

For Immediate Release

Notice Regarding the Disposal of Treasury Stock for Restricted Stock Compensation

TOKYO - June 24, 2020 - Internet Initiative Japan Inc. (“IIJ”, the “Company”, TSE1: 3774) announced that at the IIJ’s Board of Directors meeting held on June 24, 2020, it resolved to dispose of its treasury stocks (the “Disposal of Treasury Stocks” or the “Disposal”), as the restricted stock compensation shown below.

1. Overview of the Disposal

(1)	Disposal date	July 10, 2020
(2)	Class and number of shares to be disposed of	19,221 shares of common stock of the Company
(3)	Disposal price	3,895 yen per share
(4)	Total disposal price	74,865,795 yen
(5)	Allottees and number thereof, and number of stocks to be disposed of	7 Directors (excluding Part-time and Outside Directors) 11,162 shares 11 Executive Officers 8,059 shares
(6)	Others	With regard to the disposal of treasury stocks, the Company has submitted the Written Notice of Securities 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 compensation which is equivalent to performance-linked bonuses in FY2019 (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 a 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 compensation claims shall be paid to the Eligible Directors, within the maximum aggregate amount of IIJ’s director compensation (500 million yen per year) which was approved at the 16th Ordinary General Meeting of Shareholders held on June 27, 2008, under the Scheme as monetary compensation 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 40,000 shares or less per year.

The Board of Directors decided to provide a total amount of 74,865,795 yen as monetary compensation claims (consequently 19,221 shares of the Company’s common stocks to be disposed) for Eligible Directors, etc., taking into consideration various factors including the purpose of the Scheme, the business conditions of the Company, the scope of duties of each Eligible Director, etc. and other circumstances, along with the disposal of treasury stocks for Eligible Directors, etc. Overviews of the Scheme are shown below.

【Overviews of the Scheme】

Eligible Directors, etc. shall pay in the entire amount of monetary compensation claims paid 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.

3. Overview of the Allotment Agreement

(1) Transfer restriction period

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.

(2) Conditions for removing transfer restrictions

The Company shall remove the transfer restriction with respect to the Allotted Shares in whole upon the expiry of the transfer restriction period, provided that the Eligible Directors, etc. continuously served as a director or an executive officer during the transfer restriction period. 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, the Company will naturally acquire the Allotted Shares for no consideration.

(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.

(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.

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 stocks shall be set at 3,895 yen, which is the closing price of a share of the Company's common stock in the Tokyo Stock Exchange on June 23, 2020, 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 IIJ

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, systems integration, cloud computing services, security services and mobile services. Moreover, IIJ has built 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 in 2006.

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