

May 18, 2023

Company name: Internet Initiative Japan Inc.
Company representative: Eijiro Katsu, President and Representative Director
(Ticker symbol: 3774, The Prime Market of the Tokyo Stock Exchange)
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Notice Regarding the Disposal of Treasury Stock for Restricted Stock Remuneration

TOKYO - May 18, 2023 - Internet Initiative Japan Inc. (“IIJ”, the “Company”, TSE Prime Market: 3774) announced that at the IIJ’s Board of Directors meeting on May 18, 2023, it resolved to dispose of its treasury stock (the “Disposal of Treasury Stock” or the “Disposal”), as the restricted stock remuneration shown below.

1. Overview of the Disposal

(1)	Disposal date	June 14, 2023
(2)	Class and number of shares to be disposed of	42,130 shares of common stock of the Company
(3)	Disposal price	2,944 yen per share
(4)	Total disposal price	124,030,720 yen
(5)	Allottees and number thereof, and number of stocks to be disposed of	9 Directors of the Company (excluding Part-time and Outside Directors) 19,975 shares 17 Executive Officers of the Company 17,286 shares 4 Directors of subsidiary of the Company (excluding Part-time and Outside Directors) 2,602 shares 5 Executive Officers of subsidiary of the Company 2,267 shares
(6)	Others	The Disposal of Treasury Stock is conditioned on the Securities Registration Statement taking effect in accordance with the Financial Instruments and Exchange Act.

2. Purpose and reason of disposal

The Company decided, at the Board of Directors meeting held on May 25, 2020, to provide a restricted stock remuneration which is equivalent to performance-linked bonuses (the “Scheme”) for the Directors of the Company (excluding Part-time and Outside Directors, “Eligible Directors”) and Executive Officers of the Company (collectively, “Eligible Directors, etc.”), for the purpose of providing mid- to long-term incentives to Eligible Directors, etc. and further promoting shared value with shareholders. In addition, at the 28th Ordinary General Meeting of Shareholders held on June 24, 2020, it was approved that monetary remuneration claims shall be paid to the Eligible Directors, within the existing maximum aggregate amount of IIJ’s director remuneration, under the Scheme as monetary remuneration to be contributed for the acquisition of restricted stocks and the total number of shares of common stock issued or disposed of by the Company to the Eligible Directors shall be 160,000 shares or less per year. (The Company conducted a stock split at a ratio of two-for-one with a record date of December 31, 2020. Accordingly, the total number of shares of common stock issued or disposed of by the Company to the Eligible Directors has been adjusted from 40,000 shares or less per year to 160,000 shares or less per year). Furthermore, IIJ Global Solutions Inc. (“IIJ-Global”), which is our wholly-owned subsidiary, decided, at the Board of Directors meeting held on April 26, 2022, to provide a restricted stock remuneration for the Directors of IIJ-Global (excluding Part-time and Outside Directors) and Executive Officers of IIJ-Global (collectively, “Eligible Directors, etc. of IIJ-Global”), with the same purpose and content as the Scheme.

The Board of Directors decided to provide a total amount of 124,030,720 yen as monetary remuneration claims (consequently 42,130 shares of the Company’s common stocks to be disposed, including 19,975 shares for Eligible Directors) which is equivalent to performance-linked bonuses in FY2022 for Eligible Directors, etc. and Eligible Directors, etc. of IIJ-Global, taking into consideration our consolidated financial results, and non-consolidated financial results of IIJ and IIJ-Global, along with the disposal of treasury stock as the restricted stock remuneration for Eligible Directors, etc. and Eligible Directors, etc. of IIJ-Global. Overviews of the Scheme are shown below.

【Overviews of the Scheme】

Eligible Directors, etc. shall pay in the entire amount of monetary remuneration claims granted to them as a cash investment asset, and will receive shares of common stock issued or disposed of by the Company (the “Allotted Shares”). The Board of Directors will determine the amount to be paid in per share. This amount will be based on the closing price of the Company’s common stock on the Tokyo Stock Exchange on the business day immediately preceding the date of the Board of Directors resolution (the closing price on the most recent day on which trading has taken place if there is no trading on that day), and will be an amount that does not provide the Eligible Directors, etc. who receive the common stock with a particularly advantageous price.

Moreover, issuance or disposal of the Allotted Shares shall be conditional upon a restricted stock allocation agreement (the “Allotment Agreement”) concluded between the Company and each Eligible Directors, etc. An overview of the Allotment Agreement is described in 3. below.

The scheme for IJJ-Global is basically the same as above, but Eligible Directors, etc. of IJJ-Global shall make an in-kind contribution to the Company of the entire amount of monetary remuneration claims granted by IJJ-Global to such Eligible Directors, etc. of IJJ-Global (the Company shall assume the obligations of the IJJ-Global owed toward Eligible Directors, etc. of IJJ-Global arising from the monetary remuneration claims granted to such Eligible Directors, etc. of IJJ-Global), and will receive shares of common stock issued or disposed of by the Company.

3. Overview of the Allotment Agreement

(1) Transfer restriction period

Eligible Directors, etc.: From the disposal date to the point in time when Eligible Directors, etc. resigns from the position of a director and/or an executive officer of the Company.

Eligible Directors, etc. of IJJ-Global: From the disposal date to the point in time when Eligible Directors, etc. of IJJ-Global resigns from the position of a director and/or an executive officer of IJJ-Global.

(2) Conditions for removing transfer restrictions

The Company shall remove the transfer restrictions with respect to the Allotted Shares in whole upon the expiry of the transfer restriction period, provided that as for the Eligible Directors, etc., they continuously served as a director or an executive officer of the Company during the transfer restriction period, and provided that as for Eligible Directors, etc. of IJJ-Global, they continuously served as a director or an executive officer of IJJ-Global during the transfer restriction period (In the case of death of Eligible Directors, etc. or Eligible Directors, etc. of IJJ-Global, the transfer restrictions on the Allotted Shares shall be removed and those shares shall be succeeded by inheritance). If certain grounds prescribed in the Allotment Agreement, such as if an Eligible Directors, etc. retires from the position during the restriction period or upon the expiration of the restriction period for any reason other than those deemed justifiable by the Company (retirement during the term of office due to personal reasons not deemed justifiable by the Company etc.), the Company will naturally acquire the Allotted Shares for no consideration. Acquisition of the Allotted Shares without considerations for Eligible Directors, etc. of IJJ-Global is the same as above.

(3) Management of shares

In order to prevent the Allotted Shares from being transferred, collateralized, or otherwise being disposed of during the transfer restriction period, the Allotted Shares shall be managed by a specified securities firm during the transfer restriction period in a dedicated account opened by each Eligible Directors, etc., at Nomura Securities Co., Ltd. during the transfer restriction period. In order to ensure the effectiveness of the transfer restrictions, etc. pertaining to the Allotted Shares, the Company has entered into an agreement with Nomura Securities Co., Ltd. concerning the management of the accounts for the Allotted Shares held by each Eligible Director, etc. In addition, the Eligible Directors, etc. shall give consent to the content of the management of the said account. Management of shares for Eligible Directors, etc. of IJJ-Global is the same as above.

(4) Treatment in the event of organizational restructuring, etc.

If a matter concerning the organizational restructuring, etc. of the Company, such as a merger agreement whereby the Company will be the non-surviving party to the merger, or a share exchange agreement or share transfer plan whereby the Company will become a wholly-owned subsidiary of another entity, is approved at the Company’s General Meeting of Shareholders (or by the Company’s Board of Directors if such organizational restructuring, etc. does not require approval at a Company’s General Meeting of Shareholders) during the transfer restriction period, the Company will remove, based on a resolution of the Company’s Board of Directors, the transfer restriction on the Allotted Shares on a date prior to the effective date of such organizational restructuring, etc. Treatment in the event of organizational restructuring, etc. for Eligible

Directors, etc. of IIJ-Global is the same as above.

4. Basis for calculating the amount to be paid and its specific details

To avoid arbitrary pricing, the disposal price for the disposal of treasury stock shall be set at 2,944 yen, which is the closing price of a share of the Company's common stock in the Tokyo Stock Exchange on May 17, 2023, the business day immediately before the Board of Directors made the resolution. This is the market share price immediately prior to the date of the resolution, and the Company believes that it is reasonable and not particularly advantageous price.

< About Internet Initiative Japan Inc. >

Founded in 1992, IIJ is one of Japan's leading Internet-access and comprehensive network solutions providers. IIJ and its group companies provide total network solutions that mainly cater to high-end corporate customers. IIJ's services include high-quality Internet connectivity services, mobile services, security services, cloud computing services, and systems integration. Moreover, IIJ operates one of the largest Internet backbone networks in Japan that is connected to the United States, the United Kingdom and Asia. IIJ listed on the First Section of the Tokyo Stock Exchange ("TSE") in 2006 and transitioned to the Prime Market of TSE from April, 2022.

< IIJ Investor Relations >

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