

Notice Regarding Introduction of Restricted Stock Compensation

TOKYO - May 25, 2020 - Internet Initiative Japan Inc. (“IIJ”, the “Company”, TSE1: 3774) announced that IIJ’s Board of Directors decided to introduce a restricted stock compensation (the “Scheme”) to Directors (excluding Part-time and Outside Directors) and Executive Officers as a substitute for a part of cash compensation. A proposal regarding the Scheme is to be submitted to the 28th Ordinary General Meeting of Shareholders scheduled on June 24, 2020 (the “Shareholders’ Meeting”), as follows.

1. Purpose of introduction of the Scheme, etc.

(1) Purpose of introduction

The purpose of the Scheme is to enhance the incentive of Directors (excluding Part-time and Outside Directors, “Eligible Directors”) of IIJ to work for continual enhancement of IIJ’s corporate value and to further promote shared value with shareholders.

(2) Conditions for Introduction

Since Eligible Directors are provided monetary compensation claims as their compensation for granting restricted stocks, the introduction is subject to approval of the Shareholders’ Meeting.

The maximum aggregate amount of IIJ’s director compensation was approved at 500 million yen per year at the 16th Ordinary General Meeting of Shareholders held on June 27, 2008. In addition, within the maximum aggregate amount of IIJ’s director compensation, granting stock compensation-type stock option to Eligible Directors was approved at the 19th Ordinary General Meeting of Shareholders held on June 28, 2011. At the Shareholders’ Meeting, the company plans to seek our shareholders to approve to provide restricted stocks to Eligible Directors under the Scheme, within the maximum aggregate amount of IIJ’s director compensation. The Board of Directors, which will be held after the Shareholders’ Meeting, shall determine the specific payment timing and allocation.

2. Overview of the Scheme

Eligible Directors shall pay in the entire amount of monetary compensation claims paid to them under the Scheme as a cash investment asset, and will receive shares of common stock issued or disposed of by the Company.

The total number of shares of common stock issued or disposed of by the Company to the Eligible Directors under the Scheme shall be 40,000 shares or less per year, which should be included within the maximum aggregate amount of IIJ’s director compensation, 500 million yen per year, (however, the said total number of shares may be adjusted within a reasonable scope when the need for adjustment arises due to a share split—including gratis allotment—or reverse share split of the Company’s common stock that is effected on or after the date of the Shareholders’ Meeting resolution. In such cases, the adjustment in the said total number of shares will be made according to the share split or reverse share split ratio, etc. on or after the aforementioned effective date). 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 who receive the common stock with a particularly advantageous price.

Moreover, issuance or disposal of shares of the Company’s common stock under the Scheme (the “Shares”) shall be conditional upon a restricted stock allocation agreement concluded between the Company and each Eligible Director who intends to receive payment of the restricted stock compensation. The agreement shall

contain the following provisions: 1) transfer, pledging as collateral, or any other disposition of the Shares to third parties is prohibited for the specified time period (the “Transfer Restriction Period”), and 2) the Company will acquire the Shares for free under certain conditions. In order to ensure that the Shares are not transferred, pledged as collateral, or otherwise disposed of during the Transfer Restriction Period, the Company intends to have the Shares managed by a specified securities firm, Nomura Securities Co., Ltd., during the Transfer Restriction Period in a dedicated account opened by each Eligible Director.

(Reference Information)

Subject to the shareholders’ approval of the Scheme at the Shareholders’ Meeting, the Company plans to introduce a restricted stock compensation, which shall be equivalent to the Scheme, for the Company’s Executive Officers.

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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