

## Fibergate (9450)

## Laying foundations

3<sup>rd</sup> Mar 2023

Share price: ¥951

Market cap: ¥19.6bn

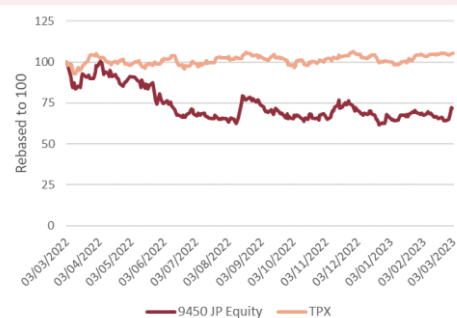
**Consistent residential WiFi growth is laying the foundations for Fibergate to turn its Business-Use division into a key earnings pillar.**

## Company sector

Diversified Telecommunication

## Stock data

Price (¥)	951
Mkt cap (¥bn)/(\$m)	19.6 / 143.5
52-week range (¥)	812 - 1,367
Shares O/S (m)	20.6
Average daily value (\$m)	0.5
Free float (%)	40.6
Foreign shareholding (%)	2.0
Ticker	9450
Exchange	Tokyo Prime
Net Debt/Equity (x)	Net Cash



Source: Bloomberg

- **Above plan record 1H OP was achieved despite a slow post-COVID recovery in Business-Use demand as the company's existing building Home-Use WiFi installation slowdown assumptions proved conservative.**
- **Demand in the residential WiFi stock business remains firm, with strong order growth continuing for both existing & new build use. 1H orders were split 50:50 between existing & new buildings but sales from new buildings were approx. 30% of total Home-Use due to the order to sales time lag. We expect new building sales to increase from the 2H.**
- **The 1H post-COVID Business-Use sales recovery continued to disappoint, prompting Fibergate to shift its focus from its target 'long stay' growth market of medical care, welfare, tourism & public & local governments to other projects with shorter lead times, such as events & construction sites.**
- **Whilst a cyberattack in late Sept impacted WiFi services & generated associated costs, the ¥50m cost incurred is due to be recovered through insurance by FY end. Fibergate has also strengthened its cybersecurity measures & plans to start providing cybersecurity products to customers.**
- **Despite the slower than expected recovery in Business-Use demand & long lead times for new build Home-Use projects, Fibergate expects to achieve its FY 6/23 OP target & anticipates growth accelerating from FY 6/24 as it increasingly captures WiFi demand from 'long stay' venues.**
- **On 15x FY 6/23 company estimates, following a -63% decline versus its Dec 2021 high, we conclude prospects for accelerated growth have yet to be discounted. We encourage investors to schedule a meeting with Senior Managing Director Takafumi Hamazu on the 22<sup>nd</sup> or 23<sup>rd</sup> March: [here](#).**

## BUSINESS OVERVIEW

Fibergate is the #2 ranked supplier of domestic wireless telecom services, including free Wi-Fi spot construction, maintenance & operation.

## Next event

1-on-1 meetings with Senior MD Takafumi Hamazu on 22<sup>nd</sup>-23<sup>rd</sup> March 2023.

Storm Corporate: +44 (0) 121 288 3402

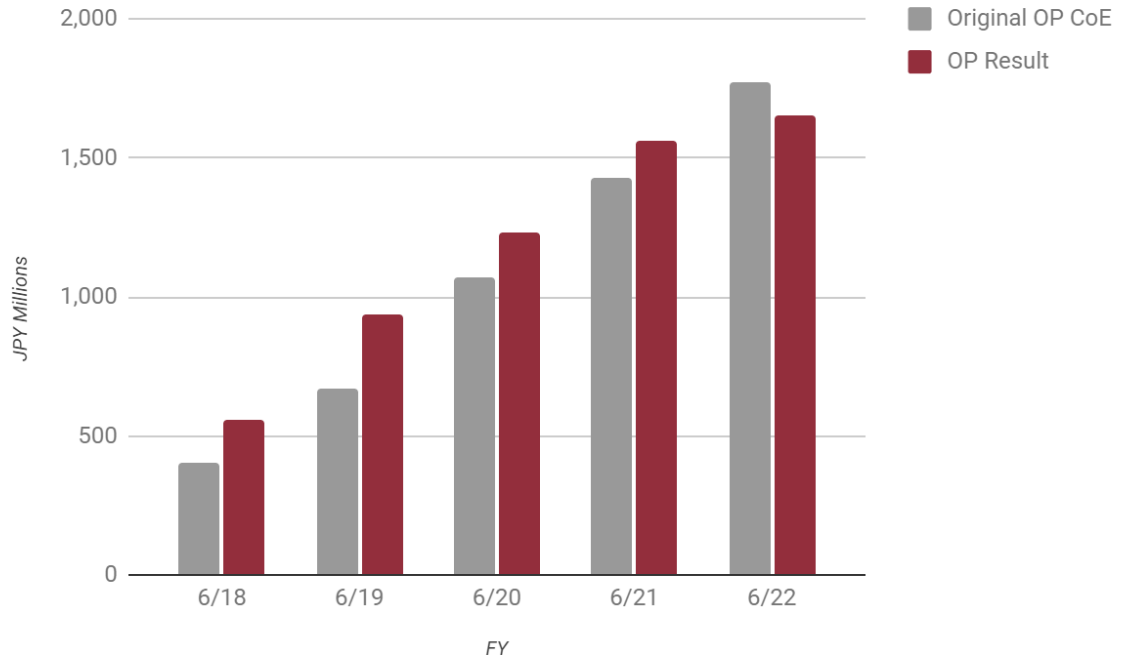
[info@stormresearch.co.uk](mailto:info@stormresearch.co.uk)

[Storm corporate profile page](#)

**Fibergate is a research client of Storm Research**

Year end	6/2021	6/2022	1H 6/2023	6/2023E
Sales (¥bn)	8.5	10.6	5.2	12.9
OP (¥bn)	1.6	1.7	1.0	2.0
NP (¥bn)	1.0	1.1	0.7	1.3
EPS (¥)	50.1	52.6	n/a	63.7
DPS (¥)	4.0	4.5	n/a	7.0
Sales growth YoY (%)	+14.4	+25.1	+13.6	+21.4
OP growth YoY (%)	+26.3	+6.0	+35.1	+22.3
NP growth YoY (%)	+41.1	+ 5.3	+40.5	+21.2
EPS growth YoY (%)	+38.4	+5.0	n/a	+21.1
PER (x)	30.7	18.1	n/a	14.9
EV/EBITDA (x)	13.2	8.3	n/a	8.3
PBR (x)	8.5	5.9	n/a	5.9
ROE (%)	31.9	30.9	30.8	n/a
ROIC (%)	15.0	12.6	12.5	n/a
FCF yield (%)	n/a	0.5	0.5	n/a
Dividend yield (%)	0.4	0.5	n/a	0.7

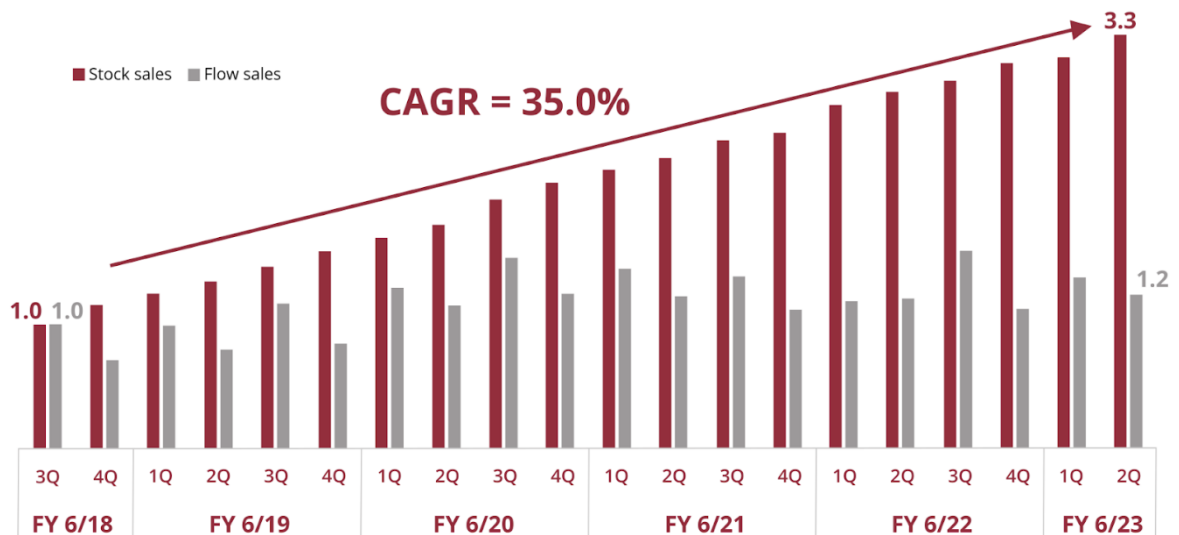
**RESULTS VS FORECAST HISTORY**



**EARNINGS**

Fibergate achieved **record high 1H FY 6/23 sales**, including a 19% RPM & positive FCF for the 2<sup>nd</sup> consecutive quarter. 2Q sales increased +0.8%QoQ & OP +6.5%QoQ, generating steady results despite seasonality due to ongoing growth in stock business exposure.

- Quarterly stock & flow sales (excluding Real Estate):



Note: Adjusted for 3Q FY 6/18 = 1. The apparent height of bars may differ even if the figures appear the same due to rounding differences. This revenue breakdown is a continuous comparative figure based on the company's definition and is strictly different from period-proportioned sales under revenue recognition standards. Source: Company.

1H OP was above plan, driven by stronger than expected Home-Use division sales owing to conservative assumptions regarding existing building demand & SG&A costs.

- *Home-Use*: The 1H ratio of Home-Use new build to existing building orders was approx. 50:50 but **the lead time on new builds can range from 6 months to >1 year**. As a result, the 1H impact from new build sales has been more limited, at approx. 30% of total home-use sales. We expect the impact from new build orders to gradually contribute to sales more significantly from the 2H with many new projects starting in the Spring.

- *Business-Use*: 1H Business-Use sales were below plan. Following a significant sales decline during COVID, Fibergate had expected a rapid recovery in FY 6/23, but **it has been much slower than expected, particularly at hospitals & nursing care facilities** in Fibergate's main targeted longer 'stay time' areas due to significant lead times to receive subsidies & subsequently long order & sales lead times.

- *Profitability*: The 1H OPM improved +0.5ppt QoQ to 19% (+3ppt YoY) as increased sales resulted in the SG&A to sales ratio declining -2.3ppt YoY to 31.5%. Lowering the unit price of variable costs through effective use of internet lines also continued to contribute as a factor supporting profitability improvement.

## FY 6/23 OUTLOOK

Fibergate has left its FY 6/23 forecasts unchanged. The company anticipates continued strong Home-Use earnings as existing building demand remains above its original conservative assumptions.

Whilst Business-Use 2H demand is likely to remain tougher than forecast due to long lead times & large project sizes, Fibergate expects to continue offsetting weakness with above plan Home-Use division performance. **To bolster Business-Use earnings, Fibergate plans to drive sales growth from other sales channels** with shorter lead times, for example promotional events.

- *Cyberattack*: Fibergate was impacted by a cyberattack on 20<sup>th</sup> Sep 2022. There was no leakage of personal information & the attack did not result in any administrative guidance from the Ministry of Internal Affairs & Communications.

Fibergate has reinforced its own systems & **plans to capitalise on the growing threat of cyberattacks by providing cybersecurity products to customers**. We note the company expects the ¥50m cost incurred in the 1Q is due to be reimbursed through its cyberattack insurance by FY end.

## HOME-USE

(JPY Millions)	1Q 6/23 Results	YoY	1H 6/23 Results	YoY	6/23 CoE	YoY
Sales	2,256	16.9%	4,501	15.2%	9,320	14.5%
OP	671	48.8%	1,389	30.7%	2,530	9.1%
OPM	29.7%	6.4%	30.9%	3.7%	27.1%	-1.3%

The Home-Use business has a strong established pattern of order, maintenance & customer support.

As of 1H FY 6/23, the number of connected WiFi units totalled 495,500 +20.9%YoY, +4.5%QoQ. As of end-Jan 2023, **unit numbers surpassed Fibergate's milestone target of 500,000 +10.9% FYTD** versus the company's FY 6/23 target of 544,800 +20.7%YoY.

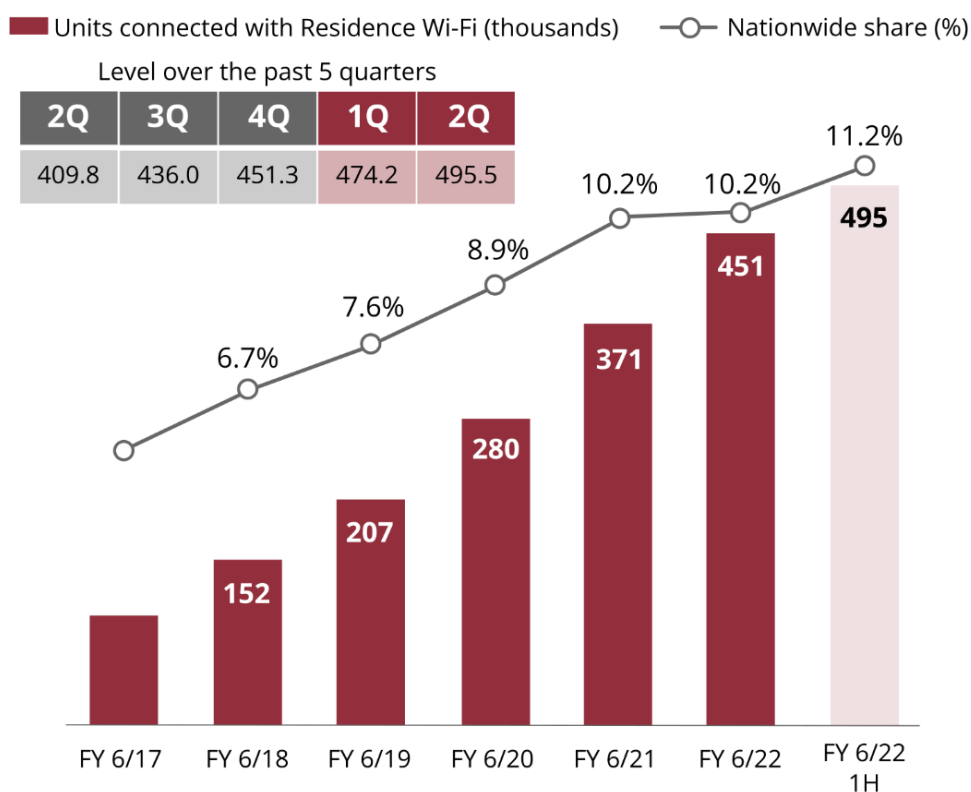
Fibergate continues to use multiple sales channels & has over 250 major partner companies (approx. +10 FYTD), comprising private brand partners, sales partners & distributors nationwide. The company is looking to upsell various IoT products. Security camera sales remain small but are increasing & Fibergate also plans to sell the Smartlock security system. **We note interest in IoT products is steadily rising** & expect it to generate increased sales & GPM longer term as Home-Use WiFi unit numbers grow.

The introduction of new construction projects is also progressing smoothly & the number of serviced units continues to increase steadily YoY.

- *Costs:* Costs such as equipment manufacturing costs continue to rise due to the weak Yen & shortage of semiconductors. Fibergate has been able to suppress the impact of the weaker Yen through upselling, forward exchange contracts & cost cuts, & the semiconductor shortage by pre-purchasing & switching suppliers.

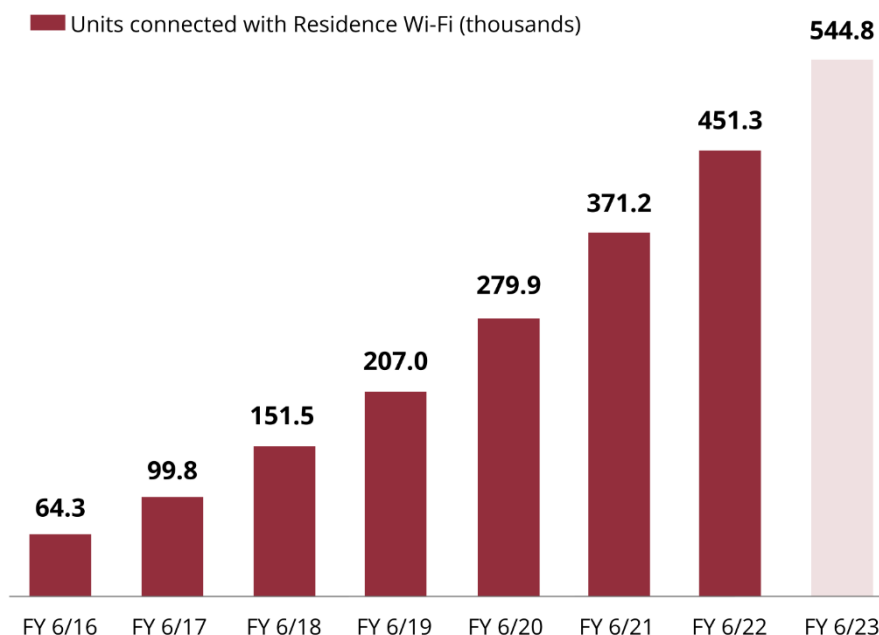
Despite the shift to new & remodelled properties, **growth remains centred on existing properties**, & existing properties are faring better than initially feared.

- *Quarterly growth in Residence Wi-Fi & market share:*



*Note: The nationwide share is calculated by dividing the total number of condominium ISPs offered for all condominiums at the end of each March (figure from the MM Research Institute) by the number of company contracted units at the end of the company's fiscal year (or the end of the most recent quarter). Source: Company.*

- FY 6/23 outlook:



Note: FY 6/16 figures represent 6 months' results. Source: Company.

Fibergate assumes cumulative contracted residential Wi-Fi units reach 545,000 units in FY 6/23, +21%YoY & +93,500 units YoY. It had assumed demand for existing properties would slow significantly but its view has proved overly conservative.

The contribution from new build projects has been relatively limited at approx. 30% of total Home-Use sales FYTD due to longer lead times versus existing buildings, but **demand is strong & the contribution from new builds & renovations is set to increase in the 2H.**

In addition to expanding both existing & new contracted units, Fibergate will continue to promote its value-added services such as cameras & smart locks, although we expect the impact to be gradual.

## BUSINESS-USE

(JPY Millions)	1Q 6/23 Results	YoY	1H 6/23 Results	YoY	6/23 CoE	YoY
<b>Sales</b>	329	28.0%	680	14.5%	1,830	47.1%
<b>OP</b>	46	-13.2%	116	-10.1%	570	142.6%
<b>OPM</b>	14.0%	-6.6%	17.1%	-4.7%	31.1%	12.3%

1H Business-Use sales & OP disappointed versus the company forecast. Whilst Fibergate has not revised division estimates, & the company is proactively aiming to boost short term flow sales in the 2H, the FY forecast is likely too optimistic.

Due to the relaxation of COVID restrictions & the recovery in domestic tourism, transportation services such as taxis, tourist facilities such as hotels & outdoor Wi-Fi services such as events are all recovering.

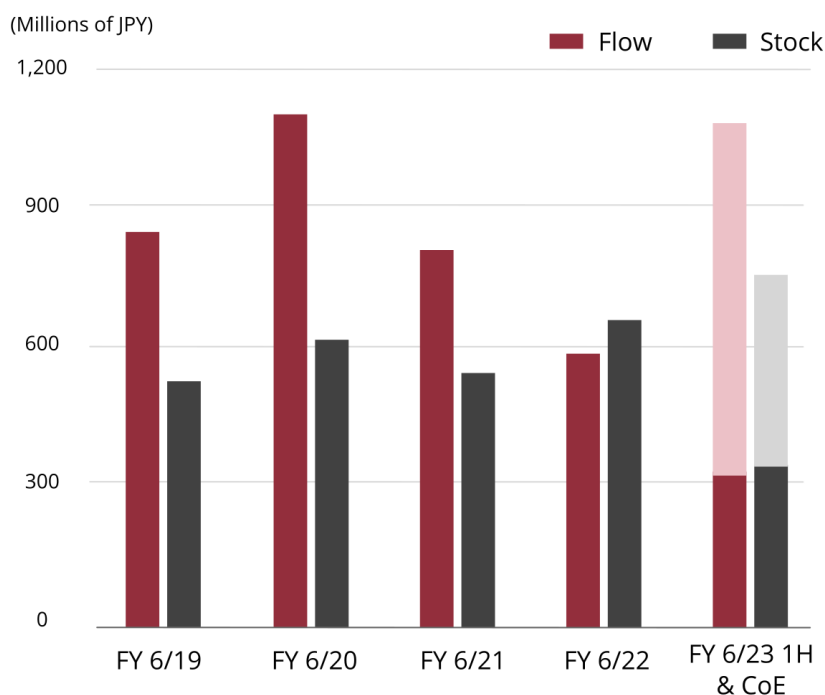
In contrast, the post COVID pace of demand recovery for Fibergate's targeted large 'long stay' projects of nursing care home facilities & hospitals is slower than expected. Despite its belief that there is significant demand for WiFi installation in long stay venues, & that projects are likely to deliver steady stock business revenue in the long term, slow decision making & long lead times (as projects are often reliant on subsidies from local authorities which can take a long time to be awarded) have weighed on short term performance.

Fibergate expects the pace of recovery to remain slow through the 2H & is therefore focusing on areas where it can generate initial stock business revenue in the short term to boost sales. These include short term event WiFi installation, installation on construction sites (through a tie-up with Nishimatsu Construction (1820)), as well as WiFi at exhibitions & offices. Fibergate is also re-focusing on growth at shopping malls as the decision making process is currently faster than 'long stay' venues.

Within the Business-Use division, Fibergate has a balance of flow (installation) & stock (monthly subscription) business. The 1H breakdown of stock to flow business was approx. 50:50. Pre-COVID, flow revenue (mainly initial installation work) was approx. 2x that of stock revenue, but it declined as commercial facilities halted capex on WiFi facilities during COVID.

The rate of recovery in investment differs depending on the format. Fibergate is targeting the relatively more rapid recovery in commercial facility capex at warehouses & factories & growth in demand for WiFi at short term sites e.g. construction sites, events & exhibitions.

- Flow versus stock business:



Source: Company.

Fibergate also manufactures customised network equipment for installation through its subsidiary FG-Lab Co. Customised equipment demand disappeared during COVID &, although demand has been gradually recovering, **the shortage of semiconductors has limited the ability to manufacture & ship products, resulting in Fibergate turning down orders.**

As of the 1H, semiconductor procurement had improved & Fibergate expects sales to recover from the 2H. 1H 6/23 sales of network equipment totalled approx. ¥60m, but the company expects the figure to more than double in the short term.

Whilst semiconductor pricing remains relatively high, which is being exacerbated by the weaker Yen, pricing is likely to normalise as shortages improve.

- *FY 3/24 outlook:* Fibergate continues to believe there is significant untapped demand for 'long stay' venues, including hospitals, nursing care facilities & government facilities. Whilst demand recovery to date has been slow, **Fibergate expects it to be a key driver of FY 6/24 earnings.**

## REAL ESTATE & Other

(JPY Millions)	1Q 6/23 Results	YoY	1H 6/23 Results	YoY	6/23 CoE	YoY
<b>Sales</b>	5	-92.9%	19	-76.3%	1,740	40.5%
<b>OP</b>	-6	n/a	-2	n/a	100	69.5%
<b>OPM</b>	n/a	n/a	n/a	n/a	5.7%	1.0%

Fibergate's FG Smart Asset acquired real estate trading company TM Asset in April 2022. Fibergate buys buildings & occasionally land that small/medium sized real estate agents are unable to buy due to lack of funds, adds WiFi & resells them.

It targets a rapid turnaround, with an average turnover of approx. 4 months to avoid real estate ownership inventory risk. Its medium term aim is to provide WiFi & higher value-added home IoT & renewable energy solutions.

**The purpose of the TM asset acquisition is to support growth in the Home-Use business** as the focus shifts from existing properties to newly renovated properties. The company does not expect the division to be an earnings driver but a key vehicle for Home-Use WiFi growth.

1H earnings included rental income from Reunir Gracias Kawaguchi, a new-generation SDG ecological condominium owned by FG Smart Asset Co Ltd, but zero real estate sales. Fibergate assumes sales of up to 3 properties in the 4Q. Whilst there is the possibility of sale delays into FY 6/24, the expected OPM is low & the OP contribution small, hence it is unlikely to materially impact the company's ability to achieve its consolidated FY 6/23 OP forecast.

- *Other:* Fibergate is aiming to develop its renewable energy business through subsidiary Off Grid Lab Co Ltd. In the long term, it believes it can rival the Home-Use & Business-Use divisions in sales & profits, although short term upfront costs are expected to weigh on earnings.

## SHAREHOLDER RETURNS

As of the 1H FY 6/23, the shareholders equity ratio was 28.7%, versus Fibergate's short term target of >30%. The company plans to a FY 6/23 dividend of ¥7 +55%YoY, representing a payout ratio of 11% in line with its stable dividend payout policy.

PREVIOUS  
REPORTS

- 25<sup>th</sup> Nov 2022: [‘Strong residential WiFi’](#)
- 11<sup>th</sup> Nov 2022: Initiating coverage: [‘Residential & business WiFi’](#)



## MANAGEMENT

<b>President</b>	<b>Masanori Inomata</b>
<b>Age</b>	58
<b>Shareholding (direct)</b>	25.85%
<b>Career history</b>	
<b>1987</b>	Joined Koa Fire and Marine Insurance Co. (now Sampo Japan Insurance)
<b>1995</b>	Appointed CEO of Mynet
<b>2003</b>	Joined Fibergate as President (current position)
<b>2008</b>	Appointed Auditor to LEOC JAPAN Co. Appointed Representative Director to the Japan Monthly Mansion Association
<b>2011</b>	Appointed CEO of Chintai Seikatsu (now Mi Corporation) (current position)
<b>2015</b>	Appointed CEO of Fibergate Taiwan
<b>2020</b>	Appointed Director of BizGenesis
<b>2020</b>	Appointed Director of FG-Lab (current position)
<b>2021</b>	Appointed Director of FG Smart Asset (current position)
<b>2021</b>	Appointed CEO of Off-Grid Lab (current position)

<b>Senior Managing Director</b>	<b>Takafumi Hamauzu</b>
<b>Age</b>	47
<b>Shareholding (direct)</b>	0.57%
<b>Career history</b>	
<b>2000</b>	Joined Venture Link
<b>2007</b>	Joined Orix Capital
<b>2011</b>	Joined Fibergate as Head of Planning
<b>2013</b>	Appointed Officer at Fibergate
<b>2013</b>	Appointed Director of FG Marketing
<b>2014</b>	Appointed Senior Officer at Fibergate
<b>2016</b>	Appointed Managing Director of Fibergate
<b>2020</b>	Appointed Managing Director of Business Administration, and Head of Business Planning at Fibergate
<b>2021</b>	Appointed Auditor of FG Smart Asset (current position)
<b>2021</b>	Appointed Managing Director of Business Planning at Fibergate
<b>2022</b>	Appointed Senior Managing Director of Business Planning at Fibergate (current position)

<b>Managing Director</b>	<b>Hisashi Kaneko</b>
<b>Age</b>	56
<b>Shareholding (direct)</b>	0.54%
<b>Career history</b>	
<b>1989</b>	Joined Ome Shinkin Bank
<b>1994</b>	Joined Osaka Broadcasting (now USEN)
<b>2009</b>	Joined UCOM
<b>2013</b>	Joined Fibergate as Head of East Japan, Mansion ISP Sales
<b>2015</b>	Appointed Officer of East Japan, Sales
<b>2016</b>	Appointed Senior Officer of East Japan, Sales
<b>2020</b>	Appointed Managing Director of Residence Wi-Fi Sales, Department of Sales Promotion
<b>2021</b>	Appointed Director of FG Smart Asset (current position) Appointed Managing Director of Sales Promotion, Head of Business-Use Sales, and Head of Business Development
<b>2022</b>	Appointed Managing Director of Business-Use Sales, and Head of Business Development (current position) Appointed Director of Off-Grid Lab (current position)

<b>Director</b>	<b>Mie Ishimaru</b>
<b>Age</b>	53
<b>Shareholding (direct)</b>	0.04%
<b>Career history</b>	
<b>1997</b>	Joined Asahi Auditors (now KPMG AZSA)
<b>2003</b>	Registered as a CPA
<b>2010</b>	Joined Ishimaru Tax Attorneys as Office Head (current position)
<b>2011</b>	Joined Densan Co.
<b>2011</b>	Registered as a tax accountant
<b>2012</b>	Appointed Director at Densan
<b>2018</b>	Appointed Director at TMR Systems
<b>2018</b>	Appointed External Director of Janpara Co. (current position)
<b>2018</b>	Joined Fibergate as a Director
<b>2019</b>	Appointed Director, Vice-Head of Business Administration and Head of Finance and Accounting at Fibergate
<b>2020</b>	Appointed Auditor of BizGenesis
<b>2020</b>	Appointed Auditor of FG-Lab (current position)
<b>2021</b>	Appointed Director, Head of Business Administration and Head of Finance and Accounting at Fibergate (current position)

<b>Director</b>	<b>Daisuke Ishikawa</b>
<b>Age</b>	33
<b>Shareholding (direct)</b>	0.02%
<b>Career history</b>	
<b>2012</b>	Joined Fibergate
<b>2019</b>	Appointed Sales Manager for Residence Wi-Fi Sales, Department of Sales Promotion
<b>2020</b>	Appointed Sales Manager for East Japan, Department of Sales Promotion
<b>2021</b>	Appointed Officer for Sales Promotion and Sales Manager for East Japan
<b>2022</b>	Appointed Officer for Home-Use Sales, and Sales Manager for West Japan
<b>2022</b>	Appointed Director for Home-Use Sales, and Sales Manager for West Japan (current position)

<b>Independent Director</b>	<b>Nobuyuki Shinoda</b>
<b>Age</b>	71
<b>Shareholding (direct)</b>	0.02%
<b>Career history</b>	
<b>1974</b>	Joined Seibu Department Stores
<b>1995</b>	Appointed Head of HR and Manager of Ikebukuro HR
<b>1997</b>	Joined Loft
<b>2002</b>	Appointed Director
<b>2004</b>	Appointed Executive Director of Business Management
<b>2008</b>	Appointed Executive Director and Head of Management
<b>2016</b>	Joined Fibergate as a Director (current position)
<b>2020</b>	Appointed Chair of the Remuneration Committee at Fibergate (current position)

<b>Independent Director</b>	<b>Chikako Shimahata</b>
<b>Age</b>	38
<b>Shareholding (direct)</b>	-
<b>Career history</b>	
<b>2007</b>	Joined Shinko Securities (now Mizuho Securities), Sapporo branch
<b>2012</b>	Joined the Japan Pension Service, Sapporo West Office
<b>2013</b>	Registered as a Labour and Social Security Attorney
<b>2013</b>	Appointed Head of Pirika Office (current position)
<b>2020</b>	Appointed CEO of Pirika (current position)
<b>2020</b>	Appointed Director at Fibergate (current position)

<b>Director Audit and Supervisory Committee (Full-time)</b>	<b>Tetsurou Tatsuta</b>
<b>Age</b>	73
<b>Shareholding (direct)</b>	0.02%
<b>Career history</b>	
<b>1973</b>	Joined Hokkaido Bank
<b>2002</b>	Joined Kyokuichi Logi Co. as Managing Director
<b>2003</b>	Joined Marukita (now Kyokuichi Marukita) as Managing Director
<b>2006</b>	Appointed CEO of Marukita
<b>2014</b>	Appointed Senior Managing Director of Kyokuichi Appointed Auditor of Kyokuichi Logi Co. Appointed Auditor of Towa Foods
<b>2018</b>	Joined Fibergate
<b>2019</b>	Appointed Independent Auditor of Furano District Wholesale Market Co. (current position)
<b>2021</b>	Appointed Head of Internal Auditing at Fibergate Appointed to the Audit and Supervisory Committee at Fibergate (current position) Appointed Auditor at Fibergate Taiwan (current position)

<b>Independent Director Audit and Supervisory Committee (Part-time)</b>	<b>Tomohiro Obata</b>
<b>Age</b>	47
<b>Shareholding (direct)</b>	0.02%
<b>Career history</b>	
<b>2003</b>	Passed the bar exam
<b>2004</b>	Studied at The Legal Training and Research Institute of Japan (58 <sup>th</sup> year)
<b>2005</b>	Registered as an attorney-at-law (Daini Tokyo Bar Association)
<b>2005</b>	Joined Hiraide Law Office (now Plaza Law Office)
<b>2012</b>	Established Ota Obata Sogo Law Offices (now Plaza Law Office) as Head of Tokyo Office
<b>2013</b>	Joined RS Technology as an Independent Director (current position)
<b>2016</b>	Joined Fibergate as an Independent Director
<b>2020</b>	Appointed Senior Partner at Plaza Law Office (current position)
<b>2021</b>	Joined Paradigm Shift as an Independent Director (current position)
<b>2021</b>	Appointed Director, Audit and Supervisory Committee of Fibergate (current position)

<b>Independent Director Audit and Supervisory Committee (Part-time)</b>	<b>Hiroshi Kamada</b>
<b>Age</b>	66
<b>Shareholding (direct)</b>	-
<b>Career history</b>	
<b>1979</b>	Joined Hayasaka Tax Account's Office
<b>1980</b>	Joined France Bed Sales
<b>1982</b>	Joined Hokkaido Commerce & Industry Guidance Centre
<b>2001</b>	Joined Hokkaido Small Business Support Centre
<b>2011</b>	Joined Public Hokkaido Small Business Support Centre
<b>2017</b>	Joined Fibergate as an Independent Auditor
<b>2021</b>	Appointed Director, Audit and Supervisory Committee of Fibergate (current position)

## COMPANY INFORMATION

<b>Key corporate timeline</b>	
<b>Dec 2003</b>	Began fully-fledged operations. Core business: selling broadband lines via the internet and a network of multiple brick-and-mortar locations
<b>Feb 2004</b>	Started business: free internet for communal housing
<b>Jan 2005</b>	Established Tokyo Office in Minato-ku, Tokyo
<b>Nov 2005</b>	Started business: free internet for communal housing using wireless LAN Unified all services and began operation using the FGBB® Series across the board
<b>June 2006</b>	Began providing free internet for communal housing using a private brand
<b>Sep 2008</b>	Started business: internet connection for monthly serviced apartments
<b>Jan 2009</b>	Call centre began providing customer service to tenants of FGBB® equipped properties in multiple languages
<b>June 2009</b>	Started business: the free Wi-Fi service "Wi-Fi Nex®"
<b>Apr 2011</b>	Established Osaka Office in Chuo-ku, Osaka
<b>June 2013</b>	Established NOIS Inc. as a wholly-owned subsidiary to plan, develop, and sell computer hardware and software, and to act as an internet line agency
<b>March 2014</b>	Started business: the sale of company-developed communication devices
<b>Apr 2014</b>	Began providing Wi-Fi services for stores and commercial facilities under a private brand
<b>June 2014</b>	Established Fukuoka Office in Hakata-ku, Fukuoka
<b>Oct 2014</b>	Established Nagoya Office in Atsuta-ku, Nagoya
<b>Jan 2015</b>	Acquired Telecommunications Contractor Authorization (Governor of Hokkaido Authorization (Fune-26) Ishi No.22017)
<b>July 2015</b>	Began providing the Wi-Fi service "SHINOBI Wi-Fi" to visiting foreigners Established Fibergate Taiwan Inc. as a wholly-owned subsidiary in Taiwan
<b>Jan 2016</b>	Acquired a license as a telecommunications business in accordance with the Telecommunications Business Act (Registration Number: No.358) Certified as a Management Innovation Plan Approval Company by the Governor of Hokkaido (Sekishoro: No.74-33)
<b>Feb 2016</b>	Acquired Privacy Mark certification (Registration Number: No. 17002586 (01))
<b>June 2016</b>	End of fiscal year changed from December to June
<b>Aug 2016</b>	Nagoya Office moved to Naka-ku, Nagoya

<b>June 2017</b>	Satellite office opened in the Tokyo Office  Osaka Office moved to Chuo-ku, Osaka  Established Sendai Office in Miyagino-ku, Sendai  Fukuoka Office moved within Hakata-ku, Fukuoka
<b>March 2018</b>	Listed on TSE Mothers
<b>May 2018</b>	Began providing the “One-Touch Wi-Fi” service as a Wi-Fi service for offices and stores
<b>Nov 2018</b>	Acquired certification as an Information Security Management System (ISMS) (Certification No.: MSA-IS-284)
<b>June 2019</b>	Transferred to the TSE 1 <sup>st</sup> Section
<b>July 2019</b>	Listed on the Main Market of the Sapporo Securities Exchange
<b>Jan 2020</b>	Established FG-Lab Inc. as a wholly-owned subsidiary that researches and develops company-provided telecommunication devices and systems
<b>March 2020</b>	Established BizGenesis Inc. to provide telecommunication services to corporations
<b>Apr 2020</b>	Relocated Fukuoka office within Hakata-ku, Fukuoka
<b>Feb 2021</b>	Established FG Smart Asset Inc. as a wholly-owned subsidiary to engage in real estate-related business including the purchase, sale, leasing, and management of real estate
<b>July 2021</b>	Established OffGrid-Lab Inc. to operate a renewable energy business
<b>Apr 2022</b>	Acquired TM Asset Inc. as a wholly-owned sub-subsiidiary to engage in real estate sales and leasing
<b>July 2022</b>	Merged with BizGenesis Inc., a telecommunication service provider for enterprises

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Major shareholders	Stake %
Masanori Inomata	25.85
MI Corp KK	23.06
GPIF	5.49
Taizou Matsumoto	5.31
Nomura Hdgs	4.18
Norges Bank	2.59
Kingdom of Norway	2.32
Bank of New York Mellon Corp	1.65
SBI Hdgs	1.14
Vanguard Group	1.02

Source: Bloomberg

## J GAAP Financial statements

Income statement (¥bn)	FY 6/20	FY 6/21	FY 6/22
Sales	7.42	8.49	10.62
COGS	3.6	4.1	5.8
<b>Gross profit</b>	<b>3.9</b>	<b>4.4</b>	<b>4.8</b>
Gross profit margin (%)	52.1	51.2	45.5
Operating expense	2.6	2.8	3.2
<b>Total OP</b>	<b>1.23</b>	<b>1.56</b>	<b>1.65</b>
OP margin (%)	16.6	18.4	15.5
Non-Op Income (Loss)	0.1	0.1	0.1
<b>Pretax Income</b>	<b>1.2</b>	<b>1.5</b>	<b>1.6</b>
Tax	0.5	0.5	0.5
Effective tax rate (%)	38.9	31.0	32.2
<b>Net income</b>	<b>0.72</b>	<b>1.02</b>	<b>1.07</b>

Cash flow statement (¥bn)	FY 6/20	FY 6/21	FY 6/22
Net income/pre-tax profit	0.7	1.0	1.1
Depreciation/amortization	0.8	1.0	1.2
Other non-cash items	0.1	0.3	(0.2)
Changes in working capital	0.1	-0.2	-0.1
Net cash from discontinued operations	0.0	0.0	0.0
<b>Cash from Operating Activities</b>	<b>1.7</b>	<b>1.7</b>	<b>2.3</b>
Change in fixed & intangible assets	-2.1	-2.2	-2.3
Net change in long-term investments	0.0	0.0	0.0
Net cash from acquisitions & divestitures	0.0	0.0	-0.3
Other investing activities	0.0	0.0	0.0
Net cash from discontinued operations	0.0	0.0	0.0
<b>Cash from Investing Activities</b>	<b>-2.1</b>	<b>-2.3</b>	<b>-2.6</b>
Dividends paid	0.0	-0.1	-0.1
Cash from (repayment) debt	0.7	1.4	0.6
Cash from (repurchase) of equity	0.0	0.0	-0.1
Other financing activities	0.0	0.0	-0.1
Net cash from discontinued operations	0.0	0.0	0.0
<b>Cash from Financing Activities</b>	<b>0.7</b>	<b>1.3</b>	<b>0.4</b>
FX impact	0.0	0.0	0.0
<b>Net cash flow</b>	<b>0.4</b>	<b>0.8</b>	<b>0.1</b>
<b>Free cash flow</b>	<b>-0.3</b>	<b>-0.5</b>	<b>0.1</b>
<b>EBITDA</b>	<b>2.0</b>	<b>2.6</b>	<b>2.9</b>

Balance sheet (¥bn)	FY 6/20	FY 6/21	FY 6/22
Cash & equivalents	1.4	2.2	2.3
Accounts & notes receivable	1.1	1.2	1.4
Inventories	0.3	0.4	2.1
Other short-term assets	0.0	0.1	0.1
<b>Current assets</b>	<b>2.8</b>	<b>3.9</b>	<b>6.0</b>
Property, plant & equipment (net of depreciation)	4.0	5.2	6.2
Long term investments & receivables	0.0	0.0	0.1
Other long-term assets	0.2	0.2	0.8
<b>Total non-current assets</b>	<b>4.2</b>	<b>5.5</b>	<b>7.1</b>
<b>Total assets</b>	<b>7.0</b>	<b>9.4</b>	<b>13.1</b>
Payables & accruals	1.0	1.0	0.9
Short-term debt	1.1	1.2	2.6
Other short-term liabilities	0.1	0.2	2.2
<b>Total current liabilities</b>	<b>2.2</b>	<b>2.4</b>	<b>5.6</b>
Long term debt	2.0	3.3	4.1
Other long-term liabilities	0.0	0.1	0.1
<b>Total non-current liabilities</b>	<b>2.0</b>	<b>3.3</b>	<b>4.2</b>
<b>Total liabilities</b>	<b>4.3</b>	<b>5.7</b>	<b>9.8</b>
Share capital & APIC	0.9	0.9	0.9
Treasury stock	0.1	0.1	0.2
Retained earnings	1.9	2.9	2.6
Other equity	0.0	0.0	0.0
<b>Equity before minority interest</b>	<b>2.7</b>	<b>3.7</b>	<b>3.3</b>
<b>Total equity</b>	<b>2.7</b>	<b>3.7</b>	<b>3.3</b>
<b>Total liabilities &amp; equity</b>	<b>7.0</b>	<b>9.4</b>	<b>13.1</b>

Key metrics	FY 6/20	FY 6/21	FY 6/22
<b>Profitability</b>			
Gross margin (%)	52.1	51.2	45.5
Operating margin (%)	16.6	18.4	15.5
Net margin (%)	9.7	12.0	10.1
ROIC (%)	14.4	15.0	12.6
<b>Liquidity</b>			
Current ratio (x)	1.2	1.6	1.1
Quick ratio (x)	1.1	1.4	0.7
<b>Leverage</b>			
Debt/Equity ratio	113.4	121.1	202.9
Net Debt/Equity ratio	61.2	61.4	132.6

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