



IIJ and Hirata Corporation to Launch “Cognitive Factory,” a Solution for Promoting Manufacturing Reform

*– Providing Powerful Strategic Support to Manufacturers
Converting to Smart Factories and Building Factories of the Future –*

TOKYO—July 3, 2018—Internet Initiative Japan Inc. (IIJ, NASDAQ: IJJI, TSE1: 3774) and Hirata Corporation (Hirata, TSE1: 6258) today announced that, on September 1, 2018, they will launch Cognitive Factory, a solution that promotes process reforms at manufacturing sites as well as supports the manufacturing industry's shift to smart factories.

Cognitive Factory is a jointly developed and distributed solution from IIJ and Hirata. Leveraging networking, the cloud, security, and other information communication technologies (ICT), this solution promotes digital transformations at manufacturing sites and allows for process reforms through the automation and optimization of production management using IoT and AI technologies. This means the solution provides users with robust support for creating and maximizing added value for their marketing capabilities, supply potential, and back-office functions (training human resources, securing successors, and guaranteeing safety), as well as for realizing business strategies aimed at building the factories of the future.

In implementing this solution, IIJ and Hirata offer consulting for manufacturing reforms, provide advice from the planning stages, and combine the perspectives of ICT and of manufacturing/production to solve on-site manufacturing issues, leading to optimal solutions derived from the technical strengths and knowledge of both firms.

With a lineup of solutions that cover four stages of manufacturing reform, from digitalization and visualization to data analysis, data use, and automated optimization, IIJ and Hirata have options to suit any user's needs. (Step 3 and Step 4 are scheduled for release in 2019.)

Cognitive Factory Highlights

Manufacturing reform consulting

This service provides comprehensive support for the PDCA cycle, from system implementation to improvement. Consulting begins at the planning stage, from analyzing issues users face in applying ICT, IoT technologies, or production/manufacturing data to management-led process reforms—including digitalization and organizational applications that serve to maintain and improve on-site capabilities, as well as automation and quality assurance for added-value production processes—to formulating optimal implementation proposals.

Step 1: Connection—Making production activities more efficient

By introducing communication tools such as videophones, chat bots, data sharing equipment, and monitoring cameras, IoT sensors, etc. on the production lines, users will be able to automatically detect equipment faults, remotely provide immediate instructions when devices fail, and otherwise reduce costs and make their production activities more efficient. Promoting digital transformation in manufacturing alters how production sites operate and supports the creation of environments that autonomously help in forming digital assets representing skills and knowledge.

Step 2: Integration—Automating information management

This solution is meant to improve product quality and productivity by automatically collecting data from sensors; aggregating data on production plans, production results, and equipment operation status (including data on faults and warnings); and automating and visualizing, via a dashboard, the management of information related to the traceability of production, product quality, equipment, maintenance management, and products.

Step 3: Application—Automating knowledge acquisition and use

Using AI and other analytical technologies to analyze data acquired from production lines, predicting equipment failures and parts replacements, improving production quality output and equipment utilization rates, and otherwise improving the efficiency of entire production facilities allows users to create new production process reforms.

Step 4: Automated optimization—Automating PDCA

This solution automates the PDCA cycle and provides efficient production management. By fully automating production lines, users can enhance their corporate competitiveness by mass-customizing the production of custom products on the same delivery and cost schedules as those of standard products.

Sample pricing

- Manufacturing reform consulting
Planning phase, two months, from JPY 3,000,000
- Solution options
 - Step 1: Initial fees, from JPY 2,000,000; monthly fees, from JPY 200,000
*Sample pricing for five cameras and ten retrofit installation sensors (excluding installation costs)
 - Step 2: Initial fees, from JPY 8,000,000; monthly fees, from JPY 300,000
*It can be provided from any of production, quality, equipment, and maintenance management and traceability (excluding installation costs)

For details on the solution, see the following website:

<https://www.ijj.ad.jp/biz/cognitive-factory/> (Japanese text)

About Hirata

Founded in 1951, Hirata Corporation (6258) is a systems integrator for production equipment that provides optimized systems to its customers in more than 40 countries around the world. Thanks to its manufacturing and engineering abilities cultivated by continuously taking on the challenges of new markets and technologies, Hirata has received high praise from its customers in various industries throughout the world. Whether in automobiles, semiconductors, consumer electronics, or other types of manufacturing equipment, Hirata offers integrated production systems, with both hardware and software that include everything from development, proposal, and design to production, trial operations, and production launches.

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 U.S. NASDAQ Stock Market 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 <https://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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*The trademark registration for "Cognitive Factory" is pending.