Year comparison (%)
Systems Construction and Equipment Sales	60,817	1.6	15,805	(33.5)
Systems Operation and Maintenance	97,039	10.2	99,638	17.0
Total	157,856	6.7	115,443	6.0

(Notes)
1. Percentages of year over year comparison indicate year over year rate of change.
2. Since the Company does not engage in make-to-order production in network services and ATM operation business, we do not present orders received and order backlog for network services and ATM operation business. For more information about relations between services and business segments, please refer to "PART 1. Information on the Company, Item 1. Overview of the Company, 3 Description of Business."

(3) Sales

Consolidated revenues for the year ended March 31, 2025 were as follows:

Type of services		Fiscal year ended March 31, 2025	
		Revenue (millions of yen)	Year over year comparison (%)
Network services		162,577	7.4
	Internet connectivity services (enterprise)	48,994	9.5
	Internet connectivity services (consumer)	26,832	6.1
	Outsourcing services	59,145	11.7
	WAN services	27,606	(2.7)
Systems integration		151,306	24.2
	Systems construction and equipment sales	68,773	37.8
	Systems operation and maintenance	82,533	14.8
ATM operation business		2,948	1.2
Total revenues		316,831	14.8

(Notes)
1. Percentages of year over year comparison indicate year over year rate of change.
2. For more information about relations between services and business segments, please see "PART I Information on the Company, Item 1. Overview of the Company, 3 Description of Business."

(Management’s Discussion and Analysis of Operating Results, etc.)

Forward-looking statements included herein are made as of the filing date of this annual securities report.

(1) Material Accounting Policies and Assumptions used to make the Accounting Estimate

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) in accordance with Article 312 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements, etc. (Ordinance of the Ministry of Finance of Japan No. 28 of 1976)

In preparing consolidated financial statements in accordance with IFRS, the Company uses judgments, accounting estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, profit and loss.

These estimates and assumptions are based on the best judgment of management in consideration of past experience and available information, and various factors considered to be reasonable as of the end of the reporting period.

However, due to their nature, figures based on these estimates and assumptions may differ from actual results. For details, please refer to the notes on consolidated financial statements below.

(2) Analysis of Result of Operation for the fiscal year ended March 31, 2025

(i) Summary of Consolidated Results of Operations

Summary of Consolidated Results of Operations

	Fiscal Year ended March 31, 2024	Fiscal Year ended March 31, 2025	Year over Year change
	millions of yen	millions of yen	%
Total revenues	276,080	316,831	14.8
Network services	151,347	162,577	7.4
Systems integration, including equipment sales	121,819	151,306	24.2
ATM operation business	2,914	2,948	1.2
Total costs	(212,214)	(248,429)	17.1
Network services	(107,854)	(117,304)	8.8
Systems integration, including equipment sales	(102,777)	(129,553)	26.1
ATM operation business	(1,583)	(1,572)	(0.7)
Total gross margin	63,866	68,402	7.1
Network services	43,493	45,273	4.1
Systems integration, including equipment sales	19,042	21,753	14.2
ATM operation business	1,331	1,376	3.4
SG&A, R&D, and other operating income(expenses)	(34,837)	(38,298)	9.9
Operating profit	29,029	30,104	3.7
Profit before tax	28,934	29,184	0.9
Profit attributable to owners of the parent	19,831	19,933	0.5

Segment Information

	Fiscal Year ended March 31, 2024	Fiscal Year ended March 31, 2025
	millions of yen	millions of yen
Total revenues	276,080	316,831
Network services and SI business	273,247	313,920
ATM operation business	2,914	2,948
Elimination	(81)	(37)
Operating profit	29,029	30,104
Network service and SI business	28,014	28,932
ATM operation business	1,015	1,172
Elimination	-	-

(ii) Analysis of Result of Operation

We present analysis by type of service, instead of segment analysis, because most of the Company's revenues are dominated by network services and systems integration (SI) business.

i) Revenues

Total revenues were JPY316,831 million, up 14.8% YoY (JPY276,080 million for FY2023).

[Network services]

Network services revenue was JPY162,577 million, up 7.4% YoY (JPY151,347 million for FY2023). Part of network service prices were revised from the beginning of 3Q24.

Revenues for Internet connectivity services for enterprise were JPY48,994 million, up 9.5% YoY from JPY44,725 million for FY2023, mainly due to an increase in revenues of enterprise mobile services and IP services.

Revenues for Internet connectivity services for consumers were JPY26,832 million, up 6.1% YoY from JPY25,285 million for FY2023, mainly due to an increase in revenues of IIJmio Mobile services.

Revenues for Outsourcing services were JPY59,145 million, up 11.7% YoY from JPY52,972 million for FY2023, mainly due to an increase in security-related services revenues.

Revenues for WAN services were JPY27,606 million, down 2.7% YoY from JPY28,365 million for FY2023.

The following tables provide a breakdown of network services revenues and number of contracts and subscription for connectivity services.

Network Services Revenues Breakdown

	FY2023	**FY2024**	YoY Change
	JPY millions	**JPY millions**	%
Total network services	151,347	**162,577**	7.4
Internet connectivity services (enterprise)	44,725	**48,994**	9.5
IP services (including data center connectivity services)	15,990	**17,320**	8.3
IIJ Mobile Services	24,177	**26,859**	11.1
Enterprise mobile services (IoT usages etc.)	13,632	**15,478**	13.5
IIJ Mobile MVNO Platform Service (MVNE)	10,545	**11,381**	7.9
Others	4,558	**4,815**	5.6
Internet connectivity services (consumer)	25,285	**26,832**	6.1
IIJmio Mobile Services	21,961	**23,438**	6.7
Others	3,324	**3,394**	2.1
Outsourcing services	52,972	**59,145**	11.7
WAN services	28,365	**27,606**	(2.7)

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

	As of March 31, 2024	**As of March 31, 2025**	YoY Change
Internet connectivity services (enterprise)	3,638,223	**4,535,036**	896,813
IP service (greater than or equal to 1Gbps) (Note 2)	1,395	**1,484**	89
IP service (less than 1Gbps) (Note 2)	1,401	**1,597**	196
IIJ Mobile Services	3,535,558	**4,427,695**	892,137
Enterprise mobile services (IoT usages etc.)	2,349,885	**3,176,021**	826,136
IIJ Mobile MVNO Platform Service (MVNE)	1,185,673	**1,251,674**	66,001
Others	99,869	**104,260**	4,391
Internet connectivity services (consumer)	1,609,944	**1,629,725**	19,781
IIJmio Mobile Services	1,274,410	**1,311,509**	37,099
Others	335,534	**318,216**	(17,318)
Total contracted bandwidth (Gbps) (Note 3)	10,441.7	**13,832.2**	3,390.5

(Notes)

1. Numbers in the table above show number of contracts except for "IIJ Mobile Services (enterprise)" and "IIJmio Mobile Services" which show number of subscriptions.
2. The numbers of IP service contracts include the numbers of IIJ data center connectivity service contracts.
3. Total contracted bandwidth is calculated by multiplying number of contracts under "Internet connectivity services (enterprise)" except for "IIJ Mobile Services" and the contracted bandwidths of the services respectively.

[Systems integration]

SI revenues, including equipment sales, were JPY151,306 million, up 24.2% YoY (JPY121,819 million for FY2023).

Systems construction and equipment sales, a one-time revenue, was JPY68,773 million, up 37.8% YoY (JPY49,902 million for FY2023). Systems operation and maintenance revenue, a recurring revenue, was JPY82,533 million, up 14.8% YoY (JPY71,917 million for FY2023), mainly due to continued accumulation of systems operation orders as well as growing demand for multi-cloud related services.

Orders received for SI, including equipment sales, totaled JPY157,856 million, up 6.7% YoY (JPY147,955 million for FY2023); orders received for systems construction and equipment sales were JPY60,817 million, up 1.6% YoY (JPY59,864 million for FY2023), and orders received for systems operation and maintenance were JPY97,039 million, up 10.2% YoY (JPY88,091 million for FY2023).

Order backlog for SI, including equipment sales, as of March 31, 2025 amounted to JPY115,443 million, up 6.0% YoY (JPY108,893 million as of March 31, 2024); order backlog for systems construction and equipment sales was JPY15,805 million, down 33.5% YoY (JPY23,761 million as of March 31, 2024) and order backlog for systems operation and maintenance was JPY99,638 million, up 17.0% YoY (JPY85,132 million as of March 31, 2024).

[ATM operation business]

ATM operation business revenues were JPY2,948 million, up 1.2% YoY (JPY2,914 million for FY2023).

ii) Cost of sales

Total cost of sales was JPY248,429 million, up 17.1% YoY (JPY212,214 million for FY2023).

[Network services]

Cost of network services revenue was JPY117,304 million, up 8.8% YoY (JPY107,854 million for FY2023), mainly due to an increase in license fees. There was one-time cost reimbursement, which was related to a mobile unit charge, by mobile careers in 3Q24 at a similar level to 3Q23 as FY2023 mobile unit charge was fixed based on its actual results for the corresponding period. Gross profit was JPY45,273 million, up 4.1% YoY (JPY43,493 million for FY2023), with absorbing the cost increase related to substantial price increases of VMware products by part of network service prices' revision from the beginning of 3Q24, and gross profit ratio was 27.8% (28.7% for FY2023).

[Systems integration]

Cost of SI revenues, including equipment sales was JPY129,553 million, up 26.1% YoY (JPY102,777 million for FY2023), mainly due to increases in purchasing costs, outsourcing-related costs and license fees. Gross profit was JPY21,753 million, up 14.2% YoY (JPY19,042 million for FY2023), with absorbing the cost increase related to substantial price increases of VMware products mainly by progressing price pass-through to our cloud services in the first half of FY2024, and gross profit ratio was 14.4% (15.6% for FY2023).

[ATM operation business]

Cost of ATM operation business revenues was JPY1,572 million, down 0.7% YoY (JPY1,583 million for FY2023). Gross profit was JPY1,376 million, up 3.4% YoY (JPY1,331 million for FY2023) and gross profit ratio was 46.7% (45.7% for FY2023).

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

Selling, general and administrative expenses, including research and development expenses, totaled JPY38,312 million, up 10.2% YoY (JPY34,754 million for FY2023), mainly due to an increase in personnel-related expenses.

Other operating income was JPY149 million (JPY169 million for FY2023).

Other operating expenses was JPY135 million (JPY252 million for FY2023).

iv) Operating profit

Operating profit was JPY30,104 million (JPY29,029 million for FY2023), up 3.7% YoY.

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

Finance income was JPY580 million, compared to JPY1,019 million for FY2023. It included gains on financial instruments, mainly related to funds, of JPY201 million (gain of JPY149 million for FY2023), dividends received of JPY145 million (JPY106 million for FY2023), and foreign exchange gain of JPY47 million (gain of JPY533 million for FY2023).

Finance expense was JPY1,086 million compared to JPY649 million for FY2023. It included interest expenses of JPY1,062 million (JPY616 million for FY2023), mainly related to bank borrowing and lease transaction.

Share of loss of investments accounted for using equity method was JPY414 million (loss of JPY465 million for FY2023), mainly due to loss of DeCurret Holdings, Inc. of JPY553 million, which included gain on changes in equity interest of JPY209 million.

vi) Profit before tax

Profit before tax was JPY29,184 million (JPY28,934 million for FY2023), up 0.9% YoY.

vii) Profit for the year

Income tax expense was JPY9,080 million (JPY8,958 million for FY2023). As a result, profit for the year was JPY20,104 million (JPY19,976 million for FY2023), up 0.6% YoY.

Profit for the year attributable to non-controlling interests was JPY171 million (JPY145 million for FY2023), mainly related to net income of Trust Networks Inc.

Profit for the year attributable to owners of parent was JPY19,933 million (JPY19,831 million for FY2023), up 0.5% YoY.

viii) Comprehensive income for the year

Comprehensive income for the year was JPY20,977 million (JPY24,533 million for FY2023), down 14.5% YoY, mainly due to an effect of changes in the market value of investment securities and others of JPY464 million, which decreased form JPY3,410 million for FY2023.

Comprehensive income for the year attributable to owners of parent was JPY20,806 million (JPY24,388 million for FY2023), down 14.7% YoY.

(3) Financial Position as of March 31, 2025

As of March 31, 2025, the balance of total assets was JPY312,435 million, increased by JPY38,722 million from the balance as of March 31, 2024 of JPY273,713 million.

As of March 31, 2025, the balance of current assets was JPY130,195 million, increased by JPY10,306 million from the balance as of March 31, 2024 of JPY119,889 million. As for the major breakdown of balance and fluctuation of current assets, cash and cash equivalents decreased by JPY12,940 million to JPY32,534 million, trade receivables increased by JPY10,678 million to JPY56,361 million, and prepaid expenses increased by JPY8,038 million to JPY28,122 million mainly due to increases in project costs for customers, license fees and equipment-related costs.

As of March 31, 2025, the balance of non-current assets was JPY182,240 million, increased by JPY28,416 million from the balance as of March 31, 2024 of JPY153,824 million. As for the major breakdown of balance and fluctuation of non-current assets, tangible assets increased by JPY4,699 million to JPY33,771 million mainly due to purchases related to Matsue Data Center Park, right-of-use assets, the rights under operating lease contracts such as office and data centers and under finance lease contracts such as data communication equipment, increased by JPY4,514 million to JPY45,756 million mainly due to acquisition, intangible assets increased by JPY2,664 million to JPY21,021 million, prepaid expenses increased by JPY9,396 million to JPY28,808 million mainly due to increases in project costs for customers, license fees and equipment-related costs, and investment securities (equity) increased by JPY1,260 million to JPY15,823 million.

As of March 31, 2025, the balance of current liabilities was JPY113,315 million, increased by JPY14,957 million from the balance as of March 31, 2024 of JPY98,358 million. As for the major breakdown of balance and fluctuation of current liabilities, trade and other payables increased by JPY4,803 million to JPY30,238 million, borrowings increased by JPY3,483 million to

JPY33,616 million mainly due to an increase of JPY7,000 million from bank borrowings and a decrease of JPY3,563 million from repayment, contract liabilities increased by JPY3,001 million to JPY15,686 million and other financial liabilities increased by JPY2,844 million to JPY20,879 million.

As of March 31, 2025, the balance of non-current liabilities was JPY57,034 million, increased by JPY8,711 million from the balance as of March 31, 2024 of JPY48,323 million. As for the major breakdown of balance and fluctuation of non-current liabilities, contract liabilities increased by JPY1,560 million to JPY10,112 million and other financial liabilities increased by JPY6,596 million to JPY37,699 million.

As of March 31, 2025, the balance of total equity attributable to owners of the parent was JPY140,683 million, increased by JPY14,932 million from the balance as of March 31, 2024 of JPY125,751 million. Ratio of owners' equity to total assets was 45.0% as of March 31, 2025.

(4) Analysis of Liquidity and Capital Resources for the fiscal year ended March 31, 2025

(i) Overview

Our principal capital and liquidity needs in recent years have been for capital expenditures for the development and expansion of our network infrastructure, investments in our internal back-office systems, cloud service-related investments, leasing fees and investments in facilities such as data centers (including purchase of land), working capital increasing due to costs such as cost of network services and purchasing cost in systems integration services, investments in and loans to group companies, investments to develop international business, sales and marketing expenses and working capital.

We have traditionally met our capital and liquidity requirements through cash flows from operating activities, bank borrowings and finance leases.

(ii) Cash flows

Cash and cash equivalents as of March 31, 2025 were JPY32,534 million (JPY45,474 million as of March 31, 2024).

Net cash provided by operating activities for FY2024 was JPY28,528 million (net cash provided by operating activities of JPY40,780 million for FY2023). There were profit before tax of JPY29,184 million (JPY28,934 million for FY2023), depreciation and amortization of JPY31,372 million (JPY29,296 million for FY2023), including JPY12,084 million (JPY11,784 million for FY2023) of depreciation of right-of-use operating lease assets under IFRS 16, and income taxes paid of JPY9,764 million (JPY8,130 million for FY2023). Regarding changes in working capital, there was net cash out of JPY25,008 million compared to net cash out of JPY9,880 million for FY2023. As for the major factors for the increase in net cash out in comparison with FY2023, there was an increase in payments of prepaid expenses and a decrease in proceeds from trade receivables.

et cash used in investing activities for FY2024 was JPY21,749 million (net cash used in investing activities of JPY17,927 million for FY2023), mainly due to payments for purchases of tangible assets, such as assets related to

Matsue Data Center Park, of JPY11,904 million (JPY11,744 million for FY2023) and purchases of intangible assets, such as software, of JPY8,211 million (JPY7,199 million for FY2023).

Net cash used in financing activities for FY2024 was JPY19,667 million (net cash used in financing activities of JPY20,797 million for FY2023), mainly due to payments of other financial liabilities of JPY25,418 million (JPY20,008 million for FY2023), which included payments under operating lease contracts such as office rent and finance lease contracts such as network equipment, proceeds from other financial liabilities of JPY8,497 million (JPY6,609 million for FY2023), net increase in short-term borrowings of JPY7,000 million (JPY11,800 million for FY2023 mainly due to bank borrowings relating to the acquisition of treasury shares), dividends paid of JPY6,134 million (JPY5,682 million for FY2023) and repayments of long-term bank borrowings of JPY3,563 million (JPY2,060 million for FY2023).

(iii) Borrowings

Our primary banking relationships are with MUFG Bank, Ltd., Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui Trust Bank, Limited.

As of March 31, 2025, our short-term borrowings consisting of bank overdrafts were JPY33,570 million. Our unused balance under our bank overdraft agreements, uncommitted, was JPY11,880 million in short-term borrowings as of March 31, 2025.

(iv) Finance Leases

The Company conducts its connectivity and other services by using data communications and other equipment leased under finance lease arrangements. The balance of finance lease liabilities amounted to JPY19,172 million at March 31, 2025.

5. Material Contracts, etc.

Not applicable.

6. Research and development

We have established the Research Laboratory internally, as our core organization for basic technological research, which conducts the survey and research on new technologies relating the Internet, and engages in various research and development activities through cooperation between the Research Laboratory and IIJ's relevant departments.

In regard to Internet-related basic technology, for the fiscal year ended March 31, 2025, we have conducted extensive research mainly on Internet traffic survey, measurement and analysis, infrastructure and applied technologies of the Internet and security. As for Internet traffic survey, measurement and analysis, we have been continuously cooperating with the MIC and other ISPs since 2004 on evaluating domestic Internet traffic volumes as well as its trend. In addition, to support network operations, we have developed tools to analyze external observation data on network on the Internet from multiple perspectives and publish them along with the analysis results. These kind of research is not only valuable to us in constructing network architecture, but also valuable worldwide as a rare research output which we believe is a great contribution to the ICT industry. As for infrastructure and applied technologies of the Internet, in order to operate growing Internet infrastructure more efficiently, we conducted research and development on high-speed data communications by using software, engaged in the standardization activities of protocols and in the implementation of software used in the Internet, addressed research on operation and management automation technologies, such as dynamic information management by designing an autonomous resource allocation model for cloud services, collecting and extracting network information, building automatic configuration systems for industrial and IoT devices, conducted research and development on next-generation authentication and authorization technologies, etc. In regard to security, we conducted development on privacy protection processing technologies and research on digital certificates. In addition to these efforts, we also analyzed malware and developed applications to collect and visualize information essential to security operations.

For the fiscal year ended March 31, 2025, we established a new organization to promote the utilization of AI technologies, and through our business activities, our business divisions engaged in the following research and development; development of new services, expansion of mobile services functions, development of full-MVNO services, execution of customers' various PoC(*) projects for developments of IoT related services etc., development of security services or solutions and addition of new functions by evaluating security-related technologies, addition of new functions for cloud computing services, data centers design for the operation of high-load computing resources, developments of software necessary for our business by evaluating such technology, evaluation network equipment whether to adopt, development of next generation system infrastructure, and evaluation, consideration and development of network operation technology.

We participate in various domestic and international organizations or groups in relation to Internet or telecommunications technology, such as ISOC(*) and IETF(*), which are standardization organizations of Internet technology, APNIC(*) and JPNIC(*), which are organizations support the operation of the Internet in Asia and Japan, ITU-T(*), a telecommunications standardization department of the United Nations' specialized agency ITU(*), FIRST(*), an international organization on security, JANOG(*), a Japanese organization to discuss, review and introduce technical matters related to the Internet and related operations for the purpose of contributing to Internet technologists and users, ICT-ISAC(*), an organization to secure security in the information and communication sector in Japan, ASPIC(*), an organization to disseminate and develop cloud computing as an important social infrastructure, and Ultra Ethernet Consortium (*), an organization to standardize high-speed, low-latency Ethernet for data centers. Through our engagement with these organizations, we are actively working on the development of network related technology.

The Internet has contributed to society by making communication protocols be public and standardized. In our research and development activities related to data communications including the Internet, we recognize it is more important to participate in standardization process of basic technology, collect, evaluate and acquire next generation technical information, apply and implement new technology to existing services, create and develop highly value-added services and products with existing technology, rather than newly developing our own technology by investing a large amount of budget individually, and this is how we engage in research and development activities.

Most of our research and development expenses are for personnel related expenses as described above. We basically recognize personnel expenses related to personal engaged in basic technology research as research and development expenses, and costs related to service development are recognized as cost of revenue. For the fiscal year ended March 31, 2025, research and development expenses, which were in relation to network services and systems integration business segment, were JPY643 million, increased by 1.1% compared to the previous fiscal year.

Item 3. Property and Equipment

1. Overview of Capital Investments

In order to meet increasing demand for cloud computing services, increasing volume of traffic and others, we continuously invest in data centers, servers and network equipment. We also engage in system development to expand our service offerings as well as improve work efficiency.

Capital expenditures for the year ended March 31, 2025 were JPY26,274 million. They mainly represented purchases for the network services and SI business.

Among said expenditures, investment in tangible fixed assets such as data communication equipment, servers, data centers, and, facility construction amounted to JPY16,838 million and investments in software such as service and back office system-related software was JPY9,436 million.

The capital expenditures described above include the following: purchase of assets of JPY16,143 million which were paid with cash on hand, and acquisition of assets made by entering into finance leases of JPY10,131 million.

For the fiscal year ended March 31, 2025, we did not sell or dispose of any important assets.

(Note) Total amount of capital expenditure described above are the amounts of acquisition of tangible and intangible assets by cash and entering into finance leases for the fiscal year, excluding duplication due to sale and leaseback transactions and acquisition of assets that do not have the nature of investment, such as purchase of small-amount equipment.

2. Overview of Major Facilities

Major Facilities of the IIJ Group (IIJ and Subsidiaries) as of March 31, 2024 were as follows

(1) IIJ

Office (Location)	Segment	Type of Equipment and Facilities	Carrying amount (millions of yen)							Number of Employees (person) Note 1
			Land (Area m^2)	Buildings	Structures	Tools, furniture and fixtures	Software	Leased assets	Total	
Headquarter and Data center etc. (Chiyoda-ku, Tokyo)	Network services and SI business	Office equipment and communication equipment etc.	1,522 (40,699)	14,391	1,134	5,630	18,592	12,841	54,110	2,971

(Notes)
1. The number of employees indicates the total number of full-time and contract worker.
2. IIJ rents almost all offices and network operation centers except for Matsue data center and Shiroi data center. IIJ didn't own land or building which were material for the purpose of business. For the fiscal year ended March 31, 2025, total rent expenses including for our headquarters amounted JPY7,065 million.
3. The carrying amount is based on Japan GAAP.

(2) Domestic Subsidiaries

Company Name (Location) Note 1	Segment	Type of Equipment and Facilities	Carrying amount (millions of yen)					Number of Employees (person) Note 2
			Facilities attached to buildings	Tools, furniture and fixtures	Software	Leased assets	Total	
IIJ Global Solutions Inc. (Chiyoda-ku, Tokyo)	Network services and SI business	Office equipment and communication equipment etc.	75	550	496	1,417	2,538	435
Trust Networks Inc. (Chiyoda-ku, Tokyo)	ATM operation Business	Office equipment and communication equipment etc.	—	596	230	40	866	9
IIJ Engineering Inc. (Chiyoda-ku, Tokyo)	Network services and SI business	Office equipment and communication equipment etc.	210	357	105	4	676	697

(Notes)
1. IIJ's subsidiaries in Japan rent headquarters building from IIJ.
2. The number of employees indicates the total number of full-time and contract workers.
3. The carrying amount is based on Japan GAAP.

(3) Overseas Subsidiaries

Company Name (Location)	Segment	Type of Equipment and Facilities	Carrying amount (millions of yen)					Number of Employees (person) Note 1
			Facilities attached to buildings	Tools, furniture and fixtures	Software	Right-of-use assets	Total	
PTC SYSTEM (S) PTE LTD (Singapore)	Network services and SI business	Office equipment and Communication equipment etc.	37	13	—	2,410	2,460	65
IIJ America Inc. (New York, U.S.A)	Network services and SI business	Office equipment and Communication equipment etc.	3	525	1	734	1,263	65
IIJ Europe Limited (London, the United Kingdom)	Network services and SI business	Office equipment and Communication equipment etc.	5	53	—	217	275	53

(Notes)
1. The number of employees represents the total number of full-time and contract workers.
2. The carrying amount is based on IFRS.

3. Planned Capital Investments and Disposals of Property

IIJ and its subsidiaries decide capital investments plan based on comprehensive consideration by taking factors such as industry trends and investment efficiency into consideration.

Plans of new construction and disposals of major property and equipment as of March 31, 2025 were as follows.

(1) New construction of major property and equipment

Company Name (Location)	Segment	Details of facilities and equipment	Total planned investment		Supposed capital resource	Start and Completion date etc.	
			Total (thousands of yen)	Amount already paid (thousands of yen)		Start	Completion
Data Center etc. (Shiroi-shi, Chiba, etc.)	Network services and SI business	Communication equipment, Sever and System development, etc.	21,500	—	Cash and Lease	April 2025	March 2026
Data Center (Shiroi-shi, Chiba.)	Network services and SI business	Expansion of data center equipment, etc.	8,500	—	Loan and Cash	April 2025	March 2026

(2) Disposals of major facilities, etc.

Not applicable.

Item 4. Information on IIJ

1. Information on IIJ's Shares

(1) Total Number of Shares

(i) Total Number of Shares

Class	Total number of shares authorized to be issued (shares)
Common stock	302,080,000
Total	302,080,000

(ii) Number of shares issued

Class	Number of shares issued as of the end of the fiscal year (shares) (March 31, 2025)	Number of shares issued as of the filing date (shares) (June 30, 2025)	Stock exchange on which IIJ is listed or authorized financial instruments firms association	Description
Common stock	183,184,884	183,206,294	Tokyo Stock Exchange (the Prime market)	The number of shares constituting one unit is 100 shares.
Total	183,184,884	183,206,294	—	—

(Note) The increase in number of shares issued during the period from April 1, 2025 to June 30, 2025 was due to the exercise of stock acquisition rights.

(2) Information on Stock Acquisition Rights

(i) Description of Stock Option System

Stock-Compensation-Type Stock Options (Stock Acquisition Rights)

There was a stock compensation-type stock option plan for directors (excluding part-time and outside directors) and executive officers of IIJ during the period from June 2011 to June 2024. Under this plan, stock acquisition rights had been issued and allocated to the grantees in accordance with the Companies Act in the form of stock compensation-type stock options, which were equivalent to approximately one to two months' base monthly remuneration, depending on the position of each grantee.

Unexercised stock acquisition rights issued under the plan are as follows.

#1 Stock Acquisition Rights

Date of resolution	June 28, 2011
Classification and number of grantees	6 Full-time Directors and 8 Executive Officers
Number of stock acquisition rights outstanding	60 [60] (Note 1)
Class and number of shares to be issued upon exercise of stock acquisition rights	Common stock 48,000 [48,000] shares (Notes 1, 4, 5 and 6)
Amount to be paid upon exercise of stock acquisition rights (JPY)	The value of assets to be contributed upon exercise of stock acquisition rights shall be determined by multiplying the price to be paid per share upon exercise of each stock acquisition right (the “exercise price”) by the Number of Shares Granted, and the exercise price shall be one (1) yen.
Exercise period of stock acquisition rights	From July 15, 2011 to July 14, 2041
Price of issuing shares and amount of capitalization upon exercise of stock acquisition rights	Price of issuing shares : JPY325.18 Amount of capitalization : JPY162.59 (Notes 4, 5 and 6)
Terms and conditions of exercising stock acquisition rights	(Note 2)
Matters concerning transfer of stock acquisition rights	Acquisition of stock acquisition rights to shares through transfer shall be subject to approval by resolution of the Board of Directors
Matters concerning the details of the issuance of stock acquisition rights undergoing Organizational Restructuring	(Note 3)

#2 Stock Acquisition Rights

Date of resolution	June 27, 2012
Classification and number of grantees	6 Full-time Directors and 11 Executive Officers
Number of stock acquisition rights outstanding	65 [65] (Note 1)
Class and number of shares to be issued upon exercise of stock acquisition rights	Common stock, 52,000 [52,000] shares (Notes 1, 4, 5 and 6)
Amount to be paid in upon exercise of stock acquisition rights (JPY)	The value of assets to be contributed upon exercise of stock acquisition rights shall be determined by multiplying the price to be paid per share upon exercise of each stock acquisition right (the “exercise price”) by the Number of Shares Granted, and the exercise price shall be one (1) yen.
Exercise period of stock acquisition rights	From July 14, 2012 to July 13, 2042
Price of issuing shares and amount of capitalization upon exercise of stock acquisition rights	Price of issuing shares : JPY399.2025 Amount of capitalization : JPY199.60125 (Notes 4, 5 and 6)
Terms and conditions of exercising stock acquisition rights	(Note 2)
Matters concerning transfer of stock acquisition rights	Acquisition of stock acquisition rights through transfer shall be subject to approval by resolution of the Board of Directors
Matters concerning the details of the issuance of stock acquisition rights undergoing Organizational Restructuring	(Note 3)

#3 Stock Acquisition Rights

Date of resolution	June 26, 2013
Classification and number of grantees	7 Full-time Directors and 10 Executive Officers
Number of stock acquisition rights outstanding	57 [57] (Note 1)
Class and number of shares to be issued upon exercise of stock acquisition rights	Common stock, 45,600 [45,600] shares (Notes 1, 5 and 6)
Amount to be paid in upon exercise of stock acquisition rights (JPY)	The value of assets to be contributed upon exercise of stock acquisition rights shall be determined by multiplying the price to be paid per share upon exercise of each stock acquisition right (the "exercise price") by the Number of Shares Granted, and the exercise price shall be one (1) yen.
Exercise period of stock acquisition rights	From July 12, 2013 to July 11, 2043
Price of issuing shares and amount of capitalization upon exercise of stock acquisition rights	Price of issuing shares : JPY809.75 Amount of capitalization : JPY404.875 (Notes 5 and 6)
Terms and conditions of exercising stock acquisition rights	(Note 2)
Matters concerning transfer of stock acquisition rights	Acquisition of stock acquisition rights through transfer shall be subject to approval by resolution of the Board of Directors
Matters concerning the details of the issuance of stock acquisition rights undergoing Organizational Restructuring	(Note 3)

#4 Stock Acquisition Rights

Date of resolution	June 25, 2014
Classification and number of grantees	7 Full-time Directors and 10 Executive Officers
Number of stock acquisition rights outstanding	83 [83] (Note 1)
Class and number of shares to be issued upon exercise of stock acquisition rights	Common stock, 66,400 [66,400] shares (Notes 1, 5 and 6)
Amount to be paid in upon exercise of stock acquisition rights (JPY)	The value of assets to be contributed upon exercise of stock acquisition rights shall be determined by multiplying the price to be paid per share upon exercise of each stock acquisition right (the "exercise price") by the Number of Shares Granted, and the exercise price shall be one (1) yen.
Exercise period of stock acquisition rights	From July 11, 2014 to July 10, 2044
Price of issuing shares and amount of capitalization upon exercise of stock acquisition rights	Price of issuing shares : JPY529.25 Amount of capitalization : JPY264.625 (Notes 5 and 6)
Terms and conditions of exercising stock acquisition rights	(Note 2)
Matters concerning transfer of stock acquisition rights	Acquisition of stock acquisition rights through transfer shall be subject to approval by resolution of the Board of Directors
Matters concerning the details of the issuance of stock acquisition rights undergoing Organizational Restructuring	(Note 3)

#5 Stock Acquisition Rights

Date of resolution	June 26, 2015
Classification and number of grantees	7 Full-time Directors and 11 Executive Officers
Number of stock acquisition rights outstanding	112 [108] (Note 1)
Class and number of shares to be issued upon exercise of stock acquisition rights	Common stock 89,600 [86,400] shares (Notes 1, 5 and 6)
Amount to be paid in upon exercise of stock acquisition rights (JPY)	The value of assets to be contributed upon exercise of stock acquisition rights shall be determined by multiplying the price to be paid per share upon exercise of each stock acquisition right (the "exercise price") by the Number of Shares Granted, and the exercise price shall be one (1) yen.
Exercise period of stock acquisition rights	From July 14, 2015 to July 13, 2045
Price of issuing shares and amount of capitalization upon exercise of stock acquisition rights	Price of issuing shares : JPY462.5 Amount of capitalization : JPY231.25 (Notes 5 and 6)
Terms and conditions of exercising stock acquisition rights	(Note 2)
Matters concerning transfer of stock acquisition rights	Acquisition of stock acquisition rights through transfer shall be subject to approval by resolution of the Board of Directors
Matters concerning the details of the issuance of stock acquisition rights undergoing Organizational Restructuring	(Note 3)

#6 Stock Acquisition Rights

Date of resolution	June 24, 2016
Classification and number of grantees	7 Full-time Directors and 12 Executive Officers
Number of stock acquisition rights outstanding	121 [117] (Note 1)
Class and number of shares to be issued upon exercise of stock acquisition rights	Common stock, 96,800 [93,600] shares (Notes 1, 5 and 6)
Amount to be paid in upon exercise of stock acquisition rights (JPY)	The value of assets to be contributed upon exercise of stock acquisition rights shall be determined by multiplying the price to be paid per share upon exercise of each stock acquisition right (the “exercise price”) by the Number of Shares Granted, and the exercise price shall be one (1) yen.
Exercise period of stock acquisition rights	From July 12, 2016 to July 11, 2046
Price of issuing shares and amount of capitalization upon exercise of stock acquisition rights	Price of issuing shares : JPY451 Amount of capitalization : JPY225.5 (Notes 5 and 6)
Terms and conditions of exercising stock acquisition rights	(Note 2)
Matters concerning transfer of stock acquisition rights	Acquisition of stock acquisition rights through transfer shall be subject to approval by resolution of the Board of Directors
Matters concerning the details of the issuance of stock acquisition rights undergoing Organizational Restructuring	(Note 3)

#7 Stock Acquisition Rights

Date of resolution	June 28, 2017
Classification and number of grantees	7 Full-time Directors and 11 Executive Officers
Number of stock acquisition rights outstanding	131 [127] (Note 1)
Class and number of shares to be issued upon exercise of stock acquisition rights	Common stock, 104,800 [101,600] shares (Notes 1, 5 and 6)
Amount to be paid in upon exercise of stock acquisition rights (JPY)	The value of assets to be contributed upon exercise of stock acquisition rights shall be determined by multiplying the price to be paid per share upon exercise of each stock acquisition right (the “exercise price”) by the Number of Shares Granted, and the exercise price shall be one (1) yen.
Exercise period of stock acquisition rights	From July 15, 2017 to July 14, 2047
Price of issuing shares and amount of capitalization upon exercise of stock acquisition rights	Price of issuing shares : JPY422.5 Amount of capitalization : JPY211.25 (Notes 5 and 6)
Terms and conditions of exercising stock acquisition rights	(Note 2)
Matters concerning transfer of stock acquisition rights	Acquisition of stock acquisition rights through transfer shall be subject to approval by resolution of the Board of Directors
Matters concerning the details of the issuance of stock acquisition rights undergoing Organizational Restructuring	(Note 3)

#8 Stock Acquisition Rights

Date of resolution	June 28, 2018
Classification and number of grantees	7 Full-time Directors and 11 Executive Officers
Number of stock acquisition rights outstanding	132 [128] (Note 1)
Class and number of shares to be issued upon exercise of stock acquisition rights	Common stock, 105,600 [102,400] shares (Notes 1, 5 and 6)
Amount to be paid in upon exercise of stock acquisition rights (JPY)	The value of assets to be contributed upon exercise of stock acquisition rights shall be determined by multiplying the price to be paid per share upon exercise of each stock acquisition right (the “exercise price”) by the Number of Shares Granted, and the exercise price shall be one (1) yen.
Exercise period of stock acquisition rights	From July 14, 2018 to July 13, 2048
Price of issuing shares and amount of capitalization upon exercise of stock acquisition rights	Price of issuing shares : JPY435.5 Amount of capitalization : JPY217.75 (Notes 5 and 6)
Terms and conditions of exercising stock acquisition rights	(Note 2)
Matters concerning transfer of stock acquisition rights	Acquisition of stock acquisition rights through transfer shall be subject to approval by resolution of the Board of Directors
Matters concerning the details of the issuance of stock acquisition rights undergoing Organizational Restructuring	(Note 3)

#9 Stock Acquisition Rights

Date of resolution	June 27, 2019
Classification and number of grantees	7 Full-time Directors and 12 Executive Officers
Number of stock acquisition rights outstanding	140 [136] (Note 1)
Class and number of shares to be issued upon exercise of stock acquisition rights	Common stock, 112,000 [108,800] shares (Notes 1, 5 and 6)
Amount to be paid in upon exercise of stock acquisition rights (JPY)	The value of assets to be contributed upon exercise of stock acquisition rights shall be determined by multiplying the price to be paid per share upon exercise of each stock acquisition right (the "exercise price") by the Number of Shares Granted, and the exercise price shall be one (1) yen.
Exercise period of stock acquisition rights	From July 13, 2019 to July 12, 2049
Price of issuing shares and amount of capitalization upon exercise of stock acquisition rights	Price of issuing shares : JPY444.25 Amount of capitalization : JPY222.125 (Notes 5 and 6)
Terms and conditions of exercising stock acquisition rights	(Note 2)
Matters concerning transfer of stock acquisition rights	Acquisition of stock acquisition rights through transfer shall be subject to approval by resolution of the Board of Directors
Matters concerning the details of the issuance of stock acquisition rights undergoing Organizational Restructuring	(Note 3)

#10 Stock Acquisition Rights

Date of resolution	June 24, 2020
Classification and number of grantees	7 Full-time Directors and 14 Executive Officers
Number of stock acquisition rights outstanding	90 [87] (Note 1)
Class and number of shares to be issued upon exercise of stock acquisition rights	Common stock, 72,000 [69,600] shares (Notes 1, 5 and 6)
Amount to be paid in upon exercise of stock acquisition rights (JPY)	The value of assets to be contributed upon exercise of stock acquisition rights shall be determined by multiplying the price to be paid per share upon exercise of each stock acquisition right (the "exercise price") by the Number of Shares Granted, and the exercise price shall be one (1) yen.
Exercise period of stock acquisition rights	From July 11, 2020 to July 10, 2050
Price of issuing shares and amount of capitalization upon exercise of stock acquisition rights	Price of issuing shares : JPY805.25 Amount of capitalization : JPY402.625 (Notes 5 and 6)
Terms and conditions of exercising stock acquisition rights	(Note 2)
Matters concerning transfer of stock acquisition rights	Acquisition of stock acquisition rights through transfer shall be subject to approval by resolution of the Board of Directors
Matters concerning the details of the issuance of stock acquisition rights undergoing Organizational Restructuring	(Note 3)

#11 Stock Acquisition Rights

Date of resolution	June 29, 2021
Classification and number of grantees	8 Full-time Directors and 15 Executive Officers
Number of stock acquisition rights outstanding	66 [64] (Note 1)
Class and number of shares to be issued upon exercise of stock acquisition rights	Common stock, 52,800 [51,200] shares (Notes 1 and 6)
Amount to be paid in upon exercise of stock acquisition rights (JPY)	The value of assets to be contributed upon exercise of stock acquisition rights shall be determined by multiplying the price to be paid per share upon exercise of each stock acquisition right (the "exercise price") by the Number of Shares Granted, and the exercise price shall be one (1) yen.
Exercise period of stock acquisition rights	From July 16, 2021 to July 15, 2051
Price of issuing shares and amount of capitalization upon exercise of stock acquisition rights	Price of issuing shares : JPY1,574 Amount of capitalization : JPY787 (Note 6)
Terms and conditions of exercising stock acquisition rights	(Note 2)
Matters concerning transfer of stock acquisition rights	Acquisition of stock acquisition rights through transfer shall be subject to approval by resolution of the Board of Directors
Matters concerning the details of the issuance of stock acquisition rights undergoing Organizational Restructuring	(Note 3)

#12 Stock Acquisition Rights

Date of resolution	June 28, 2022
Classification and number of grantees	9 Full-time Directors and 17 Executive Officers
Number of stock acquisition rights outstanding	16,751 [16,402] (Note 1)
Class and number of shares to be issued upon exercise of stock acquisition rights	Common stock, 33,502 [32,804] shares (Notes 1 and 6)
Amount to be paid in upon exercise of stock acquisition rights (JPY)	The value of assets to be contributed upon exercise of stock acquisition rights shall be determined by multiplying the price to be paid per share upon exercise of each stock acquisition right (the “exercise price”) by the Number of Shares Granted, and the exercise price shall be one (1) yen.
Exercise period of stock acquisition rights	From July 15, 2022 to July 14, 2052
Price of issuing shares and amount of capitalization upon exercise of stock acquisition rights	Price of issuing shares : JPY2,181.5 Amount of capitalization : JPY1,090.75 (Note 6)
Terms and conditions of exercising stock acquisition rights	(Note 2)
Matters concerning transfer of stock acquisition rights	Acquisition of stock acquisition rights through transfer shall be subject to approval by resolution of the Board of Directors
Matters concerning the details of the issuance of stock acquisition rights undergoing Organizational Restructuring	(Note 3)

#13 Stock Acquisition Rights

Date of resolution	June 28, 2023
Classification and number of grantees	9 Full-time Directors and 19 Executive Officers
Number of stock acquisition rights outstanding	17,481 [17,125] (Note 1)
Class and number of shares to be issued upon exercise of stock acquisition rights	Common stock, 34,962 [34,250] shares (Note 1)
Amount to be paid in upon exercise of stock acquisition rights (JPY)	The value of assets to be contributed upon exercise of stock acquisition rights shall be determined by multiplying the price to be paid per share upon exercise of each stock acquisition right (the “exercise price”) by the Number of Shares Granted, and the exercise price shall be one (1) yen.
Exercise period of stock acquisition rights	From July 14, 2023 to July 13, 2053
Price of issuing shares and amount of capitalization upon exercise of stock acquisition rights	Price of issuing shares : JPY2,182 Amount of capitalization : JPY1,091
Terms and conditions of exercising stock acquisition rights	(Note 2)
Matters concerning transfer of stock acquisition rights	Acquisition of stock acquisition rights through transfer shall be subject to approval by resolution of the Board of Directors
Matters concerning the details of the issuance of stock acquisition rights undergoing Organizational Restructuring	(Note 3)

*The contents are described as of March 31, 2025, the end of FY2024. The contents that have changed from the end of the fiscal year ended March 31, 2025, to May 31, 2025, the end of the month prior to the document's filling date, are described in [ ]. No other contents were changed from March 31, 2025.

(Notes)

1. Class and number of shares to be issued upon exercise of stock acquisition rights

   The class of shares to be issued upon exercise of stock acquisition rights shall be common stock of IIJ. The number of shares to be issued upon exercise of each stock acquisition right (hereinafter referred as “Number of Shares Granted”) are shown in the table below. If IIJ conducts a stock split or share consolidation of its common stock after the allotment date of stock acquisition rights (hereinafter referred to as the "Allotment Date"), the Number of Granted Shares shall be adjusted according to the following formula, and any fraction less than one share resulting from the adjustment shall be rounded down.

$$\text{Number of Shares Granted after adjustment} = \text{Number of Shares Granted before adjustment} \times \text{Ratio of share split or share consolidation}$$

Number of Shares Granted as of the Allotment Date and Number of Shares Granted after adjustment as of this document’s filing date

Series	Number of Shares Granted as of the Allotment Date (shares per stock acquisition right)	Number of Shares Granted after adjustment as of this document’s filing date (shares per stock acquisition right)	Reasons for adjustment
#1 and #2	1	800	Stock splits (Notes) 4, 5, 6
From #3 to #10	200	800	Stock splits (Notes) 5, 6
#11	400	800	Stock split (Notes) 6
#12	1	2	Stock split (Notes) 6
#13	2	—	No adjustment event occurred.

In the case of a share split, the Number of Shares Granted after adjustment shall apply from the day after the record date of said share split. Whereas, in the case of a share consolidation, the Number of Shares Granted after adjustment shall apply from the day the share consolidation becomes effective. This is provided, however, that in cases where IIJ conducts a share split conditional on approval at a General Meeting of Shareholders of IIJ of a proposal to increase capital stock or capital reserve by reducing surplus, and the record date for the share split shall be the day prior to the day on which said shareholders' meeting closes, the Number of Shares Granted after adjustment shall be applied retroactively from the day after the day the applicable shareholders' meeting closes and the day following the applicable record date.

In addition, if, after the Allotment Date, IIJ conducts a merger, a corporate split or a gratis allotment of shares, or if the Number of Shares Granted needs to be adjusted in accordance with these cases, IIJ may appropriately adjust the Number of Shares Granted to a reasonable extent.

2. Terms and conditions of exercising stock acquisition rights

1) Partial execution of each stock acquisition right is not allowed.

2) A person granted the stock acquisition rights may exercise these rights only within ten (10) days from the day following the day the person loses his or her position as a Director or Executive Officer of IIJ, except for losing his or her position by passing away. However, this does not apply if his or her legal heir who inherits the stock acquisition rights as described in the following paragraph 3) exercises the rights.

3) If a person granted the stock acquisition rights passes away, only one of his or her legal heir is permitted to inherit the granted stock acquisition rights (hereinafter referred to as the "Grantee"), The Grantee can exercise the rights only within six (6) months after inheriting the new share acquisition rights. If the Grantee passes away, the stock acquisition rights cannot be passed on to the legal heir of the Grantee.

4) The Share Purchase Warrants shall not be transferred to third parties, offered for pledge or disposed of in any other way

5) Matters concerning other conditions for the exercise of stock acquisition rights, other than the items prescribed above, shall be determined at the meeting of the Board of Directors when the terms and conditions of offering of stock acquisition rights are determined.

3. Matters concerning the details of the issuance of stock acquisition rights undergoing Organizational Restructuring

In the event IIJ is merged as a dissolving company, performs an absorption-type demerger or an incorporation-type demerger (only if IIJ becomes the split company), or conducts a share exchange or a share transfer (only if IIJ becomes a wholly owned subsidiary) (hereinafter collectively referred to as "Organizational Restructuring"), stock acquisition rights of a corporation described in Article 236, Paragraph 1, Items 8.1 through 8.5 of the Corporation Law of Japan (hereinafter "Restructured Company") shall be granted to each Stock Acquisition Right Holder remaining unexercised (hereinafter "Remaining Stock Acquisition Rights") immediately before the date when Organizational Restructuring takes effect (refers to the date when the absorption-type merger takes effect, the date on which the company is incorporated through the incorporation-type merger, the date when the absorption-type demerger takes effect, the date on which the company incorporated through the incorporation-type demerger, the date when share exchange takes effect, or the date when the wholly owning parent company is established by share transfer). However, the foregoing shall apply only to cases in which the delivery of stock acquisition rights of the Restructured Company according to the following conditions is stipulated in the absorption-type merger agreement, the incorporation-type merger agreement, the absorption-type demerger agreement, the incorporation-type demerger plan, the share exchange agreement or the share transfer plan.

1) Number of stock acquisition rights of the Restructured Company to be delivered

IIJ shall deliver stock acquisition rights, the number of which shall equal the number of stock acquisition rights held by the holder of the Remaining Stock Acquisition Rights.

2) Class of shares of the Restructured Company to be issued upon exercise of stock acquisition rights

Common stock of the Restructured Company

3) Number of shares of the Restructured Company to be issued upon exercise of stock acquisition rights

To be decided according to Note 1 above after taking into consideration the conditions, etc., of the Organizational Restructuring.

4) Value of the assets to be contributed upon exercise of stock acquisition rights

The value of the assets to be contributed upon exercise of each stock acquisition right shall be the amount obtained by multiplying the amount to be paid after restructuring as stipulated below, and the number of shares of the Restructured Company to be issued upon exercise of the stock acquisition rights as determined in accordance with 3) above. The amount to be paid after restructuring shall be one (1) yen per share of the Restructured Company that can be granted due to the exercise of each stock acquisition right to be granted.

5) Exercise period of stock acquisition rights

Starting from the later of either the commencement date of the exercise period of stock acquisition rights as stipulated above, or the date on which the Organizational Restructuring becomes effective, and ending on the expiration date for the exercise of stock acquisition rights as stipulated in above.

6) Matters concerning increase in capital stock and capital reserve to be increased by the issuance of shares upon exercise of stock acquisition rights

(a) Amount of increase in capital stock by issuing shares upon exercise of stock acquisition rights shall be half of the upper limit of capital increase as calculated pursuant to the provisions of Article 17, Paragraph 1 of the Ordinance for Corporate Accounting, with the resulting fractions of less than one (1) yen occurring upon such calculation being rounded up to the nearest yen.

(b) The amount of increase in capital reserve by issuing shares upon exercise of stock acquisition rights shall be the upper limit of capital increase as described in (a) above less the amount of increase in capital set out therein.

7) Restriction on acquisition of stock acquisition rights by transfer

Any acquisition of stock acquisition rights by transfer shall be subject to approval by resolution of the Board of Directors of the Restructured Company (or at a General Meeting of Shareholders if the Restructured Company is not a company with a Board of Directors).

8) Conditions for acquisition of stock acquisition right

Should a resolution for the approval of any of the proposals (a) or (b) below be adopted at the General Meeting of Shareholders of IIJ (or at a meeting of the Board of Directors of IIJ if a resolution at a General Meeting of Shareholders is not required), IIJ may acquire the stock acquisition rights as at the date specifically determined by the Board of Directors of IIJ without contribution.

(a) Proposal for approval of a merger agreement under which IIJ shall be merged as a dissolving company

(b) Proposal for approval of a share exchange agreement or share transfer plan under which IIJ shall be a wholly owned subsidiary

9) Other terms and conditions of exercising stock acquisition rights

To be determined in accordance with Note 2 above.

4. Figures are adjusted for the effect of a 200-for-one stock split with an effective date of October 1, 2012 by resolution of the Board of Directors held on September 6, 2012.

5. Figures are adjusted for the effect of a two-for-one stock split with an effective date of January 1, 2021 by resolution of the Board of Directors held on November 9, 2020.

6. Figures are adjusted for the effect of a two-for-one stock split with an effective date of October 1, 2022 by resolution of the Board of Directors held on August 5, 2022.

(ii) Details of rights plan

Not applicable

(iii) Other share acquisition rights

Not applicable

(3) Information on Moving Strike Convertible Bonds

Not applicable.

(4) Changes in the Total Number of Issued Shares and Capital

Date	Changes in the total number of issued shares (shares)	Balance of the total number of issued shares (shares)	Changes in capital (millions of yen)	Balance of capital (millions of yen)	Changes in capital reserve (millions of yen)	Balance of capital reserve (millions of yen)
January 1, 2021 (Note 1)	46,734,600	93,469,200	—	22,991	—	9,712
April 5, 2021 (Note 2)	33,200	93,502,400	16	23,007	16	9,728
July 1, 2021 (Note 2)	32,400	93,534,800	16	23,023	15	9,743
October 1, 2022 (Note 3)	93,534,800	187,069,600	—	23,023	—	9,743
May 22, 2023 (Note 4)	(3,928,500)	183,141,100	—	23,023	—	9,743
April 1, 2024 (Note 2)	43,784	183,184,884	14	23,037	15	9,758

(Notes)

1. By resolution of the Board of Directors on November 9, 2020, IIJ conducted a two-for-one stock split on common stock with an effective date of January 1, 2021. The above increase is due to the stock split.
2. Increased by exercise of stock acquisition rights.
3. By resolution of the Board of Directors on August 5, 2022, IIJ conducted a two-for-one stock split on common stock with an effective date of October 1, 2022. The above increase is due to the stock split.
4. By resolution of the Board of Directors on May 18, 2023, 3,928,500 shares of treasury stock were cancelled on May 22, 2023. The above decrease is due to the cancellation of treasury stock.
5. As a result of the exercise of stock acquisition rights on April 1, 2025, the total number of issued shares, capital and capital reserve increased by 21,410 shares, JPY8 million and JPY7 million, respectively.

(5) Composition of Shareholders

As of March 31, 2025

Classification	Status of shares (one unit = 100 shares)								Number of shares less than one unit (shares) (Note)
	National and local governments	Financial institutions	Financial instruments business operators	Other institutions	Foreign shareholders: Non-individuals	Foreign shareholders: Individuals	Individual and others (Note)	Total	
Number of shareholders (persons)	—	33	29	67	294	21	8,478	8,922	—
Number of shares held (units)	—	493,461	27,002	586,499	475,820	65	248,651	1,831,498	35,084
Percentage of shares held (%)	—	26.94	1.47	32.02	25.98	0.00	13.59	100.0	—

(Note) Of 6,268,144 shares of treasury stock, 62,681 units are included in “Individual and others,” and 44 shares are included in “Number of shares less than one unit.”

(6) Major Shareholders

As of March 31, 2025

Name	Address	Number of shares held (shares)	Ownership percentage of the total number of issued shares other than treasury stock (%) (Note 1)
KDDI CORPORATION	3-2 Nishishinjuku 2-chome, Shinjuku-ku Tokyo	20,387,000	11.52
The Master Trust Bank of Japan, Ltd. (Trust account) (Note 2)	8-1 Akasaka 1-chome Minato-ku, Tokyo	20,300,400	11.47
NIPPON TELEGRAPH AND TELEPHONE CORPORATION	5-1 Otemach 1-chome, Chiyoda-ku, Tokyo	12,227,000	6.91
Custody Bank of Japan, Ltd. (Trust account) (Note 2)	8-12 Harumi 1-chome, Chuo-ku, Tokyo	11,782,700	6.66
NTT Communications Corporation	3-1 Otemach 2-chome, Chiyoda-ku, Tokyo	8,160,000	4.61
ITOCHU Techno-Solutions Corporation	1-1 Toranomon 4-chome, Minato-ku, Tokyo	7,808,000	4.41
Koichi Suzuki	Chiyoda-ku, Tokyo	7,415,215	4.19
The Dai-ichi Life Insurance Company, Limited (Standing proxy: Custody Bank of Japan, Ltd.)	13-1 Yurakucho 1-chome, Chiyoda-ku, Tokyo (8-12 Harumi 1-chome, Chuo-ku, Tokyo)	5,092,000	2.88
STATE STREET BANK AND TRUST COMPANY 505001 (Standing proxy: Settlement Sales Department, Mizuho Bank, Ltd.)	ONE CONGRESS STREET, SUITE 1, BOSTON, MASSACHUSETTS, USA (15-1 Konan 2-chome, minato-ku, Tokyo)	3,262,300	1.84
KS Holdings Inc. (Note 3)	10-2 Fujimi 2-chome Chiyoda-ku, Tokyo	3,240,000	1.83
Total	—	99,674,615	56.34

(Notes)

1. The percentage are rounded to two decimal places.
2. Numbers of shares held by the Master Trust Bank of Japan, Ltd. and Custody Bank of Japan, Ltd. are those related to trust business.
3. KS Holdings Inc. is a wholly owned and controlled (indirect) by Mr. Koichi Suzuki.
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 August 9, 2024. According to the filing, Global Alpha owned 11,110,088 shares of common stock of IIJ as of August 7, 2024, representing 6.06% of the total number of issued shares at the date. In addition, Global Alpha filed a report of substantial shareholding with the Director General of the Kanto Bureau of the Ministry of Finance on April 22, 2025. According to the filing, Global Alpha owned 7,373,458 shares of common stock of IIJ as of April 18, 2025, representing 4.03% of the total number of issued shares at the date. 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, 2025, therefore, Global Alpha and their holdings are not included in the above list.
5. There were 6,268,144 shares of treasury stock, which were not included in the above table.

(7) Information on Voting Rights

(i) Issued shares

As of March 31, 2025

Classification	Number of Shares (shares)	Number of Voting Rights	Description
Shares without Voting Rights	—	—	—
Shares with Restricted Voting Rights (treasury stock, etc.)	—	—	—
Shares with Restricted Voting Rights (others)	—	—	—
Shares with Full Voting Rights (treasury stock, etc.)	Treasury Stock: 6,268,100 shares of common stock	—	—
Shares with Full Voting Rights (others)	176,881,700 shares of common stock	1,768,817	—
Shares Representing Less than One Unit	35,084 shares of common stock	—	—
Number of Issued Shares	183,184,884 shares of common stock	—	—
Total Number of Voting Rights	—	1,768,817	—

(ii) Treasury Stock

As of March 31, 2025

Name	Address	Number of shares held under own name (shares)	Number of shares held under the name of others (shares)	Total number of shares held (shares)	Ownership percentage of total number of shares outstanding (%)
(Treasury Stock) Internet Initiative Japan Inc.	2-10-2 Fujimi, Chiyoda-ku, Tokyo	6,268,100	—	6,268,100	3.42
Total	—	6,268,100	—	6,268,100	3.42

2. Information on Acquisitions of Treasury Stock

Class of shares — Acquisition of common stocks under Article 155, Item 7 of the Companies Act

(1) Status of Acquisitions of Treasury Stock resolved at the General Meeting of Shareholders

Not applicable.

(2) Status of Acquisitions of Treasury Stock resolved at Meetings of the Board of Directors

Not applicable.

(3) Description of Acquisitions of Treasury Stock not based on Resolutions at the General Meeting of Shareholders or Meetings of the Board of Directors

Classification	Number of shares	Amount (millions of yen)
Treasury stock acquired for the year ended March 31, 2025	77	0
Treasury stock acquired for the period from April 1, 2025 to June 30, 2025	—	—

(4) Status of Dispositions and Holdings of Acquired Treasury Stock

Classification	Fiscal year ended March 31, 2025		Period from April 1, 2025 to June 30, 2025	
	Number of shares (shares)	Total disposition amount (millions of yen)	Number of shares (shares)	Total disposition amount (millions of yen)
Acquired treasury stock for which subscribers were solicited	—	—	—	—
Acquired treasury stock which was canceled	—	—	—	—
Acquired treasury stock which was transferred due to merger, share exchange or company split	—	—	—	—
Other (Allotment of restricted stock)	61,621	144	48,834	127
Total number of treasury stock held	6,268,144	—	6,219,310	—

3. Dividend Policy

Our basic dividend policy is that we pay dividends to our shareholders continuously and in a stable manner while considering the need to have retained earnings for the enhancement of financial position, medium-to long-term business expansion, future business investment and other goals.

IIJ's Articles of Incorporation stipulates that IIJ may pay interim dividends to shareholders. Basically, the frequency of dividend payments is twice each fiscal year, an interim dividend and a year-end dividend, and the interim dividend is decided by the meeting of the Board Directors and the year-end dividend is approved at the General Meeting of Shareholders.

Based on the policy above, for the fiscal year ended March 31, 2025, IIJ paid total cash dividend of JPY35.00 per share of common stock, which consists of a cash dividend of JPY17.50 per share of common stock as an interim dividend, and a cash dividend of JPY17.50 per share of common stock as a year-end dividend.

Retained earnings shall be used mainly in investment and expenditure for continuously expanding our business, M&A for further achieving our medium- to long-term growth, and others, while considering the enhancement of financial position.

The following table shows dividends whose effective dates are in the fiscal year ended March 31, 2025.

Date of resolution	Total cash dividends (millions of yen)	Dividend per Shares (Yen)
The Meeting of the Board of Directors on November 8, 2024	3,096	17.50
The General Meeting of Shareholders on June 26, 2025	3,096	17.50

4. Corporate Governance

(1) Overview of Corporate Governance

i) Basic Policy for the Corporate Governance

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

ii) Overview of the corporate governance structure and reasons for adopting the structure

［Overview of our management organization and the corporate governance structure］

As of the filing date of this document, IIJ's Board of Directors consists of 11 directors (including six full-time directors and five outside directors). IIJ's Representative Directors consists of two directors, Chairman & Co-CEO and President & Co-CEO & COO. IIJ's Board of Company Auditors consists of four company auditors (including two full-time company auditors), including two outside company auditors. Further, IIJ has an Internal Auditing Office consisting of six members, including a manager.

IIJ adopted the executive officer system with an aim to further enhance its corporate governance by separating its decision making and supervisory function from the business execution function and to realize rapid and efficient business execution.

Oversight and supervision of business execution is carried out by means of ordinary (monthly) and extraordinary meetings of the Board of Directors, management meetings consisting of executive officers, etc., and monitoring and giving the necessary instructions to each of our businesses, project, subsidiaries, etc.

Oversight of business management and business audits are carried out by means of ordinary (monthly) and extraordinary meetings of the Board of Company Auditors, assigning of a financial expert and legal expert to the Board of Company Auditors, conducting continuous auditing, including of our domestic subsidiaries and affiliates as well as overseas companies by company auditors and our Internal Auditing Office, and operation of our whistleblowers hotline system.

Regarding risk management, executive officers are responsible for identifying and evaluating risks, and taking countermeasures against them in businesses within the scope of responsibilities. Further, IIJ has established committees such as the Internal Control Committee and the Disclosure Committee to evaluate risks and take countermeasures against them depending on the type of risks.

Regarding sustainability promotion, IIJ has established the Sustainability Committee to plan activity policies, consider and promote measures for each theme across the whole company, confirm and verify the progress, and submit and report the details of such activities to IIJ's Board of Directors.

Business activities by directors, executive officers and employees of the Company are governed by the Code of Ethics, the Basic Rules for Internal Control, etc.

［Basic information of our organization］

1) Board of Directors

IIJ's Board of Directors holds ordinary meetings every month and extraordinary meetings when needed, in order to make decisions on items defined by laws and IIJ's articles of incorporation and other important business issues, where directors mutually supervise business execution. As of the filing date of this document, IIJ's Board of Directors consists of 11 directors (full time directors: Koichi Suzuki, Yasuhiko Taniwaki, Satoshi Murabayashi, Koichi Kitamura, Akihisa Watai, Junichi

Shimagami, outside directors: Takashi Tsukamoto, Kazuo Tsukuda, Yoichiro Iwama, Atsushi Okamoto, and Kaori Tonosu. Koichi Suzuki, Representative Director and Co-CEO, is Chairman of the Board of Directors

2) Board of Company Auditors

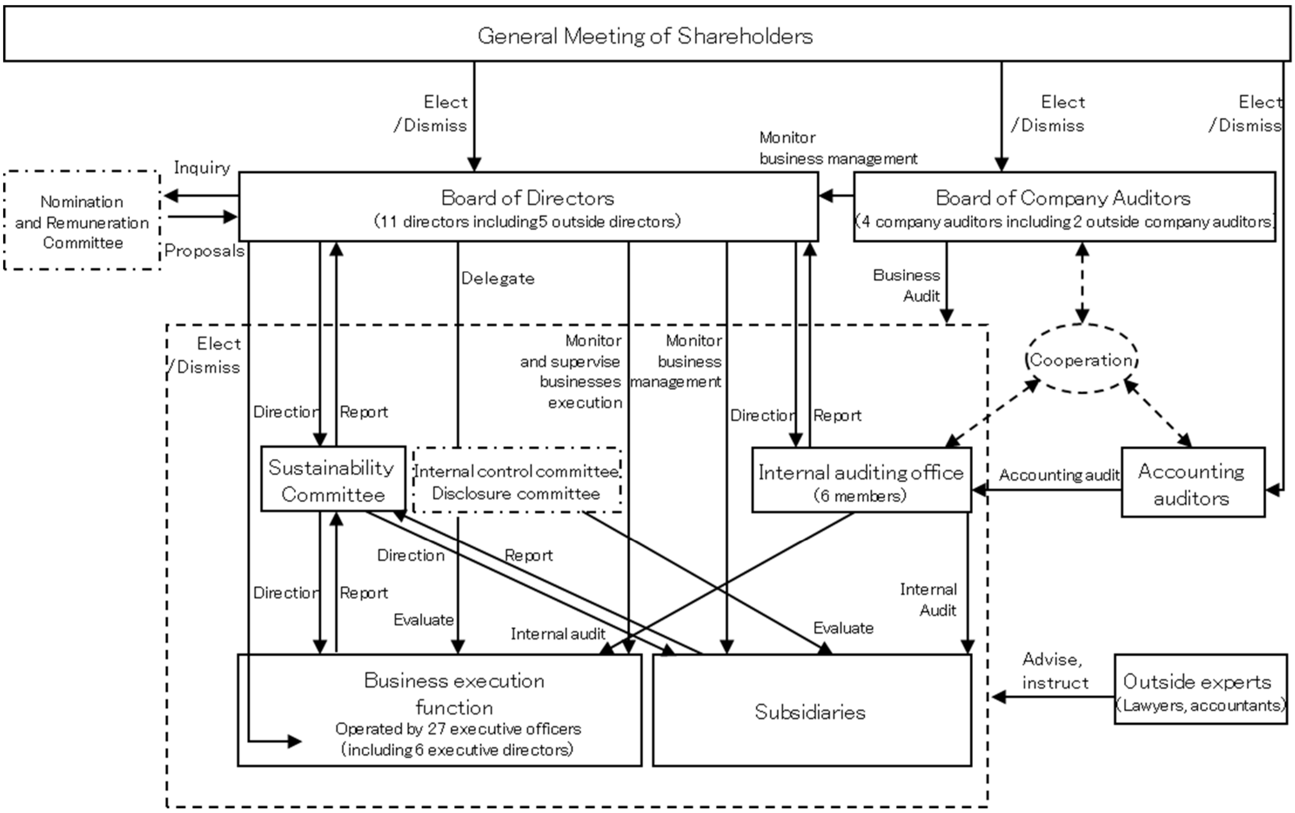
IIJ's Board of Company Auditors holds ordinary meetings every month and extraordinary meetings when needed in order to supervise business executions by the directors. In addition, by associating with our Internal Auditing Office, IIJ's Board of Company Auditors shares information necessary for the audits. As of the filing date of this document, IIJ's Board of Company Auditors consists of four auditors (full time company auditors: Masayoshi Tobita, Masako Tanaka, outside company auditors: Takashi Michishita, and Kumiko Aso. Masayoshi Tobita, full-time company auditor, is chairman of the Board of Company Auditors.

3) Nomination and Remuneration Committee

IIJ has voluntarily established the Nomination and Remuneration Committee to ensure and enhance fairness and transparency of decision-making in directors' nomination and remuneration. In the process of determining appointment or dismissal of directors and remuneration amounts for directors, the Nomination and Remuneration Committee plays an advisory role to IIJ Board of Directors. As of the filing date of this document, the Nomination and Remuneration Committee consists of seven directors (fulltime directors: Koichi Suzuki, Yasuhiko Taniwaki, outside directors: Takashi Tsukamoto, Kazuo Tsukuda, Yoichiro Iwama, Atsushi Okamoto, and Kaori Tonosu. Koichi Suzuki, Representative Director and Co-CEO, is Chairman of the Nomination and Remuneration Committee.

［**Outline Map of the Corporate Governance System**］

The following chart illustrates our corporate governance structure as of this document's filing date:



［**Reasons for adoption thereof**］

IIJ adopts the system of a company with a Board of Company Auditors. We have strengthened corporate governance by having functions of oversight and supervision on business management based on the experience and knowledge of five outside directors and two outside company auditors. The reasons for adopting this system are as follows:

・IIJ has appointed qualified persons as a lawyer and a certified public accountant with extensive experience, broad knowledge and expertise for our company auditors, and there has not been any problem in the system thus far.

・From the viewpoint of audit continuity, unless dismissed at the General Meeting of Shareholders, an audit by a corporate auditor with a term of four years is expected to be more effective than an audit committee with a term of office of one year.

iii) Other matters regarding corporate governance

［**Internal control system, risk management system, status of improvement of system to ensure the appropriateness of operations of subsidiaries, etc.**］

IIJ has stipulated a basic policy for the establishment of the internal control system, and maintained and operated the system based on the policy. The outline is as follows.

For ensuring the appropriateness of execution of duties by directors, executive officers and employees in accordance with the law and IIJ's articles of incorporation, IIJ has established regulations requiring strict adherence to the laws, including the code of ethics and insider trading prevention provisions. In addition, IIJ has established a system for consulting with lawyers and other experts outside the Company. IIJ has established an internal reporting system for reporting any legal violations, and maintained an internal notification system. An office of internal audits has conducted internal audits on a regular basis. IIJ has established a Disclosure Committee that evaluates content for appropriateness and completeness.

For appropriate management of information related to the execution of duties by directors and executive officers, IIJ has appointed an executive officer in charge of information security. In addition, IIJ has established basic information security regulations, which it properly operates it.

Regarding governing risk management, Executive Directors that oversee the operation of each division 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. An evaluation committee will be established, when needed, to evaluate risk and to develop countermeasures.

Regarding ensuring the efficient execution of duties by directors and executive officers, IIJ has taken measures such as goal management based on an annual plan, clarification of authority and responsibility, etc.

IIJ has established a regulation on subsidiary management to ensure efficiency of the business of IIJ Group companies including subsidiaries, concluded agreements with subsidiaries, etc., and established a system whereby subsidiaries report and consult on necessary matters. IIJ has taken measures such as formulation of regulations governing the entire corporate group on important matters concerning internal control. IIJ also conducts internal audits of our subsidiaries.

Regarding measures for effective auditing by company auditors, the internal auditing office and the company auditors closely cooperate and hear opinions of company auditors on personnel located in the internal auditing office. Directors and employees periodically provide necessary reports and information to the Board of Company Auditors regarding the internal reporting system with the Board of Company Auditors as the contact point. The Board of Company Auditors audits the operation of whistleblowers hotline system. Regarding the expenses required for the duties of the Board of Company Auditors, IIJ sets a reasonable budget based on the opinions of the company auditors. IIJ has taken measures to secure external experts necessary for the execution of audit work.

［**Outline of liability insurance contracts**］

IIJ, with our directors, company auditors, executive officers and other important employees under the Corporation Law of Japan as insured persons, has 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 1.6% individually, depending on his/her position.

［**Outline of limited liability contracts**］

In order for the directors and company auditors to execute their expected roles, IIJ's articles of incorporation stipulates that IIJ may, pursuant to the provision of Article 426 Paragraph 1 of the Companies Act of Japan, with a resolution of the Board of Directors, exempt outside director and company auditors (either incumbent or past) from their liabilities for damages under Article 423 Paragraph 1 of the Companies Act of Japan, establishing a limit to the amount for which directors and company auditors would have been liable for compensation, less the minimum amount of liability as prescribed by laws or regulations, if the requirements prescribed by laws or regulations are satisfied.

In addition, IIJ's articles of incorporation stipulates that IIJ may, pursuant to Article 427 Paragraph 1 of the Companies Act of Japan, conclude agreements with outside directors and company auditors to limit their liabilities for damages under Article 423, Paragraph 1, for the same purpose, if the requirements prescribed by laws or regulations are satisfied. In accordance with the provisions of its articles of incorporation, IIJ has concluded agreements with outside directors and company auditors. The agreements stipulate that should outside directors and company auditors have acted in good faith and without gross negligence, the outside directors and company auditors' liability to IIJ shall be limited to JPY10 million or the minimum amount of liabilities stipulated under Article 427, Section 1 of the Companies Act of Japan, whichever is higher.

［**Matters regarding directors**］

a. Number of directors

IIJ set the maximum number of directors at 14 in its articles of incorporation.

b. Requirement for a resolutions to appoint directors

A resolution to appoint a director can be made by a majority of voting rights of the shareholders present at a meeting where shareholders representing one third (1/3) or more of the total number of the voting rights of all shareholders entitled to vote thereat are present; provided that cumulative voting shall not be adopted for such election by IIJ's articles of incorporation.

［Matters regarding resolutions resolved at the General Meeting of Shareholders］

a. Resolutions determined by the Board of Directors for approval at the General Meeting of Shareholders

ⅰ) Acquisition of Own Shares

In order to acquire our own shares in a flexible manner depending on business condition, status of assets and other circumstance, in accordance with Article 165, Paragraph 2 of the Companies Act of Japan, IIJ's articles of incorporation stipulates that IIJ may acquire its own shares through market transactions or other methods by resolution of the Board of Directors.

ⅱ) Interim dividends

In order to return profit to our shareholders in a flexible manner, IIJ's articles of incorporation stipulate that IIJ may, by resolution of the Board of Directors, pay interim dividends based on the record date of September 30 of each year.

ⅲ) Exemption of Liability for Directors

Please refer to "4 Corporate Governance, (1) Overview of Corporate Governance, iii) Other matters regarding corporate governance ［Outline of limited liability contracts］" of this document.

b. Requirement for special resolutions of a General Meeting of Shareholders

Special resolutions under Article 309 Paragraph 2 of the Companies Act of Japan shall be passed by two-thirds or more of the voting rights of the shareholders present, having one-third or more of the voting rights of all shareholders who are entitled to exercise voting rights by IIJ's articles of incorporation present.

The purpose of relaxing the quorum for special resolutions at the General Meeting of Shareholders is to ensure that meetings proceed smoothly.

iv) Activities of IIJ's Board of Directors, etc.

[Board of Directors]

During the fiscal year ended March 31, 2025, the number of Board of Directors meeting was 12 times and each director's attendance was as follows:

Position	Name	Number and percentage of attendance (Note 1)
Representative Director, Chairman and Executive Officer (Chairman of the Board of Directors)	Koichi Suzuki	12 times/12 times (100%)
Representative Director, President and Executive Officer	Eijiro Katsu	12 times/12 times (100%)
Member of the Board, Executive Vice President	Satoshi Murabayashi	11 times/12 times (92%)
Member of the Board, Executive Vice President	Yasuhiko Taniwaki	12 times/12 times (100%)
Member of the Board, Senior Managing Executive Officer	Koichi Kitamura	12 times/12 times (100%)
Member of the Board, Senior Managing Executive Officer	Akihisa Watai	12 times/12 times (100%)
Member of the Board, Senior Managing Executive Officer	Junichi Shimagami	12 times/12 times (100%)
Outside Director	Takashi Tsukamoto	12 times/12 times (100%)
Outside Director	Kazuo Tsukuda	10 times/12 times (83%)
Outside Director	Yoichiro Iwama	11 times/12 times (92%)
Outside Director	Atsushi Okamoto	12 times/12 times (100%)
Outside Director	Kaori Tonosu	12 times/12 times (100%)
Member of the Board, Senior Managing Executive Officer	Tadashi Kawashima (Note 2)	2 times/2 times (100%)
Member of the Board, Senior Managing Executive Officer	Naoshi Yoneyama (Note 2)	2 times/2 times (100%)

(Note) 1. The number of meetings held during the term of office of each director in the fiscal year ended March 31, 2024 is used as the denominator.

2. Mr. Tadashi Kawashima and Mr. Naoshi Yoneyama retired from Member of the Board on June 27, 2024.

IIJ's Board of Directors consists of full-time directors who are familiar with the IT industry and outside directors who have extensive experience and knowledge as top management of large companies and others. At the Board of Directors meetings, for realizing our business philosophy and sustainable business growth, discussions on medium- to long-term growth direction, oversight and supervision of business execution, decision making on important matters and others are carried out.

During the fiscal year ended March 31, 2025, the main agenda discussed was the progress of the mid-term plan, formulation of the annual business plan, determination of payment of dividends, appointment of executive officers, each management member's responsibility and organizational structure, review of the effectiveness of the Board of Directors, compliance with internal controls and the Corporate Governance Code, compliance with sustainability-related issues, identification of business risks, construction of own data center, and others.

[Nomination and Remuneration Committee]

During the fiscal year ended March 31, 2025, the number of Nomination and Remuneration Committee was three times and each director's attendance was as follows:

Position	Name	Number and percentage of attendance
Representative Director, Chairman and Executive Officer (Chairman of the Nomination and Remuneration Committee)	Koichi Suzuki	3 time/3 time (100%)
Representative Director, President and Executive Officer	Eijiro Katsu	3 time/3 time (100%)
Outside Director	Takashi Tsukamoto	3 time/3 time (100%)
Outside Director	Kazuo Tsukuda	2 time/3 time (67%)
Outside Director	Yoichiro Iwama	3 time/3 time (100%)
Outside Director	Atsushi Okamoto	3 time/3 time (100%)
Outside Director	Kaori Tonosu	3 time/3 time (100%)

During the fiscal year ended March 31, 2025, the Nomination and Remuneration Committee discussed the proposed election of directors for FY2025 and related the status of skill matrix, proposed remuneration and bonus for directors for FY2024 and remuneration system for directors, including a medium- to long-term performance-linked remuneration for FY2025, appointment of President and Executive Officer, etc.

(2) Status of Directors and Company Auditors

i) Members of the Board of Directors and the Board of Company Auditors

Consisting of 12 male persons and three female persons (the ratio of female members is 20.0%) as of this document's filing date.

Position	Name	Date of birth	Brief personal records		Current term expires	Number of shares owned
Representative Director Chairman, Co-Chief Executive Officer	Koichi Suzuki	Sep. 3, 1946	Apr. 1972 Sep. 1983 Dec. 1992 Apr. 1994 Mar. 1996 Sep. 1997 Sep. 2010 Jun. 2013 Dec. 2016 Jun. 2019 Apr. 2021 Apr. 2024	Joined Japan Management Association President and Representative Director of Applied Research Institute, Inc. Director at the establishment of IIJ President, Representative Director and Chief Executive Officer of IIJ IIJ America Inc. Chairman of the Board (Current position) President and Representative Director of Internet Multifeed Co. (Current position) Director of IIJ-Global Chairman, Representative Director and Chief Executive Officer of IIJ Chairman and Representative Director of JOCDN Inc. (Current position) Chairman and Representative Director of IIJ Engineering Inc. (Current position) Chairman, Representative Director and Co-Chief Executive Officer of IIJ Representative Director, Chairman Executive Officer and Co-Chief Executive Officer of IIJ (Current position)	(Note 3)	7,420,210
Representative Director President, Co-Chief Executive Officer and Chief Operating Officer	Yasuhiko Taniwaki	Sep. 11, 1960	Apr. 1984 Jun. 2013 Jun. 2016 Jul. 2017 Jul. 2018 Dec. 2019 Mar. 2021 Jan. 2022 Jun. 2022 Apr. 2024 Apr. 2025	Joined the Ministry of Posts and Telecommunications (now, the Ministry of Internal Affairs and Communications ("MIC")) Deputy Director-General for the National Center of Incident Readiness and Strategy for Cybersecurity (NISC) and Councilor for the Cabinet Secretariat Director-General of the Global ICT Strategy Bureau, MIC Director-General for Information Security, MIC Director-General of the Telecommunications Bureau, MIC Vice-Minister for Policy Coordination of Posts and Telecommunications, MIC Resigned from MIC Advisor of IIJ Executive Vice President and Director of IIJ Director, Vice President and Executive Officer of IIJ Representative Director, President, Executive Officer and Co-CEO & COO of IIJ (Current position) Director of DeCurret Holdings, Inc. (Current position)	(Note 3)	8,228

Position	Name	Date of birth	Brief personal records		Current term expires	Number of shares owned
Member of the Board Executive Vice President	Satoshi Murabayashi	Nov. 8, 1958	Apr. 1981 Jun. 2007 Jun. 2013 May 2015 Jun. 2015 Jun. 2017 Apr. 2020 Jun. 2021 Apr. 2022 Apr. 2024	Joined The Sanwa Bank, Ltd. (currently MUFG Bank, Ltd.) Executive Officer of The Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently MUFG Bank, Ltd.) Managing Director of The Bank of Tokyo-Mitsubishi UFJ, Ltd. Senior Managing Director of The Bank of Tokyo-Mitsubishi UFJ, Ltd. Senior Managing Corporate Executive of Mitsubishi UFJ Financial Group, Inc. President and Representative Director of Mitsubishi UFJ Research and Consulting Co., Ltd. Director of DeCurret Inc. Executive Vice President and Director of IIJ (Current position) President, Representative Director of DeCurret Holdings, Inc. (Current position) Chairman, President, Representative Director of DeCurret DCP Inc. (Current position) Director, Executive Vice President and Executive Officer of IIJ (Current position)	(Note 3)	10,922
Member of the Board Executive Vice President	Koichi Kitamura	May 12, 1954	Apr. 1978 Jun. 2004 Apr. 2009 Apr. 2012 Jun. 2016 Apr. 2020 Apr. 2021 Jun. 2021 Apr. 2024 Apr. 2025	Joined Nippon Steel Corporation Director of NS Solutions Corporation Executive Director of NS Solutions Corporation Managing Executive Director of NS Solutions Corporation Director & Vive-president Operating Officer of the same Senior Managing Executive Officer and Deputy Unit Director of Business Unit of IIJ Senior Managing Executive Officer and Business Unit Director of IIJ Senior Managing Director and Business Unit Director of IIJ Director, Senior Managing Executive Officer and Business Unit Director of IIJ Director, Executive Vice President, Executive Officer and Enterprise Sales Unit Director of IIJ (Current Position)	(Note 3)	15,078
Member of the Board Executive Vice President Chief Financial Officer	Akihisa Watai	Sep. 30, 1965	Apr. 1989 Aug. 1996 Feb. 2000 Apr. 2004 Jun. 2004 Aug. 2006 Jul. 2007 Apr. 2010 Sep. 2010 Apr. 2011 Nov. 2011 Apr. 2013 Dec 2014 Apr. 2015 Apr. 2021 Feb. 2022 Apr. 2024 Apr. 2025	Joined Sumitomo Bank, Ltd. (Currently, Sumitomo Mitsui Banking Corporation) Temporarily transferred to IIJ Joined IIJ General Manager of Finance Department, Administrative Division, of IIJ Director and Chief Financial Officer of IIJ Director of Net Chart Japan Inc. (Current position) Director of Trust Networks Inc. (Current position) Managing Director and Chief Financial Officer of IIJ Company Auditor of IIJ-Global (Current position) Division Director of Corporate Planning Division of IIJ Director of Trinity Inc. (Current position) Division Director of Administrative Division of IIJ Director of Ryukosha Netware Inc. (Currently, IIJ Protech Inc.) (Current position) Division Director of Financial Division (Current position) Senior Managing Director and Chief Financial Officer of IIJ Director of DeCurret DCP Inc. (Current position) Director, Senior Managing Executive Officer and Chief Financial Officer of IIJ Director, Executive Vice President, Executive Officer and Chief Financial Officer of IIJ (Current position) Division Director of Corporate Strategy Unit of IIJ (Current position)	(Note 3)	72,774

Position	Name	Date of birth	Brief personal records		Current term expires	Number of shares owned
Member of the Board Executive Vice President Chief Technology Officer	Junichi Shimagami	Apr. 17, 1967	Apr. 1990 Sep. 1996 Aug. 2003 Jun. 2005 Apr. 2006 Apr. 2007 Jun. 2007 Apr. 2010 Apr. 2015 Jun. 2015 Apr. 2016 Jun. 2020 Apr. 2024 Jul. 2024 Apr. 2025	Joined Nomura Research Institute, Ltd. Joined IIJ General Manager of Network Operation and Management Department, Network Management Division, of IIJ Director of INTERNET Multifeed CO. General Manager of Service Operation Department, Network Service Division, of IIJ Division Director of Network Service Division of IIJ Director of IIJ Executive Managing Officer and Division Director of Service of IIJ Senior Executive Managing Officer, Division Director of Network Division and CTO of IIJ Director and CTO of IIJ Director, CTO and Division Director of Technology Unit of IIJ Managing Director, CTO and Division Director of Technology Unit of IIJ Director, Senior Managing Executive Officer, CTO and Division Director of Technology Unit of IIJ Managing Director of INTERNET Multifeed CO. (Current position) Director, Executive Vice President, Executive Officer and CTO of IIJ (Current position)	(Note 3)	55,248
Member of the Board	Takashi Tsukamoto (Note 1)	Aug. 2, 1950	Apr. 1974 Apr. 2004 Apr. 2007 Apr. 2008 Apr. 2009 Jun. 2011 Jul. 2013 Apr. 2014 Apr. 2017 Jun. 2017 Jul. 2023	Joined The Dai-Ichi Kangyo Bank, Ltd. (Currently, Mizuho Bank, Ltd.) Managing Executive Officer (Head of EMEA) of Mizuho Corporate Bank, Ltd. (Currently, Mizuho Bank, Ltd.) Deputy President of the same Deputy President & CFO of Mizuho Financial Group, Inc. President and CEO of the same President and CEO of Mizuho Bank, Ltd. Chairman of Mizuho Financial Group, Inc. Chairman of Mizuho Bank, Ltd. Senior Advisor of Mizuho Financial Group, Inc. Honorary Advisor of the same Director of IIJ (Current position) Special Advisor of Mizuho Financial Group, Inc. (Current position)	(Note 3)	13,925
Member of the Board	Kazuo Tsukuda (Note 1)	Sep.1, 1943	Apr. 1968 Jun. 1999 Apr. 2002 Jun. 2003 Apr. 2008 Apr. 2013 Jun. 2019 Jun. 2020 Jun. 2021	Joined Mitsubishi Heavy Industries, Ltd Director of the same Managing Director of the same President and Representative Director of the same Chairman of the Board, Representative Director of the same Chief Executive Adviser of the same Special Advisor of the same Director of IIJ (Current position) Honorary Advisor of Mitsubishi Heavy Industries, Ltd	(Note 3)	3,816

Position	Name	Date of birth	Brief personal records		Current term expires	Number of shares owned
Member of the Board	Yoichiro Iwama (Note 1)	Sep. 15, 1943	Apr. 1967 Jun. 1996 Apr. 2005 Jun. 2005 Jun. 2010 May 2018 Jun. 2021	Joined Tokio Marine and Fire Insurance Co., Ltd (currently Tokio Marine and Nichido Fire Insurance Co., Ltd.) Director of the same Senior Managing Director of the same President and Representative Director of Tokio Marine Asset Management Co., Ltd. Chairman of Japan Securities Investment Advisers Association (currently Japan Investment Advisers Association) Outside Director and Chairman of the Board of Nikko Asset Management Co., Ltd. (Current position) Director of IIJ (Current Position)	(Note 3)	4,025
Member of the Board	Atsushi Okamoto (Note 1)	Mar. 26, 1954	Apr. 1977 Apr. 2008 Jun. 2010 Jun. 2013 Jun. 2022	Joined Iwanami Shoten, Publishers Division Manager of Production Department of the same Director of the same President and CEO of the same Director of IIJ (Current Position)	(Note 3)	2,416
Member of the Board	Kaori Tonosu (Note 1)	Dec. 24, 1961	Apr. 1985 Jun. 2001 Jun. 2006 Nov. 2015 Jun. 2018 Jun. 2022	Joined the Fuji Bank, Limited (currently Mizuho Bank, Ltd.) Joined Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC) Partner of the same Board member of Deloitte Tohmatsu LLC Board member of Deloitte Touche Tohmatsu LLC Director of IIJ (Current Position)	(Note 3)	808

Position	Name	Date of birth	Brief personal records		Current term expires	Number of shares owned
Full-time Company Auditor	Masayoshi Tobita	Apr. 12, 1959	Apr. 1983 Apr. 2001 Jun. 2002 Jun. 2006 Apr. 2010 Apr. 2015 Jun. 2024 Oct. 2024	Joined ITOCHU Corporation Joined IIJ Technology Inc. Director of the same Managing Director of the same Executive Managing Officer of IIJ Division director of Administrative Division of IIJ Company Auditor of IIJ (Current Position) Company Auditor of IIJ-Global (Current Position) Company Auditor of Net Chart Japan Inc. (Current Position) Company Auditor of Trust Networks Inc. (Current Position) Company Auditor of Trinity Inc. (Current Position) Company Auditor of JOCDN Inc. (Current Position) Company Auditor of DeCurret Holdings, Inc. (Current Position)	(Note 4)	145,567
Full-time Company Auditor	Masako Tanaka	Apr. 4, 1958	Dec. 1992 May, 1993 Feb. 2002 Jun. 2003 Apr. 2014 Jun. 2018 Jun. 2020	Joined IIJ General Manager of Administrative Department of IIJ General Manager of Human Resources Department of IIJ Company Auditor of Internet Multifeed Co. (Current position) General Manager of Human Resources, Administrative Division, of IIJ Company Auditor of IIJ (Current Position) Company Auditor of IIJ Engineering Inc. (Current position) Company Auditor of IIJ Protech Inc. (Current position)	(Note 5)	692,800
Company Auditor	Takashi Michishita (Note 2)	Feb. 1, 1969	Apr. 1994 Jul. 2002 Jul. 2007 Aug. 2012 Jun. 2016 Apr. 2019	Admitted, Tokyo Bar Association, joined Asahi Law Office (Currently, Nishimura & Asahi.) Partner of the same Partner of Nishimura & Asahi Partner of Nishimura & Asahi LPC (Currently, Nishimura & Asahi.) Company Auditor of IIJ (Current Position) Partner of Nishimura & Asahi (Gaikokuho Kyodo Jigyo) (Current position)	(Note 4)	-
Company Auditor	Kumiko Aso (Note 2)	Feb. 20, 1958	Apr. 1981 Jul. 1993 Jun. 2024	Joined Deloitte Haskins & Sells, Tokyo Office (currently Deloitte Touche Tohmatsu LLC) Promoted to Partner, Deloitte Touche Tohmatsu, Tokyo (currently Deloitte Touche Tohmatsu LLC) Company Auditor of IIJ (Current Position)	(Note 4)	-
Total						8,445,817

(Notes)

1. Takashi Tsukamoto, Kazuo Tsukuda, Yoichiro Iwama, Atsushi Okamoto, and Kaori Tonosu are outside directors.
2. Takashi Michishita and Kumiko Aso are outside Company auditors.
3. The term of office of the Directors starts upon election at the Annual General Meeting of Shareholders for the year ended March 31, 2025 and expires at the close of the Annual General Meeting of Shareholders for the year ending March 31, 2026.
4. The term of office of the Company Auditors starts upon election at the Annual General Meeting of Shareholders for the year ended March 31, 2024 and expires at the close of the Annual General Meeting of Shareholders for the year ending March 31, 2028.
5. The term of office of the Company Auditors starts upon election at the Annual General Meeting of Shareholders for the year ended March 31, 2025 and expires at the close of the Annual General Meeting of Shareholders for the year ending March 31, 2029.
6. Directors who concurrently serve as Outside Directors and Company Auditors of other companies (excluding subsidiaries and affiliates of IIJ) are as follows:
   - Satoshi Murabayashi　Outside Director: PERSOL HOLDINGS CO., LTD. and The Neo First Life Insurance Company, Limited.
   - Takashi Tsukamoto　Outside Director: Asahi Mutual Life Insurance Company, AEON Co., Ltd., and Furukawa Electric Co., Ltd.
   - Yoichiro Iwama　Outside Director: Nikko Asset Management Co., Ltd.
   - Kaori Tonosu　Outside Director: Japan Post Insurance Co., Ltd.
7. Company Auditor who concurrently serves as Outside Directors and Company Auditors of other companies (excluding subsidiaries and affiliates of IIJ) are as follows:
   - Kumiko Aso　Outside Company Auditor: Prudential Holdings of Japan, Inc., and Nikki Co., Ltd.

Executive Officers:

The following table provides information about our executive officers as of this document's filing date.

Title	Name	Principal position
Chairman	Koichi Suzuki	Co-CEO
President	Yasuhiko Taniwaki	Co-CEO & COO, direct control of organizations under the direct control of management
Executive Vice President	Satoshi Murabayashi	In charge of Administrative Unit and Risk Management Unit
Executive Vice President	Koichi Kitamura	Unit Manager of Enterprise Sales Unit, In charge of Financial Sales Unit, Government Public & Educational Organization Sales Unit and Alliance Sales Unit, Integration Business Unit, Global Business Unit and Marketing Management Unit (Joint)
Executive Vice President	Akihisa Watai	CFO Unit Manager of Corporate Strategy Unit, Unit Manager of Finance Unit
Executive Vice President	Junichi Shimagami	CTO In charge of Network Services Business Unit and Mobile Services Business Unit, Marketing Management Unit (Joint)
Senior Managing Executive Officer	Tadashi Kawashima	Executive of Special Mission
Senior Managing Executive Officer	Naoshi Yoneyama	CIO Unit Manager of Administrative Unit
Managing Executive Officer	Makoto Ajisaka	Unit Manager of Alliance Sales Unit and Unit Manager of Marketing Management Unit
Managing Executive Officer	Yoshikazu Yamai	Unit Manager of Network Services Business Unit
Managing Executive Officer	Koichi Maruyama	Unit Manager of Global Business Unit
Managing Executive Officer	Masakazu Tachikui	Executive of Special Mission
Managing Executive Officer	Akira Sumiya	CISO, CRO, CPO Unit Manager of Risk Management Unit
Managing Executive Officer	Takenori Onishi	In charge of domestic branches, Deputy Unit Manager of Enterprise Sales Unit
Managing Executive Officer	Shigeo Yabuki	Unit Manager of Mobile Services Business Unit
Managing Executive Officer	Ken Araki	Unit Manager of Financial Sales Unit, Deputy Unit Manager of Enterprise Sales Unit
Managing Executive Officer	Hajime Shironouchi	Deputy Unit Manager of Network Services Business Unit and Division Director of Network Division, in charge of Broadcasting Systems Division, General Manager of Telecommunications Facilities
Managing Executive Officer	Takahiro Ide	Deputy Unit Manager of Enterprise Sales Unit, Division Director of Central Japan Business Division
Managing Executive Officer	Naoshi Someya	Deputy Unit Manager of Network Services Business Unit, Division Director of Cloud Division
Managing Executive Officer	Takahiko Hiyama	Deputy Unit Manager of Finance Unit
Executive Officer	Masami Kawamata	General Manager of Accounting Department, Finance Unit
Executive Officer	Kaori Kawakami	Executive Director of Sustainability Committee, Corporate Strategy Unit
Executive Officer	Hiroo Shirasaki	Division Director of System Development Division, Network Services Business Unit
Executive Officer	Takeshi Hatano	Unit Manager of Government Public & Educational Organization Sales Unit
Executive Officer	Mamoru Saito	Division Director of Advanced Security Division, Network Services Business Unit
Executive Officer	Kentaro Kurosawa	Division Director of Service Administration Division, Network Services Business Unit
Executive Officer	Kaichiro Naka	Unit Manager of Integration Business Unit

ii) Status outside directors and Company auditors

［Number of outside directors and Company auditors］

IIJ has five outside directors and two outside company auditors.

［Roles of outside directors and outside Company auditors in corporate governance］

By having oversight and supervisory functions over business management based on the experience and knowledge of outside directors and company auditors, the Company believes that accountability of directors is fulfilled, which contributes to appropriate management decisions and increased management transparency.

［**Standards for independence of outside directors and outside Company auditors, and the mindset regarding election**］

In addition to the requirement of outside directors as set forth by the Companies Act of Japan and the standards established by Tokyo Stock Exchange, Inc., IIJ has set its "Standards on the Independence of Outside Directors and Outside Company Auditors," which includes conditions on adequate independence. IIJ selects independent outside directors and outside company auditors based on these criteria which are as follows. Furthermore, all of the outside directors and company auditors that are qualified as independent directors or company auditors have been designated as independent directors or company auditors.

(Standards on the Independence of Outside Directors and Outside Company Auditors)

Outside directors and outside company auditors should not fall under any one of the categories below:

(1) Major shareholders holding voting rights equivalent to 10% or more of the total voting rights of IIJ, or in the case of a corporation or organization, an executive of that corporation or organization.
(2) An executive of a major client of the Company, or executive of a corporation or organization that deals with the Company as a major business partner. (Note 1)
(3) An executive of a financial institution to which IIJ owes significant borrowings. (Note 2)
(4) 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 where a corporation or organization, a person belonging thereto. (Note 3)
(5) An executive of a corporation or organization that receives significant donations from the Company. (Note 4)
(6) A person who served a corporation or organization falling under any of the categories in (1) to (5) above as an executive within the past 3 years.
(7) 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 in (1) to (5) above
・A person who is a director or executive of a subsidiary of IIJ
(8) In addition to the stipulations above, a person who is deemed to have a lack of independence by comprehensive consideration of IIJ.

If a person falls under any of the conditions from (1) through (8) as stipulated above, a reason for judging that such person still has independence is required to be explained and disclosed when such a person is appointed as an independent director or company auditor.

(Notes)

1 Classification as a "major client of the Company" is judged by the annual sales that the Company made to the client in any fiscal year out of the most recent three fiscal years. The threshold is 2% of the annual sales of the Company. Classification as a "corporation or organization that deals with the Company as a major business partner" is judged by the annual sales between the corporation or organization and the Company in any fiscal year out of the most recent three fiscal years. The threshold is 2% of the annual sales of the corporation or organization.
2 Classification as "significant borrowings" is judged by the amount of borrowings. The threshold is 2% of the gross assets of IIJ in any fiscal year out of the most recent three fiscal years.
3 Classification as "significant amounts of compensation or other economic benefit" is judged by the benefit that the person has received from the Company (other than their remuneration as a director or company auditor) in any fiscal year out of the most recent three fiscal years. The threshold is remuneration or other economic benefit of ¥10 million or more; or where the person belongs to a corporation or organization, whether or not that corporation or organization has received from the Company remuneration or other economic benefit that exceeds 2% of the annual sales of the corporation or organization in any fiscal year out of the most recent three fiscal years or ¥10 million, whichever is higher.
4 Classification as "significant donations" is judged by the amount of donations in any fiscal year out of the most recent three fiscal years that have been received from the Company. The threshold is ¥10 million a year or 2% of the annual total costs of the corporation or organization, whichever is higher.

［**Personal, capital, business or any other relationship of interest between outside directors or outside company auditors and the company**］

Mr. Takashi Tsukamoto, our outside director, formerly served as an executive of Mizuho Bank, Ltd., which is one of IIJ's borrowing banks, and its parent company, Mizuho Financial Group, Inc., however, he had already left those roles in 2014 and more than ten years has passed since then. He is currently a Special Advisor of Mizuho Financial Group and not engaged in any business execution. IIJ has borrowings and other transactions with Mizuho Bank, Ltd. However, the total amount of these transactions was less than 2% of IIJ's consolidated net sales. Since it is considered that there is no special relationships between IIJ and Mr. Tsukamoto in terms of the size and nature of those business transactions, a summary of the business transactions between IIJ and Mizuho Bank, Ltd. is omitted.

IIJ has a business relationship with Mitsubishi Heavy Industries, Ltd., where Mr. Kazuo Tsukuda, our outside director, formerly served as an executive. However, the total amount of these transactions was less than 1% of IIJ's consolidated net sales. Since it is considered that there is no special relationships between IIJ and Mr. Tsukuda in terms of the size and nature of those business transactions, a summary of the business transactions between IIJ and Mitsubishi Heavy Industries, Ltd. is omitted.

IIJ has a business relationship with Tokio Marine Asset Management Co., Ltd., where Mr. Yoichiro Iwama, our outside director, formerly served as an executive. However, the total amount of these transactions was less than 1% of IIJ's consolidated net sales. Since it is considered that there is no special relationships between IIJ and Mr. Iwama in terms of the size and nature of those business transactions, a summary of the business transactions between IIJ and Tokio Marine Asset Management Co., Ltd. is omitted.

IIJ has a business relationship with Deloitte Touche Tohmatsu LLC., where Ms. Kaori Tonosu, our outside director, formerly served as an executive. However, the total amount of these transactions was less than 1% of IIJ's consolidated net sales. Since it is considered that there is no special relationships between IIJ and Ms. Tonosu in terms of the size and nature of those business transactions, a summary of the business transactions between IIJ and Deloitte Touche Tohmatsu LLC. is omitted.

IIJ has a business relationship with Nishimura & Asahi (Gaikokuho Kyodo Jigyo), where Mr. Takashi Michishita, our outside company auditor, serves as an executive. However, the total amount of these transactions was less than 1% of IIJ's consolidated net sales. Since it is considered that there is no special relationships between IIJ and Mr. Michishita in terms of the size and nature of those business transactions, a summary of the business transactions between IIJ and Nishimura & Asahi (Gaikokuho Kyodo Jigyo) is omitted.

IIJ has a business relationship with Deloitte Touche Tohmatsu LLC., where Ms. Kumiko Aso, our outside company auditor, formerly served as an executive. However, the total amount of these transactions was less than 1% of IIJ's consolidated net sales. Since it is considered that there is no special relationships between IIJ and Ms. Aso in terms of the size and nature of those business transactions, a summary of the business transactions between IIJ and Deloitte Touche Tohmatsu LLC. is omitted.

Regarding the number of IIJ's shares owned by outside directors and outside company auditors, please refer to “4 Corporate Governance, (2) Status of Directors and Company Auditors, i) Members of the Board of Directors and the Board of Company Auditors” of this document.

Other than the above, there are no personal, capital, business, or other interest relationships that should be noted.

［Limited Liability contracts with outside directors and outside company auditors］

Please refer to “4 Corporate Governance, (1) Overview of Corporate Governance, iii) Other matters regarding corporate governance, ［Outline of limited liability contracts］”of this document.

iii) Supervision, audit or internal audit conducted by outside directors or outside company auditors, mutual cooperation with company auditors’ in their audits and accounting audit and relationships with the internal auditing office

Please refer to “4 Corporate Governance, (1) Overview of Corporate Governance, ii) Overviews of corporate governance structure and reasons for adopting the structure, ［Overview of our management organization and the corporate governance structure］ and ［Reasons for adoption thereof］,” and also refer to “4 Corporate Governance, (3) Status of Audits” of this document.

(3) Status of Audits

i) Status of company auditors' audit

IJJ is a company with the Board of Company Auditors and such board is one of the important elements of our internal control system. The Board of Company Auditors is consisted of four company auditors. Of four, two are full-time company auditors and perform daily business audits, share and discuss such audits. All four company auditors attend the Board of Directors to audit directors' business execution status. For accounting audits, after agreeing on audit plan as well as exchange inquiry, the Board of Company Auditors cooperates with the accounting auditors by receiving detailed reports on quarterly consolidated financial results, etc. In addition, the Board of Company Auditors oversees the status of construction and operation of overall internal control and has rights to audit the operation of a whistleblowers hotline system for gathering information such as accounting fraud. Further, to conduct these activities effectively and appropriately, IIJ makes an effort to appoint financial and legal experts as company auditors.

a. Number of the Board of Company Auditors held and status of attendance

During the fiscal year ended March 31, 2025, the Board of Company Auditors was held 14 times and each auditor's attendance was as follows:

Position	Name	Number and percentage of attendance	Remarks
Full-time company auditor	Masayoshi Tobita (Note 2)	10 times / 10 times (100%)	
Full-time company auditor	Masako Tanaka	14 times / 14 times (100%)	
Part-time company auditor	Takashi Michishita	13 times / 14 times (93%)	Attorney at law
Part-time company auditor	Kumiko Aso (Note 2)	8 times / 10 times (80%)	Certified Public Accountant
Full-time, outside company auditor	Kazuhiro Ohira (Note 3)	4 times / 4 times (100%)	
Part-time company auditor	Koichi Uchiyama (Note 3)	4 times / 4 times (100%)	Certified Public Accountant

(Note) 1. The number of meetings held during the term of office of each company auditor in the fiscal year ended March 31, 2025 is used as the denominator.

2. Mr. Masayoshi Tobita and Ms. Kumiko Aso were appointed as the company auditors on June 27, 2024.

3. Mr. Kazuhiro Ohira and Mr. Koichi Uchiyama retired from the company auditors on June 27, 2024.

b. Discussion topics at the Board of Company Auditor

They include the followings: regulations related to the Board of Company Auditor as well as company auditor, audit policy, audit plan, audit method, determination about each company auditor's duties, share of discussion about daily audit work, evaluation, selection, agreement on remuneration about the accounting auditor, preliminary review on items reported to the Board of Directors.

c. Audit activity of full-time company auditors

Full-time company auditors understand business execution status through followings: conduct job audit based on annual audit plan as well as company auditor audit standards, attend important meetings such as the Board of Directors, interview directors as well as executive officers on regular and non-regular basis, and co-work with internal control office.

ii) Status of Internal audit

IIJ has an internal auditing office consisting of six members, including a manager. The internal auditing office conducts internal audits of each business execution division, including subsidiaries, to point out areas that need to be improved regarding legal compliance and to monitor the status of improvement. In addition, by testing the design and operation of internal control over financial reporting in accordance with the Financial Instruments and Exchange Law, the internal auditing office verifies their effectiveness and strengthen them.

With regard to planning audit plans and implementing audit procedures, the internal auditing office conducts audits efficiently through cooperation with company auditors including regular meetings with the full-time company auditors and attendance at meetings of the Board of Company Auditors to enhance the effectiveness of audits. The internal auditing office also directly reports on internal audit's progress and results to the Board of Company Auditor on a regular basis.

In addition to internal audit reports to the Representative Director, the internal auditing office directly reports on internal audit results to the Board of Directors on a regular basis.

iii) Status of Accounting auditors' audit

［Accounting auditors, etc. of IIJ］

a. Name of the accounting auditor

KPMG AZSA LLC

b. Years of audit continuity

Six years

c. Names of the certified public accountants who executed the engagement

Designated unlimited liability partner, engagement partner: Hidetoshi Fukuda

Designated unlimited liability partner, engagement partner: Yusuke Matsumoto

d. Composition of assistants in relation to the audit engagement:

Certified public accountant: four persons

Members who passed the exams for Certified Public Accountants: six persons

Others: 29 persons

e. Reasons for the election of the accounting auditor

IIJ elected the accounting auditor, and continuously evaluates said auditor, by considering whether proper and adequate auditing has been ensured and that the auditor possesses the expertise and independence required for our accounting audits.

In addition, the IIJ has established "Policy for Dismissal or Refusal to Rehire an Accounting Auditor", which is as follows:

The Accounting auditor should be decided by comprehensively considering various factors, including ability, the organization and team (including the auditing team), the performance of duties, the quality of audits and independence. If the Board of Company Auditors determines that the Accounting Auditor doesn't meet the above-stated requirements, or it is otherwise necessary, 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 determines that the accounting auditor falls under any Item of Paragraph 1, Article 340 of the Companies Act of Japan or violates provisions in the Companies Act of Japan, the Certified Public Accountants Act or 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.

f. Evaluation of accounting auditor by Company Auditors and the Board of Company Auditors

Company Auditors of the company and the Board of Company Auditors have established seven major Evaluation Category including “quality control for accounting auditor,” “auditing team,” “remuneration for accounting auditor,” “communication with Company Auditors,” “relationship with management,” “group auditing” and “fraud risk” and several sub-items to each major item, and conduct an evaluation of the accounting auditor every year.

iv) Remuneration for the accounting auditor, etc.

a. Remuneration for the accounting auditor

Category	For FY2023		For FY2024	
	Remuneration for audit services (Millions of yen)	Remuneration for non-audit services (Millions of yen)	Remuneration for audit services (Millions of yen)	Remuneration for non-audit services (Millions of yen)
IIJ	75	—	76	—
Consolidated subsidiaries	12	—	10	—
Total	87	—	86	—

b. Remuneration for the accounting auditor's network

(Excluding "a. Remuneration for the accounting auditor of the Company")

Category	For FY2023		For FY2024	
	Remuneration for audit services (Millions of yen)	Remuneration for non-audit services (Millions of yen)	Remuneration for audit services (Millions of yen)	Remuneration for non-audit services (Millions of yen)
IIJ	—	9	—	11
Consolidated subsidiaries	—	9	—	7
Total	—	18	—	18

The amount for FY2023 and FY2024 that IIJ paid to the accounting auditor's network (KPMG) were mainly related to tax advisory services and the amount that IIJ's consolidated subsidiary paid to the network were mainly related to transfer pricing taxation services.

c. Other material items based on the audit contract

Not applicable.

d. Policy on deciding remuneration for the accounting auditor

Considering our business scale, characteristics, audit results for the past fiscal years, etc., with an estimate of reasonable remuneration for the accounting audit, the Company discusses the amount of audit remuneration with the accounting auditors. By obtaining the prior approval of the Board of Company Auditors, the Company makes a final decision on the audit remuneration.

e. Reason that the Board of Company Auditors approved the remuneration for the accounting auditor

The reason that the Board of Company Auditors approved the remuneration for the accounting auditor based on Article 399, Section 1 of the Companies Act of Japan, is that the Board of Company Auditors evaluated the accounting auditor's audit performed after considering the services rendered by the accounting auditor, time spent on auditing and communication with our business execution departments and confirmed its appropriateness.

(4) Remuneration for Directors and Company Auditors, etc.

i) Determination policy of the amount and the calculation method of remuneration for Directors and Company Auditors (as of this document's filing date)

a) Method for deciding on the determination policy of the calculation method of remuneration for directors

After consulting with the Nomination and Remuneration Committee on drafts of the determination policy including the calculation methods for individual director remuneration and performance-linked remuneration, the revision of determination policy was resolved at the Board of Directors meeting held on May 24, 2024.

b) Outline of determination policy of remuneration for directors

With regard to the remuneration paid to our full-time Directors, our basic policy is that, when determining the amount of remuneration for an individual Director, we set an appropriate level of remuneration according to each Director's position and responsibility, with the aim of maintaining and promoting Directors' motivation and morale with respect to their contribution to the continuance of business performance and increase in corporate value over the medium- to long-term. In particular, remuneration for our executive directors is comprised of a fixed base remuneration (cash remuneration), remuneration that is conditional on tenure (restricted stock remuneration), performance-linked remuneration for a single fiscal year (restricted stock remuneration) and performance-linked remuneration for the mid- to long-term (restricted stock remuneration). Remuneration for part-time directors and Outside Directors who have supervisory functions is only comprised of a fixed base remuneration (cash remuneration) based on their roles and responsibilities.

c) Outline of policy for determining the ratio of performance-linked and non-performance-linked remuneration

Fixed base remuneration and remuneration based on tenure conditions are not directly linked to consolidated business results. The performance-linked remuneration for the single fiscal year and the medium- to long-term performance-linked remuneration for the executive directors are linked to the consolidated business results, and the scale of each remuneration is generally from 0 to 4 months (from 0 to 5 months for the final fiscal year of the medium- to long-term performance-linked remuneration) of the basic monthly remuneration for each person depending on the level of performance.

d) Method of determining the amount of remuneration for company auditors

The maximum aggregate amount of remuneration for company auditors is resolved at the General Meeting of Shareholders, and the fixed amount of remuneration for each company auditor is determined through discussion by the company auditors at the Board of Company Auditors

ii) Resolutions at General Meetings of shareholders regarding remuneration of Directors and Company Auditors

- At the 16th ordinary General Meeting of Shareholders held on June 27, 2008, it was approved that the maximum aggregate amount of remuneration for directors and company auditors were at JPY500 million or less per year and JPY100 million or less per year respectively. The number of directors and company auditors were 14 and four as of the date of 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 benefit, was approved. The number of directors was 12 as of the date of 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 as of the date of the shareholders' meeting resolution.
- At the 29th ordinary General Meeting of Shareholders held on June 29, 2021, it was resolved that the maximum amount of remuneration for Directors were JPY600 million or less per year, including the maximum aggregate amount of JPY50 million or less per year for Outside Directors. As of the date of the shareholders' meeting resolution, the number of directors was 12, including four Outside Directors.
- At the 30th ordinary General Meeting of Shareholders held on June 28, 2022, it was resolved that the number of shares to be issued upon exercise of each stock acquisition right of stock compensation-type stock option was changed from 400 to 1 share, and the maximum number of stock acquisition right was changed from 600 to 240,000. The number of directors was 12 as of the date of the shareholders' meeting resolution.
- At the 32nd ordinary General Meeting of Shareholders held on June 27, 2024, it was resolved that the previous director remuneration system, which was comprised of fixed monetary compensation, stock compensation-type stock options, and single-year performance-linked compensation (restricted stock remuneration), shall be renewed to establish a new director remuneration system consisting of a fixed base remuneration (cash remuneration), remuneration that is conditional on tenure as a substitute for stock compensation-type stock options (restricted stock remuneration), performance-linked remuneration for a single fiscal year (restricted stock remuneration) and performance-linked remuneration for the medium- to long-term (restricted stock remuneration). Along with this, it was also resolved that the maximum amount of monetary remuneration for Directors were JPY600 million or less per year, including the maximum aggregate amount of JPY50 million or less per year for Outside Directors, the maximum amount of remuneration for restricted stock remuneration shall be JPY700 million or less per year, and the maximum number of shares to be allotted as restricted stock remuneration shall be 140,000 shares or less per year. The single-year and medium- to long-term performance-linked remuneration are applicable to executive directors. As of the date of the shareholders' meeting resolution, the number of Directors was 12, including five outside directors and seven executive directors.

iii) Contents of determination on remuneration for individual directors

a) Outline of the Nomination and Remuneration Committee Procedures Concerning Directors' Remuneration, etc.

IIJ has voluntarily established the Nomination and Remuneration Committee to ensure and enhance fairness and transparency of decision-making regarding directors’ nomination and remuneration, and it deliberates as an advisory organization to the Board of Directors in the process of determining remuneration, etc.

b) Activities of the Nomination and Remuneration Committee in the process of determining the amount of remuneration, etc. for IIJ’s directors

At the Nomination and Remuneration Committee meeting held on March 27, 2024, the committee confirmed the appropriateness of the fixed remuneration for directors for FY2024 and the bonus plan for directors based on the results of FY2023, through an analysis including the comparison of remuneration levels with other companies. In addition, discussions were held regarding the remuneration system for directors from FY2024 onward, including an evaluation of the overall remuneration design and the introduction of medium- to long-term performance-linked remuneration.

At its meeting held on May 24, 2024, the committee confirmed the appropriateness of the new remuneration structure for directors, including the introduction of medium- to long-term performance-linked remuneration, and the appropriateness of the proposals to be submitted to the Annual General Meeting of Shareholders related to directors’ remuneration, including the revision of the upper limit of directors’ remuneration.

At the Nomination and Remuneration Committee meeting held on September 5, 2024, the committee deliberated on the levels of performance indicators for medium- to long-term performance-linked remuneration. At its meeting held on March 27, 2025, the committee confirmed the appropriateness of the fixed remuneration for directors for FY2025 and the bonus plan for directors based on the results of FY2024 and the performance progress of the Mid-term Plan, through an analysis including the comparison of remuneration levels with other companies.

c) Matters Concerning Determination of Individual Remuneration, etc. of Directors

Regarding the amount of remuneration for each individual director, the representative directors (Koichi Suzuki and Eijiro Katsu) shall be delegated the specific content based on the resolution of the Board of Directors, and the delegated authorities are the determination of the amount of basic monthly remuneration and allocation of performance-linked remuneration of each individual director. In order to ensure that these authorities are properly exercised by the delegatees, the representative directors who drafted the remuneration plan consult the Nomination and Remuneration Committee with the draft of the plan. When deciding the content of remuneration for individual directors, the Nomination and Remuneration Committee conducted a multifaceted examination of the draft, including consistency with the determination policy, therefore the Board of Directors recognizes that it is in line with the 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 comprehensive perspective of the overall performance of the Company.

iv) Contents of performance-linked remuneration and non-monetary remuneration

There was stock compensation-type stock option plan for directors (excluding part-time and outside directors) of IIJ during the period from June 2011 to June 2024 as a substitution for the retirement benefit. The details of stock acquisition rights allotted as the remuneration under the plan are as shown in “Item 4, Information on IIJ, 1 Information on IIJ’s shares, (2) Information on Stock Acquisition Rights.”

In June 2020, the Company had introduced restricted stock remuneration as performance-linked remuneration for a single fiscal year for directors (excluding part-time directors and outside directors) (hereinafter referred to as "Former Performance-linked Remuneration for a Single Year").

In June 2024, the Company reformed its former director remuneration system and introduced a new director remuneration system (the "New Director Remuneration System") consisting of a fixed base remuneration (cash remuneration), remuneration that is conditional on tenure as a substitute for stock compensation-type stock options (restricted stock remuneration), performance-linked remuneration for a single fiscal year (restricted stock remuneration) and performance-linked remuneration for the medium- to long-term (restricted stock remuneration).

[Matters relating to the grant of restricted stock remuneration]

All issuances and disposals of restricted stock will be conducted in a manner whereby monetary remuneration receivables shall be granted to the Eligible Directors, and the Eligible Directors shall pay in all of such monetary remuneration receivables as contribution in-kind and shall, in return, receive shares of IIJ's common stock that shall be issued or disposed of by IIJ.

For the purpose of such issuance or disposal of shares of IIJ's common stock, a restricted stock allotment agreement ("Allotment Agreement") that contains provisions regarding the following matters and the specific matters prescribed with respect to each type of remuneration will be concluded between IIJ and each Eligible Director.

・ Transfer restrictions: The Eligible Directors shall not transfer, create any security interest over, or otherwise dispose of the shares of IIJ's common stock allotted under the Allotment Agreement (hereinafter referred to as the "Allotted Shares") during the period from the date of the payment for the Allotted Shares to the point in time when he or she resigns from the position specified in advance by IIJ's Board of Directors (hereinafter referred to as the "Transfer Restriction Period") (hereinafter collectively referred to as the "Transfer Restriction").
・ Removal of Transfer Restrictions: IIJ shall remove the Transfer Restriction with respect to the Allotted Shares in whole upon the expiry of the Transfer Restriction Period, provided that the Eligible Director continuously served in the said specified position during the Transfer Restriction Period. If certain events prescribed in the Allotment Agreement occur, such as the retirement of an Eligible Director from his/her position during the Restriction Period or upon the expiration of the Restriction Period for any reason other than those deemed justifiable by IIJ, IIJ may acquire all of 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 IIJ, such as a merger agreement whereby IIJ shall be the non-surviving party to the merger, or a share exchange agreement or share transfer plan whereby IIJ shall become a wholly-owned subsidiary of another entity, is approved at IIJ's ordinary General Meeting of Shareholders (or by IIJ's Board of Directors if such organizational restructuring, etc. does not require approval at IIJ's ordinary General Meeting of Shareholders) during the transfer restriction period, IIJ shall remove, based on a resolution of IIJ'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.

If an Eligible Director retires from his/her position during the period for any reason that is not attributable to IIJ, IIJ might not grant monetary remuneration receivables or deliver the shares to the Eligible Director, taking into account the content of the report of the Nomination and Remuneration Committee.

[Contents of Former Performance-linked Remuneration for a Single Year]

Regarding Former Performance-linked Remuneration for a Single Year, performance indicators were year over year growth rate and target achievement rate of consolidated revenue and operating profit.

◆ Timing of payment and allocation: The details of payment to each director are determined in or after the last month of each fiscal year, and the determined amount shall be allotted.
◆ Number of shares to be allotted per year: Up to 160,000 shares (After adjustment for stock splits which were effective January 1, 2021 and October 1, 2022) or less.
◆ Amount to be paid in per share: The amount to be paid in per share shall be determined, based on the closing price of IIJ'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 transaction day immediately prior thereto if there is no trading on that day), and shall not be a particularly advantageous price for the eligible directors who receive the common stock.

・Targets and Results of indicators for performance-linked remuneration

	FY2023	
	Targets	Results
Consolidated revenue	JPY286.00 billion	JPY276.08 billion
Compared to the previous year		109.2%
Consolidated operating profits	JPY31.50 billion	JPY29.03 billion
Compared to the previous year		106.6%

・Total number of shares allotted as performance-linked bonus to directors and company auditors

	Performance-linked bonus for FY2023, resolved at the meeting of the Board of Directors held on May 24, 2024
Directors (other than outside directors)	12,766 shares for nine directors
Outside Directors	—
Company Auditors	—

［Contents of restricted stock remuneration under the New Director Remuneration System］

Remuneration that is conditional on tenure is a system which is not linked to performance. Under the system, IIJ shall grant to an Eligible Director, depending on the position held by the Director, restricted stock, in relation to which the Transfer Restriction will be removed on the condition that the Eligible Director has served in a position such as a Director of IIJ for a certain period of time.

Performance-linked remuneration for a single fiscal year is a performance-based restricted stock remuneration system, under which IIJ grants to an Eligible Director restricted stock after the end of a certain period of time (in principle, one (1) fiscal year) in accordance with the degree of achievement of performance targets and improvement in performance over such period. Performance indicators were year over year growth rate and target achievement rate of consolidated revenue and consolidated operating profit, as indices relating to business growth and improvement in corporate value. These indicators are multiplied by the respective factors to calculate the payment rate for the base remuneration, and the number of shares to be delivered is calculated using the calculation method described below, based on the stock price at the beginning of the evaluation period, etc.

Performance-linked remuneration for the medium- to long-term is a performance-based restricted stock remuneration system in accordance with the degree of achievement of performance targets and improvement in performance in each fiscal year during the relevant period, the length of such period being the same as that of the Mid-term Plan (hereinafter referred to as the “Fiscal Year Subject to Evaluation”). IIJ grants to an Eligible Director restricted stock after the end of the Fiscal Year Subject to Evaluation. Number of shares to be delivered is calculated for each Fiscal Year Subject to Evaluation, using the calculation method described below, based on payment rate for the base remuneration, the share price at the beginning of the period of the Mid-term Plan, etc.

The following indicators are used to evaluate the degree of achievement of the Mid-term Plan and to calculate the payment rate.

＜Fiscal Years Subject to Evaluation excluding final fiscal year＞

The consolidated revenue (30%), consolidated operating profit (30%), engagement index (15%), and performance contribution regarding responsible business (25%).

＜Final fiscal year＞

The consolidated revenue (30%), consolidated operating profit (30%), engagement index (15%), and performance contribution regarding responsible business (25%), as well as ROE (a requirement for maximizing the payment rate), market value (a requirement for maximizing the payment rate), and ESG management index (a requirement for maximizing the payment rate).

・Number of shares to be delivered

Under the New Director Remuneration System, the respective number of shares to be delivered for single-year performance-linked remuneration and medium- to long-term performance-linked remuneration shall be calculated based on the following formulas.

Number of shares to be delivered = base remuneration × payment rate ÷ base stock price

The base remuneration shall be determined after consultation with the Nomination and Remuneration Committee, with the target amount being four months of the monthly fixed remuneration. The payment shall be 0% to 100% (in the case of the final fiscal year of the medium- to long-term performance-linked remuneration, 0% to 125%) based on the aforementioned indices and other factors. The base stock price will be the closing price of IIJ's shares of common stock on the Tokyo Stock Exchange on the business day immediately preceding the first day of the relevant period (or the closing price on the transaction day immediately prior thereto if no transaction is made on such business day). However, if the market price at the time of delivery is an amount which is more than twice the base share price, the number of shares to be delivered shall be the number of shares calculated using the above formula, and then multiplied by twice the base stock price and divided by the market price at the time of delivery.

・Acquisition for nil consideration (clawback) and additional grants based on status of achievement of targets

If, in the final fiscal year of the Mid-term Plan, the status of achievement of the various targets for the first and second years and the corresponding payment rates decline significantly, IIJ shall, based on the report of the Nomination and Remuneration Committee, acquire part of the restricted shares already delivered as performance-linked remuneration for the medium- to long-term for nil consideration (clawback). In addition, if, in the final fiscal year of the Mid-term Plan, the status of achievement of the various targets for the first and second years and the corresponding payment rates are significantly elevated, IIJ may, based on the report of the Nomination and Remuneration Committee, make certain additional grants with respect to the number of shares to be granted that is calculated in the final year as performance-linked remuneration for the medium- to long-term.

・Upper Limit

The upper limit based on the resolution of the General Meeting of Shareholders is that the total amount of the restricted stock remuneration shall not exceed JPY700 million per year and the number of shares to be delivered shall not exceed 140,000 shares per year. In the event of a stock split (including gratis allotment of shares of common stock) or reverse stock split of the Company's common stock (including gratis allotment of common stock) or reverse stock split of IIJ's common stock, the maximum number of shares shall be adjusted in accordance with the split ratio or reverse stock split ratio.

・Targets and Results of indicators for performance-linked remuneration

	FY2024	
	Targets	Results
Consolidated revenue Compared to the previous year	JPY312.00 billion	JPY316.83 billion 114.8%
Consolidated operating profits Compared to the previous year	JPY32.00 billion	JPY30.10 billion 103.7%

・Total number of shares allotted to directors and company auditors

	Restricted stock remuneration		
	Remuneration conditional on tenure, resolved at the meeting of the Board of Directors held on June 27, 2024	Performance-linked remuneration for a single fiscal year, resolved at the meeting of the Board of Directors held on May 23, 2025	Performance-linked remuneration for the medium- to long-term, resolved at the meeting of the Board of Directors held on May 23, 2025
Directors (other than outside directors)	18,390 shares for seven directors	8,709 shares for seven directors	8,206 shares for seven directors
Outside Directors	—	—	—
Company Auditors	—	—	—

v) Breakdown of aggregate remuneration by director and company auditor category, remuneration type, and number of applicable directors and company auditors

Category	Total Remuneration	Breakdown of Remuneration (Millions of yen)					Number of Persons
		Fixed Remuneration	Remuneration conditional on tenure (restricted stock)	Performance-linked remuneration for a single fiscal year (restricted stock)	Performance-linked remuneration for the mid- to long-term (restricted stock)	Non-monetary remuneration	
Directors (Excluding outside directors)	433	309	33	57	21	13	9
Company Auditor (Excluding Outside Company Auditors)	31	31	—	—	—	—	2
Outside Directors and Outside Company Auditors	49	49	—	—	—	—	9

(Note) As for remuneration conditional on tenure, performance-linked remuneration for a single fiscal year and performance-linked remuneration for the medium- to long-term, the above is the amount recognized as expenses in FY2024 based on our restricted stock remuneration system.

vi) Directors who received an annual remuneration of JPY100 million or more

The director who received an annual remuneration of JPY100 million or more was Eijiro Katsu, and the total annual amount of his remuneration was JPY122 million (fixed remuneration of JPY86 million, restricted stock of JPY32 million, and stock options of JPY4 million.

(5) Status of Shareholding

i) Standard and policy on classification of shareholdings

The Company classifies shareholdings in order to benefit from investment return and dividends as shareholdings solely for the purpose of investment and in order to enhance our corporate value and earn profit through strategic shareholdings as shareholdings for purposes other than solely for investment.

ii) Shareholdings for purposes other than solely for investment (listed shares)

a. Policy of shareholdings, methods to verify rationality of holdings, and details on verification by the Board of Directors regarding the rationality of holding individual stock

[Policy of shareholdings]

After thoroughly considering our business strategies, relationships with our business partners and our cost of capital, the Company holds stocks of other companies for purposes other than solely for investment if the Company believes such shareholdings will enhance our corporate value and bring profit to all our shareholders. Regarding the stock which is deemed not to have a recognized rationale for holding based on comprehensive judgement, the Company reconsider the scale of its holdings appropriately.

[**Methods to verify rationality of holdings**]

The Company verifies, for each individual stock, whether the margins generated from ongoing transactions and dividends received exceed the Company's cost of capital on an annual basis.

[Details on verification by the Board of Directors regarding the rationality of holding individual stock]

The Company verifies the rationality of its holdings at the Board of Directors' meeting every year in May. At the Board of Directors' meeting held in May 2025, five stocks were subjected as of March 31, 2025, and the Company intends to continue to hold these stocks based on the verification.

b. Number of issuers of which IIJ held shares and amount recorded on IIJ's balance sheet

	Number of issuers	Amount recorded on IIJ's balance sheet (Millions of Yen)
Unlisted shares	3	322
Shares other than unlisted shares	5	13,905

(Shares whose number of shares increased in the current fiscal year)

	Number of issuers	Total acquisition cost related to increase in shares (Millions of Yen)	Reason for increase in number of shares
Unlisted shares	1	30	To create new business opportunities
Shares other than unlisted shares	—	—	—

(Shares whose number of shares decreased in the current fiscal year)

Not applicable.

c. Number of shares, amount recorded on IIJ's balance sheet and other information of specified equity securities and deemed holdings of equity securities by each issuer.

Issuer's name	As of March 31, 2025	As of March 31, 2024	Purpose of holding, outline of business alliance , quantitative contribution of holding (Note 1), and reasons for the increase in the number of shares	Whether the issuer holds IIJ's shares
	Number of shares	Number of shares		
	Amount recorded on IIJ's balance sheet (Millions of Yen)	Amount recorded on IIJ's balance sheet (Millions of Yen)		
SIGMAXYZ Holdings Inc.	7,920,000	3,960,000	The issuer is our important business partner on our system integration. The Company has continuous transactions with the issuer and expects to continue to increase our business in the future. The Company verifies by the methods described above and continues to hold shares of this issuer.	No
	7,421	6,926		
Recruit Holdings Co., Ltd.	750,000	750,000	The issuer is our major customer. The Company has continuous transactions with the issuer and expects to continue to increase our business in the future. The Company verifies by the methods described above and continues to hold shares of this issuer.	No
	5,743	5,030		
PIA Corporation	150,000	150,000	The issuer is our major customer. The Company has continuous transactions with the issuer and expects to continue to increase our business in the future. The Company verifies by the methods described above and continues to hold shares of this issuer.	No
	397	485		
Transaction Media Networks Inc.	733,300	733,300	The issuer is a business partner in our internet connectivity services. The Company has continuous transactions with the issuer. The Company verifies by the methods described above and continues to hold shares of this issuer.	No
	235	461		
Future Innovation Group Inc.	400,000	400,000	The issuer is our important business partner on our mobile services. The Company has continuous transactions with the issuer and expects to continue to increase our business in the future. The Company verifies by the methods described above and continues to hold shares of this issuer.	No
	109	138		

(Note)

1. Although methods to verify rationality of holdings are described above "a. Policy of shareholdings, methods to verify rationality of holdings, and details on verification by the Board of Directors regarding the rationality of holding individual issues", the quantitative information such as transaction detail and volume with each issuer is difficult to report due to duty of confidentiality.
2. SIGMAXYZ Holdings Inc. conducted a two-for-one stock split of its common stock on December 1, 2024

iii) Stocks solely for the purpose of investment

	As of March 31, 2024		As of March 31, 2025 or for FY2024				
	Number of issuers	Amount recorded on IIJ's balance sheet (Millions of Yen)	Number of issuers	Amount recorded on IIJ's balance sheet (Millions of Yen)	Total dividends received (Millions of Yen)	Total net gain or loss on sale (Millions of Yen)	Total net gain or loss on valuation (Millions of Yen)
Unlisted shares	—	—	7	520	2	—	(231)
Shares other than unlisted shares	2	19	2	20	1	—	18

iv) Stocks reclassified as held for purposes other than solely for investment in FY2024

Not applicable.

v) **Stocks reclassified from held for purposes other than solely for investment to held solely for the purpose of investment during the four fiscal years preceding the current fiscal year and the current fiscal year**

(Unlisted shares)

Issuer’s name	Number of shares	Amount recorded on IIJ’s balance sheet (Millions of Yen)	The fiscal year of change	Reason for the change and policy on holding or selling after the change
GRAPE ONE LTD.	22,000	63	Fiscal year ended March 31, 2025	Initially, the purpose was for business collaboration, but currently there is no special collaboration and the purpose has been changed to investment. In light of the liquidity of the stock and the expectation of dividends and stock value, the Company's policy is to appropriately determine whether to hold or sell the stock held for investment purpose.
Cool.revo.Inc.	1,100	26	Fiscal year ended March 31, 2025	Initially, the purpose was for business collaboration, but currently there is no special collaboration and the purpose has been changed to investment. In light of the liquidity of the stock and the expectation of dividends and stock value, the Company's policy is to appropriately determine whether to hold or sell the stock held for investment purpose.
i-Heart, Inc.	450,000	16	Fiscal year ended March 31, 2025	Initially, the purpose was for business collaboration, but currently there is no special collaboration and the purpose has been changed to investment. In light of the liquidity of the stock and the expectation of dividends and stock value, the Company's policy is to appropriately determine whether to hold or sell the stock held for investment purpose.
Laugh Line Holdings, Inc.	220	5	Fiscal year ended March 31, 2025	Initially, the purpose was for business collaboration, but currently there is no special collaboration and the purpose has been changed to investment. In light of the liquidity of the stock and the expectation of dividends and stock value, the Company's policy is to appropriately determine whether to hold or sell the stock held for investment purpose.
dig,inc.	100	5	Fiscal year ended March 31, 2025	Initially, the purpose was for business collaboration, but currently there is no special collaboration and the purpose has been changed to investment. In light of the liquidity of the stock and the expectation of dividends and stock value, the Company's policy is to appropriately determine whether to hold or sell the stock held for investment purpose.

Item 5. Consolidated and Non-consolidated Financial Statements

1. Basis of Preparation of the Consolidated Financial Statements and Non-Consolidated Financial Statements
(1) The Company's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), pursuant to the provision of Article 312 of the "Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (Ordinance of the Ministry of Finance of Japan No. 28 of 1976, the "Regulations for Consolidated Financial Statements").

(2) IIJ's non-consolidated financial statements have been prepared in accordance with the "Ordinance on Terminology, Forms, and Preparation Methods of Financial Statements, etc." (Ordinance of the Ministry of Finance No. 59 of 1963, the "Ordinance on Financial Statements, etc.").
IIJ falls under a special company submitting financial statements and prepares the non-consolidated financial statements pursuant to Article 127 of the Ordinance on Financial Statements, etc.

2. Audit Certificate
The Company's consolidated financial statements for the consolidated fiscal year (April 1, 2024 to March 31, 2025) and non-consolidated financial statements for the business term (April 1, 2024 to March 31, 2025) have been audited by KPMG AZSA LLC pursuant to the provisions set forth in Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

3. Special Efforts to Ensure the Appropriateness of Consolidated Financial Statements, etc. and the Establishment of a System to Ensure the Appropriate Preparation of Consolidated Financial Statements, etc. in Accordance with IFRS

The Company has taken special efforts to ensure the appropriateness of its consolidated financial statements, etc. and to develop a system for proper preparation of consolidated financial statements, etc. in accordance with IFRS.

In order to understand the content of accounting standards, etc., and to develop a system that enables us to respond appropriately to changes in accounting standards, etc., IIJ joined the Financial Accounting Standards Foundation and are working to accumulate expertise within the Company, including participation in seminars, etc.

In order to prepare appropriate consolidated financial statements in accordance with IFRS, the Company prepares Group accounting policies in accordance with IFRS and performs accounting procedures in accordance with these policies. The Group's accounting policies are updated in a timely manner by obtaining press releases and standards issued by the International Accounting Standards Board (IASB) as needed to understand the latest standards and consider their impact on the Company.

1 Consolidated Financial Statements, etc.

(1) Consolidated Financial Statements

① 【Consolidated Statements of Financial Position】

	Notes	March 31, 2024	March 31, 2025
		Millions of yen	Millions of yen
Assets			
Current Assets			
Cash and cash equivalents	6	45,474	32,534
Trade receivables	7,23,31,34	45,683	56,361
Inventories	8	3,227	4,681
Prepaid expenses	23	20,084	28,122
Contract assets	23	3,110	6,098
Other financial assets	10,31,34	1,532	2,247
Other current assets		779	152
Total Current Assets		119,889	130,195
Non-current Assets			
Tangible assets	11	29,072	33,771
Right-of-use assets	16	41,242	45,756
Goodwill	12	10,328	10,307
Intangible assets	12	18,357	21,021
Investments accounted for using the equity method	33	5,169	6,639
Prepaid expenses	23	19,412	28,808
Contract assets	23	108	327
Investment securities (Equity)	9,31	14,563	15,823
Other investments	9,31	9,805	10,711
Deferred tax assets	13	290	252
Other financial assets	10,31,34	5,210	8,361
Other non-current assets		268	464
Total non-current assets		153,824	182,240
Total assets		273,713	312,435

	Notes	March 31, 2024	March 31, 2025
Liabilities and Equity		Millions of yen	Millions of yen
Liabilities			
Current liabilities			
Trade and other payables	14,31,34	25,435	30,238
Borrowings	15,31	30,133	33,616
Income taxes payable		5,328	5,205
Provisions	18	—	316
Contract liabilities	23	12,685	15,686
Deferred income		56	36
Other financial liabilities	15,16,31,34	18,035	20,879
Other current liabilities	19	6,686	7,339
Total current liabilities		98,358	113,315
Non-current liabilities			
Borrowings	15,31	47	—
Retirement benefit liabilities	17	4,991	4,849
Provisions	18	901	1,551
Contract liabilities	23	8,552	10,112
Deferred income		237	209
Deferred tax liabilities	13	1,483	1,474
Other financial liabilities	15,16,31,34	31,103	37,699
Other non-current liabilities	19	1,009	1,140
Total non-current liabilities		48,323	57,034
Total liabilities		146,681	170,349
Equity	20		
Share capital		25,562	25,577
Share premium		35,737	35,865
Retained earnings	22	65,616	79,885
Other components of equity	21,29	10,863	11,266
Treasury shares	20	(12,027)	(11,910)
Total equity attributable to owners of the parent		125,751	140,683
Non-controlling interests		1,281	1,403
Total equity		127,032	142,086
Total liabilities and equity		273,713	312,435

② 【Consolidated Statements of Profit or Loss】

	Notes	For the year ended March 31, 2024	For the year ended March 31, 2025
		Millions of yen	Millions of yen
Revenues			
Network services		151,347	162,577
System integration		121,819	151,306
ATM operation business		2,914	2,948
Total revenues	5,23,34	276,080	316,831
Cost of sales			
Cost of network services		(107,854)	(117,304)
Cost of systems integration		(102,777)	(129,553)
Cost of ATM operation business		(1,583)	(1,572)
Total cost of sales	24,34	(212,214)	(248,429)
Gross Profit		63,866	68,402
Selling, general and administrative expense	24,34	(34,754)	(38,312)
Other operating income	25	169	149
Other operating expenses	26	(252)	(135)
Operating Profit		29,029	30,104
Finance income	27	1,019	580
Finance expenses	27,34	(649)	(1,086)
Share of profit (loss) of investments accounted for using equity method	33	(465)	(414)
Profit (loss) before tax		28,934	29,184
Income tax expense	13	(8,958)	(9,080)
Profit (loss) for the year		19,976	20,104
Profit (loss) for the year attributable to:			
Owners of the parent		19,831	19,933
Non-controlling interests		145	171
Total		19,976	20,104
Earnings per share	28		
Basic earnings per share (yen)		111.81	112.68
Diluted earnings per share (yen)		111.23	112.10

③ 【Consolidated Statements of Comprehensive Income】

	Notes	For the year ended March 31, 2024	For the year ended March 31, 2025
		Millions of yen	Millions of yen
Profit (loss) for the year		19,976	20,104
Other comprehensive income, net of tax	29		
Items that will not be reclassified to profit or loss			
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income		3,410	464
Remeasurement of defined benefit plans		(54)	490
Total items that will not be reclassified to profit or loss		3,356	954
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		1,179	(98)
Share of other comprehensive income of investments accounted for using equity method		22	17
Total of items that may be reclassified to profit or loss		1,201	(81)
Total other comprehensive income, net of tax		4,557	873
Other comprehensive income for the year		24,533	20,977
Other comprehensive income for the year attributable to:			
Owners of the parent		24,388	20,806
Non-controlling interest		145	171
Other comprehensive income for the year		24,533	20,977

(Note) For income taxes related to the components of other comprehensive income, refer to Note 29. OTHER COMPREHENSIVE INCOME.

④ 【Consolidated Statements of Changes in Shareholders' Equity】

For the year ended March 31, 2024

	Notes	Owners of the parent's shareholders' equity Share capital	Share premium	Retained earnings	Other components of equity	Treasury shares	Total	Non-controlling interests	Total equity
		Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance, April 1, 2023		25,562	36,738	51,202	6,571	(1,831)	118,242	1,185	119,427
Comprehensive income									
Profit for the year		—	—	19,831	—	—	19,831	145	19,976
Other comprehensive income	21	—	—	—	4,557	—	4,557	—	4,557
Total comprehensive income		—	—	19,831	4,557	—	24,388	145	24,533
Transactions with owners									
Purchase of treasury stock	20	—	—	—	—	(11,405)	(11,405)	—	(11,405)
Disposal of treasury stock	20	—	49	—	—	80	129	—	129
Cancellation of treasury stock	20	—	(1,129)	—	—	1,129	—	—	—
Dividends paid	22	—	—	(5,682)	—	—	(5,682)	(49)	(5,731)
Stock-based compensation	30	—	79	—	—	—	79	—	79
Transfer from other components of equity to retained earnings	21	—	—	265	(265)	—	—	—	—
Total transactions with owners		—	(1,001)	(5,417)	(265)	(10,196)	(16,879)	(49)	(16,928)
Balance, March 31, 2024		25,562	35,737	65,616	10,863	(12,027)	125,751	1,281	127,032

For the year ended March 31, 2025

	Notes	Owners of the parent's shareholders' equity						Non-controlling interests	Total equity
		Share capital	Share premium	Retained earnings	Other components of equity	Treasury shares	Total		
		Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance, April 1, 2024		25,562	35,737	65,616	10,863	(12,027)	125,751	1,281	127,032
Comprehensive income									
Profit for the year		—	—	19,933	—	—	19,933	171	20,104
Other comprehensive income	21	—	—	—	873	—	873	—	873
Total comprehensive income		—	—	19,933	873	—	20,806	171	20,977
Transactions with owners									
Issuance of common stock		15	(15)	—	—	—	—	—	—
Purchase of treasury stock	20	—	—	—	—	(0)	(0)	—	(0)
Disposal of treasury stock	20	—	24	—	—	117	141	—	141
Dividends paid	22	—	—	(6,134)	—	—	(6,134)	(49)	(6,183)
Stock-based compensation	30	—	119	—	—	—	119	—	119
Transfer from other components of equity to retained earnings	21	—	—	470	(470)	—	—	—	—
Total transactions with owners		15	128	(5,664)	(470)	117	(5,874)	(49)	(5,923)
Balance, March 31, 2025		25,577	35,865	79,885	11,266	(11,910)	140,683	1,403	142,086

⑤ 【Consolidated Statements of Cash Flows】

	Notes	For the year ended March 31, 2024	For the year ended March 31, 2025
		Millions of yen	Millions of yen
Cash flows from operating activities:			
Profit (loss) before tax		28,934	29,184
Adjustments			
Depreciation and amortization		29,296	31,372
Loss on sales/disposals of property and equipment		138	92
Shares of loss (profit) of investments accounted for using the equity method		465	414
Finance income		(1,019)	(580)
Finance expenses		649	1,086
Other		538	2,551
Changes in working capital			
Decrease (increase) in trade receivables		(4,053)	(10,745)
Decrease (increase) in inventories		146	(1,390)
Decrease (increase) in prepaid expenses		(10,817)	(17,335)
Decrease (increase) in contract assets		(934)	(3,207)
Decrease (increase) in other assets		(517)	502
Decrease (increase) in other financial assets		137	(3,747)
Increase (decrease) in trade and other payables		2,315	4,331
Increase (decrease) in contract liabilities		3,027	4,617
Increase (decrease) in deferred income		17	2
Increase (decrease) in provisions		—	764
Increase (decrease) in other liabilities		187	794
Increase (decrease) in other financial liabilities		212	(169)
Increase (decrease) in retirement benefit liabilities		400	575
Subtotal		49,121	39,111
Interest and dividends received		414	352
Interest paid		(625)	(1,171)
Income taxes paid		(8,130)	(9,764)
Cash flows from operating activities		40,780	28,528

	Notes	For the year ended March 31, 2024	For the year ended March 31, 2025
		Millions of yen	Millions of yen
Cash flows from investing activities			
Purchases of tangible assets		(11,744)	(11,904)
Proceeds from sales of tangible assets		684	1,794
Purchases of intangible assets		(7,199)	(8,211)
Proceeds from sale of intangible assets		624	—
Purchases of a subsidiary		(29)	—
Purchases of investments accounted for using equity method		—	(1,925)
Purchases of investment securities (equity)		—	(434)
Proceeds of investment securities (equity)		698	—
Purchases of other investments		(794)	(879)
Proceeds from sales of other investments		72	24
Payments for leasehold deposits and guarantee deposits		(730)	(304)
Proceeds from collection of leasehold deposits and guarantee deposits		151	139
Payments for refundable insurance policies		(75)	(75)
Proceeds from subsidies		391	—
Other		24	26
Cash flows from investing activities		(17,927)	(21,749)
Cash flows from financing activities			
Repayments of long-term borrowings	35	(2,060)	(3,563)
Net increase (decrease) in short-term borrowings	35	11,800	7,000
Purchase of treasury shares		(11,405)	(0)
Proceeds from other financial liabilities	35	6,609	8,497
Payments of other financial liabilities	35	(20,008)	(25,418)
Dividends paid		(5,682)	(6,134)
Other		(51)	(49)
Cash flows from financing activities		(20,797)	(19,667)
Effect of exchange rate changes on cash and cash equivalents		946	(52)
Net increase (decrease) in cash and cash equivalents		3,002	(12,940)
Cash and cash equivalents, beginning of the year	6	42,472	45,474
Cash and cash equivalents, end of the year	6	45,474	32,534

【Notes to consolidated financial statements】

1. REPORTING ENTITY

Internet Initiative Japan Inc. ("IIJ") is a company incorporated in Japan. The registered addresses of its headquarters and primary business offices are disclosed on IIJ's website—URL https://www.iij.ad.jp/en/. The consolidated financial statements of IIJ with an annual closing date of March 31, 2025 consist of IIJ and its subsidiaries (collectively "the Company"), and the interests in associated companies and joint ventures.

The details of principal businesses and activities of the Company are stated in Note 5. SEGMENTS.

2. BASIS OF PREPARATION

(1) Compliance with IFRS

The consolidated financial statements of the Company have been prepared in accordance with IFRS pursuant to the provision of Article 312 of Regulations for Consolidated Financial Statements, as the Company meets the criteria of a "Designated IFRS Specified Company" defined under Article 1-2-1 of the regulations.

(2) Basis of Measurement

As stated in Note 3. MATERIAL ACCOUNTING POLICIES, the Company's consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments measured at fair value.

(3) Functional Currency and Presentation Currency

The Company's consolidated financial statements are presented in Japanese yen, which is also IIJ's functional currency, and figures are rounded to the nearest million yen. Also, each company that comprises the Company determines its functional currency reflecting the economic environment in which the company operates its business and measures its transactions.

3. MATERIAL ACCOUNTING POLICIES

(1) Basis of Consolidation

① Subsidiaries

Subsidiaries are entities that are controlled by the Company. The Company is deemed to control an investee when it has the power (the ability to affect the investee's activities) and it is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to affect those returns through its power over the investee. The Company comprehensively determines whether or not to control, based on the status of voting rights or similar rights and contracts on investees.

All significant balances of inter-company receivables and payables and transactions between consolidated companies are eliminated during the preparation of the consolidated financial statements.

Financial statements of subsidiaries are included in the Company's consolidated financial statements from the date on which control commences until the date on which control is lost.

Any change in ownership interests in subsidiaries that does not result in a loss of control is accounted for as an equity transaction. When control on a subsidiary is lost, the Company measures retained interest at fair value at the time of loss of control and gains and losses arising from the loss of control are recognized in profit or loss.

There are consolidated subsidiaries for which it is impracticable to unify their fiscal year-ends with that of IIJ due to certain requirement of local laws and regulations. These subsidiaries have different fiscal year-ends from IIJ. The Company uses additional financial information for these subsidiaries prepared as of the same date as the Company's annual closing date for the consolidated financial statements.

② Investments in associates and joint ventures

Associates are entities over which the Company has significant influence, but not control, in terms of financial and operating policies. The Company is deemed to have significant influence over another entity when the Company owns 20% or more but less than 50% of voting interests in the entity.

Joint ventures are entities over which multiple ventures or parties including the Company share control under contractual arrangement and which require unanimous consent of the parties sharing control in making decisions regarding related activities.

Investments in associates and joint ventures are accounted for using the equity method. Under the equity method, the Company recognizes investment at cost, and after that, the Company changes the amount of the investment according to the portion of the Company and subsidiaries' interests in profit or loss and other comprehensive income which the equity method investees earned or recognized.

If the Company's share of losses of the equity method investees exceeds the amount of the investment, the Company decreases the carrying amount of the investment and other long-term investments to zero. Incremental losses are not recognized except when the Company bears or pays for the investee's liabilities.

Unrealized gains from transactions with equity method investees are deducted from the investment up to the portion that corresponds to the percentage interests that the Company has in the investees. Unrealized losses are deducted in the same way as unrealized gains as long as no evidence of impairment exists.

The consolidated financial statements include investments accounted for using the equity method with different reporting dates, as it is impractical to set them on the same date as the Company's reporting date due to relationships with other shareholders and other factors. Most of the reporting dates of the companies to which the equity method is applied are December 31. Adjustments have been made to the impact of significant transactions or events that occurred between the Company's reporting date and the reporting dates of the companies to which the equity method is applied.

③ Business combinations

Business combinations are accounted for using the acquisition method.

Non-controlling interests that represent ownership interests in the acquiree and entitle holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at fair value or proportionate share of recognized amounts of identifiable net assets of the acquiree.

Costs related to acquisition are recognized as expenses in the period in which they are incurred.

If the initial accounting for a business combination cannot be determined by the end of the first reporting period, the business combination is accounted for using provisional amounts and the provisional amounts are adjusted during measurement periods that are one year or less from the date of acquisition.

(2) Foreign currency translation

① Foreign currency transactions

Foreign currency transactions are translated into the functional currency at the spot exchange rate on the date of transaction or a reasonable approximation.

Foreign currency monetary items are translated into the functional currency using the closing rate on the last day of each reporting period. Foreign currency non-monetary items measured at historical cost are translated into the functional currency using the rate at the date of transaction. Foreign currency non-monetary items measured at fair value in foreign currencies are translated into the functional currency using the exchange rates on the date when the fair value was measured. Exchange differences arising from the translation or settlement are generally recognized in profit or loss. Exchange differences arising from the translation of equity financial assets measured through other comprehensive income are recognized as other comprehensive income.

② Foreign operations

The assets and liabilities of foreign operations are translated at exchange rates as of the end of the reporting period. Income and expenses are translated at the average exchange rates for the reporting period, when exchange rates during the reporting period do not include abnormal fluctuations. Exchange rate differences on translation of financial statements of foreign operations are recognized as other comprehensive income. When foreign operations are divested, cumulative translation differences of the foreign operations are transferred to profit or loss for the period of the divestiture.

(3) Financial instruments

① Financial assets

(a) Initial recognition and measurement

The Company recognizes trade and other receivables initially at the date of incurrence and other financial assets are recognized at the transaction date when the Company becomes a party to the contract of the financial assets.

At initial recognition, if it is not classified as a financial asset measured at fair value through profit or loss ("FVTPL"), it is measured at the fair value add transaction costs directly attributable to the acquisition of financial assets. Transaction costs of financial assets measured at fair value through profit or loss are recognized in profit or loss.

Financial assets held are categorized as (ⅰ) financial assets measured at amortized cost, (ⅱ) debt-based financial assets measured at fair value through other comprehensive income ("FVTOCI"), (ⅲ) equity-based financial assets measured at FVTOCI or (ⅳ) financial assets measured at FVTPL.

(ⅰ) 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

(ⅱ) 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

(ⅲ) Equity-based financial assets measured at FVTOCI

At initial recognition, there are some equity-based financial assets for which the Company irrevocably elected that subsequent changes in fair value of the assets are included in other comprehensive income. The Company makes an irrevocable election on each investment.

(ⅳ) 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.

(b) Subsequent measurement

Subsequent measurements of financial assets by category after initial recognition are as follows:

(ⅰ) Financial assets measured at amortized cost

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

(ⅱ) Debt-based financial assets measured at FVTOCI

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.

(ⅲ) Equity-based financial assets measured at FVTOCI

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 or when the fair values of investments significantly decrease, 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 refund on investment.

(ⅳ) Financial assets measured at FVTPL

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.

(c) 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, allowance for credit losses of the trade receivables is measured at an amount equal to the lifetime expected credit losses, regardless of whether credit risk has increased significantly since initial recognition. The allowance for the past due trade receivables is calculated based on the estimation of the individual expected lifetime credit losses of the financial instrument based on such as past bad debt records and future recoverable amount. For the non-past due trade receivables, they are grouped as they consist of many customers, the expected credit losses are measured collectively based on such as past bad debt records.

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.

(d) Derecognition of financial assets

Derecognition of financial assets is made when contractual rights to receive the cash flows from financial assets are extinguished or when almost all risks and economic value are transferred to other entities through transfer of the financial assets. The company continues to control the transferred financial assets, it recognized the assets and related liabilities to the extent that it has a continuing involvement.

② Financial liabilities

(a) Initial recognition and measurement

Financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument, and they are classified financial liabilities measured at amortized cost.

At initial recognition, all financial liabilities are measured at fair value, but are deducted from directly attributable transaction costs.

(b) Subsequent measurement

Financial liabilities measured at amortized cost are measured at amortized cost calculated using the effective interest method. Interests are measured using the effective interest method.

(c) Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the financial liabilities are extinguished, that is, when the obligation specified in the contract is either discharged or cancelled or expires.

(4) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term (within 3 months), highly liquid investments that are readily convertible to a known amount of cash, and that are subject to an insignificant risk of changes in value.

(5) 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.

(6) 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 structures 4 to 50 years
- Machinery, tools, furniture and fixtures 2 to 20 years

Estimated useful lives, residual value and method of depreciation are reviewed at each annual closing date and any changes are prospectively applied as changes in accounting estimates.

(7) Goodwill and intangible assets

① 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.

② Other intangible assets

Intangible assets acquired separately are measured at acquisition cost at initial recognition. Intangible assets with finite useful lives consist of software and customer relationships. Software is amortized using straight-line method over the estimated useful lives, costomer 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

Estimated useful lives, residual value and method of amortization are reviewed at each annual closing date and any changes are prospectively applied as changes in an accounting estimate.

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.

③ Research and development expenses

Research expenses for the acquisition of new scientific or technical knowledge are expensed as incurred.

Development expense is capitalized as an intangible asset only when it can be reliably measured, when it is technically and commercially feasible, when it is probable that it will bring future economic benefits, and when the Company has the ability to complete the development and has the intent and ability to use or sell it.

(8) 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.

(9) 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.

(10) Employee benefits

① Post-retirement benefits

For post-retirement benefits, the Company has defined benefits plans (noncontributory defined benefit pensions and unfunded severance benefits) and defined contribution plans.

(a) Defined benefit plans

For defined benefits plan, present value of defined benefit obligations and related net periodic pension costs and past service costs of each plan are calculated by using the projected unit credit method.

The discount rate is calculated based on the market yield of high quality corporate bonds etc., as of the end of the fiscal year of the discount period, which is determined based on the period up to the anticipated payment date for each future fiscal year.

Defined benefit liabilities and assets are measured at the present value of the defined benefit obligation less fair value of plan assets. However, if plan assets exceed obligations, net defined benefit assets are recognized up to the ceiling of present value of economic benefits that can be obtained by refund from the plan or reduction of future contribution to the plan. Net interests of net defined benefit liabilities (assets) are recognized as finance expenses (income) included in profit or loss.

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.

(b) Defined contribution plans

For defined contribution plans, contribution from the Company is recognized as expenses in the period in which the employee renders services to the Company.

② Other employee benefits

For short-term employee benefits, expenses are recognized for the period during which employee services are rendered, without discount calculation.

The Company recognizes the expected payment amount of bonuses as a liability when it currently has a legal or constructive obligation to make such payments and has a reliable estimate.

The Company recognizes the expected payment amount of compensated absences as a liability when it has a legal or constructive obligation related to accumulating compensated absences and has a reliable estimate.

(11) Share-based payments

IIJ has a compensation plan for equity-settled share-based.

① Stock option

Stock options are measured at fair value at the date of grant, considering the number of stock options expected to be exercised, and recognized over the vesting period as expenses in consolidated statements of profit or loss. The same amounts are recognized as increases in equity in the consolidated statements of financial position. The fair values of options granted are calculated using the Black-Scholes option-pricing model, considering conditions of the option.

The number of stock options expected to be exercised are periodically reviewed, with estimations being updated as required.

② Restricted stock remuneration

The consideration for the services received is measured at the fair value of the IIJ's shares on the date of grant and is included in the consolidated income statement from the date of grant to the vesting period and as performance-linked remuneration, IIJ recognize it as an expense and recognize the same amount as an increase in capital in the consolidated statement of financial position.

(12) Provisions

The Company recognize 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.

(13) Revenue

The Company adopts IFRS 15 and 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.

(14) Income taxes

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:

- 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 a temporary exception to the requirement to recognize and disclose deferred tax assets and deferred tax liabilities pertaining to income taxes arising from the tax system related to the Pillar Two model rules announced by the Organization for Economic Co-operation and Development (OECD).

(15) Earnings per share

Basic earnings per common share attributable to owners of the parent is computed by dividing basic earnings attributable to owners of the parent by the weighted-average number of shares of common stock outstanding during the year. Diluted earnings per share attributable to owners of the parent reflect the potential dilutive effect of stock options.

(16) Capital and other equity components

① Common stock

Common stocks are recognized at the amount of proceeds on issuance into share capital and share premium. Stock issuance costs are deducted from proceeds.

② Treasury shares

Treasury shares are measured at historical costs and deducted from equity. The Company recognizes no gain or loss in purchase, sale or extinguishment of IIJ’ s treasury shares. Differences between carrying amounts and proceeds from sale of treasury shares are recognized as share premium.

(17) Dividends

Year-end dividends to IIJ’ s shareholders are recognized as a liability at the date of resolution of IIJ’ s General Meeting of Shareholders. Interim dividends are recognized as a liability at the date of resolution of the Board of Directors.

(18) Changes in Material 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.

(19) Accounting standards and interpretations issued but not adopted

IFRS 18, which was issued in April 2024, applies to the fiscal year beginning on or after January 1, 2027. IFRS 18 replaces IAS 1 “Presentation of Financial Statements”, and IAS 1 was abolished.

IFRS 18 establishes new provisions primarily concerning the presentation and disclosure of financial result in the statement of profit or loss.

Also, in conjunction with the publication of IFRS 18, IAS 7 "Statement of Cash Flows" and other related standards are revised. The Company has not applied these accounting standards early. The impact of these applications on the consolidated financial statements is under review.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing consolidated financial statements under IFRS, the Company makes judgements, accounting estimates and assumptions which affect the adoption of accounting policies and reported amounts of assets, liabilities, profits and losses.

The estimates and assumptions are based on the best judgement by management considering factors deemed to be reasonable as of the end date of the reporting period according to experience regarding available past and collected information, etc.

However, amounts based on the estimates and assumptions may, due to the nature, differ from actual results.

Estimates and assumptions on which estimates are based are reviewed on an ongoing basis. The effects arising from revision of estimates are recognized during the period when the estimates are revised and in future periods.

Estimates and judgements with significant effects on the financial statements for the years ended March 31, 2025 are as follows:

(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.

Please refer to "Note 12. GOODWILL AND INTANGIBLE ASSETS" for related disclosures.

(Measurement of defined benefit obligations)

The present value of defined benefit obligations is 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 amendment or the publication of related laws, which may have a material impact on the consolidated financial statements in future periods.

Please refer to "Note 17. EMPLOYEE BENEFITS" for related disclosures.

(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.

Please refer to "Note 23. REVENUES" for related disclosures.

5. SEGMENTS

(1) Overview of reportable segments

The reportable segments of the Company are defined as the Company's constituent units for which separated financial information is available and which are regularly reviewed by the Representative Director, President and Executive Officer of IIJ, who is the chief decision-maker regarding business operations in order to determine the allocation of resources and evaluate performance. The Representative Director, President and Executive Officer of IIJ evaluates the performance of each segment, with operating revenue and operating income as the primary indicator.

The Company defined two reportable segments: "Network service and systems integration business" and "ATM operation business. "Network service and systems integration business is provided comprehensively with Network services, which is composed of Internet connectivity services, WAN services, outsourcing services, and systems integration service. ATM operation business constructs and operates ATMs and network systems for them, and receives a commission for each bank withdrawal transaction when a customer uses its serviced ATMs.

(2) Revenue and results of reportable segments

Segment information for the Company were as follows:

For the year ended March 31, 2024

	Reportable segments			
	Network service and systems integration business	ATM operation business	Adjustments (Note)	Consolidated
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Revenue				
Customers	273,166	2,914	—	276,080
Intersegment transactions	81	—	(81)	—
Total revenue	273,247	2,914	(81)	276,080
Segment operating profit	28,014	1,015	—	29,029
Finance income				1,019
Finance expense				(649)
Share of profit (loss) of investments accounted for using the equity method				(465)
Profit before tax				28,934
Segment assets	267,863	7,850	(2,000)	273,713
Other				
Depreciation and amortization	29,007	289	—	29,296

(Note) Intersegment transactions are based on market price. Operating income is used as segment operating profit.

For the year ended March 31, 2025

	Reportable segments			
	Network service and systems integration business	ATM operation business	Adjustments (Note)	Consolidated
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Revenue				
Customers	313,883	2,948	—	316,831
Intersegment transactions	37	—	(37)	—
Total revenue	313,920	2,948	(37)	316,831
Segment operating profit	28,932	1,172	—	30,104
Finance income				580
Finance expense				(1,086)
Share of profit (loss) of investments accounted for using the equity method				(414)
Profit before tax				29,184
Segment assets	305,989	8,446	(2,000)	312,435
Other				
Depreciation and amortization	31,100	272	—	31,372

(Note) Intersegment transactions are based on market price. Operating income is used as segment operating profit.

(3) Geographic information

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

(4) Major customers information

This information is not presented because no revenue from a single external customer accounts for 10% or more of total revenue of the Company.

6. CASH AND CASH EQUIVALENTS

Cash and deposits include time deposits of three months or less. Cash and cash equivalents in the Consolidated Statements of Financial Position is the same as Cash and cash equivalents in the Consolidated Statements of Cash Flows. No deposits are offered as collateral, or restricted.

7. TRADE RECEIVABLES

The components of trade receivables were as follows:

	March 31, 2024	March 31, 2025
	Millions of yen	Millions of yen
Trade receivables	45,683	56,361
total	45,683	56,361

Trade receivables are categorized as financial assets measured at amortized cost.

8. INVENTORIES

The components of inventories were as follows:

	March 31, 2024	March 31, 2025
	Millions of yen	Millions of yen
Merchandise	2,385	3,095
Work in progress	842	1,586
Total	3,227	4,681

Inventories sold and recorded as cost of sales were ¥132,051 million and ¥160,539 million as of March 31, 2024 and 2025, respectively.

Write-down of inventories recorded as cost of sales for the years ended March 31, 2024 and 2025 were ¥10 million and ¥4 million, respectively.

9. INVESTMENT SECURITIES (EQUITY) AND OTHER INVESTMENTS

The components of investment securities (Equity) and other investments were as follows:

	March 31, 2024	March 31, 2025
	Millions of yen	Millions of yen
Equity-based financial assets measured at FVTOCI		
Equity securities	14,563	15,823
Investment securities (Equity) total	14,563	15,823
Financial assets measured at amortized cost		
Debt securities	2,000	2,000
Financial assets measured at FVTPL		
Investment trust and other securities	7,619	8,509
Other	186	202
Other investments total	9,805	10,711

10. OTHER FINANCIAL ASSETS

The components of other financial assets were as follows:

	March 31, 2024	March 31, 2025
	Millions of yen	Millions of yen
Financial assets measured at amortized cost		
Other receivable	662	586
Guarantee deposit	4,172	4,358
Loans receivable	29	27
Other	254	231
Lease receivable	1,625	5,406
Total	6,742	10,608
Current assets	1,532	2,247
Non-current assets	5,210	8,361
Total	6,742	10,608

11. TANGIBLE ASSETS

(1) Changes

Changes in carrying amounts of tangible assets were as follows:

Acquisition costs

	Land	Buildings and structures	Machinery	Tools, furniture and fixtures	Construction in progress	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
April 1, 2023	1,527	13,282	19,638	4,729	5,489	44,665
Acquisitions	—	4,379	3,368	854	2,815	11,416
Transfer	—	4,323	583	226	(5,132)	—
Sales and disposal	—	(211)	(2,180)	(726)	(571)	(3,688)
Exchange differences on translation of foreign operations	—	19	438	261	10	728
Other	—	103	0	5	(15)	93
March 31, 2024	1,527	21,895	21,847	5,349	2,596	53,214
Acquisitions	—	1,007	3,691	699	6,730	12,127
Transfer	—	19	1,064	171	(1,254)	—
Sales and disposal	—	(143)	(1,924)	(494)	(1,694)	(4,255)
Exchange differences on translation of foreign operations	—	1	(31)	(44)	(1)	(75)
Other	—	226	27	35	(84)	204
March 31, 2025	1,527	23,005	24,674	5,716	6,293	61,215

(Note) "Sales and disposal" of the construction in progress includes the amount recorded as transfer to leased assets or right-of-use assets through sale and leaseback transactions.

Accumulated depreciation and accumulated impairment losses

	Land	Buildings and structures	Machinery	Tools, furniture and fixtures	Construction in progress	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
April 1, 2023	—	(4,761)	(13,832)	(2,751)	—	(21,344)
Depreciation	—	(1,232)	(3,026)	(967)	—	(5,225)
Sales and disposal	—	184	2,156	666	—	3,006
Exchange differences on translation of foreign operations	—	(17)	(371)	(197)	—	(585)
Other	—	(1)	0	7	—	6
March 31, 2024	—	(5,827)	(15,073)	(3,242)	—	(24,142)
Depreciation	—	(1,455)	(3,256)	(1,128)	—	(5,839)
Sales and disposal	—	119	1,910	488	—	2,517
Exchange differences on translation of foreign operations	—	(1)	29	36	—	64
Other	—	(21)	1	(24)	—	(44)
March 31, 2025	—	(7,185)	(16,389)	(3,870)	—	(27,444)

(Note) Depreciation of tangible assets is included in "cost of sales" and "selling, general and administrative expenses" in the consolidated statement of profit or loss.

Carrying amount

	Land	Buildings and structures	Machinery	Tools, furniture and fixtures	Construction in progress	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2024	1,527	16,068	6,774	2,107	2,596	29,072
March 31, 2025	1,527	15,820	8,285	1,846	6,293	33,771

12. GOODWILL AND INTANGIBLE ASSETS

(1) Changes

Changes in carrying amounts of goodwill and intangible assets were as follows:

Acquisition costs

	Goodwill	Intangible assets			
		Software	Customer relationship	Other	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
April 1, 2023	9,979	50,035	6,726	679	57,440
Acquisitions	36	7,323	—	196	7,519
Sales and disposal	—	(2,023)	—	—	(2,023)
Exchange differences on translation of foreign operations	433	8	35	—	43
Other	—	(20)	—	—	(20)
March 31, 2024	10,448	55,323	6,761	875	62,959
Acquisitions	—	8,153	—	161	8,314
Sales and disposal	—	(759)	—	—	(759)
Exchange differences on translation of foreign operations	(21)	0	(2)	—	(2)
Other	—	(17)	—	—	(17)
March 31, 2025	10,427	62,700	6,759	1,036	70,495

Accumulated amortization and accumulated impairment losses

	Goodwill	Intangible assets			
		Software	Customer relationship	Other	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
April 1, 2023	(120)	(35,501)	(5,323)	(0)	(40,824)
Amortization	—	(4,844)	(372)	(0)	(5,216)
Sales and disposal	—	1,460	—	—	1,460
Exchange differences on translation of foreign operations	—	(7)	(16)	—	(23)
Other	—	1	—	—	1
March 31, 2024	(120)	(38,891)	(5,711)	(0)	(44,602)
Amortization	—	(5,242)	(364)	(0)	(5,606)
Sales and disposal	—	732	—	—	732
Exchange differences on translation of foreign operations	—	0	2	—	2
Other	—	0	—	—	0
March 31, 2025	(120)	(43,401)	(6,073)	(0)	(49,474)

(Note) Amortization of intangible assets are included in "cost of sales" and "selling, general and administrative expense" in consolidated statements of profit or loss.

Carrying amount

	Goodwill	Intangible assets			
		Software	Customer Relationship	Other	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2024	10,328	16,432	1,050	875	18,357
March 31, 2025	10,307	19,299	686	1,036	21,021

Software is mainly internally generated intangible assets.

Most of the intangible assets listed above are customer relationships acquired as part of the business combinations of IIJ Technology Inc. and IIJ Global Solutions Inc. ("IIJ-Global"). The customer relationships of IIJ Technology Inc. amounted to ¥419 million and ¥307 million as of March 31, 2024 and 2025, respectively. Those of IIJ-Global amounted to ¥260 million and ¥75 million as of March 31, 2024 and 2025, respectively. The remaining amortization periods for customer relationships are from 1 to 4 years.

(2) Impairment test for goodwill and intangible assets deemed to have indefinite useful lives

Goodwill arising from business combinations and intangible assets deemed to have indefinite useful lives are allocated to specified cash-generating units.

Intangible assets deemed to have indefinite useful lives are mainly IP addresses, which are assets that maintain their value with the passage of time, unless they are sold or disposed of. Therefore, the Company classifies them as intangible assets deemed to have indefinite useful lives.

Goodwill and intangible assets deemed to have indefinite useful lives allocated to cash-generating units were as follows:

Reporting segment	Cash-generating unit	March 31, 2024		March 31, 2025	
		Millions of yen		Millions of yen	
		Goodwill	Intangible assets	Goodwill	Intangible assets
Network service and systems integration business	Network and SI CGU	5,847	875	5,847	1,032
Network service and systems integration business	PTC CGU	4,245	—	4,224	—
ATM operating business	Trust CGU	236	—	236	—
Total		10,328	875	10,307	1,032

Recoverable amount for each cash-generating unit is calculated by value in use. Most of our goodwill is related to Network and SI CGU and PTC CGU.

Value in use is measured, based on experience and external information, at the present value of estimated future cash flows for three years based on business plans authorized by the Company's management and discounted using pre-tax weighted average cost of capital of each cash-generating unit. The discount rate of Network and SI CGU for the fiscal year ended March 31, 2024 and 2025 were 9.2% and 10.0%, respectively. The discount rate of PTC CGU for the fiscal year ended March 31, 2024 and 2025 were 12.9% and 11.1%, respectively. The discount rate of Trust CGU for the fiscal year ended March 31, 2024 and 2025 were 11.0% and 12.8%, respectively. In estimating cash flows, cash flows after three years for the fiscal year ended March 31, 2025 are calculated based on the growth rate of 0.9% for Network and SI CGU, 1.6% for PTC CGU and 0% for Trust CGU, applied to cash flows for the third year.

Although there is a risk of impairment if the assumptions used in the impairment test change, there are sufficient headroom between the value in use and the carrying amount.

13. INCOME TAXES

(1) Deferred taxes

① Changes in deferred tax assets and deferred tax liabilities

Changes in components of deferred tax assets and deferred tax liabilities were as follows.

For the year ended March 31, 2024

	April 1, 2023	recognized through profit or loss	recognized through other comprehensive income	Other	March 31, 2024
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Deferred tax assets					
Leases	9,954	(1,307)	—	—	8,647
Accrued expenses	1,185	130	—	—	1,315
Retirement and pension cost	1,407	137	25	—	1,569
Allowance for credit losses	108	(59)	—	—	49
Depreciation	747	4	—	—	751
Loss carryforward	4	(4)	—	—	—
Impairment loss on telephone rights	71	—	—	—	71
Accrued enterprise tax	342	45	—	—	387
Asset retirement obligation	248	34	—	—	282
Contract liabilities	188	5	—	—	193
Other	537	146	—	—	683
total	14,791	(869)	25	—	13,947
Deferred tax liabilities					
Equity instruments at FVTOCI	2,363	—	1,561	(140)	3,784
Customer relationships	339	(95)	—	—	244
Tax deduction of goodwill	760	—	—	—	760
Investments in equity method investee	857	14	—	—	871
Financial assets at FVTPL	528	110	—	—	638
Right-of-use assets	9,749	(1,416)	—	—	8,333
Other	480	63	—	(33)	510
total	15,076	(1,324)	1,561	(173)	15,140

For the year ended March 31, 2025

	April 1, 2024	recognized through profit or loss	recognized through other comprehensive income	Other	March 31, 2025
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Deferred tax assets					
Leases	8,647	1,006	—	—	9,653
Accrued expenses	1,315	19	—	—	1,334
Retirement and pension cost	1,569	147	(227)	—	1,489
Allowance for credit losses	49	21	—	—	70
Depreciation	751	105	—	—	856
Impairment loss on telephone rights	71	1	—	—	72
Accrued enterprise tax	387	8	—	—	395
Asset retirement obligation	282	68	—	—	350
Contract liabilities	193	235	—	—	428
Other	683	(305)	—	—	378
total	13,947	1,305	(227)	—	15,025
Deferred tax liabilities					
Equity instruments at FVTOCI	3,784	—	364	10	4,158
Customer relationships	244	(90)	—	—	154
Tax deduction of goodwill	760	19	—	—	779
Investments in equity method investee	871	69	—	—	940
Financial assets at FVTPL	638	(24)	—	—	614
Right-of-use assets	8,333	928	—	—	9,261
Other	510	(160)	—	(9)	341
total	15,140	742	364	1	16,247

② Deductible temporary differences and tax loss carryforwards for which deferred tax assets were not recognized

Deductible temporary differences and tax loss carryforwards for which deferred tax assets were not recognized were as follows:

	March 31, 2024	March 31, 2025
	Millions of yen	Millions of yen
Deductible temporary differences	6,317	6,935
Tax loss carryforwards	152	316
Total	6,469	7,251

Deferred tax assets in the table above were not recognized because it is not probable that taxable income in the future will be available for which the temporary difference will be utilized. Under the current tax laws, deductible temporary differences will not expire. Tax loss carryforwards of certain subsidiaries will expire in the following periods:

	March 31, 2024	March 31, 2025
	Millions of yen	Millions of yen
Tax loss carryforwards		
1st year	—	—
2nd year	—	—
3rd year	—	—
4th year	—	—
5th year	—	10
6th year and after	152	306
total	152	316

③ Taxable temporary differences related to the interest of subsidiary companies for which deferred tax liabilities were not recognized.

Total taxable temporary differences related to the retained earnings of subsidiary companies for which deferred tax liabilities were not recognized were ¥16,265 million and ¥18,706 million as of March 31, 2024 and 2025, respectively. Deferred tax liabilities are not recognized for the temporary differences above because the Company can control the timing of resolving the temporary differences and it is not likely that the temporary differences will be resolved in predictable timeframes.

(2) Income tax expenses

IIJ and its domestic subsidiaries adopted the group tax sharing system. Overseas subsidiaries are subject to corporate income taxes in the countries in which they are located.

Income tax expenses for each fiscal year were as follows:

	For the year ended March 31, 2024	For the year ended March 31, 2025
	Millions of yen	Millions of yen
Income tax expenses		
Current taxes	9,413	9,643
Deferred taxes	(455)	(563)
Total	8,958	9,080

(3) Reconciliation of effective tax rates

IIJ and domestic subsidiaries are subject to corporate, inhabitant and enterprise taxes on their taxable income. The normal Japanese statutory tax rate calculated based on these tax rates were 31.5% for the years ended March 31, 2024 and 2025, respectively.

A reconciliation between the amount of reported income taxes and the amount of income taxes computed using the normal statutory rate for the years ended March 31, 2024 and 2025 were as follows:

	For the year ended March 31, 2024	For the year ended March 31, 2025
	Millions of yen	Millions of yen
Amount computed by using normal Japanese statutory tax rate	9,114	9,193
(Adjustment)		
Expenses not deductible for tax purpose	208	193
Exclusion from gross profit of dividends received	(45)	(36)
Changes in deductible temporary differences and tax loss carryforwards for which deferred tax assets are not recognized	139	198
Difference in statutory income tax rates of subsidiaries	(44)	(54)
Tax credit	(354)	(479)
Other	(60)	65
Income tax expense as reported	8,958	9,080

(4) The global minimum tax

On March 28, 2023, the ″Act for Partial Amendment of the Income Tax Act, etc.″ was enacted in Japan, where the Company is located, to introduce a global minimum tax system in line with Pillar Two model rules. This act was introduced and applicable to the Company from the year ended March 31, 2025.

The Company has conducted an assessment of the potential impact arising from the application of the global minimum tax system. In the majority of jurisdictions where the Company conducts business operations, the effective tax rate under Pillar Two exceeds 15%. For jurisdictions where the rate falls below 15%, the Company has evaluated the implications based on the applicable tax rates and projected income levels. As a result, there was no material impact on the consolidated financial statements.

(5) 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 32.3% from 31.5% for temporary differences that are expected to be reversed in fiscal years beginning on or after April 1, 2026. This change had no material impact on the result of operation.

14. TRADE AND OTHER PAYABLES

The components of trade and other payables were as follows:

	March 31, 2024	March 31, 2025
	Millions of yen	Millions of yen
Trade payable	11,131	14,224
Other payable	14,296	16,013
Other	8	1
Total	25,435	30,238

Trade payables and other payables are classified as financial liabilities measured at amortized cost.

15. BORROWINGS AND OTHER FINANCIAL LIABILITIES

(1) Borrowings and other financial liabilities

The components of borrowings and other financial liabilities were as follows:

	March 31, 2024	March 31, 2025	Average rate	Repayment due
	Millions of yen	Millions of yen	%	
Financial liabilities measured at amortized cost				
Short-term borrowings	26,570	33,570	1.16	
Current portion of long-term borrowings	3,563	46	3.65	
Long-term borrowings	47	―	―	
Account payable-non-current (including current portion)	5,897	9,325	1.35	2025～2031
Deposit payable	439	277	―	
Other	70	90	―	
Lease obligations	42,732	48,886	―	
Total	79,318	92,194	―	
Current liabilities	48,168	54,495	―	
Non-current liabilities	31,150	37,699	―	
Total	79,318	92,194	―	

(Notes)

1) The average rate is the weighted average interest rate for the balance as of March 31, 2025.
2) Repayment due indicates the balance on March 31, 2025.
3) Based on the criteria established by the Company, leases that transfer substantially all of the risks and benefits associated with ownership of the asset are classified as "finance leases," and the respective balances of finance leases and other leases were as follows:

	March 31, 2024	March 31, 2025
	Millions of yen	Millions of yen
Finance leases	15,750	19,172
Other leases	26,982	29,714

4) The breakdown of lease obligations by repayment due are presented in Note 16. LEASES.

(2) Supplier finance arrangements

The Company has entered into supplier finance agreements with third-party financial institutions. Under these agreements, the Company makes payments to the third-party financial institutions 3 to 7 years after the contract execution date, based on agreements with each supplier. The Company has not pledged any assets or provided any third-party guarantees for supplier finance agreements.

The carrying amounts of financial liabilities related to supplier finance arrangements were as follows:

	March 31, 2024	March 31, 2025
Carrying amounts of financial liabilities that ate part of supplier finance arrangements Other financial liabilities	5,897	9,325
Amounts of the financial liabilities presented above for which suppliers have already received payment	(Note)	9,325

The ranges of payment due dates related to supplier finance arrangements, etc., were as follows:

	March 31, 2024	March 31, 2025
Liabilities under supplier finance agreements	(Note)	3 to 7 years after the contract execution date
Comparable liabilities that are not part of supplier finance arrangements	(Note)	30 to 60 days after the invoice date

(Note) The Company has applied the transitional provisions of "Supplier Finance Arrangements" (Amendments to IAS 7 and IFRS 7) and has not disclosed information at the beginning of the first year of application.

The Company's risk management is presented in Note 31. FINANCIAL INSTRUMENTS (5) Liquidity risk management.

For the fiscal year ended March 31, 2025, there were no significant non-cash changes in the carrying amounts of financial liabilities subject to the supplier financial arrangements.

16. LEASES

The Company enters into, in the normal course of business, various leases for office premises, network operation centers and data centers and other equipment.

Lease transactions as lessee

(1) Amount recorded in the consolidated statements of profit or loss and cash flows

Amount recorded in the consolidated statements of profit or loss and cash flows were as follows:

	For the year ended March 31, 2024	For the year ended March 31, 2025
	Millions of yen	Millions of yen
Depreciation by type of right-of-use asset		
Buildings and structures	11,784	12,084
Machinery	6,246	7,144
Software	833	715
Total Depreciation	18,863	19,943
Interest expense on lease obligations	329	564
Expense on short term and small asset leases	1,931	2,171
Sublease revenues	(210)	(187)
Total lease expense (Net amount)	20,913	22,491
Total cash outflow on lease	21,088	23,069

Gains or losses from sale and leaseback transactions were not significant.

The total amount of future lease payments under lease contracts that the Company had entered into but not yet commenced in the year ended March 31, 2024 was ¥2,031 million.

(2) Right-of-use assets

Carrying amounts and increases of right-of-use assets were as follows:

	Buildings and structures	Machinery	Software	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2024	26,428	13,303	1,511	41,242
March 31, 2025	28,958	14,779	2,019	45,756

The amount of increase in the right-of-use asset for the years ended March 31, 2024 and 2025 were ¥14,316 million, ¥26,915 million, respectively.

(3) Lease obligations

The balance by date of lease obligations is presented in Note 31. FINANCIAL INSTRUMENTS (5) Liquidity risk management.

(4) Nature of leasing activities

The Company, as lessee, mainly leases office premises, network operation centers and data centers. A lease contract is entered into for a term from 1 year to 10 years, and it may include options for extension which are mostly for one year or for the term equivalent to the original contract. Most of the lease contracts, as lessee, include the repeated option for extension and the option for early cancellation, but in the measurement of the lease obligations only the lease payments for the period when it is reasonably certain that the option will be exercised are included. The Company exercises these options when it is necessary to utilize the buildings for business.

17. EMPLOYEE BENEFITS

(1) Post-employment benefits

IIJ and certain subsidiaries have unfunded severance benefits, noncontributory defined benefit pensions and defined contribution plans which together cover substantially all of their employees who are not directors. The defined benefit pension plan is operated under the Defined Benefit Corporate Pension Law.

The following information regarding net periodic pension cost and accrued pension cost also includes the unfunded severance benefit plans. Under the severance and defined benefit pension plans, all of IIJ and IIJ-Global's employees are entitled, upon retirement with 20 years or more of service, to a 10-year period of annuity payments from age 60 (or lump-sum severance indemnities) based on the rate of pay at the time of retirement, length of service and certain other factors. IIJ and IIJ-Global's employees who do not meet these conditions are entitled to lump-sum severance indemnities.

In accordance with laws and regulations, the defined benefit plan is managed by a pension fund. The organization that manages the fund is legally separated from the Company. The pension fund is managed by a board of directors selected by the employer that is subscribed to the fund and a board of directors consisting of directors representing the subscribers. Management of pension assets is carried out by pension investment management institutions according to investment policy stipulated by the board of directors of the pension fund. The pension fund's board of directors and pension investment management institutions are required by laws to act with the interests of subscribers to the plan as their top priority and are responsible for the operation of plan assets.

Defined benefit plans are exposed to actuarial risks and fair value fluctuation risks of plan assets. Actuarial risk is primarily interest rate risk. Interest rate risk is the risk that drops in the discount rate may cause an increase in liabilities because the present value of the defined benefit obligation is calculated by the discount rate determined based on the market yield of high quality corporate bonds.

The risk of fluctuation in fair value of plan assets is the risk that the funded status of the plan may deteriorate if it falls below the rate of return expected under the plan asset management policy.

① Defined benefit obligations recognized in consolidated statements of financial position

Relations between net amount of defined benefit liabilities and assets recognized in consolidated statements of financial position, defined benefit obligations and plan assets were as follows:

	March 31, 2024	March 31, 2025
	Millions of yen	Millions of yen
Present value of defined benefit obligations funded in plan assets	6,639	6,655
Fair value of plan assets	(6,192)	(6,532)
Total	447	123
Present value of unfunded defined benefit obligations	4,544	4,602
Net amount	4,991	4,725
Retirement benefit liabilities	4,991	4,849
Other non-current assets	―	(124)
Amount recorded in the consolidated statement of financial position (net amount)	4,991	4,725

② Defined benefit obligations

Changes in present value of defined benefit obligations were as follows:

	For the year ended March 31, 2024	For the year ended March 31, 2025
	Millions of yen	Millions of yen
Opening balance	10,297	11,183
Service cost (Note 1)	911	1,010
Interest expense (Note 2)	135	188
Remeasurement		
Actuarial gains or losses arising from changes in demographic assumptions	512	―
Actuarial gains or losses arising from changes in financial assumptions	(526)	(809)
Actuarial gains or losses arising from adjustment of results	150	58
Benefit paid (Note 3)	(296)	(373)
Closing balance	11,183	11,257

(Note 1) Service cost during the period are recognized as profit or loss. The costs are included in cost of sales, selling, general and administrative expenses in our consolidated statements of profit or loss.

(Note 2) Interest expenses or income related to net amount of the present value of defined benefit obligations and fair value of plan assets are recognized as profit or loss and are included in finance expenses and finance income in the consolidated statements of profit or loss.

(Note 3) Weighted average duration of the Company’s defined benefit obligations were 13 years and 12 years for the years ended March 31, 2024 and 2025, respectively.

③ Plan assets

Changes in fair value of plan assets were as follows:

	For the year ended March 31, 2024	For the year ended March 31, 2025
	Millions of yen	Millions of yen
Fair value of plan assets at the beginning of year	5,784	6,192
Interest income	80	109
Changes in remeasurement		
Return on plan assets (excluding interest gain)	57	(34)
Contribution from the Company	440	480
Benefit paid	(169)	(215)
Fair value of plan assets at the end of the year	6,192	6,532

(Note) The Company and the pension fund regularly conduct analyses of financial position and recalculate contribution amount in order to maintain pension finance equilibrium in the event of allocation for future benefits or insufficient funds pursuant to laws and regulations.

The Company plans to contribute ¥277 million to the defined benefit plan in the year ending March 31, 2026.

④ Major components of plan assets
Changes in fair value of plan assets were as follows:

	March 31, 2024			March 31, 2025		
	Quoted prices in active markets		Total	Quoted prices in active markets		Total
	Exists	N/A		Exists	N/A	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Equity instruments						
Japanese equity	916	—	916	128	—	128
Foreign equity	1,623	—	1,623	1,724	—	1,724
Subtotal	2,539	—	2,539	1,852	—	1,852
Debt instruments						
Japanese bonds	—	660	660	—	798	798
Other government bonds	—	2,366	2,366	—	2,555	2,555
Subtotal	—	3,026	3,026	—	3,353	3,353
REIT	—	230	230	—	218	218
Life insurance pooled investment portfolios.	—	168	168	—	954	954
Other	—	229	229	—	155	155
Total	2,539	3,653	6,192	1,852	4,680	6,532

Asset management policies of the Company’s major plans are as follows.

The Company's funding policies with respect to the noncontributory plan are generally to contribute amounts considered tax deductible under applicable income tax regulations. Plan assets, including life insurance pooled investment portfolios, consist of Japanese and other government bonds, other debt securities and marketable equity securities. Life insurance pooled investment portfolios are managed by an insurance company and guarantee a minimum rate of return.

The Company’s investment strategy for the plan assets is to manage the assets in order to pay retirement benefits to plan participants from the Company over the life of the plans. This is accomplished by identifying and managing the exposure to various market risks, and diversifying investments in various asset classes based on a portfolio determined by the insurance company in order to maximize long-term rate of return, while considering the liquidity needs of the plans.

The plan is permitted to use derivative instruments only for the purpose of hedging. Both margin trading and real estate investments are prohibited in principle.
The Company mitigates the credit risk of investments by establishing guidelines with the insurance company. These guidelines are monitored periodically by the Company for compliance.

The projected allocation of the plan assets managed by the insurance company is developed in consideration of the expected long-term investment returns for each category of the plan assets. An investment product we have specified for plan assets is a risk-reducing balance fund that allocate equity securities and debt securities automatically, we do not instruct assets allocation for insurance company. All of the employer’s contribution to the plan during the year ending March 31, 2026 will be allocated to this fund.

⑤ Significant actuarial assumptions and sensitivity analyses

Significant actuarial assumptions were as follows:

	March 31, 2024	March 31, 2025
	%	%
Discount rate	1.8	2.5

(Note) This table shows the discount rate used in actuarial calculations for IIJ and its major domestic subsidiaries.

Following table presents sensitivity analyses of effects on present value of defined benefit obligations of IIJ and its major subsidiaries in the case of changes in discount rate, which is a significant actuarial assumption:

	Change	March 31, 2024	March 31, 2025
		Millions of yen	Millions of yen
Discount rate	Increase by 0.5 points	(643)	(606)
	Decrease by 0.5 points	688	646

(Note) In this sensitivity analyses, the effects on defined benefit obligations are calculated only by changes in discount rate, with other assumptions fixed.

⑥ Defined contribution plan

Expenses related to the defined contribution plan recognized as profit or loss for the years ended March 31, 2024 and 2025 were ¥218 million and ¥236 million, respectively. The expenses are included in "cost of sales" and "selling, general and administrative expenses" in the consolidated statements of profit or loss.

⑦ Multi-employer pension plan

IIJ and one subsidiary also participate in a contributory multi-employer pension plan, the Japan Computer Information Service Employee's Pension Fund (the "Multi-Employer Plan"), which covers substantially all of their employees.

As stipulated by the Japanese Welfare Pension Insurance Law, the Multi-Employer Plan is composed of a substitutional portion of Japanese Pension Insurance and a multi-employers' portion of a contributory defined benefit pension plan. The benefits for the substitutional portion are based on a standard remuneration schedule under the Welfare Pension Insurance Law and the length of participation. The multi-employer portion of the benefits is based on the employee's length of service.

Differences between multi-employer plans and single-employer plans are as follows:

(ⅰ) Assets contributed by an employer to multi-employer plan may be used for the benefits of employees of other employers under the plan.

(ⅱ) If an employer suspends contributions, there is a possibility that other employers participating in the plan may be required to make additional contributions in order to cover unfunded obligations.

(ⅲ) When an employer exits from the multiple-employer plan, the employer may be required to contribute amounts corresponding to unfunded obligations.

Although the Multi-Employer Plan is a multi-employer defined benefit plan operated under the above-mentioned agreement, its distributions are not consistent because the impacts of events affecting participating employers affect the allocation of plan assets and expenses of other participating employers. Therefore, expenses related to the Multi-Employer Plan are accounted for as the expenses of defined contribution plans, because information sufficient for accounting as a defined benefit plan is not available. The net pension cost related to the plan is recognized on the due date of the contribution.

Contributions due and paid were as follows:

	For the year ended March 31, 2024	For the year ended March 31, 2025
	Millions of yen	Millions of yen
Contribution	173	196

Expected contributions for the year ending March 31, 2026 amounts to ¥84 million.

Financial positions of the Multi-Employer Plan based on the most recent available information were as follows:

	For the year ended March 31, 2024	For the year ended March 31, 2025
	Millions of yen	Millions of yen
Plan assets	268,557	277,017
Pension liabilities(Policy reserve and unamortized past service liabilities)	216,477	224,937
Net amount	52,080	52,080
Ratio of contribution of the Company and its subsidiaries to the total contribution to the plan	2.46%	2.59%

The above contribution ratio is calculated by dividing the Company's contribution by the total contribution to the fund, and is not consistent with the actual charged ratio of the Company.

(2) Other employee benefits

Other employee benefits included in cost of sales, selling, general and administrative expenses in the consolidated statements of profit or loss for the years ended March 31, 2024 and 2025 were ¥20 million and ¥19 million, respectively.

18. PROVISIONS

Changes in the balance and components of provisions were as follows:

	Asset retirement obligations	Provision for loss on contracts	Total
	Millions of yen	Millions of yen	Millions of yen
March 31, 2024	901	—	901
Increase	195	766	961
Periodic interest expenses in discount calculation	5	—	5
March 31, 2025	1,101	766	1,867
Current liabilities	—	316	316
Non-current liabilities	1,101	450	1,551
	1,101	766	1,867

Asset retirement obligations

For future retirement of the tangible fixed assets and leased assets that the Company uses, the Company recognizes legal obligations required by laws or agreements and other related obligations at reasonably estimated amounts based on actual amounts incurred in the past and other information. Payment of these obligations are expected to be made after one year or more, but will be affected by future business plans.

Provision for loss on contracts

To prepare for potential losses arising from the performance of contracts, the Company recognizes provisions based on a reasonable estimate. These contracts are expected to be settled within two years. The amount of the provision is based on estimates and is subject to change depending on future developments in the business environment such as foreign currency rate.

19. OTHER LIABILITIES

The components of other current liabilities and other non-current liabilities were as follows:

	March 31, 2024	March 31, 2025
	Millions of yen	Millions of yen
Compensated absence	2,453	2,172
Accrued bonus	771	896
Consumption taxes payable	1,612	2,459
Accrued expenses	1,778	1,742
Other	1,081	1,210
Total	7,695	8,479
Current liabilities	6,686	7,339
Non-current liabilities	1,009	1,140
Total	7,695	8,479

20. SHARE CAPITAL AND OTHER EQUITY

(1) Capital and share premium

Changes in number of authorized shares of common stock, number of shares of common stock outstanding and balance of share capital and share premium were as follows:

	Authorized shares (No par value common stock)	Shares outstanding (No par value common stock)	Share capital	Share Premium
	Number (shares)	Number (shares)	Millions of yen	Millions of yen
April 1, 2023	302,080,000	187,069,600	25,562	36,738
Changes in the year	—	(3,928,500)	—	(1,001)
March 31, 2024	302,080,000	183,141,100	25,562	35,737
Changes in the year	—	43,784	15	128
March 31, 2025	302,080,000	183,184,884	25,577	35,865

(Note) 1. In August 2006, IIJ reduced its Share capital by ¥2,539 million and Share Premium by ¥21,980 million to compensate for the loss carried forward accounted in the non-consolidated financial statements in accordance with the Companies Act of Japan ("Companies Act"). In the consolidated financial statements in accordance with IFRS, changes in Share Capital, Share Premium and deficit due to this treatment were not offset.

2. IIJ cancelled treasury stock on May 22, 2023. As a result, Shares outstanding decreased by 3,928,500 shares.

(2) Treasury shares

Changes in number and carrying amount of treasury shares were as follows:

	Number of shares	Amount
	Shares	Millions of yen
April 1, 2023	6,371,732	(1,831)
Changes	(42,044)	(10,196)
March 31, 2024	6,329,688	(12,027)
Changes	(61,544)	117
March 31, 2025	6,268,144	(11,910)

(Note 1) IIJ adopts a stock option plan, issues stock acquisition rights under the Companies Act and appropriate treasury shares for the allocation of shares accompanied with the exercise of the option. The contract terms and amounts, etc., are stated in Note 30. "SHARE-BASED PAYMENTS."

(Note 2) IIJ adopts a restricted stock remuneration system, treasury stock is used to grant shares. The contract terms and amounts, etc., are stated in Note 30. "SHARE-BASED PAYMENTS."

(Note 3) IIJ acquired and cancelled treasury stock in May 2023. As a result, Treasury shares increased by 3,928,500 shares and decreased by the same number.

(3) Share premium

Under the Companies Act, over half of proceeds or benefits from issuance of common stocks must be appropriated as share capital and the rest appropriated as capital reserve (included in share premium). The Companies Act permits transfer from capital reserve to share capital upon resolution of the shareholders.

(4) Retained earnings

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as capital reserve or legal reserve(included in retained earnings)until the total aggregated amount of capital reserve and legal reserve equals 25% of share capital Aggregated legal reserve can be set off against deficits. Reversal of legal reserve upon resolution of the shareholders' is also permitted.

(5) Components and purpose of other components of equity

① Financial assets measured at FVTOCI

Changes in fair value of financial assets measured at FVTOCI.

② Remeasurement of net defined benefit plan

Changes in actuarial gain or loss on defined benefit obligations, gain or loss on plan assets, excluding those included in interest income, and the effect of asset ceilings, excluding those included in interest income.

These are recognized as other comprehensive income as incurred and immediately transferred from other components of equity to retained earnings.

③ Exchange differences on translation of foreign operations

Exchange differences on translation of financial statements of foreign operations prepared in foreign currencies.

21. OTHER COMPONENTS OF EQUITY

Changes in other components of equity were as follows:

	For the year ended March 31, 2024	For the year ended March 31, 2025
	Millions of yen	Millions of yen
Financial assets measured at fair value thorough other comprehensive income		
Balance, beginning of the year	5,138	8,229
Changes	3,410	464
Transfer to the retained earnings	(319)	20
Balance, end of the year	8,229	8,713
Remeasurements of net defined benefit pension plans		
Balance, beginning of the year	—	—
Changes	(54)	490
Transfer to the retained earnings	54	(490)
Balance, end of the year	—	—
Exchange differences on translation of foreign operations		
Balance, beginning of the year	1,419	2,598
Changes	1,179	(98)
Balance, end of the year	2,598	2,500
Share of other comprehensive income in equity method investees		
Balance, beginning of the year	14	36
Changes	22	17
Balance, end of the year	36	53
Total other component of equity	10,863	11,266

22. DIVIDENDS PAID

Cash dividends paid for each fiscal year were as follows:

For the year ended March 31, 2024

Resolution date	Total dividends	Dividends per share	Record date	Effective date
	Millions of yen	Yen		
June 28, 2023 Ordinary General Meeting of Shareholders	2,644	14.63	March 31, 2023	June 29, 2023
November 6, 2023 Board of Directors	3,038	17.18	September 30, 2023	December 8, 2023

For the year ended March 31, 2025

Resolution date	Total dividends	Dividends per share	Record date	Effective date
	Millions of yen	Yen		
June 27, 2027 Ordinary General Meeting of Shareholders	3,038	17.18	March 31, 2024	June 28, 2024
November 8, 2024 Board of Directors	3,096	17.50	September 30, 2024	December 6, 2024

Cash dividends effective in the following fiscal year were as follows:

For the year ended March 31, 2025

Resolution date	Total dividends	Dividends per share	Record date	Effective date
	Millions of yen	Yen		
June 26, 2025 Ordinary General Meeting of Shareholders	3,096	17.50	March 31, 2025	June 27, 2025

23. REVENUE

(1) The components of revenues recognized in the contracts with customers were as follows. The revenue provided to the customers based on the lease contract is included below due to the immateriality.

	For the year ended March 31, 2024	For the year ended March 31, 2025
	Millions of yen	Millions of yen
(1) Network services	151,347	162,577
Internet connectivity services (enterprise)	44,725	48,994
WAN services	28,365	27,606
Outsourcing services	52,972	59,145
Internet connectivity services (consumer)	25,285	26,832
(2) Systems integration	121,819	151,306
Systems construction	49,902	68,773
Systems operation and maintenance	71,917	82,533
(3) ATM operation business	2,914	2,948
Total	276,080	316,831

(2) Revenue recognition

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

Revenue by reportable segment is stated in Note 5. SEGMENTS.

(3) 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, 2024, ¥9,675 million was recognized from the balance of contract liabilities as of March 31, 2023.

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

(4) Transaction price allocated to remaining performance obligations

Transaction prices allocated to remaining performance obligations as of March 31, 2024 and 2025 were ¥49,586 million and ¥58,417 million, respectively, 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 ¥39,866 million of revenue related to remaining performance obligations will be recognized within one year and ¥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.

(5) Assets arising from costs of obtaining costs and fulfilling contracts

Assets arising from costs of obtaining and fulfilling contracts with customers were as follows:

	March 31, 2024	March 31, 2025
	Millions of yen	Millions of yen
Assets arising from costs of obtaining contracts	188	145
Assets arising from costs of fulfilling contracts	295	707
Total	483	852

Incremental costs of obtaining contracts with customers and costs incurred to fulfill the contracts are recognized as assets ("assets recognized from the contract costs"), if they are recoverable, and presented in prepaid expenses of the current assets and non-current assets on the consolidated statements of financial position. Incremental costs of obtaining a contract are those incurred in obtaining a specific contract with a customer which otherwise would not have been incurred.

Incremental costs of obtaining a contract that the Company recognizes as assets are mainly sales commission expenses paid due to the number of contracts obtained by agents in mobile services for consumers. Costs incurred to fulfill the contract are mainly personnel expenses of the Company related to service registration and the communication-line arrangements initially required. These assets are amortized on a straight line basis for periods from two to five years which reflects the estimated period of use by the customers.

Amortization expenses from assets recognized from contract costs for the years ended March 31, 2024 and 2025 were ¥345 million and ¥239 million, respectively.

24. COSTS OF SALES AND SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The components of costs of sales were as follows:

	For the year ended March 31, 2024	For the year ended March 31, 2025
	Millions of yen	Millions of yen
Employee benefits	(22,253)	(24,327)
Depreciation and amortization	(26,002)	(27,735)
Outsourcing costs	(46,096)	(52,886)
Telecommunication expenses	(29,355)	(29,831)
Other	(88,508)	(113,650)
Total	(212,214)	(248,429)

The components of selling, general and administrative expenses were as follows:

	For the year ended March 31, 2024	For the year ended March 31, 2025
	Millions of yen	Millions of yen
Employee benefits	(15,281)	(17,101)
Depreciation and amortization	(3,294)	(3,637)
Research and development	(636)	(643)
Commission	(4,571)	(4,479)
Other	(10,972)	(12,452)
Total	(34,754)	(38,312)

25. OTHER OPERATING INCOME

The components of other operating income were as follows:

	For the year ended March 31, 2024	For the year ended March 31, 2025
	Millions of yen	Millions of yen
Gain on disposal of tangible assets	1	3
Commissions received	15	15
Rental income	69	74
Other	84	57
Total	169	149

26. OTHER OPERATING EXPENSES

The components of other operating expenses were as follows:

	For the year ended March 31, 2024	For the year ended March 31, 2025
	Millions of yen	Millions of yen
Loss on disposal of tangible and intangible assets	(128)	(62)
Loss on sales of tangible and intangible assets	(11)	(34)
Other	(113)	(39)
Total	(252)	(135)

(Changes in presentation for loss on sales of tangible and intangible assets)

Loss on sales of tangible and intangible assets was previously included in "Other" in OTHER OPERATING EXPENSES. Due to its increased materiality. it has been separately presented as "Loss on sales of tangible and intangible assets" from the current consolidated fiscal year. To reflect this change in presentation, the amounts for the previous consolidated fiscal year have been reclassified.

As a result, other of 124 million yen in the previous fiscal year has been reclassified as Loss on sales of tangible and intangible assets (in the amount of 11 million yen) and other (in the amount of 113 million yen).

27. FINANCE INCOME AND FINANCE EXPENSES

The components of finance income and finance expenses were as follows:

(1) Finance income

	For the year ended March 31, 2024	For the year ended March 31, 2025
	Millions of yen	Millions of yen
Interest income		
Financial assets measured at amortized cost	230	175
Dividend income		
Equity-based financial assets measured at FVTOCI	105	146
Foreign exchange gain	533	47
Other finance income		
Financial assets measured at FVTPL	149	201
Other	2	11
Total	1,019	580

(2) Finance expenses

	For the year ended March 31, 2024	For the year ended March 31, 2025
	Millions of yen	Millions of yen
Interest expenses		
Financial liabilities measured at amortized cost	(232)	(420)
Lease obligations	(329)	(564)
Other finance expenses	(88)	(102)
Total	(649)	(1,086)

(3) Impairment loss on financial assets

	For the year ended March 31, 2024	For the year ended March 31, 2025
	Millions of yen	Millions of yen
Financial assets measured at amortized cost	(53)	(137)

In the Company's consolidated statements of profit or loss, impairment loss on financial assets measured at amortized cost is included in selling, general and administrative expenses.

28. EARNINGS PER SHARE

Basic earnings per share attributable to owners of the parent and diluted earnings per share attributable to owners of the parent were as follows:

	For the year ended March 31, 2024	For the year ended March 31, 2025
Numerator :		
Basic earnings attributable to owners of the parent (Millions of yen)	19,831	19,933
Earnings adjustment (Millions of yen)	—	—
Earnings used to calculate earnings per share — diluted (Millions of yen)	19,831	19,933
Denominator :		
Weighted average number of shares — basic (shares)	177,361,107	176,901,512
Dilution arising from stock options (shares)	929,924	912,516
Weighted average number of shares — diluted (shares)	178,291,031	177,814,028
Earnings per share attributable to owners of the parent		
Basic (yen)	111.81	112.68
Diluted (yen)	111.23	112.10

29. OTHER COMPREHENSIVE INCOME

Incurred amount, reclassification to profit or loss and income tax effect of each component included in other comprehensive income were as follows:

For the year ended March 31, 2024

	Incurred amount	Reclassification	Pre-tax amount	Tax effect	Net-of-tax amount
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Items that will not be reclassified to profit or loss:					
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	4,971	—	4,971	(1,561)	3,410
Remeasurements of defined benefit pension plans	(79)	—	(79)	25	(54)
Subtotal	4,892	—	4,892	(1,536)	3,356
Items that may be reclassified to profit or loss:					
Exchange differences on translation of foreign operations	1,179	—	1,179	—	1,179
Share of other comprehensive income in equity method investees	22	—	22	—	22
Subtotal	1,201	—	1,201	—	1,201
Total	6,093	—	6,093	(1,536)	4,557

For the year ended March 31, 2025

	Incurred amount	Reclassification	Pre-tax amount	Tax effect	Net-of-tax amount
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Items that will not be reclassified to profit or loss:					
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	828	—	828	(364)	464
Remeasurements of defined benefit pension plans	717	—	717	(227)	490
Subtotal	1,545	—	1,545	(591)	954
Items that may be reclassified to profit or loss:					
Exchange differences on translation of foreign operations	(98)	—	(98)	—	(98)
Share of other comprehensive income in equity method investees	17	—	17	—	17
Subtotal	(81)	—	(81)	—	(81)
Total	1,464	—	1,464	(591)	873

30. SHARE-BASED PAYMENTS

(1) Stock option

① Description of stock option

For the purpose of sharing benefits and risks with IIJ’s shareholders and to further contribute to the continuous enhancement of business performance and corporate value over the medium to long term, IIJ has stock option plans as equity-settled stock-based compensation, wherein stock acquisition rights are allocated to directors and executive officers as a substitute for the retirement allowance plan.

The stock acquisition rights become exercisable after a service period of one year and are exercisable up to 29 years from the date of vesting. The stock acquisition rights may be exercised only within 10 days from the day immediately following the day on which the person loses his or her position as either a director or an executive officer. The exercise price of stock acquisition rights is ¥1.

The exercise period is defined in the allotment agreement, and if not exercised within that period, the stock acquisition rights will expire.

In addition, in conjunction with the revision of the previous compensation system for directors and executive officers in June 2024, stock options will be abolished except for those that have already been granted, and no new stock options will be issued after this consolidated fiscal year.

IIJ’s stock options outstanding at March 31, 2025 were as follows:

	Date granted	Number of options (shares)	Fair value per option at the date of grant (yen)	Exercisable period
1st series (Board of Directors resolved on June 28, 2011)	July 14, 2011	60 (48,000)	259,344	July 15, 2011 —July 14, 2041
2nd series (Board of Directors resolved on June 27, 2012)	July 13, 2012	65 (52,000)	318,562	July 14, 2012 —July 13, 2042
3rd series (Board of Directors resolved on June 26, 2013)	July 11, 2013	57 (45,600)	647,000	July 12, 2013 —July 11, 2043
4th series (Board of Directors resolved on June 25, 2014)	July 10, 2014	83 (66,400)	422,600	July 11, 2014 —July 10, 2044
5th series (Board of Directors resolved on June 26, 2015)	July 13, 2015	112 (89,600)	369,200	July 14, 2015 —July 13, 2045
6th series (Board of Directors resolved on June 24, 2016)	July 11, 2016	121 (96,800)	360,000	July 12, 2016 —July 11, 2046
7th series (Board of Directors resolved on June 28, 2017)	July 14, 2017	131 (104,800)	337,200	July 15, 2017 —July 14, 2047
8th series (Board of Directors resolved on June 28, 2018)	July 13, 2018	132 (105,600)	347,600	July 14, 2018 —July 13, 2048
9th series (Board of Directors resolved on June 27, 2019)	July 12, 2019	140 (112,000)	354,600	July 13, 2019 —July 12, 2049
10th series (Board of Directors resolved on June 24, 2020)	July 10, 2020	90 (72,000)	643,400	July 11, 2020 —July 10, 2050
11th series (Board of Directors resolved on June 29, 2021)	July 15, 2021	66 (52,800)	1,258,400	July 16, 2021 —July 15, 2051
12th series (Board of Directors resolved on June 28, 2022)	July 14, 2022	16,751 (33,502)	4,361	July 15, 2022 —July 14, 2052
13th series (Board of Directors resolved on June 28, 2023)	July 13, 2023	17,481 (34,962)	4,362	July 14, 2023 —July 13, 2053

② Number and weighted average exercise price of stock options

	For the year ended March 31, 2024		For the year ended March 31, 2025	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
	shares	yen	Shares	yen
Unexercised options outstanding at the beginning of the year	921,394	1	957,848	1
Granted	36,454	1	—	—
Lapse/Expiration	—	—	—	—
Exercised	—	—	(43,784)	1
Unexercised options outstanding at the end of the year	957,848	1	914,064	1
Exercisable options at the end of the year	921,394	1	914,064	1

(Note 1) No stock options were exercised during the year ended March 31,2024.The weighted average price of common stock at the date of exercise of the option during the year ended March 31, 2025 was ¥2,820.

(Note 2) As of March 31, 2024, the exercise price of unexercised stock options was ¥1 and the weighted average remaining contractual period was 23.19 years. As of March 31, 2025, the exercise price of unexercised stock options was ¥1 and the weighted average remaining contractual period was 22.22 years.

③ Fair value of stock options granted during the period and assumptions

The weighted average fair value of stock options granted during the period was evaluated using the Black-Scholes model based on the following assumptions.

Following table presents major basic figures and estimation methods used in the Black-Scholes model:

	13th series stock acquisition right (Resolved by the Board of Directors on June 28, 2023)
Fair value at the date of grant	2,181 yen
Share price at the date of grant	2,583 yen
Exercise price	1 yen
Expected volatility	45.541%
Expected remaining life	15 years
Expected dividend yield	1.133%
Risk-free rate	0.864%

Expected volatility is calculated based on the latest actual share price corresponding to the expected remaining period.

(2) Restricted stock remuneration

① Description of the old system

IIJ shares the benefits and risks of stock price fluctuations with IIJ’s shareholders to directors and executive officers, and aims to enhance its contribution to the sustainable improvement of medium to long term business performance and corporate value, IIJ had stock remuneration system(old system) of equity-settled. In addition, in conjunction with the revision of the previous compensation system for directors and executive officers in June 2024, IIJ is transitioning to the new system ②③④ below.

Description of the old system granted were as follows:

	For the year ended March 31, 2024	For the year ended March 31, 2025
Date granted	June 14, 2023	June 12, 2024
Number of grants (shares)	42,130	30,113
Fair value (yen)	2,944	2,313

[Overview of the old system]

- 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 160,000 shares (number after adjustment for stock splits conducted on January 1, 2021 and October 1, 2022) or less.
- Method of measuring the fair value: The method of measuring the fair value will be determined, based on the closing price of IIJ’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 IIJ’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: IIJ 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 IIJ, IIJ 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 IIJ, such as a merger agreement whereby IIJ will be the non-surviving party to the merger, or a share exchange agreement or share transfer plan whereby IIJ will become a wholly-owned subsidiary of another entity, is approved at IIJ’s ordinary general meeting of shareholders (or by IIJ’s board of directors if such organizational restructuring, etc. does not require approval at IIJ’s ordinary general meeting of shareholders) during the transfer restriction period, IIJ will remove, based on a resolution of IIJ’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.

② Description of the remuneration that is conditional on tenure

IIJ grants to an eligible director, depending on the position held by the director, restricted stock, in relation to which the transfer restriction will be removed on the condition that the director has served in a position such as a director of IIJ for a certain period of time. The value of the restricted stock to be granted shall be based on approximately one (1) to two (2) months' fixed monthly remuneration for each director. Each director receives the determined amount of monetary remuneration receivables as a cash investment asset for the payment of restricted stock.

Description of the remuneration that is conditional on tenure granted were as follows:

	For the year ended March 31, 2025
Date granted	June 27, 2024
Number of grants (shares)	31,508
Fair value (yen)	2,359.5

[Overview of the remuneration that is conditional on tenure]

・Timing of payment and allocation: The payment detail of each director is determined after the beginning of each fiscal year, and the determined amount be allotted.

・Number of shares to be allotted per year: Up to 140,000 shares (Total number of the remuneration that is conditional on tenure, the performance-linked remuneration for a single fiscal year and the performance-linked remuneration for the mid- to long-term, which were introduced by the resolution of the ordinary general meeting of shareholders held on June 27, 2024) or less.

・Method of measuring the fair value: The amount to be paid in per share will be determined, based on the closing price of IIJ'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).

・Transfer restrictions: From the disposal date of IIJ'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: IIJ 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.

・Misconduct or illegal acts, etc.: If certain events prescribed in the allotment agreement occur, such as the retirement of an eligible director from his/her position during the restriction period or upon the expiration of the restriction period for any reason other than those deemed justifiable by IIJ, or the commitment by an eligible director of certain misconduct or illegal acts, IIJ may acquire all of the allotted shares for no consideration. In addition, if a similar event occurs with respect to an eligible director during the relevant period, IIJ might not grant monetary remuneration receivables or deliver shares to the director.

・Treatment in the event of organizational restructuring, etc.: Regardless of the above, if a matter concerning the organizational restructuring, etc. of IIJ, such as a merger agreement whereby IIJ will be the non-surviving party to the merger, or a share exchange agreement or share transfer plan whereby IIJ will become a wholly-owned subsidiary of another entity, is approved at IIJ's ordinary general meeting of shareholders (or by IIJ's board of directors if such organizational restructuring, etc. does not require approval at IIJ's ordinary general meeting of shareholders) during the transfer restriction period, IIJ will remove, based on a resolution of IIJ'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.

③ Description of the performance-linked remuneration for a single fiscal year

In order to provide incentives to continuously enhance IIJ's corporate value and to further facilitate the sharing of value with shareholders, IIJ grants to an eligible director restricted stock after the end of a certain period of time (in principle, one (1) fiscal year) in accordance with the degree of achievement of performance targets and improvement in performance over such period. The value of the restricted stock to be granted shall be based on approximately four (4) months' fixed monthly remuneration for each director. Each director receives the determined amount of monetary remuneration receivables as a cash investment asset for the payment of restricted stock.

Description of the performance-linked remuneration for a single fiscal year granted were as follows:

	For the year ended March 31, 2025
Date granted	June 27, 2024
Number of grants (shares)	18,996
Fair value (yen)	2,359.5

[Overview of the performance-linked remuneration for a single fiscal year]

- Timing of payment and allocation: The payment detail 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 140,000 shares (Total number of the remuneration that is conditional on tenure, the performance-linked remuneration for a single fiscal year and the performance-linked remuneration for the mid- to long-term) 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 IIJ'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).
- Transfer restrictions: From the disposal date of IIJ'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: IIJ 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.
- Misconduct or illegal acts, etc.: If certain events prescribed in the allotment agreement occur, such as the retirement of an eligible director from his/her position during the restriction period or upon the expiration of the restriction period for any reason other than those deemed justifiable by IIJ, or the commitment by an eligible director of certain misconduct or illegal acts, IIJ may acquire all of the allotted shares for no consideration. In addition, if a similar event occurs with respect to an eligible director during the relevant period, IIJ might not grant monetary remuneration receivables or deliver shares to the director.
- Treatment in the event of organizational restructuring, etc.: Regardless of the above, if a matter concerning the organizational restructuring, etc. of IIJ, such as a merger agreement whereby IIJ will be the non-surviving party to the merger, or a share exchange agreement or share transfer plan whereby IIJ will become a wholly-owned subsidiary of another entity, is approved at IIJ's ordinary general meeting of shareholders (or by IIJ's board of directors if such organizational restructuring, etc. does not require approval at IIJ's ordinary general meeting of shareholders) during the transfer restriction period, IIJ will remove, based on a resolution of IIJ'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.

④ Description of the performance-linked remuneration for the mid- to long-term

In order to optimally incentivize the increase of IIJ's corporate value over the mid- to long-term pursuant to the achievement of the goals set forth in the Mid-term Plan, and to further facilitate the sharing of value with shareholders, IIJ grants such number of shares of restricted stock as determined in accordance with the degree of achievement of performance targets and improvement in performance in each fiscal year during the relevant period, the length of such period being the same as that of the Mid-term Plan. The value of the restricted stock to be granted shall be based on approximately four (4) months' fixed monthly remuneration for each director. Each director receives the determined amount of monetary remuneration receivables as a cash investment asset for the payment of restricted stock.

Description of the performance-linked remuneration for the mid- to long-term granted were as follows:

	For the year ended March 31, 2025
Date granted	June 27, 2024
Number of grants (shares)	19,314
Fair value (yen)	2,359.5

[Overview of the performance-linked remuneration for the mid- to long-term]

・Timing of payment and allocation: The payment detail 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 140,000 shares (Total number of the remuneration that is conditional on tenure, the performance-linked remuneration for a single fiscal year and the performance-linked remuneration for the mid- to long-term) 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 IIJ'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).
・Transfer restrictions: From the disposal date of IIJ'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: IIJ 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.
・Misconduct or illegal acts, etc.: If certain events prescribed in the allotment agreement occur, such as the retirement of an eligible director from his/her position during the restriction period or upon the expiration of the restriction period for any reason other than those deemed justifiable by IIJ, or the commitment by an eligible director of certain misconduct or illegal acts, IIJ may acquire all of the allotted shares for no consideration. In addition, if a similar event occurs with respect to an eligible director during the relevant period, IIJ might not grant monetary remuneration receivables or deliver shares to the director.
・Acquisition for nil consideration (clawback) and additional grants based on status of achievement of targets: If, in the final fiscal year of the Mid-term Plan, the status of achievement of the various targets for the first and second years and the corresponding payment rates decline significantly, IIJ shall, based on the report of the nomination and remuneration committee, acquire part of the restricted shares already delivered as the performance-linked remuneration for the mid- to long-term for nil consideration (clawback). In addition, if, in the final fiscal year of the Mid-term Plan, the status of achievement of the various targets for the first and second years and the corresponding payment rates are significantly elevated, IIJ may, based on the report of the nomination and remuneration committee, make certain additional grants with respect to the number of shares to be granted that is calculated in the final year based on the performance-linked remuneration for the mid- to long-term.

- Treatment in the event of organizational restructuring, etc.: Regardless of the above, if a matter concerning the organizational restructuring, etc. of IIJ, such as a merger agreement whereby IIJ will be the non-surviving party to the merger, or a share exchange agreement or share transfer plan whereby IIJ will become a wholly-owned subsidiary of another entity, is approved at IIJ's ordinary general meeting of shareholders (or by IIJ's board of directors if such organizational restructuring, etc. does not require approval at IIJ's ordinary general meeting of shareholders) during the transfer restriction period, IIJ will remove, based on a resolution of IIJ'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.

(3) Expenses of share-based payment

Expenses of share-based payment recognized in the consolidated statements of profit or loss for the years ended March 31, 2024 and 2025 were ¥208 million and ¥260 million, respectively.

31. FINANCIAL INSTRUMENTS

(1) Capital management

The Company manages its capital to maximize corporate value through continuous growth.

Net liabilities compared to equity of the Company were as follows:

	March 31, 2024	March 31, 2025
	Millions of yen	Millions of yen
Borrowings	30,180	33,616
Lease obligations	42,732	48,886
Cash and cash equivalents	45,474	32,534
Net liabilities	27,438	49,968
Equity	127,032	142,086

(Note) The balance of lease obligations of the end of the previous fiscal year comprised ¥15,750 million on finance leases and ¥26,982 million on other leases. And those of the end of this fiscal year comprised ¥19,172 million on finance leases and ¥29,714 million on other leases.

There is no significant capital restriction externally applicable to the Company.

(2) Categories of financial instruments

① Categories of financial assets and financial liabilities

The components by category of financial instruments, excluding cash and cash equivalents, were as follows:

March 31, 2024

	Financial assets measured at amortized cost	Equity-based financial assets measured at fair value through other comprehensive income	Financial assets measured at fair value through profit or loss	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Current assets				
Trade receivable	45,683	—	—	45,683
Other financial assets	946	—	—	946
Non-current assets				
Investment securities (Equity)	—	14,563	—	14,563
Other investments	2,000	—	7,805	9,805
Other financial assets	4,171	—	—	4,171
	52,800	14,563	7,805	75,168

The table above does not include contract assets and lease receivables.

	Financial liabilities measured at amortized cost
	Millions of yen
Current liabilities	
Trade and other payable	25,435
Borrowings	30,133
Other financial liabilities	1,989
Non-current liabilities	
Borrowings	47
Other financial liabilities	4,416
	62,020

March 31, 2025

	Financial assets measured at amortized cost	Equity-based financial assets measured at fair value through other comprehensive income	Financial assets measured at fair value through profit or loss	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Current assets				
Trade receivable	56,361	—	—	56,361
Other financial assets	847	—	—	847
Non-current assets				
Investment securities (Equity)	—	15,823	—	15,823
Other investments	2,000	—	8,711	10,711
Other financial assets	4,355	—	—	4,355
	63,563	15,823	8,711	88,097

The table above does not include contract assets and lease receivables.

	Financial liabilities measured at amortized cost
	Millions of yen
Current liabilities	
Trade and other payable	30,238
Borrowings	33,616
Other financial liabilities	3,246
Non-current liabilities	
Borrowings	—
Other financial liabilities	6,447
	73,547

② Investments in equity-based financial instruments classified as to be measured at fair value through other comprehensive income

(i) Breakdown and principal names of equity-based financial instruments specified as to be measured at fair value through other comprehensive income

Stock securities which are equity-based financial instruments are specified to be measured at fair value through other comprehensive income.

These equity-based financial instruments specified as such are held for the purpose of strengthening business relationships and not for the purpose of short-term trading to earn profits

Therefore, the Company determined that it is more appropriate to record changes in value as other comprehensive income than as net profit or loss and determined the specification.

The fair value of the securities for which the specification was made and their principal breakdown were as follows:

	March 31, 2024	March 31, 2025
	Millions of yen	Millions of yen
Marketable	13,059	13,924
Nonmarketable	1,504	1,899
	14,563	15,823

The fair values of the above securities by major issuer were as follows:

	March 31, 2024	March 31, 2025
	Millions of yen	Millions of yen
SIGMAXYZ Holdings Inc.	6,926	7,421
Recruit Holdings Co., Ltd.	5,030	5,743
Japan registry services Co., Ltd.	520	554
E-net Co., Ltd.	457	468
PIA corporation	485	397
DittoLive Incorporated	—	304
Transaction Media Networks Inc.	461	235
Other	684	701
	14,563	15,823

(ⅱ) Derecognition of equity-based financial instruments measured at fair value through other comprehensive income

For derecognition of equity-based financial instruments measured at fair value through other comprehensive income, fair values at the time of derecognition and accumulated gain or loss on disposal were as follows:

	For the year ended March 31, 2024	For the year ended March 31, 2025
	Millions of yen	Millions of yen
Fair value at the time of derecognition	698	0
Accumulated gain or loss on disposal	458	(32)

These equity-based financial instruments are disposed for reasons such as reviews of business relationships and the liquidation of investee companies.

Accumulated gain or loss (net-of-tax basis) related to equity-based financial assets measured at FVTOCI are transferred from other components of equity to retained earnings when it is derecognized. The amounts of such transfers for the years ended March 31, 2024 were ¥319 million. The amounts of such transfers for the years ended March 31, 2025 were ¥ (21) million.

Of dividend income from equity-based financial instruments classified as to be measured at FVTOCI during the year ended March 31, 2024, the amount of dividend from the equity-based financial instruments that the Company held at the end date of the reporting period was ¥105 million and there was no dividend from the equity-based financial instruments that the Company derecognized for the year ended March 31, 2024.

Of dividend income from equity-based financial instruments classified as to be measured at FVTOCI during the year ended March 31, 2025, the amount of dividend from the equity-based financial instruments that the Company held at the end date of the reporting period was ¥145 million and there was no dividend from the equity-based financial instruments that the Company derecognized for the year ended March 31, 2025.

(3) Financial risk management

The Company is exposed to financial risks (credit risks, liquidity risks, currency risks, interest rate risks and market price fluctuation risks) in the process of business operations and manages risks in order to reduce these financial risks.

(4) Credit risk management

Credit risk is the risk of customers' defaulting on contractual obligations and causing financial losses for the Company. The company considers the customer fell into default when the possibility is low that the customer repays all debts.

The Company sets and manages the credit limit for each customer based on our credit management regulations etc. Accounts receivable of the Company are for a number of entities spread throughout a wide range of industries and regions.

The Company does not have a credit risk that is excessively concentrated in a single party or a group to which the party belongs.

Carrying amount, less impairment loss, of financial assets on the consolidate financial statements is the maximum exposure to credit risk of the Company's financial assets that does not reflect the evaluated value of the collateral acquired.

The Company records allowance for credit losses on trade receivables and other financial assets, by measuring the future expected credit losses considering factors such as the recoverability and whether there is a significant increase in credit risk. Whether the credit risk has increased significantly or not is evaluated based on the change in the risk of default. To judge such risk, the Company uses information such as financial position of the counterparty, past record of credit loss, historical data of overdue accounts receivable, etc.

Allowance for credit losses on trade receivables are always measured equally to the lifetime expected credit loss, and depending on the transaction details and scale, lifetime expected credit loss is measured individually or collectively. If one or more of the following events that adversely affect the estimated future cash flows of trade receivables have occurred, the trade receivable is deemed to be credit-impaired and expected credit losses are measured for each individual receivable.

・Significant financial difficulty of debtors
・A breach of contract, such as a default or past-due event
・Increased probability that the debtor will enter bankruptcy or other financial reorganization

Allowance for credit losses on other financial assets are measured equally to the 12-month expected credit losses. Based on the same criteria as the trade receivables, if one or more events that adversely affect the estimated future cash flows of trade receivables have occurred, the trade receivable is deemed to be credit-impaired expected credit losses are measured for each individual receivable.

Also, the credit-impaired financial assets are directly amortized in case the whole or part of the asset proved to be non-recoverable as the result of credit investigation and decided to be directly amortized.

① Carrying amount of trade receivables and other financial assets

(ⅰ) Trade receivables

Carrying amount	Financial assets for which allowance for credit losses is constantly measured at lifetime expected credit losses		Total
	not credit-impaired	credit-impaired	
	Millions of yen	Millions of yen	Millions of yen
March 31, 2024	45,703	95	45,798
March 31, 2025	56,395	155	56,550

(ⅱ) Other financial assets

Carrying amount	Financial assets for which allowance for credit losses is measured at equal to the expected credit loss for next 12 months	Financial assets for which allowance for credit losses is measured at lifetime expected credit losses		Total
		Financial assets which increased its credit risk significantly since it was initially recognized	Financial assets credit-impaired	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2024	6,731	—	46	6,777
March 31, 2025	10,447	—	39	10,486

② Changes in allowance for credit losses

Impaired assets are accounted for in allowance for credit loss and are not directly deducted from the carrying amount of the assets. Changes in allowance for credit losses were as follows:

For the year ended March 31, 2024

(ⅰ) Trade receivables

Allowance for credit losses	Financial assets for which allowance for credit losses is constantly measured at lifetime expected credit losses		Total
	not credit-impaired	credit-impaired	
	Millions of yen	Millions of yen	Millions of yen
April 1, 2023	34	266	300
Increases	1	54	55
Decreases(Credits charged off)	(6)	(235)	(241)
Decreases(Reversal)	(2)	—	(2)
Other	0	2	2
March 31, 2024	27	87	114

(ⅱ) Other financial assets

Allowance for credit losses	Financial assets for which allowance for credit losses is measured at equal to the expected credit loss for next 12 months	Financial assets for which allowance for credit losses is measured at lifetime expected credit losses		Total
		Financial assets which increased its credit risk significantly since it was initially recognized	Financial assets credit-impaired	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
April 1, 2023	—	—	35	35
Increases	—	—	0	0
Decreases(Credits charged off)	—	—	(0)	(0)
Decreases(Reversal)	—	—	(0)	(0)
Other	—	—	(0)	(0)
March 31, 2024	—	—	35	35

For the year ended March 31, 2025

(ⅰ) Trade receivables

Allowance for credit losses	Financial assets for which allowance for credit losses is constantly measured at lifetime expected credit losses		Total
	not credit-impaired	credit-impaired	
	Millions of yen	Millions of yen	Millions of yen
April 1, 2024	27	87	114
Increases	10	133	143
Decreases(Credits charged off)	(2)	(66)	(68)
Decreases(Reversal)	―	―	―
Other	1	0	1
March 31, 2025	36	154	190

(ⅱ) Other financial assets

Allowance for credit losses	Financial assets for which allowance for credit losses is measured at equal to the expected credit loss for next 12 months	Financial assets for which allowance for credit losses is measured at lifetime expected credit losses		Total
		Financial assets which increased its credit risk significantly since it was initially recognized	Financial assets credit-impaired	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
April 1, 2024	―	―	35	35
Increases	―	―	1	1
Decreases(Credits charged off)	―	―	(7)	(7)
Decreases(Reversal)	―	―	(1)	(1)
Other	―	―	(1)	(1)
March 31, 2025	―	―	27	27

(5) Liquidity risk management

Liquidity risk is the risk that, the Company is unable to execute payment on the due dates of financial liabilities to fulfill the payment obligations which become due.

The Company manages liquidity risk by preparing appropriate repayment funds, securing credit lines from financial institutions that can be used at any time, and continuously monitoring cash flow plans and actual results.

The balances of financial liabilities by due date were as follows:

March 31, 2024

	Carrying amount	Contractual Amount	Within 1 year	More than 1 to 2 years	More than 2 to 3 years	More than 3 to 4 years	More than 4 to 5 years	More than 5 years
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Financial liabilities								
Trade payable and other payable	25,435	25,435	25,435	—	—	—	—	—
Other financial liabilities	6,406	6,573	2,057	1,540	1,295	1,128	450	103
Short-term borrowings	26,570	26,609	26,609	—	—	—	—	—
Long-term borrowings (including current portion)	3,610	3,622	3,575	47	—	—	—	—
Lease obligations (including current portion)	42,732	43,916	16,493	7,996	6,323	4,657	3,335	5,112
Off-balance transactions								
Unused balance of capital call	—	3,587	—	—	—	—	—	—
Total	104,753	109,742	74,169	9,583	7,618	5,785	3,785	5,215

Unused balance of capital call is an item payable on demand and is related to Investment trust and other securities.

March 31, 2025

	Carrying amount	Contractual Amount	Within 1 year	More than 1 to 2 years	More than 2 to 3 years	More than 3 to 4 years	More than 4 to 5 years	More than 5 years
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Financial liabilities								
Trade payable and other payable	30,238	30,238	30,238	—	—	—	—	—
Other financial liabilities	9,692	9,933	3,354	2,849	2,199	936	302	293
Short-term borrowings	33,570	33,885	33,885	—	—	—	—	—
Long-term borrowings (including current portion)	46	47	47	—	—	—	—	—
Lease obligations (including current portion)	48,886	50,671	18,293	13,022	7,322	5,135	3,866	3,033
Off-balance transactions								
Unused balance of capital call	—	2,722	—	—	—	—	—	—
Total	122,432	127,496	85,817	15,871	9,521	6,071	4,168	3,326

Unused balance of capital call is an item payable on demand and is related to Investment trust and other securities.

(6) Currency risk management

The Company operates internationally and is exposed to risks arising from fluctuations in foreign exchange rates mainly related to trade receivables and payables denominated in foreign currencies.

The Company continually monitors currency markets to manage these risks.

The Company’s major currency risk exposures were as follows:

	March 31, 2024	March 31, 2025
	Millions of yen	Millions of yen
Foreign currency denominated monetary financial instruments		
U.S. dollars	6,800	5,146

Mainly Cash and cash equivalents.

Sensitivity analysis for currency risks

For financial instruments held by the Company as of the end of each fiscal year, following table presents the potential effects on profit before tax in the consolidated statements of profit or loss resulting from a 10% appreciation of the Japanese yen against foreign currencies.

This sensitivity analysis does not include the effects of financial instruments denominated in the functional currency or the effects of translation of assets, liabilities, profits and losses of foreign operations. This analysis assumes that currencies other than the analyzed currency have not changed.

	For the year ended March 31, 2024	For the year ended March 31, 2025
	Millions of yen	Millions of yen
Potential effect on profit before tax		
U.S. dollars	(680)	(515)

(7) Interest rate risks

The Company's borrowings are at fixed interest rates and the Company believes that interest rate risk is not material. Therefore, the Company does not conduct sensitivity analyses for interest rates.

(8) Market price fluctuation risks

The Company is exposed to the risk of market prices fluctuation of equity-based financial instruments (stock).

Equity-based financial instruments held by the Company are for strategic holdings, not for short-term trading purposes. These financial instruments include marketable and nonmarketable equity securities and the Company periodically reviews the holding status considering the market prices and financial conditions of the issuers.

For securities traded in active markets, assuming that all the other parameters remained constant, following table presents the potential effects on other comprehensive income (loss) before income tax expenses resulting from a 10% adverse change in equity prices. The breakdown of equity-based financial assets was as described in " (2) ②(ⅰ)Breakdown and principal names of equity-based financial instruments specified as to be measured at fair value through other comprehensive income".:

	For the year ended March 31, 2024	For the year ended March 31, 2025
	Millions of yen	Millions of yen
Effect of increase (decrease) on other comprehensive income before income tax expenses	(1,306)	(1,392)

(9) 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 financial instruments traded in active markets are evaluated at quoted market prices and these instruments are classified as Level 1. Some equity securities are evaluated based on observable market data, and they are classified as Level 2. If market prices or observable market data do not exist, the Company evaluates fair value by using equity interest in net asset which is added appropriated 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 appropriated adjustments based on recent available information, and these financial assets are classified as Level 3.

The Company's assets measured at fair value consistent with the fair value hierarchy were as follows:

March 31, 2024

	Level 1	Level 2	Level 3	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Assets :				
Equity-based financial assets measured at FVTOCI				
Equity securities	13,059	—	1,504	14,563
Financial assets measured at FVTPL				
Investment trust and other securities	—	—	7,619	7,619
Other financial assets	—	186	—	186

March 31, 2025

	Level 1	Level 2	Level 3	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Assets：				
Equity-based financial assets measured at FVTOCI				
Equity securities	13,924	－	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 Changes in financial assets classified as Level 3

Changes in financial assets classified as Level 3 were as follows:

	For the year ended March 31, 2024	For the year ended March 31, 2025
	Millions of yen	Millions of yen
Equity securities		
Balance at the beginning of the year	1,458	1,504
Other comprehensive income (Note 1)	451	(39)
Purchase	—	434
Sale	(468)	—
Reclassification (Note 2)	63	—
Balance at the end of year	1,504	1,899
Investment trust and other securities		
Balance at the beginning of the year	6,946	7,619
Profit or loss (Note 3)	(49)	41
Purchase	794	863
Sale	(72)	(14)
Balance at the end of year	7,619	8,509

(Note 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."

(Note 2) It was the transfer from investments accounted for using the equity method to Equity-based financial assets measured at FVTOCI due to the decrease in the ratio of voting rights held by the Company.

(Note 3) 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.

④ Financial instruments not measured at fair value

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

(i) Debt securities, Long-term borrowings and long-term lease obligations

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

Since financial assets and financial liabilities classified as current items are settled in a short period of time, the carrying amount is a reasonable approximation of fair value. Regarding non-current items, the fair value of financial assets and financial liabilities other than above is close to their carrying amount.

The Company' s financial instruments not measured at fair value consistent with the fair value hierarchy were as follows:

March 31, 2024

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Assets：					
Other investments					
Financial assets measured at amortized cost					
Debt securities	2,000	―	1,911	―	1,911
Liabilities：					
Long―term borrowings (including current portion)	3,610	―	3,610	―	3,610

March 31, 2025

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Assets：					
Other investments					
Financial assets measured at amortized cost					
Debt securities	2,000	―	1,814	―	1,814
Liabilities：					
Long―term borrowings (including current portion)	46	―	46	―	46

32. INVOLVEMENT IN SUBSIDIARIES

(1) Composition of the Group

IIJ's major subsidiaries as of the end of each fiscal year were as follows:

Name	Location	Common stock (Millions of yen)	Primary Business	Percentage of voting rights	
				March 31,2024	March 31,2025
IIJ Engineering Inc.	Chiyoda-ku, Tokyo	400	Operation and monitoring of network systems, customer service support and call centers (Network and SI business segment)	100.0	100.0
IIJ Global Solutions Inc.	Chiyoda-ku, Tokyo	490	Provision of network services and system integration (Network and SI business segment)	100.0	100.0
Trust Networks Inc.	Chiyoda-ku, Tokyo	100	Operation of bank ATMs and ATMs networks (ATMs Operation Business segment)	80.6	80.6
Net Chart Japan, Inc.	Kouhoku-ku, Yokohama-shi, Kanagawa	55	Development and construction of networks, operation and maintenance of networks and sales of network-related equipment (Network and SI business segment)	100.0	100.0
IIJ Protech Inc.	Chiyoda-ku, Tokyo	10	Provision of human resources and outsourcing services for system operation and services support (Network and SI business segment)	100.0	100.0
IIJ America Inc.	California, the United States	2,180 thousand USD	Provision of network services, system integration and other related services in the U.S. (Network and SI business segment)	100.0	100.0
IIJ Europe Limited	London, the United Kingdom	143 thousand GBP	Provision of network services, system integration and other related services in Europe (Network and SI business segment)	100.0	100.0
IIJ Global Solutions Singapore Pte. Ltd.	Singapore	6,415 thousand SGD	Provision of network services, system integration and other related services in Singapore (Network and SI business segment)	100.0	100.0
PTC SYSTEM (S) PTE LTD	Singapore	2,000 thousand SGD	Provision of system integration and other related services in Singapore (Network and SI business segment)	100.0	100.0
IIJ Global Solutions China Inc.	Shanghai, China	10,630 thousand USD	Provision of network services, system integration and other related services in China (Network and SI business segment)	100.0	100.0

(2) Subsidiaries with material non-controlling interests

There is no subsidiary that has material non-controlling interests.

(3) Gain on the loss of control over a subsidiary

There is no gain due to loss of control of subsidiary.

33. EQUITY METHOD INVESTEES

(1) Significant associates

The Company has no significant associates.

(2) Significant joint ventures

The Company has no significant joint ventures.

(3) Individually immaterial associates and individually immaterial joint ventures

Carrying amounts for the Company's interest on individually immaterial associates and individually immaterial joint ventures

	March 31, 2024	March 31, 2025
	Millions of yen	Millions of yen
Investments in associates	1,279	2,671
Investments in joint ventures	3,890	3,968
Total	5,169	6,639

Following table presents financial information on individually immaterial associates and individually immaterial joint ventures, with ownership percentages considered:

	For the year ended March 31, 2024	For the year ended March 31, 2025
	Millions of yen	Millions of yen
Associates		
Profit or loss	(548)	(533)
Other comprehensive income	—	—
Total comprehensive income	(548)	(533)
Joint ventures		
Profit or loss	83	119
Other comprehensive income	22	17
Total comprehensive income	105	136
Total		
Profit or loss	(465)	(414)
Other comprehensive income	22	17
Total comprehensive income	(443)	(397)

(Note) The Company considers JOCDN Inc. ("JOCDN"), of which the Company holds 16.8% of the voting rights, to be an associate. The Company has determined that the Company has significant influence over JOCDN, due to the fact that more than 20% of the directors of JOCDN are from the Company and that JOCDN is highly dependent on the Company for its business operations and technology.

(4) Share of profit of investments accounted for using equity method

For the year ended March 31, 2025, share of profit of investments accounted for using equity method included gains on changes in equity of ¥209 million, from issuance of common stock of DeCurret Holdings, which is accounted for equity method.

34. RELATED PARTIES

(1) Related party transactions

Transactions and balances of receivables and payables of the Company with related parties were as follows.

Transactions with related parties are conducted on general terms and conditions similar to arm's length transactions.

① Transactions between the Company and NTT

The Company entered into a number of different types of transactions with NTT and its subsidiaries, including purchases of wireline telecommunication services for the Company's offices and lease arrangements. For the Company's connectivity and outsourcing services, the Company purchases international and domestic backbone services, local access lines and rental rack space in data centers and mobile data communication services from NTT and its subsidiaries. The Company sells its services, system integration services and monitoring services for their data centers to NTT and its subsidiaries.

NTT sold a portion of IIJ's shares of common stock in May 2023. The percentage of IIJ's shares held by NTT and its subsidiaries in IIJ's total number of outstanding shares decreased to 11.12% and the percentage of voting rights held by NTT and its subsidiaries decreased to 11.52%. As a result, NTT and its subsidiaries were not related parties as of March 31, 2024.

Following tables present summarized information of the account transactions of the Company with NTT and its subsidiaries:

	For the year ended March 31, 2024	For the year ended March 31, 2025
	Millions of yen	Millions of yen
Revenue	796	—
Cost of sales and selling, general and administrative expenses	4,127	—
Financial cost	8	—

(Note) Transactions as of March 31, 2025 are not presented because NTT and its subsidiaries were not our related parties as of March 31, 2024. The figures for the year ended March 31, 2024 above are the amount of transactions for the period in which NTT and its subsidiaries were our related parties.

② Transactions between IIJ and equity method investees

IIJ established and operates internet related businesses using various corporations. Businesses operated by its equity method investees include Internet exchange service operations (Internet Multifeed Co.,), point management systems operations (Trinity Inc.,), cloud computing services in Indonesia (PT.BIZNET GIO NUSANTARA), cloud computing services in Thailand (Leap Solutions Asia Co., Ltd.,), content delivery network services (JOCDN), financial services for digital currency exchange and settlement (DeCurret Holdings, Inc.,) and local 5G platform services (Grape One Co., Ltd., "Grape One").

Following tables present the aggregate amounts of account balances and transactions of the Company with these equity method investees:

Associates:

	March 31, 2024	March 31, 2025
	Millions of yen	Millions of yen
Trade receivable and other financial assets	119	126
Other investments	2,000	2,000
Trade and other payables	20	53

	For the year ended March 31, 2024	For the year ended March 31, 2025
	Millions of yen	Millions of yen
Revenue	513	636
Cost of sales and selling, general and administrative expenses	80	163

Joint Ventures:

	March 31, 2024	March 31, 2025
	Millions of yen	Millions of yen
Trade receivable and other financial assets	97	71
Trade and other payables	173	255
Contract liabilities	188	197

	For the year ended March 31, 2024	For the year ended March 31, 2025
	Millions of yen	Millions of yen
Revenue	1,330	787
Cost of sales and selling, general and administrative expenses	1,715	1,733

(Note) Grape One a joint venture, was excluded from the scope of equity method in the year ended March 31, 2024. The information above includes the amount of transactions with Grape One prior to the exclusion date.

Dividends from the equity method investees for the years ended March 31, 2024 and 2025 were ¥109 million, ¥59 million, respectively.

(2) Key management executives' compensation

Key management executives' compensation of the Company were as follows:

	For the year ended March 31, 2024	For the year ended March 31, 2025
	Millions of yen	Millions of yen
Basic remuneration	418	389
Share-based payment	113	124
Total	531	513

35. CASH FLOWS

(1) Reconciliation of liabilities from financing activities

Following tables present reconciliation of liabilities from financing activities:

For the year ended March 31, 2024

	April 1, 2023	Changes with cash flow	Changes without cash flows			March 31, 2024
			Leases newly contracted	Exchange differences on translation of foreign operations	Other	
Short-term borrowings	14,770	11,800	—	—	—	26,570
Long-term borrowings (including current portion of long-term borrowings)	5,660	(2,060)	—	10	—	3,610
Other financial liabilities						
Lease liabilities	48,057	(18,847)	14,307	112	(897)	42,732
Account payable-non-current (including current portion)	449	5,448	—	—	—	5,897
Total liabilities from financing activities	68,936	(3,659)	14,307	122	(897)	78,809

For the year ended March 31, 2025

	April 1, 2024	Changes with cash flow	Changes without cash flows			March 31, 2025
			Leases newly contracted	Exchange differences on translation of foreign operations	Other	
Short-term borrowings	26,570	7,000	—	—	—	33,570
Long-term borrowings (including current portion of long-term borrowings)	3,610	(3,563)	—	(1)	—	46
Other financial liabilities						
Lease liabilities	42,732	(20,349)	26,713	(61)	(149)	48,886
Account payable-non-current (including current portion)	5,897	3,428	—	—	—	9,325
Total liabilities from financing activities	78,809	(13,484)	26,713	(62)	(149)	91,827

(2) Non-cash transactions

	For the year ended March 31, 2024	For the year ended March 31, 2025
	Millions of yen	Millions of yen
Facility purchase liabilities	2,242	2,836
Asset retirement obligation	107	200

Increase of Right-of-use-Assets by the adaption of IFRS16 was stated in "16 LEASES."

36. CONTINGENCY

The Company is involved in litigation and claims arising in the ordinary course of business. In evaluating matters on an ongoing basis, the Company takes into account estimated amounts accrued on the consolidated balance sheet. The Company believes that exposure to loss does not exist in excess of the amount accrued and the negative adverse outcome of such litigation and claims would not have a significant impact on the consolidated financial position or results of operations. On September 1, 2010, IIJ Global Solutions Inc. ("IIJ-Global") entered into a Solutions Engagement Agreement with IBM Japan Ltd., IIJ-Global's largest sales partner. This agreement, which establishes the basis for a procurement relationship between IIJ-Global and IBM Japan, contains indemnification for IIJ-Global to perform services, functions, responsibilities and others that were being performed by AT&T Japan. This agreement renews automatically every year. IIJ-Global had no obligation for the indemnification as of March 31, 2025. Through the split-up of IBM Japan Ltd. on September 1, 2021, the part of the agreement has been succeeded by Kyndryl Japan KK.

37. SUBSEQUENT EVENTS

Not applicable.

38. AUTHORIZATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were authorized by Yasuhiko Taniwaki, Representative Director, President and Executive Officer, and Akihisa Watai, Member of the Board, Vice President, Executive Officer and CFO on June 30, 2025.

(2) Others

Semiannual information, etc. for the current consolidated fiscal year

		For the six months ended September 30, 2024	For the year ended March 31, 2025
Revenues	(Millions of yen)	147,022	316,831
Operating profit	(Millions of yen)	11,782	30,104
Profit before tax	(Millions of yen)	11,116	29,184
Profit attributable to owners of the parent	(Millions of yen)	7,473	19,933
Basic earnings per share	(Yen)	42.25	112.68

2 Non-Consolidated Financial Statements, etc.

(1) Non-consolidated financial statements

① Non-consolidated balance sheet

(Unit: JPY millions)

	Year ended March 31, 2024 (As of March 31, 2024)	Year ended March 31, 2025 (As of March 31, 2025)
Assets		
Current assets		
Cash and bank deposits	26,894	16,367
Accounts receivable	※1 38,971	※1 47,063
Investment in leases	1,427	4,660
Merchandise	218	132
Work in process	124	590
Supplies	2,343	3,206
Prepaid expenses	16,301	21,430
Accounts receivable-other	※1 527	※1 395
Consumption taxes receivable	565	—
Short-term loans to affiliated companies	55	69
Contract assets	3,129	6,370
Current portion of guarantee deposits	1	3
Other current assets	※1 132	※1 138
Allowance for doubtful accounts	(105)	(174)
Total current assets	90,582	100,249
Fixed assets		
Property and equipment		
Land	1,522	1,522
Buildings	3,346	3,377
Leasehold improvements	16,284	17,199
Construction other than buildings	1,924	1,924
Data communication equipment and office equipment	13,342	15,703
Assets under finance leases	39,153	37,937
Construction in process	2,503	6,256
Accumulated depreciation	(41,604)	(43,321)
Total property and equipment	36,470	40,597
Intangible assets		
Goodwill	392	251
Customer relationship	587	467
Telephone rights	2	2
Software	15,846	18,592
Assets under finance leases	91	1,177
Other intangible assets	—	3
Total intangible assets	16,918	20,492

(Unit: JPY millions)

	Year ended March 31, 2024 (As of March 31, 2024)	Year ended March 31, 2025 (As of March 31, 2025)
Investments and other assets		
Investments in securities	13,698	15,226
Money held in trust	4,943	5,121
Investments in affiliated companies	20,326	22,293
Bonds of affiliated companies	2,000	2,000
Guarantee deposits	3,779	3,866
Long-term prepaid expenses	13,122	16,703
Claims against insolvencies	4	4
Long-term loans to affiliated companies	145	105
Other investments	412	482
Allowance for doubtful accounts	(22)	(23)
Total investments and other assets	58,407	65,777
Total fixed assets	111,795	126,866
Total assets	202,377	227,115
Liabilities		
Current liabilities		
Accounts payable	※1 5,366	※1 6,491
Short-term borrowings	※2 26,570	※2 33,570
Short-term borrowings from affiliated Companies	3,500	3,600
Long-term borrowings-current portion	3,500	—
Accounts payable-other	※1 14,081	※1 15,179
Finance lease obligations-current	5,628	5,950
Accrued expense	※1 872	※1 837
Accounts payable-fixed assets	2,035	2,609
Income taxes payable	4,544	4,199
Consumption taxes payable	—	791
Deposits received	312	148
Contract liabilities	14,452	17,250
Provision for loss on contracts	—	316
Provision for share based compensation expenses	—	100
Other current liabilities	103	106
Total current liabilities	80,963	91,146
Long-term liabilities		
Accounts payable-noncurrent	1,226	657
Finance lease obligations	8,939	11,184
Asset retirement obligations	829	957
Accrued pension and severance cost	4,343	4,733
Accrued directors' and company auditors' retirement benefit	199	195
Deferred tax liabilities	1,301	1,082
Provision for loss on contracts	—	450
Total long-term liabilities	16,837	19,258
Total liabilities	97,800	110,404

(Unit: JPY millions)

	Year ended March 31, 2024 (As of March 31, 2024)	Year ended March 31, 2025 (As of March 31, 2025)
Net Assets		
Shareholders' equity		
Capital stock	23,023	23,037
Capital surplus		
Legal capital surplus	9,743	9,758
Other capital surplus	—	27
Total capital surplus	9,743	9,785
Earned surplus		
Legal retained earnings	502	502
Other retained earnings		
Reserve for advanced depreciation of fixed assets	202	162
Retained earnings brought forward	74,299	85,866
Total earned surplus	75,003	86,530
Treasury stock	(12,018)	(11,901)
Total shareholders' equity	95,751	107,451
Valuation and translation adjustment		
Net unrealized gains on securities	8,193	8,637
Total valuation and translation adjustment	8,193	8,637
Subscription rights to shares	633	623
Total net assets	104,577	116,711
Total liabilities and net assets	202,377	227,115

② Non-consolidated statement of income

(Unit: JPY millions)

	Year ended March 31, 2024 (April 1, 2023 to March 31, 2024)		Year ended March 31, 2025 (April 1, 2024 to March 31, 2025)	
Total revenues	※1	228,257	※1	259,314
Total costs of revenues	※1	177,237	※1	206,216
Gross margin		51,020		53,098
Total sales, general and administrative expense	※2	27,601	※2	30,429
Operating income		23,419		22,669
Non-operating income				
Interest income	※1	146	※1	57
Dividend income		1,688		1,989
Commissions received	※1	42	※1	49
Royalty charges received		4		4
Gains on investments on silent partnership		—		145
Foreign exchange gain		949		—
Reversal of allowance for doubtful accounts		10		7
Other non-operating income	※1	181	※1	112
Total non-operating income		3,020		2,363
Non-operating expense				
Interest expense	※1	334	※1	473
Losses on investments on silent partnership		98		—
Foreign exchange loss		—		32
Other non-operating expense		91		26
Total non-operating expense		523		531
Ordinary income		25,916		24,501
Extraordinary income				
Gains on sales of investment in securities		547		—
Total extraordinary income		547		—
Extraordinary loss				
Losses on disposal of fixed assets	※3	29	※3	37
Losses on sales of fixed assets	※4	0	※4	31
Losses on valuation of investment securities		123		—
Losses on valuation of shares of affiliated companies		157		—
Other extraordinary loss		—		2
Total extraordinary loss		309		70
Income before income taxes		26,154		24,431
Income taxes-current		7,665		7,349
Income taxes-deferred		(74)		(579)
Total income taxes		7,591		6,770
Net income		18,563		17,661

【Cost of Sales Statements】

Category	Note No.	Year ended March 31, 2024 (April 1, 2023 to March 31, 2024) (Unit: JPY millions)		Composition (%)	Year ended March 31, 2025 (April 1, 2024 to March 31, 2025) (Unit: JPY millions)		Composition (%)
I Equipment purchasing costs			13,871	7.8		21,753	10.5
II Labor costs			32,958	18.6		35,907	17.4
III Outsourcing costs			56,897	32.0		65,595	31.7
IV Expenses							
1 Interconnection fees		20,984			21,854		
2 Depreciation and amortization		11,837			12,419		
3 Rent expenses		311			333		
4 Rent expenses on real estate		4,375			4,645		
5 Maintenance expenses		5,934			6,322		
6 Others		30,238	73,679	41.5	37,769	83,342	40.2
Subtotal			177,405	99.9		206,597	99.8
Work in process at the beginning of the period			106	0.1		124	0.1
Merchandise at the beginning of the period			67	0.0		217	0.1
Total purchases for the period			177,578	100.0		206,938	100.0
Work in process at the end of the period			124			590	
Merchandise at the end of the period			217			132	
Total cost for the period			177,237			206,216	

(Note) Cost accounting method: Actual job-order costing

③ Non-consolidated statement of changes in net assets

Year ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(Unit: JPY millions)

	Shareholders' equity							
		Capital surplus			Earned surplus			
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal surplus	Other earned surplus: Reserve for advanced depreciation of fixed assets	Other earned surplus: Retained earnings brought forward	Total earned surplus
Balance, April 1, 2023	23,023	9,743	321	10,064	502	261	62,116	62,879
Changes								
Payment of dividends							(5,682)	(5,682)
Reversal of reserve for advanced depreciation of fixed assets						(59)	59	—
Net income							18,563	18,563
Purchase of treasury stock								
Disposal of treasury stock			44	44				
Cancellation of treasury Stock			(1,122)	(1,122)				
Transfer from retained earnings to capital surplus			757	757			(757)	(757)
Net changes other than shareholders' equity								
Total changes	—	—	(321)	(321)	—	(59)	12,183	12,124
Balance, March 31, 2024	23,023	9,743	—	9,743	502	202	74,299	75,003

	Shareholders' equity		Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Treasury stock	Total shareholders' equity	Net unrealized gains on securities	Total valuation and translation adjustment		
Balance, April 1, 2023	(1,820)	94,146	4,758	4,758	554	99,458
Changes						
Payment of dividends		(5,682)				(5,682)
Reversal of reserve for advanced depreciation of fixed assets		—				—
Net income		18,563				18,563
Purchase of treasury stock	(11,401)	(11,401)				(11,401)
Disposal of treasury stock	81	125				125
Cancellation of treasury Stock	1,122	—				—
Transfer from retained earnings to capital surplus		—				—
Net changes other than shareholders' equity			3,435	3,435	79	3,514
Total changes	(10,198)	1,605	3,435	3,435	79	5,119
Balance, March 31, 2024	(12,018)	95,751	8,193	8,193	633	104,577

Year ended March 31, 2025 (April 1, 2024 to March 31, 2025)

(Unit: JPY millions)

	Shareholders' equity							
	Capital 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	Retained earnings brought forward	
Balance, April 1, 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 gains on securities	Total valuation and translation adjustment		
Balance, April 1, 2024	(12,018)	95,751	8,193	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	444	(10)	434
Total changes	117	11,700	444	444	(10)	12,134
Balance, March 31, 2025	(11,901)	107,451	8,637	8,637	623	116,711

Notes to Non-Consolidated Financial Statements

(Significant accounting policies)

1. Valuation and methods for securities

(1) Shares of subsidiaries and affiliates

Stated at cost based on the moving-average method.

(2) 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 IIJ'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 held for normal sales purpose

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

(1) Merchandise and supplies:

Moving-average method.

(2) Work in process:

Specific identification method.

3. Depreciation methods for fixed assets

(1) Property, plant and equipment (excluding assets under finance 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 finance 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 the estimated useful lives (8 to 10 years).

(3) Assets under finance lease

Finance leases other than those deemed to transfer ownership of properties to lessees.

Amortized over the term of leases on a straight-line basis and the residual values equal zero.

4. 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. 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.

5. 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.

6. Other significant accounting policies

(1) Presentation of the amount

The figures are rounded to the nearest million yen.

(Notes to Accounting Estimates and Judgements)

1. Measurement of retirement benefit obligations

(1) The amounts recorded in financial statements

	As of March 31, 2024 (Unit: JPY millions)	As of March 31, 2025 (Unit: JPY millions)
Retirement benefit obligations	10,268	10,330

(2) Information about the content of the identified material accounting estimates

The present value of retirement benefit obligations is 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.

2. Measurement of the progress towards completion of system construction

(1) The amounts recorded in financial statements

	For the Year ended March 31, 2024 (Unit: JPY millions)	For the Year ended March 31, 2025 (Unit: JPY millions)
Revenue from system construction service recognized by the cost to cost method	25,731	30,598

(2) Information about the content of the identified material accounting estimates

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.

(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., IIJ 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.

(Notes to Non-Consolidated Balance Sheet)

1. Assets and liabilities to affiliated companies.

Monetary claims and liabilities to affiliated companies (excluding monetary claims or liabilities presented separately), as follows.

	As of March 31, 2024 (Unit: JPY millions)	As of March 31, 2025 (Unit: JPY millions)
Short-term monetary claims:	821	799
Short-term monetary liabilities:	3,468	3,350

2. IIJ entered into bank overdraft agreements with 8 Japanese banks in order to efficiently procure working capital, etc.

The unused balance outstanding, as follows.

	As of March 31, 2024 (Unit: JPY millions)	As of March 31, 2025 (Unit: JPY millions)
Maximum limit of bank overdraft	46,500	45,300
Used balance	26,520	33,520
Unused balance	19,980	11,780

(Notes to Non-Consolidated Statement of Income)

1. Transactions with affiliated companies (other than accounts separately presented in financial statements), as follows.

	For the Year ended March 31, 2024 (Unit: JPY millions)	For the Year ended March 31, 2025 (Unit: JPY millions)
Amount of sales	7,495	7,409
Amount of purchase	29,521	35,272
Amount of transactions other than business transactions	81	90

2. Major components and those amount of sales, general and administrative expense, as follows.

	For the Year ended March 31, 2024 (Unit: JPY millions)	For the Year ended March 31, 2025 (Unit: JPY millions)
Advertising expense	2,537	3,006
Sales commission expenses	2,312	1,734
Salaries for employees	5,810	6,508
Bonuses for employees	1,753	2,057
Retirement benefit expenses	426	488
Welfare expenses	1,178	1,320
Outsourcing expenses	3,431	3,864
Rent expenses	1,594	1,751
Depreciation and amortization	1,110	1,270
Provision of allowance for doubtful accounts	53	144
Research and development expenses	539	557
Other	6,858	7,730
Total	27,601	30,429
Approximate percentage		
Sales expenses	62.75%	62.94%
General and administrative expenses	37.25%	37.06%

3. Major components of losses on disposal of fixed assets, as follows.

	For the Year ended March 31, 2024 (Unit: JPY millions)	For the Year ended March 31, 2025 (Unit: JPY millions)
Losses on disposal of leasehold improvements	11	7
Losses on disposal of data communication equipment and office equipment	4	3
Losses on disposal of assets under finance leases	1	0
Losses on disposal of software	13	27
Total	29	37

4. Major components of losses on sales of fixed assets, as follows.

	For the Year ended March 31, 2024 (Unit: JPY millions)	For the Year ended March 31, 2025 (Unit: JPY millions)
Losses on sales of building	0	—
Losses on sales of data communication equipment and office equipment	—	31
Total	0	31

(Notes to Securities)

Year ended March 31, 2024 (As of March 31, 2024):

As for the investment in affiliated company's securities (JPY 16,730 million as of March 31, 2024) and equity-method investees' securities (JPY 3,596 million as of March 31, 2024), there are no market prices of those securities and it is considered extremely difficult to know those fair values based on the market prices, thus, those are omitted.

Year ended March 31, 2025 (As of March 31, 2025):

As for the investment in affiliated company's securities (JPY 16,772 million as of March 31, 2025) and equity-method investees' securities (JPY 5,521 million as of March 31, 2025), there are no market prices of those securities and it is considered extremely difficult to know those fair values based on the market prices, thus, those are omitted.

(Notes to Deferred Tax Accounting)

1 . Major components of deferred tax assets and liabilities

	As of March 31, 2024 (Unit: JPY millions)	As of March 31, 2025 (Unit: JPY millions)
(Deferred tax assets)		
Impairment loss on investment securities	149	143
Impairment loss on investments in affiliated companies	2,301	2,368
Loss on disposal of telephone rights	47	49
Impairment loss of telephone rights	19	20
Accrued directors' and company auditors' retirement benefits	61	61
Accrued pension and severance cost	1,329	1,448
Allowance for doubtful accounts	39	60
Accrued enterprise taxes	306	289
Deferred revenue	159	152
Asset retirement obligations	254	302
Over depreciation	745	724
Stock-based compensation	230	274
Provision for loss on contracts	—	238
Customer relationships	53	39
Others	475	684
Subtotal: Deferred tax assets	6,167	6,851
Valuation allowance	(3,133)	(3,292)
Total: Deferred tax assets	3,034	3,559
(Deferred tax liabilities)		
Unrealized gain on other securities	(3,612)	(3,972)
Asset retirement cost	(98)	(119)
Customer relationships	(179)	(146)
Reserve for advanced depreciations of fixed assets	(89)	(74)
Gain on investment securities	(300)	(285)
Others	(57)	(45)
Total: Deferred tax liabilities	(4,335)	(4,641)
Net amount of deferred tax liabilities	(1,301)	(1,082)

2. Major components in relation to the difference between the statutory effective tax rate and the actual effective tax rate after the application of tax effect accounting

	As of March 31, 2024	As of March 31, 2025
Statutory effective tax rate	30.6%	30.6%
(Adjustments)		
Entertainment expenses	0.6	0.5
Amortization of goodwill	0.2	0.2
Exclusion of dividend received from gross revenue	(1.9)	(2.4)
Inhabitant tax-per capita	0.1	0.1
Change in valuation allowance	0.5	0.3
Tax credits for acceleration of wage increases	(1.0)	(1.5)
Other	(0.1)	(0.1)
Actual effective tax rate after adoption of tax effect accounting	29.0%	27.7%

3. 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, IIJ applies 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").

4. 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 fiscal years beginning on or after April 1, 2026. This change had no material impact on the result of operation.

(Notes to Revenue Recognition)

The basic information to understand the revenue is omitted as it is same as that of the note to consolidated financial statements.

(Subsequent Events)

Not applicable.

④【Supplemental schedules】(As of March 31, 2025)

【Statement of property, plant and equipment, etc.】

Asset type	Balance at the beginning of the year (JPY millions)	Increase during the year (Note 1) (JPY millions)	Decrease during the year (Note 2) (JPY millions)	Depreciation and amortization during the year (JPY millions)	Balance at the end of the year (JPY millions)	Accumulated depreciation and amortization at the end of the year (JPY millions)	Acquisition cost of fixed assets at the end of the year (JPY millions)
Property and equipment							
Land	1,522	—	—	—	1,522	—	1,522
Buildings	2,938	32	—	76	2,894	483	3,377
Leasehold improvements	11,755	985	7	1,236	11,497	5,702	17,199
Construction other than buildings	1,238	—	—	104	1,134	790	1,924
Data communication equipment and office equipment	4,280	3,081	5	1,726	5,630	10,073	15,703
Assets under finance leases	12,234	4,937	97	5,410	11,664	26,273	37,937
Construction in process	2,503	5,843	2,090	—	6,256	—	6,256
Total property and equipment	36,470	14,878	2,199	8,552	40,597	43,321	83,918
Intangible assets							
Goodwill	392	—	—	141	251		
Customer relationship	587	—	—	120	467		
Telephone rights	2	—	—	—	2		
Software	15,846	7,835	27	5,062	18,592		
Assets under finance leases	91	1,217	—	131	1,177		
Other intangible assets	—	3	—	—	3		
Total intangible assets	16,918	9,055	27	5,454	20,492		

(Notes)

1) The major breakdown of the increase during the year is as follows.

		(JPY millions)
Leasehold improvements	For data centers	585
Data communication equipment and office equipment	For mobile services	1,098
	For back-office infrastructure	830
	For cloud services	411
Assets under finance leases (tangible fixed assets)	For server-related infrastructure	2,049
	For cloud services	1,196
	For backbone connection infrastructure	718
Construction in process	For data centers	3,773
	For cloud services	1,304
Software	For mobile service back-office systems	2,619
	For foreign exchange trading service	1,233
	For mobile service back-office systems	607
Assets under finance leases (Intangible assets)	For mobile services	805
	For specific customer	329

2) The major breakdown of the decrease during the year is as follows.

		(JPY millions)
Construction in process	For mobile services	739
	For cloud services	541
	For specific customer	539

【Statement of provisions】

Category	Balance at the beginning of the year (JPY millions)	Increase during the year (JPY millions)	Decrease during the year (JPY millions)	Balance at the end of the year (JPY millions)
Allowance for doubtful accounts	127	144	74	197
Provision for directors' and company auditors' retirement benefit	199	－	4	195
Provision for loss on contracts	－	766	－	766
Provision for share based compensation expenses	－	100	－	100

As for the reasons for recording provisions and calculation standard, please refer "PART 1 Information on the Company, Item5 Financial Status, 2 Non-Consolidated Financial Statements, etc., Notes to Non-Consolidated Financial Statements, 4. Basis for recording allowances" in this report.

(2) 【Details of major assets and liabilities】(As of March 31, 2025)

Consolidated financial statements have been prepared, thus details of major assets and liabilities are omitted here.

(3) 【Others】

There is nothing to report on this subject.

Item 6. Stock-Related Administration for the Company

Fiscal Year	From April 1 to March 31
Annual General Meeting of Shareholders	During June
Record Date	March 31
Record Date for Distributions of Surplus	September 30 (Semi-Annual Dividend) March 31 (Annual Dividend)
Number of Shares Constituting One Unit	100 shares
Purchases of Less-than-one-Unit Shares	
Handling Office	(Special account) 4-5 Marunouchi 1-chome, Chiyoda-ku, Tokyo Mitsubishi UFJ Trust and Banking Corporation Securities Agency Division
Transfer Agent	(Special account) 4-5 Marunouchi 1-chome, Chiyoda-ku, Tokyo Mitsubishi UFJ Trust and Banking Corporation
Forwarding Address	—
Purchase Fees	—
Method of Public Notice	IIJ’s method of public notice is through electronic disclosure. However, if IIJ cannot use electronic disclosure due to unforeseen circumstances, IIJ will provide public notice through Nihon Keizai Shimbun. IIJ's URL for public notice is https://www.iij.ad.jp/en/
Special Benefits to Shareholders	Not applicable.

Note: Pursuant to IIJ’s Articles of Incorporation, shareholders of IIJ may not exercise rights with respect to shares representing less than one unit other than the following rights:

(1) The rights set forth in Article 189, Paragraph 2 of the Companies Act
(2) The right of request pursuant to the stipulations of Article 166, Paragraph 1 of the Companies Act
(3) The right to receive allocations of offered shares and offered stock acquisition rights in accordance with the number of shares owned by the Shareholder
(4) Shareholders holding shares amounting to less than one unit have the right to request that the Company sell shares in the amount necessary to achieve one unit

Item 7. Reference Information on the Company

1. Information about the Parent Company of the Company

IIJ has no "parent company" as such term is defined in Article 24, Paragraph 7-1 of the Financial Instruments and Exchange Act of Japan.

2. Other Reference Information

IIJ filed the following materials between the beginning date of this fiscal year (April 1, 2024) and the date of the filing of this Annual Securities Report (June 30, 2025).

(1) Annual Securities Report, Including Attachments and Confirmation Letter

Fiscal Year (32nd Business Term) (from April 1, 2023 to March 31, 2024)
Filed with the Director of the Kanto Local Finance Bureau on June 28, 2024

(2) Internal Control Report, Including Attachments

Filed with the Director of the Kanto Local Finance Bureau on June 28, 2024

(3) Semiannual Securities Report and Confirmation Letters

The First Half of the 33rd Business Term (from April 1, 2024 to September 30, 2024)
Filed with the Director of the Kanto Local Finance Bureau on November 14, 2024

(4) Extraordinary Reports

Extraordinary Report Pursuant to Article 19, Paragraph 2, Item 9-2 (resolutions of matters resolved at the General Meeting of Shareholders), of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.
Filed with the Director of the Kanto Local Finance Bureau on June 28, 2024

Extraordinary Report Pursuant to Article 19, Paragraph 2, Item 9-2 (change of Representative Directors), of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.
Filed with the Director of the Kanto Local Finance Bureau on January 9, 2025

Extraordinary Report Pursuant to Article 19, Paragraph 2, Item 9-2 (resolutions of matters resolved at the General Meeting of Shareholders), of the Cabinet Office Ordinance Concerning Disclosure of Corporate Affairs, etc.
Filed with the Director of the Kanto Local Finance Bureau on June 30, 2025

(5) Securities Registration Statement, Including Attachments

Securities Registration Statement (disposal of treasury stock for restricted stock compensation), including attachments.
Filed with the Director of the Kanto Local Finance Bureau on June 27, 2024.

Securities Registration Statement (disposal of treasury stock for restricted stock compensation), including attachments.
Filed with the Director of the Kanto Local Finance Bureau on May 23, 2025.

(6) Amendment to Securities Registration Statement

Amendment Statement (Amendment Statement of (5) above)
Filed with the Director of the Kanto Local Finance Bureau on June 28, 2024

PART 2 Information about Guarantors of the Company

Not applicable.

Glossary

1	AI	AI (Abbreviation for Artificial Intelligence) is technology that allows computer systems and machines to imitate human intelligence, such as reasoning, judgment, and learning.
2	APNIC	Abbreviation for Asia Pacific Network Information Centre. An organization that manages the allocation and registration of Internet numbering resources such as IP addresses in the Asia Pacific region.
3	ASPIC	ASPIC is a general incorporated association in Japan which provides information, business support, policy support, and other activities related to ASP, SaaS, AI, and IoT cloud services.
4	ATM	Automated Teller Machine (ATM) enables the customers of a financial institution to perform financial transactions, particularly cash withdrawal, without the need for a human cashier, clerk or bank teller.
5	bps	Bps stands for "bit per second" and is a basic unit of data communications. Bps is the number of bits (amount of data) that can be transmitted per second. Other than bps, units such as kbps (1kbps = 1,000bps), Mbps (1Mbps = 1,000 kbps), Gbps (1Gbps = 1,000 Mbps) and Tbps (1Tbps = 1,000Gbps) are often used.
6	CDN	Content Distribution Network (CDN) is an optimized network to distribute contents over the Internet.
7	dix-ie	dix-ie is an abbreviation of Distributed IX in EDO. dix-ie is an Internet exchange point or related project operated by WIDE project. dix-ie is one of the major Internet exchange point in Japan. There are two sites: in Tokyo and Osaka.
8	DNS Server	A Domain Name System (DNS) server is a computer that functions as hierarchical database over Internet. DNS is currently used to match an IP address that points to a location on the network and a domain name that is mainly used for an email address.
9	eSIM	SIM of which users can remotely update its mobile carrier profile
10	FIRST	FIRST is an abbreviation of Forum of Incident Response and Security Team. FIRST is an international confederation of computer incident response teams around the world who cooperatively handle computer security incidents and promote incident prevention programs. FIRST enables its members to more effectively respond to security incidents by providing access to best practices, tools, etc.
11	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.
12	ICT-ISAC	ITC-ISAC is a general incorporated association in Japan established for information sharing and analysis of cyber security in the entire information and telecommunications sector.
13	IETF	Internet Engineering Task Force (IETF) is an organization formed to settle on standardization of technologies used on Internet. The standard specifications settled on are published as Request For Comment (RFC) and others. A subordinate organization of ISOC.
14	IIJ GIO Infrastructure P2	IIJ GIO Infrastructure P2 is a next-generation cloud service which is provided as a new service platform. Conventional cloud services offer a public cloud for a large number of non-specific users and a separate private cloud for specific users. IIJ GIO Infrastructure P2 offers a public cloud with high processing performance and a reliable private cloud, which enables users to select the optimal combination.
15	IIJ GIO Infrastructure P2 Gen.2	A Cloud service launched by the Company from October 1, 2021. The service allows smooth Cloud migration from on-premise (*) by incorporating usefulness of both Private Cloud and Public Cloud.
16	IIJ Mobile Access Service Type I	The first full MVNO service utilizing 3G/LTE network in Japan. This service will both provide a variety of plans that fit different types of usage for corporate customers and achieve more efficient communications costs for specific IoT applications.
17	IoT	Internet of Things (IoT) enables not only physical objects but also any “things” connected to network to exchange information automatically.
18	IP	Internet Protocol (IP) is the protocol that is used on the Internet. IP is a type of packet switching that transmits telecommunications data by a unit called “a packet” and an IP address is allocated to equipment to point to a location. IP became one of the most popular protocols as the Internet spread.
19	IPv6	Internet Protocol version 6 (IPv6) was planned as a new protocol to take the place of Internet Protocol version 4 (IPv4) because the Internet's rapid growth led to an IP address shortage. IPv6 was planned as a new protocol to deal with the problem of a shortage in IP addresses was raised as Internet rapidly spreads, while Internet Protocol version 4 (IPv4) is currently used on the Internet. IPv6 has vast address fields, enhanced security, increased speeds and advanced functions.
20	IP Address	An IP Address is a number allocated to recognize individual equipment on an IP network. An IP address is used as a source and destination when data communication is made. The length of an IP address becomes 128 bit for IPv6, which is 4 times greater than the 32 bits for IPv4.
21	IP Service	IIJ’s dedicated-type Internet connectivity services, mainly used by corporate users.
22	ISMAP	Abbreviation for Information system Security Management and Assessment Program, a system for pre-evaluating and registering cloud services that meet the security requirements of the Japanese government.
23	ISOC	ISOC is an abbreviation for Internet Society. ISOC was established as an international nonprofit organization to provide leadership in Internet-related standards, education, policy and etc.
24	ITU	International Telecommunication Union (ITU) is a specialized agency of the United Nations that is responsible for issues that concern information and communication technologies.
25	ITU-T	ITU-T is an ITU organization and organizes major events for the world's information and communication technologies community.
26	JANOG	JApan Network Operators' Group (JANOG) is a non-profit voluntary network operators group for network engineers in Japan. It's an operational and technical community to discuss technologies and operational practices around the Internet.
27	JPNAP	Japan Network Access Point (JPNAP) is an Internet Exchange (IX) operated by Internet Multifeed Co., and is one of the major IXs in Japan. JPNAP is located in Tokyo and Osaka.

28	JPNIC	Abbreviation for Japan Network Information Center. An organization that manages the allocation and registration of Internet numbering resources such as IP addresses in Japan.
29	LAN	Local Area Network (LAN) is a network connecting computers and other equipment in a relatively narrow area, such as the same fields and the same building. A broader network is called Wide Area Network (WAN).
30	LTE	Long Term Evolution (LTE) is a standard for wireless broadband communication for mobile devices.
31	MVNO	Mobile Virtual Network Operator (MVNO) is a company that provides mobile phone services by using other companies' mobile infrastructure.
32	MVNE	Mobile Virtual Network Enabler (MVNE) is a company that provides MVNOs for mobile infrastructure and related services to enable their MVNO businesses.
33	NOC	Network Operation Center (NOC) is a center used for operating and monitoring networks. Network operation center may also mean Point of Presence (POP).
34	OEM	Original Equipment Manufacturing (OEM) refers to companies that manufacture products under the brand of other companies and is also used as one of the service provisioning methods.
35	PoC	Proof of Concept (PoC) is a demonstration for the purpose of verifying that certain concepts or theories have the potential for real-world application.
36	SASE	SASE (Secure Access Service Edge) is a concept to shift controls of network and security to the route to Cloud services to enable secure access from any points, instead of the conventional centralized management through headquarters or data centers.
37	SEIL	SEIL Management Framework (SMF)(*) is a framework to centrally manage network connections and other functions and a service to provide the functions on SEIL, IIJ's originally developed routers and other network equipment. SMF enables connections to the Internet by simply connecting routers to telecommunications lines without complicated configurations.
38	SIM Card	Subscriber Identity Module (SIM) Card is an integrated circuit card to identify subscribers on mobile telephony devices.
39	SMF	SEIL Management Framework (SMF) is a framework to centrally manage network connections and other functions and a service to provide the functions on SEIL, IIJ's originally developed routers and other network equipment. SMF enables connections to the Internet by simply connecting routers to telecommunications lines without complicated configurations.
40	Ultra Ethernet Consortium	The Ultra Ethernet Consortium is an organization aiming to deliver a high-performance, open, and interoperable Ethernet-based communication technology to meet the growing demands of AI and high-performance computing.
41	VPN	Virtual Private Network (VPN) is a technology to provide a virtually closed network, such as a corporate intranet over the open network Internet with encryption technology and other security measures.
42	WIDE project	The WIDE (Widely Integrated Distributed Environment) project is an Internet project in Japan, founded in 1988. The WIDE project aims to integrate academia and industry in a single group that overcomes lines between organizations as an autonomous force utilizing new technologies for a better society.
43	WAN	Wide Area Network (WAN) is a telecommunications or computer network for data communications, with leased circuits or other types of network services, that extends over a large geographical distance. Compared to Local Area Network (LAN), WAN extends over a larger geographical distance.
44	Access Circuit	Access circuit is a telecommunications circuit to connect between facilities of telecommunications carriers and subscribers.
45	Application Service Provider	Application Service Provider (ASP) is a company or a service that provides business applications to customers over Internet.
46	Internet Service Provider	Internet Service Provider (ISP) is a company that provides Internet connectivity, web hosting and other services.
47	Intranet	Intranet is a network built within an organization with Internet technology. Intranet is widely used in enterprises and governmental organizations, because it can be used in the same way as Internet and it can be built for a relatively low price with popular technology.
48	Open Source	Open source is one of various means of licensing software. Open source is defined by an organization named Open Source Initiative (OSI), an organization that promotes open source, and is defined as source code for computer programs that is public and is freely allowed to be re-distributed without worry of copyright or patent infringement.
49	On-premise	It is a way of managing IT assets such as servers and software by locating them within enterprises facilities and operating them.
50	On-line Securities Trading Company	An on-line securities trading company is a company that conducts securities trading over Internet. There are companies that conduct securities trading businesses solely over Internet.
51	GigaPlans	GigaPlans is our consumer mobile service plans, which IIJ has started providing from April 1, 2021.
52	Cloud Computing	Cloud computing is the on-demand delivery of computer or storage device functions and processing ability, software, data and etc. through the Internet.
53	Cyber-attacks	Cyber-attacks is the practice of engaging in ill-intentioned activities such as gaining unauthorized access to computer systems using security holes, and stealing and altering data and computer programs.
54	Wide-area Ethernet	Wide-area Ethernet is a technology or service to deliver WAN service using Ethernet connectivity.
55	Binding Corporate Rules（BCR)	BCR establishes the policy for protecting personal data obtained from the European Economic Area (EEA) and the rules for sharing such personal data with group companies outside the EEA in accordance with the EU's personal data protection law, the General Data Protection Regulation (GDPR). The approval of the BCR by the European Data Protection Authority serves as confirmation of compliance with EU data protection law.
56	Container-based modular data center	A data center utilizing container-modules with outside-air conditioning systems. There are advantages such as reduction in construction period, cost, scalability, dispersion of risk and space and energy savings compared to incumbent building-type data centers.
57	Content	Content stands for information that is found on the web, such as text, music and videos.
58	Server	Server is a computer system or program to provide services, such as email and web services to other computers and their users.
59	Service Adapter	Service Adapter is a generic term for network equipment with SMF, which enables connections to the Internet by simply connecting routers to telecommunications lines without complicated configurations.
60	Service Integration	A collective term for projects in which services are provided in an integrated manner combining network services and system integration, where initial revenue is recognized from system construction such as network setup, followed by monthly revenue from network services and system operation and maintenance.

61	Service Level Agreement	Service Level Agreement (SLA) is an agreement to show objective figures to evaluate service quality and to reimburse service charges when the level of service is under the defined service quality. IIJ adapts Service Level Agreements to Internet connectivity services and sets objective figures for availability, network latency and others.
62	Systems Integration	Systems Integration (SI) is to meet customer needs by designing, constructing and operating information systems suitable to customer needs.
63	Systems Integrator	Systems Integrator is a company that provides systems integration to end customers.
64	System modules-based construction method	Construction method systematizing the overall building production by standardizing the components used in the buildings' construction. This allows shorter construction times, cost saving, and flexible scalability while maintaining quality.
65	Security	Security stands for measures that are taken to keep networks, computers, and other such items safe. On a network, this could include installing firewalls to protect internal information systems from broader Internet users.
66	Security Operation Center	Security Operation Center (SOC) is an organization in charge of monitoring network and equipment to detect and analyze network attacks and suspicious activities and implement counter attacks.
67	Security policy	Security policy is generally made to summarize policies related to information security. Security policy usually entails rules for important policies related to information security, including management policy on information assets such as personal information and management policy on risks such as troubles, and rules detailing procedures for maintaining security. Security policy is the most basic document related to information security measures.
68	Interconnectivity charges /Mobile Unit Charge	Cost of connection with other network operators. As for mobile services, interconnectivity charge refers to the unit charge for interconnectivity data communications charge between mobile carriers such as NTT DoCoMo and MVNO such as IIJ. The unit price is per Mbps.
69	Internet eXchange	Internet eXchange (IX) is a point at which ISPs exchange Internet traffic. IX was started to be used as a place for ISPs to connect to each other easily, as many ISPs appeared along with the expansion of Internet and interconnectivity among ISPs became complicated.
70	Chip SIM	Chip SIM is a small-sized SIM card with the features of corresponding to a wide range of temperature environments, vibration resistance, corrosion resistance etc.
71	Telecommunications Carrier	A telecommunications carrier is a company that provides telecommunications services by installing telecommunications equipment such as access circuits and telephone switch boards.
72	Digital currency	The general term for a variety of virtual currencies such as bitcoin and digital currency pegged to the Japanese yen which some banks are considering to issue.
73	Data Center	A data center is a facility built to house computer systems. Data centers usually have facilities for computer systems, such as racks, electric facilities and air conditioning facilities, facilities that help recover from disasters such as earthquakes and power outages, and security facilities such as access control. There are Internet Data Centers (dice) to provide Internet connectivity in data centers.
74	Telecommunications operator	A telecommunications operator is a company, such as a telecommunications carrier or ISP, that provides telecommunications services defined in the Telecommunications Business Act in Japan.
75	Traffic	Traffic is a flow of data transmitted over a network, or the amount of data transmitted.
76	Network System	Network systems are computer systems connected by networks, consisting of routers, telecommunications circuits, servers and others. It is common that network systems provide functions to use applications over an intranet and Internet.
77	Backbone	Backbone is the primary part of the network. For ISPs, the backbone is the main network connecting NOC, POP and access points over high-speed circuits.
78	Backbone router	A backbone router is a router installed at POP to construct a backbone. A backbone router is capable of connecting high-speed telecommunications circuits such as several Gbps as the circuits are used for backbone.
79	Public Cloud	Cloud computing that is offered to unspecified large number of user. ICT resources such as servers, storage and software are offered through network as service.
80	Peering	Point Of Presence (POP) is a place prepared by an ISP to connect its users to the Internet. In POP, backbone routers to be connected to the Internet backbone and routers to accommodate connectivity from users are installed.
81	Private Cloud	Cloud computing constructed mainly for enterprises and others to use for their in-house use.
82	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.
83	FLET'S	FLET'S is the name used for various services using telecommunications circuits such as optical fibers, provided by Nippon Telegraph and Telephone East and West Corporation. FLET'S includes access services to provide Internet connectivity tying up ISPs and application services such as content distribution and VPN services.
84	Broadband	Broadband is a service realized by expansion of high-speed access networks. Broadband also provides full-time connectivity.
85	Protocol	Protocol is to define procedures and form data required for communication in advance.
86	Hosting Services	Hosting services are services that provide a server environment for corporations and individuals who use the Internet.
87	American Depositary Receipt (ADR)	American Depositary Receipt (ADR) is a negotiable security that represents securities of a foreign company that trades in the U.S. financial markets.
88	Multi-cloud	Multi-cloud means using multiple cloud services from multiple different cloud service providers, such as Amazon Web Services, Microsoft Azure and etc.
89	Spam mail	Spam is unsolicited email. Users typically do not want to receive spam, such as advertisement emails sent without permission and emails sent for fraud.
90	Remote access	By using Internet and others, access corporate intranet and/or computers from outside of office, remotely.
91	Router	A router is a physical networking device or virtual networking appliance that forwards data between two or more packet-switched computer networks.

Independent Auditor's Report

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

KPMG AZSA LLC
Tokyo Office

Hidetoshi Fukuda
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Yusuke Matsumoto
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Internet Initiative Japan Inc. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at March 31, 2025, and the consolidated statements of profit or loss and comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to consolidated financial statements, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">Reasonableness of the estimated total cost related to revenue recognition for systems integration services</th></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>As described in Note 3 “MATERIAL ACCOUNTING POLICIES, (13) Revenue” to the consolidated financial statements, Internet Initiative Japan Inc. (hereinafter, the “Company”) and its consolidated subsidiaries recognize revenue from systems integration services as the related performance obligations are satisfied over time based on the progress toward satisfaction of those performance obligations.

Of the revenues recognized for the current fiscal year, revenue recognized for systems integration services based on such progress amounted to ¥55,804 million, representing approximately 17.6% of total revenues in the consolidated financial statements.

The progress toward satisfaction of performance obligations related to systems integration services is measured using the input method (i.e. the cost-to-cost method) based on the cost incurred, and the estimated total cost that underlies the input method includes the estimates of equipment purchase, outsourcing expenses and work hours.

In the systems integration services, services such as design and development of a network system and consultation are provided according to customers’ demand. Therefore, each service is highly unique, and unexpected work hours may be required due to system malfunction and specification changes, among other factors. Accordingly, the estimate of work hours included in the estimated total cost that underlies the input method particularly involved a high degree of uncertainty, and management’s judgment thereon had a significant effect on the amount of revenue recognized for systems integration services based on the progress.

We, therefore, determined that our assessment of the reasonableness of the Company’s estimate of the total cost related to revenue recognized for systems integration services based on the progress was of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</td><td>The primary procedures we performed to assess the reasonableness of the estimated total cost related to the revenue recognized for systems integration services based on the progress included the following:

(1) Internal control testing

We tested the design and operating effectiveness of certain of the Company’s internal controls relevant to estimating the total cost of systems integration services, with a particular focus on the following:

● controls to ensure the reasonableness of the estimate of work hours; and

● controls designed to reflect the effect, if any, of system malfunction and specification changes in the estimated total cost in a timely and appropriate manner.

(2) Assessment of the reasonableness of the estimated total cost

The primary procedures we performed to assess whether the Company’s estimate of work hours included in the total cost of systems integration services was reasonable included the following:

● assessed the accuracy of the estimate of work hours by comparing, for systems integration services completed in the current fiscal year, the estimated total work hours at the end of the previous fiscal year with actual work hours;

● inquired of the personnel responsible for projects about the basis for the estimate of work hours for systems integration services selected considering the amount of orders and the progress toward completion, and evaluated whether the percentage of actual work hours of those projects through the end of the current fiscal year was consistent with the status of their progress indicated in the work process charts; and

● inquired of the personnel responsible for projects about causes of any variance for</td></tr>
</table>

	systems integration services in which the estimated work hours through the end of the current year deviated, exceeding a certain threshold, from actual work hours, and then assessed whether the effect of such deviations was appropriately reflected in the estimate of work hours for the subsequent fiscal years by inspecting the most recent cost accumulation documents.

Other Information

The other information comprises the information included in the Annual Securities Report, but does not include the consolidated financial statements, the financial statements, and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and 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 IFRS Accounting 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 IFRS Accounting Standards.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to 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. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- 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 IFRS Accounting 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.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Internal Control Report

Opinion

We also have audited the accompanying internal control report of Internet Initiative Japan Inc. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group") as at March 31, 2025.

In our opinion, the accompanying internal control report, which states that the internal control over financial reporting was effective as at March 31, 2025, presents fairly, in all material respects, the results of the assessments of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our audit of the internal control report in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Internal Control Report* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the internal control report 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 and Corporate Auditors and the Board of Corporate Auditors for the Internal Control Report

Management is responsible for the design and operation of internal control over financial reporting and the preparation and fair presentation of the internal control report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Corporate auditors and the board of corporate auditors are responsible for overseeing and examining the design and operation of internal control over financial reporting.

Internal control over financial reporting may not completely prevent or detect financial statement misstatements.

Auditor's Responsibilities for the Audit of the Internal Control Report

Our objectives are to obtain reasonable assurance about whether the internal control report is free from material misstatement based on our audit of the internal control report and to issue an auditor's report that includes our opinion.

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

- Perform procedures to obtain audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. The procedures for the audit of the internal control report are selected and performed, depending on the auditor's judgment, based on significance of effect on the reliability of financial reporting.
- Evaluate the overall presentation of the internal control report, including the appropriateness of the scope, procedures and results of the assessments that management presents.
- Plan and perform the audit of the internal control report to obtain sufficient appropriate audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. We are responsible for the direction, supervision and review of the audit work performed for

the purpose of the internal control report. 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 our audit of the internal control report, the results thereof, material weaknesses in internal control identified during our audit of internal control report, and those that were remediated.

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, actions taken to eliminate threats or safeguards applied.

Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries are described in “Corporate Governance (3) Status of Audits” of “Information on IIJ”.

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.

<u>Independent Auditor's Report</u>

June 30, 2025

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

KPMG AZSA LLC
Tokyo Office

Hidetoshi Fukuda
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Yusuke Matsumoto
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Report on the Audit of the Financial Statements

Opinion

We have audited the non-consolidated financial statements of Internet Initiative Japan Inc. ("the Company"), which comprise the non-consolidated balance sheet as at March 31, 2025, the non-consolidated statement of income, the non-consolidated statement of changes in net assets for the year then ended and notes to non-consolidated financial statements, comprising a summary of significant accounting policies, other explanatory information, and the supplemental schedules.

In our opinion, the non-consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2025, and its financial performance for the year then ended 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* 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">Reasonableness of the estimated total cost related to revenue recognition for systems integration services</th></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>As described in the Notes on “Significant accounting policies” under 5. “Basis for recording sales and costs” to the non-consolidated financial statements Internet Initiative Japan Inc. (hereinafter, the “Company”) recognizes revenue from systems integration services as the related performance obligations are satisfied over time based on the progress toward satisfaction of those performance obligations.

Of the revenues recognized for the current fiscal year, revenue recognized for systems integration services based on such progress amounted to ¥30,598 million, representing approximately 11.8% of total revenues in the non-consolidated financial statements.

The progress toward satisfaction of performance obligations related to systems integration services is measured using the input method (i.e. the cost-to-cost method) based on the cost incurred, and the estimated total cost that underlies the input method includes the estimates of equipment purchase, outsourcing expenses and work hours.

In the systems integration services, services such as design and development of a network system and consultation are provided according to customers’ demand. Therefore, each service is highly unique, and unexpected work hours may be required due to system malfunction and specification changes, among other factors. Accordingly, the estimate of work hours included in the estimated total cost that underlies the input method particularly involved a high degree of uncertainty, and management’s judgment thereon had a significant effect on the amount of revenue recognized for systems integration services based on the progress.

We, therefore, determined that our assessment of the reasonableness of the Company’s estimate of the total cost related to revenue recognized for systems integration services based on the progress was of most significance in our audit of the non-consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</td><td>In our auditor’s report on the consolidated financial statements, we have described our audit responses to the key audit matter, “Reasonableness of the estimated total cost related to revenue recognized for systems integration services.”

Since our audit responses in the audit of the non-consolidated financial statements of the Company were substantially the same as those in our audit of the consolidated financial statements, no further description is provided in this section.</td></tr>
</table>

Other Information

The other information comprises the information included in the Annual Securities Report, but does not include the financial statements and our auditor’s report thereon. Management is responsible for the preparation and presentation of the other information. Corporate auditors and the board of corporate auditors are responsible for overseeing the directors’ performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements 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 that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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 with regard to the design, implementation and maintenance of the Company’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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 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 are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Fee-related Information

Fee-related information is described in the auditor's report on the consolidated financial statements.

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 Translated Independent Auditor’s Report:

The Independent Auditor’s Reports herein are the English translation of the Independent Auditor’s Reports on the consolidated financial statements and internal control over financial reporting and on the non-consolidated financial statements as required by the Financial Instruments and Exchange Act of Japan.

The original copies issued in Japanese are kept separately by the Company and KPMG AZSA LLC.

Management's Report on Internal Control over Financial Reporting (Translation)

1. Matters Relating to the Basic Framework for Internal Control over Financial Reporting

Yasuhiko Taniwaki (Representative Director, President and Executive Officer) and Akihisa Watai (Member of the Board, Executive Vice President and CFO) are responsible for designing and operating effective internal control over financial reporting of Internet Initiative Japan Inc. and its subsidiaries (collectively, the "Company"), and have designed and operated internal control over financial reporting of the consolidated financial statements in accordance with the basic framework for internal control set forth in "The Standards and Practice Standards for Management Assessment and Audit of Internal Control Over Financial Reporting" published by the Business Accounting Council. The internal control is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

2. Matters Relating to Scope of Assessment, the Assessment Date, and Assessment Procedures

The assessment of internal control over financial reporting was performed as of March 31, 2025, which is the end of this fiscal year. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. In making this assessment, we evaluated internal controls which may have a material effect on the entire financial reporting on a consolidation basis ("company-level controls") and based on the result of this assessment, we appropriately selected business processes to be tested. We analyzed these selected business processes, identified key controls that may have a material impact on the reliability of the Company's financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of our internal control.

We determined the necessary scope of assessment of internal control over financial reporting for Internet Initiative Japan Inc., its consolidated subsidiaries and equity-method investees, based on the materiality of their potential impact on the reliability of our financial reporting. Materiality is assessed by considering both quantitative and qualitative impacts, as well as the likelihood of occurrence. Based on the results of company-level control assessments conducted for Internet Initiative Japan Inc., its consolidated subsidiaries, and equity-method investees, we reasonably determined the scope of assessment for internal controls over business processes. Subsidiaries and equity-method investees deemed to have no material quantitative or qualitative impact on the consolidated financial statements were excluded from the scope of company-level control assessments.

Regarding the scope of assessment for internal controls over business processes, the IIJ Group primarily generates revenue from network services and systems integration businesses. We have determined that revenue, which reflects the scale of business activities, is the most appropriate quantitative indicator for identifying significant business locations. Based on consolidated revenue, we selected business locations until the cumulative total reached approximately two-thirds of total consolidated revenues. In addition, considering qualitative materiality and other relevant factors, we reviewed and selected further business locations to be included in the scope of assessment. As a result of this evaluation, we identified two business locations as significant.

At the selected significant business locations, we assessed business processes related to key financial statement items that are closely tied to the company's business objectives and core revenue-generating activities. These included processes related to revenue, trade receivables, contract assets, and inventories.

Furthermore, regardless of whether a business location was selected as significant, we also included in the scope of assessment certain business processes at other locations. These were identified as having a high risk of material misstatement, involving significant estimates or forecasts, or having a substantial impact on financial reporting. Specifically, we included financial closing processes such as the valuation of goodwill and other non-financial assets (including tangible and intangible fixed assets), the valuation of investments accounted for using the equity method, and the recoverability of deferred tax assets, among other relevant processes.

3. Matters Related to the Results of the Assessment

As a result of the assessment above, Yasuhiko Taniwaki, President and Representative Director, and Akihisa Watai, Member of the Board, Executive Vice President and CFO concluded that our internal control over financial reporting was effective as of March 31, 2025.

4. Supplementary Matters

Not applicable.

5. Special Information

Not applicable.

Confirmation Letter (Translation)

1. Matters Related to Adequacy of Statements Contained in the Annual Securities Report

Yasuhiko Taniwaki (Representative Director, President and Executive Officer) and Akihisa Watai (Member of the Board, Executive Vice President and CFO) are confirmed that statements contained in the Annual Securities Report for the 33rd business term (from April 1, 2024 to March 31, 2025) were adequate in all material respects under the Financial Instruments and Exchange Act and related laws and regulations..

2. Special Notes

Not applicable.