

[English Translation]

May 18, 2023

Company name: Internet Initiative Japan Inc.

Company representative: Eijiro Katsu, President and Representative Director  
(Stock Code Number: 3774, The Prime Market of the Tokyo Stock Exchange)

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**Partial Disposal of Shares of Common Stock Held by Nippon Telegraph and Telephone Corporation (Largest Shareholder), Acquisition of Shares of Common Stock by KDDI Corporation, Acquisition of Treasury Stock, etc.**

**(Secondary Offering of Shares, Change in Other Affiliated Company and Major Shareholders (Scheduled), Business and Capital Alliance, Matters Related to Acquisition of Treasury Stock and Purchase of Treasury Stock through Off-Auction Own Share Repurchase Trading (ToSTNeT-3) and Cancellation of Treasury Stock (Acquisition of Treasury Stock Pursuant to the Articles of Incorporation Complying with Article 165, Paragraph 2 of the Companies Act and Purchase of Treasury Stock through Off-Auction Own Share Repurchase Trading (ToSTNeT-3) and Cancellation of Treasury Stock Pursuant to Article 178 of the Companies Act)**

TOKYO -May 18, 2023 - Internet Initiative Japan Inc. (“IIJ”, the “Company”, TSE Prime: 3774) hereby announces that a series of capital transactions are scheduled to be implemented for a portion of IIJ’s shares of common stock held by Nippon Telegraph and Telephone Corporation (“NTT”), which is the largest shareholder of IIJ, in accordance with the NTT’s policy of disposing of the shares held by it. IIJ also hereby announces changes in Other Affiliated Company and Major Shareholders (each, as defined in the Financial Instruments and Exchange Act or relevant Cabinet Office Order) of IIJ as well as certain other matters.

[Overview of a series of capital transactions scheduled]

- As of today, NTT has entered into the share purchase agreement with KDDI Corporation (“KDDI”) to transfer 18,707,000 shares (shareholding percentage (Note): 10.00%) out of the shares of IJJ’s common stock held by NTT to KDDI through off-market transaction (the “Share Transfer”). The settlement date of the Share Transfer is scheduled for May 25, 2023. The Share Transfer falls under a secondary offering of IJJ’s common stock. As a result of the Share Transfer, IJJ’s common stock held by KDDI will be 20,387,000 shares (the shareholding percentage (Note) after the Share Transfer will be 10.90%), and there will be changes in Other Affiliated Company and Major Shareholders of IJJ.
- At the extraordinary meeting of the Board of Directors held today, IJJ resolved to conclude an agreement related to the capital and business alliance (the “Capital and Business Alliance”) with KDDI (the “Capital and Business Alliance Agreement”).
- At the extraordinary meeting of the Board of Directors held today, IJJ resolved to entrust the purchase of its treasury stock amounting to 4,320,000 shares (shareholding percentage (Note): 2.31%) at the closing price (reflecting final bid-asked quotations) of JPY2,902 as of today (May 18, 2023), through off-auction own share repurchase trading (ToSTNeT-3) of the Tokyo Stock Exchange at 8:45 a.m. on May 19, 2023 pursuant to the provisions of Article 156 of the Companies Act as replaced and applied mutatis mutandis pursuant to the provisions of Article 165, Paragraph 3 of the Companies Act (the “Acquisition of Treasury Stock”). NTT has informed IJJ that NTT intends to tender 3,928,500 shares (shareholding percentage (Note): 2.10%) out of the shares of IJJ’s common stock held by NTT in the Acquisition of Treasury Stock.
- NTT has informed IJJ that, in addition to the above, within a reasonable period after May 19, 2023, NTT intends to sell shares of IJJ’s common stock in bulk (the “Additional Sale”, and together with the Share Transfer, the Capital and Business Alliance and the Acquisition of Treasury Stock, hereinafter collectively referred to as the “Transaction”) so that the total number of shares of IJJ’s common stock held by NTT and NTT Communications Corporation, which is NTT’s indirect wholly owned subsidiary (“NTT Communications”; NTT and NTT Communications are hereinafter collectively referred to as “NTT Shareholders’ Group” ) will be 20,387,000 shares (the shareholding percentage (Note) after the Transaction will be 10.90%). Further, NTT has informed IJJ that NTT intends to enter into a lock-up with Nomura Securities Co., Ltd., which will execute the Additional Sale, under which NTT agrees to continue holding the shares of IJJ’s common stock held by NTT Shareholders’ Group after the Transaction for 180 days after the date of the Additional Sale.

(Note) “Shareholding percentage” is the ratio of shares held by shareholder(s) to the total number of shares issued by IJJ (187,069,600 shares) as of March 31, 2023 (rounded off to two decimal places), which is calculated without taking into account the decrease in the total number of the issued shares due to the cancellation of treasury stock as stated in “5. Acquisition of Treasury Stock and Purchase of Treasury Stock through off-auction own share repurchase trading (ToSTNeT-3) and Cancellation of Treasury Stock” below (the “Cancellation of Treasury Stock”). The same shall apply hereinafter in this document.

## 1. Purpose of Transaction

IIJ has been considering its capital management policy in response to the NTT's policy of disposing of a portion of the shares of IIJ's common stock held by it, the largest shareholder of IIJ, to dispose of a portion of IIJ's common stock. Under such circumstance, IIJ held discussions with KDDI on forming a capital and business alliance, and concluded that it would contribute to the enhancement of IIJ's corporate value to realize NTT's intention and, at the same time, as a telecommunications service provider, for KDDI to acquire IIJ's common stock from NTT through the execution of the Share Transfer and for KDDI, a telecommunications carrier, and IIJ to execute the Capital and Business Alliance Agreement.

In addition, considering the impact on, among others, the market price of IIJ's common stock from a substantial number of shares being released into the market at once, and in order to improve IIJ's capital efficiency and enhance shareholder returns with due consideration of the IIJ's financial base, IIJ decided to implement the Acquisition of Treasury Shares and the Cancellation of Treasury Stock for a part of the remaining portion of IIJ's common stock that NTT intends to sell.

If the entire Transaction is implemented as intended by NTT, including the implementation of the Additional Sale, NTT Shareholders' Group's shareholding percentage of IIJ's common stock will be reduced to 10.90% before taking into account the implementation of the Cancellation of Treasury Stock. NTT has informed IIJ that NTT intends to continue holding such shares for the time being.

## 2. Share Transfer (Secondary Offering)

### (1) Terms and Conditions of Secondary Offering

(1) Number of Offered Shares	18,707,000 shares of common stock of the Company
(2) Offer Price	JPY2,739 per share The offer price has been determined by discussion between the parties to the sale and purchase.
(3) Total Offer Price	JPY51,238,473,000
(4) Owner of Offered Shares and Number of Offered Shares	NIPPON TELEGRAPH AND TELEPHONE CORPORATION: 18,707,000 shares
(5) Method of Secondary Offering	Transfer to KDDI Corporation through off-market transaction
(6) Application Period	May 18, 2023
(7) Delivery Date	May 25, 2023
(8) Deposit for Subscription	Not applicable.
(9) Number of Offered Share Units	Not applicable.
(10) Other	With respect to the above, the Company has filed a securities notice under the Financial Instruments and Exchange Act with the Director-General of the Kanto Local

	Finance Bureau.
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(2) Purpose of Secondary Offering

As stated in “1. Purpose of Transaction” above.

3. Changes in Other Affiliated Company and Major Shareholders associated with the Share Transfer

(1) Background to Changes

As mentioned above, as a result of the implementation of the Share Transfer, NTT, IIJ’s Other Affiliated Company and the largest shareholder, will cease to be an Other Affiliated Company, and KDDI will become a Major Shareholder of IIJ.

(2) Overview of Changes in Shareholders

(i) Shareholder who will cease to be an Other Affiliated Company (NTT)

(1)	Name	NIPPON TELEGRAPH AND TELEPHONE CORPORATION	
(2)	Address	5-1, Otemachi 1-chome, Chiyoda-ku, Tokyo	
(3)	Name and Title of Representative	Akira Shimada, President and Chief Executive Officer	
(4)	Description of Businesses	Mobile communications services, regional communications services, long-distance and international communications services, data communications services and other businesses	
(5)	Paid-in Capital	JPY937,950 million (as of March 31, 2023)	
(6)	Date of Incorporation	April 1, 1985	
(7)	Consolidated Shareholders’ Equity	JPY8,561,353 million (as of March 31, 2023)	
(8)	Consolidated Total Assets	JPY25,308,851 million (as of March 31, 2023)	
(9)	Largest Shareholders and Shareholding Percentages (as of March 31, 2023)	The Minister of Finance	34.25%
		The Master Trust Bank of Japan, Ltd. (Trust Account)	11.47%
		Custody Bank of Japan, Ltd. (Trust Account)	5.05%
		Toyota Motor Corporation	2.37%
		JP Morgan Chase Bank 385632	1.64%
		Moxley & Co. LLC	1.16%
		Nippon Life Insurance Company	0.76%
		State Street Bank West Client - Treaty 505234	0.75%
		NTT Employee Share-Holding Association	0.73%
		JP Morgan Chase Bank 385635	0.64%
(10)	Relationship between Listed Company and Relevant Shareholder	Capital Relationship	NTT holds 40,380,000 shares of IIJ’s common stock (shareholding percentage: 21.59%), and is IIJ’s Other Affiliated Company and the largest shareholder that is a Major Shareholder. However, it is expected that a portion of the shares held by NTT will be sold through the Transaction and NTT will

		cease to be an Other Affiliated Company.
	Personnel Relationship	Not applicable.
	Business Relationship	There is no significant business relationship with NTT; however, IIJ uses services of NTT's consolidated subsidiaries such as mobile communication networks, fixed communication lines and data centers, and also engages in leasing transactions. IIJ provides network and other services to NTT's consolidated subsidiaries.

(ii) Shareholder who will become a Major Shareholder (KDDI)

For the overview of KDDI, please see “(3) Overview of Partner of Capital and Business Alliance” of “4. Capital and Business Alliance” below.

(3) (a) Number of Voting Rights (Number of Shares) Held by Relevant Shareholder and (b) Percentage of the Number of Voting Rights Held by Relevant Shareholder to the Number of Voting Rights Held by All Shareholders, Before and After Change

(i) Shareholder who will cease to be an Other Affiliated Company (NTT)

	Attributes	Number of Voting Rights (Shareholding percentage of Voting Rights)			Ranking of Largest Shareholders
		Direct Ownership	Others	Total	
Before Change (as of May 18, 2023)	Other Affiliated Company Largest Shareholder that is a Major Shareholder	403,800 (22.35%)	81,600 (4.52%)	485,400 (26.87%)	First rank
After Change	Largest Shareholder that is a Major Shareholder	216,730 (12.00%)	81,600 (4.52%)	298,330 (16.51%)	First rank

(Note 1) “Shareholding percentage of the Voting Rights” is calculated based on the total number of voting rights of IIJ as of March 31, 2023 (1,806,701), which is obtained by deducting the number of shares without voting rights (6,399,500 shares) as of March 31, 2023, from the total number of shares issued of IIJ as of the same date (187,069,600 shares), and is rounded off to two decimal places.

(Note 2) The ranking of largest shareholders after the change is based on the shareholders registry as of March 31, 2023.

(ii) Shareholder who will become a Major Shareholder (KDDI)

	Number of Voting Rights (Number of Shares)	Percentage of the Number of Voting Rights Held by Relevant Shareholder to the Number of Voting Rights Held by All Shareholders	Ranking of Largest Shareholders
Before Change (as of May 18, 2023)	16,800 (1,680,000 shares)	0.93%	—
After Change	203,870 (20,387,000 shares)	11.28%	Second rank

(Note 1) “Percentage of the Number of Voting Rights Held by Relevant Shareholder to the Number of Voting Rights Held by All Shareholders” is calculated based on the total number of voting rights of IIJ as of March 31, 2023 (1,806,701), which is obtained by deducting the number of shares without voting rights (6,399,500 shares) as of March 31, 2023, from the total number of shares issued by IIJ as of the same date (187,069,600 shares), and is rounded off to two decimal places.

(Note 2) The ranking of largest shareholders after the change is based on the shareholders registry as of March 31, 2023.

(4) Change in Unlisted Parent Company Subject to Disclosure

Not applicable.

(5) Date of the Change (Settlement Date)

May 25, 2023

4. Capital and Business Alliance

(1) Purpose and Reason of Capital and Business Alliance

As stated in “1. Purpose of Transaction” above.

(2) Details of Capital and Business Alliance

A. Details of Business Alliance

In the Capital and Business Alliance Agreement, IIJ has agreed with KDDI to collaborate in the services and business stated in each of the following items and cooperate with each other in implementing and promoting the alliance in order to achieve enhancement of corporate values of both companies, which is the purpose of the Capital and Business Alliance Agreement, to the extent that such collaboration contributes to realizing the purpose. KDDI and IIJ will discuss its implementation details:

- (i) IIJ’s optimal procurement of KDDI’s communication and other services;
- (ii) Explore collaboration in the business fields of KDDI and IIJ, including those of their respective subsidiaries;
- (iii) Explore mutual use and joint development of commercial products and other collaboration in corporate area and mobile service field of KDDI and IIJ; and
- (iv) Personnel exchanges.

## B. Details of Capital Alliance

KDDI is to acquire 18,707,000 shares of IIJ's common stock from NTT through off-market transaction. For details of the Share Transfer, please see "2. Share Transfer (Secondary Offering)" above.

### (3) Overview of Partner of Capital and Business Alliance

(1)	Name	KDDI CORPORATION		
(2)	Address	3-10-10, Iidabashi, Chiyoda-ku, Tokyo		
(3)	Name and Title of Representative	Makoto Takahashi, President		
(4)	Description of Business	Telecommunications business		
(5)	Paid-in Capital	JPY141,852 million (as of March 31, 2023)		
(6)	Date of Incorporation	June 1, 1984		
(7)	Largest Shareholders and Shareholding Percentages (as of March 31, 2023)	The Master Trust Bank of Japan, Ltd. (Trust Account)		16.06%
		KYOCERA Corporation		15.52%
		TOYOTA MOTOR CORPORATION		14.67%
		Custody Bank of Japan, Ltd. (Trust Account)		6.80%
		STATE STREET BANK WEST CLIENT - TREATY 505234		1.52%
		Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.		1.00%
		JP MORGAN CHASE BANK 385781		0.99%
		SSBTC CLIENT OMNIBUS ACCOUNT		0.98%
		STATE STREET BANK AND TRUST COMPANY 505103		0.93%
(8)	Relationship between Listed Company and Relevant Company	Capital Relationship	KDDI has 1,680,000 shares of IIJ's common stock (shareholding percentage: 0.90%) and is to acquire 18,707,000 shares (shareholding percentage: 10.00%) from NTT through the Share Transfer; and as a result, KDDI will become a Major Shareholder of IIJ.	
		Personnel Relationship	Not applicable.	
		Business Relationship	IIJ uses KDDI's services such as fixed communication liens and mobile communication lines. IIJ provides KDDI with network and other services.	
		Status as a Related Party	Not applicable.	
(9)	Consolidated Results of Operations and Consolidated Financial Position (IFRS) for Three Most Recent Fiscal Years of Relevant Company			
	Fiscal Year	Fiscal Year Ended March 31, 2021	Fiscal Year Ended March 31, 2022	Fiscal Year Ended March 31, 2023
	Equity Attributable to Owners of the Parent	JPY4,759,720 million	JPY4,982,586 million	JPY5,122,409 million
	Total Assets	JPY10,535,326 million	JPY11,084,379 million	JPY11,917,643 million
	Owner's Equity per Share	JPY2,091.82	JPY2,249.27	JPY2,374.65

Revenues	JPY5,312,599 million	JPY5,446,708 million	JPY5,671,762 million
Profit Before Tax	JPY1,038,056 million	JPY1,064,497 million	JPY1,077,878 million
Profit Attributable to Owners of the Parent	JPY651,496 million	JPY672,486 million	JPY677,469 million
Basic Earnings per Share	JPY284.16	JPY300.03	JPY310.25
Dividend per Share	JPY120.00	JPY 125.00	JPY135.00

#### (4) Schedule

(i) Board of Directors' Resolution Date	May 18, 2023
(ii) Contract Date	May 18, 2023
(iii) Settlement Date of Share Transfer	May 25, 2023

### 5. Acquisition of Treasury Stock and Purchase of Treasury Stock through Off-auction Own Share Repurchase Trading (ToSTNeT-3) and Cancellation of Treasury Stock

#### (1) Reason for Acquisition of Treasury Stock

As stated in "1. Purpose of Transaction" above.

#### (2) Method of Acquisition

IIJ will entrust the purchase of its treasury stock at the closing price (reflecting final bid-asked quotations) of JPY2,902 as of today (May 18, 2023), through off-auction own share repurchase trading (ToSTNeT-3) of the Tokyo Stock Exchange at 8:45 a.m. on May 19, 2023. (Any change to another trading method or trading time will not be made.) This purchase order will be valid only at the trading time mentioned above.

#### (3) Details of Acquisition

(1) Class of Shares to be Acquired	IIJ's common stock
(2) Total Number of Shares to be Acquired	4,320,000 shares (maximum) The percentage of the total number of shares to be acquired to the total number of shares issued (excluding treasury stock): 2.40%
(3) Total Amount of Shares to be Acquired	JPY12,536,640 thousand (maximum)
(4) Announcement of the Result of the Acquisition	The result of the acquisition will be announced after the close of trading at 8:45 a.m., May 19, 2023.

(Note 1) IIJ will not change the number of shares to be acquired. The acquisition may not be performed, either in part or in full, depending on market trends and other factors.

(Note 2) The purchase is to be made with a sell order equivalent to the number of shares to be acquired.

#### (4) Details of Cancellation of Treasury Stock

(1) Class of Shares to be	IIJ's common stock
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Cancelled	
(2) Total Number of Shares to be Cancelled	4,320,000 shares (maximum) The percentage of the total number of shares to be cancelled to the total number of shares issued before the cancellation (excluding treasury stock): 2.40%
(3) Total Number of Shares Issued After the Cancellation	182,749,600 shares Total number of shares in the event that 4,320,000 shares (the maximum) is acquired and cancelled.
(4) Scheduled Date of the Cancellation	May 22, 2023

(Note) All of the shares of treasury stock acquired in accordance with "(2) Method of Acquisition" and "(3) Details of Acquisition" above will be cancelled.

(5) Others

NTT has informed IIJ that NTT intends to tender 3,928,500 shares (shareholding percentage: 2.10%) out of the shares of IIJ's common stock held by NTT in the Acquisition of Treasury Stock. As a result of the Acquisition of Treasury Stock, it is expected that there will be a change in the number of the shares of common stock of IIJ held by NTT.

(Reference) Status of Shareholding of Treasury Stock as of May 18, 2023

Total Number of Shares Issued (excluding Treasury Stock)	180,697,868 shares
Number of Shares of Treasury Stock	6,371,732 shares

6. Future outlook

As mentioned above, after the implementation of the Share Transfer, the shareholding percentage of IIJ's common stock held by NTT Shareholders' Group is expected to decrease to 10.90% (before reflecting the Cancellation of Treasury Stock) due to the tendering to the Acquisition of Treasury Stock and the implementation of the Additional Sale. As a result, IIJ will no longer be an equity method affiliate of NTT. In addition, after the implementation of the Transaction, NTT will cease to be a Major Shareholder of IIJ. NTT Shareholders' Group intends to continue holding the remaining shares of IIJ' common stock for the time being. Commercial transactions between NTT group and IIJ are being conducted in accordance with ordinary business practices, and there are no special arrangements stemming from the capital relationship. While IIJ recognizes that its business may compete against NTT group companies for some projects, IIJ operates its business independently from NTT group, and there is no special arrangement agreed between NTT group companies and IIJ in connection with competition against NTT group.

KDDI, the partner of the Capital and Business Alliance, has informed IIJ that KDDI intends to hold the shares of IIJ's common stock for the long term as strategic holdings. IIJ believes that the Capital and Business Alliance will contribute to mid-to-long term enhancement of its corporate value; however, at this time, IIJ does not expect that the implementation of the Transaction will have an impact on the performance of IIJ's

group, nor will it have an impact on IIJ's management structure. If there arises a prospect of a significant impact on the business results, IIJ will announce such prospect.

End of document

(Reference) Consolidated Earnings Forecasts for Fiscal Year (Announced on May 12, 2023) and Actual Results for Previous Fiscal Year

(JPY million)

	Revenue	Operating Income	Income before Income Taxes	Net income Attributable to Owners of the Parent
Consolidated Earnings Forecasts for the Fiscal Year (Year ending March 31, 2024)	286,000	31,500	30,350	20,720
Actual Results for the Previous Fiscal Year (Year ended March 31, 2023)	252,708	27,221	27,309	18,838

#### **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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