

**Convocation Notice of the 15th
Ordinary General Meeting of Shareholders**

of

Internet Initiative Japan Inc.

This document is the English translation of the “Convocation notice of the 15th ordinary general meeting of shareholders”(“*Dai ju-gokai teiji kabunushi sokai shoshu gotsuchi*”) of Internet Initiative Japan Inc. (“IIJ” or “the Company”) to be held on June 26, 2007.

CAUTIONARY NOTES

- Note 1: This document contains forward-looking statements (within the meaning of Section 27A of the U.S. Securities Act of 1933 and Section 21E of the U.S. Securities Exchange Act of 1934) about our future plans that involve known and unknown risks, uncertainties and other factors. Such risks, uncertainties, and other factors include, in particular, the factors set forth in "Item 3.D: Risk Factors" of our Annual Report on Form 20-F dated July 11, 2006 which has been filed with the U.S. Securities and Exchange Commission. Such risks, uncertainties and other factors may cause our actual results, performance, achievements or financial position to be materially different from any future results, performance, achievement or financial position expressed or implied by these forward-looking statements.
- Note 2: This document has been prepared pursuant to the requirements of the Corporation Law of Japan. Financial Statements have been prepared in accordance with generally accepted accounting principles in Japan, which differ in certain respects from generally accepted accounting principles in the United States. Also, financial statements included in this document are non-consolidated base which differ from consolidated ones which IIJ should file with the U.S. Securities and Exchange Commission as Form 20-F.
- Note 3: The ADRs holders shall instruct The Bank of New York to exercise its voting right represented by the shares underlying their ADRs but they may only provide their instructions to The Bank of New York. Otherwise, they are not entitled to exercise any voting right unless they cancel their ADRs and withdraw the shares. This means they may not be able to exercise any voting right for IIJ and attend the ordinary general meeting of shareholders of IIJ.

June 8, 2007

TO OUR SHAREHOLDERS:

Koichi Suzuki
Representative Director
Internet Initiative Japan Inc.
1-105, Kanda Jinbo-cho,
Chiyoda-ku, Tokyo, Japan

**CONVOCATION NOTICE OF
THE 15TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

You are hereby requested to attend the 15th ordinary general meeting of shareholders of Internet Initiative Japan Inc. ("IIJ" or "the Company",) which is to be held as stated below.

In the event you are unable to attend the meeting, after reviewing the referential documents below, you may exercise your voting rights by indicating approval or disapproval on the voting form attached hereto and sending it or by accessing the voting web site (Japanese only) containing the voting form. The voting form through the Internet must be received by 5:30 p.m., Monday, June 25, 2007 at the latest.

1. **Date and time:** 10:00 a.m., June 26, 2007 (Tuesday)
2. **Place:** KKR Hotel Tokyo
11th floor, Room Kujaku
1-4-1, Otemachi, Chiyoda-ku, Tokyo, Japan
3. **Agenda of the meeting:**

Subjects to be reported:

1. Business Report, consolidated financial statements and a report on the audit results of consolidated financial statements by the accounting auditors and the Board of company auditors for the 15th term (from April 1, 2006 to March 31, 2007)
2. Non-consolidated financial statements for the 15th term (from April 1, 2006 to March 31, 2007)

Subjects to be resolved:

- Item 1: Appropriation of Retained Earnings
- Item 2: Amendments to the Articles of Incorporation
- Item 3: Election of eight(8) Directors

4. Notice to shareholders

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

(Attachment)

Business Report **for the 15th Fiscal Year**

1. Matters Concerning the Current Status of the Group

(1) Progress and Results of the Business

[General Business Environment for the Fiscal Year Ended March 31, 2007]

During the fiscal year ended March 31, 2007, Japan's economy saw improved corporate earnings with increased capital investment, and while we must be cautious of the effects of rising crude oil prices, the economic recovery is generally continuing in Japan.

In the data communications markets in which our group participates, individual network usage increased as broadband networks continued to grow. Corporate expenditures on mainframe computers is declining, while expenditures on servers and other distributed systems is expected to continue to rise, and network systems, including the Internet, will continue to be employed in mission critical operations. With internal corporate networks being built using VPN technology, servers and network equipment being housed in data centers, and the increasing outsourcing of operation of corporate systems such as e-mail, the business environment for our group was favorable through this fiscal year.

[Business Conditions for the Fiscal Year Ended March 31, 2007]

In the fiscal year ended March 31, 2007, the IIJ Group continued to focus on developing highly reliable value-added network services primarily for medium to large companies and government institutions, as it has in previous years. The group is also actively offering network solutions and systems integration services. In Internet connectivity services, more companies are using broadband, and the speed of those connections has been increasing rapidly. In value-added services, demand for our Data Center services has been holding strong, and the demand for e-mail systems operation and security services has been very high. In systems integration services, we have seen increasing volume of work in construction and operation of internal corporate network systems, and server construction related work, such as Web-based systems using the Internet.

In service development, the Company introduced the IIJ Secure MX Service, which provides comprehensive security features for corporate e-mail systems. The Company also partnered up with a broadcast company and conducted tests on a new download distribution service using P2P technology. The Company is planning to release a new high-definition content distribution platform service in the next fiscal year.

One year after listing on the Mothers market of the Tokyo Stock Exchange ("TSE") in December 2005, the Company's listing was transferred to the TSE First Section.

[Business Results for the Fiscal Year Ended March 31, 2007]

For the fiscal year ended March 31, 2007, operating revenue rose 14.5% over the previous year to 57,055 million yen, supported primarily by the sustained increase in recurring revenues from value-added services and systems operation, and an increase in one-time revenues from systems construction. Though backbone expenses and other network procurement and administration costs did not rise much, there was a notable increase in systems integration costs commensurate with the increase in sales, and cost of sales rose 12.1% over the previous fiscal year to 45,968 million yen. In the end, gross profit on sales rose 26.0% over the previous year to 11,087 million yen. Sales and general administrative expenses rose by 18.8% over the previous year to 7,587 million yen as a result of an increase in personnel expenses and advertising expenses. Operating income increased 45.2% from the previous year to 3,500 million yen, resulting in an operating income ratio of 6.1%, continuing the up-trend started in the previous fiscal year. Income from operations before income tax benefit, minority interests and equity in net loss of equity method investees decreased 6.1% from the previous year to 5,049 million yen including 3,230 million yen of the gain from the sale of available-for-sale securities and an impairment loss of 1,363 million yen on unlisted securities. Net income increased 13.8% to 5,410 million yen over the previous year, boosted by differed tax benefit of 1,495 million yen resulting from a release of valuation allowance against deferred income tax assets related to tax operating loss carryforwards and others.

[Group Reorganization]

The Company is providing its customers with total network solutions through the cooperation of all group companies. To further strengthen the Company's capacity to provide solutions and optimize group management, the Company acquired shares from minority shareholders in IIJ consolidated subsidiaries IIJ Technology Inc., and Net Care, Inc., thus increasing its controlling share ratio to 86.1% and 75.5%, respectively. The company made IIJ Technology Inc., and Net Care, Inc., 100% owned subsidiaries through the exchanges of shares effective on May 11, 2007.

To broaden the business scope of the group, the Company received a transfer of business on

October 1, 2006, from Net Chart Japan Corporation and established a new network construction company, Net Chart Japan Inc. that provides services such as installing, configuring, and wiring equipment. The Company added Net Chart Japan Inc. to its group as a 100% owned subsidiary.

[Corporate Governance]

The Company is aware of the importance of strong and robust corporate governance to increase the value of the Company and fulfill its mission to support and operate the Internet as a vital element of social infrastructure. The Company has American Depositary Shares listed on the NASDAQ stock exchange, and as such must comply with the Sarbanes-Oxley Act in the United States. In doing so, the Company has appointed astute external directors and auditors, and has strengthened management oversight by strengthening the authority of the Board of Company Auditors. Also based on the Sarbanes-Oxley Act, the Company requires the Chief Executive Officer and Chief Financial Officer to personally certify the accuracy of the English annual report, which includes consolidated financial statements; it has appointed a finance expert to the Board of Company Auditors; it has the Board of Company Auditors oversee the services to be provided to the Company by its independent registered public accounting firm and its affiliates; it adopted a code of ethics; and it operates an internal reporting system. The application of the internal control and auditing system required by the Sarbanes-Oxley Act was postponed to the fiscal year ending March 2008 because of the change in the regulations in the U.S.; however, the Company commenced documenting its internal control system and performing self-evaluations.

(2) Capital Investment

The Group's capital investment is mainly for purchases of the network equipment necessary for the operation and maintenance of network systems, equipment for customer networks, and development of the operational systems that support the Company's services. The Company's general policy is to lease non-current assets rather than owning them.

Total capital investment during the fiscal year ended March 31, 2007 (including leases) was 3,953 million yen.

(3) Financing

There is nothing to report on this subject.

(4) Transfers of Business, Split-offs, and Spin-offs

There is nothing to report on this subject.

(5) Transfers of Business from Other Companies

On October 1, 2006, the newly established 100% owned subsidiary Net Chart Japan Inc., received a transfer of business from Net Chart Japan Corporation valued at 110 million yen.

On March 29, 2007, the Company concluded a business transfer agreement with Panasonic Network Services, Inc. ("PNS"), for shares valued at 1,200 million yen of a company that will be created as the result of a June 1, 2007 spin off of PNS's ISP service for individuals and its corporate solutions business.

(6) Succession to the Rights and Responsibilities of Other Companies through Mergers and Acquisitions

There is nothing to report on this subject.

(7) Acquisition or Disposal of Shares and Other Equities or Warrants of Other Companies

There is nothing to report on this subject.

(8) Issues Facing the Company

Though the Company is in a favorable market environment, the Company believes that it is important to continue to develop and offer highly reliable and competitive services that meet the network systems needs of corporations and government organizations, as it has done this fiscal year. And with a view to expanding the scope of business activities in the mid- and long-term, it will be important to form alliances with business partners in certain areas as well as to take advantage of M&As and other new business development activities. To fully leverage the group's potential power, it is vital to establish a group management system that promotes effective business management.

Accomplishing this and maintaining continued growth will require the acquisition and training of capable personnel, and the Company must put effort into the training of new hires. There were 82 new hires the fiscal year ended March 31, 2007, and there were 83 in the new fiscal year starting on April 1, 2007.

We sincerely hope that we can count on further support and encouragement from our shareholders.

(9) Summary of Assets, Profit and Losses

(Thousand Yen)

	12th Fiscal Year	13th Fiscal Year	14th Fiscal Year	15th Fiscal Year
	FY 2003	FY 2004	FY 2005	FY 2006
Total revenues	38,779,462	41,702,567	49,812,584	57,054,581
Operating income (loss)	(1,449,884)	1,247,651	2,411,144	3,500,272
Net income (loss)	(2,270,686)	2,906,269	4,753,570	5,409,713
Net income (loss) per share	(71,606) yen	75,858 yen	24,301 yen	26,519 yen
Total assets	42,736,925	37,116,471	50,704,989	47,693,004
Total shareholders' equity	6,214,128	11,615,073	20,221,938	20,112,004
Total shareholders' equity per share	162,198 yen	303,171 yen	99,132 yen	98,592 yen

(Notes)

(a) IIJ's consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States.

(b) IIJ conducted a 1 to 5 stock split effective on October 11, 2005. As stated below, the per share data is calculated based on the assumption that the stock split was made at the beginning of the fiscal year ended March 31, 2004.

	12th Fiscal Year FY 2003	13th Fiscal Year FY 2004
Net income (loss) per share	(14,321) yen	15,172 yen
Total shareholders' equity per share	32,440 yen	60,634 yen

(c) Net income (loss) per share is calculated based on the weighted-average of the total number of outstanding shares during the fiscal year. Total shareholders' equity per share is calculated based on the total number of outstanding shares at the end of the fiscal year.

(10) Significant Matters of the Parent Company and Subsidiaries

(a) Significant subsidiaries

Name of company	Capital (thousand yen)	Share holding ratio	Primary business
IIJ Technology Inc.	2,358,126	86.1%	Design, development, construction and operation and maintenance of systems
IIJ America Inc.	USD2,530,000.00	98.8%	Build of backbone networks and Internet connectivity services in the U.S.
Net Care, Inc.	1,000,000	75.5%	Network operation, customer service support and call center
Net Chart Japan, Inc.	55,000	100.0%	Development of networks, operating services and equipment sales related to networks
IIJ Financial Systems Inc.	50,000	86.1%	Systems integration and outsourcing service to securities firms

(Note)

- On April 5, 2007, IIJ's board of directors resolved that IIJ make the two consolidated subsidiaries, IIJ Technology Inc. ("IIJ-Tech") and Net Care, Inc. ("Net Care") 100% owned through share exchanges. The share exchanges became effective on May 11, 2007 and on the same date the two consolidated subsidiaries became 100% owned. As a result of this share exchanges, the Company also indirectly acquired IIJ Financial Systems Inc., a 100% owned subsidiary of IIJ-Tech, and IIJ America Inc., a subsidiary of IIJ, became a 100% own subsidiary of IIJ.
Through this share exchanges, IIJ has newly issued 2,178 common stocks of IIJ.
- Before the above-mentioned share exchange, as of April 5, 2007, IIJ's ownership in IIJ-Tech and Net Care increased to 95.2% and 92.5% respectively, as IIJ had purchased the shares of the companies from their minority shareholders for share value at 5,025 million yen.
- The shareholding ratio in IIJ America Inc. includes indirectly owned shares. The shareholding ratio in IIJ Financial systems Inc. entirely consists of indirectly owed shares.
- In April 2007, the Company acquired 51% equity participation in GDX Japan for share value at 300 million yen, messaging network service provider, in a joint venture with GDX Network, Inc., a 100% owned subsidiary of US-based MX Logic, Inc. GDX Japan is a consolidated subsidiary of the Company.

5. At a board meeting on March 29, 2007, the Company agreed to acquire 100% of the shares of hi-ho, Inc. for share value at 1,200 million yen, a company to be formed in a spin-off of the ISP services from Panasonic Network Services, Inc., on June 1, 2007.

For the fiscal year ended March 31, 2007, the number of consolidated subsidiaries was five and the number of equity-method investees was three.

(11) Major Business Lines

To provide Internet connectivity services, value-added services, systems integration and equipment sales.

(12) Major Offices

Name	Address	Functions
IIJ	Head office	Chiyoda-ku, Tokyo
	Branch offices	Osaka-shi, Nagoya-shi, Fukuoka-shi,
		Sapporo-shi, Sendai-shi, Toyama-shi,
		Hiroshima-shi,
IIJ Technology Inc.	Head office	Yokohama-shi, Toyota-shi, Naha-shi
IIJ America Inc.	Head office	Chiyoda-ku, Tokyo
Net Care, Inc	Head office	California, USA
Net Chart Japan, Inc.	Head office	Chiyoda-ku, Tokyo
IIJ Financial Systems Inc.	Head office	Yokohama-shi, Kanagawa
		Chiyoda-ku, Tokyo

(13) Employees

Number of employees	Change from March 31, 2006
1,155	Increase of 168

(Note)

The above figures include employees and contracted employees, do not include staff members on loan from other companies.

(14) Major Lenders and Amount Borrowed

Source	Outstanding borrowings (Thousands of Yen)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,000,000
Mizuho Corporate Bank, Ltd.	2,000,000
Sumitomo Mitsui Banking Corporation	1,590,000
Mitsubishi UFJ Trust and Banking Corporation	700,000

2. Shares of the Company

(1) Number of total shares outstanding: 204,300 shares

(2) Number of shareholders at the end of this fiscal year: 5,214 people

(3) Major shareholders:

Shareholder name	Number of shares held
Nippon Telegraph and Telephone Corporation	50,475 shares
Hero and Company(note)	27,409 shares
Koichi Suzuki	12,532 shares
Itochu Corporation	10,430 shares
NTT Communications Corporation	10,200 shares
The Dai-ichi Mutual Life Insurance Company	6,365 shares
Japan Trustee Services Bank, Ltd(Trust account)	6,261 shares
Mizuho Corporate Bank, Ltd.	3,560 shares
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,430 shares
Sumitomo Mitsui Banking Corporation	3,030 shares

(Note)

Hero and Company is the nominee of The Bank of New York, which is the depositary of IIJ's ADRs, and the number of shares held by Hero and Company is equivalent to the number of ADRs outstanding.

(4) Other important matters concerning shares

There is nothing to report on this subject.

3. Matters Concerning the Company's Stock Acquisition Rights

(1) Stock acquisition rights granted to and held by the Company's officers in compensation for exercise of their duties

Date of shareholders' meeting	April 7, 2000		
	Director (excluding outside director)	Outside director	Company auditor
Number of granted people	4	-	-
Number of options	55		
Number of shares	275 shares	-	-
Kind of stock	Common stock		
Issue value of new shares	2,163,418 yen		
Exercise term	From April 8, 2002 to April 7, 2010		
Conditions for exercise	<p>1 The awardees of the rights shall not assign, transfer, or pledge the awarded rights to any third party or dispose of the same in any manner.</p> <p>2 Notwithstanding paragraph (1) above, in the event of the death of the awardee, its estate shall have the right to exercise the awardee's rights. Provided, however, that the life of such rights shall be (1) year after the date of death.</p> <p>3 Conditions for exercise and matters of the subscription of rights determined shall be stated by the agreement on the award of subscription rights executed between the Company and its directors and employees.</p> <p>4 Awardees of the rights shall be entitled to exercise the said rights, in full or in part, as long as they are officers or employees of the Company, its subsidiaries, or affiliates, companies 20% or more owned by the Company.</p>		

Date of Shareholders' meeting	June 27, 2001		
Number of granted people	Director (excluding outside director)	Outside director	Company auditor
Number of options	5	-	-
Number of shares	75	-	-
Kind of stock	375 shares	-	-
Issue value of new shares	Common stock		
Exercise term	334,448 yen		
Conditions for exercise	From June 28, 2003 to June 27, 2011		
Number of granted people	<p>1 The awardees of the rights shall not assign, transfer, or pledge the awarded rights to any third party or dispose of the same in any manner.</p> <p>2 Notwithstanding paragraph (1) above, in the event of the death of the awardee, its estate shall have the right to exercise the awardee's rights. Provided, however, that the life of such rights shall be (1) year after the date of death.</p> <p>3 Conditions for exercise and matters of the subscription of rights determined shall be stated by the agreement on the award of subscription rights executed between the Company and its directors and employees.</p> <p>4 Awardees of the rights shall be entitled to exercise the said rights, in full or in part, as long as they are officers or employees of the Company, its subsidiaries, or affiliates, companies 20% or more owned by the Company.</p>		

(2) Stock acquisition rights granted to employees in compensation for exercise of their duties during the current fiscal year
There is nothing to report on this subject.

4. Matters Concerning Corporate Officers of the Company

(1) Directors and company auditors

Position in the Company	Name	Business in charge or representatives of other organizations
President	Koichi Suzuki	CEO Chairman and Representative Director of IIJ Technology Inc. President of Net Care, Inc. Chairman of the Board of IIJ America Inc. President of Internet Multifeed Co.
Executive Vice President	Toshiya Asaba	Division Director of Network Service Department
Executive Vice President	Yoshiaki Hisamoto	Division Director of Administrative Department
Senior Managing Director	Hideshi Hojo	Division Director of Sales Department
Director	Takamichi Miyoshi	General Manager of Strategy Planning Division
Director	Akihisa Watai	CFO and General Manager of Finance Division
Director	Hiroyuki Hisashima	Division Director of Applied Research and Development Department
Director	Kazuhiro Tokita	Division Director of Solution Department
Director	Yasurou Tanahashi	Chairman and Representative Director of NS Solutions Corporation
Director	Takashi Hiroi	Senior Manager of Corporate Management Strategy Division of Nippon Telegraph and Telephone Corporation
Director	Yoshifumi Nishikawa	President of Japan Post Corporation
Director	Junnosuke Furukawa	Senior Adviser of The Furukawa Electric Co., LTD Chairman and Representative Director of Furukawa Ringyo Co., Ltd
Director	Senji Yamamoto	Vice chairman and representative director of IIJ Technology Inc. President of IIJ Financial Systems Inc.
Full-time company auditor	Junichi Tate	
Company auditor	Masaki Okada	Attorney at law
Company auditor	Masaaki Koizumi	Japanese Certified Public Accountant
Company auditor	Hirofumi Takahashi	Full-time company auditor of IIJ Technology Inc.

(Notes)

(a) Business in charge or representatives of other organizations is stated as of March 31, 2007.

(b) Directors and company auditors who assumed or left offices during the year under review are as follows:

Assumption of office: June 28, 2006

Director Yoshiaki Hisamoto

Director Senji Yamamoto

Company auditor Junichi Tate

Retirement of office: June 28, 2006

Director Fukuzo Inoue

Company auditor Hideki Matsushita

(c) Yasurou Tanahashi, Takashi Hiroi, Yoshifumi Nishikawa, and Junnosuke Furukawa are outside directors. Takashi Hiroi is an employee of Nippon Telegraph and Telephone Corporation ("NTT"), and NTT is a shareholder of IIJ (50,475 shares of the Company).

(d) Junichi Tate, Masaki Okada and Masaaki Koizumi are outside company auditors.

(e) Masaaki Koizumi, company auditor, is a Japanese Certified Public Accountant and has a extensive expertise in finance and accounting.

(2) Total Remuneration to Directors and Auditors

11 Directors:200,854 thousand yen(including 14,700 thousand yen for 3 outside directors)

4 Company auditors:20,669 thousand yen(including 13,840 thousand yen for 3 outside company auditors)

(Note)

Remunerations include 23,970 thousand yen paid for the reserve for directors' and company auditors' retirement benefits.

(3) Outside Directors and Auditors

(i) Important concurrent offices of executive directors and outside officers at other companies

This is as described in the list of (1) Directors and company auditors above.

(ii) Main activities during the current fiscal year

	Name	Principal Activities
Director	Yasurou Tanahashi	Attended 10 of the 14 board of directors meetings held during the fiscal year and made necessary remarks in deliberations.
Director	Takashi Hiroi	Attended 14 of the 14 board of directors meetings held during the fiscal year and made necessary remarks in deliberations.
Director	Yoshifumi Nishikawa	Attended 11 of the 14 board of directors meetings held during the fiscal year and made necessary remarks in deliberations.
Director	Junnosuke Furukawa	Attended 10 of the 14 board of directors meetings held during the fiscal year and made necessary remarks in deliberations.
Company auditor	Junichi Tate	Attended 11 of the 11 board of directors meetings held during the fiscal year and made comments from time to time to clarify the doubt point. And attended 12 of the board of company auditors held during the fiscal year. At such meetings, he exchanged opinions about audit results and conferred about important matters concerned audit as a full-time company auditor.
Company auditor	Masaki Okada	Attended 14 of the 14 board of directors meetings held during the fiscal year and made comments from time to time to clarify the doubt point. And attended all 15 of the board of company auditors held during the fiscal year. At such meetings, he exchanged opinions about audit results and conferred about important matters concerned audit.
Company auditor	Masaaki Koizumi	Attended 14 of the 14 board of directors meetings held during the fiscal year and made comments from time to time to clarify the doubt point. And attended all 15 of the board of company auditors held during the fiscal year. At such meetings, he exchanged opinions about audit results and conferred about important matters concerned audit.

(Notes)

1. The number of the board of directors meetings held during the fiscal year does not include a resolution by the board of directors by electromagnetic means pursuant to Article 370 of the Corporation Law in Japan.

2. The principal activities of Junichi Tate, company auditor, are described after his assumption of office on June 28, 2006.

(iii) Outline of liability limitation contracts

The Company has concluded agreements with outside directors and company auditors (excluding Junichi Tate) to indemnify them for personal liability as provided in Article 427, Paragraph 1 of the Company Law. The agreements stipulates that in the event outside directors and company auditors have acted good faith and without gross negligence, the outside director's and company auditor's liability to the Company shall be limited to 10,000,000 yen or the minimum amount of liability stipulated under Article 427, Section 1 of the Company Law, whichever is height.

(iv) Total amount of compensations received from the parent company or subsidiaries

There is nothing to report on this subject.

5. Accounting Auditors

- (1) Name of Accounting Auditor:
Deloitte Touche Tohmatsu

(2) Accounting Auditor Remuneration during the fiscal year

(i) Remuneration for accounting auditor this fiscal year	54,644 thousand yen
(ii) Total cash or proceeds from other assets that should be paid by the Company or its subsidiaries	69,564 thousand yen

(Note)

The audit contract between the Company and the accounting auditor does not distinguish between remuneration paid for audits performed pursuant the Corporation Law in Japan and the Securities and Exchange Law in Japan, remuneration paid for audits performed pursuant the generally accepted accounting principals in the United States and remuneration paid for reviews on consolidated and non-consolidated financial statements for the first quarter of the fiscal year ended March 31, 2007, and since it is not practically possible to make such distinction, the above (i) amounts are totals.

(3) Non-audited operations

There is nothing to report on this subject.

(4) Policy for Dismissal or Refusal to Rehire an Accounting Auditor

In addition to other conditions, the Company will consider dismissal or refusal to rehire an accounting auditor if it is determined that the accounting auditor violated or acted contrary to the Company Law, Certified Public Accountant Law, or related laws, or acted contrary to good public order or customs.

6. Policies and Systems of the Company

- (1) Systems for ensuring the compliance of directors with the law and articles of incorporation, and systems for ensuring the proper execution of other duties

The details of the resolution by the board of directors of the Company are as follows:

1. Systems for ensuring the compliance of directors and employees with the law and articles of incorporation in the execution of their duties

(1) The company will establish a code of ethics that sets for a standard of conduct and requires strict adherence to the law. In addition, the Company will establish regulations for applying the laws regarding the prevention of insider trading, the protection of personal information, among others.

(2) The company will establish a system for appointing the necessary personnel to ensure compliance with the law, and for consulting with lawyers and other experts outside the Company.

(3) The company will establish an internal reporting system for reporting any legal violations, and will maintain an internal notification system that enables people to contact the Board of Company Auditors while protecting the person reporting.

(4) An Office of Internal Audits under the direct control of the president will conduct internal audits on a regular basis, indicating where each division could improve compliance with the law, and overseeing the improvements.

(5) For legally required reports, ad hoc reports, and other types of releases, the Company will establish a Disclosure Committee whose members consist of directors, external directors, and auditors, and who will evaluate the content for appropriateness and completeness, and approve any material to be released.

2. Systems for Preserving and Managing Information Related to the Execution of Duties by Directors

(1) Basic policy and procedures regarding the handling of information assets will be set and followed in the handling of information and documents related to the execution of duties by directors ("performance information"), these policies and procedures will detail who is responsible for managing the information, how long the information is to be stored, how it is to be stored, measures for countering loss or leakage of the information, and proper management of the information. The management of this information will be reviewed on a regular basis.

(2) The company will create a system that ensures the proper filing of performance information (committing it to electronic storage when necessary), and that enables the quick verification of the existence, condition, and content of these documents. In addition, the system will allow people with the proper authority to view documents related to the auditors and others without delay.

(3) The duties related to the above fall under the jurisdiction of the Chief Information Security Officer and the Chief Document Management Officer.

3. Regulations Governing Risk Management and Other Systems

(1) The director that oversees the operation of each division will identify the risks defined by the governing regulations, evaluate these risks, and develop measures to counter these risks, as well as review them on a regular basis.

(2) For certain risk categories, a Review Committee will be established to evaluate the risk and to develop countermeasures.

(3) A Business Continuity Plan will be developed to address potential emergency situations.

- (4) An internal auditor office under the direct control of the president will conduct internal audits on a regular basis, indicating where each division could improve operations, including risk management, and overseeing the improvements.
 4. Systems for Ensuring the Efficient Execution of Duties by Directors
 - (1) A business plan for each fiscal year will be created in line with management objectives, and each operation will actively seek to achieve the goals put forth in the plan. In addition, regular progress reports will be submitted and reviewed to monitor progress on each target.
 - (2) In management of operations, all issues that should be decided by the board of directors in accordance with the Regulations of the board of directors will be strictly decided by the board, and as a basic rule of the decision-making process, sufficient documentation on the issue to be decided will be distributed to all board members in advance.
 - (3) In the execution of daily duties, authority will be delegated based on scope of authority regulations and division of duties regulations, and managers at each level will execute their duties while complying with the rules of the decision making process.
 - (4) To reinforce the board of directors' authority, a certain number of people with notable management acumen will be appointed as external directors.
 5. Systems for Ensuring the Proper Operation of Corporate Groups Formed by Subsidiaries
 - (1) Subsidiaries will be managed based on the subsidiary management regulations, which are the basic policy of subsidiary management, and an agreement will be made with the parent company regarding the management of the subsidiary.
 - (2) Subsidiaries will report on required items, and a system for consultation will be established.
 - (3) To impose internal control on important items, regulations governing the entire corporate group will be established, and subsidiaries will be required to comply with them.
 - (4) The Company's Internal Audit Office will perform internal audits of subsidiaries.
 6. Providing Assistance to Auditors

An Office of Internal Audits will be established and personnel appointed to internal audits on a full-time basis, and these personnel will work closely with the auditors.
 7. Assistants to the Auditors will be Independent of the Directors
 - (1) The selection, appointment, and transfer of personnel assigned to the Office of Internal Audits will be done with full consideration of the opinion of the Board of Company Auditors.
 - (2) The Office of Internal Audits is under the direct control of the president.
 8. Systems for Directors and Assistants to Report to Auditors, and Other Systems for Reporting to Auditors
 - (1) Directors and assistants will comply with the Regulations of the Board of Company Auditors, and they will provide the necessary reports on a regular basis or when requested by an auditor or the Board of Company Auditors.
 - (2) Deliberative bodies involved in important decision making, such as the Disclosure Committee, will include auditors as members.
 9. Other Systems for Ensuring Effective Execution of Audits
 - (1) To ensure that the Board of Company Auditors can properly execute their duties, a sufficient budget will be created and the necessary external experts retained.
 - (2) To preserve the independence of the independent auditors, they are prohibited from engaging in specific non-auditing related services. In addition, the Board of Company Auditors must approve any auditing and auditing related services to be provided by the independent auditors.
 - (3) A financial expert will be appointed to one or more auditors.
- (2) Basic Policy for Managing Corporations
- There is nothing to report on this subject.

Consolidated Balance Sheets
As of March 31, 2007

(Unit: Thousands of Yen)

<ASSETS>	
CURRENT ASSETS:	
Cash	13,554,544
Accounts receivable, net of allowance for doubtful accounts of JPY 32,489 thousand at March 31, 2007	9,675,725
Short term investment	12,093
Inventories	1,111,086
Prepaid expenses	1,053,270
Other current assets, net of allowance for doubtful accounts of JPY 4,570 thousand at March 31, 2007	930,571
Total current assets	26,337,289
INVESTMENTS IN AND ADVANCES TO EQUITY METHOD INVESTEEs, net of loan loss valuation allowance of JPY 16,701 thousand	858,490
OTHER INVESTMENTS	2,841,741
PROPERTY AND EQUIPMENT-Net	9,832,396
INTANGIBLE ASSETS-Net	2,876,894
GUARANTEE DEPOSITS	1,686,141
OTHER ASSETS, net of allowance for doubtful accounts of JPY 69,050	3,260,053
TOTAL	47,693,004

<LIABILITIES AND SHAREHOLDERS' EQUITY>	
CURRENT LIABILITIES:	
Short-term borrowings	6,050,000
Long-term borrowings-current portion	290,000
Capital lease obligations-current portion	2,953,173
Accounts payable	8,464,835
Accrued expenses	897,355
Accrued retirement and pension costs-current portion	8,428
Other current liabilities	2,469,058
Total current liabilities	21,132,849
CAPITAL LEASE OBLIGATIONS-Non-current	4,318,309
ACCRUED RETIREMENT AND PENSION COSTS	750,042
OTHER NONCURRENT LIABILITIES	564,618
Total Liabilities	26,765,818
MINORITY INTEREST	815,182
COMMITMENTS AND CONTINGENCIES	-
<SHAREHOLDERS' EQUITY :>	
Common-stock-authorized, 377,600 shares; issued and outstanding,	16,833,847
Additional paid-in capital	26,599,217
Accumulated deficit	(24,270,769)
Accumulated other comprehensive income	949,709
Total shareholders' equity	20,112,004
TOTAL	47,693,004

Consolidated Statements of Income
From April 1, 2006 through March 31, 2007

(Unit: thousands of yen)

REVENUES:	
Connectivity and value-added services:	
Dedicated access	10,791,703
Dial-up access	2,416,307
Value-added services	7,415,533
Other	3,729,633
Total	24,353,176
Systems integration	30,527,081
Equipment sales	2,174,324
Total revenues	57,054,581
COST AND EXPENSES:	
Cost of connectivity and value-added services	20,545,358
Cost of systems integration	23,529,045
Cost of equipment sales	1,893,216
Total cost	45,967,619
Sales and marketing	3,438,725
General and administrative	3,970,692
Research and development	177,273
Total cost and expenses	53,554,309
OPERATING INCOME	3,500,272
OTHER INCOME:	
Interest income	23,037
Interest expense	(397,439)
Foreign exchange losses	(297)
Gain on other investments -net	1,866,510
Other-net	56,605
Other income-net	1,548,416
INCOME FROM OPERATIONS BEFORE INCOME TAX BENEFIT, MINORITY INTERESTS AND EQUITY IN NET LOSS OF EQUITY METHOD INVESTEEs	5,048,688
INCOME TAX BENEFIT	(803,943)
MINORITY INTERESTS IN EARNINGS OF SUBSIDIARIES	(232,719)
EQUITY IN NET LOSS OF EQUITY METHOD INVESTEEs	(210,199)
NET INCOME	5,409,713

Consolidated Statements of Shareholders' Equity
From April 1, 2006 through March 31, 2007

(Unit: Thousands of Yen)

	Shares of Common Stock Outstanding (Including Treasury Stock) (Shares)	Common Stock	Additional Paid-in Capital	Accumulated Deficit
BALANCE, APRIL 1, 2006	204,300	16,833,847	26,599,217	(29,680,482)
Net income				5,409,713
Other comprehensive loss, net of tax				
Total comprehensive loss				
Adjustment to initially apply SFAS158, net of tax				
Decrease of common stock due to exclusion of an equity method investee				
BALANCE, MARCH 31, 2007	204,300	16,833,847	26,599,217	(24,270,769)

	Accumulated Other Comprehensive Income	Treasury Stock	Total
BALANCE, APRIL 1, 2006	6,553,594	(84,238)	20,221,938
Net income			5,409,713
Other comprehensive loss, net of tax	(5,492,154)		(5,492,154)
Total comprehensive loss			(82,441)
Adjustment to initially apply SFAS158, net of tax	(111,731)		(111,731)
Decrease of common stock due to exclusion of an equity method investee		84,238	84,238
BALANCE, MARCH 31, 2007	949,709	0	20,112,004

Notes to Consolidated Financial Statements

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

1-1. Matters regarding scope of consolidation

- (1) Number of consolidated subsidiaries and names of major consolidated subsidiaries
Number of consolidated subsidiaries: 5
Names of major consolidated subsidiaries: IIJ Technology Inc., Net Care, Inc., IIJ America Inc. and Net Chart Japan Inc.
From the fiscal year ended March 31, 2007, the above-mentioned Net Chart Japan Inc. has been included to the consolidated subsidiaries by its establishment.
- (2) Unconsolidated subsidiaries: 0

1-2. Matters regarding equity method investees

- (1) Number of equity method investees and names of major equity method investees
Number of equity method investees: 4
Names of major equity method investees: Internet Multifeed Co., Internet Revolution Inc. and atom Co., Ltd.
The above-mentioned atom Co., Ltd. was no longer an equity method investee as of March 31, 2007 because IIJ sold all its holding shares on March 28, 2007.
- (2) Affiliated companies (less than 50% owned) not applying the equity method: 0

1-3. Significant accounting policies

- (1) Basis of presentation
The consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (US GAAP), pursuant to the provision of paragraph 1, Article 148 of Company Accounting Regulations in Japan. However, certain disclosures required under US GAAP are omitted pursuant to the same provision.
- (2) Appraisal method and policy of assets
 - a. Securities
IIJ accounts for its securities in accordance with Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities".
Available-for-sale securities are recorded at fair value as of the end of the fiscal year. Realized gain and losses are determined on the average cost method. Nonmarketable equity and debt securities are determined on the cost method.
 - b. Inventories
Inventories consist mainly of network equipment purchased for resale and work-in-process for development of Internet network systems.
Network equipment purchased for resale is stated at the lower of cost, which is determined by the average-cost method, or market.
Work-in-process for development of network systems is stated at the lower of actual production costs, including overhead cost, or market.
- (3) Depreciation and amortization of property and equipment
Depreciation and amortization of property and equipment, are computed principally using the straight-line method. The useful lives for depreciation and amortization by major asset classes are as follows:
 - Data communications, office and other equipment 2 to 15 years
 - Purchased software 5 years
 - Capitalized leases 4 to 7 years
- (4) Leases
Capital leases, which meet specific criteria noted in SFAS No. 13, "Accounting for Leases", are capitalized at the inception of the lease at the present value of the minimum lease payments. All other leases are accounted for as operating leases. Lease payments for capital leases are apportioned to interest expense and a reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Operating lease payments are recognized as an expense on a straight-line basis over the lease term.
- (5) Impairment of long-lived assets
Long-lived assets excluding goodwill, IIJ evaluates the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets".
- (6) Goodwill and intangible assets
Goodwill is recognized primarily as the excess of the cost of an acquired shares of consolidated subsidiaries over the estimated fair value of the subsidiaries' net assets acquired. In accordance with SFAS No. 142, "Goodwill and Other Intangible Assets", goodwill (including equity method goodwill) and intangible assets that are deemed to have indefinite useful lives are not amortized, but are subject to impairment testing. Impairment testing is performed annually or more frequently if events or changes in circumstances indicate that the asset might be impaired.
- (7) Standard for allowance

- a. Allowance for doubtful accounts

An allowance for doubtful accounts is established in amounts considered to be appropriate based primarily upon the Company's past credit loss experience and an evaluation of potential losses in the receivables outstanding.
- b. Pension and severance indemnities plans

The Company has pension plans and /or severance indemnities plans. The cost of the pension plans and severance indemnities plans are accrued based on amounts determined using actuarial methods, in accordance with SFAS No. 87, "Employers' Accounting for Pensions". The unrecognized net obligation at the date of initial application is being amortized over 21 years.

(Accounting change)

IIJ Group adopted SFAS No. 158 ("SFAS 158"), "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans." SFAS 158 amends Statement of Financial Accounting Standards No. 87, 88, 106 and 132 and requires to recognize the funded status of its pension plans in the consolidated financial statements by measuring the difference between the fair value of plan assets and projected benefit obligations, and regarding the difference in unrecognized actuarial loss and unrecognized prior service cost recognize as constituent element of accumulated other comprehensive income in the balance sheet.

As a result of application, accrued retirement and pension cost and deferred tax assets increased by 152,456 thousand yen and 33,921 thousand yen, respectively, other comprehensive income and minority interest decreased by 111,731 thousand yen and 6,804 thousand yen, respectively.
- (8) Revenue Recognition

Connectivity service and value-added service revenues are billed and recognized monthly on a straight-line basis. Initial set up fees received in connection with connectivity services and value-added services are deferred and recognized over the contract period.

Systems integration revenues are recognized when network systems and equipment are delivered and accepted by the customer. Systems integration service is subject to the Emerging Issues Task Force ("EITF") Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables" which was adopted as of April 1, 2004. The adoption of EITF No. 00-21 did not have any effect on the consolidated financial statements.

Equipment sales are reported on a gross or net basis in accordance with EITF Issue No. 99-19 "Reporting Revenue Gross as a Principal versus Net as an Agent". Revenues are recognized when equipments are delivered and accepted by the customer.
2. Notes to Consolidated Balance Sheet

Property and equipment less accumulated depreciation and amortization: 11,763,684 thousand yen
3. Notes to Consolidated Statements of Shareholders' Equity
 - (1) Matters regarding dividend from retained earnings after March 31, 2007

IIJ plans to propose the following dividend payment at its general shareholders' meeting that is scheduled to be held in June 2007.

Class of stock: common stock

The resource of dividend: Retained earnings

The amount of dividend: 306,450 thousand yen

Dividend per one share of common stock: 1,500 yen

Record date: March 31, 2007

Effective date: June 27, 2007
 - (2) Number of outstanding stock options as of March 31, 2007

Common stock 2,575 shares
 - (3) Other Comprehensive Income (Loss)

Other comprehensive income (loss) consists of translation adjustments resulting from the translation of financial statements of a foreign subsidiary, unrealized gains or losses on available-for-sale securities, gains or losses on cash flow hedging derivative instruments, pension liability adjustments.
4. Notes to per share information

Net income per share: 26,519 yen

Total shareholders' equity per share: 98,592 yen
5. Subsequent events

On March 29, 2007, IIJ's board of directors resolved to sign definitive agreement with Panasonic Network services Inc. ("PNS") to acquire 100% of the equity of hi-ho, Inc. from PNS for JPY 1,200 million. The acquisition will become effective on June 1, 2007. IIJ Group will take over the Internet service business that PNS provides and the solution business that PNS provides to its corporate customers.

On April 5, 2007, IIJ's board of directors resolved that IIJ make the two consolidated subsidiaries, IIJ Technology Inc. ("IIJ-Tech") and Net Care, Inc. ("Net care") 100% owned through share exchanges. The share exchanges became effective on May 11, 2007 and on the same date the two consolidated subsidiaries became 100% owned. Through this share exchanges, IIJ has newly issued 2,178 common stocks of IIJ.

Before the share exchanges, as of April 5, 2007, IIJ's ownership in IIJ-Tech and Net Care increased to 95.2% and 92.5% respectively, as IIJ had purchased the shares of IIJ-Tech for

1,635 million yen and the shares of Net Care for 340 million yen from their minority shareholders.

Balance Sheet

As of March 31, 2007

(Unit: Thousands of Yen)

Assets		Liabilities	
Item	Amount	Item	Amount
[Current assets]	[17,125,864]	[Current liabilities]	[11,785,292]
Cash and bank deposits	8,692,843	Accounts payable	2,933,769
Accounts receivable	6,841,462	Short-term borrowings	5,100,000
Products	31,968	Long-term borrowings -current portion	250,000
Work in process	224,081	Accounts payable	1,481,182
Store	42,992	Accounts receivable-Fixed assets	1,400,222
Prepaid expenses	375,519	Accrued income taxes	41,433
Accounts receivable - other	179,273	Accrued consumption tax	61,599
Short-term loans	58,782	Advance received	193,201
Deferred tax assets	704,010	Deposits received	20,944
Other current assets	25,492	Advance received profit	215,427
Allowance for doubtful accounts	-50,558	Other current liabilities	87,515
		[Long-term liabilities]	[434,716]
[Non-current assets]	[14,889,683]	Long-term advance received profit	128,874
[Tangible non-current assets]	(1,663,642)	Reserve employees' retirement benefits	148,192
Leasehold improvements	689,141	Reserve for directors' and company auditors' retirement benefits	157,650
Data communication equipment and office equipment	1,668,507		
	-694,006	Total Liabilities	12,220,008
Accumulated depreciation (Intangible non-current assets)	(1,567,894)		
Telephone rights	9,245	Net assets	
Software	1,558,649	[Shareholders' equity]	[19,171,572]
(Investments and other assets)	(11,658,147)	(Common stock)	[14,294,625]
Investment securities	2,029,075	(Retained earnings)	(4,876,947)
Shares of affiliated companies	7,462,421	Other retained earnings	4,876,947
Long-term prepaid expenses	214,330	Retained earnings brought forward	4,876,947
Guarantee deposits	1,325,492	[Valuation and translation adjustment]	[659,591]
Other investments	389,753	Net unrealized holding gains or losses on securities	(659,591)
Deferred tax assets	306,126		
Allowance for doubtful accounts	-69,050		
[Deferred asset]	[35,624]		
New share issuing costs	35,624	Total net assets	19,831,163
Total assets	32,051,171	Total liabilities and net assets	32,051,171

STATEMENT OF INCOME
(From April 1, 2006 to March 31, 2007)

(Unit: Thousands of Yen)

Item	Amount	
[Total revenues]		
[Total costs]		39,525,982
Total cost of revenues		33,368,390
[Total costs and expenses]		6,157,592
Operating income		4,262,032
		1,895,560
[Non-operating income]		
Interest and dividends income	64,973	
Commissions received	37,909	
Other non-operating income	73,049	175,931
[Non-operating expenses]		
Interest expense	74,123	
Amortization of new share issuing costs	35,624	
Other non-operating expenses	50,784	160,531
Ordinary income		1,910,960
[Extraordinary income]		
Gain on sales of investment securities	3,242,640	
Gain on sales of shares of affiliated companies	165,900	
Other extraordinary income	8,818	3,417,358
[Extraordinary loss]		
Loss on sales of non-current assets	111,273	
Loss on valuation of investment securities	1,221,900	
Loss on sales of investments securities	12,358	
Provision for retirement benefits for directors and company auditors	133,680	1,479,211
Income before income taxes		3,849,107
Income tax current		15,160
Income tax deferred		-1,043,000
Net income		4,876,947

Statements of Shareholders' Equity
(From April 1, 2006 through March 31, 2007)

(Unit: Thousands of Yen)

	Shareholders' equity		
	Common stock	Capital surplus	Earned surplus
		Additional Paid-in Capital	Other Earned surplus
			Earned surplus brought forward
BALANCE, APRIL 1, 2006	16,833,847	21,980,395	-24,519,617
Changes during the annual period			
Net income	-	-	4,876,947
Reduction of Common Stock*	-2,539,222	-	2,539,222
Reduction of Additional Paid-in Capital*	-	-21,980,395	21,980,395
Net exchanges other than shareholders' equity	-	-	-
The total amount of changes during the annual period	-2,539,222	-21,980,395	29,396,564
BALANCE, March 31, 2007	14,294,625	-	4,876,947

	Shareholders' equity	Valuation and translation adjustments	Total net assets
	Total shareholders' equity	Net unrealized holding gains or losses on securities	
BALANCE, APRIL 1, 2006	14,294,625	3,928,242	18,222,867
Changes during the annual period			
Net income	4,876,947	-	4,876,947
Reduction of Common Stock*	-	-	-
Reduction of Additional Paid-in Capital*	-	-	-
Net exchanges other than shareholders' equity	-	-3,268,651	-3,268,651
The total amount of changes during the annual period	4,876,947	-3,268,651	1,608,296
BALANCE, March 31, 2007	19,171,572	659,591	19,831,163

* Reductions of common stock and additional paid-in capital resolved at the 14th ordinary general meeting of shareholders, pursuant to Pursuant to Article 447 Paragraph 1 and Article 448 Paragraph 1 of the Corporation Law, became effective on August 4, 2006.

Notes to non-consolidated financial statements

1-1. Significant accounting policies

(1) Valuation standards and methods for securities

Shares of subsidiaries and affiliates: stated at cost based on the moving average method.
Other securities:

Securities whose market prices are quoted:

Market value method based on the market price, etc. as of the end of the fiscal term (all of the changes resulting from the valuation are directly incorporated into capital, while the cost of the securities at the time of their sale is calculated using the moving average method.)

Securities whose market prices are not quoted:

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

(2) Valuation standards and methods for derivatives and others: market value method, in principle.

(3) Valuation standards and methods for inventories

Products and store: stated at cost based on the moving average method.

Work in process: specific-order cost method.

1-2. Depreciation methods for non-current assets

(1) Tangible non-current assets

Declining balance method

The depreciable asset whose acquisition value is 100,000 yen or more but less than 200,000 yen is depreciated in equal installments over three years.

The numbers of useful years of main depreciable assets are as specified below:

Plant and buildings facilities annexed: 8-15 years

Tools, machines, instruments and equipments: 3-15 years

(2) Intangible non-current assets

Straight line method

The software used by the Company is depreciated over the number of useful years for internal use, i.e., five years.

1-3. Standards for recording of 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 based on the percentage of actual credit losses incurred 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 credit.

(2) Reserve for employees' retirement benefits

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.

The difference arising from actuarial computations is amortized and expensed in the subsequent fiscal terms 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 (14 years).

(3) Reserve for directors' and company auditors' retirement benefits:

To prepare for payment of retirement benefits to full time directors and company auditors, IIJ calculates the required amount based on regulation of directors' and company auditors' retirement benefits. As for the reserve for company auditors' retirement benefits (510 thousand yen as of end of the fiscal year) were included to the Reserve for directors' and company auditors' retirement benefits.

(Changes in accounting method)

With respect to retirement benefit to a retiring full time directors and company auditors, which were previously recognized as a cost at the time of payment, the Company changed its method of accounting, to record a reserve for the benefits to the amount necessary for payment as of the end of the fiscal year based on the internal regulation "Regulation for company auditors' retirement benefits".

This change is made due to establishment of the Japanese Institute of Certified Public Accountants' guidance on auditing of reserve and allowance including a reserve for company auditors' retirement benefits, as amended as of April 13, 2007.

In accordance with this change, 133,680 thousand yen, which accrued in the previous fiscal year, and 23,460 thousand yen, which accrued in this fiscal year are recorded as sales and marketing expenses and general and administrative expenses. As a result thereof, operating income, ordinary income were 23,460 thousand yen, income before income taxes was 157,140 thousand yen less than those as would have been accounted for under the previous method.

1-4. Other significant accounting policies

- (1) Accounting for lease transactions
Financing lease transactions, other than those in which ownership of the leased assets is deemed to transfer to the lessee, are recorded based on the same accounting method as is used for normal rental transactions.
- (2) Treatment of deferred assets
New shares issuing costs are amortized in equal installments over three years.
- (3) Accounting for important hedging transactions
The Company uses interest swaps in order to hedge the risk of changes in the interest rate on borrowing, pursuant to the internal rules prescribing limitations and maximum transaction volumes, etc. concerning derivative transactions.
Since interest swaps are accounted for according to special tax treatment, a validity assessment is omitted.
- (4) Consumption tax
Consumption tax is separately recorded.
- 1-5. Changes in important accounting method
- (1) Accounting standard for presentation of net assets in the balance sheet
Effective from the year ended March 31, 2007, IIJ adopted 'Accounting standard for Presentations of Net Assets in the Balance Sheet' (ASBJ No.5 issued on December 9, 2005) and 'Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet' (ASBJ Guidance No.8 issued on December 9, 2005). The amount of what is previously presented as 'Shareholders' Equity' was 19,831,163 thousand yen.
- (2) IIJ accounted under Corporation Law in Japan and Corporate Accounting Regulations in Japan from the year ended March 31, 2007.
2. Notes to balance sheet
Monetary claims and liabilities to subsidiaries
Short-term monetary claims: 382,984 thousand yen
Short-term monetary liabilities: 2,081,878 thousand yen
3. Notes to statement of income
Transactions with subsidiaries
Revenues: 1,617,661 thousand yen
Purchases: 12,677,895 thousand yen
Turnover from non-operating transactions: 97,311 thousand yen
4. Deferred tax accounting
Significant components of deferred tax assets and liabilities:
Deferred tax assets
Tax operating loss carry forward: 6,952,884 thousand yen
Impairment loss on investment securities: 497,297
Reserve for retirement directors' and company auditors' benefits: 64,164
Reserve for retirement employees' benefits: 60,314
Impairment loss on subsidiaries' securities: 378,623
Loss on sale of non-current assets: 63,148
Impairment loss of non-current assets: 20,717
Accrued enterprise taxes: 10,694
Others: 43,590
Subtotal of deferred tax assets: 8,091,431
Valuation allowance: -6,628,591
Total of deferred tax assets: 1,462,840
Deferred tax liabilities
Unrealized gain on other securities: 452,704
Total of deferred tax liabilities: 452,704
Net amount of deferred tax assets: 1,010,136 thousand yen
5. Notes regarding non-current assets under leasehold contracts
Information on finance leases that do not transfer ownership to the lessee
- (1) Amounts equivalent to acquisition cost, accumulated depreciation and net book value at March 31, 2007

	Thousands of Yen		
	Amount equivalent to acquisition cost	Amount equivalent to accumulated depreciation and amortization	Amount equivalent to lease obligation
Data communication equipment and office equipment	6,793,079	2,879,869	3,913,210
Software	52,978	40,738	12,240
Total	6,846,057	2,920,607	3,925,450

- (2) Residual term of amount equivalent to lease obligation
Within one year 1,617,630 thousand yen

- More than one year 2,402,648 thousand yen
Total 4,020,278 thousand yen
- (3) Lease expense, depreciation and amortization expense and interest expense
 Lease expenses 2,104,415 thousand yen
 Depreciation and amortization expense 1,953,442 thousand yen
 Interest expense 153,682 thousand yen
- (4) Amount equivalent to depreciation and amortization of leased assets
 The amount equivalent to depreciation and amortization is calculated if the leased asset was depreciated on a straight line basis for the lease term as its useful life with non residual value.
- (5) The difference between total lease payments and cost for acquisition of leased property and equipment is recorded as interest and distributed to each period using interest method.
6. Notes regarding related party transactions
- (1) Transactions with subsidiaries

Attribute	Name	Business	Ownership	Relation with related parties		Nature of transaction	Amount of transaction (Thousand of Yen)	Account	Balance as of March 31, 2007 (Thousand of Yen)
				Collateral offices of directors	Business relation				
Subsidiary	IIJ Technology Inc.	Systems integration service Outsourcing service	86.1%	Yes	Customer and supplier	Purchase of operation and maintenance of network systems Purchase of construction of network systems Royalty charge and commissions received	5,526,370 4,304,000* 85,639* *	Accounts payable Accounts receivable -other	1,749,640 30,497

(2) Transactions with other affiliated company's subsidiary

Attribute	Name	Business	Ownership	Relation with related parties		Nature of transaction	Amount of transaction (Thousand of Yen)	Account	Balance as of March 31, 2007 (Thousand of Yen)
				collateral offices of directors	Business relation				
Other affiliated company's subsidiary	NTT Communications Corporation	Domestic and international telecommunications services	5.0%	No	Customer and supplier	Purchase of domestic and international telecommunications services	4,593,122***	Account payable -other	546,965

(Note)

1. Consumption tax is excluded from the amounts of transaction and included in the amounts of balance as of March 31, 2007.

2. Terms and conditions of the above transactions:

* The cost and other conditions of purchase of network systems maintenance, operation and construction are determined by receiving an estimate for each purchase and in reference to

the market price.

** Royalty charge and commissions are determined based on the previously defined rates and expenses in the contract.

*** Supplier and cost of purchase of domestic and international telecommunications lines is determined in the comparison with the other company's estimates in consideration of the market price.

7. Notes to per share information

Net assets per share: 97,068.84 yen

Net income per share: 23,871.50 yen

8. Subsequent events

On March 29, 2007, IIJ's board of directors resolved to sign definitive agreement with Panasonic Network services Inc. ("PNS") to acquire 100% of the equity of hi-ho, Inc. from PNS for JPY 1,200 million. The acquisition will become effective on June 1, 2007. IIJ Group will take over the Internet service business that PNS provides and the solution business that PNS provides to its corporate customers.

On April 5, 2007, IIJ's board of directors resolved that IIJ make the two consolidated subsidiaries, IIJ Technology Inc. ("IIJ-Tech") and Net Care, Inc. ("Net Care") 100% owned through share exchanges. The share exchanges became effective on May 11, 2007 and on the same date the two consolidated subsidiaries became 100% owned. Through this share exchanges, IIJ has newly issued 2,178 common stocks of IIJ.

Before the share exchanges, as of April 5, 2007, IIJ's ownership in IIJ-Tech and Net Care increased to 95.2% and 92.5% respectively, as IIJ had purchased the shares of IIJ-Tech for 1,635 million yen and the shares of Net Care for 340 million yen from their minority shareholders.

(TRANSLATION)

Certified Copy

INDEPENDENT AUDITORS' REPORT

May 22, 2007

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

Deloitte Touche Tohmatsu

Designated Partner,
Engagement Partner,
Certified Public Accountant:
Akio Shiino (seal)

Designated Partner,
Engagement Partner,
Certified Public Accountant:
Takashi Yamaguchi (seal)

We have audited the consolidated financial statements of Internet Initiative Japan Inc. ("the Company") namely, the consolidated balance sheet, the consolidated statement of income, the consolidated statements of stockholders' equity and the notes to consolidated financial statements for the 15th fiscal year from April 1, 2006 to March 31, 2007, in accordance with paragraph 4, Article 444 of the Corporation Law. Responsibility as to the preparation of such consolidated financial statements lies with the management of the Company, and our responsibility is to express our opinion on the consolidated financial statements from an independent position.

We conducted our audit in accordance with the auditing standards generally accepted in Japan. Those auditing standards require that we obtain reasonable assurance that there are no material false representations in the consolidated financial statements. The audit is conducted on a test basis and includes the examination of representations in the consolidated financial statements as a whole, including the examination of the accounting principles adopted by the management and the method of application thereof and the evaluation of the estimate by the management. We have determined that, as a result of the audit, we have obtained a reasonable basis for giving an opinion.

We confirm that the consolidated financial statements referred to above fairly represent, in all material respects, the status of assets and earnings of the corporate group comprised of the Company and its consolidated subsidiaries for the period, for which the consolidated financial statements were prepared, in conformity with the accounting principles generally accepted in the United States under paragraph 1, Article 148 of the Company Accounting Regulations of Japan (refer to Note 1-3 (1) of "Notes to Basic Significant Matters Regarding Presentation of Consolidated Financial Statements" of the notes to consolidated financial statements).

Additional information

(1) As stated in the Note on subsequent events, the Company signed a definitive agreement to acquire 100% of the equity of hi-ho, Inc.

(2) As stated in the Note on subsequent events, the Company make the two consolidated subsidiaries, IIJ Technology Inc. and Net Care, Inc. 100% owned through purchase of the shares from their mainority shareholders and share exchanges.

Our firm or we in charge have no financial or other interest in the Company required to be stated by the provisions of the Certified Public Accountants Law.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

INDEPENDENT AUDITORS' REPORT

May 22, 2007

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

Deloitte Touche Tohmatsu

Designated Partner,
Engagement Partner,
Certified Public Accountant:
Akio Shiino (seal)

Designated Partner,
Engagement Partner,
Certified Public Accountant:
Takashi Yamaguchi (seal)

We have audited the non-consolidated financial statements of Internet Initiative Japan Inc. ("the Company") namely, the balance sheet, the statement of income, the statements of changes in stockholders' equity, the notes to non-consolidated financial statements and the accompanying detailed statements for the 15th fiscal year from April 1, 2006 to March 31, 2007, in accordance with item 1, paragraph 2, Article 436 of the Corporation Law. Responsibility as to the preparation of such non-consolidated financial statements and the accompanying detailed statements lies with the management of the Company, and our responsibility is to express our opinion on the non-consolidated financial statements and the accompanying detailed statements from an independent position.

We conducted our audit in accordance with the auditing standards generally accepted in Japan. Those auditing standards require that we obtain reasonable assurance that there are no material false representations in the non-consolidated financial statements and the accompanying detailed statements. The audit is conducted on a test basis and includes the examination of representations in the non-consolidated financial statements and the accompanying detailed statements as a whole, including the examination of the accounting principles adopted by the management and the method of application thereof and the evaluation of the estimate by the management. We have determined that, as a result of the audit, we have obtained a reasonable basis for giving an opinion.

We confirm that the non-consolidated financial statements and the accompanying detailed statements referred to above fairly represent, in all material respects, the status of assets and earnings for the period, for which the non-consolidated financial statements and the accompanying detailed statements were prepared, in conformity with the accounting standards generally accepted in Japan.

Additional information

(1) As stated in the Note on significant accounting policies, the Company changed its accounting method regarding retirement benefit to retiring directors and company auditors, which were previously recognized as a cost at the time of payment, to record a reserve for the benefits to the amount necessary for payment as of the end of the fiscal year based on the internal regulation.

(2) As stated in the Note on subsequent events, the Company signed a definitive agreement to acquire 100% of the equity of hi-ho, Inc.

(3) As stated in the Note on subsequent events, the Company make the two consolidated subsidiaries, IIJ Technology Inc. and Net Care, Inc. 100% owned through purchase of the shares from their mainority shareholders and share exchanges.

Our firm or we in charge have no financial or other interest in the Company required to be stated by the provisions of the Certified Public Accountants Law.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

Audit Report

The Board of Company Auditors, upon deliberation, prepared this audit report regarding the performance of duties of the Directors of the Company during the 15th fiscal year from April 1, 2006 to March 31, 2007, based on the audit reports prepared by each Company Auditor, and hereby reports as follows:

1. Auditing Method Employed by Company Auditors and the Board of Company Auditors and Details Thereof

The Board of Company Auditors established an auditing policy and auditing plans, including the assignment of the duties, etc., of each Company Auditor, received from each Company Auditor reports on the execution of audits and the results thereof and, in addition, received from the Directors, etc. and the Independent Auditors reports on the performance of their duties and, when necessary, requested explanations regarding such reports.

In accordance with the auditing standards for Company Auditors established by the Board of Company Auditors, and based on the auditing policy and the assignment of duties, etc., each Company Auditor has taken steps to facilitate communication with the Directors and the Internal Audit Department as well as other employees, and has endeavored to gather information and create an improved environment for auditing. Each Company Auditor also attended meetings of the Board of Directors and other important meetings, received from the Directors, employees and other related persons reports on the performance of their duties and, when necessary, requested explanations regarding such reports. In addition, each Company Auditor inspected important authorized documents and associated information, and examined the business and financial position of the Company at the head office and main branch offices of the Company. Furthermore, each Company Auditor monitored and examined the content of resolutions made by the Board of Directors concerning the establishment of systems to ensure that the performance of duties by the Directors will be in compliance with laws and regulations of Japan and with the Company's Articles of Incorporation and other systems as provided in Article 100, Paragraphs 1 and 3 of the Company Law Enforcement Regulations to ensure that the Company's operation will be conducted appropriately and the status of such systems established by such resolutions (internal control systems).

As for the subsidiaries of the Company, each Company Auditor has taken steps to facilitate communication with the directors and Company Auditors and other related persons of the subsidiaries and to share information among them and, when necessary, received reports from the subsidiaries regarding their businesses. Based on the foregoing method, we examined the business report and the supplementary schedules for this fiscal year.

In addition, the Company Auditors also audited and examined whether the independent auditors maintain their independence and carry out audits in an appropriate manner. The Company Auditors received from the Independent Auditors reports on the performance of their duties and, when necessary, requested explanations regarding those reports. The Company Auditors also received notification from the Independent Auditor that it has taken steps to improve the "System to Ensure Appropriate Execution of the Duties of the Independent Auditors" (as enumerated in each item of Article 159 of the Company Calculation Regulations) in compliance with the "Quality Control Standards Relating to Auditing" (adopted by the Business Accounting Deliberation Council on October 28, 2005), etc. When necessary, the Company Auditors requested explanations on such notification. Based on the foregoing method, the Company Auditors reviewed the financial statements for this fiscal year (non-consolidated balance sheet, non-consolidated statements of income, non-consolidated statements of changes in shareholders' equity and notes to the non-consolidated financial statements) and supplementary schedules thereto and the consolidated financial statements for this fiscal year (consolidated balance sheet, consolidated statements of income, consolidated statement of changes in shareholder's equity and notes to the consolidated financial statements).

2. Audit Results

(1) Audit Results on the Business Report, etc.

- A. In our opinion, the business report and the supplementary schedules fairly represent the Company's condition in conformity with the applicable laws and regulations of Japan as well as the Articles of Incorporation of the Company.
- B. With respect to the execution of duties by the Directors, we have found no evidence of misconduct or material facts in violation of the applicable laws and regulations of Japan or the Articles of Incorporation of the Company in the course of the execution of duties of the Directors.
- C. In our opinion, the content of the resolutions made by the Board of Directors regarding the internal control systems is appropriate, and furthermore, we have not found anything to be pointed out on the performance of duties of the Directors concerning

the internal control systems.

- (2) Results of Audit of the Financial Statements and Supplementary Schedules
In our opinion, the method and results of the audit employed and rendered by Deloitte Touche Tohmatsu, the Independent Auditor, are fair and reasonable.
- (3) Results of Audit of the Consolidated Financial Statements
In our opinion, the method and results of the audit employed and rendered by Deloitte Touche Tohmatsu, the Independent Auditor, are appropriate.

May 25, 2007

Board of Company Auditors
Internet Initiative Japan Inc.

Full-time Company Auditor	Junichi Tate (seal)
Company Auditor	Masaki Okada (seal)
Company Auditor	Masaaki Koizumi (seal)
Company Auditor	Hirofumi Takahashi (seal)

Note: Full-time Company Auditor, Junichi Tate, and two Company Auditors, Masaki Okada and Masaaki Koizumi, are outside auditors as provided in Article 2, Item 16, and Article 335, Paragraph 3 of the Company Law.

Reference Documents for the Ordinary General Meeting of Shareholders

Agenda of the meeting and reference matters:

Item 1: Appropriation of Retained earnings

The Company endeavors to return our profits to shareholders through the continuous and stable distribution of dividends while giving consideration to the retained earnings for enhancement of its financial condition and mid-term expansion of the business and development of new business. The Company proposes to pay dividends for the first time since its establishment, as the Company eliminated for the accumulated deficit by a reduction of the common stock and additional paid-in capital in the non-consolidated financial statements in August 2006, and the distributable amount has been reported as of the end of this fiscal term.

Based on the policy described above, the Company proposes the dividends to be as follows:

1. Kind of dividend property

Cash

2. Matters concerning allocation and total amount of dividend property

The Company proposes to pay ¥1,500 per share of common stock. In this case, the total amount of dividends is ¥306,450,000.

3. Effective date of dividends payment

The Company proposes it to be June 27, 2007.

Item 2: Amendments to the Articles of Incorporation

Approval is requested that parts of the present Articles of Incorporation be amended as follows:

1. Reason for amendment

(1) The Company proposes to increase the maximum number of its Directors to enhance its business structure (Article 16).

(2) The Company proposes to delete the rules related to the position of head of full-time company auditor(s) ("Jyounin-Kansayaku") since the position is not defined in the Company Law of Japan (Article 28).

2. Content of amendments

The content of the amendments are as follows:

Present Articles	Proposed Articles
(Number of Directors) Article 16. The maximum number of Directors of the Company shall be thirteen (13).	(Number of Directors) Article 16. The maximum number of Directors of the Company shall be fourteen (14).
(Full-time Company Auditor) Article 28. The Board of Company Auditor shall appoint Full-time Company Auditor(s) ("Jyoukin-Kansayaku") by a resolution thereof. The head of the Full-time Company Auditor(s) ("Jyounin-Kansayaku") shall be appointed from among the full-time company auditors through mutual consultation among company auditors.	(Full-time Company Auditors) Article 28. The Board of Company Auditors shall appoint Full-time Company Auditor(s) ("Jyoukin-Kansayaku") by a resolution thereof.

Item 3: Election of Eight Directors

Since the term of office of seven (7) incumbent Directors. Koichi Suzuki, Toshiya Asaba, Hideshi Hojo, Hiroyuki Hisashima, Kazuhiro Tokita, Yoshifumi Nishikawa and Junnosuke Furukawa will expire at the close of this ordinary general meeting of shareholders, the reappointment of the seven (7) Directors and the election of one (1) new Director to enhance the management structure of the Company are proposed.

The candidates for the Directors are as follows:

Name Date of Birth	Careers & Current Positions in and Outside the Company	Number of Shares Owned
Koichi Suzuki September 3, 1946	Dec. 1992 Director with the establishment of the Company Apr. 1994 President and Representative Director of the same (Current position) <Representative Status in Other Companies> Chairman of the Board and Representative Director of IIJ Technology Inc. President and Representative Director of Net Care, Inc. Chairman of the Board of IIJ America Inc. President and Representative Director of Internet Maltifeed Co.	12,783
Toshiya Asaba June 12, 1962	Dec. 1992 Joined the Company June 1999 Director of the same June 2002 Managing Director of the same June 2004 Executive Vice President of the same (Current position)	260
Hideshi Hojo December 22, 1957	Apr. 1996 Joined the Company June 2000 Director of the same June 2002 Managing Director of the same June 2006 Senior Managing Director of the same (Current position)	100
Hiroyuki Hisashima October 11, 1959	May. 1996 Joined the Company Apr. 2005 Director of the same (Current position)	57
Kazuhiro Tokita April 25, 1969	July 1995 Joined the Company Apr. 2005 Director of the same (Current position)	109
Yoshifumi Nishikawa August 3, 1938	Apr. 1961 Joined The Sumitomo Bank, Limited June 1997 President of the same Apr. 2001 President, and Chief Executive Officer of Sumitomo Mitsui Banking Corporation Dec. 2002 President of Sumitomo Mitsui Financial Group, Inc. June 2005 Director of the Company (Current position) Jan. 2006 President and Chief Executive Officer of Japan Post Corporation (Current position) Apr. 2007 President of Japan Post (Current position)	0
Junnosuke Furukawa December 5, 1935	Apr. 1959 Joined The Furukawa Electric Co., Ltd. Mar. 1968 Chairman of the Board and Representative Director of FURUKAWA RUBGTI CO., Ltd. (Current position) June 1995 President of the same June 2003 Chairman of the Board and Representative Director of the same June 2004 Senior Adviser and Director of the same (Current position) June 2005 Director of the Company (Current position)	0
Junichi Shimagami April 17, 1967	Apr. 1990 Joined Nomura Research Institute, Ltd. Sep. 1996 Joined the Company Apr. 2004 Division Director of the Network Engineering Section Apr. 2007 Division Director of the Network Service Department of the same (Current position)	14.4

(Notes)

(a) There is no special interest between the candidates and the Company.

(b) The candidate for the Director, Mr. Yoshifumi Nishikawa, is a candidate for an outside director. Since he established a prominent career as a corporate manager and has abundant experience and profound knowledge in management, the Company proposes to appoint him as a candidate for an outside director to enhance the supervisory functions of management. He is presently an outside director of the Company, and his total term of office as an outside director will be two (2) years at the close of this Ordinary General Meeting of Shareholders. The Company, pursuant to the Articles of Incorporation of the Company, entered into a Liability Limitation Agreement (Article 427, Paragraph 1 of the Company Law) with him which limits the liability provided for in Article 423, Paragraph 1 of the Company Law to the higher of either 10 million yen or the amount prescribed in Article 427, Paragraph 1 of Company Law, provided that he is bona fide and without gross negligence in performing his duties. As the said Liability Limitation Agreement will terminate upon the expiration of his current term of office as an outside director, a new Liability Limitation Agreement providing the same is scheduled to be entered into after his assumption of office as an outside director. Sumitomo Mitsui Banking Corporation, where he had been holding office as President until June in 2005, was issued a cease and desist order by the Fair Trade Commission of Japan in December in 2005 and administrative orders in April 2006 from the Financial Services Agency with respect to the manner in which it marketed interest rate swaps to its corporate clients during his administration.

(c) The candidate for Director, Mr. Junnosuke Furukawa is a candidate for an outside director. Since he established a prominent career as a corporate manager and has abundant experience and profound knowledge in management, the Company proposes to appoint him as a candidate for an outside director to enhance the supervisory functions of management. He is presently an outside director of the Company, and his total term of office as an outside director will be two (2) years at the close of this Ordinary General Meeting of Shareholders. The Company, pursuant to the Articles of Incorporation of the Company, entered into a Liability Limitation Agreement (Article 427, Paragraph 1 of the Company Law) with him which limits the liability provided for in Article 423, Paragraph 1 of the Company Law to the higher of either 10 million yen or the amount prescribed in Article 427, Paragraph 1 of Company Law, provided that he is bona fide and without gross negligence in performing his duties. As the said Liability Limitation Agreement will terminate upon the expiration of his current term of office as an outside director, a new Liability Limitation Agreement providing the same is scheduled to be entered into after his assumption of office as an outside director.

(d) The shares of the Company owned by the candidates for directors are stated as of May 25, 2007. The shares of the Company owned by Mr. Junichi Shimagami are held through the employee stock holding association of IIJ. If this Item 3 is approved by the shareholders and he assumes his office as Director, pursuant to the regulations of the employee stock holding association of IIJ, such procedures as the withdrawal of equity, etc. necessary for his withdrawal from the association will be conducted.

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