



## Summary of Accounts for Fiscal Year Ended June 2019 (Japanese GAAP) (Consolidated)

August 9, 2019

Name of listed company: Fibergate Inc. Listing exchange: Tokyo Stock Exchange and Sapporo Securities Exchange  
 Securities code: 9450 URL: <https://www.fibergate.co.jp>  
 Representative: (Position) President & CEO (Name) Masanori Inomata  
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Scheduled date for next regular general meeting of shareholders: September 26, 2019

Scheduled date for submission of periodic securities report: September 27, 2019

Scheduled date for start of dividend payment: —

Supplementary explanatory materials created for accounts? Yes/No: Yes (Supplemental materials for the business results will be posted on the Company's website as appropriate.)

Accounts briefing meeting held? Yes/No: Yes (for institutional investors and analysts)

(Amounts are rounded down to the nearest million yen)

### 1. Consolidated results for fiscal year ended June 2019 (from July 1, 2018 to June 30, 2019)

#### (1) Consolidated operating results (% figures show the rate of increase (decrease) compared with the previous fiscal year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Fiscal year ended Jun. 2019	5,446	36.9	943	68.5	894	75.4	550	76.4
Fiscal year ended Jun. 2018	3,977	42.7	560	55.3	510	52.4	312	49.2

(Note) Comprehensive income Fiscal year ended Jun. 2019 550 million yen (76.4%) Fiscal year ended Jun. 2018 311 million yen (48.8%)

	Basic earnings per share	Diluted earnings per share	Return on equity	Return on assets	Operating profit ratio
	yen	yen	%	%	%
Fiscal year ended Jun. 2019	57.60	53.79	32.8	18.5	17.3
Fiscal year ended Jun. 2018	40.81	37.73	34.8	13.8	14.1

- (Notes) 1. The Company was listed on the Mothers market of the Tokyo Stock Exchange, Inc. on March 23, 2018. Accordingly, the diluted earnings per share of the previous fiscal year has been calculated by deeming the average share price for the period from the listing day to the end of the previous fiscal year as the average stock price during fiscal year.
2. The Company conducted a 50-for-1 stock split of its common shares as of December 1, 2017, and a 2-for-1 stock split of its common shares as of September 1, 2018. Accordingly, basic earnings per share and diluted earnings per share have been calculated on the assumption that the stock splits were conducted at the beginning of the previous fiscal year.

#### (2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	million yen	million yen	%	yen
Fiscal year ended Jun. 2019	5,311	1,981	37.3	202.03
Fiscal year ended Jun. 2018	4,364	1,380	31.6	144.92

(Reference) Equity Fiscal year ended Jun. 2019 1,981 million yen Fiscal year ended Jun. 2018 1,380 million yen

#### (3) Consolidated cash flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
Fiscal year ended Jun. 2019	1,345	(1,389)	(15,102)	1,058
Fiscal year ended Jun. 2018	808	(1,328)	868	1,118

## 2. Dividends

	Annual dividends					Total dividends (Total)	Payout ratio (Consolidated)	Dividend on equity ratio (Consolidated)
	End of first quarter	End of second quarter	End of third quarter	Year-end	Total			
Fiscal year ended Jun. 2018	yen -	yen 0.00	yen -	yen 0.00	yen 0.00	million yen 0	% -	% -
Fiscal year ended Jun. 2019	-	0.00	-	0.00	0.00	0	-	-
Fiscal year ending Jun. 2020 (forecast)	-	-	-	-	-		-	

## 3. Consolidated earnings forecast for fiscal year ending June 2020 (from July 1, 2019 to June 30, 2020)

(% figures show the rate of increase (decrease) compared with the previous fiscal year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full fiscal year	6,910	26.8	1,070	13.3	1,060	18.4	670	21.6	33.98

### Explanatory notes

- (1) Changes in significant subsidiaries during fiscal year  
(Changes in specified subsidiaries resulting in change in scope of consolidation) : No  
 Newly included: — companies (Company name) —  
 Excluded: — companies (Company name) —
- (2) Changes in accounting policies, changes in accounting estimates, and restatement  
 1) Changes in accounting policies due to amendment of accounting standards, etc. : No  
 2) Changes in accounting policies other than 1) : No  
 3) Changes in accounting estimates : No  
 4) Restatement : No

(3) Number of shares issued and outstanding (common shares)

1) Number of shares issued and outstanding (including treasury shares) at end of fiscal year	Fiscal year ended Jun. 2019	9,807,400 shares	Fiscal year ended Jun. 2018	9,523,800 shares
2) Number of treasury shares at end of fiscal year	Fiscal year ended Jun. 2019	120 shares	Fiscal year ended Jun. 2018	- shares
3) Average number of shares during fiscal year	Fiscal year ended Jun. 2019	9,563,991 shares	Fiscal year ended Jun. 2018	7,652,998 shares

### (Reference) Overview of non-consolidated results

#### 1. Non-consolidated results for fiscal year ended June 2019 (from July 1, 2018 to June 30, 2019)

(1) Non-consolidated operating results (% figures show the rate of increase (decrease) compared with the previous fiscal year)

	Net sales		Operating profit		Ordinary profit		Profit	
	million yen	%	million yen	%	million yen	%	million yen	%
Fiscal year ended Jun. 2019	5,212	36.6	735	76.9	686	87.1	414	91.1
Fiscal year ended Jun. 2018	3,814	41.9	415	40.5	367	36.4	216	30.2

	Basic earnings per share	Diluted earnings per share
	yen	yen
Fiscal year ended Jun. 2019	43.34	40.47
Fiscal year ended Jun. 2018	28.35	26.21

- (Notes) 1. The Company was listed on the Mothers market of the Tokyo Stock Exchange, Inc. on March 23, 2018. Accordingly, the diluted earnings per share of the previous fiscal year has been calculated by deeming the average share price for the period from the listing day to the end of the previous fiscal year as the average stock price during fiscal year.
2. The Company conducted a 50-for-1 stock split of its common shares as of December 1, 2017, and a 2-for-1 stock split of its common shares as of September 1, 2018. Accordingly, basic earnings per share and diluted earnings per share have been calculated on the assumption that the stock splits were conducted at the beginning of the previous fiscal year.

(2) Non-consolidated financial position

	Total assets		Net assets		Equity-to-asset ratio	Net assets per share
	million yen		million yen		%	yen
Fiscal year ended Jun. 2019	4,975		1,702		34.2	173.57
Fiscal year ended Jun. 2018	4,178		1,236		29.6	129.88

(Reference) Equity Fiscal year ended Jun. 2019 1,702 million yen Fiscal year ended Jun. 2018 1,236 million yen

2. Non-consolidated earnings forecast for fiscal year ending June 2020 (from July 1, 2019 to June 30, 2020)

(% figures show the rate of increase (decrease) compared with the previous fiscal year)

	Net sales		Ordinary profit		Profit		Basic earnings per share
	million yen	%	million yen	%	million yen	%	yen
Full fiscal year	6,720	28.9	880	28.1	560	35.1	28.40

\* This summary of accounts is not subject to audit procedures by public accountants or audit corporations.

\* Explanation regarding appropriate use of earnings forecasts, and other notes

(Notes on forward-looking statements)

The earnings outlook and other forward-looking statements contained in this document are based on information currently available to and certain assumptions that are thought to be reasonable by the Company. Accordingly, such statements should not be construed as a guarantee of achieving the results by the Company. Actual business performance and other results may differ materially due to various factors. For the conditions forming the assumptions on which earnings forecasts are based and explanatory notes for use of earnings forecasts, etc., please see the explanations on the forecast information described in “1. Overview of Operating Results, etc.; (4) Future Outlook” on page 6 of the Attachment, etc.

(How to obtain the details of the accounts briefing meeting)

The Company will hold an accounts briefing meeting for institutional investors on August 20, 2019 (Tuesday).

The explanatory materials on business results used on the day will be posted on the Company’s website promptly after the meeting is held.

(How to obtain supplementary explanatory materials on business results)

The Company will disclose the supplementary explanatory materials on business results on the TDnet as of the date, and will post them on its website.

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## 1. Overview of Operating Results, etc.

## (1) Overview of Operating Results, etc. for the Fiscal Year under Review

(Unit: thousand yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Basic earnings per share (yen)
Fiscal year ended Jun. 2019	5,446,396	943,865	894,732	550,888	57.60
Fiscal year ended Jun. 2018	3,977,485	560,022	510,171	312,312	40.81
Year-on-year change (%)	36.9	68.5	75.4	76.4	41.1

In the fiscal year ended June 2019 (from July 1, 2018 to June 30, 2019), the Japanese economy remained on a modest recovery track as inbound tourist demand continued to recover, the employment situation improved, and personal consumption and capital investment maintained a recovery trend, despite the economic impacts of numerous natural disasters, all amid the ongoing trend of the weaker yen and higher stock prices backed by the government's economic and monetary measures, etc.

As for the economy of Hokkaido, where the Fibergate Group is based, consumer spending showed signs of picking up and the employment situation improved steadily, although public works and capital investment decreased due to the impact of earthquakes, typhoons and other disasters that occurred in succession. On the other hand, while the U.S. economy remained strong with the favorable employment and income situation facilitating continued expansion of consumer spending, some companies started to feel the impact of the U.S.-China trade friction on their performance. As for the European economy, a recovery trend continued in the euro zone as a whole, despite turmoils in France over the government's policies and uncertainty surrounding Brexit. The Chinese economy was on a downward trend due to the impact of the U.S.-China trade friction, among other factors.

As mentioned above, the economy was on track to a modest recovery as a whole, but uncertainty remained over the outlook due to concerns about the possible impact on consumer spending in the face of such issues as responses to the impending consumption tax rate hike in October and endeavors on reforms for more suitable work style and higher productivity to cope with the shrinking workforce, among other factors.

In the communications services industry surrounding the Fibergate Group, demand for wireless communications services has continued to expand thanks to the popularization of smart phones and other high-performance communication terminals. Led by the government's wireless communications policies, society-wide efforts are being made to create an environment that responds to the large-capacity, high-speed data communications as represented by the 5G (the fifth-generation mobile communications system). Looking ahead, moreover, it is expected that new business models and added value will be created and social issues will be solved by leveraging data, which has explosively increased through the IoT, AI and other technological innovations, in a coordinated way among companies of a variety of industry fields. Meanwhile, with consumers increasingly trying to save the communications charges they have to bear, demand is also increasing for free Wi-Fi environments, both indoors and outdoors, where users do not consume the data packet volume set forth in their contracts with telecommunications carriers.

Under such market conditions, the Fibergate Group obtained enhanced recognition and creditworthiness by listing on the Tokyo Stock Exchange Mothers market in March 2018, upgrading the market to the First Section of the Tokyo Stock Exchange in June 2019 and conducting dual listing on the Sapporo Securities Exchange major market in July 2019, while focusing on the development of products and services and expansion of its customer base. In terms of business operations, the Company increased both the flow-type revenue (temporary revenue), which is generated upon building a new Wi-Fi environment in collaboration with partner companies that are specialized in niche markets and connected with the locations (apartments, stores, retail facilities and transportation facilities, etc.) where the Wi-Fi environment is built, and the continuous revenue (stock-type revenue) such as use fee income from respective locations and rental income of communications equipment. In terms of administration, the Company had anticipated larger expenses due to an increase in the number of staff, etc. to respond to the increasing number of orders. However, the Company's productivity was enhanced through reviews and improvements in its internal operations, effectively suppressing the increase in selling, general and administrative expenses. Moreover, the Company reinforced its information security management system by obtaining the ISO/IEC27001 information security management system (ISMS) certification, in order to protect its information assets and important technical information on products and services, etc. from various threats to security.

Aside from these, with regard to its shareholder benefit program, the Company offered special shareholder benefits in March 2019 in commemoration of the first anniversary since listing, presenting a general-purpose prepaid card equivalent to 1,000 yen to each shareholder who owns shares of a single unit (100 shares) or more. In addition, the Company enhanced part of the benefits in the shareholder benefit program, starting with the program that set June 30, 2019, as the record date, mainly for the purpose of further enhancing the relationship with shareholders.

As a result of these endeavors, the Company successfully renewed its highest records both in sales and profits in the fiscal year under review, posting net sales of 5,446,396 thousand yen (up 36.9%), operating profit of 943,865 thousand yen (up 68.5%), ordinary profit of 894,732 thousand yen (up 75.4%) and profit attributable to owners of parent of 550,888 thousand yen (up 76.4%), all on a year-on-year basis.

The following is the overview of operations by segment.

(Unit: thousand yen)

	Reportable segment			Reconciliation	Amount on consolidated financial statements
	Residential Wi-Fi Business	Free Wi-Fi Business	Total		
Net sales	4,073,063	1,373,332	5,446,396	-	5,446,396
Segment profit	1,198,987	369,777	1,568,765	(624,899)	943,865

In the Residential Wi-Fi Business, given an environment in which demand for differentiating and adding high value to real estate properties is expanding to cope with declining rents and vacancies, the Company focused its endeavors on securing stable orders from large customers and winning orders for services for small-sized rental apartments in cooperation with its sales partners, in an effort to expand the number of units to which it provides free internet connection services. In addition, the Company worked to enhance customer satisfaction by reinforcing its efforts to improve the channel quality and expanding its multi-language call centers, etc., and continuously promoted enhancement of its free internet connection services for the residents of apartments incorporating wall-embedded Wi-Fi facilities as standard equipment. These endeavors kept the number of cancellations at a low level. While the Company is built on its communication services that generate continuous revenue (stock-type revenue) as monthly fixed charges, sales of products accompanied by temporary revenue (flow-type revenue) upon starting the services increased notably along with the continuous revenue. Accordingly, both the number of contracted units and sales continued to surpass the planned figures. The number of contracted units increased from 151,526 units at the end of the previous fiscal year to 207,021 units at the end of the fiscal year ended Jun. 2019.

As for the Free Wi-Fi Business, while the number of introduction cases of free Wi-Fi environment for stores and various facilities increased continuously, sales of networking devices associated with the Wi-Fi services remained strong. As a result, the increase in the number of devices sold to generate temporary revenue (flow-style revenue) contributed to revenue growth as a whole. Moreover, the Company endeavored to attain new sales partners for "One-Touch Wi-Fi" it leased in May 2018, establishing a system to prepare for full-on reception of orders going forward. The total number of contracts increased from 46,280 access points (APs) at the end of the previous fiscal year to 62,712 APs at the end of the fiscal year ended Jun. 2019.

## (2) Overview of Financial Position for the Fiscal Year under Review

	End of fiscal year ended Jun. 2018	End of fiscal year ended Jun. 2019	Rate of change (%)
Total assets (thousand yen)	4,364,688	5,311,858	21.7
Net assets (thousand yen)	1,380,144	1,981,380	43.6
Equity-to-asset ratio (%)	31.62	37.30	18.0
Net assets per share (yen)	144.92	202.03	39.4
Balance of borrowings (thousand yen)	1,291,135	1,619,490	25.4
Balance of corporate bonds (thousand yen)	1,009,000	710,000	(29.6)

### (Assets)

Total assets at the end of the fiscal year ended June 2019 increased by 947,170 thousand yen compared with the end of the previous fiscal year to 5,311,858 thousand yen.

This was mainly attributable to merchandise increasing by 117,031 thousand yen and tools, equipment and fixtures used for providing the Company's communications services increasing by 847,582 thousand yen.

### (Liabilities)

Total liabilities at the end of the fiscal year ended June 2019 increased by 345,934 thousand yen compared with the end of the previous fiscal year to 3,330,477 thousand yen.

This was mainly attributable to long-term loans (including current portions) increasing by 328,355 thousand yen.

### (Net assets)

Net assets at the end of the fiscal year ended June 2019 increased by 601,235 thousand yen compared with the end of the previous fiscal year to 1,981,380 thousand yen.

This was mainly attributable to share capital, capital surplus and retained earnings increasing by 25,524 thousand yen, 25,524 thousand yen and 550,888 thousand yen, respectively. As a result, the equity-to-asset ratio was 37.3%.

## (3) Overview of Cash Flows for the Fiscal Year under Review

(Unit: thousand yen)

	Fiscal year ended June 2018	Fiscal year ended June 2019	Rate of change (%)
Net cash provided by (used in) operating activities	808,563	1,345,616	66.4
Net cash provided by (used in) investing activities	(1,328,849)	(1,389,763)	4.6
Net cash provided by (used in) financing activities	868,783	(15,102)	(101.7)
Change in cash and cash equivalents	344,940	(59,460)	(117.2)
Balance of cash and cash equivalents at beginning of period	773,093	1,118,034	44.6
Balance of cash and cash equivalents at end of period	1,118,034	1,058,574	(5.3)

Cash and cash equivalents (“net cash”) in the fiscal year ended June 2019 totaled 1,058,574 thousand yen, a decrease of 59,460 thousand yen compared with the end of the previous fiscal year.

The following outlines the cash flows and the factors of their changes in the fiscal year under review.

## (Cash flows from operating activities)

Cash flows from operating activities in the fiscal year ended June 2019 amounted to net cash provided by operating activities of 1,345,616 thousand yen (net cash provided by operating activities of 808,563 thousand yen in the previous fiscal year). This was mainly attributable to recording of profit before income taxes of 881,770 thousand yen and depreciation of 611,289 thousand yen.

## (Cash flows from investing activities)

Cash flows from investing activities in the fiscal year ended June 2019 amounted to net cash used in investing activities of 1,389,763 thousand yen (net cash used in investing activities of 1,328,849 thousand yen in the previous fiscal year). This was mainly attributable to purchase of property, plant and equipment amounting to 1,365,755 thousand yen.

## (Cash flows from financing activities)

Cash flows from financing activities in the fiscal year ended June 2019 amounted to net cash used in financing activities of 15,102 thousand yen (net cash provided by financing activities of 868,783 thousand yen in the previous fiscal year). This was mainly attributable to repayments of long-term loans payable of 421,645 thousand yen and redemption of bonds of 299,000 thousand yen, despite proceeds from long-term loans payable of 750,000 thousand yen.

## (Reference) Changes in cash flow indicators

	Fiscal year ended June 2018	Fiscal year ended June 2019
Equity-to-asset ratio (%)	31.62	37.30
Equity-to-asset ratio on market capitalization basis (%)	387.85	576.05
Ratio of interest-bearing liabilities to cash flows (%)	3.0	1.8
Interest coverage ratio (times)	31.9	64.2

Equity-to-asset ratio :  $\text{Equity} \div \text{Total assets}$   
Equity-to-asset ratio on market capitalization basis :  $\text{Market capitalization} \div \text{Total assets}$   
Ratio of interest-bearing liabilities to cash flows :  $\text{Interest-bearing liabilities} \div \text{Cash flows}$   
Interest coverage ratio :  $\text{Cash flows} \div \text{Interest paid}$

- (Notes) 1. Each is calculated using consolidated financial figures.  
2. Market capitalization is calculated on the basis of the number of shares issued and outstanding excluding treasury shares.  
3. Cash flows are the cash flows from operating activities.  
4. Interest-bearing liabilities are the liabilities recorded on the consolidated balance sheet of which interest is paid: short-term loans payable, long-term loans payable (including current portion) and bonds payable (including current portion). Interest paid is the interest expenses paid on the consolidated statement of cash flows.

## (4) Future Outlook

With regard to the outlook for the next fiscal year, it is anticipated that the circumstances will continue to be unpredictable due to such factors as the U.S.-China trade friction, U.K.'s withdrawal from the EU and concerns about slowdown of the world economy caused by heightened geopolitical risks, as well as concerns about downward swing of the Japanese economy affected by the consumption tax rate hike and the impact of fluctuations in the financial market.

In the communications services industry, demand for establishing a Wi-Fi environment is expected to continue expanding. It is anticipated that the business environment will be stable, with a short-term outlook of an increase in the number of introductions to retail properties, sightseeing facilities, transportation facilities and accommodation facilities, etc. in preparation for the holding of the 2020 Tokyo Olympic and Paralympic Games, as well as with expected demand for reviewing communications facilities associated with the development and penetration of the next-generation Wi-Fi standard (Wi-Fi 6) coupled with the 5G.

Under such circumstances, the Fibergate Group will work to reinforce its management base to respond to expanding demand. It will also promote coordination of technologies and human resources within the Group and enhance the efficiency of its network assets in order to provide vertically-integrated comprehensive insourcing services that incorporate development of networking devices, establishment and operation of a Wi-Fi environment, customer support and advertisement services.

Both the Residential Wi-Fi Business and the Free Wi-Fi Business are still on the way for market penetration. On top of the networking environment, customer needs for these services are extremely strong. As such, the Company believes that there is plenty room for growth in the future. For the fiscal year ending June 2020, the Company plans to increase the number of contracted units for its residential Wi-Fi services to 276,000 units and the number of contracted APs for its free Wi-Fi services to 88,000 APs.

Moreover, the Company will endeavor to continuously enhance corporate value by sincerely engaging itself in corporate governance, strict compliance and risk management and further heightening the transparency and soundness of its corporate management.

## (Outlook of consolidated results)

(Unit: thousand yen)

	Actual results for the fiscal year ended June 2019	Forecast for the fiscal year ending June 2020	Change	Rate of change (%)
Net sales	5,446,396	6,910,000	1,463,603	26.9
Operating profit	943,865	1,070,000	126,134	13.4
Ordinary profit	894,732	1,060,000	165,267	18.5
Profit attributable to owners of parent	550,888	670,000	119,111	21.6

## (Outlook of sales by segment)

(Unit: thousand yen)

Segment		Actual results for the fiscal year ended June 2019	Forecast for the fiscal year ending June 2020	Change	Rate of change (%)
Wi-Fi Business	Residential Wi-Fi Business	4,073,063	5,040,000	966,936	23.7
	Free Wi-Fi Business	1,373,332	1,870,000	496,667	36.2
Total		5,446,396	6,910,000	1,463,603	26.9

Given these circumstances, Fibergate Group forecasts net sales of 6,910,000 thousand yen, operating profit of 1,070,000 thousand yen, ordinary profit of 1,060,000 thousand yen and profit attributable to owners of parent of 670,000 thousand yen for the fiscal year ending June 2020.

Please note that the above-mentioned forecast has been prepared based on the information available as of the announcement date of this document. Accordingly, actual business results may turn out to be different from the forecast figures due to various factors arising going forward.

## (5) Material Events on Going Concern Assumption

Not applicable.



2. Basic Policy Regarding Selection of Accounting Standards

In view of the comparability for the period covered by the consolidated financial statements and inter-company comparability, the Fibergate Group uses Japanese GAAP for the preparation of its consolidated financial statements, based on the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (excluding Chapters 7 and 8) (Ordinance of the Ministry of Finance No. 28 of 1976).

With regard to the application of the International Financial Reporting Standards (IFRS), the Company intends to respond to the application in an appropriate manner, taking into account preparations of internal manuals and guidelines, the dates when they will be put into practice, and the trends and situations regarding IFRS both in and outside Japan, among other factors.

## 3. Consolidated Financial Statements and Significant Notes Thereto

## (1) Consolidated Balance Sheet

(Unit: thousand yen)

	Fiscal year ended Jun. 2018 (as of June 30, 2018)	Fiscal year ended Jun. 2019 (as of June 30, 2019)
<b>Assets</b>		
Current assets		
Cash and deposits	1,118,034	1,058,574
Accounts receivable - trade	918,315	993,170
Merchandise	138,530	255,561
Work in process	-	13,413
Supplies	303	390
Prepaid expenses	31,522	33,923
Other	760	1,095
Allowance for doubtful accounts	(5,182)	(5,051)
Total current assets	2,202,284	2,351,078
Non-current assets		
Property, plant and equipment		
Buildings (net)	10,462	10,540
Tools, equipment and fixtures (net)	1,908,274	2,755,856
Leased assets (net)	101,343	40,302
Construction in progress	-	-
Total property, plant and equipment	2,020,080	2,806,699
Intangible assets		
Software	27,738	54,860
Software in progress	33,631	6,560
Total intangible assets	61,370	61,421
Investments and other assets		
Leasehold deposits	33,725	37,223
Deferred tax assets	37,886	46,605
Claims provable in rehabilitation from bankruptcy and other	469	283
Other	1,493	3,869
Allowance for doubtful accounts	(469)	(283)
Total investments and other assets	73,105	87,698
Total non-current assets	2,154,556	2,955,819
Deferred assets		
Bond issuance costs	7,847	4,960
Total deferred assets	7,847	4,960
Total assets	4,364,688	5,311,858

(Unit: thousand yen)

	Fiscal year ended Jun. 2018 (as of June 30, 2018)	Fiscal year ended Jun. 2019 (as of June 30, 2019)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	209,993	320,139
Current portion of bonds	299,000	280,000
Current portion of long-term loans payable	370,124	476,941
Lease obligations	74,690	31,306
Accounts payable - other	136,434	211,786
Accrued expenses	19,786	14,090
Income taxes payable	117,046	258,640
Provision for bonuses	22,841	27,708
Other	39,558	86,627
<b>Total current liabilities</b>	<b>1,289,475</b>	<b>1,707,240</b>
<b>Non-current liabilities</b>		
Bonds payable	710,000	430,000
Long-term loans payable	921,011	1,142,549
Lease obligations	47,278	17,862
Liabilities for retirement benefits	12,500	17,100
Other	4,277	15,725
<b>Total non-current liabilities</b>	<b>1,695,067</b>	<b>1,623,237</b>
<b>Total liabilities</b>	<b>2,984,543</b>	<b>3,330,477</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	401,372	426,896
Capital surplus	318,930	344,454
Retained earnings	660,525	1,211,413
Treasury shares	-	(234)
<b>Total shareholders' equity</b>	<b>1,380,828</b>	<b>1,982,530</b>
<b>Accumulated other comprehensive income</b>		
Foreign currency translation adjustment	(683)	(1,149)
<b>Total accumulated other comprehensive income</b>	<b>(683)</b>	<b>(1,149)</b>
<b>Total net assets</b>	<b>1,380,144</b>	<b>1,981,380</b>
<b>Total liabilities and net assets</b>	<b>4,364,688</b>	<b>5,311,858</b>

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income  
(Consolidated Statement of Income)

(Unit: thousand yen)

	Fiscal year ended Jun. 2018 (from Jul. 1, 2017 to Jun. 30, 2018)	Fiscal year ended Jun. 2019 (from Jul. 1, 2018 to Jun. 30, 2019)
Net sales	3,977,485	5,446,396
Cost of sales	1,755,642	2,434,336
Gross profit	2,221,843	3,012,059
Selling, general and administrative expenses	1,661,821	2,068,194
Operating profit	560,022	943,865
Non-operating income		
Interest income	3,299	769
Dividend income	157	309
Subsidy income	4,130	1,000
Other	327	629
Total non-operating income	7,914	2,708
Non-operating expenses		
Interest expenses	26,263	20,847
Foreign exchange losses	3,657	462
Share issuance cost	6,807	-
Listing expenses	11,831	22,470
Other	9,206	8,060
Total non-operating expenses	57,765	51,841
Ordinary profit	510,171	894,732
Extraordinary losses		
Loss on retirement of non-current assets	14,895	12,961
Loss on valuation of investments in capital	999	-
Total extraordinary losses	15,895	12,961
Profit before income taxes	494,276	881,770
Income taxes - current	173,165	339,600
Income taxes - deferred	8,798	(8,718)
Total income taxes	181,963	330,882
Profit	312,312	550,888
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	312,312	550,888

## (Consolidated Statement of Comprehensive Income)

(Unit: thousand yen)

	Fiscal year ended Jun. 2018 (from Jul. 1, 2017 to Jun. 30, 2018)	Fiscal year ended Jun. 2019 (from Jul. 1, 2018 to Jun. 30, 2019)
Profit	312,312	550,888
Other comprehensive income		
Foreign currency translation adjustment	(343)	(465)
Total other comprehensive income	(343)	(465)
Comprehensive income	311,969	550,422
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	311,969	550,422
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statement of Changes in Equity  
Previous fiscal year ended June 2018 (from July 1, 2017 to June 30, 2018)

(Unit: thousand yen)

	Shareholders' equity					Accumulated other comprehensive income		Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of current period	54,300	11,307	348,212	-	413,820	(340)	(340)	413,480
Changes of items during period								
Issuance of new shares	347,072	307,622			654,695			654,695
Profit attributable to owners of parent			312,312		312,312			312,312
Purchase of treasury shares								
Net changes of items other than shareholders' equity						(343)	(343)	(343)
Total changes of items during period	347,072	307,622	312,312	-	967,007	(343)	(343)	966,664
Balance at end of current period	401,372	318,930	660,525	-	1,380,828	(683)	(683)	1,380,144

## Previous fiscal year ended June 2019 (from July 1, 2018 to June 30, 2019)

(Unit: thousand yen)

	Shareholders' equity					Accumulated other comprehensive income		Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of current period	401,372	318,930	660,525	-	1,380,828	(683)	(683)	1,380,144
Changes of items during period								
Issuance of new shares	25,524	25,524			51,048			51,048
Profit attributable to owners of parent			550,888		550,888			550,888
Purchase of treasury shares				(234)	(234)			(234)
Net changes of items other than shareholders' equity						(465)	(465)	(465)
Total changes of items during period	25,524	25,524	550,888	(234)	601,701	(465)	(465)	601,235
Balance at end of current period	426,896	344,454	1,211,413	(234)	1,982,530	(1,149)	(1,149)	1,981,380

## (4) Consolidated Statement of Cash Flows

(Unit: thousand yen)

	Fiscal year ended Jun. 2018 (from Jul. 1, 2017 to Jun. 30, 2018)	Fiscal year ended Jun. 2019 (from Jul. 1, 2018 to Jun. 30, 2019)
Net cash provided by (used in) operating activities		
Profit before income taxes	494,276	881,770
Depreciation	445,729	611,289
Amortization of bond issuance costs	3,051	2,886
Loss on valuation of investments in capital	999	-
Loss on retirement of non-current assets	14,895	12,961
Increase (decrease) in allowance for doubtful accounts	1,076	(316)
Increase (decrease) in provision for bonuses	5,561	4,866
Increase (decrease) in liabilities for retirement benefits	3,300	4,600
Interest and dividend income	(3,457)	(1,078)
Interest expenses	26,263	20,847
Share issuance cost	6,807	-
Listing expenses	11,831	22,470
Decrease (increase) in notes and accounts receivable - trade	(87,294)	(74,855)
Decrease (increase) in inventories	(7,371)	(130,531)
Increase (decrease) in trade payables	36,931	82,731
Foreign exchange losses (gains)	3,556	211
Other	77,395	121,615
Subtotal	1,033,552	1,559,469
Interest and dividend income received	3,457	1,078
Interest expenses paid	(25,313)	(20,953)
Income taxes paid	(203,132)	(193,977)
Net cash provided by (used in) operating activities	808,563	1,345,616
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(1,275,920)	(1,365,755)
Purchase of intangible assets	(46,574)	(20,676)
Payments of leasehold deposits	(6,280)	(4,814)
Other	(73)	1,482
Net cash provided by (used in) investing activities	(1,328,849)	(1,389,763)
Net cash provided by (used in) financing activities		
Proceeds from long-term loans payable	500,000	750,000
Repayments of long-term loans payable	(368,637)	(421,645)
Proceeds from issuance of bonds	496,658	-
Redemption of bonds	(282,000)	(299,000)
Repayments of lease obligations	(111,584)	(72,800)
Proceeds from issuance of common shares	647,888	-
Purchase of treasury shares	-	(234)
Payments of listing-related expenses	(11,831)	(22,470)
Proceeds from exercise of employee share options	-	51,048
Other	(1,710)	-
Net cash provided by (used in) financing activities	868,783	(15,102)
Effect of exchange rate change on cash and cash equivalents	(3,556)	(211)
Net increase (decrease) in cash and cash equivalents	344,940	(59,460)
Balance of cash and cash equivalents at beginning of period	773,093	1,118,034
Balance of cash and cash equivalents at end of period	1,118,034	1,058,574

- (5) Notes to Consolidated Financial Statements  
(Notes on Going Concern Assumption)  
Not applicable.

(Segment information, etc.)

[Segment information]

1. Overview of Reportable Segments

The reportable segments of the Fibergate Group are the Group's constituent units for which separate financial information is available and for which the Board of Directors regularly conducts examinations to determine the allocation of management resources and evaluate business performance.

The reportable segments, which have been identified based on the products and services, comprise the following two segments.

1) Residential Wi-Fi Business

Building, maintenance and administration of network architectures, user support and provision of private brand products, etc. for condominiums and apartments offering a free Internet connection

2) Free Wi-Fi Business

Building, maintenance and administration of free Wi-Fi architectures, user support and provision of private brand products, etc.

2. Methods of Calculating Net Sales, Profit (Loss), Assets, Liabilities and Other Items for Each Reporting Segment

The accounting treatments for the reportable segments are generally the same as those indicated in the Significant Matters that Constitute the Basis for Preparation of Consolidated Financial Statements.

The profit of each reportable segment indicates the figure of operating profit.

3. Information on Net Sales, Profit (Loss), Assets, Liabilities and Other Items for Each Reportable Segment

Previous fiscal year ended June 2018 (from July 1, 2017 to June 30, 2018)

(Unit: thousand yen)

	Reportable segment			Reconciliation (Note 1)	Amount presented in consolidated financial statements (Note 2)
	Residential Wi-Fi Business	Free Wi-Fi Business	Total		
Net sales					
Sales to outside customers	2,862,151	1,115,334	3,977,485	-	3,977,485
Inter-segment sales or transfers	-	-	-	-	-
Total	2,862,151	1,115,334	3,977,485	-	3,977,485
Segment profit	818,012	272,438	1,090,450	(530,428)	560,022
Segment assets	2,706,348	353,202	3,059,551	1,305,137	4,364,688
Other items					
Depreciation	417,454	10,547	428,002	17,727	445,729
Increase in property, plant and equipment and intangible assets	1,266,039	29,861	1,295,900	53,411	1,349,312

(Notes) 1. Details of adjustments are as follows.

- (1) The segment profit adjustment of -530,428 thousand yen represents general and administrative expenses not allocated to respective reportable segments.
  - (2) The segment asset adjustment of 1,305,137 thousand yen represents corporate assets not allocated to respective reportable segments.  
Corporate assets mainly comprise surplus operating funds (cash and deposits).
  - (3) The depreciation adjustment of 17,727 thousand yen represents depreciation of corporate assets not allocated to respective reportable segments.
  - (4) The adjustment of increase in property, plant and equipment and intangible assets of 53,411 thousand yen represents an increase in non-current assets of corporate assets not assigned to respective reportable segments.
2. Segment profit has been adjusted with the operating profit in the consolidated financial statements.



Fiscal year ended June 2019 (from July 1, 2018 to June 30, 2019)

(Unit: thousand yen)

	Reportable segment			Reconciliation (Note 1)	Amount presented in consolidated financial statements (Note 2)
	Residential Wi-Fi Business	Free Wi-Fi Business	Total		
Net sales					
Sales to outside customers	4,073,063	1,373,332	5,446,396	-	5,446,396
Inter-segment sales or transfers					
Total	4,073,063	1,373,332	5,446,396	-	5,446,396
Segment profit	1,198,987	369,777	1,568,765	(624,899)	943,865
Segment assets	3,618,286	357,955	3,976,242	1,335,615	5,311,858
Other items					
Depreciation	574,265	8,272,064	582,537	28,751	611,289
Increase in property, plant and equipment and intangible assets	1,369,359	11,108	1,380,467	57,825	1,438,293

(Notes) 1. Details of adjustments are as follows.

- (1) The segment profit adjustment of -624,899 thousand yen represents general and administrative expenses not allocated to respective reportable segments.
  - (2) The segment asset adjustment of 1,335,615 thousand yen represents corporate assets not allocated to respective reportable segments. Corporate assets mainly comprise surplus operating funds (cash and deposits).
  - (3) The depreciation adjustment of 28,751 thousand yen represents depreciation of corporate assets not allocated to respective reportable segments.
  - (4) The adjustment of increase in property, plant and equipment and intangible assets of 57,825 thousand yen represents an increase in non-current assets of corporate assets not allocated to respective reportable segments.
2. Segment profit has been adjusted with the operating profit in the consolidated financial statements.

[Related information]

## 1. Information by product and service

Description is omitted as similar information is disclosed in the segment information.

## 2. Information by geographic area

## (1) Net sales

Not applicable as there is no net sales to external customers outside of Japan.

## (2) Property, plant and equipment

Description is omitted as the amount of property, plant and equipment located in Japan accounts for more than 90% of the amount of property, plant and equipment on the consolidated balance sheet.

## 3. Information by major customer

Description is omitted because, out of net sales to external customers, no party accounts for 10% or more of net sales on the consolidated statement of income.

[Information about impairment loss on non-current assets by reportable segment]

Fiscal year ended June 2018 (from July 1, 2017 to June 30, 2018)

Not applicable.

Fiscal year ended June 2019 (from July 1, 2018 to June 30, 2019)

Not applicable.

[Information about amortization and unamortized balance of goodwill by reportable segment]

Not applicable.

[Information about gain on bargain purchase by reportable segment]

Not applicable.

## (Per Share Information)

	Fiscal year ended Jun. 2018 (from Jul. 1, 2017 to Jun. 30, 2018)	Fiscal year ended Jun. 2019 (from Jul. 1, 2018 to Jun. 30, 2019)
Net assets per share	144.92 yen	202.03 yen
Basic earnings per share	40.81 yen	57.60 yen
Diluted earnings per share	37.73 yen	53.79 yen

- (Notes) 1. The Company conducted a 50-for-1 stock split of its common shares as of December 1, 2017, and a 2-for-1 stock split of its common shares as of September 1, 2018. Accordingly, basic earnings per share and diluted earnings per share have been calculated on the assumption that the stock splits were conducted at the beginning of the previous fiscal year.
2. The Company was listed on the Mothers market of the Tokyo Stock Exchange on March 23, 2018. Accordingly, the diluted earnings per share of the previous fiscal year has been calculated by deeming the average share price for the period from the listing day to the end of the previous fiscal year as the average stock price during fiscal year.
3. The basis for calculation of basic earnings per share and diluted earnings per share is as follows:

	Fiscal year ended Jun. 2018 (from Jul. 1, 2017 to Jun. 30, 2018)	Fiscal year ended Jun. 2019 (from Jul. 1, 2018 to Jun. 30, 2019)
Basic earnings per share		
Profit attributable to owners of parent (thousand yen)	312,312	550,888
Amount not attributable to common shareholders (thousand yen)	-	-
Profit attributable to owners of parent for common shares (thousand yen)	312,312	550,888
Average number of common shares during period (shares)	7,652,998	9,563,991
Diluted earnings per share		
Adjustment to profit attributable to owners of parent (thousand yen)	-	-
Increase in number of common shares (shares)	624,120	677,668
(Of which, share acquisition rights (shares))	(624,120)	(677,668)
Description of potentially dilutive shares not included in calculation of diluted earnings per share, because they are antidilutive	-	-

(Significant Subsequent Events)

Matters concerning significant subsequent events

(Stock split and partial amendment to the Articles of Incorporation)

Based on the resolution made at the Board of Directors meeting held on August 9, 2019, the Company will conduct a stock split and make a partial amendment to its Articles of Incorporation as of September 1, 2019

1. Purpose of stock split

The Company aims to create an environment in which investors will find it easier to invest in its shares and thus to enhance the liquidity of the shares and further expand its investor base, by lowering the amount per unit of investment.

2. Overview of stock split

(1) Method of split

With August 31, 2019 (Saturday) set as the record date (practically August 30, 2019 (Friday) as the transfer agent is off duty on August 31), the Company's common shares held by the shareholders listed or recorded on the register of shareholders by the end of the day will be split at a ratio of 2-for-1.

(2) Number of shares to increase through the stock split

- 1) Number of shares issued and outstanding before the stock split: : 9,807,400 shares
- 2) Number of shares to increase through the stock split : 9,807,400 shares
- 3) Total number of shares issued and outstanding after the stock split : 19,614,800 shares
- 4) Total number of authorized shares after the stock split : 33,000,000 shares

(Notes) The total number of shares issued and outstanding and the number of shares to increase indicated above are based on the total number of shares issued and outstanding as of June 30, 2019, and may possibly increase by the record date of the stock split due to exercise of share acquisition rights.

(3) Schedule

- 1) Public announcement of the record date : August 15, 2019 (Thursday)
- 2) Record date : August 31, 2019 (Saturday)
- 3) Effective Date : September 1, 2019 (Sunday)
- 4) Date of recording of increase : September 2, 2019 (Monday)

(Notes) The record date indicated above, when the transfer agent will be off duty, should practically be August 30, 2019 (Friday).

(4) Change in share capital

The stock split will make no change to the amount of the Company's share capital.

(5) Adjustment to exercise of share acquisition rights

In accordance with the stock split, the Company will adjust the exercise price per share of share acquisition rights to be exercised on September 1, 2019 and thereafter as follows:

Name	Exercise price before adjustment	Exercise price after adjustment
Fourth share acquisition rights	180 yen	90 yen
Fifth share acquisition rights	424 yen	212 yen

(6) Impact on per share information

The per share information based on the assumption that the stock split was conducted at the beginning of the previous fiscal year is as follows:

	Fiscal year ended Jun. 2018 (from Jul. 1, 2017 to Jun. 30, 2018)	Fiscal year ended Jun. 2019 (from Jul. 1, 2018 to Jun. 30, 2019)
Basic earnings per share	20.41 yen	28.80 yen
Diluted earnings per share	18.87 yen	26.89 yen

3. Partial amendment to Articles of Incorporation

(1) Reason for amendment

In accordance with the stock split, the Company will amend the number of authorized shares set forth in Article 6 of its Articles of Incorporation as of September 1, 2019 (Sunday), based on the resolution by the Board of Directors pursuant to Article 184-2 of the Companies Act.

(2) Description of amendment

Current Articles of Incorporation	Articles of Incorporation after amendment
Article 6 (Number of authorized shares) The number of authorized shares of the Company shall be <u>16,500,000</u> shares.	Article 6 (Number of authorized shares) The number of authorized shares of the Company shall be <u>33,000,000</u> shares.

(Notes) The underlined part indicates the change.

(3) Schedule of Amendment to Articles of Incorporation

- 1) Date of resolution by Board of Directors on amendment to Articles of Incorporation : August 9, 2019 (Friday)
- 2) Effective Date : September 1, 2019 (Sunday)