

September 2, 2025

Company Name: Fibergate Inc.
Representative Director, President Executive Officer: Masanori Inomata
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Notice Regarding the Publication of Archived Video and Transcript of Explanation of Financial Results for the Fiscal Year Ended June 2025

Fibergate Inc. held its financial results explanation for the fiscal year ended June 30, 2025, on August 14, 2025. We are pleased to announce that the archived video and full transcript of the session are now available to the public.

In our continued effort to ensure clear and timely disclosure for shareholders, investors, and other stakeholders, we are providing both video and text versions of the session content.

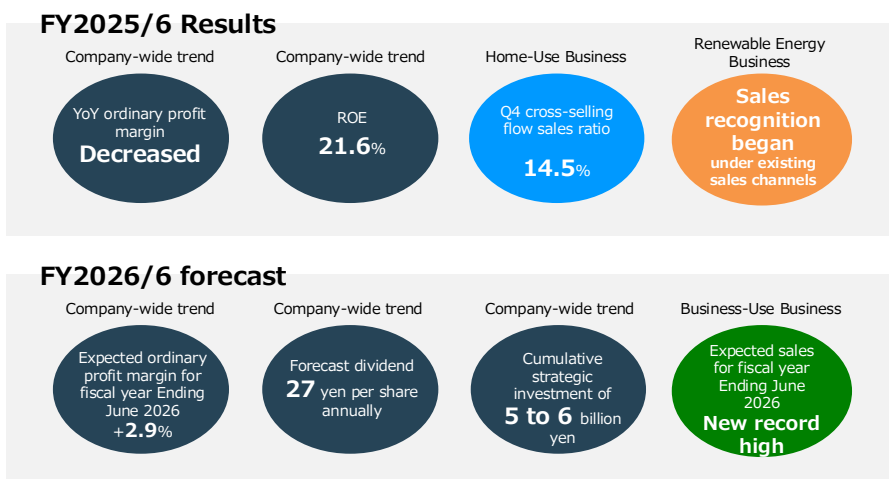
- [Consolidated Financial Results for the Fiscal Year Ended June 30, 2025](#)
- [Explanation of Financial Results for the Fiscal Year Ended June 2025](#)
- [Explanation of Financial Results for the Fiscal Year Ended June 2025 – Archived Video](#) (Speak in Japanese)

Briefing Title	Explanation of Financial Results for the Fiscal Year Ended June 2025
Date and Time	Thursday, August 14, 2025, from 16:00 (JST)
Format	Online (Webcast)
Speaker	Masanori Inomata, President Director, President Executive Officer

Inomata) I would like to begin by thanking everyone for taking the time out of their busy schedules, especially during the Obon holidays, to join this teleconference today. I would like to move straight into the explanation of our financial results for the fiscal year ended June 2025, based on the presentation materials we have provided. I will also be explaining our future direction and goals.

3 Key Points

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Here is the Table of Contents. I will be covering the topics listed here.

Turning to the key points of the results, it is very unfortunate that we posted a year-on-year decline in ordinary profit, the first since our listing as a public company. I will explain the reasons for the decline later in the briefing. Suffice to say for now that I have reflected on this failure in earnest. This stands out as one of the few times in my career that I have failed to reach an important goal, and as a corporate manager, there are many issues to reflect on. As I just mentioned, I will explain the profit decline in more detail later in the briefing. ROE and some other key indicators also declined year on year. Our equity ratio and other indicators have actually been increasing. I believe this decline in the indicators and other factors has led to the decline in our stock price.

In terms of our forecast for the fiscal year ending June 2026, we forecast slight increases in net sales and profit. In our Growth Stage 5 phase, we are aiming for ordinary profit of at least 5.0 billion yen. Unless we take a strategic approach and accelerate our efforts, we may not be able to reach this target. We plan to use leverage to make further investments and raise our ROE. This will involve strategic investments, mainly M&As, along with the upgrade of our core information systems, among other initiatives. Regarding the Business-Use Business, in the current fiscal year ending June 2026, we forecast record-high revenues.

- In fiscal year ended June 2025, revenue increased by 3.6% YoY, and ordinary profit decreased by 19% YoY. While revenue growth was secured, the company reported its first decline in ordinary profit since its listing. While the results exceeded the revised forecast, with ordinary profit margin of around 15% and ROE maintained at 22%, we take seriously the fact that we were forced to post a profit decline.
- By business segment, the Home-Use Business remained strong due to the accumulation of stock income (monthly subscription income), but profit margin was affected by the introduction of the equipment outright-sales system. The Business-Use Business was affected by sluggish growth in new projects. In the non-telecommunications business, although revenue from renewable energy business began to be recognized, the contribution to profits in the first year was limited.

(in millions of yen) Rounded down to the nearest million yen Rounded to the nearest 0.1%	FY2023 results	FY2024 results	FY2025			Difference from revised forecast	Year-on-year	
			Initial forecast	Revised forecast	Results		difference	comparison
Net sales	12,795	12,613	14,370	12,700	13,070	+370	+456	+3.6%
Home-Use Business	9,600	10,386	11,140	10,640	10,864	+224	+478	+4.6%
Business-Use Business	1,512	1,675	2,220	1,550	1,684	+134	+8	+0.5%
Renewable Energy/Real Estate/Other	1,682	551	1,010	510	520	+10	-30	-5.5%
Operating profit	2,320	2,387	2,620	1,750	1,958	+208	-429	-18.0%
Home-Use Business	2,970	2,910	3,110	2,500	2,638	+138	-272	-9.4%
Business-Use Business	289	480	690	250	326	+76	-153	-32.0%
Renewable Energy/Real Estate/Other	138	64	180	71	67	-3	+2	+3.6%
Adjusted	-1,078	-1,068	-1,360	-1,071	-1,073	-2	-5	-0.5%
Ordinary profit	2,290	2,395	2,600	1,740	1,943	+203	-452	-18.9%
Ordinary profit Margin	17.9%	19.0%	18.1%	13.7%	14.9%	+1.2pp	-4.1pp	-
Profit attributable to owners of parent	1,482	1,567	1,650	1,150	1,319	+169	-248	-15.8%

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Next, I would like to turn to the discussion of our financial results for the fiscal year ended June 2025. Our results are as presented here. In regard to net sales, we revised our forecast in May, and our results for both net sales and profits were higher than the most recent forecast, but failed to meet the initial forecast. The results for both the Home-Use Business and Business-Use Business were lower than the initial forecasts, as were the results for operating profit and ordinary profit. There are various reasons for these declines. While stock income continued to increase, flow income was lower. This was the primary reason. Additionally, while there were changes to our accounting policies during the period, these changes were taken into consideration when we made the original forecasts. The main factors affecting our business and leading to lower-than-expected results were the introduction of the equipment outright-sales system, upfront expenses which were previously recorded as assets, and a relative decline in flow income compared with unusually high gross-margin projects in previous years. Equipment outright-sales were slightly higher than we originally forecast.

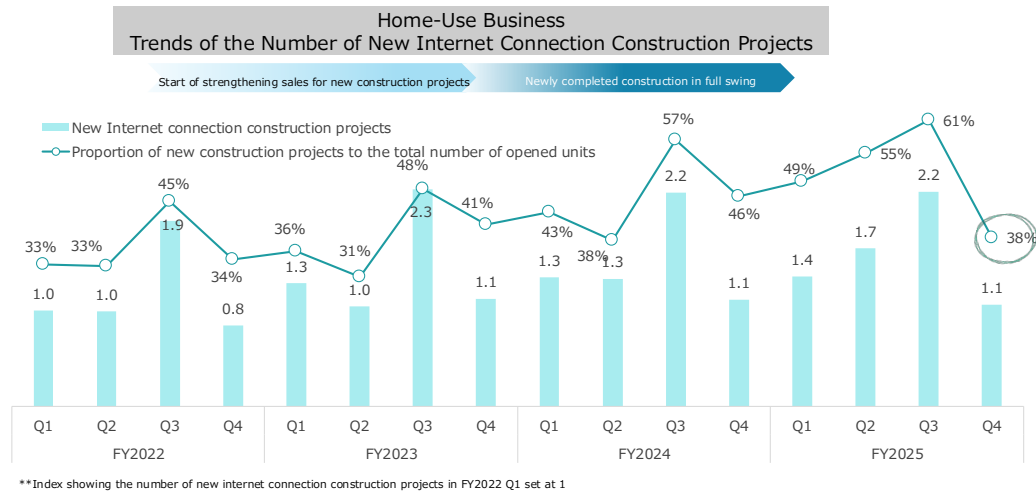
- On an accrual basis in Q4 of fiscal year ended June 2025, revenue increased by 6% YoY, and ordinary profit decreased by 14% YoY. While the Home-Use Business saw an increase in revenue and profits, the Business-Use Business saw a decrease in revenue and profits due to the completion of sales from high-margin projects. In the non-telecommunications business, although sales related to renewable energy were recorded, upfront expenses weighed on earnings.
- Revenue and profits declined compared with Q3. In addition to a decrease in new construction projects due to seasonal factors, main office-related expenses increased. However, the renewable energy-related business returned to profitability.

(in millions of yen) Rounded down to the nearest million yen Rounded to the nearest 0.1%	FY2024				FY2025				Q3/Q4 comparis on	YoY Comparis on
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Net sales	2,852	2,953	3,731	3,075	3,054	3,502	3,265	3,248	-16	+172
Home-Use Business	2,521	2,565	2,729	2,569	2,643	2,642	2,835	2,743	-91	+174
Business-Use Business	327	356	490	501	405	410	415	452	+37	-48
Renewable Energy/Real Estate/Other	4	31	511	4	4	450	14	51	+36	+47
Operating profit	525	573	783	504	463	515	542	436	-106	-68
Home-Use Business	714	767	817	610	668	662	665	640	-24	+29
Business-Use Business	56	98	163	162	72	78	89	86	-3	-76
Renewable Energy/Real Estate/Other	-4	14	63	-9	-8	73	0	1	+1	+11
Adjusted	-241	-307	-260	-259	-269	-299	-212	-292	-80	-33
Ordinary profit	548	569	778	499	458	510	542	431	-111	-68
Ordinary profit Margin	19.2%	19.3%	20.9%	16.3%	15.0%	14.6%	16.6%	13.3%	-3.3pp	-3.0pp
Profit attributable to owners of parent	370	361	524	310	310	344	369	295	-74	-15

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Turning to the quarterly trends, our net sales were generally good compared with the previous year. From a profit standpoint, however, we could not maintain the previous year's levels and lost ground. While it is true that net sales continued to rise, some increase was to be expected given that our stock income continues to expand. Actually, we were aiming to achieve a more robust sales performance overall. There was a quarter-on-quarter decline in net sales and profits from the third to the fourth quarters due mainly to the fact that the fourth quarter is typically weak. This year, however, there was the additional impact of higher corporate expenses. The Renewable Energy Business is in its fourth year. Until now, the business has been conducting mostly R&D and repeated trial and error. We began sales activities in the last fiscal year but are still in a run-up stage to full business activities. Overall, we are now in a position to begin recording business results. In the fourth quarter, the energy business as a whole achieved profitability.

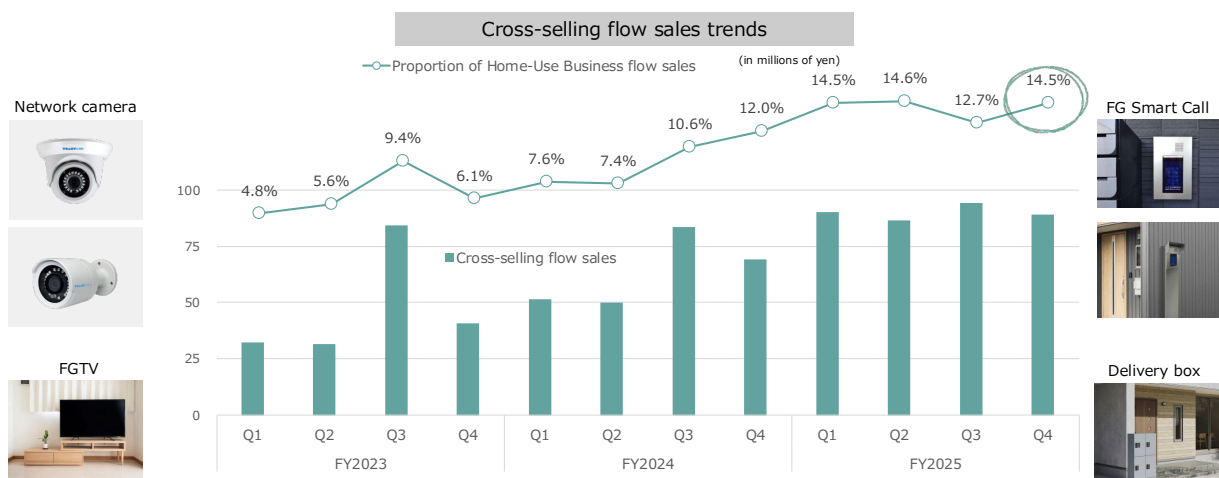
- The number of houses opened for new construction projects in Q4 of fiscal year ended June 2025 was roughly at the same level as that of the previous year. Compared to Q3, when new construction completions were concentrated, it decreased significantly.
- The ratio of houses opened for new construction projects to the total number of houses opened was 38%. This was the first time in a while that the ratio fell below 40%, mainly due to an increase in the number of existing construction projects. While the number of new construction projects itself remains firm, this can also be regarded as the result of accelerated efforts to discover existing construction projects. As the lead time for completing internet connection for existing construction projects is short, the effect of discovering them appears early.



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This next slide explains the Home-Use Business and the number of houses opened. As shown here, the overall numbers were not bad, but they did not reach our forecasts. The graph illustrates the ratio of new Internet connection construction projects to overall construction projects, including existing construction projects. The number of new construction projects has increased significantly. With regard to the fourth quarter alone, our salesforce made great efforts to secure contracts for existing construction projects, and our completions for these were very high. As a result, the ratio of new construction projects was relatively low compared to other quarters. Looking at it another way, the sales for existing construction projects were very strong. Compared to new construction projects, the lead time for existing construction projects is short. Our salesforce redoubled its efforts on existing construction projects because the shorter lead time would help to buttress the June 2025 results. Of course, at the same time, salespeople were also working on new construction projects. But with the focus on existing construction projects, the ratio of new construction projects declined. Under the circumstances, this decline is not particularly meaningful.

- Cross-selling, which is positioned as a growth driver for the Home-Use Business, generated flow sales, a leading indicator of the business, remained almost flat at 90 million yen on an accrual basis in Q4. Although sales in Q4 tend to decline YoY due to a decrease in new construction projects, they remained at a high level in the current period. This was partly attributable to the fact that sales, which typically rise sharply in Q3, were spread across not only Q1 and Q2 but also 4Q.
- Cross-selling accounted for 14.5% of flow sales in the Home-Use Business in Q4. The company recognizes that the penetration of cross-selling is progressing steadily.

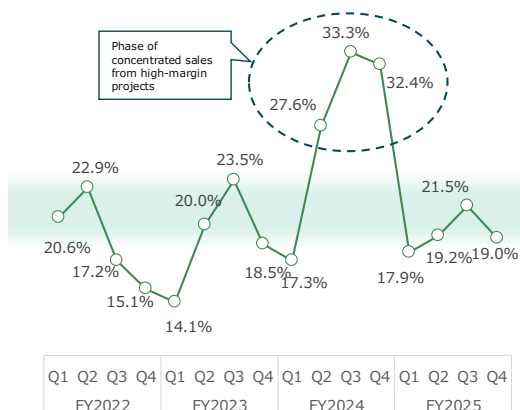


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Moving to the next slide, cross-selling is positioned as a driver for new business growth in the Home-Use Business. We are strengthening our sales of cameras and other devices seen here in the slide. Overall, sales have been solid. Our sales department has been very aggressive with proposals for cross-sales devices, and its contract win ratio is increasing. As a result of these efforts, the ratio of cross-selling to overall sales increased significantly. Moving forward, we are planning to increase cross-selling even further. Within our company, the awareness of the importance of cross-selling has been strongly instilled.

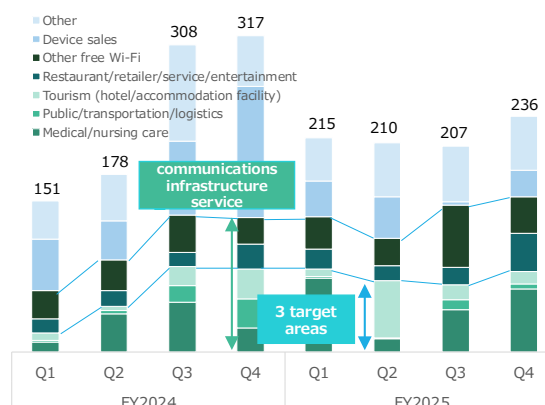
- The operating profit margin for the Business-Use Business in Q4 was 19%. Although it falls short when compared with the high-profit phase in fiscal year ended June 2024, it remains broadly within the average range when viewed over the past four quarters.
- In the on-premise communication infrastructure services, the company's focus area, flow sales in Q4 was 150 million yen, up 15% YoY. In addition to the medical care/nursing care area, which is one of the target areas, the food/retail/service area showed growth. However, while the expansion is progressing steadily, it has not yet reached the growth pace initially expected.

Business-Use Business
Trends in operating profit margin



Business-Use Business: Breakdown of Flow Sales

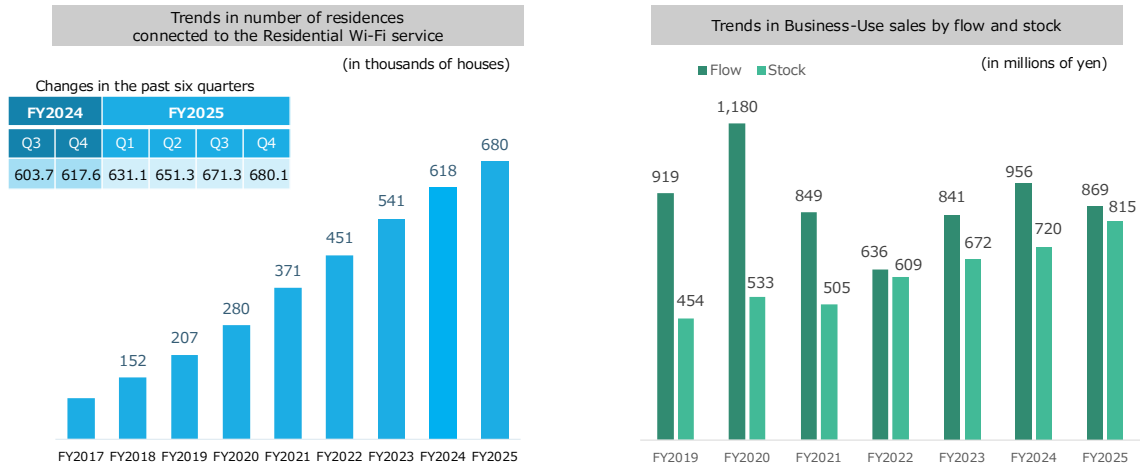
(in millions of yen)



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Next, I would like to move on to the Business-Use Business. This slide illustrates the operating profit margin and customer attributes for the Business-Use Business. The operating margin for the fourth quarter was 19%, and it is clear from just a glance that the rate has declined year on year, compared with the fiscal year ended June 2024. The rate of 19%, however, is the normal rate for this business. In the fiscal year ended June 2024, there were a number of projects with unusually high profit margins. The decline in the year under review simply means that the margin in the previous year was extraordinarily high. Instead of viewing this past year's rate as low, please note that the rate in the fiscal year ended June 2024 was too high. In other words, the profit margin has now settled to a normal level. This was the key point for the previous fiscal year in terms of profits. In the Business-Use Business, we have set three main targets: medical and nursing care, tourism, and government bodies, or the public sector. Besides these, we also serve the services-related sector. The medical and nursing care field is growing. Moving forward, we plan to invest more effort into tourism and other areas. As a result of the COVID-19 pandemic, many medical and welfare facilities suffered significant financial losses. As reported in the media, the number of bankruptcies in the medical field has increased significantly. Part of the reason may be the start of repayment of zero-interest, zero-security loans these medical facilities took during COVID. Despite the financial issues, medical institutions are not going to disappear. They have access to subsidies and other funds to invest in information technologies, which we can pair to sell as set services, and therefore we are targeting the field for growth. We have been successful winning contracts for telecommunications services for very large medical facilities. Moving forward, we will aim for the same success in the tourism and other services sectors. The tourism sector is especially promising. The entire sector is enjoying a boom right now. A perfect example is the great success of the Expo 2025 in Osaka. There are many such sectors where we have yet to make inroads. These are areas where we plan to strengthen moving ahead.

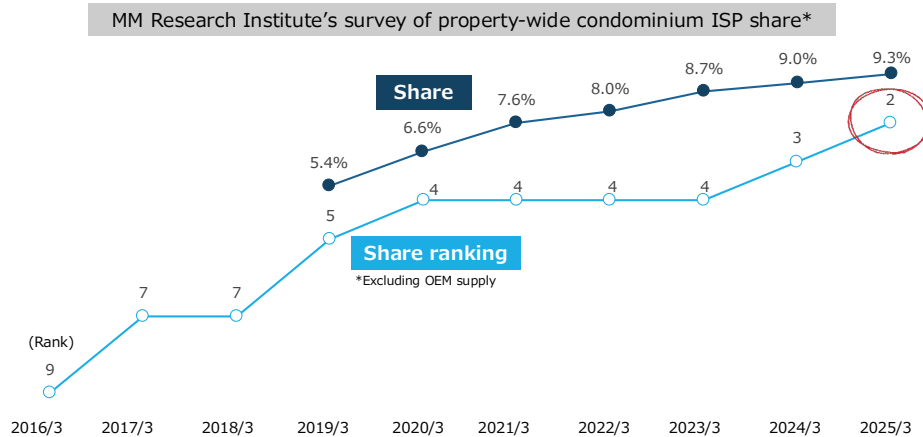
- The number of homes connected to the Residential Wi-Fi Service at the end of Q4 was approximately 680,000. The pace of increase in the number of connected homes slowed slightly to 9,000 per quarter.
- In the Business-Use Business, sales from the stock business (monthly subscription business) has steadily increased. Meanwhile, sales from the flow business (installation business), which serves as a leading indicator, was 870 million yen, down for the first time in four quarters compared with the previous period. However, this was due to a decline in sales of equipment, which has limited potential to shift to the stock business, and the impact on stock accumulation was minimal.



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I would like to move on to the discussion of key performance indicators. The KPIs are for both the Home-Use Business and the Business-Use Business. In the Home-Use Business, the number of residences connected to the Residential Wi-Fi Service at the end of Q4 grew to approximately 680,000 homes, or nearly 700,000. Our original target was slightly higher, but we were unable to meet it. In the Business-Use Business, sales from the flow business were rather slow in the year under review. Stock sales, on the other hand, continued to grow steadily, while making a lower contribution to profits during that period. In the flow business, we did not record high-profit, large contracts in the period. In other words, sales of telecommunications and other equipment were slow. More than the flow business, the stock business contributed more to our results, with a steady and solid increase in sales during the period.

- According to MM Research Institute's survey of property-wide condominium ISP share, the most recent share of the company was 9.3%. The company also ranked second in terms of the net increase in units, and rose to second place in the share ranking.
- Over time, both the company's market share and ranking have reached record-high levels. Even within the industry, the presence of the company's Home-Use Business has further strengthened.

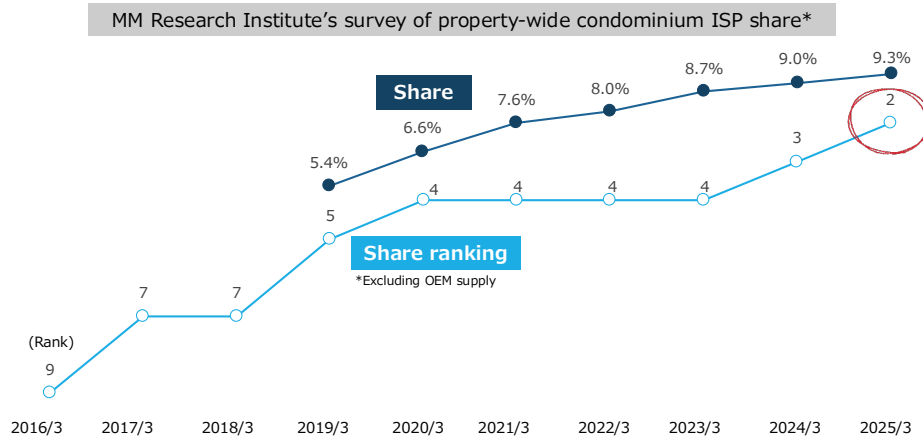


Source: MM Research Institute, Ltd. "Survey of Property-wide Condominium ISP Share" at the End of March 2025

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The next slide explains our market share based on a report from MM Research Institute, a think-tank focused on telecommunications business. This published research applies only to the Home-Use Business, and specifically a survey of property-wide condominium ISP share. We ranked second in terms of the net increase in units and rose to second place in the overall share ranking as well. This is the property-wide condominium ISP share for services covering an entire property. As I have mentioned in previous briefings, there are different kinds of ISP services. One type is property-wide ISP for condominiums, measurable by the number of units actually using the services. Another type is free Internet access for rented apartments. These are similar in some ways but actually very different kinds of services. We are ranked second in market share combining these two types of services. In the rental apartment market, where we are very active, we may be ranked second overall, but our share is higher than what is stated in this slide. We have contracts covering 680,000 residences. The overall number of rental residences with free internet services in Japan includes a variety of rental properties, including rental condominiums and rental apartments, along with dormitories and other types of rentals. These are properties where property owners are earning rental income and use the internet services as a way to increase occupancy. While MM Research Institute does not publish statistics on this rental market alone, we estimate that there are more than 4 million rental residences with free internet services. This would make our market share about 16-17% given our penetration in more than 680,000 residences.

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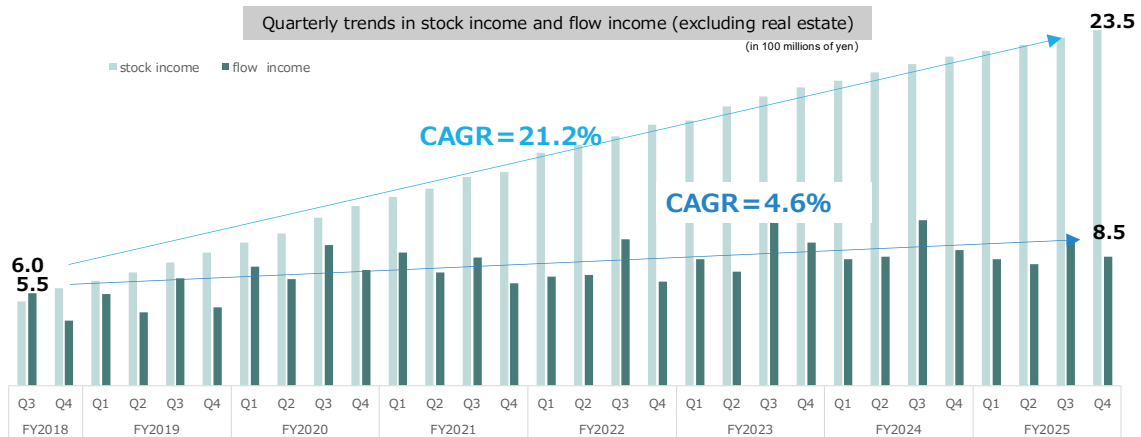


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- Stock sales have been steadily increasing. They have increased for 29 consecutive quarters since the company became listed. Increasing stock sales has been a mission the company has pursued since its founding. There has been no change in this structure.
- Meanwhile, flow sales have been fluctuating.

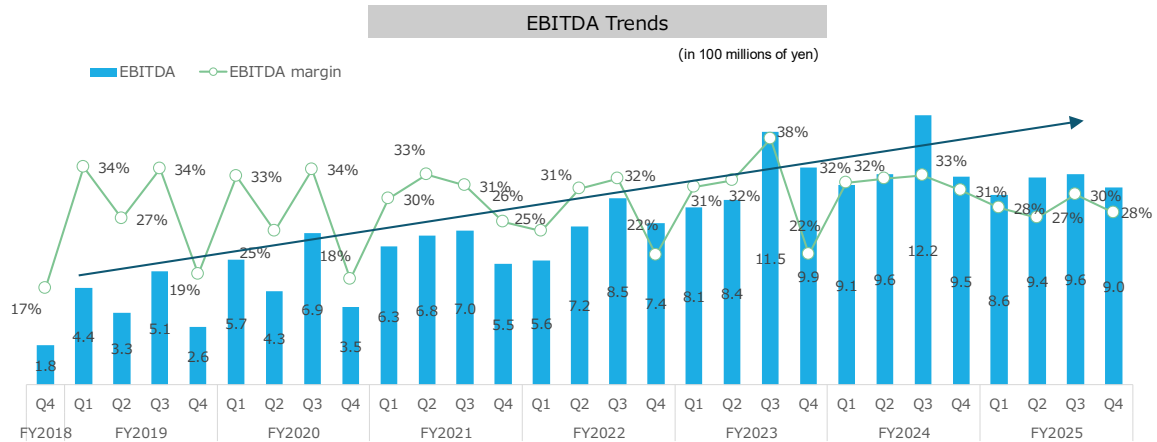


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The next slide illustrates stock income and flow income, and as you can see, stock income has risen steadily and continued to accumulate. On the other hand, flow income has fluctuated. The same trend is seen in our Home-Use Business. Returning to my previous comments regarding penetration, there are about 4 million residences with free internet services. The total rental market is about 15 million residences in Japan. That includes condominium leases, which cannot be grouped under the same category as apartment complex. Overall, therefore, our total target market in Japan is about 12-13 million residences, of which about one-third already have free internet services. This makes it more difficult to capture new business. Nearly 100% of the newly built apartment complexes have free internet service. Meanwhile, the existing complexes market continues to shrink, making it increasingly difficult to capture new business. This does not mean that there are no opportunities for new business, but overall, the reality of the market is that new contracts are harder and harder to capture in the Home-Use Business. In the Business-Use Business, we must capture flow income to succeed, but we did not perform as well as we expected in the year under review. Additionally, flow income continues to fluctuate.

Stock sales are steadily increasing. Two important considerations in the stock income are the gross margin and profit margin, rather than the level of sales. This is a separate consideration. The increase in telecommunications traffic impacts our cost of sales. We must control this impact, and efforts by the entire company will be needed to achieve this.

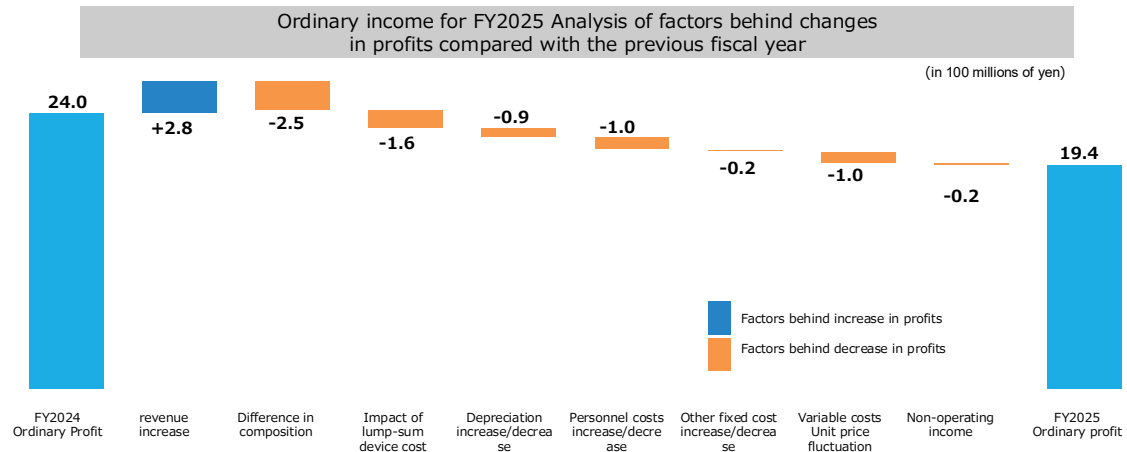
- EBITDA for Q4 was 900 million yen. The EBITDA margin was 28%. Both actual EBITDA and margin declined compared to Q3, but remained at high levels.
- While the company recognizes that the cash-generating capacity of its business is generally strong, it is also true that this capacity has tended to level off over the past one or two years. The company's policy is to move quickly to lay the groundwork for the next growth driver while its cash-generating capacity remains strong.



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Next, I would like to discuss EBITDA on the next slide. Our EBITDA for the fiscal year ended June 2024 was around 4.0 billion yen, which declined to 3.6 billion yen in the fiscal year ended June 2025. The quarterly results are as shown here. Our EBITDA margin is not low, and in comparison with domestic companies in Japan, it is relatively high. Our ability to generate cash also remains high, so we must continue to take measures to raise profits and EBITDA.

- The main factors behind the decrease in ordinary profit were a deterioration in the sales mix and the impact of the equipment outright-sales system, which the company began actively promoting from the current fiscal year. The completion of the high-margin projects in the Business-Use Business was also one of the factors behind the deterioration in the sales mix. While the effects of increased revenue contributed positively to profit, these effects were not sufficient to offset the aforementioned impacts.
- Furthermore, in terms of cost, fixed costs such as personnel costs associated with an increase in the number of new hires, and depreciation have risen. While the upward trend in depreciation has been suppressed due to the introduction of the equipment outright-sales system, an increase in absolute values has been unavoidable. In terms of variable costs, unit price increases such as increase in line usage fees also occurred, putting pressure on profitability.



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The next slide shows an analysis of factors of change in ordinary profits. I will not explain this in depth, so please look at this at your convenience. As I have said repeatedly, the high-margin projects in the Business-Use Business have run their course. This comparative slump following the recognition of high-margin projects will likely be felt again and again in the future, in successive waves of fluctuation, and this is partly why the fiscal year ended June 2025 was difficult in comparison to the previous fiscal year. Regarding the Home-Use Business, we have achieved high market penetration with about one-third of the entire market, and the market as a whole is maturing. But there is also still plenty of room to grow. We must continue to increase our flow and stock income by taking advantage of the growth opportunities. In terms of expenses, we are suffering from significantly higher recruitment and personnel costs, and this situation is the same for all companies in Japan. Depreciation is certainly also a factor in profitability. Depreciation is recorded for procured assets, and in the Home-Use Business, we have adopted the declining-balance method, so the depreciation is heavier in the years just following the asset procurement. These types of fixed expenses have risen. Depreciation was also impacted by the switch to the equipment outright-sales system, and another factor was the change in accounting policies. The equipment outright sales are increasing. Looking at the long term, these are not negative factors on our business. In fact, the gross margin on stock income will rise significantly. Since we have adopted the equipment outright-sales system, there will not be any depreciation on these equipment sales. The other major factor is taxes. Since our property taxes will decline, the medium- to long-term outlook in terms of taxation is very good. In the short term, taxation will have a negative impact on our profits. There could be some debate over which is better for the company, but we take the medium- to long-term approach. The reason is that this approach will lead to an increase on the gross margins and profit margins of the stock income. In the short term, the main causes in the reduction of our profit are the change in the accounting policies and the adoption of the equipment outright-sales system.

Consolidated Financial Summary (Balance Sheet)

- The equity ratio at the end of the term was 53.1%. This was the first time the ratio exceeded 50% since the company became listed. The previously fragile financial structure of the company has undergone significant change, and the company now aims to accelerate leverage.
- Total assets were reduced by as much as 7%. The main reasons include a reduction in cash position, a decrease in new real estate project preparations, and suppression of fixed assets due to the introduction of the equipment outright-sales system. As a result, repayment of borrowings has progressed.

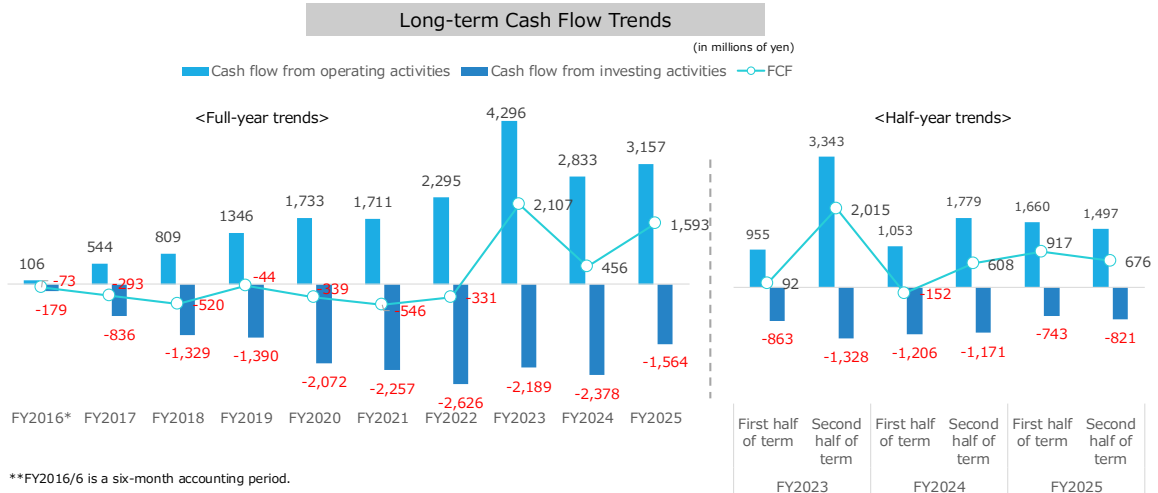
(in millions of yen)	FY2023	FY2024	FY2025	FY2024 increase/ decrease comparison	
Current Assets	5,559	5,339	4,707	-632	Use of cash for repayment of borrowings
Cash and deposits	2,382	2,120	1,853	-267	
Accounts receivable	1,585	1,772	1,809	+37	Increase due to sales expansion
Inventory (Communications)	637	666	578	-88	
Inventory (Real estate)	655	489	212	-276	New property preparations have been restrained
Fixed Assets	7,203	7,736	7,436	-299	
Tangible fixed assets	6,565	7,200	6,998	-201	The introduction of the equipment outright-sales system has put a brake on the increase in fixed assets
Total Assets	12,764	13,076	12,144	-931	
Liabilities	8,005	7,240	5,641	-1,598	
Interest-bearing liabilities	4,672	4,442	3,245	-1,196	Borrowings on a downward trend
Contract liabilities	1,638	1,317	987	-329	
Net Assets	4,758	5,836	6,502	+666	
Total Liabilities and Net Assets	12,764	13,076	12,144	-931	Equity ratio 53.1%

*Rounded down to the nearest million yen Rounded to the nearest 0.1%

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On our balance sheet, our total assets declined by about 7%. Our long-term borrowings also declined. Our equity ratio is increasing. This is the first year in which the ratio exceeded 50%. We have taken a profit-conscious management approach. The adoption of profit-conscious accounting policies has been a trend throughout corporate Japan. In our case, our equity ratio declined only once year on year. It declined to the 20-30% range, but has rebounded in the past four years and in the latest year it exceeded 50%. Today, some might think it strange if we were referred to as a venture company. But when we were just starting out as a venture, our financial position was vulnerable. We have raised the equity ratio to over 50%, attesting to the strengthening of our finances. Moving forward, we will use leverage to increase ROE further. The equity ratio may decline from the current level. More importantly, however, is that we must continue to raise ROE, ROIC and other KPIs in order to maintain a strong reputation among investors.

- Free cash flow (FCF) for fiscal year ended June 2025 was positive (1.59 billion yen). This marks the third consecutive period of surplus. Despite a significant decline in real estate sales, FCF remained positive, and the upfront cash burden from the company's core telecommunications business has been reduced to an unprecedented level.
- Looking at each half-year period, cash flow in the second half was almost flat compared to the first half. The telecommunications business has transitioned to a stable cash-generating stage.



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Turning to cash flow on the next slide, we had negative free cash flows for many years before achieving a positive free cash flow for the past two to three years. We now have a surplus. There were years in which we earned cash from real estate sales, but in the fiscal year ended June 2025, real estate sales were minimal and this current fiscal year we expect the same. More than the real estate decline, the free cash flow in the original telecommunications business has changed. The decline in investing cash flow has been the largest factor, more than depreciation and operating cash flow. The adoption of the equipment outright-sales system was a factor. Overall, the business has developed an unprecedented level of cash generation. The positive free cash flow achieved in the year under review is expected to remain stable moving forward. Moving forward, we will invest strategically and we expect there to be some changes in the cash flow trends. Overall, however, we have developed a business that can continue to generate cash at a high level.

Forecast of Consolidated Financial Results for FY2026

- Revenue is expected to increase by 8% and ordinary profit by 3% in fiscal year ending June 2026. Although a V-shaped recovery is not expected, the company anticipates an early exit from the profit decline phase.
- The cause of previous fiscal year's struggle was a lack of manpower and responsiveness. The company is accelerating the development of new "winning patterns" through changes in its sales structure and the introduction of B2C services.
- In telecommunications segment, keys include securing existing construction projects and B2C services in the Home-Use Business, and strengthening customer reach and providing customized services in the Business-Use Business. In non-telecommunications segment, keys include enhancing construction capabilities for renewable energy installation. In particular, in the Business-Use Business, the company aims to achieve record-high sales.

(in millions of yen) Rounded down to the nearest million yen Rounded to the nearest 0.1%	FY2023 Results	FY2024 Results	FY2025 Results	FY2026 Forecast	Year-on-year	
					difference	comparison
Net sales	12,795	12,613	13,070	14,050	+979	+7.5%
Home-Use Business	9,600	10,386	10,864	11,600	+735	+6.8%
Business-Use Business	1,512	1,675	1,684	1,810	+125	+7.5%
Renewable Energy/Real Estate/Other	1,682	551	520	640	+119	+22.8%
Operating profit	2,320	2,387	1,958	2,000	+41	+2.1%
Home-Use Business	2,970	2,910	2,638	2,910	+271	+10.3%
Business-Use Business	289	480	326	400	+73	+22.4%
Renewable Energy/Real Estate/Other	138	64	67	90	+22	+34.2%
Adjusted	-1,078	-1,068	-1,073	-1,400	-326	-30.4%
Ordinary profit	2,290	2,395	1,943	2,000	+56	+2.9%
Ordinary profit Margin	17.9%	19.0%	14.9%	14.2%	-0.6pp	-
Profit attributable to owners of parent	1,482	1,567	1,319	1,270	-49	-3.7%

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That concludes the discussion of the fiscal year ended June 2025. Now, I will turn to the discussion of the forecast for the fiscal year ending June 2026. We expect slight increases in net sales and profits. Although we do not forecast a V-shaped rebound in results, we do expect to avoid a further decline in profits. It was a challenge to create a business and budget plan for this fiscal year with the aim of ensuring that we regain profit growth. Overall, our plans are more conservative than in the past. We cannot predict, however, what issues may arise. It is also important to summon the collective strengths of the company to improve upon the results by learning from our failures last fiscal year and ensuring that we do not have the same kinds of failures. We are striving to put in place company-wide measures as rapidly as possible.

More specifically, two of our main problems in the last fiscal year were a lack of manpower and a lack of responsiveness. We are revamping our sales structure by eliminating separate sales organizations for Business-Use and Home-Use and instead creating new organizations focused on geographic regions. The new organizations will enable salespeople to sell both Home-Use and Business-Use products and services. This new structure will be established over the next year. In this way, we expect the productivity of each salesperson to further improve. It will be important for the salesforce to understand the market dynamics and the products themselves, and therefore we cannot implement the change quickly. We will develop the sales staff over the course of the year to ensure that salespeople can sell products and services from both areas of the telecommunication business. Until now, we have focused exclusively on B2B services. Our partnerships with Sony and others will serve as a catalyst for new B2C sales.

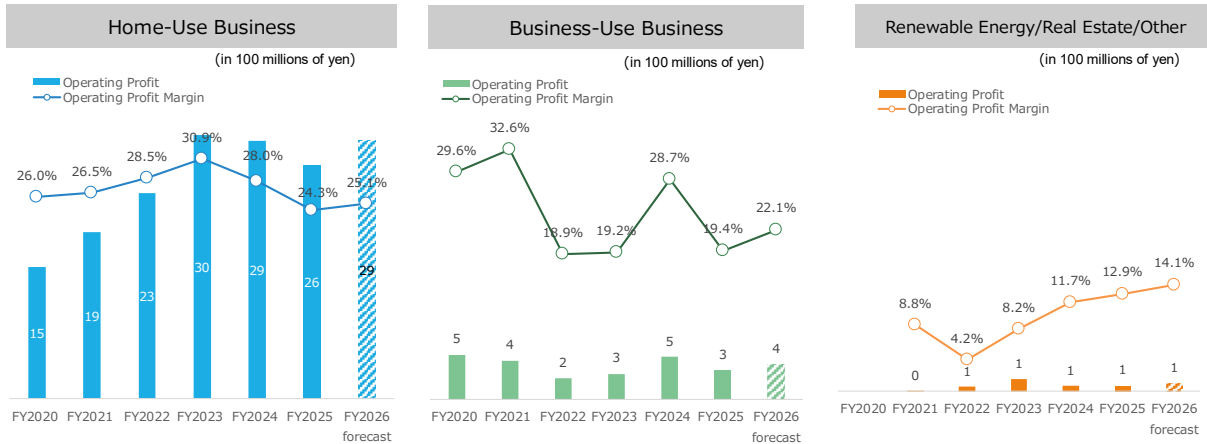
We are conscious of the fact that the winning strategies we have used until now are inadequate for future growth. The main reason for our profit decline was that these traditional strategies were insufficient. Our plan, therefore, is to develop new winning strategies and implement them over the next year.

Regarding the Renewable Energy Business, it will be very important for us to strengthen our construction project management capabilities. This will be the year when we develop the business at full scale and start to record sales. We are not a pioneer in the energy market, nor are we a latecomer, but rather in the second stage of market entrants. As a result, we still have a lack of know-how in some areas of construction project management. We will take various measures to enhance our capabilities. This will enable us to proceed with projects smoothly and maintain the support of our customers, while also ensuring that we can accelerate our construction phases and delivery timelines.

Overall, we aim to post record-high net sales in the Business-Use Business.

Forecast of Consolidated Financial Results by Segment for FY2026

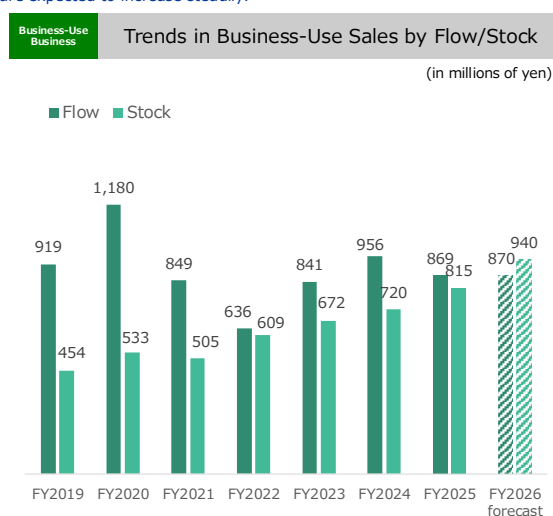
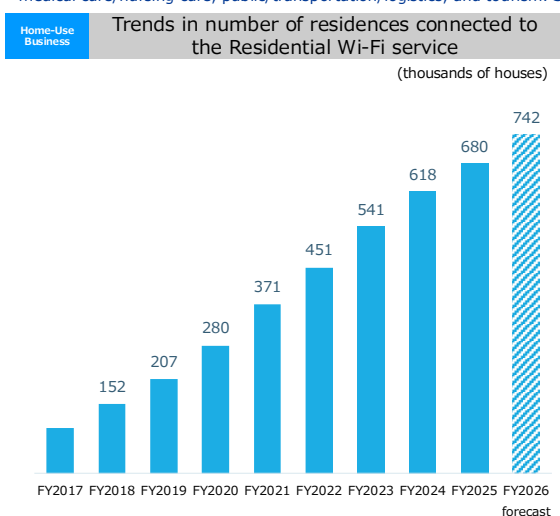
- Home-Use Business is expected to return to profit growth. Operating profit is expected to approach a record-high level. With equipment outright sales becoming a steady state, increases in added value are expected to directly contribute to an improved profit margin.
- Business-Use Business is also expected to return to profit growth. Sales are expected to increase by 7.5% and the profit margin is also expected to rise.
- Regarding the non-telecommunications sector, no remarkable increase in real estate is expected, but contributions from renewable energy-related business are anticipated.



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This is the overview of our segment forecasts. As shown here, we do not expect significant sales from the Real Estate Business. The decline in real estate sales will be covered by growth in the Renewable Energy Business. Currently, orders are firm. In the energy business overall, the project timelines are long, and it is unclear whether or not the projects currently progressing in the energy business, and the Renewable Energy Business in particular, can make a significant contribution to results in this fiscal year. There are many government subsidies available for these projects, especially in Tokyo, and beginning next year, the government plans to make it mandatory for companies to install solar power generation equipment when building new factories and large stores and other commercial facilities. The entire renewable energy market has a powerful backwind, and the overall trends are now irreversible. It will be our mission to effectively ride the momentum and carefully consider where to prioritize in creating a unique strategy that differentiates ourselves from competitors. In this fiscal year, we will move forward with these sales activities.

- The number of Residential Wi-Fi Service at the end of the fiscal year is expected to be 740,000. Although the pace of increase is expected to slow slightly to 60,000 per year, the company will accelerate the accumulation of existing construction projects.
- Regarding the Business-Use Business, flow sales, a leasing indicator of business expansion, are expected to remain flat at 870 million yen. While the company is rushing to take measures to accelerate flow sales, it will take time for these measures to take effect. The main target will continue to be the three areas of medical care/nursing care, public/transportation/logistics, and tourism. Stock sales are expected to increase steadily.



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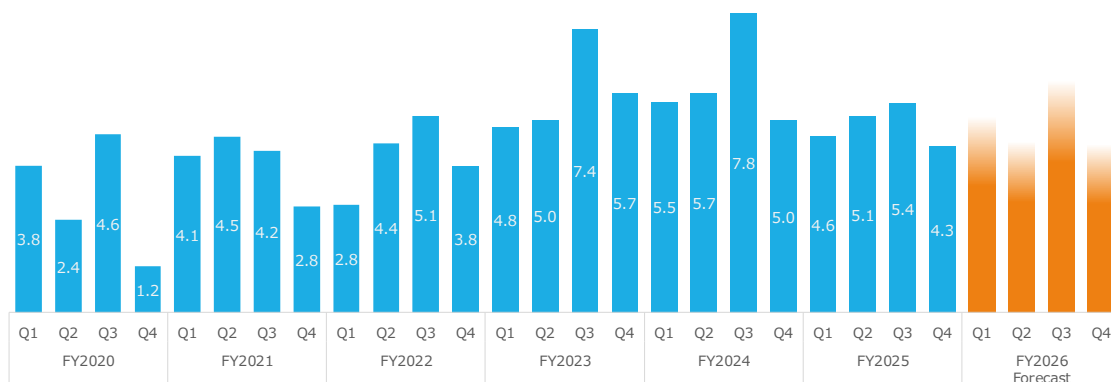
Our assumptions are stated here. In the Home-Use Business, we aim to have more than 740,000 residences using Wi-Fi services by the end of the fiscal year. In the Business-Use Business, although we suffered a decline in flow income in the previous fiscal year, we expect a rebound in this fiscal year, along with a steady accumulation of stock income. As I explained previously, our three main target fields are medical and nursing care in the welfare sector, the public sector, transportation and logistics as a second field, and tourism. In addition to these three primary targets, we are making proposals to clients in various services-related industries. For example, there are many events being resurrected after a suspension during COVID-19. In fact, our domestic market share in the event Wi-Fi field is high. We are aiming to strengthen these areas for both the short- and long-term.

Forecast of Consolidated Financial Results for FY2026 Quarterly Overview

- On a quarterly basis, ordinary profit in Q1 and Q3 is expected to be relatively high.
- In particular, Q3, which is a period when new construction completions are concentrated, is expected to record the highest profit of the fiscal year.

Image of Trends in Ordinary profit by Quarter

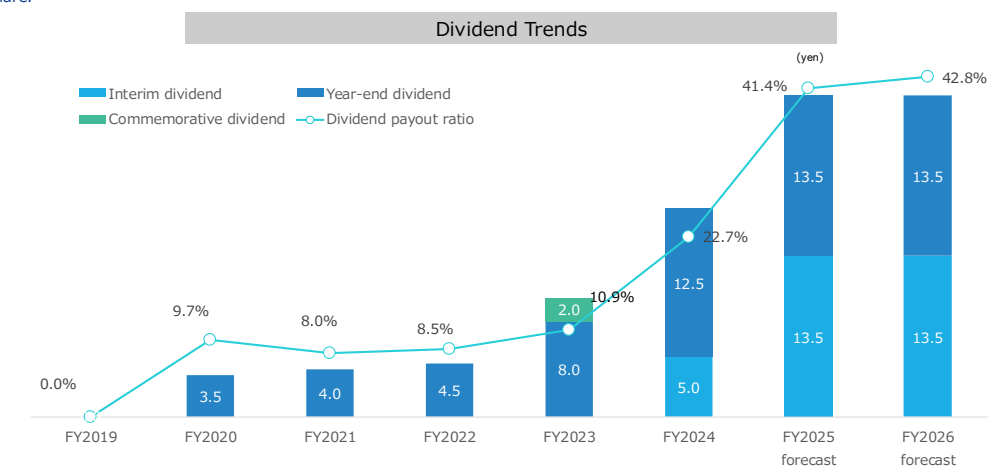
(in 100 millions of yen)



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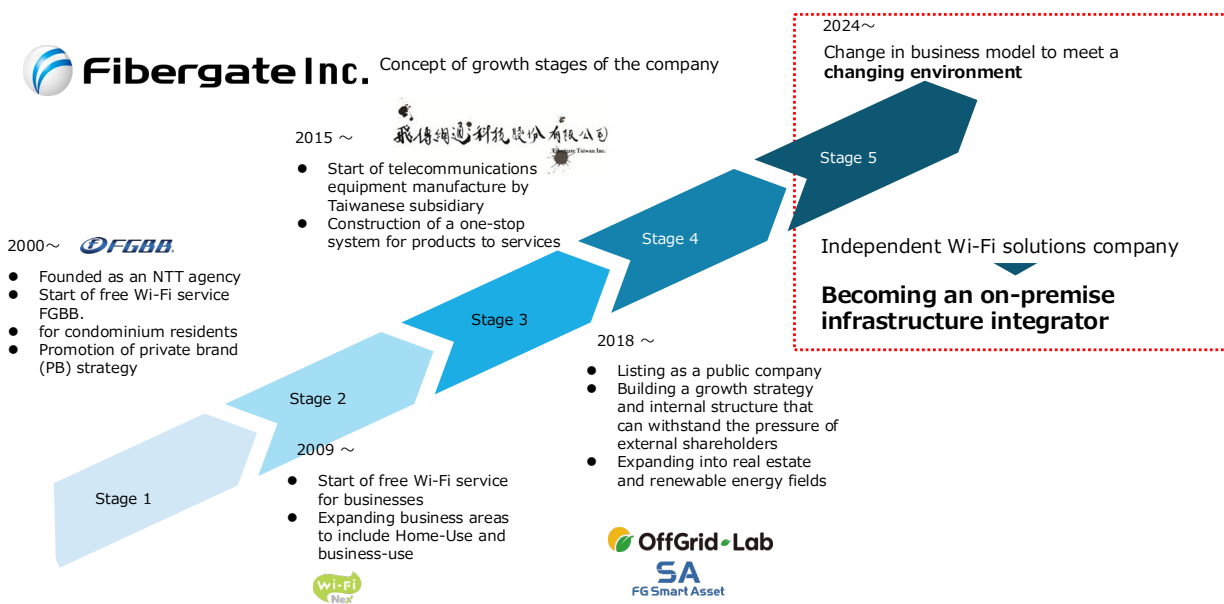
Here is an overview of our quarterly forecasts. There are still uncertainties in the market trends, and therefore the image for the current year ending June 2026 is shaded, without specific figures. Due to seasonal trends in the Home-Use Business, we still expect profit to peak in the third quarter, as in past years. Overall, the results are gradually levelling among the quarters. This may deserve further explanation. The main reason for the uptick in third-quarter results is influence of the rental property market in the Home-Use Business. Specifically, the rental market peaks in spring, and builders rush to complete projects in the third quarter in preparation for the peak season. As a result, our profits also peak in the period.

- As previously expected, the dividend for fiscal year ended June 2025 is planned to be 27 yen per share, an increase of 9.5 yen from the previous year. The dividend payout ratio is expected to be 41.4%.
- The dividend for fiscal year ending June 2026 is also expected to remain at 27 yen per share. While the previous dividend policy was based on favorability of growth, shareholder returns and strengthening of financial standing, with a basic dividend payout ratio of approximately 33%, the company now places greater emphasis on shareholder returns. Viewing the urgency of strengthening its financial standing as having decreased, it plans to maintain the annual dividend of 27 yen per share.



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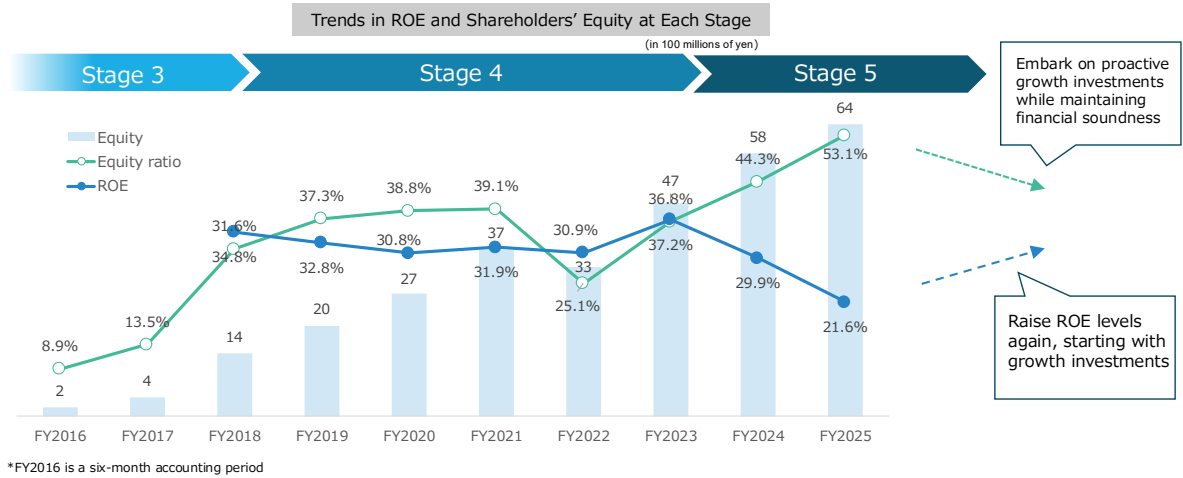
The next slide explains our dividend policy. We forecast only a slight increase in profits, and therefore our dividend forecast is for 27 yen a share, unchanged from this past year. Our basic policy will remain unchanged. The dividend payout ratio is expected to be 41.4%. As I have explained in previous briefings, our original policy was “three-way win.” In other words, using profits for internal reserves, for shareholder returns through dividends, and for growth investments. Now, we are placing a greater emphasis on shareholder returns. The situation might be different if we were planning a ridiculous amount of M&As and other strategic investments. But over the next two to three years, we are planning only several billion yen in strategic investments. We will start with investments that we feel confident about. So our current policy is not exactly “three-way satisfaction” but actually a shift towards prioritizing returns to shareholders.



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Next, I would like to turn to our Medium-term Vision and Future Plans. As I previously explained the outlook for the fiscal year ending June 2026, I will now explain our plans for the future beyond that. As I have explained in previous briefings, if we consider our founding to be Growth Stage 1, then we are currently in Growth Stage 5. This Growth Stage 5 can be thought to have begun last year. In this stage, it will be important to discard the successful experiences that have brought us this far. Of course, we will strive to further expand the strong areas of our business. But it is also important to realize that, for instance, the business environment in the Home-Use Business has changed completely over the years. We must be conscious of these changes to develop new differentiation strategies and new markets for growth. Unless we deny the past, so to speak, it will not be possible to make decisive, radical changes moving forward. This is the goal of our Growth Stage 5, where we will strive to reaccelerate our growth.

- In Stage 4, while capital accumulation progressed, profit growth advanced at a pace that kept pace with capital accumulation. Both capital growth and a high ROE were achieved.
- Since entering Stage 5, the pace of profit growth has slowed. It has lagged behind the pace of capital accumulation, resulting in a gradual decline in ROE.
- This is due to a decline in profit growth capability, and consequently, insufficient growth investment. In pursuing the goal of becoming an on-premise infrastructure integrator, the company recognizes the necessity of growth investments that will lay the groundwork.



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Turning to the discussion of ROE and shareholders' equity, as I explained previously, during Growth Stage 4 completed in the year ended June 2023, and before the start of Growth Stage 5, the equity ratio declined once amid the focus on raising income. We emphasized growth in retained earnings to bolster our financial position. Our profit also continued to increase, and therefore ROE did not decline. In the past two fiscal years, however, ROE has declined. The clear reason for this is that our equity has grown faster than our profits. In other words, our profit-generation capability has not kept pace with the growth in equity. Therefore, we must recover our ability to generate higher profits. It is commonly said that ROE can be increased simply by increasing debt. The important point is that debt must be used to make strategic investments which will generate more profit. Then, ROE will increase based on that profit growth. This is a strategy we have yet to accomplish. One of the reasons is that in the Home-Use Business, and particularly the condominium ISP market, we were the pioneer. There was no business to acquire. This was because of the very fact that we were the pioneer. Now that the market has developed, there are M&As and various other investment opportunities emerging. As the market gradually matures, there will occasionally be companies that decide there is little prospect for future growth in the market. We can take advantage of these opportunities to make strategic investments, expand our market share, and at the same time, conduct cross-selling. Cross-selling would enable us to sell various types of cameras and other products. We could also combine these with energy-related products and services and vastly improve the productivity of our cross-selling. In order to formulate and implement our roadmap for this growth, we must raise our market shares, starting with our share in the Home-Use Business. Without that growth in share and business, we will suffer the same problems in Growth Stage 4, when the profit growth rate did not keep pace with the accumulation of equity. We therefore need to rapidly accelerate our growth plans in the current stage.

Issues behind the decrease in ordinary profit: A lack of workforce and responsiveness has been recognized

	Lack of workforce	Lack of responsiveness
Home-Use Business	Reaching potential demand for existing construction projects	Providing services tailored to diversified telecommunication usage needs
Business-Use Business	Reaching potential demand	Providing customized services for advanced projects
Renewable Energy Business	Informing potential customers	Installation know-how and track record
Company-wide		Existing systems impeding productivity Delay in data utilization

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Turning to the issues highlighted in the previous fiscal year, the two primary issues were the lack of workforce and lack of responsiveness. More specifically, we lack technical know-how in the telecommunications business. Another issue was the production and design of telecom equipment. In the past, we were able to complete all phases and processes of production and design. We are no longer able to do this because the systems have become more complex. In other words, there are more processes involved now. Within the design, production, delivery and follow-up phases and processes, there are more intricate steps. As a result, we have been unable to maintain our responsiveness. We have made technical alliances to address some of these problems, but we will need to deepen our alliances to solve our issues. In terms of workforce, we face many challenges in hiring the right talent. We are developing our younger sales staff and other employees, but we also feel the need to hire more mid-career staff with technical capabilities. These types of issues have gradually mounted, and now we must address and solve each of them.

Two issues to be addressed over the next two years

1) Recovery in the growth pace of period profit and loss:

Early resolution of the profit decline phase and restoration of profitability

2) Solidifying the company's position as an on-premise infrastructure integrator:

Acquisition of access to larger potential markets

Approach to solidify growth in Stage 5

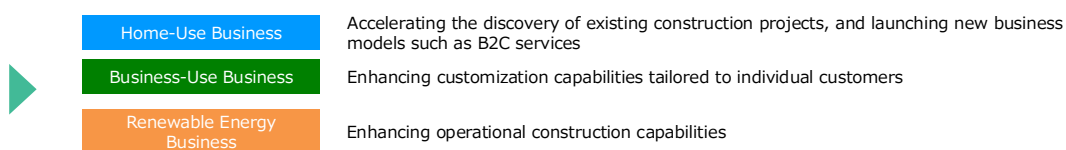
During this period, establish a system (winning pattern) that enables us to aim for "a medium-term goal of 5 billion yen in ordinary profit"

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The next slide explains the two issues to be addressed over the next two years. The recovery in the growth pace of profit is as I explained earlier. In regard to the meaning of on-premise infrastructure integrator, we are aiming to be a kind of infrastructure venture. We can solidify our position as an on-premise infrastructure integrator by successfully combining telecommunications and energy solutions. The potential market for these solutions is huge. Over the next two years, we will approach customers in this market and develop business by focusing on proposals and market access rights. This is our path to achieving the target of 5.0 billion yen in ordinary profit. To realize this goal, we will need to increase our workforce and enhance our know-how and talent, while also investing in our core information system to enhance productivity. We built our system from scratch and have been using the same one since our founding. To be honest, it has become obsolete. It is now too slow to use. There may be some life in it yet, but we will need to completely replace it because an upgrade is no longer possible. In addition to replacing the core information system and raising productivity, we will leverage the power of AI to make our work more efficient. This will be valuable both for administrative work and for sales, using deep learning to train AI with sales know-how and then return new insights to the sales department. We are beginning to do this. By adopting these new strategies, and implementing them over the next two years, we will put the company on track to achieve the target of 5.0 billion yen in ordinary profit.

Issues within existing businesses: Lack of workforce and responsiveness

- Apr. 2025 - Started examining the internet B2C contract scheme
Product packaging and customization support
Building and launching new products and services tailored to regional, industrial or individual situations
- May 2025 - Productivity improvement through the use of AI
Launched an AI promotion project
Started developing an AI system for sales role-playing
- Jul. 2025 - Changing the sales structure from business-based to region-based
Strengthening sales channels by increasing customer contact expectations
Promoting cross-selling across Home-Use Business, Business-Use Business, and Renewable Energy Business
Started the construction of a company-wide core system to improve productivity



Actively considering strengthening the structure through M&A as an option

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Please review the detailed explanation regarding recovery in the growth pace of period profit growth at your convenience.

Solidifying the Company's Position as an On-premise Infrastructure Integrator

Toward becoming an on-premise infrastructure integrator (telecommunications × energy):

Enhancing the appeal of synergies between telecommunications and energy, and securing rapid construction capabilities

Solutions for providing economical living spaces



SOLERIO

Free internet

Low electricity costs

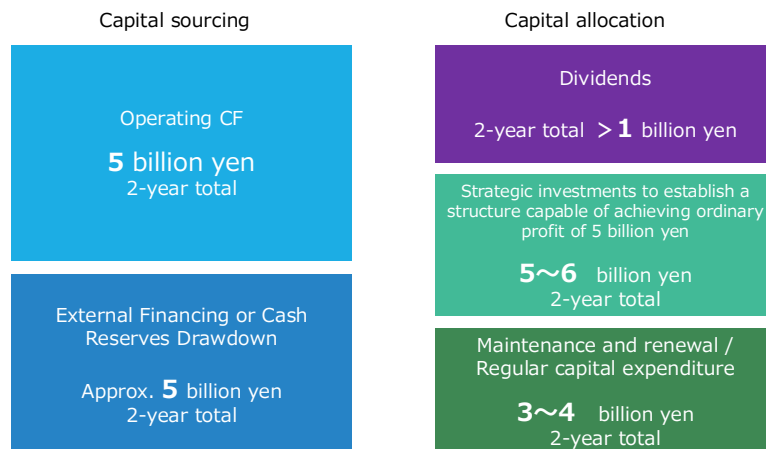
- Accelerating cross-selling of telecommunications and energy services through reorganization of the sales structure by region
- Promoting marketing of energy business
Enhancing awareness and strengthening partner companies through proactive promotion of services
- Enhancing the lineup of equipment and products related to telecommunications and energy
- Promoting differentiation through one-stop telecommunications and energy services
Targeting condominium developers with a focus on solutions that provide economical living spaces through the bundled provision of solar power, storage batteries, and internet services.
- Aim to acquire skills, considering reinforcement through M&A



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This slide explains our plans to combine telecommunication with energy. Our services include the design of solar power and storage battery systems. The switch from electricity and other energy from fossil fuel sources to renewable energy is an irreversible trend. The same was true of telecommunications when we started the business. We will use our own capabilities to expand the market combining telecommunications with energy. To illustrate my point, please note that virtually no apartment complexes in Japan have solar power systems. Recently, however, a well-known large housing construction company announced its own solar power systems design for apartment buildings. Their design features solar and storage battery systems as a BCP measure. Instead of BCP, we are aiming to design systems where residents can produce and consume energy themselves on site. We will implement effective initiatives to develop our business. As major companies join the fray, the market is already experiencing a wave of expansion. Our policy is to leverage our capabilities and develop a market ourselves, with the aim of holding a No. 1 market share. We must execute the strategies listed here to accomplish these goals.

- To put Stage 5 on a growth path, the company will accelerate investments for growth that have been insufficient.
- In line with this, the company will significantly revise the capital allocation plan previously presented. Strategic investments are planned to total 5 to 6 billion yen over the next two years. The necessary funds will be secured by maintaining financial soundness and actively utilizing external financing.



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This slide on strategic investments explains our capital allocation plans. We are aiming for cumulative operating cash flow of 5.0 billion yen over two years. We also plan 5.0 billion yen in external funds procurement, and our investment plans for these funds are as shown here. About 1.0 billion yen of the capital is earmarked for shareholder returns. We may be able to increase this amount, but it will largely depend on our profits. Our strategic investments over the two-year period will be in the 5.0 to 6.0 billion yen range. These investments will include revamping our information systems and M&As. The regular capital expenditure for telecommunications equipment will total 3.0 billion to 4.0 billion yen over the two years. Overall, we are planning approximately 10.0 billion yen in capital expenditures in order to raise our ROE. We will, of course, prevent a sharp decline in our equity ratio by avoiding over-reliance on borrowings. We will maintain a healthy financial structure and at the same time strive to enhance our ROE.

2018: Listed on the Tokyo Stock Exchange Mothers Index

2019: Listed on the First Section (currently Prime Market) of the Tokyo Stock Exchange

July 30, 2025: **Changed the market segment to the Tokyo Stock Exchange Standard Market**

Based on the company's current business scale, growth phase, and market environment, the company has determined that the Standard Market is the most appropriate listing segment for the company.



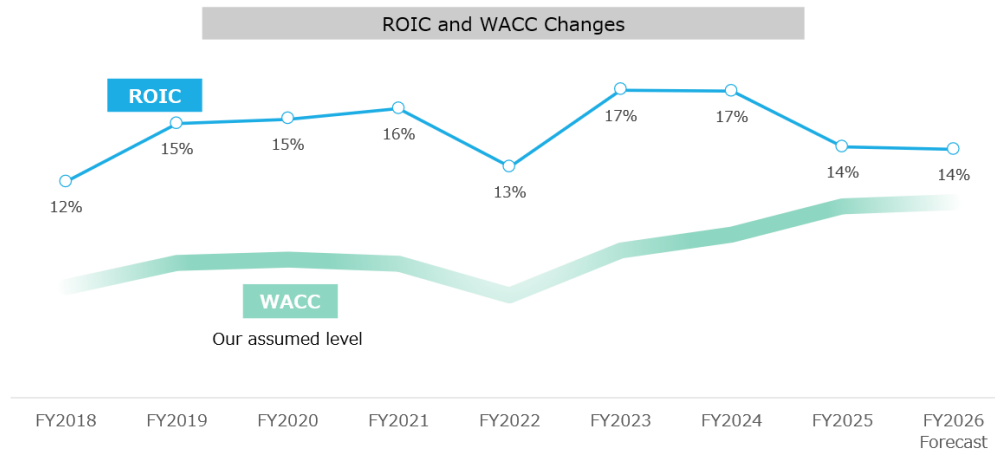
Taking the opportunity of the company's listing on the Standard Market, the company will focus its management resources on the company's growth, and will concentrate on accelerating growth and improving profitability, aiming to be a company "capable of breaking through the barriers of existing infrastructure" in order to realize its "on-premise infrastructure integrator" vision.

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Next, I will explain our topics. As explained here, we switched our listing from the Prime market to the Standard market. There were many reasons for this. One of the main reasons was that we felt that by listing on the Standard market, there would not be sudden declines in our stock price, and this was the case.

Management Conscious of Cost of Capital and Stock Price (Update)

- Historically, the company's ROIC has far exceeded expected WACC. Increasing corporate value is regarded as a top priority.
- In fiscal year ended June 2025, ROIC remained above WACC. However, WACC was on an upward trend due to factors such as the accumulation of equity capital, reduction of borrowings, and rising interest rates. While ROIC in fiscal year ending June 2026 is also expected to exceed WACC, the margin will inevitably narrow.

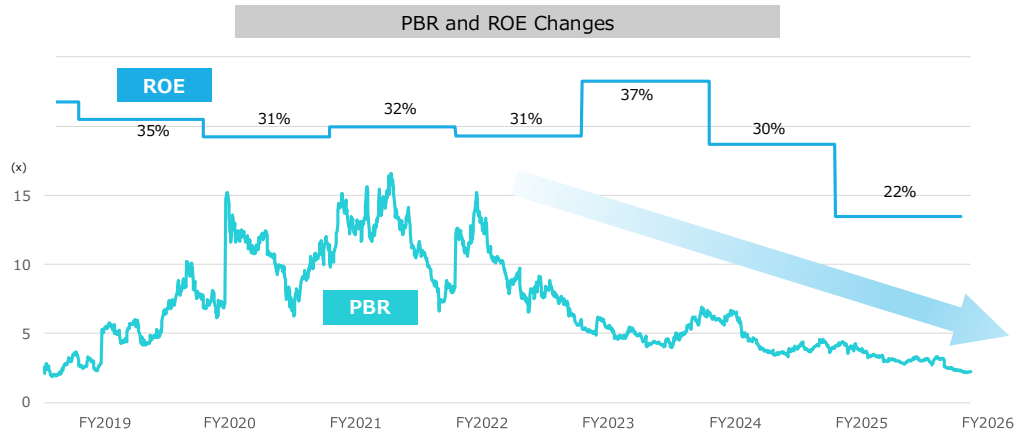


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We have updated our ROIC and WACC as shown here on the next slide. Of course, the ideal scenario is high investment efficiency and low capital costs. But that is difficult to achieve. The increase in dividend payout ratio will inevitably lead to an increase in capital costs. Overall, however, our indicators are better than the average among listed companies.

Management Conscious of Cost of Capital and Stock Price (Update)

- ROE for fiscal year ended June 2025 is 22%. While this level is by no means low, the downward trend compared to past levels is undeniable.
- In line with this, PBR has also been gradually declining. Even at present, PBR remains above 2 times, indicating that corporate value has been steadily expanding. However, the stock market is likely to be concerned about the downward trend in ROE. By evolving from a Wi-Fi solution provider to an on-premise infrastructure integrator, the company will pursue a growth scenario that raises market expectations.



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We will aim to maintain the current levels while also raising ROE. PBR has declined with ROE. To reiterate points I have explained previously, we are shedding the Wi-Fi label on our business, and transforming into a telecommunications and energy business which combines these. We are not just a Wi-Fi company anymore. In fact, companies are seeking what is commonly referred to in business as “solutions,” and we have actually been offering telecommunications solutions for a while. We will pursue a broader telecommunications business, dropping the keyword Wi-Fi and expanding with telecommunications services front and center. We cannot remain merely a Wi-Fi business, but rather we must expand our entire telecommunications business in the future. Additionally, we will expand our energy and other businesses with the aim of becoming a company that is attractive to investors. This is the work ahead of us over the next two years.

Group Purpose

We contribute to the development of a prosperous society by establishing our business model as an on-premise infrastructure integrator and creating new economic value guided by the spirit of a triple win—benefiting sellers (ourselves), buyers (our customers), and society at large.



We will maximize the efficiency of communications and energy to establish our business model as an on-premise infrastructure integrator.

By providing our customers with happiness in the form of convenience and comfort and stimulating economic activity together with our business partners, our group aims to build a triple-win structure and contribute to the development of a prosperous society.

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Lastly, I would like to mention our purpose and overall philosophy. We are moving into the AI era. Philosophy will become even more important during this era. I believe that companies which have philosophies will certainly be stronger in the AI era compared to companies which try to succeed simply based on higher efficiency or productivity. AI can handle business issues requiring logic. But whatever AI cannot manage, people will have to continue managing. These are areas that companies must significantly enhance. Companies need to get close to their customers. Sticking close to the customer might be a simple, even crude way of putting it. What I mean is, to what extent do companies have the support of their customers. In today's Nihon Keizai Shimbun newspaper, there were stories about why Microsoft laid off 20,000 employees and set a strategy to get closer to customers, and why Nissan was struggling. This illustrates the points I have been making, that we should focus on strengthening areas of the business that AI cannot manage. We must bring our entire company together, from top to bottom, though bottom may not be an appropriate way of stating it, and establish something that we can all rally behind. The Group Purpose and philosophy have been created for that very purpose. Corporate "philosophy" was a concept originally championed in Japan by Kazuo Inamori, the founder of Kyocera. He popularized the term, and we followed his example when making our own Group Purpose.

The remainder of the briefing materials are the same as those included in past materials. Please read them at your convenience.

I apologize for the many digressions during my explanations. I have now exceeded the 45-minute limit, so I will end my comments here so that we can begin the question and answer session. Thank you very much for your attention today.

Host) Thank you very much. Now we are ready to take questions from the audience.

Q1)

Here is the first question. In your discussion of the stable generation of positive free cash flow and the inability to secure flow income, I had the impression that your business had transitioned from a growth stage to a stability stage. You are making changes to your sales structure and starting a B2C scheme, among other initiatives. I would like to ask what will be the most important task in accomplishing the kind of comprehensive changes needed to make Growth Stage 5, an expansion stage.

Inomata)

I am sorry if my comments cause concern, but let me put aside the rational discussion for a moment and just say that we are denying the past, so to speak. In other words, we are turning the page on our past successes. Fibergate was the first Wi-Fi company in Japan to be listed on the stock market. Wi-Fi is a necessary service, and we continue striving to expand the services. Wi-Fi and free Wi-Fi are crucial for tourist sites, hotels and other service industries, and important for cafes and other businesses. We are installing systems in various shopping and entertainment districts. Although Wi-Fi is a necessary service now, if you asked me if it will be necessary in five years, I would say no. One reason is that SIM cards are becoming increasingly cheaper. I was recently at New Chitose Airport, and was amazed at how cheap the SIM chips were there. Globally, people are now using services which do not require SIM chips. These eSIM services have emerged as a kind of software-style SIM. Until now, when we traveled abroad from Japan, we brought along pocket Wi-Fi devices. These have been rather expensive. Today, when traveling abroad, we can use eSIM, purchasing the service abroad even. There is no longer a need to switch SIM chips. This has made the services cheaper. In Japan, many facilities have installed free Wi-Fi and other Wi-Fi services for inbound tourists. The same change may occur here in Japan. Right now, however, Wi-Fi is still a necessity. With SIM chips as cheap as they are, it may feel inconvenient for people to log into Wi-Fi every time they need the internet.

In the midst of these changes, we have to ask ourselves what business we should be in. And that is why I say we must deny the past. It is true that we have grown and succeeded as a Wi-Fi company. Free Wi-Fi and other Wi-Fi services have been a necessary service in apartments and condominiums, hotels, and situations where people are in one space for long periods, such as a tour bus. Anywhere where people are for more than two hours, it is needed. There are some places where the only telecommunications services available are Wi-Fi services, such as airplanes and ships. Moving forward, however, we will focus not on Wi-Fi alone, but telecommunications services as a whole, including Wi-Fi, as a telecommunications company. We will serve areas of the business unserved by the large carriers. Now that we have set our sights on this market, we will enhance our technologies and customer responsiveness. I understand that this discussion causes some concern, but I believe the most important point is to turn the page on our previous successes. It would be a mistake to continue the same patterns. We need to take on new challenges. That is the most important thing. We would like to continue reaping the benefits of the strong parts of our current business. I hope that this answer addresses your question.

Q2)

You explained that the company is changing its sales structure to promote cross-selling. Is sales structure the only major issue causing the slower growth? I would like to ask if there are any other factors. If there are, please explain what measures you will take in response.

Inomata)

The area of our business providing the largest engine for growth has been the Home-Use Business, and specifically sales to major housing construction companies. This market has started to mature, leading to a lower number of potential new residences. This is the biggest reason behind the slower growth, based on our numbers. In the Business-Use Business, the fiscal year ended June 2024 was unusually strong, leading to a decline in the fiscal year ended June 2025. Overall, however, the Business-Use Business is certainly expanding, and therefore it is an area we must strengthen. In terms of impact on our profit growth rate and amount of profit growth, the Home-Use Business had an impact due to a declining number of very large condominium ISP projects. We did not meet our targets in this business, mainly because of a clear decline in the number of potential residences. This means the number of residences opened for new construction projects and our deliveries for these projects. This was the biggest reason. We conduct direct sales to customers instead of indirect sales through specified channels. We use a retail sales approach. In the retail market, we are No. 1 in Japan. We have the largest number

of customers in the condominium ISP market. This area of the market is still growing. Our salespeople are also developing well. This includes the development of our young salespeople. Our ability to open new accounts is improving. The development of our salespeople will be the main driver of profit growth over the medium and long term, providing a strong basis for profit growth over the long term. This is a good time to stop once and bend our knees a little, so to speak. Without that kind of pause to rethink things, we cannot go beyond the sales approaches we have used in the past and maintain our growth rates. We also have problems with the sales structure. There are many young salespeople in the company who lack experience, know-how and technological skills in telecommunications. Although this is surely an issue, it is solvable through training. The more direct cause of slower growth, more than sales structure, is that the market is maturing and it has become harder to capture new business. The real reason for the slower growth is that in the midst of this market maturation, we have yet to develop business in certain areas showing strong growth opportunities.

Q3)

Regarding your target of 5.0 billion in ordinary profit, what are your targets for profit growth in each of your business units? In past briefings, you explained that the Business-Use Business would be the main driver. Is that still the case?

Inomata)

We have pursued growth in the Home-Use Business from the start, so a significant amount of stock income has accumulated. For the Group as a whole, the profit contribution of the Home-Use Business will grow. The stock income has accumulated, so naturally the contribution is large. Although we have pursued the Business-Use Business for a long time, the business unit experienced a plunge during the COVID-19 pandemic. On the other hand, the condominium ISP market, covered by the Home-Use Business, did not suffer a decline during COVID-19. There was demand for remote work solutions, which gave the business some upward momentum. By contrast, COVID-19 delivered a large blow to the Business-Use Business. Tourism came to a stop, restaurants were closed, and people were unable to visit hospitals and nursing facilities or take part in day-care activities. So naturally the market dried up. While we could not expand the business during that period, the economy has recovered from the COVID-19 era and we are positioned to build the business.

Our goal is to have the Business-Use Business rival the Home-Use Business in profit levels in the future. This will take some time to achieve, however. Our Growth Stage 5 is scheduled to continue through around 2030, and during this stage, it will be difficult to expand the Business-Use Business to a degree that rivals the Home-Use Business. We do believe that it can expand to about half the size of the Home-Use Business in terms of profit contribution. This would mean the Business-Use Business generates about 7.0 billion to 8.0 billion yen in net sales, and about 1.5 billion yen in ordinary profit. These are our targets for expanding the business.

In the telecommunications market, the Home-Use Business's customer target is very clear: condominiums and apartments, dormitories, and other residences. The Business-Use Business, however, has a very broad target in terms of the types of customers. We have a long way to go in improving the skills of our employees in order to reach this market. We have succeeded in responding to the needs of the real estate industry, but in the Business-Use Business, we must learn to engage with many different kinds of businesses. Customers are different in each industry. That is why we have narrowed our main targets to three industries. First, we must learn how to engage with customers in these industries. If we can succeed in these industries and continue to expand, there is the potential for net sales in the 8.0 billion to 10.0 billion yen range, generating segment profit of approximately 2.0 billion. To do this, we will need to vastly improve the skills of our employees. That will be the main issue.

We must expand our energy business exponentially. We will use our capital for M&As and other measures in the energy business. Currently, the grid-scale storage battery market is entering a period of rapid growth. Management will have to decide whether or not to jump into this market, but we cannot pass up growth opportunities. I am not sure whether this is relevant or not, but personally, I believe the example of Rapidus, a semiconductor company in Chitose, Hokkaido, offers some insights into energy market development. Rapidus plans to make their entire operations zero-carbon. This will be quite a challenge. Rapidus will need a grid-scale storage battery system spread over a wide area. In other words, Rapidus will be sourcing power from its own power facilities as well as other suppliers on the grid, as an energy supply chain. It will not be possible for the company to be a supplier of electricity. Hokkaido Electric Power has its own power transmission network and has developed its own network. Rapidus is now building a massive factory, and in order to achieve zero-carbon operations, they will require a very large-scale grid-scale storage battery system covering a wide area. This scenario will occur not only at Rapidus, but I believe we will see this kind of power supply situation develop in various areas around Japan. That is why we plan to engage in M&As and take other measures in order to grow our energy business exponentially.

If we can establish that business model, we can reach a milestone of between 3.0 billion and 3.5 billion yen in ordinary profit on the path to 5.0 billion yen, and certainly reach 5.0 billion yen at the end of the plan. We can then use that model to expand the business. That will enable us to reach the target of 5.0 billion yen. We could definitely achieve our goal under this scenario. We may even be able to exceed the target. If we can expand profit to 6.0 or 7.0 billion yen, then we can set our sights on 10.0 billion yen. If ordinary profit rises to that level, we will face similar obstacles to the next stage of growth. This will be a challenge for Growth Stage 6.

Q4)

This question is about the B2C service you are starting. Beyond the Renewable Energy, Business-Use and the Home-Use Businesses, do you have any other plans to sell services directly to customers? Please explain them.

Inomata)

In April, we announced a collaborative service with the Sony Group. It is mentioned in these materials. To briefly summarize our services, we are providing apartments and condominiums with free Wi-Fi as well as property-wide ISP services for condominiums and apartments. There are limitations to these services. One is the cost. We are unable to supply services with higher specifications for these traditional services. There are many customers willing to pay a higher cost, a little bit more, for example 4,000 yen monthly, for a high-quality internet connection. The number of these customers will continue to grow. Today, you cannot get a meal with all-you-can-drink for 4,000 yen or 5,000 yen. It will be more than that. So if you offer a high-quality internet connection for only 5,000 yen or 4,000 yen a month, that will be something everyone wants. For other customers who do not have the extra money for these services, for example university students, the free Wi-Fi with somewhat lower transmission speeds is sufficient. Today, IoT services are multiplying rapidly. You see these devices all around the house. I am sure many of you use them. There are AI speakers, cameras and a wide range of other devices that are oriented to IoT as the market grows. This is an irreversible trend. This will definitely require high-quality internet connections. We are providing services to 680,000 households. Calculating the number of users based on occupancy rates, I would expect about 500,000 people to be using these IoT devices. So about one-fifth of the people with access to our services are using IoT devices. Let us assume that 100,000 people would be interested in our high-quality internet connections. If 100,000 people paid 4,000 yen a month for the better service, that would equal about 400 million yen monthly. Over the course of a year, that would be 4.8 billion yen. These are the types of B2C opportunities available. And that is why we are compelled to expand the B2C market.

We will start with telecommunications services. In the future, there may be energy-related business to consumers, but right now, we are focused on corporate customers. For telecommunications, the B2C business will be expanded under the Home-Use Business. Those are my thoughts at present. I do not know whether that answered your question, but to summarize, we will pursue B2C telecommunications business.

(END)