

Questions and Answers

Q: What is your expected market volume for IoT?

A: Seed Planning, Inc., a marketing and consulting firm, expects the demand for IoT will grow and predicts Mobile WAN subscription to be 91.62 million in FY2020. While numerical projection differs from firm to firm, the IoT market is expected to grow largely in the future.

Q: How much contribution do you expect to make from the implementation of full-MVNO?

A: As disclosed in our middle-term plan, we target MVNO subscription of 7 million and revenue of approx. JPY65 billion in FY2020. Implementation of full-MVNO is a prerequisite for achieving this plan. The expected IoT related subscription in FY2020 is approx. 3 million. The expected related revenue, which includes devices and other related elements, is several tens of billion yen. If the IoT market expands as predicted, we can expect further growth in our MVNO business

Q: What kind of investment do you need to implement full-MVNO?

A: As of Aug. 2016, we expect a total of approx. JPY4.5 billion of investment. This investment includes the construction of HLR/HSS system and the accumulation of monthly payment to NTT Docomo for its network remodeling (not IIJ CAPEX).

Q: How much of a cost increase should we expect from the implementation of full-MVNO?

A: We plan to use 7 years as the depreciation period for our systems. The payment related to remodeling NTT Docomo's network is under discussion. As the depreciation begins along with the service launch (latter half of FY2017), we do not expect large impact on our FY2016 Profit/Loss Statement.

Q: Will the implementation of full-MVNO negatively impact your MVNO business profitability?

A: Profitability could be negatively impacted until revenue accumulation absorbs the cost increase. We expect to improve MVNO business profitability with various traffic type including IoT as it should lead to better mobile network utilization thus contribute to improve profitability.

Forward-looking statements

Statements made in this presentation regarding IIJ's or managements' intentions, beliefs, expectations, or predictions for the future are forward-looking statements that are based on IIJ's and managements' current expectations, assumptions, estimates and projections about its business and the industry. These forward-looking statements, such as statements regarding revenues, operating and net profitability are subject to various risks, uncertainties and other factors that could cause IIJ's actual results to differ materially from those contained in any forward-looking statement. These risks, uncertainties and other factors include but not limited to:

- a decrease of corporate spending or capital expenditure due to depression in the Japanese economy and/or corporate earnings decreased,
- an inability to achieve anticipated results and cause negative impact on profitability,
- a possibility that less of reliability for our services and loss of business chances due to interruption or suspension of our services,
- an excess increase and fluctuation in network-related cost, mobile-related cost, outsourcing cost, personnel cost etc,
- a possibility to lose business opportunity due to our inadequate resources in personnel and others,
- an increase in competition and strong pricing pressure,
- the recording of an impairment loss as a result of an impairment test on the non-amortized intangible assets such as goodwill,
- a decline in value and trading value of our holding securities.

Please refer to IIJ's filings on Form 20-F of its annual report and other filings with the United States Securities and Exchange Commission ("SEC") for other risks.

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