



For Immediate Release

IIJ, QUOINE and Keychain Embark on Proof-of-Concept Testing of Japan's First Crypto Currency Distribution Platform

TOKYO—December 14, 2016—Internet Initiative Japan Inc. (IIJ, NASDAQ: IJI, TSE1: 3774), QUOINE Corporation (QUOINE) and Keychain Pte. Ltd. (Keychain) today announced their collaboration in the development of a crypto currency distribution platform. The three companies have commenced proof-of-concept testing with an eye toward commercialization.

Crypto currencies, such as Bitcoin, are garnering attention worldwide as digital currencies that take advantage of blockchain technology (*1) to allow for their use on the Internet. On May 25, 2016, Japan's Payment Services Act was amended to regulate crypto currencies. The Revised Payment Service Act was legislated that crypto currencies may be recognized as a means of payment and that registration systems must be introduced at exchanges where crypto currencies are traded. As the revised Payment Services Act goes into effect in spring 2017, it is anticipated that banks and related financial institutions will begin handling crypto currencies.

While new business opportunities are expected in relation to crypto currencies, institutions must establish systems for procuring currencies, managing accounts, and covering transactions in order to mitigate the risk of price fluctuations. In addition, costs will also be incurred for providing security appropriate to financial systems, conforming to compliance standards, and implementing communications via the FIX Protocol (*2).

Given these conditions, IIJ is collaborating with QUOINE, the company with the largest crypto currency exchange in Asia, and with Keychain, which provides a decentralized authentication platform based on blockchain technology. The three companies will begin proof-of-concept tests in December 2016 to develop a crypto currency distribution platform that will act as an intermediary between financial institutions and crypto currency exchanges.

Overview of the crypto currency distribution platform service

The service provides an integrated platform for the procurement and management of currencies, and its crypto currency compatibility is being developed based on the ASP FX platform "IIJ Raptor Service," which IIJ has offered since 2010. It delivers a reliable, highly secure transaction environment by providing communications via the FIX Protocol, integrating networks between crypto currency providers and hedge transaction counterparties (crypto currency exchanges), and establishing a network environment that allows for secure connections that sufficiently meet the Financial Services Agency (FSA)'s security and auditing requirements.

Overview of the proof-of-concept tests

The proof-of-concept tests will evaluate the feasibility of the crypto currency distribution platform by verifying its technical aspects. The companies will perform connection and communication tests with QUOINE's crypto currency exchange system by using Keychain's blockchain technology to confirm that FIX connections, transaction management, and transaction auditing are possible. The tests are planned for December 2016 to February 2017. In addition, the official service launch is scheduled for the first half of fiscal year 2017.

The collaboration of these three companies will contribute to the adoption and growth of crypto currencies by establishing an ecosystem that provides benefits for both financial institutions and crypto currency exchanges through the standardization of exchange connection protocols and the stabilization of liquidity (*3).

- (*1) Blockchain: a technology that prevents fraud by allowing users to mutually audit the system using transaction history data that are distributed worldwide, and that is in contrast to the traditional method of third-party financial institutions managing transaction records.
- (*2) FIX Protocol: An abbreviation of Financial Information eXchange. This protocol provides a consistent format for transaction data between companies selling securities and investors buying securities.
- (*3) Liquidity: refers to the liquidity of currency markets and describes a condition in which markets are replete with transactions, there are many market players, and transactions are possible immediately when there are willing buyers and sellers without a change in price at that particular time.

About QUOINE

QUOINE operates the QUOINE EXCHANGE, a crypto currency exchange boasting the largest number of transactions in Asia. Its core team of people hailing from global financial institutions provides a cutting-edge crypto currency-trading platform that offers complete compliance and security standards, such as KYC and AML. For more information on QUOINE, see <https://www.quoise.com?lang=en>.

About Keychain

Keychain is a Japanese blockchain technology development firm established by its resident co-founders in 2016. They provide platforms developed with the idea that blockchain technology can be easily installed in existing IT system infrastructures. The company co-founders are distinguished by many years of trading system development experience in the financial industry on the one hand, and an understanding of cutting-edge financial technologies, such as blockchains and crypto currencies, on the other. Their technologies can be easily added to existing system environments in financial institutions. That means that communications between financial institutions will be encrypted and that in-house transaction history data are unalterable, making transactions irreversible. With cybersecurity improvements in communications between financial institutions, it will be possible to see reductions in operating costs.

About IJ

Founded in 1992, Internet Initiative Japan Inc. (IJ, NASDAQ: IJJI, Tokyo Stock Exchange TSE1: 3774) is one of Japan's leading Internet-access and comprehensive network solutions providers. IJ and its group companies provide total network solutions that mainly cater to high-end corporate customers. IJ's services

include high-quality systems integration, cloud computing/data center services, security services, and Internet access. Moreover, IJ has built one of the largest Internet backbone networks in Japan that is connected the United States, the United Kingdom and Asia. IJ was listed on NASDAQ in 1999 and on the First Section of the Tokyo Stock Exchange in 2006. For more information about IJ, visit the IJ 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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