

To Shareholders

# Internet Disclosure of the Convocation Notice of the 27th Ordinary General Meeting of Shareholders

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In accordance with the applicable laws and regulations of Japan, and the provisions of Article 15 of the Company's Articles of Incorporation, the aforesaid information is deemed to have been provided to the shareholders by being available at the Company's following website: (<https://www.iiij.ad.jp/en/ir/ir-event/meeting/>).

June 5, 2019

Internet Initiative Japan Inc.

This document has been translated from the Japanese original for reference purpose only. In the event of any discrepancy between this English translation and the Japanese original, the Japanese original shall prevail.

# **1. Notes to Consolidated Financial Statements**

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

### **1-1. Matters regarding scope of consolidation**

Number of consolidated subsidiaries and names of consolidated subsidiaries

Number of consolidated subsidiaries: 16

Names of major consolidated subsidiaries: IIJ Innovation Institute Inc., IIJ Engineering Inc. ("IIJ-EG"), IIJ Global Solutions Inc., Trust Networks Inc. ("Trust Networks"), Net Chart Japan, Inc., RYUKOSHA NETWARE Inc., IIJ America Inc., IIJ Europe Limited, IIJ Global Solutions Singapore Pte. Ltd. and IIJ Global Solutions China Inc.

### **1-2. Matters regarding applying equity method**

Number and names of equity method investees

Number of equity method investees: 8

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

### **1-3. Significant accounting policies**

#### **(1) Basis of presentation**

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in U.S.A ("US GAAP") pursuant to the provisions of Article 120-3-1 of Company Accounting Regulations. However, certain disclosures required under US GAAP are omitted pursuant to the provisions of the second sentence of Article 120-1 of the Ordinance on Company Accounting as applied mutatis mutandis pursuant to Article 120-3-3 of the said Ordinance on Company Accounting.

#### **(2) Valuation method and policy of assets**

##### **1) Securities**

Internet Initiative Japan Inc. ("IIJ" or "the Company") accounts for its holding securities in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 320, "Investments – Debt Securities" and ASC321, "Investments – Equity Securities".;

##### **- Equity Securities and Fund Investments:**

Equity Securities and Fund Investments are accounted for at fair value with unrealized gains or losses included in earnings and reported in the current period.

##### **- Debt Securities;**

Debt Securities are accounted for at fair value with unrealized gains or losses excluded from earnings and reported in accumulated other comprehensive income (loss).

##### **- Non-marketable Equity Securities;**

The Company measures Non-marketable Equity Securities without readily determinable fair values by reviewing changes in observable prices in orderly transactions for identical or similar investments issued by the same issuers. Such changes are added to or subtracted from, the carrying amount after any writedown due to impairment. Cost of securities sold is determined by the moving-average cost method.

##### **2) Inventories**

Inventories consist mainly of network equipment purchased for resale and work-in-process for construction of 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 construction 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:

Buildings	20 Years
Data communications, office and other equipment	2 to 20 Years
Leasehold improvements	4 to 20 Years
Construction other than buildings	4 to 20 Years
Purchased software	5 to 7 Years
Capitalized leases	4 to 6 Years

(4) Leases

Capital leases which meet specific criteria noted in ASC 840, "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

In accordance with ASC 360, "Property, Plant, and Equipment", long-lived assets, other than goodwill and intangible assets that are deemed to have indefinite useful lives, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

(6) Goodwill and other intangible assets

Goodwill is recognized primarily as the excess of the cost of an acquired share of consolidated subsidiaries over the estimated fair value of the subsidiaries' net assets acquired. In accordance with ASC 350, "Intangibles-Goodwill and Other," 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.

Intangible assets (total of JPY2,315,548 thousand) that have a finite useful life are amortized over 15 to 19 years, which mainly reflects the pattern of economic benefit over their estimated useful life.

(7) Basis for recording allowance

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.

(8) Revenue recognition

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

Step 1: Identify the contract with a customer

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

Step 3: Determine the transaction price

Step 4: Allocate the price to the performance obligations

Step 5: Recognize revenue as the performance obligations are fulfilled

Network service represents services wherein our performance obligation is carried out over the term of the contract, and revenues are recognized monthly on a straight-line basis over the contract period. System construction revenues are recognized based on the completed-contract method. System construction services are generally delivered over a period of three to nine months. Only if certain conditions are met, contract revenue and costs associated with the system construction contract will be recognized as revenue, costs, or expenses over time by reference to the progress towards complete satisfaction of the performance obligation. System operation and maintenance revenues are recognized on a straight-line basis over the contract period. Equipment sales revenues are recognized when equipment is delivered and accepted by the customer. ATM operation business revenues consist primarily of commissions for each ATM withdrawal transaction. ATM commissions are collected from each withdrawal and recognized as ATM operation revenues when collected as the customer receives benefits at the time of use.

(9) Income tax

Deferred income taxes reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes and tax loss carryforwards. These deferred taxes are measured using the currently enacted tax rates in effect for the year in which the temporary differences or tax loss carryforwards are expected to reverse. Valuation allowances are provided against deferred tax assets when it is more likely than not that a tax benefit will not be realized.

ASC 740, "Income Taxes," was adopted for accounting for uncertainty in income taxes. The Company recognizes the financial statement effect of tax positions when it is more likely than not that, based on the technical merits, the tax positions will be sustained upon examination by the tax authorities. Benefits from tax positions that meet the more-likely-than-not recognition threshold are measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon settlement. Interest and penalties accrued related to unrecognized tax benefits are included in income tax expense in the consolidated statements of income.

(10) Other significant accounting policies

1. Retirement and pension plans

In accordance with ASC 715, "Compensation – Retirement Benefits," pension and severance cost is accrued and recognized based on the projected benefit obligations and the fair value of plan assets at the balance sheet date. The unrecognized net actuarial loss is recognized by amortizing a portion in excess of a corridor (i.e., 10% of the greater of the projected benefit obligations or the fair value of plan assets) using the straight-line method over 12 years.

2. Consumption tax

Consumption tax is separately recorded.

3. Application of consolidated tax declaration

The Company applied the consolidated tax declaration.

## 2. Note to Change in Accounting Policies

In May 2014, FASB issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers (Topic 606)." IIJ adopted this ASU in the fiscal year beginning April 1, 2018, using the "modified retrospective method" and recognized an adjustment for the cumulative effect of the change in beginning retained earnings. The adoption of this ASU resulted in an increase in beginning retained earnings of JPY381,678 thousand. The adoption of this ASU did not have a material impact on IIJ's consolidated financial position or consolidated results of operations.

In January 2016, FASB issued ASU 2016-01, "Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities," which amends the guidance in U.S. GAAP on the classification and measurement of financial instruments. Changes to the guidance primarily affected the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. This ASU requires equity investments (except those that are in consolidated subsidiaries or equity method investees) to be measured principally at fair value and with changes in fair value recognized in net income. IIJ adopted this ASU in the fiscal year beginning April 1, 2018, and recognized an adjustment for the cumulative effect of the change in beginning retained earnings. The adoption of this ASU resulted in an increase in beginning retained earnings of JPY5,739,166 thousand, net of tax on unrealized gains on holding investments.

## 3. Changes in Presentation

There is nothing to report on this subject.

## 4. Notes to Consolidated Balance Sheet

Amount equivalent to accumulated depreciation and amortization of property and equipment: JPY 63,506,648 thousand

## 5. Notes to Consolidated Statements of Shareholders' Equity

### (1) Number of shares issued and outstanding, as of March 31, 2019

Class of stock	Balance at the beginning of current period	Increase	Decrease	Balance at the ending of current period
Common stock	46,713,800	7,600	—	46,721,400

### (2) Dividends from surplus

#### (i) Amount of dividends paid

Resolution	Classes of stock	Total amount of dividends	Dividends per share	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 28, 2018	Common stock	JPY608,349 thousand	JPY13.50	March 31, 2018	June 29, 2018
Board of Directors' meeting held on November 6, 2018	Common stock	JPY608,452 thousand	JPY13.50	September 30, 2018	December 7, 2018

#### (ii) Dividends declared during the year ended March 31, 2019 and to be paid during the next fiscal year

Resolution	Classes of stock	Source of dividends	Total amount of dividends	Dividends per share	Record date	Effective date
Ordinary General Meeting of Shareholders to be held on June 27, 2019	Common stock	Retained Earnings	JPY608,452 thousand	JPY13.50	March 31, 2019	June 28, 2019

(3) Class and number of common stock to be acquired by exercising stock acquisition rights outstanding as of March 31, 2019

	#1 Stock acquisition rights issued on July 14, 2011	#2 Stock acquisition rights issued on July 13, 2012	#3 Stock acquisition rights issued on July 11, 2013
Class and number of common stock to be acquired	Common stock 20,000 shares	Common stock 19,600 shares	Common stock 15,000 shares
	#4 Stock acquisition rights issued on July 10, 2014	#5 Stock acquisition rights issued on July 13, 2015	#6 Stock acquisition rights issued on July 11, 2016
Class and number of common stock to be acquired	Common stock 21,600 shares	Common stock 28,400 shares	Common stock 30,400 shares
	#7 Stock acquisition rights issued on July 14, 2017	#8 Stock acquisition rights issued on July 13, 2018	
Class and number of common stock to be acquired	Common stock 32,600 shares	Common stock 32,600 shares	

(4) Other Comprehensive Income

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

6. Notes to Financial Instruments

(1) Conditions of financial instruments

(i) The Company's policy for financial instruments

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

(ii) Nature and risks of financial instruments

- Account receivables are exposed to credit risks of customers.
- Equity securities, fund investments and debt securities are exposed to market volatility risks.
- Accounts payable are mostly due within one year.
- Lease obligations are associated with finance lease transactions that intend to finance capital expenditures mainly related to network equipment.

(iii) Risk management for financial instruments

- The Company controls credit risk in accordance with its credit risk guidelines.
- The Company reviews the fair value of equity securities, fund investments and debt securities on a regular basis.
- The Company controls liquidity risk by adequately forecasting and managing liquidity needs.

(2) Fair value of financial instruments

Book value, fair value and the differences between them as of March 31, 2019 are as follows. Financial instruments with fair values that are extremely difficult to evaluate their fair value are not included in the table below:

(Unit: JPY thousands)

	Amount Recognized in Consolidated Balance Sheet	Fair Value	Differences
(1) Cash and cash equivalents	32,076,232	32,076,232	-
(2) Accounts receivable	33,581,935	33,581,935	-
(3) OTHER INVESTMENTS			
Equity Securities	7,620,104	7,620,104	-
Fund Investments	2,143,443	2,143,443	-
Debt Securities	114,010	114,010	-
(4) Short-term borrowings	11,250,000	11,250,000	-
(5) Capital lease obligations – current	6,519,181	6,519,181	-
(6) Accounts payable – trade	20,631,835	20,631,835	-
(7) Accounts payable – other	1,295,229	1,295,229	-
(8) LONG-TERM BORROWINGS	15,500,000	15,503,003	(3,003)
(9) Capital lease obligations – noncurrent	11,515,459	11,338,574	176,885
(10) OTHER NONCURRENT LIABILITIES			
Accounts payable – noncurrent	623,420	623,479	(59)

(Notes)

1. Cash and cash equivalents, accounts receivable, short-term borrowings, capital lease obligations – current, accounts payable – trade, and accounts payable – other are stated at book value because they are short-term and their book values are approximately the same as their fair values.

2. Other investments

As for fair values of other investments, the fair value of equity securities are evaluated using the quoted prices in active markets, the fair values of debt securities are evaluated using the quoted price obtained from counterparty financial institutions and the fair values of fund investment are evaluated based on net asset.

3. Capital lease obligations – noncurrent

Fair value is calculated by discounting to net present value the total amount of lease payments using an expected interest rate when newly undertaking the same lease transaction.

The future lease payments, including interest, as of March 31, 2019 were as follows:

(Unit: JPY thousands)

Class	Less than 1 Year	1 to 2 years	2 to 3 years	3 to 4 years	More than 4 years
Capital lease obligations	6,750,784	5,586,012	3,856,269	1,754,053	554,689

4. Long-term borrowings and Accounts payable – noncurrent

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

The fair value of long-term borrowings includes the amount of long-term borrowings – current portion.

5. Investment in equity method investee (book value of JPY4,837,867 thousand) is not included in the above because it is extremely difficult to evaluate the fair value as it has no market value and it is difficult to estimate the future cash flows.

6. Nonmarketable equity securities and others included in other investments (book value of JPY930,069 thousand) are not included above because it is impractical to evaluate the fair values as they have no observable market value and it is difficult to estimate the future cash flows.

7. Guarantee deposits (book value of JPY3,380,728 thousand) are not included above because it is impractical to evaluate the fair value as the term of contract is uncertain and the timing for refund is not determined.

7. Notes to per Share Information

(1) Total shareholders' equity per share: JPY 1,673.03

(2) Basic net income attributable to IIJ per share: JPY 60.24

8. Subsequent Events

There is nothing to report on this subject.

## **2. Notes to Non-Consolidated Financial Statements**

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

#### 1-1. Basis for valuation and recording of assets

##### (1) Valuation and methods for securities

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

Other securities:

##### Marketable Securities:

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

##### Non-Marketable Securities:

Stated at cost based on the moving-average method.

Investments in limited liability investment partnerships and similar partnerships are accounted for by including 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 the investment partnership agreements.

##### (2) Valuation and methods for inventories

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

Merchandise and supplies: moving-average method

Work in process: specific identification method

#### 1-2. Depreciation methods for assets

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

Straight-line method

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

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

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

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

Straight-line method

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

Goodwill is amortized over 20 years and customer relationships are amortized over 19 years, which reflects the pattern of economic benefit over their estimated useful lives.

##### (3) Assets under capital lease

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

### 1-3. Basis for recording allowances

#### (1) Allowance for doubtful accounts

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

#### (2) Accrued pension cost

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

##### 1) Method of attributing the estimated benefit obligation to periods

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

##### 2) Amortization method of actuarial calculation differences

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

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

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

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

On May 25, 2016, IIJ's Board of Directors resolved to abolish the retirement allowance plan for Standing Company Auditors. In connection with this decision, IIJ proposed to grant a retirement allowance to incumbent Company Auditors in line with the abolished Auditors' 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 24, 2016 and it was resolved accordingly at the Ordinary General Meeting of Shareholders on June 24, 2016. The payment of each of the retirement allowances will be made for a reasonable amount in accordance with the Company's established rules at the time of retirement of each Company Auditor. Accordingly, the allowance for retirement payment was included in "Accrued directors' and company auditors' retirement benefits."

### 1-4. Basis for recording sales and costs

#### (1) Basis for recording sales and costs for financial lease transactions

Revenue and costs are recognized when lease receivable are received.

#### (2) Basis for recording sales and costs for systems construction

1) Construction that commenced during the fiscal year ended March 31, 2019, provided that the outcome of the construction activity is deemed certain percentage-of-completion method (estimation of percentage-of-completion is calculated under the direct labor hour method.)

##### 2) Other construction

Completed-contract method

### 1-5. Other significant accounting policies

#### (1) Consumption tax

Consumption tax is separately recorded.

#### (2) Application of consolidated tax declaration

The Company applied the consolidated tax declaration.

## 2. Change in Presentation

The Company has adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ statement No.28 issued on February 16, 2018) from the fiscal year ended March 31, 2019. Accordingly, presentation has been changed to present deferred tax liabilities as long-term liabilities.



### 3. Notes to Non-Consolidated Balance Sheet

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

Short-term monetary claims:	JPY 1,328,403 thousand
Short-term monetary liabilities:	JPY 2,043,221 thousand

### 4. Notes to Non-Consolidated Statement of Income

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

Revenues:	JPY 5,444,295 thousand
Purchases:	JPY 19,322,808 thousand
Turnover from non-operating transactions:	JPY 56,574 thousand

### 5. Notes to Non-Consolidated Statement of Shareholders' Equity

Number of treasury stock as of March 31, 2019

Common stock:	1,650,911 shares
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### 6. Asset Retirement Obligations

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

(2) Calculation method for asset retirement obligations

The asset retirement obligations were calculated using the estimated use period for leasehold of 20 years based on the contract period, headquarter office space of 15 years and branch offices of 20 years based on the current office plan and with the discount rate estimated to be from 0.5% to 3.0%, calculated based on the distribution yield of Japanese government bonds for the corresponding period.

(3) Increase and decrease of asset retirement obligations as of March 31, 2019

Balance at beginning of the fiscal year:	JPY 643,147 thousand
Increase in relation to the acquisition of assets:	JPY 24,385 thousand
Decrease due to fulfillment of asset retirement obligation	JPY (9,070) thousand
Other increases:	JPY 11,809 thousand
Balance at end of the fiscal year:	JPY 670,271 thousand

### 7. Deferred Tax Accounting

Major components of deferred tax assets and liabilities:

(Unit: JPY thousands)

Deferred tax assets	
Impairment loss on investment securities	136,632
Accrued directors' and company auditors' retirement benefits	71,879
Accrued pension and severance cost	901,003
Allowance for doubtful accounts	58,707
Impairment loss on investments in affiliated companies	1,000,261
Loss on disposal of telephone rights	47,477
Impairment loss of telephone rights	19,094
Accrued enterprise taxes	90,277
Deferred revenue	57,112
Research and development cost denial	1,362
Asset retirement obligations	205,103
Overdepreciation	558,091
Stock-based compensation	108,913
Accrued rent payable	9,088
Others	453,998
Subtotal of deferred tax assets	3,718,997
Valuation allowance	(1,622,735)
Total of deferred tax assets	2,096,262
Deferred tax liabilities	
Unrealized gain on other securities	1,989,717
Customer relationships	287,561
Reserve for advanced depreciations of fixed assets	177,183
Asset retirement cost	131,810
Total of deferred tax liabilities	2,586,271
Net amount of deferred tax liabilities	490,009

## 8. Notes Regarding Related Party Transactions

### (1) Transactions with subsidiaries

Type of related company	Name	Business	Ownership	Relation with related parties		Nature of transaction	Amount of transaction (Thousands of JPY)	Account	Balance as of March 31, 2019 (Thousands of JPY)
				Collateral offices of directors	Business Relation				
Subsidiary	Trust Networks	ATM operation Business	80.6% (Direct owning)	Yes	Customer	Borrowings of funds	2,000,000 (Note 2-1)	Short-term borrowings from affiliated companies	2,000,000
Subsidiary	IIJ-EG	Operation and monitoring of network systems, customer service support, and call centers	100.0% (Direct owning)	Yes	Customer and supplier	Purchase related to construction work for network systems, operation, and maintenance	9,208,886 (Note 2-2)	Accounts payable	38,063
						Borrowings of funds	500,000 (Note 2-1)	Accounts payable - other	1,141,263
								Short-term borrowings from affiliated companies	500,000

### (2) Transactions with other related companies' subsidiaries

Type of related company	Name	Business	Ownership	Relation with related parties		Nature of transaction	Amount of transaction (Thousands of JPY)	Account	Balance as of March 31, 2019 (Thousands of JPY)
				Collateral offices of directors	Business Relation				
Other related company's subsidiary	NTT DOCOMO,INC	Telecommunications services	No	No	Customer and supplier	Mobile infrastructure service, operation, and maintenance related to mobile services	27,954,742 (Note 2-3)	Accounts payable	440
								Accounts payable - other	5,985,853
Other related company's subsidiary	NTT FINANCE CORPOTATION	Leasing services	No	No	Customer and lease equipment seller	Purchase of lease equipment	979,692 (Note 2-4)	Capital lease obligations	3,025,857
								Accounts payable - other	289

#### (Notes)

- Consumption tax is excluded from the amounts of transaction and included in the amounts of balance as of March 31, 2019.
- Terms and conditions of the above transactions:
  - Short-term borrowings with Trust Networks are based on the policy to use group finance efficiently. The interest is based on the external financing.
  - The purchase price is determined based on an estimate obtained for each project, taking into consideration the market price.
  - Data connection charge is calculated and determined based on the cost and communication bandwidth under the "Telecommunications Business Law" and the "Interconnection Charges Rules for Category II Designated Telecommunications Facilities".
  - The purchase price is determined based on an estimate obtained for each transaction, taking into consideration the market price.

## 9. Notes to Per Share Information

- Shareholders' equity per share: JPY 1,468.72
- Net income per share: JPY 58.31

## 10. Subsequent Events

There is nothing to report on this subject.