

For Immediate Release

IIJ Begins to Engage in a Full MVNO for Enhanced MVNO Business

TOKYO—August 30, 2016—Internet Initiative Japan Inc. (IIJ, NASDAQ: IJJI, TSE1: 3774), one of Japan's leading Internet access and comprehensive network solutions providers, today announced that it has completed the application process for cooperation on NTT DOCOMO's subscriber management function (HLR/HSS*1) on August 29, 2016 and at the same date IIJ received a written approval from NTT DOCOMO. IIJ aims to begin offering the service commercially in the 2017 fiscal year. IIJ will be the first full MVNO in Japan, once it has gone through the process of implementing and testing its service platform and network.

1. Background and objectives

MVNOs—which use leased infrastructure from mobile network operators (MNOs) to provide mobile services—achieved layer 2 connections in 2009. Then in 2012, IIJ was able to commercialize Policy and Charging Control (PCC)*2 ahead of its competitors, and by doing so expanded the new market for SIM service with cheaper monthly plan. While price competition continues to intensify in the MVNO market, with more than 200 providers from various industries competing, the quality of services are beginning to resemble each other, thereby losing their appeal, and new initiatives are now needed in order to invigorate the MVNO market.

Given these market conditions, IIJ will make its entry into the full MVNO market in an effort to differentiate itself by providing more flexible mobile services that come with higher added value.

2. Business overview

IIJ made its entry as an MVNO in 2008 with the launch of its enterprise mobile service, and it has expanded its business territory into M2M solutions, MVNE business, and individual mobile services, realizing new potential in mobile communication services. Now, as a next step for the company's MVNO business, IIJ is beginning to engage in full MVNO ahead of its competitors, aiming for a dramatic expansion of its business in the mid- to long-term by generating new mobile business.

Compared to conventional MVNO (light MVNO), which is highly dependent upon MNO equipment, full MVNO services are operated using an in-house HLR/HSS (databases for managing SIM cards), thereby making it possible for such providers to procure and issue their own SIM cards and design their services with more freedom. More specifically, in the IoT field, where future developments are expected, IIJ expects to be able to offer embedded SIMs as well as develop services that it can freely control in terms of the management of charges and activation, thereby creating a new MVNO business model. For example, the company will be able to deliver the following services, based on customer needs:

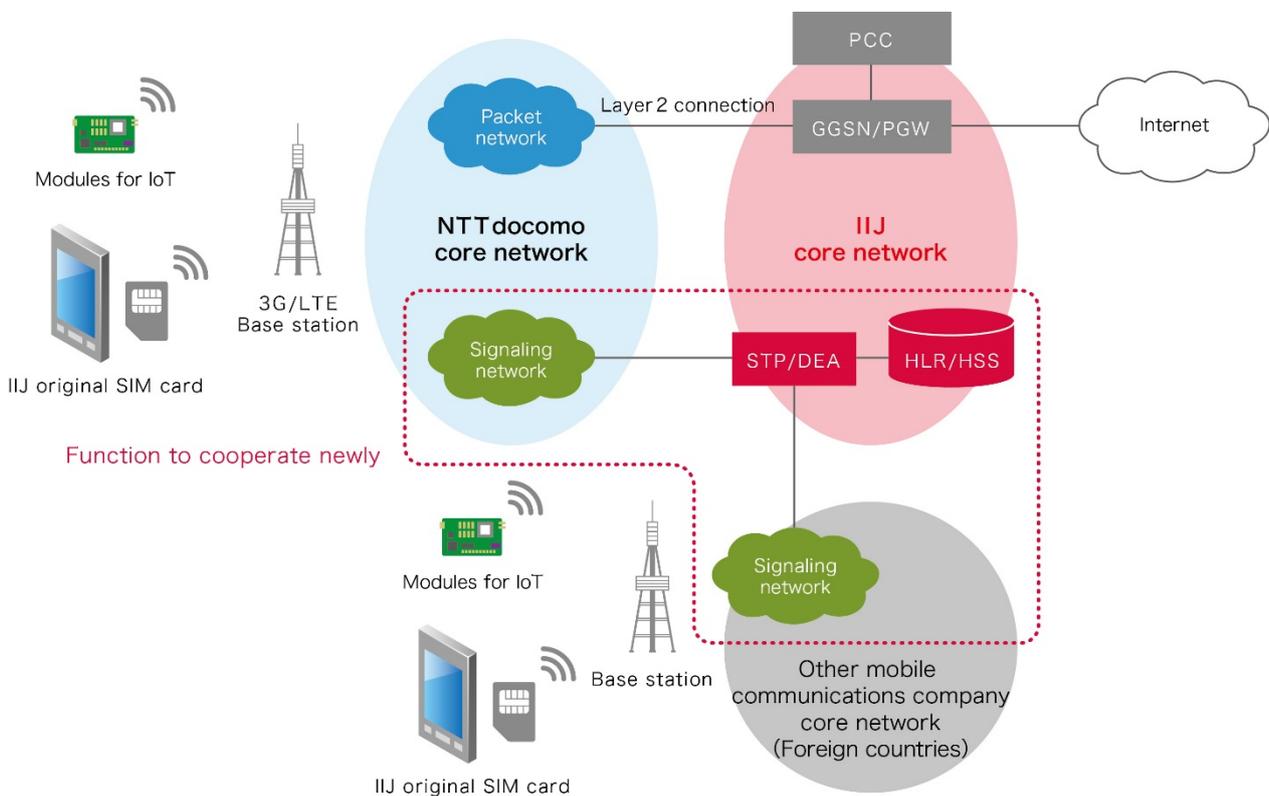
- 1) Optimized global roaming services through cooperation with overseas MNOs and MVNOs

- 2) Embedded SIM cards (eSIMs) and SIM cards that are more resistant to shocks and weather
- 3) Communication services that can be remotely activated, when needed, after being shipped, by embedding of SIMs into devices at the production line.

IJJ will offer a full MVNO platform for use by its MVNE partners in addition to its own services, supporting the development of unique MVNO services suited to the customer bases and business models of its partner companies as well.

- * 1 HLR/HSS: Home Location Register/Home Subscriber Server, which is a database that manages user information tied to SIM cards
- *2 PCC: Policy and Charging Control, a technology for understanding subscriber data volumes in real time and controlling those lines, based on the volume used, through the application of communication policies.

Service concept



Packet network: Network equipment for sending data (packets) for a data communication service

Signaling network: Network equipment for sending signals that perform call control

GGSN/PGW: Gateways that connect MNO packet networks and external IP networks (Internet)

STP/DEA: Gateways that relay signals used for call control between networks

IJJ will continue to take on new challenges in the MVNO business to broaden the potential of mobile communication services.

About IIJ

Founded in 1992, Internet Initiative Japan Inc. (IIJ, NASDAQ: IJJI, Tokyo Stock Exchange TSE1: 3774) 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 systems integration, cloud computing/data center services, security services, and Internet access. 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 was listed on NASDAQ in 1999 and on the First Section of the Tokyo Stock Exchange in 2006. For more information about IIJ, visit the IIJ Web site at <http://www.ij.ad.jp/en/>.

The statements within this release contain forward-looking statements about our future plans that involve risk and uncertainty. These statements may differ materially from actual future events or results. Readers are referred to the documents furnished by Internet Initiative Japan Inc. with the SEC, specifically the most recent reports on Forms 20-F and 6-K, which identify important risk factors that could cause actual results to differ from those contained in the forward-looking statements.

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