

August 9, 2019

Fibergate Inc.




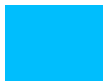
Financial Results Briefing for FY2019



**Listing exchange: First Section of the Tokyo
Stock Exchange, Sapporo
Securities Exchange**

Securities code : 9450

Briefing Points

-  **Operating Results for the Fiscal Year Ended June 2019**
-  **Earnings Forecast for the Fiscal Year Ending June 2020**
-  **New Medium-Term Assumptions and Long-Term Strategy**
-  **Topics**

Appendix

1

Operating Results for the Fiscal Year Ended June 2019: Continuous Year-on-Year Growth in Sales and Profits

- ✓ **Net sales doubled and ordinary profit grew by 2.7 times in the past two years**

2

Outlook for the Fiscal Year Ending June 2020: Approaching the Targets of the Medium-Term Assumptions for the Fiscal Year Ending 2021

- ✓ **Work to establish the foundation for enhanced governance**

3

Formulation of Medium-Term Assumptions for the Fiscal Year Ending June 2022 and Long-Term Strategy



Operating Results for the Fiscal Year Ended June 2019

Overview of Consolidated Financial Results

- Maintained the high growth rate. Achieved a year-on-year increase of 37% in sales and 75% in ordinary profit.
- By business segment, sales grew by 42% for the Residential Wi-Fi Business and 23% for the Free Wi-Fi Business, both on a year-on-year basis.
- Compared with the latest forecast, the Residential Wi-Fi Business remained strong, performing better than assumed. The Free Wi-Fi Business somewhat underperformed, failing to achieve the assumed figures.

(million yen)	June 2018 (FY 2018) Actual	June 2019 (FY 2018) Actual		Compared with forecast	Year-on-year change	
		Latest forecast (May 14, 2019)	Actual		Amount of change	Rate of change
Net sales	3,977	5,400	5,446	+45	+1,468	+36.9%
Residential Wi-Fi Business	2,862	4,005	4,073	+68	+1,210	+42.3%
Free Wi-Fi Business	1,115	1,395	1,373	-22	+257	+23.1%
Operating profit	560	909	936	+26	+376	+67.1%
Residential Wi-Fi Business	818	1,128	1,197	+68	+379	+46.3%
Free Wi-Fi Business	272	425	371	-53	+99	+36.3%
Reconciliation	-530	-644	-632	+11	-102	-19.2%
Ordinary profit	510	853	886	+33	+376	+73.8%
Profit	312	539	550	+11	+238	+76.3%

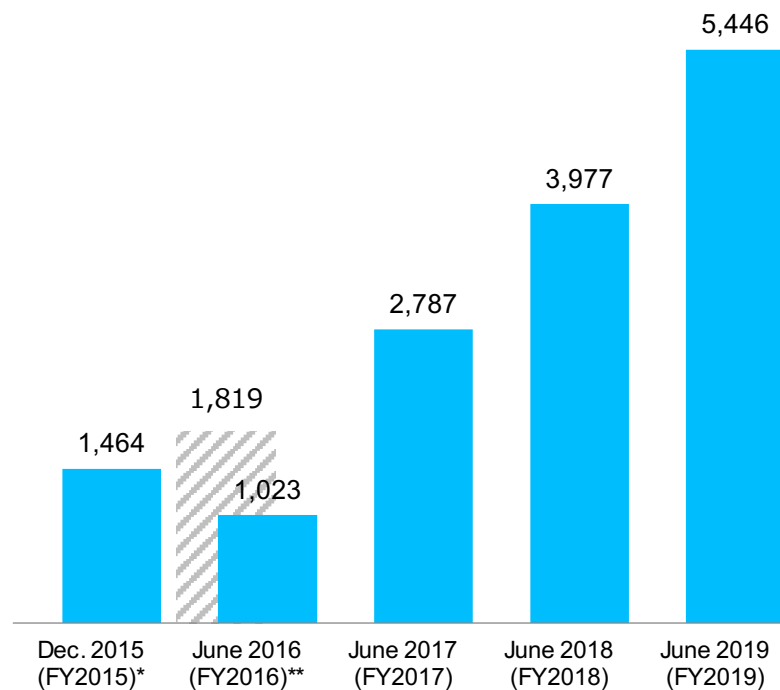
*Amounts are rounded down to the nearest million yen and percentages are rounded down to the first decimal place.

Change in Operating Results

- Net sales surpassed 5 billion yen, continuing to set record figures. Accelerated growth rate continues.
- A new record was also set for ordinary profit, as it reached approximately 900 million yen. Ordinary profit ratio rose to the 16% level.

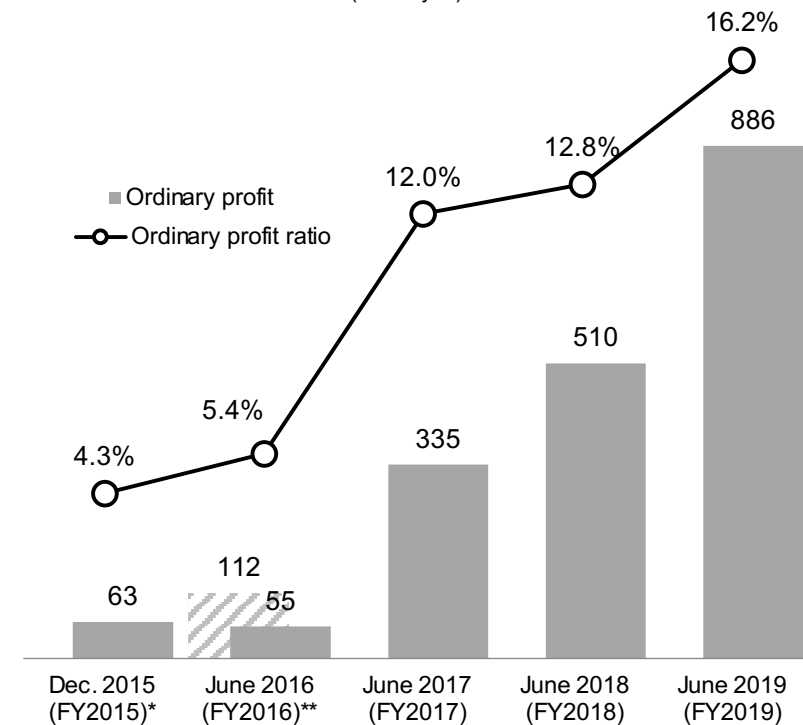
Net Sales

(million yen)



Ordinary Profit and Ordinary Profit Ratio

(million yen)



* Non-consolidated results for Dec. 2015 (FY2014).

** Six-month results for June 2016 (FY2016). The areas with gray diagonal lines indicate the deemed figures for 12 months.

7 Quarterly Change in Consolidated Financial Results

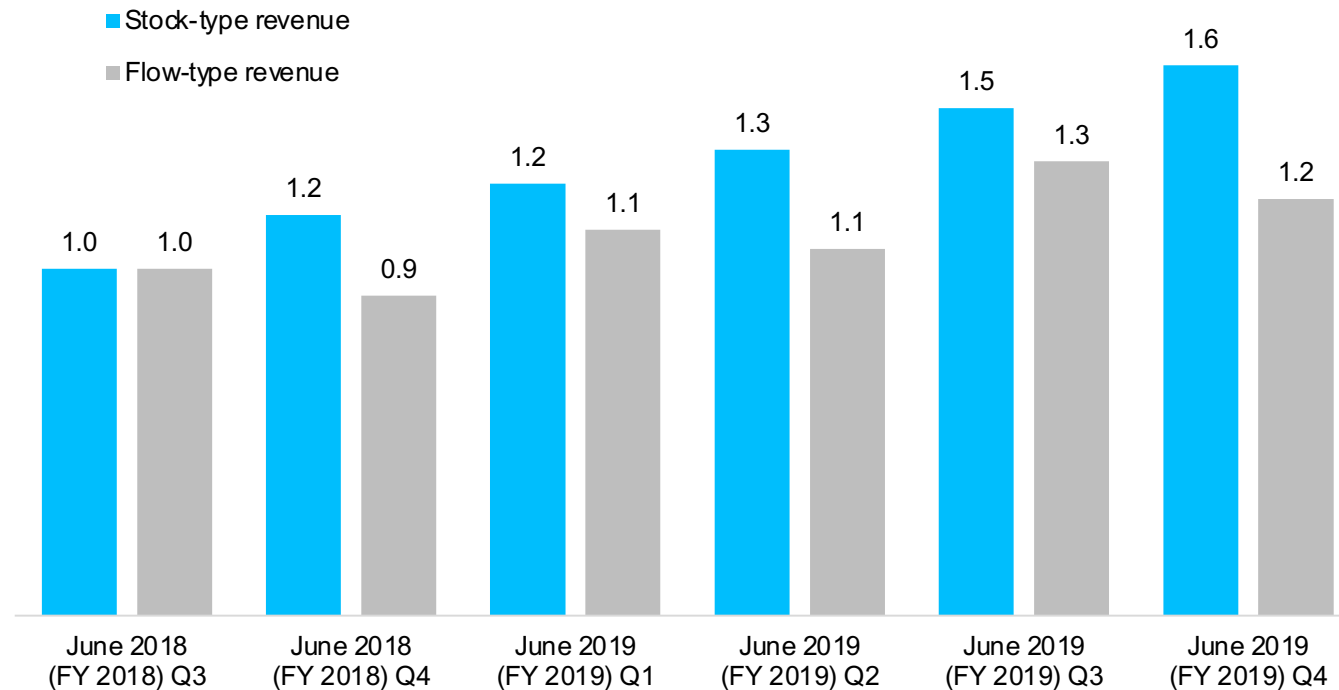
- In Q4 of the fiscal year ended June 2019, net sales and ordinary profit increased by 320 million yen and 20 million yen, respectively, year on year. In particular, the Residential Wi-Fi Business drove the overall results.
- Although sales and profits decreased quarter on quarter, this was due to seasonal factors. Meanwhile, the growth trend continued.

(million yen)	June 2018 (FY 2017) Q3	June 2018 (FY 2017) Q4	June 2019 (FY 2018) Q1	June 2019 (FY 2018) Q2	June 2019 (FY 2018) Q3	June 2019 (FY 2018) Q4	Year-on-year change
Net sales	1,163	1,073	1,293	1,230	1,523	1,398	+325
Residential Wi-Fi Business	829	782	956	896	1,117	1,103	+320
Free Wi-Fi Business	334	290	337	334	406	295	+4
Operating profit	234	52	304	192	345	94	+41
Residential Wi-Fi Business	265	168	336	227	361	271	+102
Free Wi-Fi Business	97	58	104	101	137	28	-29
Reconciliation	-128	-174	-135	-136	-153	-205	-31
Ordinary profit	208	42	298	185	336	65	+22
Profit	127	20	189	117	215	28	+8

*Amounts are rounded down to the nearest million yen and percentages are rounded down to the first decimal place.

Change in Revenue by Business Type

- Subscription revenue has increased for 6 consecutive quarters, and expanded by 1.4 times on a year-on-year basis.
- Meanwhile, one-time sale revenue has admittedly been subject to seasonal changes, though it is on an upward trend.

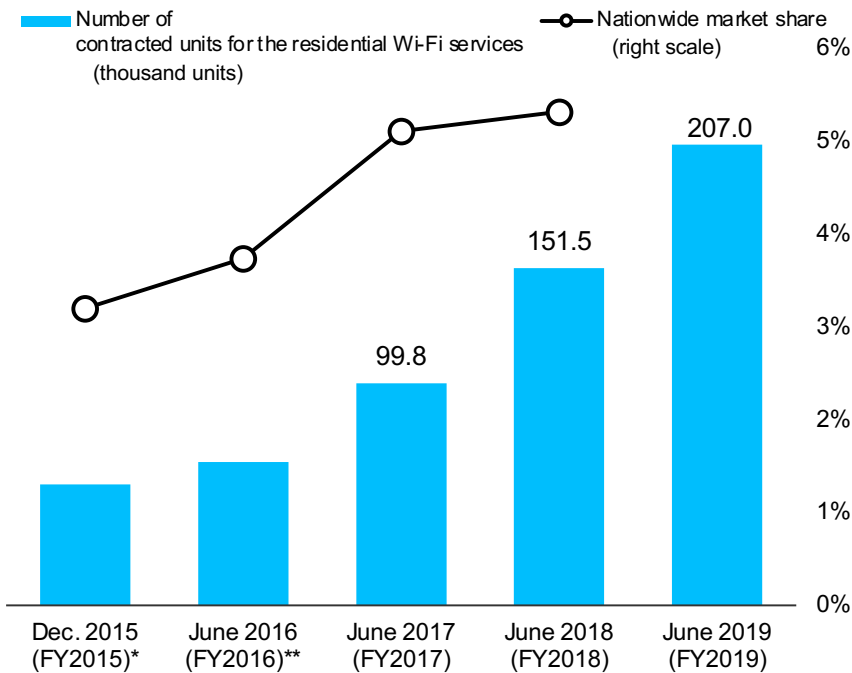


Note) Indexed with the figure for Q3 of the fiscal year ended June 2018 set as 1. Due to differences in the decimal numbers, the height of the bar graphs may appear to differ despite the indication of the same figures.

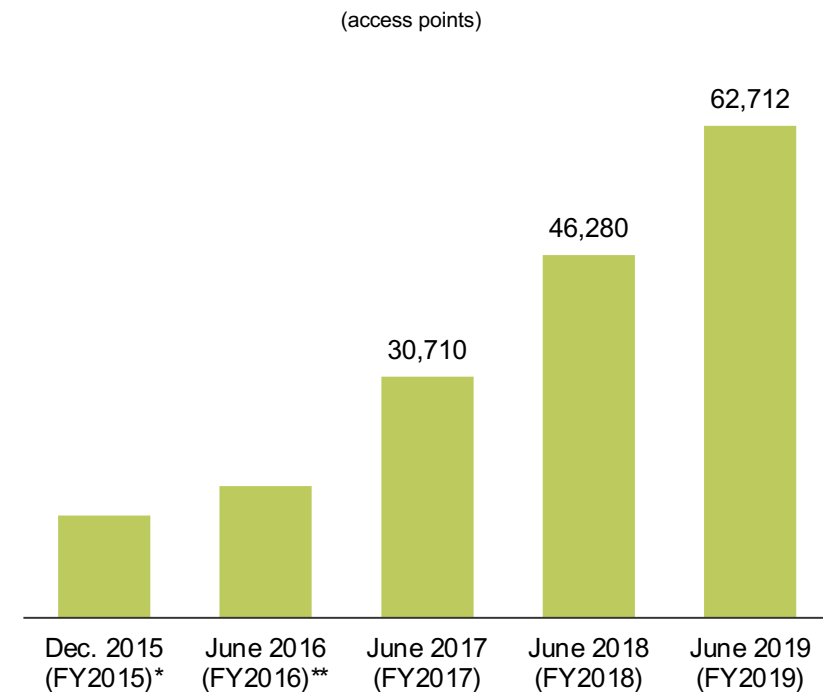
Change in Key Indicators

- The cumulative number of contracted units for residential Wi-Fi services is maintaining a pace of expansion.
- The number of access points for free Wi-Fi services is expanding due to marketing endeavors on top of strong social needs.

Change in the Number of Contracted Units
for Residential Wi-Fi Services and Nationwide Market Share



Change in the Number of Access points (Note)
for Free Wi-Fi Services



* Non-consolidated results for Dec.2015 (FY2014) and earlier.
** Six-month results for June 2016 (FY2016).

Source: Nationwide market share is based on the Survey on ISP Shares for Condominiums Employing Lump-Sum Subscription for All Dwelling Units (announced by MM Research Institute)
As of the end of the fiscal years ended March 2015, March 2016, March 2017 and March 2018, respectively

(Note) Number of access points using the Company's authentication systems

Overview of Consolidated Operating Results (Balance Sheet)

- A continued year-on-year increase in sales has further reinforced shareholders' equity, with the equity-to-asset ratio rising to 37.3%.
- Up-front investments associated with orders received for residential Wi-Fi services have continued to increase non-current assets.

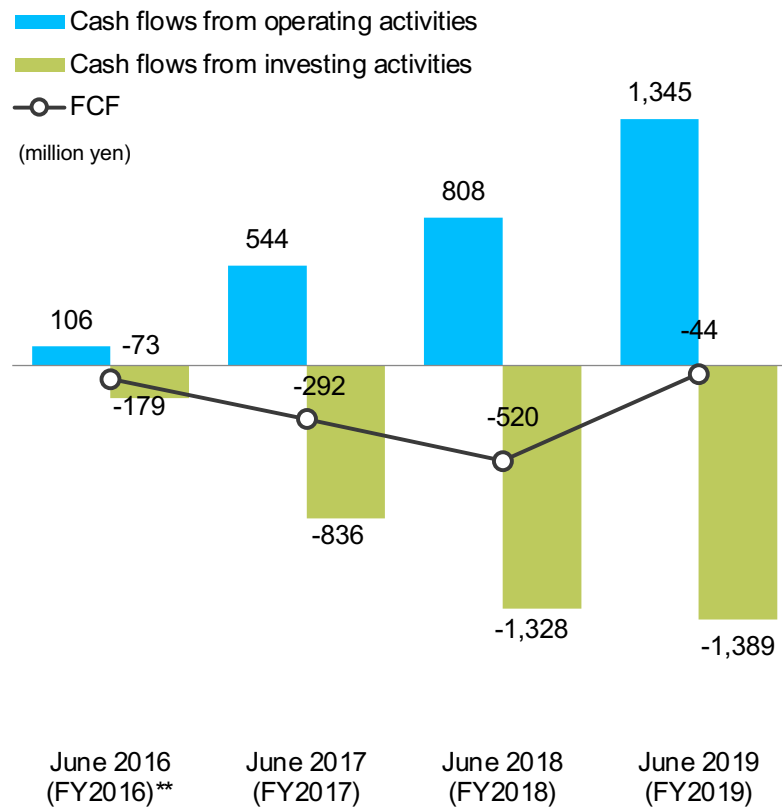
(million yen)	June 2017 (FY 2017)	June 2018 (FY 2018)	June 2019 (FY 2019)	Compared with June 2018 (FY 2018)	
				Amount of change	Rate of change
Current assets	1,754	2,202	2,351	+148	+6.7%
Cash and deposits	773	1,118	1,058	-59	-5.3%
Accounts receivable - trade	831	918	993	+74	+8.1%
Inventory	131	138	269	+130	+94.0%
Non-current assets	1,292	2,154	2,955	+801	+37.1%
Property, plant and equipment	1,188	2,020	2,806	+786	+38.9%
Total assets	3,054	4,364	5,311	+947	+21.7%
Liabilities	2,640	2,984	3,330	+345	+11.5%
Interest-bearing debt	2,184	2,422	2,378	-43	-1.7%
Other	456	562	951	+389	+69.2%
Net assets	413	1,380	1,981	+601	+43.5%
Total liabilities and net assets	3,054	4,364	5,311	+947	+21.7%

*Amounts are rounded down to the nearest million yen and percentages are rounded down to the first decimal place.

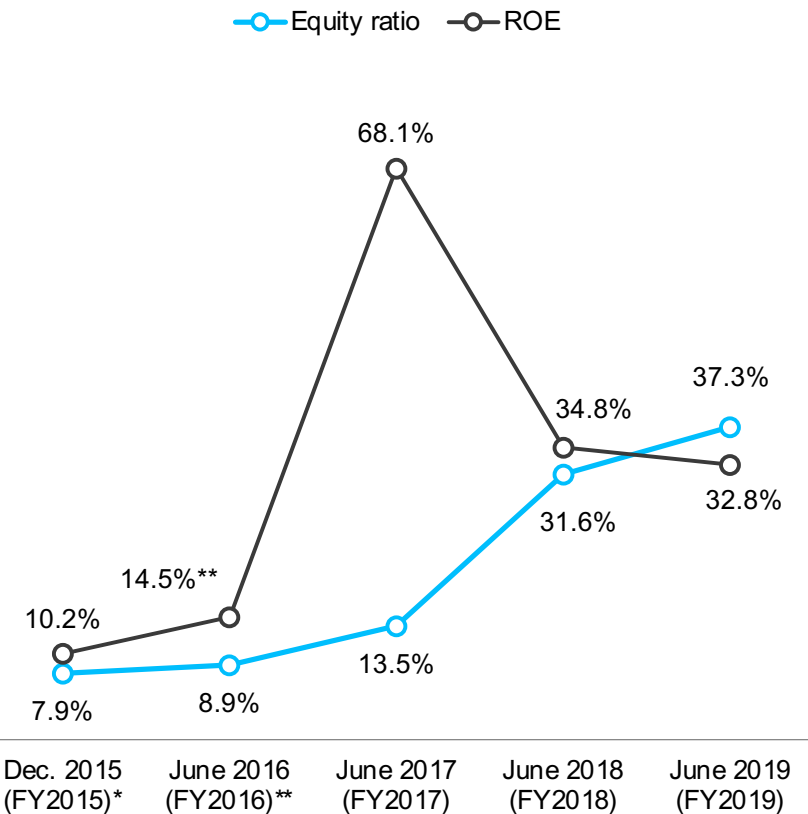
Reinforcement of Financial Standing

- Despite a business model posing a heavy burden of up-front investments, free cash flow (FCF) is finally anticipated to turn into the black.
- The equity-to-asset ratio has improved due to enhanced earnings capacity and progress in suppressing cash-outs.

Change in Consolidated Cash Flows



Change in ROE/Equity-to-Asset Ratio



*Non-consolidated results for Dec. 2015 (FY 2014). **Six-month results for June 2016 (FY 2015).



Earnings Forecast for the Fiscal Year Ending June 2020

Consolidated Earnings Forecast for the Fiscal Year Ending June 2020

- Both net sales and ordinary profit are expected to approach the targets for the fiscal year ending June 2021 (7 billion yen and 1.3 billion yen, respectively).
- The two businesses are assumed to grow respectively, on the assumption that the number of contracted units and access points will increase.

(million yen; rounded down to the nearest million yen)	June 2018 (FY 2018)	June 2019 (FY 2019)	June 2020 (FY 2020) Outlook	Year-on-year change	
				Amount of change	Rate of change
Net sales	3,977	5,446	6,910	+1,463	+26.8%
Residential Wi-Fi Business	2,862	4,073	5,040	+966	+23.7%
Free Wi-Fi Business	1,115	1,373	1,870	+496	+36.1%
Operating profit	560	936	1,070	+133	+14.3%
Residential Wi-Fi Business	818	1,197	1,290	+92	+7.7%
Free Wi-Fi Business	272	371	680	+308	+83.0%
Reconciliation	-530	-632	-900	-267	-42.2%
Ordinary profit	510	886	1,060	+173	+19.5%
Profit	312	550	670	+119	+21.6%
* <Assumptions>					
Number of contracted units for residential Wi-Fi services (thousand units)	151.5	207.0	276.0	+69.0	+33.3%
Number of access points for free Wi-Fi services (thousand access points)	46.2	62.7	88.0	+25.3	+40.3%

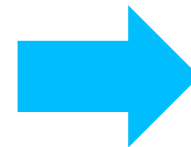
Factor Analysis for Year-on-Year Increase/Decrease in Ordinary Profit Outlook

- There is no change in the scheme in which increased revenue should drive profit expansion.
- On the other hand, fixed costs are assumed to increase due to progress in reinforcing and improving governance.

Factor analysis of increase/decrease in ordinary profit

June 2019 (FY 2019) Actual

880 million yen



June 2020 (FY 2020) Outlook

1,060 million yen

+180 million yen

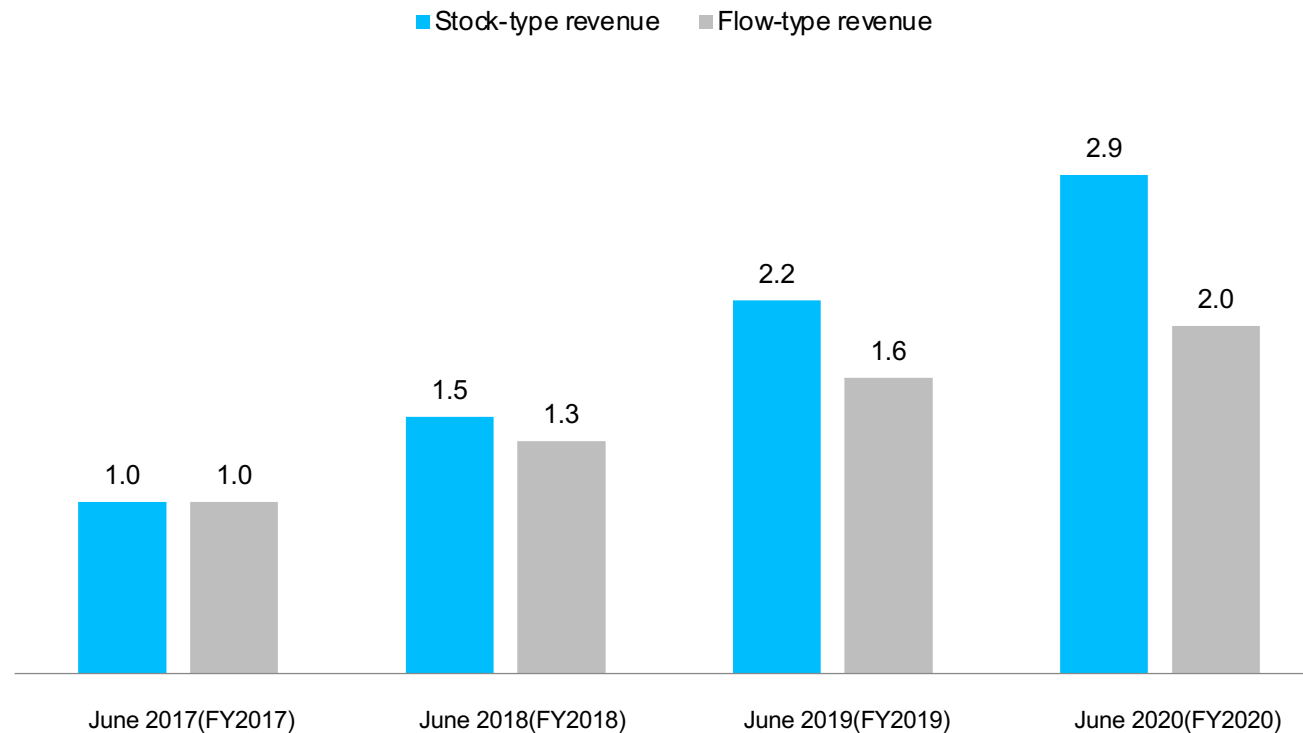
(1) Increase in revenue	+500 million yen
(2) Increase in fixed costs	-250 million yen
(3) Change in gross margin	-70 million yen

<Investments in establishing and enhancing foundations>

- ✓ Communications technology-related investment
Employing engineers and investing in systems, etc.
- ✓ Reinforcement of governance
Reinforcing fundamental systems and administration departments
- ✓ Reinforcement of marketing capabilities
Increasing the number of marketing staff

Change in Revenue by Business Type

- Subscription revenue is assumed to continue growing steadily in the fiscal year ending June 2020. The growth rate is anticipated to accelerate.
- One-time sale revenue also keeps the high growth rate, backed by strong demand.



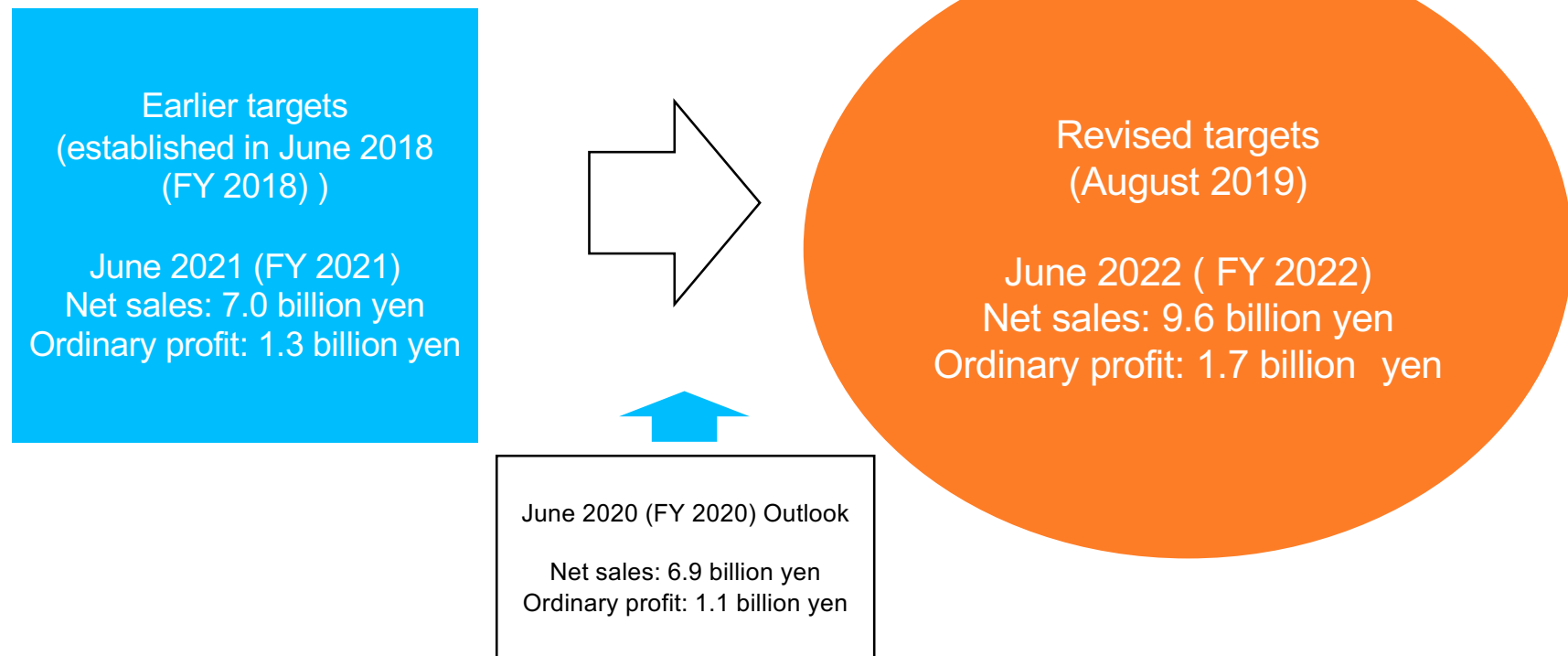
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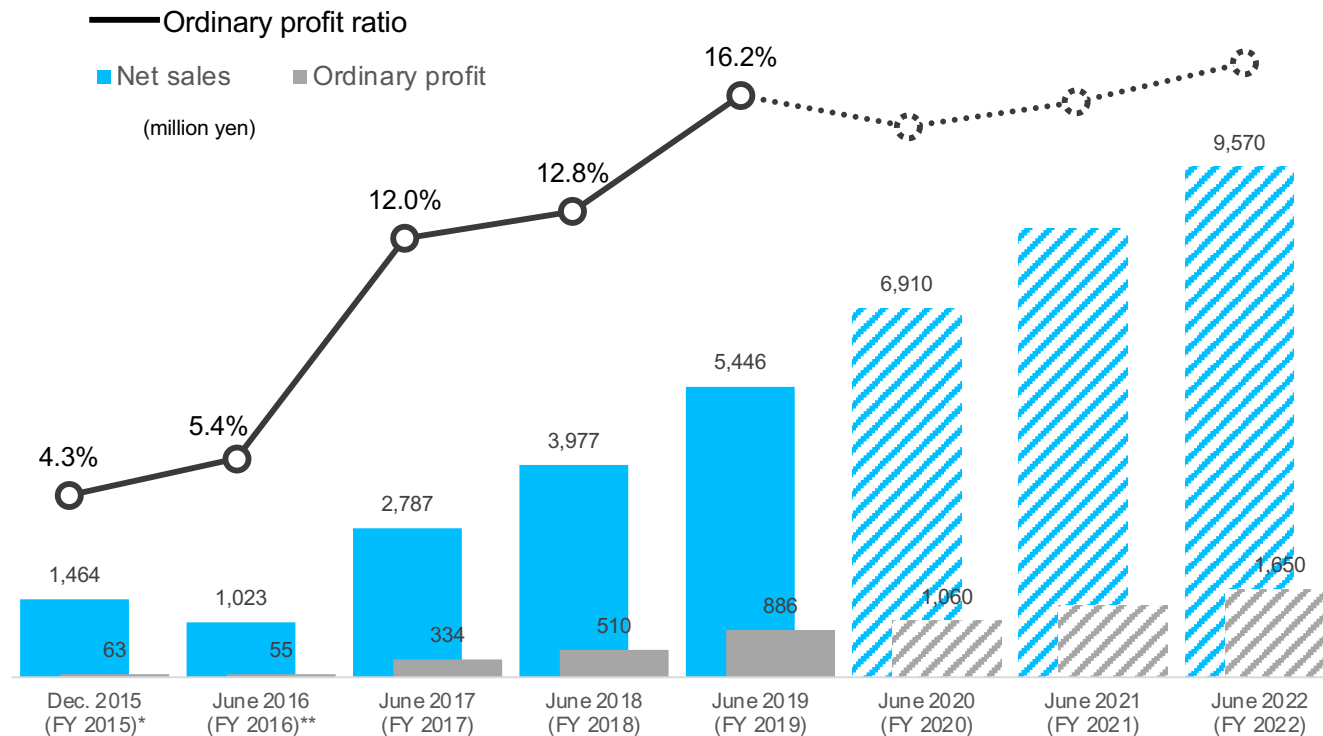
New Medium-Term Assumptions and Long-Term Strategy

Medium-Term Assumptions for the Fiscal Year Ending June 2022

- The current medium-term assumptions have been rolled ahead in the light of the ongoing performance pace, setting new targets of the assumptions for the fiscal year ending June 2022 at 9.6 billion yen in net sales and 1.7 billion yen in ordinary profit.
- Residential Wi-Fi services are on the way to popularization, and demand for installing free Wi-Fi service equipment remains strong.
- While aiming to further increase the ordinary profit ratio, the Company will continue to focus on establishing the foundation and carrying out investment for growth.



- Aim to increase the ordinary profit ratio toward the fiscal year ending June 2022 in an effort to make the Company highly profitable.
- Secure orders for the one-time sale business, which leads to expansion of the subscription business that is the key to greater performance, and work to achieve stable earnings in the following periods.
- Accelerate expansion of the one-time sale business with progress made in the 5G. Wi-Fi technology will also make a shift to the sixth generation standard progressively going forward.



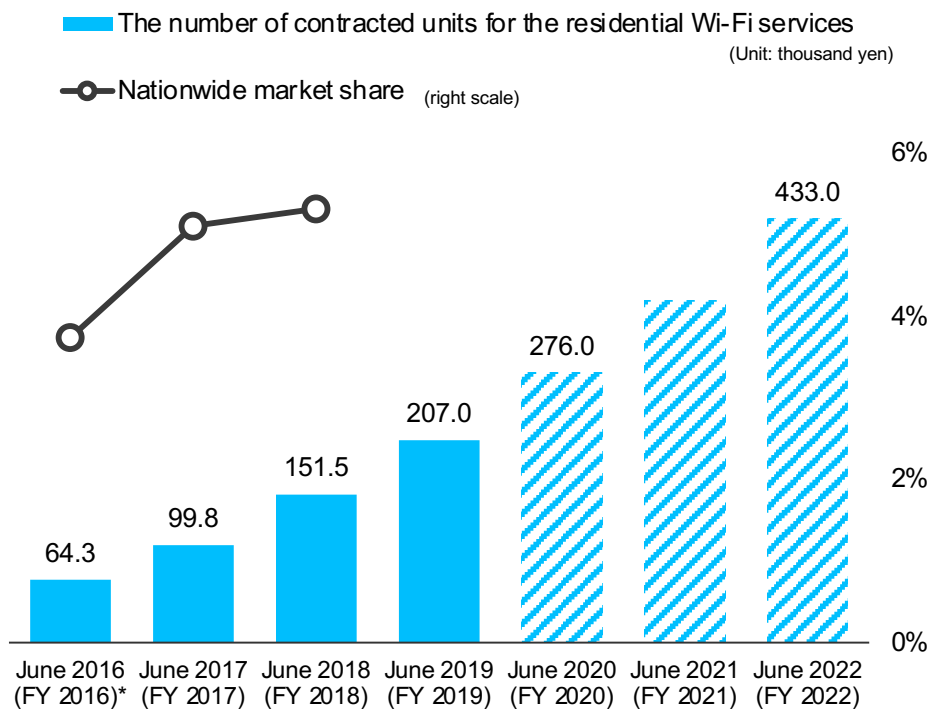
* Non-consolidated results for Dec. 2015 (FY 2015).

** Six-month results for June 2016 (FY 2016).

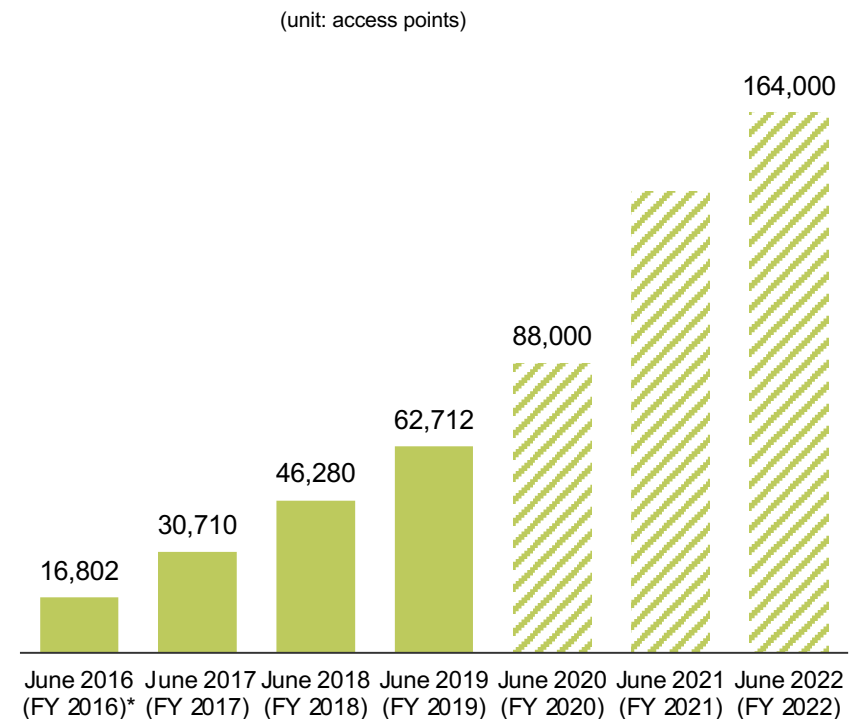
Major Conditions for Medium-Term Assumptions

- The cumulative number of contracted units for residential Wi-Fi services continues to expand steadily at a pace somewhat higher than is assumed.
- The number of access points for the free Wi-Fi services has already exceeded the initial estimate due to marketing endeavors proving effective, leading to upward revision of the plan.

Change in the Number of Contracted Units for Residential Wi-Fi Services and Nationwide Market Share



Change in Number of Access Points (Note) for Free Wi-Fi Services



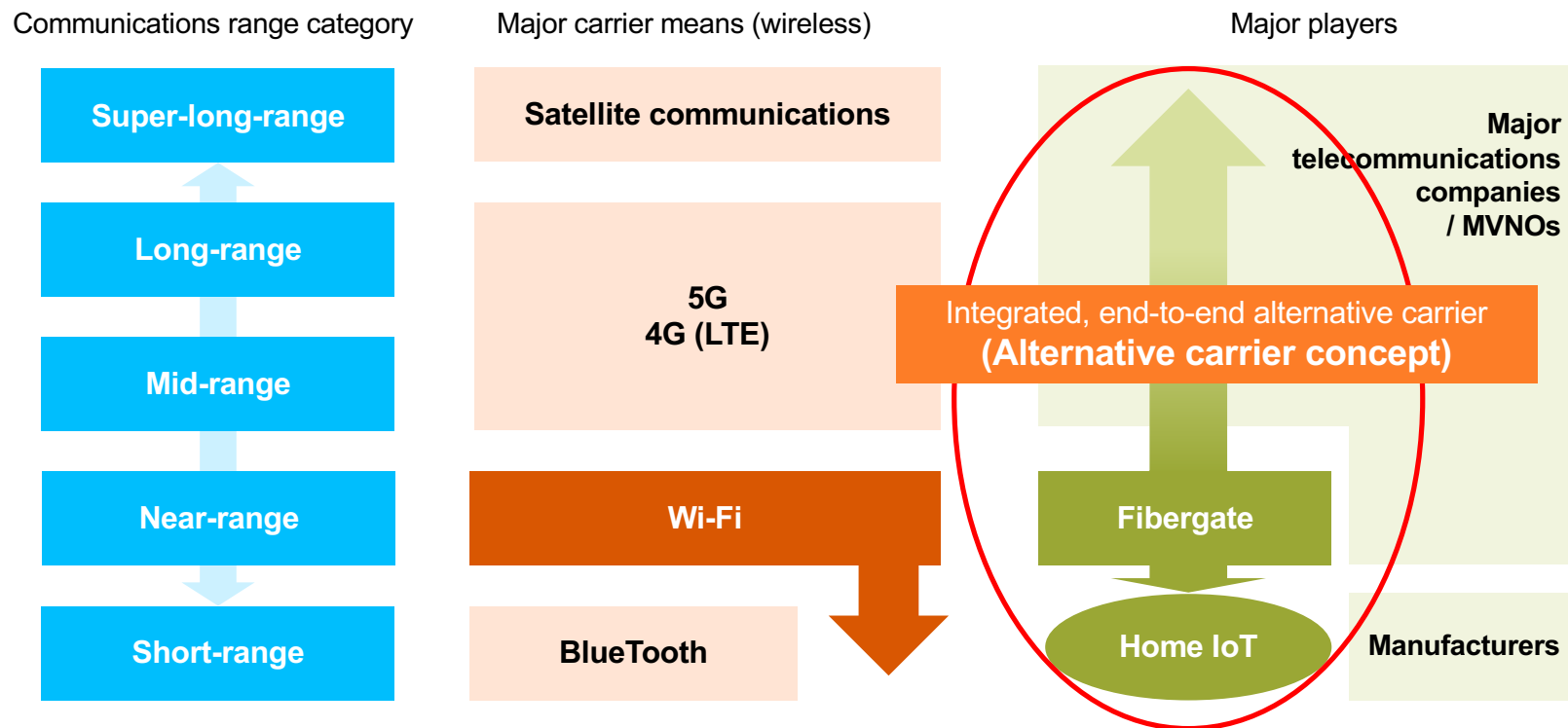
*Six-month results for June 2016 (FY 2015).

Source: Nationwide market share is based on the Survey on ISP Shares for Condominiums Employing Lump-Sum Subscription for All Dwelling Units (announced by MM Research Institute) As of the end of the fiscal years ended March 2015, March 2016, March 2017 and March 2018, respectively

Note: Number of access points using the Company's authentication systems

Long-Term Strategy: Aim to Become an Alternative Carrier

- Aim to become an integrated, end-to-end alternative carrier that commands presence in all areas from short-range to super-long-range communications services.
- As the first step, participate in the home IoT (short-range) area, planning to release the overview of the service in November 2019.





Topics

Listed on the Sapporo Securities Exchange

- Listed on the First Section of the Tokyo Stock Exchange in June 2019. Also listed on the Sapporo Securities Exchange, with wishes for regional development as the Company is headquartered in Sapporo.



Wish for social
contribution to the region
where the Company is
headquartered

- ◆ Aim to further establish the foundation to achieve continuous increase in revenue and profit by enhancing social recognition and creditworthiness, further expanding the investor base, reducing fund procurement costs and securing flexibility in the accompanying financial and investment strategies.

New Service: Customizing the Free Wi-Fi Authentication Screen

- Launched “Custom UI Manager,” a CMS (content management system) tool enabling customization of the authentication screen for the Company’s free Wi-Fi services (July 2019).
- The first customer was the Otaru Sakaimachi-Dori Shopping Street (Otaru Sakaimachi-Dori Shopping Street Promotion Association).

Intention and Advantages

- ◆ For customers: expand advantages of private brand services
- ◆ For Fibergate: aim to increase the number of clients introducing the free Wi-Fi services by enhancing customer convenience

What Is “Custom UI Manager”?

- ◆ The tool enables customers to set up and change the UI (user interface) of the Wi-Fi authentication screen by themselves.
 - ✓ Set up the brand name and logo
 - ✓ Designate the color of the entire authentication screen
 - ✓ Conduct simple authentication and normal authentication (selection of external authentication and e-mail authentication)
 - ✓ Deliver PR images and PR videos
 - ✓ Select display language (Japanese, English, Korean, Simplified and Traditional Chinese)

Initiative by the Otaru Sakaimachi-Dori Shopping Street (Promotion Association)

- ◆ Introduced SHINOBIWi-Fi, the Company’s Wi-Fi service for foreign tourists visiting Japan, in December 2016. Currently delivers contents related to hospitality in Otaru.
- ◆ With the new service, the association plans to utilize it for community promotion by changing the authentication screen to original design (custom UI) and delivering video contents.



Information on Investor Briefing in October 2019

- The Company will hold an investor briefing regarding its long-term strategy on technology.
- Those who wish to join the briefing are requested to contact the IR staff of the Business Management Division (please refer to page 32).
- Please note that explanations in the briefing are focused on the Company's technologies and strategies.

	Content
Subject	Technology Strategy Briefing
Date and time	October 17, 2019
Venue	Fukurascia Yaesu Tokyo Conference Room D
Overview of explanation	The Company's long-term strategy on technology



Appendix



An independent (not belonging to any telecommunication carriers) Wi-Fi solution company* that conducts end-to-end operations from development and production of networking devices to telecommunications services.

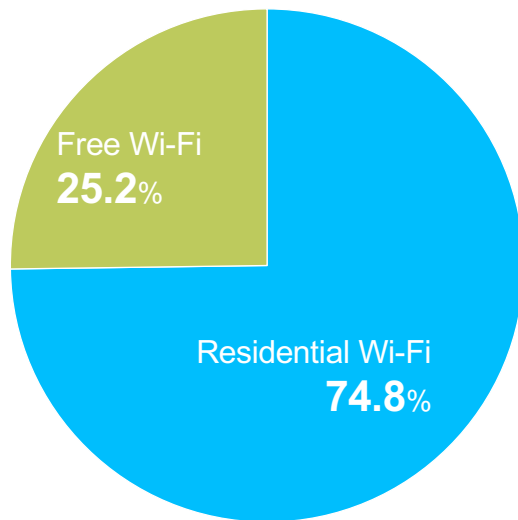
*** Independent public wireless LAN operators**

In the public wireless LAN (Wi-Fi) access service area, there are currently 12 companies regulated by the Ministry of Internal Affairs (Telecommunications Policy Division, Telecommunications Bureau) and provide services throughout Japan. The Company has a presence comparable to major carriers.

Overview of Main Businesses

- The Company conducts two main businesses, of which the Residential Wi-Fi Business is the mainstay business accounting for 74.8% of all sales (for the fiscal year ended June 2019).
- Focus is placed on "provision of private brand services to customers" (the Company makes behind-the-scenes contributions).

Sales Breakdown



June 2019 (FY 2018) Actual

Residential Wi-Fi Business



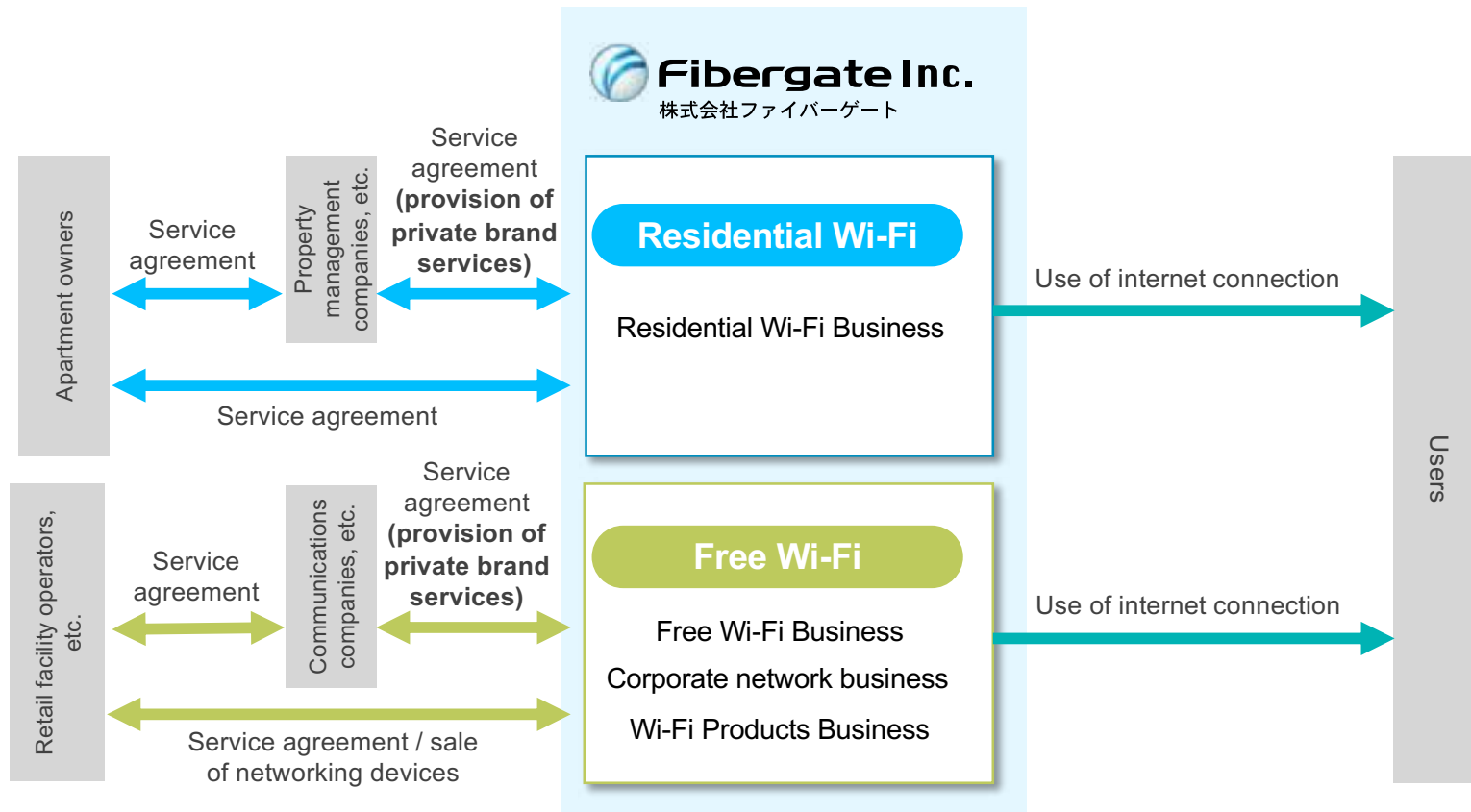
- Provision of internet connection services for condominiums and apartments employing a lump sum subscription for all dwelling units
- Customers are apartment owners

Free Wi-Fi Business

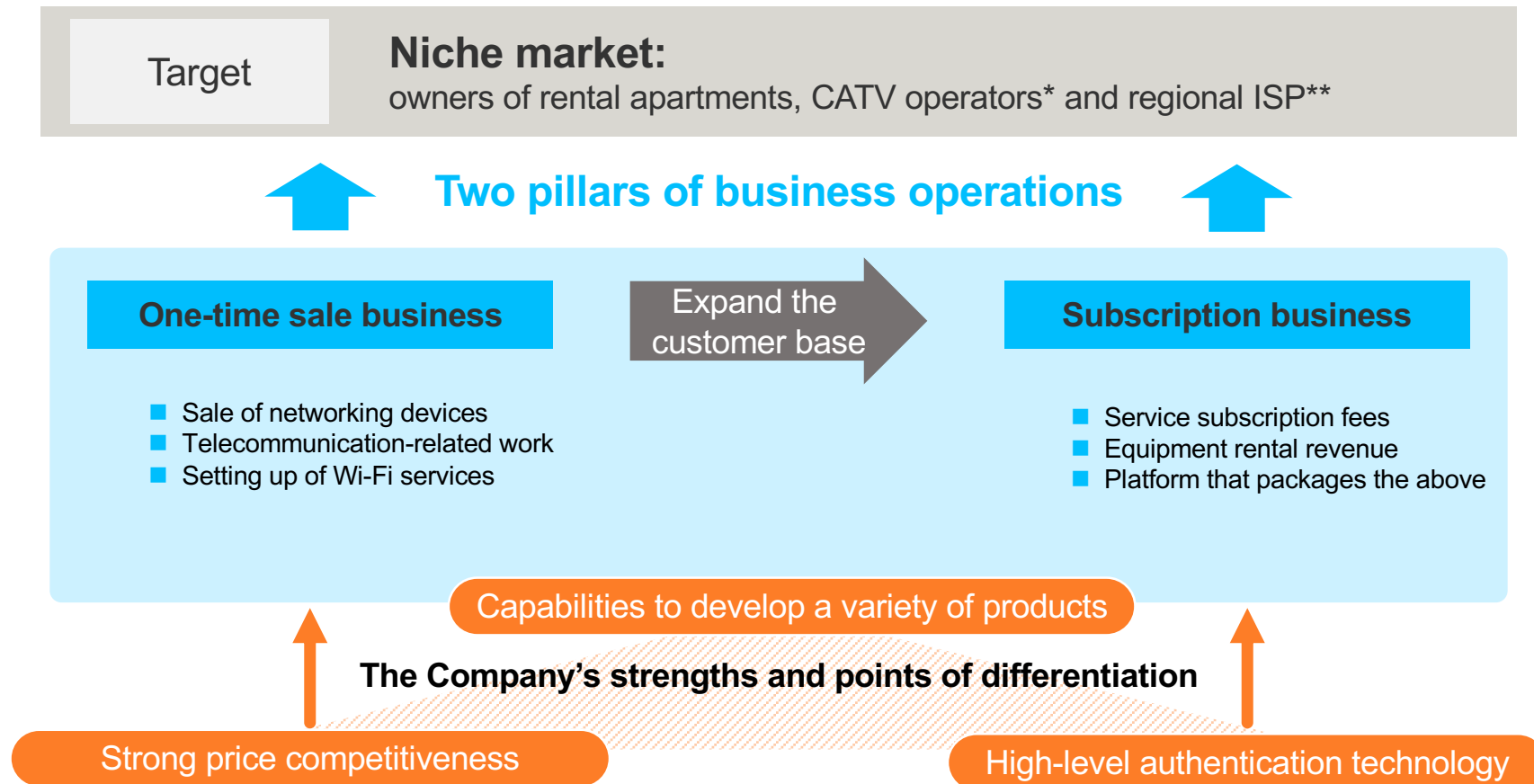


- Free Wi-Fi business (for tourist destinations and retail facilities)
- Corporate network business (Internet provider services, etc.)
- Wi-Fi products business (manufacture and sale of communications equipment)
- Customers are local governments of tourist destinations and owners of retail facilities and other locations.

- Monetary compensation is received from the parties with which service agreements have been concluded. Users of internet connection bears no monetary burden.
- The mainstay operation is “provision of private brand services to customers”



- Built on the two pillars of one-time sale business and subscription business aimed at the niche market.
- Differentiated from others by the three aspects of "product development capabilities," "price competitiveness" and "authentication technology."



* CATV (cable television): CATV providers are companies that provide such services as television broadcasting, internet connection and telephones by using optical cables, etc.

**ISP (internet service provider): ISPs are telecommunications operators that provide telecommunications services for Internet connection.

Year	Content
2000	➤ Established in Wakabayashi Ward, Sendai City, to arrange subscriptions to domestic and international telephone services.
2003	<ul style="list-style-type: none"> ➤ Relocated the head office to Chuo Ward, Sapporo City ➤ Conducted network building for companies based on multiple locations and online sales of broadband lines as main business
2004	➤ Started the Residential Wi-Fi Business
2005	➤ Started Wi-Fi-based broadband services
2006	➤ Started free internet services for apartments through provision of private brand services
2008	➤ Started internet connection services for monthly rental condominiums
2009	➤ Started the Free Wi-Fi Business services
2010	➤ Established FG Marketing, a subsidiary in charge of selling telecommunication products and materials
2013	<ul style="list-style-type: none"> ➤ Established TUMUGU Design, a subsidiary in charge of website and content design ➤ Established NOIS, a subsidiary in charge of planning and developing computer hardware and software and conduct Internet line agency services
2014	<ul style="list-style-type: none"> ➤ Started sale of networking devices developed by the Company (Wi-Fi Products Business) ➤ Started Wi-Fi services for stores and retail facilities through provision of private brand services
2015	<ul style="list-style-type: none"> ➤ Acquired Telecommunications Contractor Permit (approval by the Governor of Hokkaido) ➤ Established Fibergate Taiwan Inc., a wholly owned subsidiary, in Taiwan ➤ Acquired a license as telecommunications business pursuant to the Telecommunications Business Act
2016	➤ Certified as a Management Innovation Plan Approval Company
2018	<ul style="list-style-type: none"> ➤ Listed on the Mothers market of the Tokyo Stock Exchange ➤ Conducted a 2-for-1 stock split
2019	<ul style="list-style-type: none"> ➤ Listing market changed to the First Section of the Tokyo Stock Exchange ➤ Listed on the Sapporo Securities Exchange

Fiscal year (*non-consolidated, **6-month operating results)		Dec. 2015 (FY 2015)*	June 2016 (FY 2016)**	June 2017 (FY 2017)	June 2018 (FY 2018)	June 2019 (FY 2019)
Net sales	(thousand yen)	1,464,802	1,023,483	2,787,387	3,977,485	5,446,396
Ordinary profit	(thousand yen)	63,061	55,270	334,836	510,171	886,999
Profit	(thousand yen)	16,391	27,012	209,331	312,312	550,888
Share capital	(thousand yen)	48,750	51,300	54,300	401,372	426,896
Total number of shares issued and outstanding	(shares)	525	54,200	56,200	4,761,900	9,807,400
Net assets	(thousand yen)	168,324	200,854	413,480	1,380,144	1,981,380
Total assets	(thousand yen)	2,129,263	2,255,326	3,054,242	4,364,688	5,311,858
Net assets per share	(yen)	320,617.90	74.12	147.15	144.92	202.08
Basic earnings per share	(yen)	31,221.38	10.08	75.92	81.62	57.60
Equity-to-asset ratio	(%)	7.91	8.91	13.54	31.62	37.30
Return on equity	(%)	10.24	14.50	68.15	34.82	32.78
Net cash provided by (used in) operating activities	(thousand yen)	-	106,606	544,165	808,563	1,345,616
Net cash provided by (used in) investing activities	(thousand yen)	-	-179,893	-836,777	-1,328,849	-1,389,763
Net cash provided by (used in) financing activities	(thousand yen)	-	147,142	313,955	868,783	-15,102
Balance of cash and cash equivalents at end of period	(thousand yen)	-	748,311	773,093	1,118,034	1,058,574
Number of employees	(persons)	78	92	115	141	174

Thank you for your attention.

<Notes on Outlook>

The contents of this document are based on certain assumptions, and should not be construed as a promise or guarantee of achieving the planned figures and measures for the future.

Contact
IR staff, Business
Management Division
fgir@fibergate.co.jp